

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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We have audited the accompanying consolidated statement of financial position of **The Greater Boston Food Bank, Inc. and Subsidiary** (The Food Bank) as of September 30, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of The Food Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of The Food Bank as of and for the year ended September 30, 2010, were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 6, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Food Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



To the Board of Directors
The Greater Boston Food Bank, Inc. and Subsidiary
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Our audit of the consolidated financial statements referred to above was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the consolidated financial statements. The consolidating information has been subjected to the audit procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

GRANT THORNTON LLP

Boston, Massachusetts
January 17, 2012

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position
September 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 8,530,617	\$ 5,883,652
Accounts receivable, net of allowance for doubtful accounts of \$4,000 at September 30, 2011 and 2010	1,770,775	2,077,093
Pledges receivable	687,459	1,034,294
Inventory	2,290,018	2,406,714
Cash restricted for investment in property and equipment	811,246	3,169,504
Cash restricted for revenue bonds	-	500,024
Leveraged loan receivable (as adjusted)	12,994,750	12,994,750
Property, plant and equipment, net	28,786,554	30,010,850
Prepaid expenses and other assets	390,169	496,419
	<u> </u>	<u> </u>
Total assets	<u>\$ 56,261,588</u>	<u>\$ 58,573,300</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,027,251	\$ 915,005
Accrued expenses and other liabilities	784,796	664,067
Deferred revenue	1,275,297	1,443,758
Obligations under capital leases	392,881	329,647
Bonds payable	-	3,700,000
New markets tax credit loans (as adjusted)	17,200,000	17,200,000
	<u> </u>	<u> </u>
Total liabilities	<u>20,680,225</u>	<u>24,252,477</u>
Net assets		
Unrestricted		
Board designated	4,375,592	2,174,976
Other unrestricted	28,218,811	27,239,972
Total unrestricted	<u>32,594,403</u>	<u>29,414,948</u>
Temporarily restricted	2,986,960	4,905,875
Total net assets	<u>35,581,363</u>	<u>34,320,823</u>
Total liabilities and net assets	<u>\$ 56,261,588</u>	<u>\$ 58,573,300</u>

See report of independent certified public accountants and notes to consolidated financial statements.

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating			
Support			
Institutional contributions	\$ 2,668,873	\$ 2,015,907	\$ 4,684,780
Food donations	-	31,236,381	31,236,381
Contributed services	373,745	-	373,745
In-kind gifts	102,294	-	102,294
Special events	1,733,116	16,000	1,749,116
Individual contributions	4,871,914	641,179	5,513,093
Total support	<u>9,749,942</u>	<u>33,909,467</u>	<u>43,659,409</u>
Revenues			
State income - MEFAP	12,173,178	-	12,173,178
Shared maintenance fees	906,533	-	906,533
Coop income	1,013,788	-	1,013,788
USDA reimbursement	1,075,165	-	1,075,165
Interest and dividends	540,325	-	540,325
Billboard rental	200,750	-	200,750
Billboard expenses	(194,381)	-	(194,381)
Other	85,916	-	85,916
Total revenues	<u>15,801,274</u>	<u>-</u>	<u>15,801,274</u>
Net assets released from restrictions			
Food distribution	31,648,518	(31,648,518)	-
Satisfaction of donor restrictions	1,537,060	(1,537,060)	-
	<u>33,185,578</u>	<u>(33,185,578)</u>	<u>-</u>
Total support and revenues	<u>\$ 58,736,794</u>	<u>\$ 723,889</u>	<u>\$ 59,460,683</u>

