

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

***CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

SEPTEMBER 30, 2023 AND 2022

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

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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. and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of The Food Bank of Western Massachusetts, Inc. and Affiliate (both nonprofit organizations, collectively referred to as the "Organization") which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Food Bank of Western Massachusetts, Inc. and Affiliate as of September 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Food Bank of Western Massachusetts, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Bank of Western Massachusetts, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Food Bank of Western Massachusetts, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Bank of Western Massachusetts, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Consolidating and Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities and schedules of expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements of financial position, activities, schedules of expenses and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated 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 7, 2024, on our consideration of The Food Bank of Western Massachusetts, Inc. and Affiliate'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 solely 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. and Affiliate'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. and Affiliate's internal control over financial reporting and compliance.

Myra Bevilacqua Holick, P.C.

Holyoke, Massachusetts
February 7, 2024

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash	\$ 4,170,425	\$ 3,847,461
Cash-board designated reserves - current portion	2,014,023	1,300,000
Cash-restricted - current portion	354,273	17,202,836
Term deposits	8,199,549	-
Accounts and grants receivable	304,297	109,474
Pledges receivable - capital campaign, current, net	1,363,930	1,691,233
Inventory	1,663,990	552,313
Prepaid expenses	<u>143,699</u>	<u>83,548</u>
Total current assets	<u>18,214,186</u>	<u>24,786,865</u>
Property and equipment, net	<u>24,621,677</u>	<u>11,320,038</u>
Other assets		
Cash-board designated reserves	-	516,164
Cash-restricted	5,100	5,100
Pledges receivable - capital campaign, long-term, net	1,300,377	1,599,990
Leveraged loan receivable	14,786,800	14,786,800
Investments - quasi-endowments	2,318,647	2,048,244
Investment at Community Foundation	<u>37,523</u>	<u>33,325</u>
Total other assets	<u>18,448,447</u>	<u>18,989,623</u>
Total assets	<u>\$ 61,284,310</u>	<u>\$ 55,096,526</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 618,008	\$ 84,930
Accrued expenses	1,340,586	1,896,155
Deferred revenue	24,300	23,300
Due to member agencies	<u>41,015</u>	<u>57,950</u>
Total current liabilities	<u>2,023,909</u>	<u>2,062,335</u>
Long term liabilities		
Long term debt - NMTC	20,440,000	20,440,000
Less: debt issuance costs	<u>(261,087)</u>	<u>(268,813)</u>
Total long term liabilities	<u>20,178,913</u>	<u>20,171,187</u>
Total liabilities	<u>22,202,822</u>	<u>22,233,522</u>
Net assets		
Without donor restrictions		
Operating	31,725,138	25,492,309
Board designated - quasi-endowments	2,318,647	2,048,244
Board designated - other reserves	<u>2,014,023</u>	<u>1,816,164</u>
	36,057,808	29,356,717
With donor restrictions	<u>3,023,680</u>	<u>3,506,287</u>
Total net assets	<u>39,081,488</u>	<u>32,863,004</u>
Total liabilities and net assets	<u>\$ 61,284,310</u>	<u>\$ 55,096,526</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Revenue and support without donor restrictions		
Donated food	\$ 10,701,135	\$ 7,395,302
U.S.D.A. food	4,171,062	3,938,905
MEFAP food	4,025,631	4,210,973
Food buy-in program	277,119	159,798
Donations	3,652,330	6,540,423
In-kind contributions-professional services/other	40,895	36,052
U.S.D.A. grant	1,046,181	643,327
MEFAP grant	145,425	140,800
Grants - corporate/foundations/other	4,957,153	1,934,878
Contract contributions	886,742	851,863
Gain on sale of property and equipment	232,172	-
Membership fees, delivery fees, and miscellaneous	29,604	27,755
Interest income on notes	166,742	90,650
Shared maintenance fees - agencies	64,225	9,678
Special events	1,046,381	1,041,744
Distribution from endowed funds at Community Foundation	54,600	52,900
Interest and dividends	373,943	102,262
Unrealized/realized gain (loss) on investments	216,331	(431,375)
Unrealized gain (loss) on investment at Community Foundation, net	4,198	(6,263)
Total revenue and support	<u>32,091,869</u>	<u>26,739,672</u>
Expense		
Programs	24,506,416	20,804,396
Administration	1,053,525	792,412
Development	<u>1,512,614</u>	<u>1,312,722</u>
Total expense	<u>27,072,555</u>	<u>22,909,530</u>
Change in net assets without donor restrictions (operations)	5,019,314	3,830,142
Net assets released from restrictions (Note 16)	<u>1,681,777</u>	<u>4,786,155</u>
Change in net assets without restrictions	<u>6,701,091</u>	<u>8,616,297</u>
Net assets with donor restrictions		
Restricted contributions	1,199,170	1,949,128
Released from restrictions	<u>(1,681,777)</u>	<u>(4,786,155)</u>
Change in net assets with donor restrictions	<u>(482,607)</u>	<u>(2,837,027)</u>
Change in net assets	6,218,484	5,779,270
Net assets, beginning of year	<u>32,863,004</u>	<u>27,083,734</u>
Net assets, end of year	<u>\$ 39,081,488</u>	<u>\$ 32,863,004</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Programs</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Salaries and related expenses				
Salaries	\$ 2,238,094	\$ 568,580	\$ 896,033	\$ 3,702,707
Employee benefits	371,341	150,057	174,172	695,570
Payroll taxes	172,916	44,371	69,601	286,888
Total salaries and related benefits	<u>2,782,351</u>	<u>763,008</u>	<u>1,139,806</u>	<u>4,685,165</u>
Food				
Donated food	10,684,566	-	-	10,684,566
MEFAP food	4,006,397	-	-	4,006,397
Purchased and discarded food	1,449,031	-	-	1,449,031
U.S.D.A. food	<u>3,587,453</u>	<u>-</u>	<u>-</u>	<u>3,587,453</u>
Total food	<u>19,727,447</u>	<u>-</u>	<u>-</u>	<u>19,727,447</u>
Other expenses				
Consultants	67,430	15,492	30,019	112,941
Depreciation	274,127	42,589	25,524	342,240
Direct mail	-	-	20,803	20,803
Fees and subscriptions	15,734	14,215	43,210	73,159
Freight	41,536	-	-	41,536
In-kind expense - professional services/other	26,632	-	14,263	40,895
Insurance	46,055	13,607	18,758	78,420
Interest expense (debt issuance)	7,726	-	-	7,726
Internet services and information technology	6,054	56,886	9,018	71,958
Legal and accounting	-	48,063	-	48,063
Equipment and office expenses	132,143	17,067	8,157	157,367
Postage and printing	8,935	15,583	13,799	38,317
Program expenses	218,059	-	-	218,059
Public relations/advertising	52	12,183	4,604	16,839
Repairs and maintenance	147,727	9,015	58,522	215,264
Special events	736	6,253	34,143	41,132
Staff training and conferences	24,043	11,759	7,798	43,600
Supplies	617,061	1,734	7,069	625,864
Telephone and telecommunications	32,628	8,498	11,305	52,431
Temporary help	70,681	10,564	49,605	130,850
Transportation and travel	23,259	3,823	4,165	31,247
Utilities	151,582	3,186	12,046	166,814
Vehicle expense	<u>84,418</u>	<u>-</u>	<u>-</u>	<u>84,418</u>
Total other expenses	<u>1,996,618</u>	<u>290,517</u>	<u>372,808</u>	<u>2,659,943</u>
Total expense	<u>\$ 24,506,416</u>	<u>\$ 1,053,525</u>	<u>\$ 1,512,614</u>	<u>\$ 27,072,555</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Programs</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Salaries and related expenses				
Salaries	\$ 1,646,805	\$ 447,715	\$ 687,904	\$ 2,782,424
Employee benefits	333,953	112,727	124,723	571,403
Payroll taxes	127,411	34,759	53,709	215,879
Total salaries and related benefits	<u>2,108,169</u>	<u>595,201</u>	<u>866,336</u>	<u>3,569,706</u>
Food				
Donated food	7,413,758	-	-	7,413,758
MEFAP food	4,572,226	-	-	4,572,226
Purchased and discarded food	432,001	-	-	432,001
U.S.D.A. food	<u>4,736,922</u>	<u>-</u>	<u>-</u>	<u>4,736,922</u>
Total food	<u>17,154,907</u>	<u>-</u>	<u>-</u>	<u>17,154,907</u>
Other expenses				
Consultants	34,430	6,763	114,103	155,296
Depreciation	225,667	40,232	-	265,899
Direct mail	-	-	36,545	36,545
Fees and subscriptions	14,144	14,042	47,165	75,351
Freight	21,315	-	-	21,315
In-kind expense - professional services/other	27,085	-	8,967	36,052
Insurance	47,436	9,335	19,126	75,897
Internet services and information technology	7,468	16,501	7,401	31,370
Legal and accounting	27,326	42,013	-	69,339
Equipment and office expenses	2,711	8,433	815	11,959
Postage and printing	9,788	13,844	20,734	44,366
Program expenses	111,420	-	-	111,420
Public relations/advertising	30	6,474	4,889	11,393
Repairs and maintenance	115,321	10,695	46,544	172,560
Special events	1,459	2,608	49,146	53,213
Staff training and conferences	7,875	1,719	5,206	14,800
Supplies	598,405	3,468	2,873	604,746
Telephone and telecommunications	21,800	3,292	6,625	31,717
Temporary help	113,257	13,283	70,077	196,617
Transportation and travel	8,434	1,800	3,762	13,996
Utilities	70,117	2,709	2,408	75,234
Vehicle expense	<u>75,832</u>	<u>-</u>	<u>-</u>	<u>75,832</u>
Total other expenses	<u>1,541,320</u>	<u>197,211</u>	<u>446,386</u>	<u>2,184,917</u>
Total expense	<u>\$ 20,804,396</u>	<u>\$ 792,412</u>	<u>\$ 1,312,722</u>	<u>\$ 22,909,530</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 6,218,484	\$ 5,779,270
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	342,240	265,899
Amortization of debt issuance costs	7,726	-
Unrealized/realized (gains) loss on investments	(216,331)	431,375
Unrealized (gains) loss on investment at Community Foundation, net	(4,198)	6,263
Gain on sale of property and equipment	(232,172)	-
Donated securities	(84,706)	(365,860)
Net changes in assets and liabilities:		
Accounts and grants receivable	(194,823)	148,876
Pledges receivable	626,916	392,505
Inventory	(1,111,677)	1,190,107
Prepaid expenses	(60,151)	(6,224)
Accounts payable	533,078	(107,233)
Accrued expenses	(555,569)	1,517,645
Deferred revenue	1,000	(225)
Due to member agencies	<u>(16,935)</u>	<u>(3,178)</u>
Net cash provided by operating activities	<u>5,252,882</u>	<u>9,249,220</u>
Cash flows from investing activities		
Purchase of property and equipment	(15,551,057)	(7,362,718)
Proceeds from sale of property and equipment	2,139,350	-
Purchase of term deposits	(8,000,000)	-
Reinvestment of interest in term deposits	(199,549)	-
Proceeds from sale of donated investments	84,706	365,860
Purchase of investments	<u>(54,072)</u>	<u>(48,120)</u>
Net cash used in investing activities	<u>(21,580,622)</u>	<u>(7,044,978)</u>
Cash flows from financing activities		
Leveraged loan receivable	-	(14,786,800)
Proceeds from long term debt	-	20,440,000
Payments for finance fees	<u>-</u>	<u>(268,813)</u>
Net cash provided by financing activities	<u>-</u>	<u>5,384,387</u>
Net (decrease) increase in cash and restricted cash	<u>(16,327,740)</u>	<u>7,588,629</u>
Cash and restricted cash, beginning of year	<u>22,871,561</u>	<u>15,282,932</u>
Cash and restricted cash, end of year	<u>\$ 6,543,821</u>	<u>\$ 22,871,561</u>
Cash included in cash and restricted cash, end of year:		
Cash	\$ 4,170,425	\$ 3,847,461
Cash-board designated reserves	2,014,023	1,816,164
Cash-restricted	<u>359,373</u>	<u>17,207,936</u>
Cash and restricted cash, end of year	<u>\$ 6,543,821</u>	<u>\$ 22,871,561</u>
Supplemental disclosures of cash flow information		
Interest paid during the year, which was all capitalized	\$ 227,186	\$ 57,894
Supplemental disclosures of non-cash operating activities		
Donated and governmental food support	\$ 18,897,828	\$ 15,545,180
Donated and governmental food expense	(18,278,416)	(16,722,906)
Donated in-kind support	40,895	36,052

