

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
TABLE OF CONTENTS**

	Page
INDEPENDENT AUDITORS' REPORT	1
 FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses.....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	8



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Boston Public Market Association and Affiliate

Opinion

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 statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the 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 and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boston Public Market Association and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Boston Public Market Association and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boston Public Market Association and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
November 11, 2022

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

	December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 461,714	\$ 48,000	\$ 509,714	\$ 443,712	\$ 420,750	\$ 864,462
Current portion of cash - tenant security deposits	86,942	-	86,942	81,081	-	81,081
Accounts receivable, net	28,173	-	28,173	19,420	-	19,420
Grants receivable	73,419	-	73,419	-	-	-
Inventory	1,670	-	1,670	3,402	-	3,402
Prepaid expenses	696	-	696	4,082	-	4,082
Total current assets	<u>652,614</u>	<u>48,000</u>	<u>700,614</u>	<u>551,697</u>	<u>420,750</u>	<u>972,447</u>
PROPERTY AND EQUIPMENT, NET	<u>9,772,645</u>	<u>-</u>	<u>9,772,645</u>	<u>10,299,544</u>	<u>-</u>	<u>10,299,544</u>
OTHER ASSETS						
Cash - tenant security deposits, net of current portion	42,929	-	42,929	63,199	-	63,199
Restricted cash	-	-	-	111,223	-	111,223
Security deposit	3,167	-	3,167	3,167	-	3,167
Total other assets	<u>46,096</u>	<u>-</u>	<u>46,096</u>	<u>177,589</u>	<u>-</u>	<u>177,589</u>
Total assets	<u>\$ 10,471,355</u>	<u>\$ 48,000</u>	<u>\$ 10,519,355</u>	<u>\$ 11,028,830</u>	<u>\$ 420,750</u>	<u>\$ 11,449,580</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current portion of notes payable	\$ 46,958	\$ -	\$ 46,958	\$ 134,327	\$ -	\$ 134,327
Accounts payable and accrued expenses	199,971	-	199,971	342,441	-	342,441
Current portion of tenant security deposits	86,942	-	86,942	81,081	-	81,081
Total current liabilities	<u>333,871</u>	<u>-</u>	<u>333,871</u>	<u>557,849</u>	<u>-</u>	<u>557,849</u>
LONG-TERM LIABILITIES						
Tenant security deposits, net of current portion	42,929	-	42,929	63,199	-	63,199
Advanced royalties	475,000	-	475,000	475,000	-	475,000
Notes payable, net of current portion	622,871	-	622,871	701,748	-	701,748
Total long-term liabilities	<u>1,140,800</u>	<u>-</u>	<u>1,140,800</u>	<u>1,239,947</u>	<u>-</u>	<u>1,239,947</u>
NET ASSETS						
Without donor restrictions:						
Operating	(256,132)	-	(256,132)	(501,785)	-	(501,785)
Property and equipment	9,252,816	-	9,252,816	9,732,819	-	9,732,819
Total without donor restrictions	<u>8,996,684</u>	<u>-</u>	<u>8,996,684</u>	<u>9,231,034</u>	<u>-</u>	<u>9,231,034</u>
With donor restrictions:						
Total net assets	<u>-</u>	<u>48,000</u>	<u>48,000</u>	<u>-</u>	<u>420,750</u>	<u>420,750</u>
Total net assets	<u>8,996,684</u>	<u>48,000</u>	<u>9,044,684</u>	<u>9,231,034</u>	<u>420,750</u>	<u>9,651,784</u>
Total liabilities and net assets	<u>\$ 10,471,355</u>	<u>\$ 48,000</u>	<u>\$ 10,519,355</u>	<u>\$ 11,028,830</u>	<u>\$ 420,750</u>	<u>\$ 11,449,580</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, 2021			December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Market rental	\$ 708,715	\$ -	\$ 708,715	\$ 555,348	\$ -	\$ 555,348
Special events	10,598	-	10,598	17,949	-	17,949
Donated services	-	-	-	24,581	-	24,581
Grants and contributions	165,076	144,000	309,076	912,871	400,000	1,312,871
Gain on forgiveness of notes payable	276,200	-	276,200	-	-	-
Other income	226,753	-	226,753	-	-	-
Net assets released from restrictions	496,000	(496,000)	-	-	-	-
Total revenues	<u>1,883,342</u>	<u>(352,000)</u>	<u>1,531,342</u>	<u>1,510,749</u>	<u>400,000</u>	<u>1,910,749</u>
EXPENSES						
Program services	1,369,058	-	1,369,058	1,506,783	-	1,506,783
Fundraising	60,722	-	60,722	62,279	-	62,279
General and administrative	130,116	-	130,116	136,780	-	136,780
Total operating expenses before depreciation	<u>1,559,896</u>	<u>-</u>	<u>1,559,896</u>	<u>1,705,842</u>	<u>-</u>	<u>1,705,842</u>
Change in net assets from operations before depreciation	<u>323,446</u>	<u>(352,000)</u>	<u>(28,554)</u>	<u>(195,093)</u>	<u>400,000</u>	<u>204,907</u>
DEPRECIATION	<u>578,546</u>	<u>-</u>	<u>578,546</u>	<u>578,041</u>	<u>-</u>	<u>578,041</u>
Change in net assets from operations	<u>(255,100)</u>	<u>(352,000)</u>	<u>(607,100)</u>	<u>(773,134)</u>	<u>400,000</u>	<u>(373,134)</u>
NON-OPERATING REVENUE AND EXPENSES						
Net assets released from campaign restrictions	20,750	(20,750)	-	42,471	(42,471)	-
Total non-operating revenue and expenses	<u>20,750</u>	<u>(20,750)</u>	<u>-</u>	<u>42,471</u>	<u>(42,471)</u>	<u>-</u>
Change in net assets	<u>(234,350)</u>	<u>(372,750)</u>	<u>(607,100)</u>	<u>(730,663)</u>	<u>357,529</u>	<u>(373,134)</u>
NET ASSETS - BEGINNING 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>
NET ASSETS - END OF YEAR	<u>\$ 8,996,684</u>	<u>\$ 48,000</u>	<u>\$ 9,044,684</u>	<u>\$ 9,231,034</u>	<u>\$ 420,750</u>	<u>\$ 9,651,784</u>

