

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Consolidated Financial Statements
December 30, 2023 and December 31, 2022

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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 (the Cooperative), which comprise the consolidated balance sheets as of December 30, 2023 and December 31, 2022, the related consolidated statements of operations, members' equity, and cash flows for the 52-week periods then ended, and the related notes to the consolidated financial statements (the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for the 52-week periods then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 GAAP, 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 supplementary 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 audit 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 18, 2024

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Balance Sheets
December 30, 2023 and December 31, 2022**

	December 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,035,781	\$ 2,005,393
Accounts receivable	35,004	39,289
Current portion of note receivable	-	4,720,800
Inventories	692,153	678,522
Prepaid expenses and other current assets	35,513	43,911
Total current assets	2,798,451	7,487,915
Property and equipment	5,117,480	5,329,502
Other assets:		
Restricted cash	17,505	37,486
Investments in other cooperative associations	342,925	326,493
Other	52,133	56,594
Total other assets	412,563	420,573
Total assets	\$ 8,328,494	\$ 13,237,990

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Balance Sheets (continued)
December 30, 2023 and December 31, 2022**

	December 30, 2023	December 31, 2022
Liabilities and Members' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 102,932	\$ 4,854,937
Accounts payable	477,540	450,802
Patronage refund payable	81,602	70,461
Accrued expenses and other current liabilities	491,851	400,913
Total current liabilities	1,153,925	5,777,113
Long-term debt, less current maturities	3,162,399	5,496,796
Deferred income taxes	52,000	19,200
Total liabilities	4,368,324	11,293,109
Members' equity:		
Members' shares	1,210,593	1,128,125
Donated capital	2,340	2,340
Retained earnings	2,747,237	818,390
	3,960,170	1,948,855
Noncontrolling interest in subsidiary	-	(3,974)
Total members' equity	3,960,170	1,944,881
Total liabilities and members' equity	\$ 8,328,494	\$ 13,237,990

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Operations
For the 52-Week Periods Ended December 30, 2023 and
December 31, 2022**

	December 30, 2023	December 31, 2022
Net sales	\$ 18,243,221	\$ 17,205,346
Cost of sales	11,942,483	11,265,935
Gross profit	6,300,738	5,939,411
Selling, general and administrative expenses	5,979,966	5,806,228
Income from operations	320,772	133,183
Other income (expense):		
Debt forgiveness income	1,943,200	-
Interest income	138,703	133,442
Patronage income	110,788	106,640
Other expense	(31,723)	(18,308)
Interest expense	(412,895)	(388,127)
Total other income (expense)	1,748,073	(166,353)
Income (loss) before patronage refund and income taxes	2,068,845	(33,170)
Patronage refund	87,435	-
Income (loss) before income taxes	1,981,410	(33,170)
Provision for (benefit from) income taxes	52,563	(11,484)
Net income (loss)	1,928,847	(21,686)
Less net loss attributable to noncontrolling interest	-	(3,184)
Net income (loss) attributable to Littleton Consumer Cooperative Society, Inc.	\$ 1,928,847	\$ (18,502)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Members' Equity
For the 52-Week Periods Ended December 30, 2023 and
December 31, 2022**

	Littleton Consumer Cooperative Society, Inc.									
	Members' Shares					Donated Capital	Retained Earnings	Total	Noncontrolling	
	Capital Stock		Share Credits	Allocated Capital	Total				Interest	Total
Shares	Value									
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
Share credits issued in satisfaction of allocated capital	-	-	344,000	(344,000)	-	-	-	-	-	-
Shares issued, net of cancellations	1,622	40,550	-	-	40,550	-	-	40,550	-	40,550
Net loss	-	-	-	-	-	-	(18,502)	(18,502)	(3,184)	(21,686)
Balance, December 31, 2022	23,912	597,800	530,325	-	1,128,125	2,340	818,390	1,948,855	(3,974)	1,944,881
Shares issued, net of cancellations	3,334	83,350	(44,600)	-	38,750	-	-	38,750	-	38,750
Repurchase of investment of noncontrolling interest of subsidiary	-	-	-	-	-	-	-	-	3,974	3,974
Net income	-	-	-	-	-	-	1,928,847	1,928,847	-	1,928,847
Allocation of patronage refund to be issued as capital stock	-	-	-	43,718	43,718	-	-	43,718	-	43,718
Balance, December 30, 2023	27,246	\$ 681,150	\$ 485,725	\$ 43,718	\$ 1,210,593	\$ 2,340	\$ 2,747,237	\$ 3,960,170	\$ -	\$ 3,960,170

