

**OPERATION FOOD SEARCH, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021 AND 2020**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Operation Food Search, Inc.

### **Report on the Financial Statements**

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, 2021 and 2020, 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 and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022 on our consideration of Operation Food Search, Inc.'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 Operation Food Search, Inc.'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 Operation Food Search, Inc.'s internal control over financial reporting and compliance.

January 27, 2022

SFW Partners, LLC  
SFW Partners, LLC

**OPERATION FOOD SEARCH, INC.**

**STATEMENTS OF FINANCIAL POSITION  
As of September 30, 2021 and 2020**

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 2,682,556	\$ 1,922,538
Investments	3,739,260	2,625,121
Accounts receivable	680,520	193,981
Unconditional promises to give	38,873	146,750
Grants receivable	326,663	473,750
Undistributed food and household items	1,644,345	1,639,591
Prepaid expenses	44,540	24,081
Total current assets	9,156,757	7,025,812
Property and equipment, net of accumulated depreciation	5,113,525	5,192,323
Unconditional promises to give, net of discounts	73,639	29,023
Grants receivable, net of discounts	173,149	299,245
Endowment	6,675,106	3,275,801
	\$ 21,192,176	\$ 15,822,204

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued expenses	\$ 333,518	\$ 445,000
Net assets:		
Without donor restrictions:		
Operating	5,891,278	3,404,682
Designated by the Board for endowment	4,102,506	2,003,491
Property and equipment	5,113,525	5,192,323
Undistributed food and household items	1,644,345	1,639,591
Total net assets without donor restrictions	16,751,654	12,240,087
With donor restrictions:		
Specific purpose	1,426,392	1,816,035
Endowment	2,680,612	1,321,082
Total net assets with donor restrictions	4,107,004	3,137,117
Total net assets	20,858,658	15,377,204
	\$ 21,192,176	\$ 15,822,204

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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:						
Support:						
Cash and investment contributions	\$ 6,915,790	\$ 1,097,139	\$ 8,012,929	\$ 5,667,610	\$ 671,841	6,339,451
Grant revenue	3,966,543	718,646	4,685,189	2,875,549	421,546	3,297,095
State support	2,427,146	-	2,427,146	2,115,559	-	2,115,559
Special events (net of \$62,009 and \$14,669 of expenses in 2021 and 2020, respectively)	172,260	-	172,260	99,603	-	99,603
Subtotal	13,481,739	1,815,785	15,297,524	10,758,321	1,093,387	11,851,708
Other non-cash contributions	27,285,781	-	27,285,781	28,589,552	-	28,589,552
Total support	40,767,520	1,815,785	42,583,305	39,347,873	1,093,387	40,441,260
Other revenue (loss):						
Net investment return	628,029	264,685	892,714	114,284	38,083	152,367
Gain on insurance claims received for damage to equipment	70,954	-	70,954	-	-	-
Other income	48,576	-	48,576	60,828	-	60,828
Rental income	2,430	-	2,430	81,505	-	81,505
Loss on sales of property and equipment	(118)	-	(118)	(29,099)	-	(29,099)
Paycheck protection program loan	-	-	-	417,000	-	417,000
Total support and other revenue	41,517,391	2,080,470	43,597,861	39,992,391	1,131,470	41,123,861
Net assets released from restrictions	1,110,583	(1,110,583)	-	591,479	(591,479)	-
Functional expenses:						
Program services	36,972,408	-	36,972,408	34,965,851	-	34,965,851
Management and general	334,645	-	334,645	314,290	-	314,290
Fundraising	809,354	-	809,354	779,052	-	779,052
Total functional expenses	38,116,407	-	38,116,407	36,059,193	-	36,059,193
Changes in net assets	4,511,567	969,887	5,481,454	4,524,677	539,991	5,064,668
Net assets, beginning of the year	12,240,087	3,137,117	15,377,204	7,715,410	2,597,126	10,312,536
Net assets, end of the year	<u>\$ 16,751,654</u>	<u>\$ 4,107,004</u>	<u>\$ 20,858,658</u>	<u>\$ 12,240,087</u>	<u>\$ 3,137,117</u>	<u>\$ 15,377,204</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, 2021 and 2020

