

MERRIMACK VALLEY FOOD BANK, INC.

FINANCIAL STATEMENTS  
YEARS ENDED  
JUNE 30, 2010 AND 2009  
AND  
INDEPENDENT AUDITOR'S REPORT

**WALSH & CO.**

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ACCOUNTANTS & CONSULTANTS

MERRIMACK VALLEY FOOD BANK, INC.

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# WALSH & CO.

ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Merrimack Valley Food Bank, Inc.  
Lowell, MA 01854

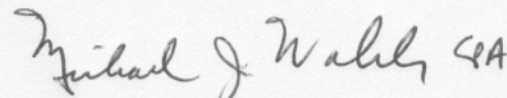
We have audited the accompanying statements of financial position of Merrimack Valley Food Bank, Inc. (a Massachusetts corporation, not for profit) (Food Bank) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Food Bank's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Merrimack Valley Food Bank, Inc., as of June 30, 2010 and 2009, and the changes in its net assets, its functional expenses and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

December 30, 2010

Michael J. Walsh



Certified Public Accountant

1.

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MERRIMACK VALLEY FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2010 AND 2009

ASSETS

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Current Assets:</b>						
Cash and cash equivalents	\$413,704		\$413,704	\$464,203		\$464,203
Accounts receivable	17,424	\$68,155	85,579	14,620	\$34,680	49,300
Prepaid expenses	5,130		5,130	5,285		5,285
Inventory	115,617		115,617	102,330		102,330
Total current assets	<u>551,875</u>	<u>68,155</u>	<u>620,030</u>	<u>586,438</u>	<u>34,680</u>	<u>621,118</u>
<b>Fixed Assets:</b>						
Building and improvements	773,721		773,721	679,480		679,480
Land	97,180		97,180	97,180		97,180
Vehicles	120,910		120,910	93,230		93,230
Equipment	187,943		187,943	184,818		184,818
	1,179,754		1,179,754	1,054,708		1,054,708
Less - accumulated depreciation	(442,705)		(442,705)	(386,494)		(386,494)
Net fixed assets	<u>737,049</u>		<u>737,049</u>	<u>668,214</u>		<u>668,214</u>
<b>TOTAL ASSETS</b>	<u>\$1,288,924</u>	<u>\$68,155</u>	<u>\$1,357,079</u>	<u>\$1,254,652</u>	<u>\$34,680</u>	<u>\$1,289,332</u>

LIABILITIES AND NET ASSETS

<b>Current Liabilities:</b>						
Accounts Payable	3,724		3,724	1,478		1,478
Accrued Expenses	5,823		5,823	4,850		4,850
Deferred revenue	39,708		39,708	32,991		32,991
Total current liabilities	<u>49,255</u>		<u>49,255</u>	<u>39,319</u>		<u>39,319</u>
<b>Commitments and contingent liabilities</b>						
<b>Net Assets:</b>						
Operating	<u>1,239,669</u>	<u>68,155</u>	<u>1,307,824</u>	<u>1,215,333</u>	<u>34,680</u>	<u>1,250,013</u>
Total Net Assets	<u>1,239,669</u>	<u>68,155</u>	<u>1,307,824</u>	<u>1,215,333</u>	<u>34,680</u>	<u>1,250,013</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$1,288,924</u>	<u>\$68,155</u>	<u>\$1,357,079</u>	<u>\$1,254,652</u>	<u>\$34,680</u>	<u>\$1,289,332</u>

See accompanying notes.