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

1. NATURE OF ORGANIZATION:

The consolidated financial statements include The Food Bank of Western Massachusetts, Inc. ("The Food Bank") and its wholly owned subsidiary, The Food Bank Support Corporation ("Support Corporation"), (collectively referred to as the "Organization"). Both entities are nonprofit organizations incorporated in the Commonwealth of Massachusetts.

The Food Bank

The Food Bank of Western Massachusetts, Inc. was founded in 1982 and its mission 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 (food pantries, meal sites, shelters and other social service programs) to an average of approximately 99,000 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 food assistance network, and public education and advocacy on hunger and food insecurity - not knowing where your next meal will come from. The Food Bank accounts for 62% and 56% of the consolidated assets as of September 30, 2023 and 2022, respectively, and more than 99% of the consolidated revenues for the years ended September 30, 2023 and 2022.

Support Corporation

In September 2021, the Support Corporation was established as a Qualified Active Low-Income Business (QALICB) non-profit support corporation to be a supporting organization operated for the benefit of The Food Bank. This Support Corporation supports the functions of The Food Bank including development of the new 63,000 square foot food distribution center and headquarters in Chicopee, MA, which was placed into service in September 2023. This project was funded using New Market Tax Credits (NMTC), with the remaining amount funded through donations, ARPA funding (\$5 million), bonds, and the sale of the Hatfield building in September 2023. The Support Corporation accounts for 38% and 44% of the consolidated assets as of September 30, 2023 and 2022, respectively, and less than 1% of the consolidated revenues for the years ended September 30, 2023 and 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting

The accompanying consolidated financial statements of The Food Bank of Western Massachusetts, Inc. and Affiliate have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Principles of consolidation

The consolidated financial statements of the Organization include the accounts of The Food Bank and the Support Corporation. All intercompany transactions and account balances have been eliminated in consolidation.

