# BOWLIN TRAVEL CENTERS, INC.

Financial Statements

January 31, 2024 and 2023

150 Louisiana NE,  Albuquerque, NM  87108  (505) 266-5985

**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. (the "Company") as of January 31, 2024 and 2023, 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 the Company as of January 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended January 31, 2024 and 2023, in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 the Company 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. The Company 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

Certified Public Accountants

We have served as the Company's auditor since 2019.

Phoenix, Arizona
April 30, 2024

**BOWLIN TRAVEL CENTERS, INC.**
**Balance Sheets**
**January 31, 2024 and 2023**

| **Assets** | **2024** | **2023** |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 3,460,483 | $ 7,322,706 |
| Marketable securities | 4,806,500 | 1,201,630 |
| Accounts receivable | 6,289 | 9,289 |
| Current maturity of note receivable | 11,488 | 10,368 |
| Inventories | 5,212,205 | 5,748,022 |
| Interest receivable | 28,459 | 4,477 |
| Prepaid income taxes | 133,112 | 84,260 |
| Prepaid expenses | 337,098 | 350,889 |
| Total current assets | 13,995,634 | 14,731,641 |
| Property and equipment, net | 11,550,650 | 11,872,530 |
| Operating lease right of use assets | 1,209,749 | 1,018,741 |
| Intangible assets, net | 45,941 | 40,236 |
| Note receivable, less current maturities | — | 3,152 |
| Investment in real estate | 293,979 | 307,552 |
| Total assets | $ 27,095,953 | $ 27,973,852 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Current maturities of long-term debt | $ 430,732 | $ 468,560 |
| Accounts payable | 839,195 | 996,297 |
| Current operating lease liabilities | 195,296 | 116,508 |
| Accrued salaries and benefits | 850,881 | 1,444,405 |
| Accrued liabilities | 485,393 | 529,402 |
| Income taxes payable | — | 10,462 |
| Deferred revenue | 31,387 | 27,216 |
| Total current liabilities | 2,832,884 | 3,592,850 |
| Net deferred income tax liabilities | 889,019 | 999,676 |
| Operating lease liabilities | 975,739 | 863,518 |
| Long-term debt, less current maturities | 5,549,186 | 5,969,762 |
| Total liabilities | 10,246,828 | 11,425,806 |
| Commitments and contingencies | — | — |
| Stockholders' equity: | | |
| Preferred stock, $0.001 par value; 1,000,000 shares authorized, none issued or outstanding at January 31, 2024 and 2023 | — | — |
| Common stock, $0.001 par value; 10,000,000 shares authorized, 4,583,348 shares issued at January 31, 2024 and 2023 | 4,583 | 4,583 |
| Less: Treasury stock, 647,055 shares at January 31, 2024 and 639,595 at January 31, 2023 | (647) | (640) |
| Common stock, 3,936,293 and 3,943,753 shares outstanding at January 31, 2024 and 2023, respectively | 3,936 | 3,943 |
| Additional paid-in capital | 8,786,014 | 8,819,147 |
| Retained earnings | 8,059,175 | 7,724,956 |
| Total stockholders' equity | 16,849,125 | 16,548,046 |
| Total liabilities and stockholders' equity | $ 27,095,953 | $ 27,973,852 |

See accompanying notes to financial statements.

**BOWLIN TRAVEL CENTERS, INC.**
**Statements of Income**

| | Years ended January 31, | |
|---|---|---|
| | **2024** | **2023** |
| Gross sales | $ 37,196,686 | $ 42,183,405 |
| Less discounts on sales | (468,238) | (489,057) |
| Net sales | 36,728,448 | 41,694,348 |
| Cost of goods sold | 20,320,929 | 23,857,300 |
| Gross profit | 16,407,519 | 17,837,048 |
| General and administrative expense | (9,822,768) | (10,377,924) |
| Salaries and wages | (5,014,298) | (4,759,412) |
| Depreciation and amortization | (1,191,718) | (1,190,566) |
| Gain (loss) on sale of property and equipment | (4,425) | 226,545 |
| Operating income | 374,310 | 1,735,691 |
| Other non-operating (expense) income: | | |
| Interest income | 183,307 | 14,449 |
| Rental income | 134,342 | 35,675 |
| Miscellaneous income | 56,148 | — |
| Interest expense | (273,859) | (298,341) |
| Total other non-operating (expense) income | 99,938 | (248,217) |
| Income before income tax expense | 474,248 | 1,487,474 |
| Income tax expense | (140,029) | (431,596) |
| Net income | $ 334,219 | $ 1,055,878 |
| Net income per share | $ 0.08 | $ 0.27 |
| Weighted average common shares outstanding | 3,940,597 | 3,949,567 |

