

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Boston Public Market Association and Affiliate
Boston, Massachusetts

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Boston Public Market Association and Affiliate (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boston Public Market Association and Affiliate as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Boston Public Market Association and Affiliate as of December 31, 2019, were audited by other auditors whose report dated February 12, 2021, expressed an unmodified opinion on those statements.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
August 3, 2021

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 443,712	\$ 420,750	\$ 864,462	\$ 316,692	\$ 63,221	\$ 379,913
Current portion of cash - tenant security deposits	81,081	-	81,081	93,666	-	93,666
Accounts receivable, net	19,420	-	19,420	69,264	-	69,264
Inventory	3,402	-	3,402	5,942	-	5,942
Prepaid expenses	4,082	-	4,082	18,944	-	18,944
Total current assets	<u>551,697</u>	<u>420,750</u>	<u>972,447</u>	<u>504,508</u>	<u>63,221</u>	<u>567,729</u>
PROPERTY AND EQUIPMENT, NET	<u>10,299,544</u>	<u>-</u>	<u>10,299,544</u>	<u>10,845,316</u>	<u>-</u>	<u>10,845,316</u>
OTHER ASSETS						
Cash - tenant security deposits, net of current portion	63,199	-	63,199	55,547	-	55,547
Restricted cash	111,223	-	111,223	110,981	-	110,981
Security deposit	3,167	-	3,167	3,167	-	3,167
Total other assets	<u>177,589</u>	<u>-</u>	<u>177,589</u>	<u>169,695</u>	<u>-</u>	<u>169,695</u>
Total assets	<u>\$ 11,028,830</u>	<u>\$ 420,750</u>	<u>\$ 11,449,580</u>	<u>\$ 11,519,519</u>	<u>\$ 63,221</u>	<u>\$ 11,582,740</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current portion of notes payable	\$ 134,327	\$ -	\$ 134,327	\$ 16,792	\$ -	\$ 16,792
Accounts payable and accrued expenses	342,441	-	342,441	396,498	-	396,498
Advanced rental payments	-	-	-	28,152	-	28,152
Current portion of tenant security deposits	81,081	-	81,081	93,666	-	93,666
Total current liabilities	<u>557,849</u>	<u>-</u>	<u>557,849</u>	<u>535,108</u>	<u>-</u>	<u>535,108</u>
LONG-TERM LIABILITIES						
Tenant security deposits, net of current portion	63,199	-	63,199	55,547	-	55,547
Advanced royalties	475,000	-	475,000	425,000	-	425,000
Notes payable, net of current portion	701,748	-	701,748	542,167	-	542,167
Total long-term liabilities	<u>1,239,947</u>	<u>-</u>	<u>1,239,947</u>	<u>1,022,714</u>	<u>-</u>	<u>1,022,714</u>
NET ASSETS						
Without donor restrictions:						
Operating	(501,785)	-	(501,785)	(324,660)	-	(324,660)
Property and equipment	9,732,819	-	9,732,819	10,286,357	-	10,286,357
Total without donor restrictions	<u>9,231,034</u>	<u>-</u>	<u>9,231,034</u>	<u>9,961,697</u>	<u>-</u>	<u>9,961,697</u>
With donor restrictions:						
Total net assets	<u>-</u>	<u>420,750</u>	<u>420,750</u>	<u>-</u>	<u>63,221</u>	<u>63,221</u>
Total net assets	<u>9,231,034</u>	<u>420,750</u>	<u>9,651,784</u>	<u>9,961,697</u>	<u>63,221</u>	<u>10,024,918</u>
Total liabilities and net assets	<u>\$ 11,028,830</u>	<u>\$ 420,750</u>	<u>\$ 11,449,580</u>	<u>\$ 11,519,519</u>	<u>\$ 63,221</u>	<u>\$ 11,582,740</u>

