

FEEDING SOUTH DAKOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

tcf **thurman,
comes,
foley
& co., llp**
certified public accountants
and consultants

FEEDING SOUTH DAKOTA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Feeding South Dakota
Sioux Falls, South Dakota

We have audited the accompanying statements of financial position of **FEEDING SOUTH DAKOTA** (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities for the year ended December 31, 2010, and the statements of functional expenses and cash flows for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 December 31, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011 on our consideration Feeding South Dakota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 12 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Thurman Comes Foley & Co LLP

Sioux Falls, South Dakota
August 15, 2011

FEEDING SOUTH DAKOTA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash	\$ 1,478,255	\$ 1,689,426
Accounts receivable	212,501	157,975
Food inventory	2,181,893	1,855,958
Prepaid expenses	5,682	4,924
Cash temporarily restricted by donors	<u>70,250</u>	<u>250</u>
Total current assets	3,948,582	3,708,533
FIXED ASSETS		
Land	177,603	127,603
Buildings	1,878,670	1,413,813
Furniture and equipment	643,339	502,846
Vehicles	<u>326,058</u>	<u>296,644</u>
	3,025,670	2,340,906
Accumulated depreciation	<u>(1,292,848)</u>	<u>(1,185,721)</u>
	<u>1,732,822</u>	<u>1,155,185</u>
	<u>\$ 5,681,404</u>	<u>\$ 4,863,718</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 72,943	\$ 54,277
Accrued expenses	<u>56,557</u>	<u>51,236</u>
Total current liabilities	129,500	105,513
NET ASSETS		
Unrestricted	5,328,950	4,542,701
Temporarily restricted	<u>222,954</u>	<u>215,504</u>
Total net assets	<u>5,551,904</u>	<u>4,758,205</u>
	<u>\$ 5,681,404</u>	<u>\$ 4,863,718</u>

FEEDING SOUTH DAKOTA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
PUBLIC SUPPORT AND REVENUE				
Public Support				
Cash contributions	\$ 1,270,217	\$ 489,799	\$ 1,760,016	\$ 1,234,842
In-kind donations	14,212,777	-	14,212,777	12,181,881
United Way	187,723	-	187,723	89,860
Governmental fees and grants	537,530	-	537,530	248,341
Commodities program	2,649,915	-	2,649,915	1,985,087
Miscellaneous	11,510	80,648	92,158	19,199
Total public support	18,869,672	570,447	19,440,119	15,759,210
Revenue				
Handling fees	912,820	-	912,820	924,269
Investment income	19,023	-	19,023	26,439
Total revenue	931,843	-	931,843	950,708
Net Assets Released from Restrictions				
Satisfaction of program restrictions	562,997	(562,997)	-	-
Total public support, revenue and reclassifications	20,364,512	7,450	20,371,962	16,709,918
EXPENSES				
Program services				
Food Bank - Sioux Falls	9,499,816	-	9,499,816	8,110,682
Food Pantry - Sioux Falls	1,901,618	-	1,901,618	1,720,687
Food Bank - Rapid City	3,070,656	-	3,070,656	3,346,536
Food Pantry - Rapid City	1,684,078	-	1,684,078	1,136,550
Food Pantry - Brandon	-	-	-	57,895
Food Bank - Pierre	861,237	-	861,237	1,537
Emergency Food and Shelter	53,870	-	53,870	108,835
Commodity Food Programs	2,226,789	-	2,226,789	2,173,084
Total program services	19,298,064	-	19,298,064	16,655,806
Fundraising	127,880	-	127,880	78,239
General and administration	152,319	-	152,319	141,558
Total expenses	19,578,263	-	19,578,263	16,875,603
Change in net assets	\$ 786,249	\$ 7,450	\$ 793,699	\$ (165,685)

See accompanying notes to the financial statements.

