Do it Best Corp.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 25, 2022, JUNE 26, 2021, AND JUNE 27, 2020

Do it Best Corp.

Products
Services
Solutions

P.O. Box 868
Fort Wayne, IN
46801-0868
Ph: 260.748.5300

August, 2022

We state and attest that:

1. To the best of our knowledge, based upon a review of the following reports of Do it Best Corp.
   a. No report contained an untrue statement of material fact as of the end of the period covered by such report; and
   b. No report omitted to state a material fact necessary to make the statements in the report, in light of the circumstances under which they were made, not misleading as of the end of the period covered by such report.
2. We have reviewed the contents of this statement with the Do it Best Corp. board of directors.

Dan Starr
President and CEO

J. Douglas Roth
Vice President of Finance and CFO

Do it Best Corp.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Member-Shareholders
Do it Best Corp. and Subsidiaries
Fort Wayne, Indiana

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Do it Best Corp. and Subsidiaries (Do it Best Corp.) (an Indiana corporation), which comprise the consolidated balance sheets as of June 25, 2022 and June 26, 2021, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 25, 2022, June 26, 2021, and June 27, 2020, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Do it Best Corp. as of June 25, 2022 and June 26, 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 25, 2022, June 26, 2021, and June 27, 2020 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Do it Best Corp. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Do it Best Corp.'s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Do it Best Corp.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Do it Best Corp.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
August 22, 2022

DO IT BEST CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 25, 2022 AND JUNE 26, 2021
(IN THOUSANDS)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 2,752	$ 4,127
Accounts and Notes Receivable, Less Allowance for Doubtful Accounts of $764 in 2022 (2021; $928)	578,152	590,402
Income Tax Receivable	822	-
Merchandise Inventories	439,102	345,730
Prepaid Expenses	262	176
Total Current Assets	1,021,090	940,435
PROPERTY AND EQUIPMENT, Net	117,592	111,603
Accounts and Notes Receivable, Less Current Maturities	1,594	770
Deferred Income Taxes	8,830	10,167
Investment in Affiliates	41,634	23,197
Pension Asset	15,808	19,338
Other Assets	20,450	26,098
Total Assets	$ 1,226,998	$ 1,131,608
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable - Line of Credit	$ 118,500	$ -
Accounts Payable	637,606	655,183
Income Tax Payable	-	815
Accrued Expenses	90,014	106,214
Total Current Liabilities	846,120	762,212
Long-Term Portion of Accrued Pension and Other Postretirement Liabilities	2,803	3,386
SHAREHOLDERS' EQUITY		
Common Stock, Voting	3,141	3,049
Common Stock, Nonvoting	641	645
Preference Stock	370,217	363,891
Accumulated Other Comprehensive Loss	(11,574)	(10,269)
Retained Earnings	15,650	8,694
Total Shareholders' Equity	378,075	366,010
Total Liabilities and Shareholders' Equity	$ 1,226,998	$ 1,131,608

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED JUNE 25, 2022, JUNE 26, 2021, AND JUNE 27, 2020
(IN THOUSANDS)

	2022	2021	2020
Gross Sales	$ 5,540,343	$ 5,189,982	$ 3,578,018
Returns and Allowances	125,819	116,265	99,605
Net Sales	5,414,524	5,073,717	3,478,413
Cost of Sales	5,171,435	4,799,164	3,237,546
Gross Profit	243,089	274,553	240,867
Selling, General, and Administrative Expenses	94,114	80,513	94,208
Income Before Other Income, Profit Sharing, and Pension Costs, Shareholders' Refund and Income Taxes	148,975	194,040	146,659
Other Income, Net	5,552	3,729	1,264
Income Before Profit Sharing and Pension Costs, Shareholders' Refund and Income Taxes	154,527	197,769	147,923
Profit Sharing and Pension Costs	16,078	22,449	17,249
Income Before Shareholders' Refund and Income Taxes	138,449	175,320	130,674
Shareholders' Refund:			
Cash	86,734	98,881	88,258
Preference Stock	42,476	71,268	40,121
Total Shareholders' Refund	129,210	170,149	128,379
Income Before Income Taxes	9,239	5,171	2,295
Federal and State Income Taxes:			
Income Tax Provision	2,283	1,048	763
Net Income	$ 6,956	$ 4,123	$ 1,532

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED JUNE 25, 2022, JUNE 26, 2021, AND JUNE 27, 2020
(IN THOUSANDS)

	2022	2021	2020
NET INCOME	$ 6,956	$ 4,123	$ 1,532
Other Comprehensive Income (Loss):			
Change in Defined Benefit Plans, Net of Tax	(1,305)	11,991	1,243
COMPREHENSIVE INCOME	$ 5,651	$ 16,114	$ 2,775

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED JUNE 25, 2022, JUNE 26, 2021, AND JUNE 27, 2020
(IN THOUSANDS)

	2022	2021	2020
COMMON STOCK, VOTING			
Balance - Beginning of Year	$ 3,049	$ 3,044	$ 3,046
Shares Issued	257	156	122
Shares Repurchased	(165)	(151)	(124)
Balance - End of Year	3,141	3,049	3,044
COMMON STOCK, NONVOTING			
Balance - Beginning of Year	645	633	663
Shares Issued	-	16	-
Shares Repurchased	(4)	(4)	(30)
Balance - End of Year	641	645	633
PREFERENCE STOCK			
Balance - Beginning of Year	363,891	322,659	306,545
Shares Issued	42,476	71,268	40,121
Shares Repurchased	(36,150)	(30,036)	(24,007)
Balance - End of Year	370,217	363,891	322,659
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance - Beginning of Year	(10,269)	(22,260)	(23,503)
Other Comprehensive Income (Loss)	(1,305)	11,991	1,243
Balance - End of Year	(11,574)	(10,269)	(22,260)
RETAINED EARNINGS			
Balance - Beginning of Year	8,694	4,571	3,039
Net Income	6,956	4,123	1,532
Balance - End of Year	15,650	8,694	4,571
Total Shareholders' Equity	$ 378,075	$ 366,010	$ 308,647

