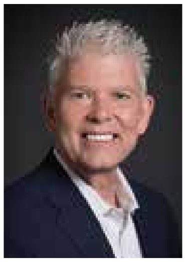
Collaborative Growth

2023 Annual Report

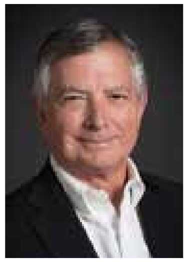
Associated Wholesale Grocers, Inc.

Board of Directors

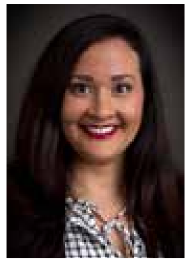
Barry Queen, Chairman
Queen Enterprises, L.L.C.
Paola, KS



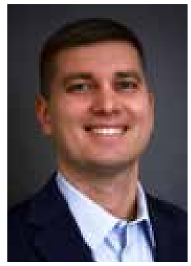
David Ball
Four B Corp.
Kansas City, KS



Jim Brown
Doc's Food Stores, Inc.
Tulsa, OK



Nikki Carver
Super C Mart, Inc.
Noble, OK

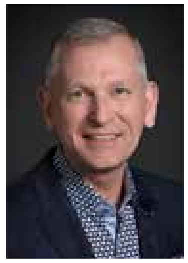


Steve Clarke
County Fair, Inc.
Mitchell, SD

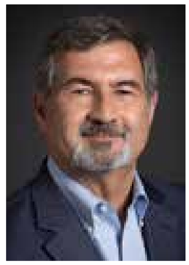
Chris Coborn
Coborn's, Inc.
St. Cloud, MN

Dale Trahan, Vice-Chairman
Dale L. Trahan Enterprises, Inc.
Rayne, LA

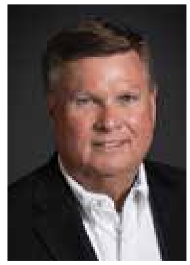
Victor Cosentino
Cosentino Enterprises, Inc.
Overland Park, KS



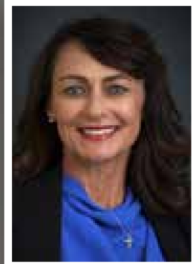
Kim Eskew
Harp's Food Stores, Inc.
Springdale, AR



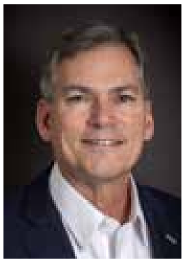
Jay Lawrence
MAL Enterprises, Inc.
Sweetwater, TX



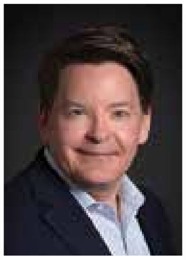
Alan McKeever
McKeever Enterprises, Inc.
Independence, MO



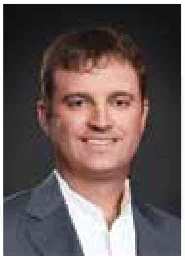
Dana Naifeh
Naifeh's, Inc.
Covington, TN



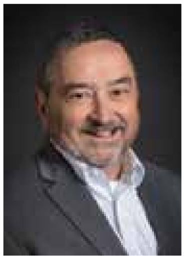
Jimmy Nichols
Houchens Food Group, Inc.
Bowling Green, KY



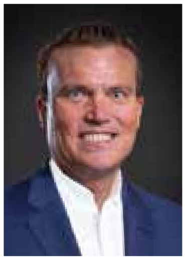
Pat Raybould
B & R Stores, Inc.
Lincoln, NE



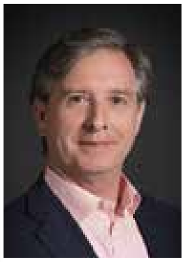
Donny Rouse
Rouse's Enterprises, L.L.C.
Thibodaux, LA



Randy Stepherson
Stepherson, Incorporated
Memphis, TN



Jeff Strack
Indiana Grocery Group, LLC
Highland, IN



Erick Taylor
RPCS, Inc.
Rogersville, MO

James Zyrowski
Ben's Supercenter, Inc.
Brown City, MI

Thank You!

We thank the following former board members for their dedicated support, leadership and advocacy, whose work has helped shape AWG: Vice Chair of the AWG Board of Directors **Don Woods Jr.** and owner of Woods Super Markets, Inc., having served more than 38 years, 24 as Vice Chair; **Jeff Reasor** of Reasor's by Brookshire Grocery Co., having served 24 years; and **James Neumann** of Valu Discount, Inc., having served 13 years and has since joined AWG as senior vice president of development. Thank you all for your contributions and welcome, James, to AWG.

Dear Shareholders

March 26, 2024

Dear Shareholders,

Your Board of Directors and management are pleased to present the audited results for fiscal 2023. Consolidated sales reached $12.4 billion, up 0.8% on a comparable basis. Total year-end patronage, after retainage, was $284 million, or 2.72% of qualifying sales. Total distribution, including patronage, allowances, and interest back to members, was $602.8 million, increasing 10.88%. In addition, the trading value of AWG stock increased to $1,610 per share, an increase of 3.9%. Net sales for the cooperative were $11.1 billion, up 3.16% from the prior year. Member investment and equity declined to $655.8 million, reflecting strategic projects start-up costs.

These results were achieved through continuous improvements in our division operating results, efficiency, and productivity initiatives. Despite ongoing inflationary pressures on operating expenses, our unwavering focus on year-over-year cooperative sales growth, both with new and existing members, has yielded positive outcomes. Strategic investments under the Convergence initiative in merchandising, marketing and promotional funding enhancements have significantly contributed to the remarkable 10.88% improvement in total distributions for the year. Noteworthy developments include a comprehensive relaunch of our AWG Brands portfolio, introduction of new label designs, new product offerings, and ongoing AWG Brands investments aimed at solidifying your cooperative's position as the largest brand within your markets.

Throughout 2023, we also launched multiple strategic projects to redefine our future distribution capabilities. The inauguration of the All-In-One Distribution Center, now the new Mid-South Division in Hernando, MS marks a significant milestone. The first phase of consolidating Valu Merchandisers Company (VMC) products and departments into the new Mid-South Division commenced in 2023. Our consolidated member investment and equity results reflect start-up costs and close-down expenses at our AWG Southaven and VMC Memphis facilities. These investments were part of the planned strategic project and closure plans in 2023, with gains from sales of buildings occurring in fiscal year 2022. The integration of the VMC products into the cooperative for members' stores will commence in phases during fiscal 2024.

In 2023, we moved 86 member stores into our new Upper Midwest Division in St. Cloud, MN. The new division created needed new capacity within the total distribution network, with volume rebalancing taking place in the Nebraska, Great Lakes, and Nashville distribution centers. The Upper Midwest Division continues in its second year to be a growth opportunity for the cooperative.

Fiscal year 2023 served as a transitional period, focused on stabilizing the supply chain, member growth initiatives, and the successful execution of multiple strategic projects. Looking ahead, we remain committed to fostering collaboration among the membership to collectively build sales, retail profits and overall strength to market. Collaborative efforts will yield more scale, reduce costs and eliminate end-to-end redundant expenses, redirecting resources toward store growth, profitability, and consumer success in each market served.

Together with our teammates, your board of directors' leadership and our members' passionate support for the cooperative, we will continue to partner together for mutual success. We will continue building collaborative growth for our membership, vendor partners and the cooperative. Thank you for your commitment and ongoing support for your cooperative.

Sincerely,

Barry Queen
Chairman of the Board

Dan Funk
President & CEO

DAVID SMITH
EIGHT YEARS OF GROWTH & LEADERSHIP

Since David Smith joined AWG, membership has grown from 1,200 stores and three divisions with sales of $3.2 billion to more than 3,400 stores and nine wholesale divisions with consolidated sales in 2023 of $12.4 billion. As president and chief executive officer (CEO) since 2015, David was the chief architect of significant growth during his tenure with his servant leadership, commitment to the personal and professional development of teammates and dedication to increasing member value. David retired as president and CEO in December 2023, capping off a remarkable career.

David's foray into the grocery business began in 1975 at his family-owned, independent multi-store grocery business in Tennessee, working his way up until he was named president, CEO and principal owner at the age of 26. When the family business was sold in 1987, David went to work for the Nashville division of grocery wholesaler Malone & Hyde. In 2003, when the Nashville and Memphis divisions were acquired by AWG, David's career with the Cooperative began.

Holding various divisional and corporate positions, David served as AWG's director of real estate, director of member services, and vice president of merchandising and marketing. In 2012, David was named senior vice president and division manager of AWG's new Gulf Coast division. In 2014, David was named executive vice president of operations and in 2015 was elected by the AWG Board of Directors as president and CEO.

Among his many contributions to growing AWG as president and CEO, David oversaw the addition of three new divisions, two coming with the unification with retailer cooperative Affiliated Foods Midwest and the third as a ground up division in St. Cloud, Minn. He led the team through an unprecedented pandemic and championed AWG's investment into automation by spearheading the All-In-One (AIO) Distribution Hub, AWG's largest capital project to date. Throughout David's leadership, AWG has consistently been recognized and awarded by the grocery industry. Additionally, David has been recognized and awarded throughout the grocery industry and by his peers. What makes David stand out among industry leaders is his innate ability to connect with people, an ability that has endeared him to everyone that has had the opportunity to know and work with him.

The AWG Board of Directors, members and all our teammates are grateful for all that David has contributed to the company during his tenure as president and CEO, and we are committed to continue building on his legacy. Thank you, David, and congratulations on your retirement!

THE NEW EXECUTIVE LEADERSHIP TEAM

AWG exists to ensure the success and prosperity of its member retailers. One way AWG fulfills this purpose is through its employee teammates. In addition to President and CEO Dan Funk, AWG is led by an Executive Leadership Team (ELT). With the need to shift responsibilities formerly overseen by Dan as the Chief Operating Officer (COO) and the upcoming retirement in March 2024 of Emile Breaux, AWG's Senior Vice President (SVP), Chief Sales and Support Officer, who oversaw many different areas within AWG, including Valu Merchandisers Company (VMC), the AWG ELT is realigned and ready for the future.

Joining AWG in 2023, **Derek Jones, Executive Vice President (EVP), Division Operations**, oversees all division teams with all Regional Managers reporting in through him as well as having oversight of all areas of distribution and logistics. Also joining in 2023, **James Neumann, SVP, Development**, oversees all aspects of the real estate, store engineering, design/décor and business development functions. Both leaders bring extensive retail experience to our ELT and a strong commitment to serving independent grocers.

Joining the ELT over the past few years are **Stephanie Becker, Chief Legal Officer and General Counsel**, responsible for oversight of all legal and Board activities as well as governmental relations; **Tye Anthony, Chief Merchandising and Marketing Officer**, who's responsibilities have recently expanded and now include all areas related to both national brand and private label product (Perishables, Center Store, Hispanic and Specialty Food, and Non-Food), as well as Advertising, Marketing, Digital Services, Pricing, Retail Learning and Pharmacy; and **Shelly Moore, SVP, Chief Information Officer (CIO)**, responsible for information technology (IT) services, including solution integration, application development, IT support center, technology infrastructure, security, data governance and project management. This group of leaders are added experience, energy and leadership to critical areas of our AWG business.

