



Financial Statements
June 30, 2014 and 2013
Feeding South Dakota

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



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, 2014 and 2013, 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 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, 2014 and 2013, 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.

Correction of Error

As discussed in Note 13 to the financial statements, an error resulting in the recognition of a beneficial interest in assets held by the community foundation in the financial statements was discovered in 2014. Although the gift has been previously disclosed in the notes to the financial statement, based on review of the gift document, the Organization's interest should have been recorded as an asset and net asset when the Organization was initially notified of the gift. Accordingly, adjustments were made to record the beneficial interest in assets held by the community foundation and permanently restricted net assets to the financial statements as of June 30, 2013 to correct the error.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2014 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 reports 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.



Sioux Falls, South Dakota
November 18, 2014

(This page left blank intentionally.)

	<u>2014</u>	<u>2013</u> (Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,093,734	\$ 526,317
Cash temporarily restricted by donors	1,558,805	665,809
Investments - marketable securities	1,070,320	1,001,357
Accounts receivable	69,092	103,949
Grants receivable	56,171	139,312
Contributions receivable	120,566	2,600
Food inventory	2,140,348	2,281,011
Prepaid expenses	<u>27,337</u>	<u>13,239</u>
Total current assets	<u>6,136,373</u>	<u>4,733,594</u>
Fixed Assets		
Land	395,457	455,257
Buildings	2,537,531	2,962,705
Furniture and equipment	804,600	816,126
Vehicles	<u>502,104</u>	<u>502,104</u>
	4,239,692	4,736,192
Accumulated depreciation	<u>(1,333,355)</u>	<u>(1,444,615)</u>
Total fixed assets	<u>2,906,337</u>	<u>3,291,577</u>
Other Assets		
Capital campaign promises to give	6,500	2,565
Investments, long-term	100,615	-
Assets held for sale	242,985	-
Beneficial interest in assets held by community foundations	<u>367,767</u>	<u>323,747</u>
Total other assets	<u>717,867</u>	<u>326,312</u>
	<u>\$ 9,760,577</u>	<u>\$ 8,351,483</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Financial Position
June 30, 2014 and 2013

	2014	2013 (Restated)
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ -	\$ 40,160
Accounts payable	78,871	80,541
Accrued expenses	93,775	76,269
Total current liabilities	172,646	196,970
 Non-Current Liabilities		
Long-term debt, less current portion	-	1,125,866
Total liabilities	172,646	1,322,836
 Net Assets		
Unrestricted	7,544,187	6,040,459
Temporarily restricted	1,728,082	672,526
Permanently restricted	315,662	315,662
Total net assets	9,587,931	7,028,647
	\$ 9,760,577	\$ 8,351,483

	2014 (12 Months)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Public support				
Contributions	\$ 1,800,531	\$ 143,395	\$ -	\$ 1,943,926
In-kind donations	17,573,739	-	-	17,573,739
United Way	350,096	1,517	-	351,613
Governmental fees and grants	380,984	-	-	380,984
Commodities program	2,484,748	-	-	2,484,748
Capital campaign	1,835,570	876,816	-	2,712,386
Total public support	24,425,668	1,021,728	-	25,447,396
Revenue				
Handling fees	1,049,205	-	-	1,049,205
Net investment income	136,480	-	-	136,480
(Loss) gain on disposal of fixed assets	(5,654)	-	-	(5,654)
Change in beneficial interest in assets held by community foundations	8,526	35,494	-	44,020
Other	13,440	-	-	13,440
Total revenue	1,201,997	35,494	-	1,237,491
Net assets released from restrictions				
Satisfaction of program restrictions	1,666	(1,666)	-	-
Transfer to community foundation endowments	-	-	-	-
Total public support, revenue and reclassifications	25,629,331	1,055,556	-	26,684,887
Expenses				
Program services				
Food Bank - Sioux Falls	10,492,581	-	-	10,492,581
Food Pantry - Sioux Falls	1,911,589	-	-	1,911,589
Food Bank - Rapid City	3,391,376	-	-	3,391,376
Food Pantry - Rapid City	1,948,998	-	-	1,948,998
Food Bank - Pierre	1,059,338	-	-	1,059,338
Emergency Food and Shelter	33,406	-	-	33,406
Commodity Food Programs	2,639,460	-	-	2,639,460
BackPack Program	829,527	-	-	829,527
Mobile Food Pantry	972,356	-	-	972,356
Total program services	23,278,631	-	-	23,278,631
Fundraising	556,242	-	-	556,242
General and administrative	290,730	-	-	290,730
Total expenses	24,125,603	-	-	24,125,603
Change in Net Assets	1,503,728	1,055,556	-	2,559,284
Net Assets, Beginning of Period				
As previously reported	6,040,459	672,526	315,662	7,028,647
Prior period adjustment	-	-	-	-
As restated	6,040,459	672,526	315,662	7,028,647
Net Assets, End of Period	\$ 7,544,187	\$ 1,728,082	\$ 315,662	\$ 9,587,931

