FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
LETTER FROM BOARD CHAIRMAN AND PRESIDENT

Dear Friends of the Food Bank,

Thank you for making 2018, our 45th anniversary, our most successful year to date. Your support allowed us to distribute 67 million pounds of food, which represents the equivalent of 56 million meals for our neighbors in need. Our community also continues to be generous with their time; the total number of volunteers exceeded 37,700, the equivalent of the work of 77 full-time employees. Financial supporters of the Food Bank generously provided a record-breaking 12.5 million dollars to help those in our community facing food insecurity.

Our Mobile Food Pantry distributed 1.4 million pounds of food, including more than 450,000 pounds of fresh produce and we continued to expand our distributions to college campuses. Our food assistance programs for older adults provided food for 29,000 people every month and our Summer Lunch Program provided nutritious lunches to 3,000 children every weekday during the summer.

We continued to help improve the capacity of our 600+ partner agencies by providing cold storage, refrigerated vans and just-in-time deliveries to our agencies. This allows them to store fresh, nutritious food before distribution, aid in efficient food recovery and distribution through our Extra Helpings Program and receive deliveries on the day of distribution to allow larger amounts of fresh and nutritious perishable items to get directly to people in need.

During the year, Food Bank staff traveled to Sacramento and Washington D.C. to advocate for policies that would help those who face food insecurity and joined with food banks across the country to advocate against proposed changes to the CalFresh Program that would increase the need for food assistance.

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,

David Bishop
Board Chairman

Michael Flood
President/CEO

Mobilizing the resources of our community since 1973
1734 E. 41st Street, Los Angeles, CA 90058-1502 • Tel (323) 234-3030 • FAX (323) 234-0943 • www.lafoodbank.org
A Member of Feeding America
Where Our Funding Comes From

- Contributions and Grants: 60%
- Government Grants: 32%
- Agencies: 3%
- Special Events: 1%
- Other Income: 4%

How We Use Our Funding

- Food Bank Programs and Operation: 85%
- Fundraising: 11%
- General and Administrative: 4%

How We Use Our Resources

- Food Distributions: 82%
- Food Bank Programs and Operations: 15%
- Fundraising: 2%
- General and Administrative: 1%

Where Our Food Goes

- Distribution to Agencies: 50%
- Extra Helpings Program: 31%
- Senior Programs: 14%
- Children's Nutrition: 2%
- Mobile Food Pantry: 3%
INDEPENDENT AUDITOR’S REPORT

FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Statement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statements of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>4 – 5</td>
</tr>
<tr>
<td>Statement of Functional Expenses</td>
<td>6 – 7</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>8</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>9 – 22</td>
</tr>
</tbody>
</table>
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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of a Matter
As disclosed in Note 3 to the financial statements, in 2018, the Food Bank adopted Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2019, 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.

Singer Lewak LLP

July 2, 2019
# LOS ANGELES REGIONAL FOOD BANK
## STATEMENTS OF FINANCIAL POSITION
### December 31, 2018 and 2017

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,477,234</td>
<td>$2,690,299</td>
</tr>
<tr>
<td>Investments</td>
<td>224,899</td>
<td>246,944</td>
</tr>
<tr>
<td>Receivables from government agencies</td>
<td>1,706,587</td>
<td>1,443,916</td>
</tr>
<tr>
<td>Receivables from affiliated charities, net</td>
<td>275,382</td>
<td>445,285</td>
</tr>
<tr>
<td>Promises to give</td>
<td>318,661</td>
<td>548,342</td>
</tr>
<tr>
<td>Contributed food inventory</td>
<td>5,382,928</td>
<td>4,257,045</td>
</tr>
<tr>
<td>Purchased food inventory</td>
<td>811,115</td>
<td>343,811</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>362,943</td>
<td>467,088</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>5,665,539</td>
<td>5,279,958</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$18,225,288</strong></td>
<td><strong>$15,722,688</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$2,192,890</td>
<td>$1,934,193</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated – operating</td>
<td>8,010,614</td>
<td>7,813,484</td>
</tr>
<tr>
<td>Undesignated – contributed food</td>
<td>5,382,928</td>
<td>4,257,045</td>
</tr>
<tr>
<td>Board-designated</td>
<td>107,957</td>
<td>113,340</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>13,501,499</strong></td>
<td><strong>12,183,869</strong></td>
</tr>
<tr>
<td>With donor restrictions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted as to time</td>
<td>187,661</td>
<td>166,922</td>
</tr>
<tr>
<td>Restricted as to purpose</td>
<td>2,233,238</td>
<td>1,327,704</td>
</tr>
<tr>
<td>Perpetual in nature</td>
<td>110,000</td>
<td>110,000</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$18,225,288</strong></td>
<td><strong>$15,722,688</strong></td>
</tr>
</tbody>
</table>

