2023 ANNUAL REPORT

September 1, 2022 - August 31, 2023

Crystal Valley

SERVING YOU SINCE 1927

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

PERSONNEL AND ORGANIZATIONAL DATA
August 31, 2023

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
Tim Lewer	New Richland, MN	2024	Director
Tom Trahms	Janesville, MN	2025	Director
Dan Jones	Lake Crystal, MN	2026	Director
Dan Riley	Round Lake, MN	2026	Director
Judd Hendrycks	North Mankato, MN	2026	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, 2023 and 2022 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, 2023 and 2022, 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
Novmeber 29, 2023

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED BALANCE SHEETS
August 31, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	**$ 25,250,160**	$ 11,283,242
Receivables		
Trade – Net of Allowance for Doubtful Accounts of $250,000	**13,837,651**	15,192,270
Storage and Handling	**78,185**	44,429
Grain in Transit	**0**	2,110,099
Other	**1,205,578**	1,581,933
Margin Deposits	**3,854,243**	12,153,226
Inventories		
Grain	**20,529,761**	18,010,457
Agronomy	**32,763,297**	45,320,488
Feed	**1,582,766**	2,143,636
Petroleum	**1,847,379**	1,747,296
Propane	**462,843**	1,205,701
Miscellaneous	**2,146,480**	2,625,199
Prepaid Expenses	**1,539,239**	140,130
Prepaid Inventory	**7,289,729**	6,536,475
Total Current Assets	**112,387,311**	120,094,581
PROPERTY, PLANT AND EQUIPMENT		
Land and Land Improvements	**10,100,480**	10,100,480
Buildings and Equipment	**198,932,508**	175,982,453
	209,032,988	186,082,933
Accumulated Depreciation	**(115,043,316)**	(109,577,499)
Undepreciated Cost	**93,989,672**	76,505,434
Construction in Process	**1,597,394**	21,893,025
Net Property, Plant and Equipment	**95,587,066**	98,398,459
OTHER ASSETS		
Notes/Accounts Receivable – Long-Term	**0**	854,087
Goodwill – Net of Amortization	**934,960**	1,071,283
Total Other Assets	**934,960**	1,925,370
INVESTMENTS		
Equity in Other Organizations	**24,709,900**	25,611,656
Other Investments	**1,175,230**	1,017,843
Total Investments	**25,885,130**	26,629,499
TOTAL ASSETS	**$ 234,794,467**	$ 247,047,909

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

CRYSTAL VALLEY COOPERATIVE
Mankato, Minnesota

CONSOLIDATED BALANCE SHEETS
August 31, 2023 and 2022

LIABILITIES AND MEMBERS' EQUITY

	2023	2022
CURRENT LIABILITIES		
Checks Written in Excess of Bank Balance	**$ 9,253,402**	$ 8,300,665
Current Maturities of Long–Term Debt	**3,326,580**	5,090,453
Current Maturities of Finance Leases	**175,230**	487,501
Patron Demand Notes	**11,531,398**	15,435,340
Payables		
Trade	**12,007,217**	19,715,151
Customer Credit Balances/Prepayments	**23,543,914**	28,134,587
Unpaid Grain	**34,738,588**	29,872,475
Other	**271,926**	409,553
Accrued Expenses		
Interest	**177,267**	230,935
Property Taxes	**1,730,465**	1,651,619
Payroll	**3,656,757**	2,554,596
Other	**75,569**	78,429
Patronage Dividends Payable	**3,426,192**	1,451,284
Total Current Liabilities	**103,914,505**	113,412,588
LONG–TERM LIABILITIES – Net of Current Maturities		
Notes Payable	**15,853,316**	22,784,324
Finance Leases	**468,214**	643,445
Patron Term Notes	**2,563,198**	3,776,496
Total Long–Term Liabilities	**18,884,728**	27,204,265
DEFERRED INCOME TAXES	**1,394,377**	1,427,081
MEMBERS' EQUITY		
Revolving Fund	**26,566,480**	27,232,452
Patronage Payable in Equities	**3,426,191**	2,176,926
Unallocated General Reserve	**80,608,186**	75,594,597
Total Members' Equity	**110,600,857**	105,003,975
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$234,794,467**	$247,047,909

