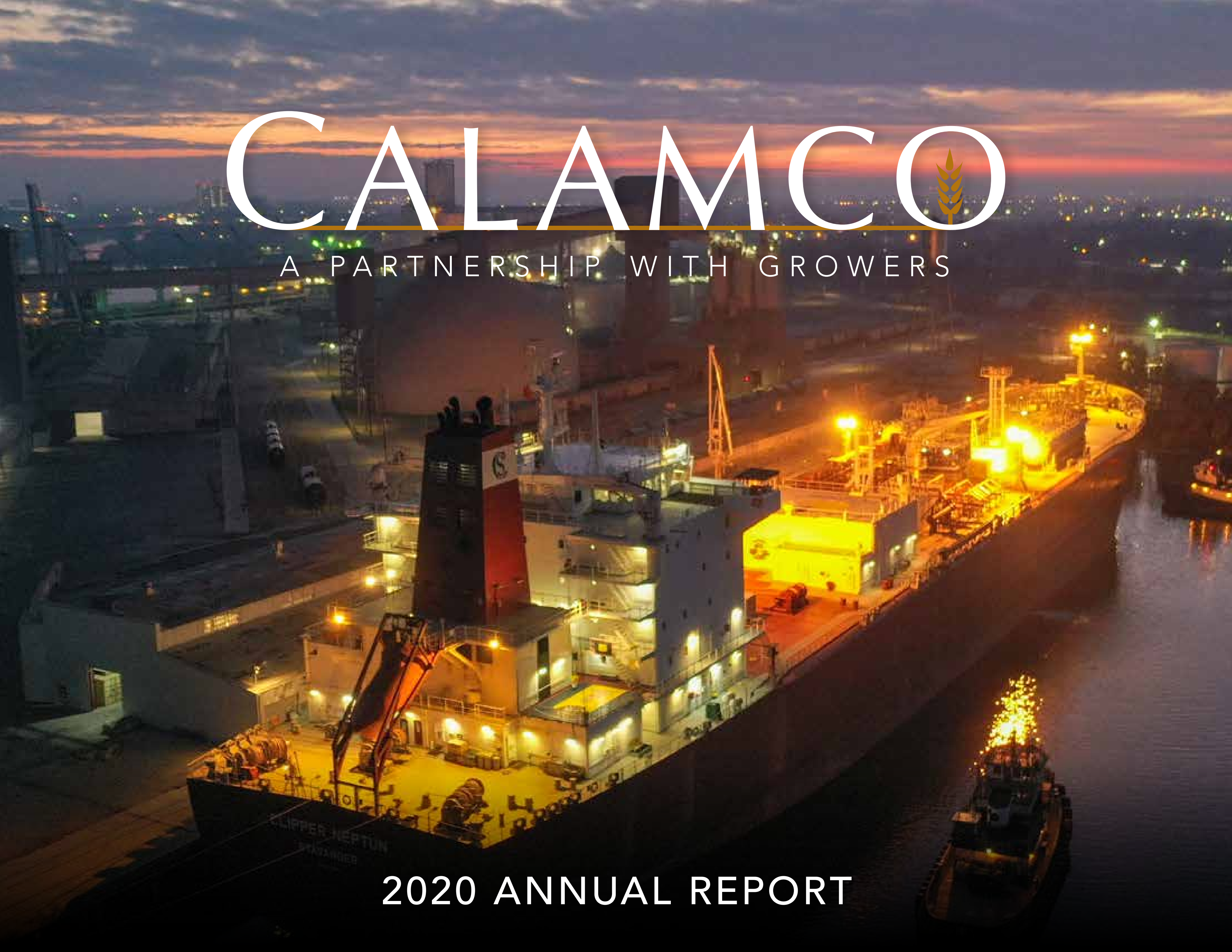
CALAMCO

A PARTNERSHIP WITH GROWERS



2020 ANNUAL REPORT

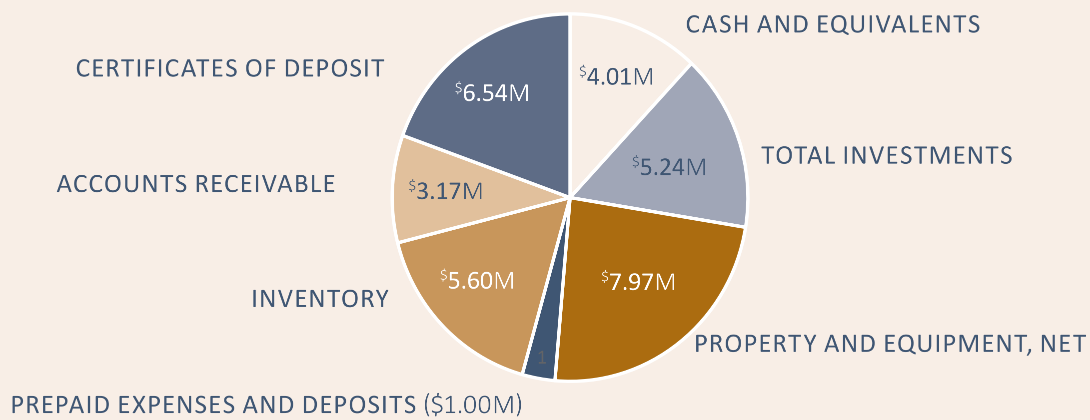
FINANCIAL HIGHLIGHTS

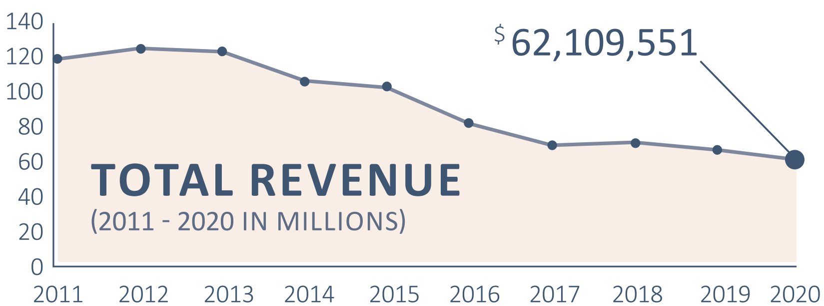
$6.82M
Cash Patronage Allocated to Participating Shareholders

