U.S. Venture, Inc.

Annual Report for the Years Ended
July 31, 2022 and 2021

U.S. VENTURE, INC.

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U.S. VENTURE, INC.

MANAGEMENT EXPLANATION OF RESULTS— FISCAL 2022 AND 2021 (UNAUDITED)
(Amounts in thousands) (Unaudited)

Results—U.S. Venture, Inc. ("U.S. Venture" or the "Company") generated consolidated net loss of ($269) and ($52,273) for the years ended July 31, 2022 and 2021, respectively, under accounting principles generally accepted in the United States of America ("GAAP" or "U.S. GAAP").

On a first-in, first-out (FIFO) economic basis, U.S. Venture generated consolidated economic net income of $38,982 and $70,497 for the years ended July 31, 2022 and 2021, respectively.

Management believes that adjustments for certain differences between our U.S. GAAP results and the Company's economic operational performance enhance the ability of users of its financial statements to evaluate results because such items better reflect economic performance. Therefore, the Company adjusts net income determined in accordance with U.S. GAAP to calculate these non-U.S. GAAP measures.

The results for the year and the differences between the GAAP and FIFO economic results for the years ended July 31, 2022 and July 31, 2021, respectively were materially impacted by refined petroleum product price fluctuations. See the Reconciliation of U.S. GAAP Reported LIFO Net Income to FIFO Economic Operational Net Income below for further information. The difference between the Company's economic operational performance and its U.S. GAAP performance is due to adjustment for the impact of last-in, first-out (LIFO) inventory accounting, inclusion of the impact of valuing refined product inventories at market, recognition of the net renewable obligation or asset, and removal of non-recurring gains and losses that are not comparable year-over-year (see reconciliation to earnings in schedule below):

Reconciliation of U.S. GAAP Reported LIFO Net Income to FIFO Economic Operational Net Income (Unaudited)
(In thousands)

	2022	2021
Net loss attributable to common shareholders (U.S. GAAP — reflects LIFO method of inventory accounting)	$ (269)	$ (52,273)
Remove effects of LIFO accounting from net income: add/(subtract) — LIFO increment/(decrement)	88,963	161,771
Adjusted net income FIFO basis (Note A)	88,694	109,498
Include effects of non-U.S. GAAP economic adjustments:		
Mark refined product inventories to market	(34,598)	(44,986)
Recognize net renewable (obligation)/asset	(15,114)	5,985
Adjusted net income FIFO economic basis (Note B)	38,982	70,497
Add:		
Depreciation and amortization	97,854	64,877
Interest expense	22,754	11,508
Income tax expense	4,756	6,568
Net income before interest, taxes, depreciation and amortization ("EBITDA")	164,346	153,450
Remove non-recurring items from EBITDA	49,017	29,322
Adjusted EBITDA	$ 213,363	$ 182,772

Notes to Above Schedule:

Note A— Adjusted net income FIFO basis is calculated as if the Company had used the FIFO method of inventory valuation.

Note B— Adjusted net income FIFO economic basis is calculated as if the Company had used the FIFO method of inventory valuation and had included the mark-to-market impact on inventories and the net renewable (obligation)/asset.

Note C— Adjusted EBITDA is calculated as if the Company had used the FIFO method of inventory valuation, had included the mark-to-market impact on petroleum, the net renewable obligation and had removed the effects of any nonoperational gains/losses (e.g. acquisition related expenses, asset disposition gains/losses, etc.)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of U.S. Venture, Inc.

Opinion

We have audited the consolidated financial statements of U.S. Venture, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of July 31, 2022 and 2021, and the related consolidated statements of comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 the 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 the 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

Milwaukee, Wisconsin
October 11, 2022

U.S. VENTURE, INC.

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2022 AND 2021
(Amounts in thousands)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 19,013	$ 10,023
Margin deposits	15,593	21,332
Derivative assets	55,845	51,693
Accounts receivable—net of allowance of $7,822 and $10,019 in 2022 and 2021, respectively	681,065	384,480
Inventories—net	871,104	621,244
Notes receivable—current portion	8,761	5,304
Subchapter S income tax deposit—current portion	15,298	1,520
Other current assets	98,533	58,311
Total current assets	1,765,212	1,153,907
NOTES RECEIVABLE	10,697	15,237
PROPERTY AND EQUIPMENT—Net	315,853	184,993
FINANCE LEASE ASSETS—Net	25,602	19,611
RIGHT OF USE ASSETS—Net	326,743	232,179
OTHER INTANGIBLE ASSETS—Net	99,693	70,326
GOODWILL—Net	466,768	180,717
SUBCHAPTER S INCOME INCOME TAX DEPOSIT	-	22,298
DEFERRED COMPENSATION PLAN INVESTMENTS	46,923	51,845
OTHER NONCURRENT ASSETS	37,420	43,598
TOTAL	$ 3,094,911	$ 1,974,711

(Continued)

U.S. VENTURE, INC.

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2022 AND 2021
(Amounts in thousands)

	2022	2021
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,063,612	$ 554,503
Derivative liabilities	61,670	73,713
Sales, excise and property taxes payable	31,568	35,758
Accrued liabilities	190,411	148,637
Long-term incentive—current portion	87,019	20,071
Contingent consideration payable	303	46,677
Subchapter S income tax deposit obligation	-	12,889
Finance lease liability—current portion	9,212	7,150
Operating lease liability—current portion	50,840	32,961
Long-term debt—current portion	75,508	35,495
Total current liabilities	1,570,143	967,854
REVOLVING LINES OF CREDIT	599,100	131,691
LONG-TERM INCENTIVE	98,315	109,469
DEFERRED COMPENSATION	48,578	53,617
FINANCE LEASE LIABILITY	16,989	12,934
OPERATING LEASE LIABILITY	289,979	208,065
LONG-TERM DEBT	209,895	166,625
OTHER NONCURRENT LIABILITIES	3,809	26,194
Total liabilities	2,836,808	1,676,449
TOTAL COMMON SHAREHOLDERS' EQUITY	248,375	288,674
NONCONTROLLING INTERESTS	9,728	9,588
TOTAL	$ 3,094,911	$ 1,974,711

U.S. VENTURE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
AS OF JULY 31, 2022 AND 2021
(Amounts in thousands)

	2022	2021
NET SALES	$ 14,067,506	$ 7,871,075
OPERATING COSTS AND EXPENSES:		
Petroleum and other product costs	13,199,963	7,256,891
Operating expenses	748,170	587,442
Depreciation and amortization	97,854	64,877
Gain on sale of operating assets	(5,183)	(3,995)
Total operating costs and expenses	14,040,804	7,905,215
OPERATING INCOME (LOSS)	26,702	(34,140)
OTHER INCOME (EXPENSE):		
Interest income	2,432	983
Interest expense	(22,754)	(11,508)
Other expense—net	(7,099)	(8,579)
Total other income (expense)—net	(27,421)	(19,104)
NET LOSS	(719)	(53,244)
LESS LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(450)	(971)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(269)	(52,273)
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in value of interest rate swap	3,318	1,712
Foreign currency translation adjustment	129	(385)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ 3,178	$ (50,946)

See notes to consolidated financial statements.

