

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

**FINANCIAL REPORT
DECEMBER 31, 2019**

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

LETTER FROM BOARD CHAIRPERSON AND PRESIDENT

Dear Friends of the Food Bank,

Thank you for making 2019 our most successful year to date. Your support allowed us to acquire and distribute nearly 82 million pounds of food and product, the equivalent of 66 million meals for our neighbors in need. Donations from our food partners set a new record in 2019. Our community also continues to be generous with their time; the total number of volunteers exceeded 30,000, the equivalent of the work of 65 full-time employees. Financial supporters of the Food Bank generously provided a record-breaking 16.6 million dollars to help those in our community facing food insecurity.

We continued to help improve the capacity of our 600 partner agencies by purchasing commercial refrigerators and freezers, refrigerated vans and trucks, and other equipment needed for their sites. This increased capacity allows our agency partners to acquire, store and distribute more fresh, frozen and other foods helping more people seeking food assistance in their community. Our Extra Helpings Program continues to be an efficient food recovery model for our agency partners to access nutritious food in their neighborhood and distribute the food to people in need.

The Food Bank significantly increased service to older adults, college students, families and children during 2019. Our Senior Expansion Program led to new partnerships with more than 100 of our agency partners to reach older adults in their community. Our Mobile Food Pantry distributions increased at community colleges to improve access to food for students and in other geographic areas to reach more families with children. Our Children's Nutrition Programs also increased service in 2019, reaching children in after-school settings, community centers and schools throughout Los Angeles County.

Public policy continues to be an important focus for the Food Bank. In addition to increasing our CalFresh Outreach efforts, Food Bank staff traveled to Sacramento and Washington D.C. to advocate for policies that would help those who face food insecurity. Our advocacy work continues at the local level to increase access for all food programs.

Los Angeles County faces many challenges, including having an estimated 2 million people who experience the devastating impact of food insecurity. Yet, Los Angeles County is also home to thousands of generous people like you who have made hunger relief a priority, giving those in our community hope for a better and brighter future. Thank you for your support of the Food Bank to help us mobilize resources to fight hunger in our community.

Best regards,

Whitney Jones Roy
Chairperson, Board of Directors

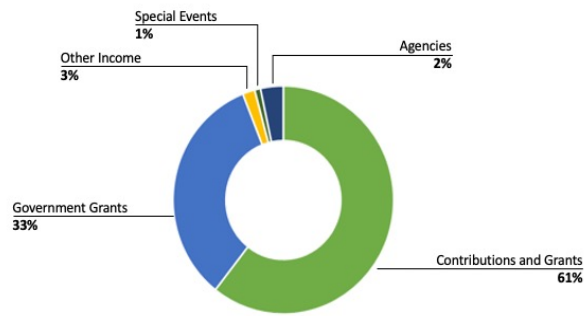
Michael Flood
President and CEO

Mobilizing the resources of our community since 1973

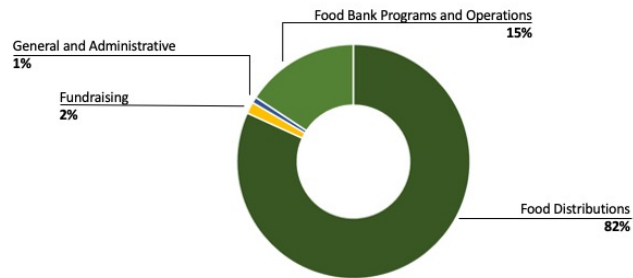
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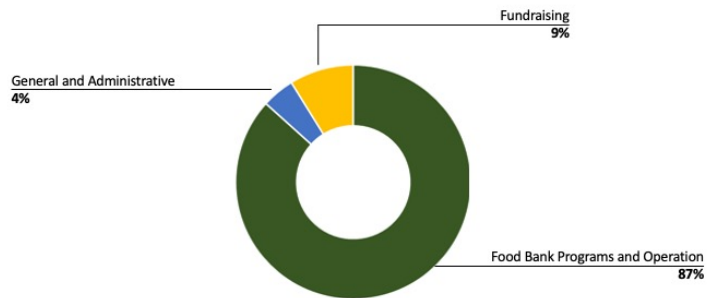
Where Our Funding Comes From



