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LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

Financial Statements

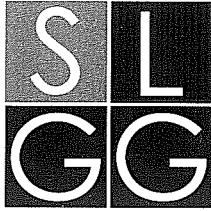
Year Ended December 31, 2005

(With Independent Auditors' Report Thereon)

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LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
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December 31, 2005

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SINGER LEWAK GREENBAUM & GOLDSTEIN LLP
Certified Public Accountants & Management Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Los Angeles Regional Foodbank (a nonprofit organization) (the "Foodbank") as of December 31, 2005 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 organization's 2004 financial statements and, in our report dated March 3, 2005, 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 Los Angeles Regional Foodbank as of December 31, 2005, 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 April 7, 2006 on our consideration of Los Angeles Regional Foodbank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Los Angeles, California
April 7, 2006



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LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005
(with Comparative Totals for 2004)

	2005			Total 2004
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenue				
Contributions	\$ 2,044,185	\$ 319,946	\$ 100,000	\$ 3,624,407
Shared maintenance fees (Note 12)	1,727,885	-	-	2,060,487
Payments under government contracts	1,362,378	-	-	1,440,840
Shop Smart & Save income	1,035,020	-	-	976,349
Interest and dividend income	45,204	-	-	35,029
Other income	169,147	-	-	84,072
Subtotal	6,383,819	319,946	100,000	8,221,184
Contributed goods (Note 2)	42,995,895	-	-	51,070,915
Contributed services (Note 2)	189,125	-	-	304,837
Total public support and revenue	49,568,839	319,946	100,000	59,988,785
Net assets released from restrictions	787,782	(787,782)	-	-
Total public support and revenue and and net assets released from restrictions	50,356,621	(467,836)	100,000	59,988,785
Functional expenses				
Program services				
General Food Distribution	47,525,739	-	-	51,664,716
Food Rescue Program	360,276	-	-	406,559
Federal Emergency Management Agency Program	392,685	-	-	396,110
USDA - EFAP Program	776,119	-	-	956,936
USDA - CSFP Program	673,758	-	-	683,124
Food Stamp Outreach & Nutrition Education Program	16,072	-	-	20,262
USDA - SFSP & CAFP Kids Cafe™ Programs	52,168	-	-	52,168
Rapid Food Distribution & Agency Delivery Programs	88,733	-	-	88,733
Brown Bag Program	147,610	-	-	136,012
Extra Helpings Program	157,218	-	-	150,862
Total program services	50,190,378	-	-	54,414,581
Supporting services				
General and administrative	459,528	-	-	363,210
Fund-raising	587,040	-	-	539,018
Total supporting services	1,046,568	-	-	902,228
Total functional expenses	51,236,946	-	-	55,316,809
Change in net assets	(880,325)	(467,836)	100,000	4,280,127
Net assets at beginning of year	12,317,543	1,706,501	-	9,743,917
Net assets at end of year	\$ 11,437,218	\$ 1,238,665	\$ 100,000	\$ 14,024,044

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, 2005
 (with Comparative Totals for 2004)

