

**The Greater Boston Food Bank, Inc.
and Subsidiary**

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

September 30, 2017 and 2016

The Greater Boston Food Bank, Inc. and Subsidiary

Index

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 2 |
| Financial Statements | |
| Consolidated Statements of Financial Position | 4 |
| Consolidated Statements of Activities | 5 |
| Consolidated Statements of Functional Expenses | 9 |
| Consolidated Statements of Changes in Net Assets | 11 |
| Consolidated Statements of Cash Flows | 12 |
| Notes to Consolidated Financial Statements | 14 |
| Supplementary Information | |
| Consolidating Statement of Financial Position | 27 |
| Consolidating Statement of Activities | 28 |
| Consolidating Statement of Changes in Net Assets | 30 |

Independent Auditor's Report

To the Board of Directors
The Greater Boston Food Bank, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Greater Boston Food Bank, Inc. and Subsidiary ("GBFB"), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of the Subsidiary of The Greater Boston Food Bank, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Greater Boston Food Bank, Inc. and Subsidiary as of September 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 27 to 30 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations and is not a required part of the 2017 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 2017 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 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 2017 consolidated financial statements or to the 2017 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 information is fairly stated in all material respects in relation to the 2017 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 January 16, 2018 on our consideration of The Greater Boston Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Greater Boston Food Bank'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 Greater Boston Food Bank's internal control over financial reporting and compliance.



Boston, Massachusetts
January 16, 2018

The Greater Boston Food Bank, Inc. and Subsidiary

Consolidated Statements of Financial Position
September 30, 2017 and 2016

| <u>Assets</u> | | |
|--|-----------------------------|-----------------------------|
| | <u>2017</u> | <u>2016</u> |
| Cash and cash equivalents | \$ 4,897,891 | \$ 7,575,954 |
| Investments | 6,591,174 | 6,251,955 |
| Accounts receivable, net of allowance for doubtful accounts of approximately \$4,000 at September 30, 2017 and 2016 | 4,219,645 | 734,563 |
| Pledges receivable, net of discounts | 19,316 | 19,316 |
| Inventory | 3,189,809 | 2,499,511 |
| Cash restricted for investment in property and equipment | 233,049 | 359,726 |
| Property, plant and equipment, net | 22,497,499 | 23,425,933 |
| Prepaid expenses and other assets | 265,914 | 321,124 |
| | <u> </u> | <u> </u> |
| Total assets | <u>\$ 41,914,297</u> | <u>\$ 41,188,082</u> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities | | |
| Accounts payable | \$ 1,437,368 | \$ 878,047 |
| Accrued expenses and other liabilities | 2,752,064 | 1,579,640 |
| Deferred revenue | 23,753 | 670,972 |
| Obligations under capital leases | 588,532 | 454,369 |
| | <u> </u> | <u> </u> |
| Total liabilities | <u>4,801,717</u> | <u>3,583,028</u> |
| Commitments | | |
| Net assets | | |
| Unrestricted | | |
| Board designated | 4,861,328 | 4,971,050 |
| Other unrestricted | 29,771,949 | 30,361,395 |
| | <u> </u> | <u> </u> |
| Total unrestricted | 34,633,277 | 35,332,445 |
| Temporarily restricted | 2,479,303 | 2,272,609 |
| | <u> </u> | <u> </u> |
| Total net assets | <u>37,112,580</u> | <u>37,605,054</u> |
| | <u> </u> | <u> </u> |
| Total liabilities and net assets | <u>\$ 41,914,297</u> | <u>\$ 41,188,082</u> |

See Notes to Consolidated Financial Statements.

The Greater Boston Food Bank, Inc. and Subsidiary

**Consolidated Statements of Activities
Year Ended September 30, 2017**

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Operating Support | | | |
| Institutional contributions | \$ 5,088,408 | \$ 1,306,246 | \$ 6,394,654 |
| Food donations | - | 56,188,708 | 56,188,708 |
| Contributed services | 605,363 | - | 605,363 |
| Special events | 821,415 | - | 821,415 |
| Individual contributions | 9,623,047 | - | 9,623,047 |
| | <u>16,138,233</u> | <u>57,494,954</u> | <u>73,633,187</u> |
| Total support | | | |
| Revenues | | | |
| State income - MEFAP | 16,890,189 | - | 16,890,189 |
| Shared maintenance fees | 831,139 | - | 831,139 |
| Coop income | 3,089,868 | - | 3,089,868 |
| USDA reimbursement | 722,115 | - | 722,115 |
| Interest and dividends | 93,615 | - | 93,615 |
| Rental income, net of expenses of \$146,587 | 69,413 | - | 69,413 |
| Other | 167,722 | - | 167,722 |
| | <u>21,864,061</u> | <u>-</u> | <u>21,864,061</u> |
| Total revenues | | | |
| Net assets released from restrictions | | | |
| Food distribution | 55,855,337 | (55,855,337) | - |
| Satisfaction of donor restrictions | 1,344,713 | (1,344,713) | - |
| | <u>57,200,050</u> | <u>(57,200,050)</u> | <u>-</u> |
| Total support and revenues | <u>95,202,344</u> | <u>294,904</u> | <u>95,497,248</u> |

The Greater Boston Food Bank, Inc. and Subsidiary

**Consolidated Statements of Activities
Year Ended September 30, 2017**

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Expenses | | | |
| Program services | | | |
| Food distribution | 75,214,092 | - | 75,214,092 |
| Warehouse | 2,005,470 | - | 2,005,470 |
| Property | 1,437,085 | - | 1,437,085 |
| Agency relations | 460,981 | - | 460,981 |
| Nutrition programs | 2,125,898 | - | 2,125,898 |
| Food Acquisition Group | 5,982,386 | - | 5,982,386 |
| | <u>87,225,912</u> | <u>-</u> | <u>87,225,912</u> |
| Total program services | | | |
| Support services | | | |
| General and administrative | 3,727,540 | - | 3,727,540 |
| Lobbying | 78,793 | - | 78,793 |
| Marketing | 1,449,834 | - | 1,449,834 |
| Development | 3,517,136 | - | 3,517,136 |
| | <u>8,773,303</u> | <u>-</u> | <u>8,773,303</u> |
| Total support services | | | |
| Total expenses | <u>95,999,215</u> | <u>-</u> | <u>95,999,215</u> |
| | | | |
| Increase (decrease) in net assets from operating activities | <u>(796,871)</u> | <u>294,904</u> | <u>(501,967)</u> |
| Non-operating activities | | | |
| Gain on sale of property, plant and equipment | 9,493 | - | 9,493 |
| Net assets released from restrictions | 88,210 | (88,210) | - |
| | <u>97,703</u> | <u>(88,210)</u> | <u>9,493</u> |
| Increase (decrease) in net assets from non-operating activities | | | |
| Change in net assets | <u>\$ (699,168)</u> | <u>\$ 206,694</u> | <u>\$ (492,474)</u> |