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 Periods Ended December 30, 2023 and
December 31, 2022**

	December 30, 2023	December 31, 2022
Cash flows from operating activities:		
Net income (loss)	\$ 1,928,847	\$ (21,686)
Noncash items included in net income (loss):		
Amortization of debt issuance costs included in interest expense	98,582	44,030
Depreciation expense	273,457	268,471
Patronage refund allocated to capital	43,718	-
Patronage received from investments in cooperatives	(16,432)	(24,617)
Deferred income taxes	32,800	(9,400)
Loss on disposal of property and equipment	5,836	-
Forgiveness of long-term debt	(1,943,200)	-
Changes in assets and liabilities:		
Accounts receivable	4,285	(5,208)
Inventories	(13,631)	(103,489)
Prepaid expenses and other current assets	8,398	(8,936)
Accounts payable	26,738	45,710
Patronage refund payable	11,141	(68,812)
Accrued expenses and other current liabilities	90,938	(23,798)
Net cash provided by operating activities	551,477	92,265
Cash flows from investing activities:		
Capital expenditures	(67,271)	(117,622)
Repurchase of investment of noncontrolling interest of subsidiary	3,974	-
Other assets	4,461	1,959
Net cash used in investing activities	(58,836)	(115,663)
Subtotal (forward)	\$ 492,641	\$ (23,398)

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Cash Flows (continued)
For the 52-Week Periods Ended December 30, 2023 and
December 31, 2022**

	December 30, 2023	December 31, 2022
Subtotal (forwarded)	\$ 492,641	\$ (23,398)
Cash flows from financing activities:		
Borrowings under long-term debt	3,230,000	-
Principal payments on long-term borrowings	(3,684,545)	(128,364)
Deferred financing costs	(66,439)	-
Net proceeds from issuance of capital stock	38,750	40,550
Net cash used in financing activities	(482,234)	(87,814)
Net increase (decrease) in cash, cash equivalents and restricted cash	10,407	(111,212)
Cash, cash equivalents and restricted cash, beginning of period	2,042,879	2,154,091
Cash, cash equivalents and restricted cash, end of period	\$ 2,053,286	\$ 2,042,879
Supplementary disclosures of cash flows information:		
Cash paid (received) during the period for:		
Interest	\$ 314,861	\$ 344,381
Income taxes	\$ 59,748	\$ (5,588)
Noncash investing and financing activities:		
Satisfaction of note receivable with relief of long-term debt	\$ 4,720,800	\$ -

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Operations

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. Members accounted for approximately 71% of total sales in 2023 and 70% of total sales in 2022.

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, 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 4 and 6), which was completed in June 2017. In October 2023, Littleton Food Market was dissolved, and the remaining assets were distributed to Littleton Consumer Cooperative.

Littleton Consumer Cooperative and Littleton Food Market are hereinafter 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 financial statements follows:

Basis of presentation: The Cooperative's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of consolidation: The financial statements include the accounts of 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 periods ended December 30, 2023 (2023) and December 31, 2022 (2022) included 52 weeks.

Cash, cash equivalents and restricted cash: Cash equivalents consist of short-term investments that have an original maturity of three months or less. The Cooperative may have significant amounts of cash and cash equivalents that are in excess of federally insured limits at any point in time. Although the Cooperative has not experienced any losses to date and does not anticipate incurring any losses, it cannot be assured that the Cooperative will not experience losses.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Restricted cash at December 30, 2023 represents amounts required to be reserved by an agreement between the Cooperative and the New Hampshire Community Loan Fund (see Note 6). Restricted cash at December 31, 2022 represented amounts that are restricted for use and required to be reserved in three funds pursuant to agreements between Littleton Consumer Cooperative and MCD Subsidiary CDE 3, LLC (MCD) (see Note 6). The debt service reserve required 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. For purposes of the presentation of cash flows, restricted cash is included with all other cash and cash equivalents.

