OPERATION FOOD SEARCH, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018
INDEPENDENT AUDITOR’S REPORT

Board of Directors
Operation Food Search, Inc.

We have audited the accompanying financial statements of Operation Food Search, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Food Search, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

January 23, 2020

SFW Partners, LLC
ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,597,980</td>
<td>$1,756,287</td>
</tr>
<tr>
<td>Investments</td>
<td>609,409</td>
<td>604,077</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>28,050</td>
<td>14,050</td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>167,800</td>
<td>172,077</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>376,544</td>
<td>277,500</td>
</tr>
<tr>
<td>Undistributed food and household items</td>
<td>860,685</td>
<td>1,111,945</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>15,938</td>
<td>10,618</td>
</tr>
<tr>
<td>Total current assets</td>
<td>3,656,406</td>
<td>3,946,554</td>
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<tr>
<td>Property and equipment, net of accumulated depreciation</td>
<td>5,427,925</td>
<td>5,552,081</td>
</tr>
<tr>
<td>Unconditional promises to give, net of discounts</td>
<td>100,460</td>
<td>242,837</td>
</tr>
<tr>
<td>Grants receivable, net of discounts</td>
<td>573,633</td>
<td>517,443</td>
</tr>
<tr>
<td>Endowment</td>
<td>1,157,208</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$10,915,632</td>
<td>$10,258,915</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>$603,096</td>
<td>$493,095</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>1,426,800</td>
<td>1,892,089</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>5,427,925</td>
<td>5,552,081</td>
</tr>
<tr>
<td>Undistributed food and household items</td>
<td>860,685</td>
<td>1,111,945</td>
</tr>
<tr>
<td>Total net assets without donor restrictions</td>
<td>7,715,410</td>
<td>8,556,115</td>
</tr>
<tr>
<td>With donor restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific purpose</td>
<td>1,431,918</td>
<td>1,209,705</td>
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<tr>
<td>Endowment</td>
<td>1,165,208</td>
<td>-</td>
</tr>
<tr>
<td>Total net assets with donor restrictions</td>
<td>2,597,126</td>
<td>1,209,705</td>
</tr>
<tr>
<td>Total net assets</td>
<td>10,312,536</td>
<td>9,765,820</td>
</tr>
<tr>
<td></td>
<td>$10,915,632</td>
<td>$10,258,915</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of these statements.
## OPERATION FOOD SEARCH, INC.

