

**CONSUMERS COOPERATIVE OIL COMPANY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED AUGUST 31, 2020 AND 2019**



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**CONSUMERS COOPERATIVE OIL COMPANY  
2020  
ANNUAL REPORT**

**OFFICERS AND DIRECTORS**

Jerry Kaufman	Chair
Joel Wyttenbach	Vice-Chair
Mike Kindschi	Secretary-Treasurer
Tom Schwarz	Director
Steve Kindschi	Director

**PERSONNEL**

Joel Marcott	General Manager
Dennis Sprecher	Assistant General Manager
Kris Ganser	Office and Credit Manager

**OTHER INFORMATION**

Date of Incorporation	March 18, 1927
Fiscal Year-End	August 31
Annual Meeting Date	To Be Determined

**CONSUMERS COOPERATIVE OIL COMPANY  
TABLE OF CONTENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>3</b>
<b>STATEMENTS OF OPERATIONS</b>	<b>4</b>
<b>STATEMENTS OF PATRONS' EQUITIES</b>	<b>5</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>FINANCIAL RATIOS</b>	<b>18</b>
<b>WORKING CAPITAL ANALYSIS</b>	<b>19</b>
<b>SALES AND GROSS MARGINS</b>	<b>20</b>
<b>COMPARATIVE SALES</b>	<b>21</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Consumers Cooperative Oil Company  
Sauk City, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Consumers Cooperative Oil Company, which comprises the balance sheets as of August 31, 2020 and 2019, and the related statements of operations, patrons' equities, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

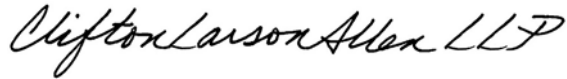
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consumers Cooperative Oil Company as of August 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the quantity data on page 20, on which we express no opinion nor provide any assurance on, has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Middleton, Wisconsin  
October 1, 2020

**CONSUMERS COOPERATIVE OIL COMPANY**  
**BALANCE SHEETS**  
**AUGUST 31, 2020 AND 2019**

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,269,898	\$ 2,267,424
Receivables	554,472	826,465
Inventories	320,834	380,425
Prepaid Inventory and Expenses	103,050	135,229
Income Taxes Receivable	-	32,192
Total Current Assets	4,248,254	3,641,735
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investments	8,679,997	7,901,807
Marketable Securities	645,534	670,263
Rental Real Estate, Net of Accumulated Depreciation	518,500	946,001
Total Investments and Other Assets	9,844,031	9,518,071
<b>PROPERTY AND EQUIPMENT</b>		
	12,017,469	11,963,156
Less: Accumulated Depreciation	5,463,686	5,409,063
Net Property and Equipment	6,553,783	6,554,093
Total Assets	\$ 20,646,068	\$ 19,713,899
<b>LIABILITIES AND PATRON EQUITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 264,000	\$ 264,000
Accounts Payable	557,781	903,674
Patron Credit Balances and Prepayments	778,311	689,789
Accrued Expenses	262,043	256,012
Income Taxes Payable	27,638	-
Taxes Payable	130,289	136,225
Patronage Refunds Payable in Cash	200,000	283,000
Total Current Liabilities	2,220,062	2,532,700
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, Less Current Maturities Above	899,375	837,008
Deferred Taxes	238,000	138,000
Total Long-Term Liabilities	1,137,375	975,008
Total Liabilities	3,357,437	3,507,708
<b>PATRON EQUITIES</b>		
Allocated Equity Credits	4,944,542	5,097,211
Unallocated Capital Reserve	12,344,089	11,108,980
Total Patron Equities	17,288,631	16,206,191
Total Liabilities and Patron Equities	\$ 20,646,068	\$ 19,713,899

