



Financial Statements

June 30, 2013 and December 31, 2012

Feeding South Dakota a Member of Feeding America

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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, which comprise the statements of financial position as of June 30, 2013 and December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the periods 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. 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, 2013 and December 31, 2012, and the changes in its net assets and its cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
October 22, 2013

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	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 526,317	\$ 957,816
Investments	1,001,357	325,000
Accounts receivable	103,949	100,245
Grants receivable	139,312	118,124
Food inventory	2,281,011	2,163,008
Prepaid expenses	13,239	6,464
Cash temporarily restricted by donors	665,809	709,539
Total current assets	<u>4,730,994</u>	<u>4,380,196</u>
Fixed Assets		
Land	455,257	479,166
Buildings	2,962,705	3,238,989
Furniture and equipment	816,126	791,045
Vehicles	502,104	510,704
	<u>4,736,192</u>	<u>5,019,904</u>
Accumulated depreciation	<u>(1,444,615)</u>	<u>(1,502,244)</u>
Total fixed assets	<u>3,291,577</u>	<u>3,517,660</u>
Other Assets		
Capital campaign pledge receivable	5,165	-
Beneficial interest in assets held by community foundations	46,368	35,000
Total other assets	<u>51,533</u>	<u>35,000</u>
	<u>\$ 8,074,104</u>	<u>\$ 7,932,856</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Financial Position
June 30, 2013 and December 31, 2012

	2013	2012
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 40,160	\$ 39,268
Accounts payable	80,541	214,421
Accrued expenses	76,269	65,097
Total current liabilities	196,970	318,786
 Non-Current Liabilities		
Long-term debt, less current portion	1,125,866	1,146,172
Total liabilities	1,322,836	1,464,958
 Net Assets		
Unrestricted	6,040,459	5,723,359
Temporarily restricted	665,809	709,539
Permanently restricted	45,000	35,000
Total net assets	6,751,268	6,467,898
	\$ 8,074,104	\$ 7,932,856

	2013 (6 Months)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Public support				
Cash contributions	\$ 940,794	\$ 191,693	\$ -	\$ 1,132,487
In-kind donations	9,487,027	-	-	9,487,027
United Way	35,922	128,403	-	164,325
Governmental fees and grants	124,086	29,067	-	153,153
Commodities program	1,306,783	-	-	1,306,783
Miscellaneous	-	-	-	-
Total public support	<u>11,894,612</u>	<u>349,163</u>	<u>-</u>	<u>12,243,775</u>
Revenue				
Handling fees	514,092	-	-	514,092
Net investment income	7,042	-	-	7,042
Gain on sale of Rapid City facility	130,581	-	-	130,581
Change in beneficial interest in assets held by community foundations	1,368	-	-	1,368
Other	18,815	-	-	18,815
Total revenue	<u>671,898</u>	<u>-</u>	<u>-</u>	<u>671,898</u>
Net assets released from restrictions				
Satisfaction of program restrictions	392,893	(392,893)	-	-
Transfer to community foundation endowments	(10,000)	-	10,000	-
Total public support, revenue and reclassifications	<u>12,949,403</u>	<u>(43,730)</u>	<u>10,000</u>	<u>12,915,673</u>
Expenses				
Program services				
Food Bank - Sioux Falls	6,165,502	-	-	6,165,502
Food Pantry - Sioux Falls	831,001	-	-	831,001
Food Bank - Rapid City	1,593,457	-	-	1,593,457
Food Pantry - Rapid City	1,014,060	-	-	1,014,060
Food Bank - Pierre	1,039,711	-	-	1,039,711
Emergency Food and Shelter	29,067	-	-	29,067
Commodity Food Programs	1,483,755	-	-	1,483,755
Total program services	<u>12,156,553</u>	<u>-</u>	<u>-</u>	<u>12,156,553</u>
Fundraising	281,993	-	-	281,993
General and administrative	193,757	-	-	193,757
Total expenses	<u>12,632,303</u>	<u>-</u>	<u>-</u>	<u>12,632,303</u>
Change in Net Assets	317,100	(43,730)	10,000	283,370
Net Assets, Beginning of Period	<u>5,723,359</u>	<u>709,539</u>	<u>35,000</u>	<u>6,467,898</u>
Net Assets, End of Period	<u>\$ 6,040,459</u>	<u>\$ 665,809</u>	<u>\$ 45,000</u>	<u>\$ 6,751,268</u>

