

**CHATTANOOGA AREA FOOD  
BANK, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2021**

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CHATTANOOGA AREA FOOD BANK, INC.

ROSTER OF THOSE CHARGED WITH  
GOVERNANCE AND MANAGEMENT OFFICIALS

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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

Jennifer Cookston, Board of Directors – Secretary

Phil Harris, Board of Directors – Treasurer

Mercedes Bartow, Board of Directors

Bill Buchanan, Board of Directors

Matt Evans, Board of Directors

Megan Flynn, Board of Directors

Morgan Hopkins, Board of Directors

Peterson Hostetler, Board of Directors

Betsey McCall, Board of Directors

Rachael Sauceman, Board of Directors

Daniel Yim, Board of Directors

Melissa Blevins, 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, 2021 and 2020, 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, 2021 and 2020, 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 January 21, 2022, 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.

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
January 21, 2022

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 6,204,495	\$ 3,711,705
Inventories	2,568,656	1,402,161
Accounts receivable, net	101,628	101,183
Contributions receivable	226,125	234,550
Grant receivable	375,133	194,918
Investments	-	83,747
Prepaid expenses and other assets	81,592	62,387
Land, building and equipment, net	<u>3,447,549</u>	<u>3,325,569</u>
<b>Total assets</b>	<u><u>\$13,005,178</u></u>	<u><u>\$ 9,116,220</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 154,119	\$ 406,458
Deferred revenue	-	500,637
Accrued liabilities	88,317	69,009
Other long-term liabilities	<u>-</u>	<u>108,119</u>
<b>Total liabilities</b>	<u>242,436</u>	<u>1,084,223</u>
<b>NET ASSETS</b>		
Without donor restrictions	10,222,345	6,630,247
With donor restrictions	<u>2,540,397</u>	<u>1,401,750</u>
<b>Total net assets</b>	<u>12,762,742</u>	<u>8,031,997</u>
<b>Total liabilities and net assets</b>	<u><u>\$13,005,178</u></u>	<u><u>\$ 9,116,220</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Donations of food	\$ 28,213,328	\$ 850,996	\$ 29,064,324
Contributions	4,993,531	372,150	5,365,681
Special events	502,934	-	502,934
Grants - foundations and corporations	892,768	2,400,039	3,292,807
Grants - state	100,000	-	100,000
Total support	<u>34,702,561</u>	<u>3,623,185</u>	<u>38,325,746</u>
Revenue:			
Shared maintenance fees	1,290,548	-	1,290,548
Commodity service revenue - USDA	809,838	-	809,838
Commodity service revenue - other	47,269	-	47,269
Agency fees	12,900	-	12,900
Miscellaneous income	11,625	-	11,625
Total revenue	<u>2,172,180</u>	<u>-</u>	<u>2,172,180</u>
Net assets released from restrictions	<u>2,484,538</u>	<u>(2,484,538)</u>	<u>-</u>
Total support and revenue	<u>39,359,279</u>	<u>1,138,647</u>	<u>40,497,926</u>
Expenses:			
Program services:			
Food distribution services	34,337,257	-	34,337,257
Supporting services:			
Management and general	752,242	-	752,242
Fund-raising	677,682	-	677,682
Total supporting services	<u>1,429,924</u>	<u>-</u>	<u>1,429,924</u>
Total expenses	<u>35,767,181</u>	<u>-</u>	<u>35,767,181</u>
Increase in net assets	3,592,098	1,138,647	4,730,745
Net assets, beginning of year	<u>6,630,247</u>	<u>1,401,750</u>	<u>8,031,997</u>
Net assets, end of year	<u>\$ 10,222,345</u>	<u>\$ 2,540,397</u>	<u>\$ 12,762,742</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, 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	28,340,766	-	28,340,766
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 FUNCTIONAL EXPENSES  
Year Ended June 30, 2021