FEEDING SOUTH DAKOTA

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
NET ASSETS, Beginning of year	\$ 4,542,701	\$ 215,504	\$ 4,758,205	\$ 4,923,890
Change in net assets	<u>786,249</u>	<u>7,450</u>	<u>793,699</u>	<u>(165,685)</u>
NET ASSETS, End of year	\$ <u>5,328,950</u>	\$ <u>222,954</u>	\$ <u>5,551,904</u>	\$ <u>4,758,205</u>

**STATEMENTS OF FUNCTIONAL EXPENSES
SHOWN ON FOLLOWING PAGES**

FEEDING SOUTH DAKOTA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAM SERVICES				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Brandon Food Pantry
Salaries	\$ 264,624	\$ 139,683	\$ 161,474	\$ 66,794	\$ -
Payroll taxes	21,540	11,370	13,143	5,437	-
Employee benefits	54,172	28,595	33,056	13,674	-
Donated labor	66,535	35,121	40,600	16,794	-
Total salaries and related benefits	406,871	214,769	248,273	102,699	-
Food and transportation costs	394,054	9,640	69,575	25,769	-
SD Hunger Relief costs	4,493	-	3,988	-	-
Grant/Special projects	94,150	6,290	60,184	18,315	-
Backpack program	181,344	224,308	183,350	-	-
Supplies	9,398	216	2,748	41	-
Utilities	19,362	9,809	18,925	3,124	-
Repairs and maintenance	33,413	9,293	16,418	3,785	-
Insurance and real estate taxes	7,573	2,870	8,276	-	-
Postage	3,802	-	2,095	-	-
Printing	3,404	1,141	-	1,668	-
Telephone	6,088	543	2,747	182	-
Conferences	1,498	-	29	-	-
Travel	7,638	90	5,764	-	-
Vehicle operating costs	33,946	4,400	9,845	2,143	-
Professional fees	10,221	5,395	6,237	2,580	-
Awards and gifts	339	-	609	-	-
Dues and subscriptions	3,917	258	2,582	-	-
Interest	-	-	-	-	-
Miscellaneous	4,980	-	2,286	-	-
Total overhead and other operating expenses	819,620	274,253	395,658	57,607	-
In-kind goods and services used	49,067	10,919	6,186	-	-
Food donations distributed	7,752,912	1,329,370	2,382,547	1,440,665	-
Spoilage/due date disposals/waste	413,080	55,123	22,470	83,107	-
Total in-kind expenses	8,215,059	1,395,412	2,411,203	1,523,772	-
Total expenses before depreciation	9,441,550	1,884,434	3,055,134	1,684,078	-
Depreciation	58,266	17,184	15,522	-	-
Total expenses	\$ 9,499,816	\$ 1,901,618	\$ 3,070,656	\$ 1,684,078	\$ -

See accompanying notes to financial statements.

