

CONSUMERS COOPERATIVE OIL COMPANY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**CONSUMERS COOPERATIVE OIL COMPANY
2023
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, 2023 AND 2022**

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	18
WORKING CAPITAL ANALYSIS	19
SALES AND GROSS MARGINS	20
COMPARATIVE SALES	21



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, 2023 and 2022, 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, 2023 and 2022, 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 23, 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
December 29, 2023

CONSUMERS COOPERATIVE OIL COMPANY
BALANCE SHEETS
AUGUST 31, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,421,014	\$ 3,747,676
Receivables	2,593,129	1,037,152
Inventories	3,699,124	507,996
Prepaid Inventory and Expenses	136,134	178,993
Income Taxes Receivable	190,514	165,514
Total Current Assets	11,039,915	5,637,331
INVESTMENTS AND OTHER ASSETS		
Investments	7,756,173	8,617,823
Marketable Securities	632,572	637,004
Rental Real Estate, Net of Accumulated Depreciation	3,870,678	1,524,290
Total Investments and Other Assets	12,259,423	10,779,117
PROPERTY AND EQUIPMENT		
	27,881,616	12,476,331
Less: Accumulated Depreciation	(7,961,495)	(6,457,657)
Net Property and Equipment	19,920,121	6,018,674
Total Assets	\$ 43,219,459	\$ 22,435,122
LIABILITIES AND PATRON EQUITIES		
CURRENT LIABILITIES		
Line of Credit and Short-Term Notes	\$ 3,272,582	\$ -
Current Maturities of Long-Term Debt	1,474,200	264,000
Accounts Payable	5,215,474	1,235,111
Patron Credit Balances and Prepayments	1,074,776	1,408,956
Accrued Expenses	670,687	237,527
Taxes Payable	423,179	227,184
Patronage Refunds Payable in Cash	-	30,000
Total Current Liabilities	12,130,898	3,402,778
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	12,528,700	42,008
Deferred Taxes	267,000	344,000
Total Long-Term Liabilities	12,795,700	386,008
Total Liabilities	24,926,598	3,788,786
PATRON EQUITIES		
Allocated Equity Credits	4,514,656	4,604,980
Unallocated Capital Reserve	13,778,205	14,041,356
Total Patron Equities	18,292,861	18,646,336
Total Liabilities and Patron Equities	\$ 43,219,459	\$ 22,435,122

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF OPERATIONS
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023		2022	
	Amount	Percent of Sales	Amount	Percent of Sales
SALES	\$ 65,216,228	100.00 %	\$ 26,271,870	100.00 %
COST OF SALES	<u>55,545,986</u>	85.17	<u>21,864,475</u>	83.22
GROSS MARGIN	9,670,242	14.83	4,407,395	16.78
OPERATING EXPENSES				
Distribution:				
Salaries and Wages	4,328,094		1,730,566	
Payroll Taxes	314,938		127,252	
Employee Insurance	497,522		264,068	
Pension	101,814		57,686	
Vehicle Expense	126,921		111,814	
Advertising	104,722		45,824	
Total Distribution	<u>5,474,011</u>	8.39	<u>2,337,210</u>	8.90
General:				
Depreciation	1,553,486		579,705	
Insurance	324,028		129,554	
Property Taxes	292,695		168,748	
Equipment Rental	64,305		69,307	
Supplies and Repairs	870,294		290,745	
Utilities	346,108		160,989	
Total General	<u>3,450,916</u>	5.29	<u>1,399,048</u>	5.33
Administrative:				
Professional Services	138,637		52,757	
Provision for Doubtful Accounts	1,764		(21,336)	
Directors' Fees and Expenses	101,415		17,977	
Meetings and Travel	98,177		32,816	
Office Supplies and Expense	61,427		35,966	
Telephone	43,092		9,721	
Total Administrative	<u>444,512</u>	0.68	<u>127,901</u>	0.49
Total Operating Expenses	9,369,439	14.36	3,864,159	14.72
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	<u>9,237</u>	0.01	<u>-</u>	-
OPERATING INCOME	310,040	0.48	543,236	2.07
OTHER INCOME (EXPENSE)				
Interest Expense	(616,129)		(17,697)	
Patron Finance Charges	8,579		15,126	
Rental Income - Net	338,829		221,995	
Other Revenue	137,200		474,081	
Other Expense	(1,305,919)		(490,961)	
Total Other Income (Expense)	<u>(1,437,440)</u>	(2.20)	<u>202,544</u>	0.77
LOCAL NET SAVINGS (LOSS)	(1,127,400)	(1.73)	745,780	2.84
PATRONAGE REFUNDS RECEIVED	<u>791,174</u>	1.21	<u>44,041</u>	0.17
Net Savings (Loss) before Income Taxes	(336,226)	(0.52)	789,821	3.01
PROVISION (BENEFIT) FOR INCOME TAXES	<u>(75,000)</u>	(0.12)	<u>74,000</u>	0.28
NET SAVINGS (LOSS)	<u>\$ (261,226)</u>	(0.40)	<u>\$ 715,821</u>	2.72

