

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

**BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
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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, 2023 and 2022, 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Boston Public Market Association and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 Consolidated 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 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 20, 2024

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 770,162	\$ -	\$ 770,162	\$ 802,738	\$ 125,000	\$ 927,738
Current portion of cash - tenant security deposits	75,654	-	75,654	49,430	-	49,430
Accounts receivable	87,774	-	87,774	70,488	-	70,488
Less: allowance for credit losses on accounts receivable	(1,400)	-	(1,400)	-	-	-
Less: allowance for doubtful accounts	-	-	-	(2,800)	-	(2,800)
Accounts receivable, net	86,374	-	86,374	67,688	-	67,688
Inventory	7,953	-	7,953	8,033	-	8,033
Prepaid expenses	10,910	-	10,910	5,502	-	5,502
Total current assets	951,053	-	951,053	933,391	125,000	1,058,391
PROPERTY AND EQUIPMENT, NET	8,652,809	-	8,652,809	9,192,483	-	9,192,483
OTHER ASSETS						
Cash - tenant security deposits, net of current portion	72,029	-	72,029	85,916	-	85,916
Security deposit	3,167	-	3,167	3,167	-	3,167
Right of use assets - operating leases	116,168	-	116,168	172,092	-	172,092
Total other assets	191,364	-	191,364	261,175	-	261,175
Total assets	\$ 9,795,226	\$ -	\$ 9,795,226	\$ 10,387,049	\$ 125,000	\$ 10,512,049
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current portion of notes payable	\$ 84,394	\$ -	\$ 84,394	\$ 78,474	\$ -	\$ 78,474
Current portion of tenant security deposits	75,655	-	75,655	49,431	-	49,431
Current portion of operating lease liabilities	60,000	-	60,000	58,192	-	58,192
Accounts payable and accrued expenses	204,707	-	204,707	150,597	-	150,597
Advanced rental payments	13,069	-	13,069	26,386	-	26,386
Refundable advance	20,759	-	20,759	-	-	-
Total current liabilities	458,584	-	458,584	363,080	-	363,080
LONG-TERM LIABILITIES						
Tenant security deposits, net of current portion	72,029	-	72,029	85,916	-	85,916
Advanced royalties	475,000	-	475,000	475,000	-	475,000
Notes payable, net of current portion and unamortized debt issuance costs	473,132	-	473,132	549,891	-	549,891
Operating lease liabilities, net of current portion	63,968	-	63,968	123,967	-	123,967
Total long-term liabilities	1,084,129	-	1,084,129	1,234,774	-	1,234,774
NET ASSETS						
Without donor restrictions:						
Operating	15,960	-	15,960	85,144	-	85,144
Property and equipment	8,236,553	-	8,236,553	8,704,051	-	8,704,051
Total without donor restrictions	8,252,513	-	8,252,513	8,789,195	-	8,789,195
With donor restrictions:						
Total net assets	-	-	-	-	125,000	125,000
	8,252,513	-	8,252,513	8,789,195	125,000	8,914,195
Total liabilities and net assets	\$ 9,795,226	\$ -	\$ 9,795,226	\$ 10,387,049	\$ 125,000	\$ 10,512,049

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, 2023			December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Market lease revenue	\$ 1,291,354	\$ -	\$ 1,291,354	\$ 1,215,945	\$ -	\$ 1,215,945
Special events	205,457	-	205,457	180,329	-	180,329
Less: costs of direct donor benefits	(20,349)	-	(20,349)	(19,614)	-	(19,614)
Net revenue from special events	185,108	-	185,108	160,715	-	160,715
Grants and contributions	783,271	-	783,271	691,430	125,000	816,430
Royalties	361,933	-	361,933	230,007	-	230,007
Other income	111,902	-	111,902	100,099	-	100,099
Net assets released from restrictions	125,000	(125,000)	-	48,000	(48,000)	-
Total revenues	2,858,568	(125,000)	2,733,568	2,446,196	77,000	2,523,196
EXPENSES						
Program services	2,555,623	-	2,555,623	1,853,603	-	1,853,603
Fundraising	82,445	-	82,445	69,975	-	69,975
General and administrative	178,167	-	178,167	149,945	-	149,945
Total operating expenses before depreciation	2,816,234	-	2,816,234	2,073,523	-	2,073,523
Change in net assets before depreciation	42,334	(125,000)	(82,666)	372,673	77,000	449,673
DEPRECIATION	579,016	-	579,016	580,162	-	580,162
Change in net assets	(536,682)	(125,000)	(661,682)	(207,489)	77,000	(130,489)
NET ASSETS - BEGINNING OF YEAR	8,789,195	125,000	8,914,195	8,996,684	48,000	9,044,684
NET ASSETS - END OF YEAR	\$ 8,252,513	\$ -	\$ 8,252,513	\$ 8,789,195	\$ 125,000	\$ 8,914,195

