



**Mankato, Minnesota**

CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2024



**CRYSTAL VALLEY COOPERATIVE**  
**Mankato, Minnesota**

PERSONNEL AND ORGANIZATIONAL DATA  
August 31, 2024

**OFFICERS AND DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Term Expires</u>	<u>Position</u>
Gene Meyer .....	Sioux Valley, MN .....	2027 .....	Chairman
Tim Lewer .....	New Richland, MN .....	2027 .....	Vice-Chairman
Tom Trahms .....	Janesville, MN .....	2025 .....	Secretary
Dean Sonnabend .....	Vernon Center, MN .....	2025 .....	Director
Scott Fisher .....	Trimont, 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**

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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, 2024 and 2023 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, 2024 and 2023, 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.

### ***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.



Des Moines, Iowa  
November 22, 2024

**CRYSTAL VALLEY COOPERATIVE**  
**Mankato, Minnesota**

CONSOLIDATED BALANCE SHEETS  
August 31, 2024 and 2023

**ASSETS**

	<b>2024</b>	<b>2023</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 27,849,428	\$ 25,250,160
Receivables		
Trade – Net of Allowance for Credit Loss of \$250,000	11,768,954	13,837,651
Storage and Handling	73,163	78,185
Other	968,873	1,205,578
Margin Deposits	0	3,854,243
Inventories		
Grain	6,009,827	20,529,761
Agronomy	31,920,025	34,323,880
Feed	1,378,979	1,585,568
Petroleum	1,439,372	2,031,897
Propane	1,256,335	861,421
Prepaid Expenses	11,472	1,539,239
Prepaid Inventory	8,267,256	7,289,729
Total Current Assets	<b>90,943,684</b>	<b>112,387,311</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Land Improvements	10,085,292	10,100,480
Buildings and Equipment	204,958,527	198,932,508
	<b>215,043,819</b>	<b>209,032,988</b>
Accumulated Depreciation	<b>(124,563,761)</b>	<b>(115,043,316)</b>
Undepreciated Cost	90,480,058	93,989,672
Construction in Process	623,491	1,597,394
Net Property, Plant and Equipment	<b>91,103,549</b>	<b>95,587,066</b>
<b>OTHER ASSETS</b>		
Goodwill – Net of Amortization	798,637	934,960
<b>INVESTMENTS</b>		
Equity in Other Organizations	24,855,315	24,709,900
Other Investments	893,962	1,175,230
Total Investments	<b>25,749,277</b>	<b>25,885,130</b>
<b>TOTAL ASSETS</b>	<b>\$208,595,147</b>	<b>\$ 234,794,467</b>

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

**CRYSTAL VALLEY COOPERATIVE**  
**Mankato, Minnesota**

CONSOLIDATED BALANCE SHEETS  
August 31, 2024 and 2023

**LIABILITIES AND MEMBERS' EQUITY**

	<b>2024</b>	<b>2023</b>
<b>CURRENT LIABILITIES</b>		
Checks Written in Excess of Bank Balance	\$ 7,535,364	\$ 9,253,402
Current Maturities of Long-Term Debt	3,429,913	3,326,580
Current Maturities of Finance Leases	182,733	175,230
Patron Demand Notes	9,886,794	11,531,398
Payables		
Trade	9,819,892	12,007,217
Customer Credit Balances/Prepayments	11,423,454	23,543,914
Unpaid Grain	25,379,504	34,738,588
Margin Accounts	382,602	0
Income Taxes	169,443	0
Other	320,436	271,926
Accrued Expenses		
Interest	150,772	177,267
Property Taxes	1,732,771	1,730,465
Payroll	4,033,103	3,656,757
Other	203,813	75,569
Patronage Dividends Payable	3,500,000	3,426,192
<b>Total Current Liabilities</b>	<b>78,150,594</b>	<b>103,914,505</b>
<b>LONG-TERM LIABILITIES – Net of Current Maturities</b>		
Notes Payable	13,713,308	15,853,316
Finance Leases	285,482	468,214
Patron Term Notes	1,208,517	2,563,198
<b>Total Long-Term Liabilities</b>	<b>15,207,307</b>	<b>18,884,728</b>
<b>DEFERRED INCOME TAXES</b>	<b>992,286</b>	<b>1,394,377</b>
<b>MEMBERS' EQUITY</b>		
Revolving Fund	27,052,998	26,566,480
Patronage Payable in Equities	3,500,000	3,426,191
Unallocated General Reserve	83,691,962	80,608,186
<b>Total Members' Equity</b>	<b>114,244,960</b>	<b>110,600,857</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$208,595,147</b>	<b>\$234,794,467</b>

