

BOSTON MAIN STREETS FOUNDATION
Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

Boston Main Streets Foundation
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June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Boston Main Streets Foundation:

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, 2024, and the related statements of activities and changes in net assets, 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, 2024 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 Auditor's 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.

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.

Auditor's 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 auditor's 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.

Report on Summarized Comparative Information

We have previously audited The Foundation's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

November 26, 2024

Boston Main Streets Foundation
Statements of Financial Position
June 30, 2024 and summarized comparative information as of June 30, 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and equivalents	\$ 220,587	\$ 318,345
Current portion of pledges receivable	253,833	75,833
Prepaid expenses	8,062	-
Other current assets	<u>10,762</u>	<u>-</u>
	<u>493,244</u>	<u>394,178</u>
Noncurrent asset		
Pledges receivable, net of discount, allowance, and current portion	<u>105,333</u>	<u>144,669</u>
Total assets	<u>\$ 598,577</u>	<u>\$ 538,847</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,165	\$ 47,750
Accrued expenses	<u>18,000</u>	<u>15,000</u>
Total liabilities	<u>20,165</u>	<u>62,750</u>
Net assets		
Without donor restrictions	503,993	265,978
With donor restrictions	<u>74,419</u>	<u>210,119</u>
Total net assets	<u>578,412</u>	<u>476,097</u>
Total liabilities and net assets	<u>\$ 598,577</u>	<u>\$ 538,847</u>

The Notes to Financial Statements are an integral part of these statements.

Boston Main Streets Foundation
Statements of Activities and Changes in Net Assets
Year Ended June 30, 2024 and summarized comparative information for the year ended June 30, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities				
Revenue				
Contributions of cash and financial assets	\$ 449,936	\$ 154,404	\$ 604,340	\$ 488,365
Net assets released from restrictions	290,104	(290,104)	-	-
Total support and revenues	740,040	(135,700)	604,340	488,365
Expenses				
Program services				
Personnel and related costs	42,613	-	42,613	-
Technology grants	72,021	-	72,021	116,455
Small Business Technical Assistance Grants	70,000	-	70,000	107,567
Other grants	60,000	-	60,000	115,000
Innovation grants	25,000	-	25,000	77,500
Website and social media services	8,931	-	8,931	24,000
Total program expenses	278,565	-	278,565	440,522
Management & General				
Personnel and related costs	42,613	-	42,613	-
General and administrative	30,167	-	30,167	18,571
Employee search services	-	-	-	65,500
Total management & general expenses	72,780	-	72,780	84,071
Fundraising				
Personnel and related costs	85,227	-	85,227	-
Fundraising expenses	71,106	-	71,106	19,893
Total fundraising expenses	156,333	-	156,333	19,893
Total expenses	507,678	-	507,678	544,486
Change in net assets from operations	232,362	(135,700)	96,662	(56,121)
Nonoperating activity				
Investment return	5,653	-	5,653	3,229
Change in net assets	238,015	(135,700)	102,315	(52,892)
Net assets				
Beginning of year	265,978	210,119	476,097	528,989
End of year	\$ 503,993	\$ 74,419	\$ 578,412	\$ 476,097

The Notes to Financial Statements are an integral part of these statements.

Boston Main Streets Foundation
Statements of Functional Expenses
Year Ended June 30, 2024 and summarized comparative information for the year ended June 30, 2023

	2024				2023
	Program	Management and General	Fundraising	Total	Total
Expenses					
Personnel and related costs	\$ 42,613	\$ 42,613	\$ 85,227	\$ 170,453	\$ -
Small business technology and other grants	132,021	-	-	132,021	116,455
Professional fees	-	18,000	55,460	73,460	30,750
Small business technical assistance grants	70,000	-	-	70,000	107,567
Innovation grants	25,000	-	-	25,000	77,500
Bad debts	-	-	15,000	15,000	-
Miscellaneous	-	12,167	646	12,813	7,714
Website and social media services	8,931	-	-	8,931	24,000
Other grants	-	-	-	-	115,000
Employee search services	-	-	-	-	65,500
	<u>\$ 278,565</u>	<u>\$ 72,780</u>	<u>\$ 156,333</u>	<u>\$ 507,678</u>	<u>\$ 544,486</u>

The Notes to Financial Statements are an integral part of these statements.

