

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

**FINANCIAL REPORT
DECEMBER 31, 2021**

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

LETTER FROM BOARD CHAIR AND PRESIDENT

Dear Friends of the Food Bank,

During the year 2021, the Los Angeles Regional Food Bank continued to face numerous challenges related to responding to the pandemic. The demand for food assistance remained at a record level throughout Los Angeles County. Thanks to strong support of food, volunteer, in-kind and financial contributions, the Food Bank was able to continue to reach an average of 900,000 people every month throughout 2021.

Working with many partners, the Food Bank distributed more than 133 million pounds of food and product, valued at \$200.9 million, to millions of families, older adults, children and individuals seeking assistance. The bottom line of our collective effort is to ensure that our neighbors don't experience the devastating impact of hunger.

Our partnerships with the State of California, County of Los Angeles, local cities, school districts and other organizations continued to strengthen during 2021 allowing us to reach more of our neighbors struggling to feed themselves, especially in communities that have been disproportionately impacted by the pandemic.

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

In 2019, the Food Bank launched a Comprehensive Campaign to pay for the acquisition of a 256,000 sq. ft. building in the City of Industry, the building improvements required for the building, and for the Food Bank's ongoing operations and programs. As of December 2021, we have raised \$141 million of the \$165 million goal and expect to reach our goal by the end of 2022. The Industry building has been critical to our response to the pandemic, and once we install the refrigeration, pallet racking and make other improvements, this building will significantly increase the Food Bank's capacity to serve the community.

We are heartened that we live in a place that is the home of so many 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 as we continue to mobilize resources to fight hunger in our community.

Best regards,

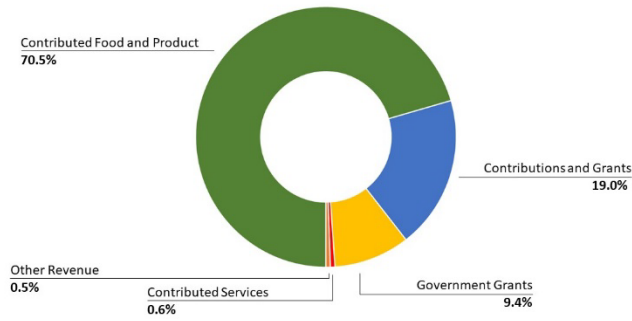


Whitney Jones Roy
Chairperson, Board of Directors

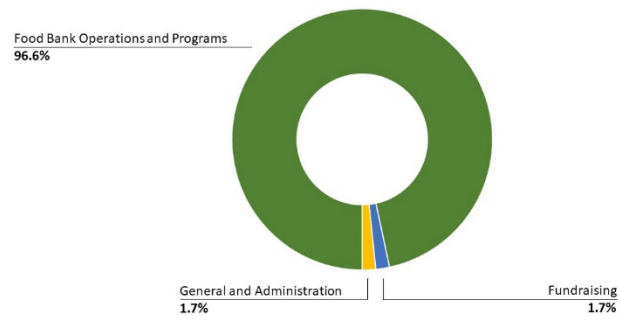


Michael Flood
President and CEO

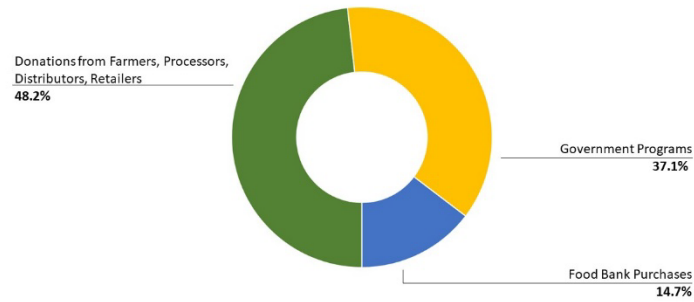
Where Our Resources Comes From



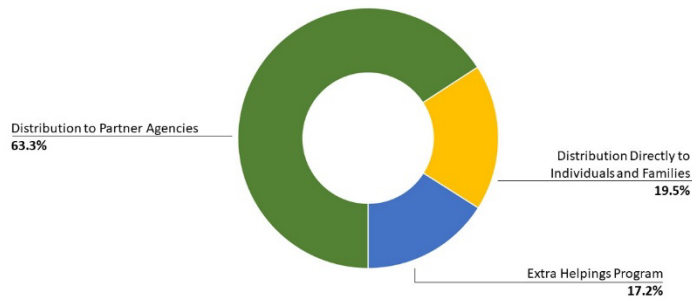
How We Use Our Resources



Where Our Food Comes From



Where Our Food Goes



LOS ANGELES REGIONAL FOOD BANK

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Los Angeles Regional Food Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Los Angeles Regional Food Bank (Food Bank), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Food Bank as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern within one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022, 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 the effectiveness of the Food Bank's 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 17, 2022

