

**BRIARPATCH COOPERATIVE OF NEVADA
COUNTY, INC.**

FINANCIAL STATEMENTS

December 31, 2023 and 2022

CONTENTS

Independent Accountant's Review Report.....	1
Balance Sheets	2
Statements of Operations	4
Statements of Owners' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
BriarPatch Cooperative of Nevada County, Inc.
Grass Valley, California

We have reviewed the accompanying financial statements of BriarPatch Cooperative of Nevada County, Inc., (a California Cooperative), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, owners' equity, and cash flows for the year the ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibilities 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements of Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of BriarPatch Cooperative of Nevada County, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2023 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2022 Financial Statements

The 2022 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated March 21, 2023. We have not performed any auditing procedures since that date.



Wegner CPAs, LLP
Madison, Wisconsin
March 27, 2024

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
BALANCE SHEETS
December 31, 2023 (Reviewed) and 2022 (Audited)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,151,477	\$ 3,512,400
Accounts receivable - net	108,876	81,471
Inventory	1,301,953	754,058
Prepaid expenses	409,840	297,913
Prepaid income taxes	<u>58,198</u>	<u>50,901</u>
Total current assets	5,030,344	4,696,743
Property and equipment - net	18,897,924	18,706,736
OTHER ASSETS		
Operating lease right-of-use asset	2,805,336	3,128,991
Finance lease right-of-use asset	81,678	47,019
Deposits	3,384	3,384
Note receivable	27,344	30,466
Equity and deposit in National Cooperative Grocers	<u>651,632</u>	<u>490,121</u>
Total other assets	<u>3,569,374</u>	<u>3,699,981</u>
Total assets	<u><u>\$ 27,497,642</u></u>	<u><u>\$ 27,103,460</u></u>

See accompanying notes and independent accountant's review report.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
BALANCE SHEETS
December 31, 2023 (Reviewed) and 2022 (Audited)

	2023	2022
LIABILITIES AND OWNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,208,636	\$ 1,155,609
Accrued liabilities	1,031,326	1,456,065
Income taxes payable	800	-
Current portion of operating lease liabilities	300,631	372,042
Current portion of finance lease liabilities	31,311	21,653
Current portion of notes payable	667,249	200,885
Total current liabilities	3,239,953	3,206,254
LONG-TERM LIABILITIES		
Operating lease liabilities, less current portion	2,520,274	2,756,020
Finance lease liabilities, less current portion	52,277	26,412
Notes payable less current portion and unamortized debt issuance costs	8,024,514	7,206,582
Deferred taxes - net	53,000	288,000
Total long-term liabilities	10,650,065	10,277,014
Total liabilities	13,890,018	13,483,268
OWNERS' EQUITY		
Ownership shares	2,518,637	2,290,282
Retained patronage dividends	7,866,567	7,866,567
Retained earnings	3,222,420	3,463,343
Total owners' equity	13,607,624	13,620,192
Total liabilities and owners' equity	\$ 27,497,642	\$ 27,103,460

See accompanying notes and independent accountant's review report.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
STATEMENTS OF OPERATIONS
Years Ended December 31, 2023 (Reviewed) and 2022 (Audited)

	2023		2022	
	Amount	%	Amount	%
SALES REVENUE				
Sales - net	\$ 40,391,023	100.00	\$ 36,311,924	100.00
Cost of goods sold	<u>24,299,067</u>	<u>60.16</u>	<u>21,893,831</u>	<u>60.29</u>
Gross profit	16,091,956	39.84	14,418,093	39.71
OPERATING EXPENSES				
Salaries and wages	10,446,820	25.86	8,762,455	24.13
Payroll taxes and benefits	2,663,513	6.59	2,208,679	6.08
Occupancy	1,006,520	2.49	644,590	1.78
Depreciation	919,993	2.28	657,500	1.81
Supplies	836,023	2.07	654,414	1.80
Other operating expenses	584,205	1.45	598,485	1.66
Lease expense	540,529	1.34	193,999	0.53
Professional fees	491,096	1.22	397,442	1.09
Member services and promotions	470,352	1.16	181,445	0.50
Administrative expenses	280,836	0.70	217,174	0.60
Sponsorships and donations	<u>69,798</u>	<u>0.17</u>	<u>124,309</u>	<u>0.34</u>
Total operating expenses	<u>18,309,685</u>	<u>45.33</u>	<u>14,640,492</u>	<u>40.32</u>
Net loss from operations	(2,217,729)	(5.49)	(222,399)	(0.61)
OTHER INCOME (EXPENSE)				
Employee retention credit	2,264,409	5.61	-	-
Other income	140,561	0.34	157,246	0.43
Interest expense	(222,994)	(0.55)	(137,438)	(0.38)
Loss on disposal of property and equipment	<u>(398)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other income	<u>2,181,578</u>	<u>5.40</u>	<u>19,808</u>	<u>0.05</u>
Net loss before income taxes	(36,151)	(0.09)	(202,591)	(0.56)
Provision for income taxes	<u>(204,772)</u>	<u>(0.51)</u>	<u>29,946</u>	<u>0.08</u>
Net loss	<u><u>\$ (240,923)</u></u>	<u><u>(0.60)</u></u>	<u><u>\$ (172,645)</u></u>	<u><u>(0.48)</u></u>

