

OPERATION FOOD SEARCH, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Operation Food Search, Inc. and Affiliate

Opinion

We have audited the consolidated financial statements of Operation Food Search, Inc. and Operation Food Search Support Organization, Inc., which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Operation Food Search, Inc. and Operation Food Search Support Organization, Inc. as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Operation Food Search, Inc. and Operation Food Search Support Organization, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 and Operation Food Search Support Organization, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 and Operation Food Search Support Organization, 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 consolidated 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 and Operation Food Search Support Organization, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards 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), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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, 2025 on our consideration of Operation Food Search, Inc.'s and Operation Food Search Support Organization, 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 and Operation Food Search Support Organization, 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 and Operation Food Search Support Organization, Inc.'s internal control over financial reporting and compliance.

January 27, 2025

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2024 and 2023

ASSETS

| | 2024 | 2023 |
|---|---------------|---------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 2,501,696 | \$ 3,562,023 |
| Restricted cash | 2,611,852 | - |
| Investments | 1,177,881 | 3,663,407 |
| Accounts receivable | 94,666 | 68,888 |
| Unconditional promises-to-give | 20,000 | 71,073 |
| Grants receivable | 233,333 | 92,032 |
| Undistributed food and household items | 1,275,743 | 1,539,153 |
| Prepaid expenses | 318,343 | 288,314 |
| Total current assets | 8,233,514 | 9,284,890 |
| Property and equipment, net of accumulated depreciation | 12,389,034 | 5,620,848 |
| Unconditional promises-to-give, net of discounts | 266,975 | 184,807 |
| Endowment investments | 4,769,611 | 6,211,776 |
| NMTC note receivable | 7,995,900 | - |
| Intangible assets, net of accumulated amortization | 124,405 | - |
| Total assets | \$ 33,779,439 | \$ 21,302,321 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------|---------------|
| Current liabilities: | | |
| Accrued expenses | \$ 779,849 | \$ 403,889 |
| NMTC note payable | 10,709,208 | - |
| Total liabilities | 11,489,057 | 403,889 |
| Net assets: | | |
| Without donor restrictions: | | |
| Operating | 3,327,939 | 6,497,197 |
| Designated by the Board for endowment | 1,787,143 | 3,808,320 |
| Property and equipment | 12,389,034 | 5,620,848 |
| Undistributed food and household items | 1,275,743 | 1,539,153 |
| Total net assets without donor restrictions | 18,779,859 | 17,465,518 |
| With donor restrictions: | | |
| Specific purpose | 528,055 | 948,385 |
| Endowment | 2,982,468 | 2,484,529 |
| Total net assets with donor restrictions | 3,510,523 | 3,432,914 |
| Total net assets | 22,290,382 | 20,898,432 |
| Total liabilities and net assets | \$ 33,779,439 | \$ 21,302,321 |

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended September 30, 2024 and 2023