Rounding out the ELT are those who were charter members of the group, including **Gary Koch, Chief Financial Officer (CFO)**, responsible for oversight of risk management, tax, internal audit, information technology and development as well as finance and accounting; **Pat Reeves, Chief Human Resources Officer (CHRO)**, responsible for oversight of all personnel activities related to the entire team at AWG as well as Corporate Communications and holding a key role in shaping AWG's strategy work; and **Richard Kearns, EVP, Distribution and Logistics**, responsible for corporate oversight of all warehouse and transportation functions, and direct responsibility for the All-In-One (AIO) Distribution Hub, corporate services and food safety. All three bring stability, continuity and broad contribution in expertise needed to lead AWG forward.

This ELT group, under Dan's leadership, will guide AWG's success. They look forward to working with each and every member, employee and vendor, modeling AWG's values of humility, accountability, transparency and serving to ensure AWG's success for many years to come.

FULLY OPERATIONAL
ALL-IN-ONE (AIO) DISTRIBUTION HUB

AWG's All-In-One (AIO) Distribution Hub in Hernando, Miss., opened in phases starting in November 2022 and was fully operational in November 2023. As part of the transition, Southaven's grocery departments, along with Valu Merchandisers Company's (VMC) Memphis division, have been migrated into the AIO with plans to have VMC's Fort Scott division migrated by midyear 2024. This complex project included the commissioning of dry, fresh and frozen automation and manual processes, along with the implementation of a new warehouse management system. A large tote warehouse was commissioned for each pick, low cube cases and items without a significant daily demand. With the distribution hub fully operational, we fulfilled commitments the AIO promised to deliver upon and gained insights into our performance through feedback from our members.

While there were expected results from the AIO, additional benefits were realized:

- ***More accuracy on meat weights*** – *Migrating from a person speaking weights into the system to utilizing scanning or automated technology to weigh cases, resulted in more accurate meat weights. Based on feedback since implementation, members have reported few discrepancies. This technology will be deployed in all facilities in 2024. Scanning also provides an enhanced platform for product traceability, ensuring AWG will be positioned to comply with the January 2026 Food Safety Modernization Act (FSMA) Rule 204 deadline. These Food Traceability rules establish additional tracking of certain products and recordkeeping requirements for businesses that manufacture, process, pack or hold foods on the Food Traceability List*
- ***Improved pallet quality*** – *With more than 70% of the product volume leaving the AIO built by a machine, the machine efficiently builds a stable pallet, respecting food safety parameters and ensuring product segregation. Due to the improved pallet quality, trucks can be unloaded quickly. Based on member feedback, many unload times have been cut by 50%. Furthermore, due to cube fill on the pallets, there are less pallets to unload per stop and therefore fewer pallets to store in the backroom and return to the facility*
- ***Enhanced "on shelf" availability*** – *Accuracy of selection has led to significant reductions in shipping errors to retailers. Initial data reporting reveals that shortages and mispicks have reduced by 50%*

As the consolidation of all facilities continues, AIO tote fill rates have increased density thus reducing the overall number of totes delivered to and handled by stores. On the operations side, with the use of automation and the overall layout of the AIO facility, we have been able to reduce the number of trucks transporting General Merchandise (GM), Health and Beauty Care (HBC) and Specialty Foods (SF) products to each of AWG's full-line divisions by more than 30%. The reduction of the number of trucks has resulted in cost savings for members, lower emissions and less congestion on the highways, contributing to a better environment for our communities.

Following the consolidation of the Fort Scott facility, we will turn our attention to extended variety and will add additional assortment into the facility. This will include a limited number of fresh and frozen items.

In 2024, we will further our mission of providing all AWG members with the tools, products and services needed to compete favorably in all markets served by servicing members with HBC, GM and SF from the AIO, thereby lowering freight costs, providing members with the benefits of the AIO's state-of-the-art technology, and increasing the variety of items available for the shelf, all of which will result in a better cost of goods to the retailer from AWG.

THE EVOLUTION CONTINUES

VALU MERCHANDISERS COMPANY (VMC) PRODUCT INTEGRATION INTO AWG

With the new AIO facility providing operational efficiencies into the future, AWG is also looking ahead to integrate marketing and sales of former VMC product lines into the Cooperative's overall sales and marketing plans. VMC product management and sales teams have been integrated into AWG's category management, sales and merchandising organization. AWG plans include alignment of product category reviews, merchandising and promotional plans to provide our members with first-class selling tools at retail. What remains constant is the laser focus on driving non-food, specialty and seasonal product sales with the same passion as has become the hallmark of the VMC team's drive for excellence.

Along with key synergies derived from the integration of teams into the Cooperative, members will continue to benefit from the attention and expertise of dedicated and knowledgeable category managers and sales professionals who understand the non-foods, specialty and seasonal product lines. AWG plans include the continuation of the dedicated shows for the legacy VMC products, along with the other AWG shows throughout the year. Additionally, as AWG completes the integration

of distribution of former VMC products into the AIO, all sales of legacy VMC GM and SF products shipped from the AIO will be considered qualifying sales for patronage calculation, with HBC qualifying purchases timing based on completion of the VMC Fort Scott transition. This has been a long-standing member request that will become a reality in 2024.

VMC LIVES ON

Members participating in the VMC Pharmacy program will enjoy continued services from the VMC Pharmacy team. The Pharmacy program will remain a standalone program within the current VMC subsidiary, managed by Bob Pessel, Vice President Pharmacy, and his skilled pharmacy team. The VMC subsidiary will also continue to serve as the marketing and sales program for those customers who are not members of the cooperative.

THE FUTURE IS BRIGHT

Behind this year's business transition was a dedicated team, highlighting the collaborative growth culture at AWG. Every team member was committed to executing the transition at a high-level, in addition to carrying out their everyday job. While 2023 was a challenging year it paves the way to have an extraordinary 2024, making AWG and its members well-positioned for future growth.

AWG STRATEGY

AWG works to balance the needs of members, vendors and employees, positioning the company for long-term success. For the first time, AWG has included all stakeholders by bringing together one team that includes a strategic counsel comprised of members, AWG ELT, AWG Officers and vendor partners to collaborate on an effective 5-year strategy plan that leads AWG into the future.

AWG's mission and vision guide us. At the core of AWG's strategy is its mission, which commits us to provide our member retailers all the tools, products and services they need to compete favorably in all markets served. This includes top quality supermarket merchandise and support services, all at the lowest possible cost. Our vision provides a picture of the potential of AWG to be the most retailer focused and highest performing member-owned food wholesaler in America. We live our core values of humility, accountability, transparency and serving every day, and they not only connect us but drive how we show others AWG.

Our people, values and behaviors determine AWG's success. With this strategic plan, we will

A FIVE-YEAR PLAN FOR FUTURE SUCCESS

realize our vision by strengthening the Cooperative through our ***members***; prioritizing ***growth*** of existing members and proactively planning for meaningful new growth to drive volume and build capabilities; in ***productivity***, championing distribution and logistics operations by refining implementation of first-class processes, technology, culture, people and services; and developing our ***people*** to be a vibrant, valued workforce, modernizing AWG's culture and employee programs to provide a competitive advantage. Through this collaborative and disciplined approach, AWG is poised to optimize resources to deliver the maximum value to the membership.

AWG's business is well-positioned for growth and financial success. AWG will drive significant profitable growth for the Cooperative and member retailers while providing opportunities for employees, delivering on its vision to be the most retailer focused and highest performing member-owned food wholesaler in America. The result of this one team working together toward our vision and strategic plan brings exciting possibilities for AWG.

WELL-POSITIONED BRANDS
CREATING VAL

The AWG Brands department delivered on creating value and growing business at retail for members by building consumer price perception through its brands Always Save®, Best Choice®, Clearly by Best Choice™ and Best Choice® Superior Selections®. In 2023, AWG Brands overhauled multiple categories as part of category initiatives and product assortment work, launched new items, maintained high quality assurance standards, earned industry and peer recognition, completed several marketing redesigns and increased consumer engagement.

CATEGORY INITIATIVES & ASSORTMENTS OVERHAUL

As part of the Convergence work, AWG Brands was repositioned to be distinctive to consumers across all four brands, providing the right products and right brands for all members to be competitive at retail. Team members carried out this mission by assessing the full portfolio of products against competitors using insights and analytics, sourcing new suppliers, updating packaging and ensuring members are carrying AWG Brands that are competitive with other choices in their market.

NEW ITEMS LAUNCHED

There were 85 new AWG Brands items launched in 2023. As part of the category assortment work, new SKUs were launched across the portfolio, including trending products, product line extensions for popular products (e.g., Best Choice Frozen Cherry Cobbler) and products to attract diverse consumers to member stores with newer products (e.g., Clearly by Best Choice Coconut Milk).

QUALITY ASSURANCE & OUR 100% GUARANTEE

All AWG Brands products have always come with a 100% guarantee. This is supported by extensive scrutiny that includes consumer science testing and frequent product audits. The 100% guarantee is AWG Brands' number one commitment to members and their consumers. Providing our members with products that not only meet but exceed quality expectations ensures they are able to compete favorably in all markets served and aligns with the expectations of value-seeking consumers.

2023 AWARD-WINNING AWG BRANDS

AWG Brands was recognized by the industry and peers:

- **2023 Graphic Design USA (GDUSA) Package Design Awards Winner for Best Choice Superior Selections Frozen Desserts and Best Choice Kettle Chips**

LUE

- **2023 Gold Winner in the National Frozen & Refrigerated Foods Association's (NFRA) Golden Penguin Awards competition for Best Private Brand Campaign during March Frozen Food Month**
- **Store Brands 2023 Editors' Picks Winner for Clearly by Best Choice Hair and Body Care, Best Choice Bratwursts and Italian Sausages, Best Choice Frozen Lasagnas, Best Choice Frozen Fruit Cobblers, Clearly by Best Choice Turbinado Sugar, Clearly by Best Choice Organic Panko Bread Crumbs**

- **Private Label Manufacturers Association's (PLMA) 2023 Salute to Excellence Award winner for the Clearly by Best Choice Organic Jasmine Rice in the Organic Foods category**

MARKETING REDESIGNS

AWG Brands completed several redesigns in 2023, including major category overhauls in canned goods and cheese for Best Choice. Redesigns for lifestyle-oriented consumers were implemented in the Clearly by Best Choice brand, showcasing transparency through packaging through the "free from" line of products. Redesigned consumer-facing websites for the Always Save brand (alwayssavebrand.com) and the Best Choice Family of Brands (bestchoicebrand.com) were completed in 2023.

CONSUMER ENGAGEMENT

AWG Brands distinguishes itself from other wholesalers through its marketing programs. Turnkey programs include digital marketing graphics, supplemental in-store ads, product demonstration programs and more. An extensive selection of digital coupons are funded and offered to retailers that provide consumers with discounts when purchasing AWG Brands products. Additionally, AWG Brands donated $134,000 to non-profit organizations through its Best Choice Family of Brands' Save-A-Label™ program.

MORE TO COME IN 2024

Along with more than 350 vendor partners, AWG Brands category initiative work in 2024 will enhance non-food items such as paper, redesigned picnic items, bags and wraps as well as increased vitamin product assortments within AWG Brands. AWG Brands will launch a reinvigorated salty snacks assortment to cater to a rise in consumers who snack.

PRODUCE

In 2023, AWG continued its focus on improving overall Produce quality by investing in technology and Quality Control (QC) training. AWG remains committed to providing all members the best quality Produce possible.

FOOD QUALITY IMPROVEMENTS

iFoodDS®

Utilizing technology, AWG has made significant improvements in food quality and QC. The potential for human error in this process is removed through use of tablet based iFoodDS, an inspection-based platform. iFoodDS is used by AWG in the field, with our third-party QC inspectors, and in all AWG warehouses by our AWG QC inspectors. Launched in 2022, AWG was able to realize benefits of the platform, including meeting/exceeding U.S. Food and Drug Administration (FDA) standards, providing uniformity and consistency across all nine divisions, ensuring consistent product is shipped to members, and the ability to quickly identify issues regarding quality standards. AWG provides training for a number of its own QC inspectors through the USDA, and continually provides online and onsite training for AWG's QC inspectors within each of the AWG divisions.