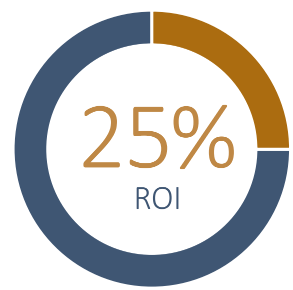
$12.72M
Net Working Capital

$24.98M
Shareholders Equity

ASSETS AT YEAR END: $ 33,525,216







2.07M
Shares Outstanding

1,000
Shareholders

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MESSAGE TO SHAREHOLDERS

As we entered 2020, we could not have imagined how this particular year would unfold. By early March, we began to hear about the Coronavirus, which was spreading quickly, and would soon be called a pandemic. Who could have imagined shortages of toilet paper and sanitizers? We had no idea how widespread the effects of this pandemic would become; however, we soon realized the consequence of this virus would directly impact us as well.

Koch Nitrogen is a major, global supplier of anhydrous ammonia, and has supplied CALAMCO ammonia since January 2006. Every two to three years, CALAMCO goes out to bid for our ammonia supply. Koch Nitrogen has continually been able to outbid the competition. One of the main reasons is the proximity of their supply, which is Trinidad. Another reason is who else they supply – specifically, Grupo Fertinal, Mexico.

Grupo Fertinal is a large fertilizer production facility in Mexico, that imports anhydrous ammonia to manufacture various nitrogen-based fertilizer products. Grupo Fertinal was acquired by Petroleos Mexicanos, through its productive subsidiary company Pemex Fertilizers in 2016. Domestic demand for fertilizer in Mexico surpasses 4.2 million tons per year for nitrogen, phosphate, and potash products, and Fertinal produces approximately 30% of that demand. Koch nitrogen supplies the Fertinal production facility anhydrous ammonia, giving them the ability to load larger vessels. Thus, they are able to provide cost savings on freight by offloading product in Mexico on the way to our facility in Stockton.

Our inbound supply ship, which was scheduled to arrive in Stockton April 27, was delayed at its interim stop at the Fertinal facility in Mexico due to an outbreak of COVID-19. The plant was forced to evacuate 3,094 workers from marine installations as part of the company's measures to prevent the spread of the virus.

The ship was unable to depart Mexico for Stockton until it could unload approximately 9,000 tons of product. This was necessary to lighten the ship's draft, allowing it to sail up the San Joaquin River. As soon as Koch was aware of the situation, a second ship was light loaded, sailing from Trinidad on April 23, arriving in Stockton the afternoon of May 8.

Our inventory is always completely full prior to April in anticipation of the busy season. A typical year would kick in around mid-April and last through late May, with the strongest demand hitting the end of April and early May. Dry weather had growers cultivating ground earlier than normal and the vessels estimated time of arrival of April 27-28 was crucial as inventory was running extremely low. In fact, in the spring of 2020, we had shipped twice as much product by April 23 as we had in the previous five years for the same timeframe.

We were informed that our vessel would be delayed on April 23, and immediately began allocating product on April 24. Even so, inventory became so low that we were no longer able to load trucks a few days prior to the vessel's arrival. Had this event occurred in a year like any of the previous five years, we would have had adequate inventory to get us through until the vessel's arrival, even with the delay.

Once the vessel arrived and we began offloading product into our storage, we were able to resume shipping at full capacity. ■

SAFETY

Throughout 2020, CALAMCO closely followed news about the Coronavirus and the implementation of "shelter in place" restrictions that took place in counties across California, along with the rest of the country, for non-essential businesses. Agriculture and ag-related businesses are exempt from these rules and fall under "businesses needed to supply or support other essential businesses" category.

In September, CALAMCO hosted twenty Hazardous Materials Technician certified responders from various fire departments throughout northern California to participate in plant familiarization and hands-on ammonia release training. Situational awareness and plant familiarization are the critical elements for responders in establishing the best course of action in an emergency. The best preparedness comes from activity-based training scenarios. CALAMCO employees discuss and review railcars, and likely causes of transportation leaks, with firefighters. This type of training benefits first responders by presenting real-life emergency scenarios with relevant skill-building activities. This practice is educational for firefighters, as well as CALAMCO employees, as they learn what first responders need to mitigate potential emergencies safely.

We recognize the sensitivity and concern the COVID-19 virus created and have taken every reasonable precaution to keep our employees, and those that we are in contact with, safe by implementing the best practices and prevention recommendations from guidelines listed by the Centers for Disease Control. ■

OPERATIONS

CALAMCO added to its fleet of ammonia trailers in 2020 by purchasing twenty-five C-Grade (commercial or “Ag” grade) QT (quenched tank) trailers. This brings our total C-Grade fleet to fifty trailers. The new trailers were manufactured and arrived in Stockton over the 2020 Fall/Winter timeframe, allowing us ample time to have trailers ready to service customers for our 2021 Spring season.