	Program Services										Total
	General Food Distribution	Food Rescue Program	Federal Emergency Management Agency Program	USDA - EFAP Program	USDA - CSFP Program	Food Stamp Outreach & Nutrition Education Program	USDA-SFSP & CAFFP Kids Cafe TM Programs	Rapid Food Distribution & Agency Delivery Program	Brown Bag Program	Extra Helpings Program	
Food	\$ 44,575,885	\$ -	\$ 392,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,968,570
Salaries and related expenditures	1,423,386	247,343	-	522,615	345,380	16,072	42,937	25,657	82,953	55,235	2,761,578
Warehouse rental and utilities	176,790	27,957	-	57,845	147,755	-	2,528	2,009	12,912	17,846	447,642
Insurance	98,464	-	-	82,851	57,599	-	-	-	12,377	24,756	276,047
Interest	1,121	-	-	-	-	-	-	-	-	-	1,121
Repairs and maintenance	88,513	16,967	-	44,844	23,932	-	-	2,720	8,585	7,045	192,606
Auto and truck	96,249	-	-	23,496	22,357	-	4,106	37,543	7,592	9,226	200,559
Travel	7,354	-	-	1,153	1,672	-	-	-	570	851	11,600
Telephone	17,947	-	-	15,552	4,598	-	95	-	2,478	4,955	45,625
Office and supplies	43,689	2,105	-	14,946	17,597	-	1,260	123	3,462	6,085	89,267
Volunteer lunches and conference	30,696	-	-	533	176	-	-	21	2,269	4,513	38,208
Professional services	344,744	16,062	-	8,602	18,449	-	-	-	9,053	16,162	413,072
Miscellaneous	220,727	1,282	-	3,682	4,833	-	1,242	20,660	5,369	10,544	268,339
Total expenses before depreciation	47,127,565	311,716	392,685	776,119	644,348	16,072	52,168	88,733	147,610	157,218	49,714,234
Depreciation	398,174	48,560	-	-	29,410	-	-	-	-	-	476,144
Total functional expenses	\$ 47,525,739	\$ 360,276	\$ 392,685	\$ 776,119	\$ 673,758	\$ 16,072	\$ 52,168	\$ 88,733	\$ 147,610	\$ 157,218	\$ 50,190,378

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, 2005
 (with Comparative Totals for 2004)

	Supporting Services				Totals	
	General and Administrative	Fund-raising	Total	2005	2004	
Food	\$ -	\$ -	\$ -	\$ -	\$ 44,988,570	\$ 49,430,664
Salaries and related expenditures	314,338	280,568	594,906	594,906	3,356,484	3,225,536
Warehouse rental and utilities	26,560	5,183	31,743	31,743	479,385	414,045
Insurance	24,756	19,804	44,560	44,560	320,607	229,572
Interest	-	-	-	-	1,121	1,808
Repairs and maintenance	17,170	5,649	22,819	22,819	215,425	226,342
Auto and truck	21,545	1,187	22,732	22,732	223,291	224,022
Travel	1,139	553	1,692	1,692	13,292	7,343
Telephone	8,417	500	8,917	8,917	54,542	48,734
Office and supplies	6,923	239,791	246,714	246,714	335,981	356,675
Volunteer lunches and conference	4,581	3,610	8,191	8,191	46,399	55,433
Professional services	23,281	18,600	41,881	41,881	454,953	528,469
Miscellaneous	10,818	11,595	22,413	22,413	290,752	223,764
Total expenses before depreciation	459,528	587,040	1,046,568	1,046,568	50,760,802	54,972,427
Depreciation	-	-	-	-	476,144	344,382
Total functional expenses	\$ 459,528	\$ 587,040	\$ 1,046,568	\$ 1,046,568	\$ 51,236,946	\$ 55,316,809

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, 2005

(with Comparative Totals for 2004)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Change in net assets	\$ (1,248,161)	\$ 4,280,127
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	476,144	344,382
(Gain) loss on disposal of property and equipment, net	-	(9,000)
Changes in operating assets and liabilities		
Receivables from government agencies	(14,132)	(101,379)
Receivables from affiliated agencies and others	80,224	(93,147)
Pledges and grant receivable	644,957	(1,612,145)
Food inventory	462,101	(2,793,214)
Prepaid expenses	(1,088)	(17,218)
Accounts payable	(153,748)	(123,167)
Other liabilities	19,844	46,173
	<u>266,141</u>	<u>(78,588)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(582,263)	(179,981)
Proceeds from sale of property and equipment	-	9,000
	<u>(582,263)</u>	<u>(170,981)</u>
Net cash used in investing activities		
Net decrease in cash	<u>(316,122)</u>	<u>(249,569)</u>
Cash and cash equivalents at beginning of year	<u>1,582,451</u>	<u>1,832,020</u>
Cash and cash equivalents at end of year	<u>\$ 1,266,329</u>	<u>\$ 1,582,451</u>
Supplemental disclosure of investing and financing activities		
Cash paid during the year for interest	<u>\$ 1,121</u>	<u>\$ 1,808</u>