Continued --

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Consolidated Statement of Activities (Continued)
For the Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Expenses			
Program services			
Food distribution	\$ 44,801,810	\$ -	\$ 44,801,810
Warehouse	1,856,458	-	1,856,458
Property	2,260,891	-	2,260,891
Member services	196,895	-	196,895
Nutrition programs	1,012,528	-	1,012,528
Food Acquisition Group	2,580,520	-	2,580,520
Total program services	<u>52,709,102</u>	<u>-</u>	<u>52,709,102</u>
Support services			
General and administrative	2,201,885	-	2,201,885
Lobbying	30,000	-	30,000
Marketing	941,725	-	941,725
Development	2,346,581	-	2,346,581
Total support services	<u>5,520,191</u>	<u>-</u>	<u>5,520,191</u>
Total expenses	<u>58,229,293</u>	<u>-</u>	<u>58,229,293</u>
Increase in net assets from operating activities	<u>507,501</u>	<u>723,889</u>	<u>1,231,390</u>
Non-operating activities			
Gain on sale of property, plant and equipment	29,150	-	29,150
Net assets released from restriction for payment of debt	<u>2,642,804</u>	<u>(2,642,804)</u>	<u>-</u>
Increase (decrease) in net assets from non-operating activities	<u>2,671,954</u>	<u>(2,642,804)</u>	<u>29,150</u>
Increase (decrease) in net assets	3,179,455	(1,918,915)	1,260,540
Net assets, beginning of year	<u>29,414,948</u>	<u>4,905,875</u>	<u>34,320,823</u>
Net assets, end of year	<u>\$ 32,594,403</u>	<u>\$ 2,986,960</u>	<u>\$ 35,581,363</u>

See report of independent certified public accountants and notes to consolidated financial statements.

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating			
Support			
Institutional contributions	\$ 1,846,887	\$ 2,727,092	\$ 4,573,979
Food donations	-	27,789,868	27,789,868
Contributed services	257,505	-	257,505
In-kind gifts	90,850	-	90,850
Special events	1,058,103	39,480	1,097,583
Individual contributions	4,502,366	571,821	5,074,187
Total support	<u>7,755,711</u>	<u>31,128,261</u>	<u>38,883,972</u>
 Revenues			
State income - MEFAP	12,155,873	-	12,155,873
Shared maintenance fees	964,073	-	964,073
Coop income	910,999	-	910,999
USDA reimbursement	1,052,068	-	1,052,068
HUD grants	780,400	-	780,400
Interest and dividends (as adjusted)	532,024	38,361	570,385
Billboard rental, net of expenses of \$12,392	782	-	782
Other	124,219	-	124,219
Total revenues	<u>16,520,438</u>	<u>38,361</u>	<u>16,558,799</u>
 Net assets released from restrictions			
Food distribution	27,802,935	(27,802,935)	-
Satisfaction of donor restrictions	1,740,141	(1,740,141)	-
	<u>29,543,076</u>	<u>(29,543,076)</u>	<u>-</u>
 Total support and revenues	<u>\$ 53,819,225</u>	<u>\$ 1,623,546</u>	<u>\$ 55,442,771</u>

Continued --

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Consolidated Statement of Activities (Continued)
For the Year Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Expenses			
Program services			
Food distribution	\$ 40,653,438	\$ -	\$ 40,653,438
Warehouse	2,708,710	-	2,708,710
Property (as adjusted)	2,181,836	-	2,181,836
Member services	369,603	-	369,603
Nutrition programs	350,251	-	350,251
Food Acquisition Group	634,472	-	634,472
Second Helping	32,865	-	32,865
Total program services	<u>46,931,175</u>	<u>-</u>	<u>46,931,175</u>
Support services			
General and administrative	2,746,947	-	2,746,947
Lobbying	27,572	-	27,572
Marketing	741,731	-	741,731
Development	2,673,466	-	2,673,466
Total support services	<u>6,189,716</u>	<u>-</u>	<u>6,189,716</u>
Total expenses	<u>53,120,891</u>	<u>-</u>	<u>53,120,891</u>
Increase in net assets from operating activities	<u>698,334</u>	<u>1,623,546</u>	<u>2,321,880</u>
Non-operating			
Realized loss on interest rate swap agreement	(159,885)	-	(159,885)
Net assets released from restriction for payment of debt	<u>9,386,477</u>	<u>(9,386,477)</u>	<u>-</u>
Increase (decrease) in net assets from non-operating activities	<u>9,226,592</u>	<u>(9,386,477)</u>	<u>(159,885)</u>
Increase (decrease) in net assets	9,924,926	(7,762,931)	2,161,995
Net assets, beginning of year	<u>19,490,022</u>	<u>12,668,806</u>	<u>32,158,828</u>
Net assets, end of year	<u>\$ 29,414,948</u>	<u>\$ 4,905,875</u>	<u>\$ 34,320,823</u>

See report of independent certified public accountants and notes to consolidated financial statements.