We also received our first R-Grade (refrigeration grade) NQT (non-quenched tank) trailer in 2020. CALAMCO supplies R-Grade anhydrous ammonia to the Industrial market through an established Industrial distributor base. The acquisition of this new trailer allows CALAMCO the ability to assist with the delivery of R-Grade product. ■

MARKETING

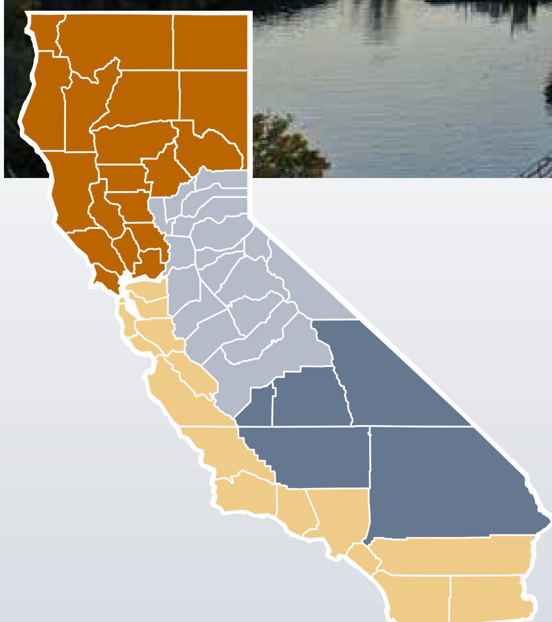
Despite the challenges we faced in 2020, CALAMCO ended the year with $6.8 million in total patronage. This put us on target with our projected rebate of $33.07 per ton. Those who utilized online reporting and direct deposit were able to increase their rebate per ton by $2 bringing the total rebate to $35.07 per ton.

We are pleased with the continued increase in members reporting online. Online reporting increased from 51% last year to 61% of the total use reports received this year. In addition, those growers that have signed up to be paid via direct deposit increased from 10% two years ago to 60% this year. Inactive shares continue to be moved to active status. This past year, 77% of our members reported fertilizer use.

In 2020, members voted in bylaw changes. Two of the changes pertain to what constitutes a quorum. Specifically, instead of the need to have a majority of Class A and B directors combined be present, a majority of each, Class A directors and a majority of Class B directors, must now be present.

Another change pertains to stock ownership. Membership is no longer limited to residents of California but broadened to doing business in California. This allows us to expand our shareholder base geographically. We also now have the ability to clean up our inactive membership, which provides a significant cost savings. ■

BOARD OF DIRECTORS



ALAN FREESE
District 1

CASE VAN STEYN
Chairman; District 2

DOUG DEVANEY
District 3

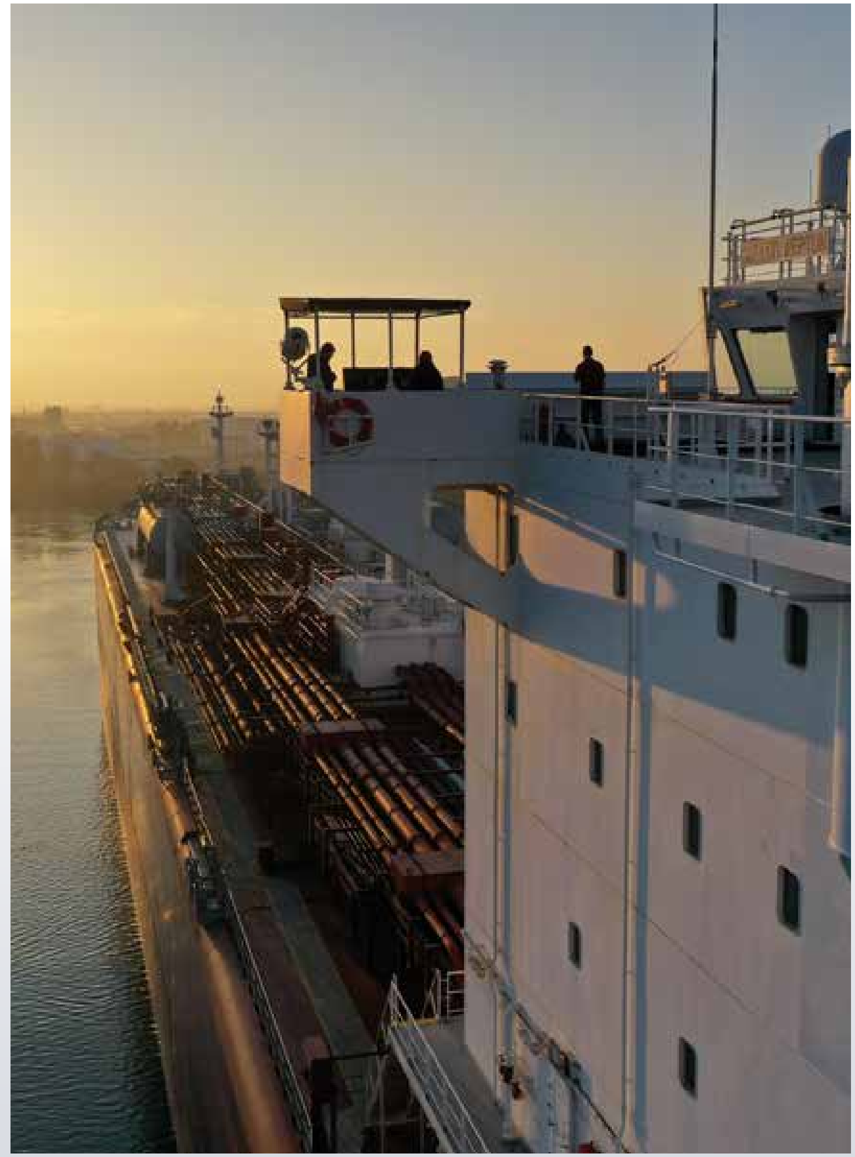
BARDIN BENGARD
District 4

G.REY REINHARDT
J.R. Simplot Co.

CHRIS SHELDEN
J.R. Simplot Co.

RICHARD SUNDERLAND
J.R. Simplot Co.

FINANCIAL



CALAMCO's revenues for 2020 were $62.1 million, compared to $71.8 million for 2019. Total cost of materials and expenses were $54.9 million compared to $62.8 million for 2019, leaving a consolidated net margin for 2020 of $7.2 million compared to $9 million for 2019. The Board of Directors declared a distribution of patronage income of $6.8 million which was paid out to members based on 200,765 tons of qualifying ammonia equivalent. We returned a base dividend of $33.07 per ton of ammonia equivalent to qualifying members for our 2020 fiscal year, which equates to a 25% return on investment for stock purchased at $20 per share.