See accompanying notes and independent accountant's review report.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
STATEMENTS OF OWNERS' EQUITY
Years Ended December 31, 2023 (Reviewed) and 2022 (Audited)

	Ownership Shares	Retained Patronage Dividends	Retained Earnings	Total
Balance December 31, 2021	\$ 2,182,972	\$ 7,958,203	\$ 3,521,444	\$ 13,662,619
Issued	152,290	-	-	152,290
Redemptions	(44,980)	-	-	(44,980)
Net loss	-	-	(172,645)	(172,645)
Unclaimed patronage dividends	-	(91,636)	114,544	22,908
Balance December 31, 2022	2,290,282	7,866,567	3,463,343	13,620,192
Issued	253,245	-	-	253,245
Redemptions	(24,890)	-	-	(24,890)
Net loss	-	-	(240,923)	(240,923)
Balance December 31, 2023	<u>\$ 2,518,637</u>	<u>\$ 7,866,567</u>	<u>\$ 3,222,420</u>	<u>\$ 13,607,624</u>

See accompanying notes and independent accountant's review report.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 (Reviewed) and 2022 (Audited)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (240,923)	\$ (172,645)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation	919,993	657,500
Amortization of operating lease right-of-use asset	371,070	21,748
Amortization of finance lease right-of-use asset	27,331	-
Amortization of debt issuance costs	8,221	5,528
Deferred taxes	(235,000)	(31,000)
Loss on disposal of assets	398	6,955
Issuance of employee ownership shares	-	23,400
Redemption of employee ownership shares	-	(22,200)
(Increase) decrease in assets		
Accounts receivable	(27,405)	86,515
Inventory	(547,895)	(1,954)
Prepaid expenses	(111,927)	(138,201)
Prepaid income taxes	(7,297)	(50,901)
Deposits	-	43,478
Equity and deposit in National Cooperative Grocers	(161,511)	(92,946)
Increase (decrease) in liabilities		
Accounts payable	53,027	303,188
Accrued liabilities	(424,739)	726,205
Income taxes payable	800	(8,055)
Operating lease liabilities	(355,815)	(158,869)
Net cash flows from operating activities	(731,672)	1,197,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,111,579)	(7,756,649)
Payments under operating leases	-	157,940
Collections of note receivable	3,122	5,629
Net cash flows from investing activities	(1,108,457)	(7,593,080)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease liabilities	(25,224)	(20,702)
Payment of debt issuance costs	(6,650)	(67,850)
Redemption of debt issuance costs	-	18,072
Issuance of notes payable	1,520,685	4,155,187
Principal payments on notes payable	(237,960)	(395,710)
Patronage dividends paid	-	(184,692)
Issuance of consumer ownership shares	253,245	128,890
Redemption of consumer ownership shares	(24,890)	(22,780)
Net cash flows from financing activities	1,479,206	3,610,415
Net change in cash	(360,923)	(2,784,919)
Cash - beginning of year	3,512,400	6,297,319
Cash - end of year	\$ 3,151,477	\$ 3,512,400

See accompanying notes and independent accountant's review report.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

BriarPatch Cooperative of Nevada County, Inc. (Cooperative), operates a consumers' cooperative grocery store in Grass Valley, California and another in Auburn, California. The Auburn store opened for business in August 2023. The Cooperative seeks to be a leader in social, environmental, and fiscal responsibility among businesses locally and food cooperatives nationally. The Cooperative uses its economic power within the community to support those products and practices that promote its goals and principles.