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2011

	<u>Food Distribution</u>	<u>Warehouse</u>	<u>Property</u>	<u>Member Services</u>	<u>Nutrition Programs</u>	<u>Food Acquisition Group</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Lobbying</u>	<u>Marketing</u>	<u>Development</u>	<u>Total</u>
Salaries	\$ -	\$ 1,027,236	\$ -	\$ 273,155	\$ 264,327	\$ 323,577	\$ 1,888,295	\$ 1,555,736	\$ -	\$ 264,640	\$ 683,814	\$ 4,392,485
Fringe benefits	-	308,067	-	67,045	86,768	76,514	538,394	286,735	-	42,067	135,732	1,002,928
Total Salaries and fringe benefits	-	1,335,303	-	340,200	351,095	400,091	2,426,689	1,842,471	-	306,707	819,546	5,395,413
Day labor	-	536,657	-	28,652	-	-	565,309	3,144	-	47,369	7,335	623,157
Contract labor	-	-	-	-	-	-	-	-	-	229,561	2,500	232,061
Consulting	-	-	-	-	6,205	-	6,205	168,739	30,000	53,751	140,280	398,975
Other personnel costs	-	23,107	-	2,762	610	816	27,295	136,403	-	75	1,440	165,213
Professional development	-	-	-	40	973	1,511	2,524	19,200	-	-	423	22,147
Rubbish removal	-	71,765	-	-	-	-	71,765	-	-	-	-	71,765
Repairs and maintenance	-	207,981	75,290	-	-	-	283,271	-	-	-	-	283,271
Supplies	-	18,245	-	-	15,112	-	33,357	-	-	-	-	33,357
Utilities/security/insurance	-	319,923	-	5,162	4,284	5,162	334,531	15,084	-	4,723	6,443	360,781
Other building costs	-	34,073	-	-	-	-	34,073	-	-	-	-	34,073
Financing charges	-	-	-	-	-	-	-	51,348	-	-	48,218	99,566
Freight charges	-	-	-	-	-	527,612	527,612	-	-	-	-	527,612
Food distribution	31,613,004	-	-	-	-	-	31,613,004	-	-	-	-	31,613,004
Food purchases	13,188,806	-	-	-	-	122,307	13,311,113	-	-	-	-	13,311,113
Kitchen supplies	-	-	-	-	18,131	-	18,131	-	-	-	-	18,131
Fleet expense	-	296,608	-	-	-	-	296,608	758	-	-	105	297,471
Bank charges/processing fees	-	612	557,786	-	-	-	558,398	27,401	-	-	85,000	670,799
Computer maintenance and supplies	-	-	-	-	250	-	250	89,800	-	-	17,073	107,123
Other insurance	-	-	-	-	-	-	-	8,311	-	-	-	8,311
Legal and audit	-	-	-	-	-	-	-	313,406	-	-	-	313,406
Postage and printing	-	2	-	1,203	7,383	3,332	11,920	10,291	-	107,258	714,118	843,587
Advertising	-	1,918	-	270	-	2,797	4,985	2,330	-	150,618	25,342	183,275
Public relations	-	-	-	-	-	-	-	-	-	25,448	-	25,448
Special events - direct costs	-	-	-	-	-	-	-	-	-	-	315,206	315,206
Office expense	-	143,858	559	15,692	14,333	20,509	194,951	95,831	-	97,572	150,947	539,301
Staff travel	-	7,070	-	1,601	10,871	8,958	28,500	34,313	-	778	12,605	76,196
Feeding America fees	-	-	-	-	-	-	-	30,156	-	-	-	30,156
Volunteer expense	-	-	-	-	-	-	-	2,119	-	-	-	2,119
Depreciation	-	-	1,627,256	-	-	-	1,627,256	-	-	-	-	1,627,256
Allocated expenses	-	(1,140,664)	-	(198,687)	583,281	1,487,425	731,355	(649,220)	-	(82,135)	-	-
Total	\$ 44,801,810	\$ 1,856,458	\$ 2,260,891	\$ 196,895	\$ 1,012,528	\$ 2,580,520	\$ 52,709,102	\$ 2,201,885	\$ 30,000	\$ 941,725	\$ 2,346,581	\$ 58,229,293

See report of independent certified public accountants and notes to consolidated financial statements.

