

H 3.65

67/14
c

43.65

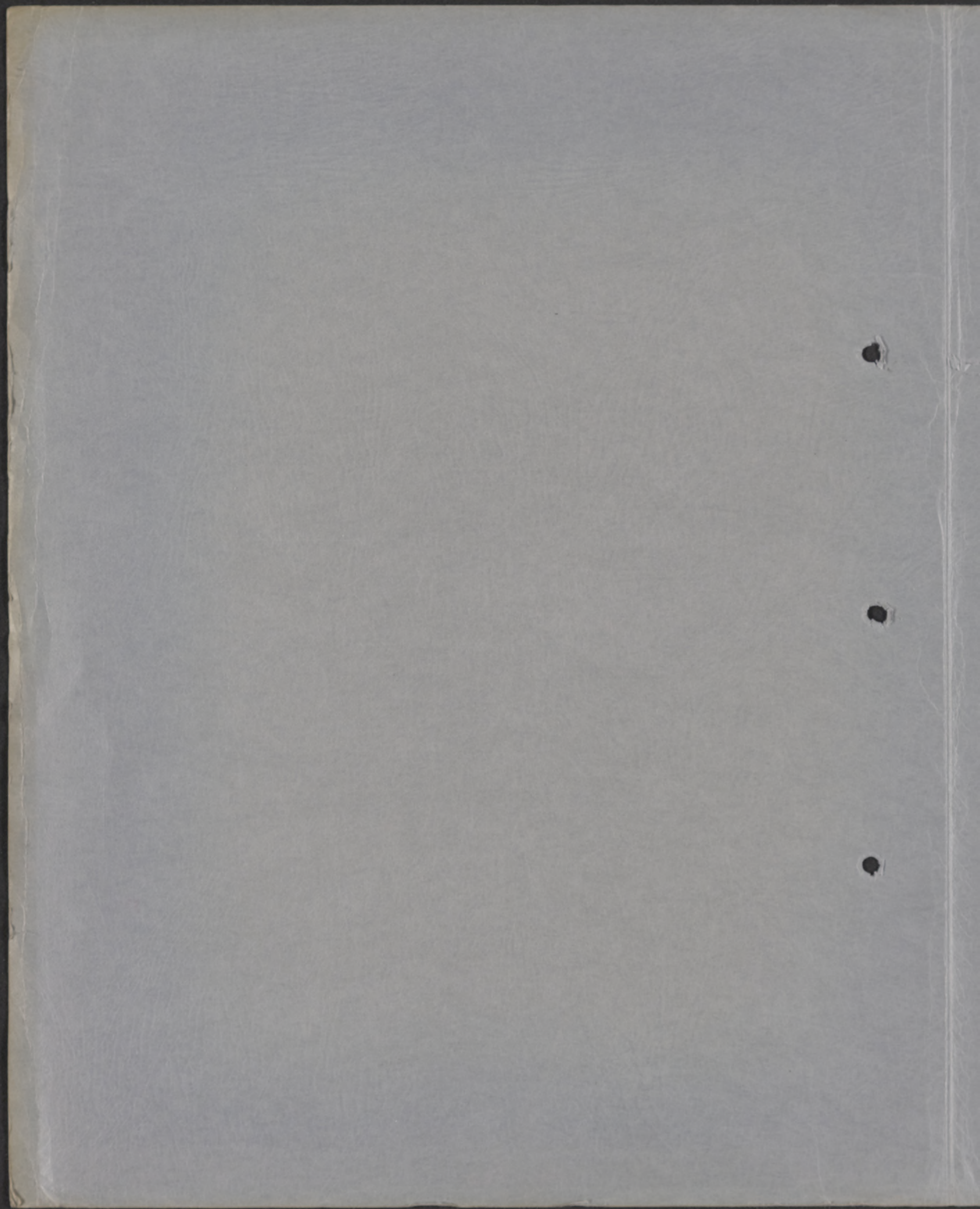
TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

TOPAZ, UTAH

REPORT ON EXAMINATION OF ACCOUNTS

AS AT DECEMBER 31, 1944

SCHOLEFIELD, WELLS & BAXTER
CERTIFIED PUBLIC ACCOUNTANTS



April 5, 1945

The Chairman and Board of Directors,

Topaz Consumer Cooperative Enterprises, Inc.,

Topaz, Utah.

Gentlemen:

In accordance with your instructions we have examined the records of the Topaz Consumer Cooperative Enterprises, Inc. for the three months ended December 31, 1944. We are pleased to submit herewith our report accompanied by the following statements:

Exhibit "A" - Comparative Balance Sheet as at December 31, 1944 and September 30, 1944;

supported by:

Schedule A-1 - Balance Sheet as at December 31, 1944 - Stores and Shops;

Schedule A-2 - Balance Sheet as at December 31, 1944 - Cash Service Department;

Schedule A-3 - Inventories at December 31, 1944;

Schedule A-4 - Schedule of Insurance Coverage and Prepaid Insurance as at December 31, 1944;

Exhibit "B" - Departmental Income Statement for Three Months ended December 31, 1944;

supported by:

Schedule B-1 - Income Statement - Cash Service Department, for Three Months ended December 31, 1944;

Exhibit "C" - Analysis of Patrons' Equity Accounts as at December 31, 1944.

ORGANIZATION AND HISTORY

The Topaz Consumer Cooperative Enterprises, Inc. was organized February 8, 1943 as a non-profit corporation under the act of Congress approved June 19, 1940, public law No. 642, 76th Congress, District of Columbia, Cooperative Association Act.

The enterprise was organized for the purposes of engaging in the manufacture, production, processing, distribution, marketing, storing, handling, sale, or trade of goods and commodities at wholesale and retail; to furnish personal business, educational, recreational, and all other types of service; to construct or acquire and operate establishments and facilities for supplying any kind of commodities to the general public, both at wholesale and retail; to construct or acquire establishments and facilities or furnishings for furnishing any kind of personal business, educational, recreational or other types of services to the general public; and to engage in any activity in connection with any one or more of the foregoing purposes.

It is a non-profit membership organization without capital stock and any person residing in the territory of the Topaz Relocation Center is eligible for membership upon purchase of a membership certificate at \$1.00.

The net savings from the operation of the enterprise are to be distributed to the members in relation to their patronage of the enterprise as provided in the by-laws.

As requested by the Chairman of the Board and President of the Cooperative, the following information pertaining to the organization is submitted:

Board of Directors:

Chairman - Yamate, Sasato - 20-2-B - January, 1945

Vice-Chairman - Kanzaki, Kichiso - 28-10-EF - January, 1945

Takahashi, Isamu	27-12-E	1-45	Kawaguchi, Sanjiro	34-1-F	1-45
Tsuzuki, Takashi	13- 2-E	1-45	Akiyama, Fred	33-5-A	1-45
Uyeda, Mitsuzo	9-10-ABC	1-45	Ikuma, Kameji	41-3-B	1-45
Miyagawa, Jukichi	5-1-E	1-45	Yoshida, Kazuma	38-2-B	1-45
Sakurai, Toyohiko	29-1-A	1-45	Noda, Jinzo	42-9-G	1-45

There have been three vacancies in the Board through relocations.

Officers:

President - Yamate, Sasato - 20-2-B

Vice-President -Kanzaki, Kichiso - 28-10-EF

Ex. Secretary -Yoshida, Kazuma - 38-2-B

Treasurer - Shinozaki, Hiroshi- 31-5-B

Executive Committees:

Education - Tsuzuki, Yutaka, Chairman, Miyagawa, Jukichi,
Takahashim, Isamu, Uyeda, Mitsuzo

Legal De-
partment - Miyagawa, Jukichi, Chairman, Akiyama, Fred,
Yoshida, Kazuma.

Personnel - Takahashi, Isamu, Chairman, Uyeda, Mitsuzo,
Tsuzuki, Takashi, Miyagawa, Jukichi,
Yoshida, Kazuma.

Finance - Takahashi, Isamu, Chairman, Kanzaki, Yoshiso.

Merchan-
dise - Kanzaki, Yoshiso, Chairman, Uyeda, Mitsuzo,
Tsuzuki, Takashi, Takahashi, Isamu.

Cash Service
Department -Takahashi, Isamu, Chairman, Kanzaki, Yoshiso.

Service - Kawaguchi, Sanjiro, Chairman, Noda,Jinzo,
Uyeda, Mitsuzo.

Public
Relations - Kanzaki, Yoshiso, Chairman, Tsuzuki, Takashi,
Sakurai, Toyohiko.

Fact Finding - Uyeda, Mitsuzo, Chairman, Takahashi, Isamu,
Akiyama, Fred.

Production - Uyeda, Mitsuzo, Chairman, Noda, Jinzo.

Accounts and
Records - Noda, Jinzo, Chairman, Ikuma, Kameji,
Kawaguchi, Sanjiro.

Raymond P. Sanford, Adviser, Business Enterprises, Section, W. R. A.

Major Employees: (As of December 31, 1944)

	<u>General Office</u>	<u>Title</u>
S. Nozaka	General Manager and Office Manager	General Manager and Office Manager
G. Hoshide	Accounting Department	Chief Accountant
Y. Sakai	Cashier	Head Cashier
H. Muronaka	Education Department	Education Manager
T. Isoye	Membership and Patron- age Refund	Manager of the Departments
K. Kanzaki	Purchasing Department	Purchasing Agent
H. Shinozaki	Cash Service Depart- ment	Manager
S. Nozaka	Stock Control	Controller

Merchandizing Division

Y. Fukushima	Store No. 1 & No. 4	Manager
N. Ono	Store No. 1 & No. 4	Assistant
M. Nakamura	Store No. 4	Assistant
S. Matsumoto	Dry Goods, Store No. 2	Manager
T. Kobayashi	Dry Goods, Store No. 2	Assistant
Motozaki, Motonoshin	Shoe Store, Store No. 3	Manager
Oishi, Zensaku	Shoe Repairing	Manager

Service Department

J. Noda	Service Department	Manager
Y. Okamoto	Barber Shop, Block 8	Sub-Manager
R. Abe	Barber Shop, Block 41	Sub-Manager
H. Yoshiura	Beauty Shop	Sub-Manager
S. Suzuki	Dry Cleaning and Laundry	Sub-Manager
A. Yamazaki	Mail Order	Sub-Manager

	<u>Service Department</u>	<u>Title</u>
S. Tamura	Movie Department	Sub-Manager
A. Tamazaki	Optical Order	Sub-Manager
K. Utsumi	Photo Department	Sub-Manager
S. Fujimoto	Radio Repairing	Sub-Manager
T. Yoshida	Watch Repair Department	Sub-Manager

SCOPE OF EXAMINATION

The scope of our examination contemplated a verification of assets and liabilities as at December 31, 1944 to the extent later referred to in our comments respecting the various balance sheet items and, without making a detailed audit of the transactions, we have examined or tested the accounting records of the enterprise and other supporting evidence by methods and to the extent we deemed appropriate. The departmental income statement submitted as Exhibit "B" has been prepared from the records of the Enterprise after giving effect to adjustments made in the course of our examination.

FINANCIAL POSITION

The comparative financial position of the enterprise as at December 31, 1944 and September 30, 1944 is summarized as follows:

	<u>As at 12-31-44</u>	<u>As at 9-30-44</u>	<u>Increase Decrease</u>
Current assets	124,398.80	128,663.74	4,264.94
<u>Less Current liabilities</u>	<u>62,040.07</u>	<u>61,662.56</u>	<u>377.51</u>
<u>Net Current Assets</u>	<u>62,358.73</u>	<u>67,001.18</u>	<u>4,642.45</u>
Fixed assets	9,783.17	10,305.12	521.95
<u>Other assets</u>	<u>5,269.38</u>	<u>7,364.17</u>	<u>2,094.79</u>
<u>Net Worth</u>	<u>\$77,411.28</u>	<u>\$84,670.47</u>	<u>\$7,259.19</u>

(6)

	As at <u>12-31-44</u>	As at <u>9-30-44</u>	Increase Decrease
represented by:			
Membership fees	4,630.00	4,659.00	29.00
Allocated savings	11,272.17	32,359.79	21,087.62
Allocated reserves	27,036.20	27,036.20	
Unallocated reserves	9,683.80	9,686.39	2.59
Net savings	<u>24,789.11</u>	<u>10,929.09</u>	<u>13,860.02</u>
<u>Total</u>	<u>\$77,411.28</u>	<u>\$84,670.47</u>	<u>\$7,259.19</u>
<u>Dollars of Current Assets per \$1.00</u>			
<u>of Current Liabilities</u>	<u>\$2.01</u>	<u>\$2.09</u>	<u>\$.08</u>

With a view to showing the changes which have taken place in the financial position during the period covered by our examination, we are pleased to submit as follows a condensed statement of application of funds showing the sources of the various funds provided during the period, as well as the manner of their application:

Funds Provided:

From net income for three months ended December 31, 1944 (Exhibit "B")	13,860.02
<u>Add Expenses not requiring funds:</u>	
Depreciation	<u>706.81</u>

Total Funds from Income 14,566.83

From decrease in merchandise inventory	14,347.67
From decrease in goods in transit	1,500.80
From decrease in cash deposits and advances	634.90
From decrease in supplies inventory	2,314.91
From increase in accounts payable	423.43
From increase in patrons' loans payable	890.14
From increase in accrued interest payable	59.36
From increase in collection - accounts payable	629.50
From increase in merchandise orders	250.50
From increase in payroll taxes payable	47.19
From increase in sales taxes payable	878.09
From increase in admission taxes payable	1.82
From increase in auditing expense payable	50.00
From increase in excise taxes payable	25.73
From sale of furniture and fixtures - net book value	<u>14.09</u>

Total Funds Provided \$36,634.96

Applied as Follows:To Increase Cash Position:

Increase cash in banks	33,569.46	
Less Decrease in cash in change funds	<u>22,102.07</u>	11,467.39
To increase accounts receivable		550.61
To increase claims receivable		200.43
To purchase of furniture and fixtures		198.95
To increase prepaid insurance		220.12
To decrease optical deposits		176.00
To decrease accrued salaries		2,469.68
To decrease truck and car rent payable		179.63
To decrease franchise tax payable		52.94
To decrease memberships		29.00
To decrease allocated savings		21,087.62
To decrease unallocated reserves		<u>2.59</u>

Total Funds Applied\$36,634.96

While the above summary does not purport to be a statement of cash receipts and disbursements, it does reflect the various changes which have taken place in assets, liabilities and members' equities during the period, based on the net increases and decreases in such individual assets and liabilities.

