



FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION

December 31, 2021 (Audited) and 2020 (Reviewed)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Ashland Food Cooperative  
Ashland, Oregon

### **Opinion**

We have audited the accompanying financial statements of Ashland Food Cooperative, which comprise the balance sheet as of December 31, 2021, and the related statements of income, owners' equity, and cash flows for the year then ended, and the related note to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ashland Food Cooperative as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. 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 Ashland Food Cooperative and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The 2020 financial statements were reviewed by us, and our report thereon, dated April 7, 2021, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about Ashland Food 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Ashland Food 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 Ashland Food 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2021 Schedule of Cost of Goods Sold and Payroll Expenses and Schedule of General and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 2020 Schedule of Cost of Goods Sold and Payroll Expenses and Schedule of General and Administrative Expenses were subjected to the review procedures applied in our review of the 2020 financial statements, and our report on such information stated we were not aware of any material modifications that should be made to the supplementary information. We did not audit the 2020 supplementary information and did not express an opinion on such information.



Wegner CPAs, LLP  
Madison, Wisconsin  
April 6, 2022

**ASHLAND FOOD COOPERATIVE**  
**BALANCE SHEETS**  
December 31, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,843,935	\$ 2,775,916
Certificates of deposit	3,969,149	3,988,653
Accrued interest receivable	961	2,777
Employee payroll advances	9,665	6,542
Tax credits and refunds receivable	2,114,888	-
Other receivables	17,477	36,406
Inventory	809,508	802,826
Prepaid insurance	12,892	11,932
Prepaid taxes	43,982	26,765
<b>Total current assets</b>	<b>9,822,457</b>	<b>7,651,817</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	2,131,800	2,131,800
Building and improvements	3,847,323	3,426,759
Equipment	1,733,925	1,724,361
<b>Property and equipment</b>	<b>7,713,048</b>	<b>7,282,920</b>
Accumulated depreciation	(3,275,278)	(3,047,073)
<b>Property and equipment - net</b>	<b>4,437,770</b>	<b>4,235,847</b>
<b>OTHER ASSETS</b>		
Certificates of deposit	255,547	232,840
Deposits	100,578	122,787
Loan to other cooperative	72,189	78,047
Investment in National Co+op Grocers	329,525	294,546
Deferred income taxes	100,000	401,000
<b>Total other assets</b>	<b>857,839</b>	<b>1,129,220</b>
<b>Total assets</b>	<b>\$ 15,118,066</b>	<b>\$ 13,016,884</b>

See accompanying notes.

**ASHLAND FOOD COOPERATIVE**  
**BALANCE SHEETS**  
December 31, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
<b>LIABILITIES AND OWNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 849,915	\$ 727,257
Unredeemed gift certificates	142,675	142,262
Retirement plan contribution payable	249	29
Accrued payroll and payroll taxes	339,158	337,852
Accrued productivity bonus	29,279	-
Accrued profit share bonus	157,222	149,488
Accrued vacation and sick pay	407,619	422,889
Income taxes payable	27,500	68,106
Accrued medical claims liability	150,000	150,000
Patronage dividends payable	509,572	476,500
Unclaimed patronage dividends	-	635
	2,613,189	2,475,018
<b>OWNERS' EQUITY</b>		
Membership stock	1,139,484	1,119,573
Patronage dividends retained	6,606,345	4,994,256
Retained earnings	4,759,048	4,428,037
	12,504,877	10,541,866
<b>Total liabilities and owners' equity</b>	<b>\$ 15,118,066</b>	<b>\$ 13,016,884</b>

See accompanying notes.

