A.M. PEISCH & COMPANY, LLP

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
FINANCIAL STATEMENTS
DECEMBER 28, 2013 AND DECEMBER 29, 2012

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CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Littleton Consumer Cooperative Society, Inc.
Littleton, New Hampshire

We have audited the accompanying financial statements of Littleton Consumer Cooperative Society, Inc. (a New Hampshire Cooperative), which comprise the balance sheets as of December 28, 2013 and December 29, 2012, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Littleton Consumer Cooperative Society, Inc. as of December 28, 2013 and December 29, 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A.M. Peisch and Company, LLP

St. Johnsbury, Vermont
April 10, 2014
VT Reg. No. 92-0000102

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LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
BALANCE SHEETS
DECEMBER 28, 2013 AND DECEMBER 29, 2012

ASSETS		2013		2012
CURRENT ASSETS				
Cash and cash equivalents	$	296,792	$	239,000
Receivables		10,452		6,755
Inventory		426,921		380,626
Prepaid expenses		14,776		12,729
Deferred income taxes		27,610		5,413
Total current assets		776,551		644,523
PROPERTY AND EQUIPMENT, net		3,030,908		3,141,250
OTHER ASSETS				
Investments in other cooperatives		151,457		129,160
Financing costs, net		55,508		59,122
Deferred income taxes		-		51,950
Other assets		16,455		1,186
Total other assets		223,420		241,418
TOTAL ASSETS	$	4,030,879	$	4,027,191
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES:				
Line of credit	$	-	$	26,000
Accounts payable		228,783		191,031
Accrued expenses and other liabilities		199,995		188,556
Income taxes payable		1,000		161
Current portion of long-term debt and member loans		317,594		336,622
Total current liabilities		747,372		742,370
COMMITMENTS AND CONTINGENCIES				
LONG-TERM LIABILITIES				
Long-term debt, excluding current portion		2,821,585		2,958,679
Member loans		161,166		322,333
Deferred income tax liability		33,756		-
Total long-term liabilities		3,016,507		3,281,012
TOTAL LIABILITIES		3,763,879		4,023,382
MEMBER'S EQUITY				
Capital stock: $25 par value; authorized 40,000 shares; 10,713 issued and outstanding as of December 28, 2013 and 10,101 issued and outstanding as of December 29, 2012.		267,825		252,525
Donated capital		1,505		1,505
Reserve Fund		460,974		213,083
Accumulated deficit		(463,304)		(463,304)
Total members' equity		267,000		3,809
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	4,030,879	$	4,027,191

See accompanying notes.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 28, 2013 AND DECEMBER 29, 2012

	2013	2012
NET SALES	$ 8,621,343	$ 8,000,446
COST OF SALES	5,826,364	5,493,133
GROSS PROFIT	2,794,979	2,507,313
OPERATING EXPENSES		
Wages and benefits	1,580,509	1,417,564
Facilities costs	212,218	257,638
Equipment costs	10,216	5,300
Insurance	13,087	12,612
Supplies	127,096	118,554
Professional fees	79,038	70,844
Other operating costs	142,779	129,863
Depreciation expense	190,463	185,399
Total operating expenses	2,355,406	2,197,774
INCOME FROM OPERATIONS	439,573	309,539
OTHER INCOME (EXPENSE)		
Interest income	386	205
Patronage income	38,688	39,637
Interest expense	(134,798)	(165,721)
Amortization expense	(3,614)	(3,011)
Gain on sale of fixed assets	-	900
Miscellaneous, net	(17,802)	(1,993)
Other income (expense), net	(117,140)	(129,983)
INCOME BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	322,433	179,556
PROVISION (BENEFIT) FOR INCOME TAXES	74,542	(25,211)
NET INCOME	$ 247,891	$ 204,767

See accompanying notes.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
STATEMENTS OF MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 28, 2013 AND DECEMBER 29, 2012