	Common Stock (1)		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock (2)		Total Common Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount				Shares	Amount			
BALANCES—July 31, 2020	2,912	29	(489)	408,689	(4,874)	(99)	(19,678)	383,677	-	383,677
Net loss	-	-	-	(52,273)	-	-	-	(52,273)	(971)	(53,244)
Distributions	-	-	-	(45,853)	-	-	-	(45,853)	-	(45,853)
Equity contribution from acquisition	-	-	8,750	-	-	-	-	8,750	17,543	26,293
Purchase of treasury stock	-	-	-	-	-	(28)	(6,954)	(6,954)	-	(6,954)
Buyout of non controlling owners	-	-	-	-	-	-	-	-	(6,984)	(6,984)
Foreign currency translation loss	-	-	-	-	(385)	-	-	(385)	-	(385)
Unrecognized gain related to interest rate swap valuation	-	-	-	-	1,712	-	-	1,712	-	1,712
BALANCES—July 31, 2021	2,912	$ 29	$ 8,261	$ 310,563	$ (3,547)	(127)	$ (26,632)	$ 288,674	$ 9,588	$ 298,262
Net loss	-	-	-	(269)	-	-	-	(269)	(450)	(719)
Distributions	-	-	-	(43,477)	-	-	-	(43,477)	-	(43,477)
Equity contribution from acquisition	-	-	-	-	-	-	-	-	590	590
Foreign currency translation loss	-	-	-	-	129	-	-	129	-	129
Unrecognized gain related to interest rate swap valuation	-	-	-	-	3,318	-	-	3,318	-	3,318
BALANCES—July 31, 2022	2,912	$ 29	$ 8,261	$ 266,817	$ (100)	(127)	$ (26,632)	$ 248,375	$ 9,728	$ 258,103

(1) $0.01 par value, 5,000 shares authorized, 2,785 shares outstanding.

(2) At cost.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021
(Amounts in thousands)

	2022	2021
OPERATING ACTIVITIES:		
Net loss	$ (719)	$ (53,244)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	97,854	64,877
Impairment losses on long-lived and intangible assets	1,504	-
Amortization of debt financing costs	1,341	-
Gain on sale of property and equipment and other assets	(5,183)	(3,995)
Bad debt and investment write off	500	3,589
Gain on remeasurement of equity method investment	-	(2,860)
Change in finance lease liability	137	441
Change in right of use asset	2,541	1,155
Equity in earnings of unconsolidated entities	(3)	-
Expense due to utilizing LIFO inventory method	88,963	161,771
Changes in operating assets and liabilities:		
Margin deposits	5,739	8,620
Derivative assets and liabilities—net	(19,680)	33,485
Accounts receivable—net	(217,829)	(114,648)
Inventories—net	(53,333)	(177,585)
Other assets	(31,020)	(9,901)
Accounts payable	366,737	96,538
Accrued liabilities	97,846	60,206
Other liabilities	(20,200)	68,817
Net cash provided by operating activities	315,195	137,266
INVESTING ACTIVITIES:		
Purchase of long-lived assets	(55,770)	(66,990)
Acquisitions—net of cash received	(654,525)	(27,066)
Proceeds on sale of property and equipment and other assets	3,963	10,301
Purchase of equity investment	(26)	(2,500)
Purchase of other investments	(100)	-
Repayments of notes receivable	9,525	717
Issuance of notes receivable	(7,493)	(11,696)
Net cash used for investing activities	(704,426)	(97,234)
FINANCING ACTIVITIES:		
Net increase (decrease) in line of credit borrowings	467,409	(27,842)
Payments of finance lease liability	(9,281)	(7,244)
Proceeds from long-term debt	66,999	90,000
Payments of long-term debt	(30,289)	(26,787)
Payment of debt financing costs	(4,767)	(3,450)
Payments of contingent consideration	(49,091)	(9,835)
Contributions from non-controlling interests	590	500
Purchase of treasury stock	-	(6,954)
Distributions to shareholders	(43,478)	(43,357)
Net cash used for financing activities	398,092	(34,969)

	2022	2021
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ 129	$ (385)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,990	4,678
CASH AND CASH EQUIVALENTS:		
Beginning of year	10,023	5,345
End of year	$ 19,013	$ 10,023

See notes to consolidated financial statements. (Concluded)

1. DESCRIPTION OF OPERATIONS

U.S. Venture, Inc. and subsidiaries (the “Company”) are engaged in the distribution of products to commercial and industrial customers in the transportation markets. Products include refined petroleum products, automotive products such as tires, lubricants, compressed natural gas (CNG), renewable natural gas (RNG) and certain other products and services. The Company’s products and services are sold throughout the United States with significant refined product supply activity occurring in Chicago, Tulsa, and the Gulf Coast markets. The Company also operates CNG locations in Canada.

Net sales of refined petroleum products can fluctuate due to both volume and commodity price and are affected by available supply, worldwide events, and various other factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting for Consolidated Entity—The consolidated financial statements include the accounts of U.S. Venture, Inc. and all of its subsidiaries that are more than 50% owned and controlled. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Accounting for Equity Method Investments—The equity method of accounting is used for certain ownership interests, over which the Company has significant influence but does not have effective control, and consolidation is not otherwise required. The Company's equity in the net income and losses of these investments is reported in Other expense – net in the accompanying Consolidated Statements of Comprehensive Income.

Cash Equivalents—The Company defines cash equivalents as highly liquid, short-term investments with an original maturity of three months or less.

Margin Deposits—Margin deposits represent funds on deposit with national commodity exchanges to satisfy margin requirements for futures contracts.

Inventories—Substantially all inventories are valued at the lower of last-in, first-out cost (LIFO), or market.

Leases— In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 (ASC Topic 842) “Leases”. Topic 842 (the “new standard”) supersedes the lease requirements in guidance Accounting Standards Codification ASC 840, *Leases*. The new lease standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet for each lease, including operating leases. Under the new 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 Topic 842 August 1, 2020 and recognized and measured leases existing at, or entered into after, August 1, 2020 with certain practical expedients available.

The Company elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new standard, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new standard , or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new standard at lease commencement.

The Company also elected the practical expedient related to land easements, allowing the historical or carry forward accounting treatment for land easements on existing agreements. The Company believes the annual value paid, if any, for these easements is undiscernible from the total value of payments made for lease property.

The Company has lease agreements with lease components and non-lease components; which are generally accounted for separately in accordance with the lease standard. The most common non-lease component is common area maintenance and utilities. The Company recognizes these components in operating expenses in the period in which the obligation for those payments is incurred.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Company uses rates implicit in the lease, or if not readily available, the Company uses its incremental borrowing rate. The incremental borrowing rate is based on active credit agreements.

Some of the Company’s finance lease agreements contain guaranteed residual value (GRV) which primarily consists of a balloon payment at the end of each lease for which the Company is liable for in its entirety. The Company has an agreement with its primary truck lessor to sell the trucks and trailers at the end of the lease and apply the proceeds received from the sale of that asset against the GRV. The net differential is either paid to or received from the lessor.

Renewable Obligations—The Company is subject to obligations to deliver Renewable Identification Numbers (RINs) to comply with the Renewable Fuel Standard implemented by the Environmental Protection Agency (EPA) which sets annual quotas for the quantity of renewable fuels (such as ethanol) that must be blended into transportation motor fuels consumed in the United States. In general, the Company is able to produce enough RINs via its RNG operations and its ethanol and biodiesel blending operations to satisfy the obligations.

In response to refined product market disruption caused by COVID, the EPA extended the calendar 2020 and 2021 obligations settlement date until calendar 2023. This extension enabled the Company to monetize the RINs being held to satisfy calendar 2021 obligations in fiscal 2022 resulting an obligation of $12,738 associated with calendar year 2021. Such obligation is recorded in the accrued liabilities line in the consolidated balance sheets.

