

2019 ANNUAL REPORT





President: Darren Sletten
Vice President: Mark Larson
Secretary/Treasurer: Craig Johnson

Directors: Advisory Members:
Greg Marshall Robert Schmidt Owen Fiedler
Jeff Krueger Ricky Scheid Shawn Kaylor



91ST ANNUAL MEETING MINUTES

MARCH 28, 2019

ENERBASE EMPLOYEES

MINOT
Tony Bernhardt General Manager
Ricky Aberle CFO
Mary Zimmerman Payroll Manager
Lavon Wolf Office Manager
Lolly Gorze Human Resource Manager
Paula Nelson Receptionist
Jeanine Lorenz Accts. Receivable
Lori Fettig Credit Manager
Myrna Moberg Accts. Payable
Mandy Hansen Accts. Payable
Charles Schestler Service Shop Manager
Gordy Schmidt Tire Sales/Service
Robert Preston Tire Sales/Service
Sheri Endresen Energy Sales
Kathy Gonzalez Petroleum Manager
Amanda Haugen Asst. Petroleum Manager
Al Medler Sales and Dispatch
Randy Thor Propane Sales and Delivery
Orris Brown Jr. Propane Sales and Delivery
Gordon Theil Petroleum Transport Delivery
Nolan Glock Petroleum Transport Delivery
Duane Rockvoy Petroleum Transport Delivery
Ryan Schoen Petroleum Transport Delivery
Mike Vollmer Petroleum Delivery
Darryl Endresen Petroleum Delivery
Roger Peterson Petroleum Delivery
Doral Wallace Petroleum Delivery
Aimee O'Keefe Lube Terminal Warehouse
Dana Solberg Oil Delivery
Randy Michalenko Oil Delivery
Larry Dove Oil Warehouse
Jeremy Ford Hardware/Parts Sales
Rebecca Kuntz Hardware/Parts Sales
Ron Johnson Machinery Sales
Craig Giroux Machinery Sales
Thomas Hallamayer Trucker/Delivery
GLENBURN
Denise Gunning Station Manager
RYDER
Roger Folden Station Manager
Derek Olson Petroleum/Propane Delivery
DRAKE
Lillie Turner Drake C-Store Mgr
Lance Reider Propane Sales and Delivery

MINOT C-STORES:

Shawna Chilcoat	C-Store Operations Mgr
Ginger Smith	C-Store Operations Asst Mgr
John Young	C-Store Maintenance/OSHA
Todd Olson	Carwash Maintenance
Thomas Crow	N Bdwy C-Store Mgr
Irmina Helmer	Southeast C-Store Mgr
Eloyce Anderson	Southeast Deli Mgr
Kathy Kastner	S Bdway C-Store Mgr
Kaitlyn Denhe	S Bdway Asst Mgr
David Woiwode	Corner Express C-Store Mgr
Miranda Lockwood	Corner Express Asst Mgr
Nikki Rose-Benoit	Corner Express Deli Mgr
Russell Dominic	Xpressmart C-Store Mgr
Crystal Fletcher	Xpressmart Asst Mgr
Samantha Pflugradt	Travel Plaza Manager
Jamie Trotter	Travel Plaza Asst Mgr
Carrilyn Masima	Travel Plaza Deli Mgr
Bryce Allen	Downtown C-Store Mgr
WASHBURN	
Walker Treasure	Washburn C-Store Mgr
Kelly Perkerwicz	Washburn Deli Mgr
Dave Duchsherer	Petroleum Delivery
VELVA	
Melissa Kongsli	Velva C-Store Mgr
Shannon Dove	Velva Deli Mgr
Chuck Schmaltz	Propane Sales and Delivery

AGRABASE EMPLOYEES

Eric Giroux	Assembly Manager
Roger Gonzalez	Assembly Line Leader
Timothy Pietsch	Assembly Line Leader
Kurt Boechler	Assembly Line Leader
Dayton Gotsvaslee	Grounds
Joshua Kumferman	Assembly
Elvis Hegle	Assembly
David Freeman	Assembly
Casey Marquardt	Assembly
Greg Maxwell	Assembly
Brandon Hallameyer	Assembly
Sky Kerzmann	Assembly
Warren Boehler	Sales
Brad MacClennan	Warehouse Mgr/Logistics
Laura Knapp	Warehouse
Dennis Chapman	Warehouse/small engine repair
Edward Montez	Warehouse
Sierra Hysjulien	Parts Controller

