

**Littleton Consumer
Cooperative Society, Inc.
and Subsidiary**

Consolidated Financial Report
January 1, 2022 and January 2, 2021

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Littleton Consumer Cooperative Society, Inc. and Subsidiary (collectively, the Cooperative), which comprise the consolidated balance sheets as of January 1, 2022 and January 2, 2021, the related consolidated statements of earnings, members' equity, and cash flows for the 52-week and 53-week periods then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as of January 1, 2022 and January 2, 2021, and the results of its operations and its cash flows for the 52-week and 53-week periods then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control-related matters that we identified during the audit.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating supplemental information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gallagher, Flynn & Company, LLP

South Burlington, Vermont
April 25, 2022

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Consolidated Balance Sheets
January 1, 2022 and January 2, 2021

	January 1, 2022	January 2, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,116,625	\$ 2,385,324
Accounts receivable	34,081	66,647
Inventories	575,033	587,122
Prepaid expenses and other current assets	34,975	73,756
Total current assets	2,760,714	3,112,849
Property and equipment, at cost:		
Land and improvements	1,369,892	1,360,252
Buildings and improvements	4,822,367	4,822,367
Machinery and equipment	1,710,408	1,644,737
	7,902,667	7,827,356
Less accumulated depreciation	2,422,316	2,240,584
Total property and equipment, net	5,480,351	5,586,772
Other assets:		
Restricted cash	37,466	51,597
Note receivable	4,720,800	4,720,800
Investments in other cooperative associations	301,876	281,391
Other	58,553	58,540
Total other assets	5,118,695	5,112,328
Total assets	\$ 13,359,760	\$ 13,811,949

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Balance Sheets (continued)
January 1, 2022 and January 2, 2021**

	January 1, 2022	January 2, 2021
Liabilities and Members' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 130,608	\$ 269,028
Accounts payable	405,092	438,352
Patronage refund payable	139,273	208,310
Accrued expenses and other current liabilities	424,711	478,888
Total current liabilities	1,099,684	1,394,578
Long-term debt, less current maturities	10,305,459	11,085,567
Deferred income taxes, net	28,600	98,700
Total liabilities	11,433,743	12,578,845
Members' equity:		
Members' shares	1,087,575	696,150
Donated capital	2,340	2,340
Retained earnings	836,892	531,763
	1,926,807	1,230,253
Noncontrolling interest in subsidiary	(790)	2,851
Total members' equity	1,926,017	1,233,104
Total liabilities and members' equity	\$ 13,359,760	\$ 13,811,949

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Earnings
For the 52-Week Period Ended January 1, 2022
and the 53-Week Period Ended January 2, 2021**

	January 1, 2022	January 2, 2021
Net sales	\$ 16,580,855	\$ 16,873,312
Cost of sales	10,984,592	11,120,811
Gross profit	5,596,263	5,752,501
Selling, general and administrative expenses	5,279,702	4,951,357
Earnings from operations	316,561	801,144
Other income (expenses):		
Paycheck Protection Program loan forgiveness	549,600	-
Patronage income	64,741	67,040
Other, net	3,431	9,563
Interest income	133,475	135,270
Interest expense	(398,798)	(419,507)
Total other income (expenses)	352,449	(207,634)
Earnings before patronage refund and income taxes	669,010	593,510
Patronage refund	430,000	400,000
Earnings before income taxes	239,010	193,510
Provision for (benefit from) income taxes	(62,478)	39,584
Net earnings	301,488	153,926
Less net loss attributable to noncontrolling interest	(3,641)	(4,032)
Net earnings attributable to Littleton Consumer Cooperative Society, Inc.	\$ 305,129	\$ 157,958

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Members' Equity
For the 52-Week Period Ended January 1, 2022
and the 53-Week Period Ended January 2, 2021**