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, 2023 and 2022

	2023	2022
Sales	**$623,475,925**	$575,763,039
Cost of Goods Sold	**573,040,896**	533,404,421
Gross Savings on Sales	**50,435,029**	42,358,618
Other Operating Revenue	**21,620,071**	19,791,911
Total Gross Revenue	**72,055,100**	62,150,529
Operating Expenses, Including Interest	**65,204,738**	59,070,053
Operating Savings	**6,850,362**	3,080,476
Patronage Dividend and Investment Income	**4,922,965**	2,275,373
Loss on Investments	**0**	(138,953)
Savings Before Income Taxes	**11,773,327**	5,216,896
Income Tax Expense (Benefit)		
Current	**(23,635)**	(6,448)
Deferred	**(32,704)**	23,668
Net Savings	**$ 11,829,666**	$ 5,199,676

DISTRIBUTION OF NET SAVINGS

	2023	2022
Patronage Dividends		
Cash – 50% (2023) and 40% (2022)	**$ 3,426,192**	$ 1,451,284
Deferred – 50% (2023) and 60% (2022)	**3,426,191**	2,176,926
	6,852,383	3,628,210
Retained Savings	**4,977,283**	1,571,466
Total	**$ 11,829,666**	$ 5,199,676

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, 2023 and 2022

	Total	Revolving Fund	Allocated Patronage Dividends	Unallocated General Reserve
Balance – August 31, 2021	$104,499,707	$27,259,646	$ 1,403,929	$75,836,132
Stock Redeemed	(2,489,956)	(2,489,956)	0	0
Distribution of Patronage Dividends	0	1,364,636	(1,364,636)	0
Over Accrual of Prior Year				
Patronage Dividends	26,197	0	(39,293)	65,490
Special Allocation	(753,384)	1,130,075	0	(1,883,459)
Adjustments	(26,981)	(31,949)	0	4,968
Current Period Savings	5,199,676	0	0	5,199,676
Patronage Dividends				
Cash	(1,451,284)	0	0	(1,451,284)
Deferred	0	0	2,176,926	(2,176,926)
Balance – August 31, 2022	105,003,975	27,232,452	2,176,926	75,594,597
Stock Redeemed	(2,500,001)	(2,500,001)	0	0
Distribution of Patronage Dividends	0	2,155,195	(2,155,195)	0
Over Accrual of Prior Year				
Patronage Dividends	14,575	0	(21,731)	36,306
Adjustments	(321,166)	(321,166)	0	0
Current Period Savings	11,829,666	0	0	11,829,666
Patronage Dividends				
Cash	(3,426,192)	0	0	(3,426,192)
Deferred	0	0	3,426,191	(3,426,191)
Balance – August 31, 2023	$110,600,857	$26,566,480	$ 3,426,191	$80,608,186

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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Savings	**$ 11,829,666**	$ 5,199,676
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**10,901,706**	11,185,680
Gain on Sale of Property, Plant and Equipment	**(283,399)**	(1,317,608)
Bad Debt Expense	**1,325,719**	94,132
Patronage Dividends Received as Equity	**(2,182,924)**	(1,046,943)
Loss from Investments	**0**	138,953
Deferred Income Tax Expense (Benefit)	**(32,704)**	23,668
Change in Assets and Liabilities		
(Increase) Decrease in Receivables	**3,335,685**	(1,037,624)
(Increase) Decrease in Margin Deposits	**8,298,983**	(2,921,811)
(Increase) Decrease in Inventories	**11,720,251**	(22,127,932)
(Increase) Decrease in Prepaid Expenses	**(1,399,109)**	109,738
(Increase) Decrease in Prepaid Inventory	**(753,254)**	3,339,875
Increase (Decrease) in Payables	**(7,570,121)**	34,346,777
Increase in Accrued Expenses	**1,124,479**	224,131
Net Cash Provided by Operating Activities	**36,314,978**	26,210,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property, Plant and Equipment	**1,235,653**	1,856,733
Additions to Property, Plant and Equipment	**(8,906,244)**	(18,036,265)
Other Investments (Purchased) Redeemed	**(157,387)**	10,207
Redemption of Equity in Other Organizations	**3,084,680**	622,180
Net Cash Used in Investing Activities	**(4,743,298)**	(15,547,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Checks Written in Excess of Bank Balance	**952,737**	5,345,133
Net Borrowings (Repayments) Patron Notes	**(3,903,942)**	2,912,693
Additional Borrowings of Long–Term Debt	**0**	10,995,000
Retirement of Long–Term Debt	**(10,395,681)**	(16,243,583)
Member Equity Redeemed	**(2,500,001)**	(2,489,956)
Allocated Patronage Paid	**(1,436,709)**	(1,663,139)
Equity Adjustments	**(321,166)**	(26,981)
Net Cash Used in Financing Activities	**(17,604,762)**	(1,170,833)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	2023	2022
Net Increase in Cash	**$13,966,918**	$ 9,492,734
Cash – Beginning of Year	**11,283,242**	1,790,508
Cash – End of Year	**$25,250,160**	$11,283,242