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

## Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>Contributed Food Bank</th>
<th>Contributed Food</th>
<th>Total</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support, revenues, and gains</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>$10,197,706</td>
<td>$ -</td>
<td>$10,197,706</td>
<td>$2,357,314</td>
<td>$12,555,020</td>
</tr>
<tr>
<td>Contributed food</td>
<td>-</td>
<td>94,797,503</td>
<td>94,797,503</td>
<td>-</td>
<td>94,797,503</td>
</tr>
<tr>
<td>Shared maintenance fees</td>
<td>355,382</td>
<td>-</td>
<td>355,382</td>
<td>-</td>
<td>355,382</td>
</tr>
<tr>
<td>Government reimbursement</td>
<td>6,714,721</td>
<td>-</td>
<td>6,714,721</td>
<td>-</td>
<td>6,714,721</td>
</tr>
<tr>
<td>and administrative fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shop Smart &amp; Save income</td>
<td>263,639</td>
<td>-</td>
<td>263,639</td>
<td>-</td>
<td>263,639</td>
</tr>
<tr>
<td>Special events, net of direct benefits to donors of $112,699</td>
<td>292,465</td>
<td>-</td>
<td>292,465</td>
<td>-</td>
<td>292,465</td>
</tr>
<tr>
<td>Net investment return (loss)</td>
<td>(5,383)</td>
<td>-</td>
<td>(5,383)</td>
<td>(5,171)</td>
<td>(10,554)</td>
</tr>
<tr>
<td>Contributed services</td>
<td>195,983</td>
<td>-</td>
<td>195,983</td>
<td>-</td>
<td>195,983</td>
</tr>
<tr>
<td>Other income</td>
<td>533,436</td>
<td>-</td>
<td>533,436</td>
<td>-</td>
<td>533,436</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,425,870</td>
<td>-</td>
<td>1,425,870</td>
<td>(1,425,870)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total support, revenues, and gains</strong></td>
<td>19,973,819</td>
<td>94,797,503</td>
<td>114,771,322</td>
<td>926,273</td>
<td>115,697,595</td>
</tr>
</tbody>
</table>

## Expenses

<table>
<thead>
<tr>
<th></th>
<th>Contributed Food Bank</th>
<th>Contributed Food</th>
<th>Total</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food bank operations</td>
<td>16,768,461</td>
<td>93,671,620</td>
<td>110,440,081</td>
<td>-</td>
<td>110,440,081</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>902,745</td>
<td>-</td>
<td>902,745</td>
<td>-</td>
<td>902,745</td>
</tr>
<tr>
<td>Fundraising</td>
<td>2,110,866</td>
<td>-</td>
<td>2,110,866</td>
<td>-</td>
<td>2,110,866</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>19,782,072</td>
<td>93,671,620</td>
<td>113,453,692</td>
<td>-</td>
<td>113,453,692</td>
</tr>
</tbody>
</table>

