

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

**FINANCIAL REPORT
DECEMBER 31, 2023**

LOS ANGELES REGIONAL FOOD BANK

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 25

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, 2023 and 2022, 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, 2023 and 2022, 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 28, 2024, 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 solely 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 28, 2024

LOS ANGELES REGIONAL FOOD BANK

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	ASSETS	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 48,782,916	\$ 30,880,284
Funds held for others	3,262,892	-
Investments	296,217	29,879,784
Receivables from government agencies	6,708,277	6,593,186
Receivables from affiliated charities, net	369,202	492,837
Promises to give	1,862,885	3,098,316
Contributed food inventory	7,857,509	9,400,672
Purchased food inventory	1,216,441	1,892,952
Prepaid expenses and other current assets	1,988,217	1,362,987
Program-related advances, net	3,696,314	2,175,687
Property and equipment, net	<u>85,522,741</u>	<u>65,317,846</u>
Total assets	<u>\$ 161,563,611</u>	<u>\$ 151,094,551</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 6,714,544	\$ 4,204,842
Funds due to others	3,262,892	-
Bonds payable, net	<u>32,350,580</u>	<u>33,420,031</u>
Total liabilities	<u>42,328,016</u>	<u>37,624,873</u>
Net assets		
Without donor restrictions		
Undesignated – operating	107,665,829	97,322,102
Undesignated – contributed food	7,857,509	9,400,672
Board-designated	<u>157,447</u>	<u>133,191</u>
	<u>115,680,785</u>	<u>106,855,965</u>
With donor restrictions		
Restricted as to time and purpose	3,444,810	6,503,713
Perpetual in nature	<u>110,000</u>	<u>110,000</u>
	<u>3,554,810</u>	<u>6,613,713</u>
Total net assets	<u>119,235,595</u>	<u>113,469,678</u>
Total liabilities and net assets	<u>\$ 161,563,611</u>	<u>\$ 151,094,551</u>

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK

STATEMENT OF ACTIVITIES Year Ended December 31, 2023

	Without Donor Restrictions			With Donor Restrictions	Total
	Food Bank	Contributed Food	Total		
Support, revenues, and gains					
Contributions and grants	\$ 26,594,864	\$ -	\$ 26,594,864	\$ 2,079,775	\$ 28,674,639
Contributed food and commodities	-	195,290,761	195,290,761	-	195,290,761
Government reimbursement and administrative fees	31,261,985	-	31,261,985	-	31,261,985
Shop Smart & Save income	976,243	-	976,243	-	976,243
Special events	828,649	-	828,649	-	828,649
Interest income	959,842	-	959,842	-	959,842
Net investment return	1,448,330	-	1,448,330	23,478	1,471,808
Contributed services and goods	1,403,227	-	1,403,227	-	1,403,227
Other income	266,613	-	266,613	-	266,613
Net assets released from restrictions	5,162,156	-	5,162,156	(5,162,156)	-
Total support, revenues, and gains	<u>68,901,909</u>	<u>195,290,761</u>	<u>264,192,670</u>	<u>(3,058,903)</u>	<u>261,133,767</u>
Expenses					
Food bank operations	49,542,968	196,833,924	246,376,892	-	246,376,892
Supporting services					
General and administrative	4,071,017	-	4,071,017	-	4,071,017
Fundraising	4,919,941	-	4,919,941	-	4,919,941
Total expenses	<u>58,533,926</u>	<u>196,833,924</u>	<u>255,367,850</u>	<u>-</u>	<u>255,367,850</u>
Change in net assets	10,367,983	(1,543,163)	8,824,820	(3,058,903)	5,765,917
Net assets, beginning	97,455,293	9,400,672	106,855,965	6,613,713	113,469,678
Net assets, ending	<u>\$ 107,823,276</u>	<u>\$ 7,857,509</u>	<u>\$ 115,680,785</u>	<u>\$ 3,554,810</u>	<u>\$ 119,235,595</u>