See notes to consolidated financial statements.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Years Ended					
	December 31, 2020			December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Market rental	\$ 555,348	\$ -	\$ 555,348	\$ 1,541,462	\$ -	\$ 1,541,462
Special events	17,949	-	17,949	194,427	-	194,427
Donated services	24,581	-	24,581	12,760	-	12,760
Grants and contributions	912,871	400,000	1,312,871	9,602	-	9,602
Other income	-	-	-	5,438	-	5,438
Net assets released from restrictions	-	-	-	-	-	-
Total revenues	<u>1,510,749</u>	<u>400,000</u>	<u>1,910,749</u>	<u>1,763,689</u>	<u>-</u>	<u>1,763,689</u>
EXPENSES						
Program services	1,506,783	-	1,506,783	1,738,733	-	1,738,733
Fundraising	62,279	-	62,279	77,650	-	77,650
General and administrative	136,780	-	136,780	212,260	-	212,260
Total operating expenses before depreciation	<u>1,705,842</u>	<u>-</u>	<u>1,705,842</u>	<u>2,028,643</u>	<u>-</u>	<u>2,028,643</u>
Change in net assets from operations before depreciation	<u>(195,093)</u>	<u>400,000</u>	<u>204,907</u>	<u>(264,954)</u>	<u>-</u>	<u>(264,954)</u>
DEPRECIATION	<u>578,041</u>	<u>-</u>	<u>578,041</u>	<u>579,199</u>	<u>-</u>	<u>579,199</u>
Change in net assets from operations	<u>(773,134)</u>	<u>400,000</u>	<u>(373,134)</u>	<u>(844,153)</u>	<u>-</u>	<u>(844,153)</u>
NON-OPERATING REVENUE AND EXPENSES						
Donated services - capital	-	-	-	30,000	-	30,000
Loss on disposal of property and equipment	-	-	-	(23,073)	-	(23,073)
Net assets released from campaign restrictions	42,471	(42,471)	-	166,654	(166,654)	-
Total non-operating revenue and expenses	<u>42,471</u>	<u>(42,471)</u>	<u>-</u>	<u>173,581</u>	<u>(166,654)</u>	<u>6,927</u>
Change in net assets	<u>(730,663)</u>	<u>357,529</u>	<u>(373,134)</u>	<u>(670,572)</u>	<u>(166,654)</u>	<u>(837,226)</u>
NET ASSETS - BEGINNING OF YEAR	<u>9,961,697</u>	<u>63,221</u>	<u>10,024,918</u>	<u>10,632,269</u>	<u>229,875</u>	<u>10,862,144</u>
NET ASSETS - END OF YEAR	<u>\$ 9,231,034</u>	<u>\$ 420,750</u>	<u>\$ 9,651,784</u>	<u>\$ 9,961,697</u>	<u>\$ 63,221</u>	<u>\$ 10,024,918</u>

See notes to consolidated financial statements.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