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 consolidated statements of financial position consists of contract liabilities representing unearned revenues on these fees.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

The contract liability balances (deferred revenue) as of September 30, 2023 and 2022 are presented on the consolidated statements of financial position. As of September 30, 2021, the contract liability balance was \$23,525. All revenue from prior periods has been recognized.

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 reinstated for the 2023 fiscal year after being waived for the 2022 and 2021 fiscal years 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:

	2023	2022
Donations (food and cash) *	\$ 23,749,328	\$ 24,034,731
Grants and contributions *	7,076,396	3,606,920
Special events	1,046,381	1,041,744
Membership fees	22,050	23,600
Food buy-in program	277,119	159,798
Gain on sale of assets	232,172	-
Shared maintenance and delivery fees	28,157	9,678
Investment income (loss), net *	649,072	(282,476)
New Market Tax Credit Revenue	166,742	90,650
Miscellaneous *	43,622	4,155
Total revenue	\$ 33,291,039	\$ 28,688,800

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

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.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Contributions and grants (continued)

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 consolidated 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.

The contract asset balances (accounts receivable) as of September 30, 2023 and 2022 are presented on the consolidated statements of financial position. As of September 30, 2021, the contract asset balance was \$258,350.

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 \$300,792 was deemed reasonable at September 30, 2023. An allowance of 10% or \$375,849 was deemed reasonable at September 30, 2022.

Cash - board designated reserves

At September 30, 2023, board designated reserves are \$2,014,023 and include a savings account with a balance of \$855,290. At September 30, 2022, board designated reserves include a savings account with a balance of \$1,816,164.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Cash - with restrictions

The Organization 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.

At September 30, 2023, restricted cash – current portion, is comprised of donor restricted cash for department restricted grants of \$354,273. At September 30, 2022, restricted cash - current portion, is comprised of cash held for construction in the amount of \$16,992,872, as well as donor restricted cash for department restricted grants of \$209,964.

Term deposits

Term deposits consist of certificates of deposit with original maturity dates greater than 90 days. As of September 30, 2023, this balance represents certificates of deposit with an interest rate of 4.64% and a maturity date of February 6, 2024. The certificates were recorded at cost plus any interest which had been reinvested.

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, 2022 for the year ended September 30, 2023 and December 31, 2021 for the year ended September 30, 2022. The Food Bank's donated food was valued using \$1.92 and \$1.79 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022, depreciation expense was \$342,240 and \$265,899, respectively.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments

Investments are stated at fair value using methodologies as discussed in Fair Value Measurements (see 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 consolidated financial statements.

Debt issuance costs

Debt issuance costs are being amortized using the interest method over the term of the related debt (approximately 34 years). The total cost at September 30, 2023 and 2022 was \$268,813. Total accumulated amortization at September 30, 2023 was \$7,726. There was no accumulated amortization at September 30, 2022. Amortization of these costs will be recorded to interest expense and is expected to be \$7,726 for each of the next five years.

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 (see Note 11).

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 consolidated 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 consolidated 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 Organization. Occupancy expenses are allocated based upon square footage.

Use of estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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).

The Support Corporation was established by The Food Bank as a separate Qualified Active Low-Income Business (QALICB) non-profit support corporation to fulfill the requirement under the regulations for New Market Tax Credits transactions. The Support Corporation 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.

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, 2020.

Recent accounting standard adopted - Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases. The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases which are longer than a one year term, in the consolidated statement of financial position.

The Organization adopted the new standard using the modified retrospective approach with October 1, 2022 as the date of initial adoption. There was no cumulative effect on the consolidated statement of financial position upon initial recognition of ROU assets and corresponding lease liabilities, with no retrospective adjustments to prior periods. The Organization elected the package of practical expedients permitted under the transition guidance which, among other things, allowed the Organization to carryforward the historical lease classification. The Organization determines if an arrangement is a lease at inception. The adoption of this standard had no effect on the consolidated financial statements as all long-term leases are with related parties and are eliminated in these consolidated statements. See Note 12, Loan Receivable and New Market Tax Credit Transactions.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

3. LIQUIDITY AND AVAILABILITY OF ASSETS:

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 4,170,425	\$ 3,847,461
Accounts and grants receivable	304,297	109,474
Term deposits	8,199,549	-
Total financial assets available for general expenditure	\$ <u>12,674,271</u>	\$ <u>3,956,935</u>

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 \$2,300,000 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 15, 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, 2023 and 2022.

4. PLEDGES RECEIVABLE:

The Organization received promises to give, in support of the construction of a new food distribution center and headquarters. The pledges outstanding consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Gross pledges receivable		
Due within one year	\$ 1,363,930	\$ 1,691,233
Due within three years	1,449,581	1,668,683
Due within five years	200,030	403,350
Total gross pledges receivable	3,013,541	3,763,266
Less discount to net present value on pledges using discount rate of 1.13%	(48,442)	(96,194)
Less allowance	(300,792)	(375,849)
Pledges receivable, net	\$ <u>2,664,307</u>	\$ <u>3,291,223</u>

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

5. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at September 30, 2023:

	Food Bank	Support Corporation	Total
Land	\$ 1,260,571	\$ -	\$ 1,260,571
Building and improvements	545,385	20,774,476	21,319,861
Furniture, fixtures and equipment	2,186,517	-	2,186,517
Motor vehicles	848,265	-	848,265
	<u>4,840,738</u>	<u>20,774,476</u>	<u>25,615,214</u>
Less: accumulated depreciation	(950,256)	(43,281)	(993,537)
Property and equipment, net	<u>\$ 3,890,482</u>	<u>\$ 20,731,195</u>	<u>\$ 24,621,677</u>

Property and equipment consisted of the following at September 30, 2022:

	Food Bank	Support Corporation	Total
Land	\$ 1,297,966	\$ -	\$ 1,297,966
Building and improvements	3,940,269	-	3,940,269
Furniture, fixtures and equipment	1,418,177	-	1,418,177
Motor vehicles	848,265	-	848,265
	<u>7,504,677</u>	<u>-</u>	<u>7,504,677</u>
Less: accumulated depreciation	(3,534,771)	-	(3,534,771)
Construction in progress	368,028	6,982,104	7,350,132
Property and equipment, net	<u>\$ 4,337,934</u>	<u>\$ 6,982,104</u>	<u>\$ 11,320,038</u>

The Food Bank purchased land in Chicopee, Massachusetts and in March 2022 the Organization began construction of its new food distribution center and headquarters and placed it into service in September 2023 for \$20,774,476.

