

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

**Year Ended December 31, 2022
with
Independent Auditors' Report**

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 3
Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities.....	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements.....	8 – 20
Supplementary Information:	
Consolidating Statement of Financial Position.....	21
Consolidating Statement of Activities	22



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, 2022, 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, 2022, 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.

Changes in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2022, **Operation BBQ Relief and Affiliate** adopted Financial Accounting Standards Board Accounting Standards Updates 2016-02, *Leases (Topic 842)* and 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

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 auditors' 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, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

Overland Park, Kansas
April 21, 2023

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022

(With comparative totals as of December 31, 2021)

ASSETS

	2022	2021
Cash and Cash Equivalents	\$ 3,764,237	\$ 2,669,729
Investments, at fair value	4,274,499	6,228,407
Promises to Give	2,795,121	467,299
Accounts Receivable	35,419	66,923
Inventories, net	1,240,092	1,569,750
Prepaid Expenses	38,683	21,120
Right-of-Use Asset - Operating Lease	20,353	-
Property and Equipment:		
Land	717,857	679,357
Buildings and building improvements	2,314,065	2,314,065
Motor vehicles and trailers	1,716,840	1,367,211
Other equipment	592,267	426,995
Construction in progress	228,965	-
	5,569,994	4,787,628
Less accumulated depreciation	(1,307,461)	(931,470)
Property and Equipment, net	4,262,533	3,856,158
Total Assets	<u>\$ 16,430,937</u>	<u>\$ 14,879,386</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 289,389	\$ 299,761
Deferred revenue	39,330	31,467
Accrued liabilities	72,332	50,433
Lease liability - operating	20,625	-
Total Liabilities	421,676	381,661
Net Assets:		
Without donor restrictions:		
Undesignated	12,019,108	12,949,901
Board-designated for new facility construction campaign	500,000	500,000
Total without donor restrictions	12,519,108	13,449,901
With donor restrictions	3,490,153	1,047,824
Total Net Assets	16,009,261	14,497,725
Total Liabilities and Net Assets	<u>\$ 16,430,937</u>	<u>\$ 14,879,386</u>

See accompanying notes

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

(With comparative totals for the year ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions and grants	\$ 5,074,292	\$ 4,421,084	\$ 9,495,376	\$ 6,502,788
Donated goods, materials, and equipment	551,170	581,684	1,132,854	560,119
Donated services	12,658	5,612	18,270	8,933
Royalties	49,561	-	49,561	142,086
Storefront sales, net of discounts	30,460	-	30,460	30,456
Special events, net cost of direct benefits to donors of \$ 81,063 and \$37,916 in 2022 and 2021, respectively	99,172	-	99,172	63,044
Net investment return	(953,907)	-	(953,907)	131,260
Other income	35,610	-	35,610	28,915
Net assets released from restrictions	<u>2,566,051</u>	<u>(2,566,051)</u>	<u>-</u>	<u>-</u>
 Total Support and Revenue	 7,465,067	 2,442,329	 9,907,396	 7,467,601
Expenses:				
Program services:				
Disaster relief	3,127,815	-	3,127,815	1,298,527
Restaurant relief	534,004	-	534,004	980,602
Always Serving project	433,572	-	433,572	336,186
Camp OBR	138,856	-	138,856	-
Other programs	<u>2,306,051</u>	<u>-</u>	<u>2,306,051</u>	<u>2,124,165</u>
Total program services	6,540,298	-	6,540,298	4,739,480
Supporting services:				
Management and general	976,757	-	976,757	910,356
Fundraising	<u>878,805</u>	<u>-</u>	<u>878,805</u>	<u>826,886</u>
Total supporting services	1,855,562	-	1,855,562	1,737,242
 Total Expenses	 <u>8,395,860</u>	 <u>-</u>	 <u>8,395,860</u>	 <u>6,476,722</u>
 Change in Net Assets	 (930,793)	 2,442,329	 1,511,536	 990,879
 Net Asset at Beginning of Year	 <u>13,449,901</u>	 <u>1,047,824</u>	 <u>14,497,725</u>	 <u>13,506,846</u>
 Net Assets, End of Year	 <u>\$ 12,519,108</u>	 <u>\$ 3,490,153</u>	 <u>\$ 16,009,261</u>	 <u>\$ 14,497,725</u>

See accompanying notes

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES **Year Ended December 31, 2022**

(With comparative totals for year ended December 31, 2021)