COMMENTS ON STATEMENTS PRESENTED

In explanation of the various statements as presented the following comments are submitted:

BALANCE SHEET ITEMS (EXHIBIT "A")ASSETS

<u>Petty Cash</u>	<u>\$200.00</u>
<u>Change Funds</u>	<u>\$14,997.19</u>

These assets consist of:

Petty cash on hand in General Office	200.00
Change funds in various stores	741.44
Change funds on hand, Cash Service Department	<u>14,255.75</u>

Total\$15,197.19

Cash on hand was counted as at the close of business February 12, 1945 and was satisfactorily reconciled with the balance on hand December 31, 1944.

Cash in Banks\$73,576.82

This asset consists of:

Cash on deposit, General account, Commercial Bank of Nephi	30,759.57
Cash on deposit, Delta Branch Bank, Delta, Utah	1,977.20
Cash on deposit, Cash Service Department, Commercial Bank of Nephi	<u>40,840.05</u>

Total\$73,576.82

Cash on deposit with the above banks was satisfactorily reconciled with the balances directly confirmed with us by these depositories as at December 31, 1944. We also reconciled these banks as at the date of our cash count.

Stamps\$200.00

Stamps on hand were counted as at the close of business February 12, 1945 in connection with our cash count and were satisfactorily reconciled to the balance on hand December 31, 1944.

Accounts Receivable\$1,263.92

In verification of accounts receivable we examined the individual items to determine that they were all current and, in most instances, were paid in the forepart of 1945. We asked for confirmation from five of the accounts in the accounts receivable totalling \$706.27 and have received replies from four of the accounts totalling \$525.92. None of the replies disclosed any differences.

Claims Receivable\$641.77

This item represents claims made against creditors for overpayments and credit memorandums issued by them. We have examined the individual claims and found them to be in agreement with the above amount. At the date of our examination checks amounting to \$263.89 had been received in settlement of these claims. We requested confirmation of all items over \$50.00 that had not been settled. To the date of this report, we have received answers to our requests totalling \$333.00; no differences were reported to us.

Merchandise Inventory\$32,321.79

The merchandise inventory was taken by employees of the enterprise as at December 31, 1944. We have examined these inventory sheets and tested the pricing and extensions. We also made a test of the physical quantities on hand February 14, 1945 and compared this test with the perpetual records kept in the General Office. A summary of the inventories is submitted as Schedule A-3.

Cash Deposits and Advances\$1,197.33

This amount represents cash advances on buying trips and deposits made with creditors. We discussed the balances in the individual accounts with the chief accountant and examined collections made after December 31, 1944. \$100.00 of the above amount represents cash advance to the Salt Lake-Delta Truck Line and was confirmed in direct communication with us. \$1,000.00 of the above amount represents a deposit with the War Relocation Authority, Business Service Office, New York City, New York. Request for confirmation

of this amount was requested by us but to the date of this report we have had no reply to our request.

<u>Furniture and Fixtures</u>	14,250.09
<u>Less Reserve for Depreciation</u>	<u>4,466.92</u>
<u>Net Fixed Assets</u>	<u>\$9,783.17</u>

Summary of the cost value and depreciation reserves applicable to the various furniture and fixture accounts is as follows:

	<u>Cost as</u> <u>at 12-31-44</u>	<u>Reserve for</u> <u>Depreciation</u> <u>as at 12-31-44</u>	<u>Net Book</u> <u>Value as at</u> <u>12-31-44</u>
Store #1	2,060.95	680.27	1,380.68
Store #2	1,094.14	379.22	714.92
Store #3	220.45	94.26	126.19
Store #4	1,222.70	476.21	746.49
Barber Shop	421.16	87.28	333.88
Photo	449.00	99.09	349.91
Movies	1,441.89	568.47	873.42
Laundry	10.00	1.77	8.23
Shoe Repair	2,016.44	678.82	1,337.62
Radio Repair	239.95	27.19	212.76
Beauty Shop	579.31	180.47	398.84
Cleaning	10.00	1.77	8.23
Optical	10.00	8.27	1.73
Watch repair	338.50	118.04	220.46
Warehouse	145.55	15.71	129.84
Office	2,959.16	846.85	2,112.31
Cash Service Department	164.70	68.23	96.47
Fish Market	450.75	28.58	422.17
Mail Order	415.44	106.42	309.02
<u>Total</u>	<u>\$14,250.09</u>	<u>\$4,466.92</u>	<u>\$9,783.17</u>

All additions to the furniture and fixtures account during the three months have been analyzed and are considered to represent proper capital expenditures. The changes in the account during the three-month period are summarized as follows:

(11)

Net book value September 30, 1944		10,305.12
<u>Add:</u>		
One tester purchased for radio shop	19.95	
One standard computing scale for fish market	140.00	
Two speed-o-scopes for office	<u>39.00</u>	<u>198.95</u>
<u>Total</u>		10,504.07
<u>Deduct:</u>		
One Wahl clipper sold - net book value	14.09	
Depreciation for three months ended December 31, 1944	<u>706.81</u>	<u>720.90</u>
<u>Net Book Value December 31, 1944</u>		<u>\$9,783.17</u>

Prepaid Insurance

\$1,126.55

This sum represents our calculation of unexpired premiums covering insurance policies examined by us as listed on Schedule A-4.

Income Tax Refund Claim

\$451.80

A federal income tax return was filed covering the period September 14, 1942 to March 31, 1943. The amount of income taxes disclosed by this return totalled \$451.80 and was paid to the Collector of Internal Revenue. However, an opinion dated December 31, 1943 was received from the Deputy Commissioner showing that the enterprise is exempt from federal income tax. Accordingly, a claim for refund of the tax paid dated March 31, 1944 has been filed.

Supplies Inventory

\$3,691.03

This sum represents the inventory of supplies on hand at December 31, 1944. The inventory represents physical count by employees of the enterprise as at December 31, 1944 and the inventory sheets were presented to us for our examination. We tested extensions and pricing of the inventory.

LIABILITIESAccounts Payable\$3,540.47

This liability consists of amounts owing trade creditors as at December 31, 1944 according to the book records. Requests for confirmation of amounts owing were mailed to all creditors where the records indicated the balance to be in excess of \$50.00. Replies received to date do not disclose any discrepancies. We have also examined vouchers and disbursements appearing on the records subsequent to December 31, 1944 to insure the inclusion of all liabilities of this class material in amount.

Loans Payable to Patrons\$53,964.54

This sum represents loans that have been made to the enterprise (cash service department) as at December 31, 1944. These loans are evidenced by certificates issued to the patrons which bear interest at the rate of $\frac{1}{2}\%$ per annum. The certificate provides space to show withdrawals made by the patrons to reduce the loan made by them and in each case the patron signs for any changes made in the balance of the loan. We have listed the numbers of all outstanding loans and reconciled the balances shown on the copy of the certificate to the balance as shown above.

Accrued Interest on Loans\$59.36

The above amount represents interest that had accrued on loans payable to patrons but which had not been paid to them at December 31, 1944.

Collection Accounts Payable\$866.16

This item represents checks received by the cash service department and deposited in its bank account. Payments were not made to the patrons until the bank made collections. Collections were effected and paid to the patrons during the month of January, 1945.

Merchandise Orders\$312.00

This item represents merchandise orders received and paid for by the patrons, the merchandise to be delivered after December 31, 1944. We examined the balances of the merchandise orders on file in the general office, and found them to be in agreement with the above amount.

Optical Deposits\$24.00

The enterprise maintains an optical department and receives deposits for glasses from its patrons amounting to \$4.00 each. When the glasses are received the balance of the bill is then collected from the patron and forwarded to the optical company. The balance of \$24.00 represents deposits received on such orders that had not been filled as at December 31, 1944 and is in agreement with the records kept by the optical department.

Accrued Salaries\$481.21

This amount represents the unpaid salaries at December 31, 1944 but which were paid during the month of January, 1945.

Payroll Taxes\$584.12

This item consists of the following:

State unemployment tax	270.08
Federal unemployment tax	113.98
Federal old age benefit tax	<u>200.06</u>
<u>Total</u>	<u>\$584.12</u>

We examined payrolls and tested the accruals of these taxes but due to a change in the office personnel, it was impossible to file the returns for these taxes on the required date. Accordingly, an extension of time for preparing the returns and paying the tax has been requested, and these amounts were still unpaid at the date of our examination.

State Sales Tax\$1,544.42

The above amount represents the sales tax to the State of Utah on the sales made during the months of November and December. We examined the return filed, and the tax was paid on January 13, 1945.

Admissions Tax\$84.00

The above amount represents admissions tax collected, payment of which was made subsequent to December 31, 1944.

Auditing Expense\$300.00

The enterprise is accruing its auditing expenses and the above amount represents the accrual of these expenses as at December 31, 1944.

Federal Excise Tax\$151.15

The above amount represents excise tax collected and payable to the federal government at December 31, 1944, payment of which was made during the month of January, 1945.

Truck and Car Rent\$75.73

The enterprise rents its trucks and cars from the War Relocation Center and the above amount represents rental unpaid at December 31, 1944 as calculated from the speedometer readings.

State Franchise Tax\$52.91

The enterprise filed a state franchise tax return covering the period ended March 31, 1944 and set up a liability of \$211.73. Since March 31, 1944 three quarterly payments have been paid, leaving a balance due December 31, 1944 of \$52.91. The section of the Utah statutes respecting cooperatives is identical with the section of the federal law under which exemption was granted from federal income tax, and accordingly a claim for

refund for the amount of the tax paid has been filed with the State of Utah.

Patrons' Equities

\$77,411.28

An analysis of the patrons' equities is shown on Exhibit "C" and is in sufficient detail to require no further explanation.

BALANCE SHEET AS AT DECEMBER 31, 1944 -
STORES AND SHOPS (SCHEDULE A-1)

This schedule has been prepared to show the assets and liabilities of the stores and shops excluding the assets of the cash service department. However, in the balance sheet, Exhibit "A", these amounts are consolidated with the cash service department balances.

BALANCE SHEET AS AT DECEMBER 31, 1944 -
CASH SERVICE DEPARTMENT (SCHEDULE A-2)

It has been the practice of the enterprise to maintain separate accounting records for the cash service department. This balance sheet has been prepared therefore to show the assets and liabilities of the cash service department as reflected by the books kept for this department.

DEPARTMENTAL INCOME AND EXPENSE STATEMENT FOR
THREE MONTHS ENDED DECEMBER 31, 1944 (EXHIBIT "B")

This statement has been prepared to show the income and expenses by departments for the three months ended December 31, 1944. It will be noted that net savings totalling \$13,860.02 were made for the past three months.

GENERAL REMARKS

During our examination for the six months' period ended September 30, 1944 we observed several instances where it was our opinion that

changes were necessary to properly record the transactions of the enterprise. We accordingly recommended that certain changes be made.

In our examination for the three months ended December 31, 1944 we found that most of our recommendations had been carried out.

In the cash service department the register of the money orders is now being kept and the bank balance is being reconciled at the end of each month.

Our recommendation for taking the inventory is also now being carried out. There have been, however, no changes made in the depreciation rate for furniture and fixtures and in order to eliminate any loss that may be experienced as a result of a sudden requirement to liquidate the affairs of the enterprise, we recommend that an appraisal be made of all the furniture and fixtures to estimate their sales value under a forced liquidation, and we recommend that the difference between this minimum sales value and the net book value be written off over the next six-month period.

Reserve for Contingencies

The by-laws of the enterprise provide that from the net savings there shall be allocated to the general reserve fund, a sum not less than 10% of such savings until such time as the reserve shall equal 50% of the paid-up membership. This reserve shall be used to absorb operating deficits of unsuccessful periods, losses caused by fire, theft and otherwise. At December 31, 1944 the paid-up memberships amounted to \$27,036.20. In view of the large inventories of merchandise and supplies which it is necessary to maintain for normal operation, a substantial loss on inventory may result

from any sudden or forced liquidation of inventories. In anticipation of any such forced liquidation it is suggested that a substantial portion of future savings be allocated to a reserve for contingencies until such time as this reserve plus the unallocated reserve is sufficient to provide for possible contingencies of this nature.

Members' Equity Records

In our examination at September 30, 1944 we found that the members' equity records had not been reconciled with the balances in the general ledger. At the date of our examination for the period ended December 31, 1944 the employees were posting to the equity records the amounts distributed during the months of November and December. As this posting was not completed it was impossible for us to balance the equity records with the general ledger control and we recommend that after each payment of rebates these records be promptly posted and that all of the equity records be balanced to the general ledger controls.