The Greater Boston Food Bank, Inc. and Subsidiary

**Consolidated Statements of Activities
Year Ended September 30, 2016**

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|--------------|
| Operating Support | | | |
| Institutional contributions | \$ 4,431,251 | \$ 1,521,647 | \$ 5,952,898 |
| Food donations | - | 50,973,942 | 50,973,942 |
| Contributed services | 440,809 | - | 440,809 |
| Special events | 904,674 | - | 904,674 |
| Individual contributions | 8,669,484 | - | 8,669,484 |
| | <hr/> | <hr/> | <hr/> |
| Total support | 14,446,218 | 52,495,589 | 66,941,807 |
| | <hr/> | <hr/> | <hr/> |
| Revenues | | | |
| State income - MEFAP | 16,143,965 | - | 16,143,965 |
| Shared maintenance fees | 622,346 | - | 622,346 |
| Coop income | 3,157,737 | - | 3,157,737 |
| USDA reimbursement | 694,684 | - | 694,684 |
| Interest and dividends | 135,883 | - | 135,883 |
| Rental income, net of expenses of \$166,367 | 108,768 | - | 108,768 |
| Other | 193,938 | - | 193,938 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 21,057,321 | - | 21,057,321 |
| | <hr/> | <hr/> | <hr/> |
| Net assets released from restrictions | | | |
| Food distribution | 51,912,368 | (51,912,368) | - |
| Satisfaction of donor restrictions | 1,505,718 | (1,505,718) | - |
| | <hr/> | <hr/> | <hr/> |
| | 53,418,086 | (53,418,086) | - |
| | <hr/> | <hr/> | <hr/> |
| Total support and revenues | 88,921,625 | (922,497) | 87,999,128 |
| | <hr/> | <hr/> | <hr/> |

The Greater Boston Food Bank, Inc. and Subsidiary

**Consolidated Statements of Activities
Year Ended September 30, 2016**

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------|
| Expenses | | | |
| Program services | | | |
| Food distribution | 71,215,034 | - | 71,215,034 |
| Warehouse | 2,051,877 | - | 2,051,877 |
| Property | 1,367,459 | - | 1,367,459 |
| Agency relations | 420,523 | - | 420,523 |
| Nutrition programs | 1,660,066 | - | 1,660,066 |
| Food Acquisition Group | 5,606,785 | - | 5,606,785 |
| Total program services | <u>82,321,744</u> | <u>-</u> | <u>82,321,744</u> |
| Support services | | | |
| General and administrative | 3,061,872 | - | 3,061,872 |
| Lobbying | 37,629 | - | 37,629 |
| Marketing | 1,222,398 | - | 1,222,398 |
| Development | 2,951,138 | - | 2,951,138 |
| Total support services | <u>7,273,037</u> | <u>-</u> | <u>7,273,037</u> |
| Total expenses | <u>89,594,781</u> | <u>-</u> | <u>89,594,781</u> |
| Increase (decrease) in net assets from operating activities | <u>(673,156)</u> | <u>(922,497)</u> | <u>(1,595,653)</u> |
| Non-operating activities | | | |
| Loss on sale of property, plant and equipment | 5,700 | - | 5,700 |
| Net assets released from restrictions | 401,343 | (401,343) | - |
| Increase (decrease) in net assets from non-operating activities | <u>407,043</u> | <u>(401,343)</u> | <u>5,700</u> |
| Change in net assets | <u>\$ (266,113)</u> | <u>\$ (1,323,840)</u> | <u>\$ (1,589,953)</u> |

See Notes to Consolidated Financial Statements.

The Greater Boston Food Bank, Inc. and Subsidiary

Consolidated Statements of Functional Expenses Year Ended September 30, 2017

| | Program Services | | | | | | Support Services | | | | | | Total |
|---|----------------------|---------------------|---------------------|---------------------|-----------------------|------------------------------|------------------------------|----------------------------------|------------------|---------------------|---------------------|------------------------------|----------------------|
| | Food Distribution | Warehouse | Property | Agency Relations | Nutrition Programs | Food Acquisition Group | Total Program Services | General and Administrative | Lobbying | Marketing | Development | Total Support Services | |
| Salaries | \$ - | \$ 1,839,248 | \$ - | \$ 571,445 | \$ 317,503 | \$ 777,776 | \$ 3,505,972 | \$ 2,353,854 | \$ - | \$ 588,062 | \$ 1,367,361 | \$ 4,309,277 | \$ 7,815,249 |
| Fringe benefits | - | 448,614 | - | 136,545 | 83,216 | 170,868 | 839,243 | 486,213 | - | 112,941 | 280,709 | 879,863 | 1,719,106 |
| Total salaries and fringe benefits | - | 2,287,862 | - | 707,990 | 400,719 | 948,644 | 4,345,215 | 2,840,067 | - | 701,003 | 1,648,070 | 5,189,140 | 9,534,355 |
| Day labor | - | 178,629 | - | - | - | - | 178,629 | 30,497 | - | - | - | 30,497 | 209,126 |
| Consulting | - | 1,400 | - | - | - | - | 1,400 | 825,568 | 78,793 | 98,501 | 435,742 | 1,438,604 | 1,440,004 |
| Other personnel costs | - | 12,530 | - | 1,069 | 862 | 1,572 | 16,033 | 229,108 | - | 919 | 1,674 | 231,701 | 247,734 |
| Professional development | - | 2,465 | - | 618 | 3,428 | 2,870 | 9,381 | 20,808 | - | 3,711 | 2,574 | 27,093 | 36,474 |
| Rubbish removal | - | 28,561 | - | - | - | - | 28,561 | - | - | - | - | - | 28,561 |
| Repairs and maintenance | - | 254,545 | - | - | - | - | 254,545 | 524 | - | - | - | 524 | 255,069 |
| Supplies | - | 24,694 | - | 1,943 | 4,274 | 8,188 | 39,099 | - | - | - | - | - | 39,099 |
| Utilities/security/insurance | - | 260,390 | - | 11,013 | 6,380 | 10,442 | 288,225 | 24,612 | - | 7,521 | 20,011 | 52,144 | 340,369 |
| Other building costs | - | 34,010 | - | - | - | - | 34,010 | - | - | - | - | - | 34,010 |
| Financing charges | - | - | - | 360 | - | 480 | 840 | 5,086 | - | - | - | 5,086 | 5,926 |
| Freight charges | - | 6,590 | - | - | - | 2,952,683 | 2,959,273 | - | - | - | - | - | 2,959,273 |
| Food distribution | 55,311,671 | - | - | - | 569,183 | - | 55,880,854 | - | - | - | - | - | 55,880,854 |
| Food purchases | 19,902,421 | - | - | - | - | - | 19,902,421 | - | - | - | - | - | 19,902,421 |
| Kitchen supplies | - | - | - | - | 23,602 | - | 23,602 | - | - | - | - | - | 23,602 |
| Fleet expense | - | 170,854 | - | 6,921 | 14 | - | 177,789 | 6,786 | - | - | - | 6,786 | 184,575 |
| Bank charges/processing fees | - | 381 | - | - | - | - | 381 | 11,756 | - | - | 119,118 | 130,874 | 131,255 |
| Computer maintenance and supplies | - | - | - | - | - | - | - | 349,346 | - | - | - | 349,346 | 349,346 |
| Other insurance | - | - | - | - | - | - | - | 10,894 | - | - | - | 10,894 | 10,894 |
| Legal and audit | - | - | - | - | - | - | - | 237,595 | - | - | - | 237,595 | 237,595 |
| Postage and printing | - | 49 | - | 334 | 9,497 | 978 | 10,858 | 3,513 | - | 167,764 | 697,129 | 868,406 | 879,264 |
| Advertising | - | - | - | - | - | 1,724 | 1,724 | 11,316 | - | 608,296 | 175,598 | 795,210 | 796,934 |
| Special events - direct costs | - | - | - | - | - | - | - | - | - | - | 316,377 | 316,377 | 316,377 |
| Office expense | - | 195,788 | 35 | 25,344 | 17,563 | 25,039 | 263,769 | 135,905 | - | 19,062 | 67,905 | 222,872 | 486,641 |
| Program expense | - | - | - | 130,383 | - | - | 130,383 | - | - | - | - | - | 130,383 |
| Staff travel | - | 10,676 | - | 18,808 | 13,306 | 20,666 | 63,456 | 58,219 | - | 1,380 | 32,938 | 92,537 | 155,993 |
| Feeding America fees | - | - | - | - | - | - | - | 33,210 | - | - | - | 33,210 | 33,210 |
| Volunteer expense | - | - | - | - | - | - | - | 650 | - | - | - | 650 | 650 |
| Depreciation and amortization | - | - | 1,437,050 | - | - | - | 1,437,050 | - | - | - | - | - | 1,437,050 |
| Allocated expenses | - | (1,463,954) | - | (443,802) | 1,077,070 | 2,009,100 | 1,178,414 | (1,107,920) | - | (158,323) | - | (1,266,243) | (87,829) |
| | \$ 75,214,092 | \$ 2,005,470 | \$ 1,437,085 | \$ 460,981 | \$ 2,125,898 | \$ 5,982,386 | \$ 87,225,912 | \$ 3,727,540 | \$ 78,793 | \$ 1,449,834 | \$ 3,517,136 | \$ 8,773,303 | \$ 95,999,215 |

