

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Consolidated Financial Statements
December 31, 2022 and January 1, 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 31, 2022 and January 1, 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 31, 2022 and January 1, 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.

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 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 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 17, 2023

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Balance Sheets
December 31, 2022 and January 1, 2022**

	December 31, 2022	January 1, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,005,393	\$ 2,116,625
Accounts receivable	39,289	34,081
Note receivable - current portion	4,720,800	-
Inventories	678,522	575,033
Prepaid expenses and other current assets	43,911	34,975
Total current assets	7,487,915	2,760,714
Property and equipment	5,329,502	5,480,351
Other assets:		
Restricted cash	37,486	37,466
Note receivable, less current portion	-	4,720,800
Investments in other cooperative associations	326,493	301,876
Other	56,594	58,553
Total other assets	420,573	5,118,695
Total assets	\$ 13,237,990	\$ 13,359,760

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Balance Sheets (continued)
December 31, 2022 and January 1, 2022**

	December 31, 2022	January 1, 2022
Liabilities and Members' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 4,854,937	\$ 130,608
Accounts payable	450,802	405,092
Patronage refund payable	70,461	139,273
Accrued expenses and other current liabilities	400,913	424,711
Total current liabilities	5,777,113	1,099,684
Long-term debt, less current maturities	5,496,796	10,305,459
Deferred income taxes	19,200	28,600
Total liabilities	11,293,109	11,433,743
Members' equity:		
Members' shares	1,128,125	1,087,575
Donated capital	2,340	2,340
Retained earnings	818,390	836,892
	1,948,855	1,926,807
Noncontrolling interest in subsidiary	(3,974)	(790)
Total members' equity	1,944,881	1,926,017
Total liabilities and members' equity	\$ 13,237,990	\$ 13,359,760

The accompanying notes are an integral part of these statements.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Operations
For the 52-Week Periods Ended December 31, 2022 and
January 1, 2022**

	December 31, 2022	January 1, 2022
Net sales	\$ 17,205,346	\$ 16,580,855
Cost of sales	11,265,935	10,984,592
Gross profit	5,939,411	5,596,263
Selling, general and administrative expenses	5,806,228	5,279,702
Income from operations	133,183	316,561
Other income (expense):		
Interest income	133,442	133,475
Patronage income	106,640	64,741
Other	(18,308)	3,431
Interest expense	(388,127)	(398,798)
Paycheck Protection Program loan forgiveness	-	549,600
Total other income (expense)	(166,353)	352,449
Income (loss) before patronage refund and income taxes	(33,170)	669,010
Patronage refund	-	430,000
Income (loss) before income taxes	(33,170)	239,010
Benefit from income taxes	(11,484)	(62,478)
Net income (loss)	(21,686)	301,488
Less net loss attributable to noncontrolling interest	(3,184)	(3,641)
Net income (loss) attributable to Littleton Consumer Cooperative Society, Inc.	\$ (18,502)	\$ 305,129

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Members' Equity
For the 52-Week Periods Ended December 31, 2022 and
January 1, 2022**

	Littleton Consumer Cooperative Society, Inc.									
	Members' Shares					Donated Capital	Retained Earnings	Total	Noncontrolling	
	Capital Stock Shares	Value	Share Credits	Allocated Capital	Total				Interest	Total
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 income (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
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

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 31, 2022 and
January 1, 2022**

	December 31, 2022	January 1, 2022
Cash flows from operating activities:		
Net income (loss)	\$ (21,686)	\$ 301,488
Noncash items included in net income (loss):		
Amortization of debt issuance costs included in interest expense	44,030	44,030
Depreciation expense	268,471	263,254
Patronage refund allocated to capital	-	344,000
Patronage received from investments in cooperatives	(24,617)	(20,485)
Deferred income taxes	(9,400)	(70,100)
Loss on sale or disposal of property and equipment	-	1,670
Paycheck Protection Program loan forgiveness	-	(549,600)
Changes in assets and liabilities:		
Accounts receivable	(5,208)	32,566
Inventories	(103,489)	12,089
Prepaid expenses and other current assets	(8,936)	38,781
Accounts payable	45,710	(33,260)
Patronage refund payable	(68,812)	(69,037)
Accrued expenses and other current liabilities	(23,798)	(54,177)
	113,951	(60,269)
Net cash provided by operating activities	92,265	241,219
Cash flows from investing activities:		
Capital expenditures	(117,622)	(158,653)
Proceeds from sale of property and equipment	-	150
Other assets	1,959	(13)
Net cash used in investing activities	(115,663)	(158,516)
Subtotal (forward)	\$ (23,398)	\$ 82,703

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidated Statements of Cash Flows (continued)
For the 52-Week Periods Ended December 31, 2022 and
January 1, 2022**

