

**CHATTANOOGA AREA FOOD
BANK, INC.**

FINANCIAL REPORT

JUNE 30, 2020

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CHATTANOOGA AREA FOOD BANK, INC.

ROSTER OF THOSE CHARGED WITH
GOVERNANCE AND MANAGEMENT OFFICIALS

Jim Catanzaro, Board of Directors – Chairman of the Board

Frank Hughes, Board of Directors – First Vice Chairman

Celeste Bandy Weaver, Board of Directors – Second Vice Chairman

Fred Flint, Board of Directors – Secretary

Phil Harris, Board of Directors – Treasurer

Bill Buchanan, Board of Directors

Jennifer Cookston, Board of Directors

Matt Evans, Board of Directors

Megan Flynn, Board of Directors

Taylor Hamon, Board of Directors

Morgan Hopkins, Board of Directors

Dallas Joseph, Board of Directors

Betsey McCall, Board of Directors

Daniel Yim, Board of Directors

Jere Young, Board of Directors

Mark Hilling, Interim President & CEO

David McCorkle, CFO



Independent Auditor's Report

To the Board of Directors
Chattanooga Area Food Bank, Inc.
Chattanooga, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Chattanooga Area Food Bank, Inc. (a nonprofit organization) (the Organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Chattanooga Area Food Bank, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

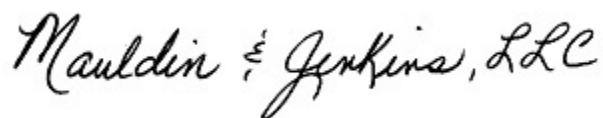
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the introductory section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.



Chattanooga, Tennessee
December 29, 2020

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$3,711,705	\$ 842,158
Inventories	1,402,161	2,108,182
Accounts receivable, net	101,183	113,250
Contributions receivable	234,550	159,255
Grant receivable	194,918	186,350
Investments	83,747	61,046
Prepaid expenses and other assets	62,387	31,212
Land, building and equipment, net	<u>3,325,569</u>	<u>3,446,918</u>
Total assets	<u><u>\$9,116,220</u></u>	<u><u>\$6,948,371</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 406,458	\$ 214,796
Deferred revenue	500,637	-
Accrued liabilities	69,009	34,424
Other long-term liabilities	<u>108,119</u>	<u>126,034</u>
Total liabilities	<u>1,084,223</u>	<u>375,254</u>
NET ASSETS		
Without donor restrictions	6,630,247	4,558,307
With donor restrictions	<u>1,401,750</u>	<u>2,014,810</u>
Total net assets	<u>8,031,997</u>	<u>6,573,117</u>
Total liabilities and net assets	<u><u>\$9,116,220</u></u>	<u><u>\$6,948,371</u></u>

The Notes to Financial Statements are an integral part of these statements.

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Donations of food	\$ 23,402,322	\$ -	\$ 23,402,322
Contributions	4,923,989	255,894	5,179,883
Special events	161,054	-	161,054
Grants - foundations and corporations	17,408	504,051	521,459
Grants - state	100,000	-	100,000
Total support	<u>28,604,773</u>	<u>759,945</u>	<u>29,364,718</u>
Revenue:			
Shared maintenance fees	1,478,436	-	1,478,436
Commodity service revenue - USDA	284,187	-	284,187
Commodity service revenue - other	46,708	-	46,708
Agency fees	13,462	-	13,462
Miscellaneous income	3,475	-	3,475
Total revenue	<u>1,826,268</u>	<u>-</u>	<u>1,826,268</u>
Net assets released from restrictions	<u>1,373,005</u>	<u>(1,373,005)</u>	<u>-</u>
Total support and revenue	<u>31,804,046</u>	<u>(613,060)</u>	<u>31,190,986</u>
Expenses:			
Program services:			
Food distribution services	<u>28,340,766</u>	<u>-</u>	<u>28,340,766</u>
Supporting services:			
Management and general	627,254	-	627,254
Fund-raising	764,086	-	764,086
Total supporting services	<u>1,391,340</u>	<u>-</u>	<u>1,391,340</u>
Total expenses	<u>29,732,106</u>	<u>-</u>	<u>29,732,106</u>
Increase (decrease) in net assets	2,071,940	(613,060)	1,458,880
Net assets, beginning of year	<u>4,558,307</u>	<u>2,014,810</u>	<u>6,573,117</u>
Net assets, end of year	<u>\$ 6,630,247</u>	<u>\$ 1,401,750</u>	<u>\$ 8,031,997</u>

The Notes to Financial Statements are an integral part of this statement.

