

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
CONTENTS
December 31, 2010

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4 – 5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Los Angeles Regional Foodbank
Los Angeles, California

We have audited the accompanying statement of financial position of the Los Angeles Regional Food Bank (a nonprofit organization) (the "Foodbank") as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foodbank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Foodbank's 2009 financial statements and, in our report dated April 16, 2010, we expressed an unqualified opinion on those financial 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 the Foodbank as of December 31, 2010, 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 May 10, 2011 on our consideration of the Los Angeles Regional Foodbank's internal control over financial reporting and 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.


SingerLewak LLP

Los Angeles, California
May 10, 2011

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
December 31, 2010
(with Comparative Totals for 2009)

ASSETS		
	2010	2009
Assets		
Cash and cash equivalents (Note 3)	\$ 2,720,385	\$ 2,086,080
Short-term investments (Note 3)	-	1,800,000
Receivables from government agencies (Note 4)	943,355	405,615
Receivables from affiliated charities and others, net (Note 5)	289,142	261,050
Pledges receivable (Note 6)	308,720	73,915
Food inventory (Notes 2 and 7)	4,082,884	3,681,472
Prepaid expenses	415,567	379,346
Property and equipment, net (Note 8)	4,739,499	4,573,737
Total assets	\$ 13,499,552	\$ 13,261,215
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,033,596	\$ 597,367
Total liabilities	1,033,596	597,367
Commitments and contingencies (Note 13)		
Net assets (Note 10)		
Unrestricted		
Available for operations	4,722,799	4,132,015
Board-designated	1,219,303	2,219,303
Investment in property and equipment, net	4,739,499	4,573,737
Total unrestricted	10,681,601	10,925,055
Temporarily restricted	1,674,355	1,628,793
Permanently restricted	110,000	110,000
Total net assets	12,465,956	12,663,848
Total liabilities and net assets	\$ 13,499,552	\$ 13,261,215

The accompanying notes are an integral part of these financial statements.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010
(with Comparative Totals for the Year Ended 2009)

	2010			Total 2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenue				
Contributions	\$ 4,589,199	\$ 3,754,906	\$ -	\$ 8,344,105
Shared maintenance fees (Note 11)	1,061,216	-	-	1,061,216
Payments under government contracts	4,545,507	-	-	4,545,507
Shop Smart & Save income	1,466,710	-	-	1,466,710
Special events, net of direct benefit expense totaling \$115,229	165,105	-	-	165,105
Interest income	29,381	-	-	29,381
Other income	147,642	-	-	147,642
Subtotal	12,004,760	3,754,906	-	15,759,666
Contributed goods (Note 2)	51,164,364	-	-	51,164,364
Contributed assets and services (Note 2)	452,464	-	-	452,464
Total public support and revenue	63,621,588	3,754,906	-	67,376,494
Net assets released from restrictions	3,709,344	(3,709,344)	-	-
Total public support and revenue and net assets released from restrictions	67,330,932	45,562	-	67,376,494
Functional expenses				
Program services				
General food distribution	21,761,317	-	-	21,761,317
Food Rescue Program	487,412	-	-	487,412
Federal Emergency Management Agency Program	490,494	-	-	490,494
Federal Emergency Management Agency Program – ARRA	223,828	-	-	223,828
County ARRA Program	640,737	-	-	640,737
USDA – EFAP Program	16,148,982	-	-	16,148,982
USDA – CSFP Program	4,728,669	-	-	4,728,669
CalFresh/Food Stamp Outreach and Nutrition Education Program	199,276	-	-	199,276
Kids Café USDA – SFSP Lunch and Snacks Program	996,053	-	-	996,053
Produce and Perishables Program	16,019,152	-	-	16,019,152
Senior Nutrition/Brown Bag Program	1,734,881	-	-	1,734,881
Backpack Program	221,008	-	-	221,008
Product Donations and Extra Helpings Program	1,553,068	-	-	1,553,068
Total program services	65,204,877	-	-	65,204,877
Supporting services				
General and administrative	1,153,367	-	-	1,153,367
Fundraising	1,216,142	-	-	1,216,142
Total supporting services	2,369,509	-	-	2,369,509
Total functional expenses	67,574,386	-	-	67,574,386
Change in net assets	(243,454)	45,562	-	(197,892)
Net assets, beginning of year	10,925,055	1,628,793	110,000	12,663,848
Net assets, end of year	\$ 10,681,601	\$ 1,674,355	\$ 110,000	\$ 12,465,956
	\$ 12,663,848			\$ 12,663,848