**ASHLAND FOOD COOPERATIVE**  
**STATEMENTS OF INCOME**  
Years Ended December 31, 2021 (Audited) and 2020 (Reviewed)

	2021		2020	
	Amount	Percent	Amount	Percent
Sales	\$ 30,846,835	100.00	\$ 31,013,249	100.00
Less cost of goods sold	<u>19,270,767</u>	<u>62.47</u>	<u>19,701,176</u>	<u>63.53</u>
Gross profit	11,576,068	37.53	11,312,073	36.47
Other operating revenue	<u>74,353</u>	<u>0.24</u>	<u>63,737</u>	<u>0.21</u>
Net revenue from operations	11,650,421	37.77	11,375,810	36.68
Operating expenses				
Payroll expenses	8,685,579	28.16	8,459,138	27.28
General and administrative expenses	<u>2,454,372</u>	<u>7.96</u>	<u>2,471,176</u>	<u>7.97</u>
Total operating expenses	<u>11,139,951</u>	<u>36.12</u>	<u>10,930,314</u>	<u>35.25</u>
Income from operations	510,470	1.65	445,496	1.43
Other income (expenses)				
Employee Retention Tax credit	2,114,888	6.86	-	-
Paycheck Protection Program income	-	-	1,513,700	4.88
Interest income	19,430	0.06	65,465	0.21
Grant income	116,385	0.38	-	-
Other income	<u>23,656</u>	<u>0.08</u>	<u>26,868</u>	<u>0.09</u>
Total other income	<u>2,274,359</u>	<u>7.38</u>	<u>1,606,033</u>	<u>5.18</u>
Net income before income taxes	2,784,829	9.03	2,051,529	6.61
Provision for income taxes	<u>(328,497)</u>	<u>(1.06)</u>	<u>339,000</u>	<u>1.09</u>
<b>Net income</b>	<u><u>\$ 2,456,332</u></u>	<u><u>7.97</u></u>	<u><u>\$ 2,390,529</u></u>	<u><u>7.70</u></u>

See accompanying notes.

**ASHLAND FOOD COOPERATIVE**  
**STATEMENTS OF OWNERS' EQUITY**  
Years Ended December 31, 2021 (Audited) and 2020 (Reviewed)

	<u>Membership Stock</u>	<u>Patronage Dividends Retained</u>	<u>Retained Earnings</u>	<u>Total Owners' Equity</u>
<b>Balance December 31, 2019</b>	\$ 1,091,398	\$ 3,825,665	\$ 3,678,580	\$ 8,595,643
Stock issued	38,205	-	-	38,205
Stock redeemed	(10,030)	-	-	(10,030)
Patronage dividend	-	1,647,487	(1,647,487)	-
Patronage dividends payable	-	(476,500)	-	(476,500)
Prior patronage forfeited	-	(2,396)	6,415	4,019
Net income	-	-	2,390,529	2,390,529
<b>Balance December 31, 2020</b>	1,119,573	4,994,256	4,428,037	10,541,866
Stock issued	37,431	-	-	37,431
Stock redeemed	(17,520)	-	-	(17,520)
Patronage dividend	-	2,125,321	(2,125,321)	-
Patronage dividends payable	-	(509,572)	-	(509,572)
Prior patronage forfeited	-	(3,660)	-	(3,660)
Net income	-	-	2,456,332	2,456,332
<b>Balance December 31, 2021</b>	<u>\$ 1,139,484</u>	<u>\$ 6,606,345</u>	<u>\$ 4,759,048</u>	<u>\$ 12,504,877</u>

See accompanying notes.