	2021				2020			
	Hunger Programs	Management and General	Fundraising	Total	Hunger Programs	Management and General	Fundraising	Total
Distributed food and household items	\$ 27,178,664	\$ -	\$ -	\$ 27,178,664	\$ 27,789,123	\$ -	\$ -	\$ 27,789,123
Food purchased for distribution	5,992,998	-	-	5,992,998	3,828,102	-	-	3,828,102
Salaries	1,683,768	227,536	364,058	2,275,362	1,687,309	202,477	359,959	2,249,745
Program expenses	428,881	-	-	428,881	165,551	-	-	165,551
Professional services	302,269	25,683	67,171	395,123	247,744	21,952	43,904	313,600
Office expense	256,334	15,442	37,060	308,836	177,612	13,490	33,724	224,826
Depreciation	269,168	17,747	8,874	295,789	277,130	25,194	12,597	314,921
Fundraising	-	-	249,052	249,052	-	-	240,725	240,725
Employee benefits	189,097	19,394	33,940	242,431	200,173	21,071	42,142	263,386
Payroll taxes	107,210	14,488	23,181	144,879	104,751	14,350	24,394	143,495
Vehicles	121,753	-	-	121,753	76,738	-	-	76,738
Shipping	105,661	-	-	105,661	58,975	-	-	58,975
Insurance	88,752	4,877	3,901	97,530	82,140	4,513	3,611	90,264
Communications	64,070	4,161	14,977	83,208	59,025	5,165	9,592	73,782
Warehouse	64,820	-	-	64,820	95,063	-	-	95,063
Utilities	55,901	2,457	3,072	61,430	48,514	2,756	3,859	55,129
Repairs and maintenance	51,760	2,300	3,451	57,511	44,204	1,965	2,947	49,116
Travel	11,236	494	617	12,347	23,614	1,327	1,592	26,533
Miscellaneous	66	66	-	132	83	30	6	119
	<u>\$ 36,972,408</u>	<u>\$ 334,645</u>	<u>\$ 809,354</u>	<u>\$ 38,116,407</u>	<u>\$ 34,965,851</u>	<u>\$ 314,290</u>	<u>\$ 779,052</u>	<u>\$ 36,059,193</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, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 5,481,454	\$ 5,064,668
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Investment contributions	(195,734)	(105,539)
(Gain) loss on sales of investments	(142,794)	34,041
Unrealized gain on investments	(649,808)	(132,973)
Depreciation	295,789	314,921
Loss on sales of property and equipment	118	29,099
Gain on insurance claims received for damage to equipment	(70,954)	-
Contributions restricted for endowment	(1,097,139)	(117,301)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(486,539)	(165,931)
Unconditional promises to give	126,884	103,987
Grants receivable	273,183	177,182
Undistributed food and household items	(4,754)	(778,906)
Prepaid expenses	(20,459)	(8,143)
Decrease in liabilities:		
Accrued expenses	(111,482)	(158,096)
Net cash provided by operating activities	3,397,765	4,257,009
Cash flows from investing activities:		
Proceeds from sales of investments	558,698	797,834
Purchases of investments	(2,184,501)	(2,609,075)
Insurance proceeds received for damage to equipment	70,954	390,433
Purchases of property and equipment	(217,109)	(498,851)
Purchases of endowment investments	(1,899,305)	(2,118,593)
Net cash used in investing activities	(3,671,263)	(4,038,252)
Cash flows from financing activities:		
Collections of contributions restricted for endowment	1,033,516	105,801
Net increase in cash and cash equivalents	760,018	324,558
Cash and cash equivalents, beginning of the year	1,922,538	1,597,980
Cash and cash equivalents, end of the year	\$ 2,682,556	\$ 1,922,538

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 nearly 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:

- Community Nutrition 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. The Organization 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.



## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (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. These income and loss amounts are included in net investment return on the accompanying statements of activities and changes in net assets.

##### *Accounts Receivable*

The Organization carries its accounts receivable at cost. On a periodic basis, the Organization evaluates its accounts receivable and recognizes bad debts, based on an analysis of specific customers, taking into consideration the age of the past due accounts and an assessment of the customer's ability to pay. An allowance for doubtful accounts has not been established as the amount is considered immaterial. The Organization recognizes service charge income only when collected.

##### *Unconditional Promises to Give*

Unconditional promises to give are recognized as revenue when the promise is received. Conditional promises to give, that is those with a measurable performance or other barrier, are recognized as support 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 and any measurable performance or other barriers are met. 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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

##### *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, 5 to 39 years; transportation equipment, 5 years; office equipment, 3 to 5 years; warehouse equipment, 5 to 7 years; furniture and fixtures, 7 years; land improvements, 15 years.

