

CONSUMERS COOPERATIVE OIL COMPANY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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**CONSUMERS COOPERATIVE OIL COMPANY
2021
ANNUAL REPORT**

OFFICERS AND DIRECTORS

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

PERSONNEL

| | |
|-----------------|---------------------------|
| Eric Cantwell | 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, 2021 AND 2020**

| | |
|--|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| BALANCE SHEETS | 3 |
| STATEMENTS OF OPERATIONS | 4 |
| STATEMENTS OF PATRONS' EQUITIES | 5 |
| STATEMENTS OF CASH FLOWS | 6 |
| NOTES TO FINANCIAL STATEMENTS | 8 |
| SUPPLEMENTARY INFORMATION | |
| FINANCIAL RATIOS | 17 |
| WORKING CAPITAL ANALYSIS | 18 |
| SALES AND GROSS MARGINS | 19 |
| COMPARATIVE SALES | 20 |



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, 2021 and 2020, 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, 2021 and 2020, 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 12, 2021

CONSUMERS COOPERATIVE OIL COMPANY
BALANCE SHEETS
AUGUST 31, 2021 AND 2020

| ASSETS | 2021 | 2020 |
|---|---------------|---------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 3,349,970 | \$ 3,269,898 |
| Receivables | 663,196 | 554,472 |
| Inventories | 426,733 | 320,834 |
| Prepaid Inventory and Expenses | 140,365 | 103,050 |
| Income Taxes Receivable | 10,305 | - |
| Total Current Assets | 4,590,569 | 4,248,254 |
| INVESTMENTS AND OTHER ASSETS | | |
| Investments | 8,817,126 | 8,679,997 |
| Marketable Securities | 668,156 | 645,534 |
| Rental Real Estate, Net of Accumulated Depreciation | 911,977 | 518,500 |
| Total Investments and Other Assets | 10,397,259 | 9,844,031 |
| PROPERTY AND EQUIPMENT | | |
| | 12,142,331 | 12,017,469 |
| Less: Accumulated Depreciation | 5,877,952 | 5,463,686 |
| Net Property and Equipment | 6,264,379 | 6,553,783 |
| Total Assets | \$ 21,252,207 | \$ 20,646,068 |
| LIABILITIES AND PATRON EQUITIES | | |
| CURRENT LIABILITIES | | |
| Current Maturities of Long-Term Debt | \$ 264,000 | \$ 264,000 |
| Accounts Payable | 810,943 | 557,781 |
| Patron Credit Balances and Prepayments | 1,045,268 | 778,311 |
| Accrued Expenses | 222,522 | 262,043 |
| Income Taxes Payable | - | 27,638 |
| Taxes Payable | 133,549 | 130,289 |
| Patronage Refunds Payable in Cash | 110,000 | 200,000 |
| Total Current Liabilities | 2,586,282 | 2,220,062 |
| LONG-TERM LIABILITIES | | |
| Long-Term Debt, Less Current Maturities Above | 306,008 | 899,375 |
| Deferred Taxes | 300,000 | 238,000 |
| Total Long-Term Liabilities | 606,008 | 1,137,375 |
| Total Liabilities | 3,192,290 | 3,357,437 |
| PATRON EQUITIES | | |
| Allocated Equity Credits | 4,763,608 | 4,944,542 |
| Unallocated Capital Reserve | 13,296,309 | 12,344,089 |
| Total Patron Equities | 18,059,917 | 17,288,631 |
| Total Liabilities and Patron Equities | \$ 21,252,207 | \$ 20,646,068 |

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF OPERATIONS
YEARS ENDED AUGUST 31, 2021 AND 2020