LOS ANGELES REGIONAL FOOD BANK
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	ASSETS	
	2021	2020
Cash and cash equivalents	\$ 58,442,335	\$ 36,388,799
Investments	321,813	286,968
Receivables from government agencies	2,515,901	10,559,205
Receivables from affiliated charities, net	603,761	138,480
Promises to give	4,706,233	1,484,044
Contributed food inventory	11,313,419	15,421,535
Purchased food inventory	1,628,014	3,157,129
Prepaid expenses and other current assets	908,357	689,895
Program-related advances, net	1,228,038	1,428,403
Right-of-use assets	395,973	1,290,426
Property and equipment, net	58,613,081	58,299,338
Total assets	\$ 140,676,925	\$ 129,144,222
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,463,814	\$ 4,821,561
Lease liabilities	515,542	1,403,531
Bonds payable, net	34,006,168	33,950,968
Total liabilities	37,985,524	40,176,060
Net assets		
Without donor restrictions		
Undesignated – operating	76,341,823	64,048,188
Undesignated – contributed food	11,313,419	15,421,535
Board-designated	158,238	133,725
	87,813,480	79,603,448
With donor restrictions		
Restricted as to time and purpose	14,767,921	9,254,714
Perpetual in nature	110,000	110,000
	14,877,921	9,364,714
Total net assets	102,691,401	88,968,162
Total liabilities and net assets	\$ 140,676,925	\$ 129,144,222

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions			With Donor Restrictions	Total
	Food Bank	Contributed Food	Total		
Support, revenues, and gains					
Contributions and grants	\$ 36,217,615	\$ -	\$ 36,217,615	\$ 11,328,118	\$ 47,545,733
Contributed food and commodities	-	177,074,622	177,074,622	-	177,074,622
Shared maintenance fees	-	-	-	-	-
Government reimbursement and administrative fees	23,680,064	-	23,680,064	-	23,680,064
Shop Smart & Save income	891,681	-	891,681	-	891,681
Special events	97,050	-	97,050	-	97,050
Net investment return	179,429	-	179,429	28,090	207,519
Contributed services and use of facilities	1,417,496	-	1,417,496	-	1,417,496
Other income	255,417	-	255,417	-	255,417
Net assets released from restrictions	5,843,001	-	5,843,001	(5,843,001)	-
Total support, revenues, and gains	68,581,753	177,074,622	245,656,375	5,513,207	251,169,582
Expenses					
Food bank operations	48,282,086	181,182,738	229,464,824	-	229,464,824
Supporting services					
General and administrative	3,956,888	-	3,956,888	-	3,956,888
Fundraising	4,024,631	-	4,024,631	-	4,024,631
Total expenses	56,263,605	181,182,738	237,446,343	-	237,446,343
Change in net assets	12,318,148	(4,108,116)	8,210,032	5,513,207	13,723,239
Net assets, beginning of year	64,181,913	15,421,535	79,603,448	9,364,714	88,968,162
Net assets, end of year	\$ 76,500,061	\$ 11,313,419	\$ 87,813,480	\$ 14,877,921	\$ 102,691,401

