

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.



## LETTER FROM BOARD CHAIRMAN AND PRESIDENT

Dear Friends,

We thank you for your support that helped us distribute a record 68.4 million pounds of food and product, valued at \$77.5 million, to people struggling with hunger throughout Los Angeles County. Through our 650 partner agencies and Food Bank programs, 300,000 children, adults and seniors were served on a monthly basis in 2017.

Our work and service to the community is made possible because of the generous support of donors and volunteers. The Food Bank uses these resources efficiently and leverages more than 30,000 volunteers each year so that 97 percent of total charitable contributions and other revenues go directly to programs. This means that for every dollar donated, we are able to provide the equivalent of four nutritious meals to those in need.

Even with this continued growth, the Food Bank remains in a healthy financial position. Accounting Standards Generally Accepted in the U.S. require us to state the value of the donated food on our financial statements. We distributed more food than we received during 2017, which resulted in a decrease in net assets of \$2.8 million reflecting the non-cash costs charged as a result of the reduction of our on-hand donated food inventory. Excluding the impact of donated food, our net assets would have increased by \$500,000. Analyzing our financial statements from a cash flow standpoint, 2017 was a good year led by record fundraising results.

We appreciate your continued support of our efforts to fight hunger as the Food Bank celebrates its 45<sup>th</sup> anniversary since we were founded in 1973.

Best regards,

A handwritten signature in black ink that reads "David Bishop".

David Bishop  
Board Chairman

A handwritten signature in blue ink that reads "Michael Flood".

Michael Flood  
President/CEO

**Mobilizing the resources of our community since 1973**

1734 E. 41<sup>st</sup> Street, Los Angeles, CA 90058-1502 • Tel (323) 234-3030 • FAX (323) 234-0943 • [www.lafoodbank.org](http://www.lafoodbank.org)

*A Member of Feeding America*

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

**FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016  
AND INDEPENDENT AUDITOR'S REPORT**

# LOS ANGELES REGIONAL FOOD BANK

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December 31, 2017 and 2016

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**SEE SUPPLEMENTARY INFORMATION IN SEPARATELY ISSUED REPORT.**

## 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, 2017 and 2016, 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, 2017 and 2016, 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.

**Report on Schedule of Expenditures of Federal Awards**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2018, 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.



May 8, 2018

**LOS ANGELES REGIONAL FOOD BANK**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2017 and 2016**

<b>ASSETS</b>		
	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 2,690,299	\$ 2,026,846
Investments	246,944	223,728
Receivables from government agencies	1,443,916	1,895,146
Receivables from affiliated charities, net	445,285	390,160
Unconditional promises to give	548,342	609,576
Food inventory	4,600,856	7,269,403
Prepaid expenses	467,088	404,622
Property and equipment, net	5,279,958	5,218,059
<b>Total assets</b>	<b>\$ 15,722,688</b>	<b>\$ 18,037,540</b>
 <b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,934,193	\$ 1,939,896
 <b>Net assets</b>		
Unrestricted		
Available for operations	6,814,175	9,426,290
Board-designated	113,340	98,153
Investment in property and equipment, net	5,279,958	5,218,059
Total unrestricted	12,207,473	14,742,502
Temporarily restricted	1,471,022	1,245,142
Permanently restricted	110,000	110,000
Total net assets	13,788,495	16,097,644
<b>Total liabilities and net assets</b>	<b>\$ 15,722,688</b>	<b>\$ 18,037,540</b>

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

**LOS ANGELES REGIONAL FOOD BANK**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and revenue</b>				
Contributions	\$ 8,628,956	\$ 2,555,043	\$ -	11,183,999
Shared maintenance fees	503,498	-	-	503,498
Government reimbursement and administrative fees	5,213,014	-	-	5,213,014
Shop Smart & Save income	258,519	-	-	258,519
Special events, net of direct benefits to donors	589,150	-	-	589,150
Realized and unrealized gain on investments	34,515	-	-	34,515
Other income	233,176	-	-	233,176
Subtotal	15,460,828	2,555,043	-	18,015,871
Contributed goods	71,969,095	-	-	71,969,095
Contributed assets and services	269,843	-	-	269,843
Subtotal public support and revenue	87,699,766	2,555,043	-	90,254,809
<b>Net assets released from restrictions</b>	2,329,163	(2,329,163)	-	-
Total public support and revenue	90,028,929	225,880	-	90,254,809
<b>Expenses</b>				
Program services				
General food distribution	26,767,427	-	-	26,767,427
Food Rescue Program	258,741	-	-	258,741
Federal Emergency Management Agency Program	170,329	-	-	170,329
USDA – EFAP	15,954,298	-	-	15,954,298
USDA – CSFP	8,298,170	-	-	8,298,170
CalFresh Outreach Program	114,208	-	-	114,208
After-school Meal Program/USDA – CACFP	1,438,900	-	-	1,438,900
USDA – SFSP for Children	445,715	-	-	445,715
Produce and Perishables Program	11,625,265	-	-	11,625,265
Senior Nutrition/Brown Bag Program	1,258,355	-	-	1,258,355
BackPack Program	640,186	-	-	640,186
Product Donations and Extra Helpings Program	22,842,290	-	-	22,842,290
Total program services	89,813,884	-	-	89,813,884
Supporting services				
General and administrative	888,342	-	-	888,342
Fundraising	1,861,732	-	-	1,861,732
Total supporting services	2,750,074	-	-	2,750,074
Total expenses	92,563,958	-	-	92,563,958
<b>Change in net assets</b>	(2,535,029)	225,880	-	(2,309,149)
<b>Net assets, beginning of year</b>	14,742,502	1,245,142	110,000	16,097,644
<b>Net assets, end of year</b>	<b>\$ 12,207,473</b>	<b>\$ 1,471,022</b>	<b>\$ 110,000</b>	<b>\$ 13,788,495</b>