The accompanying notes are an integral part of these financial statements.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
(with Comparative Totals for the Year Ended 2009)

	Program Services										
	General Food Distribution	Food Rescue Program	Federal Emergency Management Agency Program	Federal Emergency Agency Program – ARRA	County ARRA ARRA Program	USDA – EFAP Program	USDA – CSFP Program	CalFresh/ Food Stamp and Nutrition Education Program	Kids Café USDA – SFSP Lunch and Snacks Program	Produce and Perishables Program	Subtotal
Food	\$ 16,760,388	\$ -	\$ 490,494	\$ 223,828	\$ 526,476	\$ 14,951,850	\$ 3,516,936	\$ -	\$ 809,083	\$ 15,505,361	\$ 52,784,416
Salaries and related expenditures	2,780,002	335,527	-	-	67,315	828,233	584,053	163,187	89,215	168,578	5,016,110
Warehouse rental	694,383	45,853	-	-	42,916	190,864	378,902	-	-	299	1,353,217
Utilities	60,781	77,460	-	-	-	35,228	52,861	-	-	36,902	263,232
Insurance	77,072	-	-	-	-	38,024	96,227	-	-	-	211,323
Repairs and maintenance	115,169	14,037	-	-	-	63,283	1,106	-	-	3,492	197,087
Auto and truck	117,670	-	-	-	3,967	892	48,692	15,277	6,440	11,568	204,506
Freight	50,756	-	-	-	-	-	-	-	86,948	227,914	365,618
Travel	12,556	-	-	-	-	-	166	3,336	-	-	16,058
Telephone, office and supplies	36,208	94	-	-	25	5,957	39,431	6,970	3,814	3,905	96,404
Volunteer lunches and conference	58,344	-	-	-	-	-	620	941	-	-	59,905
Professional and contract services	368,744	5,911	-	-	-	31,030	8,451	-	80	61,133	475,349
Feeding America assessment fee	74,706	-	-	-	-	-	-	-	-	-	74,706
Miscellaneous	210,798	-	-	-	38	3,621	1,224	9,565	473	-	225,719
Total expenses before depreciation	21,417,577	478,882	490,494	223,828	640,737	16,148,982	4,728,669	199,276	996,053	16,019,152	61,343,650
Depreciation	343,740	8,530	-	-	-	-	-	-	-	-	352,270
Total functional expenses	\$ 21,761,317	\$ 487,412	\$ 490,494	\$ 223,828	\$ 640,737	\$ 16,148,982	\$ 4,728,669	\$ 199,276	\$ 996,053	\$ 16,019,152	\$ 61,695,920

The accompanying notes are an integral part of these financial statements.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
(with Comparative Totals for the Year Ended 2009)

