

PARK SLOPE FOOD COOP, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

**FISCAL YEARS ENDED JANUARY 31, 2021
AND
FEBRUARY 2, 2020**

Independent Auditor's Report

To the Board of Directors and Members
Park Slope Food Coop, Inc.

We have audited the accompanying financial statements of Park Slope Food Coop, Inc., which comprise the balance sheets as of January 31, 2021 and February 2, 2020, and the related statements of income (loss) and comprehensive income (loss), changes in members' equity, and cash flows for the fiscal years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Park Slope Food Coop, Inc. as of January 31, 2021 and February 2, 2020, and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of gross profit, operating expenses and other income and interest income (expense) 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.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
June 15, 2021

PARK SLOPE FOOD COOP, INC.

BALANCE SHEETS

<u>ASSETS</u>	January 31, 2021	February 2, 2020
Current assets:		
Cash	\$ 2,423,064	\$ 3,943,293
Inventories	630,935	712,728
Prepaid expenses and other current assets	1,269,103	242,119
Total current assets	4,323,102	4,898,140
Property and equipment (net of accumulated depreciation of \$5,340,132 in 2021 and \$5,072,718 in 2020)	3,490,407	3,725,847
Investment in cooperative associations	478,892	378,831
Security deposits	135,153	85,496
Noncurrent deferred income tax asset	1,534,507	531,849
TOTAL ASSETS	<u>\$ 9,962,061</u>	<u>\$ 9,620,163</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,067,079	\$ 2,941,830
Current portion of capital lease obligations	5,011	3,930
Total current liabilities	2,072,090	2,945,760
Capital lease obligations, net of current portion	23,936	17,623
Pension plan liability	2,552,942	1,605,169
TOTAL LIABILITIES	<u>4,648,968</u>	<u>4,568,552</u>
Commitments and Contingencies		
Members' equity:		
Members' redeemable investments	3,986,858	3,160,524
Capital contributions	42,983	39,438
Paid-in capital	10,566	10,566
Accumulated other comprehensive loss, net of tax effect	(481,159)	(209,579)
Retained earnings	1,753,845	2,050,662
Total members' equity	5,313,093	5,051,611
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 9,962,061</u>	<u>\$ 9,620,163</u>

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Fiscal Years Ended	
	January 31, 2021	February 2, 2020
Net sales	\$ 43,455,158	\$ 57,857,479
Cost of goods sold	35,686,449	47,787,001
Gross profit	7,768,709	10,070,478
Operating expenses	11,117,415	9,296,710
Income (loss) from operations before other income, interest income, depreciation and income taxes	(3,348,706)	773,768
Other income:		
Forgiveness of PPP loan	1,454,763	-
Employee retention credits	850,695	-
Other income, net	104,085	186,343
Total other income	2,409,543	186,343
Income (loss) from operations before interest income, depreciation and income taxes	(939,163)	960,111
Interest income, net	56,126	57,670
Income (loss) from operations before depreciation and income taxes	(883,037)	1,017,781
Depreciation:		
Depreciation of property and equipment	272,132	241,030
Income (loss) from operations before income taxes	(1,155,169)	776,751
Income taxes benefit (provisions)	858,352	(251,621)
NET INCOME (LOSS)	(296,817)	525,130
Other comprehensive income (loss) - change in net pension liability, net of income tax (benefit) of \$(132,806) in 2021 and \$30,472 in 2020	(271,580)	62,686
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (568,397)	\$ 587,816

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FISCAL YEARS ENDED JANUARY 31, 2021 AND FEBRUARY 2, 2020

	Members' Redeemable Investments	Capital Contributions	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at February 3, 2019	\$ 3,111,604	\$ 36,583	\$ 10,566	\$ 1,525,532	\$ (272,265)	\$ 4,412,020
Increase in members' redeemable investments	48,920	-	-	-	-	48,920
Capital contributions	-	2,855	-	-	-	2,855
Change in pension plan liabilities (net of \$30,472 of deferred income tax)	-	-	-	-	62,686	62,686
Net income	-	-	-	525,130	-	525,130
Balance at February 2, 2020	3,160,524	39,438	10,566	2,050,662	(209,579)	5,051,611
Increase in members' redeemable investments	826,334	-	-	-	-	826,334
Capital contributions	-	3,545	-	-	-	3,545
Change in pension plan liabilities (net of \$132,806 of deferred income tax benefit)	-	-	-	-	(271,580)	(271,580)
Net income	-	-	-	(296,817)	-	(296,817)
Balance at January 31, 2021	\$ 3,986,858	\$ 42,983	\$ 10,566	\$ 1,753,845	\$ (481,159)	\$ 5,313,093