6. INVESTMENTS:

The Organization considers certain investments as quasi-endowment which consisted of the following at September 30:

Mutual Funds	2023	2022
Large blend funds	\$ 1,150,805	\$ 956,029
Corporate bond funds	474,523	456,781
Short-term bond funds	465,031	447,639
Large growth funds	128,674	105,099
Foreign large blend funds	99,614	82,696
Total	<u>\$ 2,318,647</u>	<u>\$ 2,048,244</u>

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

7. INVESTMENTS AT COMMUNITY FOUNDATION:

The Organization transferred funds to the Community Foundation of Western Massachusetts ("CFWM") to establish The Food Bank of Western Massachusetts Fund. However, The Organization is the beneficiary of the Fund and could receive full distribution. The refundable advance which is stated at market value, was \$37,523 and \$33,325 at September 30, 2023 and 2022, 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 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, 2023 and 2022, all investments held by The Organization 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, 2023 and 2022.

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

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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.

The Organization has a spending policy for the endowments of 4% as of the preceding March 31st, thirteen-quarter rolling average fair value of the fund.

Endowment net asset composition by type of fund as of September 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment funds	\$ -	\$ 5,100	\$ 5,100
Investments – quasi-endowments	2,318,647	-	2,318,647
	<u>\$ 2,318,647</u>	<u>\$ 5,100</u>	<u>\$ 2,323,747</u>

Endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment funds	\$ -	\$ 5,100	\$ 5,100
Investments – quasi-endowments	2,048,244	-	2,048,244
	<u>\$ 2,048,244</u>	<u>\$ 5,100</u>	<u>\$ 2,053,344</u>

Changes in endowment assets at September 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,048,244	\$ 5,100	\$ 2,053,344
Dividend and interest income	54,072	-	54,072
Unrealized gain in investments	216,331	-	216,331
Endowment net assets, end of year	<u>\$ 2,318,647</u>	<u>\$ 5,100</u>	<u>\$ 2,323,747</u>

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

9. ENDOWMENTS: (CONTINUED)

Changes in endowment assets as of September 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,431,499	\$ 5,100	\$ 2,436,599
Dividend and interest income	48,120	-	48,120
Unrealized loss in investments	(431,375)	-	(431,375)
Endowment net assets, end of year	<u>\$ 2,048,244</u>	<u>\$ 5,100</u>	<u>\$ 2,053,344</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 \$54,600 and \$52,900 from the fund for the years ended September 30, 2023 and 2022, respectively.

11. BOARD DESIGNATED RESERVES:

Board designated reserves are available for the following purposes at September 30:

	2023	2022
Operating reserve	\$ 2,000,000	\$ 1,300,000
Capital reserve	14,023	18,085
Strategic opportunity reserve and disaster fund	-	498,079
	<u>\$ 2,014,023</u>	<u>\$ 1,816,164</u>

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 reserve and disaster fund is for unbudgeted programmatic, infrastructure, community and emergency food network support.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

12. LOAN RECEIVABLE AND NEW MARKET TAX CREDIT TRANSACTIONS:

In September 2023, the Organization completed construction of a 63,000 square foot food distribution center and headquarters in Chicopee, MA. The construction cost was approximately \$20.5 million, which is being paid for by The Food Bank, New Market Tax Credits, ARPA and state funding appropriated by the Massachusetts Department of Agriculture and private contributions and grants. Details of the funding are summarized below.

In March 2022, The Food Bank entered into a 99-year ground lease agreement of the Chicopee site owned by The Food Bank on which Support Corporation is constructing the headquarters. The value of that land lease was determined to be \$450,000 and was donated by The Food Bank to Support Corporation. The Food Bank transferred pre-development assets to Support Corporation for the value of those assets totaling \$782,740. These transactions totaling \$1,232,740 are eliminated in consolidation.

Contributions and funds to The Food Bank were advanced to a third-party investment fund that, subsequently, provided the financing for the construction utilizing the federal New Market Tax Credit Program. In March 2022, The Food Bank advanced funds totaling \$14,786,800 in the form of a note receivable to the COCRF Investor 219, LLC (the "Fund"), (an unrelated party). That note receivable is comprised of:

\$5,286,800 - Leverage Loan A-2, from the proceeds of contributions and grants
\$9,500,000 - Leverage Loan A-1, from bond loan proceeds

These loans, known as the "Leveraged Loans Receivable," call for interest only payments for approximately 7 years at 1.26% through July 1, 2029. Principal and interest payments combined thereafter are \$202,192 annually. The notes mature December 31, 2049. The security for the loans from The Food Bank to the Fund consists of the underlying Fund interests.

The Fund used the combined amounts to make two Qualified Equity Investments (collectively, the "QEIs") in the two entities noted below (both "Business Loan Conduits") in the total amount of \$21,000,000.

MCD Subsidiary CDE 19 LLC (a community development entity or "CDE"), an unrelated limited liability company, had received allocations of New Market Tax Credits (NMTC) pursuant to Section 45D of the Internal Revenue Code in order to assist eligible businesses in making investments in certain rural communities. The availability of NMTC allowed the CDE to invest \$7,000,000 in the Fund.

1 ENRV 2008 LLC (a community development entity or "CDE"), an unrelated limited liability company, had received allocations of New Market Tax Credits (NMTC) pursuant to Section 45D of the Internal Revenue Code in order to assist eligible businesses in making investments in certain rural communities. The availability of NMTC allowed the CDE to invest \$14,000,000 in the Fund.

The proceeds of the QEIs were used by the Business Loan Conduits to make six NMTC enhanced mortgage loans (qualified low income community investments, known as the "QLICI Loans") in the aggregate amount of \$20,440,000 to Support Corporation for purposes of funding the costs of constructing a food distribution center and headquarters in Chicopee.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

12. LOAN RECEIVABLE AND NEW MARKET TAX CREDIT TRANSACTIONS: (CONTINUED)

The NMTC deal structure includes a put and call agreement whereby within six months of the end of the Tax Credit Investment Period (July 2029), MCD Subsidiary CDE 19 LLC and 1 ENRV 2008 LLC each may exercise a put option to sell their interest in the Fund (*i.e.*, *COCRF Investor 219, LLC (the Fund)*) for \$1,000. If the put option is not exercised, The Food Bank may exercise a call option at any time during the six months following the Put Option period to purchase the interest for an agreed upon fair market value as determined by a qualified independent appraiser.

Interest expense related to the QLICI Loans for the year ended September 30, 2023 and 2022 was \$227,186 and \$57,894, respectively, and has been capitalized as part of the cost of construction. Interest income related to the Leveraged Loan for the year ended September 30, 2023 and 2022 was \$166,742 and \$90,650, respectively.