Property and Equipment—Additions and improvements are capitalized at cost, whereas expenditures for normal maintenance and repairs are charged to expense as incurred. The cost of property and equipment is depreciated over the estimated useful lives of the assets or its corresponding lease term, whichever is shorter, principally by using the straight-line method. Estimated useful lives are as follows:

	Years
Buildings, tanks and improvements	15–40
Equipment and transportation vehicles	5–15
Software and hardware	3-5

Long-Lived Assets—The Company reviews its recoverability of the carrying amount of property, plant, and equipment assets (collectively, "long-lived assets"), using the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, *Property, Plant, and Equipment,* when circumstances indicate that the carrying amount of the asset may not be recoverable. The Company evaluates the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstance indicate that the carrying amount of an asset may not be fully recoverable through future cash flows. Factors that could trigger an impairment review include a significant decrease in the market value of an asset or significant negative economic trends. Impairment of long-lived assets of $1,504 was recorded in 2022 relating to certain costs capitalized from an information technology project that has been deemed to have no future value. There were no impairments in 2021.

Intangible Assets—The Company reviews its recoverability of both finite and indefinite-lived intangible assets, excluding goodwill, using ASC 350, *Intangibles,* when circumstances indicate that the carrying amount of the asset may not be recoverable. Finite-lived intangible assets such as purchased supply contracts, customer relationship intangibles, and other contract assets are amortized over their estimated useful lives. Indefinite-lived intangible assets related to water rights are evaluated for impairment when circumstances indicate that the carrying amount of the assets may not be recoverable.

The Company adopted FASB Accounting Standards Update (ASU) 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, effective August 1, 2018. The Company has elected not to recognize separately from goodwill (1) customer-related intangibles unless they are capable of being sold or licensed independently from other assets of the business or (2) noncompetition agreements.

Goodwill—The Company adopted FASB ASU 2014-02, *Accounting for Goodwill*, effective August 1, 2013. The Company has elected to amortize goodwill on a straight-line basis over a useful life of 10 years. The Company tests goodwill for impairment only when a triggering event occurs. When a triggering event occurs, the Company will test goodwill for impairment at the entity level and will measure the impairment as the excess of the entity's carrying amount over its fair value. No goodwill impairment losses were recorded in 2022 and 2021.

Petroleum-Related Derivative Instruments—In the normal course of business, the Company enters into petroleum-related financially settled exchange-traded futures, options, and swap contracts that meet the definition of a derivative. In addition, a number of the Company's forward contracts to buy and sell petroleum-related physical commodities in the future are also derivative instruments. The Company uses these derivative instruments to mitigate commodity price risk related to existing and anticipated purchases and sales of gasoline, oil, and other refined products in its petroleum operations business and for speculative purposes. The derivatives and hedging topic of ASC 815, *Derivatives and Hedging*, establishes accounting and financial reporting standards for derivative instruments and requires, in part, that the Company recognize derivative instruments on the consolidated balance sheets as assets or liabilities at their fair value. Due to the complexity and administrative burden of applying hedge accounting, the Company has not designated these instruments as accounting hedges. As a result, unrealized gains and losses on derivatives are recognized in income immediately, within petroleum and other product costs, based on the changes in market value of each contract and are reflected as either derivative assets or derivative liabilities on the consolidated balance sheets.

Interest Rate Swap—The Company entered into an interest rate swap on November 30, 2018 to hedge the variability in future cash flows associated with the Company's variable-rate debt. The interest rate swap converts $50 million of the Company's variable-rate debt to a fixed interest rate of 2.92%. This number is down slightly from 3.06% from the prior year because the swap was recast on April 20, 2022 so that it would be SOFR-based vs LIBOR-based to align with the change in the Company's Credit Agreement. The swap will expire in fiscal 2024 based on the original term of five years. At inception, the Company designated the swap as a cash flow hedge in accordance with ASC 815.

The Company determined that the swap qualified for the private company simplified hedge accounting approach in ASC 815 and elected to measure the swap at settlement value. The settlement value of the swap represented an asset of $25 and liability of $3,293 as of July 31, 2022 and 2021, respectively, and is included in other noncurrent assets/liabilities in the consolidated balance sheets.

Fair Value of Financial Instruments—The Company values its financial instruments at fair value, with the exception of the interest rate swap, which is measured at settlement value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820, *Fair Value Measurement*, establishes a fair value 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. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 inputs primarily consist of exchange-traded contracts. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2—Valuations based on quoted prices in markets for which all significant inputs are observable, either directly or indirectly. Level 2 inputs primarily consist of over-the-counter (OTC) broker quotes.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Level 3 inputs primarily consist of unobservable market data or are valued based on models and/or assumptions.

Contracts utilized by the Company include exchange-traded, OTC, and bilaterally executed derivative contracts. Exchange-traded derivatives, namely futures contracts, are valued at market based on unadjusted quoted prices in active markets and are classified within Level 1. Other actively traded derivative values are determined using broker or dealer quotations, similar observable market transactions in either the listed or OTC markets, or valued using pricing models where significant valuation inputs are directly or indirectly observable in active markets. Derivative instruments, primarily forward contracts that meet these characteristics, are classified within Level 2. Bilaterally executed agreements are derivative contracts entered into directly with third parties, and at times, these instruments may be tailored to meet the specific customer's requirements, such as delivery location. The Company uses a consistent modeling approach to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, market corroborated inputs (i.e., inputs derived principally from, or correlated to, observable market data) and other observable inputs for the asset or liability. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC and bilaterally executed derivative instruments are executed in less active markets with a lower availability of pricing information, and are characterized as Level 3 instruments.

The Company has a risk oversight committee whose primary responsibility includes directly or indirectly ensuring that all valuation methods are applied in accordance with predefined policies. The development and maintenance of the forward price curves has been assigned to the risk control officer, who is part of the corporate finance function and is independent from any of the trading functions within the Company.

The fair value of the Company's financial instruments, including long-term debt, approximate their carrying value as of July 31, 2022 and 2021. The fair values of long-term debt instruments are estimated based on quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturity, without considering the effect of third-party credit enhancements. Due to the short maturity of cash and cash equivalents, accounts and notes receivable, accounts payable, and revolving lines of credit, the carrying amounts approximate fair value.

Debt Financing Costs – Debt financing costs are amortized on a straight-line basis over the debt term. Amortization expense was $1,341 and $1,209 in fiscal 2022 and 2021, respectively and recorded as a component of interest expense.

Income Tax Status—As part of the Company's reorganization into U.S. Venture Holding, Inc. ("HoldCo") in October 2020, HoldCo's shareholders have elected to be taxed as an S-Corporation under the Internal Revenue Code (and similar state tax law provisions in certain states) and therefore, HoldCo and its subsidiaries, including the Company, generally are not directly subject to federal or state income taxes. Beginning in November 2020, tax payments were paid by the Company on behalf of HoldCo. For the years ended July 31, 2022 and 2021, the Company incurred $4,756 and $6,568, respectively, in income or franchise taxes where the Company is required or has elected to pay the tax at the entity level.