	Program Services					Supporting Services			Totals	
	Subtotal	Senior Nutrition/ Brown Bag Program	Backpack Program	Product Donations and Extra Helpings Program	Total Program	General and Administrative	Fundraising	Total	2010	2009
Food	\$ 52,784,416	\$ 1,347,764	\$ 170,167	\$ 1,178,007	\$ 55,480,354	\$ -	\$ -	\$ -	\$ 55,480,354	\$ 47,762,473
Salaries and related expenditures	5,016,110	213,064	33,165	185,209	5,447,548	579,076	536,279	1,115,355	6,562,903	5,512,699
Warehouse rental	1,353,217	69,742	5,493	75,361	1,503,813	107,658	3,204	110,862	1,614,675	709,198
Utilities	263,232	10,028	-	10,643	283,903	15,204	6,918	22,122	306,025	328,952
Insurance	211,323	11,030	-	11,501	233,854	16,429	13,143	29,572	263,426	250,752
Repairs and maintenance	197,087	14,812	-	16,482	228,381	23,545	4,052	27,597	255,978	330,996
Auto and truck	204,506	11,816	1,185	12,869	230,376	18,422	734	19,156	249,532	160,280
Freight	365,618	4,924	-	5,195	375,737	7,422	5,936	13,358	389,095	350,326
Travel	16,058	1,082	-	1,182	18,322	1,689	1,350	3,039	21,361	16,642
Telephone, office and supplies	96,404	5,368	10,998	8,358	121,128	65,087	568,546	633,633	754,761	746,825
Volunteer lunches and conference	59,905	1,554	-	1,812	63,271	2,588	2,068	4,656	67,927	55,641
Professional and contract services	475,349	31,890	-	33,533	540,772	297,795	36,895	334,690	875,462	480,802
Feeding America assessment fee	74,706	-	-	-	74,706	-	-	-	74,706	97,740
Miscellaneous	225,719	11,807	-	12,916	250,442	18,452	37,017	55,469	305,911	357,100
Total expenses before depreciation	61,343,650	1,734,881	221,008	1,553,068	64,852,607	1,153,367	1,216,142	2,369,509	67,222,116	57,160,426
Depreciation	352,270	-	-	-	352,270	-	-	-	352,270	434,164
Total functional expenses	\$ 61,695,920	\$ 1,734,881	\$ 221,008	\$ 1,553,068	\$ 65,204,877	\$ 1,153,367	\$ 1,216,142	\$ 2,369,509	\$ 67,574,386	\$ 57,594,590

The accompanying notes are an integral part of these financial statements.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
(with Comparative Totals for 2009)

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ (197,892)	\$ 1,049,680
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	352,270	434,164
Contributed property and equipment	(202,574)	-
Bad debt expense	44,873	-
Changes in operating assets and liabilities		
Receivables from government agencies	(537,740)	178,568
Receivables from affiliated charities and others	(72,965)	18,737
Pledges receivable	(234,805)	70,099
Food inventory	(401,412)	(377,260)
Prepaid expenses	(36,221)	(96,465)
Accounts payable and accrued expenses	436,229	110,927
	(850,237)	1,388,450
 Cash flows from investing activities		
Purchases of short-term investments	-	(1,800,000)
Proceeds from sale of short-term investments	1,800,000	885,000
Purchases of property and equipment	(315,458)	(330,959)
	1,484,542	(1,245,959)
 Net cash provided by (used in) investing activities		
	634,305	142,491
 Cash and cash equivalents, beginning of year	2,086,080	1,943,589
 Cash and cash equivalents, end of year	\$ 2,720,385	\$ 2,086,080
 Supplemental disclosure of non-cash investing activity		
Contributed property and equipment	\$ 202,574	\$ -

The accompanying notes are an integral part of these financial statements.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – ORGANIZATION

The Los Angeles Regional Foodbank (the “Foodbank”) is a nonprofit organization with the mission to mobilize resources to fight hunger in our community. The core work of the Foodbank is the collection and distribution of donated food and other grocery products to charitable agencies in Los Angeles County serving low-income and needy people. The Foodbank supplements donated food and products with the purchase of specific food and grocery items. The Foodbank also conducts hunger research and participates in hunger awareness campaigns in order to educate and inform the public regarding the problem of hunger. The Foodbank is affiliated with Feeding America (formerly America’s Second Harvest – the Nation’s Foodbank Network).

The following are the primary programs of the Foodbank:

- General Food Distribution is the Foodbank’s core program and includes the distribution of food and products to charitable agencies located throughout Los Angeles County. Part of General Food Distribution is the *Food for Families Program*, which helps agencies helping low-income families, including families with young children, obtain food from the Foodbank. *Shop Smart & Save* is a food-buying service where the Foodbank allows the agencies to maximize their purchasing power by offering food and other items at wholesale prices. Financial donations made to *the Emergency Food Fund Program* allow the Foodbank to purchase rarely contributed but vitally needed food staples such as pinto beans, canned tuna, fruits and vegetables.
- The Food Rescue Program is designed to sort salvage donations from local retailers. Products from the Food Rescue Program are distributed to Foodbank agencies and to other Feeding America food banks.

