

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

**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, 2022 and 2021, 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, 2022 and 2021, 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
May 30, 2023

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 802,738	\$ 125,000	\$ 927,738	\$ 461,714	\$ 48,000	\$ 509,714
Current portion of cash - tenant security deposits	49,430	-	49,430	86,942	-	86,942
Accounts receivable, net	67,688	-	67,688	28,173	-	28,173
Grants receivable	-	-	-	73,419	-	73,419
Inventory	8,033	-	8,033	1,670	-	1,670
Prepaid expenses	5,502	-	5,502	696	-	696
Total current assets	933,391	125,000	1,058,391	652,614	48,000	700,614
PROPERTY AND EQUIPMENT, NET	9,192,483	-	9,192,483	9,772,645	-	9,772,645
OTHER ASSETS						
Cash - tenant security deposits, net of current portion	85,916	-	85,916	42,929	-	42,929
Security deposit	3,167	-	3,167	3,167	-	3,167
Right of use assets - operating leases	172,092	-	172,092	-	-	-
Total other assets	261,175	-	261,175	46,096	-	46,096
Total assets	<u>\$ 10,387,049</u>	<u>\$ 125,000</u>	<u>\$ 10,512,049</u>	<u>\$ 10,471,355</u>	<u>\$ 48,000</u>	<u>\$ 10,519,355</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current portion of notes payable	\$ 78,474	\$ -	\$ 78,474	\$ 46,958	\$ -	\$ 46,958
Current portion of tenant security deposits	49,431	-	49,431	86,942	-	86,942
Current portion of operating lease liabilities	58,192	-	58,192	-	-	-
Accounts payable and accrued expenses	150,597	-	150,597	199,971	-	199,971
Advanced rental payments	26,386	-	26,386	-	-	-
Total current liabilities	363,080	-	363,080	333,871	-	333,871
LONG-TERM LIABILITIES						
Tenant security deposits, net of current portion	85,916	-	85,916	42,929	-	42,929
Advanced royalties	475,000	-	475,000	475,000	-	475,000
Notes payable, net of current portion and unamortized debt issuance costs	549,891	-	549,891	622,871	-	622,871
Operating lease liabilities, net of current portion	123,967	-	123,967	-	-	-
Total long-term liabilities	1,234,774	-	1,234,774	1,140,800	-	1,140,800
NET ASSETS						
Without donor restrictions:						
Operating	85,144	-	85,144	(256,132)	-	(256,132)
Property and equipment	8,704,051	-	8,704,051	9,252,816	-	9,252,816
Total without donor restrictions	8,789,195	-	8,789,195	8,996,684	-	8,996,684
With donor restrictions:	-	125,000	125,000	-	48,000	48,000
Total net assets	8,789,195	125,000	8,914,195	8,996,684	48,000	9,044,684
Total liabilities and net assets	<u>\$ 10,387,049</u>	<u>\$ 125,000</u>	<u>\$ 10,512,049</u>	<u>\$ 10,471,355</u>	<u>\$ 48,000</u>	<u>\$ 10,519,355</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, 2022			December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Market lease revenue	\$ 1,215,945	\$ -	\$ 1,215,945	\$ 690,482	\$ -	\$ 690,482
Special events	180,329	-	180,329	10,598	-	10,598
Less: direct costs of events	(19,614)	-	(19,614)	-	-	-
Net revenue from special events	160,715	-	160,715	10,598	-	10,598
Grants and contributions	691,430	125,000	816,430	165,076	144,000	309,076
Royalties	230,007	-	230,007	18,233	-	18,233
Gain on forgiveness of notes payable	-	-	-	276,200	-	276,200
Other income	100,099	-	100,099	226,753	-	226,753
Net assets released from restrictions	48,000	(48,000)	-	496,000	(496,000)	-
Total revenues	2,446,196	77,000	2,523,196	1,883,342	(352,000)	1,531,342
EXPENSES						
Program services	1,853,603	-	1,853,603	1,369,058	-	1,369,058
Fundraising	69,975	-	69,975	60,722	-	60,722
General and administrative	149,945	-	149,945	130,116	-	130,116
Total operating expenses before depreciation	2,073,523	-	2,073,523	1,559,896	-	1,559,896
Change in net assets from operations before depreciation	372,673	77,000	449,673	323,446	(352,000)	(28,554)
DEPRECIATION	580,162	-	580,162	578,546	-	578,546
Change in net assets from operations	(207,489)	77,000	(130,489)	(255,100)	(352,000)	(607,100)
NON-OPERATING REVENUE AND EXPENSES						
Net assets released from campaign restrictions	-	-	-	20,750	(20,750)	-
Total non-operating revenue and expenses	-	-	-	20,750	(20,750)	-
Change in net assets	(207,489)	77,000	(130,489)	(234,350)	(372,750)	(607,100)
NET ASSETS - BEGINNING OF YEAR	8,996,684	48,000	9,044,684	9,231,034	420,750	9,651,784
NET ASSETS - END OF YEAR	<u>\$ 8,789,195</u>	<u>\$ 125,000</u>	<u>\$ 8,914,195</u>	<u>\$ 8,996,684</u>	<u>\$ 48,000</u>	<u>\$ 9,044,684</u>

