

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

**LOS ANGELES REGIONAL FOOD BANK**  
**(A NONPROFIT ORGANIZATION)**  
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**December 31, 2013**

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## INDEPENDENT AUDITOR'S REPORT



To the Board of Directors  
Los Angeles Regional Food Bank  
Los Angeles, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Regional Food Bank (the "Food Bank"), which comprise the statement of financial position as of December 31, 2013, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Food Bank's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2014 on our consideration of the Food Bank'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "SingerLewak LLP".

SingerLewak LLP

Los Angeles, California  
April 23, 2014

# LOS ANGELES REGIONAL FOOD BANK

(A NONPROFIT ORGANIZATION)

## STATEMENT OF FINANCIAL POSITION

December 31, 2013

(with Comparative Totals for 2012)

ASSETS		
	2013	2012
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 2,913,424	\$ 3,697,764
Investments (Note 3)	220,466	188,707
Receivables from government agencies (Note 4)	1,454,039	946,781
Receivables from affiliated charities and others, net (Note 5)	422,382	370,074
Pledges receivable (Note 6)	197,763	1,274,014
Food inventory (Notes 2 and 7)	5,857,472	6,438,472
Prepaid expenses	276,457	254,559
Property and equipment, net (Note 8)	6,248,591	5,368,336
<b>Total assets</b>	<b>\$ 17,590,594</b>	<b>\$ 18,538,707</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,732,096	\$ 1,527,579
Line of credit (Note 9)	-	200,000
Note payable to Feeding America	-	53,534
<b>Total liabilities</b>	<b>1,732,096</b>	<b>1,781,113</b>
<b>Commitments and contingencies</b> (Note 13)		
<b>Net assets</b> (Note 10)		
Unrestricted		
Available for operations	8,231,536	7,365,670
Board-designated	146,710	128,707
Investment in property and equipment, net	6,248,591	5,368,336
<b>Total unrestricted</b>	<b>14,626,837</b>	<b>12,862,713</b>
Temporarily restricted	1,121,661	3,784,881
Permanently restricted	110,000	110,000
<b>Total net assets</b>	<b>15,858,498</b>	<b>16,757,594</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,590,594</b>	<b>\$ 18,538,707</b>

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

**LOS ANGELES REGIONAL FOOD BANK**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2013**  
**(with Comparative Totals for the Year Ended December 31, 2012)**

	2013				Total 2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Public support and revenue</b>					
Contributions	\$ 7,147,499	\$ 2,420,797	\$ -	\$ 9,568,296	\$ 11,470,704
Shared maintenance fees (Note 11)	1,134,123	-	-	1,134,123	1,270,615
Payments under government contracts	3,919,011	-	-	3,919,011	3,580,669
Shop Smart & Save income	699,091	-	-	699,091	1,148,546
Special events, net of direct benefit expense	149,366	-	-	149,366	88,411
Interest income	499	-	-	499	1,036
Realized and unrealized gain on investments	22,721	13,756	-	36,477	13,887
Other income	163,857	-	-	163,857	142,797
Subtotal	13,236,167	2,434,553	-	15,670,720	17,716,665
Contributed goods (Note 2)	62,170,242	-	-	62,170,242	50,755,253
Contributed assets and services (Note 2)	161,055	-	-	161,055	71,565
Total public support and revenue	75,567,464	2,434,553	-	78,002,017	68,543,483
<b>Net assets released from restrictions</b>	5,097,773	(5,097,773)	-	-	-
Total public support and revenue and net assets released from restrictions	80,665,237	(2,663,220)	-	78,002,017	68,543,483
<b>Functional expenses</b>					
Program services					
General food distribution	21,756,723	-	-	21,756,723	19,086,312
Food Rescue Program	203,049	-	-	203,049	210,313
Federal Emergency Management Agency Program	24,911	-	-	24,911	318,046
USDA – EFAP Program	17,951,256	-	-	17,951,256	11,359,694
USDA – CSFP Program	7,851,186	-	-	7,851,186	7,837,066
CalFresh/Food Stamp Outreach and Nutrition Education Program	291,204	-	-	291,204	300,808
USDA – CACFP Program	251,331	-	-	251,331	-
Kids Café USDA – SFSP Lunch and Snacks Program	1,222,477	-	-	1,222,477	1,082,355
Produce and Perishables Program	14,432,464	-	-	14,432,464	15,175,261
Senior Nutrition/Brown Bag Program	3,626,622	-	-	3,626,622	2,294,317
Backpack Program	612,894	-	-	612,894	651,591
Product Donations and Extra Helpings Program	8,424,660	-	-	8,424,660	3,029,160
Total program services	76,648,777	-	-	76,648,777	61,344,923
Supporting services					
General and administrative	729,616	-	-	729,616	684,574
Fundraising	1,522,720	-	-	1,522,720	1,267,473
Total supporting services	2,252,336	-	-	2,252,336	1,952,047
Total functional expenses	78,901,113	-	-	78,901,113	63,296,970
<b>Change in net assets</b>	1,764,124	(2,663,220)	-	(899,096)	5,246,513
<b>Net assets, beginning of year</b>	12,862,713	3,784,881	110,000	16,757,594	11,511,081
<b>Net assets, end of year</b>	<b>\$ 14,626,837</b>	<b>\$ 1,121,661</b>	<b>\$ 110,000</b>	<b>\$ 15,858,498</b>	<b>\$ 16,757,594</b>