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

STATEMENTS OF CASH FLOWS

INCREASE (DECREASE) IN CASH	Fiscal Years Ended	
	January 31, 2021	February 2, 2020
Cash flows from operating activities:		
Net income (loss)	\$ (296,817)	\$ 525,130
Adjustments to reconcile results of operations to net cash effect of operating activities:		
Depreciation	272,132	241,030
Deferred income taxes	(869,852)	16,521
(Gain) loss on termination of capital leases	85	(431)
Excess of pension expense over cash contributions	543,387	24,173
Forgiveness of PPP loan	(1,454,763)	-
Net change in asset and liability accounts:		
Inventories	81,793	(14,387)
Prepaid expenses and other current assets	(1,026,985)	28,923
Accounts payable and accrued expenses	(874,750)	277,705
Security deposits	(49,657)	(975)
Total adjustments	(3,378,610)	572,559
Net cash provided by (used in) operating activities	(3,675,427)	1,097,689
Cash flows from investing activities:		
Acquisition of property and equipment	(25,066)	(387,016)
Investment in cooperative associations	(100,061)	(127,295)
Cash flows used in investing activities:	(125,127)	(514,311)
Cash flows from financing activities:		
Proceeds from PPP loan	1,454,763	-
Repayment of capital lease obligations	(4,317)	(3,516)
Proceeds from member investments	885,038	215,659
Repayment of member investments	(58,704)	(166,739)
Proceeds from member capital contributions	3,545	2,855
Net cash provided by financing activities	2,280,325	48,259
NET INCREASE (DECREASE) IN CASH	(1,520,229)	631,637
Cash - beginning of year	3,943,293	3,311,656
CASH - END OF YEAR	\$ 2,423,064	\$ 3,943,293

See accompanying notes.

PARK SLOPE FOOD COOP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies

Operations

Park Slope Food Coop, Inc. (“the Coop”) is incorporated under the New York State Cooperative Corporations Law as a general non-stock cooperative corporation. According to Article I section 3 paragraph (d) of the New York State Cooperative Corporations Law, the Coop shall be classed as a non-profit corporation. It operates a retail grocery store which sells products only to its eligible (participating) members. To keep their eligible status, members are required to work in the store 2.75 hours per four-week period, or an equivalent schedule, without compensation. Disabled and retired members are not required to work. In accordance with the By-Laws, members who lost their eligible shopping status might still have voting rights. Approximately 46% and 45% of members had eligible shopping status as of January 31, 2021 and February 2, 2020, respectively. During the year ended January 31, 2021, the members’ work requirement was temporarily suspended due to Covid-19.

The Coop uses a 52-53 week fiscal year ending on the Sunday nearest to the last day of January. The fiscal years 2021 and 2020 are comprised of 52 and 53 weeks, respectively.

Basis of Accounting

The Coop’s policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories are stated at the lower of cost determined by the first-in, first-out method, and net realizable value in accordance with FASB Accounting Standards Update 2015-11 – Inventory: Simplifying the Measurement of Inventory (“ASU 2015-11”).

Property and Equipment

Property and equipment are recorded at cost and are depreciated using either straight-line or accelerated methods over their estimated useful lives.

The Coop follows a policy allowing immediate expensing of asset acquisitions below a specified amount. That amount was \$5,000 per item per invoice for the fiscal years ended on January 31, 2021 and February 2, 2020.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Investment in Cooperative Associations

Nonmarketable investments in cooperative associations are carried at cost and are evaluated for impairment annually to adjust the investments to their net realizable value. During 2021 and 2020, no impairment loss was required to be recognized.