	2022										2021
	Program Services					Supporting Services					
	Disaster Relief	Restaurant Relief	Always Serving Project	Camp OBR	Other Programs	Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total	Total
Salaries and wages	\$ 683,057	\$ 144,264	\$ 243,797	\$ 38,705	\$ 629,547	\$ 1,739,370	\$ 244,452	\$ 425,525	\$ -	\$ 2,409,347	\$ 1,988,173
Employee benefits	36,730	968	22,166	8,195	40,437	108,496	63,395	30,215	-	202,106	208,722
Payroll taxes	47,287	7,397	1,180	2,673	62,061	120,598	17,353	29,356	-	167,307	140,035
Utilities	-	-	-	10,764	13,413	24,177	965	-	-	25,142	14,387
Technology	305	-	1,093	100	34,048	35,546	176,090	7,580	-	219,216	152,613
Communications	-	-	-	75	2,255	2,330	25,744	-	-	28,074	35,442
Equipment and vehicle expenses	348,575	-	21,140	22,490	248,287	640,492	29,658	9,997	2,626	682,773	559,223
Occupancy	724	-	131	3,045	37,171	41,071	-	-	-	41,071	175,091
Facility rental	4,149	-	120	-	150,839	155,108	1,074	60	13,150	169,392	12,027
Depreciation	-	-	-	-	381,991	381,991	-	-	-	381,991	266,350
Professional fees and services	10,670	-	-	-	7,188	17,858	244,824	5,500	-	268,182	287,442
Advertising and promotion	12,510	-	748	755	4,122	18,135	170	58,329	24,080	100,714	299,151
Memberships and licenses	-	-	-	-	7,039	7,039	14,053	4,059	-	25,151	27,775
Travel	88,169	-	58,257	3,655	57,041	207,122	9,349	102,592	-	319,063	273,282
Training and development	-	-	-	-	2,375	2,375	2,140	3,048	-	7,563	8,366
Insurance	-	-	-	6,949	-	6,949	99,567	-	-	106,516	99,729
Office expenses	1,257	-	1,196	392	28,585	31,430	41,786	8,513	-	81,729	69,425
Deployment expenses	504,840	-	26,420	33,900	219,650	784,810	4,720	16,000	1,105	806,635	505,741
Food expenses	1,389,542	381,375	56,765	1,885	372,343	2,201,910	110	177,133	4,267	2,383,420	1,353,076
Meals and entertainment	-	-	-	-	-	-	-	-	35,835	35,835	24,616
Miscellaneous	-	-	559	5,273	7,659	13,491	1,307	898	-	15,696	13,972
Total Expenses	3,127,815	534,004	433,572	138,856	2,306,051	6,540,298	976,757	878,805	81,063	8,476,923	6,514,638
Less expenses included in with revenues on the statement of activities											
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	(81,063)	(81,063)	(37,916)
Total expenses included in the expense section on the statement of activities	\$ 3,127,815	\$ 534,004	\$ 433,572	\$ 138,856	\$ 2,306,051	\$ 6,540,298	\$ 976,757	\$ 878,805	\$ -	\$ 8,395,860	\$ 6,476,722

See accompanying notes

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended December 31, 2022

(With comparative totals for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,511,536	\$ 990,879
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	381,991	266,350
Forgiveness of Paycheck Protection Program loan	-	(193,300)
Noncash lease expense on operating lease	272	-
Donated property and equipment	(19,883)	(132,370)
Allowance for obsolete inventory	(38,908)	17,282
Net realized and unrealized (gain) loss on investments	1,150,733	(41,771)
(Increase) decrease in:		
Promises to give	(2,327,822)	(31,452)
Accounts receivable	31,504	175,635
Inventories	368,566	(155,175)
Prepaid expenses	(17,563)	(16,174)
Increase (decrease) in:		
Accounts payable	(10,372)	176,314
Deferred revenue	7,863	-
Accrued liabilities	<u>21,899</u>	<u>49,431</u>
Net Cash Provided by Operating Activities	1,059,816	1,105,649
Cash Flows from Investing Activities:		
Proceeds from sale of investments	1,340,590	50,285
Purchases of investments	(537,415)	(6,217,774)
Purchases of property and equipment	<u>(768,483)</u>	<u>(2,743,605)</u>
Net Cash Provided (Used) by Investing Activities	34,692	(8,911,094)
Net Change in Cash and Cash Equivalents	1,094,508	(7,805,445)
Cash and Cash Equivalents at Beginning of Year	<u>2,669,729</u>	<u>10,475,174</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,764,237</u>	<u>\$ 2,669,729</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