	Littleton Consumer Cooperative Society, Inc.									
	Members' Shares					Donated Capital	Retained Earnings	Total	Noncontrolling Interest	Total
	Capital Stock		Share Credits	Allocated Capital	Total					
Shares	Value									
Balance, December 29, 2019	16,830	\$ 420,750	\$ 39,950	\$ -	\$ 460,700	\$ 2,340	\$ 373,805	\$ 836,845	\$ 6,883	\$ 843,728
Shares issued, net of cancellations	1,418	35,450	-	-	35,450	-	-	35,450	-	35,450
Net earnings (loss)	-	-	-	-	-	-	157,958	157,958	(4,032)	153,926
Allocation of patronage refund to be issued as capital stock	-	-	-	200,000	200,000	-	-	200,000	-	200,000
Balance, January 2, 2021	18,248	456,200	39,950	200,000	696,150	2,340	531,763	1,230,253	2,851	1,233,104
Share credits issued in satisfaction of allocated capital	-	-	200,000	(200,000)	-	-	-	-	-	-
Shares issued, net of cancellations	4,042	101,050	(53,625)	-	47,425	-	-	47,425	-	47,425
Net earnings (loss)	-	-	-	-	-	-	305,129	305,129	(3,641)	301,488
Allocation of patronage refund to be issued as capital stock	-	-	-	344,000	344,000	-	-	344,000	-	344,000
Balance, January 1, 2022	22,290	\$ 557,250	\$ 186,325	\$ 344,000	\$ 1,087,575	\$ 2,340	\$ 836,892	\$ 1,926,807	\$ (790)	\$ 1,926,017

The accompanying notes are an integral part of these statements.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Cash Flows
For the 52-Week Period Ended January 1, 2022
and the 53-Week Period Ended January 2, 2021**

	January 1, 2022	January 2, 2021
Cash flows from operating activities:		
Net earnings	\$ 301,488	\$ 153,926
Noncash items included in net earnings:		
Amortization of debt issuance costs included in interest expense	44,030	44,028
Depreciation expense	263,254	254,538
Patronage refund allocated to capital	344,000	200,000
Patronage received from investments in cooperatives	(20,485)	(14,166)
Deferred income taxes	(70,100)	34,600
Loss on disposal of property and equipment	1,670	-
Paycheck Protection Program loan forgiveness	(549,600)	-
Changes in assets and liabilities:		
Accounts receivable	32,566	(3,984)
Inventories	12,089	70,895
Prepaid expenses and other current assets	38,781	(42,924)
Accounts payable	(33,260)	56,790
Patronage refund payable	(69,037)	198,070
Accrued expenses and other current liabilities	(54,177)	131,478
	(60,269)	929,325
Net cash provided by operating activities	241,219	1,083,251
Cash flows from investing activities:		
Capital expenditures	(158,653)	(57,688)
Proceeds from the sale of property and equipment	150	-
Other assets	(13)	(6,904)
Net cash used in investing activities	(158,516)	(64,592)
Cash flows from financing activities:		
Principal payments on long-term borrowings	(412,958)	(265,481)
Proceeds from Paycheck Protection Program loan	-	549,600
Net proceeds from issuance of capital stock	47,425	35,450
Net cash provided by (used in) financing activities	(365,533)	319,569
Net increase (decrease) in cash, cash equivalents and restricted cash	(282,830)	1,338,228
Cash, cash equivalents and restricted cash, beginning of period	2,436,921	1,098,693
Cash, cash equivalents and restricted cash, end of period	\$ 2,154,091	\$ 2,436,921
Supplemental disclosures of cash flows information:		
Cash paid (refunded) during the period for:		
Interest expense	\$ 408,626	\$ 386,096
Income taxes	(33,308)	52,929

The accompanying notes are an integral part of these statements.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. 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 68% and 67% of total sales for the periods ended January 1, 2022 and January 2, 2021, respectively.

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 (see Notes 3 and 5), which was completed in June 2017.

Littleton Consumer Cooperative and Littleton Food Market are hereafter collectively referred to as the Cooperative.

Note 2. Summary of Significant Accounting Policies

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

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. All material intercompany transactions have been eliminated.

Fiscal year-end: The Cooperative's fiscal year ends on the Saturday nearest to December 31. The fiscal period ended January 1, 2022 (2021) included 52 weeks and the fiscal period ended January 2, 2021 (2020) included 53 weeks.