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

**LOS ANGELES REGIONAL FOOD BANK**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and revenue</b>				
Contributions	\$ 7,453,847	\$ 2,798,921	\$ -	\$ 10,252,768
Shared maintenance fees	677,857	-	-	677,857
Payments under government contracts	5,156,280	-	-	5,156,280
Shop Smart & Save income	348,106	-	-	348,106
Special events, net of direct benefits to donors	352,188	-	-	352,188
Realized and unrealized gain on investments	18,694	-	-	18,694
Other income	193,260	-	-	193,260
Subtotal	14,200,232	2,798,921	-	16,999,153
Contributed goods	71,529,552	-	-	71,529,552
Contributed assets and services	180,228	-	-	180,228
Subtotal public support and revenue	85,910,012	2,798,921	-	88,708,933
<b>Net assets released from restrictions</b>	2,283,190	(2,283,190)	-	-
Total public support and revenue	88,193,202	515,731	-	88,708,933
<b>Expenses</b>				
Program services				
General food distribution	23,869,279	-	-	23,869,279
Food Rescue Program	255,360	-	-	255,360
Federal Emergency Management Agency Program	207,719	-	-	207,719
USDA – EFAP	13,672,377	-	-	13,672,377
USDA – CSFP	8,193,858	-	-	8,193,858
CalFresh Outreach Program	157,911	-	-	157,911
After-school Meal Program/USDA – CACFP	1,585,746	-	-	1,585,746
USDA – SFSP for Children	433,513	-	-	433,513
Produce and Perishables Program	16,852,599	-	-	16,852,599
Senior Nutrition/Brown Bag Program	1,778,343	-	-	1,778,343
BackPack Program	572,197	-	-	572,197
Product Donations and Extra Helpings Program	17,111,397	-	-	17,111,397
Total program services	84,690,299	-	-	84,690,299
Supporting services				
General and administrative	797,847	-	-	797,847
Fundraising	2,045,891	-	-	2,045,891
Total supporting services	2,843,738	-	-	2,843,738
Total expenses	87,534,037	-	-	87,534,037
<b>Change in net assets</b>	659,165	515,731	-	1,174,896
<b>Net assets, beginning of year</b>	14,083,337	729,411	110,000	14,922,748
<b>Net assets, end of year</b>	<b>\$ 14,742,502</b>	<b>\$ 1,245,142</b>	<b>\$ 110,000</b>	<b>\$ 16,097,644</b>

