

**CHATTANOOGA AREA FOOD  
BANK, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2019**

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CHATTANOOGA AREA FOOD BANK, INC. AND SUBSIDIARY

ROSTER OF THOSE CHARGED WITH  
GOVERNANCE AND MANAGEMENT OFFICIALS

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Fred Flint, Board of Directors – Chairman of the Board

Jim Catanzaro, Board of Directors – First Vice Chairman

Frank Hughes, Board of Directors – Second Vice Chairman

Jason Luna, Board of Directors – Secretary

Jennifer Cookston, Board of Directors – Treasurer

Celeste Bandy Weaver, Board of Directors

Suzie Bowling, Board of Directors

John Clark, Board of Directors

Matt Evans, Board of Directors

Phil Harris, Board of Directors

Morgan Hopkins, Board of Directors

Dallas Joseph, Board of Directors

Betsey McCall, Board of Directors

Virginia Rushton, Board of Directors

Daniel Yim, Board of Directors

Jere Young, Board of Directors

Gina Crumbliss, 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, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses 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, 2019 and 2018, 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 November 5, 2019, 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  
November 5, 2019

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 842,158	\$1,195,207
Inventories	2,108,182	1,546,363
Accounts receivable, net	113,250	117,610
Contributions receivable	159,255	19,614
Grant receivable	186,350	62,368
Investments	61,046	59,653
Prepaid expenses and other assets	31,212	33,482
Land, building and equipment, net	<u>3,446,918</u>	<u>3,452,282</u>
<b>Total assets</b>	<b><u>\$6,948,371</u></b>	<b><u>\$6,486,579</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 214,796	\$ 175,222
Accrued liabilities	34,424	31,491
Other long-term liabilities	<u>126,034</u>	<u>115,026</u>
<b>Total liabilities</b>	<b><u>375,254</u></b>	<b><u>321,739</u></b>
<b>NET ASSETS</b>		
Without donor restrictions	4,558,307	4,528,654
With donor restrictions	<u>2,014,810</u>	<u>1,636,186</u>
<b>Total net assets</b>	<b><u>6,573,117</u></b>	<b><u>6,164,840</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$6,948,371</u></b>	<b><u>\$6,486,579</u></b>

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

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

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

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

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Donations of food	\$ 22,372,834	\$ 142,166	\$ 22,515,000
Contributions	2,669,805	-	2,669,805
Special events	276,426	-	276,426
Grants - foundations and corporations	65,238	412,729	477,967
Grants - state	100,000	-	100,000
Total support	<u>25,484,303</u>	<u>554,895</u>	<u>26,039,198</u>
Revenue:			
Shared maintenance fees	1,663,913	-	1,663,913
Commodity service revenue - USDA	90,932	-	90,932
Commodity service revenue - other	33,943	-	33,943
Agency fees	9,460	-	9,460
Miscellaneous income	6,630	-	6,630
Total revenue	<u>1,804,878</u>	<u>-</u>	<u>1,804,878</u>
Net assets released from restrictions	<u>489,179</u>	<u>(489,179)</u>	<u>-</u>
Total support and revenue	<u>27,778,360</u>	<u>65,716</u>	<u>27,844,076</u>
Expenses:			
Program services:			
Food distribution services	<u>26,626,017</u>	<u>-</u>	<u>26,626,017</u>
Supporting services:			
Management and general	486,219	-	486,219
Fund-raising	614,763	-	614,763
Total supporting services	<u>1,100,982</u>	<u>-</u>	<u>1,100,982</u>
Total expenses	<u>27,726,999</u>	<u>-</u>	<u>27,726,999</u>
Increase in net assets	51,361	65,716	117,077
Net assets, beginning of year	<u>4,477,293</u>	<u>1,570,470</u>	<u>6,047,763</u>
Net assets, end of year	<u>\$ 4,528,654</u>	<u>\$ 1,636,186</u>	<u>\$ 6,164,840</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 408,277	\$ 117,077
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	294,241	285,972
Donation of investments	-	(59,386)
Change in operating assets and liabilities		
Accounts receivable, net	4,360	(23,507)
Contributions receivable	(139,641)	120,788
Grant receivable	(123,982)	(14,260)
Prepaid expenses and other assets	2,270	(17,185)
Inventories	(561,819)	(160,321)
Investment return	(1,393)	(268)
Gain on disposal of equipment	(2,000)	-
Accounts payable	39,574	28,546
Accrued liabilities	2,933	(3,337)
Net cash provided by (used in) operating activities	<u>(77,180)</u>	<u>274,119</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, building and equipment	(288,877)	(234,585)
Proceeds from sale of fixed assets	2,000	-
Net cash used in investing activities	<u>(286,877)</u>	<u>(234,585)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital lease obligation	26,397	123,444
Payments on capital lease obligation	(15,389)	(8,418)
Principal payments on note payable	-	(4,653)
Net cash provided by financing activities	<u>11,008</u>	<u>110,373</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(353,049)</b>	<b>149,907</b>
CASH, beginning of year	<u>1,195,207</u>	<u>1,045,300</u>
CASH, end of year	<u>\$ 842,158</u>	<u>\$ 1,195,207</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 8,728</u>	<u>\$ 5,581</u>