	Years Ended							
	December 31, 2020				December 31, 2019			
	Program Services	Fundraising	Management and General	Total Expenses	Program Services	Fundraising	Management and General	Total Expenses
PAYROLL AND RELATED								
Salaries	\$ 386,518	\$ 34,687	\$ 74,330	\$ 495,535	\$ 472,669	\$ 42,419	\$ 90,898	\$ 605,986
Employee benefits	45,608	4,093	8,771	58,472	65,285	5,444	12,204	82,933
Payroll taxes	32,476	2,915	6,246	41,637	38,406	3,203	7,179	48,788
Total payroll and related expenses	<u>464,602</u>	<u>41,695</u>	<u>89,347</u>	<u>595,644</u>	<u>576,360</u>	<u>51,066</u>	<u>110,281</u>	<u>737,707</u>
OTHER								
Utilities	206,123	285	610	207,018	342,089	624	1,337	344,050
Meals program	198,180	-	-	198,180	-	-	-	-
Occupancy	134,486	4,123	8,836	147,445	131,416	4,062	8,704	144,182
Repairs and maintenance	135,129	-	-	135,129	155,196	-	-	155,196
Security and custodial	126,354	-	-	126,354	310,541	-	-	310,541
Professional services	82,715	7,423	15,907	106,045	25,571	-	51,472	77,043
Interest	36,535	3,279	7,026	46,840	42,088	-	-	42,088
Insurance	36,070	3,237	6,936	46,243	32,009	-	7,561	39,570
Marketing and advertising	44,587	-	-	44,587	61,738	-	-	61,738
Program supplies	23,174	-	-	23,174	21,247	-	-	21,247
Office supplies and internet	11,747	1,054	2,259	15,060	16,804	1,508	3,232	21,544
Cost of sales	7,413	665	1,426	9,504	18,393	-	-	18,393
Interest - amortization	4,530	407	871	5,808	4,000	-	-	4,000
Donated professional services	-	-	4,920	4,920	-	-	12,760	12,760
Miscellaneous	2,198	-	-	2,198	19,674	-	7,071	26,745
Events	-	744	-	744	-	20,390	-	20,390
Conferences, travel and staff development	353	32	68	453	-	-	4,243	4,243
Bad debt	-	-	-	-	-	-	5,599	5,599
Total other expenses	<u>1,049,594</u>	<u>21,249</u>	<u>48,859</u>	<u>1,119,702</u>	<u>1,180,766</u>	<u>26,584</u>	<u>101,979</u>	<u>1,309,329</u>
Total expenses before depreciation	1,514,196	62,944	138,206	1,715,346	1,757,126	77,650	212,260	2,047,036
Less - cost of sales netted with revenues on the consolidated statements of activities and changes in net assets	<u>(7,413)</u>	<u>(665)</u>	<u>(1,426)</u>	<u>(9,504)</u>	<u>(18,393)</u>	<u>-</u>	<u>-</u>	<u>(18,393)</u>
Total expenses included in the consolidated statements of activities and changes in net assets before depreciation	1,506,783	62,279	136,780	1,705,842	1,738,733	77,650	212,260	2,028,643
DEPRECIATION	<u>450,872</u>	<u>40,463</u>	<u>86,706</u>	<u>578,041</u>	<u>578,495</u>	<u>224</u>	<u>480</u>	<u>579,199</u>
Total operating expenses	<u>\$ 1,957,655</u>	<u>\$ 102,742</u>	<u>\$ 223,486</u>	<u>\$ 2,283,883</u>	<u>\$ 2,317,228</u>	<u>\$ 77,874</u>	<u>\$ 212,740</u>	<u>\$ 2,607,842</u>

See notes to consolidated financial statements.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (373,134)	\$ (837,226)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Bad debt expense (recovery)	-	5,599
Amortization of debt issuance costs	5,808	4,000
Depreciation	578,041	579,199
Donated services- capital		(30,000)
Loss on disposal of property and equipment	-	23,073
(Increase) decrease in operating assets:		
Accounts receivable	49,844	20,645
Inventory	2,540	3,163
Prepaid expenses	14,862	(2,768)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(54,057)	(13,075)
Advanced rental payments and royalties	21,848	318,554
Tenant security deposits	(4,933)	30,230
Net cash used by operating activities	<u>240,819</u>	<u>101,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	16,986
Purchase of property and equipment	(32,269)	(37,683)
Net cash used by investing activities	<u>(32,269)</u>	<u>(20,697)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	288,100	-
Payments on note payable	(16,792)	(124,566)
Payments of debt issuance costs	-	(15,041)
Net cash provided (used) by investing activities	<u>271,308</u>	<u>(139,607)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	479,858	(58,910)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>640,107</u>	<u>699,017</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,119,965</u>	<u>\$ 640,107</u>