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid (Received) During the Year for:		
Interest	**$ 4,023,179**	$ 2,658,724
Income Taxes	**119,820**	(90,263)

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Allocated Patronage Dividends	**$ 6,852,383**	$ 3,628,210

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 46% 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 ADOPTED ACCOUNTING STANDARDS

In February 2016, the *Financial Accounting Standards Board* (FASB) issued *Accounting Standards Update* (ASU) No. 2016-02, Leases (Topic 842) which amended, among other things, the existing guidance by requiring lessees to recognize lease assets and liabilities arising from operating leases on the Consolidated Balance Sheet. Since issuing Topic 842, the FASB has issued various subsequent ASU's, including but not limited to, ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which clarified various aspects of the guidance under Topic 842, as well as ASU 2018-11, Leases (Topic 842): *Targeted Improvements*, which allows entities the option of recognizing the cumulative effect of applying Topic 842 as an adjustment to opening balance of retained earnings in the year of adoption while continuing to present all prior periods under previous lease accounting guidance.

On September 1, 2022, the Company adopted ASU No. 2016-02, *Leases* (Topic 842) using the updated modified retrospective transition approach allowed under ASU 2018-11. The Company elected the package of practical expedients permitted under the transition guidance with the new standard, which allowed the carryforward of (i) historical lease classification and assessments for expired and existing leases, and (ii) historical accounting for indirect costs for existing leases. The Company has elected not to record on the Consolidated Balance Sheet any lease while term is 12 months or less and does not include a purchase option that is reasonably certain to be exercised. The adoption of the guidance did not have a material impact on the Company's financial reporting.

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.

<u>Note 2: Summary of Significant Accounting Policies</u> (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.

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.

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

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.

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 $10,765,383 and $11,049,357 has been charged against operations for the years ended August 31, 2023 and 2022, 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.

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

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.

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, 2023 and 2022.

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, 2023 and 2022.

<u>Note 2: Summary of Significant Accounting Policies</u> (Continued)

REVENUE RECOGNITION (CONTINUED)

Disaggregation of Revenues (Continued)

	2023	2022
Topic 815 – Derivative and Hedging	$334,280,514	$308,996,216
Topic 606 – Contracts with Customers	307,367,765	283,333,542
Other	8,370,682	5,361,612
	$650,018,961	$597,691,370

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.

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, 2023, 2022 and 2021.

Contract liabilities relate to advance payments from customers for goods and services that the Company has yet to provide. Contract liabilities of $23,285,619 and $27,748,994 as of August 31, 2023 and 2022, respectively, are recorded within Customer Prepayments on our Consolidated Balance Sheets. The opening balances of contract liabilities was $27,748,994 and $16,377,907 for the years ended August 31, 2023 and 2022, 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.

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

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, 2023 and 2022 was $137,080 and $101,090, 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 14 – Fair Value Measurements. Outstanding contract obligations and financial position location of these contracts are discussed in Note 15 – Derivative Instruments. The change in the derivative's fair value has been recognized in cost of sales in current earnings.

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

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.

RECLASSIFICATION

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

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, 2023 and 2022, cash balances exceeded FDIC coverage by $1,874,797 and $3,617,380, 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.

Notes to Consolidated Financial Statements (Continued)

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 $368,527 and $246,535 as of August 31, 2023 and 2022, respectively. The Company had customer credit balances from directors and employees of $430,431 and $1,541,820 as of August 31, 2023 and 2022, respectively. The Company had long-term accounts receivables due from directors of $0 and $854,087 as of August 31, 2023 and 2022, 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, 2023 consists of the following:

