

GOING FURTHER

CHATTANOOGA AREA
FOOD BANK, INC.

FINANCIAL REPORT

JUNE 30, 2025



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Chattanooga Area Food Bank, Inc.

Roster of Those Charged With Governance and Management Officials

Jennifer McIntyre, Board of Directors – Chair

Tracey Smith, Board of Directors – Vice Chair

Harriet Stokes, Board of Directors – Secretary

Murphy Sauceman, Board of Directors – Treasurer

Tamara Steward, Board of Directors

Sue Collins, Board of Directors

Emily Blackwell, Board of Directors

Ellie LaPorte, Board of Directors

Alisa Basaraba, Board of Directors

Carol Hieronymus, Board of Directors

Justin Grierson, Board of Directors

Declan O'Connell, Board of Directors

C.J. Recher, Board of Directors

Ken Mitchell, Board of Directors

Andrea Lyons, Board of Directors

Melissa Blevins, President & CEO

Tim Maddox, CFO



Independent Auditor's Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Chattanooga Area Food Bank, Inc. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chattanooga Area Food Bank, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

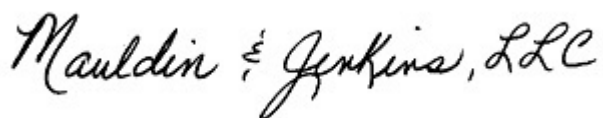
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of Chattanooga Area Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chattanooga Area Food Bank, Inc.'s internal control over financial reporting and compliance.



Chattanooga, Tennessee
October 23, 2025

Chattanooga Area Food Bank, Inc.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Cash	\$ 7,620,702	\$ 7,071,136
Inventories	2,391,182	1,245,111
Accounts receivable, net	210,038	212,447
Contributions receivable	955,666	239,411
Grant receivable	419,413	526,354
Investments	2,696,750	2,549,903
Prepaid expenses and other assets	330,355	194,789
Land, building and equipment, net	4,964,471	4,937,704
Total assets	<u>\$ 19,588,577</u>	<u>\$ 16,976,855</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 288,114	\$ 277,852
Accrued liabilities	357,736	226,588
Total liabilities	<u>645,850</u>	<u>504,440</u>
NET ASSETS		
Without donor restrictions	15,749,399	14,573,326
With donor restrictions	3,193,328	1,899,089
Total net assets	<u>18,942,727</u>	<u>16,472,415</u>
Total liabilities and net assets	<u>\$ 19,588,577</u>	<u>\$ 16,976,855</u>

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

Chattanooga Area Food Bank, Inc.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributed nonfinancial assets	\$ 28,753,811	\$ -	\$ 28,753,811
Contributed financial assets	4,046,777	83,832	4,130,609
Grants	2,228,258	2,362,820	4,591,078
Total support	35,028,846	2,446,652	37,475,498
Revenue:			
Shared maintenance fees	3,279,279	-	3,279,279
Commodity service revenue - USDA	492,854	-	492,854
Commodity service revenue - other	73,188	-	73,188
Agency fees	9,805	-	9,805
Interest income	328,496	-	328,496
Investment income, net of investment expenses	51,198	-	51,198
Miscellaneous income	944	-	944
Total revenue	4,235,764	-	4,235,764
Net assets released from restrictions	1,152,413	(1,152,413)	-
Total support and revenue	40,417,023	1,294,239	41,711,262
Expenses:			
Program services:			
Food distribution services	36,754,516	-	36,754,516
Supporting services:			
Management and general	1,453,746	-	1,453,746
Fund-raising	1,032,688	-	1,032,688
Total supporting services	2,486,434	-	2,486,434
Total expenses	39,240,950	-	39,240,950
Change in net assets	1,176,073	1,294,239	2,470,312
Net assets, beginning of year	14,573,326	1,899,089	16,472,415
Net assets, end of year	\$ 15,749,399	\$ 3,193,328	\$ 18,942,727

