

PARK SLOPE FOOD COOP, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

**FISCAL YEARS ENDED JANUARY 29, 2023
AND
JANUARY 30, 2022**

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Park Slope Food Coop, Inc., which comprise the balance sheets as of January 29, 2023 and January 30, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Park Slope Food Coop, Inc. as of January 29, 2023 and January 30, 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Park Slope Food Coop, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

January 30, 2022 Financial Statements Restated

As discussed in Note A to the financial statements, the fiscal year ended January 30, 2022 financial statements have been restated to correct errors in census information of the pension plan. Our opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Park Slope Food Coop, Inc.'s ability to continue as a going concern for 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

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absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Park Slope Food Coop, Inc.'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 Park Slope Food Coop, Inc.'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 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.


CORNICK GARBER SANDLER LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
June 20, 2023

PARK SLOPE FOOD COOP, INC.

BALANCE SHEETS

<u>ASSETS</u>	January 29, 2023	January 30, 2022 (Restated)
Current assets:		
Cash	\$ 3,870,715	\$ 4,188,155
Inventories	648,192	689,804
Prepaid expenses and other current assets	245,793	1,913,586
Investments in debt securities, current	943,728	-
Total current assets	5,708,428	6,791,545
Property and equipment (net of accumulated depreciation of \$5,802,271 in 2023 and \$5,597,554 in 2022)	3,096,385	3,266,265
Investments in debt securities, long-term	1,876,495	-
Investment in cooperative associations	623,059	573,987
Security deposits	198,075	229,602
Noncurrent deferred income tax asset	1,064,557	772,300
TOTAL ASSETS	\$ 12,566,999	\$ 11,633,699
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,984,356	\$ 2,811,181
Current portion of finance lease obligations	5,762	5,374
Total current liabilities	2,990,118	2,816,555
Finance lease obligations, net of current portion	12,801	18,563
Pension plan liability	1,364,483	273,297
TOTAL LIABILITIES	4,367,402	3,108,415
Commitments and Contingencies		
Members' equity:		
Members' redeemable investments	4,059,337	3,873,742
Capital contributions	96,771	83,205
Paid-in capital	10,566	10,566
Accumulated other comprehensive income, net of tax	685,838	1,434,996
Retained earnings	3,347,085	3,122,775
Total members' equity	8,199,597	8,525,284
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 12,566,999	\$ 11,633,699

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

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

	Fiscal Years Ended	
	January 29, 2023	January 30, 2022
		(Restated)
Net sales	\$ 48,172,077	\$ 42,862,061
Cost of goods sold	38,907,501	34,413,552
Gross profit	9,264,576	8,448,509
Operating expenses	9,335,157	10,963,697
Loss from operations before other income, interest income, depreciation and income taxes	(70,581)	(2,515,188)
Other income:		
Forgiveness of PPP loan		1,677,345
Employee retention credits		2,195,828
Other income, net	486,860	101,900
Total other income	486,860	3,975,073
Income from operations before interest income, depreciation and income taxes	416,279	1,459,885
Interest income, net	122,975	17,666
Income from operations before depreciation and income taxes	539,254	1,477,551
Depreciation:		
Depreciation of property and equipment	204,717	257,421
Income from operations before income taxes	334,537	1,220,130
Income tax (expense) benefit	(110,227)	148,800
NET INCOME	224,310	1,368,930
Other comprehensive income (loss) - change in net pension liability, net of income tax (benefit) of \$81,635 in 2023 and \$(651,161) in 2022	(749,158)	1,916,155
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (524,848)	\$ 3,285,085

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FISCAL YEARS ENDED JANUARY 29, 2023 AND JANUARY 30, 2022