	Program Services	Supporting Services		Total Expenses
	Food Distribution	Management and General	Fund-raising	
Cost of food distribution	\$ 31,445,594	\$ -	\$ -	\$31,445,594
Freight and packaging	167,908	-	-	167,908
Salaries	1,502,406	372,304	295,500	2,170,210
Employee benefit	173,139	29,522	18,480	221,141
Payroll taxes	90,488	23,800	21,418	135,706
Special events	-	-	19,629	19,629
Warehouse supplies and expenses	249,706	-	-	249,706
Vehicle expense	118,965	12,219	-	131,184
Utilities	63,769	21,256	-	85,025
Office supplies	36,796	12,265	-	49,061
Advertising	-	-	9,424	9,424
Printing and postage	5,288	622	311	6,221
Telephone	15,961	1,878	939	18,778
Rental expenses	40,525	7,152	-	47,677
Repairs and maintenance	16,807	1,977	989	19,773
Miscellaneous	6,774	36,683	51	43,508
Bad debt expense	-	49,294	-	49,294
Contracted services	-	-	44,875	44,875
Professional services	-	66,923	-	66,923
Dues and subscriptions	35,674	4,197	2,098	41,969
Education and training	2,095	246	123	2,464
Fund-raising	-	-	262,669	262,669
Programs	28,142	-	-	28,142
Travel and lodging	3,527	1,176	1,176	5,879
Insurance	67,289	22,430	-	89,719
Interest expense	1,509	-	-	1,509
Total expenses before depreciation	34,072,362	663,944	677,682	35,413,988
Depreciation	264,895	88,298	-	353,193
Total expenses	<u>\$ 34,337,257</u>	<u>\$ 752,242</u>	<u>\$ 677,682</u>	<u>\$35,767,181</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 Programs	-	-	309,986	309,986
Travel and lodging	7,244	-	-	7,244
Insurance	13,241	4,414	4,414	22,069
Interest expense	58,758	19,586	-	78,344
	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	\$ 28,340,766	\$ 627,254	\$ 764,086	\$29,732,106

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,730,745	\$ 1,458,880
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	353,193	323,331
Change in operating assets and liabilities:		
Accounts receivable, net	(445)	12,067
Contributions receivable	8,425	(75,295)
Grant receivable	(180,215)	(8,568)
Prepaid expenses and other assets	(19,205)	(31,175)
Inventories	(1,166,495)	706,021
Investment return	-	(1,256)
Accounts payable	(252,339)	191,662
Deferred revenue	(500,637)	500,637
Accrued liabilities	19,308	34,585
	<u>2,992,335</u>	<u>3,110,889</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, building and equipment	(475,173)	(201,982)
Proceeds from sale of investments	83,747	-
Purchase of investments	-	(21,445)
	<u>(391,426)</u>	<u>(223,427)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital lease obligation	-	5,876
Payments on capital lease obligation	(108,119)	(23,791)
	<u>(108,119)</u>	<u>(17,915)</u>
<b>NET INCREASE IN CASH</b>	2,492,790	2,869,547
CASH, beginning of year	<u>3,711,705</u>	<u>842,158</u>
CASH, end of year	<u>\$ 6,204,495</u>	<u>\$ 3,711,705</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 1,509</u>	<u>\$ 9,962</u>
Cash received from Paycheck Protection Plan	<u>\$ -</u>	<u>\$ 410,512</u>

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

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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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.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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Note 1. Summary of Significant Accounting Policies (continued)

Revenue recognition:

In May 2014, 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). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

For the year ending June 30, 2021, the Organization adopted ASU 2014-09 using the modified retrospective approach. The majority of the Organization's revenues come from grants and contributions which are outside the scope of ASC 606. Revenues within the scope of ASC 606 include shared maintenance fees, agency fees, and miscellaneous income. The Organization recognizes shared maintenance fees at a point in time, which is at the point the Organization distributes food products to agencies and individuals. Agency fees and miscellaneous income is recognized at a point in time, which is at the point the Organization provides the service. The adoption of ASU 2014-09 did not have an impact on the timing of the revenue recognition and no cumulative effect adjustment was recorded.

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.

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.

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.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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Note 1. Summary of Significant Accounting Policies (continued)

Revenue recognition: (continued)

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.

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

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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Note 1. Summary of Significant Accounting Policies (continued)

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.

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 years ended June 30, 2021 and 2020, the services donated do not meet the requirements under ASC Topic 958, *Not-for-Profit Entities*, and therefore no amounts have been recognized.

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 \$1.70 per pound for the year ending June 30, 2021 and \$1.49 per pound for the year ending June 30, 2020. 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.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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Note 1. Summary of Significant Accounting Policies (continued)

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.

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 January 21, 2022, 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>2021</u>	<u>2020</u>
Cash	\$5,860,573	\$3,507,933
Investments	-	83,747
Accounts receivable	101,628	101,183
Contributions receivable	76,125	9,692
Grant receivable	<u>50,000</u>	<u>50,359</u>
	<u>\$6,088,326</u>	<u>\$3,752,914</u>



CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 2. Liquidity and Availability (continued)

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, 2023. No amounts were outstanding at June 30, 2021 and 2020.

