



Financial Statements  
June 30, 2020 and 2019

# Feeding South Dakota

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Financial Statements

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## Independent Auditor's Report

The Board of Directors  
Feeding South Dakota  
Sioux Falls, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of Feeding South Dakota (the Organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
October 29, 2020

Feeding South Dakota  
Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,016,666	\$ 1,771,228
Cash restricted by donors	1,393,200	862,948
Accounts receivable	56,135	81,469
Grants receivable - current	144,505	203,040
Promises to give - current	293,241	394,200
Food inventory	2,831,297	2,096,232
Prepaid expenses	75,419	58,476
Total current assets	9,810,463	5,467,593
<b>Fixed Assets</b>		
Land	1,676,309	1,676,309
Buildings	6,306,736	6,210,782
Furniture and equipment	1,850,777	1,769,761
Vehicles	1,430,280	1,252,607
	11,264,102	10,909,459
Accumulated depreciation	(2,659,762)	(2,156,489)
Total fixed assets	8,604,340	8,752,970
<b>Other Assets</b>		
Grants receivable - long-term	-	42,240
Promises to give - long-term, net	24,100	4,762
Beneficial interest in assets held by community foundations	613,295	403,774
Total other assets	637,395	450,776
	<b>\$ 19,052,198</b>	<b>\$ 14,671,339</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 417,116	\$ 223,188
Accrued expenses	224,085	167,369
Refundable advance	16,180	-
Capital lease obligation - current	13,876	13,168
Total current liabilities	671,257	403,725
Capital Lease Obligation - Long-Term	3,575	17,451
Total liabilities	674,832	421,176
<b>Net Assets</b>		
Without donor restrictions	16,013,610	12,436,870
With donor restrictions	2,363,756	1,813,293
Total net assets	18,377,366	14,250,163
	<b>\$ 19,052,198</b>	<b>\$ 14,671,339</b>

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public support						
Contributions	\$ 7,290,934	\$ 496,783	\$ 7,787,717	\$ 3,704,446	\$ 329,777	\$ 4,034,223
In-kind donations	18,821,592	-	18,821,592	19,124,576	-	19,124,576
United Way	348,817	7,493	356,310	361,894	5,540	367,434
Governmental fees and grants	507,331	78,923	586,254	359,669	-	359,669
Commodities program	7,275,457	150,428	7,425,885	3,450,902	-	3,450,902
Total public support	<u>34,244,131</u>	<u>733,627</u>	<u>34,977,758</u>	<u>27,001,487</u>	<u>335,317</u>	<u>27,336,804</u>
Revenue						
Handling fees	1,059,197	-	1,059,197	1,102,415	-	1,102,415
Net investment income	22,948	-	22,948	5,996	-	5,996
Loss on disposal of fixed assets	(11,617)	-	(11,617)	(6,165)	-	(6,165)
Distributions from and change in value of beneficial interest in assets held by community foundations	15,021	-	15,021	2,793	-	2,793
Other	12,076	-	12,076	11,309	-	11,309
Total revenue	<u>1,097,625</u>	<u>-</u>	<u>1,097,625</u>	<u>1,116,348</u>	<u>-</u>	<u>1,116,348</u>
Net assets released from restrictions						
Satisfaction of program restrictions	183,164	(183,164)	-	152,930	(152,930)	-
Total public support and revenue	<u>35,524,920</u>	<u>550,463</u>	<u>36,075,383</u>	<u>28,270,765</u>	<u>182,387</u>	<u>28,453,152</u>

