

**CHATTANOOGA AREA FOOD  
BANK, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2022**

# CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Roster of Those Charged with Governance and Management Officials	i
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS	
Statements of financial position	4
Statements of activities	5-6
Statements of functional expenses	7-8
Statements of cash flows	9
Notes to financial statements	10-20
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	21-22
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	23
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 <i>GOVERNMENT AUDITING STANDARDS</i>	24-25
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	26-28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	29
SCHEDULE OF PRIOR AUDIT FINDINGS	30

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

Jennifer Cookston, Board of Directors – Vice Chairman

Mercedes Bartow, Board of Directors – Secretary

Phil Harris, Board of Directors – Treasurer

Celeste Bandy Weaver, Board of Directors

Megan Flynn, Board of Directors

Peterson Hostetler, Board of Directors

Frank Hughes, Board of Directors

Maeghan Jones, Board of Directors

Betsey Kirk McCall, Board of Directors

Martha Leiper, Board of Directors

Jennifer McIntyre, Board of Directors

Rob Reagan, Board of Directors

Murphy Sauceman, Board of Directors

Tracey Smith, Board of Directors

Daniel Yim, Board of Directors

Melissa Blevins, President & CEO

Tim Maddox, CFO



## Independent Auditor's Report

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

### ***Report on the Audit of 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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chattanooga Area Food Bank, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chattanooga Area Food Bank, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chattanooga Area Food Bank, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chattanooga Area Food Bank, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual financial report. The other information comprises the Roster of Those Charged with Governance and Management Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of Chattanooga Area Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Chattanooga Area Food Bank, Inc.'s internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
January 25, 2023

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$ 8,341,278	\$ 6,204,495
Inventories	1,249,318	2,568,656
Accounts receivable, net	200,054	101,628
Contributions receivable	497,465	226,125
Grant receivable	323,366	375,133
Prepaid expenses and other assets	55,092	81,592
Land, building and equipment, net	<u>3,719,609</u>	<u>3,447,549</u>
 Total assets	 <u>\$14,386,182</u>	 <u>\$13,005,178</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 526,585	\$ 154,119
Accrued liabilities	<u>85,091</u>	<u>88,317</u>
 Total liabilities	 <u>611,676</u>	 <u>242,436</u>
<b>NET ASSETS</b>		
Without donor restrictions	11,962,385	10,222,345
With donor restrictions	<u>1,812,121</u>	<u>2,540,397</u>
 Total net assets	 <u>13,774,506</u>	 <u>12,762,742</u>
 Total liabilities and net assets	 <u>\$14,386,182</u>	 <u>\$13,005,178</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributed nonfinancial assets	\$ 27,838,712	\$ -	\$ 27,838,712
Contributed financial assets	4,376,660	458,714	4,835,374
Grants - foundations and corporations	1,532,693	818,718	2,351,411
Grants - state	100,000	-	100,000
Total support	<u>33,848,065</u>	<u>1,277,432</u>	<u>35,125,497</u>
Revenue:			
Shared maintenance fees	1,813,111	-	1,813,111
Commodity service revenue - USDA	428,940	-	428,940
Commodity service revenue - other	48,650	-	48,650
Agency fees	12,500	-	12,500
Miscellaneous income	1,530	-	1,530
Total revenue	<u>2,304,731</u>	<u>-</u>	<u>2,304,731</u>
Net assets released from restrictions	<u>2,005,708</u>	<u>(2,005,708)</u>	<u>-</u>
Total support and revenue	<u>38,158,504</u>	<u>(728,276)</u>	<u>37,430,228</u>
Expenses:			
Program services:			
Food distribution services	34,893,580	-	34,893,580
Supporting services:			
Management and general	764,375	-	764,375
Fund-raising	760,509	-	760,509
Total supporting services	<u>1,524,884</u>	<u>-</u>	<u>1,524,884</u>
Total expenses	<u>36,418,464</u>	<u>-</u>	<u>36,418,464</u>
Increase (decrease) in net assets	1,740,040	(728,276)	1,011,764
Net assets, beginning of year	<u>10,222,345</u>	<u>2,540,397</u>	<u>12,762,742</u>
Net assets, end of year	<u>\$ 11,962,385</u>	<u>\$ 1,812,121</u>	<u>\$ 13,774,506</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributed nonfinancial assets	\$ 28,213,328	\$ 850,996	\$ 29,064,324
Contributed financial assets	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	<u>34,337,257</u>	<u>-</u>	<u>34,337,257</u>
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 FUNCTIONAL EXPENSES  
Year Ended June 30, 2022