Security Deposits

As a member-owner of the purchasing cooperative, National Co+op Grocers (“NCG”), the Coop participates in a supply contract with its major vendor which requires a deposit in a joint liability fund held by NCG. This liability fund makes payments when another participating entity defaults on its payables or financing obligations. If funds are used, an assessment will be made to replenish the fund by those who are in the same corridor. The corridors are based upon three geographic regions, eastern, central and western. If the funds from that region are not sufficient to cover the default, the joint liability fund will pay the balance from the other corridors’ funds. The participating entities are required to deposit a certain amount based on the average accounts payable balance for purchases under the supply contract during the calendar year. This requirement may be revised by the manager of the joint liability fund for an individual member or for all participating entities.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 and all subsequently issued clarifying ASUs replace most existing revenue recognition guidance in U.S. GAAP. The standard permits the use of either the retrospective or modified retrospective transition method upon adoption. ASU 2014-09 became effective for the Company on February 4, 2019. The Company elected to use the modified retrospective method of adoption and did not have an adjustment to retained earnings upon adoption. The Company did not recognize any significant changes in the timing or method of revenue recognition, did not significantly change any accounting policies or practices, and did not make any significant changes to accounting systems or controls upon adoption of ASU 2014-09.

The Company’s revenue streams are derived from sales of foods, which are generally capable of being distinct and accounted for as single performance obligations to deliver tangible goods. Accordingly, revenue is recognized at the point in time when control of the asset is transferred to the customer.

Currently, revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of provisions for customer incentives, allowances for returns, and any taxes collected from customers, which are subsequently remitted to governmental authorities.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Membership Fees

New members are required to pay a one-time non-refundable fee. Membership fees, which are included in other income, were \$7,990 for the fiscal year ended January 31, 2021 and \$50,050 for the fiscal year ended February 2, 2020.

Other income

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was enacted to help protect businesses and employees during the COVID-19 pandemic. Included in the CARES Act is the Paycheck Protection Program (“PPP”), which enables the Small Business Administration (“SBA”) to guarantee low-interest rate loans to certain entities. The PPP loans may be partially or fully forgiven if employees are retained and funds are used for eligible expenses. On April 22, 2020, the Coop received the PPP loan of \$1,454,763, of which 100% was forgiven. Proceeds from the PPP loan forgiveness are included in other income on the statements of income (loss) and comprehensive income (loss) for the year ended January 31, 2021.

The Employee Retention Credit (“ERC”) was created under the CARES Act to help businesses who have been negatively affected by COVID-19 retain their employees. The ERC is a refundable payroll tax credit for 50% of wages paid to employees during the COVID-19 crisis. The ERC is recorded in the period when the related expenses are recognized and when there is reasonable assurance that the entity will comply with the conditions and that the credit will be received. \$850,695 of the ERC was included in other income on the statements of income (loss) and comprehensive income (loss) for the year ended January 31, 2021.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to temporary differences in the recognition of income and expenses for financial and tax reporting purposes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled, and are calculated using enacted income tax rates.

Generally accepted accounting principles clarify the accounting for the uncertainty in income taxes recognized in the Coop’s financial statements by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. As of January 31, 2021, the Coop does not believe it has uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

The deferred tax liabilities and assets are classified as noncurrent on the balance sheets as of January 31, 2021 and February 2, 2020 in accordance with FASB Accounting Standards Update 2015-17 – Income taxes: Balance Sheet Classification of Deferred Taxes (ASU 2015-17).

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Advertising, Promotions and Publications Expenses

Advertising, promotions and publications costs are charged to operations when incurred and were \$9,141 and \$24,022 for the fiscal years ended January 31, 2021 and February 2, 2020, respectively.

Accumulated Other Comprehensive Income (Loss)

The changes in the Coop's defined benefit pension plan's funded status are excluded from net earnings but are reported as a separate component of members' equity under "accumulated other comprehensive income (loss)". The components of the ending balances of accumulated other comprehensive loss are as follows:

	January 31, 2021	February 2, 2020
Underfunded pension plan status	\$ (2,552,942)	\$ (1,605,169)
Prepaid pension costs	1,790,205	1,246,818
Accumulated other comprehensive loss	(762,737)	(358,351)
Tax effect	281,578	148,772
Accumulated other comprehensive loss, net of tax effect	<u>\$ (481,159)</u>	<u>\$ (209,579)</u>

NOTE B - Property and Equipment

Major classifications and estimated useful lives of property are summarized as follows:

	January 31, 2021	February 2, 2020	Estimated Useful Lives (Years)
Land	\$ 165,000	\$ 165,000	
Building and improvements	6,046,605	6,053,505	20-39
Equipment	2,618,934	2,580,060	5-7
Construction in progress	-	-	
Total	8,830,539	8,798,565	
Less accumulated depreciator and amortization	<u>(5,340,132)</u>	<u>(5,072,718)</u>	
Net property and equipment	<u>\$ 3,490,407</u>	<u>\$ 3,725,847</u>	

PARK SLOPE FOOD COOP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C - Income Taxes

The provision for income taxes consists of the following:

	January 31, 2021	February 2, 2020
Currently payable:		
Federal	\$ -	\$ 128,100
State and city	11,500	107,000
	11,500	235,100
Deferred taxes (benefit) expense	(869,852)	16,521
Total charged	\$ (858,352)	\$ 251,621

The Coop's effective income tax rate for the fiscal year ended on January 31, 2021 was primarily affected by the income from forgiveness of Paycheck Protection Program loan of \$1,454,763 which is exempt from income taxes.

Significant temporary differences that give rise to deferred tax assets and liabilities as of January 31, 2021 and February 2, 2020 were as follows:

	January 31, 2021	February 2, 2020
Deferred tax assets (liabilities):		
Accrued vacation, sick and personal days	\$ 163,399	\$ 133,757
Pension plan liability	836,830	525,034
Net operating loss carryforward	644,097	-
Accrued patronage dividends	(37,765)	(30,290)
Depreciation of property and equipment	(72,054)	(96,652)
Total	\$ 1,534,507	\$ 531,849

The Coop's income tax returns have not been examined by the taxing authorities in recent years. Its income tax returns for the fiscal years subsequent to January 28, 2018 remain open for examination.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D - Commitments and Contingencies

Self-Insured Medical Benefits

Since March 2012, the Coop has been providing self-insured medical (including pharmacy) benefits for its employees. In order to limit its exposure, the Coop has purchased stop-loss insurance, which will reimburse the Coop for medical expenses in excess of \$85,000 per employee and \$1,040,896 in the aggregate per year. Self-insurance losses are accrued based on the Coop's estimates of the aggregate liability for uninsured claims filed and claims incurred but not reported using certain actuarial assumptions followed in the insurance industry. Although management believes it has the ability to reasonably estimate losses related to claims, it is possible that actual results could differ from recorded self-insurance liabilities. At January 31, 2021 and February 2, 2020, the accrued liability for self-insured losses is included in accrued expenses and was \$115,523 and \$100,573, respectively.

Capital Leases

The Coop leases machinery and equipment under capital leases with a maintenance agreement payable through December 2025. The cost of assets under capital leases was \$30,150 and \$23,700 at January 31, 2021 and February 2, 2020, respectively. The accumulated amortization for these assets was \$1,915 and \$1,506 as of January 31, 2021 and February 2, 2020, respectively. Amortization expense of \$5,118 and \$2,736 is included in depreciation expense in the accompanying statements of income (loss) and comprehensive income (loss) for the fiscal years ended January 31, 2021 and February 2, 2020, respectively. During the fiscal years ended January 31, 2021 and February 2, 2020, interest expense of \$1,863 and \$1,338 was incurred, respectively. At January 31, 2021 and February 2, 2020, \$28,947 and \$21,553, respectively, was outstanding under the capital leases.

Future minimum lease payments under scheduled capital leases are as follows:

Maintenance Agreement

	<u>Amount</u>
Fiscal year ending:	
2022	\$ 11,985
2023	11,985
2024	11,985
2025	11,985
2026	<u>11,985</u>
Total minimum payments under service agreement	<u>\$ 59,925</u>

PARK SLOPE FOOD COOP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D - Commitments and Contingencies (Continued)

Capital Leases (Continued)

Capital lease obligations

	Amount
Fiscal year ending:	
2022	\$ 6,879
2023	6,879
2024	6,879
2025	6,879
2026	6,879
Total	34,395
Less amount representing:	
interest at 7% a year	(5,448)
Net obligations under capital leases	28,947
Less current portion of capital leases	(5,011)
Long-term portion of capital leases	\$ 23,936

NOTE E - Members' Redeemable Investments

New members are required to make a minimum investment of \$100. However, members who receive income based public assistance are only required to make a \$10 investment. New members have within eleven months to make full payment of their investments. The unpaid investment receivables are not recorded as members' equity until received. Such amounts outstanding were \$45,826 and \$38,757 at January 31, 2021 and February 2, 2020, respectively. Members with investments greater than their investment requirement can write personal checks each week to pay for purchases up to the amount in excess of their investment, but for no more than \$500. Member investments are non-interest bearing and are fully refundable upon withdrawal from the Coop.

