

TRI-STATE FOOD BANK, INC.

EVANSVILLE, INDIANA

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

June 30, 2019 and 2018



TRI-STATE FOOD BANK, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5 – 6
Statements of Functional Expenses	7 – 8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 20
Supplementary Information	
Consolidated Financial Report:	
Illinois Grant Accountability and Transparency Act Grantee Portal – Audit Consolidated Year-End Financial Report	21 – 26
Additional Information:	
Schedule of Expenditures of Federal Awards	27 – 28
Notes to Schedule of Expenditures of Federal Awards	29 – 30
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31 – 32
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	33 – 35
Summary Schedule of Prior Audit Findings	36
Schedule of Findings and Questioned Costs	37 – 39
Corrective Action Plan	40

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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expense, and cash flows for the year 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 audit. 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. 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, 2019, and the changes in its net assets, and its cash flows for the year 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 Financial Report for the State of Illinois for the fiscal year ended June 30, 2019 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.

Report on Summarized Comparative Information

We have previously audited Tri-State Food Bank, Inc. 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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 November 19, 2019, 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.

Wampler CPA Group, LLP

November 19, 2019
Evansville, Indiana

Certified Public Accountants and Consultants

TRI-STATE FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS	2019	2018
Cash and cash equivalents	\$ 187,412	\$ 406,410
Investments	949,023	761,275
Accounts receivable	39,544	33,215
Grants receivable	156,699	53,363
Promises to give	159,250	50,000
Inventory	1,455,980	1,432,428
Prepaid expenses	30,352	22,404
Beneficial interest in trust	418,423	408,000
Property and equipment, net	800,828	823,602
	<u>\$ 4,197,511</u>	<u>\$ 3,990,697</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 49,702	\$ 37,182
Accrued expenses	53,092	53,491
Grants and other liabilities	102,031	78,862
Total Liabilities	<u>204,825</u>	<u>169,535</u>
Net Assets		
Without donor restriction		
Undesignated	2,820,012	2,813,162
Board designated for capital expansion	600,000	600,000
With donor restriction		
Time-restricted for future periods	572,674	408,000
Total Net Assets	<u>3,992,686</u>	<u>3,821,162</u>
	<u>\$ 4,197,511</u>	<u>\$ 3,990,697</u>

See accompanying notes.

TRI-STATE FOOD BANK, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2019		
	Without Donor Restriction	With Donor Restriction	Total
Revenues, Support, and Gains			
Program services			
Shared maintenance			
Donations	\$ 95,032	\$ 0	\$ 95,032
Purchased product	466,193	0	466,193
Backpack program	92,107	0	92,107
Delivery	21,215	0	21,215
Contributions	780,893	154,251	935,144
Grants			
Government - cash	506,685	0	506,685
Government - USDA noncash			
Indiana	2,730,291	0	2,730,291
Kentucky	1,791,963	0	1,791,963
Illinois	1,816,231	0	1,816,231
Other	29,445	0	29,445
Food products donations - noncash	6,984,074	0	6,984,074
Investment return	71,544	0	71,544
Miscellaneous	9,028	0	9,028
Special events	64,263	0	64,263
Less cost of direct benefits to donors	(18,787)	0	(18,787)
Net special events revenue	45,476	0	45,476
Distributions and change in value of beneficial interest in trusts	0	22,423	22,423
Net assets released from restrictions	12,000	(12,000)	0
Total Revenues, Support, and Gains	15,452,177	164,674	15,616,851
Expenses			
Program services	15,050,674	0	15,050,674
Management and general	218,410	0	218,410
Fundraising	176,243	0	176,243
Total Expenses	15,445,327	0	15,445,327
INCREASE IN NET ASSETS	6,850	164,674	171,524
Net Assets at Beginning of Year	3,413,162	408,000	3,821,162
NET ASSETS AT END OF YEAR	\$ 3,420,012	\$ 572,674	\$ 3,992,686

See accompanying notes.