	Estimated Completion Date	Costs To Date	Estimated Completed Costs	Total Estimated Costs
NH3 Dual Tank Running Gears - Madelia	09-30-23	$ 16,029	$ 471	$ 16,500
Load Out/Bin Modifications - Vernon Center	12-31-23	48,119	101,881	150,000
(2) Walinga Feed Trailers - Trimont	12-31-23	57,748	242,252	300,000
Exhaust Fans Corn Shed - Madelia	11-30-23	84,015	201,985	286,000
Bunker Reclaim Conveyor - Hope	12-31-23	206,655	3,345	210,000
LP Truck Shed Addition - Janesville	12-31-23	158,701	1,299	160,000
LP Shop Renovations - Jackson	12-31-23	123,180	5,820	129,000
LP Railcar Miser Pump - Janesville	01-31-24	155,878	229,122	385,000
Cardtrol Pumps Replacement - Jackson	10-01-23	290,354	4,646	295,000
Vernon Center Cardtrol	12-31-23	447,881	382,119	830,000
Cardtrol Cathodic Protection - Lakefield	06-01-24	8,834	26,166	35,000
		$1,597,394	$1,199,106	$2,796,500

***Note 5: Construction in Process* (Continued)**

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
2023 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
2023 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
12,500 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

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, 2023 and 2022. Accumulated amortization of this goodwill totaled $158,270 and $111,947 for the years ended August 31, 2023 and 2022, 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, 2023 and 2022. Accumulated amortization of this goodwill totaled $270,000 and $180,000 for the years ended August 31, 2023 and 2022, respectively.

Note 7: Investments

At August 31, 2023 and 2022 the Company had equity in other organizations as follows:

	2023	2022
Equity in Other Organizations		
CHS, Inc.	$17,225,318	$18,337,939
Land O'Lakes	4,135,101	4,075,349
CoBank, ACB	3,033,635	2,881,279
Ag Processing, Inc.	98,257	97,114
Others	217,589	219,975
	$24,709,900	$25,611,656

At August 31, 2023 and 2022, the Company had investments in other companies as follows:

	Ownership Percentage	2023	2022
Other Investments			
Pillar Insurance Limited		$ 584,381	$ 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
40 Square Cooperative Solutions		250,000	250,000
		$ 1,175,230	$ 1,017,843

Investments in Pillar Insurance Limited, 40 Square Cooperative Solutions, Minnesota Soybean Processors, 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, 2023 and 2022 were as follows:

Lender	Interest Rate	Balance 2023	Balance 2022	Repayment Basis
CoBank, ACB				
Term T01-C Variable	7.90%*	$0	$ 0	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%*	0	5,595,000	Balance paid in full.

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

Lender	Interest Rate	Balance 2023	Balance 2022	Repayment Basis
CoBank, ACB (Continued)				
Term T08-A Fixed	3.31%	$ 8,555,000	$9,575,000	(48) monthly payments of $85,000 starting 04-20-22. Balance due on 03-20-26.
Term T09-B	3.53%	8,555,000	9,575,000	(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%	883,324	983,332	(120) monthly payments of $8,334 starting 07-27-22. Balance due on 06-27-32.
Patron Fixed Term 3 Year Notes	2.50%	894,238	1,735,163	Principal and accrued interest due on maturity.
5 Year Notes	3.00%	2,855,532	4,187,778	Principal and accrued interest due on maturity.
		21,743,094	31,651,273	
Less: Current Maturities		3,326,580	5,090,453	
Long–Term Debt		$18,416,514	$26,560,820	

* – Denotes continuously variable interest rate

Seasonal borrowings in effect at August 31, 2023 and 2022 are as follows:

Lender	Interest Rate	Balance 2023	Balance 2022	Repayment Basis
CoBank, ACB				
Seasonal Variable	7.55%*	$0	$0	Due 03-01-24.

* – Denotes continuously variable interest rate

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

Loan Commitments in effect at August 31, 2023 and 2022 were as follows:

	2023	2022
Operating Seasonal	$90,000,000	$90,000,000
Term		
T01-C	14,800,000	17,200,000
T05-B	0	5,595,000
T08-A	8,555,000	9,575,000
T09-B	8,555,000	9,575,000
Rural Development Loan	883,324	983,332

Patron demand notes at August 31, 2023 and 2022 were $11,531,398 and $15,435,340, respectively and accrue interest at a rate of 4.30%. 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 $3,033,635 and $2,881,279 of equity in the bank at August 31, 2023 and 2022, 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, 2023 are as follows:

Maturity Date Year Ending August 31	
2024	$ 3,326,580
2025	3,434,954
2026	2,582,861
2027	11,915,407
2028	100,008
Thereafter	383,284
	$21,743,094

Interest expense charged to operations at August 31, 2023 and 2022 was $3,948,229 and $2,655,521, respectively.

Notes to Consolidated Financial Statements (Continued)

Note 9: Finance Leases

The Company has entered into various leasing arrangements for the use of various facilities and equipment with various terms and expirations.