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF PATRONS' EQUITIES
YEARS ENDED AUGUST 31, 2023 AND 2022**

	Allocated Equity Credits	Patronage Refunds Payable in Equity	Unallocated Capital Reserve	Total
BALANCE - SEPTEMBER 1, 2021	\$ 4,763,608	\$ -	\$ 13,296,309	\$ 18,059,917
Equities Redeemed	(103,560)	-	-	(103,560)
Old Patronage Refund Checks 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	4,604,980	-	14,041,356	18,646,336
Patronage Refunds from 2022 Net Savings	-	-	(59)	(59)
Equities Redeemed	(90,324)	-	-	(90,324)
Old Patronage Refund Checks Honored (Net)	-	-	(1,866)	(1,866)
2023 Net Loss Before Allocation	-	(261,226)	-	(261,226)
Portions of 2023 Net Loss Allocated to: Patronage Refunds Payable in Cash	-	-	-	-
Unallocated Capital Reserve	-	261,226	(261,226)	-
BALANCE - AUGUST 31, 2023	<u>\$ 4,514,656</u>	<u>\$ -</u>	<u>\$ 13,778,205</u>	<u>\$ 18,292,861</u>

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patrons for Goods and Services	\$ 63,324,197	\$ 26,282,828
Cash Paid to Suppliers and Employees	(61,898,926)	(24,757,348)
Patron Finance Charges	8,579	15,126
Interest Paid	(616,129)	(17,697)
Rental Income Received	374,445	276,270
Other Revenue Received	141,632	505,233
Other Expenses Paid	(1,305,919)	(490,961)
Cash Patronage Refunds Received	339,531	-
Income Taxes Paid	(27,000)	(185,209)
Net Cash Provided by Operating Activities	340,410	1,628,242
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Redeemed by Other Cooperatives	1,313,293	243,344
Additions to Property and Equipment	(14,798,302)	(332,000)
Additions to Rental Real Estate	(3,048,592)	(668,588)
Proceeds from Sale of Property and Equipment	19,194	-
Net Cash Used by Investing Activities	(16,514,407)	(757,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds (Payments) on Short-Term Debt	2,966,574	-
Patron Equities Redeemed, Net of Adjustments	(92,080)	(99,292)
Patronage Refunds, Net of Adjustments	(30,059)	(110,000)
Principal Payments on Long-Term Debt	(737,100)	(264,000)
Proceeds from Issuance of Long-Term Debt	14,740,000	-
Net Cash Provided (Used) by Financing Activities	16,847,335	(473,292)
NET INCREASE IN CASH AND CASH EQUIVALENTS	673,338	397,706
Cash and Cash Equivalents - Beginning of Year	3,747,676	3,349,970
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,421,014	\$ 3,747,676

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023	2022
RECONCILIATION OF NET SAVINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Savings	\$ (261,226)	\$ 715,821
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities:		
Depreciation	1,589,102	633,980
Noncash Patronage Refunds Received	(451,643)	(44,041)
Unrealized (Gain) Loss on Marketable Securities	4,432	31,152
(Gain) Loss on Disposal of Property and Equipment	(9,237)	-
Deferred Taxes	(77,000)	44,000
Effects of Changes in Operating Assets and Liabilities:		
Receivables, Net	(1,556,087)	(374,066)
Inventories	(3,191,128)	(81,263)
Prepaid Expenses and Inventory	42,859	(38,628)
Accounts Payable	3,980,363	424,168
Patron Credit Balances and Prepayments	(334,180)	363,688
Accrued Expenses	433,160	15,005
Taxes Payable	195,995	93,635
Income Taxes Receivable and Payable	(25,000)	(155,209)
	\$ 340,410	\$ 1,628,242

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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 (76%), convenience store products, and services (24%) 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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective September 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. The Company does not have any material leases, and there was no impact on the balance sheet or statement of income.

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 throughout the state of 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.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Credit Policies (Continued)

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.

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

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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 \$1,074,776 and \$1,408,956 of contract liabilities as of August 31, 2023 and 2022, respectively. As of September 1, 2021, the Cooperative had trade accounts receivable of \$634,567, no significant contract assets and contract liabilities of \$1,045,268.

