



Financial Statements  
June 30, 2016 and 2015  
**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, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feeding South Dakota as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2016 on our consideration of Feeding South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Feeding South Dakota's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Erik Sallie LLP".

Sioux Falls, South Dakota  
October 13, 2016

Feeding South Dakota  
Statements of Financial Position  
June 30, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 495,103	\$ 1,660,178
Cash temporarily restricted by donors	827,503	2,763,012
Investments - marketable securities	182,271	1,071,187
Accounts receivable	95,258	78,630
Grants receivable	243,661	105,613
Promises to give - current	404,363	510,644
Food inventory	2,024,220	1,963,403
Prepaid expenses	34,443	40,930
Total current assets	4,306,822	8,193,597
Fixed Assets		
Land	506,637	697,776
Buildings	2,879,983	2,892,856
Furniture and equipment	1,006,436	921,410
Vehicles	728,893	618,111
Construction in process	4,623,626	262,862
	9,745,575	5,393,015
Accumulated depreciation	(981,449)	(1,404,948)
Total fixed assets	8,764,126	3,988,067
Other Assets		
Promises to give - long-term, net	133,822	152,851
Investments, long-term	350,499	100,973
Assets held for sale	465,092	470,094
Beneficial interest in assets held by community foundations	355,811	367,075
Total other assets	1,305,224	1,090,993
Total assets	\$ 14,376,172	\$ 13,272,657
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 891,362	\$ 274,184
Earnest money deposits held	-	50,000
Accrued expenses	146,961	120,427
Total current liabilities	1,038,323	444,611
Net Assets		
Unrestricted	11,731,268	9,156,280
Temporarily restricted	1,280,919	3,346,104
Permanently restricted	325,662	325,662
Total net assets	13,337,849	12,828,046
Total liabilities and net assets	\$ 14,376,172	\$ 13,272,657

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Public support				
Contributions	\$ 2,811,775	\$ 353,144	\$ -	\$ 3,164,919
In-kind donations	19,031,683	-	-	19,031,683
United Way	390,607	11,429	-	402,036
Governmental fees and grants	290,746	-	-	290,746
Commodities program	2,111,050	-	-	2,111,050
Capital campaign	757,394	-	-	757,394
Total public support	<u>25,393,255</u>	<u>364,573</u>	<u>-</u>	<u>25,757,828</u>
Revenue				
Handling fees	1,131,913	-	-	1,131,913
Net investment income	19,462	-	-	19,462
Gain on disposal of fixed assets	26,542	-	-	26,542
Distributions from and change in value of beneficial interest in assets held by community foundations	(11,264)	-	-	(11,264)
Other	9,980	-	-	9,980
Total revenue	<u>1,176,633</u>	<u>-</u>	<u>-</u>	<u>1,176,633</u>
Net assets released from restrictions				
Satisfaction of program restrictions	<u>2,429,758</u>	<u>(2,429,758)</u>	<u>-</u>	<u>-</u>
Total public support, revenue and reclassifications	<u>28,999,646</u>	<u>(2,065,185)</u>	<u>-</u>	<u>26,934,461</u>
Expenses				
Program services				
Food Bank - Sioux Falls	10,537,300	-	-	10,537,300
Food Pantry - Sioux Falls	2,205,243	-	-	2,205,243
Food Bank - Rapid City	4,499,965	-	-	4,499,965
Food Pantry - Rapid City	2,544,333	-	-	2,544,333
Food Bank - Pierre	1,172,630	-	-	1,172,630
Commodity Food Programs	2,470,914	-	-	2,470,914
BackPack Program	857,878	-	-	857,878
Mobile Food Pantry	1,019,739	-	-	1,019,739
Total program services	<u>25,308,002</u>	<u>-</u>	<u>-</u>	<u>25,308,002</u>
Fundraising	743,862	-	-	743,862
General and administrative	372,794	-	-	372,794
Total expenses	<u>26,424,658</u>	<u>-</u>	<u>-</u>	<u>26,424,658</u>
Change in Net Assets	2,574,988	(2,065,185)	-	509,803
Net Assets, Beginning of Year	<u>9,156,280</u>	<u>3,346,104</u>	<u>325,662</u>	<u>12,828,046</u>
Net Assets, End of Year	<u>\$ 11,731,268</u>	<u>\$ 1,280,919</u>	<u>\$ 325,662</u>	<u>\$ 13,337,849</u>