NOTE F - Capital Contributions

When members decide to withdraw from the Coop, their investment is refundable solely at the discretion of the member. The member has a choice to be reimbursed the entire amount of the investment or donate the funds to the Coop. When members decide to donate their investment or a portion thereof to the Coop, those funds are reclassified to capital contributions.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G - Vacation, Sick and Personal Days

The Coop has a policy of awarding vacation, sick and personal days to its employees based on their longevity with the Coop and a range of hours worked per week. Beginning January 9, 2012, there is a maximum of 240 hours allowed for accrued unused vacation and employees will not be paid for expired vacation hours. Due to the Covid-19, beginning in April 2020, the Coop has temporarily stopped adhering to the 240 hour maximum. For all employees with more than 150 hours of accrued vacation as of January 9, 2012, the excess over 150 hours was moved to a "Vacation-Grandfathered Bank" ("VGB"). Hours in the VGB do not expire and will be available when the regular vacation bank is used. The Coop is required to pay the balance of unused accrued vacation hours upon termination of employment unless an employee is terminated for cause.

Each employee of the Coop also accrues 2.2 weeks of sick and personal days a year. The accrued hours are determined based on a range of hours worked per week. Accrued sick and personal hours do not expire but cannot be transferred to another employee. Upon termination of employment, the Coop is required to pay the balance of unused accrued sick and personal hours to employees with 10 or more years of employment unless an employee is terminated for cause. The payout hours are the actual accruals or 20% of a week's hours multiplied by years of service, whichever is less.

The amount of accrued vacation, sick and personal time, which is included in accounts payable and accrued expenses on the balance sheets, was \$498,539 and \$408,985 at January 31, 2021 and February 2, 2020, respectively.

NOTE H - Pension and 401(k) Plan

The Coop has a defined benefit plan covering substantially all full-time employees. The benefits are based on years of service and the employee's compensation for the employee's highest five consecutive years of compensation during the employee's last ten years of participation. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

In March 2017, the FASB issued ASU 2017-07, "Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)" which was adopted by the Coop in the fiscal year ended February 2, 2020. This ASU requires entities to present non-service cost components of net periodic benefit cost in a caption below operating loss and provides that only service cost is eligible to be capitalized in inventory or construction of an asset. This ASU requires retrospective application of the change in the statement of income (loss) and other comprehensive income (loss) and prospective application for the capitalization of service cost in assets.

The Financial Accounting Standards Board standard on retirement plans requires employers to recognize the overfunded or underfunded status of their defined benefit postretirement plan as an asset or a liability on their financial statements and to measure the funded status of the plan as of the date of their fiscal year end.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE H - Pension and 401(k) Plan (Continued)

The following table sets forth the plan's funded status and amounts recognized in the Coop's financial statements at January 31, 2021 and February 2, 2020 and for the fiscal years then ended.

	<u>January 31, 2021</u>	<u>February 2, 2020</u>
Fair value of plan assets	\$ 10,148,584	\$ 9,289,124
Less benefit obligation	(12,701,526)	(10,894,293)
Underfunded status	<u>\$ (2,552,942)</u>	<u>\$ (1,605,169)</u>
Net pension plan liability reflected in the balance sheets	<u>\$ (2,552,942)</u>	<u>\$ (1,605,169)</u>
Periodic pension costs		
Service cost	\$ 600,128	\$ 567,720
Interest cost	588,203	466,306
Expected return	(524,944)	(401,853)
Net periodic pension costs	<u>\$ 663,387</u>	<u>\$ 632,173</u>
Employer contributions	<u>\$ 120,000</u>	<u>\$ 608,000</u>
Plan participants' contributions	<u>\$ -</u>	<u>\$ -</u>
Benefits paid	<u>\$ 679,024</u>	<u>\$ 324,133</u>
Accumulated Benefit Obligations	<u>\$ 10,887,575</u>	<u>\$ 9,763,911</u>

Given the ongoing financial uncertainties caused by the COVID-19 pandemic during fiscal year 2022, the management has not yet decided if the Coop will contribute money to the pension plan beyond the required \$201,733 which was paid to the pension plan in May 2021.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE H - Pension and 401(k) Plan (Continued)