	Capital Stock	Donated Capital	Reserve Fund	Accumulated Deficit	Total
Balances, January 1, 2012	$ 237,025	$ 1,505	$ 8,316	$ (463,304)	$ (216,458)
Net income	-	-	-	204,767	204,767
Allocated reserve	-	-	204,767	(204,767)	-
Shares issued (canceled), net	15,500	-	-	-	15,500
Balances, December 29, 2012	252,525	1,505	213,083	(463,304)	3,809
Net income	-	-	-	247,891	247,891
Allocated reserve	-	-	247,891	(247,891)	-
Shares issued (canceled), net	15,300	-	-	-	15,300
Balances, December 28, 2013	$ 267,825	$ 1,505	$ 460,974	$ (463,304)	$ 267,000

See accompanying notes.

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 28, 2013 AND DECEMBER 29, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 247,891	$ 204,767
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	190,463	185,399
Amortization	3,614	3,011
Gain on sale of fixed assets	-	(900)
Deferred income taxes	63,509	(34,940)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	(3,697)	(3,837)
Inventory	(46,295)	(24,205)
Prepaid expenses	(2,047)	4,728
Other assets	(15,269)	-
Increase (decrease) in liabilities:		
Accounts payable	37,752	19,530
Accrued expenses and other current liabilities	11,439	24,290
Income taxes payable	839	-
Net cash provided by operating activities	488,199	377,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(80,121)	(3,167)
Purchase of investments in other cooperatives	(22,297)	(43,752)
Net cash used by investing activities	(102,418)	(45,419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	20,000	20,000
Principal payments on line of credit	(46,000)	(80,000)
Proceeds from long-term debt	18,138	-
Principal payments on long-term debt	(335,427)	(178,434)
Net proceeds from issuance of capital stock and partial shares	15,300	15,500
Net cash used by financing activities	(327,989)	(222,934)
Net increase in cash and cash equivalents	57,792	109,490
Cash and cash equivalents at beginning of year	239,000	129,510
Cash and cash equivalents at end of year	$ 296,792	$ 239,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 153,061	$ 154,194
Income taxes paid	$ 10,194	$ 9,729

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Background

Littleton Consumer Cooperative Society, Inc. (the Cooperative) was incorporated in New Hampshire in 2006. The Cooperative operates a member-owned food store, located in Littleton, NH, open to its members and the general public.

Following is a summary of the Cooperative's significant accounting polices used in the preparation of these financial statements.

Basis of presentation

The financial statements of the Cooperative are prepared using the accrual basis of accounting. The Cooperative adopted a 52/53 week fiscal year in 2012. The Cooperative's year ends on the Saturday nearest to December 31. The financial statements have been prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred. The accounting and reporting policies of the Cooperative conform to the accounting principles generally accepted in the United States of America.

Revenue recognition

Revenue is recognized at the point of sale for retail sales. Sales discounts are recorded as a reduction of sales at the time of purchase. Customer returns are immaterial.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Cooperative considers all highly liquid investments with a maturity of three months or less at the date of purchase, and proceeds due from credit and debit card transactions with settlement terms of less than five days as cash equivalents.

Receivables

The carrying value of accounts receivable is stated at the amount management expects to collect. Management determines the allowance for doubtful accounts based on historical experience and application of the specific identification method. There was no allowance for doubtful accounts for the years ended 2013 and 2012. Bad debt expense was $494 and $-0- for the years ended 2013 and 2012, respectively, and is included in miscellaneous costs on the Statement of Operations.

Note 1. Summary of Significant Accounting Policies (Continued)

Inventory

The Cooperative uses a combination of the retail inventory method (RIM) and replacement cost method (RCM) to determine the current cost of its inventory. Under the RIM, the current cost of inventories and the gross margins are calculated by applying a cost-to-retail ratio to the current retail value of inventories. Under the RCM, the most current unit purchase cost is used to calculate the current cost of inventories.