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

**LOS ANGELES REGIONAL FOOD BANK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2017**

	Program Services									Subtotal
	General Food Distribution	Food Rescue Program	FEMA	USDA – EFAP	USDA – CSFP	CalFresh Outreach Program	After-school Meal Program/ USDA-CACFP	USDA – SFSP	Produce and Perishables Program	
Food	\$ 19,701,685	\$ -	\$ 170,329	\$ 14,796,745	\$ 6,362,738	\$ -	\$ 1,360,150	\$ 406,190	\$ 11,344,252	\$54,142,089
Salaries and related expenditures	4,154,871	136,573	-	627,963	1,040,070	100,293	72,163	34,396	5,398	6,171,727
Warehouse rental	691,953	1,134	-	287,327	687,927	-	-	-	-	1,668,341
Utilities	200,303	111,966	-	69,217	43,506	-	-	-	72,708	497,700
Insurance	235,920	-	-	61,585	50,864	-	-	-	-	348,369
Interest	19,356	-	-	-	-	-	-	-	-	19,356
Repairs and maintenance	380,304	9,068	-	51,477	17,222	-	-	-	-	458,071
Auto and truck	100,052	-	-	2,472	63,530	7,694	4,508	2,226	-	180,482
Freight	448	-	-	-	-	-	-	-	165,569	166,017
Travel	10,392	-	-	-	2,357	1,428	-	-	-	14,177
Telephone	102,036	-	-	-	5,282	2,360	-	-	-	109,678
Office and supplies	74,112	-	-	2,437	6,310	2,025	1,857	2,588	-	89,329
Volunteer lunches and conference	30,813	-	-	-	196	-	-	55	-	31,064
Professional and contract services	248,494	-	-	51,307	17,918	-	-	-	37,266	354,985
Feeding America assessment fee	83,518	-	-	-	-	-	-	-	-	83,518
Miscellaneous	268,428	-	-	3,768	250	408	222	260	72	273,408
<b>Total expenses before depreciation</b>	<b>26,302,685</b>	<b>258,741</b>	<b>170,329</b>	<b>15,954,298</b>	<b>8,298,170</b>	<b>114,208</b>	<b>1,438,900</b>	<b>445,715</b>	<b>11,625,265</b>	<b>\$64,608,310</b>
Depreciation	464,742	-	-	-	-	-	-	-	-	464,742
<b>Total functional expenses</b>	<b>\$ 26,767,427</b>	<b>\$ 258,741</b>	<b>\$ 170,329</b>	<b>\$ 15,954,298</b>	<b>\$ 8,298,170</b>	<b>\$ 114,208</b>	<b>\$ 1,438,900</b>	<b>\$ 445,715</b>	<b>\$ 11,625,265</b>	<b>\$ 65,073,052</b>

(Continued)

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

**LOS ANGELES REGIONAL FOOD BANK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2017**

	Program Services				Supporting Services			Total Functional Expenses	
	Subtotal	Senior Nutrition/ Brown Bag	BackPack Program	Product Donations/ Extra Helpings	Total Program	General and Administrative	Fundraising		Total Supporting
(Continued from Previous Page)									
Food	\$ 54,142,089	\$1,001,820	\$ 526,604	\$ 22,456,443	\$ 78,126,956	\$ -	\$ -	\$ -	\$ 78,126,956
Salaries and related expenditures	6,171,727	143,793	54,310	188,500	6,558,330	336,630	691,910	1,028,540	7,586,870
Warehouse rental	1,668,341	28,749	13,811	50,309	1,761,210	71,870	25,933	97,803	1,859,013
Utilities	497,700	14,046	-	24,579	536,325	35,113	14,206	49,319	585,644
Insurance	348,369	23,622	-	41,339	413,330	59,056	47,244	106,300	519,630
Interest	19,356	-	-	-	19,356	-	-	-	19,356
Repairs and maintenance	458,071	11,387	-	19,928	489,386	28,468	8,720	37,188	526,574
Auto and truck	180,482	4,958	1,559	8,676	195,675	12,394	259	12,653	208,328
Freight	166,017	23	-	40	166,080	56	-	56	166,136
Travel	14,177	554	-	969	15,700	1,384	542	1,926	17,626
Telephone	109,678	4,474	-	7,830	121,982	11,185	8,843	20,028	142,010
Office and supplies	89,329	2,972	19,135	5,235	116,671	7,430	454,930	462,360	579,031
Volunteer lunches and conference	31,064	642	219	1,124	33,049	1,606	1,002	2,608	35,657
Professional and contract services	354,985	14,032	-	24,556	393,573	304,923	453,526	758,449	1,152,022
Feeding America assessment fee	83,518	-	-	-	83,518	-	-	-	83,518
Miscellaneous	273,408	7,283	24,548	12,762	318,001	18,227	154,617	172,844	490,845
<b>Total expenses before depreciation</b>	<b>64,608,311</b>	<b>1,258,355</b>	<b>640,186</b>	<b>22,842,290</b>	<b>89,349,142</b>	<b>888,342</b>	<b>1,861,732</b>	<b>2,750,074</b>	<b>92,099,216</b>
Depreciation	464,742	-	-	-	464,742	-	-	-	464,742
<b>Total functional expenses</b>	<b>\$ 65,073,053</b>	<b>\$ 1,258,355</b>	<b>\$ 640,186</b>	<b>\$ 22,842,290</b>	<b>\$ 89,813,884</b>	<b>\$ 888,342</b>	<b>\$ 1,861,732</b>	<b>\$ 2,750,074</b>	<b>\$ 92,563,958</b>

(Concluded)

