

**WORCESTER COUNTY FOOD BANK, INC.**

***FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2019***

***AND***

***INDEPENDENT AUDITOR'S REPORT***

WORCESTER COUNTY FOOD BANK, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Worcester County Food Bank, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Worcester County Food Bank, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Worcester County Food Bank, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Emphasis of a Matter**

As disclosed in Note 2 to the financial statements, the Organization adopted the provisions of ASU 2016-14 - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited Worcester County Food Bank, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Ballus Lynch, LLP*

Worcester, Massachusetts  
November 7, 2019

WORCESTER COUNTY FOOD BANK, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Summarized Financial Information for 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents		
Without donor restrictions	\$ 886,503	\$ 1,288,790
With donor restrictions	-	13,785
	<u>886,503</u>	<u>1,302,575</u>
Total cash and cash equivalents	886,503	1,302,575
Investments	6,343,901	5,560,783
Accounts receivable		
Commodities	115,863	78,005
Other	40	35,337
Contributions receivable	12,500	25,000
Prepaid expenses	48,465	52,153
Property and equipment	<u>1,151,248</u>	<u>1,258,217</u>
Total assets	<u>\$ 8,558,520</u>	<u>\$ 8,312,070</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 130,184	\$ 133,762
Accrued expenses	129,025	150,215
Deferred revenue	-	125,948
	<u>259,209</u>	<u>409,925</u>
Total liabilities	259,209	409,925
Net assets		
Without donor restrictions	8,286,811	7,863,360
With donor restrictions	<u>12,500</u>	<u>38,785</u>
Total net assets	<u>8,299,311</u>	<u>7,902,145</u>
Total liabilities and net assets	<u>\$ 8,558,520</u>	<u>\$ 8,312,070</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY FOOD BANK, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

(With Summarized Financial Information for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support, revenue and net assets released from restriction				
Support				
Donated food distributed	\$ 9,962,833	\$ -	\$ 9,962,833	\$ 10,838,033
Donated materials and services	60,555	-	60,555	53,048
Contributions	1,679,837	12,500	1,692,337	1,691,903
Grants - other	758,282	12,513	770,795	705,812
Total support	12,461,507	25,013	12,486,520	13,288,796
Revenue				
Agency service fees and USDA reimbursement	282,640	-	282,640	288,346
Aggregation sales	143,520	-	143,520	100,165
Net investment return	533,091	-	533,091	382,071
Loss on disposition of equipment	(80,857)	-	(80,857)	-
Miscellaneous	38,176	-	38,176	26,260
Total revenue	916,570	-	916,570	796,842
Net assets released from restrictions				
Satisfaction of program restrictions	51,298	(51,298)	-	-
Total support, revenue and net assets released from restriction	13,429,375	(26,285)	13,403,090	14,085,638
Expenses				
Program services	11,991,685	-	11,991,685	12,889,443
Management and general	533,451	-	533,451	368,661
Fundraising	480,788	-	480,788	531,063
Total expenses	13,005,924	-	13,005,924	13,789,167
Change in net assets	423,451	(26,285)	397,166	296,471
Net assets, beginning of year	7,863,360	38,785	7,902,145	7,605,674
Net assets, end of year	\$ 8,286,811	\$ 12,500	\$ 8,299,311	\$ 7,902,145

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

(With Summarized Financial Information for 2018)

