



Financial Statements
June 30, 2018 and 2017
Feeding South Dakota

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	7
Notes to Financial Statements.....	9



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding South Dakota (the Organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feeding South Dakota as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2018 on our consideration of Feeding South Dakota'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 Feeding South Dakota'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 Feeding South Dakota's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Erik Sallie LLP".

Sioux Falls, South Dakota
October 15, 2018

Feeding South Dakota
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,718,128	\$ 1,420,980
Cash temporarily restricted by donors	881,251	876,155
Accounts receivable	70,360	76,423
Grants receivable	41,072	69,921
Promises to give - current	329,991	375,860
Food inventory	2,315,210	1,846,332
Prepaid expenses	51,414	44,268
Total current assets	5,407,426	4,709,939
Fixed Assets		
Land	1,676,309	1,676,309
Buildings	6,327,770	6,154,292
Furniture and equipment	1,735,396	1,657,657
Vehicles	1,091,967	819,243
	10,831,442	10,307,501
Accumulated depreciation	(1,764,303)	(1,282,344)
Total fixed assets	9,067,139	9,025,157
Other Assets		
Promises to give - long-term, net	11,202	52,052
Beneficial interest in assets held by community foundations	400,981	384,822
Total other assets	412,183	436,874
Total assets	\$ 14,886,748	\$ 14,171,970
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 129,574	\$ 162,753
Accrued expenses	165,014	160,428
Capital lease obligation - current	12,498	11,861
Total current liabilities	307,086	335,042
Capital Lease Obligation - Long-Term	30,620	43,118
Total liabilities	337,706	378,160
Net Assets		
Unrestricted	12,918,136	12,269,377
Temporarily restricted	1,305,244	1,198,771
Permanently restricted	325,662	325,662
Total net assets	14,549,042	13,793,810
Total liabilities and net assets	\$ 14,886,748	\$ 14,171,970

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Public support				
Contributions	\$ 3,896,802	\$ 132,465	\$ -	\$ 4,029,267
In-kind donations	15,360,234	-	-	15,360,234
United Way	381,769	87	-	381,856
Governmental fees and grants	305,219	120,458	-	425,677
Commodities program	2,551,603	-	-	2,551,603
Total public support	<u>22,495,627</u>	<u>253,010</u>	<u>-</u>	<u>22,748,637</u>
Revenue				
Handling fees	1,060,353	-	-	1,060,353
Net investment income	69	-	-	69
(Loss) gain on disposal of fixed assets	(4,327)	-	-	(4,327)
Distributions from and change in value of beneficial interest in assets held by community foundations	16,159	-	-	16,159
Other	20,729	-	-	20,729
Total revenue	<u>1,092,983</u>	<u>-</u>	<u>-</u>	<u>1,092,983</u>
Net assets released from restrictions				
Satisfaction of program restrictions	146,537	(146,537)	-	-
Total public support, revenue and reclassifications	<u>23,735,147</u>	<u>106,473</u>	<u>-</u>	<u>23,841,620</u>
Expenses				
Program services				
Food Bank - Sioux Falls	6,114,798	-	-	6,114,798
Food Pantry - Sioux Falls	3,184,669	-	-	3,184,669
Food Bank - Rapid City	4,095,360	-	-	4,095,360
Food Pantry - Rapid City	2,878,652	-	-	2,878,652
Food Bank - Pierre	1,184,275	-	-	1,184,275
Commodity Food Programs	2,773,504	-	-	2,773,504
BackPack Program	804,975	-	-	804,975
School Food Pantry	73,772	-	-	73,772
Mobile Food Pantry	862,709	-	-	862,709
Total program services	<u>21,972,714</u>	<u>-</u>	<u>-</u>	<u>21,972,714</u>
Fundraising	739,093	-	-	739,093
General and administrative	374,581	-	-	374,581
Total expenses	<u>23,086,388</u>	<u>-</u>	<u>-</u>	<u>23,086,388</u>
Change in Net Assets	648,759	106,473	-	755,232
Net Assets, Beginning of Year	<u>12,269,377</u>	<u>1,198,771</u>	<u>325,662</u>	<u>13,793,810</u>
Net Assets, End of Year	<u>\$ 12,918,136</u>	<u>\$ 1,305,244</u>	<u>\$ 325,662</u>	<u>\$ 14,549,042</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Activities
Years Ended June 30, 2018 and 2017