Shareholder equity of $25 million is up from $24.4 million in our 2019 fiscal year. The company's $2 million available line of credit had no outstanding balance at year end.

The financial condition of CALAMCO remains as strong as ever. CALAMCO's on-going financial strength is reflected in the following financial statements. ■

DAN STONE
President, Chief Executive Officer

CASE VAN STEYN
Chairman of the Board

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CALAMCO

STOCKTON, CALIFORNIA

We have audited the accompanying financial statements of CALAMCO, which comprise the balance sheets as of October 31, 2020 and 2019, and the related statements of net margin and distribution of net margin, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CALAMCO as of October 31, 2020 and 2019, 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. ■

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Roseville, California
December 11, 2020

BALANCE SHEETS

ASSETS AS OF OCTOBER 31,	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 4,008,635	$ 6,915,337
Certificates of deposit	6,543,296	9,357,726
Accounts receivable (Net of allowance for doubtful accounts of $10,046 and $50,000 for 2020 and 2019, respectively)	3,166,976	2,820,566
Inventory	5,603,807	6,899,495
Prepaid expenses and deposits	995,644	896,389
TOTAL CURRENT ASSETS	20,318,358	26,889,513
PROPERTY AND EQUIPMENT, NET	7,970,959	6,243,089
INVESTMENTS		
LLC (1)	2,000,000	2,000,000
NH3 plant (1)	2,992,929	3,382,929
Insurance program (1)	242,970	209,474
TOTAL INVESTMENTS	5,235,899	5,592,403
TOTAL ASSETS	$ 33,525,216	$ 38,725,005

LIABILITIES AND SHAREHOLDERS' EQUITY AS OF OCTOBER 31,	2020	2019
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 3,093,694	$ 7,200,623
Income taxes payable	800	800
Patronage dividend due to shareholders	4,508,458	5,783,197
TOTAL CURRENT LIABILITIES	7,602,952	12,984,620
Deferred revenue	474,207	699,995
Deferred compensation plan	463,151	604,458
TOTAL LIABILITIES	8,540,310	14,289,073
COMMITMENTS AND CONTINGENCIES (10)		
SHAREHOLDERS' EQUITY		
Common stock	5,179,872	5,179,873
Additional paid-in capital	11,502,386	11,297,384
Retained earnings	8,436,166	8,050,729
Common stock subscriptions	(133,518)	(92,054)
TOTAL SHAREHOLDERS' EQUITY	24,984,906	24,435,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 33,525,216	$ 38,725,005

See accompanying Notes to the Financial Statements

STATEMENTS OF NET MARGIN AND DISTRIBUTION OF NET MARGIN

REVENUES FOR YEARS ENDED OCT OBER 31,	2020	2019
Sales	$ 59,408,847	$ 68,442,274
Terminaling	2,379,983	2,868,705
Interest income and other	320,721	514,337
TOTAL REVENUES	$ 62,109,551	$ 71,825,316

COSTS AND EXPENSES FOR YEARS ENDED OCTOBER 31,	2020	2019
Cost of materials, operations, and distribution	$ 51,956,063	$ 60,135,614
Selling, general, and administrative expenses	2,783,812	2,485,641
Interest expense and other	161,269	155,793
TOTAL COSTS AND EXPENSES	54,901,144	62,777,048
NET MARGIN BEFORE TAXES	7,208,407	9,048,268
Income tax expense	800	800
NET MARGIN	$ 7,207,607	$ 9,047,468
Net margin from member business	$ 6,822,170	$ 8,925,643
Net margin from non-member business	385,437	121,825
NET MARGIN	$ 7,207,607	$ 9,047,468

See accompanying Notes to the Financial Statements

STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCES AT NOVEMBER 1, 2018	2,068,733	$ 5,172,040	$ 11,082,693	$ 7,928,904	$ (202,794)	$ 23,980,843
Issuance of common stock	32,350	80,875	566,125	-	(10,000)	637,000
Retirement of common stock	(37,977)	(73,042)	(351,434)	-	-	(424,476)
Payments received on common stock subscriptions	-	-	-	-	120,740	120,740
Distributions declared	-	-	-	(8,925,643)	-	(8,925,643)
NET MARGIN	-	-	-	9,047,468	-	9,047,468
BALANCES AT OCTOBER 31, 2019	2,063,106	$ 5,179,873	$ 11,297,384	$ 8,050,729	$ (92,054)	$ 24,435,932

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCES AT OCTOBER 31, 2019	2,063,106	$ 5,179,873	$ 11,297,384	$ 8,050,729	$ (92,054)	$ 24,435,932
Issuance of common stock	33,480	83,700	612,149	-	(89,000)	606,849
Retirement of common stock	(28,203)	(83,701)	(407,147)	-	-	(490,848)
Payments received on common stock subscriptions	-	-	-	-	47,536	47,536
Distributions declared	-	-	-	(6,822,170)	-	(6,822,170)
NET MARGIN	-	-	-	7,207,607	-	7,207,607
BALANCES AT OCTOBER 31, 2020	2,068,383	$ 5,179,872	$ 11,502,386	$ 8,436,166	$ (133,518)	$ 24,984,906

