

**CONSOLIDATED FINANCIAL STATEMENTS**  
**INDEPENDENT AUDITOR'S REPORT**  
**AND CONSOLIDATING SUPPLEMENTAL INFORMATION**  
**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**  
**AND SUBSIDIARY**  
**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

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## **Independent Auditor's Report**

To the Members and  
Board of Directors of  
Littleton Consumer Cooperative Society, Inc. and Subsidiary

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Littleton Consumer Cooperative Society, Inc., and Subsidiary (collectively, the "Cooperative") which comprise the consolidated balance sheets as of December 28, 2019 and December 29, 2018, and the related consolidated statements of earnings, members' equity, and cash flows for the fifty-two week periods then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Cooperative as of December 28, 2019 and December 29, 2018, and the consolidated results of its operations and its cash flows for the fifty-two week periods then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying consolidating balance sheet as of December 28, 2019, and the related consolidating statements of earnings and cash flows for the fifty-two week period then ended, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gallagher, Flynn & Company, LLP

South Burlington, Vermont  
May 1, 2020

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**A S S E T S**

	December 28, <u>2019</u>	December 29, <u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,061,298	\$ 940,553
Accounts receivable	62,663	71,047
Inventories	658,017	662,065
Prepaid expenses and other current assets	<u>30,832</u>	<u>20,647</u>
Total current assets	<u>1,812,810</u>	<u>1,694,312</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Land and improvements	1,360,252	1,360,252
Buildings and improvements	4,820,397	4,802,444
Machinery and equipment	<u>1,589,019</u>	<u>1,582,701</u>
	7,769,668	7,745,397
Less accumulated depreciation	<u>1,986,046</u>	<u>1,728,043</u>
	5,783,622	6,017,354
Construction in progress	<u>-</u>	<u>4,293</u>
	<u>5,783,622</u>	<u>6,021,647</u>
<b>OTHER ASSETS</b>		
Restricted cash	37,395	37,352
Note receivable	4,720,800	4,720,800
Investments in other cooperative associations	267,225	256,513
Other	<u>51,636</u>	<u>64,853</u>
	<u>5,077,056</u>	<u>5,079,518</u>
	<u>\$ 12,673,488</u>	<u>\$ 12,795,477</u>

The accompanying notes are an integral part of these statements.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**LIABILITIES AND MEMBERS' EQUITY**

	December 28, <u>2019</u>	December 29, <u>2018</u>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 263,658	\$ 258,654
Accounts payable	381,562	356,125
Accrued expenses and other current liabilities	<u>357,650</u>	<u>367,309</u>
Total current liabilities	<u>1,002,870</u>	<u>982,088</u>
<b>LONG-TERM DEBT, less current maturities</b>	<u>10,762,790</u>	<u>10,982,378</u>
<b>DEFERRED INCOME TAXES, net</b>	<u>64,100</u>	<u>50,800</u>
<b>MEMBERS' EQUITY</b>		
Members' shares	460,700	429,450
Donated capital	2,340	2,340
Retained earnings	<u>373,805</u>	<u>337,373</u>
	836,845	769,163
Noncontrolling interest in subsidiary	<u>6,883</u>	<u>11,048</u>
	<u>843,728</u>	<u>780,211</u>
	<u>\$ 12,673,488</u>	<u>\$ 12,795,477</u>

The accompanying notes are an integral part of these statements.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF EARNINGS**

**FIFTY-TWO WEEK PERIODS ENDED  
DECEMBER 28, 2019 AND DECEMBER 29, 2018**

	December 28, <u>2019</u>	December 29, <u>2018</u>
<b>NET SALES</b>	\$ 13,551,995	\$ 12,760,368
<b>COST OF SALES</b>	<u>9,118,796</u>	<u>8,570,274</u>
<b>GROSS PROFIT</b>	4,433,199	4,190,094
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>4,154,194</u>	<u>3,872,797</u>
<b>EARNINGS FROM OPERATIONS</b>	<u>279,005</u>	<u>317,297</u>
<b>OTHER (INCOME) EXPENSES</b>		
Interest expense	426,283	433,125
Interest income	(137,227)	(132,608)
Patronage income	(49,730)	(38,766)
Other, net	<u>(5,888)</u>	<u>(5,963)</u>
	<u>233,438</u>	<u>255,788</u>
<b>EARNINGS BEFORE PATRONAGE REFUND AND INCOME TAXES</b>	45,567	61,509
<b>PATRONAGE REFUND</b>	<u>-</u>	<u>42,000</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	45,567	19,509
<b>PROVISION FOR INCOME TAXES</b>	<u>13,300</u>	<u>2,800</u>
<b>NET EARNINGS</b>	32,267	16,709
<b>LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<u>(4,165)</u>	<u>(4,296)</u>
<b>NET EARNINGS ATTRIBUTABLE TO LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.</b>	<u>\$ 36,432</u>	<u>\$ 21,005</u>

