

**OPERATION FOOD SEARCH, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Operation Food Search, Inc.

### **Opinion**

We have audited the financial statements of Operation Food Search, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Operation Food Search, Inc. as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Operation Food Search, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation Food Search, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

January 26, 2024

*SFW Partners, LLC*  
SFW Partners, LLC  
St. Louis Missouri

**OPERATION FOOD SEARCH, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**As of September 30, 2023 and 2022**

**ASSETS**

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 3,562,023	\$ 4,185,035
Investments	3,663,407	3,279,239
Accounts receivable	68,888	142,777
Unconditional promises-to-give	71,073	56,073
Grants receivable	92,032	594,592
Undistributed food and household items	1,539,153	1,111,357
Prepaid expenses	288,314	311,958
Total current assets	<u>9,284,890</u>	<u>9,681,031</u>
Property and equipment, net of accumulated depreciation	5,620,848	5,010,606
Unconditional promises-to-give, net of discounts	184,807	216,286
Grants receivable, net of discounts	-	32,204
Endowment investments	<u>6,211,776</u>	<u>5,535,558</u>
Total assets	<u><u>\$ 21,302,321</u></u>	<u><u>\$ 20,475,685</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accrued expenses	\$ 403,889	\$ 222,317
Net assets:		
Without donor restrictions:		
Operating	6,497,197	6,553,845
Designated by the Board for endowment	3,808,320	3,399,906
Property and equipment	5,620,848	5,010,606
Undistributed food and household items	1,539,153	1,111,357
Total net assets without donor restrictions	<u>17,465,518</u>	<u>16,075,714</u>
With donor restrictions:		
Specific purpose	948,386	1,953,725
Endowment	2,484,528	2,223,929
Total net assets with donor restrictions	<u>3,432,914</u>	<u>4,177,654</u>
Total net assets	<u>20,898,432</u>	<u>20,253,368</u>
Total liabilities and net assets	<u><u>\$ 21,302,321</u></u>	<u><u>\$ 20,475,685</u></u>

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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:						
Support:						
Other non-cash contributions	\$ 28,484,661	\$ -	\$ 28,484,661	\$ 27,695,452	\$ 184,082	\$ 27,879,534
Cash and investment contributions	4,026,441	236,466	4,262,907	3,851,983	1,061,742	4,913,725
Grant revenue	760,849	176,694	937,543	1,415,582	436,114	1,851,696
State support	429,739	-	429,739	336,421	-	336,421
Special events (net of \$128,719 and \$77,677 of expenses in 2023 and 2022, respectively)	266,025	-	266,025	264,384	-	264,384
Total support	33,967,715	413,160	34,380,875	33,563,822	1,681,938	35,245,760
Other revenue (loss):						
Net investment return	986,738	252,552	1,239,290	(1,133,137)	(456,899)	(1,590,036)
Program fees	411,425	-	411,425	383,102	-	383,102
Other income	5,520	-	5,520	39,559	-	39,559
Loss on disposal of property and equipment	(81)	-	(81)	-	-	-
Total support and other revenue	35,371,317	665,712	36,037,029	32,853,346	1,225,039	34,078,385
Net assets released from restrictions	1,410,452	(1,410,452)	-	1,154,389	(1,154,389)	-
Functional expenses:						
Program services	33,750,564	-	33,750,564	33,232,088	-	33,232,088
Management and general	551,767	-	551,767	451,687	-	451,687
Fundraising	1,089,634	-	1,089,634	999,900	-	999,900
Total functional expenses	35,391,965	-	35,391,965	34,683,675	-	34,683,675
Changes in net assets	1,389,804	(744,740)	645,064	(675,940)	70,650	(605,290)
Net assets, beginning of the year	16,075,714	4,177,654	20,253,368	16,751,654	4,107,004	20,858,658
Net assets, end of the year	\$ 17,465,518	\$ 3,432,914	\$ 20,898,432	\$ 16,075,714	\$ 4,177,654	\$ 20,253,368

