BOWLIN TRAVEL CENTERS, INC.

Financial Statements

January 31, 2021 and 2020

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SEMPLE, MARCHAL & COOPER, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Bowlin Travel Centers, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Bowlin Travel Centers, Inc. as of January 31, 2021 and 2020, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Bowlin Travel Centers, Inc. as of January 31, 2021 and 2020, and the results of its operations and its cash flows for the years ended January 31, 2021 and 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to Bowlin Travel Centers, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Bowlin Travel Centers, Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Semple, Marchal & Cooper, LLP

Semple, Marchal & Cooper, LLP

We have served as Bowlin Travel Center Inc.'s auditor since 2019.

Phoenix, Arizona
April 21, 2021

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BOWLIN TRAVEL CENTERS, INC.
Balance Sheets
January 31, 2021 and 2020

Assets		**2021**		**2020**
Current assets:				
Cash and cash equivalents	$	7,563,983	$	4,744,351
Marketable securities		1,200,000		1,180,000
Accounts receivable		24,086		26,054
Current maturity of note receivable		8,331		5,743
Inventories		3,919,410		4,048,588
Interest receivable		1,035		11,288
Prepaid income taxes		70,001		46,201
Prepaid expenses		249,482		260,993
Total current assets		13,036,328		10,323,218
Property and equipment, net		12,310,574		12,490,351
Operating lease right of use assets		1,320,736		1,258,992
Finance lease assets, net		126,792		226,782
Intangible assets, net		36,861		18,172
Note receivable, less current maturities		15,532		21,450
Investment in real estate		729,229		821,196
Total assets	$	27,576,052	$	25,160,161
Liabilities and Stockholders' Equity				
Current liabilities:				
Current maturities of long-term debt	$	457,283	$	419,475
Current maturities of finance lease obligation		93,766		99,989
Accounts payable		949,380		877,516
Current operating lease liabilities		166,808		172,068
Accrued salaries and benefits		1,480,487		843,797
Accrued liabilities		443,362		338,483
Deferred revenue		30,038		26,933
Total current liabilities		3,621,124		2,778,261
Net deferred income tax liabilities		984,852		788,806
Operating lease liabilities		1,115,213		1,086,924
Finance lease obligation, less current maturities		33,026		126,793
Long-term debt, less current maturities		8,011,508		7,336,094
Total liabilities		13,765,723		12,116,878
Commitments and contingencies		—		—
Stockholders' equity:				
Preferred stock, $0.001 par value; 1,000,000 shares authorized, none issued or outstanding at January 31, 2021 and 2020		—		—
Common stock, $0.001 par value; 10,000,000 shares authorized, 4,583,348 shares issued at January 31, 2021 and 2020		4,583		4,583
Less: Treasury stock, 610,884 shares at January 31, 2021 and 602,829 at January 31, 2020		611		603
Common stock, 3,972,464 and 3,980,519 shares outstanding at January 31, 2021 and 2020, respectively		3,972		3,980
Additional paid-in capital		8,953,913		8,977,729
Retained earnings		4,852,444		4,061,574
Total stockholders' equity		13,810,329		13,043,283
Total liabilities and stockholders' equity	$	27,576,052	$	25,160,161

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Statements of Income

	Years ended January 31, 2021	2020
Gross sales	$ 29,748,650	$ 31,017,811
Less discounts on sales	(320,737)	(364,011)
Net sales	29,427,913	30,653,800
Cost of goods sold	14,413,230	16,947,055
Gross profit	15,014,683	13,706,745
General and administrative expense	(8,656,381)	(7,957,370)
Salaries and wages	(3,673,085)	(3,620,589)
Depreciation and amortization	(1,145,355)	(1,162,241)
Impairment on investment in real estate	(100,000)	—
Loss on sale of property and equipment	(9,384)	(112,027)
Operating income	1,430,478	854,518
Other non-operating (expense) income:		
Interest income	11,530	26,567
Rental income	44,521	57,418
Miscellaneous income	25,000	—
Interest expense	(416,413)	(425,388)
Total other non-operating (expense) income	(335,362)	(341,403)
Income before income tax expense	1,095,116	513,115
Income tax expense	(304,246)	(165,112)
Net income	$ 790,870	$ 348,003
Net income per share	$ 0.20	$ 0.09
Weighted average common shares outstanding	3,984,290	3,994,924

