

**CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota**

PERSONNEL AND ORGANIZATIONAL DATA
August 31, 2021

OFFICERS AND DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Term Expires</u>	<u>Position</u>
Tim Lewer	New Richland, MN	2024	Chairman
Dean Sonnabend	Vernon Center, MN	2022	Vice-Chairman
Gene Meyer	Sioux Valley, MN	2024	Secretary
Tom Trahms	Janesville, MN	2022	Director
Scott Fisher	Trimont, MN	2022	Director
Dan Jones	Lake Crystal, MN	2023	Director
Dan Riley	Round Lake, MN	2023	Director
Judd Hendrycks	North Mankato, MN	2023	Director
Bryon Christenson	LaSalle, MN	2024	Director

Roger Kienholz – General Manager

ORGANIZATIONAL DATA

Date of Incorporation..... January 27, 1927

Under Laws of State of.....Minnesota

Fiscal Year Ends..... August 31

Main Office Mankato, Minnesota

NATURE OF BUSINESS

Nature of Business.....Farmers Cooperative Purchasing and Marketing Association

Products Handled.....Agronomy, Feed, Grain, Petroleum and Other Farm Supplies



Independent Auditor's Report

To the Board of Directors
Crystal Valley Cooperative
Mankato, Minnesota

We have audited the accompanying consolidated financial statements of Crystal Valley Cooperative, Mankato, Minnesota, which comprise the consolidated balance sheets as of August 31, 2021 and 2020, and the related consolidated statements of savings, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crystal Valley Cooperative, Mankato, Minnesota, as of August 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

December 13, 2021

Gardner + Company, P.C.

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED BALANCE SHEETS
August 31, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	\$ 1,790,508	\$ 4,440,295
Receivables		
Trade – Net of Allowance for Doubtful Accounts of \$250,000	13,584,429	8,795,502
Storage and Handling	53,653	108,927
Grain in Transit	3,543,198	2,973,845
Other	574,518	891,440
Margin Deposits	9,231,415	3,154,623
Inventories		
Grain	25,439,839	14,178,105
Agronomy	18,221,418	16,396,224
Feed	1,978,943	2,051,410
Petroleum	1,294,487	767,385
Propane	345,441	349,896
Miscellaneous	1,644,717	2,867,347
Prepaid Expenses	249,868	277,534
Prepaid Inventory	9,876,350	7,257,549
Total Current Assets	87,828,784	64,510,082
PROPERTY, PLANT AND EQUIPMENT		
Land and Land Improvements	9,827,567	9,784,836
Buildings and Equipment	175,944,193	168,899,165
	185,771,760	178,684,001
Accumulated Depreciation	(102,980,865)	(97,327,320)
Undepreciated Cost	82,790,895	81,356,681
Construction in Process	9,159,781	3,030,710
Net Property, Plant and Equipment	91,950,676	84,387,391
OTHER ASSETS		
Notes Receivable	1,083,415	2,637,532
Goodwill – Net of Amortization	1,207,606	443,929
Total Other Assets	2,291,021	3,081,461
INVESTMENTS		
Equity in Other Organizations	25,186,893	24,875,441
Other Investments	1,167,003	1,261,693
Total Investments	26,353,896	26,137,134
TOTAL ASSETS	\$ 208,424,377	\$178,116,068

The accompanying notes are an integral part of the consolidated financial statements.

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED BALANCE SHEETS
August 31, 2021 and 2020

LIABILITIES AND MEMBERS' EQUITY

	2021	2020
CURRENT LIABILITIES		
Checks Written in Excess of Bank Balance	\$ 2,955,532	\$ 6,159,916
Current Maturities of Long-Term Debt	4,303,918	2,572,963
Current Maturities of Capital Leases	536,787	471,338
Member Investment Notes – Demand	12,522,647	7,891,712
Payables		
Trade	5,212,724	6,190,151
Customer Credit Balances	16,692,046	4,768,370
Unpaid Grain	21,550,449	9,981,721
Other	329,309	533,627
Accrued Expenses		
Interest	212,856	128,741
Property Taxes	1,653,160	1,643,106
Payroll	2,318,324	2,331,933
Other	107,456	67,330
Patronage Dividends Payable	935,952	1,158,898
Total Current Liabilities	69,331,160	43,899,806
LONG-TERM LIABILITIES – Net of Current Maturities		
Notes Payable	27,572,213	23,891,659
Capital Leases	1,130,946	1,597,554
Member Investment Notes	4,486,938	6,483,643
Total Long-Term Liabilities	33,190,097	31,972,856
DEFERRED INCOME TAXES	1,403,413	1,325,100
MEMBERS' EQUITY		
Revolving Fund	27,259,646	28,078,397
Patronage Payable in Equities	1,403,929	1,738,348
Equity Acquired in Merger	0	11,806,377
Unallocated General Reserve	75,836,132	59,295,184
Total Members' Equity	104,499,707	100,918,306
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$208,424,377	\$178,116,068

The accompanying notes are an integral part of the consolidated financial statements.

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED STATEMENTS OF SAVINGS
Years Ended August 31, 2021 and 2020

	2021	2020
Sales	\$555,212,493	\$310,849,964
Cost of Goods Sold	512,333,503	271,874,401
Gross Savings on Sales	42,878,990	38,975,563
Other Operating Revenue	18,419,398	18,966,132
Total Gross Revenue	61,298,388	57,941,695
Operating Expenses, Including Interest	59,590,641	54,732,193
Operating Savings	1,707,747	3,209,502
Patronage Dividend and Investment Income	1,529,578	2,354,959
Gain on Debt Forgiveness	3,911,000	0
Loss on Sale of Marketable Securities	0	(134)
Savings Before Income Taxes	7,148,325	5,564,327
Income Tax Expense		
Current	26,003	20,295
Deferred	78,313	257,905
Net Savings	\$ 7,044,009	\$ 5,286,127

DISTRIBUTION OF NET SAVINGS

Patronage Dividends		
Cash – 40%	\$ 935,952	\$ 1,158,898
Deferred – 60%	1,403,929	1,738,348
	2,339,881	2,897,246
Retained Savings	4,704,128	2,388,881
Total	\$ 7,044,009	\$ 5,286,127

The accompanying notes are an integral part of the consolidated financial statements.

