

PARK SLOPE FOOD COOP, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

**FISCAL YEARS ENDED JANUARY 28, 2024
AND
JANUARY 29, 2023**

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 28, 2024 and January 29, 2023, 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 28, 2024 and January 29, 2023, 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.

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 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.

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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.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
June 20, 2024

PARK SLOPE FOOD COOP, INC.

BALANCE SHEETS

<u>ASSETS</u>	January 28, 2024	January 29, 2023
Current assets:		
Cash	\$ 1,668,446	\$ 3,606,676
Inventories	782,860	648,192
Prepaid expenses and other current assets	270,394	245,793
Investments in debt securities, current	3,753,452	1,207,767
Total current assets	6,475,152	5,708,428
Property and equipment (net of accumulated depreciation of \$5,983,554 in 2024 and \$5,802,271 in 2023)	2,990,952	3,096,385
Investments in debt securities, long-term	2,224,804	1,876,495
Investment in cooperative associations	697,627	623,059
Security deposits	65,971	198,075
Noncurrent deferred income tax asset	874,881	1,064,557
TOTAL ASSETS	\$ 13,329,387	\$ 12,566,999
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,355,334	\$ 2,984,356
Current portion of finance lease obligations	6,179	5,762
Total current liabilities	3,361,513	2,990,118
Finance lease obligations, net of current portion	6,622	12,801
Pension plan liability	1,192,534	1,364,483
TOTAL LIABILITIES	4,560,669	4,367,402
Commitments and Contingencies		
Members' equity:		
Members' redeemable investments	4,148,043	4,059,337
Capital contributions	106,011	96,771
Paid-in capital	10,566	10,566
Accumulated other comprehensive income, net of tax	867,514	685,838
Retained earnings	3,636,584	3,347,085
Total members' equity	8,768,718	8,199,597
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 13,329,387	\$ 12,566,999

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

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

	Fiscal Years Ended	
	January 28, 2024	January 29, 2023
Net sales	\$ 54,969,951	\$ 48,172,077
Cost of goods sold	44,168,846	38,907,501
Gross profit	10,801,105	9,264,576
Operating expenses	10,591,083	9,335,157
Income (loss) from operations before other income, interest income, depreciation and income taxes	210,022	(70,581)
Other income, net	191,813	486,860
Income from operations before interest income, depreciation and income taxes	401,835	416,279
Interest income, net	215,906	122,975
Income from operations before depreciation and income taxes	617,741	539,254
Depreciation:		
Depreciation of property and equipment	181,283	204,717
Income from operations before income taxes	436,458	334,537
Income tax expense	(146,959)	(110,227)
NET INCOME	289,499	224,310
Other comprehensive income (loss) - change in net pension liability, net of income tax (benefit) of (\$88,717) in 2024 and \$364,881 in 2023	181,676	(749,158)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 471,175	\$ (524,848)

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FISCAL YEARS ENDED JANUARY 28, 2024 AND JANUARY 29, 2023

	Members' Redeemable Investments	Capital Contributions	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
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	-	-	-	224,310	-	224,310
Balance at January 29, 2023	4,059,337	96,771	10,566	3,347,085	685,838	8,199,597
Increase in members' redeemable investments	88,706	-	-	-	-	88,706
Capital contributions	-	9,240	-	-	-	9,240
Change in pension plan liabilities (net of \$88,717 of deferred income tax benefit)	-	-	-	-	181,676	181,676
Net income	-	-	-	289,499	-	289,499
Balance at January 28, 2024	\$ 4,148,043	\$ 106,011	\$ 10,566	\$ 3,636,584	\$ 867,514	\$ 8,768,718

See accompanying notes.

PARK SLOPE FOOD COOP, INC.