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Food Bank	Contributed Food	Total		
Support, revenues, and gains					
Contributions and grants	\$ 68,265,715	\$ -	\$ 68,265,715	\$ 8,475,638	\$ 76,741,353
Contributed food and commodities	-	271,402,103	271,402,103	-	271,402,103
Shared maintenance fees	21,037	-	21,037	-	21,037
Government reimbursement and administrative fees	28,886,095	-	28,886,095	-	28,886,095
Shop Smart & Save income	893,998	-	893,998	-	893,998
Special events, net of direct benefits	185,062	-	185,062	-	185,062
Net investment return	23,337	-	23,337	33,538	56,875
Contributed services and use of facilities	2,002,222	-	2,002,222	-	2,002,222
Other income	331,583	-	331,583	-	331,583
Net assets released from restrictions	3,684,654	-	3,684,654	(3,684,654)	-
Total support, revenues, and gains	<u>104,293,703</u>	<u>271,402,103</u>	<u>375,695,806</u>	<u>4,824,522</u>	<u>380,520,328</u>
Expenses					
Food bank operations	45,959,268	263,208,606	309,167,874	-	309,167,874
Supporting services					
General and administrative	1,786,607	-	1,786,607	-	1,786,607
Fundraising	2,658,729	-	2,658,729	-	2,658,729
Total expenses	<u>50,404,604</u>	<u>263,208,606</u>	<u>313,613,210</u>	<u>-</u>	<u>313,613,210</u>
Change in net assets	53,889,099	8,193,497	62,082,596	4,824,522	66,907,118
Net assets, beginning of year	<u>10,292,814</u>	<u>7,228,038</u>	<u>17,520,852</u>	<u>4,540,192</u>	<u>22,061,044</u>
Net assets, end of year	<u>\$ 64,181,913</u>	<u>\$ 15,421,535</u>	<u>\$ 79,603,448</u>	<u>\$ 9,364,714</u>	<u>\$ 88,968,162</u>

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Food Bank Operations	Supporting Services			Total
		General and Administrative	Fundraising	Total Supporting	
Value of donated food and commodities distributed	\$ 181,182,738	\$ -	\$ -	\$ -	\$ 181,182,738
Purchased food cost of sales	21,713,137	-	-	-	21,713,137
Salaries, taxes, and benefits	12,392,585	2,233,326	1,553,874	3,787,200	16,179,785
Occupancy costs and warehouse maintenance	3,212,582	-	315	315	3,212,897
Insurance	-	684,509	-	684,509	684,509
Fuel, fleet costs, inbound freight	2,637,232	320	1,209	1,529	2,638,761
Office expense and services	745,558	12,281	320,594	332,875	1,078,433
Professional services	1,320,028	353,869	1,641,484	1,995,353	3,315,381
Interest expense	917,477	-	-	-	917,477
Grants paid	446,342	-	-	-	446,342
Materials and supplies	1,383,405	-	-	-	1,383,405
Other expenditures	835,569	672,583	507,155	1,179,738	2,015,307
Total expenses before depreciation and amortization	226,786,653	3,956,888	4,024,631	7,981,519	234,768,172
Depreciation and amortization	2,678,171	-	-	-	2,678,171
Total expenses by function	\$ 229,464,824	\$ 3,956,888	\$ 4,024,631	\$ 7,981,519	\$ 237,446,343

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Food Bank Operations	Supporting Services			Totals
		General and Administrative	Fundraising	Total Supporting	
Value of donated food distributed	\$ 263,208,606	\$ -	\$ -	\$ -	\$ 263,208,606
Purchased food cost of sales	19,687,850	-	-	-	19,687,850
Salaries, taxes, and benefits	12,434,412	478,884	1,069,892	1,548,776	13,983,188
Occupancy costs and warehouse maintenance	3,141,330	103,519	40,134	143,653	3,284,983
Insurance	932,232	55,261	44,209	99,470	1,031,702
Fuel, fleet costs, inbound freight	2,184,594	22,862	243	23,105	2,207,699
Office expense and services	826,271	67,136	145,033	212,169	1,038,440
Professional services	1,435,095	997,680	636,090	1,633,770	3,068,865
Interest expense	543,299	-	-	-	543,299
Grants paid	591,548	-	-	-	591,548
Materials and supplies	1,235,426	-	-	-	1,235,426
Other expenditures	624,016	61,265	723,128	784,393	1,408,409
Total expenses before depreciation and amortization	306,844,679	1,786,607	2,658,729	4,445,336	311,290,015
Depreciation and amortization	2,323,195	-	-	-	2,323,195
Total expenses before depreciation	\$ 309,167,874	\$ 1,786,607	\$ 2,658,729	\$ 4,445,336	\$ 313,613,210