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

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

Restricted cash: Restricted cash represents amounts that 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) (see Note 5). 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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Amounts included in cash and cash equivalents and restricted cash were as follows at January 1, 2022 and January 2, 2021:

	January 1, 2022	January 2, 2021
Cash and cash equivalents	\$ 2,116,625	\$ 2,385,324
Restricted cash	37,466	51,597
	<u>\$ 2,154,091</u>	<u>\$ 2,436,921</u>

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.

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 its fair value.

Investment in other cooperative associations: The Cooperative also holds investments in other cooperatives as securities that do not have readily determinable fair values, which it has elected to carry at cost, with adjustments for impairment and certain observable price changes included in earnings. The Cooperative evaluates these securities for impairment using a qualitative analysis. If the qualitative analysis indicates that impairment exists, the fair value of the security is estimated and any excess of its carrying value over its fair value is recognized as an impairment charge.

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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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.

Revenue and cost recognition: 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 \$279,000 and \$250,000 in 2021 and 2020, respectively.

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. The processing fees were approximately \$221,000 and \$224,000 in 2021 and 2020, respectively.

Advertising expenses: Advertising costs are charged to operations when incurred. Advertising expenses charged to operations were approximately \$80,000 and \$53,000 in 2021 and 2020, respectively.

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. Deferred 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 expense in the consolidated statements of earnings.

Use of estimates: In preparing the 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.

Evaluation of subsequent events: In preparing these consolidated financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through April 25, 2022, the date the consolidated financial statements were available to be issued.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3. Note Receivable

During 2016, in connection with financing agreements to finance a building expansion, Littleton Food Market used the proceeds of long-term debt from Mascoma Bank and New Hampshire Community Loan Fund (see Note 5) 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 in September 2023. The note is secured by Twain's membership interest in MCD, which loaned Littleton Consumer Cooperative the proceeds used for the building expansion (see Note 5).

Littleton Food Market has entered into a put and call option agreement. The put option provides US Bancorp Community Development Corporation the right to require Littleton Food Market to purchase its interest in Twain at a price of \$1,000 for a term of six months commencing on October 1, 2023. The call option provides Littleton Food Market the right to require US Bancorp Community Development Corporation to sell its investment in Twain to Littleton Food Market at a price equal to the fair market value of Twain for a term of six months following the expiration of the put option period.

Note 4. Investments in Other Cooperative Associations

The investments in other cooperative associations are nonmarketable investments, which consist of the following at January 1, 2022 and January 2, 2021:

	January 1, 2022	January 2, 2021
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 and 1,079 shares of Class B stock at January 1, 2022 and January 2, 2021.		
Subtotal (forward)	\$ 219,352	\$ 219,352

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Investments in Other Cooperative Associations (continued)

	January 1, 2022	January 2, 2021
Subtotal (forwarded)	\$ 219,352	\$ 219,352
National Cooperative Grocers (NCG) - A business services cooperative that provides members with a variety of programs and services to improve operations, including purchasing and payment agreements with suppliers and 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 are eligible to receive cash dividends. At both January 1, 2022 and January 2, 2021, the Cooperative owns one share of voting stock.	79,424	58,939
Other	3,100	3,100
	<u>\$ 301,876</u>	<u>\$ 281,391</u>

Note 5. 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 provided new market tax credits to an unrelated qualified community development entity. 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 3). Twain used the proceeds from this loan to obtain a majority membership interest in 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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Long-Term Debt (continued)

Long-term debt consists of the following at January 1, 2022 and January 2, 2021:

	January 1, 2022	January 2, 2021
Littleton Consumer Cooperative:		
Related parties (members):		
Unsecured agreements with multiple Littleton Consumer Cooperative members, payable in four annual installments that commenced 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 Savings Bank, New Hampshire Community Loan Fund, and MCD. Paid in full in March 2021.	\$ -	\$ 288,000
Unrelated parties:		
MCD - 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 in September 2023. Balance is presented net of deferred financing costs of \$69,235 and \$90,868 at January 1, 2022 and January 2, 2021, respectively.	4,651,565	4,629,932
Note payable with monthly interest-only payments at 2.46%, due in September 2051. The balance is presented net of deferred financing costs of \$49,259 and \$58,191 at January 1, 2022 and January 2, 2021, respectively.	1,893,941	1,885,009
Revolving Loan Fund, administered by the Grafton Regional Development Corporation - 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.	130,000	145,000
Subtotal - Littleton Consumer Cooperative (forward)	6,675,506	6,947,941

