

Slow Food USA, Inc.

Financial Statements

Years Ended December 31, 2006 and 2005



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

Slow Food USA, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Slow Food USA, Inc.
New York, New York

We have audited the accompanying statements of financial position of Slow Food USA, Inc. as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 in the first paragraph present fairly, in all material respects, the financial position of Slow Food USA, Inc. as of December 31, 2006 and 2005, 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.

Dixon Hughes PLLC

May 22, 2008

SLOW FOOD USA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Cash	\$ 407,350	\$ 352,915
Due from affiliated organization	16,072	10,836
Other receivables	1,896	104
Deposits	6,363	6,363
Office furniture and equipment, net of accumulated depreciation of \$18,604 in 2006 and \$13,321 in 2005	<u>17,039</u>	<u>14,653</u>
TOTAL ASSETS	<u><u>\$ 448,720</u></u>	<u><u>\$ 384,871</u></u>
 LIABILITIES AND NET DEFICIT		
LIABILITIES		
Accounts payable	\$ 19,994	\$ 39,253
Accrued liabilities	6,805	11,932
Deferred grant revenue	363,113	273,288
Agency funds due to others	-	14,100
Due to affiliated organization	<u>173,850</u>	<u>112,325</u>
TOTAL LIABILITIES	<u>563,762</u>	<u>450,898</u>
 NET DEFICIT		
Unrestricted	(264,749)	(106,495)
Temporarily restricted	<u>149,707</u>	<u>40,468</u>
TOTAL NET DEFICIT	<u>(115,042)</u>	<u>(66,027)</u>
TOTAL LIABILITIES AND NET DEFICIT	<u><u>\$ 448,720</u></u>	<u><u>\$ 384,871</u></u>

SLOW FOOD USA, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS		
Support and revenue		
Membership dues	\$ 502,423	\$ 499,500
Program fees	91,843	215,853
Contributions and grants	489,624	498,475
Advertising and merchandise	22,609	25,536
Publications income	42,835	14,590
Other income	<u>19,474</u>	<u>6,190</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	1,168,808	1,260,144
Net assets released from restrictions	<u>243,814</u>	<u>36,915</u>
TOTAL UNRESTRICTED SUPPORT, REVENUE AND RELEASES	<u>1,412,622</u>	<u>1,297,059</u>
EXPENSES		
Program	1,169,735	1,020,054
Fundraising	256,930	135,610
Management and general	<u>144,211</u>	<u>136,042</u>
TOTAL EXPENSES	<u>1,570,876</u>	<u>1,291,706</u>
(INCREASE) DECREASE IN UNRESTRICTED NET DEFICIT	<u>(158,254)</u>	<u>5,353</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	353,053	61,602
Net assets released from restrictions	<u>(243,814)</u>	<u>(36,915)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>109,239</u>	<u>24,687</u>
(INCREASE) DECREASE IN NET DEFICIT	(49,015)	30,040
NET DEFICIT, BEGINNING OF YEAR	<u>(66,027)</u>	<u>(96,067)</u>
NET DEFICIT, END OF YEAR	<u>\$ (115,042)</u>	<u>\$ (66,027)</u>

SLOW FOOD USA, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Increase) decrease in net deficit	\$ (49,015)	\$ 30,040
Adjustments to reconcile (increase) decrease in net deficit to net cash provided by operating activities:		
Depreciation	5,283	3,780
Change in assets and liabilities		
Increase in due from affiliated organization	(5,236)	(10,836)
(Increase) decrease in other receivables	(1,792)	577
Decrease in prepaid assets	-	1,855
Increase (decrease) in accounts payable	(19,259)	13,414
Increase (decrease) in accrued liabilities	(5,127)	6,611
Increase in deferred grant revenue	89,825	3,288
Increase (decrease) in agency funds due to others	(14,100)	14,100
Increase (decrease) in due to affiliated organization	<u>61,525</u>	<u>(32,688)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>62,104</u>	<u>30,141</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of office furniture and equipment	<u>(7,669)</u>	<u>(11,906)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(7,669)</u>	<u>(11,906)</u>
NET INCREASE IN CASH	54,435	18,235
CASH, BEGINNING OF YEAR	<u>352,915</u>	<u>334,680</u>
CASH , END OF YEAR	<u>\$ 407,350</u>	<u>\$ 352,915</u>

SLOW FOOD USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE A - NATURE OF ACTIVITIES

Slow Food USA, Inc. (the "Organization") was incorporated as a New York not-for-profit corporation on December 22, 1999 as an educational organization dedicated to the promotion of stewardship of the land and ecologically sound food production; to the revival of the kitchen and dining table as centers of pleasure, culture and community; to the invigoration of regional, seasonal culinary traditions; and to living a slower and more harmonious rhythm of life.

