



Financial Statements  
June 30, 2019 and 2018

# Feeding South Dakota

Independent Auditor’s Report..... 1

Financial Statements

    Statements of Financial Position..... 3

    Statements of Activities ..... 4

    Statements of Functional Expenses ..... 6

    Statements of Cash Flows ..... 8

    Notes to Financial Statements ..... 10



## 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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, 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.

**Changes in Accounting Principles**

As discussed in Note 1 to the financial statements, the Organization has adopted the provisions of Financial Accounting Standards Board Accounting Standards Updates No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018, financial statements have been adjusted to adopt this standard. In addition, as discussed in Note 1 to the financial statements, the Organization has also adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Accordingly, the June 30, 2018, statement of cash flows has been adjusted to adopt this standard. Our opinion is not modified with respect to these matters.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2019 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.



Sioux Falls, South Dakota  
October 14, 2019

Feeding South Dakota  
Statements of Financial Position  
June 30, 2019 and 2018

	2019	2018 (Adjusted)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,771,228	\$ 1,718,128
Cash restricted by donors	862,948	881,251
Accounts receivable	81,469	70,360
Grants receivable - current	203,040	41,072
Promises to give - current	394,200	329,991
Food inventory	2,096,232	2,315,210
Prepaid expenses	58,476	51,414
Total current assets	5,467,593	5,407,426
<b>Fixed Assets</b>		
Land	1,676,309	1,676,309
Buildings	6,210,782	6,327,770
Furniture and equipment	1,769,761	1,735,396
Vehicles	1,252,607	1,091,967
	10,909,459	10,831,442
Accumulated depreciation	(2,156,489)	(1,764,303)
Total fixed assets	8,752,970	9,067,139
<b>Other Assets</b>		
Grants receivable - long-term	42,240	-
Promises to give - long-term, net	4,762	11,202
Beneficial interest in assets held by community foundations	403,774	400,981
Total other assets	450,776	412,183
	\$ 14,671,339	\$ 14,886,748
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 223,188	\$ 129,574
Accrued expenses	167,369	165,014
Capital lease obligation - current	13,168	12,498
Total current liabilities	403,725	307,086
Capital Lease Obligation - Long-Term	17,451	30,620
Total liabilities	421,176	337,706
<b>Net Assets</b>		
Without donor restrictions	12,436,870	12,918,136
With donor restrictions	1,813,293	1,630,906
Total net assets	14,250,163	14,549,042
	\$ 14,671,339	\$ 14,886,748

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2019 and 2018

	2019			2018 (Adjusted)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public support						
Contributions	\$ 3,704,446	\$ 329,777	\$ 4,034,223	\$ 3,896,802	\$ 132,465	\$ 4,029,267
In-kind donations	19,124,576	-	19,124,576	15,360,234	-	15,360,234
United Way	361,894	5,540	367,434	381,769	87	381,856
Governmental fees and grants	359,669	-	359,669	305,219	120,458	425,677
Commodities program	3,450,902	-	3,450,902	2,551,603	-	2,551,603
Total public support	27,001,487	335,317	27,336,804	22,495,627	253,010	22,748,637
Revenue						
Handling fees	1,102,415	-	1,102,415	1,060,353	-	1,060,353
Net investment income	5,996	-	5,996	69	-	69
Loss on disposal of fixed assets	(6,165)	-	(6,165)	(4,327)	-	(4,327)
Distributions from and change in value of beneficial interest in assets held by community foundations	2,793	-	2,793	16,159	-	16,159
Other	11,309	-	11,309	20,729	-	20,729
Total revenue	1,116,348	-	1,116,348	1,092,983	-	1,092,983
Net assets released from restrictions						
Satisfaction of program restrictions	152,930	(152,930)	-	146,537	(146,537)	-
Total public support and revenue	28,270,765	182,387	28,453,152	23,735,147	106,473	23,841,620