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Long-Term Debt (continued)

	January 1, 2022	January 2, 2021
	<u> </u>	<u> </u>
Subtotal - Littleton Consumer Cooperative (forwarded)	\$ 6,675,506	\$ 6,947,941
Littleton Consumer Cooperative (continued):		
Unrelated parties (continued):		
Mascoma Savings Bank - Unsecured note payable in connection with the Paycheck Protection Program (PPP), established by the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to assist qualifying small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The loan is forgivable if the Cooperative meets certain criteria established under the PPP. Littleton Consumer Cooperative received forgiveness for all funds borrowed under the PPP in February 2021.		
	-	549,600
Total Littleton Consumer Cooperative	6,675,506	7,497,541
Littleton Food Market:		
Mascoma Savings Bank - Payable in monthly installments of \$18,624, including interest at 4.65%, with a final balloon payment of approximately \$2,706,000 due in 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 \$14,250 and \$22,394 at January 1, 2022 and January 2, 2021, respectively.		
	2,877,787	2,956,399
Littleton Food Market (continued):		
New Hampshire Community Loan Fund - Payable in monthly installments of \$6,382, including interest at 5.90%, with a final balloon payment of approximately \$844,000 due in 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 \$9,313 and \$14,634 at January 1, 2022 and January 2, 2021, respectively.		
	882,774	900,655
Total Littleton Food Market	3,760,561	3,857,054
Total long-term debt	10,436,067	11,354,595
Principal payments due within one year	130,608	269,028
	\$ 10,305,459	\$ 11,085,567

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Long-Term Debt (continued)

As of January 1, 2022, long-term debt matures as follows:

Fiscal periods ending on or around December 31:	
2022	\$ 130,608
2023	4,854,937
2024	3,564,379
2025	15,000
2026	15,000
Thereafter	<u>1,998,200</u>
	10,578,124
Deferred financing costs	<u>(142,057)</u>
	<u>\$ 10,436,067</u>

Note 6. Income Taxes

The provision for (benefit from) income taxes consists of the following for the periods ended January 1, 2022 and January 2, 2021:

	<u>January 1, 2022</u>	<u>January 2, 2021</u>
Currently payable, net of benefit of net operating loss carryforwards of approximately \$32,400 in 2020	\$ 7,622	\$ 4,984
Deferred	<u>(70,100)</u>	<u>34,600</u>
	<u>\$ (62,478)</u>	<u>\$ 39,584</u>

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Income Taxes (continued)

Deferred tax assets and liabilities consist of the following at January 1, 2022 and January 2, 2021:

	January 1, 2022	January 2, 2021
Deferred tax assets:		
Accrued expenses	\$ 43,500	\$ 44,700
Net operating loss carryforwards	158,300	81,900
Other	20,500	16,100
	<u>222,300</u>	<u>142,700</u>
Deferred tax liabilities:		
Depreciation	250,900	233,000
Accrued patronage refund receivable	-	8,400
	<u>250,900</u>	<u>241,400</u>
Net deferred tax liabilities	\$ (28,600)	\$ (98,700)

At January 1, 2022, the Cooperative has approximately \$753,700 of net operating loss carryforwards, of which \$408,400 are available to reduce certain future federal taxable income without limitation of their use on an annual basis, expiring through 2037. The remaining \$345,300 of net operating loss carryforwards are available to reduce certain future taxable income indefinitely up to 80% of current-year taxable income.

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, 2018.

During 2021 and 2020, the Cooperative recognized no interest or penalties related to unrecognized tax benefits.

Note 7. Members' Equity

Littleton Consumer Cooperative: The Cooperative's legal organization is determined by federal and state laws and by its bylaws (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 becomes 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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 7. Members' Equity (continued)

Reserve fund: The Cooperative has established a reserve fund, which is also known as retained earnings. The bylaws 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.

