

Neighborhood Grocery, LLC Statement of Financial Condition As of December 31, 2023

NEIGHBORHOOD GROCERY, LLC
ANNUAL STATEMENT OF FINANCIAL CONDITION INDEX
AS OF DECEMBER 31, 2023
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NEIGHBORHOOD GROCERY, LLC STATEMENT OF FINANCIAL CONDITION AS OF
DECEMBER 31, 2023

ASSETS

Cash	\$257,419
Equipment	\$201,532
Inventory	\$7,728.63

Total Assets **\$466,679.63**

LIABILITIES AND MEMBER'S EQUITY

Liabilities	\$160,000
Lease Liability	\$45,000
Total Liabilities	\$205,000
Member's Equity	\$261,679.63

Total Liabilities & Member's Equity **\$466,679.63**

NEIGHBORHOOD GROCERY, LLC STATEMENT OF INCOME AS OF DECEMBER 3, 2021

REVENUE

Cash	\$58,150.60
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COGS	\$65,879.23
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Gross Income: **\$-7,728.63**

EXPENSES

Labor Expenses	\$30,000.00
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Property & Equipment Expenses	\$14,881.00
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Other Expenses	\$20,391.00
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Total Expenses: \$65,272.00

Net Income: **\$-73,000.63**

NEIGHBORHOOD GROCERY, LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2021

Nature of Operations and Summary of Significant Accounting Policies

1.1 Nature of Operations

Neighborhood Grocery is a community-owned grocery store concept that will be located in Detroit. Also, Neighborhood Grocery operates as a market garden on the eastside of Detroit.

1.2 Basis of Presentation

The Statement of Financial Condition has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification to show the first quarter performance of the Company.

1.3 Performance Summary

In the first fiscal quarter of operations, Neighborhood Grocery operated with a net income of \$-73,000.63. Regarding operations, Neighborhood Grocery purchased inventory totalling \$65,879.23 which generated revenues totalling \$58,150.60, resulting in a gross income of \$-7,728.63.

1.4 Performance Factors

Factors to consider when viewing the Company's first quarter financial statements:

1. The Company's startup date: The Company officially began operations on October 8, 2023, resulting in the Company's annual financial statements only reflecting three months of operations.
2. Startup Expenses predating the Company's official opening: While the Company's official start date was October 8, 2023, the Company incurred expenses prior to opening. Therefore, much of the first quarter and future expenses will reflect the Company's initial investment into the project along with current operational expenses.
3. The Company's Inventory Turnover Ratio: Currently, Neighborhood Grocery's turnover ratio is 8.5. In the first fiscal quarter of operations, the Company sold eighty nine percent of its initial inventory stocking, resulting in close to one full inventory turnover within the quarter.
4. Higher Expenses to start the Business: Costs of operations are high in the first fiscal quarter due to elevated spending in certain categories - Marketing, building costs, labor and contracting expenses, professional and legal costs, and inventory.
5. High Rates of Spoilage: The Company experienced shrinkage totalling 10% which is 8% higher than industry average.
6. Working Capital to cover expenses for the Company: Neighborhood Grocery has been leveraging the match grant from Motor City Match and funds from crowdfunding vehicles to cover the Company's startup and operational expenses.

1.5 Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the double-declining method over the estimated useful lives (3-5 years) of the related assets. Leasehold improvements are amortized over the remaining life of the lease.

1.6 Income Taxes and Deferred Income Taxes

The Company is a taxpaying entity for Federal or State income tax purposes as of October 8, 2023. The income or loss of the Company will be reported on the Company's tax returns. Therefore, no provision or liability for income taxes is included in this financial statement. No formal tax sharing agreement exists between the Company and the Parent and the Company has no obligation to fund any liability of the Parent with its earnings. The Company is subject to taxation in local jurisdictions.

In accordance with GAAP, the Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Company has determined that it has incurred taxable income as of December 31, 2023 which will be reduced to zero taxable income due to the company operating at a loss.

1.7 Advertising

The Company expenses advertising costs as incurred.

1.8 Investments Measured at Fair Value on a Recurring Basis

The Company records its financial assets and liabilities at fair value. The accounting standard for fair value which provides a framework for measuring fair value clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date.

1.9 Holdings currently leases 6,000 square feet of retail space in Detroit, Michigan.

2.0 COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and U.S. markets. While the Company believes that it is in an appropriate position to sustain the potential short-term effects of these world-wide events, the direct and long-term impact to the Company and its financial statements is undetermined at this time.

2.1 Subsequent Events

In October 2023, Neighborhood Grocery opened for operations and has been operating at full capacity.

On December 13, 2024, The Company's application with the United States Department of Agriculture to become a SNAP/EBT vendor was successfully approved.

Also, as of December 2023, the Company's parent, Urban Plug L3C, has paid the Detroit Economic Growth Corporation the sum of \$14,485 for loan closing costs and secured a small business loan for the total of \$150,000. Also, Neighborhood Grocery received a grant from the Detroit Economic Growth Corporation for the sum of \$85,000. Since March 2023, Urban Plug L3C, has made interest loan payments for the sum of \$458.34, totalling \$4,125.06 to The Detroit Economic Growth Corporation.