



Ashland Food Co-op
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION
December 31, 2018 and 2017

CONTENTS

Independent Accountant's Review Report.....	1
Balance Sheets	3
Statements of Income	5
Statements of Owners' Equity.....	6
Statements of Cash Flows	7
Notes to Financial Statements	9
Schedules of Cost of Goods Sold and Payroll Expenses	15
Schedules of General and Administrative Expenses.....	16



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Ashland Food Cooperative
Ashland, Oregon

We have reviewed the accompanying financial statements of Ashland Food Cooperative, which comprise the balance sheet as of December 31, 2018, and the related statements of income, owners' 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 Cooperative 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 as 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.

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.

Supplementary Information

The supplementary information included on pages 15-16 is presented for purposes of additional analysis and is 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. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

New York Office:
230 Park Avenue, 3rd Floor
New York, NY 10169
P: (212) 551-1724
F: (262) 522-7550

Washington DC Office:
419 N Lee Street
Alexandria, VA 22314
P: (703) 519-0990

Wisconsin Office:
2921 Landmark Place
Suite 300
Madison, WI 53713
P: (608) 274-4020
F: (608) 308-1616

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

Report on the 2017 Financial Statements and Supplementary Information

The 2017 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated April 12, 2018. In addition, the 2017 supplementary information included on pages 15-16 was subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures since that date.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
March 19, 2019

ASHLAND FOOD COOPERATIVE
BALANCE SHEETS
December 31, 2018 (Reviewed) and 2017 (Audited)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 978,639	\$ 1,773,366
Certificates of deposit	3,697,448	3,674,898
Accrued interest receivable	12,566	5,670
Employee payroll advances	9,210	7,220
Other receivables	32,665	19,782
Inventory	831,551	754,583
Prepaid insurance	14,371	14,383
Prepaid property tax	25,473	22,993
Total current assets	5,601,923	6,272,895
PROPERTY AND EQUIPMENT		
Land	2,131,800	579,278
Building and improvements	3,388,983	3,391,846
Equipment	1,667,374	1,579,063
Property and equipment	7,188,157	5,550,187
Accumulated depreciation	(2,541,347)	(2,330,498)
Property and equipment - net	4,646,810	3,219,689
OTHER ASSETS		
Deposits	45,396	79,058
Loan to other cooperative	88,943	94,017
Investment in National Cooperative Grocers	289,578	280,866
Total other assets	423,917	453,941
Total assets	\$ 10,672,650	\$ 9,946,525

See accompanying notes and independent accountant's review report.

ASHLAND FOOD COOPERATIVE
BALANCE SHEETS
December 31, 2018 (Reviewed) and 2017 (Audited)

	2018	2017
LIABILITIES AND OWNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,013,518	\$ 967,690
Unredeemed gift certificates	93,977	94,570
Retirement plan contribution payable	5,539	9,803
Accrued payroll and payroll taxes	271,800	262,255
Accrued productivity bonus	-	38,369
Accrued profit share bonus	112,025	91,736
Accrued vacation and sick pay	319,746	300,117
Accrued medical claims liability	150,000	170,000
Patronage dividends payable	198,526	163,349
Unclaimed patronage dividends	12,459	(8,334)
Total current liabilities	2,177,590	2,089,555
OTHER LIABILITIES		
Deferred income taxes	113,000	151,000
Total liabilities	2,290,590	2,240,555
OWNERS' EQUITY		
Membership stock	1,054,897	1,019,453
Patronage dividends retained	3,828,511	3,370,036
Retained earnings	3,498,652	3,316,481
Total owners' equity	8,382,060	7,705,970
Total liabilities and owners' equity	\$ 10,672,650	\$ 9,946,525

See accompanying notes and independent accountant's review report.

