



Financial Statements  
June 30, 2024 and 2023

# 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, 2024 and 2023, 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, 2024 and 2023, 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 December 4, 2024 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  
December 4, 2024

Feeding South Dakota  
Statements of Financial Position  
June 30, 2024 and 2023

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 1,183,818	\$ 4,288,924
Cash restricted by donors	767,571	1,018,147
Accounts receivable	103,632	117,168
Grants receivable	92,963	120,076
Promises to give	817,012	734,119
Interest receivable	35,827	23,392
Note receivable	50,000	-
Food inventory	3,098,816	1,419,586
Prepaid expenses	95,333	137,224
Investments	7,473,465	5,496,362
Fixed assets, net	8,637,529	8,744,377
Beneficial interest in assets held by community foundations	729,198	675,462
	<u>\$ 23,085,164</u>	<u>\$ 22,774,837</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 473,609	\$ 117,904
Accrued expenses	210,017	216,810
	<u>683,626</u>	<u>334,714</u>
<b>Net Assets</b>		
Without donor restrictions	20,022,520	19,721,385
With donor restrictions	2,379,018	2,718,738
	<u>22,401,538</u>	<u>22,440,123</u>
	<u>\$ 23,085,164</u>	<u>\$ 22,774,837</u>

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public support						
Contributions	\$ 7,067,741	\$ 271,969	\$ 7,339,710	\$ 6,557,435	\$ 513,278	\$ 7,070,713
In-kind donations	14,070,032	-	14,070,032	17,135,468	-	17,135,468
United Way	98,439	27,500	125,939	93,692	96,167	189,859
Governmental fees and grants	1,066,367	-	1,066,367	765,220	-	765,220
Commodities program	8,084,347	41,699	8,126,046	4,255,670	-	4,255,670
Total public support	<u>30,386,926</u>	<u>341,168</u>	<u>30,728,094</u>	<u>28,807,485</u>	<u>609,445</u>	<u>29,416,930</u>
Revenue						
Handling fees	1,380,259	-	1,380,259	1,168,447	-	1,168,447
Net investment return	688,351	-	688,351	204,637	-	204,637
Gain on disposal of fixed assets	99,476	-	99,476	15,893	-	15,893
Distributions from and change in value of beneficial interest in assets held by community foundations	53,736	-	53,736	38,280	-	38,280
Other	18,678	-	18,678	34,200	-	34,200
Total revenue	<u>2,240,500</u>	<u>-</u>	<u>2,240,500</u>	<u>1,461,457</u>	<u>-</u>	<u>1,461,457</u>
Net assets released from restrictions						
Satisfaction of program restrictions	680,888	(680,888)	-	695,535	(695,535)	-
Total public support and revenue	<u>33,308,314</u>	<u>(339,720)</u>	<u>32,968,594</u>	<u>30,964,477</u>	<u>(86,090)</u>	<u>30,878,387</u>

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services						
Food bank	\$ 9,323,501	\$ -	\$ 9,323,501	\$ 9,486,803	\$ -	\$ 9,486,803
Commodity food programs	8,939,517	-	8,939,517	5,185,986	-	5,185,986
Backpack program	996,555	-	996,555	871,850	-	871,850
School food pantry	343,051	-	343,051	333,977	-	333,977
Mobile food pantry	10,699,030	-	10,699,030	14,616,513	-	14,616,513
Wellness	249,360	-	249,360	89,709	-	89,709
Total program services	30,551,014	-	30,551,014	30,584,838	-	30,584,838
Fundraising	1,300,645	-	1,300,645	1,141,443	-	1,141,443
General and administrative	1,155,520	-	1,155,520	1,031,378	-	1,031,378
Total expenses	33,007,179	-	33,007,179	32,757,659	-	32,757,659
Change in Net Assets	301,135	(339,720)	(38,585)	(1,793,182)	(86,090)	(1,879,272)
Net Assets, Beginning of Year	19,721,385	2,718,738	22,440,123	21,514,567	2,804,828	24,319,395
Net Assets, End of Year	<u>\$ 20,022,520</u>	<u>\$ 2,379,018</u>	<u>\$ 22,401,538</u>	<u>\$ 19,721,385</u>	<u>\$ 2,718,738</u>	<u>\$ 22,440,123</u>



Feeding South Dakota  
Statements of Functional Expenses  
Year Ended June 30, 2024