See accompanying note to financial statements

BOWLIN TRAVEL CENTERS, INC.
Statements of Stockholders' Equity
For the Years Ended January 31, 2021 and 2020

	Number of shares of Common stock outstanding	Common stock, at par	Additional paid-in capital	Retained earnings	Total
Balance at January 31, 2019	4,001,772	$ 4,002	$ 9,040,527	$ 3,713,571	$ 12,758,100
Net income	—	—	—	348,003	348,003
Purchase of treasury stock	(21,253)	(22)	(62,798)	—	(62,820)
Balance at January 31, 2020	3,980,519	3,980	8,977,729	4,061,574	13,043,283
Net income	—	—	—	790,870	790,870
Purchase of treasury stock	(8,055)	(8)	(23,816)	—	(23,824)
Balance at January 31, 2021	3,972,464	$ 3,972	$ 8,953,913	$ 4,852,444	$ 13,810,329

See accompanying notes to financial statements.

BOWLIN TRAVEL CENTERS, INC.
Statements of Cash Flows

	Years ended January 31,	
	2021	**2020**
Cash flows from operating activities:		
Net income	$ 790,870	$ 348,003
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,145,355	1,162,241
Impairment and loss on sale of property and equipment	109,384	112,027
Deferred income taxes (benefit) expense	196,046	169,212
Changes in operating assets and liabilities:		
Accounts receivable	1,968	(14,921)
Accrued interest receivable	—	(5,935)
Inventories	129,178	(238,996)
Prepaid expenses	11,511	(18,164)
Prepaid income taxes	(23,800)	20,271
Accounts payable and accrued liabilities	813,433	313,913
Operating lease liability	(38,715)	—
Deferred revenue	3,105	(15,503)
Net cash provided by operating activities	3,138,335	1,832,148
Cash flows from investing activities:		
Proceeds from sale of property and equipment	3,500	40,244
Purchases of property and equipment	(886,005)	(1,077,029)
Purchase of trademarks	(19,189)	(1,979)
Accrued interest receivable	10,253	—
Purchase of marketable securities	(1,200,000)	(1,180,000)
Proceeds from sale of marketable securities	1,180,000	865,000
Proceeds from repayment of note receivable	3,330	2,807
Net cash used in investing activities	(908,111)	(1,350,957)
Cash flows from financing activities:		
Payments on long-term debt	(405,678)	(336,791)
Payments for finance lease obligation	(99,990)	(92,786)
Purchase of treasury stock	(23,824)	(62,820)
Proceeds from borrowing on long-term debt	1,118,900	310,733
Net cash (used in) provided by financing activities	589,408	(181,664)
Net increase in cash and cash equivalents	2,819,632	299,527
Cash and cash equivalents at beginning of year	4,744,351	4,444,824
Cash and cash equivalents at end of year	$ 7,563,983	$ 4,744,351

(continued)

BOWLIN TRAVEL CENTERS, INC.
Statements of Cash Flows (continued)

		Years ended January 31,	
		2021	**2020**
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	416,413	$ 425,388
Cash paid (received) for income taxes	$	132,000	$ (24,371)
Supplemental disclosure of non-cash investing and financing activities:			
Operating lease right of use assets and liabilities	$	204,298	$ 1,570,913
Fixed asset sold in exchange for note receivable	$	—	$ 33,000

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Business

Bowlin Travel Centers, Inc. (BTC or the Company) is located in Albuquerque, New Mexico. The Company's principal business activities include the operation of ten travel centers and five restaurants strategically located along interstate highways in New Mexico and Arizona. Eight of the Company's travel centers offer fuel and the Company operates five full-service restaurants under the Dairy Queen/Brazier or Dairy Queen trade names. All of the Company's travel centers offer a variety of Southwestern merchandise to the traveling public in the Southwestern United States, primarily New Mexico. They also sell convenience store food such as chips, nuts, cookies and prepackaged sandwiches along with a variety of bottled and canned drinks.