SOURCING SOLUTIONS IMPROVEMENTS

Focusing on ways to bring members more brands and more variety in a timely manner, AWG has implemented a West Coast consolidation operation that allows our divisions to have wider breadth of product from a larger group of suppliers. Through consolidation we can provide our members with a wider variety of products and get quality warehouse products to our divisions in a timely manner. AWG has been able to optimize inbound freight, resulting in a significant savings in cost of goods to our members.

LATEST PRODUCE & FLORAL TREND SOLUTIONS

AWG Category Managers travel to all major growing areas researching the latest industry trends and visiting suppliers that can be added to the

AWG sourcing network. The AWG team is heavily involved with the International Fresh Produce Association (IFPA) and the Southeast Produce Council (SEPC). Collaboration with these organizations allows the team to stay on the cutting edge of the latest trends as well as to help AWG identify new suppliers to meet members continual needs for the best products available.

FLORAL PROGRAM SOLUTIONS

AWG has focused on Floral as an area for potential growth and opportunity for several years. As a result of this focus, AWG's floral programs now provide customization capabilities to meet individual store needs, whether self-service or full-service departments providing custom arrangements and delivery, and everything in between including carrying floral supplies. AWG's floral programs ensure members' floral needs are met, regardless of store or department size, or complexity.

MEAT & SEAFO

In 2023, the Meat & Seafood Department had another year of record sales, achieving 1.3% growth over 2022 led by fresh and processed meat. According to market data, AWG outpaced industry trends by increasing market share growth for AWG and AWG's members. As economic pressure brought challenges throughout 2023, shoppers focused on value.

HELPING OUR MEMBERS DRIVE VALUE

AWG's Meat & Seafood team members work hard every day to procure quality products at the right cost and provide members with a customized level of support including promotions, insights and merchandising guidance, all to help members win in the markets they serve. AWG offered members over $60 million in web blast sales events, capitalizing on vendor partnerships to negotiate aggressive promotional opportunities. AWG Brands expanded their offerings in the meat and seafood categories, including working with a new breaded chick-

OD

en supplier and additional AWG Brands promotional offerings. Overall, more than $50 million was invested in promotional markdowns that were passed along to members as lower cost of goods.

FOCUS FOR 2024

In 2024, Meat & Seafood's focus continues to emphasize balancing value and convenience through expansion of private label programs, case ready solutions, value added offerings, forward buys on beef, shelf stable assortment and optimizing ground meat programs across all proteins. A Category Initiative will be launched in the bacon category, as well as the introduction of planograms and assortment management programs for perishable departments. AWG is excited to partner with both vendors and members to win in 2024.

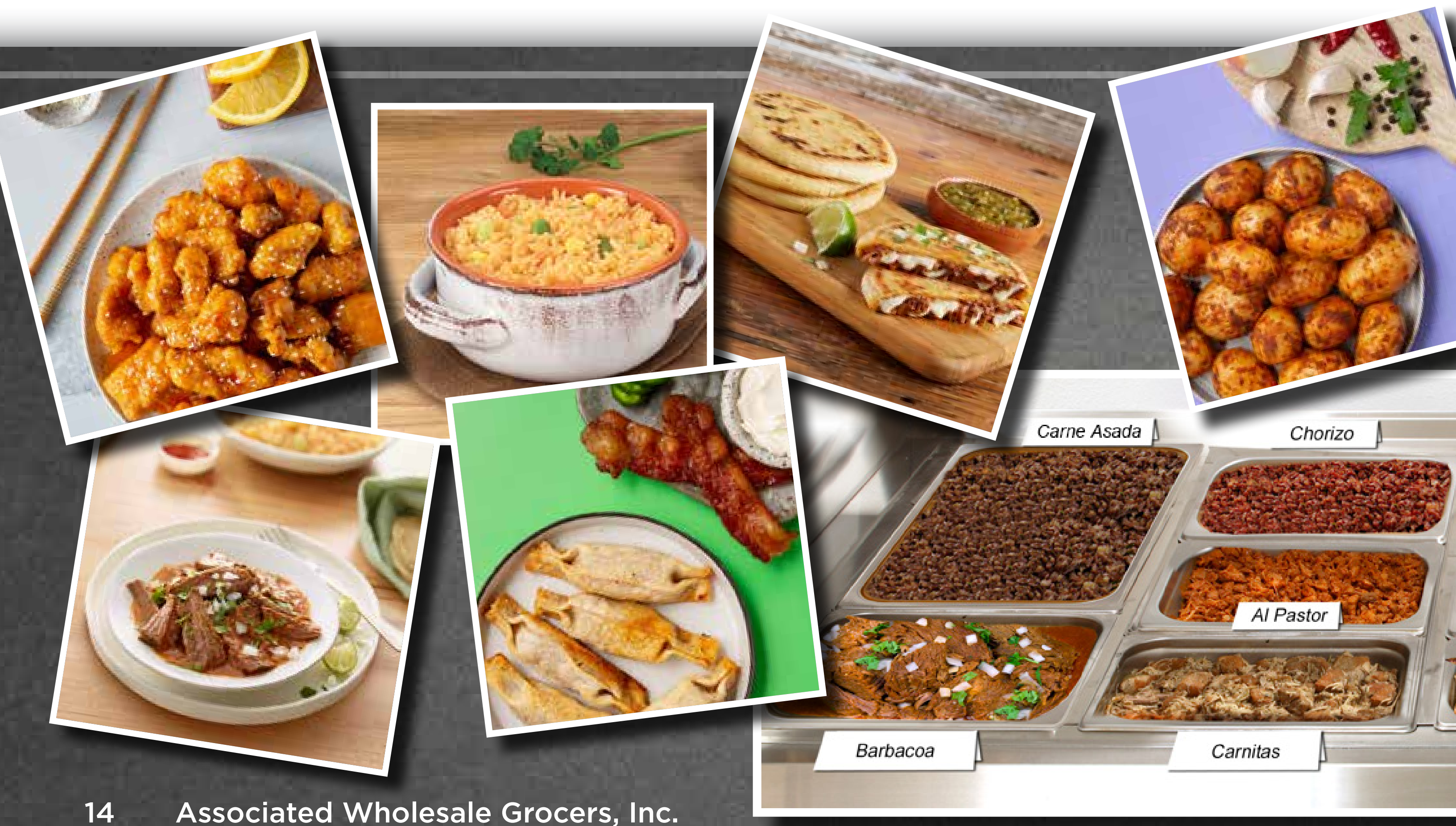
DELI-BAKERY-

2023 PERFORMANCE RECAP

AWG Bakery, Deli and Food Service had a remarkable year, focusing on driving sales of units with targeted value growth strategies, expanding food service options and by building upon core deli programs. It surpassed its sales growth target by achieving $799 million in sales, representing a 6.3% growth compared to budget and up 7.4% compared with the previous year. Demonstrating resilience in a challenging market against some unit softening in Q4, a year-over-year unit growth rate of 2.7% was achieved. Deli performed exceptionally well with a 5% increase in units in 2023.

Value Proposition Toolbox Deals and Merchandising Strategies, a series of value promotions and merchandising strategies in lieu of deflation and price sensitivity, were launched in 2023. These programs included merchandising and portion sizing strategies to build both basket size and provide on-trend solutions. AWG promotional programs offered more items on its monthly promotions program CLIP versus prior year with a 74% increase in Bakery and a 55% increase in Deli. By providing more items at richer discounts, members are able to facilitate better ads for their consumers.

Strategically, AWG focused on expanding Food Service offerings with the relaunch of vendor partner PFSbrands within AWG to include chicken, pizza and Mexican concepts. Reser's Meal Kits were introduced and Asian Food Service from InnovAsian was added as an option for members. Additionally, Deli growth



FOOD SERVICE

strategies focused on promoting value chicken and Grab & Go Pre-sliced Meats and Cheeses.

LOOKING AHEAD TO 2024

In Bakery, Deli and Food Service, the return to convenience, variety and exploration will be responsible for driving growth despite inflation. Food Marketing Institute (FMI) has declared 2024 to be the "Year of the Deli." The following categories will continue to top the growth chart and AWG will continue to drive these initiatives: Deli Chicken, Grab & Go Pre-sliced Deli Meat, Prepared Foods, Deli Prepared Meats, Deli Salads and Deli Sandwiches.

AWG is excited about 2024 and its core strategies, focusing on:

- **Expanding Food Service and Prepared Foods**
- **Building upon the traditional deli's success of Grab & Go Pre-sliced, Charcuterie and Specialty Cheeses**
- **Enhancing Specialty Bakery offerings by expanding donuts, Hispanic bakery, sugar-free and gluten-free products**
- **Introducing new AWG Brands products**
- **Enhancing member participation in AWG promotions**

AWG's Bakery, Deli and Food Service Team is eager to partner with members in 2024 to drive best in class food and guest experience in deli, bakery and food service.

EXCELLEN

LOU FOX AWARD

John McKeever Family & Jim & Barbara Queen Family

The families of John McKeever and Jim Queen are special to AWG and its legacy not only as these families serve as models for success for the independent grocer by running great businesses, but also because they continually give back to their employees and the communities they serve. The McKeever and Queen families are also special to each other as they have a shared AWG legacy.

At the time Lou Fox was president of AWG, John McKeever served as AWG's chief merchant and Jim Queen was AWG's chief financial officer. Under Lou's leadership, these three gentlemen grew AWG from a modest sized Kansas City and Springfield, Mo., wholesaler to a regional cooperative powerhouse. They launched the AWG store brands programs, the Price Chopper banner and many of the successful programs from which AWG benefits today.

As John and Jim grew in their AWG careers, a supermarket for sale caught their attention. Utilizing their knowledge of the independent grocery business from their years at AWG, they formed a partnership to become their own independent owner/operators. Eventually, the families went their own way, each family creating their own successful grocery companies. John and Jim always remained close friends and never lost the spirit of working together as they had at AWG and in their retail partnership.

John and Jim have long since retired from the grocery business, however, the McKeever and Queen families have ensured the businesses that their fathers started continue to thrive today. These families continue to serve AWG, their employees, their communities and the consumers that trust them to provide quality products for their families.

In honor of Lou Fox, AWG's historic CEO, a philanthropist and an icon of industry and community support, AWG recognizes the John McKeever and Jim and Barbara Queen families for their incredible legacies, with their countless contributions to the grocery industry, AWG and the communities in which they serve. The Lou Fox Community Service Award serves as a fitting acknowledgment of their dedication and impact.

NCE AWARDS

STORE MANAGER OF THE YEAR

Korey Daubenspeck

Riesbeck's® Food Markets, Cambridge, Ohio

Korey Daubenspeck of Riesbeck's® Food Markets (Riesbeck's) in Cambridge, Ohio, was raised in Elizabeth City, N.C., until 7th grade when his stepfather retired from the U.S. Navy and relocated the family to Ohio. Beginning his career as a part-time cashier at Riesbeck's 16 years ago, Korey moved to being a service meat counter clerk in the Meat Department, and then on to being promoted to customer service manager. Joining Riesbeck's management trainee program provided Korey with the opportunity to work all store positions, developing him into a well-rounded manager. Upon completing his management training, Korey was named the store manager of the New Concord, Ohio, location, and later to his current position as the store manager of the Cambridge location.