| | 2024 | | | 2023 | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and other revenue: | | | | | | |
| Support: | | | | | | |
| Other non-cash contributions | \$ 29,780,793 | \$ - | \$ 29,780,793 | \$ 28,484,661 | \$ - | \$ 28,484,661 |
| Cash and investment contributions | 5,280,937 | 27,513 | 5,308,450 | 4,026,441 | 236,466 | 4,262,907 |
| Grant revenue | 1,642,982 | 244,074 | 1,887,056 | 760,849 | 176,694 | 937,543 |
| State support | 543,488 | - | 543,488 | 429,739 | - | 429,739 |
| Special events (net of \$130,294 and \$128,719 of expenses in 2024 and 2023, respectively) | 231,992 | - | 231,992 | 266,025 | - | 266,025 |
| Total support | 37,480,192 | 271,587 | 37,751,779 | 33,967,715 | 413,160 | 34,380,875 |
| Other revenue (loss): | | | | | | |
| Net investment return | 1,253,570 | 569,012 | 1,822,582 | 986,738 | 252,552 | 1,239,290 |
| Program fees | 431,309 | - | 431,309 | 411,425 | - | 411,425 |
| Other income | 14,690 | - | 14,690 | 5,520 | - | 5,520 |
| Loss on disposal of property and equipment | (3,899) | - | (3,899) | (81) | - | (81) |
| Total support and other revenue | 39,175,862 | 840,599 | 40,016,461 | 35,371,317 | 665,712 | 36,037,029 |
| Net assets released from restrictions | 762,990 | (762,990) | - | 1,410,452 | (1,410,452) | - |
| Functional expenses: | | | | | | |
| Program services | 36,664,407 | - | 36,664,407 | 33,750,564 | - | 33,750,564 |
| Management and general | 666,974 | - | 666,974 | 551,767 | - | 551,767 |
| Fundraising | 1,293,130 | - | 1,293,130 | 1,089,634 | - | 1,089,634 |
| Total functional expenses | 38,624,511 | - | 38,624,511 | 35,391,965 | - | 35,391,965 |
| Changes in net assets | 1,314,341 | 77,609 | 1,391,950 | 1,389,804 | (744,740) | 645,064 |
| Net assets, beginning of the year | 17,465,518 | 3,432,914 | 20,898,432 | 16,075,714 | 4,177,654 | 20,253,368 |
| Net assets, end of the year | <u>\$ 18,779,859</u> | <u>\$ 3,510,523</u> | <u>\$ 22,290,382</u> | <u>\$ 17,465,518</u> | <u>\$ 3,432,914</u> | <u>\$ 20,898,432</u> |

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended September 30, 2024 and 2023

| | 2024 | | | | 2023 | | | |
|--------------------------------------|----------------------|---------------------------|---------------------|----------------------|----------------------|---------------------------|---------------------|----------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Distributed food and household items | \$ 29,951,964 | \$ - | \$ - | \$ 29,951,964 | \$ 28,013,756 | \$ - | \$ - | \$ 28,013,756 |
| Salaries | 2,343,570 | 407,577 | 645,331 | 3,396,478 | 2,085,920 | 362,769 | 574,384 | 3,023,073 |
| Food purchased for distribution | 2,378,096 | - | - | 2,378,096 | 1,759,501 | - | - | 1,759,501 |
| Fundraising | - | - | 403,529 | 403,529 | - | - | 291,689 | 291,689 |
| Employee benefits | 276,714 | 42,571 | 67,727 | 387,012 | 235,606 | 36,247 | 57,666 | 329,519 |
| Office expense | 254,342 | 43,506 | 36,813 | 334,661 | 236,079 | 40,382 | 34,169 | 310,630 |
| Professional services | 230,134 | 57,534 | 31,963 | 319,631 | 243,661 | 60,915 | 33,842 | 338,418 |
| Depreciation | 256,235 | 8,178 | 8,178 | 272,591 | 248,849 | 7,942 | 7,942 | 264,733 |
| Payroll taxes | 174,056 | 26,967 | 44,127 | 245,150 | 159,173 | 24,661 | 40,354 | 224,188 |
| Insurance | 134,739 | 5,098 | 5,827 | 145,664 | 101,087 | 3,825 | 4,371 | 109,283 |
| Program expenses | 142,315 | - | - | 142,315 | 122,172 | - | - | 122,172 |
| Communications | 88,952 | 9,580 | 38,318 | 136,850 | 84,825 | 9,135 | 36,540 | 130,500 |
| Vehicles | 122,873 | - | - | 122,873 | 105,852 | - | - | 105,852 |
| Utilities | 98,343 | 4,275 | 4,275 | 106,893 | 76,071 | 3,307 | 3,307 | 82,685 |
| Shipping | 74,043 | - | - | 74,043 | 172,183 | - | - | 172,183 |
| Repairs and maintenance | 59,561 | 1,964 | 3,927 | 65,452 | 45,114 | 1,487 | 2,975 | 49,576 |
| NMTC expenses | - | 58,308 | - | 58,308 | - | - | - | - |
| Warehouse | 54,682 | - | - | 54,682 | 42,421 | - | - | 42,421 |
| Travel | 23,788 | 1,416 | 3,115 | 28,319 | 18,286 | 1,089 | 2,395 | 21,770 |
| Miscellaneous | - | - | - | - | 8 | 8 | - | 16 |
| | <u>\$ 36,664,407</u> | <u>\$ 666,974</u> | <u>\$ 1,293,130</u> | <u>\$ 38,624,511</u> | <u>\$ 33,750,564</u> | <u>\$ 551,767</u> | <u>\$ 1,089,634</u> | <u>\$ 35,391,965</u> |