| | 2021 | | 2020 | |
|--|---------------|---------------------|---------------|---------------------|
| | Amount | Percent of Sales | Amount | Percent of Sales |
| SALES | \$ 19,891,893 | 100.00 % | \$ 19,501,431 | 100.00 % |
| COST OF SALES | 15,849,474 | 79.68 | 15,079,177 | 77.32 |
| GROSS MARGIN | 4,042,419 | 20.32 | 4,422,254 | 22.68 |
| OPERATING EXPENSES | | | | |
| Distribution: | | | | |
| Salaries and Wages | 1,439,486 | | 1,564,552 | |
| Payroll Taxes | 98,730 | | 115,845 | |
| Employee Insurance | 266,767 | | 279,401 | |
| Pension | 46,252 | | 56,902 | |
| Vehicle Expense | 96,227 | | 120,489 | |
| Advertising | 28,625 | | 34,635 | |
| Total Distribution | 1,976,087 | 9.93 | 2,171,824 | 11.14 |
| General: | | | | |
| Depreciation | 624,953 | | 591,032 | |
| Insurance | 106,533 | | 119,881 | |
| Property Taxes | 163,951 | | 160,690 | |
| Equipment Rental | 57,823 | | 40,038 | |
| Supplies and Repairs | 280,618 | | 248,265 | |
| Utilities | 137,835 | | 149,197 | |
| Total General | 1,371,713 | 6.90 | 1,309,103 | 6.71 |
| Administrative: | | | | |
| Professional Services | 66,393 | | 53,281 | |
| Provision for Doubtful Accounts | (28,829) | | (40,954) | |
| Directors' Fees and Expenses | 26,762 | | 20,646 | |
| Meetings and Travel | 16,959 | | 11,753 | |
| Office Supplies and Expense | 34,347 | | 46,754 | |
| Telephone | 9,657 | | 10,507 | |
| Total Administrative | 125,289 | 0.63 | 101,987 | 0.52 |
| Total Operating Expenses | 3,473,089 | 17.46 | 3,582,914 | 18.37 |
| GAIN (LOSS) ON DISPOSAL OF PROPERTY AND EQUIPMENT | 61,276 | 0.31 | (219,884) | (1.13) |
| OPERATING INCOME | 630,606 | 3.17 | 619,456 | 3.19 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest Expense | (23,511) | | (39,160) | |
| Patron Finance Charges | 8,812 | | 21,279 | |
| Rental Income - Net | 276,328 | | 213,939 | |
| Other Revenue | 432,950 | | 114,832 | |
| Other Expense | (335,922) | | (428,104) | |
| Total Other Expense | 358,657 | 1.80 | (117,214) | (0.60) |
| LOCAL NET SAVINGS | 989,263 | 4.97 | 502,242 | 2.59 |
| PATRONAGE REFUNDS RECEIVED | 328,276 | 1.65 | 1,169,275 | 6.00 |
| Net Savings before Income Taxes | 1,317,539 | 6.62 | 1,671,517 | 8.59 |
| PROVISION FOR INCOME TAXES | 258,000 | 1.30 | 245,000 | 1.26 |
| NET SAVINGS | \$ 1,059,539 | 5.33 | \$ 1,426,517 | 7.32 |

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF PATRONS' EQUITIES
YEARS ENDED AUGUST 31, 2021 AND 2020**

| | Allocated Equity Credits | Patronage Refunds Payable in Equity | Unallocated Capital Reserve | Total |
|---|--------------------------------|--|-----------------------------------|----------------------|
| BALANCE - SEPTEMBER 1, 2019 | \$ 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 (Net) | - | - | 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 | - |
| BALANCE - AUGUST 31, 2020 | 4,944,542 | - | 12,344,089 | 17,288,631 |
| Equities Redeemed | (180,934) | - | - | (180,934) |
| Old Patronage Refund Checks Honored (Net) | - | - | 2,681 | 2,681 |
| 2021 Net Savings Before Allocation | - | 1,059,539 | - | 1,059,539 |
| Portions of 2021 Net Savings Allocated to: Patronage Refunds Payable in Cash | - | (110,000) | - | (110,000) |
| Unallocated Capital Reserve | - | (949,539) | 949,539 | - |
| BALANCE - AUGUST 31, 2021 | <u>\$ 4,763,608</u> | <u>\$ -</u> | <u>\$ 13,296,309</u> | <u>\$ 18,059,917</u> |