Weighted average assumptions as of the fiscal years ended January 31, 2021 and February 2, 2020 are as follows:

	<u>January 31, 2021</u>	<u>February 2, 2020</u>
Discount rate:		
Preretirement	5.00%	5.50%
Postretirement	5.00%	5.50%
Expected return on plan	5.25%	5.63%
Rate of compensation increase	2.50%	2.50%

The fair value of the Coop's pension plan assets at January 31, 2021 and February 2, 2020 by asset category are as follows:

<u>Asset category:</u>	Fair Value Measurements Quoted Prices in Active Markets for Identical Assets (Level 1)	
	<u>January 31, 2021</u>	<u>February 2, 2020</u>
Exchange Traded and Mutual Funds:		
Equity	\$ 7,232,501	\$ 6,184,540
Bonds	2,806,077	2,741,670
Cash and cash equivalents	100,640	362,914
Other assets	9,366	-
	<u>\$ 10,148,584</u>	<u>\$ 9,289,124</u>

The Coop's pension plan weighted average asset allocations by asset category are as follows:

	<u>January 31, 2021</u>	<u>February 2, 2020</u>
Asset category:		
Exchange Traded and Mutual Funds:		
Equity	71.3%	66.6%
Bonds	27.6%	29.5%
Cash and cash equivalents	1.0%	3.9%
Other assets	0.1%	0.0%
Total	<u>100.0%</u>	<u>100.0%</u>

PARK SLOPE FOOD COOP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H - Pension and 401(k) Plan (Continued)

The plan's strategic target allocation is as follows:

	<u>Strategic Target</u>
Mutual funds and exchange-traded funds (ETFs):	
Equities (U.S. and International)	65%
Fixed-Income	35%
Cash or other short-term investments	0%-1%

Over time, an asset class allocation in any given account may move away from its long-term target as defined by this investment policy statement. The trustees may reallocate funds within the PSFC's pension plan account when the divergence from its target is approximately 5 percentage points higher or lower than the stated target, either via cash flows or by rebalancing within an asset class to bring the actual allocation back toward its strategic target.

The plan's trustees manage the risk by very closely monitoring its investments. The plan's strategy also provides for sufficient liquid assets to allow the plan to pay monthly retirement benefits and make distributions on short notice. In addition, it intends to provide sufficient long-term growth of the plan assets in order to attain the goal of being fully funded. A long-term rate of return on assets of 5.25% per year is expected. The plan's trustees developed this expectation based on discussions with their actuarial consultants.

The expected benefit payouts for the following five fiscal years and thereafter are as follows:

Fiscal year ending:	
2022	\$ 389,727
2023	400,202
2024	405,650
2025	408,021
2026	514,590
2026- 2031	<u>3,477,563</u>
Total	<u>\$ 5,595,753</u>

During the fiscal year ended February 1, 2009, the Coop established the Park Slope Food Coop 401(k) Plan and Trust. The 401(k) Plan is funded only through employee contributions. However, the Coop pays administrative costs of the Plan, which were \$10,385 and \$8,074 for the fiscal years ended January 31, 2021 and February 2, 2020, respectively.

PARK SLOPE FOOD COOP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE I - Concentrations

Cash Concentrations

The Coop maintains its cash balances at several financial institutions. Federal legislation provides for FDIC and NCUA insurance of up to \$250,000 per financial institution. At January 31, 2021, approximately \$1,711,000 was not insured by the FDIC and NCUA.

Vendor Concentration

One vendor and its subsidiaries accounted for approximately 42% and 39% of net purchases for the fiscal years ended January 31, 2021 and February 2, 2020, respectively. However, in management's opinion, the loss of this vendor would not cause a severe effect on the Coop's operations since this vendor is easily and readily replaceable if necessary.