**ASHLAND FOOD COOPERATIVE**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,456,332	\$ 2,390,529
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation	228,205	240,577
Change in deferred income taxes	301,000	(424,000)
(Increase) decrease in assets		
Accrued interest receivable	1,816	4,117
Employee payroll advances	(3,123)	1,900
Tax credits and refunds receivable	(2,114,888)	-
Other receivables	18,929	(16,517)
Inventory	(6,682)	(50,250)
Prepaid insurance	(960)	30,280
Prepaid taxes	(17,217)	99
Deposits	22,209	(76,174)
Investment in National Co-op Grocers	(34,979)	7,512
Increase (decrease) in liabilities		
Accounts payable	122,658	22,168
Unredeemed gift certificates	413	25,583
Retirement plan contribution payable	220	29
Accrued payroll and payroll taxes	1,306	24,757
Accrued productivity bonus	29,279	(58,542)
Accrued profit share bonus	7,734	(4,242)
Accrued vacation and sick pay	(15,270)	61,562
Income taxes payable	(40,606)	53,745
Unclaimed patronage dividends	(635)	(15,185)
<b>Net cash flows from operating activities</b>	955,741	2,217,948
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of property and equipment	(430,128)	(59,061)
Proceeds from loan to other cooperatives	5,858	5,573
Redemptions of certificates of deposits	248,000	234,632
Purchases of certificates of deposits	(251,203)	-
<b>Net cash flows from investing activities</b>	(427,473)	181,144

See accompanying notes.

**ASHLAND FOOD COOPERATIVE**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2021 (Audited) and 2020 (Reviewed)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of membership stock	37,431	38,205
Patronage dividends paid	(476,500)	(624,633)
Patronage dividends forfeited	(3,660)	-
Payments on redemption of membership stock	<u>(17,520)</u>	<u>(10,030)</u>
<b>Net cash flows from financing activities</b>	<u>(460,249)</u>	<u>(596,458)</u>
<b>Net change in cash and cash equivalents</b>	68,019	1,802,634
Cash and cash equivalents - beginning of year	<u>2,775,916</u>	<u>973,282</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 2,843,935</u>	<u>\$ 2,775,916</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for income taxes	\$ 47,154	\$ 70,800
Noncash financing activities		
Patronage dividends payable	509,572	476,500
Prior patronage forfeited	3,660	4,019

See accompanying notes.

**ASHLAND FOOD COOPERATIVE**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 (Audited) and 2020 (Reviewed)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

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 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.

**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.

**Receivables**

Accounts receivable and notes receivable are stated at the amount management expects to be collected from outstanding balances. As of April 6, 2022, management has determined based on its assessment of the collectability of specific account balances, as well as historical experience, that all amounts are fully collectible, and no allowance for doubtful amounts is necessary.

**Certificates of Deposit**

The Cooperative's certificates of deposits are held in multiple financial institutions and have maturities of 6 to 24 months. Maturity dates range from January 2022 to January 2023 and interest rates range from 0.05% to 2.10% 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 2021 and 2020 was \$228,205 and \$240,577, and is included in general and administrative expenses.

**ASHLAND FOOD COOPERATIVE**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 (Audited) and 2020 (Reviewed)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment in National Cooperative Grocers**

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

**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. 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 2021 and 2020.

**ASHLAND FOOD COOPERATIVE**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 (Audited) and 2020 (Reviewed)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Cooperative's contract liabilities from gift card sales for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 142,262	\$ 116,679
End of year	142,675	142,262

**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 2021 and 2020 were \$51,582 and \$47,697.

**Date of Management's Review**

Management has evaluated subsequent events through April 6, 2022, the date which the financial statements were available to be issued.

**ASHLAND FOOD COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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%.

**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 for unsubmitted claims as of December 31, 2021 and 2020.

**NOTE 4 – 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 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 2021 and 2020 was \$190,573 and \$190,913.

**NOTE 5 – 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 22.85% of sales. The productivity bonus is to be paid to employees quarterly. The productivity bonus was \$29,279 and \$19,791 for 2021 and 2020.

**NOTE 6 – 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 \$157,222 and \$149,488 for 2021 and 2020.

**ASHLAND FOOD COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – PAYCHECK PROTECTION PROGRAM AWARD**

In May 2020, the Cooperative applied for a 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. The Cooperative received a 1% interest loan from this program, repayable over 24 months, in the amount of \$1,513,700. Because the Cooperative was able to meet certain criteria set forth by the CARES Act, the Cooperative received complete forgiveness on July 2, 2021. As such, \$1,513,700 of revenue was recorded to remove the associated liability.