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, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Distributed food and household items	\$ 28,013,756	\$ -	\$ -	\$ 28,013,756	\$ 28,200,823	\$ -	\$ -	\$ 28,200,823
Salaries	2,085,920	362,769	574,384	3,023,073	1,882,832	327,449	518,461	2,728,742
Food purchased for distribution	1,759,501	-	-	1,759,501	1,273,784	-	-	1,273,784
Professional services	243,661	60,915	33,842	338,418	307,978	30,418	41,824	380,220
Employee benefits	235,606	36,247	57,666	329,519	184,234	25,238	42,904	252,376
Office expense	236,079	40,382	34,169	310,630	255,964	12,189	36,566	304,719
Fundraising	-	-	291,689	291,689	-	-	266,859	266,859
Depreciation	248,849	7,942	7,942	264,733	261,206	14,352	11,482	287,040
Payroll taxes	159,173	24,661	40,354	224,188	158,069	24,490	40,074	222,633
Shipping	172,183	-	-	172,183	146,491	-	-	146,491
Communications	84,825	9,135	36,540	130,500	103,937	6,929	27,716	138,582
Program expenses	122,172	-	-	122,172	105,806	-	-	105,806
Insurance	101,087	3,825	4,371	109,283	95,355	4,146	4,146	103,647
Vehicles	105,852	-	-	105,852	94,512	-	-	94,512
Utilities	76,071	3,307	3,307	82,685	61,937	2,723	3,403	68,063
Repairs and maintenance	45,114	1,487	2,975	49,576	61,420	2,730	4,095	68,245
Warehouse	42,421	-	-	42,421	27,761	-	-	27,761
Travel	18,286	1,089	2,395	21,770	9,875	919	2,370	13,164
Miscellaneous	8	8	-	16	104	104	-	208
	<u>\$ 33,750,564</u>	<u>\$ 551,767</u>	<u>\$ 1,089,634</u>	<u>\$ 35,391,965</u>	<u>\$ 33,232,088</u>	<u>\$ 451,687</u>	<u>\$ 999,900</u>	<u>\$ 34,683,675</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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Changes in net assets	\$ 645,064	\$ (605,290)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Investment contributions	(116,115)	(114,303)
Loss on sales of investments and endowment investments	51,652	128,498
Unrealized (gain) loss on investments and endowment investments	(886,121)	1,674,199
Depreciation	264,733	287,040
Contributed property and equipment	-	4,926
Loss on disposal of property and equipment	81	-
Contributions restricted for endowment	(7,796)	(8,665)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	73,889	537,743
Unconditional promises-to-give	18,225	(170,532)
Grants receivable	534,764	(126,984)
Undistributed food and household items	(427,796)	532,988
Prepaid expenses	23,644	(267,418)
Increase (decrease) in liabilities:		
Accrued expenses	181,572	(111,201)
Net cash provided by operating activities	<u>355,796</u>	<u>1,761,001</u>
Cash flows from investing activities:		
Proceeds from sales of investments and endowment investments	915,717	4,941,708
Purchases of investments and endowment investments	(1,025,519)	(5,030,533)
Purchases of property and equipment	(875,056)	(189,047)
Net cash used in investing activities	<u>(984,858)</u>	<u>(277,872)</u>
Cash flows from financing activities:		
Collections of contributions restricted for endowment	<u>6,050</u>	<u>19,350</u>
Net (decrease) increase in cash and cash equivalents	(623,012)	1,502,479
Cash and cash equivalents, beginning of the year	<u>4,185,035</u>	<u>2,682,556</u>
Cash and cash equivalents, end of the year	<u><u>\$ 3,562,023</u></u>	<u><u>\$ 4,185,035</u></u>

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 heal hunger with innovative and collaborative solutions that provide food today and help create a hunger-free tomorrow.” The Organization provides free food, nutrition education and innovative programs proven to reduce food insecurity. With a strategic focus aimed at ending childhood hunger, the Organization empowers families and increases access to healthy and affordable food. The Organization works through a network of 330 community partners in 27 Missouri and Illinois counties to distribute food and household items. It also 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.
- MetroMarket is a mobile grocery store that travels to areas with limited access to fresh, healthy food. MetroMarket’s innovative approach uses a customer model to empower the community to shop at significantly lower prices than retail grocers. Fresh, affordable produce has been carefully selected from local farm partners and is brought directly to partner sites in the community. As a part of the Organization’s family, MetroMarket is growing its programming, including recipe tastings, nutrition education and other community nutrition offerings.