See notes to consolidated financial statements.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2020	2019
The table below provides a reconciliation of cash, cash equivalents and restricted cash reported on the consolidated statements of financial position to the totals shown above in the consolidated statements of cash flows:		
Cash and cash equivalents	\$ 864,462	\$ 379,913
Tenant security deposits	144,280	149,213
Restricted cash	111,223	110,981
Total cash, cash equivalents and restricted cash	<u>\$ 1,119,965</u>	<u>\$ 640,107</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash paid during the year for:

Interest	\$ 25,684	\$ 52,588
Taxes	-	-

See notes to consolidated financial statements.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. OPERATIONS AND NONPROFITS STATUS

Operations –

Founded in 2001, the Boston Public Market Association (BPMA or the Organization) is a Massachusetts not-for-profit corporation that aims to bring healthy, affordable, locally sourced foods to the Boston area creating a healthier, stronger community. BPMA's mission is to operate a permanent year-round market in Boston that provides fresh, healthy food to consumers of all income levels and nourishes our community. BPMA also educates the public about food sources, nutrition and preparation, provides small business support to market vendors, and contributes an additional free, public, civic space to the City of Boston.

In 2012, BPMA was designated by the Commonwealth of Massachusetts as the developer and operator of the Boston Public Market: a 28,000 square foot indoor retail location in the Haymarket T station building along Boston's Greenway. Currently, the Boston Public Market (the Market) is the only year-round, indoor, locally sourced market of its kind in the United States—most of what is sold either originates or is produced in New England. The Market integrates education about healthy eating, local production and sustainability into the market experience through experiential learning. The Market opened to the public in July 2015.

In addition to operating the year-round market, BPMA runs seasonal farmers markets in downtown Boston and the seaport area offering fresh food, free educational events, and information on the Market to a diverse customer base. Since 2010, BPMA's markets have participated in the Boston Bounty Bucks Program an incentive-based program that allows customers with Supplemental Nutrition Assistance Program (SNAP) benefits to use their Electronic Benefit Transfer (EBT) cards at farmers markets and provides a dollar-for-dollar match on market products. Through the Boston Bounty Bucks Program and the new Health Incentives Program (HIP), BPMA helps create healthy, sustainable food alternatives for those in underserved communities.

In January 2018, BPMA formed Grow BPMA LLC (the LLC), a Massachusetts Limited Liability Company, for the purpose of supporting BPMA and its mission. BPMA is the sole member of the LLC.

During 2018, the LLC executed an agreement with HMS Host (Host), a food and beverage developer, in which the LLC will license their name to Host in order to open the Boston Public Market at Logan (the Market at Logan). Host will be paying BPMA royalty fees for the licensing of the Boston Public Market brand. The Market at Logan was projected to open in 2020, but the opening was delayed due to the COVID-19 Pandemic. BPMA expects that Boston Public Market at Logan will open in the third quarter of 2021. Host began making advanced royalty payments in September 2018.

Nonprofit Status –

BPMA is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). BPMA is also exempt from state income taxes. Donors may deduct contributions made to BPMA within IRC requirements. The LLC has elected to be treated as a disregarded entity for income tax purposes.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation –

The accompanying consolidated financial statements include the accounts of BPMA and the LLC. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Basis of Presentation –

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Measure of Operations –

The consolidated statements of activities and changes in net assets present operating revenue and expenses from program activities as changes in net assets from operations. Activity related to the disposal of property and equipment, donated professional services relating to a note payable refinance and campaign restricted net asset release is included as nonoperating revenue and expenses in the accompanying consolidated statements of activities and changes in net assets.

Use of Estimates –

Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the consolidated financial statements in accordance GAAP. Actual results experienced by the Organization may differ from those estimates.

Date of Management’s Review –

Subsequent events have been evaluated by management through August 3, 2021, the date the consolidated financial statements were available to be issued.

Cash, Cash -Tenant Security Deposits and Restricted Cash –

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted for long-term purposes, to be cash and cash equivalents.

Cash - tenant security deposits include refundable cash payments collected from vendors renting space in the year-round market according to each vendor lease agreement.

