



Financial Statements  
June 30, 2021 and 2020  
**Feeding South Dakota**

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Financial Statements

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Feeding South Dakota (the Organization) which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2021 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 "Eric Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Sioux Falls, South Dakota  
December 8, 2021

Feeding South Dakota  
Statements of Financial Position  
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,555,929	\$ 5,016,666
Cash restricted by donors	1,152,772	1,393,200
Accounts receivable	69,929	56,135
Grants receivable	72,797	144,505
Promises to give - current	410,653	293,241
Food inventory	3,286,615	2,831,297
Prepaid expenses	70,404	75,419
Total current assets	12,619,099	9,810,463
Fixed Assets		
Land	1,676,309	1,676,309
Buildings	6,487,380	6,306,736
Furniture and equipment	1,987,157	1,850,777
Vehicles	1,704,960	1,430,280
	11,855,806	11,264,102
Accumulated depreciation	(3,098,792)	(2,659,762)
Total fixed assets	8,757,014	8,604,340
Other Assets		
Promises to give - long-term, net	53,000	24,100
Investments	3,881,525	-
Beneficial interest in assets held by community foundations	739,763	613,295
Total other assets	4,674,288	637,395
	\$ 26,050,401	\$ 19,052,198
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 145,732	\$ 417,116
Accrued expenses	207,565	224,085
Refundable donations	16,180	16,180
Capital lease obligation - current	3,575	13,876
Total current liabilities	373,052	671,257
Capital Lease Obligation - Long-Term	-	3,575
Total liabilities	373,052	674,832
Net Assets		
Without donor restrictions	23,041,537	16,013,610
With donor restrictions	2,635,812	2,363,756
Total net assets	25,677,349	18,377,366
	\$ 26,050,401	\$ 19,052,198

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public support						
Contributions	\$ 10,854,809	\$ 799,171	\$ 11,653,980	\$ 7,290,934	\$ 496,783	\$ 7,787,717
In-kind donations	14,028,561	-	14,028,561	18,821,592	-	18,821,592
United Way	257,258	-	257,258	348,817	7,493	356,310
Governmental fees and grants	595,784	-	595,784	507,331	78,923	586,254
Commodities program	15,548,004	45,444	15,593,448	7,275,457	150,428	7,425,885
Total public support	<u>41,284,416</u>	<u>844,615</u>	<u>42,129,031</u>	<u>34,244,131</u>	<u>733,627</u>	<u>34,977,758</u>
Revenue						
Handling fees	727,851	-	727,851	1,059,197	-	1,059,197
Net investment income	51,223	-	51,223	22,948	-	22,948
Gain (loss) on disposal of fixed assets	14,848	-	14,848	(11,617)	-	(11,617)
Distributions from and change in value of beneficial interest in assets held by community foundations	126,468	-	126,468	15,021	-	15,021
Other	17,606	-	17,606	12,076	-	12,076
Total revenue	<u>937,996</u>	<u>-</u>	<u>937,996</u>	<u>1,097,625</u>	<u>-</u>	<u>1,097,625</u>
Net assets released from restrictions						
Satisfaction of program restrictions	572,559	(572,559)	-	183,164	(183,164)	-
Total public support and revenue	<u>42,794,971</u>	<u>272,056</u>	<u>43,067,027</u>	<u>35,524,920</u>	<u>550,463</u>	<u>36,075,383</u>

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services						
Food Bank	9,488,663	-	9,488,663	10,436,046	-	10,436,046
Food Pantry	-	-	-	5,932,889	-	5,932,889
Commodity Food Programs	16,552,629	-	16,552,629	7,540,438	-	7,540,438
BackPack Program	608,003	-	608,003	626,459	-	626,459
School Food Pantry	229,719	-	229,719	330,357	-	330,357
Mobile Food Pantry	7,428,530	-	7,428,530	5,824,933	-	5,824,933
Total program services	34,307,544	-	34,307,544	30,691,122	-	30,691,122
Fundraising	806,130	-	806,130	745,515	-	745,515
General and administrative	653,370	-	653,370	511,543	-	511,543
Total expenses	35,767,044	-	35,767,044	31,948,180	-	31,948,180
Change in Net Assets	7,027,927	272,056	7,299,983	3,576,740	550,463	4,127,203
Net Assets, Beginning of Year	16,013,610	2,363,756	18,377,366	12,436,870	1,813,293	14,250,163
Net Assets, End of Year	<u>\$ 23,041,537</u>	<u>\$ 2,635,812</u>	<u>\$ 25,677,349</u>	<u>\$ 16,013,610</u>	<u>\$ 2,363,756</u>	<u>\$ 18,377,366</u>