Running a high-volume store, Korey has learned that sales are key to keeping the business running and he is passionate about achieving his sales goals. In addition to running an operationally sound store, Riesbeck's in Cambridge has different departments to attract a diverse range of customers and serve their needs. If you ask Korey, providing excellent customer service is what he is most proud of and what he believes can only be achieved by having a team that understands customer satisfaction.

Korey starts every day with a single goal in mind — coaching his team to excellence. He believes in leading by example and shows his team that fast and friendly service is what a customer looks for when shopping the store, often saying his motto of 'Time is valuable so why waste it?' A former employee recently made Korey's day when he acknowledged that even though Korey had high standards, he was the best manager the former employee could have asked for because Korey prepared him for life after college and instilled in him the importance of a work ethic.

Korey also believes that recognizing his team and letting his community know how proud he is of them is equally important. Whether it is on a holiday, at a 12-hour meat sale or a random Tuesday, Korey ensures he takes the time to thank his teammates in person daily and uses his social media platform to share his store pride. Korey extends his belief in sharing his success by giving back to the community. Throughout the year, Korey honors his local police department, holds food drives for the community and partners with the local YMCA. Congratulations, Korey, on being named AWG's Store Manager of the Year!

2023 EXCELLENCE AWARD WINNERS

AWG BRANDS
Hays #3185
OSCEOLA, AR | MID-SOUTH

PRODUCE
Ken's SuperFair Foods #7019
ABERDEEN, SD | UPPER MIDWEST

BAKERY
Tony's Fresh Market #8767
HANOVER PARK, IL | GREAT LAKES

FOOD SERVICE
Fairplay Foods #8441
WORTH, IL | GREAT LAKES

FLORAL
McKeever's Price Chopper #500
LEAWOOD, KS | KANSAS CITY

SEAFOOD
Harps Foods #2176
FAYETTEVILLE, AR | SPRINGFIELD

CENTER STORE
Price Cutter #5466
FAIRMONT, WV | NASHVILLE

MEAT
Elden's Fresh Foods #7716
ALEXANDRIA, MN | UPPER MIDWEST

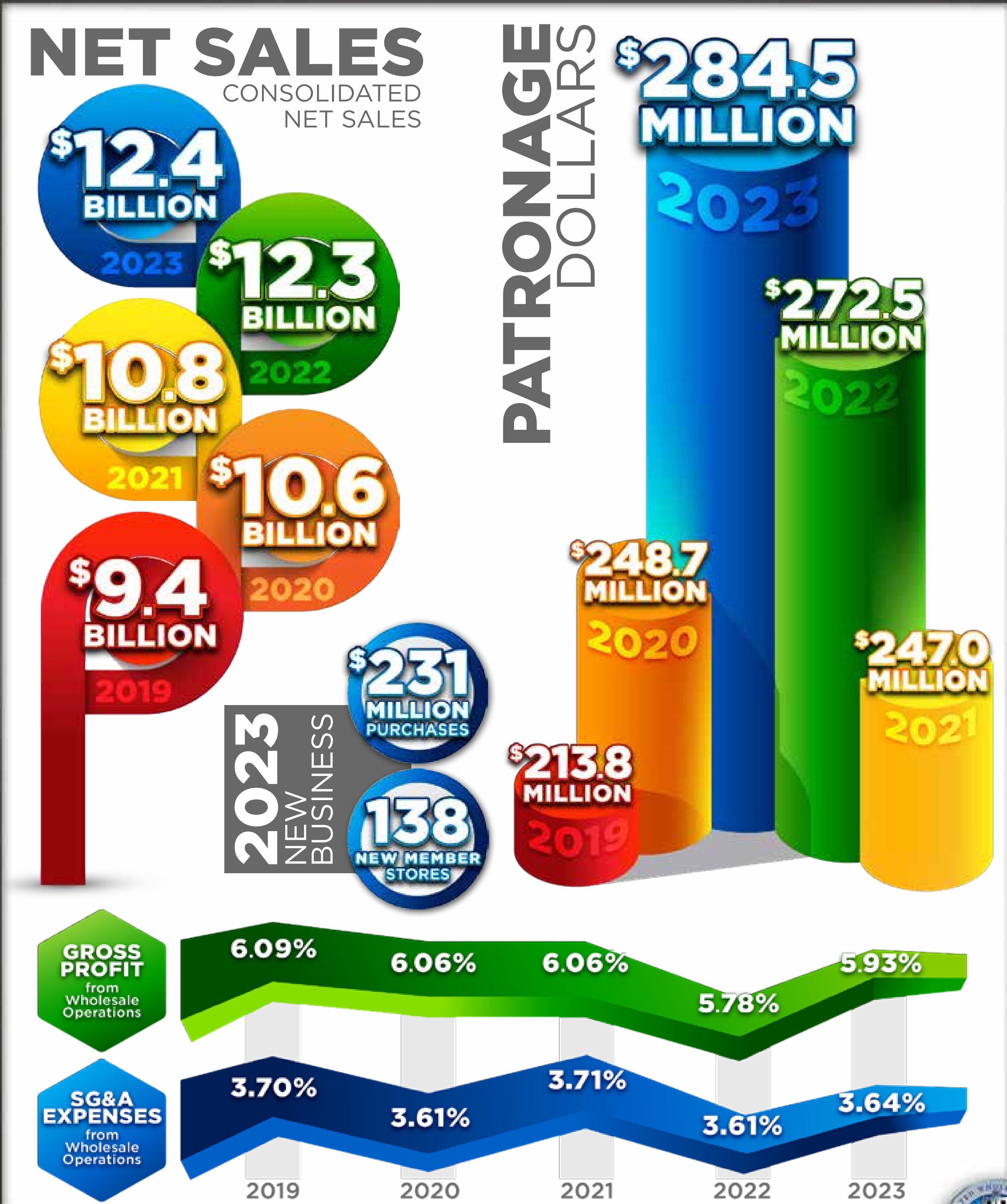
MERCHANDISING EVENT
Ball's KC Stores
ALL KANSAS CITY LOCATIONS | KANSAS CITY

OMNICHANNEL
Sooner Foods
ALL 3 LOCATIONS | OKLAHOMA CITY

VMC
Ball's Price Chopper #64
KANSAS CITY, MO | KANSAS CITY

FOLLOW THIS LINK TO VIEW ALL 2023 AWARD WINNERS

2023 Financial Performance



ASSOCIATED WHOLESALE GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 30, 2023 and December 31, 2022
(dollars in thousands)

ASSETS	2023	2022
Current Assets:		
Cash and cash equivalents	$ 193,021	$ 220,500
Receivables, net of provision for credit losses of $6,194 in 2023 and $4,561 in 2022	395,426	362,447
Notes receivable from members, current maturities, net of provision for credit losses of $0 in 2023 and $0 in 2022	7,321	8,856
Inventories	554,769	528,567
Prepaid and other current assets	65,828	66,196
Total current assets	1,216,365	1,186,566
Notes receivable from members, maturing after one year, net of provision for credit losses of $1,764 in 2023 and $2,040 in 2022	59,860	64,735
Property and equipment, net (note 6)	823,307	759,741
Operating lease right-of-use assets (note 4)	166,423	189,983
Deferred income taxes (note 10)	15,843	12,611
Prepaid and other assets	64,956	71,009
Total assets	$ 2,346,754	$ 2,284,645
LIABILITIES AND EQUITY		
Current Liabilities:		
Long-term debt maturing within one year (note 7)	$ 6,667	$ 6,667
Accounts payable	781,167	820,567
Operating lease obligations (note 4)	31,874	35,743
Financing lease obligations (note 4)	860	862
Cash portion of current year patronage	209,533	163,262
Member deposits	48,999	41,239
Accrued expenses and other current liabilities	165,827	148,664
Total current liabilities	1,244,927	1,217,004
Long-term debt maturing after one year (note 7)	304,182	246,517
Long-term operating lease obligations (note 4)	136,964	157,171
Long-term financing lease obligations (note 4)	—	855
Deferred income and other liabilities	56,176	49,861
Total liabilities	1,742,249	1,671,408
Commitments and contingent liabilities (note 12)		
Equity:		
Common stock, $100 par value:		
Class A, voting; 35,000 shares authorized; 16,815 and 17,055 shares issued at 2023 and 2022	1,681	1,705
Class B, nonvoting; 150,000 shares authorized; 49,077 and 54,369 shares issued at 2023 and 2022	4,908	5,437
Additional paid-in capital (note 9)	21,965	22,748
Retained earnings	605,468	615,592
Accumulated other comprehensive loss (notes 9 and 11)	(29,517)	(32,245)
Total equity	604,505	613,237
Total liabilities and equity	$ 2,346,754	$ 2,284,645

See accompanying notes to these consolidated financial statements.

ASSOCIATED WHOLESALE GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Fiscal years ended December 30, 2023, December 31, 2022, and December 25, 2021
(dollars in thousands)

	2023	2022	2021
Net sales	$ 12,386,364	$ 12,288,512	$ 10,812,782
Cost of goods sold	11,647,397	11,575,662	10,153,252
Gross profit	738,967	712,850	659,530
General and administrative expenses	440,702	466,411	413,099
Operating income	298,265	246,439	246,431
Other income (expenses):			
Interest income (note 1)	4,585	3,102	4,686
Interest expense (note 7)	(15,837)	(7,750)	(234)
Other, net	(770)	35,021	14,048
Income before income taxes	286,243	276,812	264,931
Income taxes (note 10)	(1,289)	2,271	5,189
Net income	287,532	274,541	259,742
Other comprehensive income			
Change in funded status of pension plan, net of taxes (note 9)	3,827	5,552	12,084
Change in fair value of interest swap, net of taxes (note 9)	(1,099)	6,512	(124)
Comprehensive income	$ 290,260	$ 286,605	$ 271,702

See accompanying notes to these consolidated financial statements.

ASSOCIATED WHOLESALE GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
Fiscal years ended December 30, 2023 and December 31, 2022
(dollars in thousands)

	2023	2022
Allocated		
Balances at beginning of year	$ 460,695	$ 428,060
Patronage certificates (note 8):		
Issued	113,665	108,842
Redeemed	(81,314)	(72,514)
Class B certificates:		
Issued	6	—
Redeemed	(107)	(3,693)
Balances at end of year	$ 492,945	$ 460,695
Unallocated		
Balances at beginning of year	$ 154,897	$ 157,066
Net income	287,532	274,541
Patronage certificates	(113,671)	(108,842)
Less cash portion of current year patronage	(209,533)	(163,262)
Redemption and retirement of common stock	(6,702)	(4,606)
Balances at end of year	$ 112,523	$ 154,897
Total retained earnings	$ 605,468	$ 615,592

See accompanying notes to these consolidated financial statements.