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

**LOS ANGELES REGIONAL FOOD BANK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2016**

	Program Services									
	General Food Distribution	Food Rescue Program	FEMA	USDA – EFAP	USDA – CSFP	CalFresh Outreach Program	After-school Meal Program/ USDA-CACFP	USDA – SFSP	Produce and Perishables Program	Subtotal
Food	\$ 17,095,462	\$ -	\$ 207,719	\$ 12,635,006	\$ 6,154,974	\$ -	\$ 1,514,204	\$ 391,228	\$ 16,515,458	\$ 54,514,051
Salaries and related expenditures	4,052,264	139,501	-	609,941	1,056,274	135,382	62,473	37,150	8,418	6,101,403
Warehouse rental	541,767	39	-	230,690	718,942	343	52	-	-	1,491,833
Utilities	303,908	86,047	-	55,703	52,454	-	-	-	79,929	578,041
Insurance	209,468	-	-	31,492	118,161	-	-	-	-	359,121
Interest	8,043	-	-	-	-	-	-	-	-	8,043
Repairs and maintenance	321,546	29,773	-	76,766	13,034	-	-	-	-	441,119
Auto and truck	95,677	-	-	1,876	62,805	15,949	4,515	2,463	-	183,285
Freight	3,162	-	-	-	-	-	-	-	201,488	204,650
Travel	6,917	-	-	-	573	1,427	1,672	-	-	10,589
Telephone	92,218	-	-	-	5,456	4,022	-	-	-	101,696
Office and supplies	68,238	-	-	13,073	2,387	697	1,636	2,537	-	88,568
Volunteer lunches and conference	28,961	-	-	-	-	33	-	-	-	28,994
Professional and contract services	319,805	-	-	13,595	8,798	-	-	-	47,282	389,480
Feeding America assessment fee	87,561	-	-	-	-	-	-	-	-	87,561
Miscellaneous	163,652	-	-	4,235	-	58	1,194	135	24	169,298
Total expenses before depreciation	23,398,649	255,360	207,719	13,672,377	8,193,858	157,911	1,585,746	433,513	16,852,599	\$ 64,757,732
Depreciation	470,630	-	-	-	-	-	-	-	-	470,630
<b>Total functional expenses</b>	<b>\$ 23,869,279</b>	<b>\$ 255,360</b>	<b>\$ 207,719</b>	<b>\$ 13,672,377</b>	<b>\$ 8,193,858</b>	<b>\$ 157,911</b>	<b>\$ 1,585,746</b>	<b>\$ 433,513</b>	<b>\$ 16,852,599</b>	<b>\$ 65,228,362</b>

(Continued)

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

**LOS ANGELES REGIONAL FOOD BANK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2016**

	Program Services				Supporting Services			Total Functional Expenses	
	Subtotal	Senior Nutrition/ Brown Bag	BackPack Program	Product Donations/ Extra Helpings	Total Program	General and Administrative	Fundraising		Total
(Continued from Previous Page)									
Food	\$ 54,514,051	\$1,524,277	\$ 480,650	\$ 16,763,933	\$ 73,282,911	\$ -	\$ -	\$ -	\$ 73,282,911
Salaries and related expenditures	6,101,403	149,679	45,971	163,646	6,460,699	356,651	848,537	1,205,188	7,665,887
Warehouse rental	1,491,833	27,031	11,023	47,305	1,577,192	67,578	5,151	72,729	1,649,921
Utilities	578,041	18,002	-	31,503	627,546	45,005	13,567	58,572	686,118
Insurance	359,121	11,789	-	20,632	391,542	29,474	23,579	53,053	444,595
Interest	8,043	-	-	-	8,043	-	-	-	8,043
Repairs and maintenance	441,119	16,228	-	28,399	485,746	40,570	13,241	53,811	539,557
Auto and truck	183,285	4,778	1,657	8,361	198,081	11,945	149	12,094	210,175
Freight	204,650	160	-	280	205,090	400	-	400	205,490
Travel	10,589	361	-	632	11,582	904	403	1,307	12,889
Telephone	101,696	4,040	-	7,070	112,806	10,100	7,990	18,090	130,896
Office and supplies	88,568	3,793	22,141	6,638	121,140	9,483	652,292	661,775	782,915
Volunteer lunches and conference	28,994	557	-	975	30,526	1,393	956	2,349	32,875
Professional and contract services	389,480	11,526	-	20,170	421,176	209,042	336,865	545,907	967,083
Feeding America assessment fee	87,561	-	-	-	87,561	-	-	-	87,561
Miscellaneous	169,298	6,122	10,755	11,853	198,028	15,302	143,161	158,463	356,491
Total expenses before depreciation	\$64,757,732	1,778,343	572,197	17,111,397	84,219,669	797,847	2,045,891	2,843,738	87,063,407
Depreciation	470,630	-	-	-	470,630	-	-	-	470,630
<b>Total functional expenses</b>	<b>\$ 65,228,362</b>	<b>\$ 1,778,343</b>	<b>\$ 572,197</b>	<b>\$ 17,111,397</b>	<b>\$ 84,690,299</b>	<b>\$ 797,847</b>	<b>\$ 2,045,891</b>	<b>\$ 2,843,738</b>	<b>\$ 87,534,037</b>