The components of lease expense recognized in the consolidated financial statements as of August 31, 2023 and 2022 as follows:

	Year Ending August 31	
	2023	2022
Lease Costs:		
Finance Lease Costs:		
Amortization of Assets	$212,866	$324,947
Interest on Lease Liabilities	33,223	56,485
Operating Lease Costs	0	0
Other Short-Term Lease Expense	328,576	536,818
Total Lease Costs	$574,665	$918,250
Other Information:		
Financing Cash Flows from Finance Leases	$487,501	$536,787
Operating Cash Flows from Finance Leases	33,223	56,485
Weighted Average Remaining Lease Term (In Years)		
Finance Leases	2.17	3.17
Operating Leases	0.00	0.00
Weighted Average Discount Rate		
Finance Leases	4.20%	3.76%
Operating Leases	0.00%	0.00%

Supplemental Balance Sheet information for finance leases assets is as follows:

	2023	2022
Right-of-Use Assets – Finance Leases	$2,128,665	$3,203,041
Less: Accumulated Depreciation	1,383,632	1,787,209
Undepreciated Cost	$ 745,033	$1,415,832

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

Additional information related to finance lease obligations at August 31, 2023 and 2022 is as follows:

Lessor	Interest Rate	Balance 2023	Balance 2022
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%	$ 0	$ 284,252
Jackson Grain Dryer (Monthly payments of $16,576 with an additional final payment of $270,850 due on 11-01-25).	4.20%	643,444	811,479
2016 Walinga Feed Trailer (Monthly payments of $1,486 with an additional final payment of $25,635 due on 05-01-23).	4.06%	0	35,215
		643,444	1,130,946
Less: Amount Due within One Year		175,230	487,501
Long-Term Portion		$468,214	$ 643,445

Amortization expense on this leased property totaled $212,866 and $324,947 for the years ended August 31, 2023 and 2022, respectively, and is included in depreciation expense.

Information regarding gross annual payments outstanding as of August 31, 2023 is as follows:

2024	$198,906
2025	198,906
2026	287,427
Total Future Minimum Lease Payments	685,239
Less: Amount Representing Interest	41,795
Present Value of Future Minimum Lease Payments	$643,444

Note 10: Unpaid Grain

Unpaid grain at August 31, 2023 and 2022 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:

	2023		2022	
	Bushels	Amount	Bushels	Amount
Price Later Contracts				
Corn	1,154,492	$ 5,854,279	235,809	$ 1,772,090
Soybeans	180,486	2,406,956	157,204	2,230,408
		8,261,235		4,002,498
Deferred Payment Contracts				
Corn	943,312	5,560,734	553,913	3,386,857
Soybeans	180,558	2,493,696	134,667	1,820,254
		8,054,430		5,207,111
Priced Not Paid Contracts				
Corn	2,525,787	15,677,141	2,249,905	15,123,916
Soybeans	233,979	3,260,947	374,511	5,538,950
		18,938,088		20,662,866
Less: Advances		(515,165)		0
		$34,738,588		$29,872,475

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, 2023 and 2022 were $749,521 and $712,551, 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, 2023 and 2022, $2,500,001 and $2,489,956, 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, 2023 and 2022 was as follows:

	2023	2022
Federal Income Tax	$ 64,500	$ 52,500
State Income Tax	10,800	122,500
Over Accrual of Prior Years	(98,935)	(620)
Prior Years Amended Returns	0	(90,263)
Fuel Tax Credits Claimed	0	(90,565)
Income Tax Benefit	$(23,635)	$ (6,448)
Deferred Tax Expense (Benefit)	$(32,704)	$ 23,668

Total income tax expense (benefit) for the years ended August 31, 2023 and 2022, 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.

The Company has excluded allocated patronage dividends from its taxable income for the years ended August 31, 2023 and 2022, 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 $1,370,477 and $725,642 in 2023 and 2022, respectively, must be or were paid in cash by May 15, 2024 and 2023, respectively. The Company has elected to pay 50% and 40% in cash, which amounted to $3,426,192 and $1,451,284 for the years ended August 31, 2023 and 2022, respectively.

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

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, 2023 and 2022 are as follows:

	2023	2022
Non-Current Deferred Tax Assets		
Capital Leases	$ 77,213	$ 135,713
Allowance for Doubtful Accounts	30,000	30,000
Compensated Absences	137,626	139,128
Inventory Capitalization	94,481	117,098
Goodwill	16,822	11,371
	356,142	433,310
Non-Current Deferred Tax Liabilities		
Depreciation – Book/Tax Difference	(1,269,138)	(1,430,578)
Non-Qualified Patronage Dividends	(481,381)	(429,813)
	(1,750,519)	(1,860,391)
Net Deferred Tax Liability	$(1,394,377)	$(1,427,081)

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, 2023, 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 $722,640 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: 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.

