THE FOOD BANK
OF WESTERN MASSACHUSETTS, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018 AND 2017

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.
FINANCIAL STATEMENTS

TABLE OF CONTENTS

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, 2018 and 2017, 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, 2018 and 2017, 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 Matters

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 14, 2019, 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.

Meyers Brothers Kalicka, P.C.

Holyoke, Massachusetts
February 14, 2019

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

ASSETS

	2018	2017
Current assets		
Cash	$ 472,168	$ 819,874
Cash-board designated reserves- current portion	150,000	171,000
Accounts and grants receivable	187,624	320,438
Pledges receivable	56,679	5,000
Inventory	666,431	627,548
Prepaid expenses	70,707	70,934
Total current assets	1,603,609	2,014,794
Property and equipment, net	2,909,796	3,098,363
Other assets		
Cash-board designated reserves	1,600,000	1,419,827
Cash-restricted	5,100	5,100
Investments- quasi-endowments	1,741,683	1,281,229
Investment at Community Foundation	28,902	27,100
Total other assets	3,375,685	2,733,256
Total assets	$ 7,889,090	$ 7,846,413

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable	$ 185,641	$ 151,224
Accrued expenses	174,779	170,163
Deferred revenue	23,750	26,850
Due to member agencies	25,335	11,646
Total current liabilities	409,505	359,883
Net assets		
Unrestricted		
Operating	3,982,802	4,586,104
Board designated - quasi-endowments	1,741,683	1,281,229
Board designated - other reserves	1,750,000	1,590,827
	7,474,485	7,458,160
Temporarily restricted	-	23,270
Permanently restricted	5,100	5,100
Total net assets	7,479,585	7,486,530
Total liabilities and net assets	$ 7,889,090	$ 7,846,413

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, 2018 AND 2017

	2018	2017
Unrestricted revenue and support		
Donated food	$ 10,474,334	$ 9,112,273
U.S.D.A. food	1,480,238	1,204,736
MEFAP food	2,235,858	1,638,347
Food buy-in program	348,934	366,289
Donations	1,885,670	1,846,990
In-kind contributions-professional services/other	63,300	36,214
U.S.D.A. grant	193,319	136,411
MEFAP grant	134,511	147,101
Grants-other	781,342	905,544
Contract revenue	147,780	133,055
Membership fees	26,280	28,560
Delivery fees	5,889	6,266
Shared maintenance fees- agencies	153,732	137,959
Special events and promotional sales	552,714	552,688
Distribution from endowed funds	46,100	47,000
Miscellaneous	22,325	22,861
Interest and dividends	51,599	58,585
Unrealized/realized gains on investments	96,534	99,364
Unrealized gain on investment at Community Foundation, net	1,802	2,999
Net assets released from restrictions	23,270	146,932
Total revenue and support	18,725,531	16,630,174
Expense		
Programs	17,399,904	15,117,592
Administration	594,060	642,411
Development	715,242	710,652
Total expense	18,709,206	16,470,655
Change in unrestricted net assets	16,325	159,519
Temporarily restricted net assets		
Restricted contributions	-	148,347
Released from restrictions	(23,270)	(146,932)
Change in temporarily restricted net assets	(23,270)	1,415
Change in net assets	(6,945)	160,934
Net assets, beginning of year	7,486,530	7,325,596
Net assets, end of year	$ 7,479,585	$ 7,486,530

