FINANCIAL STATEMENTS

December 31, 2020 and 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Moscow Food Co-op
Moscow, Idaho

We have reviewed the accompanying financial statements of Moscow Food Co-op, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, owners' equity, and cash flows for the years then 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 cooperative 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 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on 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.

Accountant's Conclusion

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
July 15, 2021

MOSCOW FOOD CO-OP
BALANCE SHEETS
December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 576,869	$ 405,087
Certificates of deposit	313,378	412,374
Accounts receivable	24,714	27,647
Prepaid expenses	54,198	68,298
Inventory	430,570	439,978
Total current assets	1,399,729	1,353,384
Equipment and leasehold improvements, net	1,106,216	1,187,135
OTHER ASSETS		
Security deposit	11,463	11,568
Equity and deposits in other cooperatives	148,184	149,091
Deferred tax asset	172,000	76,000
Total other assets	331,647	236,659
Total assets	$ 2,837,592	$ 2,777,178
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 182,875	$ 283,480
Accrued personnel	109,702	202,168
Current portion of capital lease obligation	3,366	1,099
Current portion of notes payable	90,906	85,835
Other current liabilities	115,060	128,821
Total current liabilities	501,909	701,403
LONG-TERM LIABILITIES		
Capital lease obligation less current portion	10,378	-
Notes payable less current portion	854,703	392,062
Total long-term liabilities	865,081	392,062
Total liabilities	1,366,990	1,093,465
OWNERS' EQUITY		
Owners' equity	1,212,620	1,156,770
Retained patronage dividends	317,969	317,969
Retained earnings (accumulated deficit)	(59,987)	208,974
Total owners' equity	1,470,602	1,683,713
Total liabilities and owners' equity	$ 2,837,592	$ 2,777,178

See accompanying notes and independent accountant’s review report.

MOSCOW FOOD CO-OP
STATEMENTS OF INCOME
Years Ended December 31, 2020 and 2019

	2020		2019	
	Amount	Percent	Amount	Percent
SALES REVENUE				
Sales	$ 10,652,957	103.26	$ 11,530,799	102.85
Less discounts	336,372	3.26	319,107	2.85
Net sales	10,316,585	100.00	11,211,692	100.00
Cost of goods sold	6,420,146	62.23	6,719,253	59.93
Gross profit	3,896,439	37.77	4,492,439	40.07
OPERATING EXPENSES				
Personnel	3,016,845	29.24	3,115,240	27.79
Occupancy	456,297	4.42	444,782	3.97
Operations	415,905	4.03	398,744	3.56
Depreciation	247,007	2.39	231,124	2.06
Administrative	199,440	1.93	241,433	2.15
Marketing and outreach	41,929	0.41	102,451	0.91
Governance	14,462	0.14	27,959	0.25
Total operating expenses	4,391,885	42.56	4,561,733	40.69
Net loss from operations	(495,446)	(4.79)	(69,294)	(0.62)
OTHER INCOME (EXPENSES)				
Other income	161,443	1.56	51,585	0.46
Interest expense	(22,765)	(0.22)	(27,519)	(0.25)
Loss on disposal of equipment	(8,193)	(0.08)	(3,076)	(0.03)
Total other income (expense)	130,485	1.26	20,990	0.18
Net loss before income taxes	(364,961)	(3.53)	(48,304)	(0.44)
Provision for income taxes	96,000	0.90	21,500	0.19
Net loss	$ (268,961)	(2.63)	$ (26,804)	(0.25)

See accompanying notes and independent accountant's review report.

MOSCOW FOOD CO-OP
STATEMENTS OF OWNERS' EQUITY
Years Ended December 31, 2020 and 2019

	Owners' Equity	Retained Patronage Dividends	Retained Earnings (Accumulated Deficit)	Total Owners' Equity
Balance at December 31, 2018	$ 1,093,657	$ 317,969	$ 235,778	$ 1,647,404
Stock issued	63,113	-	-	63,113
Net loss	-	-	(26,804)	(26,804)
Balance at December 31, 2019	1,156,770	317,969	208,974	1,683,713
Stock issued	55,850	-	-	55,850
Net loss	-	-	(268,961)	(268,961)
Balance at December 31, 2020	$ 1,212,620	$ 317,969	$ (59,987)	$ 1,470,602

See accompanying notes and independent accountant’s review report.

