

**CDS**

**Cooperative Development Services**  
*Where cooperation is at work, communities prosper.*



**COOPERATIVE DEVELOPMENT SERVICES, INC.**

**FINANCIAL STATEMENTS**

August 31, 2011 and 2010

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Cooperative Development Services, Inc. as of August 31, 2011 and 2010, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2011 and 2010, 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.

*Wegner LLP*

Wegner LLP  
Madison, Wisconsin  
November 16, 2011



**COOPERATIVE DEVELOPMENT SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 88,811	\$ 88,106
Certificates of deposit	45,759	45,459
Accounts receivable	33,132	59,112
Promises to give	177,821	117,766
Prepaid expenses	3,897	8,821
	<u>349,420</u>	<u>319,264</u>
<b>EQUIPMENT</b>		
Equipment	8,878	8,878
Less accumulated depreciation	8,878	8,878
	<u>-</u>	<u>-</u>
Equipment - net	-	-
<b>Total assets</b>	<u><u>\$ 349,420</u></u>	<u><u>\$ 319,264</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Lines of credit	\$ 17,414	\$ 35,085
Accounts payable	17,803	16,642
Accrued payroll and taxes	19,955	22,410
	<u>55,172</u>	<u>74,137</u>
<b>Total liabilities</b>	55,172	74,137
<b>NET ASSETS</b>		
Unrestricted	56,821	75,680
Temporarily restricted	237,427	169,447
	<u>294,248</u>	<u>245,127</u>
<b>Total net assets</b>	294,248	245,127
<b>Total liabilities and net assets</b>	<u><u>\$ 349,420</u></u>	<u><u>\$ 319,264</u></u>

See accompanying notes.

**COOPERATIVE DEVELOPMENT SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended August 31, 2011 and 2010

	2011	2010
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND OTHER REVENUE</b>		
Grants and contracts	\$ 173,073	\$ 193,447
Contributions	51,057	39,968
Consulting and other program service revenue	109,364	178,428
Interest	1,107	666
Miscellaneous	7,368	10,700
	<u>341,969</u>	<u>423,209</u>
<b>EXPENSES</b>		
Personnel	327,655	392,572
Consultants	63,274	74,946
Travel and meetings	22,733	38,852
Printing and promotion	163	1,705
Office expenses	19,581	25,316
Occupancy	44,915	49,984
Subscriptions and memberships	5,003	5,855
Professional services	30,651	32,959
Other	3,040	6,055
Insurance	7,782	6,114
Bad debt expense	5,478	-
	<u>530,275</u>	<u>634,358</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Satisfaction of purpose restrictions	169,447	163,172
	<u>169,447</u>	<u>163,172</u>
Change in unrestricted net assets	(18,859)	(47,977)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	237,427	169,447
Net assets released from restrictions		
Satisfaction of purpose restrictions	(169,447)	(163,172)
	<u>67,980</u>	<u>6,275</u>
Change in temporarily restricted net assets	67,980	6,275
<b>Change in net assets</b>	49,121	(41,702)
Net assets - beginning of year	245,127	286,829
	<u>245,127</u>	<u>286,829</u>
<b>Net assets - end of year</b>	<u>\$ 294,248</u>	<u>\$ 245,127</u>

See accompanying notes.

**COOPERATIVE DEVELOPMENT SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 49,121	\$ (41,702)
Adjustments to reconcile the change in net assets to net cash flows from operating activities		
Bad debt expense	5,478	-
(Increase) decrease in assets		
Accounts receivable	20,502	(39,091)
Promises to give	(60,055)	93,685
Prepaid expenses	4,924	(660)
Increase (decrease) in liabilities		
Accounts payable	1,161	(17,163)
Accrued payroll and taxes	(2,455)	3,220
Deferred revenue	-	-
<b>Net cash flows from operating activities</b>	<u>18,676</u>	<u>(1,711)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest retained in certificates of deposit	(300)	(547)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lines of credit	7,520	79,500
Repayment of lines of credit	(25,191)	(44,415)
<b>Net cash flows from financing activities</b>	<u>(17,671)</u>	<u>35,085</u>
Net change in cash	705	32,827
Cash - beginning of year	<u>88,106</u>	<u>55,279</u>
<b>Cash - end of year</b>	<u>\$ 88,811</u>	<u>\$ 88,106</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 1,450	\$ 1,170

See accompanying notes.

**COOPERATIVE DEVELOPMENT SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2011 and 2010

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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 description of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Accounts Receivable**

CDS considers all accounts receivable 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.

**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, 2011 and 2010 were due within one year.

**COOPERATIVE DEVELOPMENT SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
August 31, 2011 and 2010

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Equipment**

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

**Date of Management's Review**

Management has evaluated subsequent events through November 16, 2011, the date which the financial statements were available to be issued.



**COOPERATIVE DEVELOPMENT SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
August 31, 2011 and 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Tax Status**

CDS consists of two organizations exempt under Internal Revenue Code Sections. 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.

**NOTE 2 – LINES OF CREDIT**

CDS has two lines of credit. One carries an interest rate of 5%, is secured by certificates of deposit, permits borrowings of up to \$45,000, and matures in December 2011. This line had an outstanding balance of \$17,414 and \$35,085 at August 31, 2011 and 2010. The other line of credit carries an interest rate of 6.25%, is secured by a general business agreement, permits borrowings of up to \$40,000, and matures in December 2011. This line had no outstanding balance at August 31, 2011.

Interest expense for the years ended August 31, 2011 and 2010 was \$1,450 and \$1,170.

**NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at August 31, 2011 and 2010 are available for the following purposes or periods:

	2011	2010
Sustainable forestry and agriculture	\$ 35,378	\$ 35,417
Video production on healthcare coops in Africa	23,500	-
Technical assistance for specified coops	3,845	-
Water shed improvement	128,737	110,000
Coop and rural business development	45,967	24,030
Temporarily restricted net assets	\$ 237,427	\$ 169,447

**NOTE 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, 2011 and 2010 was \$19,153 and \$23,693.

**COOPERATIVE DEVELOPMENT SERVICES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2011 and 2010

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**NOTE 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, 2011 and 2010 was \$44,915 and \$49,984.

Future minimum rental payments are \$34,189, \$34,696, and \$23,356 for the years ending August 31, 2012, 2013, and 2014.

**NOTE 6 – CONCENTRATION OF CONTRIBUTORS**

CDS receives approximately 30% of its total support and revenue from United States Department of Agriculture.

**NOTE 7 – FUNCTIONAL CLASSIFICATION OF EXPENSES**

Expenses by function for the years ended August 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Program services	\$ 413,002	\$ 480,744
Management and general activities	104,188	141,599
Fundraising activities	<u>13,085</u>	<u>12,015</u>
Total expenses	<u>\$ 530,275</u>	<u>\$ 634,358</u>