(b) Significant Accounting Policies

The following summary of significant accounting policies is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are the representation of the Company's management who are responsible for their integrity and objectivity. The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for established accounting and financial reporting principles. The more significant of the Company's accounting policies are described below.

(c) Cash and Cash Equivalents

The Company considers all liquid investments with an original maturity of three months or less to be cash equivalents. The Company places its temporary cash investments with a local financial institution. Funds in excess of the $250,000 insured by the Federal Deposit Insurance Corporation (FDIC) are invested in overnight US Treasuries. The Company believes that there is not a significant risk of loss with respect to these deposits.

The Company also considers receivables from credit card transactions that are typically reimbursed within three business days as cash and cash equivalents. Receivables from credit card transactions included in cash and cash equivalents at January 31, 2021 and 2020 were $192,195 and $134,977 respectively.

(d) Marketable Securities

Marketable securities consist of certificates of deposits with maturity dates greater than three months and less than one year. All are fully insured by the Federal Deposit Insurance Corporation (FDIC), as they do not exceed their $250,000 limit. Certificates of deposit are measured at cost plus accrued interest.

(e) Inventories

Inventories consist primarily of merchandise and gasoline for resale and are stated at the lower of cost or net realizable value, with cost being determined using the first-in, first-out (FIFO) method. The Company capitalized $185,138 and $176,734 of direct and indirect costs incurred during the years ended January 31, 2021 and 2020, respectively.

(f) Debt issuance costs

Debt issuance costs are deferred and amortized over the terms of the respective borrowings on a straight-line basis which is not materially different from the effective interest method, and are shown net against the debt.

(g) Intangible Assets

Franchise fees are amortized on a straight-line basis over the shorter of the life of the related franchise agreements or the periods estimated to be benefited, ranging from ten to twenty-five years.

(h) Property and Equipment

Property and equipment are carried at cost. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions and improvements to property and equipment are capitalized. Depreciation is calculated by the Company using primarily straight-line methods.

(i) Sales and Cost Recognition

The Company recognizes revenue based on the consideration specified in the contract with the customer, excluding any sales incentives (such as military and repeat customer discounts) and excluding amounts collected on behalf of third parties (such as sales and excise taxes). The majority of the Company's revenue is generated at the point of sale in its retail locations. Revenues consist of nonfuel revenues, fuel revenues and food and convenience store revenues. Discounts are accounted for at the time of the transaction and are not transferrable.

Nonfuel Revenues. The Company recognizes nonfuel revenues and the related costs at the time of sale to customers. The Company sells a variety of nonfuel products and services at stated retail prices in its travel centers. Goods may be sold at discounted prices with certain customers, most of which include military and repeat customers.

Fuel Revenues. The Company recognizes fuel revenues and the related costs at the time of sale to customers at its operated locations. The Company sells diesel fuel and gasoline to its customers at prices that the Company establishes daily or are indexed to market prices and reset daily.

Food and Convenience Store Revenues. The Company recognizes food and convenience store revenues and the related costs at the time of sale to customers at its operated locations. The Company sells food in its Dairy Queen and Subway restaurants contained within its travel centers.

Net sales disaggregated by product line presented by year are as follows:

	Years ended January 31,	
Net sales by product line	**2021**	**2020**
Nonfuel	$ 13,154,073	$ 11,269,135
Fuel	11,421,429	14,085,571
Food and convenience stores	4,852,411	5,299,094
Total net sales	$ 29,427,913	$ 30,653,800

(j) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(k) Taxes Imposed on Revenue Transactions

The Company collects and remits various federal and state excise taxes on petroleum products. Gasoline sales and cost of goods sold included excise taxes of $1,656,377 and $1,684,806 for the years ended January 31, 2021 and 2020, respectively.

The Company also collects and remits transaction privilege taxes on sales. New Mexico and Arizona gross receipts taxes of approximately $1,135,782 and $1,040,177 were collected and remitted for the years ended January 31, 2021 and 2020, respectively. Gross sales and cost of goods sold are presented net of gross receipts taxes.

