



ASHLAND FOOD COOPERATIVE AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION

December 31, 2024

## CONTENTS

Independent Accountant's Review Report.....	1
Consolidated Balance Sheet.....	3
Consolidated Statement of Income.....	5
Consolidated Statement of Owners' Equity .....	6
Consolidated Statement of Cash Flows.....	7
Notes to Financial Statements .....	9
Consolidated Schedule of Cost of Goods Sold and Payroll Expenses.....	18
Consolidated Schedule of General and Administrative Expenses.....	19



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Ashland Food Cooperative and Subsidiary  
Ashland, Oregon

We have reviewed the accompanying financial statements of Ashland Food Cooperative and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of income, owner's equity, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

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

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Ashland Food Cooperative and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### ***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note 2 to the financial statements, Ashland Roasting Company, LLC, a wholly owned subsidiary of Ashland Food Cooperative, acquired RV Roasting Company, LLC on May 7, 2024. Our conclusion is not modified with respect to this matter.

### ***Supplementary Information***

The accompanying consolidated schedules of cost of goods sold and payroll expenses and general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

### ***Comparative Information***

The comparative information as of and for the year ended December 31, 2023, is presented for the purpose of additional analysis and is not a required part of the December 31, 2024, financial statements. The comparative 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. We previously reviewed the 2023 financial statements, and we expressed an unmodified conclusion on those financial statements in our report dated April 19, 2024. The comparative financial information was subjected to the review procedures applied in our review of the 2023 financial statements and we are not aware of any material modifications that should be made to the comparative information for it to be consistent with the reviewed financial statements from which it has been derived. We have not audited the comparative information and do not express an opinion on such information.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, flowing style.

Wegner CPAs, LLP  
Madison, Wisconsin  
March 26, 2025

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY****CONSOLIDATED BALANCE SHEET**

December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,821,063	\$ 1,614,021
Certificates of deposit	4,945,905	4,724,516
Accrued interest receivable	39,468	39,681
Employee payroll advances	12,115	10,200
Other receivables	23,510	17,804
Inventory	951,619	852,147
Prepaid insurance	19,677	20,732
Prepaid expenses	52,020	55,942
Total current assets	7,865,377	7,335,043
<b>PROPERTY AND EQUIPMENT</b>		
Land	2,131,800	2,131,800
Building and improvements	3,650,704	3,619,256
Equipment	1,930,998	1,727,286
Leasehold improvements	411,264	411,264
Construction in progress	83,168	15,083
Accumulated depreciation	(3,772,477)	(3,580,349)
Property and equipment, net	4,435,457	4,324,340
<b>OTHER ASSETS</b>		
Certificates of deposit	3,495,873	3,457,931
Deposits	166,257	164,495
Loan to NCG - Development Cooperative Loan Fund	48,200	54,715
Investment in National Co-op Grocers	414,604	389,704
Deferred income tax assets	39,000	-
Goodwill, net	156,193	-
Operating lease right-of-use assets	647,521	261,955
Total other assets	4,967,648	4,328,800
<b>Total assets</b>	<b>\$ 17,268,482</b>	<b>\$ 15,988,183</b>

See accompanying notes.

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY****CONSOLIDATED BALANCE SHEET**

December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

	2024	2023
<b>LIABILITIES AND OWNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 897,104	\$ 980,935
Unredeemed gift cards	169,087	135,427
Retirement plan contribution payable	476	3,136
Accrued payroll and payroll taxes	411,613	345,131
Accrued productivity bonus	-	1,400
Accrued profit share bonus	529,468	120,787
Accrued vacation and sick pay	409,702	393,708
Income taxes payable	33,114	39,065
Accrued medical claims liability	150,000	150,000
Patronage dividends payable	888,475	692,055
Current portion of operating lease liabilities	113,831	54,956
Total current liabilities	3,602,870	2,916,600
<b>OTHER LIABILITIES</b>		
Deferred income tax liabilities	-	26,000
Operating lease liabilities net of current portion	533,690	206,999
Total other liabilities	533,690	232,999
Total liabilities	4,136,560	3,149,599
<b>OWNERS' EQUITY</b>		
Membership stock	1,239,544	1,196,179
Patronage dividends retained	6,772,230	6,772,674
Retained earnings	5,120,148	4,869,731
Total owners' equity	13,131,922	12,838,584
<b>Total liabilities and owners' equity</b>	<b>\$ 17,268,482</b>	<b>\$ 15,988,183</b>

See accompanying notes.