<u>Pierre Food Bank</u>	<u>Emergency Food and Shelter</u>	<u>Commodity Food Programs</u>	<u>Total</u>	<u>Fundraising</u>	<u>General and Administration</u>	<u>Total 2010</u>
\$ 49,689	\$ -	\$ 12,955	\$ 695,219	\$ 28,271	\$ 81,190	\$ 804,680
4,045	-	1,055	56,590	2,301	6,608	65,499
10,172	-	2,652	142,321	5,788	16,621	164,730
<u>12,494</u>	<u>-</u>	<u>3,257</u>	<u>174,801</u>	<u>7,108</u>	<u>20,414</u>	<u>202,323</u>
76,400	-	19,919	1,068,931	43,468	124,833	1,237,232
3,823	29,723	-	532,584	-	-	532,584
2,168	-	-	10,649	-	-	10,649
-	-	-	178,939	-	-	178,939
-	-	-	589,002	-	-	589,002
1,036	-	102,541	115,980	503	1,444	117,927
4,456	-	-	55,676	-	4,425	60,101
14,666	-	-	77,575	-	6,478	84,053
2,753	-	-	21,472	-	1,584	23,056
294	-	-	6,191	18,415	695	25,301
537	-	-	6,750	44,554	757	52,061
1,253	-	205	11,018	448	1,287	12,753
-	-	-	1,527	-	170	1,697
8,948	-	-	22,440	-	2,519	24,959
7,514	-	-	57,848	-	-	57,848
1,919	-	500	26,852	1,092	3,136	31,080
-	-	357	1,305	18,659	2,240	22,204
197	-	-	6,954	22	63	7,039
6,188	-	-	6,188	-	-	6,188
<u>12,997</u>	<u>-</u>	<u>329</u>	<u>20,592</u>	<u>719</u>	<u>2,064</u>	<u>23,375</u>
68,749	29,723	103,932	1,749,542	84,412	26,862	1,860,816
1,050	-	-	67,222	-	-	67,222
667,485	24,147	2,102,878	15,700,004	-	-	15,700,004
<u>31,445</u>	<u>-</u>	<u>-</u>	<u>605,225</u>	<u>-</u>	<u>-</u>	<u>605,225</u>
<u>699,980</u>	<u>24,147</u>	<u>2,102,878</u>	<u>16,372,451</u>	<u>-</u>	<u>-</u>	<u>16,372,451</u>
845,129	53,870	2,226,729	19,190,924	127,880	151,695	19,470,499
<u>16,108</u>	<u>-</u>	<u>60</u>	<u>107,140</u>	<u>-</u>	<u>624</u>	<u>107,764</u>
<u>\$ 861,237</u>	<u>\$ 53,870</u>	<u>\$ 2,226,789</u>	<u>\$ 19,298,064</u>	<u>\$ 127,880</u>	<u>\$ 152,319</u>	<u>\$ 19,578,263</u>

FEEDING SOUTH DAKOTA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2009

PROGRAM SERVICES

	Sioux Falls <u>Food Bank</u>	Sioux Falls <u>Food Pantry</u>	Rapid City <u>Food Bank</u>	Rapid City <u>Food Pantry</u>	Brandon <u>Food Pantry</u>
Salaries	\$ 232,404	\$ 135,665	\$ 154,681	\$ 78,234	\$ -
Payroll taxes	18,130	10,583	12,067	6,103	-
Employee benefits	45,723	26,691	30,432	15,391	-
Donated labor	55,933	32,651	37,227	18,829	-
Total salaries and related benefits	352,190	205,590	234,407	118,557	-
Food and transportation costs	422,558	306,799	214,656	93,476	1,543
Supplies	8,475	580	2,820	-	1,150
Utilities	13,037	11,093	16,731	2,141	-
Repairs and maintenance	38,984	7,243	19,568	1,482	1,523
Insurance and real estate taxes	7,934	2,732	7,942	340	109
Postage	3,065	-	2,073	-	202
Printing	761	632	-	2,045	172
Telephone	5,792	671	2,854	160	-
Conferences	1,291	79	-	-	-
Travel	10,179	674	11,447	-	-
Vehicle operating costs	29,407	3,704	5,831	1,444	-
Professional fees	7,990	4,664	5,318	2,690	-
Awards and gifts	40	-	2,557	-	20
Dues and subscriptions	4,510	234	2,676	25	75
Interest	444	-	-	-	-
Miscellaneous	5,037	-	486	-	4,276
Total overhead and other operating expenses	559,504	339,105	294,959	103,803	9,070
In-kind goods and services used	62,641	7,876	595	-	8,784
Food donations distributed	6,705,119	1,089,800	2,636,914	868,910	19,150
Spoilage/due date disposals/waste	367,034	64,086	156,385	45,280	20,368
Total in-kind expenses	7,134,794	1,161,762	2,793,894	914,190	48,302
Total expenses before depreciation	8,046,488	1,706,457	3,323,260	1,136,550	57,372
Depreciation	64,194	14,230	23,276	-	523
Total expenses	\$ 8,110,682	\$ 1,720,687	\$ 3,346,536	\$ 1,136,550	\$ 57,895

See accompanying notes to financial statements.