(l) Impairment on Investment in Real Estate and Assets Held for Sale

The Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(m) Financial Instruments

The Company's financial instruments are cash and cash equivalents, marketable securities, accounts and notes receivable, accounts payable, accrued liabilities, and long-term debt and lease liabilities. The carrying amounts of these financial instruments approximate fair value using Level 3 inputs, based on their short maturities, and for long-term debt, based on borrowing rates available to the Company for debt and leases with similar terms and maturities.

(n) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting and disclosure of assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles in the United States of America. The Company has identified the estimated carrying value of its long-lived assets and right of use assets and liabilities, and the valuation of deferred income taxes as its significant estimates. Actual results could differ from those estimates.

(o) Net Income per Share

Net income per share is computed by dividing net income by the weighted average number of common shares outstanding.

(p) Treasury Stock

The Company repurchased 8,055 of its outstanding common shares, as treasury stock, in the year ended January 31, 2021 at an average price per share of $2.957, for a total repurchase of $23,824. The common shares issued and outstanding were reduced by 8,055 shares or $8 (8,055 shares at $0.001 per value per share), and additional paid in capital was reduced by $23,816. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

The Company repurchased 21,253 of its outstanding common shares, as treasury stock, in the year ended January 31, 2020 at an average price per share of $2.956, for a total repurchase of $62,820. The common shares issued and outstanding was reduced by 21,253 shares or $22 (21,253 at $0.001 par value per share), and additional paid in capital was reduced by $62,798. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

(q) Deferred Revenue

Deferred revenue consists of advertising revenue received in advance for billboards that the Company rents as well as an advance from Excelsior Mining Company, Inc. to lease a portion of the Company's property and for a non-exclusive access and utilities easement in Benson, Arizona. These amounts are recognized in rental income as services are provided over the terms of the billboard contracts and the lease.

(r) Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $158,573 and $189,957 for the years ended January 31, 2021 and 2020, respectively.

(s) Concentration in Suppliers

The Company is an authorized ExxonMobil retailer. On April 1, 2015, the Company entered into a Marketer PMPA (Petroleum Marketing Practices Act) agreement with Western Refining Wholesale, LLC ("Western"). Western will provide ExxonMobil branded motor fuels to the Company for resale at five of the Company's ExxonMobil branded locations. The agreement has a ten-year term expiring March 31, 2025, and requires the Company to purchase 1,370,520 gallons of fuel annually at a distributor's markup price of $0.015 per gallon. The Company has met its annual purchase requirement for the years ended January 31, 2021 and 2020.

The Company has a retail supply agreement with Arizona Fuel Distributors, L.L.C. to purchase Shell brand fuels for the Company's three Arizona locations. The Company will pay the daily published rates, applicable taxes, plus freight. The retail supply agreement is for a period of ten years beginning on August 22, 2017 and ending on August 22, 2027. At expiration the agreement will continue on a month to month basis until the parties either execute a new agreement or Arizona Fuel Distributors, LLC terminates the agreement. There are no minimum or maximum gallon purchase requirements for the Company.

(2) Property and Equipment

Property and equipment consist of the following at January 31:

	Estimated life (years)	2021	2020
Land		$ 1,853,327	$ 1,959,591
Buildings and improvements	10 - 40	14,265,258	13,914,835
Machinery and equipment	3 - 10	14,389,038	13,383,197
Autos, trucks and mobile homes	3 - 10	2,464,653	2,400,967
Billboards	15 - 20	3,180,447	3,037,056
Construction in progress		51,450	53,505
		36,204,173	34,749,151
Less accumulated depreciation		(23,893,599)	(22,258,800)
Property and equipment, net		$ 12,310,574	$ 12,490,351

Construction in progress consists of inventory in the amount of $22,215 that the Company has on hand to repair and maintain its billboards as well as for the occasional building of billboards and $29,235 that the Company has on hand to repair, maintain and replace various computer and security related components.

		2021		2020
Depreciation and amortization expense:	$	1,145,355	$	1,162,241

Amortization of the Company's financing lease assets for the years ended January 31, 2021 and 2020 was $49,566 for both years. Interest expense for the Company's financing leases at January 31, 2021 and 2020 was $13,617 for both years.

