

Littleton Consumer Cooperative Society, Inc.

Financial Statements

December 28, 2024 and December 30, 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Littleton Consumer Cooperative Society, Inc. (the Cooperative), which comprise the balance sheets as of December 28, 2024 and December 30, 2023, the related statements of income, members' equity, and cash flows for the 52-week period ended December 28, 2024 and the related consolidated statements of income, members' equity, and cash flows for the 52-week period ended December 30, 2023, and the related notes to 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 28, 2024 and December 30, 2023, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the 2023 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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.

Gallagher, Flynn & Company, LLP

South Burlington, Vermont
April 21, 2025

Littleton Consumer Cooperative Society, Inc.

Balance Sheets

December 28, 2024 and December 30, 2023

	December 28, 2024	December 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,760,504	\$ 1,164,522
Certificates of deposit	447,176	871,259
Restricted certificate of deposit	307,820	-
Accounts receivable	42,158	35,004
Inventories	721,942	692,153
Prepaid expenses and other current assets	40,789	35,513
Total current assets	3,320,389	2,798,451
Property and equipment	4,937,916	5,117,480
Other assets:		
Restricted cash	17,521	17,505
Investments in other cooperative associations	365,898	342,925
Other	44,503	52,133
Total other assets	427,922	412,563
Total assets	\$ 8,686,227	\$ 8,328,494
Liabilities and Members' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 108,619	\$ 102,932
Accounts payable	523,610	477,540
Patronage dividend payable	194,497	81,602
Accrued expenses and other current liabilities	552,270	491,851
Total current liabilities	1,378,996	1,153,925
Long-term debt, less current maturities	3,038,398	3,162,399
Deferred income taxes	434,500	437,300
Total liabilities	4,851,894	4,753,624
Members' equity:		
Members' shares	1,337,369	1,210,593
Donated capital	2,340	2,340
Retained earnings	2,494,624	2,361,937
Total members' equity	3,834,333	3,574,870
Total liabilities and members' equity	\$ 8,686,227	\$ 8,328,494

The accompanying notes are an integral part of these statements.

Littleton Consumer Cooperative Society, Inc.

**Statement of Income for the 52-Week Period Ended December 28, 2024 and
Consolidated Statement of Income for the 52-Week Period Ended December 30, 2023**

	December 28, 2024	December 30, 2023
Net sales	\$ 19,303,025	\$ 18,243,221
Cost of sales	12,692,867	11,942,483
Gross profit	6,610,158	6,300,738
Selling, general and administrative expenses	6,209,720	5,954,648
Income from operations	400,438	346,090
Other income (expense):		
Debt forgiveness income	-	1,943,200
Patronage income	105,229	110,788
Interest income	78,081	138,703
Other	14,250	(31,723)
Interest expense	(186,485)	(412,895)
Total other income	11,075	1,748,073
Income before patronage refund and income taxes	411,513	2,094,163
Patronage dividend	230,218	87,435
Income before income taxes	181,295	2,006,728
Provision for income taxes	48,608	463,181
Net income	\$ 132,687	\$ 1,543,547

Littleton Consumer Cooperative Society, Inc.

**Statement of Members' Equity for the 52-Week Period Ended December 28, 2024 and
Consolidated Statement of Members' Equity for the 52-Week Period Ended December 30, 2023**

	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 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, as restated (Note 7)	-	-	-	-	-	-	1,543,547	1,543,547	-	1,543,547
Allocation of patronage dividend to be issued as capital stock	-	-	-	43,718	43,718	-	-	43,718	-	43,718
Balance, December 30, 2023, as restated (Note 7)	27,246	681,150	485,725	43,718	1,210,593	2,340	2,361,937	3,574,870	-	3,574,870
Share credits issued in satisfaction of allocated capital	-	-	43,718	(43,718)	-	-	-	-	-	-
Shares issued, net of cancellations	1,848	46,200	-	-	46,200	-	-	46,200	-	46,200
Net income	-	-	-	-	-	-	132,687	132,687	-	132,687
Allocation of patronage dividend to be issued as capital stock	-	-	-	80,576	80,576	-	-	80,576	-	80,576
Balance, December 28, 2024	29,094	\$ 727,350	\$ 529,443	\$ 80,576	\$ 1,337,369	\$ 2,340	\$ 2,494,624	\$ 3,834,333	\$ -	\$ 3,834,333

The accompanying notes are an integral part of these statements.