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

See accompanying notes

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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 genesis and core 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 provides the food and necessary supplies, provides the restaurants with a small stipend to facilitate rehiring some of the laid-off/furloughed employees, and utilizes the restaurant's kitchen staff to prepare the meals. Many of the meals are donated to the homeless, veterans, first responders, healthcare workers, and families.
- The Always Serving Project serves military, veterans, first responders and their families. Together OBR connects, inspires and serves communities throughout the year with the Healing Power of BBQ. OBR aims to serve those that serve our community. We do this through several key programs to include BBQ Basics, BBQ Academy, and Days of Giving. We can't do enough for those that give so much to our nation.
- Camp OBR is a 180-acre facility on the Lake of the Ozarks. Through this inspiring location, surrounded by the insulating natural beauty of the lake, OBR will connect, inspire, educate, and feed our veterans, military, and first responders. Camp OBR will utilize Culinary Therapy, the great outdoors, and kindle the bonds of service by providing 3- , 5- , and 7-day all-inclusive camps to those who do so much for our community.
- 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.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

1. NATURE OF ORGANIZATION (continued)

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.

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. At December 31, 2022 and 2021, the allowance was \$5,770 and \$-0-, respectively.

Advertising – The Organization expenses advertising costs as they are incurred. Total advertising costs during the fiscal years ended December 31, 2022 and 2021 were \$100,714 and \$310,336, respectively.

Basis of Accounting – The Organization prepares its consolidated 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, 2021, 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, 2022, the Organization had approximately \$3,260,000 in deposits in excess of FDIC-insured limits.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services – Volunteers contribute significant amount of time to our programs 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 GAAP.

Donated Goods, Materials, and Equipment – In addition to receiving cash contributions, the Organization receives nonfinancial contributions of primarily food from various donors. It is the policy of the Organization to record the estimated fair value of certain nonfinancial donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. Donated goods, materials, and equipment are utilized in the program services including disaster relief services, restaurant relief, and other programs. Certain of these nonfinancial donations were restricted for the disaster relief services, restaurant relief, and fundraising. Nonfinancial donations are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. If a fair market value cannot be determined the Organization valued food based on a cost study conducted for Feeding America. Contributed foods products were valued at the estimated average fair value of one pound of donated food product at the national level of \$1.92 and \$1.79 for the years ending on June 30, 2022 and 2021, respectively. During 2022 and 2021, the Organization received \$1,193,545 and \$560,119 of contributed nonfinancial assets, respectively, within donated goods, materials, and equipment, and special events, net on the consolidated statements of activities.

Estimates – The preparation of consolidated 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 consolidated 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 consolidated statement of activities. The consolidated 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.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 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 \$130,874 and \$169,782 allowance for inventory obsolescence as noted by the Organization as of December 31, 2022 and 2021, respectively.

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.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

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.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 or 2021.

Recently Issued Accounting Pronouncements – Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02 *Leases (Topic 842)* using the modified retrospective transition approach and electing the effective date option. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing occupancy lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments as of December 31, 2021 would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of new lease accounting guidance, the Organization recognized on January 1, 2022, (a) a lease liability of \$34,755, which represents the present value of the remaining lease payments of \$60,039 discounted using the Organization’s incremental borrowing rate of 0.775% and (b) a right-of-use asset of \$34,755, which represents the lease liability. There was no cumulative effect adjustment to the opening balance of net assets as of January 1, 2022.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Pronouncements (continued) – During the year ended December 31, 2022, the Organization adopted the provisions of FASB ASU 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The Organization’s notes to the consolidated financial statements reflect the application of the guidance for the fiscal year ending December 31, 2022. The standard is applied on a retrospective basis. No changes were made to net assets from applying the amendment.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,764,237	\$ 2,669,729
Investments	4,274,499	6,228,407
Promises to give	2,795,121	467,299
Accounts receivable	35,419	66,923
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>\$ 10,369,276</u>	<u>\$ 8,932,358</u>

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

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.

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, 2022 as compared to those used at December 31, 2021.