Property and equipment

The cost of property and equipment is depreciated over the estimated useful lives of the related assets using various straight-line and accelerated methods. When assets are no longer in service, the related costs and accumulated depreciation are removed. Property and equipment is recorded at cost less accumulated depreciation. The ranges of estimated useful lives used are as follows:

Land improvements	15 – 39 years
Building and improvements	5 – 39 years
Furniture and equipment	5 – 10 years

Expenditures for repairs and maintenance costs are expensed when incurred, and betterments are capitalized.

Investments in other cooperatives

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 2013 and 2012, no impairment losses were required to be recognized.

Financing costs

Financing costs related to the acquisition of loans are capitalized and amortized on a straight-line basis over the life of the loan.

Income taxes

FASB ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance for derecognition, classification, interest and penalties, disclosure, and transition. The Cooperative is not aware of any such uncertain tax position.

Based on management's evaluation, management has concluded that there were no significant uncertain tax positions requiring recognition in the Cooperative's financial statements as of December 28, 2013. Although the Cooperative is not currently the subject of tax examination by the Internal Revenue Service (IRS), the Cooperative's tax years for 2010 through 2012 are open to examination by the IRS under the applicable statute of limitations.

Deferred taxes are provided based on a liability method whereby deferred tax assets and liabilities are recognized for deductible temporary differences. Temporary differences are the differences between the financial and tax-reporting basis for specific items. Deferred taxes are recorded at the enacted tax rates.

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs were $40,574 and $34,973 for the years ended 2013 and 2012.

Business reporting segments

The Cooperative has determined that its operations are within one reportable segment. Accordingly, financial information on industry segments is omitted because, apart from the principal business of operating a retail store, the Cooperative has no other industry segments.

Fair value of financial instruments

The fair value of the Cooperative's financial instruments includes cash, receivables, and accounts payable which approximates their respective carrying amounts due to their short-term maturity.

Cost of goods sold

Cost of goods sold includes cost of inventory and costs related to in-store production. Cost of merchandise also includes inbound freight charges and purchasing and receiving costs.

Vendor allowances and credits, including cooperative advertising allowances received from a vendor in connection with the purchase or promotion of the vendor's products, are recognized as a reduction of cost of goods sold as earned. These allowances and credits are recognized as earned in accordance with the underlying agreement with the vendor and completion of the earnings process.

Impairment of long-lived assets

The Cooperative periodically assesses the likelihood of recovering the cost of long-lived assets based on its expectations of future profitability and undiscounted cash flows of the related business operations. These factors, along with management's plans with respect to the operations, are considered in assessing the recoverability of long-lived assets including building improvements and furniture and equipment are evaluated for impairment at the supermarket level.

Note 2. Concentration of Credit Risk

The Cooperative maintains bank account balances which, at times, may exceed federally insured limits. The Cooperative has not experienced any losses with these accounts, and management believes the Cooperative is not exposed to significant credit risk on cash for years ended 2013 and 2012.

Note 3. Property and Equipment

Property and equipment consisted of the following:

		2013		2012
Land and land improvements		1,348,465		1,306,991
Buildings and improvements		1,598,672		1,598,672
Furniture and equipment		927,978		889,331
		3,875,115		3,794,994
Less: accumulated depreciation		(844,207)		(653,744)
Property and equipment, net	$	3,030,908	$	3,141,250

Note 4. Investments in Other Cooperatives

Investments are recorded at cost or net realizable value and consisted of the following:

		2013		2012
Neighboring Food Co-Operative Association	$	100	$	100
Associated Grocers of New England, Inc.				
Class A stock (1 share)		5,000		5,000
Class B stock (602.749 shares)		145,857		124,060
National Cooperative Grocers Association		500		-
	$	151,457	$	129,160

The Cooperative holds shares of Associated Grocers of New England, Inc. (AGNE) Class B stock. This stock is not publicly traded and carries restricted conditions under which it may be transferred. The amount of Class B stock required to be owned by each member is dependent on annual purchases from AGNE and is charged weekly as ½ of 1% of sales until the obligation is met. As of December 28, 2013, the Cooperative met the stock requirement. AGNE allocates its earnings to its members in cash and patronage shares.