See Notes to Financial Statements

Feeding South Dakota
 Statements of Activities
 Periods Ended June 30, 2013 and December 31, 2012

2012 (12 Months)			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,278,664	\$ 719,803	\$ -	\$ 1,998,467
17,736,445	-	-	17,736,445
74,676	264,718	-	339,394
263,743	167,103	-	430,846
2,304,127	-	-	2,304,127
42,275	-	-	42,275
<u>21,699,930</u>	<u>1,151,624</u>	<u>-</u>	<u>22,851,554</u>
1,208,152	-	-	1,208,152
10,487	-	-	10,487
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,218,639</u>	<u>-</u>	<u>-</u>	<u>1,218,639</u>
841,576	(841,576)	-	-
(35,000)	-	35,000	-
<u>23,725,145</u>	<u>310,048</u>	<u>35,000</u>	<u>24,070,193</u>
11,054,712	-	-	11,054,712
1,601,851	-	-	1,601,851
4,164,380	-	-	4,164,380
1,643,255	-	-	1,643,255
1,803,516	-	-	1,803,516
11,726	-	-	11,726
2,295,831	-	-	2,295,831
<u>22,575,271</u>	<u>-</u>	<u>-</u>	<u>22,575,271</u>
375,221	-	-	375,221
256,640	-	-	256,640
<u>23,207,132</u>	<u>-</u>	<u>-</u>	<u>23,207,132</u>
518,013	310,048	35,000	863,061
<u>5,205,346</u>	<u>399,491</u>	<u>-</u>	<u>5,604,837</u>
<u>\$ 5,723,359</u>	<u>\$ 709,539</u>	<u>\$ 35,000</u>	<u>\$ 6,467,898</u>

	Program Service			
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry
Salaries	\$ 95,185	\$ 68,891	\$ 89,400	\$ 35,234
Payroll taxes	7,863	5,690	7,384	2,910
Employee benefits	19,697	14,256	18,500	7,291
Donated labor	20,934	15,151	19,662	7,749
Total salaries and related benefits	143,679	103,988	134,946	53,184
Food and transportation	255,938	387	82,668	543
SD hunger relief	-	-	-	-
Grant/special projects	5,226	-	-	-
BackPack food	195,931	-	123,614	-
Supplies	2,577	-	3,348	-
Utilities	13,751	7,685	16,134	2,652
Repairs and maintenance	12,762	4,613	9,832	2,929
Insurance and real estate	4,485	1,635	4,251	301
Computer/software	7,805	2,347	4,520	330
Postage	2,080	157	1,423	148
Printing	1,111	-	483	-
Telephone	1,861	273	1,383	147
Conferences	1,216	-	419	-
Travel	4,234	164	3,035	-
Vehicle operating	20,258	5,741	6,320	1,518
Professional fees	5,619	-	5,601	-
Awards and gifts	104	85	267	-
Dues and subscriptions	2,068	20	1,462	-
Interest	-	-	30,864	-
Miscellaneous	6,375	56	1,389	16
Depreciation	27,469	6,104	22,290	7,399
Overhead allocation	(70,872)	(3,097)	-	(6,777)
Total expenses before donated goods and services	643,677	130,158	454,249	62,390
In-kind goods and services used	69,492	1,080	-	-
Food donations distributed	5,263,841	658,356	1,114,605	853,489
Spoilage/du e date disposals/waste	188,492	41,407	24,603	98,181
Total donated goods and services	5,521,825	700,843	1,139,208	951,670
Total expenses	\$ 6,165,502	\$ 831,001	\$ 1,593,457	\$ 1,014,060