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Patrons for Goods and Services | \$ 20,078,845 | \$ 19,887,706 |
| Cash Paid to Suppliers and Employees | (18,652,752) | (18,366,041) |
| Patron Finance Charges | 8,812 | 21,279 |
| Interest Paid | (23,511) | (39,160) |
| Rental Income Received | 342,939 | 300,960 |
| Other Revenue Received | 86,905 | 139,561 |
| Other Expenses Paid | (335,922) | (428,104) |
| Cash Patronage Refunds Received | 40,278 | 182,846 |
| Income Taxes Paid | (233,943) | (85,170) |
| Net Cash Provided by Operating Activities | 1,311,651 | 1,613,877 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investments Redeemed by Other Cooperatives | 150,869 | 208,239 |
| Additions to Property and Equipment | (339,236) | (656,583) |
| Additions to Rental Real Estate | (460,125) | - |
| Proceeds from Sale of Property and Equipment | 65,000 | 186,457 |
| Net Cash Used by Investing Activities | (583,492) | (261,887) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Patron Equities Redeemed, Net of Adjustments | (178,143) | (134,498) |
| Patronage Refunds, Net of Adjustments | (200,000) | (277,718) |
| Principal Payments on Long-Term Debt | (269,944) | (264,000) |
| Proceeds from Issuance of Long-Term Debt | - | 326,700 |
| Net Cash Used by Financing Activities | (648,087) | (349,516) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 80,072 | 1,002,474 |
| Cash and Cash Equivalents - Beginning of Year | 3,269,898 | 2,267,424 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 3,349,970 | \$ 3,269,898 |

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED AUGUST 31, 2021 AND 2020**

| | 2021 | 2020 |
|--|---------------------|---------------------|
| RECONCILIATION OF NET SAVINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Net Savings | \$ 1,059,539 | \$ 1,426,517 |
| Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities: | | |
| Depreciation | 691,564 | 678,053 |
| Noncash Patronage Refunds Received | (287,998) | (986,429) |
| PPP Loan Forgiveness | (323,423) | - |
| Unrealized (Gain) Loss on Marketable Securities | (22,622) | 24,729 |
| (Gain) Loss on Disposal of Property and Equipment | (61,276) | 219,884 |
| Deferred Taxes | 62,000 | 100,000 |
| Effects of Changes in Operating Assets and Liabilities: | | |
| Receivables, Net | (108,834) | 256,799 |
| Inventories | (105,899) | 59,591 |
| Prepaid Expenses and Inventory | (37,315) | 32,179 |
| Accounts Payable | 253,162 | (345,893) |
| Patron Credit Balances and Prepayments | 266,957 | 88,522 |
| Accrued Expenses | (39,521) | 6,031 |
| Taxes Payable | 3,260 | (5,936) |
| Income Taxes Receivable and Payable | (37,943) | 59,830 |
| | <u>\$ 1,311,651</u> | <u>\$ 1,613,877</u> |

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020**

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.

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.

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.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 corded in the year received.

Marketable Securities

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

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 \$-0- and \$336,412 were recorded for the years ended August 31, 2021 and 2020, respectively.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Cooperative recognizes substantially all its revenue when the performance obligations under the terms of a contract with a customer are satisfied, which generally occurs when control of the goods has transferred to the customer. For substantially all of these customer contracts, control transfers to customers at a point-in-time when the goods or services have been delivered, since that is generally when legal title, physical possession and risks and rewards transfers to the customer. 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 \$1,045,268 and \$778,311 of contract liabilities as of August 31, 2021 and 2020, 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.

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:

| | 2021 | 2020 |
|---------------------------------|------------|------------|
| Trade Accounts: | | |
| Other Patrons | \$ 624,795 | \$ 503,471 |
| Directors and Employees | 9,772 | 12,371 |
| Other | 68,629 | 98,630 |
| Allowance for Doubtful Accounts | (40,000) | (60,000) |
| Total Receivables | \$ 663,196 | \$ 554,472 |

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 3 INVESTMENTS

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

| | <u>2021</u> | <u>2020</u> |
|-------------------|---------------------|---------------------|
| CHS Inc. | \$ 8,809,006 | \$ 8,671,855 |
| Other | 8,120 | 8,142 |
| Total Investments | <u>\$ 8,817,126</u> | <u>\$ 8,679,997</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 \$2,615,235 and \$2,181,245 at August 31, 2021 and 2020, respectively. Related depreciation expense on rental real estate was \$66,611 in 2021 and \$87,021 in 2020. Accumulated depreciation at August 31, 2021 and 2020 was \$1,703,258 and \$1,662,745, 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. For the year ended August 31, 2020, 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.