See notes to consolidated financial statements.

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

	Years Ended							
	December 31, 2022				December 31, 2021			
	Program Services	Fundraising	Management and General	Total Expenses	Program Services	Fundraising	Management and General	Total Expenses
PAYROLL AND RELATED								
Salaries	\$ 443,386	\$ 39,791	\$ 85,267	\$ 568,444	\$ 319,038	\$ 28,632	\$ 61,353	\$ 409,023
Payroll taxes	33,519	3,008	6,446	42,973	27,657	2,482	5,319	35,458
Employee benefits	28,531	2,560	5,487	36,578	40,272	3,614	7,745	51,631
Total payroll and related expenses	505,436	45,359	97,200	647,995	386,967	34,728	74,417	496,112
OTHER								
Security and custodial	307,608	-	-	307,608	185,379	-	-	185,379
Utilities	257,133	2,432	5,211	264,776	181,922	-	-	181,922
Occupancy	127,837	4,069	8,719	140,625	127,208	3,743	8,021	138,972
Professional services	108,699	8,422	18,046	135,167	175,580	13,061	27,987	216,628
Marketing and advertising	118,798	-	-	118,798	29,163	-	-	29,163
Repairs and maintenance	84,845	-	-	84,845	130,876	-	-	130,876
Events	83,300	-	-	83,300	-	-	-	-
Program supplies	81,360	-	-	81,360	32,096	-	-	32,096
Royalty fees	61,900	-	-	61,900	7,159	-	-	7,159
Insurance	37,507	3,366	7,213	48,086	34,835	3,126	6,699	44,660
Interest	33,137	2,974	6,372	42,483	36,839	3,306	7,084	47,229
Cost of sales	29,366	-	-	29,366	8,495	151	324	8,970
Office supplies and internet	20,549	1,844	3,952	26,345	17,632	1,582	3,391	22,605
Miscellaneous	19,445	1,102	2,361	22,908	17,692	763	1,634	20,089
Interest - amortization	4,530	407	871	5,808	4,530	407	871	5,808
Bad debt	1,519	-	-	1,519	1,117	-	-	1,117
Conferences, travel and staff development	-	-	-	-	63	6	12	81
Total other expenses	1,377,533	24,616	52,745	1,454,894	990,586	26,145	56,023	1,072,754
Total expenses before depreciation	1,882,969	69,975	149,945	2,102,889	1,377,553	60,873	130,440	1,568,866
Less - cost of sales netted with revenues on the consolidated statements of activities and changes in net assets	(29,366)	-	-	(29,366)	(8,495)	(151)	(324)	(8,970)
Total expenses included in the consolidated statements of activities and changes in net assets before depreciation	1,853,603	69,975	149,945	2,073,523	1,369,058	60,722	130,116	1,559,896
DEPRECIATION	452,527	40,611	87,024	580,162	451,599	40,392	86,555	578,546
Total operating expenses	\$ 2,306,130	\$ 110,586	\$ 236,969	\$ 2,653,685	\$ 1,820,657	\$ 101,114	\$ 216,671	\$ 2,138,442