MERRIMACK VALLEY FOOD BANK, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenues:						
Donated goods and services	\$893,299		\$893,299	\$813,797		\$813,797
Program revenue	2,126,488		2,126,488	1,829,624		1,829,624
Grants and contributions	271,700	59,877	331,577	259,985	261,647	521,632
Special events, net	54,200		54,200	47,220		47,220
Other	2,362		2,362	684		684
Interest	2,663		2,663	2,073		2,073
Total Operating Revenues	<u>3,350,712</u>	<u>59,877</u>	<u>3,410,589</u>	<u>2,953,383</u>	<u>261,647</u>	<u>3,215,030</u>
Operating Expenses:						
Program Services	3,235,665	26,402	3,262,067	2,496,715	273,996	2,770,711
General and Administrative	90,711		90,711	90,255		90,255
Total Operating Expenses	<u>3,326,376</u>	<u>26,402</u>	<u>3,352,778</u>	<u>2,586,970</u>	<u>273,996</u>	<u>2,860,966</u>
Change in net assets	24,336	33,475	57,811	366,413	(12,349)	354,064
Net Assets, beginning of year	<u>1,215,333</u>	<u>34,680</u>	<u>1,250,013</u>	<u>848,920</u>	<u>47,029</u>	<u>895,949</u>
Net Assets, end of year	<u>\$1,239,669</u>	<u>\$68,155</u>	<u>\$1,307,824</u>	<u>\$1,215,333</u>	<u>\$34,680</u>	<u>\$1,250,013</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets from operations	\$ 57,811	\$ 354,064
Adjustments to reconcile change in net assets from operations		
To net cash provided by operating activities:		
Depreciation	56,211	40,202
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable	(36,279)	7,654
Decrease (increase) in prepaid expenses	155	(3,144)
Increase in inventory	(13,287)	(102,330)
Increase in accounts payable	2,246	989
Increase (decrease) in accrued expenses	973	(150)
Increase in deferred revenue	<u>6,717</u>	<u>5,145</u>
Net cash used in operating activities	<u>74,547</u>	<u>302,430</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	<u>(125,046)</u>	<u>(150,019)</u>
Net cash used for investing activities	(125,046)	(150,019)
Net increase in cash and cash equivalents	(50,499)	152,411
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>464,203</u>	<u>311,792</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 413,704</u>	<u>\$ 464,203</u>

See accompanying notes.

MERRIMACK VALLEY FOOD BANK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>			<u>2009</u>		
	<u>Services</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Services</u>	<u>General and Administrative</u>	<u>Total</u>
<u>SALARIES AND RELATED EXPENSES:</u>						
Salaries and wages	\$266,586	\$55,360	\$321,946	\$245,440	\$48,837	\$294,277
Payroll taxes	24,489	3,256	27,745	22,538	3,005	25,543
Fringe benefits	32,315	5,287	37,602	29,482	4,823	34,305
Total Salaries and Related Expenses	<u>323,390</u>	<u>63,903</u>	<u>387,293</u>	<u>297,460</u>	<u>56,665</u>	<u>354,125</u>
<u>OTHER EXPENSES:</u>						
Food and Storage	2,784,263		2,784,263	2,340,529		2,340,529
Depreciation	47,217	8,994	56,211	33,770	6,432	40,202
Professional Fees	9,100		9,100	4,700		4,700
Insurance	15,999	4,849	20,848	14,995		14,995
Utilities	25,561	2,239	27,800	29,064	2,658	31,722
Vehicle expense	6,915		6,915	8,227		8,227
Miscellaneous	8,370	432	8,802	8,015	347	8,362
Repairs and Maintenance	27,370		27,370	19,543		19,543
Office	4,046	6,987	11,033		20,050	20,050
Licenses and fees	6,330		6,330	5,982		5,982
Scholarships		390	390		760	760
Telephone		2,917	2,917		3,343	3,343
Marketing Expense	3,506		3,506	8,426		8,426
Total Other Expenses	<u>2,938,677</u>	<u>26,808</u>	<u>2,965,485</u>	<u>2,473,251</u>	<u>33,590</u>	<u>2,506,841</u>
Total Expenses	<u>\$3,262,067</u>	<u>\$90,711</u>	<u>\$3,352,778</u>	<u>\$2,770,711</u>	<u>\$90,255</u>	<u>\$2,860,966</u>

See accompanying notes.

MERRIMACK VALLEY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Merrimack Valley Food Bank, Inc. (the “Food Bank”) was incorporated in 1993. The Food Bank provides homeless shelters, soup kitchens, and other charitable food distributors in the Merrimack Valley Region of Massachusetts with low cost canned, refrigerated, and perishable food items.

The Food Bank is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501 (c) (3) of the Internal Revenue Code (IRC). Contributions to the Food Bank are deductible by donors within the requirements of the IRC.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Food Bank and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Food Bank and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Food Bank. Generally, the donors of these assets permit the Food Bank to use all or part of the income earned on any related investments for general or specific purposes.