Patronage refunds: According to the bylaws, 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.

Patronage refunds are determined at the discretion of the Board from net earnings that were not allocated to the reserve fund, noncumulative dividends, and the education reserve. The patronage refund rate cannot exceed the amount of net earnings before provision for income taxes allocable to members based upon the percentage of sales to members. Patronage refunds are calculated under a formula by applying the percentage of sales to members and nonmember patrons to calculate member net earnings and nonmember earnings (also known as savings). The Board may issue patronage refunds in the form of cash, certificates of indebtedness, credit toward purchases at the Cooperative, or in the form of credits toward the purchase of capital stock (share credits).

Patronage refunds declared were \$430,000 for the period ended January 1, 2022. The Board authorized the issuance of \$344,000 of the refund in credits to be redeemed for additional common stock in the future and \$86,000 in cash and certificates redeemable within the Cooperative. The cash and certificate portion is included in patronage refund payable and the credits as allocated capital at January 1, 2022. Patronage refunds declared were \$400,000 for the period ended January 2, 2021. The Board authorized the issuance of \$200,000 of the refund in credits to be redeemed for additional common stock in the future and \$200,000 in cash and certificates redeemable within the Cooperative. Patronage refund credits were \$186,325 and \$39,950 at January 1, 2022 and January 2, 2021, respectively.

Allocated capital and share credits: Allocated capital from the issuance of patronage refunds is transferred to share credits during the following year. Share credits can be redeemed for additional common stock at the discretion of management.

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 Littleton Food Market, allowing NHBFA to put its interest in Littleton Food Market to Littleton Consumer Cooperative at a price of approximately \$26,000. The put option period is six weeks beginning on October 1, 2023 and ending on November 15, 2023. Littleton Consumer Cooperative then has a call option for a period of 60 days following the expiration of the put option period, during which it can call the investment in Littleton Food Market at a price equal to the fair market value of NHBFA's investment in Littleton Food Market.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 8. Retirement Plan

The Cooperative has a defined contribution 401(k) 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 \$65,000 and \$49,000 in 2021 and 2020, respectively.

Note 9. Major Suppliers

During 2021 and 2020, the Cooperative purchased approximately \$7,075,000 and \$7,329,000 (64% and 66% of total purchases), respectively, of its goods from two related parties (AG and NCG). During 2021 and 2020, purchases from NCG relate to payments made under purchasing agreements that provide the Cooperative with goods from certain suppliers, which are unrelated parties. At January 1, 2022 and January 2, 2021, amounts due to these related parties, included in accounts payable, totaled approximately \$257,000 and \$230,000, respectively.

Note 10. Related-Party Transactions

The Cooperative is a member of AG and NCG (see Note 4).

In 2021, the Cooperative purchased goods from AG and NCG of approximately \$3,543,000 and \$3,532,000, respectively. Amounts due to AG and NCG, included in accounts payable, were approximately \$63,000 and \$194,000 at January 1, 2022, respectively. In 2020, the Cooperative purchased goods from AG and NCG of approximately \$3,805,000 and \$3,524,000, respectively. Amounts due to AG and NCG, included in accounts payable, were approximately \$54,000 and \$176,000 at January 2, 2021, respectively. Patronage refunds due from AG and NCG, included in accounts receivable, were \$0 and \$40,000 at January 1, 2022 and January 2, 2021, respectively.

The Cooperative has loans with members of \$0 and \$288,000 at January 1, 2022 and January 2, 2021, respectively (see Note 5). Interest expense charged to operations for member loans was approximately \$2,000 and \$12,000 during the periods ended January 1, 2022 and January 2, 2021, respectively.

