

**FOOD BANK OF WESTERN
NEW YORK, INC.**

Financial Statements and Additional Information
For the Year Ended June 30, 2011
with
Independent Auditors' Report

FOOD BANK OF WESTERN NEW YORK, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Food Bank of Western New York, Inc.
Buffalo, New York

We have audited the accompanying statement of financial position of Food Bank of Western New York, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the management of Food Bank of Western New York, Inc. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Food Bank of Western New York, Inc.'s June 30, 2010 financial statements, and in our report dated September 22, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit 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 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 audit provides 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 Food Bank of Western New York, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2011, on our consideration of Food Bank of Western New York, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

Changwon Travis Brown, CPA

September 21, 2011

FOOD BANK OF WESTERN NEW YORK, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR 2010)

	Unrestricted			Total Unrestricted	Temporarily Restricted		Total Temporarily Restricted	Total 2011	Total 2010
	Operating	Agency Assistance Program	Plant		Grants & Other	Value of Donated & USDA Food			
ASSETS									
Cash and cash equivalents	\$ 1,722,505	\$ 1,466,586	\$ 383,601	\$ 3,572,692	\$ 92,242	\$ -	\$ 92,242	\$ 3,664,934	\$ 4,303,002
Grants and pledges receivable, net	80,432	-	-	80,432	312,333	-	312,333	392,765	117,494
Accounts receivable	95,209	-	-	95,209	-	-	-	95,209	121,387
Due from other funds	285,358	-	-	285,358	-	-	-	285,358	149,233
Prepaid expenses	39,289	-	-	39,289	-	-	-	39,289	24,421
Inventory:									
Donated - in-kind value	-	-	-	-	-	566,930	566,930	566,930	823,749
USDA - in-kind value	-	-	-	-	-	551,368	551,368	551,368	343,503
Other	84,040	127,965	-	212,005	325,548	-	325,548	537,553	221,637
Long-term investments	596,811	-	-	596,811	-	-	-	596,811	504,086
Fixed assets, net	-	-	1,601,799	1,601,799	-	-	-	1,601,799	1,647,077
TOTAL ASSETS	\$ 2,903,644	\$ 1,594,551	\$ 1,985,400	\$ 6,483,595	\$ 730,123	\$ 1,118,298	\$ 1,848,421	\$ 8,332,016	\$ 8,255,589
LIABILITIES AND NET ASSETS									
LIABILITIES:									
Accounts payable	\$ 217,497	\$ -	\$ -	\$ 217,497	\$ -	\$ -	\$ -	\$ 217,497	\$ 188,380
Accrued expenses	73,379	-	-	73,379	-	-	-	73,379	60,288
Deferred income	52,187	-	-	52,187	33,825	-	33,825	86,012	325,835
Due to other funds	-	-	-	-	285,358	-	285,358	285,358	149,233
Total liabilities	343,063	-	-	343,063	319,183	-	319,183	662,246	723,736
NET ASSETS:									
Unrestricted:									
Net investment in plant	-	-	1,601,799	1,601,799	-	-	-	1,601,799	1,647,077
Designated for agency assistance	-	1,594,551	-	1,594,551	-	-	-	1,594,551	1,532,201
Designated for plant	-	-	383,601	383,601	-	-	-	383,601	467,236
Undesignated	2,560,581	-	-	2,560,581	-	-	-	2,560,581	2,423,484
Total unrestricted	2,560,581	1,594,551	1,985,400	6,140,532	-	-	-	6,140,532	6,069,998
Temporarily restricted	-	-	-	-	410,940	1,118,298	1,529,238	1,529,238	1,461,855
Total net assets	2,560,581	1,594,551	1,985,400	6,140,532	410,940	1,118,298	1,529,238	7,669,770	7,531,853
TOTAL LIABILITIES AND NET ASSETS	\$ 2,903,644	\$ 1,594,551	\$ 1,985,400	\$ 6,483,595	\$ 730,123	\$ 1,118,298	\$ 1,848,421	\$ 8,332,016	\$ 8,255,589

See notes to financial statements.