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

Chattanooga Area Food Bank, Inc.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributed nonfinancial assets	\$ 29,418,122	\$ -	\$ 29,418,122
Contributed financial assets	4,818,724	239,414	5,058,138
Grants	2,825,487	1,826,233	4,651,720
Total support	37,062,333	2,065,647	39,127,980
Revenue:			
Shared maintenance fees	2,753,663	-	2,753,663
Commodity service revenue - USDA	96,500	-	96,500
Commodity service revenue - other	73,454	-	73,454
Agency fees	10,162	-	10,162
Interest income	273,176	-	273,176
Investment income, net of investment expenses	104,238	-	104,238
Miscellaneous income	19,416	-	19,416
Total revenue	3,330,609	-	3,330,609
Net assets released from restrictions	1,790,127	(1,790,127)	-
Total support and revenue	42,183,069	275,520	42,458,589
Expenses:			
Program services:			
Food distribution services	38,739,073	-	38,739,073
Supporting services:			
Management and general	1,027,780	-	1,027,780
Fund-raising	1,162,943	-	1,162,943
Total supporting services	2,190,723	-	2,190,723
Total expenses	40,929,796	-	40,929,796
Change in net assets	1,253,273	275,520	1,528,793
Net assets, beginning of year	13,320,053	1,623,569	14,943,622
Net assets, end of year	\$ 14,573,326	\$ 1,899,089	\$ 16,472,415

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

Chattanooga Area Food Bank, Inc.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2025

	Program Services	Supporting Services		Total
	Food Distribution	Management and General	Fund-raising	Expenses
Cost of food distribution	\$ 32,660,946	\$ -	\$ -	\$ 32,660,946
Freight and packaging	299,354	-	-	299,354
Salaries	2,002,669	741,592	424,794	3,169,055
Employee benefit	238,670	76,855	48,741	364,266
Payroll taxes	148,023	64,068	35,888	247,979
Special events	-	-	40,652	40,652
Warehouse supplies and expenses	231,467	-	-	231,467
Vehicle expense	232,060	-	-	232,060
Utilities	84,038	14,325	2,522	100,885
Office supplies	7,972	5,066	4,779	17,817
Advertising	-	-	48,807	48,807
Printing and postage	471	7,672	1,446	9,589
Telephone	24,923	6,858	4,902	36,683
Rental expenses	104,802	-	-	104,802
Repairs and maintenance	26,876	30,099	96,296	153,271
Miscellaneous	-	99,307	2,275	101,582
Bad debt expense (recovery)	(21,359)	-	-	(21,359)
Contracted services	-	-	-	-
Professional services	-	153,999	-	153,999
Dues and subscriptions	30,075	58,390	1,599	90,064
Education and training	4,087	3,167	184	7,438
Fund-raising	-	-	310,233	310,233
Programs	110,054	-	-	110,054
Travel and lodging	7,953	11,484	6,422	25,859
Insurance	112,411	31,189	3,148	146,748
Total expenses before depreciation	36,305,492	1,304,071	1,032,688	38,642,251
Depreciation	449,024	149,675	-	598,699
Total expenses	\$ 36,754,516	\$ 1,453,746	\$ 1,032,688	\$ 39,240,950

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

Chattanooga Area Food Bank, Inc.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2024

	Program Services	Supporting Services		Total
	Food Distribution	Management and General	Fund-raising	Expenses
Cost of food distribution	\$ 35,003,685	\$ -	\$ -	\$ 35,003,685
Freight and packaging	281,566	-	-	281,566
Salaries	1,877,702	506,317	588,991	2,973,010
Employee benefit	190,441	48,775	53,020	292,236
Payroll taxes	132,783	36,889	42,732	212,404
Special events	-	-	22,108	22,108
Warehouse supplies and expenses	203,492	-	-	203,492
Vehicle expense	172,835	-	-	172,835
Utilities	83,134	11,775	5,737	100,646
Office supplies	16,894	9,641	8,372	34,907
Advertising	4,743	-	41,020	45,763
Printing and postage	817	9,941	2,027	12,785
Telephone	33,631	3,957	1,978	39,566
Rental expenses	86,356	1,208	-	87,564
Repairs and maintenance	45,134	39,532	36,623	121,289
Miscellaneous	50	88,748	12,469	101,267
Bad debt expense	17,678	-	-	17,678
Contracted services	-	-	3,000	3,000
Professional services	-	77,604	-	77,604
Dues and subscriptions	18,816	25,117	25,128	69,061
Education and training	5,301	5,299	5,299	15,899
Fund-raising	-	-	296,000	296,000
Programs	104,148	-	-	104,148
Travel and lodging	5,874	18,439	18,439	42,752
Insurance	87,183	22,268	-	109,451
Total expenses before depreciation	38,372,263	905,510	1,162,943	40,440,716
Depreciation	366,810	122,270	-	489,080
Total expenses	\$ 38,739,073	\$ 1,027,780	\$ 1,162,943	\$ 40,929,796