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

LOS ANGELES REGIONAL FOODBANK

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 – ORGANIZATION

The Los Angeles Regional Foodbank (the "Foodbank") is a nonprofit organization with the mission to mobilize resources of a community in order to fight hunger, the causes of hunger, and the problems related to hunger. 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 America's Second Harvest, the Nation's Food Bank 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 product 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. *The Children and Youth Program* helps agencies serving hungry children, infants, and adolescents who are low-income or are disabled. *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. Product from the Food Rescue Program is distributed to Foodbank agencies and to other America's Second Harvest 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 (FEMA) are federal funds which 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.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 – ORGANIZATION (Continued)

The following are the primary programs of the Foodbank: (Continued)

- The Emergency Food Assistance Program (EFAP) 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.
- The 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. Food Stamp Outreach work includes education to food pantries to provide food stamp resources and information to their clients, including conducting information 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

Other non-governmental programs at the Foodbank include:

- Kids Cafe™, USDA Summer Food Service Program (SFSP) and USDA Child and Adult Food Program (CAFP) 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 America's Second Harvest 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. CAFSP funding offsets some of the food and other costs incurred by children receiving healthy snacks at Kids Cafe™ program sites. Both the SFSP and CAFSP are 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.

LOS ANGELES REGIONAL FOODBANK

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 – ORGANIZATION (Continued)

Other non-governmental programs at the Foodbank include: (Continued)

- In 2005, the Foodbank started the delivery of fresh produce and other perishable food items to agencies through the Rapid Food Distribution program. A refrigerated truck is utilized for what is usually a just-in-time delivery (right before an agency distributes food to clients). Grant funding currently allows this program to be provided at no charge to agencies. Also in 2005, the Foodbank began to offer delivery to agencies utilizing “hub locations” in some of the remote areas of Los Angeles County through the Agency Delivery program. A delivery fee is assessed to each agency to offset transportation costs.
- 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.
- The 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.

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.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- 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 Foodbank established the primary endowment fund and the donor-designated endowment fund in December 2005.

Basis of Accounting

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

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.

Property and Equipment

Property and equipment are stated at cost or for contributed items at fair market value at 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 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 2005, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

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.

LOS ANGELES REGIONAL FOODBANK

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Goods (Continued)

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 product prices provided by the USDA. During the year ended December 31, 2005, the USDA Emergency Food Assistance Program food product prices averaged \$0.57 per pound and USDA Commodity Supplemental Food Program food product prices averaged \$1.63 per pound.

All other contributed food items are valued using a weighted average price per pound determined using studies commissioned by America's Second Harvest, the nation's largest nongovernmental food distribution program. For the year ended December 31, 2005, the weighted average value for contributed food was \$1.44 per pound. The total net value of contributed food for the year ended December 31, 2005 was \$42,995,895.

Contributed Services

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 \$189,125.

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.

Purchased Inventory

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

Leases

Assets financed by capital leases and the related obligations under capital leases are recorded at the beginning of the lease term at the lower of the present value of the minimum lease payments or the fair value of the assets.

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.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Comparative Financial Information for 2004

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, 2004 from which the summarized information was derived.

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.

Concentrations of Credit Risk

Financial instruments which 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. At times, such cash may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$100,000. 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 or its investments at the banks. With respect to grants and contracts receivable, the Foodbank routinely assesses the financial strength of its grantors and, as a consequence, believes that the receivable credit risk exposure is limited.

