

AUDITED FINANCIAL STATEMENTS

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Hatfield, Massachusetts

September 30, 2010

Boisselle, Morton & Associates, LLP
Certified Public Accountants

To the Officers and Directors
The Food Bank of Western Massachusetts, Inc.
Hatfield, Massachusetts

Independent Auditors' Report

We have audited the accompanying statement of financial position of The Food Bank of Western Massachusetts, Inc. (a nonprofit organization) as of September 30, 2010, and the related statements of activities, functional expense and cash flows for the year then ended. These financial statements are the responsibility of The Food Bank of Western Massachusetts, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's September 30, 2009 financial statements and, in our report dated January 15, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Bank of Western Massachusetts, Inc. as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2011 on our consideration of The Food Bank of Western Massachusetts, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

To the Officers and Directors
The Food Bank of Western Massachusetts, Inc.
Page 2

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of support, revenue and expense by program and schedules of effect of non-cash food inventory on change in net assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Boisselle, Morton & Associates, LLP

Hadley, Massachusetts
April 8, 2011

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.
Statement of Financial Position
September 30, 2010 (with comparative totals for September 30, 2009)

	<u>Assets</u>				<u>2009</u> <u>Total</u>
	<u>2010</u>			<u>Total</u>	
	<u>Unrestricted</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>		
Current Assets					
Cash and cash equivalents	\$ 762,067	\$ 239,370		\$ 1,001,437	\$ 360,887
Cash - board designated reserves	775,000			775,000	775,000
Accounts receivable	226,608	18,764		245,372	177,190
Government grants receivable	188,413			188,413	127,663
Pledges receivable	8,500			8,500	49,885
Inventory	367,365			367,365	578,334
Prepaid expenses	31,266			31,266	48,642
Total Current Assets	<u>2,359,219</u>	<u>258,134</u>		<u>2,617,353</u>	<u>2,117,601</u>
Property and Equipment, net	<u>3,581,457</u>			<u>3,581,457</u>	<u>3,743,615</u>
Other Assets					
Cash - permanently restricted			\$ 5,100	5,100	5,100
Pledges receivable					4,632
Investments - Community Foundation	16,581			16,581	14,964
U.S.D.A. mortgage reserve					11,184
Total Other Assets	<u>16,581</u>		<u>5,100</u>	<u>21,681</u>	<u>35,880</u>
Total Assets	<u>\$ 5,957,257</u>	<u>\$ 258,134</u>	<u>\$ 5,100</u>	<u>\$ 6,220,491</u>	<u>\$ 5,897,096</u>
	<u>Liabilities and Net Assets</u>				
Current Liabilities					
Accounts payable	\$ 145,479			\$ 145,479	\$ 85,805
Long-term debt - due within one year					2,822
Accrued expenses	133,432			133,432	84,953
Deferred revenue	22,819			22,819	22,825
Due to member agencies	6,635			6,635	4,423
Total Current Liabilities	<u>308,365</u>			<u>308,365</u>	<u>200,828</u>
Long-Term Debt					<u>172,470</u>
Net Assets					
Unrestricted - undesignated	1,277,471			1,277,471	964,835
Unrestricted - U.S.D.A. mortgage reserve					11,184
Unrestricted - property and equipment	3,581,457			3,581,457	3,568,323
Unrestricted - board designated	789,964			789,964	789,964
Total unrestricted net assets	<u>5,648,892</u>			<u>5,648,892</u>	<u>5,334,306</u>
Temporarily restricted		\$ 258,134		258,134	184,392
Permanently restricted			\$ 5,100	5,100	5,100
Total Net Assets	<u>5,648,892</u>	<u>258,134</u>	<u>5,100</u>	<u>5,912,126</u>	<u>5,523,798</u>
Total Liabilities and Net Assets	<u>\$ 5,957,257</u>	<u>\$ 258,134</u>	<u>\$ 5,100</u>	<u>\$ 6,220,491</u>	<u>\$ 5,897,096</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Statement of Activities

Year Ended September 30, 2010

(with comparative totals for the year ended September 30, 2009)