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services						
Food Bank	\$ 10,436,046	\$ -	\$ 10,436,046	\$ 11,748,388	\$ -	\$ 11,748,388
Food Pantry	5,932,889	-	5,932,889	8,929,455	-	8,929,455
Commodity Food Programs	7,540,438	-	7,540,438	3,772,305	-	3,772,305
BackPack Program	626,459	-	626,459	753,756	-	753,756
School Food Pantry	330,357	-	330,357	89,231	-	89,231
Mobile Food Pantry	5,824,933	-	5,824,933	2,190,374	-	2,190,374
Total program services	30,691,122	-	30,691,122	27,483,509	-	27,483,509
Fundraising	745,515	-	745,515	804,711	-	804,711
General and administrative	511,543	-	511,543	463,811	-	463,811
Total expenses	31,948,180	-	31,948,180	28,752,031	-	28,752,031
Change in Net Assets	3,576,740	550,463	4,127,203	(481,266)	182,387	(298,879)
Net Assets, Beginning of Year	12,436,870	1,813,293	14,250,163	12,918,136	1,630,906	14,549,042
Net Assets, End of Year	\$ 16,013,610	\$ 2,363,756	\$ 18,377,366	\$ 12,436,870	\$ 1,813,293	\$ 14,250,163

Feeding South Dakota  
Statements of Functional Expenses  
Year Ended June 30, 2020

	Program Services						Total	Fundraising	General and Administrative	Total
	Food Bank	Food Pantry	Commodity Food Programs	BackPack Program	School Food Pantry	Mobile Food Pantry				
Salaries	\$ 445,836	\$ 136,645	\$ 279,795	\$ 67,410	\$ 13,446	\$ 337,615	\$ 1,280,747	\$ 258,447	\$ 282,435	\$ 1,821,629
Payroll taxes	31,618	10,458	20,655	4,950	1,002	25,119	93,802	18,303	19,832	131,937
Employee benefits	110,129	39,535	57,157	16,808	2,185	38,240	264,054	51,757	41,709	357,520
Total salaries and related benefits	<u>587,583</u>	<u>186,638</u>	<u>357,607</u>	<u>89,168</u>	<u>16,633</u>	<u>400,974</u>	<u>1,638,603</u>	<u>328,507</u>	<u>343,976</u>	<u>2,311,086</u>
Food and transportation costs	1,335,660	34,681	29,752	497,358	7,078	346,973	2,251,502	-	-	2,251,502
Supplies	34,747	3,565	20,579	4,058	-	67,967	130,916	186	6,068	137,170
Utilities	39,833	11,883	28,283	3,583	1,081	18,922	103,585	-	14,663	118,248
Repairs and maintenance	48,462	19,291	42,185	5,343	1,613	32,875	149,769	-	32,822	182,591
Insurance and taxes	25,386	2,202	14,493	1,836	554	14,308	58,779	-	2,538	61,317
Computer/software costs	46,763	10,099	-	241	-	3,193	60,296	4,462	8,306	73,064
Postage	18,135	23	31	-	-	85	18,274	111,659	263	130,196
Printing and promotions	7,118	1,650	1,159	18	-	4,968	14,913	283,293	6,997	305,203
Telephone	7,880	1,473	-	488	-	485	10,326	1,220	3,170	14,716
Conferences	5,699	90	-	90	-	-	5,879	1,255	1,036	8,170
Travel	9,347	7	-	1,732	91	3,069	14,246	2,286	9,174	25,706
Vehicle operating costs	76,408	-	42,184	5,502	1,613	44,172	169,879	341	406	170,626
Professional fees	10,494	-	-	-	-	-	10,494	4,956	24,660	40,110
Awards and gifts	66,852	765	-	575	-	1,246	69,438	967	3,150	73,555
Dues and subscriptions	6,540	-	-	-	-	-	6,540	-	1,450	7,990
Interest	-	-	-	-	-	-	-	-	1,292	1,292
Miscellaneous	14,867	-	11,649	1,518	446	20,234	48,714	6,383	13,031	68,128
Depreciation	214,335	27,095	118,008	14,949	4,512	104,589	483,488	-	23,691	507,179
Total expenses before donated goods and services	<u>2,556,109</u>	<u>299,462</u>	<u>665,930</u>	<u>626,459</u>	<u>33,621</u>	<u>1,064,060</u>	<u>5,245,641</u>	<u>745,515</u>	<u>496,693</u>	<u>6,487,849</u>
In-kind goods and services used	56,697	-	-	-	-	-	56,697	-	14,850	71,547
Food donations distributed	7,267,748	5,441,063	6,873,571	-	296,736	4,760,873	24,639,991	-	-	24,639,991
Spoilage/due date/disposals/waste	555,492	192,364	937	-	-	-	748,793	-	-	748,793
Total donated goods and services	<u>7,879,937</u>	<u>5,633,427</u>	<u>6,874,508</u>	<u>-</u>	<u>296,736</u>	<u>4,760,873</u>	<u>25,445,481</u>	<u>-</u>	<u>14,850</u>	<u>25,460,331</u>
Total expenses	<u>\$ 10,436,046</u>	<u>\$ 5,932,889</u>	<u>\$ 7,540,438</u>	<u>\$ 626,459</u>	<u>\$ 330,357</u>	<u>\$ 5,824,933</u>	<u>\$ 30,691,122</u>	<u>\$ 745,515</u>	<u>\$ 511,543</u>	<u>\$ 31,948,180</u>