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended September 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019 Without Donor Restrictions</th>
<th>2019 With Donor Restrictions</th>
<th>2018 Without Donor Restrictions</th>
<th>2018 With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and other revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Support:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investment contributions</td>
<td>$2,690,877</td>
<td>$1,145,567</td>
<td>$3,836,444</td>
<td>$2,813,987</td>
<td>-</td>
</tr>
<tr>
<td>State support</td>
<td>514,135</td>
<td>-</td>
<td>514,135</td>
<td>360,765</td>
<td>-</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>481,932</td>
<td>612,371</td>
<td>1,094,303</td>
<td>420,402</td>
<td>1,062,363</td>
</tr>
<tr>
<td>Special events (net of $32,580 and $13,715 of expenses in 2019 and 2018, respectively)</td>
<td>171,198</td>
<td>-</td>
<td>171,198</td>
<td>92,968</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>3,858,142</td>
<td>1,757,938</td>
<td>5,616,080</td>
<td>3,688,122</td>
<td>1,062,363</td>
</tr>
<tr>
<td>Other non-cash contributions</td>
<td>33,046,281</td>
<td>-</td>
<td>33,046,281</td>
<td>30,948,558</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total support</strong></td>
<td>36,904,423</td>
<td>1,757,938</td>
<td>38,662,361</td>
<td>34,636,680</td>
<td>1,062,363</td>
</tr>
<tr>
<td><strong>Other revenue (loss):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental income</td>
<td>115,575</td>
<td>-</td>
<td>115,575</td>
<td>106,200</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>119,838</td>
<td>-</td>
<td>119,838</td>
<td>102,424</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>31,021</td>
<td>5,002</td>
<td>36,023</td>
<td>18,994</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sales of property and equipment</td>
<td>6,375</td>
<td>-</td>
<td>6,375</td>
<td>7,000</td>
<td>-</td>
</tr>
<tr>
<td>Loss on sales of investments</td>
<td>(4,639)</td>
<td>-</td>
<td>(4,639)</td>
<td>(7,673)</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>6,274</td>
<td>14,439</td>
<td>20,713</td>
<td>1,563</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total support and other revenue</strong></td>
<td>37,178,867</td>
<td>1,777,379</td>
<td>38,956,246</td>
<td>34,865,188</td>
<td>1,062,363</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>389,958</td>
<td>(389,958)</td>
<td>-</td>
<td>226,994</td>
<td>(226,994)</td>
</tr>
<tr>
<td><strong>Functional expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>37,129,991</td>
<td>-</td>
<td>37,129,991</td>
<td>33,781,699</td>
<td>-</td>
</tr>
<tr>
<td>Management and general</td>
<td>376,724</td>
<td>-</td>
<td>376,724</td>
<td>400,062</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising</td>
<td>902,815</td>
<td>-</td>
<td>902,815</td>
<td>607,661</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total functional expenses</strong></td>
<td>38,409,530</td>
<td>-</td>
<td>38,409,530</td>
<td>34,789,422</td>
<td>-</td>
</tr>
<tr>
<td><strong>Changes in net assets</strong></td>
<td>(840,705)</td>
<td>1,387,421</td>
<td>546,716</td>
<td>302,760</td>
<td>835,369</td>
</tr>
<tr>
<td><strong>Net assets, beginning of the year</strong></td>
<td>8,556,115</td>
<td>1,209,705</td>
<td>9,765,820</td>
<td>8,253,355</td>
<td>374,336</td>
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<tr>
<td><strong>Net assets, end of the year</strong></td>
<td>$ 7,715,410</td>
<td>$ 2,597,126</td>
<td>$10,312,536</td>
<td>$8,556,115</td>
<td>$1,209,705</td>
</tr>
</tbody>
</table>

The accompanying notes to the financial statements are an integral part of these statements.
## OPERATION FOOD SEARCH, INC.

### STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended September 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>Hunger Programs</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
<th>Hunger Programs</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributed food and</td>
<td>$33,265,429</td>
<td>$ -</td>
<td>$ -</td>
<td>$33,265,429</td>
<td>$30,835,942</td>
<td>$ -</td>
<td>$ -</td>
<td>$30,835,942</td>
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<tr>
<td>household items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>1,352,076</td>
<td>190,433</td>
<td>361,823</td>
<td>1,904,332</td>
<td>1,086,513</td>
<td>181,086</td>
<td>45,135</td>
<td>1,509,046</td>
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<td>Food purchased for</td>
<td>945,518</td>
<td>-</td>
<td>-</td>
<td>945,518</td>
<td>741,231</td>
<td>-</td>
<td>-</td>
<td>741,231</td>
</tr>
<tr>
<td>distribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional services</td>
<td>299,112</td>
<td>66,431</td>
<td>133,214</td>
<td>498,757</td>
<td>59,963</td>
<td>45,135</td>
<td>6,735</td>
<td>111,833</td>
</tr>
<tr>
<td>Depreciation</td>
<td>266,087</td>
<td>31,304</td>
<td>15,652</td>
<td>313,043</td>
<td>209,891</td>
<td>47,226</td>
<td>5,247</td>
<td>262,364</td>
</tr>
<tr>
<td>Fundraising</td>
<td>-</td>
<td>-</td>
<td>279,943</td>
<td>279,943</td>
<td>-</td>
<td>-</td>
<td>272,512</td>
<td>272,512</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>197,703</td>
<td>23,412</td>
<td>39,020</td>
<td>260,135</td>
<td>127,722</td>
<td>26,984</td>
<td>12,631</td>
<td>179,891</td>
</tr>
<tr>
<td>Office expense</td>
<td>190,829</td>
<td>28,625</td>
<td>19,083</td>
<td>238,537</td>
<td>123,076</td>
<td>43,956</td>
<td>16,416</td>
<td>175,823</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>91,324</td>
<td>12,863</td>
<td>24,439</td>
<td>128,626</td>
<td>75,785</td>
<td>12,631</td>
<td>16,416</td>
<td>105,257</td>
</tr>
<tr>
<td>Shipping</td>
<td>113,355</td>
<td>-</td>
<td>-</td>
<td>113,355</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>113,355</td>
</tr>
<tr>
<td>Program expenses</td>
<td>97,577</td>
<td>-</td>
<td>-</td>
<td>97,577</td>
<td>55,670</td>
<td>-</td>
<td>-</td>
<td>55,670</td>
</tr>
<tr>
<td>Communications</td>
<td>57,252</td>
<td>9,400</td>
<td>18,799</td>
<td>85,451</td>
<td>77,198</td>
<td>13,064</td>
<td>28,504</td>
<td>118,766</td>
</tr>
<tr>
<td>Insurance</td>
<td>59,276</td>
<td>4,999</td>
<td>7,142</td>
<td>71,417</td>
<td>48,126</td>
<td>14,759</td>
<td>1,283</td>
<td>64,168</td>
</tr>
<tr>
<td>Utilities</td>
<td>50,975</td>
<td>4,531</td>
<td>1,133</td>
<td>56,639</td>
<td>49,100</td>
<td>5,580</td>
<td>1,116</td>
<td>55,796</td>
</tr>
<tr>
<td>Travel</td>
<td>52,247</td>
<td>544</td>
<td>1,633</td>
<td>54,424</td>
<td>43,184</td>
<td>4,798</td>
<td>-</td>
<td>47,982</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>42,479</td>
<td>3,268</td>
<td>934</td>
<td>46,681</td>
<td>39,000</td>
<td>4,820</td>
<td>-</td>
<td>43,820</td>
</tr>
<tr>
<td>Vehicles</td>
<td>33,723</td>
<td>-</td>
<td>-</td>
<td>33,723</td>
<td>33,975</td>
<td>-</td>
<td>-</td>
<td>33,975</td>
</tr>
<tr>
<td>Warehouse</td>
<td>14,281</td>
<td>-</td>
<td>-</td>
<td>14,281</td>
<td>33,996</td>
<td>-</td>
<td>-</td>
<td>33,996</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>748</td>
<td>914</td>
<td>-</td>
<td>1,662</td>
<td>437</td>
<td>23</td>
<td>-</td>
<td>460</td>
</tr>
</tbody>
</table>

|                          | $37,129,991    | $376,724               | $902,815    | $38,409,530 | $33,781,699    | $400,062               | $607,661   | $34,789,422 |

The accompanying notes to the financial statements are an integral part of these statements.
Cash flows from operating activities:

Changes in net assets $ 546,716 $ 1,138,129

Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:

Investment contributions (89,274) (92,458)
Loss on sales of investments 4,639 7,673
Unrealized gain on investments (20,713) (1,563)
Depreciation 313,043 262,364
Gain on sales of property and equipment (6,375) (7,000)
Contributions restricted for endowment (1,145,567) -

Changes in operating assets and liabilities:

(Increase) decrease in assets:
Accounts receivable (14,000) (7,100)
Unconditional promises to give 154,654 319,331
Grants receivable (155,234) (674,577)
Undistributed food and household items 251,260 (75,945)
Prepaid expenses (5,320) 45,975