##### **2. Building Nutrition IQ:**

- Community Nutrition programs 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. Innovative “food is medicine” programs such as Fresh Rx and Fresh Fork Market work to improve the overall health of individuals and communities.



## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (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.

##### *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.

## 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 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.

##### *Contributed and Undistributed Food and Household Items*

In-kind contributions include services provided which create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation as well as food and household items provided by donation. These services are recognized in the financial statements at the fair value of the service provided. Food and other household items are valued at retail value, which approximates fair market value. In-kind contributions are recorded as support without donor restrictions unless specifically restricted by the donor. The Organization did not monetize any contributed food or household items.

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.

##### *Property and Equipment*

Property and equipment are stated at cost if purchased or fair value if contributed, less an allowance for depreciation. Major 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, 2 to 5 years; warehouse equipment, 5 to 7 years; office equipment, 3 to 5 years; furniture and fixtures, 7 years; land improvements, 15 years.

##### *Net Assets, Support and Other Revenue*

Net assets, support and other revenue are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* Net assets available for use in general operations and not subject to donor (or grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

*Net assets with donor restrictions:* Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### *Endowment Funds*

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.

#### *Endowment Investment Return Objectives, Risk Parameters and Strategies*

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment investments. 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 investments 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 investments are invested in a well-diversified asset mix, which includes equity securities. The Organization expects its endowment investments, 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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

##### *Endowment 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.

From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature exist in the endowment fund as of September 30, 2022 (see Note 7). These deficiencies resulted from unfavorable market fluctuations that occurred during the fiscal year. The endowment spending policy above permits spending from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations. No funds were appropriated for expenditure during the years ended September 30, 2023 and 2022.

##### *Program Services Expenses*

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 Expenses*

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 Expenses*

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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

##### *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") Accounting Standards Codification ("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, 2023 and 2022 exceeded the insured limits by \$3,107,231 and \$3,655,227, respectively. The Organization also holds cash equivalent assets in uninsured accounts totaling \$30,935 and \$34,325 as of September 30, 2023 and 2022, respectively.

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 statements of financial position. The brokerage accounts at September 30, 2023 and 2022 exceeded the insured limit by \$4,576,863 and \$3,934,092, 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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

##### *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) 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.

The 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, 2023 and 2022.

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

The fair value of the mutual funds, money market funds, and stocks are based on quoted market prices.

##### *Level 2 Fair Value Measurements*

The fair value of the US treasury bonds are based on the underlying investments and vendor pricing agents.

# **OPERATION FOOD SEARCH, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(3) Fair Value Measurements (Continued)**

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

		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
	Fair Value			
<i>September 30, 2023</i>				
Mutual funds	\$ 3,137,738	\$ 3,137,738	\$ -	\$ -
Money market fund	525,669	525,669	-	-
Total investments	<u>\$ 3,663,407</u>	<u>\$ 3,663,407</u>	<u>\$ -</u>	<u>\$ -</u>
<i>September 30, 2022</i>				
Mutual funds	\$ 2,749,382	\$ 2,749,382	\$ -	\$ -
Money market fund	503,751	503,751	-	-
Stock	26,106	26,106	-	-
Total investments	<u>\$ 3,279,239</u>	<u>\$ 3,279,239</u>	<u>\$ -</u>	<u>\$ -</u>

  

		Endowment 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
	Fair Value			
<i>September 30, 2023</i>				
Mutual funds	\$ 5,801,646	\$ 5,801,646	\$ -	\$ -
US treasury bonds	206,845	-	206,845	-
Money market funds	203,285	203,285	-	-
Total endowment	<u>\$ 6,211,776</u>	<u>\$ 6,004,931</u>	<u>\$ 206,845</u>	<u>\$ -</u>
<i>September 30, 2022</i>				
Mutual funds	\$ 5,365,040	\$ 5,365,040	\$ -	\$ -
Money market funds	170,518	170,518	-	-
Total endowment	<u>\$ 5,535,558</u>	<u>\$ 5,535,558</u>	<u>\$ -</u>	<u>\$ -</u>