<u>Pierre</u> <u>Food Bank</u>	<u>Emergency Food</u> <u>and Shelter</u>	<u>Commodity</u> <u>Food Programs</u>	<u>Total</u>	<u>Fundraising</u>	<u>General and</u> <u>Administration</u>	<u>Total</u> <u>2009</u>
\$ -	\$ -	\$ 15,614	\$ 616,598	\$ 26,660	\$ 77,054	\$ 720,312
-	-	1,218	48,101	2,080	6,011	56,192
-	-	3,072	121,309	5,245	15,160	141,714
-	-	3,758	148,398	6,416	18,544	173,358
-	-	23,662	934,406	40,401	116,769	1,091,576
-	59,750	-	1,098,782	-	-	1,098,782
-	-	84,628	97,653	513	1,484	99,650
-	-	-	43,002	-	3,660	46,662
-	-	-	68,800	-	7,012	75,812
-	-	-	19,057	-	1,618	20,675
-	-	-	5,340	2,606	611	8,557
-	-	-	3,610	13,271	412	17,293
18	-	247	9,724	421	1,218	11,363
-	-	-	1,370	-	164	1,534
519	-	-	22,300	-	2,733	25,033
-	-	-	40,386	-	-	40,386
-	-	537	21,199	917	2,649	24,765
-	-	208	2,825	18,359	1,027	22,211
-	-	31	7,551	53	152	7,756
-	-	-	444	-	-	444
1,000	-	262	10,061	448	1,294	11,803
1,537	59,750	85,913	1,452,104	36,588	24,034	1,512,726
-	-	-	79,896	1,250	-	81,146
-	49,085	2,063,449	13,432,427	-	-	13,432,427
-	-	-	653,153	-	-	653,153
-	49,085	2,063,449	14,165,476	1,250	-	14,166,726
1,537	108,835	2,173,024	16,551,986	78,239	140,803	16,771,028
-	-	60	102,283	-	755	103,038
\$ 1,537	\$ 108,835	\$ 2,173,084	\$ 16,654,269	\$ 78,239	\$ 141,558	\$ 16,874,066

FEEDING SOUTH DAKOTA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 793,699	\$ (165,685)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	107,764	103,038
Fixed assets disposed	11,263	-
Commodities received	(2,649,915)	(1,985,087)
In-kind donations received	(14,212,777)	(12,181,881)
Food distributed to agencies	15,700,004	13,432,427
Spoilage/due date disposals/waste	605,225	653,153
Donated labor	202,323	173,358
In-kind goods and services used	67,222	81,146
Changes in operating assets and liabilities		
Accounts receivable	(54,526)	(32,700)
Purchased food inventory	(52,869)	(141,934)
Prepaid expenses	(758)	6,278
Cash temporarily restricted by donors	(70,000)	(191)
Accounts payable	18,666	(66,604)
Accrued expenses	5,321	(23,471)
Net cash provided (used) by operating activities	470,642	(148,153)
INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(681,813)</u>	<u>(42,976)</u>
Net cash used by investing activities	<u>(681,813)</u>	<u>(42,976)</u>
Net change in cash	(211,171)	(191,129)
CASH, Beginning of the year	<u>1,689,426</u>	<u>1,880,555</u>
CASH, End of the year	<u>\$ 1,478,255</u>	<u>\$ 1,689,426</u>

FEEDING SOUTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Purpose and 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. In February 2010, the Organization changed its name from Community Food Banks of South Dakota, Inc. to Feeding South Dakota.

b. Contributions

Contributions are generally recorded only upon receipt, unless evidence or an unconditional promise to give has been received. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

c. Net Assets

The Organization classifies net assets into three categories: unrestricted, temporarily restricted, or permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

d. In-kind Donations

The Organization records the value of donated services in the Statement of Activities, because it would either have to purchase comparable services or it would have to curtail or discontinue a portion of its operation if it did not receive these donated services.