See Notes to Financial Statements

Feeding South Dakota  
Statements of Activities  
Years Ended June 30, 2016 and 2015

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,529,485	\$ 173,719	\$ 10,000	\$ 2,713,204
16,940,186	-	-	16,940,186
375,211	-	-	375,211
375,608	17,574	-	393,182
2,417,412	-	-	2,417,412
<u>1,637,961</u>	<u>1,485,922</u>	<u>-</u>	<u>3,123,883</u>
<u>24,275,863</u>	<u>1,677,215</u>	<u>10,000</u>	<u>25,963,078</u>
1,016,456	-	-	1,016,456
(1,460)	-	-	(1,460)
311,368	-	-	311,368
(10,692)	-	-	(10,692)
<u>6,951</u>	<u>-</u>	<u>-</u>	<u>6,951</u>
<u>1,322,623</u>	<u>-</u>	<u>-</u>	<u>1,322,623</u>
<u>59,193</u>	<u>(59,193)</u>	<u>-</u>	<u>-</u>
<u>25,657,679</u>	<u>1,618,022</u>	<u>10,000</u>	<u>27,285,701</u>
9,827,597	-	-	9,827,597
1,746,449	-	-	1,746,449
3,757,141	-	-	3,757,141
2,044,260	-	-	2,044,260
1,081,607	-	-	1,081,607
2,849,387	-	-	2,849,387
892,851	-	-	892,851
<u>830,945</u>	<u>-</u>	<u>-</u>	<u>830,945</u>
<u>23,030,237</u>	<u>-</u>	<u>-</u>	<u>23,030,237</u>
694,256	-	-	694,256
<u>321,093</u>	<u>-</u>	<u>-</u>	<u>321,093</u>
<u>24,045,586</u>	<u>-</u>	<u>-</u>	<u>24,045,586</u>
1,612,093	1,618,022	10,000	3,240,115
<u>7,544,187</u>	<u>1,728,082</u>	<u>315,662</u>	<u>9,587,931</u>
<u>\$ 9,156,280</u>	<u>\$ 3,346,104</u>	<u>\$ 325,662</u>	<u>\$ 12,828,046</u>

	Program Service				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Pierre Food Bank
Salaries	\$ 319,674	\$ 132,376	\$ 188,706	\$ 114,069	\$ 116,885
Payroll taxes	25,050	10,374	14,788	8,939	9,160
Employee benefits	70,052	29,009	41,353	24,997	25,614
Total salaries and related benefits	<u>414,776</u>	<u>171,759</u>	<u>244,847</u>	<u>148,005</u>	<u>151,659</u>
Food and transportation costs	712,891	27,952	272,230	24,867	173,691
Backpack food	-	-	-	-	-
Supplies	4,342	4,832	1,401	1,573	745
Utilities	27,006	5,731	34,474	3,995	15,631
Repairs and maintenance	49,817	11,174	26,073	6,053	23,279
Insurance and taxes	16,860	-	9,414	-	8,194
Computer/software costs	19,444	2,294	8,400	1,828	6,922
Postage	8,590	-	3,472	-	1,660
Printing and promotions	6,909	400	2,082	282	1,742
Telephone	6,019	769	2,176	585	1,277
Conferences	3,078	235	325	-	93
Travel	11,706	110	7,130	22	3,037
Vehicle operating costs	86,178	3,402	12,806	3,217	13,615
Professional fees	3,127	-	2,531	-	2,506
Awards and gifts	2,320	549	2,952	401	453
Dues and subscriptions	5,226	-	3,077	-	771
Miscellaneous	10,610	232	177	33	-
Depreciation	69,937	4,358	47,939	15,980	49,571
Overhead allocation	(120,076)	(8,650)	(25,257)	(11,126)	(105,012)
Total expenses before donated goods and services	<u>1,338,760</u>	<u>225,147</u>	<u>656,249</u>	<u>195,715</u>	<u>349,834</u>
In-kind goods and services used	157,361	2,174	280	1,550	-
Food donations distributed	8,690,475	1,796,007	3,707,365	2,258,862	785,519
Spoilage/due date disposals/waste	350,704	181,915	136,071	88,206	37,277
Total donated goods and services	<u>9,198,540</u>	<u>1,980,096</u>	<u>3,843,716</u>	<u>2,348,618</u>	<u>822,796</u>
Total expenses	<u>\$ 10,537,300</u>	<u>\$ 2,205,243</u>	<u>\$ 4,499,965</u>	<u>\$ 2,544,333</u>	<u>\$ 1,172,630</u>