Very truly yours,

Schofield, Wells and Bayter

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

TOPAZ, UTAH

BALANCE SHEET AS AT DECEMBER 31, 1944

STORES AND SHOPS

<u>ASSETS</u>		<u>LIABILITIES</u>	
<u>CURRENT ASSETS:</u>		<u>CURRENT LIABILITIES:</u>	
Petty cash	200.00	Accounts payable	3,540.47
Change funds	741.44	Merchandise orders	312.00
Cash in banks	<u>32,736.77</u>	Optical deposits	24.00
	33,678.21	<u>Accruals:</u>	
Accounts receivable	1,263.92	Salaries	481.21
Claims receivable	<u>641.77</u>	Payroll taxes	584.12
	1,905.69	State sales tax	1,544.42
Merchandise inventory	32,321.79	Admission taxes	84.00
Cash deposits and advances	1,197.31	Auditing expense	300.00
Inter-department account receivable	<u>405.74</u>	Federal excise tax	151.15
	69,508.74	Truck and car rent	75.73
		State franchise tax	<u>52.91</u>
<u>Total Current Assets</u>			<u>3,273.54</u>
		<u>Total Current Liabilities</u>	7,150.01
<u>FIXED ASSETS:</u>		<u>PATRONS' EQUITIES:</u>	
Furniture and fixtures	14,250.09	Memberships	4,630.00
Less Reserve for depreciation	<u>4,466.92</u>	Allocated reserves	27,036.20
		Allocated savings	11,272.17
<u>Net Book Value of Fixed Assets</u>	9,783.17	Unallocated reserves	9,683.80
		Net savings	<u>24,789.11</u>
<u>OTHER ASSETS:</u>		<u>Total Patrons' Equities</u>	77,411.28
Prepaid insurance	1,126.55		
Income tax refund claim	451.80		
Supplies inventory	<u>3,691.03</u>		
	5,269.38		
<u>Total Other Assets</u>			
	<u>\$84,561.29</u>		<u>\$84,561.29</u>

EXHIBIT "A"

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

TOPAZ, UTAH

COMPARATIVE BALANCE SHEET

AS AT DECEMBER 31, 1944 AND SEPTEMBER 30, 1944

ASSETS	As at	As at	LIABILITIES	As at	As at
	December 31, 1944	September 30, 1944		December 31, 1944	September 30, 1944
<u>CURRENT ASSETS:</u>			<u>CURRENT LIABILITIES:</u>		
Petty cash	200.00	200.00	Accounts payable	3,540.47	3,117.04
Change funds	14,997.19	37,099.26	Loans payable to patrons	53,964.54	53,074.40
Cash in banks	73,576.82	40,007.36	Accrued interest on loans	59.36	
Stamps	200.00	200.00	Collection accounts payable	866.16	236.66
Accounts receivable	1,263.92	713.31	Merchandise orders	312.00	61.50
Claims receivable	641.77	441.34	Optical deposits	24.00	200.00
Merchandise inventory	32,321.79	46,669.46	<u>Accruals:</u>		
Goods in transit		1,500.80	Salaries	481.21	2,950.89
Cash deposits and advances	1,197.31	1,832.21	Payroll taxes	584.12	536.93
<u>Total Current Assets</u>	<u>124,398.80</u>	<u>128,663.74</u>	State sales tax	1,544.42	666.33
<u>FIXED ASSETS:</u>			Admission tax	34.00	82.18
Furniture and fixtures	14,250.09	14,069.64	Auditing expense	300.00	250.00
Less Reserve for depreciation	4,466.92	3,764.52	Federal excise tax	151.15	125.42
<u>Net Fixed Assets</u>	<u>9,783.17</u>	<u>10,305.12</u>	Truck and car rent	75.73	255.36
<u>OTHER ASSETS:</u>			State franchise tax	52.91	105.85
Prepaid insurance	1,126.55	906.43	<u>Total Current Assets</u>	<u>62,040.07</u>	<u>61,662.56</u>
Income tax refund claim	451.80	451.80	<u>PATRONS' EQUITIES (EXHIBIT "C"):</u>		
Supplies inventory	3,691.03	6,005.94	Membership fees	4,630.00	4,659.00
<u>Total Other Assets</u>	<u>5,269.38</u>	<u>7,364.17</u>	Allocated savings	11,272.17	32,359.79
			Allocated reserves	27,036.20	27,036.20
			Unallocated reserves	9,683.80	9,686.39
			Net savings	24,789.11	10,929.09
			<u>Total Patrons' Equities</u>	<u>77,411.28</u>	<u>84,670.47</u>
	<u>\$139,451.35</u>	<u>\$146,333.03</u>		<u>\$139,451.35</u>	<u>\$146,333.03</u>

SCHEDULE A-2

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

TOPAZ, UTAH

BALANCE SHEET AS AT DECEMBER 31, 1944.

CASH SERVICE DEPARTMENT

ASSETS

Cash on hand	14,255.75
Cash in bank	40,840.05
Stamps	<u>200.00</u>
<u>TOTAL ASSETS</u>	<u>\$55,295.80</u>

LIABILITIES

Loans due patrons	53,964.54
Collections payable	866.16
Interest payable	59.36
Inter-department account	<u>405.74</u>
<u>TOTAL LIABILITIES</u>	<u>\$55,295.80</u>

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.TOPAZ, UTAHINVENTORIES AS AT DECEMBER 31, 1944

<u>Items</u>	<u>Store Number 1</u>	<u>Store Number 2</u>	<u>Store Number 3</u>	<u>Store Number 4</u>	<u>Fish Market</u>	<u>Warehouse</u>	<u>Other Departments</u>	<u>Total Inventories</u>
<u>Merchandise:</u>								
Groceries	1,049.27			20.75		1,604.60		2,674.62
Household goods	164.72			74.95		1,465.02		1,704.69
Hardware	1,173.20					1,072.87		2,246.07
Smoking supplies	672.46			.19		1.63		674.28
Drugs	1,971.06			24.17		1,395.04		3,390.27
Notions	349.03					112.24		461.27
Stationery	531.58			18.98		261.66		812.22
Confections	75.52			49.53		180.00		305.05
Bakery				17.46		392.45		409.91
Magazines	202.96					32.00		234.96
Fruits	114.76			26.18				140.94
Sherbets	7.01							7.01
Cards	31.92							31.92
Shoes (supplies)			363.51			104.00		467.51
Shoes			2,122.79					2,122.79
Dry goods		14,525.12				147.35		14,672.47
Fish					75.45			75.45
Syrup	69.29			103.93		1,717.14		1,890.36
<u>Totals</u>	<u>6,412.78</u>	<u>14,525.12</u>	<u>2,486.30</u>	<u>336.14</u>	<u>75.45</u>	<u>8,486.00</u>	<u>-</u>	<u>32,321.79</u>
<u>Supplies:</u>								
General supplies						781.71		781.71
Radio repair							469.55	469.55
Watch repair							352.44	352.44
Beauty Shop							221.64	221.64
Photo							504.98	504.98
Shoe repair							1,360.71	1,360.71
<u>Totals</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>781.71</u>	<u>2,909.32</u>	<u>3,691.03</u>
<u>GRAND TOTALS</u>	<u>\$6,412.78</u>	<u>\$14,525.12</u>	<u>\$2,486.30</u>	<u>\$336.14</u>	<u>\$75.45</u>	<u>\$9,267.71</u>	<u>\$2,909.32</u>	<u>\$36,012.82</u>

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

TOPAZ, UTAH

SCHEDULE OF INSURANCE COVERAGE AND PREPAID INSURANCE

AS AT DECEMBER 31, 1944

Policy Number	Company	Effective Date	Expiration Date	Coverage	Amount of Coverage	Total Premium	Prepaid at 12-31-44
909401	Imperial Assurance Company	11- 1-44	11- 1-45	Provisional coverage on stock - Limit of liability	\$105,000.00	\$ 699.09	571.87
DX1026	Phoenix Indemnity Company	2-23-44	2-23-45	Dishonesty of Employees	20,000.00	359.74)	
				Wrongful abstraction and loss of Securities within premises	15,000.00	212.00)	54.80
				Wrongful abstraction and loss of securities outside premises	5,000.00	35.00)	
28170	American Casualty Company	2-12-44	2-12-45	Depositors and commercial forgery bond	2,000.00	7.50	.88
PF1479	Utah Home Fire Insurance Company	11-19-44	11-19-45	Cameras, Projection machines, films and articles of equipment	525.00	13.12	11.65
SK220061	St. Paul Mercury Indemnity Company	1-10-44	1-10-45	Storekeepers' Burglary and Robbery- specific articles	250.00	35.00	.93
SK220063	St. Paul Mercury Indemnity Company	6-27-44	6-27-45	Storekeepers' Burglary and Robbery- general merchandise	250.00	52.50	25.64
DL58358	American Casualty Company	1-15-44	1-15-45	Owners, Landlords and Tenants Public liability	5,000.00 Each Person) 10,000.00 Each Accident)	59.90	2.51
LMD624646	Eagle Indemnity Company	12- 9-44	12- 9-45	Automobile Public Liability and Property damage	10/20 Limits) 5,000.00 Property Damage)	55.96	52.68
434624	Utah Home Fire Insurance Company	11-20-42	11-20-45	Furniture and fixtures	7,173.00	209.13	63.58
43U00040	American Casualty Company	9-15-44	9-15-45	Workmen's Compensation	(Deposit Prem- ium)	446.72	342.01
				<u>Total</u>			<u>\$1,126.55</u>

EXHIBIT "B"

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

TOPAZ, UTAH

DEPARTMENTAL INCOME STATEMENT FOR THREE MONTHS ENDED DECEMBER 31, 1944

EXHIBIT "B"

Barber Number 8	Barber Number 41	Photo	Watch	Radio	Beauty Shop	Cleaning	Laundry	Optical	Personal Service	Mail Order
819.20	657.35	2,472.43	784.86	603.18	818.30	1,680.85	428.41	755.55	701.21	152.20
		45.26	3.42	4.25				14.89		
<u>819.20</u>	<u>657.35</u>	<u>2,427.17</u>	<u>781.44</u>	<u>598.93</u>	<u>818.30</u>	<u>1,680.85</u>	<u>428.41</u>	<u>740.66</u>	<u>701.21</u>	<u>152.20</u>
		277.74	347.52	468.58	183.02					
		464.39	181.91	254.06	200.54					
6.29	6.29	12.58	12.58	12.58	12.58	1,188.80	25.17	559.23		
1.68		27.96	10.27	13.21	3.33	1.33	2.95	12.58		
7.97	6.29	782.67	552.28	748.53	399.47	1,190.13	28.12	572.35	-	-
		504.98	352.44	469.55	221.64					
<u>7.97</u>	<u>6.29</u>	<u>277.69</u>	<u>199.84</u>	<u>278.98</u>	<u>177.83</u>	<u>1,190.13</u>	<u>28.12</u>	<u>572.35</u>	-	-
811.23	651.06	2,149.48	581.60	319.95	640.47	490.72	400.29	168.31	701.21	152.20
393.31	406.00	532.27	211.89	48.67	216.11	73.05	309.15	70.85	490.52	67.25
19.67	20.30	25.11	10.59	2.44	10.81	3.66	15.46	3.55	24.85	3.37
1.25	3.55	72.01	28.33	35.74	23.59	22.14	34.74	6.23		3.45
<u>411.73</u>	<u>429.85</u>	<u>629.39</u>	<u>250.81</u>	<u>86.85</u>	<u>250.51</u>	<u>98.85</u>	<u>359.35</u>	<u>80.63</u>	<u>515.37</u>	<u>74.07</u>
37.05	37.05	70.80	28.50	14.25	22.41	3.00	3.00	3.00		3.00
3.22	3.29	9.54	11.06	7.60	3.64	10.63	6.09	1.76	6.87	.64
9.87	9.87	32.10	16.86	11.94	28.92	.48	.48	6.98		3.67
65.00	67.50	137.00	31.50				7.50			
						.57				
		.13	.74	.37				11.16		19.23
96.74	86.90	60.12	40.76	89.19	120.79	15.00	30.90	4.95	266.12	.76
<u>211.88</u>	<u>204.61</u>	<u>309.69</u>	<u>129.42</u>	<u>123.35</u>	<u>175.76</u>	<u>29.68</u>	<u>47.97</u>	<u>27.85</u>	<u>272.99</u>	<u>27.30</u>
26.39	26.39	105.55	52.78	52.78	52.78	52.78	52.78	105.55	52.78	-
<u>650.00</u>	<u>660.85</u>	<u>1,044.63</u>	<u>433.01</u>	<u>262.98</u>	<u>479.05</u>	<u>181.31</u>	<u>460.10</u>	<u>214.03</u>	<u>841.14</u>	<u>101.37</u>
<u>\$161.23</u>	<u>\$9.79</u>	<u>\$1,104.85</u>	<u>\$148.59</u>	<u>\$56.97</u>	<u>\$161.42</u>	<u>\$309.41</u>	<u>\$59.81</u>	<u>\$45.72</u>	<u>\$139.93</u>	<u>\$50.83</u>

SCHEDULE B-1

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

TOPAZ, UTAH

INCOME STATEMENT - CASH SERVICE DEPARTMENT

FOR THREE MONTHS ENDED DECEMBER 31, 1944

Income:

Check cashing	163.42
Money orders	236.16
Travelers' cheques	23.48
Other income	<u>1.04</u>

Total Income

424.10

Operating Expenses:

Wages	294.87
Payroll taxes	14.74
Postage - outgoing	62.47
Postage - incoming	124.93
Rent	8.55
Cash short	10.62
Interest expense	112.73
Miscellaneous expense	12.10
Depreciation	8.22
Insurance	69.69
Telephone and telegraph	8.36
Supplies	24.47
Adjustment of bank balance	<u>57.27</u>

