



FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

BOSTON PUBLIC MARKET ASSOCIATION

Contents
December 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
Boston Public Market Association:

Report on the Financial Statements

We have audited the accompanying financial statements of Boston Public Market Association (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

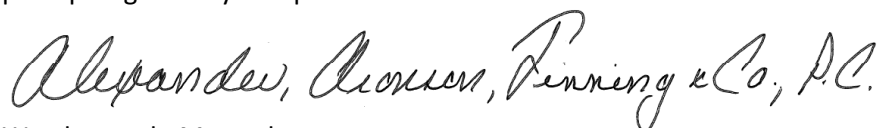
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Boston Public Market Association as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Westborough, Massachusetts
March 31, 2017

BOSTON PUBLIC MARKET ASSOCIATION

Statements of Financial Position
December 31, 2016 and 2015

Assets	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash	\$ 681,308	\$ 300,000	\$ 981,308	\$ 1,999,165	\$ -	\$ 1,999,165
Cash - tenant security deposits	115,693	-	115,693	105,163	-	105,163
Cash - market reserve	250,000	-	250,000	-	-	-
Current portion of pledges and grants receivable	26,241	265,000	291,241	382,214	328,950	711,164
Accounts receivable, net	181,071	-	181,071	21,045	-	21,045
Inventory	3,832	-	3,832	4,287	-	4,287
Prepaid expenses	26,298	-	26,298	23,297	-	23,297
Total current assets	1,284,443	565,000	1,849,443	2,535,171	328,950	2,864,121
Cash - Tenant Security Deposits, net of current portion	36,863	-	36,863	31,000	-	31,000
Pledges and Grants Receivable, net of current portion	-	-	-	-	250,000	250,000
Property and Equipment, net	12,540,219	-	12,540,219	13,059,545	-	13,059,545
Total assets	<u>\$ 13,861,525</u>	<u>\$ 565,000</u>	<u>\$ 14,426,525</u>	<u>\$ 15,625,716</u>	<u>\$ 578,950</u>	<u>\$ 16,204,666</u>
Liabilities and Net Assets						
Current Liabilities:						
Note payable	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	152,609	-	152,609	1,170,207	-	1,170,207
Tenant security deposits	115,693	-	115,693	105,163	-	105,163
Total current liabilities	1,268,302	-	1,268,302	1,275,370	-	1,275,370
Tenant Security Deposits, net of current portion	36,863	-	36,863	31,000	-	31,000
Note Payable	-	-	-	1,000,000	-	1,000,000
Total liabilities	<u>1,305,165</u>	<u>-</u>	<u>1,305,165</u>	<u>2,306,370</u>	<u>-</u>	<u>2,306,370</u>
Net Assets:						
Unrestricted:						
Operating	814,672	-	814,672	481,170	-	481,170
Property and equipment	11,491,688	-	11,491,688	12,838,176	-	12,838,176
Market reserve	250,000	-	250,000	-	-	-
Total unrestricted	12,556,360	-	12,556,360	13,319,346	-	13,319,346
Temporarily restricted	-	565,000	565,000	-	578,950	578,950
Total net assets	<u>12,556,360</u>	<u>565,000</u>	<u>13,121,360</u>	<u>13,319,346</u>	<u>578,950</u>	<u>13,898,296</u>
Total liabilities and net assets	<u>\$ 13,861,525</u>	<u>\$ 565,000</u>	<u>\$ 14,426,525</u>	<u>\$ 15,625,716</u>	<u>\$ 578,950</u>	<u>\$ 16,204,666</u>

The accompanying notes are an integral part of these statements.