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.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the balance sheets.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets in the balance sheets.

When individual lease contracts do not provide information about the discount rate implicit in the lease, the Company has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

There are not any ROU assets and corresponding liabilities as of August 31, 2023.

The Cooperative leases various assets, as the lessor, under operating lease agreements. The Cooperative recognizes the lease income over a straight-line basis over the lease term. The operating lease income is included in rent income – net on the statement of operations and consists primarily of fixed lease payments received over the lease term.

NOTE 2 RECEIVABLES

Balance sheets total comprise the following elements:

	<u>2023</u>	<u>2022</u>
Trade Accounts:		
Other Patrons	\$ 2,263,871	\$ 977,951
Directors and Employees	6,640	15,128
Other	374,618	84,073
Allowance for Doubtful Accounts	(52,000)	(40,000)
Total Receivables	<u>\$ 2,593,129</u>	<u>\$ 1,037,152</u>

NOTE 3 INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
CHS Inc.	\$ 7,748,114	\$ 8,609,726
Other	8,059	8,097
Total Investments	<u>\$ 7,756,173</u>	<u>\$ 8,617,823</u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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 \$5,663,827 and \$2,615,235 at August 31, 2023 and 2022, respectively. Rental real estate construction in progress totaled \$8,731 and \$666,588 for the years ended August 31, 2023 and 2022, respectively. Related depreciation expense on rental real estate was \$35,616 in 2023 and \$54,275 in 2022. Accumulated depreciation at August 31, 2023 and 2022 was \$1,793,149 and \$1,757,533, respectively. The amount shown as rental income in the financial statements is net of depreciation.

The rental lease agreements expire at various terms through 2028. There are no options in the lease agreement that allow the lessee to purchase the building.

Minimum scheduled income on rental real estate is as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2024	362,058
2025	310,134
2026	251,987
2027	217,768
2028	12,582
Total	<u><u>\$ 1,154,529</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>2023</u>	<u>2022</u>
Land and Land Improvements	\$ 2,897,594	\$ 1,869,742
Buildings	12,106,782	3,523,023
Equipment	11,599,853	6,059,847
Vehicles	1,268,656	1,023,719
Construction in Progress	8,731	-
Total Property and Equipment	<u><u>\$ 27,881,616</u></u>	<u><u>\$ 12,476,331</u></u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 6 DEBT

Debt is comprised of the following elements:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Note payable to CHS Capital, LLC with a monthly payment of \$22,000, plus interest at the rate of 8.55%, due in August, 2024. The note is secured by real estate.	\$ 42,008	\$ 306,008
Note payable to CHS Capital, LLC with monthly payments of interest only at 8.35% with one final balloon payment due in February, 2024. The note is secured by real estate.	1,747,374	-
Line of Credit with CHS Capital, LLC with monthly payments plus interest at the rate of 8.35%, due in January, 2024. The line of credit is secured by all assets.	1,483,200	-
Note payable to CHS Capital, LLC with a monthly payment of \$122,850, plus interest at the rate of 8.55%, due in February, 2033. The note is secured by real estate.	<u>14,002,900</u>	<u>-</u>
Total Debt	\$ 17,275,482	\$ 306,008
Less: Line of Credit and Short-Term Notes	(3,272,582)	-
Less: Current Portion of Long-Term Debt	<u>(1,474,200)</u>	<u>(264,000)</u>
Long-Term Debt	<u><u>\$ 12,528,700</u></u>	<u><u>\$ 42,008</u></u>

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2024	\$ 1,474,200
2025	1,474,200
2026	1,474,200
2027	1,474,200
2028	1,474,200
Thereafter	6,631,900
Total	<u><u>\$ 14,002,900</u></u>

The CHS Capital, LLC loans are secured by substantially all of the tangible and intangible assets of the Cooperative. The Cooperative was not in compliance with certain covenants required of CHS Capital, LLC as of August 31, 2023; however, the Cooperative has subsequently received a waiver from CHS Capital, LLC.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 7 COMMITMENTS AND CONTINGENCIES

At August 31, 2023, 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. As of August 31, 2023, 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 8 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 9 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, 2023 AND 2022