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions			With Donor Restrictions	Total
	Food Bank	Contributed Food	Total		
Support, revenues, and gains					
Contributions and grants	\$ 31,678,842	\$ -	\$ 31,678,842	\$ 3,766,222	\$ 35,445,064
Contributed food and commodities	-	191,284,496	191,284,496	-	191,284,496
Government reimbursement and administrative fees	23,431,189	-	23,431,189	-	23,431,189
Shop Smart & Save income	964,938	-	964,938	-	964,938
Special events	434,535	-	434,535	-	434,535
Interest Income	594,280	-	594,280	-	594,280
Net investment return	144,743	-	144,743	(26,750)	117,993
Contributed services and goods	1,623,521	-	1,623,521	-	1,623,521
Other income	201,580	-	201,580	-	201,580
Net assets released from restrictions	12,003,680	-	12,003,680	(12,003,680)	-
Total support, revenues, and gains	<u>71,077,308</u>	<u>191,284,496</u>	<u>262,361,804</u>	<u>(8,264,208)</u>	<u>254,097,596</u>
Expenses					
Food bank operations	42,870,005	193,197,243	236,067,248	-	236,067,248
Supporting services					
General and administrative	2,931,652	-	2,931,652	-	2,931,652
Fundraising	4,320,419	-	4,320,419	-	4,320,419
Total expenses	<u>50,122,076</u>	<u>193,197,243</u>	<u>243,319,319</u>	<u>-</u>	<u>243,319,319</u>
Change in net assets	20,955,232	(1,912,747)	19,042,485	(8,264,208)	10,778,277
Net assets, beginning	<u>76,500,061</u>	<u>11,313,419</u>	<u>87,813,480</u>	<u>14,877,921</u>	<u>102,691,401</u>
Net assets, ending	<u>\$ 97,455,293</u>	<u>\$ 9,400,672</u>	<u>\$ 106,855,965</u>	<u>\$ 6,613,713</u>	<u>\$ 113,469,678</u>

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Food Bank Operations	Supporting Services			Total
		General and Administrative	Fundraising	Total Supporting	
Value of donated food and commodities distributed	\$ 196,833,924	\$ -	\$ -	\$ -	\$ 196,833,924
Purchased food distributed	17,803,782	-	-	-	17,803,782
Salaries, taxes, and benefits	15,264,811	2,773,556	2,272,122	5,045,678	20,310,489
Occupancy costs and warehouse maintenance	3,252,644	-	-	-	3,252,644
Insurance	866,769	380,419	-	380,419	1,247,188
Fuel, fleet costs, inbound freight	3,186,929	3,890	1,631	5,521	3,192,450
Office expense and services	821,441	128,665	381,467	510,132	1,331,573
Professional services	1,407,165	287,659	1,617,153	1,904,812	3,311,977
Materials and supplies	2,189,501	-	669	669	2,190,170
Interest expense	849,595	-	-	-	849,595
Grants and distributions	278,070	-	-	-	278,070
Other expenditures	587,235	496,828	646,899	1,143,727	1,730,962
Depreciation and amortization	3,035,026	-	-	-	3,035,026
Total expenses by function	\$ 246,376,892	\$ 4,071,017	\$ 4,919,941	\$ 8,990,958	\$ 255,367,850

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Food Bank Operations	Supporting Services			Totals
		General and Administrative	Fundraising	Total Supporting	
Value of donated food distributed	\$ 193,197,243	\$ -	\$ -	\$ -	\$ 193,197,243
Purchased food distributed	13,425,657	-	-	-	13,425,657
Salaries, taxes, and benefits	14,614,278	1,867,245	1,849,975	3,717,220	18,331,498
Occupancy costs and warehouse maintenance	3,348,965	-	-	-	3,348,965
Insurance	754,132	287,130	-	287,130	1,041,262
Fuel, fleet costs, inbound freight	3,216,417	586	1,159	1,745	3,218,162
Office expense and services	794,757	20,033	446,675	466,708	1,261,465
Professional services	1,178,424	219,260	1,379,084	1,598,344	2,776,768
Interest expense	819,325	-	1,750	1,750	821,075
Grants paid	856,965	-	-	-	856,965
Materials and supplies	1,122,039	-	-	-	1,122,039
Other expenditures	113,202	537,398	641,776	1,179,174	1,292,376
Depreciation and amortization	2,625,844	-	-	-	2,625,844
Total expenses by function	\$ 236,067,248	\$ 2,931,652	\$ 4,320,419	\$ 7,252,071	\$ 243,319,319

See notes to financial statements.

