

CONSUMERS COOPERATIVE OIL COMPANY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2024 AND 2023



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**CONSUMERS COOPERATIVE OIL COMPANY
2024
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
Robert Misceovich	Controller

OTHER INFORMATION

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

**CONSUMERS COOPERATIVE OIL COMPANY
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YEARS ENDED AUGUST 31, 2024 AND 2023**

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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, 2024 and 2023, and the related statements of operations, 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, 2024 and 2023, 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.

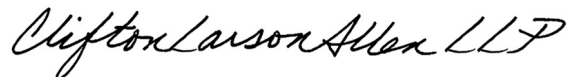
In performing an audit in accordance with GAAS, we:

- 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 2, 2024

CONSUMERS COOPERATIVE OIL COMPANY
BALANCE SHEETS
AUGUST 31, 2024 AND 2023

ASSETS	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,402,011	\$ 4,421,014
Receivables	2,022,383	2,593,129
Inventories	3,307,730	3,699,124
Prepaid Inventory and Expenses	202,143	136,134
Income Taxes Receivable	-	190,514
Total Current Assets	8,934,267	11,039,915
INVESTMENTS AND OTHER ASSETS		
Investments	9,441,382	7,756,173
Marketable Securities	632,572	632,572
Rental Real Estate, Net of Accumulated Depreciation	3,569,727	3,870,678
Total Investments and Other Assets	13,643,681	12,259,423
PROPERTY AND EQUIPMENT		
	29,919,897	27,881,616
Less: Accumulated Depreciation	(9,895,644)	(7,961,495)
Net Property and Equipment	20,024,253	19,920,121
Total Assets	\$ 42,602,201	\$ 43,219,459
LIABILITIES AND PATRON EQUITIES		
CURRENT LIABILITIES		
Line of Credit and Short-Term Notes	\$ 1,440,089	\$ 3,272,582
Current Maturities of Long-Term Debt	1,676,166	1,474,200
Accounts Payable	2,777,432	5,215,474
Patron Credit Balances and Prepayments	1,066,262	1,074,776
Accrued Expenses	755,943	670,687
Income Taxes Payable	94,918	-
Taxes Payable	826,214	423,179
Total Current Liabilities	8,637,024	12,130,898
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	14,863,226	12,528,700
Deferred Taxes	394,000	267,000
Total Long-Term Liabilities	15,257,226	12,795,700
Total Liabilities	23,894,250	24,926,598
PATRON EQUITIES		
Allocated Equity Credits	4,415,885	4,514,656
Unallocated Capital Reserve	14,292,066	13,778,205
Total Patron Equities	18,707,951	18,292,861
Total Liabilities and Patron Equities	\$ 42,602,201	\$ 43,219,459

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF OPERATIONS
YEARS ENDED AUGUST 31, 2024 AND 2023

	2024		2023	
	Amount	Percent of Sales	Amount	Percent of Sales
SALES	\$ 90,884,736	100.00 %	\$ 65,216,228	100.00 %
COST OF SALES	<u>76,818,006</u>	84.52	<u>55,545,986</u>	85.17
GROSS MARGIN	14,066,730	15.48	9,670,242	14.83
OPERATING EXPENSES				
Distribution:				
Salaries and Wages	6,469,225		4,328,094	
Payroll Taxes	553,253		314,938	
Employee Insurance	607,675		497,522	
Pension	158,594		101,814	
Vehicle Expense	123,337		126,921	
Advertising	<u>256,915</u>		<u>104,722</u>	
Total Distribution	8,168,999	8.99	5,474,011	8.39
General:				
Depreciation	2,096,160		1,553,486	
Insurance	574,733		324,028	
Property Taxes	342,516		292,695	
Equipment Rental	48,516		64,305	
Supplies and Repairs	1,452,525		870,294	
Utilities	<u>678,825</u>		<u>346,108</u>	
Total General	5,193,275	5.71	3,450,916	5.29
Administrative:				
Professional Services	427,784		138,637	
Provision for Doubtful Accounts	2,192		1,764	
Directors' Fees and Expenses	255,064		101,415	
Meetings, Travel and Entertainment	58,984		98,177	
Office Supplies and Expense	47,299		61,427	
Telephone	<u>84,920</u>		<u>43,092</u>	
Total Administrative	876,243	0.96	444,512	0.68
Total Operating Expenses	14,238,517	15.66	9,369,439	14.36
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	<u>27,000</u>	0.03	<u>9,237</u>	0.01
OPERATING INCOME (LOSS)	(144,787)	(0.16)	310,040	0.48
OTHER INCOME (EXPENSE)				
Interest Expense	(1,569,674)		(616,129)	
Patron Finance Charges	(130)		8,579	
Rental Income - Net	354,704		338,829	
Other Revenue	236,392		137,200	
Other Expense	<u>(1,727,329)</u>		<u>(1,305,919)</u>	
Total Other Expense	(2,706,037)	(2.98)	(1,437,440)	(2.20)
LOCAL NET LOSS	(2,850,824)	(3.14)	(1,127,400)	(1.73)
PATRONAGE REFUNDS RECEIVED	<u>3,671,089</u>	4.04	<u>791,174</u>	1.21
Net Savings (Loss) before Income Taxes	820,265	0.90	(336,226)	(0.52)
PROVISION (BENEFIT) FOR INCOME TAXES	<u>305,000</u>	0.34	<u>(75,000)</u>	(0.12)
NET SAVINGS (LOSS)	<u>\$ 515,265</u>	0.57	<u>\$ (261,226)</u>	(0.40)