Amounts included in cash, cash equivalents and restricted cash were as follows at December 30, 2023 and December 31, 2022:

	December 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 2,035,781	\$ 2,005,393
Restricted cash	17,505	37,486
	<u>\$ 2,053,286</u>	<u>\$ 2,042,879</u>

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

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

Property and equipment 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 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 income. 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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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 recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by tax authorities, based on the technical merits of the position. The tax benefits recognized in the 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. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax laws, new regulations or interpretations by the tax authorities, new information obtained during a tax examination, or the resolution of an examination.

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

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 \$381,000 in 2023 and \$316,000 in 2022.

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 statements of operations. The processing fees were approximately \$255,000 in 2023 and \$233,000 in 2022.

Advertising expenses: Advertising costs are charged to operations when incurred. Advertising expenses charged to operations were approximately \$81,000 in 2023 and \$94,000 in 2022.

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 balance sheets, and related amortization is presented as interest expense in the statements of operations.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Use of estimates: In preparing financial statements in accordance with GAAP, 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 financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Evaluation of subsequent events: In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through April 18, 2024, the date the financial statements were available to be issued.

Note 3. Property and Equipment

Property and equipment consist of the following at December 30, 2023 and December 31, 2022:

	December 30, 2023	December 31, 2022
Land and improvements	\$ 1,381,892	\$ 1,369,892
Buildings and improvements	4,842,420	4,842,420
Machinery and equipment	1,753,805	1,718,371
	7,978,117	7,930,683
Less accumulated depreciation	2,860,637	2,601,181
	\$ 5,117,480	\$ 5,329,502

Note 4. 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 Savings Bank and the New Hampshire Community Loan Fund (see Note 6) to loan \$4,720,800 to Twain Investment Fund 185, LLC (Twain), a wholly owned subsidiary of US Bancorp Community Development Corporation (US Bancorp CDC). The note was receivable with monthly interest-only payments at an effective annual interest rate of 2.76% and was due in September 2023. The note was secured by Twain's membership interest in MCD, a wholly owned subsidiary of Twain, which loaned Littleton Consumer Cooperative the proceeds used for the building expansion (see Note 6).

At the time of expansion, Littleton Food Market entered into a put and call option agreement. The put option provided US Bancorp CDC 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 provided Littleton Food Market the right to require US Bancorp CDC 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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Note Receivable (continued)

Pursuant to US Bancorp CDC exercising its put option, Littleton Food Market was required to acquire Twain in October 2023 for \$1,000, at which time Twain (and, therefore, MCD) became a wholly owned subsidiary of Littleton Food Market. Thereafter, the note receivable from Twain was satisfied by the relief of Littleton Consumer Cooperative's note payable to MCD (see Note 6).

Note 5. Investments in Other Cooperative Associations

The investments in other cooperative associations are nonmarketable investments, which consist of the following at December 30, 2023 and December 31, 2022:

	December 30, 2023	December 31, 2022
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 Class 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 December 30, 2023 and December 31, 2022.	\$ 219,352	\$ 219,352
National Cooperative Grocers (NCG):		
NCG is 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 NCG's board of directors and are eligible to receive cash dividends. The Cooperative owns one share of voting stock at December 30, 2023 and December 31, 2022.	120,473	104,041
Other	3,100	3,100
	\$ 342,925	\$ 326,493

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt and Debt Forgiveness Income

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 the New Hampshire Community Loan Fund under long-term debt agreements and loaned the proceeds to Twain, which used them to obtain a majority membership interest in MCD (see Note 4). Subsequently, Littleton Consumer Cooperative borrowed \$6,700,000 from MCD under four notes payable in order 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.