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, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (6,945)	$ 160,934
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	225,783	248,432
Unrealized/realized gains on investments	(96,534)	(99,364)
Unrealized gains on investment at Community Foundation, net	(1,802)	(2,999)
Donated securities	(16,349)	(8,822)
Net changes in assets and liabilities:		
Accounts and grants receivable	132,814	(40,435)
Pledges receivable	(51,679)	(3,193)
Inventory	(38,883)	56,730
Prepaid expenses	227	(15,357)
Accounts payable	34,417	19,267
Accrued expenses	4,616	57,291
Deferred revenue	(3,100)	(3,956)
Due to member agencies	13,689	(9,886)
Net cash provided by operating activities	196,254	358,642
Cash flows from investing activities		
Purchase of property and equipment	(37,216)	(97,366)
Proceeds from sale of donated investments	16,349	8,822
(Deposits to) withdrawals from board designated reserves	(159,173)	2,354
Purchase of investments	(363,920)	(297,429)
Net cash used in investing activities	(543,960)	(383,619)
Net decrease in cash	(347,706)	(24,977)
Cash, beginning of year	819,874	844,851
Cash, end of year	$ 472,168	$ 819,874
Supplemental disclosures of non-cash operating activities		
Donated and governmental food support	$ 14,190,430	$ 11,955,356
Donated and governmental food expense	(14,115,495)	(11,723,316)
Donated in-kind support	63,300	36,214

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, 2018

	Programs	Administration	Development	Total
Salaries and related expenses				
Salaries	$ 1,310,075	$ 253,724	$ 365,679	$ 1,929,478
Payroll taxes	98,504	19,213	26,919	144,636
Employee benefits	285,839	58,203	59,101	403,143
Total salaries and related benefits	1,694,418	331,140	451,699	2,477,257
Food				
Donated food	10,509,315	-	-	10,509,315
U.S.D.A. food	1,440,190	-	-	1,440,190
MEFAP food	2,165,990	-	-	2,165,990
Purchased and discarded food	541,031	-	-	541,031
Total food	14,656,526	-	-	14,656,526
Other expenses				
Consultants	117,361	8,044	15,833	141,238
Depreciation	219,060	4,605	2,118	225,783
Direct mail	-	-	66,178	66,178
Equipment rental	6,819	1,087	1,977	9,883
Fees and subscriptions	7,200	10,271	26,183	43,654
Freight	66,314	-	-	66,314
In-kind expense - professional services/other	48,023	-	15,277	63,300
Insurance	33,881	33,870	11,090	78,841
Internet services and information technology	11,867	1,680	8,106	21,653
Legal and accounting	-	45,760	-	45,760
Office expenses	17,761	52,336	1,789	71,886
Postage and printing	9,590	3,890	14,544	28,024
Program expenses	125,297	-	-	125,297
Program supplies	39,242	93	2,940	42,275
Public relations/advertising	13	6,460	3,097	9,570
Repairs and maintenance	93,555	5,014	4,487	103,056
Special events	922	1,003	65,215	67,140
Staff training and conferences	17,734	3,553	1,952	23,239
Telephone and telecommunications	15,378	5,470	3,260	24,108
Temporary help	43,995	73,523	13,535	131,053
Transportation and travel	30,629	2,071	4,034	36,734
Utilities	77,663	4,190	1,928	83,781
Vehicle expense	66,656	-	-	66,656
Total other expenses	1,048,960	262,920	263,543	1,575,423
Total expense	$ 17,399,904	$ 594,060	$ 715,242	$ 18,709,206

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

	Programs	Administration	Development	Total
Salaries and related expenses				
Salaries	$ 1,246,474	$ 285,350	$ 407,480	$ 1,939,304
Payroll taxes	92,266	17,188	30,020	139,474
Employee benefits	283,352	117,802	56,971	458,125
Total salaries and related benefits	1,622,092	420,340	494,471	2,536,903
Food				
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 and discarded food	895,526	-	-	895,526
Total food	12,618,842	-	-	12,618,842
Other expenses				
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	45,794	12,289	9,524	67,607
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	45,374	-	-	45,374
Total other expenses	876,658	222,071	216,181	1,314,910
Total expense	$ 15,117,592	$ 642,411	$ 710,652	$ 16,470,655

The accompanying notes are an integral part of these financial statements

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 253 partner local feeding programs (pantries, meal sites, shelters and other social service programs) to more than 225,500 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 ("GAAP").