ASSOCIATED WHOLESALE GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal years ended December 30, 2023, December 31, 2022, and December 25, 2021
(dollars in thousands)

	2023	2022	2021
Cash flows from operating activities:			
Net income	$ 287,532	$ 274,541	$ 259,742
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	63,873	48,206	42,257
Impairment of assets and liabilities	1,692	2,782	4,938
Operating lease right-of-use assets amortization	34,163	37,525	—
Deferred income taxes	(3,232)	695	7,715
(Gain)/Loss on disposition of property and equipment	154	(37,121)	(12,467)
Changes in assets and liabilities, net of effects of acquisitions:			
Receivables	(32,979)	(701)	(15,832)
Inventories	(26,202)	13,189	39,200
Operating lease obligations	(34,787)	(36,150)	—
Prepaid and other assets	(26,015)	(20,597)	(31,142)
Accounts payable, accrued expenses and other liabilities	(13,176)	83,502	31,421
Net cash provided by operating activities	251,023	365,871	325,832
Cash flows from investing activities:			
Loans to members	(8,166)	(9,308)	(12,761)
Repayment of loans by members	14,576	33,287	34,754
Purchase of property and equipment	(97,740)	(215,478)	(198,154)
Proceeds from sale of property and equipment	705	73,352	46,241
Net cash used in investing activities	(90,625)	(118,147)	(129,920)
Cash flows from financing activities:			
Year-end patronage distributions	(163,262)	(147,899)	(157,580)
Redemption of prior year's patronage refund certificates	(81,314)	(76,206)	(80,136)
Issuance of common stock	1,891	1,503	6,839
Redemption and retirement of common stock	(9,929)	(7,274)	(9,040)
Finance lease	(857)	(859)	—
Borrowings (repayments) under term loan	(6,667)	(8,333)	100,000
Net borrowings (repayments) under term loan	64,501	23,000	(40,200)
Net (repayments) proceeds of member deposits	7,760	3,047	(3,865)
Net cash used in financing activities	(187,877)	(213,021)	(183,982)
Net increase (decrease) in cash and cash equivalents	(27,479)	34,703	11,930
Cash and cash equivalents at beginning of year	220,500	185,797	173,867
Cash and cash equivalents at end of year	$ 193,021	$ 220,500	$ 185,797
Supplemental noncash disclosures of financing activities:			
Patronage payables	$ 209,533	$ 163,262	$ 147,899
Supplemental cash flow statement information:			
Cash paid for interest, net of amount capitalized	$ 15,119	$ 6,061	$ 134
Cash paid (received) for income taxes	$ (2,160)	$ 9,032	$ 10,522

See accompanying notes to these consolidated financial statements.

(dollars in thousands unless otherwise indicated)

(1) Summary of Significant Accounting Policies

General

Associated Wholesale Grocers, Inc. predominately operates on a cooperative basis (see Patronage) procuring grocery merchandise for distribution to its retailer/shareholders ("Members") throughout the mid-western, southwestern, and southeastern United States. Non-Cooperative businesses include nonfood distribution centers, sales to non-member retail customers, and corporate owned retail supermarkets that operate under the Price Chopper banner. The cooperative represents approximately 91% of total net sales. "AWG" and "Company" refer to Associated Wholesale Grocers, Inc. and its subsidiaries.

Principles of Consolidation and Use of Estimates

The consolidated financial statements include the accounts of AWG and its subsidiaries. Intercompany transactions have been eliminated. The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America. In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the statements and affects the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The Company's fiscal year consists of 52 or 53 weeks, ending on the last Saturday in December. Fiscal 2023 included 52 weeks of operations. Fiscal 2022 and 2021 included 53 and 52 weeks of operations, respectively. All references to years in these notes to consolidated financial statements represent fiscal years unless otherwise noted.

Business and Credit Concentrations

The vast majority of the Company's sales are to Members located in Missouri, Oklahoma, Arkansas, Louisiana, Illinois, Kansas, Mississippi, Tennessee, Minnesota, Nebraska, Indiana, and Kentucky. No single customer accounted for more than 10% of sales in any year presented. Inventory and equipment financing is available to qualified retailers for acquisitions/expansion, improvements and opening inventory purchases. Loans to Members are generally collateralized by the Member's inventory, property and equipment, and the Member's AWG equity. The Company's lending rate is generally one percent over the prime rate with borrowing terms up to 7 years. For the fiscal years 2023, 2022, and 2021, the Company earned interest income on loans of $5.3 million, $5.0 million, and $3.8 million, respectively. Interest is recorded when earned.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable primarily consist of trade receivables from Members and are stated at the amount the Company expects to collect, net of allowance for credit losses. Trade receivables are generally secured by patronage certificates (see note 5).

The allowance for credit losses against gross accounts receivable reflects the best estimate of expected credit losses determined on the basis of historical events, current conditions, and reasonable and supportable forecasts of future economic conditions. In developing the estimate for expected credit losses, accounts receivables are segmented into pools of assets depending on delinquency status and customer type. A fixed reserve percentage is established for each pool in the portfolio. In determining the reserve percentages, the Company considered historical experience, regulatory and legal environments, and other relevant current and future forecasted macroeconomic factors. These credit risk indicators are monitored on a consistent basis to determine whether there have been any changes in the economic environment that would indicate the established reserve percentages should be adjusted. When management becomes aware of certain factors that impact credit risk, specific allowances for these known troubled accounts are recorded. Accounts receivable are written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

Changes in accounts receivable allowance for credit losses are as follows:

	2023	2022
Beginning balance	$ 4,561	$ 5,280
Allowance for credit losses	2,211	(333)
Write-offs / Recoveries	(578)	(386)
Ending balance	$ 6,194	$ 4,561

(dollars in thousands unless otherwise indicated)

(1) Summary of Significant Accounting Policies (continued)

Changes in notes receivable allowance for credit losses are as follows:

	2023	2022
Beginning balance	$ 2,040	$ 3,051
Allowance for credit losses	(276)	(1,011)
Write-offs / Recoveries	—	—
Ending balance	$ 1,764	$ 2,040

Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Proceeds due from credit and debit card transactions with settlement terms of less than five days are also included. The Company maintains cash balances at major financial institutions. At times, such cash balances may be in excess of the Federal Deposit Insurance Corporation coverage limit. Management believes the financial institutions are financially sound and risk of loss is minimal. The Company does not fund its disbursement accounts for checks it has written until the checks are presented to the bank for payment. The amount of outstanding checks is recorded in accounts payable. The change in outstanding checks is included in the change in accounts payable, accrued expenses, and other liabilities on the consolidated statements of cash flows.

Inventories

Merchandise is valued at the lower of cost or market. Cost for 86% and 82% of inventories in 2023 and 2022, respectively, is determined using the last-in, first-out (LIFO) method. Cost for perishables and retail store inventories is determined using the first-in, first-out (FIFO) method. Had all products been valued at FIFO, inventories would have increased by $263.5 million at December 30, 2023 and $253.6 million at December 31, 2022.

Property and Equipment

Property and equipment are stated at cost. Expenditures for improvements, which significantly increase property lives, are capitalized. Interest costs incurred during the construction of facilities are included in the cost of such properties. Depreciation and amortization are calculated using the straight-line method over the useful lives of each asset, which range from 15 to 50 years for buildings, 3 to 10 years for equipment, and 3 to 5 years for vehicles. Leasehold improvements are amortized over the shorter of the respective lease terms or life of the asset.

Patronage

Income from cooperative operations, less a nominal amount authorized by the Board of Directors to be retained, is returned to the Members in the form of year-end patronage. At each year end, a percentage of net income to be distributed is paid in cash with the remainder paid in the form of patronage certificates (see notes 5 and 8). Such amounts are apportioned to the Members based on qualifying warehouse purchases. Patronage source income derived from an extraordinary event of significant magnitude may be distributed to Members separately based on the quantity of the business done proportionately with a Member, which may span multiple years or a combination of years, as provided in the bylaws, as needed.

(1) Summary of Significant Accounting Policies (continued)

Sales and Cost of Goods Sold

The Company recognizes revenues when the performance obligation is satisfied, which is the point at which control of the promised goods or services are transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. Control transfers to customers at a point-in-time when goods have been delivered, as that is generally when legal title, physical possession and risks and rewards of goods/services transfers to the customer. The timing of satisfaction of the performance obligation is not subject to significant judgment. Amounts billed and due from customers are short term in nature and are classified as receivables since payments are unconditional and only the passage of time is required before payments are due. Customer credits and returns are included as a reduction of revenue traditionally within 10 days of the initial transfer of goods. Promotional allowances related to selling products to customers are recorded as a reduction in sales. Any volume rebates paid in advance of purchases is reported as a prepaid asset. Fees and upfront monies received from vendors are recorded as a reduction of the cost of goods sold in the period in which they are earned, based on contractual commitments to achieve certain milestones in purchases or prorated over the duration of the agreement. Sales tax collected from customers is not included in revenue.

Shipping and Handling Costs

Shipping and handling costs incurred to deliver products to our customers are included as a component of general and administrative expenses in the consolidated statements of operations and comprehensive income. Shipping and handling costs for the fiscal years 2023, 2022, and 2021 were $289.8 million, $293.8 million, and $236.7 million, respectively.

Advertising Expense

Advertising costs are expensed as incurred and are included as a component of general and administrative expenses in the consolidated statements of operations and comprehensive income. Advertising expenses for the fiscal years 2023, 2022, and 2021 were $0.5 million, $0.5 million, and $0.5 million, respectively.

Self-Insurance

In states which have approved the Company as a qualified self-insurer, the Company covers the worker’s compensation claims utilizing a combination of self-insurance and excess worker’s compensation insurance ($0.8 million retention), subject to the policy limitations, if any. The Company uses actuarial estimates to record the liability for future periods. If the number of claims or the costs associated with the claims were to increase significantly over the estimates, additional charges to earnings could be necessary to cover required payments.

Income Taxes

AWG files a consolidated federal income tax return. Deferred income taxes are accounted for under the asset and liability method. Patronage distributions from cooperative operations are deductible for income tax purposes. Deferred income taxes result primarily from differences in financial reporting basis for net receivables, depreciation, insurance, pension, and employee benefits. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During 2023, 2022, and 2021, the Company did not recognize any significant interest or penalties.

Recently Issued Authoritative Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "*Leases*" ("ASU 2016-02"), creating a new topic, FASB ASC Topic 842, *"Leases"* ("Topic 842"), which supersedes lease requirements in FASB ASC Topic 840, *"Leases."* The new standard requires a lessee to recognize a liability related to future lease payments and a right-of-use asset representing its right to use of the underlying asset for the lease term on the consolidated balance sheets.

(1) Summary of Significant Accounting Policies (continued)

The Company adopted Topic 842 as of December 26th, 2021, the first day of fiscal 2022, by recognizing and measuring leases at the adoption date with a cumulative effect of initially applying the guidance recognized at the date of initial application and, as a result, did not restate prior periods presented in the consolidated financial statements. The Company elected certain practical expedients permitted under the transitional guidance, including retaining historical lease classifications, evaluating whether any expired contracts are or contain leases, and not applying hindsight in determining the lease term. Additionally, the Company elected to use the risk-free rate to determine the present value of lease payments over the lease term when the rate is not implicit to the lease. Lastly, the Company elected the short-term lease exception for all classes of assets, and therefore does not apply the recognition requirements for leases of 12 months or less.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which, in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company adopted the provisions of this standard as of January 1, 2023, the first day of fiscal 2023, with no significant impact to the Company's financial statements.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. A reclassification between Other, net and General and administrative expenses has been made to the Consolidated Statements of Operations and Comprehensive Income for the fiscal year ended December 31, 2022.

(2) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair value measurements as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 - Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions about the assumptions that market participants would use in valuation.

For certain of the Company's financial instruments, including cash and cash equivalents, accounts and short term notes receivables, and accounts payable, the fair values approximate book values due to their short term maturities.

Since there is no market for long term notes receivables, it is impractical to assess whether the carrying amounts, which are reported on the consolidated balance sheets for these items, approximate fair value.

Property, equipment, and intangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets held and used is assessed based on the undiscounted future cash flows. Assets to be disposed of are presented at the lower of cost or fair value less costs of disposal. During the fiscal years ended December 30, 2023, December 31, 2022, and December 25, 2021, the Company recorded (in millions) $1.7, $1.2, and $4.9, respectively, for impairment charges on specific real/personal property and ongoing lease obligations, which were measured at fair value using Level 3 inputs. The impairment charges are a component of the general and administrative expenses in the consolidated statements of operations.