See Notes to Financial Statements

Feeding South Dakota
Statements of Functional Expenses
Six Month Period Ended June 30, 2013

	Program Service		Total	Fundraising	General and Administration	Total 2013 (6 months)
	Pierre Food Bank	Emergency Food and Shelter				
\$ 38,915	\$ -	\$ 6,374	\$ 333,999	\$ 77,831	\$ 120,427	\$ 532,257
3,214	-	-	27,061	6,429	9,947	43,437
8,053	-	-	67,797	16,106	24,921	108,824
8,559	-	-	72,055	17,118	26,486	115,659
58,741	-	6,374	500,912	117,484	181,781	800,177
36,798	-	30,522	406,856	-	-	406,856
-	-	-	-	-	-	-
-	6,585	-	11,811	-	-	11,811
-	-	-	319,545	-	-	319,545
-	-	9,840	15,765	-	4,144	19,909
4,719	-	-	44,941	-	3,383	48,324
3,535	-	-	33,671	-	2,534	36,205
2,407	-	-	13,079	-	984	14,063
2,382	-	-	17,384	-	1,308	18,692
667	-	-	4,475	10,497	1,336	16,308
44	-	-	1,638	29,802	489	31,929
672	-	-	4,336	1,049	1,609	6,994
77	-	-	1,712	-	511	2,223
2,820	-	-	10,253	-	3,063	13,316
20,539	-	-	54,376	-	-	54,376
5,601	-	-	16,821	100,264	6,240	123,325
63	-	-	519	1,316	155	1,990
361	-	-	3,911	-	-	3,911
-	-	-	30,864	-	-	30,864
103	-	-	7,939	4,303	2,945	15,187
29,226	-	-	92,488	-	6,962	99,450
(20,693)	22,482	102,644	23,687	-	(23,687)	-
148,062	29,067	149,380	1,616,983	264,715	193,757	2,075,455
-	-	-	70,572	17,278	-	87,850
766,331	-	1,334,375	9,990,997	-	-	9,990,997
125,318	-	-	478,001	-	-	478,001
891,649	-	1,334,375	10,539,570	17,278	-	10,556,848
\$ 1,039,711	\$ 29,067	\$ 1,483,755	\$ 12,156,553	\$ 281,993	\$ 193,757	\$ 12,632,303

	Program Service			
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry
Salaries	\$ 199,075	\$ 141,162	\$ 152,926	\$ 64,247
Payroll taxes	16,503	11,702	12,678	5,326
Employee benefits	42,246	29,956	32,452	13,634
Donated labor	41,108	29,148	31,577	13,266
Total salaries and related benefits	298,932	211,968	229,633	96,473
Food and transportation	508,169	8,443	141,621	2,361
SD hunger relief	29,926	-	6,026	-
Grant/special projects	-	-	-	-
BackPack food	400,853	-	239,499	-
Supplies	7,437	-	6,538	-
Utilities	20,871	9,497	16,948	2,332
Repairs and maintenance	24,016	9,283	9,838	1,917
Insurance and real estate	7,586	3,568	8,634	449
Computer/software	12,166	1,408	7,718	277
Postage	4,375	295	2,094	-
Printing	2,764	1,929	1,600	1,391
Telephone	4,438	998	3,217	297
Conferences	893	59	1,552	24
Travel	5,100	120	5,272	93
Vehicle	36,069	6,630	13,235	3,334
Professional fees	7,351	299	6,923	128
Awards and gifts	1,364	131	927	165
Dues and subscriptions	3,549	385	2,788	-
Interest	-	-	23,694	-
Miscellaneous	7,882	109	988	54
Depreciation	24,809	28,212	35,442	11,909
Allocated expenses	(87,724)	(3,084)	-	(4,463)
Total expenses before donated goods and services	1,320,826	280,250	764,187	116,741
In-kind goods and services used	24,293	3,842	9,238	-
Food donations distributed	9,625,102	1,244,334	3,346,402	1,342,440
Spoilage/due date disposals/waste	84,491	73,425	44,553	184,074
Total donated goods and services	9,733,886	1,321,601	3,400,193	1,526,514
Total expenses	\$ 11,054,712	\$ 1,601,851	\$ 4,164,380	\$ 1,643,255