See notes to consolidated financial statements.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (130,489)	\$ (607,100)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	1,519	1,117
Amortization of debt issuance costs	5,808	5,808
Depreciation	580,162	578,546
Gain on forgiveness of notes payable	-	(276,200)
Noncash lease expense	56,356	-
(Increase) decrease in operating assets:		
Accounts receivable	(41,035)	(9,870)
Grants receivable	73,419	(73,419)
Inventory	(6,363)	1,732
Prepaid expenses	(4,806)	3,386
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(49,373)	(142,470)
Advanced rental payments	26,386	-
Tenant security deposits	5,476	(14,409)
Operating lease liabilities	(46,289)	-
Net cash provided (used) by operating activities	<u>470,771</u>	<u>(532,879)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(51,647)
Net cash used by investing activities	<u>-</u>	<u>(51,647)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	-	138,100
Payments on notes payable	(47,272)	(33,954)
Net cash provided (used) by investing activities	<u>(47,272)</u>	<u>104,146</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	423,499	(480,380)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>639,585</u>	<u>1,119,965</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 1,063,084</u></u>	<u><u>\$ 639,585</u></u>

See notes to consolidated financial statements.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
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	\$ 927,738	\$ 509,714
Tenant security deposits	135,346	129,871
Total cash, cash equivalents and restricted cash	<u>\$ 1,063,084</u>	<u>\$ 639,585</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash paid during the year for:

Interest	\$ 38,358	\$ 43,104
----------	-----------	-----------

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES

Reduction in principal through gain on forgiveness of notes payable	\$ -	\$ 276,200
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	\$ 51,667	\$ -
Right of use assets obtained on operating lease commencements	228,448	-

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.

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 May 30, 2023, 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.

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, 2022 and 2021.

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 \$29,366 and \$8,970 for the years ended December 31, 2022 and 2021, respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued) –

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 revenue.

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, 2022 and 2021, as fees were collected, and the events were held in the same period.

Royalty fees received are recognized over time for the license to operate the Market at Logan. Royalty fees received in advance of the opening of the Market at Logan were recorded as a contract liability and shown as advanced royalties in the accompanying consolidated statements of financial position.

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates BPMA's revenue based on the timing of satisfaction of performance obligations:

	December 31,	
	2022	2021
Performance obligations satisfied at a point in time	\$ 238,158	12,771
Performance obligations satisfied over time	230,007	18,233
Net contract revenue	<u>\$ 468,165</u>	<u>\$ 31,004</u>

Contract liabilities were as follows:

	December 31,		
	2022	2021	2020
Contract liability	<u>475,000</u>	<u>475,000</u>	<u>475,000</u>

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 elected to account for the ERTC as a conditional grant. The Organization determined that the conditions were met at the time the qualified wages were paid, and therefore recognized grant revenue in the consolidated statement of activities and changes in net assets for the year ended December 31, 2021. The Organization also recognized a receivable of \$73,419 as of December 31, 2021 in the consolidated statement of financial position. The ERTC was received in full in 2022 and therefore there is no receivable as of December 31, 2022.

Advertising –

The Organization expenses advertising costs as incurred. During the years ended December 31, 2022 and 2021 the Organization incurred advertising expenses in the amounts of \$77,291 and \$6,004, respectively.

Leases –

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued) –

Right-of-use (ROU) assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. BPMA uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses a risk-free discount rate at the commencement date. ROU assets also include any prepaid lease payments made and exclude any lease incentives. Lease expense for lease payments on operating leases is recognized on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying leased asset.

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, 2022 and 2021, 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, 2022 and 2021. BPMA's information returns are subject to examination by the Federal and state jurisdictions.