Total Operating Expenses

809.02

NET INCOME OR LOSS FOR THREE MONTHS ENDED
DECEMBER 31, 1944

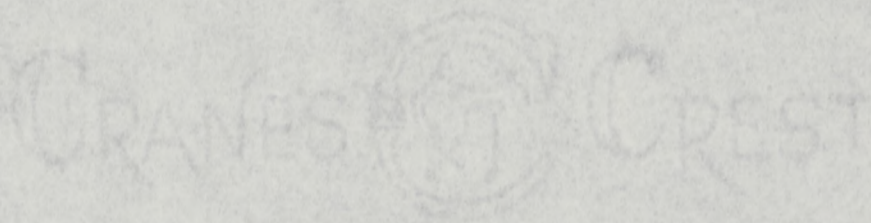
\$384.92

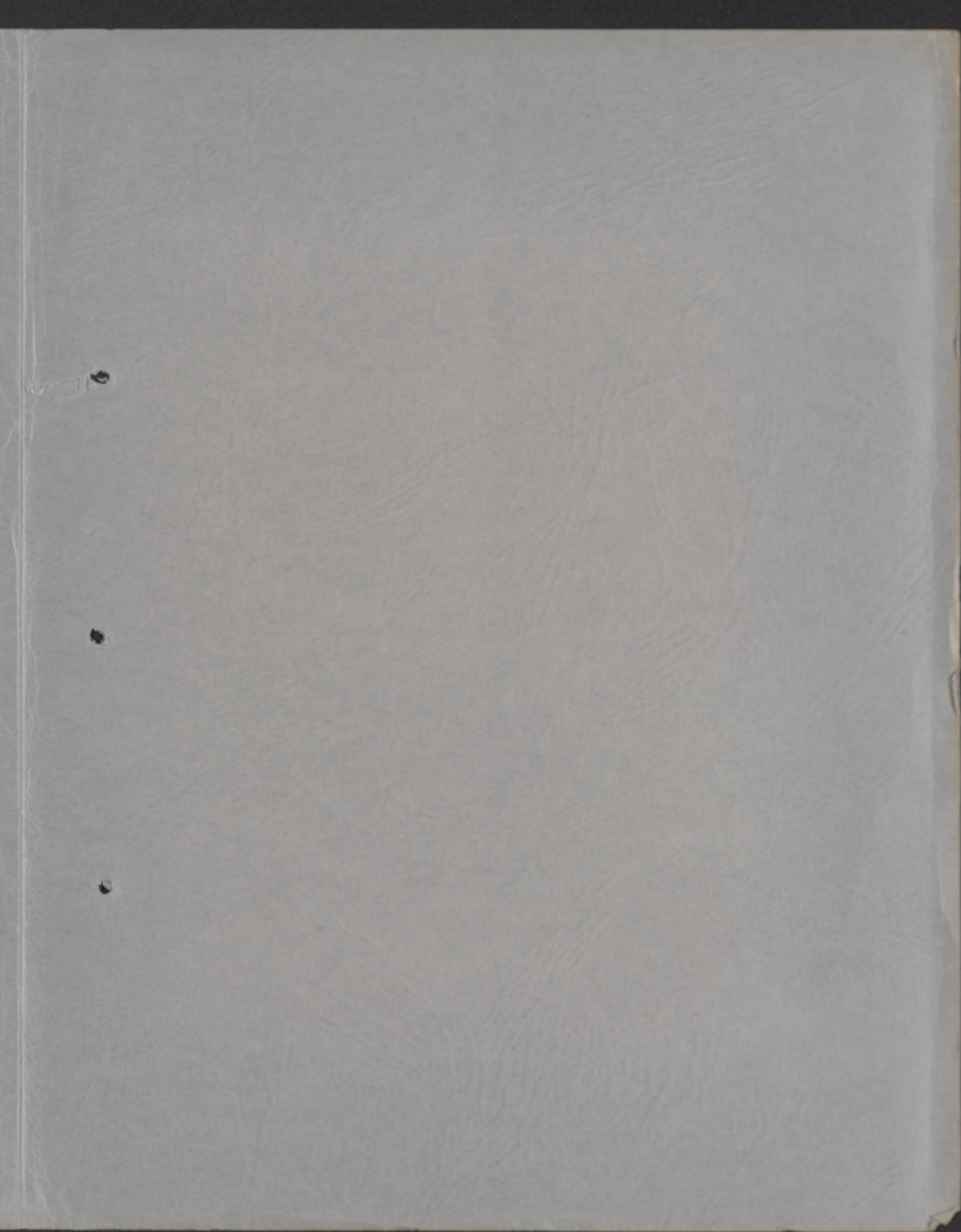
TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

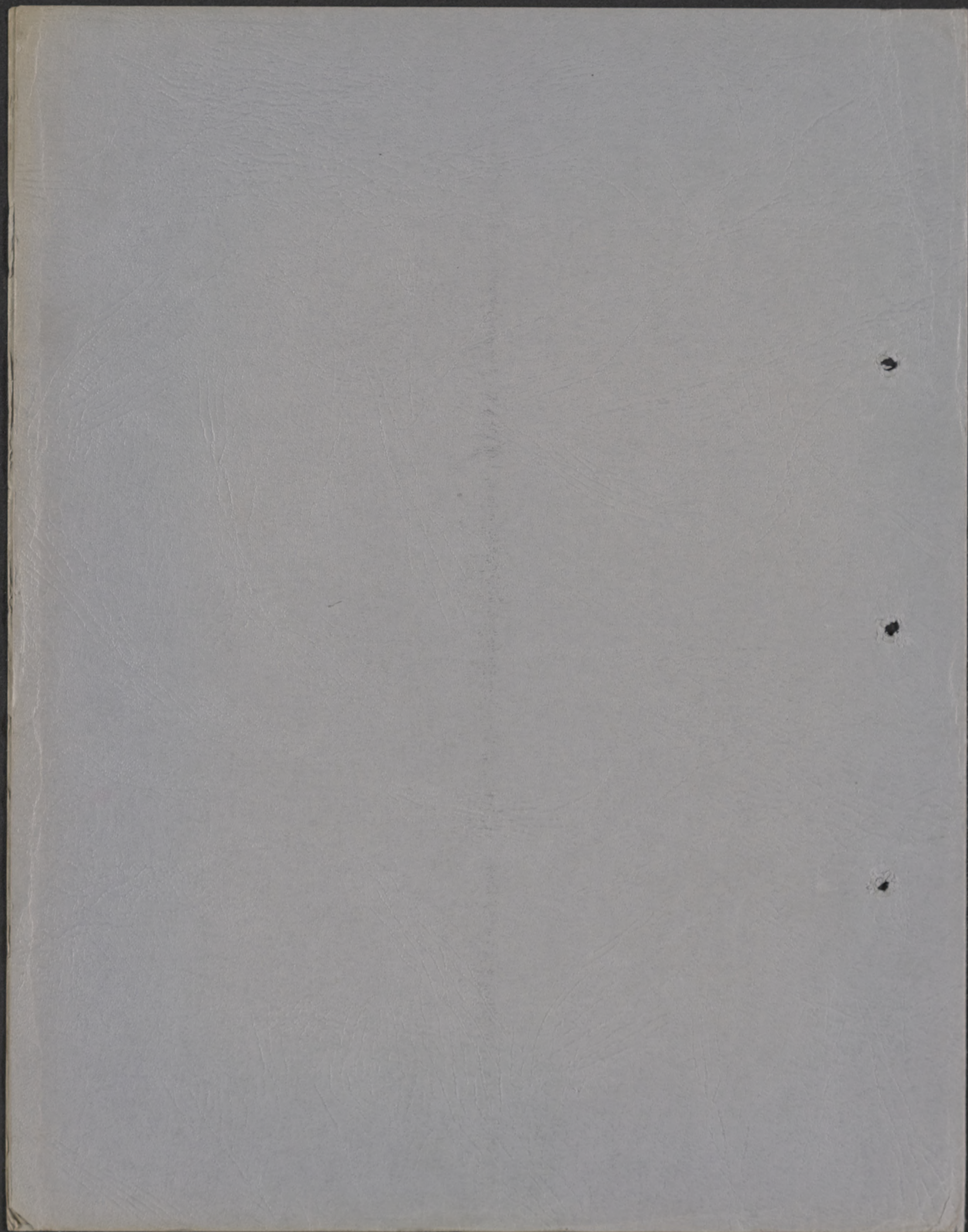
TOPAZ, UTAH

ANALYSIS OF PATRONS' EQUITY ACCOUNTS AT DECEMBER 31, 1944

	<u>Member- ships</u>	<u>Allocated Savings</u>	<u>Allocated Reserves</u>	<u>Unallocated Reserves</u>	<u>Net Savings</u>	<u>Total</u>
Balance at September 30, 1944	4,659.00	32,359.79	27,036.20	9,686.39	10,929.09	84,670.47
<u>Add:</u>						
New memberships	84.00					84.00
Net savings for three months ended December 31, 1944 (Exhibit "B")					13,860.02	13,860.02
<u>Totals</u>	<u>4,743.00</u>	<u>32,359.79</u>	<u>27,036.20</u>	<u>9,686.39</u>	<u>24,789.11</u>	<u>98,614.49</u>
<u>Deduct:</u>						
Memberships withdrawn	113.00					113.00
Distribution or rebates		21,087.62				21,087.62
Refunds to patrons not previously allocated				2.59		2.59
<u>Total Deductions</u>	<u>113.00</u>	<u>21,087.62</u>	<u>-</u>	<u>2.59</u>	<u>-</u>	<u>21,203.21</u>
<u>Balance at December 31, 1944 (Exhibit "A")</u>	<u>\$4,630.00</u>	<u>\$11,272.17</u>	<u>\$27,036.20</u>	<u>\$9,683.80</u>	<u>\$24,789.11</u>	<u>\$77,411.28</u>







H3.65

AUDIT REPORT

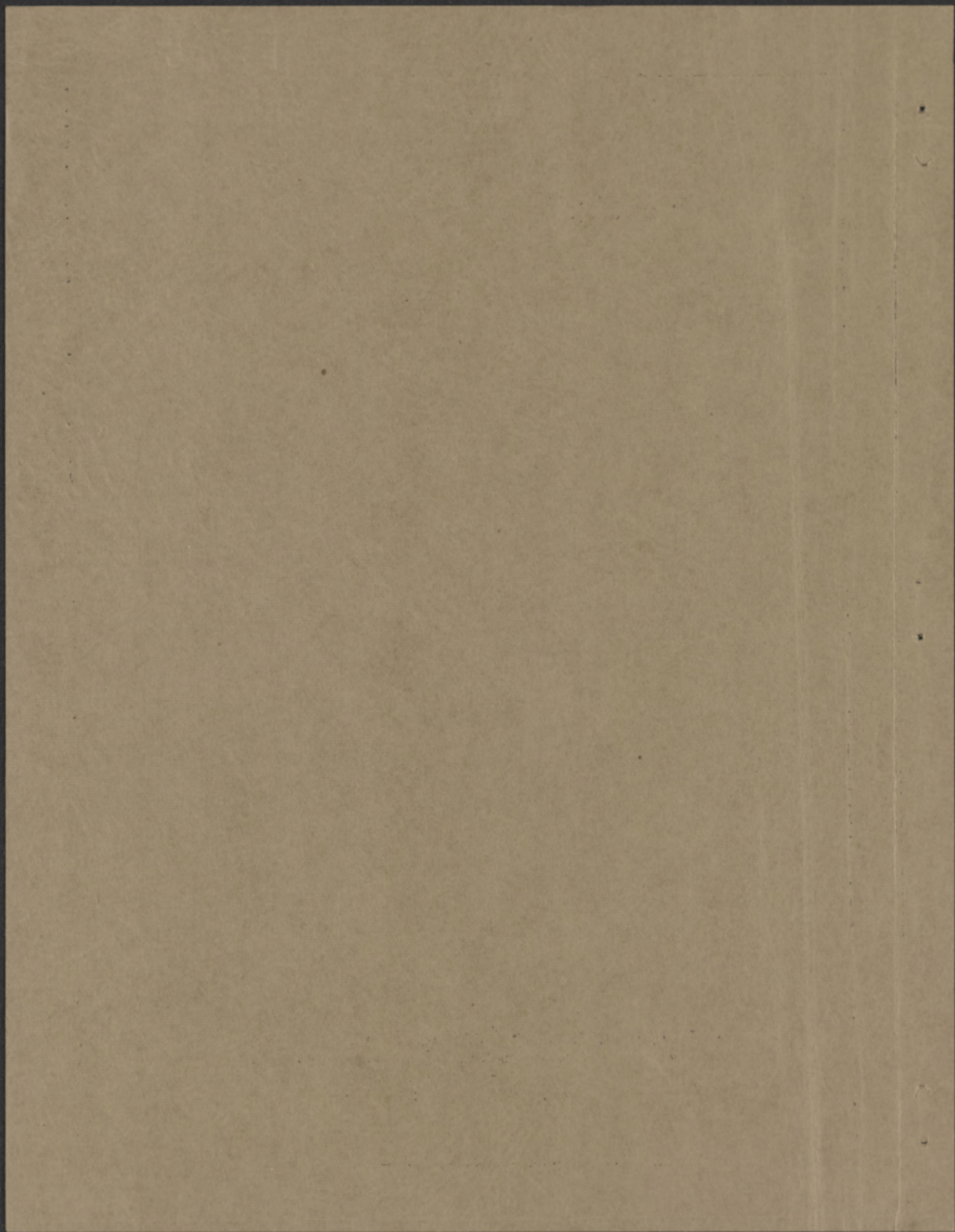
FOR THE PERIOD

Northwest Cooperative Auditing & Service Association

[INCORPORATED UNDER COOPERATIVE LAWS OF THE STATE OF WASHINGTON]

502-504 Baker Building

WALLA WALLA, WASHINGTON



TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

REPORT OF AUDIT

March 31, 1944

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

TABLE OF CONTENTS

		<u>Page:</u>
Organization		1
Auditor's Comments		4
Consolidated Balance Sheet - Assets	Exhibit "A"	9
Consolidated Balance Sheet - Liabilities & Equities	Exhibit "A"	10
Income and Expense Statement	Exhibit "B"	11
Warehouse Control & Expense Statement	Exhibit "C"	13
Cash on Hand	Schedule 1	13
Cash in Bank - Commercial Bank - Nephi, Utah	Schedule 2	14
Cash in Bank - Richfield Commercial & Savings Bank	Schedule 2-B	14
Regular Checks Outstanding	Schedule 2-A	15
Accounts Receivable	Schedule 3	17
Inventories	Schedule 4	18
Prepayments, Deposits & Claims	Schedule 5	19
Fixed Assets & Depreciations	Schedule 6	21
Insurance & Bonds in Force & Prepaid Premiums	Schedule 7	22
Vouchers Payable	Schedule 8	23
Notes Payable	Schedule 9	24
Federation of Center Business Enterprises	Schedule 10	24
Accrued Social Security	Schedule 11	25
Merchandise Orders Outstanding	Schedule 12	25
Administrative Expenses	Schedule 13	26
Other Income	Schedule 14	26
Other Expense	Schedule 15	26
Banking Department - Income & Expense	Schedule 16	27
Analysis of Unallocated Reserve	Schedule 17	27
Distribution of Savings - For 6 Months Period 3-31-44	Schedule 18	28
Distribution of Savings - For Quarter Ended 9-30-43	Schedule 19	28

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

ORGANIZATION

Name: Topaz Consumer Cooperative Enterprises, Inc.