	Program Services						Fundraising	General and Administrative	Total	
	Food Bank	Commodity Food Programs	BackPack Program	School Food Pantry	Mobile Food Pantry	Wellness				Total
Salaries	\$ 438,340	\$ 673,322	\$ 115,080	\$ 28,384	\$ 797,255	\$ 20,358	\$ 2,072,739	\$ 492,871	\$ 593,806	\$ 3,159,416
Payroll taxes	32,839	50,475	8,647	2,133	59,814	1,528	155,436	34,893	43,422	233,751
Employee benefits	99,654	129,650	17,264	4,960	151,466	3,824	406,818	73,435	76,707	556,960
Total salaries and related benefits	570,833	853,447	140,991	35,477	1,008,535	25,710	2,634,993	601,199	713,935	3,950,127
Food and transportation costs	2,279,570	40,151	775,268	65,384	1,551,438	56,251	4,768,062	-	-	4,768,062
Supplies	41,572	-	17,429	-	135,835	-	194,836	44	6,197	201,077
Utilities	35,479	44,916	5,712	1,686	52,468	1,319	141,580	-	18,824	160,404
Repairs and maintenance	54,224	68,646	8,731	2,576	80,189	2,016	216,382	-	21,555	237,937
Insurance and taxes	33,038	41,826	5,319	1,570	48,983	1,228	131,964	-	2,516	134,480
Computer/software costs	154,366	-	-	-	3,590	-	157,956	23,619	46,066	227,641
Postage	18,086	-	-	-	-	-	18,086	131,802	3,052	152,940
Printing and promotions	15,844	80	-	-	4,908	-	20,832	349,328	126,134	496,294
Telephone	9,407	-	-	-	3,257	-	12,664	1,485	2,159	16,308
Conferences	12,645	-	-	-	-	-	12,645	3,108	7,417	23,170
Travel	37,241	-	961	-	20	-	38,222	9,507	23,650	71,379
Vehicle operating costs	51,402	65,122	17,360	3,183	185,113	3,123	325,303	220	865	326,388
Professional fees	209,375	-	-	-	810	-	210,185	121,415	78,867	410,467
Awards and gifts	146	-	-	-	-	-	146	17,655	20,761	38,562
Dues and subscriptions	1,470	-	-	-	-	-	1,470	3,291	12,684	17,445
Miscellaneous	1,734	2,196	279	82	2,565	64	6,920	37,972	6,295	51,187
Depreciation	152,203	192,684	24,505	7,231	228,272	5,658	610,553	-	64,543	675,096
Total expenses before donated goods and services	3,678,635	1,309,068	996,555	117,189	3,305,983	95,369	9,502,799	1,300,645	1,155,520	11,958,964
In-kind goods and services used	141,067	-	-	-	-	-	141,067	-	-	141,067
Food donations distributed	4,831,983	7,616,721	-	225,862	7,393,047	153,991	20,221,604	-	-	20,221,604
Spoilage/due date disposals/waste	671,816	13,728	-	-	-	-	685,544	-	-	685,544
Total donated goods and services	5,644,866	7,630,449	-	225,862	7,393,047	153,991	21,048,215	-	-	21,048,215
Total expenses	\$ 9,323,501	\$ 8,939,517	\$ 996,555	\$ 343,051	\$ 10,699,030	\$ 249,360	\$ 30,551,014	\$ 1,300,645	\$ 1,155,520	\$ 33,007,179

Feeding South Dakota  
Statements of Functional Expenses  
Year Ended June 30, 2023

