

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

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

**September 30, 2016 and 2015**

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

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## 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, 2016 and 2015, 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, 2016 and 2015, 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 28 to 31 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 2016 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 2016 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 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 2016 consolidated financial statements or to the 2016 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 2016 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 12, 2017 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 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 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 12, 2017

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

**Consolidated Statements of Financial Position  
September 30, 2016 and 2015**

Assets

	2016	2015
Cash and cash equivalents	\$ 9,283,538	\$ 8,254,702
Investments	4,544,371	3,871,943
Accounts receivable, net of allowance for doubtful accounts of approximately \$4,000 at September 30, 2016 and 2015	734,563	1,782,487
Pledges receivable, net of discounts	19,316	29,119
Inventory	2,499,511	4,099,426
Cash restricted for investment in property and equipment	359,726	735,337
Property, plant and equipment, net	23,425,933	24,051,289
Prepaid expenses and other assets	321,124	298,129
	\$ 41,188,082	\$ 43,122,432
Total assets		

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 878,047	\$ 1,231,935
Accrued expenses and other liabilities	1,579,640	1,699,692
Deferred revenue	670,972	392,335
Obligations under capital leases	454,369	603,463
	3,583,028	3,927,425
Total liabilities		
Commitments		
Net assets		
Unrestricted		
Board designated	4,971,050	5,321,849
Other unrestricted	30,361,395	30,276,709
	35,332,445	35,598,558
Total unrestricted		
Temporarily restricted	2,272,609	3,596,449
	37,605,054	39,195,007
Total net assets		
Total liabilities and net assets	\$ 41,188,082	\$ 43,122,432

See Notes to Consolidated Financial Statements.

**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	\$ 5,466,652	\$ 1,521,647	\$ 6,988,299
Food donations	-	50,973,942	50,973,942
Contributed services	440,809	-	440,809
Special events	904,674	-	904,674
Individual contributions	7,634,083	-	7,634,083
	<u>14,446,218</u>	<u>52,495,589</u>	<u>66,941,807</u>
Total support			
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
	<u>21,057,321</u>	<u>-</u>	<u>21,057,321</u>
Total revenues			
Net assets released from restrictions			
Food distribution	51,912,368	(51,912,368)	-
Satisfaction of donor restrictions	1,505,718	(1,505,718)	-
	<u>53,418,086</u>	<u>(53,418,086)</u>	<u>-</u>
Total support and revenues	<u>88,921,625</u>	<u>(922,497)</u>	<u>87,999,128</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>
<b>Expenses</b>			
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
	<u>82,321,744</u>	<u>-</u>	<u>82,321,744</u>
Total program services			
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
	<u>7,273,037</u>	<u>-</u>	<u>7,273,037</u>
Total support services			
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>
<b>Non-operating activities</b>			
Gain on sale of property, plant and equipment	5,700	-	5,700
Net assets released from restrictions	401,343	(401,343)	-
	<u>407,043</u>	<u>(401,343)</u>	<u>5,700</u>
Increase (decrease) in net assets from non-operating activities			
Change in net assets	<u>\$ (266,113)</u>	<u>\$ (1,323,840)</u>	<u>\$ (1,589,953)</u>

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

**Consolidated Statements of Activities  
Year Ended September 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Operating Support			
Institutional contributions	\$ 4,292,456	\$ 1,148,855	\$ 5,441,311
Food donations	-	50,324,551	50,324,551
Contributed services	1,841,430	-	1,841,430
Special events	588,367	-	588,367
Individual contributions	8,607,794	1,566	8,609,360
	<u>15,330,047</u>	<u>51,474,972</u>	<u>66,805,019</u>
Total support			
Revenues			
State income - MEFAP	14,936,563	-	14,936,563
Shared maintenance fees	781,584	-	781,584
Coop income	3,351,966	-	3,351,966
USDA reimbursement	617,014	-	617,014
Interest and dividends	490,734	-	490,734
Rental income, net of expenses of \$473,696	58,992	-	58,992
Other	170,675	-	170,675
	<u>20,407,528</u>	<u>-</u>	<u>20,407,528</u>
Total revenues			
Net assets released from restrictions			
Food distribution	49,877,431	(49,877,431)	-
Satisfaction of donor restrictions	1,279,411	(1,279,411)	-
	<u>51,156,842</u>	<u>(51,156,842)</u>	<u>-</u>
Total support and revenues	<u>86,894,417</u>	<u>318,130</u>	<u>87,212,547</u>