See Notes to Financial Statements



Feeding South Dakota  
Statements of Functional Expenses  
Year Ended June 30, 2016

Commodity Food Programs	Program Service		Total	Fundraising	General and Administration	Total FY 2016
	BackPack Program	Mobile Food Pantry				
\$ 10,603	\$ 60,499	\$ 10,486	\$ 953,298	\$ 259,119	\$ 277,426	\$ 1,489,843
-	-	-	68,311	20,306	21,741	110,358
-	-	-	191,025	56,783	60,795	308,603
<u>10,603</u>	<u>60,499</u>	<u>10,486</u>	<u>1,212,634</u>	<u>336,208</u>	<u>359,962</u>	<u>1,908,804</u>
40,581	2,400	46,529	1,301,141	-	-	1,301,141
-	656,854	-	656,854	-	-	656,854
22,031	1,988	1,499	38,411	-	6,057	44,468
-	-	-	86,837	-	11,284	98,121
-	-	-	116,396	-	15,125	131,521
-	-	1,327	35,795	-	4,651	40,446
-	-	-	38,888	-	5,053	43,941
-	-	-	13,722	63,407	3,366	80,495
349	-	-	11,764	298,789	2,801	313,354
-	-	-	10,826	3,218	3,445	17,489
-	-	-	3,731	-	915	4,646
-	-	-	22,005	-	5,398	27,403
-	-	9,742	128,960	-	-	128,960
-	-	-	8,164	18,756	13,580	40,500
-	-	-	6,675	3,393	722	10,790
-	-	-	9,074	-	732	9,806
-	-	-	11,052	4,217	3,517	18,786
-	-	19,744	207,529	-	26,967	234,496
193,575	93,792	82,785	100,031	-	(100,031)	-
<u>267,139</u>	<u>815,533</u>	<u>172,112</u>	<u>4,020,489</u>	<u>727,988</u>	<u>363,544</u>	<u>5,112,021</u>
-	-	-	161,365	15,874	9,250	186,489
2,155,128	42,345	847,627	20,283,328	-	-	20,283,328
48,647	-	-	842,820	-	-	842,820
<u>2,203,775</u>	<u>42,345</u>	<u>847,627</u>	<u>21,287,513</u>	<u>15,874</u>	<u>9,250</u>	<u>21,312,637</u>
<u>\$ 2,470,914</u>	<u>\$ 857,878</u>	<u>\$ 1,019,739</u>	<u>\$ 25,308,002</u>	<u>\$ 743,862</u>	<u>\$ 372,794</u>	<u>\$ 26,424,658</u>