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Donations of food	\$ 21,124,575	\$ 598,391	\$ 21,722,966
Contributions	2,428,772	-	2,428,772
Special events	274,139	-	274,139
Grants - foundations and corporations	37,039	573,717	610,756
Grants - state	100,000	-	100,000
Total support	<u>23,964,525</u>	<u>1,172,108</u>	<u>25,136,633</u>
Revenue:			
Shared maintenance fees	1,574,305	-	1,574,305
Commodity service revenue - USDA	188,304	-	188,304
Commodity service revenue - other	40,122	-	40,122
Agency fees	4,425	-	4,425
Miscellaneous income	4,365	-	4,365
Total revenue	<u>1,811,521</u>	<u>-</u>	<u>1,811,521</u>
Net assets released from restrictions	<u>793,484</u>	<u>(793,484)</u>	<u>-</u>
Total support and revenue	<u>26,569,530</u>	<u>378,624</u>	<u>26,948,154</u>
Expenses:			
Program services:			
Food distribution services	<u>25,284,173</u>	<u>-</u>	<u>25,284,173</u>
Supporting services:			
Management and general	551,189	-	551,189
Fund-raising	704,515	-	704,515
Total supporting services	<u>1,255,704</u>	<u>-</u>	<u>1,255,704</u>
Total expenses	<u>26,539,877</u>	<u>-</u>	<u>26,539,877</u>
Increase in net assets	29,653	378,624	408,277
Net assets, beginning of year	<u>4,528,654</u>	<u>1,636,186</u>	<u>6,164,840</u>
Net assets, end of year	<u>\$ 4,558,307</u>	<u>\$ 2,014,810</u>	<u>\$ 6,573,117</u>

The Notes to Financial Statements are an integral part of this statement.

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services	Supporting Services		Total Expenses
	Food Distribution	Management and General	Fund-raising	
Cost of food distribution	\$ 25,947,182	\$ -	\$ -	\$25,947,182
Freight and packaging	186,757	-	-	186,757
Salaries	1,118,972	372,991	333,694	1,825,657
Employee benefit	178,767	22,346	22,346	223,459
Payroll taxes	77,480	25,827	24,834	128,141
Special events	-	-	4,705	4,705
Warehouse supplies and expenses	176,135	-	-	176,135
Vehicle expense	113,836	12,000	-	125,836
Utilities	60,116	20,039	-	80,155
Office supplies	18,121	6,040	-	24,161
Advertising	-	-	1,003	1,003
Printing and postage	3,756	442	221	4,419
Telephone	14,245	1,676	838	16,759
Rental expenses	26,318	4,644	-	30,962
Repairs and maintenance	12,443	1,464	732	14,639
Miscellaneous	23,610	2,772	1,386	27,768
Bad debt expense	1,550	-	-	1,550
Contracted services	-	-	42,000	42,000
Professional services	-	46,324	15,000	61,324
Dues and subscriptions	49,155	5,783	2,891	57,829
Education and training	620	73	36	729
Fund-raising	-	-	309,986	309,986
Programs	7,244	-	-	7,244
Travel and lodging	13,241	4,414	4,414	22,069
Insurance	58,758	19,586	-	78,344
Interest expense	9,962	-	-	9,962
Total expenses before depreciation	28,098,268	546,421	764,086	29,408,775
Depreciation	242,498	80,833	-	323,331
Total expenses	<u>\$ 28,340,766</u>	<u>\$ 627,254</u>	<u>\$ 764,086</u>	<u>\$29,732,106</u>

The Notes to Financial Statements are an integral part of this statement.