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

**Consolidated Statements of Activities  
Year Ended September 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Expenses			
Program services			
Food distribution	68,414,885	-	68,414,885
Warehouse	2,232,016	-	2,232,016
Property	1,881,988	-	1,881,988
Agency relations	422,735	-	422,735
Nutrition programs	1,187,479	-	1,187,479
Food Acquisition Group	4,859,371	-	4,859,371
Total program services	<u>78,998,474</u>	<u>-</u>	<u>78,998,474</u>
Support services			
General and administrative	3,428,577	-	3,428,577
Lobbying	35,209	-	35,209
Marketing	1,713,308	-	1,713,308
Development	2,705,051	-	2,705,051
Total support services	<u>7,882,145</u>	<u>-</u>	<u>7,882,145</u>
Total expenses	<u>86,880,619</u>	<u>-</u>	<u>86,880,619</u>
Increase (decrease) in net assets from operating activities	<u>13,798</u>	<u>318,130</u>	<u>331,928</u>
Non-operating activities			
Loss on sale of property, plant and equipment	(8,422)	-	(8,422)
Net assets released from restrictions	13,989	(13,989)	-
Increase (decrease) in net assets from non-operating activities	<u>5,567</u>	<u>(13,989)</u>	<u>(8,422)</u>
Change in net assets	<u>\$ 19,365</u>	<u>\$ 304,141</u>	<u>\$ 323,506</u>

See Notes to Consolidated Financial Statements.

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

### Consolidated Statements of Functional Expenses Year Ended September 30, 2016

	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	\$ -	\$ 1,754,614	\$ -	\$ 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
<b>Total salaries and fringe benefits</b>	-	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	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)
	<b>\$ 71,215,034</b>	<b>\$ 2,051,877</b>	<b>\$ 1,367,459</b>	<b>\$ 420,523</b>	<b>\$ 1,660,066</b>	<b>\$ 5,606,785</b>	<b>\$ 82,321,744</b>	<b>\$ 3,061,872</b>	<b>\$ 37,629</b>	<b>\$ 1,222,398</b>	<b>\$ 2,951,138</b>	<b>\$ 7,273,037</b>	<b>\$ 89,594,781</b>