See notes to consolidated financial statements.

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

	Years Ended							
	December 31, 2021			December 31, 2020				
	Program Services	Fundraising	Management and General	Total Expenses	Program Services	Fundraising	Management and General	Total Expenses
PAYROLL AND RELATED								
Salaries	\$ 319,038	\$ 28,632	\$ 61,353	\$ 409,023	\$ 386,518	\$ 34,687	\$ 74,330	\$ 495,535
Employee benefits	40,272	3,614	7,745	51,631	45,608	4,093	8,771	58,472
Payroll taxes	27,657	2,482	5,319	35,458	32,476	2,915	6,246	41,637
Total payroll and related expenses	<u>386,967</u>	<u>34,728</u>	<u>74,417</u>	<u>496,112</u>	<u>464,602</u>	<u>41,695</u>	<u>89,347</u>	<u>595,644</u>
OTHER								
Professional services	175,580	13,061	27,987	216,628	82,715	7,423	15,907	106,045
Security and custodial	185,379	-	-	185,379	126,354	-	-	126,354
Utilities	181,922	-	-	181,922	206,123	285	610	207,018
Occupancy	127,208	3,743	8,021	138,972	134,486	4,123	8,836	147,445
Repairs and maintenance	130,876	-	-	130,876	135,129	-	-	135,129
Interest	36,839	3,306	7,084	47,229	36,535	3,279	7,026	46,840
Insurance	34,835	3,126	6,699	44,660	36,070	3,237	6,936	46,243
Program supplies	32,096	-	-	32,096	23,174	-	-	23,174
Marketing and advertising	29,163	-	-	29,163	44,587	-	-	44,587
Miscellaneous	24,851	763	1,634	27,248	2,198	-	-	2,198
Office supplies and internet	17,632	1,582	3,391	22,605	11,747	1,054	2,259	15,060
Cost of sales	8,495	151	324	8,970	7,413	665	1,426	9,504
Interest - amortization	4,530	407	871	5,808	4,530	407	871	5,808
Bad debt	1,117	-	-	1,117	-	-	-	-
Conferences, travel and staff development	63	6	12	81	353	32	68	453
Donated professional services	-	-	-	-	-	-	4,920	4,920
Meals program	-	-	-	-	198,180	-	-	198,180
Events	-	-	-	-	-	744	-	744
Total other expenses	<u>990,586</u>	<u>26,145</u>	<u>56,023</u>	<u>1,072,754</u>	<u>1,049,594</u>	<u>21,249</u>	<u>48,859</u>	<u>1,119,702</u>
Total expenses before depreciation	1,377,553	60,873	130,440	1,568,866	1,514,196	62,944	138,206	1,715,346
Less - cost of sales netted with revenues on the consolidated statements of activities and changes in net assets	<u>(8,495)</u>	<u>(151)</u>	<u>(324)</u>	<u>(8,970)</u>	<u>(7,413)</u>	<u>(665)</u>	<u>(1,426)</u>	<u>(9,504)</u>
Total expenses included in the consolidated statements of activities and changes in net assets before depreciation	1,369,058	60,722	130,116	1,559,896	1,506,783	62,279	136,780	1,705,842
DEPRECIATION	<u>451,599</u>	<u>40,392</u>	<u>86,555</u>	<u>578,546</u>	<u>450,872</u>	<u>40,463</u>	<u>86,706</u>	<u>578,041</u>
Total operating expenses	<u>\$ 1,820,657</u>	<u>\$ 101,114</u>	<u>\$ 216,671</u>	<u>\$ 2,138,442</u>	<u>\$ 1,957,655</u>	<u>\$ 102,742</u>	<u>\$ 223,486</u>	<u>\$ 2,283,883</u>