##### *Support and Revenue With and Without Donor Restrictions*

Effective October 1, 2020, the Organization adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Accounting Standards Codification ("ASC") Topic 606) using the modified retrospective method in which the new guidance was applied retrospectively to contracts that were not completed as of October 1, 2020. Topic 606 requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. Results for the year ended September 30, 2021 have been presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with previous guidance.

As part of the adoption of the ASU, the Organization elected the following transitional practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

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, 2021 and 2020, the Organization received non-cash contributions, excluding contributed services, of \$27,183,418 and \$28,568,029, 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, 2021 and 2020, the Organization recognized \$102,363 and \$21,523 of 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.

#### *Paycheck Protection Program Loan*

The Organization elected to account for the Paycheck Protection Program ("PPP") Loan, which is a forgivable loan program established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, in accordance with ASC Topic 958-605, Not-for-Profit Entities-Revenue Recognition. The Organization initially recorded the cash inflow from the PPP loan as a refundable advance liability. As conditions of forgiveness were substantially met or explicitly waived, the Organization reduced the refundable advance liability and recognized contribution income for the year ended September 30, 2020 (see Note 12).

#### *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.

#### *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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

##### *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 Financial Accounting Standards Board ("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, 2021 and 2020 exceeded the insured limits by \$2,567,779 and \$2,705,311, respectively. The Organization also holds cash equivalent assets in uninsured accounts totaling \$29,742 and \$34,147 as of September 30, 2021 and 2020, respectively.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

The Organization maintains investments with brokerage firms that include funds greater than the SIPC insured limit. SIPC protects against the loss of investments held at a SIPC-member brokerage firm, but does not protect against the decline in value of the investments. 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 investments. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position. The brokerage accounts at September 30, 2021 and 2020 exceeded the insured limit by \$4,830,613 and \$2,422,906, 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.

#### *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.

#### (3) Investments

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

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Market Value
<i>September 30, 2021</i>				
Mutual funds	\$ 3,095,348	\$ 143,923	\$ (1,247)	\$ 3,238,024
Money market fund	501,236	-	-	501,236
	<u>\$ 3,596,584</u>	<u>\$ 143,923</u>	<u>\$ (1,247)</u>	<u>\$ 3,739,260</u>
<i>September 30, 2020</i>				
Mutual funds	\$ 614,942	\$ 21,968	\$ (12,469)	\$ 624,441
Money market fund	2,000,680	-	-	2,000,680
	<u>\$ 2,615,622</u>	<u>\$ 21,968</u>	<u>\$ (12,469)</u>	<u>\$ 2,625,121</u>

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (3) Investments (Continued)

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, 2021 and 2020. The investments currently in an unrealized holding loss position have a market value of \$372,940 and \$211,529 at September 30, 2021 and 2020, respectively, with a majority in an unrealized loss position for less than 12 months at September 30, 2021.

#### (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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021 and 2020.

##### *Level 1 Fair Value Measurements*

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

**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(4) Fair Value Measurements (Continued)**

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

	Fair Value	Investments 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, 2021</i>				
Mutual funds	\$ 3,238,024	\$ 3,238,024	\$ -	\$ -
Money market fund	501,236	501,236	-	-
Total investments	<u>\$ 3,739,260</u>	<u>\$ 3,739,260</u>	<u>\$ -</u>	<u>\$ -</u>
<i>September 30, 2020</i>				
Mutual funds	\$ 624,441	\$ 624,441	\$ -	\$ -
Money market fund	2,000,680	2,000,680	-	-
Total investments	<u>\$ 2,625,121</u>	<u>\$ 2,625,121</u>	<u>\$ -</u>	<u>\$ -</u>
	Fair Value	Endowment 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, 2021</i>				
Mutual funds	\$ 5,753,976	\$ 5,753,976	\$ -	\$ -
Money market funds	921,130	921,130	-	-
Total endowment	<u>\$ 6,675,106</u>	<u>\$ 6,675,106</u>	<u>\$ -</u>	<u>\$ -</u>
<i>September 30, 2020</i>				
Mutual funds	\$ 2,123,275	\$ 2,123,275	\$ -	\$ -
Money market funds	1,152,526	1,152,526	-	-
Total endowment	<u>\$ 3,275,801</u>	<u>\$ 3,275,801</u>	<u>\$ -</u>	<u>\$ -</u>

**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(5) Unconditional Promises to Give**

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

	2021	2020
Amount due in:		
Less than one year	\$ 38,873	\$ 146,750
One to five years	75,500	29,750
	114,373	176,500
Less discount to present value	(1,861)	(727)
	\$ 112,512	\$ 175,773

Promises to give consist of the following at September 30:

	2021	2020
Capital campaign promises to give, net	\$ 4,500	\$ 126,273
Endowment promises to give, net	108,012	49,500
	\$ 112,512	\$ 175,773

Unconditional promises to give due in excess of one year are recognized at fair value, using present value with a discount rate of 1.00% as of September 30, 2021 and 2020, to approximate fair value.