NOTE 10 INCOME TAXES

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

	<u>2023</u>	<u>2022</u>
Deferred Tax Assets:		
Allowance for Doubtful Accounts	\$ 9,000	\$ 6,000
Unrealized Gain on Preferred Stock	6,000	5,000
Accrued Vacation	27,000	14,000
Net Operating Loss Carryforward	131,000	-
Section 263(a) Inventory	3,000	-
Interest Expense Limitation Carryforward	9,000	-
Total Deferred Tax Assets	<u>185,000</u>	<u>25,000</u>
Deferred Tax Liabilities		
Property and Equipment Basis and Depreciation Differences	(113,000)	(74,000)
Nonqualified Equity Distributions	(339,000)	(295,000)
Total Deferred Tax Liabilities	<u>(452,000)</u>	<u>(369,000)</u>
Net Deferred Tax Liability	<u>\$ (267,000)</u>	<u>\$ (344,000)</u>

The provision for income taxes consists of the following components:

	<u>2023</u>	<u>2022</u>
Current	\$ 2,000	\$ 30,000
Deferred	(77,000)	44,000
Total Provision (Benefit) for Income Taxes	<u>\$ (75,000)</u>	<u>\$ 74,000</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>2023</u>	<u>2022</u>
Statutory Rates Applied to Net Savings (Loss)		
Before Income Tax	\$ (71,000)	\$ 166,000
Reduction for Net Savings Allocated for Refund to Patrons	-	(6,000)
Nonqualified Equity Distributions Received	(22,000)	(9,000)
Employee Retention Credit	-	(82,000)
Other	18,000	5,000
Provision (Benefit) for Income Taxes Recorded in the Statements of Operations	<u>\$ (75,000)</u>	<u>\$ 74,000</u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 11 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, 2023, 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 \$8,380,686 and \$9,246,730 at August 31, 2023 and 2022, respectively.

NOTE 12 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, 2023 AND 2022

NOTE 12 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, 2023 and 2022:

	2023			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 632,572	\$ 632,572	\$ -	\$ -
	2022			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 637,004	\$ 637,004	\$ -	\$ -

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through December 29, 2023, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2023, but prior to December 29, 2023, that provided additional evidence about conditions that existed at August 31, 2023, have been recognized in the financial statements for the year ended August 31, 2023. Events or transactions that provided evidence about conditions that did not exist at August 31, 2023, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended.

Subsequent to the year ended August 31, 2023, the Cooperative entered into an agreement to purchase the assets of a privately held convenience store in Wisconsin, totaling approximately \$1,750,000.

**CONSUMERS COOPERATIVE OIL COMPANY
FINANCIAL RATIOS
YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Current Ratio	0.91	1.66
Working Capital to Sales	-1.67%	8.51%
Ownership Ratio	42.33%	83.11%
Local Ownership Ratio	29.71%	72.58%
Accounts Receivable - Trade:		
Days' Sales in Year-End Total	9.01	13.80
Year-End Total as a Percent of Sales	3.48%	3.78%
Inventories:		
Turnover Rates:		
Total Inventories	26.41	46.78
Petroleum Products in Total	47.09	75.38
All Other Commodities in Total	10.10	14.34
Selected Others:		
Hardware and Accessories	3.09	3.68
Year-End Total as a Percent of Sales	5.67%	1.93%
Salaries and Wages to Gross Margin	44.76%	39.27%
Distribution Expense to Gross Margin	56.61%	53.03%
Return on Total Assets	-0.60%	3.19%
Return on Total Patron Equities	-1.43%	3.84%
Return on Local Assets*	-3.18%	5.40%
Return on Local Equities**	-10.70%	7.44%

* 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, 2023 AND 2022**

	2023	2022
WORKING CAPITAL PROVIDED FROM:		
Operations:		
Net Savings	\$ (261,226)	\$ 715,821
Adjustments for Elements of Net Savings Not Affecting Working Capital:		
Depreciation	1,589,102	633,980
Noncash Portion of Patronage Refunds Received	(451,643)	(44,041)
Unrealized (Gain) Loss on Marketable Securities	4,432	31,152
(Gain) Loss on Disposal of Property and Equipment	(9,237)	-
Deferred Taxes	(77,000)	44,000
Working Capital Provided from Operations	794,428	1,380,912
Investments Redeemed by Other Cooperatives	1,313,293	243,344
Proceeds from Sale of Property and Equipment	19,194	-
Proceeds from Issuance of Long-term Debt	13,223,792	-
Total Working Capital Provided	15,350,707	1,624,256
WORKING CAPITAL USED FOR:		
Repayment of Long-Term Debt	(737,100)	(264,000)
Additions to Property and Equipment	(14,798,471)	(332,000)
Additions to Rental Real Estate	(3,048,592)	(668,698)
Patron Equities Redeemed, Net of Adjustments	(92,080)	(99,292)
Net Savings Allocated for Cash Refunds	-	(30,000)
Total Working Capital Used	(18,676,243)	(1,393,990)
NET INCREASE (DECREASE) IN WORKING CAPITAL	(3,325,536)	230,266
Beginning Working Capital	2,234,553	2,004,287
ENDING WORKING CAPITAL	\$ (1,090,983)	\$ 2,234,553