	Program Services	Management and General	Fundraising	Total	
				2019	2018
Payroll and related expenses					
Payroll	\$ 822,447	\$ 174,180	\$ 212,873	\$ 1,209,500	\$ 1,300,294
Employee benefits	151,973	30,921	37,308	220,202	241,108
Payroll taxes	77,694	12,805	16,417	106,916	132,169
Total payroll and related expenses	<u>1,052,114</u>	<u>217,906</u>	<u>266,598</u>	<u>1,536,618</u>	<u>1,673,571</u>
Operating expenses					
Communications and publications	7,128	21,478	10,497	39,103	34,802
Donated food distributed	9,962,833	-	-	9,962,833	10,838,033
Donated materials and services	59,980	575	-	60,555	53,048
Food purchases	175,040	-	-	175,040	129,162
Insurance	14,685	10,816	-	25,501	24,917
Interest and finance charges	77	169	10,873	11,119	10,351
Miscellaneous	966	1,801	-	2,767	9,602
Motor vehicle	46,928	-	-	46,928	30,095
Occupancy	127,925	6,243	5,544	139,712	135,619
Office	6,525	13,216	11,118	30,859	39,128
Organizational dues	25,105	1,788	1,000	27,893	24,311
Program expense	151,466	134	-	151,600	105,541
Professional fees	95,886	217,157	153,842	466,885	362,483
Seminars and conferences	6,328	8,598	3,255	18,181	16,059
Technology and communications	57,909	20,623	6,822	85,354	68,166
Training	6,605	1,370	1,027	9,002	6,240
Travel	5,608	4,018	2,039	11,665	18,887
Utilities	43,583	1,747	1,889	47,219	45,456
Total operating expenses	<u>10,794,577</u>	<u>309,733</u>	<u>207,906</u>	<u>11,312,216</u>	<u>11,951,900</u>
Total expenses before depreciation	11,846,691	527,639	474,504	12,848,834	13,625,471
Depreciation	144,994	5,812	6,284	157,090	163,696
Total expenses	<u>\$ 11,991,685</u>	<u>\$ 533,451</u>	<u>\$ 480,788</u>	<u>\$ 13,005,924</u>	<u>\$ 13,789,167</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY FOOD BANK, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

(With Summarized Financial Information for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 397,166	\$ 296,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	157,090	163,696
Amortization	-	157
Net investment gains	(457,229)	(311,691)
Loss on disposition of equipment	80,857	-
 (Increase) decrease in operating assets:		
Accounts receivable	(2,561)	(71,210)
Contributions receivable	12,500	59,324
Inventory - co-op	-	1,873
Prepaid expenses	3,688	(3,523)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,578)	11,230
Accrued expenses	(21,190)	(104,368)
Deferred revenue	(125,948)	125,948
 Net cash provided by operating activities	<u>40,795</u>	<u>167,907</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(130,979)	(134,035)
Purchase of investments	(1,334,640)	(1,845,394)
Proceeds from sale of investments	1,008,752	1,639,378
 Net cash used in investing activities	<u>(456,867)</u>	<u>(340,051)</u>
 Net decrease in cash	(416,072)	(172,144)
 Cash and cash equivalents, beginning of year	<u>1,302,575</u>	<u>1,474,719</u>
 Cash and cash equivalents, end of year	<u>\$ 886,503</u>	<u>\$ 1,302,575</u>

See accompanying independent auditor's report and notes to financial statements.



WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

Worcester County Food Bank, Inc. (the "Organization") commenced operations in November 1982 as a program of Catholic Charities Diocese of Worcester, Inc. As of July 1, 1991, Worcester County Food Bank, Inc. began operations as a separate legal entity.

The Organization is the region's leading anti-hunger agency distributing over 6 million pounds of donated food and grocery product in partnership with food donors, financial supporters, and volunteers. The Organization provides this product to a network of 120 Partner Agencies that have programs for feeding people including food pantries and community meal sites.

The Organization also advocates within the community and at the state and federal levels for systemic and sustainable solutions to the problem of hunger.

The Organization receives its funding from individual contributions, foundations, the federal government, Commonwealth of Massachusetts, Partner Agency shared maintenance fees, organizations, and corporations.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and cash equivalents

Cash and cash equivalents consist of monies held in checking and savings accounts, petty cash, and money market accounts.

Accounts receivable

Accounts receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as unrestricted increases or decreases unless its use is restricted by explicit donor stipulations or by law.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$2,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Contributions, gifts, grants

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-kind contributions

Donated food held for distribution by the Organization is not recorded until it is actually distributed by the Organization. During the years ended June 30, 2019 and 2018 the Organization distributed 6,149,897 and 6,451,210 pounds of donated food products, respectively. Valuation of donated food items is based on the approximate average wholesale value of one pound of donated product as calculated in the Product Valuation Survey Methodology, Agreed-Upon Procedures prepared by Feeding America. The valuation at December 31, 2018 and 2017 was \$1.62 and \$1.68 per pound, respectively.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated services with an estimated fair value of \$59,980 met those criteria and are included in in-kind contributions in the statement of activities.