The Greater Boston Food Bank, Inc. and Subsidiary

Consolidated Statements of Functional Expenses Year Ended September 30, 2016

| | Total Program Services | | | | | | Total Support Services | | | | | | Total |
|------------------------------------|------------------------|---------------------|---------------------|-------------------|---------------------|------------------------|------------------------|----------------------------|------------------|---------------------|---------------------|------------------------|----------------------|
| | Food Distribution | Warehouse | Property | Agency Relations | Nutrition Programs | Food Acquisition Group | Total Program Services | General and Administrative | Lobbying | Marketing | Development | Total Support Services | |
| Salaries | \$ - | \$ 1,754,614 | \$ - | \$ 471,076 | \$ 250,452 | \$ 784,874 | \$ 3,261,016 | \$ 2,136,200 | \$ - | \$ 453,182 | \$ 1,037,748 | \$ 3,627,130 | \$ 6,888,146 |
| Fringe benefits | - | 441,070 | - | 115,957 | 73,585 | 156,913 | 787,525 | 445,088 | - | 85,332 | 216,238 | 746,658 | 1,534,183 |
| Total salaries and fringe benefits | - | 2,195,684 | - | 587,033 | 324,037 | 941,787 | 4,048,541 | 2,581,288 | - | 538,514 | 1,253,986 | 4,373,788 | 8,422,329 |
| Day labor | - | 205,188 | - | 14,562 | 14,019 | - | 233,769 | 42,204 | - | - | 29,768 | 71,972 | 305,741 |
| Consulting | - | - | - | - | 240 | - | 240 | 399,124 | 37,629 | 157,181 | 169,706 | 763,640 | 763,880 |
| Other personnel costs | - | 11,673 | - | 985 | 630 | 1,565 | 14,853 | 210,512 | - | 225 | 1,012 | 211,749 | 226,602 |
| Professional development | - | 12,280 | - | 1,730 | 2,280 | 2,874 | 19,164 | 26,240 | - | 7,543 | 2,475 | 36,258 | 55,422 |
| Rubbish removal | - | 35,747 | - | - | - | - | 35,747 | - | - | - | - | - | 35,747 |
| Repairs and maintenance | - | 275,980 | - | - | - | - | 275,980 | 504 | - | - | - | 504 | 276,484 |
| Supplies | - | 15,070 | - | 2,019 | 4,947 | 1,879 | 23,915 | - | - | - | - | - | 23,915 |
| Utilities/security/insurance | - | 305,546 | - | 3,863 | 3,998 | 4,588 | 317,995 | 11,740 | - | 3,104 | 9,278 | 24,122 | 342,117 |
| Other building costs | - | 38,336 | - | - | - | - | 38,336 | - | - | - | - | - | 38,336 |
| Financing charges | - | - | - | - | - | 970 | 970 | 8,772 | - | - | - | 8,772 | 9,742 |
| Freight charges | - | 11,645 | - | - | - | 2,602,046 | 2,613,691 | - | - | - | - | - | 2,613,691 |
| Food distribution | 51,680,730 | - | - | - | 302,314 | - | 51,983,044 | - | - | - | - | - | 51,983,044 |
| Food purchases | 19,534,304 | - | - | - | - | - | 19,534,304 | - | - | - | - | - | 19,534,304 |
| Kitchen supplies | - | - | - | - | 19,171 | - | 19,171 | - | - | - | - | - | 19,171 |
| Fleet expense | - | 164,330 | - | 5,105 | 162 | - | 169,597 | 3,418 | - | - | 40 | 3,458 | 173,055 |
| Bank charges/processing fees | - | 205 | - | - | - | - | 205 | 11,104 | - | - | 113,660 | 124,764 | 124,969 |
| Computer maintenance and supplies | - | - | - | - | - | - | - | 321,709 | - | - | - | 321,709 | 321,709 |
| Other insurance | - | - | - | - | - | - | - | 19,386 | - | - | - | 19,386 | 19,386 |
| Legal and audit | - | - | - | - | - | - | - | 242,420 | - | 3,993 | - | 246,413 | 246,413 |
| Postage and printing | - | - | - | 515 | 7,816 | 5,190 | 13,521 | 4,884 | - | 168,287 | 897,539 | 1,070,710 | 1,084,231 |
| Advertising | - | - | - | 650 | - | 874 | 1,524 | 14,586 | - | 435,249 | 162,714 | 612,549 | 614,073 |
| Special events - direct costs | - | - | - | - | - | - | - | - | - | - | 191,568 | 191,568 | 191,568 |
| Office expense | - | 209,615 | 124 | 28,832 | 19,795 | 26,373 | 284,739 | 66,865 | - | 42,906 | 86,795 | 196,566 | 481,305 |
| Program expense | - | - | - | 198,451 | - | - | 198,451 | - | - | - | - | - | 198,451 |
| Staff travel | - | 11,585 | - | 19,495 | 17,566 | 21,289 | 69,935 | 52,836 | - | 2,237 | 32,597 | 87,670 | 157,605 |
| Feeding America fees | - | - | - | 250 | - | - | 250.00 | 33,232 | - | - | - | 33,232 | 33,482 |
| Volunteer expense | - | - | - | - | 20 | - | 20 | 5,020 | - | - | - | 5,020 | 5,040 |
| Depreciation and amortization | - | - | 1,367,335 | - | - | - | 1,367,335 | - | - | - | - | - | 1,367,335 |
| Allocated expenses | - | (1,441,007) | - | (442,967) | 943,071 | 1,997,350 | 1,056,447 | (993,972) | - | (136,841) | - | (1,130,813) | (74,366) |
| | <u>\$ 71,215,034</u> | <u>\$ 2,051,877</u> | <u>\$ 1,367,459</u> | <u>\$ 420,523</u> | <u>\$ 1,660,066</u> | <u>\$ 5,606,785</u> | <u>\$ 82,321,744</u> | <u>\$ 3,061,872</u> | <u>\$ 37,629</u> | <u>\$ 1,222,398</u> | <u>\$ 2,951,138</u> | <u>\$ 7,273,037</u> | <u>\$ 89,594,781</u> |