Increase in liabilities:
Accrued expenses 110,001 173,595

Net cash (used in) provided by operating activities (56,170) 1,088,424

Cash flows from investing activities:

Proceeds from sales of investments 401,688 262,288
Purchases of investments (301,672) (164,299)
Proceeds from sales of property and equipment 6,375 -
Purchases of property and equipment (188,887) (397,543)
Purchases of endowment investments (1,157,208) -

Net cash used in investing activities (1,239,704) (299,554)

Cash flows from financing activities:

Proceeds from contributions restricted for endowment 1,137,567 -

Net (decrease) increase in cash and cash equivalents (158,307) 788,870

Cash and cash equivalents, beginning of the year 1,756,287 967,417

Cash and cash equivalents, end of the year $ 1,597,980 $ 1,756,287

The accompanying notes to the financial statements are an integral part of these statements.
OPERATION FOOD SEARCH, INC.

NOTES TO THE FINANCIAL STATEMENTS

(1) Operations

Operation Food Search, Inc. (the “Organization”) is a not-for-profit voluntary health and welfare organization established in 1981. The Organization’s mission is as follows: “To nourish and educate our neighbors in need to heal the hurt of hunger.” The Organization distributes food and household items free of charge to community agencies to help serve hungry individuals and families in the St. Louis bi-state area. Childhood hunger and nutrition programs are a primary focus of the Organization, as is working to address the root causes of food insecurity. To that end the Organization increases awareness about the issues related to hunger and works to eliminate waste in the region. The Organization is supported primarily through donor contributions and grants.

The Organization identifies the three pillars of its strategy as:

1. Meet the Immediate Need:

   • Emergency food distribution is the heart of the work at Operation Food Search. The Organization provides food to over 200 partner agencies working to feed the need in their community. Partner agencies include food pantries, soup kitchens, homeless shelters, and other sites.

   • Operation Backpack provides weekly sacks of kid-friendly food to help students get through the weekend when school meals are not available.

   • Out-of-school meals include the Summer Meals program and Afterschool ReFuel, which provide vital nutrition to children when school is out.

2. Building Nutrition IQ:

   • Nutrition Education programs such as Operation CHEF and Cooking Matters at the Store teach low-income kids, teens, families, parents and adults how to plan, shop for, and prepare healthy and delicious meals that are affordable. In addition, on- or off-site demonstrations are provided for groups and organizations aimed at cooking nutritious meals at home and on a budget.

3. Champion Change:

   • The Organization works with lawmakers and stakeholders to advance both public and institutional policies that help families put food on the table. Operation Food Search educates, trains and empowers people to engage in the policy-making process in order to ensure that all voices are represented. Innovation programs such as Fresh Rx address the root causes of hunger to improve the overall health of individuals and communities.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.
(2) Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are adjusted to market value at year end. Unrealized gains and losses on investments are recorded as changes in net assets in the periods in which they occur. Interest and dividend income from investments is recognized when earned. Gains or losses on the sale of investments are recognized on a specific identification basis. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenue when the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional promises to give expected to be collected in less than one year are reported at net realizable value. Contributions to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with the donors, and accordingly, has made no allowance for doubtful accounts.

Grants Receivable

Grants receivable are recognized as revenue when the grant is received. Grants receivable expected to be collected in less than one year are reported at net realizable value. Grants to be collected in future years are recorded at fair value when the grant is made based on a discounted cash flow model. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with the grantors, and accordingly, has made no allowance for doubtful accounts.

Contributed and Undistributed Food and Household Items

Contributed and undistributed food and household items are valued at retail value at the date of donation, which approximates fair market value.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value if contributed, less an allowance for depreciation. Material expenditures for property acquisitions and those expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.
Summary of Significant Accounting Policies (Continued)

Depreciation

The Organization provides for depreciation using both straight-line and accelerated methods based upon the estimated useful lives of the assets as follows: building, 39 years; transportation equipment, 5 years; furniture and fixtures, 7 years; office equipment, 5 years; warehouse equipment, 5 to 7 years; land improvements, 15 years.