	<u>Members' Redeemable Investments</u>	<u>Capital Contributions</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss) (Restated)</u>	<u>Total Members' Equity (Restated)</u>
Balance at January 31, 2021	\$ 3,986,858	\$ 42,983	\$ 10,566	\$ 1,753,845	\$ (481,159)	\$ 5,313,093
Decrease in members' redeemable investments	(113,116)	-	-	-	-	(113,116)
Capital contributions	-	40,222	-	-	-	40,222
Change in pension plan liabilities (net of \$934,407 of deferred income benefit)	-	-	-	-	1,916,155	1,916,155
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368,930</u>	<u>-</u>	<u>1,368,930</u>
Balance at January 30, 2022	3,873,742	83,205	10,566	3,122,775	1,434,996	8,525,284
Increase in members' redeemable investments	185,595	-	-	-	-	185,595
Capital contributions	-	13,566	-	-	-	13,566
Change in pension plan liabilities (net of \$364,881 of deferred income tax)	-	-	-	-	(749,158)	(749,158)
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,310</u>	<u>-</u>	<u>224,310</u>
Balance at January 29, 2023	<u>\$ 4,059,337</u>	<u>\$ 96,771</u>	<u>\$ 10,566</u>	<u>\$ 3,347,085</u>	<u>\$ 685,838</u>	<u>\$ 8,199,597</u>

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

STATEMENTS OF CASH FLOWS

	Fiscal Years Ended	
	January 29, 2023	January 30, 2022
INCREASE (DECREASE) IN CASH		
Cash flows from operating activities:		
Net income	\$ 224,310	\$ 1,368,930
Adjustments to reconcile results of operations to net cash effect of operating activities:		
Depreciation	204,717	257,421
Deferred income taxes	88,127	(172,200)
Excess (deficit) of pension expense over cash contributions	(22,854)	570,917
Forgiveness of PPP loan	-	(1,677,345)
Net change in asset and liability accounts:		
Inventories	41,612	(58,869)
Prepaid expenses and other current assets	1,652,291	(644,483)
Accounts payable and accrued expenses	173,175	744,102
Security deposits	31,527	(94,449)
Total adjustments	2,168,595	(1,074,906)
Net cash provided by operating activities	2,392,905	294,024
Cash flows from investing activities:		
Acquisition of property and equipment	(34,837)	(33,279)
Investments in held-to-maturity debt securities	(2,820,223)	-
Investment in cooperative associations	(49,072)	(95,095)
Cash flows used in investing activities:	(2,904,132)	(128,374)
Cash flows from financing activities:		
Proceeds from PPP loan	-	1,677,345
Repayment of finance lease obligations	(5,374)	(5,010)
Proceeds from member investments	332,884	106,417
Repayment of member investments	(147,289)	(219,533)
Proceeds from member capital contributions	13,566	40,222
Net cash provided by financing activities	193,787	1,599,441
NET INCREASE (DECREASE) IN CASH	(317,440)	1,765,091
Cash - beginning of year	4,188,155	2,423,064
CASH - END OF YEAR	\$ 3,870,715	\$ 4,188,155

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 six-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 38% and 35% of members had eligible shopping status as of January 29, 2023 and January 30, 2022, respectively. During the year ended January 31, 2021, the members' work requirement was temporarily suspended due to COVID-19. On July 12, 2021, the members' work requirement was reinstated.

The Coop uses a 52-53 week fiscal year ending on the Sunday nearest to the last day of January. The fiscal years 2023 and 2022 are comprised of 52 weeks.

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. To the extent there are differences between these estimates and actual results, the financial statements may be materially affected.

