CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

PERSONNEL AND ORGANIZATIONAL DATA
August 31, 2022

OFFICERS AND DIRECTORS

Name	Address	Term Expires	Position
Dean Sonnabend	Vernon Center, MN	2025	Chairman
Gene Meyer	Sioux Valley, MN	2024	Vice-Chairman
Scott Fisher	Trimont, MN	2025	Secretary
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
Tim Lewer	New Richland, MN	2024	Director
Tom Trahms	Janesville, MN	2025	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

GARDINER + COMPANY
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Crystal Valley Cooperative
Mankato, Minnesota

Opinion

We have audited the consolidated financial statements of Crystal Valley Cooperative, Mankato, Minnesota, which comprise the consolidated balance sheets as of August 31, 2022 and 2021 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Crystal Valley Cooperative as of August 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Crystal Valley Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about Crystal Valley Cooperative's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Crystal Valley Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about Crystal Valley Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gardiner + Company, P.C.

Des Moines, Iowa
November 29, 2022

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED BALANCE SHEETS
August 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	**$ 11,283,242**	$ 1,790,508
Receivables		
Trade – Net of Allowance for Doubtful Accounts of $250,000	**15,192,270**	13,584,429
Storage and Handling	**44,429**	53,653
Grain in Transit	**2,110,099**	3,543,198
Other	**1,581,890**	574,518
Margin Deposits	**12,153,226**	9,231,415
Inventories		
Grain	**18,010,457**	25,439,839
Agronomy	**45,320,488**	18,221,418
Feed	**2,143,636**	1,978,943
Petroleum	**1,747,296**	1,294,487
Propane	**1,205,701**	345,441
Miscellaneous	**2,625,199**	1,644,717
Prepaid Expenses	**140,130**	249,868
Prepaid Inventory	**6,536,475**	9,876,350
Total Current Assets	**120,094,538**	87,828,784
PROPERTY, PLANT AND EQUIPMENT		
Land and Land Improvements	**10,100,480**	9,827,567
Buildings and Equipment	**175,982,453**	175,944,193
	186,082,933	185,771,760
Accumulated Depreciation	**(109,577,499)**	(102,980,865)
Undepreciated Cost	**76,505,434**	82,790,895
Construction in Process	**21,893,025**	9,159,781
Net Property, Plant and Equipment	**98,398,459**	91,950,676
OTHER ASSETS		
Notes Receivable	**854,087**	1,083,415
Goodwill – Net of Amortization	**1,071,283**	1,207,606
Total Other Assets	**1,925,370**	2,291,021
INVESTMENTS		
Equity in Other Organizations	**25,611,656**	25,186,893
Other Investments	**1,017,843**	1,167,003
Total Investments	**26,629,499**	26,353,896
TOTAL ASSETS	**$ 247,047,866**	$ 208,424,377

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

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED BALANCE SHEETS
August 31, 2022 and 2021

LIABILITIES AND MEMBERS' EQUITY

	2022	2021
CURRENT LIABILITIES		
Checks Written in Excess of Bank Balance	**$ 8,300,665**	$ 2,955,532
Current Maturities of Long–Term Debt	**5,090,453**	4,303,918
Current Maturities of Capital Leases	**487,501**	536,787
Member Investment Notes – Demand	**15,435,340**	12,522,647
Payables		
Trade	**19,715,151**	5,212,724
Customer Credit Balances	**28,134,587**	16,692,046
Unpaid Grain	**29,872,475**	21,550,449
Other	**406,032**	329,309
Accrued Expenses		
Interest	**230,935**	212,856
Property Taxes	**1,651,619**	1,653,160
Payroll	**2,554,596**	2,318,324
Other	**81,907**	107,456
Patronage Dividends Payable	**1,451,284**	935,952
Total Current Liabilities	**113,412,545**	69,331,160
LONG–TERM LIABILITIES – Net of Current Maturities		
Notes Payable	**22,784,324**	27,572,213
Capital Leases	**643,445**	1,130,946
Member Investment Notes	**3,776,496**	4,486,938
Total Long–Term Liabilities	**27,204,265**	33,190,097
DEFERRED INCOME TAXES	**1,427,081**	1,403,413
MEMBERS' EQUITY		
Revolving Fund	**27,232,452**	27,259,646
Patronage Payable in Equities	**2,176,926**	1,403,929
Unallocated General Reserve	**75,594,597**	75,836,132
Total Members' Equity	**105,003,975**	104,499,707
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$247,047,866**	$208,424,377