The flow of funds as a result of these transactions are summarized in the table below:

PB Partners, Inc. provided Bond Loan proceeds	\$	9,500,000
Food Bank of Western Massachusetts provided cash		<u>5,286,800</u>
Amount advanced to the Fund for Leveraged Loan		14,786,800
Amount invested in the Fund by Capital One		6,366,200
Less: fees and other amounts		<u>(713,000)</u>
QLICI Loans to Support Corporation from the CDE	\$	<u>20,440,000</u>

There is a sublease agreement between Support Corporation and The Food Bank so that upon Support Corporation's completing construction of the facility, the headquarters will be leased to, and occupied by, The Food Bank. The sublease agreement terminates on December 31, 2050 and calls for the Food Bank to pay a monthly rent to Support Corporation, which will be used to pay debt service on the QLICI Loans. The initial rent payment of \$12,167 was due March 1, 2023 with subsequent quarterly payments of \$51,500 due for six years, until June 1, 2029, when a single payment in the amount of \$56,500 is scheduled. Quarterly payments thereafter will be \$226,750.

Total rent payments under the sublease agreement totaled \$115,167 for the year ended September 30, 2023. The related transactions are eliminated upon consolidation.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

13. LONG-TERM DEBT - NMTC:

The Organization's notes payable at September 30, are as follows:

Support Corporation notes payable are comprised of the following:

	<u>2023</u>	<u>2022</u>
Mascoma Community Development LLC (Sub-CDE) Loan A-1 in the original amount of \$3,241,621. The loan is interest only at 1% for 87.53 months until September 2029. At that time quarterly principal and interest payments of \$33,743 begin September 2029 and the loan matures December 2056.	\$ 3,241,621	\$ 3,241,621
Mascoma Community Development LLC (Sub-CDE) Loan A-2 in the original amount of \$1,803,979. The loan is interest only at 1% for 87.53 months until September 2029. At that time quarterly principal and interest payments of \$18,778 begin September 2029 and the loan matures December 2056.	1,803,979	1,803,979
Mascoma Community Development LLC (Sub-CDE) Loan B in the original amount of \$1,814,400. The loan is interest only at 1% for 87.53 months until September 2029. At that time quarterly principal and interest payments of \$18,887 begin September 2029 and the loan matures December 2056.	1,814,400	1,814,400
Evernorth Rural Ventures, Inc. Loan A-1 in the original amount of \$6,258,379. The loan is interest only at 1% for 87.53 months until September 2029. At that time quarterly principal and interest payments of \$65,146 begin September 2029 and the loan matures December 2056.	6,258,379	6,258,379
Evernorth Rural Ventures, Inc. LLC Loan A-2 in the original amount of \$3,482,821. The loan is interest only at 1% for 87.53 months until September 2029. At that time quarterly principal and interest payments of \$36,254 begin September 2029 and the loan matures December 2056.	3,482,821	3,482,821
Evernorth Rural Ventures, Inc. Loan B in the original amount of \$3,838,800. The loan is interest only at 1% for 87.53 months until September 2029. At that time quarterly principal and interest payments of \$39,960 begin September 2029 and the loan matures December 2056.	3,838,800	3,838,800
Total Support Corporation notes payable – long-term	\$ <u>20,440,000</u>	\$ <u>20,440,000</u>

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

13. LONG-TERM DEBT - NMTC: (CONTINUED)

Principal payments on long-term debt are expected to be as follows:

<u>For the year ended December 31,</u>	<u>Amount</u>
2024	\$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	20,440,000

14. DUE TO MEMBERS - AGENCIES:

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, 2023 and 2022, the due to members was \$41,015 and \$57,950, respectively.

15. 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 (8.50% and 6.25% at September 30, 2023 and 2022, respectively) and due on demand. There was no outstanding balance on the line at September 30, 2023 and 2022.

16. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2023</u>	<u>2022</u>
Capital campaign – warehouse	\$ 2,664,307	\$ 3,291,223
Program restricted grants	354,273	209,964
Endowment fund	5,100	5,100
	<u>\$ 3,023,680</u>	<u>\$ 3,506,287</u>

Net assets with donor restrictions were released as follows:

	<u>2023</u>	<u>2022</u>
Capital campaign – warehouse	\$ 1,525,461	\$ 4,746,119
Program restricted grants	156,316	40,036
	<u>\$ 1,681,777</u>	<u>\$ 4,786,155</u>

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

17. 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. Total in-kind support recorded for the years ended September 30, 2023 and 2022 is \$40,895 and \$36,052, respectively.

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, 2022 and 2021 prepared by KPMG for Feeding America. In fiscal year 2023, The Food Bank received approximately 14,208,379 pounds of food, and of this amount, approximately 5,688,471 pounds were donated. In fiscal year 2022, The Food Bank received approximately 11,468,898 pounds of food, and of this amount, approximately 4,298,757 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. The Food Bank recognized \$26,632 and \$27,085 of contributed services and \$14,263 and \$8,967 of special event in-kind goods and services for the years ended September 30, 2023 and 2022, respectively. In addition, a number of unpaid volunteers have made significant contributions of their time to The Food Bank. Volunteer hours totaling approximately 7,466 and 6,972 were donated to The Food Bank for the years ended September 30, 2023 and 2022, respectively. The services provided by these volunteers do not meet the requirements for being recognized and, therefore are not reflected in these consolidated financial statements.

18. 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 2023 and 2022. The expense under this Plan for the years ended September 30, 2023 and 2022 totaled \$79,637 and \$60,375, respectively.

In addition, in 2023 and 2022 the board approved a discretionary contribution of 3% of eligible wages for employees with one to three years of service and 5% of eligible wages for employees with greater than three years of service. The contribution under this amendment was approximately \$152,000 and \$100,000 for the years ended September 30, 2023 and 2022, respectively.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

19. LAND LEASES:

Bay Road Farm

The Organization 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, 2022 to December 31, 2024, with an option to negotiate a three-year lease agreement. The Tenant shall pay rent to The Organization in the form of 32,000 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 Organization may terminate this agreement effective December 31st of any year in the event the Organization provides notice to The Tenant by September 1st of such year that the Organization 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 Organization by September 1st of such year. As part of this transaction, the Organization 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 Organization were to sell it.

Shattuck Road Farm

On March 20, 2020, The Organization 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 Organization 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 Organization were to sell it.

On April 1, 2020, the Organization 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 lease agreements were renewed for the term commencing January 1, 2022 to December 31, 2024. The Tenants shall pay rent to the Organization in the form of 14,500 and 11,914 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 Organization may terminate this agreement effective December 31st of any year in the event the Organization provides notice to the Tenants by September 1st of such year that the Organization Board of Directors has resolved to sell all or a portion of the leased premises. The Tenants may terminate the agreement effective December 31st of any year in the event the Tenants provided notice to the Organization by September 1st of such year.

20. 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 Organization 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.

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

21. CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash balances in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization has not experienced any losses on these accounts and management monitors any credit risk that may exist with respect to these cash balances.

In addition, the Organization is covered by the Depositors Insurance Fund for amounts that exceed the FDIC limit. The Organization believes it is not exposed to any significant credit risk on cash and certificates of deposit.

The Organization's consolidated 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.

22. RELATED PARTY TRANSACTIONS:

During the years ended September 30, 2023 and 2022, certain members of the Board of Directors were also representatives of the Organization member agencies.

A member of the Board of Directors of the Organization is a lawyer at a law firm that provides services to the Organization. The Organization paid \$5,014 and \$25,163 for services during the years ended September 30, 2023 and 2022, respectively.