Inventories

Inventories are stated at the lower of cost determined by the first-in, first-out method, and net realizable value in accordance with the Financial Accounting Standards Board ("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 29, 2023 and January 30, 2022.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Investments in Debt Securities

Debt securities are classified as investment securities held-to-maturity and carried at amortized cost if management has the positive intent and ability to hold the securities to maturity. Securities purchased with the intention of recognizing short-term profits are placed in the trading account and are carried at fair value. Securities classified as available-for-sale are those securities that the Coop intends to hold for an indefinite period of time but not necessarily to maturity. Securities available-for-sale are carried at fair value with unrealized gains and losses, net of estimated income taxes, reflected in accumulated other comprehensive income, a separate component of members' equity, and credit losses are recognized in earnings. Any decision to sell a security classified as available-for-sale would be based on various factors, including interest rates, changes in the maturity or mix of the Coop's assets and liabilities, liquidity needs, regulatory capital considerations and other factors.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. All debt securities held by the Coop as of January 29, 2023 were classified by management as investment securities held-to-maturity. Purchase premiums and discounts are recognized in interest income using the interest method over the expected life of the securities except for premiums on callable debt securities which are amortized to the earliest call date. Due to volatility in the financial markets, there is the risk that any future fair value could vary from that disclosed in the accompanying financial statements. Realized gains and losses on the sale of investment securities are recorded on the trade date, determined using the specific identification method.

Accrued interest receivable on held-to-maturity debt securities totaled \$6,117 at January 29, 2023 and is included within prepaid expenses and other current assets.

Management evaluates debt securities for other-than-temporary impairment ("OTTI") on at least an annual basis, and more frequently when economic or market conditions warrant such an evaluation. For debt securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, the financial condition and near-term prospects of the issuer, whether the market decline was affected by macroeconomic conditions; and whether management has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on information available to management at a point in time.

When other-than-temporary loss occurs, management considers whether it intends to sell, or, more likely than not, will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. As of January 29, 2023, the Coop did not have any other-than-temporarily impaired investment securities.

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 2023 and 2022, 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 supply contracts with both its major vendor and a secondary supplier which require 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.

Adoption of New Accounting Standard

On January 31, 2022, the Coop adopted ASU No. 2016-02 "Leases (Topic 842)" and subsequent amendments thereto, which requires the Coop to recognize most leases on the balance sheet. The Coop adopted the standard under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including: (i) Carryover of historical lease determination and lease classification conclusions, (ii) Carryover of historical initial direct cost balances for existing leases, (iii) Accounting for lease and non-lease components in contracts in which the Coop is a lessee as a single lease component. There was no impact to retained earnings upon the adoption of the new leases standard. Finance leases, formerly known as capital leases, are included in Property and equipment, net.

Revenue Recognition

The Coop recognizes revenue in accordance with ASC 606 "Revenue from Contracts with Customers" upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Coop expects to be entitled in exchange for those goods or services.

The Coop'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 \$82,995 for the fiscal year ended January 29, 2023 and \$21,750 for the fiscal year ended January 30, 2022.

Other income

On March 17, 2021, the Coop entered into a promissory note with a bank in the amount of \$1,677,345 under the Paycheck Protection Program ("PPP Loans"). The PPP Loans, established by the Coronavirus Aid, Relief, and Economic Security ("CARES Act") and administered by the U.S. Small Business Administration (the "SBA"), provide for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The PPP Loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP Loans had a 1% interest rate and are subject to the terms and conditions applicable to all loans made pursuant to the Paycheck Protection Program as administered by the SBA under the CARES Act. The Coop was notified that the entire amount of the PPP Loan has been forgiven. \$1,677,345 of PPP Loan forgiveness income is included in other income on the statements of income (loss) and comprehensive income (loss) for the fiscal years ended January 30, 2022.

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. Under the provisions of the CARES Act signed into law on March 27, 2020 and its subsequent extension, the Coop was eligible for refundable ERCs subject to certain criteria. For calendar year 2021, the ERCs are equal to 70% of qualified wages paid to employees during calendar year 2021 for a maximum credit per employee of \$7,000 per employee for each calendar quarter through September 30, 2021.

The Coop met the eligibility requirements for the ERCs for the first, second and third quarters of 2021 and accordingly filed the appropriate payroll tax forms claiming the credit of \$2,195,828 which was included in other income on the statements of income (loss) and comprehensive income (loss) for the fiscal year ended January 30, 2022.