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020		2019	
	Amount	Percent of Sales	Amount	Percent of Sales
<b>SALES</b>	\$ 19,501,431	100.00 %	\$ 27,001,539	100.00 %
<b>COST OF SALES</b>	15,079,177	77.32	22,224,524	82.31
<b>GROSS MARGIN</b>	4,422,254	22.68	4,777,015	17.69
<b>OPERATING EXPENSES</b>				
Distribution:				
Salaries and Wages	1,564,552		1,703,553	
Payroll Taxes	115,845		124,516	
Employee Insurance	279,401		293,633	
Pension	56,902		29,223	
Vehicle Expense	120,489		144,585	
Advertising	34,635		52,611	
Total Distribution	2,171,824	11.14	2,348,121	8.70
General:				
Depreciation	591,032		469,320	
Insurance	119,881		152,744	
Property Taxes	160,690		161,456	
Equipment Rental	40,038		41,115	
Supplies and Repairs	248,265		286,020	
Utilities	149,197		174,084	
Total General	1,309,103	6.71	1,284,739	4.76
Administrative:				
Professional Services	53,281		60,628	
Provision for Doubtful Accounts	(40,954)		4,609	
Directors' Fees and Expenses	20,646		30,228	
Meetings and Travel	11,753		39,077	
Office Supplies and Expense	46,754		37,808	
Telephone	10,507		12,303	
Total Administrative	101,987	0.52	184,653	0.68
Total Operating Expenses	3,582,914	18.37	3,817,513	14.14
<b>GAIN (LOSS) ON DISPOSAL OF PROPERTY AND EQUIPMENT</b>	(219,884)	(1.13)	39,481	0.15
<b>OPERATING INCOME</b>	619,456	3.19	998,983	3.70
<b>OTHER INCOME (EXPENSE)</b>				
Interest Expense	(39,160)		(19,781)	
Patron Finance Charges	21,279		33,684	
Rental Income - Net	213,939		215,548	
Other Revenue	114,832		113,696	
Other Expense	(428,104)		(523,459)	
Total Other Expense	(117,214)	(0.60)	(180,312)	(0.67)
<b>LOCAL NET SAVINGS</b>	502,242	2.59	818,671	3.03
<b>PATRONAGE REFUNDS RECEIVED</b>	1,169,275	6.00	782,351	2.90
Net Savings before Income Taxes	1,671,517	8.59	1,601,022	5.93
<b>PROVISION FOR INCOME TAXES</b>	245,000	1.26	197,000	0.73
<b>NET SAVINGS</b>	\$ 1,426,517	7.32	\$ 1,404,022	5.20

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY  
STATEMENTS OF PATRONS' EQUITIES  
YEARS ENDED AUGUST 31, 2020 AND 2019**

	Allocated Equity Credits	Patronage Refunds Payable in Equity	Unallocated Capital Reserve	Total
<b>BALANCE - SEPTEMBER 1, 2018</b>	\$ 5,298,300	\$ -	\$ 9,984,277	\$ 15,282,577
Equities Redeemed	(201,089)	-	-	(201,089)
Old Patronage Refund Checks Honored (Net)	-	-	3,681	3,681
2019 Net Savings Before Allocation	-	1,404,022	-	1,404,022
Portions of 2019 Net Savings Allocated to: Patronage Refunds Payable in Cash	-	(283,000)	-	(283,000)
Unallocated Capital Reserve	-	(1,121,022)	1,121,022	-
<b>BALANCE - AUGUST 31, 2019</b>	5,097,211	-	11,108,980	16,206,191
Patronage Refunds from 2019 Net Savings	-	-	5,282	5,282
Equities Redeemed	(152,669)	-	-	(152,669)
Old Patronage Refund Checks Honored	-	-	3,310	3,310
2020 Net Savings Before Allocation	-	1,426,517	-	1,426,517
Portions of 2020 Net Savings Allocated to: Patronage Refunds Payable in Cash	-	(200,000)	-	(200,000)
Unallocated Capital Reserve	-	(1,226,517)	1,226,517	-
<b>BALANCE - AUGUST 31, 2020</b>	<u>\$ 4,944,542</u>	<u>\$ -</u>	<u>\$ 12,344,089</u>	<u>\$ 17,288,631</u>

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Patrons for Goods and Services	\$ 19,887,706	\$ 27,169,072
Cash Paid to Suppliers and Employees	(18,366,041)	(25,623,719)
Patron Finance Charges	21,279	33,684
Interest Paid	(39,160)	(19,781)
Rental Income Received	300,960	303,688
Other Revenue Received	139,561	113,696
Other Expenses Paid	(428,104)	(523,459)
Cash Patronage Refunds Received	182,846	135,844
Income Taxes Paid	(85,170)	(56,311)
Net Cash Provided by Operating Activities	1,613,877	1,532,714
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments Redeemed by Other Cooperatives	208,239	111,261
Additions to Property and Equipment	(656,583)	(1,212,750)
Proceeds from Sale of Property and Equipment	186,457	205,592
Net Cash Used by Investing Activities	(261,887)	(895,897)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Patron Equities Redeemed, Net of Adjustments	(134,498)	(197,408)
Patronage Refunds, Net of Adjustments	(277,718)	-
Principal Payments on Long-Term Debt	(264,000)	(98,996)
Proceeds from Issuance of Long-Term Debt	326,700	800,000
Net Cash Provided (Used) by Financing Activities	(349,516)	503,596
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,002,474	1,140,413
Cash and Cash Equivalents - Beginning of Year	2,267,424	1,127,011
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,269,898	\$ 2,267,424