23. SUBSEQUENT EVENTS:

The Food Bank has evaluated events that have occurred subsequent to February 7, 2024, the date the consolidated financial statements were available to be issued.

CONSOLIDATING INFORMATION

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023**

ASSETS

	Food Bank Western MA	Support Corp	Consolidating Entries	Total
Current assets				
Cash	\$ 1,613,547	\$ 2,556,878	\$ -	\$ 4,170,425
Cash-board designated reserves - current portion	2,014,023	-	-	2,014,023
Cash-restricted - current portion	354,273	-	-	354,273
Term deposits	8,199,549	-	-	8,199,549
Accounts and grants receivable	304,297	115,167	(115,167)	304,297
Pledges receivable, current	1,363,930	-	-	1,363,930
Inventory	1,663,990	-	-	1,663,990
Prepaid expenses	143,699	-	-	143,699
Total current assets	<u>15,657,308</u>	<u>2,672,045</u>	<u>(115,167)</u>	<u>18,214,186</u>
Property and equipment, net	<u>3,890,482</u>	<u>20,731,195</u>	<u>-</u>	<u>24,621,677</u>
Other assets				
Cash-restricted	5,100	-	-	5,100
Pledges receivable, long-term, net	1,300,377	-	-	1,300,377
Leveraged loan receivable	14,786,800	-	-	14,786,800
Investments - quasi-endowments	2,318,647	-	-	2,318,647
Investment at Community Foundation	37,523	-	-	37,523
Prepaid ground lease	-	450,000	(450,000)	-
Operating lease ROU asset, net	17,582,879	-	(17,582,879)	-
Due from affiliate	1,367,785	-	(1,367,785)	-
Total other assets	<u>37,399,111</u>	<u>450,000</u>	<u>(19,400,664)</u>	<u>18,448,447</u>
Total assets	<u>\$ 56,946,901</u>	<u>\$ 23,853,240</u>	<u>\$ (19,515,831)</u>	<u>\$ 61,284,310</u>

LIABILITIES AND NET ASSETS

Current liabilities				
Accounts payable	\$ 733,175	\$ -	\$ (115,167)	\$ 618,008
Accrued expenses	335,229	1,005,357	-	1,340,586
Deferred revenue	474,300	-	(450,000)	24,300
Lease liability - current	206,000	-	(206,000)	-
Due to member agencies	41,015	-	-	41,015
Total current liabilities	<u>1,789,719</u>	<u>1,005,357</u>	<u>(771,167)</u>	<u>2,023,909</u>
Long term liabilities				
Long term debt - NMTC	-	20,440,000	-	20,440,000
Less: debt issuance costs	-	(261,087)	-	(261,087)
Lease liability - non-current, net	17,376,879	-	(17,376,879)	-
Due to affiliate	-	1,367,785	(1,367,785)	-
Total long term liabilities	<u>17,376,879</u>	<u>21,546,698</u>	<u>(18,744,664)</u>	<u>20,178,913</u>
Total liabilities	<u>19,166,598</u>	<u>22,552,055</u>	<u>(19,515,831)</u>	<u>22,202,822</u>
Net assets				
Without donor restrictions				
Operating	30,423,953	1,301,185	-	31,725,138
Board designated - quasi-endowments	2,318,647	-	-	2,318,647
Board designated - other reserves	2,014,023	-	-	2,014,023
	<u>34,756,623</u>	<u>1,301,185</u>	<u>-</u>	<u>36,057,808</u>
With donor restrictions	3,023,680	-	-	3,023,680
Total net assets	<u>37,780,303</u>	<u>1,301,185</u>	<u>-</u>	<u>39,081,488</u>
Total liabilities and net assets	<u>\$ 56,946,901</u>	<u>\$ 23,853,240</u>	<u>\$ (19,515,831)</u>	<u>\$ 61,284,310</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Food Bank Western MA	Support Corp	Consolidating Entries	Total
Revenue and support without donor restrictions				
Donated food	\$ 10,701,135	\$ -	\$ -	\$ 10,701,135
U.S.D.A. food	4,171,062	-	-	4,171,062
MEFAP food	4,025,631	-	-	4,025,631
Food buy-in program	277,119	-	-	277,119
Donations	3,652,330	-	-	3,652,330
In-kind contributions-professional services/other	40,895	-	-	40,895
Rent income	-	115,167	(115,167)	-
U.S.D.A. grant	1,046,181	-	-	1,046,181
MEFAP grant	145,425	-	-	145,425
Grants - corporate/foundations/other	4,957,153	-	-	4,957,153
Contract contributions	886,742	-	-	886,742
Gain on sale of property and equipment	232,172	-	-	232,172
Membership fees, delivery fees, and miscellaneous	29,604	-	-	29,604
Interest income on notes	166,742	-	-	166,742
Shared maintenance fees agencies	64,225	-	-	64,225
Special events	1,046,381	-	-	1,046,381
Distribution from endowed funds at Community Foundation	54,600	-	-	54,600
Interest and dividends	365,417	8,526	-	373,943
Unrealized/realized gain on investments	216,331	-	-	216,331
Unrealized gain on investment at Community Foundation, net	4,198	-	-	4,198
Total revenue and support	<u>32,083,343</u>	<u>123,693</u>	<u>(115,167)</u>	<u>32,091,869</u>
Expense				
Programs	24,555,836	65,747	(115,167)	24,506,416
Administration	1,053,525	-	-	1,053,525
Development	<u>1,512,614</u>	<u>-</u>	<u>-</u>	<u>1,512,614</u>
Total expense	<u>27,121,975</u>	<u>65,747</u>	<u>(115,167)</u>	<u>27,072,555</u>
Change in net assets without donor restrictions (operations)	4,961,368	57,946	-	5,019,314
Net assets released from restrictions (Note 16)	<u>1,681,777</u>	<u>-</u>	<u>-</u>	<u>1,681,777</u>
Change in net assets without restrictions	<u>6,643,145</u>	<u>57,946</u>	<u>-</u>	<u>6,701,091</u>
Net assets with donor restrictions				
Restricted contributions	1,199,170	-	-	1,199,170
Released from restrictions	<u>(1,681,777)</u>	<u>-</u>	<u>-</u>	<u>(1,681,777)</u>
Change in net assets with donor restrictions	<u>(482,607)</u>	<u>-</u>	<u>-</u>	<u>(482,607)</u>
Change in net assets	6,160,538	57,946	-	6,218,484
Net assets, beginning of year	<u>31,619,765</u>	<u>1,243,239</u>	<u>-</u>	<u>32,863,004</u>
Net assets, end of year	<u>\$ 37,780,303</u>	<u>\$ 1,301,185</u>	<u>\$ -</u>	<u>\$ 39,081,488</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATING SCHEDULE OF EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Food Bank Total</u>	<u>Support Corp Total</u>	<u>Consolidating Entries</u>	<u>Total</u>
Salaries and related expenses				
Salaries	\$ 3,702,707	\$ -	\$ -	\$ 3,702,707
Employee benefits	695,570	-	-	695,570
Payroll taxes	<u>286,888</u>	<u>-</u>	<u>-</u>	<u>286,888</u>
Total salaries and related benefits	<u>4,685,165</u>	<u>-</u>	<u>-</u>	<u>4,685,165</u>
Food				
Donated food	10,684,566	-	-	10,684,566
MEFAP food	4,006,397	-	-	4,006,397
Purchased and discarded food	1,449,031	-	-	1,449,031
U.S.D.A. food	<u>3,587,453</u>	<u>-</u>	<u>-</u>	<u>3,587,453</u>
Total food	<u>19,727,447</u>	<u>-</u>	<u>-</u>	<u>19,727,447</u>
Other expenses				
Consultants	112,941	-	-	112,941
Depreciation	298,959	43,281	-	342,240
Direct mail	20,803	-	-	20,803
Fees and subscriptions	73,159	-	-	73,159
Freight	41,536	-	-	41,536
In-kind expense - professional services/other	40,895	-	-	40,895
Insurance	78,420	-	-	78,420
Interest expense (debt issuance)	-	7,726	-	7,726
Internet services and information technology	71,958	-	-	71,958
Legal and accounting	48,063	-	-	48,063
Equipment and office expenses	272,534	-	(115,167)	157,367
Postage and printing	38,317	-	-	38,317
Program expenses	218,059	-	-	218,059
Public relations/advertising	16,839	-	-	16,839
Repairs and maintenance	200,524	14,740	-	215,264
Special events	41,132	-	-	41,132
Staff training and conferences	43,600	-	-	43,600
Supplies	625,864	-	-	625,864
Telephone and telecommunications	52,431	-	-	52,431
Temporary help	130,850	-	-	130,850
Transportation and travel	31,247	-	-	31,247
Utilities	166,814	-	-	166,814
Vehicle expense	<u>84,418</u>	<u>-</u>	<u>-</u>	<u>84,418</u>
Total other expenses	<u>2,709,363</u>	<u>65,747</u>	<u>(115,167)</u>	<u>2,659,943</u>
Total expense	<u>\$ 27,121,975</u>	<u>\$ 65,747</u>	<u>\$ (115,167)</u>	<u>\$ 27,072,555</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022**