	Program Service				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Pierre Food Bank
Salaries	\$ 246,356	\$ 140,635	\$ 181,448	\$ 85,121	\$ 95,418
Payroll taxes	19,486	11,163	14,394	6,756	7,540
Employee benefits	52,836	30,268	39,030	18,320	20,444
Total salaries and related benefits	<u>318,678</u>	<u>182,066</u>	<u>234,872</u>	<u>110,197</u>	<u>123,402</u>
Food and transportation costs	494,347	1,636	220,591	1,665	146,093
Backpack food	-	-	-	-	-
Supplies	-	-	-	-	-
Lease/rent expense	16,799	4,169	-	-	-
Utilities	24,132	8,817	32,330	4,022	8,044
Repairs and maintenance	42,471	15,049	24,944	7,112	12,302
Insurance and taxes	11,904	2,899	9,156	671	4,371
Computer/software costs	16,009	3,938	9,627	2,006	4,887
Postage	6,229	208	3,691	-	2,133
Printing and promotions	5,131	1,161	2,753	752	1,261
Telephone	3,412	1,120	2,522	299	1,197
Conferences	1,536	23	1,426	187	734
Travel	8,987	545	5,928	293	5,195
Vehicle operating costs	57,148	9,344	17,805	3,453	21,155
Professional fees	11,318	569	8,653	-	9,402
Awards and gifts	6,494	15	6,488	-	3,251
Dues and subscriptions	5,877	14	3,278	-	806
Miscellaneous	7,918	155	1,613	124	527
Depreciation	56,618	4,154	45,695	15,232	32,155
Overhead allocation	(129,544)	(5,185)	(25,838)	(12,250)	(91,232)
Total expenses before donated goods and services	<u>965,464</u>	<u>230,697</u>	<u>605,534</u>	<u>133,763</u>	<u>285,683</u>
In-kind goods and services used	165,346	5,238	6,110	934	112
Food donations distributed	8,536,148	1,328,524	3,107,051	1,611,442	744,655
Spoilage/du e date disposals/waste	<u>160,639</u>	<u>181,990</u>	<u>38,446</u>	<u>298,121</u>	<u>51,157</u>
Total donated goods and services	<u>8,862,133</u>	<u>1,515,752</u>	<u>3,151,607</u>	<u>1,910,497</u>	<u>795,924</u>
Total expenses	<u>\$ 9,827,597</u>	<u>\$ 1,746,449</u>	<u>\$ 3,757,141</u>	<u>\$ 2,044,260</u>	<u>\$ 1,081,607</u>

See Notes to Financial Statements

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

Commodity Food Programs	Program Service		Total	Fundraising	General and Administration	Total FY 2015
	BackPack Program	Mobile Food Pantry				
\$ 15,495	\$ 59,592	\$ 9,438	\$ 833,503	\$ 222,055	\$ 264,000	\$ 1,319,558
-	-	-	59,339	17,625	20,955	97,919
-	-	-	160,898	47,791	56,818	265,507
<u>15,495</u>	<u>59,592</u>	<u>9,438</u>	<u>1,053,740</u>	<u>287,471</u>	<u>341,773</u>	<u>1,682,984</u>
59,770	-	60,209	984,311	-	-	984,311
-	653,746	-	653,746	-	-	653,746
16,620	-	-	16,620	-	9,185	25,805
-	-	-	20,968	-	-	20,968
-	-	-	77,345	-	7,185	84,530
-	821	376	103,075	-	9,575	112,650
-	-	1,519	30,520	-	2,835	33,355
-	-	-	36,467	-	3,388	39,855
-	-	-	12,261	39,955	3,338	55,554
-	-	-	11,058	197,225	3,011	211,294
-	-	-	8,550	2,539	3,019	14,108
-	-	-	3,906	-	1,064	4,970
-	-	-	20,948	-	5,703	26,651
-	-	13,333	122,238	-	-	122,238
-	-	-	29,942	138,853	10,574	179,369
-	-	-	16,248	8,509	340	25,097
-	-	-	9,975	-	176	10,151
-	-	-	10,337	4,377	4,733	19,447
-	-	-	153,854	-	14,292	168,146
<u>209,804</u>	<u>94,022</u>	<u>66,571</u>	<u>106,348</u>	<u>-</u>	<u>(106,348)</u>	<u>-</u>
<u>301,689</u>	<u>808,181</u>	<u>151,446</u>	<u>3,482,457</u>	<u>678,929</u>	<u>313,843</u>	<u>4,475,229</u>
-	-	-	177,740	15,327	7,250	200,317
2,547,627	84,670	679,499	18,639,616	-	-	18,639,616
<u>71</u>	<u>-</u>	<u>-</u>	<u>730,424</u>	<u>-</u>	<u>-</u>	<u>730,424</u>
<u>2,547,698</u>	<u>84,670</u>	<u>679,499</u>	<u>19,547,780</u>	<u>15,327</u>	<u>7,250</u>	<u>19,570,357</u>
<u>\$ 2,849,387</u>	<u>\$ 892,851</u>	<u>\$ 830,945</u>	<u>\$ 23,030,237</u>	<u>\$ 694,256</u>	<u>\$ 321,093</u>	<u>\$ 24,045,586</u>