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

Chattanooga Area Food Bank, Inc.

STATEMENTS OF CASH FLOWS YEAR ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,470,312	\$ 1,528,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	598,699	489,080
Bad debt expense (recovery)	(21,359)	17,678
Net realized/unrealized gains on investments	(51,198)	(104,238)
Change in operating assets and liabilities:		
Accounts receivable, net	23,768	(27,834)
Contributions receivable	(716,255)	(171,346)
Grant receivable	106,941	(102,548)
Prepaid expenses and other assets	(135,566)	6,917
Inventories	(1,146,071)	453,995
Accounts payable	10,262	(202,905)
Accrued liabilities	131,148	(29,166)
Net cash provided by operating activities	<u>1,270,681</u>	<u>1,858,426</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, building and equipment	(625,466)	(717,185)
Purchase of investments	(95,649)	(389,094)
Proceeds from sale of investments	-	4,981
Net cash used in investing activities	<u>(721,115)</u>	<u>(1,101,298)</u>
NET INCREASE IN CASH	549,566	757,128
CASH, beginning of year	<u>7,071,136</u>	<u>6,314,008</u>
CASH, end of year	<u>\$ 7,620,702</u>	<u>\$ 7,071,136</u>

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

Notes To Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Chattanooga Area Food Bank, Inc. (the Organization) conform with United States generally accepted accounting principles (GAAP) and practices within the not-for-profit industry. The policies that materially affect financial position and results of operations are summarized as follows:

Nature of Operations

The Organization operates as a nonprofit entity that receives donations of food which it distributes to other tax-exempt organizations in Tennessee and Georgia to eliminate hunger and promote better nutrition for the region. The Organization is also a certified member of Feeding America, the Nation's Food Bank Network.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Presentation and Revenue Recognition

To ensure observances of limitations and restrictions placed on the use of resources available to the Organization, resources are classified for accounting and financial reporting purposes into categories established according to their nature and purpose in the two categories as follows:

Basis of Presentation

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The only limits on net assets without donor restrictions are those resulting from the nature of the Organization and its purposes.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has passed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

The Organization follows the guidance in Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

The majority of the Organization's revenues come from grants and contributions which are outside the scope of ASC 606. Revenues within the scope of ASC 606 include shared maintenance fees, commodity service revenues, agency fees, and miscellaneous income. The Organization recognizes shared maintenance fees and commodity service revenues, at a point in time, which is at the point the Organization distributes food products to agencies and individuals. Agency fees and miscellaneous income is recognized at a point in time, which is at the point the Organization provides the service. Payments for shared maintenance, agency fees, and miscellaneous income are received at the time the product or service is provided or within a short time period thereafter.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

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

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

Cash

Cash consists principally of checking account balances. The Organization considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents. Money market funds held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents for the statements of cash flows.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization places its cash with financial institutions and limits the amount of credit exposure to any one financial institution. From time to time, the Organization's cash balances exceed federal depository insurance coverage and management considers this to be a normal business risk. The Organization has not experienced any losses on its cash. The Organization's investments do not represent significant concentrations of market risk in as much as the Organization's investments are diversified among many issuers.

