

CONSUMERS COOPERATIVE OIL COMPANY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED AUGUST 31, 2022 AND 2021



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**CONSUMERS COOPERATIVE OIL COMPANY
2021
ANNUAL REPORT**

OFFICERS AND DIRECTORS

Tom Schwarz	Chair
Mike Kindschi	Vice-Chair
Steve Kindschi	Secretary-Treasurer
Joel Wyttenbach	Director
Greg Elsing	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, 2022 AND 2021**

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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Consumers Cooperative Oil Company (a state of Wisconsin corporation), which comprise the balance sheets as of August 31, 2022 and 2021, and the related statements of operations and patrons' equities, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Consumers Cooperative Oil 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Consumers Cooperative Oil 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Consumers Cooperative Oil 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.

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 GAAS. 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 21, 2022

CONSUMERS COOPERATIVE OIL COMPANY
BALANCE SHEETS
AUGUST 31, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,747,676	\$ 3,349,970
Receivables	1,037,152	663,196
Inventories	507,996	426,733
Prepaid Inventory and Expenses	178,993	140,365
Income Taxes Receivable	165,514	10,305
Total Current Assets	5,637,331	4,590,569
INVESTMENTS AND OTHER ASSETS		
Investments	8,617,823	8,817,126
Marketable Securities	637,004	668,156
Rental Real Estate, Net of Accumulated Depreciation	1,524,290	911,977
Total Investments and Other Assets	10,779,117	10,397,259
PROPERTY AND EQUIPMENT		
Less: Accumulated Depreciation	12,476,331	12,142,331
Net Property and Equipment	6,457,657	5,877,952
Total Assets	\$ 22,435,122	\$ 21,252,207
LIABILITIES AND PATRON EQUITIES		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 264,000	\$ 264,000
Accounts Payable	1,235,111	810,943
Patron Credit Balances and Prepayments	1,408,956	1,045,268
Accrued Expenses	237,527	222,522
Taxes Payable	227,184	133,549
Patronage Refunds Payable in Cash	30,000	110,000
Total Current Liabilities	3,402,778	2,586,282
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	42,008	306,008
Deferred Taxes	344,000	300,000
Total Long-Term Liabilities	386,008	606,008
Total Liabilities	3,788,786	3,192,290
PATRON EQUITIES		
Allocated Equity Credits	4,604,980	4,763,608
Unallocated Capital Reserve	14,041,356	13,296,309
Total Patron Equities	18,646,336	18,059,917
Total Liabilities and Patron Equities	\$ 22,435,122	\$ 21,252,207

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF OPERATIONS
YEARS ENDED AUGUST 31, 2022 AND 2021

	2022		2021	
	Amount	Percent of Sales	Amount	Percent of Sales
SALES	\$ 26,271,870	100.00 %	\$ 19,891,893	100.00 %
COST OF SALES	<u>21,864,475</u>	83.22	<u>15,849,474</u>	79.68
GROSS MARGIN	4,407,395	16.78	4,042,419	20.32
OPERATING EXPENSES				
Distribution:				
Salaries and Wages	1,730,566		1,439,486	
Payroll Taxes	127,252		98,730	
Employee Insurance	264,068		266,767	
Pension	57,686		46,252	
Vehicle Expense	111,814		96,227	
Advertising	45,824		28,625	
Total Distribution	<u>2,337,210</u>	8.90	<u>1,976,087</u>	9.93
General:				
Depreciation	579,705		624,953	
Insurance	129,554		106,533	
Property Taxes	168,748		163,951	
Equipment Rental	69,307		57,823	
Supplies and Repairs	290,745		280,618	
Utilities	160,989		137,835	
Total General	<u>1,399,048</u>	5.33	<u>1,371,713</u>	6.90
Administrative:				
Professional Services	52,757		66,393	
Provision for Doubtful Accounts	(21,336)		(28,829)	
Directors' Fees and Expenses	17,977		26,762	
Meetings and Travel	32,816		16,959	
Office Supplies and Expense	35,966		34,347	
Telephone	9,721		9,657	
Total Administrative	<u>127,901</u>	0.49	<u>125,289</u>	0.63
Total Operating Expenses	3,864,159	14.72	3,473,089	17.46
GAIN (LOSS) ON DISPOSAL OF PROPERTY AND EQUIPMENT	<u>-</u>	-	<u>61,276</u>	0.31
OPERATING INCOME	543,236	2.07	630,606	3.17
OTHER INCOME (EXPENSE)				
Interest Expense	(17,697)		(23,511)	
Patron Finance Charges	15,126		8,812	
Rental Income - Net	221,995		276,328	
Other Revenue	474,081		432,950	
Other Expense	(490,961)		(335,922)	
Total Other Income	<u>202,544</u>	0.77	<u>358,657</u>	1.80
LOCAL NET SAVINGS	745,780	2.84	989,263	4.97
PATRONAGE REFUNDS RECEIVED	<u>44,041</u>	0.17	<u>328,276</u>	1.65
Net Savings before Income Taxes	789,821	3.01	1,317,539	6.62
PROVISION FOR INCOME TAXES	<u>74,000</u>	0.28	<u>258,000</u>	1.30
NET SAVINGS	<u>\$ 715,821</u>	2.72	<u>\$ 1,059,539</u>	5.33