(Concluded)

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

**LOS ANGELES REGIONAL FOOD BANK**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (2,309,149)	\$ 1,174,896
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	464,742	470,630
Change in allowance for doubtful accounts	(5,473)	(15,743)
Realized and unrealized gains on investments	(34,515)	(18,694)
Gain on disposal of assets	-	(2,304)
Change in contributed inventory	2,850,185	(1,550,862)
Changes in operating assets and liabilities:		
Receivables from government agencies	451,230	(818,956)
Receivables from affiliated charities	(49,652)	98,774
Unconditional promises to give	61,234	(491,300)
Food inventory	(181,638)	66,310
Prepaid expenses	(62,466)	(124,759)
Accounts payable and accrued expenses	(5,703)	240,120
Net cash provided by (used in) operating activities	1,178,795	(971,888)
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	11,299	11,102
Purchases of property and equipment	(526,641)	(271,457)
Proceeds from sale of property and equipment	-	30,750
Net cash used in investing activities	(515,342)	(229,605)
<b>Net increase (decrease) in cash and cash equivalents</b>	663,453	(1,201,493)
<b>Cash and cash equivalents, beginning of year</b>	2,026,846	3,228,339
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,690,299</b>	<b>\$ 2,026,846</b>

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

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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**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 our 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 and advocates for public policies that alleviate hunger; and energizes the community to get involved and support hunger relief.

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 Fund, which helps agencies serving 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 allow the Food Bank to purchase staple food items.
- 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.
- 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 Education.

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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**NOTE 1 – NATURE OF ORGANIZATION (Continued)**

- 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.
- 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. The After-school meal program, run by the Food Bank, is part of a national network of similar programs run by other Feeding America food banks. 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. The SFSP is designed to provide funding for a nutritious lunch when children are on their summer recess. The SFSP is funded by the USDA and administered by the California Department of Education.

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. 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 elderly persons on a weekly basis.
- 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. The program is privately funded.

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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**NOTE 1 – NATURE OF ORGANIZATION (Continued)**

- Product Donations Department works with donors to identify surplus food to be picked up by the Food Bank's fleet of trucks, and Extra Helpings is a food recovery program linking agencies with food donation sources. Extra Helpings was originally developed to facilitate the contribution of food from restaurants, hotels, and the hospitality industry to agencies, and has expanded to include donations from retail grocery stores and other food sources.

**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).

The Food Bank reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Food Bank.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Food Bank and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support.
- *Permanently restricted net assets* – Net assets subject to donor-imposed restrictions requiring that the amounts contributed be invested in perpetuity. The investment income generated from these funds is available for general support of the Food Bank's programs and operations.

Revenue and Expense Recognition

The Food Bank recognizes contributions, including unconditional promises to give, as revenue in the period received or promised. 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 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 EFAP and CSFP.

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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

Contributed Goods (Continued)

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

The Food Bank records contributed food received from the USDA based on prices provided by the USDA. During the year ended December 31, 2017, the EFAP food product prices averaged \$0.66 per pound, and CSFP food product prices averaged \$0.73 per pound. During the year ended December 31, 2016, the EFAP food product prices averaged \$0.65 per pound, and CSFP food product prices averaged \$0.73 per pound.

All other contributed food items are valued using a weighted-average price per pound determined using studies commissioned by Feeding America. For the year ended December 31, 2017, the weighted-average value for contributed food was \$1.52 per pound (\$1.38 per pound in 2016). The total net value of contributed food, for the years ended December 31, 2017 and 2016, was \$71,969,095 and \$71,529,552, respectively.

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. For the years ended December 31, 2017 and 2016, the Food Bank received pro bono legal services, and the fair value of such services totaled \$269,843 and \$180,228, 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.

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 interest-bearing deposits and money market funds with a maturing within 90 days of the purchase date.

Revenue and Support

For the year ended December 31, 2017, three government agencies accounted for a total of 89%, or \$4,668,636, of revenues under government contracts. For the year ended December 31, 2016, three government agencies accounted for a total of 91%, or \$4,672,442, of revenues under government contracts.

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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

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.

Concentrations of Credit Risk

*Cash and Cash Equivalents*

The Food Bank maintains its cash and cash equivalents at various reputable financial institutions. The balances at financial institutions are insured by the Federal Deposit Insurance Corporation. From time to time, the Food Bank's cash balance may exceed amounts insured by the FDIC. To date, the Food Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk relating to cash and cash equivalents.