Support and Revenue With and Without Donor Restrictions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Gifts of cash and other assets received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

Contributions without donor restrictions include resources available for the support of operations, which have no donor imposed restrictions.

Contributions with donor restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction has been accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

Non-cash contributions are recorded as support without donor restrictions unless specifically restricted by the donor. Food and other household items are valued at retail, and other non-cash items are valued at their fair market value. During the years ended September 30, 2019 and 2018, the Organization received non-cash contributions, excluding contributed services, of $33,014,169 and $30,911,887, respectively.

Contributed Services

Services which create or enhance nonfinancial assets or require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These services are recognized in the financial statements at the fair value of services provided. For the years ended September 30, 2019 and 2018, the Organization received immaterial donated services included in other non-cash contributions in the accompanying statements of activities and changes in net assets.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its mission. These services are not recognized in the financial statements.

Program Services

Hunger programs include those expenses necessary for programs and other items that enable the Organization to collect, coordinate, and distribute food and household items for the benefit of the hungry, such as salaries, facilities, transportation, food purchases, and administrative expenses.
(2) Summary of Significant Accounting Policies (Continued)

Management and General

Management and general includes the functions necessary to maintain an adequate working environment, provide coordination of program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities.

Fundraising

Fundraising provides the structure necessary to encourage and secure public and private financial support from individuals, foundations, and corporations.

Functional Allocation of Expenses

The costs associated with providing the Organization’s activities have been summarized on the functional basis. Certain expenses represent costs associated with multiple activities and require allocation among the program and supporting services benefited. Such allocations are based on management's estimate of time and effort which include salaries, employee benefits, and payroll taxes. Certain other expenses are allocated based on a combination of square footage and usage which include depreciation, insurance, and utilities. All other expenses are allocated based on usage.

Income Taxes

The Internal Revenue Service has advised the Organization that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization’s management does not believe that its exempt status has been significantly affected by any changes in its activities since the date of the most recent determination letter received. Accordingly, no provision for income taxes has been included in these financial statements.

The Organization accounts for any uncertain tax positions in accordance with the Income Taxes topic of the FASB ASC. The topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. In evaluating the Organization’s exempt status, interpretations and tax planning strategies are considered. The Organization believes it is not exposed to any material current or future tax liability based on its current operations.
(2) Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

The Organization, on occasion, maintains cash deposits with financial institutions that include funds greater than the insured limit by the FDIC. The Organization has not experienced any losses in such accounts. Management and the Board believe the Organization is not exposed to any significant credit risk related to cash. The amounts on deposit at September 30, 2019 and 2018 exceeded the insured limits by $1,121,458 and $1,181,107, respectively. The Organization also holds cash equivalent assets in uninsured accounts totaling $34,677 and $35,057 as of September 30, 2019 and 2018, respectively.

The Organization maintains cash equivalents and investments with a brokerage firm that includes funds greater than the insured limit by the SIPC. The Organization has not experienced any losses beyond normal market fluctuations. Management and the Board believe the Organization is not exposed to any significant credit risk beyond normal market fluctuations related to cash equivalents and investments. The brokerage account at September 30, 2019 and 2018 exceeded the insured limit by $769,709 and $87,824, respectively.

Statements of Cash Flows

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Change in Accounting Principle

Effective for fiscal year ending September 30, 2019, the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. A summary of the changes includes a change in classifications of net assets. Also, the enhanced quantitative and qualitative disclosures provide additional information in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position. The ASU has been applied retrospectively to all periods presented, which had no impact on previously reported total changes in net assets.

Subsequent Events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through the date of the independent auditor’s report, which is the date the financial statements were available to be issued.
OPERATION FOOD SEARCH, INC.