See Notes to Financial Statements

Feeding South Dakota
Statements of Activities
Periods Ended June 30, 2014 and 2013

2013 (6 Months - Restated)			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 791,694	\$ 293	\$ -	\$ 791,987
9,371,368	-	-	9,371,368
164,325	-	-	164,325
153,153	-	-	153,153
1,306,783	-	-	1,306,783
340,500	-	-	340,500
<u>12,127,823</u>	<u>293</u>	<u>-</u>	<u>12,128,116</u>
514,092	-	-	514,092
7,042	-	-	7,042
130,581	-	-	130,581
6,078	6,717	-	12,795
18,815	-	-	18,815
<u>676,608</u>	<u>6,717</u>	<u>-</u>	<u>683,325</u>
44,023	(44,023)	-	-
(10,000)	-	10,000	-
<u>12,838,454</u>	<u>(37,013)</u>	<u>10,000</u>	<u>12,811,441</u>
5,894,261	-	-	5,894,261
817,263	-	-	817,263
1,416,740	-	-	1,416,740
1,007,292	-	-	1,007,292
630,566	-	-	630,566
30,444	-	-	30,444
1,483,755	-	-	1,483,755
408,559	-	-	408,559
405,430	-	-	405,430
<u>12,094,310</u>	<u>-</u>	<u>-</u>	<u>12,094,310</u>
266,763	-	-	266,763
155,571	-	-	155,571
<u>12,516,644</u>	<u>-</u>	<u>-</u>	<u>12,516,644</u>
321,810	(37,013)	10,000	294,797
5,723,359	709,539	35,000	6,467,898
(4,710)	-	270,662	265,952
<u>5,718,649</u>	<u>709,539</u>	<u>305,662</u>	<u>6,733,850</u>
<u>\$ 6,040,459</u>	<u>\$ 672,526</u>	<u>\$ 315,662</u>	<u>\$ 7,028,647</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	<u>249,295</u>	<u>184,870</u>	<u>214,280</u>	<u>93,835</u>	<u>105,039</u>
Food and transportation costs	446,355	6,717	170,975	431	89,682
Grant/special projects	-	-	-	-	-
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	<u>798,936</u>	<u>240,741</u>	<u>545,017</u>	<u>113,171</u>	<u>211,742</u>
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	768,245
Spoilage/due date disposals/waste	213,974	142,550	162,688	120,414	79,351
Total in-kind expenses	<u>9,693,645</u>	<u>1,670,848</u>	<u>2,846,359</u>	<u>1,835,827</u>	<u>847,596</u>
Total expenses	<u>\$ 10,492,581</u>	<u>\$ 1,911,589</u>	<u>\$ 3,391,376</u>	<u>\$ 1,948,998</u>	<u>\$ 1,059,338</u>

See Notes to Financial Statements

Feeding South Dakota
 Statements of Functional Expenses
 Twelve Month Period Ended June 30, 2014

Program Service							
Emergency Food and Shelter	Commodity Food Programs	BackPack Program	Mobile Food Pantry	Total	Fundraising	General and Administration	Total FY14
\$ 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
14,284	177,870	88,215	68,578	78,974	-	(78,974)	-
<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	853,161	19,262,668	-	-	19,262,668
-	3,837	-	-	722,814	-	-	722,814
<u>-</u>	<u>2,353,361</u>	<u>57,313</u>	<u>853,161</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>\$ 972,356</u>	<u>\$ 23,278,631</u>	<u>\$ 556,242</u>	<u>\$ 290,730</u>	<u>\$ 24,125,603</u>