See accompanying Notes to the Financial Statements

STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	2020	2019
Net margin	$ 7,207,607	$ 9,047,468
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	1,230,006	1,234,707
Gain on investments, net	(42,136)	(86,646)
Effect of changes in:		
Accounts receivable, net	(346,410)	754,290
Inventory	1,295,688	2,934,547
Prepaid expenses and deposits	(99,255)	(224,094)
Deferred compensation	(141,307)	(100,562)
Deferred revenue	(225,788)	(225,788)
Accounts payable and accrued expenses	(4,106,929)	(87,458)
Distribution from equity method investment	8,640	323,137
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,780,116	13,569,601
CASH FLOWS FROM INVESTING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2020**	**2019**
Purchases of property and equipment	(2,957,876)	(887,510)
Maturities of certificates of deposit	19,795,994	22,532,845
Purchases of certificates of deposit	(16,981,564)	(21,027,886)
Proceeds from sale of investment	390,000	1,000,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	246,554	1,617,449
CASH FLOWS FROM FINANCING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2020**	**2019**
Proceeds from issuance of common stock	606,849	637,000
Retirement of common stock	(490,848)	(424,476)
Payments received on common stock subscriptions	47,536	120,740
Distributions to members	(8,096,909)	(12,894,825)
NET CASH USED IN FINANCING ACTIVITIES	(7,933,372	(12,561,561)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,906,702)	2,625,489
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,915,337	4,289,848
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,008,635	$ 6,915,337
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION FOR YEARS ENDED OCTOBER 31,	**2020**	**2019**
Cash paid for income taxes	$ 800	$ 800
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2020**	**2019**
Common stock subscriptions issued	$ 89,000	$ 10,000
Accrual of patronage dividend due to shareholders	$ 4,508,458	$ 5,783,197

See accompanying Notes to the Financial Statements

NOTE 1:
Summary of Significant Accounting Policies

The following items comprise the significant accounting policies of CALAMCO (the Company). The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Company's Activities:

CALAMCO, located in Stockton, California, is a non-exempt agricultural cooperative that sells and transports anhydrous ammonia and related fertilizer products to its members. The Company also provides terminaling services. Patronage retains are levied and remitted to members at the discretion of the Board of Directors.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid instruments with a maturity, at date of purchase, of three months or less to be cash equivalents.

Certificates of Deposit:

The Company holds certificates of deposit totaling $6,543,296 and $9,357,726 at October 31, 2020 and 2019, respectively. The certificates bear interest ranging from 0.13% to 0.80% and have maturities of six to ten months.

Accounts Receivable:

Receivables are carried at the original invoice amount and are written off to expense in the period in which they are deemed uncollectible. The Company provides for estimated losses on accounts receivable based on historical bad debt experience and a review of existing customer receivables. Past due status is based on the terms of each sale. Management's evaluation of accounts receivable resulted in an allowance of $10,046 and $50,000 for the years ended October 31, 2020 and 2019, respectively. The Company charges 1.5% interest per month on past due balances over 30 days.

Inventories:

Inventories, which consist primarily of anhydrous ammonia and aqua ammonia, are carried at the lower of cost (first-in, first-out method) and net realizable value.

Exchanged Inventory:

Prior to May 31, 2019, the Company had agreements with another ammonia supplier whereby product was loaned between the Company and the other supplier. These loans were denominated in ammonia. The year-end position (payable or receivable) and offsetting inventory were recorded net in the accompanying financial statements. As of the year ended October 31, 2019, this agreement had been terminated.

Property and Equipment:

Property and equipment is stated at cost, less accumulated depreciation. Costs of repairs and maintenance are charged to expense. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from 3 to 50 years. Periodically, the Company assesses the recoverability of its long-lived assets to determine if assets have been impaired. Any impairment loss would be measured at the excess of the carrying amounts of assets over their fair value.

Investments:

A) Insurance Program: The Company became a member of a multi-provider captive insurance company (the Captive) for general liability, auto, and workers' compensation insurance in 2006. The Company's investment for the membership interest is included in investments and accounted for using the equity method.

The Captive agreement provides for specific deductibles, a risk sharing pool, and layers of indemnity coverage. Any surplus or deficit of the Risk Pool in respect of a policy year after meeting the attributable claims and expenses shall be credited or debited to the dividend pool balances of the shareholders in accordance with their risk pool allocations. The investment balances, which reflect the expected future payouts from the dividend pool, were $242,970 and $209,474 as of October 31, 2020 and 2019, respectively.

The Company amortizes the premiums paid to the Captive over the policy year. At October 31, 2020 and 2019, the Company has a $315,039 letter of credit available for possible claims. Management estimates any contingent liabilities under the Captive agreement are not material.

Summarized financial information is based upon the most recent financial reports available for the Captive at June 30, 2020 and December 30, 2019 is as follows:

	Unaudited 2020	Audited 2019
Total assets	$114,773,003	$103,108,467
Total liabilities	74,327,168	61,550,361
Net income	1,736,214	14,132,934

B) LLC Investment: During 2015 the Company purchased 25,000 Class A shares in an Arizona Limited Liability Company (the LLC) for the total sum of $2,000,000 for an 8.5% stake. The LLC is in the business of developing next generation nitrogen fertilizer production technology and has a patent for a zero emissions combined fertilizer and thermal power plant. The Company's interest in the investment is accounted for using the cost method with original investment recorded at cost, plus or minus observable change in value and less impairment. During the current year, there was no observable change in value and there was no impairment recognized.

C) NH3 Plant Investment: During 2016 the Company purchased 30,000 units (share equivalents) in a Delaware Limited Liability Company (DLLC) for the total sum of $3,000,000 for a 4.11% stake. During 2017 the Company purchased an additional 13,829 units in the DLLC for $1,382,929 increasing its stake to 5.89%. In 2019, the Company sold 10,000 units of its investment in DLLC for $1,000,000. During the year ended October 31, 2020, the DLLC repurchased 3,900 shares of the Company's investment for $390,000. The DLLC plans to build a NH3 Plant that will produce nitrogen-based fertilizer using next generation production technology. The Company's interest in the investment is accounted for using the cost method. The Company's interest in the investment is accounted for using the cost method with original investment recorded at cost, plus or minus observable changes in value and less impairment. During the current year, there was no observable change in value and there was no impairment recognized.

Impairment of Long-Lived Assets:

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses recognized for long-lived assets as of October 31, 2020 and 2019.

Income Taxes:

Under the federal tax code, the Company is a non-exempt cooperative association. Non-exempt cooperatives accrue income taxes on net non-patronage proceeds. No provision for taxes is made for net patronage proceeds paid or allocated to members as qualified notices of allocation.

