



Financial Statements
June 30, 2015 and 2014

Feeding South Dakota

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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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feeding South Dakota as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2015 on our consideration of Feeding South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Feeding South Dakota's internal control over financial reporting and compliance.

Handwritten signature of Erik Sallie LLP in cursive script.

Sioux Falls, South Dakota
October 20, 2015

Feeding South Dakota
Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,660,178	\$ 1,093,734
Cash temporarily restricted by donors	2,763,012	1,558,805
Investments - marketable securities	1,071,187	1,070,320
Accounts receivable	78,630	69,092
Grants receivable	105,613	56,171
Contributions receivable - current	510,644	120,566
Food inventory	1,963,403	2,140,348
Prepaid expenses	40,930	27,337
Total current assets	8,193,597	6,136,373
Fixed Assets		
Land	697,776	395,457
Buildings	2,892,856	2,537,531
Furniture and equipment	921,410	804,600
Vehicles	618,111	502,104
Construction in process	262,862	-
	5,393,015	4,239,692
Accumulated depreciation	(1,404,948)	(1,333,355)
Total fixed assets	3,988,067	2,906,337
Other Assets		
Contributions receivable - long-term	152,851	6,500
Investments, long-term	100,973	100,615
Assets held for sale	470,094	242,985
Beneficial interest in assets held by community foundations	367,075	367,767
Total other assets	1,090,993	717,867
Total assets	\$ 13,272,657	\$ 9,760,577
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 274,184	\$ 68,871
Earnest money deposits held	50,000	10,000
Accrued expenses	120,427	93,775
Total current liabilities	444,611	172,646
Net Assets		
Unrestricted	9,156,280	7,544,187
Temporarily restricted	3,346,104	1,728,082
Permanently restricted	325,662	315,662
Total net assets	12,828,046	9,587,931
Total liabilities and net assets	\$ 13,272,657	\$ 9,760,577

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Public support				
Contributions	\$ 2,529,485	\$ 173,719	\$ 10,000	\$ 2,713,204
In-kind donations	16,940,186	-	-	16,940,186
United Way	375,211	-	-	375,211
Governmental fees and grants	375,608	17,574	-	393,182
Commodities program	2,417,412	-	-	2,417,412
Capital campaign	1,637,961	1,485,922	-	3,123,883
Total public support	<u>24,275,863</u>	<u>1,677,215</u>	<u>10,000</u>	<u>25,963,078</u>
Revenue				
Handling fees	1,016,456	-	-	1,016,456
Net investment income	(1,460)	-	-	(1,460)
Gain (loss) on disposal of fixed assets	311,368	-	-	311,368
Change in beneficial interest in assets held by community foundations	(10,692)	-	-	(10,692)
Other	6,951	-	-	6,951
Total revenue	<u>1,322,623</u>	<u>-</u>	<u>-</u>	<u>1,322,623</u>
Net assets released from restrictions				
Satisfaction of program restrictions	59,193	(59,193)	-	-
Total public support, revenue and reclassifications	<u>25,657,679</u>	<u>1,618,022</u>	<u>10,000</u>	<u>27,285,701</u>
Expenses				
Program services				
Food Bank - Sioux Falls	9,825,526	-	-	9,825,526
Food Pantry - Sioux Falls	1,746,449	-	-	1,746,449
Food Bank - Rapid City	3,755,997	-	-	3,755,997
Food Pantry - Rapid City	2,044,260	-	-	2,044,260
Food Bank - Pierre	1,069,802	-	-	1,069,802
Emergency Food and Shelter	33,011	-	-	33,011
Commodity Food Programs	2,849,387	-	-	2,849,387
BackPack Program	876,232	-	-	876,232
Mobile Food Pantry	830,945	-	-	830,945
Total program services	<u>23,031,609</u>	<u>-</u>	<u>-</u>	<u>23,031,609</u>
Fundraising	694,256	-	-	694,256
General and administrative	319,721	-	-	319,721
Total expenses	<u>24,045,586</u>	<u>-</u>	<u>-</u>	<u>24,045,586</u>
Change in Net Assets	1,612,093	1,618,022	10,000	3,240,115
Net Assets, Beginning of Year	<u>7,544,187</u>	<u>1,728,082</u>	<u>315,662</u>	<u>9,587,931</u>
Net Assets, End of Year	<u>\$ 9,156,280</u>	<u>\$ 3,346,104</u>	<u>\$ 325,662</u>	<u>\$ 12,828,046</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Activities
Years Ended June 30, 2015 and 2014