Supplies, transportation and other types of in-kind donations received are recorded at estimated fair market value.

e. Cash and Cash Equivalents

At December 31, 2010 and 2009, cash consists of monies held in checking, savings, certificates of deposit and money market accounts. The carrying amount approximates fair value because of the short maturity of those instruments.

f. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

g. 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 Second Harvest National Food Bank Network, a national consortium of regional food banks. Product is tracked using the first-in, first-out method.

FEEDING SOUTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Fixed Assets

Fixed assets are shown at actual cost for purchased items and at estimated fair market value at time of receipt for donated assets. Depreciation is recognized on the straight-line method using the following lives:

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

i. Income Taxes

The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There are no unrelated business activities in 2010 or 2009. Accordingly, no tax expense was incurred during the years ended December 31, 2010 and 2009.

j. Allocation of Functional Expenses

Certain expenses benefiting several programs or functions are allocated by using formulas with salaries or building-space-occupied as the base. The intent is to reflect a reasonably equitable distribution of these expenses.

k. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

l. Summary of Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

m. Reclassifications

Certain 2009 amounts may have been reclassified to conform to the 2010 financial statement presentation.

n. Date of Management's Review

Subsequent events have been evaluated through August 15, 2011, the date which the financial statements were available to be issued.

FEEDING SOUTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

2. SIOUX FALLS AREA COMMUNITY FOUNDATION

The Organization has an endowment fund with the Sioux Falls Area Community Foundation ("Foundation"). Distributions to the Organization are in accordance with distribution policies for permanent funds adopted by the Foundation. The endowments represent restricted net assets of the Foundation, and the Organization recognizes unrestricted revenue from the endowments as it is received. The balance of all funds with the Foundation was \$230,381 and \$240,284, as of December 31, 2010 and 2009, respectively.

3. 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 and periods:

	<u>2010</u>	<u>2009</u>
SD Hunger Relief Fund	\$ 70,048	\$ 50
Backpack program	151,406	171,892
Food sourcing staff	1,500	13,562
Food purchase and building acquisition	<u>-</u>	<u>30,000</u>
	<u>\$ 222,954</u>	<u>\$ 215,504</u>

4. CONCENTRATIONS OF CREDIT RISK

The Organization's cash balances are maintained in various bank deposit accounts. At various times during the years ended December 31, 2010 and 2009, the balances exceeded federally insured limits.

The Organization receives a substantial amount of its support from federal, state, and local governments. A reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

5. IN KIND DONATIONS

Donated goods and services received consisted of the following for 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Food	\$ 13,928,380	\$ 11,925,077
Commodities	2,649,915	1,985,087
Food transportation	16,785	31,760
Labor	202,324	173,358
Storage	9,465	9,532
Supplies	5,193	11,469
Fundraising	-	1,250
Rental	-	3,240
Capital items	14,850	2,300
Miscellaneous	<u>35,780</u>	<u>23,895</u>
	<u>\$ 16,862,692</u>	<u>\$ 14,166,968</u>

FEEDING SOUTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT PLAN

The Organization has adopted a 401(k) retirement plan, covering substantially all employees. A participant may elect to defer a portion of his compensation into the plan. 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, totaling \$21,756 and \$18,457, for 2010 and 2009, respectively. Effective December 31, 2009, the Board had terminated the 403(b) plan and distributed account balances within the following twelve months.

7. CONTINGENT LIABILITY

The Organization received funds from the Department of Community Development of the City of Sioux Falls, South Dakota: \$54,500 in 1989, \$71,800 in 1992, and \$40,000 in 1999 for the repair and replacement of the roof, elevator, and freezer, respectively. These funds were recognized as income in the periods received. Amounts are secured by promissory notes-deferred loans and mortgages on lots 12, 13, 14 and south 1/2 of 15, block 31, Brookings and Edmunds Additions. The promissory notes are without interest and state the following conditions:

The principal sum shall become due and payable upon the occurrence of any of the following events:

- (1) Conveyance of said property by the Organization, or
- (2) Voluntary or involuntary relinquishment of said property by the Organization.