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2024 and 2023

| | 2024 | 2023 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 1,391,950 | \$ 645,064 |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities: | | |
| Investment contributions | (349,019) | (116,115) |
| (Gain) Loss on sales of investments and endowment investments | (113,849) | 51,652 |
| Unrealized gain on investments and endowment investments | (1,194,140) | (886,121) |
| Depreciation | 272,591 | 264,733 |
| Loss on disposal of property and equipment | 3,899 | 81 |
| Amortization on intangible assets | 23,122 | - |
| Contributions restricted for remodel | (654,220) | - |
| Contributions restricted for endowment | (72,000) | (7,796) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Accounts receivable | (25,778) | 73,889 |
| Unconditional promises-to-give | (30,168) | 18,225 |
| Grants receivable | (141,301) | 534,764 |
| Undistributed food and household items | 263,410 | (427,796) |
| Prepaid expenses | (30,029) | 23,644 |
| Increase in liabilities: | | |
| Accrued expenses | 375,960 | 181,572 |
| Net cash (used in) provided by operating activities | (279,572) | 355,796 |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments and endowment investments | 9,804,362 | 915,716 |
| Purchases of investments and endowment investments | (4,219,662) | (1,025,518) |
| Purchases of property and equipment | (7,044,676) | (875,056) |
| Purchases of intangible assets | (137,500) | - |
| Advances on NMTC note receivable | (7,995,900) | - |
| Net cash used in investing activities | (9,593,377) | (984,858) |
| Cash flows from financing activities: | | |
| Borrowings on NMTC note payable | 11,000,000 | - |
| Payments for loan fees | (300,819) | - |
| Proceeds from contributions restricted for remodel | 654,220 | - |
| Collections of contributions restricted for endowment | 71,073 | 6,050 |
| Net cash provided by financing activities | 11,424,474 | 6,050 |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 1,551,525 | (623,012) |
| Cash, cash equivalents, and restricted cash, beginning of the year | 3,562,023 | 4,185,035 |
| Cash, cash equivalents, and restricted cash, end of the year | \$ 5,113,548 | \$ 3,562,023 |
| Cash and cash equivalents | \$ 2,501,696 | \$ 3,562,023 |
| Restricted cash | 2,611,852 | - |
| Total cash, cash equivalents, and restricted cash | \$ 5,113,548 | \$ 3,562,023 |

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Operations

Operation Food Search, Inc. is a nonprofit voluntary health and welfare organization established in 1981. Operation Food Search, Inc.'s mission is as follows: "To heal hunger with innovative and collaborative solutions that provide food today and help create a hunger-free tomorrow." Operation Food Search, Inc. provides free food, nutrition education and innovative programs proven to reduce food insecurity. With a strategic focus aimed at ending childhood hunger, Operation Food Search, Inc. empowers families and increases access to healthy and affordable food. Operation Food Search, Inc. works through a network of 330 community partners in 25 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. Operation Food Search, Inc. is supported primarily through donor contributions and grants.

During the fiscal year ended September 30, 2024, Operation Food Search, Inc. established Operation Food Search Support Organization, Inc. ("OFSSO") as a nonprofit organization related to the new market tax credits (see Note 11). Operation Food Search, Inc. has both control and economic interest in OFSSO and therefore has consolidated the entity into Operation Food Search, Inc. (collectively "the Organization").

The Organization identifies the three pillars of its strategy as:

a) Meet the Immediate Need:

- Emergency food distribution is the heart of the work at the Organization. The Organization provides food to nearly 170 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 and their families 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, meat, and dry goods have 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.

b) 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.