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended August 31, 2021 and 2020

	Total	Revolving Fund	Allocated Patronage Dividends	Equity Acquired in Merger	Unallocated General Reserve
Balance – August 31, 2019	\$ 99,574,815	\$30,862,174	\$ 0	\$ 11,806,377	\$56,906,264
Stock Redeemed	(2,779,915)	(2,779,915)	0	0	0
Adjustments	(3,823)	(3,862)	0	0	39
Current Period Savings	5,286,127	0	0	0	5,286,127
Patronage Dividends					
Cash	(1,158,898)	0	0	0	(1,158,898)
Deferred	0	0	1,738,348	0	(1,738,348)
Balance – August 31, 2020	100,918,306	28,078,397	1,738,348	11,806,377	59,295,184
Stock Redeemed	(2,537,587)	(2,537,587)	0	0	0
Distribution of Patronage Dividends	0	1,721,939	(1,721,939)	0	0
Over Accrual of Prior Year					
Patronage Dividends	10,931	0	(16,409)	0	27,340
Adjustments	0	(3,103)	0	(11,806,377)	11,809,480
Current Period Savings	7,044,009	0	0	0	7,044,009
Patronage Dividends					
Cash	(935,952)	0	0	0	(935,952)
Deferred	0	0	1,403,929	0	(1,403,929)
Balance – August 31, 2021	\$104,499,707	\$27,259,646	\$ 1,403,929	\$ 0	\$75,836,132

The accompanying notes are an integral part of the consolidated financial statements.

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended August 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Savings	\$ 7,044,009	\$ 5,286,127
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities		
Depreciation and Amortization	11,686,108	11,295,299
Gain on Sale of Property, Plant and Equipment	(58,925)	(425,623)
Bad Debt Expense	1,191,370	12,556
Loss on Sale of Marketable Securities	0	134
Patronage Dividends Received as Equity	(704,400)	(1,449,361)
Loss from Investments	0	14,241
Debt Forgiveness	(3,911,000)	0
Deferred Income Taxes	78,313	257,905
Change in Assets and Liabilities		
(Increase) Decrease in Receivables	(4,623,337)	1,058,200
Increase in Margin Deposits	(6,076,792)	(3,154,623)
(Increase) Decrease in Inventories	(12,314,478)	7,119,942
Decrease in Prepaid Expenses	27,666	304,627
Increase in Prepaid Inventory	(2,618,801)	(545,511)
Increase (Decrease) in Payables	22,310,659	(10,852,859)
Increase in Accrued Expenses	120,686	520,099
Net Cash Provided by Operating Activities	12,151,078	9,441,153
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property, Plant and Equipment	1,181,478	509,499
Additions to Property, Plant and Equipment	(20,235,623)	(15,445,384)
Other Investments Purchased	(79,962)	(132,250)
Proceeds from Sale of Investments	174,652	0
Proceeds from Sale of Marketable Securities	0	1,763
Goodwill Purchased	(900,000)	(463,230)
Redemption of Equity in Other Organizations	392,948	383,395
Net Cash Used in Investing Activities	(19,466,507)	(15,146,207)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Checks Written in Excess of Bank Balance	(3,204,384)	775,476
Net Borrowings (Repayments) Member Investment Notes	4,630,935	(210,443)
Additional Borrowings of Long-Term Debt	10,005,000	8,281,938
Retirement of Long-Term Debt	(3,080,355)	(2,627,278)
Stock Redeemed	(2,537,587)	(2,779,915)
Allocated Patronage Paid	(1,147,967)	0
Equity Adjustments	0	(3,823)
Net Cash Provided by Financing Activities	4,665,642	3,435,955

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	2021	2020
Net Decrease in Cash	\$(2,649,787)	\$(2,269,099)
Cash – Beginning of Year	4,440,295	6,709,394
Cash – End of Year	\$ 1,790,508	\$ 4,440,295

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid (Received) During the Year for:

Interest	\$ 2,578,815	\$ 2,138,147
Income Taxes	0	(301,116)

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Allocated Patronage Dividends	\$ 2,339,881	\$ 2,897,246
Debt Forgiveness	3,911,000	0

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1: Organization and Nature of Business

The Company was organized in 1927 under Minnesota Law and is operating as a cooperative for the mutual benefit of its members. The Company reorganized under Chapter 308B of the Minnesota statutes on January 29, 2014. Voting membership is limited to agricultural producers on a one share—one vote premise. Net savings on business transacted by members is allocated to them on the books of the Corporation or paid to them through patronage dividends.

Note 2: Summary of Significant Accounting Policies

The significant accounting practices and policies are summarized below.

NATURE OF OPERATION AND CONCENTRATION OF CREDIT RISK

The Company operates a licensed public grain warehouse; provides grain marketing and related services, sells feed, petroleum and agronomy products and services in and around Blue Earth, Nicollet, Waseca, Watonwan, Steele, LeSueur, Jackson, Nobles and Martin counties in Minnesota. Approximately 44% of the Company's total gross revenue is generated by agronomy sales and related services. In the normal course of business, the Company provides credit to its patrons under standard terms without collateral.

The Company maintains cash balances with local and national financial institutions, which may at times exceed the coverage of U.S. Federal Deposit Insurance Company (FDIC). The coverage is up to \$250,000 for accounts at these institutions. At August 31, 2021 and 2020, cash balances exceeded FDIC coverage by \$1,222,146 and \$1,273,804, respectively.

The Company historically prepays or makes deposits on undelivered inventories. Concentration of credit risk with respect to inventory advances, are primarily with a few major suppliers of agricultural inputs. The Company purchases a large amount of its farm supply inventory from Land O'Lakes and CHS, Inc.

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Crystal Valley Cooperative and its wholly owned subsidiary, CV-FCA Cooperative. In consolidation all significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

RECEIVABLES, NET

Receivables are shown on the consolidated balance sheet net of the allowance for doubtful accounts for book purposes. The amount of the allowance is based on historical bad debt experience and a current evaluation of the aging and collectibility of receivables. For tax purposes, uncollectible amounts are charged against current operations and no allowance for doubtful accounts is maintained.

Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the accounts receivable and the related allowance may change in the near term.

Notes to Consolidated Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies (Continued)

RECEIVABLES, NET (CONTINUED)

Trade receivables with credit balances have been included in the customer credit balances payable as a current liability.

GRAIN IN TRANSIT

In accordance with industry practice on contracts, subject to final grade and weight determination at the destination point, the Company consistently records a sale at the time grain is shipped.