In 2023, as described in Note 4, pursuant to Littleton Food Market acquiring ownership of Twain, the receivable from Twain and three of the notes payable to MCD were canceled. The remaining note payable to MCD was thereafter forgiven in full and recognized as debt forgiveness income in 2023.

Long-term debt consists of the following at December 30, 2023 and December 31, 2022:

	December 30, 2023	December 31, 2022
Littleton Consumer Cooperative:		
<i>MCD (a):</i>		
Three notes payable in the original amounts totaling \$4,720,800, with monthly interest-only payments at 2.46%. Paid in full on maturity in September 2023. Balance was presented net of deferred financing costs of \$47,582 at December 31, 2022.	\$ -	\$ 4,673,218
Note payable in the original amount of \$1,943,200, with monthly interest-only payments at 2.46%, due in September 2051. The balance was presented net of deferred financing costs of \$40,346 at December 31, 2022. Forgiven in full in 2023.	-	1,902,854
<i>Revolving Loan Fund, administered by Grafton Regional Development Corporation:</i>		
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.	115,000	115,000
Subtotal Littleton Consumer Cooperative (forward)	\$ 115,000	\$ 6,691,072

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (continued)

	December 30, 2023	December 31, 2022
Subtotal Littleton Consumer Cooperative (forwarded)	\$ 115,000	\$ 6,691,072

Littleton Consumer Cooperative (continued):

Woodsville Guaranty Savings Bank:

Payable in monthly installments of \$17,159, including interest. Interest is fixed at 5.49% until October 2028 and then adjusts to the greater of 4% or the FHLB Boston Five-Year Regular Classic Advance Rate plus 2.0% until the note matures in October 2043. Secured by substantially all assets of Littleton Consumer Cooperative with a first priority. The balance is presented net of deferred financing costs of \$50,587 at December 30, 2023.

2,418,517	-
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New Hampshire Community Loan Fund:

Payable in monthly installments of \$5,815, including interest. Interest is fixed at 7% until October 2033 and then adjusts to the greater of 7% or the 10-year USD swap rate plus 3.07% until the note matures in October 2042. Secured by substantially all assets of Littleton Consumer Cooperative with a second priority. The balance is presented net of deferred financing costs of \$15,298 at December 30, 2023. The terms of the loan require that \$17,500 in cash be restricted for use as a debt service reserve (see Note 2).

731,814	-
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Subtotal Littleton Consumer Cooperative	3,265,331	6,691,072
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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. Paid in full in 2023 using proceeds from new long-term debt. This note was secured by a security interest in substantially all assets of Littleton Food Market. The balance was presented net of deferred financing costs of \$6,107 at December 31, 2022.

-	2,795,071
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Subtotal Littleton Food Market (forward)	\$ -	\$ 2,795,071
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Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (continued)

	December 30, 2023	December 31, 2022
Subtotal Littleton Food Market (forwarded)	\$ -	\$ 2,795,071
Littleton Food Market (continued):		
<i>New Hampshire Community Loan Fund:</i>		
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. Paid in full in 2023 using proceeds from new long-term debt. This note was secured by assignment of security interests in note receivable from Twain, Twain's investment in MCD, and an unrelated party (investor in Twain). The balance was presented net of deferred financing costs of \$3,991 at December 31, 2022.	-	865,590
Total Littleton Food Market	-	3,660,661
Total long-term debt	3,265,331	10,351,733
Less current maturities of long-term debt	102,932	4,854,937
	\$ 3,162,399	\$ 5,496,796

(a) All MCD notes were secured by substantially all assets of Littleton Consumer Cooperative. Provisions of the loan agreements included, among other things, the maintenance of a debt service coverage ratio.