STATEMENTS OF CASH FLOWS

	Fiscal Years Ended	
	January 28, 2024	January 29, 2023
INCREASE (DECREASE) IN CASH		
Cash flows from operating activities:		
Net income	<u>\$ 289,499</u>	<u>\$ 224,310</u>
Adjustments to reconcile results of operations to net cash effect of operating activities:		
Depreciation	181,283	204,717
Deferred income taxes	100,959	88,127
Excess (deficit) of pension expense over cash contributions	98,444	(22,854)
Amortization of discounts on investments in debt securities	(33,656)	(33,196)
Net change in asset and liability accounts:		
Inventories	(134,668)	41,612
Prepaid expenses and other current assets	(24,601)	1,652,291
Accounts payable and accrued expenses	370,978	173,175
Security deposits	132,104	31,527
Total adjustments	<u>690,843</u>	<u>2,135,399</u>
Net cash provided by operating activities	<u>980,342</u>	<u>2,359,709</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(75,850)	(34,837)
Investments in held-to-maturity debt securities	(2,860,338)	(2,789,313)
Investment in cooperative associations	(74,568)	(49,072)
Cash flows used in investing activities:	<u>(3,010,756)</u>	<u>(2,873,222)</u>
Cash flows from financing activities:		
Repayment of finance lease obligations	(5,762)	(5,374)
Proceeds from member investments	249,782	332,884
Repayment of member investments	(161,076)	(147,289)
Proceeds from member capital contributions	9,240	13,566
Net cash provided by financing activities	<u>92,184</u>	<u>193,787</u>
NET DECREASE IN CASH	<u>(1,938,230)</u>	<u>(319,726)</u>
Cash - beginning of year	<u>3,606,676</u>	<u>3,926,402</u>
CASH - END OF YEAR	<u><u>\$ 1,668,446</u></u>	<u><u>\$ 3,606,676</u></u>

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 40% and 38% of members had eligible shopping status as of January 28, 2024 and January 29, 2023, respectively.

The Coop uses a 52-53 week fiscal year ending on the Sunday nearest to the last day of January. The fiscal years 2024 and 2023 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.

Adoption of Accounting Pronouncements

Leases

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.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Adoption of Accounting Pronouncements (Continued)

Allowance for Credit Losses

On January 30, 2023, The Coop adopted ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. In addition, ASC 326 made changes to the accounting for available for sale debt securities requiring that credit losses to be presented as an allowance rather than as a write down on available for sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

Financial assets held by the Coop that are subject to the guidance in FASB ASC 326 were held-to-maturity debt securities and investments in Cooperative Associations.

The Coop adopted ASC 326 using the prospective transition approach and determined that there was no impact to the Coop's financial statements as of January 28, 2024 and January 29, 2023.

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").

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. Realized gains and losses on the sale of investment securities are recorded on the trade date, determined using the specific identification method. 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.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Investments in Debt Securities (Continued)

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 28, 2024 and 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. Debt securities with maturities less than twelve months are included in current assets on Coop's balance sheets.

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The Coop determined there was no credit loss required to be recorded pertaining to its held-to-maturity investments. The Coop's investments held-to-maturity securities are either obligations issued by the U.S. government and agencies or certificates of deposits of highly rated U.S. Banks. U.S. government agency bonds are either explicitly or implicitly guaranteed by the U.S. government and there is no indication that all the bonds will not mature as intended with receipt of the face value. The expectation is that any unrecognized losses will be recovered by maturity; therefore, the expectation of nonpayment is zero.

Accrued interest receivable on held-to-maturity debt securities totaled \$41,386 and \$6,117 at January 28, 2024 and January 29, 2023, respectively, and is included within prepaid expenses and other current assets. The Coop has made the accounting policy election to exclude accrued interest receivable on securities from the estimate of credit losses.

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 2024 and 2023, no impairment loss was required to be recognized.

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 28, 2024 and January 29, 2023.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

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.

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.

Membership Fees

New members are required to pay a one-time non-refundable fee. Membership fees, which are included in other income, were \$55,828 for the fiscal year ended January 28, 2024 and \$82,995 for the fiscal year ended January 29, 2023.

Advertising, Promotions and Publications Expenses

Advertising, promotions and publications costs are charged to operations when incurred and were \$8,830 and \$15,897 for the fiscal years ended January 28, 2024 and January 29, 2023, 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 28, 2024, 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 28, 2024 and January 29, 2023 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 28, 2024	January 29, 2023
Underfunded pension plan status	\$ (1,192,534)	\$ (1,364,483)
Prepaid pension costs	2,436,713	2,338,269
Accumulated other comprehensive gain	1,244,179	973,786
Tax effect	(376,665)	(287,948)
Accumulated other comprehensive gain, net of tax effect	\$ 867,514	\$ 685,838

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of Significant Accounting Policies (Continued)

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the balance sheets and statements of cash flows for fiscal year ended January 29, 2023 to reclassify \$264,039 from cash to current investments in debt securities.

