



Financial Statements
June 30, 2017 and 2016
Feeding South Dakota

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Independent Auditor's Report

The Board of Directors
Feeding South Dakota
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding South Dakota (the Organization) which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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 16, 2017 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 effectiveness of Feeding South Dakota's 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 "Eide Bailly LLP".

Sioux Falls, South Dakota
October 16, 2017

Feeding South Dakota
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,420,980	\$ 495,103
Cash temporarily restricted by donors	876,155	827,503
Investments - marketable securities	-	182,271
Accounts receivable	76,423	95,258
Grants receivable	69,921	243,661
Promises to give - current	375,860	404,363
Food inventory	1,846,332	2,024,220
Prepaid expenses	44,268	34,443
Total current assets	4,709,939	4,306,822
Fixed Assets		
Land	1,676,309	506,637
Buildings	6,154,292	2,879,983
Furniture and equipment	1,657,657	1,006,436
Vehicles	819,243	728,893
Construction in process	-	4,623,626
	10,307,501	9,745,575
Accumulated depreciation	(1,282,344)	(981,449)
Total fixed assets	9,025,157	8,764,126
Other Assets		
Promises to give - long-term, net	52,052	133,822
Investments, long-term	-	350,499
Assets held for sale	-	465,092
Beneficial interest in assets held by community foundations	384,822	355,811
Total other assets	436,874	1,305,224
Total assets	\$ 14,171,970	\$ 14,376,172
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 162,753	\$ 891,362
Accrued expenses	160,428	146,961
Capital lease obligation - current	11,861	-
Total current liabilities	335,042	1,038,323
Capital Lease Obligation - Long-Term	43,118	-
Total liabilities	378,160	1,038,323
Net Assets		
Unrestricted	12,269,377	11,731,268
Temporarily restricted	1,198,771	1,280,919
Permanently restricted	325,662	325,662
Total net assets	13,793,810	13,337,849
Total liabilities and net assets	\$ 14,171,970	\$ 14,376,172

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Public support				
Contributions	\$ 3,339,080	\$ 127,325	\$ -	\$ 3,466,405
In-kind donations	17,041,988	-	-	17,041,988
United Way	399,942	-	-	399,942
Governmental fees and grants	344,074	-	-	344,074
Commodities program	2,300,262	-	-	2,300,262
Capital campaign	15,464	-	-	15,464
Total public support	<u>23,440,810</u>	<u>127,325</u>	<u>-</u>	<u>23,568,135</u>
Revenue				
Handling fees	1,132,124	-	-	1,132,124
Net investment income	9,853	-	-	9,853
Gain on disposal of fixed assets	476,079	-	-	476,079
Distributions from and change in value of beneficial interest in assets held by community foundations	29,011	-	-	29,011
Other	9,174	-	-	9,174
Total revenue	<u>1,656,241</u>	<u>-</u>	<u>-</u>	<u>1,656,241</u>
Net assets released from restrictions				
Satisfaction of program restrictions	<u>209,473</u>	<u>(209,473)</u>	<u>-</u>	<u>-</u>
Total public support, revenue and reclassifications	<u>25,306,524</u>	<u>(82,148)</u>	<u>-</u>	<u>25,224,376</u>
Expenses				
Program services				
Food Bank - Sioux Falls	7,041,067	-	-	7,041,067
Food Pantry - Sioux Falls	2,968,561	-	-	2,968,561
Food Bank - Rapid City	5,153,215	-	-	5,153,215
Food Pantry - Rapid City	2,791,396	-	-	2,791,396
Food Bank - Pierre	1,262,233	-	-	1,262,233
Commodity Food Programs	2,546,572	-	-	2,546,572
BackPack Program	843,950	-	-	843,950
School Food Pantry	100,500	-	-	100,500
Mobile Food Pantry	996,198	-	-	996,198
Total program services	<u>23,703,692</u>	<u>-</u>	<u>-</u>	<u>23,703,692</u>
Fundraising	680,647	-	-	680,647
General and administrative	384,076	-	-	384,076
Total expenses	<u>24,768,415</u>	<u>-</u>	<u>-</u>	<u>24,768,415</u>
Change in Net Assets	538,109	(82,148)	-	455,961
Net Assets, Beginning of Year	<u>11,731,268</u>	<u>1,280,919</u>	<u>325,662</u>	<u>13,337,849</u>
Net Assets, End of Year	<u>\$ 12,269,377</u>	<u>\$ 1,198,771</u>	<u>\$ 325,662</u>	<u>\$ 13,793,810</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Activities
Years Ended June 30, 2017 and 2016

