

**TRI-STATE FOOD BANK, INC.**

**EVANSVILLE, INDIANA**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

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# TRI-STATE FOOD BANK, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Tri-State Food Bank, Inc.  
Evansville, Indiana

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Tri-State Food Bank, Inc. (a nonprofit 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 present fairly, in all material respects, the financial position of Tri-State 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 audit 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 Tri-State 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 the 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 Tri-State Food Bank's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors  
Tri-State Food Bank, Inc.

### ***Auditor's Responsibilities 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 Tri-State Food Bank'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 Tri-State Food Bank'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.

To the Board of Directors  
Tri-State Food Bank, Inc.

***Supplementary 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 awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Consolidated Year-End Financial Report for the State of Illinois for the fiscal year ended June 30, 2022, as required by the Illinois Department of Human Services (DHS) are 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 awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of Tri-State Food Bank'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 Tri-State Food Bank'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 Tri-State Food Bank's internal control over financial reporting and compliance.

*Kramer CPA Group, LLP*

December 20, 2022  
Evansville, Indiana

Certified Public Accountants and Consultants

**TRI-STATE FOOD BANK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2022 and 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 187,371	\$ 273,963
Investments	718,297	1,137,775
Accounts receivable	42,880	27,137
Grants receivable	304,393	124,554
Unconditional promises to give, net	943,851	397,785
Inventory	2,649,033	3,429,429
Prepaid expenses	38,876	23,169
Beneficial interest in trust	830,169	783,787
Property and equipment, net	6,052,071	6,405,195
	<u>\$ 11,766,941</u>	<u>\$ 12,602,794</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 127,902	\$ 114,119
Accrued expenses	64,903	55,445
Mortgage payable	1,474,109	2,074,176
Lease payable	208,121	208,121
Deferred revenue	136,511	265,006
Total Liabilities	<u>2,011,546</u>	<u>2,716,867</u>
 Net Assets		
Without donor restriction		
Undesignated	7,917,925	8,873,504
Board designated for capital expansion	250,000	0
With donor restriction		
Time-restricted for future periods	<u>1,587,470</u>	<u>1,012,423</u>
Total Net Assets	<u>9,755,395</u>	<u>9,885,927</u>
	<u>\$ 11,766,941</u>	<u>\$ 12,602,794</u>

See accompanying notes.

**TRI-STATE FOOD BANK, INC.**

**STATEMENTS OF ACTIVITIES**

	Year Ended June 30, 2022		
	Without Donor Restriction	With Donor Restriction	Total
Revenues, Support, and Gains			
Program services			
Shared maintenance			
Donations	\$ 71,874	\$ 0	\$ 71,874
Purchased product	332,997	0	332,997
Backpack program	70,917	0	70,917
Delivery	21,840	0	21,840
Contributions	2,004,880	893,959	2,898,839
Grants			
Government - cash	1,338,016	0	1,338,016
Government - USDA noncash			
Indiana	2,886,816	0	2,886,816
Kentucky	4,045,940	0	4,045,940
Illinois	2,502,145	0	2,502,145
Other	324	0	324
Food products donations - noncash	9,372,816	0	9,372,816
Investment return	(117,316)	0	(117,316)
Miscellaneous	(374)	0	(374)
Special events, net	24,075	0	24,075
Less cost of direct benefits to donors	(9,107)	0	(9,107)
Net special events revenue	14,968	0	14,968
Distributions and change in value of beneficial interest in trusts	0	91,382	91,382
Net assets released from restrictions	410,294	(410,294)	0
Total Revenues, Support, and Gains	22,956,137	575,047	23,531,184
Expenses			
Program services	23,046,827	0	23,046,827
Management and general	313,096	0	313,096
Fundraising	301,793	0	301,793
Total Expenses	23,661,716	0	23,661,716
INCREASE (DECREASE) IN NET ASSETS	(705,579)	575,047	(130,532)
Net Assets at Beginning of Year	8,873,504	1,012,423	9,885,927
NET ASSETS AT END OF YEAR	\$ 8,167,925	\$ 1,587,470	\$ 9,755,395

See accompanying notes.