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 25, 2022, JUNE 26, 2021, AND JUNE 27, 2020
(IN THOUSANDS)

	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 6,956	$ 4,123	$ 1,532
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	15,418	14,808	14,252
Deferred Income Taxes	1,820	(447)	230
(Gain) Loss on Investments	3,047	(5,364)	(66)
Provision for Bad Debts	(164)	45	236
(Gain) Loss on Sale of Assets	(40)	651	1,571
Shareholder Refunds in Preference Shares	42,476	71,268	40,121
Equity in Earnings of Unconsolidated Affiliates, Net of Distributions	(6,883)	(2,754)	(81)
Changes in Operating Assets and Liabilities:			
Accounts and Notes Receivable, Net	11,590	(189,927)	(83,268)
Income Tax Receivable	(822)	479	133
Merchandise Inventories	(93,372)	(75,194)	11,493
Prepaid Expenses, Pension, and Other Assets	4,610	(20,226)	192
Accounts Payable	(17,577)	161,378	41,171
Income Tax Payable	(815)	815	-
Accrued Expenses, Pension, and Other Postretirement Liabilities	(18,571)	2,956	36,076
Net Cash Provided (Used) by Operating Activities	(52,327)	(37,389)	63,592
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	(3,496)	(4,591)	(18,157)
Proceeds from Redemption of Investments	4,877	4,582	18,994
Investment in Unconsolidated Affiliate	(11,500)	-	(19,150)
Proceeds from Sale of Property and Equipment	84	51	67
Capital Expenditures	(21,451)	(15,121)	(14,599)
Net Cash Used by Investing Activities	(31,486)	(15,079)	(32,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Increase in Notes Payable - Line of Credit	118,500	-	-
Issuance of Common Shares	257	156	122
Purchase of Common Shares	(165)	(151)	(124)
Issuance of Nonvoting Common Shares	-	16	-
Purchase of Nonvoting Common Shares	(4)	(4)	(30)
Purchase of Preference Shares	(36,150)	(30,036)	(24,007)
Net Cash Provided (Used) by Financing Activities	82,438	(30,019)	(24,039)
NET INCREASE (DECREASE) IN CASH	(1,375)	(82,487)	6,708
Cash - Beginning of Year	4,127	86,614	79,906
CASH - END OF YEAR	$ 2,752	$ 4,127	$ 86,614
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash Paid for Income Taxes	$ 1,520	$ 200	$ 400
Cash Paid for Interest	$ 2,129	$ 103	$ 2

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Do it Best Corp. is a member-owned wholesaler of hardware, lumber, builder supplies, and related products, operating as a wholesaler cooperative. Members are located principally in the United States, with some member locations abroad. Only dealers in hardware, lumber, builder supplies, and related products are eligible to hold shares in the Company. Nearly all of the Company's sales are to dealer-members, each of whom is required to purchase twenty voting common shares at $50 per share on becoming a member and, in some cases, shares of nonvoting common stock.

Fiscal Year

The Company's fiscal year consists of 52 or 53 weeks ending on the last Saturday in June. A 53rd week will be added every five or six years. All references to 2022, 2021, and 2020 relate to the fiscal years ended June 25, 2022, June 26, 2021, and June 27, 2020, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of Do it Best Corp. and its wholly owned subsidiaries (the Company or Do it Best). Transactions with unconsolidated affiliates that do not meet the consolidation criteria of the authoritative guidance for voting interest entities or variable interest entities are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounting Changes

In 2022, the Company adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans.* ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit plans (pension or other postretirement plans) to improve the effectiveness of the disclosures. The Company elected to utilize the retrospective approach upon adoption. There was no material impact on the Company's financial position and results of operations upon adoption of the new standard.

In 2021, the Company adopted the Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers (Topic 606)*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Company elected to utilize the modified retrospective approach upon adoption. There was no material impact on the Company's financial position and results of operations upon adoption of the new standard.

Capital Structure

The Company's capital is primarily derived from the issuance of voting common shares together with the preference shares issued in connection with the Company's annual shareholders' refund. The Articles of Incorporation require that each member shareholder accept preference shares in payment of refunds, under requirements of the formula set forth in the bylaws, and the payment of at least 20% in cash.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Structure (Continued)

Upon a member's termination of membership with the Company and demand for repurchase, the Company will repurchase the voting and/or nonvoting common shares held by such shareholder at the lesser of cost or book value. After a holder of voting or nonvoting common shares requests repurchase of those shares concurrently with termination of their relationship with the Company as a member-shareholder, the board of directors may also authorize repurchase of the preference shares held by such shareholder, subject to statutory and bylaw restrictions, in sequence of termination, at the discretion of the board of directors.

Upon request of a shareholder, the Company may redeem part of a shareholder's preference shares where such shareholder has experienced a substantial uninsured financial loss through catastrophe, or where the member presents a plan for a new retail business. Any request is subject to standards and limitations imposed by the board of directors or the Company.

