

**OPERATION BBQ RELIEF AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended December 31, 2021
with
Independent Auditors' Report**

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Operation BBQ Relief and Affiliate

We have audited the consolidated financial statements of **Operation BBQ Relief and Affiliate**, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 BBQ Relief and Affiliate** as of December 31, 2021, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 BBQ Relief and Affiliate**, and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the 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 BBQ Relief and Affiliate's** ability to continue as a going concern for one year after the date that consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 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 judgment made by a reasonable user based on the consolidated 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 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 BBQ Relief and Affiliate'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 the aggregate, that raise substantial doubt about **Operation BBQ Relief and Affiliate'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 supplementary consolidating information 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 audit 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.

Report on Summarized Comparative Information

We have previously audited **Operation BBQ Relief and Affiliate**'s December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in dark ink that reads "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
April 27, 2022

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With comparative totals as of December 31, 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 2,669,729	\$ 10,475,174
Investments, at fair value	6,228,407	19,147
Promises to Give	467,299	435,847
Accounts Receivable	66,923	242,558
Inventories, net	1,569,750	1,431,857
Prepaid Expenses	21,120	4,946
 Property and Equipment:		
Land	679,357	235,000
Buildings and building improvements	2,314,065	181,417
Motor vehicles and trailers	1,367,211	1,241,045
Other equipment	426,995	230,282
	<u>4,787,628</u>	<u>1,887,744</u>
Less accumulated depreciation	(931,470)	(665,120)
Property and Equipment, net	<u>3,856,158</u>	<u>1,222,624</u>
 Total Assets	 <u><u>\$ 14,879,386</u></u>	 <u><u>\$ 13,832,153</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 299,761	\$ 99,538
Accrued liabilities	81,900	32,469
Paycheck Protection Program loan	-	193,300
Total Liabilities	<u>381,661</u>	<u>325,307</u>
 Net Assets:		
Without donor restrictions:		
Undesignated	12,949,901	12,465,999
Board-designated for new facility construction campaign	500,000	500,000
Total without donor restrictions	<u>13,449,901</u>	<u>12,965,999</u>
With donor restrictions	1,047,824	540,847
Total Net Assets	<u>14,497,725</u>	<u>13,506,846</u>
 Total Liabilities and Net Assets	 <u><u>\$ 14,879,386</u></u>	 <u><u>\$ 13,832,153</u></u>

See accompanying notes

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

(With comparative totals for the year ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions and grants	\$ 4,447,665	2,055,123	\$ 6,502,788	\$ 22,154,913
Donated goods, materials, and services	211,472	357,580	569,052	1,144,746
Royalties	142,086	-	142,086	188,993
Storefront sales, net of discounts	30,456	-	30,456	59,053
Special events, net cost of direct benefits to donors of \$37,916 in 2021	63,044	-	63,044	-
Net investment return	131,260	-	131,260	(1,290)
Other income	28,915	-	28,915	21,635
Net assets released from restrictions	<u>1,905,726</u>	<u>(1,905,726)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	6,960,624	506,977	7,467,601	23,568,050
Expenses:				
Program services:				
Disaster relief	1,298,527	-	1,298,527	2,557,298
Restaurant relief	980,602	-	980,602	6,947,155
Always serving	336,186	-	336,186	319,023
Other programs	<u>2,124,165</u>	<u>-</u>	<u>2,124,165</u>	<u>1,481,351</u>
Total program services	4,739,480	-	4,739,480	11,304,827
Supporting services:				
Management and general	910,356	-	910,356	804,359
Fundraising	<u>826,886</u>	<u>-</u>	<u>826,886</u>	<u>685,471</u>
Total supporting services	1,737,242	-	1,737,242	1,489,830
Total Expenses	<u>6,476,722</u>	<u>-</u>	<u>6,476,722</u>	<u>12,794,657</u>
Change in Net Assets	483,902	506,977	990,879	10,773,393
Net Asset at Beginning of Year	<u>12,965,999</u>	<u>540,847</u>	<u>13,506,846</u>	<u>2,733,453</u>
Net Assets, End of Year	<u>\$ 13,449,901</u>	<u>\$ 1,047,824</u>	<u>\$ 14,497,725</u>	<u>\$ 13,506,846</u>