Deferred tax assets and liabilities are calculated by applying applicable tax rates to the non-patronage differences between the financial statement basis and tax basis of assets and liabilities currently recognized in the financial statements. Deferred tax liabilities and assets are classified as noncurrent on the balance sheet. The accounting standard for uncertain tax positions prescribes a recognition threshold and measurement process for accounting and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Company does not have any entity level uncertain tax positions.

It is the Company's policy to include interest and penalties related to unrecognized tax benefits within the provision for income taxes on the statement of net margin. No amounts were recognized for interest and penalties related to unrecorded tax benefits during fiscal years 2020 or 2019.

Patronage Retains:

Net margin may be retained or distributed to members at the option of the Board of Directors. The Board annually determines whether additional retains are needed.

Member Distributions:

Net margins from member business are distributed on the basis of patronage, not to exceed a calculation based on the number of shares of common stock owned by the individual member.

Adoption of New Accounting Standards:

Effective November 1, 2019 the Company adopted the Financial Accounting Standards Board's Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (Topic 606), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Company financial position and results of operations upon adoption of the new standard.

Effective January 1, 2019, the Company adopted Accounting Standards Update No. 2016-15 Statement of Cash Flows. Due to the lack of available information the Company elected to treat equity method distributions under the cumulative earnings approach, retrospectively. As a result of this adoption equity method distributions are reported as an operating activity within the statements of cash flows.

Revenue Recognition:

The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company enters into contracts with its customers to sell ammonia-based fertilizer products (products) which are generally short-term contracts allowing for the satisfaction of all performance obligations in less than one month. The Company also enters into terminaling contracts with a related party where the Company charges a terminaling fee (see Note 11). A contract exists when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. The Company's contracts with customers typically include a single performance obligation to transfer its products.

The pricing and payment terms for contracts are based on the Company's standard terms and conditions. Contracts do not contain a significant financing component, as the Company's standard terms and conditions generally require payment 30 days from the invoice date.

Revenue is recognized when control of products including shipping and handling fees billed to customers has transferred to customers. For the majority of the Company's customer arrangements related to ammonia product sales, control transfers to customers at a point in time when the products have been delivered to the customer as that is generally when legal title, physical possession, and the risks and rewards of the products transfers to the customer. Revenues related to terminaling fees are recognized over time.

The timing of revenue recognition, billings, and cash collections results in receivables, contract assets, and contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the balance sheets. The Company does not have significant contract assets as of October 31, 2020 or 2019. The Company had certain contract liabilities as of October 31, 2020 and 2019 included in deferred revenue related to terminaling revenue and deferred lease liability.

The Company has elected a practical expedient to recognize incremental costs incurred to obtain contracts, which primarily represent sales commissions where the amortization period would be less than one year, as an expense when incurred in the financial statements.

The transaction price includes estimates for reductions in revenue from prompt payment discounts, the right to return eligible products, and/or other forms of variable consideration. These amounts are estimated based upon the most likely amount of consideration to which the customer will be entitled. All estimates are based on historical experience, anticipated performance and the Company's best judgment at the time to the extent it is probable that a significant reversal of revenue recognized will not occur. All estimates for variable consideration are reassessed periodically.

Amounts billed to customers related to shipping and handling costs are included in net revenue in the statement of margin and distribution of net margin. The Company has elected to account for shipping and handling costs as fulfillment costs and are included in cost of sales in the combined statements of income.

Rental income is recognized under the current lease standards with the exception of certain ancillary non-lease revenue items. The Company had no ancillary non-lease revenue items that fall under the guidance of Topic 606.

Recently issued Accounting Pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which changes accounting requirements for leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. In May 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 for fiscal years beginning after December 15, 2021 for nonpublic companies. Early adoption is permitted. Management is currently evaluating the effects of this new standard.

Reclassifications:

Certain amounts in the financial statements as of October 31, 2019 have been reclassified to conform to the presentation in the financial statements as of and for the year ended October 31, 2020.

NOTE 2:

Property and Equipment

Property and equipment as of October 31, 2020 and 2019 consist of the following:

	2020	2019
Land	$ 70,000	$ 70,000
Plant equipment	35,278,003	34,332,165
Construction in progress	2,053,605	41,571
Total	37,401,608	34,443,736
Less accumulated depreciation	29,430,649	28,200,647
Property and equipment, net	$ 7,970,959	$ 6,243,089

Depreciation expense amounted to $1,230,006 and $1,234,707 for the years ended October 31, 2020 and 2019, respectively.

NOTE 3:
Income Taxes

The components of the provisions for income taxes for the years end October 31, 2020 and 2019 are as follows:

	2020	2019
Federal:		
Current tax expense (benefit)	$ -	$ -
Deferred tax (benefit) expense	-	-
	-	-
State:		
Current tax expense (benefit)	800	800
Deferred tax (benefit) expense	-	-
	800	800
Total tax (benefit) expense	$ 800	$ 800

The Company recognized a $104,378 Federal and a $60,115 State tax refund during 2018 related to prior period amended tax returns. The related State tax refund was received in 2019 while the Federal tax refund is included in accounts receivable as of October 31, 2020. The 2019 Federal tax refund's payment is pending the resolution of an additional Federal tax refund claim, which is currently under review by the Internal Revenue Service.

The components of net deferred tax assets (liabilities) as of October 31, 2020 and 2019 are as follows:

	2020	2019
Deferred tax assets (liabilities):		
Accruals	$ 1,895	$ 988
Allowance for doubtful accounts	154	656
Deferred compensation	7,115	7,933
Other	1,563	487
Depreciation	(257,332)	(242,636)
Net operating loss carry-forwards	320,283	416,314
Net deferred tax assets	73,678	183,742
Valuation allowance	(73,678)	(183,742)
Net deferred tax assets (liabilities)	$ -	$ -

The Company has total deferred tax assets of $331,010 and $426,378 at October 31, 2020 and 2019, respectively. Deferred taxes relate primarily to federal and state net operating loss carry-forwards (NOL carry-forwards). Gross Federal and State NOL carry-forwards totaled $1,388,754 and $615,674, respectively. Federal and State NOL carry-forwards begin to expire in the fiscal year ending 2034 and 2037, respectively.

