

**THE FOOD BANK  
OF WESTERN MASSACHUSETTS, INC.**

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***SEPTEMBER 30, 2017 AND 2016***

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**  
**FINANCIAL STATEMENTS**

**TABLE OF CONTENTS**

Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 18
Supplemental Information:	
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
Schedules of Support, Revenue and Expenses by Program	21 - 22
Schedule of Effect of Non-Cash Food Inventory on Change in Net Assets	23
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Independent Auditors' Report on Compliance for The Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	26 - 27
Schedule of Findings and Questioned Costs	28
Summary Schedule of Prior Year Findings and Questioned Costs	29



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Food Bank of Western Massachusetts, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The Food Bank of Western Massachusetts, Inc. ("The Food Bank", a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Bank of Western Massachusetts, Inc. as of September 30, 2017, 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.

## **Other Matters**

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplemental information included on pages 21 to 23 for the year ended September 30, 2017 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018, on our consideration of The Food Bank of Western Massachusetts, Inc.'s internal control over financial reporting and on 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 effectiveness of The Food Bank of Western Massachusetts, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Food Bank of Western Massachusetts, Inc.'s internal control over financial reporting and compliance.

### **Prior Period Financial Statements**

The financial statements of The Food Bank of Western Massachusetts, Inc. as of September 30, 2016, were audited by other auditors whose report, dated February 8, 2017, expressed an unmodified opinion on those statements.

*Mayus Brothers Kalicka, P.C.*

Holyoke, Massachusetts  
February 15, 2018



**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2017 AND 2016**

***ASSETS***

	<u>2017</u>	<u>2016</u>
<b>Current assets</b>		
Cash	\$ 819,874	\$ 844,851
Cash-board designated reserves- current portion	171,000	-
Accounts and grants receivable	320,438	280,003
Pledges receivable	5,000	1,807
Inventory	627,548	684,278
Prepaid expenses	<u>70,934</u>	<u>55,577</u>
Total current assets	<u>2,014,794</u>	<u>1,866,516</u>
Property and equipment, net	<u>3,098,363</u>	<u>3,249,429</u>
<b>Other assets</b>		
Cash-board designated reserves	1,419,827	1,593,181
Cash-restricted	5,100	5,100
Investments- quasi-endowments	1,281,229	884,436
Investment at Community Foundation	<u>27,100</u>	<u>24,101</u>
Total other assets	<u>2,733,256</u>	<u>2,506,818</u>
<b>Total assets</b>	<u>\$ 7,846,413</u>	<u>\$ 7,622,763</u>

***LIABILITIES AND NET ASSETS***

<b>Current liabilities</b>		
Accounts payable	\$ 151,224	\$ 131,957
Accrued expenses	170,163	112,872
Deferred revenue	26,850	30,806
Due to member agencies	<u>11,646</u>	<u>21,532</u>
Total current liabilities	<u>359,883</u>	<u>297,167</u>
<b>Net assets</b>		
Unrestricted		
Operating	4,757,104	4,821,024
Board designated - quasi-endowments	1,281,229	884,436
Board designated - other reserves	<u>1,419,827</u>	<u>1,593,181</u>
	7,458,160	7,298,641
Temporarily restricted	23,270	21,855
Permanently restricted	<u>5,100</u>	<u>5,100</u>
Total net assets	<u>7,486,530</u>	<u>7,325,596</u>
<b>Total liabilities and net assets</b>	<u>\$ 7,846,413</u>	<u>\$ 7,622,763</u>

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

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

**STATEMENTS OF ACTIVITIES  
FOR YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Unrestricted revenue and support</b>		
Donated food	\$ 9,112,273	\$ 8,620,370
U.S.D.A. food	1,204,736	1,491,528
MEFAP food	1,638,347	2,659,784
Food buy-in program	366,289	353,666
Donations	1,846,990	1,729,953
In-kind contributions-professional services/other	36,214	76,034
U.S.D.A. grant	136,411	152,191
MEFAP grant	147,101	150,257
Grants-other	905,544	709,910
Contract revenue	133,055	124,960
Membership fees	28,560	31,638
Delivery fees	6,266	6,982
Shared maintenance fees- agencies	137,959	138,825
Special events and promotional sales	552,688	512,840
Distribution from endowed funds	47,000	45,623
Miscellaneous	22,861	20,835
Interest and dividends	58,585	41,283
Unrealized/realized gains on investments	99,364	66,509
Unrealized gain on investment at Community Foundation, net	2,999	1,769
Net assets released from restrictions	<u>146,932</u>	<u>189,992</u>
Total revenue and support	<u>16,630,174</u>	<u>17,124,949</u>
 <b>Expense</b>		
Programs	15,117,592	15,653,030
Administration	642,411	509,074
Development	<u>710,652</u>	<u>869,221</u>
Total expense	<u>16,470,655</u>	<u>17,031,325</u>
 <b>Change in unrestricted net assets</b>	<u>159,519</u>	<u>93,624</u>
 <b>Temporarily restricted net assets</b>		
Restricted contributions	148,347	20,000
Released from restrictions	<u>(146,932)</u>	<u>(189,992)</u>
 <b>Change in temporarily restricted net assets</b>	<u>1,415</u>	<u>(169,992)</u>
 <b>Change in net assets</b>	160,934	(76,368)
 <b>Net assets, beginning of year</b>	<u>7,325,596</u>	<u>7,401,964</u>
 <b>Net assets, end of year</b>	<u>\$ 7,486,530</u>	<u>\$ 7,325,596</u>