	Program Services						Fundraising	General and Administrative	Total	
	Food Bank	Commodity Food Programs	BackPack Program	School Food Pantry	Mobile Food Pantry	Wellness				Total
Salaries	\$ 444,768	\$ 427,233	\$ 115,168	\$ 23,920	\$ 1,060,469	\$ 7,011	\$ 2,078,569	\$ 347,311	\$ 614,123	\$ 3,040,003
Payroll taxes	31,761	35,678	9,102	2,125	78,461	1,534	158,661	25,945	47,450	232,056
Employee benefits	98,195	71,675	17,199	3,714	175,510	161	366,454	37,033	64,013	467,500
Total salaries and related benefits	574,724	534,586	141,469	29,759	1,314,440	8,706	2,603,684	410,289	725,586	3,739,559
Food and transportation costs	1,606,334	27,866	650,377	20,067	2,060,750	9,058	4,374,452	-	-	4,374,452
Supplies	84,740	21,691	12,220	738	132,871	-	252,260	-	3,542	255,802
Utilities	37,494	26,492	6,368	1,390	65,826	349	137,919	-	19,925	157,844
Repairs and maintenance	66,072	46,682	11,222	2,450	115,996	616	243,038	-	34,786	277,824
Insurance and taxes	25,015	17,674	4,249	927	47,922	233	96,020	-	3,729	99,749
Computer/software costs	138,560	-	-	-	1,512	-	140,072	18,480	32,039	190,591
Postage	19,952	-	15	-	-	-	19,967	156,728	2,530	179,225
Printing and promotions	5,998	-	1,051	245	3,273	-	10,567	397,734	22,486	430,787
Telephone	10,805	-	-	-	3,013	-	13,818	1,023	3,126	17,967
Conferences	13,958	-	-	-	689	-	14,647	3,208	8,701	26,556
Travel	22,259	-	-	-	1,155	-	23,414	18,580	19,100	61,094
Vehicle operating costs	67,801	47,904	17,606	2,513	262,400	632	398,856	193	543	399,592
Professional fees	42,356	-	-	-	-	-	42,356	75,211	84,330	201,897
Awards and gifts	161	-	-	-	13	-	174	16,409	26,791	43,374
Dues and subscriptions	620	-	-	-	-	-	620	90	10,505	11,215
Miscellaneous	1,852	1,308	315	68	3,251	17	6,811	43,498	5,263	55,572
Depreciation	158,722	112,143	26,958	5,884	300,699	1,479	605,885	-	28,396	634,281
Total expenses before donated goods and services	2,877,423	836,346	871,850	64,041	4,313,810	21,090	8,984,560	1,141,443	1,031,378	11,157,381
In-kind goods and services used	210,061	-	-	-	-	-	210,061	-	-	210,061
Food donations distributed	5,450,498	4,225,152	-	269,936	10,302,703	68,619	20,316,908	-	-	20,316,908
Spoilage/duo date disposals/waste	948,821	124,488	-	-	-	-	1,073,309	-	-	1,073,309
Total donated goods and services	6,609,380	4,349,640	-	269,936	10,302,703	68,619	21,600,278	-	-	21,600,278
Total expenses	\$ 9,486,803	\$ 5,185,986	\$ 871,850	\$ 333,977	\$ 14,616,513	\$ 89,709	\$ 30,584,838	\$ 1,141,443	\$ 1,031,378	\$ 32,757,659

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ (38,585)	\$ (1,879,272)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	675,096	634,281
Gain on disposal of fixed assets	(99,476)	(15,893)
Realized and unrealized (gains) losses on investments	(296,967)	116,279
Change in beneficial interest in assets held by community foundations	(53,736)	(38,280)
Contributions restricted for capital projects	(8,336)	-
Commodities received	(8,126,046)	(4,255,670)
In-kind donations received	(14,044,347)	(17,115,135)
Food distributed	20,221,604	20,316,908
Spoilage/due date disposals/waste	685,544	1,073,309
In-kind goods and services	(25,685)	(20,333)
Changes in operating assets and liabilities		
Receivables	(66,107)	(387,833)
Purchased food inventory	(390,300)	345,876
Prepaid expenses	41,891	(36,994)
Accounts payable	355,705	(8,771)
Accrued expenses	(6,793)	114,947
Refundable advance	-	(16,180)
Net Cash used for Operating Activities	(1,176,538)	(1,172,761)
Investing Activities		
Purchase of investments	(1,680,136)	(8,086,402)
Proceeds from sale of investments	-	6,515,837
Purchase of fixed assets	(675,859)	(913,145)
Proceeds from sale of fixed assets	157,087	19,886
Net Cash used for Investing Activities	(2,198,908)	(2,463,824)
Financing Activities		
Collections of contributions restricted for capital projects	19,764	-
Net Change in Cash, Cash Equivalents, and Restricted Cash	(3,355,682)	(3,636,585)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	5,307,071	8,943,656
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 1,951,389	\$ 5,307,071
Cash and cash equivalents	\$ 1,183,818	\$ 4,288,924
Cash restricted by donors	767,571	1,018,147
Total Cash, Cash Equivalents, and Restricted Cash	\$ 1,951,389	\$ 5,307,071

## **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, commodities, backpack, school food pantry, mobile food pantry, and wellness.

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.

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.