The Foodbank obtains funding from the following contracts with government agencies:

- The Emergency Food and Shelter National Board/Federal Emergency Management Agency Program and American Reinvestment and Recovery Act (“FEMA” and “FEMA ARRA”) are federal funds that are allocated to the Foodbank through the Los Angeles County Emergency Food and Shelter Board. The funds are utilized for the purchase of food for distribution to qualified agencies.
- The Los Angeles County American Reinvestment and Recovery Act Program (“County ARRA”) is a program funded through the federal Temporary Assistance to Needy Families Emergency Contingency Fund, and administered by the County of Los Angeles through a contract, designed for the Foodbank to provide food kits to households with children over a four-month period ending September 2010. The Foodbank purchased the food items, and the food kits are assembled at the Foodbank and contained a variety of shelf-stable foods. The Foodbank delivered the food kits (and other donated food when available) to agency sites and local elementary schools for distribution to families with children.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – ORGANIZATION (Continued)

- The Emergency Food Assistance Program and American Reinvestment and Recovery Act (“EFAP” and “EFAP ARRA”) provides emergency food assistance to residents of Los Angeles County through qualified agencies and is partially funded by the United States Department of Agriculture (“USDA”) through its agent, the California Department of Social Services.
- The Commodity Supplemental Food Program (“CSFP”) allows the Foodbank to distribute supplemental food to individuals who are especially vulnerable to health problems resulting from general and continued hunger due to insufficient foods, namely infants, preschool children, women during and 12 months after pregnancy, and the elderly. CSFP is partially funded by the USDA through its agent, the California Department of Education.
- CalFresh/Food Stamp Outreach Program and Nutrition Education Program are funded by the USDA – California Department of Health Services, Cancer Prevention and Nutrition Section, through its agents, the California Nutrition Network and California Association of Foodbanks. CalFresh/Food Stamp Outreach work includes education to food pantries to provide food stamp resources and information to their clients, including conducting informational meetings. The Nutrition Education Program provides nutrition education classes and nutritious recipes utilizing USDA commodities for Kids Cafe™ sites, food pantries and on-site feeding facilities in Los Angeles County.
- Kids Cafe™, USDA Summer Food Service Program (“SFSP”) provides nutritious meals and snacks to needy children in a safe and nurturing setting. Children in the Kids Cafe™ program typically receive tutoring assistance, participate in sports and benefit from mentoring. Participating agencies include after-school programs, day care centers, community centers and youth centers. The Kids Cafe™ program, run by the Foodbank, is part of a national network of similar programs run by other Feeding America food banks. The SFSP is designed to provide funding for a nutritious lunch when children are on their summer recess. SFSP funding offsets some of the meal and other costs incurred by children receiving meals at Kids Cafe™ program sites. SFSP funding offsets some of the food and other costs incurred by children receiving healthy snacks at Kids Cafe™ program sites. The SFSP is funded by the USDA and administered by the California Department of Education. Funding of other Kids Cafe™ program-related expenses is provided by grants and community support.

Other non-governmental programs at the Foodbank include:

- Produce and Perishables Program distributes a variety of fresh, nutritious and healthy produce donated through local and regional produce distributors and growers to its agencies year-round. The produce and perishables are distributed through the Rapid Food distribution program, agency delivery, agency drive-through and front dock programs. Grant funding currently allows this program to be provided at no charge to agencies.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – ORGANIZATION (Continued)