MOSCOW FOOD CO-OP
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (268,961)	$ (26,804)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation	247,007	231,124
Loss on disposal of equipment	8,193	3,076
Change in deferred taxes	(96,000)	(21,500)
(Increase) decrease in assets		
Accounts receivable	2,933	920
Prepaid expenses	14,100	(12,342)
Inventory	9,408	(29,564)
Security deposit	105	-
Equity and deposits in other cooperatives	907	(6,822)
Increase (decrease) in liabilities		
Accounts payable	(100,605)	97,464
Accrued personnel	(92,466)	(13,868)
Other current liabilities	(13,761)	5,650
Net cash flows from operating activities	(289,140)	227,334
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and interest retained in certificates of deposit	(6,073)	(109,088)
Redemption of certificates of deposit	105,069	-
Purchases of equipment and leasehold improvements	(157,453)	(216,191)
Net cash flows from investing activities	(58,457)	(325,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	553,838	-
Principal payments on notes payable	(86,126)	(77,559)
Principal payments on capital lease obligation	(4,183)	(4,625)
Proceeds from stock issued	55,850	63,113
Net cash flows from financing activities	519,379	(19,071)
Net change in cash	171,782	(117,016)
Cash at beginning of year	405,087	522,103
Cash at end of year	$ 576,869	$ 405,087
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 22,765	$ 27,519
Noncash investing and financing transactions		
Equipment financed with note payable	-	28,068
Equipment financed with capital lease	16,828	-

See accompanying notes and independent accountant's review report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Moscow Food Co-op (Cooperative) was originally incorporated in 1974 as a nonprofit cooperative association with the state of Idaho. The Cooperative operates a natural foods retail grocery store in Moscow, Idaho. The Cooperative emphasizes locally produced, organically grown, and ecologically sound products. Through providing healthy food, the Cooperative has created a healthier planet and a stronger, healthier community. It has built a cooperative community based on the recognition that “we are stronger together.”

Accounts Receivable

Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of December 31, 2020 and 2019, management has determined based on historical experience that all amounts are fully collectible, and no allowance for doubtful accounts has been recorded.

Inventory

Inventory, which consists of grocery and related consumer goods held for resale, is valued at the lower of cost or net realizable value determined using the first-in, first-out (FIFO) method.

Equipment and Leasehold Improvements

Equipment and leasehold improvements in excess of $2,500 is capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which range from 5 to 15 years.

Income Taxes

The Cooperative is taxed on non-patronage earnings and any patronage earnings not paid or allocated to the members. 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 temporary differences between the basis of assets and liabilities for the financial statements and income tax purposes. The differences relate primarily to the use of different depreciation methods and lives for financial statement and income tax purposes and the net operating loss carryforward available to offset future taxable income. 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. Management believes that all deferred tax assets will be realized, and therefore, no valuation allowance has been recorded.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Cooperative derives its revenues primarily from the sale of grocery products to its customers through its retail store location in Moscow. The Cooperative recognizes revenue at a point in time at the point of sale to its customers, as the Cooperative has determined that this is the point at which the sole performance obligation has been met and control is transferred, as the customer can direct the use and obtain substantially all of the remaining benefits from the asset at this point in time.

The Cooperative does not have any significant financing components as payment is generally required at the point of sale at the same time goods are exchanged. Variable consideration, which typically includes product returns and other discounts, is estimated using the expected value or most likely amount method, and the Cooperative reduces revenue accordingly. The Cooperative does not expect significant changes to estimates of variable consideration.

Discounts provided to customers by the Cooperative at the time of sale, including those provided in connection with ownership, are recognized as a reduction in sales as the products are sold. 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 a receivable from the vendor for the difference in sales price and payment received from the customer at the point of sale.