Feeding South Dakota  
Statements of Cash Flows  
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	\$ 509,803	\$ 3,240,115
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	234,496	168,146
Gain on sale of fixed assets	(26,542)	(311,368)
Bad debt expense	-	1,082
Unrealized loss on investments	26,151	51,929
Change in beneficial interest in assets	11,264	10,692
Change in discount on contributions receivable	(1,454)	12,116
Commodities received	(2,111,050)	(2,417,412)
In-kind donations received	(18,968,686)	(16,903,910)
In-kind donations of fixed assets	(62,997)	(36,276)
Food distributed to agencies	20,283,328	18,639,616
Spoilage/due date disposals/waste	842,820	730,424
In-kind goods and services	186,489	200,317
Contributions restricted to building projects	(249,750)	(640,050)
Changes in operating assets and liabilities		
Accounts and grants receivable and promises to give	(201,088)	(117,415)
Purchased food inventory	(293,718)	(72,090)
Prepaid expenses	6,487	(13,593)
Cash temporarily restricted by donors	(72,075)	(62,204)
Accounts payable	(22,998)	70,156
Accrued expenses	26,534	26,652
Net Cash from Operating Activities	117,014	2,576,927
Investing Activities		
Purchase of fixed assets	(5,802,687)	(1,549,279)
Proceeds from sale of fixed assets	1,476,849	545,095
Earnest money deposits held	-	50,000
Purchase of investments	(496,817)	(271,223)
Proceeds from sale of investments	1,110,056	218,069
(Withdrawal) addition to cash restricted to building project	2,007,584	(1,142,003)
Contributions restricted to endowment	-	(10,000)
Net Cash used for Investing Activities	(1,705,015)	(2,159,341)
Financing Activities		
Collection of contributions restricted to building	422,926	148,858
Net Change in Cash and Cash Equivalents	(1,165,075)	566,444
Cash and Cash Equivalents, Beginning of Year	1,660,178	1,093,734
Cash and Cash Equivalents, End of Year	\$ 495,103	\$ 1,660,178
Supplemental Disclosure of Cash Flow Information and Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 775,333	\$ 135,157

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

### **Organization**

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

### **Cash and Cash Equivalents**

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

### **Receivables and Credit Policies**

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

### **Promises to Give**

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. Promises to give amounts are reflected net of an allowance for uncollectible amounts based on management's judgment, past payment experience and other relevant factors.

### **Food Inventory**

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

### **Investments**

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

### Fixed Assets

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

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

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

### Net Assets

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

*Unrestricted Net Assets* – Net assets available for use in general operations. The Board has approved a policy to designate a three-month operating reserve. At the April 2016 board meeting, the board approved a temporary decrease in the three-month operating reserve requirement until the completion of the sale of the Sioux Falls warehouse. Unrestricted board designated operating reserve as of June 30, 2016 and 2015, was approximately \$1,028,000 and \$1,077,000, 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 2015 amounts have been reclassified to conform to the 2016 financial statement presentation. The reclassifications had no impact on previously reported net assets.



**Note 2 - Promises to give**

The following summarizes promises to give at June 30, 2016 and 2015:

	2016	2015
South Dakota Cattlemen's Foundation	\$ 212,000	\$ 173,184
Capital campaign	329,251	502,427
Other	7,596	-
Total contributions receivable	548,847	675,611
Less discount to net present value at 5%	(10,662)	(12,116)
Net contributions receivable	\$ 538,185	\$ 663,495

At June 30, 2016 and 2015, one and two donors accounted for approximately 39% and 40% of total contributions receivable.