See Notes to Financial Statements



Feeding South Dakota  
Statements of Functional Expenses  
Year Ended June 30, 2019

	Program Services						Total	Fundraising	General and Administrative	Total
	Food Bank	Food Pantry	Commodity Food Programs	BackPack Program	School Food Pantry	Mobile Food Pantry				
Salaries	\$ 612,679	\$ 198,731	\$ 150,183	\$ 82,347	\$ 6,978	\$ 104,035	\$ 1,154,953	\$ 268,058	\$ 272,672	\$ 1,695,683
Payroll taxes	47,338	14,544	9,110	6,349	530	7,934	85,805	20,295	19,924	126,024
Employee benefits	154,649	40,637	29,573	19,177	628	16,185	260,849	48,933	35,690	345,472
Total salaries and related benefits	<u>814,666</u>	<u>253,912</u>	<u>188,866</u>	<u>107,873</u>	<u>8,136</u>	<u>128,154</u>	<u>1,501,607</u>	<u>337,286</u>	<u>328,286</u>	<u>2,167,179</u>
Food and transportation costs	1,369,528	70,558	29,844	582,365	2,880	39,904	2,095,079	-	-	2,095,079
Supplies	12,852	10,860	23,578	11,738	-	2,875	61,903	85	4,920	66,908
Utilities	65,752	12,220	15,345	4,842	326	8,399	106,884	-	14,376	121,260
Repairs and maintenance	88,139	15,335	19,236	6,069	2,052	12,613	143,444	543	11,753	155,740
Insurance and taxes	31,828	1,663	6,575	2,075	140	7,064	49,345	-	2,505	51,850
Computer/software costs	42,381	10,022	-	613	-	3,280	56,296	1,949	4,575	62,820
Postage	15,287	-	-	-	-	67	15,354	73,976	-	89,330
Printing and promotions	8,164	537	1,141	601	87	218	10,748	236,386	5,487	252,621
Telephone	7,277	1,439	-	477	-	282	9,475	1,192	2,799	13,466
Conferences	2,794	-	-	38	-	-	2,832	3,647	1,701	8,180
Travel	8,500	550	-	819	86	1,249	11,204	5,929	11,502	28,635
Vehicle operating costs	121,456	-	23,875	7,533	507	29,763	183,134	410	535	184,079
Professional fees	14,495	-	-	-	-	-	14,495	115,000	23,363	152,858
Awards and gifts	3,856	715	-	175	-	150	4,896	5,842	6,023	16,761
Dues and subscriptions	9,027	-	-	-	-	-	9,027	300	1,349	10,676
Interest	-	-	-	-	-	-	-	-	1,961	1,961
Miscellaneous	11,998	-	3,202	1,050	68	4,596	20,914	6,047	31	26,992
Depreciation	326,058	26,915	64,391	20,316	1,367	56,094	495,141	-	26,695	521,836
Total expenses before donated goods and services	<u>2,954,058</u>	<u>404,726</u>	<u>376,053</u>	<u>746,584</u>	<u>15,649</u>	<u>294,708</u>	<u>4,791,778</u>	<u>788,592</u>	<u>447,861</u>	<u>6,028,231</u>
In-kind goods and services used	46,015	-	-	-	-	-	46,015	16,119	15,950	78,084
Food donations distributed	8,222,520	8,199,311	3,395,349	7,172	73,582	1,895,666	21,793,600	-	-	21,793,600
Spoilage/duo date/disposals/waste	525,795	325,418	903	-	-	-	852,116	-	-	852,116
Total donated goods and services	<u>8,794,330</u>	<u>8,524,729</u>	<u>3,396,252</u>	<u>7,172</u>	<u>73,582</u>	<u>1,895,666</u>	<u>22,691,731</u>	<u>16,119</u>	<u>15,950</u>	<u>22,723,800</u>
Total expenses	<u>\$ 11,748,388</u>	<u>\$ 8,929,455</u>	<u>\$ 3,772,305</u>	<u>\$ 753,756</u>	<u>\$ 89,231</u>	<u>\$ 2,190,374</u>	<u>\$ 27,483,509</u>	<u>\$ 804,711</u>	<u>\$ 463,811</u>	<u>\$ 28,752,031</u>