LOS ANGELES REGIONAL FOOD BANK
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 5,765,917	\$ 10,778,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	2,253,800	2,216,941
Amortization of program related advances	781,226	461,127
Amortization of bond issuance costs	55,200	55,200
Bad debt recovery	21,668	11,017
Realized and unrealized (gain) loss on investments	(47,620)	236,508
(Gain) loss on disposal of equipment	5,755	(30,919)
Change in contributed food inventory	1,543,163	1,912,747
Changes in operating assets and liabilities:		
Receivables from government agencies	(115,091)	(4,077,285)
Receivables from affiliated charities	101,967	99,907
Promises to give	1,235,431	1,607,917
Purchased food inventory	676,511	(264,938)
Prepaid expenses	(625,230)	(454,630)
Accounts payable and accrued expenses	2,509,702	741,028
Funds due to others	3,262,892	-
Net cash provided by operating activities	<u>17,425,291</u>	<u>13,292,897</u>
Cash flows from investing activities		
Proceeds from sale of investments	90,013,633	13,320
Purchases of investments	(60,382,446)	(29,807,799)
Purchases of vehicles and equipment for program partners	(2,316,079)	(1,234,956)
Purchases of property and equipment	(22,450,224)	(9,012,383)
Net cash provided by (used in) investing activities	<u>4,864,884</u>	<u>(40,041,818)</u>
Cash flows from financing activities		
Principal payments of bond payable	(1,124,651)	(641,337)
Principal payments on financing lease	-	(171,793)
Net cash used in financing activities	<u>(1,124,651)</u>	<u>(813,130)</u>
Net change in cash and cash equivalents and restricted cash	21,165,524	(27,562,051)
Cash and cash equivalents and restricted cash, beginning	<u>30,880,284</u>	<u>58,442,335</u>
Cash and cash equivalents and restricted cash, ending	<u>\$ 52,045,808</u>	<u>\$ 30,880,284</u>
Supplemental Disclosure of Non-cash Investing activities:		
Equipment purchases included in accounts payable	<u>\$ 1,686,575</u>	<u>\$ 1,525,525</u>

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 (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 the year ended December 31, 2023, the Food Bank provided the equivalent of approximately 93 million meals, serving over 900,000 individuals throughout Los Angeles County, on a monthly basis. During the year ended December 31, 2022, the Food Bank provided the equivalent of approximately 88 million meals, serving over 800,000 individuals throughout Los Angeles County, on a monthly basis.

Volunteers are essential in carrying out the Food Bank's mission. During the years ended December 31, 2023 and 2022, over 21,210 and 16,000 volunteers provided over 137,305 and 126,883 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 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.
- *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.

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).

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between the periods presented. The reclassifications had no impact on previously reported net assets.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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, Cash Equivalents, and Funds Held for Others

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.

The following tables provides a reconciliation of cash, cash equivalents, and funds held for others reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 48,782,916	\$ 30,880,284
Funds held for others	<u>3,262,892</u>	<u>-</u>
	<u>\$ 52,045,808</u>	<u>\$ 30,880,284</u>

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 statement of financial position. Net investment return/(loss) is reported in the statement 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 represent 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, 2023 and 2022.

Receivables from Affiliated Charities

Receivables from affiliated charitable agencies represent agency delivery fees and Shop Smart & Save invoices and are recorded at net realized 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, 2023 and 2022, the allowance for doubtful accounts amounted to \$14,669 and \$42,981, respectively.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – 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, 2023 and 2022.

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). For the year ended December 31, 2023, two donors accounted for 42% of contributed food and commodities. For the year ended December 31, 2022, one donor accounted for 23% of contributed food and commodities.