	2010				2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support, revenue, and gains					
Donated food	\$ 4,932,576			\$ 4,932,576	\$ 4,772,437
U.S.D.A. food	2,109,026			2,109,026	1,866,767
MEFAP food	1,690,627			1,690,627	1,842,033
Donations	1,172,209	\$ 162,417		1,334,626	1,277,182
Donated in-kind	64,702			64,702	50,609
U.S.D.A. grant	334,552			334,552	233,917
MEFAP grant	178,951			178,951	187,751
Grants - other	156,422	621,585		778,007	681,033
Shared maintenance	249,634			249,634	241,132
Food buying	645,661			645,661	521,834
Farm income - other	6,653			6,653	20,989
Membership fees	23,141			23,141	23,572
Delivery fees	33,461			33,461	34,010
Special events and promotional sales	254,590			254,590	182,151
Miscellaneous	18,451			18,451	11,461
Interest and net investment earnings	14,925			14,925	10,694
Income from beneficial interest in endowment	41,800			41,800	46,600
Gain on sale of property and equipment	10,757			10,757	
Net assets released from restrictions	710,260	(710,260)			
Total support, revenue, and gains	<u>12,648,398</u>	<u>73,742</u>		<u>12,722,140</u>	<u>12,004,172</u>
Expense and losses					
Program	11,409,722			11,409,722	10,625,876
Administration	443,068			443,068	465,943
Development	478,680			478,680	364,129
Total expense	<u>12,331,470</u>			<u>12,331,470</u>	<u>11,455,948</u>
Loss on scapped asset	2,342			2,342	
Total expense and losses	<u>12,333,812</u>			<u>12,333,812</u>	<u>11,455,948</u>
Change in net assets	314,586	73,742		388,328	548,224
Net assets - beginning of year	<u>5,334,306</u>	<u>184,392</u>	<u>\$ 5,100</u>	<u>5,523,798</u>	<u>4,975,574</u>
Net assets - end of year	<u>\$ 5,648,892</u>	<u>\$ 258,134</u>	<u>\$ 5,100</u>	<u>\$ 5,912,126</u>	<u>\$ 5,523,798</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Statement of Functional Expense

Year Ended September 30, 2010

(with comparative totals for the year ended September 30, 2009)

	2010				2009
	Program	Administration	Development	Total	Total
Employee compensation and related:					
Salaries	\$ 887,804	\$ 174,879	\$ 186,939	\$ 1,249,622	\$ 1,249,427
Payroll taxes	64,763	13,893	13,659	92,315	91,165
Fringe benefits	218,548	44,280	32,744	295,572	278,133
Total employee compensation and related	1,171,115	233,052	233,342	1,637,509	1,618,725
Occupancy:					
Utilities	45,487	8,705	1,086	55,278	63,685
Insurance	10,726	5,254	112	16,092	17,889
Repairs and maintenance	49,417	9,909	5,368	64,694	62,424
Depreciation	160,442	29,349		189,791	181,543
Interest	6,562			6,562	8,397
Total occupancy	272,634	53,217	6,566	332,417	333,938
Other program expense:					
Fees	21,751			21,751	21,825
Consulting	5,609			5,609	33,846
Subgrants	134,940			134,940	62,912
Temporary agency labor	71,710			71,710	26,090
Staff training and conferences	7,274			7,274	8,890
Staff mileage and travel	17,965			17,965	16,484
Donated food	4,232,818			4,232,818	4,281,796
U.S.D.A. food	2,181,312			2,181,312	1,795,188
MEFAP food	1,680,799			1,680,799	1,860,865
Purchased food	587,486			587,486	465,000
Food discard	845,582			845,582	458,484
Freight	31,553			31,553	32,285
Motor vehicle expense	32,520			32,520	23,161
Program supplies	87,652			87,652	111,773
Total other program expense	9,938,971			9,938,971	9,198,599
Support expense:					
Advertising and promotion	1,161	5,329		6,490	10,555
Staff training and conferences		9,882	1,950	11,832	5,570
Staff mileage and travel		1,734	2,973	4,707	3,640
Office supplies and expense	13,492	21,434	48,307	83,233	70,130
Depreciation		1,957	3,913	5,870	16,258
Direct mail			93,105	93,105	59,721
Donated in-kind	11,449	39,433	13,820	64,702	50,609
Accounting and consulting		30,405		30,405	42,741
Temporary agency labor		41,090	9,170	50,260	8,363
Bad debt	900			900	1,086
Fees		5,535	9,751	15,286	17,997
Special events			23,156	23,156	18,016
Total support expense	27,002	156,799	238,772	422,573	304,686
Total expense	\$ 11,409,722	\$ 443,068	\$ 478,680	\$ 12,331,470	\$ 11,455,948