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Operations (Continued)

c) 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 Nutrition Access work to improve the overall health of individuals and communities.

(2) Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Operation Food Search, Inc. and OFSSO. All intercompany transactions have been eliminated.

Basis of Accounting

The Organization’s consolidated 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 consolidated 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.

Allowance for Credit Losses

Effective August 1, 2023, the Organization adopted Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses*, and other related ASUs (collectively, Accounting Standards Codification (“ASC”) Topic 326) which introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The current expected credit loss (“CECL”) methodology requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. CECL generally applies to financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

Adoption of ASC Topic 326 did not have a material impact on the financial statements due to the nature and extent of the Organization’s financial instruments in scope for this ASU (primarily note receivable) and the historical, current and expected credit quality of the Organization’s customers as of the date of adoption.

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

The Organization adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to August 1, 2023. As of September 30, 2023, the Organization did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Organization determined that an allowance for credit losses on available for sale securities was not deemed material.

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 consolidated statements of activities and changes in net assets.

Accounts Receivable

For certain programs, the Organization will sell tailored meal kits, cooking classes, and cooking demonstrations at below market prices. 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. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

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 40 years; transportation equipment, 2 to 5 years; warehouse equipment, 5 to 15 years; office equipment, 3 to 7 years; furniture and fixtures, 7 years; land improvements, 15 years.

NMTC Note Receivable

The Organization carries its New Market Tax Credit ("NMTC") note receivable at the stated note amount (see Note 7). The Organization determines any allowance for credit losses based on historical write-off experience, industry and regional economic data, current expectations of future credit losses, and historical cash discounts. The Organization reviews the allowance on a periodic basis. The allowance for credit losses as well as the provision for credit losses, write-off activity, and recoveries for the years presented are not material.

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. AND AFFILIATE

NOTES TO THE CONSOLIDATED 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 consolidated 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. AND AFFILIATE

NOTES TO THE CONSOLIDATED 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. The Organization appropriated \$2,800,000 for expenditure during the year ended September 30, 2024 from the board designated endowment funds to be spent on building improvements. The Organization plans to replace these funds over the next three years. The Organization also appropriated \$72,000 for expenditure during the year ended September 30, 2024 from the endowment funds to be spend on building improvements. No funds were appropriated for expenditure during the year ended September 30, 2023.

Program Services Expenses

Program services expenses 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 expenses includes the functions necessary to maintain an adequate working environment, provide coordination of organization 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, government entities, 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.

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Summary of Significant Accounting Policies (Continued)

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, 2024 and 2023 exceeded the insured limits by \$1,985,969 and \$3,107,231, respectively. The Organization also holds cash equivalent assets in uninsured accounts totaling \$27,391 and \$30,935 as of September 30, 2024 and 2023, 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 consolidated statements of financial position. The brokerage accounts at September 30, 2024 and 2023 exceeded the insured limit by \$3,160,350 and \$4,576,863, respectively.

Consolidated Statements of Cash Flows

For purposes of the consolidated 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.

Restricted cash is required by the NMTC to maintain separate cash accounts to pay interest for the NMTC note payable and for additional improvements on the facility. Restricted cash also consists of reserve accounts for payments to third parties related to the NMTC over a seven year period.

Subsequent Events

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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, 2024 and 2023.

Level 1 Fair Value Measurements

The fair value of the mutual funds and money market funds 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.

The Organization's assets reported at fair value in the accompanying consolidated 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, 2024</i> | | | | |
| Mutual funds | \$ 1,177,881 | \$ 1,177,881 | \$ - | \$ - |
| <i>September 30, 2023</i> | | | | |
| Mutual funds | \$ 3,137,738 | \$ 3,137,738 | \$ - | \$ - |
| Money market fund | 525,669 | 525,669 | - | - |
| Total investments | \$ 3,663,407 | \$ 3,663,407 | \$ - | \$ - |

