

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

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

***SEPTEMBER 30, 2021 AND 2020***

**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 Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 21
Supplemental Information:	
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	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 Programs 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



## MeyersBrothersKalicka , P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS STRATEGISTS

### 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 statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Food Bank'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 Food Bank'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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Information

Our audits were 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*, is presented for purposes of additional analysis and is 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 9, 2022, 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.

*Maureen Beathel Holbrook, P.C.*

Holyoke, Massachusetts  
February 9, 2022

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

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2021 AND 2020**

***ASSETS***

	<b>2021</b>	<b>2020</b>
<b>Current assets</b>		
Cash	\$ 4,783,307	\$ 6,296,599
Cash-board designated reserves - current portion	5,900,000	120,066
Cash-restricted - current portion	2,654,486	205,029
Accounts and grants receivable	258,350	407,294
Pledges receivable, current	1,472,803	4,781
Inventory	1,742,420	1,334,497
Prepaid expenses	<u>77,324</u>	<u>55,557</u>
Total current assets	<u>16,888,690</u>	<u>8,423,823</u>
Property and equipment, net	<u>4,223,219</u>	<u>3,309,303</u>
<b>Other assets</b>		
Cash-board designated reserves	1,940,039	1,446,696
Cash-restricted	5,100	5,100
Pledge receivable, long-term, net	2,210,925	-
Investments - quasi-endowments	2,431,499	2,037,812
Investment at Community Foundation	<u>39,588</u>	<u>32,662</u>
Total other assets	<u>6,627,151</u>	<u>3,522,270</u>
<b>Total assets</b>	<u><b>\$ 27,739,060</b></u>	<u><b>\$ 15,255,396</b></u>

***LIABILITIES AND NET ASSETS***

<b>Current liabilities</b>		
Accounts payable	\$ 192,163	\$ 201,693
Accrued expenses	378,510	212,404
Deferred revenue	23,525	23,025
Due to member agencies	<u>61,128</u>	<u>32,240</u>
Total current liabilities	<u>655,326</u>	<u>469,362</u>
<b>Net assets</b>		
Without donor restrictions		
Operating	10,468,882	10,971,331
Board designated - quasi-endowments	2,431,499	2,037,812
Board designated - other reserves	<u>7,840,039</u>	<u>1,566,762</u>
	20,740,420	14,575,905
With donor restrictions	<u>6,343,314</u>	<u>210,129</u>
Total net assets	<u>27,083,734</u>	<u>14,786,034</u>
<b>Total liabilities and net assets</b>	<u><b>\$ 27,739,060</b></u>	<u><b>\$ 15,255,396</b></u>

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

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

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Revenue and support without donor restrictions</b>		
Donated food	\$ 8,323,307	\$ 9,598,871
U.S.D.A. food	5,871,424	6,168,813
MEFAP food	3,907,469	2,403,084
Food buy-in program	398,601	574,717
Donations	5,823,786	5,705,552
In-kind contributions-professional services/other	72,712	112,456
U.S.D.A. grant	518,300	471,573
MEFAP grant	1,343,650	134,525
Gain on extinguishment of debt	-	503,100
Grants - corporate/foundations/other	1,890,888	3,313,472
Contract contributions	483,744	271,124
Membership fees, delivery fees, and miscellaneous	27,487	34,625
Shared maintenance fees- agencies	4,013	80,212
Special events	1,083,691	757,259
Distribution from endowed funds	49,400	48,200
Interest and dividends	99,919	67,309
Unrealized/realized gains on investments	348,499	165,923
Unrealized gain on investment at Community Foundation, net	<u>6,926</u>	<u>3,009</u>
Total revenue and support	<u>30,253,816</u>	<u>30,413,824</u>
<b>Expense</b>		
Programs	22,439,980	21,807,737
Administration	754,212	651,130
Development	<u>1,100,138</u>	<u>992,070</u>
Total expense	<u>24,294,330</u>	<u>23,450,937</u>
<b>Change in net assets without donor restrictions (operations)</b>	5,959,486	6,962,887
<b>Net assets released for land purchase</b>	<u>205,029</u>	<u>190,140</u>
<b>Change in net assets without restrictions</b>	<u>6,164,515</u>	<u>7,153,027</u>
<b>Net assets with donor restrictions</b>		
Restricted contributions	6,338,214	205,029
Released from restrictions - land purchase	<u>(205,029)</u>	<u>(190,140)</u>
<b>Change in net assets with donor restrictions</b>	<u>6,133,185</u>	<u>14,889</u>
<b>Change in net assets</b>	12,297,700	7,167,916
<b>Net assets, beginning of year</b>	<u>14,786,034</u>	<u>7,618,118</u>
<b>Net assets, end of year</b>	<u>\$ 27,083,734</u>	<u>\$ 14,786,034</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, 2021**

