



Financial Statements  
June 30, 2022 and 2021  
**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 Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Feeding South Dakota (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 the Organization'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 the Organization'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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2022 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.

*Eide Sully LLP*

Sioux Falls, South Dakota  
November 30, 2022

Feeding South Dakota  
Statements of Financial Position  
June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 7,478,079	\$ 7,555,929
Cash restricted by donors	1,465,577	1,152,772
Accounts receivable	86,408	69,929
Grants receivable	56,498	72,797
Promises to give	464,016	463,653
Food inventory	1,764,541	3,286,615
Prepaid expenses	100,230	70,404
Investments	4,042,076	3,881,525
Fixed assets, net	8,583,706	8,757,014
Beneficial interest in assets held by community foundations	637,182	739,763
	\$ 24,678,313	\$ 26,050,401
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 240,875	\$ 145,732
Accrued expenses	101,863	207,565
Refundable donations	16,180	16,180
Capital lease obligation	-	3,575
	358,918	373,052
<b>Net Assets</b>		
Without donor restrictions	21,514,567	23,041,537
With donor restrictions	2,804,828	2,635,812
	24,319,395	25,677,349
	\$ 24,678,313	\$ 26,050,401

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public support						
Contributions	\$ 6,308,048	\$ 1,021,602	\$ 7,329,650	\$ 10,854,809	\$ 799,171	\$ 11,653,980
In-kind donations	14,602,893	-	14,602,893	14,028,561	-	14,028,561
United Way	59,488	-	59,488	257,258	-	257,258
Governmental fees and grants	666,994	-	666,994	595,784	-	595,784
Commodities program	4,848,017	25,091	4,873,108	15,548,004	45,444	15,593,448
Total public support	<u>26,485,440</u>	<u>1,046,693</u>	<u>27,532,133</u>	<u>41,284,416</u>	<u>844,615</u>	<u>42,129,031</u>
Revenue						
Handling fees	845,198	-	845,198	727,851	-	727,851
Net investment return	(412,301)	-	(412,301)	51,223	-	51,223
Gain on disposal of fixed assets	12,790	-	12,790	14,848	-	14,848
Distributions from and change in value of beneficial interest in assets held by community foundations	(102,581)	-	(102,581)	126,468	-	126,468
Other	19,281	-	19,281	17,606	-	17,606
Total revenue	<u>362,387</u>	<u>-</u>	<u>362,387</u>	<u>937,996</u>	<u>-</u>	<u>937,996</u>
Net assets released from restrictions						
Satisfaction of program restrictions	877,677	(877,677)	-	572,559	(572,559)	-
Total public support and revenue	<u>27,725,504</u>	<u>169,016</u>	<u>27,894,520</u>	<u>42,794,971</u>	<u>272,056</u>	<u>43,067,027</u>

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services						
Food bank	\$ 13,863,866	\$ -	\$ 13,863,866	\$ 9,488,663	\$ -	\$ 9,488,663
Commodity food programs	6,923,707	-	6,923,707	16,552,629	-	16,552,629
Backpack program	724,186	-	724,186	608,003	-	608,003
School food pantry	98,752	-	98,752	229,719	-	229,719
Mobile food pantry	5,879,487	-	5,879,487	7,428,530	-	7,428,530
Total program services	27,489,998	-	27,489,998	34,307,544	-	34,307,544
Fundraising	947,837	-	947,837	806,130	-	806,130
General and administrative	814,639	-	814,639	653,370	-	653,370
Total expenses	29,252,474	-	29,252,474	35,767,044	-	35,767,044
Change in Net Assets	(1,526,970)	169,016	(1,357,954)	7,027,927	272,056	7,299,983
Net Assets, Beginning of Year	23,041,537	2,635,812	25,677,349	16,013,610	2,363,756	18,377,366
Net Assets, End of Year	<u>\$ 21,514,567</u>	<u>\$ 2,804,828</u>	<u>\$ 24,319,395</u>	<u>\$ 23,041,537</u>	<u>\$ 2,635,812</u>	<u>\$ 25,677,349</u>



Feeding South Dakota  
Statements of Functional Expenses  
Year Ended June 30, 2022