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

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



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

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

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 7,299,983	\$ 4,127,203
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	568,025	507,179
Bad debt (recovery)	(9,858)	12,200
(Gain) loss on disposal of fixed assets	(14,848)	11,617
Gain on investments	(51,223)	-
Change in beneficial interest in assets held by community foundations	(126,468)	(15,021)
Change in discount on promises to give	(900)	662
Contributions restricted for capital assets	(464,157)	(435,514)
Contributions restricted - perpetual in nature	-	(50,000)
Commodities received	(15,593,448)	(7,425,885)
In-kind donations received	(14,028,561)	(18,779,975)
In-kind donations of fixed assets	-	(41,617)
Food distributed	28,115,448	24,639,991
Spoilage/due date disposals/waste	901,239	748,793
In-kind goods and services	208,893	71,547
Changes in operating assets and liabilities		
Accounts and grants receivable and promises to give	(82,640)	81,062
Purchased food inventory	(58,889)	(1,968)
Prepaid expenses	5,015	(9,456)
Accounts payable	(277,348)	133,534
Accrued expenses	(16,520)	56,716
Refundable advance	-	16,180
<b>Net Cash from Operating Activities</b>	<b>6,373,743</b>	<b>3,647,248</b>
Investing Activities		
Purchase of investments	(4,425,302)	-
Proceeds from sale of investments	595,000	-
Purchase of fixed assets	(726,622)	(283,654)
Proceeds from sale of fixed assets	5,700	-
Proceeds from insurance claim	21,035	15,500
Addition to beneficial interest in assets held by community foundations	-	(194,500)
<b>Net Cash used for Investing Activities</b>	<b>(4,530,189)</b>	<b>(462,654)</b>

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2021 and 2020

	2021	2020
Financing Activities		
Principal payments on capital lease obligation	(13,876)	(13,168)
Collection of contributions restricted for		
Building	5,000	18,750
Capital assets	464,157	435,514
Perpetuity	-	150,000
Net Cash from Financing Activities	455,281	591,096
Net Change in Cash and Cash Equivalents and Restricted Cash	2,298,835	3,775,690
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	6,409,866	2,634,176
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 8,708,701	\$ 6,409,866
Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents	\$ 7,555,929	\$ 5,016,666
Cash restricted by donors	1,152,772	1,393,200
	\$ 8,708,701	\$ 6,409,866
Supplemental Disclosure of Cash Flow Information and Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 72,258	\$ 66,294
Cash paid for interest	582	1,292

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

### **Organization**

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

The Organization's food banks distribute surplus food through its three distribution centers in Sioux Falls, Rapid City and Pierre. The food is distributed to not-for-profit organizations that operate food service or nutrition programs throughout the state of South Dakota. The food pantries distribute food directly to individuals in need at the Organization's pantries located in Sioux Falls and Rapid City. In June 2020, the Organization announced that its food pantries would be permanently closed as the mobile food pantry distribution model was determined to be a more effective way to better serve individuals and families in need.

The Organization administers USDA commodity food programs for the state of South Dakota. The Emergency Food Assistance Program (TEFAP) provides commodity food items to qualified emergency food programs and the Commodity Supplemental Food Program (CSFP) provides food boxes to low-income seniors. In addition, the Organization started administering the Coronavirus Food Assistance Program (CFAP) in May 2020. This program was designed to help ranchers, farmers, and producers with excess product due to the pandemic. The Organization received commodity food items from three producers and distributed the food through their food banks and mobile food pantries.

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, 2021 and 2020, the allowance was \$0. The Organization's accounts receivable as of July 1, 2019 was \$81,469.