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

**LOS ANGELES REGIONAL FOOD BANK**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2013**  
**(with Comparative Totals for the Year Ended December 31, 2012)**

	Program Services										Subtotal
	General Food Distribution	Food Rescue Program	Emergency Management Agency Program	USDA – EFAP Program	USDA – CSFP Program	CalFresh/ Food Stamp and Outreach Program	Nutrition Education Program	USDA- CACFP Program	USDA – SFSP Lunch and Snack Program	Produce and Perishables Program	
Food	\$ 15,967,599	\$ -	\$ 24,911	\$ 16,954,828	\$ 6,072,874	\$ -	\$ -	\$ 208,551	\$ 1,159,287	\$ 14,122,451	\$ 54,510,501
Salaries and related expenditures	3,341,461	112,498	-	654,866	956,450	196,618	44,485	33,475	60,538	34,318	5,434,709
Warehouse rental	363,359	18,540	-	186,115	521,752	-	-	-	-	-	1,089,766
Utilities	157,555	63,813	-	36,343	57,037	-	-	-	-	14,887	329,635
Insurance	192,797	-	-	56,515	159,437	-	-	-	-	-	408,749
Interest	1,972	-	-	-	-	-	-	-	-	-	1,972
Repairs and maintenance	287,472	8,198	-	35,644	10,054	-	-	-	-	-	341,368
Auto and truck	175,036	-	-	1,642	59,293	32,916	632	4,959	2,444	-	276,922
Freight	30,846	-	-	-	-	-	-	-	-	215,226	246,072
Travel	8,785	-	-	1,320	529	2,018	1,549	41	-	-	14,242
Telephone, office and supplies	181,285	-	-	6,546	5,981	5,215	151	3,702	111	1,012	204,003
Volunteer lunches and conference	33,254	-	-	66	141	-	184	90	-	-	33,735
Professional and contract services	240,237	-	-	10,827	6,601	-	-	-	-	44,570	302,235
Feeding America assessment fee	87,434	-	-	-	-	-	-	-	-	-	87,434
Miscellaneous	178,648	-	-	6,544	1,037	10	7,426	513	97	-	194,275
<b>Total expenses before depreciation</b>	<b>21,247,740</b>	<b>203,049</b>	<b>24,911</b>	<b>17,951,256</b>	<b>7,851,186</b>	<b>236,777</b>	<b>54,427</b>	<b>251,331</b>	<b>1,222,477</b>	<b>14,432,464</b>	<b>63,475,618</b>
Depreciation	508,983	-	-	-	-	-	-	-	-	-	508,983
<b>Total functional expenses</b>	<b>\$ 21,756,723</b>	<b>\$ 203,049</b>	<b>\$ 24,911</b>	<b>\$ 17,951,256</b>	<b>\$ 7,851,186</b>	<b>\$ 236,777</b>	<b>\$ 54,427</b>	<b>\$ 251,331</b>	<b>\$ 1,222,477</b>	<b>\$ 14,432,464</b>	<b>\$ 63,984,601</b>