See accompanying notes to financial statements.

**BOWLIN TRAVEL CENTERS, INC.**
**Statements of Stockholders' Equity**
**For the Years Ended January 31, 2024 and 2023**

| | Number of shares of Common stock outstanding | Common stock, at par | Additional paid-in capital | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at January 31, 2022 | 3,954,733 | $ 3,954 | $ 8,874,745 | $ 6,669,078 | $ 15,547,777 |
| Net income | — | — | — | 1,055,878 | 1,055,878 |
| Purchase of treasury stock | (10,980) | (11) | (55,598) | — | (55,609) |
| Balance at January 31, 2023 | 3,943,753 | 3,943 | 8,819,147 | 7,724,956 | 16,548,046 |
| Net income | — | — | — | 334,219 | 334,219 |
| Purchase of treasury stock | (7,460) | (7) | (33,133) | — | (33,140) |
| Balance at January 31, 2024 | 3,936,293 | $ 3,936 | $ 8,786,014 | $ 8,059,175 | $ 16,849,125 |

See accompanying notes to financial statements.

**BOWLIN TRAVEL CENTERS, INC.**
**Statements of Cash Flows**

| | Years ended January 31, | |
|---|---|---|
| | **2024** | **2023** |
| Cash flows from operating activities: | | |
| Net income | $ 334,219 | $ 1,055,878 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,191,718 | 1,190,566 |
| Loss (gain) on sale of property and equipment and investment in real estate | 4,425 | (226,545) |
| Deferred income taxes (benefit) expense | (110,657) | 41,739 |
| Amortization of right of use asset-operating lease | 140,618 | 221,130 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,000 | 10,804 |
| Inventories | 535,817 | (307,594) |
| Prepaid expenses | 13,791 | (67,149) |
| Prepaid income taxes | (48,852) | (80,600) |
| Accounts payable and accrued liabilities | (794,634) | (1,594,627) |
| Operating lease liabilities | (140,618) | (221,130) |
| Income taxes payable | (10,462) | (29,543) |
| Deferred revenue | 4,171 | (4,833) |
| Net cash provided by (used in) operating activities | 1,122,536 | (11,904) |
| Cash flows from investing activities: | | |
| Proceeds from sale of property and equipment and investment in real estate | 156,873 | 700,267 |
| Purchases of property and equipment and investment in real estate | (1,023,268) | (941,167) |
| Accrued interest receivable | (23,982) | (3,995) |
| Purchase of marketable securities | (4,806,500) | (1,201,630) |
| Proceeds from sale of marketable securities | 1,201,630 | 1,201,002 |
| Proceeds from repayment of note receivable | 2,032 | 4,005 |
| Net cash used in investing activities | (4,493,215) | (241,518) |
| Cash flows from financing activities: | | |
| Payments on long-term debt | (458,404) | (465,221) |
| Payments for finance lease obligation | — | (33,027) |
| Purchase of treasury stock | (33,140) | (55,609) |
| Net cash used in financing activities | (491,544) | (553,857) |
| Net (decrease) increase in cash and cash equivalents | (3,862,223) | (807,279) |
| Cash and cash equivalents at beginning of year | 7,322,706 | 8,129,985 |
| Cash and cash equivalents at end of year | $ 3,460,483 | $ 7,322,706 |

(continued)

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

| | | Years ended January 31, | | |
|---|---|---|---|---|
| | | **2024** | | **2023** |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid for interest | $ | 273,859 | $ | 298,341 |
| Cash paid for income taxes | $ | 310,000 | $ | 503,660 |
| Supplemental disclosure of non-cash investing and financing activities: | | | | |
| Operating lease right of use assets and liabilities | $ | 331,626 | $ | 157,982 |

See accompanying notes to financial statements.