	December 31, 2022	January 1, 2022
Subtotal (forwarded)	\$ (23,398)	\$ 82,703
Cash flows from financing activities:		
Principal payments on long-term borrowings	(128,364)	(412,958)
Net proceeds from issuance of capital stock	40,550	47,425
Net cash used in financing activities	(87,814)	(365,533)
Net decrease in cash, cash equivalents and restricted cash	(111,212)	(282,830)
Cash, cash equivalents and restricted cash, beginning of period	2,154,091	2,436,921
Cash, cash equivalents and restricted cash, end of period	\$ 2,042,879	\$ 2,154,091
Supplementary disclosures of cash flows information:		
Cash paid (received) during the period for:		
Interest	\$ 344,381	\$ 408,626
Income taxes	\$ (5,588)	\$ (33,308)

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. Sales to members were approximately 70% of total sales for the period ended December 31, 2022 and 68% of total sales for the period ended January 1, 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.

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 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 31, 2022 (2022) and January 1, 2022 (2021) included 52 weeks.

Cash and cash equivalents: For purpose of the 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 6). 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 December 31, 2022 and January 1, 2022:

	December 31, 2022	January 1, 2022
Cash and cash equivalents	\$ 2,005,393	\$ 2,116,625
Restricted cash	37,486	37,466
	<u>\$ 2,042,879</u>	<u>\$ 2,154,091</u>

Property and equipment: Property and equipment are recorded at cost. 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. 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 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 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.

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 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.

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 \$316,000 in 2022 and \$360,000 in 2021.

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 \$233,000 in 2022 and \$221,000 in 2021.

Advertising expenses: Advertising costs are charged to operations when incurred. Advertising expenses charged to operations were approximately \$94,000 in 2022 and \$80,000 in 2021.

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.

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 17, 2023, the date the financial statements were available to be issued.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3. Property and Equipment

Property and equipment consist of the following at December 31, 2022 and January 1, 2022:

	December 31, 2022	January 1, 2022
Land and improvements	\$ 1,369,892	\$ 1,369,892
Buildings and improvements	4,842,420	4,822,367
Machinery and equipment	1,718,371	1,710,408
	7,930,683	7,902,667
Less accumulated depreciation	2,601,181	2,422,316
	\$ 5,329,502	\$ 5,480,351

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. 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 6).

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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments in Other Cooperative Associations

The investments in other cooperative associations are nonmarketable investments, which consist of the following at December 31, 2022 and January 1, 2022:

	December 31, 2022	January 1, 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 31, 2022 and January 1, 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 the NCG board of directors and are eligible to receive cash dividends. At December 31, 2022 and January 1, 2022, the Cooperative owns one share of voting stock.	104,041	79,424
Other	3,100	3,100
	\$ 326,493	\$ 301,876

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. 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 the New Hampshire Community Loan Fund under long-term debt agreements and loaned the proceeds to Twain (see Note 4). 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.

Long-term debt consists of the following at December 31, 2022 and January 1, 2022:

	December 31, 2022	January 1, 2022
Littleton Consumer Cooperative:		
MCD:		
All MCD 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 \$47,583 and \$69,235 at December 31, 2022 and January 1, 2022, respectively.	\$ 4,673,218	\$ 4,651,565
Note payable with monthly interest-only payments at 2.46%, due in September 2051. The balance is presented net of deferred financing costs of \$40,346 and \$49,259 at December 31, 2022 and January 1, 2022, respectively.	1,902,854	1,893,941
Revolving Loan Fund, administered by 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.	115,000	130,000
Total Littleton Consumer Cooperative (forward)	\$ 6,691,072	\$ 6,675,506

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (continued)

	December 31, 2022	January 1, 2022
Total Littleton Consumer Cooperative (forwarded)	\$ 6,691,072	\$ 6,675,506
Littleton Food Market:		
<i>Mascoma Savings Bank:</i>		
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 \$6,107 and \$14,250 at December 31, 2022 and January 1, 2022, respectively.	2,795,071	2,877,787
<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. 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 \$3,991 and \$9,313 at December 31, 2022 and January 1, 2022, respectively.	865,590	882,774
Total Littleton Food Market	3,660,661	3,760,561
Total long-term debt	10,351,733	10,436,067
Less current maturities of long-term debt	4,854,937	130,608
	\$ 5,496,796	\$ 10,305,459

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (continued)

As of December 31, 2022, long-term debt matures as follows:

Fiscal periods ending on or around December 31:

2023	\$	4,854,937
2024		3,566,486
2025		15,000
2026		15,000
2027		15,000
Thereafter		1,983,337
		<u>10,449,760</u>
Less deferred financing costs		<u>98,027</u>
	\$	<u>10,351,733</u>