Upon liquidation of the Company for any reason, the holders of the preference shares shall be entitled to receive out of the assets of the Company, the sum of $100 per share before any distribution is made to the holders of voting and nonvoting common shares.

Shareholder Refund

At the end of each fiscal year, the Company is obligated to refund to its member-shareholders the gross profit on sales of merchandise to the member-shareholders, less all operating expenses. Refunds are required to be made to each member-shareholder in the proportion of the gross profit on purchases to the total gross profit on purchases made by all member shareholders, adjusted for participation in the Enhanced Rebate program. Total cash shareholder refunds to be paid approximated $86,700, $98,900, and $88,300 in 2022, 2021, and in 2020, respectively. These amounts are currently included in accounts payable. The Company also issued preference stock shareholder refunds of approximately $42,500, $71,300, and $40,100 in 2022, 2021, and 2020, respectively. These amounts are included in equity.

Use of Estimates

Preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, making it reasonably possible that a change in certain of these estimates could occur in the near term. Certain significant estimates and assumptions used in the preparation of the Company's consolidated financial statements include those used for: pension and postretirement benefit plans; allowances for doubtful accounts; and inventory valuation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes and Uncertain Tax Positions

The Company accounts for income taxes under the asset and liability method. The Company's taxable income is determined after deducting refunds to member-shareholders. Deferred tax assets and liabilities are recognized for operating loss and tax credit carryforwards and for the estimated future tax consequences attributable to differences between consolidated financial statement reporting basis of existing assets and liabilities and their respective income tax basis. Deferred tax assets and liabilities are measured using enacted tax rates anticipated to be in effect for the year in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to recognize, based on available evidence, the future tax benefits that will more-likely-than-not be realized.

The Company accounts for uncertainty in income taxes under the provisions of Accounting Standards Codification (ASC) 740. A tax position is recognized as a benefit only if it is "more-likely-than-not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more-likely-than-not" test, no tax benefit is recorded. Management is not aware of any uncertain tax positions. The Company is no longer subject to examination by taxing authorities for years before June 30, 2019.

The Company is subject to U.S. federal income tax, as well as various state income taxes. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company did not have any amounts accrued for interest and penalties at June 25, 2022 or June 26, 2021.

Inventory Valuation

Merchandise inventories are valued at the lower of cost or net realizable value, with cost determined on a first-in, first-out (FIFO) basis. Do it Best Corp. enters into various purchase rebate programs with vendors, pursuant to binding arrangements. Where the rebate or incentive is probable and estimable, it is recognized as a reduction to cost of each underlying transaction. If a rebate is not probable or reasonably estimable, such rebates are recognized on their achievement.

Comprehensive Income

Comprehensive income is a more inclusive measurement of results, including items that are not recognized in the measurement of net income. Other comprehensive income represents the change in the Company's defined benefit pension plans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Revenue Recognition

Do it Best sells to members using credit terms customary in its industry. The Company determines delinquent accounts in accordance with sales terms. When an invoice becomes delinquent, it is generally subject to interest at 1.5% per month. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged against the reserve when management deems further collection efforts will not produce additional recoveries. Do it Best has the right to set off amounts owed by the Company to its members against indebtedness owed the Company by its members.

The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company enters into contracts with members to sell merchandise, which is typically the only performance obligation. The pricing and payment terms for contracts are based on the Company's standard terms and conditions. In some instances, extended repayment terms may be offered; however, standard terms and conditions generally are due within five days of the statement date.

Revenues from the sale of warehouse merchandise to members are generally recognized when goods are shipped. Sales revenues for goods acquired and sold to members under drop-ship arrangements with vendors are generally recognized in accordance with vendor terms as to title and risk of loss passage. The Company recognizes the revenue and cost of goods sold from these arrangements on a gross basis as the principal in the transaction. The Company is primarily responsible for fulfilling the promise to customers to provide merchandise at negotiated prices with the vendors, assumes inventory risk if the product is returned by the members, and assumes all the credit risk for the vendors with the members. Therefore, the Company concluded it is the principal for these transactions. The Company provides cooperative advertising, among other services, to its members. Revenues for such services are recognized when the services are rendered.

The transaction price includes estimates for reductions in revenue from discounts, rebates, returns, freight damage, prompt payment discounts, or co-operative advertising contributions. These amounts are estimated based upon the most likely amount of consideration to which the customer will be entitled. All estimates are based on historical experience, anticipated performance, and the Company's best judgment at the time to the extent it is probable that a significant reversal of revenue recognized will not occur. All estimates for variable consideration are reassessed periodically.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Revenue Recognition (Continued)

The Company has elected to account for shipping and handling costs as fulfillment costs and are included in costs of sales in the consolidated statements of income.

The Company has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the member's product needs.

Notes Receivable

Notes receivable are stated at unpaid principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Fair Value of Financial Instruments

The Company follows guidance in ASC 820 which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This requirement establishes a fair value hierarchy regarding the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. This fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The requirement describes three levels of inputs that may be used to measure fair value. See Notes 7 and 9 for further discussion.

Cash

The Company considers all demand deposit accounts to be cash. The Company places its cash with high credit quality financial institutions. The Company maintains its cash accounts at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Periodically throughout the year, the Company's cash balances may exceed this FDIC insurance coverage limit; however, management does not anticipate nonperformance by the institutions.