The accompanying notes are an integral part of these statements.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**

**FIFTY-TWO WEEK PERIODS ENDED  
DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

	<b>Members' Shares</b>								
	<b>Capital Stock</b>		<b>Share Credits</b>	<b>Total</b>	<b>Donated Capital</b>	<b>Retained Earnings</b>	<b>Noncontrolling</b>		
	<b>Shares</b>	<b>Value</b>					<b>Total</b>	<b>interest</b>	<b>Total</b>
<b>BALANCE, December 31, 2017</b>	14,377	\$ 359,425	\$ 39,950	\$ 399,375	\$ 2,340	\$ 316,368	\$ 718,083	\$ 15,344	\$ 733,427
Net earnings (loss)	-	-	-	-	-	21,005	21,005	(4,296)	16,709
Shares issued, net of cancellations	1,203	30,075	-	30,075	-	-	30,075	-	30,075
<b>BALANCE, December 29, 2018</b>	15,580	389,500	39,950	429,450	2,340	337,373	769,163	11,048	780,211
Net earnings (loss)	-	-	-	-	-	36,432	36,432	(4,165)	32,267
Shares issued, net of cancellations	1,250	31,250	-	31,250	-	-	31,250	-	31,250
<b>BALANCE, December 28, 2019</b>	<u>16,830</u>	<u>\$ 420,750</u>	<u>\$ 39,950</u>	<u>\$ 460,700</u>	<u>\$ 2,340</u>	<u>\$ 373,805</u>	<u>\$ 836,845</u>	<u>\$ 6,883</u>	<u>\$ 843,728</u>

The accompanying notes are an integral part of these statements.



**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FIFTY-TWO WEEK PERIODS ENDED  
DECEMBER 28, 2019 AND DECEMBER 29, 2018**

	December 28, <u>2019</u>	December 29, <u>2018</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 32,267	\$ 16,709
Noncash items included in net earnings:		
Amortization of debt issuance costs included in interest expense	44,029	44,028
Depreciation expense	258,001	247,695
Patronage refund declared	-	42,000
Patronage received from investments in cooperatives	(10,712)	(3,044)
Deferred income taxes	13,300	2,800
Changes in assets and liabilities:		
Accounts receivable	8,384	(7,046)
Inventories	4,048	27,600
Prepaid expenses and other current assets	(10,185)	3,247
Accounts payable	25,437	20,787
Accrued expenses and other current liabilities	(9,659)	46,965
	<u>322,643</u>	<u>425,032</u>
Net cash provided by operating activities	<u>354,910</u>	<u>441,741</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(19,976)	(139,782)
Purchases of investments in cooperatives	-	(10,292)
Other assets	13,217	(11,428)
	<u>(6,759)</u>	<u>(161,502)</u>
Net cash used in investing activities	<u>(6,759)</u>	<u>(161,502)</u>
Subtotal (forward)	\$ <u>348,151</u>	\$ <u>280,239</u>

(CONTINUED)

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FIFTY-TWO WEEK PERIODS ENDED  
DECEMBER 28, 2019 AND DECEMBER 29, 2018**

	<u>December 28,</u> <u>2019</u>	<u>December 29,</u> <u>2018</u>
Subtotal (forwarded)	\$ 348,151	\$ 280,239
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term borrowings	(258,613)	(108,295)
Proceeds from issuance of capital stock, net of cancellations	<u>31,250</u>	<u>30,075</u>
Net cash used in financing activities	<u>(227,363)</u>	<u>(78,220)</u>
Net increase in cash and cash equivalents and restricted cash	120,788	202,019
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period</b>	<u>977,905</u>	<u>775,886</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of period</b>	<u><u>\$ 1,098,693</u></u>	<u><u>\$ 977,905</u></u>
<b><u>Supplemental Disclosures of Cash Flows Information</u></b>		
Cash paid during the period for:		
Interest expense	<u>\$ 381,071</u>	<u>\$ 388,393</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

### A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES

#### **Operations:**

The Littleton Consumer Cooperative Society, Inc. (Littleton Consumer Cooperative), was incorporated in New Hampshire in 2006, and operates a member-owned food store in Littleton, New Hampshire, open to its members and the general public. Sales to members were approximately 64% and 66% of total sales for the periods ending December 28, 2019 and December 29, 2018.

The Littleton Food Market, LLC (Littleton Food Market) was formed in August 2016. During 2016, Littleton Consumer Cooperative acquired a 95% interest in Littleton Food Market. Thereafter, the Littleton Consumer Cooperative and Littleton Food Market entered into agreements with unrelated parties to facilitate financing for the expansion of Littleton Consumer Cooperative's food store (Notes B and E) which was completed in June 2017.