# **OPERATION FOOD SEARCH, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(4) Unconditional Promises-to-Give**

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

	2023	2022
Amount due in:		
Less than one year	\$ 71,073	\$ 56,073
One to five years	241,307	276,307
	312,380	332,380
Discount to present value	(56,500)	(60,021)
	<u>\$ 255,880</u>	<u>\$ 272,359</u>

Promises-to-give consist of the following at September 30:

	2023	2022
Solar panels promises-to-give, net	\$ 184,807	\$ 184,082
Endowment promises-to-give, net	71,073	88,277
	<u>\$ 255,880</u>	<u>\$ 272,359</u>

Unconditional promises-to-give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 4.55% and 4.25% as of September 30, 2023 and 2022, respectively, when the donor makes an unconditional promise-to-give to the Organization.

### **(5) Grants Receivable**

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

	2023	2022
Amount due in:		
Less than one year	\$ 92,032	\$ 594,592
One to five years	-	35,000
	92,032	629,592
Less discount to present value	-	(2,796)
	<u>\$ 92,032</u>	<u>\$ 626,796</u>

Grants receivable in excess of one year are recognized at fair value, using present value techniques and a discount rate of 4.25% as of September 30, 2022, to approximate fair value.



**OPERATION FOOD SEARCH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(6) Property and Equipment**

Property and equipment consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Building	\$ 4,641,069	\$ 4,628,521
Transportation equipment	1,069,313	636,000
Warehouse equipment	279,018	274,905
Office equipment	230,141	255,795
Furniture and fixtures	216,164	224,711
Land improvements	<u>126,543</u>	<u>126,543</u>
	6,562,248	6,146,475
Accumulated depreciation	<u>(2,036,723)</u>	<u>(1,824,012)</u>
	4,525,525	4,322,463
Land	688,143	688,143
Construction-in-process	<u>407,180</u>	<u>-</u>
	<u><u>\$ 5,620,848</u></u>	<u><u>\$ 5,010,606</u></u>

Depreciation expense for the years ended September 30, 2023 and 2022 was \$264,733 and \$287,040, respectively.

# **OPERATION FOOD SEARCH, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(7) Endowment Investments**

At September 30, the Organization had the following endowment investment composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
<i>September 30, 2023</i>			
Board-designated endowment funds	\$ 3,798,320	\$ -	\$ 3,798,320
Endowment funds with donor restrictions:			
Perpetual	-	2,295,594	2,295,594
Unappropriated endowment earnings	-	117,862	117,862
	<u>\$ 3,798,320</u>	<u>\$ 2,413,456</u>	<u>\$ 6,211,776</u>
<i>September 30, 2022</i>			
Board-designated endowment funds	\$ 3,380,704	\$ -	\$ 3,380,704
Endowment funds with donor restrictions:			
Perpetual	-	2,289,544	2,289,544
Unappropriated endowment loss	-	(134,690)	(134,690)
	<u>\$ 3,380,704</u>	<u>\$ 2,154,854</u>	<u>\$ 5,535,558</u>

# **OPERATION FOOD SEARCH, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(7) Endowment Investments (Continued)**

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

	Without Donor Restrictions	With Donor Restrictions	Total
<i>September 30, 2023</i>			
Endowment assets, beginning of year	\$ 3,380,704	\$ 2,154,854	\$ 5,535,558
Funds designated	33,761	-	33,761
Contributions	-	6,050	6,050
Investment income	86,002	54,181	140,183
Net appreciation	297,853	198,371	496,224
	<u>3,798,320</u>	<u>2,413,456</u>	<u>6,211,776</u>
Endowment assets, end of year	<u>\$ 3,798,320</u>	<u>\$ 2,413,456</u>	<u>\$ 6,211,776</u>
<i>September 30, 2022</i>			
Endowment assets, beginning of year	\$ 4,082,703	\$ 2,592,403	\$ 6,675,106
Funds designated	23,465	-	23,465
Contributions	-	19,350	19,350
Investment income	66,466	42,447	108,913
Net depreciation	(791,930)	(499,346)	(1,291,276)
	<u>3,380,704</u>	<u>2,154,854</u>	<u>5,535,558</u>
Endowment assets, end of year	<u>\$ 3,380,704</u>	<u>\$ 2,154,854</u>	<u>\$ 5,535,558</u>