Minimum scheduled income on rental real estate is as follows:

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|-------------------------------|-------------------|
| 2022 | \$ 215,344 |
| 2023 | 30,340 |
| 2024 | 6,400 |
| Total | <u>\$ 252,084</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>2021</u> | <u>2020</u> |
|------------------------------|----------------------|----------------------|
| Land and Land Improvements | \$ 1,869,742 | \$ 1,869,742 |
| Buildings | 3,523,023 | 3,498,900 |
| Equipment | 5,817,916 | 5,785,023 |
| Vehicles | 931,650 | 863,804 |
| Total Property and Equipment | <u>\$ 12,142,331</u> | <u>\$ 12,017,469</u> |

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

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 2022. Outstanding balance bears interest at the bank's variable rate (3.35% at August 31, 2021) and is secured as described in Note 7. At August 31, 2021, there was no outstanding balance.

NOTE 7 LONG-TERM DEBT

Long-term debt is comprised of the following elements:

| <u>Description</u> | <u>2021</u> | <u>2020</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. | \$ 570,008 | \$ 836,675 |
| PPP Loan Payable to the Bank of Prairie du Sac. | <u>-</u> | <u>326,700</u> |
| Total Debt | 570,008 | 1,163,375 |
| Less: Current Portion | <u>(264,000)</u> | <u>(264,000)</u> |
| Long-Term Debt | <u>\$ 306,008</u> | <u>\$ 899,375</u> |

On April 15, 2020, the Cooperative received a loan from First National Bank and Trust Company totaling \$326,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted by the SBA 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 are subject to forgiveness based on compliance with program requirements and approval by the SBA.

The Cooperative is following ASC 470, *Debt*, to account for the initial receipts related to the PPP Loan. The SBA processed the Company's PPP Loan forgiveness application and notified First National Bank and Trust Company the PPP Loan qualified for forgiveness totaling \$323,433, with the Cooperative paying the remaining \$3,277 balance due. Loan proceeds were received by the bank from the SBA. Therefore, the Cooperative was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt, which is included in other revenue for the year ended August 31, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 7 LONG-TERM DEBT (CONTINUED)

The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Cooperative's financial position.

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

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|-------------------------------|-------------------|
| 2022 | \$ 264,000 |
| 2023 | 264,000 |
| 2024 | 42,008 |
| Total | <u>\$ 570,008</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, 2021, 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.

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, 2021, 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, 2022. 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, 2021.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

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.

NOTE 11 INCOME TAXES

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

| | 2021 | 2020 |
|---|--------------|--------------|
| Deferred Tax Assets: | | |
| Allowance for Doubtful Accounts | \$ 6,000 | \$ 8,000 |
| Accrued Vacation | 17,000 | 16,000 |
| Total Deferred Tax Assets | 23,000 | 24,000 |
| Deferred Tax Liabilities | | |
| Property and Equipment Basis and Depreciation Differences | (56,000) | (43,000) |
| Nonqualified Equity Distributions | (267,000) | (219,000) |
| Total Deferred Tax Liabilities | (323,000) | (262,000) |
| Net Deferred Tax Liability | \$ (300,000) | \$ (238,000) |

The provision for income taxes consists of the following components:

| | 2021 | 2020 |
|----------------------------------|------------|------------|
| Current | \$ 196,000 | \$ 145,000 |
| Deferred | 62,000 | 100,000 |
| Total Provision for Income Taxes | \$ 258,000 | \$ 245,000 |

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 11 INCOME TAXES (CONTINUED)

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:

| | 2021 | 2020 |
|--|------------|------------|
| Statutory Rates Applied to Net Savings before Income Tax | \$ 277,000 | \$ 351,000 |
| Reduction for Net Savings Allocated for Refund to Patrons | (23,000) | (42,000) |
| Nonqualified Equity Distributions | (60,000) | (202,000) |
| Impairment on Property and Equipment | - | 71,000 |
| Employee Retention Credit | 82,000 | - |
| PPP Loan Forgiveness | (68,000) | - |
| Other | 50,000 | 67,000 |
| Provision for Income Taxes Recorded in the Statements of Operations | \$ 258,000 | \$ 245,000 |

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, 2021, 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 \$9,477,163 and \$9,317,389 at August 31, 2021 and 2020, 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;

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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, 2021 and 2020:

| | 2021 | | | |
|-----------------------|------------|------------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Marketable Securities | \$ 668,156 | \$ 668,156 | \$ - | \$ - |
| | 2020 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Marketable Securities | \$ 645,534 | \$ 645,534 | \$ - | \$ - |

NOTE 14 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 12, 2021, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2021, but prior to October 12, 2021 that provided additional evidence about conditions that existed at August 31, 2021, have been recognized in the financial statements for the year ended August 31, 2021. Events or transactions that provided evidence about conditions that did not exist at August 31, 2021, 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, 2021 AND 2020**