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF PATRONS' EQUITIES
YEARS ENDED AUGUST 31, 2024 AND 2023**

	Allocated Equity Credits	Patronage Refunds Payable in Equity	Unallocated Capital Reserve	Total
BALANCE - SEPTEMBER 1, 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)
Unallocated Capital Reserve	-	261,226	(261,226)	-
BALANCE - AUGUST 31, 2023	4,514,656	-	13,778,205	18,292,861
Equities Redeemed	(98,771)	-	-	(98,771)
Old Patronage Refund Checks Honored (Net)	-	-	(1,404)	(1,404)
2024 Net Savings Before Allocation	-	515,265	-	515,265
Unallocated Capital Reserve	-	(515,265)	515,265	-
BALANCE - AUGUST 31, 2024	<u>\$ 4,415,885</u>	<u>\$ -</u>	<u>\$ 14,292,066</u>	<u>\$ 18,707,951</u>

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patrons for Goods and Services	\$ 91,444,776	\$ 63,324,197
Cash Paid to Suppliers and Employees	(90,582,537)	(61,898,926)
Patron Finance Charges	(130)	8,579
Interest Paid	(1,569,674)	(616,129)
Rental Income Received	551,305	374,445
Other Revenue Received	236,392	141,632
Other Expenses Paid	(1,727,329)	(1,305,919)
Cash Patronage Refunds Received	1,084,743	339,531
Income Taxes Paid	107,432	(27,000)
Net Cash Provided (Used) by Operating Activities	(455,022)	340,410
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments Redeemed by Other Cooperatives	901,137	1,313,293
Additions to Property and Equipment	(1,719,539)	(14,798,302)
Additions to Rental Real Estate	(376,403)	(3,048,592)
Proceeds from Sale of Property and Equipment	27,000	19,194
Net Cash Used by Investing Activities	(1,167,805)	(16,514,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds (Payments) on Short-Term Debt	(132,493)	2,966,574
Patron Equities Redeemed, Net of Adjustments	(100,175)	(92,080)
Patronage Refunds, Net of Adjustments	-	(30,059)
Principal Payments on Long-Term Debt	(1,863,508)	(737,100)
Proceeds from Issuance of Long-Term Debt	2,700,000	14,740,000
Net Cash Provided by Financing Activities	603,824	16,847,335
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,019,003)	673,338
Cash and Cash Equivalents - Beginning of Year	4,421,014	3,747,676
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,402,011	\$ 4,421,014

See accompanying Notes to Financial Statements.

**CONSUMERS COOPERATIVE OIL COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED AUGUST 31, 2024 AND 2023**

	2024	2023
RECONCILIATION OF NET SAVINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Savings (Loss)	\$ 515,265	\$ (261,226)
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities:		
Depreciation	2,292,761	1,589,102
Noncash Patronage Refunds Received	(2,586,346)	(451,643)
Unrealized (Gain) Loss on Marketable Securities	-	4,432
Gain on Disposal of Property and Equipment	(27,000)	(9,237)
Deferred Taxes	127,000	(77,000)
Effects of Changes in Operating Assets and Liabilities:		
Receivables, Net	570,746	(1,556,087)
Inventories	391,394	(3,191,128)
Prepaid Expenses and Inventory	(66,009)	42,859
Accounts Payable	(2,438,042)	3,980,363
Patron Credit Balances and Prepayments	(8,514)	(334,180)
Accrued Expenses	85,256	433,160
Taxes Payable	403,035	195,995
Income Taxes Receivable and Payable	285,432	(25,000)
Net Cash Provided (Used) by Operating Activities	\$ (455,022)	\$ 340,410

See accompanying Notes to Financial Statements.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

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 (72%), convenience store products, and services (28%) 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

The Cooperative has adopted the current expected credit losses (CECL) methodology for estimating credit losses on financial assets, effective September 1, 2023, utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to the company's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The Cooperative also updated its accounting policies for determining the recoverability of trade receivables, and other financial assets.