**TRI-STATE FOOD BANK, INC.**

**STATEMENTS OF ACTIVITIES**

	Year Ended June 30, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Revenues, Support, and Gains			
Program services			
Shared maintenance			
Donations	\$ 96,585	\$ 0	\$ 96,585
Purchased product	393,872	0	393,872
Backpack program	88,032	0	88,032
Delivery	26,260	0	26,260
Contributions	2,840,746	15,335	2,856,081
Grants			
Government - cash	1,229,726	0	1,229,726
Government - USDA noncash			
Indiana	4,402,254	0	4,402,254
Kentucky	4,383,928	0	4,383,928
Illinois	2,152,460	0	2,152,460
Other	0	0	0
Food products donations - noncash	17,471,238	0	17,471,238
Investment return	91,117	0	91,117
Gain/(loss) on sale of assets	(256,953)	0	(256,953)
Miscellaneous	228,087	0	228,087
Special events, net	57,563	0	57,563
Less cost of direct benefits to donors	(16,514)	0	(16,514)
Net special events revenue	41,049	0	41,049
Distributions and change in value of beneficial interest in trusts	0	385,063	385,063
Net assets released from restrictions	224,982	(224,982)	0
Total Revenues, Support, and Gains	33,413,383	175,416	33,588,799
Expenses			
Program services	30,654,916	0	30,654,916
Management and general	286,616	0	286,616
Fundraising	260,171	0	260,171
Total Expenses	31,201,703	0	31,201,703
INCREASE (DECREASE) IN NET ASSETS	2,211,680	175,416	2,387,096
Net Assets at Beginning of Year	6,661,824	837,007	7,498,831
NET ASSETS AT END OF YEAR	\$ 8,873,504	\$ 1,012,423	\$ 9,885,927

See accompanying notes.



**TRI-STATE FOOD BANK, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	For the Year Ended June 30, 2022			
	Program Services	Management and General	Fundraising	Total
IN USDA commodity disbursement - noncash	\$ 3,623,424	\$ 0	\$ 0	\$ 3,623,424
KY USDA commodity disbursement - noncash	4,288,776	0	0	4,288,776
IL USDA commodity disbursement - noncash	2,379,503	0	0	2,379,503
Food products disbursement - noncash	9,239,558	0	0	9,239,558
Noncash commodity disbursement - spoilage	84,292	0	0	84,292
Purchased products	1,232,243	0	0	1,232,243
Professional dues and services	76,581	21,292	0	97,873
Direct mailings	0	0	53,286	53,286
Advertising	14,972	5,348	1,070	21,390
Repairs and maintenance	144,999	6,868	763	152,630
Lease expense	25,000	0	0	25,000
Insurance	67,035	13,117	322	80,474
Miscellaneous	35,455	6,938	170	42,563
Network dues and fees	16,440	3,217	79	19,736
Depreciation	600,280	117,462	2,883	720,625
Interest expense	56,512	11,058	271	67,841
Postage	732	732	1,463	2,927
Property taxes	2,093	410	10	2,513
Wages and salaries	728,431	89,754	191,422	1,009,607
Employee benefits	111,815	12,029	33,598	157,442
Taxes	54,970	6,773	14,445	76,188
Supplies	106,547	10,655	1,184	118,386
Utilities	157,134	7,443	827	165,404
Bad debt expense	35	0	0	35
	\$ 23,046,827	\$ 313,096	\$ 301,793	\$ 23,661,716

See accompanying notes.

**TRI-STATE FOOD BANK, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	For the Year Ended June 30, 2021			
	Program Services	Management and General	Fundraising	Total
IN USDA commodity				
disbursement - noncash	\$ 4,106,989	\$ 0	\$ 0	\$ 4,106,989
KY USDA commodity				
disbursement - noncash	4,115,066	0	0	4,115,066
IL USDA commodity				
disbursement - noncash	1,885,902	0	0	1,885,902
Food products disbursement - noncash	16,462,636	0	0	16,462,636
Noncash commodity disbursement - spoilage	955,075	0	0	955,075
Purchased products	1,139,152	0	0	1,139,152
Professional dues and services	50,933	21,292	0	72,225
Direct mailings	0	0	34,793	34,793
Advertising	21,215	7,577	1,515	30,307
Repairs and maintenance	152,146	7,207	801	160,154
Lease expense	27,878	0	0	27,878
Insurance	46,556	9,110	224	55,890
Miscellaneous	11,248	2,201	54	13,503
Network dues and fees	7,739	1,514	37	9,290
Depreciation	532,908	104,278	2,559	639,745
Interest expense	82,432	16,130	396	98,958
Postage	843	843	1,686	3,372
Property taxes	30,010	5,872	144	36,026
Wages and salaries	608,079	74,925	159,795	842,799
Employee benefits	149,636	16,097	44,962	210,695
Taxes	44,285	5,457	11,637	61,379
Supplies	66,662	6,666	741	74,069
Utilities	157,210	7,447	827	165,484
Bad debt expense	316	0	0	316
	\$ 30,654,916	\$ 286,616	\$ 260,171	\$ 31,201,703

See accompanying notes.