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.
>
> Revenue with donor-imposed restrictions is recognized in unrestricted net assets if the restriction is met in the year the revenue is received.
>
> 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
At September 30, 2018, board designated reserves include certificates of deposit of $1,222,958 with a schedule maturity date at July 28, 2019. At September 30, 2018, these certificates have stated interest rates of 1.78%. At September 30, 2017, board designated reserves include certificates of deposit of $1,590,827 which had stated interest rates ranging from .35% to 1.10%. The certificates are recorded at cost plus any interest which has been reinvested.

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.

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 allowance for uncollectible accounts as of September 30, 2018 and 2017.

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 allowance for uncollectible accounts as of September 30, 2018 and 2017.

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, 2017 and 2016 prepared by KPMG for Feeding America. The valuations at September 30, 2018 and 2017 were $1.68 and $1.73 per pound, 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.

The Organization adopted the Accounting Standards Update ("ASU") No. *2015-11, Simplifying the Measurement of Inventory* for their fiscal year ended September 30, 2018. There was no impact to the way the Organization measures inventory under accounting principles generally accepted in the United States of America ("GAAP").

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, 2018 and 2017, depreciation expense was $225,783 and $248,432, respectively.

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 KPMG for 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 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, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Recent accounting standards
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. *2014-09*, *Revenue From Contracts With Customers*. This may impact the way the Organization recognizes revenue under 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.

In February 2016, the FASB issued ASU No. *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 ending September 30, 2019.

In November 2016, the FASB issued ASU No. *2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.* This impacts the presentation of the change in restricted cash on the statement of cash flows. Amounts generally described as restricted cash will be included with cash and cash equivalents when reconciling the beginning of year and end of year total amounts. The Association is not required to apply the new standard until years beginning after December 15, 2018 (for the year ending September 30, 2020). Management is currently assessing the impact of this standard.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance will assist organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the Scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. These changes will be implemented simultaneously with adoption of the new revenue standard (for the year ending September 30, 2020) and management is currently assessing the impact of this standard.

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at September 30, 2018 and 2017:

	2018	2017
Land	$ 287,500	$ 287,500
Building and improvements	3,664,423	3,664,423
Furniture, fixtures and equipment	1,007,701	970,485
Motor vehicles	616,461	616,461
	5,576,085	5,538,869
Less: accumulated depreciation	(2,666,289)	(2,440,506)
Property and equipment, net	$ 2,909,796	$ 3,098,363

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, 2018 and 2017:

Mutual Funds	2018	2017
Large Blend Funds	$ 875,199	$ 662,762
Corporate Bond Funds	349,755	242,742
Short Term Bond Funds	349,704	238,752
Large Growth Funds	79,987	67,378
Foreign Large Blend Funds	87,038	69,595
Total	$ 1,741,683	$ 1,281,229

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 $28,902 and $27,100 at September 30, 2018 and 2017, respectively.

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 CFWM and is reviewed by management. As of September 30, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017, the due to member agencies was $25,335 and $11,646, 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 and due on demand. There was no outstanding balance on the line at September 30, 2018 and 2017.

9. BOARD DESIGNATED RESERVES:

Board designated reserves are available for the following purposes at September 30, 2018 and 2017:

	2018	2017
Operating reserve	$ 1,200,000	$ 1,130,928
Capital reserve	450,000	359,899
Strategic opportunity reserve and disaster fund	100,000	100,000
	$ 1,750,000	$ 1,590,827

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, 2018, there were no temporarily restricted net assets. As of September 30, 2017, the temporarily restricted net assets available for the food distribution program was $23,270.

The permanently restricted net assets for the years ended September 30, 2018 and 2017 was $5,100.

11. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets released from donor restrictions by incurring expenses satisfying the food distribution program for the year ended September 30, 2018 and 2017 were $23,270 and $146,932, respectively.

12. 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 sixty percent in equities and forty percent in fixed income.

Effective June 21, 2018, the Board of Directors approved a spending policy for the endowments.

