Do it Best Corp.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 27, 2020, JUNE 29, 2019, AND JUNE 30, 2018

Do it Best Corp.

Products
Services
Solutions

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

August, 2020

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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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Do it Best Corp., which comprise the consolidated balance sheets as of June 27, 2020 and June 29, 2019, and the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the three years in the period ended June 27, 2020, June 29, 2019, and June 30, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A member of Nexia International

Board of Directors and Member-Shareholders
Do it Best Corp.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Do it Best Corp. and its subsidiaries as of June 27, 2020 and June 29, 2019, and the results of their operations and their cash flows for each of the three years in the period ended June 27, 2020, June 29, 2019, and June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
August 18, 2020

DO IT BEST CORP.
CONSOLIDATED BALANCE SHEETS
JUNE 27, 2020 AND JUNE 29, 2019
(IN THOUSANDS)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 86,614	$ 79,906
Accounts and Notes Receivable, Less Allowance for Doubtful Accounts of $736 in 2020 (2019; $500)	399,778	315,390
Income Tax Receivable	479	612
Merchandise Inventories	270,536	282,029
Prepaid Expenses	201	203
Total Current Assets	757,608	678,140
PROPERTY AND EQUIPMENT, Net	111,992	113,283
Accounts and Notes Receivable, Less Current Maturities	1,675	3,031
Deferred Income Taxes	14,155	14,845
Investment in Affiliates	20,216	985
Other Assets	19,876	20,837
Total Assets	$ 925,522	$ 831,121
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 493,805	$ 452,634
Accrued Expenses	108,408	58,004
Total Current Liabilities	602,213	510,638
Long-Term Portion of Accrued Pension and Other Postretirement Liabilities	14,662	30,693
SHAREHOLDERS' EQUITY		
Common Stock, Voting	3,044	3,046
Common Stock, Nonvoting	633	663
Preference Stock	322,659	306,545
Accumulated Other Comprehensive Loss	(22,260)	(23,503)
Retained Earnings	4,571	3,039
Total Shareholders' Equity	308,647	289,790
Total Liabilities and Shareholders' Equity	$ 925,522	$ 831,121

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
YEARS ENDED JUNE 27, 2020, JUNE 29, 2019, AND JUNE 30, 2018
(IN THOUSANDS)

	2020	2019	2018
Gross Sales	$ 3,578,018	$ 3,449,877	$ 3,658,663
Returns and Allowances	99,605	104,772	105,472
Net Sales	3,478,413	3,345,105	3,553,191
Cost of Sales	3,237,546	3,139,684	3,362,400
Gross Profit	240,867	205,421	190,791
Selling, General, and Administrative Expenses	94,208	77,723	69,696
Income before Other Income, Profit Sharing, and Pension Costs, Shareholders' Refund and Income Taxes	146,659	127,698	121,095
Other Income, Net	1,264	2,463	2,348
Income before Profit Sharing and Pension Costs, Shareholders' Refund and Income Taxes	147,923	130,161	123,443
Profit Sharing and Pension Costs	17,249	14,097	13,429
Income before Shareholders' Refund and Income Taxes	130,674	116,064	110,014
Shareholders' Refund			
Cash	88,258	87,592	77,989
Preference Stock	40,121	26,270	30,513
Total Shareholders' Refund	128,379	113,862	108,502
Income before Income Taxes	2,295	2,202	1,512
Federal and State Income Taxes			
Income Tax Provision	763	684	729
Change in Deferred Taxes Due to Newly Enacted Changes in Tax Law	-	-	6,459
Total Federal and State Income Taxes	763	684	7,188
Net Income (Loss)	$ 1,532	$ 1,518	$ (5,676)

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED JUNE 27, 2020, JUNE 29, 2019, AND JUNE 30, 2018
(IN THOUSANDS)

	2020	2019	2018
NET INCOME (LOSS)	$ 1,532	$ 1,518	$ (5,676)
Other Comprehensive Income (Loss):			
Change in Defined Benefit Plans, Net of Tax	1,243	(5,095)	(1,508)
COMPREHENSIVE INCOME (LOSS)	$ 2,775	$ (3,577)	$ (7,184)