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
<b>RECONCILIATION OF NET SAVINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Savings	\$ 1,426,517	\$ 1,404,022
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities:		
Depreciation	678,053	557,460
Noncash Patronage Refunds Received	(986,429)	(646,507)
Unrealized (Gain) Loss on Marketable Securities	24,729	-
(Gain) Loss on Disposal of Property and Equipment	219,884	(39,481)
Deferred Taxes	100,000	92,300
Effects of Changes in Operating Assets and Liabilities:		
Receivables, Net	256,799	133,031
Inventories	59,591	214,986
Prepaid Expenses and Inventory	32,179	(61,078)
Accounts Payable	(345,893)	(272,513)
Patron Credit Balances and Prepayments	88,522	39,111
Accrued Expenses	6,031	60,199
Taxes Payable	(5,936)	2,795
Income Taxes Payable	59,830	48,389
Net Cash Provided by Operating Activities	\$ 1,613,877	\$ 1,532,714

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Consumers Cooperative Oil Company (the Cooperative) is a patron-owned cooperative incorporated in Wisconsin to purchase petroleum and other supplies for its patrons. Sales of the Cooperative consist primarily of petroleum products (78%), convenience store products, and services (22%) provided to patrons. Significant accounting policies of the Cooperative are presented below:

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Standards:**

In 2020, the Cooperative adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers* (ASC 606), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Cooperative's financial position and results of operations upon adoption of the new standard.

In 2020, the Cooperative adopted FASB Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The Cooperative's investments are primarily in other cooperatives where there is not a readily determinable fair value as described under "Investments" in Note 1. There was no material impact on the Cooperative's financial position and results of operations upon adoption of the new standard.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Cooperative considers all highly liquid investments in debt instruments of other entities, with a maturity date of less than three months at the date of purchase, to be cash equivalents.

**Receivables and Credit Policies**

The Cooperative has retail facilities in Sauk City and Prairie du Sac, Wisconsin, for the sale of petroleum and other supplies to its patrons. The Cooperative grants credit to patrons, substantially all of whom are local area residents.

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables and Credit Policies (Continued)**

Accounts receivable are uncollateralized customer obligations that generally require payment within 30 days from the invoice date. Accounts receivable are stated at the invoice amount plus accrued interest. Unpaid accounts over 30 days old bear interest at 1.5% per month. Account balances with invoices over 30 days old are considered delinquent. Accounts are placed on nonaccrual status when they are put into collection. Customers put into collections are decided on a case-by-case basis.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews individual delinquent accounts receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

**Inventories**

Inventories consist entirely of retail commodities purchased for sale to the Cooperative's patrons. They are recorded in the balance sheets at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis.

**Supplier and Customer Prepayments**

The Cooperative enters into contracts with suppliers and customers for the future deliveries of various inventory items. Payments made to suppliers are recorded as a prepaid inventory in the balance sheet. Payments received from customers are recorded as patron prepayments in the balance sheets.

**Investments**

Investments in other cooperatives do not have a readily determinable fair value, are not transferable, and no cash is received until such time as redeemed at the discretion of the other cooperative. The Cooperative has elected to record these investments in other cooperatives at original cost, plus the face value of equities received as qualified patronage refunds, less impairment, if any. Nonqualified patronage refunds are recognized only to the extent of anticipated future cash flows, based largely on the issuing cooperative's indication on whether or not the redemption would be included in the company's annual equity redemption program. The face value of equities redeemed by other cooperatives is deducted from the investment balance. Patronage refunds and redemptions are recorded in the year received.

**Marketable Securities**

Marketable securities are carried at fair value. Dividends on marketable equity securities are included in other revenue.

