

BOSTON MAIN STREETS FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2022

BOSTON MAIN STREETS FOUNDATION

CONTENTS

Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 15



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Boston Main Streets Foundation
Boston, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boston Main Streets Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and the changes 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.

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Foundation's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the 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 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 in the United States of America 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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 audit.

O'Connor + Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

December 19, 2022

BOSTON MAIN STREETS FOUNDATION

Statements of Financial Position

June 30,

Assets

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and equivalents	\$ 561,351	\$ 368,945
Pledges receivable	<u>10,000</u>	<u>-</u>
Total Assets	<u>\$ 571,351</u>	<u>\$ 368,945</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 33,362	\$ 47,500
Accrued expenses	<u>9,000</u>	<u>16,200</u>
Total Liabilities	<u>42,362</u>	<u>63,700</u>
Net Assets:		
Without donor restrictions	397,415	218,403
With donor restrictions	<u>131,574</u>	<u>86,842</u>
Total Net Assets	<u>528,989</u>	<u>305,245</u>
Total Liabilities and Net Assets	<u>\$ 571,351</u>	<u>\$ 368,945</u>

The accompanying notes are an integral part of the financial statements.

BOSTON MAIN STREETS FOUNDATION

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2022
(with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Activities:				
Revenue:				
Contributions of cash and financial assets	\$ 305,500	\$ 100,000	\$ 405,500	\$ 53,038
Net assets released from restrictions	<u>55,268</u>	<u>(55,268)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>360,768</u>	<u>44,732</u>	<u>405,500</u>	<u>53,038</u>
Expenses:				
Program:				
Technology grants	55,268	-	55,268	94,932
Website and social media services	52,136	-	52,136	53,231
Innovation grants	37,000	-	37,000	67,500
Other grants	11,847	-	11,847	13,901
Covid-19 emergency response fund grants	-	-	-	31,000
Small business relief fund grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,600</u>
Total Program Expenses	<u>156,251</u>	<u>-</u>	<u>156,251</u>	<u>294,164</u>
Supporting Services:				
General and administrative	12,857	-	12,857	12,417
Fundraising	<u>12,705</u>	<u>-</u>	<u>12,705</u>	<u>2,707</u>
Total Supporting Services	<u>25,562</u>	<u>-</u>	<u>25,562</u>	<u>15,124</u>
Total Expenses	<u>181,813</u>	<u>-</u>	<u>181,813</u>	<u>309,288</u>
Change in Net Assets from Operations	<u>178,955</u>	<u>44,732</u>	<u>223,687</u>	<u>(256,250)</u>
Nonoperating Activity:				
Investment return	<u>57</u>	<u>-</u>	<u>57</u>	<u>797</u>
Change in Net Assets	179,012	44,732	223,744	(255,453)
Net Assets, Beginning of Year	<u>218,403</u>	<u>86,842</u>	<u>305,245</u>	<u>560,698</u>
Net Assets, End of Year	<u>\$ 397,415</u>	<u>\$ 131,574</u>	<u>\$ 528,989</u>	<u>\$ 305,245</u>

The accompanying notes are an integral part of the financial statements.

BOSTON MAIN STREETS FOUNDATION

Statement of Functional Expenses

**For the Year Ended June 30, 2022
(with comparative totals for 2021)**

	2022				<u>2021</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Expenses:					
Small business technology grants	\$ 55,268	\$ -	\$ -	\$ 55,268	\$ 94,932
Website and social media services	52,136	-	-	52,136	53,231
Innovation grants	37,000	-	-	37,000	67,500
Miscellaneous	-	2,857	12,705	15,562	7,924
Other grants	11,847	-	-	11,847	13,901
Audit fee	-	10,000	-	10,000	7,200
Covid-19 emergency response fund grants	-	-	-	-	31,000
Small business relief fund grants	-	-	-	-	33,600
	-	-	-	-	-
Total	<u>\$ 156,251</u>	<u>\$ 12,857</u>	<u>\$ 12,705</u>	<u>\$ 181,813</u>	<u>\$ 309,288</u>

The accompanying notes are an integral part of the financial statements.

BOSTON MAIN STREETS FOUNDATION

Statements of Cash Flows

For the Years Ended June 30,

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 223,744	\$ (255,453)
Changes in assets and liabilities:		
Pledges receivable	(10,000)	-
Accounts payable	(14,138)	37,500
Accrued expenses	<u>(7,200)</u>	<u>9,300</u>
Net Increase (Decrease) in Cash and Equivalents	192,406	(208,653)
Cash and Equivalents, Beginning of Year	<u>368,945</u>	<u>577,598</u>
Cash and Equivalents, End of Year	<u>\$ 561,351</u>	<u>\$ 368,945</u>

The accompanying notes are an integral part of the financial statements.

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 1 - **Description of Organization**

Organization

The Boston Main Streets Foundation (the "Foundation" or "BMSF") was established in 2005. The Foundation was established to support and transform the neighborhood commercial districts of the City of Boston, Massachusetts (the "City") into thriving, vibrant centers of commerce and community. The Foundation also develops long-term strategies to increase the economic power and resources of neighborhood commercial districts, while pursuing initiatives that build knowledge and capacity for Boston Main Streets programs and the businesses they serve. The Foundation receives money through various grants, donations and fundraising activities.