The accompanying notes are an integral part of these financial statements

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## STATEMENTS OF CASH FLOWS FOR YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 160,934	\$ (76,368)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	248,432	203,866
Unrealized/realized gains on investments	(99,364)	(66,509)
Unrealized gains on investment at Community Foundation, net	(2,999)	(1,769)
Donated securities	(8,822)	(25,263)
Net changes in assets and liabilities:		
Accounts and grants receivable	(40,435)	145,855
Pledges receivable	(3,193)	3,158
Inventory	56,730	1,385
Prepaid expenses	(15,357)	(4,454)
Accounts payable	19,267	(116,370)
Accrued expenses	57,291	(35,818)
Deferred revenue	(3,956)	81
Due to member agencies	<u>(9,886)</u>	<u>6,494</u>
Net cash provided by operating activities	<u>358,642</u>	<u>34,288</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(97,366)	(302,106)
Proceeds from sale of donated investments	8,822	25,263
Withdrawals from (deposits to) board designated reserves	2,354	(336,752)
Purchase of investments	<u>(297,429)</u>	<u>(34,127)</u>
Net cash used in investing activities	<u>(383,619)</u>	<u>(647,722)</u>
<b>Net decrease in cash</b>	(24,977)	(613,434)
<b>Cash, beginning of year</b>	<u>844,851</u>	<u>1,458,285</u>
<b>Cash, end of year</b>	<u>\$ 819,874</u>	<u>\$ 844,851</u>
<b>Supplemental disclosures of non-cash operating activities</b>		
Donated and governmental food support	\$ 11,955,356	\$ 12,771,682
Donated and governmental food expense	(12,155,328)	(12,745,720)
Donated in-kind support	36,214	76,034

The accompanying notes are an integral part of these financial statements

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Programs</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
<b>Salaries and related expenses</b>				
Salaries	\$ 1,286,404	\$ 360,686	\$ 414,482	\$ 2,061,572
Payroll taxes	122,017	23,142	35,107	180,266
Employee benefits	<u>243,422</u>	<u>42,466</u>	<u>49,969</u>	<u>335,857</u>
Total salaries and related benefits	<u>1,651,843</u>	<u>426,294</u>	<u>499,558</u>	<u>2,577,695</u>
<b>Food</b>				
Donated food	8,825,981	-	-	8,825,981
U.S.D.A. food	1,269,593	-	-	1,269,593
MEFAP food	1,627,742	-	-	1,627,742
Purchased food	463,514	-	-	463,514
Food discard	<u>432,012</u>	<u>-</u>	<u>-</u>	<u>432,012</u>
Total food	<u>12,618,842</u>	<u>-</u>	<u>-</u>	<u>12,618,842</u>
<b>Other expenses</b>				
Consultants	46,322	27,828	5,404	79,554
Depreciation	218,620	27,328	2,484	248,432
Direct mail	-	-	60,294	60,294
Equipment rental	966	4,692	310	5,968
Fees and subscriptions	6,423	8,667	23,777	38,867
Freight	54,588	-	-	54,588
In-kind expense - professional services/other	31,763	1,607	2,844	36,214
Insurance	16,043	6,335	4,437	26,815
Internet services and information technology	10,253	17,195	6,604	34,052
Legal and accounting	-	21,157	-	21,157
Office expenses	9,006	16,357	1,289	26,652
Postage and printing	10,018	5,066	16,846	31,930
Program expenses	104,661	-	-	104,661
Program supplies	44,447	645	1,267	46,359
Public relations/advertising	1,348	7,233	6,810	15,391
Repairs and maintenance	75,381	3,894	11,169	90,444
Special events	858	1,265	44,008	46,131
Staff training and conferences	19,163	4,495	4,629	28,287
Telephone and telecommunications	12,949	9,002	1,719	23,670
Temporary help	51,129	46,959	6,212	104,300
Transportation and travel	25,721	1,686	4,545	31,952
Utilities	61,874	4,706	6,446	73,026
Vehicle expense	<u>45,374</u>	<u>-</u>	<u>-</u>	<u>45,374</u>
Total other expenses	<u>846,907</u>	<u>216,117</u>	<u>211,094</u>	<u>1,274,118</u>
<b>Total expense</b>	<u>\$ 15,117,592</u>	<u>\$ 642,411</u>	<u>\$ 710,652</u>	<u>\$ 16,470,655</u>