In 2013, the Cooperative became members of the National Cooperative Grocers Association (NCGA). The NCGA requires that each member maintain a member base equity deposit. The member base equity deposit is set by the NCGA and calculated at a rate of .10% of sales volume. The initial required deposit base is $6,002 and is allowed to be paid over five years. The member base equity deposit was $1,200 at December 28, 2013 and included in "Other Assets".

Note 4. Investments in Other Cooperatives (Continued)

Additionally, the NCGA requires members to participate in their Joint Liability Fund (JLF). Participation in the JLF includes a separate base deposit requirement, which is calculated by the NCGA and assessed annually. The required base deposit is calculated as at least 8% of the Cooperative's average monthly payables balance for purchase through the UNFI Suppy Contract (USC). The initial requirement established for 2013 was $9,116 and is included in "Other Assets".

Note 5. Financing Costs

Included in "Other Assets" are costs associated with the refinancing and consolidation of construction and equipment loans. These costs are amortized over the lives of the related loans. Amounts capitalized for these costs aggregated to $-0- and $62,133 for 2013 and 2012, respectively.

The aggregate amortization expense associated with these costs for the next five years and thereafter is as follows:

Years		
2014	$	3,614
2015		3,614
2016		3,614
2017		3,050
2018		2,938
Thereafter		38,678
	$	55,508

Amortization expense was $3,614 and $3,011 for 2013 and 2012, respectively.

Note 6. Line of Credit

The Cooperative maintains a line of credit of $150,000. The line of credit is through the Cooperative Fund of New England, Inc. (CFNE) and carries a fixed interest rate of 6.0%. Interest is payable monthly with principal due at maturity. The line matures in November 2015. For year end 2013 and 2012, there was $-0- and $26,000 outstanding on the line of credit, respectively.

The Cooperative has an agreement with the Hanover Consumer Cooperative Society, Inc. whereby in the event of default by the Cooperative on the line of credit, the Hanover Consumer Cooperative Society, Inc. would purchase sellable inventory from CFNE at 50% of invoice price up to $150,000.

Note 7. Member Loans

The Cooperative helped fund a building project by entering into loan agreements with members, totaling an original amount of $483,500 at December 29, 2012. The loans vary in amounts ranging from $1,000 to $50,000 and bear interest at 4% for loans under $10,000 and 5% for loans over that amount. Originally, the first of three annual principal and accrued interest installment payments was scheduled to begin May 2012. The initial payment and repayment period was extended and began in May 2013.

Note 7. Member Loans (Continued)

The approximate maturity of member loans at December 28, 2013 is as follows:

Years		
2014 (included in current portion)	$	161,167
2015		161,166
Thereafter		-
	$	322,333

Interest expense recorded on this borrowing was $17,298 and $22,240 for the years ended December 28, 2013 and December 29, 2012, respectively. The aggregate amount of unpaid interest is accrued and included in "accrued expenses and other liabilities." Outstanding accrued interest on member loans was $79,555 and $97,062 at December 28, 2013 and December 29, 2012, respectively. Accrued interest was paid with the installment payments beginning in May 2013. Amounts paid for accrued interest were $34,805 and $-0- in 2013 and 2012, respectively.