OPERATION FOOD SEARCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(3) Fair Value Measurements (Continued)

| | Fair Value | 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 |
| <i>September 30, 2024</i> | | | | |
| Mutual funds | \$ 4,608,482 | \$ 4,608,482 | \$ - | \$ - |
| US treasury bonds | 107,870 | - | 107,870 | - |
| Money market funds | 53,259 | 53,259 | - | - |
| Total endowment | <u>\$ 4,769,611</u> | <u>\$ 4,661,741</u> | <u>\$ 107,870</u> | <u>\$ -</u> |
| <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> |

(4) Unconditional Promises-to-Give

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

| | 2024 | 2023 |
|---------------------------|-------------------|-------------------|
| Amount due in: | | |
| Less than one year | \$ 20,000 | \$ 71,073 |
| One to five years | 321,307 | 241,307 |
| | <u>341,307</u> | <u>312,380</u> |
| Discount to present value | (54,332) | (56,500) |
| | <u>\$ 286,975</u> | <u>\$ 255,880</u> |

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

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Solar panels promises-to-give, net | \$ 195,998 | \$ 184,807 |
| Capital campaign promises-to-give, net | 90,977 | - |
| Endowment promises-to-give, net | - | 71,073 |
| | <u>\$ 286,975</u> | <u>\$ 255,880</u> |

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(4) Unconditional Promises-to-Give (Continued)

Unconditional promises-to-give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 3.5% and 4.55% as of September 30, 2024 and 2023, respectively, when the donor makes an unconditional promise-to-give to the Organization.

(5) Property and Equipment

Property and equipment consist of the following at September 30:

| | 2024 | 2023 |
|--------------------------|---------------|--------------|
| Building | \$ 11,372,219 | \$ 4,641,069 |
| Transportation equipment | 1,191,292 | 1,069,313 |
| Furniture and fixtures | 479,457 | 216,164 |
| Warehouse equipment | 438,477 | 279,018 |
| Office equipment | 246,663 | 230,141 |
| Land improvements | 256,867 | 126,543 |
| | 13,984,975 | 6,562,248 |
| Accumulated depreciation | (2,284,084) | (2,036,723) |
| | 11,700,891 | 4,525,525 |
| Land | 688,143 | 688,143 |
| Construction-in-process | - | 407,180 |
| | \$ 12,389,034 | \$ 5,620,848 |

Depreciation expense for the years ended September 30, 2024 and 2023 was \$272,591 and \$264,733, respectively.

OPERATION FOOD SEARCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(6) 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, 2024</i> | | | |
| Board-designated endowment funds | \$ 1,787,143 | \$ - | \$ 1,787,143 |
| Endowment funds with donor restrictions: | | | |
| Perpetual | - | 2,367,594 | 2,367,594 |
| Unappropriated endowment earnings | - | 614,874 | 614,874 |
| | \$ 1,787,143 | \$ 2,982,468 | \$ 4,769,611 |
| | | | |
| | 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 |
| | \$ 3,798,320 | \$ 2,413,456 | \$ 6,211,776 |

OPERATION FOOD SEARCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(6) Endowment Investments (Continued)

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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------------------|---------------------------------------|------------------------------------|---------------------|
| <i>September 30, 2024</i> | | | |
| Endowment assets, beginning of year | \$ 3,798,320 | \$ 2,413,456 | \$ 6,211,776 |
| Funds designated | (2,800,000) | (72,000) | (2,872,000) |
| Contributions | 243,042 | 72,000 | 315,042 |
| Investment income | 65,675 | 59,891 | 125,566 |
| Net appreciation | 480,106 | 509,121 | 989,227 |
| | <u>\$ 1,787,143</u> | <u>\$ 2,982,468</u> | <u>\$ 4,769,611</u> |
| <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> |

(7) NMTC Note Receivable

In February 2024, Operation Food Search, Inc. contributed \$7,995,900 to OFSSO related to the NMTC (see Note 11). OFSSO then made a loan to Twain Investment Fund 768, LLC for \$7,995,900 as a note receivable. Interest is payable monthly at 1% per annum. The outstanding principal plus all accrued and unpaid interest is due on February 10, 2050.