## Change in net assets

<table>
<thead>
<tr>
<th></th>
<th>Contributed Food Bank</th>
<th>Contributed Food</th>
<th>Total</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in net assets</strong></td>
<td>191,747</td>
<td>1,125,883</td>
<td>1,317,630</td>
<td>926,273</td>
<td>2,243,903</td>
</tr>
</tbody>
</table>

## Net assets, beginning of year

<table>
<thead>
<tr>
<th></th>
<th>Contributed Food Bank</th>
<th>Contributed Food</th>
<th>Total</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$8,118,571</td>
<td>$5,382,928</td>
<td>$13,501,499</td>
<td>$2,530,899</td>
<td>$16,032,398</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## Without Donor Restrictions

<table>
<thead>
<tr>
<th></th>
<th>Contributions and grants</th>
<th>Shared maintenance fees</th>
<th>Government reimbursement and administrative fees</th>
<th>Shop Smart &amp; Save income</th>
<th>Special events, net of direct benefits to donors of $132,836</th>
<th>Net assets released from restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributed</strong></td>
<td>$ 8,874,399</td>
<td>$ 71,969,095</td>
<td><strong>71,969,095</strong></td>
<td><strong>258,519</strong></td>
<td><strong>343,707</strong></td>
<td><strong>2,324,887</strong></td>
<td><strong>90,005,325</strong></td>
</tr>
<tr>
<td><strong>Food</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 8,874,399</td>
<td>$ 71,969,095</td>
<td><strong>71,969,095</strong></td>
<td><strong>258,519</strong></td>
<td><strong>343,707</strong></td>
<td><strong>2,324,887</strong></td>
<td><strong>90,254,809</strong></td>
</tr>
<tr>
<td><strong>Restrictions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Support, revenues, and gains**

**Expenses**

<table>
<thead>
<tr>
<th></th>
<th>Food bank operations</th>
<th>Supporting services</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food bank operations</strong></td>
<td>$ 14,994,604</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supporting services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>$ 888,342</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fundraising</strong></td>
<td>$ 1,861,732</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total supporting services</strong></td>
<td>$ 2,750,074</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$ 17,744,678</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Change in net assets**