**TRI-STATE FOOD BANK, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2022 and 2021**

	<b>Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (130,532)	\$ 2,387,096
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	720,625	639,745
(Gain) loss on disposal of fixed assets	0	256,953
Unrealized (gain)loss on investments	164,875	(72,991)
Realized (gain)loss on sale of investments	(30,441)	(5,397)
(Increase) decrease in:		
Accounts and other receivables	(741,648)	166,742
Inventory	780,396	(986,141)
Prepaid expenses	(15,707)	15,351
Beneficial interest in trust	(46,382)	(359,062)
Increase (decrease) in:		
Accounts payable	13,783	(165,619)
Accrued expenses	9,458	(157,171)
Deferred revenue	(128,495)	126,031
	<u>595,932</u>	<u>1,845,537</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of property and equipment	0	323,700
Purchase of investments	(514,956)	(510,604)
Proceeds from sales of investments	800,000	0
Purchase of property and equipment	(367,501)	(720,848)
	<u>(82,457)</u>	<u>(907,752)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital leases	0	(74,539)
Principal payments on long-term debt	(600,067)	(871,708)
	<u>(600,067)</u>	<u>(946,247)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(86,592)</b>	<b>(8,462)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>273,963</b>	<b>282,425</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 187,371</b>	<b>\$ 273,963</b>
<b>Noncash investing and financing activities</b>		
Capital assets purchased with debt	<b>\$ 0</b>	<b>\$ 1,143,055</b>

See accompanying notes.

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 1 – Summary of Significant Accounting Policies**

**Nature of Operations**

Tri-State Food Bank, Inc. (Organization) is a not-for-profit corporation located in Evansville, Indiana, the mission and principal activities of which are to solicit, warehouse and distribute donated food products to other not-for-profit organizations in Indiana, Illinois, and Kentucky. The Organization is supported primarily through donations of food and commodities, grants and individual donations. Depending on the food source and the organization, the Organization charges a shared maintenance fee to some of the organizations to which they distribute food. This fee is not for the food, but it is to help recover a portion of the transportation, storage, and distribution costs incurred by the Organization.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting which follows generally accepted accounting principles.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When donor-imposed restrictions are received and met in the same reporting period, they are classified as net assets without donor restrictions.

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022 and 2021, cash and cash equivalents consisted primarily of money market funds and certificates of deposit. Certificates of deposit are stated at cost plus accrued interest, which approximates market value.

The Federal Deposit Insurance Corporation (FDIC) insures the amounts in the bank up to \$250,000 per bank. At June 30, 2022, the Organization had no cash and certificate of deposit accounts exceeding FDIC insured limits. At June 30, 2021, the Organization had \$33,413 in cash and certificate of deposit accounts exceeding FDIC insured limits.

**Investments**

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Accounts Receivable**

Accounts receivable are stated at the amount billed to agencies. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are written off based on the individual agencies' credit evaluation and specific circumstances. Currently, the Organization does not have a reserve for doubtful accounts, because all accounts are considered to be fully collectible.

**Inventory**

Inventory consists of food products. Donated and commodities inventory are valued based on the average wholesale value of one pound of product as determined by an independent source. Purchased products are valued at the lower of cost or net realizable value.

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Grants**

Individual governmental and private grant arrangements are evaluated and determined whether they are nonreciprocal, meaning the granting entity has not received a direct benefit of commensurate value in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. Amounts received from agencies and organizations that are unspent are included in refundable advance.

For the individual governmental and private grant arrangements that are reciprocal, revenue is recognized as services are provided, which is generally as allowable expenditures are incurred. The Organization did not have any reciprocal grants for the years ended June 30, 2022 and 2021.

**Property and Equipment**

The Organization records property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Unconditional Promises to Give**

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges received after June 30, 2022 are discounted to the anticipated net present value of the future cash flows. Because the majority of unconditional promises to give are from reputable local entities with a solid history of supporting local non-profits, management has determined that 90% of the promises to give are collectible.

**Contributions**

Contributions, including cash, other assets, and unconditional promises to give, are recognized as revenues in the period received. Contributions whose restrictions are met in the same period they are received are recorded as revenue in net assets with donor restrictions and as net assets released from restrictions. Unconditional pledges with terms greater than one year are initially recorded at fair value based on their estimated future cash flows. Pledges are discounted to present value using a discount rate commensurate with the risk involved (See Note 15). Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

**Contributed Services**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For the years ended June 30, 2022 and 2021, 4,315 and 1,080 volunteers donated a total of 9,634 and 11,193 hours, respectively.