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

**LOS ANGELES REGIONAL FOOD BANK**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2013**  
**(with Comparative Totals for the Year Ended December 31, 2012)**

	Program Services					Supporting Services			Totals	
	Subtotal	Senior Nutrition/ Brown Bag Program	Backpack Program	Product Donations/ Extra Helpings Program	Total Program	General and Administrative	Fundraising	Total	2013	2012
Food	\$ 54,510,501	\$ 3,255,937	\$ 549,745	\$ 8,105,750	\$ 66,421,933	\$ -	\$ -	\$ -	\$ 66,421,933	\$ 52,228,755
Salaries and related expenditures	5,434,709	224,699	45,007	153,635	5,858,050	323,012	634,843	957,855	6,815,905	6,234,341
Warehouse rental	1,089,766	64,299	1,600	29,858	1,185,523	42,654	23,331	65,985	1,251,508	952,876
Utilities	329,635	11,361	-	19,882	360,878	28,403	9,097	37,500	398,378	334,501
Insurance	408,749	15,679	-	27,438	451,866	39,197	31,358	70,555	522,421	504,507
Interest	1,972	-	-	-	1,972	-	-	-	1,972	12,108
Repairs and maintenance	341,368	14,993	-	26,237	382,598	37,486	6,080	43,566	426,164	384,726
Auto and truck	276,922	12,235	1,783	14,572	305,512	20,828	709	21,537	327,049	299,236
Freight	246,072	1,562	-	2,733	250,367	3,905	-	3,905	254,272	346,205
Travel	14,242	517	-	905	15,664	1,292	935	2,227	17,891	21,382
Telephone, office and supplies	204,003	8,686	12,606	14,506	239,801	20,652	555,771	576,423	816,224	725,102
Volunteer lunches and conference	33,735	628	-	1,099	35,462	1,570	2,956	4,526	39,988	33,822
Professional and contract services	302,235	10,517	-	18,405	331,157	196,845	138,212	335,057	666,214	407,223
Feeding America assessment fee	87,434	-	-	-	87,434	-	-	-	87,434	80,078
Miscellaneous	194,275	5,509	2,153	9,640	211,577	13,772	119,428	133,200	344,777	295,608
Total expenses before depreciation	63,475,618	3,626,622	612,894	8,424,660	76,139,794	729,616	1,522,720	2,252,336	78,392,130	62,860,470
Depreciation	508,983	-	-	-	508,983	-	-	-	508,983	436,500
<b>Total functional expenses</b>	<b>\$ 63,984,601</b>	<b>\$ 3,626,622</b>	<b>\$ 612,894</b>	<b>\$ 8,424,660</b>	<b>\$ 76,648,777</b>	<b>\$ 729,616</b>	<b>\$ 1,522,720</b>	<b>\$ 2,252,336</b>	<b>\$ 78,901,113</b>	<b>\$ 63,296,970</b>

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



# LOS ANGELES REGIONAL FOOD BANK

(A NONPROFIT ORGANIZATION)

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

(with Comparative Totals for 2012)

	2013	2012
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (899,096)	\$ 5,246,513
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	508,983	436,500
Change in allowance of doubtful accounts	(8,254)	6,730
Unrealized gain on investments	(36,477)	(13,887)
Loss on disposal of assets	-	2,286
Changes in operating assets and liabilities		
Receivables from government agencies	(507,258)	(248,392)
Receivables from affiliated charities and others	(44,054)	25,320
Pledges receivable	1,076,251	(675,445)
Food inventory	581,000	(2,272,170)
Prepaid expenses	(21,898)	124,967
Accounts payable and accrued expenses	204,517	455,485
Net cash provided by operating activities	853,714	3,087,907
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	4,718	4,483
Purchases of property and equipment	(1,389,238)	(1,077,646)
Proceeds from sale of property and equipment	-	4,725
Net cash used in investing activities	(1,384,520)	(1,068,438)
<b>Cash flows from financing activities</b>		
Payments on line of credit	(200,000)	(100,000)
Payments to Feeding America	(53,534)	(53,534)
Net cash used in financing activities	(253,534)	(153,534)
Net (decrease) increase in cash and cash equivalents	(784,340)	1,865,935
<b>Cash and cash equivalents, beginning of year</b>	3,697,764	1,831,829
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,913,424</b>	<b>\$ 3,697,764</b>