	Program Service				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Pierre Food Bank
Salaries	\$ 79,300	\$ 68,956	\$ 75,359	\$ 35,463	\$ 34,478
Payroll taxes	6,993	6,081	6,646	3,127	3,041
Employee benefits	17,521	15,235	16,650	7,835	7,618
Total salaries and related benefits	103,814	90,272	98,655	46,425	45,137
Food and transportation costs	255,938	387	82,668	543	32,552
Grant/special projects	5,226	-	-	-	-
Backpack food	-	-	-	-	-
Supplies	-	-	-	-	-
Lease/rent expense	2,577	-	3,348	-	-
Utilities	13,751	7,685	16,134	2,652	4,719
Repairs and maintenance	12,762	4,613	9,832	2,929	3,535
Insurance and taxes	4,485	1,635	4,251	301	2,101
Computer/software costs	7,805	2,347	4,520	330	2,382
Postage	2,038	153	1,393	145	653
Printing and promotions	1,089	-	473	-	43
Telephone	1,787	263	1,330	142	646
Conferences	1,190	-	411	-	75
Travel	4,146	161	2,972	-	2,761
Vehicle operating costs	20,258	5,741	6,320	1,518	7,221
Professional fees	5,400	-	5,385	-	5,385
Awards and gifts	102	83	262	-	62
Dues and subscriptions	2,068	20	1,462	-	361
Interest	-	-	30,864	-	-
Miscellaneous	6,129	53	1,335	15	99
Depreciation	27,469	6,104	22,290	7,399	29,226
Overhead allocation	(89,835)	(3,097)	(14,063)	(6,777)	(45,590)
Total expenses before donated goods and services	388,199	116,420	279,842	55,622	91,368
In-kind goods and services used	69,492	1,080	-	-	-
Food donations distributed	5,248,078	658,356	1,112,295	853,489	413,880
Spoilage/due date disposals/waste	188,492	41,407	24,603	98,181	125,318
Total donated goods and services	5,506,062	700,843	1,136,898	951,670	539,198
Total expenses	\$ 5,894,261	\$ 817,263	\$ 1,416,740	\$ 1,007,292	\$ 630,566

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

Emergency Food and Shelter	Program Service			Total	Fundraising	General and Administration	Total 2013 (6 months)
	Commodity Food Programs	BackPack Program	Mobile Food Pantry				
\$ 1,377	\$ 6,374	\$ 28,007	\$ 3,955	\$ 333,269	\$ 77,822	\$ 121,166	\$ 532,257
-	-	-	-	25,888	6,863	10,686	43,437
-	-	-	-	64,859	17,194	26,771	108,824
<u>1,377</u>	<u>6,374</u>	<u>28,007</u>	<u>3,955</u>	<u>424,016</u>	<u>101,879</u>	<u>158,623</u>	<u>684,518</u>
	30,522	-	4,246	406,856	-	-	406,856
6,585	-	-	-	11,811	-	-	11,811
-	-	319,545	-	319,545	-	-	319,545
-	9,840	-	-	9,840	-	4,144	13,984
-	-	-	-	5,925	-	-	5,925
-	-	-	-	44,941	-	3,383	48,324
-	-	-	-	33,671	-	2,534	36,205
-	-	-	306	13,079	-	984	14,063
-	-	-	-	17,384	-	1,308	18,692
-	-	-	-	4,382	10,497	1,429	16,308
-	-	-	-	1,605	29,801	523	31,929
-	-	-	-	4,168	1,105	1,721	6,994
-	-	-	-	1,676	-	547	2,223
-	-	-	-	10,040	-	3,276	13,316
-	-	-	13,318	54,376	-	-	54,376
-	-	-	-	16,170	100,481	6,674	123,325
-	-	-	-	509	1,316	165	1,990
-	-	-	-	3,911	-	-	3,911
-	-	-	-	30,864	-	-	30,864
-	-	-	-	7,631	4,406	3,150	15,187
-	-	-	-	92,488	-	6,962	99,450
<u>22,482</u>	<u>102,644</u>	<u>42,934</u>	<u>31,154</u>	<u>39,852</u>	<u>-</u>	<u>(39,852)</u>	<u>-</u>
<u>30,444</u>	<u>149,380</u>	<u>390,486</u>	<u>52,979</u>	<u>1,554,740</u>	<u>249,485</u>	<u>155,571</u>	<u>1,959,796</u>
-	-	-	-	70,572	17,278	-	87,850
-	1,334,375	18,073	352,451	9,990,997	-	-	9,990,997
-	-	-	-	478,001	-	-	478,001
<u>-</u>	<u>1,334,375</u>	<u>18,073</u>	<u>352,451</u>	<u>10,539,570</u>	<u>17,278</u>	<u>-</u>	<u>10,556,848</u>
<u>\$ 30,444</u>	<u>\$ 1,483,755</u>	<u>\$ 408,559</u>	<u>\$ 405,430</u>	<u>\$ 12,094,310</u>	<u>\$ 266,763</u>	<u>\$ 155,571</u>	<u>\$ 12,516,644</u>

Feeding South Dakota
Statements of Cash Flows
Periods Ended June 30, 2014 and 2013