The accompanying notes are an integral part of these financial statements

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Programs</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
<b>Salaries and related expenses</b>				
Salaries	\$ 1,250,228	\$ 282,672	\$ 376,983	\$ 1,909,883
Payroll taxes	116,849	24,123	30,536	171,508
Employee benefits	<u>259,318</u>	<u>39,588</u>	<u>58,923</u>	<u>357,829</u>
Total salaries and related benefits	<u>1,626,395</u>	<u>346,383</u>	<u>466,442</u>	<u>2,439,220</u>
<b>Food</b>				
Donated food	8,169,689	-	-	8,169,689
U.S.D.A. food	1,476,182	-	-	1,476,182
MEFAP food	2,530,521	-	-	2,530,521
Purchased food	463,031	-	-	463,031
Food discard	<u>569,328</u>	<u>-</u>	<u>-</u>	<u>569,328</u>
Total food	<u>13,208,751</u>	<u>-</u>	<u>-</u>	<u>13,208,751</u>
<b>Other expenses</b>				
Consultants	42,599	13,632	8,815	65,046
Depreciation	179,248	21,588	3,030	203,866
Direct mail	-	-	187,338	187,338
Equipment rental	3,086	2,817	627	6,530
Fees and subscriptions	7,444	8,866	21,612	37,922
Freight	51,307	-	-	51,307
In-kind expense - professional services/other	58,393	-	17,641	76,034
Insurance	16,558	5,432	1,354	23,344
Internet services and information technology	10,113	33,686	2,664	46,463
Legal and accounting	4,515	15,760	-	20,275
Office expenses	6,174	13,043	2,248	21,465
Postage and printing	7,019	4,779	45,695	57,493
Program expenses	96,496	-	-	96,496
Program supplies	68,662	1,102	5,390	75,154
Public relations/advertising	1,414	5,787	12,871	20,072
Repairs and maintenance	60,723	7,929	11,827	80,479
Special events	522	1,256	52,482	54,260
Staff training and conferences	29,232	9,617	3,084	41,933
Telephone and telecommunications	15,043	3,515	2,933	21,491
Temporary help	39,226	2,117	9,005	50,348
Transportation and travel	28,222	1,617	1,827	31,666
Utilities	53,069	10,148	12,336	75,553
Vehicle expense	<u>38,819</u>	<u>-</u>	<u>-</u>	<u>38,819</u>
Total other expenses	<u>817,884</u>	<u>162,691</u>	<u>402,779</u>	<u>1,383,354</u>
<b>Total expense</b>	<u>\$ 15,653,030</u>	<u>\$ 509,074</u>	<u>\$ 869,221</u>	<u>\$ 17,031,325</u>

The accompanying notes are an integral part of these financial statements

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 1. NATURE OF ORGANIZATION:

The Food Bank of Western Massachusetts, Inc. ("The Food Bank" or the "Organization") was founded in 1982. Our mission is "to feed our neighbors in need and lead the community to end hunger." We distribute food directly and through a network of approximately 193 partner local feeding programs (pantries, meal sites, shelters and other social service programs) to more than 223,500 individuals annually who are at risk of hunger and food insecurity on any given day, week or month of the year. In addition to food distribution, we also provide SNAP outreach and enrollment, nutrition education, capacity building resources for our region's emergency food network, and public education and advocacy on hunger and, more broadly address, food insecurity - not knowing where your next meal will come from.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Basis of accounting**

The accompanying financial statements of The Food Bank have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### **Classification of net assets**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be fulfilled by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

#### **Cash- board designated reserves**

Board designated reserves represent certificates of deposits with scheduled maturity dates. At September 30, 2017, these certificates have stated interest rates ranging from .10% to .35%. The certificate of deposits are recorded at cost plus any interest which has been reinvested. Any certificate of deposits which mature after September 30, 2018 have been classified as long-term.

#### **Cash- restricted**

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.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Accounts and grants receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There is no valuation allowance as of September 30, 2017 and 2016.

#### Pledges receivable

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 Food Bank reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. There is no valuation allowance as of September 30, 2017 and 2016.

#### Inventory

Categories of food inventory include donated food, purchased food, 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 value of one pound of donated product as calculated in the Product Valuation Survey Methodology December 31, 2016 and 2015 prepared by KPMG for Feeding America. The valuations at September 30, 2017 and 2016 were \$1.73 and \$1.67 per pound, respectively. Purchased food is stated at the lower of first-in, first out (FIFO) cost or market.

#### Property and equipment

Property and equipment are stated at cost, net of the related depreciation. Maintenance and repairs are charged to expense as incurred. The Organization's policy is to capitalize property and equipment purchases greater than \$5,000 with a useful life greater than one year. Donated assets are stated at estimated fair value on the date of donation. Depreciation commences when the assets are placed into service and is recorded using straight line and accelerated methods over the following estimated useful lives of the assets:

Building and improvements	10 - 40 years
Furniture, fixtures and equipment	3 - 10 years
Motor vehicles	5 years

For the years ended September 30, 2017 and 2016, depreciation expense was \$248,432 and \$203,866, respectively.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Investments

Investments are stated at fair value using methodologies as discussed in Fair Value Measurements (Note 6). Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Dividend and interest income are accrued when earned and reported net of investment advisory fees.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported in the financial statements.

#### Deferred revenue

Deferred revenue consists of membership fees received before year end that are for future periods.

#### Revenue recognition

Revenue from cost reimbursement contracts is recognized as eligible costs are incurred in accordance with contract agreements. All other revenue is recognized when eligible services are rendered. Support from contributions and grants is recognized when pledged. Donated food is recognized when received, the value is calculated by using the Product Valuation Survey Methodology prepared by Feeding America.

#### Functional allocation of expenses

The cost of providing various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among programs and supporting services. Expenses are charged to programs and 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.

#### 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 the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Income taxes

The Food Bank is a not-for-profit corporation organized under Chapter 180 of the laws of the Commonwealth of Massachusetts and is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its related earnings. In addition, The Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

#### Uncertain tax positions

A tax position is deemed to include such things as the Organization's tax-exempt status, unrelated business income and the methodologies for allocating expenses to unrelated business income streams. Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Organization's tax returns are subject to examination by taxing authorities for all years ended on or after September 30, 2014.



# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Recent accounting standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue From Contracts With Customers*. This may impact the way the Organization recognizes revenue under accounting principles generally accepted in the United States of America ("GAAP"). The new standard will require the Organization to recognize revenue when promised goods or services are transferred to customers and in the amount of consideration to which the Organization expects to be entitled. The Organization will be required to follow a five step process outlined by the FASB to determine recognized revenue for each contract which may result in differences from the current method. The Organization is not required to apply the new standard until years beginning after December 15, 2018 (year ending September 30, 2020) and management is currently assessing the impact of this standard.

During July 2015, the FASB finalized *ASU 2015-11, Simplifying the Measurement of Inventory*. This may impact the way the Organization measures inventory under accounting principles generally accepted in the United States of America ("GAAP"). The new standard will require the Organization to measure inventory at the lower of cost or net realizable value. Net realizable value represents the estimated selling price of the inventory, less reasonably predictable costs of completion, transportation, and disposal. The Organization must apply the guidance in the new standard for their fiscal year ending September 30, 2018 and management is currently assessing the impact of this standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. As part of this new standard, there are significant changes that call for the treatment of current operating leases as capital leases, resulting in recognition by the lessee (the Organization) of a lease liability and a corresponding right-of-use asset. The lessor will recognize an asset representing its right to receive payments. The Organization is not required to apply the new standard until years beginning after December 15, 2019 (year ending September 30, 2021). The Organization may also early adopt the new standard. In preparation of this standard, management will be reviewing and evaluating all leases, review its capitalization policy, and assess the potential impact on any related financial covenants required by the Organization's financing arrangements.

The FASB has issued ASU No. 2016-14, *Not for Profit Entities*. This standard requires net assets to be presented in two classifications (without donor restriction and with donor restriction), essentially collapsing 'temporarily restricted' and 'permanently restricted' net assets into one net asset class. The election to treat gifts to purchase long-lived assets as temporarily restricted net assets has been eliminated. When implemented, an organization with underwater endowment funds will reclassify the underwater portion of the endowment fund from 'without donor restriction' to 'with donor restrictions'. The ASU requires that direct internal investment expenses be included as an investment expense, shown netted from investment revenue. Additionally, organizations will be required to provide qualitative and quantitative information on the way they manage their liquidity and availability of funds. Management is currently assessing the impact of this standard on their financial statements and will apply its requirements for the year ended September 30, 2019.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 287,500	\$ 287,500
Building and improvements	3,664,423	3,664,423
Furniture, fixtures and equipment	970,485	993,379
Motor vehicles	616,461	654,155
	<u>5,538,869</u>	<u>5,599,457</u>
Less: accumulated depreciation	<u>(2,440,506)</u>	<u>(2,350,028)</u>
Property and equipment, net	\$ <u>3,098,363</u>	\$ <u>3,249,429</u>

### 4. INVESTMENTS:

The Food Bank considers these investments as a quasi-endowment and not available for current operations.

Investments consisted of the following at September 30, 2017 and 2016:

<u>Mutual Funds</u>	<u>2017</u>	<u>2016</u>
Large Blend Funds	\$ 662,762	\$ 462,653
Corporate Bond Funds	242,742	172,696
Short Term Bond Funds	238,752	160,821
Large Growth Funds	67,378	47,366
Foreign Large Blend Funds	69,595	40,900
Total	\$ <u>1,281,229</u>	\$ <u>884,436</u>

### 5. INVESTMENTS AT COMMUNITY FOUNDATION:

The Food Bank transferred funds to the Community Foundation of Western Massachusetts (CFWM) to establish The Food Bank of Western Massachusetts Fund. However, The Food Bank is the beneficiary of the Fund and could receive full distribution. The refundable advance which is stated at market value, was \$27,100 and \$24,101 at September 30, 2017 and 2016, respectively.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 6. FAIR VALUE MEASUREMENTS:

The Organization follows established guidelines for a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The disclosure of fair value measurements is based upon information provided by Vanguard and Community Foundation of Western Massachusetts and is reviewed by management. As of September 30, 2017 and 2016, all investments held by The Food Bank are considered to be Level 1.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017 and 2016.

*Mutual Funds* - are reported at fair value based on quoted market prices.

*Investments* - stated at fair value based on The Food Bank's share of assets held by the Community Foundation of Western Massachusetts.

### 7. DUE TO MEMBER AGENCIES:

Due to member agencies consists of funds held by The Food Bank on behalf of member agencies for the purchase of food. As of September 30, 2017 and 2016, the due to member agencies was \$11,646 and \$21,532, respectively.

### 8. LINE OF CREDIT:

The Food Bank has a line of credit with a bank with a maximum borrowing of \$500,000 with interest at the Wall Street Journal prime rate. During June 2017, the Food Bank modified the line of credit to remove the fixed maturity date and is now payable on demand. There was no outstanding balance on the line at September 30, 2017 and 2016.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 9. BOARD DESIGNATED RESERVES:

Board designated reserves are available for the following purposes at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating reserve	\$ 1,130,928	\$ 1,129,096
Capital reserve	359,899	364,085
Strategic opportunity reserve and disaster fund	100,000	100,000
	<u>\$ 1,590,827</u>	<u>\$ 1,593,181</u>

The Board fulfills the recommendation of Feeding America to maintain an operating reserve equal to three months of cash operating expenses.