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

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2019

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

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

CHATTANOOGA AREA FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Food Distribution</u>	<u>Management and General</u>	<u>Fund-raising</u>	
Cost of food distribution	\$ 24,378,881	\$ -	\$ -	\$24,378,881
Freight and packaging	231,752	-	-	231,752
Salaries	1,043,438	260,860	289,292	1,593,590
Employee benefit	148,396	17,459	8,729	174,584
Payroll taxes	86,620	19,111	21,827	127,558
Special events	-	-	21,779	21,779
Warehouse supplies and expenses	114,249	-	-	114,249
Vehicle expense	88,847	-	-	88,847
Utilities	57,904	19,301	-	77,205
Office supplies	22,882	7,628	-	30,510
Advertising	310	-	515	825
Printing and postage	8,996	1,058	529	10,583
Telephone	13,668	1,608	804	16,080
Rental expenses	16,605	5,535	-	22,140
Repairs and maintenance	11,275	1,327	663	13,265
Miscellaneous	20,620	4,650	1,419	26,689
Bad debt expense	(385)	-	-	(385)
Contracted services	-	-	42,000	42,000
Professional services	-	44,560	-	44,560
Dues and subscriptions	45,303	5,330	2,665	53,298
Education and training	10,200	1,200	600	12,000
Fund-raising	-	-	221,434	221,434
Programs	21,670	-	-	21,670
Travel and lodging	37,907	9,477	2,507	49,891
Loss on disposal of equipment	-	-	-	-
Insurance	46,865	15,622	-	62,487
Interest expense	5,535	-	-	5,535
Total expenses before depreciation	26,411,538	414,726	614,763	27,441,027
Depreciation	214,479	71,493	-	285,972
Total expenses	<u>\$ 26,626,017</u>	<u>\$ 486,219</u>	<u>\$ 614,763</u>	<u>\$27,726,999</u>

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

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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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.

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

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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Note 1. Summary of Significant Accounting Policies (continued)

Revenue recognition:

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

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

Cash:

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

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) 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.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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Note 1. Summary of Significant Accounting Policies (continued)

Land, building and equipment:

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

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

Donated non-cash items other than food:

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

Donated services:

Donated services are recognized as contributions in accordance with ASC Topic 958, *Not-for-Profit Entities*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. For the year ended June 30, 2019, the Organization recognized \$48,000 of contribution revenue for donated services with a like amount recognized as management and general expense. No amounts were recognized for the year ended June 30, 2018.

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

Inventories:

Food inventories include donated food, purchased inventory, and undistributed USDA commodities. Donated food received from food drives, food companies, grocery stores, Feeding America, and the USDA is valued at \$1.52 per pound for the year ending June 30, 2019 and \$1.70 per pound for the year ending June 30, 2018. 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.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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Note 1. Summary of Significant Accounting Policies (continued)

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.

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. With few exceptions, the Organization is no longer subject to tax examinations by tax authorities for years before 2016.

Advertising costs:

Advertising costs are charged to expense as incurred.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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Note 1. Summary of Significant Accounting Policies (continued)

New accounting pronouncements:

In 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which simplifies the financial statement presentation. ASU 2016-14 requires the Organization to present net assets as without donor restriction and with donor restriction. ASU 2016-14 also requires presentation of a statement of functional expenses and detailed information on liquidity and availability of resources. ASU 2016-14 requires retrospective application and is effective for fiscal year ends beginning after December 15, 2017. Management adopted the provisions of this new standard effective July 1, 2018. Accordingly, the amendment was retrospectively applied and had no impact on net assets or changes in net assets.

Subsequent events:

Management performed an evaluation of subsequent events through November 5, 2019, 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>June 30, 2019</u>
Cash	\$ 697,726
Investments	61,046
Accounts receivable	113,250
Contributions receivable	133,968
Grant receivable	<u>83,500</u>
	<u>\$1,089,490</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due. The Organization also has a \$500,000 line of credit available.



CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 3. Inventories

Inventories consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Donated inventory	\$1,860,371	\$1,261,980
Purchased inventory	<u>247,811</u>	<u>284,383</u>
	<u>\$2,108,182</u>	<u>\$1,546,363</u>

Note 4. Accounts Receivable

Accounts receivable consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Member agencies	\$104,649	\$114,290
Other customers	12,263	7,361
Allowance for bad debts	<u>(3,662)</u>	<u>(4,041)</u>
	<u>\$113,250</u>	<u>\$117,610</u>

Note 5. Contributions Receivable

Contributions receivable were \$159,255 and \$19,614 at June 30, 2019 and 2018, respectively, and are due within one year. Management believes that all contributions receivable are fully collectible at June 30, 2019 and 2018; therefore, there are no allowances for uncollectible contributions receivable.

Note 6. Investments

A summary of investments at June 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$61,046	\$59,653

Investment return for the years ended June 30, 2019 and 2018 was \$1,393 and \$268, respectively.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 7. Land, Building and Equipment

A summary of land, building and equipment at June 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 685,028	\$ 685,028
Building	2,724,116	2,724,116
Vehicles	988,112	747,919
Office furniture and fixtures	283,838	278,177
Greenhouse	26,741	26,741
Warehouse equipment	934,189	912,117
Construction in process	<u>-</u>	<u>5,417</u>
	5,642,024	5,379,515
Accumulated depreciation	<u>(2,195,106)</u>	<u>(1,927,233)</u>
	<u>\$ 3,446,918</u>	<u>\$ 3,452,282</u>

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undistributed food inventory	\$1,860,371	\$1,261,980
Capital improvements	-	14,160
Children's programs	99,338	196,454
Healthcare program	-	35,417
Other restrictions	<u>55,101</u>	<u>128,175</u>
Total net assets with donor restrictions	<u>\$2,014,810</u>	<u>\$1,636,186</u>

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

During the years ended June 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Closing the Meal Gap program	\$ -	\$ 50,000
Capital improvements	184,160	14,808
Children's programs	275,696	112,257
Healthcare program	35,419	14,583
Produce	-	110,000
Other restrictions	<u>298,209</u>	<u>187,531</u>
	<u>\$793,484</u>	<u>\$489,179</u>

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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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 2022. Rent expense totaled \$26,597 and \$22,140 for the years ended June 30, 2019 and 2018, respectively. Future minimum rental payments required under the operating leases are as follows:

Year Ending June 30,	
2020	\$25,079
2021	24,000
2022	24,000

Note 10. Capital Lease

The Organization leases equipment under an agreement that is classified as a capital lease. The cost of equipment under the capital lease totaled \$132,674 at June 30, 2019, and has been included in property and equipment. Amortization expense of the leased equipment for the years ended June 30, 2019 and 2018, was \$23,026 and \$16,459, respectively, and has been included in depreciation expense.

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

2020	\$ 27,688
2021	26,184
2022	23,364
2023	23,364
2024	23,364
Thereafter	<u>39,822</u>
Total minimum lease payments	163,786
Less: Amount representing interest	<u>(37,752)</u>
Total minimum future rental payments	<u>\$126,034</u>

Note 11. Retirement Plan

The Organization has established a deferred salary reduction plan under Section 403(b) of the Internal Revenue Code covering employees who have attained the age of 21 and have completed at least one year of service. The Organization matches contributions by eligible employees up to 3% of compensation. Employer contributions immediately vest. The Organization's matching contributions were \$20,701 and \$19,016 for the years ended June 30, 2019 and 2018, respectively.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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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, 2019 and 2018.

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds	\$ 61,046	\$61,046	\$ -	\$ -
Donated inventory	<u>1,860,371</u>	<u>-</u>	<u>-</u>	<u>1,860,371</u>
Total assets at fair value	<u>\$1,921,417</u>	<u>\$61,046</u>	<u>\$ -</u>	<u>\$1,860,371</u>
	Balance as of June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds	\$ 59,653	\$59,653	\$ -	\$ -
Donated inventory	<u>1,261,980</u>	<u>-</u>	<u>-</u>	<u>1,261,980</u>
Total assets at fair value	<u>\$1,321,633</u>	<u>\$59,653</u>	<u>\$ -</u>	<u>\$1,261,980</u>

CHATTANOOGA AREA FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, 2019 and 2018.

	<u>Donated Inventory</u>	
	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 1,261,980	\$ 1,119,814
Food received	21,722,966	22,515,000
Food distributed	<u>(21,124,575)</u>	<u>(22,372,834)</u>
Ending balance	<u>\$ 1,860,371</u>	<u>\$ 1,261,980</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, 2019 and 2018, there were no transfers in or out of Levels 1, 2 or 3.