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Statement of Cash Flows

Year Ended September 30, 2010

(with comparative totals for the year ended September 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from operating activities	\$ 2,493,432	\$ 2,241,181
Cash received from farm operating activities	6,653	20,989
Cash received from donations	1,334,626	1,277,182
Cash paid for compensation and related expenses	(1,612,489)	(1,584,440)
Cash paid to suppliers	(1,431,455)	(1,241,697)
Interest and dividends received	56,725	11,339
Interest paid	<u>(6,562)</u>	<u>(8,397)</u>
Net cash provided by operating activities	<u>840,930</u>	<u>716,157</u>
Cash flows from investing activities		
Capital expenditures	<u>(25,088)</u>	<u>(17,326)</u>
Net cash used by investing activities	<u>(25,088)</u>	<u>(17,326)</u>
Cash flows from financing activities		
Mortgage payments	<u>(175,292)</u>	<u>(2,787)</u>
Net cash used by financing activities	<u>(175,292)</u>	<u>(2,787)</u>
Net increase in cash and cash equivalents	640,550	696,044
Cash and cash equivalents - beginning of year	<u>1,135,887</u>	<u>439,843</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,776,437</u></u>	<u><u>\$ 1,135,887</u></u>
<u>Cash and cash equivalents consists of:</u>		
Cash and cash equivalents - unrestricted	\$ 762,067	\$ 179,525
Cash and cash equivalents - temporarily restricted	239,370	181,362
Cash - board designated reserve	<u>775,000</u>	<u>775,000</u>
	<u><u>\$ 1,776,437</u></u>	<u><u>\$ 1,135,887</u></u>
<u>Supplemental disclosures of non-cash operating and investing activities:</u>		
Donated and governmental food support	\$ 8,732,229	\$ 8,481,237
Donated and governmental food expense	(8,940,486)	(7,937,849)
Donated in-kind support and expense	64,702	50,609
Change in value of investments - Community Foundation	(1,617)	(645)

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Schedule of Reconciliation of Change in Net Assets

to Net Cash Provided by Operating Activities

Year Ended September 30, 2010

(with comparative totals for the year ended September 30, 2009)

	<u>2010</u>	<u>2009</u>
Change in net assets	\$ <u>388,328</u>	\$ <u>548,224</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	195,661	197,801
Change in allowance for uncollectible pledges	(7,715)	(1,200)
Change in discount for present value of pledges	(368)	(2,429)
Change in value of investments - Community Foundation	(1,617)	645
Release of U.S.D.A Mortgage Reserve	11,184	
Gain on sale of property and equipment	(10,757)	
Loss on sale of scrapped asset	2,342	
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(68,182)	(3,693)
Government grants receivable	(60,750)	(35,322)
Pledges receivable	54,100	124,918
Inventory	210,969	(84,904)
Prepaid expenses	17,376	(12,516)
(Decrease) increase in:		
Accounts payable	59,674	(38,357)
Accrued expenses	48,479	27,374
Deferred revenue	(6)	(925)
Due to member agencies	<u>2,212</u>	<u>(3,459)</u>
Total adjustments	<u>452,602</u>	<u>167,933</u>
Net cash provided by operating activities	\$ <u><u>840,930</u></u>	\$ <u><u>716,157</u></u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Notes to the Financial Statements

September 30, 2010

1. Summary of Significant Accounting Policies

Mission - The Food Bank of Western Massachusetts, Inc.'s (The Food Bank) primary mission is to work with the community to reduce hunger and increase food security in the four counties of Western Massachusetts.