Boston Main Streets Foundation**Statements of Cash Flows****Year Ended June 30, 2024 and summarized comparative information for the year ended June 30, 2023**

	<u>2024</u>	<u>2023</u>
Operating activities		
Increase (decrease) in net assets	\$ 102,315	\$ (52,892)
Adjustments to reconcile net cash (used in) operating activities		
Discount on pledges receivable	(9,164)	21,498
Bad Debt Expense	15,000	
Changes in assets and liabilities:		
Pledges receivable	(144,500)	(232,000)
Prepaid expenses	(8,062)	-
Other current assets	(10,762)	-
Accounts payable	(45,585)	14,388
Accrued expenses	<u>3,000</u>	<u>6,000</u>
Net cash used in operating activities	<u>(97,758)</u>	<u>(243,006)</u>
Cash		
Beginning of year	<u>318,345</u>	<u>561,351</u>
End of year	<u>\$ 220,587</u>	<u>\$ 318,345</u>

The Notes to Financial Statements are an integral part of these statements.

Boston Main Streets Foundation
Notes to Financial Statements
June 30, 2024 and 2023

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.

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 were \$0 at both June 30, 2024 and 2023.

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.

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.

Boston Main Streets Foundation
Notes to Financial Statements
June 30, 2024 and 2023

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.

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 in-kind donated services in fiscal years 2024 and 2023, of \$7,125 and \$0, respectively.

Contributed services are recorded as contributions at their estimated fair market values in the period received. Certain amounts have not been recognized in the statements of activities and changes in net assets as the criteria for recognition is not met.

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, 2024 and 2023, there were no advertising expenses.

Income Taxes

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

Boston Main Streets Foundation
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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.

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.

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Due in 1 year	\$ 253,833	\$ 75,833
Due in 2-4 years	<u>132,667</u>	<u>166,167</u>
Total	386,500	242,000
Less: discount to net present value	12,334	21,498
Less: allowance for doubtful accounts	<u>15,000</u>	<u>-</u>
Present value of pledges receivable	359,166	220,502
Less: current portion of pledges receivable	<u>253,833</u>	<u>75,833</u>
Pledges receivable, net of current portion	<u><u>\$ 105,333</u></u>	<u><u>\$ 144,669</u></u>

Pledges receivable are discounted at 5% for the year ended June 30, 2024 and 2023.

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 \$25,000 and \$77,500 were awarded for the years ended June 30, 2024 and 2023, respectively.

Boston Main Streets Foundation
Notes to Financial Statements
June 30, 2024 and 2023

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 \$8,931 and \$24,000 for the years ended June 30, 2024 and 2023, respectively. The contract was terminated prior to June 30, 2024.

Small Business Technology Grants

During the year ended June 30, 2023, the Foundation received restricted grants totaling \$75,000 to fund a Small Business Technical Assistance Program sponsored by the donor, to add to unexpended restricted grant funding from the prior year of \$52,896. The program was designed to fund point of sale technology installations at small businesses located in the Main Streets Districts. Restricted expenses incurred during the year ended June 30, 2023 were \$116,455, leaving a balance in the restricted fund of \$11,441. During the year ended June 30, 2024, the Foundation received additional restricted grants totaling \$75,000 for this program. Restricted expenses incurred during the year ended June 30, 2024 were, \$72,021, leaving a balance in the restricted fund of \$14,419.