#### **Accounting policies:**

A summary of the Cooperative's significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

##### **1. Principles of consolidation**

The consolidated financial statements include the accounts of the Littleton Consumer Cooperative Society, Inc. and its majority owned subsidiary, Littleton Food Market, LLC (collectively, the "Cooperative"). All material intercompany transactions have been eliminated.

##### **2. Fiscal year end**

The Cooperative's fiscal year ends on the Saturday nearest to December 31. The fiscal periods ended December 28, 2019 ("2019") and December 29, 2018 ("2018") included fifty-two weeks.

##### **3. Cash and cash equivalents**

For purpose of the statement of cash flows, the Cooperative considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

##### **4. Inventory**

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the retail method, which approximates actual cost.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

### A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

#### 5. Restricted cash

Restricted cash represents amounts which are restricted for use and are required to be reserved in three funds pursuant to agreements between Littleton Consumer Cooperative and MCD Subsidiary CDE 3, LLC (MCD). The disbursement account included proceeds received from long-term debt (see Note E), which were borrowed under long-term debt agreements, pledged as collateral for the related long-term debt, and were available to fund future qualifying construction costs. During 2018, all proceeds in the disbursement account were used in approved projects; therefore, there were no amounts in restricted cash related to the disbursement fund at December 28, 2019 and December 29, 2018. The debt service reserve requires a minimum balance of \$37,250 and the distribution reserve requires a monthly deposit of \$14,150 with all disbursements made at the discretion of MCD in accordance with the agreement.

The Cooperative adopted Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* in 2019. This ASU clarifies that the statement of cash flows should include restricted cash with cash and cash equivalents in the reconciliation of the beginning of period and end of period amounts shown on the statement of cash flows. The adoption resulted in the inclusion of \$37,395 and \$37,352 of restricted cash in “cash and cash equivalents and restricted cash” in the consolidated statements of cash flows in 2019 and 2018, respectively.

#### 6. Accounts receivable

Accounts receivable consists primarily of patronage refund amounts expected to be received as a result of membership in cooperatives (see Note C). Management considers the following factors when determining the collectability of these receivables: financial condition of the related cooperative, past transaction history, current economic industry trends, and changes in inventory purchases. If the financial condition of the cooperatives, in which the Cooperative is invested, was to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management’s assessment, the Cooperative provides for estimated uncollectible amounts through a charge to operations and a credit to a valuation allowance. At December 28, 2019 and December 29, 2018, no allowance was required.

#### 7. Property and equipment

Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes, but accelerated methods are used for tax purposes.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

### A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

#### **8. Impairment of long-lived assets**

Long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment loss was required to be recognized in 2019 and 2018.

#### **9. Investment in other cooperative associations**

Nonmarketable investments in cooperative associations are carried at cost and are evaluated for impairment annually to adjust the investments to their net realizable value. No impairment loss was required to be recognized in the periods ended December 28, 2019 and December 29, 2018.

#### **10. Income taxes**

Items of income and expense recognized by Littleton Food Market are passed through and are taxable entirely to the members under the terms of the operating agreement and federal income tax regulations.

Deferred taxes for Littleton Consumer Cooperative are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Littleton Consumer Cooperative may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statements of earnings.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

### A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

#### 11. Revenue and cost recognition

Effective January 1, 2019, the Cooperative adopted new revenue recognition guidance which provides a single framework in which revenue is required to be recognized to depict the transfer of goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The adoption of this guidance did not result in any significant impact to the financial statements.

Revenues are recognized, net of sales taxes at the time merchandise is sold to the customer, in an amount that reflects the consideration expected to be received in exchange for those goods. Discounts, which do not provide the customer with an option that is a material right, are recognized as a reduction in revenues and were approximately \$179,000 in 2019 and \$151,000 in 2018.

The Cooperative also enters into arrangements with card processors to facilitate credit and debit card transactions with customers. The Cooperative is charged processing fees, which are paid on behalf of the customer and included in selling, general and administrative expenses in the consolidated statements of earnings of approximately \$176,000 in 2019 and \$157,000 in 2018.

#### 12. Advertising expenses

Advertising costs are charged to operations when incurred. Advertising expenses charged to operations were approximately \$70,200 and \$66,900 for the periods ended December 28, 2019 and December 29, 2018, respectively.

#### 13. Deferred financing costs

Loan commitment fees and related legal expenses are amortized over the term of the related financing arrangement on a straight-line basis, which approximates the effective interest method. Deferring financing costs are presented as a direct deduction from the carrying amount of the related debt liability in the consolidated balance sheets and related amortization as interest in the consolidation statements of earnings.

#### 14. Use of estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

**15. Evaluation of subsequent events**

In preparing these consolidated financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through May 1, 2020, the date the consolidated financial statements were available to be issued.