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 award.

**NOTE 8 – LINE OF CREDIT**

The Cooperative's \$3,000,000 revolving line of credit matures on March 1, 2023 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, 2021 and 2020.

**NOTE 9 – 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 12,461 and 12,280 outstanding shares at December 31, 2021 and 2020.

**NOTE 10 – 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. Uninsured cash balances at one of these institutions totaled approximately \$2,140,000 and \$2,055,000 at December 31, 2021 and 2020.

**ASHLAND FOOD COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 (Audited) and 2020 (Reviewed)

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NOTE 10 – SIGNIFICANT CONCENTRATIONS (continued)

**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 76% of the Cooperative’s employees, became effective as of January 1, 2020, and remains in effect until a new contract is ratified or both parties consent to terminate the agreement.

NOTE 11 – 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 2024 and requires quarterly payments of \$11,593, increasing by 3% each year.

In April of 2019, the Cooperative entered into a rooftop lease which the Cooperative used to install a solar panel array. The lease term is through April 2026 and requires annual payments of \$3,600.

Additionally, the Cooperative has agreements to lease certain office equipment with lease terms expiring through 2025.

Equipment rental and leasing expense for all leases was \$75,578 and \$66,616 for 2021 and 2020.

The future estimated minimum lease obligations are as follows:

2022	\$	68,280
2023		59,310
2024		58,717
2025		7,548
2026		3,600
Thereafter		68,400
Total	\$	265,855

NOTE 12 – 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 46% 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, 2021 and 2020, the Cooperative had a deposit with JLF for \$41,965 and \$39,407. 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.



**ASHLAND FOOD COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 (Audited) and 2020 (Reviewed)

**NOTE 13 – INCOME TAXES**

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

	2021	2020
Current federal income tax	\$ 24,822	\$ (25,000)
Current Oregon income tax	(52,319)	(60,000)
Total current provision	(27,497)	(85,000)
Deferred income tax benefit (expense)	(301,000)	424,000
Provision for income taxes	\$ (328,497)	\$ 339,000

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 patronage dividends. In addition, there are differences related to PPP loan forgiveness, state income taxes, and nondeductible expenses.

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 net operating loss available to offset taxable income. The Cooperative has a net operating loss carryforward available to reduce taxable income of approximately \$480,000 for federal purposes that does not expire and approximately \$367,000 for state purposes that does not expire.

The Cooperative's total deferred tax asset and deferred tax liability at December 31, 2021 and 2020 were as follows:

	2021	2020
Deferred tax asset	\$ 194,000	\$ 401,000
Deferred tax asset valuation allowance	-	-
Deferred tax liability	(94,000)	-
Net deferred tax asset	\$ 100,000	\$ 401,000

**NOTE 14 – 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, 2021, net income subject to members' patronage was \$2,125,321, due in part to the treatment of the Employee Retention Tax credit. The Board of Directors declared a patronage dividend of \$2,125,321 for 2021. Of the declared dividend, 23.98 percent will be paid in cash. The liability for cash dividends payable is \$509,572 and the retained patronage dividends is \$1,615,749 for the year ended December 31, 2021. Retained patronage dividends are reported in the owners' equity section of the balance sheet.

**ASHLAND FOOD COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 (Audited) and 2020 (Reviewed)

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**NOTE 14 – PATRONAGE DIVIDENDS (continued)**

For the year ended December 31, 2020, net income subject to members' patronage was \$1,647,487, due in part to the treatment of the Paycheck Protection Program award. The Board of Directors declared a patronage dividend of \$1,647,487 for 2020. Of the declared dividend, 28.92 percent was paid in cash. The liability for cash dividends payable was \$476,500 and the retained patronage dividend was \$1,170,987 for the year ended December 31, 2020. Retained patronage dividends are reported in the owners' equity section of the balance sheet.