# **OPERATION FOOD SEARCH, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **(8) Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at September 30:

	2023	2022
Specific purpose:		
Out-of-school meals programs	\$ 341,999	\$ 1,026,246
Fresh Rx program	191,602	308,550
Advocacy	112,507	265,998
Agencies and distribution	48,677	18,537
Remodel	53,750	-
MetroMarket	10,000	128,877
Innovation	1,701	15,430
Food Procurement	3,343	-
Community Nutrition	-	6,005
Specific period:		
Solar panels	184,807	184,082
	948,386	1,953,725
Endowment:		
Perpetual	2,366,666	2,358,619
Unappropriated endowment gain (loss) earnings	117,862	(134,690)
	2,484,528	2,223,929
	<u>\$ 3,432,914</u>	<u>\$ 4,177,654</u>

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

	2023	2022
Satisfaction of purpose restrictions:		
Out-of-school meals programs	\$ 981,418	\$ 670,184
Advocacy	153,491	237,343
Metro Market	128,877	-
Fresh Rx program	87,744	220,767
Innovation	35,884	18,600
Agencies and distribution	17,033	-
Community Nutrition	6,005	7,495
	<u>\$ 1,410,452</u>	<u>\$ 1,154,389</u>

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

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

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. 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. Metro Market is a mobile grocery store that travels to areas with limited access to fresh, healthy food. 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. Community Nutrition programs teach kids, teens, families, parents, and adults how to plan, shop for and prepare healthy and delicious meals that are affordable.

#### (9) 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 of the following at September 30:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 3,562,023	\$ 4,185,035
Investments	3,663,407	3,279,239
Accounts receivable	68,888	142,777
Unconditional promises to give	71,073	56,073
Grants receivable	92,032	594,592
	<u>7,457,423</u>	<u>8,257,716</u>
Less: Amounts restricted by donors and grantors	<u>(763,579)</u>	<u>(1,737,439)</u>
	<u><u>\$ 6,693,844</u></u>	<u><u>\$ 6,520,277</u></u>

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.

## OPERATION FOOD SEARCH, INC.

### NOTES TO THE FINANCIAL STATEMENTS

#### (10) In-Kind Contributions

For the years ended September 30, in-kind contributions recognized within the statements of activities and changes in net assets included:

	<u>2023</u>	<u>2022</u>
Food and other household items	\$ 28,441,552	\$ 27,667,835
Attorney fees	27,384	22,691
Training services	15,000	-
Solar panels, net of discount	725	184,082
Transit van	<u>-</u>	<u>4,926</u>
	<u>\$ 28,484,661</u>	<u>\$ 27,879,534</u>

The Organization recognized in-kind contributions within revenue. Unless otherwise noted, in-kind contributions did not have donor-imposed restrictions.

Food and other household items were received and used for programs in the same fiscal year. The food and other household items are valued at retail value at the date of the donation, which approximates fair market value.

Attorney fees donated were received and used for legal representation related to management and general activities. The donated services are valued at the estimated fair value based on current rates for similar services.

Training services were received and used for the Fresh Rx program in the same fiscal year. The training is valued at estimated fair value.

The Organization has entered into an agreement to have a third party install solar panels. Those solar panels are owned by the third party. After 7 years, the third party will pass ownership to the Organization. The solar panels are included in the long-term unconditional promises-to-give on the statement of financial position and with other non-cash contributions with donor restrictions on the statement of activities and changes in net assets. The solar panels are valued at fair market value discounted to present value at 4.55% and 4.25% discount rate at September, 30, 2023 and 2022, respectively.

A transit van was donated and used for programs in the same fiscal year for various activities. The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

## **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, 2023 and 2022 were \$68,898 and \$75,740, respectively.

#### **(12) Donor Concentrations**

The Organization received 52% and 44% of its non-cash contributions from one donor for the years ended September 30, 2023 and 2022, respectively.

The Organization received 100% of its state support from one donor for each of the years ended September 30, 2023 and 2022, respectively.

#### **(13) Subsequent Event**

On January 17, 2024, the Organization created a related support organization, Operation Food Search Support Organization, Inc. (OFSSO). OFSSO has applied for 501(c)(3) status with the Internal Revenue Service. OFSSO is organized and operated to exclusively support the organization.