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED JUNE 27, 2020, JUNE 29, 2019, AND JUNE 30, 2018
(IN THOUSANDS)

	2020	2019	2018
COMMON STOCK, VOTING			
Balance, Beginning of Year	$ 3,046	$ 3,046	$ 3,001
Shares Issued	122	131	165
Shares Repurchased	(124)	(131)	(120)
Balance, End of Year	3,044	3,046	3,046
COMMON STOCK, NONVOTING			
Balance, Beginning of Year	663	650	590
Shares Issued	-	16	78
Shares Repurchased	(30)	(3)	(18)
Balance, End of Year	633	663	650
PREFERENCE STOCK			
Balance, Beginning of Year	306,545	305,951	300,650
Shares Issued	40,121	26,270	30,513
Shares Repurchased	(24,007)	(25,676)	(25,212)
Balance, End of Year	322,659	306,545	305,951
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance, Beginning of Year	(23,503)	(18,408)	(13,622)
Other Comprehensive Income (Loss)	1,243	(5,095)	(1,508)
Reclassification Adjustment - Newly Enacted Tax Rates	-	-	(3,278)
Balance, End of Year	(22,260)	(23,503)	(18,408)
RETAINED EARNINGS			
Balance, Beginning of Year	3,039	1,521	3,919
Net Income (Loss)	1,532	1,518	(5,676)
Reclassification Adjustment - Newly Enacted Tax Rates	-	-	3,278
Balance, End of Year	4,571	3,039	1,521
Total Shareholders' Equity	$ 308,647	$ 289,790	$ 292,760

See accompanying Notes to Consolidated Financial Statements.

DO IT BEST CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 27, 2020, JUNE 29, 2019, AND JUNE 30, 2018
(IN THOUSANDS)

	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss)	$ 1,532	$ 1,518	$ (5,676)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	14,252	13,191	12,569
Deferred Income Taxes	230	239	6,840
Gain on Investments	(66)	(507)	(644)
Provision for Bad Debts	236	-	-
Loss on Sale of Assets	1,571	13	15
Shareholder Refunds in Preference Shares	40,121	26,270	30,513
Other Items	(81)	-	-
Changes in Operating Assets and Liabilities:			
Accounts and Notes Receivable, Net	(83,268)	31,205	1,393
Income Tax Receivable	133	445	379
Merchandise Inventories	11,493	(905)	(18,304)
Prepaid Expenses and Other Assets	192	359	5,761
Accounts Payable	41,171	(9,155)	9,412
Accrued Expenses, Pension and Other Postretirement Liabilities	36,076	1,363	(2,384)
Net Cash Provided by Operating Activities	63,592	64,036	39,874
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	(18,157)	(5,722)	(21,777)
Proceeds from Redemption of Investments	18,994	16,920	42,141
Investment in Unconsolidated Affiliate	(19,150)	-	-
Proceeds from Sale of Property and Equipment	67	19	58
Capital Expenditures	(14,599)	(13,329)	(13,456)
Net Cash Provided (Used) by Investing Activities	(32,845)	(2,112)	6,966
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of Common Shares	122	131	165
Purchase of Common Shares	(124)	(131)	(120)
Issuance of Nonvoting Common Shares	-	16	78
Purchase of Nonvoting Common Shares	(30)	(3)	(18)
Purchase of Preference Shares	(24,007)	(25,676)	(25,212)
Net Cash Used by Financing Activities	(24,039)	(25,663)	(25,107)
NET INCREASE IN CASH	6,708	36,261	21,733
Cash - Beginning of Year	79,906	43,645	21,912
CASH - END OF YEAR	$ 86,614	$ 79,906	$ 43,645
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Cash Paid for Income Taxes	$ 400	$ -	$ -
Cash Paid for Interest	$ 2	$ 90	$ 25

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 2020, 2019, and 2018 relate to the fiscal years ended June 27, 2020, June 29, 2019, and June 30, 2018, 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). All significant intercompany accounts and transactions have been eliminated in consolidation.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $88,300, $87,600, and $78,000 in 2020, 2019, and in 2018, respectively. These amounts are currently included in accounts payable. The Company also issued preference stock shareholder refunds of approximately $40,100, $26,300, and $30,500 in 2020, 2019, and 2018, 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.