	<u>Programs</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
<b>Salaries and related expenses</b>				
Salaries	\$ 1,420,614	\$ 382,845	\$ 550,603	\$ 2,354,062
Employee benefits	338,270	92,803	100,882	531,955
Payroll taxes	<u>103,281</u>	<u>29,875</u>	<u>43,270</u>	<u>176,426</u>
Total salaries and related benefits	<u>1,862,165</u>	<u>505,523</u>	<u>694,755</u>	<u>3,062,443</u>
<b>Food</b>				
Donated food	8,338,765	-	-	8,338,765
MEFAP food	3,516,026	-	-	3,516,026
Purchased and discarded food	1,876,060	-	-	1,876,060
U.S.D.A. food	<u>5,529,721</u>	<u>-</u>	<u>-</u>	<u>5,529,721</u>
Total food	<u>19,260,572</u>	<u>-</u>	<u>-</u>	<u>19,260,572</u>
<b>Other expenses</b>				
Consultants	71,729	15,128	37,223	124,080
Depreciation	215,201	29,912	3,010	248,123
Direct mail	-	-	47,865	47,865
Equipment rental	-	6,665	-	6,665
Fees and subscriptions	11,202	15,405	83,295	109,902
Freight	23,670	-	-	23,670
In-kind expense - professional services/other	39,196	-	33,516	72,712
Insurance	11,894	55,802	-	67,696
Internet services and information technology	4,455	28,663	22,047	55,165
Legal and accounting	13,775	29,520	-	43,295
Office expenses	2,952	19,865	1,377	24,194
Postage and printing	6,240	5,820	23,506	35,566
Program expenses	266,746	-	-	266,746
Public relations/advertising	19	3,728	12,310	16,057
Repairs and maintenance	105,030	11,175	14,130	130,335
Special events	318	63	33,604	33,985
Staff training and conferences	3,075	1,874	1,392	6,341
Supplies	366,418	506	1,126	368,050
Telephone and telecommunications	12,915	1,847	7,495	22,257
Temporary help	47,884	18,912	79,039	145,835
Transportation and travel	3,150	1,340	2,257	6,747
Utilities	63,803	2,464	2,191	68,458
Vehicle expense	<u>47,571</u>	<u>-</u>	<u>-</u>	<u>47,571</u>
Total other expenses	<u>1,317,243</u>	<u>248,689</u>	<u>405,383</u>	<u>1,971,315</u>
<b>Total expense</b>	<u>\$ 22,439,980</u>	<u>\$ 754,212</u>	<u>\$ 1,100,138</u>	<u>\$ 24,294,330</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, 2020**