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, 2024 and 2023

	2024	2023
Sales	<b>\$428,995,568</b>	\$623,475,925
Cost of Goods Sold	<b>383,654,377</b>	573,040,896
Gross Savings on Sales	<b>45,341,191</b>	50,435,029
Other Operating Revenue	<b>22,740,409</b>	21,620,071
Total Gross Revenue	<b>68,081,600</b>	72,055,100
Operating Expenses, Including Interest	<b>60,979,524</b>	65,204,738
Operating Savings	<b>7,102,076</b>	6,850,362
Patronage Dividend and Investment Income	<b>3,341,122</b>	4,922,965
Loss on Investments	<b>(157,993)</b>	0
Savings Before Income Taxes	<b>10,285,205</b>	11,773,327
Income Tax Expense (Benefit)		
Current	<b>630,112</b>	(23,635)
Deferred	<b>(402,091)</b>	(32,704)
<b>Net Savings</b>	<b>\$ 10,057,184</b>	<b>\$ 11,829,666</b>

DISTRIBUTION OF NET SAVINGS

Patronage Dividends		
Cash – 50% (2024) and 50% (2023)	<b>\$ 3,500,000</b>	\$ 3,426,192
Deferred – 50% (2024) and 50% (2023)	<b>3,500,000</b>	3,426,191
	<b>7,000,000</b>	6,852,383
Retained Savings	<b>3,057,184</b>	4,977,283
<b>Total</b>	<b>\$ 10,057,184</b>	<b>\$ 11,829,666</b>

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, 2024 and 2023

	Total	Revolving Fund	Allocated Patronage Dividends	Unallocated General Reserve
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 Over Accrual of Prior Year	0	2,155,195	(2,155,195)	0
Patronage Dividends	14,575	0	(21,731)	36,306
Special Allocation				
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
Stock Redeemed	(2,915,505)	(2,915,505)	0	0
Distribution of Patronage Dividends Over Accrual of Prior Year	0	3,412,878	(3,412,878)	0
Patronage Dividends	13,284	0	(13,313)	26,597
Adjustments	(10,860)	(10,855)	0	(5)
Current Period Savings	10,057,184	0	0	10,057,184
Patronage Dividends				
Cash	(3,500,000)	0	0	(3,500,000)
Deferred	0	0	3,500,000	(3,500,000)
Balance – August 31, 2024	\$114,244,960	\$27,052,998	\$ 3,500,000	\$83,691,962

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, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Savings	<b>\$ 10,057,184</b>	\$ 11,829,666
Adjustments to Reconcile Net Savings to Net Cash Provided by Operating Activities		
Depreciation and Amortization	<b>11,345,871</b>	10,901,706
Gain on Sale of Property, Plant and Equipment	<b>(645,039)</b>	(283,399)
Bad Debt Expense (Income)	<b>(28,119)</b>	1,325,719
Patronage Dividends Received as Equity	<b>(2,478,859)</b>	(2,182,924)
Loss from Investments	<b>157,993</b>	0
Deferred Income Tax Benefit	<b>(402,091)</b>	(32,704)
Change in Assets and Liabilities		
Decrease in Receivables	<b>2,338,543</b>	3,335,685
Decrease in Margin Deposits	<b>3,854,243</b>	8,298,983
Decrease in Inventories	<b>17,327,988</b>	11,720,251
(Increase) Decrease in Prepaid Expenses	<b>1,527,767</b>	(1,399,109)
Increase in Prepaid Inventory	<b>(977,527)</b>	(753,254)
Decrease in Payables	<b>(23,066,314)</b>	(7,570,121)
Increase in Accrued Expenses	<b>480,401</b>	1,124,479
Net Cash Provided by Operating Activities	<b>19,492,041</b>	36,314,978
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Property, Plant and Equipment	<b>690,826</b>	1,235,653
Additions to Property, Plant and Equipment	<b>(6,771,818)</b>	(8,906,244)
Other Investments Purchased	<b>0</b>	(157,387)
Proceeds from Sale of Investments	<b>123,275</b>	0
Redemption of Equity in Other Organizations	<b>2,333,444</b>	3,084,680
Net Cash Used in Investing Activities	<b>(3,624,273)</b>	(4,743,298)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Checks Written in Excess of Bank Balance	<b>(1,718,038)</b>	952,737
Net Repayments Patron Notes	<b>(1,644,604)</b>	(3,903,942)
Retirement of Long-Term Debt	<b>(3,566,585)</b>	(10,395,681)
Member Equity Redeemed	<b>(2,915,505)</b>	(2,500,001)
Allocated Patronage Paid	<b>(3,412,908)</b>	(1,436,709)
Equity Adjustments	<b>(10,860)</b>	(321,166)
Net Cash Used in Financing Activities	<b>(13,268,500)</b>	(17,604,762)
Net Increase in Cash	<b>2,599,268</b>	13,966,918
Cash – Beginning of Year	<b>25,250,160</b>	11,283,242
Cash – End of Year	<b>\$ 27,849,428</b>	\$ 25,250,160