**B) NOTE RECEIVABLE**

During 2016, Littleton Food Market used the proceeds of long-term debt (Note E) to loan \$4,720,800 to Twain Investment Fund 185, LLC (“Twain”, a wholly owned subsidiary of US Bancorp Community Development Corporation). The note is receivable with monthly interest only payments at an effective annual interest rate of 2.76%, due September 2023. The note is secured by Twain’s membership interest in MCD Subsidiary CDE3, LLC (see Note E).

The Littleton Food Market has entered into a put and call option agreement allowing US Bancorp Community Development Corporation to put their interest in Twain to Littleton Food Market at a price of \$1,000. The put option period is six months commencing October 1, 2023. The Littleton Food Market then has a call option which is the six months following the expiration of the put option period. During the call option period, the Littleton Food Market can call the investment in Twain at a price equal to the fair market value of Twain.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**C) INVESTMENTS IN OTHER COOPERATIVE ASSOCIATIONS**

The investments in other cooperative associations are nonmarketable investments, which consist of the following at:

	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Associated Grocers of New England, Inc. (AG) – AG is a consumer goods membership cooperative that provides members with discounted purchase pricing and annual patronage rebates in cash, certificates of indebtedness and patronage shares. Members initially purchase one share of Class A stock at \$5,000 and purchase additional shares of Class B stock annually based on total merchandise purchases. Class A and B stock are eligible to pay cash dividends and are redeemable in the event that the Cooperative terminates membership, as defined. The Cooperative owns one share of Class A stock at December 28, 2019 and December 29, 2018. The Cooperative owns 1,079 shares at December 28, 2019 and 1,052 shares at December 29, 2018 of Class B stock.	\$ 219,352	\$ 213,208
National Cooperative Grocers (NCG) – A business services cooperative that provides members with annual patronage rebates in cash and patronage shares. Members initially purchase one share of voting stock at \$500 and maintain a base equity investment of 0.1% of annual purchases of inventory from NCG. Base equity investments are redeemable at the discretion of the NCG board of directors and eligible to receive cash dividends. At December 28, 2019 and December 29, 2018, the Cooperative owns one share of voting stock.	44,773	40,205
Other	<u>3,100</u>	<u>3,100</u>
	<u>\$ 267,225</u>	<u>\$ 256,513</u>



**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**D) NOTE PAYABLE – LINE OF CREDIT**

The Cooperative had a line of credit with \$150,000 of availability with the Cooperative Fund of New England, Inc. (CFNE), which expired in March 2020 and was not renewed. Interest was payable monthly at a fixed rate of 5.5%. The line of credit was secured by inventory and certain assets and is subordinated to the MCD Subsidiary CDE 3, LLC long term debt agreement (see Note E), as defined. There were no advances outstanding on the line of credit at December 28, 2019 and December 29, 2018. Management expects to obtain a new line of credit with CFNE in 2020.

**E) LONG-TERM DEBT**

In October 2016, the Cooperative entered into numerous agreements in order to finance the expansion and renovation of Littleton Consumer Cooperative’s operating facility in a manner that will provide new market tax credits to an unrelated qualified community development entity (CDE). Under the financing arrangements, Littleton Food Market borrowed \$4,300,000 from Mascoma Savings Bank and New Hampshire Community Loan Fund under long-term debt agreements and loaned the proceeds to Twain (see Note B). Twain used the proceeds from this loan to obtain a majority membership interest in MCD Subsidiary CDE 3, LLC (MCD). Subsequently, Littleton Consumer Cooperative borrowed \$6,700,000 from MCD to finance construction costs to renovate and expand its operating facility, purchase equipment for operations, refinance then existing long-term debt, finance the cost of acquiring long-term debt, and provide working capital for operations.

Long-term debt consists of the following at:

	December 28, 2019	December 29, 2018
<b><i>Littleton Consumer Cooperative</i></b>		
<i>Related parties (members) –</i>		
Unsecured agreements with multiple Littleton Consumer Cooperative members, payable in four annual installments commencing in February 2019, aggregating to approximately \$144,000, plus interest ranging from 0% to 4.5%, due through July 2022. Subordinated to notes payable to Mascoma, New Hampshire Community Loan Fund, and MCD.	<u>\$ 432,000</u>	<u>\$ 576,000</u>
Subtotal (forward)	<u>\$ 432,000</u>	<u>\$ 576,000</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

E) LONG-TERM DEBT (continued)