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, 2022

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>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash (at cost)	\$ -	\$ -	\$ -	\$ 23,848
Stocks				
Common	25,139	-	-	25,139
Preferred	158,590	837,395	-	995,985
Mutual funds	1,404,623	-	-	1,404,623
Exchange-traded funds	1,009,528	-	-	1,009,528
Fixed-rate securities	167,970	46,700	-	214,670
Corporate bonds:				
BBB+ to B-	<u> </u>	<u>600,706</u>	<u>-</u>	<u>600,706</u>
Total	<u>\$ 2,765,850</u>	<u>\$ 1,484,801</u>	<u>\$ -</u>	<u>\$ 4,274,499</u>

<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-	<u>-</u>	<u>361,385</u>	<u>-</u>	<u>361,385</u>
Total	<u>\$ 3,347,157</u>	<u>\$ 1,184,465</u>	<u>\$ -</u>	<u>\$ 6,228,407</u>

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

5. PROMISES TO GIVE

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

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 2,795,121	\$ 392,299
Due in one to five years	<u>-</u>	<u>75,000</u>
Total Promises to Give	<u>\$ 2,795,121</u>	<u>\$ 467,299</u>

6. INVENTORIES

Inventories consisted of the following at December 31:

Food	\$ 1,308,825	\$ 1,672,382
Gift cards	39,630	39,630
Merchandise	<u>22,511</u>	<u>27,520</u>
	1,370,966	1,739,532
Reserve for obsolete, excess, and slow-moving inventories	<u>(130,874)</u>	<u>(169,782)</u>
Inventories, net	<u>\$ 1,240,092</u>	<u>\$ 1,569,750</u>

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS December 31, 2022

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Time restrictions:		
Promises to give	\$ 2,795,121	\$ 467,299
Cash received for next year operations	-	75,000
Purpose restrictions:		
Disaster relief	8,895	-
Camp OBR	180,612	-
Other	5,525	5,525
Time and purpose restrictions:		
Disaster relief	<u>500,000</u>	<u>500,000</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 3,490,153</u>	 <u>\$ 1,047,824</u>

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

Purpose restrictions accomplished	\$ 2,099,912	\$ 1,394,879
Time restrictions expired	<u>466,139</u>	<u>510,847</u>
 Total Net Assets Released from Restrictions	 <u>\$ 2,566,051</u>	 <u>\$ 1,905,726</u>

8. CONCENTRATIONS

Disaster Relief funding from the State of Florida compromised 51% of the Organization's revenue during 2022. Refugee Evacuation Relief Funding from the State of Pennsylvania comprised 40% of the Organization's revenue in 2021.

Three donors accounted for approximately 96% and 75% of total promises to give in 2022 and 2021, respectively. In 2022, 88% is related to the funding from the State of Florida.

9. 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 2022 and 2021 was \$79,368 and \$70,207, respectively.

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

10. LEASE COMMITMENT

The Organization has an operating lease for office space that expires September 30, 2023. Rent expense associated with this lease for the years ended December 31, 2022 and 2021 was \$34,308 and \$35,035, respectively.

Other operating lease information for the year ended December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liability for operating cash flows	\$ 34,036
Right-of-use asset obtained in exchange for lease liability	\$ 34,755
Weighted-average remaining lease term (in years):	0.75
Weighted-average discount rate (as a %):	0.775

Future minimum lease payments under this operating lease are as follows:

<u>Year ending December 31:</u>	
2023	26,003
Less: present value discount	<u>(5,378)</u>
Total Future Minimum Lease Payments	<u>\$ 20,625</u>

11. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Donated goods, materials, and equipment are stated at the values described in Note 2 and include the following at December 31:

	<u>2022</u>	<u>2021</u>
Food	\$ 1,072,235	\$ 318,038
Equipment	45,236	220,881
Auction items	60,691	-
Gift cards		21,200
Supplies	<u>15,383</u>	<u>-</u>
Total Donated Goods, Materials, and Equipment	<u>\$ 1,193,545</u>	<u>\$ 560,119</u>

OPERATION BBQ RELIEF AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

12. RECENT ACCOUNTING PRONOUNCEMENTS

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 consolidated financial statements and related disclosures.

13. PAYCHECK PROTECTION PROGRAM LOAN

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 FASB Accounting Standards Codification (“ASC”) 958-605. On July 13, 2021, the PPP loan was forgiven, and it was recognized as a contribution and included in contributions and grants on the 2021 consolidated statement of activities.