Government

Government inventory represents commodities received under federal and state government programs for distribution. One of the major sources of contributed food is the USDA, which allocates food commodities to the Food Bank under EFAP and CSFP. The Food Bank records contributed food received from the government and state government programs based on donated food prices provided by the USDA, and which reflects the national average minimum value of donated foods in the United States and is updated quarterly. During the year ended December 31, 2023, the EFAP food product prices averaged \$1.29 per pound and CSFP food product prices averaged \$1.23 per pound. During the year ended December 31, 2022, the EFAP food product prices averaged \$1.09 per pound and CSFP food product prices averaged \$1.20 per pound.

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, 2023 and 2022, the average wholesale value for contributed food was \$2.44 and \$1.92 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 method.

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.

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.

Funds Due to Others

During the year ended December 31, 2022, the Food Bank entered into an agency transaction with one of its partner agencies and CDSS. During the year ended December 31, 2023, the Food Bank received a cash advance from CDSS which is included on the statement of financial position as funds held for others with a corresponding liability of funds due to others. The partner agency submits requests for reimbursement of allowable expenses directly to the Food Bank.

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.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Contributed services are recognized by the Food Bank if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The 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 statement.

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, 2023 and 2022, 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, 2023 and 2022, 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 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Food Bank has evaluated subsequent events through May 28, 2024, the date on which the financial statements were issued.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2023 and 2022, 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.

	2023	2022
Cash and cash equivalents	\$ 48,782,916	\$ 30,880,284
Investments	-	29,617,667
Receivables from government agencies	6,708,277	6,593,186
Receivables from affiliated charities, net	369,202	492,837
Promises to give	1,862,885	3,098,316
Total financial assets	57,723,280	70,682,290
Promises to give due in more than one year	(160,138)	(1,691,137)
Funds donor-restricted for comprehensive campaign and capital purchases	(1,683,047)	(3,815,363)
Financial assets available to meet general expenditures within one year	\$ 55,880,095	\$ 65,175,790

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, 2023 and 2022, receivables from government agencies consist of amounts due from the following:

	2023	2022
California Department of Social Services	\$ 5,632,935	\$ 6,145,827
Los Angeles County	230,671	214,405
Los Angeles County Department of Public Health	156,772	106,717
California Office of Emergency Services	687,899	126,237
	<u>\$ 6,708,277</u>	<u>\$ 6,593,186</u>

During the years ended December 31, 2023 and 2022, one funder accounted for 67% and 62%, respectively, of government reimbursement and administrative fees.

NOTE 5 – PROMISES TO GIVE

Unconditional promises to give at December 31, 2023 and 2022, are expected to be collected as follows:

	2023	2022
Within one year	\$ 1,170,247	\$ 1,407,179
One to five years	692,638	1,691,137
	<u>\$ 1,862,885</u>	<u>\$ 3,098,316</u>

Included in promises to give at December 31, 2023 and 2022, is \$23,343 and \$40,679, 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 and for the year ended December 31, 2023, the food inventory consisted of the following:

Dollar Value

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
Beginning of year	\$ 9,400,672	\$ 1,892,952	\$ 11,293,624
Receipts/Purchases	195,290,761	17,127,271	212,418,032
Distributions	<u>(196,833,924)</u>	<u>(17,803,782)</u>	<u>(214,637,706)</u>
End of year	<u>\$ 7,857,509</u>	<u>\$ 1,216,441</u>	<u>\$ 9,073,950</u>

Poundage

Beginning of year	4,682,312	1,527,845	6,210,157
Receipts/Purchases	103,854,201	13,410,055	117,264,256
Distributions	<u>(102,813,234)</u>	<u>(13,970,609)</u>	<u>(116,783,843)</u>
End of year	<u>5,723,279</u>	<u>967,291</u>	<u>6,690,570</u>

As of and for the year ended December 31, 2022, the food inventory consisted of the following:

Dollar Value

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
Beginning of year	\$ 11,313,419	\$ 1,628,014	\$ 12,941,433
Receipts/Purchases	191,284,496	12,637,549	203,922,045
Distributions	<u>(193,197,243)</u>	<u>(12,372,611)</u>	<u>(205,569,854)</u>
End of year	<u>\$ 9,400,672</u>	<u>\$ 1,892,952</u>	<u>\$ 11,293,624</u>

Poundage

Beginning of year	9,970,818	1,804,488	11,775,306
Receipts/Purchases	95,875,325	9,939,177	105,814,502
Distributions	<u>(101,163,831)</u>	<u>(10,215,820)</u>	<u>(111,379,651)</u>
End of year	<u>4,682,312</u>	<u>1,527,845</u>	<u>6,210,157</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Food Bank reports certain assets and liabilities at fair value in the financial statements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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 following table summarizes the Food Bank’s investments classified within Level 1 of fair value hierarchy at December 31:

	2023	2022
Equity securities	\$ 214,563	\$ 180,266
Fixed Income	81,654	81,851
U.S. Treasury Bills	-	29,617,667
	<u>\$ 296,217</u>	<u>\$ 29,879,784</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – PROGRAM-RELATED ADVANCES

As of December 31, 2023 and 2022, program-related advances consisted of the following:

	<u>2023</u>	<u>2022</u>
Trucks	\$ 3,405,960	\$1,938,840
Equipment	<u>2,187,297</u>	<u>1,200,368</u>
	5,593,257	3,139,208
Accumulated amortization	(1,973,774)	(1,263,690)
Equipment deposits	<u>76,831</u>	<u>300,169</u>
	<u>\$ 3,696,314</u>	<u>\$ 2,175,687</u>

NOTE 9 – PROPERTY AND EQUIPMENT

As of December 31, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 24,016,201	\$ 24,016,201
Building	31,591,263	31,038,424
Building improvements	6,636,722	6,469,534
Trucks	4,809,925	3,121,936
Equipment	3,667,767	2,691,302
Computer software	299,594	299,594
Furniture and fixtures	24,136	18,634
Financing lease assets	<u>170,915</u>	<u>170,915</u>
Total property and equipment	71,216,523	67,826,540
Accumulated depreciation and amortization	<u>(14,494,429)</u>	<u>(12,235,806)</u>
Net depreciable property and equipment	56,722,094	55,590,734
Construction-in-progress	<u>28,800,647</u>	<u>9,727,112</u>
	<u>\$ 85,522,741</u>	<u>\$ 65,317,846</u>

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – 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, 2024 and is subject to renewal; bears an interest rate equal to the U.S. prime rate plus 0.50% (9.00% and 8.00% at December 31, 2023 and 2022, respectively).

The agreement requires the Food Bank to comply with certain financial and non-financial covenants. At December 31, 2023 and 2022, the Food Bank was in compliance with these covenants.

NOTE 11 – 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. The agreement requires the Food Bank to comply with certain financial and non-financial covenants. At December 31, 2023 and 2022, the Food Bank was in compliance with those covenants.

As of December 31, 2023, aggregate future maturities of bond payable for each of the next five years ending December 31 and thereafter is as follows:

2024	\$ 1,147,240
2025	1,177,044
2026	1,205,397
2027	1,234,433
2028	1,262,317
Thereafter	<u>26,707,581</u>
	32,734,012
Less unamortized bond issuance costs	<u>(383,432)</u>
Total	<u>\$ 32,350,580</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31,:

	2023	2022
<i>Subject to expenditure for specified purpose</i>		
CalFresh/SNAP Outreach	\$ 219,637	\$ 141,437
Food Distribution Programs	1,348,218	2,202,850
Comprehensive Campaign	1,633,047	3,660,979
Capital Purchases	50,000	154,384
	3,250,902	6,159,650
<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	165,138	325,138
Endowment subject to Food Bank endowment spending policy and appropriation	110,000	110,000
Unappropriated endowment earnings	28,770	18,925
	<u>\$ 3,554,810</u>	<u>\$ 6,613,713</u>

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

	2023	2022
<i>Satisfaction of purpose restrictions</i>		
CalFresh/SNAP Outreach	\$ 86,800	\$ 3,756
Food Distribution Programs	2,099,407	4,295,298
Comprehensive Campaign	2,677,932	3,916,007
Capital Purchases	104,384	-
Reclassification	-	3,655,299
	4,968,523	11,870,360
Expiration of time restrictions	180,000	120,000
Endowment earnings appropriated	13,633	13,320
	<u>\$ 5,162,156</u>	<u>\$ 12,003,680</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – 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.