The Foundation issues grants to support the work of each of the local, independent City Main Streets 501(c)(3) corporations in their revitalization of the City's neighborhood districts.

Note 2 - **Summary of Significant Accounting Policies**

Basis of Financial Presentation

The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors. Board designations on the net assets without donor restrictions was \$0 at both June 30, 2022 and 2021.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without restrictions in the statement of activities. Restricted contributions in which the restrictions are met in the same year are reported as without donor restrictions revenue.

Measure of Operations

The statement of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing purpose. Nonoperating activities are limited to resources that generate returns from investments and activities considered to be of a more unusual or nonrecurring nature.

Cash and Equivalents

The Foundation considers cash on deposit and all highly liquid investments with an original maturity of three months or less to be cash and equivalents.

Contributions, Gifts and Grants

Contributions may include actual gifts or promises to give. Contributions of assets other than cash are recorded at their fair value on the date of the gift. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Contributions and grants are non-exchange transactions as both parties involved in the transaction do not receive commensurate value. Under Revenue from Contributions and Grants, revenue is recognized when a contribution and grant is unconditional; usually when the qualifying expenditures are incurred and conditions under the agreements are met. A contribution and grant is conditional if it has both a barrier that must be overcome before the recipient is entitled to the asset and there is a right of return of the asset to the contributor and grantor if the barrier is not overcome. Examples of barriers are performance related and the extent to which the grantor has discretion on the conduct of the activity. Payments received in advance of conditions being met are recognized as deferred revenue on the Statement of Financial Position.

Donated Materials and Services

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. There were no in-kind donated services in fiscal years 2022 and 2021, respectively.

Advertising

The Foundation uses advertising to promote its programs among the City's Main Streets districts. Advertising costs are expensed as incurred. At June 30, 2022 and 2021, there were no advertising expenses.

Income Taxes

The Foundation has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of section 509(a) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

U.S. GAAP requires an entity to assess the probability that a tax position has a "more likely than not" sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely.

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements.

Note 3 - Pledges Receivable

As of June 30, 2022 and 2021, pledges receivable of \$10,000 and \$0, respectively, are expected to be realized in two years or less. There is five thousand due by December 31, 2022 and 2023, respectively. There is no allowance for uncollectible pledges receivable as of June 30, 2022 and 2021, respectively. No discount on the long-term receivable has been recognized due to a lack of materiality.

Note 4 - Program Expenses

Impact and Innovation Grants

The Foundation will award up to \$5,000 to any of Boston's Main Street commercial districts for proposals that provide new or enhanced programming, services, or partnership opportunities that meet the following criteria:

- are innovative, highly impactful, and beneficial to Main Streets commercial districts and small businesses
- are viable and can be achieved in the near-term
- are self-sustaining
- can be replicated or scaled across other Main Streets districts
- produce collaboration across Main Streets organizations

Impact and Innovation grants totaling \$42,000 were awarded as of June 30, 2022. A prior year grant of \$5,000 was rescinded during the current year due to the failure of the district to meet certain conditions for receipt. As a result, Impact and Innovation grants totaled \$37,000 and \$67,500 for the years ended June 30, 2022 and 2021, respectively.

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Website and Social Media Services

The Foundation has contracted with a third party to enhance the design and increase the functionality of the websites and social media platforms of all Main Street districts. Website and social media costs totaled \$52,136 and \$53,230 for the years ended June 30, 2022 and 2021, respectively.

Small Business Technology Grants

BMSF received a \$100,000 restricted grant in November 2018 to fund a Small Business Technology Initiative for Community & Economic Growth sponsored by the donor. The Board of Directors designated \$50,000 of additional funding for this program in September 2020, and in February 2021, \$15,793 was transferred into the program from the City of Boston Small Business Relief Fund. (see note below) The program was designed to fund point of sale technology installations at small businesses located in the Main Streets Districts, and was fully expended as of June 30, 2022. Program expenses incurred for the years ended June 30, 2022 and 2021, were \$8,164 and \$94,932, respectively.

During the year ended June 30, 2022, the Foundation received additional restricted grants totaling \$100,000 to fund a Small Business Technical Assistance Program sponsored by the donor. Restricted expenses incurred during the year ended June 30, 2022 were \$47,104, leaving a balance in the restricted fund of \$52,896.

Covid-19 Emergency Response Fund Grants

BMSF established the Covid-19 Emergency Response Fund in March 2020 to assist Main Streets businesses during the Covid-19 pandemic. Total funding of \$213,130 was received, including \$53,000 of board designated funds. The Fund provided grants of \$1,000 to individual businesses under the following conditions:

1. Business must have 10 or fewer employees
2. Business must be located in Main Streets districts
3. Business must be based on face-to-face/in person contact

For the year ended June 30, 2022 and 2021, 0 and 31 grants totaling \$0 and \$31,000 were made to eligible businesses, respectively. Boston Main Street Foundation did not receive additional funds from the Covid-19 Emergency Response Fund in 2022.

