

TRI-STATE FOOD BANK, INC.

EVANSVILLE, INDIANA

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

June 30, 2021 and 2020



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 Financial Statements

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tri-State Food Bank, Inc., as of June 30, 2021 and 2020, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions 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* (CFR) 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, 2021 as required by the Illinois Department of Human Services (DHS) are presented for purposes of additional analysis and are 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021, on our consideration of the Tri-State Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Tri-State Food Bank, Inc.'s internal control over financial reporting and compliance.

Kramer CPA Group, LLP

December 16, 2021
Evansville, Indiana

Certified Public Accountants and Consultants

TRI-STATE FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS	2021	2020
Cash and cash equivalents	\$ 273,963	\$ 282,425
Investments	1,137,775	548,783
Accounts receivable	27,137	1,326
Grants receivable	124,554	108,611
Unconditional promises to give, net	397,785	606,281
Inventory	3,429,429	2,443,288
Prepaid expenses	23,169	38,520
Beneficial interest in trust	783,787	424,725
Property and equipment, net	6,405,195	5,761,690
	<u>\$ 12,602,794</u>	<u>\$ 10,215,649</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 114,119	\$ 279,738
Accrued expenses	55,445	212,616
Advance payment - paycheck protection program	0	138,000
Mortgage payable	2,074,176	1,947,489
Lease payable	208,121	0
Deferred revenue	265,006	138,975
Total Liabilities	<u>2,716,867</u>	<u>2,716,818</u>
 Net Assets		
Without donor restriction		
Undesignated	8,873,504	6,353,947
Board designated for capital expansion	0	307,877
With donor restriction		
Time-restricted for future periods	<u>1,012,423</u>	<u>837,007</u>
Total Net Assets	<u>9,885,927</u>	<u>7,498,831</u>
	<u>\$ 12,602,794</u>	<u>\$ 10,215,649</u>

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 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 ACTIVITIES

	Year Ended June 30, 2020		
	Without Donor Restriction	With Donor Restriction	Total
Revenues, Support, and Gains			
Program services			
Shared maintenance			
Donations	\$ 91,580	\$ 0	\$ 91,580
Purchased product	301,042	0	301,042
Backpack program	96,079	0	96,079
Delivery	20,030	0	20,030
Contributions	3,200,441	412,282	3,612,723
Grants			
Government - cash	808,702	0	808,702
Government - USDA noncash			
Indiana	4,539,154	0	4,539,154
Kentucky	3,477,726	0	3,477,726
Illinois	1,897,848	0	1,897,848
Other	35,000	0	35,000
Food products donations - noncash	7,165,726	0	7,165,726
Investment return	37,289	0	37,289
Gain/(loss) on sale of assets	25,974	0	25,974
Miscellaneous	11,983	0	11,983
Special events, net	83,028	0	83,028
Less cost of direct benefits to donors	(18,777)	0	(18,777)
Net special events revenue	64,251	0	64,251
Distributions and change in value of beneficial interest in trusts	0	18,302	18,302
Net assets released from restrictions	166,251	(166,251)	0
Total Revenues, Support, and Gains	21,939,076	264,333	22,203,409
Expenses			
Program services	18,158,233	0	18,158,233
Management and general	320,381	0	320,381
Fundraising	218,650	0	218,650
Total Expenses	18,697,264	0	18,697,264
INCREASE IN NET ASSETS	3,241,812	264,333	3,506,145
Net Assets at Beginning of Year	3,420,012	572,674	3,992,686
NET ASSETS AT END OF YEAR	\$ 6,661,824	\$ 837,007	\$ 7,498,831

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
Fundraising	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 FUNCTIONAL EXPENSES