FEEDING SOUTH DAKOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Passed through the South Dakota Department of Education		
Commodity Supplemental Food Program	10.565	\$1,584,148
Emergency Food Assistance Cluster		
The Emergency Food Assistance Program	10.568	153,412
The Emergency Food Assistance Program	10.569	<u>1,182,710</u>
Total Emergency Food Assistance Cluster		1,336,122
<u>U.S. Department of Homeland Security</u>		
FEMA--Emergency Food and Shelter Program	97.024	36,086
<u>U.S. Department of Health and Human Services</u>		
Passed through the South Dakota Department of Social Services		
ARRA-TANF Emergency Contingency Fund	93.714	94,825
ARRA-TANF Emergency Contingency Fund	93.714	38,974
ARRA-TANF Temporary Assistance for Needy Families	93.558	<u>23,185</u>
		<u>156,984</u>
Total Expenditures of Federal Awards		<u>\$ 3,113,340</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. SIGNIFICANT ACCOUNT PRINCIPLES

The information in this schedule includes the federal grant activity of Feeding South Dakota under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

2. FEDERAL LOANS

At December 31, 2010, Feeding South Dakota had \$166,300 of federal loans outstanding to the City of Sioux Falls Community Development Department.

3. NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2010, the Organization had food commodities totaling \$341,264 in inventory.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Feeding South Dakota
Sioux Falls, South Dakota

We have audited the financial statements of **FEEDING SOUTH DAKOTA** (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated August 15, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Feeding South Dakota's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Feeding South Dakota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (Finding 2010-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Feeding South Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thurman Comas Foley & Co LLP

Sioux Falls, South Dakota
August 15, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Feeding South Dakota
Sioux Falls, South Dakota

Compliance

We have audited **FEEDING SOUTH DAKOTA's** (a nonprofit organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Feeding South Dakota Inc.'s major federal programs for the year ended December 31, 2010. Feeding South Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Feeding South Dakota's management. Our responsibility is to express an opinion on Feeding South Dakota's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Feeding South Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Feeding South Dakota's compliance with those requirements.

In our opinion, Feeding South Dakota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control over Compliance

The management of Feeding South Dakota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Feeding South Dakota's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Feeding South Dakota's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thurman Comas Foley & Co LLP

Sioux Falls, South Dakota
August 15, 2011

**FEEDING SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statement of Feeding South Dakota
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based On An Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Feeding South Dakota, which would be required to be reported in accordance with *Government Auditing Standards*.
4. The audit disclosed no audit findings relative to the major federal award programs that are required to be reported in this schedule under Section 510(a) of OMB Circular A-133.
5. An unqualified opinion was issued on compliance for the major federal award programs for Feeding South Dakota
6. The programs tested as major programs were: CFDA No. 10.565 Commodity Supplemental Food Program and CFDA Nos. 10.568 and 10.569 The Emergency Food Assistance Program.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Feeding South Dakota did not qualify as a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

Finding Number 2010-1 - Preparation of Financial Statements

Condition: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Criteria: The Organization does not have an internal control system designed to provide for the preparation of financial statements being audited. As auditors, we are requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Effect: Inadequate controls over financial reporting of the Organization could result in the likelihood that the Organization would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you are aware of the financial reporting of the Organization and changes in reporting requirements.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reportable.

**FEEDING SOUTH DAKOTA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2010**

Feeding South Dakota respectfully submits the following corrective action plan for the year ended December 31, 2010.

Name and address of independent public accounting firm: Thurman, Comes, Foley & Co., LLP
416 S Second Avenue
Sioux Falls, SD 57104

Audit Period: January 1, 2010 to December 31, 2010

The findings from the 2010 schedule of findings and questioned costs are discussed below.

Finding 2010-1 Preparation of Financial Stements

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Organization and changes in reporting requirements.

Person Responsible: Matt Gassen

Management's Response: Since it is not cost-effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire our auditors to prepare the financial statements as part of their annual audit of our organization. The auditors are provided with audit ready statements of financial position and activities.

Anticipated completion date: December 31, 2011