See Notes to Consolidated Financial Statements.

The Greater Boston Food Bank, Inc. and Subsidiary

**Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2017 and 2016**

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Consolidated</u> |
|------------------------------------|----------------------|-----------------------------------|----------------------|
| Beginning balance, October 1, 2015 | \$ 35,598,558 | \$ 3,596,449 | \$ 39,195,007 |
| Changes in net assets | <u>(266,113)</u> | <u>(1,323,840)</u> | <u>(1,589,953)</u> |
| Ending balance, September 30, 2016 | 35,332,445 | 2,272,609 | 37,605,054 |
| Changes in net assets | <u>(699,168)</u> | <u>206,694</u> | <u>(492,474)</u> |
| Ending balance, September 30, 2017 | <u>\$ 34,633,277</u> | <u>\$ 2,479,303</u> | <u>\$ 37,112,580</u> |

See Notes to Consolidated Financial Statements.

The Greater Boston Food Bank, Inc. and Subsidiary

**Consolidated Statements of Cash Flows
Years Ended September 30, 2017 and 2016**

| | 2017 | 2016 |
|--|--------------|----------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (492,474) | \$ (1,589,953) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 1,448,886 | 1,379,171 |
| Loss (gain) on sale of property, plant and equipment | (18,650) | (5,700) |
| Loss (gain) on disposal of property, plant and equipment | 9,157 | - |
| Unrealized (gain) loss on investments | 14,383 | (16,932) |
| Realized (gain) loss on investments | (2,323) | (468) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (3,485,082) | 1,047,924 |
| Pledges receivable | - | 9,803 |
| Inventory | (690,298) | 1,599,915 |
| Prepaid expenses and other assets | 55,210 | (22,995) |
| Accounts payable | 538,708 | (353,888) |
| Accrued expenses and other liabilities | 1,172,424 | (120,052) |
| Deferred revenue | (647,219) | 278,637 |
| | (2,097,278) | 2,205,462 |
| Net cash (used in) provided by operating activities | | |
| Cash flows from investing activities | | |
| Purchase of investments | (15,136,279) | (13,027,612) |
| Sale of investments | 14,785,000 | 10,665,000 |
| Purchases of property, plant and equipment | (163,139) | (753,815) |
| Proceeds from sale of property, plant and equipment | 9,493 | 5,700 |
| | (504,925) | (3,110,727) |
| Net cash used in investing activities | | |
| Cash flows from financing activities | | |
| Cash restricted for investment in property and equipment | 126,677 | 375,611 |
| Repayments of obligations under capital leases | (202,537) | (149,094) |
| | (75,860) | 226,517 |
| Net cash (used in) provided by financing activities | | |
| Net (decrease) increase in cash and cash equivalents | (2,678,063) | (678,748) |
| Cash and cash equivalents - beginning | 7,575,954 | 8,254,702 |
| Cash and cash equivalents - end | \$ 4,897,891 | \$ 7,575,954 |

The Greater Boston Food Bank, Inc. and Subsidiary

**Consolidated Statements of Cash Flows
Years Ended September 30, 2017 and 2016**

| | 2017 | 2016 |
|--|------------|------------|
| Supplemental disclosures of noncash investing and financing activities | | |
| Acquisition of property and equipment | \$ 497,297 | \$ 972,985 |
| Less: equipment funded through capital lease obligation | (336,700) | - |
| Less: construction in process in accounts payable | (20,613) | - |
| Increase in construction in process | 23,155 | - |
| Less amounts transferred from construction in process | - | (219,170) |
| Total cash paid for fixed assets | \$ 163,139 | \$ 753,815 |
| Fixed assets disposed | \$ 648,189 | \$ - |
| Write-off of related accumulated depreciation | (639,032) | - |
| Loss (gain) on disposal | \$ 9,157 | \$ - |

See Notes to Consolidated Financial Statements.

The Greater Boston Food Bank, Inc. and Subsidiary

Notes to Consolidated Financial Statements September 30, 2017 and 2016

Note 1 - Nature of operations

Organization

The Greater Boston Food Bank, Inc. was established in 1981 to end hunger in Eastern Massachusetts by distributing food through a network of other not-for-profit organizations. Its principal activity is the collection, storage, and re-distribution of food to qualified not-for-profit agencies in the nine counties of Eastern Massachusetts.

The Greater Boston Food Bank, Inc. is a member of Feeding America, the nation's leading domestic hunger-relief charity. Its mission is to feed America's hungry through a nationwide network of member food banks and to engage our country in the fight to end hunger. The network of more than 200 food banks serves all 50 states, the District of Columbia and Puerto Rico, securing and distributing more than 3 billion pounds of food annually.

GBFB Realty, Inc. was established in 2008 to hold and manage the real property located at 70 South Bay Avenue, Boston, Massachusetts for the exclusive use and benefit of The Greater Boston Food Bank, Inc. Together, Greater Boston Food Bank, Inc. and GBFB Realty, Inc. are referred to as "GBFB."

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying consolidated financial statements include the accounts of The Greater Boston Food Bank, Inc. and GBFB Realty, Inc. (a not-for-profit organization whose sole member is The Greater Boston Food Bank, Inc.). All significant intercompany accounts and transactions have been eliminated in consolidation.

GBFB prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") which require that net assets be classified for accounting and reporting purposes into three classes of net assets:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of GBFB and/or by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by GBFB.