See accompanying notes

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

(With comparative totals for year ended December 31, 2020)

	2021									2020
	Program Services					Supporting Services			Total	Total
	Disaster Relief	Restaurant Relief	Always Serving	Other Programs	Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors		
Salaries and wages	\$ 318,477	\$ 119,045	\$ 200,842	\$ 739,169	\$ 1,377,533	\$ 239,290	\$ 371,350	\$ -	\$ 1,988,173	\$ 1,735,499
Employee benefits	27,756	9,524	21,806	50,446	109,532	74,870	24,320	-	208,722	109,264
Payroll taxes	22,494	8,790	14,023	52,259	97,566	16,038	26,431	-	140,035	122,492
Utilities	-	-	-	13,805	13,805	582	-	-	14,387	27,222
Technology	223	25	202	25,338	25,788	120,305	6,520	-	152,613	143,828
Communications	25	-	-	1,630	1,655	33,787	-	-	35,442	29,154
Equipment and vehicle expenses	202,845	9,848	17,356	322,884	552,933	1,874	3,143	1,273	559,223	918,403
Occupancy	26,505	-	520	146,266	173,291	1,800	-	-	175,091	147,459
Facility rental	-	-	-	-	-	-	-	12,027	12,027	-
Depreciation	-	-	-	266,350	266,350	-	-	-	266,350	187,557
Professional fees and services	-	-	-	9,890	9,890	239,067	38,485	-	287,442	284,774
Advertising and promotion	9,445	-	428	11,900	21,773	316	277,062	-	299,151	118,480
Memberships and licenses	-	-	-	12,097	12,097	15,278	400	-	27,775	24,255
Travel	96,877	8,588	40,102	59,810	205,377	12,325	55,580	-	273,282	219,145
Training and development	-	-	4	3,963	3,967	3,394	1,005	-	8,366	9,377
Insurance	-	-	42	8,107	8,149	91,580	-	-	99,729	62,011
Office expenses	1,219	200	594	12,136	14,149	48,461	6,815	-	69,425	57,646
Deployment expenses	327,030	4,430	14,138	150,627	496,225	3,745	5,771	-	505,741	1,353,495
Food expenses	265,631	820,152	25,355	237,488	1,348,626	-	4,450	-	1,353,076	7,209,284
Meals and entertainment	-	-	-	-	-	-	-	24,616	24,616	-
Interest	-	-	-	-	-	-	-	-	-	11,142
Miscellaneous	-	-	774	-	774	7,644	5,554	-	13,972	24,170
Total Expenses	1,298,527	980,602	336,186	2,124,165	4,739,480	910,356	826,886	37,916	6,514,638	12,794,657
Less expenses included in with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	(37,916)	(37,916)	-
Total expenses included in the expense section on the statement of activities	\$ 1,298,527	\$ 980,602	\$ 336,186	\$ 2,124,165	\$ 4,739,480	\$ 910,356	\$ 826,886	\$ -	\$ 6,476,722	\$12,794,657

See accompanying notes

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

(With comparative totals for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 990,879	\$ 10,773,393
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	266,350	187,557
Forgiveness of Paycheck Protection Program loan	(193,300)	-
Donated property, plant, and equipment	(132,370)	-
Donated investments	-	(2,567)
Allowance for obsolete inventory	17,282	152,500
Net realized and unrealized (gain) loss on investments	(41,771)	1,559
(Increase) decrease in:		
Promises to give	(31,452)	427,803
Accounts receivable	175,635	(232,605)
Inventories	(155,175)	(1,391,989)
Prepaid expenses	(16,174)	(2,846)
Increase (decrease) in:		
Accounts payable	176,314	(55,198)
Accrued liabilities	<u>49,431</u>	<u>(34,962)</u>
Net Cash Provided by Operating Activities	1,105,649	9,822,645
Cash Flows from Investing Activities:		
Proceeds from sale of investments	50,285	-
Purchases of investments	(6,217,774)	(266)
Purchases of property and equipment	<u>(2,743,605)</u>	<u>(361,296)</u>
Net Cash Used by Investing Activities	(8,911,094)	(361,562)
Cash Flows from Financing Activities:		
Payments on notes payable	-	(292,773)
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>193,300</u>
Net Cash Used by Financing Activities	<u>-</u>	<u>(99,473)</u>
Net Change in Cash and Cash Equivalents	(7,805,445)	9,361,610
Cash and Cash Equivalents at Beginning of Year	<u>10,475,174</u>	<u>1,113,564</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,669,729</u>	<u>\$ 10,475,174</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