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,800,531	\$ 143,395	\$ -	\$ 1,943,926
17,573,739	-	-	17,573,739
350,096	1,517	-	351,613
380,984	-	-	380,984
2,484,748	-	-	2,484,748
<u>1,835,570</u>	<u>876,816</u>	<u>-</u>	<u>2,712,386</u>
<u>24,425,668</u>	<u>1,021,728</u>	<u>-</u>	<u>25,447,396</u>
1,049,205	-	-	1,049,205
136,480	-	-	136,480
(5,654)	-	-	(5,654)
8,526	35,494	-	44,020
<u>13,440</u>	<u>-</u>	<u>-</u>	<u>13,440</u>
<u>1,201,997</u>	<u>35,494</u>	<u>-</u>	<u>1,237,491</u>
<u>1,666</u>	<u>(1,666)</u>	<u>-</u>	<u>-</u>
<u>25,629,331</u>	<u>1,055,556</u>	<u>-</u>	<u>26,684,887</u>
10,492,581	-	-	10,492,581
1,911,589	-	-	1,911,589
3,391,376	-	-	3,391,376
1,948,998	-	-	1,948,998
1,127,379	-	-	1,127,379
33,406	-	-	33,406
2,639,460	-	-	2,639,460
829,527	-	-	829,527
<u>904,315</u>	<u>-</u>	<u>-</u>	<u>904,315</u>
23,278,631	-	-	23,278,631
556,242	-	-	556,242
<u>290,730</u>	<u>-</u>	<u>-</u>	<u>290,730</u>
<u>24,125,603</u>	<u>-</u>	<u>-</u>	<u>24,125,603</u>
1,503,728	1,055,556	-	2,559,284
<u>6,040,459</u>	<u>672,526</u>	<u>315,662</u>	<u>7,028,647</u>
<u>\$ 7,544,187</u>	<u>\$ 1,728,082</u>	<u>\$ 315,662</u>	<u>\$ 9,587,931</u>

	Program Service				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Pierre Food Bank
Salaries	\$ 245,494	\$ 140,635	\$ 181,345	\$ 85,121	\$ 94,990
Payroll taxes	19,486	11,163	14,394	6,756	7,540
Employee benefits	52,836	30,268	39,030	18,320	20,444
Total salaries and related benefits	<u>317,816</u>	<u>182,066</u>	<u>234,769</u>	<u>110,197</u>	<u>122,974</u>
Food and transportation costs	493,355	1,636	220,345	1,665	140,170
Backpack food	-	-	-	-	-
Supplies	-	-	-	-	-
Lease/rent expense	16,799	4,169	-	-	-
Utilities	24,132	8,817	32,330	4,022	8,044
Repairs and maintenance	42,471	15,049	24,944	7,112	12,302
Insurance and taxes	11,904	2,899	9,156	671	4,371
Computer/software costs	16,009	3,938	9,627	2,006	4,887
Postage	6,229	208	3,691	-	2,133
Printing and promotions	5,131	1,161	2,753	752	1,261
Telephone	3,412	1,120	2,522	299	1,197
Conferences	1,536	23	1,426	187	734
Travel	8,987	545	5,928	293	5,195
Vehicle operating costs	57,148	9,344	17,805	3,453	21,155
Professional fees	11,318	569	8,653	-	9,402
Awards and gifts	6,494	15	6,488	-	3,251
Dues and subscriptions	5,877	14	3,278	-	806
Miscellaneous	7,918	155	1,613	124	527
Depreciation	56,618	4,154	45,695	15,232	32,155
Overhead allocation	(129,761)	(5,185)	(26,633)	(12,250)	(96,686)
Total expenses before donated goods and services	<u>963,393</u>	<u>230,697</u>	<u>604,390</u>	<u>133,763</u>	<u>273,878</u>
In-kind goods and services used	165,346	5,238	6,110	934	112
Food donations distributed	8,536,148	1,328,524	3,107,051	1,611,442	744,655
Spoilage/due date disposals/waste	160,639	181,990	38,446	298,121	51,157
Total donated goods and services	<u>8,862,133</u>	<u>1,515,752</u>	<u>3,151,607</u>	<u>1,910,497</u>	<u>795,924</u>
Total expenses	<u>\$ 9,825,526</u>	<u>\$ 1,746,449</u>	<u>\$ 3,755,997</u>	<u>\$ 2,044,260</u>	<u>\$ 1,069,802</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Functional Expenses
Year Ended June 30, 2015