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF PATRONS' EQUITIES
YEARS ENDED AUGUST 31, 2022 AND 2021**

	Allocated Equity Credits	Patronage Refunds Payable in Equity	Unallocated Capital Reserve	Total
BALANCE - SEPTEMBER 1, 2020	\$ 4,944,542	\$ -	\$ 12,344,089	\$ 17,288,631
Equities Redeemed	(180,934)	-	-	(180,934)
Old Patronage Refund Checks Voided (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	4,763,608	-	13,296,309	18,059,917
Equities Redeemed	(103,560)	-	-	(103,560)
Old Patronage Refund Checks and Allocated Equity Credits Voided (Net)	(55,068)	-	59,226	4,158
2022 Net Savings Before Allocation	-	715,821	-	715,821
Portions of 2022 Net Savings Allocated to: Patronage Refunds Payable in Cash	-	(30,000)	-	(30,000)
Unallocated Capital Reserve	-	(685,821)	685,821	-
BALANCE - AUGUST 31, 2022	<u>\$ 4,604,980</u>	<u>\$ -</u>	<u>\$ 14,041,356</u>	<u>\$ 18,646,336</u>

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patrons for Goods and Services	\$ 26,282,828	\$ 20,078,845
Cash Paid to Suppliers and Employees	(24,757,348)	(18,652,752)
Patron Finance Charges	15,126	8,812
Interest Paid	(17,697)	(23,511)
Rental Income Received	276,270	342,939
Other Revenue Received	505,233	86,905
Other Expenses Paid	(490,962)	(335,922)
Cash Patronage Refunds Received	1	40,278
Income Taxes Paid	(185,209)	(233,943)
Net Cash Provided by Operating Activities	1,628,242	1,311,651
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Redeemed by Other Cooperatives	243,344	150,869
Additions to Property and Equipment	(332,000)	(339,236)
Additions to Rental Real Estate	(668,588)	(460,125)
Proceeds from Sale of Property and Equipment	-	65,000
Net Cash Used by Investing Activities	(757,244)	(583,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Patron Equities Redeemed, Net of Adjustments	(99,292)	(178,143)
Patronage Refunds, Net of Adjustments	(110,000)	(200,000)
Principal Payments on Long-Term Debt	(264,000)	(269,944)
Net Cash Used by Financing Activities	(473,292)	(648,087)
NET INCREASE IN CASH AND CASH EQUIVALENTS	397,706	80,072
Cash and Cash Equivalents - Beginning of Year	3,349,970	3,269,898
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,747,676	\$ 3,349,970

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022	2021
RECONCILIATION OF NET SAVINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Savings	\$ 715,821	\$ 1,059,539
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities:		
Depreciation	633,980	691,564
Noncash Patronage Refunds Received	(44,041)	(287,998)
PPP Loan Forgiveness	-	(323,423)
Unrealized (Gain) Loss on Marketable Securities	31,152	(22,622)
(Gain) Loss on Disposal of Property and Equipment	-	(61,276)
Deferred Taxes	44,000	62,000
Effects of Changes in Operating Assets and Liabilities:		
Receivables, Net	(374,066)	(108,834)
Inventories	(81,263)	(105,899)
Prepaid Expenses and Inventory	(38,628)	(37,315)
Accounts Payable	424,168	253,162
Patron Credit Balances and Prepayments	363,688	266,957
Accrued Expenses	15,005	(39,521)
Taxes Payable	93,635	3,260
Income Taxes Receivable and Payable	(155,209)	(37,943)
	\$ 1,628,242	\$ 1,311,651