14. SUBSEQUENT EVENTS

Management has evaluated events and transactions have occurred since December 31, 2022 and reflected their effects, if any, in these financial statements through April 21, 2023, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

	Operation BBQ Relief	Lake Camp Properties, LLC	Eliminations	Consolidated Total
Cash and Cash Equivalents	\$ 3,764,237	\$ -	\$ -	\$ 3,764,237
Investments	4,274,499	-	-	4,274,499
Investment in Affiliate	2,104,920	-	(2,104,920)	-
Promises to Give	2,795,121	-	-	2,795,121
Accounts Receivable	35,419	-	-	35,419
Inventories, net	1,240,092	-	-	1,240,092
Prepaid Expenses	32,530	6,153	-	38,683
Right-of-Use Asset - Operating Lease	20,353	-	-	20,353
Property and Equipment:				
Land	235,000	482,857	-	717,857
Buildings and building improvements	642,434	1,671,631	-	2,314,065
Motor vehicles and trailers	1,716,840	-	-	1,716,840
Other equipment	592,267	-	-	592,267
Construction in progress	228,965	-	-	228,965
	3,415,506	2,154,488	-	5,569,994
Less accumulated depreciation	(1,251,740)	(55,721)	-	(1,307,461)
Property and Equipment, net	2,163,766	2,098,767	-	4,262,533
Total Assets	<u>\$ 16,430,937</u>	<u>\$ 2,104,920</u>	<u>\$ (2,104,920)</u>	<u>\$ 16,430,937</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable	\$ 289,389	\$ -	\$ -	\$ 289,389
Deferred revenue	39,330	-	-	39,330
Accrued liabilities	72,332	-	-	72,332
Lease liability - operating	20,625	-	-	20,625
Total Liabilities	421,676	-	-	421,676
Member's Equity	-	2,104,920	(2,104,920)	-
Net Assets:				
Without donor restrictions:				
Undesignated	12,019,108	-	-	12,019,108
Board-designated	500,000	-	-	500,000
Total without donor restrictions	12,519,108	-	-	12,519,108
With donor restrictions	3,490,153	-	-	3,490,153
Total Net Assets	16,009,261	-	-	16,009,261
Total Liabilities and Net Assets	<u>\$ 16,430,937</u>	<u>\$ 2,104,920</u>	<u>\$ (2,104,920)</u>	<u>\$ 16,430,937</u>

OPERATION BBQ RELIEF AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

	Operation BBQ Relief	Lake Camp Properties, LLC	Eliminations	Consolidated Total
Support and Revenue:				
Contributions and grants	\$ 9,495,376	\$ -	\$ -	\$ 9,495,376
Donated goods, equipment, and other	1,132,854	-	-	1,132,854
Donated services	18,270	-	-	18,270
Royalties	49,561	-	-	49,561
Storefront sales, net of discounts	30,460	-	-	30,460
Special events, net	99,172	-	-	99,172
Net investment return (loss)	(953,907)	-	-	(953,907)
Other income	35,610	-	-	35,610
Equity in earnings of subsidiary	(67,943)	-	67,943	-
Total Support and Revenue	9,839,453	-	67,943	9,907,396
Expenses:				
Salaries and wages	2,409,347	-	-	2,409,347
Employee benefits	202,106	-	-	202,106
Payroll taxes	167,307	-	-	167,307
Utilities	25,142	-	-	25,142
Technology	219,216	-	-	219,216
Communications	28,074	-	-	28,074
Equipment and vehicle expenses	680,146	-	-	680,146
Occupancy	41,071	-	-	41,071
Facility rental	156,242	-	-	156,242
Depreciation	326,270	55,721	-	381,991
Professional fees and services	268,182	-	-	268,182
Advertising and promotion	76,634	-	-	76,634
Memberships and licenses	25,151	-	-	25,151
Travel	319,063	-	-	319,063
Training and development	7,563	-	-	7,563
Insurance	99,567	6,949	-	106,516
Office expenses	81,729	-	-	81,729
Deployment expenses	805,531	-	-	805,531
Food expenses	2,379,153	-	-	2,379,153
Miscellaneous	10,423	5,273	-	15,696
Total Expenses	8,327,917	67,943	-	8,395,860
Change in Net Assets/Net Income	1,511,536	(67,943)	67,943	1,511,536
Net Assets, Beginning of Year	14,497,725	2,115,988	(2,115,988)	14,497,725
Capital Contributions	-	56,875	(56,875)	-
Net Assets, End of Year	<u>\$ 16,009,261</u>	<u>\$ 2,104,920</u>	<u>\$ (2,104,920)</u>	<u>\$ 16,009,261</u>