**CONSUMERS COOPERATIVE OIL COMPANY
SALES AND GROSS MARGINS
YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023			2022		
	Sales	Gross Margin	Percent of Sales	Sales	Gross Margin	Percent of Sales
PETROLEUM PRODUCTS						
Gasoline	\$ 28,917,500	\$ 2,933,463	10.14%	\$ 9,651,601	\$ 891,241	9.23%
Fuel Oil	15,828,506	1,335,770	8.44	7,183,096	556,582	7.75
L.P. Gas	4,510,633	1,551,225	34.39	4,491,463	1,343,634	29.92
Lube Oil, Grease, and Drums	226,461	39,825	17.59	191,998	41,666	21.70
Totals Petroleum Products	<u>49,483,100</u>	<u>5,860,283</u>	11.84	<u>21,518,158</u>	<u>2,833,123</u>	13.17
OTHER COMMODITIES						
Hardware, Accessories, and Miscellaneous	489,597	(829)	-0.17	156,159	47,519	30.43
Tobacco	4,817,464	1,305,341	27.10	1,186,241	191,845	16.17
Beer	2,227,567	333,198	14.96	543,128	117,754	21.68
Confections and Groceries	6,626,796	1,499,132	22.62	2,014,211	730,524	36.27
Lottery Tickets	1,175,077	307,730	26.19	377,508	42,275	11.20
Totals Other Commodities	<u>15,336,501</u>	<u>3,444,572</u>	22.46	<u>4,277,247</u>	<u>1,129,917</u>	26.42
Totals All Commodities	64,819,601	9,304,855	14.36	25,795,405	3,963,040	15.36
SERVICES						
Car Wash	532,292	501,052	94.13	502,778	470,668	93.61
Equipment Rental, Services and Labor	29,558	29,558	100.00	29,171	29,171	100.00
Totals Services	<u>561,850</u>	<u>530,610</u>	94.44	<u>531,949</u>	<u>499,839</u>	93.96
PATRONS' DISCOUNTS						
	<u>(165,223)</u>	<u>(165,223)</u>		<u>(55,484)</u>	<u>(55,484)</u>	
NET TOTALS, ALL COMMODITIES AND SERVICES						
	<u>\$ 65,216,228</u>	<u>\$ 9,670,242</u>	14.83%	<u>\$ 26,271,870</u>	<u>\$ 4,407,395</u>	16.78%

**CONSUMERS COOPERATIVE OIL COMPANY
COMPARATIVE SALES
YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023		2022		(Decrease)	
	Units (Unaudited)	Amount	Units (Unaudited)	Amount	Units (Unaudited)	Amount
PETROLEUM PRODUCTS						
Gasoline	7,276,001	\$ 28,917,500	2,724,853	\$ 9,651,601	4,551,148	\$ 19,265,899
Fuel Oil	2,923,544	15,828,506	1,828,732	7,183,096	1,094,812	8,645,410
L.P. Gas	2,154,313	4,510,633	2,324,623	4,491,463	(170,310)	19,170
Lube Oil, Grease and Drums		226,461		191,998		34,463
Total Petroleum Products		<u>49,483,100</u>		<u>21,518,158</u>		<u>27,964,942</u>
OTHER COMMODITIES						
Hardware and Accessories		489,597		156,159		333,438
Tobacco		4,817,464		1,186,241		3,631,223
Beer		2,227,567		543,128		1,684,439
Confections and Groceries		6,626,796		2,014,211		4,612,585
Lottery Tickets		1,175,077		377,508		797,569
Total Other Commodities		<u>15,336,501</u>		<u>4,277,247</u>		<u>11,059,254</u>
Total All Commodities		64,819,601		25,795,405		39,024,196
SERVICES						
Car Wash		532,292		502,778		29,514
Equipment Rental, Services and Labor		29,558		29,171		387
Total Services		<u>561,850</u>		<u>531,949</u>		<u>29,901</u>
PATRONS' DISCOUNT		<u>(165,223)</u>		<u>(55,484)</u>		<u>(109,739)</u>
NET TOTALS, ALL COMMODITIES AND SERVICES		<u><u>\$ 65,216,228</u></u>		<u><u>\$ 26,271,870</u></u>		<u><u>\$ 38,944,358</u></u>



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.