Property and Equipment

Property and equipment are stated at cost. Upon retirement or sale of assets, the cost of the disposed assets and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to income, respectively. Major additions and improvements are capitalized, while minor items, maintenance, and repairs are expensed currently. Depreciation and amortization are calculated using straight-line methods. Estimated useful lives range from 15 to 40 years for building and improvements, and from 3 to 10 years for equipment and fixtures. Depreciation expense for 2022, 2021, and 2020 was $10,435, $9,889, and $9,329, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Included in property and equipment is the capitalized cost of internal-use software. The Company capitalizes costs incurred during the application development stage of internal-use software and amortizes these costs over its estimated useful life. Costs incurred related to design or maintenance of internal-use software are expensed as incurred. For 2022 and 2021, the Company capitalized approximately $8,408 and $3,285, respectively, of software development costs which consisted of both internally developed and purchased software costs. Amortization expense for all capitalized software was $4,983, $4,919, and $4,923 for 2022, 2021, and 2020, respectively.

The Company evaluates long-lived assets, such as property and equipment, 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 expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value. The Company has not incurred any impairment of long-lived assets during 2022, 2021, or 2020.

Advertising and Promotion Costs

Costs associated with advertising and promotions are charged to operations in the period incurred. The Company participates in cooperative advertising arrangements with its vendors. Reimbursements received under cooperative advertising arrangements with vendors are recognized as a reduction of associated advertising costs. Advertising and promotion costs, net, charged to operation in 2022, 2021, and 2020 were $10,384, $10,081, and $11,886, respectively.

Investments

The Company has certain long-term investments that consist primarily of mutual funds and are recorded at fair value in the accompanying consolidated balance sheets. These investments are included in Other Assets and amounted to $19,877 and $24,305 at June 25, 2022 and June 26, 2021, respectively. Changes in fair value are included in earnings. Net realized and unrealized gains and losses during 2022, 2021, and 2020 on equity and fixed income securities were $1,303, $5,364, and $1,589, respectively. Net gains and losses on equity and fixed income securities recognized during 2022, 2021, and 2020 were $622, $752, and $740, respectively. Unrealized gains and losses recognized on equity and fixed income securities still held during 2022, 2021, and 2020 were $681, $4,612, and $849, respectively.

Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure through August 22, 2022, the date the consolidated financial statements were available to be issued.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and corresponding lease liability for all operating and capital leases with lease terms greater than one year. The standard is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. The Company is evaluating the impact of the amended lease guidance on its consolidated financial statements.

In December 2019, the FASB issues Accounting Standards Update (ASU) No. 2019-12 *Income Taxes: Simplifying the Accounting for Income Taxes* intended to simplify the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside cost basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for annual periods beginning after December 15, 2022 and interim periods within, with early adoption permitted. Adoption of the standard requires certain changes to be made prospectively, with some changes to be made retrospectively. The Company is evaluating the impact of the standard on its consolidated financial statements.

NOTE 2 CREDIT AGREEMENT

The Company had an available unsecured line of credit with a commercial bank in the base amount of $45,000 from April 6, 2021 to September 30, 2021, at which time it increased to $75,000 until March 31, 2022. The line of credit was amended by the Company on July 17, 2021 and the available balance increased to $75,000 until maturity on August 31, 2022. For the line, interest is payable monthly on outstanding balances at either prime rate or SOFR plus an applicable margin. On August 10, 2021, the Company further amended the credit agreement, which provided an additional line of credit in the base amount of $40,000 through September 30, 2021, at which time it increased to $100,000 and matured on April 30, 2022. On April 29, 2022, the line was further amended and increased to $125,000 and extended the maturity date to August 31, 2022. Substantially all other terms remained unchanged.

There were total borrowings of $118,500 against the lines of credit at June 25, 2022 and no borrowings at June 26, 2021. There were no outstanding letters of credit at June 25, 2022. Outstanding letters of credit approximated $110 at June 26, 2021. The Company is subject to certain financial covenants.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classification as follows at June 25, 2022 and June 26, 2021:

	2022	2021
Land, Building, and Site Improvements	$ 149,672	$ 141,884
Equipment and Fixtures	94,120	85,024
Capitalized Software	42,769	34,360
Software in Progress	2,740	2,720
Construction in Progress	554	4,602
Subtotal	289,855	268,590
Less: Accumulated Depreciation and Amortization	172,263	156,987
Property and Equipment, Net	$ 117,592	$ 111,603

NOTE 4 OPERATING LEASES

The Company leases office space, data processing equipment, software, office equipment, autos, and delivery equipment under operating leases expiring on various dates through 2025. Various agreements are cancelable at the option of the Company upon fulfillment of certain conditions. Future annual minimum lease payments under all noncancelable operating leases as of June 25, 2022 approximate $21,470, $21,384, $11,404, $2,506, $2,961, and $20,526 in 2023, 2024, 2025, 2026, 2027, and 2028 through 2032, respectively, for an aggregate total of $80,251. Rents charged to operations under all operating leases, including weekly and monthly rents along with fuel and associated costs of transportation rentals during 2022, 2021, and 2020 were approximately $72,100, $59,800, and $55,200, respectively.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 5 CAPITAL SHARE DATA

Share data relevant to amounts reported in the consolidated statements of changes in shareholders' equity is as follows:

	2022	2021	2020
Common Stock, Voting $50 Par Value, 990,000 Shares Authorized:			
Shares Outstanding - Beginning of Year	60,980	60,880	60,920
Shares Issued	5,140	3,120	2,440
Shares Repurchased	(3,300)	(3,020)	(2,480)
Shares Outstanding - End of Year	62,820	60,980	60,880
Common Stock, Nonvoting $50 Par Value, 100,000 Shares Authorized:			
Shares Outstanding - Beginning of Year	12,890	12,650	13,270
Shares Issued	-	310	-
Shares Repurchased	(80)	(70)	(620)
Shares Outstanding - End of Year	12,810	12,890	12,650
Preference Share, $100 Par Value, 4,000,000 Shares Authorized:			
Shares Outstanding - Beginning of Year	3,638,911	3,226,590	3,065,445
Shares Issued	424,760	712,675	401,209
Shares Repurchased	(361,497)	(300,354)	(240,064)
Shares Outstanding - End of Year	3,702,174	3,638,911	3,226,590