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash Paid During the Year for:

Interest	<b>\$1,908,541</b>	\$ 4,023,179
Income Taxes	<b>219,897</b>	119,820

**SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES**

Allocated Patronage Dividends	<b>\$7,000,000</b>	\$ 6,852,383
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The accompanying notes are an integral part of the consolidated financial statements.

# Notes to Consolidated Financial Statements

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## **Note 1: Organization and Nature of Business**

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

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 June 2016, the *Financial Accounting Standards Board* (FASB) issued *Accounting Standards Update* (ASU) 2016-13, Financial Instruments – Credit Losses (*Accounting Standards Codification* (ASC) Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this ASU introduce a new approach, based on expected losses, to estimate credit losses on certain types of financial instruments. This ASU is intended to provide financial statement users with more decision-useful information about the expected credit losses associated with most financial assets measured at amortized costs and certain other instruments, including trade and other receivables. Entities are required to apply the provision of this ASU as a cumulative-effect adjustment to the opening balance of capital reserves as of the beginning of the first reporting period in which the guidance is adopted. The impact of adoption on September 1, 2023, did not have a material impact on the financial statements.

### 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.

## Notes to Consolidated Financial Statements (Continued)

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

#### ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Receivables are recorded at net realizable value, which includes an allowance for credit losses in accordance with ASC Topic 326. Receivable balances are due in accordance with the Company's credit policy. Accounts are considered past due when balances are outside their credit terms, and past due accounts are written off by management when the accounts are deemed uncollectible and collection efforts are exhausted.

The allowance for credit losses is established based on our best estimate of anticipated credit losses within existing receivable balances. This estimation process involves analyzing historical write-off experience, which is then adjusted for relevant industry and regional data, as well as our current expectations of future credit losses. These figures represent management's assessment of potential credit losses, taking into account factors such as economic conditions, historical collection experiences and the creditworthiness of our customers.

Due to the inherent uncertainties in estimating credit losses associated with accounts receivable, management regularly evaluated the allowance for credit loss, with the understanding that changes may occur in the near term as new information becomes available and as economic conditions evolve. As of August 31, 2024 and 2023, the Company has recorded an allowance for credit losses of \$250,000.

#### 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 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.

## Notes to Consolidated Financial Statements (Continued)

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### 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 \$11,209,548 and \$10,765,383 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.

## Notes to Consolidated Financial Statements (Continued)

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### *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, 2024 and 2023.

#### 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, 2024 and 2023.

## Notes to Consolidated Financial Statements (Continued)

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

#### REVENUE RECOGNITION (CONTINUED)

##### *Disaggregation of Revenues (Continued)*

	2024	2023
Topic 815 – Derivative and Hedging	\$243,259,140	\$334,280,514
Topic 606 – Contracts with Customers	203,947,177	307,367,765
Other	7,870,782	8,370,682
	<u>\$455,077,099</u>	<u>\$650,018,961</u>

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, 2024, 2023 and 2022.