- Senior Nutrition/Brown Bag Program provides agencies serving senior citizens the opportunity to receive and distribute fresh fruits, vegetables and other foods to low-income elderly persons.
- The Backpack Program can be best described as “backpack-food-children-weekend.” The program provides a backpack of healthy, nutritious food for eligible school-aged children for the weekend. Each backpack contains enough food for 6 meals to include breakfast, lunch and dinner. The program is fully funded by non-government grants.
- Product Donations and Extra Helpings is a food recovery program, developed in cooperation with the California Restaurant Association and the Los Angeles County Department of Health Services to facilitate the contribution of food from restaurants, hotels and the hospitality industry to charitable agencies. It includes a brokered program and Extra Helpings bread program.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foodbank recognizes contributions, including unconditional promises to give, as revenue in the period received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foodbank and changes therein are classified and reported as follows:

- Unrestricted net assets – represent the portion of expendable funds that are available for support of the operations of the Foodbank and are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – consist of contributions that are restricted for use in specified programs or whose restrictions expire with the passage of time. The Foodbank records temporarily restricted cash contributions that are received and expended in the same year as temporarily restricted revenue. As the donor restrictions are satisfied, net assets are released from restrictions.
- Permanently restricted net assets – comprise funds that are subject to restrictions that the principal be maintained in perpetuity and invested for the purpose of producing present and future income that may be expended by the Foodbank. The Endowment Fund has a balance of \$110,000 as of December 31, 2010.

Basis of Accounting

The financial statements are presented utilizing the accrual basis of accounting.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Statements

The financial statements include certain prior-year summarized comparative financial 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 Foodbank's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Certain amounts included in the prior year have been reclassified to conform to the current-year presentation. Contributed goods and program services USDA – CSFP Program were both reduced by \$1,127,935 to reflect a change in accounting for inventory movements.

Revenue and Expense Recognition

The Foodbank recognizes contributions, including unconditional promises to give, as revenue in the period received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions.

Contributed Goods

The Foodbank receives a significant amount of contributed food inventory that is recorded in the accompanying financial statements as unrestricted contributions, net of amounts related to food that is unusable or spoiled when received. One of the major sources of contributed food is the USDA, which allocates food commodities to the Foodbank under the Emergency Food Assistance Program and Commodity Supplemental Food Program.

Under these programs, food commodities are distributed without cost to all eligible recipients within the approved service areas. Upon distribution, the food is recorded as a decrease in unrestricted net assets.

The Foodbank records contributed food received from the USDA based on actual food prices provided by the USDA. During the year ended December 31, 2010, the USDA Emergency Food Assistance Program food product prices averaged \$0.59 per pound and USDA Commodity Supplemental Food Program food product prices averaged \$0.69 per pound.

All other contributed food items are valued using a weighted average price per pound determined using studies commissioned by Feeding America, the nation's largest nongovernmental food distribution program. For the year ended December 31, 2010, the weighted average value for contributed food was \$1.29 per pound (\$1.25 per pound in 2009). The total net value of contributed food for the year ended December 31, 2010 was \$51,164,364.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and Property and Equipment

Contributed services are recognized by the Foodbank if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The fair value of such services totaled \$249,890.

The Foodbank also receives contributions of property and equipment and are recognized at fair value at date of donation. The fair value of property and equipment received during the year ended December 31, 2010 amounted to \$202,574.

Contributed Services

The Foodbank also receives a significant amount of contributed time from volunteers that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the Foodbank's various programs and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and deposits in banks, money market accounts and certificates of deposit maturing within 90 days of the original purchase date.

Short-term Investments

Short-term investments consist of certificate of deposits stated at fair value.

Purchased Inventory

Purchased inventory is stated at cost using the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost or, for contributed items, at fair market value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from three to five years for equipment, trucks, furniture and fixtures, seven years for cold storage, and 30 years for the building. The Foodbank's capitalization policy is to capitalize all fixed assets over \$1,000.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The Foodbank reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of property and equipment may not be recoverable. Recoverability is measured by a comparison of the amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair market value of the asset. During 2010, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Income Taxes

Los Angeles Regional Foodbank is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, a provision for Federal or state income taxes is not recorded in the accompanying financial statements. The Foodbank is classified as an organization that is not a private foundation under Section 509(a)(i) and 170(b)(a)(vi) of the Internal Revenue Code.