As of December 30, 2023, long-term debt matures as follows:

Fiscal periods ending on or around December 31:		
2024	\$	102,932
2025		108,619
2026		114,259
2027		120,242
2028		126,248
Thereafter		2,758,916
		3,331,216
Less deferred financing costs		65,885
	\$	3,265,331

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 7. Income Taxes

The provision for (benefit from) income taxes consists of the following for the periods ended December 30, 2023 and December 31, 2022:

	December 30, 2023	December 31, 2022
Current, net of benefit of net operating loss carryforward of approximately \$41,100 in 2023	\$ 19,763	\$ (2,084)
Deferred	32,800	(9,400)
	\$ 52,563	\$ (11,484)

Deferred tax assets and liabilities consist of the following at December 30, 2023 and December 31, 2022:

	December 30, 2023	December 31, 2022
Deferred tax assets:		
Accrued expenses	\$ 49,500	\$ 37,200
Net operating loss carryforwards	125,300	166,400
Other	6,000	26,900
	180,800	230,500
Deferred tax liabilities:		
Depreciation	232,800	249,700
	232,800	249,700
Net deferred tax liability	\$ (52,000)	\$ (19,200)

The Cooperative's effective tax rate in 2023 is lower than what would be expected primarily due to the nontaxability of a substantial portion of the forgiveness of debt recognized in 2023.

At December 30, 2023, the Cooperative has approximately \$597,000 of net operating loss carryforwards, of which approximately \$204,000 are available to reduce certain future federal taxable patronage income without limitation of their use on an annual basis, expiring through 2037. The remaining \$393,000 of net operating loss carryforwards are available to reduce certain future taxable patronage income indefinitely up to 80% of current-year taxable patronage income.

The Cooperative files income tax returns in the U.S. federal jurisdiction and one state jurisdiction. With few exceptions, the Cooperative is subject to U.S. federal, state or local income tax examinations by tax authorities for the last three fiscal periods.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 7. Income Taxes (continued)

Based on the Cooperative's assessment of many factors, including past experience and complex judgments about future events, the Cooperative has determined that it does not have any uncertain tax positions that require recognition at December 30, 2023 or December 31, 2022 and has not recorded any interest or penalties in 2023 or 2022.

Note 8. Members' Equity

Littleton Consumer 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 at a \$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 the 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 bylaws do not establish criteria related to the distribution of net income 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 federal and state laws and GAAP.

Patronage refunds are determined at the discretion of the Board from net income that was not allocated to the reserve fund, noncumulative dividends, and the education reserve. The patronage refund rate cannot exceed the amount of net income before the 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 non-member patrons to calculate member net income and non-member income (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 credits toward the purchase of capital stock (share credits).

Patronage refunds declared were \$87,435 for the period ended December 30, 2023. The Board authorized the issuance of \$43,718 of the refund in credits to be redeemed for additional common stock in the future and \$43,717 in cash and certificates redeemable within the Cooperative. The cash and certificates portion is included in patronage refund payable and the credits are included in allocated capital at December 30, 2023. There were no patronage refunds declared in 2022. Patronage refund share credits were \$485,725 and \$530,325 at December 30, 2023 and December 31, 2022, respectively.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 8. Members' Equity (continued)

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.

Littleton Consumer Cooperative had 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 was six weeks beginning on October 1, 2023 and ending on November 15, 2023. Littleton Consumer Cooperative then had a call option for a period of 60 days following the expiration of the put option period, during which it could call the investment in Littleton Food Market at a price equal to the fair market value of NHBFA's investment in Littleton Food Market. The put option was exercised on October 4, 2023, and Littleton Consumer Cooperative acquired the remaining equity interest for approximately \$26,000. Thereafter, Littleton Food Market was dissolved and its assets and liabilities were distributed to Littleton Consumer Cooperative.

Note 9. 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 each employee's contributions up to 3% of their eligible compensation, plus 50% of amounts contributed between 3% and 5% of eligible compensation. Matching contributions to the plan charged to operations were approximately \$70,000 in 2023 and \$68,000 in 2022.