ASSETS

	Food Bank Western MA	Support Corp	Consolidating Entries	Total
Current assets				
Cash	\$ 3,847,461	\$ -	\$ -	\$ 3,847,461
Cash-board designated reserves - current portion	1,300,000	-	-	1,300,000
Cash-restricted - current portion	209,964	16,992,872	-	17,202,836
Accounts and grants receivable	109,474	-	-	109,474
Pledges receivable, current	1,691,233	-	-	1,691,233
Inventory	552,313	-	-	552,313
Prepaid expenses	83,548	-	-	83,548
Total current assets	<u>7,793,993</u>	<u>16,992,872</u>	<u>-</u>	<u>24,786,865</u>
Property and equipment, net	<u>4,337,934</u>	<u>6,982,104</u>	<u>-</u>	<u>11,320,038</u>
Other assets				
Cash-board designated reserves	516,164	-	-	516,164
Cash-restricted	5,100	-	-	5,100
Pledge receivable, long-term, net	1,599,990	-	-	1,599,990
Leveraged loan receivable	14,786,800	-	-	14,786,800
Investments - quasi-endowments	2,048,244	-	-	2,048,244
Investment at Community Foundation	33,325	-	-	33,325
Prepaid ground lease	-	450,000	(450,000)	-
Due from affiliate	<u>1,264,119</u>	<u>-</u>	<u>(1,264,119)</u>	<u>-</u>
Total other assets	<u>20,253,742</u>	<u>450,000</u>	<u>(1,714,119)</u>	<u>18,989,623</u>
Total assets	<u>\$ 32,385,669</u>	<u>\$ 24,424,976</u>	<u>\$ (1,714,119)</u>	<u>\$ 55,096,526</u>

LIABILITIES AND NET ASSETS

Current liabilities				
Accounts payable	\$ 84,930	\$ -	\$ -	\$ 84,930
Accrued expenses	253,390	1,642,765	-	1,896,155
Deferred revenue	473,300	-	(450,000)	23,300
Due to member agencies	<u>57,950</u>	<u>-</u>	<u>-</u>	<u>57,950</u>
Total current liabilities	<u>869,570</u>	<u>1,642,765</u>	<u>(450,000)</u>	<u>2,062,335</u>
Long term liabilities				
Long term debt - NMTC	-	20,440,000	-	20,440,000
Less: debt issuance costs, net	(103,666)	(165,147)	-	(268,813)
Due to affiliate	<u>-</u>	<u>1,264,119</u>	<u>(1,264,119)</u>	<u>-</u>
Total long term liabilities	<u>(103,666)</u>	<u>21,538,972</u>	<u>(1,264,119)</u>	<u>20,171,187</u>
Total liabilities	<u>765,904</u>	<u>23,181,737</u>	<u>(1,714,119)</u>	<u>22,233,522</u>
Net assets				
Without donor restrictions				
Operating	24,249,070	1,243,239	-	25,492,309
Board designated - quasi-endowments	2,048,244	-	-	2,048,244
Board designated - other reserves	<u>1,816,164</u>	<u>-</u>	<u>-</u>	<u>1,816,164</u>
	28,113,478	1,243,239	-	29,356,717
With donor restrictions	<u>3,506,287</u>	<u>-</u>	<u>-</u>	<u>3,506,287</u>
Total net assets	<u>31,619,765</u>	<u>1,243,239</u>	<u>-</u>	<u>32,863,004</u>
Total liabilities and net assets	<u>\$ 32,385,669</u>	<u>\$ 24,424,976</u>	<u>\$ (1,714,119)</u>	<u>\$ 55,096,526</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Food Bank Western MA	Support Corp	Consolidating Entries	Total
Revenue and support without donor restrictions				
Donated food	\$ 7,395,302	\$ -	\$ -	\$ 7,395,302
U.S.D.A. food	3,938,905	-	-	3,938,905
MEFAP food	4,210,973	-	-	4,210,973
Food buy-in program	159,798	-	-	159,798
Donations	6,540,423	1,232,740	(1,232,740)	6,540,423
In-kind contributions-professional services/other	36,052	-	-	36,052
U.S.D.A. grant	643,327	-	-	643,327
MEFAP grant	140,800	-	-	140,800
Grants - corporate/foundations/other	1,934,878	-	-	1,934,878
Contract contributions	851,863	-	-	851,863
Membership & delivery fees, and miscellaneous	27,755	-	-	27,755
Interest income on notes	90,650	-	-	90,650
Shared maintenance fees- agencies	9,678	-	-	9,678
Special events	1,041,744	-	-	1,041,744
Distribution from endowed funds at Community Foundation	52,900	-	-	52,900
Interest and dividends	91,763	10,499	-	102,262
Unrealized/realized loss on investments	(431,375)	-	-	(431,375)
Unrealized loss on investment at Community Foundation, net	(6,263)	-	-	(6,263)
Total revenue and support	<u>26,729,173</u>	<u>1,243,239</u>	<u>(1,232,740)</u>	<u>26,739,672</u>
Expense				
Programs	20,804,396	-	-	20,804,396
Administration	2,025,152	-	(1,232,740)	792,412
Development	<u>1,312,722</u>	<u>-</u>	<u>-</u>	<u>1,312,722</u>
Total expense	<u>24,142,270</u>	<u>-</u>	<u>(1,232,740)</u>	<u>22,909,530</u>
Change in net assets without donor restrictions (operations)	2,586,903	1,243,239	-	3,830,142
Net assets released from restrictions (Note 16)	<u>4,786,155</u>	<u>-</u>	<u>-</u>	<u>4,786,155</u>
Change in net assets without restrictions	<u>7,373,058</u>	<u>1,243,239</u>	<u>-</u>	<u>8,616,297</u>
Net assets with donor restrictions				
Restricted contributions	1,949,128	-	-	1,949,128
Released from restrictions	<u>(4,786,155)</u>	<u>-</u>	<u>-</u>	<u>(4,786,155)</u>
Change in net assets with donor restrictions	<u>(2,837,027)</u>	<u>-</u>	<u>-</u>	<u>(2,837,027)</u>
Change in net assets	4,536,031	1,243,239	-	5,779,270
Net assets, beginning of year	<u>27,083,734</u>	<u>-</u>	<u>-</u>	<u>27,083,734</u>
Net assets, end of year	<u>\$ 31,619,765</u>	<u>\$ 1,243,239</u>	<u>\$ -</u>	<u>\$ 32,863,004</u>