Note 7. Income Taxes

The benefit from income taxes consists of the following for the periods ended December 31, 2022 and January 1, 2022:

	December 31, 2022	January 1, 2022
Current	\$ (2,084)	\$ 7,622
Deferred	(9,400)	(70,100)
	<u>\$ (11,484)</u>	<u>\$ (62,478)</u>

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 7. Income Taxes (continued)

Deferred tax assets and liabilities consist of the following at December 31, 2022 and January 1, 2022:

	December 31, 2022	January 1, 2022
Deferred tax assets:		
Accrued expenses	\$ 37,200	\$ 43,500
Net operating loss carryforwards	166,400	158,300
Other	26,900	20,500
	<u>230,500</u>	<u>222,300</u>
Deferred tax liabilities:		
Depreciation	249,700	250,900
	<u>249,700</u>	<u>250,900</u>
Net deferred tax liability	\$ (19,200)	\$ (28,600)

At December 31, 2022, the Cooperative has approximately \$792,000 of net operating loss carryforwards, of which approximately \$387,000 are available to reduce certain future federal taxable income without limitation of their use on an annual basis, expiring through 2037. The remaining \$405,000 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 subject to U.S. federal, state or local income tax examinations by tax authorities for the last three fiscal periods.

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 31, 2022 or January 1, 2022 and has not recorded any interest or penalties in 2022 or 2021.

Note 8. 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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 8. Members' Equity (continued)

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 state and federal 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 nonmember patrons to calculate member net income and nonmember 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).

There were no patronage refunds declared for the period ended December 31, 2022. The Board declared \$430,000 in patronage refunds for the period ended January 1, 2022 and 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. Patronage refund credits were \$530,325 and \$186,325 at December 31, 2022 and January 1, 2022, 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.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 8. Members' Equity (continued)

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.

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 \$68,000 in 2022 and \$65,000 in 2021.

Note 10. Major Suppliers

In 2022 and 2021, the Cooperative purchased goods from two related parties, AG and NCG (see Note 5). Purchases from these related parties were approximately \$7,381,000 (66% of total purchases) during 2022 and \$7,075,000 (64% of total purchases) during 2021. During 2022 and 2021, 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 31, 2022 and January 1, 2022, total amounts due to these related parties, included in accounts payable, totaled approximately \$258,000 and \$257,000, respectively.

Note 11. Other Related-Party Transactions

The Cooperative offers a 15% discount on purchases made by employees. Total gross sales to employees were approximately \$664,000 for 2022 and \$620,000 for 2021. The discounts on these sales were included as reductions to gross sales in the statements of operations and approximated \$100,000 in 2022 and \$93,000 in 2021.

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 \$66,000 and \$54,000 at December 31, 2022 and January 1, 2022, respectively. Grant funds distributed from the LFCCF were approximately \$1,000 in 2022 and 2021.

Note 13. Subsequent Event

In May 2023, the Cooperative launched a loan offering with its members, with a goal of raising \$250,000 to \$500,000 in funding through October 2023, at which time interest commences. The member loan minimum is \$2,000, with the interest ranging from 0% to 4.5%. Principal payments are expected to commence in October 2026.

Consolidating Supplementary Information

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Balance Sheet
December 31, 2022**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,955,443	\$ 49,950	\$ -	\$ 2,005,393
Accounts receivable	39,289	-	-	39,289
Note receivable	-	4,720,800	-	4,720,800
Inventories	678,522	-	-	678,522
Prepaid expenses and other current assets	43,911	-	-	43,911
Total current assets	2,717,165	4,770,750	-	7,487,915
Property and equipment	5,329,502	-	-	5,329,502
Other assets:				
Restricted cash	37,486	-	-	37,486
Investments in other cooperative associations	326,493	-	-	326,493
Due from related party	1,141,500	-	(1,141,500)	-
Other	56,594	-	-	56,594
Total other assets	1,562,073	-	(1,141,500)	420,573
Total assets	\$ 9,608,740	\$ 4,770,750	\$ (1,141,500)	\$ 13,237,990