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, 2022 and 2021

	2022	2021
Sales	**$575,763,039**	$555,212,493
Cost of Goods Sold	**533,404,421**	512,333,503
Gross Savings on Sales	**42,358,618**	42,878,990
Other Operating Revenue	**19,768,639**	18,419,398
Total Gross Revenue	**62,127,257**	61,298,388
Operating Expenses, Including Interest	**59,046,781**	59,590,641
Operating Savings	**3,080,476**	1,707,747
Patronage Dividend and Investment Income	**2,275,373**	1,529,578
Gain on Debt Forgiveness	**0**	3,911,000
Loss on Investments	**(138,953)**	0
Savings Before Income Taxes	**5,216,896**	7,148,325
Income Tax Expense (Benefit)		
Current	**(6,448)**	26,003
Deferred	**23,668**	78,313
Net Savings	**$ 5,199,676**	$ 7,044,009

DISTRIBUTION OF NET SAVINGS

	2022	2021
Patronage Dividends		
Cash – 40%	**$ 1,451,284**	$ 935,952
Deferred – 60%	**2,176,926**	1,403,929
	3,628,210	2,339,881
Retained Savings	**1,571,466**	4,704,128
Total	**$ 5,199,676**	$ 7,044,009

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, 2022 and 2021

	Total	Revolving Fund	Allocated Patronage Dividends	Equity Acquired in Merger	Unallocated General Reserve
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
Stock Redeemed	(2,489,956)	(2,489,956)	0	0	0
Distribution of Patronage Dividends	0	1,364,636	(1,364,636)	0	0
Over Accrual of Prior Year					
Patronage Dividends	26,197	0	(39,293)	0	65,490
Special Allocation	(753,384)	1,130,075	0	0	(1,883,459)
Adjustments	(26,981)	(31,949)	0	0	4,968
Current Period Savings	5,199,676	0	0	0	5,199,676
Patronage Dividends					
Cash	(1,451,284)	0	0	0	(1,451,284)
Deferred	0	0	2,176,926	0	(2,176,926)
Balance – August 31, 2022	$105,003,975	$27,232,452	$ 2,176,926	$ 0	$75,594,597

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Savings	**$ 5,199,676**	$ 7,044,009
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**11,185,680**	11,686,108
Gain on Sale of Property, Plant and Equipment	**(1,317,608)**	(58,925)
Bad Debt Expense	**94,132**	1,191,370
Patronage Dividends Received as Equity	**(1,046,943)**	(704,400)
Loss from Investments	**138,953**	0
Debt Forgiveness	**0**	(3,911,000)
Deferred Income Taxes	**23,668**	78,313
Change in Assets and Liabilities		
Increase in Receivables	**(1,037,694)**	(4,623,337)
Increase in Margin Deposits	**(2,921,811)**	(6,076,792)
Increase in Inventories	**(22,127,932)**	(12,314,478)
Decrease in Prepaid Expenses	**109,738**	27,666
(Increase) Decrease in Prepaid Inventory	**3,339,875**	(2,618,801)
Increase in Payables	**34,343,717**	22,310,659
Increase in Accrued Expenses	**227,261**	120,686
Net Cash Provided by Operating Activities	**26,210,712**	12,151,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property, Plant and Equipment	**1,856,733**	1,181,478
Additions to Property, Plant and Equipment	**(18,036,265)**	(20,235,623)
Other Investments (Purchased) Redeemed	**10,207**	(79,962)
Proceeds from Sale of Investments	**0**	174,652
Goodwill Purchased	**0**	(900,000)
Redemption of Equity in Other Organizations	**622,180**	392,948
Net Cash Used in Investing Activities	**(15,547,145)**	(19,466,507)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Checks Written in Excess of Bank Balance	**5,345,133**	(3,204,384)
Net Borrowings Member Investment Notes	**2,912,693**	4,630,935
Additional Borrowings of Long–Term Debt	**10,995,000**	10,005,000
Retirement of Long–Term Debt	**(16,243,583)**	(3,080,355)
Member Equity Redeemed	**(2,489,956)**	(2,537,587)
Allocated Patronage Paid	**(1,663,139)**	(1,147,967)
Equity Adjustments	**(26,981)**	0
Net Cash Provided by (Used in) Financing Activities	**(1,170,833)**	4,665,642