Contract liabilities relate to advance payments from customers for goods and services that the Company has yet to provide. Contract liabilities of \$10,945,497 and \$23,285,619 as of August 31, 2024 and 2023, respectively, are recorded within Customer Prepayments on our Consolidated Balance Sheets. The opening balances of contract liabilities was \$23,285,619 and \$27,748,994 for the years ended August 31, 2024 and 2023, 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.

## Notes to Consolidated Financial Statements (Continued)

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### 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, 2024 and 2023 was \$200,956 and \$137,080, 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.

## **Notes to Consolidated Financial Statements (Continued)**

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

#### DERIVATIVE FINANCIAL INSTRUMENTS (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, 2024 and 2023, cash balances exceeded FDIC coverage by \$1,117,607 and \$1,874,797, 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.

## Notes to Consolidated Financial Statements (Continued)

### Note 4: Related Party Transactions (Continued)

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 \$166,469 and \$368,527 as of August 31, 2024 and 2023, respectively. The Company had customer credit balances from directors and employees of \$463,935 and \$430,431 as of August 31, 2024 and 2023, 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, 2024 consists of the following:

	Estimated Completion Date	Costs To Date	Estimated Completed Costs	Total Estimated Costs
Office Building – Waldorf	10-31-24	\$ 359,608	\$ 32,842	\$ 392,450
Chemical/Liquid/NH3 Facility – Madelia	04-30-25	65,000	12,135,000	12,200,000
Grain Temp Cable Installation – Madelia	11-30-24	18,937	11,063	30,000
Roof Coating Grain Head House – Madelia	03-31-25	60,613	29,387	90,000
Replace Leg Belt, Cups, Motor, Drives and Extend Spouting for Legs 1 and 2 – Madelia	12-15-24	93,484	376,516	470,000
Sukup Bin Sweep – Vernon Center	10-01-24	25,849	124,151	150,000
		<u>\$ 623,491</u>	<u>\$12,708,959</u>	<u>\$13,332,450</u>

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
		<u>\$1,597,394</u>	<u>\$ 1,199,106</u>	<u>\$ 2,796,500</u>

## Notes to Consolidated Financial Statements (Continued)

### 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, 2024 and 2023. Accumulated amortization of this goodwill totaled \$204,593 and \$158,270 for the years ended August 31, 2024 and 2023, 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, 2024 and 2023. Accumulated amortization of this goodwill totaled \$360,000 and \$270,000 for the years ended August 31, 2024 and 2023, respectively.

### Note 7: Investments

At August 31, 2024 and 2023 the Company had equity in other organizations as follows:

	2024	2023
Equity in Other Organizations		
CHS, Inc.	\$17,200,683	\$17,225,318
Land O'Lakes	4,187,851	4,135,101
CoBank, ACB	3,143,134	3,033,635
Ag Processing, Inc.	107,002	98,257
Others	216,645	217,589
	<u>\$24,855,315</u>	<u>\$24,709,900</u>

At August 31, 2024 and 2023, the Company had investments in other companies as follows:

	Ownership Percentage	2024	2023
Other Investments			
Pillar Insurance Limited		\$ 583,056	\$ 584,381
FCA Grain Condo 1, LLC	44%	260,906	260,906
AgQuest Financial Services	<1%	50,000	50,000
Minnesota Soybean Processors, LLC	<1%	0	29,943
40 Square Cooperative Solutions		0	250,000
		<u>\$ 893,962</u>	<u>\$ 1,175,230</u>

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.

## Notes to Consolidated Financial Statements (Continued)

### Note 8: Financing Arrangements

Financing arrangements as of August 31, 2024 and 2023 were as follows:

Lender	Interest Rate	Balance		Repayment Basis
		2024	2023	
CoBank, ACB Term T01-C Variable	7.93%*	\$ 0	\$ 0	Monthly commitment reductions of \$200,000 starting on 11-20-20 through 10-20-25. Balance due on 11-20-25.
Term T08-A Fixed	3.31%	7,535,000	8,555,000	(48) monthly payments of \$85,000 starting 04-20-22. Balance due on 03-20-26.
Term T09-B	3.53%	7,535,000	8,555,000	(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%	783,316	883,324	(120) monthly payments of \$8,334 starting 07-27-22. Balance due on 06-27-32.
Patron Fixed Term 3 Year Notes	2.50%	452,167	894,238	Principal and accrued interest due on maturity.
5 Year Notes	3.00%	2,046,255	2,855,532	Principal and accrued interest due on maturity.
Less: Current Maturities		18,351,738	21,743,094	
		3,429,913	3,326,580	
Long-Term Debt		<u>\$14,921,825</u>	<u>\$18,416,514</u>	