NOTE J - Supplemental Disclosure of Cash Flow Information

	Fiscal Years Ended	
	January 31, 2021	February 2, 2020
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,863	\$ 1,338
Income taxes paid, net of refund received	\$ 318,739	\$ 25,885
Supplemental disclosure of noncash investing and financing activities:		
Unpaid balance upon termination of capital leases	\$ 18,439	\$ 5,039
Equipment financed through capital lease obligations, net	\$ 30,150	\$ 23,700

NOTE K - Subsequent Events and Uncertainty

The Coop has considered subsequent events occurring through June 15, 2021, the date the financial statements became available for distribution, in evaluating its estimates and in the preparation of its financial statements. There are no such events to disclose.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE K - Subsequent Events and Uncertainty (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the Coop's operations. As a result, the gross proceeds from sale of goods decreased substantially (by 20.7%) during the twelve weeks ended April 25, 2021 compared to the twelve weeks ended April 26, 2020, while personnel costs substantially increased (18.2%) for the same period resulting in a significant net loss from operations.

It is unknown how long these conditions will last and what the ultimate financial effects will be on the local economy and the Coop's operations. Management is taking action necessary to return the Coop's operations to break-even cash flows, including increases in prices, shopping hours and maximum shopping occupancy, bringing back required member labor, temporary staff reductions, and maintaining liquidity adequate to support the Coop's continuing operations. On March 17, 2021, the Coop received the second tranche of \$1,677,345 of the PPP loan from the Small Business Administration to cover payroll and utility expenses.

PARK SLOPE FOOD COOP, INC.

**SCHEDULES OF GROSS PROFIT, OPERATING EXPENSES AND
OTHER INCOME AND INTEREST INCOME (EXPENSE)**

	Fiscal Years Ended	
	January 31, 2021	February 2, 2020
Sales	\$ 43,596,093	\$ 58,066,936
Sales returns and allowances	140,935	209,457
Net sales	43,455,158	57,857,479
Cost of goods sold:		
Net change in inventory	81,793	(14,387)
Purchases and purchase discounts	35,604,656	47,801,388
Total cost of goods sold	35,686,449	47,787,001
Gross profit	\$ 7,768,709	\$ 10,070,478
Operating expenses:		
Personnel:		
Salaries and wages	\$ 6,493,203	\$ 4,946,215
Payroll taxes	438,671	405,393
Insurance - workers' compensation - employees	44,791	44,374
Payroll preparation fee	74,550	27,101
Pension administration fee	10,385	8,074
Employee benefits - health	1,840,054	1,446,329
Employee benefits - pension	600,128	567,720
Total personnel	9,501,782	7,445,206
Occupancy:		
Electric	136,937	157,241
Gas	33,938	34,844
Water and sewer	9,250	9,180
Real estate taxes	163,923	149,292
Insurance	266,540	237,968
Exterminator	5,074	7,520
Total occupancy	615,662	596,045
Store:		
Store supplies	89,192	101,111
Rubbish removal	36,097	40,968
Cash shortage	1,397	2,097
Repairs and maintenance and service contracts	152,284	174,666
Total store	278,970	318,842

PARK SLOPE FOOD COOP, INC.

**SCHEDULES OF GROSS PROFIT, OPERATING EXPENSES AND
OTHER INCOME AND INTEREST INCOME (EXPENSE) (CONTINUED)**

	Fiscal Years Ended	
	January 31, 2021	February 2, 2020
Office:		
Printing and copying	\$ 20,747	\$ 20,700
Office supplies	52,815	59,508
Telephone and faxes	33,710	51,953
Postage	16,158	26,741
Consulting fees	25,560	22,060
Repairs and maintenance - service contract	103,880	94,735
	252,870	275,697
Other:		
Repairs, tools and maintenance	66,208	70,725
Advertising, promotions and publications	9,141	24,022
Meeting room	1,019	8,073
Childcare	241	2,329
Accounting fees	60,500	60,500
Bank charges	130,962	285,635
Insurance - workers' compensation - members	88,027	93,653
Legal fees	27,690	39,765
Miscellaneous	84,343	76,218
	468,131	660,920
	252,870	275,697
	721,001	926,617
	11,117,415	9,296,710
Other income (expense):		
Membership fees	\$ 7,990	\$ 50,050
Fundraising and gifts	3,413	1,250
Patronage dividends	121,628	148,594
(Gain) loss on termination of capital leases	(85)	431
Non-service component of periodic pension costs	(63,259)	(64,453)
Miscellaneous income	34,398	50,471
	104,085	186,343
	104,085	186,343
Interest income (expense):		
Interest expense	\$ (1,863)	\$ (1,556)
Interest and dividend income	57,989	59,226
	56,126	57,670
	56,126	57,670