



FINANCIAL STATEMENTS
DECEMBER 31, 2017

BOSTON PUBLIC MARKET ASSOCIATION

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December 31, 2017

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Independent Auditor's Report

To the Board of Directors of
Boston Public Market Association:

Report on the Financial Statements

We have audited the accompanying financial statements of Boston Public Market Association (a Massachusetts corporation, not for profit) (BPMA) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Public Market Association as of December 31, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As disclosed in Note 1 to the financial statements, during fiscal year 2017, BPMA changed the manner in which the statement of cash flows is presented as a result of the adoption of Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to that matter.

Alexander, Brown, Fenning & Co., P.C.

Westborough, Massachusetts
June 5, 2018

BOSTON PUBLIC MARKET ASSOCIATION

Statement of Financial Position
December 31, 2017

Assets	Unrestricted	Temporarily Restricted	Total
Current Assets:			
Cash	\$ 242,627	\$ 329,875	\$ 572,502
Current portion of cash - tenant security deposits	86,430	-	86,430
Cash - market reserve	250,128	-	250,128
Accounts receivable, net	131,786	-	131,786
Inventory	11,008	-	11,008
Prepaid expenses	22,588	-	22,588
Total current assets	744,567	329,875	1,074,442
Cash - Tenant Security Deposits, net of current portion	45,152	-	45,152
Property and Equipment, net	11,965,708	-	11,965,708
Total assets	\$ 12,755,427	\$ 329,875	\$ 13,085,302
Liabilities and Net Assets			
Current Liabilities:			
Note payable	\$ 800,000	\$ -	\$ 800,000
Accounts payable and accrued expenses	293,939	-	293,939
Advanced rental payments	12,692	-	12,692
Current portion of tenant security deposits	86,430	-	86,430
Total current liabilities	1,193,061	-	1,193,061
Tenant Security Deposits, net of current portion	45,152	-	45,152
Total liabilities	1,238,213	-	1,238,213
Net Assets:			
Unrestricted:			
Operating	101,378	-	101,378
Property and equipment	11,165,708	-	11,165,708
Market reserve	250,128	-	250,128
Total unrestricted	11,517,214	-	11,517,214
Temporarily restricted	-	329,875	329,875
Total net assets	11,517,214	329,875	11,847,089
Total liabilities and net assets	\$ 12,755,427	\$ 329,875	\$ 13,085,302

The accompanying notes are an integral part of these statements.

BOSTON PUBLIC MARKET ASSOCIATIONStatement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenue:			
Market rental	\$ 1,457,540	\$ -	\$ 1,457,540
Fundraising event	108,533	-	108,533
Donated services	35,000	-	35,000
Grants and contributions	26,751	-	26,751
Other income	20,417	-	20,417
Net asset released from purpose restrictions	15,000	(15,000)	-
	<u>1,663,241</u>	<u>(15,000)</u>	<u>1,648,241</u>
Operating Expenses:			
Program services	1,899,009	-	1,899,009
Fundraising	83,805	-	83,805
General and administrative	197,747	-	197,747
	<u>2,180,561</u>	<u>-</u>	<u>2,180,561</u>
Changes in net assets from operations before depreciation	(517,320)	(15,000)	(532,320)
Depreciation	<u>576,311</u>	<u>-</u>	<u>576,311</u>
Changes in net assets from operations	(1,093,631)	(15,000)	(1,108,631)
Non-Operating Revenue:			
Net assets released from campaign restrictions	<u>220,125</u>	<u>(220,125)</u>	<u>-</u>
Changes in net assets	(873,506)	(235,125)	(1,108,631)
Net Assets:			
Beginning of year, as restated	<u>12,390,720</u>	<u>565,000</u>	<u>12,955,720</u>
End of year	<u>\$ 11,517,214</u>	<u>\$ 329,875</u>	<u>\$ 11,847,089</u>

BOSTON PUBLIC MARKET ASSOCIATION

Statement of Cash Flows

For the Year Ended December 31, 2017

Cash Flows from Operating Activities:

Changes in net assets	\$ (1,108,631)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Bad debt	13,305
Depreciation	576,311
Changes in operating assets and liabilities:	
Pledges and grants receivable	41,241
Accounts receivable	85,315
Inventory	(7,176)
Prepaid expenses	3,710
Accounts payable and accrued expenses	(25,114)
Tenant security deposits	(20,974)
Advanced rental payments	12,692
	<hr/>
Net cash used in operating activities	(429,321)

Cash Flows from Investing Activities:

Acquisition of property and equipment	<hr/> (50,331)
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Cash Flows from Financing Activities:

Campaign grants	250,000
Payment on note payable	<hr/> (200,000)
	<hr/>
Net cash provided by financing activities	50,000

Net Change in Cash and Restricted Cash (429,652)

Cash and Restricted Cash:

Beginning of year	<hr/> 1,383,864
End of year	<hr/> <hr/> \$ 954,212

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest	<hr/> <hr/> \$ 20,125
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BOSTON PUBLIC MARKET ASSOCIATION

Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Adminis- trative</u>	<u>Total Expenses</u>
Payroll and Related:				
Salaries	\$ 454,709	\$ 34,103	\$ 79,574	\$ 568,386
Fringe benefits	59,023	4,427	10,329	73,779
Payroll taxes	40,656	3,049	7,115	50,820
	<u>554,388</u>	<u>41,579</u>	<u>97,018</u>	<u>692,985</u>
Total payroll and related				
Other:				
Utilities	364,099	997	1,994	367,090
Security and custodial	323,498	-	-	323,498
Marketing and advertising	232,034	-	-	232,034
Occupancy	127,725	4,045	8,090	139,860
Repairs and maintenance	111,665	-	-	111,665
Professional services	25,988	-	38,539	64,527
Events	13,235	31,676	-	44,911
Donated professional services	35,000	-	-	35,000
Office supplies and internet	18,406	5,508	8,611	32,525
Insurance	10,780	-	21,744	32,524
Interest	32,291	-	-	32,291
Miscellaneous	10,077	-	17,382	27,459
Program supplies	20,742	-	-	20,742
Bad debt	13,305	-	-	13,305
Conferences, travel and staff development	5,776	-	4,369	10,145
	<u>1,344,621</u>	<u>42,226</u>	<u>100,729</u>	<u>1,487,576</u>
Total other				
Total expenses before depreciation	<u>1,899,009</u>	<u>83,805</u>	<u>197,747</u>	<u>2,180,561</u>
Depreciation	<u>574,983</u>	<u>664</u>	<u>664</u>	<u>576,311</u>
Total operating expenses	<u>\$ 2,473,992</u>	<u>\$ 84,469</u>	<u>\$ 198,411</u>	<u>\$ 2,756,872</u>

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2017

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

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

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

In addition to operating the year-round market, BPMA runs one seasonal farmers market in downtown Boston—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 SNAP (food stamps) to use their Electronic Benefit Transfer (EBT) cards at farmers markets and provides a dollar-for-dollar match on market products. Through the Boston Bounty Bucks Program and the new Health Incentives Program (HIP), BPMA helps create healthy, sustainable food alternatives for those in underserved communities.

NONPROFIT STATUS

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

SIGNIFICANT ACCOUNTING POLICIES

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

Recently Adopted Accounting Pronouncement

In fiscal year 2017, BPMA adopted FASB's Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. BPMA has adjusted the presentation of the statement of cash flows accordingly. This ASU has been applied retrospectively to the beginning cash balance on the statement of cash flows, changing this amount from \$981,308 to \$1,383,864.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement (Continued)

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

Cash	\$ 572,502
Cash - tenant security deposits	131,582
Cash - market reserve	<u>250,128</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 954,212</u>

Cash - tenant security deposits include refundable cash payments collected from vendors renting space in the year-round market according to each vendor lease agreement (see Note 2). Cash - market reserve represents funds set aside for a replacement reserve for the payment of capital repair and replacement expenses for the year-round market, as required by a lease agreement with the Massachusetts Department of Transportation (MDOT) (see page 8 and Note 2).