\* – Denotes continuously variable interest rate

Seasonal borrowings in effect at August 31, 2024 and 2023 are as follows:

Lender	Interest Rate	Balance		Repayment Basis
		2024	2023	
CoBank, ACB Seasonal Variable	7.58%*	\$0	\$0	Due 03-01-25.

\* – Denotes continuously variable interest rate

## Notes to Consolidated Financial Statements (Continued)

### Note 8: Financing Arrangements (Continued)

Loan Commitments in effect at August 31, 2024 and 2023 were as follows:

	2024	2023
Operating Seasonal Term	\$60,000,000	\$90,000,000
T01-C	12,400,000	14,800,000
T08-A	7,535,000	8,555,000
T09-B	7,535,000	8,555,000
Rural Development Loan	783,316	883,324

Patron demand notes at August 31, 2024 and 2023 were \$9,886,794 and \$11,531,398, respectively and accrue interest at a rate of 4.60%. 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 \$3,143,134 and \$3,033,635 of equity in the bank at August 31, 2024 and 2023, 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, 2024 are as follows:

Maturity Date Year Ending August 31	
2025	\$ 3,429,913
2026	2,552,456
2027	2,936,076
2028	9,050,008
2029	100,008
Thereafter	283,277
	<u>\$18,351,738</u>

Interest expense charged to operations at August 31, 2024 and 2023 was \$1,882,046 and \$3,948,229, 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, 2024 and 2023 as follows:

	Year Ending August 31	
	2024	2023
Lease Costs:		
Finance Lease Costs:		
Amortization of Assets	\$175,229	\$212,866
Interest on Lease Liabilities	23,677	33,223
Other Short-Term Lease Expense	260,369	328,576
Total Lease Costs	<u>\$459,275</u>	<u>\$574,665</u>
Other Information:		
Financing Cash Flows from Finance Leases	\$175,229	\$487,501
Operating Cash Flows from Finance Leases	23,677	33,223
Weighted Average Remaining Lease Term (In Years)		
Finance Leases	1.17	2.17
Weighted Average Discount Rate		
Finance Leases	4.20%	4.20%

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

	2024	2023
Right-of-Use Assets – Finance Leases	\$2,128,665	\$2,128,665
Less: Accumulated Depreciation	1,596,499	1,383,632
Undepreciated Cost	<u>\$ 532,166</u>	<u>\$ 745,033</u>

Additional information related to finance lease obligations at August 31, 2024 and 2023 is as follows:

Lessor	Interest Rate	Balance	
		2024	2023
Farm Credit Leasing Minneapolis, Minnesota			
Jackson Grain Dryer (Monthly payments of \$16,576 with an additional final payment of \$270,850 due on 11-01-25).	4.20%	\$468,215	\$643,444
Less: Amount Due within One Year		182,733	175,230
Long-Term Portion		<u>\$285,482</u>	<u>\$468,214</u>

## Notes to Consolidated Financial Statements (Continued)

### Note 9: Finance Leases (Continued)

Amortization expense on this leased property totaled \$212,867 and \$212,866 for the years ended August 31, 2024 and 2023, respectively, and is included in depreciation expense.