**BOWLIN TRAVEL CENTERS, INC.**
**Notes to Financial Statements**
**January 31, 2024**

## (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, 2024 and 2023 were $194,828 and $189,645 respectively.

### *(d) Marketable Securities*

Marketable securities consist of certificates of deposits and U.S. Treasury Bills with maturity dates greater than three months and less than one year. The certificates of deposits 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. The Company also has treasury bills with varying maturity dates, all are less than one year. The treasury bills are backed by the United States

Department of the Treasury. Treasury bills are measured at a discount to their face value.

***(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 $220,089 and $218,439 of direct and indirect costs incurred during the years ended January 31, 2024 and 2023, 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 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 | **2024** | **2023** |
| Nonfuel | $ 13,306,206 | $ 14,865,276 |
| Fuel | 16,507,134 | 19,886,784 |
| Food and convenience stores | 6,915,108 | 6,942,288 |
| Total net sales | $ 36,728,448 | $ 41,694,348 |

***(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 $1,451,193 and $1,571,708 for the years ended January 31, 2024 and 2023, respectively.

The Company also collects and remits transaction privilege taxes on sales. New Mexico and Arizona gross receipts taxes of approximately $1,227,388 and $1,356,386 were collected and remitted for the years ended January 31, 2024 and 2023, 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, treasury bills, 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. These estimates include, but are not limited to, the carrying value of its long-lived assets and right of use assets and liabilities, and the valuation of deferred income taxes. 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 7,460 of its outstanding common shares, as treasury stock, in the year ended January 31, 2024 at an average price per share of approximately $4.441, for a total repurchase of $33,140. The common shares issued and outstanding were reduced by 7,460 shares or $7 (7,460 shares at $0.001 per value per share), and additional paid in capital was reduced by $33,133. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

The Company repurchased 10,980 of its outstanding common shares, as treasury stock, in the year ended January 31, 2023 at an average price per share of approximately $5.065, for a total repurchase of $55,609. The common shares issued and outstanding were reduced by 10,980 shares or $11 (10,980 shares at $0.001 per value per share), and additional paid in capital was reduced by $55,598. 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 $250,805 and $223,996 for the years ended January 31, 2024 and 2023, respectively.

### *(s) Concentration in Suppliers*

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 Company will pay the daily published rates, applicable taxes, plus freight. The retail sales and incentive agreement is for a period of ten years. The agreement will automatically renew for a successive term of three years unless either party gives written notice to the other party of its intent not to renew. There are no minimum or maximum gallon purchase requirements for the Company.

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) | 2024 | 2023 |
|---|---|---|---|
| Land | | $ 1,606,185 | $ 1,542,294 |
| Buildings and improvements | 10 - 40 | 15,020,880 | 14,710,838 |
| Machinery and equipment | 3 - 10 | 14,719,575 | 14,607,646 |
| Autos, trucks and mobile homes | 3 - 10 | 2,900,387 | 2,774,827 |
| Billboards | 15 - 20 | 3,292,195 | 3,230,907 |
| Construction in progress | | 19,670 | 19,567 |
| | | 37,558,892 | 36,886,079 |
| Less accumulated depreciation | | (26,008,242) | (25,013,549) |
| Property and equipment, net | | $ 11,550,650 | $ 11,872,530 |

Construction in progress consists of inventory in the amount of $19,670 that the Company has on hand to repair and maintain its billboards.

| | 2024 | 2023 |
|---|---|---|
| Depreciation and amortization expense: | $ 1,191,718 | $ 1,190,566 |

Amortization of the Company's financing lease assets was $33,027 for the year ended 2023. Interest expense for the Company's financing leases was $831 for the year ended January 31, 2023. The financing lease was paid in full August 31, 2022.