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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 (82%), convenience store products, and services (18%) 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, 2022 AND 2021

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 recorded 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

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 \$1,408,956 and \$1,045,268 of contract liabilities as of August 31, 2022 and 2021, respectively.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	<u>2022</u>	<u>2021</u>
Trade Accounts:		
Other Patrons	\$ 977,951	\$ 624,795
Directors and Employees	15,128	9,772
Other	84,073	68,629
Allowance for Doubtful Accounts	<u>(40,000)</u>	<u>(40,000)</u>
Total Receivables	<u>\$ 1,037,152</u>	<u>\$ 663,196</u>

NOTE 3 INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
CHS Inc.	\$ 8,609,726	\$ 8,809,006
Other	<u>8,097</u>	<u>8,120</u>
Total Investments	<u>\$ 8,617,823</u>	<u>\$ 8,817,126</u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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 \$3,281,823 and \$2,615,235 at August 31, 2022 and 2021, respectively. Rental real estate construction in progress totaled \$666,588 and \$-0- for the years ended August 31, 2022 and 2021, respectively. Related depreciation expense on rental real estate was \$54,275 in 2022 and \$66,611 in 2021. Accumulated depreciation at August 31, 2022 and 2021 was \$1,757,533 and \$1,703,258, respectively. The amount shown as rental income in the financial statements is net of depreciation.

Minimum scheduled income on rental real estate is as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 227,652
2024	209,563
2025	211,057
2026	212,596
2027	193,614
Total	<u><u>\$ 1,054,482</u></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>2022</u>	<u>2021</u>
Land and Land Improvements	\$ 1,869,742	\$ 1,869,742
Buildings	3,523,023	3,523,023
Equipment	6,059,847	5,817,916
Vehicles	1,023,719	931,650
Total Property and Equipment	<u><u>\$ 12,476,331</u></u>	<u><u>\$ 12,142,331</u></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 2023. Outstanding balance bears interest at the bank's variable rate (3.35% at August 31, 2022) and is secured as described in Note 7. At August 31, 2022, there was no outstanding balance.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 7 LONG-TERM DEBT

Long-term debt is comprised of the following elements:

<u>Description</u>	<u>2022</u>	<u>2021</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.	\$ 306,008	\$ 570,008
Less: Current Portion	<u>(264,000)</u>	<u>(264,000)</u>
Long-Term Debt	<u>\$ 42,008</u>	<u>\$ 306,008</u>

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 264,000
2024	<u>42,008</u>
Total	<u>\$ 306,008</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.

On April 15, 2020, the Cooperative received a loan from the Bank of Prairie du Sac totaling \$326,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The SBA processed the Cooperative's PPP Loan forgiveness application and notified the Bank of Prairie du Sac 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.

NOTE 8 COMMITMENTS AND CONTINGENCIES

At August 31, 2022, 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.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. As of August 31, 2022, management of the Cooperative believes there will not be any additional material costs associated with remediation projects.

On August 27, 2021, the Cooperative filed amended payroll tax returns for the period of January 2021 through June 30, 2021, to claim employee retention credits. During the year ended August 31, 2022, the IRS processed the Cooperative's amended payroll tax returns and issued the credits to the Cooperative, totaling \$389,134, which is included in other revenue for the year ended August 31, 2022. The Cooperative is following ASC 958-605 to recognize the receipt of the employee retention credits. Payroll tax credits are subject to audit by the IRS. The Cooperative believes that they are in compliance with all laws and regulations and the results of an IRS audit would not have a material adverse effect on the financial condition of the Cooperative.

