

**OPERATION FOOD SEARCH, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018 AND 2017**

## 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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*SFW Partners, LLC*

January 17, 2019

SFW Partners, LLC

**OPERATION FOOD SEARCH, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**As of September 30, 2018 and 2017**

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 1,756,287	\$ 967,417
Investments	604,077	615,718
Accounts receivable	14,050	6,950
Unconditional promises to give	172,077	296,833
Grants receivable	277,500	120,366
Undistributed food and household items	1,111,945	1,036,000
Prepaid expenses	10,618	56,593
Total current assets	3,946,554	3,099,877
Property and equipment, net of accumulated depreciation	5,552,081	5,409,902
Unconditional promises to give, net of discounts	242,837	437,412
Grants receivable, net of discounts	517,443	-
	\$ 10,258,915	\$ 8,947,191

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued expenses	\$ 493,095	\$ 319,500
Net assets:		
Unrestricted:		
Operating	1,892,089	1,807,453
Property and equipment	5,552,081	5,409,902
Undistributed food and household items	1,111,945	1,036,000
Total unrestricted net assets	8,556,115	8,253,355
Temporarily restricted:		
Cash and cash equivalents	419,762	274,336
Grants receivable	789,943	-
Unconditional promises to give	-	100,000
Total temporarily restricted net assets	1,209,705	374,336
Total net assets	9,765,820	8,627,691
	\$ 10,258,915	\$ 8,947,191

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, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and other revenue:						
Support:						
Cash and investment contributions	\$ 2,813,987	\$ -	\$ 2,813,987	\$ 2,962,143	\$ 341,224	\$ 3,303,367
State support	360,765	-	360,765	231,486	-	231,486
Grant revenue	420,402	1,062,363	1,482,765	344,542	33,112	377,654
Special events (net of \$13,715 and \$29,671 of expenses in 2018 and 2017, respectively)	92,968	-	92,968	235,876	-	235,876
Subtotal	3,688,122	1,062,363	4,750,485	3,774,047	374,336	4,148,383
Other non-cash contributions	30,948,558	-	30,948,558	30,699,784	-	30,699,784
Total support	34,636,680	1,062,363	35,699,043	34,473,831	374,336	34,848,167
Other revenue (loss):						
Rental income	106,200	-	106,200	106,200	-	106,200
Other income	102,424	-	102,424	93,280	-	93,280
Investment income	18,994	-	18,994	17,094	-	17,094
Gain on sales of property and equipment	7,000	-	7,000	15,000	-	15,000
(Loss) gain on sales of investments	(7,673)	-	(7,673)	4,204	-	4,204
Unrealized gain (loss) on investments	1,563	-	1,563	(5,346)	-	(5,346)
Total support and other revenue	34,865,188	1,062,363	35,927,551	34,704,263	374,336	35,078,599
Net assets released from restrictions	226,994	(226,994)	-	352,362	(352,362)	-
Functional expenses:						
Program services	33,781,699	-	33,781,699	32,816,160	-	32,816,160
Management and general	400,062	-	400,062	337,724	-	337,724
Fundraising	607,661	-	607,661	583,311	-	583,311
Total functional expenses	34,789,422	-	34,789,422	33,737,195	-	33,737,195
Changes in net assets	302,760	835,369	1,138,129	1,319,430	21,974	1,341,404
Net assets, beginning of the year	8,253,355	374,336	8,627,691	6,933,925	352,362	7,286,287
Net assets, end of the year	<u>\$ 8,556,115</u>	<u>\$ 1,209,705</u>	<u>\$ 9,765,820</u>	<u>\$ 8,253,355</u>	<u>\$ 374,336</u>	<u>\$ 8,627,691</u>