BOSTON PUBLIC MARKET ASSOCIATION

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue:						
Market rental	\$ 1,256,583	\$ -	\$ 1,256,583	\$ 508,235	\$ -	\$ 508,235
Fundraising event	105,791	-	105,791	-	-	-
Grants and contributions	56,061	9,050	65,111	108,297	-	108,297
Other income	57,162	-	57,162	23,442	-	23,442
Donated services	19,600	-	19,600	473,000	-	473,000
Net assets released from restrictions	23,000	(23,000)	-	577,060	(577,060)	-
Total operating revenue	1,518,197	(13,950)	1,504,247	1,690,034	(577,060)	1,112,974
Operating Expenses:						
Program services	1,969,965	-	1,969,965	1,534,937	-	1,534,937
Fundraising	107,198	-	107,198	113,413	-	113,413
General and administrative	204,020	-	204,020	135,974	-	135,974
Total operating expenses	2,281,183	-	2,281,183	1,784,324	-	1,784,324
Changes in net assets from operations	(762,986)	(13,950)	(776,936)	(94,290)	(577,060)	(671,350)
Non-Operating Revenue:						
Government grants - capital	-	-	-	5,788,784	-	5,788,784
Campaign grants	-	-	-	-	100,000	100,000
Donated services - capital	-	-	-	72,000	-	72,000
Net assets released from campaign restrictions	-	-	-	5,321,027	(5,321,027)	-
Changes in net assets	(762,986)	(13,950)	(776,936)	11,087,521	(5,798,087)	5,289,434
Net Assets:						
Beginning of year	13,319,346	578,950	13,898,296	2,231,825	6,377,037	8,608,862
End of year	<u>\$ 12,556,360</u>	<u>\$ 565,000</u>	<u>\$ 13,121,360</u>	<u>\$ 13,319,346</u>	<u>\$ 578,950</u>	<u>\$ 13,898,296</u>

The accompanying notes are an integral part of these statements.

BOSTON PUBLIC MARKET ASSOCIATION

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (776,936)	\$ 5,289,434
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Campaign grants	-	(100,000)
Government grants - capital	-	(5,788,784)
Donated services - capital	-	(72,000)
Bad debt	13,936	-
Depreciation	572,000	238,246
Changes in operating assets and liabilities:		
Pledges and grants receivable	(12,291)	68,833
Accounts receivable	(173,962)	(19,378)
Inventory	455	(4,287)
Prepaid expenses	(3,001)	(17,936)
Accounts payable and accrued expenses	44,674	(15,760)
Net cash used in operating activities	<u>(335,125)</u>	<u>(421,632)</u>
Cash Flows from Investing Activities:		
Funding of market reserve	(250,000)	-
Acquisition of property and equipment	<u>(1,114,946)</u>	<u>(10,472,099)</u>
Net cash used in investing activities	<u>(1,364,946)</u>	<u>(10,472,099)</u>
Cash Flows from Financing Activities:		
Campaign grants	300,000	1,384,750
Government grants - capital	382,214	6,176,985
Proceeds from note payable	<u>-</u>	<u>500,000</u>
Net cash provided by financing activities	<u>682,214</u>	<u>8,061,735</u>
Net Change in Cash	(1,017,857)	(2,831,996)
Cash:		
Beginning of year	<u>1,999,165</u>	<u>4,831,161</u>
End of year	<u><u>\$ 981,308</u></u>	<u><u>\$ 1,999,165</u></u>
Supplemental Disclosure of Cash Flow Information:		
Property and equipment funded through accounts payable	<u><u>\$ 48,531</u></u>	<u><u>\$ 1,110,803</u></u>

