

**FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT**

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

**JANUARY 3, 2015**

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

**JANUARY 3, 2015**

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**Independent Auditor's Report**

To the Members and  
Board of Directors of  
Littleton Consumer Cooperative Society, Inc.

***Report on the Financial Statements***

We have audited the accompanying financial statements of Littleton Consumer Cooperative Society, Inc., (the Cooperative) which comprise the balance sheet as of January 3, 2015, and the related statement of earnings, members' equity and cash flows for the fifty-three week period then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 the Cooperative as of January 3, 2015, and the results of its operations and its cash flows for the fifty-three week period then ended, in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note B to the financial statements, retained earnings at December 29, 2013 have been restated to correct a misstatement.

Gallagher, Flynn & Company, LLP

April 20, 2015

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

**BALANCE SHEET**

**JANUARY 3, 2015**

**A S S E T S**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 449,163
Accounts receivable	50,166
Inventories	422,282
Prepaid expenses and other current assets	32,343
Deferred income taxes	<u>18,000</u>
Total current assets	<u>971,954</u>

**PROPERTY AND EQUIPMENT, at cost**

Land and improvements	1,348,466
Buildings and improvements	1,598,672
Machinery and equipment	<u>938,356</u>
	3,885,494
Less accumulated depreciation	<u>1,031,308</u>
	<u>2,854,186</u>

**OTHER ASSETS**

Investments in other cooperative associations	180,052
Deferred financing costs, less accumulation amortization of \$10,377	57,606
Other	<u>14,906</u>
	<u>252,564</u>

\$ 4,078,704

The accompanying notes are an integral part of this statement.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

**BALANCE SHEET**

**JANUARY 3, 2015**

**LIABILITIES AND MEMBERS' EQUITY**

**CURRENT LIABILITIES**

Current maturities of long-term debt	\$ 341,769
Accounts payable	249,161
Accrued expenses and other current liabilities	169,522
Patronage refunds payable	40,000
Total current liabilities	<u>800,452</u>

**LONG-TERM DEBT, less current maturities** 2,861,622

**DEFERRED INCOME TAXES** 41,000

**MEMBERS' EQUITY**

Capital stock	324,675
Donated capital	2,340
Retained earnings	48,615
	<u>375,630</u>

**\$ 4,078,704**

The accompanying notes are an integral part of this statement.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

**STATEMENT OF EARNINGS**

**FIFTY-THREE WEEK PERIOD ENDED JANUARY 3, 2015**

<b>NET SALES</b>	\$ 9,324,325
<b>COST OF SALES</b>	<u>6,321,774</u>
<b>GROSS PROFIT</b>	3,002,551
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>2,600,717</u>
<b>EARNINGS FROM OPERATIONS</b>	<u>401,834</u>
<b>OTHER (INCOME) EXPENSES</b>	
Interest income	(593)
Interest expense	112,262
Patronage income	(92,334)
Gain on disposal of equipment	<u>(300)</u>
	19,035
<b>EARNINGS BEFORE PATRONAGE REFUND AND INCOME TAXES</b>	382,799
<b>PATRONAGE REFUND</b>	<u>80,000</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	302,799
<b>PROVISION FOR INCOME TAXES</b>	<u>96,754</u>
<b>NET EARNINGS</b>	<u>\$ 206,045</u>

The accompanying notes are an integral part of this statement.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

**STATEMENT OF MEMBERS' EQUITY**

**FIFTY-THREE WEEK PERIOD ENDED JANUARY 3, 2015**

	<b>Capital Stock</b>	<b>Donated Capital</b>	<b>Retained Earnings (Accumulated Deficit)</b>	<b>Total</b>
<b>BALANCE, December 29, 2013, as originally stated</b>	\$ 267,825	\$ 1,505	\$ (2,330)	\$ 267,000
Prior period adjustment (see Note B)	-	-	(155,100)	(155,100)
<b>BALANCE, December 29, 2013</b>	267,825	1,505	(157,430)	111,900
Net earnings	-	-	206,045	206,045
Shares issued, net of cancellations	16,850	-	-	16,850
Donated capital	-	835	-	835
Allocation of patronage refund to be issued as capital stock	40,000	-	-	40,000
<b>BALANCE, January 3, 2015</b>	<u>\$ 324,675</u>	<u>\$ 2,340</u>	<u>\$ 48,615</u>	<u>\$ 375,630</u>

The accompanying notes are an integral part of this statement.