Based on their ownership in HoldCo, shareholders include the Company's taxable income or loss in their personal income tax returns. Shareholder distributions are made for the purpose of funding the shareholders' personal income tax liabilities pertaining to the taxable income of the Company. Because the Company has a fiscal year-end of July 31 and the individual shareholders generally use a calendar year-end for reporting income taxes, the Company is required to pay amounts to the Internal Revenue Service (IRS) relating to the Company's income not yet included in the individual shareholders' tax returns. These S-Corporation income tax assets are recorded on the Company's consolidated balance sheets as current or noncurrent depending on the status of taxable income for each fiscal year reported. The S-Corporation income tax balances represent either prepayments or amounts not yet paid to the IRS relating to the Company's income not yet included in the individual shareholders' tax returns.The S-Corporation income tax assets amounted to $15,298 and $23,818 at July 31, 2022 and 2021, respectively. The Company also recorded a current liability on its consolidated balance sheets for the deposit due to the IRS in May of the following year that relates to current fiscal year income. The S-Corporation income tax liability amounted to $0 and $12,889 recorded as of July 31, 2022 and 2021, respectively.

The Company accounts for its uncertain tax positions only if the position is more likely than not of being sustained on audit, based on the technical merits of the position. There were no liabilities for uncertain tax positions as of July 31, 2022 or 2021.

Shipping and Handling Fees and Costs—Shipping and handling fees billed to customers are included in net sales with the corresponding cost incurred included in petroleum and other product costs in the accompanying consolidated statements of comprehensive income. Shipping and handling costs that are not billed to customers are included in operating expenses in the accompanying consolidated statements of comprehensive income. Management believes this presentation of shipping and handling costs is consistent with the operating characteristics and management of the Company's businesses.

Sales and Other Taxes—The Company has elected to exclude sales and other taxes collected concurrent with revenue-producing activities from revenue.

Revenue Recognition—The Company recognizes revenue based on ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). See Footnote 3 for the Company's policies for recognizing revenue along other disclosures required by ASC 606.

Concentration of Credit Risk—The majority of accounts and notes receivable are from other petroleum companies, commercial and industrial companies, gas stations, auto dealerships, and retailers of automotive parts. The Company sets credit limits and performs periodic credit evaluations of its customers' financial condition and may require collateral depending on the customers' financial condition. Certain notes receivable are secured by real estate mortgages, other security interests, or personal guarantees.

The Company is exposed to credit loss in the event of nonperformance by counterparties, including the Company's prime brokers, on forward and futures contracts. The Company also enters into inventory exchange transactions with counterparties and is exposed to counterparty nonperformance risk. The Company does not expect nonperformance by any of these counterparties. This is due to the quality of the counterparties and because futures contracts, the Company's primary derivative instruments, are traded on regulated exchanges that require margin posting, reducing potential credit and nonperformance risk.

The Company determines the allowance for doubtful accounts for each of its businesses on a disaggregated basis. The following table shows the composition of the allowance for doubtful accounts as of July 31:

	2022	**2021**
Refined petroleum products	$ 2,187	$ 2,682
Automotive parts and other	5,635	7,337
Total	$ 7,822	$ 10,019

Use of Estimates—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 reported periods. Actual results could differ from those estimates.

Supplemental Cash Flows Information— The Company paid $19,521 and $9,926 for interest for the years ended July 31, 2022 and 2021, respectively. The Company paid $6,075 and $5,157 for income taxes for the years ended July 31, 2022 and 2021, respectively. The following table shows the significant noncash transactions as of July 31:

	2022	**2021**
Construction costs to property and equipment funded through accounts payable	$ 3,625	$ 2,776
Real Property Distribution	-	3,747
S-Corporation income tax asset	-	12,889
S-Corporation income tax liability	-	12,889

New Accounting Pronouncements—In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which changes the impairment model for most financial assets and certain other instruments. Under the new guidance, entities will be required to measure expected credit losses for financial instruments, including trade receivables, based on historical experience, current conditions and reasonable forecasts. This guidance is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted for interim and annual periods beginning after December 15, 2018. This new guidance will require a modified retrospective transition approach, where the entity will need to apply a cumulative-effect adjustment to retained earnings (accumulated deficit) as of the beginning of the first reporting period in which the guidance is adopted. The Company is evaluating the impact of the adoption of ASU 2016-13 on the consolidated financial statements.

3. REVENUE RECOGNITION

At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service that is distinct. To identify the performance obligations, the Company considers all of the goods or services promised in the contract, regardless of whether they are explicitly stated or are implied by customary business practices.

Substantially all revenue recorded in the accompanying consolidated statements of comprehensive income is derived from contracts with customers.

Net sales, for the years ended July 31, 2022 and 2021, included in the results of operations are summarized below:

	2022	**2021**
Refined petroleum products	$ 10,265,685	$ 5,198,276
Automotive parts and other	3,801,821	2,672,799
Net sales	$ 14,067,506	$ 7,871,075

When Performance Obligations are Satisfied—For substantially all of the Company's product sales, revenue is recognized at a point in time when control is transferred to the customer, either at shipment or delivery, at which time the customer is able to direct the use of, and obtain substantially all of the benefits from, the goods transferred.

Significant Payment Terms—For substantially all of the Company's wholesale refined petroleum products, payment is due within 30 days of delivery of the product. For sales of all other products and services, payment is generally due within 30 to 90 days.

Variable Consideration—The Company provides volume-based rebates related to sales of both refined petroleum and automotive and distribution products. When a customer is eligible for a rebate program, the Company reduces the revenue recognized using an estimate of rebates to be paid based on historical experience and current facts. In addition, a right of return exists for certain automotive and distribution products. When a right of return exists, the Company reduces the revenue recognized by an estimate of future returns based on historical experience and current facts. Based on the Company's historical experience, the likelihood of a significant reversal of revenue when the uncertainty associated with rebates and product returns is resolved is considered to be remote.

Contract Costs—The Company has elected to expense contract costs as incurred if the amortization period is expected to be one year or less. If the amortization period of these costs is expected to be greater than one year, the costs are capitalized.

Contract Balances—In certain cases, the Company bills customers in advance of goods being transferred or services being performed. In those cases, a contract liability exists when the Company has received consideration from the customer in advance of revenue recognition.

In certain circumstances, the Company provides upfront sales incentives to customers that sign long term retail supply agreements. In order to match the costs of these incentives with the supply agreement revenues, such incentives are capitalized as a contract asset and amortized over the life of the underlying contract as a reduction to net sales.

Details of the Company's balances related to contracts with customers at July 31, 2022 and 2021 are as follows:

	2022	**2021**
Receivables	$ 681,065	$ 384,480
Contract asset—current	2,312	2,608
Contract asset—noncurrent	18,766	15,888
Contract liability	13,715	3,901

The current and noncurrent portions of contract assets are recorded as other current assets and other noncurrent assets, respectively, within the consolidated balance sheets. Contract liabilities are recorded as accrued liabilities within the consolidated balance sheets.

4. ACQUISITIONS

In August 2021, the Company acquired the Fort Worth, Texas, terminal assets from Chevron, USA ("Chevron") for $12,166 in cash with $600 of the total paid in May 2021. In March 2022, the Company acquired the Baltimore, Maryland blending plant assets from BP Lubricants USA, Inc ("BP"), Inc for $7,567 in cash. In June 2022, the Company acquired the assets of five bulk fuel terminals in the Southeast United States from Buckeye Partners, L.P. ("Buckeye") for $52,339 in cash. All three asset acquisitions expand the Company's presence in these major markets.

In October 2021, the Company acquired Treadmaxx Tire Distributors, Inc. ("Treadmaxx") for $193,544 in cash and a note payable to seller of $1,456. In January 2022, the Company acquired Max Finkelstein, Inc. (“MFI”) for $389,509 in cash and $48,551 net payable to seller ($50,000 of notes payable from sellers offset by $1,449 in working capital adjustments due to the Company). Both transactions were accounted for as business combinations. These aquistions expanded the Company’s automotive distribution business into the Eastern United States.