FOOD BANK OF WESTERN NEW YORK, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR 2010)

	Unrestricted			Total Unrestricted	Temporarily Restricted		Total Temporarily Restricted	Total 2011	Total 2010
	Operating	Agency Assistance Program	Plant		Grants & Other	Value of Donated & USDA Food			
REVENUES, GAINS AND OTHER SUPPORT									
Contributions:									
Fundraising and special events	\$ 1,162,573	\$ -	\$ -	\$ 1,162,573	\$ -	\$ -	\$ -	\$ 1,162,573	\$ 1,405,179
General contributions	742,178	-	7,551	749,729	317,613	-	317,613	1,067,342	1,246,520
HPNAP grant	-	-	-	-	2,137,667	-	2,137,667	2,137,667	2,040,655
EFSP/FEMA grant	-	-	-	-	221,134	-	221,134	221,134	443,623
Other government grants	383,570	-	-	383,570	277,342	-	277,342	660,912	519,610
Private grants	122,323	-	169,007	291,330	239,334	-	239,334	530,664	201,932
In-kind contributions:									
General	28,124	-	-	28,124	-	-	-	28,124	258,171
Donated food and grocery items	-	-	-	-	-	7,863,782	7,863,782	7,863,782	9,396,121
USDA food	-	-	-	-	-	2,527,274	2,527,274	2,527,274	2,077,525
Revenues:									
Shared maintenance and AAP fees	670,762	-	-	670,762	-	-	-	670,762	788,679
Program fees	542,381	-	-	542,381	-	-	-	542,381	517,590
Other revenue and reimbursements	27,316	-	9,965	37,281	-	-	-	37,281	31,272
Interest and dividends	23,657	-	-	23,657	-	-	-	23,657	30,913
Net realized and unrealized gains on investments	91,717	-	-	91,717	-	-	-	91,717	55,731
Net assets released from restrictions	13,516,763	-	-	13,516,763	(3,076,753)	(10,440,010)	(13,516,763)	-	-
Total revenues, gains and other support	17,311,364	-	186,523	17,497,887	116,337	(48,954)	67,383	17,565,270	19,013,521
EXPENSES:									
Management and general	1,088,025	-	9,920	1,097,945	-	-	-	1,097,945	1,170,670
Program services	4,768,108	-	305,516	5,073,624	-	-	-	5,073,624	4,716,144
Agency assistance program	-	787,650	-	787,650	-	-	-	787,650	631,961
In-kind expenditures	10,468,134	-	-	10,468,134	-	-	-	10,468,134	11,728,587
Total expenses	16,324,267	787,650	315,436	17,427,353	-	-	-	17,427,353	18,247,362
CHANGES IN NET ASSETS	987,097	(787,650)	(128,913)	70,534	116,337	(48,954)	67,383	137,917	766,159
NET ASSETS, BEGINNING OF YEAR	2,423,484	1,532,201	2,114,313	6,069,998	294,603	1,167,252	1,461,855	7,531,853	6,765,694
TRANSFER OF NET ASSETS	(850,000)	850,000	-	-	-	-	-	-	-
NET ASSETS, END OF YEAR	\$ 2,560,581	\$ 1,594,551	\$ 1,985,400	\$ 6,140,532	\$ 410,940	\$ 1,118,298	\$ 1,529,238	\$ 7,669,770	\$ 7,531,853

See notes to financial statements.

FOOD BANK OF WESTERN NEW YORK, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR 2010)