*Promises to Give, Grants, and Contracts Receivable*

With respect to unconditional promises to give, 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, 2017, two donors composed a total of 87%, or \$477,142, of unconditional promises to give, and four government grantors composed a total of 99%, or \$1,451,203, of grants receivable from government agencies. For the year ended December 31, 2016, two donors composed a total of 78%, or \$475,000, of unconditional promises to give, and four government grantors composed a total of 93%, or \$1,765,016, of grants receivable from government agencies.

Investments

The Food Bank's investments consist principally of marketable equity securities and mutual or money market fund securities with readily determinable fair values. 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.

The Food Bank classifies its investments at the time of purchase as available-for-sale, and is presented at fair value. Unrealized gains and losses on available-for-sale investments are excluded from earnings and are included in accumulated other comprehensive income until realized. Realized gains and losses of available-for-sale investments are included in the statement of income.

Food Inventory

Purchased food inventory is stated at cost using the first-in, first-out (FIFO) method.

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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

Property and Equipment

Property and equipment is stated at cost or, for contributed items, at fair market 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 the building. The Food Bank's capitalization policy is to capitalize all property and equipment over \$1,000.

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, 2017 and 2016, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Income Taxes

The Food Bank is exempt from income taxes under Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701(d). 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 Internal Revenue Code §509(a)(i) and §170(b)(a)(vi).

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 years ended December 31, 2017 and 2016, 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.

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

# LOS ANGELES REGIONAL FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

#### Fair Value of Financial Instruments (Continued)

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.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Food Bank has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

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. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal 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 of its pending adoption of the new standard on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in its financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for years beginning after December 15, 2017, and interim periods within years beginning after December 15, 2018, with early adoption permitted. The Food Bank is currently evaluating the impact the adoption of this guidance will have on its financial statements.

# LOS ANGELES REGIONAL FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

### NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of December 31, 2017 and 2016, the significant components of cash, cash equivalents, and investments are as follows:

	<u>2017</u>	<u>2016</u>
Available for operations	\$ 1,242,881	\$ 1,350,106
Board-designated primary endowment	113,340	98,153
Temporarily restricted	1,471,022	692,315
Permanently restricted	<u>110,000</u>	<u>110,000</u>
	<b><u>\$ 2,937,243</u></b>	<b><u>\$ 2,250,574</u></b>
Cash and cash equivalents	\$ 2,679,000	\$ 2,026,846
Investments	<u>258,243</u>	<u>223,728</u>
	<b><u>\$ 2,937,243</u></b>	<b><u>\$ 2,250,574</u></b>

### NOTE 4 – RECEIVABLES FROM GOVERNMENT AGENCIES

As of December 31, 2017 and 2016, receivables from government agencies consisted of amounts due from the following agencies:

	<u>2017</u>	<u>2016</u>
Federal Emergency Management Agency, passed through United Way Emergency Food and Shelter National Board Program	\$ -	\$ 103,860
Department of Social Services Emergency Food Assistance Program	293,074	354,217
Department of Social Services State Emergency Food Assistance Program	357,049	207,512
Department of Social Services Commodity Supplemental Food Program	549,886	953,319
Department of Education Child and Adult Care Food Program	222,950	249,968
Department of Health Services CalFresh Outreach and Nutrition Education	<u>20,957</u>	<u>26,270</u>
	<b><u>\$ 1,443,916</u></b>	<b><u>\$ 1,895,146</u></b>

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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**NOTE 5 – RECEIVABLES FROM AFFILIATED CHARITIES**

As of December 31, 2017 and 2016, receivables from affiliated agencies consisted of the following:

	2017	2016
Shared maintenance fees	\$ 453,032	\$ 403,380
Less allowance for doubtful accounts	(7,747)	(13,220)
	<b><u>\$ 445,285</u></b>	<b><u>\$ 390,160</u></b>

**NOTE 6 – PROMISES TO GIVE**

Unconditional promises to give, totaling \$548,342 and \$609,576 at December 31, 2017 and 2016, respectively, are from various individuals and organizations. Management anticipates collection within one year. No allowance for potentially uncollectible promises to give was deemed necessary at December 31, 2017 and 2016.