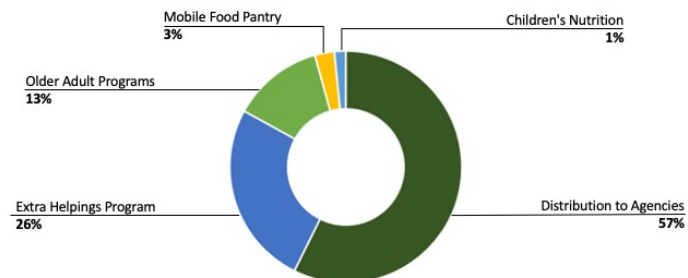
How We Use Our Resources



How We Use Our Funding



Where Our Food Goes



LOS ANGELES REGIONAL FOOD BANK

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Los Angeles Regional Food Bank

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 statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Food Bank'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 Food Bank'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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2020, 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 "Singer Lewak LLP".

May 18, 2020

LOS ANGELES REGIONAL FOOD BANK
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	ASSETS	
	2019	2018
Assets		
Cash and cash equivalents	\$ 5,849,787	\$ 3,477,234
Investments	260,973	224,899
Receivables from government agencies	2,275,274	1,706,587
Receivables from affiliated charities, net	288,596	275,382
Promises to give	1,216,627	318,661
Contributed food inventory	7,228,038	5,382,928
Purchased food inventory	851,473	811,115
Prepaid expenses	506,393	362,943
Program-related advances, net	1,679,773	-
Property and equipment, net	5,318,060	5,665,539
	\$ 25,474,994	\$ 18,225,288
Total assets	\$ 25,474,994	\$ 18,225,288
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,413,950	\$ 2,192,890
Net assets		
Without donor restrictions		
Undesignated – operating	10,163,769	8,010,614
Undesignated – contributed food	7,228,038	5,382,928
Board-designated	129,045	107,957
	17,520,852	13,501,499
With donor restrictions		
Restricted as to time	112,500	187,661
Restricted as to purpose	4,317,692	2,233,238
Perpetual in nature	110,000	110,000
	4,540,192	2,530,899
	22,061,044	16,032,398
Total net assets	\$ 25,474,994	\$ 18,225,288
Total liabilities and net assets	\$ 25,474,994	\$ 18,225,288

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions			With Donor Restrictions	Total
	Food Bank	Contributed Food	Total		
Support, revenues, and gains					
Contributions and grants	\$ 12,715,112	\$ -	\$ 12,715,112	\$ 3,671,180	\$ 16,386,292
Contributed food	-	104,624,250	104,624,250	-	104,624,250
Shared maintenance fees	196,227	-	196,227	-	196,227
Government reimbursement and administrative fees	9,045,188	-	9,045,188	-	9,045,188
Shop Smart & Save income	287,952	-	287,952	-	287,952
Special events, net of direct benefits to donors of \$179,279	234,461	-	234,461	-	234,461
Net investment return	22,518	-	22,518	26,840	49,358
Contributed services	260,713	-	260,713	-	260,713
Other income	591,514	-	591,514	-	591,514
Net assets released from restrictions	1,688,727	-	1,688,727	(1,688,727)	-
Total support, revenues, and gains	<u>25,042,412</u>	<u>104,624,250</u>	<u>129,666,662</u>	<u>2,009,293</u>	<u>131,675,955</u>
Expenses					
Food bank operations	19,825,972	102,779,140	122,605,112	-	122,605,112
Supporting services					
General and administrative	1,024,481	-	1,024,481	-	1,024,481
Fundraising	2,017,716	-	2,017,716	-	2,017,716
Total expenses	<u>22,868,169</u>	<u>102,779,140</u>	<u>125,647,309</u>	<u>-</u>	<u>125,647,309</u>
Change in net assets	2,174,243	1,845,110	4,019,353	2,009,293	6,028,646
Net assets, beginning of year	<u>8,118,571</u>	<u>5,382,928</u>	<u>13,501,499</u>	<u>2,530,899</u>	<u>16,032,398</u>
Net assets, end of year	<u>\$ 10,292,814</u>	<u>\$ 7,228,038</u>	<u>\$ 17,520,852</u>	<u>\$ 4,540,192</u>	<u>\$ 22,061,044</u>