Taxes for amounts assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Cooperative from a customer, are excluded from revenue.

The Cooperative acts as principal in certain vendor arrangements where the purchase and sale of inventory are virtually simultaneous. The Cooperative records revenue and related cost on a gross basis for these arrangements.

The Cooperative sells gift cards that can be used at its store, and a contract liability is recognized when gift cards are sold. The Cooperative does not charge fees on unused gift cards and cards do not expire. Revenue from gift cards is recognized when the gift card is redeemed by the customer or when management has determined that the likelihood of the gift card being redeemed is remote and the Cooperative has no legal obligation to remit the unused balance to relevant jurisdictions as unclaimed property. 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. Gift card breakage income recorded as revenue for 2020 was $15,482. There was no gift card breakage income recorded as revenue for 2019. The Cooperative's contract liabilities from gift card sales for 2020 and 2019 were as follows:

	2020	2019
Beginning of year	$ 71,410	$ 60,894
End of year	60,860	71,410

These amounts were recorded as a component of other current liabilities on the balance sheets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as incurred. Advertising expenses for 2020 and 2019 were $21,004 and $32,235.

Estimates

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

Date of Management's Review

Management has evaluated subsequent events through July 15, 2021, date which the financial statements were available to be issued.

NOTE 2 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Equipment	$ 1,496,485	$ 1,325,951
Leasehold improvements	1,402,048	1,374,572
Construction in progress	17,542	120,099
Equipment and leasehold improvements	2,916,075	2,820,622
Less accumulated depreciation	1,809,859	1,633,487
Equipment and leasehold improvements, net	$ 1,106,216	$ 1,187,135

NOTE 3 – PENSION PLAN

The Cooperative sponsors a 401(k) plan for eligible employees. After meeting certain eligibility requirements, 50% of the employees' contributions are matched by the Cooperative, up to 6% of the employees' compensation. Pension expense was $22,848 and $24,974 for the years ended December 31, 2020 and 2019.

NOTE 4 – EQUITY AND DEPOSITS IN OTHER COOPERATIVES

Equity and deposits in other cooperatives at December 31, 2020 and 2019 consisted of the following:

	2020	2019
National Co+op Grocers	$ 140,983	$ 142,935
Frontier Natural Products Co-op	7,176	6,131
Maple Valley Cooperative	25	25
Equity and deposits in other cooperatives	$ 148,184	$ 149,091

The investments in these cooperatives, while not readily marketable, are necessary to maintain participation in the purchase of merchandise or services. These amounts are recorded at cost and may be redeemed at face value only at the discretion of the other organizations' boards of directors.

NOTE 5 – INCOME TAXES

The provision for income taxes for 2020 and 2019 consisted of the following:

	2020	2019
Current income tax expense		
Federal	$ -	$ -
Idaho	-	-
Deferred income tax benefit	96,000	21,500
Provision for income taxes	$ 96,000	$ 21,500

The Cooperative's deferred tax asset at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Depreciation	$ 69,000	$ 53,000
Net operating loss carryforward	98,000	18,000
Charitable contribution carryforward	5,000	5,000
Deferred tax asset	$ 172,000	$ 76,000

At December 31, 2020, the Cooperative had a net operating loss carryforward of approximately $369,000 that can be used to offset future federal and state taxable income and does not expire.

NOTE 6 – NOTES PAYABLE

Notes payable at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Paycheck Protection Program Loan (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). The loan accrues interest at 1% but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total eligible expenses paid by the Cooperative during the covered period. Eligible expenses include payroll costs, interest on mortgages, and utilities. Any unforgiven portion is payable over two years. Matures April 2022. This note is unsecured.	$ 553,838	$ -
5.25% note payable to a credit union, secured by a vehicle. Monthly payments of principal and interest of $533 began November 2019. The note matures October 2024.	22,127	27,217
5.5% note payable to a local corporation, secured by a Commercial Security Agreement. Monthly payments of principal and interest of $8,650 began February 2018. The note matures January 2025.	369,644	450,680
Notes payable	945,609	477,897
Current portion of notes payable	(90,906)	(85,835)
Notes payable net of current portion	$ 854,703	$ 392,062