The wellness program includes the Organization's efforts to connect individuals who screen positive for food insecurity at a medical appointment with resources for a long-term solution including nutritional meals for a balanced diet and education on healthy food choices.

### **Cash, Cash Equivalents, and Restricted Cash**

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. Restricted cash includes cash and cash equivalents that are held with donor restrictions as to either time or purpose restrictions.

**Receivables and Credit Policies**

Accounts, grants, interest, and note 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. The Organization has tracked historical loss information for its receivable balances and compiled historical credit loss percentages for different aging categories. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivable balances held at June 30, 2024 and 2023 because the composition of the receivable balances at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Management has determined that the allowance for credit losses at June 30, 2024 and 2023 was not significant and no allowance was recorded. The Organization’s accounts receivable as of July 1, 2022 was \$86,408, and the Organization’s note receivable as of July 1, 2022 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, 2024 and 2023, management has determined that the allowance was not significant and no allowance was recorded.

**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 basis as follows:

	2024	2023
Donated food and non-food items	\$1.97 per pound	\$1.93 per pound
USDA commodities	\$1.74 per pound	\$1.57 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.

**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.

**Fixed Assets**

Land, buildings, and equipment purchases over \$5,000 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.

Buildings	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, 2024 and 2023.

**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 \$4,627,717 and \$4,402,400 as of June 30, 2024 and 2023, respectively.

Distributions received totaled \$186,493 and \$167,835 for the years ended June 30, 2024 and 2023, 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 and not subject to donor (or certain grantor) restrictions. 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, 2024 and 2023 was approximately \$2,810,000 and \$2,631,000, respectively. The Board designated capital reserve as of June 30, 2024 and 2023 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.

### **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. There were no refundable contributions at June 30, 2024 and 2023. There were no conditional amounts for the years ended June 30, 2024 and 2023.

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. The Organization received cost-reimbursable grants of \$424,600 and \$0 that have not been recognized at June 30, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred. As of June 30, 2024 and 2023, 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 have been allocated to the programs on the basis of rate per pound distributed. Expenses that are included in this indirect cost pool include warehouse salaries and benefits, utilities, repairs and maintenance, insurance and taxes, vehicle operating costs, miscellaneous, and depreciation.

#### **Shipping and Handling Costs**

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

#### **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.

### **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.

The Organization maintains cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each ownership category. At June 30, 2024 and 2023, the Organization had approximately \$1,610,000 and \$5,160,000, respectively, in excess of FDIC-insured limits.

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.

### Subsequent Events

Subsequent events have been evaluated through December 4, 2024, 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:

	2024	2023
Cash and cash equivalents	\$ 1,183,818	\$ 4,154,286
Accounts receivable	103,632	117,168
Grants receivable	92,963	120,076
Promises to give	147,010	1,500
Interest receivable	35,827	23,392
Note receivable	50,000	-
	\$ 1,613,250	\$ 4,416,422

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 \$2,810,000 and \$2,631,000 as of June 30, 2024 and 2023, 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, 2024 and 2023.

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, 2024 and 2023:

	2024	2023
South Dakota Cattlemen's Foundation	\$ 303,622	\$ 332,110
Feeding America	152,547	220,000
Black Hills Area United Way	100,833	82,500
Avera Health	115,000	-
Other	145,010	99,509
Total promises to give	\$ 817,012	\$ 734,119

At June 30, 2024 and 2023, four and three donors accounted for approximately 82% and 86% of total promises to give, respectively.

Management expects to collect \$702,511 of the total promises within 12 months of year end. At June 30, 2024, management has determined that the allowance was not significant and therefore, no allowance was recorded.

**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, 2024 and 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2024</u>				
Investments				
Domestic equity securities				
Small cap	\$ 36,890	\$ 36,890	\$ -	\$ -
Mid-cap	257,538	257,538	-	-
Large cap	914,585	914,585	-	-
Preferred stock	160,173	160,173	-	-
Fixed income - bond funds	4,999,124	4,999,124	-	-
Alternative assets	1,105,155	1,105,155	-	-
	<u>7,473,465</u>	<u>7,473,465</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 7,473,465</u>	<u>\$ 7,473,465</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundations	<u>\$ 729,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729,198</u>
<u>June 30, 2023</u>				
Investments				
Domestic equity securities				
Small cap	\$ 36,981	\$ 36,981	\$ -	\$ -
Mid-cap	176,133	176,133	-	-
Large cap	477,319	477,319	-	-
Preferred stock	75,368	75,368	-	-
Fixed income - bond funds	4,193,564	4,193,564	-	-
Alternative assets	536,997	536,997	-	-
	<u>5,496,362</u>	<u>5,496,362</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,496,362</u>	<u>\$ 5,496,362</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundations	<u>\$ 675,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 675,462</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, 2024 and 2023:

Balance at July 1, 2022	\$	637,182
Total gains or losses		
Included in change in net assets, net of fees		38,280
Balance at June 30, 2023		675,462
Total gains or losses		
Included in change in net assets, net of fees		53,736
Balance at June 30, 2024	\$	729,198

There were no transfers into or out of Level 3.