US GAAP also requires that unconditional promises to give (pledges) be recorded as receivables and support, and requires that organizations distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. All pledges are recorded as restricted until they become due or donor restrictions are relieved, whichever is later.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Greater Boston Food Bank, Inc. and Subsidiary

Notes to Consolidated Financial Statements September 30, 2017 and 2016

Included in unrestricted net assets are Board of Directors designated net assets of \$4,861,328 and \$4,971,050 as of September 30, 2017 and 2016, respectively. The Board of Directors of GBFB has established this designation in recognition of the need to develop operating reserves to protect GBFB in the event of a temporary, short-lived cash flow shortfall due to an economic downturn, unforeseen expenditure requirements, or catastrophic event which might prevent or inhibit GBFB from accomplishing its mission.

Income taxes

The Internal Revenue Service has recognized GBFB as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Section 501(c)(3) of the Code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholder or individual. GBFB is subject to income tax on unrelated business income related to rental income. GBFB recognizes interest accrued and penalties, if applicable, related to unrecognized tax benefits in income tax expense. GBFB does not expect any significant changes in the next 12 months. The open years for Federal and state returns include 2014 through 2016.

Cash and cash equivalents

Cash and cash equivalents consist of certificates of deposit, money market accounts and repurchase agreements with original maturities of three months or less when purchased. Cash and cash equivalents are carried at cost which approximates fair value.

Restricted cash

Cash restricted for investment in property and equipment consists of money market accounts, certificates of deposit and checking accounts that are donor restricted to investment in property, plant and equipment for the building at 70 South Bay Avenue, Boston, Massachusetts.

Accounts receivable

Accounts receivable represent amounts due from state agencies, recipient agencies and other charitable organizations that are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off against the allowance account when deemed uncollectible.

Pledges receivable

Pledges receivable are primarily from individuals and foundations. Pledges are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a risk-adjusted rate of return. This rate may change from year to year as a result of the general level of interest rates. The rate was 1% for both the years ended September 30, 2017 and 2016.

Pledges receivable have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful pledges as of September 30, 2017 and 2016.

The Greater Boston Food Bank, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
September 30, 2017 and 2016**

Pledges are expected to be collected as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-------------------------|-------------------------|
| In one year or less | \$ 20,000 | \$ 10,000 |
| Between one and two years | <u>-</u> | <u>10,000</u> |
| | 20,000 | 20,000 |
| Less: discounts to net present value | <u>684</u> | <u>684</u> |
| Total pledges receivable, net | <u><u>\$ 19,316</u></u> | <u><u>\$ 19,316</u></u> |

Concentrations of credit risk

Financial instruments which potentially subject GBFB to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash balances, accounts receivable, and pledges receivable. GBFB places its cash and cash equivalents and restricted cash balances in highly rated financial institutions, which are regularly reviewed by senior management for financial stability. As of September 30, 2017 and 2016, GBFB had cash deposits of \$4,500,000 and \$8,500,000 and investment deposits of \$400,000 and \$0, respectively, in excess of Federal Deposit Insurance Corporation ("FDIC") insured limits. GBFB has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

GBFB grants credit to its approximately 500 agencies and organizations. GBFB does not believe there are any concentrations of credit risk amongst the member agencies and organizations.

Inventory

Inventory consists of perishable and non-perishable foods and related products. Inventory acquired under the United States Department of Agriculture ("USDA"), Massachusetts Emergency Food Assistance Program ("MEFAP"), donated inventory, and "Coop" program is stated at the values shown below:

| <u>Inventory Type</u> | <u>September 30, 2017</u> | <u>September 30, 2016</u> |
|-----------------------|-------------------------------|-------------------------------|
| Coop Program | Cost (FIFO) | Cost (FIFO) |
| Donated Inventory | \$1.73/pound | \$1.67/pound |
| MEFAP | Cost (FIFO) | Cost (FIFO) |
| USDA | USDA Provided Value | USDA Provided Value |

Donated inventory items are valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology prepared by an international CPA firm dated December 31, 2016 and 2015 prepared for Feeding America for use by member food banks.

The Greater Boston Food Bank, Inc. and Subsidiary

Notes to Consolidated Financial Statements September 30, 2017 and 2016

Revenue recognition

Foundation, corporate and individual gifts and grants

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence and/or nature of any donor restrictions. Revenue that is restricted is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

Contributions are recognized when the donor makes a promise to give to GBFB that is, in substance, unconditional. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Gifts of land, building and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as temporarily restricted revenue. Absent explicit donor stipulations concerning how long those long-lived assets must be maintained, GBFB reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in GBFB's activities). Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Conditional promises to give are not included in revenue until the conditions are substantially met.

USDA reimbursement

GBFB has entered into contracts to distribute certain commodities administered by the Massachusetts Department of Education under the Temporary Emergency Food Assistance Program ("TEFAP") of the Federal government. GBFB is reimbursed for certain distribution and handling costs by the USDA. At September 30, 2017 and 2016, accounts receivable relating to this program amounted to \$239,620 and \$183,159, respectively.

MEFAP

GBFB has entered into contracts with the Massachusetts Department of Food and Agriculture ("MDFA") and the Massachusetts Department of Education ("MDE") to purchase certain commodities for all Massachusetts Food Banks. In turn, GBFB distributes its allocation under the MEFAP of the Commonwealth of Massachusetts. GBFB is reimbursed for the food commodities by the MDFA and for certain distribution and handling costs of the program by the MDE. Under the terms of the contract, GBFB may utilize funds received in one fiscal year in a subsequent fiscal year.

Amounts received in advance are shown as deferred revenue. At September 30, 2017 and 2016, deferred revenue from MEFAP was \$8,462 and \$633,030, respectively. GBFB had a receivable from the MDE in the amount of \$3,585,808 and \$8,441 for the years ended September 30, 2017 and 2016, respectively.

Shared maintenance

Based on Feeding America's contract, GBFB may charge up to 19 cents per pound to the recipient agency which takes donated food and redistributes it to those in need. Currently, GBFB is charging 19 cents per pound on many of their items, excluding produce and dairy items. This fee offsets a portion of the handling and redistribution costs incurred by GBFB.

Coop program

GBFB operates a Coop program where GBFB purchases food from manufacturers and wholesale distributors then sells it to agencies at no markup for food items and a small markup for non-food items.

The Greater Boston Food Bank, Inc. and Subsidiary

Notes to Consolidated Financial Statements September 30, 2017 and 2016

Contributed services

Contributions of services are recognized as a contribution and expense recorded at fair value if the services received (a) create or enhance non-financial 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.

Contract and agency revenue and deferred revenue

Contract and agency revenue is recognized when the corresponding program expenditures are made in accordance with the terms of the related contracts. Deferred revenue represents the unearned portion of installment payments received against program expenditures not yet incurred.

Property, plant and equipment

Disbursements for property, plant and equipment are recorded at cost or, if acquired by gift, at fair market value as of the date of gift. Depreciation and amortization are computed over the estimated useful lives of the assets on a straight-line basis as follows:

| Description | Years |
|-----------------------------------|---------------|
| Buildings and improvements | 15 - 30 years |
| Equipment, furniture and fixtures | 5 - 10 years |
| Computer software | 1 - 5 years |
| Trucks and automobiles | 5 years |

GBFB reviews its long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of the asset may not be recoverable. There were no impairment losses related to long-lived assets in 2017 or 2016.