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions			With Donor Restrictions	Total
	Food Bank	Contributed Food	Total		
Support, revenues, and gains					
Contributions and grants	\$ 10,197,706	\$ -	\$ 10,197,706	\$ 2,357,314	\$ 12,555,020
Contributed food	-	94,797,503	94,797,503	-	94,797,503
Shared maintenance fees	355,382	-	355,382	-	355,382
Government reimbursement and administrative fees	6,714,721	-	6,714,721	-	6,714,721
Shop Smart & Save income	263,639	-	263,639	-	263,639
Special events, net of direct benefits to donors of \$112,699	292,465	-	292,465	-	292,465
Net investment loss	(5,383)	-	(5,383)	(5,171)	(10,554)
Contributed services	195,983	-	195,983	-	195,983
Other income	533,436	-	533,436	-	533,436
Net assets released from restrictions	1,425,870	-	1,425,870	(1,425,870)	-
Total support, revenues, and gains	<u>19,973,819</u>	<u>94,797,503</u>	<u>114,771,322</u>	<u>926,273</u>	<u>115,697,595</u>
Expenses					
Food bank operations	16,768,461	93,671,620	110,440,081	-	110,440,081
Supporting services					
General and administrative	902,745	-	902,745	-	902,745
Fundraising	2,110,866	-	2,110,866	-	2,110,866
Total expenses	<u>19,782,072</u>	<u>93,671,620</u>	<u>113,453,692</u>	<u>-</u>	<u>113,453,692</u>
Change in net assets	191,747	1,125,883	1,317,630	926,273	2,243,903
Net assets, beginning of year	<u>7,926,824</u>	<u>4,257,045</u>	<u>12,183,869</u>	<u>1,604,626</u>	<u>13,788,495</u>
Net assets, end of year	<u>\$ 8,118,571</u>	<u>\$ 5,382,928</u>	<u>\$ 13,501,499</u>	<u>\$ 2,530,899</u>	<u>\$ 16,032,398</u>

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Food Bank Operations	Supporting Services			Totals
		General and Administrative	Fundraising	Total Supporting	
Expenses					
Value of donated food distributed	\$ 102,779,140	\$ -	\$ -	\$ -	\$ 102,779,140
Purchased food cost of sales	4,783,220	-	-	-	4,783,220
Salaries, taxes, and benefits	8,168,782	440,420	1,098,706	1,539,126	9,707,908
Occupancy costs					
and warehouse maintenance	2,283,829	25,596	14,302	39,898	2,323,727
Insurance	572,639	68,603	54,882	123,485	696,124
Fuel, fleet costs, inbound freight	1,070,865	14,106	305	14,411	1,085,276
Office expense and services	375,203	140,024	312,274	452,298	827,501
Professional services	578,985	308,383	373,293	681,676	1,260,661
Other expenditures	1,176,826	27,349	163,954	191,303	1,368,129
Total expenses before depreciation and amortization	121,789,489	1,024,481	2,017,716	3,042,197	124,831,686
Depreciation and amortization	815,623	-	-	-	815,623
Total expenses by function	\$ 122,605,112	\$ 1,024,481	\$ 2,017,716	\$ 3,042,197	\$ 125,647,309

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Food Bank Operations	Supporting Services			Totals
		General and Administrative	Fundraising	Total Supporting	
Expenses					
Value of donated food distributed	\$ 93,671,620	\$ -	\$ -	\$ -	\$ 93,671,620
Purchased food cost of sales	3,807,894	-	-	-	3,807,894
Salaries, taxes, and benefits	7,156,014	410,100	955,699	1,365,799	8,521,813
Occupancy costs and warehouse maintenance	2,116,664	27,300	14,596	41,896	2,158,560
Insurance	568,772	63,708	8,645	72,353	641,125
Fuel, fleet costs, inbound freight	964,638	15,401	277	15,678	980,316
Office expense and services	298,497	142,567	486,094	628,661	927,158
Professional services	460,755	232,829	491,351	724,180	1,184,935
Other expenditures	771,065	10,840	154,204	165,044	936,109
 Total expenses before depreciation	 109,815,919	 902,745	 2,110,866	 3,013,611	 112,829,530
Depreciation	624,162	-	-	-	624,162
 Total expenses by function	 \$ 110,440,081	 \$ 902,745	 \$ 2,110,866	 \$ 3,013,611	 \$ 113,453,692