#### Note 5 - Fixed Assets

Fixed assets as of June 30, 2024 and 2023, consists of the following:

	2024	2023
Land	\$ 1,676,309	\$ 1,676,309
Buildings	6,656,693	6,647,943
Furniture and equipment	2,369,478	2,279,698
Vehicles	2,424,823	2,298,241
	13,127,303	12,902,191
Accumulated depreciation	(4,489,774)	(4,157,814)
Fixed assets, net	\$ 8,637,529	\$ 8,744,377

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

Net assets without donor restrictions are summarized as follows:

	2024	2023
Net investment in fixed assets	\$ 8,469,723	\$ 8,569,698
Net investment in food inventory value	2,988,816	1,322,886
Designated by Board		
Operating reserve	2,810,000	2,631,000
Capital reserve	3,000,000	3,000,000
Undesignated	2,753,981	4,197,801
	\$ 20,022,520	\$ 19,721,385

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

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

	2024	2023
Subject to expenditure for specified purpose		
Network services grant	\$ 478,306	\$ 659,404
Protein food purchases	377,384	334,947
Commodity Supplemental Food Program (CSFP)	231,698	189,999
Midwest infrastructure grant	152,547	-
Backpack program	110,000	96,700
Snap state policy engagement	78,735	192,489
Multi-donor strategic capacity grant	39,008	107,737
Snap start-up	32,910	97,621
Truck and equipment purchases	32,182	37,510
Holiday food drive	-	34,076
Other	158,280	273,414
	1,691,050	2,023,897
Subject to the passage of time		
Community Development Block Grant - Rapid City	167,806	174,679
Perpetual in nature		
Beneficial interest in assets held by community foundations in perpetuity	520,162	520,162
	\$ 2,379,018	\$ 2,718,738

Net assets were released from restrictions as follows during the years ending June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
Network services grant	\$ 181,098	\$ 45,596
Snap state policy engagement	113,754	-
Multi-donor strategic capacity grant	68,728	19,300
Snap start-up	64,711	-
Natives prepared	50,000	-
Advocacy capacity	39,942	-
Holiday food drive	34,076	87,189
Digital strategy implementation	30,000	-
Backpack program	14,200	-
Truck and equipment purchases	5,328	212,490
Commodity Supplemental Food Program (CSFP)	-	30,964
Mobile food pantry	-	49,260
Equitable food access	-	160,000
Other	72,178	83,863
	<u>674,015</u>	<u>688,662</u>
Satisfaction of time restrictions		
Community Development Block Grant - Rapid City	6,873	6,873
	<u>\$ 680,888</u>	<u>\$ 695,535</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 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Food	\$ 13,926,675	\$ 16,924,330
Commodities	8,126,046	4,255,670
Contributed services	38,120	32,783
Advertising	55,464	155,596
Miscellaneous	49,773	22,759
	<u>\$ 22,196,078</u>	<u>\$ 21,391,138</u>

During the years ended June 30, 2024 and 2023, the Organization distributed approximately 13,980,000 pounds and 11,037,000 pounds of food products, respectively, 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 2023 and 2022 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 Organization receives free advertising through radio, digital, and television advertisements that serve to support its programs. These donated advertisements are recognized as in-kind contributions at fair value, with a corresponding expense allocated to the programs benefitted, as they are delivered to the public. The valuation of these advertisements is provided by the service provider, who estimates the fair value based on the date, time, and market in which each is displayed.

The contributed miscellaneous donated goods and materials will be used for program activities. In valuing these 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, 2024 and 2023, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2024 and 2023, this contribution was \$80,916 and \$78,835, respectively.

#### **Note 10 - Member Agreement**

The Organization renewed its member agreement with Feeding America through February 28, 2033. 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 11 - 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 12 - 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	
				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.