Investments

Investments consist of mutual funds. They are carried at fair value which is determined by quoted market prices. Investments are exposed to various risks such as interest rate, credit, and overall market volatility.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Operating measure

GBFB has defined the increase (decrease) in net assets from operating activities to include all support, revenue, expenses, and gains and losses, releases of net asset restrictions for payments of debt, and any gains or losses resulting from normal business transactions.

Advertising

Advertising costs are expensed as incurred and amounted to \$796,934 and \$614,073 for the years ended September 30, 2017 and 2016, respectively. Included in advertising expense is \$288,144 and \$161,619 of contributed advertising for the years ended September 30, 2017 and 2016, respectively, see Note 11.

The Greater Boston Food Bank, Inc. and Subsidiary

Notes to Consolidated Financial Statements September 30, 2017 and 2016

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities, if any. Accordingly, actual results could differ from those estimates.

Reclassification

Certain prior year information has been reclassified to conform to the current year consolidated financial statement presentation.

Subsequent events

Subsequent events have been evaluated through January 16, 2018, which is the date the financial statements were available to be issued.

Note 3 - Restrictions on net assets

Temporarily restricted net assets consist of contributions and other assets presently available for use, but expendable or distributable only for purposes specified by the donor. At September 30, 2017 and 2016, temporarily restricted net assets are restricted for the following purposes:

| | 2017 | 2016 |
|--------------------------|---------------------|---------------------|
| Capital campaign gifts | \$ - | \$ 88,210 |
| Food distribution | 2,226,938 | 1,893,567 |
| Purpose restricted gifts | 252,365 | 290,832 |
| Totals | <u>\$ 2,479,303</u> | <u>\$ 2,272,609</u> |

Note 4 - Food distribution

For the years ended September 30, 2017 and 2016, GBFB distributed 50,077,800 and 47,437,900 meals (excluding SNAP) which equates to 60,782,501 and 57,737,276 pounds of food, respectively. The value of these distributions is reflected in the accompanying consolidated statements of activities at cost if purchased, stated value if donated by USDA, and at \$1.73 and \$1.67 per pound if donated in 2017 and 2016, respectively. In addition to the pounds of food reported in the consolidated financial statements GBFB is responsible for the distribution of enabled and referred pounds that are not reported in the consolidated financial statements. Enabled pounds represent pounds received through the reclamation program directly by agencies that can best use those pounds. Referred pounds represent pounds offered to GBFB that GBFB elects not to accept but subsequently refers those pounds to other regional food banks under guidelines established by Feeding America.

For the years ended September 30, 2017 and 2016, GBFB enabled 4,354,449 and 3,347,090 pounds of food, respectively. For the years ended September 30, 2017 and 2016, GBFB referred 157,483 and 271,744 pounds of food, respectively. The value of these enabled and referred pounds is \$7,805,642 and \$6,043,453 for the years ended September 30, 2017 and 2016, respectively.

The Greater Boston Food Bank, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
September 30, 2017 and 2016**

Note 5 - Property, plant and equipment, net

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

| | 2017 | 2016 |
|---|---------------|---------------|
| Land | \$ 2,579,923 | \$ 2,579,923 |
| Buildings and improvements | 27,690,715 | 27,668,158 |
| Equipment, furniture and fixtures | 2,275,207 | 2,239,783 |
| Computer software | 1,050,014 | 1,267,129 |
| Trucks and automobiles | 1,885,270 | 1,896,787 |
| Construction in progress | 51,217 | 28,062 |
| | 35,532,346 | 35,679,842 |
| Less: Accumulated depreciation and amortization | 13,034,847 | 12,253,909 |
| | \$ 22,497,499 | \$ 23,425,933 |

Depreciation and amortization expense was \$1,448,886 and \$1,379,171 for the years ended September 30, 2017 and 2016, respectively.

Included in property, plant and equipment at September 30, 2017 and 2016 is \$1,256,106 of land which is held by 100 Topeka Street Realty Trust (the "Trust"). GBFB is the sole beneficiary of the Trust and will be the recipient of this land at the termination of the Trust agreement in May 2024. The sole trustee of the Trust is an officer of GBFB.

Note 6 - Retirement plans

GBFB has a defined contribution retirement savings plan (the "Plan") for all eligible employees. Employees have the ability to contribute pretax and after tax dollars pay and may invest in mutual funds through Principal Financial Group.

At GBFB's discretion, an employer matching contribution is approved each year. For fiscal years 2017 and 2016, the match is twenty-five cents for every one dollar contributed up to eight percent of an employee's gross compensation. While GBFB expects to continue the Plan indefinitely, the Plan's trustees reserve the right to modify, amend or terminate the Plan. GBFB's discretionary matching contributions under the Plan amounted to \$110,191 and \$78,963 for the years ended September 30, 2017 and 2016, respectively.

In December 2013, GBFB established a supplemental retirement plan for key management employees who meet the Plan's eligibility requirements. GBFB has recorded the corresponding asset and liability. The deferred compensation obligation which is included in accrued expenses was \$337,113 and \$225,349 as of September 30, 2017 and 2016, respectively. The retirement plan is in conformity with Code Section 457(b).

The Greater Boston Food Bank, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
September 30, 2017 and 2016**

Note 7 - Obligations under capital leases

Included in property, plant and equipment in the accompanying consolidated statements of financial position is equipment under capital leases at September 30, 2017 and 2016. The imputed interest rates range from 5.3% to 9.7%. A summary of capitalized lease cost and accumulated amortization as of September 30, 2017 and 2016 is as follows:

| | 2017 | 2016 |
|--------------------------|--------------|--------------|
| Cost | \$ 1,377,577 | \$ 1,128,534 |
| Accumulated amortization | (1,001,558) | (946,170) |
| Net book value | \$ 376,019 | \$ 182,364 |

For the years ended September 30, 2017 and 2016, amortization expense amounted to \$143,045 and \$149,976, respectively.

The following is a schedule by year of future minimum lease payments remaining under the capital leases together with the present value of the future minimum lease payments as of September 30, 2017:

| Years ending September 30, | Amount |
|--|------------|
| 2018 | \$ 223,580 |
| 2019 | 146,213 |
| 2020 | 85,118 |
| 2021 | 71,376 |
| 2022 | 55,175 |
| Thereafter | 69,426 |
| Total minimum lease payments | 650,888 |
| Less amount representing interest | (62,356) |
| Net present value of future minimum lease payments | \$ 588,532 |

Note 8 - Fair value measurements

GBFB has characterized its financial assets into a three-level fair value hierarchy based on the priority of the inputs used to value these assets. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial assets fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the asset. Financial assets recorded in the consolidated statements of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1: These are assets where values are based on unadjusted quoted prices for identical assets in an active market to which GBFB has access.