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	2022	2021
Net Increase (Decrease) in Cash	**$ 9,492,734**	$(2,649,787)
Cash – Beginning of Year	**1,790,508**	4,440,295
Cash – End of Year	**$11,283,242**	$ 1,790,508

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid (Received) During the Year for:		
Interest	**$ 2,658,724**	$ 2,578,815
Income Taxes	**(90,263)**	0

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Allocated Patronage Dividends	**$ 3,628,210**	$ 2,339,881
Debt Forgiveness	**0**	3,911,000

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 statues 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.

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 47% 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.

Note 2: Summary of Significant Accounting Policies

The significant accounting practices and policies are summarized below.

RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the *Financial Accounting Standards Board* (FASB) issued *Accounting Standards Update* (ASU) No. 2016-02, Leases (Topic 842) which requires the recognition of lease assets and liabilities on the Consolidated Balance Sheet for all lease obligations and disclosures of key information about the Company's leasing arrangements. ASU 2016-02 requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous guidance. ASU 2016-02 will be effective for the Company for all annual and interim periods beginning after December 31, 2021. Management is currently evaluating the potential impact that the adoption of these new accounting guidance will have on its consolidated financial statements, but does not expect the adoption to have a material impact.

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.

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.

Note 2: Summary of Significant Accounting Policies *(Continued)*

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.

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 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.

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 $11,049,357 and $11,549,785 has been charged against operations for the years ended August 31, 2022 and 2021, 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.

Note 2: Summary of Significant Accounting Policies *(Continued)*

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, 2022 and 2021.

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.

Disaggregation of Revenues

The following table presents revenues recognized under ASC Topic 606 as well as the amount of revenues recognized under ASC Topic 815 and other applicable accounting guidance for the years ended August 31, 2022 and 2021.

	2022	2021
Topic 815 – Derivative and Hedging	$308,996,216	$349,970,848
Topic 606 – Contracts with Customers	283,310,270	220,912,486
Other	5,361,612	8,189,135
	$597,668,098	$579,072,469

Less than 1% of revenues accounted for under ASC Topic 606 included within the tables above are recorded over time and relate primarily to service contracts.

Note 2: Summary of Significant Accounting Policies ***(Continued)***

REVENUE RECOGNITION (CONTINUED)

Contract Assets and Contract Liabilities

Contract assets relate to unbilled amounts arising from goods that have already been transferred to the customer where the right to payment is not conditional on the passage of time. This results in the recognition of an asset, as the amount of revenue recognized at a certain point in time exceeds the amount billed to the customer. The Company had no contract assets as of August 31, 2022, 2021 and 2020.

Contract liabilities relate to advance payments from customers for goods and services that the Company has yet to provide. Contract liabilities of $27,748,994 and $16,377,907 as of August 31, 2022 and 2021, respectively, are recorded within Customer Prepayments on our Consolidated Balance Sheets. The opening balances of contract liabilities was $16,377,907 and $4,443,869 for the years ended August 31, 2022 and 2021, respectively. The Company expects to complete its performance obligations related to these prepayments via point in time sales transactions over the course of the next fiscal year.

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.

Note 2: Summary of Significant Accounting Policies *(Continued)*

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, 2022 and 2021 was $101,090 and $76,949, respectively.

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.

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.