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, 2023 and 2022:

	Fair Values as of August 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Grain Inventories	$ 0	$23,343,100	$0	$23,343,100
Future Grain Contracts	1,880,050	0	0	1,880,050
	$1,880,050	$23,343,100	$0	$25,223,150
Liabilities				
Forward Grain Contracts	$ 0	$ 4,693,389	$0	$ 4,693,389

***Note 14: Fair Value Measurements* (Continued)**

	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

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, 2023 and 2022.

Note 15: 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	
	2023	2022
Derivative Assets		
Commodity Futures Contracts	$2,046,063	$ 469,538
Derivative Liabilities		
Commodity Futures Contracts	$ 166,013	$3,419,650

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, 2023 and 2022, were $4,933,141 and $(38,695,600), respectively.

Note 16: Commitments and Contingencies

a) The Company is contingently liable for any weight or grade deficiencies that may occur at time of delivery on 347,158 bushels of grain in storage under warehouse receipts or awaiting disposition at August 31, 2023.

Daily Position Record (DPR)	Corn	Soybeans
Open Storage	107,187	63,714
Warehouse Receipts	0	0
Grain Bank	176,257	0
Storage Obligation	283,444	63,714
Company Owned – Unpaid	3,675,162	553,486
Company Owned – Paid	(1,122,029)	(154,122)
Total Company Owned	2,553,133	399,364
Total Obligations Per DPR	2,836,577	463,078

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, 2023 was $147,900.

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 2023 and 2022 was $333,495 and $321,094, 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, 2023, 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 17: Subsequent Event

The Company has considered the effect, if any, that events occurring after the consolidated balance sheet date and up to November 29, 2023 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

	2023	2022	2021	2020	2019
Sales	**$623,475,925**	$575,763,039	$555,212,493	$310,849,964	$294,949,613
Cost of Goods Sold	**573,040,896**	533,404,421	512,333,503	271,874,401	259,740,259
Gross Margin	**50,435,029**	42,358,618	42,878,990	38,975,563	35,209,354
Percent of Sales	**8.08%**	7.36%	7.72%	12.54%	11.93%
Operating Revenue	**21,620,071**	19,768,639	18,419,398	18,966,132	17,370,635
Total Gross Revenue	**72,055,100**	62,127,257	61,298,388	57,941,695	52,579,989
Operating Expenses	**65,204,738**	59,046,781	59,590,641	54,732,193	52,314,248
Operating Savings (Local Net)	**6,850,362**	3,080,476	1,707,747	3,209,502	265,741
Percent of Sales	**1.09%**	0.54%	0.31%	1.03%	0.09%
Patronage Dividend Income	**4,922,965**	2,275,373	1,529,578	2,354,959	2,468,790
Other Income	**0**	(138,953)	3,911,000	(134)	0
Savings Before Income Taxes	**11,773,327**	5,216,896	7,148,325	5,564,327	2,734,531
Income Taxes	**(56,339)**	17,220	104,316	278,200	89,200
Net Savings	**$11,829,666**	$5,199,676	$7,044,009	$5,286,127	$2,645,331

DISTRIBUTION OF NET SAVINGS

Patronage Dividends					
Cash	**$3,426,192**	$1,451,284	$935,952	$1,158,898	0
Deferred	**3,426,191**	2,176,926	1,403,929	1,738,348	0
Total Dividends	**6,852,383**	3,628,210	2,339,881	2,897,246	0
Retained Savings	**4,977,283**	1,571,466	4,704,128	2,388,881	2,645,331
Total	**$11,829,666**	$5,199,676	$7,044,009	$5,286,127	$2,645,331