	Program Services	Supporting Services		Total Expenses
	Food Distribution	Management and General	Fund-raising	
Cost of food distribution	\$ 31,828,445	\$ -	\$ -	\$31,828,445
Freight and packaging	260,720	-	-	260,720
Salaries	1,437,900	370,137	292,463	2,100,500
Employee benefit	189,022	33,442	21,353	243,817
Payroll taxes	94,587	27,539	22,169	144,295
Special events	-	-	29,346	29,346
Warehouse supplies and expenses	277,129	-	-	277,129
Vehicle expense	169,221	-	-	169,221
Utilities	75,729	25,243	-	100,972
Office supplies	19,768	6,589	-	26,357
Advertising	-	14,978	12,473	27,451
Printing and postage	9,555	1,124	562	11,241
Telephone	21,131	2,486	1,243	24,860
Rental expenses	62,225	10,981	-	73,206
Repairs and maintenance	53,447	6,288	3,144	62,879
Miscellaneous	182	33,891	1,467	35,540
Bad debt expense	2,882	960	-	3,842
Contracted services	-	-	42,315	42,315
Professional services	-	112,371	-	112,371
Dues and subscriptions	48,395	5,073	2,536	56,004
Education and training	608	71	36	715
Fund-raising	-	-	329,171	329,171
Programs	3,029	-	-	3,029
Travel and lodging	6,692	2,231	2,231	11,154
Insurance	60,703	20,234	-	80,937
Total expenses before depreciation	34,621,370	673,638	760,509	36,055,517
Depreciation	272,210	90,737	-	362,947
Total expenses	<u>\$ 34,893,580</u>	<u>\$ 764,375</u>	<u>\$ 760,509</u>	<u>\$36,418,464</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.

STATEMENTS OF CASH FLOWS  
Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,011,764	\$ 4,730,745
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	362,947	353,193
Bad debt expense	3,842	49,294
Change in operating assets and liabilities:		
Accounts receivable, net	(102,268)	(49,739)
Contributions receivable	(271,340)	8,425
Grant receivable	51,767	(180,215)
Prepaid expenses and other assets	26,500	(19,205)
Inventories	1,319,338	(1,166,495)
Accounts payable	372,466	(252,339)
Deferred revenue	-	(500,637)
Accrued liabilities	(3,226)	19,308
Net cash provided by operating activities	<u>2,771,790</u>	<u>2,992,335</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, building and equipment	(635,007)	(475,173)
Proceeds from sale of investments	<u>-</u>	<u>83,747</u>
Net cash used in investing activities	<u>(635,007)</u>	<u>(391,426)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	<u>-</u>	<u>(108,119)</u>
Net cash used in financing activities	<u>-</u>	<u>(108,119)</u>
<b>NET INCREASE IN CASH</b>	2,136,783	2,492,790
CASH, beginning of year	<u>6,204,495</u>	<u>3,711,705</u>
CASH, end of year	<u><u>\$ 8,341,278</u></u>	<u><u>\$ 6,204,495</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 1,509</u>

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

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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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, 2022 and 2021

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Note 1. Summary of Significant Accounting Policies (continued)

Revenue recognition:

The Organization follows the guidance in 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.

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.

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.

Contributed financial assets 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.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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Note 1. Summary of Significant Accounting Policies (continued)

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.

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

Contributed nonfinancial assets:

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Donated food commodities	<u>\$27,838,712</u>	<u>\$29,064,324</u>

The Organization recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Organization receives substantial in-kind contributions, in the form of donated food. The food is recorded at market value on the date of donation that has been determined by Feeding America and management to be \$1.53 and \$1.70 per pound during 2022 and 2021, respectively. Feeding America is a nationwide network of 200 food banks.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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Note 1. Summary of Significant Accounting Policies (continued)

Contributed nonfinancial assets (continued):

The market values for the fiscal years ended June 30, 2022 and 2021, have been calculated by an independent accountant under agreed-upon-procedures. The valuations were established as of December 31, 2021 and 2020. Contributed food commodities was utilized in the various food programs administered by the Organization.

For the years ended June 30, 2022 and 2021, a substantial number of unpaid volunteers have made significant contributions of approximately 20,954 and 19,168 hours, respectively, to the operations of the Organization. The value of this contributed time is not reflected in these statements since it does not meet the criteria recognition under GAAP.

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 \$1.53 per pound for the year ending June 30, 2022 and \$1.70 per pound for the year ending June 30, 2021. 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, 2022 and 2021

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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.

