

CDS

Cooperative Development Services

Where cooperation is at work, communities prosper.



COOPERATIVE DEVELOPMENT SERVICES, INC.

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended August 31, 2012 and 2011

Cooperative Development Services, Inc.

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August 31, 2012 and 2011

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

November 14, 2012

To the Board of Directors of
Cooperative Development Services, Inc.
Madison, Wisconsin

We have audited the accompanying statement of financial position of Cooperative Development Services, Inc. (a nonprofit organization) as of August 31, 2012 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Cooperative Development Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The statement of financial position and the related statements of activities and cash flows of Cooperative Development Services, Inc. as of August 31, 2011 were audited by other auditors whose report dated November 16, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cooperative Development Services, Inc. as of August 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

COOPERATIVE DEVELOPMENT SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash	\$ 181,102	\$ 88,811
Certificates of Deposit	45,943	45,759
Accounts Receivable	116,422	33,132
Promises to Give	76,500	177,821
Prepaid Expenses	4,334	3,897
	<hr/>	<hr/>
Total Current Assets	424,301	349,420
Equipment:		
Equipment	8,878	8,878
Less: Accumulated Depreciation	(8,878)	(8,878)
	<hr/>	<hr/>
Equipment- Net	-	-
	<hr/>	<hr/>
Total Assets	<u>\$ 424,301</u>	<u>\$ 349,420</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 20,402	\$ 17,414
Line of Credit	-	17,803
Accrued Payroll and Taxes	9,642	19,955
	<hr/>	<hr/>
Total Current Liabilities	30,044	55,172
Net Assets:		
Temporarily Restricted Net Assets	272,976	237,427
Unrestricted Net Assets	121,281	56,821
	<hr/>	<hr/>
Total Net Assets	394,257	294,248
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 424,301</u>	<u>\$ 349,420</u>

The accompanying notes are an integral part of these financial statements.

COOPERATIVE DEVELOPMENT SERVICES, INC.

**STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2012 and 2011**

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

	<u>2012</u>	<u>2011</u>
Grants and Contracts (Includes grants paid to others of \$61,000 and \$0, respectively)	\$ 234,562	\$ 173,073
Contributions	150,669	51,057
Consulting and Other Program Service Revenue	54,829	109,364
Interest	439	1,107
Rental Income	16,243	7,368
	<hr/>	<hr/>
Total Unrestricted Support and Revenue	456,742	341,969

EXPENSES

Personnel	333,715	327,655
Consultant	45,266	63,274
Travel and Meetings	20,132	22,733
Printing and Promotion	50	163
Office Expenses	17,349	19,581
Occupancy	38,770	44,915
Subscriptions and Memberships	5,393	5,003
Professional Services	31,467	30,651
Other	2,099	3,040
Insurance	5,845	7,782
Grants to Others	61,000	-
Bad Debt Expense	-	5,478
	<hr/>	<hr/>
Total Expenses	561,086	530,275

NET ASSETS RELEASED FROM RESTRICTION

Satisfaction of Purpose Restrictions	168,804	169,447
	<hr/>	<hr/>
Change in Unrestricted Net Assets	64,460	(18,859)

TEMPORARILY RESTRICTED NET ASSETS

Contributions/Grants	204,353	237,427
Net Assets Released from Restrictions		
Satisfaction of Purpose Restrictions	(168,804)	(169,447)
	<hr/>	<hr/>
Change in Temporarily Restricted Net Assets	35,549	67,980
	<hr/>	<hr/>
Increase (Decrease) in Net Assets	100,009	49,121
	<hr/>	<hr/>
Net Assets - Beginning of Year	294,248	245,127
	<hr/>	<hr/>
Net Assets - End of Year	\$ 394,257	\$ 294,248

The accompanying notes are an integral part of these financial statements.

COOPERATIVE DEVELOPMENT SERVICES, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 100,009	\$ 49,121
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:		
Bad Debt Expense	-	5,478
(Increase) Decrease in Assets		
Accounts Receivable	(18,500)	20,502
Promise to Give	36,531	(60,055)
Prepaid Expenses	(437)	4,924
Increase (Decrease) in Liabilities		
Accounts Payable	2,599	1,161
Accrued Payroll and Taxes	(10,313)	(2,455)
Net cash provided (used) by operating activities	109,889	18,676
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest retained in certificates of deposit	(184)	(300)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Line of Credit	-	7,520
Repayment of Line of Credit	(17,414)	(25,191)
Net cash provided (used) by investing activities	(17,414)	(17,671)
Increase (decrease) in cash	92,291	705
Cash and cash equivalents, beginning of year	88,811	88,106
Cash and cash equivalents, end of year	<u>\$ 181,102</u>	<u>\$ 88,811</u>

The accompanying notes are an integral part of these financial statements.

COOPERATIVE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements
August 31, 2012 and 2011

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Cooperative Development Services, Inc., (CDS) which consists of Cooperative Development Services, Inc. and Cooperative Development Fund of CDS, assists existing cooperatives and promotes the formation of new cooperative businesses in the upper Midwest region and around the United States of America. CDS is funded primarily by grants and contracts to perform consulting and other services.