Littleton Consumer Cooperative Society, Inc.

**Statement of Cash Flows for the 52-Week Period Ended December 28, 2024 and
Consolidated Statement of Cash Flows for the 52-Week Period Ended December 30, 2023**

	December 28, 2024	December 30, 2023
Cash flows from operating activities:		
Net income	\$ 132,687	\$ 1,543,547
Noncash items included in net income:		
Amortization of debt issuance costs included in interest expense	3,334	98,582
Depreciation expense	231,462	273,457
Patronage dividend allocated to capital	80,576	43,718
Patronage received from investments in cooperatives	(22,973)	(16,432)
Deferred income taxes	(2,800)	418,100
Loss on disposal of property and equipment	1,566	5,836
Forgiveness of long-term debt	-	(1,943,200)
Changes in assets and liabilities:		
Accounts receivable	(7,154)	4,285
Inventories	(29,789)	(13,631)
Prepaid expenses and other current assets	(5,276)	8,398
Accounts payable	46,070	26,738
Patronage refund payable	112,895	11,141
Accrued expenses and other current liabilities	60,419	90,938
Net cash provided by operating activities	601,017	551,477
Cash flows from investing activities:		
Capital expenditures	(53,464)	(67,271)
Proceeds from current maturities of certificates of deposit	871,259	200,782
Purchases of certificates of deposit	(447,176)	(871,259)
Purchase of restricted certificate of deposit	(307,820)	-
Repurchase of investment of noncontrolling interest of subsidiary	-	3,974
Other assets	7,630	4,461
Net cash provided by (used in) investing activities	70,429	(729,313)
Subtotal (forward)	\$ 671,446	\$ (177,836)

(continued)

Littleton Consumer Cooperative Society, Inc.

**Statement of Cash Flows for the 52-Week Period Ended December 28, 2024 and
Consolidated Statement of Cash Flows for the 52-Week Period Ended December 30, 2023
(continued)**

	December 28, 2024	December 30, 2023
Subtotal (forwarded)	\$ 671,446	\$ (177,836)
Cash flows from financing activities:		
Borrowings under long-term debt	-	3,230,000
Principal payments on long-term borrowings	(121,648)	(3,684,545)
Deferred financing costs	-	(66,439)
Net proceeds from issuance of capital stock	46,200	38,750
Net cash used in financing activities	(75,448)	(482,234)
Net increase (decrease) in cash, cash equivalents and restricted cash	595,998	(660,070)
Cash, cash equivalents, and restricted cash, beginning of period	1,182,027	1,842,097
Cash, cash equivalents, and restricted cash, end of period	\$ 1,778,025	\$ 1,182,027
Supplementary disclosures of cash flows information:		
Cash paid during the period for:		
Interest	\$ 184,285	\$ 314,861
Income taxes	\$ 62,947	\$ 59,748
Noncash investing and financing activities:		
Satisfaction of note receivable with relief of long-term debt (Note 5)	\$ -	\$ 4,720,800

Littleton Consumer Cooperative Society, Inc.

Notes to 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, which is open to its members and the general public. Members accounted for approximately 73% of total sales in 2024 and 71% of total sales in 2023.

Littleton Food Market, LLC (Littleton Food Market) was formed in 2016 to facilitate financing for the expansion of Littleton Consumer Cooperative's food store, which was completed in 2017. During 2016, Littleton Consumer Cooperative acquired a 95% interest in Littleton Food Market. In October 2023, Littleton Food Market was dissolved, and the remaining assets were distributed to Littleton Consumer Cooperative (see Note 5).

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 for the year ended December 30, 2023 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 28, 2024 (2024) and December 30, 2023 (2023) 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. 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.

Restricted cash represents amounts required to be reserved by an agreement between the Cooperative and the New Hampshire Community Loan Fund (see Note 6). The debt service reserve requires a minimum balance of \$17,500, with all disbursements made at the discretion of the New Hampshire Community Loan Fund in accordance with the agreement. For purposes of the presentation of cash flows, restricted cash is included with all other cash and cash equivalents.