Future minimum principal payments are as follows:

2021	$ 90,906
2022	649,923
2023	101,490
2024	103,290
Notes payable	$ 945,609

NOTE 7 – LEASING ARRANGEMENTS

Operating Leases

The Cooperative leases retail space under an operating lease that expires March 2035. Monthly payments involve a base rent of $13,223 rent plus amounts for taxes, insurance, and a repair contingency. The lease requires a 3% annual escalation of the base rent.

In October 2017, the Cooperative entered into a lease for additional retail space through August 2020. The lease has been extended through August 2025. Monthly rental payments are $835.

In December 2018, the Cooperative entered into another lease for additional retail space. The lease has been extended through November 2021. Monthly payments are $1,650.

Rent expense under these leases for 2020 and 2019 was $168,049 and $183,391.

Future minimum payments required under the operating leases for the subsequent five years are as follows:

2021	$	185,688
2022		172,263
2023		177,131
2024		182,144
2025		183,968

Capital Leases

The Cooperative acquired a piece of equipment through a capital lease in 2020. Monthly payments on the lease are $280. The cost of the equipment recorded under the capital lease at December 31, 2020 was $16,828, with accumulated depreciation of $3,085.

Future minimum payments required under the capital leases are as follows:

2021	$	3,366
2022		3,366
2023		3,366
2024		3,366
2025		280
Present value of net minimum lease payments		13,744
Current portion of capital lease obligation		3,366
Capital lease obligation less current portion	$	10,378

NOTE 8 – OWNERS' EQUITY

Owners' investments represent one share of no par value stock in the Cooperative. Owners are required to purchase one share of stock for $150, which can be paid in annual installments of $10 for 15 years. Owners who are delinquent by 3 months in meeting the share purchase requirement or fail to make a purchase from the Cooperative within a one-year period are deemed to be inactive. All active members are eligible to vote for the Cooperative's board of directors and receive certain discounts. Investments are redeemable only upon dissolution of the Cooperative. At the discretion of the Cooperative's directors, owners are eligible to obtain patronage dividends on the Cooperative's earnings.

NOTE 9 – CONCENTRATIONS

Purchasing Agreement

The Cooperative has an agreement through National Co+op Grocers (NCG) with United Natural Foods, Inc. (UNFI). The Cooperative agrees to use UNFI as its primary grocery supplier in exchange for additional purchase discounts. UNFI provides approximately 42% of the cost of items purchased for resale. As part of this agreement the Cooperative, along with other natural food cooperatives in the Western Corridor of NCG, is a member of the Joint Liability Fund (JLF) coordinated by NCG. At December 31, 2020 and 2019, the Cooperative had a deposit with JLF for $27,909 and $26,879. In order to obtain better terms with UNFI, the members of the JLF have guaranteed the debt of the other members of their corridor 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 total liability for this debt could exceed the amount of the deposit with the JLF.

Credit Risk

The Cooperative maintains cash balances at several financial institutions in Idaho. The Federal Deposit Insurance Corporation or the National Credit Union Association insures accounts at each institution up to $250,000. At December 31, 2019, the Cooperative's cash balances were fully insured. At December 31, 2020, the Cooperative had uninsured cash balances of approximately $64,627.

NOTE 10 – PAYCHECK PROTECTION PROGRAM AWARD

The Cooperative intends to apply for forgiveness of its PPP award in 2021. 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 funds.

NOTE 11 – RISKS AND UNCERTAINTIES

With the COVID-19 pandemic that escalated in March 2020 still ongoing as of July 15, 2021, it could still potentially impact the Cooperative's revenue, operations, and workforce. The extent to which the pandemic impacts the Cooperative's financial condition will depend on future developments which are highly uncertain and cannot be reasonably estimated at this time.