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

### Consolidated Statements of Functional Expenses Year Ended September 30, 2015

	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	\$ -	\$ 1,639,434	\$ -	\$ 483,969	\$ 273,019	\$ 713,609	\$ 3,110,031	\$ 1,880,409	\$ -	\$ 415,435	\$ 912,625	\$ 3,208,469	\$ 6,318,500
Fringe benefits	-	389,687	-	117,992	74,568	135,708	717,955	382,761	-	74,948	188,464	646,173	1,364,128
<b>Total salaries and fringe benefits</b>	-	2,029,121	-	601,961	347,587	849,317	3,827,986	2,263,170	-	490,383	1,101,089	3,854,642	7,682,628
Day labor	-	291,583	-	4,263	-	-	295,846	95,185	-	435	18,039	113,659	409,505
Consulting	-	5,585	-	180	517	-	6,282	861,019	35,209	163,519	134,524	1,194,271	1,200,553
Other personnel costs	-	7,829	-	728	612	1,926	11,095	193,127	-	404	2,539	196,070	207,165
Professional development	-	1,030	-	520	2,210	2,473	6,233	22,152	-	6,006	4,319	32,477	38,710
Rubbish removal	-	36,476	-	-	-	-	36,476	-	-	-	-	-	36,476
Repairs and maintenance	-	259,708	-	-	-	-	259,708	100	-	-	-	100	259,808
Supplies	-	26,114	-	3,517	5,073	819	35,523	62	-	680	-	742	36,265
Utilities/security/insurance	-	342,475	-	4,072	4,071	4,459	355,077	12,293	-	3,393	7,690	23,376	378,453
Other building costs	-	69,254	-	-	-	-	69,254	402	-	-	-	402	69,656
Financing charges	-	-	-	256	-	522	778	40,684	-	-	-	40,684	41,462
Freight charges	-	7,559	-	-	-	2,176,393	2,183,952	-	-	-	-	-	2,183,952
Food distribution	49,879,606	-	-	-	9,129	-	49,888,735	-	-	-	-	-	49,888,735
Food purchases	18,535,279	-	-	-	-	-	18,535,279	-	-	-	-	-	18,535,279
Kitchen supplies	-	-	-	-	11,914	-	11,914	-	-	-	-	-	11,914
Fleet expense	-	197,308	-	9,062	-	-	206,370	5,322	-	-	-	5,322	211,692
Bank charges/processing fees	-	310	499,713	-	-	-	500,023	13,576	-	-	104,932	118,508	618,531
Computer maintenance and supplies	-	-	-	-	-	-	-	213,264	-	-	-	213,264	213,264
Other insurance	-	-	-	-	-	-	-	17,113	-	-	-	17,113	17,113
Legal and audit	-	-	-	-	-	-	-	391,494	-	-	-	391,494	391,494
Postage and printing	-	10	-	508	7,335	3,777	11,630	5,898	-	151,291	797,009	954,198	965,828
Advertising	-	-	-	1,460	-	-	1,460	15,024	-	976,072	97,735	1,088,831	1,090,291
Special events - direct costs	-	-	-	-	-	-	-	-	-	-	338,010	338,010	338,010
Office expense	-	215,467	250	21,444	22,302	25,424	284,887	44,036	-	23,471	48,387	115,894	400,781
Program expense	-	-	-	118,920	-	-	118,920	-	-	-	-	-	118,920
Staff travel	-	12,157	-	17,452	22,083	19,711	71,403	57,821	-	1,140	50,778	109,739	181,142
Feeding America fees	-	-	-	-	-	-	-	36,184	-	-	-	36,184	36,184
Volunteer expense	-	-	-	-	118	-	118	1,996	-	-	-	1,996	2,114
Depreciation and amortization	-	-	1,382,025	-	-	-	1,382,025	-	-	-	-	-	1,382,025
Allocated expenses	-	(1,269,970)	-	(361,608)	754,528	1,774,550	897,500	(861,345)	-	(103,486)	-	(964,831)	(67,331)
	<b>\$ 68,414,885</b>	<b>\$ 2,232,016</b>	<b>\$ 1,881,988</b>	<b>\$ 422,735</b>	<b>\$ 1,187,479</b>	<b>\$ 4,859,371</b>	<b>\$ 78,998,474</b>	<b>\$ 3,428,577</b>	<b>\$ 35,209</b>	<b>\$ 1,713,308</b>	<b>\$ 2,705,051</b>	<b>\$ 7,882,145</b>	<b>\$ 86,880,619</b>

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, 2016 and 2015**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Consolidated</u>
Beginning balance, October 1, 2014	\$ 31,373,943	\$ 3,292,308	\$ 34,666,251
Changes in net assets	19,365	304,141	323,506
Gain on related party debt forgiveness	<u>4,205,250</u>	<u>-</u>	<u>4,205,250</u>
Ending balance, September 30, 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	<u><u>\$ 35,332,445</u></u>	<u><u>\$ 2,272,609</u></u>	<u><u>\$ 37,605,054</u></u>

See Notes to Consolidated Financial Statements.