See Notes to Financial Statements

Feeding South Dakota
Statements of Functional Expenses
Twelve Month Period Ended December 31, 2012

	Program Service		Total	Fundraising	General and Administration	Total 2012 (12 months)
	Pierre Food Bank	Emergency Food and Shelter				
\$ 74,201	\$ -	\$ 10,457	\$ 642,068	\$ 111,301	\$ 161,975	\$ 915,344
6,151	-	-	52,360	9,227	13,428	75,015
15,746	-	-	134,034	23,619	34,373	192,026
15,322	-	-	130,421	22,982	33,446	186,849
111,420	-	10,457	958,883	167,129	243,222	1,369,234
48,078	-	61,346	770,018	-	-	770,018
24,424	-	-	60,376	-	-	60,376
-	6,500	-	6,500	-	-	6,500
-	5,226	-	645,578	-	-	645,578
-	-	25,232	39,207	-	9,244	48,451
7,223	-	-	56,871	-	4,281	61,152
5,398	-	-	50,452	-	3,798	54,250
4,716	-	-	24,953	-	1,878	26,831
3,570	-	-	25,139	-	1,892	27,031
993	-	-	7,757	30,323	1,702	39,782
354	-	-	8,038	68,675	1,764	78,477
1,667	-	-	10,617	1,820	2,730	15,167
411	-	-	2,939	-	645	3,584
2,763	-	-	13,348	-	2,930	16,278
14,967	-	-	74,235	-	-	74,235
6,667	-	-	21,368	98,283	5,495	125,146
31	-	-	2,618	7,438	575	10,631
673	-	-	7,395	-	122	7,517
-	-	-	23,694	-	-	23,694
27	-	-	9,060	1,553	2,330	12,943
41,397	-	-	141,769	-	10,671	152,440
(39,523)	-	171,433	36,639	-	(36,639)	-
235,256	11,726	268,468	2,997,454	375,221	256,640	3,629,315
445	-	-	37,818	-	-	37,818
1,486,304	-	2,027,363	19,071,945	-	-	19,071,945
81,511	-	-	468,054	-	-	468,054
1,568,260	-	2,027,363	19,577,817	-	-	19,577,817
\$ 1,803,516	\$ 11,726	\$ 2,295,831	\$ 22,575,271	\$ 375,221	\$ 256,640	\$ 23,207,132

Feeding South Dakota
Statements of Cash Flows
Periods Ended June 30, 2013 and December 31, 2012

	<u>2013</u> <u>(6 Months)</u>	<u>2012</u> <u>(12 Months)</u>
Operating Activities		
Change in net assets	\$ 283,370	\$ 863,061
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	99,450	152,440
Gain on sale of Rapid City facility	(130,581)	-
Change in fair market value of financial assets	2,990	-
Commodities received	(1,306,783)	(2,304,127)
In-kind donations received	(9,485,547)	(17,727,732)
In-kind donations of fixed assets	(1,480)	(8,713)
Food distributed to agencies	9,990,997	19,071,945
Spoilage/due date disposals/waste	478,001	468,054
Donated labor	115,659	186,849
In-kind goods and services	87,850	37,818
Changes in operating assets and liabilities		
Accounts and grants receivable	(30,057)	(668)
Purchased food inventory	1,820	(28,016)
Prepaid expenses	(6,775)	(727)
Cash temporarily restricted by donors	43,730	(310,048)
Accounts payable	17,756	8,144
Accrued expenses	11,172	850
Net Cash from Operating Activities	<u>171,572</u>	<u>409,130</u>
Investing Activities		
Purchase of fixed assets	(241,432)	(622,455)
Proceeds from sale of fixed assets	348,490	-
Purchase of investments	(905,715)	(225,000)
Proceeds from sale of investments	225,000	300,000
Transfer to community foundation endowments	(10,000)	(35,000)
Net Cash used for Investing Activities	<u>(583,657)</u>	<u>(582,455)</u>
Financing Activities		
Principal payments on long-term debt	(19,414)	(14,560)
Net Change in Cash and Cash Equivalents	(431,499)	(187,885)
Cash and Cash Equivalents, Beginning of Year	<u>957,816</u>	<u>1,145,701</u>
Cash and Cash Equivalents, End of Year	<u>\$ 526,317</u>	<u>\$ 957,816</u>