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, 2024, \$28,678 remained unspent from the September 2017 grant and \$50,000 remained unspent from the June 2019 grant. Additionally, as of June 30, 2024, the granting organization lifted the restrictions on the use of these grants.

Other Restricted Grants

BMSF was awarded a restricted grant of \$120,000 in June 2023 payable in 4 equal installments. The restriction limits the use of the funds to three specific main street business districts. The Foundation incurred restricted expenses for the year ended June 30, 2024 and 2023 of \$60,000 and \$0, respectively.

Small Business Technical Assistance Grants

In 2024 and 2023, the Foundation received a grant totaling \$70,000 and \$100,000, respectively, plus certain performance bonuses to fund its Small Business Technical Assistance program. These funds were granted for the purpose of engaging a third-party vendor to directly assist main street businesses in the writing and submission of grant applications to access capital available through another small business funding program sponsored by the donor. The Foundation incurred expenses for the year ended June 30, 2024 and 2023, of \$70,000 and \$107,567, respectively, and there were no restricted funds as of the end of each fiscal year.

5. OTHER GRANTS

For the year ended June 30, 2023, the Foundation incurred expenses of \$115,000 to fund the sponsorship and hosting of the National Main Streets Conference and reception. There were no such expenditures for similar programs for the year ended June 30, 2024.

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, 2024 and 2023.

Boston Main Streets Foundation
Notes to Financial Statements
June 30, 2024 and 2023

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.

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, 2024 and 2023, uninsured cash balances in excess of FDIC insurable limits were \$0.

Concentration

Revenue includes \$250,000 from one donor for the year ended June 30, 2024, and \$408,688 from four donors for the year ended June 30, 2023.

Pledges receivable includes \$241,666 from two donors for the year ended June 30, 2024.

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.

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>2024</u>	<u>2023</u>
Financial assets at year-end		
Cash and equivalents	\$ 220,587	\$ 318,345
Current portion of pledges receivable	<u>253,833</u>	<u>75,833</u>
Total financial assets	474,420	394,178
Less: Amounts not available to be used within one year		
Net assets with donor restrictions	<u>(74,419)</u>	<u>(210,119)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 400,001</u>	<u>\$ 184,059</u>

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, 2024 and 2023, management of the Foundation believes that no liquidity issues exist.

Boston Main Streets Foundation
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10. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Purpose restriction		
Small Business Technology Grant	\$ 14,419	\$ 11,441
Other Restricted Donations	60,000	120,000
Economic Mobility - 2019	-	50,000
Economic Mobility - 2017	-	28,678
	<u>\$ 74,419</u>	<u>\$ 210,119</u>

11. RETIREMENT PLAN

On September 29, 2023, the Foundation adopted a 401K retirement plan for all eligible employees. The Foundation will match employee contributions dollar for dollar up to 3% of pay. During the year ended June 30, 2024, matching contributions totaling \$3,747 were made to the plan.

12. SUBSEQUENT EVENTS

Management has evaluated all activity of the Foundation through the date of the accountant's report, November 26, 2024, and concluded that no subsequent events have occurred, with the exception of the events described below, that would require recognition in the financial statements or disclosure in the related notes to the financial statements.

In May of 2024, the Foundation was awarded the Legacy Business Grant Program from the City of Boston. The amount to be received from this grant was \$1,100,000, with \$900,000 to be used to support Boston small business, and \$200,000 to be used to cover any costs related to administering the program. The funds associated with this grant were received in July and August of 2024, with the first recognized expenses and revenues occurring shortly thereafter. The program has a completion date of not later than December 31, 2024.

In October of 2024, the Foundation executed a 2-year contract with the City of Boston to administer its Beautification Grant Program. The amount to be received under the contract is \$1,800,000, of which up to \$1,560,000 is to be used to make beautification grants to Boston's Main Street Districts, and \$240,000 is to be used to cover costs related to administering the program. All funds must be allocated to Main Street organizations by March 30, 2025 and fully spent by September 30, 2026.