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

**Consolidated Statements of Cash Flows  
Years Ended September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (1,589,953)	\$ 323,506
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,379,171	1,393,861
Loss (gain) on sale of property, plant and equipment	(5,700)	8,422
Unrealized (gain) loss on investments	(16,932)	(19,279)
Realized (gain) loss on investments	(468)	(2,306)
Change in pledge discount	-	(1,566)
Amortization of deferred financing costs	-	31,912
Changes in operating assets and liabilities		
Accounts receivable	1,047,924	(188,002)
Pledges receivable	9,803	30,312
Inventory	1,599,915	(836,357)
Prepaid expenses and other assets	(22,995)	(85,665)
Accounts payable	(353,888)	385,924
Accrued expenses and other liabilities	(120,052)	327,684
Deferred revenue	278,637	(146,392)
	<u>2,205,462</u>	<u>1,222,054</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(11,320,028)	(6,271,295)
Sale of investments	10,665,000	8,085,000
Purchases of property, plant and equipment	(753,815)	(387,720)
Proceeds from sale of property, plant and equipment	5,700	-
	<u>(1,403,143)</u>	<u>1,425,985</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Cash restricted for investment in property and equipment	375,611	114,233
Repayments of obligations under capital leases	(149,094)	(137,304)
	<u>226,517</u>	<u>(23,071)</u>
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	1,028,836	2,624,968
Cash and cash equivalents - beginning	<u>8,254,702</u>	<u>5,629,734</u>
Cash and cash equivalents - end	<u>\$ 9,283,538</u>	<u>\$ 8,254,702</u>

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

**Consolidated Statements of Cash Flows  
Years Ended September 30, 2016 and 2015**

	2016	2015
Supplemental disclosures of cash flow data		
Cash paid during the year for interest	\$ -	\$ 487,463
Supplemental disclosures of noncash investing and financing activities		
Acquisition of property and equipment	\$ 972,985	\$ 387,720
Less amounts transferred from construction in process	(219,170)	-
Total cash paid	\$ 753,815	\$ 387,720
Forgiveness of new market tax credit loans payable	\$ -	\$ 17,200,000
Forgiveness of leveraged loan receivable	-	(12,994,750)
Gain on related party debt forgiveness	\$ -	\$ 4,205,250

See Notes to Consolidated Financial Statements.

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

### Notes to Consolidated Financial Statements September 30, 2016 and 2015

#### 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, 2016 and 2015**

Included in unrestricted net assets are Board of Directors designated net assets of \$4,971,050 and \$5,321,849 as of September 30, 2016 and 2015, 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 tax-exempt organizations 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 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 twelve months. The open years for Federal and state returns include 2013 through 2015.

#### **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, 2016 and 2015.

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, 2016 and 2015.



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

**Notes to Consolidated Financial Statements  
September 30, 2016 and 2015**

Pledges are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
In one year or less	\$ 10,000	\$ 10,000
Between one and five years	<u>10,000</u>	<u>20,000</u>
	20,000	30,000
Less: discounts to net present value	<u>684</u>	<u>881</u>
Total pledges receivable, net	<u><u>\$ 19,316</u></u>	<u><u>\$ 29,119</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, 2016 and 2015, GBFB had cash deposits of \$8,500,000 and \$7,600,000 and investment deposits of \$1,500,000 and \$1,200,000, 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, 2016</u>	<u>September 30, 2015</u>
Coop Program	Cost (FIFO)	Cost (FIFO)
Donated Inventory	\$1.67/pound	\$1.70/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, 2015 and 2014 prepared for Feeding America.

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

### **Notes to Consolidated Financial Statements September 30, 2016 and 2015**

#### **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 provided 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, 2016 and 2015, accounts receivable relating to this program amounted to \$183,159 and \$231,809, respectively.

##### **MEFAP**

GBFB has also 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, 2016 and 2015, deferred revenue from MEFAP was \$633,030 and \$391,543, respectively. GBFB had a receivable from the MDE in the amount of \$8,441 and \$1,221,121 for the years ended September 30, 2016 and 2015, 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 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, 2016 and 2015

#### Contributed services

Contributions of services are recognized as a contribution and expenses 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 2016 or 2015.

#### 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 \$614,073 and \$1,090,291 for the years ended September 30, 2016 and 2015, respectively. Included in advertising expense is \$161,619 and \$722,808 of contributed advertising for the years ended September 30, 2016 and 2015, respectively, see Note 12.