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>$ 7,635,272</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$ <strong>7,926,824</strong></td>
<td><strong>$ 4,257,045</strong></td>
<td><strong>$ 12,183,869</strong></td>
<td><strong>$ 1,604,626</strong></td>
<td><strong>$ 13,788,495</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## LOS ANGELES REGIONAL FOOD BANK
### STATEMENT OF FUNCTIONAL EXPENSES
#### Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Food Bank Operations</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Supporting Services</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of donated food distributed</td>
<td>$93,671,620</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$93,671,620</td>
</tr>
<tr>
<td>Purchased food cost of sales</td>
<td>3,807,894</td>
<td>13,994</td>
<td>6,960</td>
<td>131,459</td>
<td>4,600,783</td>
</tr>
<tr>
<td>Salaries, taxes, and benefits</td>
<td>7,156,014</td>
<td>410,100</td>
<td>25,951</td>
<td>1,005,165</td>
<td>8,521,813</td>
</tr>
<tr>
<td>and warehouse maintenance</td>
<td>2,116,664</td>
<td>27,300</td>
<td>14,596</td>
<td>41,896</td>
<td>2,158,560</td>
</tr>
<tr>
<td>Insurance</td>
<td>568,772</td>
<td>63,708</td>
<td>8,645</td>
<td>34,645</td>
<td>641,125</td>
</tr>
<tr>
<td>Fuel, fleet costs, inbound freight</td>
<td>964,638</td>
<td>15,401</td>
<td>277</td>
<td>15,678</td>
<td>995,918</td>
</tr>
<tr>
<td>Office expense and services</td>
<td>298,497</td>
<td>232,829</td>
<td>491,351</td>
<td>724,180</td>
<td>1,184,935</td>
</tr>
<tr>
<td>Professional services</td>
<td>460,755</td>
<td>232,829</td>
<td>491,351</td>
<td>724,180</td>
<td>1,184,935</td>
</tr>
<tr>
<td>Other expenditures</td>
<td>771,065</td>
<td>10,840</td>
<td>154,204</td>
<td>165,044</td>
<td>936,109</td>
</tr>
<tr>
<td><strong>Total expenses before depreciation</strong></td>
<td>109,815,919</td>
<td>942,745</td>
<td>3,013,611</td>
<td>112,829,530</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>624,162</td>
<td></td>
<td></td>
<td></td>
<td>624,162</td>
</tr>
<tr>
<td><strong>Total functional expenses</strong></td>
<td>$110,440,081</td>
<td>$902,745</td>
<td>$2,110,866</td>
<td>$3,013,611</td>
<td>$113,453,692</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Food Bank Operations</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total Supporting</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of donated food distributed</td>
<td>$74,819,280</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$74,819,280</td>
</tr>
<tr>
<td>Purchased food cost of sales</td>
<td>2,719,805</td>
<td>336,630</td>
<td>691,910</td>
<td>1,028,540</td>
<td>7,586,870</td>
</tr>
<tr>
<td>Salaries, taxes, and benefits</td>
<td>6,558,330</td>
<td>40,138</td>
<td>147,121</td>
<td>2,270,624</td>
<td>89,349,142</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>2,123,503</td>
<td>106,983</td>
<td>106,301</td>
<td>519,631</td>
<td>2,270,624</td>
</tr>
<tr>
<td>Insurance</td>
<td>413,330</td>
<td>47,245</td>
<td>12,709</td>
<td>524,110</td>
<td>925,578</td>
</tr>
<tr>
<td>Fuel, fleet costs, inbound freight</td>
<td>912,869</td>
<td>259</td>
<td>12,709</td>
<td>925,578</td>
<td>1,152,021</td>
</tr>
<tr>
<td>Office expense and services</td>
<td>375,306</td>
<td>47,403</td>
<td>524,110</td>
<td>1,152,021</td>
<td>899,416</td>
</tr>
<tr>
<td>Professional services</td>
<td>393,572</td>
<td>453,526</td>
<td>758,449</td>
<td>1,152,021</td>
<td>1,152,021</td>
</tr>
<tr>
<td>Other expenditures</td>
<td>1,033,147</td>
<td>18,227</td>
<td>172,844</td>
<td>1,205,991</td>
<td>89,349,142</td>
</tr>
<tr>
<td>Total expenses before depreciation</td>
<td>89,349,142</td>
<td>888,342</td>
<td>1,861,732</td>
<td>2,750,074</td>
<td>92,099,216</td>
</tr>
<tr>
<td>Depreciation</td>
<td>464,742</td>
<td>464,742</td>
<td>464,742</td>
<td>464,742</td>
<td>464,742</td>
</tr>
<tr>
<td><strong>Total functional expenses</strong></td>
<td>$89,813,884</td>
<td>$888,342</td>
<td>$1,861,732</td>
<td>$2,750,074</td>
<td>$92,563,958</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 2,243,903</td>
<td>$ (2,309,149)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>624,162</td>
<td>464,742</td>
</tr>
<tr>
<td>Change in allowance for doubtful accounts</td>
<td>7,001</td>
<td>(5,473)</td>
</tr>
<tr>
<td>Realized and unrealized gains on investments</td>
<td>10,554</td>
<td>(34,515)</td>
</tr>
<tr>
<td>Gain on disposal of equipment</td>
<td>(14,563)</td>
<td>-</td>
</tr>
<tr>
<td>Change in contributed food inventory</td>
<td>(1,125,883)</td>
<td>2,850,185</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables from government agencies</td>
<td>(262,671)</td>
<td>451,230</td>
</tr>
<tr>
<td>Receivables from affiliated charities</td>
<td>162,902</td>
<td>(49,652)</td>
</tr>
<tr>
<td>Promises to give</td>
<td>229,681</td>
<td>61,234</td>
</tr>
<tr>
<td>Purchased food inventory</td>
<td>(467,304)</td>
<td>(181,638)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>104,145</td>
<td>(62,466)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>258,697</td>
<td>(5,703)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>1,770,624</td>
<td>1,178,795</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>11,491</td>
<td>11,299</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(1,071,021)</td>
<td>(526,641)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(983,689)</td>
<td>(515,342)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from line of credit</td>
<td>1,500,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Payments of line of credit</td>
<td>(1,500,000)</td>
<td>(1,500,000)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>786,935</td>
<td>663,453</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of year</strong></td>
<td>2,690,299</td>
<td>2,026,846</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td>$ 3,477,234</td>
<td>$ 2,690,299</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
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 2018 and 2017, the Food Bank provided the equivalent of approximately 56 and 55 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 2018 and 2017, over 37,700 and 30,600 volunteers provided 148,490 and 177,200 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 restaurants, hotels, the hospitality industry, retail grocery stores, 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 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.
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.
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 2017 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, 2018 and 2017, the allowance totaled $14,748 and $7,747, respectively.
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, 2018 and 2017.