Note 3: Significant Concentrations of Risk

The Company maintains cash balances at local banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At August 31, 2022 and 2021, cash balances exceeded FDIC coverage by $3,617,380 and $1,222,146, respectively. Amounts on deposit with CoBank, ACB are backed by the Farm Credit System.

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 uses forward-type derivatives, commodity contracts, to manage commodity price risks. They are not used for trading purposes.

Realized and unrealized gains and losses from futures and forward hedge contracts and commitments (grain and farm supply commodities) are included in gross savings. There is the possibility that future changes in market prices may make these contracts 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.

Note 4: Related Party Transactions

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 $246,535 and $314,383 as of August 31, 2022 and 2021, respectively. The Company had customer credit balances from directors and employees of $1,541,820 and $560,487 as of August 31, 2022 and 2021, respectively. The Company had long-term notes receivables due from directors of $854,087 and $1,083,415 as of August 31, 2022 and 2021, respectively.

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, 2022 consists of the following:

	Estimated Completion Date	Costs To Date	Estimated Completed Costs	Total Estimated Costs
(2) NevilleBuilt Liquid Tender Trailers	10-31-22	$ 91,661	$ 8,339	$ 100,000
Feed Mill – Trimont	11-30-22	21,257,212	1,242,788	22,500,000
2022 Walinga Bulk Feed Trailer – Trimont	09-30-22	26,997	115,003	142,000
Grain Scale Software Change	09-30-22	33,864	66,136	100,000
Grain Service Truck – Vernon Center	10-31-22	18,450	74,050	92,500
Grain Bin Sweep – Jackson	04-30-23	25,485	124,515	150,000
2022 Freightliner w/5,600 Gal LP Bobtail – Madelia	12-31-22	29,566	245,434	275,000
LP Autogas Dispenser – Nicollet	11-30-22	68,924	11,076	80,000
Cardtrol Credit Card Compliance – All Locations	02-28-23	155,268	59,732	215,000
20,000 Gal Refined Fuel Storage Tank – Jackson	09-30-22	67,786	2,214	70,000
2023 Freightliner w/5,000 Gal Fuel Tank – Lake Crystal	01-31-23	64,228	320,772	385,000
Cardtrol Image Upgrade – Lakefield	11-30-22	44,171	829	45,000
DEF Bulk Storage Tank – Madelia	09-30-22	9,413	587	10,000
		$21,893,025	$ 2,271,475	$24,164,500

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
		$ 9,159,781	$14,203,219	$23,363,000

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 for each of the years ended August 31, 2022 and 2021, respectively. Accumulated amortization of this goodwill totaled $111,947 and $65,624 for the years ended August 31, 2022 and 2021, 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 each of the years ended August 31, 2022 and 2021, respectively. Accumulated amortization of this goodwill totaled $180,000 and $90,000 for the years ended August 31, 2022 and 2021, respectively.

Note 7: Investments

At August 31, 2022 and 2021 the Company had equity in other organizations as follows:

	2022	2021
Equity in Other Organizations		
CHS, Inc.	$18,337,939	$17,988,136
Land O'Lakes	4,075,349	4,120,927
CoBank, ACB	2,881,279	2,684,613
Ag Processing, Inc.	97,114	176,990
Others	219,975	216,227
	$25,611,656	$25,186,893

At August 31, 2022 and 2021, the Company had investments in other companies as follows:

	Ownership Percentage	2022	2021
Other Investments			
Pillar Insurance Limited		$ 426,994	$ 426,994
FCA Grain Condo 1, LLC	44%	260,906	260,906
AgQuest Financial Services	<1%	50,000	50,000
Minnesota Soybean Processors, LLC	<1%	29,943	29,943
Heron Lake Bioenergy, LLC	<1%	0	11,313
40 Square Cooperative Solutions		250,000	250,000
CommoditAg, LLC		0	137,847
		$ 1,017,843	$ 1,167,003

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, 2022 and 2021 were as follows:

Lender	Interest Rate	Balance 2022	Balance 2021	Repayment Basis
CoBank, ACB Term T01-C Variable	4.87%*	$ 0	$12,402,213	Monthly commitment reductions of $200,000 starting on 11-20-20 through 10-20-25. Balance due on 11-20-25.
Term T05-B Variable	4.87%*	5,595,000	6,399,000	$67,000 starting 06-20-21. Balance due on 05-20-24.
Term T08-A Fixed	3.31%	9,575,000	10,000,000	(48) monthly payments of $85,000 starting 04-20-22. Balance due on 03-20-26.
Term T09-A	3.53%*	9,575,000	5,000	(48) monthly payments of $85,000 starting 04-20-22. Balance due on 03-20-26.
South Central Electric Association Rural Development Loan	0.00%	983,332	0	(120) monthly payments of $8,334 starting 07-27-22. Balance due on 06-27-32.
Patron Fixed Term 3 Year Notes	2.50%	1,735,163	1,506,079	Principal and accrued interest due on maturity.
5 Year Notes	3.00%	4,187,778	6,050,777	Principal and accrued interest due on maturity.
		31,651,273	36,363,069	
Less: Current Maturities		5,090,453	4,303,918	
Long–Term Debt		$26,560,820	$32,059,151	

* – Denotes continuously variable interest rate

Seasonal borrowings in effect at August 31, 2022 and 2021 are as follows:

Lender	Interest Rate	Balance 2022	Balance 2021	Repayment Basis
CoBank, ACB Seasonal Variable	4.32%*	$0	$0	Due 03-01-23.

* – Denotes continuously variable interest rate

***Note 8: Financing Arrangements* (Continued)**

Loan Commitments in effect at August 31, 2022 and 2021 were as follows:

	2022	2021
Operating Seasonal	$90,000,000	$50,000,000
Term		
T01-C	17,200,000	19,600,000
T05-B	5,595,000	6,399,000
T08-A	9,575,000	10,000,000
T09-A	9,575,000	10,000,000
Rural Development Loan	983,332	0

Patron demand notes at August 31, 2022 and 2021 were $15,435,340 and $12,522,647, 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.

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 $2,881,279 and $2,684,613 of equity in the bank at August 31, 2022 and 2021, 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.

Aggregate annual maturities of the long–term debt outstanding at August 31, 2022 are as follows:

Maturity Date Year Ending August 31	
2023	$ 5,090,453
2024	8,094,121
2025	3,500,905
2026	13,559,635
2027	922,867
Thereafter	483,292
	$31,651,273

Interest expense charged to operations at August 31, 2022 and 2021 was $2,655,521 and $2,641,648, 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.

Information regarding capital leases as of August 31, 2022 and 2021 is as follows:

Lessor	Interest Rate	Balance 2022	Balance 2021
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%	$ 284,252	$ 453,950
Jackson Grain Dryer (Monthly payments of $16,576 with an additional final payment of $270,850 due on 11-01-25).	4.20%	811,479	985,740
2016 Walinga Feed Trailer (Monthly payments of $1,486 with an additional final payment of $25,635 due on 05-01-23).	4.06%	35,215	52,572
2017 Freightliner Propane Truck (Monthly payments of $2,903 with an additional final payment of $38,598 due on 09-01-21).	3.40%	0	38,489
2015 Terragator 9300 (Monthly payments of $4,829 with an additional final payment of $133,000 due on 10-01-21).	3.77%	0	136,982
		1,130,946	1,667,733
Less: Amount Due Within One Year		487,501	536,787
Long–Term Portion		$ 643,445	$1,130,946

The following property is held under capital lease at August 31, 2022 and 2021:

	2022	2021
Equipment	$ 3,203,041	$ 3,802,211
Less: Accumulated Depreciation	(1,787,209)	(1,985,185)
	$ 1,415,832	$ 1,817,026

***Note 9: Capital Leases* (Continued)**

Amortization expense on this leased property totaled $324,947 and $428,451 for the years ended August 31, 2022 and 2021, respectively, and is included in depreciation expense.