TRI-STATE FOOD BANK, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2018		
	Without Donor Restriction	With Donor Restriction	Total
Revenues, Support, and Gains			
Program services			
Shared maintenance			
Donations	\$ 103,819	\$ 0	\$ 103,819
Purchased product	438,350	0	438,350
Backpack program	94,113	0	94,113
Delivery	20,230	0	20,230
Contributions	842,126	0	842,126
Grants			
Government - cash	409,485	0	409,485
Government - USDA noncash			
Indiana	1,806,294	0	1,806,294
Kentucky	810,861	0	810,861
Illinois	1,316,468	0	1,316,468
Other	15,546	0	15,546
Food products donations - noncash	7,736,696	0	7,736,696
Investment return	5,027	0	5,027
Miscellaneous	8,094	0	8,094
Special events, net	28,669	0	28,669
Less cost of direct benefits to donors	(13,506)	0	(13,506)
Net special events revenue	15,163	0	15,163
Distributions and change in value of beneficial interest in trusts	0	32,774	32,774
Net assets released from restrictions	18,260	(18,260)	0
Total Revenues, Gains, and Losses	13,640,532	14,514	13,655,046
Expenses			
Program services	12,963,521	0	12,963,521
Management and general	210,002	0	210,002
Fundraising	162,190	0	162,190
Total Expenses	13,335,713	0	13,335,713
INCREASE IN NET ASSETS	304,819	14,514	319,333
Net Assets at Beginning of Year	3,108,343	393,486	3,501,829
NET ASSETS AT END OF YEAR	\$ 3,413,162	\$ 408,000	\$ 3,821,162

See accompanying notes.

TRI-STATE FOOD BANK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
IN USDA commodity disbursement - noncash	\$ 2,552,184	\$ 0	\$ 0	\$ 2,552,184
KY USDA commodity disbursement - noncash	1,638,005	0	0	1,638,005
IL USDA commodity disbursement - noncash	1,749,275	0	0	1,749,275
Food products disbursement - noncash	7,289,831	0	0	7,289,831
Noncash commodity disbursement - spoilage	125,141	0	0	125,141
Purchased products	793,997	0	0	793,997
Professional dues and services	67,063	0	0	67,063
Fundraising	0	0	62,144	62,144
Advertising	2,871	1,436	1,435	5,743
Repairs and maintenance	89,644	8,964	996	99,604
Insurance	28,848	7,303	365	36,515
Miscellaneous	17,501	4,430	222	22,153
Network dues and fees	14,835	3,756	188	18,779
Depreciation	72,572	18,373	919	91,865
Postage	598	837	957	2,392
Property taxes	4,371	1,107	55	5,533
Wages and salaries	401,223	121,583	85,108	607,914
Employee benefits	77,654	23,531	16,472	117,656
Taxes	29,381	8,903	6,232	44,516
Supplies	39,408	3,941	438	43,787
Utilities	56,272	14,246	712	71,230
	<u>\$ 15,050,674</u>	<u>\$ 218,410</u>	<u>\$ 176,243</u>	<u>\$ 15,445,327</u>

See accompanying notes.

TRI-STATE FOOD BANK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	For the Year Ended June 30, 2018			
	Program Services	Management and General	Fundraising	Total
IN USDA commodity disbursement - noncash	\$ 1,614,964	\$ 0	\$ 0	\$ 1,614,964
KY USDA commodity disbursement - noncash	976,508	0	0	976,508
IL USDA commodity disbursement - noncash	1,209,830	0	0	1,209,830
Food products disbursement - noncash	7,573,740	0	0	7,573,740
Noncash commodity disbursement - spoilage	0	0	0	0
Purchased products	728,036	0	0	728,036
Professional dues and services	67,486	0	0	67,486
Fundraising	0	0	68,440	68,440
Advertising	3,053	1,527	1,528	6,108
Repairs and maintenance	101,580	10,158	1,129	112,867
Insurance	31,315	7,928	396	39,639
Miscellaneous	5,434	1,374	70	6,878
Network dues and fees	14,389	3,643	182	18,214
Depreciation	96,959	24,547	1,227	122,733
Postage	540	756	864	2,160
Property taxes	3,814	966	48	4,828
Wages and salaries	356,752	113,512	70,269	540,533
Employee benefits	59,688	18,992	11,757	90,437
Taxes	26,166	8,326	5,154	39,646
Supplies	34,859	3,486	387	38,732
Utilities	58,408	14,787	739	73,934
	\$ 12,963,521	\$ 210,002	\$ 162,190	\$ 13,335,713

See accompanying notes.