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services		Supporting Services		Total Expenses
	Food Distribution	Management and General	Fund-raising		
Cost of food distribution	\$ 22,950,785	\$ -	\$ -		\$22,950,785
Freight and packaging	237,400	-	-		237,400
Salaries	1,083,646	270,911	299,305		1,653,862
Employee benefit	195,032	22,945	11,472		229,449
Payroll taxes	68,673	17,168	22,750		108,591
Special events	-	-	26,847		26,847
Warehouse supplies and expenses	133,696	-	-		133,696
Vehicle expense	90,354	12,000	-		102,354
Utilities	61,509	20,503	-		82,012
Office supplies	20,053	6,684	-		26,737
Advertising	1,049	-	4,000		5,049
Printing and postage	3,327	391	196		3,914
Telephone	12,725	1,497	749		14,971
Rental expenses	22,608	3,989	-		26,597
Repairs and maintenance	13,210	1,554	777		15,541
Miscellaneous	19,799	2,318	1,159		23,276
Bad debt expense	394	-	-		394
Contracted services	-	-	42,029		42,029
Professional services	-	92,207	-		92,207
Dues and subscriptions	48,577	5,715	2,857		57,149
Education and training	6,984	822	411		8,217
Fund-raising	-	-	287,774		287,774
Programs	7,220	-	-		7,220
Travel and lodging	33,515	4,189	4,189		41,893
Insurance	44,208	14,736	-		58,944
Interest expense	8,728	-	-		8,728
Total expenses before depreciation	25,063,492	477,629	704,515		26,245,636
Depreciation	220,681	73,560	-		294,241
Total expenses	<u>\$ 25,284,173</u>	<u>\$ 551,189</u>	<u>\$ 704,515</u>		<u>\$26,539,877</u>

The Notes to Financial Statements are an integral part of this statement.

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENTS OF CASH FLOWS
Year Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,458,880	\$ 408,277
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	323,331	294,241
Change in operating assets and liabilities:		
Accounts receivable, net	12,067	4,360
Contributions receivable	(75,295)	(139,641)
Grant receivable	(8,568)	(123,982)
Prepaid expenses and other assets	(31,175)	2,270
Inventories	706,021	(561,819)
Investment return	(1,256)	(1,393)
Gain on disposal of equipment	-	(2,000)
Accounts payable	191,662	39,574
Deferred revenue	500,637	-
Accrued liabilities	34,585	2,933
Net cash provided by (used in) operating activities	<u>3,110,889</u>	<u>(77,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, building and equipment	(201,982)	(288,877)
Proceeds from sale of fixed assets	-	2,000
Purchase of investments	(21,445)	-
Net cash used in investing activities	<u>(223,427)</u>	<u>(286,877)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease obligation	5,876	26,397
Payments on capital lease obligation	(23,791)	(15,389)
Net cash provided by (used in) financing activities	<u>(17,915)</u>	<u>11,008</u>
NET INCREASE (DECREASE) IN CASH	2,869,547	(353,049)
CASH, beginning of year	<u>842,158</u>	<u>1,195,207</u>
CASH, end of year	<u>\$ 3,711,705</u>	<u>\$ 842,158</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 9,962</u>	<u>\$ 8,728</u>
Cash received from Payroll Protection Plan	<u>\$ 410,512</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Chattanooga Area Food Bank, Inc. (the Organization) conform with United States generally accepted accounting principles (GAAP) and practices within the not-for-profit industry. The policies that materially affect financial position and results of operations are summarized as follows:

Nature of operations:

The Organization operates as a nonprofit entity that receives donations of food which it distributes to other tax-exempt organizations in Tennessee and Georgia to eliminate hunger and promote better nutrition for the region. The Organization is also a certified member of Feeding America, the Nation's Food Bank Network.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of presentation and revenue recognition:

To ensure observances of limitations and restrictions placed on the use of resources available to the Organization, resources are classified for accounting and financial reporting purposes into categories established according to their nature and purpose in the two categories as follows:

Basis of presentation:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The only limits on net assets without donor restrictions are those resulting from the nature of the Organization and its purposes.

Net assets with donor restrictions – Net assets subject to donor-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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has passed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue is reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gain and losses on other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions in net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies (continued)

Revenue recognition:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, permitting the deferral of the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2019. The Organization has elected to adopt ASU 2020-05. The Organization is currently in the process of evaluating the impact of adoption of this guidance on the financial statements and does not anticipate it to have a significant impact on the timing of revenue recognition.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and establishes standards for characterizing grants and similar contracts with resource providers as contributions (nonreciprocal) subject to Accounting Standards Codification (ASC) Topic 958, or as exchange transactions (reciprocal) subject to ASC Topic 606.