	<u>Programs</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
<b>Salaries and related expenses</b>				
Salaries	\$ 1,276,515	\$ 345,872	\$ 528,897	\$ 2,151,284
Employee benefits	267,259	66,975	99,782	434,016
Payroll taxes	87,943	26,969	41,508	156,420
Total salaries and related benefits	<u>1,631,717</u>	<u>439,816</u>	<u>670,187</u>	<u>2,741,720</u>
<b>Food</b>				
Donated food	9,670,446	-	-	9,670,446
MEFAP food	2,403,392	-	-	2,403,392
Purchased and discarded food	1,445,288	-	-	1,445,288
U.S.D.A. food	5,714,719	-	-	5,714,719
Total food	<u>19,233,845</u>	<u>-</u>	<u>-</u>	<u>19,233,845</u>
<b>Other expenses</b>				
Consultants	30,904	7,313	14,041	52,258
Depreciation	222,887	17,279	2,890	243,056
Direct mail	-	-	101,451	101,451
Equipment rental	-	7,178	-	7,178
Fees and subscriptions	7,741	12,085	55,934	75,760
Freight	42,524	-	-	42,524
In-kind expense - professional services/other	96,070	-	16,386	112,456
Insurance	23,454	43,627	7,085	74,166
Internet services and information technology	4,689	18,203	14,655	37,547
Legal and accounting	15,575	30,690	-	46,265
Office expenses	2,787	3,103	1,277	7,167
Postage and printing	5,821	7,364	16,603	29,788
Program expenses	58,213	-	-	58,213
Public relations/advertising	3,669	7,952	19,900	31,521
Repairs and maintenance	124,382	14,380	14,392	153,154
Special events	356	383	21,428	22,167
Staff training and conferences	7,566	32,807	970	41,343
Supplies	102,388	88	1,199	103,675
Telephone and telecommunications	9,127	1,679	2,169	12,975
Temporary help	70,453	1,919	26,338	98,710
Transportation and travel	9,485	2,858	2,995	15,338
Utilities	62,275	2,406	2,170	66,851
Vehicle expense	41,809	-	-	41,809
Total other expenses	<u>942,175</u>	<u>211,314</u>	<u>321,883</u>	<u>1,475,372</u>
<b>Total expense</b>	<u>\$ 21,807,737</u>	<u>\$ 651,130</u>	<u>\$ 992,070</u>	<u>\$ 23,450,937</u>

The accompanying notes are an integral part of these financial statements



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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 12,297,700	\$ 7,167,916
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	248,123	243,056
Unrealized/realized gains on investments	(348,499)	(165,923)
Unrealized gains on investment at Community Foundation, net	(6,926)	(3,009)
Donated securities	(115,113)	(25,304)
Net changes in assets and liabilities:		
Accounts and grants receivable	148,944	91,646
Pledges receivable	(3,678,947)	9,293
Inventory	(407,923)	(628,469)
Prepaid expenses	(21,767)	(4,491)
Accounts payable	(9,530)	126,216
Accrued expenses	166,106	(22,196)
Deferred revenue	500	(1,800)
Due to member agencies	<u>28,888</u>	<u>12,111</u>
Net cash provided by operating activities	<u>8,301,556</u>	<u>6,799,046</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,162,039)	(712,009)
Proceeds from sale of donated investments	115,113	25,304
Purchase of investments	<u>(45,188)</u>	<u>(43,074)</u>
Net cash used in investing activities	<u>(1,092,114)</u>	<u>(729,779)</u>
<b>Net increase in cash and restricted cash</b>	7,209,442	6,069,267
<b>Cash and restricted cash, beginning of year</b>	<u>8,073,490</u>	<u>2,004,223</u>
<b>Cash and restricted cash, end of year</b>	<u>\$ 15,282,932</u>	<u>\$ 8,073,490</u>
<b>Cash included in cash and restricted cash, end of year:</b>		
Cash	\$ 4,783,307	\$ 6,296,599
Cash-board designated reserves	7,840,039	1,566,762
Cash-restricted	<u>2,659,586</u>	<u>210,129</u>
Cash and restricted cash, end of year	<u>\$ 15,282,932</u>	<u>\$ 8,073,490</u>
<b>Supplemental disclosures of non-cash operating activities</b>		
Donated and governmental food support	\$ 18,102,200	\$ 18,170,768
Donated and governmental food expense	(17,384,512)	(17,788,557)
Donated in-kind support	72,712	112,456

The accompanying notes are an integral part of these financial statements

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 1. NATURE OF ORGANIZATION:

The Food Bank of Western Massachusetts, Inc. ("The Food Bank" or the "Organization") was founded in 1982. The mission of The Food Bank is "to feed our neighbors in need and lead the community to end hunger." The Food Bank distributes food directly and through a network of approximately 173 partner local feeding programs (pantries, meal sites, shelters and other social service programs) to an average of approximately 102,500 individuals monthly who are at risk of hunger or food insecurity. In addition to food distribution, The Food Bank provides SNAP outreach and enrollment, nutrition education, capacity building resources for the region's emergency food network, and public education and advocacy on hunger and 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 ("GAAP").