LOS ANGELES REGIONAL FOODBANK

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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

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

	<u>2005</u>	<u>2004</u>
Board-designated operating reserve	\$ 1,000,000	\$ 1,500,000
Board-designated capital asset reserve	250,000	250,000
Temporarily restricted	291,329	84,772
Permanently restricted	25,000	-
Other unrestricted	<u>-</u>	<u>47,679</u>
Total	<u>\$ 1,566,329</u>	<u>\$ 1,882,451</u>

The short-term investments are composed of a one-year Certificate of Deposit at Countrywide Bank N.A., of \$300,000 yielding 4.96% interest annually, with a maturity date of October 2006.

NOTE 4 – RECEIVABLES FROM GOVERNMENT AGENCIES

Receivables from government agencies at December 31, 2005 consisted of amounts due from the following agencies:

Department of Social Services Emergency	
Food Assistance Program	\$ 165,402
Department of Education	
Child Nutrition and Food Distribution Division	
Commodity Supplemental Food Program	101,915
Department of Nutrition	
Food Stamps and Nutrition Education	3,008
Department of Education	
Summer Food Service Program	1,125
Child and Adult Food Program	<u>-</u>
Total	<u>\$ 271,450</u>

NOTE 5 – RECEIVABLES FROM AFFILIATED CHARITIES AND OTHERS

Receivables from affiliated agencies totaling \$225,580 (net of allowance for bad debts and doubtful accounts of \$11,000) at December 31, 2005 consisted of \$192,181 from agencies for shared maintenance fees, \$31,002 from agencies participating in the Shop Smart & Save Program, and \$2,397 in other receivables.

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 6 – PLEDGES RECEIVABLES

Pledges receivables totaling \$989,800 at December 31, 2005 consisted of \$870,133 from the Vitamin Settlement and \$119,667 from various individuals and organizations. See Note 11 for further discussion about the Vitamin Settlement.

NOTE 7 – FOOD INVENTORY

The food inventory consisted of the following:

	Dollar Value			
	Contributed	Purchased	2005 Total	2004 Total
Balance at January 1, 2005	\$ 5,089,144	\$ 126,640	\$ 5,215,784	\$ 2,422,571
Receipts, net of destruction of \$5,863,023	42,995,895	1,427,550	44,403,860	52,453,792
Distributions	<u>(43,497,107)</u>	<u>(1,388,438)</u>	<u>(44,865,960)</u>	<u>(49,660,578)</u>
Balance at December 31, 2005	<u>\$ 4,587,932</u>	<u>\$ 165,752</u>	<u>\$ 4,753,684</u>	<u>\$ 5,215,785</u>
	Poundage			
	Contributed	Purchased	2005 Total	2004 Total
Balance at January 1, 2005	4,854,453	321,210	5,175,663	2,378,588
Receipts, net of destruction of 4,352,383 lbs.	37,132,983	3,252,491	40,385,474	47,522,686
Distributions	<u>(37,944,314)</u>	<u>(3,157,606)</u>	<u>(41,101,920)</u>	<u>(44,725,611)</u>
Balance at December 31, 2005	<u>4,043,122</u>	<u>416,095</u>	<u>4,459,217</u>	<u>5,175,663</u>

LOS ANGELES REGIONAL FOODBANK
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2005 consisted of the following:

Land	\$ 2,260,008
Building	3,178,044
Equipment	1,090,838
Assets under capital leases	54,531
Trucks	1,080,227
Furniture and fixtures	342,016
Computer software	<u>223,364</u>
	8,229,028
Less accumulated depreciation	<u>3,022,035</u>
Total	<u>\$ 5,206,993</u>

NOTE 9 – OPERATING LIABILITIES

Liabilities totaling \$354,456 at December 31, 2005 consisted of \$103,550 due to Accounts Payable, \$171,083 for accrued employee benefits, \$70,722 for refundable agency deposits and \$9,101 for capital leases on copiers.