Purchases of property and equipment using trade payables	<u>\$ 23,909</u>	<u>\$ -</u>
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SUPPLEMENTARY INFORMATION

Interest paid on notes payable	<u>\$ -</u>	<u>\$ 11,142</u>
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See accompanying notes

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

1. NATURE OF ORGANIZATION

Operation BBQ Relief (“OBR”) is a Missouri non-profit corporation founded in 2011 in response to a need for relief efforts within the United States of America impacted by natural disasters and is supported by contributions from donors throughout the USA. OBR provides comfort to those in need by connecting, inspiring, serving, and educating in communities far and wide. Program services include the following:

- Disaster Relief is the root of OBR’s mission. OBR truly believes in the healing power of BBQ and the one hot meal that provides immediate relief to those who may not have access to food. As natural disasters like floods, hurricanes, tornados, and fire continue to cause damage, OBR wants to be on site to serve those in need. Since their first response to the 2011 tornado in Joplin, MO, OBR has been dedicated to providing hot meals when it matters most.
- Restaurant Relief is a program created in 2020 to respond to COVID-19. Due to social distancing guidelines, many states ordered the closure of all bars and restaurants. Other states limited bar and restaurant hours. As the shelter orders were in place throughout the country, there were shortages of supplies and volunteers for communities that needed to rely on the bandwidth and resources of OBR. OBR created the Restaurant Relief Program to reverse the restaurant closures, put employees back to work, and provide free meals to local communities each day. OBR provide the food and necessary supplies, provided the restaurants with a small stipend to facilitate rehiring some of the laid-off/furloughed employees, and utilized the restaurant’s kitchen staff to prepare the meals. Many of the meals have been donated to the homeless, veterans, first responders, healthcare workers, and families.
- Always Serving Project is an extension of the OBR program serving Military, First Responders and the Fight on Hunger. Together OBR connects, inspires and serves communities throughout the year with the Healing Power of BBQ. OBR aims to bring people together to eradicate hunger, addressing an issue that has yet to be solved.
- OBR’s mission is to provide hot meals to those in need and continues to look for new ways to serve the community through various other programs and services.

Lake Camp Properties, LLC is a wholly-owned subsidiary of OBR founded in June 2021 and is operated at the direction of OBR.

Principles of Consolidation – The consolidated financial statements include the accounts of OBR and Lake Camp Properties, LLC, collectively referred to as the Organization. All significant intra-entity transactions and accounts have been eliminated.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable – Accounts receivable is stated at the amount management expects to collect. Management makes a regular assessment of the collectability of outstanding accounts. Balances that remain outstanding after reasonable collection efforts are written off against the allowance account. There was no allowance for doubtful accounts at December 31, 2021 or 2020.

Advertising – The Organization expenses advertising costs as they are incurred. Total advertising costs during the fiscal years ended December 31, 2021 and 2020 were \$310,336 and \$118,480, respectively.

Basis of Accounting – The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Cash and Cash Equivalents – The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Comparative Financial Information – The consolidated financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should read in conjunction with the Organization’s financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Concentrations of Credit Risk – The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which it deposits funds. At December 31, 2021, the Organization had approximately \$1,925,000 in deposits in excess of FDIC-insured limits.

Donated Goods, Materials, and Services – In addition to receiving cash contributions, the Organization receives in-kind contributions of primarily food from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. During 2021 and 2020, the Organization received \$569,052 and \$1,144,746 of in-kind contributions, respectively.