Program Services

	Program Services					Total	Fundraising	General and Administrative	Total
	Food Bank	Commodity Food Programs	BackPack Program	School Food Pantry	Mobile Food Pantry				
Salaries	\$ 285,794	\$ 409,349	\$ 73,527	\$ 11,523	\$ 732,205	\$ 1,512,398	\$ 275,230	\$ 436,056	\$ 2,223,684
Payroll taxes	21,743	31,123	5,632	882	54,812	114,192	21,296	32,975	168,463
Employee benefits	74,992	95,947	15,037	2,156	138,109	326,241	50,448	61,457	438,146
Total salaries and related benefits	<u>382,529</u>	<u>536,419</u>	<u>94,196</u>	<u>14,561</u>	<u>925,126</u>	<u>1,952,831</u>	<u>346,974</u>	<u>530,488</u>	<u>2,830,293</u>
Food and transportation costs	1,218,587	29,653	573,346	7,271	876,312	2,705,169	-	-	2,705,169
Supplies	179,656	21,579	589	-	38,919	240,743	339	6,131	247,213
Utilities	28,183	36,058	5,651	810	51,903	122,605	-	17,345	139,950
Repairs and maintenance	43,023	55,044	8,628	1,237	79,233	187,165	623	26,358	214,146
Insurance and taxes	18,004	23,035	3,610	518	38,919	84,086	-	2,902	86,988
Computer/software costs	49,936	-	96	-	2,137	52,169	14,563	14,409	81,141
Postage	19,592	-	-	-	-	19,592	174,640	25,658	219,890
Printing and promotions	8,951	-	-	-	407	9,358	344,157	20,471	373,986
Telephone	9,850	-	-	-	5,206	15,056	1,174	2,324	18,554
Conferences	5,958	-	117	-	-	6,075	1,816	10,362	18,253
Travel	9,621	-	136	-	722	10,479	9,620	12,832	32,931
Vehicle operating costs	58,050	74,271	11,640	1,669	155,198	300,828	683	461	301,972
Professional fees	18,572	-	-	-	11	18,583	4,538	78,654	101,775
Awards and gifts	5,841	-	-	-	20,000	25,841	7,050	4,988	37,879
Dues and subscriptions	5,032	-	-	-	-	5,032	1,061	4,650	10,743
Interest	-	-	-	-	-	-	-	36	36
Miscellaneous	4,167	5,332	836	119	7,932	18,386	40,599	29,593	88,578
Depreciation	126,373	161,685	25,341	3,633	258,374	575,406	-	26,977	602,383
Total expenses before donated goods and services	<u>2,191,925</u>	<u>943,076</u>	<u>724,186</u>	<u>29,818</u>	<u>2,460,399</u>	<u>6,349,404</u>	<u>947,837</u>	<u>814,639</u>	<u>8,111,880</u>
In-kind goods and services used	104,026	-	-	-	-	104,026	-	-	104,026
Food donations distributed	10,444,767	5,968,553	-	68,934	3,419,088	19,901,342	-	-	19,901,342
Spoilage/du e date disposals/waste	1,123,148	12,078	-	-	-	1,135,226	-	-	1,135,226
Total donated goods and services	<u>11,671,941</u>	<u>5,980,631</u>	<u>-</u>	<u>68,934</u>	<u>3,419,088</u>	<u>21,140,594</u>	<u>-</u>	<u>-</u>	<u>21,140,594</u>
Total expenses	<u>\$ 13,863,866</u>	<u>\$ 6,923,707</u>	<u>\$ 724,186</u>	<u>\$ 98,752</u>	<u>\$ 5,879,487</u>	<u>\$ 27,489,998</u>	<u>\$ 947,837</u>	<u>\$ 814,639</u>	<u>\$ 29,252,474</u>

Feeding South Dakota  
Statements of Functional Expenses  
Year Ended June 30, 2021