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, 2024 AND 2023

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, 2024 AND 2023

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 \$1,066,262 and \$1,074,776 of contract liabilities as of August 31, 2024 and 2023, respectively. As of September 1, 2022, the Cooperative had trade accounts receivable of \$1,037,152, no significant contract assets and contract liabilities of \$1,408,956.

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, 2024 AND 2023**

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, 2024. There was \$48,516 and \$64,305 of short-term lease expense as of August 31, 2024 and 2023, respectively.

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>2024</u>	<u>2023</u>
Trade Accounts:		
Other Patrons	\$ 1,685,992	\$ 2,263,871
Directors and Employees	6,064	6,640
Other	389,558	374,618
Allowance for Doubtful Accounts	(59,231)	(52,000)
Total Receivables	<u>\$ 2,022,383</u>	<u>\$ 2,593,129</u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 3 INVESTMENTS

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

	<u>2024</u>	<u>2023</u>
CHS Inc.	\$ 9,425,219	\$ 7,748,114
Other	16,163	8,059
Total Investments	<u>\$ 9,441,382</u>	<u>\$ 7,756,173</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 \$5,559,477 and \$5,663,827 at August 31, 2024 and 2023, respectively. Rental real estate construction in progress totaled \$0 and \$8,731 for the years ended August 31, 2024 and 2023, respectively. Related depreciation expense on rental real estate was \$196,601 in 2024 and \$35,616 in 2023. Accumulated depreciation at August 31, 2024 and 2023 was \$1,989,750 and \$1,793,149, 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>
2025	\$ 457,302
2026	376,231
2027	345,440
2028	133,428
Total	<u>\$ 1,312,401</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>2024</u>	<u>2023</u>
Land and Land Improvements	\$ 3,087,594	\$ 2,897,594
Buildings	13,633,191	12,106,782
Equipment	11,953,305	11,599,853
Vehicles	1,245,807	1,268,656
Construction in Progress	-	8,731
Total Property and Equipment	<u>\$ 29,919,897</u>	<u>\$ 27,881,616</u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 6 DEBT

Debt is comprised of the following elements:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Line of Credit with CHS Capital, LLC with monthly payments plus interest at the rate of 8.35%, due in February, 2025. The line of credit is secured by all assets.	\$ 1,440,089	\$ 1,483,200
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
Term revolver 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
Term revolver note payable to CHS Capital, LLC with monthly payments of interest only at 8.55% with one final balloon payment due in February, 2026. The note is secured by real estate.	1,700,000	-
Note payable to Bank of Prairie du Sac with a monthly payment of \$15,852, with interest calculated on the unpaid principal balance using a rate of 8% and a final payment of the remainder of the balance due in November, 2028. The note is secured by real estate.	1,234,573	-
Note payable to Bank of Prairie du Sac with a monthly payment of \$17,071, with interest calculated on the unpaid principal balance using a rate of 8% and a final payment of the remainder of the balance due in January, 2029. The note is secured by real estate.	1,345,667	-
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>12,259,152</u>	<u>14,002,900</u>
Total Debt	17,979,481	17,275,482
Less: Line of Credit and Short-Term Notes	(1,440,089)	(3,272,582)
Less: Current Portion of Long-Term Debt	<u>(1,676,166)</u>	<u>(1,474,200)</u>
Long-Term Debt	<u>\$ 14,863,226</u>	<u>\$ 12,528,700</u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 6 DEBT (CONTINUED)

The term revolver note payable to CHS Capital, LLC for \$1,747,374 at 8.55% as of August 31, 2023 was refinanced as a non-cash transaction in February 2024 to extend the maturity of the term revolver note to February 2026, at 8.55% as of August 31, 2024. The total amount refinanced was \$1,700,000.

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2025	\$ 1,676,166
2026	3,384,711
2027	1,702,439
2028	1,710,963
Thereafter	8,065,113
Total	<u>\$ 16,539,392</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, 2024; however, the Cooperative has subsequently received a waiver from CHS Capital, LLC.

NOTE 7 COMMITMENTS AND CONTINGENCIES

At August 31, 2024, 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, 2024, management of the Cooperative believes there will not be any additional material costs associated with remediation projects.

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.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

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.