Restricted cash represents a required cash reserve as part of the Coastal Enterprises, Inc. note payable equal to approximately twelve months of debt service payments.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts –

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on experience and other circumstances which may affect the ability of BPMA to collect the receivables. Accounts receivable in the accompanying consolidated statements of financial position is reported net of an allowance for uncollectible accounts of \$2,800 as of December 31, 2020 and 2019.

Inventory –

Inventory consists of reusable shopping bags and other Market memorabilia sold at the year-round market and is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method), or net realizable value. Sales of inventory is included in other income and is reflected net of cost of goods sold of \$9,504 and \$18,393 for the years ended December 31, 2020 and 2019, respectively.

Debt Issuance Costs –

Debt issuance costs are presented net of notes payable and are amortized over the period the related obligation.

Property and Equipment –

Property and equipment are recorded at cost on the date of acquisition. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is recorded using the straight-line method over estimated useful lives ranging from five to twenty-five years.

Paycheck Protection Program Loan –

The Organization has elected to account for their Paycheck Protection Program (PPP) loan in accordance with FASB ASC 470: *Debt*. Accordingly, the outstanding principal amount owed on the loan is recognized in long-term debt in the accompanying consolidated statements of financial position and any accrued interest is recognized in accrued expenses. When the Organization is legally released from the debt, or forgiveness is granted, the corresponding outstanding principal and accrued interest will be derecognized and a gain on extinguishment will be recognized into income and presented as a separate line item in the accompanying consolidated statements of activities and changes in net assets.

Net Assets –

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by BPMA. BPMA has grouped its net assets without donor restrictions into the following categories.

Operating net assets: Represents funds available to carry on the operations of BPMA.

Property and equipment net assets: Reflects the net book value and account for the activities relating to BPMA's property and equipment, net of related debt.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued) –

Net assets with donor restrictions represent grants and contributions whose use has been restricted by donors for a specific time, purpose or for campaign purposes.

If donor restricted contribution criteria are met and the funds are released in the same year, the contribution is considered without donor restriction.

Revenue Recognition –

In accordance with Topic 958, BPMA must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that BPMA should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grants and contributions without donor restrictions are recorded as revenue when unconditionally received or pledged. Revenues from donor restricted grants and contributions are recorded as revenue and net assets with donor restrictions when BPMA receives a commitment. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions as costs are incurred or time or program restrictions have lapsed.

BPMA rents space to local vendors in its seasonal and year-round markets. Rental fees are received and recorded as advanced rental payments until the month begins, at which time the fees are recognized as market rental income.

Special events revenue is from BPMA's signature Harvest Party fundraising event, as well as other events held during the year in which revenues are recognized at the time of the event. Special events revenue consists of both contributions and sales. The contribution portion of the special events revenue is recognized as revenue when unconditionally committed or received. The sales portion of the special event income is derived from various components, including ticket sales and program ads, in which the transaction price is determined annually. Fees collected in advance of the special events are initially recorded as deferred revenue (contract liabilities) and are only recognized in the consolidated statements of activities and changes in net assets after the special event has occurred and the performance obligation has been met. There was no deferred revenue for special events as of December 31, 2020 and 2019, as fees were collected, and the events were held in the same period.

Contributions of services are reported as revenue and expenses without donor restrictions at the fair value of the service received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenue and expenses without donor restrictions at the time the goods or space is received.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued) –

Royalty fees received in advance of the opening of the Market at Logan are recorded as a contract liability and shown as advanced royalties in the accompanying consolidated statements of financial position and will offset future royalty revenue beginning in 2021 prorata over eighteen months.

Contract Balances –

Contract liabilities were as follows:

	<u>December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contract liability	<u>\$ 475,000</u>	<u>\$ 425,000</u>	<u>\$ 100,000</u>

Functional Expenses –

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and fringe benefits, which are allocated on the basis of full-time employees in each category. Occupancy costs and depreciation are separately identifiable and attributable to the Market and the office space and are considered direct costs. Supplies and other costs are allocated based on usage studies.