## (3) Intangible Assets

| | 2024 | 2023 |
|---|---|---|
| Franchise fees | $ 128,000 | $ 128,000 |
| Less accumulated amortization | (121,625) | (120,625) |
| | 6,375 | 7,375 |
| Trademarks | 39,566 | 32,861 |
| | $ 45,941 | $ 40,236 |

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

| | |
|---|---|
| 2025 | $ 1,000 |
| 2026 | 1,000 |
| 2027 | 1,000 |
| 2028 | 1,000 |
| 2029 | 1,000 |
| Thereafter | 1,375 |
| Total | $ 6,375 |

## (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 $293,979 as of January 31, 2024. 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 eighteen lots that remain are for sale. At January 31, 2024 and 2023, 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.

During fiscal year 2024, the Company sold six of the sub-divided quarter-acre residential lots of land in Alamogordo, New Mexico. The lots sold for $152,400, the carrying value was $109,333 and the selling costs were $22,642. The gain on the sale of the lots was $20,425.

On May 8, 2023, the Company entered into an agreement to purchase real estate located in Pinal County, Arizona for $50,000. The property closed on June 2, 2023.

During fiscal year 2023, the Company sold four of the sub-divided quarter-acre residential lots of land in Alamogordo, New Mexico. The lots sold for $74,800, the carrying value was $55,573 and the selling costs were $9,936. The gain on the sale of the lots was $9,291.

On May 25, 2022, the Company sold the property in Edgewood, New Mexico for $600,000. The property's carrying value was $390,288 and the selling costs were $52,097. The gain on the sale of the lots was $157,615.

On January 3, 2023, the Company (Seller) entered into a Short Form Option Agreement with Excelsior Mining Corp (Purchaser). During the option term the Purchaser has the right to conduct test work including drilling, sampling and surveying at the Company's property located in Benson, Arizona. In consideration for the Seller granting this option, the Purchaser will pay annually to the Seller an option fee detailed in the chart below which the Company records to miscellaneous income in the Statements of Income:

| Option Year | Annual Option Payments |
|---|---|
| 2025 | $40,000 |
| 2026 | $40,000 |
| 2027 | $40,000 |
| 2028 | $40,000 |
| 2029 | $40,000 |
| Extension Period | |
| 2030 | $50,000 |
| 2031 | $50,000 |
| 2032 | $50,000 |
| 2033 | $50,000 |
| 2034 | $50,000 |

The Purchaser may exercise the option at any time during the option term by delivering written notice to the Seller. There are several option alternatives for the Purchaser when the option is exercised.

## (5) Long-term Debt

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

| | | 2024 | | 2023 |
|---|---|---|---|---|
| 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 $1,018,584 | $ | 716,466 | $ | 821,917 |
| 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 $714,308 | | 5,261,791 | | 5,539,281 |
| 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 $54,893 | | — | | 15,081 |
| 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 $173,993 | | 28,572 | | 96,256 |
| | | 6,006,829 | | 6,472,535 |
| Less: unamortized debt issuance costs | | (26,911) | | (34,213) |
| Long-term debt, less unamortized debt issuance costs | | 5,979,918 | | 6,438,322 |
| Less current maturities | | (430,732) | | (468,560) |
| Total long-term debt, less current maturities | $ | 5,549,186 | $ | 5,969,762 |

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

| | | |
|---|---|---|
| 2025 | $ | 430,732 |
| 2026 | | 419,380 |
| 2027 | | 437,337 |
| 2028 | | 456,063 |
| 2029 | | 475,590 |
| Thereafter | | 3,787,727 |
| Total | $ | 6,006,829 |

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 after 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 and the Company expects to negotiate an extension with the bank. 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 February

19, 2018 the commercial loan agreement was modified to include an additional amount borrowed of $1,600,000. 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 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 matured 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.