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2010

	Food Distribution	Warehouse	Property (As adjusted)	Member Services	Nutrition Programs	Food Acquisition Group	Second Helping	Total Program Services	General and Administrative	Lobbying	Marketing	Development	Total
Salaries	\$ -	\$ 978,480	\$ -	\$ 259,814	\$ 222,643	\$ 286,574	\$ 16,249	\$ 1,763,760	\$ 1,610,814	\$ -	\$ 324,123	\$ 609,769	\$ 4,308,466
Fringe benefits	-	260,331	-	60,649	70,249	70,563	13,714	475,506	284,504	-	64,281	121,417	945,708
Total salaries and fringe benefits	-	1,238,811	-	320,463	292,892	357,137	29,963	2,239,266	1,895,318	-	388,404	731,186	5,254,174
Day labor	-	348,939	-	20,961	-	-	-	369,900	24,713	-	29,719	15,325	439,657
Contract labor	-	-	-	-	-	-	-	-	-	-	40,172	11,830	52,002
Consulting	-	-	-	3,660	-	-	-	3,660	148,949	25,000	-	127,942	305,551
Other personnel costs	-	18,077	-	366	666	303	-	19,412	116,135	-	200	838	136,585
Professional development	-	117	-	267	1,602	1,207	-	3,193	22,041	-	117	1,729	27,080
Rubbish removal	-	64,403	-	-	-	-	-	64,403	-	-	-	-	64,403
Repairs and maintenance	-	243,815	79,740	-	-	-	-	323,555	142	-	-	-	323,697
Supplies	-	46,062	-	-	9,982	-	-	56,044	-	-	-	628	56,672
Utilities/security/insurance	-	327,373	-	5,034	4,177	5,034	-	341,618	14,709	-	4,605	4,061	364,993
Other building costs	-	34,349	-	-	-	-	-	34,349	-	-	-	-	34,349
Financing charges	-	-	-	-	-	-	-	-	51,338	-	-	470,196	521,534
Freight charges	-	-	-	-	-	228,969	-	228,969	-	-	-	-	228,969
Food distribution	27,837,098	-	-	-	-	-	-	27,837,098	-	-	-	-	27,837,098
Food purchases	12,816,340	-	-	-	-	7,897	-	12,824,237	-	-	-	-	12,824,237
Kitchen supplies	-	-	-	-	13,666	-	1,556	15,222	213	-	-	-	15,435
Fleet expense	-	236,963	-	55	-	-	-	237,018	1,449	-	-	68	238,535
Bank charges/processing fees (as adjusted)	-	490	528,286	33	33	-	-	528,842	8,827	-	-	120,076	657,745
Computer maintenance and supplies	-	9,670	-	-	350	-	-	10,020	38,699	-	-	16,377	65,096
Other insurance	-	-	-	-	-	-	-	-	9,932	-	-	-	9,932
Legal and audit	-	708	-	-	-	-	-	708	269,307	-	-	545	270,560
Postage and printing	-	9	-	1,277	4,545	3,793	1,180	10,804	11,177	-	102,501	657,337	781,819
Advertising	-	300	-	185	240	4,528	-	5,253	21,191	-	122,563	20,483	169,490
Public relations	-	-	-	-	-	-	-	-	-	-	-	-	-
Special events - direct costs	-	-	-	-	-	-	-	-	-	-	-	373,601	373,601
Office expense	-	132,359	3,170	16,129	14,664	19,258	125	185,705	55,513	2,486	51,707	114,180	409,591
Staff travel	-	6,265	-	1,173	7,434	6,346	41	21,259	22,800	86	1,743	7,064	52,952
Feeding America fees	-	-	-	-	-	-	-	-	32,241	-	-	-	32,241
Volunteer expense	-	-	-	-	-	-	-	-	2,253	-	-	-	2,253
Depreciation	-	-	1,570,640	-	-	-	-	1,570,640	-	-	-	-	1,570,640
Total	\$ 40,653,438	\$ 2,708,710	\$ 2,181,836	\$ 369,603	\$ 350,251	\$ 634,472	\$ 32,865	\$ 46,931,175	\$ 2,746,947	\$ 27,572	\$ 741,731	\$ 2,673,466	\$ 53,120,891

See report of independent certified public accountants and notes to consolidated financial statements