The Cooperative offers a 15% discount, which was temporarily increased to 25% during the month of May 2020, on purchases made by employees. Total gross sales to employees for 2021 and 2020 were approximately \$599,000 and \$617,000, respectively. The discounts on these sales were included as reductions to gross sales in the consolidated statements of earnings and approximated \$93,000 and \$98,000 in 2021 and 2020, respectively.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 11. Littleton Food Coop Community Fund

The Littleton Consumer Cooperative contributes to a Cooperative Community Fund (the LFCCF), a donor-advised fund managed by Twin Pines Cooperative Foundation. Twin Pines is a nonprofit organization which allows for tax exempt donations to the LFCCF. Proceeds from the LFCCF are donated annually to a local nonprofit organization, determined by a committee of directors, employees, and members of the Littleton Consumer Cooperative. The accumulated and undistributed balance of the LFCCF was approximately \$54,000 and \$24,000 at January 1, 2022 and January 2, 2021, respectively. Grant funds distributed from the LFCCF were approximately \$1,000 in 2021 and 2020.

Note 12. Business Risk

General economic conditions: On January 30, 2020, the World Health Organization (WHO) declared the coronavirus outbreak a Public Health Emergency of International Concern, and on March 10, 2020, WHO declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, 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 on the Cooperative, the Cooperative is experiencing increased revenues. Although the pandemic has proven to be unpredictable, the Cooperative does not anticipate a significant negative impact in the future.

Consolidating Supplemental Information

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Consolidating Balance Sheet January 1, 2022

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,073,070	\$ 43,555	\$ -	\$ 2,116,625
Accounts receivable	34,081	-	-	34,081
Inventories	575,033	-	-	575,033
Prepaid expenses and other current assets	34,975	-	-	34,975
Total current assets	<u>2,717,159</u>	<u>43,555</u>	<u>-</u>	<u>2,760,714</u>
Property and equipment, at cost:				
Land and improvements	1,369,892	-	-	1,369,892
Buildings and improvements	4,822,367	-	-	4,822,367
Machinery and equipment	1,710,408	-	-	1,710,408
	<u>7,902,667</u>	<u>-</u>	<u>-</u>	<u>7,902,667</u>
Less accumulated depreciation	2,422,316	-	-	2,422,316
Total property and equipment, net	<u>5,480,351</u>	<u>-</u>	<u>-</u>	<u>5,480,351</u>
Other assets:				
Restricted cash	37,466	-	-	37,466
Note receivable	-	4,720,800	-	4,720,800
Investments in other cooperative associations	301,876	-	-	301,876
Investment in subsidiary	21,906	-	(21,906)	-
Due from related party	971,700	-	(971,700)	-
Other	58,553	-	-	58,553
Total other assets	<u>1,391,501</u>	<u>4,720,800</u>	<u>(993,606)</u>	<u>5,118,695</u>
Total assets	<u>\$ 9,589,011</u>	<u>\$ 4,764,355</u>	<u>\$ (993,606)</u>	<u>\$ 13,359,760</u>

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Balance Sheet (continued)
January 1, 2022**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Liabilities and Members' Equity				
Current liabilities:				
Current maturities of long-term debt	\$ 15,000	\$ 115,608	\$ -	\$ 130,608
Accounts payable	405,092	-	-	405,092
Patronage refund payable	139,273	-	-	139,273
Accrued expenses and other current liabilities	413,733	10,978	-	424,711
Total current liabilities	973,098	126,586	-	1,099,684
Long-term debt, less current maturities	6,660,506	3,644,953	-	10,305,459
Due to related party	-	971,700	(971,700)	-
Deferred income taxes, net	28,600	-	-	28,600
Total liabilities	7,662,204	4,743,239	(971,700)	11,433,743
Members' equity:				
Members' shares	1,087,575	-	-	1,087,575
Donated capital	2,340	-	-	2,340
Retained earnings	836,892	-	-	836,892
Members' equity	-	21,116	(21,116)	-
	1,926,807	21,116	(21,116)	1,926,807
Noncontrolling interest in subsidiary	-	-	(790)	(790)
Total members' equity	1,926,807	21,116	(21,906)	1,926,017
Total liabilities and members' equity	\$ 9,589,011	\$ 4,764,355	\$ (993,606)	\$ 13,359,760