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,811,775	\$ 353,144	\$ -	\$ 3,164,919
19,031,683	-	-	19,031,683
390,607	11,429	-	402,036
290,746	-	-	290,746
2,111,050	-	-	2,111,050
757,394	-	-	757,394
<u>25,393,255</u>	<u>364,573</u>	<u>-</u>	<u>25,757,828</u>
1,131,913	-	-	1,131,913
19,462	-	-	19,462
26,542	-	-	26,542
(11,264)	-	-	(11,264)
9,980	-	-	9,980
<u>1,176,633</u>	<u>-</u>	<u>-</u>	<u>1,176,633</u>
<u>2,429,758</u>	<u>(2,429,758)</u>	<u>-</u>	<u>-</u>
<u>28,999,646</u>	<u>(2,065,185)</u>	<u>-</u>	<u>26,934,461</u>
10,537,300	-	-	10,537,300
2,205,243	-	-	2,205,243
4,499,965	-	-	4,499,965
2,544,333	-	-	2,544,333
1,172,630	-	-	1,172,630
2,470,914	-	-	2,470,914
857,878	-	-	857,878
-	-	-	-
1,019,739	-	-	1,019,739
<u>25,308,002</u>	<u>-</u>	<u>-</u>	<u>25,308,002</u>
743,862	-	-	743,862
372,794	-	-	372,794
<u>26,424,658</u>	<u>-</u>	<u>-</u>	<u>26,424,658</u>
2,574,988	(2,065,185)	-	509,803
<u>9,156,280</u>	<u>3,346,104</u>	<u>325,662</u>	<u>12,828,046</u>
<u>\$ 11,731,268</u>	<u>\$ 1,280,919</u>	<u>\$ 325,662</u>	<u>\$ 13,337,849</u>

	Program Service				
	Sioux Falls Food Bank	Sioux Falls Food Pantry	Rapid City Food Bank	Rapid City Food Pantry	Pierre Food Bank
Salaries	\$ 353,248	\$ 123,683	\$ 201,454	\$ 114,314	\$ 144,297
Payroll taxes	26,935	9,461	15,360	8,793	11,019
Employee benefits	119,191	24,437	39,548	17,930	21,455
Total salaries and related benefits	<u>499,374</u>	<u>157,581</u>	<u>256,362</u>	<u>141,037</u>	<u>176,771</u>
Food and transportation costs	614,773	26,291	340,350	38,465	223,277
Backpack food	-	-	-	-	-
Supplies	4,782	5,655	2,165	456	1,585
Lease/rent expense	-	-	-	-	-
Utilities	39,608	9,188	30,829	3,573	18,886
Repairs and maintenance	44,188	8,690	25,538	5,690	18,622
Insurance and taxes	21,141	2,064	9,644	884	7,085
Computer/software costs	17,810	2,678	8,350	2,188	6,337
Postage	8,291	26	2,851	-	1,848
Printing and promotions	3,531	44	1,320	133	309
Telephone	6,574	732	1,316	484	1,667
Conferences	2,855	-	54	-	758
Travel	8,193	236	5,115	-	3,250
Vehicle operating costs	89,332	670	21,988	2,499	9,330
Professional fees	2,714	-	2,705	-	3,142
Awards and gifts	14,383	456	13,635	284	4,354
Dues and subscriptions	5,152	-	3,154	-	788
Interest	-	-	-	-	-
Miscellaneous	13,397	114	311	57	328
Depreciation	214,311	9,986	48,009	16,131	75,889
Overhead allocation	(164,969)	(14,115)	(25,614)	(12,107)	(124,245)
Total expenses before donated goods and services	<u>1,445,440</u>	<u>210,296</u>	<u>748,082</u>	<u>199,774</u>	<u>429,981</u>
In-kind goods and services used	122,304	653	-	499	1,428
Food donations distributed	5,028,275	2,424,004	4,279,034	2,448,825	765,165
Spoilage/due date disposals/waste	<u>445,048</u>	<u>333,608</u>	<u>126,099</u>	<u>142,298</u>	<u>65,659</u>
Total donated goods and services	<u>5,595,627</u>	<u>2,758,265</u>	<u>4,405,133</u>	<u>2,591,622</u>	<u>832,252</u>
Total expenses	<u>\$ 7,041,067</u>	<u>\$ 2,968,561</u>	<u>\$ 5,153,215</u>	<u>\$ 2,791,396</u>	<u>\$ 1,262,233</u>