Accounts Receivable

The Cooperative uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on management's estimate of potential uncollectible accounts receivable based on historical experience. When accounts become uncollectible, they are charged to the reserve. There were no accounts that were considered uncollectible as of December 31, 2023 and 2022.

Inventory

Inventory, which consists of grocery items held for resale, is valued at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 39 years.

Leases

The Cooperative does not recognize short-term leases in the balance sheet. For these leases, the Cooperative recognizes the lease payments in the results of operations on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Cooperative also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, the Cooperative uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Equity and Deposit in National Cooperative Grocers

The Cooperative is a member of National Cooperative Grocers (NCG). Membership and retained rebates are stated at cost. The equity and deposit are required to maintain participation in the purchase of merchandise at a reduced cost. The amounts are not marketable and may only be redeemed at face value at the discretion of the other cooperative's board of directors.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Issuance Costs

Debt Issuance costs of \$102,610 and \$95,960 are being amortized over the terms of the underlying loans. Amortization for 2023 and 2022 was \$8,221 and \$5,528. Accumulated amortization at December 31, 2023 and 2022 was \$19,492 and \$11,271. Amortization is recorded as interest expense in the statements of operations.

Revenue Recognition

The Cooperative derives its revenues primarily from the sale of retail grocery products. Revenues are recognized at a point in time when control of these products is transferred to its customers, which the Cooperative has determined is at the point of sale. Sales and other taxes the Cooperative collects concurrent with revenue-producing activities are excluded from revenue. Discounts provided by vendors, usually in the form of paper coupons, are not recognized as a reduction in sales provided the coupons are redeemable at any retailer that accepts coupons. The Cooperative records revenue and related cost on a gross basis for these arrangements. The State of California imposes sales tax on some of the Cooperative sales to nonexempt customers. The Cooperative collects those taxes from customers and remits the entire amount to the State. The Cooperative's accounting policy is to exclude the taxes collected and remitted to the State from sales and cost of sales.

The Cooperative does not recognize revenue when it sells its own gift cards and gift certificates (collectively "gift cards"). Rather, the Cooperative records a deferred revenue liability equal to the amount received. Revenue is then recognized when the gift cards are redeemed to purchase the Cooperative's products. The Cooperative's gift cards do not expire. While gift cards are generally redeemed within 12 months, some are never fully redeemed. The Cooperative recognizes gift card breakage under the proportional method, where recognition of breakage income is based upon the historical run-off rate of unredeemed gift cards. The Cooperative's gift card revenue liability was \$151,002 and \$134,097 as of December 31, 2023 and 2022 and \$142,747 at January 1, 2022. These amounts are recorded as a component of accrued liabilities on the balance sheets.

Income Tax Status

The Cooperative is taxed on non-patronage earnings and any patronage earnings not paid or allocated to the owners. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to differences in depreciation methods for financial statement and income tax purposes (using accelerated depreciation methods for income tax purposes), and a net operating loss carryforward available to offset taxable income in future years. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are used or liquidated.

Advertising

Advertising costs are expensed as incurred. Advertising expense for 2023 and 2022 was \$134,717 and \$39,007.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current-year financial statements.

Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through March 27, 2024, the date which the financial statements were available to be issued.

NOTE 2 – NOTES RECEIVABLE

The Cooperative has loaned \$50,000 to the NCG Loan Fund to provide subsidiary loans to other cooperatives. The funds are used to make commercial loans to new and/or existing grocery cooperatives in the United States for store acquisition, predevelopment, improvement, and/or expansion. These notes pay 3% interest only to the Cooperative and mature in 2026.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Land	\$ 195,904	\$ 195,904
Land improvements	2,714,641	2,714,641
Building and improvements	15,821,218	9,465,749
Machinery and equipment	7,034,453	3,284,333
Construction in process	126,798	9,181,788
Property and equipment	25,893,014	24,842,415
Less accumulated depreciation	6,995,090	6,135,679
Property and equipment - net	\$ 18,897,924	\$ 18,706,736

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 4 – LEASES

The Cooperative leases office space under an operating lease with initial term of 5 years ending May 2024. The Cooperative leases retail space for the Auburn store under an operating lease with a non-cancelable initial term of 10 years ending November 2032 with the option of four five-year extensions. The Cooperative leases parking spaces under an operating lease and was renewed for a fourth two-year term ending December 2025. The Cooperative leases shop space under an operating lease with initial terms of one year ending April 2023 and was extended for an additional three years ending May 2026.