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF INCOME**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative for the Year Ended December 31, 2023)

	2024		2023	
	Amount	Percent	Amount	Percent
<b>REVENUE</b>				
Sales, net	\$ 34,888,558	100.00	\$ 32,466,951	100.00
Less cost of goods sold	21,541,867	61.74	20,263,502	62.41
Gross profit	13,346,691	38.26	12,203,449	37.59
Other operating revenue	90,914	0.26	61,411	0.19
Net revenue from operations	13,437,605	38.52	12,264,860	37.78
<b>OPERATING EXPENSES</b>				
Payroll expenses	9,900,221	28.38	8,803,822	27.12
General and administrative expenses	2,811,691	8.06	2,687,095	8.28
Total operating expenses	12,711,912	36.44	11,490,917	35.40
Income from operations	725,693	2.08	773,943	2.38
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	402,660	1.15	348,275	1.07
Other income	5,939	0.02	9,202	0.03
Loss on disposal of equipment	-	-	(6,286)	(0.02)
Total other income (expense)	408,599	1.17	351,191	1.08
Income from continuing operations before income taxes	1,134,292	3.25	1,125,134	3.46
Provision for income taxes	4,600	0.01	(426,937)	(1.31)
<b>Net income</b>	<b>\$ 1,138,892</b>	<b>3.26</b>	<b>\$ 698,197</b>	<b>2.15</b>

See accompanying notes.

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF OWNERS' EQUITY**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative for the Year Ended December 31, 2023)

	Membership Stock	Patronage Dividends Retained	Retained Earnings	Total Owners' Equity
<b>Balance December 31, 2022</b>	\$ 1,163,812	\$ 6,602,754	\$ 5,036,602	\$ 12,803,168
Stock issued	39,781	-	-	39,781
Stock redeemed	(7,414)	-	-	(7,414)
Patronage dividend	-	865,068	(865,068)	-
Patronage dividends payable	-	(692,055)	-	(692,055)
Prior patronage forfeited	-	(3,093)	-	(3,093)
Net income	-	-	698,197	698,197
<b>Balance December 31, 2023</b>	1,196,179	6,772,674	4,869,731	12,838,584
Stock issued	52,615	-	-	52,615
Stock redeemed	(9,250)	-	-	(9,250)
Patronage dividend	-	888,475	(888,475)	-
Patronage dividends payable	-	(888,475)	-	(888,475)
Prior patronage forfeited	-	(444)	-	(444)
Net income	-	-	1,138,892	1,138,892
<b>Balance December 31, 2024</b>	<u>\$ 1,239,544</u>	<u>\$ 6,772,230</u>	<u>\$ 5,120,148</u>	<u>\$ 13,131,922</u>

See accompanying notes.



**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative for the Year Ended December 31, 2023)

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,138,892	\$ 698,197
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation	212,612	206,834
Amortization of goodwill	11,157	-
Loss on disposal of equipment	-	6,286
Change in deferred income taxes	(65,000)	325,000
Amortization of operating lease right-of-use assets	87,419	52,772
(Increase) decrease in assets		
Accrued interest receivable	213	(25,966)
Employee payroll advances	(1,915)	(5,150)
Tax credits and refunds receivable	-	2,114,888
Other receivables	(5,706)	9,068
Inventory	(94,472)	44,163
Prepaid insurance	1,055	(6,617)
Prepaid expenses	3,922	(28,747)
Deposits	(1,762)	41,609
Investment in National Co-op Grocers	(24,900)	(15,445)
Increase (decrease) in liabilities		
Accounts payable	(83,831)	76,900
Unredeemed gift cards	33,660	(2,520)
Retirement plan contribution payable	(2,660)	3,136
Accrued payroll and payroll taxes	66,482	35,597
Accrued productivity bonus	(1,400)	(81,821)
Accrued profit share bonus	408,681	57,079
Accrued vacation and sick pay	15,994	31,813
Income taxes payable	(5,951)	31,315
Operating lease liabilities	(87,419)	(52,772)
<b>Net cash flows from operating activities</b>	<b>1,605,071</b>	<b>3,515,619</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(196,079)	(89,545)
Acquisition of RV Roasting Company, LLC	(300,000)	-
Collections of loan to NCG-Development Cooperative Loan Fund	6,515	6,217
Redemptions of certificates of deposits	4,996,415	3,741,525
Purchases of certificates of deposits	(5,255,746)	(7,205,634)
<b>Net cash flows from investing activities</b>	<b>(748,895)</b>	<b>(3,547,437)</b>