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 24, 2017.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes and Uncertain Tax Positions (Continued)

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 27, 2020 or June 29, 2019.

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.

Shipping and Handling Fees and Costs

The Company includes shipping and handling fees billed to members in gross sales. Shipping and handling costs associated with inbound freight are included in cost of sales.

Comprehensive Income (Loss)

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

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.

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 provides cooperative advertising, among other services, to its members. Revenues for such services are recognized when the services are rendered.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2020, 2019, and 2018 was $9,329, $8,499, and $8,271, respectively.

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 2020 and 2019, the Company capitalized approximately $3,502 and $8,875, respectively, of software development costs which consisted of both internally developed and purchased software costs. Amortization expense for all capitalized software was $4,923, $4,692, and $4,298 for 2020, 2019, and 2018, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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 2020, 2019, or 2018.

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 2020, 2019, and 2018 were $11,886, $14,027, and $16,301, 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 $18,932 and $19,703 at June 27, 2020 and June 29, 2019, respectively. Changes in fair value are included in earnings. Net gains and losses recognized during 2020, 2019, and 2018 on equity securities were $1,589, $2,166, and $2,803, respectively. Net gains and losses on equity securities sold during 2020, 2019, and 2018 were $740, $183, and $873, respectively. Unrealized gains and losses recognized on equity securities still held during 2020, 2019, and 2018 were $849, $1,983, and $1,930, respectively.

Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure through August 18, 2020, the date the consolidated financial statements were available to be issued.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported consolidated financial position or consolidated results of operations.

Accounting Change

During 2020, the Company changed its definition of cash equivalents to include only bank deposits. The change did not affect the previously reported net assets or results of operations. The change has been applied retrospectively, and the 2019 and 2018 consolidated statements of cash flows have been restated to conform to the change.

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 May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. Additionally, the ASU requires the deferral of direct incremental selling costs to the period in which the underlying revenue is recognized. The amendments in the ASU will be applied using one of two retrospective methods.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts (Topic 606)* and *Leases (Topic 842), Effective Dates or Certain Entities*. The amendments in this update defer, for one year, the required effective date of Topic 606 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Topic 606. As the Company had not yet issued their financial statements as of the date of this ASU, they elected to defer and adopt the guidance for Topic 606 for annual reporting periods beginning after December 15, 2019.

NOTE 2 CREDIT AGREEMENT

The Company has one available unsecured line of credit with a commercial bank in the base amount of $25,000. For the line, interest is payable monthly on outstanding balances at either prime rate or LIBOR plus an applicable margin. There were no borrowings against the line of credit at June 27, 2020 or June 29, 2019. The line of credit agreement expires on April 30, 2021. Outstanding letters of credit approximated $61 and $-0- at June 27, 2020 and June 29, 2019, respectively. The Company is subject to certain financial covenants. As of June 27, 2020, management believes the Company is in compliance with all required covenants.

The line of credit was renewed by the company in 2020 and the available balance increases to $45,000 from October 1, 2020 to March 31, 2021, at which time it reduces to $25,000 until maturity on April 30, 2021.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment is summarized by major classification as follows at June 27, 2020 and June 29, 2019:

	2020	2019
Land, Building and Site Improvements	$ 142,988	$ 147,250
Equipment and Fixtures	82,054	75,985
Capitalized Software	42,191	38,689
Software in Progress	1,055	-
Construction in Progress	176	-
Subtotal	268,464	261,924
Less: Accumulated Depreciation and Amortization	156,472	148,641
Property and Equipment, Net	$ 111,992	$ 113,283