Financial Highlights

OPERATING STATEMENT

2018	2017	2016	2015	2014	2013
$336,148,030	$258,800,000	$255,862,563	$233,692,387	$270,197,343	$373,321,493
298,248,764	228,424,150	226,668,114	205,804,496	242,639,579	343,897,981
37,899,266	30,375,850	29,194,449	27,887,891	27,557,764	29,423,512
11.27%	11.74%	11.41%	11.93%	10.20%	7.88%
19,299,351	15,524,589	12,952,545	12,702,659	12,686,486	11,579,276
57,198,617	45,900,439	42,146,994	40,590,550	40,244,250	41,002,788
53,791,992	42,876,555	38,390,643	35,156,183	33,307,503	32,998,412
3,406,625	3,023,884	3,756,351	5,434,367	6,936,747	8,004,376
1.01%	1.17%	1.47%	2.33%	2.57%	2.14%
709,703	1,586,982	2,126,466	2,100,129	2,134,632	3,417,379
0	(47)	(24,511)	0	0	0
4,116,328	4,610,819	5,858,306	7,534,496	9,071,379	11,421,755
439,782	308,012	444,509	499,727	(46,771)	732,904
$3,676,546	$4,302,807	$5,413,797	$7,034,769	$9,118,150	$10,688,851

DISTRIBUTION OF NET SAVINGS

$454,281	$384,895	$556,940	$1,124,461	$1,785,138	$2,128,727
681,421	577,342	835,411	1,686,691	2,677,707	3,193,091
1,135,702	962,237	1,392,351	2,811,152	4,462,845	5,321,818
2,540,844	3,340,570	4,021,446	4,223,617	4,655,305	5,367,033
$3,676,546	$4,302,807	$5,413,797	$7,034,769	$9,118,150	$10,688,851

Financial Highlights

BALANCE SHEET

	2023	2022	2021	2020	2019
ASSETS					
Current Assets	**$112,387,311**	$120,094,538	$87,828,784	$64,510,082	$74,213,801
Property, Plant & Equipment	**95,587,066**	98,398,459	91,950,676	84,387,391	80,301,881
Other Assets	**934,960**	1,925,370	2,291,021	3,081,461	0
Investments/ Equity in other Organizations	**25,885,130**	26,629,499	26,353,896	26,137,134	24,953,159
TOTAL ASSETS	**$234,794,467**	$247,047,866	$208,424,377	$178,116,068	$179,468,841
Current Liabilities	**103,914,505**	113,412,545	69,331,160	43,899,806	52,831,023
Long Term Debt	**18,884,728**	27,204,265	33,190,097	31,972,856	25,995,808
Deferred Income Tax	**1,394,377**	1,427,081	1,403,413	1,325,100	1,067,195
Total Members' Equity	**110,600,857**	105,003,975	104,499,707	100,918,306	99,574,815
TOTAL LIABILITIES & MEMBERS' EQUITY	**$234,794,467**	$247,047,866	$208,424,377	$178,116,068	$179,468,841
Working Capital	**$8,472,806**	$6,681,993	$18,497,624	$20,610,276	$21,382,778

FIXED ASSETS

	2023	2022	2021	2020	2019
Fixed Asset Expenditures	**$8,906,244**	$18,036,265	$20,235,623	$15,445,384	$12,783,747

EQUITY REVOLVEMENT

	2023	2022	2021	2020	2019
Equity Revolvement	**$2,500,001**	$2,489,952	$2,537,587	$2,779,915	$2,605,533

Financial Highlights

BALANCE SHEET

2018	2017	2016	2015	2014	2013
$69,577,981	$74,051,850	$56,569,755	$64,944,402	$78,775,412	$73,774,906
78,763,021	80,936,120	59,367,787	61,704,249	63,486,970	42,073,891
2,961	17,036	0	0	0	0
23,959,176	23,872,173	14,425,588	13,938,756	13,604,276	14,133,644
$172,303,139	$178,877,179	$130,363,130	$140,587,407	$155,866,658	$129,982,441
61,191,829	67,356,039	45,681,941	50,990,290	53,774,986	57,432,967
10,557,094	11,907,948	11,053,637	18,212,231	34,021,342	9,388,085
1,061,429	802,123	369,835	255,883	182,359	169,172
99,492,787	98,811,069	73,257,717	71,129,003	67,887,971	62,992,217
$172,303,139	$178,877,179	$130,363,130	$140,587,407	$155,866,658	$129,982,441
$8,386,152	$6,695,811	$10,887,814	$13,954,112	$25,000,426	$16,341,939

FIXED ASSETS

2018	2017	2016	2015	2014	2013
$9,007,964	$11,948,414	$5,106,552	$4,734,239	$26,790,356	$11,615,116

EQUITY REVOLVEMENT

2018	2017	2016	2015	2014	2013
$2,566,194	$2,561,150	$2,675,798	$2,635,256	$2,466,620	$2,448,549