For the year ending June 30, 2020, the Organization adopted ASU 2018-08. The adoption of ASU 2018-08 did not have an impact on the timing of the Organization's revenue recognition.

Contributions are recorded as revenue in the period received or upon the receipt of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of appreciated assets are recorded at the estimated fair value at the date of receipt by the Organization.

The Organization also receives grant revenue from various federal and state agencies. Grant revenue is recognized in the period the liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue.

Cash:

Cash consists principally of checking account balances. The Organization considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies (continued)

Concentrations of credit risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash equivalents. The Organization places its cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. From time to time, the Organization's cash balances exceed federal depository insurance coverage and management considers this to be a normal business risk. The Organization has not experienced any losses on its cash equivalents.

Investments:

Investments are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Fair values of marketable securities with readily determinable fair values are based on quoted market prices. Investment income or loss (including gains and losses on investments, interest, and dividends, net of investment expenses) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Land, building and equipment:

Land, building and equipment are stated at cost if purchased or fair value if donated. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Vehicles	5 years
Office furniture and fixtures	5-20 years
Greenhouse	6-15 years
Warehouse equipment	5-15 years

Donated non-cash items other than food:

The Organization reports donations of non-cash items other than food as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies (continued)

Donated services:

Donated services are recognized as contributions in accordance with ASC Topic 958, *Not-for-Profit Entities*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. For the year ended June 30, 2020, the Organization recognized \$0 of contribution revenue for donated services with a like amount recognized as management and general expense. For the year ended June 30, 2019, the Organization recognized \$48,000 of contribution revenue for donated services with a like amount recognized as management and general expense.

The Organization also depends upon the services donated by volunteers to carry out many of its internal operations. However, the services donated do not meet the requirements under ASC Topic 958, *Not-for-Profit Entities*, which would require recognition in the financial statements.

Inventories:

Food inventories include donated food, purchased inventory, and undistributed USDA commodities. Donated food received from food drives, food companies, grocery stores, Feeding America, and the USDA is valued at \$1.49 per pound for the year ending June 30, 2020 and \$1.52 per pound for the year ending June 30, 2019. These values represent the estimated average market value at the date of gift, based on studies commissioned by Feeding America. Purchased inventory is reported at cost.

Accounts receivable:

The Organization charges a share maintenance fee to recover a portion of the cost of food purchasing, storage, handling and delivery to other not-for-profit agencies. Accounts receivable are reported at gross sales price less any applicable payments, adjustments or allowances for uncollectible accounts. The Organization extends credit based on evaluation of those agencies' financial condition and generally does not require collateral.

The Organization estimates an allowance for uncollectible accounts based on its knowledge of agencies' individual credit circumstances, the Organization's historical loss experience, and other current economic conditions. Accounts determined to be uncollectible are charged-off against the allowance in the period of determination. Subsequent recoveries of amount previously charged-off are credited to the allowance in the period received.

Functional expenses:

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 1. Summary of Significant Accounting Policies (continued)

Income tax status:

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code. However, any income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Organization accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740, *Income Taxes*. The Organization follows the statutory requirement for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Organization's non-taxable status would not have a material effect on the Organization's financial statements. The Organization is subject to routine audits from taxing jurisdictions; however, there are currently no audits for tax periods in progress.

Advertising costs:

Advertising costs are charged to expense as incurred.

Subsequent events:

Management performed an evaluation of subsequent events through December 29, 2020, the date these financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash	\$3,507,933	\$ 697,726
Investments	83,747	61,046
Accounts receivable	101,183	113,250
Contributions receivable	9,692	133,968
Grant receivable	<u>50,359</u>	<u>83,500</u>
	<u>\$3,752,914</u>	<u>\$1,089,490</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due. In general, the Organization maintains sufficient assets on hand to meet 6 months of normal operating expenses. The Organization also has a \$500,000 line of credit available. The line of credit bears interest at one month LIBOR plus 2.00 percent and matures January 31, 2021. No amounts were outstanding at June 30, 2020 and 2019.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 3. Inventories