NOTE 6 TRANSACTIONS WITH UNCONSOLIDATED AFFILIATES

Do it Best is a 50% stakeholder in Alliance International, LLC (the Alliance), a hardware and related products purchasing consortium consisting of Do it Best and an unrelated party engaged in the distribution and sale of hardware and related products. The Alliance procures vendor purchase contracts to enable vendor pricing on a larger scale than that which would be available to the individual companies. Virtually all purchases made by Do it Best are transacted through the Alliance.

Do it Best provides certain management services, including accounting assistance to the Alliance, for which the Alliance reimburses Do it Best in accordance with the management services arrangement. The parties share equally in the expenses of the Alliance. During 2022, 2021, and 2020, Do it Best was charged $43, $144, and $170, respectively, by the Alliance for administrative costs. Do it Best was paid $27, $47, and $52, respectively, in 2022, 2021, and 2020 for management services rendered to the Alliance.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 6 TRANSACTIONS WITH UNCONSOLIDATED AFFILIATES (CONTINUED)

The Company formed a wholly-owned subsidiary (DIB Enterprises, LLC) to hold an investment in a joint venture formed as a limited liability company. The Company has a 25% interest in the earnings of the joint venture with Nation’s Best, LLC (Nation’s Best). Nation’s Best is engaged in the acquisition and operations of hardware and lumber retail stores throughout the United States. The Company has also agreed to make advances to Nation’s Best and had guaranteed certain debt of Nation’s Best of which approximately $8 million remained outstanding at June 26, 2021. On May 2, 2022, the Company was released of the guaranty. The difference between the company’s investment and their share of the underlying net assets of the affiliate is attributable to preferred interests and other future distribution preferences.

Condensed financial information for Nation’s Best at June 25, 2022 and June 26, 2021 is as follows:

	2022	2021
Balance Sheets:		
Current Assets	$ 93,620	$ 43,637
Net Property and Equipment	24,078	5,864
Other Assets	40,482	17,381
Current Liabilities	28,310	15,865
Long-Term Liabilities	77,876	22,242
Members' Equity	51,994	28,775
Company's Share of Net Equity	$ 40,484	$ 22,100
Statements of Operations:		
Net Sales	$ 289,161	$ 145,217
Operating Expenses	267,128	130,699
Operating Income	22,033	14,518
Other (Income) Expense	(2,018)	2,718
Net Income	24,051	11,800
Company's Share of Income	$ 6,884	$ 3,356

NOTE 7 EMPLOYEE BENEFIT PLANS

Retirement Plans

The Company has a defined benefit pension plan and a defined contribution profit sharing plan (the Plans), both covering substantially all employees. Benefits are based on years of service and the employee’s compensation during the last five years of employment.

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Retirement Plans (Continued)

The Company makes various defined and discretionary contributions to the Plans. Retirement plan costs related to the pension plan approximated $2,100, $3,800, and $4,200 for 2022, 2021, and 2020, respectively. Benefits paid to employees related to this plan approximated $15,300, $13,500, and $12,200 in 2022, 2021, and 2020, respectively. Cost related to the defined contribution profit sharing plan approximated $14,000, $18,700, and $13,100 in 2022, 2021, and 2020, respectively.

The Company has a defined benefit supplemental retirement plan (defined benefit pension plan) with its executives, designed to provide benefits that would have been received under the retirement plan were it not for maximum limitations imposed by ERISA and the Internal Revenue Code. Expense is incorporated into retirement plan cost noted above. Management estimates approximately $1,700 will be contributed to the defined benefit pension plan by the Company during the fiscal year-ending June 2023.

Expected benefit payments for the ensuing five years and in the aggregate related to the defined benefit pension plan approximate $6,200, $7,500, $7,100, $7,100, and $7,600 in 2023, 2024, 2025, 2026, and 2027, respectively. Expected benefit payments from 2028 to 2032 approximate $33,800, for an aggregate total of $69,300.

Effective January 1, 2016, the defined benefit pension plan was closed such that no participants hired subsequent to December 31, 2015 are allowed in the plan. Further, participants' monthly and average monthly earnings as defined by the plan and used in the determination of benefits under the plan were frozen effective June 30, 2016.

Postretirement Medical Benefit Plan

The Company has a postretirement medical benefit plan (the Plan). The Plan covers retired employees who are less than 65 years of age and have greater than 10 years of service with the Company. Employees over 65 years of age are not covered beyond benefits provided by Medicare. Income related to the Plan approximated $384, $350, and $288 in 2022, 2021, and 2020, respectively. Participant contributions to the Plan aggregated $-0- in 2022, 2021, and 2020. Benefits paid to employees related to the Plan aggregated $246, $355, and $506 in 2022, 2021, and 2020, respectively.

Management estimates approximately $299 will be contributed to the Plan by the Company during the fiscal year ending June 2023.

Expected benefit payments for the ensuing five years and in the aggregated related to the Plan approximate $300, $200, $200, $200, and $200 in 2023, 2024, 2025, 2026, and 2027, respectively. Expected benefit payments from 2028 to 2032 approximate $500, for an aggregate total of $1,600.