\$1,512,965 of uncollected ERCs included with prepaid expenses and other current assets on the balance sheet as of January 30, 2022 was collected during the year ended January 29, 2023.

Advertising, Promotions and Publications Expenses

Advertising, promotions and publications costs are charged to operations when incurred and were \$15,897 and \$1,204 for the fiscal years ended January 29, 2023 and January 30, 2022, respectively.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

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 29, 2023, 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 29, 2023 and January 30, 2022 in accordance with the FASB Accounting Standards Update 2015-17 – Income taxes: Balance Sheet Classification of Deferred Taxes (ASU 2015-17).

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 gain are as follows:

	January 29, 2023	January 30, 2022 (Restated)
Underfunded pension plan status	\$ (1,364,483)	\$ (273,297)
Prepaid pension costs	2,338,269	2,361,122
Accumulated other comprehensive gain	973,786	2,087,825
Tax effect	(287,948)	(652,829)
Accumulated other comprehensive gain, net of tax effect	\$ 685,838	\$ 1,434,996

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Restatement of Previously Issued Financial Statements

In connection with the preparation of financial statements for the fiscal year ended January 29, 2023, management discovered errors in census information affecting the calculation of pension plan benefit obligations as of January 30, 2022. Management corrected the error and restated balances for the year ended January 30, 2022.

Based on revised actuarial information received in 2023, management determined that the following adjustment was required as of January 30, 2022:

Reduction of benefit obligation	\$864,089
Deferred income taxes	<u>283,246</u>
Accumulated other comprehensive income	<u>\$580,843</u>

The impacts of these corrections to the fiscal year ended January 30, 2022 are as follows:

	<u>As of January 30, 2022</u>	
	<u>As Reported</u>	<u>As Restated</u>
Balance Sheet:		
Noncurrent deferred income tax asset	\$ 1,055,546	\$ 772,300
Pension plan liability	1,137,386	273,297
Accumulated other comprehensive income	854,153	1,434,996

	<u>Fiscal Year Ended January 30, 2022</u>	
	<u>As Reported</u>	<u>As Restated</u>
Statements of income and comprehensive income and changes in members' equity:		
Change in pension plan liabilities	\$ 1,335,312	\$ 1,916,155
(net of deferred income tax benefit)	651,161	934,407

The impacts of the restatement have been reflected throughout the financial statements, including the applicable footnotes, as appropriate.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - Property and Equipment

Major classifications and estimated useful lives of property and equipment, including equipment under finance lease obligations, are summarized as follows:

	January 29, 2023	January 30, 2022	Estimated Useful Lives (Years)
Land	\$ 165,000	\$ 165,000	
Building and improvements	6,079,884	6,079,884	20-39
Equipment	2,653,772	2,618,935	5-7
Total	8,898,656	8,863,819	
Less accumulated depreciation and amortization	(5,802,271)	(5,597,554)	
Net property and equipment	\$ 3,096,385	\$ 3,266,265	

NOTE C - Investment in Debt Securities

The following tables summarize the amortized cost and estimated fair value of investments in debt securities consisting of held-to-maturity securities and the corresponding amounts of gross unrealized/unrecognized losses as January 29, 2023:

	Amortized Cost	Gross Unrecognized Losses	Fair Value
Held-to-maturity:			
U.S. Treasury Notes	\$ 2,820,223	\$ (61,203)	\$ 2,759,020
Total debt securities	\$ 2,820,223	\$ (61,203)	\$ 2,759,020

All debt securities held by the Coop as of January 29, 2023 have been in a continuous unrealized loss position for less than twelve months.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C - Investment in Debt Securities (Continued)

The amortized cost basis and fair value of debt securities as of January 29, 2023, by contractual maturity, are as follows:

	Amortized Cost	Fair Value
Held-to-maturity:		
Due in one year or less	\$ 943,728	\$ 930,342
Due after one year through five years	1,876,495	1,828,678
	\$ 2,820,223	\$ 2,759,020