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment and Rental Real Estate**

Actual cost of items of property and equipment and rental real estate are recorded as assets. The cost of each item recorded as an asset is allocated to expense, as depreciation, on a straight-line basis over the following estimated useful lives:

Land Improvements	15 Years
Buildings	25 to 40 Years
Equipment	3 to 10 Years
Vehicles	5 to 7 Years

**Impairment of Long-Lived Assets**

In accordance with Financial Accounting Standards Board (FASB) Accounting for the Impairment or Disposal of Long-Lived Assets, the cooperative reviews long-lived assets, including property and equipment and intangible assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. Impairment losses of \$336,412 and \$-0- were recorded for the years ended August 31, 2020 and 2019, respectively.

**Revenue Recognition**

The Cooperative recognizes substantially all its revenue at a point in time when the performance obligations under the terms of a contract with a customer are satisfied upon the delivery of the goods. Provisions for any rebates, sales incentives, promotions and product returns, and discounts to customers are accounted for as reductions in revenues in the same period revenues are recorded. The Cooperative does not have significant contract assets and has \$778,311 and \$689,789 of contract liabilities as of August 31, 2020 and 2019, respectively.

**Income Taxes**

The Cooperative is subject to federal income tax and exempt from Wisconsin income tax. The Cooperative is permitted a deduction from taxable income for the portion of net savings refunded to patrons.

Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases. Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant tax authority. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

**NOTE 2 RECEIVABLES**

Balance sheets total comprise the following elements:

	<u>2020</u>	<u>2019</u>
Trade Accounts:		
Other Patrons	\$ 503,471	\$ 765,685
Directors and Employees	12,371	6,369
Other	98,630	130,911
Allowance for Doubtful Accounts	(60,000)	(76,500)
Total Receivables	<u>\$ 554,472</u>	<u>\$ 826,465</u>

**NOTE 3 INVESTMENTS**

The principal elements of the totals shown in the balance sheets are as follows:

	<u>2020</u>	<u>2019</u>
CHS Inc.	\$ 8,671,855	\$ 7,893,644
Other	8,142	8,163
Total Investments	<u>\$ 8,679,997</u>	<u>\$ 7,901,807</u>

**NOTE 4 RENTAL REAL ESTATE**

The Cooperative has buildings and land improvements that are used for rental real estate activities. The cost of these facilities was \$2,181,245 and \$3,009,973 at August 31, 2020 and 2019, respectively. Related depreciation expense on rental real estate was \$87,021 in 2020 and \$88,140 in 2019. Accumulated depreciation at August 31, 2020 and 2019 was \$1,662,745 and \$2,063,972, respectively. The amount shown as rental income in the financial statements is net of depreciation.

During the year, management evaluated the value of the buildings and land improvements used for rental activities based on future expected rental activity. Management has recorded an impairment on rental real estate for \$336,412. This impairment charge is included as an element of the gain (loss) on disposal of property and equipment on the statements of operations for the year ended August 31, 2020.

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 4 RENTAL REAL ESTATE (CONTINUED)**

Minimum scheduled income on rental real estate is as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2021	\$ 245,093
2022	194,644
2023	9,340
Total	<u>\$ 449,077</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

The Cooperative's investment in property and equipment is recorded in the balance sheets at cost. The principal elements of the totals shown in the balance sheets are as follows:

	<u>2020</u>	<u>2019</u>
Land and Land Improvements	\$ 1,869,742	\$ 1,920,549
Buildings	3,498,900	3,691,936
Equipment	5,785,023	5,581,036
Vehicles	863,804	769,635
Total Property and Equipment	<u>\$ 12,017,469</u>	<u>\$ 11,963,156</u>

**NOTE 6 SHORT-TERM DEBT**

The Cooperative has a seasonal line of credit with CHS Capital, LLC in the amount of \$1,500,000 expiring in January 2021. Outstanding balance bears interest at the bank's variable rate (3.35% at August 31, 2020) and is secured as described in Note 7. At August 31, 2020, there was no outstanding balance.

**NOTE 7 LONG-TERM DEBT**

Long-term debt is comprised of the following elements:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Note payable to CHS Capital, LLC with a monthly payment of \$22,000, plus interest at the rate of 3.55%, due in August, 2024. The note is secured by real estate.	\$ 836,675	\$ 1,101,008
PPP Loan Payable to the Bank of Prairie du Sac.	<u>326,700</u>	<u>-</u>
Total Debt	1,163,375	1,101,008
Less: Current Portion	<u>(264,000)</u>	<u>(264,000)</u>
Long-Term Debt	<u>\$ 899,375</u>	<u>\$ 837,008</u>

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

On April 15, 2020 the Cooperative received a loan from First National Bank and Trust Company in the amount of \$326,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Cooperative fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Cooperative will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November, 2020 principal and interest payments will be required through the maturity date in April 15, 2022.