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2019 and 2018

	2019			2018 (Adjusted)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services						
Food Bank	\$ 11,748,388	\$ -	\$ 11,748,388	\$ 11,394,181	\$ -	\$ 11,394,181
Food Pantry	8,929,455	-	8,929,455	6,063,573	-	6,063,573
Commodity Food Programs	3,772,305	-	3,772,305	2,726,490	-	2,726,490
BackPack Program	753,756	-	753,756	783,183	-	783,183
School Food Pantry	89,231	-	89,231	72,520	-	72,520
Mobile Food Pantry	2,190,374	-	2,190,374	848,319	-	848,319
Total program services	27,483,509	-	27,483,509	21,888,266	-	21,888,266
Fundraising	804,711	-	804,711	739,093	-	739,093
General and administrative	463,811	-	463,811	459,029	-	459,029
Total expenses	28,752,031	-	28,752,031	23,086,388	-	23,086,388
Change in Net Assets	(481,266)	182,387	(298,879)	648,759	106,473	755,232
Net Assets, Beginning of Year	12,918,136	1,630,906	14,549,042	12,269,377	1,524,433	13,793,810
Net Assets, End of Year	\$ 12,436,870	\$ 1,813,293	\$ 14,250,163	\$ 12,918,136	\$ 1,630,906	\$ 14,549,042

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

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



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

	Program Service						Total	Fundraising	General and Administrative	Total
	Food Bank	Food Pantry	Commodity Food Programs	BackPack Program	School Food Pantry	Mobile Food Pantry				
Salaries	\$ 632,338	\$ 234,270	\$ 99,301	\$ 110,836	\$ 5,447	\$ 37,411	\$ 1,119,603	\$ 255,858	\$ 269,866	\$ 1,645,327
Payroll taxes	46,893	17,395	6,804	8,308	409	2,909	82,718	19,846	19,280	121,844
Employee benefits	161,369	54,662	22,149	27,574	590	7,077	273,421	47,352	35,453	356,226
Total salaries and related benefits	<u>840,600</u>	<u>306,327</u>	<u>128,254</u>	<u>146,718</u>	<u>6,446</u>	<u>47,397</u>	<u>1,475,742</u>	<u>323,056</u>	<u>324,599</u>	<u>2,123,397</u>
Food and transportation costs	1,203,293	76,318	31,085	581,570	6,698	915	1,899,879	-	-	1,899,879
Supplies	7,551	8,495	16,716	6,397	-	516	39,675	6	4,317	43,998
Utilities	74,935	15,040	11,704	5,426	312	3,583	111,000	-	14,649	125,649
Repairs and maintenance	81,554	25,029	13,747	6,373	367	4,206	131,276	113	11,249	142,638
Insurance and taxes	32,452	2,063	4,593	2,129	122	2,785	44,144	-	3,501	47,645
Computer/software costs	32,655	6,309	-	252	-	-	39,216	1,923	3,093	44,232
Postage	15,758	9	-	400	-	-	16,167	77,742	110	94,019
Printing and promotions	5,488	585	352	637	-	-	7,062	303,945	4,422	315,429
Telephone	8,048	1,701	-	498	-	-	10,247	1,244	2,988	14,479
Conferences	2,866	-	-	1,114	-	-	3,980	714	1,886	6,580
Travel	9,636	751	-	3,176	799	-	14,362	2,648	7,532	24,542
Vehicle operating costs	131,823	1,598	12,407	5,883	330	15,553	167,594	428	324	168,346
Professional fees	28,179	770	-	-	-	-	28,949	-	31,346	60,295
Awards and gifts	26,259	874	-	799	-	100	28,032	3,629	5,431	37,092
Dues and subscriptions	8,683	-	-	-	-	-	8,683	119	1,999	10,801
Interest	-	-	-	-	-	-	-	-	2,599	2,599
Miscellaneous	11,285	-	2,097	1,057	56	896	15,391	6,193	260	21,844
Depreciation	338,895	32,078	41,273	19,132	1,099	24,688	457,165	-	28,774	485,939
Total expenses before donated goods and services	<u>2,859,960</u>	<u>477,947</u>	<u>262,228</u>	<u>781,561</u>	<u>16,229</u>	<u>100,639</u>	<u>4,498,564</u>	<u>721,760</u>	<u>449,079</u>	<u>5,669,403</u>
In-kind goods and services used	63,792	904	-	-	-	-	64,696	17,333	9,950	91,979
Food donations distributed	7,913,325	5,222,559	2,460,298	1,622	56,291	747,680	16,401,775	-	-	16,401,775
Spoilage/due date/disposals/waste	557,104	362,163	3,964	-	-	-	923,231	-	-	923,231
Total donated goods and services	<u>8,534,221</u>	<u>5,585,626</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>
Total expenses	<u>\$ 11,394,181</u>	<u>\$ 6,063,573</u>	<u>\$ 2,726,490</u>	<u>\$ 783,183</u>	<u>\$ 72,520</u>	<u>\$ 848,319</u>	<u>\$ 21,888,266</u>	<u>\$ 739,093</u>	<u>\$ 459,029</u>	<u>\$ 23,086,388</u>