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 statement of financial position is reported net of an allowance for uncollectible accounts of \$10,802.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment consist of the following and are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>	
Year-round market building improvements	25 years	\$ 12,109,713
Market equipment and furniture	5 - 7 years	1,222,567
Market tents	10 years	18,005
Computers and office equipment	5 - 7 years	<u>17,778</u>
		13,368,063
Less - accumulated depreciation		<u>1,402,355</u>
		<u>\$ 11,965,708</u>

Depreciation expense was \$576,311 for the year ended December 31, 2017.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of reusable shopping bags and other market memorabilia sold at the year-round market and is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method) or market. Sales of inventory is included in other income and is reflected net of cost of goods sold of approximately \$27,000 for the year ended December 31, 2017.

Net Assets

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

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

Temporarily restricted net assets represent grants and contributions whose use has been restricted by donors for a specific time, purpose or for campaign purposes. Temporarily restricted net assets at December 31, 2017, are all campaign restricted. In 2013, BPMA had launched a significant campaign to raise the funds necessary to construct the Market (see Note 1). The funds raised, along with a revolving line of credit provided by the Conservation Fund (see Note 4), permitted construction of the Market to be completed during 2015. The remaining balance of temporarily restricted net assets with campaign restrictions are for repayment of the line of credit and other purposes as specified from the campaign solicitations.

Revenue Recognition

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

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

Fundraising event and other income are recognized when earned.

Statement of Activities and Changes in Net Assets

The statement of activities and changes in net assets presents operating revenue and expenses from program activities as changes in net assets from operations. Activity related to capital grants is included as non-operating revenue in the accompanying statement of activities and changes in net assets.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

During 2017, BPMA received donated legal and marketing services valued at \$35,000, which is included in donated services in the accompanying statement of activities and changes in net assets and donated professional services in the accompanying statement of functional expenses. Donated services are recorded based upon the estimated value assigned to them by the donors or by management.

Expense Allocations

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

Advertising Costs

BPMA expenses advertising costs as they are incurred. Advertising expense was approximately \$101,000 for the year ended December 31, 2017, and is included in marketing and advertising in the accompanying statement of functional expenses.

Fair Value Measurements

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

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

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

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

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

BPMA accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. BPMA has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2017. BPMA's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through June 5, 2018, which is the date the financial statements were available to be issued.

Estimates

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

2. LEASES

Lessee

BPMA leases office space in Boston under a lease agreement that will expire on February 28, 2021. BPMA is also responsible for certain real estate taxes and operating costs in excess of the base amounts as defined in the agreement. Rent expense was \$57,786 for the year ended December 31, 2017, and is included in occupancy in the accompanying statement of functional expenses.

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

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

In July 2014, BPMA entered into a lease agreement with MDOT for the operation of the year-round public food market. The initial term of the lease is five years, with sixteen consecutive five-year renewals, provided BPMA meets certain compliance and performance criteria as outlined in the agreement. No base rent payments are due under this agreement until such time as BPMA produces surplus revenue, as defined in the lease. Surplus revenue is calculated after a capital reserve and an operation reserve are funded on each anniversary date of the opening date of the year-round market, as defined in the lease. Once surplus revenue is achieved, a lump-sum of annual rent, as established by the lease, will be due upon submitting the annual audited financial statements to MDOT. The annual lump-sum rent is based upon percentage benchmarks of surplus revenue calculated from the audited financial statements. No base rent was due in 2017 or will be due in 2018.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2017

2. LEASES (Continued)

Lessor

BPMA leases space in its year-round market to various local vendors requiring fixed rentals, reimbursement of operating costs (proportionate share of common area maintenance, utilities and real estate taxes), and a percentage of gross sales as defined in the agreements. The lease agreements expire at various times from June 30, 2018 through July 31, 2022, and include base rents ranging from \$247 to \$5,373 per month depending on the lease agreement. Base Market rental income under these tenant leases was approximately \$745,000 for the year ended December 31, 2017, and is included in market rental income in the accompanying statement of activities and changes in net assets.

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

2018	\$ 521,726
2019	\$ 224,447
2020	\$ 65,944
2021	\$ 34,073
2022	\$ 20,393

3. CONCENTRATION

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

4. NOTE PAYABLE

In September 2014, BPMA entered into a \$3,000,000 revolving line of credit agreement with The Conservation Fund, a nonprofit corporation. Borrowings under the agreement are available for operations and temporary bridge financing in relation to the construction of the year-round market which was completed in 2015. This agreement is secured by an interest in BPMA's lease with MDOT (see Note 2). Interest accrues annually at 3%. Interest is due annually in September. All outstanding borrowings and accrued interest under the agreement are due on September 3, 2018. There was an outstanding balance of \$800,000 at December 31, 2017.