NOTE 10 INCOME TAXES

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

	<u>2024</u>	<u>2023</u>
Deferred Tax Assets:		
Allowance for Doubtful Accounts	\$ 11,000	\$ 9,000
Unrealized Gain on Preferred Stock	7,000	6,000
Accrued Vacation	31,000	27,000
Net Operating Loss Carryforward	-	131,000
Section 263(a) Inventory	1,000	3,000
Interest Expense Limitation Carryforward	<u>339,000</u>	<u>9,000</u>
Total Deferred Tax Assets	389,000	185,000
Deferred Tax Liabilities		
Property and Equipment Basis and Depreciation Differences	(314,000)	(113,000)
Nonqualified Equity Distributions	<u>(469,000)</u>	<u>(339,000)</u>
Total Deferred Tax Liabilities	<u>(783,000)</u>	<u>(452,000)</u>
Net Deferred Tax Liability	<u>\$ (394,000)</u>	<u>\$ (267,000)</u>

The provision for income taxes consists of the following components:

	<u>2024</u>	<u>2023</u>
Current	\$ 178,000	\$ 2,000
Deferred	<u>127,000</u>	<u>(77,000)</u>
Total Provision (Benefit) for Income Taxes	<u>\$ 305,000</u>	<u>\$ (75,000)</u>

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 10 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:

	2024	2023
Statutory Rates Applied to Net Savings (Loss)		
Before Income Tax	\$ 172,000	\$ (71,000)
Prior Year Provision True-Up	138,000	2,000
Other	(5,000)	(6,000)
Provision (Benefit) for Income Taxes Recorded in the Statements of Operations	\$ 305,000	\$ (75,000)

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, 2024, 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 \$10,057,791 and \$8,380,686 at August 31, 2024 and 2023, 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.

CONSUMERS COOPERATIVE OIL COMPANY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2024 and 2023:

	2024			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 632,572	\$ 632,572	\$ -	\$ -
	2023			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 632,572	\$ 632,572	\$ -	\$ -

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through December 2, 2024, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2024, but prior to December 2, 2024, that provided additional evidence about conditions that existed at August 31, 2024, have been recognized in the financial statements for the year ended August 31, 2024. Events or transactions that provided evidence about conditions that did not exist at August 31, 2024, 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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Current Ratio	1.03	0.91
Working Capital to Sales	0.33 %	(1.67)%
Ownership Ratio	43.91 %	42.33 %
Local Ownership Ratio	27.94 %	29.71 %
Accounts Receivable - Trade:		
Days' Sales in Year-End Total	7.85	9.01
Year-End Total as a Percent of Sales	1.86 %	3.48 %
Inventories:		
Turnover Rates:		
Total Inventories	21.93	26.41
Petroleum Products in Total	42.30	47.09
All Other Commodities in Total	8.76	10.10
Selected Others:		
Hardware and Accessories	2.34	3.09
Year-End Total as a Percent of Sales	3.64 %	5.67 %
Salaries and Wages to Gross Margin	45.99 %	44.76 %
Distribution Expense to Gross Margin	58.07 %	56.61 %
Return on Total Assets	1.21 %	(0.60)%
Return on Total Patron Equities	2.75 %	(1.43)%
Return on Local Assets*	(8.60)%	(3.18)%
Return on Local Equities**	(30.76)%	(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, 2024 AND 2023**

	2024	2023
WORKING CAPITAL PROVIDED FROM:		
Operations:		
Net Savings	\$ 515,265	\$ (261,226)
Adjustments for Elements of Net Savings Not Affecting Working Capital:		
Depreciation	2,292,761	1,589,102
Noncash Portion of Patronage Refunds Received	(2,586,346)	(451,643)
Unrealized Gain on Marketable Securities	-	4,432
Gain Loss on Disposal of Property and Equipment	(27,000)	(9,237)
Deferred Taxes	127,000	(77,000)
Working Capital Provided from Operations	321,680	794,428
Investments Redeemed by Other Cooperatives	901,137	1,313,293
Proceeds from Sale of Property and Equipment	27,000	19,194
Proceeds from Issuance of Long-term Debt	2,700,000	13,223,792
Total Working Capital Provided	3,949,817	15,350,707
WORKING CAPITAL USED FOR:		
Repayment of Long-Term Debt	(365,563)	(737,100)
Additions to Property and Equipment	(1,719,539)	(14,798,471)
Additions to Rental Real Estate	(376,403)	(3,048,592)
Patron Equities Redeemed, Net of Adjustments	(100,175)	(92,080)
Net Savings Allocated for Cash Refunds	-	-
Total Working Capital Used	(2,561,680)	(18,676,243)
NET INCREASE (DECREASE) IN WORKING CAPITAL	1,388,137	(3,325,536)
Beginning Working Capital	(1,090,983)	2,234,553
ENDING WORKING CAPITAL	\$ 297,154	\$ (1,090,983)