Accounting Method - The financial statements of The Food Bank are prepared on the accrual basis.

Tax Status - The Food Bank is a not-for-profit corporation organized under Massachusetts General Laws Chapter 180. The Food Bank is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, The Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Effective for the year ended September 30, 2010, the Organization has adopted FASB ASC 740-10-25, "Accounting for Uncertainty in Income Taxes." FASB ASC 740-10-25 prescribes a comprehensive model for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. Management has not identified any uncertain tax provisions and, therefore, no liability has been recorded in the financial statements.

The Organization's information filings are subject to audit by the Internal Revenue Service. The Organization's open audit periods are 2007-2009.

Basis of Presentation - The net assets of The Food Bank are reported in each of the following three classes when applicable: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted and are reported as part of the unrestricted class. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Contributions of services are recognized as revenue if they (a) create or enhance non-financial assets or (b) if they require specialized skills which are provided by individuals possessing those skills and if such services would typically need to be purchased if not provided by donations. Contributions of materials are recognized as revenue at their fair market value.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Notes to the Financial Statements (Continued)

September 30, 2010

1. Summary of Significant Accounting Policies (Continued)

Capitalization of Expenses - The cost, if purchased, and fair value, if donated, of property and equipment is capitalized. The Food Bank capitalizes property and equipment with a cost of \$5,000 or more. Costs of maintenance and repairs are expensed as incurred.

Depreciation - Depreciation is computed by the straight-line method over the following useful lives:

Buildings and improvements	15 - 25 years
Furniture, fixtures and equipment	3 - 10 years
Motor vehicles	5 - 10 years

Expense Allocation - Expenses are charged to programs and supporting services on the basis of job duties and space allocation analyses. Administration and other supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of The Food Bank.

Cash and Cash Equivalents - The Food Bank considers any balance at year end in an investment account that is used only to receive stock donations and convert the stock to cash as soon as possible to be cash and cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory - There are three categories of food inventory: food which is donated, food which is purchased, and government surplus food which is warehoused on behalf of the government by The Food Bank for redistribution. Valuation of donated food items is based on the approximate average wholesale value of one pound of donated product as calculated in the Product Valuation Survey Methodology December 31, 2010 prepared by Feeding America, formerly known as America's Second Harvest. The valuation at September 30, 2010, was \$1.60 per pound. Purchased food is stated at the lower of first-in, first-out (FIFO) cost or market.

Advertising and Promotion - Advertising and promotion costs are expensed as incurred. Advertising and promotion costs were \$6,490 and \$10,555 for the years ended September 30, 2010 and 2009, respectively.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Notes to the Financial Statements (Continued)

September 30, 2010

1. Summary of Significant Accounting Policies (Continued)

Pledges Receivable - Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Deferred Revenue - Deferred revenue consists of membership dues received at year end that are for future periods.

2. Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded at face value less a discount for the present value of future cash flows. The discount rate used to calculate the present value was 2%. Unconditional promises to give are temporarily restricted for the capital campaign. Management has determined that all pledges are collectible, net of an estimated allowance for uncollectible pledges as follows at September 30:

	<u>2010</u>	<u>2009</u>
Due in one year	\$13,402	\$58,502
Due in two to three years	<u>-0-</u>	<u>9,000</u>
	13,402	67,502
Less discount for present value	<u>-0-</u>	368
Less allowance for uncollectible pledges	<u>4,902</u>	<u>12,617</u>
Total pledges receivable	8,500	54,517
Less amount due in one year	<u>8,500</u>	<u>49,885</u>
Total long-term pledges receivable	\$ <u>-0-</u>	\$ <u>4,632</u>

3. Property and Equipment

Property and equipment consisted of the following at September 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 352,500	\$ 352,500
Buildings and improvements	3,830,368	3,830,368
Furniture, fixtures and equipment	673,999	640,497
Vehicles	<u>252,240</u>	<u>252,240</u>
	5,109,107	5,075,605
Less accumulated depreciation	<u>1,527,650</u>	<u>1,331,990</u>
Property and equipment, net	\$ <u>3,581,457</u>	\$ <u>3,743,615</u>

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Notes to the Financial Statements (Continued)

September 30, 2010

4. U.S.D.A. Mortgage Reserve

Under the terms of the U.S.D.A. Mortgage Agreement, The Food Bank was required to set aside a sum of \$11,184 as a reserve during 2009. This mortgage was paid off during 2010, and, accordingly, there was no reserve balance at September 30, 2010.