TRI-STATE FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	Years Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 171,524	\$ 319,333
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	91,863	124,483
Unrealized (gain)loss on investments	(50,638)	0
Realized (gain)loss on sale of investments	4,108	0
(Increase) decrease in:		
Accounts and other receivables	(218,915)	(51,397)
Inventory	(23,552)	(370,930)
Prepaid expenses	(7,948)	289
Beneficial interest in trust	(10,423)	(17,774)
Increase (decrease) in:		
Accounts payable	12,520	(12,310)
Accrued expenses	(399)	22,242
Annuities and trusts payable	23,169	(19,150)
NET CASH USED IN OPERATING ACTIVITIES	(8,691)	(5,214)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from certificates of deposit	0	163,144
Proceeds from sales of property and equipment	0	6,648
Purchase of investments	484,651	0
Proceeds from sales of investments	(625,869)	(761,275)
Purchase of property and equipment from restricted contributions	0	(3,260)
Purchase of property and equipment	(69,089)	(115,522)
NET CASH USED IN INVESTING ACTIVITIES	(210,307)	(710,265)
DECREASE IN CASH AND CASH EQUIVALENTS	(218,998)	(715,479)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	406,410	1,121,889
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 187,412	\$ 406,410

See accompanying notes.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, the Organization's cash and certificate of deposit accounts exceeded FDIC insured limits by approximately \$0 and \$0, respectively.

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, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Grants and Other Liabilities

Revenue from agencies and other organizations is deferred and recognized over the periods to which the fees related.

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, 2019.

Promises to Give

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2019 there was no allowance.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

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, 2019 and 2018 were \$0 and \$0, respectively.

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.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (Concluded)

Advertising

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

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Date of Management’s Review

Subsequent events have been evaluated through November 19, 2019, 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, 2019 and 2018, consisted of:

	<u>2019</u>	<u>2018</u>
IN USDA and Commodity Supplemental Food Program	\$ 541,642	\$ 425,199
KY USDA Commodities	249,369	132,619
IL USDA and Commodity Supplemental Food Program	219,217	215,146
Donated and purchased food and supplies	445,752	659,464
	<u>\$ 1,455,980</u>	<u>\$ 1,432,428</u>

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 3 – 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 \$418,424 and \$408,000, which represents the fair value of the trust assets at June 30, 2019 and 2018, respectively. Distributions received were \$12,000 and \$15,000 for the years ended June 30, 2019 and 2018, respectively.

Note 4 – Property and Equipment

Property and equipment at June 30, 2019 and 2018 was summarized as follows:

	2019		
	Cost	Accumulated Depreciation	Net
Land	\$ 62,153	\$ 0	\$ 62,153
Automobiles	339,416	296,027	43,389
Buildings and improvements	1,279,129	775,398	503,731
Machinery and equipment	536,328	349,773	186,555
Construction in Progress	5,000	0	5,000
	<u>\$ 2,222,026</u>	<u>\$ 1,421,198</u>	<u>\$ 800,828</u>
	2018		
	Cost	Accumulated Depreciation	Net
Land	\$ 41,167	\$ 0	\$ 41,167
Automobiles	328,011	276,124	51,887
Buildings and improvements	1,284,365	745,367	538,998
Machinery and equipment	501,195	309,645	191,550
	<u>\$ 2,154,738</u>	<u>\$ 1,331,136</u>	<u>\$ 823,602</u>

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 5 – Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Beneficial interest in trust	\$ 418,423	\$ 408,000
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	154,251	0
	<u>\$ 572,674</u>	<u>\$ 408,000</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Satisfaction of time restriction	\$ 12,000	\$ 15,000
Purchase of property and equipment	0	3,260
	<u>\$ 12,000</u>	<u>\$ 18,260</u>

Note 6 – 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 2019 and 2018 was \$25,000 and \$16,500, respectively.

Note 7 – Investment Return

Investment return as of June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Investment Return		
Interest and Dividends	\$ 25,014	\$ 3,678
Unrealized gain/(loss)	46,530	1,349
	<u>\$ 71,544</u>	<u>\$ 5,027</u>

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 8 – 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 and other methods.