(3) Intangible Assets

		2021		2020
Franchise fees	$	148,000	$	148,000
Less accumulated amortization		(144,000)		(143,500)
		4,000		4,500
Trademarks		32,861		13,672
	$	36,861	$	18,172

The following schedule discloses the estimated amortization expense of franchise fees at January 31:

2022	$	500
2023		500
2024		500
2025		500
2026		500
Thereafter		1,500
Total	$	4,000

(4) Investment in Real Estate

Approximately twelve acres of previously undeveloped land in Alamogordo, New Mexico was sub-divided into thirty-five approximately quarter-acre residential lots. The carrying value of this investment in real estate was $342,422. The subdivision includes paved roads, fencing, water, sewer and electricity. Two manufactured homes were purchased and installed. One lot and manufactured home was sold in December 2003. In December 2005, two lots were sold. The other manufactured home was moved for the Company's use to the facility in Picacho, Arizona. The thirty-two lots that remain are for sale. At January 31, 2021 and 2020, in accordance with FASB ASC 205-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets, the Company reviewed the carrying value of the property and determined that the property was not impaired.

The Company's Edgewood, New Mexico location was closed October 31, 2007. The Company continues to list the property for sale. The property's carrying value of $386,807 and $486,807 is recorded as investment in real estate in the January 31, 2021 and 2020 balance sheets, respectively. In accordance with FASB ASC 205-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets, the Company reviewed the carrying value of the property to determine whether it was impaired. As a result the Company concluded that the carrying value exceeded the fair value of the asset. The asset was reduced by $100,000 to reflect estimated fair market value at January 31, 2021.

On November 25, 2019, the Company entered into a Purchase and Sale Agreement for the Company's Edgewood, New Mexico property for a purchase price of $600,000 due to close February 24, 2020. On February 18, 2020 an amendment of the Purchase and Sales Agreement extended closing date to April 24, 2020. On March 31, 2020, the Purchase and Sale Agreement was terminated by the purchaser, most likely due to the COVID-19 pandemic. The purchaser forfeited their $25,000 earnest payment.

(5) Long-term Debt

Long-term debt consists of the following at January 31:

	2021	2020
Due to WestStar Bank, maturity June 2024, interest at 4.20%, monthly installments of $11,525, secured by two properties with a total carrying value of $1,059,461	$ 1,019,542	$ 1,113,543
Due to WestStar Bank, maturity March 2029, interest at 4.20%, monthly installments of $42,272, secured by two properties with a total carrying value of $756,501	6,058,075	6,280,600
Due to WestStar Bank, maturity May 2023, interest at 5.45%, monthly installments of $3,823, secured by fuel equipment with a carrying value of $106,744	100,199	139,342
Due to WestStar Bank, maturity July 2024, interest at 5.45%, monthly installments of $5,941, secured by an electronic message board with a carrying value of $264,885	220,894	278,205
Due to WestStar Bank, a Paycheck Protection Program (PPP) loan, maturity April 2022, interest at 1.00%, no monthly installments.	1,118,900	—
	8,517,610	7,811,690
Less: unamortized debt issuance costs	(48,819)	(56,121)
Long-term debt, less unamortized debt issuance costs	8,468,791	7,755,569
Less current maturities	(457,283)	(419,475)
Total long-term debt, less current maturities	$ 8,011,508	$ 7,336,094

Future maturities of long-term debt for the years ending January 31 are as follows:

2022	$ 457,283
2023	1,597,098
2024	468,870
2025	1,035,409
2026	304,811
Thereafter	4,654,139
Total	$ 8,517,610

On June 30, 2014, the Company entered into a commercial loan agreement with WestStar Bank in the amount of $1,500,000 with an interest rate of 4.75% for the first five years, then subject to adjustment June 30, 2019. On January 29, 2021, the Company modified the loan agreement to change the interest rate to 4.20% effective to the maturity of the loan. The Company's real property in Bernalillo County, New Mexico and one property in Dona Ana County, New Mexico serve as security for the loan. The commercial loan agreement matures June 30, 2024. A portion of the proceeds were used to pay off an existing loan with Bank of the West, which released the Company's real property in Cochise County, Arizona that was serving as collateral for the debt.