Investments

Investments are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Fair values of marketable securities with readily determinable fair values are based on quoted market prices. Investment income or loss (including gains and losses on investments, interest, and dividends, net of investment expenses) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Land, Building and Equipment

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are classified as operating or finance leases at the lease commencement date. The Organization leases space for its Foxwood location and a mail machine. The Organization records leases on the statements of financial position in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon the risk free rate or the implicit rate, when known, as of the date of commencement or renewal. The Organization does not record leases on the statements of financial position that are classified as short term (less than one year).

At lease inception, the Organization determines the lease term by considering the minimum lease term and all optional renewal periods that the Organization is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The Organization's lease does not contain residual value guarantees or material variable lease payments that will cause the Organization to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense is included in rental expenses on the Organization's statements of functional expenses. The Organization has elected not to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

Contributed Nonfinancial Assets

For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2025</u>	<u>2024</u>
Donated food commodities	<u>\$28,753,811</u>	<u>\$29,418,122</u>

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

The Organization receives substantial in-kind contributions, in the form of donated food. The food is recorded at market value on the date of donation that has been determined by Feeding America and management to be \$1.72 and \$1.74 per pound during 2025 and 2024, respectively. Feeding America is a nationwide network of approximately 200 food banks.

The market values for the fiscal years ended June 30, 2025 and 2024, have been calculated by an independent accountant under agreed-upon-procedures. The valuations were established as of December 31, 2024 and 2023. Contributed food commodities was utilized in the various food programs administered by the Organization.

For the years ended June 30, 2025 and 2024, a substantial number of unpaid volunteers have made significant contributions of approximately 42,834 and 35,730 hours, respectively, to the operations of the Organization. The value of this contributed time is not reflected in these statements since it does not meet the criteria recognition under GAAP.

Inventories

Food inventories include donated food, purchased inventory, and undistributed USDA commodities. Donated food received from food drives, food companies, grocery stores, Feeding America, and the USDA is valued at \$1.72 per pound for the year ending June 30, 2025 and \$1.74 per pound for the year ending June 30, 2024. These values represent the estimated average market value at the date of gift, based on studies commissioned by Feeding America. Purchased inventory is reported at cost.

Accounts Receivable

The Organization charges a share maintenance fee to recover a portion of the cost of food, storage, handling, and delivery of donated food commodities to other not-for-profit agencies. Additionally, the Organization sells purchased food at cost to other not-for-profit agencies. Accounts receivable are reported at gross sales price less any applicable payments, adjustments or allowances for uncollectible accounts. The Organization extends credit based on evaluation of those agencies' financial condition and generally does not require collateral.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

The Organization estimates an allowance for uncollectible accounts based on its knowledge of agencies' individual credit circumstances, the Organization's historical loss experience, and other current economic conditions. Accounts determined to be uncollectible are charged-off against the allowance in the period of determination. Subsequent recoveries of amounts previously charged-off are credited to the allowance in the period received.

Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

Income Tax Status

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code. However, any income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Organization accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740, *Income Taxes*. The Organization follows the statutory requirement for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Organization's non-taxable status would not have a material effect on the Organization's financial statements. The Organization is subject to routine audits from taxing jurisdictions; however, there are currently no audits for tax periods in progress.

Advertising Costs

Advertising costs are charged to expense as incurred.

Subsequent Events

Management performed an evaluation of subsequent events through October 23, 2025, the date these financial statements were available to be issued.

NOTE 2. LIQUIDITY AND AVAILABILITY

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

	<u>2025</u>	<u>2024</u>
Financial assets at year-end:		
Cash	\$ 7,620,702	\$ 7,071,136
Accounts receivable	210,038	212,447
Contributions receivable	955,666	239,411
Grants receivable	419,413	526,354
Investments	<u>2,696,750</u>	<u>2,549,903</u>
Total financial assets	11,902,569	10,599,251
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donors with time or purpose restrictions	<u>(1,330,878)</u>	<u>(993,060)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$10,571,691</u>	<u>\$ 9,606,191</u>

NOTE 2. LIQUIDITY AND AVAILABILITY (CONTINUED)

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In general, the Organization maintains sufficient assets on hand to meet 6 months of normal operating expenses. The Organization also has a \$500,000 line of credit available. The line of credit bears interest at one month Secured Overnight Financing Rule (SOFR) plus 2.00 percent and matures January 31, 2027. No amounts were outstanding at June 30, 2025 and 2024.