**CONSUMERS COOPERATIVE OIL COMPANY
SALES AND GROSS MARGINS
YEARS ENDED AUGUST 31, 2024 AND 2023**

	2024			2023		
	Sales	Gross Margin	Percent of Sales	Sales	Gross Margin	Percent of Sales
PETROLEUM PRODUCTS						
Gasoline	\$ 43,537,686	\$ 4,119,754	9.46 %	\$ 28,917,500	\$ 2,933,463	10.14 %
Fuel Oil	18,165,464	1,744,103	9.60	15,828,506	1,335,770	8.44
L.P. Gas	3,306,768	1,181,140	35.72	4,510,633	1,551,225	34.39
Lube Oil, Grease, and Drums	192,076	27,691	14.42	226,461	39,825	17.59
Totals Petroleum Products	<u>65,201,994</u>	<u>7,072,688</u>	10.85	<u>49,483,100</u>	<u>5,860,283</u>	11.84
OTHER COMMODITIES						
Hardware, Accessories, and Miscellaneous	756,371	36,948.00	4.88	489,597	(829)	(0.17)
Tobacco	8,044,493	1,776,255	22.08	4,817,464	1,305,341	27.10
Beer	3,885,489	876,330	22.55	2,227,567	333,198	14.96
Confections and Groceries	10,886,808	3,716,402	34.14	6,626,796	1,499,132	22.62
Lottery Tickets	1,749,069	246,973	14.12	1,175,077	307,730	26.19
Totals Other Commodities	<u>25,322,230</u>	<u>6,652,908</u>	26.27	<u>15,336,501</u>	<u>3,444,572</u>	22.46
Totals All Commodities	90,524,224	13,725,596	15.16	64,819,601	9,304,855	14.36
SERVICES						
Car Wash	432,983	413,605	95.52	532,292	501,052	94.13
Equipment Rental, Services and Labor	58,006	58,006	100.00	29,558	29,558	100.00
Totals Services	<u>490,989</u>	<u>471,611</u>	96.05	<u>561,850</u>	<u>530,610</u>	94.44
PATRONS' DISCOUNTS	<u>(130,477)</u>	<u>(130,477)</u>		<u>(165,223)</u>	<u>(165,223)</u>	
NET TOTALS, ALL COMMODITIES AND SERVICES	<u>\$ 90,884,736</u>	<u>\$ 14,066,730</u>	15.48 %	<u>\$ 65,216,228</u>	<u>\$ 9,670,242</u>	14.83 %

**CONSUMERS COOPERATIVE OIL COMPANY
COMPARATIVE SALES
YEARS ENDED AUGUST 31, 2024 AND 2023**

	2024		2023		Increase (Decrease)	
	Units (Unaudited)	Amount	Units (Unaudited)	Amount	Units (Unaudited)	Amount
PETROLEUM PRODUCTS						
Gasoline	12,427,792	\$ 43,537,686	7,276,001	\$ 28,917,500	5,151,791	\$ 14,620,186
Fuel Oil	3,940,009	18,165,464	2,923,544	15,828,506	1,016,465	2,336,958
L.P. Gas	1,842,301	3,306,768	2,154,313	4,510,633	(312,012)	(1,203,865)
Lube Oil, Grease and Drums		192,076		226,461		(34,385)
Total Petroleum Products		<u>65,201,994</u>		<u>49,483,100</u>		<u>15,718,894</u>
OTHER COMMODITIES						
Hardware and Accessories		756,371		489,597		266,774
Tobacco		8,044,493		4,817,464		3,227,029
Beer		3,885,489		2,227,567		1,657,922
Confections and Groceries		10,886,808		6,626,796		4,260,012
Lottery Tickets		1,749,069		1,175,077		573,992
Total Other Commodities		<u>25,322,230</u>		<u>15,336,501</u>		<u>9,985,729</u>
Total All Commodities		90,524,224		64,819,601		25,704,623
SERVICES						
Car Wash		432,983		532,292		(99,309)
Equipment Rental, Services and Labor		58,006		29,558		28,448
Total Services		<u>490,989</u>		<u>561,850</u>		<u>(70,861)</u>
PATRONS' DISCOUNT						
		<u>(130,477)</u>		<u>(165,223)</u>		<u>34,746</u>
NET TOTALS, ALL COMMODITIES AND SERVICES						
		<u>\$ 90,884,736</u>		<u>\$ 65,216,228</u>		<u>\$ 25,668,508</u>



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