Note 9 – 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, 2019:

Grant	Term	Grant Amount	Earned as of June 30, 2019	Funding Available June 30, 2019
Emergency Food Assistance Program State of Indiana	10/01/18 - 09/30/2019	\$ 97,202	\$ 71,630	\$ 25,572

Note 10 – Fair Value Measurements

The Organization reports certain assets⁴ 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, 2019 and 2018

Note 10 – 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, 2019 and 2018.

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.

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 are as follows:

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 10 – Fair Value Measurements (Concluded)

June 30, 2019	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	\$ 668,124	\$ 668,124	\$ 0	\$ 0
Mutual Funds	52,799	52,799	0	0
Common Stock	228,100	228,100	0	0
	<u>\$ 949,023</u>	<u>\$ 949,023</u>	<u>\$ 0</u>	<u>\$ 0</u>
Beneficial interest in trust	<u>\$ 418,423</u>	<u>\$ 0</u>	<u>\$ 418,423</u>	<u>\$ 0</u>

June 30, 2018	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	\$ 422,165	\$ 422,165	\$ 0	\$ 0
Mutual Funds	220,119	220,119	0	0
Common Stock	118,991	118,991	0	0
	<u>\$ 761,275</u>	<u>\$ 761,275</u>	<u>\$ 0</u>	<u>\$ 0</u>
Beneficial interest in trust	<u>\$ 408,000</u>	<u>\$ 0</u>	<u>\$ 408,000</u>	<u>\$ 0</u>

Note 11 – 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.

TRI-STATE FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 11 – Significant Estimates and Concentrations (Concluded)

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 12 – 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	\$	187,412
Pledges receivable, net		159,250
Investments		949,023
	\$	<u>1,295,685</u>

Note 13 – Subsequent Events

On August 22, 2019, the Organization purchased a new facility in the amount of \$1,795,000. The Organization estimates construction costs to retrofit the facility will total approximately \$2,100,000. On August 22, 2019, the Organization took out a construction loan with a local financial institution to aid in this purchase in the amount of \$3,104,000. The loan is secured by the real estate purchased and carries an interest rate of 3.98%. The loan will be repaid in 71 monthly payments of \$18,867.64 beginning September 22, 2020, with a final principal and interest payment of \$2,437,463 due on August 22, 2026.

----- **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, 2019**

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Page 1 of 6

11/08/19

Grantee Name	Tri-State Food Bank
ID Numbers	AUDIT:18341 Grantee:676813 DUNS:147801989 FEIN:351539870
Audit Period	7/1/2018 - 6/30/2019
Submitted	11/08/2019; Tammy Berry; Bookkeeper; bookkeeper@tristatefoodbank.org; 8123033580
Accepted	
Program Count	3

All Programs Total				
Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	199,453.40	0.00	199,453.40
Fringe Benefits	0.00	0.00	0.00	0.00
Travel	0.00	21,225.00	0.00	21,225.00
Equipment	0.00	0.00	0.00	0.00
Supplies	0.00	5,827.04	0.00	5,827.04
Contractual Services	0.00	0.00	0.00	0.00
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	34,623.00	0.00	34,623.00
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	245,558.03	0.00	245,558.03
All Grant Specific Categories	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	0.00	506,686.47	0.00	506,686.47
Indirect Costs	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	0.00	506,686.47	0.00	506,686.47

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2019**

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Page 2 of 6

11/08/19

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	25,674.00	0.00	25,674.00
Travel	0.00	6,225.00	0.00	6,225.00
Supplies	0.00	3,932.04	0.00	3,932.04
Occupancy - Rent and Utilities	0.00	5,772.00	0.00	5,772.00
TOTAL DIRECT EXPENDITURES	0.00	41,603.04	0.00	41,603.04

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2019**

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Page 3 of 6

11/08/19

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	70,481.40	0.00	70,481.40
Travel	0.00	15,000.00	0.00	15,000.00
Occupancy - Rent and Utilities	0.00	15,000.00	0.00	15,000.00
TOTAL DIRECT EXPENDITURES	0.00	100,481.40	0.00	100,481.40