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-------------|-------------|
| Current Ratio | 1.77 | 1.91 |
| Working Capital to Sales | 10.08% | 10.40% |
| Ownership Ratio | 84.98% | 83.74% |
| Local Ownership Ratio | 74.33% | 71.94% |
| Accounts Receivable - Trade: | | |
| Days' Sales in Year-End Total | 11.64 | 9.65 |
| Year-End Total as a Percent of Sales | 3.19% | 2.65% |
| Inventories: | | |
| Turnover Rates: | | |
| Total Inventories | 42.40 | 43.01 |
| Petroleum Products in Total | 73.78 | 77.39 |
| All Other Commodities in Total | 14.38 | 14.40 |
| Selected Others: | | |
| Hardware and Accessories | 2.59 | 3.29 |
| Year-End Total as a Percent of Sales | 2.15% | 1.65% |
| Salaries and Wages to Gross Margin | 35.61% | 35.38% |
| Distribution Expense to Gross Margin | 48.88% | 49.11% |
| Return on Total Assets | 4.99% | 6.91% |
| Return on Total Patron Equities | 5.87% | 8.25% |
| Return on Local Assets* | 7.96% | 4.20% |
| Return on Local Equities** | 10.70% | 5.83% |

* 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, 2021 AND 2020**

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| WORKING CAPITAL PROVIDED FROM: | | |
| Operations: | | |
| Net Savings | \$ 1,059,539 | \$ 1,426,517 |
| Adjustments for Elements of Net Savings Not Affecting Working Capital: | | |
| Depreciation | 691,564 | 678,053 |
| PPP Loan Forgiveness | (323,423) | - |
| Noncash Portion of Patronage Refunds Received | (287,998) | (986,429) |
| Unrealized (Gain) Loss on Marketable Securities | (22,622) | 24,729 |
| (Gain) Loss on Disposal of Property and Equipment | (61,276) | 219,884 |
| Deferred Taxes | 62,000 | 100,000 |
| Working Capital Provided from Operations | <u>1,117,784</u> | <u>1,462,754</u> |
| Investments Redeemed by Other Cooperatives | 150,869 | 208,239 |
| Proceeds from Sale of Property and Equipment | 65,000 | 186,457 |
| Proceeds from Issuance of Long-term Debt | - | 326,700 |
| Total Working Capital Provided | <u>1,333,653</u> | <u>2,184,150</u> |
| WORKING CAPITAL USED FOR: | | |
| Repayment of Long-Term Debt | (269,944) | (264,000) |
| Additions to Rental Real Estate | (339,346) | (666,495) |
| Additions to Property and Equipment | (460,125) | |
| Patron Equities Redeemed, Net of Adjustments | (178,143) | (134,768) |
| Net Savings Allocated for Cash Refunds | (110,000) | (200,000) |
| Total Working Capital Used | <u>(1,357,558)</u> | <u>(1,265,263)</u> |
| NET INCREASE (DECREASE) IN WORKING CAPITAL | (23,905) | 918,887 |
| Beginning Working Capital | <u>2,028,192</u> | <u>1,109,305</u> |
| ENDING WORKING CAPITAL | <u>\$ 2,004,287</u> | <u>\$ 2,028,192</u> |