Volunteers contribute significant amount of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses – The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The expenses that are allocated include salaries and wages, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort.

Income Taxes – OBR is exempt from income tax, except for taxes on unrelated business income, if any, under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and state law. Contributions to the entity are tax deductible under IRC Section 170 (b)(1)(A)(vi), and OBR has been determined by the IRS not to be a private foundation under IRC Section 509 (a) of the Code. OBR has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions.

Lake Camp Properties, LLC is a domestic single member LLC to be treated as a disregarded entity for federal income tax purposes under 501(a) of the Internal Revenue Code.

The Organization’s policy with respect to uncertain tax positions that are beneficial to the Organization, is to record a liability, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2021 and, accordingly, no liability has been accrued.

Inventory – Inventory consists primarily of food and is stated at the lower of cost or net realizable value, with cost determined under the first-in first-out method. If donated, inventory is initially stated at fair value on the date of donation. Inventory is stated net of the \$169,782 and \$152,500 allowance for inventory obsolescence as noted by the Organization as of December 31, 2021 and 2020, respectively.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments – The Organization records investment purchases at cost, or if donated, at fair value on date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets – Net assets are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. They also include any designations by the governing board. The governing board has designated, from net assets without donor restrictions, net assets to support a future capital campaign.

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 that resources be maintained in perpetuity.

Promises to Give – Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give (continued) –

Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique
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In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Property and Equipment – The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and building improvements	10 – 30 years
Motor vehicles and trailers	5 – 7 years
Other equipment	5 – 7 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. There was no impairment applied to property and equipment at December 31, 2021 or 2020.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization's financial assets available for general expenditures within one year as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,669,729	\$ 10,475,174
Investments	6,228,407	19,147
Promises to give	467,299	435,847
Accounts receivable	66,923	242,558
Less amount designated by the Board for future purposes	<u>(500,000)</u>	<u>(500,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 8,932,358</u>	<u>\$ 10,672,726</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual agreements and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. All underlying investments are readily available to be converted to cash to be drawn upon in the short-term, if needed.

The Organization receives a significant number of contributions from donors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

4. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - inputs are unadjusted quoted market prices in active, independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

Fair values for Level 2 assets are based on the following valuation methodologies. There have been no changes in the methodologies used at December 31, 2021 as compared to those used at December 31, 2020.

Preferred stocks – Market value determined by using quoted market prices, broker or dealer quotes, or alternate pricing sources with reasonable levels of price transparency.

Corporate bonds – Market value derived based on market interest rates for the same or similar bonds.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

4. FAIR VALUE MEASUREMENTS (continued)

The following tables set forth information about the levels within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at December 31:

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash (at cost)	\$ -	\$ -	\$ -	\$ 1,696,785
Stocks				
Common	23,697	-	-	23,697
Preferred	254,240	823,080	-	1,077,320
Mutual funds	1,520,783	-	-	1,520,783
Exchange-traded funds	1,267,057	-	-	1,267,057
Fixed-rate securities	281,380	-	-	281,380
Corporate bonds:				
BBB+ to B-	-	361,385	-	361,385
Total	<u>\$ 3,347,157</u>	<u>\$ 1,184,465</u>	<u>\$ -</u>	<u>\$ 6,228,407</u>
<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common stocks	<u>\$ 19,147</u>	-	-	<u>\$ 19,147</u>
Total	<u>\$ 19,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,147</u>

5. PROMISES TO GIVE

On April 13, 2020, the Organization was approved for a \$193,300 Paycheck Protection Program ("PPP") loan from a financial institution under the CARES Act, at a fixed interest rate of 1.00%. The agreement calls for equal monthly payments of principal and interest beginning November 13, 2020 through April 13, 2022. If the Organization spends the loan funds on certain qualified expenditures as specified under the rules and regulations referenced in the loan agreement, all or a portion of the PPP loans funds will be forgiven. Upon any forgiveness of the loan, the Organization will recognize contributions and grants revenue on the statement of activities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605. On July 13, 2021, the PPP loan was forgiven, and it was subsequently recognized as a contribution and included in contributions and grants on the 2021 consolidated statement of activities.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