Advertising –

The Organization expenses advertising costs as incurred. During the years ended December 31, 2020 and 2019 the Organization incurred advertising expenses in the amounts of \$9,265 and \$12,119, respectively.

Income Taxes –

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to the Organization's exempt function. The Organization may be subject to federal and state income taxes for profits generated from trade or business activities unrelated to the Organization's exempt function. As of December 31, 2020 and 2019, management believes that the Organization has not generated any unrelated business taxable income.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued) –

BPMA accounts for uncertainty in income taxes in accordance with ASC Topic 740, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. BPMA has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2020 and 2019. BPMA's information returns are subject to examination by the Federal and state jurisdictions.

Reclassifications –

Certain amounts in the prior year consolidated financial statements have been reclassified to conform with the current year presentation.

3. CONCENTRATION AND CONTINGENCIES

Concentration of Credit Risk –

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in several bank deposit and money market accounts. The bank balances at times may exceed the federally insured limits. If any of the financial institutions holding accounts were to fail, amounts exceeding the federally insured limit would be subject to loss. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

COVID-19 –

As a result of the continued spread of the COVID-19 coronavirus (COVID-19), economic uncertainties have arisen which may impact the Organization's 2021 operating results. The Organization's operating expenses are primarily payroll, professional fees and costs associated with operating the market. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operation is uncertain.

Disputed Liability –

BPMA is disputing certain maintenance and property management expenses that have been invoiced by the Massachusetts Department of Transportation (MDOT) as lessor of the leased space for the Market. While MDOT is seeking payment in connection with these disputed invoices, BPMA asserts it is not liable for these costs as the costs incurred are not specific to BPMA's occupancy in the building and partially out of the scope of the lease agreement. It is BPMA's opinion that any potential settlement in excess of what is accrued at December 31, 2020, would not be material to the accompanying consolidated financial statements.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

4. LIQUIDITY AND FUNDS AVAILABLE

BPMA's financial assets available within one year from the consolidated statements of financial position date of December 31, 2020 and 2019, for general operating expenses are as follows:

	December 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 843,712	\$ 316,692
Accounts receivable	19,420	69,264
	\$ 863,132	\$ 385,956
Financial assets available to meet operating needs for general expenditures within one year	\$ 863,132	\$ 385,956

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due throughout the year. The Organization receives significant contributions without donor restrictions and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2020	2019
Year-round market building improvements	\$ 12,129,363	\$ 12,109,713
Market equipment and furniture	1,248,942	1,236,323
Computers and office equipment	22,278	22,278
Market tents	18,005	18,005
	13,418,588	13,386,319
Less: Accumulated depreciation	3,119,044	2,541,003
	\$ 10,299,544	\$ 10,845,316

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$578,041 and \$579,199, respectively.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

6. NOTES PAYABLE

Notes payable consists of the following:

	December 31,	
	2020	2019
Note payable, including accrued interest, to Coastal Enterprises, Inc., a nonprofit corporation, through December 27, 2027, as more fully described below.	\$ 583,208	\$ 600,000
Economic Injury Disaster Loan (EIDL) with the Small Business Administration totaling \$150,000. EIDL proceeds can be used to cover a wide array of working capital and normal operating expenses, such as continuation of health care benefits, rent, utilities and fixed debt payments. The note bears interest at 2.75% and is collateralized by substantially all assets of the Organization. Monthly payments of \$641 are due two years from origination of the note through 2050.	150,000	-
Paycheck Protection Program loan, with interest at 1% per annum and a maturity date of April 2022. Pursuant to the terms of the loan, the Organization may apply for forgiveness of the amount due on the loan in an amount equal to certain payroll costs, utilities, rent and mortgage interest incurred over a 24-week period from the time the loan is obtained. Provided the loan amount is used to pay these costs and the Organization maintains certain employment benchmarks, the loan will be forgiven	138,100	-
	871,308	600,000
Less: current portion	134,327	16,792
Less: unamortized debt issuance costs	35,233	41,041
Long-term debt, less current portion and unamortized debt issuance costs	\$ 701,748	\$ 542,167