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 6,028,646	\$ 2,243,903
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	521,407	624,162
Amortization of program related advances	294,216	-
Bad debt expense	13,166	7,001
Realized and unrealized gains on investments	(47,928)	10,554
Gain on disposal of equipment	(1,500)	(14,563)
Change in contributed food inventory	(1,845,110)	(1,125,883)
Changes in operating assets and liabilities:		
Receivables from government agencies	(568,687)	(262,671)
Receivables from affiliated charities	(26,380)	162,902
Promises to give	(897,966)	229,681
Purchased food inventory	(40,358)	(467,304)
Prepaid expenses	(143,450)	104,145
Accounts payable and accrued expenses	<u>1,221,060</u>	<u>258,697</u>
Net cash provided by operating activities	<u>4,507,116</u>	<u>1,770,624</u>
Cash flows from investing activities		
Proceeds from sale of investments	11,854	11,491
Purchases of vehicles and equipment for program partners	(2,079,393)	-
Purchases of property and equipment	(67,524)	(1,071,021)
Proceeds from sale of property and equipment	<u>500</u>	<u>75,841</u>
Net cash used in investing activities	<u>(2,134,563)</u>	<u>(983,689)</u>
Cash flows from financing activities		
Proceeds from line of credit	1,000,000	1,500,000
Payments of line of credit	<u>(1,000,000)</u>	<u>(1,500,000)</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	2,372,553	786,935
Cash and cash equivalents, beginning of year	<u>3,477,234</u>	<u>2,690,299</u>
Cash and cash equivalents, end of year	<u>\$ 5,849,787</u>	<u>\$ 3,477,234</u>

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – NATURE OF ORGANIZATION

The Los Angeles Regional Food Bank (the “Food Bank”) is a nonprofit organization with the mission to mobilize resources to fight hunger in the Los Angeles County community. To fulfill its mission, the Food Bank sources and acquires food and other products and distributes them to needy people through charitable agencies or directly through programs; conducts hunger education and awareness campaigns; advocates for public policies that alleviate hunger; and energizes the community to get involved and support hunger relief. The Food Bank’s major sources of revenues are food donations, contributions, grants, fee income, and government contracts.

During 2019 and 2018, the Food Bank provided the equivalent of approximately 66 and 56 million meals, respectively, serving over 300,000 individuals throughout Los Angeles County, on a monthly basis.

Volunteers are essential in carrying out the Food Bank’s mission. In 2019 and 2018, over 38,400 and 37,700 volunteers provided 137,685 and 148,490 hours of service, respectively, to help sort, repack, and deliver food to pantries, partner agencies, or directly to the community.

The Food Bank distributes food and other essentials to children, students, seniors, families, and other individuals in need through the following programs:

- *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.
- *Extra Helpings* is a food recovery program linking agencies with food donation sources such as retail grocery stores, restaurants, hotels, the hospitality industry, and other food sources.
- 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.
- *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. The produce and perishable foods are distributed to agencies and through Food Bank programs.
- *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 older adults.
- *The Backpack Program* provides a package of healthy, nutritious food for eligible school-aged children every week during the school year to target hunger experienced by children during the weekend. Each package contains enough food for six meals to include breakfast, lunch, and dinner.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 – NATURE OF ORGANIZATION (Continued)

- *Shop Smart & Save* is a food-buying service where the Food Bank allows its agencies to maximize their purchasing power by offering food and other items at wholesale prices.
- The *Emergency Food and Shelter National Board/Federal Emergency Management Agency Program (FEMA)* consists of federal funds 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.
- *USDA Commodity Supplemental Food Program (CSFP)* allows the Food Bank to distribute supplemental food to low-income seniors age 60 and older who are especially vulnerable to health problems resulting from general and continued hunger due to insufficient foods. CSFP is partially funded by the USDA through its agent, the California Department of Social Services.
- The *After-School Meal Program, partially funded by the USDA Child and Adult Care Food Program (CACFP)*, serves children at Food Bank agency sites throughout Los Angeles County. Children in the After-School Meal 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. CACFP funding offsets some of the meal and other costs incurred by the children receiving meals at After-School Meal Program sites. Funding of other After-School Meal Program-related expenses is provided by grants and community support.
- *USDA Summer Food Service Program (SFSP)* provides nutritious meals to needy children in a safe and nurturing setting. SFSP is designed to provide funding for a nutritious lunch when children are on their summer recess. SFSP is funded by USDA and administered by the California Department of Education.
- *CalFresh Outreach Program* is partially funded by the USDA through its agent, California Department of Health Services, Cancer Prevention and Nutrition Section, and through its agents, the California Nutrition Network and California Association of Food Banks. CalFresh Outreach work includes identifying low-income families and individuals who are eligible but not receiving CalFresh benefits and, when necessary, helping the family or individual with the application process, as well as educating Food Bank agencies and the general public about the CalFresh Program.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

Reclassifications

Certain accounts in the 2018 financial statements have been reclassified to conform with the current year financial statement presentation.