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2019**

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Page 4 of 6

11/08/19

State Agency	Department Of Human Services (444)
Program Name	Temporary Assistance for Needy Families (444-80-0205)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	State	Federal	Other	Total
Miscellaneous Costs	0.00	10,429.03	0.00	10,429.03
TOTAL DIRECT EXPENDITURES	0.00	10,429.03	0.00	10,429.03

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2019**

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Page 5 of 6

11/08/19

Program Name	Other grant programs and activities
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Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	103,298.00	0.00	103,298.00
Supplies	0.00	1,895.00	0.00	1,895.00
Occupancy - Rent and Utilities	0.00	13,851.00	0.00	13,851.00
Miscellaneous Costs	0.00	235,129.00	0.00	235,129.00
TOTAL DIRECT EXPENDITURES	0.00	354,173.00	0.00	354,173.00

TRI-STATE FOOD BANK, INC.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
GRANTEE PORTAL – AUDIT CONSOLIDATED YEAR-END
FINANCIAL REPORT
Year Ended June 30, 2019**

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Page 6 of 6

11/08/19

Program Name	All other costs not allocated			
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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, 2019

<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		\$ 2,252,240	\$ 2,252,240
State of Indiana Office of Community and Rural Affairs	10.569		288,653	288,653
Indiana State Department of Agriculture	10.569	A337-17-FB-310	19,020	19,020
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution, Dare to Care Food Bank of Louisville	10.569		1,638,005	1,638,005
State of Illinois Department of Human Services	10.569	FCSUH01404	323,017	323,017
State of Illinois Department of Human Services	10.569		<u>1,426,258</u>	<u>1,426,258</u>
Total CFDA Number 10.569			<u>5,947,193</u>	<u>5,947,193</u>
Emergency Food Assistance				
Program (Administrative Costs)				
State of Indiana Department of Health	10.568	2IN810001	0	55,278
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution, Dare to Care Food Bank of Louisville	10.568		0	83,272
State of Illinois Department of Human Services	10.568	FCSUH01404	<u>0</u>	<u>79,622</u>
Total CFDA Number 10.568			<u>0</u>	<u>218,172</u>
Commodity Supplemental Food Program				
State of Illinois Department of Human Services	10.565	FCSUQ00668	0	41,603
State of Indiana Department of Health	10.565	2IN810001	<u>0</u>	<u>34,763</u>
Total CFDA Number 10.565			<u>0</u>	<u>76,366</u>
Total Food Distribution Cluster			<u>5,947,193</u>	<u>6,241,731</u>

TRI-STATE FOOD BANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

Year Ended June 30, 2019

<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		\$ 22,335	\$ 22,335
Commonwealth of Kentucky, Department of Agriculture, Division of Food Distribution	10.718		17,554	17,554
State of Illinois Department of Human Services	10.718		<u>10,430</u>	<u>10,430</u>
Total CFDA Number 10.718			<u>50,319</u>	<u>50,319</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>10,938</u>	<u>10,938</u>
United States Department of Agriculture Child and Adult Care Food Program State of Indiana Department of Education	10.558		<u>18,616</u>	<u>18,616</u>
Total United States Department of Agriculture			<u>6,027,066</u>	<u>6,321,604</u>
TANF Cluster				
United States Department of Health and Human Services State of Illinois Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	FCSUH01404	<u>10,429</u>	<u>10,429</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>53,816</u>
			<u>\$ 6,037,495</u>	<u>\$ 6,385,849</u>

TRI-STATE FOOD BANK, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

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, 2019. 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, 2019

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)	\$ 2,559,913
10.559	Summer Food Service Program for Children (SFSPC)	10,938
10.558	Child and Adult Care Food Program	18,616
10.718	Trade Mitigation Program	22,335
	(Noncash Assistance to 11 Soup Kitchens and 57 Food Pantries)	2,611,802
	<i>Illinois</i>	
10.569	Emergency Food Assistance Program (Food Commodities)	1,749,275
93.558	Temporary Assistance for Needy Families	10,429
10.718	Trade Mitigation Program	10,430
	(Noncash Assistance to 6 Soup Kitchens and 38 Food Pantries)	1,770,134
	<i>Kentucky</i>	
10.569	Emergency Food Assistance Program (Food Commodities)	1,638,005
10.718	Trade Mitigation Program	17,554
	(Noncash Assistance to 4 Soup Kitchens and 24 Food Pantries)	1,655,559
	Total noncash subrecipients' food assistance	\$ 6,037,495

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, 2019 and 2018, 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 November 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 2019-001.