The carrying amounts of the Company's long-term debt reported on the consolidated balance sheets approximate fair value since their interest rates are periodically adjusted to reflect market conditions.

(3) Acquisitions, Divestitures and Certain Transactions with Members

In July 2021, the Company announced an expansion into Minnesota. Beginning in January 2022, a 320,000 square foot ambient warehouse was leased in St. Cloud, Minnesota to service retailers in North Dakota, South Dakota, Minnesota, Iowa, and Wisconsin. In September 2021, Midwest Real Estate Holdings, LLC, a wholly owned subsidiary of the Company, purchased land located in St. Cloud, Minnesota near the site of the ambient warehouse, for the purpose of constructing a 330,000 square foot fresh and frozen warehouse. The aggregate cash purchase price for the land was $4.2 million. In September 2022, construction on the fresh/frozen warehouse was completed and it opened for business.

In November 2021, AWG Acquisition, LLC, a wholly owned subsidiary of the Company, sold the real estate housing the Valu Merchandisers Company's general merchandise operations to an unrelated buyer. The aggregate cash sales price for the real estate was $19.8 million. AWG Acquisition, LLC subsequently leased the property from the buyer under a short term lease pending completion of the Hernando facility. Termination of the lease occurred in December 2023.

In December 2021, New Age Logistics, Inc., a wholly owned subsidiary of the Company, sold the real estate housing the Southaven grocery warehouse operations, as well as an adjacent warehouse located at 8500 Aaron Lane in Southaven, Mississippi to an unrelated buyer. The aggregate cash sales price for the real estate was $61.5 million. New Age Logistics, Inc. subsequently leased the property from the buyer under a short term lease. Termination of the lease is anticipated to occur in March 2024.

In June 2023, Midwest Real Estate Holdings, LLC and Super Market Developers, Inc., both wholly owned subsidiaries of the Company, purchased real estate located in Illinois from Fund 601 LLC. The aggregate cash purchase price for the real estate was $48.7 million. Subsequently, 11 grocery store locations, along with several ancillary properties, were leased to another AWG member.

(4) Leases

Lessee Accounting

The Company determines whether a contract is or contains a lease at inception of the contract. Subsequently, the Company assesses whether the lease is an operating or financing lease. Consistent with other long-lived assets or asset groups that are held and used, the Company tests for impairment of its right-of-use assets when impairment indicators are present.

The Company's lease portfolio contains all operating leases with the exception of one finance lease. The portfolio relates to leases of land and building. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The exercise of lease renewal options is at the Company's sole discretion. Where the Company is a lessee in a contract that includes an option to extend or terminate the lease, the Company includes the extension period or excludes the period covered by the termination option in its lease term in determining the right-of-use asset and lease liability, if it is reasonably certain that the Company would exercise the option. Certain lease agreements include rental payments which are adjusted periodically for factors such as inflation. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Balance sheet information related to operating leases as of December 30, 2023 and December 31, 2022 were as follows (in millions):

Assets	2023	2022
Operating lease right-of-use assets	$ 166,423	$ 189,983
Liabilities		
Current operating lease obligations	31,874	35,743
Long-term operating lease obligations	136,964	157,171
Total operating lease liabilities	$ 168,838	$ 192,914

(4) Leases (continued)

Balance sheet information related to finance leases as of December 30, 2023 and December 31, 2022 were as follows (in millions):

Assets	2023	2022
Property and equipment, net	$ 858	$ 1,717
Liabilities		
Current financing lease obligations	860	862
Long-term financing leases obligations	—	855
Total financing lease liabilities	$ 860	$ 1,717

Lease costs are included in general and administrative expense and interest expense for leases depending on the use of the underlying asset. Total lease expense (inclusive of lease expense for leases not included on our consolidated balance sheet based on our accounting policy election to exclude leases with a term of 12 months or less), was $41.5 million and $43.4 million for the year ended December 30, 2023 and December 31, 2022, of which $1.3 million and $1.8 million, respectively, was related to short term leases.

The Company's lease costs and activity during the year ended December 30, 2023 and December 31, 2022 were as follows:

Lease Costs	2023	2022
Operating lease costs	$ 38,474	$ 40,755
Amortization of finance lease assets	$ 1,718	$ 867
Interest on finance lease obligations	$ 9	$ 17
Short term lease costs	$ 1,261	$ 1,790
Lease costs	$ 41,462	$ 43,429
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows – operating leases	$ 37,393	$ 47,472
Operating cash flows – finance leases	$ 1	$ 1
Financing cash flows – finance leases	$ 862	$ 875
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 11,130	$ 28,803

Future remaining minimum operating lease payments through maturity of the right-of-use assets and liabilities expected as of December 30, 2023 is estimated as follows (in millions): 2024 - $38.9; 2025 – $34.9; 2026 - $31.5; 2027 - $28.2; 2028 - $21.2; thereafter - $67.9 The present value discount for remaining lease payments is $53.8 million for a total present value of operating lease liabilities of $168.8 million.

Future remaining minimum finance lease payments through maturity of the right-of-use assets and liabilities expected as of December 30, 2023 is estimated as follows (in millions): 2024 - $0.9 and 2025 $0.9. The present value discount for remaining lease payments is $0.9 million for a total present value of finance liabilities of $0.9 million.

The weighted average remaining lease terms for operating leases at December 30, 2023 and December 31, 2022 were 10.44 and 8.97, respectively. The weighted average discount rate for operating leases at December 30, 2023 and December 31, 2022 were 2.20% and 2.08%, respectively. The weighted average remaining lease terms for financing leases at December 30, 2023 and December 31, 2022 were 1.00 and 2.10, respectively. The weighted average discount rate for financing leases at December 30, 2023 and December 31, 2022 were 0.98% and 0.98%, respectively.

(4) Leases (continued)

In connection with the sale-leaseback transactions described in Note 3, the Company entered into lease agreements for each of the properties for a period not to exceed 3 years. The annual rent payments for the properties is approximately $4.0 million and includes 2% annual rent increases over the initial lease terms. All of the properties qualified for sale-leaseback and operating lease accounting, and the Company recorded no gains at December 30, 2023 and total gains of $48.4 million at December 31, 2022, which is included as a component of general and administrative expenses.

Lessor Accounting

The Company leases or subleases certain real estate to Members and retailer customers as a stable source of long-term revenue. The Company's agreements for rental real estate contain an operating lease component under ASC 842 because the Company, as the lessor, retains substantial exposure to changes in the underlying asset's value, unlike a sale or secured lending arrangement. Therefore, the Company maintains the underlying asset, and recognizes income associated with providing the lessee the right to control the use of the asset ratably over the lease term. At this time, most lessor agreements contain five-year terms with renewal options to extend and early termination options based on established terms specific to the individual agreement. Rental income for the year ended December 30, 2023 and December 31, 2022 was $35.47 million and $35.56 million, respectively, and is included in general and administrative expenses in the Company's consolidated statements of operations. Future minimum operating lease payments receivable as of December 30, 2023 are estimated as follows (in millions): 2024 - $34.1; 2025 – $31.0; 2026 - $27.5; 2027 - $24.1; 2028 - $18.5, thereafter - $67.9 for total undiscounted cash flows of $203.1 million.

(5) Patronage Refunds and Deposits

Patronage Refund Certificates are issued to Members as part of annual distributions of net income from cooperative operations.

Member deposits represent interest-bearing accounts that may be required to collateralize weekly purchases of products. Interest expense incurred on member deposits and member savings in 2023, 2022, and 2021 were $2.9, $1.0, and $0.2 million, respectively. Since there is no market for Patronage Refund Certificates and Member Deposits, it is impractical to assess whether the carrying amounts, which are reported on the consolidated balance sheets for these items, approximate fair value.

(6) Property and Equipment

Property and equipment are summarized as follows:

	2023	2022
Land	$ 55,162	$ 37,563
Buildings and leasehold improvements	700,504	587,515
Equipment	582,939	517,731
Construction in progress and other	7,374	94,578
	$ 1,345,979	$ 1,237,387
Less accumulated depreciation	(522,672)	(477,646)
Property and equipment, net	$ 823,307	$ 759,741

Depreciation expense incurred in 2023, 2022, and 2021 was (in millions) $64.1, $48.0, and $42.1, respectively. In 2023, 2022, and 2021, the Company capitalized an aggregate total of (in millions) $2.6, $8.4, and $3.9, respectively, of capitalized construction period interest.

(7) Long-term Debt

In December 2019, the Company entered into two five-year credit agreements with a maturity date of December 20, 2024 with two one year optional renewal periods, which provided a $300 million revolving credit facility with an incremental increase to $350 million on October 15, 2020 and subsequently to $425 million on April 1, 2021. The credit agreements also include a $72.1 million tax-exempt bond facility. Total borrowings and outstanding letters of credit, including the $72.1 million tax-exempt bond loan, were $243.1 million and $161.8 million at December 30, 2023 and December 31, 2022, respectively. Variable interest rates were based on the Secured Overnight Financing Rate (SOFR) and ranged from 5.173% to 6.461% during 2023; and were based on SOFR and the London Interbank Borrowing Rate (LIBOR) during 2022 and ranged from 0.679% to 5.22%. Daily borrowings averaged $90.5 million and $61.0 million in 2023 and 2022, respectively, and overall annual borrowings and repayments were approximately $7.8 billion and $5.3 billion in 2023 and 2022, respectively. The Company had an additional $254.1 million and $320.5 million available for borrowing under the revolving credit facility agreements at December 30, 2023 and December 31, 2022, respectively. In December 2023, the Company amended both agreements to extend the maturity date to December 2026.

In November 2021, the Company entered into an agreement for a $100 million term loan with a maturity date of November 18, 2028 with the option to request one five year extension. The loan is amortized over 15 years with principal repayment installments paid quarterly through September 30, 2028. A balloon payment totaling $53.3 million is due at the end of 7 years. Variable rate interest payments are made monthly based on the 1-month Bloomberg Short Term Bank Yield Index (BSBY), ranging from 5.223% to 6.306% for the 2023 interest period and 0.907% and 5.223% for the 2022 interest period.

The Company's revolving credit facility and term loan agreements contain certain financial covenants related to cash flow leverage and minimum tangible net worth. The Company is in compliance with all covenants as of December 30, 2023 and December 31, 2022.

The annual maturities of long term debt for the next five fiscal years and thereafter is as follows (in millions): 2024 - $6.7, 2025 - $6.7, 2026 - $233.0, 2027 - $6.7, 2028 - $58.3.

(8) Allocated Earnings

At December 30, 2023 and December 31, 2022, $113.7 million and $108.8 million of the current year non-maturing patronage has been allocated within retained earnings. The pertinent provision of these patronage certificates are as follows: (a) the certificates are not transferrable; (b) AWG has the right to offset, but the certificate holder does not; (c) no interest is accrued on outstanding certificates; (d) the certificates have no stated maturity date, and (e) the certificates are subordinate to the claims of all creditors of AWG.

In July 2005, the Board of Directors created another form of patronage certificate ("Class B Certificates") for Members who are delinquent with their obligations owed to the Company. The Class B Certificates are non-interest bearing and have no maturity date. These certificates are only redeemed upon the dissolution of the Company and the redemption of all other patronage certificates. The Board of Directors may in its sole and absolute discretion cause a Class B Certificate to be converted into a Patronage Refund Certificate if a member was deemed as delinquent ceases to be deemed as a delinquent Member. The Class B Certificates are included in retained earnings and amounted to $0.1 million and $0.2 million as of December 30, 2023 and December 31, 2022, respectively.