Recent accounting pronouncements:

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. This guidance shall be applied retrospectively for annual periods beginning after June 15, 2021. For the year ending June 30, 2022, the Organization adopted ASU 2020-07 and has adjusted the presentation in these financial statements and disclosures accordingly. This adjustment did not have an effect on total net assets or the change in total net assets for 2022 or 2021.

Subsequent events:

Management performed an evaluation of subsequent events through January 25, 2023, the date these financial statements were available to be issued.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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>2022</u>	<u>2021</u>
Cash	\$7,764,914	\$5,860,573
Accounts receivable	200,054	101,628
Contributions receivable	253,715	76,125
Grant receivable	-	50,000
	<u>\$8,218,683</u>	<u>\$6,088,326</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, 2023. No amounts were outstanding at June 30, 2022 and 2021.

Note 3. Inventories

Inventories consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Donated inventory	\$992,009	\$2,046,479
Purchased inventory	<u>257,309</u>	<u>522,177</u>
	<u>\$1,249,318</u>	<u>\$2,568,656</u>

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Member agencies	\$ 177,967	\$ 66,397
Other customers	27,479	36,781
Allowance for bad debts	<u>(5,392)</u>	<u>(1,550)</u>
	<u>\$200,054</u>	<u>\$101,628</u>

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 5. Contributions Receivable

Contributions receivable were \$497,465 and \$226,125 at June 30, 2022 and 2021, 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, 2022 and 2021; therefore, there are no allowances for uncollectible contributions receivable.

Note 6. Land, Building and Equipment

A summary of land, building and equipment at June 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 789,488	\$ 785,028
Building	2,789,249	2,759,791
Vehicles	1,320,429	1,302,148
Office furniture and fixtures	321,045	285,738
Greenhouse	26,741	26,741
Warehouse equipment	1,430,413	1,159,732
Construction in progress	<u>200,469</u>	<u>-</u>
	6,877,834	6,319,178
Accumulated depreciation	<u>(3,158,225)</u>	<u>(2,871,629)</u>
	<u>\$ 3,719,609</u>	<u>\$ 3,447,549</u>

At June 30, 2022, the Organization estimates its remaining cost to complete construction in progress is approximately \$1,048,000.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Undistributed food inventory	\$ 992,009	\$2,046,479
Capital improvements	344,869	148,428
Food distribution programs	416,530	237,994
Other restrictions	<u>58,713</u>	<u>107,496</u>
Total net assets with donor restrictions	<u>\$1,812,121</u>	<u>\$2,540,397</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, 2022 and 2021

Note 7. Net Assets With Donor Restrictions (continued)

During the years ended June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Undistributed food inventory	\$1,054,470	\$ -
Capital improvements	59,984	83,947
Food distribution programs	569,905	624,821
TN Community CARES program	-	1,526,805
Other restrictions	<u>321,349</u>	<u>248,965</u>
	<u>\$2,005,708</u>	<u>\$2,484,538</u>

Note 8. Lease Commitments

The Organization leases office space and equipment pursuant to lease agreements with varying terms. The leases expire at various dates through June 2025. Rent expense totaled \$73,206 and \$47,677 for the years ended June 30, 2022 and 2021, respectively. Future minimum rental payments required under the operating leases are as follows:

Year Ending June 30,	
2023	\$55,779
2024	57,416
2025	53,064

In June 2022, the Organization received an in-kind conditional promise to give with Dalton-Whitfield County Joint Development Authority to lease a distribution facility in Dalton, Georgia. Under the terms of the lease the Organization does not pay monthly rents and includes a purchase obligation whereby the Organization will purchase the facility at the end of the lease term for \$10. The Organization is required to operate the facility as a food bank for the period of the lease. As prescribed by FASB's Not-For-Profit contribution recognition and measurement guidance, management has determined the in-kind promise to give to be conditional based on the requirement to operate the facility as a food bank. The Organization estimates the fair market value of the in-kind rent and recognizes in-kind contribution revenues annually. For the year ending June 30, 2022, the Organization determined the in-kind rent was not material to the financial statements and did not recognize an in-kind contribution. Management anticipates the annual in-kind contribution to be approximately \$24,000.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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Note 9. 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, 2022 and June 30, 2021. Amortization expense of the leased equipment for the years ended June 30, 2022 and 2021, was \$0 and \$5,271, respectively, and has been included in depreciation expense.

Note 10. 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 \$27,577 and \$24,011 for the years ended June 30, 2022 and 2021, respectively.

Note 11. 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.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 11. Fair Value Measurements (continued)

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, 2022 and 2021.

*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.

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, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Donated inventory	<u>\$992,009</u>	-	-	<u>\$992,009</u>
Total assets at fair value	<u>\$992,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$992,009</u>
	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)
Donated inventory	<u>\$2,046,479</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>

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 11. 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, 2022 and 2021.