Note 3. Inventories

Inventories consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donated inventory	\$2,046,479	\$1,195,483
Purchased inventory	<u>522,177</u>	<u>206,678</u>
	<u>\$2,568,656</u>	<u>\$1,402,161</u>

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Member agencies	\$ 66,397	\$ 47,184
Other customers	36,781	58,469
Allowance for bad debts	<u>(1,550)</u>	<u>(4,470)</u>
	<u>\$101,628</u>	<u>\$101,183</u>

Note 5. Contributions Receivable

Contributions receivable were \$226,125 and \$234,550 at June 30, 2021 and 2020, respectively, and substantially all are due within one year. No discount has been recorded as management has determined any amounts were not material. Management believes that all contributions receivable are fully collectible at June 30, 2021 and 2020; therefore, there are no allowances for uncollectible contributions receivable.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 6. Investments

A summary of investments at June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ <u>-</u>	<u>\$83,747</u>

Investment return for the years ended June 30, 2021 and 2020 was \$0 and \$1,256, respectively.

Note 7. Land, Building and Equipment

A summary of land, building and equipment at June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 785,028	\$ 785,028
Building	2,759,791	2,759,791
Vehicles	1,302,148	988,112
Office furniture and fixtures	285,738	283,837
Greenhouse	26,741	26,741
Warehouse equipment	<u>1,159,732</u>	<u>1,000,496</u>
	6,319,178	5,844,005
Accumulated depreciation	<u>(2,871,629)</u>	<u>(2,518,436)</u>
	<u>\$ 3,447,549</u>	<u>\$ 3,325,569</u>

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undistributed food inventory	\$2,046,479	\$1,195,483
Capital improvements	148,428	42,857
Other restrictions	<u>345,490</u>	<u>163,410</u>
Total net assets with donor restrictions	<u>\$2,540,397</u>	<u>\$1,401,750</u>

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

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 8. Net Assets With Donor Restrictions (continued)

During the years ended June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Undistributed food inventory	\$ -	\$ 664,888
Capital improvements	42,857	7,143
Children's programs	30,042	260,058
Healthcare program	-	25,000
TN Community CARES program	1,526,805	-
Other restrictions	<u>884,834</u>	<u>415,916</u>
	<u>\$2,484,538</u>	<u>\$1,373,005</u>

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 \$47,677 and \$30,962 for the years ended June 30, 2021 and 2020, respectively. Future minimum rental payments required under the operating leases are as follows:

Year Ending June 30,	
2022	\$56,812
2023	1,079
2024	1,079

Note 10. Capital Lease

The Organization leased equipment under an agreement that was classified as a capital lease. The cost of equipment under the capital lease totaled \$0 at June 30, 2021 and \$108,882 at June 30, 2020. Amortization expense of the leased equipment for the years ended June 30, 2021 and 2020, was \$5,271 and \$23,525, respectively, and has been included in depreciation expense.

Note 11. Retirement Plan

The Organization has established a deferred salary reduction plan under Section 401(k) 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 \$24,011 and \$26,519 for the years ended June 30, 2021 and 2020, respectively.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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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, 2021 and 2020.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds	\$ -	\$ -	\$ -	\$ -
Donated inventory	<u>2,046,479</u>	<u>-</u>	<u>-</u>	<u>2,046,479</u>
Total assets at fair value	<u>\$2,046,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,046,479</u>
	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>

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, 2021 and 2020.

	<u>Donated Inventory</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,195,483	\$ 1,860,371
Food received	29,064,324	24,104,602
Food distributed	<u>(28,213,328)</u>	<u>(24,769,490)</u>
Ending balance	<u>\$ 2,046,479</u>	<u>\$ 1,195,483</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, 2021 and 2020, there were no transfers in or out of Levels 1, 2 or 3.

Note 13. Coronavirus COVID-19 Pandemic

As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Organization. The outbreak is disrupting supply chains and affecting production and sales across a range of industries. The full impact on the Organization's operational and financial performance will depend on certain continuing developments, including the duration and spread of the outbreak and impact on tenants, employees, and vendors. At this point, the impact on the Organization's financial condition and results of operations has not been significant, but it is uncertain if it will have a significant impact in the future.

Due to the uncertainty of COVID-19, the Organization applied for and received funding through the Paycheck 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 were eligible for forgiveness subject to certain guidelines issued by the Small Business Administration. The Organization received proceeds of \$410,512, which was included in deferred revenue in the statements of financial position at June 30, 2020. The full amount of the loan was forgiven on June 11, 2021.