(9) Equity

All Members of the cooperative are required to hold 15 shares of Class A Common Stock. The bylaws of AWG contain restrictions concerning the transfer of common stock, which serves as collateral to secure Members' indebtedness. Each Member holding Class A Common Stock is entitled to one vote in shareholder matters. On February 9, 2021, the Board of Directors of the Company declared a 3-for-1 stock dividend effective March 23, 2021 for shareholders of record. Every shareholder of A and B stock received additional shares in the form of B stock. All issuances and redemptions since March 21, 2023 have been made at $1,550 per share. Issuances and redemptions between March 21, 2022 and March 20, 2023 were made at $1,440 per share. Issuances and redemptions between March 23, 2021 and March 20, 2022 were made at $1,200 per share.

(dollars in thousands unless otherwise indicated)

(9) Equity (continued)

The following table describes the number of authorized and outstanding shares of AWG Class A and Class B stock at December 30, 2023 and December 31, 2022:

		OUTSTANDING AT	
CLASS	AUTHORIZED	2023	2022
Class A Stock, $100 par value	35,000	16,815	17,055
Class B Stock, $100 par value	150,000	49,077	54,369

The changes in common stock for the fiscal years ended December 30, 2023 and December 31, 2022 were as follows:

	Class A	Class B	Total Common Stock	Members
Balances at December 25, 2021				
Shares	16,965	59,141	76,106	1,132
Dollar Value	$ 1,697	$ 5,914	$ 7,611	
Issued				
Shares	1,095	23	1,118	73
Dollar Value	$ 109	$ 3	$ 112	
Redeemed				
Shares	(1,005)	(4,795)	(5,800)	(67)
Dollar Value	$ (101)	$ (480)	$ (581)	
Balances at December 31, 2022				
Shares	17,055	54,369	71,424	1,138
Dollar Value	$ 1,705	$ 5,437	$ 7,142	
Issued				
Shares	1,185	90	1,275	79
Dollar Value	$ 119	$ 9	$ 128	
Redeemed				
Shares	(1,425)	(5,382)	(6,807)	(95)
Dollar Value	$ (143)	$ (538)	$ (681)	
Balances at December 30, 2023				
Shares	16,815	49,077	65,892	1,122
Dollar Value	$ 1,681	$ 4,908	6,589	

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss attributable to the Company for the fiscal years ended December 30, 2023 and December 31, 2022 were as follows:

	2023	2022
Balances, beginning of year	$ (32,245)	$ (44,309)
Change in funded status of pension plan, net of $1,397 in tax in 2023 and $2,047 in tax in 2022	3,827	5,552
Change in fair value of interest swap, net of $1,956 in tax in 2023 and $2,362 in tax in 2022	(1,099)	6,512
Balances, end of year	$ (29,517)	$ (32,245)

(dollars in thousands unless otherwise indicated)

(9) Equity (continued)

Additional Paid in Capital

Changes in additional paid in capital attributable to the Company for the fiscal years ended December 30, 2023 and December 31, 2022 were as follows:

	2023	2022
Balances, beginning of year	$ 22,748	$ 23,445
Stock purchase or redemption surplus value paid in/(out)	(783)	(697)
Balances, end of year	$ 21,965	$ 22,748

(10) Income Taxes

The significant components of income tax expense are summarized as follows:

	2023	2022	2021
Federal:			
Current	$ 1,214	$ 4,279	$ 1,436
Deferred	(1,623)	(2,427)	2,360
Total Federal	$ (409)	$ 1,852	$ 3,796
State:			
Current	$ 1,718	$ 1,706	$ 349
Deferred	(2,598)	(1,287)	1,044
Total State	(880)	419	1,393
Total income tax	$ (1,289)	$ 2,271	$ 5,189

The effects of temporary differences and other items that give rise to deferred income tax assets and liabilities are presented below:

Deferred income tax assets:	2023	2022
Pension	$ 34	$ —
Insurance	6,129	5,524
Compensation	6,121	6,473
Accounts receivable	1,954	1,617
Inventories	1,887	1,948
State credit carryover	4,642	4,811
Lease obligations	47,385	49,037
Federal and state net operating loss carryover	2,839	3,211
Other	2,891	1,331
Deferred income tax assets	73,882	73,952
Valuation allowance	(3,578)	(3,780)
Total deferred income tax assets	$ 70,304	$ 70,172
Deferred income tax liabilities:		
Pension	$ —	$ 296
Property and equipment	2,878	4,415
Prepaid expenses	2,845	2,189
Interest rate swap	1,956	2,362
Operating lease right-of-use assets	46,776	48,299
Other	6	—
Total deferred income tax liabilities	$ 54,461	$ 57,561
Net deferred income tax assets	$ 15,843	$ 12,611

(dollars in thousands unless otherwise indicated)

(10) Income Taxes (continued)

The Company or one of its subsidiaries files income tax returns in the U.S. Federal jurisdiction, and various states and municipalities.

As of December 30, 2023 and December 31, 2022, respectively, a High Performance Incentive Program ("HPIP") valuation allowance of $3.6 million and $3.8 million was required to reduce deferred income tax assets to a level, which more likely than not, will be realized as future benefits.

(11) Employee Benefit Plans

Substantially all employees of the Company are covered by various contributory and non-contributory pension or profit sharing plans. Union employees participate in multi-employer retirement plans under collective bargaining agreements, unless the collective bargaining agreement provides for participation in plans sponsored by the Company. The Company sponsors a defined benefit pension plan, both qualified and non-qualified ("the DB Plan"), and several defined contribution pension plans. The DB Plan covers 601 and 693 participants for the fiscal years ended December 30, 2023 and December 31, 2022, respectively, which is comprised mainly of non-union warehouse, clerical and managerial employees. Beginning November 1, 2012, the Company's DB Plan was closed to new employees and replaced with an enhanced contribution to the existing defined contribution plan. At present, the Company continues to accrue service costs for eligible participants of the DB Plan. The Company does not provide health care, life insurance, or disability plans to former or inactive employees after retirement under post-employment benefit plans.

The benefit obligation (which is the projected benefit obligation "PBO"), fair value of plan assets, and funded status of the Company's DB Plan is as follows:

Change in benefit obligation (PBO)	2023	2022
Benefit obligation at beginning of year	$ 150,595	$ 208,081
Service cost	7,468	10,166
Interest cost	8,418	5,412
Benefits paid	(11,136)	(59,863)
Actuarial (gain)/loss	15,771	(13,201)
Benefit obligation at end of year	$ 171,116	$ 150,595
Change in plan assets		
Fair value of plan assets at beginning of year	$ 153,860	$ 195,320
Actual return (loss) on plan assets	17,803	(25,562)
Employer contributions	12,223	43,965
Benefits paid	(11,136)	(59,863)
Fair value of plan assets at end of year	$ 172,750	$ 153,860
Funded status, end of year	$ 1,634	$ 3,265

The actuarial losses included in the pension benefit obligation for 2023 are primarily due to lower interest rate assumptions utilized in measuring plan obligations than 2022 and an update to planned participant retirement assumptions.

Benefit calculations for the Company's sponsored DB Plan for primarily non-union eligible participants are generally based on years of service and the participant's highest compensation during five consecutive years during the last ten years of employment. The Company's accumulated benefit obligation for the DB Plan was $147,390 and $130,355 at December 30, 2023 and December 31, 2022, respectively.

(dollars in thousands unless otherwise indicated)

(11) Employee Benefit Plans (continued)

Accumulated benefit obligations in excess of plan assets:

	Restated Retirement Plan		Supplemental Executive Retirement Plan	
	2023	2022	2023	2022
Accumulated benefit obligation	$ —	$ —	$ 30,258	$ 27,135
Fair value of plan assets	$ —	$ —	$ —	$ —

Projected benefit obligations in excess of plan assets:

	Restated Retirement Plan		Supplemental Executive Retirement Plan	
	2023	2022	2023	2022
Projected benefit obligation	$ 137,093	$ 118,084	$ 34,023	$ 32,512
Fair value of plan assets	$ 172,750	$ 153,860	$ —	$ —

The amounts recognized for the DB Plan in the Company's accumulated other comprehensive loss consisted of the following:

	2023	2022
Total recognized in AOCL, before tax	$ (47,123)	$ (52,347)
Total recognized in AOCL, net of tax	$ (34,805)	$ (38,632)

Fiscal Year	DB Plan Benefits
2024	$ 32,984
2025	18,228
2026	16,971
2027	16,776
2028	17,245
Years 2029-2033	80,391

Net periodic benefit expense for the DB Plan is reflected in the general and administrative expense section of the Consolidated Statements of Operations and Comprehensive Income and consisted of the following:

	2023	2022	2021
Service cost – benefits earned during the period	$ 7,468	$ 10,166	$ 10,916
Interest cost on projected benefit obligations	8,418	5,412	5,508
Expected return on plan assets	(8,846)	(11,459)	(11,130)
Amortization of net actuarial loss	11,177	9,576	11,493
Settlement loss	860	21,843	15,952
Net periodic benefit expense	$ 19,077	$ 35,538	$ 32,739

(dollars in thousands unless otherwise indicated)

(11) Employee Benefit Plans (continued)

Weighted average assumptions used for the DB Plan are as follows:

	2023	2022	2021
Weighted average assumptions used to determine benefit obligations:			
Discount rate	5.15%	5.40%	2.85%
Rate of compensation increase	3.60%	2.61%	2.59%
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate	5.40%	2.85%	2.55%
Rate of compensation increase	2.50%, 3.00%	2.50%, 3.00%	2.50%, 3.00%
Expected return on plan assets	5.75%	6.00%	6.00%

The fair value of the Company's DB Plan assets at the end of the 2023 calendar year, by asset category, are as follows:

Asset Category	2023 Total	Level 1	Level 2	Level 3
Equity Securities	$ 84,201	$ 84,201	$ —	$ —
Fixed Income				
U.S. Government Securities	25,546	22,162	3,384	—
Corporate or Agency Securities	60,799	—	60,799	—
Limited Partnerships	2,204	—	—	2,204
Totals	$ 172,750	$ 106,363	$ 64,183	$ 2,204

The fair value of the Company's DB Plan assets at the end of the 2022 calendar year, by asset category, are as follows:

Asset Category	2022 Total	Level 1	Level 2	Level 3
Equity Securities	$ 95,671	$ 95,671	$ —	$ —
Fixed Income				
U.S. Government Securities	15,048	11,179	3,869	—
Corporate or Agency Securities	40,852	—	40,852	—
Limited Partnerships	2,289	—	—	2,289
Totals	$ 153,860	$ 106,850	$ 44,721	$ 2,289

The following is a description of the valuation methodologies used for assets measured at fair value at December 30, 2023 and December 31, 2022:

Equity Securities, Money Market Funds, and Mutual Funds are valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Government Securities traded on a highly liquid secondary market are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified within Level 1.

(11) Employee Benefit Plans (continued)

Corporate or Agency Securities are determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest rate curves and reference credit spreads, and estimated prepayment rates, where applicable, are used for valuation purposes provided by third-party pricing services where quoted market values are not available.

Limited Partnerships that are hedge funds are valued based on estimates for the fair value of investment funds held by the partnership that have calculated net asset value per share as a practical expedient in accordance with the specialized accounting guidance for investment companies. Another limited partnership is valued based on the contributions paid into the fund through year end, which approximates fair value. The majority of Limited Partnerships held as investments are subject to redemption restrictions of a quarterly frequency with 95 day notice periods and a minimum investment period of one year.