	<u>Donated Inventory</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 2,046,479	\$ 1,195,483
Food received	27,838,712	29,064,324
Food distributed	<u>(28,893,182)</u>	<u>(28,213,328)</u>
Ending balance	<u>\$ 992,009</u>	<u>\$ 2,046,479</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, 2022 and 2021, there were no transfers in or out of Levels 1, 2 or 3.

## **SUPPLEMENTARY INFORMATION**



CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Grant Revenue June 30, 2021	Grant Revenue Received	Expenditures	(Accrued) Deferred Grant Revenue June 30, 2022
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	\$ 258,656	\$ 4,240,764	\$ 4,297,077	\$ 202,343
Emergency Food Assistance Program (Administrative Costs) October 1, 2020 - September 30, 2021	10.568	GR-79737	(167,375)	266,995	99,620	-
Emergency Food Assistance Program (Administrative Costs) October 1, 2021 - September 30, 2022	10.568	GR-84791	-	65,490	329,999	(264,509)
Emergency Food Assistance Program (Food Commodities) Through Families First Coronavirus Response Act	10.569	GR-20802	<u>32,793</u>	<u>170,365</u>	<u>203,158</u>	<u>-</u>
Total Food Distribution Cluster			<u>124,074</u>	<u>4,743,614</u>	<u>4,929,854</u>	<u>(62,166)</u>
Trade Mitigation, Food Purchase and Distribution Program (Food Commodities)	10.178	N/A	<u>19,972</u>	<u>132,240</u>	<u>152,212</u>	<u>-</u>
Total Trade Mitigation, Food Purchase and Distribution Program			<u>19,972</u>	<u>132,240</u>	<u>152,212</u>	<u>-</u>
Passed through Tennessee Department of Human Services:						
Supplemental Nutrition Assistance Program						
January 1, 2021 - December 31, 2021	10.561	GR-65172	(2,513)	2,513	-	-
Supplemental Nutrition Assistance Program January 1, 2022 - September 30, 2022	10.561	GR-65172	<u>-</u>	<u>9,224</u>	<u>11,069</u>	<u>(1,845)</u>
			<u>(2,513)</u>	<u>11,737</u>	<u>11,069</u>	<u>(1,845)</u>
Passed through Georgia Department of Human Services:						
Supplemental Nutrition Assistance Program						
October 1, 2020 - September 30, 2021	10.561	42700-040-0000098086	(1,641)	1,641	-	-
Supplemental Nutrition Assistance Program October 1, 2021 - September 30, 2022	10.561	42700-040-0000104203	<u>-</u>	<u>7,476</u>	<u>10,405</u>	<u>(2,929)</u>
			<u>(1,641)</u>	<u>9,117</u>	<u>10,405</u>	<u>(2,929)</u>
Total SNAP Cluster			<u>(4,154)</u>	<u>20,854</u>	<u>21,474</u>	<u>(4,774)</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Atlanta Community Food Bank:						
477 Cluster:						
Temporary Assistance for Needy Families Program October 1, 2020 - September 30, 2021	93.558	2001GATANF	(103,604)	103,604	-	-
Temporary Assistance for Needy Families Program October 1, 2021 - September 30, 2022	93.558	42700-040-0000103461	<u>-</u>	<u>383,919</u>	<u>438,002</u>	<u>(54,083)</u>
Total 477 Cluster			<u>(103,604)</u>	<u>487,523</u>	<u>438,002</u>	<u>(54,083)</u>

CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Grant Revenue June 30, 2021	Grant Revenue Received	Expenditures	(Accrued) Deferred Grant Revenue June 30, 2022
U.S. DEPARTMENT OF HOMELAND SECURITY Passed through Federal Emergency Management Agency: Emergency Food and Shelter Program	97.024	LRO-768200-023	-	29,500	29,500	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			36,288	5,413,731	5,571,042	(121,023)
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			\$ 36,288	\$ 5,513,731	\$ 5,671,042	\$ (121,023)

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, 2022 and 2021

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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, 2022. 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, 2022 and 2021, 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, 2022.

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, 2022, 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 25, 2023.

**Report on 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 or significant deficiencies may exist that were not identified.

## Report on 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 25, 2023

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**

***Opinion on Each Major Federal Program***

We have audited the Chattanooga Area Food Bank, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Chattanooga Area Food Bank, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Chattanooga Area Food Bank, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Chattanooga Area Food Bank, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control Over Compliance

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

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

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

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

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
January 25, 2023



CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2022

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>Federal Assistance Listing 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)

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, 2022

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SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.