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. 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. 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.

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 KPMG. For the years ended December 31, 2018 and 2017, the average wholesale value for contributed food was $1.57 and $1.52 per pound, respectively.

Purchased Food Inventory
Purchased food inventory is stated at the lower of cost or market 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.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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, 2018 and 2017, the Food Bank received pro bono legal services, and the fair value of such services totaled $195,983 and $269,843, 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.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017, 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 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, 2018 and 2017, 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.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk (Continued)
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 Issued 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 years 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 years beginning after December 15, 2019, 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.

In June 2018, the FASB issued 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 ASU has different effective dates for resource recipients and resource providers. As the Food Bank is both a resource recipient and resource provider, the ASU is applicable to contributions received for years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019. Early adoption is permitted. The Food Bank is currently evaluating the impact of the adoption of this guidance on its financial statements.
NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

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 adopted this ASU as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements. The Food Bank has opted to not disclose liquidity and availability information for 2017, as permitted under the ASU in the year of adoption. In addition, the Food Bank changed its presentation of net asset classes and expanded the footnote disclosures as required by the ASU. A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

<table>
<thead>
<tr>
<th>ASU 2016-14 Classifications</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets classifications, as</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>previously presented</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total unrestricted</td>
<td>$12,207,473</td>
<td>$ -</td>
<td>$12,207,473</td>
</tr>
<tr>
<td>Endowment earnings reclass</td>
<td>(23,604)</td>
<td>23,604</td>
<td>-</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>-</td>
<td>1,471,022</td>
<td>1,471,022</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>-</td>
<td>110,000</td>
<td>110,000</td>
</tr>
<tr>
<td>Net assets, as reclassified</td>
<td>$12,183,869</td>
<td>$1,604,626</td>
<td>$13,788,495</td>
</tr>
</tbody>
</table>

NOTE 4 – RECEIVABLES FROM GOVERNMENT AGENCIES

Receivables from government agencies consist of amounts due from the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Way – FEMA funded</td>
<td>$ 75,274</td>
<td>$ -</td>
</tr>
<tr>
<td>California Department of Social Services</td>
<td>1,208,628</td>
<td>1,220,966</td>
</tr>
<tr>
<td>California Department of Education</td>
<td>422,685</td>
<td>222,950</td>
</tr>
<tr>
<td></td>
<td><strong>$ 1,706,587</strong></td>
<td><strong>$ 1,443,916</strong></td>
</tr>
</tbody>
</table>
NOTE 5 – FOOD INVENTORY