5. PROMISES TO GIVE (continued)

Unconditional promises to give consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 392,299	\$ 435,847
Due in one to five years	<u>75,000</u>	<u>-</u>
Total Promises to Give	<u>\$ 467,299</u>	<u>\$ 435,847</u>

6. INVENTORIES

Inventories consisted of the following at December 31:

Food	\$ 1,672,382	\$ 1,526,129
Gift cards	39,630	39,185
Merchandise	<u>27,520</u>	<u>19,043</u>
	1,739,532	1,584,357
Reserve for obsolete, excess, and slow-moving inventories	<u>(169,782)</u>	<u>(152,500)</u>
Inventories, net	<u>\$ 1,569,750</u>	<u>\$ 1,431,857</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period at December 31:

Time restrictions:		
Promises to give	\$ 467,299	\$ 435,847
Cash received for next year operations	75,000	75,000
Purpose restrictions:		
Special project	-	25,000
Other	5,250	5,000
Time and purpose restrictions:		
Disaster relief	<u>500,000</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,047,824</u>	<u>\$ 540,847</u>

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

The following expenses were incurred which satisfied the restricted purpose or occurrence of events specified by donors as of December 31:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished	\$ 1,394,879	\$ 429,000
Time restrictions expired	<u>510,847</u>	<u>550,000</u>
Total Net Assets Released from Restrictions	<u>\$ 1,905,726</u>	<u>\$ 979,000</u>

8. CONCENTRATIONS

One grantor comprised 40% and 77% of the Organization's total support and revenue during 2021 and 2020, respectively. Three donors accounted for 75% of total promises to give in 2021. Two donors accounted for 96% of total promises to give in 2020.

9. LEASE COMMITMENTS

The Organization leases office space under an operating lease agreement expiring in September 2023. Future minimum lease payments under this operating lease are as follows:

<u>Year ending December 31,</u>	
2022	\$ 35,908
2023	<u>27,433</u>
Total Future Minimum Lease Payments	<u>\$ 63,341</u>

Total rent expense related to this lease for 2021 and 2020 was \$35,035 and \$8,705, respectively.

10. DEFINED CONTRIBUTION PLAN

The Organization has established a qualified 401(k) plan for the benefit of all eligible employees. The eligible employees may make voluntary contributions to the plan, with the Organization matching 100% of the first 3% of employee wages contributed and 50% of the next 2%. The Organization's matching contribution for 2021 and 2020 was \$70,207 and \$42,285, respectively.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

11. RECENT ACCOUNTING PRONOUNCEMENTS

ASU 2020-07, Not-for-Profit Entities

In September 2020, the FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments in this ASU are to be applied on a retrospective basis. The amendments should be applied for fiscal years beginning after June 15, 2021. Early adoption is permitted.

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date for certain entities to fiscal years beginning after December 15, 2021. Early application continues to be allowed.

ASU 2016-13, Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard requires application of the current expected credit loss (“CECL”) methodology for the measurement of credit losses on financial assets measured at amortized cost. The CECL methodology replaces the previous incurred loss methodology. It also modifies the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. This standard is effective for annual reporting periods beginning after December 15, 2020. The standard is applied on a modified retrospective approach.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of the new CECL standard. The new standard is effective for fiscal years beginning after December 15, 2022.

The Organization is evaluating the effect that these standards will have on its financial statements and related disclosures.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

12. SUBSEQUENT EVENTS

Management has evaluated events and transactions that have occurred since December 31, 2021 and reflected their effects, if any, in these financial statements through April 27, 2022, the date the financial statements were available to be issued.

On January 10, 2022, OBR received a \$60,000 sponsorship for a special event that occurred in February 2022.

On January 19, 2022, OBR received \$360,000 unconditional promise to give to support the disaster relief program. The gift is time-restricted by the donor equally for 2022, 2023, and 2024.