Cash and Cash Equivalents

The Food Bank considers all cash and highly liquid financial instruments with purchased with maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments

The Food Bank records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Receivables from Government Agencies

Receivables from government agencies represents payments due from federal and state contracts. The Food Bank reports the receivables at their net realizable value.

Receivables from Affiliated Charities

Receivables from affiliated charities represents shared maintenance fees and is recorded at net realizable value. Management determines the allowance for uncollectible receivables based on an assessment of economic conditions and a review of subsequent collections. Receivables from affiliated charities are written off when deemed uncollectible. At December 31, 2019 and 2018, the allowance totaled \$27,914 and \$14,748, respectively.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

The Food Bank records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Food Bank determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management has determined no allowance was needed at December 31, 2019 and 2018.

Contributed Food Inventory

Contributed food inventory represents inventory items donated to the Food Bank for distribution. The Food Bank receives donations from various sources as previously described.

Government

Government inventory represents commodities received under federal and state government programs for distribution. One of the major sources of contributed food is the USDA, which allocates food commodities to the Food Bank under EFAP and CSFP. The Food Bank records contributed food received from the government and state government programs based on donated food prices provided by the USDA and are updated quarterly. During the year ended December 31, 2019, the EFAP food product prices averaged \$1.01 per pound, and CSFP food product prices averaged \$0.91 per pound. During the year ended December 31, 2018, the EFAP food product prices averaged \$0.85 per pound, and CSFP food product prices averaged \$0.77 per pound.

Private

Contributed food items are valued using the average wholesale price per pound for each food category, as determined by the Feeding America's Product Valuation Survey, which is performed annually by RSM LLP. For the years ended December 31, 2019 and 2018, the average wholesale value for contributed food was \$1.52 and \$1.57 per pound, respectively.

Purchased Food Inventory

Purchased food inventory is stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment is recorded at cost when purchased or at fair value at the date of donation. Depreciation is computed using the straight-line basis over estimated useful lives of three to five years for equipment, trucks, furniture, and fixtures; seven years for cold storage; and ten to 20 years for building and improvements. The Food Bank's capitalizes all property and equipment expenditures over \$1,000. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program-related Advances

The Food Bank purchases equipment and vehicles to certain program partners. Per the terms of the contract, the Food Bank maintains a security interest in the equipment and vehicles for a five-year period and may reclaim the equipment or vehicle upon early termination of the contract.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.
- *Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions and appropriated endowment earnings received and expended in the same reporting period are recorded as net assets without donor restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Revenue from government grants and contracts is recognized as it is earned through expenditures in accordance with the agreements. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue Recognition on Contributed Products

The Food Bank recognizes revenue on contributed food and products at the time the contribution is received, at a value based on Feeding America's Product Valuation Survey and USDA fair market value report as discussed above. The related cost is recognized at the time the food and products are distributed to agencies and clients in the community, also based on these values.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

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. For the years ended December 31, 2019 and 2018, the Food Bank received pro bono legal services, and the fair value of such services totaled \$260,713 and \$195,983 respectively.

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.

Fair Value of Financial Instruments

In accordance with U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs that are not corroborated by market data

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

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 and contractual requirements.

Impairment of Long-lived Assets

The Food Bank reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of December 31, 2019 and 2018, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Food Bank is organized as a not-for-profit organization exempt from income tax under provisions of Internal Revenue Code §501(c)(3). Management has analyzed the tax positions taken by the Food Bank, and has concluded that, as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Food Bank is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Financial Instruments and Credit Risk

The Food Bank manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Food Bank to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market and mutual funds. To date, the Food Bank has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Food Bank.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which delays the effective date of ASU 2016-13 for certain entities. The new standard is effective for years beginning after December 15, 2020, including interim periods within those years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Food Bank is currently evaluating the impact on its financial statements.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles

During the year ended December 31, 2019, the Food Bank adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The impact of the adoption on the Food Bank’s financials was minimal.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2019 and 2018, the following table reflects the Food Bank’s financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date due to donor restrictions or internal board designations.