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,354,544	\$ 127,325	\$ -	\$ 3,481,869
17,041,988	-	-	17,041,988
399,942	-	-	399,942
344,074	-	-	344,074
2,300,262	-	-	2,300,262
<u>23,440,810</u>	<u>127,325</u>	<u>-</u>	<u>23,568,135</u>
1,132,124	-	-	1,132,124
9,853	-	-	9,853
476,079	-	-	476,079
29,011	-	-	29,011
9,174	-	-	9,174
<u>1,656,241</u>	<u>-</u>	<u>-</u>	<u>1,656,241</u>
<u>209,473</u>	<u>(209,473)</u>	<u>-</u>	<u>-</u>
<u>25,306,524</u>	<u>(82,148)</u>	<u>-</u>	<u>25,224,376</u>
7,041,067	-	-	7,041,067
2,968,561	-	-	2,968,561
5,153,215	-	-	5,153,215
2,791,396	-	-	2,791,396
1,262,233	-	-	1,262,233
2,546,572	-	-	2,546,572
843,950	-	-	843,950
100,500	-	-	100,500
996,198	-	-	996,198
<u>23,703,692</u>	<u>-</u>	<u>-</u>	<u>23,703,692</u>
680,647	-	-	680,647
384,076	-	-	384,076
<u>24,768,415</u>	<u>-</u>	<u>-</u>	<u>24,768,415</u>
538,109	(82,148)	-	455,961
<u>11,731,268</u>	<u>1,280,919</u>	<u>325,662</u>	<u>13,337,849</u>
<u>\$12,269,377</u>	<u>\$ 1,198,771</u>	<u>\$ 325,662</u>	<u>\$13,793,810</u>

	Program Service				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Pierre Food Bank
Salaries	\$ 380,504	\$ 129,110	\$ 228,179	\$ 115,857	\$ 172,729
Payroll taxes	28,950	9,234	16,518	8,979	12,829
Employee benefits	92,190	33,160	67,959	24,166	38,342
Total salaries and related benefits	<u>501,644</u>	<u>171,504</u>	<u>312,656</u>	<u>149,002</u>	<u>223,900</u>
Food and transportation costs	670,220	39,189	340,731	37,129	192,342
Backpack food	-	-	-	-	-
Supplies	4,754	6,537	1,382	1,958	1,415
Utilities	41,051	12,140	33,304	4,308	20,197
Repairs and maintenance	43,906	15,110	36,837	11,572	23,851
Insurance and taxes	23,323	1,433	9,290	1,182	7,537
Computer/software costs	17,105	3,688	8,933	2,621	6,617
Postage	10,445	9	3,598	-	1,715
Printing and promotions	3,162	585	1,533	-	793
Telephone	3,826	955	1,971	746	2,251
Conferences	1,300	-	1,097	-	469
Travel	3,732	751	3,950	-	1,954
Vehicle operating costs	100,591	307	32,195	2,783	19,831
Professional fees	3,605	326	20,535	444	4,039
Awards and gifts	24,733	512	1,061	362	465
Dues and subscriptions	5,056	-	2,725	-	902
Interest	-	-	-	-	-
Miscellaneous	14,827	-	225	-	-
Depreciation	269,144	17,097	54,304	19,945	84,621
Overhead allocation	(179,848)	(14,147)	(33,629)	(10,353)	(127,961)
Total expenses before donated goods and services	<u>1,562,576</u>	<u>255,996</u>	<u>832,698</u>	<u>221,699</u>	<u>464,938</u>
In-kind goods and services used	63,107	-	582	904	103
Food donations distributed	4,121,501	2,714,313	3,139,805	2,508,246	652,019
Spoilage/due date disposals/waste	367,614	214,360	122,275	147,803	67,215
Total donated goods and services	<u>4,552,222</u>	<u>2,928,673</u>	<u>3,262,662</u>	<u>2,656,953</u>	<u>719,337</u>
Total expenses	<u>\$ 6,114,798</u>	<u>\$ 3,184,669</u>	<u>\$ 4,095,360</u>	<u>\$ 2,878,652</u>	<u>\$ 1,184,275</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Functional Expenses
Year Ended June 30, 2018