The table below shows the preliminary recognized values of the assets acquired and liabilities assumed at the date of the acquisitions described above:

	Chevron	Buckeye	BP	Treadmaxx	MFI	Total
Accounts receivable	$ -	$ 521	$ -	$ 18,794	$ 59,442	$ 78,757
Inventories	110	1,161	-	82,618	201,601	285,490
Other current assets	-	-	35	6,903	8,260	15,198
Fixed assets	12,088	51,000	7,532	5,319	21,103	97,042
Right of use assets	-	-	-	14,413	49,003	63,416
Finance lease assets	-	-	-	4,506	-	4,506
Identifiable intangible assets:						
Favorable leases	-	-	-	-	10,089	10,089
Trademark	-	-	-	-	35,865	35,865
Goodwill	-	-	-	131,845	199,574	331,419
Total assets	12,198	52,682	7,567	264,398	584,937	921,782
Accounts payable	-	-	-	(45,514)	(93,233)	(138,747)
Accrued liabilities	(32)	(343)	-	(2,276)	(4,641)	(7,292)
Payable to seller	-	-	-	(1,456)	(48,551)	(50,007)
Operating lease liability	-	-	-	(17,102)	(49,003)	(66,105)
Finance lease liability	-	-	-	(4,506)	-	(4,506)
Total liabilities	(32)	(343)	-	(70,854)	(195,428)	(266,657)
Total cash paid (net of cash received)	$ 12,166	$ 52,339	$ 7,567	$ 193,544	$ 389,509	$ 655,125

During 2022, the Company fully settled the contingent consideration liability incurred with the 2018 purchase of Tire’s Warehouse, LLC. During 2022 and 2021, the Company paid prior shareholders $46,094 and $9,228, respectively.

In August 2020, the Company acquired certain retail supply contracts (“RSA”) and marketing rights for key brands in the greater Chicagoland area for $11,835 in cash. This asset purchase enabled the Company to expand its presence in this key market.

In January 2021, the Company acquired Maxim Petrochemical Corporation (“Maxim”), a lubricants manufacturer in Texas, for $935 in cash. The transaction was accounted for as a business combination. This acquisition expanded the Company’s lubricants business to the key Texas market.

In June 2021, the Company purchased inventory and a customer list from Graham Tire (“Graham”), a tire distributor in the Midwest, for $6,509 in cash plus $1,127 in contingent consideration payable in the following year. The Company settled this amount in full in 2022. This asset purchase enhanced the Company’s presence in existing markets.

The following summarizes the final fair values of assets acquired and liabilities assumed for the acquisitions above:

	RSA	Maxim	Graham	Total
Inventories	$ -	$ 125	$ 6,636	$ 6,761
Other non-current assets	-	-	-	-
Fixed assets	-	130	-	130
Identifiable intangible assets:				
Customer list	-	245	1,000	1,245
Non-compete	-	110	-	110
Marketing rights agreement	8,500	-	-	8,500
Fuel supply contracts	4,000	-	-	4,000
Total identifiable intangible assets	12,500	355	1,000	13,855
Goodwill	-	325	-	325
Total assets	12,500	935	7,636	21,071
Accrued expenses	(665)	-	-	(665)
Contingent consideration	-	-	(1,127)	(1,127)
Total cash paid	$ 11,835	$ 935	$ 6,509	$ 19,279

In September 2020, the Company purchased a controlling interest in Great Plains Irrigation Company, LLC ("GPIC") for $5,500. In December 2020, the Company paid $3,250 to the Basin Lands, LLC ("Basin") founders for an additional 25% interest and the Company directly invested an additional $3,250 in Basin, which allowed the Company to control Basin based on the ownership percentage. These acquisitions provide the Company with additional strategic water assets and were accounted for as business combinations.

The following are details and final fair values of the assets acquired and liabilities assumed of these business combinations:

	GPIC	Basin	Total
Cash	$ 304	$ 659	$ 963
Land	2,301	-	2,301
Investment in GPIC		805	805
Intangible water rights	1,803	2,653	4,456
Goodwill	9,131	17,943	27,074
Total assets	13,539	22,060	35,599
Accounts payable/accrued expenses	(39)	(60)	(99)
Carrying value of previously-held interests	(1,800)	(1,500)	(3,300)
Noncontrolling interests	(5,834)	(14,756)	(20,590)
Gain on remeasurement of Company's equity investment	(366)	(2,494)	(2,860)
Total cash paid	$ 5,500	$ 3,250	$ 8,750

In 2022, the Company finalized the fair value of assets acquired and liabilities assumed related to the GPIC and Basin acquisitions. The additional purchase price allocation adjustments recorded during the measurement period resulted in a cumulative impact of $1,198 of additional goodwill.

The results of the above acquisitions are included in the Company's consolidated financial statements from the dates of the acquisitions. In fiscal 2021, the Company, along with certain related party shareholders, agreed to purchase outstanding shares from existing shareholders of Basin for $6,984 that were recorded as a reduction to noncontrolling interests. The purchase of additional outstanding shares was completed during fiscal 2022.

The weighted average ("WAVG") useful life of definite-lived intangible assets acquired during fiscal years 2022 and 2021, respectively, are as follows:

	2022	2021		
	MFI	RSA	Maxim	Graham
Customer relationship intangibles	-	-	5	5
Purchased supply contracts	-	7	-	-
Marketing rights	-	10	-	-
Other intangible assets	3	-	10	-
Total WAVG useful life	3	9	7	5

5. INVENTORIES

Inventories at July 31, 2022 and 2021, are summarized as follows:

	2022	2021
Refined petroleum products at FIFO values	$ 212,944	$ 340,228
Lower of cost or market reserve	(3,543)	-
Less LIFO reserve	(100,332)	(74,253)
Refined petroleum products using LIFO valuation	109,069	265,975
Automotive parts inventory at FIFO values	857,432	389,266
Less LIFO Reserve	(99,284)	(36,400)
Automotive parts inventory using LIFO valuation	758,148	352,866
Other inventories	3,887	2,403
Inventory—net	$ 871,104	$ 621,244

The Company recorded a decrement in certain LIFO pools in the amount of $186,186 and $30,306 for the year ended July 31, 2022 and 2021, respectively.

6. PROPERTY AND EQUIPMENT—NET

Cost and accumulated depreciation of property and equipment at July 31, 2022 and 2021, are summarized as follows:

	2022	2021
Land and improvements	$ 53,859	$ 39,241
Buildings and improvements	28,235	20,602
Equipment and transportation vehicles	355,972	233,771
Software	28,650	24,056
Construction in progress	53,372	51,181
Property and equipment	520,088	368,851
Less—accumulated depreciation	(204,235)	(183,858)
Net property and equipment	$ 315,853	$ 184,993

The Company recorded depreciation expense in the amount of $23,542 and $19,283 for the year ended July 31, 2022 and 2021, respectively.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Details of the Company's intangible assets, excluding goodwill, at July 31, 2022 and 2021, are as follows:

	2022		
	Gross Value	Accumulated Amortization	Net Book Value
Intangible assets:			
Customer relationship intangibles	$ 86,126	$ (58,392)	$ 27,734
Purchased supply contracts	10,158	(6,157)	4,001
Storage agreements	7,700	(5,903)	1,797
Marketing rights	12,300	(5,342)	6,958
Throughput agreements	2,672	(2,672)	-
Other intangible assets	61,414	(19,559)	41,855
Water rights	17,348	-	17,348
Total intangible assets	$ 197,718	$ (98,025)	$ 99,693

	2021		
	Gross Value	Accumulated Amortization	Net Book Value
Intangible assets:			
Customer relationship intangibles	$ 86,126	$ (51,282)	$ 34,844
Purchased supply contracts	10,158	(5,027)	5,131
Storage agreements	7,700	(5,133)	2,567
Marketing rights	12,300	(4,112)	8,188
Throughput agreements	2,672	(2,672)	-
Other intangible assets	15,360	(11,326)	4,034
Water rights	15,562	-	15,562
Total intangible assets	$ 149,878	$ (79,552)	$ 70,326

Intangible amortization expense for fiscal years 2022 and 2021 was $18,473 and $13,139, respectively.