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 13,723,239	\$ 66,907,118
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	2,061,954	1,887,433
Amortization of program related advances	616,217	435,762
Amortization of bond issuance costs	55,200	2,968
Bad debt expense	57,589	9,623
Realized and unrealized gains on investments	(47,183)	(38,218)
(Gain)/loss on disposal of equipment	-	6,562
Change in contributed food inventory	4,108,116	(8,193,497)
Changes in operating assets and liabilities:		
Receivables from government agencies	8,043,304	(8,283,931)
Receivables from affiliated charities	(522,870)	140,493
Promises to give	(3,222,189)	(267,417)
Purchased food inventory	1,529,115	(2,305,656)
Prepaid expenses	(218,462)	(183,502)
Accounts payable and accrued expenses	(1,357,747)	1,576,426
Net cash provided by operating activities	24,826,283	51,694,164
Cash flows from investing activities		
Proceeds from sale of investments	12,338	12,223
Purchases of vehicles and equipment for program partners	(415,852)	(275,834)
Purchases of property and equipment	(2,318,725)	(20,918,831)
Net cash used in investing activities	(2,722,239)	(21,182,442)
Cash flows from financing activities		
Payments of financing lease	(50,508)	(55,710)
Proceeds from issuance of bond	-	83,000
Net cash provided by (used in) financing activities	(50,508)	27,290
Net increase in cash and cash equivalents	22,053,536	30,539,012
Cash and cash equivalents, beginning of year	36,388,799	5,849,787
Cash and cash equivalents, end of year	\$ 58,442,335	\$ 36,388,799
Supplemental Disclosure of Non-cash Investing and Financial Activity		
Cost of property financed	\$ -	\$ 33,865,000
Issuance of bond	\$ -	\$ (33,865,000)

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO 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 our community. To fulfill its mission, the Food Bank sources and acquires nutritious food and other products and distributes them to people experiencing nutrition insecurity through our partner agency network and directly through programs; energizes the community to get involved and support hunger relief; and conducts hunger and nutrition education and awareness campaigns and advocates for public policies that benefit the people we serve. The Food Bank's major sources of revenues are food donations, contributions, grants and government contracts.

During 2021, the Food Bank provided the equivalent of approximately 107 million meals, serving over 900,000 individuals throughout Los Angeles County, on a monthly basis. During 2020, the Food Bank provided the equivalent of approximately 143 million meals, serving over 900,000 individuals throughout Los Angeles County, on a monthly basis.

Volunteers are essential in carrying out the Food Bank's mission. In 2021 and 2020, over 12,000 and 15,900 volunteers provided over 158,160 and 159,300 hours of service, respectively, to help sort, repack, and deliver food to pantries, partner agencies, or directly to the community.

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

- *General Food Distribution* is the Food Bank's core program and includes the distribution of food and products to charitable agencies located throughout Los Angeles County.
- *Extra Helpings* is a food recovery program linking agencies with food donation sources such as retail grocery stores, restaurants, hotels, the hospitality industry, and other food sources.
- The *Food Rescue Program* is designed to sort donations from local retailers and other food donors. Products from the Food Rescue Program are distributed to Food Bank agencies.
- *Produce and Perishables Program* distributes a variety of fresh, nutritious, and healthy produce donated from local and regional produce distributors and growers. The produce and perishable foods are distributed to agencies and through Food Bank programs.
- *Senior Nutrition/Brown Bag Program* provides agencies serving senior citizens the opportunity to receive and distribute fresh fruits, vegetables, and other foods to low-income older adults.
- *The Backpack Program* provides a package of nutritious foods for eligible school-aged children every week during the school year to target hunger experienced by children during the weekend. Each package contains enough food for six meals to include breakfast, lunch, and dinner.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

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 (CDSS).
- The *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.
- The *Summer Food Service Program for Children (SFSP)* provides nutritious meals to needy children in a safe and nurturing setting. SFSP is designed to provide funding for nutritious breakfasts and lunches 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, CDSS and California Association of Food Banks. CalFresh Outreach work includes identifying low-income families and individuals who are eligible but not receiving CalFresh benefits and, when necessary, helping the family or individual with the application process, as well as educating Food Bank agencies and the general public about the CalFresh Program.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – 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.

Cash and Cash Equivalents

The Food Bank considers all cash and highly liquid financial instruments with original 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 government agencies are written off when deemed uncollectable. Management has determined no allowance was needed at December 31, 2021 and 2020.

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.

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.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and has a policy of utilizing all donated food received. Contributed food was utilized for the Food Bank's various programs (see Note 1).