Inventories consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donated inventory	\$1,195,483	\$1,860,371
Purchased inventory	<u>206,678</u>	<u>247,811</u>
	<u>\$1,402,161</u>	<u>\$2,108,182</u>

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Member agencies	\$ 47,184	\$104,649
Other customers	58,469	12,263
Allowance for bad debts	<u>(4,470)</u>	<u>(3,662)</u>
	<u>\$101,183</u>	<u>\$113,250</u>

Note 5. Contributions Receivable

Contributions receivable were \$234,550 and \$159,255 at June 30, 2020 and 2019, respectively, and are due within one year. Management believes that all contributions receivable are fully collectible at June 30, 2020 and 2019; therefore, there are no allowances for uncollectible contributions receivable.

Note 6. Investments

A summary of investments at June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Mutual funds	<u>\$83,747</u>	<u>\$61,046</u>

Investment return for the years ended June 30, 2020 and 2019 was \$1,256 and \$1,393, respectively.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 7. Land, Building and Equipment

A summary of land, building and equipment at June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 785,028	\$ 685,028
Building	2,759,791	2,724,116
Vehicles	988,112	988,112
Office furniture and fixtures	283,837	283,838
Greenhouse	26,741	26,741
Warehouse equipment	<u>1,000,496</u>	<u>934,189</u>
	5,844,005	5,642,024
Accumulated depreciation	<u>(2,518,436)</u>	<u>(2,195,106)</u>
	<u>\$ 3,325,569</u>	<u>\$ 3,446,918</u>

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Undistributed food inventory	\$1,195,483	\$1,860,371
Capital improvements	42,857	-
Children's programs	-	99,338
Other restrictions	<u>163,410</u>	<u>55,101</u>
Total net assets with donor restrictions	<u>\$1,401,750</u>	<u>\$2,014,810</u>

Net assets with donor restrictions are included in cash, inventory, and contributions receivable.

During the years ended June 30, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Undistributed food inventory	\$ 664,888	\$ -
Capital improvements	7,143	184,160
Children's programs	260,058	275,696
Healthcare program	25,000	35,419
Other restrictions	<u>415,916</u>	<u>298,209</u>
	<u>\$1,373,005</u>	<u>\$793,484</u>

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 9. Lease Commitments

The Organization leases office space and equipment pursuant to lease agreements with varying terms. The leases expire at various dates through June 2023. Rent expense totaled \$30,962 and \$26,597 for the years ended June 30, 2020 and 2019, respectively. Future minimum rental payments required under the operating leases are as follows:

Year Ending June 30,	
2021	\$25,079
2022	25,079
2023	25,079

Note 10. Capital Lease

The Organization leases equipment under an agreement that is classified as a capital lease. The cost of equipment under the capital lease totaled \$108,882 at June 30, 2020, and has been included in property and equipment. Amortization expense of the leased equipment for the years ended June 30, 2020 and 2019, was \$23,525 and \$23,026, respectively, and has been included in depreciation expense.

The future minimum lease payments under the capital lease and the present value of the net minimum lease payments for the year ended June 30 are as follows:

2021	\$ 26,184
2022	23,364
2023	23,364
2024	23,364
2025	23,364
Thereafter	<u>17,335</u>
Total minimum lease payments	136,975
Less: Amount representing interest	<u>(28,856)</u>
Total minimum future rental payments	<u>\$108,119</u>

Note 11. Retirement Plan

The Organization has established a deferred salary reduction plan under Section 403(b) of the Internal Revenue Code covering employees who have attained the age of 21 and have completed at least one year of service. The Organization matches contributions by eligible employees up to 3% of compensation. Employer contributions immediately vest. The Organization's matching contributions were \$26,519 and \$20,701 for the years ended June 30, 2020 and 2019, respectively.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 12. Fair Value Measurements

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

ASC Topic 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

ASC Topic 820 also establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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 June 30, 2020 and 2019.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 12. Fair Value Measurements (continued)

Donated inventory: Valued based on poundage times a standard rate. The standard rate is updated annually based on a study commissioned by Feeding America, which is classified as Level 3. The inputs used in the valuation include twenty-nine product types calculating a weighted average value for the year based on actual donated pounds by type on a national level.