#### Revenue

##### *Recognition of membership fees*

The Organization offers its emergency food network members access to free food to distribute to households and capacity building resources, for a small annual fee. The fee is agreed to by member agencies and is determined based on entity type. The Organization recognizes revenue on these amounts over time. Deferred revenue on the Organization's statements of financial position consists of contract liabilities representing unearned revenues on these fees.

##### *Recognition of food buy-in program, shared maintenance, and delivery fees*

The Organization offers its members access to certain purchased food at a small mark-up over cost to offset the cost of administration and maintenance. The fee is agreed to by members at the time the food is ordered. Shared maintenance and delivery fees on donated food, authorized by Feeding America, are used to offset the cost of maintenance and delivery. These fees were waived for the entire fiscal 2021 year and during the third and fourth quarter of the fiscal year 2020 due to the COVID-19 pandemic. The Organization recognizes revenue on these amounts at the point in time when the member takes possession of the delivery.

The Organization's revenue is generated from the following types of arrangements at September 30:

	2021	2020
Donations (food and cash) *	\$ 30,264,200	\$ 23,876,320
Grants and contributions *	4,309,294	4,806,250
Special events	1,083,691	757,259
Membership fees	23,937	24,775
Food buy-in program	398,601	574,717
Shared maintenance and delivery fees	4,013	83,420
Investment income, net *	504,744	284,441
Miscellaneous *	3,550	6,642
Total revenue	\$ 36,592,030	\$ 30,618,853

\*This revenue category is not subject to ASC 606. (certain grants are subject to ASC 606)

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

#### Contributions and grants

Unconditional contributions and grants are recorded as unrestricted revenue at the time the contribution or grant is made unless specifically restricted by the donor. Contributions related to special events are recorded as unrestricted revenue in the fiscal year during which the event was held. The Organization records donated food received using the price per pound provided by Feeding America. Contributions of assets other than cash and food are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Conditional promises to give represent gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds. They are not recognized until the barrier is substantially met. Donor-restricted contributions that were initially conditional contributions whose restrictions are met in the same reporting period that revenue is recognized are classified as support within net assets without donor restrictions.

Donor restricted contributions or grants are recorded in net assets with donor restriction at the time they are made. These amounts are subsequently transferred to net assets without donor restriction at the time the Organization has met the purpose or time restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, have been reported as support without donor restrictions in the statement of activities.

#### In-kind professional services/other

In-kind services are recorded as contributions when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation. Other in-kind materials are recorded as contributions in the year received at their fair value on the date of receipt if an objective basis is available to measure such values.

#### 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 allowance for uncollectible accounts as of September 30, 2021 and 2020.

#### 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. An allowance of 10% or \$438,889 was deemed reasonable at September 30, 2021. There was no allowance deemed necessary at September 30, 2020.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

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

At September 30, 2021, board designated reserves include a certificate of deposit of \$886,529 with a schedule maturity date at November 5, 2021 and a savings account with a balance of \$6,953,510. At September 30, 2021, this certificate has a stated interest rate of 0.60%. At September 30, 2020, board designated reserves include certificates of deposit of \$879,732 which had a stated interest rate of 1.78% and a savings account with a balance of \$687,030. The certificates are recorded at cost plus any interest which has been reinvested.

#### **Cash - with donor restrictions**

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

During the year ended September 30, 2021, The Food Bank received \$2,823,376 in donations for the purchase and construction of a new building which is included in restricted cash. During the year ended September 30, 2020, The Food Bank received \$205,029 in donations for the purchase and construction of a new building which is included in restricted cash.

#### **Inventory**

Categories of food inventory include donated food, purchased food, and government funded food which is warehoused on behalf of the government by The Food Bank for redistribution. The Organization records donated food received using the price per pound provided by Feeding America as stated in the annual *Product Valuation Survey* as of December 31, 2020 for the year ended September 30, 2021 and December 31, 2019 for the year ended September 30, 2020. The Food Bank's donated food was valued using \$1.74 and \$1.62 for the years ended September 30, 2021 and 2020, respectively. Purchased food is stated at the lower of first-in, first out (FIFO) 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.