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Small Business Relief Fund Grants

In April 2020, the City of Boston established a Small Business Relief Fund to assist Main Streets businesses during the Covid-19 pandemic. Restricted donations to the fund totaled \$300,000. The program was administered by BMSF and provided grants of \$2,500 to individual businesses selected by the City of Boston. For the years ended June 30, 2022 and 2021, 0 and 13 grants totaling \$0 and \$33,600 were made to eligible businesses, respectively. In February 2021, the City of Boston approved the transfer of unspent funds totaling \$15,793 to the Small Business Technology Program.

Economic Mobility Program

BMSF was awarded two restricted grants totaling \$200,000 (\$100,000 in September 2017 and \$100,000 in June 2019) for an Economic Mobility for Individuals and Families program sponsored by the donor. In March of 2020, the donor approved the re-purposing of \$50,000 from the second grant for use in the Covid-19 Emergency Response Fund. The program invests in workforce development and education in the Main Streets districts. As of June 30, 2022, \$28,678 remained unspent from the September 2017 grant and \$50,000 remained unspent from the June 2019 grant.

Note 5 - Other Grants

The Foundation incurred expenditures totaling \$11,847 as of June 30, 2022 to fund the Foundation's sponsorship of a Boston mayoral candidate forum focused on issues effecting main street businesses in Boston, and for the installation of a new point of sale system for a pop-up café located in Boston's City Hall.

Note 6 - Related Party Transactions

The Foundation will reimburse board members for all reasonable expenses incurred personally by each board member as provided in the trust agreement. There were no reimbursements to board members during the years ended June 30, 2022 and 2021.

Note 7 - Contingencies

In the normal course of operations, the Foundation may be subject to certain claims and litigations. In the opinion of management, the outcome of any such matters will not have a material effect on the financial position of the Foundation.

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 8 - Concentrations, Risks and Uncertainties

Cash

The Foundation maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Management monitors the financial condition of these financial institutions, along with its balances in cash, to keep this potential risk to a minimum. As of June 30, 2022 and 2021, uninsured cash balances in excess of FDIC insurable limits were approximately \$143,300 and \$70,000, respectively.

Concentration

Revenue includes \$335,000 from two donors for the year ended June 30, 2022, and \$40,538 from one donor for the year ended June 30, 2021.

Uncertainties

The Foundation is highly dependent on the donation of professional services and grants. Although management believes that it will have sufficient funds to meet its operating needs and continued access to donated services for the remainder of the fiscal year between funds already available and promised grants and services, there is no guarantee that these activities will continue into future years.

Note 9 - Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30,:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and equivalents	\$ 561,351	\$ 368,945
Current portion of pledges receivable	<u>5,000</u>	<u>-</u>
Total financial assets	<u>566,351</u>	<u>368,945</u>
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(131,574)</u>	<u>(86,842)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 434,777</u>	<u>\$ 282,103</u>

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

The Foundation reviews its cash position on a regular basis to ensure that adequate funds are on hand to meet expenses. If funds are not available, management will restructure its discretionary expenses or seek additional donations to meet general expenditures. For the years ended June 30, 2022 and 2021, management of the Foundation believes that no liquidity issues exist.

Note 10 - Net Assets and Net Assets Released from Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose Restriction:		
Economic Mobility - 2017	\$ 28,678	\$ 28,678
Small Business Technology Grant	52,896	8,164
Economic Mobility - 2019	<u>50,000</u>	<u>50,000</u>
	<u>\$ 131,574</u>	<u>\$ 86,842</u>

Note 11 - National Conference

The Foundation signed a memorandum of agreement in October 2022 with the National Main Street Center ("NMSC") and the Boston Office of Economic Opportunity and Inclusion ("OEI") to host a conference in Boston, Massachusetts in March 2023.

NMSC agrees to plan, manage and track financial accounting for the conference. NMSC also will provide support for fundraising efforts to the Foundation.

The Boston Main Streets Foundation ("BMSF") agreed to pay a sponsorship of no less than \$100,000. In addition to the \$100,000 sponsorship, BMSF shall be responsible for identifying third party conference sponsors and attempting to raise an additional \$150,000. If BMSF total fundraising satisfies or exceeds its minimum sponsorship and fundraising goal of \$250,000, then NMSC will pay BMSF a rebate of 5% of \$250,000 (\$12,500). If BMSF satisfies or exceeds total fundraising of \$300,000, the rebate will be 10% of \$300,000 (\$30,000). In each case, rebates will only be paid if there is a positive balance of funds at the final accounting of the conference. If BMSF is unable to raise a total of \$150,000, it shall not be held liable for paying the difference between \$150,000 and the amount actually raised.

BOSTON MAIN STREETS FOUNDATION

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through December 19, 2022 the date for which the financial statements were available for issuance. Management has accepted the financial statements and identified one event subsequent to June 30, 2022 that require disclosure in the financial statements.

The Foundation signed a memorandum of agreement in October 2022 with the National Main Street Center ("NMSC") and the Boston Office of Economic Opportunity and Inclusion ("OEOI") to host a conference in Boston, Massachusetts in March 2023. See note 11 for further details.