Chairman Darren Sletten called the meeting to order in Washburn and Director Jeff Krueger read the notice of annual meeting. Sletten introduced the Enerbase board of directors and special guest, CHS director Dennis Carlson. Director Greg Marshall gave the scholarship report. CFO Rick Aberle gave the financial report and Darren Sletten gave the board report. General Manager Tony Bernhardt gave the manager's report and reported on the growth of Enerbase. Dakota Agronomy Partners manager Dan Sem gave the DAP financial report and talked about DAP consolidations. Dennis Carlson gave an overview of CHS financials. Door prizes were given throughout the morning with Denise Brown winning the 500 gallons of propane, gas or fuel. The meeting recessed at 12:30 pm.

Chairman Sletten reconvened the annual meeting in Minot at 6:45 pm. He introduced the board of directors, manager, CFO, and their spouses. He also introduced Shawn Kaylor and Owen Fielder, the new advisory members from the Velva area. Notice of the annual meeting was read by secretary Craig Johnson. Sletten appointed Lavon Wolf as recording secretary and Jason McKenney, NDFU, as parliamentarian. Johnson declared a quorum with 151 ballots confirmed. Chairman Sletten asked for a motion to dispense of the reading of the minutes and to approve them. A motion was made and seconded to accept and approve the minutes.

Director Marshall presented this year's scholarship report. There were 21 students who applied, with eight scholarships awarded this year. The scholarship winners were: Colton Whitesell, Emily Scheresky, Hannah Retterath, Matthew Krueger, Benjamin Goven, Rebecca Schmidt, Emma Howe and Aaron Klain.

CFO Ricky Aberle presented the annual report. Enerbase had total sales of \$146,823,154 in 2018 and a net savings of \$3,098,118, which was a 2.1% return on sales, compared to \$115,642,692 sales and \$3,847,152 net savings for a return of 3.3% in 2017. He also reported that 95% of our accounts receivable were under 60 days. Sletten asked for a motion to approve the annual report. Motion was made by Kevin Bonness and seconded by Kaylor.

Sletten presented his chairman's report. He spoke on the transferring of Enerbase's agronomy assets to DAP in September 2018. The board put a lot of work into the transfer to ensure it was financially responsible for the Enerbase patrons. He also spoke on the Velva Farmers Union Oil Company merger with Enerbase that also happened in September. He pointed out that the Velva patron's equity came in at 100%. He reiterated from last year the need for new candidates for the board in the upcoming future, with a majority of the board terming out in the next four years.

Manager Bernhardt presented his manager's report. He covered the retirement of Velva's 1972-1978 equity and Enerbase's 2002-2003 equity coming this spring. The opportunity to exchange Enerbase equity for CHSCO stock was extended to the years 2006 through 2010.

DAP Manager Dan Sem presented the DAP report. DAP had \$71.3 million dollars in sales in 2018. Their net income was \$4.1 million in 2018 compared to \$4.3 million in 2017. The ownership of DAP for the coming year will be as follows: Enerbase 15%, Border Ag 26%, and CHS SunPrairie 59%.

CHS director Dennis Carlson spoke on Qualified and Non-Qualified patronage.

Jeff Larson gave the nominating committee report. Jeff Krueger was the only candidate running for the SE District and Rob Schmidt was the only candidate running for the At Large position. Both won their districts. Terms will expire for Darren's SW District, Craig's NE District and Rick's South of the Lake District next year. Craig will term out and Darren and Rick will be eligible to run again. The nominating committee for 2020 will be Kevin Bonness, Jeff Larson, and Merlin Routledge.

Door prizes were given away throughout the evening with the grand prize of 500 gallons of propane, gas, or fuel won by Kevin Bonness. Darren Sletten declared the meeting adjourned at 8:10.