ASHLAND FOOD COOPERATIVE
STATEMENTS OF INCOME
Years Ended December 31, 2018 (Reviewed) and 2017 (Audited)

	2018		2017	
	Amount	Percent	Amount	Percent
Sales	\$ 29,268,801	100.00	\$ 29,737,203	100.00
Less cost of goods sold	<u>18,701,925</u>	<u>63.90</u>	<u>19,074,672</u>	<u>64.14</u>
Gross profit	10,566,876	36.10	10,662,531	35.86
Other operating revenue	<u>39,955</u>	<u>0.14</u>	<u>89,419</u>	<u>0.30</u>
Net revenue from operations	10,606,831	36.24	10,751,950	36.16
Operating expenses				
Payroll expenses	7,483,835	25.57	7,931,122	26.67
General and administrative expenses	<u>2,319,753</u>	<u>7.93</u>	<u>2,315,562</u>	<u>7.79</u>
Total operating expenses	<u>9,803,588</u>	<u>33.50</u>	<u>10,246,684</u>	<u>34.46</u>
Income from operations	803,243	2.74	505,266	1.70
Other income (expenses)				
Interest income	47,873	0.16	20,575	0.07
Gain (loss) on disposal of equipment	(3,279)	(0.01)	2,500	0.01
Interest expense	(119)	-	-	-
Other income	<u>12,042</u>	<u>0.04</u>	<u>17,488</u>	<u>0.06</u>
Total other income (expenses)	<u>56,517</u>	<u>0.19</u>	<u>40,563</u>	<u>0.14</u>
Net income before provision for income taxes	859,760	2.93	545,829	1.84
Provision for income taxes	<u>24,604</u>	<u>0.08</u>	<u>35,358</u>	<u>0.12</u>
Net income	<u><u>\$ 835,156</u></u>	<u><u>2.85</u></u>	<u><u>\$ 510,471</u></u>	<u><u>1.72</u></u>

See accompanying notes and independent accountant's review report.

ASHLAND FOOD COOPERATIVE
STATEMENTS OF OWNERS' EQUITY
Years Ended December 31, 2018 (Reviewed) and 2017 (Audited)

	<u>Membership Stock</u>	<u>Patronage Dividends Retained</u>	<u>Retained Earnings</u>	<u>Total Owners' Equity</u>
Balance January 1, 2017	\$ 982,108	\$ 3,130,593	\$ 3,203,220	\$ 7,315,921
Stock issued	53,465	-	-	53,465
Stock redeemed	(16,120)	-	-	(16,120)
Patronage dividend	-	408,374	(408,374)	-
Patronage dividends payable	-	(163,349)	-	(163,349)
Prior patronage forfeited	-	(5,582)	11,164	5,582
Net income	<u>-</u>	<u>-</u>	<u>510,471</u>	<u>510,471</u>
Balance December 31, 2017	1,019,453	3,370,036	3,316,481	7,705,970
Stock issued	50,484	-	-	50,484
Stock redeemed	(15,040)	-	-	(15,040)
Patronage dividend	-	661,743	(661,743)	-
Patronage dividends payable	-	(198,526)	-	(198,526)
Prior patronage forfeited	-	(4,742)	8,758	4,016
Net income	<u>-</u>	<u>-</u>	<u>835,156</u>	<u>835,156</u>
Balance December 31, 2018	<u>\$ 1,054,897</u>	<u>\$ 3,828,511</u>	<u>\$ 3,498,652</u>	<u>\$ 8,382,060</u>

See accompanying notes and independent accountant's review report.

ASHLAND FOOD COOPERATIVE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 (Reviewed) and 2017 (Audited)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 835,156	\$ 510,471
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation	255,175	242,525
(Gain) loss on disposal of equipment	3,279	(2,500)
Increase (decrease) in deferred income taxes	(38,000)	1,000
(Increase) decrease in assets		
Accrued interest receivable	(6,896)	(3,382)
Employee payroll advances	(1,990)	352
Other receivables	(12,883)	(4,744)
Inventory	(76,968)	(13,437)
Prepaid insurance	12	(1,046)
Prepaid property tax	(2,480)	(961)
Deposits	33,662	(24,335)
Investment in National Cooperative Grocers	(8,712)	(35,160)
Increase (decrease) in liabilities		
Accounts payable	45,828	(51,020)
Unredeemed gift certificates	(593)	(7,430)
Retirement plan contribution payable	(4,264)	(30,054)
Accrued payroll and payroll taxes	9,545	1,921
Accrued productivity bonus	(38,369)	(73,088)
Accrued profit share bonus	20,289	(64,777)
Accrued vacation and sick pay	19,629	12,775
Accrued medical claims liability	(20,000)	-
Unclaimed patronage dividends	20,793	(3,732)
Net cash flows from operating activities	1,032,213	453,378
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of property and equipment	(1,685,576)	(157,410)
Proceeds from loans to other cooperatives	5,074	3,123
Purchases of certificates of deposits	(22,550)	(266,267)
Net cash flows from investing activities	(1,703,052)	(420,554)

See accompanying notes and independent accountant's review report.