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

**LOS ANGELES REGIONAL FOOD BANK**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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**NOTE 1 – ORGANIZATION**

The Los Angeles Regional Food Bank (the “Food Bank”) is a nonprofit organization with the mission to mobilize resources to fight hunger in our community. The core work of the Food Bank 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 Food Bank supplements donated food and products with the purchase of specific food and grocery items. The Food Bank also conducts hunger research and participates in hunger awareness campaigns in order to educate and inform the public regarding the problem of hunger. The Food Bank is affiliated with Feeding America (formerly America’s Second Harvest – the Nation’s Food Bank Network).

The following are the primary programs of the Food Bank:

- General Food Distribution is the Food Bank’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 Food Bank. Shop Smart & Save is a food-buying service where the Food Bank 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 Food Bank 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 Food Bank agencies and to other Feeding America food banks.

The Food Bank 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 that are allocated to the Food Bank 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 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.

**LOS ANGELES REGIONAL FOOD BANK**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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**NOTE 1 – ORGANIZATION (Continued)**

- The Commodity Supplemental Food Program (“CSFP”) allows the Food Bank 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 Food Banks. 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 Food Bank, 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 and 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.
- The Child and Adult Care Food Program (“CACFP”) provides afterschool meals to children at Food Bank agency sites throughout Los Angeles County. The afterschool meal component replaced the afterschool snack component starting in November 2013 at the vast majority of Food Bank agency sites. Similar to SFSP, federal funding reimburses the Food Bank for the meal cost and part of the program operating expenses.

Other nongovernmental programs at the Food Bank 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.

# LOS ANGELES REGIONAL FOOD BANK

(A NONPROFIT ORGANIZATION)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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### 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 six meals to include breakfast, lunch and dinner. The program is fully funded by nongovernment 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 Food Bank 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 Food Bank 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 Food Bank and are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors or may otherwise be limited by contractual agreements with outside parties.
- 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 Food Bank 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 must be maintained in perpetuity and invested for the purpose of producing present and future income that may be expended by the Food Bank. The Endowment Fund has a balance of \$110,000 as of December 31, 2013.

**LOS ANGELES REGIONAL FOOD BANK**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

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

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 Food Bank's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Certain amounts included in the prior year have been reclassified to conform to the current-year presentation.

Revenue and Expense Recognition

The Food Bank 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 Food Bank 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 (Note 7). One of the major sources of contributed food is the USDA, which allocates food commodities to the Food Bank 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 Food Bank records contributed food received from the USDA based on actual food prices provided by the USDA. During the year ended December 31, 2013, the USDA Emergency Food Assistance Program food product prices averaged \$0.72 per pound and USDA Commodity Supplemental Food Program food product prices averaged \$0.83 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, 2013, the weighted-average value for contributed food was \$1.52 per pound (\$1.35 per pound in 2012). The total net value of contributed food for the year ended December 31, 2013 was \$62,170,242.

**LOS ANGELES REGIONAL FOOD BANK**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed Services and Property and Equipment

Contributed services are recognized by the Food Bank 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 \$161,055.

The Food Bank also receives contributions of property and equipment which are recognized at fair value at the date of donation. The Food Bank did not receive any donated property and equipment during the year ended December 31, 2013.

The Food Bank 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 Food Bank'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 and money market accounts maturing within 90 days of the original purchase date.

Investments

Investments in marketable equity securities and mutual or money market fund securities with readily determinable fair values are recorded at fair value. Fair value is established based on quoted prices from recognized securities exchanges. Investment income—including realized gains and losses on investments, interest and dividends—is included as increases in unrestricted net assets, unless the income is restricted by the donor or by law. Unrealized gains and losses on investments are reported in the applicable net asset category. Realized gains and losses on disposals of investments are determined on the basis of specific identification.