Slow Food USA, Inc. holds and sponsors exhibits and conferences, and produces and disseminates literature in furtherance of the foregoing purposes.

The Organization is funded by membership dues, contributions, grants, and fund-raising events.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization 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 subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by action of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization does not currently have permanently restricted net assets.

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 disclosure of contingent assets and liabilities at the date of the statements of financial position and the reported amounts of revenues and expenses included in the statements of activities. Accordingly, actual results could differ from those estimates.

SLOW FOOD USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Office Furniture and Equipment

Office furniture and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from five to seven years.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Income Taxes

The Organization is exempt from income taxes on related income as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 170(b)(1).

NOTE C - TRANSACTIONS WITH AFFILIATED ORGANIZATION

The Organization has entered into an agreement with its affiliate, Slow Food Arcigola (Affiliate), a corporation organized pursuant to the laws of Italy, wherein Slow Food USA, Inc. may use the Affiliate's trade name, "Slow Food," and its accompanying logo in the United States of America. The Organization is obligated to pay the Affiliate a portion of membership fees collected. During the years ended December 31, 2006 and 2005, this expense amounted to \$151,426 and \$149,427, respectively.

At December 31, 2006 and 2005, amounts due to the affiliated organization were \$173,850 and \$112,325, respectively. At December 31, 2006 and 2005, amounts due from the affiliated organization were \$16,072 and \$10,836, respectively.

SLOW FOOD USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE D - AGENCY FUNDS DUE TO OTHERS

The Organization periodically receives cash from donors and agrees to transfer the cash to a specified beneficiary organization. The cash is included on the statement of financial position as a liability until the cash is transferred to the beneficiary. The Organization typically retains a portion of the cash as a fee for facilitating the agency transaction. For the years ended December 31, 2006 and 2005, changes in agency funds due to others consist of the following:

	<u>2006</u>	<u>2005</u>
Agency funds due to others, beginning	\$ 14,100	\$ -
Cash received for beneficiaries	49,450	94,800
Fees earned and deducted	(4,450)	(4,050)
Cash disbursed to beneficiaries	<u>(59,100)</u>	<u>(76,650)</u>
Agency funds due to others, ending	<u>\$ -</u>	<u>\$ 14,100</u>

NOTE E - LINE OF CREDIT

The Organization has a \$100,000 line of credit with a financial institution. The line of credit bears interest at the prime rate (8.25% at December 31, 2006) plus 1.75%. The Organization did not have a balance outstanding at December 31, 2006 and 2005.

NOTE F - RESTRICTIONS ON NET ASSETS

At December 31, 2006 and 2005, temporarily restricted net assets consist of the following:

	<u>2006</u>	<u>2005</u>
Betsy Lydon Fund	\$ 15,196	\$ 13,236
Presidia	7,275	15,000
Terra Madre - US Delegates	-	1,025
Terra Madre - Relief Fund	1,720	11,207
Slow Food Nation	<u>125,516</u>	<u>-</u>
	<u>\$ 149,707</u>	<u>\$ 40,468</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. During the years ended December 31, 2006 and 2005, \$243,814 and \$36,915, respectively, were released from restrictions for programs and operations.

SLOW FOOD USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE G - LEASES

The Organization leases office space under a non-cancelable operating lease that expires on September 30, 2009. The future minimum rental payments required under the lease are as follows:

<u>Year Ending December 31,</u>	
2007	23,800
2008	24,500
2009	<u>18,800</u>
Total	<u>\$ 90,200</u>

For the years ended December 31, 2006 and 2005, rent expense under the lease amounted to approximately \$23,100 and \$22,400, respectively.

Subsequent to year-end, the Organization modified the office space lease agreement which now expires on March 31, 2012.

NOTE H - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE I - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash deposits in excess of federally insured limits. At December 31, 2006, the Organization's uninsured cash balances were approximately \$372,000.

NOTE J - CONTINGENCY

The Organization's continuation as a going concern is dependent upon the continued support of the Affiliated Organization and upon the Organization's ability to generate sufficient unrestricted cash flows to repay indebtedness to the Affiliated Organization. Management's plan of action to address its cash flow requirements consists of the following:

- The Organization is pursuing additional grants for specific projects and additional contributions for general operations.
- The Organization is planning additional programs and events to increase program fee revenue and to increase public interest in its mission and philosophy.