Information regarding gross annual payments outstanding as of August 31, 2024 is as follows:

2025	\$198,906
2026	287,427
Total Future Minimum Lease Payments	<u>486,333</u>
Less: Amount Representing Interest	<u>18,118</u>
Present Value of Future Minimum Lease Payments	<u><u>\$468,215</u></u>

### Note 10: Unpaid Grain

Unpaid grain at August 31, 2024 and 2023 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:

	2024		2023	
	Bushels	Amount	Bushels	Amount
Price Later Contracts				
Corn	1,968,623	\$ 7,479,423	1,154,492	\$ 5,854,279
Soybeans	267,002	2,559,546	180,486	2,406,956
		<u>10,035,969</u>		<u>8,261,235</u>
Deferred Payment Contracts				
Corn	698,152	3,167,314	943,312	5,560,734
Soybeans	83,064	1,014,768	180,558	2,493,696
		<u>4,182,082</u>		<u>8,054,430</u>
Priced Not Paid Contracts				
Corn	1,829,222	7,652,519	2,525,787	15,677,141
Soybeans	343,108	3,995,605	233,979	3,260,947
		<u>11,648,124</u>		<u>18,938,088</u>
Less: Advances		<u>(486,671)</u>		<u>(515,165)</u>
		<u><u>\$25,379,504</u></u>		<u><u>\$34,738,588</u></u>

## Notes to Consolidated Financial Statements (Continued)

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### 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, 2024 and 2023 were \$783,356 and \$749,521, 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, 2024 and 2023, \$2,915,505 and \$2,500,001, 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, 2024 and 2023 was as follows:

	2024	2023
Federal Income Tax	\$ 28,336	\$ 64,500
State Income Tax	84,401	10,800
(Over) Under Accrual of Prior Years	327,478	(98,935)
Prior Years Amended Returns	189,897	0
	<hr/>	<hr/>
Income Tax Expense (Benefit)	\$ 630,112	\$(23,635)
	<hr/>	<hr/>
Deferred Tax Benefit	\$(402,091)	\$(32,704)

Total income tax expense (benefit) for the years ended August 31, 2024 and 2023, 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.

## Notes to Consolidated Financial Statements (Continued)

### Note 13: Income Taxes (Continued)

The Company has excluded allocated patronage dividends from its taxable income for the years ended August 31, 2024 and 2023, 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 \$1,400,000 and \$1,370,477 in 2024 and 2023, respectively, must be or were paid in cash by May 15, 2025 and 2024, respectively. The Company has elected to pay 50% in cash, which amounted to \$3,500,000 and \$3,426,192 for the years ended August 31, 2024 and 2023, 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, 2024 and 2023 are as follows:

	2024	2023
Non-Current Deferred Tax Assets		
Capital Leases	\$ 56,186	\$ 77,213
Allowance for Doubtful Accounts	30,000	30,000
Compensated Absences	145,778	137,626
Inventory Capitalization	72,002	94,481
Goodwill	22,275	16,822
Sec 174 Amortization	283,006	0
NOL Carryforwards	135,673	0
	<u>744,920</u>	<u>356,142</u>
Non-Current Deferred Tax Liabilities		
Depreciation – Book/Tax Difference	(1,203,225)	(1,269,138)
Non-Qualified Patronage Dividends	(533,981)	(481,381)
	<u>(1,737,206)</u>	<u>(1,750,519)</u>
Net Deferred Tax Liability	<u>\$ (992,286)</u>	<u>\$(1,394,377)</u>

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.

## Notes to Consolidated Financial Statements (Continued)

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### Note 13: Income Taxes (Continued)

As of August 31, 2024, 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.

## Notes to Consolidated Financial Statements (Continued)

### Note 14: 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, 2024 and 2023:

	Fair Values as of August 31, 2024			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Grain Inventories	\$ 0	\$ 9,670,543	\$0	\$ 9,670,543
Future Grain Contracts	3,170,050	0	0	3,170,050
	<u>\$3,170,050</u>	<u>\$ 9,670,543</u>	<u>\$0</u>	<u>\$12,840,593</u>
<b>Liabilities</b>				
Forward Grain Contracts	\$ 0	\$ 6,830,766	\$0	\$ 6,830,766
	<u>\$ 0</u>	<u>\$ 6,830,766</u>	<u>\$0</u>	<u>\$ 6,830,766</u>
<b>Fair Values as of August 31, 2023</b>				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Grain Inventories	\$ 0	\$23,343,100	\$0	\$23,343,100
Future Grain Contracts	1,880,050	0	0	1,880,050
	<u>\$1,880,050</u>	<u>\$23,343,100</u>	<u>\$0</u>	<u>\$25,223,150</u>
<b>Liabilities</b>				
Forward Grain Contracts	\$ 0	\$ 4,693,389	\$0	\$ 4,693,389
	<u>\$ 0</u>	<u>\$ 4,693,389</u>	<u>\$0</u>	<u>\$ 4,693,389</u>

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, 2024 and 2023.