	<u>2014</u> <u>(12 Months)</u>	<u>2013</u> <u>(6 Months)</u> <u>(Restated)</u>
Operating Activities		
Change in net assets	\$ 2,559,284	\$ 294,797
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	162,434	99,450
Gain on sale of fixed assets	5,654	(130,581)
Bad debt expense	1,175	-
Change in fair market value of financial assets	(136,717)	(8,437)
Contribution of marketable securities	(20,064)	-
Commodities received	(2,484,748)	(1,306,783)
In-kind donations received	(17,570,564)	(9,369,888)
In-kind donations of fixed assets	(3,175)	(1,480)
Food distributed to agencies	19,262,668	9,990,997
Spoilage/due date disposals/waste	722,814	478,001
In-kind goods and services	178,864	87,850
Changes in operating assets and liabilities		
Accounts and grants receivable	(5,078)	(30,057)
Purchased food inventory	31,630	1,820
Prepaid expenses	(14,098)	(6,775)
Cash temporarily restricted by donors	(27,415)	43,730
Accounts payable	(1,670)	17,756
Accrued expenses	17,506	11,172
Net Cash from Operating Activities	<u>2,678,500</u>	<u>171,572</u>
Investing Activities		
Purchase of fixed assets	(28,158)	(241,432)
Proceeds from sale of fixed assets	5,500	348,490
Purchase of investments	(364,614)	(905,715)
Proceeds from sale of investments	307,796	225,000
Addition to cash restricted to building project	(865,581)	-
Transfer to community foundation endowments	-	(10,000)
Net Cash used for Investing Activities	<u>(945,057)</u>	<u>(583,657)</u>
Financing Activities		
Principal payments on long-term debt	<u>(1,166,026)</u>	<u>(19,414)</u>
Net Change in Cash and Cash Equivalents	567,417	(431,499)
Cash and Cash Equivalents, Beginning of Period	<u>526,317</u>	<u>957,816</u>
Cash and Cash Equivalents, End of Period	<u>\$ 1,093,734</u>	<u>\$ 526,317</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	<u>\$ 40,751</u>	<u>\$ 26,491</u>

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

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

Effective January 1, 2013, the Organization changed from a fiscal year end of December 31 to June 30. Therefore the prior year presentation includes a six-month period compared to a twelve-month period in the current 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. 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, 2014 and 2013, was approximately \$970,000 and \$929,000, 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 2013 amounts have been reclassified to conform to the 2014 financial statement presentation. The reclassifications included: \$2,600 of capital campaign pledges as current assets; removal of donated labor revenue and related expense of \$115,659; a breakout of capital campaign revenues from cash contributions of \$340,500; presentation of \$348,870 of temporary restricted revenue and net assets released from restriction; and a breakout of the Backpack and Mobile Food Pantry expenses from other program expenses of \$408,559 and \$405,430, respectively. The reclassifications had no impact on previously reported net assets.

Note 2 - Investments

The following summarizes investments by major investment type at June 30, 2014 and 2013:

	2014	2013
Certificates of deposit	\$ 100,615	\$ 100,000
Mutual funds - debt securities	391,267	333,403
Mutual funds - equity securities	470,357	405,518
Common stock	208,696	162,436
	1,170,935	1,001,357
 Long term investments	 (100,615)	 -
Investments, current	\$ 1,070,320	\$ 1,001,357

Net investment return consists of the following for the periods ended June 30, 2014 and 2013:

	2014	2013
Interest and dividends	\$ 43,783	\$ 11,400
Unrealized gain (loss)	92,697	(4,358)
	\$ 136,480	\$ 7,042

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. 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 \$367,767 and \$323,747 at June 30, 2014 and 2013, respectively, and is reflected in the Organization's assets as beneficial interest in assets held by community foundations.

Note 4 - Fair Value of Assets and Liabilities

Assets measured at fair value on a recurring basis at June 30, 2014 and 2013, respectively, are as follows:

	<u>2014</u>	<u>2013</u>
Certificates of deposit	\$ 100,615	\$ 100,000
Beneficial interest in assets held by community foundations	367,767	323,747
Mutual funds - debt securities	391,267	333,403
Mutual funds - equity securities	470,357	405,518
Common stock	<u>208,696</u>	<u>162,436</u>
 Total assets	 <u><u>\$ 1,538,702</u></u>	 <u><u>\$ 1,325,104</u></u>

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

	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</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	<u>208,696</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 1,070,320</u></u>	<u><u>\$ 100,615</u></u>	<u><u>\$ 367,767</u></u>
 June 30, 2013			
Certificates of deposit	\$ -	\$ 100,000	\$ -
Beneficial interest in assets held by community foundations	-	-	323,747
Mutual funds - debt securities	333,403	-	-
Mutual funds - equity securities	405,518	-	-
Common stock	<u>162,436</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 901,357</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 323,747</u></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 periods ended June 30, 2014 and 2013:

Balance at December 31, 2012	\$ 300,952
Contributions	10,000
Adjustments to fair market value	<u>12,795</u>
Balance at June 30, 2013	323,747
Adjustments to fair market value	<u>44,020</u>
Balance at June 30, 2014	<u><u>\$ 367,767</u></u>

Note 5 - Assets Held for Sale

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 of \$300,000. The closing of the sale shall take place on or before December 31, 2014. The Organization has been granted an option, upon closing, to lease space within the building and a portion of the parking lot for a period of twelve months commencing on the closing date.

Note 6 - 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:

	2014	2013
BackPack program	\$ 634,985	\$ 636,651
Mobile food pantry	29,998	29,158
Capital campaign	876,816	-
Beneficial interest in community foundation	42,211	6,717
Other	<u>144,072</u>	<u>-</u>
	<u><u>\$ 1,728,082</u></u>	<u><u>\$ 672,526</u></u>

Net assets were released from restrictions as follows during the periods ending June 30, 2014 and 2013:

	2014	2013
Satisfaction of purpose restrictions		
BackPack program	\$ 1,666	\$ 4,023
Milk program	<u>-</u>	<u>40,000</u>
	<u><u>\$ 1,666</u></u>	<u><u>\$ 44,023</u></u>

Note 7 - 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
		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.

Note 8 - Long-Term Debt

On June 14, 2012, Feeding South Dakota entered into a loan agreement with BankWest, Inc. for \$1,200,000. The interest was at an initial fixed rate of 4.50% per annum and was secured by real estate property located at 1111 N. Creek Drive, Rapid City, South Dakota. On May 22, 2014, the remaining loan balance was paid. The balance of the note at June 30, 2013 was \$1,166,026.

Note 9 - In Kind Donations

Donated goods and services received consisted of the following for 2014 and 2013:

	2014 (12 Months)	2013 (6 Months)
Food	\$ 17,391,920	\$ 9,282,039
Commodities	2,484,748	1,306,783
Food transportation	100,775	56,533
Fundraising	6,236	17,278
Media	34,214	10,995
Capital items	3,175	1,480
Miscellaneous	4,943	2,158
Storage	26,240	885
Supplies	6,236	-
	\$ 20,058,487	\$ 10,678,151

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 periods ended June 30, 2014 and 2013, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the periods ended June 30, 2014 and 2013, this contribution was \$32,514 and \$15,054, respectively.

Note 11 - 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 12 - Subsequent Event

Subsequent events have been evaluated through November 18, 2014, the date which the financial statements were available to be issued.

On August 22, 2014, the Organization 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.

On September 9, 2014, the Organization entered into a purchase agreement to buy real property located at 3505 N. 1st Avenue in Sioux Falls, South Dakota for \$900,000. The closing date will be on or before April 1, 2015, with the Organization leasing the real estate for a nominal monthly fee beginning on September 9, 2014 and ending on or before April 1, 2015.

Note 13 - Prior Period Adjustment

The Organization is a beneficiary of an agency endowment account held by the Sioux Falls Area Community Foundation (SFACF). This was a legacy endowment gift in which the donor passed away in 2006. The Organization has received distributions from the trust annually and has recognized such distributions as income in the year received. This endowment was disclosed in the notes to the financial statements, but never recorded on the Organization's general ledger. The financial statements for the period ended June 30, 2013 have been restated to include the beneficial interest in the trust and the related permanently restricted net asset.

The restatement affected the following accounts:

	2013		
	As previously reported	Restated	Change
<u>Statement of Financial Position</u>			
Assets			
Beneficial interest in assets held by community foundations	\$ 46,368	\$ 323,747	\$ 277,379
Net Assets			
Temporarily restricted	665,809	672,526	6,717
Permanently restricted	45,000	315,662	270,662
<u>Statement of Activities</u>			
Change in beneficial interest in assets held by community foundations	1,368	12,795	11,427
Net Assets, Beginning of Year			
Temporarily restricted	709,539	704,829	(4,710)
Net Assets, Beginning of Year			
Permanently restricted	35,000	305,662	270,662
Net Assets, End of Year			
Temporarily restricted	665,809	672,526	6,717
Net Assets, End of Year			
Permanently restricted	45,000	315,662	270,662
<u>Statement of Cash Flows</u>			
Change in Net Assets	283,370	294,797	11,427
Change in fair market value of financial assets	2,990	(8,437)	(11,427)