**NOTE 15 – COVID-19 CONSIDERATIONS**

As authorized under the Consolidated Appropriations Act, enacted in December 2020, the Cooperative has determined that it is eligible to receive the Employee Retention Credit (ERC), a refundable tax credit against certain employment taxes on qualified wages up to specified limits imposed by the Internal Revenue Service. The amount of the ERC for the year ended December 31, 2021, was determined to be \$2,114,888. This amount is recorded as tax credits and refunds receivable on the balance sheet.

**ASHLAND FOOD COOPERATIVE**  
**SCHEDULES OF COST OF GOODS SOLD AND PAYROLL EXPENSES**  
Years Ended December 31, 2021 (Audited) and 2020 (Reviewed)

	<u>2021</u>	<u>2020</u>
<b>Schedules of Cost of Goods Sold</b>		
<b>Beginning inventory</b>	\$ 802,826	\$ 752,576
<b>Purchases</b>		
Grocery	3,864,929	3,902,516
Produce	3,800,048	3,887,364
Meat	1,998,003	2,056,063
Cooler	1,928,151	1,942,929
Wellness	1,627,597	1,793,962
Deli	1,504,598	1,385,178
Bulk	1,023,816	1,283,024
Beer and wine	969,671	967,585
Bakery	847,664	798,696
Specialties	832,521	809,725
Frozen	568,540	619,016
Mercantile	193,923	204,788
Deli packaging	115,730	103,827
Delivery surcharges	8,525	2,640
Purchase discounts	<u>(6,267)</u>	<u>(5,887)</u>
<b>Total beginning inventory and purchases</b>	20,080,275	20,504,002
Less ending inventory	<u>(809,508)</u>	<u>(802,826)</u>
<b>Cost of goods sold</b>	<u>\$ 19,270,767</u>	<u>\$ 19,701,176</u>
	<u>2021</u>	<u>2020</u>
<b>Schedules of Payroll Expenses</b>		
Salaries and wages	\$ 6,951,418	\$ 6,937,946
Payroll taxes	529,365	540,804
Workers compensation insurance	43,142	64,992
Employee discounts	124,368	125,994
Employee benefits	<u>1,037,286</u>	<u>789,402</u>
<b>Payroll expenses</b>	<u>\$ 8,685,579</u>	<u>\$ 8,459,138</u>

**ASHLAND FOOD COOPERATIVE**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
Years Ended December 31, 2021 (Audited) and 2020 (Reviewed)

	<u>2021</u>	<u>2020</u>
Advertising and promotion	\$ 100,795	\$ 135,791
Bad debts	231	243
Bank and merchant credit card fees	423,191	413,910
Board of directors expense	84,237	88,424
Cash short (over)	(369)	753
Community grants	23,502	24,240
Community oven expense	123	1,646
Conferences and seminars	4,190	19,898
Consulting fees	57,026	42,019
Contracted services	51,276	48,126
Depreciation	228,205	240,577
Dues and subscriptions	39,918	37,501
Equipment rental and leasing	75,578	66,616
Insurance	101,386	94,284
Laundry and cleaning supplies	32,213	30,636
Legal and professional	92,881	66,207
Licenses, taxes and fees	5,698	5,396
Meals and entertainment	31	232
Membership expense	8,540	3,085
Office expense	137,993	161,556
Postage	3,127	3,313
Property taxes	53,593	53,629
Recruitment	8,864	1,713
Repairs and maintenance	88,627	104,066
Other personnel expenses	222,999	251,605
Signage	5,820	9,531
Small tools and equipment	20,772	10,277
Store supplies	407,394	372,751
Telephone	17,124	10,660
Trade show expense	-	834
Travel expense	1,127	3,176
Utilities	158,280	168,481
<b>General and administrative expenses</b>	<b><u>\$ 2,454,372</u></b>	<b><u>\$ 2,471,176</u></b>