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

### Notes to Consolidated Financial Statements September 30, 2016 and 2015

#### 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. There were no deferred financing costs at September 30, 2015. Amortization expense for the year ended September 30, 2015 was \$31,912. There were no deferred financing costs and amortization expense for the year ended September 30, 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 12, 2017, which is the date the financial statements were available to be issued (See Note 17).

#### 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, 2016 and 2015, temporarily restricted net assets are restricted for the following purposes:

	2016	2015
Capital campaign gifts	\$ 88,210	\$ 489,553
Food distribution	1,893,567	2,831,993
Purpose restricted gifts	290,832	274,903
Totals	<u>\$ 2,272,609</u>	<u>\$ 3,596,449</u>

#### Note 4 - Food distribution

For the years ended September 30, 2016 and 2015, GBFB distributed 57,737,276 and 54,121,419 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 \$1.67 and \$1.70 per pound if donated in 2016 and 2015, 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.

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

### Notes to Consolidated Financial Statements September 30, 2016 and 2015

For the years ended September 30, 2016 and 2015, GBFB enabled 3,347,090 and 2,974,496 pounds of food, respectively. For the years ended September 30, 2016 and 2015, GBFB referred 271,744 and 591,070 pounds of food, respectively. The value of these enabled and referred pounds is \$6,043,453 and \$6,061,462 for the years ended September 30, 2016 and 2015, respectively.

#### Note 5 - Property, plant and equipment, net

Property, plant and equipment at September 30, 2016 and 2015 consist of the following:

	2016	2015
Land	\$ 2,579,923	\$ 2,579,923
Buildings and improvements	27,668,158	27,221,290
Equipment, furniture and fixtures	2,239,783	2,117,214
Computer software	1,267,129	959,648
Trucks and automobiles	1,896,787	1,921,955
Construction in progress	28,062	247,232
	<u>35,679,842</u>	<u>35,047,262</u>
Less: Accumulated depreciation and amortization	<u>12,253,909</u>	<u>10,995,973</u>
	<u>\$ 23,425,933</u>	<u>\$ 24,051,289</u>

Depreciation and amortization expense was \$1,379,171 and \$1,393,861 for the years ended September 30, 2016 and 2015, respectively.

Included in property, plant and equipment at September 30, 2016 and 2015 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 the fiscal year 2016, the match is twenty-five cents for every one dollar contributed up to eight percent of an employee's gross compensation. For the fiscal year 2015, the match is twenty-five cents for every one dollar contributed up to six percent of an employee's gross compensation. While GBFB expects to continue the Plan indefinitely, it has reserved the right to modify, amend or terminate the Plan. GBFB's discretionary matching contributions under the Plan amounted to \$78,963 and \$64,108 for the years ended September 30, 2016 and 2015, 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 \$225,349 and \$125,739 as of September 30, 2016 and 2015, 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, 2016 and 2015**

**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, 2016 and 2015. The imputed interest rates range from 5.3% to 9.7%. A summary of capitalized lease cost and accumulated amortization as of September 30, 2016 and 2015 is as follows:

	2016	2015
Cost	\$ 1,128,534	\$ 1,128,534
Accumulated amortization	(946,170)	(796,194)
Net book value	\$ 182,364	\$ 332,340

For the years ended September 30, 2016 and 2015, amortization expense amounted to \$149,976 and \$185,823, 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, 2016:

Years ending September 30,	Amount
2017	\$ 196,122
2018	173,565
2019	89,649
2020	28,964
2021	15,934
Total minimum lease payments	504,234
Less amount representing interest	(49,865)
Net present value of future minimum lease payments	\$ 454,369

**Note 8 - 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 have received allocations of new market tax credits ("NMTC") pursuant to Section 45D of the 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, GBFB 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

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

**Notes to Consolidated Financial Statements  
September 30, 2016 and 2015**

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 consolidated 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 GBFB to the Bank of America, NA.