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, 2022 AND 2021

NOTE 11 INCOME TAXES

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

	<u>2022</u>	<u>2021</u>
Deferred Tax Assets:		
Allowance for Doubtful Accounts	\$ 6,000	\$ 6,000
Unrealized Gain on Preferred Stock	5,000	-
Accrued Vacation	14,000	17,000
Total Deferred Tax Assets	<u>25,000</u>	<u>23,000</u>
Deferred Tax Liabilities		
Property and Equipment Basis and Depreciation Differences	(74,000)	(56,000)
Nonqualified Equity Distributions	(295,000)	(267,000)
Total Deferred Tax Liabilities	<u>(369,000)</u>	<u>(323,000)</u>
Net Deferred Tax Liability	<u>\$ (344,000)</u>	<u>\$ (300,000)</u>

The provision for income taxes consists of the following components:

	<u>2022</u>	<u>2021</u>
Current	\$ 30,000	\$ 196,000
Deferred	44,000	62,000
Total Provision for Income Taxes	<u>\$ 74,000</u>	<u>\$ 258,000</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>2022</u>	<u>2021</u>
Statutory Rates Applied to Net Savings before Income Tax	\$ 166,000	\$ 277,000
Reduction for Net Savings Allocated for Refund to Patrons	(6,000)	(23,000)
Nonqualified Equity Distributions Received	(9,000)	(60,000)
Employee Retention Credit	(82,000)	82,000
PPP Loan Forgiveness	-	(68,000)
Other	5,000	50,000
Provision for Income Taxes Recorded in the Statements of Operations	<u>\$ 74,000</u>	<u>\$ 258,000</u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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 \$9,246,730 and \$9,497,163 at August 31, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021:

	2022			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 637,004	\$ 637,004	\$ -	\$ -
	2021			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 668,156	\$ 668,156	\$ -	\$ -

NOTE 14 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 21, 2022, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2022, but prior to October 21, 2022, that provided additional evidence about conditions that existed at August 31, 2022, have been recognized in the financial statements for the year ended August 31, 2022. Events or transactions that provided evidence about conditions that did not exist at August 31, 2022, 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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Current Ratio	1.66	1.77
Working Capital to Sales	8.51%	10.08%
Ownership Ratio	83.11%	84.98%
Local Ownership Ratio	72.58%	74.33%
Accounts Receivable - Trade:		
Days' Sales in Year-End Total	13.80	11.64
Year-End Total as a Percent of Sales	3.78%	3.19%
Inventories:		
Turnover Rates:		
Total Inventories	46.78	42.40
Petroleum Products in Total	75.38	73.78
All Other Commodities in Total	14.34	14.38
Selected Others:		
Hardware and Accessories	3.68	2.59
Year-End Total as a Percent of Sales	1.93%	2.15%
Salaries and Wages to Gross Margin	39.27%	35.61%
Distribution Expense to Gross Margin	53.03%	48.88%
Return on Total Assets	3.19%	4.99%
Return on Total Patron Equities	3.84%	5.87%
Return on Local Assets*	5.40%	7.96%
Return on Local Equities**	7.44%	10.70%

* 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, 2022 AND 2021**

	2022	2021
WORKING CAPITAL PROVIDED FROM:		
Operations:		
Net Savings	\$ 715,821	\$ 1,059,539
Adjustments for Elements of Net Savings Not Affecting Working Capital:		
Depreciation	633,980	691,564
PPP Loan Forgiveness	-	(323,423)
Noncash Portion of Patronage Refunds Received	(44,041)	(287,998)
Unrealized (Gain) Loss on Marketable Securities	31,152	(22,622)
(Gain) Loss on Disposal of Property and Equipment	-	(61,276)
Deferred Taxes	44,000	62,000
Working Capital Provided from Operations	1,380,912	1,117,784
Investments Redeemed by Other Cooperatives	243,344	150,869
Proceeds from Sale of Property and Equipment	-	65,000
Total Working Capital Provided	1,624,256	1,333,653
WORKING CAPITAL USED FOR:		
Repayment of Long-Term Debt	(264,000)	(269,944)
Additions to Rental Real Estate	(332,000)	(339,346)
Additions to Property and Equipment	(668,698)	(460,125)
Patron Equities Redeemed, Net of Adjustments	(99,292)	(178,143)
Net Savings Allocated for Cash Refunds	(30,000)	(110,000)
Total Working Capital Used	(1,393,990)	(1,357,558)
NET INCREASE (DECREASE) IN WORKING CAPITAL	230,266	(23,905)
Beginning Working Capital	2,004,287	2,028,192
ENDING WORKING CAPITAL	\$ 2,234,553	\$ 2,004,287