Address: Topaz, Utah.

Purpose: To engage in the manufacture, production, processing, distribution, marketing, storing, handling, sale or trade of goods and commodities at wholesale and retail; to furnish personnel, business, educational, recreational, and all other types of services; to construct or acquire and operate establishments and facilities for supplying any kind of commodities to the general public both at wholesale and retail; to construct or acquire establishments and facilities for furnishing any kind of personnel, business, educational, recreational, or other types of services to the general public; and to engage in any activity in connection with anyone or more of the foregoing purposes.

Date Organized: February 8, 1943.

Laws Organized Under: District of Columbia.

Fiscal Year Ends On: March 31st.

Date of Monthly Meetings: First Tuesday of each month.

Date of Regular Board Meetings: Each Friday afternoon.

Capital Stock Outstanding: Membership 4,855 @ \$1.00 each.

Other Working Funds Provided by Patrons: Certificates of Indebtedness - \$33,406.31.

Allocated Reserves - \$25,870.06.

Unallocated Reserve - \$8,729.67.

Board of Directors: (As of 3-31-44)

Chairman - Yamate, Sasato - 20-2-B - 7-44.

Vice-Chairman - Fujita, Henry S. - 35-9-E - 7-44.

Takahashi, Isamu	27-12-E	1-45	Numajiri, Chojuro	42-4-F	1-45
Fujioka, Koichi	36-5-E	1-45	Muronaka, Haruo	31-7-E	1-45
Tsuzuki, Takashi	13-1-A	7-44	Miyagawa, Jukichi	5-1-E	1-45
Kenzaki, Kichiso	28-10-E	7-44	Uyematsu, Chuji	27-3-D	7-44
Uyeda, Mitsuzo	9-10-B	1-45	Sakurai, Toyohiko	29-1-A	1-45

Note: There are three vacancies resulting from resignations in March.

Officers:

President - Yamate, Sasato - 20-2-B.

Vice-President - Fujita, Henry S. - 35-9-E.

Secretary-Pro Tempore - Uchiyama, Lumiko - 37-6-C.

Treasurer - Fujioka, Koichi - 36-5-E.

Executive Committees:

Education - T. Tsuzuki, Chairman-J. Miyagawa-I. Takahashi-M. Uyeda and H. Muronaka.

Continued on Next Page

ORGANIZATION - (Continued)

Executive Committees: (Continued)

Merchandise:	K. Kanzaki, Chairman M. Uyeda T. Tsuzuki C. Uyematsu C. Numajiri	Personnel:	I. Takahashi, Chairman H. Fujita T. Tsuzuki C. Uyematsu M. Uyeda
Finance:	C. Uyematsu, Chairman K. Fujioka I. Takahashi K. Kanzaki	Public Relations:	C. Numajiri, Chairman K. Kanzaki T. Tsuzuki T. Sakurai
Banking:	K. Fujioka, Chairman C. Uyematsu I. Takahashi	Legal:	J. Miyagawa, Chairman H. Fujita
Service:	T. Sakurai, Chairman M. Uyeda		

Note: Appointment for Committees on Account and Records, Production, and Fact Finding pending.

W. Honderich ---- Advisor---- - Business Enterprises Section, W.R.A.

Major Employees: (As at 3-31-44)

General Office

R. Maeyama	General Manager	General Manager
G. Omori	Accounting Department	Chief Accountant
K. Fujioka	Banking Department	Treasurer
S. Furuichi	Chief Co-ordinator	Chief Co-ordinator ✓
Y. Sakai	Cashier	Head Cashier
H. Muronaka	Education Department	Education Manager
Y. Kubota	Membership Accounting	Manager
T. Kuruma	Purchase Department	Purchasing Agent
V. K. Kasai	Stock Control Dept.	Controller

Merchandising Division

Y. Fukushima	Ad Canteen (Store #4)	Manager
J. Nakao	Ad Canteen (Store #4)	Asst. Manager
D. Tatsumo	Dry Goods Store (Store #2)	Manager
T. Fujita	Dry Goods Store (Store #2)	Asst. Manager
Y. Fukushima	General Store (Store #1)	Manager
N. Ono	General Store (Store #1)	Asst. Manager
A. Murakami	Shoe Store (Store #3)	Manager
K. Kuruma	Warehouse, Dry Goods Dept.	Manager
K. Ishii	Warehouse, General Mdse.	Manager

Continued on Next Page

ORGANIZATION - (Continued)

Major Employees: (As at 3-31-44) - (Continued)

Service Division

G. Hoshide	Service Division	Supervisor
J. Nakaso	Service Division	Asst. Supervisor
Y. Okamoto	Barber Shop #8	Foreman
R. Abbey	Barber Shop #41	Foreman
H. Yoshiwara	Beauty Shop	Manager
S. Hirose	Dry Cleaning & Laundry	Manager
A. Yamazaki	Mail Order Department	Manager
S. Kamiya	Movie Department	Manager
A. Yamazaki	Optical Order Department	Manager
K. Utsumi	Photo Department	Manager
H. Kawahara	Radio Repair Shop	Manager
Y. Nakagaki	Shoe Receiving Dept.	Manager
Z. Oishi	Shoe Repair Shop	Manager
T. Yoshida	Watch Repair Shop	Manager

Changes & Additions Subsequent to 3-31-44:

New Board Members: (By Appointment)

Akiyama, Fred

Yoshida, K.

Kawaguichi, S.

Nosaka, Shigeaki - General Manager.

LEWIS P. JONES
Public Accountant & Auditor

Board of Directors and Members
Topaz Consumer Cooperative Enterprises, Inc.
Topaz, Utah

Gentlemen:

Pursuant to your request received through the Northwest Cooperative Auditing and Service Association, I have audited your books and records for the six month's period from October 1, 1943 to March 31, 1944. My report is presented herewith as indexed on a preceding page.

Scope of Examination

Items appearing on your Balance Sheet, Exhibit "A" attached, were verified to the satisfaction of the auditor, subject to the comments herein and on the supporting schedules. All known assets and liabilities have been included.

Sufficient detail checking was done to establish the general accuracy of the Operating Statements, Exhibits "B" and "C".

Banking department records were found to be inadequate. Methods of filing paid or cancelled "Money Orders" were such, that it was necessary to take book balances at subsequent dates and work back to the liabilities as they existed on March 31, 1944. Cash was counted by the auditor on May 29, 1944 and worked back to the fiscal year ending.

Detailed recommendations for adequate records in this department were submitted in writing to Mr. Yamate and also to Mr. Fujioka. The following points were covered in detail:

1. Expanded journal.
2. A more convenient ledger.
3. Registers for money orders issued and collection items received.
4. Register (or subsidiary ledger) for loans.
5. Calendar month cut-off of bank statement.
6. Regular monthly reports to board on forms suggested:
 - a. Operating statement.
 - b. Balance Sheet.
7. Reconciliation of all accounts monthly with supporting schedules for checks, money orders outstanding, as well as detail of loan balances, collections, and accounts payable.
8. Proper filing of paid items.

Suggestions were made to the regular accounting department particularly as to the journalizing of transfers of merchandise, inventory methods, and filing.

Financial Condition

You had sufficient cash on hand March 31, 1944 to pay all current liabilities with about \$5,000.00 left over. However, two-thirds of your cash on hand was borrowed money. You have obligated the cooperative to pay off \$12,500.00 of the patrons'

equities in cash in June. Borrowed money will have to be used to some extent since you need considerable operating capital.

Current Ratio: Due to your policy of paying current bills and accounts very closely you had a current ratio of 2.53 to 1 if the patron's equity payment contemplated for June is not considered a liability. Considering only the store and service division, you had a current ratio of 2.88 to 1 on the same basis.

Net Worth: You have a total net worth of \$72,861.04 on March 31, 1944. This was made up as follows:

Memberships	\$ 4,855.00
Certificates of Indebtedness	33,406.00
Allocated Reserves	25,870.06
Unallocated Reserve	8,729.67

The total net worth is 64.12% of your total assets, which means that your patrons own that portion of your cooperative and the creditors own the rest. When equities are retired in June the patrons will own less and the creditors will own a larger portion.

Capital: Your policy of payment of most of the patronage refunds in cash after only a short period of deferment, along with the requirements of your banking operations make you dependent upon creditors for operating cash. Most successful co-operatives have attempted to have their operating capital provided by the patrons themselves usually by retaining the savings until it is no longer needed by the co-operative. You have successfully weathered the most difficult period since you now have over \$33,000.00 in allocated and unallocated reserves. Your chief problem in providing capital now is, whether to provide the requirements of the Cash Service Department (formerly known as the Banking Department) by borrowing, or by retaining savings of the Store and Service Division. If you decide to finance it by borrowing, creditors will own a larger portion of your cooperative and interest expense can be considerable.

In the auditor's opinion your present capital is not sufficient to provide operating cash, inventories, and the contemplated requirements of the "Cash Service" department. It is quite likely the latter could be operated with considerably less cash than is anticipated by your Board's authorization to borrow up to \$40,000.00. This department has cash on hand or in the bank on March 31, 1944 amounting to \$30,801.83. Uses to which this could be put is limited at present to check cashing which should require only a small portion of the amount on hand.

Operations

Volume is Down: Volume during the past six months is \$43,000.00 less than the previous six months period, and represents a decline of about 15%. This means that you had approximately \$7,500.00 less operating income than if the volume had been maintained. This may be due to any or a combination of the following causes:

- a. Seasonal trend.
- b. Population decrease.
- c. Outside competition.
- d. Lack of merchandise for sale.

If it is due to seasonal trend or population decrease there is not much you can do about it. The fact that the decline is largely in dry goods indicates that the

seasonal factor is substantial. In the auditor's opinion an aggressive campaign to counteract outside competition would yield substantial results. The cooperative has served its patrons well and if a reasonably large portion of the patrons understood what has been achieved in their behalf, and the advantages of trading with themselves rather than outside, the auditor believes your volume could be increased.

Margin Down: Gross margin in your larger store, which provides over half of your total gross receipts has declined from almost 26% to just a little over 19%. This represents a decrease of \$9,000.00 in operating income. No change in price policy during the period could be discerned, yet the reduced margin was quite consistent throughout the six months.

Dry goods margin was up but on a smaller volume than the previous period. Changes in other departments were relatively minor but brought the total decline in gross operating income (margin) to \$20,000.00 of which \$5,000.00 was merely a change in classification of movie and cleaning costs.

Expense Down: The declining volume and rate of margin were partially offset by reduced expenses amounting to \$8,000.00 of which \$5,000.00 was due to the shift in classification referred to above.

Net Results: The net savings for the period under review were \$31,500.00. This can be summarized in comparison with the previous six months period in round figures as follows:

Lower Volume	\$ 7,500.00	Less Margin
Lower Rate of Margin at Store #1	9,000.00	Less Margin
Net Higher Margin in Other Depts.	(1,500.00)	More Margin
Net	\$15,000.00	Less Margin
Less Expense (Adjusted)	3,000.00	Offsetting Reduced Income
Net Saving	<u>\$12,000.00</u>	Less


The net saving was 12.74% of gross receipts. Since a portion of the sales do not participate in savings due to small margins, etc., the rate of savings on participating patronage was 13.5422%. Distribution of savings has been made by your Board as shown on Schedule 18.

Complete detail of operating results is set forth in Exhibit "B".

Corporate Separation of Banking and Other Functions

The auditor suggests the advisability of having a separate corporation take over the banking or "cash service" functions of the cooperative. In the auditor's opinion there would be no disadvantages to such separation, whereas there would be definite real and potential values. There is nothing now contemplated that could not be accomplished just as well under separate corporations as under the same set-up, yet three advantages could be secured.

1. It would relieve the capital requirements of the cooperative. Ownership of the store and service division would be more completely in the hands of the patrons and the depositors or "loaners" could finance the requirements for check cashing.

- 
2. The safety factor must always be considered. In any business hazards exist, and, to the extent that the functions can be legally separated, the hazards of one business cannot threaten the other. Under some states laws can a banking business be operated by the same corporation that is engaged in merchandising. While your "Cash Service" is not exactly a banking business the same safety factors would apply.

You already recognize the entirely separate purpose and functions of the two divisions in that you have entirely separate staffs, separate sets of books, and bank accounts.

3. The undivided attention of your Board of Directors could then be devoted to the respective problems of the two divisions.

General

Patronage Refund Distribution: You have during the last year changed from a quarterly to a semi-annual basis for determination and distribution of patronage refunds. In the auditor's opinion this is a desirable trend and a yearly basis would be suggested if you thought it practical. The longer period, whether semi-annual or annual, has two distinct advantages over the quarterly basis:

1. It is fairer to all patrons. You meet considerable fluctuations in operating results from one quarter to another. This is partially the result of seasonal trends, population shifts, and other factors over which you may have little or no control. The longer the period used as a basis for patronage refunds the more the effect of such factors will be ironed out with respect to patrons who may happen to patronize more in one period than in another.
2. The shortage of competent employees is getting more and more serious. The fewer distributions during a fiscal year that you can have will save an enormous amount of detail work which requires the time of competent persons who could devote their time to more constructive matters.

Industrial Accident Insurance: Your problems in connection with industrial accident insurance have prevented you from securing the protection you need. The auditor recommends you take immediate steps to get protection and then later work on the problems of reducing the cost to the minimum. The necessity of protection your patrons from possibility of suits by employees and the obligation to the employees themselves is much more important than the few dollars that may be saved by waiting until the most economical deal can be worked out.

Slow Moving Merchandise: In any merchandising organization as large and widespread as yours, slow moving merchandise is bound to accumulate. The auditor recommends a definite program be worked out to:

1. Detect such items immediately.
2. Follow up action to minimize loss. Generally speaking the sooner it is taken the less it will be.

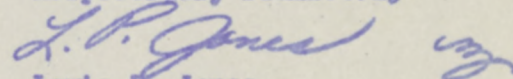
Comparative Statistics: You now have comparative statistics relative to your operations and financial condition in relation to that of similar cooperatives in other

centers. This gives you a good basis on which to appraise your financial condition and operating results as compared to the other centers.