See Notes to Financial Statements

Feeding South Dakota
Statements of Functional Expenses
Year Ended June 30, 2017

Commodity Food Programs	Program Service			Total	Fundraising	General and Administration	Total
	BackPack Program	School Food Pantry	Mobile Food Pantry				
\$ 11,154	\$ 68,063	\$ 2,970	\$ 10,260	\$ 1,029,443	\$ 257,060	\$ 278,122	\$ 1,564,625
-	5,153	224	849	77,794	19,812	19,923	117,529
-	16,084	-	358	239,003	43,431	35,912	318,346
<u>11,154</u>	<u>89,300</u>	<u>3,194</u>	<u>11,467</u>	<u>1,346,240</u>	<u>320,303</u>	<u>333,957</u>	<u>2,000,500</u>
32,802	4,950	6,598	5,471	1,292,977	-	-	1,292,977
-	617,321	-	-	617,321	-	-	617,321
19,694	5,079	65	85	39,566	-	3,535	43,101
-	-	-	200	200	-	-	200
-	-	-	-	102,084	-	14,450	116,534
-	119	610	-	103,457	-	14,645	118,102
-	-	-	1,296	42,114	-	5,961	48,075
-	358	-	-	37,721	-	5,339	43,060
-	-	-	-	13,016	50,210	2,838	66,064
473	5,266	-	-	11,076	279,800	5,462	296,338
-	490	-	-	11,263	1,313	3,972	16,548
-	200	-	-	3,867	1,510	2,536	7,913
-	760	605	-	18,159	2,577	8,472	29,208
-	1,519	-	9,163	134,501	-	-	134,501
-	-	-	-	8,561	-	25,020	33,581
-	83	-	-	33,195	1,935	193	35,323
-	-	-	-	9,094	-	1,097	10,191
-	-	-	-	-	-	2,347	2,347
-	45	-	-	14,252	5,240	4,021	23,513
-	-	-	19,744	384,070	-	54,366	438,436
236,325	117,375	9,798	91,237	113,685	-	(113,685)	-
<u>300,448</u>	<u>842,865</u>	<u>20,870</u>	<u>138,663</u>	<u>4,336,419</u>	<u>662,888</u>	<u>374,526</u>	<u>5,373,833</u>
-	-	-	-	124,884	17,759	9,550	152,193
2,245,088	1,085	79,630	857,535	18,128,641	-	-	18,128,641
1,036	-	-	-	1,113,748	-	-	1,113,748
<u>2,246,124</u>	<u>1,085</u>	<u>79,630</u>	<u>857,535</u>	<u>19,367,273</u>	<u>17,759</u>	<u>9,550</u>	<u>19,394,582</u>
<u>\$ 2,546,572</u>	<u>\$ 843,950</u>	<u>\$ 100,500</u>	<u>\$ 996,198</u>	<u>\$ 23,703,692</u>	<u>\$ 680,647</u>	<u>\$ 384,076</u>	<u>\$ 24,768,415</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
Lease/rent expense	-	-	-	-	-
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
Interest	-	-	-	-	-
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	<u>350,704</u>	<u>181,915</u>	<u>136,071</u>	<u>88,206</u>	<u>37,277</u>
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
	BackPack Program	School Food Pantry	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>-</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
<u>193,575</u>	<u>93,792</u>	<u>-</u>	<u>82,785</u>	<u>100,031</u>	<u>-</u>	<u>(100,031)</u>	<u>-</u>
<u>267,139</u>	<u>815,533</u>	<u>-</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
<u>48,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>842,820</u>	<u>-</u>	<u>-</u>	<u>842,820</u>
<u>2,203,775</u>	<u>42,345</u>	<u>-</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>\$ -</u>	<u>\$ 1,019,739</u>	<u>\$ 25,308,002</u>	<u>\$ 743,862</u>	<u>\$ 372,794</u>	<u>\$ 26,424,658</u>