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Statement of Earnings
For the 52-Week Period Ended January 1, 2022**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Net sales	\$ 16,580,855	\$ -	\$ -	\$ 16,580,855
Cost of sales	10,984,592	-	-	10,984,592
Gross profit	5,596,263	-	-	5,596,263
Selling, general and administrative expenses	5,279,702	-	-	5,279,702
Earnings from operations	316,561	-	-	316,561
Other income (expenses):				
Paycheck Protection Program loan forgiveness	549,600	-	-	549,600
Patronage income	64,741	-	-	64,741
Other, net	3,431	-	-	3,431
Interest income	3,181	130,294	-	133,475
Loss from investment in subsidiary	(69,174)	-	69,174	-
Interest expense	(195,689)	(203,109)	-	(398,798)
Total other income (expenses)	356,090	(72,815)	69,174	352,449
Earnings (loss) before patronage refund and income taxes	672,651	(72,815)	69,174	669,010
Patronage refund	430,000	-	-	430,000
Earnings (loss) before income taxes	242,651	(72,815)	69,174	239,010
Benefit from income taxes	(62,478)	-	-	(62,478)
Net earnings (loss)	305,129	(72,815)	69,174	301,488
Less net loss attributable to noncontrolling interest	-	-	(3,641)	(3,641)
Net earnings (loss) attributable to Littleton Consumer Cooperative Society, Inc.	\$ 305,129	\$ (72,815)	\$ 72,815	\$ 305,129

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Consolidating Statement of Cash Flows For the 52-Week Period Ended January 1, 2022

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Cash flows from operating activities:				
Net earnings (loss)	\$ 305,129	\$ (72,815)	\$ 69,174	\$ 301,488
Noncash items included in net earnings (loss):				
Amortization of debt issuance costs included in interest expense	30,565	13,465	-	44,030
Depreciation expense	263,254	-	-	263,254
Patronage refund allocated to capital	344,000	-	-	344,000
Patronage received from investments in cooperatives	(20,485)	-	-	(20,485)
Deferred income taxes	(70,100)	-	-	(70,100)
Loss from investment in subsidiary	69,174	-	(69,174)	-
Loss on disposal of property and equipment	1,670	-	-	1,670
Paycheck Protection Program loan forgiveness	(549,600)	-	-	(549,600)
Changes in assets and liabilities:				
Accounts receivable	32,566	-	-	32,566
Inventories	12,089	-	-	12,089
Prepaid expenses and other current assets	38,781	-	-	38,781
Accounts payable	(33,260)	-	-	(33,260)
Patronage refund payable	(69,037)	-	-	(69,037)
Accrued expenses and other current liabilities	(53,697)	(480)	-	(54,177)
	(4,080)	12,985	(69,174)	(60,269)
Net cash provided by (used in) operating activities	301,049	(59,830)	-	241,219
Cash flows from investing activities:				
Capital expenditures	(158,653)	-	-	(158,653)
Proceeds from the sale of property and equipment	150	-	-	150
Due to (from) related party	(183,950)	183,950	-	-
Other assets	(13)	-	-	(13)
Net cash provided by (used in) investing activities	(342,466)	183,950	-	(158,516)
Subtotal (forward)	(41,417)	124,120	-	82,703

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Statement of Cash Flows (continued)
For the 52-Week Period Ended January 1, 2022**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Subtotal (forwarded)	\$ (41,417)	\$ 124,120	\$ -	\$ 82,703
Cash flows from financing activities:				
Principal payments on long-term borrowings	(303,000)	(109,958)	-	(412,958)
Net proceeds from issuance of capital stock	47,425	-	-	47,425
Net cash used in financing activities	(255,575)	(109,958)	-	(365,533)
Net increase (decrease) in cash, cash equivalents and restricted cash	(296,992)	14,162	-	(282,830)
Cash, cash equivalents and restricted cash, beginning of period	2,407,528	29,393	-	2,436,921
Cash, cash equivalents and restricted cash, end of period	\$ 2,110,536	\$ 43,555	\$ -	\$ 2,154,091
Supplemental disclosures of cash flows information:				
Cash paid (refunded) during the period for:				
Interest expense	\$ 218,502	\$ 190,124	\$ -	\$ 408,626
Income taxes	(33,308)	-	-	(33,308)