The following summarizes scheduled receipts of contributions receivable at June 30, 2016.

<u>Due by June 30:</u>	
2017	\$ 404,363
2018	88,484
2019	32,000
2020	19,000
2021	5,000
	\$ 548,847

**Note 3 - Investments**

The following summarizes investments by major investment type at June 30, 2016 and 2015:

	2016	2015
Certificates of deposit	\$ 251,163	\$ 100,973
Mutual funds - equity securities	152,208	478,428
Mutual funds - debt securities	-	361,829
Debt securities	129,399	25,786
Common stock	-	205,144
	532,770	1,172,160
Long term investments	(350,499)	(100,973)
Investments, current	\$ 182,271	\$ 1,071,187

Net investment return consists of the following for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 45,613	\$ 50,469
Unrealized loss	(26,151)	(51,929)
	\$ 19,462	\$ (1,460)

#### **Note 4 - Beneficial Interest in Assets Held by Community Foundations**

##### **Agency Fund**

During 2012, the Organization established various permanent endowment funds (the Funds) with Sioux Falls Area Community Foundation, Black Hills Area Community Foundation and South Dakota Community Foundation and named itself beneficiary. The Organization granted variance power to the community foundations which allows them to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the respective community foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. In addition, the Organization is the beneficiary of a legacy gift which is invested with Sioux Falls Area Community Foundation and to which the donor did not grant variance power. The Funds are held and invested by the community foundations for the benefit of Feeding South Dakota, and are reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities. The aggregate current market value of such transfers, plus income or losses and less distributions and fees was \$355,811 and \$367,075 at June 30, 2016 and 2015, respectively, and is reflected in the Organization's assets as beneficial interest in assets held by community foundations.

##### **Designated Fund**

In December 2014, a \$1,000,000 endowment fund was established by an outside donor with the South Dakota Community Foundation ("Foundation") that names Feeding South Dakota as the designated beneficiary of distributions from the endowment. Distributions to the Organization are in accordance with distribution policies for permanent funds adopted by the Foundation. The endowment represents restricted net assets of the Foundation, and the Organization recognizes unrestricted revenue from the endowment as it is received. The balance of the fund with the Foundation was \$934,527 and \$993,633 as of June 30, 2016 and 2015, respectively.

**Note 5 - Fair Value of Assets and Liabilities**

Assets measured at fair value on a recurring basis at June 30, 2016 and 2015, are as follows:

	2016	2015
Certificates of deposit	\$ 251,163	\$ 100,973
Beneficial interest in assets held by community foundations	355,811	367,075
Mutual funds - equity securities	152,208	478,428
Mutual funds - debt securities	-	361,829
Debt securities	129,399	25,786
Common stock	-	205,144
<b>Total assets</b>	<b>\$ 888,581</b>	<b>\$ 1,539,235</b>

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)
<b>June 30, 2016</b>			
Certificates of deposit	\$ -	\$ 251,163	\$ -
Beneficial interest in assets held by community foundations	-	-	355,811
Mutual funds - equity securities	152,208	-	-
Debt securities	-	129,399	-
	<b>\$ 152,208</b>	<b>\$ 380,562</b>	<b>\$ 355,811</b>
<b>June 30, 2015</b>			
Certificates of deposit	\$ -	\$ 100,973	\$ -
Beneficial interest in assets held by community foundations	-	-	367,075
Mutual funds - equity securities	478,428	-	-
Mutual funds - debt securities	361,829	-	-
Debt securities	-	25,786	-
Common stock	205,144	-	-
	<b>\$ 1,045,401</b>	<b>\$ 126,759</b>	<b>\$ 367,075</b>

A 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 certificates of deposit and corporate debt securities are determined by reference to similar assets that are directly or indirectly observable in the marketplace, and are classified within Level 2. The fair value of the Organization's beneficial interest in assets held by community foundations is based on the fair value of fund investments as reported by the community foundations. These are considered to be Level 3 measurements.