Scheduled principal payments on long-term debt are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2021	\$ 264,000
2022	590,700
2023	264,000
2024	44,675
Total	<u>\$ 1,163,375</u>

The CHS Capital, LLC term loan, and seasonal line of credit are secured by substantially all of the tangible and intangible assets of the Cooperative.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

At August 31, 2020, the Cooperative has contracted to purchase and sell various inventory items for later delivery at specified prices. The Cooperative is at risk for price fluctuations on any contracted quantities not directly offset by inventory or forward fixed price purchase/sales contracts with suppliers/customers and is also exposed to loss in the event of nonperformance by counterparties to the contracts.

In the ordinary course of conducting business, the Cooperative is subject to legal proceedings, claims, and litigation arising in the normal course of business. While such matters have an element of uncertainty, the Cooperative believes that any outcome will not have a material adverse effect on the financial condition of the Cooperative.

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The Cooperative is subject to federal and state regulations regarding the care, delivery, and containment of petroleum products which the Cooperative either does or has handled. The Cooperative is contingently liable for any cleanup or reconstruction costs which could arise from the handling, delivery, and containment of these products. The Cooperative is eligible for reimbursement of cleanup and remediation costs up to a limit. As of August 31, 2020, neither the management of the Cooperative nor the contracted engineers believe there will not be any additional material costs associated with remediation projects.

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Cooperative, COVID-19 may impact various parts of its operations and financial results for the year ended August 31, 2021. Management believes the Cooperative is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of August 31, 2020.

As of August 31, 2020, the Cooperative has committed to the purchase or construction of property and equipment with remaining costs of approximately \$265,000.

**NOTE 9 PATRON EQUITIES**

The Cooperative is organized as a nonstock corporation. None of the Cooperative's equities are transferable except as permitted by the Cooperative's board of directors.

**NOTE 10 PENSION EXPENSE**

Payments to a defined contribution retirement plan are charged to expense on the accrual basis. The Cooperative matches 100% of employees' contributions up to a maximum employer contribution of 4%, and then matches 50% of employees' contributions on the next 2% of contributions. To be eligible to participate, an employee must have attained age 21 and completed one year of service. All employees meeting these criteria participate in the plan.

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 11 INCOME TAXES**

The sources of deferred tax assets and liabilities and the tax effect of each are as follows:

	<u>2020</u>	<u>2019</u>
Deferred Tax Assets:		
Allowance for Doubtful Accounts	\$ 8,000	\$ 9,600
Accrued Vacation	16,000	14,900
Total Deferred Tax Assets	<u>24,000</u>	<u>24,500</u>
Deferred Tax Liabilities		
Property and Equipment Basis and Depreciation Differences	(43,000)	(83,000)
Nonqualified Equity Distributions	(219,000)	(79,500)
Total Deferred Tax Liabilities	<u>(262,000)</u>	<u>(162,500)</u>
Net Deferred Tax Liability	<u>\$ (238,000)</u>	<u>\$ (138,000)</u>

The provision for income taxes consists of the following components:

	<u>2020</u>	<u>2019</u>
Current	\$ 145,000	\$ 104,700
Deferred	100,000	92,300
Total Provision for Income Taxes	<u>\$ 245,000</u>	<u>\$ 197,000</u>

The following is a reconciliation between the provision for income taxes at the statutory rate applied to net savings before income tax and the provision (benefit) for income taxes recorded in the statements of operations:

	<u>2020</u>	<u>2019</u>
Statutory Rates Applied to Net Savings before Income Tax	\$ 351,000	\$ 336,300
Reduction for Net Savings Allocated for Refund to Patrons	(42,000)	(55,000)
Nonqualified Equity Distributions	(202,000)	(79,500)
Impairment on Property and Equipment	71,000	-
Other	67,000	(4,800)
Provision for Income Taxes Recorded in the Statements of Operations	<u>\$ 245,000</u>	<u>\$ 197,000</u>

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 12 CONCENTRATIONS OF CREDIT RISK**

The Cooperative maintains cash and temporary investments at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. As of August 31, 2020, certain cash and temporary investments exceeded the amounts insured by the FDIC.