Commodity Food Programs	Program Service			Total	Fundraising	General and Administration	Total
	BackPack Program	School Food Pantry	Mobile Food Pantry				
\$ 10,358	\$ 69,606	\$ 3,078	\$ 10,182	\$ 1,119,603	\$ 255,858	\$ 269,866	\$ 1,645,327
-	5,154	228	826	82,718	19,846	19,280	121,844
-	17,307	-	297	273,421	47,352	35,453	356,226
<u>10,358</u>	<u>92,067</u>	<u>3,306</u>	<u>11,305</u>	<u>1,475,742</u>	<u>323,056</u>	<u>324,599</u>	<u>2,123,397</u>
31,085	5,100	6,698	915	1,323,409	-	-	1,323,409
-	576,470	-	-	576,470	-	-	576,470
16,716	6,397	-	516	39,675	6	4,317	43,998
-	-	-	-	111,000	-	14,649	125,649
-	-	-	-	131,276	113	11,249	142,638
-	-	-	1,379	44,144	-	3,501	47,645
-	252	-	-	39,216	1,923	3,093	44,232
-	400	-	-	16,167	77,742	110	94,019
352	637	-	-	7,062	303,945	4,422	315,429
-	498	-	-	10,247	1,244	2,988	14,479
-	1,114	-	-	3,980	714	1,886	6,580
-	3,176	799	-	14,362	2,648	7,532	24,542
-	132	-	11,755	167,594	428	324	168,346
-	-	-	-	28,949	-	31,346	60,295
-	799	-	100	28,032	3,629	5,431	37,092
-	-	-	-	8,683	119	1,999	10,801
-	-	-	-	-	-	2,599	2,599
-	85	-	254	15,391	6,193	260	21,844
-	-	-	12,054	457,165	-	28,774	485,939
<u>250,731</u>	<u>116,226</u>	<u>6,678</u>	<u>76,751</u>	<u>84,448</u>	<u>-</u>	<u>(84,448)</u>	<u>-</u>
<u>309,242</u>	<u>803,353</u>	<u>17,481</u>	<u>115,029</u>	<u>4,583,012</u>	<u>721,760</u>	<u>364,631</u>	<u>5,669,403</u>
-	-	-	-	64,696	17,333	9,950	91,979
2,460,298	1,622	56,291	747,680	16,401,775	-	-	16,401,775
<u>3,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>923,231</u>	<u>-</u>	<u>-</u>	<u>923,231</u>
<u>2,464,262</u>	<u>1,622</u>	<u>56,291</u>	<u>747,680</u>	<u>17,389,702</u>	<u>17,333</u>	<u>9,950</u>	<u>17,416,985</u>
<u>\$ 2,773,504</u>	<u>\$ 804,975</u>	<u>\$ 73,772</u>	<u>\$ 862,709</u>	<u>\$ 21,972,714</u>	<u>\$ 739,093</u>	<u>\$ 374,581</u>	<u>\$ 23,086,388</u>

	Program Service				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Pierre Food Bank
Salaries	\$ 353,248	\$ 123,683	\$ 201,454	\$ 114,314	\$ 144,297
Payroll taxes	26,935	9,461	15,360	8,793	11,019
Employee benefits	119,191	24,437	39,548	17,930	21,455
Total salaries and related benefits	<u>499,374</u>	<u>157,581</u>	<u>256,362</u>	<u>141,037</u>	<u>176,771</u>
Food and transportation costs	614,773	26,291	340,350	38,465	223,277
Backpack food	-	-	-	-	-
Supplies	4,782	5,655	2,165	456	1,585
Lease/rent expense	-	-	-	-	-
Utilities	39,608	9,188	30,829	3,573	18,886
Repairs and maintenance	44,188	8,690	25,538	5,690	18,622
Insurance and taxes	21,141	2,064	9,644	884	7,085
Computer/software costs	17,810	2,678	8,350	2,188	6,337
Postage	8,291	26	2,851	-	1,848
Printing and promotions	3,531	44	1,320	133	309
Telephone	6,574	732	1,316	484	1,667
Conferences	2,855	-	54	-	758
Travel	8,193	236	5,115	-	3,250
Vehicle operating costs	89,332	670	21,988	2,499	9,330
Professional fees	2,714	-	2,705	-	3,142
Awards and gifts	14,383	456	13,635	284	4,354
Dues and subscriptions	5,152	-	3,154	-	788
Interest	-	-	-	-	-
Miscellaneous	13,397	114	311	57	328
Depreciation	214,311	9,986	48,009	16,131	75,889
Overhead allocation	(164,969)	(14,115)	(25,614)	(12,107)	(124,245)
Total expenses before donated goods and services	<u>1,445,440</u>	<u>210,296</u>	<u>748,082</u>	<u>199,774</u>	<u>429,981</u>
In-kind goods and services used	122,304	653	-	499	1,428
Food donations distributed	5,028,275	2,424,004	4,279,034	2,448,825	765,165
Spoilage/due date disposals/waste	<u>445,048</u>	<u>333,608</u>	<u>126,099</u>	<u>142,298</u>	<u>65,659</u>
Total donated goods and services	<u>5,595,627</u>	<u>2,758,265</u>	<u>4,405,133</u>	<u>2,591,622</u>	<u>832,252</u>
Total expenses	<u>\$ 7,041,067</u>	<u>\$ 2,968,561</u>	<u>\$ 5,153,215</u>	<u>\$ 2,791,396</u>	<u>\$ 1,262,233</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Functional Expenses
Year Ended June 30, 2017