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, CSFP, and CFAP. The Food Bank records contributed food received from the government and state government programs based on donated food prices provided by the USDA, and which reflects the national average minimum value of donated foods in the United States and is updated quarterly. During the year ended December 31, 2021, the EFAP food product prices averaged \$0.96 per pound, CSFP food product prices averaged \$1.85 per pound, and Coronavirus Food Assistance Program (CFAP) food product prices averaged \$1.79 per pound. During the year ended December 31, 2020, the EFAP food product prices averaged \$0.93 per pound, and CSFP food product prices averaged \$0.97 per pound, and Coronavirus Food Assistance Program (CFAP) food product prices averaged \$1.77.

Private

Contributed food items are valued using the average per pound wholesale value that would be received for selling similar products in the United States for each food category, as determined by the Feeding America's Product Valuation Survey, which is performed annually by RSM LLP. For the years ended December 31, 2021 and 2020, the average wholesale value for contributed food was \$1.79 and \$1.74 per pound, respectively.

Purchased Food Inventory

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

Property and Equipment

Property and equipment is recorded at cost when purchased or at fair value at the date of donation. Depreciation is computed using the straight-line basis over estimated useful lives of three to five years for equipment, trucks, furniture, and fixtures; seven years for cold storage; and ten to 30 years for building and improvements. The Food Bank capitalizes all property and equipment expenditures over \$5,000. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Deferred Bond Issuance Costs

Costs incurred in obtaining long-term financing are amortized using the effective interest method over the term of the bonds. Bond issuance costs are presented in the statements of financial position as a direct deduction from the carrying amount of the bond. As of December 31, 2021, and 2020, the remaining balance was \$493,832 and \$549,032, respectively.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program-related Advances

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

Leases

The Food Bank determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term.

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, conditional 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.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition on Contributed Products

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

Contributed Services and Use of Facilities

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. Contributed services received during the years ended December 31, 2021 and 2020, are comprised of professional services from attorneys advising on various administrative matters and amounted to \$602,482 and \$878,739 respectively. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

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.

During the years ended December 31, 2021 and 2020, the Food Bank received contributed freight services amounting to \$799,014 and \$821,910, respectively. Contributed freight services are valued and are reported at the estimated fair value in the financial statements based on current shipping rates in California.

During the years ended December 31, 2021 and 2020, the Food Bank received contributed use of storage space amounting to \$16,000 and \$301,573, respectively. Contributed use of facilities is valued and reported at the estimated fair value in the financial statements based on current storage rates in Los Angeles.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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. Costs have been allocated among the programs and supporting services benefited based on time studies 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, 2021 and 2020, 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, 2021 and 2020, 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.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	\$ 58,442,335	\$36,388,799
Receivables from government agencies	2,515,901	10,559,205
Receivables from affiliated charities, net	603,761	138,480
Promises to give	4,706,233	1,484,044
Total financial assets	66,268,230	48,570,528
Promises to give due in more than one year	(2,705,138)	(678,500)
Funds donor-restricted for comprehensive campaign and capital purchases	(10,199,734)	(2,692,597)
Financial assets available to meet general expenditures within one year	\$ 53,363,358	\$45,199,431

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 \$2,500,000 line of credit from which it may use to draw funds to meet any funding shortfalls throughout the year.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RECEIVABLES FROM GOVERNMENT AGENCIES

As of December 31, 2021 and 2020, receivables from government agencies consist of amounts due from the following:

	2021	2020
California Department of Social Services	\$ 2,356,645	\$ 9,521,526
California Department of Education	-	851,961
Los Angeles County Department of Public Health	99,256	109,011
California Office of Emergency Services	60,000	-
Federal Emergency Management Agency	-	76,707
	<u>\$ 2,515,901</u>	<u>\$10,559,205</u>

NOTE 5 – PROMISES TO GIVE

Unconditional promises to give at December 31, 2021 and 2020, are expected to be collected as follows:

	2021	2020
Within one year	\$ 2,001,095	\$ 569,044
One to five years	2,702,638	910,000
More than five years	2,500	5,000
	<u>\$ 4,706,233</u>	<u>\$ 1,484,044</u>

Included in promises to give at December 31, 2021 and 2020, is \$79,649 and \$72,572, respectively, which has been restricted by the donor for investment in facilities.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FOOD INVENTORY