BOSTON PUBLIC MARKET ASSOCIATION

Statements of Functional Expenses

For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Program Services	Fundraising	General and Adminis- trative	Total Expenses	Program Services	Fundraising	General and Adminis- trative	Total Expenses
Payroll and Related:								
Salaries	\$ 393,361	\$ 40,869	\$ 76,629	\$ 510,859	\$ 273,040	\$ 63,982	\$ 48,355	\$ 385,377
Payroll taxes	36,176	3,758	7,047	46,981	24,824	5,907	4,414	35,145
Fringe benefits	33,757	3,507	6,576	43,840	24,800	5,901	4,410	35,111
Total payroll and related	463,294	48,134	90,252	601,680	322,664	75,790	57,179	455,633
Other:								
Depreciation	570,250	875	875	572,000	235,334	1,456	1,456	238,246
Repairs and maintenance	468,932	-	6,368	475,300	133,011	-	3,496	136,507
Advertising	124,213	-	-	124,213	148,837	-	-	148,837
Market expenses	114,620	-	-	114,620	19,741	-	-	19,741
Occupancy	69,239	4,681	9,361	83,281	41,774	10,298	8,563	60,635
Professional services	36,520	-	46,712	83,232	109,180	-	45,522	154,702
Program supplies	31,099	12,009	14,518	57,626	8,689	6,725	6,725	22,139
Events	-	39,432	-	39,432	-	18,576	-	18,576
Insurance	21,491	-	13,283	34,774	10,790	-	9,594	20,384
Interest	31,659	-	-	31,659	24,850	-	-	24,850
Donated professional services	19,600	-	-	19,600	473,000	-	-	473,000
Conferences and travel	2,141	-	15,008	17,149	5,127	-	-	5,127
Bad debt	13,936	-	-	13,936	-	-	-	-
Miscellaneous	34	-	7,643	7,677	1,344	-	3,439	4,783
Supplies	2,937	2,067	-	5,004	596	568	-	1,164
Total operating expenses	<u>\$ 1,969,965</u>	<u>\$ 107,198</u>	<u>\$ 204,020</u>	<u>\$ 2,281,183</u>	<u>\$ 1,534,937</u>	<u>\$ 113,413</u>	<u>\$ 135,974</u>	<u>\$ 1,784,324</u>

The accompanying notes are an integral part of these statements.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Founded in 2001, the Boston Public Market Association (BPMA) 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 demonstration kitchen and classroom. The Market opened to the public in July 2015.

In addition to operating the year-round Market, BPMA runs two seasonal farmers markets in downtown Boston—offering fresh food, free educational events, and information on the Boston Public 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 SNAP (food stamps) 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, BPMA helps create healthy, sustainable food alternatives for those in underserved communities.

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.

SIGNIFICANT ACCOUNTING POLICIES

BPMA prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to FASB Accounting Standards Codification (ASC).

Pledges and Grants Receivable and Allowance for Doubtful Accounts

Pledges and grants receivable are recorded at their net present value when unconditionally committed. An allowance for uncollectible pledges and grants receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. No allowance for doubtful pledges and grants receivable was deemed necessary as December 31, 2016 and 2015.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**SIGNIFICANT ACCOUNTING POLICIES (Continued)****Pledges and Grants Receivable and Allowance for Doubtful Accounts (Continued)**

Pledges and grants receivable are expected to be collected as follows at December 31:

<u>Amounts due within:</u>	<u>2016</u>	<u>2015</u>
One year	\$ 291,241	\$ 711,164
Two years	-	250,000
	<u>291,241</u>	<u>961,164</u>
Less - current portion	<u>291,241</u>	<u>711,164</u>
Long-term pledges and grants receivable	<u>\$ -</u>	<u>\$ 250,000</u>

No discount was recorded at December 31, 2016, as there is no long-term portion of pledge and grants receivable. No discount was recorded at December 31, 2015, as it was immaterial to the accompanying financial statements.

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 2016 statement of financial position is reported net of an allowance for uncollectible accounts of \$13,936. No allowance was deemed necessary as of December 31, 2015.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. 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. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>	<u>2016</u>	<u>2015</u>
Year round market building			
improvements	25 years	\$ 12,109,713	\$ 12,098,758
Market equipment and furniture	5-7 years	1,220,767	1,179,048
Market tents	10 years	18,005	18,005
Computers and office equipment	5-7 years	<u>17,778</u>	<u>17,778</u>
		13,366,263	13,313,589
Less - accumulated depreciation		<u>826,044</u>	<u>254,044</u>
		<u>\$ 12,540,219</u>	<u>\$ 13,059,545</u>

Depreciation expense was \$572,000 and \$238,246 for the years ended December 31, 2016 and 2015, respectively.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 market. Sale of inventory is included in other income and is reflected net of cost of goods sold of approximately \$16,000 and \$12,000 for the years ended December 31, 2016 and 2015, respectively.

Tenant Security Deposits

Tenant security deposits include refundable cash payments collected from vendors renting space in the year-round market according to each vendor lease agreement (see Note 2).

Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by BPMA. BPMA has grouped its unrestricted net assets into the following categories:

- **Operating net assets** represent funds available to carry on the operations of BPMA.
- **Property and equipment net assets** reflect the net book value and account for the activities relating to BPMA's property and equipment.
- **Market reserve net assets** represent funds set aside for a replacement reserve for the payment of capital repair and replacement expenses for the year-round market, as required by a lease agreement with the Massachusetts Department of Transportation (MDOT) (see Note 2).

Temporarily restricted net assets represent grants and contributions whose use has been limited by donors to a specific time period or for a specific purpose. Temporarily restricted net assets are restricted as follows at December 31:

	<u>2016</u>	<u>2015</u>
Capital restrictions	\$ 550,000	\$ 550,000
Program restrictions	15,000	-
Time restrictions	<u>-</u>	<u>28,950</u>
	<u>\$ 565,000</u>	<u>\$ 578,950</u>

Revenue Recognition

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.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Fundraising event and other income is recognized when earned.

Statements of Activities and Changes in Net Assets

The statements of activities and changes in net assets present operating revenues and expenses from program activities as changes in net assets from operations. Activity related to the year-round market campaign (see Note 3) including government capital grants, campaign grants and donated services that were capitalized are included as non-operating revenue in the accompanying 2015 statement of activities and changes in net assets.

Donated Services

During 2016 and 2015, BPMA received donated legal and marketing services valued at \$19,600 and \$545,000, respectively. In 2015 approximately \$72,000 of donated legal services was related to the construction of the year round market (see Note 3), and has been capitalized. These remaining amounts are included in donated services in the accompanying statements of activities and changes in net assets and donated professional services in the accompanying statements of functional expenses. Donated services are recorded based upon the estimated value assigned to them by the donors or by management.

Expense Allocations

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.

Advertising Costs

BPMA expenses advertising costs as they are incurred. Advertising expense was \$124,213 and \$148,837 for the years ended December 31, 2016 and 2015, respectively.

Fair Value Measurements

BPMA follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that BPMA would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

BPMA uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of BPMA. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using level 1 inputs.

Income Taxes

BPMA accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the 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 financial statements at December 31, 2016 and 2015. BPMA's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through March 31, 2017, which is the date the financial statements were available to be issued.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2016 and 2015

2. LEASES

Lessee

BPMA leased office space in Boston under a lease agreement that expired on December 31, 2015. BPMA continued to rent the space as a tenant-at-will under the same terms through March 2016, at which time a new agreement was entered into for the period March 1, 2016 through February 28, 2021. 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 \$54,433 and \$42,800 for the years ended December 31, 2016 and 2015, respectively, and is included in occupancy in the accompanying statements of functional expenses.

Future minimum lease payments under these agreements for the next five years are as follows:

2017	\$ 56,000
2018	\$ 56,000
2019	\$ 56,000
2020	\$ 56,000
2021	\$ 9,333

In July 2014, BPMA entered into a lease agreement with the Massachusetts Department of Transportation (MDOT) for the operation of the year-round public food market. The initial term of the lease is 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 financial statement audit to MDOT. The annual lump-sum rent is based upon percentage benchmarks of surplus revenue calculated from the audited financial statements. No base rent was due in 2016 or 2015.

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 from June 30, 2017 through July 31, 2020, and include base rents ranging from \$259 to \$5,325 per month depending on the lease agreement. Market rental income under these tenant leases was approximately \$1,167,000 and \$474,000 for the years ended December 31, 2016 and 2015, respectively, and is included in market rental income in the accompanying statements of activities and changes in net assets. Future minimum lease payments under these agreements, not including renewal options, common area maintenance or percentage of gross sales rental amounts, are as follows:

2017	\$ 506,644
2018	\$ 191,282
2019	\$ 97,328
2020	\$ 18,373

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2016 and 2015

3. YEAR-ROUND MARKET

In 2013, BPMA launched a significant campaign to raise the funds necessary to construct and launch a permanent year round public market in downtown Boston, Massachusetts (see Note 2). As detailed below, the funds raised, along with a revolving line of credit provided by the Conservation Fund (see Note 5), permitted construction of the Market to be substantially completed during 2015. The fundraising campaign continues in an effort to provide BPMA with funds required for repayment of the line of credit, operations and programming activities related to the year-round market and BPMA's public impact mission.