**CONSUMERS COOPERATIVE OIL COMPANY
SALES AND GROSS MARGINS
YEARS ENDED AUGUST 31, 2021 AND 2020**

| | 2021 | | | 2020 | | |
|---|----------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| | Sales | Gross Margin | Percent of Sales | Sales | Gross Margin | Percent of Sales |
| PETROLEUM PRODUCTS | | | | | | |
| Gasoline | \$ 7,126,541 | \$ 911,514 | 12.79% | \$ 6,832,063 | \$ 1,026,091 | 15.02% |
| Fuel Oil | 5,061,227 | 505,977 | 10.00 | 5,185,406 | 572,473 | 11.04 |
| L.P. Gas | 3,125,014 | 1,079,406 | 34.54 | 3,089,021 | 1,382,292 | 44.75 |
| Lube Oil, Grease, and Drums | 193,051 | 30,243 | 15.67 | 200,556 | 32,372 | 16.14 |
| Totals Petroleum Products | <u>15,505,833</u> | <u>2,527,140</u> | 16.30 | <u>15,307,046</u> | <u>3,013,228</u> | 19.69 |
| OTHER COMMODITIES | | | | | | |
| Hardware, Accessories, and Miscellaneous | 151,685 | 73,689 | 48.58 | 155,588 | 71,810 | 46.15 |
| Tobacco | 1,088,501 | 208,517 | 19.16 | 1,092,600 | 224,372 | 20.54 |
| Beer | 545,145 | 114,087 | 20.93 | 529,889 | 98,150 | 18.52 |
| Confections and Groceries | 1,794,941 | 647,694 | 36.08 | 1,699,401 | 572,747 | 33.70 |
| Lottery Tickets | 381,044 | 72,429 | 19.01 | 326,403 | 75,076 | 23.00 |
| Totals Other Commodities | <u>3,961,316</u> | <u>1,116,416</u> | 28.18 | <u>3,803,881</u> | <u>1,042,155</u> | 27.40 |
| Totals All Commodities | 19,467,149 | 3,643,556 | 18.72 | 19,110,927 | 4,055,383 | 21.22 |
| SERVICES | | | | | | |
| Car Wash | 509,024 | 483,143 | 94.92 | 488,631 | 464,998 | 95.16 |
| Equipment Rental | 8,615 | 8,615 | 100.00 | 7,190 | 7,190 | 100.00 |
| Service and Labor | 11,535 | 11,535 | 100.00 | 13,209 | 13,209 | 100.00 |
| Totals Services | <u>529,174</u> | <u>503,293</u> | 95.11 | <u>509,030</u> | <u>485,397</u> | 95.36 |
| PATRONS' DISCOUNTS | <u>(104,430)</u> | <u>(104,430)</u> | | <u>(118,526)</u> | <u>(118,526)</u> | |
| NET TOTALS, ALL COMMODITIES AND SERVICES | <u>\$ 19,891,893</u> | <u>\$ 4,042,419</u> | 20.32% | <u>\$ 19,501,431</u> | <u>\$ 4,422,254</u> | 22.68% |

**CONSUMERS COOPERATIVE OIL COMPANY
COMPARATIVE SALES
YEARS ENDED AUGUST 31, 2021 AND 2020**

| | 2021 | | 2020 | | (Decrease) | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| | Units (Unaudited) | Amount | Units (Unaudited) | Amount | Units (Unaudited) | Amount |
| PETROLEUM PRODUCTS | | | | | | |
| Gasoline | 2,725,530 | \$ 7,126,541 | 2,947,463 | \$ 6,832,063 | (221,933) | \$ 294,478 |
| Fuel Oil | 2,118,199 | 5,061,227 | 2,239,017 | 5,185,406 | (120,818) | (124,179) |
| L.P. Gas | 2,314,518 | 3,125,014 | 2,459,933 | 3,089,021 | (145,415) | 35,993 |
| Lube Oil, Grease and Drums | | 193,051 | | 200,556 | | (7,505) |
| Total Petroleum Products | | <u>15,505,833</u> | | <u>15,307,046</u> | | <u>198,787</u> |
| OTHER COMMODITIES | | | | | | |
| Hardware and Accessories | | 151,685 | | 155,588 | | (3,903) |
| Tobacco | | 1,088,501 | | 1,092,600 | | (4,099) |
| Beer | | 545,145 | | 529,889 | | 15,256 |
| Confections and Groceries | | 1,794,941 | | 1,699,401 | | 95,540 |
| Lottery Tickets | | 381,044 | | 326,403 | | 54,641 |
| Total Other Commodities | | <u>3,961,316</u> | | <u>3,803,881</u> | | <u>157,435</u> |
| Total All Commodities | | 19,467,149 | | 19,110,927 | | 356,222 |
| SERVICES | | | | | | |
| Car Wash | | 509,024 | | 488,631 | | 20,393 |
| Equipment Rental | | 8,615 | | 7,190 | | 1,425 |
| Service and Labor | | 11,535 | | 13,209 | | (1,674) |
| Total Services | | <u>529,174</u> | | <u>509,030</u> | | <u>20,144</u> |
| PATRONS' DISCOUNT | | <u>(104,430)</u> | | <u>(118,526)</u> | | <u>14,096</u> |
| NET TOTALS, ALL COMMODITIES AND SERVICES | | <u>\$ 19,891,893</u> | | <u>\$ 19,501,431</u> | | <u>\$ 390,462</u> |