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Postretirement Medical Benefit Plan (Continued)

Effective April 1, 2011, the Plan was frozen such that any participants who were not retired as of that date, ceased participation in the Plan. As a result of this change, the Plan was re-measured as of March 31, 2011, a negative prior service cost base was established equal to the reduction in Accumulated Postretirement Benefit Obligation for those individuals who ceased participation, and a curtailment charge was recognized equal to the change in the Plan's funded status due to the accelerated retirement.

The Plan contains an assumption about the annual rates of change in the cost of health care benefits currently provided by the Plan, due to factors other than changes in the composition of the Plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The health care cost trend rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the Plan participants. Differing types of services, such as hospital care and dental care, may have different trend rates.

The following schedule shows changes in the benefit obligation, Plan assets, and funded status of the Plans. Benefit obligation balances presented below reflect the projected benefit obligation for the Company's retirement and pension plans, and accumulated postretirement benefit obligations for the postretirement medical plan.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

The measurement date used to determine the benefit obligations were as follows:

	Retirement and Pension Plan			Postretirement Medical Plan		
	2022	2021	2020	2022	2021	2020
Change in Benefit Obligation:						
Beginning Balance	$ 99,223	$ 102,255	$ 103,536	$ 1,923	$ 2,459	$ 3,157
Service Cost	4,027	4,293	4,394	-	-	-
Interest Cost	3,336	3,500	3,775	60	76	104
Actuarial Gain (Loss)	(17,120)	2,686	2,780	(226)	(257)	(296)
Benefit Paid	(1,533)	(2,011)	(1,913)	(246)	(355)	(506)
Settlements	(13,737)	(11,500)	(10,317)	-	-	-
Ending Balance	$ 74,196	$ 99,223	$ 102,255	$ 1,511	$ 1,923	$ 2,459
Change in Plan Assets:						
Beginning Balance at Fair Value	$ 116,629	$ 88,920	$ 74,809	$ -	$ -	$ -
Actual Return on Plan Assets	(15,805)	20,691	4,460	-	-	-
Company Contributions	2,816	20,529	21,880	246	355	506
Benefits paid	(1,533)	(2,011)	(1,913)	(246)	(355)	(506)
Settlements	(13,737)	(11,500)	(10,316)	-	-	-
Ending Balance at Fair Value	$ 88,370	$ 116,629	$ 88,920	$ -	$ -	$ -
Over (Under) Funded Status	$ 14,174	$ 17,406	$ (13,335)	$ (1,511)	$ (1,923)	$ (2,459)
Amounts Recognized in Statement of Financial Position Consist of:						
Noncurrent Assets	$ 15,808	$ 19,338	$ -	$ -	$ -	$ -
Current Liabilities	(49)	(112)	(687)	(293)	(357)	(445)
Noncurrent Liabilities	(1,585)	(1,820)	(12,648)	(1,218)	(1,566)	(2,014)
Net Assets (Liabilities) Recognized in Balance Sheet	$ 14,174	$ 17,406	$ (13,335)	$ (1,511)	$ (1,923)	$ (2,459)
Reconciliation of Amounts Recognized in Accumulated Other Comprehensive Income (Loss):						
Prior Service Cost	$ 7,210	$ 8,703	$ 10,196	$ 415	$ 812	$ 1,208
Net Actuarial Loss	(23,733)	(23,654)	(41,743)	253	74	(154)
Accumulated Other Comprehensive Income (Loss)	(16,523)	(14,951)	(31,547)	668	886	1,054
Accrued Benefits Cost	30,697	32,357	18,212	(2,179)	(2,809)	(3,513)
Net Asset (Liability) Recognized in Balance Sheet	$ 14,174	$ 17,406	$ (13,335)	$ (1,511)	$ (1,923)	$ (2,459)
Change in Accumulated Other Comprehensive Income (Loss) Beginning of Year (No Tax Effect)	$ (14,952)	$ (31,547)	$ (33,347)	$ 885	$ 1,054	$ 1,151
Less Amounts Amortized During the Year:						
Prior Service Credit Arising During the Year	(1,493)	(1,493)	(1,493)	(396)	(396)	(396)
Net (Income) Loss Arising During the Year	1,413	3,148	3,160	(48)	(30)	3
Occurring During the Year:						
Plan Change	-	-	-	-	-	-
Amortization of Net Gain (Loss)	(5,766)	12,349	(3,985)	227	257	296
Settlement	4,275	2,591	4,118	-	-	-
End of Year	(16,523)	(14,952)	(31,547)	668	885	1,054
Deferred Income Taxes	4,461	4,037	8,518	(180)	(239)	(285)
Accumulated Other Comprehensive Income (Loss), Net of Tax	$ (12,062)	$ (10,915)	$ (23,029)	$ 488	$ 646	$ 769

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

The allocation of income tax benefit (expense) for each component of other comprehensive income (loss) were as follows:

	Retirement and Pension Plan			Postretirement Medical Plan		
	2022	2021	2020	2022	2021	2020
Prior Service Credit Before Tax	$ (1,493)	$ (1,493)	$ (1,493)	$ (396)	$ (396)	$ (396)
Tax Benefit	(403)	(403)	(403)	(107)	(107)	(107)
Prior Service Credit Net of Tax	(1,090)	(1,090)	(1,090)	(289)	(289)	(289)
Net Loss Before Tax	1,413	3,148	3,160	(48)	(30)	3
Tax Expense	382	850	853	(13)	(8)	1
Net Loss Net of Tax	1,031	2,298	2,307	(35)	(22)	2
Amortization of Net Gain (Loss) Before Tax	(5,766)	12,349	(3,985)	227	257	296
Tax Expense (Benefit)	(1,557)	3,334	(1,076)	61	69	80
Amortization of Net Gain (Loss) Net of Tax	(4,209)	9,015	(2,909)	166	188	216
Settlement	4,275	2,591	4,118	-	-	-
Tax Expense	1,154	700	1,112	-	-	-
Settlement Net of Tax	3,121	1,891	3,006	-	-	-
Total	$ (1,147)	$ 12,114	$ 1,314	$ (158)	$ (123)	$ (71)