Feeding South Dakota
Statements of Cash Flows
Periods Ended June 30, 2013 and December 31, 2012

	<u>2013</u> <u>(6 Months)</u>	<u>2012</u> <u>(12 Months)</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 26,491</u>	<u>\$ 23,694</u>
Building and land financed with note payable	<u>\$ -</u>	<u>\$ 1,200,000</u>
Supplemental Disclosure of Noncash Investing Activities		
Fixed asset purchases recorded as payables	<u>\$ -</u>	<u>\$ 151,636</u>

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

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

Effective January 1, 2013, the Organization changed from a fiscal year end of December 31 to June 30. Therefore the current year presentation includes a six-month period compared to a twelve-month period in the prior year presentation.

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 period 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. Investments in certificates of deposit and cash equivalents are carried at cost plus accrued interest. 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.

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 Feeding South Dakota's nonfinancial assets or require specialized skills that Feeding South Dakota would normally purchase if not provided by donation.

Many individuals volunteer their time and perform a variety of tasks that assist Feeding South Dakota in carrying out their mission. These services do not meet the criteria for recognition as contributed services, however Feeding South Dakota records the value of these donated services in the statements of activities, because it would either have to purchase comparable services or it would have to curtail or discontinue a portion of its operations if it did not receive these donated services.

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 not 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.

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.

Employee Benefits

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

Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 financial statement presentation. The reclassifications had no impact on previously reported net assets.

Note 2 - Investments

The following summarizes investments by major investment type at June 30, 2013 and December 31, 2012:

	2013	2012
Certificates of deposit, at cost	\$ 100,000	\$ 325,000
Mutual funds - debt securities	333,403	-
Mutual funds - equity securities	405,518	-
Common stock	162,436	-
	\$ 1,001,357	\$ 325,000

Net investment return consists of the following for the periods ended June 30, 2013 and December 31, 2012:

	2013	2012
Interest and dividends	\$ 11,400	\$ 10,487
Unrealized gain (loss)	(4,358)	-
	\$ 7,042	\$ 10,487

Note 3 - 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. 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 \$46,368 and \$35,000 at June 30, 2013 and December 31, 2012, respectively, and is reflected in the Organization's assets as beneficial interest in assets held by community foundations.

Designated Fund

An endowment fund has been established by an outside donor with the Sioux Falls Area 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 funds with the Foundation was \$277,379 and \$265,952, as of June 30, 2013 and December 31, 2012, respectively.

Note 4 - Fair Value of Assets and Liabilities

Assets measured at fair value on a recurring basis at June 30, 2013 and December 31, 2012, respectively, are as follows:

	2013	2012
Beneficial interest in assets held by community foundations	\$ 46,368	\$ 35,000
Mutual funds - debt securities	333,403	-
Mutual funds - equity securities	405,518	-
Common stock	162,436	-
Total assets	\$ 947,725	\$ 35,000

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, 2013			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 46,368
Mutual funds - debt securities	333,403	-	-
Mutual funds - equity securities	405,518	-	-
Common stock	162,436	-	-
	\$ 901,357	\$ -	\$ 46,368
December 31, 2012			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 35,000
Mutual funds - debt securities	-	-	-
Mutual funds - equity securities	-	-	-
Common stock	-	-	-
	\$ -	\$ -	\$ 35,000