	2019	2018
Cash and cash equivalents	\$ 5,849,787	\$ 3,477,234
Receivables from government agencies	2,275,274	1,706,587
Receivables from affiliated charities, net	288,596	262,743
Promises to give	1,216,627	331,300
 Total financial assets	 9,630,284	 5,777,864
 Promises to give due in more than one year	 (868,500)	 -
Funds donor-restricted for capital purchases	(198,840)	(66,643)
 Financial assets available to meet general expenditures within one year	 <u>\$ 8,562,944</u>	 <u>\$ 5,711,221</u>

The Food Bank considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Food Bank manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event the need arises to utilize the board-designated funds for liquidity purposes, the board-designated endowment could be drawn upon through board resolution. Additionally, the Food Bank has available a \$1,500,000 line of credit from which it may use to draw funds to meet any funding shortfalls throughout the year.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 4 – RECEIVABLES FROM GOVERNMENT AGENCIES

As of December 31, 2019 and 2018, receivables from government agencies consist of amounts due from the following:

	2019	2018
LA County Emergency Food and Shelter Board	\$ -	\$ 75,274
California Department of Social Services	2,060,889	1,208,628
California Department of Education	214,385	422,685
	<u>\$ 2,275,274</u>	<u>\$ 1,706,587</u>

NOTE 5 – PROMISES TO GIVE

Unconditional promises to give at December 31, 2019 and 2018, are expected to be collected as follows:

	2019	2018
Within one year	\$ 348,127	\$ 318,661
In one to five years	868,500	-
	<u>\$ 1,216,627</u>	<u>\$ 318,661</u>

Included in promises to give at December 31, 2019 is \$626,780 restricted for the purchase of capital assets and are expected to be collected as follows:

Within one year		\$ 121,780
In one to five years		505,000
		<u>\$ 626,780</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 – FOOD INVENTORY

As of December 31, 2019, the food inventory consisted of the following:

Dollar Value

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
Beginning of year	\$ 5,382,928	\$ 811,115	\$ 6,194,043
Receipts/Purchases	104,624,250	4,398,205	109,022,455
Distributions	<u>(102,779,140)</u>	<u>(4,357,847)</u>	<u>(107,136,987)</u>
End of year	<u>\$ 7,228,038</u>	<u>\$ 851,473</u>	<u>\$ 8,079,511</u>

Poundage

Beginning of year	6,180,030	881,035	7,061,065
Receipts/Purchases	80,448,039	3,525,150	83,973,189
Distributions	<u>(78,383,722)</u>	<u>(3,423,873)</u>	<u>(81,807,592)</u>
End of year	<u>8,244,347</u>	<u>982,312</u>	<u>9,226,659</u>

As of December 31, 2018, the food inventory consisted of the following:

Dollar Value

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
Beginning of year	\$ 4,257,045	\$ 343,811	\$ 4,600,856
Receipts/Purchases	94,797,503	3,807,894	98,605,397
Distributions	<u>(93,671,620)</u>	<u>(3,340,590)</u>	<u>(97,012,210)</u>
End of year	<u>\$ 5,382,928</u>	<u>\$ 811,115</u>	<u>\$ 6,194,043</u>

Poundage

Beginning of year	5,072,154	367,050	5,439,204
Receipts/Purchases	66,218,593	3,207,170	69,425,763
Distributions	<u>(65,110,717)</u>	<u>(2,693,185)</u>	<u>(67,803,902)</u>
End of year	<u>6,180,030</u>	<u>881,035</u>	<u>7,061,065</u>

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 7 – PROGRAM-RELATED ADVANCES

As of December 31, 2019 program related advances consisted of the following:

Trucks	\$ 1,844,951
Equipment	<u>234,442</u>
	2,079,393
Accumulated amortization	<u>(399,620)</u>
	<u>\$ 1,679,773</u>

There were no program-related advances as of December 31, 2018.

NOTE 8 – PROPERTY AND EQUIPMENT

As of December 31, 2019 and 2018, property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,260,008	\$ 2,260,008
Building	5,806,042	5,767,460
Trucks	2,073,980	2,655,696
Equipment	2,469,045	2,124,347
Computer software	401,688	206,045
Furniture and fixtures	369,205	382,374
Leasehold improvements	170,915	-
Capital lease assets	10,647	-
Construction in progress	<u>-</u>	<u>176,705</u>
	13,561,530	13,572,635
Accumulated depreciation and amortization	<u>(8,243,470)</u>	<u>(7,907,096)</u>
	<u>\$ 5,318,060</u>	<u>\$ 5,665,539</u>

NOTE 9 – LINE OF CREDIT

The Food Bank maintains a \$1,500,000 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 August 30, 2020. The line of credit is subject to an annual renewal and bears an interest rate equal to the prime rate (5.00% at December 31, 2019).