As of December 31, 2021, the food inventory consisted of the following:

Dollar Value

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
Beginning of year	\$ 15,421,535	\$ 3,157,129	\$ 18,578,664
Receipts/Purchases	177,074,622	18,208,227	195,282,849
Distributions	<u>(181,182,738)</u>	<u>(19,737,342)</u>	<u>(200,920,080)</u>
End of year	<u>\$ 11,313,419</u>	<u>\$ 1,628,014</u>	<u>\$ 12,941,433</u>

Poundage

Beginning of year	12,151,733	3,352,573	15,504,306
Receipts/Purchases	111,143,171	19,089,315	130,232,486
Distributions	<u>(113,324,084)</u>	<u>(20,637,398)</u>	<u>(133,711,968)</u>
End of year	<u>9,970,820</u>	<u>1,804,490</u>	<u>11,775,310</u>

As of December 31, 2020, the food inventory consisted of the following:

Dollar Value

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
Beginning of year	\$ 7,228,038	\$ 851,473	\$ 8,079,511
Receipts/Purchases	271,402,103	21,993,506	293,395,609
Distributions	<u>(263,208,606)</u>	<u>(19,687,850)</u>	<u>(282,896,456)</u>
End of year	<u>\$ 15,421,535</u>	<u>\$ 3,157,129</u>	<u>\$ 18,578,664</u>

Poundage

Beginning of year	8,244,347	982,312	9,266,659
Receipts/Purchases	160,578,615	22,275,477	182,854,092
Distributions	<u>(156,671,229)</u>	<u>(19,905,216)</u>	<u>(176,576,445)</u>
End of year	<u>12,151,733</u>	<u>3,352,573</u>	<u>15,504,306</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PROGRAM-RELATED ADVANCES

As of December 31, 2021 and 2020, program-related advances consisted of the following:

	<u>2021</u>	<u>2020</u>
Trucks	\$ 1,688,886	\$1,849,830
Equipment	<u>343,240</u>	<u>343,240</u>
	2,032,126	2,193,070
Accumulated amortization	<u>(804,088)</u>	<u>(764,667)</u>
	<u>\$ 1,228,038</u>	<u>\$1,428,403</u>

NOTE 8 – PROPERTY AND EQUIPMENT

As of December 31, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$24,016,201	24,016,201
Building	31,038,424	31,038,424
Building improvements	6,389,750	5,829,795
Trucks	3,137,147	2,725,850
Equipment	1,872,524	2,778,555
Computer software	334,637	401,688
Furniture and fixtures	18,634	374,268
Financing lease assets	<u>170,915</u>	<u>170,915</u>
Total property and equipment	66,978,232	67,335,696
Accumulated depreciation and amortization	<u>(10,160,069)</u>	<u>10,130,903)</u>
Net property and equipment	56,818,163	57,204,793
Construction in progress	<u>1,794,918</u>	<u>1,094,545</u>
	<u>\$58,613,081</u>	<u>\$58,299,338</u>

NOTE 9 – LINE OF CREDIT

The Food Bank has a \$2,500,000 line of credit with a 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 30, 2022 and is subject to renewal; bears an interest rate equal to the U.S. prime rate (3.25% and 4.25% at December 31, 2021 and 2020, respectively).

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – BONDS PAYABLE

The Food Bank has a long-term tax-exempt borrowing in the amount of \$34,500,000 with the California Enterprise Development Authority, for the purpose of financing, through proceeds from the 2020 Series A Bonds issued on the Food Bank’s behalf, certain costs of acquiring, improving, constructing, installing, equipping, and furnishing the food distribution and storage facility located in Industry, California. The Series A bonds mature on December 1, 2030, bear interest at a fixed rate of 2.35%, and included financing costs of \$552,000. Beginning in 2022, the agreement will require the Food Bank to comply with certain financial and non-financial covenants.