5. Long-Term Debt

Long-term debt consisted of a mortgage payable to a government agency, secured by property and receivables, due in monthly installments of \$932 including interest at a fixed rate of 4.75% through August 2038. The balance of the mortgage payable was \$175,292 at September 30, 2009. This mortgage was paid off in 2010.

6. Board Designated Unrestricted Net Assets

The Board of Directors votes annually on the amount of Board designated reserve. The Board attempts to fulfill the recommendation of the America's Second Harvest to maintain a reserve equal to three months' of cash operating expenses. As of September 30, 2010 and 2009, the Board of Directors designated \$700,000 to be reserved.

The Board of Directors designated \$75,000 for a capital reserve fund as of September 30, 2010 and 2009.

The Food Bank established a designated endowment fund at the Community Foundation of Western Massachusetts in the year ended December 31, 2000. The fund is an investment of The Food Bank and will distribute to The Food Bank only amounts that will preserve the principal in perpetuity. The endowment fund activity is summarized as follows for the years ended September 30:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$14,964	\$15,609
Investment income	822	294
Unrealized losses in market value	993	(770)
Fees	<u>(198)</u>	<u>(169)</u>
Ending balance	<u>\$16,581</u>	<u>\$14,964</u>

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Notes to the Financial Statements (Continued)

September 30, 2010

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at September 30:

	<u>2010</u>	<u>2009</u>
Agency relations program	\$ -0-	\$ 68,256
Development	60,000	-0-
Education and advocacy program	75,124	31,519
Food distribution program	105,000	76,337
Nutrition education program	-0-	8,280
Target: Hunger North Berkshire County	3,252	-0-
Target: Hunger Springfield	<u>14,758</u>	<u>-0-</u>
	<u>\$258,134</u>	<u>\$184,392</u>

8. Permanently Restricted Net Assets

The Food Bank received \$5,100 in donations during 2002 for the establishment of a permanently restricted endowment fund. Under the terms of this fund the corpus shall remain permanently restricted and the income thereon may be used for general purposes of The Food Bank.

9. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses of \$697,285 and \$592,877 for 2010 and 2009, respectively, that satisfied the purpose restrictions for the capital campaign and various other programs as specified by donors.

10. Contributed Food, Supplies and Services

Donated food and donated in-kind support consists of food and donated services which meet the recognition requirements described in Note 1. The value of donated food was \$4,932,576 and \$4,772,437 for the years ended September 30, 2010 and 2009, respectively. The value of donated supplies and services was \$64,702 and \$50,609 for the years ended September 30, 2010 and 2009, respectively.

A number of unpaid volunteers have made significant contributions of their time to The Food Bank. In accordance with the recognition criteria described in Note 1, the value of these services is not recorded in the financial statements.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Notes to the Financial Statements (Continued)

September 30, 2010

11. Pension Expense

Simplified Employee Pension - The Food Bank maintains a Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement (SEP) under 408(k) of the Internal Revenue Code. The Food Bank contributes 5% of employees' annual gross wages provided that a three-year service test is met. The contributions are made to qualifying employees' individual accounts. The pension expense was \$40,106 and \$35,518 for the years ended September 30, 2010 and 2009, respectively.

Defined Contribution Tax Deferred Annuity Plan - In 2001, The Food Bank adopted a defined contribution tax deferred annuity plan pursuant to Section 403(b) of the Internal Revenue Code that covers substantially all employees. The Food Bank matches employee contributions up to 3% of their annual compensation. Employees of The Food Bank are eligible for this matching provision once they have completed six months' of service with The Food Bank and have attained the age of 18. Pension expense was \$26,254 and \$22,604 for the years ended September 30, 2010 and 2009, respectively.