See accompanying notes.

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY****CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative for the Year Ended December 31, 2023)

	2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of membership stock	52,615	39,781
Patronage dividends paid	(692,499)	(412,106)
Payments on redemption of membership stock	(9,250)	(7,414)
<b>Net cash flows from financing activities</b>	<b>(649,134)</b>	<b>(379,739)</b>
<b>Net change in cash</b>	<b>207,042</b>	<b>(411,557)</b>
Cash at beginning of year	1,614,021	2,025,578
<b>Cash at end of year</b>	<b>\$ 1,821,063</b>	<b>\$ 1,614,021</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for income taxes	\$ (63,649)	\$ 70,622
Noncash financing activities		
Patronage dividends payable	888,475	692,055
Prior patronage forfeited	444	3,093
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	472,985	28,823

See accompanying notes.

## **ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**

### **NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

---

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Nature of Operations**

Ashland Food Cooperative (the Cooperative) operates a natural foods store in Ashland, Oregon, and emphasizes locally produced, organically grown, and ecologically sound products. Through outreach, sponsorship of educational forums, and store events, the Cooperative promotes awareness of natural foods and the environment.

Ashland Roasting Company, LLC (ARC) is a wholly owned subsidiary of Ashland Food Cooperative, that operates a coffee roaster and a cafe. ARC was incorporated in February 2024, in conjunction with the acquisition of RV Roasting Company, LLC described in Note 2.

##### **Principles of Consolidation**

The financial statements include the accounts of the Cooperative and its wholly owned subsidiary, ARC. All material intra-entity transactions have been eliminated in consolidation.

##### **Certificates of Deposit**

The Cooperative holds several certificates of deposits from individual banks or credit unions. Certificates of deposit are considered to be debt securities which are classified as held-to-maturity when there is the positive intent and ability to hold the securities to maturity. They are then reported in the financial statements at cost. Investments with maturity dates of less than one year are reported on the balance sheet as current assets. Brokerage certificates of deposit are sold on a secondary market using data from sales of similar securities to determine the price and certificates of deposits from individual banks or credit unions are valued using estimated quoted market prices that are not active. All of the Cooperatives certificates of deposits are considered to be Level 2 investments.

##### **Inventory**

Inventory, consists of grocery items held for resale, and is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

##### **Investment in National Co-op Grocers**

The Cooperative's investment in National Co-op Grocers (NCG) is required to maintain participation in the purchase of merchandise or services from NCG. The investment is recorded at cost since it may be redeemed at face value at the discretion of NCG's board of directors.

## ASHLAND FOOD COOPERATIVE AND SUBSIDIARY

### NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

---

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Property and Equipment

The Cooperative capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	15 - 39 years
Equipment	5 - 7 years
Leasehold improvements	10 - 15 years

Depreciation expense for 2024 and 2023 was \$212,612 and \$206,834, respectively.

##### Revenue Recognition

The Cooperative derives its revenues primarily from the sale of grocery products to its customers through its retail store location in Ashland. The Cooperative recognizes revenue at a point in time at the point of sale to its customers, as the Cooperative has determined that this is the point at which the sole performance obligation has been met and control is transferred, as the customer can direct the use and obtain substantially all of the remaining benefits from the asset at this point in time.

The Cooperative does not have any significant financing components as payment is generally required at the point of sale at the same time goods are exchanged. Variable consideration, which typically includes product returns and other discounts, is estimated using the expected value or most likely amount method, and the Cooperative reduces revenue accordingly. The Cooperative does not expect significant changes to estimates of variable consideration.