**(6) Grants Receivable**

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

	2021	2020
Amount due in:		
Less than one year	\$ 326,663	\$ 473,750
One to five years	176,629	306,250
	503,292	780,000
Less discount to present value	(3,480)	(7,005)
	\$ 499,812	\$ 772,995

Grants receivable in excess of one year are recognized at fair value, using present value with a discount rate of 1.00% as of September 30, 2021 and 2020, to approximate fair value.



**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(7) Property and Equipment**

Property and equipment consist of the following at September 30:

	2021	2020
Building	\$ 4,581,330	\$ 4,551,976
Transportation equipment	555,518	526,751
Office equipment	255,795	228,837
Warehouse equipment	228,005	187,587
Furniture and fixtures	221,639	221,639
Land improvements	120,068	31,936
	5,962,355	5,748,726
Accumulated depreciation	(1,536,973)	(1,244,546)
	4,425,382	4,504,180
Land	688,143	688,143
	\$ 5,113,525	\$ 5,192,323

Depreciation expense for the years ended September 30, 2021 and 2020 was \$295,789 and \$314,921, respectively.

**(8) Endowment**

The Organization’s endowment, which was created in 2019, consists of donor-restricted funds and board designated 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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (8) Endowment (Continued)

##### *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 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 annual spending rate, set at the discretion of the investment committee, may be up to 5% of the average ending market value for the previous twelve quarters ending September 30. This annual draw may also be deferred by the investment committee. This policy will be reviewed annually.

**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(8) Endowment (Continued)**

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

	Without Donor Restrictions	With Donor Restrictions	Total
<i>September 30, 2021</i>			
Board-designated endowment funds	\$ 4,082,703	\$ -	\$ 4,082,703
Endowment funds with donor restrictions:			
Perpetual	-	2,270,194	2,270,194
Unappropriated endowment earnings	-	322,209	322,209
	\$ 4,082,703	\$ 2,592,403	\$ 6,675,106
<i>September 30, 2020</i>			
Board-designated endowment funds	\$ 1,973,983	\$ -	\$ 1,973,983
Endowment funds with donor restrictions:			
Perpetual		1,244,294	1,244,294
Unappropriated endowment earnings	-	57,524	57,524
	\$ 1,973,983	\$ 1,301,818	\$ 3,275,801

**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(8) Endowment (Continued)**

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

	Without Donor Restrictions	With Donor Restrictions	Total
<i>September 30, 2021</i>			
Endowment assets, beginning of year	\$ 1,973,983	\$ 1,301,818	\$ 3,275,801
Funds designated	1,750,848	-	1,750,848
Contributions	-	1,025,900	1,025,900
Investment income	34,749	27,981	62,730
Net appreciation	323,123	236,704	559,827
Endowment assets, end of year	<u>\$ 4,082,703</u>	<u>\$ 2,592,403</u>	<u>\$ 6,675,106</u>
<i>September 30, 2020</i>			
Endowment assets, beginning of year	\$ -	\$ 1,157,208	\$ 1,157,208
Contributions	1,895,739	106,527	2,002,266
Investment income	5,125	23,430	28,555
Net appreciation	73,119	14,653	87,772
Endowment assets, end of year	<u>\$ 1,973,983</u>	<u>\$ 1,301,818</u>	<u>\$ 3,275,801</u>

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

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Market Value
<i>September 30, 2021</i>				
Mutual funds	\$ 5,183,690	\$ 572,867	\$ (2,581)	\$ 5,753,976
Money market fund	921,130	-	-	921,130
	<u>\$ 6,104,820</u>	<u>\$ 572,867</u>	<u>\$ (2,581)</u>	<u>\$ 6,675,106</u>
<i>September 30, 2020</i>				
Mutual funds	\$ 1,195,859	\$ 941,110	\$ (13,694)	\$ 2,123,275
Money market fund	1,152,526	-	-	1,152,526
	<u>\$ 2,348,385</u>	<u>\$ 941,110</u>	<u>\$ (13,694)</u>	<u>\$ 3,275,801</u>

**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(8) Endowment (Continued)**

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, 2021 and 2020. The investments currently in an unrealized holding loss position have a market value of \$397,419 and \$398,859 at September 30, 2021 and 2020, respectively, with a majority in an unrealized loss position for less than 12 months at September 30, 2021.