The Cooperative purchases a substantial amount of their agricultural and petroleum products, as well as various equipment and supply items from CHS Inc., a regional cooperative. The Cooperative's investment in CHS Inc. amounted to \$9,317,389 and \$8,563,907 at August 31, 2020 and 2019, respectively.

**NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Cooperative uses various valuation approaches within the fair value measurement and disclosures framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standard defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Quoted prices for similar assets or liabilities or identical assets or liabilities in active markets (other than those included in Level 1), which are observable for the asset or liability, either directly or indirectly; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

*Marketable Securities* – Equity securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

**CONSUMERS COOPERATIVE OIL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2020 AND 2019**

**NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Fair Value of Financial Instruments**

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of August 31, 2020 and 2019:

	2020			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 645,534	\$ 645,534	\$ -	\$ -
	2019			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 670,263	\$ 670,263	\$ -	\$ -

**NOTE 14 SUBSEQUENT EVENTS**

Management evaluated subsequent events through October 1, 2020, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2020, but prior to October 1, 2020 that provided additional evidence about conditions that existed at August 31, 2020, have been recognized in the financial statements for the year ended August 31, 2020. Events or transactions that provided evidence about conditions that did not exist at August 31, 2020, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended.

**CONSUMERS COOPERATIVE OIL COMPANY  
FINANCIAL RATIOS  
YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Current Ratio	1.91	1.44
Working Capital to Sales	10.40%	4.11%
Ownership Ratio	83.74%	82.21%
Local Ownership Ratio	71.94%	70.30%
Accounts Receivable - Trade:		
Days' Sales in Year-End Total	9.65	10.45
Year-End Total as a Percent of Sales	2.65%	2.86%
Inventories:		
Turnover Rates:		
Total Inventories	43.01	45.55
Petroleum Products in Total	77.39	71.50
All Other Commodities in Total	14.40	14.75
Selected Others:		
Hardware and Accessories	3.29	4.68
Year-End Total as a Percent of Sales	1.65%	1.41%
Salaries and Wages to Gross Margin	35.38%	35.66%
Distribution Expense to Gross Margin	49.11%	49.15%
Return on Total Assets	6.91%	7.12%
Return on Total Patron Equities	8.25%	8.66%
Return on Local Assets*	4.20%	6.93%
Return on Local Equities**	5.83%	9.86%

\* Local net savings divided by total assets less investments.

\*\*Local net savings divided by total patron equities less investments.

**CONSUMERS COOPERATIVE OIL COMPANY  
WORKING CAPITAL ANALYSIS  
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
<b>WORKING CAPITAL PROVIDED FROM:</b>		
Operations:		
Net Savings	\$ 1,426,517	\$ 1,404,022
Adjustments for Elements of Net Savings Not Affecting Working Capital:		
Depreciation	678,053	557,460
Noncash Portion of Patronage Refunds Received	(986,429)	(646,507)
Unrealized (Gain) Loss on Marketable Securities	24,729	-
(Gain) Loss on Disposal of Property and Equipment	219,884	(39,481)
Deferred Taxes	100,000	92,300
Working Capital Provided from Operations	1,462,754	1,367,794
Investments Redeemed by Other Cooperatives	208,239	111,261
Proceeds from Sale of Property and Equipment	186,457	205,592
Proceeds from Issuance of Long-term Debt	326,700	800,000
Total Working Capital Provided	2,184,150	2,484,647
<b>WORKING CAPITAL USED FOR:</b>		
Repayment of Long-Term Debt	(264,000)	(263,000)
Additions to Property and Equipment	(666,495)	(1,209,069)
Patron Equities Redeemed, Net of Adjustments	(134,498)	(201,089)
Net Savings Allocated for Cash Refunds	(200,000)	(283,000)
Total Working Capital Used	(1,264,993)	(1,956,158)
<b>NET INCREASE IN WORKING CAPITAL</b>	919,157	528,489
Beginning Working Capital	1,109,035	580,546
<b>ENDING WORKING CAPITAL</b>	\$ 2,028,192	\$ 1,109,035