	Unrestricted			Temporarily Restricted		Total 2011	Total 2010
	Operating	Agency Assistance Program	Plant	Grants & Other			
CASH FLOWS FROM OPERATING ACTIVITIES:							
Changes in net assets	\$ 987,097	\$ (787,650)	\$ (128,913)	\$ 116,337	\$ 186,871	\$ 762,929	
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:							
Depreciation	-	-	266,835	-	266,835	263,803	
Net realized and unrealized gains on investments	(91,717)	-	-	-	(91,717)	(55,731)	
Changes in operating assets and liabilities:							
Grants and pledges receivable, net	(80,432)	-	-	(194,839)	(275,271)	35,205	
Accounts receivable	26,178	-	-	-	26,178	(17,693)	
Prepaid expenses	(14,868)	-	-	-	(14,868)	(4,205)	
Inventory	(29,257)	(45,002)	-	(241,657)	(315,916)	27,515	
Accounts payable	29,117	-	-	-	29,117	20,779	
Accrued expenses	13,091	-	-	-	13,091	(46,937)	
Deferred income	12,568	-	-	(252,391)	(239,823)	21,672	
Interfund accounts, net of non-cash transfers	(986,125)	850,000	-	136,125	-	-	
Net cash provided by (used in) operating activities	<u>(134,348)</u>	<u>17,348</u>	<u>137,922</u>	<u>(436,425)</u>	<u>(415,503)</u>	<u>1,007,337</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of fixed assets	-	-	(221,557)	-	(221,557)	(138,301)	
Investment purchases	(55,355)	-	-	-	(55,355)	(165,975)	
Proceeds from sale of investments	54,347	-	-	-	54,347	114,334	
Net cash used in investing activities	<u>(1,008)</u>	<u>-</u>	<u>(221,557)</u>	<u>-</u>	<u>(222,565)</u>	<u>(189,942)</u>	
NET CHANGE IN CASH AND CASH EQUIVALENTS	(135,356)	17,348	(83,635)	(436,425)	(638,068)	817,395	
CASH AND CASH EQUIVALENTS:							
BEGINNING OF YEAR	<u>1,857,861</u>	<u>1,449,238</u>	<u>467,236</u>	<u>528,667</u>	<u>4,303,002</u>	<u>3,485,607</u>	
END OF YEAR	<u>\$ 1,722,505</u>	<u>\$ 1,466,586</u>	<u>\$ 383,601</u>	<u>\$ 92,242</u>	<u>\$ 3,664,934</u>	<u>\$ 4,303,002</u>	

See notes to financial statements.

FOOD BANK OF WESTERN NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – The Food Bank of Western New York, Inc., (the “Organization”) is a nonprofit organization dedicated to obtaining nutritious food and support from public and private sources and efficiently distributing these resources to the hungry in Western New York through its member agencies.

The Organization solicits donations of surplus food and grocery items from the food industry, public and private sources, and distributes these products to qualified 501(c)(3) charities. The food is obtained from donors based in Western New York, national donors through the affiliation with Feeding America, and the United States Department of Agriculture (USDA). The Organization also distributes food purchased with funds from private contributions, private foundations and government grants, and respectfully provides food, training, education and hunger advocacy for our member agencies and clients.

Comparative Financial 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and according to current accounting standards, which require that all nonprofit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. Classification of net assets and revenues, expenses, gains, and losses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities. Management has determined that the Organization has no permanently restricted funds, as defined by generally accepted accounting principles.

The Organization accounts for contributions in accordance with current accounting standards, which require an organization to recognize as revenue, contributions, including unconditional promises to give, when received. Current accounting standards also require nonprofit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets, and require recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

Activities – The Organization maintains individual categories of net asset groups according to their nature and reporting requirements. The Operating category includes all general activity of the Organization. The Agency Assistance Program (AAP) category includes all activity of the Board designated funds expended to assist affiliated nonprofit organizations in their mission of feeding the hungry by providing food preparation or storage equipment, payment of program site rent or utilities and providing food and grocery items for the agencies’ clients. The Plant category accumulates all fixed asset transactions and accounts for financial resources to be used for the acquisition of equipment and facilities. The Grants & Other category includes Federal, State, County and private grant supported activities. The Donated & USDA Food category includes the in-kind value of donated and United States Department of Agriculture food and grocery items received, distributed and held in inventory.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets – Unrestricted operating net assets represent the net assets of the Organization available for the furtherance of its general goals and objectives. Unrestricted AAP net assets represent the remaining Board designated funds and food inventory available for the furtherance of the Agency Assistance Program. Unrestricted plant net assets represent both the portion designated for future fixed asset acquisitions and the accumulated net investment in fixed assets. Temporarily restricted Grants & Other net assets represent net assets available to be used for the purchase and distribution of food, grocery items and/or services in accordance with donor restrictions. Temporarily restricted Donated & USDA Food net assets represent the in-kind value of the food and grocery items in inventory to be distributed.

Support Recognition – Substantially, all of the Organization's support is derived from unrestricted donations or temporarily restricted grants and donations. Donations of cash and other assets are recognized as support when received. Government grant income is recognized when grant eligible expenses are incurred.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

The Organization reports gifts of land, buildings and equipment 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 are reported as restricted support. Absent donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition – Substantially all of the Organization's revenue is derived from shared maintenance and program reimbursement fees which are recognized as revenue when earned.