	For the Year Ended June 30, 2020			
	Program Services	Management and General	Fundraising	Total
IN USDA commodity				
disbursement - noncash	\$ 3,751,484	\$ 0	\$ 0	\$ 3,751,484
KY USDA commodity				
disbursement - noncash	2,897,435	0	0	2,897,435
IL USDA commodity				
disbursement - noncash	1,954,940	0	0	1,954,940
Food products disbursement - noncash	7,067,344	0	0	7,067,344
Noncash commodity disbursement - spoilage	165,749	0	0	165,749
Purchased products	998,271	0	0	998,271
Professional dues and services	61,034	23,050	0	84,084
Fundraising	0	0	74,944	74,944
Advertising	3,715	1,857	1,857	7,429
Repairs and maintenance	127,570	12,757	1,417	141,744
Lease expense	32,155	0	0	32,155
Insurance	42,450	10,747	537	53,734
Miscellaneous	6,399	1,619	81	8,099
Network dues and fees	12,728	3,222	161	16,111
Depreciation	150,200	38,025	1,901	190,126
Interest expense	40,168	10,169	508	50,845
Postage	845	1,182	1,351	3,378
Property taxes	2,622	664	33	3,319
Wages and salaries	488,126	147,917	103,542	739,585
Employee benefits	109,362	33,140	23,198	165,700
Taxes	35,307	10,699	7,489	53,495
Supplies	59,536	5,954	662	66,152
Utilities	76,547	19,379	969	96,895
Bad debt expense	74,246	0	0	74,246
	\$ 18,158,233	\$ 320,381	\$ 218,650	\$ 18,697,264

See accompanying notes.

TRI-STATE FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,387,096	\$ 3,506,145
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	639,745	190,127
(Gain) loss on disposal of fixed assets	256,953	(25,974)
Unrealized (gain)loss on investments	(72,991)	24,884
Realized (gain)loss on sale of investments	(5,397)	(40,636)
(Increase) decrease in:		
Accounts and other receivables	166,742	(360,725)
Inventory	(986,141)	(987,308)
Prepaid expenses	15,351	(8,168)
Beneficial interest in trust	(359,062)	(6,302)
Increase (decrease) in:		
Accounts payable	(165,619)	230,036
Accrued expenses	(157,171)	159,524
Deferred revenue	126,031	36,944
Advance payments	0	138,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,845,537	2,856,547
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property and equipment	323,700	34,765
Purchase of investments	(510,604)	(1,910,820)
Proceeds from sales of investments	0	2,326,812
Purchase of property and equipment	(720,848)	(2,055,780)
NET CASH USED IN INVESTING ACTIVITIES	(907,752)	(1,605,023)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital leases	(74,539)	0
Principal payments on long-term debt	(871,708)	(1,156,511)
NET CASH USED IN FINANCING ACTIVITIES	(946,247)	(1,156,511)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,462)	95,013
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	282,425	187,412
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 273,963	\$ 282,425
Noncash investing and financing activities		
Capital assets purchased with debt	\$ 1,143,055	\$ 3,104,000

See accompanying notes.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, 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, 2021, the Organization had \$33,413 in cash and certificate of deposit accounts exceeding FDIC insured limits. At June 30, 2020, the Organization had no 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, 2021 and 2020

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 deferred revenue.

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, 2021 and 2020.

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, 2021.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021 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, 2021 and 2020, 1,080 and 1,020 volunteers donated a total of 11,193 and 8,315 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. In-kind contributions received by the Organization during the years ended June 30, 2021 and 2020 were \$0 and \$453, respectively.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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.

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the COVID-19 outbreak). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

Date of Management’s Review

Subsequent events have been evaluated through December 16, 2021, the date which the financial statements were available to be issued.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 2 – Inventory

Inventory consists of food, commodities and various supplies for food and home service. Inventory at June 30, 2021 and 2020, consisted of:

	<u>2021</u>	<u>2020</u>
IN USDA and Commodity Supplemental Food Program	\$ 1,281,790	\$ 1,051,759
KY USDA Commodities	911,526	698,044
IL USDA and Commodity Supplemental Food Program	435,062	125,294
Donated and purchased food and supplies	801,051	568,191
	<u>\$ 3,429,429</u>	<u>\$ 2,443,288</u>

Note 3 – Non Cash Activity

Noncash investing and financing activities		
Capital assets purchased with debt	<u>\$ 1,143,055</u>	<u>\$ 3,104,000</u>
Noncash operating activities		
Donated food received	\$ 28,409,880	\$ 17,080,454
Donated food distributed	27,525,668	15,836,952
	<u>\$ 884,212</u>	<u>\$ 1,243,502</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 \$783,787 and \$424,725, which represents the fair value of the trust assets at June 30, 2021 and 2020, respectively. Distributions received were \$26,000 and \$12,000 for the years ended June 30, 2021 and 2020, respectively.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 5 – Property and Equipment

Property and equipment at June 30, 2021 and 2020 was summarized as follows:

	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
	2020		
	Cost	Accumulated Depreciation	Net
Land	\$ 403,153	\$ 0	\$ 403,153
Vehicles	189,121	162,682	26,439
Buildings and improvements	5,699,714	911,624	4,788,090
Machinery and equipment	646,477	385,128	261,349
Construction in Progress	282,659	0	282,659
	\$ 7,221,124	\$ 1,459,434	\$ 5,761,690

Note 6 – Net Assets With Donor Restrictions

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

	2021	2020
Subject to the passage of time:		
Beneficial interest in trust	\$ 783,787	\$ 424,725
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	228,636	412,282
	\$ 1,012,423	\$ 837,007

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 6 – Net Assets With Donor Restrictions (Concluded)

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, 2021 and 2020.

	2021	2020
Satisfaction of time restriction	\$ 224,982	\$ 166,251
	\$ 224,982	\$ 166,251

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 2021 and 2020 was \$31,500 and \$30,000, respectively.

Note 8 – Investment Return

Investment return as of June 30, 2021 and 2020 consisted of the following:

	2021	2020
Investment Return		
Interest and Dividends	\$ 12,729	\$ 21,537
Unrealized gain/(loss)	78,388	15,752
	\$ 91,117	\$ 37,289

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned as of June 30, 2021</u>	<u>Funding Available June 30, 2021</u>
Emergency Food Assistance Program State of Indiana	10/01/20 - 9/30/21	<u>\$ 144,995</u>	<u>\$ 84,547</u>	<u>\$ 60,448</u>

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 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.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 11 – Fair Value Measurements (Continued)

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, 2021 and 2020.

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.

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.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 11 – Fair Value Measurements (Concluded)

Fair values of assets measured on a recurring basis at June 30, 2021 and 2020 are as follows:

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>

June 30, 2020	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	\$ 238,923	\$ 238,923	\$ 0	\$ 0
Mutual Funds	231,978	231,978	0	0
Common Stock	77,882	77,882	0	0
	<u>\$ 548,783</u>	<u>\$ 548,783</u>	<u>\$ 0</u>	<u>\$ 0</u>
Beneficial interest in trust	<u>\$ 424,725</u>	<u>\$ 0</u>	<u>\$ 424,725</u>	<u>\$ 0</u>

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:

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 12 – Significant Estimates and Concentrations (Concluded)

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	\$ 273,963
Unconditional promises to give	397,785
Investments	<u>1,137,775</u>
	<u>\$ 1,809,523</u>

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 14 – Mortgage Payable

	2021	2020
Mortgage payable, monthly installments of \$18,868, including interest of 3.98% due August 22, 2026, secured by real estate	\$ 2,074,176	\$ 1,947,489
Less current maturities	(108,297)	(87,018)
	\$ 1,965,879	\$ 1,860,471

Maturities of long term debt are as follows:

Years Ending June 30	
2022	\$ 108,297
2023	112,687
2024	117,255
2025	122,007
2026	126,953
Thereafter	1,486,977
	\$ 2,074,176

Note 15 – Unconditional Promises to Give

Promises to give are as follows:

	2021	2020
Due in one year or less	\$ 169,150	\$ 194,000
Between one and five years	276,850	486,527
	446,000	680,527
Less:		
Allowance for uncollectible accounts	(44,600)	(68,053)
Discount to net present value	(3,615)	(6,193)
	(48,215)	(74,246)
Net unconditional promises to give	\$ 397,785	\$ 606,281

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 15 – Unconditional Promises to Give (Concluded)

One organization’s pledge receivable balance accounts for approximately 67% of the discounted pledge receivable at June 30, 2021. 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 – Operating Lease

The Organization entered into an agreement to lease a building on April 1, 2021 for a period of 12 months with an option to purchase at the end of the lease after a three month extension of the lease. Rental expense for the year ended June 30, 2021 was \$7,500. Future minimum rental payments are as follows:

Year Ended June 30,		
2022	\$	30,000
2023		5,000
	\$	35,000

Note 17 – 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>2021</u>	<u>2020</u>
Ryder Truck	\$ 282,027	\$ 0
Less accumulated depreciation	49,769	0
	\$ 232,258	\$ 0

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 17 – Capital Lease (Concluded)