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, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Distributed food and household items	\$ 30,835,942	\$ -	\$ -	\$ 30,835,942	\$ 30,308,197	\$ -	\$ -	\$ 30,308,197
Salaries	1,086,513	181,086	241,447	1,509,046	923,800	153,967	205,289	1,283,056
Food purchased for distribution	741,231	-	-	741,231	690,958	-	-	690,958
Fundraising	-	-	272,512	272,512	-	-	282,720	282,720
Depreciation	209,891	47,226	5,247	262,364	178,028	40,056	4,451	222,535
Employee benefits	127,722	26,984	25,185	179,891	119,160	25,175	23,496	167,831
Office expense	123,076	43,956	8,791	175,823	104,885	47,765	7,944	160,594
Shipping	140,890	-	-	140,890	92,178	-	-	92,178
Communications	77,198	13,064	28,504	118,766	73,981	15,506	29,941	119,428
Professional services	59,963	45,135	6,735	111,833	6,278	12,557	12,557	31,392
Payroll taxes	75,785	12,631	16,841	105,257	65,669	10,945	14,593	91,207
Insurance	48,126	14,759	1,283	64,168	43,779	13,426	1,167	58,372
Utilities	49,100	5,580	1,116	55,796	50,711	5,763	1,153	57,627
Program expenses	55,670	-	-	55,670	44,356	-	-	44,356
Travel	43,184	4,798	-	47,982	26,617	2,958	-	29,575
Repairs and maintenance	39,000	4,820	-	43,820	23,488	2,903	-	26,391
Warehouse	33,996	-	-	33,996	14,670	30	-	14,700
Vehicles	33,975	-	-	33,975	40,633	-	-	40,633
Miscellaneous	437	23	-	460	8,772	461	-	9,233
Interest expense	-	-	-	-	-	6,212	-	6,212
	<u>\$ 33,781,699</u>	<u>\$ 400,062</u>	<u>\$ 607,661</u>	<u>\$ 34,789,422</u>	<u>\$ 32,816,160</u>	<u>\$ 337,724</u>	<u>\$ 583,311</u>	<u>\$ 33,737,195</u>

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

**OPERATION FOOD SEARCH, INC.**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Changes in net assets	\$ 1,138,129	\$ 1,341,404
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Investment contributions	(92,458)	(140,453)
Loss (gain) on sales of investments	7,673	(4,204)
Unrealized (gain) loss on investments	(1,563)	5,346
Depreciation	262,364	222,535
Gain on sales of property and equipment	(7,000)	(15,000)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(7,100)	(4,685)
Unconditional promises to give	319,331	408,760
Grants receivable	(674,577)	(113,616)
Undistributed food and household items	(75,945)	(375,000)
Prepaid expenses	45,975	(45,536)
Increase (decrease) in liabilities:		
Accrued expenses	173,595	(352,413)
Net cash provided by operating activities	1,088,424	927,138
Cash flows from investing activities:		
Proceeds from sales of investments	262,288	113,555
Purchases of investments	(164,299)	(4,062)
Purchases of property and equipment	(397,543)	(498,190)
Net cash used in investing activities	(299,554)	(388,697)
Cash flows from financing activities:		
Borrowings on long-term debt	-	640,928
Principal payments on long-term debt	-	(1,075,045)
Net cash used in financing activities	-	(434,117)
Net increase in cash and cash equivalents	788,870	104,324
Cash and cash equivalents, beginning of the year	967,417	863,093
Cash and cash equivalents, end of the year	\$ 1,756,287	\$ 967,417
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ -	\$ 6,212

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: “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 greater metropolitan St. Louis area. In helping to alleviate hunger, the Organization also increases awareness on issues of hunger and works to eliminate waste in the region. The Organization is supported primarily through donor contributions and grants.

#### (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.

##### *Financial Statement Presentation*

Pursuant to the Not-for-Profit Entities topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the topic, the Organization does not use fund accounting.

##### *Restricted and Unrestricted Support and Revenue*

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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Unrestricted contributions include resources available for the support of operations, which have no donor imposed restrictions.

Contributions that are temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

##### *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.



## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (2) Summary of Significant Accounting Policies (Continued)

##### *Contributions*

All contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Non-cash contributions are recorded as unrestricted support 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, 2018 and 2017, the Organization received non-cash contributions, excluding contributed services, of \$30,911,887 and \$30,683,197, 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, 2018 and 2017, 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.

##### *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 unrestricted net assets 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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (2) Summary of Significant Accounting Policies (Continued)

##### *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.

##### *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, 3 to 10 years; office equipment, 3 to 10 years; warehouse equipment, 5 to 10 years.

##### *Program Services*

Program services 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.

##### *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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (2) Summary of Significant Accounting Policies (Continued)

##### *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 relevant factors that represent management's best estimate of the costs of providing such activities.

##### *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.

##### *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, 2018 and 2017 exceeded the insured limits by \$1,181,107 and \$156,508, respectively. The Organization also holds cash equivalent assets in uninsured accounts totaling \$35,057 and \$35,187 as of September 30, 2018 and 2017, 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, 2018 and 2017 exceeded the insured limit by \$87,824 and \$75,187, respectively.