Discounts provided to customers by the Cooperative at the time of sale, including those provided in connection with ownership, are recognized as a reduction in sales as the products are sold. Discounts provided by vendors, usually in the form of paper coupons, are not recognized as a reduction in sales provided the coupons are redeemable at any retailer that accepts coupons. The Cooperative records a receivable from the vendor for the difference in sales price and payment received from the customer at the point of sale.

Taxes collected from customers for amounts assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Cooperative from a customer, are excluded from revenue.

The Cooperative acts as principal in certain vendor arrangements where the purchase and sale of inventory are virtually simultaneous. The Cooperative records revenue and related cost on a gross basis for these arrangements.

The Cooperative sells gift cards that can be used at its store, and a contract liability is recognized when gift cards are sold. The Cooperative does not charge fees on unused gift cards and cards do not expire. Revenue from gift cards is recognized when the gift card is redeemed by the customer or the likelihood of the gift card being redeemed is remote and the Cooperative has no legal obligation to remit the unused balance to relevant jurisdictions as unclaimed property. While gift cards are generally redeemed within 12 months, some are never fully redeemed.

## ASHLAND FOOD COOPERATIVE AND SUBSIDIARY

### NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Cooperative recognizes gift card breakage under the proportional method, where recognition of breakage income is based upon the historical run-off rate of unredeemed gift cards. There was no gift card breakage income included in revenue for 2024 and 2023.

The Contract liabilities from gift card sales were as follows:

	2024	2023
Beginning of year	\$ 135,427	\$ 137,947
End of year	169,087	135,427

#### Income Taxes

The Cooperative is taxed on non-patronage earnings and any patronage earnings not paid or allocated to the owners.

#### Leases

The Cooperative does not recognize short-term leases in the balance sheet. For these leases, the Cooperative recognizes the lease payments in the results of operations on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Cooperative also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, the Cooperative uses their borrowing rate at lease initiation as the discount rate for the lease for all classes of underlying assets.

#### Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### Goodwill

The Cooperative adopted the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Cooperative amortizes goodwill over 10 years on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs. The Cooperative also adopted the accounting alternative that allows it to evaluate goodwill impairment triggering events only as of the end of each reporting period.

## ASHLAND FOOD COOPERATIVE AND SUBSIDIARY

### NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Advertising

Advertising costs are expensed as incurred. Advertising costs for 2024 and 2023 were \$24,325 and \$35,391, respectively.

##### Date of Management's Review

Management has evaluated subsequent events through March 26, 2025, the date which the financial statements were available to be issued.

#### NOTE 2 – BUSINESS COMBINATION

On May 7, 2024, ARC acquired the assets of RV Roasting Company, LLC, a coffee roasting company that also operates a café. As a result of the acquisition, the Cooperative is expected to expand its footprint in the Ashland, Oregon, community. ARC paid \$300,000 cash to acquire inventory valued at \$5,000 and property and equipment valued at \$127,650. The goodwill of \$167,350 arising from the acquisition consists largely of synergies expected from combining the operations of the entities. The Cooperative also adopted the accounting alternative to not recognize customer-related intangible assets and noncompetition agreements separately from goodwill. All the goodwill recognized is expected to be deductible for income tax purposes.

The assets acquired assumed in a business combination are measured at fair value. Variations of cost, market, and income approaches are used to measure the fair value components of working capital and tangible assets. When measuring fair value of acquired intangible assets, the income, market and cost approaches are generally considered. Financial assets are valued based on a quoted price in an active market. In the absence of a quoted market price, a valuation technique is used to determine fair value, such as a market approach or an income approach. These measures require significant judgement including estimates of expected cash flow or discount rates, among others.

#### NOTE 3 – GOODWILL

The Goodwill presented in the consolidated balance sheet as of December 31, 2024, consists of the following:

	2024
Goodwill	\$ 167,350
Accumulated amortization	(11,157)
Goodwill, net	<u>\$ 156,193</u>

Amortization expense for the year ended December 31, 2024 was \$11,157.