The NMTC Loans mature on July 1, 2038 and principal is payable in monthly installments commencing on July 20, 2023. Interest is payable on the NMTC Loans on the 20th of each month and commenced July 20, 2008, at the following interest rates:

	Original principal amount	Annual interest rate
	<hr/>	<hr/>
Brownfield Loan A	\$ 9,496,250	4.00%
Brownfield Loan B	2,753,750	2.25%
	<hr/>	
	12,250,000	
	<hr/>	
New Opportunities Loan A	3,498,500	4.00%
New Opportunities Loan B	1,451,500	0.77%
	<hr/>	
	4,950,000	
	<hr/>	
Total new market tax credit loans	<u>\$ 17,200,000</u>	

Simultaneously with the new market tax credit transaction, GBFB Realty, Inc. entered into a lease agreement with GBFB pursuant to which GBFB will lease the Project for thirty years and pay a monthly rent to GBFB Realty, Inc., which will be used by GBFB Realty, Inc. to pay debt service on the NMTC Loans.

The security for the loan from GBFB to the Sub-CDEs consists of the underlying LLC interests. Therefore, management is of the opinion that the only source of funds available for repayment of the loan is through funds from itself payable through GBFB Realty, Inc. Between July 12, 2014 and January 8, 2015, the USBCDC has a right and option, but not an obligation, to require GBFB to purchase all of USBCDC's interest in the Investment Fund for a put exercise price of \$1,000. If the put is not exercised, then GBFB has the option, during the period January 9, 2015 to July 8, 2015, to purchase USBCDC's interest in the Investment Fund.

On July 13, 2015, the Investment Fund redeemed their investments in the CDEs. The redemption price was the NMTC Loans. After the redemption, the loans were payable by GBFB Realty, Inc. to the Investment Fund. The Investment Fund then exercised their put at a price of \$1,000. After the put was exercised, the GBFB owned 100% of the Investment Fund. The Investment Fund was then dissolved. As a result of the dissolution, the \$17,200,000 new market tax credit loans were discharged and the \$12,994,750 leveraged loan receivable was forgiven by the GBFB. This resulted in a gain on related party debt forgiveness of \$4,205,250.

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

**Notes to Consolidated Financial Statements  
September 30, 2016 and 2015**

GBFB recorded the gain associated with this transaction at the date it was exercised. The options did not represent embedded derivatives and, accordingly, have not been accounted for as derivative instruments in the consolidated financial statements which is reflected on the statement of changes in net assets as an increase in net assets.

Interest expense related to the NMTC Loans for the year ended September 30, 2015 was \$487,463. Interest income related to the Leveraged Loan for the year ended September 30, 2015 was \$412,944.

**Note 9 - 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.

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, 2016 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - short-term Federal	<u>\$ 4,544,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,544,371</u>

The fair value of GBFB's investments that are reported in the accompanying consolidated statement of financial position as of September 30, 2015 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - short-term Federal	<u>\$ 3,871,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,871,943</u>



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

**Notes to Consolidated Financial Statements  
September 30, 2016 and 2015**

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, 2016 and 2015.

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 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 10 - 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 is included in other revenue on the consolidated statements of activities. The fair value was as follows at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 4,544,371	\$ 3,871,943
Totals	<u>\$ 4,544,371</u>	<u>\$ 3,871,943</u>

**Note 11 - 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, 2016 and 2015, the value of in-kind gifts received was \$4,780 and \$3,185, respectively, and is included in institutional contributions on the consolidated statements of activities.

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

**Notes to Consolidated Financial Statements  
September 30, 2016 and 2015**

**Note 12 - 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, 2016 and 2015, all donated services were expenses and consisted of the following:

	<u>2016</u>	<u>2015</u>
Auditing	\$ 52,075	\$ 59,820
Legal	127,115	246,954
Consulting	100,000	673,682
Advertising	161,619	722,808
Fundraising	-	130,666
Other	-	7,500
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 440,809</u>	<u>\$ 1,841,430</u>

During the current fiscal year, GBFB changed the estimation used to value contributed advertising from 70% to 10% of the standard rate card contractually provided. This was a result of the advertising services received could be pre-empted for other advertisement customers.