Recently Adopted Accounting Pronouncement –

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the consolidated statement of financial position for operating leases. The Organization elected to adopt these ASUs effective January 1, 2022.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement (Continued) –

The Organization elected the package of practical expedients which allowed the Organization to not reassess previous accounting conclusions regarding lease identification, lease classification and initial direct costs. The Organization elected to use the practical expedient provided in the transition guidance to allow the Organization to not reassess the identification, classification and initial direct costs of lessor agreements. The Organization elected the short-term lease recognition exemption which provided the option to not recognize ROU assets and related liabilities that arise from certain leases with terms of twelve months or less. The Organization also elected the accounting policy to not separate lease and non-lease components for all leases entered into after adoption. Because the market lease is predominant in these contracts, BPMA is accounting for its leases and its associated maintenance services as a single combined operating lease component in accordance with Topic 842. Associated with the adoption of this practical expedient, lease and maintenance service revenues will be presented in a single line item in the consolidated statement of activities and changes in net assets. The Organization also elected the accounting policy to utilize a risk-free discount rate to calculate lease liabilities for all leases when the rate implicit in the lease is not known.

The adoption did have a material impact on the BPMA's consolidated statement of financial position but did not have a material impact on the consolidated statement of activities and changes in net assets. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Organization to recognize as of January 1, 2022, operating lease ROU assets and operating lease liabilities of \$228,448.

Reclassifications –

Certain items in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. These reclassifications have no effect on previously reported changes in net assets.

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.

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

3. CONCENTRATION AND CONTINGENCIES (Continued)

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.

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, 2022 and 2021, for general operating expenses are as follows:

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 927,738	\$ 509,714
Accounts receivable, net	67,688	28,173
Grants receivable	-	73,419
Financial assets available to meet operating needs for general expenditures within one year	<u>\$ 995,426</u>	<u>\$ 611,306</u>

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.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2022	2021
Year-round market building improvements	\$ 12,176,795	\$ 12,176,795
Market equipment and furniture	1,251,949	1,251,949
Computers and office equipment	23,487	23,487
Market tents	18,005	18,005
	13,470,236	13,470,236
Less: Accumulated depreciation	4,277,753	3,697,591
	<u>\$ 9,192,483</u>	<u>\$ 9,772,645</u>

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$580,162 and \$578,546, respectively.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. NOTES PAYABLE

Notes payable consists of the following:

	December 31,	
	2022	2021
Note payable, including accrued interest, to Coastal Enterprises, Inc., a nonprofit corporation, through July 1, 2028, as more fully described below.	\$ 501,982	\$ 549,254
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 beginning thirty months from origination of the note through 2050.	150,000	150,000
	651,982	699,254
Less: current portion	78,474	46,958
Less: unamortized debt issuance costs	23,617	29,425
Long-term debt, less current portion and unamortized debt issuance costs	<u>\$ 549,891</u>	<u>\$ 622,871</u>

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 July 2028.

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.

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

6. NOTES PAYABLE (Continued)

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, 2022 and 2021, respectively. Amortization expense is estimated to be \$5,808 over the next four years.

Accrued interest on notes payable totaled \$29,406 and \$25,281 as of December 31, 2022 and 2021 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>	
2023	\$ 78,474
2024	84,394
2025	90,958
2026	97,942
2027	105,471
Thereafter	<u>194,743</u>
	<u><u>\$ 651,982</u></u>

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:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Vendor relief	\$ -	\$ 48,000
Subject to expenditure after a period of time	<u>125,000</u>	<u>-</u>
Total net assets with donor restrictions	<u><u>\$ 125,000</u></u>	<u><u>\$ 48,000</u></u>

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

8. LEASES

Lessees Under ASC 842 –

BPMA leases office space in Boston under a lease agreement that expires on February 28, 2026. BPMA's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The following summarizes the weighted average remaining lease terms and discount rate:

	<u>December 31, 2022</u>
Weighted-Average Remaining Lease Term (Years)	
Operating leases	3.2
Weighted-Average Discount Rate	
Operating leases	0.71%

The maturities of operating lease liabilities as of December 31, 2022 were as follows:

	<u>Operating Leases</u>
<u>Year Ending December 31,</u>	
2023	\$ 58,666
2024	60,000
2025	60,000
2026	10,000
Total future lease commitments	188,666
Less: imputed interest	6,507
Present value of lease liabilities	182,159
Less: current portion of operating lease liabilities	58,192
Operating lease liabilities, net of current portion	<u>\$ 123,967</u>

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 2022 or 2021 and there is no base rent anticipated to be due in 2023.