As of December 31, 2023, endowment net assets composition by type of fund are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 157,447	\$ -	\$ 157,447
Donor-restricted endowment fund			
Original donor-restricted gift	-	110,000	110,000
Accumulated investment gains	-	28,770	28,770
	<u>\$ 157,447</u>	<u>\$ 138,770</u>	<u>\$ 296,217</u>

As of December 31, 2022, endowment net assets composition by type of fund are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 133,191	\$ -	\$ 133,191
Donor-restricted endowment fund			
Original donor-restricted gift	-	110,000	110,000
Accumulated investment gains	-	18,925	18,925
	<u>\$ 133,191</u>	<u>\$ 128,925</u>	<u>\$ 262,116</u>

LOS ANGELES REGIONAL FOOD BANK
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – ENDOWMENT (Continued)

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, 2023, are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 133,191	\$ 128,925	\$ 262,116
Net investment gain	24,256	23,478	47,734
Appropriation of endowment assets pursuant to spend rate policy	-	(13,633)	(13,633)
Balance, end of year	<u>\$ 157,447</u>	<u>\$ 138,770</u>	<u>\$ 296,217</u>

Changes in endowment net assets for the year ended December 31, 2022, are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 158,238	\$ 168,995	\$ 327,233
Net investment loss	(25,047)	(26,750)	(51,797)
Appropriation of endowment assets pursuant to spend rate policy	-	(13,320)	(13,320)
Balance, end of year	<u>\$ 133,191</u>	<u>\$ 128,925</u>	<u>\$ 262,116</u>

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – FINANCIAL INSTRUMENTS AND CREDIT RISK

The Food Bank manages deposit concentration risk by placing cash and money market accounts 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. As of December 31, 2023 and 2022, the Food Bank had approximately \$49,855,320 and \$28,618,598, respectively, in excess of FDIC insurance limits.

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.

NOTE 15 – CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, contributed non-financial assets (see Note 2 for contributed inventory) recognized in the statement of activities and functional expenses consisted of the following:

	<u>Revenue Recognized</u>		
	<u>2023</u>	<u>2022</u>	<u>Valuation Techniques</u>
Freight	\$ 1,137,332	\$ 1,269,408	Shipping rates in California
Legal services	106,479	142,663	Current rates for similar legal services
Advertising services	102,344	-	Current rates for similar advertising services
Gift cards	-	128,950	Face value
Donated goods	<u>57,072</u>	<u>82,500</u>	Current rates for similar goods
	<u>\$ 1,403,227</u>	<u>\$ 1,623,521</u>	

The contributed non-financial assets were utilized for Food Bank operations other than contributed legal services which were utilized for management and general services.

LOS ANGELES REGIONAL FOOD BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 16 – 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, 2023 and 2022, the Food Bank made contributions to the Plan totaling \$317,355 and \$290,745, respectively.

NOTE 17 – RELATED PARTY TRANSACTIONS

The Food Bank's Board and Emeritus Council members and employees contributed \$438,223 and \$367,470 to the Food Bank's operations for the years ended December 31, 2023 and 2022, respectively. Included in promises to give at December 31, 2023 and 2022, is \$777,405 and \$1,236,660 from these related parties.

NOTE 18 – LITIGATION AND EXAMINATIONS

The Food Bank is, from time to time, the subject of litigation, claims and assessments arising out of matters occurring in its normal business operations. In the opinion of management, resolution of these matters will not have a material adverse effect on the Food Bank's financial position or results of operations.

Certain federal grants which the Food Bank administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The Food Bank expects that such amounts, if any, would not have a material impact on the financial position and cash flows of the Food Bank.