

2009

Annual Report

Financial Statements
June 30, 2009

Iowa Food Cooperative

Ames, Iowa

Officers and Directors

Jason Jones..... President
Ken Henrichsen..... Vice-President for Producers
Carolyn Ross..... Vice-President for Consumers
Linda Gobberdiel..... Vice-President for Membership & Education
Robb Origer..... Secretary
Ron Bartelt..... Treasurer



Gardiner Thomsen
Certified Public Accountants

Accountants' Review Report

To the Board of Directors
Iowa Food Cooperative
Ames, Iowa

We have reviewed the accompanying balance sheet of Iowa Food Cooperative, Ames, Iowa, as of June 30, 2009, and the related statements of savings, members' equity, and cash flows for the period then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Iowa Food Cooperative.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

October 22, 2009

Gardiner Thomsen, P.C.

IOWA FOOD COOPERATIVE

Ames, Iowa

BALANCE SHEET

June 30, 2009

ASSETS

CURRENT ASSETS	
Cash	\$10,962
Prepaid Expenses	1,150
Total Current Assets	12,112
PROPERTY, PLANT AND EQUIPMENT	
Equipment	1,814
Accumulated Depreciation	(130)
Property, Plant and Equipment – Net	1,684
TOTAL ASSETS	\$13,796

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES	
Payables	
Other	\$ 680
Accrued Expenses	
Income Taxes	457
Other	50
Total Current Liabilities	1,187
MEMBERS' EQUITY	
Memberships – Producers	2,850
Memberships – Consumers	7,900
Retained Savings	1,859
Total Members' Equity	12,609
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$13,796

IOWA FOOD COOPERATIVE
Ames, Iowa

STATEMENT OF SAVINGS
For the Period Ended June 30, 2009

Sales	\$39,546
Cost of Goods Sold	33,320
Gross Savings	6,226
Other Revenues	
Grant Revenue	35,805
Donations	52,800
Miscellaneous	4,208
Total Revenues	92,813
Total Gross Revenue	99,039
Operating Expenses	
Payroll & Related Costs	22,785
Depreciation	130
Insurance	919
Rent	52,800
Repairs & Supplies	7,362
Utilities	677
Telephone & Web Hosting	2,185
Advertising & Promotional	674
Office Supplies & Postage	1,935
Professional Fees	2,025
Travel	1,260
Licenses & Fees	68
Bank Charges	684
Miscellaneous	3,219
Total Operating Expenses	96,723
Net Savings before Income Taxes	2,316
Income Tax Expense	457
Net Savings	\$ 1,859

IOWA FOOD COOPERATIVE
Ames, Iowa

STATEMENT OF MEMBERS' EQUITY
Period Ended June 30, 2009

	Total	Membership		Retained Savings
		Producer	Consumer	
Balance – July 25, 2008 (Inception)	\$ 0	\$ 0	\$ 0	\$ 0
Memberships Issued	10,750	2,850	7,900	0
Net Savings	1,859	0	0	1,859
Balance – June 30, 2009	\$12,609	\$2,850	\$7,900	\$1,859

IOWA FOOD COOPERATIVE
Ames, Iowa

STATEMENT OF CASH FLOWS
Period Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Savings	\$ 1,859
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities	
Depreciation	130
Change in Assets and Liabilities	
Increase in Prepaid Expenses	(1,150)
Increase in Payables	680
Increase in Accrued Expenses	507
Net Cash Provided by Operating Activities	<u>2,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to Property, Plant & Equipment	(1,814)
Net Cash Used in Investing Activities	<u>(1,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Memberships Issued	10,750
Net Cash Provided by Financing Activities	<u>10,750</u>
Increase in Cash	10,962
Cash – Beginning of Period	0
Cash – End of Period	<u>\$10,962</u>

Notes to Financial Statements

Note 1: Organization and Nature of Business

The Company is an Iowa corporation operating as a cooperative for the mutual benefit of its members. Voting membership may be held by either producers or consumers of products made exclusively in Iowa on a one share, one vote premise. Net savings on business transacted by members may be allocated to them on the books of the Company or paid to them through patronage dividends. The Company hosts a website and operates a distribution outlet which facilitates the exchange of products between its producer and consumer members.

Note 2: Summary of Significant Accounting Policies

USE OF 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 and disclose contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

PREPAID EXPENSES

Expenses incurred in a financial reporting period for which the full benefit of the expense have not been realized are treated as prepaid expenses and amortized over the term of the contract or agreement.

PROPERTY, PLANT AND EQUIPMENT

Equipment is stated at cost. Depreciation methods and estimated useful lives of assets are discussed in Note 5.

Maintenance and repairs are expensed as incurred. Expenditures for new facilities and those which increase the useful lives of buildings and equipment are capitalized. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains and losses on the dispositions are recognized in earnings.