The valuation allowance for deferred tax assets as of October 31, 2020 and 2019 was $73,678 and $183,742, respectively. The net change in the total valuation allowance was a decrease of $110,064 and $43,978 for the years ended October 31, 2020 and 2019, respectively. The valuation allowance relates to uncertainties about the ability to realize the net operating loss carry-forwards as a result of the Company's current operating performance related to non-patronage business. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

NOTE 4:
Leases

The Company leases administrative offices, railcars, and certain other equipment under operating lease agreements. Port terminal space is also leased under an agreement that expires, following a 20-year extension, in December 2041. All ammonia is delivered through this port.

Future minimum lease payments for noncancellable operating leases with terms in excess of one year as of October 31, 2020 are as follows:

Year Ending October 31:	
2021	$ 960,106
2022	920,120
2023	826,889
2024	706,082
2025	541,860
Thereafter	7,385,308
	$ 11,340,365

The port lease agreement also entitles the Company to receive a wharfage credit against the lease expense based on a tonnage delivered to the port. The lease agreement provides that the Company may be required to remove improvements to the property at its cost at the conclusion of the lease. The Company estimates that the present value of any removal costs is not material. Rental expense incurred under operating leases (including month-to-month rentals) was $955,553 and $957,097 for the years ended October 31, 2020 and 2019, respectively.

On March 13, 2014 the Company entered into a sublease agreement for a portion of the land from the port. The sublease agreement is between the Company (sublessor) and Crowne Cold Storage LLC (sublessee). The specific terms of the sublease agreement call for $500,000 to be paid by the sublessor to the sublessee in the first three years of the lease, after which the payments decrease to $40,000 per year for all years after December 31, 2016. Future minimum expected lease receipts are as follows:

Year Ending October 31:	
2021	$ 40,000
2022	40,000
2023	40,000
2024	40,000
2025	40,000
Thereafter	720,000
	$ 920,000

The Company recognizes rental income under the straight line method and has recorded a deferred rent liability of $262,414 and $276,390 within deferred revenue on the balance sheets as of October 31, 2020 and 2019, respectively. Rental income recognized for the years ended October 31, 2020 and 2019 was $53,976, respectively.

NOTE 5:
Bank Financing

On October 19, 2015, the Company entered into a credit agreement which had an available borrowing limit of $5,000,000 at October 31, 2016. The Company's line of credit is limited to the lesser of combined totals of 65% of inventories and 80% of eligible accounts receivable or a fixed amount as defined in the line of credit agreement. The fixed amount fluctuates from a minimum of $2,000,000 to a maximum of $3,500,000 over the life of the agreement. At October 31, 2020, the maximum line of credit available amounted to $2,000,000. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375% and expires on October 1, 2022. No balance was outstanding at October 31, 2020 and 2019.

The Company has available letters of credit that may not exceed $1,000,000. The letter of credit in the amount of $315,039 was outstanding at October 31, 2020 and 2019. The letter of credit matures on October 1, 2022. The Company must pay a non-refundable fee equal to 1.375% per annum of the outstanding undrawn amount of each standby letter of credit, payable annually in advance, calculated on the basis of the face amount of outstanding on the day the fee is calculated.

The credit facilities are subject to an unused commitment fee of .20% per year based on the daily amount of credit outstanding. In the event the Company does not need the full amounts of credit, the Company may lower the upper limits in the existing agreements.

The Company's bank financing is collateralized by substantially all of the Company's accounts receivable, inventory, and equipment.

NOTE 6:
Common Stock

Common stock consists of the following:

	October 31, 2020	2019
Class A, par value $2.50 per share, 1,200,000 shares authorized; 1,023,314 and 1,052,314 shares issued and outstanding at October 31, 2020 and 2019, respectively.	$ 2,558,284	$ 2,630,785
Class B, par value $2.50 per share, 1,250,000 shares authorized; 1,048,635 and 1,019,635 shares issued and outstanding at October 31, 2020 and 2019, respectively.	2,621,588	2,549,088
	$ 5,179,872	$ 5,179,873

Class A shareholders are entitled to elect at least a simple majority of directors. Class B shareholders are entitled to elect at least one director. J.R. Simplot Co. and affiliates are a 37% shareholder of the Company. 73% of the Class B common stock is owned by Cal Ida Chemical Co. (Cal Ida), a wholly-owned subsidiary of J.R. Simplot Co. (see Note 11).

NOTE 7:
Employee Retirement Plan

The Company has a defined contribution retirement plan covering employees meeting eligibility requirements. Employees are eligible to participate on the first day of the plan year in which they complete 12 months of employment, provided that they have worked at least 1,000 hours during that period. Minimum annual contributions to the plan are based upon 6% of annual compensation. Additional amounts may be contributed at the discretion of the Company's Board of Directors. The plan has an indefinite expiration date. The employee retirement plan expense was $403,769 and $378,770 for the years ended October 31, 2020 and 2019, respectively.

NOTE 8:
Savings Plan

The Company has a 401(k) savings plan. Employees are eligible upon date of hire. Matching contributions are made at the discretion of the Board of Directors. All other contributions are made at the discretion of the Board of Directors. All contributions vest immediately. The Company contributed $111,084 and $109,320 for the years ended October 31, 2020 and 2019, respectively.