Commodity Food Programs	Program Service			Total	Fundraising	General and Administration	Total
	BackPack Program	School Food Pantry	Mobile Food Pantry				
\$ 11,154	\$ 68,063	\$ 2,970	\$ 10,260	\$ 1,029,443	\$ 257,060	\$ 278,122	\$ 1,564,625
-	5,153	224	849	77,794	19,812	19,923	117,529
-	16,084	-	358	239,003	43,431	35,912	318,346
<u>11,154</u>	<u>89,300</u>	<u>3,194</u>	<u>11,467</u>	<u>1,346,240</u>	<u>320,303</u>	<u>333,957</u>	<u>2,000,500</u>
32,802	4,950	6,598	5,471	1,292,977	-	-	1,292,977
-	617,321	-	-	617,321	-	-	617,321
19,694	5,079	65	85	39,566	-	3,535	43,101
-	-	-	200	200	-	-	200
-	-	-	-	102,084	-	14,450	116,534
-	119	610	-	103,457	-	14,645	118,102
-	-	-	1,296	42,114	-	5,961	48,075
-	358	-	-	37,721	-	5,339	43,060
-	-	-	-	13,016	50,210	2,838	66,064
473	5,266	-	-	11,076	279,800	5,462	296,338
-	490	-	-	11,263	1,313	3,972	16,548
-	200	-	-	3,867	1,510	2,536	7,913
-	760	605	-	18,159	2,577	8,472	29,208
-	1,519	-	9,163	134,501	-	-	134,501
-	-	-	-	8,561	-	25,020	33,581
-	83	-	-	33,195	1,935	193	35,323
-	-	-	-	9,094	-	1,097	10,191
-	-	-	-	-	-	2,347	2,347
-	45	-	-	14,252	5,240	4,021	23,513
-	-	-	19,744	384,070	-	54,366	438,436
<u>236,325</u>	<u>117,375</u>	<u>9,798</u>	<u>91,237</u>	<u>113,685</u>	<u>-</u>	<u>(113,685)</u>	<u>-</u>
<u>300,448</u>	<u>842,865</u>	<u>20,870</u>	<u>138,663</u>	<u>4,336,419</u>	<u>662,888</u>	<u>374,526</u>	<u>5,373,833</u>
-	-	-	-	124,884	17,759	9,550	152,193
2,245,088	1,085	79,630	857,535	18,128,641	-	-	18,128,641
<u>1,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,113,748</u>	<u>-</u>	<u>-</u>	<u>1,113,748</u>
<u>2,246,124</u>	<u>1,085</u>	<u>79,630</u>	<u>857,535</u>	<u>19,367,273</u>	<u>17,759</u>	<u>9,550</u>	<u>19,394,582</u>
<u>\$ 2,546,572</u>	<u>\$ 843,950</u>	<u>\$ 100,500</u>	<u>\$ 996,198</u>	<u>\$ 23,703,692</u>	<u>\$ 680,647</u>	<u>\$ 384,076</u>	<u>\$ 24,768,415</u>