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Amounts included in cash, cash equivalents and restricted cash were as follows at December 28, 2024 and December 30, 2023:

	December 28, 2024	December 30, 2023
Cash and cash equivalents	\$ 1,760,504	\$ 1,164,522
Restricted cash	17,521	17,505
	<u>\$ 1,778,025</u>	<u>\$ 1,182,027</u>

Certificates of deposit, restricted certificate of deposit, and reclassification: Certificates of deposit held for investment with an original maturity greater than three months are reported at cost plus reinvested interest. Amounts meeting this definition previously classified as cash and cash equivalents in the December 30, 2023 balance sheet have been reclassified to certificates of deposit for the appropriate presentation on a comparative basis. At December 28, 2024, the Cooperative holds three certificates of deposit with original maturities ranging from six to 12 months.

At December 28, 2024, the restricted certificate of deposit represents an investment with National Cooperative Bank, which serves as collateral for a \$300,000 loan from the New Hampshire Community Loan Fund to Caledonia Food Cooperative, Inc. that matures in September 2025. The 12-month certificate of deposit, which matures in March 2025, has been assigned to the New Hampshire Community Loan Fund through a collateral control agreement to secure the loan guarantee.

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.

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Investments 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.

Income taxes: Items of income and expense recognized by Littleton Food Market were passed through and were 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 income.

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 \$440,000 in 2024 and \$381,000 in 2023.

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 income. Processing fees were approximately \$274,000 in 2024 and \$255,000 in 2023.

Advertising expenses: Advertising costs are charged to operations when incurred. Advertising expenses charged to operations were approximately \$85,000 in 2024 and \$81,000 in 2023.

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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 income.

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 21, 2025, the date the financial statements were available to be issued.

Note 3. Property and Equipment

Property and equipment consist of the following at December 28, 2024 and December 30, 2023:

	December 28, 2024	December 30, 2023
Land and improvements	\$ 1,381,892	\$ 1,381,892
Buildings and improvements	4,854,487	4,842,420
Machinery and equipment	1,647,313	1,753,805
	7,883,692	7,978,117
Less accumulated depreciation	2,945,776	2,860,637
	\$ 4,937,916	\$ 5,117,480

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 4. Investments in Other Cooperative Associations

The investments in other cooperative associations are nonmarketable investments, which consist of the following at December 28, 2024 and December 30, 2023:

	December 28, 2024	December 30, 2023
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, up to a maximum amount of 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 28, 2024 and December 30, 2023.	\$ 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 28, 2024 and December 30, 2023.	140,699	120,473
Other	5,847	3,100
	<u>\$ 365,898</u>	<u>\$ 342,925</u>

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 5. Debt Forgiveness Income and Debt Restructuring

In 2016, Littleton Consumer Cooperative entered into a series of agreements in order to achieve a successful New Market Tax Credit in connection with its facility expansion. That arrangement resulted in the formation of a subsidiary, Littleton Food Market, Inc., and related borrowing agreements with creditors (long-term debt) and lending agreements with an unrelated special-purpose entity borrower (note receivable). During October 2023, this structure was concluded, resulting in, among other things, the refinancing of \$3,230,000 of long-term debt (see Note 6), the derecognition of a note receivable from the unrelated special-purpose entity of \$4,720,800, the dissolution of Littleton Food Market, and the recognition of \$1,943,200 of debt forgiveness income.

Note 6. Long-Term Debt

Long-term debt consists of the following at December 28, 2024 and December 30, 2023:

	December 28, 2024	December 30, 2023
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 Federal Home Loan Bank 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 \$48,220 at December 28, 2024.	\$ 2,347,480	\$ 2,418,517
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 a second-priority interest in substantially all assets of Littleton Consumer Cooperative. The balance is presented net of deferred financing costs of \$14,582 at December 28, 2024. The terms of the loan require that \$17,500 in cash be restricted for use as a debt service reserve (see Note 2).	714,537	731,814
Subtotal (forward)	\$ 3,062,017	\$ 3,150,331

(continued)

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 6. Long-Term Debt (continued)

	December 28, 2024	December 30, 2023
Subtotal (forwarded)	\$ 3,062,017	\$ 3,150,331
Revolving Loan Fund, administered by Grafton Regional Development Corporation:		
Payable in annual installments, contingent upon excess cash flows as defined in the Revolving Loan Fund agreement.		
Noninterest-bearing and unsecured.	85,000	115,000
Total long-term debt	3,147,017	3,265,331
Less current maturities of long-term debt	108,619	102,932
	\$ 3,038,398	\$ 3,162,399