	December 28, <u>2019</u>	December 29, <u>2018</u>
Subtotal (forwarded)	\$ 432,000	\$ 576,000
<i>Littleton Consumer Cooperative (continued)</i>		
<i>Unrelated parties:</i>		
MCD Subsidiary CDE 3, LLC (MCD, a subsidiary of Twain), (see Note B) –		
The following notes are secured by substantially all assets of Littleton Consumer Cooperative. Provisions of the loan agreements include, among other things, maintenance of a debt service coverage ratio.		
Three notes payable with monthly interest-only payments at 2.46%, due September 2023. The balance is presented net of deferred financing costs of \$112,520 at December 28, 2019 and \$134,172 at December 29, 2018.		
	4,608,280	4,586,628
Note payable with monthly interest-only payments at 2.46%, due September 2051. The balance is presented net of deferred financing costs of \$67,103 at December 28, 2019 and \$76,015 at December 29, 2018.		
	1,876,097	1,867,184
Revolving Loan Fund, administered by the Grafton Regional Development Corporation (GRDC) – Payable in annual maximum installments of \$15,000, contingent upon excess cash flows as defined in the Revolving Loan Fund agreement. Noninterest bearing and unsecured.		
	<u>160,000</u>	<u>175,000</u>
Total Littleton Consumer Cooperative	<u>7,076,377</u>	<u>7,204,812</u>
Subtotal (forward)	<u>\$ 7,076,377</u>	<u>\$ 7,204,812</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

E) LONG-TERM DEBT (continued)

	December 28, <u>2019</u>	December 29, <u>2018</u>
Subtotal (forwarded)	<u>\$ 7,076,377</u>	<u>\$ 7,204,812</u>
<i>Littleton Food Market</i>		
Mascoma Savings Bank –		
Payable in monthly installments of \$18,624, including interest at 4.65%, with a final balloon payment of approximately \$2,716,000 due January 2024. Secured by a security interest in substantially all assets of Littleton Food Market. The balance is presented net of deferred financing costs of \$30,536 at December 28, 2019 and \$38,679 at December 29, 2018.	3,031,096	3,102,038
New Hampshire Community Loan Fund (NHCLF) –		
Payable in monthly installments of \$6,382, including interest at 5.90%, with a final balloon payment of approximately \$846,000 due January 2024. Secured by assignment of security interests in note receivable to Twain, Twain’s investment in MCD, and an unrelated party (investor in Twain). The balance is presented net of deferred financing costs of \$19,955 at December 28, 2019 and \$25,277 at December 29, 2018.	<u>918,975</u>	<u>934,182</u>
Total Littleton Food Market	<u>3,950,071</u>	<u>4,036,220</u>
	11,026,448	11,241,032
Principal payments due within one year	<u>263,658</u>	<u>258,654</u>
	<u>\$ 10,762,790</u>	<u>\$ 10,982,378</u>

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**E) LONG-TERM DEBT (continued)**

As of December 28, 2019, long-term debt matures as follows:

Fiscal Periods Ending on or Around <u>December 31,</u>	<u>Amount</u>
2020	\$ 263,658
2021	268,915
2022	274,439
2023	4,857,044
2024	3,564,267
Thereafter	<u>2,028,239</u>
	11,256,562
Deferred financing costs	<u>(230,114)</u>
	<u>\$ 11,026,448</u>

**F) INCOME TAXES**

The provision for income taxes consists of the following for the periods ended:

	<u>December 28,</u> <u>2019</u>	<u>December 29,</u> <u>2018</u>
Currently payable, net of benefit of net operating loss carryforwards of approximately \$37,700 in 2019 and \$0 in 2018	\$ -	\$ -
Deferred	<u>13,300</u>	<u>2,800</u>
	<u>\$ 13,300</u>	<u>\$ 2,800</u>

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

F) INCOME TAXES (continued)

Deferred tax assets and liabilities consist of the following at:

	December 28, <u>2019</u>	December 29, <u>2018</u>
Deferred tax assets:		
Accrued expenses	\$ 31,800	\$ 29,100
Net operating loss carryforwards	114,300	152,000
Other	40,200	36,100
	<u>\$ 186,300</u>	<u>\$ 217,200</u>
Deferred tax liabilities:		
Depreciation	\$ 242,000	\$ 259,600
Accrued patronage refund receivable	8,400	8,400
	<u>\$ 250,400</u>	<u>\$ 268,000</u>

At December 28, 2019, the Cooperative has approximately \$544,000 of net operating loss carryforwards, which were generated prior to the enactment by the United States of the Tax Cuts and Jobs Act, and accordingly are available to reduce future federal taxable income without limitation of their use on an annual basis, expiring through 2037.

The Cooperative files income tax returns in the U.S. federal jurisdiction and one state jurisdiction. With few exceptions, the Cooperative is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for fiscal periods before January 1, 2016.

During the periods ended December 28, 2019 and December 29, 2018, the Cooperative recognized no interest or penalties related to unrecognized tax benefits.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

### G) MEMBERS' EQUITY

#### *Littleton Consumer Cooperative*

The Cooperative's legal organization is determined by federal and state laws and by its By-Laws (pursuant to the revision adopted effective April 30, 2017) and Certificate of Organization.

*Capital stock:* The Certificate of Organization authorizes 40,000 shares of stock, \$25 par value. Dividends may be paid on share capital as determined by the board of directors (the Board). An individual or an organization is a member by holding shares of capital stock. A member that holds four or more shares of capital stock is a voting member, entitled to one vote at any meeting of the Cooperative. If a member elects to discontinue membership and request a refund, the Cooperative, at the discretion of the Board, may repurchase all shares from a member or approve the transfer of shares to a person or organization.