NOTE D - Income Taxes

The income taxes benefit consists of the following:

	January 29, 2023	January 30, 2022
Current income taxes:		
Federal	\$ 10,600	\$ 11,900
State and city	11,500	11,500
	22,100	23,400
Deferred tax expense (benefit)	88,127	(172,200)
	\$ 110,227	\$ (148,800)

As of January 29, 2023, the Coop had net operating loss carryforwards of approximately \$1,575,000 that can be carried forward indefinitely to offset up to 80 percent of future taxable income in any given year. Management believes that it is more likely than not that the benefit from these carryforwards will be realized and no valuation allowance related to these carryforwards was necessary.

The Coop's effective income tax rate for the fiscal year ended on January 30, 2022 was primarily affected by the income from the forgiveness of Paycheck Protection Program loans of \$1,677,345, which is exempt from income taxes.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D - Income Taxes (Continued)

Significant temporary differences that give rise to deferred tax assets and liabilities as of January 29, 2023 and January 30, 2022 were as follows:

	January 29, 2023	January 30, 2022 (Restated)
Deferred tax assets (liabilities):		
Accrued vacation, sick and personal days	\$ 160,632	\$ 188,809
Pension plan liability	435,165	85,876
Net operating loss carryforward	516,925	573,514
Accrued patronage dividends	(28,264)	(37,975)
Depreciation of property and equipment	(19,901)	(37,924)
Total	\$ 1,064,557	\$ 772,300

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 February 2, 2020 remain open for examination.

NOTE E - 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 29, 2023 and January 30, 2022, the accrued liability for self-insured losses is included in accrued expenses and was \$146,518 and \$148,603, respectively.

Finance Leases

The Coop leases machinery and equipment under finance leases with a maintenance agreement payable through December 2025. The cost of assets under finance leases was \$30,150 at January 29, 2023 and January 30, 2022, respectively. The accumulated amortization for these assets was \$13,402 and \$7,659 as of January 29, 2023 and January 30, 2022, respectively. Amortization expense of \$5,744 is included in depreciation expense in the accompanying statements of income (loss) and comprehensive income (loss) for each of the fiscal years ended January 29, 2023 and January 30, 2022.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E - Commitments and Contingencies (Continued)

Finance Leases (Continued)

During the fiscal years ended January 29, 2023 and January 30, 2022, interest expense of \$1,505 and \$1,868 was incurred, respectively. At January 29, 2023 and January 30, 2022, \$18,563 and \$23,937, respectively, was outstanding under the finance leases.

The weighted-average remaining lease term is 3 years.

The weighted-average discount rate is 7%.

Maturities of lease liabilities under scheduled finance leases are as follows:

	<u>Amount</u>
Fiscal year ending:	
2024	\$ 6,879
2025	6,879
2026	<u>6,879</u>
Total	20,637
Less amount representing:	
interest at 7% a year	<u>(2,074)</u>
Net obligations under financing leases	18,563
Less current portion of financing leases	<u>(5,762)</u>
Long-term portion of financing leases	<u>\$ 12,801</u>

Maturities of liabilities under the maintenance agreement are as follows:

	<u>Amount</u>
Fiscal year ending:	
2024	\$ 11,985
2025	11,985
2026	<u>11,985</u>
Total minimum payments under service agreement	<u>\$ 35,955</u>

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E - Commitments and Contingencies (Continued)

Legal Matters

Occasionally, the Coop is involved in various claims, lawsuits, inspections and other legal matters involving suppliers, service providers, members, and governmental agencies, arising, for the most part, in the ordinary course of business. The outcome of litigation and other legal matters is always uncertain.

The Coop believes it has valid defenses to the legal matters currently pending against it, is defending itself vigorously, and has recorded accruals determined in accordance with GAAP, where appropriate. In making a determination regarding accruals, using available information, the Coop evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which the Coop is a party and records a loss contingency when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of the Coops' defenses, and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from the current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to the results of operations, liquidity, or financial condition.