NOTE 3. INVENTORIES

Inventories consist of the following as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Donated Inventory	\$1,862,452	\$ 906,030
Purchased Inventory	<u>528,730</u>	<u>339,081</u>
	<u>\$2,391,182</u>	<u>\$1,245,111</u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Member agencies	\$209,974	\$231,963
Other customers	3,326	5,105
Allowance for uncollectible accounts	<u>(3,262)</u>	<u>(24,621)</u>
	<u>\$210,038</u>	<u>\$212,447</u>

NOTE 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable were \$955,666 and \$239,411 at June 30, 2025 and 2024, respectively, and substantially all are due within one year. No discount has been recorded as management has determined any amounts were not material. Management believes that all contributions receivable are fully collectible at June 30, 2025 and 2024; therefore, there are no allowances for uncollectible contributions receivable.

NOTE 6. INVESTMENTS

A summary of investments at June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 749,008	\$1,604,302
U.S. Treasury Bills	764,346	485,301
Mutual funds	-	460,300
Certificates of deposits	<u>1,183,396</u>	<u>-</u>
	<u>\$2,696,750</u>	<u>\$2,549,903</u>

NOTE 7. LAND, BUILDING AND EQUIPMENT

A summary of land, building and equipment at June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 801,936	\$ 801,936
Building	4,219,291	2,914,593
Vehicles	1,898,128	1,699,071
Office furniture and fixtures	332,762	332,762
Greenhouse	26,741	26,741
Warehouse equipment	1,964,354	1,808,050
Construction in progress	<u>141,773</u>	<u>1,275,636</u>
	9,384,985	8,858,789
Accumulated depreciation	<u>(4,420,514)</u>	<u>(3,921,085)</u>
	<u>\$ 4,964,471</u>	<u>\$ 4,937,704</u>

At June 30, 2025, estimated cost to complete construction in progress was not significant.

NOTE 8. LEASES

A lease is defined as a contract, or part of a contract, that covers the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration.

The Organization leases space for its Foxwood facility and a mail machine under operating lease agreements. Under ASC Topic 842, operating lease agreements are required to be recognized on the statements of financial position as a right-of-use (ROU) asset and a corresponding lease liability. In accordance with ASC Topic 842, the Organization does not recognize short-term leases with a term of less than one year but instead recognizes lease payments as an expense over the lease term as appropriate.

The following table represents the statements of financial position classification of the Organization's ROU asset and lease liability:

<u>Lease Right of Use Asset</u>	<u>Classification on Statement of Financial Position</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Operating Lease ROU Asset	Prepaid expense and other assets	\$172,413	\$69,736
<u>Lease Right of Use Liability</u>	<u>Classification on Statement of Financial Position</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Operating Lease Liability	Accrued liabilities	\$172,321	\$69,929

The calculated amount of the ROU asset and lease liability in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Organization's lease agreements do not include one or more options to renew at the Organization's discretion. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As the rates were not determinable, the Organization utilized the risk free rate at lease inception, over a similar term as the discount rate.

At June 30, 2025 and 2024, the weighted average lease term and weighted average discount is as follows:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Weighted-Average remaining lease term for operating lease	2.9 Years	1.1 Years
Weighted-Average discount rate for operating lease	3.84%	2.82%

Future minimum payments for operating leases with initial or remaining terms of one year or more as of June 30, 2025, were as follows:

	<u>Operating Leases</u>
2026	\$ 63,447
2027	60,881
2028	57,402
Amounts representing interest	<u>(9,409)</u>
Net lease liabilities	<u>\$172,321</u>

Total rent expense for 2025 and 2024, was \$104,802 and \$87,564, respectively, and is included in rental expenses in the statements of functional expenses.