Feeding South Dakota
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 755,232	\$ 455,961
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	485,939	438,436
Loss (gain) on sale of fixed assets	4,327	(476,079)
Bad debt expense	-	53
Unrealized gain on investments	-	(5,733)
Change in beneficial interest in assets	(16,159)	(29,011)
Change in discount on promises to give	(3,150)	(6,714)
Contributions restricted for capital assets	(472,950)	(54,300)
Commodities received	(2,551,603)	(2,300,262)
In-kind donations received	(15,319,289)	(17,006,609)
In-kind donations of fixed assets	(40,945)	(35,379)
Food distributed to agencies	16,401,775	18,128,641
Spoilage/due date disposals/waste	923,231	1,113,748
In-kind goods and services	91,979	152,193
Changes in operating assets and liabilities		
Cash temporarily restricted by donors	(5,096)	(48,652)
Accounts and grants receivable and promises to give	41,286	19,256
Purchased food inventory	(17,961)	86,531
Prepaid expenses	(7,146)	(9,825)
Accounts payable	21,114	(21,246)
Accrued expenses	4,586	13,467
Net Cash from Operating Activities	295,170	414,476
Investing Activities		
Purchase of fixed assets	(546,096)	(1,317,332)
Proceeds from sale of fixed assets	500	950,529
Purchase of investments	-	(50,159)
Proceeds from sale of investments	-	588,662
Net Cash (used for) from Investing Activities	(545,596)	171,700
Financing Activities		
Principal payments on lease obligation	(11,861)	(8,498)
Collection of contributions restricted to building	146,485	133,899
Collection of contributions restricted to capital assets	412,950	214,300
Net Cash from Financing Activities	547,574	339,701
Net Change in Cash and Cash Equivalents	297,148	925,877
Cash and Cash Equivalents, Beginning of Year	1,420,980	495,103
Cash and Cash Equivalents, End of Year	\$ 1,718,128	\$ 1,420,980

Feeding South Dakota
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Supplemental Disclosure of Cash Flow Information and Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	<u>\$ 13,677</u>	<u>\$ 67,970</u>
Equipment financed with capital lease	<u>\$ -</u>	<u>\$ 63,477</u>
Cash paid for interest	<u>\$ 2,599</u>	<u>\$ 2,347</u>

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Organization is a South Dakota nonprofit corporation which assists with emergency food needs for local families and individuals, supplies on-site programs with reclaimed food, and collects and redistributes food to agencies throughout South Dakota.

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.

Receivables and Credit Policies

Accounts and grant 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.

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.

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. Donated non-government food and donated government food was valued at \$1.57 and \$1.52 per pound for the years ended June 30, 2018 and 2017, respectively. This valuation is based on a cost study conducted for Feeding America, which excludes non-food items. 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.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. The Board has approved a policy to designate a three-month operating reserve. Unrestricted board designated operating reserve as of June 30, 2018 and 2017, was approximately \$1,296,000 and \$1,236,000, respectively.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time.

The Organization reports contributions restricted by donors as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements.

Allocation of Functional Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program and supporting service classifications based upon specific identification where possible and estimates made by management.

Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Donated Materials and Services

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

Fund Raising Costs

Fund raising costs are expensed as incurred.

Income Taxes

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

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

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 revenue and expenses during the reporting period. Actual results could differ from those estimates and those estimates could be material.

Employee Benefits

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

Shipping and Handling Costs

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

Financial Instruments and Credit Risk

Feeding South Dakota manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit 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, Feeding South Dakota 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 Feeding South Dakota's mission.

Fair Value Measurements

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that Feeding South Dakota can access at the measurement date.

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

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

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through October 15, 2018, the date which the financial statements were available to be issued.

Note 2 - Promises to Give

The following summarizes promises to give at June 30, 2018 and 2017:

	2018	2017
South Dakota Cattlemen's Foundation	\$ 228,602	\$ 236,508
Capital campaign	48,867	195,352
Other	64,522	-
Total promises to give	341,991	431,860
Less discount to net present value at 5%	(798)	(3,948)
Net promises to give	\$ 341,193	\$ 427,912

At June 30, 2018 and 2017, one donor accounted for approximately 67% and 55% of total promises to give.

The following summarizes scheduled receipts of promises to give at June 30, 2018.

<u>Due by June 30:</u>	
2019	\$ 329,991
2020	7,000
2021	5,000
	\$ 341,991

Note 3 - Beneficial Interest in Assets Held by Community Foundations

Agency Funds

During 2012, the Organization established various permanent endowment funds (the Funds) with Sioux Falls Area Community Foundation, Black Hills Area Community Foundation and South Dakota Community Foundation 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. The aggregate current market value of such transfers, plus income or losses and less distributions and fees was \$400,981 and \$384,822 at June 30, 2018 and 2017, respectively, and is reflected in the Organization's assets as beneficial interest in assets held by community foundations.

Designated Funds

In April 2017, a \$1,000,000 endowment fund was established by an outside donor with the South Dakota Community Foundation (“Foundation”) that names the Organization as the designated beneficiary of distributions from the endowment. The Organization recognizes temporarily restricted revenue from the endowment as it is received to fund facility operational costs. The balance of the fund with the Foundation was \$1,082,603 and \$1,037,841 as of June 30, 2018 and 2017, respectively.