(8) Intangible Assets

In 2024, the Organization incurred fees of \$137,500 associated with the new market tax credits (see Note 11). The fees are being amortized using the straight-line method over the 7-year compliance period. For the year ended September 30, 2024, amortization expense was \$13,095. As of September 30, 2024, accumulated amortization was \$13,095.

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(9) NMTC Note Payable

NMTC note payable consists of loans from Heartland Regional Investment Fund 36, LLC Sub-CDE (HRIF Fund 36) of \$7,995,900 for Loan A and \$3,004,100 for Loan B for a total of \$11,000,000. The notes require interest only payments until February 2031 at 1.23% per annum. The loans mature on February 10, 2050. The loans are secured by substantially all the assets acquired by the Organization from the project loan proceeds. The notes have a put option feature that is exercisable in February 2031 (see Note 11).

Pursuant to the requirements under the Imputation of Interest topic of the FASB ASC, loan fees are reported on the consolidated statements of financial position as a direct deduction from the face amount of debt. The related amortization of loan fees of \$10,027 for the year ended September 30, 2024 is included in NMTC expenses on the consolidated statements of functional expenses.

(10) Net Assets with Donor Restrictions

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

| | 2024 | 2023 |
|--|--------------|--------------|
| Specific purpose: | | |
| Fresh Rx program | \$ 124,039 | \$ 191,601 |
| Advocacy | 76,014 | 112,507 |
| Food Procurement | 36,612 | 3,343 |
| MetroMarket | 34,089 | 10,000 |
| Innovation | 32,097 | 1,701 |
| Out-of-school meals programs | 27,513 | 341,999 |
| Community Nutrition | 1,693 | - |
| Agencies and distribution | - | 48,677 |
| Remodel | - | 53,750 |
| Specific period: | | |
| Solar panels | 195,998 | 184,807 |
| | 528,055 | 948,385 |
| Endowment: | | |
| Perpetual | 2,366,666 | 2,366,666 |
| Unappropriated endowment gain earnings | 615,802 | 117,863 |
| | 2,982,468 | 2,484,529 |
| | \$ 3,510,523 | \$ 3,432,914 |

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(10) Net Assets with Donor Restrictions (Continued)

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

| | 2024 | 2023 |
|---------------------------------------|------------|--------------|
| Satisfaction of purpose restrictions: | | |
| Fresh Rx program | \$ 191,602 | \$ 87,744 |
| Advocacy | 111,918 | 153,491 |
| Food procurement | 3,343 | - |
| MetroMarket | 10,000 | 128,877 |
| Innovation | 1,701 | 35,884 |
| Out-of-school meals programs | 341,999 | 981,418 |
| Community Nutrition | - | 6,005 |
| Agencies and distribution | 48,677 | 17,033 |
| Remodel | 53,750 | - |
| | \$ 762,990 | \$ 1,410,452 |

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. MetroMarket 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.

(11) New Market Tax Credits

In 2024, the Organization participated in a NMTC program. The program provides funds to eligible organizations for investment in “qualified low-income community investment”. Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In 2024, the Organization recorded its contribution to Operation Food Search Support Organization, Inc. at the cost of \$7,995,900. In January 2031, Twain Investment Fund 768, LLC (the Fund), and the upstream effective owner of (HRIF) Heartland Regional Investment Fund 36, LLC Sub-CDE (holder of the promissory note due from the Organization), is expected to exercise its put option. Under the terms of the put option agreement, OFFSO is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund.

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(12) Liquidity and Availability

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

| | 2024 | 2023 |
|---|--------------|--------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 2,501,696 | \$ 3,562,023 |
| Investments | 1,177,881 | 3,663,407 |
| Accounts receivable | 94,666 | 68,888 |
| Unconditional promises to give | 20,000 | 71,073 |
| Grants receivable | 233,333 | 92,032 |
| | 4,027,576 | 7,457,423 |
| Less: Amounts restricted by donors and grantors | (332,057) | (763,579) |
| | \$ 3,695,519 | \$ 6,693,844 |

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.