The following table presents purchases and other adjustments of financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the fiscal year ended December 30, 2023 and December 31, 2022 is as follows:

	2023	2022
Transfers	$ —	$ —
Purchases & Issues	$ 744	$ 2,658

The Company's investment policy reflects the nature of the DB Plan's funding obligations. The assets are invested to provide the opportunity for both income and growth of principal. This objective is pursued as a goal designed to provide required benefits for participants without undue risk. It is expected that this objective can be achieved through a well-diversified asset portfolio. Investment managers are directed to maintain equity portfolios at a risk level approximately equivalent to that of the specific benchmark established for the portfolio. The expected rate of return on DB Plan assets was determined based on expectations of future returns for the DB Plan's investments based on the target asset allocation of the DB Plan's investments.

The Company expects to contribute approximately $17.2 million to the DB Plan during 2024. The Company also makes contributions to its defined contribution plans. The total expense for these plans amounted to (in millions) $23.9, $14.6, and $15.5 in 2023, 2022, and 2021, respectively.

The 2005 Non-Qualified Deferred Compensation Plan is available for officers of the Company to elect, by the required deadlines in the preceding year, to have a designated portion of their wages set aside for their own personal tax planning purposes, in a trust held by Bank of America. At the time of election, the date for future distribution of wages to the participant is established, according to allowable parameters within the plan documents. The asset is reported as a noncurrent asset with the offsetting liability as a noncurrent liability on the consolidated balance sheets and were $15.4 million and $13.7 million for December 30, 2023 and December 31, 2022, respectively.

The fair value of the Company's Deferred Compensation plan assets at the end of 2023 and 2022 calendar year, by asset category, are as follows:

Asset Category	2023 Total	Level 1	Level 2	Level 3
Money Market Funds	$ 1,642	$ 1,642	$ —	$ —
Common Stocks	3,065	3,065	—	—
Mutual Funds	10,695	10,695	—	—
Totals	$ 15,402	$ 15,402	$ —	$ —

Asset Category	2022 Total	Level 1	Level 2	Level 3
Money Market Funds	$ 2,454	$ 2,454	$ —	$ —
Common Stocks	2,916	2,916	—	—
Mutual Funds	8,324	8,324	—	—
Totals	$ 13,694	$ 13,694	$ —	$ —

(dollars in thousands unless otherwise indicated)

(12) Commitments and Contingent Liabilities

In December 2015, the Company entered into a limited guaranty with Bank of America on behalf of HAC, Inc. Amended in 2017, this limited guaranty allows HAC, Inc. to issue standby letters of credit in amounts up to $15.0 million without requiring HAC to maintain a cash collateral account with Bank of America. The Company is able to revoke the limited guaranty at any time in respect to future transactions. The Company will, however, be at risk for existing indebtedness at the time of revocation.

The Company has entered into surety bond agreements with government entities which bind the Company to repay the government entity if the Company is unable to successfully perform on its contractual obligations to the government entity. As of December 30, 2023 and December 31, 2022, the Company had $11.2 million and $10.0 million, respectively, of outstanding surety bonds.

The Company is involved in various claims and litigation arising in the normal course of business. In the opinion of management, the ultimate resolution of these actions will not have a material adverse effect on the Company's consolidated financial statements.

(13) Multi-employer Plans

The Company contributes to a single multi-employer defined benefit pension plan under the terms of the collective-bargaining agreements that cover its union-represented employees. The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer are used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan are borne by the remaining participating employers.

c. If the Company chooses to stop participating in its multi-employer plan, then it is required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in this plan for the fiscal year ended December 30, 2023 is outlined in the table below. The "EIN and Pension Plan Number" column provides the Employee Identification Number ("EIN") and the three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2023 and 2022 is for the plan's fiscal year end at December 30, 2023 and December 31, 2022, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are more than 65, but less than 80 percent funded and plans in the green zone are at least 80 percent funded. Based on its projections, the plan has been deemed to be in "critical" status for 2023 and "critical and declining" status for 2022. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreements to which the plan is subject. Finally, there have been no significant changes that affect the comparability of 2023, 2022 and 2021 contributions.

Pension Fund	EIN and Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Implemented	Company Contributions			Surcharge Imposed	Expiration Date Of Collective-Bargaining Agreements
		2023	2022		2023	2022	2021		
Central States, Southeast and Southwest Areas Pension Fund	36-6044243 Plan 001	Red	Red	Yes	$14,433	$14,653	$14,845	No	April 1, 2028

(13) Multi-employer Plans

The Company was listed in the plan's most recent Form 5500 because it is one of the plan's top ten contributors; however, it does not provide more than 5% of the total contributions for the plan year ending in 2022. At the date the Company's consolidated financial statements were issued, the plan's Form 5500 was not available for the plan year ending in 2023.

The American Rescue Plan Act of 2021 established the Special Financial Assistance (SFA) Program for Financially Troubled Multiemployer Plans. The Central States Pension Fund (Central States) filed its initial application for SFA funds on April 28, 2022 and, based on rule changes, filed its revised application on August 12, 2022. The Pension Benefit Guaranty Corporation (PBGC) approved Central States' application on December 8, 2022 in the total amount of $35.8B and Central States received the funds on January 12, 2023. This funding enables Central States to pay all required benefits through 2051 and Central States indicates it will regain full funding over time. By law, however, SFA recipients are required to remain in "critical" status regardless of the actual financial condition of the plan. To ensure that SFA funds do not subsidize and incentivize employer withdrawals, the Act allows only phased-in recognition of the SFA funds for purposes of calculating withdrawal liability. Central States currently estimates that SFA funds will be fully recognized over a 15-20 year period.

(14) Derivative Contracts

With the commencement of the automated warehouse project, aptly named The All-In-One Project, the Company has become exposed to certain financial and market risks. The Company has currency exchange rate risk exposure associated with transactions related to purchases of services and equipment denominated in the foreign currency, Euro. The Company's financial risk management activities may at times involve the use of derivative financial instruments to hedge the impact of market price risk exposures.

The Company utilizes short term foreign currency forward derivative contracts as part of a program designed to mitigate the currency exchange rate risk exposure on transactions with a foreign vendor. Although contracts pursuant to this program will serve as an economic hedge of the cash flow of our currency exchange risk exposure, they are not formally designated as hedge contracts or qualify for hedge accounting treatment. Accordingly, any change in the fair value of these derivative instruments during a period will be included in the determination of earnings for that period. The fair values of foreign currency derivative instruments are based on quoted market values (a Level 2 fair value measurement). In association with the foreign currency derivative program, the Company recognized a $1.9M net loss as of December 31, 2022 and immaterial net losses as of December 30, 2023. These net losses are reflected in Other, net.

The Company also entered into an interest rate swap effective November 2021 to coincide with the entrance into a $100 million term borrowing related to the construction of the automated warehouse. This cash flow hedge has a $75 million notional amount with fixed and variable rate components and a term of twelve years. The cash flow hedge met the requirements of ASC 815-20-25-131D, therefore the effectiveness was assessed by applying the simplified hedge accounting approach. Accordingly, any change in the fair value of this derivative instrument during a period will be included in the determination of AOCI for that period. The fair value of the cash flow derivative instrument is based on quoted market values (a Level 2 fair value measurement). As of December 30, 2023 and December 31, 2022, the Company was in a payee fair value position of approximately $7.2 million and $8.7 million, respectively. Ongoing assessment of hedge effectiveness will be performed by evaluating the hedge against the stated guidance.

(15) Antitrust Settlement

In 2018, the Company filed a lawsuit against a group of suppliers of commodity goods and related affiliates for conspiracy to restrict supply and raise, fix or maintain prices in violation of antitrust laws. The Company entered into confidential agreements with several defendants pursuant to which the Company received proceeds in 2023. These proceeds were included in general and administrative expenses. The Company then distributed these proceeds as a special cash patronage dividend, separate from the 2023 distribution that was allocated among the imposed members.

(16) Subsequent Events

Subsequent events have been evaluated through March 5, 2024, which is the date the consolidated financial statements were available to be issued. There were no other material events requiring recognition or disclosure.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Associated Wholesale Grocers, Inc.

Opinion

We have audited the consolidated financial statements of Associated Wholesale Grocers, Inc. (a Kansas corporation) and subsidiaries (the “Company”), which comprise the consolidated balance sheets and consolidated statements of retained earnings as of December 30, 2023 and December 31, 2022, and the related consolidated statements of operations and comprehensive income and cash flows for each of the three years in the period ended December 30, 2023, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for the three years in the period ended December 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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.

Emphasis of matter

As discussed in the Summary of Significant Accounting Policies to the consolidated financial statements, the Company adopted new accounting guidance as of December 26, 2021, related to the accounting for Leases. Our opinion is not modified with respect to this matter.

Responsibilities of management for the 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 the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the 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 auditor's 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 US 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 US 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 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 the Company'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 the Company'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.

Grant Thornton LLP

Kansas City, Missouri
March 5, 2024

2024 AWG Officers

Kevin Addington
Vice President, Distribution (AIO)

Tye Anthony
Chief Merchandising & Marketing Officer

Stephanie Becker
General Counsel & Chief Legal Officer

Stacy Bowen
Vice President, Marketing & Digital Services

Emile Breaux
Senior Vice President, Chief Sales & Support Officer

Mike Brooks
Vice President, Division Manager Upper Midwest

David Carl
Senior Vice President, Finance & Treasurer

Lane Culver
Vice President, IT Infrastructure & Operations

Heather DeLuca
Vice President, Meat

Heather DeSoto
Vice President, Category Execution Services

Scott Evans
Group Vice President, Non-Perishables

Jim Fitterer
Vice President, Center Store Food

Dan Funk
President & Chief Executive Officer

Katie Graham
Vice President, Non-Food

Robert Henry
Senior Vice President, Chief Administrative Officer

Aaron Holland
Vice President, Information Technology

Derek Jones
Executive Vice President, Division Operations

Richard Kearns
Executive Vice President, Distribution & Logistics

Dan Koch
Group Vice President, Perishables

Gary Koch
Chief Financial Officer & Assistant Secretary

Danny Lane
Senior Vice President, Regional Manager

Jennifer Leetz
Vice President, Corporate Controller

Sheila Lenson
Vice President, Tax & Internal Audit

Sonny Leon
Vice President, Member Services, Great Lakes

Charlie Lynn
Vice President, Division Manager, Springfield

Anna Mancini
Vice President, Division Manager, Nashville

Troy Marshall
Senior Vice President, Regional Manager

Bob Miklos
Vice President, Division Manager, Nebraska

Bruce Milroy
Vice President, Human Resources Operations

Shelly Moore
Senior Vice President, Chief Information Officer

Terry Moore
Vice President, Real Estate

Paula Nepote
Vice President, Human Resources

James Neumann
Senior Vice President, Development

Greg Oldright
Vice President, Division Manager, VMC

Bob Pessel
Vice President, Pharmacy

Tarsha Rafferty
Vice President, Corporate Distribution & Services

Patrick Reeves
Chief Human Resources Officer

Brian Rehagen
Vice President, Member Services Springfield

Robert Rothove
Vice President, Division Manager Great Lakes

Frank Schmitt
Vice President, Division Manager Mid-South

Mike Schumacher
Senior Vice President, Regional Manager

Reade Sievert
Vice President, Division Manager, Kansas City

Louis Stinebaugh
Vice President, Division Manager, Oklahoma City

Craig Turner
Senior Vice President, Corporate Distribution

James Vaughan
Senior Vice President, Regional Manager


ASSOCIATED WHOLESALE GROCERS
RETAILER FOCUSED
RETAILER OWNED
HUMILITY
ACCOUNTABILITY
TRANSPARENCY
SERVING
AWG RETAIL MEMBERS ★ AWG RETAIL MEMBERS ★