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
<i>Subject to expenditure for specified purpose</i>		
CalFresh/SNAP Outreach	\$ 15,000	\$ 105,648
Food Distribution Programs	3,576,924	2,054,005
Comprehensive Campaign	679,105	-
Capital Purchases	24,735	66,643
	4,295,764	2,226,296
<i>Subject to the passage of time</i>		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	112,500	187,661
Endowment subject to Food Bank endowment spending policy and appropriation	110,000	110,000
Unappropriated Endowment earnings	21,928	6,942
	<u>\$ 4,540,192</u>	<u>\$ 2,530,899</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

	2019	2018
<i>Satisfaction of purpose restrictions</i>		
CalFresh/SNAP Outreach	\$ 105,649	\$ 7,667
Food Distribution Programs	1,341,655	1,090,698
Capital Purchases	41,908	149,092
	1,489,212	1,247,457
<i>Expiration of time restrictions</i>	187,661	166,922
Endowment earnings appropriated	11,854	11,491
	<u>\$ 1,688,727</u>	<u>\$ 1,425,870</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 11 – ENDOWMENT

The Endowment consists of a fund established by a donor to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. According to the donor’s stipulation, the 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 of the Food Bank Board of Directors, be used to fund distributions or awards supporting the purposes of the fund.

Investment and Spending Policies

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 5.0% on the endowment.

Changes in Endowment net assets for the year ended December 31, 2019 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 107,957	\$ 116,942	\$ 224,899
Net investment return	21,088	26,840	47,928
Appropriation of endowment assets pursuant to spend rate policy	-	(11,854)	(11,854)
Balance, end of year	<u>\$ 129,045</u>	<u>\$ 131,928</u>	<u>\$ 260,973</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 11 – ENDOWMENT (Continued)

Changes in Endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 113,340	\$ 133,604	\$ 246,944
Net investment loss	(5,383)	(5,171)	(10,554)
Appropriation of endowment assets pursuant to spend rate policy	-	(11,491)	(11,491)
Balance, end of year	<u>\$ 107,957</u>	<u>\$ 116,942</u>	<u>\$ 224,899</u>

As of December 31, 2019, Endowment Net Assets Composition by Type of Fund are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 129,045	\$ -	\$ 129,045
Donor-restricted endowment fund			
Original donor-restricted gift	-	110,000	110,000
Accumulated investment gains	-	21,928	21,928
Balance, end of year	<u>\$ 129,045</u>	<u>\$ 131,928</u>	<u>\$ 260,973</u>

As of December 31, 2018, Endowment Net Assets Composition by Type of Fund are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 107,957	\$ -	\$ 107,957
Donor-restricted endowment fund			
Original donor-restricted gift	-	110,000	110,000
Accumulated investment gains	-	6,942	6,942
Balance, end of year	<u>\$ 107,957</u>	<u>\$ 116,942</u>	<u>\$ 224,899</u>

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 12 – OPERATING LEASE

The Food Bank leases a building under an operating lease that expires June 30, 2022. Future minimum lease payments for the noncancelable lease are as follows:

2020	\$ 845,741
2021	871,113
2022	<u>441,993</u>
Total	<u>\$ 2,158,847</u>

For the years ended December 31, 2019 and 2018, rent expense totaled \$931,030 and \$807,422, respectively.

NOTE 13 – 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, as well as an employer match of up to 3% of the employees’ eligible compensation. During the year ended December 31, 2019, the Food Bank made non-elective employer contributions of \$58,704, employer-match contributions of \$101,693, and no discretionary employer contributions to the Plan. During the year ended December 31, 2018, the Food Bank made non-elective employer contributions of \$51,586, employer-match contributions of \$81,393, and no discretionary employer contributions to the Plan.

NOTE 14 – SUBSEQUENT EVENTS

Management evaluated all subsequent events through May 18, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Food Bank operates.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Food Bank. To date, the Food Bank is experiencing increased demand for food assistance which is resulting in a significant amount of additional food distributed to partner agencies and directly to people at distribution sites. Financial contributions have increased to support this increased level of activity.