HEDGING

The Company generally follows a policy of hedging its grain transactions to protect gains and minimize losses due to market fluctuations. Gains and losses from these hedge transactions are reflected in the margins of the respective commodity.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)* defines fair value as the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not under duress. Nonperformance or credit risk is considered when determining the fair value of liabilities. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

INVENTORIES

Grain inventories are valued at market and are adjusted to reflect significant net gains and/or losses on open contracts. Non-grain inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of purchase price over the fair value of net assets acquired, and is amortized on a straight-line basis.

Notes to Consolidated Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies (Continued)

PROPERTY, PLANT AND EQUIPMENT

Land and depreciable assets are valued at cost. For book purposes, depreciation is calculated using the straight-line method with an equal amount being expensed each year over the estimated lives of the individual assets ranging between three and fifty years. When fixed assets are sold or retired, any resulting gain or loss is reflected in current operations. For tax purposes, depreciation is calculated in accordance with an acceptable tax method.

Maintenance and repairs are expensed as incurred. Expenditures for new facilities and those which increase the useful lives of the buildings and equipment are capitalized.

Depreciation expense in the amount of \$11,549,785 and \$11,275,998 has been charged against operations for the years ended August 31, 2021 and 2020, respectively.

EQUITY IN OTHER ORGANIZATIONS/PATRONAGE DIVIDEND INCOME

Equities in other organizations are recorded at cost, plus unredeemed patronage dividends received in the form of capital stock and other equities. Cooperative stocks are not transferable, thereby precluding any market value, but they may be used as collateral in securing loans. Patronage dividends received are recognized as income and any impairment of equities is not recognized by the Company until formal notification is received or when there has been permanent impairment of the carrying volume of the investment. Redemption of these equities is at the discretion of the various organizations.

MEMBERS' EQUITY

The Company is organized without capital stock on a membership basis. A membership in the Company may be issued to agriculture producers who reside in the territory served by the Company who patronize the Company by doing not less than \$10,000 in business annually, and who have been approved by the Board of Directors.

Each member is entitled and restricted to only one vote in the affairs of the Company.

DISTRIBUTION OF NET SAVINGS

Net savings is allocated to patrons on a patronage basis, based on taxable income and in accordance with the articles and bylaws of the Company.

Patronage refunds to members of the cooperative may take the form of either qualified or nonqualified written notices of allocation. The terms qualified and nonqualified refer to the tax aspect of a refund. For a patronage refund to be qualified as an income tax deduction for the Company at least 20% of the refund must be paid in cash. A nonqualified refund then, is a refund where less than 20% of the refund is paid to the member in cash and does not qualify as a tax deduction for the Company.

Unallocated savings, after provision for income taxes, is accounted for as an addition to general reserve.

Notes to Consolidated Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies (Continued)

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ENVIRONMENTAL EXPENDITURES

Environmental compliance costs would include ongoing maintenance, monitoring and similar costs. Such costs will be expensed as incurred. Environmental remediation costs would be accrued, except to the extent costs can be capitalized, when environmental assessments and/or remedial efforts are probable and the cost could be reasonably estimated. Environmental costs which improve the condition of a property as compared to the condition when constructed or acquired and creates future revenue generation are capitalized. There were no environmental costs which were capitalized during the years ended August 31, 2021 and 2020.

REVENUE RECOGNITION

The Company provides a wide variety of products and services, from production agricultural inputs such as livestock feeds, crop nutrients, fuels and other farm supplies, to grain marketing, storage and drying services as well as agronomy spreading and spraying, transportation, and other agricultural related services. Sales are recorded upon transfer of title, which could occur at the time commodities are shipped or upon receipt by the customer, depending on the terms of the transaction. Service revenues are recorded once such services have been rendered. A large portion of the Company's revenues are attributable to forward commodity sales contracts, which are considered to be physically settled derivatives under ASC 815, *Derivatives and Hedging* (Topic 815). Revenues arising from derivative contracts accounted for under ASC 815 are specifically outside the scope of ASC Topic 606 and therefore not subject to the provisions of the new revenue recognition guidance. As such, the impact of adoption of the new revenue guidance has only been assessed for revenue from contracts that are not accounted for as derivative arrangements.

Substantially all of the Company's revenue recognition obligations are satisfied at a given point in time as sales are made to end-users and services are rendered.

The Company also receives prepayments from its customers for products and services to be sold or performed in future periods. As the Company's policy is to recognize revenue as performance obligations have been met, the amounts received by the Company under this industry normal transactions are deferred as revenue in the Company's Consolidated Balance Sheet. The Company had customer prepayments and credit balances deferred accordingly in the amounts of \$16,692,046 and \$4,768,370 as of August 31, 2021 and 2020, respectively. The Company expects to complete its performance obligations via point in time sales transactions over the course of the next fiscal year.

Notes to Consolidated Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies (Continued)

INCOME TAXES

The Company, as a non-exempt cooperative, is taxed on non-patronage earnings and any patronage earnings not paid or allocated to patrons.

The Company evaluates uncertain tax benefits arising from tax positions taken or expected to be taken based upon the likelihood of being sustained upon examination by applicable tax authorities. If the Company determines that a tax position is more likely than not of being sustained, it recognizes the largest amount of the arising benefit that is greater than 50% likely of being realized upon settlement in the consolidated financial statements. Any tax positions taken or expected to be taken that do not pass the more likely than not test, the Company establishes reserves offsetting the benefits related to such positions. Interest and penalties, if any, are included in the current period provision for income taxes in the Company's consolidated statements of savings and are included as a current liability in the consolidated balance sheets.

DEFERRED INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The principal temporary differences are due to the use of different financial reporting and income tax methods for depreciation, bad debts, inventory capitalization, grain quality and compensated absences. Deferred tax assets and liabilities may be reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets or liabilities will not be realized.

SALES TAXES

Various entities impose a sales tax on specific categories of the Company's sales. The Company collects the sales tax from patrons and remits the entire amount to the respective taxing authorities. The Company excludes the tax collected and remitted from sales and the cost of sales, respectively.

LEASES

Leases which meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the fair value of the leased properties at the beginning of the respective lease terms. Such assets are amortized evenly over the related lease terms of their economic lives. Leases which do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred.

ADVERTISING EXPENSES

The Company's advertising expenses are charged against income during the year in which they are incurred. Total advertising costs charged to expense for the years ended August 31, 2021 and 2020 was \$76,949 and \$103,049, respectively.