Minimum future lease payments under capital leases as of June 30, 2021 for each of the next five years and in the aggregate are:

Year Ended June 30,	
2022	\$ 36,953
2023	36,953
2024	36,953
2025	24,635
2026	<u>72,627</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, 2021**

Grantee Name	Tri-State Food Bank
ID Numbers	AUDIT:28815 Grantee:676813 DUNS:147801989 FEIN:351539870
Audit Period	7/1/2020 - 6/30/2021
Submitted	11/15/2021; Tammy Berry; Director of Finance & HR; bookkeeper@tristatefoodbank.org; 8123033580
Accepted	
Program Count	4

All Programs Total				
Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	577,426.48	35,400.00	612,826.48
Fringe Benefits	0.00	66,675.50	0.00	66,675.50
Travel	0.00	56,900.50	0.00	56,900.50
Equipment	0.00	107,839.00	0.00	107,839.00
Supplies	0.00	25,894.00	33,650.00	59,544.00
Contractual Services	0.00	2,760.00	0.00	2,760.00
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	81,541.50	4,950.00	86,491.50
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	446,246.00	0.00	446,246.00
All Grant Specific Categories	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	0.00	1,365,282.98	74,000.00	1,439,282.98
Indirect Costs	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	0.00	1,365,282.98	74,000.00	1,439,282.98

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2021**

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

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	30,300.00	0.00	30,300.00
Travel	0.00	7,069.00	0.00	7,069.00
Supplies	0.00	3,900.00	0.00	3,900.00
Occupancy - Rent and Utilities	0.00	3,900.00	0.00	3,900.00
TOTAL DIRECT EXPENDITURES	0.00	45,169.00	0.00	45,169.00

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2021**

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

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	83,713.48	0.00	83,713.48
Fringe Benefits	0.00	10,445.50	0.00	10,445.50
Travel	0.00	7,980.00	0.00	7,980.00
Equipment	0.00	107,839.00	0.00	107,839.00
Contractual Services	0.00	2,760.00	0.00	2,760.00
Occupancy - Rent and Utilities	0.00	20,209.00	0.00	20,209.00
Miscellaneous Costs	0.00	49,951.00	0.00	49,951.00
TOTAL DIRECT EXPENDITURES	0.00	282,897.98	0.00	282,897.98

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2021**

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

Category	State	Federal	Other	Total
Miscellaneous Costs	0.00	37,100.00	0.00	37,100.00
TOTAL DIRECT EXPENDITURES	0.00	37,100.00	0.00	37,100.00

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2021**

State Agency	Department Of Human Services (444)
Program Name	TRADE MITIGATION PROGRAM OPERATIONAL FUNDS (444-80-2154)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	17,220.00	0.00	17,220.00
Travel	0.00	6,601.50	0.00	6,601.50
Occupancy - Rent and Utilities	0.00	6,601.50	0.00	6,601.50
Miscellaneous Costs	0.00	258.00	0.00	258.00
TOTAL DIRECT EXPENDITURES	0.00	30,681.00	0.00	30,681.00

TRI-STATE FOOD BANK, INC.

ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2021

Program Name	Other grant programs and activities			
Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	446,193.00	35,400.00	481,593.00
Fringe Benefits	0.00	56,230.00	0.00	56,230.00
Travel	0.00	35,250.00	0.00	35,250.00
Supplies	0.00	21,994.00	33,650.00	55,644.00
Occupancy - Rent and Utilities	0.00	50,831.00	4,950.00	55,781.00
Miscellaneous Costs	0.00	358,937.00	0.00	358,937.00
TOTAL DIRECT EXPENDITURES	0.00	969,435.00	74,000.00	1,043,435.00