Cash Equivalents:

The Food Bank considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.



### Inventory

The Food Bank has entered into a contract to distribute certain commodities provided by the Massachusetts Department of Education under the Temporary Emergency Food Assistance Program of the Federal Government. USDA is stated at an average historical cost and distributed by the first-in, first-out (FIFO) basis. Cost approximates market. Donated inventory items are valued at the approximate average wholesale value of one pound of donated product at the national level as outlined in the *Product Valuation Survey Methodology*. December 2007 prepared by Feeding America. The *Product Valuation Survey Methodology* is prepared annually by Feeding America and is subjected annually to agreed-upon procedures by a national accounting firm. For the year ended June 30, 2010 and 2009 the approximate average wholesale value of one pound donated product was 1.69.

### USDA Reimbursement

The Food Bank is reimbursed for certain distribution and handling costs by the US Department of Agriculture. At June 30, 2010 and 2009 accounts receivable relating to this program amounted to \$46,649 and \$14,198, respectively.

### Fixed Assets and Depreciation:

The Food Bank follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Donated equipment is recorded at its fair market value at time of donation.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	20 - 39 years
Equipment	5 - 10 years
Vehicles	5 years

### Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition:

The Food Bank reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets released from restrictions.

Temporarily restricted net assets at June 30, 2010 and 2009 are purpose restricted.

Program revenue is recognized when earned. Unrestricted grants and contributions are recognized when unconditionally pledged or received. Temporarily restricted net assets received whose restrictions are met in the same fiscal year are presented as unrestricted revenues.

Interest income is recognized when earned.

Expense Allocation:

Expenses related directly to the Food Bank's program are distributed to program expenses. Other expenses are allocated based upon management's estimate of the percentage attributed to the program,

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, expenses directly related to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributed to each function.

Advertising

Advertising costs are expensed as incurred.

2. DONATED GOODS AND SERVICES

The Food Bank receives goods and services from various donating organizations for use in its program. The value of these goods and services are reflected in the accompanying financial statements for the twelve months ended June 30, 2010 and 2009 at fair market value, as determined by management and consist of:

	<u>2010</u>	<u>2009</u>
Food and storage	<u>\$ 893,299</u>	<u>\$ 813,797</u>

In addition, volunteers donated their time in support of the Food Bank's program and operations. The value of this time is not included in the accompanying financial statements.

### 3. CONCENTRATIONS OF CREDIT RISK

The Food Bank maintains its cash in a financial institution. The Federal Deposit Insurance Corporation (FDIC) insures the entire balance of non-interest bearing accounts and up to \$250,000 of interest bearing accounts.

At June 30, 2010 and 2009, the Food Bank had \$56,142 and \$56,114, respectively, invested in one money market account through a broker.

Eighty percent and seventy-one percent of the Food Bank's accounts receivable at June 30, 2010 and 2009, respectively represents amounts due from Federal and Massachusetts government agencies.

Eighty-three and forty-three percent of the Food Bank's revenues for the years ended June 30, 2010 and 2009, respectively, are from Federal and Massachusetts government agencies.

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Food Bank uses fair value measurements to determine fair value disclosures. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Food Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The following methods and assumptions were used by the Food Bank in estimating fair value disclosures for financial instruments:

#### Fair Value Hierarchy

In accordance with FASB ASC 820, the Food Bank groups its financial assets generally measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 1 assets generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. The valuation may be based on quoted prices for similar assets; 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 asset.

Merrimack Valley Food Bank  
Notes to Financial Statements

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate their fair value.

Accounts Receivable

The carrying amounts of trade accounts receivable, net, approximate their fair value.

Accounts Payable

The carrying amounts of accounts payable approximate their fair value.

Summary of Fair Values of Financial Instruments

The estimated fair values for the Food Bank's financial instruments are as follows:

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
		(In Thousands)		
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Financial assets:				
Cash and cash equivalents	\$ 414	\$ 414	\$ 464	\$ 464
Accounts receivable	86	86	49	49
Financial liabilities:				
Accounts payable	4	4	1	1

5. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through December 30, 2010, the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.