See Notes to Financial Statements

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 4,127,203	\$ (298,879)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	507,179	521,836
Bad debt	12,200	-
Loss on disposal of fixed assets	11,617	6,165
Change in beneficial interest in assets held by community foundations	(15,021)	(2,793)
Change in discount on promises to give	662	(560)
Contributions restricted for capital assets	(435,514)	(187,537)
Contributions restricted - perpetual in nature	(50,000)	(145,500)
Commodities received	(7,425,885)	(3,450,902)
In-kind donations received	(18,779,975)	(19,124,576)
In-kind donations of fixed assets	(41,617)	-
Food distributed	24,639,991	21,793,600
Spoilage/due date disposals/waste	748,793	852,116
In-kind goods and services	71,547	84,159
Changes in operating assets and liabilities		
Accounts and grants receivable and promises to give	81,062	(184,443)
Purchased food inventory	(1,968)	64,581
Prepaid expenses	(9,456)	(7,062)
Accounts payable	133,534	101,391
Accrued expenses	56,716	2,355
Refundable advance	16,180	-
<b>Net Cash from Operating Activities</b>	<b>3,647,248</b>	<b>23,951</b>
Investing Activities		
Purchase of fixed assets	(283,654)	(388,069)
Proceeds from sale of fixed assets	-	7,850
Proceeds from insurance claim	15,500	158,610
Addition to beneficial interest in assets held by community foundations	(194,500)	-
<b>Net Cash used for Investing Activities</b>	<b>(462,654)</b>	<b>(221,609)</b>
Financing Activities		
Principal payments on capital lease obligation	(13,168)	(12,499)
Collection of contributions restricted for		
Building	18,750	12,917
Capital assets	435,514	187,537
Perpetuity	150,000	44,500
<b>Net Cash from Financing Activities</b>	<b>591,096</b>	<b>232,455</b>
<b>Net Change in Cash and Cash Equivalents and Restricted Cash</b>	<b>3,775,690</b>	<b>34,797</b>
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	2,634,176	2,599,379
Cash and Cash Equivalents and Restricted Cash, End of Year	<b>\$ 6,409,866</b>	<b>\$ 2,634,176</b>

See Notes to Financial Statements

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents	\$ 5,016,666	\$ 1,771,228
Cash restricted by donors	<u>1,393,200</u>	<u>862,948</u>
	<u>\$ 6,409,866</u>	<u>\$ 2,634,176</u>
 Supplemental Disclosure of Cash Flow Information and Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 66,294	\$ 5,900
Cash paid for interest	1,292	1,961

## **Note 1 - Organization and Summary of Significant Accounting Policies**

### **Organization**

The Organization is a South Dakota nonprofit corporation whose principal activity is the collection, storage, and redistribution of food to qualified not-for-profit agencies in all 66 counties of South Dakota. The Organization operates six food distribution programs: food bank, food pantry, commodities, backpack, school food pantry and mobile food pantry.