See notes to consolidated financial statements.

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

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (607,100)	\$ (373,134)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	1,117	-
Amortization of debt issuance costs	5,808	5,808
Depreciation	578,546	578,041
Gain on forgiveness of notes payable	(276,200)	-
(Increase) decrease in operating assets:		
Accounts receivable	(9,870)	49,844
Grants receivable	(73,419)	-
Inventory	1,732	2,540
Prepaid expenses	3,386	14,862
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(142,470)	(54,057)
Advanced rental payments and royalties	-	21,848
Tenant security deposits	(14,409)	(4,933)
Net cash provided (used) by operating activities	<u>(532,879)</u>	<u>240,819</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(51,647)	(32,269)
Net cash used by investing activities	<u>(51,647)</u>	<u>(32,269)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	138,100	288,100
Payments on note payable	(33,954)	(16,792)
Net cash provided by investing activities	<u>104,146</u>	<u>271,308</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(480,380)	479,858
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,119,965</u>	<u>640,107</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 639,585</u>	<u>\$ 1,119,965</u>

See notes to consolidated financial statements.

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

	Years Ended December 31,	
	2021	2020
<p>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:</p>		
Cash and cash equivalents	\$ 509,714	\$ 864,462
Tenant security deposits	129,871	144,280
Restricted cash	-	111,223
	<u>\$ 639,585</u>	<u>\$ 1,119,965</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash paid during the year for:

Interest	\$ 43,104	\$ 25,684
----------	-----------	-----------

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES

Reduction in principal through gain on forgiveness of notes payable	\$ 276,200	\$ -
---	------------	------

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 opened 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 November 11, 2022, 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 represented a required cash reserve as part of the Coastal Enterprises, Inc. note payable equal to approximately twelve months of debt service payments (see Note 6).

**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, 2021 and 2020.

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 \$8,970 and \$9,504 for the years ended December 31, 2021 and 2020, respectively.

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.

Debt Issuance Costs –

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

Paycheck Protection Program Loan –

The Organization has elected to account for their Paycheck Protection Program (PPP) loans in accordance with FASB ASC 470: *Debt*. Accordingly, the outstanding principal amount owed on the loans is recognized in notes payable 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 is derecognized and a gain on forgiveness is recognized into income and presented as a separate line item in the accompanying consolidated statements of activities and changes in net assets. As disclosed in Note 6, the Organization had two PPP loans, both of which were forgiven during the year ended December 31, 2021.

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, 2021 and 2020, as fees were collected, and the events were held in the same period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued) –

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.