Purchased Inventory

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

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 20 years for the building. The Food Bank's capitalization policy is to capitalize all fixed assets over \$1,000.

The Food Bank 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 2013, there were no events or changes in circumstances indicating that the carrying amount of property and equipment might not be recoverable.

Income Taxes

Los Angeles Regional Food Bank 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 Food Bank 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"), the Food Bank 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 Food Bank has not recorded any uncertain tax positions. The Food Bank recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the year ended December 31, 2013, the Food Bank performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an adverse effect on its tax-exempt status.

The U.S. federal, state or local income returns of the Food Bank still open and subject to examinations by tax authorities are summarized as follows:

<u>Jurisdiction</u>	<u>Open Tax Years</u>
Federal	2010 – 2013
State	2009 – 2013

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 the Food Bank to concentrations of credit risk consist of cash and cash equivalents, investments and grants and contracts receivable.

*Cash and Cash Equivalents and Restricted Cash*

The Food Bank places its cash and cash equivalents and restricted cash with high-credit, quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of December 31, 2013, the Food Bank has \$2,589,051 of uninsured cash and cash equivalents and restricted cash. The Food Bank 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 restricted cash.

*Investments*

The Food Bank holds its investments in the form of equity securities and mutual or money market fund securities with third-party investment houses. Invested funds are subject to certain risks, such as market fluctuation, credit risk and/or changes in interest rates that could result in losses in the event of adverse economic circumstances. The Food Bank attempts to limit its risk associated with investments through diversification and monitoring of investment activity.

*Pledges, Grants and Contracts Receivable*

With respect to pledges, grants and contracts receivables, the Food Bank routinely assesses the financial strength of its grantors and believes that the related credit risk exposure is limited. For the year ended December 31, 2013, three donors composed a total of 72%, or \$142,406, of pledges receivable and one government grantor composed a total of 88%, or \$1,272,428, of grants receivable from government agencies.

*Revenue and Support*

For the year ended December 31, 2013, one government agency accounted for a total of 94%, or \$3,693,126, of payments under government contracts.



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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimated Fair Value of Financial Instruments

As defined in FASB ASC Topic No. 820, “Fair Value Measurements and Disclosures” (“ASC 820”), 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 Food Bank uses the market approach.

Based on this approach, the Food Bank 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 Food Bank 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 Food Bank 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.

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 year ended December 31, 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Financial instruments included in the Food Bank’s statement of financial position include cash and cash equivalents, investments, grants and contracts receivables, accounts payable and accrued expenses, and line of credit. The following is a description of the valuation methodologies used for these instruments measured at fair value:

For cash and cash equivalents, grants and contracts receivables, and accounts payables and accrued expenses, the carrying amounts of these financial instruments represent a reasonable estimate of fair values due to their short-term maturities.

The Food Bank’s investments are reflected at estimated fair value based on quoted market prices. These are classified within Level 1 of the valuation hierarchy.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimated Fair Value of Financial Instruments (Continued)

The estimated fair value of the Food Bank's line of credit approximates the carrying value of the liability as it bears interest commensurate with its risks.

**NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

	<u>2013</u>	<u>2012</u>
Available for operations	\$ 1,953,282	\$ 1,131,897
Board-designated capital asset reserve	50,000	50,000
Board-designated primary endowment	96,710	78,707
Temporarily restricted	923,898	2,515,867
Permanently restricted	<u>110,000</u>	<u>110,000</u>
<b>Total</b>	<b><u>\$ 3,133,890</u></b>	<b><u>\$ 3,886,471</u></b>
Cash and cash equivalents	\$ 2,913,424	\$ 3,697,764
Investments	<u>220,466</u>	<u>188,707</u>
<b>Total</b>	<b><u>\$ 3,133,890</u></b>	<b><u>\$ 3,886,471</u></b>

**NOTE 4 – RECEIVABLES FROM GOVERNMENT AGENCIES**

Receivables from government agencies at December 31, 2013 consisted of amounts due from the following agencies:

Department of Social Services State Emergency Food Assistance Program	\$ 120,908
Department of Social Services Emergency Food Assistance Program	216,208
Department of Education Child Nutrition and Food Distribution Division	
Commodity Supplemental Food Program	852,606
Department of Education Child and Adult Care Food Program	203,614
Department of Health Services Cal Fresh/Food Stamps and Nutrition Education	<u>60,703</u>
<b>Total</b>	<b><u>\$ 1,454,039</u></b>

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**NOTE 5 – RECEIVABLES FROM AFFILIATED CHARITIES AND OTHERS**

Receivables from affiliated agencies consisted of the following at December 31, 2013:

Shared maintenance fees	\$ 451,345
Less allowance for doubtful accounts	<u>28,963</u>
<b>Net</b>	<b><u>\$ 422,382</u></b>

**NOTE 6 – PLEDGES RECEIVABLE**

Pledge receivables, totaling \$197,763 at December 31, 2013, are from various individuals and organizations. Management anticipates collection within one year. No allowance for potentially uncollectible pledges was deemed necessary at December 31, 2013.

**NOTE 7 – FOOD INVENTORY**

The food inventory consisted of the following:

	Dollar Value			
	<u>Contributed</u>	<u>Purchased</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Balance at January 1</b>	\$ 5,836,680	\$ 601,792	\$ 6,438,472	\$ 4,166,302
Receipts	62,170,242	2,964,681	65,134,923	53,846,583
Distributions	<u>(62,493,370)</u>	<u>(3,222,553)</u>	<u>(65,715,923)</u>	<u>(51,574,413)</u>
<b>Balance at December 31</b>	<b><u>\$ 5,513,552</u></b>	<b><u>\$ 343,920</u></b>	<b><u>\$ 5,857,472</u></b>	<b><u>\$ 6,438,472</u></b>

  

	Poundage			
	<u>Contributed</u>	<u>Purchased</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Balance at January 1</b>	7,012,320	1,067,505	8,079,825	5,362,753
Receipts, net of destruction of 5,360,693 lbs.	54,988,059	3,276,389	58,264,448	53,804,215
Distributions	<u>(56,874,848)</u>	<u>(3,803,814)</u>	<u>(60,678,662)</u>	<u>(51,087,143)</u>
<b>Balance at December 31</b>	<b><u>5,125,531</u></b>	<b><u>540,080</u></b>	<b><u>5,665,611</u></b>	<b><u>8,079,825</u></b>

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**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2013 consisted of the following:

Land	\$ 2,260,008
Building	4,473,823
Trucks	2,288,388
Equipment	1,678,012
Computer software	576,096
Furniture and fixtures	374,504
Construction in progress	<u>997,016</u>
	12,647,847
Less accumulated depreciation	<u>6,399,256</u>
<b>Total</b>	<b><u>\$ 6,248,591</u></b>

Depreciation expense amounted to \$508,983 for the year ended December 31, 2013.

**NOTE 9 – LINE OF CREDIT**

The Food Bank maintains a \$500,000 line of credit with US Bank. The purpose of the line of credit is to provide the Food Bank with access to short-term working capital needs in the event of an emergency or disaster, or other reasons as designated by the Food Bank's board of directors. The line of credit matures on October 5, 2014. The line of credit is subject to an annual renewal and bears an interest rate equal to the bank prime rate minus 0.25% (3.25% at December 31, 2013). An approved written authorization from the executive committee is required to draw down on the line of credit. At December 31, 2013, no amounts were drawn against this line of credit.

**NOTE 10 – NET ASSETS**

Unrestricted

The board of directors established a capital asset reserve totaling \$50,000, and a primary endowment totaling \$110,466, consisting of unrestricted cash, in anticipation of future organizational needs.