Mutual funds: Valued at the net asset value of shares held by the Organization at year-end. The mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of donated inventory could result in a different fair value measurement at the reporting date.

The table below presents the recorded amount of assets measured at fair value on a recurring basis:

	Balance as of June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds	\$ 83,747	\$83,747	\$ -	\$ -
Donated inventory	<u>1,195,483</u>	<u>-</u>	<u>-</u>	<u>1,195,483</u>
Total assets at fair value	<u>\$1,279,230</u>	<u>\$83,747</u>	<u>\$ -</u>	<u>\$1,195,483</u>
	Balance as of June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds	\$ 61,046	\$61,046	\$ -	\$ -
Donated inventory	<u>1,860,371</u>	<u>-</u>	<u>-</u>	<u>1,860,371</u>
Total assets at fair value	<u>\$1,921,417</u>	<u>\$61,046</u>	<u>\$ -</u>	<u>\$1,860,371</u>

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

Note 12. Fair Value Measurements (continued)

The table below presents additional information about assets measured at fair value on a recurring basis by reliance on Level 3 inputs to determine fair value at June 30, 2020 and 2019.

	<u>Donated Inventory</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 1,860,371	\$ 1,261,980
Food received	24,104,602	21,722,966
Food distributed	<u>(24,769,490)</u>	<u>(21,124,575)</u>
Ending balance	<u>\$ 1,195,483</u>	<u>\$ 1,860,371</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the period. For the years ended June 30, 2020 and 2019, there were no transfers in or out of Levels 1, 2 or 3.

Note 13. Coronavirus COVID-19 Pandemic

In December 2019, a novel strain of coronavirus (“COVID-19”) surfaced, which has and is continuing to spread throughout the world. In March of 2020, the World Health Organization declared the outbreak a pandemic. The extent to which COVID-19 impacts the Organization’s operations, results of operations, liquidity and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, severity and scope of the outbreak, and the actions taken to contain its impact, as well as actions taken to limit the resulting economic impact, among others. The health and safety of customers and employees of the Organization is of the utmost importance. The Organization has taken, and will continue to take, precautionary measures in accordance with the guidelines of the Centers for Disease Control and other federal, state and local authorities.

Due to the uncertainty of COVID-19, the Organization applied for and received funding through the Payroll Protection Program (the Program) which was established by the Coronavirus Aid, Relief, and Economic Security Act signed into law on March 27, 2020. The Program provides small businesses with funding to pay payroll costs, including benefits, interest on mortgages, rent, and utilities. Proceeds through the Program are eligible for forgiveness subject to certain guidelines issued by the Small Business Administration. The Organization received proceeds of \$410,512, which is included in deferred revenue in the statements of financial position, and expects substantially all amounts to qualify for forgiveness. Any amounts not forgiven will be due in monthly installments, including interest at 1 percent, through maturity of April 19, 2022.