See Notes to Financial Statements

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	2019	2018 (Adjusted)
Operating Activities		
Change in net assets	\$ (298,879)	\$ 755,232
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	521,836	485,939
Loss on disposal of fixed assets	6,165	4,327
Change in beneficial interest in assets held by community foundations	(2,793)	(16,159)
Change in discount on promises to give	(560)	(3,150)
Contributions restricted for capital assets	(187,537)	(472,950)
Contributions restricted - perpetual in nature	(145,500)	-
Commodities received	(3,450,902)	(2,551,603)
In-kind donations received	(19,124,576)	(15,319,289)
In-kind donations of fixed assets	-	(40,945)
Food distributed to agencies	21,793,600	16,401,775
Spoilage/due date disposals/waste	852,116	923,231
In-kind goods and services	84,159	91,979
Changes in operating assets and liabilities		
Accounts and grants receivable and promises to give	(184,443)	41,286
Purchased food inventory	64,581	(17,961)
Prepaid expenses	(7,062)	(7,146)
Accounts payable	101,391	21,114
Accrued expenses	2,355	4,586
Net Cash from Operating Activities	23,951	300,266
Investing Activities		
Purchase of fixed assets	(388,069)	(546,096)
Proceeds from sale of fixed assets	7,850	500
Proceeds from insurance claim	158,610	-
Net Cash used for Investing Activities	(221,609)	(545,596)
Financing Activities		
Principal payments on capital lease obligation	(12,499)	(11,861)
Collection of contributions restricted for		
Building	12,917	146,485
Capital assets	187,537	412,950
Beneficial interests - perpetual in nature	44,500	-
Net Cash from Financing Activities	232,455	547,574
Net Change in Cash and Cash Equivalents and Restricted Cash	34,797	302,244
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	2,599,379	2,297,135
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 2,634,176	\$ 2,599,379

Feeding South Dakota  
 Statements of Cash Flows  
 Years Ended June 30, 2019 and 2018

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	2019	2018
Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents	\$ 1,771,228	\$ 1,718,128
Cash restricted by donors	862,948	881,251
	\$ 2,634,176	\$ 2,599,379
Supplemental Disclosure of Cash Flow Information and Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 5,900	\$ 13,677
Cash paid for interest	1,961	2,599

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

### **Organization**

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

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

### **Cash and Cash Equivalents**

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

### **Receivables and Credit Policies**

Accounts and grants receivables are stated at the amount management expects to collect from outstanding balances. Due to the nature of the receivables, they are non-interest bearing. Payments of receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. If accounts become uncollectible, they are charged to expense when the determination is made. At June 30, 2019 and 2018, the allowance was \$0.

### **Promises to Give**

The Organization reports unconditional promises to give as contributions. If outstanding contributions are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions are to be paid to the Organization over a period of years, they are recorded at the present value of their estimated cash flows. Promises to give amounts are reflected net of an allowance for uncollectible amounts based on management's judgment, past payment experience and other relevant factors. At June 30, 2019 and 2018, the allowance was \$0.

**Food Inventory**

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

	2019	2018
Donated food and non-food items	\$1.62 per pound	\$1.57 per pound
USDA commodities	\$1.52 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.

**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, 2019 and 2018.

## **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*

In April 2017, a \$1,000,000 endowment fund was established by an outside donor with the South Dakota Community Foundation (the Foundation) that names the Organization as the designated beneficiary of distributions from the endowment. The Foundation has been granted variance power by the donor 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 endowment as it is received to fund facility operational costs. The balance of the fund with the Foundation was \$1,062,119 and \$1,082,603 as of June 30, 2019 and 2018, respectively. In June 2019, the donor signed an agreement to fund an additional \$1,000,000 to this endowment fund.

In December 2014, a \$1,000,000 endowment fund was established by an outside donor with the South Dakota Community Foundation (the Foundation) that names the Organization as the designated beneficiary of distributions from the endowment. The Foundation has been granted variance power by the donor 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 revenue without donor restrictions from the endowment as it is received. The balance of the fund with the Foundation was \$985,570 and \$1,003,554 as of June 30, 2019 and 2018, respectively.