Statement

In my opinion and subject to the foregoing comments and those on the supporting schedules your Balance Sheet fairly sets forth your financial condition as at March 31, 1944 and the Income and Expense Statement the substantially correct results of operations for the six months period then ended.

Respectfully submitted,



Lewis P. Jones,
Public Accountant & Auditor.

June 17, 1944
Walla Walla, Washington
LPJ/rz

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

EXHIBIT "A"

CONSOLIDATED BALANCE SHEET

March 31, 1944

<u>ASSETS</u>			
<u>Currents:</u>	<u>Stores & Shops:</u>	<u>Banking Department:</u>	<u>Combined:</u>
Cash - Schedule 1	\$ 858.00	\$ 8,716.29	
Comm. Bank of Nephi - Schedule 2	13,831.73	22,085.54	
Delta Branch, Richfield Bank - S.2B	192.66	-	
Total Cash	\$14,882.39	\$30,801.83	\$ 45,684.22
Accounts Receivable - Schedule 3	\$ 407.63		
Less: Allowance for Bad Debts	29.56		
Inventories - Schedule 4	378.07	-	378.07
Stamps	47,312.37	-	47,312.37
Prepayments, Etc. - Schedule 5	-	143.11	143.11
	9,616.21	-	9,616.21
<u>Total Current Assets</u>	<u>\$72,189.04</u>	<u>\$30,944.94</u>	<u>\$103,133.98</u>
<u>Investments:</u>			
N.W. Co-op. Auditing & Service Assn.	31.95	\$ -	31.95
<u>Fixed Assets: Schedule 6</u>			
Furniture, Fixtures & Equipment	\$11,522.58		
Less: Allowance for Depreciation	2,568.09	8,954.49	\$ -
			8,954.49
<u>Other Assets:</u>			
Prepaid Insurance & Bonds - Sch. 7	\$ 1,169.29		
Income Tax Refund Claim	338.85		
Inter-Department Account	15,236.08	\$15,236.08	
	16,744.22	\$15,236.08	1,508.14
<u>TOTAL ASSETS</u>	<u>\$97,919.70</u>	<u>\$15,708.86</u>	<u>\$113,628.56</u>

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

CONSOLIDATED BALANCE SHEET

EXHIBIT "A"

March 31, 1944

LIABILITIES & PATRONS EQUITIES

<u>Current:</u>	<u>Stores & Shops:</u>	<u>Banking Department:</u>	<u>Combined:</u>
Accounts Payable	\$ -	\$ 132.00	\$ 132.00
Vouchers Payable - Schedule 8	4,398.82	-	4,398.82
Safekeeping Accounts Payable	-	6,559.95	6,559.95
Collection Accounts Payable	-	9,016.91	9,016.91
Notes Payable - Schedule 9	15,000.00	-	15,000.00
Merchandise Orders - Schedule 12	61.00	-	61.00
Patronage Refunds Payable - Called	.62	-	.62
Optical Deposits	504.00	-	504.00
Accruals:			
Wages	\$ 2,959.00		
Social Security - Schedule 11	536.94		
State Sales Tax	634.72		
Admission Taxes	196.00		
Auditing	300.00		
Luxury Tax	12.36		
Truck & Car Rent	90.00		
Building Space Rent	365.20	5,094.22	-
			5,094.22
<u>Total Current Liabilities</u>	<u>\$25,058.66</u>	<u>\$15,708.86</u>	<u>\$ 40,767.52</u>
<u>Patron's Equities:</u>			
Memberships	\$ 4,855.00		
Certificates of Indebtedness	33,406.31		
Allocated Reserves	25,870.06		
Unallocated Reserves - Sch. 17	8,729.67	72,861.04	-
			72,861.04
<u>TOTAL LIABILITIES & PATRONS EQUITIES</u>	<u>\$97,919.70</u>	<u>\$15,708.86</u>	<u>\$113,628.56</u>

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

EXHIBIT "B"

INCOME & EXPENSE STATEMENT

October 1, 1943 to March 31, 1944

	Combined:	Canteen #1:	Dry Goods #2:	Shoe Store #3:	Canteen #4:	Shoe Rec'g. Store:	Barber:	Photo:	Movies:	Laundry:
Gross Sales: Mdse. & Services	\$248,040.20	\$133,482.59	\$62,113.41	\$6,919.06	\$11,068.72	\$180.89	\$2,588.30	\$2,762.51	\$4,959.19	\$1,012.42
Less: Sales & Admission Taxes	4,252.23	2,115.65	1,217.58	135.67	121.95	3.48	-	49.33	434.47	-
Net Sales	\$243,787.97	\$131,366.94	\$60,895.83	\$6,783.39	\$10,946.77	\$177.41	\$2,588.30	\$2,713.18	\$4,524.72	\$1,012.42
Purchase Cost of Sales:										
Beginning Inventory & Purchases	\$192,038.34	\$107,115.66	\$58,137.51	\$6,095.46	\$7,911.69	\$88.33	\$-	\$-	\$3,154.75	\$-
Whse. Exp. & Mdse. Hdlg.-Exh."C"	8,929.61	5,251.13	2,443.54	272.20	435.44	7.12	-	-	195.09	39.83
	\$200,967.95	\$112,366.79	\$60,581.05	\$6,367.66	\$8,347.13	\$95.45	\$-	\$-	\$3,349.84	\$39.83
Less: Inventory, 3-31-44	21,378.71	6,587.22	12,014.51	1,953.75	631.16	-	-	-	-	-
Cost of Sales	\$179,589.24	\$105,779.57	\$48,566.54	\$4,413.91	\$7,715.97	\$95.45	\$-	\$-	\$3,349.84	\$39.83
Gross Operating Income	\$64,198.73	\$25,587.37	\$12,329.29	\$2,369.48	\$3,230.80	\$81.96	\$2,588.30	\$2,713.18	\$1,174.88	\$972.59
% of Gross Receipts	25.88%	19.17%	19.85%	34.25%	29.19%	45.31%	100.00%	98.21%	23.69%	96.06%
Operating Expenses:										
Selling:										
Salaries & Wages	\$12,319.82	\$2,637.77	\$1,897.64	\$339.74	\$658.41	\$-	\$1,681.42	\$482.10	\$785.40	\$606.49
Payroll Taxes	615.18	131.89	94.87	16.97	32.89	-	83.22	24.10	39.33	30.34
Supplies	7,376.33	1,047.41	238.44	1.77	234.28	-	232.48	367.47	682.22	37.75
	\$20,311.33	\$3,817.07	\$2,230.95	\$358.48	\$925.58	\$-	\$1,997.12	\$873.67	\$1,506.95	\$674.58
General:										
Rent Building Space	\$1,334.32	\$285.00	\$242.28	\$35.60	\$192.54	\$-	\$148.20	\$141.60	\$9.50	\$7.32
Depreciations	902.71	169.42	77.06	22.02	111.18	-	36.23	33.83	171.48	.51
Insurance	322.34	70.74	79.93	23.54	10.37	-	5.05	6.00	34.22	9.89
Equipment Rental	847.90	6.00	27.50	-	-	-	300.00	91.22	-	13.00
Miscellaneous	1,629.21	103.58	72.29	.46	18.25	-	363.88	80.17	212.86	40.89
	\$5,036.48	\$634.74	\$499.06	\$81.62	\$332.34	\$-	\$853.36	\$352.82	\$428.06	\$71.61
Administrative: Schedule 13	\$8,760.94	\$4,714.75	\$2,193.85	\$244.38	\$390.95	\$6.39	\$91.42	\$97.57	\$175.16	\$35.76
Total Operating Expenses	\$34,108.75	\$9,166.56	\$4,923.86	\$684.48	\$1,648.87	\$6.39	\$2,941.90	\$1,324.06	\$2,110.17	\$781.95
% Expense of Gross Receipts	13.75%	6.87%	7.93%	9.89%	14.90%	3.53%	113.66%	47.93%	45.55%	77.26%
Net Operating Income Loss	\$30,089.98	\$16,420.81	\$7,405.43	\$1,685.00	\$1,581.93	\$75.57	\$353.60	\$1,389.12	\$935.29	\$190.64
% of Gross Receipts	12.13%	12.30%	11.92%	24.35%	14.29%	41.78%	13.66%	50.28%	18.86%	18.83%
Other Income: Schedule 14	\$1,772.74									
Other Expense: Schedule 15	\$269.08									
NET SAVINGS	\$31,593.64	12.74% of Gross Receipts								

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

INCOME & EXPENSE STATEMENT

EXHIBIT "B"

October 1, 1943 to March 31, 1944

<u>Shoe Repair:</u>	<u>Radio Repair:</u>	<u>Beauty Shop:</u>	<u>Cleaning:</u>	<u>Optical:</u>	<u>Mail Order Comm:</u>	<u>Watch Repair:</u>
\$7,251.13	\$ 806.63	\$1,490.02	\$3,615.59	\$8,278.23	\$ 732.41	\$ 779.10
-	12.22	-	-	161.88	-	-
<u>\$7,251.13</u>	<u>\$ 794.41</u>	<u>\$1,490.02</u>	<u>\$3,615.59</u>	<u>\$8,116.35</u>	<u>\$ 732.41</u>	<u>\$ 779.10</u>
\$ -	\$ -	\$ -	\$2,769.41	\$6,765.53	\$ -	\$ -
285.26	-	-	-	-	-	-
<u>\$ 285.26</u>	<u>-</u>	<u>-</u>	<u>\$2,769.41</u>	<u>\$6,765.53</u>	<u>-</u>	<u>-</u>
-	-	-	16.87	175.20	-	-
<u>\$ 285.26</u>	<u>-</u>	<u>-</u>	<u>\$2,752.54</u>	<u>\$6,590.33</u>	<u>-</u>	<u>-</u>
\$6,965.87	\$ 794.41	\$1,490.02	\$ 863.05	\$1,526.02	\$ 732.41	\$ 779.10
96.07%	100.00%	100.00%	23.87%	18.43%	100.00%	100.00%
\$1,790.87	\$ 268.45	\$ 374.34	\$ 132.77	\$ 134.02	\$ 187.63	\$ 342.77
89.54	13.45	18.71	6.65	6.70	9.39	17.13
3,354.05	466.08	432.75	6.82	-	6.55	268.26
<u>\$5,234.46</u>	<u>\$ 747.98</u>	<u>\$ 825.80</u>	<u>\$ 146.24</u>	<u>\$ 140.72</u>	<u>\$ 203.57</u>	<u>\$ 628.16</u>
\$ 155.32	\$ 22.78	\$ 44.82	\$ 7.32	\$ 6.00	\$ 6.00	\$ 30.04
185.28	.17	49.39	.51	-	27.87	17.76
34.32	12.29	5.82	22.51	1.10	1.10	5.46
300.00	51.45	14.00	-	-	-	44.73
351.91	35.70	107.81	63.52	10.43	45.96	121.50
<u>\$1,026.83</u>	<u>\$ 122.39</u>	<u>\$ 221.84</u>	<u>\$ 93.86</u>	<u>\$ 17.53</u>	<u>\$ 80.93</u>	<u>\$ 219.49</u>
\$ 256.11	\$ 28.49	\$ 52.63	\$ 127.70	\$ 292.39	\$ 25.87	\$ 27.52
<u>\$6,517.40</u>	<u>\$ 898.86</u>	<u>\$1,100.27</u>	<u>\$ 367.80</u>	<u>\$ 450.64</u>	<u>\$ 310.37</u>	<u>\$ 875.17</u>
89.88%	111.43%	73.84%	10.17%	5.14%	42.38%	112.83%
\$ 448.47	\$ 104.45	\$ 389.75	\$ 495.25	\$1,075.38	\$ 422.04	\$ 96.07
6.18%	12.95%	26.16%	13.70%	12.99%	57.62%	12.33%

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

WAREHOUSE CONTROL & EXPENSE STATEMENT

EXHIBIT "C"

October 1, 1943 to March 31, 1944

Transfers of Merchandise to Stores, at Cost		\$150,697.48
Less: Cost of Mdse. Transferred:		
Inventory, 9-30-43	\$ 13,611.71	
Purchases	154,504.55	
	<u>\$168,116.26</u>	
Deduct: Inventory, 3-31-44	15,929.91	152,186.35
	<u>Loss on Handling Merchandise</u>	\$ 1,488.87
Expenses:		
Freight In	\$ 4,447.96	
Salaries	629.47	
Payroll Taxes	31.39	
Supplies	2.95	
Insurance	155.49	
Rent - Building	547.20	
Depreciations	21.67	
Miscellaneous	46.73	
Truck Rent	351.65	
Buyers' Travel	965.00	
Federation Purchasing Service	241.23	
	<u>Total Warehouse Expense</u>	7,440.74
	<u>TOTAL EXPENSE & HANDLING LOSS</u>	\$ 8,929.61
	<u>CASH ON HAND</u>	<u>SCHEDULE 1</u>
Store #1, General Merchandise		\$225.00
Store #2, Dry Goods		275.00
Store #3, Shoes		30.00
Store #4, Ad Area Canteen		40.00
Barber Shops		10.00
Movie Department		3.00
Shoe Repair Department		20.00
Beauty Shop		5.00
Optical Department		10.00
Mail Order Department		25.00
Watch Repair Department		15.00
Office		<u>200.00</u>
	<u>TOTAL</u>	<u>\$858.00</u>

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

CASH IN BANKS

SCHEDULE 2

The Commercial Bank-Nephi, Utah

Balance per Bank Statement, 3-31-44			\$27,799.53
Add: Deposits in Transit:			
Receipts 3-28-44, Credited by Bank 3-31-44	\$ 2,323.00		
Receipts 3-29-44, Credited by Bank 4-1-44	2,005.17		
Receipts 3-30-44, Credited by Bank 4-3-44	937.47		
Receipts 3-31-44, Credited by Bank 4-5-44	183.86	5,449.50	
			<u>\$33,249.03</u>
Less: Outstanding Checks:			
Regular Checks - Schedule 2-A	\$13,782.85		
Refund Checks per Tapes in Office:			
#4R to 397R	\$ 921.97		
#402R to 799R	821.53		
#802R to 1200R	857.03		
#1203R to 1596R	1,008.76		
#1603R to 1999R	968.34		
#2005R to 2467R	1,056.82	5,634.45	19,417.30
			<u>\$13,831.73</u>
	<u>BALANCE SUBJECT TO WITHDRAWAL</u>		<u>\$13,831.73</u>