Emergency Food and Shelter	Program Service			Total	Fundraising	General and Administration	Total FY 2015
	Commodity Food Programs	BackPack Program	Mobile Food Pantry				
\$ 1,393	\$ 15,495	\$ 59,592	\$ 9,438	\$ 833,503	\$ 222,055	\$ 264,000	\$ 1,319,558
-	-	-	-	59,339	17,625	20,955	97,919
-	-	-	-	160,898	47,791	56,818	265,507
<u>1,393</u>	<u>15,495</u>	<u>59,592</u>	<u>9,438</u>	<u>1,053,740</u>	<u>287,471</u>	<u>341,773</u>	<u>1,682,984</u>
7,161	59,770	-	60,209	984,311	-	-	984,311
16,619	-	637,127	-	653,746	-	-	653,746
-	16,620	-	-	16,620	-	9,185	25,805
-	-	-	-	20,968	-	-	20,968
-	-	-	-	77,345	-	7,185	84,530
-	-	821	376	103,075	-	9,575	112,650
-	-	-	1,519	30,520	-	2,835	33,355
-	-	-	-	36,467	-	3,388	39,855
-	-	-	-	12,261	39,955	3,338	55,554
-	-	-	-	11,058	197,225	3,011	211,294
-	-	-	-	8,550	2,539	3,019	14,108
-	-	-	-	3,906	-	1,064	4,970
-	-	-	-	20,948	-	5,703	26,651
-	-	-	13,333	122,238	-	-	122,238
-	-	-	-	29,942	138,853	10,574	179,369
-	-	-	-	16,248	8,509	340	25,097
-	-	-	-	9,975	-	176	10,151
-	-	-	-	10,337	4,377	4,733	19,447
-	-	-	-	153,854	-	14,292	168,146
<u>7,838</u>	<u>209,804</u>	<u>94,022</u>	<u>66,571</u>	<u>107,720</u>	<u>-</u>	<u>(107,720)</u>	<u>-</u>
<u>33,011</u>	<u>301,689</u>	<u>791,562</u>	<u>151,446</u>	<u>3,483,829</u>	<u>678,929</u>	<u>312,471</u>	<u>4,475,229</u>
-	-	-	-	177,740	15,327	7,250	200,317
-	2,547,627	84,670	679,499	18,639,616	-	-	18,639,616
-	71	-	-	730,424	-	-	730,424
<u>-</u>	<u>2,547,698</u>	<u>84,670</u>	<u>679,499</u>	<u>19,547,780</u>	<u>15,327</u>	<u>7,250</u>	<u>19,570,357</u>
<u>\$ 33,011</u>	<u>\$ 2,849,387</u>	<u>\$ 876,232</u>	<u>\$ 830,945</u>	<u>\$ 23,031,609</u>	<u>\$ 694,256</u>	<u>\$ 319,721</u>	<u>\$ 24,045,586</u>