The following summary of significant accounting policies is to enhance the usefulness of the financial statements.

Basis of Presentation

CDS is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets - Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets - Net assets that have been restricted by donors to be maintained by CDS in perpetuity.

Estimates

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

Cash and Cash Equivalents for Statement of Cash Flows

For the purposes of the statement of cash flows, CDS considers all highly liquid debt instruments with a maturity of three months or less as of the purchase date to be cash equivalents.

Accounts Receivable

CDS considers all receivables to be fully collectible. Accordingly, no provision has been made for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made.

COOPERATIVE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements
August 31, 2012 and 2011

1. Nature of Activities and Significant Accounting Policies, (Continued)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. CDS considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If promises to give become uncollectible, they will be charged to operations when that determination is made. All unconditional promises to give for the years ended August 31, 2012 and 2011 were due within one year.

Equipment

Equipment purchases in excess of \$1,500 are capitalized at cost and depreciated using the straight-line method over estimated useful lives of the assets.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. When a 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.

Expense Allocation

The costs of providing the various program services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes those activities:

Program Services

CDS provides consulting, education and research services to new cooperatives, with an emphasis on the development of alternative food systems. CDS also promotes cooperative development and marketing and production of organic and sustainably produced food products as part of this program.

Management and General Activities

Management and general activities consist of general administrative functions, Board and member relations, and coordination with other cooperative service providers.

Fundraising Activities

Fundraising activities consist primarily of grant writing.

COOPERATIVE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements
August 31, 2012 and 2011

1. Nature of Activities and Significant Accounting Policies (Continued)

Grants Made

Grants are made from available resources in accordance with donor and/or Board recommendations. Liabilities for grants made are recognized when approved by the Executive Director and payment is generally made shortly thereafter.

Date of Management's Review

Management has evaluated subsequent events through November 14, 2012, the date which the financial statements were available to be issued

Income Taxes

CDS consists of two organizations. The activities of Cooperative Development Services, Inc. are classified as exempt under section 501(c)(6) and the activities of Cooperative Development Fund of CDS are classified as exempt under section 501(c)(3). The 501(c)(3) organization is classified as a public charity. Neither organization is subject to federal and state income taxes. CDS's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, CDS is no longer subject to such examinations for tax years before 2008.

2. Lines of Credit

CDS has two lines of credit. One carries an interest rate of 3.25%, is secured by business assets, permits borrowing up to \$45,000 and matures on January 31, 2013. This line had no outstanding balance at August 31, 2012 and a balance of \$17,803 at August 31, 2011. The other line of credit carries an interest rate of 6.25%, is secured by business assets, permits borrowing up to \$40,000 and matures on January 31, 2013. This line had no outstanding balance at August 31, 2012 and 2011.

Interest expense for the year ended August 31, 2012 and 2011 was \$625 and \$1,450, respectively.

3. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets at August 31, 2012 and 2011 consisted of the following:

	2012	2011
Sustainable Forestry and Agriculture	\$ 47,207	\$ 35,378
Video Production on Healthcare Coops in Africa	21,820	23,500
Technical Assistance for Specified Coops	9,595	3,845
Water Shed Improvement	147,985	128,737
Coop and Rural Business development	46,369	45,967
Temporarily Restricted Net Assets	<u>\$ 272,976</u>	<u>\$ 237,427</u>

COOPERATIVE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements
August 31, 2012 and 2011

4. Retirement Plan

CDS has a 401(k) profit sharing plan for which employees become eligible with one year of service. Employer contributions equal 7% of an employee's compensation and vest over 5 years. Retirement expense for the years ended August 31, 2012 and 2011 was \$22,695 and \$19,153, respectively.

5. Leased Facilities

CDS leases space in Madison, Wisconsin and St. Paul, Minnesota for its administrative offices. The Madison lease requires monthly payments of \$370 and it is month-to-month. The St. Paul lease requires monthly payments of \$2,835 (plus annual increases) and expires in April 2014. Total rent expense for the years ended August 31, 2012 and 2011 was \$38,770 and \$44,915, respectively.

Future minimum rental payments are as follows:

<u>Year Ended August 31,</u>	<u>Amount</u>
2013	\$ 34,696
2014	23,356

CDS also sub leases a portion of the office space in Minnesota on a month-to-month basis. Monthly payments are based on the percentage of FTE's occupying the space for both CDS and the organization leasing the space. Rental payments received for the year-ended August, 31, 2012 and 2011 were \$16,243 and \$7,368, respectively.

6. Concentration of Contributors

CDS receives approximately 34% of its total support and revenue from United States Department of Agriculture.

7. Functional Classification of Expenses

Expenses by function for the years ended August 31, 2012 and 2011 were as follows:

	2012	2011
Program Services	\$ 496,753	\$ 413,002
Management and General Activities	57,996	104,188
Fundraising Activities	6,337	13,085
Total Expenses	\$ 561,086	\$ 530,275