Notes to Consolidated Financial Statements (Continued)

Note 2: Summary of Significant Accounting Policies (Continued)

DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative instruments primarily consist of commodity futures and forward contracts. These contracts are economic hedges of price risk, but these contracts, as defined under FASB ASC are not designed or accounted for as hedging instruments. These contracts are recorded on the Company's consolidated balance sheets at fair value as discussed in Note 15 – Fair Value Measurements. Outstanding contract obligations and financial position location of these contracts are discussed in Note 16 – Derivative Instruments. The change in the derivative's fair value has been recognized in cost of sales in current earnings.

The Company used commodity contracts to provide pricing opportunities. To reduce the price change risks associated with holding fixed price commitments, the Company generally takes opposite and offsetting positions by entering into commodity futures contracts options, to the extent practical, in order to arrive at a net commodity position within the formal position limits established by its board of directors. The price risk the Company encounters for grain commodities it handles are hedged with futures contracts. Forward contracts for grain commodities are accounted for as normal purchases and sale transactions. The Company expects all normal purchases and sale transactions to result in physical settlement. Hedging arrangements do not protect the Company from nonperformance by counterparties to contracts.

OFF-BALANCE SHEET RISK – COMMODITY CONTRACTS

Realized and unrealized gains and losses from future sales and purchase contracts and commitments (grain and farm supply commodities) are included in gross savings. There is a possibility that future changes in market prices may make these contract and commitments more or less valuable, thereby subjecting them to market risk. Risk arises from changes in the value of these contracts and commitments and the potential inability of counterparties to perform under the terms of the contracts. There are numerous factors which may significantly influence the value of these contracts and commitments including market volatility.

DEBT FORGIVENESS

The Company received forgivable debt during the prior year from the Small Business Administration (SBA). The Company elected to account for the forgivable debt under FASB ASC 470-50, Debt Modifications and Extinguishments and FASB ASC 405-20, Extinguishment of Liabilities. Forgivable debt received from a government entity was accounted for as debt until debt extinguishment occurs when the Company is legally released from being the obligor. During the year, the Company was released from this debt and recognized the forgiven amount as income in the Consolidated Statements of Savings.

Notes to Consolidated Financial Statements (Continued)

Note 3: Related Party Transactions (Continued)

The Company, organized on a cooperative basis, conducts a substantial portion of their operations with the members (owners) of the Company and has ownership interests in various regional cooperatives from whom they purchase products for resale or sell products to.

The Company sells to and purchases grain from the board of directors and certain employees. The aggregate of these transactions is not significant to the consolidated financial statements.

The Company had trade receivables due from directors and employees of \$314,383 and \$309,957 as of August 31, 2021 and 2020, respectively. The Company had customer credit balances from directors and employees of \$560,487 and \$299,648 as of August 31, 2021 and 2020, respectively. The Company had long-term notes receivables due from directors of \$2,311,786 and \$2,637,532 as of August 31, 2021 and 2020, respectively.

Note 4: Marketable Securities

Periodically, CHS, Inc. issues marketable securities in exchange for their non-marketable preferred stock. The Company has elected to show these securities at cost. The unrecognized market gain or loss on these securities at August 31, 2021 is not significant to the consolidated financial statements.

Realized gains and losses on the sale of marketable securities are based on original cost and are included in earnings. The Company sold 66 shares of CHS stock for \$1,763 with the Company realizing a loss of \$134 on the sale of the securities for the year ended August 31, 2020.

Note 5: Construction in Process

Construction in process is stated at cost. No provision for depreciation is made on construction in process until such time as the relevant assets are completed and put into service. Construction in process at August 31, 2021 consists of the following:

	Estimated Completion Date	Costs To Date	Estimated Completed Costs	Total Estimated Costs
Agronomy Plant – Hope	12-31-21	\$ 123,815	\$ 636,185	\$ 760,000
Feed Mill – Trimont	08-01-22	8,368,233	13,381,767	21,750,000
Grain Fill Conveyors – Madelia	01-31-22	309,077	10,923	320,000
Propane Storage Expansion – Janesville	11-30-21	114,729	125,271	240,000
Propane Autogas Dispenser – Nicollet	01-31-22	21,855	36,145	58,000
2022 Refined Fuels Transport Trailer	09-15-21	112,346	7,654	120,000
Disaster Recovery Server and Storage	09-30-21	109,726	5,274	115,000
		<u>\$9,159,781</u>	<u>\$14,203,219</u>	<u>\$23,363,000</u>

Notes to Consolidated Financial Statements (Continued)

Note 5: Construction in Process (Continued)

Construction in process at August 31, 2020 was completed during the year ended August 31, 2021. The projects and total cost of completion are as follows:

	Total Completion Cost
Feed Mill Expansion – Vernon Center	\$4,961,941
Shop/Warehouse/Truck Wash Property – Trimont	458,803
(2) 2020 Freightliner Semis – Madelia	296,534
Outbound Scales/Software/Grain Probe – Vernon Center	362,051
Energy Truck Shed – Jackson	133,566
Bottom Load at Bulk Fuel Plants	98,907
	<u>\$6,311,802</u>

Note 6: Goodwill

The Company recorded goodwill of \$463,230 from the acquisition of Pipeline Food's assets in Hope, Minnesota on April 3, 2020. The Company recognized amortization of \$46,323 and \$19,301 for the years ended August 31, 2021 and 2020, respectively. Accumulated amortization of this goodwill totaled \$65,624 and \$19,301 for the years ended August 31, 2021 and 2020, respectively.

The Company recorded goodwill of \$900,000 from the acquisition of Shell Rock Ag's assets in Hayward, Minnesota on September 3, 2020. The Company recognized amortization of \$90,000 for the year ended August 31, 2021, which also represents the accumulated amortization for goodwill.

Note 7: Investments

At August 31, 2021 and 2020 the Company had equity in other organizations as follows:

	2021	2020
Equity in Other Organizations		
CHS, Inc.	\$17,988,136	\$17,695,528
Land O'Lakes	4,120,927	4,175,486
CoBank, ACB	2,684,613	2,579,116
Ag Processing, Inc.	176,990	208,044
Others	216,227	217,267
	<u>\$25,186,893</u>	<u>\$24,875,441</u>

Notes to Consolidated Financial Statements (Continued)

Note 7: Investments (Continued)

At August 31, 2021 and 2020, the Company had investments in other companies as follows:

	Ownership Percentage	2021	2020
Other Investments			
Pillar Insurance Limited		\$ 426,994	\$ 426,994
FCA Grain Condo 1, LLC	44%	260,906	243,443
AgQuest Financial Services	<1%	50,000	50,000
Minnesota Soybean Processors, LLC	<1%	29,943	29,943
Heron Lake Bioenergy, LLC	<1%	11,313	11,313
40 Square Cooperative Solutions		250,000	250,000
CommoditAg, LLC		137,847	250,000
		<u>\$1,167,003</u>	<u>\$1,261,693</u>

Investments in Pillar Insurance Limited, 40 Square Cooperative Solutions, Heron Lake Bioenergy, LLC, Minnesota Soybean Processors, LLC, CommoditAg, LLC and AgQuest Financial Services are being accounted for using the cost method. FCA Grain Condo 1, LLC is being accounted for using the equity method.