The Organization's food banks distribute surplus food through its three distribution centers in Sioux Falls, Rapid City and Pierre. The food is distributed to not-for-profit organizations that operate food service or nutrition programs throughout the state of South Dakota. The food pantries distribute food directly to individuals in need at the Organization's pantries located in Sioux Falls and Rapid City. In June 2020, the Organization announced that its food pantries would be permanently closed as the mobile food pantry distribution model was determined to be a more effective way to better serve individuals and families in need. Feeding South Dakota administers two USDA commodity food programs for the state of South Dakota. The Emergency Food Assistance Program (TEFAP) provides commodity food items to qualified emergency food programs and the Commodity Supplemental Food Program (CSFP) provides food boxes to low-income seniors. Feeding South Dakota's Backpack program provides at-risk children with nutritious, easy-to-prepare food during weekends and holidays. The school pantry program helps to end child hunger by providing food to children and their families at school. School-based pantries are located on the grounds of a school to provide an easily accessible source of food assistance to low-income students and their families. The Organization's mobile food pantries travel across South Dakota distributing free food to individuals and families in need.

### **Cash and Cash Equivalents**

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

### **Receivables and Credit Policies**

Accounts and grants receivables are stated at the amount management expects to collect from outstanding balances. Due to the nature of the receivables, they are non-interest bearing. Payments of receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. If accounts become uncollectible, they are charged to expense when the determination is made. At June 30, 2020 and 2019, the allowance was \$0.

**Promises to Give**

The Organization reports unconditional promises to give as contributions. If outstanding contributions are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions are to be paid to the Organization over a period of years, they are recorded at the present value of their estimated cash flows. Promises to give amounts are reflected net of an allowance for uncollectible amounts based on management’s judgment, past payment experience and other relevant factors. At June 30, 2020 and 2019, the allowance was \$0.

**Food Inventory**

Inventory consists of donated food and non-food items, purchased food and United States Department of Agriculture (USDA) commodities received from the government. Inventory is recorded on a price per pound as follows:

	2020	2019
Donated food and non-food items	\$1.74 per pound	\$1.62 per pound
USDA commodities	\$1.49 per pound	\$1.52 per pound

This valuation is based on a cost study conducted for Feeding America for use by their member food banks. Purchased food is valued at the purchase price determined by the first-in first-out method.

**Fixed Assets**

Land, buildings, and equipment purchases over \$1,000 are capitalized by the Organization and are recorded at cost. The fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method using the lives as shown below. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining 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.

Building	39 years
Furniture and equipment	3 - 20 years
Vehicles	5 years

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The carrying values of buildings and equipment are reviewed 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 years ended June 30, 2020 and 2019.

## **Beneficial Interest in Assets Held by Community Foundations**

### *Agency Funds*

During 2012, the Organization established various perpetual endowment funds (the Funds) with Sioux Falls Area Community Foundation, Black Hills Area Community Foundation and South Dakota Community Foundation (the community foundations) and named itself beneficiary. The Organization granted variance power to the community foundations which allows them to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the respective community foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. In addition, the Organization is the beneficiary of a legacy gift which is invested with Sioux Falls Area Community Foundation and to which the donor did not grant variance power. The funds are held and invested by the community foundations for the benefit of the Organization and are reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

### *Designated Funds*

A number of endowment funds have been established by outside donors with the South Dakota Community Foundation (the Foundation) that name the Organization as the designated beneficiary of distributions from the endowments. The Foundation has been granted variance power by the donors which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Organization recognizes donor restricted revenue from the endowments as it is received. The cumulative balance of these funds with the Foundation was \$3,275,354 and \$2,075,318 as of June 30, 2020 and 2019, respectively. In September 2020, one of the donors signed an agreement to fund an additional \$1,000,000 to these endowment funds.