At January 31, 2024 and 2023, 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) Income Taxes

Income tax expense (benefit) consist of the following for the years ended January 31:

| | Current | Deferred | Total |
|---|---|---|---|
| 2024: | | | |
| U.S. Federal | $ 189,305 | $ (83,562) | $ 105,743 |
| State | 61,381 | (27,095) | 34,286 |
| | $ 250,686 | $ (110,657) | $ 140,029 |
| 2023: | | | |
| U.S. Federal | $ 294,400 | $ 31,519 | $ 325,919 |
| State | 95,457 | 10,220 | 105,677 |
| | $ 389,857 | $ 41,739 | $ 431,596 |

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, 2024 and 2023, respectively, as a result of the following:

| | | 2024 | 2023 |
|---|---|---|---|
| Computed "expected" tax expense | $ | 99,592 | 312,370 |
| State income tax expense net of federal tax benefit | | 27,086 | 83,485 |
| Other non-deductible expenses | | 13,351 | 35,741 |
| Total | $ | 140,029 | 431,596 |

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:

| | 2024 | 2023 |
|---|---|---|
| Deferred income tax assets: | | |
| Deferred revenue | $ 8,172 | 7,086 |
| Compensated absences | 56,886 | 58,246 |
| Total gross deferred income tax assets | 65,058 | 65,332 |
| Deferred income tax liabilities: | | |
| Property and equipment, principally due to differences in depreciation | 954,077 | 1,065,008 |
| Total gross deferred income tax liabilities | 954,077 | 1,065,008 |
| Net deferred income tax liabilities | $ 889,019 | $ 999,676 |

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, 2024 and 2023.

The Company is not under examination for open tax years, generally tax years since fiscal year 2020.

## (7) 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 $86,225 and $113,848 for the years ended January 31, 2024 and 2023, 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 $135,474 and $146,158 for the years ended January 31, 2024 and 2023, respectively. The Company also leases land where its billboards are located and rent expense for these leases was $244,128 and $265,318 for the years ended January 31, 2024 and 2023, respectively.

The land leases for the Company's billboards expire at various dates and have varying options to renew and cancel and may contain escalation provisions. The billboard leases also have varying expiration dates ("Original Term"). Upon completion of the Original Term, most leases automatically continue for a period equal in length to the Original 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 Company uses its incremental borrowing rate for the discount rate as the Company's leases do not provide a readily determinable implicit rate. The Company has elected to present the change in the right-of-use asset and liability net on the statement of cash flows. The Company has also elected the practical expedient upon the initial adoption of ASC 842 to not apply ASC 842 to leases of 12 months or less on the balance sheet.

The leasing agreements for the three retail locations include 5 to 35 year leases. One of the contingent rentals has a 3% of merchandise sold. The variable lease costs recognized for this lease during fiscal year ended 2024 was $25,838. One of the contingent leases has a fixed annual payment of $31,747 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 2024 was $28,504. One of the contingent rentals is $37,500 adjusted every year by $500 plus 2.5% of merchandise sales and $0.0025 of gasoline gallons sold. There were no variable lease costs recognized for this lease during fiscal year ended 2024. In most cases, the Company is responsible for certain repairs and maintenance, insurance, property taxes or property tax increases, and utilities.

The weighted average remaining term for all leases is approximately 12 years at January 31, 2024. The weighted average discount rate is 5.14% at January 31, 2024.

Future minimum rental payments under these leases are as follows:

| | | |
|---|---|---|
| Year ending January 31: | | |
| 2025 | $ | 243,938 |
| 2026 | | 227,170 |
| 2027 | | 151,620 |
| 2028 | | 113,145 |
| 2029 | | 109,947 |
| Thereafter | | 949,383 |
| Total undiscounted operating lease payments | | 1,795,203 |
| Less imputed interest | | (624,168) |
| Total operating lease liabilities | $ | 1,171,035 |

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.

## (9) Subsequent Events

The Company has evaluated events subsequent to January 31, 2024, the balance sheet date, for events that would possibly require adjustment or disclosures in these financial statements, through April 30, 2024, the date that these statements were available to be issued.

Tender Offer: On February 1, 2024, Bowlin Travel Centers, Inc. offered a tender offer to repurchase from all shareholders who were not directors, executive officers or other insiders of the Company, on a pro rata bases, up to $1 million of the Company’s common shares at a purchase price of $4.00 per share, totaling a maximum of 250,000 shares. The tender off expired on March 1, 2024 with a total of 139,250 shares being validly tendered.