Note 8: Financing Arrangements

Financing arrangements as of August 31, 2021 and 2020 were as follows:

Lender	Interest Rate	Balance		Repayment Basis
		2021	2020	
CoBank, ACB				Monthly commitment reductions of \$200,000 starting on 11-20-20 through 10-20-25. Balance due on 11-20-25.
Term T01B				
Variable	2.59%*	\$12,402,213	\$13,580,659	
Term T02				
Fixed	4.27%	0	249,000	Paid in full 11-20-20.
Term T05A				(35) monthly payments of \$67,000 starting 06-20-21. Balance due on 05-20-24.
Variable	2.59%*	6,399,000	\$ 7,200,000	
Term T08				(48) monthly payments of \$85,000 starting 04-20-22. Balance due on 03-20-26.
Fixed	3.31%	10,000,000	0	
Term T09				(48) monthly payments of \$85,000 starting 04-20-22. Balance due on 03-20-26.
	2.59%*	5,000	0	

Notes to Consolidated Financial Statements (Continued)

Note 8: Financing Arrangements (Continued)

Lender	Interest Rate	Balance		Repayment Basis
		2021	2020	
Pioneer Bank				
Paycheck Protection Program (PPP) Loan	1.00%	\$ 0	\$ 3,911,000	Balance forgiven 06-10-21.
Patron Fixed Term				
3 Year Notes	2.50%	1,506,079	1,987,164	Principal and accrued interest due on maturity.
5 Year Notes	3.00%	6,050,777	6,020,442	Principal and accrued interest due on maturity.
		36,363,069	32,948,265	
Less: Current Maturities		4,303,918	2,572,963	
Long-Term Debt		\$32,059,151	\$30,375,302	

* – Denotes continuously variable interest rate

Seasonal borrowings in effect at August 31, 2021 and 2020 are as follows:

Lender	Interest Rate	Balance		Repayment Basis
		2021	2020	
CoBank, ACB				
Seasonal Variable	2.09%*	\$0	\$0	Due 03-01-22.

* – Denotes continuously variable interest rate

Loan Commitments in effect at August 31, 2021 and 2020 were as follows:

	2021	2020
Operating Seasonal Term	\$50,000,000	\$50,000,000
T01B	19,600,000	15,300,000
T02	0	249,000
T05A	6,399,000	7,200,000
T08	10,000,000	0
T09	10,000,000	0
PPP Loan	0	3,911,000

Patron demand notes at August 31, 2021 and 2020 were \$12,522,647 and \$7,891,712, respectively and accrue interest at a rate of 2.00%. These notes are due upon demand.

The patron fixed term and demand notes are unsecured.

Notes to Consolidated Financial Statements (Continued)

Note 8: Financing Arrangements (Continued)

The CoBank, ACB notes are secured by a first mortgage lien on all real property owned by the Company and a security agreement covering all personal property, including inventory and accounts receivable arising from the sale thereof, subject only to first mortgages and security agreements for other contracts. The Company also has \$2,684,613 and \$2,579,116 of equity in the bank at August 31, 2021 and 2020, respectively, which is held as additional collateral.

Restrictive covenants on the CoBank, ACB loan agreements provide, among other things, (1) maintaining minimum working capital during the year and at year end, (2) restrictions on incurring additional indebtedness, (3) maintaining a minimum amount of contingent liabilities, (4) maintaining a minimum net worth and other covenants as determined by the bank.

The PPP Loan with Pioneer Bank was issued under the Small Business Administration's Paycheck Protection Program. The loan may be forgiven if certain criteria are met.

Aggregate annual maturities of the long-term debt outstanding at August 31, 2021 are as follows:

Maturity Date Year Ending August 31	
2022	\$ 4,303,918
2023	3,897,417
2024	6,937,516
2025	4,292,096
2026	<u>16,932,122</u>
	<u>\$36,363,069</u>

Interest expense charged to operations at August 31, 2021 and 2020 was \$2,641,648 and \$2,075,912, respectively.

Note 9: Capital Leases

The Company leases certain equipment under agreements that classify as capital leases. The cost of the equipment under capital lease is included in buildings and equipment and is amortized over the estimated useful life of the asset, in accordance with the policy described in Note 2. Amortization of the assets under capital lease is included in depreciation expense.

Notes to Consolidated Financial Statements (Continued)

Note 9: Capital Leases (Continued)

Information regarding capital leases as of August 31, 2021 and 2020 is as follows:

Lessor	Interest Rate	Balance	
		2021	2020
Farm Credit Leasing Minneapolis, Minnesota			
Jackson Fertilizer Plant Equipment (Monthly payments of \$14,003 with additional final payment of \$244,912 due 01-01-23).	3.03%	\$ 453,950	\$ 593,258
Jackson Grain Dryer (Monthly payments of \$16,576 with an additional final payment of \$270,850 due on 11-01-25).	4.20%	985,740	1,127,133
2016 Walinga Feed Trailer (Monthly payments of \$1,486 with an additional final payment of \$25,635 due on 05-01-23).	4.06%	52,572	66,675
2015 Freightliner Feed Truck (Monthly payments of \$1,499 with an additional final payment of \$14,104 due on 06-01-21).	3.69%	0	25,551
2015 Feed Truck Wet Kit (Monthly payments of \$151 an additional final payment of \$1,959 due on 06-01-21).	3.70%	0	3,098
2017 Freightliner Propane Truck (Monthly payments of \$2,903 with an additional final payment of \$38,598 due on 09-01-21).	3.40%	38,489	68,705
2015 Terragator 9300 (Monthly payments of \$4,829 with an additional final payment of \$133,000 due on 10-01-21).	3.77%	136,982	184,472
		1,667,733	2,068,892
Less: Amount Due Within One Year		536,787	471,338
		\$1,130,946	\$ 1,597,554

The following property is held under capital lease at August 31, 2021 and 2020:

	2021	2020
Equipment	\$ 3,802,211	\$ 3,802,211
Less: Accumulated Depreciation	(1,985,185)	(1,556,734)
	\$ 1,817,026	\$ 2,245,477

Notes to Consolidated Financial Statements (Continued)

Note 9: Capital Leases (Continued)

Amortization expense on this leased property totaled \$428,451 and \$444,781 for the years ended August 31, 2021 and 2020, respectively, and is included in depreciation expense.