As of December 28, 2024, long-term debt matures as follows:

Fiscal periods ending on or around December 31:

2025	\$ 108,619
2026	114,259
2027	120,242
2028	126,248
2029	133,305
Thereafter	2,607,146
	3,209,819
Less deferred financing costs	62,802
	\$ 3,147,017

Note 7. Income Taxes and Adjustment to Prior Period

Adjustment to prior period: During 2024, the Cooperative determined that there was an error in the measurement of the tax provision for the settlement of the New Market Tax Credit based upon information available at the time of the publishing of the 2023 financial statements. The correction of the error resulted in an increase in the deferred income tax liability by \$385,300 at December 31, 2023, and an increase in the provision for income taxes and a reduction in net income by \$385,300 in 2023.

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 7. Income Taxes and Adjustment to Prior Period (continued)

Current-year provision for income taxes: The provision for income taxes consists of the following for the periods ended December 28, 2024 and December 30, 2023:

	December 28, 2024	December 30, 2023
Current, net of benefit of net operating loss carryforward of approximately \$87,000 in 2024 and \$41,100 in 2023	\$ 51,408	\$ 45,081
Deferred	(2,800)	418,100
	\$ 48,608	\$ 463,181

Deferred tax assets and liabilities consist of the following at December 28, 2024 and December 30, 2023:

	December 28, 2024	December 30, 2023
Deferred tax assets:		
Accrued expenses	\$ 52,600	\$ 49,500
Net operating loss carryforwards	96,300	125,300
Other	8,700	6,000
	157,600	180,800
Deferred tax liabilities:		
Depreciation	592,100	618,100
	592,100	618,100
Net deferred tax liability	\$ (434,500)	\$ (437,300)

The Cooperative's effective tax rate in 2024 and 2023 is higher than what would be expected primarily due to state income taxes.

At December 28, 2024, the Cooperative has approximately \$228,000 of net operating loss carryforwards, which are available to reduce certain future federal taxable patronage income without limitation of their use on an annual basis, expiring through 2037.

The Cooperative files income tax returns in the U.S. federal jurisdiction and one state jurisdiction. With few exceptions, the Cooperative is 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.

Notes to Financial Statements

Note 7. Income Taxes and Adjustment to Prior Period (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 28, 2024 or December 30, 2023 and has not recorded any interest or penalties in 2024 or 2023.

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. 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 dividends, as noted below.

Patronage dividends: According to the bylaws, patronage dividends are determined at the discretion of the Board in accordance with applicable federal and state laws and GAAP.

Patronage dividends are determined at the discretion of the Board from net income. The patronage dividend 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 dividends 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 dividends 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 dividends declared were \$230,218 for the period ended December 28, 2024. The Board authorized the issuance of \$80,576 of the dividend in credits to be redeemed for additional common stock in the future and \$149,642 in cash and certificates redeemable within the Cooperative. The cash and certificates portion is included in patronage dividend payable and the credits are included in allocated capital at December 28, 2024. Patronage dividend share credits were \$529,443 at December 28, 2024.

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 8. Members' Equity (continued)

Patronage dividends declared were \$87,435 for the period ended December 30, 2023. The Board authorized the issuance of \$43,718 of the dividend 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 dividend payable and the credits are included in allocated capital at December 30, 2023. Patronage dividend share credits were \$485,725 at December 30, 2023.

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

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 \$83,000 in 2024 and \$70,000 in 2023.

Note 10. Major Suppliers

In 2024 and 2023, the Cooperative purchased goods from two related parties, AG and NCG (see Note 4). Purchases from these related parties were approximately 66% of total purchases during 2024 and 65% of total purchases during 2023. During 2024 and 2023, 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 28, 2024 and December 30, 2023, total amounts due to these related parties, included in accounts payable, totaled approximately \$321,000 and \$264,000, 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 \$696,000 in 2024 and \$666,000 in 2023. The discounts on these sales were included as reductions to gross sales in the statements of income and approximated \$104,000 in 2024 and \$100,000 in 2023.

Littleton Consumer Cooperative Society, Inc.

Notes to Financial Statements

Note 12. Littleton Food Co-op 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 \$80,000 and \$74,000 at December 28, 2024 and December 30, 2023, respectively. Grant funds distributed from the LFCCF were approximately \$2,000 in 2024 and 2023.