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 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 six months ended June 30, 2013 and the twelve months ended December 31, 2012:

Balance at December 31, 2011	\$ -
Contributions	<u>35,000</u>
Balance at December 31, 2012	35,000
Contributions	10,000
Adjustments to fair market value	<u>1,368</u>
Balance at June 30, 2013	<u><u>\$ 46,368</u></u>

Note 5 - 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:

	2013	2012
BackPack program	\$ 636,651	\$ 640,674
Mobile food pantry	29,158	28,865
Milk program	-	40,000
	<u>\$ 665,809</u>	<u>\$ 709,539</u>

Net assets were released from restrictions as follows during the periods ending June 30, 2013 and December 31, 2012:

	2013	2012
Satisfaction of purpose restrictions		
BackPack program	\$ 319,545	\$ 645,578
Mobile food pantry	781	132,059
Milk program	43,500	-
South Dakota Hunger Relief Fund	-	27,760
Emergency food and shelter program	<u>29,067</u>	<u>36,179</u>
	<u><u>\$ 392,893</u></u>	<u><u>\$ 841,576</u></u>

Note 6 - 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
			\$ 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.

Note 7 - Long-Term Debt

On June 14, 2012, Feeding South Dakota entered into a loan agreement with BankWest, Inc. for \$1,200,000. The loan bears interest at an initial fixed rate of 4.50% per annum. Beginning August 1, 2017, the rate will be based on the BankWest base rate (“index”) less a margin of 4.00% and is subject to change from time to time based on changes in the index. The interest rate change will not occur more often than each five years. The index was 10.25% on June 30, 2013 and December 31, 2012. The note is secured by real estate property located at 1111 N. Creek Drive, Rapid City, South Dakota. The balance of the note at June 30, 2013 was \$1,166,026.

Principal payments are due monthly beginning August 1, 2012 through maturity of July 1, 2032. Scheduled principal repayments on the loan payable according to the loan agreement are as follows:

Year ending June 30:		
2014		\$ 40,160
2015		42,005
2016		43,935
2017		45,953
2018		48,064
Thereafter		945,909
		\$ 1,166,026

Note 8 - In Kind Donations

Donated goods and services received consisted of the following for 2013 and 2012:

	2013 (6 Months)	2012 (12 Months)
Food	\$ 9,282,039	\$ 17,503,065
Commodities	1,306,783	2,304,127
Labor	115,659	186,849
Food transportation	56,533	25,799
Fundraising	17,278	-
Media	10,995	-
Capital items	1,480	8,713
Miscellaneous	2,158	8,543
Storage	885	2,824
Supplies	-	652
	\$ 10,793,810	\$ 20,040,572

Note 9 - Retirement Plan

The Organization has established a 401(k) retirement plan that covers all employees who meet eligibility requirements. Employees are fully vested on all amounts contributed to the plan. The Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the periods ended June 30, 2013 and December 31, 2012, this contribution was \$15,054 and \$26,663, respectively.

Note 10 - Member Agreement

The Organization renewed the member agreement with Feeding America on October 1, 2008 as part of a collaborative effort to coordinate services, share resources, and provide support to work toward the common goal of maximizing the provision of safe and nutritious food resources to people in need and relieve hunger throughout the United States of America. The member agreement originally was set to expire on September 30, 2013. The term has been extended, as the contract is currently going through a review and revision process.

Note 11 - Subsequent Event

Subsequent events have been evaluated through October 22, 2013, the date which the financial statements were available to be issued.

Beginning in 2013, the Organization began the early stages of a state-wide capital campaign to support facility and infrastructure needs. In July 2013, the Organization was notified that a matching grant of \$500,000 had been awarded. A \$1,000,000 capital campaign contribution was also received in July 2013.

During 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 at an estimated gain in excess of \$200,000. The closing of the sale shall take place on or before December 31, 2014. The Organization has been granted an option to, upon closing, lease space within the building and a portion of the parking lot for a period of twelve months commencing on the closing date.