ASHLAND FOOD COOPERATIVE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 (Reviewed) and 2017 (Audited)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of membership stock	50,484	53,465
Patronage dividends paid	(159,332)	(281,772)
Payments on redemption of membership stock	<u>(15,040)</u>	<u>(16,120)</u>
Net cash flows from financing activities	<u>(123,888)</u>	<u>(244,427)</u>
Net change in cash and cash equivalents	(794,727)	(211,603)
Cash and cash equivalents - beginning of year	<u>1,773,366</u>	<u>1,984,969</u>
Cash and cash equivalents - end of year	<u>\$ 978,639</u>	<u>\$ 1,773,366</u>
SUPPLEMENTAL INFORMATION		
Cash paid for taxes	\$ 30,000	\$ 23,230
Noncash financing activities		
Patronage dividends payable	198,526	163,349
Prior patronage forfeited	4,016	5,582

See accompanying notes and independent accountant's review report.

ASHLAND FOOD COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 (Reviewed) and 2017 (Audited)

The Cooperative was originally incorporated in 1974 in the state of Oregon as Ashland Community Food Store, Inc., as a community-owned and member-governed nonprofit organization. In 2002 the Cooperative's membership voted to convert to a cooperative corporation and Ashland Food Cooperative (Cooperative) began operations on January 1, 2003. The Cooperative operates a natural foods store in Ashland, Oregon, which 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. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents

The Cooperative considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Cooperative considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

Certificates of Deposit

The Cooperative's fifteen certificates of deposits are held in multiple financial institutions and have maturities of 6 to 25 months. Maturity dates range from January 2019 to January 2021 and interest rates range from 1.83% to 2.85% per year. Management considers the cost basis to approximate fair value.

Inventory

Inventory, which consists of grocery items held for resale, is valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment

The cost of property and equipment in excess of \$5,000 is capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for 2018 and 2017 was \$255,175 and \$242,525, and is included in general and administrative expenses.

ASHLAND FOOD COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 (Reviewed) and 2017 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in National Cooperative Grocers

The equity in National Cooperative Grocers is not readily marketable and is recorded at cost since it may be redeemed at face value only at the discretion of the cooperative's board of directors. The investment is required to maintain participation in the purchase of merchandise or services from the cooperative.

Income Tax

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes resulting primarily from 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, which are not deductible for income tax purposes unless actually compensated within two and one-half months following the Cooperative's year end.

The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. The deferred tax assets and liabilities are determined based on temporary differences between the financial statement carrying value amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

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.

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 revenue and expenses. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for 2018 and 2017 were \$64,652 and \$60,031.

ASHLAND FOOD COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 (Reviewed) and 2017 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation of Sales Taxes

The City of Ashland imposes sales tax of 5% on some of the Cooperative sales to nonexempt customers. The Cooperative collects those taxes from customers and remits the entire amount to the City. The Cooperative's accounting policy is to exclude the taxes collected and remitted to the City from sales and cost of sales.

Date of Management's Review

Management has evaluated subsequent events through March 19, 2019, the date which the financial statements were available to be issued.

NOTE 2 – LOAN TO OTHER COOPERATIVE

The Cooperative issued a subordinated promissory note for \$100,000 to the NCG-Development Cooperative Loan Fund to support the operations of other cooperatives. The Cooperative receives monthly payments of principal and interest on deployed funds which mature in 2026 and 2027. The investment has an interest rate of 3%. At December 31, 2018 and 2017, the note receivable balance was \$88,943 and \$94,017.

NOTE 3 – ACCRUED MEDICAL CLAIMS LIABILITY

Effective January 1, 2004 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 \$55,000 annually per covered member and dependents. Additionally there is a monthly maximum stop-loss limit based on the number of enrolled participants. The Cooperative accrued an estimated liability of \$150,000 and \$170,000 for unsubmitted claims as of December 31, 2018 and 2017.