	Program Service				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Pierre Food Bank
Salaries	\$ 190,232	\$ 141,070	\$ 163,513	\$ 71,604	\$ 80,153
Payroll taxes	15,161	11,243	13,031	5,706	6,388
Employee benefits	43,902	32,557	37,736	16,525	18,498
Total salaries and related benefits	249,295	184,870	214,280	93,835	105,039
Food and transportation costs	446,355	6,717	170,975	431	89,682
Backpack food	-	-	-	-	-
Supplies	-	-	-	-	-
Lease/rent expense	1,482	-	-	-	-
Utilities	24,883	15,239	33,406	3,788	8,782
Repairs and maintenance	34,321	17,029	20,697	4,367	10,916
Insurance and taxes	8,870	3,000	7,783	646	4,483
Computer/software costs	15,136	1,359	9,638	664	4,803
Postage	5,427	270	2,793	10	1,512
Printing and promotions	4,239	585	1,068	1,255	647
Telephone	3,204	545	2,367	299	1,053
Conferences	1,415	207	1,277	141	243
Travel	7,395	1,015	7,286	-	2,429
Vehicle operating costs	50,893	8,382	12,570	2,790	36,857
Professional fees	11,113	1,300	4,277	-	4,277
Awards and gifts	303	178	604	-	161
Dues and subscriptions	4,386	-	3,311	5	744
Interest	623	-	35,755	-	-
Miscellaneous	6,709	53	3,192	348	232
Depreciation	44,262	4,683	42,751	14,200	45,168
Overhead allocation	(121,375)	(4,691)	(29,013)	(9,608)	(105,286)
Total expenses before donated goods and services	798,936	240,741	545,017	113,171	211,742
In-kind goods and services used	165,241	1,359	5,346	682	-
Food donations distributed	9,314,430	1,526,939	2,678,325	1,714,731	836,286
Spoilage/due date disposals/waste	213,974	142,550	162,688	120,414	79,351
Total in-kind expenses	9,693,645	1,670,848	2,846,359	1,835,827	915,637
Total expenses	\$ 10,492,581	\$ 1,911,589	\$ 3,391,376	\$ 1,948,998	\$ 1,127,379

See Notes to Financial Statements

Feeding South Dakota
Statements of Functional Expenses
Year Ended June 30, 2014

Program Service				Total	Fundraising	General and Administration	Total FY14
Emergency Food and Shelter	Commodity Food Programs	BackPack Program	Mobile Food Pantry				
\$ 1,305	\$ 15,548	\$ 57,721	\$ 9,734	\$ 730,880	\$ 188,093	\$ 234,048	\$ 1,153,021
-	-	-	-	51,529	14,990	18,652	85,171
-	-	-	-	149,218	43,409	54,015	246,642
<u>1,305</u>	<u>15,548</u>	<u>57,721</u>	<u>9,734</u>	<u>931,627</u>	<u>246,492</u>	<u>306,715</u>	<u>1,484,834</u>
10,130	59,285	-	24,708	808,283	-	-	808,283
7,687	-	626,278	-	633,965	-	-	633,965
-	33,396	-	-	33,396	-	7,500	40,896
-	-	-	-	1,482	-	-	1,482
-	-	-	-	86,098	-	6,481	92,579
-	-	-	-	87,330	-	6,573	93,903
-	-	-	1,076	25,858	-	1,946	27,804
-	-	-	-	31,600	-	2,379	33,979
-	-	-	-	10,012	44,241	2,807	57,060
-	-	-	-	7,794	108,021	2,185	118,000
-	-	-	-	7,468	2,173	2,704	12,345
-	-	-	-	3,283	-	920	4,203
-	-	-	-	18,125	-	5,082	23,207
-	-	-	15,099	126,591	-	-	126,591
-	-	-	-	20,967	139,703	7,590	168,260
-	-	-	-	1,246	4,188	349	5,783
-	-	-	-	8,446	-	115	8,561
-	-	-	-	36,378	-	-	36,378
-	-	-	-	10,534	5,188	4,988	20,710
-	-	-	-	151,064	-	11,370	162,434
<u>14,284</u>	<u>177,870</u>	<u>88,215</u>	<u>68,578</u>	<u>78,974</u>	<u>-</u>	<u>(78,974)</u>	<u>-</u>
<u>33,406</u>	<u>286,099</u>	<u>772,214</u>	<u>119,195</u>	<u>3,120,521</u>	<u>550,006</u>	<u>290,730</u>	<u>3,961,257</u>
-	-	-	-	172,628	6,236	-	178,864
-	2,349,524	57,313	785,120	19,262,668	-	-	19,262,668
-	3,837	-	-	722,814	-	-	722,814
<u>-</u>	<u>2,353,361</u>	<u>57,313</u>	<u>785,120</u>	<u>20,158,110</u>	<u>6,236</u>	<u>-</u>	<u>20,164,346</u>
<u>\$ 33,406</u>	<u>\$ 2,639,460</u>	<u>\$ 829,527</u>	<u>\$ 904,315</u>	<u>\$ 23,278,631</u>	<u>\$ 556,242</u>	<u>\$ 290,730</u>	<u>\$ 24,125,603</u>