In September 2014, BPMA entered into a \$3,000,000 revolving line of credit agreement with The Conservation Fund, a nonprofit corporation. Borrowings under the agreement were available for operations and temporary bridge financing in relation to the construction of the year-round market which was completed in 2015. This agreement was secured by an interest in BPMA's lease with MDOT (see Note 8). Interest accrued annually at 3% through September 2018, at which time all outstanding principal and interest was due. The agreement was extended through March 4, 2019. With this extension, the interest rate increased to 4.6% through January 3, 2019, at which time the rate increased to 6.6%.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

6. NOTES PAYABLE (Continued)

In February 2019, BPMA refinanced this note payable with Coastal Enterprises, Inc., a nonprofit corporation, through December 31, 2026. BPMA made a payment of \$142,678 to The Conservation Fund (representing a principal payment of \$124,566 and interest of \$18,112) and refinanced the remaining amount due of \$600,000 through Coastal Enterprises, Inc. Interest will accrue annually on the outstanding balance at 7.5%. This note had an interest only period through December 2019. Monthly payments of \$9,235 representing principal and interest commenced in January 2020.

In May 2020, BPMA entered into a Change in Terms Agreement with Coastal Enterprise, Inc. extending the note payable through June 2027. The terms allowed BPMA to defer payments of principal and interest for five months and provide an interest only payment for September 2020. BPMA subsequently entered into two Change in terms agreements in September 2020 and January 2021, which further deferred principal payments and extended interest only payments through March 2021. Additionally, the maturity date of the note payable was further extended to December 2027.

This note is guaranteed by the LLC (see Note 1) and secured by a first security interest in all business assets of BPMA, an assignment of leases and rents with all vendors of the Market, assignment of the license agreement with Host (see Note 1), an assignment of key person life insurance on the CEO, and a cash reserve of approximately \$111,000, which represents the restricted cash.

Debt issuance costs related to this note payable totaling \$45,041 is being amortized over the terms of the note payable. The amortization expense on debt issuance costs was \$5,808 and \$4,000 for the years ended December 31, 2020 and 2019, respectively. Amortization expense is estimated to be \$5,808 over the next five years.

Accrued interest on notes payable totaled \$21,156 as of December 31, 2020 and is included in accounts payable and accrued expenses on the consolidated statements of financial position. There was no accrued interest as of December 31, 2019.

Future minimum principal payments on notes payable are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 134,327
2022	128,846
2023	82,584
2024	88,824
2025	95,543
Thereafter	341,184

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following balances:

	December 31,	
	2020	2019
Subject to expenditure for specified purpose:		
Vendor relief	\$ 400,000	\$ -
Campaign to raise funds to construction the Market	20,750	63,221
Total net assets with donor restrictions	\$ 420,750	\$ 63,221

8. LEASES

Lessee –

BPMA leases office space in Boston under a lease agreement that expires on February 28, 2026. BPMA is also responsible for certain real estate taxes and operating costs in excess of the base amounts as defined in the agreement. Rent expense was \$58,906 and \$58,029 for the years ended December 31, 2020 and 2019, respectively, and is included in occupancy in the accompanying consolidated statements of functional expenses.