Information regarding gross annual payments outstanding as of August 31, 2021 is as follows:

2022	\$ 593,272
2023	464,800
2024	263,540
2025	198,907
2026	198,907
2027 and Later	<u>71,944</u>
Total Future Minimum Lease Payments	1,791,370
Less: Amount Representing Interest	<u>123,637</u>
Present Value of Future Minimum Lease Payments	<u><u>\$1,667,733</u></u>

Note 10: Unpaid Grain

Unpaid grain at August 31, 2021 and 2020 consisted of price later contracts, deferred payments contracts and priced not paid grain. Price later contracts represent grain on which title has passed to the Company with the price to be fixed at a later date. Deferred payment contracts represent grain on which title has passed to the company and payment is deferred to a later date. Unpaid grain also includes minimum price, enhanced minimum price, and extended grain pricing contracts, of which title has transferred, minimum/advance payments have been made to seller with final price yet to be determined, based on a later pricing of a future position. These contracts are valued at the current bid net of any adjustment for unrealized gains or losses in relation to the corresponding future or option position. The contracts are summarized as follows:

	2021		2020	
	Bushels	Amount	Bushels	Amount
Price Later Contracts				
Corn	129,297	\$ 762,033	308,107	\$ 971,140
Soybeans	49,798	<u>615,999</u>	66,958	<u>594,128</u>
		<u>1,378,032</u>		<u>1,565,268</u>
Deferred Payment Contracts				
Corn	948,060	4,714,072	355,722	1,657,832
Soybeans	93,178	<u>1,135,547</u>	50,978	<u>709,994</u>
		<u>5,849,619</u>		<u>2,367,826</u>

Notes to Consolidated Financial Statements (Continued)

Note 10: Unpaid Grain (Continued)

	2021		2020	
	Bushels	Amount	Bushels	Amount
Priced Not Paid Contracts				
Corn	2,286,445	\$11,903,101	1,543,833	\$4,886,235
Soybeans	211,703	2,790,550	141,901	1,206,267
		<u>14,693,651</u>		<u>6,092,502</u>
Less: Advances		<u>370,853</u>		<u>43,875</u>
		<u>\$21,550,449</u>		<u>\$9,981,721</u>

Note 11: Retirement Plan

The Company has a 401(k) retirement plan that covers substantially all full-time employees. Employer payments to the plan are equal to 100% of each participant's contribution to a maximum of 5% of each participant's regular compensation. Pension costs are funded as they are accrued. Employer contributions at August 31, 2021 and 2020 were \$681,007 and \$633,410, respectively.

Note 12: Members' Equity

Revolving Fund

The patrons' revolving fund account was established for the purpose of acquiring non-stock capital. The Company maintains a record of the holders of credits and the amount allocated to each holder. The principal source of additions to the patrons' equity are the capital contributions by each member of a portion of his share of the patrons' net margins. Patrons' equity credits may be retired at anytime at the discretion of the Board of Directors. During the years ended August 31, 2021 and 2020, \$2,537,587 and \$2,779,915, respectively, were retired. The Company holds a first lien on each patrons' equity credit for any indebtedness of the holder to the Company.

General Reserve

Total net margins less the patrons' net margins, as defined in the articles and bylaws of the Company, are designated as the Company's net margins. These margins are taxable to the Company and consist of patronage-sourced margins not allocated, as well as all non-patronage-sourced net margins.

Notes to Consolidated Financial Statements (Continued)

Note 13: Income Taxes

Components of the provision for income tax expense for the years ended August 31, 2021 and 2020 was as follows:

	2021	2020
Federal Income Tax	\$ 0	\$ 790
State Income Tax	11,000	10,210
Over Accrual of Prior Years	2,076	9,960
Prior Years Amended Returns	12,927	(665)
	<u>\$26,003</u>	<u>\$ 20,295</u>
Deferred Tax Expense	<u>\$78,313</u>	<u>\$257,905</u>

Total income tax expense for the years ended August 31, 2021 and 2020, was less than the normal amount computed by applying the U.S. federal income tax rate to savings before income taxes primarily because of allocated patronage dividends, the surtax exemption, permanent timing differences, and temporary timing differences creating deferred income taxes.

The Company has excluded allocated patronage dividends from its taxable income for the year ended August 31, 2021 and 2020, as provided under Section 1382 of the Internal Revenue Code. In order to utilize this exclusion, at least 20% of the patronage dividends amounting to \$467,976 and \$579,449 in 2021 and 2020, respectively, must be or were paid in cash by May 15, 2022 and 2021, respectively. The Company has elected to pay 40% in cash, which amounted to \$935,952 and \$1,158,898 for the year ended August 31, 2021 and 2020, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are classified as current or non-current, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from timing differences that are not related to an asset or liability as current or non-current depending on the periods in which the timing differences are expected to reverse.

Amounts for deferred tax assets and liabilities at August 31, 2021 and 2020 are as follows:

	2021	2020
Non-Current Deferred Tax Assets (Liabilities)		
Allowance for Doubtful Accounts	\$ 30,000	\$ 30,000
Compensated Absences	146,823	142,925
Inventory Capitalization	72,636	57,392
Depreciation – Book/Tax Difference	(1,523,391)	(1,532,849)
Capital Leases	200,128	248,267
Non-Qualified Patronage Dividends	(335,525)	(271,298)
Goodwill	5,916	463
	<u>\$(1,403,413)</u>	<u>\$(1,325,100)</u>

Notes to Consolidated Financial Statements (Continued)

Note 13: Income Taxes (Continued)

The Company recognizes any uncertain tax benefits if such benefits are a result of a tax position that is more likely than not sustainable upon examination by Federal or State tax authorities. When an uncertain benefit is determined to be more likely than not sustained, the Company values the position, for consolidated financial statements purposes, of the largest amount of the tax benefit that is more than 50% likely of being realized upon resolution of the benefit. For any tax positions taken that do not meet the more likely than not criteria, the Company establishes a tax reserve for 100% of the position taken.