Interest accrued on the outstanding balance is \$8,000 at December 31, 2017, and is included in accounts payable and accrued expenses.

5. RELATED PARTY TRANSACTIONS

A Board member of BPMA provided donated legal services to BPMA with a value of \$10,000 for 2017.

A Board member of BPMA is an employee of an organization that provided donated marketing and promotional services to BPMA with a value of \$25,000 for 2017.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2017

6. RETIREMENT PLAN

Effective January 2017, BPMA adopted a retirement savings plan under Section 403(b) of the IRC (the Plan). Under the Plan, all employees who have completed at least three months of service are eligible. The Plan allows BPMA to make a discretionary matching contribution. Employees are fully vested in matching contributions. Employer contributions under the Plan were \$2,433 for 2017 and are included in fringe benefits in the accompanying statement of functional expenses.

7. BPMA OPERATIONS

At December 31, 2017, BPMA has \$101,378 of unrestricted operating net assets, \$250,128 in market reserves, and \$329,875 in temporarily restricted net assets.

Fiscal year 2017 marked the second full calendar year of operations for the Market. Seeing the challenges of developing a long-term financial platform for the Market that would result in sustainability, management sought out additional revenue opportunities. In May 2019, BPMA will be opening a second Boston Public Market at Logan Airport and the first agreement with the development/operating partner, HMS Host (Host), has already been executed. Host will be paying BPMA significant fees for the licensing of the Boston Public Market brand. While BPMA will be sharing some portion of those fees with participating vendors, revenue from two significant programs in the space – a market Bar serving alcoholic beverages and a salad bar, will be fully retained by BPMA. Host is absorbing all of the capital and operating costs for this project. In sum, this new Boston Public Market at Logan Airport will result in a substantial change to BPMA's revenue. The Market is projected to open by May 1, 2019, but Host has also agreed to pay BPMA a consulting fee commencing on September 1, 2018, until the time that the Market is open.

As occurred this past year, management expects to be able to renegotiate the loan with the Conservation Fund, either through them directly or with another party.

Management has taken significant steps to reduce spending in 2018. A key goal for 2017, as is specifically required under the lease and plan with the Commonwealth, was a robust marketing/advertising campaign that would serve to draw visitors to the Boston Public Market. The marketing plan was very effective in that it drew close to 2.5 million visitors to the Market. Because the Market is comprised primarily of farmers and small food start-up businesses, management feels that ensuring that these vendors have a sufficient customer base is the most important tool and key to retaining existing vendors and recruiting new vendors. This marketing effort required that significant funds were spent in 2017. The 2018 budget reflects \$121,000 less expenses on marketing in the upcoming year.

Management is projecting a budget deficit of \$57,095 for 2018 before the depreciation expense. The planned deficit will be funded from BPMA's unrestricted assets. Given the Logan project, 2018 should be the last year of deficits for BPMA.

8. PRIOR PERIOD ADJUSTMENT

During 2017, it was discovered that revenue and expenses relating to 2016 were not properly accrued for at December 31, 2016. The result of this adjustment is an increase of accounts receivable and accrued expenses and a net decrease of unrestricted net assets as of December 31, 2016, in order to properly recognize these revenues and expenses in the prior period.

BOSTON PUBLIC MARKET ASSOCIATION

Notes to Financial Statements
December 31, 2017

8. PRIOR PERIOD ADJUSTMENT (Continued)

The effect of the restatement on the change in unrestricted net assets and financial position as of and for the year ended December 31, 2016, are as follows:

	<u>As Previously Reported</u>	<u>Restated</u>
Total unrestricted operating revenue	\$ 1,518,197	\$ 1,567,532
Total operating expenses	\$ 2,281,183	\$ 2,496,158
Change in unrestricted net assets	\$ (762,986)	\$ (928,626)
Accounts receivable, net	\$ 181,071	\$ 230,406
Accrued expenses	\$ 152,609	\$ 367,584
Unrestricted net assets	\$ 12,556,360	\$ 12,390,720