Feeding South Dakota
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 455,961	\$ 509,803
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	438,436	234,496
Gain on sale of fixed assets	(476,079)	(26,542)
Bad debt expense	53	-
Unrealized (gain) loss on investments	(5,733)	26,151
Change in beneficial interest in assets	(29,011)	11,264
Change in discount on promises to give	(6,714)	(1,454)
Commodities received	(2,300,262)	(2,111,050)
In-kind donations received	(17,006,609)	(18,968,686)
In-kind donations of fixed assets	(35,379)	(62,997)
Food distributed to agencies	18,128,641	20,283,328
Spoilage/due date disposals/waste	1,113,748	842,820
In-kind goods and services	152,193	186,489
Contributions restricted to building projects	-	(249,750)
Changes in operating assets and liabilities		
Accounts and grants receivable and promises to give	179,256	(201,088)
Purchased food inventory	86,531	(293,718)
Prepaid expenses	(9,825)	6,487
Cash temporarily restricted by donors	(48,652)	(72,075)
Accounts payable	(21,246)	(22,998)
Accrued expenses	13,467	26,534
Net Cash from Operating Activities	628,776	117,014
Investing Activities		
Purchase of fixed assets	(1,317,332)	(5,802,687)
Proceeds from sale of fixed assets	950,529	1,476,849
Purchase of investments	(50,159)	(496,817)
Proceeds from sale of investments	588,662	1,110,056
Addition to cash restricted to building project	-	2,007,584
Net Cash from (used for) Investing Activities	171,700	(1,705,015)
Financing Activities		
Principal payments on lease obligation	(8,498)	-
Collection of contributions restricted to building	133,899	422,926
Net Cash from Investing Activities	125,401	422,926
Net Change in Cash and Cash Equivalents	925,877	(1,165,075)
Cash and Cash Equivalents, Beginning of Year	495,103	1,660,178
Cash and Cash Equivalents, End of Year	\$ 1,420,980	\$ 495,103

Feeding South Dakota
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Supplemental Disclosure of Cash Flow Information and Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	<u>\$ 67,970</u>	<u>\$ 775,333</u>
Equipment financed with capital lease	<u>\$ 63,477</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 2,347</u>	<u>\$ -</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.

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

Inventory consists of donated food and non-food items, purchased food and United States Department of Agriculture (USDA) commodities received from the government. Donated non-government food and donated government food was valued at \$1.52 and \$1.67 per pound for the years ended June 30, 2017 and 2016, respectively. This valuation is based on a cost study conducted for Feeding America, which for the most recent cost study, included a separate valuation of food that excludes non-food items. This valuation was used in the \$1.52 value per pound above. Purchased food is valued at the latest purchase price.

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	39 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. Construction in process was \$4,623,626 at June 30, 2016, which includes purchased land of \$773,900.

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. During fiscal year 2016, the board approved a temporary decrease in the three-month operating reserve requirement until the sale of the Sioux Falls warehouse was completed in July 2016. Unrestricted board designated operating reserve as of June 30, 2017 and 2016, was approximately \$1,236,000 and \$1,028,000, 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 restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, 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.

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, grants receivable and promises to give 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.

Subsequent Events

Subsequent events have been evaluated through October 16, 2017, the date which the financial statements were available to be issued.

Note 2 - Promises to Give

The following summarizes promises to give at June 30, 2017 and 2016:

	2017	2016
South Dakota Cattlemen's Foundation	\$ 236,508	\$ 212,000
Capital campaign	195,352	329,251
Other	-	7,596
Total promises to give	431,860	548,847
Less discount to net present value at 5%	(3,948)	(10,662)
Net promises to give	\$ 427,912	\$ 538,185

At June 30, 2017 and 2016, one donor accounted for approximately 55% and 39% of total promises to give.

The following summarizes scheduled receipts of promises to give at June 30, 2017.

<u>Due by June 30:</u>	
2018	\$ 375,860
2019	32,500
2020	18,500
2021	5,000
	\$ 431,860

Note 3 - Investments

The following summarizes investments by major investment type at June 30, 2017 and 2016:

	2017	2016
Certificates of deposit	\$ -	\$ 251,163
Mutual funds - equity securities	-	152,208
Debt securities	-	129,399
	-	532,770
Long term investments	-	(350,499)
Investments, current	\$ -	\$ 182,271

Net investment return consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 4,120	\$ 45,613
Unrealized gain (loss)	5,733	(26,151)
	\$ 9,853	\$ 19,462

Note 4 - Beneficial Interest in Assets Held by Community Foundations

Agency Funds

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 \$384,822 and \$355,811 at June 30, 2017 and 2016, respectively, and is reflected in the Organization's assets as beneficial interest in assets held by community foundations.

Designated Funds

In April 2017, 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. The Organization recognizes temporarily restricted revenue from the endowment as it is received to fund facility operational costs. The balance of the fund with the Foundation was \$1,037,841 as of June 30, 2017.