The Cooperative leases several dishwashing machines, printers, and a postage machine under finance leases with initial terms of five years.

The Cooperative also leases various pieces of equipment under short-term leases.

The components of total lease cost are as follows:

	2023	2022
Finance lease cost		
Amortization of right-of-use assets	\$ 27,331	\$ 21,748
Interest on lease liabilities	2,827	2,584
Operating lease cost	505,465	189,679
Short-term lease cost	6,146	-
Variable lease cost	4,906	-
Total lease cost	\$ 546,675	\$ 214,011

Other information related to leases is as follows:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 2,670	\$ 2,404
Operating cash flows from operating leases	488,968	189,278
Financing cash flows from finance leases	25,380	20,882
Right-of-use assets obtained in exchange for new finance lease liabilities	60,747	68,767
Right-of-use assets obtained in exchange for new operating lease liabilities	51,193	3,285,601
Weighted-average remaining lease term		
Finance leases	3.53 years	2.23 years
Operating leases	8.69 years	9.41 years
Weighted-average discount rate		
Finance leases	4.50%	4.50%
Operating leases	4.50%	4.50%

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 4 – LEASES (continued)

The maturities of lease liabilities as of December 31, 2023, are as follows:

	Finance Leases	Operating Leases
Year ending December 31:		
2024	\$ 34,266	\$ 420,632
2025	19,862	378,673
2026	13,906	366,133
2027	14,196	359,673
2028	8,105	386,649
Thereafter	-	1,514,376
Total minimum lease payments	90,335	3,426,136
Imputed interest	(6,747)	(605,231)
Total lease liabilities	\$ 83,588	\$ 2,820,905

NOTE 5 – NOTES PAYABLE

Notes payable at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Note payable to Tri Counties Bank secured by substantially all the assets of the Cooperative. The interest rate, currently 4.5%, is subject to adjustment every five years. Monthly payments of \$58,885, including principal and interest, commenced in December 2023. The note matures in November 2033.	\$ 5,638,995	\$ 4,155,187
Note payable to Tri Counties Bank secured by substantially all the assets of the Cooperative. The interest rate, currently 3.75%, is subject to adjustment every five years. Current monthly payments are \$27,039, including principal and interest. The note matures in January 2036.	3,135,885	3,336,968
Notes payable	8,774,880	7,492,155
Less current portion of notes payable	667,249	200,885
Less unamortized debt issuance costs	83,117	84,688
Notes payable less current portion and unamortized debt issuance costs	\$ 8,024,514	\$ 7,206,582

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 5 – NOTES PAYABLE (continued)

Future minimum payments on notes payable are as follows:

2024	\$	667,249
2025		698,700
2026		729,539
2027		719,337
2028		748,119
Thereafter		<u>5,211,936</u>
Notes payable	\$	<u><u>8,774,880</u></u>

The notes are subject to certain covenants as outlined in the loan agreements.

NOTE 6 – LINE OF CREDIT

The Cooperative has a revolving line of credit agreement with a limit of \$250,000. The line of credit has a variable interest rate equal to the bank's prime rate plus 1.75%. There was no outstanding balance at December 31, 2023 and 2022.

NOTE 7 – OWNERSHIP CAPITAL

Ownership capital consist of owners' investments in the Cooperative. Ownerships are granted for a price set by the Board, currently \$200 per owner. Ownerships can be paid in full or in installments. Each active or fully paid owner is entitled to only one vote. No owner may transfer his or her ownership or any right arising therefrom, except within the family or household of an owner, upon the death of an owner or upon approval of the Board. If ownership is terminated for any reason, the Cooperative may, upon owner request and Board approval, purchase the owner's shares provided that replacement capital has been secured by the Cooperative from a new owner. The Cooperative contributes ownership capital on behalf of employees during the term of employment. The capital is returned to the Cooperative upon termination of employment.