## **ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**

### **NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

---

#### **NOTE 4 – LOAN TO NCG-DEVELOPMENT COOPERATIVE LOAN FUND**

The Cooperative issued a \$100,000 subordinated promissory note to the NCG-Development Cooperative Loan Fund to support the operations of other cooperatives. The Cooperative receives monthly payments of principal and interest at 3% on deployed funds.

#### **NOTE 5 – ACCRUED MEDICAL CLAIMS LIABILITY**

The Cooperative adopted a partially self-funded preferred provider organization coinsurance plan for employee group health benefits. Under the plan, a third-party administrator processes employee medical claims and the Cooperative is responsible for payment of the claims in accordance with the benefit provisions of the plan. The Cooperative maintains stop-loss insurance under the plan for claims exceeding \$62,000 annually per covered member and dependents. Additionally, there is a monthly maximum stop-loss limit based on the number of enrolled participants. The Cooperative has accrued an estimated liability of \$150,000 for unsubmitted claims as of December 31, 2024 and 2023.

#### **NOTE 6 – PENSION PLAN**

Employees are eligible for the Cooperative's pension plan after reaching age eighteen and providing 1,000 hours of service within a one-year period. The Cooperative will match 100% of employee deferrals up to 3% of compensation and half of employee deferrals between 3% and 5% of compensation. The Cooperative may also make additional discretionary matching contributions. Pension expense for 2024 and 2023 was \$191,165 and \$176,081, respectively.

#### **NOTE 7 – CONTINGENCIES**

##### **Paycheck Protection Program**

In May 2020, the Cooperative received a \$1,513,700 Paycheck Protection Program (PPP) loan as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) implemented by the United States Small Business Administration (SBA) to help cover payroll costs, rent, and utilities during the COVID-19 outbreak. On July 2, 2021 The Cooperative was able to meet certain criteria set forth by the CARES Act, and received complete forgiveness of the loan.

The Cooperative must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Cooperative's good-faith certification concerning the necessity of its loan request, whether the Cooperative calculated the loan amount correctly, whether the Cooperative used loan proceeds for the allowable uses specified in the CARES Act, and whether the Cooperative is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Cooperative was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the loan.

## **ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**

### **NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

---

#### **NOTE 7 – CONTINGENCIES (continued)**

##### **Employee Retention Credit**

During 2022, the Cooperative claimed Employee Retention Credits (ERC) totaling \$2,114,888 under the provisions of the CARES Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. The Cooperative determined it had a significant decline in gross receipts and claimed the ERC for the first two calendar quarters of 2021. The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit the Cooperative's eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines the Cooperative was ineligible for the ERC, the Cooperative could be required to repay the amount claimed along with penalties and interest.

#### **NOTE 8 – MEMBERSHIP EQUITY**

Membership investments represent one share of stock in the Cooperative. Membership is available to the general public for a \$100 investment, which may be paid with an initial payment of \$10 followed by quarterly installments of \$10 each. Full participation rights are accorded to each member who is current in payment of the share purchase requirement. Membership entitles the patron to various benefits including participation in the patronage dividend allocations based on purchases from the Cooperative. 100,000 shares are authorized at zero par value. There were 13,626 and 13,132 outstanding shares at December 31, 2024 and 2023, respectively.

#### **NOTE 9 – CONCENTRATIONS**

##### **Credit Risk**

The Cooperative maintains cash balances at several local, regional, and national financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. The Cooperative's uninsured cash balances total approximately \$1,133,000 and \$1,376,000 at December 31, 2024 and 2023, respectively.

##### **Collective Bargaining Agreement**

The Cooperative employs both union and nonunion workers and recognizes the AFC Employee Alliance as a labor organization. The current bargaining agreement covers 73% of the Cooperative's employees, became effective September 1, 2023, and remains in effect until a new contract is ratified or both parties consent to terminate the agreement.



# **ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**

## **NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

### **NOTE 10 – LEASES**

The Cooperative has operating leases for certain equipment and facilities, including retail, food preparation, café, storage and other space. These leases have remaining lease terms of 3 to 22 years.