*Reserve fund:* The Cooperative has established a reserve fund, which is also known as "retained earnings." The amended By-Laws do not establish criteria related to the distribution of net earnings to the reserve fund, except for the distribution of profits generated from member-owners in the form of patronage refunds as noted below.

Prior to the amendment of the By-Laws, following the close of the fiscal year, net earnings were first used to replenish accumulated losses, if any. Then the Cooperative was to set aside in the reserve fund an annual allotment of not less than ten percent of the net earnings of the Cooperative for each year (if any) as well as other capital transactions as defined in the By-Laws.

*Patronage refunds:* According to the amended By-Laws, patronage refunds are determined at the discretion of the Board in accordance with applicable state and federal laws, and accounting principles generally accepted in the United States of America.

Prior to the amendment of the By-Laws, patronage refunds were determined at the discretion of the Board from net earnings that were not allocated to the reserve fund, non-cumulative dividends, and the education reserve. The patronage refund rate could not exceed the amount of net earnings before provision for income taxes allocable to members based upon the percentage of sales to members. Patronage refunds were calculated under a formula by applying the percentage of sales to members and non-member patrons to calculate member net earnings and non-member earnings (also known as "savings"). The Board could issue patronage refunds in the form of cash, certificates of indebtedness, credit toward purchases at the Cooperative, or up to 50% of the distribution could be provided in the form of credits towards the purchase of capital stock ("share credits"). Patronage refunds of less than \$10 were distributed in the form of merchandise certificates redeemable within the Cooperative. In addition, the Cooperative may have retained up to 5% of earnings to be allocated to an education reserve and also allocated amounts to the reserve fund as increases to retained earnings at the discretion of the Board to support general operations of the Cooperative.

There was no patronage refund declared for the period ended December 28, 2019. Patronage refunds declared were \$42,000 for the period ended December 29, 2018.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

### **G) MEMBERS' EQUITY (continued)**

#### *Littleton Food Market*

Littleton Food Market has authorized one class of membership interest. Income and loss from any fiscal year shall be generally allocated among members in proportion to their membership interest.

The Littleton Consumer Cooperative has entered into a put and call option agreement with NHBFA CDE, LLC (NHBFA), the holder of a 5% member equity interest in the Littleton Food Market, allowing NHBFA to put their interest in Littleton Food Market to the Littleton Consumer Cooperative at a price of approximately \$26,000. The put option period is for a six-week period beginning October 1, 2023 and ending on November 15, 2023. The Littleton Consumer Cooperative then has a call option for a period of sixty days following the expiration of the put option period. During the call option period, the Littleton Consumer Cooperative can call the investment in Littleton Food Market at a price equal to the fair market value of NHBFA's investment in the Littleton Food Market.

### **H) RETIREMENT PLAN**

Effective January 1, 2018, the Cooperative adopted the Littleton Food Coop 401(k), which is a defined contribution 401(k) plan (the Plan) that covers substantially all employees. Under the terms of the plan, the Cooperative matches 100% of employee contributions up to 3% of employees' eligible compensation, plus 50% of amounts contributed between 3% and 5% of eligible compensation. Matching contributions to the Plan charged to operations were approximately \$44,500 and \$50,800 during the periods ended December 28, 2019 and December 29, 2018, respectively.

### **I) MAJOR SUPPLIERS**

During 2019 and 2018, the Cooperative purchased approximately \$5,888,000 and \$5,767,000 (65% and 67% of total purchases, respectively) of its goods from an unrelated party and two related parties (AG and NCG, see Note C). At December 28, 2019 and December 29, 2018, amounts due to these suppliers, included in accounts payable, totaled approximately \$225,100 and \$246,300, respectively.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 2019 AND DECEMBER 29, 2018

### J) RELATED PARTY TRANSACTIONS

The Cooperative is a member of AG and NCG (see Note C).

In 2019, the Cooperative purchased goods and groceries from AG and NCG of approximately \$2,881,000 and \$2,335,000, respectively. Amounts due to AG and NCG, included in accounts payable, were approximately \$61,600 and \$127,000 at December 28, 2019, respectively. In 2018, the Cooperative purchased goods and groceries from AG and NCG of approximately \$2,776,000 and \$2,129,000, respectively. Amounts due to AG and NCG, included in accounts payable, were approximately \$70,000 and \$120,000 at December 29, 2018, respectively. Patronage refunds due from AG and NCG, included in accounts receivable, were \$40,000 at December 28, 2019 and December 28, 2018.

The Cooperative has loans with members of \$432,000 at December 28, 2019 and \$576,000 at December 29, 2018 (see Note E). Interest expense charged to operations for member loans was approximately \$22,000 during the periods ended December 28, 2019 and December 29, 2018.