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Balance Sheet (continued)
December 31, 2022**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Liabilities and Members' Equity (Deficit)				
Current liabilities:				
Current maturities of long-term debt	\$ 4,735,800	\$ 119,137	\$ -	\$ 4,854,937
Accounts payable	450,802	-	-	450,802
Patronage refund payable	70,461	-	-	70,461
Accrued expenses and other current liabilities	389,763	11,150	-	400,913
Total current liabilities	5,646,826	130,287	-	5,777,113
Long-term debt, less current maturities	1,955,272	3,541,524	-	5,496,796
Due to related party	-	1,141,500	(1,141,500)	-
Investment in subsidiary	38,587	-	(38,587)	-
Deferred income taxes	19,200	-	-	19,200
Total liabilities	7,659,885	4,813,311	(1,180,087)	11,293,109
Members' equity (deficit):				
Members' shares	1,128,125	-	-	1,128,125
Donated capital	2,340	-	-	2,340
Retained earnings	818,390	-	-	818,390
Members' deficit	-	(42,561)	42,561	-
	1,948,855	(42,561)	42,561	1,948,855
Noncontrolling interest in subsidiary	-	-	(3,974)	(3,974)
Total members' equity (deficit)	1,948,855	(42,561)	38,587	1,944,881
Total liabilities and members' equity (deficit)	\$ 9,608,740	\$ 4,770,750	\$ (1,141,500)	\$ 13,237,990

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Statement of Operations
For the 52-Week Period Ended December 31, 2022**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Net sales	\$ 17,205,346	\$ -	\$ -	\$ 17,205,346
Cost of sales	11,265,935	-	-	11,265,935
Gross profit	5,939,411	-	-	5,939,411
Selling, general and administrative expenses	5,806,228	-	-	5,806,228
Income from operations	133,183	-	-	133,183
Other income (expense):				
Interest income	3,148	130,294	-	133,442
Patronage income	106,640	-	-	106,640
Other	(18,308)	-	-	(18,308)
Loss from investment in subsidiary	(60,493)	-	60,493	-
Interest expense	(194,156)	(193,971)	-	(388,127)
Total other expense	(163,169)	(63,677)	60,493	(166,353)
Loss before income taxes	(29,986)	(63,677)	60,493	(33,170)
Benefit from income taxes	(11,484)	-	-	(11,484)
Net loss	(18,502)	(63,677)	60,493	(21,686)
Less net loss attributable to noncontrolling interest	-	-	(3,184)	(3,184)
Net loss attributable to Littleton Consumer Cooperative Society, Inc.	\$ (18,502)	\$ (63,677)	\$ 63,677	\$ (18,502)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

Consolidating Statement of Cash Flows For the 52-Week Period Ended December 31, 2022

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Cash flows from operating activities:				
Net loss	\$ (18,502)	\$ (63,677)	\$ 60,493	\$ (21,686)
Noncash items included in net loss:				
Amortization of debt issuance costs included in interest expense	30,566	13,464	-	44,030
Depreciation expense	268,471	-	-	268,471
Patronage received from investments in cooperatives	(24,617)	-	-	(24,617)
Deferred income taxes	(9,400)	-	-	(9,400)
Loss from investment in subsidiary	60,493	-	(60,493)	-
Changes in assets and liabilities:				
Accounts receivable	(5,208)	-	-	(5,208)
Inventories	(103,489)	-	-	(103,489)
Prepaid expenses and other current assets	(8,936)	-	-	(8,936)
Accounts payable	45,710	-	-	45,710
Patronage refund payable	(68,812)	-	-	(68,812)
Accrued expenses and other current liabilities	(23,970)	172	-	(23,798)
	160,808	13,636	(60,493)	113,951
Net cash provided by (used in) operating activities	142,306	(50,041)	-	92,265
Cash flows from investing activities:				
Capital expenditures	(117,622)	-	-	(117,622)
Due to (from) related party	(169,800)	169,800	-	-
Other assets	1,959	-	-	1,959
Net cash provided by (used in) investing activities	(285,463)	169,800	-	(115,663)
Subtotal (forward)	\$ (143,157)	\$ 119,759	\$ -	\$ (23,398)

(continued)

Littleton Consumer Cooperative Society, Inc. and Subsidiary

**Consolidating Statement of Cash Flows (continued)
For the 52-Week Period Ended December 31, 2022**

	Littleton Consumer Cooperative Society, Inc.	Littleton Food Market, LLC	Eliminations	Total
Subtotal (forwarded)	\$ (143,157)	\$ 119,759	\$ -	\$ (23,398)
Cash flows from financing activities:				
Principal payments on long-term borrowings	(15,000)	(113,364)	-	(128,364)
Net proceeds from issuance of capital stock	40,550	-	-	40,550
Net cash provided by (used in) financing activities	25,550	(113,364)	-	(87,814)
Net increase (decrease) in cash, cash equivalents and restricted cash	(117,607)	6,395	-	(111,212)
Cash, cash equivalents and restricted cash, beginning of period	2,110,536	43,555	-	2,154,091
Cash, cash equivalents and restricted cash, end of period	\$ 1,992,929	\$ 49,950	\$ -	\$ 2,042,879
Supplementary disclosures of cash flows information:				
Cash paid (received) during the period for:				
Interest	\$ 164,046	\$ 180,335	\$ -	\$ 344,381
Income taxes	\$ (5,588)	\$ -	\$ -	\$ (5,588)