NOTES TO THE FINANCIAL STATEMENTS

(3) Investments

Cost and market value of investments consist of the following at:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Gross Unrealized Holding Gains</th>
<th>Gross Unrealized Holding Losses</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>$ 352,912</td>
<td>$ 9,094</td>
<td>$ -</td>
<td>$ 362,006</td>
</tr>
<tr>
<td>Bonds</td>
<td>238,266</td>
<td>4,105</td>
<td>(1,076)</td>
<td>241,295</td>
</tr>
<tr>
<td>Common stocks</td>
<td>15,149</td>
<td>-</td>
<td>(9,041)</td>
<td>6,108</td>
</tr>
<tr>
<td></td>
<td>$ 606,327</td>
<td>$ 13,199</td>
<td>(10,117)</td>
<td>$ 609,409</td>
</tr>
<tr>
<td>September 30, 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>$ 521,520</td>
<td>-</td>
<td>(10,215)</td>
<td>511,305</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>56,703</td>
<td>15,864</td>
<td>-</td>
<td>72,567</td>
</tr>
<tr>
<td>Common stocks</td>
<td>26,608</td>
<td>73</td>
<td>(6,476)</td>
<td>20,205</td>
</tr>
<tr>
<td></td>
<td>$ 604,831</td>
<td>$ 15,937</td>
<td>(16,691)</td>
<td>$ 604,077</td>
</tr>
</tbody>
</table>

Based on management’s evaluation and the Organization’s ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Organization considers these investments temporarily impaired at September 30, 2019 and 2018. The investments currently in an unrealized holding loss position have a market value of $78,596 and $526,432 at September 30, 2019 and 2018, with a majority in an unrealized loss position for less than 12 months at September 30, 2019.

(4) Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the FASB ASC, a guideline is provided for measuring fair value under generally accepted accounting principles. The topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority; Level 2 inputs include quoted prices in active markets for similar assets or liabilities, quoted prices in inactive markets for identical or similar assets or liabilities, or inputs that are observable or can be corroborated by observable market data or other means for substantially the full term of the asset or liability; and Level 3 inputs have the lowest priority and are based on prices or valuation techniques that are unobservable and not corroborated by market data. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Organization uses Level 2 inputs when an active market comparable is not available and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.
(4) Fair Value Measurements (Continued)

Level 1 Fair Value Measurements

The fair value of the investments is based on quoted market prices.

The Organization's assets reported at fair value in the accompanying statements of financial position consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value Measurements Using:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quoted Prices In Active Markets for Identical Assets Level 1</td>
</tr>
<tr>
<td><strong>September 30, 2019</strong></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>$ 609,409</td>
</tr>
<tr>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td><strong>September 30, 2018</strong></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>$ 604,077</td>
</tr>
<tr>
<td></td>
<td>$ -</td>
</tr>
</tbody>
</table>

(5) Unconditional Promises to Give

Unconditional promises to give expected to be collected in the future are as follows at September 30:

<table>
<thead>
<tr>
<th>Amount due in:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$ 167,800</td>
<td>$ 172,077</td>
</tr>
<tr>
<td>One to five years</td>
<td>$ 103,000</td>
<td>$ 260,700</td>
</tr>
<tr>
<td></td>
<td>$ 270,800</td>
<td>$ 432,777</td>
</tr>
<tr>
<td>Less discount to present value</td>
<td>(2,540)</td>
<td>(17,863)</td>
</tr>
<tr>
<td></td>
<td>$ 268,260</td>
<td>$ 414,914</td>
</tr>
</tbody>
</table>

Unconditional promises to give due in excess of one year are recognized at fair value, using present value with a discount rate of 3.00% as of September 30, 2019 and 2018 to approximate fair value.