The Greater Boston Food Bank, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
September 30, 2017 and 2016**

Level 2: These are assets where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: These are assets where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the assumptions of management about assumptions market participants would use in pricing the investments.

The fair value of GBFB's investments that are reported in the accompanying consolidated statement of financial position as of September 30, 2017 were as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------------|---------------------|----------------|----------------|---------------------|
| Mutual funds - Federal | \$ 4,550,127 | \$ - | \$ - | \$ 4,550,127 |
| Mutual funds- Treasury Bond Index | 1,703,924 | - | - | 1,703,924 |
| Mutual funds - 457(b) Plan | <u>337,113</u> | <u>-</u> | <u>-</u> | <u>337,113</u> |
| Total Mutual Funds | <u>\$ 6,591,164</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,591,164</u> |

The fair value of GBFB's investments that are reported in the accompanying consolidated statement of financial position as of September 30, 2016 were as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------------|---------------------|----------------|----------------|---------------------|
| Mutual funds - Federal | \$ 4,319,022 | \$ - | \$ - | \$ 4,319,022 |
| Mutual funds- Treasury Bond Index | 1,707,584 | - | - | 1,707,584 |
| Mutual funds - 457(b) Plan | <u>225,349</u> | <u>-</u> | <u>-</u> | <u>225,349</u> |
| Total Mutual Funds | <u>\$ 6,251,955</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,251,955</u> |

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

Investments in mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Such prices represent the net asset value of shares held by GBFB at year end.

The Greater Boston Food Bank, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
September 30, 2017 and 2016**

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although GBFB believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 9 - Investments

Investments are recorded at fair value. Changes in fair value are reflected in the statements of activities as gains or losses on investments and are included in other revenue on the consolidated statements of activities. The fair value was as follows at September 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--------------|---------------------|---------------------|
| Mutual funds | \$ 6,591,164 | \$ 6,251,955 |
| Totals | <u>\$ 6,591,164</u> | <u>\$ 6,251,955</u> |

Note 10 - In-kind gifts

The value of in-kind gifts are recognized as support at estimated fair market value at the time that the gifts are received with an equal and offsetting amount included in the appropriate asset or expense category, as applicable. For the years ended September 30, 2017 and 2016, the value of in-kind gifts received was \$4,360 and \$4,780, respectively, and is included in institutional contributions on the consolidated statements of activities.

Note 11 - Contributed services

The value of donated services is recognized as support at estimated fair market value at the time that the services are provided. For the years ended September 30, 2017 and 2016, all donated services were expenses and consisted of the following:

| | <u>2017</u> | <u>2016</u> |
|-------------|-------------------|-------------------|
| Auditing | \$ 52,775 | \$ 52,075 |
| Legal | 80,457 | 127,115 |
| Consulting | 100,000 | 100,000 |
| Advertising | 288,144 | 161,619 |
| Fundraising | <u>83,987</u> | <u>-</u> |
| Totals | <u>\$ 605,363</u> | <u>\$ 440,809</u> |

The Greater Boston Food Bank, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
September 30, 2017 and 2016**

Note 12 - Rental income

In March 2012, GBFB entered into a lease with an unrelated third party for the use of their billboard. The lease requires monthly rental payments of \$18,000 through March 2020. Future payments to be received under this rental agreement for the years subsequent to September 30, 2017 are as follows:

| <u>Years ending September 30,</u> | <u>Amount</u> |
|-----------------------------------|-------------------|
| 2018 | \$ 216,000 |
| 2019 | 216,000 |
| 2020 | <u>108,000</u> |
| Total | <u>\$ 540,000</u> |

Included in the rental expense for both the years ended September 30, 2017 and 2016 is \$11,836 of depreciation expense.

Note 13 - Operating lease commitments

GBFB leases office equipment under operating lease arrangements extending through July 2021. The approximate aggregate minimum lease payments for noncancellable lease arrangements related to this equipment is \$10,000 for the year ended September 30, 2017.

Future minimum lease payments for years subsequent to September 30, 2017 are as follows:

| <u>Years ending September 30,</u> | <u>Amount</u> |
|-----------------------------------|------------------|
| 2018 | \$ 8,340 |
| 2019 | 8,340 |
| 2020 | 8,340 |
| 2021 | <u>6,996</u> |
| Total | <u>\$ 32,016</u> |

Equipment rent expense amounted to \$9,739 and \$10,509 for the years ended September 30, 2017 and 2016, respectively.

Note 14 - Related party transactions

GBFB leased its warehouse and office facilities from GBFB Realty, Inc., which is part of the consolidated group, under a 30-year lease expiring June 30, 2039. The lease provided for minimum monthly lease payments. Rental income and expense were being recognized on a straight-line basis over a 7-year period from the lease inception which was the probable effective lease period.

Commencing on July 13, 2015, GBFB renegotiated the lease with GBFB Realty, Inc. to provide for annual lease payments of \$1,000 for the remaining term of the lease agreement. Total lease expense for the years ended September 30, 2017 and 2016 was \$1,000 for each year and has been eliminated during consolidation.

The Greater Boston Food Bank, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
September 30, 2017 and 2016**

Note 15 - Concentrations of risk

For the years ended September 30, 2017 and 2016, approximately 18% and 18%, respectively, of GBFB's total support and revenues were derived from MEFAP.

For the years ended September 30, 2017 and 2016, approximately 39% and 47%, respectively, of GBFB's total food purchases were from three vendors.

For the years ended September 30, 2017 and 2016, approximately 25% and 26%, respectively, of the total food distributed was MEFAP food. For the years ended September 30, 2017 and 2016, approximately 12% and 17%, respectively, of the total food distributed was USDA food.

Note 16 - Commitments

During September 2017, GBFB entered into three service agreements with three separate third party software vendors for a technology improvement project designed to upgrade GBFB's enterprise resource planning software platforms. The three agreements are for the system purchase and licensing for \$319,959, Implementation agreement for \$556,616 and report Development for \$116,575, for estimated total of \$993,150. As of September 30, 2017, no expenses have been incurred related to the service agreements.