As of June 25, 2022, the defined benefit pension plans and the postretirement medical plan had accumulated benefit obligations of approximately $74,000 and $1,500, respectively. At June 26, 2021, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of approximately $99,000 and $1,900, respectively. At June 27, 2020, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of approximately $102,000 and $2,500, respectively.

The change in deferred taxes recognized in other comprehensive income (loss) approximated $600, ($4,300), and ($500) during 2022, 2021, and 2020, respectively.

	Retirement and Pension Plan			Postretirement Medical Plan		
	2022	2021	2020	2022	2021	2020
Components of Net Periodic Benefit (Costs) Income:						
Service Cost	$ (4,027)	$ (4,293)	$ (4,394)	$ -	$ -	$ -
Interest Cost	(3,336)	(3,500)	(3,775)	(60)	(76)	(104)
Expected Return on Plan Assets	7,080	5,657	5,667	-	-	-
Amortization	80	(1,655)	(1,667)	444	426	393
Net Periodic Benefit (Costs) Income	$ (203)	$ (3,791)	$ (4,169)	$ 384	$ 350	$ 289

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Assumptions

Weighted average actuarial assumptions used to determine pension and other postretirement obligations as of year-end are as follows:

	2022 Retirement and Pension Plan	2022 Postretirement Medical	2021 Retirement and Pension Plan	2021 Postretirement Medical	2020 Retirement and Pension Plan	2020 Postretirement Medical
Discount Rate	4.75%	4.75%	3.50%	3.50%	3.65%	3.65%
Salary Increase	4.00%	N/A	4.00%	N/A	4.00%	N/A
Current Year Trend	N/A	6.25%	N/A	6.50%	N/A	6.50%
Ultimate Year Trend	N/A	4.50%	N/A	4.50%	N/A	5.00%
Year of Ultimate Trend Date	N/A	2029	N/A	2029	N/A	2026

Weighted average assumptions used to determine net periodic pension cost:

	Retirement and Pension Plan	Postretirement Medical	Retirement and Pension Plan	Postretirement Medical	Retirement and Pension Plan	Postretirement Medical
Discount Rate	4.75%	4.75%	3.50%	3.50%	3.65%	3.65%
Salary Increase	N/A	N/A	N/A	N/A	N/A	N/A
Long-Term Rate of Return on Assets	6.25%	N/A	6.25%	N/A	7.25%	N/A
Current Year Trend	N/A	6.25%	N/A	6.50%	N/A	6.50%
Ultimate Year Trend	N/A	4.50%	N/A	4.50%	N/A	5.00%
Year of Ultimate Trend Date	N/A	2029	N/A	2029	N/A	2026

Defined Benefit Plan Assets

The investment policy and strategy is to invest plan assets in order to provide income and capital growth consistent with reasonable risk tolerance. In determining pension expense, the Company, as fiduciary of the plan, utilizes an expected long-term rate of return that, over time, should approximate the actual long-term rate of return earned on plan assets, based upon historical returns of plan assets and similar asset classes. The assumed rate for the long-term rates of return on plan assets was determined based upon target asset allocations and expected long-term rates of return by asset class. Plan fiduciaries set investment policies and strategies for the trust.

Long-term strategic investment objectives include preserving the funded status of the plan and balancing risk and return. The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets, and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Defined Benefit Plan Assets (Continued)

The defined benefit plan's assets are composed primarily of corporate equity and debt securities and U.S. government securities and are directed by the employer. The defined benefit pension plan assets held consisted of the following at June 25, 2022 and June 26, 2021:

	2022		2021	
	Target Allocation	Retirement and Pension Plan	Target Allocation	Retirement and Pension Plan
Equity Securities	52 %	50 %	52 %	51 %
Debt Securities	33	36	33	29
Other	15	14	15	20
Total	100 %	100 %	100 %	100 %

No assets were held by the postretirement medical benefit plan at June 25, 2022 or June 26, 2021.

Financial Accounting Standards Board (FASB) ASC 820-10, *Fair Value Measurements and Disclosures,* establishes a framework and provides guidance on measuring the fair value of assets in a pension plan and how an employer should disclose the same. The framework establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value.

The three levels of fair value hierarchy are described as follows:

Level 1 - Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following descriptions of the valuation methods and assumptions used by the Plan to estimate the fair values of investments apply to investments held directly by the Plan.

Equity, Debt, and Inflation-Indexed Securities: Fair values reflect the closing price reported in the active market in which the security is traded (Level 1 inputs).