The above unconditional promises to give relate primarily to the Organization’s capital campaign for the purchase of a new facility (purchased in 2016) and expansion of current programs. In addition, at September 30, 2019, an $8,000 unconditional promise to give to the Organization's donor-restricted endowment fund is included.
(6) Grants Receivable

Grants receivable expected to be collected in the future are as follows at September 30:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount due in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>$376,544</td>
<td>$277,500</td>
</tr>
<tr>
<td>One to five years</td>
<td>620,225</td>
<td>561,250</td>
</tr>
<tr>
<td></td>
<td>996,769</td>
<td>838,750</td>
</tr>
<tr>
<td>Less discount to present value</td>
<td>(46,592)</td>
<td>(43,807)</td>
</tr>
<tr>
<td></td>
<td>$950,177</td>
<td>$794,943</td>
</tr>
</tbody>
</table>

Grants receivable in excess of one year are recognized at fair value, using present value with a discount rate of 3.00% as of September 30, 2019 and 2018 to approximate fair value.

(7) Property and Equipment

Property and equipment consists of the following at September 30:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$4,502,331</td>
<td>$4,475,174</td>
</tr>
<tr>
<td>Land</td>
<td>688,143</td>
<td>688,143</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>526,751</td>
<td>502,122</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>220,297</td>
<td>152,034</td>
</tr>
<tr>
<td>Office equipment</td>
<td>225,062</td>
<td>205,620</td>
</tr>
<tr>
<td>Warehouse equipment</td>
<td>183,503</td>
<td>190,339</td>
</tr>
<tr>
<td>Land improvements</td>
<td>31,936</td>
<td>8,950</td>
</tr>
<tr>
<td></td>
<td>6,378,023</td>
<td>6,222,382</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(950,098)</td>
<td>(670,301)</td>
</tr>
<tr>
<td></td>
<td>$5,427,925</td>
<td>$5,552,081</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended September 30, 2019 and 2018 was $313,043 and $262,364, respectively.
(8) Endowment

The Organization’s endowment, which was created in 2019, consists of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. The Organization expects its endowment assets, over time, to produce a rate of return to cover the endowment’s spending policy, expense, and inflation (as measured by the Consumer Price Index), thus maintaining purchasing power. Actual return in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy

The Organization has deferred setting a spending policy during the seed/accumulation phase of the endowment. This policy will be reviewed annually up until the point at which the endowment reaches a satisfactory level of value and/or spending needs are determined.
(8) Endowment (Continued)

Endowment asset composition by type of fund as of September 30, 2019, is as follows:

<table>
<thead>
<tr>
<th>Endowment funds with donor restrictions:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpetual</td>
<td>$1,137,767</td>
<td></td>
</tr>
<tr>
<td>Unappropriated endowment earnings</td>
<td>$19,441</td>
<td></td>
</tr>
<tr>
<td><strong>Endowment assets</strong></td>
<td><strong>$1,157,208</strong></td>
<td></td>
</tr>
</tbody>
</table>

Changes in endowment assets as of September 30, 2019, are as follows:

<table>
<thead>
<tr>
<th>With Donor Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment assets, beginning of year</td>
</tr>
<tr>
<td>Contributions</td>
</tr>
<tr>
<td>Investment income</td>
</tr>
<tr>
<td>Net appreciation</td>
</tr>
<tr>
<td>Amounts appropriated for expenditure</td>
</tr>
<tr>
<td><strong>Endowment assets, end of year</strong></td>
</tr>
</tbody>
</table>

(9) Non-Cash Investing Activities

During the year ended September 30, 2018, the Organization acquired equipment by trading in equipment valued at $7,000.
(10) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30:

<table>
<thead>
<tr>
<th>Specific purpose</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh Rx program</td>
<td>$694,469</td>
<td>$927,324</td>
</tr>
<tr>
<td>Advocacy</td>
<td>468,383</td>
<td>-</td>
</tr>
<tr>
<td>Out-of-school meals programs</td>
<td>107,644</td>
<td>116,372</td>
</tr>
<tr>
<td>Program expansion</td>
<td>105,639</td>
<td>147,342</td>
</tr>
<tr>
<td>Fixed asset purchases</td>
<td>44,750</td>
<td>-</td>
</tr>
<tr>
<td>Breakfast in the classroom</td>
<td>11,033</td>
<td>-</td>
</tr>
<tr>
<td>Nutrition education</td>
<td>-</td>
<td>18,667</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,431,918</strong></td>
<td><strong>1,209,705</strong></td>
</tr>
</tbody>
</table>