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

**STATEMENT OF CASH FLOWS**

**FIFTY-THREE WEEK PERIOD ENDED JANUARY 3, 2015**

**INCREASE IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net earnings	\$ 206,045
Noncash items included in net earnings:	
Depreciation and amortization	190,852
Patronage refund declared	80,000
Patronage investments in cooperatives received	(25,050)
Gain on disposal of equipment	(300)
Deferred income taxes	96,754
Changes in assets and liabilities:	
Accounts receivable	(39,714)
Inventories	4,639
Prepaid expenses and other current assets	(17,567)
Other assets	1,549
Accounts payable	20,378
Accrued expenses and other current liabilities	(15,306)
Income taxes payable	(1,000)
	295,235
Net cash provided by operating activities	<u>501,280</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(10,378)
Proceeds from sale of property and equipment	300
Purchases of investments in cooperatives	<u>(3,545)</u>
Net cash used in investing activities	<u>(13,623)</u>
Subtotal (forward)	\$ 487,657

(CONTINUED)

**LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

**STATEMENT OF CASH FLOWS**

**FIFTY-THREE WEEK PERIOD ENDED JANUARY 3, 2015**

Subtotal (forwarded)	<u>\$ 487,657</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on long-term borrowings	(346,286)
Deferred financing costs	(5,850)
Proceeds from issuance of capital stock, net	<u>16,850</u>
Net cash used in financing activities	<u>(335,286)</u>
Net increase in cash and cash equivalents	152,371
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<u>296,792</u>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<u>\$ 449,163</u>

**Supplemental Disclosures of Cash Flows Information**

Cash paid during the period for:

Interest expense	\$ 151,763
Income taxes	<u>\$ 14,045</u>

Noncash investing and financing activities:

During 2014, a member converted \$835 of loans due the member to capital.

The accompanying notes are an integral part of this statement.

# **LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JANUARY 3, 2015**

### **A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES**

#### **Operations:**

The Littleton Consumer Cooperative Society, Inc., (the Cooperative) was incorporated in New Hampshire in 2006. The Cooperative operates a member-owned food store in Littleton, New Hampshire, open to its members and the general public. The majority of sales are to members of the Cooperative. Sales to members were approximately 62% of total sales for the period ending January 3, 2015.

#### **Accounting policies:**

A summary of the Cooperative's significant accounting policies applied in the preparation of the accompanying financial statements follows:

##### **1. Fiscal year end**

The Cooperative's fiscal year ends on the Saturday nearest to December 31. The fiscal period ended January 3, 2015 included fifty-three weeks.

##### **2. Cash and cash equivalents**

For purpose of the statement of cash flows, the Cooperative considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

##### **3. Accounts receivables**

The Cooperative includes in accounts receivable patronage refund amounts expected to be received as a result of its membership in cooperatives (see Note C). Management considers the following factors when determining the collectibility of these receivables: past transaction history, current economic industry trends, and changes in inventory purchases. If the financial condition of the cooperatives, in which the Cooperative is invested, was to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Cooperative provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. At January 3, 2015, no allowance was required.

##### **4. Inventory and cost of goods sold**

Inventory is stated at the lower of cost or market. Cost is determined using the retail method.

# **LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JANUARY 3, 2015**

### **A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

#### **5. Property and equipment**

Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever are shorter. The straight-line method of depreciation is followed for substantially all assets for financial reporting purposes, but accelerated methods are used for tax purposes.

#### **6. Impairment of long-lived assets**

Long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment loss was required to be recognized in the period ended January 3, 2015.

#### **7. Investment in other 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. No impairment loss was required to be recognized in the period ended January 3, 2015.

#### **8. Income taxes**

Temporary differences giving rise to deferred income taxes consist primarily of the excess of depreciation for tax purposes over the amount for financial reporting purposes, accrued compensation, and certain expenses, which are reported differently for financial reporting and tax purposes.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

# **LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JANUARY 3, 2015**

### **A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)**

#### **8. Income taxes (continued)**

Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of earnings.

#### **9. Advertising expenses**

Advertising costs are charged to operations when incurred. Advertising expense charged to operations was approximately \$47,000 during the period ended January 3, 2015.

#### **10. Deferred financing costs**

Loan commitment fees and related legal expenses are amortized by charges to operations on a straight-line basis, which approximates the effective interest method, over the term of the loan. Future amortization expense is expected to be approximately \$3,900 in 2015 and 2016, and \$3,300 in 2017, 2018 and 2019.

#### **11. Use of estimates**

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

#### **12. Evaluation of subsequent events**

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through April 20, 2015, the date the financial statements were available to be issued.

# **LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JANUARY 3, 2015**

### **B) PRIOR PERIOD ADJUSTMENT**

Retaining earnings at December 29, 2013 have been restated to correct an error in the recording of a grant agreement in 2009. During 2009, the Cooperative recorded as grant revenue \$470,000 and disclosed a contingent liability to establish a “Revolving Loan Fund” in the amount of \$250,000. However, under further review, the Cooperative determined that it should have recognized revenue of \$220,000 and a liability of \$250,000. The effect of the correction was to decrease retained earnings as of December 29, 2013 by \$155,100, net of a tax benefit of \$79,900.