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Increase in net assets	\$ 1,260,540	\$ 2,161,995
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	1,643,082	1,577,156
Gain on sale of property, plant and equipment	(29,150)	-
Donated property, plant and equipment	(95,844)	(83,900)
(Increase) decrease in operating assets		
Accounts receivable	306,318	(1,413,403)
Pledges receivable	346,835	1,380,736
Inventory	116,696	(188,841)
Prepaid expenses and other assets	106,250	199,971
Increase (decrease) in operating liabilities		
Accounts payable	112,246	270,320
Accrued expenses and other liabilities	120,729	(168,497)
Deferred revenue	(168,461)	914,212
Net cash provided by operating activities	<u>3,719,241</u>	<u>4,649,749</u>
Cash flows from investing activities		
Leveraged loan receivable	-	148,416
Purchases of property, plant and equipment	(187,999)	(724,777)
Proceeds from sale of property, plant and equipment	29,150	-
Net cash used for investing activities	<u>(158,849)</u>	<u>(576,361)</u>
Cash flows from financing activities		
Cash restricted for bond repayment	-	29,483
Cash restricted for investment in property and equipment	2,358,258	12,666,512
Cash restricted for revenue bonds	500,024	307,575
Repayments of obligations under capital leases	(71,709)	(47,634)
Principal payments on bonds payable	(3,700,000)	(17,735,000)
Net cash used for financing activities	<u>(913,427)</u>	<u>(4,779,064)</u>
Net increase (decrease) in cash and cash equivalents	2,646,965	(705,676)
Cash and cash equivalents - beginning of year	<u>5,883,652</u>	<u>6,589,328</u>
Cash and cash equivalents - end of year	<u>\$ 8,530,617</u>	<u>\$ 5,883,652</u>

See report of independent certified public accountants and notes to consolidated financial statements.

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization

The Greater Boston Food Bank, Inc. was established in 1981 to alleviate 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 2.5 billion pounds of food and grocery products annually. GBFB Realty, Inc. was established in 2008 to hold and manage the real property located at 70 South Bay, 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 "The Food Bank".

Income Taxes

The Internal Revenue Service has recognized The Greater Boston Food Bank, Inc. and GBFB Realty, Inc. as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue 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.

Basis of Presentation

The accompanying consolidated financial statements as of September 30, 2011 and 2010 and for the years then ended 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 inter-company accounts and transactions have been eliminated in consolidation.

The Food Bank 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 The Food Bank and/or by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by The Food Bank.

Continued --

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

1. Basis of Presentation and Summary of Accounting Policies (Continued)

Basis of Presentation (Continued)

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.

Included in unrestricted net assets are Board of Directors designated net assets of \$4,375,592 and \$2,174,976 as of September 30, 2011 and 2010, respectively. The Board of Directors of The Food Bank has established this restriction in recognition of the need to develop operating reserves to protect The Food Bank in the event of a temporary, short-lived cash flow shortfall due to an economic downturn, unforeseen expenditure, or catastrophic event which might prevent or inhibit The Food Bank from accomplishing its mission.

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.

Cash Equivalents

Cash equivalents consist of certificates of deposit, money market accounts and repurchase agreements with original maturity of 3 months or less. Cash equivalents are carried at cost which approximates fair value.

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.

Pledges Receivable

Pledges receivable are primarily from individuals and foundations based in the Northeast. 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.

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, 2011 and 2010.

Continued --

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

1. Basis of Presentation and Summary of Accounting Policies (Continued)

Pledges Receivable (Continued)

Pledges are expected to be collected as follows:

	2011	2010
In one year or less	\$ 549,135	\$ 622,754
Between one and five years	<u>203,323</u>	<u>511,640</u>
	752,458	1,134,394
Less: discounts to net present value	<u>64,999</u>	<u>100,100</u>
Total pledges receivable, net	<u>\$ 687,459</u>	<u>\$ 1,034,294</u>

Concentrations of Credit Risk

Financial instruments which potentially subject The Food Bank to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash balances, accounts receivable, and pledges receivable. The Food Bank 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. Effective December 31, 2010 extending through December 31, 2012, all “noninterest-bearing transaction accounts” are fully insured, regardless of the balance of the account. Generally The Food Bank’s cash and cash equivalents and restricted cash balances in interest-bearing accounts exceed financial depository insurance limits. As of September 30, 2011 and 2010 The Food Bank had deposits of approximately \$5,577,000 and \$9,424,000, respectively, in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits. The Food Bank 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. The Food Bank grants credit to its approximately 550 not-for-profit member agencies and organizations.