REVENUE RECOGNITION

The Company, as a facilitator between its members, recognizes revenues when the purchase and sale of products is consummated between the member owners through the final exchange of such products and monetary consideration. As the Company serves as a facilitator, it does not maintain trade accounts receivable or an allowance for doubtful accounts as settlement for member transactions is received at the time of delivery for the products.

Notes to Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies (Continued)

ADVERTISING

The Company expenses advertising costs as they are incurred which amounted to \$674 for the period ended June 30, 2009.

INCOME TAXES

The Company, as a non-exempt cooperative, is taxed on non-patronage earnings and any patronage earnings not paid or allocated to members.

The Company has elected to defer the application of FIN 48, *Accounting for Uncertainty in Income Taxes*, as provided for in FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, as issued on December 30, 2008. FIN 48 will be effective for the fiscal year beginning after December 15, 2008.

The Company evaluates its uncertain tax positions and follows FAS 5, *Accounting for Contingencies*, for the appropriate accounting and disclosure requirements associated with any contingencies. Consistent with this Standard, loss contingencies are accrued only if they are probable and can be reasonably estimated.

DISTRIBUTION OF NET SAVINGS

In accordance with the Company's articles and bylaws, the Company shall allocate the net savings, after adequate reserves, to members on a patronage basis, based upon taxable income. Such allocations are approved by the Company's Board of Directors and may be made in the form of cash allocated equities in such proportion as determined by the Board of Directors.

Note 3: Significant Concentrations of Risk

CREDIT RISK – FINANCIAL INSTITUTIONS

The Company maintains cash balances with a local financial institution. Accounts at such financial institutions are insured by the U.S. Federal Deposit Insurance Company (FDIC) up to \$250,000 for the year ended June 30, 2009. At June 30, 2009, cash balances did not exceed this specified coverage.

Note 4: Related Party Transactions

The Company, organized as a cooperative, conducts a significant amount of its business with the members (owners). Members of the Board of Directors sell and purchase goods to and from the other members. These amounts are not significant to the financial statements.

Notes to Financial Statements (Continued)

Note 5: Property, Plant and Equipment

The depreciable assets at June 30, 2009 consist of equipment with a cost basis of \$1,814. This equipment is depreciated over its seven year estimated life utilizing the straight-line method.

Depreciation expense in the amount of \$130 was charged against operations for the period ended June 30, 2009.

Note 6: Members' Equity

At June 30, 2009, members' equity consisted of the following:

	<u>Par Value</u>	<u>Shares Outstanding</u>
Membership – Producer	\$ 50	57
Membership – Consumer	\$ 50	158

The two membership classes of the Company share equal voting rights and preference in liquidation. In the event of dissolution, if the remaining assets of the Company are sufficient, all current and former members will receive distributions up to the stated value of their membership interests, including deferred equities. Any excess will be distributed to the members based upon each individual's proportional share of business conducted with the Company.

Note 7: Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of estimated taxes currently due. Components of the provision for income tax expense for the period ended June 30, 2009 is as follows:

Federal Tax Expense	\$328
State Tax Expense	<u>129</u>
	<u>\$457</u>

Note 8: Contributed Services

The Company leases retail space at no charge at Merle Hay Mall, Des Moines, Iowa. The Company has adopted Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*. This Statement requires that contributions received be recorded as income with a corresponding amount recorded as expense. Accordingly, the Company recognized contribution revenue and rent expense for the period ended June 30, 2009 for the rent space received at no charge. Estimated fair market value of the free rent received amounted to \$52,800.

Notes to Financial Statements (Continued)

Note 9: Grant Revenues and Expenditures

During the year the Company was the beneficiary of grant monies from the Leopold Center for Sustainable Agriculture, Blooming Prairie Foundation and the Iowa Department of Natural Resources. These grants were obtained by Practical Farmers of Iowa to assist in the establishment of the Iowa Food Cooperative. All monies were received directly by Practical Farmers of Iowa to reimburse them for expenditures on behalf of the Iowa Food Cooperative. For the period ended June 30, 2009 the monies received and corresponding expenditures are as follows:

	Blooming Prairie Foundation	Iowa DNR	Leopold Center	Total
Payroll & Related Costs	\$19,000	\$1,934	\$1,851	\$22,785
Equipment	3,000	500	0	3,500
Legal Fees	1,500	0	0	1,500
Web Site	500	1,049	0	1,549
Insurance	869	0	0	869
Utilities	131	0	0	131
Telephone	0	16	0	16
Accounting Services	0	328	0	328
Travel	0	0	1,260	1,260
Office Supplies	0	241	626	867
Miscellaneous	0	0	3,000	3,000
	<u>\$25,000</u>	<u>\$4,068</u>	<u>\$6,737</u>	<u>\$35,805</u>

As of June 30, 2009, the Blooming Prairie and Leopold Center grants had been completed and there was \$20,932 of funds remaining on the Iowa DNR grant.