### **C) INVESTMENTS IN OTHER COOPERATIVE ASSOCIATIONS**

The investments in cooperative associations are nonmarketable investments, which consist of the following at January 3, 2015:

Associated Grocers of New England, Inc. (AG):

A membership organization that provides members with discounted purchase pricing and annual patronage rebates in cash, certificates of indebtedness, and patronage shares. Members initially purchase one share of Class A stock at \$5,000 and annually purchase additional shares of Class B stock based on total merchandise purchases. Class B stock is redeemable at the discretion of the AG board of directors and eligible to pay cash dividends. At January 3, 2015, the Cooperative owns one share of Class A stock. At January 3, 2015, the Cooperative owned 841 shares of Class B stock.

\$ 167,851

National Cooperative Grocers Association (NCGA):

A business services cooperative that provides members with annual patronage rebates in cash and patronage shares. Members initially purchase one share of voting stock at \$500 and maintain a base equity investment of 0.1% of annual purchases of inventory from NCGA. Base equity investments are redeemable at the discretion of the NCGA board of directors and eligible to receive cash dividends. At January 3, 2015, the Cooperative owns one share of voting stock.

12,101

Other

100

\$ 180,052

# **LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JANUARY 3, 2015**

### **D) LINE OF CREDIT**

In March 2015, the Cooperative renewed a revolving line of credit with \$150,000 of availability with the Cooperative Fund of New England, Inc. (CFNE), due March 2020. Interest is payable monthly at 5.5%. Prior to the renewal, interest was payable monthly at 6%. The line is secured by a first security interest in inventory and a second interest in certain assets. There were no borrowings related to this agreement outstanding at January 3, 2015.

CFNE 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.

### **E) LONG-TERM DEBT**

Long-term debt consists of the following at January 3, 2015:

Woodsville Guaranty Savings Bank -

In August 2014, the agreement was amended to be payable in monthly installments of \$9,467, including interest at 3.25% through June 2019, due February 2032. In July 2019 the interest rate will change to *The Wall Street Journal* prime rate (3.25% at January 3, 2015) plus 1.50%. Prior to the amendment the agreement was payable in monthly installments of \$10,439, including interest at 4.50%. Secured by a mortgage on real estate and equipment.

\$1,493,123

Granite State Economic Development Corporation (GSEDC) -

Payable in monthly installments of \$7,324, including interest at 2.72%, due April 2032. Secured by a second mortgage on real estate and a second interest on equipment and is guaranteed by the United States Small Business Administration.

1,209,300

Subtotal (forward)

\$2,702,423

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

JANUARY 3, 2015

### E) LONG-TERM DEBT (continued)

Subtotal (forwarded)	\$2,702,423
Revolving Loan Fund -	
Payable in annual maximum installments of \$15,000 based upon excess cash flows as defined in the Revolving Loan Fund (RLF) agreement with the Grafton County Economic Development Corporation. Noninterest bearing and unsecured.	235,000
Grafton County Economic Development Council (GCEDC) -	
Two loans payable in aggregate monthly installments of \$3,925, including interest at 5%, due February 2017. Secured by a fourth mortgage on real estate and a third interest on equipment.	96,380
Associated Grocers of New England, Inc. (AG) -	
Payable in weekly installments of \$120, including interest at 1.99%, due July 2016. The note is secured by equipment.	9,088
Member Loans -	
Unsecured agreements, payable in annual installments aggregating approximately \$161,000, with interest ranging from 4% to 5%, due May 2015.	<u>160,500</u>
Principal payments due within one year	<u>3,203,391</u> <u>341,769</u> <u>\$2,861,622</u>

Interest expense charged to operations for member loans was approximately \$10,000 during the fifty-three week period ended January 3, 2015.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

JANUARY 3, 2015

### E) LONG-TERM DEBT (continued)

The Cooperative also incurs monthly loan servicing fees payable to the United States Small Business Administration (“SBA”) on the outstanding GSEDC long-term debt at a 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, currently \$2,065 monthly through May 2017. Fees charged to operations were approximately \$26,900 during the fifty-three week period ended January 3, 2015.