Information regarding gross annual payments outstanding as of August 31, 2022 is as follows:

2023	$ 521,866
2024	198,907
2025	198,907
2026	287,426
Total Future Minimum Lease Payments	1,207,106
Less: Amount Representing Interest	76,160
Present Value of Future Minimum Lease Payments	$1,130,946

Note 10: Unpaid Grain

Unpaid grain at August 31, 2022 and 2021 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:

	2022		2021	
	Bushels	Amount	Bushels	Amount
Price Later Contracts				
Corn	235,809	$ 1,772,090	129,297	$ 762,033
Soybeans	157,204	2,230,408	49,798	615,999
		4,002,498		1,378,032
Deferred Payment Contracts				
Corn	553,913	3,386,857	948,060	4,714,072
Soybeans	134,667	1,820,254	93,178	1,135,547
		5,207,111		5,849,619
Priced Not Paid Contracts				
Corn	2,249,905	15,123,916	2,286,445	$11,903,101
Soybeans	374,511	5,538,950	211,703	2,790,550
		20,662,866		14,693,651
Less: Advances		0		370,853
		$29,872,475		$21,550,449

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, 2022 and 2021 were $712,551 and $681,007, 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, 2022 and 2021, $2,489,956 and $2,537,587, 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.

Note 13: Income Taxes

Components of the provision for income tax expense (benefit) for the years ended August 31, 2022 and 2021 was as follows:

	2022	2021
Federal Income Tax	$ 52,500	$ 0
State Income Tax	122,500	11,000
(Over) Under Accrual of Prior Years	(620)	2,076
Prior Years Amended Returns	(90,263)	12,927
Fuel Tax Credits Claimed	(90,565)	0
	$ (6,448)	$26,003
Deferred Tax Expense	$ 23,668	$78,313

Total income tax expense (benefit) for the years ended August 31, 2022 and 2021, 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, permanent timing differences and temporary timing differences creating deferred income taxes.

Note 13: Income Taxes ***(Continued)***

The Company has excluded allocated patronage dividends from its taxable income for the years ended August 31, 2022 and 2021, 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 $725,642 and $467,976 in 2022 and 2021, respectively, must be or were paid in cash by May 15, 2023 and 2022, respectively. The Company has elected to pay 40% in cash, which amounted to $1,451,284 and $935,952 for the year ended August 31, 2022 and 2021, 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, 2022 and 2021 are as follows:

	2022	2021
Non-Current Deferred Tax Assets (Liabilities)		
Allowance for Doubtful Accounts	$ 30,000	$ 30,000
Compensated Absences	139,128	146,823
Inventory Capitalization	117,098	72,636
Depreciation – Book/Tax Difference	(1,430,578)	(1,523,391)
Capital Leases	135,713	200,128
Non-Qualified Patronage Dividends	(429,813)	(335,525)
Goodwill	11,371	5,916
	$(1,427,081)	$(1,403,413)

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, 2022, 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 $900,433 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, 2022.

Maturity Date Year Ending August 31	
2023	$1,843,974
2024	223,144
	$2,067,118

Rent and lease expense for the years ended August 31, 2022 and 2021 amounted to $536,818 and $561,172, 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.
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.

Note 15: Fair Value Measurements ***(Continued)***

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, 2022 and 2021:

	Fair Values as of August 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Grain Inventories	$ 0	$11,837,324	$0	$11,837,324
Forward Grain Contracts	0	9,123,245	0	9,123,245
	$ 0	$20,960,569	$0	$20,960,569
Liabilities				
Future Grain Contracts	$2,950,112	$ 0	$0	$ 2,950,112

	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	2,176,435	0	0	2,176,435
Forward Grain Contracts	0	8,452,331	0	8,452,331
	$2,176,435	$23,263,404	$0	$25,439,839

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, 2022 and 2021.

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:

	Fair Values as of August 31	
	2022	2021
Derivative Assets		
Commodity Futures Contracts	$ 469,538	$2,549,110
Derivative Liabilities		
Commodity Futures Contracts	$3,419,650	$ 372,675

<u>Note 16: Derivative Instruments</u> (Continued)

Gains and losses on commodity derivatives are located in Gross Savings on Sales on the Consolidated Statements of Savings. Net losses on futures contracts for the years ended August 31, 2022 and 2021, were $38,695,600 and $79,602,620, respectively.