	Program Services					Total	Fundraising	General and Administrative	Total
	Food Bank	Commodity Food Programs	BackPack Program	School Food Pantry	Mobile Food Pantry				
Salaries	\$ 231,112	\$ 570,084	\$ 58,408	\$ 8,843	\$ 500,548	\$ 1,368,995	\$ 252,812	\$ 322,407	\$ 1,944,214
Payroll taxes	13,874	36,820	4,086	478	33,233	88,491	16,557	22,114	127,162
Employee benefits	63,614	147,276	9,165	2,184	67,263	289,502	59,032	46,190	394,724
Total salaries and related benefits	<u>308,600</u>	<u>754,180</u>	<u>71,659</u>	<u>11,505</u>	<u>601,044</u>	<u>1,746,988</u>	<u>328,401</u>	<u>390,711</u>	<u>2,466,100</u>
Food and transportation costs	997,972	31,182	496,577	6,937	332,146	1,864,814	-	-	1,864,814
Supplies	33,076	21,140	5,576	-	143,392	203,184	1,310	5,588	210,082
Utilities	22,451	51,978	3,210	771	23,739	102,149	-	13,882	116,031
Repairs and maintenance	37,004	85,670	5,291	1,270	48,881	178,116	-	94,851	272,967
Insurance and taxes	14,114	32,676	2,018	485	22,571	71,864	-	2,536	74,400
Computer/software costs	37,796	-	-	-	4,567	42,363	12,517	8,116	62,996
Postage	24,149	-	-	-	-	24,149	112,930	-	137,079
Printing and promotions	24,990	529	520	-	7,743	33,782	306,466	3,960	344,208
Telephone	11,206	-	-	-	3,568	14,774	1,262	2,653	18,689
Conferences	6,997	-	1,030	-	-	8,027	381	25,164	33,572
Travel	23,108	-	-	-	-	23,108	412	2,594	26,114
Vehicle operating costs	38,388	88,872	5,488	1,318	67,677	201,743	273	372	202,388
Professional fees	16,505	-	-	-	-	16,505	-	24,530	41,035
Awards and gifts	4,272	-	-	-	833	5,105	1,635	11,534	18,274
Dues and subscriptions	1,261	-	-	-	-	1,261	-	1,579	2,840
Interest	-	-	-	-	-	-	-	582	582
Miscellaneous	2,596	6,010	371	89	6,619	15,685	40,543	25,040	81,268
Depreciation	113,754	263,358	16,263	3,905	145,917	543,197	-	24,828	568,025
Total expenses before donated goods and services	<u>1,718,239</u>	<u>1,335,595</u>	<u>608,003</u>	<u>26,280</u>	<u>1,408,697</u>	<u>5,096,814</u>	<u>806,130</u>	<u>638,520</u>	<u>6,541,464</u>
In-kind goods and services used	194,043	-	-	-	-	194,043	-	14,850	208,893
Food donations distributed	6,696,596	15,195,580	-	203,439	6,019,833	28,115,448	-	-	28,115,448
Spoilage/due date disposals/waste	879,785	21,454	-	-	-	901,239	-	-	901,239
Total donated goods and services	<u>7,770,424</u>	<u>15,217,034</u>	<u>-</u>	<u>203,439</u>	<u>6,019,833</u>	<u>29,210,730</u>	<u>-</u>	<u>14,850</u>	<u>29,225,580</u>
Total expenses	<u>\$ 9,488,663</u>	<u>\$ 16,552,629</u>	<u>\$ 608,003</u>	<u>\$ 229,719</u>	<u>\$ 7,428,530</u>	<u>\$ 34,307,544</u>	<u>\$ 806,130</u>	<u>\$ 653,370</u>	<u>\$ 35,767,044</u>

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ (1,357,954)	\$ 7,299,983
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	602,383	568,025
Bad debt (recovery)	7,044	(9,858)
Gain on disposal of fixed assets	(12,790)	(14,848)
Net investment return	412,301	(51,223)
Change in beneficial interest in assets held by community foundations	102,581	(126,468)
Change in discount on promises to give	-	(900)
Contributions restricted for capital assets	-	(464,157)
Commodities received	(4,873,108)	(15,593,448)
In-kind donations received	(14,590,893)	(14,028,561)
Donated property and equipment	(12,000)	-
Food distributed	19,901,342	28,115,448
Spoilage/due date disposals/waste	1,135,226	901,239
In-kind goods and services	104,026	208,893
Changes in operating assets and liabilities		
Accounts and grants receivable and promises to give	(7,587)	(82,640)
Purchased food inventory	(154,519)	(58,889)
Prepaid expenses	(29,826)	5,015
Accounts payable	53,201	(277,348)
Accrued expenses	(105,702)	(16,520)
Net Cash from Operating Activities	1,173,725	6,373,743
Investing Activities		
Purchase of investments	(1,204,852)	(4,425,302)
Proceeds from sale of investments	632,000	595,000
Purchase of fixed assets	(378,933)	(726,622)
Proceeds from sale of fixed assets	16,590	5,700
Proceeds from insurance claim	-	21,035
Net Cash used for Investing Activities	(935,195)	(4,530,189)
Financing Activities		
Principal payments on capital lease obligation	(3,575)	(13,876)
Collection of contributions restricted for capital	-	469,157
Net Cash (used for) from Financing Activities	(3,575)	455,281
Net Change in Cash and Cash Equivalents and Restricted Cash	234,955	2,298,835
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	8,708,701	6,409,866
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 8,943,656	\$ 8,708,701

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2022 and 2021

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	2022	2021
Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents	\$ 7,478,079	\$ 7,555,929
Cash restricted by donors	1,465,577	1,152,772
	\$ 8,943,656	\$ 8,708,701
Supplemental Disclosure of Cash Flow Information and		
Cash paid for interest	\$ 36	\$ 582
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 114,200	\$ 72,258
Donated property and equipment	12,000	-

## **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 five food distribution programs: food bank, 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 Organization administers 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. In addition, the Organization started administering the Coronavirus Food Assistance Program (CFAP) in May 2020. This program was designed to help ranchers, farmers, and producers with excess product due to the pandemic. The Organization received commodity food items from three producers and distributed the food through their food banks and mobile food pantries. The CFAP program ceased in fiscal year 2021.