Distributions received totaled \$93,244 and \$44,175 for the years ended June 30, 2019 and 2018, respectively. Distributions from the two designated funds to the Organization are in accordance with distribution policies for perpetual funds adopted by the Foundation. These endowment funds are not recorded on the Organization's statements of financial position as the endowments represent restricted net assets of the Foundation.

## **Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations. The Board has approved a policy to designate a three-month operating reserve and a capital reserve. The Board designated operating reserve as of June 30, 2019 and 2018 was approximately \$1,376,600 and \$1,296,000, respectively. The Board designated capital reserve as of June 30, 2019 and 2018 was \$150,000 and \$0, respectively.

*Net Assets With Donor Restrictions* – Net assets subject to donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

## **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.

## **Allocation of Functional Expenses**

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

## **Fund Raising Costs**

Fund raising costs are expensed as incurred.

### **Donated Materials and Services**

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

### **Income Taxes**

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

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

### **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.

### **Employee Benefits**

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

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

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



### **Shipping and Handling Costs**

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

### **Change in Accounting Principle**

As of July 1, 2018, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to improve a financial statement user's ability to assess the Organization's liquidity and exposure to risk.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the disclosure about liquidity and availability of resources. The Organization has elected not to present comparative information for this disclosure.

The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

As of July 1, 2018, the Organization early adopted the provisions of ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Retrospective application of the amendment is required. The Organization has adopted this standard as management believes this presentation eliminates a diversity in practice in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows.

### **Subsequent Events**

Subsequent events have been evaluated through October 14, 2019, 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:

	2019
Cash and cash equivalents	\$ 244,628
Accounts receivable	81,469
Grants receivables	150,800
Promises to give	29,950
	\$ 506,847

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

The Organization expects to receive approximately \$90,000 to \$100,000 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, 2019 and 2018:

	2019	2018
South Dakota Cattlemen's Foundation	\$ 263,250	\$ 228,602
Capital campaign	34,950	48,867
Promises to give - perpetual	101,000	-
Other	-	64,522
Total promises to give	399,200	341,991
Less discount to net present value at 5%	(238)	(798)
Net promises to give	\$ 398,962	\$ 341,193

At June 30, 2019 and 2018, one donor accounted for approximately 66% and 67% of total promises to give.

The following summarizes scheduled receipts of promises to give at June 30, 2019.

Due by June 30,	
2020	\$ 394,200
2021	5,000
	\$ 399,200

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

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

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can access at the measurement date.

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

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

The following table presents assets measured at fair value on a recurring basis at June 30, 2019 and 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019</u>			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 403,774
<u>June 30, 2018</u>			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 400,981

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

The following is a reconciliation of activity for assets required to be measured at fair value that are based upon significant unobservable inputs (non-market) information for the years ended June 30, 2019 and 2018:

Balance at June 30, 2017	\$ 384,822
Adjustments to fair market value, net of distributions	<u>16,159</u>
Balance at June 30, 2018	400,981
Adjustments to fair market value, net of distributions	<u>2,793</u>
Balance at June 30, 2019	<u>\$ 403,774</u>

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

Net assets without donor restrictions are summarized as follows:

	<u>2019</u>	<u>2018</u>
Net investment in fixed assets	\$ 8,608,031	\$ 8,905,421
Net investment in food inventory value	2,096,232	2,315,210
Designated by Board		
Operating reserve	1,376,600	1,296,000
Capital reserve	150,000	-
Undesignated	206,007	401,505
	<u>\$ 12,436,870</u>	<u>\$ 12,918,136</u>

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

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

	2019	2018
Subject to expenditure for specified purpose		
BackPack program	\$ 728,065	\$ 692,691
Protein food purchases	264,735	228,715
Mobile food pantry	101,680	10,000
Sioux Falls food pantry	49,578	50,653
Rapid City collective impact - personnel expense	-	31,340
Rapid City mobile food pantry vehicles and consulting	-	89,297
Other	81,698	82,090
	1,225,756	1,184,786
Subject to the passage of time		
Community development block grant - Rapid City	116,375	120,458
Perpetual in nature		
Cash	44,500	-
Promises to give	101,000	-
Beneficial interest in assets held by community foundations in perpetuity	325,662	325,662
	\$ 1,813,293	\$ 1,630,906

Net assets were released from restrictions as follows during the years ending June 30, 2019 and 2018:

	2019	2018
Expiration of time restrictions	\$ 4,083	\$ 2,042
Satisfaction of purpose restrictions		
Mobile food pantry	89,297	25,000
BackPack program	-	16,963
Generator and security equipment	-	50,000
Rapid City collective impact - personnel expense	31,340	-
Other	28,210	52,532
	\$ 152,930	\$ 146,537

**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, 2019 and 2018, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2019 and 2018, this contribution was \$44,095 and \$42,214, respectively.