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 27, 2020 approximate $17,858, $11,291, $5,380, $4,657, $3,068 in 2021, 2022, 2023, 2024, and 2025, respectively, for an aggregate total of $42,256. Rents charged to operations under all operating leases, including weekly and monthly rents along with fuel and associated costs of transportation rentals during 2020, 2019, and 2018 were approximately $55,200, $52,300, and $51,100, 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:

	2020	2019	2018
Common Stock, Voting $50 Par Value, 990,000 Shares Authorized:			
Shares Outstanding - Beginning of Year	60,920	60,920	60,020
Shares Issued	2,440	2,620	3,300
Shares Repurchased	(2,480)	(2,620)	(2,400)
Shares Outstanding - End of Year	60,880	60,920	60,920
Common Stock, Nonvoting $50 Par Value, 100,000 Shares Authorized:			
Shares Outstanding - Beginning of Year	13,270	13,000	11,800
Shares Issued	-	320	1,540
Shares Repurchased	(620)	(50)	(340)
Shares Outstanding - End of Year	12,650	13,270	13,000
Preference Share, $100 Par Value, 4,000,000 Shares Authorized:			
Shares Outstanding - Beginning of Year	3,065,445	3,059,506	3,006,500
Shares Issued	401,209	262,699	305,132
Shares Repurchased	(240,064)	(256,760)	(252,126)
Shares Outstanding - End of Year	3,226,590	3,065,445	3,059,506

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 2020, 2019, and 2018, Do it Best was charged $170, $165, and $164, respectively, by the Alliance for administrative costs. Do it Best was paid $52, $51, and $49, respectively, in 2020, 2019, and 2018 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). The investment is being accounted for on the equity method. 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 has guaranteed certain debt of Nation's Best of which approximately $2 million remains outstanding at June 27, 2020. 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 of Nation's Best at June 27, 2020 is as follows:

BALANCE SHEETS		
Current Assets	$	20,014
Net Property and Equipment		2,855
Other Assets		14,833
Current Liabilities		7,042
Long-Term Liabilities		11,221
Members' Equity		19,439
STATEMENTS OF OPERATIONS		
Net Sales	$	37,938
Operating Expenses		36,630
Operating Income		1,308
Other Expense		986
Net Income		322
Company's Share of Income	$	81

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.

The Company makes various discretionary contributions to the Plans. Retirement plan costs related to the pension plan approximated $4,200, $4,000, and $4,000 for 2020, 2019, and 2018, respectively. Benefits paid to employees related to this plan approximated $1,900, $9,000, and $9,600 in 2020, 2019, and 2018, respectively. Cost related to the defined contribution profit sharing plan approximated $13,100, $10,100, and $9,400 in 2020, 2019, and 2018, 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 $3,300 will be contributed to the defined benefit pension plan by the Company during the fiscal year-ending June 2021.

Expected benefit payments for the ensuing five years and in the aggregate related to the defined benefit pension plan approximate $9,900, $8,000, $8,200, $8,300, and $8,300 in 2021, 2022, 2023, 2024, and 2025, respectively. Expected benefit payments from 2026 to 2030 approximate $39,700, for an aggregate total of $82,400.

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.

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

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 $288, $206, and $153 in 2020, 2019, and 2018, respectively. Participant contributions to the Plan aggregated $-0- in 2020, 2019, and 2018. Benefits paid to employees related to the Plan aggregated $506, $477, and $505 in 2020, 2019, and 2018, respectively.

Management estimates approximately $453 will be contributed to the Plan by the Company during the fiscal year ending June 2021.

Expected benefit payments for the ensuing five years and in the aggregated related to the Plan approximate $500, $400, $300, $300, and $200 in 2021, 2022, 2023, 2024, and 2025, respectively. Expected benefit payments from 2026 to 2030 approximate $800, for an aggregate total of $2,500.