Shared Maintenance – Through membership agreement, nonprofit agencies agree to share the cost of operations by contributing up to fourteen cents for each pound of donated product they receive. The Organization will not stop supplying an organization, which provides emergency relief, for failure to contribute to shared maintenance.

Program Reimbursement Fees – The Organization receives reimbursements under Federal, State, County and private grants for a portion of the costs incurred in receiving, storing and distributing purchased and USDA product.

Donated and In-Kind Services – Contributed services were received by the Organization and have been reflected as in-kind contributions in the accompanying statement of activities and changes in net assets in accordance with current accounting standards. The related expenses are included in the in-kind expenses of \$28,124 in the accompanying schedule of functional expenses.

Additionally, a number of unpaid volunteers have made contributions of their time to develop and participate in the Organization's program. No accounting recognition is made for the fair market value of services provided by volunteer personnel as no objective basis is available to measure the value of such services.

Donated Food and Grocery Items – The primary function of the Organization is the collection and distribution of donated food and grocery items. This inventory is valued at a weighted average price per pound as determined by Feeding America's annual valuation study.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents – The Organization’s cash and cash equivalents include cash on hand and in banks and short term, highly liquid investments. Funds invested in money market accounts at two financial institutions, which are not FDIC-insured, totaled \$270,124 at June 30, 2011. The Organization maintains its remaining cash in bank deposit accounts which, at times, may exceed federally insured limits at several of its banks. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk with regards to cash.

In accordance with certain grant agreements, the Organization is required to hold cash in a separate bank account. The Organization has complied with this requirement for the year ended June 30, 2011.

Accounts Receivable – Accounts receivable for shared maintenance and program reimbursement fees are stated at the amount management expects to collect from balances outstanding at year-end. Non-collectible receivables are expensed in the year they are determined to be uncollectible. Management closely monitors outstanding balances, and has concluded that no allowance for doubtful accounts is necessary at June 30, 2011.

Deferred Income – Publicly funded grant revenues received by the Organization are not recognized until the related expenses are incurred. All advance publicly funded grant revenues are recorded as deferred income.

Investments – Investments in securities that have readily determinable fair values are measured at fair value in the statements of financial position with any investment income and realized and unrealized gains or losses reported in the statements of activities and changes in net assets.

Generally accepted accounting principles establish a hierarchy for the determination of fair value, as well as disclosure requirements relative to those assets and liabilities. The hierarchy identifies three levels of input. Level 1 inputs are generally quoted market prices for identical assets or liabilities, which are actively traded on an exchange. Level 2 inputs generally consist of market prices for identical assets which are not actively traded or market prices of similar assets or liabilities which are actively traded, on an exchange. Level 3 inputs are referred to as unobservable inputs and consist primarily of information derived by management where Level 1 and Level 2 inputs are not available.

Fixed Assets – Fixed assets are recorded at cost at the date of acquisition, and in the case of donated assets, at fair value at the date of the gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets (3-20 years).

Income Taxes – The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – Management of the Organization has evaluated the effects of all subsequent events through September 21, 2011, the date which the financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustment or disclosure in the financial statements.

2. INVESTMENTS

The Organization's investments, which are comprised of U.S equities, international equities, and fixed income funds are recorded at fair value based on quoted market prices (Level 1), with unrealized gains and losses reported as a separate component of net assets.

Investments are comprised of the following at June 30, 2011:

	Cost	Fair Value as Determined By Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. equities:		
Mutual funds	\$ 303,345	\$ 342,582
International equities:		
Mutual funds	68,387	76,354
Fixed income:		
Mutual funds	<u>173,988</u>	<u>177,875</u>
	<u>\$ 545,720</u>	<u>\$ 596,811</u>

All investments were unrestricted and held for operating purposes at June 30, 2011.

The following schedule summarizes the activity related to investments reported in the statement of activities for the year ended June 30, 2011.

Interest and dividends	\$ 7,624
Realized and unrealized gains	<u>91,717</u>
Total return on investments	<u>\$ 99,341</u>

Generally accepted accounting principles require that impaired investments, that is, investments for which the fair value is less than its cost, be evaluated as to whether such impairment is other than temporary. Since the Organization has the ability and the intent to hold the securities until a recovery in fair value occurs (or until maturity if necessary), no investments have been deemed impaired as of June 30, 2011.