Deferred revenue

Deferred revenue consists of contract amounts that exceed earned revenue or costs incurred as of the end of the year. These amounts will be recognized as income when they are earned.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the same basis as occupancy for each program and supporting activity.

Management periodically evaluates the bases on which costs are allocated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was approximately \$1,820 and \$0 in 2019 and 2018, respectively.

Tax-exempt status

The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

Change in accounting principles

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called "Net Assets with Donor Restrictions".
- The unrestricted net asset class has been renamed "Net Assets without Donor Restrictions".
- The financial statements include a disclosure about liquidity and availability of resources (note 3).
- Investment fees are recorded as a component of investment return.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in accounting principles (continued)

The changes have the following effect on net assets at June 30, 2018:

	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Net asset class		
Unrestricted net assets	\$ 7,863,360	\$ -
Temporarily restricted net assets	38,785	-
Net assets without donor restrictions	-	7,863,360
Net assets with donor restrictions	-	38,785
Total net assets	<u>\$ 7,902,145</u>	<u>\$ 7,902,145</u>

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 886,503
Investments	6,343,901
Accounts receivable	115,903
Contributions receivable	12,500
Total financial assets	7,358,807
Less: Board-designated funds	<u>200,000</u>
Amount available for general expenditures within one year	<u>\$ 7,158,807</u>

The above table reflects board-designated funds as unavailable because it is the Organization's intention to retain those resources for capital improvements of the Organization.

The Organization monitors liquidity required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the available financial assets summarized above, the Organization has various sources of liquidity at its disposal, including a line of credit. See Note 9 for information about the Organization's line of credit.

4 - CASH AT RISK

The Organization maintains its cash deposit accounts at a bank and a brokerage firm. These balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per financial institution. Management acknowledges the possibility of risk in these arrangements; however, the Organization has not experienced any losses in such accounts, and the Organization believes it is not exposed to any significant credit risk on its cash. At June 30, 2019, the Organization's uninsured balances total \$666,894.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - CONTRIBUTIONS RECEIVABLE

Payments of contributions receivable are expected to be received as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ <u>12,500</u>	\$ <u>25,000</u>

6 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ <u>6,343,901</u>	\$ <u>5,560,783</u>

Cost, fair value and unrealized appreciation as of June 30, 2019 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and money market funds	\$ 238,009	\$ 238,009	\$ -
Mutual funds			
Equity	560,000	532,118	(27,882)
REIT	93,311	98,627	5,316
Bonds	2,008,640	2,041,989	33,349
Equities	<u>2,744,872</u>	<u>3,433,158</u>	<u>688,286</u>
Total investments	<u>\$ 5,644,832</u>	<u>\$ 6,343,901</u>	<u>\$ 699,069</u>

Cost, fair value and unrealized appreciation as of June 30, 2018 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and money market funds	\$ 172,090	\$ 172,090	\$ -
Mutual funds			
Equity	560,000	528,344	(31,656)
REIT	47,885	42,819	(5,066)
Bonds	1,819,325	1,760,922	(58,403)
Equities	<u>2,689,482</u>	<u>3,056,608</u>	<u>367,126</u>
Total investments	<u>\$ 5,288,782</u>	<u>\$ 5,560,783</u>	<u>\$ 272,001</u>

The net investment return for 2019 and 2018 is composed of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 120,367	\$ 111,466
Gain on investments	457,229	311,691
Investment fees	<u>(44,505)</u>	<u>(41,086)</u>
	<u>\$ 533,091</u>	<u>\$ 382,071</u>

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	Estimated Useful Lives	2019	2018
Land	-	\$ 300,000	\$ 300,000
Building	20 - 30 years	1,608,759	1,536,336
Land improvements	30 years	121,266	121,266
Machinery and equipment	3 - 10 years	430,414	419,328
Furniture, fixtures and computers	3 - 10 years	238,343	227,162
Motor vehicles	5 years	261,645	351,491
Construction in process		9,340	-
		2,969,767	2,955,583
Less: Accumulated depreciation		1,818,519	1,697,366
		<u>\$ 1,151,248</u>	<u>\$ 1,258,217</u>

Depreciation expense for property and equipment was \$157,090 and \$163,696 for 2019 and 2018, respectively.