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		
	2020	2019	2018	2020	2019	2018
Change in Benefit Obligation:						
Beginning Balance	$ 103,536	$ 98,117	$ 97,561	$ 3,157	$ 3,765	$ 4,293
Service Cost	4,394	4,306	4,442	-	-	-
Interest Cost	3,775	4,059	4,051	104	141	165
Actuarial Gain (Loss)	2,780	6,102	1,638	(296)	(272)	(188)
Benefit Paid	(1,913)	(9,048)	(9,575)	(506)	(477)	(505)
Settlements	(10,317)	-	-	-	-	-
Ending Balance	$ 102,255	$ 103,536	$ 98,117	$ 2,459	$ 3,157	$ 3,765
Change in Plan Assets:						
Beginning Balance at Fair Value	$ 74,809	$ 74,997	$ 75,159	$ -	$ -	$ -
Actual Return on Plan Assets	4,460	3,536	3,703	-	-	-
Company Contributions	21,880	5,324	5,710	506	477	505
Benefits paid	(1,913)	(9,048)	(9,575)	(506)	(477)	(505)
Settlements	(10,316)	-	-	-	-	-
Ending Balance at Fair Value	$ 88,920	$ 74,809	$ 74,997	$ -	$ -	$ -
Under Funded Status	$ (13,335)	$ (28,727)	$ (23,120)	$ (2,459)	$ (3,157)	$ (3,765)
Amounts Recognized in Statement of Financial Position Consist of:						
Current Liabilities	$ (687)	$ (652)	$ (867)	$ (445)	$ (539)	$ (605)
Noncurrent Liabilities	(12,648)	(28,075)	(22,253)	(2,014)	(2,618)	(3,160)
Net Liabilities Recognized in Balance Sheet	$ (13,335)	$ (28,727)	$ (23,120)	$ (2,459)	$ (3,157)	$ (3,765)
Reconciliation of Amounts Recognized in Accumulated Other Comprehensive Income (Loss)						
Prior Service Cost	$ 10,196	$ 11,688	$ 13,181	$ 1,208	$ 1,604	$ 2,001
Net Actuarial Loss	(41,743)	(45,035)	(39,623)	(154)	(453)	(775)
Accumulated Other Comprehensive Income (Loss)	(31,547)	(33,347)	(26,442)	1,054	1,151	1,226
Accrued Benefits Cost	18,212	4,620	3,322	(3,513)	(4,308)	(4,991)
Net Liability Recognized in Balance Sheet	$ (13,335)	$ (28,727)	$ (23,120)	$ (2,459)	$ (3,157)	$ (3,765)
Change in Accumulated Other Comprehensive Income (Loss) Beginning of Year (No Tax Effect)	$ (33,347)	$ (26,442)	$ (24,059)	$ 1,151	$ 1,226	$ 1,356
Less Amounts Amortized During the Year:						
Prior Service Credit Arising During the Year	(1,493)	(1,493)	(1,493)	(396)	(396)	(396)
Net Loss Arising During the Year	3,160	2,689	2,592	3	49	78
Occurring During the Year:						
Plan Change	-	-	-	-	-	-
Amortization of Net Gain (Loss)	(3,985)	(8,101)	(3,482)	296	272	188
Settlement	4,118	-	-	-	-	-
End of Year	(31,547)	(33,347)	(26,442)	1,054	1,151	1,226
Deferred Income Taxes	8,518	9,004	7,139	(285)	(311)	(331)
Accumulated Other Comprehensive Income (Loss), Net of Tax	$ (23,029)	$ (24,343)	$ (19,303)	$ 769	$ 840	$ 895
Estimated Amounts to be Amortized from Accumulated Other Comprehensive Income Over the Next Fiscal Year:						
Prior Service Credit (Cost)	$ 1,493	$ 1,493	$ 1,493	$ 396	$ 396	$ 396
Net Actuarial Loss	(3,052)	(3,377)	(2,688)	(151)	(134)	(69)
Total	$ (1,559)	$ (1,884)	$ (1,195)	$ 245	$ 262	$ 327

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 7 EMPLOYEE BENEFIT PLANS (CONTINUED)