See notes to consolidated financial statements.

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

	Years Ended							
	December 31, 2023				December 31, 2022			
	Program Services	Fundraising	Management and General	Total Expenses	Program Services	Fundraising	Management and General	Total Expenses
PAYROLL AND RELATED								
Salaries	\$ 546,204	\$ 49,018	\$ 105,039	\$ 700,261	\$ 443,386	\$ 39,791	\$ 85,267	\$ 568,444
Payroll taxes	40,179	3,606	7,727	51,512	33,519	3,008	6,446	42,973
Employee benefits	35,001	3,141	6,731	44,873	28,531	2,560	5,487	36,578
Total payroll and related expenses	<u>621,384</u>	<u>55,765</u>	<u>119,497</u>	<u>796,646</u>	<u>505,436</u>	<u>45,359</u>	<u>97,200</u>	<u>647,995</u>
OTHER								
Marketing and advertising	377,618	-	-	377,618	118,798	-	-	118,798
Security and custodial	309,582	-	-	309,582	307,608	-	-	307,608
Utilities	286,359	3,021	6,474	295,854	257,133	2,432	5,211	264,776
Repairs and maintenance	256,274	-	-	256,274	166,205	-	-	166,205
Events	197,353	20,349	-	217,702	83,300	19,614	-	102,914
Professional services	130,333	9,175	19,660	159,168	108,699	8,422	18,046	135,167
Occupancy	142,507	3,948	8,460	154,915	127,837	4,069	8,719	140,625
Royalty fees	111,045	-	-	111,045	61,900	-	-	61,900
Insurance	41,996	3,769	8,076	53,841	37,507	3,366	7,213	48,086
Interest	33,294	2,988	6,403	42,685	33,137	2,974	6,372	42,483
Cost of sales	31,226	-	-	31,226	29,366	-	-	29,366
Office supplies and internet	22,514	2,021	5,831	30,366	20,549	1,844	3,952	26,345
Miscellaneous	22,009	1,351	2,895	26,255	19,445	1,102	2,361	22,908
Interest - amortization	4,530	407	871	5,808	4,530	407	871	5,808
Bad debt (recoveries)	(1,176)	-	-	(1,176)	1,519	-	-	1,519
Total other expenses	<u>1,965,465</u>	<u>47,028</u>	<u>58,670</u>	<u>2,071,163</u>	<u>1,377,533</u>	<u>44,230</u>	<u>52,745</u>	<u>1,474,508</u>
Total expenses before depreciation	2,586,849	102,794	178,167	2,867,809	1,882,969	89,589	149,945	2,122,503
Less - cost of sales netted with revenues on the consolidated statements of activities and changes in net assets	(31,226)	-	-	(31,226)	(29,366)	-	-	(29,366)
Less - costs of direct donor benefits included in revenue	-	(20,349)	-	(20,349)	-	(19,614)	-	(19,614)
Total expenses included in the consolidated statements of activities and changes in net assets before depreciation	2,555,623	82,445	178,167	2,816,234	1,853,603	69,975	149,945	2,073,523
DEPRECIATION	<u>451,590</u>	<u>40,545</u>	<u>86,882</u>	<u>579,016</u>	<u>452,527</u>	<u>40,611</u>	<u>87,024</u>	<u>580,162</u>
Total operating expenses	<u>\$ 3,007,212</u>	<u>\$ 122,989</u>	<u>\$ 265,049</u>	<u>\$ 3,395,250</u>	<u>\$ 2,306,130</u>	<u>\$ 110,586</u>	<u>\$ 236,969</u>	<u>\$ 2,653,685</u>