Future minimum lease payments under this agreement are as follows:

<u>Year Ending December 31,</u>			
2021	\$	41,667	
2022		51,667	
2023		58,667	
2024		60,000	
2025		60,000	
Thereafter		10,000	

In July 2014, BPMA entered into a lease agreement with Massachusetts Department of Transportation (MDOT) for the operation of the Market. The initial term of the lease was five years, with sixteen consecutive five-year renewals, provided BPMA meets certain compliance and performance criteria as outlined in the agreement. No base rent payments are due under this agreement until such time as BPMA produces surplus revenue, as defined in the lease. Surplus revenue is calculated after a capital reserve and an operation reserve are funded on each anniversary date of the opening date of the year-round market, as defined in the lease. Once surplus revenue is achieved, a lump-sum of annual rent, as established by the lease, will be due upon submitting the annual audited consolidated financial statements to MDOT. The annual lump-sum rent is based upon percentage benchmarks of surplus revenue calculated from the audited consolidated financial statements. No base rent was due in 2020 or 2019 and there is no base rent anticipated to be due in 2021.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

8. LEASES (Continued)

Lessor –

BPMA leases space in its year-round market to various local vendors requiring fixed rentals, reimbursement of operating costs (proportionate share of common area maintenance, utilities and real estate taxes), and a percentage of gross sales as defined in the agreements. The lease agreements expire at various times through July 31, 2024, and include base rents ranging from \$292 to \$8,000 per month depending on the lease agreement. Base Market rental income under these tenant leases was approximately \$251,000 and \$723,000 for the years ended December 31, 2020 and 2019, respectively, and is included in market rental revenue in the accompanying consolidated statements of activities and changes in net assets.

In 2020 due to the emergence of the COVID-19 pandemic (see Note 3), BPMA shut down the majority of the Market and waived contractual rental payments through March 2021. Accordingly, no amount was collected for the period of April 2020 through September 2020 while the Market was closed. Once the Market reopened in September 2020, vendors were charged 10% of their previous months sales as rent. This arrangement is expected to continue through the end of the third quarter of 2021, which has been reflected accordingly in the table below.

Future minimum lease payments under these agreements, not including renewal options, common area maintenance or percentage of gross sales rental amounts, are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 130,447
2022	298,552
2023	88,757
2024	23,206

9. DONATED SERVICES

The Organization receives donated services. The estimated fair value for services is determined by the donor or by management. During the years ended December 31, 2020 and 2019, the Organization received pro-bono legal services with a fair value of \$4,920 and \$42,760, respectively, which includes \$4,920 and \$12,760 of donated legal services provided by a member of the Board of Directors of BPMA. During the year ended December 31, 2020, the Organization received \$19,661 in donated rent. In 2019, \$30,000 of donated legal services was related to the refinance of a note payable and has been capitalized as debt issuance costs which will be amortized over the remaining term of the note payable.

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

10. RETIREMENT PLAN

The Organization adopted a retirement savings plan under section 403(b) of the IRC (the Plan). Under the Plan, all employees who have completed at least three months of service are eligible. The Plan allows BPMA to make a discretionary matching contribution. Employees are fully vested in matching contributions. Employer contributions under the Plan were \$4,340 and \$22,485 for the years ended December 31, 2020 and 2019, respectively, and are included in employee benefits in the accompanying consolidated statements of functional expenses.

11. SUBSEQUENT EVENTS

In January 2021, the Organization applied for and obtained a PPP loan under the Economic Aid Act totaling \$138,100. The loan is available to pay payroll costs, utilities, rent, mortgage interest, covered operating expenditures, covered property damage costs, covered supplier costs and covered worker protection expenditures over an 8 to 24-week period from the time the loan is obtained. Provided the loan amount is used to pay these costs and the Organization maintains certain employment benchmarks, the loan will be forgiven. It is the intent of management to use the funds from the loan in accordance with the provisions of the Economic Aid Act and thus it is anticipated the loan will be forgiven. The future effect of the loan forgiveness on the Organization's financial position is unknown at this time.

In March 2021, in accordance with the terms of the note payable with CEI, fifty percent of the cash reserve (approximately \$55,000) was legally released from restriction. In May 2021, the Organization and an unrelated third party entered into a reimbursement agreement whereby the third party has funded the remaining cash reserved required by the note payable. In return, the Organization will pay an annual fee to the third party equal to 0.5% of the required cash reserve.

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