**Note 13 - 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 May 2017. Future payments to be received under this rental agreement for the years subsequent to September 30, 2016 are as follows:

<u>Years ending September 30,</u>	<u>Amount</u>
2017	\$ 216,000
2018	216,000
2019	216,000
2020	108,000
	<u>                    </u>
Total	<u>\$ 756,000</u>

Included in the rental expense for both the years ended September 30, 2016 and 2015 is \$11,836 of depreciation expense.

**Note 14 - Operating lease commitments**

GBFB leases office and warehouse equipment under operating lease arrangements extending through June 2017. The approximate aggregate minimum lease payments for noncancellable lease arrangements related to this equipment is \$11,000 for the year ended September 30, 2016.

Future minimum lease payments for the year ended September 30, 2017 is \$8,217.

Equipment rent expense amounted to \$10,509 and \$18,393 for the years ended September 30, 2016 and 2015, respectively.

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

**Notes to Consolidated Financial Statements  
September 30, 2016 and 2015**

**Note 15 - 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. Rental income and expense under the agreement totaled \$495,147 in 2015, and has been eliminated in consolidation.

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 year ended September 30, 2016 was \$1,000 and has been eliminated during consolidation.

**Note 16 - Concentrations of risk**

For the years ended September 30, 2016 and 2015, approximately 18% and 18%, respectively, of GBFB's total support and revenues were derived from MEFAP.

For the years ended September 30, 2016 and 2015, approximately 47% and 56%, respectively, of GBFB's total food purchases were from three vendors.

For the years ended September 30, 2016 and 2015, approximately 26% and 25%, respectively, of the total food distributed was MEFAP food. For the years ended September 30, 2016 and 2015, approximately 17% and 16%, respectively, of the total food distributed was USDA food.

**Note 17 - Subsequent event**

On May 17, 2016, GBFB entered into a capital lease agreement for two trucks. Payment on this lease commences at the time GBFB receives the trucks and the vehicles are placed in service. Both trucks were placed in service as of December 2016. The agreement was for a total amount of \$168,350, due in monthly installments of \$2,310 for 84 months, with an interest rate of 4.12%.

The following is a schedule of future minimum lease payments under this capital lease with the present value of the future minimum lease payments as of September 30, 2016:

<u>Years ending September 30,</u>	<u>Amount</u>
2017	\$ 20,791
2018	27,721
2019	27,721
2020	27,721
2021	27,721
Thereafter	<u>62,372</u>
Total minimum lease payments	194,047
Less amount representing interest	<u>(25,697)</u>
Net present value of future minimum lease payments	<u>\$ 168,350</u>

## **Supplementary Information**

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

**Supplementary Information**

**Consolidating Statement of Financial Position  
September 30, 2016**

	The Greater Boston Food Bank, Inc.	GBFB Realty, Inc.	Eliminations	Consolidated
<u>Assets</u>				
Cash and cash equivalents	\$ 9,188,248	\$ 95,290	\$ -	\$ 9,283,538
Investments	4,544,371	-	-	4,544,371
Accounts receivable, net of allowance for doubtful accounts of \$4,000	733,600	963	-	734,563
Pledges receivable, net	19,316	-	-	19,316
Inventory	2,499,511	-	-	2,499,511
Cash restricted for investment in property and equipment	359,726	-	-	359,726
Property, plant and equipment, net	3,144,969	20,557,510	(276,546)	23,425,933
Prepaid expenses and other assets	316,038	5,086	-	321,124
	<u>\$ 20,805,779</u>	<u>\$ 20,658,849</u>	<u>\$ (276,546)</u>	<u>\$ 41,188,082</u>
<u>Liabilities and Net Assets</u>				
Liabilities				
Accounts payable	\$ 878,047	\$ -	\$ -	\$ 878,047
Accrued expenses and other liabilities	1,579,640	-	-	1,579,640
Deferred revenue	669,180	1,792	-	670,972
Obligations under capital leases	454,369	-	-	454,369
	<u>3,581,236</u>	<u>1,792</u>	<u>-</u>	<u>3,583,028</u>
Net assets:				
Unrestricted				
Board designated	4,971,050	-	-	4,971,050
Other unrestricted	9,980,884	20,657,057	(276,546)	30,361,395
	<u>14,951,934</u>	<u>20,657,057</u>	<u>(276,546)</u>	<u>35,332,445</u>
Temporarily restricted	2,272,609	-	-	2,272,609
	<u>17,224,543</u>	<u>20,657,057</u>	<u>(276,546)</u>	<u>37,605,054</u>
Total liabilities and net assets	<u>\$ 20,805,779</u>	<u>\$ 20,658,849</u>	<u>\$ (276,546)</u>	<u>\$ 41,188,082</u>