SUPPLEMENTARY INFORMATION

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

	Operation BBQ Relief	Lake Camp Properties, LLC	Eliminations	Consolidated Total
Cash and Cash Equivalents	\$ 2,669,729	\$ -	\$ -	\$ 2,669,729
Investments	8,352,502	-	(2,124,095)	6,228,407
Promises to Give	467,299	-	-	467,299
Accounts Receivable	66,923	-	-	66,923
Inventories, net	1,569,750	-	-	1,569,750
Prepaid Expenses	21,120	-	-	21,120
Property and Equipment:				
Land	235,000	444,357	-	679,357
Buildings and building improvements	642,434	1,671,631	-	2,314,065
Motor vehicles and trailers	1,367,211	-	-	1,367,211
Other equipment	426,995	-	-	426,995
	2,671,640	2,115,988	-	4,787,628
Less accumulated depreciation	(931,470)	-	-	(931,470)
Property and Equipment, net	1,740,170	2,115,988	-	3,856,158
Total Assets	<u>\$ 14,887,493</u>	<u>\$ 2,115,988</u>	<u>\$ (2,124,095)</u>	<u>\$ 14,879,386</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable	\$ 299,761	\$ -	\$ -	\$ 299,761
Accrued liabilities	81,900	-	-	81,900
Total Liabilities	381,661	-	-	381,661
Net Assets:				
Without donor restrictions:				
Undesignated	12,958,008	2,115,988	(2,124,095)	12,949,901
Board-designated	500,000	-	-	500,000
Total without donor restrictions	13,458,008	2,115,988	(2,124,095)	13,449,901
With donor restrictions	1,047,824	-	-	1,047,824
Total Net Assets	14,505,832	2,115,988	(2,124,095)	14,497,725
Total Liabilities and Net Assets	<u>\$ 14,887,493</u>	<u>\$ 2,115,988</u>	<u>\$ (2,124,095)</u>	<u>\$ 14,879,386</u>

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	Operation BBQ Relief	Lake Camp Properties, LLC	Eliminations	Consolidated Total
Support and Revenue:				
Contributions and grants	\$ 6,502,788	\$ -	\$ -	\$ 6,502,788
Donated goods, materials, and services	569,052	-	-	569,052
Royalties	142,086	-	-	142,086
Net investment return	131,260	-	-	131,260
Special events, net	63,044	-	-	63,044
Storefront sales, net of discounts	30,456	-	-	30,456
Other income	<u>28,915</u>	<u>-</u>	<u>-</u>	<u>28,915</u>
Total Support and Revenue	7,467,601	-	-	7,467,601
Expenses:				
Salaries and wages	1,988,173	-	-	1,988,173
Employee benefits	208,722	-	-	208,722
Payroll taxes	140,035	-	-	140,035
Utilities	14,387	-	-	14,387
Technology	152,613	-	-	152,613
Communications	35,442	-	-	35,442
Equipment and vehicle expenses	557,950	-	-	557,950
Occupancy	15,003	-	-	15,003
Facility rental	160,088	-	-	160,088
Depreciation	266,350	-	-	266,350
Professional fees and services	287,442	-	-	287,442
Advertising and promotion	299,151	-	-	299,151
Memberships and licenses	27,775	-	-	27,775
Travel	273,282	-	-	273,282
Training and development	8,366	-	-	8,366
Insurance	99,729	-	-	99,729
Office expenses	61,318	8,107	-	69,425
Deployment expenses	505,741	-	-	505,741
Food expenses	1,353,076	-	-	1,353,076
Miscellaneous	<u>13,972</u>	<u>-</u>	<u>-</u>	<u>13,972</u>
Total Expenses	<u>6,468,615</u>	<u>8,107</u>	<u>-</u>	<u>6,476,722</u>
Change in Net Assets/Net Income	998,986	(8,107)	-	990,879
Net Assets, Beginning of Year	13,506,846	-	-	13,506,846
Capital Contributions	<u>-</u>	<u>2,124,095</u>	<u>(2,124,095)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 14,505,832</u>	<u>\$ 2,115,988</u>	<u>\$ (2,124,095)</u>	<u>\$ 14,497,725</u>