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 740, “Uncertainty in Income Taxes” (“ASC 740”) (formerly FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109”), the Foodbank recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Foodbank has not recorded any uncertain tax positions. The Foodbank recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the year ended December 31, 2010, the Foodbank performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which may have an effect on its tax-exempt status.

The Foodbank is no longer subject to US federal, state or local income tax examinations by tax authorities for years before 2006.

Use of Estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments that potentially subject Los Angeles Regional Foodbank to concentrations of credit risk consist of cash and cash equivalents and grants and contracts receivable.

The Foodbank places its cash and cash equivalents with high-credit, quality financial institutions. As of December 31, 2010, the Foodbank has non-interest-bearing and interest-bearing cash accounts and cash equivalents. Non-interest-bearing cash and cash equivalents are fully insured by the Federal Deposit Insurance Corporation. Interest-bearing cash equivalents exceed the FDIC insured amount of \$250,000 each at various financial institutions. As of December 31, 2010, the Foodbank has \$1,801,286 of uninsured cash and cash equivalents. The Foodbank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

With respect to grants and contracts receivables, the Foodbank routinely assesses the financial strength of its grantors and believes that the related credit risk exposure is limited.

Estimated Fair Value of Financial Instruments

As defined in FASB ASC Topic No. 820, “Fair Value Measurements and Disclosures” (“ASC 820”) (formerly SFAS No. 157, “Fair Value Measurements”), fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foodbank uses the market approach.

Based on this approach, the Foodbank utilizes certain assumptions about the risk or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Foodbank utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Foodbank is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments (Continued)

Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal year ended December 31, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Financial instruments included in the Foodbank's statement of financial position include cash and cash equivalents, short-term investments, grants and contracts receivables, and accounts payable and accrued expenses. The carrying amounts of these financial instruments represent a reasonable estimate of fair values due to their short-term maturities.

Recently Adopted Accounting Pronouncement

In January 2010, the FASB issued Auditing Standards Update ("ASU") 2010-07, "Not-for-Profit Entities: Mergers and Acquisitions." This guidance amends and clarifies the requirements under ASC 958-805, which establishes principles and requirements for how a not-for-profit entity accounts for and discloses mergers and acquisitions. It also amends SFAS No. 142, "Goodwill and Other Intangible Assets," to make it fully applicable to not-for-profit entities. ASC 958-805 is effective for mergers occurring on or after December 15, 2009, and acquisitions for which the acquisition dates is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. As of and for the year ended December 31, 2010 and through the date of these financial statements, the Foodbank was not a party to any merger or acquisition transaction. ASC 958-805 may have an impact on the Foodbank's financial statements in future years should they become a party to a merger or acquisition transaction.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 – CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash, cash equivalents and short-term investments are designated and restricted as follows:

	2010	2009
Available for operations	\$ 25,447	\$ 6,102
Board-designated operating reserve used for operations	1,100,000	2,100,000
Board-designated capital asset reserve	50,000	50,000
Board-designated primary endowment	69,303	69,303
Temporarily restricted	1,365,635	1,550,675
Permanently restricted	110,000	110,000
Total	\$ 2,720,385	\$ 3,886,080
Cash and cash equivalents	\$ 2,720,385	\$ 2,086,080
Short-term investments	-	1,800,000
Total	\$ 2,720,385	\$ 3,886,080

The short-term investments are various certificates of deposit of no more than \$250,000 at various FDIC-insured financial institutions with staggered maturities of less than one year. The Foodbank considers all its cash equivalents and short-term investments in Level 1 of the fair value hierarchy, measured at fair value on a recurring basis as of December 31, 2010.