See Independent Auditor's Report.

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

**Supplementary Information**

**Consolidating Statement of Activities  
Year Ended September 30, 2016**

	The Greater Boston Food Bank, Inc.	GBFB Realty, Inc.	Eliminations	Consolidated
Operating Support				
Institutional contributions	\$ 6,988,299	\$ -	\$ -	\$ 6,988,299
Food donations	50,973,942	-	-	50,973,942
Contributed services	440,809	-	-	440,809
Special events	904,674	-	-	904,674
Individual contributions	7,634,083	-	-	7,634,083
<b>Total support</b>	<b>66,941,807</b>	<b>-</b>	<b>-</b>	<b>66,941,807</b>
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	1,000	(1,000)	108,768
Other	193,938	-	-	193,938
<b>Total revenues</b>	<b>21,057,321</b>	<b>1,000</b>	<b>(1,000)</b>	<b>21,057,321</b>
<b>Total support and revenues</b>	<b>87,999,128</b>	<b>1,000</b>	<b>(1,000)</b>	<b>87,999,128</b>

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

**Supplementary Information**

**Consolidating Statement of Activities  
Year Ended September 30, 2016**

	The Greater Boston Food Bank, Inc.	GBFB Realty, Inc.	Eliminations	Consolidated
Expenses				
Program services				
Food distribution	71,215,034	-	-	71,215,034
Warehouse	2,051,877	-	-	2,051,877
Property	371,098	997,361	(1,000)	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>81,325,383</u>	<u>997,361</u>	<u>(1,000)</u>	<u>82,321,744</u>
Support services				
General and administrative	3,053,100	8,772	-	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>7,264,265</u>	<u>8,772</u>	<u>-</u>	<u>7,273,037</u>
Total expenses	<u>88,589,648</u>	<u>1,006,133</u>	<u>(1,000)</u>	<u>89,594,781</u>
Increase (decrease) in net assets from operating activities	<u>(590,520)</u>	<u>(1,005,133)</u>	<u>-</u>	<u>(1,595,653)</u>
Non-operating				
Gain on sale of property, plant and equipment	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>5,700</u>
Increase in net assets from non-operating activities	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>5,700</u>
Change in net assets	<u>\$ (584,820)</u>	<u>\$ (1,005,133)</u>	<u>\$ -</u>	<u>\$ (1,589,953)</u>

See Independent Auditor's Report.

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

**Supplementary Information**

**Consolidating Statement of Changes in Net Assets  
Year Ended September 30, 2016**

	The Greater Boston Food Bank, Inc.	GBFB Realty, Inc.	Eliminations	Consolidated
Beginning balance, October 1, 2014	\$ 34,671,617	\$ 271,180	\$ (276,546)	\$ 34,666,251
Changes in net assets	1,375,736	(1,052,230)	-	323,506
Gain (loss) on related party debt forgiveness	<u>(18,237,990)</u>	<u>22,443,240</u>	<u>-</u>	<u>4,205,250</u>
Ending balance, September 30, 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	<u>\$ 17,224,543</u>	<u>\$ 20,657,057</u>	<u>\$ (276,546)</u>	<u>\$ 37,605,054</u>

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