Respectfully Submitted,

Craig Johnson, Secretary

BALANCE SHEET

December 31, 2019 and 2018

ASSETS

CURRENT ASSETS

	2019	2018
Cash & cash equivalents	\$1,292,325	\$2,608,247
Trade accounts receivable	4,574,345	4,329,159
Other receivables	221,806	203,086
Inventories	8,599,200	6,549,130
Securities - available for sale	0	467,329
Prepays	57,910	17,500
Prepaid income tax	153,425	214,623
Deferred income taxes		52,000
Total current assets	14,899,011	14,441,074

FIXED ASSETS

Property & equipment	56,267,888	55,238,764
Less accumulated depreciation	15,091,555	13,827,562
	41,176,333	41,411,202

INVESTMENTS

Cooperatives	48,485,409	44,985,437
Dakota Agronomy Partners, LLC	10,802,212	11,123,976
	59,287,621	56,109,413
	\$115,362,965	\$111,961,689

LIABILITIES & MEMBERS' EQUITY

CURRENT LIABILITIES

Short-term notes payable	2,742,813	\$3,224,666
Current portion of long-term debt	1,830,066	1,818,988
Trade accounts payable	4,268,830	3,035,729
Customer deposits	344,124	427,299
Other accrued expenses	1,353,116	1,303,216
Patronage refunds payable in cash	0	295,050
Total current liabilities	10,538,949	10,104,948

DEFERRED INCOME TAXES

	2,872,000	2,084,000
--	-----------	-----------

LONG-TERM DEBT, NET OF CURRENT PORTION

	14,270,566	16,100,632
--	------------	------------

MEMBERS' EQUITY

Patronage equity & reinvested refunds	31,277,960	30,983,342
Allocated capital reserve	100,346	100,346
Unallocated capital reserve	56,303,144	52,588,421
Total members' equity	87,681,450	83,672,109
	\$115,362,965	\$111,961,689

STATEMENT OF OPERATIONS

December 31, 2019 and 2018

	2019	2018
Gross sales	\$131,308,518	\$146,823,154
Cost of sales	113,822,512	129,337,002
Gross profit	17,486,006	17,486,152
Operating expenses		
Impairment loss	0	2,642,420
Other operating expenses	13,785,878	14,461,456
Local savings from operations	3,700,128	382,276
Other income (expenses)	(1,263,955)	1,357,571
Enerbase local savings	2,436,173	1,486,019
DAP, LLC local savings	(44,264)	58,110
Cooperative dividends	4,771,830	957,866
Savings before income tax	7,163,739	2,501,995
Provisions for income tax	(1,322,232)	596,123
Net savings	\$5,841,507	\$3,098,118

STATEMENT OF MEMBERS' EQUITY

December 31, 2019 and 2018

	Members' Equity Credits	Patronage Reference for Reinvestment	Allocated Capital Reserve	Unallocated Capital Reserve	Total
Members' equity December 31, 2017	\$25,512,497	1,097,850	100,346	50,178,643	76,889,336
Reverse provision for cash refunds		591,150			591,150
2017 patronage distribution	961,864	(1,689,000)		154,660	(572,476)
FU Oil Velva patronage	4,811,278				4,811,278
Retirements:					0
Estates	(558,686)				(558,686)
2001 stock retirement	(283,684)				(283,684)
CHS preferred stock transfers	(5,640)				(5,640)
Account receivable payoffs	(2,237)				(2,237)
Net savings		843,000		2,255,118	3,098,118
Provision for cash refunds		(295,050)			(295,050)
Members' equity December 31, 2018	30,435,392	547,950	100,346	52,588,421	83,672,109
Reverse provision for cash refunds		295,050			295,050
2018 patronage distribution	461,655	(843,000)		85,216	(296,126)
Retirements:					
Estates	(610,828)				(610,828)
2002-03 stock retirement	(565,878)				(565,878)
1972-78 FU Oil Velva stock retirement	(125,546)				(125,546)
Preferred stock equity exchange	(493,307)				(493,307)
Account receivable payoffs	(35,528)				(35,528)
Net savings		2,212,000		3,629,507	5,841,507
Members' equity December 31, 2019					87,681,450

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 3 - INVENTORIES

Inventory costs at December 31 are

	2019	2018
New whole goods	\$2,098,339	\$1,341,274
Parts	716,238	829,932
Petroleum products	2,258,733	1,825,996
Used whole goods	136,347	47,131
Hardware products	228,855	265,094
Hopper bins	1,834,137	904,947
C-store inventories	876,335	869,454
Propane, LP & anhydrous tanks & trailers	331,078	281,115
Miscellaneous inventories	56,892	119,432
Tires	16,235	24,281
Antifreeze	46,011	40,474
	<u>\$8,599,200</u>	<u>\$6,549,130</u>