## **SUPPLEMENTARY INFORMATION**

CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2021

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
<b>FEDERAL GRANTS</b>						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed through Tennessee Department of Agriculture:						
Food Distribution Cluster:						
Emergency Food Assistance Program (Food Commodities)	10.569	GR-20802	\$ 80,081	\$ 2,546,036	\$ 2,367,461	\$ 258,656
Emergency Food Assistance Program (Administrative Costs) October 1, 2019 - September 30, 2020	10.568	GR-75543	(90,750)	211,746	120,996	-
Emergency Food Assistance Program (Administrative Costs) October 1, 2019 - September 30, 2020	10.568	GR-79737	-	83,795	251,170	(167,375)
Coronavirus Relief Fund (Administrative Costs) January 1, 2020 - December 31, 2020	10.568	N/A	-	378,124	378,124	-
Emergency Food Assistance Program (Food Commodities) Through Families First Coronavirus Response Act	10.569	GR-20802	<u>12,138</u>	<u>291,539</u>	<u>270,884</u>	<u>32,793</u>
Total Food Distribution Cluster			<u>1,469</u>	<u>3,511,240</u>	<u>3,388,635</u>	<u>124,074</u>
Trade Mitigation, Food Purchase and Distribution Program (Administrative Costs)	10.178	N/A	-	59,548	59,548	-
Trade Mitigation, Food Purchase and Distribution Program (Food Commodities)	10.178	N/A	<u>15,887</u>	<u>783,602</u>	<u>779,517</u>	<u>19,972</u>
Total Trade Mitigation, Food Purchase and Distribution Program			<u>15,887</u>	<u>843,150</u>	<u>839,065</u>	<u>19,972</u>
Passed through Tennessee Department of Human Services:						
Supplemental Nutrition Assistance Program						
January 1, 2020 - September 30, 2020	10.561	GR-65172	(2,937)	2,937	-	-
Supplemental Nutrition Assistance Program January 1, 2021 - September 30, 2021	10.561	GR-65172	<u>-</u>	<u>7,359</u>	<u>9,872</u>	<u>(2,513)</u>
			<u>(2,937)</u>	<u>10,296</u>	<u>9,872</u>	<u>(2,513)</u>
Passed through Georgia Department of Human Services:						
Supplemental Nutrition Assistance Program						
October 1, 2019 - September 30, 2020	10.561	5GA400403	(63)	63	-	-
Supplemental Nutrition Assistance Program October 1, 2020 - September 30, 2021	10.561	42700-040-0000098086	<u>-</u>	<u>6,518</u>	<u>8,159</u>	<u>(1,641)</u>
			<u>(63)</u>	<u>6,581</u>	<u>8,159</u>	<u>(1,641)</u>
Total SNAP Cluster			<u>(3,000)</u>	<u>16,877</u>	<u>18,031</u>	<u>(4,154)</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>						
Passed through Tennessee Department of Finance and Administration:						
Coronavirus Relief Fund						
January 1, 2020 - December 31, 2020	21.019	N/A	<u>-</u>	<u>1,526,805</u>	<u>1,526,805</u>	<u>-</u>



CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2021

DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Atlanta Community Food Bank:						
477 Cluster:						
Temporary Assistance for Needy Families Program October 1, 2019 - September 30, 2020	93.558	1601GATANF	(101,068)	101,068	-	-
Temporary Assistance for Needy Families Program October 1, 2020 - September 30, 2021	93.558	2001GATANF	-	427,603	531,207	(103,604)
Total 477 Cluster			(101,068)	528,671	531,207	(103,604)
U.S. DEPARTMENT OF HOMELAND SECURITY						
Passed through Federal Emergency Management Agency:						
Emergency Food and Shelter Program	97.024	LRO-768200-023	-	15,592	15,592	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			(86,712)	6,442,335	6,319,335	36,288
STATE GRANTS						
TENNESSEE DEPARTMENT OF HUMAN SERVICES						
Second Harvest Food Bank	N/A	N/A	-	100,000	100,000	-
TOTAL EXPENDITURES OF STATE AWARDS			-	100,000	100,000	-
TOTAL FEDERAL AND STATE AWARDS			<u>\$ (86,712)</u>	<u>\$ 6,542,335</u>	<u>\$ 6,419,335</u>	<u>\$ 36,288</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, 2021 and 2020

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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, 2021. 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 and Trade Mitigation, Food Purchase and Distribution Program (Food Commodities) at June 30, 2021 and 2020, 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, 2021.

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, 2021, 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 January 21, 2022.

**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.

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
January 21, 2022



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, 2021. 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, 2021.

## **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.

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
January 21, 2022

CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021

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>
21.019	Coronavirus Relief Fund

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 PRIOR AUDIT FINDINGS  
Year Ended June 30, 2021

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SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.