NOTE B - 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:

Held-to-maturity Debt Securities	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
January 28, 2024				
U.S. Government and agency obligations	\$ 2,911,918	\$ 67	\$ (23,958)	\$ 2,888,027
Banks' Certificates of Deposits	3,066,338	10,896	(244)	3,076,990
Total debt securities	\$ 5,978,256	\$ 10,963	\$ (24,202)	\$ 5,965,017
January 29, 2023				
U.S. Government obligations	\$ 2,820,223	\$ -	\$ (61,203)	\$ 2,759,020
Banks' Certificates of Deposits	264,039	-	-	264,039
Total debt securities	\$ 3,084,262	\$ -	\$ (61,203)	\$ 3,023,059

Debt securities held by the Coop as of January 28, 2024 that have been in a continuous unrealized loss position:

Held-to-maturity Debt Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Government and agency obligations	\$ 798,726	\$ (825)	\$ 1,889,126	\$ (23,133)	\$ 2,687,852	\$ (23,958)
Banks' Certificates of Deposits	704,756	(244)	-	-	704,756	(244)
Total debt securities	\$ 1,503,482	\$ (1,069)	\$ 1,889,126	\$ (23,133)	\$ 3,392,608	\$ (24,202)

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - Investment in Debt Securities (Continued)

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.

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

	Amortized Cost	Fair Value
<u>Held-to-maturity debt securities at:</u>		
January 28, 2024		
Due in one year or less	\$ 3,753,452	\$ 3,739,206
Due after one year through five years	<u>2,224,804</u>	<u>2,225,811</u>
 Total held-to-maturity debt securities	 <u>\$ 5,978,256</u>	 <u>\$ 5,965,017</u>
 January 29, 2023		
Due in one year or less	\$ 1,207,767	\$ 1,194,381
Due after one year through five years	<u>1,876,495</u>	<u>1,828,678</u>
 Total held-to-maturity debt securities	 <u>\$ 3,084,262</u>	 <u>\$ 3,023,059</u>

NOTE C - Property and Equipment

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

	January 28, 2024	January 29, 2023	Estimated Useful Lives (Years)
Land	\$ 165,000	\$ 165,000	
Building and improvements	6,129,884	6,079,884	20-39
Equipment	<u>2,679,622</u>	<u>2,653,772</u>	5-7
 Total	 8,974,506	 8,898,656	
 Less accumulated depreciation and amortization	 <u>(5,983,554)</u>	 <u>(5,802,271)</u>	
 Net property and equipment	 <u>\$ 2,990,952</u>	 <u>\$ 3,096,385</u>	

PARK SLOPE FOOD COOP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D - Income Taxes

The income taxes benefit consists of the following:

	January 28, 2024	January 29, 2023
Current income taxes:		
Federal	\$ 23,000	\$ 10,600
State and city	<u>23,000</u>	<u>11,500</u>
	46,000	22,100
Deferred tax expense (benefit)	<u>100,959</u>	<u>88,127</u>
Total income tax expense (benefit)	<u>\$ 146,959</u>	<u>\$ 110,227</u>

As of January 28, 2024, the Coop had net operating loss carryforwards of approximately \$1,150,000 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.

Significant temporary differences that give rise to deferred tax assets and liabilities as of January 28, 2024 and January 29, 2023 were as follows:

	January 28, 2024	January 29, 2023
Deferred tax assets (liabilities):		
Accrued vacation, sick and personal days	\$ 154,230	\$ 160,632
Pension plan liability	394,527	435,165
Net operating loss carryforward	377,575	516,925
Accrued patronage dividends	(16,070)	(28,264)
Depreciation of property and equipment	<u>(35,381)</u>	<u>(19,901)</u>
Total	<u>\$ 874,881</u>	<u>\$ 1,064,557</u>

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 31, 2021 remain open for examination.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E - Commitments and Contingencies

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 28, 2024 and January 29, 2023, respectively. The accumulated amortization for these assets was \$19,146 and \$13,402 as of January 28, 2024 and January 29, 2023, 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 28, 2024 and January 29, 2023.