NOTE 4 – PENSION PLAN

Employees are eligible for the Cooperative's pension plan after age eighteen, and providing 1,000 hours of service within a one year period. The Cooperative changed certain plan features and adopted a Safe Harbor Plan structure as of January 1, 2010. 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 2018 and 2017 was \$167,269 and \$170,905.

ASHLAND FOOD COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 (Reviewed) and 2017 (Audited)

NOTE 5 – PROFIT SHARE BONUS

The Cooperative has an annual profit share bonus plan. Employees are paid a bonus based on a share of the profits before deduction of the profit share bonus, income taxes, and patronage dividends. The bonus is calculated as one-half of the profit in excess of 1.5 percent of gross sales, limited to a maximum bonus of one-half of one percent of sales. In effect, the bonus is one-half of the profit increment between 1.5 and 2.5 percent of gross sales. The profit share bonus is to be paid annually to qualifying employees. The profit share bonus was \$112,025 and \$91,736 for 2018 and 2017.

NOTE 6 – PRODUCTIVITY BONUS

The Board of Directors has approved a productivity bonus based on total labor costs as a percentage of sales. The bonus is calculated as the difference between total labor and benefit costs not including insurance benefits, employee relations expenses, or recruitment expenses and 22.0% of sales. The productivity bonus is to be paid to employees quarterly. The productivity bonus was \$0 and \$38,342 for 2018 and 2017.

NOTE 7 – 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 11,675 and 9,913 outstanding shares at December 31, 2018 and 2017.

NOTE 8 – SIGNIFICANT CONCENTRATIONS

Credit Risk

The Cooperative maintains cash balances at local, regional, and national financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. On December 31, 2018, the Cooperative had uninsured cash balances of \$568,865. On December 31, 2017, the Cooperative had uninsured cash balances of \$1,171,822.

Vendors

During 2018 and 2017, the Cooperative purchased 60% and 52% of retail inventory purchases from two vendors.

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 80% of the Cooperative's employees, became effective as of January 16, 2018, and remains in effect until a new contract is ratified or both parties consent to terminate the agreement.

ASHLAND FOOD COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 (Reviewed) and 2017 (Audited)

NOTE 9 – DESCRIPTION OF LEASING ARRANGEMENTS

In December of 2016, the Cooperative entered into a lease for food preparation and retail space. This lease which runs through December 2021 and requires quarterly payments of \$10,000, increasing by 3% each year. Additionally, the Cooperative has agreements to lease certain office equipment with lease terms expiring through 2022.

Lease expense for 2018 and 2017 was \$63,611 and \$48,892.

Future minimum lease payments are as follows:

2019	\$	55,702
2020		57,106
2021		58,552
2022		60,042

NOTE 10 – PURCHASING AGREEMENT

The Cooperative has an agreement through National Cooperative Grocers (NCG) with United Natural Food, Inc. (UNFI). The Cooperative agrees to use UNFI as its primary supplier in exchange for additional purchase discounts. UNFI provides approximately 43% 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. In order to obtain better terms with UNFI the members of the JLF have guaranteed the debt of the other members of 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 11 – INCOME TAXES

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

	2018	2017
Current federal income tax	\$ 32,604	\$ 4,358
Current Oregon income tax	30,000	30,000
Total current provision	62,604	34,358
Deferred income tax expense (benefit)	(38,000)	1,000
Provision for income taxes	\$ 24,604	\$ 35,358

ASHLAND FOOD COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 (Reviewed) and 2017 (Audited)

NOTE 11 – INCOME TAXES (continued)

In November 2015, the Financial Accounting Standards Board issued Accounting Standards Update 2015-17 (ASU 2015-17), Balance Sheet Classification of Deferred Taxes. The amendments in this update require that deferred tax liabilities and assets be classified as non-current in a classified balance sheet. ASU 2015-17 is effective for nonpublic business entities for financial statements issued for annual reports beginning after December 15, 2017. Early application is permitted and has been adopted by the Cooperative. The Cooperative has applied amendments of the ASU retrospectively to its December 31, 2018 financial statements and amounts in the December 31, 2017 financial statements for comparative purposes. There is no change to previously reported net loss or equity as a result of the change.

On December 31, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes broad and complex changes to the U.S. tax code, including a change in the overall corporate tax rate to 21 percent, effective January 1, 2018.