On September 25, 2017, the Company entered into a commercial loan agreement with WestStar Bank in the amount of $5,000,000 with an interest rate of 4.95%. On January 29, 2021, the Company modified the loan agreement to change the interest rate to 4.20% for the first five years, then subject to adjustment in January 2026. The Company's real property in Cibola County, New Mexico and in Torrance County, New Mexico serves as security for the loan. The commercial loan agreement matures March 25, 2029. A portion of the proceeds were used to pay off an existing loan with Bank of the West. The remaining proceeds were used to complete a major remodel at The Thing DQ Travel Center in Benson, Arizona. On February 19, 2018 the commercial loan agreement was modified to include an additional amount borrowed of $1,600,000.

On May 31, 2018, the Company renewed a commercial loan agreement with WestStar Bank in the amount of $200,000 with an interest rate of 5.45%. The proceeds were used for fuel equipment. The commercial loan agreement matures May 30, 2023.

On July 10, 2019, the Company entered into a commercial loan agreement with WestStar Bank in the amount of $310,733 with an interest rate of 5.45%. The proceeds were used for an electronic message board located in Picacho, Arizona. The commercial loan agreement matures July 10, 2024.

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide certain relief as a result of the COVID-19 pandemic. The primary provisions of the CARES Act applicable to the Company include relief for payroll and benefit costs, rent, utilities, and interest payments on debt obligations in place before February 15, 2020. On April 17, 2020, the Company received loan proceeds of $1,118,900 pursuant to the Paycheck Protection Program (PPP) under the CARES Act. The loan which is in the form of a promissory note with WestStar Bank, bears an interest rate of 1% per annum, with a maturity date of April 6, 2022. Under the terms of the PPP loan, all or a portion of the principal may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES Act. The Company has applied the loan proceeds as specifically directed in order to meet the qualifications for full forgiveness, and will submit the loan forgiveness application prior to the mandated deadline.

At January 31, 2021 and 2020, respectively, the Company was in compliance with the annual debt covenant of debt to tangible net worth not to exceed 1.5:1 as well as other restrictive covenants.

(6) Finance Lease Obligations

Finance lease obligations consist of the following at January 31:

	2021	2020
Due YESCO LLC, maturity August 31, 2022, interest at 7.50%, monthly installments of $4,837, secured by a LED sign.	$ 86,398	$ 135,925
Due YESCO LLC, maturity October 31, 2021, interest at 7.50%, monthly installments of $4,630, secured by a LED sign.	40,394	90,857
	126,792	226,782
Less current maturities	(93,766)	(99,989)
Finance lease obligations, less current maturities	$ 33,026	$ 126,793

Future maturities of finance lease obligations for the years ending January 31 are as follows:

2022	$ 33,026
2023	93,766
Total	$ 126,792

(7) Income Taxes

Income taxes consist of the following for the years ended January 31:

	Current	Deferred	Total
2021:			
U.S. Federal	$ 78,623	$ 151,128	$ 229,751
State	25,493	49,002	74,495
	$ 104,116	$ 200,130	$ 304,246
2020:			
U.S. Federal	$ —	$ 124,712	$ 124,712
State	—	40,400	40,400
	$ —	$ 165,112	$ 165,112

Current income tax expense benefited during the year ended January 31, 2021 by approximately $147,000 due to the utilization of the Company’s net operating loss carryforward.

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% to pre-tax income for the years ended January 31, 2021 and 2020, respectively as a result of the following:

		2021	2020
Computed "expected" tax expense	$	229,974	107,754
State income tax expense net of federal tax benefit		58,851	31,938
Other non-deductible expenses		15,421	25,420
Total	$	304,246	165,112

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are as follows at January 31:

	2021	2020
Deferred income tax assets:		
Deferred revenue	$ 7,821	7,012
Compensated absences	46,584	36,317
Donations	—	1,746
Net operating losses	—	147,070
Total gross deferred income tax assets	54,405	192,145
Deferred income tax liabilities:		
Property and equipment, principally due to differences in depreciation	1,039,257	980,951
Total gross deferred income tax liabilities	1,039,257	980,951
Net deferred income tax liabilities	$ 984,852	$ 788,806

In the normal course of business, the Company's income tax returns are subject to examination by various taxing authorities. Such examinations may result in future income tax and interest assessment by these taxing authorities. There are no uncertain tax positions as of January 31, 2021 and 2020.