As of December 31, 2021, aggregate future maturities of debt for each of the next five years ending December 31 and thereafter is as follows:

2022	\$ 550,118
2023	1,122,373
2024	1,147,240
2025	1,177,044
2026	1,205,397
Thereafter	<u>29,297,828</u>
	34,500,000
Less unamortized bond issuance costs	<u>(493,832)</u>
Total	<u>\$ 34,006,168</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
<i>Subject to expenditure for specified purpose</i>		
CalFresh/SNAP Outreach	\$ 3,756	\$ 30,000
Food Distribution Programs	4,295,298	6,313,874
Comprehensive Campaign	10,095,350	2,588,213
Capital Purchases	<u>104,384</u>	<u>104,384</u>
	14,498,788	9,036,471
<i>Subject to the passage of time</i>		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	210,138	175,000
Endowment subject to Food Bank endowment spending policy and appropriation	110,000	110,000
Unappropriated Endowment earnings	<u>58,995</u>	<u>43,243</u>
	<u>\$ 14,877,921</u>	<u>\$ 9,364,714</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
CalFresh/SNAP Outreach	\$ 30,000	\$ 15,000
Food Distribution Programs	4,179,208	3,357,003
Comprehensive Campaign	1,446,455	252,928
	5,655,663	3,624,931
Expiration of time restrictions	175,000	47,500
Endowment earnings appropriated	12,338	12,223
	<u>\$ 5,843,001</u>	<u>\$ 3,684,654</u>

NOTE 12 – 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.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – ENDOWMENT (Continued)

As of December 31, 2021, endowment net assets composition by type of fund are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 158,238	\$ -	\$ 158,238
Donor-restricted endowment fund			
Original donor-restricted gift	-	110,000	110,000
Accumulated investment gains	<u>-</u>	<u>58,995</u>	<u>58,995</u>
	<u>\$ 158,238</u>	<u>\$ 168,995</u>	<u>\$ 327,233</u>

As of December 31, 2020, endowment net assets composition by type of fund are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 133,725	\$ -	\$ 133,725
Donor-restricted endowment fund			
Original donor-restricted gift	-	110,000	110,000
Accumulated investment gains	<u>-</u>	<u>43,243</u>	<u>43,243</u>
	<u>\$ 133,725</u>	<u>\$ 153,243</u>	<u>\$ 286,968</u>

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.

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – ENDOWMENT (Continued)

Changes in Endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 133,725	\$ 153,243	\$ 286,968
Net investment return	24,513	28,090	52,603
Appropriation of endowment assets pursuant to spend rate policy	-	(12,338)	(12,338)
Balance, end of year	<u>\$ 158,238</u>	<u>\$ 168,995</u>	<u>\$ 327,233</u>

Changes in Endowment net assets for the year ended December 31, 2020 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 129,045	\$ 131,928	\$ 260,973
Net investment return	4,680	33,538	38,218
Appropriation of endowment assets pursuant to spend rate policy	-	(12,223)	(12,223)
Balance, end of year	<u>\$ 133,725</u>	<u>\$ 153,243</u>	<u>\$ 286,968</u>

NOTE 13 – LEASES

The Food Bank leases a building under an operating lease that expires June 30, 2022. The Food Bank also has a financing lease for equipment that expires December 15, 2022. Neither lease contains an option for renewal. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2021, was 3%. The weighted-average remaining lease term for the leases was approximately two years. For the year ended December 31, 2021, total rent expense was \$1,007,341 and short-term lease cost was \$119,352. For the year ended December 31, 2020, total rent expense was \$1,227,896 and short-term lease cost was \$458,658. At December 31, 2021, the future maturities of lease liabilities related to December 31, 2022, totaled \$515,542.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – RISKS AND UNCERTAINTIES

Financial Instruments and Credit Risk

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

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Food Bank's mission.

Investments are made by diversified investment managers whose performance is monitored by management and the Finance 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 finance committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Food Bank.

Uncertainties

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may have an impact on The Food Bank's operations. The Food Bank expects uncertainties to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. The Food Bank is closely monitoring its liquidity and actively working to minimize the impact of the pandemic on its operations.

NOTE 15 – RETIREMENT PLAN

All employees who have completed a year of service, as defined in the 403(b) Plan (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 years ended December 31, 2021 and 2020, the Food Bank made contributions to the Plan totaling \$229,507 and \$193,676, respectively.

NOTE 16 – RELATED PARTY TRANSACTIONS

The Food Bank's Board and Emeritus Council members donated approximately \$951,168 and \$698,074 to the Food Bank's operations for the years ended December 31, 2021 and 2020, respectively.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosures through May 17, 2022, the date on which the financial statements were issued, and determined no reportable events occurred.