**In-kind Contributions**

In addition to receiving cash contributions, the Organization receives in-kind contributions of property from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. The Organization did not receive any in-kind contributions in 2022 or 2021.

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 1 – Summary of Significant Accounting Policies (Concluded)**

**Government Grants**

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**Income Taxes**

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to the federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

**Advertising**

The Organization uses advertising for promoting programs and recruiting employees. These costs are expensed as incurred.

**Date of Management’s Review**

Subsequent events have been evaluated through December 20, 2022, the date which the financial statements were available to be issued.

**Note 2 – Inventory**

Inventory consists of food, commodities and various supplies for food and home service. Inventory at June 30, 2022 and 2021, consisted of:

	<u>2022</u>	<u>2021</u>
IN USDA and Commodity Supplemental Food Program	\$ 597,659	\$ 1,281,790
KY USDA Commodities	439,417	911,526
IL USDA and Commodity Supplemental Food Program	427,108	435,062
Donated and purchased food and supplies	1,184,849	801,051
	<u>\$ 2,649,033</u>	<u>\$ 3,429,429</u>



**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 3 – Non Cash Activity**

	<u>2022</u>	<u>2021</u>
Noncash investing and financing activities		
Capital assets purchased with debt	<u>\$ 0</u>	<u>\$ 1,143,055</u>
Noncash operating activities		
Donated food received	\$ 18,807,717	\$ 28,409,880
Donated food distributed	<u>19,615,553</u>	<u>27,525,668</u>
	<u>\$ (807,836)</u>	<u>\$ 884,212</u>

**Note 4 – Beneficial Interest in Trust**

The Organization is the beneficiary under an irrevocable trust administered by an outside party. Under the terms of the trust, the Organization has the right to receive income earned on the trust assets for 50 years following the first distribution at which time the Organization will receive the remaining assets held in trust. The estimated value of the expected future cash flows is \$830,169 and \$783,787, which represents the fair value of the trust assets at June 30, 2022 and 2021, respectively. Distributions received were \$45,000 and \$26,000 for the years ended June 30, 2022 and 2021, respectively.

**Note 5 – Property and Equipment**

Property and equipment at June 30, 2022 and 2021 was summarized as follows:

	<u>2022</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 361,000	\$ 0	\$ 361,000
Vehicles	1,259,188	491,156	768,032
Buildings and improvements	5,479,275	935,508	4,543,767
Machinery and equipment	703,220	323,948	379,272
	<u>\$ 7,802,683</u>	<u>\$ 1,750,612</u>	<u>\$ 6,052,071</u>

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 5 – Property and Equipment (Concluded)**

	2021		
	Cost	Accumulated Depreciation	Net
Land	\$ 341,000	\$ 0	\$ 341,000
Vehicles	1,242,116	307,304	934,812
Buildings and improvements	5,238,110	494,194	4,743,916
Machinery and equipment	613,956	228,489	385,467
	\$ 7,435,182	\$ 1,029,987	\$ 6,405,195

**Note 6 – Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes:

	2022	2021
Subject to expenditure for specified purpose		
To be spent on services in Kentucky	\$ 227,350	\$ 0
Subject to the passage of time:		
Beneficial interest in trust	830,169	783,787
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	529,951	228,636
	\$ 1,587,470	\$ 1,012,423

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other of the passage of time or other events specified by donors as follows for the years ended June 30, 2022 and 2021.

	2022	2021
Satisfaction of time restriction	\$ 410,294	\$ 224,982
	\$ 410,294	\$ 224,982

**Note 7 – Pension Benefit Plan**

The Organization provides an Individual Retirement Account (IRA) program for employees who meet certain length-of-service requirements. The Organization contributes toward an IRA for each eligible employee. The Organization's expense related to this plan for 2022 and 2021 was \$32,500 and \$31,500, respectively.

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 8 – Investment Return**

Investment return as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Investment Return		
Interest and Dividends	\$ 17,119	\$ 12,729
Realized gain/(loss)	30,441	0
Unrealized gain/(loss)	(164,876)	78,388
	\$ (117,316)	\$ 91,117

**Note 9 – Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program services, management and general and fundraising based on actual direct expenditures square footage and time studies.

