



Ames, Iowa

FINANCIAL STATEMENTS
June 30, 2011

IOWA FOOD COOPERATIVE
Ames, Iowa

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**IOWA FOOD COOPERATIVE
Ames, Iowa**

PERSONNEL
June 30, 2011

Officers and Directors

<u>Name</u>	<u>Address</u>	<u>Term Expires</u>	<u>Position</u>
Jason Jones	Des Moines, Iowa	2011	President
Stacy Hartmann	Minburn, Iowa	2012	Vice-President for Producers
Amy Miller	West Des Moines, Iowa	2012	Vice-President for Consumers
Ben Saunders	Des Moines, Iowa	2012	Secretary
Kelly Tagtow	Elkhart, Iowa	2013	Treasurer
Carolyn Ross	Ogden, Iowa.....	2011	Director
David Couch	West Des Moines, Iowa	2012	Director
Peter Woltz.....	Osceola, Iowa	2013	Director

Supervisory Personnel

<u>Name</u>	<u>Position</u>
Gary Huber	Manager



Gardiner Thomsen
Certified Public Accountants

Independent Accountants' Review Report

To the Board of Directors
Iowa Food Cooperative
Ames, Iowa

We have reviewed the accompanying balance sheets of Iowa Food Cooperative, Ames, Iowa, as of June 30, 2011 and 2010, and the related statements of operations, members' equity, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, 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 28, 2011

Gardiner Thomsen, P.C.

IOWA FOOD COOPERATIVE
Ames, Iowa

BALANCE SHEETS
June 30, 2011 and 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash	\$28,634	\$19,946
Receivables		
Other	1,115	11,133
Prepaid Expenses	0	1,150
Total Current Assets	29,749	32,229
PROPERTY, PLANT AND EQUIPMENT		
Equipment	4,573	4,574
Accumulated Depreciation	(1,239)	(586)
Property, Plant and Equipment – Net	3,334	3,988
TOTAL ASSETS	\$33,083	\$36,217

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Payables		
Deferred Revenues	\$ 0	\$ 5,582
Other	552	970
Accrued Expenses		
Income Taxes	0	1,133
Other	291	366
Total Current Liabilities	843	8,051
MEMBERS' EQUITY		
Memberships – Producers	5,100	4,250
Memberships – Consumers	23,850	17,450
Retained Savings	3,290	6,466
Total Members' Equity	32,240	28,166
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$33,083	\$36,217

See Independent Accountants' Review Report
The Accompanying notes are an integral part of the financial statements.

IOWA FOOD COOPERATIVE
Ames, Iowa

STATEMENTS OF OPERATIONS
Years Ended June 30, 2011 and 2010

	2011	2010
Sales	\$165,743	\$102,483
Cost of Goods Sold	135,613	85,020
Gross Savings	30,130	17,463
Other Revenues		
Grant Revenue	18,016	22,690
Annual Fee	1,550	1,270
Donations	57,600	58,529
Miscellaneous	71	27
Total Revenues	77,237	82,516
Total Gross Revenue	107,367	99,979
Operating Expenses		
Payroll & Related Costs	35,135	7,725
Depreciation	653	456
Insurance	2,029	2,074
Rent	57,600	57,600
Repairs & Supplies	2,162	3,261
Utilities	1,363	960
Telephone & Web Hosting	334	946
Advertising & Promotional	1,320	3,346
Office Supplies & Postage	2,047	3,730
Professional Fees	2,334	8,825
Travel	1,782	3,097
Licenses & Fees	68	73
Bank Charges	2,493	1,734
Miscellaneous	1,223	412
Total Operating Expenses	110,543	94,239
Net Savings (Loss) Before Income Taxes	(3,176)	5,740
Income Tax Expense	0	1,133
Net Savings (Loss)	\$ (3,176)	\$ 4,607

See Independent Accountants' Review Report
The Accompanying notes are an integral part of the financial statements.

IOWA FOOD COOPERATIVE
Ames, Iowa

STATEMENTS OF MEMBERS' EQUITY
Years Ended June 30, 2011 and 2010

	Total	Membership		Retained Savings
		Producer	Consumer	
Balance – June 30, 2009	\$12,609	\$2,850	\$ 7,900	\$1,859
Memberships Issued	11,350	1,500	9,850	0
Memberships Redeemed	(400)	(100)	(300)	0
Net Savings	4,607	0	0	4,607
Balance – June 30, 2010	28,166	4,250	17,450	6,466
Memberships Issued	9,200	1,100	8,100	0
Memberships Redeemed	(1,950)	(250)	(1,700)	0
Net Loss	(3,176)	0	0	(3,176)
Balance – June 30, 2011	\$32,240	\$5,100	\$23,850	\$3,290

See Independent Accountants' Review Report
The Accompanying notes are an integral part of the financial statements.

IOWA FOOD COOPERATIVE
Ames, Iowa

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Savings (Loss)	\$ (3,176)	\$ 4,607
Adjustments to Reconcile Net Savings (Loss) to Net Cash Provided by Operating Activities		
Depreciation	653	456
Change in Assets and Liabilities		
(Increase) Decrease in Receivables	10,018	(11,133)
Decrease in Prepaid Expenses	1,150	0
Increase (Decrease) in Payables	(6,000)	5,872
Increase (Decrease) in Accrued Expenses	(1,207)	992
Net Cash Provided by Operating Activities	1,438	794
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant & Equipment	0	(2,760)
Net Cash Used in Investing Activities	0	(2,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Memberships Issued	9,200	11,350
Memberships Redeemed	(1,950)	(400)
Net Cash Provided by Financing Activities	7,250	10,950
Increase in Cash	8,688	8,984
Cash – Beginning of Year	19,946	10,962
Cash – End of Year	\$28,634	\$ 19,946

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid During the Year For:

Income Taxes	\$ 2,251	\$ 457
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See Independent Accountants' Review Report
The Accompanying notes are an integral part of the financial statements.