Feeding South Dakota
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ 3,240,115	\$ 2,559,284
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	168,146	162,434
(Gain) loss on sale of fixed assets	(311,368)	5,654
Bad debt expense	1,082	1,175
Change in fair market value of financial assets	62,621	(136,717)
Change in discount on contributions receivable	12,116	-
Commodities received	(2,417,412)	(2,484,748)
In-kind donations received	(16,903,910)	(17,570,564)
In-kind donations of fixed assets	(36,276)	(3,175)
Food distributed to agencies	18,639,616	19,262,668
Spoilage/due date disposals/waste	730,424	722,814
In-kind goods and services	200,317	178,864
Contributions restricted to building projects	(491,192)	-
Changes in operating assets and liabilities		
Accounts and grants receivable	(117,415)	(5,078)
Purchased food inventory	(72,090)	31,630
Prepaid expenses	(13,593)	(14,098)
Cash temporarily restricted by donors	(62,204)	(27,415)
Accounts payable	70,156	(11,670)
Accrued expenses	26,652	17,506
Net Cash from Operating Activities	2,725,785	2,688,564
Investing Activities		
Purchase of fixed assets	(1,549,279)	(28,158)
Proceeds from sale of fixed assets	545,095	5,500
Earnest money deposits held	50,000	10,000
Purchase of investments	(271,223)	(384,678)
Proceeds from sale of investments	218,069	307,796
Addition to cash restricted to building project	(1,142,003)	(865,581)
Contributions restricted to endowment	(10,000)	-
Net Cash used for Investing Activities	(2,159,341)	(955,121)
Financing Activities		
Principal payments on long-term debt	-	(1,166,026)
Net Change in Cash and Cash Equivalents	566,444	567,417
Cash and Cash Equivalents, Beginning of Year	1,093,734	526,317
Cash and Cash Equivalents, End of Year	\$ 1,660,178	\$ 1,093,734
Supplemental Disclosure of Cash Flow Information and Non-cash Investing and Financing Activity		
Cash paid during the period for interest	\$ -	\$ 40,751
Accounts payable for property and equipment	\$ 135,157	\$ -

See Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

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

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

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

Contributions Receivable

Feeding South Dakota 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. Contributions receivable amounts are reflected net of an allowance for uncollectible amounts based on management's judgment, past payment experience and other relevant factors.

Food Inventory

The Organization maintains an inventory consisting of donated and purchased food items. The donated product received and distributed by the Organization during the year has been valued and recorded in the accompanying financial statements at the estimated weighted average wholesale amount per pound as determined by Feeding America, a national consortium of regional food banks. Product is tracked using the first-in, first-out method.

Investments

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

Fixed Assets

Land, buildings, and equipment purchases over \$1,000 are capitalized by the Organization and are recorded at cost. The fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method using the lives as shown below. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Buildings	40 years
Furniture and equipment	3-20 years
Vehicles	5 years

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations contributions of property and equipment are recorded as unrestricted support.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. The Board has approved a policy to designate a three-month operating reserve. Unrestricted board designated operating reserve as of June 30, 2015 and 2014, was approximately \$1,077,000 and \$950,000, respectively.

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

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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

Allocation of Functional Expenses

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

Contributions

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Donor restricted contributions whose restrictions are met within the same fiscal year as received are reflected as unrestricted contributions in the statements of activities.

Donated Materials and Services

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

Fund Raising Costs

Fund raising costs are expensed as incurred.

Income Taxes

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

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and those estimates could be material.

Employee Benefits

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

Financial Instruments and Credit Risk

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

Fair Value Measurements

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

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

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

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

Shipping and Handling Costs

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

Reclassifications

Certain fiscal 2014 amounts have been reclassified to conform to the 2015 financial statement presentation. The reclassifications had no impact on previously reported net assets.