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, 2022 and 2021, the allowance was \$0. The Organization's accounts receivable as of July 1, 2020 was \$56,136.

**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, 2022 and 2021, the allowance was \$0.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

**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:

	2022	2021
Donated food and non-food items	\$1.92 per pound	\$1.79 per pound
USDA commodities	\$1.53 per pound	\$1.70 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, 2022 and 2021.

## 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 \$4,259,484 and \$4,903,397 as of June 30, 2022 and 2021, respectively.

Distributions received totaled \$148,155 and \$115,934 for the years ended June 30, 2022 and 2021, 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 or grantor 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, 2022 and 2021 was approximately \$1,877,400 and \$1,493,300, respectively. The Board designated capital reserve as of June 30, 2022 and 2021 was \$3,000,000.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 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.

### **Fund Raising Costs**

Fund raising costs are expensed as incurred.



### **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 met. Consequently, at June 30, 2022 and 2021, refundable donations approximating \$16,000 have not been recognized in the accompanying statements of activities because the event on which they depend has not yet been held. Additionally, United Way pledges approximating \$0 and \$35,000 for the years ended June 30, 2022 and 2021, respectively, have not been recognized in the accompanying statements 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. As of June 30, 2022 and 2021, no refundable advances have been recorded.

### **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 payroll taxes have been allocated on the basis of estimates of time and effort or employee headcount. Occupancy expenses, including utilities, facility repairs 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, utilities, equipment repairs and maintenance, insurance and taxes, vehicle operating costs and depreciation.

### **Shipping and Handling Costs**

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

### **Employee Benefits**

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

### **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 (Note 8). 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. 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.

### **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. Investments are made up of diversified investment managers whose performance is monitored by management and the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the board of directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

### Change in Accounting Principle

As of July 1, 2021, the Organization has adopted the provisions of Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

### Subsequent Events

Subsequent events have been evaluated through November 30, 2022, 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:

	2022	2021
Cash and cash equivalents	\$ 2,600,679	\$ 3,062,629
Accounts receivable	86,408	69,929
Grants receivables	56,498	72,797
Promises to give	50,000	2,826
	\$ 2,793,585	\$ 3,208,181

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 \$1,877,400 and \$1,493,300 as of June 30, 2022 and 2021, respectively. The Board has also established a capital reserve for future capital expenditures not covered by grants or donor-designated funds which was \$3,000,000 as of June 30, 2022 and 2021.

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 \$100,000 to \$125,000 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, 2022 and 2021:

	2022	2021
South Dakota Cattlemen's Foundation	\$ 316,016	\$ 253,827
Avera Health	53,000	160,000
Other	95,000	49,826
Total promises to give	\$ 464,016	\$ 463,653

At June 30, 2022 and 2021, two donors accounted for approximately 80% and 89% of total promises to give.

The full balance of \$464,016 is expected to be collected by June 30, 2023.

**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 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, 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 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 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 that can access at the measurement date.

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

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

The following tables present assets measured at fair value on a recurring basis at June 30, 2022 and 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2022</u>			
Investments			
Domestic Equity Securities			
Small cap	\$ 43,433	\$ -	\$ -
Mid-cap	52,485	-	-
Large cap	99,716	-	-
Fixed Income - Bond Funds	<u>3,846,442</u>		
Total investments	<u>\$ 4,042,076</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 637,182</u>
<u>June 30, 2021</u>			
Investments			
Domestic Equity Securities			
Small cap	\$ 53,101	\$ -	\$ -
Mid-cap	62,345	-	-
Large cap	113,069	-	-
Fixed Income - Bond Funds	<u>3,653,010</u>		
Total investments	<u>\$ 3,881,525</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 739,763</u>

A significant portion of investment assets are classified within Level 1 because they comprise open-end securities and bond funds with readily determinable fair values based on daily redemption values and real-time pricing. 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 for the beneficial interest in assets held by community foundations classified within Level 3 and measured on a recurring basis for the years ended June 30, 2022 and 2021:

Balance at June 30, 2020	\$ 613,295
Total gains or losses	
Included in change in net assets, net of fees	126,468
Balance at June 30, 2021	739,763
Total gains or losses	
Included in change in net assets, net of fees	(102,581)
Balance at June 30, 2022	\$ 637,182

There were no transfers into or out of Level 3.