The capital reserve fund is for repair, replacement or acquisition of capital asset expenditures related to facility and long-term capital investments and projects.

The strategic, opportunity and disaster fund is for unbudgeted programmatic, infrastructure, community and emergency food network support.

### 10. RESTRICTIONS OF NET ASSETS:

As of September 30, 2017 and 2016, the temporarily restricted net assets available for the food distribution program was \$23,270 and \$21,855, respectively.

The permanently restricted net assets for the years ended September 30, 2017 and 2016 was \$5,100.

### 11. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Education advocacy	\$ -	\$ 125,000
Supplemental nutrition assistance program	-	39,812
Food distribution program	146,932	21,360
Brown bag program	-	3,820
	<u>\$ 146,932</u>	<u>\$ 189,992</u>

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 12. ENDOWMENTS:

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The objectives of the endowments are to maximize return within reasonable and prudent levels of risk, to preserve the purchasing power of the endowment's current assets and all future contributions over appropriate longer-term investment horizons and to control the costs of administering the endowment and managing the investments. The overall asset allocation for the endowment is sixty percent in equities and forty percent in fixed income.

Endowment net asset composition by type of fund as of September 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor restricted endowment funds	\$ -	\$ 5,100	\$ 5,100
Investments – quasi-endowments	1,281,229	-	1,281,229
	<u>\$ 1,281,229</u>	<u>\$ 5,100</u>	<u>\$ 1,286,329</u>

Endowment net asset composition by type of fund as of September 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor restricted endowment funds	\$ -	\$ 5,100	\$ 5,100
Investments – quasi-endowments	884,436	-	884,436
	<u>\$ 884,436</u>	<u>\$ 5,100</u>	<u>\$ 889,536</u>

Changes in endowment assets at September 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 884,436	\$ 5,100	\$ 889,536
Additions/transfers	250,000	-	250,000
Dividend and interest income	47,429	-	47,429
Unrealized gain in investments	99,364	-	99,364
Endowment net assets, end of year	<u>\$ 1,281,229</u>	<u>\$ 5,100</u>	<u>\$ 1,286,329</u>

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 12. ENDOWMENTS: (CONTINUED)

Changes in endowment assets as of September 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 783,800	\$ 5,100	\$ 788,900
Additions/transfers	14,497	-	14,497
Dividend and interest income	19,630	-	19,630
Unrealized gain in investments	66,509	-	66,509
Endowment net assets, end of year	<u>\$ 884,436</u>	<u>\$ 5,100</u>	<u>\$ 889,536</u>

### 13. ENDOWED FUND:

A donation of \$1,000,000 was made 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 accounting standards generally accepted in the United States of America, 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 The Food Bank continues to serve the four counties of Western Massachusetts and uses the distribution for operating expenses previously disclosed to The Foundation. The distribution cannot be used for capital expenditures. Any amount available for expenditure that is not distributed to The Food Bank in any year shall be added to the principal of the endowed fund. The Food Bank received \$47,000 and \$45,623 from the fund for the years ended September 30, 2017 and 2016, respectively.

### 14. DONATED FOOD, SUPPLIES AND SERVICES:

The Food Bank records in-kind support including food, materials and professional services that are used primarily in the food operations program.

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, 2016 and 2015 prepared by KPMG for Feeding America. In fiscal year 2017, The Food Bank received approximately 10,910,000 pounds of food, and of this amount, approximately 5,745,000 pounds were donated. In fiscal year 2016, The Food Bank received approximately 10,700,000 pounds of food, and of this amount, approximately 5,000,000 pounds were donated.

Recognition of contributed materials is based on estimated fair value.

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of unpaid volunteers have made significant contributions of their time to The Food Bank. Volunteer hours totaling approximately 14,200 and 20,000 were donated to The Food Bank for the years ended September 30, 2017 and 2016, respectively. The services provided by these volunteers do not meet the requirements for being recognized and, therefore are not reflected in these financial statements. See Note 20 for donated food storage and services.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

### 15. RETIREMENT PLAN:

The Food Bank has a 403(b) retirement plan (the "Plan") for all eligible employees. Under this Plan, the Organization contributed a matching contribution of up to 3% of eligible wages in 2017 and 2016. The expense under this Plan for the years ended September 30, 2017 and 2016 totaled \$39,999 and \$42,332, respectively.

In addition, during September 2016, the board approved a discretionary contribution for employees with one to three years of service at 1% of eligible wages and a 3% discretionary contribution for employees with greater than three years of service. The contribution under this amendment was approximately \$62,000 and \$60,000 for the years ended September 30, 2017 and 2016, respectively.

### 16. OPERATING LEASES:

The Food Bank has two operating leases for a copier machine and postage machine with maturity dates through September 2021. The monthly payments on the leases are between \$183 and \$258 for the years ended September 30, 2017 and 2016. The lease expense for the years ended September 30, 2017 and 2016 was approximately \$6,000 and \$6,500, respectively.