Distributions received totaled \$101,176 and \$93,244 for the years ended June 30, 2020 and 2019, respectively. Distributions from the designated funds to the Organization are in accordance with distribution policies for perpetual funds adopted by the Foundation. These endowment funds are not recorded on the Organization's statements of financial position as the endowments represent restricted net assets of the Foundation.

## **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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. The Board has approved a policy to designate a three-month operating reserve and a capital reserve. The Board designated operating reserve as of June 30, 2020 and 2019 was approximately \$1,495,200 and \$1,376,600, respectively. The Board designated capital reserve as of June 30, 2020 and 2019 was \$150,000.

*Net Assets With Donor Restrictions* – Net assets subject to donor 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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

## **Revenue Recognition**

The Organization recognizes revenue from handling fees as the food is distributed to member agencies. The performance obligation of providing food is recognized at the point in time.

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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2020, refundable donations approximating \$16,000 have not been recognized in the accompanying statement of activities because the event on which they depend has not yet been held. Additionally, United Way pledges approximating \$470,000 have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. The full amount of the United Way pledges are dependent on the donor agency meeting certain fundraising goals.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

## **Fund Raising Costs**

Fund raising costs are expensed as incurred.

### **Allocation of Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain salaries, related benefits, and computer expenses have been allocated on the basis of estimates of time and effort or employee headcount. Occupancy expenses, including utilities; facility repair and maintenance; and depreciation, are allocated to general and administration based on square footage. Program service expenses that cannot be directly charged to a specific program are allocated to the programs on the basis of a rate per distributed pound. Expenses that are included in this indirect cost pool include warehouse salaries and benefits, occupancy expenses, equipment repairs and maintenance, and vehicle expense.

### **Donated Materials and Services**

Donated materials and services are recorded at their estimated fair value if they enhance the Organization's nonfinancial assets or require specialized skills that the Organization would normally purchase if not provided by donation. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

### **Income Taxes**

Feeding South Dakota is a nonprofit organization other than a private foundation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization received its 501(c)(3) status in February 1984. Contributions to the Organization are eligible as deductible charitable contributions for federal income tax purposes. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Feeding South Dakota believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Employee Benefits**

The cost of employee benefits and compensated leave are accrued as they are vested to the employee.



### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those estimates could be material.

### **Financial Instruments and Credit Risk**

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable, grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, organizations and other individuals supportive of the Organization's mission.

### **Shipping and Handling Costs**

Transportation costs billed to customers is considered sales revenue and related transportation costs are included in program expenses.

### **Change in Accounting Principle**

As of July 1, 2019, the Organization has adopted ASU No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). The standard clarifies and improves the scope and accounting guidance for contributions received and contributions made. This clarification provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction in addition to providing criteria for identification of conditional contributions. The Organization has elected to utilize the modified prospective application method.

As of July 1, 2019, the Organization early adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The adoption of this standard had no significant effect on the financial statements.

The Organization has adopted these standards as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

### **Subsequent Events**

Subsequent events have been evaluated through October 29, 2020, the date which the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

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

	2020	2019
Cash and cash equivalents	\$ 3,371,466	\$ 244,628
Accounts receivable	56,135	81,469
Grants receivables	144,505	150,800
Promises to give	58,132	29,950
	\$ 3,630,238	\$ 506,847

The Board has a standing policy that affects the presentation of board designations on net assets. The Board has established an operating reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or immediate liquidity needs. This reserve balance is equal to three months of operating expense; excluding in-kind, depreciation, and extraordinary items and was \$1,495,200 and \$1,376,600 as of June 30, 2020 and 2019, respectively. The Board has also established a capital reserve for future capital expenditures not covered by grants or donor-designated funds which was \$150,000 as of June 30, 2020 and 2019. Both Board reserves are funded with surplus operating funds. The authority to use operating or capital reserves is delegated to the Chief Executive Officer with documented consultation with the Board Treasurer or Finance Committee of the Board up to certain levels defined by the Organization's Reserve Policy. Any draw of the reserves above the defined levels requires a prior approval from the Board. A draw from either reserve requires a specific replenishment plan from the Chief Executive Officer or Finance Director, to be reviewed by the Finance Committee of the Board.