The Cooperative offers a 15% discount on purchases made by employees. Total gross sales to employees for 2019 and 2018 were approximately \$462,000 and \$459,000, respectively. The discounts on these sales were included as reductions to gross sales in the consolidated statements of earnings and approximated \$69,400 and \$69,000 for the periods ended December 28, 2019 and December 29, 2018, respectively.

### K) SUBSEQUENT EVENTS

#### *Economic risk*

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and federal and state governmental actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Cooperative operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Cooperative, to date, the Cooperative is experiencing increased revenues, declining gross margin due to inventory supply shortages, and minor labor shortages. As an essential service, the Cooperative does not anticipate declines in demand, which would have a negative effect on revenues. However, an increase in the spread of the virus could result in more restrictive government regulation, which could have a negative impact on sales, and increase labor and inventory supply shortages, which could cause an interruption to operations and result in difficulties in meeting debt covenants. The Cooperative's reliance on three significant suppliers could also impact operations and make it possible that they are vulnerable to the risk of a near-term severe impact.



**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 28, 2019 AND DECEMBER 29, 2018**

**K) SUBSEQUENT EVENTS (continued)**

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including credit losses on receivables and impairment losses on investments in other cooperative associations.

*Long-term debt*

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the “Program”). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Cooperative applied for a loan under this Program and received from its bank a loan in the amount of \$549,600 on April 20, 2020. The loan is forgivable if the Cooperative meets certain criteria as established under the Program. The Cooperative will seek loan forgiveness in fiscal year 2020. The Cooperative anticipates there may be further guidance issued by the Small Business Administration (SBA), the U.S. Department of the Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any of the loan amount not forgiven under the Program will be due April 20, 2022 with interest at 1.0%. The loan is unsecured and does not require personal guarantees.

**CONSOLIDATING SUPPLEMENTAL INFORMATION**

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATING BALANCE SHEET**

**DECEMBER 28, 2019**

**ASSETS**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,011,385	\$ 49,913	\$ -	\$ 1,061,298
Accounts receivable	62,663	-	-	62,663
Inventories	658,017	-	-	658,017
Prepaid expenses and other current assets	30,832	-	-	30,832
Total current assets	<u>1,762,897</u>	<u>49,913</u>	<u>-</u>	<u>1,812,810</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>				
Land and improvements	1,360,252	-	-	1,360,252
Buildings and improvements	4,820,397	-	-	4,820,397
Machinery and equipment	1,589,019	-	-	1,589,019
	<u>7,769,668</u>	<u>-</u>	<u>-</u>	<u>7,769,668</u>
Less accumulated depreciation	1,986,046	-	-	1,986,046
	<u>5,783,622</u>	<u>-</u>	<u>-</u>	<u>5,783,622</u>
<b>OTHER ASSETS</b>				
Restricted cash	37,395	-	-	37,395
Note receivable	-	4,720,800	-	4,720,800
Investments in other cooperative associations	267,225	-	-	267,225
Investment in subsidiary	167,705	-	(167,705)	-
Due from related party	632,100	-	(632,100)	-
Other	51,636	-	-	51,636
	<u>1,156,061</u>	<u>4,720,800</u>	<u>(799,805)</u>	<u>5,077,056</u>
	<u>\$ 8,702,580</u>	<u>\$ 4,770,713</u>	<u>\$ (799,805)</u>	<u>\$ 12,673,488</u>

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATING BALANCE SHEET**

**DECEMBER 28, 2019**

**LIABILITIES AND MEMBERS' EQUITY**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
<b>CURRENT LIABILITIES</b>				
Current maturities of long-term debt	\$ 159,000	\$ 104,658	\$ -	\$ 263,658
Accounts payable	381,562	-	-	381,562
Accrued expenses and other current liabilities	343,696	13,954	-	357,650
Total current liabilities	<u>884,258</u>	<u>118,612</u>	<u>-</u>	<u>1,002,870</u>
<b>LONG-TERM DEBT, less current maturities</b>	<u>6,917,377</u>	<u>3,845,413</u>	<u>-</u>	<u>10,762,790</u>
<b>DUE TO RELATED PARTY</b>	<u>-</u>	<u>632,100</u>	<u>(632,100)</u>	<u>-</u>
<b>DEFERRED INCOME TAXES, net</b>	<u>64,100</u>	<u>-</u>	<u>-</u>	<u>64,100</u>
<b>MEMBERS' EQUITY</b>				
Members' shares	460,700	-	-	460,700
Donated capital	2,340	-	-	2,340
Retained earnings	373,805	-	-	373,805
Members' equity	<u>-</u>	<u>174,588</u>	<u>(174,588)</u>	<u>-</u>
	836,845	174,588	(174,588)	836,845
Noncontrolling interest in subsidiary	<u>-</u>	<u>-</u>	<u>6,883</u>	<u>6,883</u>
	<u>836,845</u>	<u>174,588</u>	<u>(167,705)</u>	<u>843,728</u>
	<u>\$ 8,702,580</u>	<u>\$ 4,770,713</u>	<u>\$ (799,805)</u>	<u>\$ 12,673,488</u>