##### *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:

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Market Value
September 30, 2018				
Bonds	\$ 521,520	\$ -	\$ (10,215)	\$ 511,305
Mutual funds	56,703	15,864	-	72,567
Common stocks	26,608	73	(6,476)	20,205
	<u>\$ 604,831</u>	<u>\$ 15,937</u>	<u>\$ (16,691)</u>	<u>\$ 604,077</u>
September 30, 2017				
Bonds	\$ 514,605	\$ 49	\$ (7,374)	\$ 507,280
Mutual funds	56,703	12,204	-	68,907
Common stocks	46,477	5	(6,951)	39,531
	<u>\$ 617,785</u>	<u>\$ 12,258</u>	<u>\$ (14,325)</u>	<u>\$ 615,718</u>

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, 2018 and 2017. The investments currently in an unrealized holding loss position have a market value of \$526,432 and \$544,690 at September 30, 2018 and 2017, with a majority in an unrealized loss position for greater than 12 months at September 30, 2018.

#### (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.

**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(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:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<i>September 30, 2018</i>				
Investments	\$ 604,077	\$ 604,077	\$ -	\$ -
<i>September 30, 2017</i>				
Investments	\$ 615,718	\$ 615,718	\$ -	\$ -

**(5) Unconditional Promises to Give**

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

	2018	2017
Amount due in:		
Less than one year	\$ 172,077	\$ 296,833
One to five years	260,700	474,367
	<u>432,777</u>	<u>771,200</u>
Less discount to present value	<u>(17,863)</u>	<u>(36,955)</u>
	<u>\$ 414,914</u>	<u>\$ 734,245</u>

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, 2018 and 2017 to approximate fair value.

The above unconditional promises to give relate to the Organization's capital campaign for the purchase of a new facility (purchased in 2016) and expansion of current programs.

**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(6) Grants Receivable**

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

	2018	2017
Amount due in:		
Less than one year	\$ 277,500	\$ 120,366
One to five years	561,250	-
	838,750	120,366
Less discount to present value	(43,807)	-
	\$ 794,943	\$ 120,366

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, 2018 and 2017 to approximate fair value.

**(7) Property and Equipment**

Property and equipment consists of the following at September 30:

	2018	2017
Building	\$ 4,475,174	\$ 4,397,568
Land	688,143	688,143
Transportation equipment	502,122	448,181
Furniture and fixtures	152,034	134,914
Office equipment	205,620	120,345
Warehouse equipment	190,339	187,889
Land improvements	8,950	-
	6,222,382	5,977,040
Accumulated depreciation	(670,301)	(567,138)
	\$ 5,552,081	\$ 5,409,902

Depreciation expense for the years ended September 30, 2018 and 2017 was \$262,364 and \$222,535, respectively.

**(8) Non-Cash Investing Activities**

During the year ended September 30, 2018, the Organization acquired equipment by trading in equipment valued at \$7,000.

During the year ended September 30, 2017, the Organization acquired equipment by trading in equipment valued at \$15,000.

**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(9) Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at September 30:

	2018	2017
Fresh Rx program	\$ 927,324	\$ -
Building	147,342	200,000
Backpack program	98,982	-
Nutrition education	18,667	40,093
Out of school meals program	17,390	99,446
Equipment	-	32,305
Food purchases	-	2,492
	\$ 1,209,705	\$ 374,336

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

	2018	2017
Out of school meals program	\$ 99,446	\$ -
Building	52,658	-
Nutrition education	40,093	48,500
Equipment	32,305	40,000
Food purchases	2,492	7,677
Backpack program	-	256,185
	\$ 226,994	\$ 352,362

The Fresh Rx portfolio of programs examines how food insecurity impacts health and educational outcomes while providing fresh, local food and nutrition services to program participants in both healthcare and school settings. The backpack program is designed to distribute food to hungry school children. Nutrition education utilizes chefs and nutritionists to lead hands-on courses that instruct adults, teens, and kids how to get the most nutrition out of a limited budget. The out of school meals program provides children with nutritious meals when school is not in session.

**(10) 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 is due to expire September 30, 2019.

## **OPERATION FOOD SEARCH, INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **(11) 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, 2018 and 2017 were \$43,914 and \$38,561, respectively.

#### **(12) Donor Concentration**

The Organization received 11% of its cash contributions from a single donor for the year ended September 30, 2017.

The Organization received 43% of its non-cash contributions from one donor for the years ended September 30, 2018 and 2017.

#### **(13) Accounting Standard Update**

FASB issued Accounting Standards Update No. 2016-14 "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities". The update requires a number of changes to the financial statements of the Organization. These changes will be effective for the fiscal year ending September 30, 2019.

#### **(14) Reclassifications**

Certain accounts relating to the prior year have been restated to conform to current year's presentation. These reclassifications have no effect on previously reported income.