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

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.

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 \$1,320 and \$3,346 for the years ended June 30, 2011 and 2010, respectively.

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 evaluates uncertain tax benefits arising from tax positions taken or expected to be taken based upon the likelihood of being sustained upon examination by applicable tax authorities. If the Company determines that a tax position is more likely than not of being sustained, it recognizes the largest amount of the arising benefit that is greater than 50% likely of being realized upon settlement in the financial statements. Any tax positions taken or expected to be taken that do not pass the more likely than not test, the Company establishes reserves offsetting the benefits related to such positions. Interest and penalties, if any, are included in the current period provision for income taxes in the Company's statement of savings and are included as a current liability in the balance sheet.

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 the local financial institution which may at times exceed the \$250,000 coverage for interest bearing accounts and unlimited coverage for non-interest bearing accounts by the U.S. Federal Deposit Insurance Company (FDIC). Cash balances did not exceed FDIC coverage at June 30, 2011 and 2010.

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. The general manager is also a member. He was paid \$22,409 and \$0 for the years ended June 30, 2011 and 2010, respectively.

Notes to Financial Statements (Continued)

Note 5: Property, Plant and Equipment

The depreciable assets at June 30, 2011 and 2010 consist of equipment with a cost basis of \$4,574. This equipment is depreciated over its seven year estimated life utilizing the straight-line method.

Depreciation expense in the amount of \$653 and \$456 was charged against operations for the years ended June 30, 2011 and 2010, respectively.

Note 6: Members' Equity

At June 30, 2011, members' equity consisted of the following:

	Par Value	Shares Outstanding	
		2011	2010
Membership – Producer	\$50	102	85
Membership – Consumer	\$50	477	349

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, 2011 and 2010 is as follows:

	2011	2010
Federal Tax Expense	\$0	\$ 813
State Tax Expense	0	320
	<u>\$0</u>	<u>\$1,133</u>

Effective July 1, 2009, the Company adopted "Accounting for Uncertainty in Income Taxes" under the Income Taxes Topic of the FASB ASC. Under this topic, the Company recognizes any uncertain tax benefits if such benefits are a result of a tax position that is more likely than not sustainable upon examination by Federal or State tax authorities. When an uncertain benefit is determined to be more likely than not sustained, the Company values the position, for financial statement purposes, of the largest amount of the tax benefit that is more than 50% likely of being realized upon resolution of the benefit. For any tax positions taken that do not meet the more than likely criteria, the Company establishes a tax reserve for 100% of the position taken.

Notes to Financial Statements (Continued)

Note 7: Income Taxes (Continued)

Adoption of "Accounting for Uncertainty in Income Taxes" did not have an impact on the Company's financial position. As of June 30, 2011, no significant amounts of unrecognized tax benefits existed nor does the Company anticipate any significant changes in unrecognized tax benefits to occur within the next year, other than tax settlements.

The Company files tax returns with the Internal Revenue Service and the State of Iowa. As of June 30, 2011, the Company is no longer subject to examinations by relevant tax authorities for the fiscal years prior to June 30, 2009. This was the Company's first year of operations.

The Company has net operating loss carryforward of \$3,021 available, which will expire in 2031.

Note 8: Contributed Services

The Company leases retail space at no charge at Merle Hay Mall, Des Moines, Iowa. In accordance with the Revenue Recognition Topic of the FASB Accounting Standards Codification (ASC), the Company includes the contributions received as income with a corresponding amount recorded as expense. Accordingly, the Company recognized contribution revenue and rent expense for the years ended June 30, 2011 and 2010 for the rent space received at no charge. Estimated fair market value of the free rent received amounted to \$57,600 for the years ended June 30, 2011 and 2010.

Note 9: Grant Revenues and Expenditures

During the years ended June 30, 2011 and 2010, the Company was the beneficiary of grant monies from various sources. For the years ended June 30, 2011 and 2010, the monies received and corresponding expenditures are as follows:

2011	USDA
Payroll & Related Costs	\$15,000
Meetings & Travel	1,224
Other	1,792
	<u>\$18,016</u>

Notes to Financial Statements (Continued)

Note 9: Grant Revenues and Expenditures (Continued)

2010	Iowa DNR	USDA	Total
Payroll & Related Costs	\$ 5,566	\$ 0	\$ 5,566
Advertising & Promotional	2,713	0	2,713
Telephone & Web Hosting	947	0	947
Professional Fees	8,231	0	8,231
Meetings & Travel	1,820	1,058	2,878
Office Supplies & Postage	1,655	700	2,355
	<u>\$20,932</u>	<u>\$1,758</u>	<u>\$22,690</u>

As of June 30, 2011, all grants had been completed, except for the grant from the United States Department of Agriculture (USDA) which had \$8,502 of funds remaining. During October 2011, the Company informed the USDA that they were no longer in need of remaining funds.

Note 10: Subsequent Events

The Company has considered the effect, if any, that events occurring after the balance sheet date up to October 28, 2011 have on the financial statements as presented. This date coincides with the date the financial statements were available to be issued.