#### **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, 2021 and 2020, depreciation expense was \$248,123 and \$243,056, respectively.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

#### Investments

Investments are stated at fair value using methodologies as discussed in Fair Value Measurements (Note 8). 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.

#### Gain on extinguishment of debt - forgivable loans

The Organization's policy is to account for forgivable loans received through the Small Business Administration ("SBA") under Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program ("PPP"), as debt in accordance with Accounting Standards Codification ("ASC") 470, Debt, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Organization is legally released from the liability by the SBA. The Food Bank received forgiveness for their \$503,100 loan from the SBA and recognized this amount as revenue on the Statement of Activities for the year ended September 30, 2020.

#### 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:

*Net assets without donor restrictions* - Net assets without donor restrictions represents amounts that are not subject to donor-imposed restrictions. These funds are available to be used for the general purposes of the Organization and may be designated for specific purposes by action of the Board of Directors.

*Net assets with donor restrictions* - Net assets with donor restrictions represents amounts that are subject to donor-imposed stipulations. Certain net assets are temporary in nature and when a purpose or time stipulation is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Certain donor restricted net assets must remain in perpetuity and the earnings on these net assets may be used as stipulated.

#### 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. Occupancy expenses are allocated based upon square footage.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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

#### Use of estimates

The preparation of financial statements in conformity with GAAP 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 changes in net assets. 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, 2018.

#### Recent accounting standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, as amended by subsequent ASU. 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, 2021 (year ending September 30, 2023). 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.

### 3. LIQUIDITY AND AVAILABILITY OF ASSETS:

The Organization has financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date (September 30) as detailed below.

	2021	2020
Cash	\$ 4,783,307	\$ 6,296,599
Accounts and grants receivable	258,350	407,294
Total financial assets available for general expenditure	\$ 5,041,657	\$ 6,703,893

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 3. LIQUIDITY AND AVAILABILITY OF ASSETS: (CONTINUED)

The Organization manages its liquidity by developing and adopting annual operating budgets that are designed to provide sufficient funds for general expenditures and allow the Organization to meet its liabilities and other obligations as they become due. The Organization has over \$2,000,000 of investments that could be used for general expenditures should management deem it appropriate. In addition, the Organization maintains reserves that may be used for general expenditures upon board approval.

As more fully described in Note 10, the Organization also has a line of credit in the amount of \$500,000, which it could draw upon to meet cash flow needs. The available balance on this line was the full \$500,000 at September 30, 2021 and 2020.

### 4. PLEDGES RECEIVABLE:

In anticipation of the Organization moving to a new location in Chicopee, MA, it is aligning its resources with like-minded organizations and individuals. This undertaking has been called the Food Bank Support Corporation. In 2021, the Organization received promises to give, in support of the construction of a new warehouse.

The pledges outstanding were as follows:

	2021	2020
Gross pledges receivable		
Due within one year	\$ 1,472,803	\$ 4,781
Due within three years	2,035,250	-
Due within five years	886,148	-
Total gross pledges receivable	4,394,201	4,781
Less discount to net present value on pledges using discount rate of 1.13%	(271,584)	-
Less allowance	(438,889)	-
Pledges receivable, net	\$ 3,683,728	\$ 4,781

### 5. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at September 30:

	2021	2020
Land	\$ 1,297,966	\$ 837,223
Building and improvements	3,940,269	3,683,423
Furniture, fixtures and equipment	1,220,277	1,116,736
Motor vehicles	672,670	694,020
	7,131,182	6,331,402
Less: accumulated depreciation	(3,268,872)	(3,042,099)
Construction in progress	360,909	20,000
Property and equipment, net	\$ 4,223,219	\$ 3,309,303

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 5. PROPERTY AND EQUIPMENT: (CONTINUED)

During the first quarter of fiscal year 2021, The Food Bank purchased land in Chicopee, Massachusetts for approximately \$449,000 and will begin constructing a warehouse in 2022. During fiscal year 2020, The Food Bank paid a deposit on the land in the amount of \$20,000, which is included in construction in progress as of September 30, 2020.