NOTE 8. LEASES (CONTINUED)

In June 2022, the Organization received an in-kind conditional promise to give with Dalton-Whitfield County Joint Development Authority to lease a distribution facility in Dalton, Georgia. Under the terms of the lease the Organization does not pay monthly rents and includes a purchase obligation whereby the Organization will purchase the facility at the end of the lease term for \$10. The Organization is required to operate the facility as a food bank for the period of the lease. As prescribed by FASB's not-for-profit contribution recognition and measurement guidance, management has determined the in-kind promise to give to be conditional based on the requirement to operate the facility as a food bank. The Organization estimates the fair market value of the in-kind rent and recognizes in-kind contribution revenues annually. For the year ended June 30, 2025, the Organization recorded \$24,720 of in-kind contribution and rent expense.

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Undistributed food inventory	\$1,862,452	\$ 906,030
Capital improvements	19,324	485,684
Food distribution programs	377,002	141,713
Other restrictions	<u>934,550</u>	<u>365,662</u>
Total net assets with donor restrictions	<u>\$3,193,328</u>	<u>\$1,899,089</u>

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

During the years ended June 30, 2025 and 2024, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by donors as follows:

	<u>2025</u>	<u>2024</u>
Undistributed food inventory	\$ (956,421)	\$ 247,665
Capital improvements	414,676	302,882
Food distribution programs	1,547,044	1,086,331
Other restrictions	<u>147,114</u>	<u>153,249</u>
	<u>\$1,152,413</u>	<u>\$1,790,127</u>

NOTE 10. RETIREMENT PLAN

The Organization has established a deferred salary reduction plan covering employees who have attained the age of 21 and have completed six months of service. The Organization matches contributions by eligible employees up to 3% of compensation. Employer contributions immediately vest. The Organization's matching contributions were \$49,535 and \$38,592 for the years ended June 30, 2025 and 2024, respectively.

NOTE 11. FAIR VALUE MEASUREMENTS

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

NOTE 11. FAIR VALUE MEASUREMENTS (CONTINUED)

ASC Topic 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

ASC Topic 820 also establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024.

Donated inventory: Valued based on poundage times a standard rate. The standard rate is updated annually based on a study commissioned by Feeding America, which is classified as Level 3. The inputs used in the valuation include twenty-nine product types calculating a weighted average value for the year based on actual donated pounds by type on a national level.

U.S. Treasury Bills and Certificates of deposits: The fair value for debt securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities, using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Money market funds: Valued at the carrying amount based on the short term nature of the assets.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

NOTE 11. FAIR VALUE MEASUREMENTS (CONTINUED)

The table below presents the recorded amount of assets measured at fair value on a recurring basis:

	Balance as of June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money market funds	\$ 749,008	\$749,008	\$ -	\$ -
U.S. Treasury Bills	764,346	-	764,346	-
Certificates of deposits	1,183,396	-	1,183,396	-
Donated inventory	<u>1,862,452</u>	<u>-</u>	<u>-</u>	<u>1,862,452</u>
Total assets at fair value	<u>\$4,559,202</u>	<u>\$749,008</u>	<u>\$1,947,742</u>	<u>\$1,862,452</u>

	Balance as of June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money market funds	\$1,604,302	\$1,604,302	\$ -	\$ -
U.S. Treasury Bills	485,301	-	485,301	-
Mutual funds	460,300	460,300	-	-
Donated inventory	<u>906,030</u>	<u>-</u>	<u>-</u>	<u>906,030</u>
Total assets at fair value	<u>\$3,455,933</u>	<u>\$2,064,602</u>	<u>\$485,301</u>	<u>\$906,030</u>

The table below presents additional information about assets measured at fair value on a recurring basis by reliance on Level 3 inputs to determine fair value at June 30, 2025 and 2024.

	Donated Inventory	
	2025	2024
Beginning balance	\$ 906,030	\$ 1,153,695
Food received	28,753,811	29,418,122
Food distributed	<u>(27,797,389)</u>	<u>(29,665,787)</u>
Ending balance	<u>\$ 1,862,452</u>	<u>\$ 906,030</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the period. For the years ended June 30, 2025 and 2024, there were no transfers in or out of Levels 1, 2 or 3.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chattanooga Area Food Bank, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 23, 2025