DELTA BRANCH-RICHFIELD COMMERCIAL & SAVINGS BANK

SCHEDULE 2-B

Delta, Utah

Balance per Bank Statement, 3-28-44	\$192.66
Checks Outstanding per Records	<u>None</u>
	<u>\$192.66</u>
<u>BALANCE SUBJECT TO WITHDRAWAL</u>	<u>\$192.66</u>

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

REGULAR CHECKS OUTSTANDING

SCHEDULE 2-A

<u>No:</u>	<u>Amount:</u>	<u>No:</u>	<u>Amount:</u>	<u>No:</u>	<u>Amount:</u>
#1739A	\$ 19.75	#4794	\$.71	#2462A	\$ 15.85
2191	.50	4801	.75	2472A	22.75
2435	5.18	4802	.15	2482A	22.75
2585	5.18	4808	.27	2478A	22.75
2610	31.05	4884	3.84	2486A	8.47
2665	51.75	4911	1.02	2493A	22.75
2702	77.63	4952	4.18	2498A	19.75
2703	77.63	4987	4.35	7218	1.00
2704	77.63	5014	6.23	7296	1.00
2794	5.18	5023	.84	2515A	7.22
2838	5.18	5046	4.26	7296	1.00
2889	25.88	5064	4.70	7316	27.93
2960	77.63	5086	1.86	7336	1.00
3014	5.18	5106	3.35	7341	12.95
3015	5.18	5136	2.62	7348	887.53
3017	5.18	5235	2.12	7354	23.15
3055	10.35	5259	.74	7360	46.33
3152	5.18	5268	1.76	7364	1.49
3171	5.18	5316	4.02	7380	11.00
3301	2.00	5328	2.28	7383	43.78
1874A	22.75	5385	1.63	7384	10.50
3461	2.09	5387	.11	7388	39.38
3474	1.81	5406	3.67	7398	42.43
3543	2.44	5432	.83	7399	62.90
3552	3.34	5497	1.74	7400	4.00
3569	.50	5508	.72	7408	2.90
3623	1.28	5523	1.02	7409	27.45
3640	1.65	5565	.91	7410	10.77
3648	.23	5580	.63	7411	87.58
3670	2.48	5581	1.02	7412	140.65
3674	8.73	5587	.31	7413	89.35
3700	1.60	5616	4.53	7417	4.50
3702	1.91	5618	.98	7420	55.86
3741	1.14	5698	2.00	7422	280.98
3743	1.82	5807	2.32	7423	102.46
3752	1.10	5810	2.78	7424	117.84
3760	.61	5835	2.12	7425	10.00
3787	2.06	5866	1.36	7428	276.12
3815	1.52	6001	6.71	7430	18.48
3821	1.58	6028	1.81	7431	.95
3939	3.25	2017A	22.75	7432	1.78
3943	1.95	2026A	19.33	7433	152.44
3967	1.04	2129A	22.75	7434	1.47
3983	7.65	2156A	19.75	7435	.99

Continued on Next Page

REGULAR CHECKS OUTSTANDING - (Continued)

<u>No:</u>	<u>Amount:</u>	<u>No:</u>	<u>Amount:</u>	<u>No:</u>	<u>Amount:</u>
#3997	\$.98	#2176A	\$ 22.75	#7437	\$ 50.86
3998	1.49	6466	1.00	7438	1,377.02
4083	4.26	6497	1.00	7440	38.93
4085	2.03	6599	5.00	7442	24.70
4107	5.12	6630	.36	7443	29.70
4163	.61	6631	.12	7444	66.88
4183	.55	2228A	.68	7445	78.75
4184	4.36	2276A	19.75	7446	118.04
4193	.77	2298A	19.75	7447	52.98
4196	1.82	2326A	22.75	7448	42.92
4219	.70	2335A	9.91	7449	12.72
4314	1.29	2391A	22.75	7450	3.71
4321	1.38	6824	.50	7451	21.96
4329	12.42	6860	79.62	7452	1,090.19
4331	.60	6888	20.00	7453	189.23
4360	8.13	6889	10.00	7455	.91
4373	1.47	7078	15.09	7456	4.16
4376	1.71	7125	.93	7457	595.49
4408	.36	7145	5.50	7460	2.65
4412	.71	7155	2.20	7461	50.02
4421	4.78	7157	.50	7462	109.70
4526	.82	2343A	22.75	7465	170.00
4577	2.36	2425A	22.75	7466	127.40
4649	2.96	2426A	22.75	7467	2.53
4650	.77	2427A	22.75	7469	91.97
4695	11.95	2430A	19.75	7470	1.74
4718	3.56	2440A	19.75	7471	373.80
4789	.38	2452A	19.75	7472	150.16
4791	2.04			7473	1.11
7474	159.66	7575	11.35	7476	17.39
7477	555.24	7478	307.98	7479	1.82
7480	69.79	7481	24.90	7482	36.41
7483	10.59	7484	3.17	7485	5.39
7486	1,494.75	7487	21.80	7488	33.17
7489	40.63	7490	18.65	7491	63.21
7492	46.15	7493	33.12	7494	55.89
7495	88.35	7496	30.68	7497	16.50
7498	3.04	7499	6.00	7500	12.05
7501	2.99	7502	4.65	7503	365.93
7504	1.00	7505	.36	7506	490.90
7507	.76	7508	4.18	7509	680.80
7510	7.25	7511	10.38	7512	2.87
7513	1.54	7514	141.72	7515	12.40
7516	29.41				

TOTAL

\$13,782.85

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

ACCOUNTS RECEIVABLE

SCHEDULE 3

<u>Name:</u>	<u>Amount:</u>	<u>Comment:</u>
Sears Roebuck & Co.	\$ 68.75	Commissions Receivable
Base Hospital	14.65	March, 1944 Account
*R. J. Law	29.56	Old Account - Disputed
Mrs. M. Naruo	1.90	Paid in April
Laundry Dept.	14.12	Finished Work (At Retail)
Shoe Repair Dept.	179.50	Finished Work (At Retail)
Uchida Banquet Group	5.00	\$4.08 Paid in April, 1944
War Relocation Authority	<u>94.15</u>	All but \$8.54 Paid in A. '44
<u>TOTAL</u>	<u>\$407.63</u>	

*--Reserve for Bad Debts has been set-up by the auditor against this old disputed account.

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

INVENTORIES

SCHEDULE 4

	<u>Store</u> <u>#1:</u>	<u>Store</u> <u>#2:</u>	<u>Store</u> <u>#3:</u>	<u>Store</u> <u>#4:</u>	<u>Total</u> <u>Stores:</u>	<u>Ware-</u> <u>house:</u>	<u>Other</u> <u>Depts:</u>	<u>Total</u> <u>Inventory:</u>
Merchandise:								
Bakery	\$ 30.90		\$	\$ 44.78	75.68	454.23		\$ 529.91
Chinaware						202.73		202.73
Confections	92.28			157.53	249.81	737.13		986.94
Drugs	1,623.71			9.18	1,632.89	1,753.61		3,386.50
Fresh Fruits	49.75			1.21	50.96			50.96
Groceries	1,197.86			8.96	1,206.82	2,040.51		3,247.33
Hardware	394.45				394.45	421.46		815.91
Household	503.40			86.81	590.21	4,360.29		4,950.50
Notions	377.28				377.28	45.01		422.29
Stationery	800.00			16.87	816.87	1,035.93		1,852.80
Smoking Sup.	380.00			9.47	389.47			389.47
Tobacco	940.88			289.71	1,230.59	1,983.30		3,213.89
Shoes			1,471.00		1,471.00	1,660.12		3,131.12
Shoe Supply			482.75		482.75	236.65		719.40
Mag. & Cake	196.71			6.64	203.35	3.20		206.55
Dry Goods		12,014.51			12,014.51	995.74		13,010.25
Cleaning							16.87	16.87
Opticals							175.20	175.20
<u>Total</u>	<u>\$6,587.22</u>	<u>12,014.51</u>	<u>1,953.75</u>	<u>631.16</u>	<u>21,186.64</u>	<u>15,929.91</u>	<u>192.07</u>	<u>37,308.62</u>
Supplies:								
Radio Rep.	\$	\$	\$	\$	\$	\$	679.16	679.16
Beauty Shop							336.23	336.23
Fountain S.	164.72			147.60	312.32	3,707.66		4,019.98
Office&Store						1,157.99		1,157.99
Shoe Repair							2,961.62	2,961.62
Watch Repair							267.90	267.90
Photo Shop							580.87	580.87
<u>Total</u>	<u>\$ 164.72</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147.60</u>	<u>312.32</u>	<u>4,865.65</u>	<u>4,825.78</u>	<u>10,003.75</u>
<u>TOTALS</u>	<u>\$6,751.94</u>	<u>12,014.51</u>	<u>1,953.75</u>	<u>778.76</u>	<u>21,498.96</u>	<u>20,795.56</u>	<u>5,017.85</u>	<u>47,312.37</u>

Auditor's Comments:

Inventories were taken by your employees. Pricing, extentions, totaling and checking were also done by your employees. The auditor scanned all inventory items, thoroughly checked prices, extentions, & totals. He compared the inventory records with your stock control cards of the warehouse and found them to be in agreement. The auditor adjusted various pricings to the lower of cost or market which was your basis last year.

Care should be excercised in pricing at cost to see that the cost shown is not greater than your selling price. Definite means should be arranged to be aware of all slow moving merchandise on hand.

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

PREPAYMENTS, DEPOSITS & CLAIMS

SCHEDULE 5

<u>V.P. No:</u>	<u>Name:</u>	<u>Amount:</u>	<u>Comment:</u>
1126	Darfman Hat Co.	\$ 38.25	C/M 2-2-44
1289	Mills Sales Co.	.47	Since 11-9-43
1458	Monarch Marking System	14.30	C/M #87
1526	Craig Movie Supply Co.	2.60	C/M on Hand
1664	Sears, Roebuck & Co.	6.03	Credit Received
1859	Salt Lake Delta Freight Line	.13	12-8-43 Claim
1860	Salt Lake Delta Freight Line	2.27	11-6-43 Claim
1861	Salt Lake Delta Freight Line	1.86	11-6-43 Claim
2028	Mr. Yoshida	25.00	Deposit - Mays - Bros.
2090	Federation of Center Business Enter.	500.00	Deposit
2120	Federation - Dante Candy Co.	158.40	Deposit
2228	June W. Black - National Screen	.84	C.O.D. January
2274	June W. Black - General Shaving	5.03	C.O.D. January
2326	Railway Express Co.	24.75	Claim #664
2489	Salt Lake Delta Freight Line	.75	Claim #668
2490	Salt Lake Delta Freight Line	20.25	Claim #673
2651	Zion's Wholesale Grocery	.75	Claim #689
2736	Salt Lake Delta Freight Line	1.76	Claim #637
2745	Mayer Brothers	25.00	Deposit, Additional
2807	Salt Lake Delta Freight Line	1.30	Claim #702
2814	Federation of Center Business Enter.	.16	Claim #703
2844	Union Pacific Railroad	1.48	Claim #707
2854	June W. Black, Champion Shoe Mfg. Co.	3.70	C.O.D. 3-1-44
2868	June W. Black, Singer Sewing Mch. Co.	12.64	C.O.D. 3-1-44
2871	Federation of Center Business Enter.	500.00	Deposit
2913	Union Pacific Railroad	3.57	Claim #711
2940	Aaron Fleischer Co.	882.04	Prepayment
2950	June W. Black, American Studios	5.28	C.O.D.
2956	Federation - A. J. Kuflick	233.00	Goods Rec. April
2970	Greenberg Mercantile Co.	898.98	Goods & Refund Rec. April
2999	Federation of Center Business Enter.	1.69	Claim #726
3015	Union Pacific Railroad	11.39	Claim #725
3025	S. Helfand & Son	500.00	Deposit
3029	Altman & Co.	19.95	Deposit
3070	Labelle Mercantile Co.	18.00	Deposit
3071	Aaron Surgal Co.	63.60	May Settlement
3078	The Breedon Co.	230.35	April Settlement
3110	Alexander Lampport & Bros.	43.74	April Settlement
3123	Sears, Roebuck & Co.	2.56	Prepayment
3127	June W. Black, Champion Shoe Mfg. Co.	9.76	C.O.D.
3160	June W. Black, Radio Laboratories	5.14	Not Located
3165	E. C. Wenger Co.	1.44	Claim #741
3173	Union Pacific - J.A. & M.B. Kelly	1,090.19	April 4, 1944 Cleanance

Continued on Next Page

PREPAYMENTS, DEPOSITS & CLAIMS - (Continued)

V.P.

<u>No:</u>	<u>Name:</u>	<u>Amount:</u>	<u>Comment:</u>
3174	Railway Express Agency-Altman Co.	\$ 189.23	C.O.D.
3186	Salt Lake Delta Freight Line	.40	Claim #743
3194	Baby Wear Co.	2.55	Old Claim
3190	Consumers Coop. of No. Calif.	2.10	Claim #745
3203	Montgomery Ward & Co.	1.11	Prepayment
3206	Railway Express Agency-Chicago Brog. Merc.	307.98	Prepayment
3210	S. Helfand & Son (Sight Draft)	2,350.46	Prepayment
3217	Henry Paulson Co.	9.00	C/M 4-11-44
3223	Modern Textile	10.99	Ck. Rec. April
3226	June W. Black-M. Handlesman Co.	18.65	C.O.D.
3228	June W. Black-Four Star Mills	46.15	C.O.D.
3240	Ampro Corporation	1.70	C/M. #15317
3241	Audio Films	4.20	Claim #754
3242	Associated Food Stores, Inc.	2.80	C/M. #1457
3243	H. T. Poindexter & Sons	3.75	Ck. Rec. 4-11-44
3244	Slat Lake Delta Freight-M. Handlesman	365.93	C.O.D.
3250	Delta Bank-Howard & Co. (Sight Draft)	680.00	Prepayment
3079	Federation of Center Business Enter.	3.25	Claim
-	S. Shalon	.31	Claim
-	McGraw Publishing Co.	5.00	Prepayment
3286	Western Leather & Finding Co.	242.25	C/M. 4-3-44
	<u>TOTAL</u>	<u>\$9,616.21</u>	

The auditor examined all larger items carefully and found them to be supported by the records but did not verify them directly with the debtors.