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

### Dollar Value

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

### Poundage

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

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

### Dollar Value

<table>
<thead>
<tr>
<th></th>
<th>Contributed</th>
<th>Purchased</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning of year</strong></td>
<td>$ 7,107,230</td>
<td>$ 162,173</td>
<td>$ 7,269,403</td>
</tr>
<tr>
<td>Receipts/Purchases</td>
<td>71,969,095</td>
<td>2,901,443</td>
<td>74,870,538</td>
</tr>
<tr>
<td>Distributions</td>
<td>(74,819,280)</td>
<td>(2,719,805)</td>
<td>(77,539,085)</td>
</tr>
<tr>
<td><strong>End of year</strong></td>
<td>$ 4,257,045</td>
<td>$ 343,811</td>
<td>$ 4,600,856</td>
</tr>
</tbody>
</table>

### Poundage

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning of year</strong></td>
<td>9,596,796</td>
<td>278,038</td>
<td>9,874,834</td>
</tr>
<tr>
<td>Receipts/Purchases</td>
<td>62,004,993</td>
<td>2,034,171</td>
<td>64,039,164</td>
</tr>
<tr>
<td>Distributions</td>
<td>(66,529,635)</td>
<td>(1,945,159)</td>
<td>(68,474,794)</td>
</tr>
<tr>
<td><strong>End of year</strong></td>
<td>5,072,154</td>
<td>367,050</td>
<td>5,439,204</td>
</tr>
</tbody>
</table>

In prior years, the Food Bank valued certain contributed inventory at the average wholesale value of food using the Feeding America Product Valuation Survey as there was not an effective manner in which to break out the food categories. With process and technology improvements, the Food Bank now has the ability to value all food by category. The change is considered a change in accounting estimate and, accordingly, has prospective implementation in the accompanying financial statements. The impact of this change was an increase in contributed food revenue and expenses of $12,513,136 reported for the year ended December 31, 2018.
NOTE 6 – PROPERTY AND EQUIPMENT

As of December 31, 2018 and 2017, property and equipment consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$2,260,008</td>
<td>$2,260,008</td>
</tr>
<tr>
<td>Building</td>
<td>5,767,460</td>
<td>5,767,460</td>
</tr>
<tr>
<td>Trucks</td>
<td>2,655,696</td>
<td>1,904,470</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,124,347</td>
<td>2,152,658</td>
</tr>
<tr>
<td>Computer software</td>
<td>206,045</td>
<td>233,440</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>382,374</td>
<td>382,374</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>176,705</td>
<td>38,725</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,572,635</td>
<td>12,739,135</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td>(7,907,096)</td>
<td>(7,459,177)</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>$5,665,539</td>
<td>$5,279,958</td>
</tr>
</tbody>
</table>

NOTE 7 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 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 statement of financial position date due to donor restrictions or internal board designations.

<table>
<thead>
<tr>
<th>Financial asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,477,234</td>
</tr>
<tr>
<td>Receivables from government agencies</td>
<td>1,706,587</td>
</tr>
<tr>
<td>Receivables from affiliated charities, net</td>
<td>275,382</td>
</tr>
<tr>
<td>Promises to give</td>
<td>318,661</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td><strong>$5,777,864</strong></td>
</tr>
<tr>
<td>Funds donor-restricted for capital purchases</td>
<td>($66,643)</td>
</tr>
<tr>
<td>Financial assets available to meet general expenditures within one year</td>
<td><strong>$5,711,221</strong></td>
</tr>
</tbody>
</table>

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.
NOTE 8 – 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 July 31, 2019. The line of credit is subject to an annual renewal and bears an interest rate equal to the bank prime rate (5.00% at December 31, 2018).