Construction on this year-round public market began during 2014, and was completed in 2015. BPMA received \$100,000 of grants and contributions in connection with the campaign during the year ended December 31, 2015. BPMA incurred costs of approximately \$11,182,000 associated with this campaign during 2015.

During 2014, BPMA and the Commonwealth of Massachusetts executed a cost reimbursable contract for approximately \$6,500,000 toward the development and construction of the year-round public market. This contract funding is included in the goal for the \$17,000,000 campaign. During 2015, \$5,788,784 was expended and recorded as government grants – capital in the accompanying statement of activities and changes in net assets as of December 31, 2015.

4. CONCENTRATIONS AND CONTINGENCIES

Credit Risk

BPMA maintains its cash balances in two Massachusetts banks. The banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to certain amounts. At certain times during the year, the balances exceeded the FDIC insured limits. BPMA has not experienced any losses in such accounts. Management believes BPMA is not exposed to any significant credit risk on its cash balances.

Pledges and Grants Receivable

Approximately 86% and 52% of BPMA's pledges and grants receivable were due from one and three donors at December 31, 2016 and 2015, respectively (see Note 1). Approximately 41% of BPMA's pledges and grants receivable was due from the Commonwealth of Massachusetts at December 31, 2015. BPMA did not have any outstanding pledges and grants receivable due from the Commonwealth of Massachusetts at December 31, 2016.

Revenue

BPMA received significant funding under a government cost reimbursable contract (see Note 3) for the year ended December 31, 2015. These reimbursements are subject to audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of BPMA as of December 31, 2016 and 2015, or on the changes in its net assets for the years then ended.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2016 and 2015

5. NOTE PAYABLE

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 are available for operations and temporary bridge financing in relation to the construction of the year-round market (see Note 3). This agreement is secured by an interest on BPMA's lease with MDOT (see Note 2). Interest accrues annually at 3%. Interest is due annually in September. All outstanding borrowings and accrued interest under the agreement are due on September 3, 2017. There was an outstanding balance of \$1,000,000 at December 31, 2016 and 2015.

Interest accrued on the outstanding balance is \$30,243 and \$33,563 at December 31, 2016 and 2015, respectively. As of December 31, 2015 \$8,713 of the incurred interest had been capitalized and included in property and equipment and accounts payable and accrued expenses in the accompanying statements of financial position. Interest incurred and expensed once the year-round market opened in July 2015 through December 31, 2015 totaled \$24,850. All interest incurred for the year ended December 31, 2016 was expensed.

6. RELATED PARTY TRANSACTIONS

A Board member of BPMA was the Senior Vice President of an organization which BPMA hired as a project management firm to work with for the duration of construction for the year-round market construction project. The construction project was completed during 2015. BPMA paid this firm \$58,500 for work performed in 2015.

A Board member of BPMA provided donated legal services to BPMA with values of \$19,600 and \$220,000 for 2016 and 2015, respectively.

A Board member of BPMA was the Chief Executive Officer of an organization that provided donated marketing services to BPMA with a value of \$325,000 for 2015. There were no donated marketing services to BPMA for 2016.

7. BPMA OPERATIONS

The year 2016 marked the first full year of operations for the permanent market operated by BPMA. As the permanent market is a new initiative, BPMA had budgeted an operating deficit of \$(214,779) for the year; the actual deficit was \$(190,986). The accompanying statement of activities and changes in net assets for the year ended December 31, 2016 includes an unrestricted deficit of \$(762,986), of which \$572,000 was depreciation expense and the balance of \$(190,986) is an operating deficit. The note payable of \$1,000,000 as described in Note 5 is due in September 2017. Management of BPMA is initiating discussions with The Conservation Fund regarding the note.

At December 31, 2016, BPMA has \$814,672 of unrestricted operating net assets, \$250,000 in market reserves, and \$565,000 in temporarily restricted net assets.

For fiscal year 2017, the second full year of operations of the permanent market, management is budgeting a deficit of \$(79,000) before depreciation expense. This planned deficit will be funded from BPMA's unrestricted net assets. As of March 2017, the permanent market is 100% occupied and all tenants have leases with terms ranging from one to four years.

8. RECLASSIFICATION

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.