NOTE 10 – LINE OF CREDIT

The Board of Directors approved a \$500,000 line of credit offered by Mellon 1st Business Bank in July 2003. 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 of the London InterBank Offering Rate (LIBOR) plus 2.5% or Mellon 1st Business Bank's floating reference rate minus 0.25%, whichever is smaller. An approved written authorization from the executive committee is essential to a draw down on the line of credit. The Foodbank did not draw down on the line of credit in 2005.

NOTE 11 – NET ASSETS

Unrestricted

The Board of Directors established operating and capital asset reserves totaling \$1,000,000 and \$250,000, respectively, consisting of unrestricted cash, in anticipation of future organizational needs.

Temporarily Restricted

Temporarily restricted net assets totaling \$1,238,665 at December 31, 2005 were restricted by donors for specific programs of the Foodbank. The programs are as follows:

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NOTE 11 – NET ASSETS (Continued)

Temporarily Restricted (Continued)

	Balance at December 31, 2004	Revenues	Expenditures	Balance at December 31, 2005
Temporarily restricted				
Kids Cafe TM	\$ 4,780	\$ 191,283	\$ (67,082)	\$ 128,981
Emergency Food Fund	5,998	10,393	(3,453)	12,938
Food For Families	16,578	22,285	(33,075)	5,788
Brown Bag	13,126	52,991	(66,117)	-
Other funds	70,821	2,000	(68,286)	4,535
Children and Youth	4,670	18,770	(9,550)	13,890
Vitamin Cases Consumer Settlement Fund (Note 9)	1,590,528	-	(536,293)	1,054,235
Links to better Nutrition fund	-	10,000	(2,746)	7,254
Nutrition Education fund	-	12,224	(1,180)	11,044
Total temporarily restricted	\$ 1,706,501	\$ 319,946	\$ (787,782)	\$ 1,238,665

The Los Angeles Regional Foodbank was the recipient of an award of \$1,590,528 from a Vitamin Cases Consumer Settlement Fund (Judicial Council Coordination Proceeding No. 4076 Master File No. 301803-San Francisco County), as the result of a class action lawsuit alleging anti-trust activities on the part of makers of vitamins commonly used as additives in food products. The purposes of the award are to improve the health and nutrition of California consumers, which will be accomplished through specific permitted uses over a three year period ending November 8, 2007. Requests for the funds will be based on periodic program budgets submitted to the Cy Pres Fund Administrator through the San Francisco Foodbank. The expenditures resulting from this settlement for the year ended December 31, 2005 was \$536,293.

Permanently Restricted Net Assets

The Foodbank received its first donor-designated Endowment Fund in December 2005 for \$100,000 from an individual donor.

NOTE 12 – 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 \$0.16 per pound or less. For the year ended December 31, 2005, such fees totaled \$1,727,885.

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NOTE 13 – 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 18-years of age are eligible to participate in the Foodbank's 403(b) Plan. The Foodbank will make a nonelective contribution equal to 3% of employees' compensation for the Plan year and make a matching contribution equal to 50% of employee's contribution for the Plan year. The total employer contribution will not exceed 6% of employee compensation in a Plan year. During the year ended December 31, 2005, the Foodbank did not make discretionary employer contributions to the Plan.

Effective February 27, 2006, the Board of Directors of the Foodbank approved a change in the 403 (B) plan to reflect an employer contribution of 1% of employees' compensation in a plan year.

NOTE 14 – URBAN GARDEN

The Foodbank held a revocable permit with the City of Los Angeles Harbor Department since 1994 to operate a community garden on 13.66 acres located across the street from the Foodbank's facility. As a result of a legal settlement, the City sold the land to the previous landowner of the property in 2003. From February 2004 to July 2005, a preliminary injunction issued by the Superior Court prevented the landowner from taking possession of the property. In August 2005, the landowner filed an unlawful detainer complaint in Superior Court naming the Foodbank, which the Foodbank did not contest. In February 2006, the Superior Court entered a judgment by court stipulation granting the landowner possession of the property. Management believes that with the resolution of this litigation, other issues involving the community garden will not have a significant impact on the financial position of the Foodbank.