Restricted Cash

Cash restricted for investment in property and equipment consists of money market accounts, certificates of deposit and checking accounts that are either donor or bank restricted to investment in property, plant and equipment for the building at 70 South Bay Street or which were used to service monthly principal and interest payments on the Massachusetts Development Finance Agency Variable Rate Demand Revenue Bonds, series 2008B. In 2010, the Series 2008B bonds were redeemed. In 2011, the Series 2008A bonds were redeemed.

Cash restricted for revenue bonds represents Debt Service Reserves Funds on the Series 2008A and 2008B bonds, to be used if The Food Bank defaults on the bonds. These funds were required to be maintained for the term of the bonds.

Continued --

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

1. Basis of Presentation and Summary of Accounting Policies (Continued)

Inventory

Inventory consists of perishable and non-perishable foodstuffs and related products. Inventory purchased under the "Coop" program, United States Department of Agriculture (USDA) and Massachusetts Emergency Food Assistance Program (MEFAP), is stated at historical cost determined on the first-in, first-out basis. 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, December 2010* prepared by Feeding America. At September 30, 2011 and 2010 the approximate average wholesale value of one pound of donated product was \$1.66 and \$1.60, respectively.

Property, Plant and Equipment

Expenditures 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 estimate useful lives of the assets on a straight-line basis as follows:

<u>Description</u>	<u>Years</u>
Buildings and improvements	15-30
Equipment, furniture and fixtures	5-10
Computer software	1-5
Trucks and automobiles	5

Interest Rate Swaps

Interest rate swaps are periodically used by The Food Bank to manage liquidity and interest rate exposure by hedging against changes in the amount of future cash flows associated with payments on variable rate demand bonds. The Food Bank entered into an agreement with a major financial institution during 2009 and terminated the agreement during 2010.

The realized loss on the interest rate swap of \$159,885 is presented in the accompanying statement of activities as a non-operating activity. There are no interest rate swaps as of September 30, 2011.

Operating Measure

The Food Bank has defined the change in net assets from operating activities to include all support, revenue, expenses, and gains and losses, except for changes in any fair value of the interest rate swaps, releases of net asset restrictions for payments of debt, and any gains or losses resulting from unusual or infrequent transactions.

Continued --

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

1. Basis of Presentation and Summary of Accounting Policies (Continued)

Contributed Services

Contributions of services are recognized as a contribution and an expense 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.

Deferred Financing Costs

Administrative, legal, insurance and other direct expenses relating to the issuance of long-term debt are capitalized and included in prepaid expenses and other assets in the Statements of Financial Position. Amortization of these costs is recognized over the term of the debt on a straight-line basis. The balance of deferred financing costs was \$159,644 and \$233,261 at September 30, 2011 and 2010, respectively. Amortization expense for the years ended September 30, 2011 and 2010 was \$73,617 and \$142,639 respectively.

2. 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, 2011 and 2010 temporarily restricted net assets are restricted for the following purposes:

	2011	2010
Capital Campaign gifts	\$ 1,126,782	\$ 2,314,618
Food distribution	1,488,413	1,900,550
Purpose restricted gifts	<u>371,765</u>	<u>690,707</u>
	<u>\$ 2,986,960</u>	<u>\$ 4,905,875</u>

3. Shared Maintenance, Coop Income, USDA Reimbursement and MEFAP

Shared Maintenance

Based on Feeding America's recommendation, The Food Bank may charge up to 19 cents per pound to the recipient agency which takes donated food and redistributes it to those in need. Currently, The Food Bank is charging 19 cents per pound. This fee offsets a portion of the handling and redistribution costs incurred by The Food Bank. Accounts receivable include \$73,595 and \$88,671 of outstanding shared maintenance fees at September 30, 2011 and 2010, respectively.

Coop Program

The Food Bank operates a coop program where the Food Bank purchases food from wholesale distributors then sells it to agencies at little or no markup.

Continued --

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

3. Shared Maintenance, Coop Income, USDA Reimbursement and MEFAP (Continued)

USDA Reimbursement

The Food Bank has entered into a contract to distribute certain commodities provided by the Massachusetts Department of Education under the Temporary Emergency Food Assistance Program (TEFAP) of the federal government. The Food Bank is reimbursed for certain distribution and handling costs by the USDA. At September 30, 2011 and 2010 accounts receivable relating to this program amounted to \$459,444 and \$281,859, respectively.