Note 10. Major Suppliers

In 2023 and 2022, the Cooperative purchased goods from two related parties, AG and NCG (see Note 5). Purchases from these related parties were approximately \$7,791,000 (65% of total purchases) during 2023 and \$7,381,000 (66% of total purchases) during 2022. During 2023 and 2022, purchases from NCG relate to payments made under purchasing agreements that provide the Cooperative with goods from certain suppliers, which are unrelated parties. At December 30, 2023 and December 31, 2022, total amounts due to these related parties, included in accounts payable, totaled approximately \$264,000 and \$258,000, respectively.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 11. Other Related-Party Transactions

The Cooperative offers a 15% discount on purchases made by employees. Total gross sales to employees were approximately \$666,000 in 2023 and \$664,000 in 2022. The discounts on these sales were included as reductions to gross sales in the statements of operations and approximated \$100,000 in 2023 and 2022.

Note 12. Littleton Food Coop Community Fund (LFCCF)

Littleton Consumer Cooperative contributes to the LFCCF, a donor-advised fund managed by Twin Pines Cooperative Foundation (Twin Pines). Twin Pines is a nonprofit organization that 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 Littleton Consumer Cooperative. The accumulated and undistributed balance of the LFCCF was approximately \$74,000 and \$66,000 at December 30, 2023 and December 31, 2022, respectively. Grant funds distributed from the LFCCF were approximately \$2,000 in 2023 and 2022.

Note 13. Subsequent Event

In April 2024, the Board voted to guarantee a \$300,000 loan from the New Hampshire Community Loan Fund to Caledonia Food Cooperative, Inc. It also voted to open a new bank account at National Cooperative Bank in the amount of \$300,000 to be assigned through a collateral account control agreement to the New Hampshire Community Loan Fund for the purpose of securing this guarantee. Management has not yet completed its evaluation of the potential impact on the Cooperative's financial statements.

Consolidating Supplementary Information

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Consolidating Balance Sheet December 31, 2023

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,035,781	\$ -	\$ -	\$ 2,035,781
Accounts receivable	35,004	-	-	35,004
Inventories	692,153	-	-	692,153
Prepaid expenses and other current assets	35,513	-	-	35,513
Total current assets	<u>2,798,451</u>	<u>-</u>	<u>-</u>	<u>2,798,451</u>
Property and equipment	5,117,480	-	-	5,117,480
Other assets:				
Restricted cash	17,505	-	-	17,505
Investments in other cooperative associations	342,925	-	-	342,925
Other	52,133	-	-	52,133
Total other assets	<u>412,563</u>	<u>-</u>	<u>-</u>	<u>412,563</u>
Total assets	<u>\$ 8,328,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,328,494</u>
Liabilities and Members' Equity				
Current liabilities:				
Current maturities of long-term debt	\$ 102,932	\$ -	\$ -	\$ 102,932
Accounts payable	477,540	-	-	477,540
Patronage refund payable	81,602	-	-	81,602
Accrued expenses and other current liabilities	491,851	-	-	491,851
Total current liabilities	<u>1,153,925</u>	<u>-</u>	<u>-</u>	<u>1,153,925</u>
Long-term debt, less current maturities	3,162,399	-	-	3,162,399
Deferred income taxes	52,000	-	-	52,000
Total liabilities	<u>4,368,324</u>	<u>-</u>	<u>-</u>	<u>4,368,324</u>
Members' equity:				
Members' shares	1,210,593	-	-	1,210,593
Donated capital	2,340	-	-	2,340
Retained earnings	2,747,237	-	-	2,747,237
Total members' equity	<u>3,960,170</u>	<u>-</u>	<u>-</u>	<u>3,960,170</u>
Total liabilities and members' equity	<u>\$ 8,328,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,328,494</u>