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2021**

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

TRI-STATE FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

<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		\$ 3,617,498	\$ 3,617,498
State of Indiana Office of Community and Rural Affairs	10.569		487,562	487,562
Indiana State Department of Agriculture	10.569	A 337-17-FB-310	18,420	18,420
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.569		3,063,356	3,063,356
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.569	2000002345	1,125,997	1,125,997
State of Illinois Department of Human Services	10.569	FCSUH01404	463,408	463,408
State of Illinois Department of Human Services	10.569		<u>1,422,494</u>	<u>1,422,494</u>
Total CFDA Number 10.569			<u>10,198,735</u>	<u>10,198,735</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	2000002345	0	417,889
State of Illinois Department of Human Services	10.568	40010568TFAPA21		253,323
State of Illinois Department of Human Services	10.568	FCSZH01404	<u>0</u>	<u>319,998</u>
Total CFDA Number 10.568			<u>0</u>	<u>991,210</u>
Commodity Supplemental Food Program				
State of Illinois Department of Human Services	10.565	FCSZQ00668	0	45,169
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.565	40010565CSFBA21	0	134,007
State of Indiana Department of Health	10.565	2000002345	<u>0</u>	<u>57,965</u>
Total CFDA Number 10.565			<u>0</u>	<u>237,141</u>
Total Food Distribution Cluster			<u>10,198,735</u>	<u>11,427,086</u>

TRI-STATE FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

Year Ended June 30, 2021

<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>
Trade Mitigation Program				
State of Indiana Office of Community and Rural Affairs	10.718		\$ 56,162	\$ 56,162
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.718		25,200	25,200
State of Illinois Department of Human Services	10.718		<u>30,681</u>	<u>30,681</u>
Total CFDA Number 10.718			<u>112,043</u>	<u>112,043</u>
Child Nutrition Cluster				
United States Department of Agriculture Summer Food Service Program for Children (SFSPC)				
State of Indiana Department of Education	10.559		<u>2,060</u>	<u>2,060</u>
United States Department of Agriculture Child and Adult Care Food Program				
State of Indiana Department of Education	10.558		<u>22,829</u>	<u>22,829</u>
Total United States Department of Agriculture			<u>10,335,667</u>	<u>11,564,018</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>\$ 10,335,667</u>	<u>\$ 11,638,018</u>

TRI-STATE FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

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, 2021. 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, 2021

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)	\$ 4,123,480
10.559	Summer Food Service Program for Children (SFSPC)	2,060
10.558	Child and Adult Care Food Program	22,829
10.718	Trade Mitigation Program	56,162
	(Noncash Assistance to 23 Soup Kitchens, 1 Site, and 23 Food Pantries)	<u>4,204,531</u>
	<i>Illinois</i>	
10.569	Emergency Food Assistance Program (Food Commodities)	1,885,902
10.718	Trade Mitigation Program	30,681
	(Noncash Assistance to 2 Soup Kitchens and 23 Food Pantries)	<u>1,916,583</u>
	<i>Kentucky</i>	
10.569	Emergency Food Assistance Program (Food Commodities)	4,189,353
10.718	Trade Mitigation Program	25,200
	(Noncash Assistance to 5 Soup Kitchens and 16 Food Pantries)	<u>4,214,553</u>
	Total noncash subrecipients' food assistance	<u><u>\$ 10,335,667</u></u>

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 the Tri-State Food Bank, Inc. (a nonprofit organization) (Organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated December 16, 2021.

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 opinions 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 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.

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

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 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

The Organization's Response to Finding

The Organization's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kramer CPA Group, LLP

December 16, 2021
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

We have audited the Tri-State Food Bank, Inc.’s (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2021. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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.

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

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 are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings 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.

Report on Internal Control Over Compliance

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

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

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

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

December 16, 2021
Evansville, Indiana


Certified Public Accountants and Consultants

TRI-STATE FOOD BANK, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
No findings for the year ended June 30, 2020.		

TRI-STATE FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

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:

CFDA Number

Name of Federal Program

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, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None for the year ended June 30, 2021.

SECTION III – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING OF NONCOMPLIANCE:

Finding No.: 2021-001 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.

Condition: During the testing of eight subrecipient agency agreements, we noted 3 that did not have all required information.

Questioned Costs: N/A

Context: Of 76 agencies receiving commodities, KCPAG tested 8. There were 3 agreements that were missing a reference to 7 CFR section 247.4.

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: N/A

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

Views of Responsible Officials: Management acknowledges that Illinois CSFP contracts did not have required language which references 7 CFR section 247.4. We will take corrective action immediately to comply with the CSFP federal regulations (7 CFR Part 247.4 by updating all of our CSFP contracts with the required language.

TRI-STATE FOOD BANK, INC.

CORRECTIVE ACTION PLAN

June 30, 2021

Corrective Action Plan

Finding No.: 2021-001 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.

Finding: During the testing of 8 subrecipient agency agreements, we noted 3 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.

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: January 31, 2022