NOTE 4 - PROPERTY & EQUIPMENT

Property & equipment costs at December 31 are

Land & improvements	\$23,353,564	23,446,663
Buildings & improvements	16,212,214	15,885,000
Machinery & equipment	12,185,913	11,954,470
Vehicles	2,921,857	2,479,154
	<u>54,794,411</u>	<u>\$53,765,287</u>

NOTE 5 - INVESTMENT IN COOPERATIVES

CHS Inc.	\$46,353,564	\$43,004,924
Land O' Lakes, Inc	1,506,795	1,489,292
Souris River Telephone	184,626	135,728
Ace Hardware, Inc	15,188	29,720
Farmers Union of Wilton	27,725	202,023
West River Mutual Telephone	117,667	27,725
All others	279,844	96,025
	<u>\$48,485,409</u>	<u>\$44,985,437</u>

INVESTMENT IN DAKOTA AGRONOMY PARTNERS, LLC

Summary of the cooperative's 15% ownership activity for the years ended December 31, 2019 & 2018

Beginning of year balance	\$11,123,976	\$6,450,866
Share of net income	(44,264)	58,110
Capital contributions		5,200,000
Capital distributions	(277,500)	(585,000)
End of year balance	<u>\$10,802,212</u>	<u>\$11,123,976</u>

For the years ended December 31, 2019 and 2018, the cooperative had sales to DAP, LLC totaling \$497,405 and \$3,394,581 respectively, of which \$18,652 and \$17,213 was receivable, respectively. For the years ended December 31, 2019 and 2018, the cooperative had purchases from DAP, LLC of \$44,248 and \$1,218,625, respectively of which \$1,560 and \$2,824 was payable, respectively. DAP, LLC is 59% owned by CHS SunPrairie, and 26% owned by Border Ag & Energy.

SCHEDULE OF OPERATING EXPENSES

December 31, 2019 and 2018

DISTRIBUTION

	2019	2018
Salaries & wages	\$6,539,823	\$6,775,953
Delivery expenses	929,782	1,050,529
Employee insurance	1,036,288	913,205
Payroll taxes	472,015	488,300
Advertising & promotion	182,979	186,534
Pension contributions	245,279	290,559
Consulting	34,148	40,975
	<u>9,440,338</u>	<u>9,746,055</u>

GENERAL

Repairs & supplies	1,007,327	948,291
Depreciation	1,608,556	1,893,645
Utilities	532,542	501,880
Insurance	203,440	301,162
Property taxes	366,857	418,830
Rent	51,000	51,000
Business licenses	49,489	53,874
Impairment loss		2,642,420
	<u>\$3,819,213</u>	<u>\$6,811,102</u>

ADMINISTRATION

Telephone	106,388	107,676
Professional services	72,049	91,371
Meetings & travel	87,874	79,033
Educational fund	43,017	43,087
Data processing	148,959	130,706
Office supplies	32,829	52,179
Director fees	31,571	30,751
Dues & donations	15,598	16,665
Bad debts	(11,958)	(4,749)
	<u>526,327</u>	<u>546,719</u>
	<u>\$13,785,878</u>	<u>\$17,103,876</u>

Condensed financial information of DAP, LLC as of/and for the periods ended December 31, 2019 & 2018

Current assets	\$42,905,305	\$25,824,095
Property & equipment, net	44,475,203	13,804,921
Investment in cooperatives	90,741	95,642
Other assets	12,187,040	\$9,787,040
	<u>\$99,658,289</u>	<u>\$49,511,698</u>
Current liabilities	\$27,390,797	\$14,427,054
Long-term debt	6,155,972	2,550,000
Members' equity	66,111,520	32,534,644
	<u>\$99,658,289</u>	<u>\$49,511,698</u>
Sales	<u>\$131,781,994</u>	<u>\$70,869,650</u>
Net income	<u>\$3,718,076</u>	<u>\$4,131,275</u>



CORPORATE OFFICE

DRAWER F
205 46th Avenue NE
Minot, ND 58703

701-852-2501

WWW.ENERBASE.COOP

**CENEX-BRANDED
LOCATIONS:**

7 IN MINOT
GLENBURN
MAXBASS
WASHBURN
RYDER
DRAKE
VELVA