(13) In-Kind Contributions

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

| | 2024 | 2023 |
|--------------------------------|---------------|---------------|
| Food and other household items | \$ 29,691,599 | \$ 28,441,552 |
| Special events | 39,847 | - |
| Attorney fees | 38,156 | 27,384 |
| Solar panels, net of discount | 11,191 | 725 |
| Training services | - | 15,000 |
| | \$ 29,780,793 | \$ 28,484,661 |

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(13) In-Kind Contributions (Continued)

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.

Special events donated include donated space and other items donated to host the events and were received and used for programs in the same fiscal year. The special events donated 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 consolidated statement of financial position and with other non-cash contributions with donor restrictions on the consolidated statement of activities and changes in net assets. The solar panels are valued at fair market value discounted to present value at 3.50% and 4.55% discount rates at September, 30, 2024 and 2023, respectively.

(14) 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, 2024 and 2023 were \$85,766 and \$68,898, respectively.

(15) Donor Concentrations

The Organization received 53% and 52% of its non-cash contributions from one donor for the years ended September 30, 2024 and 2023, respectively.

The Organization received 100% of its state support from one donor for each of the years ended September 30, 2024 and 2023, respectively.

OPERATION FOOD SEARCH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(16) Capitalized Interest

The Organization capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. During the year ended September 30, 2024, total interest incurred was \$86,978, of which all was capitalized and included with the building.

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 consolidated financial statements of Operation Food Search, Inc. and Operation Food Search Support Organization, Inc. (collectively, the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2024 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated January 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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, 2025

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

**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

Opinion on Each Major Federal Program

We have audited Operation Food Search, Inc.’s and Operation Food Search Support Organization, Inc.’s (collectively the “Organization”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended September 30, 2024. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying consolidated schedule of findings and questioned costs.

In our opinion, the Organization 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2025

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2024

| Program Title | CFDA Number | Grant/ Pass-Through Number | Expenditures |
|---|------------------------|---------------------------------------|----------------------------|
| United States Department of Agriculture | | | |
| Passed through Illinois Department of Human Services | | | |
| Illinois Equitable Access Towards Sustainable Systems Funded by LFPA | 10.182 | FCSDQ07651 | \$ 400,684 |
| Illinois Equitable Access Towards Sustainable Systems Funded by LFPA - ARPA | 10.182 | FCSDQ07651 | 38,971 |
| Illinois Equitable Access Towards Sustainable Systems Funded by LFPA | 10.182 | FCSCQ07651 | 92,152 |
| Illinois Equitable Access Towards Sustainable Systems Funded by LFPA - ARPA | 10.182 | FCSCQ07651 | <u>30,433</u> |
| Total Illinois Equitable Access Towards Sustainable Systems funded by LFPA (M) | | | 562,240 |
| United States Department of Agriculture | | | |
| Passed through Missouri Department of Health and Senior Services | | | |
| Child Nutrition Cluster | | | |
| Summer Food Service Program for Children | 10.559 | ERS0462881S | <u>273,475</u> |
| Total Child Nutrition Cluster | | | 273,475 |
| United States Department of Agriculture | | | |
| Passed through Missouri Department of Health and Senior Services | | | |
| Child and Adult Care Food Program | 10.558 | ERS46182881 | <u>270,013</u> |
| Total Child and Adult Care Food Program | | | <u>270,013</u> |
| Total Federal Awards | | | <u><u>\$ 1,105,728</u></u> |

(M) Denotes audited as a major program

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

OPERATION FOOD SEARCH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(1) Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Organization under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of 2 Code of Federal Regulations (“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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) Catalog of Federal Domestic Assistance (“CFDA”) Numbers

The program titles and CFDA numbers were obtained from the *2024 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. The Organization 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. AND AFFILIATE

CONSOLIDATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2024

Section I: Summary of Auditor's 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)

10.182

Name of Federal Program or Cluster

Illinois Equitable Access Towards Sustainable Systems

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II: Financial Statement Findings

None

Section III: Federal Awards Findings

None