The Organization expects to receive approximately \$125,000 to \$150,000 each year from distributions made from designated beneficiary endowment funds established by outside donors as described in Note 1. These estimated distributions are not included in the above financial assets table.

**Note 3 - Promises to Give**

The following summarizes promises to give at June 30, 2020 and 2019:

	2020	2019
South Dakota Cattlemen's Foundation	\$ 135,109	\$ 263,250
Capital campaign	5,000	34,950
Donor pledges for pork purchases	75,000	-
Promises to give - perpetual	-	101,000
Other	103,132	-
Total promises to give	318,241	399,200
Less discount to net present value at 5%	(900)	(238)
Net promises to give	\$ 317,341	\$ 398,962

At June 30, 2020 and 2019, two donors accounted for approximately 66% and 92% of total promises to give.

The following summarizes scheduled receipts of promises to give at June 30, 2020.

Due by June 30,		
2021	\$	293,241
2022		25,000
	\$	318,241

**Note 4 - Fair Value of Assets and Liabilities**

Certain assets are reported at fair value in the 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 can access at the measurement date.

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

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

The following table presents assets measured at fair value on a recurring basis at June 30, 2020 and 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 613,295
<u>June 30, 2019</u>			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 403,774

The fair value of the Organization's beneficial interest in assets held by community foundations is based on the fair value of fund investments as reported by the community foundations and represents the estimated present value of the expected future cash flows.

The following is a reconciliation of activity for assets required to be measured at fair value that are based upon significant unobservable inputs (non-market) information for the years ended June 30, 2020 and 2019:

Balance at June 30, 2018	\$ 400,981
Adjustments to fair market value, net of distributions	<u>2,793</u>
Balance at June 30, 2019	403,774
Contributions	194,500
Adjustments to fair market value, net of distributions	<u>15,021</u>
Balance at June 30, 2020	<u>\$ 613,295</u>

#### Note 5 - Net Assets Without Donor Restrictions

Net assets without donor restrictions are summarized as follows:

	<u>2020</u>	<u>2019</u>
Net investment in fixed assets	\$ 8,393,173	\$ 8,608,031
Net investment in food inventory value	2,680,869	2,096,232
Designated by Board		
Operating reserve	1,495,200	1,376,600
Capital reserve	150,000	150,000
Undesignated	<u>3,294,368</u>	<u>206,007</u>
	<u>\$ 16,013,610</u>	<u>\$ 12,436,870</u>

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

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
BackPack program	\$ 670,395	\$ 728,065
Protein food purchases	285,109	264,735
Mobile food pantry	700	101,680
Truck purchases	190,000	-
Commodity Supplemental Food Program (CSFP)	150,428	-
COVID-19 food spending grants	108,833	-
Other	242,831	131,276
	<u>1,648,296</u>	<u>1,225,756</u>
Subject to the passage of time		
Community development block grant - Rapid City	195,298	116,375
Perpetual in nature		
Cash	-	44,500
Promises to give	-	101,000
Beneficial interest in assets held by community foundations in perpetuity	520,162	325,662
	<u>\$ 2,363,756</u>	<u>\$ 1,813,293</u>

Net assets were released from restrictions as follows during the years ending June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ -	\$ 4,083
Satisfaction of purpose restrictions		
Mobile food pantry	100,980	89,297
BackPack program	57,670	-
Rapid City collective impact - personnel expense	-	31,340
Other	24,514	28,210
	<u>\$ 183,164</u>	<u>\$ 152,930</u>

**Note 7 - Retirement Plan**

The Organization has established a 401(k) retirement plan that covers all employees who meet eligibility requirements. Employees are fully vested on all amounts contributed to the plan. The plan provides for a discretionary matching contribution. For the years ended June 30, 2020 and 2019, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2020 and 2019, this contribution was \$45,859 and \$44,095, respectively.