12. ENDOWMENTS: (CONTINUED)

Endowment net asset composition by type of fund as of September 30, 2018 is as follows:

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
Donor restricted endowment funds	$ -	$ 5,100	$ 5,100
Investments – quasi-endowments	1,741,683	-	1,741,683
	$ 1,741,683	$ 5,100	$ 1,746,783

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

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

Changes in endowment assets at September 30, 2018 are as follows:

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 1,281,229	$ 5,100	$ 1,286,329
Additions/transfers	333,031	-	333,031
Dividend and interest income	30,889	-	30,889
Unrealized gain in investments	96,534	-	96,534
Endowment net assets, end of year	$ 1,741,683	$ 5,100	$ 1,746,783

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

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
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	$ 1,281,229	$ 5,100	$ 1,286,329

13. ENDOWED FUND:

A donation of $1,000,000 was made to 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 $46,100 and $47,000 from the fund for the years ended September 30, 2018 and 2017, 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, 2017 and 2016 prepared by KPMG for Feeding America. In fiscal year 2018, The Food Bank received approximately 11,905,000 pounds of food, and of this amount, approximately 6,419,000 pounds were donated. 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.

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 16,100 and 14,200 were donated to The Food Bank for the years ended September 30, 2018 and 2017, 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.

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 fiscal year 2018 and 2017. The expense under this Plan for the years ended September 30, 2018 and 2017 totaled $36,070 and $39,999, 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 then three years of service. The contribution under this amendment was approximately $50,000 and $62,000 for the years ended September 30, 2018 and 2017, 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 $183 and $258 for the years ended September 30, 2018 and 2017. The lease expense for the years ended September 30, 2018 and 2017 was approximately $5,300 and $6,000, respectively.

Future minimum lease payments are approximately as follows:

For the Years Ending September 30,		Amount
2019	$	3,500
2020		3,100
2021		3,100
	$	9,700

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, 2019 to December 31, 2021. 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 31st of any year in the event The Food Bank provides notice to The Tenant by September 1st 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 31st of any year in the event The Tenant provided notice to The Food Bank by September 1st 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.

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 deposit.

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.

20. RELATED PARTY TRANSACTIONS:

During the years ended September 30, 2018 and 2017, certain members of the Board of Directors were also representatives of The Food Bank member agencies.

During the year ended September 20, 2018, there were no legal services to The Food Bank. 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 $2,222,168 and $2,410,701 at September 30, 2018 and 2017, respectively. Interest income from this bank was $4,508 and $4,024 for the years ended September 30, 2018 and 2017, respectively.

21. SUBSEQUENT EVENTS:

The Food Bank has evaluated events that have occurred subsequent to February 14, 2019, 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, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture, Food and Nutrition Services -			
Pass-Through Massachusetts Department of Education			
Emergency Food Assistance Program - Food Commodities	10.569		$ 1,480,238
Emergency Food Assistance Program - Administrative Costs	10.568	SCDOE16758N70532126A	193,319
Total Food Distribution Cluster			1,673,557
Pass-Through Commonwealth UMass Medical School			
Supplemental Nutrition Assistance Program (SNAP)	10.551		146,778
Total U.S Department of Agriculture, Food and Nutrition Services			1,820,335
U.S. Department of Transitional Assistance			
Healthy Incentives Program	10.331	CT3058WEL44003081FOODB	1,002
Total Expenditures of Federal Awards			$ 1,821,337

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018. 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 subrecipents in any of the federal awards programs during the year ended September 30, 2018.

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 The Food Bank of Western Massachusetts, Inc. ("The Food Bank") (a nonprofit "Organization"), which comprise the statement of financial position as of September 30, 2018, 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 14, 2019.

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.

Meyers Brothers Kalicka, P.C.

Holyoke, Massachusetts
February 14, 2019

MeyersBrothersKalicka, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

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, 2018. 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, 2018.

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.

Meyers Brothers Kalicka, P.C.

Holyoke, Massachusetts
February 14, 2019

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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
	Food Distribution Cluster:
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	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, 2018

There were no findings or questioned costs for the year ended September 30, 2017.