During the fiscal years ended January 28, 2024 and January 29, 2023, interest expense of \$1,117 and \$1,505 was incurred, respectively. At January 28, 2024 and January 29, 2023, \$12,801 and \$18,563, respectively, was outstanding under the finance leases.

The weighted-average remaining lease term is 2 years.

The weighted-average discount rate is 7%.

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

Finance lease obligations

	<u>Amount</u>
Fiscal year ending:	
2025	\$ 6,879
2026	<u>6,879</u>
Total	13,758
Less amount representing:	
interest at 7% a year	<u>(957)</u>
Net obligations under financing leases	12,801
Less current portion of financing leases	<u>(6,179)</u>
Long-term portion of financing leases	<u><u>\$ 6,622</u></u>

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E - Commitments and Contingencies (Continued)

Finance Leases (Continued)

Maturities of liabilities under the maintenance agreement are as follows:

Maintenance Agreement

	<u>Amount</u>
Fiscal year ending:	
2025	\$ 11,985
2026	<u>11,985</u>
Total minimum payments under service agreement	<u>\$ 23,970</u>

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 \$1,236,202 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 28, 2024 and January 29, 2023, the accrued liability for self-insured losses is included in accrued expenses and was \$219,510 and \$146,518, respectively.

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.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E - Commitments and Contingencies (Continued)

Legal Matters (Continued)

During fiscal years ending January 28, 2024 and January 29, 2023, 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, it has agreed to settle for \$3,500. As of June 20, 2024, the settlement agreement has not been finalized.

During the fiscal year ending January 28, 2024, one of the Coop's employees filed a complaint with the Equal Employment Opportunity Commission alleging that he was discriminated against based on his race and religion and terminated in violation of Title VII of the Civil Rights Act. The Coop denies each and every allegation contained in the complaint. As of June 20, 2024, there have been no other developments related to this matter and no specific monetary compensation had been requested.

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 eleven months to make full payment of their investments. The unpaid investment receivables are not recorded as members' equity until received. Such amounts outstanding totaled \$29,816 and \$55,766 at January 28, 2024 and January 29, 2023, respectively. Member investments are non-interest bearing and are fully refundable upon withdrawal from the Coop.

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 are not paid for expired vacation hours. Due to the COVID-19 pandemic, beginning in April 2020 through January 1, 2022, the Coop 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.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE H - Vacation, Sick and Personal Days (Continued)

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 \$470,067 and \$442,395 at January 28, 2024 and January 29, 2023, 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.

The following table sets forth the plan's funded status and amounts recognized in the Coop's financial statements at January 28, 2024 and January 29, 2023 and for the fiscal years then ended.

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

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

	January 28, 2024	January 29, 2023
Fair value of plan assets	\$ 10,130,688	\$ 9,015,784
Less benefit obligation	(11,323,222)	(10,380,267)
Underfunded status	<u>\$ (1,192,534)</u>	<u>\$ (1,364,483)</u>
Net pension plan liability reflected in the balance sheets	<u>\$ (1,192,534)</u>	<u>\$ (1,364,483)</u>
Periodic pension costs:		
Service cost	\$ 648,913	\$ 669,170
Interest cost	512,625	536,018
Expected return	(473,329)	(557,085)
Amortization of gains	-	(67,336)
Net periodic pension costs	<u>\$ 688,209</u>	<u>\$ 580,767</u>
Employer contributions	<u>\$ 589,765</u>	<u>\$ 603,621</u>
Plan participants' contributions	<u>\$ -</u>	<u>\$ -</u>
Benefits paid	<u>\$ 516,456</u>	<u>\$ 1,490,889</u>
Accumulated Benefit Obligations	<u>\$ 9,770,763</u>	<u>\$ 9,038,134</u>

As it is required in accordance with the plan's actuarial valuation, the Coop anticipates contributing to the plan approximately \$550,000 during the fiscal year ending February 2, 2025.

Weighted average assumptions as of the fiscal years ended January 28, 2024 and January 29, 2023 are as follows:

	January 28, 2024	January 29, 2023
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%

PARK SLOPE FOOD COOP, INC.