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF EARNINGS**

**FIFTY-TWO WEEK PERIOD ENDED DECEMBER 28, 2019**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
<b>NET SALES</b>	\$ 13,551,995	\$ -	\$ -	\$ 13,551,995
<b>COST OF SALES</b>	<u>9,118,796</u>	<u>-</u>	<u>-</u>	<u>9,118,796</u>
<b>GROSS PROFIT</b>	4,433,199	-	-	4,433,199
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>4,154,194</u>	<u>-</u>	<u>-</u>	<u>4,154,194</u>
<b>EARNINGS FROM OPERATIONS</b>	<u>279,005</u>	<u>-</u>	<u>-</u>	<u>279,005</u>
<b>OTHER (INCOME) EXPENSES</b>				
Loss from investment in subsidiary	79,130	-	(79,130)	-
Interest expense	212,694	213,589	-	426,283
Interest income	(6,933)	(130,294)	-	(137,227)
Patronage income	(49,730)	-	-	(49,730)
Other, net	<u>(5,888)</u>	<u>-</u>	<u>-</u>	<u>(5,888)</u>
	<u>229,273</u>	<u>83,295</u>	<u>(79,130)</u>	<u>233,438</u>
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	49,732	(83,295)	79,130	45,567
<b>PROVISION FOR INCOME TAXES</b>	<u>13,300</u>	<u>-</u>	<u>-</u>	<u>13,300</u>
<b>NET EARNINGS (LOSS)</b>	36,432	(83,295)	79,130	32,267
<b>LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<u>-</u>	<u>-</u>	<u>(4,165)</u>	<u>(4,165)</u>
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.</b>	<u>\$ 36,432</u>	<u>\$ (83,295)</u>	<u>\$ 83,295</u>	<u>\$ 36,432</u>

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF CASH FLOWS**

**FIFTY-TWO WEEK PERIOD ENDED DECEMBER 28, 2019**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	<u>Eliminations</u>	<u>Total</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net earnings (loss)	\$ 36,432	\$ (83,295)	\$ 79,130	\$ 32,267
Noncash items included in net earnings (loss):				
Amortization of debt issuance costs included in interest expense	30,565	13,464	-	44,029
Depreciation expense	258,001	-	-	258,001
Patronage received from investments in cooperatives	(10,712)	-	-	(10,712)
Deferred income taxes	13,300	-	-	13,300
Loss from investment in subsidiary	79,130	-	(79,130)	-
Changes in assets and liabilities:				
Accounts receivable	8,384	-	-	8,384
Inventories	4,048	-	-	4,048
Prepaid expenses and other current assets	(10,185)	-	-	(10,185)
Accounts payable	25,437	-	-	25,437
Accrued expenses and other current liabilities	(9,316)	(343)	-	(9,659)
	<u>388,652</u>	<u>13,121</u>	<u>(79,130)</u>	<u>322,643</u>
Net cash provided by (used in) operating activities	<u>425,084</u>	<u>(70,174)</u>	<u>-</u>	<u>354,910</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Capital expenditures	(19,976)	-	-	(19,976)
Due to (from) related party	(169,800)	169,800	-	-
Other assets	13,217	-	-	13,217
	<u>(176,559)</u>	<u>169,800</u>	<u>-</u>	<u>(6,759)</u>
Net cash provided by (used in) investing activities				
Subtotal (forward)	\$ <u>248,525</u>	\$ <u>99,626</u>	\$ <u>-</u>	\$ <u>348,151</u>

(CONTINUED)

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FIFTY-TWO WEEK PERIOD ENDED DECEMBER 28, 2019**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	<u>Eliminations</u>	<u>Total</u>
Subtotal (forwarded)	\$ 248,525	\$ 99,626	\$ -	\$ 348,151
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Principal payments on long-term borrowings	(159,000)	(99,613)	-	(258,613)
Proceeds from issuance of capital stock, net of cancellations	31,250	-	-	31,250
Net cash used in financing activities	(127,750)	(99,613)	-	(227,363)
Net increase in cash and cash equivalents and restricted cash	120,775	13	-	120,788
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period</b>	<u>928,005</u>	<u>49,900</u>	<u>-</u>	<u>977,905</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of period</b>	<u>\$ 1,048,780</u>	<u>\$ 49,913</u>	<u>\$ -</u>	<u>\$ 1,098,693</u>
<b><u>Supplemental Disclosures of Cash Flows Information</u></b>				
Cash paid during the period for:				
Interest expense	<u>\$ 180,603</u>	<u>\$ 200,468</u>	<u>\$ -</u>	<u>\$ 381,071</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>