<u>Note 17: Commitments and Contingencies</u>

a) The Company is contingently liable for any weight or grade deficiencies that may occur at time of delivery on 371,192 bushels of grain in storage under warehouse receipts or awaiting disposition at August 31, 2022.

Daily Position Record (DPR)	Corn	Soybeans	Oats
Open Storage	53,999	48,023	0
Warehouse Receipts	0	0	0
Grain Bank	269,170	0	0
Storage Obligation	323,169	48,023	0
Company Owned – Unpaid	2,920,249	583,462	0
Company Owned – Paid	(1,711,875)	(253,497)	(461)
Total Company Owned	1,208,374	329,965	(461)
Total Obligations Per DPR	1,531,543	377,988	(461)

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, 2022 was $158,800.

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 2022 and 2021 was $321,094 and $335,518, respectively.

e) In connection with the South Central Electric Association Rural Development Loan, the Company obtained a standby letter of credit from CoBank, ACB for $1,000,000 issued June 6, 2022, with a maturity date of April 4, 2025. The letter is being maintained as security for advances received on a long-term contract and as security for debt service payments under the rural development loan agreement.

Note 18: Subsequent Event

The Company has considered the effect, if any, that events occurring after the consolidated balance sheet date and up to November 29, 2022 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

	2022	2021	2020	2019	2018
Sales	**$575,763,039**	$555,212,493	$310,849,964	$294,949,613	$336,148,030
Cost of Goods Sold	**533,404,421**	512,333,503	271,874,401	259,740,259	298,248,764
Gross Margin	**42,358,618**	42,878,990	38,975,563	35,209,354	37,899,266
Percent of Sales	**7.36%**	7.72%	12.54%	11.93%	11.27%
Operating Revenue	**19,768,639**	18,419,398	18,966,132	17,370,635	19,299,351
Total Gross Revenue	**62,127,257**	61,298,388	57,941,695	52,579,989	57,198,617
Operating Expenses	**59,046,781**	59,590,641	54,732,193	52,314,248	53,791,992
Operating Savings (Local Net)	**3,080,476**	1,707,747	3,209,502	265,741	3,406,625
Percent of Sales	**0.54%**	0.31%	1.03%	0.09%	1.01%
Patronage Dividend Income	**2,275,373**	1,529,578	2,354,959	2,468,790	709,703
Other Income	**(138,953)**	3,911,000	(134)	0	0
Savings Before Income Taxes	**5,216,896**	7,148,325	5,564,327	2,734,531	4,116,328
Income Taxes	**17,220**	104,316	278,200	89,200	439,782
Net Savings	**$5,199,676**	$7,044,009	$5,286,127	$2,645,331	$3,676,546

DISTRIBUTION OF NET SAVINGS

Patronage Dividends					
Cash – 40%	**$1,451,284**	$935,952	$1,158,898	0	$454,281
Deferred – 60%	**2,176,926**	1,403,929	1,738,348	0	681,421
Total Dividends	**3,628,210**	2,339,881	2,897,246	0	1,135,702
Retained Savings	**1,571,466**	4,704,128	2,388,881	2,645,331	2,540,844
Total	**$5,199,676**	$7,044,009	$5,286,127	$2,645,331	$3,676,546