See notes to consolidated financial statements.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (661,682)	\$ (130,489)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense (recoveries)	(1,176)	1,519
Amortization of debt issuance costs	5,808	5,808
Depreciation	579,016	580,162
Noncash lease expense	55,924	56,356
(Increase) decrease in operating assets:		
Accounts receivable	(17,510)	(41,035)
Grants receivable	-	73,419
Inventory	80	(6,363)
Prepaid expenses	(5,408)	(4,806)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	54,110	(49,373)
Advanced rental payments	(13,317)	26,386
Refundable advance	20,759	-
Tenant security deposits	12,337	5,476
Operating lease liabilities	(58,191)	(46,289)
Net cash provided (used) by operating activities	<u>(29,250)</u>	<u>470,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(39,342)	-
Net cash used by investing activities	<u>(39,342)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(76,647)	(47,272)
Net cash used by investing activities	<u>(76,647)</u>	<u>(47,272)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(145,239)	423,499
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,063,084</u>	<u>639,585</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 917,845</u></u>	<u><u>\$ 1,063,084</u></u>

See notes to consolidated financial statements.

BOSTON PUBLIC MARKET ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2023	2022
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	\$ 770,162	\$ 927,738
Tenant security deposits	147,683	135,346
Total cash, cash equivalents and restricted cash	<u>\$ 917,845</u>	<u>\$ 1,063,084</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash paid during the year for:

Interest	\$ 53,094	\$ 38,358
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SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows paid for operating leases	\$ 58,667	\$ 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. When applicable, 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 with 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 20, 2024, 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 –

Accounts receivable are stated at unpaid balances, less an allowance for credit losses. An allowance for expected credit losses is provided for accounts receivable considered to be uncollectible based upon consideration of disaggregated historical collection data, current conditions and reasonable and supportable forecasts regarding future conditions. At December 31, 2023, the allowance for credit losses totaled \$1,400. At December 31, 2022, the allowance for doubtful accounts totaled \$2,800.

Inventory –

Inventory consists of finished goods, such as 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 \$31,226 and \$29,366 for the years ended December 31, 2023 and 2022, 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 of 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, 2023 and 2022, 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,	
	2023	2022
Performance obligations satisfied at a point in time	\$ 274,568	\$ 238,158
Performance obligations satisfied over time	361,933	230,007
Net contract revenue	<u>\$ 636,501</u>	<u>\$ 468,165</u>

Contract liabilities were as follows:

	December 31,	January 1,
	2023	2022
Contract liability	<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)

Advertising –

The Organization expenses advertising costs as incurred. During the years ended December 31, 2023 and 2022 the Organization incurred advertising expenses in the amounts of \$47,333 and \$77,291, respectively. During the year ended December 31, 2023, the Organization incurred marketing expenses of \$294,735, of which \$285,467 was paid for with funding from a grant.

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.

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, 2023 and 2022, 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, 2023 and 2022. 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**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement –

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The FASB also subsequently issued additional ASUs amending certain aspects of ASU 2016-13. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses by shifting from the incurred loss model to the expected loss model whereby entities are required to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the consolidated financial statements at the net amount expected to be collected. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable.

On January 1, 2023, the Organization adopted the new accounting standard and all of the related amendments using the modified retrospective method. The impact of the adoption was not considered material to the consolidated financial statements.

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**

4. LIQUIDITY AND FUNDS AVAILABLE

BPMA's financial assets available within one year from the consolidated statements of financial position date of December 31, 2023 and 2022, for general operating expenses are as follows:

	December 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 770,162	\$ 927,738
Accounts receivable, net	86,374	67,688
Financial assets available to meet operating needs for general expenditures within one year	<u>\$ 856,536</u>	<u>\$ 995,426</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.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2023	2022
Year-round market building improvements	\$ 12,203,403	\$ 12,176,795
Market equipment and furniture	1,264,681	1,251,949
Computers and office equipment	23,487	23,487
Market tents	18,005	18,005
	<u>13,509,576</u>	<u>13,470,236</u>
Less: Accumulated depreciation	<u>4,856,767</u>	<u>4,277,753</u>
	<u>\$ 8,652,809</u>	<u>\$ 9,192,483</u>

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$579,016 and \$580,162, respectively.