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**SUPPLEMENTARY INFORMATION**

CHATTANOOGA AREA FOOD BANK, INC. AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Grant Revenue June 30, 2018	Grant Revenue Received	Expenditures	(Accrued) Deferred Grant Revenue June 30, 2019
<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	\$ 87,988	\$ 3,704,888	\$ 2,760,717	\$ 1,032,159
Emergency Food Assistance Program (Administrative Costs) October 1, 2017 - September 30, 2018	10.568	GR-66666	(3,248)	55,552	52,304	-
Emergency Food Assistance Program (Administrative Costs) October 1, 2018 - September 30, 2019	10.568	GR-70698	-	52,499	136,000	(83,501)
Total Food Distribution Cluster			<u>84,740</u>	<u>3,812,939</u>	<u>2,949,021</u>	<u>948,658</u>
Passed through Tennessee Department of Human Services:						
Child Nutrition Cluster:						
Summer Food Service Program for Children	10.559	GR-00662	(7,681)	13,555	11,363	(5,489)
Total Child Nutrition Cluster			<u>(7,681)</u>	<u>13,555</u>	<u>11,363</u>	<u>(5,489)</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Passed through Atlanta Community Food Bank:						
477 Cluster:						
Temporary Assistance for Needy Families Program October 1, 2017 - September 30, 2018	93.558	1502GATANF	(51,440)	51,440	-	-
Temporary Assistance for Needy Families Program October 1, 2018 - September 30, 2019	93.558	1601GATANF	-	312,738	410,099	(97,361)
Total 477 Cluster			<u>(51,440)</u>	<u>364,178</u>	<u>410,099</u>	<u>(97,361)</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>						
Emergency Food and Shelter Program	97.024	LRO-768200-023	-	5,287	10,573	(5,286)
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>25,619</u>	<u>4,195,959</u>	<u>3,381,056</u>	<u>840,522</u>
<b>STATE GRANTS</b>						
<b>TENNESSEE DEPARTMENT OF HUMAN SERVICES</b>						
Second Harvest Food Bank	N/A		-	100,000	100,000	-
TOTAL EXPENDITURES OF STATE AWARDS			<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 25,619</u>	<u>\$ 4,295,959</u>	<u>\$ 3,481,056</u>	<u>\$ 840,522</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, 2019 and 2018

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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, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3. Deferred Grant Revenue

The amount of deferred grant revenue for contract GR-20802 at June 30, 2019 and 2018, 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, 2019.



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, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2019.

**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) to determine the 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 determination of financial statement amounts. 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  
November 5, 2019



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 the Organization's major federal program for the year ended June 30, 2019. The Organization's major federal program is 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 the requirements of 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 program 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 the 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 its major federal program for the year ended June 30, 2019.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 the 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, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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  
November 5, 2019

CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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:

CFDA Numbers

Name of Federal Program or Cluster

10.569	U.S. Department of Agriculture – Food Distribution Cluster
10.568	Emergency Food Assistance Program (Food Commodities)
	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 FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2019-001: Food Commodities Distribution

Criteria: The Emergency Food Assistance Program (TEFAP) guidelines require applicants not to exceed income levels based on size of household.

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

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

Cause: Lack of comparison of applicant income to TEFAP guidelines.

Effect: Ineligible applicants received TEFAP food commodities.

Recommendation: Document on application the TEFAP income guideline based on household size to show reported income was properly compared to TEFAP guidelines. Additional training to employees and volunteers to insure that applicants who do not meet TEFAP income guidelines will not receive TEFAP food commodities.

Responsible Official's Response: Management of Chattanooga Area Food Bank agree with the finding and will adhere to the corrective action plan.



CHATTANOOGA AREA FOOD BANK, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2019

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None.



CHATTANOOGA AREA  
**FOOD BANK**

Chattanooga Area Food Bank  
Management's Corrective Action Plan  
For the Fiscal Year Ended June 30, 2019

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**2019-001:** Food Commodities Distribution

**Name of Contact Person Responsible for Corrective Action Plan:** David McCorkle

**Corrective Action Plan:** Document on application USDA TEFAP income guideline based on household size in order to show income was properly compared to guidelines. Emergency Food Boxes that do not contain USDA TEFAP product will be made available and appropriate staff will be trained to insure that individuals that do not meet income guideline will not be given USDA TEFAP.

**Anticipated Completion Date:** 08/01/2019

2009 Curtain Pole Road • Chattanooga, TN 37406  
(423) 622-1800 • (423) 622-5874 Fax

Member of the Feeding America National Food Bank Network