12. Contingencies

The Food Bank receives some of its support from government grants. The grants permit the grantor to audit both the financial operation of the grant and compliance with terms of the grant agreements. Such audits could result in the disallowance of some costs. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of the liability is ascertained.

13. Related Party

During the years ended September 30, 2010 and 2009, four members of the Board of Directors were also representatives of The Food Bank's member agencies.

14. Concentrations

The Food Bank's financial statements are impacted by not only the price per pound of donated food (see Note 1) that varies year to year, but also by the volume of food received versus distributed during the fiscal year (see supporting Schedule of Effect of Non-Cash Food Inventory on Change in Net Assets).

During the normal course of business, The Food Bank has funds on deposit with banks and investment companies in excess of the amount covered by FDIC insurance.

15. Line of Credit

The Food Bank has a \$1,500,000 line-of-credit with a local bank with an interest rate of 6.00%. Advances made are secured by all assets of The Food Bank. There was no balance due on the line of credit at September 30, 2010 and 2009.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Notes to the Financial Statements (Continued)

September 30, 2010

16. Beneficial Interest in Endowment

In 2005, an unrelated organization made a \$1,000,000 donation to the Community Foundation of Western Massachusetts (the Foundation) to be held as an endowment for the benefit of The Food Bank. In accordance with Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, the endowment is an asset of the Foundation, because the donor granted variance power to the Foundation over the use of the endowment. As the beneficiary of the endowment, The Food Bank is entitled to an annual income distribution calculated in accordance with the Foundation's distribution policy provided that The Food Bank continues to serve the four counties of Western Massachusetts and uses the distribution for operating expenses previously disclosed to the Foundation. Also, the distribution cannot be used for capital expenditures. The Food Bank has recorded an estimated pledge receivable of \$41,800 and \$45,000 at September 30, 2010 and 2009, respectively, for the distribution from the endowment and recognized this as income from beneficial interest in endowment on the statement of activities.

17. Subsequent Events

The Food Bank has evaluated subsequent events after the statement of financial position date of September 30, 2010, through April 8, 2011, the date on which the financial statements were available to be issued, and concluded that no additional disclosures are required.

Supplementary Information

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2010

<u>Federal Grantor:</u> <u>Pass-through Grantor:</u> <u>Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
U.S. Department of Agriculture:		
The Emergency Food Assistance Program:		
Food Commodities	10.569	\$ 2,181,312
Administrative Costs	10.568	<u>334,552</u>
Total Federal Expenditures		<u>\$ 2,515,864</u>

See Independent Auditors' Report.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Schedule of Support, Revenue and Expense by Program