**Note 8 - Member Agreement**

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

**Note 9 - Capital Lease Obligation**

The Organization leases certain trash compactor equipment under a lease classified as a capital lease. The following is a schedule showing the future minimum lease payments under the capital lease by fiscal year and the present value of the minimum lease payments as of June 30, 2019. The interest rate related to the lease obligation is 5.24% and the maturity date is October 2021.

Years Ending June 30,	
2020	\$ 14,460
2021	14,460
2022	3,615
Total minimum lease payments	32,535
Less amount representing interest	(1,916)
Capital lease obligation	\$ 30,619
Capital lease obligation - current	\$ 13,168
Capital lease obligation - long-term	17,451
	\$ 30,619

Leased property under the capital lease at June 30, 2019 includes:

Equipment	\$ 63,477
Less accumulated depreciation	(34,913)
	\$ 28,564

**Note 10 - In Kind Donations**

Donated goods and services received are included as in-kind donations and commodities revenue on the statements of activities and consisted of the following for 2019 and 2018:

	2019	2018
Food and food discounts	\$ 19,040,417	\$ 15,224,320
Commodities	3,450,902	2,551,603
Fundraising	17,994	17,383
Professional services	17,759	32,224
Media	6,250	13,342
Capital items	-	40,945
Miscellaneous	42,156	32,020
	\$ 22,575,478	\$ 17,911,837

**Note 11 - Commitments and Contingencies**

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

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

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

In August 2017, the Organization was awarded \$122,500 of Community Development Block Grant (“CDBG”) funds from the City of Rapid City to rehabilitate its Rapid City facility to better serve the needs of the community. 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 revenue with donor restrictions in the period received due to time restriction.

**Note 12 - Adjustment Resulting from Change in Accounting Policy**

As disclosed in Note 1, the Organization adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of July 1, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Organization's June 30, 2018, financial statements.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
<b>Statement of Financial Position</b>			
<b>Net Assets</b>			
Unrestricted	\$ 12,918,136	\$ (12,918,136)	\$ -
Temporarily restricted	1,305,244	(1,305,244)	-
Permanently restricted	325,662	(325,662)	-
Without donor restrictions	-	12,918,136	12,918,136
With donor restrictions	-	1,630,906	1,630,906
<b>Statement of Activities</b>			
<b>Net Assets, Beginning of Year</b>			
Unrestricted	\$ 12,269,377	\$ (12,269,377)	\$ -
Temporarily restricted	1,198,771	(1,198,771)	-
Permanently restricted	325,662	(325,662)	-
Without donor restrictions	-	12,269,377	12,269,377
With donor restrictions	-	1,524,433	1,524,433
<b>Net Assets, End of Year</b>			
Unrestricted	12,918,136	(12,918,136)	-
Temporarily restricted	1,305,244	(1,305,244)	-
Permanently restricted	325,662	(325,662)	-
Without donor restrictions	-	12,918,136	12,918,136
With donor restrictions	-	1,630,906	1,630,906

Additionally, as disclosed in Note 1, the Organization adopted the provisions of ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash* as of July 1, 2018. Following is a summary of the effects of the change in accounting policy in the Organization's June 30, 2018, financial statements.

	As Previously Reported	Adoption of ASU 2016-18	As Adjusted
<b>Statement of Cash Flows</b>			
<b>Changes in operating assets and liabilities</b>			
Cash temporarily restricted by donors	\$ (5,096)	\$ 5,096	\$ -
Net Cash from Operating Activities	295,170	5,096	300,266
Net change in Cash and Cash Equivalents	297,148	5,096	302,244
Cash and Cash Equivalents, Beginning of Year	1,420,980	(1,420,980)	-
Cash and Cash Equivalents, End of Year	1,718,128	(1,718,128)	-
<b>Cash and Cash Equivalents and Restricted Cash, Beginning of Year</b>			
Cash, Beginning of Year	-	2,297,135	2,297,135
<b>Cash and Cash Equivalents and Restricted Cash, End of Year</b>			
Cash, End of Year	-	2,599,379	2,599,379