NOTE 8 – SALES DISCOUNTS

The sales and discount amounts for 2023 and 2022 are summarized as follows:

	2023	2022
Sales - gross	\$ 41,027,393	\$ 36,956,652
Owner discounts	<u>(636,370)</u>	<u>(644,728)</u>
Sales - net	<u><u>\$ 40,391,023</u></u>	<u><u>\$ 36,311,924</u></u>

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 9 – RETIREMENT PLAN

The Cooperative sponsors a 401(k) profit sharing plan. Employees are eligible to participate after completing one year and 1,000 hours of service. Employees may contribute to the plan up to the allowable maximum amount. The Cooperative is required to make a matching contribution each year. For 2023 the match was 100% of employee contributions up to a maximum of 3% of compensation and 50% of employee contributions between 3% and 5% of compensation, for a total of \$144,798. For 2022 the match was 100% of employee contributions up to a maximum of 3% of compensation, for a total of \$102,144. Employees are immediately fully vested in all plan contributions.

NOTE 10 – INCOME TAXES

The provision for income taxes for 2023 and 2022 consisted of the following:

	2023	2022
Current income taxes		
Federal income tax expense	\$ (438,972)	\$ -
State income tax expense	(800)	(1,054)
Deferred income taxes		
Change in basis of assets and liabilities	235,000	31,000
Provision for income taxes	\$ (204,772)	\$ 29,946

The income tax provision differs from the expense that would result from applying statutory rates to income before income taxes primarily because of the use of accelerated depreciation methods for income tax purposes and the use of net operating loss carryforwards.

The Cooperative's total deferred tax asset, valuation allowance, and total deferred tax liability at December 31, 2023 and 2022 were as follows:

	2023	2022
Deferred tax asset	\$ 467,000	\$ 111,000
Valuation allowance	-	-
Deferred tax liability	(520,000)	(399,000)
Deferred taxes - net	\$ (53,000)	\$ (288,000)

The deferred tax assets and liabilities primarily represent the tax benefits of federal and state net operating loss carryforwards; the temporary nondeductibility of certain expenses; and the future tax costs and benefits of differences in depreciation methods for financial statement and tax purposes.

The Cooperative has federal net operating loss carryforwards available at December 31, 2023 of approximately \$392,000 which do not expire. The Cooperative has state net operating loss carryforwards available at December 31, 2023 of approximately \$3,132,000 which expire in 2043.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 11 – CONCENTRATIONS

Credit

The Cooperative maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or the National Credit Union Association up to \$250,000. At December 31, 2023 and 2022, the Cooperative's uninsured cash balances totaled approximately \$1,791,000 and \$2,851,000.

Purchasing Agreement

The Cooperative has an agreement through NCG with United Natural Food, Inc. (UNFI). The Cooperative agrees to use UNFI as its primary grocery supplier in exchange for additional purchase discounts. UNFI provides approximately 53% of the value of items purchased for resale.

As part of this agreement the Cooperative, along with other natural food cooperatives in the Western Corridor, is a member of the Joint Liability Fund (JLF) coordinated by NCG. In order to obtain better terms with UNFI the members of the JLF have guaranteed the debt of the other members to UNFI. If a member were to default on its debt, the other members would each be responsible for a share of the debt based on their total purchases from UNFI. The Cooperative contributes fund to a reserve held on deposit by the JLF to satisfy this obligation. The liability in a default may exceed the deposit with the JLF.

NOTE 12 – CONTINGENCIES

On June 29, 2020, the Cooperative received a \$800,000 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan was forgiven and the award was recorded as income during the year ended December 31, 2020.

The Cooperative must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Cooperative's good-faith certification concerning the necessity of its loan request, whether the Cooperative calculated the loan amount correctly, whether the Cooperative used loan proceeds for the allowable uses specified in the CARES Act, and whether the Cooperative is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Cooperative was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the award.

During 2023 the Cooperative claimed Employee Retention Credits (ERC) totaling \$2,264,409 under the provisions of the CARES Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit the Cooperative's eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines the Cooperative was ineligible for the ERC, the Cooperative could be required to repay the amount claimed along with penalties and interest.

BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 (Reviewed) and 2022 (Audited)

NOTE 12 – CONTINGENCIES (continued)

In March 2024 the Cooperative became a defendant in a class action lawsuit related to possible payroll violations. Management denies any liability on behalf of the Cooperative. The plaintiff is seeking unspecified damages, and the range of possible losses pertaining to this action cannot be reasonably estimated at this time.

NOTE 13 – STATEMENTS OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

	2023	2022
Cash paid for interest, net of \$129,586 and \$45,814 capitalized	\$ 99,919	\$ 177,724
Cash paid for income taxes	439,772	54,650
Cash paid for finance leases	2,827	-
Noncash financing transactions		
Donated employee ownership shares - net	16,200	1,200