**CONSUMERS COOPERATIVE OIL COMPANY
SALES AND GROSS MARGINS
YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022			2021		
	Sales	Gross Margin	Percent of Sales	Sales	Gross Margin	Percent of Sales
PETROLEUM PRODUCTS						
Gasoline	\$ 9,651,601	\$ 891,241	9.23%	\$ 7,126,541	\$ 911,514	12.79%
Fuel Oil	7,183,096	556,582	7.75	5,061,227	505,977	10.00
L.P. Gas	4,491,463	1,343,634	29.92	3,125,014	1,079,406	34.54
Lube Oil, Grease, and Drums	191,998	41,666	21.70	193,051	30,243	15.67
Totals Petroleum Products	<u>21,518,158</u>	<u>2,833,123</u>	13.17	<u>15,505,833</u>	<u>2,527,140</u>	16.30
OTHER COMMODITIES						
Hardware, Accessories, and Miscellaneous	156,159	47,519	30.43	151,685	73,689	48.58
Tobacco	1,186,241	191,845	16.17	1,088,501	208,517	19.16
Beer	543,128	117,754	21.68	545,145	114,087	20.93
Confections and Groceries	2,014,211	730,524	36.27	1,794,941	647,694	36.08
Lottery Tickets	377,508	42,275	11.20	381,044	72,429	19.01
Totals Other Commodities	<u>4,277,247</u>	<u>1,129,917</u>	26.42	<u>3,961,316</u>	<u>1,116,416</u>	28.18
Totals All Commodities	25,795,405	3,963,040	15.36	19,467,149	3,643,556	18.72
SERVICES						
Car Wash	502,778	470,668	93.61	509,024	483,143	94.92
Equipment Rental, Services and Labor	29,171	29,171	100.00	20,150	20,150	100.00
Totals Services	<u>531,949</u>	<u>499,839</u>	93.96	<u>529,174</u>	<u>503,293</u>	95.11
PATRONS' DISCOUNTS						
	<u>(55,484)</u>	<u>(55,484)</u>		<u>(104,430)</u>	<u>(104,430)</u>	
NET TOTALS, ALL COMMODITIES AND SERVICES						
	<u>\$ 26,271,870</u>	<u>\$ 4,407,395</u>	16.78%	<u>\$ 19,891,893</u>	<u>\$ 4,042,419</u>	20.32%

**CONSUMERS COOPERATIVE OIL COMPANY
COMPARATIVE SALES
YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022		2021		(Decrease)	
	Units (Unaudited)	Amount	Units (Unaudited)	Amount	Units (Unaudited)	Amount
PETROLEUM PRODUCTS						
Gasoline	2,724,853	\$ 9,651,601	2,725,530	\$ 7,126,541	(677)	\$ 2,525,060
Fuel Oil	1,828,732	7,183,096	2,118,199	5,061,227	(289,467)	2,121,869
L.P. Gas	2,324,623	4,491,463	2,314,518	3,125,014	10,105	1,366,449
Lube Oil, Grease and Drums		191,998		193,051		(1,053)
Total Petroleum Products		<u>21,518,158</u>		<u>15,505,833</u>		<u>6,012,325</u>
OTHER COMMODITIES						
Hardware and Accessories		156,159		151,685		4,474
Tobacco		1,186,241		1,088,501		97,740
Beer		543,128		545,145		(2,017)
Confections and Groceries		2,014,211		1,794,941		219,270
Lottery Tickets		377,508		381,044		(3,536)
Total Other Commodities		<u>4,277,247</u>		<u>3,961,316</u>		<u>315,931</u>
Total All Commodities		25,795,405		19,467,149		6,328,256
SERVICES						
Car Wash		502,778		509,024		(6,246)
Equipment Rental, Services and Labor		29,171		20,150		9,021
Total Services		<u>531,949</u>		<u>529,174</u>		<u>2,775</u>
PATRONS' DISCOUNT		<u>(55,484)</u>		<u>(104,430)</u>		<u>48,946</u>
NET TOTALS, ALL COMMODITIES AND SERVICES		<u>\$ 26,271,870</u>		<u>\$ 19,891,893</u>		<u>\$ 6,379,977</u>



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