Note 8. Long-term Debt

Long-term debt for years-ended December is as follows:

		2013		2012
*4.50% note payable, secured by property and equipment, payable in monthly installments of $10,439 principal and interest through February 2032.	$	1,557,296	$	1,611,160
2.72% note payable, secured by property and equipment, payable in monthly installments of $7,324 principal and interest through April 2032; additional annual service fees (see Note 9).		1,267,990		1,320,655
5.00% note payable, secured by property and equipment, payable in monthly installments of $2,393 principal and interest through February 2017.		83,864		107,075
5.00% note payable, secured by property and equipment, payable in monthly installments of $1,532 principal and interest through February 2017.		53,672		68,528
1.99% note payable with AGNE, secured by equipment, payable in weekly installments of $120 through June 2016.		15,190		-

Note 8. Long-term Debt (Continued)

6.50% note payable with AGNE, secured by inventory, payable in weekly installments of $372 principal and interest through August 2013.	-	13,104
6.50% note payable with AGNE, secured by equipment, payable in weekly installments of $66 principal and interest for 104 weeks, through December 2013.	-	3,133
1% note payable with AGNE, secured by equipment, payable in weekly installments of $77 principal and interest through August 2013.	-	2,310
Non-Interest Bearing note with a Hanover Cooperative Society, Inc., payable in monthly installments of $1,021 through August 2013.	-	8,169
	$ 2,978,012	$ 3,134,134
Less: Current portion	156,427	175,455
Long-term debt, excluding current portion	$ 2,821,585	$ 2,958,679

*Interest rate at 4.50% for the first five years of the note adjusting to a variable rate of 1.5% over Wall Street Journal Prime thereafter.

The Cooperative also pays monthly SBA loan fees associated with the refinancing arrangements that occurred during 2012. Fees paid were $24,788 and $16,525 for years ended 2013 and 2012, respectively. These fees are included in other operating costs.

As of December 28, 2013, long-term debt matures as follows:

Years	
2014 (included in current liabilities)	$ 156,427
2015	163,881
2016	167,660
2017	131,671
2018	127,743
Thereafter	2,230,630
	$ 2,978,012

Note 9. Servicing Fees

The Cooperative incurs servicing fees on the outstanding Small Business Administration (SBA) loan at fixed amount equal to 1.83% of the outstanding balance of the note as determined at the beginning of each five year interval of the note. The portion of the monthly loan payments attributable to service fees is $2,065 through February 2017 at which time the fee will be adjusted. There are three separate fees incorporated into each installment including an SBA Guarantee Fee, CSA Fee, and CDC Servicing Fee. A prepayment fee is applicable if the note is paid in full within the first half of the original term. For 2013 and 2012, servicing fees totaled $24,788 and $16,525, respectively. These fees are included in other operating costs.

Note 10. Retirement Plan

The Cooperative maintains an employer sponsored SIMPLE IRA plan for eligible employees. The Cooperative matches up to 3% of employees' wages based on employee contribution. Retirement plan expense was $19,413 and $17,282 for 2013 and 2012, respectively.

Note 11. Patronage Refunds

According to the Cooperative's by-laws, the patronage refund rate cannot exceed the rate of earnings before provision for income taxes, expressed as a percent of net savings to total sales. In addition, the Cooperative may retain up to 5% of earnings to be allocated to an education reserve and also allocate amounts to the reserve fund at the discretion of the Board of Directors for payment of tax obligations and support general operations of the Cooperative. For 2013 and 2012, there were no net savings to distribute through patronage refunds.

Note 12. Income Tax

The provision (benefit) for income taxes is as follows:

		2013		2012
Current tax provision	$	104,696	$	49,921
Deferred tax benefit		(41,187)		(84,861)
Federal tax (benefit)		63,509		(34,940)
State tax		11,033		9,729
Total	$	74,542	$	(25,211)

The Cooperative's method of accounting for income taxes conforms to the requirements of Accounting Standards Codification Topic 740, *Accounting for Income Taxes.*

Note 12. Income Tax (Continued)

The components of deferred taxes are as follows:

		2013		2012
Current deferred tax asset				
Asset arising from temporary differences relating to accrued vacation	$	8,374	$	5,413
Benefit arising from net operating loss carry-forward		19,236		-
Total current deferred tax asset	$	27,610	$	5,413
Non-current deferred tax asset (liability)				
Liability arising from temporary differences relating to depreciation	$	(33,756)	$	(33,745)
Benefit arising from net operating loss carry-forward		-		85,695
Total non-current deferred tax (liability) asset	$	(33,756)	$	51,950

As of December 28, 2013, the Cooperative has a net operating loss carry forward of $76,942. The net operating loss, if unused, will begin to expire in the year 2029.