Intangible amortization expense for each of the five succeeding fiscal years at July 31, 2022, is estimated to be:

2023	$ 25,823
2024	21,914
2025	13,196
2026	6,500
2027	6,201

Details of the Company's goodwill, at July 31, 2022 and 2021 are as follows:

	2022	2021
Gross value	$ 588,512	$ 255,892
Accumulated amortization	(121,744)	(75,175)
Net goodwill	$ 466,768	$ 180,717

Goodwill amortization expense for fiscal years 2022 and 2021 was $46,569 and $25,091, respectively.

During fiscal years 2022 and 2021, respectively, $332,616 and $26,557 of goodwill was recorded as part of acquisitions. During fiscal years 2022 and 2021, respectively, $0 and $1,863 of net book value goodwill was disposed of.

8. OTHER NONCURRENT ASSETS

Other noncurrent assets at July 31, 2022 and 2021, are summarized as follows:

	2022	2021
Long-term prepaid sales incentives	$ 18,765	$ 15,888
Investment property	14,979	13,141
Long-term derivative assets	1,147	12,068
Equity method investment	2,529	2,500
Other noncurrent assets	$ 37,420	$ 43,598

In July 2021, the Company made a $2,500 equity investment in an RNG operation in the Southwest United States. In addition, the Company made loans to a 3rd party who is also the minority partner in an equity method investment. The balance of these loans was $3,765 and $2,500 as of July 31, 2022 and 2021, respectively and are recorded in notes receivable within the consolidated balance sheets.

9. LONG-TERM DEBT

Long-term debt at July 31, 2022 and 2021, are summarized as follows:

	2022	2021
Revolving line of credit (at 3.49% and 2.25% interest on July 31, 2022 and 2021, respectively)	$ 599,100	$ 131,691
Long-term debt with bank (at 5.12% and 3.25% interest on July 31, 2022 and 2021, respectively)	106,722	111,000
Mortgage and equipment notes payable—secured by corporate headquarters, barge vessels, and certain RNG assets (weighted average interest rates of 3.85% and 4.22% on July 31, 2022 and 2021, respectively)	21,352	22,352
Unsecured notes payable (weighted average interest rates of 6.53% and 5.73% on July 31, 2022 and 2021, respectively)	163,796	71,809
Unamortized deferred financing costs	(6,467)	(3,041)
Total long-term debt, net	884,503	333,811
Less:		
Long-term debt—current portion	76,972	35,495
Unamortized deferred financing cost - current portion	(1,464)	-
Long-term debt—long-term portion	$ 808,995	$ 298,316

As of July 31, 2021, the Company had in place its prior credit facility ("Prior Credit Agreement") which had a maturity date of March 1, 2024. The Prior Credit Agreement allowed for a revolving borrowing capacity of up to $630,000, a term debt feature of $120,000 which was fully drawn in October 2020, and an accordion feature to increase the maximum borrowing amount up to $200,000, or to $950,000 in total.

In December 2021, the Company replaced the Prior Credit Agreement with a new revolving credit agreement ("Credit Agreement"). This Credit Agreement, dated December 29, 2021, is an Asset Based Lending facility. Upon execution, the Credit Agreement allowed for a revolving borrowing capacity of up to $1,300,000, a term debt feature of $109,459 which was fully drawn in December 2021, and an accordion feature to increase the maximum borrowing amount up to $300,000, or to $1,709,459 in total, upon request. In March 2022, the Company exercised an amendment ("March 2022 Amendment") to access the accordion feature for $250,000, increasing the total revolver borrowing capacity to $1,550,000.

The amounts available for borrowing under the Credit Agreement are limited to the borrowing base, as defined in the Credit Agreement. This agreement has a maturity date of December 29, 2026. Prior to the March 2022 Amendment, advances on the Credit Agreement, both revolving and term, bore interest at the 30-day London InterBank Offered Rate (LIBOR) plus a variable spread based on excess availability. After the March 2022 Amendment, advances on the Credit Agreement, both revolving and term, bear interest at the daily Secured Overnight Financing Rate (SOFR), plus a credit spread adjustment, plus a variable spread based on excess availability.

At July 31, 2022 and 2021, the Company classified the revolving amounts outstanding under the Credit Agreement as long-term on the consolidated balance sheets because (1) the Credit Agreement extends to December 29, 2026, and (2) management estimates that the Company will not be required to repay revolving amounts due under the Credit Agreement over the next twelve months.

The Credit Agreement also allows for the issuance by the lender banks of standby and documentary letters of credit for the account of the Company. These letters of credit, like the advances identified above, reduce the remaining amount available under the Credit Agreement. The Company had outstanding letters of credit of $25,297 and $4,005 as of July 31, 2022 and 2021, respectively. The unused amount under the Credit Agreement and the Prior Credit Agreement based on maximum capacity available was $925,603 and $494,304 as of July 31, 2022 and 2021, respectively.

All borrowings under the Credit Agreement are collateralized by a security agreement covering many of the Company's current assets and certain terminals. Such agreements restrict pledging the Company's assets to another party, except for warehouses and remaining terminals. The Credit Agreement contains various restrictive covenants relating to financial ratios that are either springing or fixed including, among others, fixed charge coverage ratio, cash dominion, position limits, and borrowing base limitations. In all circumstances, financial covenants under the Credit Agreements are measured using FIFO economic results, which removes the effects of LIFO inventory reserves and allows for the mark-to-market of refined products inventories. The Company has complied with all reporting and financial covenant testing requirements at July 31, 2022 and 2021.

Future debt payments related to long-term debt maturities at July 31, 2022, are as follows:

	Long-term Maturities	Revolver Maturity	Total Maturities
2023	$ 76,972	$ -	$ 76,972
2024	38,518	-	38,518
2025	37,279	-	37,279
2026	36,875	-	36,875
2027	79,865	599,100	678,965
Thereafter	22,360	-	22,360
Total	$ 291,870	$ 599,100	$ 890,970

The Company intends to renew or replace the Credit Agreement prior to maturity.

Future minimum finance lease payments at July 31, 2022 can be found in Note 14.