Financial Highlights

OPERATING STATEMENT

2017	2016	2015	2014	2013	2012
$258,800,000	$255,862,563	$233,692,387	$270,197,343	$373,321,493	$345,478,281
228,424,150	226,668,114	205,804,496	242,639,579	343,897,981	318,287,412
30,375,850	29,194,449	27,887,891	27,557,764	29,423,512	27,190,869
11.74%	11.41%	11.93%	10.20%	7.88%	7.87%
15,524,589	12,952,545	12,702,659	12,686,486	11,579,276	10,687,931
45,900,439	42,146,994	40,590,550	40,244,250	41,002,788	37,878,800
42,876,555	38,390,643	35,156,183	33,307,503	32,998,412	31,937,530
3,023,884	3,756,351	5,434,367	6,936,747	8,004,376	5,941,270
1.17%	1.47%	2.33%	2.57%	2.14%	1.72%
1,586,982	2,126,466	2,100,129	2,134,632	3,417,379	3,638,112
(47)	(24,511)	0	0	0	0
4,610,819	5,858,306	7,534,496	9,071,379	11,421,755	9,579,382
308,012	444,509	499,727	(46,771)	732,904	841,277
$4,302,807	$5,413,797	$7,034,769	$9,118,150	$10,688,851	$8,738,105

DISTRIBUTION OF NET SAVINGS

$384,895	$556,940	$1,124,461	$1,785,138	$2,128,727	$1,636,484
577,342	835,411	1,686,691	2,677,707	3,193,091	2,454,727
962,237	1,392,351	2,811,152	4,462,845	5,321,818	4,091,211
3,340,570	4,021,446	4,223,617	4,655,305	5,367,033	4,646,894
$4,302,807	$5,413,797	$7,034,769	$9,118,150	$10,688,851	$8,738,105

Financial Highlights

BALANCE SHEET

	2022	2021	2020	2019	2018
ASSETS					
Current Assets	**$120,094,538**	$87,828,784	$64,510,082	$74,213,801	$69,577,981
Property, Plant & Equipment	**98,398,459**	91,950,676	84,387,391	80,301,881	78,763,021
Other Assets	**1,925,370**	2,291,021	3,081,461	0	2,961
Investments/ Equity in other Organizations	**26,629,499**	26,353,896	26,137,134	24,953,159	23,959,176
TOTAL ASSETS	**$247,047,866**	$208,424,377	$178,116,068	$179,468,841	$172,303,139
Current Liabilities	**113,412,545**	69,331,160	43,899,806	52,831,023	61,191,829
Long Term Debt	**27,204,265**	33,190,097	31,972,856	25,995,808	10,557,094
Deferred Income Tax	**1,427,081**	1,403,413	1,325,100	1,067,195	1,061,429
Total Members' Equity	**105,003,975**	104,499,707	100,918,306	99,574,815	99,492,787
TOTAL LIABILITIES & MEMBERS' EQUITY	**$247,047,866**	$208,424,377	$178,116,068	$179,468,841	$172,303,139
Working Capital	**$6,681,993**	$18,497,624	$20,610,276	$21,382,778	$8,386,152

FIXED ASSETS

	2021	2020	2019	2018	2017
Fixed Asset Expenditures	**$18,036,265**	$15,445,384	$12,783,747	$9,007,964	$11,948,414

EQUITY REVOLVEMENT

	2021	2020	2019	2018	2017
Equity Revolvement	**$2,489,952**	$2,779,915	$2,605,533	$2,566,194	$2,561,150

Financial Highlights

BALANCE SHEET

2017	2016	2015	2014	2013	2012
$74,051,850	$56,569,755	$64,944,402	$78,775,412	$73,774,906	$113,171,766
80,936,120	59,367,787	61,704,249	63,486,970	42,073,891	36,110,553
17,036	0	0	0	0	0
23,872,173	14,425,588	13,938,756	13,604,276	14,133,644	15,140,285
$178,877,179	$130,363,130	$140,587,407	$155,866,658	$129,982,441	$164,422,604
67,356,039	45,681,941	50,990,290	53,774,986	57,432,967	91,879,377
11,907,948	11,053,637	18,212,231	34,021,342	9,388,085	15,490,000
802,123	369,835	255,883	182,359	169,172	182,228
98,811,069	73,257,717	71,129,003	67,887,971	62,992,217	56,870,999
$178,877,179	$130,363,130	$140,587,407	$155,866,658	$129,982,441	$164,422,604
$6,695,811	$10,887,814	$13,954,112	$25,000,426	$16,341,939	$21,292,389

FIXED ASSETS

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

EQUITY REVOLVEMENT

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

Crystal Valley