3. FIXED ASSETS

Fixed assets consist of the following at June 30, 2011:

Land	\$ 88,887
Building and improvements	2,779,082
Warehouse equipment	381,618
Furniture and equipment	210,393
Vehicles	<u>726,544</u>
	4,186,524
Less accumulated depreciation	<u>2,584,725</u>
Total	<u>\$ 1,601,799</u>

4. INVENTORY

Purchased Product – Food and grocery items that have been purchased with public and private funds, but which have not been distributed, are reported as inventory. The inventory of grant purchased food will be distributed at no charge to qualified organizations. This inventory is valued at cost. The cost of grant food and grocery items distributed in fiscal year 2011 amounted to approximately \$1,250,000; \$165,000; \$36,000; and \$328,000 under State, Federal, County and private grant programs, respectively. The Organization also distributed an additional \$550,582 of product purchased with board designated funds under the Agency Assistance Program.

Donated Product – The majority of food and grocery items that are distributed have been donated. The following represents a summary of these products:

	For the Year Ended June 30, 2011	
	Pounds	Value
Inventory – beginning of year	514,843	\$ 823,749
Donations received	4,914,864	7,863,782
Less:		
Distributed to WNY programs	(4,431,803)	(7,090,885)
Distributed to other food banks	(396,545)	(634,472)
Spoiled items (mostly perishable)	(237,761)	(380,417)
Shrinkage	(22,074)	(35,318)
Valuation adjustment - Feeding America	-	20,491
	<u>(5,088,183)</u>	<u>(8,120,601)</u>
Inventory – end of year	<u>341,524</u>	<u>\$ 566,930</u>

The June 30, 2011 in-kind value was determined using a rate of \$1.66 per pound (\$1.60 per pound at June 30, 2010) estimated by management using the Feeding America rate per pound for the average value of donated food and grocery items.

USDA Product – the following summarizes the activity of USDA food:

	For the Year Ended June 30, 2011	
	Pounds	Value
Inventory – beginning of year	611,120	\$ 343,503
USDA received	3,659,411	2,527,274
USDA distributed	(3,286,558)	(2,318,632)
Adjustments	<u>(1,062)</u>	<u>(777)</u>
Inventory – end of year	<u>982,911</u>	<u>\$ 551,368</u>

The in-kind value of the United States Department of Agriculture products is supplied by the New York State Office of General Services (through the United States Department of Agriculture) for informational purposes in tracking their cost of the value of the food distributed.

5. LINE OF CREDIT

The Organization has a \$400,000 line of credit available at a bank with interest calculated at the bank's prime rate plus .5% (3.75% at June 30, 2011). The line of credit is secured by the assignment of pledges, accounts receivable, equipment, machinery, furniture and fixtures. The line of credit is subject to the ongoing review of the financial institution, and availability may be restricted in the future. At June 30, 2011, no borrowings were outstanding under this arrangement.

6. RETIREMENT PLAN

The Organization maintains a traditional 401(k) profit sharing plan where all employees with more than one year of service are eligible to participate. All employees have the option to defer compensation under this 401(k) plan. A discretionary contribution is approved by the Board of Directors as part of the annual budget. The contribution to this plan amounted to \$101,688 for the year ended June 30, 2011 (\$121,266 for the year ended June 30, 2010).

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2011:

Inventory of food and grocery items for distribution:

▪ Private contributions	\$ 19,899
▪ Erie County Department of Social Services (ECDSS)	3,662
▪ New York State restricted	172,377
▪ Other restricted	129,610
▪ In-kind Inventory of Food and Grocery Items – Donated and U.S. Department of Agriculture	1,118,298

Cash on hand for future expenditures:

▪ Federal Emergency Management Agency / Emergency Food and Shelter Program (FEMA/EFSP)	25
▪ ECDSS	14,830
▪ Private contributions	77,387

Grants receivable:

▪ Hunger Prevention and Nutrition Assistance Program (HPNAP)	285,333
▪ New York State Legislative Grant	27,000

Net amounts due to operating fund:

▪ FEMA/EFSP	(25)
▪ HPNAP	(285,333)

Deferred income:

▪ ECDSS	(14,830)
▪ Feeding America	<u>(18,995)</u>

Total temporarily restricted net assets \$ 1,529,238

* * * * *

FOOD BANK OF WESTERN NEW YORK, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR 2010)

	2011				Total 2010
	Program Services	Management & General	Fund Raising	Total	
Personnel	\$ 804,367	\$ 425,286	\$ 163,900	\$ 1,393,553	\$ 1,324,868
Payroll taxes	56,376	32,215	12,081	100,672	97,415
Retirement	59,648	30,050	11,990	101,688	121,266
Other benefits	145,295	83,026	31,134	259,455	258,973
Total personnel and related expenses	<u>1,065,686</u>	<u>570,577</u>	<u>219,105</u>	<u>1,855,368</u>	<u>1,802,522</u>
Agency Assistance Program (AAP)	<u>787,650</u>	-	-	<u>787,650</u>	<u>631,961</u>
Freight	101,924	-	-	101,924	86,346
Vehicles	79,744	-	-	79,744	69,795
Utilities	97,576	5,863	3,797	107,236	106,815
Travel	657	4,179	2,933	7,769	13,417
Conference and meetings	12,923	-	440	13,363	19,694
Membership and dues	20,846	-	-	20,846	21,038
Material and supplies	23,719	6,548	4,893	35,160	32,077
Insurance	31,042	1,343	-	32,385	35,746
USDA direct disbursement cost	19,055	-	-	19,055	6,720
Telephone/FAX/DSL service	6,632	3,578	1,747	11,957	10,276
Repairs and maintenance	69,271	-	-	69,271	31,030
Postage expense	2,313	3,153	27,468	32,934	17,198
Volunteer expenses	1,633	2,735	-	4,368	5,546
Equipment rental and maintenance	35,368	5,807	6,071	47,246	36,094
Printing and publications	7,848	806	59,462	68,116	46,136
Professional financial services	-	29,776	-	29,776	22,172
Legal fees	-	1,906	-	1,906	-
Professional and other fees	-	37,627	33,760	71,387	63,477
Fund raising activities	-	-	41,042	41,042	114,719
Repack, reprocess and value added	127,327	-	-	127,327	97,162
Other expenses	25,798	10,613	2,796	39,207	46,286
Food grant expenditures	2,358,061	-	-	2,358,061	2,296,128
Other grant expenditures	353,536	-	-	353,536	389,981
Other food expenses	10,594	-	-	10,594	11,580
Restricted funds expenditures	365,156	-	-	365,156	241,056
Total other expenses	<u>3,751,023</u>	<u>113,934</u>	<u>184,409</u>	<u>4,049,366</u>	<u>3,820,489</u>
Total cash expenditures	5,604,359	684,511	403,514	6,692,384	6,254,972
In-kind value of donated food	8,120,601	-	-	8,120,601	9,327,517
In-kind value of USDA food	2,319,409	-	-	2,319,409	2,142,899
In-kind expenses	785	-	27,339	28,124	258,171
Total in-kind expenditures	<u>10,440,795</u>	-	<u>27,339</u>	<u>10,468,134</u>	<u>11,728,587</u>
Expenses before depreciation	16,045,154	684,511	430,853	17,160,518	17,983,559
Depreciation	256,915	9,920	-	266,835	263,803
TOTAL EXPENSES	<u>\$ 16,302,069</u>	<u>\$ 694,431</u>	<u>\$ 430,853</u>	<u>\$ 17,427,353</u>	<u>\$ 18,247,362</u>