### 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	
	2024	2023
<b>Derivative Assets</b>		
Commodity Futures Contracts	\$3,170,050	\$2,046,063
	<u>\$3,170,050</u>	<u>\$2,046,063</u>
<b>Derivative Liabilities</b>		
Commodity Futures Contracts	\$ 0	\$ 166,013
	<u>\$ 0</u>	<u>\$ 166,013</u>

## Notes to Consolidated Financial Statements (Continued)

### Note 15: Derivative Instruments (Continued)

Gains and losses on commodity derivatives are located in Gross Savings on Sales on the Consolidated Statements of Savings. Net gains on futures contracts for the years ended August 31, 2024 and 2023, were \$9,688,431 and \$4,933,141, 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, 2024.

Daily Position Record (DPR)	Corn	Soybeans
Open Storage	154,108	118,321
Warehouse Receipts	0	8,297
Grain Bank	256,599	0
Storage Obligation	410,707	126,618
Company Owned – Unpaid	4,418,391	664,915
Company Owned – Paid	(2,408,430)	(393,935)
Total Company Owned	2,009,961	270,980
Total Obligations Per DPR	2,420,668	397,598

- 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, 2024 was \$253,800.
- 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 2024 and 2023 was \$309,247 and \$333,495, 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.

## **Notes to Consolidated Financial Statements (Continued)**

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### ***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 22, 2024 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

	2024	2023	2022	2021	2020
Sales	\$428,995,568	\$623,475,925	\$575,763,039	\$555,212,493	\$310,849,964
Cost of Goods Sold	383,654,377	573,040,896	533,404,421	512,333,503	271,874,401
Gross Margin	45,341,191	50,435,029	42,358,618	42,878,990	38,975,563
Percent of Sales	10.57%	8.08%	7.36%	7.72%	12.54%
Operating Revenue	22,740,409	21,620,071	19,768,639	18,419,398	18,966,132
Total Gross Revenue	68,081,600	72,055,100	62,127,257	61,298,388	57,941,695
Operating Expenses	60,979,524	65,204,738	59,046,781	59,590,641	54,732,193
Operating Savings (Local Net)	7,102,076	6,850,362	3,080,476	1,707,747	3,209,502
Percent of Sales	1.66%	1.09%	0.54%	0.31%	1.03%
Patronage Dividend Income	3,341,122	4,922,965	2,275,373	1,529,578	2,354,959
Other Income	(157,993)	0	(138,953)	3,911,000	(134)
Savings Before Income Taxes	10,285,205	11,773,327	5,216,896	7,148,325	5,564,327
Income Taxes	228,021	(56,339)	17,220	104,316	278,200
Net Savings	\$10,057,184	\$11,829,666	\$5,199,676	\$7,044,009	\$5,286,127

## DISTRIBUTION OF NET SAVINGS

Patronage Dividends					
Cash	\$3,500,000	\$3,426,192	\$1,451,284	\$935,952	\$1,158,898
Deferred	3,500,000	3,426,191	2,176,926	1,403,929	1,738,348
Total Dividends	7,000,000	6,852,383	3,628,210	2,339,881	2,897,246
Retained Savings	3,057,184	4,977,283	1,571,466	4,704,128	2,388,881
Total	\$10,057,184	\$11,829,666	\$5,199,676	\$7,044,009	\$5,286,127