Future minimum lease payments are approximately as follows:

<u>For the Years Ending September 30,</u>	<u>Amount</u>
2018	\$ 5,300
2019	3,500
2020	3,100
2021	3,100
	<u>\$ 15,000</u>

### 17. LAND LEASE:

The Food Bank leases a portion of land and a building located at 121 Bay Road, Hadley, Massachusetts ("The Food Bank Farm") to Mountain View Farms, LLC ("The Tenant"). The lease was renewed for the term commencing January 1, 2016 to December 31, 2018. Under the new terms, The Tenant shall pay rent to The Food Bank in the form of 112,500 pounds of produce harvested from The Food Bank Farm or Mountain View Farm for each lease year. The lease agreement gives The Tenant access to the leased premises during each lease year for agricultural production and maintenance purposes. The Food Bank may terminate this agreement effective December 31<sup>st</sup> of any year in the event The Food Bank provides notice to The Tenant by September 1<sup>st</sup> of such year that The Food Bank Board of Directors has resolved to sell all or a portion of the leased premises. The Tenant may terminate the agreement effective December 31<sup>st</sup> of any year in the event The Tenant provided notice to The Food Bank by September 1<sup>st</sup> of such year. In the event of default by The Tenant, The Food Bank shall have the right to terminate the agreement upon five days' notice and to sue for damages and possession. In such event, The Tenant shall be responsible for The Food Bank's costs and expenses, including, without limitation, The Food Bank's reasonable attorney fees.

# **THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

## **NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016**

### **18. CONTINGENCIES:**

Expenditures of funds provided by the various funding sources require compliance with terms and conditions specified in the related contracts and agreements. These expenditures are subject to audit by the contracting agencies. Any disallowed expenditures would become a liability of The Food Bank requiring repayment to the funding sources. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of liability is ascertained.

### **19. CONCENTRATION OF CREDIT RISK:**

The Food Bank maintains its cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") in amounts up to \$250,000. At various times during the period, the cash balances may exceed the insured amount. The Food Bank has not experienced any losses on these accounts. In addition, The Food Bank is covered by the Depositors Insurance Fund for amounts that exceed the FDIC limit. The Food Bank believes it is not exposed to any significant credit risk on cash and certificates of deposits.

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 year (see supporting Schedule of Effect of Non-Cash Food Inventory on Changes in Net Assets).

### **20. RELATED PARTY TRANSACTIONS:**

During the years ended September 30, 2017 and 2016, certain members of the Board of Directors were also representatives of The Food Bank member agencies.

During the year ended September 30, 2017, a board member provided legal services to The Food Bank at no cost. The value of these services totaled \$1,283 and is included in in-kind contributions on the Statement of Activities.

A member of the Board of Directors of The Food Bank is a senior vice president at a bank that provides services to The Food Bank. The balance in the cash accounts at this bank totaled \$825,330 and \$690,171 at September 30, 2017 and 2016, respectively. Interest income from this bank was \$4,024 and \$13,110 for the years ended September 30, 2017 and 2016, respectively.

During the year ended September 30, 2016, a board member provided food storage and other services at no cost to The Food Bank. The value of these services and storage totaled \$14,500 for the year ended September 30, 2016 and is included in in-kind contributions on the statement of activities.

### **21. SUBSEQUENT EVENTS:**

The Food Bank has evaluated events that have occurred subsequent to February 15, 2018, the date the financial statements were available to be issued, and has determined there were no material events requiring recognition or disclosure.



## **SUPPLEMENTAL INFORMATION**

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Agriculture, Food and Nutrition Services - <i>Pass-Through Massachusetts</i> Department of Education/ Emergency Food Assistance Program</b>			
Food Commodities	10.569		\$ 1,267,772
Administrative Costs	10.568	SCDOE16758N70532126A	<u>136,411</u>
Total Food Distribution Cluster			<u>1,404,183</u>
 <b>Department of Transitional Assistance</b>			
Healthy Incentives Program	10.331	CT3058WEL44003081FOODB	<u>133,055</u>
 <b>Total Expenditures of Federal Awards</b>			 \$ <u><u>1,537,238</u></u>

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**1. BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Food Bank of Western Massachusetts, Inc. ("The Food Bank") under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Food Bank, it is not intended to and does not present the financial position, changes in net assets or cash flows of The Food Bank.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**3. PASS-THROUGH STATE AGENCIES:**

Expenditures of federal awards for funds passed through state agencies are based on information provided by the state agencies involved.

**4. INDIRECT COST RATE:**

The Food Bank elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**5. SUBRECIPIENTS:**

There were no payments to subrecipients in any of the federal awards programs during the year ended September 30, 2017.