**(9) Net Assets with Donor Restrictions**

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

	2021	2020
Specific purpose:		
Out-of-school meals programs	\$ 670,183	\$ 354,294
Advocacy	503,342	396,116
Fresh Rx program	220,767	612,735
Innovation	18,600	-
Community Nutrition	13,500	15,000
Program expansion	-	34,234
Emergency response	-	403,656
	1,426,392	1,816,035
Endowment:		
Perpetual	2,358,403	1,263,558
Unappropriated endowment earnings	322,209	57,524
	2,680,612	1,321,082
	\$ 4,107,004	\$ 3,137,117

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (9) Net Assets with Donor Restrictions (Continued)

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

	2021	2020
Satisfaction of purpose restrictions:		
Fresh Rx program	\$ 424,826	\$ 299,723
Emergency response	403,656	-
Advocacy	170,140	118,933
Out-of-school meals programs	76,227	45,635
Program expansion	34,234	71,405
Community Nutrition	1,500	-
Fixed asset purchases	-	44,750
Breakfast in the classroom	-	11,033
	\$ 1,110,583	\$ 591,479

Fresh Rx is a program designed by the Organization 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 and reducing health care costs. 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. Community Nutrition programs teach kids, teens, families, parents, and adults how to plan, shop for and prepare healthy and delicious meals that are affordable. Emergency response funds relate directly to increased need surrounding the COVID-19 pandemic.

#### (10) 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:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 2,682,556	\$ 1,922,538
Investments	3,739,260	2,625,121
Accounts receivable	680,520	193,981
Unconditional promises to give	38,873	146,750
Grants receivable	326,663	473,750
	7,467,872	5,362,140
Less: Amounts restricted by donors and grantors	(1,253,243)	(1,516,790)
	\$ 6,214,629	\$ 3,845,350

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (10) Liquidity and Availability (Continued)

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

#### (11) Disaggregation of Revenue

The Organization disaggregates revenue from contracts with customers by type of revenue as noted in the combined statements of activities and changes in net assets, which depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. All earned revenue is recognized at a point in time, as performance obligations are satisfied.

#### (12) Paycheck Protection Program Loan

On April 16, 2020, the Organization received a PPP loan in the amount of \$417,000. The PPP loan program was created by the United States federal government in response to the economic impact of COVID-19 and is administered by the Small Business Administration in conjunction with the banking industry. Up to 100% of the loan may be forgiven if the Organization meets certain criteria as defined in Section 1106 of the CARES Act. Any loan proceeds not forgiven are payable over two years plus interest at 1% per annum, with payments deferred up to ten months after the end of the covered period as defined in the CARES Act. There is no stated collateral or guarantees per the loan agreement.

During the year ended September 30, 2020, the Organization recognized \$417,000 of the loan proceeds as other revenue due to the Organization meeting the PPP's forgiveness criteria for that amount as of September 30, 2020. On June 2, 2021, the Organization received approval from the Small Business Administration for 100% forgiveness of the PPP loan and accrued interest.

#### (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, 2021 and 2020 were \$64,173 and \$68,998, respectively.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### **(14) Donor Concentration**

The Organization received 47% of its cash and grant contributions from two donors and 13% of its cash and grant contributions from one donor for the years ended September 30, 2021 and 2020, respectively.

The Organization received 45% and 44% of its non-cash contributions from one donor for the years ended September 30, 2021 and 2020, respectively.

The Organization received 100% and 98% of its state support from one donor for the years ended September 30, 2021 and 2020, respectively.

#### **(15) Risk and Uncertainty Due to COVID-19**

On March 11, 2020, the World Health Organization declared the COVID-19 virus a worldwide pandemic as the spread of the virus has reached most countries, including the United States. Federal, state, and local governments have taken actions to limit the transmission of this virus, which includes restrictions on travel, dining, and many other non-essential business and consumer activities. The impact of this virus and the government mandated restrictions could have a significant impact on the Organization's future operations. The United States federal government, as well as many state and local governments, have passed stimulus bills to combat the economic impact of the virus. The potential effectiveness of these stimulus bills are currently not known.