As of August 31, 2021, no significant amounts of unrecognized tax benefits existed nor does the Company anticipate any significant changes in unrecognized tax benefits to occur within the next year, other than tax settlements.

The Company has a net operating loss of \$1,393,941 acquired from the merger of FCA. The net operating loss is set to expire by August 31, 2036.

The Company files tax returns with the Internal Revenue Service, the State of Minnesota and the State of Iowa.

Note 14: Operating Leases

The Company has various cancelable and noncancelable operating leases and rental agreements on property and various types of equipment.

The following is a schedule of approximate minimum rental payments required under the operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of August 31, 2021.

Maturity Date Year Ending August 31	
2022	\$410,031
2023	222,500
	<u>\$632,531</u>

Rent and lease expense for the years ended August 31, 2021 and 2020 amounted to \$561,172 and \$682,834, respectively.

Note 15: Fair Value Measurements

The Company determines the fair value of certain inventories of agricultural commodities, derivative contracts, and marketable securities based on the fair value definition and hierarchy levels as established below:

Level 1	Values are based on unadjusted quoted prices in active markets for identical assets or liabilities. These assets or liabilities include commodity derivative contracts on the Chicago Board of Trade.
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Notes to Consolidated Financial Statements (Continued)

Note 15: Fair Value Measurements (Continued)

Level 2	Values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities exchanged in inactive markets.
Level 3	Values are based on unobservable inputs reflecting management's own assumptions and best estimates that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The carrying value of the Company's other assets and liabilities, consisting principally of trade receivables, accounts payable, lines of credit and other obligations, approximates fair value due to the short-term maturity of these instruments. The carrying value of long-term borrowings approximates fair value as the interest the Company could obtain on similar debt instruments approximate the interest rates of current debt obligations. The Company's investments in other cooperatives are stated at cost. There is no established market for these investments, and it is not otherwise practical to determine the fair value of investments in cooperatives.

The following table sets forth the level, within the fair value hierarchy, the Company's assets and liabilities at fair value as of August 31, 2021 and 2020:

	Fair Values as of August 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Grain Inventories	\$0	\$14,811,073	\$0	\$14,811,073
Future Grain Contracts	0	2,176,435	0	2,176,435
Forward Grain Contracts	0	8,452,331	0	8,452,331
	\$0	\$25,439,839	\$0	\$25,439,839

Notes to Consolidated Financial Statements (Continued)

Note 15: Fair Value Measurements (Continued)

	Fair Values as of August 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Grain Inventories	\$ 0	\$14,247,045	\$0	\$14,247,045
Forward Grain Contracts	0	1,015,886	0	1,015,886
	\$ 0	\$15,262,931	\$0	\$15,262,931
Liabilities				
Future Grain Contracts	\$1,084,826	\$ 0	\$0	\$ 1,084,826

Grain inventories are measured at fair value based on exchange quoted prices adjusted for differences in local markets, and as such are categorized as Level 2. Commodity derivative futures contracts are measured at fair value based on quoted prices on active exchanges and as such are categorized as Level 1. Commodity derivative forward contracts are measured at fair value based on exchange quoted prices and/or recent market bids, adjusted for location specific inputs and as such are categorized as Level 2. The Company had no Level 3 measurements as of August 31, 2021 and 2020.

Note 16: Derivative Instruments

The Company's purpose for entering into derivatives and its overall risk management strategies are discussed in Note 2.

The fair value of derivatives is located in inventories on the consolidated balance sheets. The fair value of commodity derivatives (future contracts and options) is as follows at August 31:

	2021	2020
Derivative Assets/(Liabilities)		
Commodity Futures Contracts	\$2,176,435	\$(1,084,826)

Gains and losses on commodity derivatives are located in Gross Savings on Sales on the Consolidated Statements of Savings. Net gains (losses) on futures contracts for the years ended August 31, 2021 and 2020, were \$(79,602,620) and \$3,852,518, respectively.

Note 17: Commitments and Contingencies

- a) The Company is contingently liable for any weight or grade deficiencies that may occur at time of delivery on 325,317 bushels of grain in storage under warehouse receipts or awaiting disposition at August 31, 2021.

Daily Position Record (DPR)	Corn	Soybeans	Oats
Open Storage	72,859	47,237	0
Warehouse Receipts	0	0	0
Grain Bank	205,220	0	0
Storage Obligation	278,079	47,237	0

Notes to Consolidated Financial Statements (Continued)

Note 17: Commitments and Contingencies

Daily Position Record (DPR)	Corn	Soybeans	Oats
Company Owned – Unpaid	2,790,702	308,499	0
Company Owned – Paid	(479,930)	17,935	2,909
Total Company Owned	2,310,772	326,434	2,909
<hr/>			
Total Obligations Per DPR	2,588,851	373,671	2,909

- b) The Company is a guarantor of loan obligations held by AgQuest Financial Services, Inc. The loan guarantee pool which is not to exceed \$2,000,000, is given to induce AgQuest to make loans to the Company's patrons to promote production of agriculture in the trade area. Actual guarantees at August 31, 2021 was \$209,125.
- c) The Company is subject to various federal and state regulations regarding the care, delivery and containment of products which the Company handles and has handled. The Company is contingently liable for any associated costs which could arise from the handling, delivery and containment of these products.
- d) The Company is a member of a group of other agricultural cooperatives in the Access Insurance Association Workers Compensation Self Insurance Group. The Company pays an annual premium to the plan to cover administrative, group co-insurance and reinsurance costs. Assessments are possible for each member depending on their incurred losses for the calendar plan year if the Company's losses exceed 50% of their premium with a maximum assessment not to exceed their annual premium. The assessment, if applicable, is payable in two equal installments the following year. The Company's annual premium for 2021 and 2020 was \$335,518 and \$347,990, respectively.

Note 18: Subsequent Event

The Company has considered the effect, if any, that events occurring after the consolidated balance sheet date and up to December 13, 2021 have on the consolidated financial statements as presented. This date coincides with the date the consolidated financial statements were available to be issued.