Postretirement Medical Benefit Plan (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		
	2020	2019	2018	2020	2019	2018
Prior Service Credit Before Tax	$ (1,493)	$ (1,493)	$ (1,493)	$ (396)	$ (396)	$ (396)
Tax Benefit	(403)	(403)	(597)	(107)	(107)	(158)
Prior Service Credit Net of Tax	(1,090)	(1,090)	(896)	(289)	(289)	(238)
Net Loss Before Tax	3,160	2,689	2,592	3	49	78
Tax Expense	853	726	1,037	1	13	31
Net Loss Net of Tax	2,307	1,963	1,555	2	36	47
Amortization of Net Gain (Loss) Before Tax	(3,985)	(8,101)	(3,482)	296	272	188
Tax Expense (Benefit)	(1,076)	(2,187)	(1,393)	80	73	75
Amortization of Net Gain (Loss) Net of Tax	(2,909)	(5,914)	(2,089)	216	199	113
Settlement	4,118	-	-	-	-	-
Tax Expense	1,112	-	-	-	-	-
Settlement Net of Tax	3,006	-	-	-	-	-
Total	$ 1,314	$ (5,041)	$ (1,430)	$ (71)	$ (54)	$ (78)

As of June 27, 2020, the defined benefit pension plans and the postretirement medical plan had accumulated benefit obligations of approximately $102,000 and $2,500, respectively. At June 29, 2019, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of approximately $104,000 and $3,200, respectively. At June 30, 2018, the defined benefit pension plans and the postretirement medical plan experienced accumulated benefit obligations of approximately $98,000 and $3,800, respectively.

The change in deferred taxes recognized in other comprehensive income (loss) approximated ($500), $1,900, and ($2,300) during 2020, 2019, and 2018, respectively.

	Retirement and Pension Plan			Postretirement Medical Plan		
	2020	2019	2018	2020	2019	2018
Components of Net Periodic Benefit (Costs) Income:						
Service Cost	$ (4,394)	$ (4,306)	$ (4,442)	$ -	$ -	$ -
Interest Cost	(3,775)	(4,059)	(4,051)	(104)	(141)	(165)
Expected Return on Plan Assets	5,667	5,535	5,546	-	-	-
Amortization	(1,667)	(1,196)	(1,099)	393	347	318
Net Periodic Benefit (Costs) Income	$ (4,169)	$ (4,026)	$ (4,046)	$ 289	$ 206	$ 153

(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:

	2020 Retirement and Pension Plan	2020 Postretirement Medical	2019 Retirement and Pension Plan	2019 Postretirement Medical	2018 Retirement and Pension Plan	2018 Postretirement Medical
Discount Rate	3.65%	3.65%	3.95%	3.95%	4.35%	4.35%
Salary Increase	4.00%	N/A	4.00%	N/A	4.00%	N/A
Current Year Trend	N/A	6.50%	N/A	6.75%	N/A	7.00%
Ultimate Year Trend	N/A	5.00%	N/A	5.00%	N/A	5.00%
Year of Ultimate Trend Date	N/A	2026	N/A	2026	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	3.65%	3.65%	4.35%	4.35%	4.35%	4.35%
Salary Increase	N/A	N/A	N/A	N/A	N/A	N/A
Long-Term Rate of Return on Assets	7.25%	N/A	7.50%	N/A	7.50%	N/A
Current Year Trend	N/A	6.50%	N/A	6.75%	N/A	6.50%
Ultimate Year Trend	N/A	5.00%	N/A	5.00%	N/A	5.00%
Year of Ultimate Trend Date	N/A	2026	N/A	2026	N/A	2021

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 27, 2020 and June 29, 2019:

	2020		2019	
	Target Allocation:	Retirement and Pension Plan	Target Allocation:	Retirement and Pension Plan
Equity Securities	52%	55%	52%	54%
Debt Securities	33%	35%	33%	36%
Other	15%	10%	15%	10%
Total	100%	100%	100%	100%

No assets were held by the postretirement medical benefit plan at June 27, 2020 or June 29, 2019.