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**NOTE 10 – NET ASSETS (Continued)**

Temporarily Restricted

Temporarily restricted net assets at December 31, 2013 for specific programs were as follows:

	Balance at December 31, <u>2012</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance at December 31, <u>2013</u>
<b>Temporarily restricted</b>				
Backpack Program	\$ 75,320	\$ 246,325	\$ (294,225)	\$ 27,420
CalFresh/Food Stamp Outreach Program funds	18,256	343,945	(234,921)	127,280
Children's Nutrition Program Fund	262,878	587,233	(277,555)	572,556
Emergency Food Fund	22,326	130,876	(117,210)	35,992
Emergency Food Fund 2	295,442	606,133	(901,575)	-
Comprehensive Campaign Fund	917,420	5,000	(922,420)	-
Fixed asset funds	212,833	75,000	(287,833)	-
Food for Families Program Fund	3,159	43,850	(12,400)	34,609
Hunger Survey/Hunger Study	50,661	-	(43,371)	7,290
Produce and Perishables Program funds	-	119,721	(119,721)	-
Senior Nutrition Program Fund	1,326,586	241,320	(1,275,609)	292,297
Teacher Resource Bank	-	35,000	(10,783)	24,217
Mobile Food Pantry	-	150	(150)	-
Restricted due to time	<u>600,000</u>	<u>-</u>	<u>(600,000)</u>	<u>-</u>
<b>Total temporarily restricted</b>	<b><u>\$ 3,784,881</u></b>	<b><u>\$ 2,434,553</u></b>	<b><u>\$(5,097,773)</u></b>	<b><u>\$ 1,121,661</u></b>

Permanently Restricted

The permanently restricted net assets consisted of a donor-restricted perpetual endowment fund in the amount of \$110,000 at December 31, 2013. 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 Food Bank, be used to fund distributions or awards supporting the purposes of the fund.

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**NOTE 10 – NET ASSETS (Continued)**

Permanently Restricted (Continued)

According to the provision of the donor's stipulation and that of FASB ASC 958-205 "Not-for-Profit Entities: Presentation of Financial Statements" ("ASC 958-205"), the Food Bank 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.

The Food Bank 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 Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Food Bank 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 Food Bank has established a spending rate policy of 2.5% on the endowment. Effective December 2013, the Food Bank's spending rate policy was changed to 5.0% on the endowment.

During the year ended December 31, 2013, the permanently restricted and board-designated endowment fund had the following activities:

*Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2013*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 78,707	\$ -	\$ 110,000	\$ 188,707
Investment income	<u>18,003</u>	<u>13,756</u>	<u>-</u>	<u>31,759</u>
<b>Balance, end of year</b>	<b><u>\$ 96,710</u></b>	<b><u>\$ 13,756</u></b>	<b><u>\$ 110,000</u></b>	<b><u>\$ 220,466</u></b>

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**NOTE 10 – NET ASSETS (Continued)**

Permanently Restricted (Continued)

*Endowment Net Asset by Composition by Type of Fund as of December 31, 2013*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 13,756	\$ 110,000	\$ 123,756
Board-designated endowment fund	<u>96,710</u>	<u>-</u>	<u>-</u>	<u>96,710</u>
<b>Balance, end of year</b>	<b><u>\$ 96,710</u></b>	<b><u>\$ 13,756</u></b>	<b><u>\$ 110,000</u></b>	<b><u>\$ 220,466</u></b>

**NOTE 11 – SHARED MAINTENANCE FEES**

The Food Bank receives fees from participating agencies to assist in the costs of distributing food by the Food Bank. These shared maintenance fees are based on predetermined rates of \$0.26 per pound or less. For the year ended December 31, 2013, such fees totaled \$1,134,123.

**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 18 years of age are eligible to participate in the Plan. The Food Bank will make a non-elective contribution equal to 1% of employees’ compensation for the Plan year. During the year ended December 31, 2013, the Food Bank did not make discretionary employer contributions to the Plan.

**NOTE 13 – COMMITMENT AND CONTINGENCIES**

From time to time, the Food Bank may have certain contingent liabilities that arise in the ordinary course of its business activities. The Food Bank 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 Food Bank.

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**NOTE 13 – COMMITMENT AND CONTINGENCIES (Continued)**

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

Year Ending <u>December 31,</u>	
2014	\$ 435,830
2015	489,835
2016	<u>122,757</u>
<b>Total</b>	<b><u>\$ 1,048,422</u></b>

Rent expense for the year totaled \$541,417.

**NOTE 14 – SUBSEQUENT EVENTS**

Management evaluated all activity of the Food Bank through April 23, 2014 (the date these financial statements were available to be issued) and concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.