10. DERIVATIVE FINANCIAL INSTRUMENTS

As of July 31, the Company had the following notional volumes of outstanding petroleum-related derivatives (barrels in thousands) and RINs:

	2022		2021	
	Purchases	Sales	Purchases	Sales
Physical forward contracts:				
Gasoline	2,707	(2,135)	2,141	(2,122)
Oil	1,185	(2,733)	1,776	(2,279)
Other	533	(28)	472	(25)
Financial contracts:				
Gasoline	458	(1,626)	162	(2,043)
Oil	776	(714)	567	(2,000)
RINs	883	(1,480)	785	(1,259)
Other	2,157	(1,046)	561	(934)

The following table shows the impact that petroleum-related derivative assets and liabilities had on the Company's consolidated balance sheets as of July 31:

	2022	
	Asset	Liability
Commodity derivatives		
Derivative assets and liabilities	$ 55,845	$ 61,670
Other noncurrent assets and liability	1,123	1,787

	2021	
	Asset	Liability
Commodity derivatives		
Derivative assets and liabilities	$ 51,693	$ 73,713
Other noncurrent assets and liability	12,068	19,511

The Company does not net derivative assets and derivative liabilities that are subject to master netting or similar arrangements. The following tables show the potential effect of netting positions that are subject to master netting or similar arrangements:

	July 31, 2022		
	Gross Amount	**Potential Effects of Netting, Including Cash Collateral**	**Net Amount**
Derivative assets subject to master netting or similar arrangements	$ 7,431	$ 1,644	$ 5,787
Derivative assets not subject to master netting or similar arrangments	49,561	-	49,561
Total derivative assets	$ 56,992	$ 1,644	$ 55,348
Derivative liabilities subject to master netting or similar arrangements	$ 2,654	$ 1,644	$ 1,010
Derivative liabilities not subject to master netting or similar arrangements	60,803	-	60,803
Total derivative liabilities	$ 63,457	$ 1,644	$ 61,813

	July 31, 2021		
	Gross Amount	**Potential Effects of Netting, Including Cash Collateral**	**Net Amount**
Derivative assets subject to master netting or similar arrangements	$ 4,288	$ 726	$ 3,562
Derivative assets not subject to master netting or similar arrangments	59,473	-	59,473
Total derivative assets	$ 63,761	$ 726	$ 63,035
Derivative liabilities subject to master netting or similar arrangements	$ 1,918	$ 728	$ 1,190
Derivative liabilities not subject to master netting or similar arrangements	91,306	-	91,306
Total derivative liabilities	$ 93,224	$ 728	$ 92,496

The Company classifies as trading activities those transactions that, at inception, are intended to be settled in the near term with the objective of generating profits on short-term differences in prices. All applicable gains and losses related to energy trading activities, whether or not settled physically, are shown net in the consolidated statements of comprehensive income in petroleum and other product costs. Cash flows from derivative activities are presented within the derivative assets and liabilities—net line item within operating activities in the consolidated statements of cash flows.

The following table shows the Company's cash collateral positions as of July 31:

	2022	**2021**
Cash collateral provided to others	$ 15,593	$ 21,332

Cash collateral provided to others is recorded as margin deposits within the consolidated balance sheets.

As of July 31, 2022 and 2021, none of the derivative agreements with over-the-counter trading counterparties required the Company to provide cash collateral, letters of credit or other forms of collateral. Therefore, the Company is not subject to credit contingent collateral features with derivative contracts that would require the Company to post collateral in the future in the event of negative credit events affecting the Company.

11. FAIR VALUE MEASUREMENTS

The Company's assets and liabilities recorded at fair value have been categorized within the fair value hierarchy in accordance with ASC 820, which is discussed further within Note 2.

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of July 31, 2022 and 2021.

Each financial asset and liability is classified in its entirety based on the lowest level of input that is significant to the fair value measurement.

	July 31, 2022		
	Level 1	Level 2	Total
Assets:			
Cash and cash equivalents	$ 19,013	$ -	$ 19,013
Margin deposits	15,593	-	15,593
Rabbi trust investments	46,923	-	46,923
Derivative contracts	-	56,992	56,992
Total assets	$ 81,529	$ 56,992	$ 138,521
Total liabilities - derivative contracts	$ -	$ 63,457	$ 63,457

	July 31, 2021		
	Level 1	Level 2	Total
Assets:			
Cash and cash equivalents	$ 10,023	$ -	$ 10,023
Margin deposits	21,332	-	21,332
Rabbi trust investments	51,845	-	51,845
Derivative contracts	-	63,761	63,761
Total assets	$ 83,200	$ 63,761	$ 146,961
Total liabilities - derivative contracts	$ -	$ 93,224	$ 93,224

Derivative contracts consist primarily of futures contracts and forward contracts for the purchase and sale of petroleum-related products. The following table sets forth a reconciliation of changes in the fair value of derivatives classified as Level 3 in the fair value hierarchy:

	Net Derivative Assets and Liabilities	
	2022	2021
Balance—August 1	$ -	$ 13,038
Settlements	-	(12,660)
Transfers to level 2	-	3,285
Total gains (losses)—realized and unrealized	-	(3,663)
Ending balance—July 31	$ -	$ -

Realized and unrealized gains and losses included in earnings are recorded through petroleum and other product costs on the consolidated statements of comprehensive income. Gains and losses on the Company's derivative instruments were as follows:

	Amount of Gain (Loss) Recognized in Income	
	2022	**2021**
Derivatives not designated as hedges:		
Financial contracts	$ (288,249)	$ (145,165)
Forward contracts	(73,694)	(29,474)
Total derivatives not designated as hedges	$ (361,943)	$ (174,639)

12. POSTRETIREMENT AND OTHER COMPENSATION ARRANGEMENTS

The Company offers a nonqualified deferred compensation plan in which highly compensated associates, as defined by the Employee Retirement Income Security Act of 1974, are eligible to defer a percentage of their compensation for future retirement. As of July 31, 2022 and 2021, $46,923 and $51,845, respectively, was deferred by associates and reported as deferred compensation liability.

Amounts deferred by participants in the nonqualified deferred compensation plan are held in a Rabbi Trust. Investments in the Rabbi Trust consist of mutual funds and are recorded at fair value as deferred compensation plan investments in the consolidated balance sheets.

13. LONG-TERM INCENTIVE PLAN

The Company has established a long-term incentive plan ("LTIP") for officers, key employees, and the Board of Directors in which participants are awarded stock appreciation rights ("SARs") and restricted stock units ("RSUs") annually.

The SARs vest ratably on the first, second and third anniversaries of the date of grant. The employee RSUs have cliff vesting on the third anniversary of the date of grant. The Board of Director RSU's are 100% vested upon acceptance of the grant. The Company expenses the costs of these awards over the respective service period.

The SARs awards are granted with an exercise price equal to the appraised value of the Company's stock as of the date of the grant. The SARs provide for cash payment of the excess of the appraised value of the Company's stock on the date of exercise, plus profit distributions paid from grant date to exercise date, over the award value as of the grant date. SARS can be exercised any time after the second anniversary date until the seventh anniversary date at which time all SARs are paid in full.

The RSU awards are granted with an exercise price equal to the current appraised value of the Company. The RSUs provide for cash payment of the appraised value of the Company's stock on the date of exercise plus profit distributions paid from grant date to exercise date. Employee RSUs are paid in full at the third anniversary date of the award. Board of Directors RSU's are paid in full when the Board member leaves the Board.

The following table summarizes the activity of the SARs and RSUs awarded units for all participants, including Board members, as of July 31, 2022 and 2021:

Total awards outstanding	**SAR**	**RSU**
Outstanding—July 31, 2020	141,346	190,874
Granted	31,346	23,346
Exercised	(24,067)	(10,004)
Outstanding—July 31, 2021	148,625	204,216
Granted	24,258	18,028
Exercised	(13,171)	(19,870)
Outstanding—July 31, 2022	159,712	202,374
Vested as of July 31, 2022	153,874	195,435

As of July 31, 2022, total compensation expense related to SARs and RSUs not yet vested that will be recognized in future periods is $1,294 and $4,182, respectively. The following table summarizes the compensation expense for all LTIP participants for the years ended July 31, 2022 and 2021:

Compensation Expense for LTIP Award	**2022**	**2021**
SAR	$ 27,653	$ 19,151
RSU	42,776	33,150
Total compensation expense	$ 70,429	$ 52,301

The total LTIP liability for all participants as of July 31, 2022 and 2021 was $172,755 and $115,042, respectively.