FOOD BANK OF WESTERN NEW YORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR PROGRAM TITLE (1)	Federal CFDA Number (2)	Agency or Pass-Through Number	Federal Expenditures (3)
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the State of New York Office of General Services, Bureau of Donated Foods, Temporary Emergency Food Assistance Program:			
Food Distribution (4)			
Erie County	10.569		\$ 1,263,674
Cattaraugus County	10.569		253,894
Chautauqua County	10.569		263,565
Niagara County	10.569		537,499
Sub-total food distribution			<u>2,318,632</u>
Administrative fees	10.568		212,871 (7)
Temporary Emergency Food Assistance Program - ARRA	10.569		<u>132,290</u>
Total USDA Food Related Items			2,663,793
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the United Way of Buffalo and Erie County:			
Emergency Food and Shelter National Board Program - Phase XXVIII, County of Erie	97.024	28-6156-004	184,271
Passed through the United Way of Southern Chautauqua County:			
Emergency Food and Shelter National Board Program - Phase XXVIII, County of Chautauqua	97.024	28-6140-014	31,863
			<u>216,134</u>
Total Federal Awards (5)			<u>\$ 2,879,927</u>
STATE GRANTOR PROGRAM TITLE (6)			
	Contract #		State Expenditures (3)
New York State Department of Health			
Bureau of Nutrition - Hunger Prevention and Nutrition Assistance Program (HPNAP)			
	C-021254		\$ 2,137,667
New York State Transportation Grant			
	C-016694		8,817
New York State Transportation Grant			
	C-016694		10,632
New York State Department of Health			
	TM09888		27,000
New York State Children & Family Services			
	TM09588		60,000
New York State Attorney General			
	VITA		<u>200,269</u>
Total State Grants			<u>\$ 2,444,385</u>

(1) Includes all federal award programs.

(2) Source: Catalog of Federal Domestic Assistance.

(3) Prepared on the "GAAP" basis of accounting and includes all program expenses.

(4) The Schedule of Federal Awards includes additional federal assistance in the form of commodities distributed during the year. The value of such was determined by prices prescribed by the federal department making the award.

(5) A reconciliation to the financial statements is available.

(6) Grants received from New York State disclosed for additional information only.

(7) Of the administrative costs, \$19,055 of such federal expenditures was provided to subrecipients. Total program administrative costs were \$811,780, of which \$212,871 were reimbursed by the USDA.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Food Bank of Western New York, Inc.
Buffalo, New York

We have audited the financial statements of Food Bank of Western New York, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 21, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Food Bank of Western New York, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank of Western New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food Bank of Western New York, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Food Bank of Western New York, Inc. in a separate letter dated September 21, 2011.

This report is intended solely for the information and use of management, the Finance Committee, others within the organization, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Changon Travis Besaw & Kerol LLP

September 21, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors of
Food Bank of Western New York, Inc.
Buffalo, New York

Compliance

We have audited the compliance of Food Bank of Western New York, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Food Bank of Western New York, Inc.'s major federal programs for the year ended June 30, 2011. Food Bank of Western New York, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Food Bank of Western New York, Inc.'s management. Our responsibility is to express an opinion on Food Bank of Western New York, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Food Bank of Western New York, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Food Bank of Western New York, Inc.'s compliance with those requirements.

In our opinion, Food Bank of Western New York, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

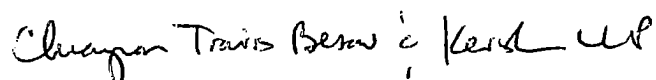
Internal Control Over Compliance

Management of Food Bank of Western New York, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Food Bank of Western New York Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Food Bank of Western New York Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Finance Committee, others within the organization, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



September 21, 2011

FOOD BANK OF WESTERN NEW YORK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Part I – Summary of Auditor’s Results

1. The independent auditors’ report expresses an unqualified opinion on the financial statements of Food Bank of Western New York, Inc.
2. No control deficiencies were disclosed during the audit of the financial statements of Food Bank of Western New York, Inc.
3. No instances of noncompliance material to the financial statements of Food Bank of Western New York, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of internal control over major federal award programs of Food Bank of Western New York, Inc.
5. The independent auditors’ report on compliance for the major federal award programs for Food Bank of Western New York, Inc. expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no findings and questioned costs required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

Name of Federal Program	CFDA Number
Food Distribution	10.569

8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. Food Bank of Western New York, Inc. was determined to be a low-risk auditee.

Part II – Financial Statements Audit

1. Significant Deficiencies – No matters were identified as reportable.
2. Material Weaknesses – No matters were identified as reportable.
3. Instances of Noncompliance – No matters were identified as reportable.

(Continued)

FOOD BANK OF WESTERN NEW YORK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Part III – Major Federal Award Findings and Questioned Costs

1. Significant Deficiencies – No matters were identified as reportable.
2. Material Weaknesses – No matters were identified as reportable.
3. Instances of Noncompliance – No matters were identified as reportable.

(Concluded)

FOOD BANK OF WESTERN NEW YORK, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

No prior audit findings were noted for the June 30, 2010 audit.