**Note 10 – Grant Commitments**

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30 have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2022:

<b>Grant</b>	<b>Term</b>	<b>Grant Amount</b>	<b>Earned as of June 30, 2022</b>	<b>Funding Available June 30, 2022</b>
Emergency Food Assistance Program				
State of Indiana	10/01/20 - 9/30/21	\$ 144,995	\$ 144,995	\$ 0

**Note 11 – Fair Value Measurements**

The Organization reports certain assets and liabilities at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 11 – Fair Value Measurements (Continued)**

that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

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.

*Investments:* Fair values for equity securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 11 – Fair Value Measurements (Concluded)**

*Beneficial Interest in Trust:* Fair value for beneficial interest in trusts is derived using the present value of the future distributions expected to be received over the terms of the agreement.

Fair values of assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

June 30, 2022	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ 467,538	\$ 467,538	\$ 0	\$ 0
Mutual Funds	145,401	145,401	0	0
Common Stock	105,358	105,358	0	0
	<u>\$ 718,297</u>	<u>\$ 718,297</u>	<u>\$ 0</u>	<u>\$ 0</u>
Beneficial interest in trust	<u>\$ 830,169</u>	<u>\$ 0</u>	<u>\$ 830,169</u>	<u>\$ 0</u>

  

June 30, 2021	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ 620,202	\$ 620,202	\$ 0	\$ 0
Mutual Funds	365,609	365,609	0	0
Common Stock	151,964	151,964	0	0
	<u>\$ 1,137,775</u>	<u>\$ 1,137,775</u>	<u>\$ 0</u>	<u>\$ 0</u>
Beneficial interest in trust	<u>\$ 783,787</u>	<u>\$ 0</u>	<u>\$ 783,787</u>	<u>\$ 0</u>

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 12 – Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**Investments in Beneficial Interest in Trust**

The trust in which the Organization holds a beneficial interest invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

**General Litigation**

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization.

**Note 13 – Liquidity and Availability**

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

Cash and cash equivalent	\$ 187,371
Unconditional promises to give	413,900
Investments	718,297
	<u>\$ 1,319,568</u>

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 14 – Mortgage Payable**

	<u>2022</u>	<u>2021</u>
Mortgage payable, monthly installments of \$18,868, including interest of 3.98% due August 22, 2026, secured by real estate	\$ 1,474,109	\$ 2,074,176
Less current maturities	(112,687)	(108,297)
	<u>\$ 1,361,422</u>	<u>\$ 1,965,879</u>

Maturities of long term debt are as follows:

<u>Years Ending June 30</u>	
2023	\$ 112,687
2024	117,255
2025	122,007
2026	126,953
2027	995,207
	<u>\$ 1,474,109</u>

**Note 15 – Unconditional Promises to Give**

Promises to give are as follows:

	<u>2022</u>	<u>2021</u>
Due in one year or less	\$ 414,010	\$ 169,150
Between one and five years	646,000	276,850
	1,060,010	446,000
Less:		
Allowance for uncollectible accounts	(105,990)	(44,600)
Discount to net present value	(10,169)	(3,615)
	<u>(116,159)</u>	<u>(48,215)</u>
Net unconditional promises to give	<u>\$ 943,851</u>	<u>\$ 397,785</u>

**TRI-STATE FOOD BANK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

**Note 15 – Unconditional Promises to Give (Concluded)**

One organization’s pledge receivable balance accounts for approximately 71% of the discounted pledge receivable at June 30, 2022. Unconditional promises to give have been discounted by the applicable federal rate at the time the pledge was made, which range from .25% to 2.11%.

**Note 16 – Capital Lease**

The Organization leases a truck under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Organization’s assets and liabilities. The truck’s title will be transferred to the Organization at the end of the lease.

The following is an analysis of the leased assets included in Property and Equipment:

	<u>2022</u>	<u>2021</u>
Ryder Truck	\$ 282,027	\$ 282,027
Less accumulated depreciation	<u>99,169</u>	<u>49,769</u>
	<u>\$ 182,858</u>	<u>\$ 232,258</u>

Minimum future lease payments under capital leases as of June 30, 2022 for each of the next five years and in the aggregate are:

Year Ended June 30,		
2023	\$	36,953
2024		36,953
2025		36,953
2026		24,635
2027		<u>72,627</u>
	<u>\$</u>	<u>208,121</u>



**----- SUPPLEMENTARY INFORMATION -----**

**TRI-STATE FOOD BANK, INC.**

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT  
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END  
FINANCIAL REPORT  
Year Ended June 30, 2022**