NOTES TO FINANCIAL STATEMENTS

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

The fair value of the Coop's pension plan assets at January 28, 2024 and January 29, 2023 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 28, 2024</u>	<u>January 29, 2023</u>
Exchange Traded and Mutual Funds:		
Equity	\$ 6,838,110	\$ 5,942,159
Bonds	3,269,696	2,883,670
Cash and cash equivalents	21,386	186,836
Other assets	1,496	3,119
	<u>\$ 10,130,688</u>	<u>\$ 9,015,784</u>

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

	<u>January 28, 2024</u>	<u>January 29, 2023</u>
Asset category:		
Exchange Traded and Mutual Funds:		
Equity	67.5%	65.9%
Bonds	32.3%	32.0%
Cash and cash equivalents	0.2%	2.1%
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:	
2025	\$ 277,933
2026	329,463
2027	356,556
2028	436,671
2029	557,454
2029- 2033	<u>3,723,562</u>
 Total	 <u><u>\$ 5,681,639</u></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 \$45,501 and \$45,825 for the fiscal years ended January 28, 2024 and January 29, 2023, 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 28, 2024, approximately \$803,000 was not insured by the FDIC and NCUA.

Vendor Concentration

One vendor and its subsidiaries accounted for approximately 32% and 34% of net purchases for the fiscal years ended January 28, 2024 and January 29, 2023, 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 28, 2024	January 29, 2023
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,117	\$ 1,505
Income taxes paid	\$ (5,320)	\$ (92,541)
Supplemental disclosure of noncash investing and financing activities:		
Amortization of discounts on investments in debt securities	\$ 33,656	\$ 33,196

NOTE L - Subsequent Events and Uncertainty

The Coop has considered subsequent events occurring through June 20, 2024, 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 28, 2024	January 29, 2023
Sales	\$ 55,137,294	\$ 48,333,150
Sales returns and allowances	167,343	161,073
Net sales	54,969,951	48,172,077
Cost of goods sold:		
Net change in inventory	(134,668)	41,612
Purchases and purchase discounts	44,303,514	38,865,889
Total cost of goods sold	44,168,846	38,907,501
Gross profit	\$ 10,801,105	\$ 9,264,576
Operating expenses:		
Personnel:		
Salaries and wages	\$ 5,477,340	\$ 4,834,292
Payroll taxes	494,062	429,688
Insurance - workers' compensation - employees	35,485	28,362
Payroll preparation fee	56,535	52,525
Pension administration fee	45,501	45,825
Employee benefits - health	2,128,918	1,610,066
Employee benefits - pension	648,913	669,170
Total personnel	8,886,754	7,669,928
Occupancy:		
Electric	187,846	158,918
Gas	46,447	55,419
Water and sewer	9,202	9,192
Real estate taxes	150,368	143,432
Insurance	280,511	283,401
Exterminator	3,887	3,114
Total occupancy	678,261	653,476
Store:		
Store supplies	135,832	126,990
Rubbish removal	36,415	28,909
Cash shortage (excess)	539	(1,724)
Repairs and maintenance and service contracts	140,352	176,675
Total store	313,138	330,850

PARK SLOPE FOOD COOP, INC.

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

	Fiscal Years Ended	
	January 28, 2024	January 29, 2023
Office:		
Printing and copying	\$ 5,515	\$ 4,735
Office supplies	42,066	71,891
Telephone and faxes	34,593	32,313
Postage	3,047	3,234
Consulting fees	-	-
Repairs and maintenance - service contract	98,273	86,379
Total office	183,494	198,552
Other:		
Repairs, tools and maintenance	65,759	79,862
Advertising, promotions and publications	8,830	15,897
Meeting room	8,596	12,241
Accounting fees	70,800	65,700
Bank charges	217,125	184,321
Insurance - workers' compensation - members	41,523	35,238
Legal fees	11,776	13,900
Miscellaneous	105,027	75,192
Total other	529,436	482,351
Total operating expenses	\$ 10,591,083	\$ 9,335,157
Other income (expense):		
Membership fees	\$ 55,829	\$ 82,995
Fundraising and gifts	-	(52)
Patronage dividends	111,514	65,517
Non-service component of periodic pension costs	(39,296)	88,403
Miscellaneous income	63,766	249,997
Total other income, net	\$ 191,813	\$ 486,860
Interest income (expense):		
Interest expense	\$ (1,117)	\$ (1,505)
Interest and dividend income	217,023	124,480
Total interest income, net	\$ 215,906	\$ 122,975