The Company has also established incentive plans that have a long-term component for certain other key employees. Total compensation expense related to these plans for the years ended July 31, 2022 and 2021 was $6,403 and $9,200, respectively. The total liability for these plans as of July 31, 2022 and 2021 was $12,579 and $14,609, respectively.

14. LEASES

The Company leases various types of equipment, warehouse space, office facilities and storage, under noncancelable agreements, which expire at various dates. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, Operating lease liability – current portion, and Operating lease liability on the consolidated balance sheets. Finance leases are reported separately as Finance lease assets, Finance lease liability – current portion and Finance lease liability on the consolidated balance sheets. Equipment leases have remaining terms of 1-9 years, Vehicle leases have remaining terms of 1-7 years and Real estate leases have remaining terms of 1-13 years.

As of July 31, 2022 and 2021, the Company had entered into lease agreements that had not commenced; these leases include various types of equipment, warehouse space, and storage, which expire at various dates.

The Company's components of lease expense for the year ended July 31, are as follows:

	2022	**2021**
Operating lease cost	$ 59,678	$ 46,006
Short-term lease cost	$ 11,587	$ 2,986
Amortization of right-of-use assets	9,270	7,365
Interest on lease liabilities	728	638
Finance lease cost	$ 9,998	$ 8,003

Other information related to leases as of and for the year ended July 31, are as follows:

	2022	**2021**
Finance leases		
Leased assets	$ 44,627	$ 33,746
Less—accumulated amortization	(19,025)	(14,135)
Net finance lease assets	$ 25,602	$ 19,611
Current portion of lease liability	$ 9,212	$ 7,150
Non-current portion of lease liability	16,989	12,934
Total lease liability	$ 26,201	$ 20,084
Average remaining lease term (years)	3.44	3.00
Average discount rate	2.77%	3.24%
Assets capitalized through finance leases	15,408	8,609
Operating cash flows	728	638
Financing cash flows	9,281	7,244
Operating leases		
Leased assets	$ 326,743	$ 232,179
Current portion of lease liability	$ 50,840	$ 32,961
Non-current portion of lease liability	289,979	208,065
Total lease liability	$ 340,819	$ 241,026
Average remaining lease term (years)	8.32	9.45
Average discount rate	2.79%	2.16%
Assets capitalized through operating leases	148,600	40,760
Operating cash flows	56,334	44,706
Short term leases		
Operating cash flows	$ 11,587	$ 2,986

Future minimum lease payments under noncancellable leases as of July 31, 2022:

	Operating Lease	Finance Lease
2023	$ 59,543	$ 9,811
2024	51,778	7,671
2025	47,468	4,956
2026	43,768	3,050
2027	40,685	1,496
Thereafter	141,448	507
Total future minimum payments	$ 384,690	$ 27,491
Less imputed interest	43,870	1,290
Total	$ 340,819	$ 26,201

15. RELATED-PARTY TRANSACTIONS

The Company, certain of its shareholders, and employees, have financial interests in companies that engage in business activities with the Company. Management reviews such transactions with the Board of Directors on a regular basis.

In fiscal 2021, the Company recorded a $3,747 distribution to HoldCo representing the net book value of two distribution facilities. HoldCo then distributed these facilities to Better Way Investments, LLC (“BWI”), a newly formed, wholly owned subsidiary of HoldCo, whose primary purpose is to own and operate facilities that are then leased to the Company. BWI also acquired another location in March 2021 from a third party. All three of these facilities are leased at market rates to the Company. The Company has a right of use asset and operating lease liability for these leases of $8,563 and $13,425 in the consolidated balance sheets as of July 31, 2022 and 2021, respectively. Total lease costs incurred related BWI totaled $1,609 and $897 for 2022 and 2021, respectively, which is recorded in operating expenses in the consolidated statements of comprehensive income.

As noted in footnote 4, the Company has made investments in Basin and GPIC. Certain shareholders have also directly invested in these entities and are actively involved in their operation.

In July 2021, the Company, along with certain related party shareholders, notified Basin noncontrolling shareholders they intended to exercise their option to acquire their shares in August 2021. The Company’s portion of this call option was $6,984 and was recorded as a reduction of noncontrolling interest in the statement of stockholders equity and accrued liability in the consolidated balance sheets as of July 31, 2021. In August 2021, the Company paid the entirety of the call option.

The Company provided funds of $2,658 and $2,820 to Basin and GPIC via promissory notes during fiscal years 2022 and 2021, respectively. Such notes were eliminated upon consolidation of these entities. The Company provided funds to certain related party shareholders of $542 during 2022 that were paid in full. In addition, the Company received funds from certain related party shareholders of $1,412 during 2021 that is recorded in long-term debt in the consolidated balance sheets.

The Company has administrative service arrangements with BWI, Basin and GPIC generally performing all administrative activities for these entities at rates that approximate market.

16. SAVINGS AND RETIREMENT PLAN

The Company has a qualified 401(k) plan covering substantially all associates over the age of 20 who have met all service requirements. The Company matches employee contributions up to specified levels and also makes a discretionary contribution to qualified associates. Total matching and discretionary contributions expense amounted to $13,877 and $10,307 in fiscal years 2022 and 2021, respectively.

17. EQUITY

Common Stock Repurchase Agreement—The Company has a common stock repurchase agreement that provides the guidelines for establishing an appraised value for all common stock of the Company.

The agreement establishes the terms for trading and transferring the stock between shareholders and/or the Company. Under certain circumstances, the Company may be required to buy shares of common stock from a shareholder(s) up to 5% of first-in, first-out (FIFO) economic equity, or $19,389 and $20,310, as of July 31, 2022 and 2021, respectively. In 2022, the Company did not purchase any shares under the terms of this agreement. In 2021, the Company purchased 27,858 shares for $6,954 under the terms of this agreement.

18. CONTINGENCIES

The Company accrues liabilities for contingent losses when management believes that a loss is probable and the amounts can be reasonably estimated, while contingent gains are recognized only when realized. In the event any losses are sustained in excess of accruals, the excess will be charged against income at that time.

The Company has recorded a liability of $4,000 and $12,000 as of July 31, 2022 and 2021, respectively, related to a commercial lawsuit. Litigation is ongoing and while the Company believes it has meritorious defenses, any potential adverse judgment could exceed the liability recorded by an amount that could be material.

The Company is also involved in various claims and lawsuits incidental to its business. In addition, the Company is contingently liable under performance guarantees in various contractual arrangements. In the opinion of management, the ultimate liabilities related to these claims and guarantees will not have a material effect on the consolidated financial statements.

Environmental Laws and Regulation—The Company is subject to extensive federal, state, and local environmental laws and regulations.

19. SUBSEQUENT EVENTS

Subsequent events were evaluated for potential recognition or disclosure through October 11, 2022, which is the date the financial statements were available to be issued.

On August 1, 2022, the Company entered into an operating agreement and committed to provide up to $5,000 in funding to a newly created joint venture between the Company and an unrelated third party. An initial investment of $2,000 in cash will be made in fiscal 2023, with an additional $3,000 to be paid upon attainment of certain earnings targets. The Company will account for its investment in the joint venture under the equity method of accounting beginning in fiscal 2023.

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