<b>Grantee Name</b>	Tri-State Food Bank
<b>ID Numbers</b>	AUDIT:34124 Grantee:676813 UEI:G88MLN6J5A85 FEIN:351539870
<b>Audit Period</b>	7/1/2021 - 6/30/2022
<b>Submitted</b>	12/13/2022; Tammy Berry; Director of Finance & HR; bookkeeper@tristatefoodbank.org; 8123033580
<b>Accepted</b>	
<b>Program Count</b>	4

<b>All Programs Total</b>				
<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	668,732.50	35,400.00	704,132.50
Fringe Benefits	0.00	61,407.00	0.00	61,407.00
Travel	0.00	48,605.25	0.00	48,605.25
Equipment	0.00	125,156.90	0.00	125,156.90
Supplies	0.00	28,352.50	0.00	28,352.50
Contractual Services	0.00	17,549.00	0.00	17,549.00
Consultant (Professional Services)	0.00	0.00	0.00	0.00
Construction	0.00	0.00	0.00	0.00
Occupancy - Rent and Utilities	0.00	112,833.20	0.00	112,833.20
Research and Development	0.00	0.00	0.00	0.00
Telecommunications	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00
Direct Administrative Costs	0.00	0.00	0.00	0.00
Miscellaneous Costs	0.00	107,327.65	38,600.00	145,927.65
All Grant Specific Categories	0.00	0.00	0.00	0.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>1,169,964.00</b>	<b>74,000.00</b>	<b>1,243,964.00</b>
Indirect Costs	0.00	0.00	0.00	0.00
<b>TOTAL EXPENDITURES</b>	<b>0.00</b>	<b>1,169,964.00</b>	<b>74,000.00</b>	<b>1,243,964.00</b>

**TRI-STATE FOOD BANK, INC.**

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT  
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END  
FINANCIAL REPORT  
Year Ended June 30, 2022**

<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Commodity Supplemental Food Program (444-80-0667)
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	49,725.00	0.00	49,725.00
Travel	0.00	3,900.00	0.00	3,900.00
Supplies	0.00	3,600.00	0.00	3,600.00
Occupancy - Rent and Utilities	0.00	3,900.00	0.00	3,900.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>61,125.00</b>	<b>0.00</b>	<b>61,125.00</b>

TRI-STATE FOOD BANK, INC.

ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT  
 GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END  
 FINANCIAL REPORT  
 Year Ended June 30, 2022

<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Emergency Food Assistance Program (Administrative Costs) (444-80-0166)
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	169,912.00	0.00	169,912.00
Fringe Benefits	0.00	21,000.00	0.00	21,000.00
Travel	0.00	11,400.00	0.00	11,400.00
Equipment	0.00	4,003.00	0.00	4,003.00
Supplies	0.00	4,500.00	0.00	4,500.00
Contractual Services	0.00	6,104.00	0.00	6,104.00
Occupancy - Rent and Utilities	0.00	37,772.00	0.00	37,772.00
Miscellaneous Costs	0.00	21,012.00	0.00	21,012.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>275,703.00</b>	<b>0.00</b>	<b>275,703.00</b>

TRI-STATE FOOD BANK, INC.

ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT  
 GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END  
 FINANCIAL REPORT  
 Year Ended June 30, 2022

<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	Hunger Relief - 0706 (444-80-2224)
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Miscellaneous Costs	0.00	4,238.00	0.00	4,238.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>4,238.00</b>	<b>0.00</b>	<b>4,238.00</b>

TRI-STATE FOOD BANK, INC.

ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT  
 GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END  
 FINANCIAL REPORT  
 Year Ended June 30, 2022

<b>State Agency</b>	Department Of Human Services (444)
<b>Program Name</b>	The Poverty Aleviation Strategy Program (444-80-2456)
<b>Program Limitations</b>	No
<b>Mandatory Match</b>	No
<b>Indirect Cost Rate</b>	0.00 Base:

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
	0.00	0.00	0.00	0.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

TRI-STATE FOOD BANK, INC.

ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT  
 GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END  
 FINANCIAL REPORT  
 Year Ended June 30, 2022

<b>Program Name</b>	Other grant programs and activities.
---------------------	--------------------------------------

<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
Personal Services (Salaries and Wages)	0.00	449,095.50	35,400.00	484,495.50
Fringe Benefits	0.00	40,407.00	0.00	40,407.00
Travel	0.00	33,305.25	0.00	33,305.25
Equipment	0.00	121,153.90	0.00	121,153.90
Supplies	0.00	20,252.50	0.00	20,252.50
Contractual Services	0.00	11,445.00	0.00	11,445.00
Occupancy - Rent and Utilities	0.00	71,161.20	0.00	71,161.20
Miscellaneous Costs	0.00	82,077.65	38,600.00	120,677.65
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>828,898.00</b>	<b>74,000.00</b>	<b>902,898.00</b>

TRI-STATE FOOD BANK, INC.

ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT  
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END  
FINANCIAL REPORT  
Year Ended June 30, 2022

<b>Program Name</b>	All other costs not allocated			
<b>Category</b>	<b>State</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
	0.00	0.00	0.00	0.00
<b>TOTAL DIRECT EXPENDITURES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>



**TRI-STATE FOOD BANK, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number/ Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Food Distribution Cluster				
United States Department of Agriculture				
Emergency Food Assistance				
Program (Food Commodities)				
State of Indiana Department of Health	10.569		\$ 3,098,704	\$ 3,098,704
State of Indiana Office of Community and Rural Affairs	10.569	2IN810001	524,720	524,720
Indiana State Department of Agriculture	10.569	A 337-16-FB-210	61,700	61,700
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.569		3,191,956	3,191,956
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.569		1,096,820	1,096,820
State of Illinois Department of Human Services	10.569	FCSUH01404	514,573	514,573
State of Illinois Department of Human Services	10.569		<u>1,864,930</u>	<u>1,864,930</u>
Total CFDA Number 10.569			<u>10,353,403</u>	<u>10,353,403</u>
Emergency Food Assistance				
Program (Administrative Costs)				
State of Indiana Department of Health Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.568	58066, 56780	0	350,864
State of Illinois Department of Human Services	10.568	40010568TFAPA21	0	259,407
State of Illinois Department of Human Services	10.568	FCSZH01404	<u>0</u>	<u>279,942</u>
Total CFDA Number 10.568			<u>0</u>	<u>890,213</u>
Commodity Supplemental Food Program				
State of Illinois Department of Human Services	10.565	FCSUQ00668	0	61,125
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.565	2000002345	0	143,695
State of Indiana Department of Health	10.565	58066	<u>0</u>	<u>54,089</u>
Total CFDA Number 10.565			<u>0</u>	<u>258,909</u>
Total Food Distribution Cluster			<u>10,353,403</u>	<u>11,502,525</u>

**TRI-STATE FOOD BANK, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**

**Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number/ Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
United States Department of Agriculture Child and Adult Care Food Program State of Indiana Department of Education	10.558		<u>20,843</u>	<u>20,843</u>
Total United States Department of Agriculture			<u>10,374,246</u>	<u>11,523,368</u>
United States Department of Health and Human Services State of Indiana Department of Education Temporary Assistance for Needy Families (TANF)	93.558	FCSUH01404	<u>0</u>	<u>10,512</u>
CDBG - Entitlement Grants Cluster United States Department of Housing and Urban Development City of Evansville, Indiana, Department of Metropolitan Development Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-18-0002	<u>0</u>	<u>74,000</u>
			<u>\$ 10,374,246</u>	<u>\$ 11,607,880</u>

**TRI-STATE FOOD BANK, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2022**

**Note A – Basis of Accounting**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award 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* 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 B – Summary of Significant Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10% de minimis indirect cost rates allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**Note C – Federal Loan Programs**

There are no federal loan programs administered directly by the Organization.

**TRI-STATE FOOD BANK, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(CONCLUDED)**

**June 30, 2022**

**Note D – Subrecipients**

Of the federal expenditures presented in the Schedule, the Organization provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
	<i>Indiana</i>	
10.569	Emergency Food Assistance Program (Food Commodities)	\$ 3,685,124
10.558	Child and Adult Care Food Program	20,843
	(Noncash Assistance to 7 Soup Kitchens and 23 Food Pantries)	3,705,967
	<i>Illinois</i>	
10.569	Emergency Food Assistance Program (Food Commodities)	2,379,503
	(Noncash Assistance to 2 Soup Kitchens and 23 Food Pantries)	2,379,503
	<i>Kentucky</i>	
10.569	Emergency Food Assistance Program (Food Commodities)	4,288,776
	(Noncash Assistance to 5 Soup Kitchens and 15 Food Pantries)	4,288,776
	Total noncash subrecipients' food assistance	\$ 10,374,246

**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  
Tri-State Food Bank, Inc.  
Evansville, Indiana

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 Tri-State Food Bank, Inc. (a nonprofit 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 December 20, 2022.