NOTE 12 – PATRONAGE DIVIDENDS

The Cooperative annually calculates the share of overall net income resulting from members' patronage of the Cooperative. For the year ended December 31, 2018, net income from members' patronage was \$666,420. The Board of Directors declared a patronage dividend of \$661,742 from a portion of patronage net income for 2018. Of the declared dividend, 30 percent will be paid in cash. The liability for cash dividends payable is \$198,526 and the retained patronage dividends are \$463,216 for the year ended December 31, 2018. The 2018 retained patronage dividends are reported in the owners' equity section of the balance sheet.

For the year ended December 31, 2017, net income from members' patronage was \$412,232. The Board of Directors declared a patronage dividend of \$408,374 from a portion of patronage net income for 2017. Of the declared dividend, 40 percent was paid in cash. The liability for cash dividends payable was \$163,349 and the retained patronage dividends were \$245,025 for the year ended December 31, 2017. The 2017 retained patronage dividends were reported in the owners' equity section of the balance sheet.

NOTE 13 – LINE OF CREDIT

The Cooperative's \$1,000,000 revolving line of credit matures on September 1, 2019 and carries a floating interest rate of the Prime Rate set by the lender. The balance on the line of credit was \$0 at December 31, 2018 and 2017.

ASHLAND FOOD COOPERATIVE
SCHEDULES OF COST OF GOODS SOLD AND PAYROLL EXPENSES
Years Ended December 31, 2018 (Reviewed) and 2017 (Audited)

	<u>2018</u>	<u>2017</u>
Schedules of Cost of Goods Sold		
Beginning inventory	\$ 754,583	\$ 741,146
Purchases		
Mercantile	145,582	151,911
Books	46,459	49,393
Grocery	3,432,000	3,489,119
Frozen	503,363	492,430
Meat	1,781,664	1,817,720
Cooler	1,748,308	1,725,212
Specialties	774,722	751,552
Bulk	1,399,005	1,357,886
Wellness	1,806,351	1,785,334
Bakery	799,917	833,735
Produce	3,740,040	3,826,815
Deli	1,651,216	1,808,609
Beer and wine	833,538	877,901
Deli packaging	113,801	121,451
Purchase discounts	(5,513)	(5,524)
Delivery surcharges	8,440	4,565
Total beginning inventory and purchases	19,533,476	19,829,255
Less ending inventory	<u>(831,551)</u>	<u>(754,583)</u>
Cost of goods sold	<u>\$ 18,701,925</u>	<u>\$ 19,074,672</u>
	<u>2018</u>	<u>2017</u>
Schedules of Payroll Expenses		
Salaries and wages	\$ 5,895,925	\$ 5,874,794
Payroll taxes	513,952	515,383
Workers compensation insurance	34,210	35,859
Employee discounts	113,971	122,148
Employee benefits	925,777	1,382,938
Payroll expenses	<u>\$ 7,483,835</u>	<u>\$ 7,931,122</u>

ASHLAND FOOD COOPERATIVE
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended December 31, 2018 (Reviewed) and 2017 (Audited)

	2018	2017
Advertising and promotion	\$ 131,941	\$ 104,882
Bad debts	150	770
Bank and merchant credit card fees	396,436	388,230
Board of directors expense	75,999	79,359
Cash short (over)	116	697
Community grants	23,300	27,770
Community oven expense	10,562	11,779
Conferences and seminars	27,842	26,437
Consulting fees	39,367	21,945
Contracted services	118,317	113,844
Depreciation	255,175	242,525
Dues and subscriptions	38,882	42,465
Equipment rental and leasing	63,611	62,115
Insurance	82,350	82,095
Laundry and cleaning supplies	36,164	34,660
Legal and professional	75,542	72,495
Licenses, taxes and fees	5,378	5,739
Meals and entertainment	3,109	3,609
Membership expense	6,587	10,251
Newsletter expense	-	19,184
Office expense	144,724	151,917
Postage	4,829	4,751
Property taxes	48,467	45,025
Recruitment	1,555	7,428
Repairs and maintenance	102,044	101,138
Other personnel expenses	194,870	202,910
Signage	17,351	13,108
Small tools and equipment	17,170	35,506
Store supplies	220,743	228,213
Telephone	11,325	11,572
Trade show expense	4,318	3,257
Travel expense	860	1,014
Utilities	160,669	158,872
General and administrative expenses	\$ 2,319,753	\$ 2,315,562