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. Under the terms of the original license agreement, the advanced royalties were to offset future royalty revenue beginning in 2021 pro rata over eighteen months. Due to the delayed opening of the Market at Logan, no royalties were earned during the year ended December 31, 2021.

Contract Balances –

Contract liabilities were as follows:

	<u>December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract liability	<u>\$ 475,000</u>	<u>\$ 475,000</u>	<u>\$ 425,000</u>

Employee Retention Tax Credits –

The Employee Retention Tax Credit (ERTC) is a fully refundable tax credit for qualified wages (including qualified health plan expenses) that eligible employers pay their employees. The maximum amount of qualified wages taken into account with respect to each employee for all 2020 calendar quarters is \$10,000, of which 50% is eligible for the ERTC for a total maximum credit of \$5,000 per employee. The Consolidated Appropriations Act of 2021 (CAA) substantially and retroactively expanded the ERTC, allowing some employers not previously eligible under the CARES Act to now be eligible under the CAA and retroactively claim the credit on qualified wages. Changes under the CAA also included modifying and extending the ERTC for six months through June 30, 2021. As a result of the new legislation, eligible employers can now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages (limited to \$10,000 per employee per calendar quarter in 2021) they pay to employees after December 31, 2020, through June 30, 2021. The American Rescue Plan Act of 2021 further extended the ERTC through December 31, 2021 but the Infrastructure Investment and Jobs Act ended the ERTC as of September 30, 2021. The maximum ERTC available is \$7,000 per employee per calendar quarter, for a total of \$21,000 for 2021.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Retention Tax Credits (Continued) –

During the year ended December 31, 2021, the Organization retroactively applied for the ERTC for qualified wages paid during the first and third quarters of 2021 totaling \$73,419. The Organization has elected to account for the ERTC as a conditional grant. The Organization has determined that the conditions were met at the time the qualified wages were paid, and therefore has recognized grant revenue in the consolidated statement of activities and changes in net assets for the year ended December 31, 2021. The Organization has also recognized a receivable of \$73,419 as of December 31, 2021 in the consolidated statement of financial position representing the amount of the ERTC not yet received.

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, 2021 and 2020 the Organization incurred advertising expenses in the amounts of \$6,004 and \$9,265, 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, 2021 and 2020, management believes that the Organization has not generated any unrelated business taxable income.

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, 2021 and 2020. BPMA's information returns are subject to examination by the Federal and state jurisdictions.

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

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.

Disputed Liability –

BPMA was disputing certain maintenance and property management expenses that were invoiced by the Massachusetts Department of Transportation (MDOT) as lessor of the leased space for the Market. While MDOT was seeking payment in connection with these disputed invoices, BPMA asserted it was not liable for these costs as the costs incurred were not specific to BPMA's occupancy in the building and partially out of the scope of the lease agreement. As of December 31, 2020, BPMA had recorded a liability for these costs totaling \$226,753, which was included in accounts payable and accrued expenses on the consolidated statement of financial position.

BPMA and MDOT reached a settlement and amended the lease in November 2022. MDOT relieved BPMA of any outstanding obligations for expenses that predate May 1, 2022. As a result, BPMA recognized \$226,753 related to the settlement of the previously recorded liability, which was included in other income on the consolidated statement of activities and changes in net assets for the year ended December 31, 2021. BPMA was also relieved of its obligation of \$59,831 in charges that had been incurred during the year ended December 31, 2021. This amount was not recorded in the 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, 2021 and 2020, for general operating expenses are as follows:

	December 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 509,714	\$ 843,712
Accounts receivable, net	28,173	19,420
Grants receivable	73,419	-
	<hr/>	<hr/>
Financial assets available to meet operating needs for general expenditures within one year	<hr/> <hr/> \$ 611,306	<hr/> <hr/> \$ 863,132

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

4. LIQUIDITY AND FUNDS AVAILABLE (Continued)

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,	
	2021	2020
Year-round market building improvements	\$ 12,176,795	\$ 12,129,363
Market equipment and furniture	1,251,949	1,248,942
Computers and office equipment	23,487	23,487
Market tents	18,005	16,796
	13,470,236	13,418,588
Less: Accumulated depreciation	3,697,591	3,119,044
	\$ 9,772,645	\$ 10,299,544

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$578,546 and \$578,041, respectively.