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 27, 2020:

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	$ 472	$ 472	$ -	$ -
Domestic Equity	26,741	26,741	-	-
International Equity	22,344	22,344	-	-
Domestic Fixed	31,216	31,216	-	-
Alternative	8,147	-	8,147	-
Total	$ 88,920	$ 80,773	$ 8,147	$ -

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 29, 2019:

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	$ 776	$ 776	$ -	$ -
Domestic Equity	21,865	21,865	-	-
International Equity	17,635	17,635	-	-
Domestic Fixed	26,870	26,870	-	-
Alternative	7,663	-	7,663	-
Total	$ 74,809	$ 67,146	$ 7,663	$ -

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8 INCOME TAXES

In response to the COIVD-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. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the 2017 Tax Act.

In addition, the CARES Act loosens the limitation applied to the deductibility of business interest from 30% to 50%, 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 provision for the fiscal year ended June 27, 2020.

On December 22, 2017, the Tax Cuts and Job Act (the Tax Act) was signed into United States tax law. The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reduction of the U.S. federal corporate tax rate from 35% to 21%; (2) elimination of the corporate alternative minimum tax (AMT); (3) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries; (4) current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) a new limitation on deductible interest expense; (6) limitations on the deductibility of certain executive compensation; (7) limitations on the use of FTCs to reduce the U.S. income tax liability; and (8) limitations on net operating losses (NOLs) generated after December 31, 2017, to 80% of taxable income. The Tax Act reduces the U.S. federal corporate tax rate from a graduated rate up to 35% to a flat rate of 21%, effective January 1, 2018. The Company adjusted its deferred tax assets and liabilities at December 31, 2017, to reflect the Tax Act's reduction of corporate income tax rates which are expected to be in effect in future years as the deferred tax assets and liabilities are realized.

The provision for income taxes at June 27, 2020, June 29, 2019, and June 30, 2018, consisted of the following:

	2020	2019	2018
Federal Income Tax:			
Current	$ 390	$ 331	$ 286
Deferred	179	186	313
State Income Tax:			
Current	143	114	62
Deferred	51	53	68
Change in Deferred Taxes Due to Newly Enacted Changes in Tax Law	-	-	6,459
Total	$ 763	$ 684	$ 7,188

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8 INCOME TAXES (CONTINUED)

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.

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

	2020	2019
Assets:		
Accrued Assets	$ 2,516	$ 2,880
Deferred Compensation	4,077	3,778
Allowance for Doubtful Accounts	199	135
Inventory Obsolescence	574	636
Post Retirement Health Care Expense	948	1,163
Retirement and Pension Plan	8,518	9,004
Total Assets	16,832	17,596
Liabilities:		
Retirement Plan Expense	(2,358)	(2,386)
Prepaids and Other	(34)	(54)
Postretirement Medical Plan	(285)	(311)
Total Liabilities	(2,677)	(2,751)
Net Deferred Tax Asset	$ 14,155	$ 14,845

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

	2020	2019	2018
Income Tax Expense at Statutory Rates	$ 482	$ 462	$ 416
Effect of Newly Enacted Tax Rates	-	-	6,459
State Taxes, Net of Federal Benefit	111	104	130
Nondeductible Expenses	188	123	170
Other	(18)	(5)	13
Total	$ 763	$ 684	$ 7,188

(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 27, 2020			
		Level 1	Level 2	Level 3
Assets:				
Other Assets:				
Mutual Funds	$ 18,932	$ 18,932	$ -	$ -

	June 29, 2019			
		Level 1	Level 2	Level 3
Assets:				
Other Assets:				
Mutual Funds	$ 19,703	$ 19,703	$ -	$ -

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 27, 2020 and June 29, 2019, under a loan guarantee program, which has a maximum borrowing capacity of $13,000 at June 27, 2020 and $12,000 at June 29, 2019, 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 amortized either over 84 equal monthly 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 or variable rate to be determined by the banks at the time of funding. At June 27, 2020, interest rates on the loans ranged from 2.25% to 5.86%. At June 29, 2019, interest rates on the loans ranged from 2.25% to 7.00%.

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 27, 2020 and June 29, 2019, 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.