8 - AGENCY SERVICE FEES AND USDA REIMBURSEMENT

The Organization charges up to 16 cents (\$0.16) per pound to recipient agencies which take the donated food and commodities and redistributes these items to the poor, needy and hungry. The fees offset a portion of the handling and redistribution costs incurred by the Organization. Accounts receivable on outstanding service fees arise from allowing member agencies to charge their food pick-ups and pay on a credit basis.

The Organization distributes certain commodities provided by the Commonwealth of Massachusetts Department of Education under The Emergency Food Assistance Program (TEFAP) of the federal government, and the Massachusetts Emergency Food Assistance Program (MEFAP). The Organization is reimbursed for certain distribution and handling costs, based on a fixed allocation. The Organization was owed \$115,863 and \$78,005 as of June 30, 2019 and 2018, respectively, from these reimbursements. Income from these reimbursements amounted to \$260,213 and \$252,623 for the years ended June 30, 2019 and 2018, respectively.

9 - LINE OF CREDIT

The Organization maintains a \$100,000 line of credit which is due on demand with interest at 1% below the bank based rate. The line of credit is secured by all assets of the Organization. As of June 30, 2019, the line has \$100,000 available.

10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The unrestricted net assets of \$200,000 and \$150,000 have been designated by the board of directors to cover future capital reserve requirements at June 30, 2019 and 2018, respectively.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose:

	<u>2019</u>	<u>2018</u>
Time restriction	\$ 12,500	\$ -
Purpose restriction		
Program services	<u>-</u>	<u>38,785</u>
	<u>\$ 12,500</u>	<u>\$ 38,785</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Summer food truck partnership	\$ -	\$ 75,000
Program services	<u>51,298</u>	<u>89,323</u>
	<u>\$ 51,298</u>	<u>\$ 164,323</u>

12 - FAIR VALUE MEASUREMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of investments.



WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

12 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the years ended June 30, 2019 and 2018.

*Cash and money market funds:* Valued at NAV of shares held by the Organization at year end. NAV is valued at the closing price reported in the active market in which the individual securities are traded.

*Mutual funds, equity securities and REIT:* Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

*Bonds:* Valued based on a compilation of primarily observable market information or a broker quote in a non-active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2019 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds	\$ 238,009	\$ -	\$ -	\$ 238,009
Investments				
Mutual funds	532,118	-	-	532,118
Bonds	-	2,041,989	-	2,041,989
Equities	3,433,158	-	-	3,433,158
REIT	98,627	-	-	98,627
	<u>\$ 4,301,912</u>	<u>\$ 2,041,989</u>	<u>\$ -</u>	<u>\$ 6,343,901</u>

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2018 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds	\$ 172,090	\$ -	\$ -	172,090
Investments				
Mutual funds	528,344	-	-	\$ 528,344
Bonds	-	1,760,922	-	1,760,922
Equities	3,056,608	-	-	3,056,608
REIT	42,819	-	-	42,819
	<u>\$ 3,799,861</u>	<u>\$ 1,760,922</u>	<u>\$ -</u>	<u>\$ 5,560,783</u>

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

The Organization does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS  
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13 - DONATED MATERIALS AND SERVICES

The fair value of donated materials and services included as contributions in the financial statements and the corresponding program expense are as follows:

	<u>2019</u>	<u>2018</u>
Volunteers	\$ 59,980	\$ 52,698
Equipment and supplies	<u>575</u>	<u>350</u>
	<u>\$ 60,555</u>	<u>\$ 53,048</u>

14 - PENSION PLAN

The Organization maintains a defined contribution retirement plan, qualified under section 403(b) of the Internal Revenue Code, to all eligible employees. The Organization's contribution to the plan is based on a matching formula. The Organization's contributions for the years 2019 and 2018 amounted to \$40,339 and \$30,857, respectively.

15 - COMMITMENTS AND CONTINGENCIES

Funding under federal and state contracts are subject to audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization.

16 - CONCENTRATIONS OF RISK

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

17 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 7, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

18 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 summarized financial statements to conform with the 2019 presentation. Such reclassifications had no effect on the change in net assets as previously reported.