**CONSUMERS COOPERATIVE OIL COMPANY  
SALES AND GROSS MARGINS  
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020			2019		
	Sales	Gross Margin	Percent of Sales	Sales	Gross Margin	Percent of Sales
<b>PETROLEUM PRODUCTS</b>						
Gasoline	\$ 6,832,063	\$ 1,026,091	15.02%	\$ 11,245,587	\$ 1,309,286	11.64%
Fuel Oil	5,185,406	572,473	11.04	7,103,425	581,846	8.19
L.P. Gas	3,089,021	1,382,292	44.75	3,578,424	1,300,341	36.34
Lube Oil, Grease, and Drums	200,556	32,372	16.14	239,887	34,875	14.54
Totals Petroleum Products	<u>15,307,046</u>	<u>3,013,228</u>	19.69	<u>22,167,323</u>	<u>3,226,348</u>	14.55
<b>OTHER COMMODITIES</b>						
Hardware, Accessories, and Miscellaneous	155,588	71,810	46.15	179,463	79,975	44.56
Tobacco	1,092,600	224,372	20.54	1,276,906	241,661	18.93
Beer	529,889	98,150	18.52	507,008	91,525	18.05
Confections	1,699,401	572,747	33.70	1,969,735	638,887	32.44
Lottery Tickets	326,403	75,076	23.00	412,067	43,496	10.56
Totals Other Commodities	<u>3,803,881</u>	<u>1,042,155</u>	27.40	<u>4,345,179</u>	<u>1,095,544</u>	25.21
Totals All Commodities	19,110,927	4,055,383	21.22	26,512,502	4,321,892	16.30
<b>SERVICES</b>						
Car Wash	488,631	464,998	95.16	516,158	482,244	93.43
Equipment Rental	7,190	7,190	100.00	8,230	8,230	100.00
Service and Labor	13,209	13,209	100.00	19,346	19,346	100.00
Totals Services	<u>509,030</u>	<u>485,397</u>	95.36	<u>543,734</u>	<u>509,820</u>	93.76
<b>PATRONS' DISCOUNTS</b>	<u>(118,526)</u>	<u>(118,526)</u>		<u>(54,697)</u>	<u>(54,697)</u>	
<b>NET TOTALS, ALL COMMODITIES AND SERVICES</b>	<u>\$ 19,501,431</u>	<u>\$ 4,422,254</u>	22.68%	<u>\$ 27,001,539</u>	<u>\$ 4,777,015</u>	17.69%

**CONSUMERS COOPERATIVE OIL COMPANY  
COMPARATIVE SALES  
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020		2019		(Decrease)	
	Units (Unaudited)	Amount	Units (Unaudited)	Amount	Units (Unaudited)	Amount
<b>PETROLEUM PRODUCTS</b>						
Gasoline	2,947,463	\$ 6,832,063	4,221,251	\$ 11,245,587	(1,273,788)	\$ (4,413,524)
Fuel Oil	2,239,017	5,185,406	2,620,398	7,103,425	(381,381)	(1,918,019)
L.P. Gas	2,459,933	3,089,021	2,604,029	3,578,424	(144,096)	(489,403)
Lube Oil, Grease and Drums		200,556		239,887		(39,331)
Total Petroleum Products		<u>15,307,046</u>		<u>22,167,323</u>		<u>(6,860,277)</u>
<b>OTHER COMMODITIES</b>						
Hardware and Accessories		155,588		179,463		(23,875)
Tobacco		1,092,600		1,276,906		(184,306)
Beer		529,889		507,008		22,881
Confections and Groceries		1,699,401		1,969,735		(270,334)
Lottery Tickets		326,403		412,067		(85,664)
Total Other Commodities		<u>3,803,881</u>		<u>4,345,179</u>		<u>(541,298)</u>
Total All Commodities		19,110,927		26,512,502		(7,401,575)
<b>SERVICES</b>						
Car Wash		488,631		516,158		(27,527)
Equipment Rental		7,190		8,230		(1,040)
Service and Labor		13,209		19,346		(6,137)
Total Services		<u>509,030</u>		<u>543,734</u>		<u>(34,704)</u>
<b>PATRONS' DISCOUNT</b>		<u>(118,526)</u>		<u>(54,697)</u>		<u>(63,829)</u>
<b>NET TOTALS, ALL COMMODITIES AND SERVICES</b>		<u>\$ 19,501,431</u>		<u>\$ 27,001,539</u>		<u>\$ (7,500,108)</u>