6. NOTES PAYABLE

Notes payable consists of the following:

	December 31,	
	2021	2020
Note payable, including accrued interest, to Coastal Enterprises, Inc., a nonprofit corporation, through December 27, 2027, as more fully described below.	\$ 549,254	\$ 583,208

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	150,000
--	---------	---------

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

6. NOTES PAYABLE (Continued)

	December 31,	
	2021	2020
<p>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 was used to pay these costs and the Organization maintained certain employment benchmarks, the loan was eligible for forgiveness. The loan was fully forgiven during the year ended December 31, 2021 and \$138,100 was recognized as gain on forgiveness of notes payable in the consolidated statements of activities and changes in net assets.</p>	-	138,100
	699,254	871,308
Less: current portion	46,958	134,327
Less: unamortized debt issuance costs	29,425	35,233
Long-term debt, less current portion and unamortized debt issuance costs	\$ 622,871	\$ 701,748

In February 2019, BPMA entered into a \$600,000 note payable 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, September 2020, and January 2021, BPMA entered into three separate Change in Terms Agreements with Coastal Enterprise, Inc. The amended terms allowed BPMA to defer payments of principal and interest from April 2020 through August 2020 and provided for interest only payments from September 2020 through March 2021. Additionally, the maturity date of the note payable was 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. In March 2021, in accordance with the terms of the note payable, 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 reserve 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.

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 \$5,808 for the years ended December 31, 2021 and 2020, respectively. Amortization expense is estimated to be \$5,808 over the next four years.

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

6. NOTES PAYABLE (Continued)

Accrued interest on notes payable totaled \$25,281 and \$21,156 as of December 31, 2021 and 2020 and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

Future minimum principal payments on notes payable are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 46,958
2023	75,203
2024	84,303
2025	90,864
2026	97,846
Thereafter	304,080
	\$ 699,254

In January 2021, the Organization applied for and obtained a PPP loan under the Economic Aid Act totaling \$138,100. The loan was 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 was obtained. Provided the loan amount was used to pay these costs and the Organization maintained certain employment benchmarks, the loan was eligible for forgiveness. The loan was fully forgiven during the year ended December 31, 2021, and \$138,100 was recognized as gain on forgiveness of notes payable in the consolidated statements of activities and changes in net assets.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following balances:

	December 31,	
	2021	2020
Subject to expenditure for specified purpose:		
Vendor relief	\$ 48,000	\$ 400,000
Campaign to raise funds to construction the Market	-	20,750
Total net assets with donor restrictions	\$ 48,000	\$ 420,750

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

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 \$53,476 and \$58,906 for the years ended December 31, 2021 and 2020, 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>	
2022	\$ 51,667
2023	58,667
2024	60,000
2025	60,000
2026	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 2021 or 2020 and there is no base rent anticipated to be due in 2022.

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 August 31, 2026, and include base rents ranging from \$292 to \$4,000 per month depending on the lease agreement. Base Market rental income under these tenant leases was approximately \$158,000 and \$251,000 for the years ended December 31, 2021 and 2020, 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 continued throughout the majority of 2021.

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

8. LEASES (Continued)

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>	
2022	\$ 266,760
2023	120,795
2024	68,358
2025	48,000
2026	32,000

9. DONATED SERVICES

The Organization receives donated services. The estimated fair value for services is determined by the donor or by management. During the year ended December 31, 2021, the Organization did not receive donated services. During the year ended December 31, 2020, the Organization received donated services with a fair value of \$24,581, which includes \$4,920 of donated legal services provided by a member of the Board of Directors of BPMA, as well as \$19,661 in donated rent.

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. There were no employer contributions under the Plan for the year ended December 31, 2021. Employer contributions under the Plan were \$4,340 for the year ended December 31, 2020, and are included in employee benefits in the accompanying consolidated statements of functional expenses.

11. SUBSEQUENT EVENT

On February 22, 2022, the license agreement between BMPA and Host was amended. Commencing January 2026, 40% of the royalty revenue due to the Organization each month will be deducted from the advanced royalties until the advanced royalties are paid back.

101 Edgewater Drive
Suite 210
Wakefield, MA 01880

T (781) 914-3400

www.johnsonconnor.com