Supplementary Information

The Greater Boston Food Bank, Inc. and Subsidiary

Supplementary Information

Consolidating Statement of Financial Position
September 30, 2017

| | The Greater Boston Food Bank, Inc. | GBFB Realty, Inc. | Eliminations | Consolidated |
|--|--|----------------------|---------------------|----------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 4,802,636 | \$ 95,255 | \$ - | \$ 4,897,891 |
| Investments | 6,591,174 | - | - | 6,591,174 |
| Accounts receivable, net of allowance for doubtful accounts of \$4,094 | 4,218,682 | 963 | - | 4,219,645 |
| Pledges receivable, net | 19,316 | - | - | 19,316 |
| Inventory | 3,189,809 | - | - | 3,189,809 |
| Cash restricted for investment in property and equipment | 233,049 | - | - | 233,049 |
| Property, plant and equipment, net | 3,213,773 | 19,560,272 | (276,546) | 22,497,499 |
| Prepaid expenses and other assets | 265,914 | - | - | 265,914 |
| | <u>265,914</u> | <u>-</u> | <u>-</u> | <u>265,914</u> |
| Total assets | <u>\$ 22,534,353</u> | <u>\$ 19,656,490</u> | <u>\$ (276,546)</u> | <u>\$ 41,914,297</u> |
| <u>Liabilities and Net Assets</u> | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 1,437,368 | \$ - | \$ - | \$ 1,437,368 |
| Accrued expenses and other liabilities | 2,752,064 | - | - | 2,752,064 |
| Deferred revenue | 22,962 | 791 | - | 23,753 |
| Obligations under capital leases | 588,532 | - | - | 588,532 |
| | <u>4,800,926</u> | <u>791</u> | <u>-</u> | <u>4,801,717</u> |
| Total liabilities | <u>4,800,926</u> | <u>791</u> | <u>-</u> | <u>4,801,717</u> |
| Net assets: | | | | |
| Unrestricted | | | | |
| Board designated | 4,861,328 | - | - | 4,861,328 |
| Other unrestricted | 10,392,796 | 19,655,699 | (276,546) | 29,771,949 |
| | <u>15,254,124</u> | <u>19,655,699</u> | <u>(276,546)</u> | <u>34,633,277</u> |
| Total unrestricted | <u>15,254,124</u> | <u>19,655,699</u> | <u>(276,546)</u> | <u>34,633,277</u> |
| Temporarily restricted | 2,479,303 | - | - | 2,479,303 |
| | <u>2,479,303</u> | <u>-</u> | <u>-</u> | <u>2,479,303</u> |
| Total net assets | <u>17,733,427</u> | <u>19,655,699</u> | <u>(276,546)</u> | <u>37,112,580</u> |
| Total liabilities and net assets | <u>\$ 22,534,353</u> | <u>\$ 19,656,490</u> | <u>\$ (276,546)</u> | <u>\$ 41,914,297</u> |

See Independent Auditor's Report.

The Greater Boston Food Bank, Inc. and Subsidiary

Supplementary Information

**Consolidating Statement of Activities
Year Ended September 30, 2017**

| | The Greater Boston Food Bank, Inc. | GBFB Realty, Inc. | Eliminations | Consolidated |
|---|--|----------------------|----------------|-------------------|
| Operating Support | | | | |
| Institutional contributions | \$ 6,394,654 | \$ - | \$ - | \$ 6,394,654 |
| Food donations | 56,188,708 | - | - | 56,188,708 |
| Contributed services | 605,363 | - | - | 605,363 |
| Special events | 821,415 | - | - | 821,415 |
| Individual contributions | <u>9,623,047</u> | <u>-</u> | <u>-</u> | <u>9,623,047</u> |
| Total support | <u>73,633,187</u> | <u>-</u> | <u>-</u> | <u>73,633,187</u> |
| Revenues | | | | |
| State income - MEFAP | 16,890,189 | - | - | 16,890,189 |
| Shared maintenance fees | 831,139 | - | - | 831,139 |
| Coop income | 3,089,868 | - | - | 3,089,868 |
| USDA reimbursement | 722,115 | - | - | 722,115 |
| Interest and dividends | 93,615 | - | - | 93,615 |
| Rental income, net of expenses of \$146,587 | 69,413 | 1,000 | (1,000) | 69,413 |
| Other | <u>167,722</u> | <u>-</u> | <u>-</u> | <u>167,722</u> |
| Total revenues | <u>21,864,061</u> | <u>1,000</u> | <u>(1,000)</u> | <u>21,864,061</u> |
| Total support and revenues | <u>95,497,248</u> | <u>1,000</u> | <u>(1,000)</u> | <u>95,497,248</u> |

The Greater Boston Food Bank, Inc. and Subsidiary

Supplementary Information

**Consolidating Statement of Activities
Year Ended September 30, 2017**

| | The Greater Boston Food Bank, Inc. | GBFB Realty, Inc. | Eliminations | Consolidated |
|---|--|-----------------------|----------------|---------------------|
| Expenses | | | | |
| Program services | | | | |
| Food distribution | 75,214,092 | - | - | 75,214,092 |
| Warehouse | 2,005,470 | - | - | 2,005,470 |
| Property | 440,813 | 997,272 | (1,000) | 1,437,085 |
| Agency relations | 460,981 | - | - | 460,981 |
| Nutrition programs | 2,125,898 | - | - | 2,125,898 |
| Food Acquisition Group | 5,982,386 | - | - | 5,982,386 |
| Total program services | <u>86,229,640</u> | <u>997,272</u> | <u>(1,000)</u> | <u>87,225,912</u> |
| Support services | | | | |
| General and administrative | 3,722,454 | 5,086 | - | 3,727,540 |
| Lobbying | 78,793 | - | - | 78,793 |
| Marketing | 1,449,834 | - | - | 1,449,834 |
| Development | 3,517,136 | - | - | 3,517,136 |
| Total support services | <u>8,768,217</u> | <u>5,086</u> | <u>-</u> | <u>8,773,303</u> |
| Total expenses | <u>94,997,857</u> | <u>1,002,358</u> | <u>(1,000)</u> | <u>95,999,215</u> |
| Increase (decrease) in net assets from operating activities | <u>499,391</u> | <u>(1,001,358)</u> | <u>-</u> | <u>(501,967)</u> |
| Non-operating | | | | |
| Gain on sale of property, plant and equipment | <u>9,493</u> | <u>-</u> | <u>-</u> | <u>9,493</u> |
| Increase in net assets from nonoperating activities | <u>9,493</u> | <u>-</u> | <u>-</u> | <u>9,493</u> |
| Change in net assets | <u>\$ 508,884</u> | <u>\$ (1,001,358)</u> | <u>\$ -</u> | <u>\$ (492,474)</u> |

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The Greater Boston Food Bank, Inc. and Subsidiary

Supplementary Information

Consolidating Statement of Changes in Net Assets
Year Ended September 30, 2017

| | The Greater Boston Food Bank, Inc. | GBFB Realty, Inc. | Eliminations | Consolidated |
|---------------------------------------|--|----------------------|---------------------|----------------------|
| Beginning balance, October 1, 2015 | \$ 17,809,363 | \$ 21,662,190 | \$ (276,546) | \$ 39,195,007 |
| Changes in net assets | <u>(584,820)</u> | <u>(1,005,133)</u> | <u>-</u> | <u>(1,589,953)</u> |
| Ending balance, September 30, 2016 | 17,224,543 | 20,657,057 | (276,546) | 37,605,054 |
| Changes in net assets | <u>508,884</u> | <u>(1,001,358)</u> | <u>-</u> | <u>(492,474)</u> |
| Ending balance, September 30, 2017 | <u>\$ 17,733,427</u> | <u>\$ 19,655,699</u> | <u>\$ (276,546)</u> | <u>\$ 37,112,580</u> |

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