Subsequent to June 30, 2022, the United States and global securities markets have experienced significant declines. These market fluctuations have a direct effect on the value of the Organization's investments and the beneficial interest in assets held by community foundations presented in the accompanying financial statements.

**Note 5 - Fixed Assets**

Fixed assets as of June 30, 2022 and 2021, consists of the following:

	2022	2021
Land	\$ 1,676,309	\$ 1,676,309
Buildings	6,621,042	6,487,380
Furniture and equipment	2,114,317	1,987,157
Vehicles	1,799,399	1,704,960
	12,211,067	11,855,806
Accumulated depreciation	(3,627,361)	(3,098,792)
Total fixed assets	\$ 8,583,706	\$ 8,757,014

**Note 6 - Net Assets Without Donor Restrictions**

Net assets without donor restrictions are summarized as follows:

	<u>2022</u>	<u>2021</u>
Net investment in fixed assets	\$ 8,402,154	\$ 8,565,416
Net investment in food inventory value	1,543,578	3,090,743
Designated by Board		
Operating reserve	1,877,400	1,493,300
Capital reserve	3,000,000	3,000,000
Undesignated	6,691,435	6,892,078
	<u>\$ 21,514,567</u>	<u>\$ 23,041,537</u>

**Note 7 - Net Assets With Donor Restrictions**

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
BackPack program	\$ -	\$ 478,294
Protein food purchases	316,041	253,892
Truck purchases	250,000	251,538
Multi-donor strategic capacity grant	127,037	227,700
Commodity Supplemental Food Program (CSFP)	220,963	195,872
Mobile food pantry	49,260	160,000
Holiday food drive	121,265	103,907
Snap state policy engagement	195,000	-
Network services grant	485,000	-
Equitable food access	160,000	-
Other	178,548	256,022
	<u>2,103,114</u>	<u>1,927,225</u>
Subject to the passage of time		
Community Development Block Grant - Rapid City	181,552	188,425
Perpetual in nature		
Beneficial interest in assets held by community foundations in perpetuity	520,162	520,162
	<u>\$ 2,804,828</u>	<u>\$ 2,635,812</u>

Net assets were released from restrictions as follows during the years ending June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
BackPack program	\$ 478,294	\$ 192,101
Protein, pork, and dairy products	-	71,471
Trucks - Rapid City and Pierre	2,967	188,462
Multi-donor strategic capacity grant	100,663	-
Mobile food pantry	110,740	-
COVID-19 specific expenses	-	68,521
Other	185,013	52,004
	<u>\$ 877,677</u>	<u>\$ 572,559</u>

**Note 8 - 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 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Food	\$ 14,474,999	\$ 13,817,393
Commodities	4,873,108	15,593,448
Contributed services	53,783	33,926
Capital items	12,000	-
Building and trailer rentals	1,200	24,125
Miscellaneous	60,911	153,117
	<u>\$ 19,476,001</u>	<u>\$ 29,622,009</u>

During the year ended June 30, 2022 and 2021, the Organization distributed 11,115,000 pounds and 16,270,000 pounds, respectively of food products for their mission. The food products were donated to the Organization from Feeding America and various other entities. In addition, the Organization receives commodities from the state of South Dakota. The donated food is recorded in the financial statements as public support and as expense at the estimated average fair value of one pound of food (see Note 1). These values were determined based upon calendar year 2021 and 2020 studies performed by Feeding America.

Contributed services recognized as program expenses comprise services from volunteers to repackage bulk food items as this volunteer time enhances a nonfinancial asset. Volunteer hours are valued at the rate paid to an entry level operations associate. Contributed services also include general and administrative professional services for accounting and information technology. These services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.



The contributed capital items, building and trailer rentals and various other miscellaneous donated goods and materials will be used for program activities. In valuing the capital items, the Organization estimated the fair value based on values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

**Note 9 - 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, 2022 and 2021, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2022 and 2021, this contribution was \$48,702 and \$45,859, respectively.

**Note 10 - Capital Lease Obligation**

The Organization leased certain trash compactor equipment under a lease classified as a capital lease. The lease ended during the fiscal year 2022 and no new capital leases were entered into as of June 30, 2022.

**Note 11 - Member Agreement**

The Organization renewed its member agreement with Feeding America through February 28, 2023. 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 12 - Support from Governmental Units**

The Organization receives a substantial amount of support from grants and contracts with federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

**Note 13 - 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 and are being released from restrictions pro rata over the life of the contract.