### 6. INVESTMENTS:

The Food Bank considers these investments as a quasi-endowment. Investments consisted of the following at September 30,:

<u>Mutual Funds</u>	<u>2021</u>	<u>2020</u>
Large blend funds	\$ 1,367,586	\$ 1,035,414
Corporate bond funds	428,205	423,462
Short-term bond funds	393,543	388,357
Large growth funds	131,590	101,664
Foreign large blend funds	110,575	88,915
Total	\$ 2,431,499	\$ 2,037,812

### 7. 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 \$39,588 and \$32,662 at September 30, 2021 and 2020, respectively.

### 8. 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 FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 8. FAIR VALUE MEASUREMENTS: (CONTINUED)

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 CFWM and is reviewed by management. As of September 30, 2021 and 2020, 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, 2021 and 2020.

*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.

### 9. ENDOWMENTS:

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 endowments' current assets and all future contributions over appropriate longer-term investment horizons and to control the costs of administering the endowments and managing the investments. The overall asset allocation for the endowments is 60% in equities and 40% in fixed income.

Effective June 21, 2018, the Board of Directors approved a spending policy for the endowments. The target spending rate shall be 4% as of the preceding March 31<sup>st</sup>, thirteen-quarter rolling average fair value of the fund.

Endowment net asset composition by type of fund as of September 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment funds with donor restrictions	\$ -	\$ 5,100	\$ 5,100
Investments – quasi-endowments	2,431,499	-	2,431,499
	<u>\$ 2,431,499</u>	<u>\$ 5,100</u>	<u>\$ 2,436,599</u>

Endowment net asset composition by type of fund as of September 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment funds with donor restrictions	\$ -	\$ 5,100	\$ 5,100
Investments – quasi-endowments	2,037,812	-	2,037,812
	<u>\$ 2,037,812</u>	<u>\$ 5,100</u>	<u>\$ 2,042,912</u>

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**9. ENDOWMENTS: (CONTINUED)**

Changes in endowment assets at September 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 2,037,812	\$ 5,100	\$ 2,042,912
Dividend and interest income	45,188	-	45,188
Unrealized gain in investments	348,499	-	348,499
Endowment net assets, end of year	<u>\$ 2,431,499</u>	<u>\$ 5,100</u>	<u>\$ 2,436,599</u>

Changes in endowment assets as of September 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 1,828,815	\$ 5,100	\$ 1,833,915
Dividend and interest income	43,074	-	43,074
Unrealized gain in investments	165,923	-	165,923
Endowment net assets, end of year	<u>\$ 2,037,812</u>	<u>\$ 5,100</u>	<u>\$ 2,042,912</u>

**10. ENDOWED FUND:**

In 2005, a donation of \$1,000,000 was made to the Community Foundation of Western Massachusetts (CFWM) to be held as an endowment for the benefit of The Food Bank. The endowment is an asset of CFWM because the donor granted variance power to CFWM 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 CFWM'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 CFWM. 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 \$49,400 and \$48,200 from the fund for the years ended September 30, 2021 and 2020, respectively.

**11. BOARD DESIGNATED RESERVES:**

Board designated reserves are available for the following purposes at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating reserve	\$ 1,300,000	\$ 1,200,000
Capital reserve	155,969	190,714
Strategic opportunity reserve and disaster fund	484,070	176,048
Capital campaign	5,900,000	-
	<u>\$ 7,840,039</u>	<u>\$ 1,566,762</u>

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 11. BOARD DESIGNATED RESERVES: (CONTINUED)

The Board fulfills the recommendation of Feeding America to maintain an operating reserve equal to three months of cash operating expenses but is not required to maintain this reserve if the Organization has positive working capital for the last two fiscal years.

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.

The capital campaign fund is to raise capital funds for the Chicopee warehouse to be constructed.

### 12. DUE TO MEMBERS:

Due to members consists of funds held by The Food Bank on behalf of members for the purchase of food and/or to offset shared maintenance and delivery fees. As of September 30, 2021 and 2020, the due to members was \$61,128 and \$32,240, respectively.

### 13. 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 (3.25% at September 30, 2021 and 2020) and due on demand. There was no outstanding balance on the line at September 30, 2021 and 2020.