**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, 2021 and 2020, the allowance was \$0.

**Investments**

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

**Food Inventory**

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

	2021	2020
Donated food and non-food items	\$1.79 per pound	\$1.74 per pound
USDA commodities	\$1.70 per pound	\$1.49 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, 2021 and 2020.

### 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 \$4,903,397 and \$3,275,354 as of June 30, 2021 and 2020, respectively.

Distributions received totaled \$115,934 and \$101,176 for the years ended June 30, 2021 and 2020, respectively. Distributions from the designated funds to the Organization are in accordance with distribution policies for perpetual funds adopted by the Foundation. These endowment funds are not recorded on the Organization's statements of financial position as the endowments represent restricted net assets of the Foundation.

### **Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations. The Board has approved a policy to designate a three-month operating reserve and a capital reserve. The Board designated operating reserve as of June 30, 2021 and 2020 was approximately \$1,493,300 and \$1,495,200, respectively. The Board designated capital reserve as of June 30, 2021 and 2020 was \$150,000.

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

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

### **Revenue Recognition**

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

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2021 and 2020, refundable donations approximating \$16,000 have not been recognized in the accompanying statements of activities because the event on which they depend has not yet been held. Additionally, United Way pledges approximating \$35,000 and \$470,000 for the years ended June 30, 2021 and 2020, respectively, have not been recognized in the accompanying statements of activities because the condition on which they depend has not yet been met. The full amount of the United Way pledges are dependent on the donor agency meeting certain fundraising goals.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. As of June 30, 2021 and 2020, no refundable advances have been recorded.

#### **Fund Raising Costs**

Fund raising costs are expensed as incurred.

#### **Allocation of Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain salaries, related benefits, and payroll taxes 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, insurance and taxes, vehicle expense 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. 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.

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

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable, grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, organizations and other individuals supportive of the Organization's mission. Investments are made up of diversified investment managers whose performance is monitored by management and the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the board of directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

### Employee Benefits

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

### Change in Accounting Principle

As of July 1, 2020, the Organization has adopted Accounting Standards Update (ASU) No. 2018-13 – *Fair Value Measurement (Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU changes certain disclosure requirements related to the fair value measurements of assets. Management adopted this ASU to simplify the fair value disclosures.

### Subsequent Events

Subsequent events have been evaluated through December 8, 2021, 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:

	2021	2020
Cash and cash equivalents	\$ 5,912,629	\$ 3,371,466
Accounts receivable	69,929	56,135
Grants receivables	72,797	144,505
Promises to give	2,826	58,132
	<u>\$ 6,058,181</u>	<u>\$ 3,630,238</u>

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 \$1,493,300 and \$1,495,200 as of June 30, 2021 and 2020, respectively. The Board has also established a capital reserve for future capital expenditures not covered by grants or donor-designated funds which was \$150,000 as of June 30, 2021 and 2020. 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, 2021 and 2020:

	2021	2020
South Dakota Cattlemen's Foundation	\$ 253,827	\$ 135,109
Avera Health	160,000	-
Capital campaign	-	5,000
Donor pledges for pork purchases	-	75,000
Other	49,826	103,132
 Total promises to give	 463,653	 318,241
Less discount to net present value at 5%	-	(900)
 Net promises to give	 \$ 463,653	 \$ 317,341

At June 30, 2021 and 2020, two donors accounted for approximately 89% and 66% of total promises to give.

The following summarizes scheduled receipts of promises to give at June 30, 2021.

	Due by June 30,
2022	\$ 410,653
2023	53,000
	\$ 463,653

**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, 2021 and 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2021</u>			
Investments			
Domestic Equity Securities			
Small cap	\$ 53,101	\$ -	\$ -
Mid-cap	62,345	-	-
Large cap	113,069	-	-
Bonds			
U.S. Treasury	1,484,795	-	-
Government	-	164,436	-
Corporate	-	235,424	-
Aggregate	-	1,768,355	-
Total investments	<u>\$ 1,713,310</u>	<u>\$ 2,168,215</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 739,763</u>
<u>June 30, 2020</u>			
Beneficial interest in assets held by community foundations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,295</u>

A significant portion of investment assets are classified within Level 1 because they comprise open-end securities and U.S. Treasury bonds with readily determinable fair values based on daily redemption values. The Organization invests in government, corporate, and aggregate bonds which are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. 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, 2021 and 2020:

Balance at June 30, 2019	\$ 403,774
Total gains or losses	
Included in change in net assets, net of fees	15,021
Purchases and sales	
Purchases (contributions to the CF)	194,500
Balance at June 30, 2020	613,295
Total gains or losses	
Included in change in net assets, net of fees	126,468
Balance at June 30, 2021	\$ 739,763

There were no transfers into or out of Level 3.