Year Ended September 30, 2010

	<u>Food Distribution</u>	<u>Delivery</u>	<u>Brown Bag</u>	<u>Farm</u>	<u>Agency Relations</u>	<u>Nutrition</u>	<u>Education Advocacy</u>	<u>Target Hunger</u>	<u>Total</u>
Total support and revenue by program	\$ 6,368,060	\$ 3,471,332	\$ 154,504	\$ 13,258	\$ 140,275	\$ 34,105	\$ 239,637	\$ 213,990	\$ 10,635,161
Employee compensation and related:									
Salaries	\$ 258,357	\$ 184,489	\$ 59,431		\$ 66,181	\$ 51,614	\$ 129,236	\$ 138,496	\$ 887,804
Payroll taxes	19,180	12,796	4,493		5,132	3,984	9,300	9,878	64,763
Fringe benefits	65,748	67,679	14,390		9,417	3,245	24,637	33,432	218,548
Total employee compensation and related	<u>343,285</u>	<u>264,964</u>	<u>78,314</u>		<u>80,730</u>	<u>58,843</u>	<u>163,173</u>	<u>181,806</u>	<u>1,171,115</u>
Occupancy:									
Utilities	23,726	17,409						4,352	45,487
Insurance	952	8,124		\$ 1,204				446	10,726
Repairs and maintenance	21,675	14,102		10,645				2,995	49,417
Interest				6,562					6,562
Total occupancy	<u>46,353</u>	<u>39,635</u>		<u>18,411</u>				<u>7,793</u>	<u>112,192</u>
Other program expense:									
Fees	15,660	5,466		625					21,751
Consulting							5,609		5,609
Subgrants	73,698				51,000			10,242	134,940
Temporary agency labor	23,580		12,341		16,158		1,580	18,051	71,710
Staff training and conferences	1,022	427	81		1,350		1,168	3,226	7,274
Staff mileage and travel	450		2,605		3,240	492	5,402	5,776	17,965
Donated food	2,494,720	1,663,147		74,951					4,232,818
U.S.D.A. food	1,308,787	872,525							2,181,312
MEFAP food	1,008,479	672,320							1,680,799
Purchased food	582,725		5,271						587,996
Food discard	503,669	336,120	25	5,258					845,072
Freight	31,553								31,553
Motor vehicle expense		32,520							32,520
Program supplies	4,028	1,536	5,950		995	10,180	35,242	29,721	87,652
Brown Bag delivery allocation		(56,954)	56,954						
Total other program expense	<u>6,048,371</u>	<u>3,527,107</u>	<u>83,227</u>	<u>80,834</u>	<u>72,743</u>	<u>10,672</u>	<u>49,001</u>	<u>67,016</u>	<u>9,938,971</u>
Support expense:									
Office supplies and related expense	2,134	1,400	2,682	14	3,059	83	5,316	865	15,553
Donated in-kind	3,603			6,546			900	400	11,449
Total support expense	<u>5,737</u>	<u>1,400</u>	<u>2,682</u>	<u>6,560</u>	<u>3,059</u>	<u>83</u>	<u>6,216</u>	<u>1,265</u>	<u>27,002</u>
Total expense by program before depreciation	6,443,746	3,833,106	164,223	105,805	156,532	69,598	218,390	257,880	11,249,280
Depreciation	82,177	62,611						15,654	160,442
Total expense by program	\$ <u>6,525,923</u>	\$ <u>3,895,717</u>	\$ <u>164,223</u>	\$ <u>105,805</u>	\$ <u>156,532</u>	\$ <u>69,598</u>	\$ <u>218,390</u>	\$ <u>273,534</u>	\$ <u>11,409,722</u>
Change in net assets	\$ <u>(157,863)</u>	\$ <u>(424,385)</u>	\$ <u>(9,719)</u>	\$ <u>(92,547)</u>	\$ <u>(16,257)</u>	\$ <u>(35,493)</u>	\$ <u>21,247</u>	\$ <u>(59,544)</u>	\$ <u>(774,561)</u>

See Independent Auditors' Report.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