NOTE 9:
Deferred Compensation Plan

The Company maintains a non-qualified deferred compensation plan whereby certain eligible employees can defer their compensation. The plan is governed by the Internal Revenue Code and qualifies under the Employee Retirement Income Security Act of 1974. The plan is funded from the general assets of the Company as needed. The Company is the owner and beneficiary of certain life insurance policies, held in a Rabbi Trust, to provide the Company with a source of funds to assist in meeting the liabilities under the plan. The Trust is subject to claims of Company creditors in the event of insolvency of the Company. Historically investments had included life insurance policies recorded at their cash surrender value. During the year ended October 31, 2018 the related life insurance policy was surrendered for cash. Payments of $177,253 and $166,261 were made to participants during the year ended October 31, 2020 and 2019, respectively. $146,103 is included in cash as of October 31, 2020. Also, included on the balance sheets as of October 31, 2020 and 2019 are liabilities of $463,151 and $604,458, respectively. These liabilities consist of participating employee deferrals adjusted for gains and losses based on model employee-directed investment portfolios in various equity securities and mutual funds.

NOTE 10:
Commitments and Contingencies

The Company has a long-term agreement in which it will purchase effectively 100% of ammonia from one vendor. The agreement expires on December 31, 2021. Management believes that alternate vendors are available, if necessary.

The Company is occasionally involved in litigation matters that arise in the ordinary course of business. There are no pending significant legal proceedings to which the Company is a party for which management believes the ultimate outcome would have a material adverse effect on the Company's financial position.

NOTE 11:
Related Party

The Company has an agreement with J.R. Simplot Co. and affiliates (collectively Simplot), a 37% shareholder, under which Simplot has agreed to purchase all of their anhydrous ammonia manufacturing needs in California from the Company. Under this agreement, the Company's price for anhydrous ammonia to Simplot is the Company's best dealer price less discounts (as defined in the agreement). Simplot receives an estimated patronage refund at the time of purchase. However, this amount is adjusted to actual monthly and Simplot pays interest on the amount of any patronage refund received in advance. In February 2019, the Company also entered into an agreement with Simplot in which Simplot manufactures and/or procures AN20 for the Company in exchange for a toll price. This tolling agreement requires Simplot to supply the Company with a minimum of 20,000 short tons of AN-20 a year for 5 years. The agreement will automatically renew for one additional year unless either party notifies the other its intention not to renew.

Prior to October 31, 2019, the Company operated under an agreement with Simplot, under which the Company agreed to supply Simplot with a minimum of 4,500 short tons of R-Grade ammonia each year and to provide Simplot with exclusive sales and marketing rights to all CALAMCO generated R-Grade ammonia. The agreement had a three-year term, which ended October 31, 2019.

In April of 2020, the Company modified its agreement with Simplot and its subsidiary Cal Ida Chemical Company (Cal Ida), under which Cal Ida agrees to purchase all the anhydrous ammonia required by Cal Ida for manufacturing at its or its affiliate-owned Helm, California and Lathrop California plants up to Cal Ida's preferred patronage right in any given calendar year. This agreement has an initial term ending October 31, 2030 and afterwards renews annually unless written notice is provided by either party 180 days before renewal.

In 2012, the Company completed construction and placed into service a second storage tank dedicated to terminaling Urea Ammonium Nitrate (UN32). The Company has entered into an agreement with Simplot to terminal UN32. The Company does not take possession of or sell the product on behalf of Simplot, but merely stores the product for Simplot and charges a related terminaling fee. The agreement has a five-year term with Simplot having the right to exercise seven consecutive five-year options to extend the term.

The total UN32 terminaling revenue includes handling fees and recovery of construction costs for the tank placed into service in 2012. The Company recovered $2,020,000 for the cost of constructing the storage tank from Simplot within the first five years of the agreement. Management has deferred recognizing the recovery over a ten-year term under the assumption that Simplot will exercise its first option to extend the terminaling agreement for an additional five-year term.

The following amounts relate to transactions with Simplot:

	Years Ended October 31,			
	2020	% of Total	2019	% of Total
Sales	$ 22,558,020	38%	$ 29,902,567	44%
Accounts receivable	$ 1,331,229	42%	$ 611,411	22%
Tolling costs incurred through Simplot	$ 3,397,369		$ 4,358,407	
UN32 terminaling revenue	$ 2,168,174		$ 2,454,102	
UN32 deferred revenue realized	$ 211,812		$ 211,812	
UN32 deferred revenue	$ 211,793		$ 423,605	
Accounts payable	$ 390,409		$ 221,584	

NOTE 12:
Concentration of Credit Risk and Uncertainties

Financial instruments that potentially subject the Company to credit risk are funds held by depository institutions and customer trade accounts receivable generated in the normal course of business.

The Company maintains funds at depository institutions, including balances in short-term investment accounts, that periodically exceed the FDIC insurance limits, or in the case of the short-term investments, are not insured. The Company has not experienced any credit losses on these funds held at depository institutions.

The Company has a labor union contract for its Stockton Port employees with International Longshore and Warehouse Union. The contract expires on June 30, 2023. The union employees are covered through the Calamco Employee Retirement Plan.

As discussed in Note 1, the Company sells anhydrous ammonia and related fertilizer products primarily to agricultural distributors and retailers located throughout California and the western United States; therefore, a portion of its customers' ability to service their obligations is dependent on the agribusiness sector of the economy. Accounts receivable are recorded at the original invoiced amount and are written off against the allowance account when deemed uncollectible by management. While management believes that its security as a creditor is adequate and that the allowance for doubtful accounts is sufficient to provide for potential uncollectible receivables, it is possible that future write-offs could exceed the current allowance. Historical losses and current aging trends have been and are within management's expectations. Management determines the allowance for doubtful accounts based on the evaluation of individual accounts and historical write-offs. The Company does not have a policy for placing trade receivables on non-accrual status and does charge 1.5% interest on past due balances over 30 days.

NOTE 13:
Risk and Uncertainties

In Early 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, sup ply chains, businesses, and communities. Specific to the Company, COVID-19 may impact various parts of its 2020 operations and financial results. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

NOTE 14:
Subsequent Events

The Company has evaluated subsequent events through December 11, 2020, the date the financial statements were available to be issued and has determined that there are no subsequent events that require disclosure, other than disclosed in footnote 13. ■

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