**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 entity’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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

To the Board of Directors  
Tri-State Food Bank, Inc.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

### **Organization's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Kramer CPA Group, LLP*

December 20, 2022  
Evansville, Indiana

Certified Public Accountants and Consultants

**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  
Tri-State Food Bank, Inc.  
Evansville, Indiana

**Report on Compliance for Each Major Federal Program**

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

We have audited Tri-State Food Bank, Inc.'s (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 Organization 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 the Organization 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 the Organization'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 the Organization's federal programs.

To the Board of Directors  
Tri-State Food Bank, Inc.

### ***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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.



To the Board of Directors  
Tri-State Food Bank, Inc.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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.

December 20, 2022  
Evansville, Indiana

  
Certified Public Accountants and Consultants

**TRI-STATE FOOD BANK, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**June 30, 2022**

<b><u>Finding No.</u></b>	<b><u>Condition</u></b>	<b><u>Current Status</u></b>
2021-001	Subrecipient Eligibility	Repeated as 2022-001

**TRI-STATE FOOD BANK, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2022**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

- 1) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified
- 2) Internal control over financial reporting:
  - a) Material weaknesses identified? No
  - b) Significant deficiencies identified? None reported
  - c) Noncompliance material to the financial statements noted? No

**Federal Awards**

- 1) Internal control over major program:
  - a) Material weaknesses identified? No
  - b) Significant deficiencies identified? None reported
- 2) Type of auditor’s report issued on compliance for major programs: Unmodified
- 3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

- 4) Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Food Distribution Cluster	
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)

- 5) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- 6) Auditee qualified as a low-risk auditee? Yes

**TRI-STATE FOOD BANK, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2022**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None for the year ended June 30, 2022.

**SECTION III – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FINDING OF NONCOMPLIANCE:**

**Finding No.: 2022-001 Subrecipient Eligibility**

**Federal Program Name: Food Distribution Cluster**

**CFDA Numbers:** 10.565, 10.568, 10.569

**Federal Agency:** U.S. Department of Agriculture

**Information on Federal Program:** The objective of the Food Distribution Cluster is to strengthen the nutrition safety net through the provision of U.S. Department of Agriculture (USDA)-donated foods (USDA Foods) to low-income persons. Included in the cluster are the Commodity Supplemental Food Program (CSFP) and the Emergency Food Assistance Program (TEFAP).

**Criteria or Specific Requirement:** The Organization must enter into written agreements with their subrecipient agencies that includes certain information, including references to 7 CFR section 247.4 and must also include a statement that recipient agencies are responsible for certain losses.

**Condition:** During the testing of thirty seven subrecipient agency agreements, we noted 6 that did not have all required information.

**Questioned Costs:** N/A

**Context:** Of 75 agencies receiving commodities, KCPAG tested 37. There were four Kentucky agreements that were missing a reference to 7 CFR section 247.4 and two Illinois agreements that were missing a statement that the subrecipient agency was responsible for certain losses.

**Effect:** The Organization is not in compliance with applicable regulations.

**Cause:** The Organization used a simplified contract for CSFP that did not have the required information.

**Identification as a repeat finding, if applicable:** This is a repeat of finding 2021-001

**Recommendation:** We recommend that the Organization update all agreements to include all required information and references.

**Views of Responsible Officials:** Illinois contracts were corrected and signed on July 22, 2022. The Kentucky contracts were corrected and signed on August 30, 2022.

**TRI-STATE FOOD BANK, INC.**

**CORRECTIVE ACTION PLAN**

**June 30, 2022**

**Corrective Action Plan**

**Finding No.: 2022-001 Subrecipient Eligibility**

**Federal Program Name: Food Distribution Cluster**

**CFDA Numbers: 10.565, 10.568, 10.569**

**Federal Agency: U.S. Department of Agriculture**

**Requirement:** The Organization must enter into written agreements with their subrecipient agencies that includes certain information, including references to 7 CFR section 247.4 and a statement that subrecipient agencies are responsible for certain losses.

**Finding:** During the testing of thirty seven subrecipient agency agreements, we noted 6 that did not have all required information.

**Questioned Costs:** N/A

**Systemic or Isolated:** This instance of noncompliance is systemic with regard to CSFP subrecipient agreements in Kentucky and Illinois.

**Effect of Finding:** The Organization is not in compliance with applicable regulations.

**Recommendation:** We recommend that the Organization update all agreements to include all required information and references.

**Corrective Action Plan:** Management will immediately update all Illinois CSFP contracts with the required language that references 7 CFR section 247.4 and send the updated contracts to all participating Illinois sites for signature and return to Tri-State Food Bank.

**Contact Person Responsible for Corrective Action:** Glenn Roberts, Executive Director

**Anticipated Completion Date:** August 31, 2022