### 14. NET ASSETS WITH DONOR RESTRICTIONS:

Time or purpose restricted net assets are summarized as follows at September 30:

	<u>2021</u>		<u>2020</u>
Capital campaign – warehouse	\$ 6,338,214	\$	205,029
Endowment fund	5,100		5,100
	<u>\$ 6,343,314</u>	\$	<u>210,129</u>

As of September 30, 2021, \$205,029 were restricted net assets that were released from donor restrictions. As of September 30, 2020, \$190,140 were restricted net assets that were released from donor restrictions.

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

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**15. 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, 2020 and 2019 prepared by KPMG for Feeding America. In fiscal year 2021, The Food Bank received approximately 14,040,098 pounds of food, and of this amount, approximately 9,466,700 pounds were donated. In fiscal year 2020, The Food Bank received approximately 15,702,000 pounds of food, and of this amount, approximately 6,898,000 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 6,693 and 9,497 were donated to The Food Bank for the years ended September 30, 2021 and 2020, respectively. The services provided by these volunteers do not meet the requirements for being recognized and, therefore are not reflected in these financial statements.

**16. 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 fiscal year 2021 and 2020. The expense under this Plan for the years ended September 30, 2021 and 2020 totaled \$50,808 and \$44,399, respectively.

In addition, during September 2016, the board approved a discretionary contribution for employees with one to three years of service at 3% in 2021 and 1% in 2020 of eligible wages and a 5% discretionary contribution for employees with greater than three years of service. The contribution under this amendment was approximately \$80,000 and \$59,000 for the years ended September 30, 2021 and 2020, respectively.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 17. OPERATING LEASES:

The Food Bank has operating leases for various equipment with maturity dates through November 2023. The monthly payments on the leases range from \$95 to \$247, including additional expenses based on usage, for the years ended September 30, 2021 and 2020. The lease expense for the years ended September 30, 2021 and 2020 was \$6,670 and \$7,180, respectively.

Future minimum lease payments are approximately as follows:

<u>For the Years Ending September 30,</u>	<u>Amount</u>
2022	\$ 2,422
2023	292
	<u>\$ 2,714</u>

### 18. LAND LEASES:

#### Bay Road Farm

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, 2019 to December 31, 2021, with an option to negotiate a three-year lease agreement. 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. As part of this transaction, The Food Bank agrees to restrict use of the land to agricultural purposes in perpetuity and provides an option to the Commonwealth of Massachusetts, acting through the Massachusetts Department of Agricultural Resources, to purchase the land at its fair market agricultural value, if the Food Bank were to sell it.

#### Shattuck Road Farm

On March 20, 2020, The Food Bank purchased approximately 143 acres of land located at 32 Shattuck Road, Hadley, Massachusetts for use as a second farm. As part of this transaction, The Food Bank agrees to restrict use of the land to agricultural purposes in perpetuity and provides an option to the Commonwealth of Massachusetts, acting through the Massachusetts Department of Agricultural Resources, to purchase the land at its fair market agricultural value, if the Food Bank were to sell it.

On April 1, 2020, The Food Bank entered into two separate agreements to lease 14 and 20 tillable acres to Atlas Farm, LLC and Lakeside Organics of Hadley, LLC (the "Tenants"), respectively, until December 31, 2021, with an option to negotiate a three-year lease agreement with each tenant. The Tenants shall pay rent to The Food Bank in the form of 14,500 and 12,780 pounds of produce harvested, respectively, from the leased premises or on other farm land for the lease year. The lease agreements give the Tenants 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 Tenants 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 Tenants may terminate the agreement effective December 31<sup>st</sup> of any year in the event The Tenants provided notice to The Food Bank by September 1<sup>st</sup> of such year.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 19. CONTINGENCIES AND COMMITMENTS:

#### Compliance with contracts and agreements

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.

#### Coronavirus

The coronavirus ("COVID-19") has adversely affected and may continue to adversely affect the economic activity globally, nationally, and locally. While The Food Bank's operations did not halt, these economic conditions and other effects of the COVID-19 pandemic may, in the future, adversely affect The Food Bank. The extent of any financial impact on The Food Bank's operations will depend on future developments, including the duration of the pandemic, business interruption, and any related governmental or other regulatory actions, which can not be predicted at this time.