**NOTE 7 – FOOD INVENTORY**

As of December 31, 2017, the food inventory consisted of the following:

**Dollar Value:**

	Contributed	Purchased	Total
<b>Beginning of Year</b>	\$ 7,107,230	\$ 162,173	\$ 7,269,403
Receipts	71,969,095	2,901,443	74,870,538
Distributions	(74,819,280)	(2,719,805)	(77,539,085)
<b>End of Year</b>	<b><u>\$ 4,257,045</u></b>	<b><u>\$ 343,811</u></b>	<b><u>\$ 4,600,856</u></b>

**Poundage:**

<b>Beginning of Year</b>	9,596,796	278,038	9,874,834
Receipts	62,004,993	2,034,171	64,039,164
Distributions	(66,529,635)	(1,945,159)	(68,474,794)
<b>End of Year</b>	<b><u>5,072,154</u></b>	<b><u>367,050</u></b>	<b><u>5,439,204</u></b>

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 7 – FOOD INVENTORY (Continued)**

As of December 31, 2016, the food inventory consisted of the following:

**Dollar Value:**

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
<b>Beginning of Year</b>	\$ 5,556,368	\$ 228,483	\$ 5,784,851
Receipts	71,529,553	2,539,252	74,068,805
Distributions	<u>(69,978,691)</u>	<u>(2,605,562)</u>	<u>(72,584,253)</u>
<b>End of Year</b>	<b><u>\$ 7,107,230</u></b>	<b><u>\$ 162,173</u></b>	<b><u>\$ 7,269,403</u></b>

**Poundage:**

<b>Beginning of Year</b>	7,034,812	362,326	7,397,138
Receipts	67,587,483	1,883,830	69,471,313
Distributions	<u>(65,025,499)</u>	<u>(1,968,118)</u>	<u>(66,993,617)</u>
<b>End of Year</b>	<b><u>9,596,796</u></b>	<b><u>278,038</u></b>	<b><u>9,874,834</u></b>

**NOTE 8 – PROPERTY AND EQUIPMENT**

As of December 31, 2017 and 2016, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 2,260,008	\$ 2,260,008
Building	5,767,460	5,758,110
Trucks	1,904,470	1,528,255
Equipment	2,152,658	2,027,375
Computer software	233,440	224,213
Furniture and fixtures	382,374	380,309
Construction in progress	<u>38,725</u>	<u>34,225</u>
	12,739,135	12,212,495
Less accumulated depreciation	<u>(7,459,177)</u>	<u>(6,994,436)</u>
	<b><u>\$ 5,279,958</u></b>	<b><u>\$ 5,218,059</u></b>

For the years ended December 31, 2017 and 2016, depreciation expense totaled \$464,742 and \$470,630, respectively.

# LOS ANGELES REGIONAL FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

### 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 October 5, 2018. The line of credit is subject to an annual renewal and bears an interest rate equal to the bank prime rate (4.50% at December 31, 2017). An approved written authorization from the executive committee is required to draw down on the line of credit. During the year ended December 31, 2017, the executive committee approved a draw down on the line of credit of \$1,500,000, all of which was repaid during 2017.

### NOTE 10 – NET ASSETS

#### Temporarily Restricted

As of December 31, 2017, temporarily restricted net assets for specific programs are as follows:

	Balance at December 31, <u>2016</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance at December 31, <u>2017</u>
<b>Temporarily restricted</b>				
BackPack Program Fund	\$ 264,254	\$ 206,351	\$ 312,971	\$ 157,634
CalFresh Outreach	36,005	90,244	118,582	7,667
Children’s Nutrition Program Fund	406,043	496,831	463,903	438,971
Emergency Food Fund	36,882	22,862	45,986	13,758
Emergency Food Fund 2	-	147,393	112,114	35,279
Fixed Assets Fund	75,250	212,000	81,515	205,735
Food for Families Fund	5,345	35,587	38,100	2,832
Produce & Perishable Food Programs Fund	-	42,749	17,499	25,250
Senior Nutrition Program Fund	101,493	3,456	103,613	1,336
Agency Capacity Fund	3,870	50,000	53,870	-
Extra Helpings Food Share	-	767,570	435,122	332,448
Mobile School Pantry	-	150,000	66,810	83,190
Mobile Food Pantry	-	2,500	2,500	-
Restricted Due to Time	<u>316,000</u>	<u>327,500</u>	<u>476,578</u>	<u>166,922</u>
<b>Total temporarily restricted</b>	<b><u>\$ 1,245,142</u></b>	<b><u>\$ 2,555,043</u></b>	<b><u>\$ 2,329,163</u></b>	<b><u>\$ 1,471,022</u></b>

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 10 – NET ASSETS (Continued)**

Temporarily Restricted (Continued)

As of December 31, 2016, temporarily restricted net assets for specific programs are as follows:

	Balance at December 31, <u>2015</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance at December 31, <u>2016</u>
<b>Temporarily restricted</b>				
BackPack Program Fund	\$ 127,490	\$ 411,948	\$ 275,184	\$ 264,254
CalFresh Outreach	69,999	123,815	157,809	36,005
Children’s Nutrition Program Fund	292,196	656,886	543,039	406,043
Emergency Food Fund	37,366	126,500	126,984	36,882
Emergency Food Fund 2	-	98,799	98,799	-
Fixed Assets Fund	30,000	75,250	30,000	75,250
Food for Families Fund	6,110	28,985	29,750	5,345
Produce & Perishable Food Programs Fund	-	36,749	36,749	-
Senior Nutrition Program Fund	87,245	177,642	163,394	101,493
Agency Capacity Fund	-	50,000	46,130	3,870
Restricted Due to Time	<u>79,005</u>	<u>1,012,347</u>	<u>775,352</u>	<u>316,000</u>
<b>Total temporarily restricted</b>	<b><u>\$ 729,411</u></b>	<b><u>\$ 2,798,921</u></b>	<b><u>\$ 2,283,190</u></b>	<b><u>\$ 1,245,142</u></b>

Permanently Restricted

The permanently restricted net assets consisted of a donor-restricted perpetual endowment fund in the amount of \$110,000 at both December 31, 2017 and 2016. 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.

According to the provision of the donor’s stipulation and U.S. GAAP, 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 expenditures and is classified within unrestricted net assets.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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.

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 10 – NET ASSETS (Continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

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.

During the year ended December 31, 2017, the permanently restricted and board-designated endowment fund had the following activities:

*Changes in Endowment Net Assets for the Year Ended December 31, 2017*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 98,153	\$ 15,575	\$ 110,000	\$ 223,728
Investment income	15,187	19,328	-	34,515
Appropriation of endowment assets pursuant to spend rate policy	-	(11,299)	-	(11,299)
<b>Balance, end of year</b>	<b><u>\$ 113,340</u></b>	<b><u>\$ 23,604</u></b>	<b><u>\$ 110,000</u></b>	<b><u>\$ 246,944</u></b>

*Endowment Net Asset by Composition by Type of Fund as of December 31, 2017*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 23,604	\$ 110,000	\$ 133,604
Board-designated endowment fund	<u>113,340</u>	-	-	<u>113,340</u>
<b>Balance, end of year</b>	<b><u>\$ 113,340</u></b>	<b><u>\$ 23,604</u></b>	<b><u>\$ 110,000</u></b>	<b><u>\$ 246,944</u></b>

**LOS ANGELES REGIONAL FOOD BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 – NET ASSETS (Continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

During the year ended December 31, 2016, the permanently restricted and board-designated endowment fund had the following activities:

*Changes in Endowment Net Assets for the Year Ended December 31, 2016*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 94,795	\$ 11,341	\$ 110,000	\$ 216,136
Investment income	<u>3,358</u>	<u>4,234</u>	<u>-</u>	<u>7,592</u>
<b>Balance, end of year</b>	<b><u>\$ 98,153</u></b>	<b><u>\$ 15,575</u></b>	<b><u>\$ 110,000</u></b>	<b><u>\$ 223,728</u></b>

*Endowment Net Asset by Composition by Type of Fund as of December 31, 2016*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 15,575	\$ 110,000	\$ 125,575
Board-designated endowment fund	<u>98,153</u>	<u>-</u>	<u>-</u>	<u>98,153</u>
<b>Balance, end of year</b>	<b><u>\$ 98,153</u></b>	<b><u>\$ 15,575</u></b>	<b><u>\$ 110,000</u></b>	<b><u>\$ 223,728</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 years ended December 31, 2017 and 2016, such fees totaled \$503,498 and \$677,857, respectively.

# LOS ANGELES REGIONAL FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### 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. In 2016, the Food Bank implemented an employer match of up to 3%. During the year ended December 31, 2017, the Food Bank made non-elective employer contributions of \$42,068, employer-match contributions of \$56,668, and no discretionary employer contributions to the Plan. During the year ended December 31, 2016, the Food Bank made non-elective employer contributions of \$43,085, employer-match contributions of \$36,302, and no 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.

During March 2017, the Food Bank entered into an operating lease agreement for a building in Commerce, California. The noncancelable lease term is from May 1, 2017, to June 30, 2022. Monthly rental payments to be made are \$65,451 and increase by 3% each succeeding year of the lease.

As of December 31, 2017, minimum payments on noncancelable leases for future years ending December 31 are as follows:

2018	\$ 797,189
2019	821,105
2020	845,741
2021	871,113
2022	<u>441,993</u>
<b>Total</b>	<b><u>\$ 3,777,141</u></b>

For the years ended December 31, 2017 and 2016, rent expense totaled \$742,942 and \$577,670, respectively.

**LOS ANGELES REGIONAL FOOD BANK**  
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**NOTE 14 – SUBSEQUENT EVENTS**

Management evaluated all activity of the Food Bank through May 8, 2018 (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.