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

6. NOTES PAYABLE

Notes payable consists of the following:

	December 31,	
	2023	2022
Note payable, including accrued interest, to Coastal Enterprises, Inc., a nonprofit corporation, through July 1, 2028, as more fully described below.	\$ 426,265	\$ 501,982
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 plus accrued interest are due beginning thirty months from origination of the note through 2050.	149,070	150,000
	575,335	651,982
Less: current portion	84,394	78,474
Less: unamortized debt issuance costs	17,809	23,617
Long-term debt, less current portion and unamortized debt issuance costs	<u>\$ 473,132</u>	<u>\$ 549,891</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, 2023 and 2022, respectively. Amortization expense is estimated to be \$5,808 over the next three years.

Accrued interest on notes payable totaled \$18,997 and \$29,406 as of December 31, 2023 and 2022 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>	
2024	\$ 84,394
2025	90,958
2026	97,942
2027	105,471
2028	65,514
Thereafter	131,056
	<u>\$ 575,335</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following balances:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subject to expenditure after a period of time	\$ -	\$ 125,000
Total net assets with donor restrictions	<u>\$ -</u>	<u>\$ 125,000</u>

During the years ended December 31, 2023 and 2022, certain assets with donor restrictions were released from restriction by satisfaction of the restricted purpose specified by the donor, or by the occurrence of the passage of time and were reclassified as net assets without donor restrictions as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Releases from purpose restrictions	\$ -	\$ 48,000
Releases from time restrictions	125,000	-
Total net assets released from restrictions	<u>\$ 125,000</u>	<u>\$ 48,000</u>

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

8. CONDITIONAL CONTRIBUTIONS

The Organization is awarded grants in various amounts that are based on the Organization meeting certain criteria in accordance with the respective grant agreements. Payments received on these awards prior to the conditions being met are recorded as refundable advances on the consolidated statements of financial position. As of December 31, 2023 refundable advances totaled \$20,759. As of December 31, 2022, there were no refundable advances. Amounts remaining on these grants that are conditional on meeting certain criteria and thus are not reflected in the accompanying consolidated financial statements totaled \$716,730 as of December 31, 2023. There are no conditional amounts remaining on these grants as of December 31, 2022.

9. 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, 2023</u>
Weighted-Average Remaining Lease Term (Years)	
Operating leases	2.2
Weighted-Average Discount Rate	
Operating leases	0.71%

The maturities of operating lease liabilities as of December 31, 2023 were as follows:

	<u>Operating Leases</u>
<u>Year Ending December 31,</u>	
2024	\$ 60,000
2025	60,000
2026	10,000
Total future lease commitments	<u>130,000</u>
Less: imputed interest	<u>6,033</u>
Present value of lease liabilities	123,967
Less: current portion of operating lease liabilities	<u>60,000</u>
Operating lease liabilities, net of current portion	<u><u>\$ 63,967</u></u>

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

9. LEASES (Continued)

Lessees Under ASC 842 (Continued) –

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 2023 or 2022 and there is no base rent anticipated to be due in 2024. In November 2022, MDOT amended the lease and relieved BPMA of any obligations for expenses that pre-date May 2022.

Lessor –

BPMA leases space in its year-round market to various local vendors. The lease agreements expire at various times through July 31, 2028, and include base rents ranging from \$292 to \$8,000 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.

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

	Year ended December 31,	
	2023	2022
Operating lease revenue	\$ 1,220,100	1,158,114
Variable lease revenue	71,254	57,831
Lease revenue	<u>\$ 1,291,354</u>	<u>\$ 1,215,945</u>

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

9. LEASES (Continued)

Lessor (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>	
2024	\$ 223,041
2025	141,427
2026	76,250

10. 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, 2023 and 2022 totaled \$475,000 and is 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 \$361,933 and \$230,007 for the years ended December 31, 2023 and 2022, respectively.

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

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 \$111,045 and \$61,900 for the years ended December 31, 2023 and 2022, respectively.

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

11. 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, 2023 and 2022.

The Organization terminated the plan subsequent to year end.

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