NOTE 4 – RECEIVABLES FROM GOVERNMENT AGENCIES

Receivables from government agencies at December 31, 2010 consisted of amounts due from the following agencies:

Department of Social Services Emergency Food Assistance Program	\$ 172,111
Department of Education Child Nutrition and Food Distribution Division	
Commodity Supplemental Food Program	687,491
Department of Health Services Food Stamps and Nutrition Education	35,779
Federal Emergency Management Agency, passed through United Way –	
Emergency Food and Shelter National Board Program and ARRA	4,000
Department of Education Summer Food Service Program	43,974
Total	\$ 943,355

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 – RECEIVABLES FROM AFFILIATED CHARITIES AND OTHERS

Receivables from affiliated agencies consisted of the following:

Shared maintenance fees	\$ 311,848
Less allowance for doubtful accounts	<u>22,706</u>
Net	<u>\$ 289,142</u>

NOTE 6 – PLEDGES RECEIVABLE

Pledges receivables, totaling \$308,720 at December 31, 2010, are from various individuals and organizations. Management anticipates collection within one year. No allowance for potentially uncollectible pledges was deemed necessary at December 31, 2010.

NOTE 7 – FOOD INVENTORY

The food inventory consisted of the following:

	Dollar Value			
	Contributed	Purchased	2010 Total	2009 Total
Balance at January 1	\$ 2,875,625	\$ 805,847	\$ 3,681,472	\$ 3,304,212
Receipts, net of destruction of \$4,648,328	51,164,364	4,173,904	55,338,268	47,355,243
Distributions	<u>(50,753,659)</u>	<u>(4,183,197)</u>	<u>(54,936,856)</u>	<u>(46,977,983)</u>
Balance at December 31	<u>\$ 3,286,330</u>	<u>\$ 796,554</u>	<u>\$ 4,082,884</u>	<u>\$ 3,681,472</u>
	Poundage			
	Contributed	Purchased	2010 Total	2009 Total
Balance at January 1	3,045,907	1,467,611	4,513,518	4,008,343
Receipts, net of destruction of 3,859,975 lbs	56,520,031	6,966,980	63,487,011	55,242,663
Distributions	<u>(55,075,457)</u>	<u>(7,287,354)</u>	<u>(62,362,811)</u>	<u>(54,737,488)</u>
Balance at December 31	<u>4,490,481</u>	<u>1,147,237</u>	<u>5,637,718</u>	<u>4,513,518</u>

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 consisted of the following:

Land	\$ 2,260,008
Building	3,423,560
Equipment	1,667,694
Trucks	1,762,214
Furniture and fixtures	351,351
Computer software	<u>424,413</u>
	9,889,240
Less accumulated depreciation	<u>5,149,741</u>
Total	<u>\$ 4,739,499</u>

Depreciation expense amounted to \$352,270 for the year ended December 31, 2010.

NOTE 9 – LINE OF CREDIT

The Foodbank maintains a \$500,000 line of credit with US Bank. The purpose of the line of credit was to allow the Foodbank to access short-term working capital needs in the event of an emergency or disaster. The line of credit is subject to an annual renewal and bears an interest rate equal to the bank prime rate minus 0.25%. An approved written authorization from the executive committee is required to a draw down on the line of credit. The Foodbank did not draw down on the line of credit in 2010.

NOTE 10 – NET ASSETS

Unrestricted

The board of directors established operating and capital asset reserves totaling \$1,100,000 and \$50,000, respectively, and a primary endowment totaling \$69,303, consisting of unrestricted cash, in anticipation of future organizational needs.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 10 – NET ASSETS (Continued)

Temporarily Restricted

Temporarily restricted net assets at December 31, 2010 for specific programs were as follows:

	Balance at December 31, <u>2009</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance at December 31, <u>2010</u>
Temporarily restricted				
Backpack Program	\$ 99,803	\$ 254,472	\$ (221,008)	\$ 133,267
CalFresh/Food Stamp Outreach Program funds	14,476	281,718	(123,329)	172,865
Children’s Nutrition Program Fund	83,691	509,039	(489,158)	103,572
Emergency Food Fund	34,808	143,389	(120,088)	58,109
Emergency Food Fund 2	194,154	507,048	(576,357)	124,845
Facilities assessment fund	29,499	-	(29,499)	-
Fixed asset funds	-	212,566	(40,000)	172,566
Food for Families Program Fund	2,940	16,590	(16,285)	3,245
Nutrition Education Fund	27,500	2,500	(27,500)	2,500
Produce and Perishables Program funds	395,046	974,395	(891,986)	477,455
Senior Nutrition/Brown Bag Program funds	97,961	147,384	(128,134)	117,211
Other temporarily restricted funds	575,000	-	(575,000)	-
Restricted due to time	<u>73,915</u>	<u>705,805</u>	<u>(471,000)</u>	<u>308,720</u>
Total temporarily restricted	<u>\$ 1,628,793</u>	<u>\$ 3,754,906</u>	<u>\$(3,709,344)</u>	<u>\$ 1,674,355</u>

Permanently Restricted

The permanently restricted net assets consisted of a donor-restricted perpetual endowment fund in the amount of \$110,000 at December 31, 2010. According to the donor’s stipulations, a historical value of \$110,000 should be maintained in the fund; all additions to the fund over and above the historic dollar value may, subject to the discretion policies and procedures of the Foodbank, be used to fund distributions or awards supporting the purposes of the fund.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 10 – NET ASSETS (Continued)

Permanently Restricted (Continued)

According to the provision of the donor’s stipulation and that of ASC 958-205, the Foodbank records the original value of the donation to this fund as permanently restricted net assets, and investment income is appropriated for the current year’s expenditure and is classified within unrestricted net assets. During the year ended December 31, 2010, the investment income appropriated was \$1,640. The endowment fund was invested in a FDIC-insured time deposit.

The Foodbank has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, endowment assets are invested in a manner that is intended to produce results that exceed the spending rate policy while assuming a moderate level of investment risk.

To satisfy its long-term rate of return objectives, the Foodbank relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Foodbank targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foodbank established a spending rate policy of 2.5% on the endowment in December 2010.

During the year ended December 31, 2010, the permanently restricted and board-designated endowment fund had the following activities:

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 69,303	\$ -	\$ 110,000	\$ 179,303
Investment income	1,640	-	-	1,640
Appropriation of endowment asset for expenditure	<u>(1,640)</u>	<u>-</u>	<u>-</u>	<u>(1,640)</u>
Balance, end of year	<u>\$ 69,303</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 179,303</u>

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 10 – NET ASSETS (Continued)

Permanently Restricted (Continued)

Endowment Net Asset by Composition by Type of Fund as of December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ -	\$ 110,000	\$ 110,000
Board-designated endowment fund	<u>69,303</u>	<u>-</u>	<u>-</u>	<u>69,303</u>
Balance, end of year	<u>\$ 69,303</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 179,303</u>

NOTE 11 – SHARED MAINTENANCE FEES

The Foodbank receives fees from participating agencies to assist in the costs of distributing food by the Foodbank. These shared maintenance fees are based on predetermined rates of \$0.18 per pound or less. For the year ended December 31, 2010, such fees totaled \$1,061,216.

NOTE 12 – 403(B) RETIREMENT PLAN

All employees who have completed a year of service, as defined in the 403(b) Plan (the “Plan”), and are at least eighteen years of age are eligible to participate in the Plan. The Foodbank will make a non-elective contribution equal to 2% of employees’ compensation for the Plan year. During the year ended December 31, 2010, the Foodbank did not make discretionary employer contributions to the Plan.

NOTE 13 – COMMITMENT AND CONTINGENCIES

From time to time, the Foodbank may have certain contingent liabilities that arise in the ordinary course of its business activities. The Foodbank accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management, there are no pending claims of which the outcome is expected to result in a material adverse effect on the financial position, results of operations or cash flows of the Foodbank.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 13 – COMMITMENT AND CONTINGENCIES (Continued)

The Foodbank leases one warehouse under operating lease. Future minimum lease payments are as follows:

For the Year Ending December 31,

2011	\$ 394,608
2012	<u>230,188</u>
Total	<u>\$ 624,796</u>

Rent expense for the year totaled \$288,011.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 10, 2011, which is the date the financial statements were issued or available to be issued.