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

Net assets without donor restrictions are summarized as follows:

	2021	2020
Net investment in fixed assets	\$ 8,565,416	\$ 8,393,173
Net investment in food inventory value	3,090,743	2,680,869
Designated by Board		
Operating reserve	1,493,300	1,495,200
Capital reserve	150,000	150,000
Undesignated	9,742,078	3,294,368
	\$ 23,041,537	\$ 16,013,610

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

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

	2021	2020
Subject to expenditure for specified purpose		
BackPack program	\$ 478,294	\$ 670,395
Protein food purchases	253,892	285,109
Truck purchases	251,538	190,000
Multi-donor strategic capacity grant	227,700	-
Commodity Supplemental Food Program (CSFP)	195,872	150,428
Mobile food pantry	160,000	700
Holiday food drive	103,907	34,121
COVID-19 food spending grants	58	108,833
Other	255,964	208,710
	1,927,225	1,648,296
Subject to the passage of time		
Community development block grant - Rapid City	188,425	195,298
Perpetual in nature		
Beneficial interest in assets held by community foundations in perpetuity	520,162	520,162
	\$ 2,635,812	\$ 2,363,756

Net assets were released from restrictions as follows during the years ending June 30, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
BackPack program	\$ 192,101	\$ 57,670
Trucks - Rapid City and Pierre	188,462	-
Mobile food pantry	700	100,980
COVID-19 specific expenses	68,521	-
Protein, pork, and dairy products	71,471	-
Other	51,304	24,514
	\$ 572,559	\$ 183,164

**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, 2021 and 2020, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2021 and 2020, this contribution was \$48,702 and \$45,859, respectively.

**Note 8 - Member Agreement**

The Organization renewed its member agreement with Feeding America through February 28, 2023. The purpose of the contract is to establish the Organization's membership in the national Network of Feeding America, provide definition and guidance for the business relationship between the Organization and Feeding America, foster a cooperative spirit, and improve the capacity of the Network to provide solutions to the problem of hunger in America.

**Note 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, 2021. The interest rate related to the lease obligation is 5.24% and the maturity date is October 2021.

Years Ending June 30,	
2022	\$ 3,615
Total minimum lease payments	3,615
Less amount representing interest	(40)
Capital lease obligation	\$ 3,575
Capital lease obligation - current	\$ 3,575

Leased property under the capital lease at June 30, 2021 includes:

Equipment	\$ 63,477
Less accumulated depreciation	(60,304)
	\$ 3,173

**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 2021 and 2020:

	2021	2020
Food and food discounts	\$ 13,817,393	\$ 18,695,995
Commodities	15,593,448	7,425,885
Professional services	33,926	20,758
Capital items	-	41,617
Building and trailer rentals	24,125	22,367
Miscellaneous	153,117	40,855
	\$ 29,622,009	\$ 26,247,477

**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
		\$ 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.

Subsequent to year end, the Organization executed contracts relating to the purchase of two freightliner trucks and Rapid City office renovations. Total commitments under these contracts are approximately \$372,000 and \$65,000, respectively, for the year ending June 30, 2022. The Organization will satisfy these commitments from restricted funds and general operating funds.

The ongoing coronavirus pandemic has continued to cause significant uncertainty, volatility, and disruption across economies and financial markets. The Organization has seen an increased demand for services as well as an increase in contributions in response to the pandemic. The Organization continues to closely monitor its operations, capital resources, and the impact of the pandemic on all aspects of the Organization, including suppliers, vendors, employees and those it serves. As of the date of issuance of these financial statements, the full impact to the Organization is not known.