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

November 19, 2019
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, 2019. 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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.

November 19, 2019
Evansville, Indiana


Certified Public Accountants and Consultants

TRI-STATE FOOD BANK, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2019

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2018-001	Subrecipient Monitoring	Corrected

TRI-STATE FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

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 (CONTINUED)

June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None for the year ended June 30, 2019

SECTION III – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING OF NONCOMPLIANCE:

Finding No.: 2019-001 Subrecipient Compliance – Civil Rights Training

Federal Program Name: Emergency Food Assistance Program (Food Commodities)

CFDA Number: 10.569

Federal Agency: U.S. Department of Agriculture

Information on the Federal Program:

- 10.569 – To strengthen the nutrition safety net through the provision of U.S. Department of Agriculture (USDA) – donated foods to low-income persons.

Criteria or Specific Requirement:

The Organization, along with the USDA, requires subrecipient agencies to complete annual civil rights training.

Condition:

During the testing of monitoring of subrecipients we noted that 28 subrecipients did not have completed civil rights training in their file for the current fiscal year.

Questioned Costs: N/A

Context:

We tested 40 subrecipients and noted 28 that had not completed civil rights training for the current fiscal year.

Effect:

The Organization was not in compliance with requirements in relation to having all subrecipients complete the annual civil rights training.

Cause:

The Organization did send out training information to all agencies but failed to follow up in making sure all agencies had completed the training and turned in their completed information.

Identification as a repeat finding, if applicable: N/A

TRI-STATE FOOD BANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2019

SECTION III – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FINDING OF NONCOMPLIANCE (CONCLUDED):

Finding No.: 2019-001 Subrecipient Compliance – Civil Rights Training (Concluded)

Recommendation:

The Organization should verify that all subrecipient agencies have completed the required training annually.

Views of Responsible Officials:

Management is aware of the requirement to have all subrecipient agencies complete the annual civil rights training.

Corrective Actions:

Management will ensure that all subrecipient agencies will complete the required annual civil rights training by taking the following measures: Tri-State Food Bank will organize and host an annual agency conference in which agency representatives will receive the required civil rights training; for those representatives who, for whatever reason, are unable to attend the aforementioned agency conference, management will provide training either remotely or in person to the individual agency; management has restructured job assignments and has transferred the role of USDA Coordinator (who is responsible for agency training) to the Bookkeeper who has past experience in this role.

TRI-STATE FOOD BANK, INC.

CORRECTIVE ACTION PLAN

June 30, 2019

Finding No.: 2019-001 Subrecipient Compliance – Civil Rights Training

Federal Program Name: Emergency Food Assistance Program (Food Commodities)

CFDA Number: 10.569

Federal Agency: U.S. Department of Agriculture

Requirement:

The Organization, along with the USDA, requires subrecipient agencies to complete annual civil rights training.

Finding:

During the testing of monitoring of subrecipients we noted that 28 subrecipients did not have completed civil rights training in their file for the current fiscal year.

Questioned Costs:

N/A

Systemic or Isolated:

This instance of noncompliance is systemic.

Effect of Finding:

The Organization was not in compliance with requirements in relation to having all subrecipients complete the annual civil rights training.

Recommendation:

The Organization should verify that all subrecipient agencies have completed the required training annually.

Corrective Action Plan:

Management will ensure that all subrecipient agencies will complete the required annual civil rights training by taking the following measures: Tri-State Food Bank will organize and host an annual agency conference in which agency representatives will receive the required civil rights training; for those representatives who, for whatever reason, are unable to attend the aforementioned agency conference, management will provide training either remotely or in person to the individual agency; management has restructured job assignments and has transferred the role of USDA Coordinator (who is responsible for agency training) to the Bookkeeper who has past experience in this role.

Contact Person Responsible for Corrective Action:

Glenn Roberts, Executive Director

Anticipated Completion Date:

Immediately