The components of total lease cost are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 95,154	\$ 59,295
Short-term lease cost	<u>48,530</u>	<u>30,063</u>
Total lease cost	<u><u>143,684</u></u>	<u><u>89,358</u></u>

Other information related to leases is as follows:

	<u>2024</u>	<u>2023</u>
Cash payments classified as part of operating cash flows for the amounts included in the measurement of lease liabilities:-	\$ 95,154	\$ 55,154
Right-of-use assets obtained in exchange for new lease liabilities	472,985	28,823
Weighted-average remaining lease term	8.30 years	8.58 years
Weighted-average discount rate	4.36%	3.41%

The maturities of operating lease liabilities as of December 31, 2024, are as follows:

2025	\$ 124,214
2026	127,029
2027	130,772
2028	71,263
2029	68,554
Thereafter	<u>286,042</u>
Total minimum lease payments	807,874
Imputed interest	<u>(160,353)</u>
Total lease liabilities	<u><u>\$ 647,521</u></u>

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY****NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

**NOTE 11 – PURCHASING AGREEMENT**

The Cooperative has an agreement through NCG with United Natural Foods, Inc. (UNFI). The Cooperative agrees to use UNFI as its primary supplier in exchange for additional purchase discounts. UNFI provides approximately 45% of the value of items purchased for resale.

As part of this agreement the Cooperative, along with other natural food cooperatives in the Western Corridor, is a member of the Joint Liability Fund (JLF) coordinated by NCG. At December 31, 2024 and 2023, the Cooperative had a deposit with JLF for \$43,887 and \$41,630, respectively. In order to obtain better terms with UNFI the members of the JLF have guaranteed the debt of the other members to UNFI. If a member were to default on its debt, the other members would each be responsible for a share of the debt based on their total purchases from UNFI. The total liability for this debt could exceed the amount of the deposit with the JLF.

**NOTE 12 – SALES DISCOUNTS**

The sales and discount amounts for 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Sales, gross	\$ 35,662,172	\$ 33,151,558
Member discounts	<u>(773,614)</u>	<u>(684,607)</u>
Sales, net	<u>\$ 34,888,558</u>	<u>\$ 32,466,951</u>

**NOTE 13 – INCOME TAXES**

Federal and state income taxes have been provided for in the statements of income as follows:

	<u>2024</u>	<u>2023</u>
Current federal income tax	\$ -	\$ (43,336)
Current Oregon income tax	<u>(60,400)</u>	<u>(58,601)</u>
Total current provision	(60,400)	(101,937)
Deferred income tax benefit (expense)	<u>65,000</u>	<u>(325,000)</u>
Provision for income taxes	<u>\$ 4,600</u>	<u>\$ (426,937)</u>

The difference between the provision for income taxes at the statutory federal tax rates and the Cooperative's actual provision for income taxes is primarily due to the treatment of patronage dividends. In addition, there are differences related to state income taxes and nondeductible expenses.

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2024

(With Comparative Information about Ashland Food Cooperative as of December 31, 2023)

**NOTE 13 – INCOME TAXES (continued)**

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the use of different methods and lives of property and equipment for financial and income tax purposes. In addition, a portion of the deferred income taxes results from timing differences in accrued compensated absences and accrued profit sharing bonuses, and the net operating loss available to offset taxable income. The Cooperative has a net operating loss carryforward available to reduce taxable income of approximately \$312,000 for federal purposes that do not expire and approximately \$162,000 for state purposes that do not expire.

The Cooperative's total deferred tax asset and deferred tax liability at December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Deferred tax asset	\$ 163,000	\$ 75,000
Deferred tax asset valuation allowance	-	-
Deferred tax liability	<u>(124,000)</u>	<u>(101,000)</u>
Net deferred tax asset (liability)	<u>\$ 39,000</u>	<u>\$ (26,000)</u>

**NOTE 14 – PATRONAGE DIVIDENDS**

The Cooperative is allowed to deduct for income tax purposes the qualified patronage dividend allocations made by the board of directors. A minimum of 20 percent of the qualified dividend allocations must be paid in cash each year within eight and one-half months following the end of the Cooperative's fiscal year. Dividends not paid in cash are retained and included in the equity of the Cooperative.