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. The Organization recognizes unrestricted revenue from the endowment as it is received. The balance of the fund with the Foundation was \$1,002,579 and \$934,527 as of June 30, 2017 and 2016, respectively.

Distributions received totaled \$43,543 and \$44,260 for the years ended June 30, 2017 and 2016, respectively. Distributions from the two designated funds 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.

Note 5 - Fair Value of Assets and Liabilities

Assets measured at fair value on a recurring basis at June 30, 2017 and 2016, are as follows:

	2017	2016
Certificates of deposit	\$ -	\$ 251,163
Beneficial interest in assets held by community foundations	384,822	355,811
Mutual funds - equity securities	-	152,208
Debt securities	-	129,399
	\$ 384,822	\$ 888,581

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2017			
Beneficial interest in assets held by community foundations	\$ -	\$ -	\$ 384,822
	\$ -	\$ -	\$ 384,822
June 30, 2016			
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	-
	\$ 152,208	\$ 380,562	\$ 355,811

A portion of the Organization's investment assets are classified as Level 1 because they are comprised of open-ended mutual funds 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, 2017 and 2016:

Balance at June 30, 2015	\$ 367,075
Adjustments to fair market value, net of distributions	<u>(11,264)</u>
Balance at June 30, 2016	355,811
Adjustments to fair market value, net of distributions	<u>29,011</u>
Balance at June 30, 2017	<u><u>\$ 384,822</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. 1st 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 net gain on the sale of these assets was \$482,438. This amount is included as part of the gain on disposal in the statements of activities. The Organization has relocated the Sioux Falls operations to its newly constructed facility located at 4701 N. Westport Ave.

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 property at 4701 N. Westport, Sioux Falls, South Dakota.

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:

	<u>2017</u>	<u>2016</u>
BackPack program	\$ 709,654	\$ 698,867
Mobile food pantry	35,000	60,000
Sioux Falls food pantry	41,108	21,416
Protein food purchases	237,883	213,300
Delivery truck	-	160,000
Generator and security equipment	50,000	31,667
Rapid City collective impact - personnel expense	35,910	-
Other	89,216	95,669
	<u>\$ 1,198,771</u>	<u>\$ 1,280,919</u>

Net assets were released from restrictions as follows during the years ending June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Satisfaction of purpose restrictions		
Sioux Falls food pantry	\$ -	\$ 10,765
Mobile food pantry	25,000	-
Delivery truck	160,000	-
BackPack program	-	38,528
Capital campaign	-	2,362,738
Other	24,473	17,727
	<u>\$ 209,473</u>	<u>\$ 2,429,758</u>

Note 9 - Retirement Plan

The Organization has established a 401(k) retirement plan that covers all employees who meet eligibility requirements. Employees are fully vested on all amounts contributed to the plan. The plan provides for a discretionary matching contribution. For the years ended June 30, 2017 and 2016, the Organization has elected to match contributions up to 3% of compensation for each eligible employee. For the years ended June 30, 2017 and 2016, this contribution was \$40,168 and \$38,174, respectively.

Note 10 - Member Agreement

The Organization renewed its member agreement with Feeding America on October 1, 2014. 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 11 - In Kind Donations

Donated goods and services received are included as in-kind donations and commodities revenue on the statements of activities and consisted of the following for 2017 and 2016:

	2017	2016
Food and food discounts	\$ 16,850,772	\$ 18,838,524
Commodities	2,300,262	2,111,050
Fundraising	20,009	15,874
Professional services	104,767	95,762
Media	6,034	-
Capital items	35,379	62,997
Miscellaneous	25,027	18,526
	\$ 19,342,250	\$ 21,142,733

Note 12 - Capital Lease Obligation

The Organization leases certain trash compactor equipment under a lease classified as a capital lease. The following is a schedule showing the future minimum lease payments under the capital lease by fiscal year and the present value of the minimum lease payments as of June 30, 2017. The interest rate related to the lease obligation is 5.24% and the maturity date is October 2021.

<u>Years ending June 30:</u>	
2018	\$ 14,460
2019	14,460
2020	14,460
2021	14,460
2022	3,615
Total minimum lease payments	61,455
Less amount representing interest	(6,476)
Capital lease obligation	\$ 54,979
Capital lease obligation - current	\$ 11,861
Capital lease obligation - long-term	43,118
	\$ 54,979

Leased property under the capital lease at June 30, 2017 includes:

Equipment	\$ 63,477
Less accumulated depreciation	(9,522)
	\$ 53,955