To date, none of these types of litigation matters, most of which are typically covered by insurance, has had a material impact on the Coop's operations or financial condition. The Coop has insured and continues to insure against most of these types of claims. During fiscal years ending January 29, 2023 and January 30, 2022, the Coop was involved in disputes with two of its members asking for \$100,000 of compensation each for unfair treatment by the Coop. One of these disputes was dismissed in the favor of the Coop in March of 2023. The Coop believes that the second lawsuit is also without merit, however, agreed to settle for \$3,500. As of June 20, 2023, the settlement agreement has not been finalized.

NOTE F - 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 \$55,766 and \$47,636 at January 29, 2023 and January 30, 2022, respectively. Member investments are non-interest bearing and are fully refundable upon withdrawal from the Coop.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G - 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.

NOTE H - 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 COVID-19, beginning in April 2020 through January 1, 2022, 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 \$442,395 and \$576,059 at January 29, 2023 and January 30, 2022, respectively.

NOTE I - 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.

The FASB standard on retirement plans 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. FASB also 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 I - 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 29, 2023 and January 30, 2022 and for the fiscal years then ended.

	<u>January 29, 2023</u>	<u>January 30, 2022 (Restated)</u>
Fair value of plan assets	\$ 9,015,784	\$ 10,611,140
Less benefit obligation	<u>(10,380,267)</u>	<u>(10,884,437)</u>
Underfunded status	<u>\$ (1,364,483)</u>	<u>\$ (273,297)</u>
Net pension plan liability reflected in the balance sheets	<u>\$ (1,364,483)</u>	<u>\$ (273,297)</u>
Periodic pension costs:		
Service cost	\$ 669,170	\$ 669,887
Interest cost	536,018	625,333
Expected return	(557,085)	(522,570)
Amortization of gains	<u>(67,336)</u>	<u>-</u>
Net periodic pension costs	<u>\$ 580,767</u>	<u>\$ 772,650</u>
Employer contributions	<u>\$ 603,621</u>	<u>\$ 201,733</u>
Plan participants' contributions	<u>\$ -</u>	<u>\$ -</u>
Benefits paid	<u>\$ 1,490,889</u>	<u>\$ 307,470</u>
Accumulated Benefit Obligations	<u>\$ 9,038,134</u>	<u>\$ 9,676,720</u>

As it is required in accordance with the plan's actuarial valuation, the Coop anticipates contributing to the plan approximately \$625,000 during the fiscal year ending January 28, 2024.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

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

Weighted average assumptions as of the fiscal years ended January 29, 2023 and January 30, 2022 are as follows:

	January 29, 2023	January 30, 2022
Discount rate:		
Preretirement	5.00%	5.00%
Postretirement	5.00%	5.00%
Expected return on plan assets	5.25%	5.25%
Rate of compensation increase	2.50%	2.50%

The fair value of the Coop's pension plan assets at January 29, 2023 and January 30, 2022 by asset category are as follows:

<u>Asset category:</u>	Fair Value Measurements Quoted Prices in Active Markets for Identical Assets (Level 1)	
	January 29, 2023	January 30, 2022
Exchange Traded and Mutual Funds:		
Equity	\$ 5,942,159	\$ 7,426,017
Bonds	2,883,670	3,048,306
Cash and cash equivalents	186,836	132,218
Other assets	3,119	4,599
	<u>\$ 9,015,784</u>	<u>\$ 10,611,140</u>

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

	January 29, 2023	January 30, 2022
Asset category:		
Exchange Traded and Mutual Funds:		
Equity	65.9%	70.0%
Bonds	32.0%	28.8%
Cash and cash equivalents	2.1%	1.2%
Other assets	0.0%	0.0%
Total	<u>100.0%</u>	<u>100.0%</u>

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE I - 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 Park Slope Food Coop, Inc.'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:	
2024	\$ 255,554
2025	260,739
2026	312,498
2027	339,110
2028	426,207
2029- 2033	<u>3,183,820</u>
Total	<u>\$ 4,777,928</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 \$45,825 and \$15,383 for the fiscal years ended January 29, 2023 and January 30, 2022, respectively.