Note 2 - Contributions Receivable

The following summarizes contributions receivable at June 30, 2015 and 2014:

	2015	2014
South Dakota Cattlemen's Foundation	\$ 173,184	\$ 115,831
Capital campaign	502,427	11,235
Total contributions receivable	675,611	127,066
Less discount to net present value at 5%	(12,116)	-
Net contributions receivable	\$ 663,495	\$ 127,066

At June 30, 2015, two donors accounted for approximately 40% of total contributions receivable.

The following summarizes scheduled receipts of contributions receivable at June 30, 2015.

Due by June 30:

2016		\$ 510,644
2017		89,983
2018		56,984
2019		16,000
2020		2,000
		\$ 675,611

Note 3 - Investments

The following summarizes investments by major investment type at June 30, 2015 and 2014:

	2015	2014
Certificates of deposit	\$ 100,973	\$ 100,615
Mutual funds - debt securities	387,615	391,267
Mutual funds - equity securities	478,428	470,357
Common stock	205,144	208,696
	1,172,160	1,170,935
Long term investments	(100,973)	(100,615)
Investments, current	\$ 1,071,187	\$ 1,070,320

Net investment return consists of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Interest and dividends	\$ 50,469	\$ 43,783
Unrealized (loss) gain	(51,929)	92,697
	\$ (1,460)	\$ 136,480

Note 4 - Beneficial Interest in Assets Held by Community Foundations

Agency Fund

During 2012, the Organization established various permanent endowment funds (the Funds) with Sioux Falls Area Community Foundation, Black Hills Area Community Foundation and South Dakota Community Foundation and named itself beneficiary. The Organization granted variance power to the community foundations which allows them to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the respective community foundation’s Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. In addition, the Organization is the beneficiary of a legacy gift which is invested with Sioux Falls Area Community Foundation and to which the donor did not grant variance power. The Funds are held and invested by the community foundations for the benefit of Feeding South Dakota, and are reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities. The aggregate current market value of such transfers, plus income or losses and less distributions and fees was \$367,075 and \$367,767 at June 30, 2015 and 2014, respectively, and is reflected in the Organization's assets as beneficial interest in assets held by community foundations.

Designated Fund

In December 2014, a \$1,000,000 endowment fund was established by an outside donor with the South Dakota Community Foundation (“Foundation”) that names Feeding South Dakota as the designated beneficiary of distributions from the endowment. Distributions to the Organization are in accordance with distribution policies for permanent funds adopted by the Foundation. The endowment represents restricted net assets of the Foundation, and the Organization recognizes unrestricted revenue from the endowment as it is received. The balance of the fund with the Foundation was \$993,633 as of June 30, 2015.

Note 5 - Fair Value of Assets and Liabilities

Assets measured at fair value on a recurring basis at June 30, 2015 and 2014, respectively, are as follows:

	2015	2014
Certificates of deposit	\$ 100,973	\$ 100,615
Beneficial interest in assets held by community foundations	367,075	367,767
Mutual funds - debt securities	387,615	391,267
Mutual funds - equity securities	478,428	470,357
Common stock	205,144	208,696
	<u>\$ 1,539,235</u>	<u>\$ 1,538,702</u>

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2015			
Certificates of deposit	\$ -	\$ 100,973	\$ -
Beneficial interest in assets held by community foundations	-	-	367,075
Mutual funds - debt securities	387,615	-	-
Mutual funds - equity securities	478,428	-	-
Common stock	205,144	-	-
	<u>\$ 1,071,187</u>	<u>\$ 100,973</u>	<u>\$ 367,075</u>
June 30, 2014			
Certificates of deposit	\$ -	\$ 100,615	\$ -
Beneficial interest in assets held by community foundations	-	-	367,767
Mutual funds - debt securities	391,267	-	-
Mutual funds - equity securities	470,357	-	-
Common stock	208,696	-	-
	<u>\$ 1,070,320</u>	<u>\$ 100,615</u>	<u>\$ 367,767</u>

A significant portion of the Organization's investment assets are classified as Level 1 because they are comprised of open-ended mutual funds or common stocks with readily determinable fair values based on daily redemption values. The certificates of deposit are valued by the custodian 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. These are considered to be Level 3 measurements.