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Statement of Operations
For the 52-Week Period Ended December 31, 2023**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Net sales	\$ 18,243,221	\$ -	\$ -	\$ 18,243,221
Cost of sales	11,942,483	-	-	11,942,483
Gross profit	6,300,738	-	-	6,300,738
Selling, general and administrative expenses	5,940,284	39,682	-	5,979,966
Income (loss) from operations	360,454	(39,682)	-	320,772
Other income (expense):				
Debt forgiveness income	1,943,200	-	-	1,943,200
Interest income	29,039	109,664	-	138,703
Patronage income	110,788	-	-	110,788
Other expense	(31,723)	-	-	(31,723)
Loss from investment in subsidiary	(85,511)	-	85,511	-
Interest expense	(257,402)	(155,493)	-	(412,895)
Total other income (expense)	1,708,391	(45,829)	85,511	1,748,073
Income (loss) before patronage refund and income taxes	2,068,845	(85,511)	85,511	2,068,845
Patronage refund	87,435	-	-	87,435
Income (loss) before income taxes	1,981,410	(85,511)	85,511	1,981,410
Provision for income taxes	52,563	-	-	52,563
Net income (loss)	\$ 1,928,847	\$ (85,511)	\$ 85,511	\$ 1,928,847

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Statement of Cash Flows
For the 52-Week Period Ended December 31, 2023**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Cash flows from operating activities:				
Net income (loss)	\$ 1,928,847	\$ (85,511)	\$ 85,511	\$ 1,928,847
Noncash items included in net income (loss):				
Amortization of debt issuance costs included in interest expense	88,483	10,099	-	98,582
Depreciation expense	273,457	-	-	273,457
Patronage refund allocated to capital	43,718	-	-	43,718
Patronage received from investments in cooperatives	(16,432)	-	-	(16,432)
Deferred income taxes	32,800	-	-	32,800
Loss on disposal of property and equipment	5,836	-	-	5,836
Forgiveness of long-term debt	(1,943,200)	-	-	(1,943,200)
Loss on investment in subsidiary	(38,587)	-	38,587	-
Changes in assets and liabilities:				
Accounts receivable	4,285	-	-	4,285
Inventories	(13,631)	-	-	(13,631)
Prepaid expenses and other current assets	8,398	-	-	8,398
Accounts payable	26,738	-	-	26,738
Patronage refund payable	11,141	-	-	11,141
Accrued expenses and other current liabilities	102,088	(11,150)	-	90,938
Net cash provided by (used in) operating activities	513,941	(86,562)	124,098	551,477
Cash flows from investing activities:				
Capital expenditures	(67,271)	-	-	(67,271)
Due to (from) related party	1,141,500	(1,141,500)	-	-
Proceeds from note receivable	-	4,720,800	(4,720,800)	-
Repurchase of investment of noncontrolling interest of subsidiary	-	42,561	(38,587)	3,974
Other assets	4,461	-	-	4,461
Net cash provided by (used in) investing activities	1,078,690	3,621,861	(4,759,387)	(58,836)
Subtotal (forward)	\$ 1,592,631	\$ 3,535,299	\$ (4,635,289)	\$ 492,641

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Statement of Cash Flows (continued)
For the 52-Week Period Ended December 31, 2023**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Subtotal (forwarded)	\$ 1,592,631	\$ 3,535,299	\$ (4,635,289)	\$ 492,641
Cash flows from financing activities:				
Borrowings under long-term debt	3,230,000	-	-	3,230,000
Principal payments on long-term borrowings	(4,734,585)	(3,670,760)	4,720,800	(3,684,545)
Deferred financing costs	(66,439)	-	-	(66,439)
Distribution to parent	-	85,511	(85,511)	-
Net proceeds from issuance of capital stock	38,750	-	-	38,750
Net cash used in financing activities	(1,532,274)	(3,585,249)	4,635,289	(482,234)
Net increase (decrease) in cash, cash equivalents and restricted cash	60,357	(49,950)	-	10,407
Cash, cash equivalents and restricted cash, beginning of period	1,992,929	49,950	-	2,042,879
Cash, cash equivalents and restricted cash, end of period	\$ 2,053,286	\$ -	\$ -	\$ 2,053,286
Supplementary disclosures of cash flows information:				
Cash paid during the period for:				
Interest	\$ 158,317	\$ 156,544	\$ -	\$ 314,861
Income taxes	\$ 20,066	\$ 39,682	\$ -	\$ 59,748
Noncash investing and financing activities:				
Satisfaction of note receivable with relief of long-term debt	\$ -	\$ 4,720,800	\$ -	\$ 4,720,800