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**  
**SCHEDULE OF SUPPORT, REVENUE AND EXPENSES BY PROGRAM**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>Food Operations</b>	<b>Brown Bag</b>	<b>Mobile Food Bank</b>	<b>Agency Relations</b>	<b>Nutrition</b>	<b>Education Advocacy</b>	<b>Supplemental Nutrition Assistance Program</b>	<b>Total Program Revenue/Expenses</b>
<b>Total support and revenue by program</b>	<b>\$ 10,439,840</b>	<b>\$ 550,782</b>	<b>\$ 2,457,413</b>	<b>\$ 124,033</b>	<b>\$ 92,345</b>	<b>\$ 65,500</b>	<b>\$ 158,055</b>	<b>\$ 13,887,968</b>
<b>Salaries and related expenses</b>								
Salaries	572,036	73,225	93,971	205,062	86,187	64,210	191,713	1,286,404
Payroll taxes	65,028	5,324	8,580	15,558	6,778	5,178	15,571	122,017
Employee benefits	127,634	14,591	17,171	36,959	15,808	7,125	24,134	243,422
Total salaries and related expenses	<u>764,698</u>	<u>93,140</u>	<u>119,722</u>	<u>257,579</u>	<u>108,773</u>	<u>76,513</u>	<u>231,418</u>	<u>1,651,843</u>
<b>Food</b>								
Donated food	6,582,385	205,320	2,038,276	-	-	-	-	8,825,981
U.S.D.A. food	1,115,128	153,899	566	-	-	-	-	1,269,593
MEFAP food	1,346,284	180,401	101,057	-	-	-	-	1,627,742
Purchased food	463,135	-	379	-	-	-	-	463,514
Food discard	432,012	-	-	-	-	-	-	432,012
Total food	<u>9,938,944</u>	<u>539,620</u>	<u>2,140,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,618,842</u>
<b>Other expenses</b>								
Consultants	7,741	1,087	1,257	2,144	1,712	29,417	2,964	46,322
Depreciation	218,620	-	-	-	-	-	-	218,620
Equipment rental	452	62	74	124	67	43	144	966
Fees and subscriptions	5,500	-	-	611	275	25	12	6,423
Freight	53,993	-	-	595	-	-	-	54,588
In-kind expense	30,694	-	-	-	1,069	-	-	31,763
Insurance	8,580	128	1,926	2,390	637	88	2,294	16,043
Internet services/information technology	4,253	587	696	1,163	628	1,574	1,352	10,253
Office expenses	4,888	351	377	282	410	701	1,997	9,006
Postage and printing	3,276	1,827	14	343	392	1,459	2,707	10,018
Program supplies	26,975	4,093	-	2,374	9,911	813	281	44,447
Program expenses	24,258	-	-	62,937	-	-	17,466	104,661
Public relations/advertising	-	-	-	30	-	1,034	284	1,348
Repairs and maintenance	62,392	967	1,406	6,490	3,461	665	-	75,381
Special events	196	64	44	226	129	26	173	858
Staff training and conferences	3,175	446	1	5,388	53	5,356	4,744	19,163
Telephone and telecommunications	4,789	971	631	1,600	295	961	3,702	12,949
Temporary help	21,876	126	150	250	135	28,301	291	51,129
Transportation and travel	1,796	2,140	890	4,127	3,699	3,510	9,559	25,721
Utilities	50,255	258	1,859	3,137	1,677	1,078	3,610	61,874
Vehicle expense	30,037	-	15,337	-	-	-	-	45,374
Total other expenses	<u>563,746</u>	<u>13,107</u>	<u>24,662</u>	<u>94,211</u>	<u>24,550</u>	<u>75,051</u>	<u>51,580</u>	<u>846,907</u>
<b>Total expense by program</b>	<u>11,267,388</u>	<u>645,867</u>	<u>2,284,662</u>	<u>351,790</u>	<u>133,323</u>	<u>151,564</u>	<u>282,998</u>	<u>15,117,592</u>
<b>Change in net assets</b>	<b>\$ (827,548)</b>	<b>\$ (95,085)</b>	<b>\$ 172,751</b>	<b>\$ (227,757)</b>	<b>\$ (40,978)</b>	<b>\$ (86,064)</b>	<b>\$ (124,943)</b>	<b>\$ (1,229,624)</b>