**Endowment:**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpetual</td>
<td>1,145,767</td>
<td>-</td>
</tr>
<tr>
<td>Unappropriated endowment earnings</td>
<td>19,441</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,165,208</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

**Total** | **$2,597,126** | **$1,209,705**

Net assets released from restrictions consist of the following at September 30:

<table>
<thead>
<tr>
<th>Satisfaction of purpose restrictions</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh Rx program</td>
<td>$278,216</td>
<td>-</td>
</tr>
<tr>
<td>Out-of-school meals programs</td>
<td>51,372</td>
<td>99,446</td>
</tr>
<tr>
<td>Program expansion</td>
<td>41,703</td>
<td>52,658</td>
</tr>
<tr>
<td>Nutrition education</td>
<td>18,667</td>
<td>40,093</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>32,305</td>
</tr>
<tr>
<td>Food purchases</td>
<td>-</td>
<td>2,492</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$389,958</strong></td>
<td><strong>$226,994</strong></td>
</tr>
</tbody>
</table>
(10) Net Assets with Donor Restrictions (Continued)

Fresh Rx is a program designed by Operation Food Search to connect qualifying families with fresh, local food and provide resources for a healthy household. The Organization partners with doctors and schools to provide prescriptions for healthy food, helping families thrive from better nutrition, reducing healthcare costs, and benefiting local farmers. The Advocacy department works to support policies that strengthen families and children by increasing opportunities for them to put food on the table and live healthier lives. The Out-of-school meals programs include Operation Backpack, Summer Meals and Afterschool ReFuel and provide children with nutritious meals when school is not in session. Nutrition Education programs teach low-income kids, teens, families, parents and adults how to plan, shop for and prepare healthy and delicious meals that are affordable.

(11) Liquidity and Availability

Financial assets available for general expenditures without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as September 30, 2019:

Financial assets:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 1,597,980</td>
</tr>
<tr>
<td>Investments</td>
<td>609,409</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>28,050</td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>167,800</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>376,544</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,779,783</td>
</tr>
</tbody>
</table>

Less: Amounts restricted by donors and grantors  (858,258)

$ 1,921,525

The Organization manages its cash available to meet general expenditures following these guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments to programs that support mission fulfillment will continue to be met, ensuring the sustainability of the organization

(12) Leases

On October 1, 2016, the Organization entered into a lease agreement to rent a portion of its building to an unrelated party. The Organization receives monthly rental payments of $8,750. The lease expired September 30, 2019. Effective October 1, 2019, the lease became a month-to-month agreement.
(13) Employee Benefit Plan

The Organization maintains a 401(k) safe harbor plan for all eligible employees. Under the terms of the plan, employees may contribute up to the maximum amount allowed by law. The Organization is required to make matching safe harbor contributions, defined as 100% of the first 4% of eligible compensation, to the plan. Additional Organization contributions may be made at the Organization’s discretion. Employees are 100% vested in their deferred compensation contributions and the Organization’s matching safe harbor contributions. In the event of additional Organization contributions, employees will vest 0% in year 1, 20% after year 2, 40% after year 3, 60% after year 4, 80% after year 5, with 100% vesting after the sixth year of continuous service. Contributions charged to expense for the years ended September 30, 2019 and 2018 were $56,087 and $43,914, respectively.

(14) Donor Concentration

The Organization received 26% of its cash contributions from two donors for the year ended September 30, 2019.

The Organization received 52% and 43% of its non-cash contributions from one donor for the years ended September 30, 2019 and 2018, respectively.