PARK SLOPE FOOD COOP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J - 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 29, 2023, approximately \$2,733,000 was not insured by the FDIC and NCUA.

Vendor Concentration

One vendor and its subsidiaries accounted for approximately 34% and 38% of net purchases for the fiscal years ended January 29, 2023 and January 30, 2022, 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 K - Supplemental Disclosure of Cash Flow Information

	Fiscal Years Ended	
	January 29, 2023	January 30, 2022
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,505	\$ 1,868
Income tax refunds received, net of income taxes paid	\$ 70,186	\$ -
Supplemental disclosure of noncash investing and financing activities:		
Forgiveness of PPP loan	\$ -	\$ 1,677,345

NOTE L - Subsequent Events and Uncertainty

The Coop has considered subsequent events occurring through June 20, 2023, 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.

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

	Fiscal Years Ended	
	January 29, 2023	January 30, 2022
Sales	\$ 48,333,150	\$ 43,014,820
Sales returns and allowances	161,073	152,759
Net sales	48,172,077	42,862,061
Cost of goods sold:		
Net change in inventory	41,612	(58,869)
Purchases and purchase discounts	38,865,889	34,472,421
Total cost of goods sold	38,907,501	34,413,552
Gross profit	\$ 9,264,576	\$ 8,448,509
Operating expenses:		
Personnel:		
Salaries and wages	\$ 4,834,292	\$ 6,030,565
Payroll taxes	429,688	496,522
Insurance - workers' compensation - employees	28,362	62,351
Payroll preparation fee	52,525	79,517
Pension administration fee	45,825	15,383
Employee benefits - health	1,610,066	2,122,321
Employee benefits - pension	669,170	669,887
Total personnel	7,669,928	9,476,546
Occupancy:		
Electric	158,918	150,178
Gas	55,419	38,699
Water and sewer	9,192	9,179
Real estate taxes	143,432	152,786
Insurance	283,401	257,232
Exterminator	3,114	3,194
Total occupancy	653,476	611,268
Store:		
Store supplies	126,990	52,167
Rubbish removal	28,909	30,951
Cash shortage (excess)	(1,724)	2,144
Repairs and maintenance and service contracts	176,675	188,599
Total store	330,850	273,861

PARK SLOPE FOOD COOP, INC.

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

	Fiscal Years Ended	
	January 29, 2023	January 30, 2022
Office:		
Printing and copying	\$ 4,735	\$ 14,188
Office supplies	71,891	60,702
Telephone and faxes	32,313	32,512
Postage	3,234	16,499
Consulting fees	-	3,161
Repairs and maintenance - service contract	86,379	86,373
Total office	198,552	213,435
Other:		
Repairs, tools and maintenance	79,862	47,354
Advertising, promotions and publications	15,897	1,204
Meeting room	12,241	5,698
Accounting fees	65,700	63,500
Bank charges	184,321	147,445
Insurance - workers' compensation - members	35,238	27,527
Legal fees	13,900	29,255
Miscellaneous	75,192	66,604
Total other	482,351	388,587
Total operating expenses	\$ 9,335,157	\$ 10,963,697
Other income (expense):		
Membership fees	\$ 82,995	\$ 21,750
Fundraising and gifts	(52)	90
Patronage dividends	65,517	129,140
Non-service component of periodic pension costs	88,403	(102,763)
Miscellaneous income	249,997	53,683
Total other income, net	\$ 486,860	\$ 101,900
Interest income (expense):		
Interest expense	\$ (1,505)	\$ (1,868)
Interest and dividend income	124,480	19,534
Total interest income, net	\$ 122,975	\$ 17,666