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**  
**SCHEDULE OF SUPPORT, REVENUE AND EXPENSES BY PROGRAM**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Food Operations	Brown Bag	Mobile Food Bank	Agency Relations	Nutrition	Education Advocacy	Supplemental Nutrition Assistance Program	Total Program Revenue/Expenses
<b>Total support and revenue by program</b>	<b>\$ 11,075,012</b>	<b>\$ 832,132</b>	<b>\$ 2,108,305</b>	<b>\$ 164,927</b>	<b>\$ 64,755</b>	<b>\$ 86,620</b>	<b>\$ 167,960</b>	<b>\$ 14,499,711</b>
<b>Salaries and related expenses</b>								
Salaries	505,471	80,647	62,140	203,820	89,833	115,817	192,500	1,250,228
Payroll taxes	56,141	6,170	4,924	17,036	7,563	9,818	15,197	116,849
Employee benefits	127,822	22,164	11,471	35,272	19,536	22,074	20,979	259,318
Total salaries and related expenses	<u>689,434</u>	<u>108,981</u>	<u>78,535</u>	<u>256,128</u>	<u>116,932</u>	<u>147,709</u>	<u>228,676</u>	<u>1,626,395</u>
<b>Food</b>								
Donated food	6,222,100	198,678	1,748,911	-	-	-	-	8,169,689
U.S.D.A. food	1,313,131	162,484	567	-	-	-	-	1,476,182
MEFAP food	2,104,339	331,836	94,346	-	-	-	-	2,530,521
Purchased food	387,175	1,349	74,507	-	-	-	-	463,031
Food discard	569,328	-	-	-	-	-	-	569,328
Total food	<u>10,596,073</u>	<u>694,347</u>	<u>1,918,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,208,751</u>
<b>Other expenses</b>								
Consultants	15,640	-	-	4,106	4,478	13,093	5,282	42,599
Depreciation	179,248	-	-	-	-	-	-	179,248
Equipment rental	1,432	208	121	402	167	270	486	3,086
Fees and subscriptions	6,704	-	668	72	-	-	-	7,444
Freight	51,307	-	-	-	-	-	-	51,307
In-kind expense	54,048	-	2,500	1,845	-	-	-	58,393
Insurance	10,643	399	2,966	769	319	542	920	16,558
Internet services/information technology	1,594	2,242	1,179	2,564	-	-	2,534	10,113
Legal and accounting	4,342	109	64	-	-	-	-	4,515
Office expenses	740	744	-	804	635	223	3,028	6,174
Postage and printing	2,841	1,252	-	432	145	784	1,565	7,019
Program expenses	22,049	-	-	74,447	-	-	-	96,496
Program supplies	41,459	4,921	8,252	2,799	4,746	3,537	2,948	68,662
Public relations/advertising	-	-	-	-	-	1,133	281	1,414
Repairs and maintenance	45,815	1,448	846	5,945	1,359	1,969	3,341	60,723
Special events	168	-	27	91	26	31	179	522
Staff training and conferences	7,201	1,715	179	4,326	292	10,520	4,999	29,232
Telephone and telecommunications	5,573	1,006	573	2,486	381	933	4,091	15,043
Temporary help	34,063	647	378	1,248	518	880	1,492	39,226
Transportation and travel	2,137	3,016	572	4,761	4,105	5,085	8,546	28,222
Utilities	23,759	3,674	2,148	7,094	2,943	4,973	8,478	53,069
Vehicle expense	31,710	-	7,109	-	-	-	-	38,819
Total other expenses	<u>542,473</u>	<u>21,381</u>	<u>27,582</u>	<u>114,191</u>	<u>20,114</u>	<u>43,973</u>	<u>48,170</u>	<u>817,884</u>
<b>Total expense by program</b>	<b>11,827,980</b>	<b>824,709</b>	<b>2,024,448</b>	<b>370,319</b>	<b>137,046</b>	<b>191,682</b>	<b>276,846</b>	<b>15,653,030</b>
<b>Change in net assets</b>	<b>\$ (752,968)</b>	<b>\$ 7,423</b>	<b>\$ 83,857</b>	<b>\$ (205,392)</b>	<b>\$ (72,291)</b>	<b>\$ (105,062)</b>	<b>\$ (108,886)</b>	<b>\$ (1,153,319)</b>

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

**SCHEDULE OF EFFECT OF NON-CASH FOOD INVENTORY ON CHANGE IN NET ASSETS  
FOR YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Non-cash food revenue for food received</b>		
Donated food	\$ 9,112,273	\$ 8,620,370
U.S.D.A. food	1,204,736	1,491,528
MEFAP food	<u>1,638,347</u>	<u>2,659,784</u>
Total non-cash food revenue	<u>11,955,356</u>	<u>12,771,682</u>
 <b>Non-cash food expense for food distributed and discarded</b>		
Donated food	8,825,981	8,169,689
U.S.D.A. food	1,269,593	1,476,182
MEFAP food	1,627,742	2,530,521
Food discard	<u>432,012</u>	<u>569,328</u>
Total non-cash food expense	<u>12,155,328</u>	<u>12,745,720</u>
 <b>Effect of non-cash food inventory on change in net assets</b>	<u>\$ (199,972)</u>	<u>\$ 25,962</u>
 <b>Inventory, beginning of year</b>	\$ 684,278	\$ 685,663
 Change in purchased food inventory	143,242	(27,347)
Effect of change in non-cash food inventory, per above	<u>(199,972)</u>	<u>25,962</u>
 <b>Inventory, end of year</b>	<u>\$ 627,548</u>	<u>\$ 684,278</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
The Food Bank of Western Massachusetts, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the The Food Bank of Western Massachusetts, Inc. ("The Food Bank") (a nonprofit "Organization"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Food Bank of Western Massachusetts, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the The Food Bank of Western Massachusetts, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Food Bank of Western Massachusetts, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of The Food Bank of Western Massachusetts, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Food Bank of Western Massachusetts, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mayer Brothers Kalicka, P.C.*

Holyoke, Massachusetts  
February 15, 2018





## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
The Food Bank of Western Massachusetts, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited The Food Bank of Western Massachusetts, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The Food Bank of Western Massachusetts, Inc.'s major federal program for the year ended September 30, 2017. The Food Bank of Western Massachusetts, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for The Food Bank of Western Massachusetts, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Food Bank of Western Massachusetts, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of The Food Bank of Western Massachusetts, Inc.'s compliance.

### ***Opinion on The Major Federal Program***

In our opinion, The Food Bank of Western Massachusetts, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

## Report on Internal Control over Compliance

Management of The Food Bank of Western Massachusetts, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Food Bank of Western Massachusetts, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Food Bank of Western Massachusetts, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maya Brothers Kalicka, P.C.*

Holyoke, Massachusetts  
February 15, 2018

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of report the auditor's issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? No  
Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major federal programs:  
Material weakness(es) identified? No  
Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? No

Identification of major federal programs:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
10.568 & 10.569	Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**Section II - Financial Statement Findings**

No matters are reportable

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable

**THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2017**

There were no findings or questioned costs for the year ended September 30, 2016.