Schedule of Support, Revenue and Expense by Program

Year Ended September 30, 2009

	<u>Food Distribution</u>	<u>Delivery</u>	<u>Brown Bag</u>	<u>Farm</u>	<u>Agency Relations</u>	<u>Nutrition</u>	<u>Education Advocacy</u>	<u>Target Hunger</u>	<u>Total</u>
Total support and revenue by program	\$ 5,984,205	\$ 3,682,166	\$ 172,140	\$ 173,080	\$ 224,165	\$ 39,800	\$ 128,045	\$ 146,185	\$ 10,549,786
Employee compensation and related:									
Salaries	\$ 227,963	\$ 201,114	\$ 74,473		\$ 92,424	\$ 45,399	\$ 61,041	\$ 133,809	\$ 836,223
Payroll taxes	17,088	14,567	5,260		6,780	3,388	4,309	9,858	61,250
Fringe benefits	61,292	61,424	17,428		15,793	4,173	11,979	30,366	202,455
Total employee compensation and related	<u>306,343</u>	<u>277,105</u>	<u>97,161</u>		<u>114,997</u>	<u>52,960</u>	<u>77,329</u>	<u>174,033</u>	<u>1,099,928</u>
Occupancy:									
Utilities	26,747	20,379						5,095	52,221
Insurance	2,889	7,798		\$ 1,125				550	12,362
Repairs and maintenance	20,595	12,359						2,984	35,938
Interest					8,397				8,397
Total occupancy	<u>50,231</u>	<u>40,536</u>			<u>9,522</u>			<u>8,629</u>	<u>108,918</u>
Other program expense:									
Fees	14,857	5,468		1,500					21,825
Consulting			50	4,381	50	264	29,051	50	33,846
Subgrants	18,950				30,744			13,218	62,912
Temporary agency labor	10,464				5,909			9,717	26,090
Staff training and conferences	4,364	498	224		872		2,356	576	8,890
Staff mileage and travel	351		3,304	120	4,662	1,022	1,628	5,397	16,484
Donated food	2,343,933	1,768,230		169,633					4,281,796
U.S.D.A. food	1,023,257	771,931							1,795,188
MEFAP food	1,060,693	800,172							1,860,865
Purchased food	453,749		11,251						465,000
Food discard	254,537	192,404		11,543					458,484
Freight	32,285								32,285
Motor vehicle expense		23,161							23,161
Program supplies	11,248	1,342	6,701		1,765	30,646	15,487	44,584	111,773
Brown Bag delivery allocation		(102,697)	102,697						
Total other program expense	<u>5,228,688</u>	<u>3,460,509</u>	<u>124,227</u>	<u>187,177</u>	<u>44,002</u>	<u>31,932</u>	<u>48,522</u>	<u>73,542</u>	<u>9,198,599</u>
Support expense:									
Office supplies and related expense	1,215	1,008	5,688	1,574	3,518	567	3,771	3,633	20,974
Donated in-kind	8,903	12,220		3,950	800	800	2,000	3,020	31,693
Total support expense	<u>10,118</u>	<u>13,228</u>	<u>5,688</u>	<u>5,524</u>	<u>4,318</u>	<u>1,367</u>	<u>5,771</u>	<u>6,653</u>	<u>52,667</u>
Total expense by program before depreciation	5,595,380	3,791,378	227,076	202,223	163,317	86,259	131,622	262,857	10,460,112
Depreciation	60,270	89,089		7,990				8,415	165,764
Total expense by program	\$ <u>5,655,650</u>	\$ <u>3,880,467</u>	\$ <u>227,076</u>	\$ <u>210,213</u>	\$ <u>163,317</u>	\$ <u>86,259</u>	\$ <u>131,622</u>	\$ <u>271,272</u>	\$ <u>10,625,876</u>
Change in net assets	\$ <u>328,555</u>	\$ <u>(198,301)</u>	\$ <u>(54,936)</u>	\$ <u>(37,133)</u>	\$ <u>60,848</u>	\$ <u>(46,459)</u>	\$ <u>(3,577)</u>	\$ <u>(125,087)</u>	\$ <u>(76,090)</u>

See independent auditors' report.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.
Schedule of Effect of Non-Cash Food Inventory on Change in Net Assets
Year Ended September 30, 2010
(with comparative totals for the year ended September 30, 2009)

	<u>2010</u>	<u>2009</u>
Non-cash food revenue for food received		
Donated food	\$ 4,932,576	\$ 4,772,437
U.S.D.A. food	2,109,026	1,866,767
MEFAP food	1,690,627	1,842,033
Total non-cash food revenue	<u>8,732,229</u>	<u>8,481,237</u>
Non-cash food expense for food distributed and discarded		
Donated food	4,232,818	4,281,796
U.S.D.A. food	2,181,312	1,795,188
MEFAP food	1,680,799	1,860,865
Food discarded	845,557	458,484
Total non-cash food expense	<u>8,940,486</u>	<u>8,396,333</u>
Effect of non-cash food inventory on change in net assets	<u>\$ (208,257)</u>	<u>\$ 84,904</u>
Inventory - beginning of year	\$ 578,334	\$ 493,430
Change in purchased food inventory	(2,712)	
Effect of change in non-cash food inventory, per above	<u>(208,257)</u>	<u>84,904</u>
Inventory - end of year	<u>\$ 367,365</u>	<u>\$ 578,334</u>

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