In December 2014, a \$1,000,000 endowment fund was established by an outside donor with the South Dakota Community Foundation (“Foundation”) that names the Organization as the designated beneficiary of distributions from the endowment. The Organization recognizes unrestricted revenue from the endowment as it is received. The balance of the fund with the Foundation was \$1,003,554 and \$1,002,579 as of June 30, 2018 and 2017, respectively.

Distributions received totaled \$44,175 and \$43,543 for the years ended June 30, 2018 and 2017, respectively. Distributions from the two designated funds to the Organization are in accordance with distribution policies for permanent funds adopted by the Foundation. The endowments represent restricted net assets of the Foundation.

Note 4 - Fair Value of Assets and Liabilities

Assets measured at fair value on a recurring basis at June 30, 2018 and 2017, are as follows:

	2018	2017
Beneficial interest in assets held by community foundations	\$ 400,981	\$ 384,822

The related fair values of these assets are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2018			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 400,981
June 30, 2017			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 384,822

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.

Following is a reconciliation of activity for assets required to be measured at fair value that are based upon significant unobservable (non-market) information for the years ended June 30, 2018 and 2017:

Balance at June 30, 2016	\$ 355,811
Adjustments to fair market value, net of distributions	<u>29,011</u>
Balance at June 30, 2017	384,822
Adjustments to fair market value, net of distributions	<u>16,159</u>
Balance at June 30, 2018	<u><u>\$ 400,981</u></u>

Note 5 - 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	<u>40,000</u>
		<u><u>\$ 166,300</u></u>

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. The Organization entered into an Indenture of Restrictive Covenants Agreement (“Indenture”) with the City of Rapid City. In this Indenture, 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 temporarily restricted revenue in the period received due to time restriction.

Note 6 - Restrictions on Net Assets

Temporarily restricted net assets represent donor restricted funds for specific program expenses and fixed asset acquisitions and/or the passage of time. Following is a summary of temporarily restricted net assets:

	2018	2017
BackPack program	\$ 692,691	\$ 709,654
Mobile food pantry	10,000	35,000
Sioux Falls food pantry	50,653	41,108
Protein food purchases	228,715	237,883
Generator and security equipment	-	50,000
Rapid City collective impact - personnel expense	31,340	35,910
Rapid City mobile food pantry vehicles and consulting	89,297	-
Community development block grant - Rapid City	120,458	-
Other	82,090	89,216
	\$ 1,305,244	\$ 1,198,771

Net assets were released from restrictions as follows during the years ending June 30, 2018 and 2017:

	2018	2017
Satisfaction of purpose restrictions		
Mobile food pantry	\$ 25,000	\$ 25,000
Delivery truck	-	160,000
BackPack program	16,963	-
Generator and security equipment	50,000	-
Other	54,574	24,473
	\$ 146,537	\$ 209,473

Note 7 - Retirement Plan

The Organization has established a 401(k) retirement plan that covers all employees who meet eligibility requirements. Employees are fully vested on all amounts contributed to the plan. The plan provides for a discretionary matching contribution. For the years ended June 30, 2018 and 2017, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2018 and 2017, this contribution was \$42,214 and \$40,168, respectively.

Note 8 - Member Agreement

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

Note 9 - 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 2018 and 2017:

	2018	2017
Food and food discounts	15,224,320	\$ 16,850,772
Commodities	2,551,603	2,300,262
Fundraising	17,383	20,009
Professional services	32,224	104,767
Media	13,342	6,034
Capital items	40,945	35,379
Miscellaneous	32,020	25,027
	\$ 17,911,837	\$ 19,342,250

Note 10 - Capital Lease Obligation

The Organization leases certain trash compactor equipment under a lease classified as a capital lease. The following is a schedule showing the future minimum lease payments under the capital lease by fiscal year and the present value of the minimum lease payments as of June 30, 2018. The interest rate related to the lease obligation is 5.24% and the maturity date is October 2021.

<u>Years ending June 30:</u>	
2019	\$ 14,460
2020	14,460
2021	14,460
2022	3,615
	\$ 46,995
Total minimum lease payments	46,995
Less amount representing interest	(3,877)
	\$ 43,118
Capital lease obligation	\$ 43,118
Capital lease obligation - current	\$ 12,498
Capital lease obligation - long-term	30,620
	\$ 43,118

Leased property under the capital lease at June 30, 2018 includes:

Equipment	\$ 63,477
Less accumulated depreciation	(22,217)
	\$ 41,260