Several small items represent old claims and should be charged off if settlement cannot be made soon.

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

FIXED ASSETS & DEPRECIATIONS

SCHEDULE 6

<u>Department:</u>	<u>Cost:</u>	<u>Total Depr:</u>	<u>Book Value 3-31-44:</u>
Store #1	\$ 1,644.00	\$ 378.53	\$1,265.47
Store #2	744.34	207.20	537.14
Store #3	220.45	61.23	159.22
Store #4	1,111.95	293.95	818.00
Barber Shops	162.50	14.53	147.97
Photo	224.64	38.39	186.25
Movies	1,695.54	453.26	1,242.28
Laundry	10.00	.33	9.67
Shoe Repair	1,662.44	389.68	1,272.76
Radio Repair	10.00	.33	9.67
Beauty	542.81	89.51	453.30
Cleaning	10.00	.33	9.67
Optical	337.10	66.89	270.21
Watch Repair	338.50	67.46	271.04
Warehouse	364.25	41.32	322.93
Office	2,444.06	465.15	1,978.91
<u>TOTALS</u>	<u>\$11,522.58</u>	<u>\$2,568.09</u>	<u>\$8,954.49</u>

Detail of above schedule is complete in your records so it is not reproduced here.

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

<u>INSURANCE & BONDS IN FORCE & PREPAID PREMIUMS</u>					<u>SCHEDULE 7</u>	
<u>Company:</u>	<u>Policy No:</u>	<u>Kind:</u>	<u>Covers:</u>	<u>Amount:</u>	<u>From:</u>	<u>To: Premium: Prepaid:</u>
Utah Home Fire Ins. Co.	434624	Fire	Fixed Assets	\$ 7,173.00(a)	11-20-42	11-20-45 \$209.13 117.31
Imperial Assurance Co.	696876	Fire & Ext. Cov.	Stock	100,000.00(b)	11-1-43	11-1-44 658.50(b) 392.18
Utah Home Fire Ins. Co.	FF1343	Fire, Theft, Dam.	Movie Equipment	1,495.00	11-19-43	11-19-44 37.37 23.79
St. Paul Mercury Ind. Co.	SK220060	Storekeepers, B.	Office Bldg. Only	500.00	6-3-43	6-3-44 52.50 9.16
St. Paul Mercury Ind. Co.	SK220061	Storekeepers, ".	Watch, Repair & Photo Dept.	250.00	1-10-44	1-10-45 35.00 27.21
American Casualty Co.	158358	Owners, Land, Ten.	Pub. Liab. on Premises	5-10	1-15-44	1-15-45 59.90 47.42
American Casualty Co.	28170	Dep. & Forgery B.	Checks, Drafts, Etc.	2,000.00	2-12-44	2-12-45 7.50 6.55
Eagle Indemnity Co.	IMD601670	P.L. & P.D.	WRA Truck & Car	10-20-5	12-9-43	12-9-44 39.38 26.26
Deposit on Workmens	Compensation Insurance	Subsequently Refused and Deposit refunded				79.62
Phoenix Indemnity Co.	DX1026	Comprehensive Dishonesty-Disappearance & Destruction				
		Dishonesty-Employees		10,000.00		
		Disappearance or Wrongful				
		Abstraction-Office Bldg.		15,000.00		
		Disappearance or Wrongful				
		Abstraction-Messenger		5,000.00	2-23-44	2-23-45 190.90 139.79
					<u>TOTAL PREPAID</u>	
					<u>\$1,169.29</u>	

Auditor's Comments:

- Amount does not cover cost value of all Fixed Assets - See Fixed Asset Schedule.
- Provisional reporting from policy, \$100,000.00 limit, deposit premium \$658.50.
Syrup in Delta Warehouse is not being reported which would probably leave you without protection on it.
Rented and Borrowed equipment is not covered by fire insurance.
Amount of "Dishonesty of Employees" protection is quite limited in view of the volume handled by the cash service department (known as the banking department until 3-31-44.)

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

VOUCHERS PAYABLE

SCHEDULE 8

<u>Date:</u>	<u>V.P. No:</u>	<u>Name:</u>	<u>Amount:</u>
11-27-43	1522	Monarch Marking System	\$ 8.85
1-10-44	2051	Sears, Roebuck & Co.	5.42
1-31-44	2303	J. Aoki	27.00
2-14-44	2175	Zellerbach Paper Co.	.26
2-28-44	2794	Federation of Center Business Enter.	23.32
2-29-44	2815	Federation of Center Business Enter.	37.37
3-6-44	2894	Williams & Peterson	.81
3-22-44	3135	Federation of Center Business Enter.	38.46
3-24-44	3168	Federation of Center Business Enter.	47.62
3-27-44	3220	Federation of Center Business Enter.	57.91
3-28-44	3225	Federation of Center Business Enter.	75.00
3-31-44	3257	Pacific Optical Co.	3.95
"	3258	Western Optical Co.	8.85
"	3259	Western Union	21.69
"	3260	Zellerbach Paper Co.	943.12
"	3261	Arden Sunfreeze Creameries	420.75
"	3262	E. R. Squibb & Co.	48.76
"	3263	Primrose Jewelers Supplies	7.10
"	3264	Bill Rose	600.64
"	3265	Bill Rose	9.36
"	3266	Pacific Citizen	8.00
"	3267	Salt Lake Tribune	35.25
"	3268	Leo Adler	531.16
"	3269	The May Company	729.77
"	3270	Rental Expense	39.29
"	3271	Rental Expense	39.05
"	3272	Rental Expense	60.00
"	3273	Rental Expense	60.00
"	3274 & 5	Pacific Optical Co.	141.50
"	3280	Western Optical Co.	6.20
"	3281	Salt Lake Delta Freight Line	102.32
"	3282	Western Optical Co.	.45
"	3283	Films Incorporated	63.94
"	3321	E. Shiroma	5.00
"	3344	Pacific Citizen	8.00
"	* -	Federation of Center Business Enter.	182.65
<u>TOTAL</u>			<u>\$4,398.82</u>

*-See Reconciliation, Schedule 10.

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

NOTES PAYABLE

SCHEDULE 9

<u>Date:</u>	<u>To:</u>	<u>Due:</u>	<u>Int:</u>	<u>Amount:</u>
3-24-44	The Commercial Bank of Nephi, Utah	Demand	4%	\$ 5,000.00
3-24-44	The Commercial Bank of Nephi, Utah	Demand	4%	10,000.00
<u>TOTAL</u>				<u>\$15,000.00</u>

FEDERATION OF CENTER BUSINESS ENTERPRISES

SCHEDULE 10

Balance per Their Statement, 3-31-44	\$ 631.28	
Less: \$1,000.00 Pool Fund	<u>1,000.00</u>	
Net Credit to Topaz per Their Statement		\$368.72
Add: Items in Transit - Not yet received by Topaz:	\$ 233.00	
	43.55	
	29.15	
	21.75	
	126.10	
	86.24	
	16.00	
	2.16	
	<u>29.40</u>	587.35
		<u>\$956.07</u>
Deduct: Item Not Charged - See V.P. 1541		21.90
	<u>NET CREDIT DUE TOPAZ</u>	<u>\$934.17</u>

Per Topaz Books:

Prepayments:	V.P. 2090	\$500.00	
	V.P. 2120	158.40	
	V.P. 2814	.16	
	V.P. 2871	500.00	
	V.P. 2956	233.00	
	V.P. 2999	1.69	
	V.P. 3079	<u>3.25</u>	\$1,396.50

Vouchers Payable:	# 2794	\$ 23.32	
	2815	37.37	
	3135	38.46	
	3168	47.62	
	3220	57.91	
	3225	75.00	
	Adjustments	<u>182.65</u>	462.33
	<u>PER OUR BOOKS</u>		<u>\$ 934.17</u>

Arrangements were made whereby one thousand dollars was to be kept on deposit with the Federation over and above transit items which are to be remitted on receipt of notice.

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

ACCRUED SOCIAL SECURITY

SCHEDULE 11

1943	Federal Unemployment Tax - .3% of \$27,181.47	\$ 81.54
1944	Federal Unemployment Tax - .3% of \$9,108.92	27.32
1944	1st. Qtr. F.O.A.B. - 2.% of \$9,108.92	182.16
1944	1st. Qtr. State Unemployment - 2.7% of \$9,108.92	245.92
	<u>TOTAL</u>	<u>\$536.94</u>

MERCHANDISE ORDERS OUTSTANDING

SCHEDULE 12

<u>No:</u>	<u>Date:</u>	<u>Amount:</u>
46	October, 1943	\$ 5.00
60	December 23, 1943	2.50
62	December 24, 1943	3.00
70	December 30, 1943	1.00
72	December 30, 1943	1.00
82A	January 25, 1944	5.00
86	January 25, 1944	2.00
89	February 5, 1944	8.50
94	February 5, 1944	8.50
95	February 5, 1944	8.50
99	February 5, 1944	3.00
100	March 23, 1944	10.00
101	March 30, 1944	3.00
	<u>TOTAL</u>	<u>\$61.00</u>

Merchandise Orders continue to be an awkward minor problem. Orders issued prior to October, 1943 have been cancelled on the books but your Manager advises that so far as he knows no notice was issued to the public that the certificates would be voided. We, therefore, have a contingent liability on any of these that may appear. Since no record of certificates issued was kept prior to this time the total amount is unknown.

This liability is offset by the expiration of the 90 day validity period, now stated on all certificates, on some of the older ones now carried as outstanding. Just which ones show "Void in 90 days", is unknown. Provision is also made on the certificates for partial redemption at various times at the option of the holder. But since redemption is not brought into the books until the certificate is completely used, records are inaccurate to the extent of the partially used portions at the close of each accounting period.

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

ADMINISTRATIVE EXPENSES

SCHEDULE 13

Salaries & Wages	\$4,422.03
Payroll Taxes	228.45
Supplies	869.94
Insurance & Bonds	182.00
Rent, Building Space	251.75
Telephone & Telegraph	213.01
Depreciations	273.86
Auditing	335.90
Advertising	76.28
Postage	381.49
Bank Charges	16.30
Sales Tax on Supplies	42.15
Equipment Rentals	30.00
Miscellaneous	851.47
Educational	150.01
State Franchise Tax	46.30
Donations	390.00

TOTAL

\$8,760.94

OTHER INCOME

SCHEDULE 14

Purchase Discount	\$1,299.93
Cash Over	14.21
Adjustment of Mdse. Orders	22.50
Adjustment of Deprec. Reserve	247.58
Adjustment of Vouchers Payable	19.39
Fountain Syrup Adjustment Allowed	130.00
Not Otherwise Classified	31.86
Printing	46.05

TOTAL

\$1,772.74

OTHER EXPENSE

SCHEDULE 15

Bad Debts	\$ 33.40
Interest	68.81
Banking Dept. Net Loss - Schedule 16	166.87

TOTAL

\$269.08

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

BANKING DEPARTMENT - INCOME & EXPENSE

SCHEDULE 16

October 1, 1943 to March 31, 1944

Service Income		\$798.27
Less: Expense		
Wages	\$345.43	
Payroll Taxes	17.28	
Bank Charges	280.49	
Postage	135.95	
Miscellaneous	113.25	
Insurance & Bonds	41.79	
Rent	17.10	
Cash Over & Short	13.85	965.14
		<u>\$166.87</u>
NET LOSS (Carried to Other Expense)		<u>\$166.87</u>

ANALYSIS OF UNALLOCATED RESERVE

SCHEDULE 17

Balance, 3-31-43	\$1,807.17
Add: Undistributed Savings - Qtr. Ended 6-30-43	1,639.93
Undistributed Savings for Qtr. Ended 9-30-43	1,975.31
Adjustment of Patronage Refunds to Detail Schedules	137.54
	<u>\$5,559.95</u>
Less: Adjustment of Membership to Detail Schedule	107.00
Adjusted Balance	<u>\$5,452.95</u>
Add: Undistributed Savings for Six Months Ended 3-31-44	<u>3,276.72</u>
	<u>\$8,729.67</u>
BALANCE, 3-31-44	<u>\$8,729.67</u>

TOPAZ CONSUMER COOPERATIVE ENTERPRISES, INC.

Topaz, Utah

DISTRIBUTION OF SAVINGS

SCHEDULE 18

For Six Months Period Ended 3-31-44

Per Board of Directors Minutes 3-28-44

Total Gross Receipts	\$248,040.20
Less: Departments Not Participating	<u>24,742.51</u>
<u>Participating Patronage</u>	<u>\$233,297.69</u>
<u>@ 13.5422% Patronage Refund</u>	<u>\$ 31,593.64</u>
10% of Participating Patronage to Certificates of Indebtedness	
Balance, 3.5422%, to Allocated Reserve	
10% on \$209,101.31 - Certificates of Indebtedness	\$ 20,910.13
3.5422% on \$209,101.31 - Allocated Reserve	7,406.79
13.5422% on \$24,196.38 - Receipts not turned in, Unallocated Reserve	<u>3,276.72</u>
<u>TOTAL DISTRIBUTION</u>	<u>\$ 31,593.64</u>

DISTRIBUTION OF SAVINGS

SCHEDULE 19

For Quarter Ended 9-30-43

Certificates of Indebtedness	\$12,490.80
Allocated Reserve	8,737.55
Unallocated Reserve	<u>1,975.31</u>
<u>Total Distribution Qtr. Ended 9-30-43</u>	<u>\$23,203.66</u>

111

111

111

0102

0102

0102