As of January 3, 2015, long-term debt matures as follows:

Fiscal Periods Ending on or Around	<u>December 31,</u>	<u>Amount</u>
2015		\$ 341,769
2016		188,633
2017		151,637
2018		147,927
2019		151,981
Thereafter		<u>2,221,444</u>
		<u>\$3,203,391</u>

# **LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JANUARY 3, 2015**

### **F) INCOME TAXES**

The provision for income taxes consists of the following at January 3, 2015:

Currently payable	\$ -
Deferred	<u>96,754</u>
	<u>\$ 96,754</u>

Deferred tax assets and liabilities consist of the following at January 3, 2015:

Deferred tax assets:	
Accrued expenses	\$ 18,000
Net operating loss carryforward	<u>214,200</u>
	<u>\$ 232,200</u>
Deferred tax liabilities:	
Depreciation	\$ 241,600
Accrued patronage refund receivable	<u>13,600</u>
	<u>\$ 255,200</u>

At January 3, 2015, the Cooperative has approximately \$629,000 of net operating losses to carryforward to reduce future federal taxable income.

The Cooperative files income tax returns in the U.S. federal jurisdiction and one state jurisdiction. With few exceptions, the Cooperative is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for fiscal periods before January 1, 2011.

During the period ended January 3, 2015, the Cooperative recognized no interest or penalties related to unrecognized tax benefits.

# LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

JANUARY 3, 2015

### G) MEMBERS' EQUITY

*Capital stock:* The Certificate of Organization authorizes 40,000 shares of stock, \$25 par value. Dividends may be paid on share capital as determined by the board of directors (the Board). An individual or an organization is a member by holding shares of capital stock. A member that holds four or more shares of capital stock is a voting member, entitled to one vote at any meeting of the Cooperative. If a member elects to discontinue membership and request a refund, the Cooperative, at the discretion of the Board, may repurchase all shares from a member or approve the transfer of shares to a person or organization.

*Reserve fund:* The Cooperative has established a reserve fund, which is also known as "retained earnings." Following the close of the fiscal year, net earnings are first used to replenish accumulated losses, if any. Then the Cooperative is to set aside in the reserve fund an annual allotment of not less than ten percent of the net earnings of the Cooperative for each year (if any) as well as other capital transactions as defined in the By-Laws.

*Patronage refunds:* Patronage refunds are determined at the discretion of the Board from net earnings that are not allocated to the reserve fund, non-cumulative dividends, and the education reserve. The patronage refund rate cannot exceed the amount of net earnings before provision for income taxes allocable to members based upon the percentage of sales to members. Patronage refunds are calculated under a formula by applying the percentage of sales to members and non-members patrons to calculate member net earnings and non-member earnings (also known as "savings"). The Board can issue patronage refunds in the form of cash, certificates of indebtedness, credit toward purchases at the Cooperative, or up to 50% of the distribution could be provided in the form of credits towards the purchase of capital stock. Patronage refunds of less than \$10 are distributed in the form of merchandise certificates redeemable within the Cooperative. 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 as increases to retained earnings at the discretion of the Board to support general operations of the Cooperative.

#### *Patronage refunds declared and issued*

Total patronage refunds were \$80,000 for the period ended January 3, 2015. The Board authorized issuance of \$40,000 of the refund in cash and \$40,000 in credits to be redeemed for additional common stock in the future. The cash portion is reflected as a current liability and the credits for additional common stock portion as an allocation to equity.

# **LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JANUARY 3, 2015**

### **G) MEMBERS' EQUITY (continued)**

#### *Capital stock*

Capital stock is comprised of the following at January 3, 2015:

Common stock, 40,000 shares authorized, \$25 per share par value; 11,387 shares issued and outstanding at January 3, 2015	\$ 284,675
Allocation of patronage refund to be issued in equity in the following year	<u>40,000</u>
Total	<u>\$ 324,675</u>

### **H) RETIREMENT PLAN**

The Cooperative participates in a SIMPLE IRA plan (the Plan) that covers substantially all employees of the Cooperative. The Cooperative matches up to 3% of employees' wages based on employee contributions. Matching contributions to the Plan charged to operations were approximately \$22,300 during the period ended January 3, 2015.

### **I) MAJOR SUPPLIERS**

During the period ended January 3, 2015, the Cooperative purchased approximately \$3,826,000 (61% of total purchases) of its goods from an unrelated party and AG, a related party (see Note C). At January 3, 2015, amounts due to these suppliers, included in accounts payable, totaled approximately \$116,000.

# **LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JANUARY 3, 2015**

### **J) RELATED-PARTY TRANSACTIONS**

The Cooperative is a member of AG (see Note C). The Cooperative purchased goods and groceries from AG of approximately \$2,669,000 during the period ended January 3, 2015. Amounts due to AG, included in accounts payable, were approximately \$56,000 at January 3, 2015. Patronage refunds due from AG, included in accounts receivable, were approximately \$30,000 at January 3, 2015.

The Cooperative offers a 10% discount on purchases made by employees. Total gross sales to employees for the period ended January 3, 2015 were approximately \$220,000. The discounts on these sales were included as reductions to gross sales in the statement of earnings and approximated \$22,000 for the period ended January 3, 2015.