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Defined Benefit Plan Assets (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the Company's financial assets measured at fair value on a recurring basis in accordance with ASC 820-10 as of June 25, 2022:

Defined Benefit Pension Plan	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds:				
Money Market	$ 1,661	$ 1,661	$ -	$ -
Domestic Equity	26,071	26,071	-	-
International Equity	18,115	18,115	-	-
Domestic Fixed	31,399	31,399	-	-
Alternative	11,124	-	11,124	-
Total	$ 88,370	$ 77,246	$ 11,124	$ -

The following table summarized the Company's financial assets measured at fair value on a recurring basis in accordance with ASC 820-10 as of June 26, 2021:

Defined Benefit Pension Plan	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds:				
Money Market	$ 13,128	$ 13,128	$ -	$ -
Domestic Equity	35,568	35,568	-	-
International Equity	24,505	24,505	-	-
Domestic Fixed	33,732	33,732	-	-
Alternative	9,696	-	9,696	-
Total	$ 116,629	$ 106,933	$ 9,696	$ -

NOTE 8 INCOME TAXES

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law in March 2020. The CARES Act lifts certain deduction limitations originally imposed by the Tax Cuts and Jobs Act of 2017 (2017 Tax Act). Corporate taxpayers may carryback net operating losses (NOLs) originating during 2018 through 2020 for up to five years, which was not previously allowed under the 2017 Tax Act. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019, and 2020.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8 INCOME TAXES (CONTINUED)

In addition, the CARES Act raises the corporate charitable deduction limit to 25% of taxable income, and makes qualified improvement property generally eligible for 15-year cost-recovery and 100% bonus depreciation. The enactment of the CARES Act did not result in any material adjustments to our income tax provision for the fiscal year ended June 27, 2020.

On December 28, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The CAA included the COVID-related Tax Relief Act of 2020 (COVID TRA), which expanded, extended, and clarified selected CARES Act provisions, specifically on the Paycheck Protection Program (PPP) Loan and Employee Retention Tax Credit, 100% deductibility of business meals purchased from restaurants as well as other tax extenders. The CAA did not have a material impact on the Company's income tax provision.

On March 11, 2021, the American Rescue Plan (ARP) was signed into law. The ARP extended the Employee Retention Credit through December 31, 2021 with certain changes, extended certain paid sick and family leave credits, among other changes to existing tax law. The ARP did not have a material impact on the Company's income tax provision.

The provision for income taxes at June 25, 2022, June 26, 2021, and June 27, 2020, consisted of the following:

	2022	2021	2020
Federal Income Tax:			
Current	$ 308	$ 1,097	$ 390
Deferred	1,416	(348)	179
State Income Tax:			
Current	155	398	143
Deferred	404	(99)	51
Total	$ 2,283	$ 1,048	$ 763

Deferred income taxes are provided to recognize the effects of temporary differences between financial reporting and income tax reporting. The more significant temporary differences arise from various accrued liabilities, which exceed currently deductible amounts. Management believes it is more-likely-than-not that deferred income tax assets will be realized in full. Accordingly, no valuation allowance has been provided.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8 INCOME TAXES (CONTINUED)

The Company's deferred tax assets and deferred tax liabilities are as follows:

	2022	2021
Assets:		
Accrued Assets	$ 1,833	$ 2,836
Deferred Compensation	4,353	4,595
Allowance for Doubtful Accounts	206	251
Inventory Obsolescence	961	769
Postretirement Health Care Expense	588	758
Retirement and Pension Plan	4,461	4,037
Total Assets	12,402	13,246
Liabilities:		
Retirement Plan Expense	(2,174)	(2,255)
Prepaids and Other	(68)	(47)
Investment in Nation's Best	(1,150)	(538)
Postretirement Medical Plan	(180)	(239)
Total Liabilities	(3,572)	(3,079)
Net Deferred Tax Asset	$ 8,830	$ 10,167

The income tax provision differs from that calculated at the statutory rates for the following reasons:

	2022	2021	2020
Income Tax Expense at Statutory Rates	$ 1,940	$ 1,086	$ 482
State Taxes, Net of Federal Benefit	437	245	111
Nondeductible Expenses	23	(49)	188
Other	(117)	(234)	(18)
Total	$ 2,283	$ 1,048	$ 763

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 9 FAIR VALUE

The following table summarizes the Company's financial assets measured at fair value on a recurring basis in accordance with the ASC 820-10 as of:

	June 25, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Other Assets:				
Mutual Funds	$ 19,877	$ 19,877	$ -	$ -

	June 26, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Other Assets:				
Mutual Funds	$ 24,305	$ 24,305	$ -	$ -

The Companies' mutual fund investments consist of money market funds, fixed income funds, and equity funds, and fair value was determined using quoted market prices based on the closing price (Level 1 inputs) as of the balance sheet date.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Company was contingently liable at June 25, 2022 and June 26, 2021, under a loan guarantee program, which has a maximum borrowing capacity of $14,000 at both June 25, 2022 and June 26, 2021, with two commercial banks. Under the terms of the loan agreement, in order to participate, the borrowers must be both members of and approved by the Company in order to participate in the program.

Under the terms of the program, the bank will provide a member loan in the form of a term loan to be paid and members can elect to amortize over a period of 12 to 120 months in equal installments with any unpaid balance due at maturity or paid in seven equal annual principal installments on a straight-line basis plus interest due monthly.

Interest on the loans will be payable at a fixed rate to be determined by the banks at the time of funding. At June 25, 2022 and June 26, 2021, interest rates on the loans ranged from 2.25% to 5.86%.

The risk of loss under these agreements is spread over many members and is the estimated fair value of the loans considering both the contingent loss due to default and the value of the Company's guarantee. The Company believes that any potential loss under the agreements in effect at June 25, 2022 and June 26, 2021, will not be material to its financial position or results of operations.

The Company, in the ordinary course of business, is the subject of or party to various pending or threatened litigation. While it is not possible to predict with certainty the outcome of these matters, management of the Company does not believe that they will materially affect the financial position, or operating results or cash flows of the Company.