**Note 8 - Member Agreement**

The Organization renewed its member agreement with Feeding America on October 1, 2014. The purpose of the contract is to establish the Organization's membership in the national Network of Feeding America, provide definition and guidance for the business relationship between the Organization and Feeding America, foster a cooperative spirit, and improve the capacity of the Network to provide solutions to the problem of hunger in America.

**Note 9 - Capital Lease Obligation**

The Organization leases certain trash compactor equipment under a lease classified as a capital lease. The following is a schedule showing the future minimum lease payments under the capital lease by fiscal year and the present value of the minimum lease payments as of June 30, 2020. The interest rate related to the lease obligation is 5.24% and the maturity date is October 2021.

Years Ending June 30,	
2021	\$ 14,460
2022	3,615
Total minimum lease payments	18,075
Less amount representing interest	(624)
Capital lease obligation	\$ 17,451
Capital lease obligation - current	\$ 13,876
Capital lease obligation - long-term	3,575
	\$ 17,451

Leased property under the capital lease at June 30, 2020 includes:

Equipment	\$ 63,477
Less accumulated depreciation	(47,608)
	\$ 15,869

**Note 10 - In Kind Donations**

Donated goods and services received are included as in-kind donations and commodities revenue on the statements of activities and consisted of the following for 2020 and 2019:

	2020	2019
Food and food discounts	\$ 18,695,995	\$ 19,040,417
Commodities	7,425,885	3,450,902
Professional services	20,758	17,759
Capital items	41,617	-
Building and trailer rentals	22,367	-
Fundraising	-	17,994
Miscellaneous	40,855	48,406
	\$ 26,247,477	\$ 22,575,478

**Note 11 - Commitments and Contingencies**

The Organization received the following zero interest rate funds from the Department of Community Development of the City of Sioux Falls, South Dakota:

Repair or replacement of		
Roof	January 18, 1991	\$ 54,500
Elevator	August 6, 1992	71,800
Freezer	June 21, 1999	40,000
		\$ 166,300

These funds were recognized as income in the periods received. The principle sums as specified in the agreements, shall not become due and payable until the occurrence of one of the following events: (1) conveyance of said property by the Organization, (2) voluntary or involuntary relinquishment of said property by the Organization, or (3) termination of the agreement by the City for noncompliance. The related property is secured by mortgages. The original agreements were amended in May 2016 and transferred to the property at 4701 N. Westport, Sioux Falls, South Dakota.

In August 2017, the Organization was awarded \$122,500 of Community Development Block Grant (“CDBG”) funds from the City of Rapid City to rehabilitate its Rapid City facility to better serve the needs of the community. In November 2018 and September 2019, the Organization was awarded \$25,000 for structural improvements to increase the safety and security for clients and staff and \$58,700 to purchase and install a backup generator. The Organization entered into Indentures of Restrictive Covenants Agreements (“Indentures”) with the City of Rapid City. In these Indentures, the Organization agrees to represent, warrant and covenant throughout the term of the Indenture that the facility improvements purchased with the CDBG funds will be used in accordance with Section 42 of the United States Code. The Organization also agreed that the use of such property may not change from that for which the acquisition was made unless the Organization provides affected citizens with reasonable notice of, and opportunity to comment on, any proposed change. The term of the Indenture will terminate 30 years from the date of the contract signed with the City of Rapid City. These funds were recognized as revenue with donor restrictions in the period received due to time restriction.

The Organization’s operations have been impacted by the effects of the world-wide coronavirus pandemic beginning in the spring of 2020 and continuing subsequent to fiscal year end. The Organization has seen an increased demand for services as well as an increase in contributions in response to the pandemic. The Organization is closely monitoring its operations, capital resources, and the impact of the COVID-19 pandemic on all aspects of the Organization, including suppliers, vendors, employees and those it serves. As of the date of issuance of these financial statements, the full impact to the Organization is not known.