EMPLOYEES

Jay Adkins
Tim Arndt
Aaron Barnard
Dean Barott
Rodney Barr
Chris Baumgard
Doyle Becker
Mike Beenken
Cole Benson
Sam Bethke
Chad Black
Bernie Block
Terry Bloomquist
Haley Bluhm
Michele Bollmann
Tom Born
Reece Boucher
Gloria Braun
Travis Brekken
Amanda Britton
Mike Bromenschenkel
Josh Bruns
Ben Buie
Rose Burgess
Joel Burmeister
Brendon Caraway
Chris Cedillo
Brian Cermak
Darin Chapman
Todd Christiansen
Matt Conway
Tyler Cords
Josh Coy
Tom Cregeen
Jim Crissinger
Will Crissinger
Thomas Cunningham
Arvin Dahl
Mike Devens
Carlos Dimas
Kylie Doering Anderson
Jeremiah Drahota
Wesley Dunster

Jeremy Ebeling
Andrew Eckert
Dan Eisenbacher
Marty Erdman
Ashley Ewing
Dave Fast
Joseph Finken
Derek Firchau
Noah Flom
Trent Flom
Arthur Forst
Clint Forstrom
Jim Friedrichs
Josh Friesner
Mitchell Gilman
Alex Goltz
John Graham
Trevor Grussing
Michael Haeffner
Kevin Hansen
Tom Hansen
Rebecca Harries
Jim Harriman
Tyler Hatfield
Ryan Healey
Josh Hengel
Brady Hewitt
John Hoelscher
Mark Hoffke
Tom Hoffmann
Jacob Holz
Craig Huisman
Mandy Hunecke
Tony Jacobs
John Jahnke
Laura Jahr
Lee Kachelmeier
Jerrick Kalis
Terry Kalis
Jeffrey Kamps
Russell Keniston II
Roger Kienholz
Jason Knutson

Eldon Kolander
Shane Kolander
Nikole Kolden
Caleb Kortuem
Cole Kottke
Brian Krumwiede
Kyle Kurth
Jolene Kuster
Dean Kutnink
Bill Landin
Amber Lang
Paul Lange
Jon Langland
Rob Larsen
Greg Lassas
Jason Leary
Kyle Leary
Ann Lesch
Dave Limoges
Shane Lines
Debra Loeffler
Julie Lorentz
Alex Louwagie
Tim Lueders
Doug Lund
Jarod Marble
Juan Marroquin
Dalton Massey
Julie Mathews
Dave Matz
Mindy McDonough
Jason Melzer
Cassie Meyer
Steve Michels
Denise Micklos
Andy Miller
Matt Missling
Taylor Morgan
Dean Morrison
Kody Moulder
Colin Nasers
Chris Mowers
Colin Nasers

Alexis Neilsen
Eric Nelson
Justin Nilson
Trevor Nilson
Mark Norell
Alice O'Connor
Riley Oeltjenbruns
Nathan Olander
Jen Olson
Rick Olson
Brittany Otteson
Gordy Pearson
Marlene Peters
Alli Peterson
Tammy Petterson
Dale Pfundt
Mike Pioske
Jeffrey Pluym
Jennifer Potz
Ryan Potz
Harley Prause
Adam Prestegard
James Prince
Kris Raatz
Bob Raue
Brian Reid
Krysta Reinke
Mike Rhomberg
Chad Riley
Jill Roelofs
Lance Roberts
David Robran
Austin Rossow
David Rothfork
Bruce Russenburger
Nick Sandberg
Mike Sands
Rachel Sanow
Mike Scheibel
Bailey Schiefelbein
Melissa Schlueter
Stephanie Schnoor
Matt Schoper

Tyson Schuder
Kirk Schweim
Mike Scott
Jordan Selnes
Michael Sieberg
Mike Silverthorn
Kaleb Sleezer
Ann Smith
Zac Spangenberg
Gary Spence
Joe St. Peter
Jeff Stauffer
Brenden Steffensmeier
Laura Stene
Ann Stephenson
Nick Stiernagle
Chloe Stitt
Ryan Strand
Abigail Swenson
John Thomas
Tilly Thorn
Chris Thurk
Drew Tolzmann
Kayla Tomlinson
David Trcka
Matt Trcka
Megan Tusa
Taylor Ulrich
Alex Van Norman
Jazmin Voehl
Trent Wadd
Joshua Weber
Teresa Weber
Darrick Wegner
Chris Whitehead
Carter Wihlm
Todd Wihlm
Tammi Will
Derek Wills
Gina Windschitl
Chris Wray
Ben Youngerberg