The COVID-19 worldwide pandemic continues to impact the Organization. Stimulus bills provided extra support that helped fund additional food needed in the community. However, as supply chain issues continue, food donations have been disrupted and the demand for food assistance remains high. The Organization continues to adapt to limit transmission of the disease by following food distribution models that include more drive-through and grab-and-go options, adjusting warehouse procedures to include additional safety measures, continuing to provide numerous virtual and online resources for community nutrition, food access and other assistance, and partnering with additional organizations to provide leadership and support for hundreds of thousands of individuals in the bi-state region.

As of the date of the independent auditor's report, management cannot reasonably estimate the duration and severity of the COVID-19 pandemic, nor the overall impact to the Organization's operations. The accompanying financial statements do not include any adjustments for the risk and uncertainty of COVID-19.

#### **(16) Reclassification**

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.



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

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

#### **(17) Subsequent Event**

On November 19, 2021, the Organization acquired The St. Louis MetroMarket, a Missouri nonprofit that brings food to the community in a retrofitted metro bus. Unlike the food distributed by the Organization at no cost, the MetroMarket model includes providing access to low-cost produce in areas with reduced access to food. The merger will allow the MetroMarket to continue serving the region, while the Organization, which will provide its hunger relief infrastructure and organizational resources, will handle brand development and fundraising opportunities to expand MetroMarket's reach.

**ACCOMPANYING INFORMATION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Operation Food Search, Inc.

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Operation Food Search, Inc., which comprise the statement of financial position as of September 30, 2021 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 27, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Operation Food Search, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Operation Food Search, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Operation Food Search, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Operation Food Search, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 27, 2022

SFW Partners, LLC  
SFW Partners, LLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Directors  
Operation Food Search, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Operation Food Search, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Operation Food Search, Inc.'s major federal programs for the year ended September 30, 2021. Operation Food Search, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Operation Food Search, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Operation Food Search, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Operation Food Search, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Operation Food Search, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

## Report on Internal Control over Compliance

Management of Operation Food Search, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Operation Food Search, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Operation Food Search, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

January 27, 2022

SFW Partners, LLC  
SFW Partners, LLC

**OPERATION FOOD SEARCH, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2021**

<b>Program Title</b>	<b>CFDA Number</b>	<b>Grant/ Pass-Through Number</b>	<b>Expenditures</b>
<b>United States Department of the Treasury</b>			
Passed through St. Louis County Department of Human Services			
COVID-19 Coronavirus Relief Fund	21.019	CR2020-0005A & CR2020-0005B	\$ 3,410,086
Passed through Missouri Department of Economic Development			
COVID-19 Coronavirus Relief Fund	21.019	**	180,949
Total Coronavirus Relief Fund			<u>3,591,035</u>
<b>United States Department of Agriculture</b>			
Passed through Missouri Department of Health and Senior Services			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	ERS0462881S	2,016,934
Total Child Nutrition Cluster			<u>2,016,934</u>
<b>United States Department of Agriculture</b>			
Passed through Missouri Department of Health and Senior Services			
Child and Adult Care Food Program	10.558	ERS4618-2881	28,271
Passed through Missouri Department of Health and Senior Services			
COVID-19 - Child and Adult Care Food Program	10.558	21CACFP-EMOP	23,209
Total Child and Adult Care Food Program			<u>51,480</u>
<b>United States Department of Agriculture</b>			
Passed through Missouri Department of Social Services			
Supplemental Nutrition Assistance Program Cluster			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	C00071862-1	45,000
Total Supplemental Nutrition Assistance Program Cluster			<u>45,000</u>
<b>Total Federal Awards</b>			<u><u>\$ 5,704,449</u></u>

\*\* Grantor had not provided as of the date of the independent auditor's report.

See independent auditor's report and notes to schedule of expenditures of federal awards

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

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**(1) BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Operation Food Search, Inc. under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Operation Food Search, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Operation Food Search, Inc.

**(2) CATALOG OF FEDERAL DOMESTIC ASSISTANCE (“CFDA”) NUMBERS**

The program titles and CFDA numbers were obtained from the *2021 Catalog of Federal Domestic Assistance*.

**(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Operation Food Search, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**(4) SUBRECIPIENTS**

There were no subrecipient payments during the year.



OPERATION FOOD SEARCH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

Section I: Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Type of auditor's report issued on compliance for major federal programs?	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	<u> X </u> no	
Identification of major programs:			

CFDA Number(s)

21.019

Name of Federal Program or Cluster

Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?	_____ yes	<u> X </u> no	
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Section II: Financial Statement Findings

None

Section III: Federal Awards Findings

None