### 20. 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 deposit.

The Food Bank's financial statements are impacted by not only the price per pound of donated food (see Note 2) that varies year to year, but also by the volume of food received versus distributed during the year.

### 21. RELATED PARTY TRANSACTIONS:

During the years ended September 30, 2021 and 2020, certain members of the Board of Directors were also representatives of The Food Bank member agencies.

During the year ended September 30, 2020, the Food Bank's Executive Director was a member of the Board of Directors of another non-profit that sold Shattuck farm to the Organization. There was no compensation received by the Executive Director for this transaction.

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 \$15,277,832 and \$8,068,390 at September 30, 2021 and 2020, respectively. Interest income from this bank was \$54,018 and \$23,851 for the years ended September 30, 2021 and 2020, respectively.

# THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### 22. SUBSEQUENT EVENTS:

The Food Bank plans to commence construction on a \$26.5 million project for a new 63,000 square foot headquarters building with a warehouse, training and support spaces in Chicopee, MA. To finance this project, the Food Bank plans to use New Market Tax Credits (NMTC) and the remaining amount will be funded through donations, ARPA funding (\$5 million) and bonds (includes sale of building). Under the regulations for New Market Tax Credits, The Food Bank of Western Massachusetts, Inc set up a separate Qualified Active Low-Income Business (QALICB) non-profit support corporation to manage the transaction. The Food Bank is finalizing the necessary bridge financing of approximately \$9.5 million. The target closing date is by March 15, 2022.

The structure/funds for this project are anticipated as follows:

Tax exempt bonds	\$ 9,500,000
NMTC	6,400,000
Capital campaign	<u>10,600,000</u>
	<u>\$ 26,500,000</u>

In September 2021, the Food Bank Support Corporation was established to be a supporting organization operated for the benefit of the Food Bank. This Organization will raise funds and support the functions of the Food Bank including developing the new facility in Chicopee, MA.

The Food Bank has evaluated events that have occurred subsequent to February 9, 2022, the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<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 Department of Education</i></b>			
Emergency Food Assistance Program - Food Commodities	10.569		\$ 5,871,424
Emergency Food Assistance Program - Administrative Costs	10.568	SCDOE16758N70532126A	518,300
Total Food Distribution Cluster			<u>6,389,724</u>
 <i>Pass-Through Commonwealth UMass Medical School</i>			
Supplemental Nutrition Assistance Program (SNAP)	10.551		<u>483,744</u>
Total U.S Department of Agriculture, Food and Nutrition Services and total Expenditures of Federal Awards			<u>\$ 6,873,468</u>

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

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

### **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, 2021. 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. Indirect cost rates are determined in the contract agreements with the passthrough entities.

### **5. SUBRECIPIENTS:**

There were no payments to subrecipients in any of the federal awards programs during the year ended September 30, 2021.



MeyersBrothersKalicka, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS STRATEGISTS

**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 Food Bank of Western Massachusetts, Inc. ("The Food Bank") (a nonprofit "Organization"), which comprise the statement of financial position as of September 30, 2021, 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 9, 2022.

**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 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.

*Myra Bethune Holman, P.C.*

Holyoke, Massachusetts  
February 9, 2022



## MeyersBrothersKalicka, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS STRATEGISTS

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAMS 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, 2021. The Food Bank of Western Massachusetts, Inc.'s major federal programs are 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 programs 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 each major federal program. However, our audit does not provide a legal determination of The Food Bank of Western Massachusetts, Inc.'s compliance.

#### ***Opinion on Each 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 programs for the year ended September 30, 2021.

## 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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.

*Myra Beecher Holioke, P.C.*

Holyoke, Massachusetts  
February 9, 2022

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**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:

**CFDA Number**

**Name of Federal Program or Cluster**

10.568

Food Distribution Cluster:

10.569

Emergency Food Assistance Program (Administrative Costs)

Emergency Food Assistance Program (Food Commodities)

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, 2021**

There were no findings or questioned costs for the year ended September 30, 2020.