The Cooperative annually calculates the share of overall net income resulting from members' patronage of the Cooperative. For the year ended December 31, 2024, net income subject to members' patronage was \$1,172,708. The Board of Directors declared a patronage dividend of \$888,475 for 2024. Of the declared dividend, 100 percent will be paid in cash. The liability for cash dividends payable is \$888,475 for the year ended December 31, 2024.

For the year ended December 31, 2023, net income subject to members' patronage was \$1,127,360, due in part to the treatment of the Employee Retention Tax credit. The Board of Directors declared a patronage dividend of \$865,068 for 2023. Of the declared dividend, 80 percent will be paid in cash. The liability for cash dividends payable is \$692,055 for the year ended December 31, 2023.

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF COST OF GOODS SOLD AND PAYROLL EXPENSES**  
Year Ended December 31, 2024  
(With Comparative Information about Ashland Food Cooperative for the Year Ended December 31, 2023)

	<u>2024</u>	<u>2023</u>
<b>Beginning inventory</b>	\$ 852,147	\$ 896,310
<b>Purchases</b>		
Produce	4,260,776	3,926,103
Grocery	4,178,513	3,944,458
Cooler	2,234,738	2,095,930
Meat	2,232,294	2,041,941
Deli	2,093,004	1,855,880
Wellness	1,760,074	1,622,702
Bulk	1,133,080	1,090,397
Bakery	983,323	953,980
Beer and wine	952,279	974,144
Specialties	786,687	786,940
Frozen	604,923	611,660
Deli packaging	140,815	154,891
Mercantile	132,426	153,659
Coffee shop	106,870	-
Roasting finished goods	30,329	-
Delivery surcharges	10,795	13,240
Roasting raw materials	6,931	-
Purchase discounts	(6,518)	(6,586)
<b>Total beginning inventory and purchases</b>	22,493,486	21,115,649
Ending inventory	(951,619)	(852,147)
<b>Cost of goods sold</b>	<u>\$ 21,541,867</u>	<u>\$ 20,263,502</u>
	<u>2024</u>	<u>2023</u>
Salaries and wages	\$ 7,912,902	\$ 6,985,696
Employee benefits	1,135,491	1,038,227
Payroll taxes	658,712	616,472
Employee discounts	143,184	127,909
Workers compensation insurance	49,932	35,518
<b>Payroll expenses</b>	<u>\$ 9,900,221</u>	<u>\$ 8,803,822</u>

**ASHLAND FOOD COOPERATIVE AND SUBSIDIARY**  
**CONSOLIDATED SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
Year Ended December 31, 2024  
(With Comparative Information about Ashland Food Cooperative for the Year Ended December 31, 2023)

	2024	2023
Bank and merchant credit card fees	\$ 473,687	\$ 465,485
Store supplies	265,045	253,420
Other personnel expenses	232,163	222,711
Depreciation	212,612	206,834
Amortization of goodwill	11,157	-
Office expense	189,926	165,694
Utilities	187,210	167,255
Repairs and maintenance	183,888	114,257
Equipment rental and leasing	143,684	89,358
Insurance	131,133	131,071
Legal and professional	115,944	88,836
Advertising and promotion	115,209	117,106
Board of directors expense	106,051	107,362
Contracted services	80,513	47,610
Consulting fees	80,286	224,365
Property taxes	56,807	55,257
Dues and subscriptions	38,190	33,808
Conferences and seminars	38,019	17,887
Laundry and cleaning supplies	34,478	31,396
Community grants	26,550	25,450
Telephone	18,198	16,114
Small tools and equipment	17,157	19,485
Licenses, taxes and fees	9,135	5,772
Trade show expense	8,553	2,927
Cash short (over)	7,703	800
Signage	7,333	10,462
Community oven expense	5,716	7,669
Membership expense	4,544	3,482
Postage	3,473	3,013
Recruitment	2,538	49,830
Travel expense	2,318	1,061
Meals and entertainment	1,255	1,390
Newsletter expenses	1,179	-
Bad debts (recovery)	37	(72)
<b>General and administrative expenses</b>	<b>\$ 2,811,691</b>	<b>\$ 2,687,095</b>