Following is a reconciliation of activity for assets required to be measured at fair value that are based upon significant unobservable (non-market) information for the years ended June 30, 2016 and 2015:

Balance at June 30, 2014	\$ 367,767
Contributions	10,000
Adjustments to fair market value, net of distributions	<u>(10,692)</u>
Balance at June 30, 2015	367,075
Adjustments to fair market value, net of distributions	<u>(11,264)</u>
Balance at June 30, 2016	<u><u>\$ 355,811</u></u>

**Note 6 - Assets Held for Sale**

On September 11, 2015, the Organization entered into a purchase agreement to sell its real property located at 3511 N. 1<sup>st</sup> Avenue in Sioux Falls, South Dakota. Assets held for sale for this property on June 30, 2016 totaled \$465,092. The closing date of the sale of this property occurred on July 18, 2016. The estimated gain on the sale of these assets was approximately \$482,000.

On August 22, 2014, Feeding South Dakota entered into a purchase agreement to sell its real property located at 2900 Airport Road in Pierre, South Dakota. The closing of the sale was completed on February 22, 2016. The realized gain on the sale of these assets totaled approximately \$142,000. Assets held for sale as of June 30, 2015 were \$470,094 and were included on the statements of financial position.

**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	<u>40,000</u>
		<u><u>\$ 166,300</u></u>

These funds were recognized as income in the periods received. The principle sums as specified in the agreements, shall not become due and payable until the occurrence of one of the following events: (1) conveyance of said property by the Organization, (2) voluntary or involuntary relinquishment of said property by the Organization, or (3) termination of the agreement by the City for noncompliance. The related property is secured by mortgages. The original agreements were amended in May 2016 and transferred to the new property.

**Note 8 - 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:

	2016	2015
BackPack program	\$ 698,867	\$ 737,395
Mobile food pantry	60,000	6,090
Capital campaign	-	2,362,738
Sioux Falls food pantry	21,416	32,180
Protein food purchases	213,300	178,154
Delivery truck	160,000	-
Other	127,336	29,547
	\$ 1,280,919	\$ 3,346,104

Net assets were released from restrictions as follows during the years ending June 30, 2016 and 2015:

	2016	2015
Satisfaction of purpose restrictions		
Sioux Falls food pantry	\$ 10,765	\$ 10,031
Mobile food pantry	-	23,908
BackPack program	38,528	-
Capital campaign	2,362,738	-
Other	17,727	25,254
	\$ 2,429,758	\$ 59,193

**Note 9 - Commitments**

In December 2015, the Organization entered into an agreement with a construction contractor related to the construction of a facility on land that was purchased during the year in Minnehaha County. The uncompleted contract balance as of June 30, 2016 was approximately \$157,000. Construction in process was \$4,623,626 at June 30, 2016, which includes purchased land of \$773,900. Construction in process at June 30, 2015 was \$262,862 and was primarily for the construction of the Pierre facility.

**Note 10 - Retirement Plan**

The Organization has established a 401(k) retirement plan that covers all employees who meet eligibility requirements. Employees are fully vested on all amounts contributed to the plan. The plan provides for a discretionary matching contribution. For the years ended June 30, 2016 and 2015, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2016 and 2015, this contribution was \$41,606 and \$35,134, respectively.

**Note 11 - Member Agreement**

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

**Note 12 - In Kind Donations**

Donated goods and services received consisted of the following for 2016 and 2015:

	2016	2015
Food and food discounts	\$ 18,838,524	\$ 16,703,493
Commodities	2,111,050	2,417,412
Food transportation	-	53,157
Fundraising	15,874	15,327
Professional services	95,762	7,250
Media	-	87,726
Capital items	62,997	36,276
Miscellaneous	18,526	24,517
Storage	-	12,440
	\$ 21,142,733	\$ 19,357,598

**Note 13 - Subsequent Event**

Subsequent events have been evaluated through October 13, 2016, the date which the financial statements were available to be issued.

On July 18, 2016 the Organization sold its real property located at 3511 N. 1<sup>st</sup> Avenue for \$950,000. The realized gain on the sale of these assets totaled approximately \$482,000. The Organization has relocated the Sioux Falls operations to its newly constructed facility located at 4701 N. Westport Ave.