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

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**CONSOLIDATING SCHEDULE OF EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Food Bank Total</u>	<u>Support Corp Total</u>	<u>Consolidating Entries</u>	<u>Total</u>
Salaries and related expenses				
Salaries	\$ 2,782,424	\$ -	\$ -	\$ 2,782,424
Employee benefits	571,403	-	-	571,403
Payroll taxes	<u>215,879</u>	<u>-</u>	<u>-</u>	<u>215,879</u>
Total salaries and related benefits	<u>3,569,706</u>	<u>-</u>	<u>-</u>	<u>3,569,706</u>
Food				
Donated food	7,413,758	-	-	7,413,758
MEFAP food	4,572,226	-	-	4,572,226
Purchased and discarded food	432,001	-	-	432,001
U.S.D.A. food	<u>4,736,922</u>	<u>-</u>	<u>-</u>	<u>4,736,922</u>
Total food	<u>17,154,907</u>	<u>-</u>	<u>-</u>	<u>17,154,907</u>
Other expenses				
Consultants	155,296	-	-	155,296
Depreciation	265,899	-	-	265,899
Direct mail	36,545	-	-	36,545
Fees and subscriptions	75,351	-	-	75,351
Freight	21,315	-	-	21,315
In-kind expense - professional services/other	36,052	-	-	36,052
Insurance	75,897	-	-	75,897
Internet services and information technology	31,370	-	-	31,370
Legal and accounting	69,339	-	-	69,339
Equipment and office expenses	11,959	-	-	11,959
Postage and printing	44,366	-	-	44,366
Program expenses	1,344,160	-	(1,232,740)	111,420
Public relations/advertising	11,393	-	-	11,393
Repairs and maintenance	172,560	-	-	172,560
Special events	53,213	-	-	53,213
Staff training and conferences	14,800	-	-	14,800
Supplies	604,746	-	-	604,746
Telephone and telecommunications	31,717	-	-	31,717
Temporary help	196,617	-	-	196,617
Transportation and travel	13,996	-	-	13,996
Utilities	75,234	-	-	75,234
Vehicle expense	<u>75,832</u>	<u>-</u>	<u>-</u>	<u>75,832</u>
Total other expenses	<u>3,417,657</u>	<u>-</u>	<u>(1,232,740)</u>	<u>2,184,917</u>
Total expense	<u>\$ 24,142,270</u>	<u>\$ -</u>	<u>\$ (1,232,740)</u>	<u>\$ 22,909,530</u>

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

SUPPLEMENTARY INFORMATION

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture, Food and Nutrition Services -			
Farm to School Grant Program	10.575	218MA602L3203	\$ <u>49,863</u>
<i>Pass-Through Massachusetts Department of Education</i>			
Emergency Food Assistance Program - Food Commodities	10.569		4,171,062
Emergency Food Assistance Program - Administrative Costs	10.568	SCDOE16758N70532126A	<u>1,046,181</u>
Total Food Distribution Cluster			<u>5,217,243</u>
<i>Pass-Through Commonwealth UMass Medical School</i>			
Supplemental Nutrition Assistance Program (SNAP)	10.551		<u>886,742</u>
Total U.S Department of Agriculture, Food and Nutrition Services			<u>6,153,848</u>
U.S. Department of Homeland Security, Federal Emergency Management Agency -			
Emergency Food and Shelter National Board Program	97.2024	LRO#450200029	<u>81,259</u>
Total Expenditures of Federal Awards			\$ <u>6,235,107</u>

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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, 2023. 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, 2023.



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 CONSOLIDATED FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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 consolidated financial statements of The Food Bank of Western Massachusetts, Inc. and Affiliate (a nonprofit "Organization"), which comprise the consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 7, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Food Bank of Western Massachusetts, Inc. and Affiliate's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Food Bank of Western Massachusetts, Inc. and Affiliate'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 consolidated 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Food Bank of Western Massachusetts, Inc. and Affiliate's consolidated 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 consolidated 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. and Affiliate'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.

Myquel Brothers Holistic, P.C.

Holyoke, Massachusetts
February 7, 2024



MeyersBrothersKalicka, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Food Bank of Western Massachusetts, Inc. and Affiliate compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Food Bank of Western Massachusetts, Inc. and Affiliate's major federal programs for the year ended September 30, 2023. The Food Bank of Western Massachusetts, Inc. and Affiliate's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Food Bank of Western Massachusetts, Inc. and Affiliate's 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Food Bank of Western Massachusetts, Inc. and Affiliate's and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Food Bank of Western Massachusetts, Inc. and Affiliate's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Food Bank of Western Massachusetts, Inc. and Affiliate's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Food Bank of Western Massachusetts, Inc. and Affiliate's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Food Bank of Western Massachusetts, Inc. and Affiliate's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Food Bank of Western Massachusetts, Inc. and Affiliate's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding The Food Bank of Western Massachusetts, Inc. and Affiliate's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 The Food Bank of Western Massachusetts, Inc. and Affiliate's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Maureen Brothers Holiana, P.C.

Holyoke, Massachusetts
February 7, 2024

THE FOOD BANK OF WESTERN MASSACHUSETTS, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of report the auditor's issued on whether the consolidated 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 consolidated 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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
	Food Distribution Cluster:
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
10.551	Supplemental Nutrition Assistance Program (SNAP)

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

Auditee qualified as low-risk auditee? Yes

Section II – Consolidated 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. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023

There were no findings or questioned costs for the year ended September 30, 2022.