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

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

<table>
<thead>
<tr>
<th>Subject to expenditure for specified purpose</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalFresh/SNAP Outreach</td>
<td>$105,648</td>
<td>$7,667</td>
</tr>
<tr>
<td>Food Distribution Programs</td>
<td>2,054,005</td>
<td>1,090,698</td>
</tr>
<tr>
<td>Capital Purchases</td>
<td>66,643</td>
<td>205,735</td>
</tr>
<tr>
<td></td>
<td>2,226,296</td>
<td>1,304,100</td>
</tr>
</tbody>
</table>

| Subject to the passage of time               |            |            |
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | $187,661 | $166,922 |

| Endowment subject to Food Bank endowment spending policy and appropriation | $110,000 | $110,000 |
| Unappropriated Endowment earnings             | 6,942     | 23,604    |

$2,530,899 $1,604,626

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 are as follows for the years ended December 31, 2018 and 2017:

<table>
<thead>
<tr>
<th>Satisfaction of purpose restrictions</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalFresh/SNAP Outreach</td>
<td>$7,667</td>
<td>$118,582</td>
</tr>
<tr>
<td>Food Distribution Programs</td>
<td>1,090,698</td>
<td>1,652,488</td>
</tr>
<tr>
<td>Asset Purchase Fund</td>
<td>149,092</td>
<td>81,515</td>
</tr>
<tr>
<td></td>
<td>1,247,457</td>
<td>1,852,585</td>
</tr>
</tbody>
</table>

| Expiration of time restrictions        | 166,922    | 461,003    |
| Endowment earnings appropriated        | 11,491     | 11,299     |

$1,425,870 $2,324,887
NOTE 10 – 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, 2018 are as follows:

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$113,340</td>
<td></td>
</tr>
<tr>
<td>Net investment return (loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation of endowment assets pursuant to spend rate policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$107,957</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$246,944</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(10,554)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(11,491)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(11,491)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$116,942</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$224,899</td>
</tr>
</tbody>
</table>
NOTE 10 – ENDOWMENT (Continued)

Changes in Endowment net assets for the year ended December 31, 2017 are as follows:

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$ 98,153</td>
<td>$ 125,575</td>
</tr>
<tr>
<td>Investment income</td>
<td>15,187</td>
<td>19,328</td>
</tr>
<tr>
<td>Appropriation of endowment assets pursuant to spend rate policy</td>
<td>-</td>
<td>- (11,299)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ 113,340</td>
<td>$ 133,604</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board-designated endowment fund</td>
<td>$ 107,957</td>
<td>-</td>
</tr>
<tr>
<td>Donor-restricted endowment fund</td>
<td>-</td>
<td>110,000</td>
</tr>
<tr>
<td>Original donor-restricted gift</td>
<td>-</td>
<td>6,942</td>
</tr>
<tr>
<td>Accumulated investment gains</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ 107,957</td>
<td>$ 116,942</td>
</tr>
</tbody>
</table>

As of December 31, 2017, Endowment Net Assets Composition by Type of Fund are as follows:

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board-designated endowment fund</td>
<td>$ 113,340</td>
<td>-</td>
</tr>
<tr>
<td>Donor-restricted endowment fund</td>
<td>-</td>
<td>110,000</td>
</tr>
<tr>
<td>Original donor-restricted gift</td>
<td>-</td>
<td>23,604</td>
</tr>
<tr>
<td>Accumulated investment gains</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ 113,340</td>
<td>$ 133,604</td>
</tr>
</tbody>
</table>
NOTE 11 – OPERATING LEASE

The Food Bank leases a building under an operating lease. The noncancelable expires June 30, 2022. Monthly rental payments are $65,451 and increase by 3% each succeeding year of the lease.

Future minimum lease payments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$821,107</td>
</tr>
<tr>
<td>2020</td>
<td>845,741</td>
</tr>
<tr>
<td>2021</td>
<td>871,113</td>
</tr>
<tr>
<td>2022</td>
<td>441,993</td>
</tr>
<tr>
<td>Total</td>
<td>$2,979,954</td>
</tr>
</tbody>
</table>

For the years ended December 31, 2018 and 2017, rent expense totaled $807,422 and $742,942, respectively.

NOTE 12 – 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, 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. 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.

NOTE 13 – SUBSEQUENT EVENTS

Management evaluated all subsequent events through July 2, 2019, the date the financial statements were available to be issued.