The Company is not under examination for open tax years, generally tax years since fiscal year 2017, as of January 31, 2021 and 2020.

(8) Profit-Sharing Plan

The Company maintains a qualified defined contribution profit-sharing plan that covers substantially all employees. The plan year end is December 31. The elected salary reduction is subject to limits as defined by the Internal Revenue Code. The Company provides a matching contribution and additional discretionary contributions as determined by resolution of the board of directors. Legal and accounting expenses related to the plan are absorbed by the Company. The Company's contributions to the profit-sharing plan were $111,325 and $99,779 for the years ended January 31, 2021 and 2020, respectively.

(9) Commitment and Contingencies

The Company leases land at three of its retail operating locations. Included in general and administrative expenses in the accompanying statements of income is rental expense for these land leases of $115,924 and $125,013 for the years ended January 31, 2021 and 2020, respectively. The Company also leases land where its billboards are located and rent expense for these leases was $240,791 and $236,127 for the years ended January 31, 2021 and 2020, respectively.

The land leases for the Company's billboards expire at various dates, have varying options to renew and cancel and may contain escalation provisions. Most of the billboard leases expire within five years of the inception date ("Original Term"). Upon completion of the Original Term, most leases automatically continue for a period equal in length to the Original Term (five years or the "Optional Term"). Upon completion of the "Optional Term", the leases continue on a year-to-year basis unless the lessor notifies the lessee in writing prior to ninety days of the anniversary date of its intent to terminate the lease agreement. The average remaining lease term is approximately three years except for two leases with remaining lease terms of twenty-one years.

The Company used its incremental borrowing rate of 4.95% for the discount rate at adoption of ASC 842. The Company has elected to present the change in the right-of-use asset and liability net on the statement of cash flows.

The leasing agreements for the three retail locations include 5 to 35 year leases with remaining lives on those leases ranging from approximately 1 to 17 years at January 31, 2021. One of the contingent rentals has a fixed payment amount of $10,800 plus 3% of merchandise sold plus $0.02 of gasoline gallons sold. The variable lease costs recognized for this lease during fiscal year ended 2021 was $26,589. One of the contingent leases has a fixed annual payment of $28,861 adjusted every five years according to the consumer price index (CPI) plus 2.5% of merchandise sales and $0.0025 of gasoline gallons sold. The variable lease costs recognized for this lease during fiscal year ended 2021 was $13,474. One of the contingent rentals is $35,000 adjusted every year by $500 plus 2.5% of merchandise sales and $0.0025 of gasoline gallons sold. There was no variable lease costs recognized for this lease for fiscal year ended 2021. In most cases, the Company is responsible for certain repairs and maintenance, insurance, property taxes or property tax increases, and utilities.

Future minimum rental payments under these leases are as follows:

Year ending January 31:		
2022	$	222,314
2023		209,745
2024		154,675
2025		155,230
2026		130,480
Thereafter		955,018
Total undiscounted operating lease payments		1,827,462
Less imputed interest		(545,441)
Total operating lease liabilities	$	1,282,021

The Company is periodically subject to claims and lawsuits that arise in the ordinary course of business. It is in the opinion of management that the disposition or ultimate resolution of any such claims and lawsuits will not have a material adverse effect on the financial position of the Company.

(10) Subsequent Events

The Company has evaluated events subsequent to January 31, 2021, the balance sheet date, for events that would possibly require adjustment or disclosures in these financial statements, through April 21, 2021, the date that these statements were available to be issued.

On April 8, 2021, the Company entered into a retail sales and incentive agreement with Arizona Fuel Distributors, L.L.C. to purchase Marathon brand fuels for the Company’s five New Mexico locations effective April 30, 2021. The retail sales and incentive agreement is for a period of ten years.

On April 9, 2021, the Company entered into a mutual termination agreement with its Marketer Petroleum Marketing Practices Act agreement with Western Refining Wholesale, L.L.C. effective on April 29, 2021.