Based on the temporary taxable differences, historical taxable income, and estimates of future taxable income, the Cooperative believes that it is more likely than not that the deferred tax assets at December 28, 2013 will be realized and therefore no valuation allowance is warranted.

Note 13. Members' Equity

Capital Stock – Capital stock of the Cooperative is restricted in transferability. It is redeemable with the Cooperative at par value. A member must own a minimum of four shares in order to become a voting member. A member with four or more shares is a voting member, and anyone owning less than four shares is a member.

Reserve Fund – The Cooperative's governing documents allow for a reserve fund to be established and maintained on an annual basis for the general conduct of the Cooperative's business and for its overall sustainability. The Board of Directors voted to allocate $247,891 and $204,767 of the Cooperative earnings to the Reserve Fund for the years 2013 and 2012, respectively.

Note 14. Lease Commitments

The Cooperative leases office space under an operating lease expiring July 31, 2015, with an option to renew the lease for one extended term of two years. The operating lease includes provisions for payment of various expenses associated with the property and a 3% annual rent increase after the initial term.

The operating lease requires future minimum payments as of December 28, 2013 as follows:

2014	$	6,510
2015		3,798
Thereafter		-
	$	10,308

Lease expense was $6,608 and $6,435 for 2013 and 2012, respectively.

Note 15. Commitments and Contingencies

Commitments

In 2009, the Cooperative was awarded a Community Development Block Grant (CDBG). One of the conditions of the grant was that a Revolving Loan Fund (RLF) be established and funded from surplus revenues of the Cooperative. The Grafton County Economic Development Council (GCEDC) will administer this fund. The aggregate required funding is $250,000 at which time the agreement would terminate. The maximum required contribution to the RLF can not exceed $15,000 in any one operating cycle. A contribution is required if in the previous year the Cooperatives net positive cash flow from operations, less scheduled debt payments to all creditors exceeds $100,000, and that such payment would not cause the Cooperative to fail to comply with any of its loan covenants. There have been no payments made to the RLF. The Cooperative anticipates a payment is required based on the results of operations and compliance with loan agreements. An accrued liability of $15,000 and $-0- is included in "accrued expenses and other liabilities" as of December 28, 2013 and December 29, 2012, respectively.

Contingencies

In the normal course of business, the Cooperative may be involved in various legal proceedings and asserted or unasserted claims. In the opinion of management, any liability known at this time resulting from such proceedings or claims would not have a material adverse affect on the Cooperative's financial statements. There have been no amounts of loss considered to be likely or probable, and thus an accrual for loss contingencies has not been recorded.

The Cooperative has been notified of certain pending personal injury insurance claims resulting from accidents on their premises. There is no liability known or, in the opinion of management, likely to occur from these actions beyond a deductible portion of insurance coverage, if applicable.

Note 16. Related Party

The Cooperative owns shares of AGNE. During the years ended 2013 and 2012, the Cooperative purchased $2,637,741 and $2,585,652 of goods and groceries from AGNE, which represents approximately 45% and 48% of the Cooperative's total purchases, respectively. The Cooperative recorded a liability to AGNE of $57,134 and $46,455 for 2013 and 2012.

The Cooperative also has transactions with Directors and Officers. These transactions primarily consist of purchases of miscellaneous goods and services. Total aggregate transactions to Directors and Officers were $20,246 and $13,837 for 2013 and 2012, respectively.

Note 17. Subsequent Events

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through April 10, 2014, the date the financial statements were available to be issued.