Financial Highlights

OPERATING STATEMENT

	2021	2020	2019	2018	2017
Sales	\$555,212,493	\$310,849,964	\$294,949,613	\$336,148,030	\$258,800,000
Cost of Goods Sold	512,333,503	271,874,401	259,740,259	298,248,764	228,424,150
Gross Margin	42,878,990	38,975,563	35,209,354	37,899,266	30,375,850
Percent of Sales	7.72%	12.54%	11.93%	11.27%	11.74%
Operating Revenue	18,419,398	18,966,132	17,370,635	19,299,351	15,524,589
Total Gross Revenue	61,298,388	57,941,695	52,579,989	57,198,617	45,900,439
Operating Expenses	59,590,641	54,732,193	52,314,248	53,791,992	42,876,555
Operating Savings (Local Net)	1,707,747	3,209,502	265,741	3,406,625	3,023,884
Percent of Sales	0.31%	1.03%	0.09%	1.01%	1.17%
Patronage Dividend Income	1,529,578	2,354,959	2,468,790	709,703	1,586,982
Other Income	3,911,000	(134)	0	0	(47)
Savings Before Income Taxes	7,148,325	5,564,327	2,734,531	4,116,328	4,610,819
Income Taxes	104,316	278,200	89,200	439,782	308,012
Net Savings	\$7,044,009	\$5,286,127	\$2,645,331	\$3,676,546	\$4,302,807

DISTRIBUTION OF NET SAVINGS

Patronage Dividends					
Cash – 40%	\$935,952	\$1,158,898	0	\$454,281	\$384,895
Deferred – 60%	1,403,929	1,738,348	0	681,421	577,342
Total Dividends	2,339,881	2,897,246	0	1,135,702	962,237
Retained Savings	4,704,128	2,388,881	2,645,331	2,540,844	3,340,570
Total	\$7,044,009	\$5,286,127	\$2,645,331	\$3,676,546	\$4,302,807

Financial Highlights

OPERATING STATEMENT

2016	2015	2014	2013	2012	2011
\$255,862,563	\$233,692,387	\$270,197,343	\$373,321,493	\$345,478,281	\$305,851,530
226,668,114	205,804,496	242,639,579	343,897,981	318,287,412	280,653,476
29,194,449	27,887,891	27,557,764	29,423,512	27,190,869	25,198,054
11.41%	11.93%	10.20%	7.88%	7.87%	8.24%
12,952,545	12,702,659	12,686,486	11,579,276	10,687,931	10,861,271
42,146,994	40,590,550	40,244,250	41,002,788	37,878,800	36,059,325
38,390,643	35,156,183	33,307,503	32,998,412	31,937,530	31,339,433
3,756,351	5,434,367	6,936,747	8,004,376	5,941,270	4,719,892
1.47%	2.33%	2.57%	2.14%	1.72%	1.54%
2,126,466	2,100,129	2,134,632	3,417,379	3,638,112	2,015,070
(24,511)	0	0	0	0	69,774
5,858,306	7,534,496	9,071,379	11,421,755	9,579,382	6,804,736
444,509	499,727	(46,771)	732,904	841,277	374,565
\$5,413,797	\$7,034,769	\$9,118,150	\$10,688,851	\$8,738,105	\$6,430,171

DISTRIBUTION OF NET SAVINGS

\$556,940	\$1,124,461	\$1,785,138	\$2,128,727	\$1,636,484	\$1,491,850
835,411	1,686,691	2,677,707	3,193,091	2,454,727	2,237,776
1,392,351	2,811,152	4,462,845	5,321,818	4,091,211	3,729,626
4,021,446	4,223,617	4,655,305	5,367,033	4,646,894	2,700,545
\$5,413,797	\$7,034,769	\$9,118,150	\$10,688,851	\$8,738,105	\$6,430,171

Financial Highlights

BALANCE SHEET

	2021	2020	2019	2018	2017
ASSETS					
Current Assets	\$87,828,784	\$64,510,082	\$74,213,801	\$69,577,981	\$74,051,850
Property, Plant & Equipment	91,950,676	84,387,391	80,301,881	78,763,021	80,936,120
Other Assets	2,291,021	3,081,461	0	2,961	17,036
Investments/ Equity in other Organizations	26,353,896	26,137,134	24,953,159	23,959,176	23,872,173
TOTAL ASSETS	\$208,424,377	\$178,116,068	\$179,468,841	\$172,303,139	\$178,877,179
LIABILITIES & EQUITY					
Current Liabilities	69,331,160	43,899,806	52,831,023	61,191,829	67,356,039
Long Term Debt	33,190,097	31,972,856	25,995,808	10,557,094	11,907,948
Deferred Income Tax	1,403,413	1,325,100	1,067,195	1,061,429	802,123
Total Members' Equity	104,499,707	100,918,306	99,574,815	99,492,787	98,811,069
TOTAL LIABILITIES & MEMBERS' EQUITY	\$208,424,377	\$178,116,068	\$179,468,841	\$172,303,139	\$178,877,179
Working Capital	\$18,497,624	\$20,610,276	\$21,382,778	\$8,386,152	\$6,695,811

FIXED ASSETS

	2021	2020	2019	2018	2017
Fixed Asset Expenditures	\$20,235,623	\$15,445,384	\$12,783,747	\$9,007,964	\$11,948,414

EQUITY REVOLVEMENT

	2021	2020	2019	2018	2017
Equity Revolvment	\$2,537,587	\$2,779,915	\$2,605,533	\$2,566,194	\$2,561,150

Financial Highlights

BALANCE SHEET

2016	2015	2014	2013	2012	2011
\$56,569,755	\$64,944,402	\$78,775,412	\$73,774,906	\$113,171,766	\$124,848,816
59,367,787	61,704,249	63,486,970	42,073,891	36,110,553	39,992,648
0	0	0	0	0	0
14,425,588	13,938,756	13,604,276	14,133,644	15,140,285	16,341,846
\$130,363,130	\$140,587,407	\$155,866,658	\$129,982,441	\$164,422,604	\$181,183,310
45,681,941	50,990,290	53,774,986	57,432,967	91,879,377	109,974,162
11,053,637	18,212,231	34,021,342	9,388,085	15,490,000	18,432,623
369,835	255,883	182,359	169,172	182,228	226,871
73,257,717	71,129,003	67,887,971	62,992,217	56,870,999	52,549,654
\$130,363,130	\$140,587,407	\$155,866,658	\$129,982,441	\$164,422,604	\$181,183,310
\$10,887,814	\$13,954,112	\$25,000,426	\$16,341,939	\$21,292,389	\$14,874,654

FIXED ASSETS

2016	2015	2014	2013	2012	2011
\$5,106,552	\$4,734,239	\$26,790,356	\$11,615,116	\$1,666,954	\$13,214,947

EQUITY REVOLVEMENT

2016	2015	2014	2013	2012	2011
\$2,675,798	\$2,635,256	\$2,466,620	\$2,448,549	\$2,835,084	\$2,473,873