Following is a reconciliation of activity for assets required to be measured at fair value that are based upon significant unobservable (non-market) information for the years ended June 30, 2015 and 2014:

Balance at June 30, 2013	\$ 323,747
Adjustments to fair market value	<u>44,020</u>
Balance at June 30, 2014	367,767
Contributions	10,000
Adjustments to fair market value	<u>(10,692)</u>
Balance at June 30, 2015	<u><u>\$ 367,075</u></u>

Note 6 - Assets Held for Sale

On August 22, 2014, Feeding South Dakota entered into a purchase agreement to sell its real property located at 2900 Airport Road in Pierre, South Dakota at an estimated gain of \$150,000. The closing date of the sale is eighteen months from the purchase agreement execution date of August 22, 2014. Feeding South Dakota may exercise up to two months rental of the property after the closing date.

In September 2013, the Organization entered into a purchase agreement to sell its real property located at 417 N. Phillips Avenue in Sioux Falls, South Dakota. The closing of the sale was completed on December 15, 2014. The realized gain on the sale of these assets totaled approximately \$311,000.

Note 7 - Restrictions on Net Assets

Temporarily restricted net assets represent donor restricted funds for specific program expenses and fixed asset acquisitions. Following are the temporarily restricted net assets available for the following purposes:

	2015	2014
BackPack program	\$ 737,395	\$ 634,985
Mobile food pantry	6,090	29,998
Capital campaign	2,362,738	876,816
Sioux Falls food pantry	32,180	42,211
Other	<u>207,701</u>	<u>144,072</u>
	<u><u>\$ 3,346,104</u></u>	<u><u>\$ 1,728,082</u></u>

Net assets were released from restrictions as follows during the years ending June 30, 2015 and 2014:

	2015	2014
Satisfaction of purpose restrictions		
Sioux Falls food pantry	\$ 10,031	\$ -
Mobile food pantry	23,908	-
BackPack program	-	1,666
Other	25,254	-
	\$ 59,193	\$ 1,666

Note 8 - Contingent Liability

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 from 1991 and 1992 were amended in December 2014 and transferred to the existing property.

Note 9 - Commitments

On April 30, 2015, the Organization entered into an agreement with a construction contractor related to the construction of a facility on land that was purchased during the year in Hughes County. The uncompleted contract balance as of June 30, 2015 is \$1,348,000.

Note 10 - 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, 2015 and 2014, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2015 and 2014, this contribution was \$35,134 and \$32,514, respectively.

Note 11 - Member Agreement

The Organization renewed its member agreement with Feeding America on October 1, 2014, which supersedes the Feeding America contract entered into by and between Feeding South Dakota and Feeding America dated October 1, 2009. The purpose of the contract is to establish Feeding South Dakota's membership in the national Network of Feeding America, provide definition and guidance for the business relationship between Feeding South Dakota and Feeding America, foster a cooperative spirit, and improve the capacity of the Network to provide solutions to the problem of hunger in America.

Note 12 - In Kind Donations

Donated goods and services received consisted of the following for 2015 and 2014:

	2015	2014
Food	\$ 16,703,493	\$ 17,391,920
Commodities	2,417,412	2,484,748
Food transportation	53,157	100,775
Fundraising	15,327	6,236
Professional services	7,250	-
Media	87,726	34,214
Capital items	36,276	3,175
Miscellaneous	24,517	11,179
Storage	12,440	26,240
	\$ 19,357,598	\$ 20,058,487

Note 13 - Subsequent Event

Subsequent events have been evaluated through October 20, 2015, the date which the financial statements were available to be issued.

On September 11, 2015, the Organization entered into purchase agreements to sell its real property located at 3511 N. 1st Avenue and 3505 N. 1st Avenue in Sioux Falls, South Dakota at an estimated gain of \$370,000. The closing date of the sales is on or before the later of: (a) June 1, 2016 or, (b) the 30th day following the date on which the Organization's newly constructed building and other improvements are substantially complete and ready for occupancy.

On September 17, 2015, the Organization entered into a purchase agreement to buy approximately 6.79 acres of land located at 4701 N. Westport Avenue in Sioux Falls, South Dakota for \$772,720. The closing date of the purchase will be on or before October 30, 2015, or on such later date as agreed to by the seller and the Organization.