SUPPLEMENTARY INFORMATION

CHATTANOOGA AREA FOOD BANK, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Grant Revenue June 30, 2019	Grant Revenue Received	Expenditures	(Accrued) Deferred Grant Revenue June 30, 2020
FEDERAL GRANTS						
U.S. DEPARTMENT OF AGRICULTURE						
Passed through Tennessee Department of Agriculture:						
Food Distribution Cluster:						
Emergency Food Assistance Program (Food Commodities)	10.569	GR-20802	\$ 1,032,159	\$ 1,419,544	\$ 2,371,622	\$ 80,081
Emergency Food Assistance Program (Administrative Costs) October 1, 2018 - September 30, 2019	10.568	GR-70698	(83,501)	83,501	-	-
Emergency Food Assistance Program (Administrative Costs) October 1, 2019 - September 30, 2020	10.568	GR-75543	-	67,999	158,749	(90,750)
Emergency Food Assistance Program (Food Commodities) Through Families First Coronavirus Response Act	10.569	GR-20802	-	59,203	47,065	12,138
Total Food Distribution Cluster			<u>948,658</u>	<u>1,630,247</u>	<u>2,577,436</u>	<u>1,469</u>
Trade Mitigation, Food Purchase and Distribution Program (Administrative Costs)	10.178	N/A	-	125,438	125,438	-
Trade Mitigation, Food Purchase and Distribution Program (Food Commodities)	10.178	N/A	-	3,663,462	3,647,575	15,887
Total Trade Mitigation, Food Purchase and Distribution Program			<u>-</u>	<u>3,788,900</u>	<u>3,773,013</u>	<u>15,887</u>
Passed through Tennessee Department of Human Services:						
Child Nutrition Cluster:						
Summer Food Service Program for Children	10.559	GR-00662	(5,489)	8,908	3,419	-
Total Child Nutrition Cluster			<u>(5,489)</u>	<u>8,908</u>	<u>3,419</u>	<u>-</u>
Passed through Tennessee Department of Human Services:						
Supplemental Nutrition Assistance Program						
January 1, 2020 - September 30, 2020	10.561	GR-65172	-	6,410	9,347	(2,937)
Passed through Georgia Department of Human Services:						
Supplemental Nutrition Assistance Program						
October 1, 2019 - September 30, 2020	10.561	5GA400403	-	18,591	18,654	(63)
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Atlanta Community Food Bank:						
477 Cluster:						
Temporary Assistance for Needy Families Program October 1, 2018 - September 30, 2019	93.558	1601GATANF	(97,361)	97,361	-	-
Temporary Assistance for Needy Families Program October 1, 2019 - September 30, 2020	93.558	1601GATANF	-	138,148	239,216	(101,068)
Total 477 Cluster			<u>(97,361)</u>	<u>235,509</u>	<u>239,216</u>	<u>(101,068)</u>

CHATTANOOGA AREA FOOD BANK, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2020

FEDERAL EMERGENCY MANAGEMENT AGENCY						
Emergency Food and Shelter Program	97.024	LRO-768200-023	<u>(5,286)</u>	<u>12,342</u>	<u>7,056</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>840,522</u>	<u>5,700,907</u>	<u>6,628,141</u>	<u>(86,712)</u>
STATE GRANTS						
TENNESSEE DEPARTMENT OF HUMAN SERVICES						
Second Harvest Food Bank	N/A	N/A	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 840,522</u>	<u>\$ 5,800,907</u>	<u>\$ 6,728,141</u>	<u>\$ (86,712)</u>

The Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
June 30, 2020 and 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Organization under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the 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). 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.

Note 2. 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 reimbursements.

Note 3. Deferred Grant Revenue

The amount of deferred grant revenue for contract GR-20802 at June 30, 2020 and 2019, represents the amount of USDA inventory on hand.

Note 4. Indirect Cost Rate

The Organization has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5. Payments to Subrecipients

There were no payments made to subrecipients during the year ended June 30, 2020.



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*

To the Board of Directors
Chattanooga Area Food Bank, Inc.
Chattanooga, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chattanooga Area Food Bank, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

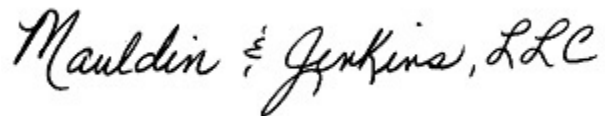
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Chattanooga, Tennessee
December 29, 2020



Independent Auditor's Report on Compliance For Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Chattanooga Area Food Bank, Inc.
Chattanooga, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Chattanooga Area Food Bank, Inc.'s (the Organization) compliance with the types of compliance requirements described 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 June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Chattanooga Area Food Bank, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

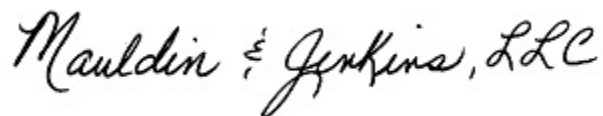
Report on Internal Control Over Compliance

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

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

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

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



Chattanooga, Tennessee
December 29, 2020

CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 200 516(a)? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Agriculture – Food Distribution Cluster
10.569	Emergency Food Assistance Program (Food Commodities)
10.568	Emergency Food Assistance Program (Administrative Costs)
10.718	Trade Mitigation Food Purchase and Distribution Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CHATTANOOGA AREA FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2020

Finding 2019-001: Food Commodities Distribution

Condition: Food commodities were provided to an applicant whose income, based on size of household, exceeded TEFAP guidelines.

Context: TEFAP food commodities were awarded to an ineligible applicant.

Current status: Corrected.