MEFAP

The Food Bank has entered into contracts with the Massachusetts Department of Food and Agriculture (MDFA) and the Massachusetts Department of Education (MDE) to purchase and distribute certain commodities under the Massachusetts Emergency Food Assistance Program (MEFAP) of the Commonwealth of Massachusetts. The Food Bank 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, The Food Bank 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, 2011 and 2010 deferred revenue from MEFAP was \$1,128,213 and \$1,384,616, respectively. The Food Bank had a receivable from the Massachusetts Department of Education in the amount of \$1,048,953 and \$1,050,321 for the years ended September 30, 2011 and 2010, respectively.

4. Food Distribution

For the years ended September 30, 2011 and 2010 The Food Bank distributed approximately 36,743,000 and 34,356,000 pounds of food, respectively. The value of these distributions is reflected in the accompanying consolidated statements of activities at \$1.66 and \$1.60 per pound in 2011 and 2010, respectively. In addition to the pounds of food reported in the consolidated financial statements The Food Bank 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 The Food Bank that The Food Bank cannot accept but subsequently refers those pounds to other regional food banks under guidelines established by Feeding America. For the year ended September 30, 2011, The Food Bank did not enable any food. For the year ended September 30, 2010 The Food Bank enabled approximately 142,000 pounds of food. For the years ended September 30, 2011 and 2010, The Food Bank referred approximately 512,000 and 360,000 pounds of food, respectively. The value of these enabled and referred pounds is approximately \$850,000 and \$664,000 for the years ended September 30, 2011 and 2010, respectively.

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

5. Property, Plant and Equipment

Property, plant and equipment at September 30, 2011 and 2010 consist of the following:

	2011	2010
Land	\$ 2,579,923	\$ 2,579,923
Buildings and improvements	27,103,812	27,056,523
Equipment, furniture and fixtures	1,895,116	1,828,050
Computer software	707,034	671,114
Trucks and automobiles	<u>1,230,649</u>	<u>1,039,938</u>
	33,516,534	33,175,548
Less accumulated depreciation	<u>4,729,980</u>	<u>3,164,698</u>
Property, plant and equipment, net	<u>\$ 28,786,554</u>	<u>\$ 30,010,850</u>

6. Retirement Plans

Executive Pension Plan

During the year ended September 30, 2004, The Food Bank adopted an agreement between The Food Bank and senior executives of The Food Bank. The agreement called for an unfunded supplemental pension plan to be maintained for the benefit of “a select group of management.” In May of 2005 a trust was established into which the accumulated benefits were contributed. During 2011 this plan was terminated and all investments held by the trust were distributed to participants.

Defined Contribution Retirement Plan

The Food Bank has a defined contribution retirement savings plan for all eligible employees. Employees may contribute up to fifteen percent of pay and may invest in twelve mutual funds through ING Life Insurance and Annuity Company.

At the Board of Directors’ discretion, an employer matching contribution is approved each year. For the fiscal years 2011 and 2010 the match is twenty-five cents for every one dollar contributed up to six percent of an employee’s gross compensation. While The Food Bank expects to continue the plan indefinitely, it has reserved the right to modify, amend or terminate the plan. The Food Bank’s contributions under the plan amounted to \$44,072 and \$40,891 for the years ended September 30, 2011 and 2010, respectively.

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

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, 2011 and 2010. The imputed interest rates vary from 7.7% to 14.1%. A summary of capitalized lease cost and accumulated amortization as of September 30, 2011 and 2010 is as follows:

	2011	2010
Cost	\$ 622,787	\$ 487,844
Accumulated amortization	<u>(336,103)</u>	<u>(242,706)</u>
Net book value	<u>\$ 286,684</u>	<u>\$ 245,138</u>

For the years ended September 30, 2011 and 2010 amortization expense amounted to \$93,397 and \$75,216, 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, 2011:

Years	Amount
2012	\$ 108,177
2013	83,100
2014	72,437
2015	64,649
2016	64,649
Thereafter	<u>114,879</u>
Total minimum lease payments	507,891
Less amount representing interest	<u>115,010</u>
Net present value of future minimum lease payments	<u>\$ 392,881</u>

THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

8. Bonds Payable

In July 2008 the Massachusetts Development Finance Agency issued two series of Variable Rate Demand Revenue Bonds (Greater Boston Food Bank Issue): Series 2008A in the principal amount of \$13,495,000 and Series 2008B in the principal amount of \$8,100,000, on behalf of The Greater Boston Food Bank, Inc. (collectively, the Bonds). The proceeds of the Series 2008B Bonds were to be used by The Greater Boston Food Bank, Inc. for its share as tenant of the cost of the acquisition and construction of a new warehouse and distribution facility at 70 South Bay Avenue, Boston, Massachusetts and to pay for certain bond issuance costs (the Project). The proceeds of the Series 2008A Bonds are to be used to finance the Project through the new markets tax credit loans, as described in Note 9. The Greater Boston Food Bank, Inc. redeemed the Series 2008B and 2008A Bonds in their entirety during 2010 and 2011, respectively.

Bond issuance costs totaled \$265,056 and were included in prepaid expenses and other assets and were amortized ratably over the life of the bonds. Amortization of bond issuance costs totaled \$31,046 and \$104,394 for the years ended September 30, 2011 and 2010, respectively.

The interest rate on the Series 2008A Bonds was 0.26% at September 30, 2010. The Bonds were the sole responsibility of The Food Bank and each series was secured by a separate letter of credit issued by Bank of America, N.A. on behalf of The Greater Boston Food Bank, Inc. as account debtor.

The Series 2008A Bonds were initially issued as taxable bonds. During 2010, upon recognition of GBFB Realty, Inc.'s tax exemption, The Greater Boston Food Bank, Inc. was able to exercise its option to change the Series 2008A Bonds to tax-exempt bonds. The Series 2008B Bonds were issued as tax-exempt bonds.

Interest expense related to the Bonds was \$3,514 and \$196,343 for the years ended September 30, 2011 and 2010, respectively.

Under certain circumstances the interest rates on the Bonds could have been converted to fixed rates. As long as the Bonds carried a variable interest rate, interest rates on the Bonds were reset weekly and bondholders could have had their bonds purchased upon demand with seven days notice at par plus accrued interest.

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THE GREATER BOSTON FOOD BANK, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Years Ended September 30, 2011 and 2010

8. Bonds Payable (Continued)

The Greater Boston Food Bank, Inc. entered into a reimbursement agreement that provided for payment to Bank of America, N.A. for draws, if any, that may have been made upon the letters of credit. The reimbursement agreement contained covenants that restricted The Greater Boston Food Bank's ability, among other things, to issue additional debt. As a condition of the reimbursement agreement, The Greater Boston Food Bank, Inc. pledged all tangible and intangible personal property, including, among other things, all fixtures, equipment, receivables, contracts, contract rights, inventory, intellectual property rights, campaign pledge accounts, deposit accounts and insurance policies, as collateral for its reimbursement obligations and, with respect to the Series 2008B Bonds, a leasehold mortgage on 70 South Bay Avenue, Boston, Massachusetts.

9. New Market Tax Credit Loans and Leveraged Loan Receivable

In conjunction with the issuance of the Bonds, Brownfield Revitalization III, LLC (Brownfield) and New Opportunities Sub-CDE II, LLC (New Opportunities; together the CDEs) each made two new market tax credit enhanced mortgage loans (the NMTC Loans) to GBFB Realty, Inc. to finance the Project. Brownfield made two loans in the aggregate amount of \$12,250,000 and New Opportunities made two loans totaling \$4,950,000, as set forth below.

The CDEs 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 low-income communities. The availability of NMTC allowed U.S. Bancorp Community Development Corporation (USBCDC) to invest \$5,255,250 in the Boston Food Bank Investment Fund (the Investment Fund). In addition, The Food Bank made a loan of \$12,994,750 from the proceeds of the Series 2008A Bonds to the Investment Fund (Leveraged Loan). Interest on the Leveraged Loan is payable at a per annum rate of 4% commencing on the 20th of each month until July 20, 2022, when payments of principal and interest begin. The Leveraged Loan matures on July 1, 2038.

The Investment Fund used the combined amount to make equity contributions of \$12,500,000 to Brownfield and \$5,000,000 to New Opportunities. The CDEs, in turn, used the contributions to make the NMTC Loans to GBFB Realty Corporation. As security for the NMTC Loans, GBFB Realty, Inc. has granted each of the CDEs a mortgage on 70 South Bay Avenue. These mortgages are secured *pari passu* with the leasehold mortgage granted by The Food Bank to the Bank of America, NA.

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