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

8. LEASES (Continued)

Lessees Under ASC 840 –

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 \$58,128 for the year ended December 31, 2021.

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

Lessor –

BPMA leases space in its year-round market to various local vendors. The lease agreements expire at various times through September 30, 2026, and include base rents ranging from \$292 to \$7,000 per month depending on the lease agreement or rents calculated as a percentage of the vendors' gross sales. The leases require a refundable security deposit to be paid to BPMA at the commencement of the lease.

At lease inception, BPMA determines whether an arrangement qualifies as a lease under ASC 842 (i.e. conveys the right to control the use of an identified asset for a period of time in exchange for consideration). BPMA only reassesses if the terms and conditions of the contract are changed.

The Organization's rental revenue primarily consists of rent earned from operating leases at the Organization's market. Leases generally include a fixed base rent or percentage of gross sales, along with variable components. The variable components primarily consist of the reimbursement of operating costs such as common area maintenance, utilities, and real estate taxes.

Lease revenue is included in the consolidated statements of activities and changes in net assets as part of operating income. Cash receipts from operating leases are classified within cash flows from operating activities in the consolidated statements of cash flows.

In 2020 due to the emergence of the COVID-19 pandemic, BPMA shut down the majority of the Market and waived contractual rental payments through March 2021. Once the Market reopened in September 2020, vendors were charged 10% of their previous months sales as rent. This arrangement continued throughout 2021 and 2022 for certain tenants.

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

8. LEASES (Continued)

Lessor (Continued) –

The following table details the components of operating lease revenue from leases in which BPMA is the lessor:

	Year ended December 31,	
	2022	2021
Operating lease revenue	\$ 1,158,114	\$ 616,500
Variable lease revenue	57,831	73,982
Lease revenue	<u>\$ 1,215,945</u>	<u>\$ 690,482</u>

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>	
2023	\$ 312,747
2024	185,277
2025	101,272
2026	66,548

9. THE MARKET AT LOGAN

On August 16, 2018, the LLC executed a license agreement with HMS Host (Host), a food and beverage developer, in which the LLC licensed their name to Host in order to open the Boston Public Market at Logan (the Market at Logan). The Market at Logan opened in the third quarter of 2021.

Under the terms of the license agreement, Host pays to the LLC a royalty fee of five percent of the first \$7,000,000 in gross revenues, as defined in the agreement, and seven percent of gross revenues exceeding \$7,000,000.

Host began making advanced royalty payments in September 2018, which as of December 31, 2022 and 2021 totaled \$475,000 and was included in advanced royalties on the consolidated statement of financial position. On February 22, 2022, the license agreement was amended. Commencing January 2026, Host shall deduct forty percent of the monthly royalty payable from the advanced royalty balance until such time as the entire advanced royalty has been fully deducted.

Royalties totaled \$230,007 and \$18,233 for the years ended December 31, 2022 and 2021, respectively.

The term of the license agreement runs concurrent with Hosts lease in Logan Airport, which expires in December 2031.

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

9. THE MARKET AT LOGAN (Continued)

The LLC is also party to license agreements with various vendors that operate within the Market at Logan, whereby the LLC pays a sub-royalty fee to the vendor for use of its brand name and products. The sub-royalty fees are payable monthly based on fifty percent of the royalty fee the LLC received from Host for gross revenues, as defined, attributable to the sales of vendor's products at the Market at Logan.

Royalty fees totaled \$61,900 and \$7,159 for the years ended December 31, 2022 and 2021, respectively.

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 years ended December 31, 2022 and 2021.

101 Edgewater Drive
Suite 210
Wakefield, MA 01880

T (781) 914-3400

www.johnsonconnor.com