# Financial Highlights

## OPERATING STATEMENT

2019	2018	2017	2016	2015	2014
\$294,949,613	\$336,148,030	\$258,800,000	\$255,862,563	\$233,692,387	\$270,197,343
259,740,259	298,248,764	228,424,150	226,668,114	205,804,496	242,639,579
35,209,354	37,899,266	30,375,850	29,194,449	27,887,891	27,557,764
11.93%	11.27%	11.74%	11.41%	11.93%	10.20%
17,370,635	19,299,351	15,524,589	12,952,545	12,702,659	12,686,486
52,579,989	57,198,617	45,900,439	42,146,994	40,590,550	40,244,250
52,314,248	53,791,992	42,876,555	38,390,643	35,156,183	33,307,503
265,741	3,406,625	3,023,884	3,756,351	5,434,367	6,936,747
0.09%	1.01%	1.17%	1.47%	2.33%	2.57%
2,468,790	709,703	1,586,982	2,126,466	2,100,129	2,134,632
0	0	(47)	(24,511)	0	0
2,734,531	4,116,328	4,610,819	5,858,306	7,534,496	9,071,379
89,200	439,782	308,012	444,509	499,727	(46,771)
\$2,645,331	\$3,676,546	\$4,302,807	\$5,413,797	\$7,034,769	\$9,118,150

## DISTRIBUTION OF NET SAVINGS

0	\$454,281	\$384,895	\$556,940	\$1,124,461	\$1,785,138
0	681,421	577,342	835,411	1,686,691	2,677,707
0	1,135,702	962,237	1,392,351	2,811,152	4,462,845
2,645,331	2,540,844	3,340,570	4,021,446	4,223,617	4,655,305
\$2,645,331	\$3,676,546	\$4,302,807	\$5,413,797	\$7,034,769	\$9,118,150

# Financial Highlights

## BALANCE SHEET

	2024	2023	2022	2021	2020
<b>ASSETS</b>					
Current Assets	<b>\$90,943,684</b>	\$112,387,311	\$120,094,538	\$87,828,784	\$64,510,082
Property, Plant & Equipment	<b>91,103,549</b>	95,587,066	98,398,459	91,950,676	84,387,391
Other Assets	<b>798,637</b>	934,960	1,925,370	2,291,021	3,081,461
Investments/ Equity in other Organizations	<b>25,749,277</b>	25,885,130	26,629,499	26,353,896	26,137,134
<b>TOTAL ASSETS</b>	<b>\$208,595,147</b>	\$234,794,467	\$247,047,866	\$208,424,377	\$178,116,068
<b>LIABILITIES &amp; EQUITY</b>					
Current Liabilities	<b>78,150,594</b>	103,914,505	113,412,545	69,331,160	43,899,806
Long Term Debt	<b>15,207,307</b>	18,884,728	27,204,265	33,190,097	31,972,856
Deferred Income Tax	<b>992,286</b>	1,394,377	1,427,081	1,403,413	1,325,100
Total Members' Equity	<b>114,244,960</b>	110,600,857	105,003,975	104,499,707	100,918,306
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>\$208,595,147</b>	\$234,794,467	\$247,047,866	\$208,424,377	\$178,116,068
Working Capital	<b>\$12,793,090</b>	\$8,472,806	\$6,681,993	\$18,497,624	\$20,610,276

## FIXED ASSETS

	2024	2023	2022	2021	2020
Fixed Asset Expenditures	<b>\$6,771,818</b>	\$8,906,244	\$18,036,265	\$20,235,623	\$15,445,384

## EQUITY REVOLVEMENT

	2024	2023	2022	2021	2020
Equity Revolvement	<b>\$2,915,505</b>	\$2,500,001	\$2,489,952	\$2,537,587	\$2,779,915

## Financial Highlights

### BALANCE SHEET

2019	2018	2017	2016	2015	2014
\$74,213,801	\$69,577,981	\$74,051,850	\$56,569,755	\$64,944,402	\$78,775,412
80,301,881	78,763,021	80,936,120	59,367,787	61,704,249	63,486,970
0	2,961	17,036	0	0	0
24,953,159	23,959,176	23,872,173	14,425,588	13,938,756	13,604,276
\$179,468,841	\$172,303,139	\$178,877,179	\$130,363,130	\$140,587,407	\$155,866,658
52,831,023	61,191,829	67,356,039	45,681,941	50,990,290	53,774,986
25,995,808	10,557,094	11,907,948	11,053,637	18,212,231	34,021,342
1,067,195	1,061,429	802,123	369,835	255,883	182,359
99,574,815	99,492,787	98,811,069	73,257,717	71,129,003	67,887,971
\$179,468,841	\$172,303,139	\$178,877,179	\$130,363,130	\$140,587,407	\$155,866,658
\$21,382,778	\$8,386,152	\$6,695,811	\$10,887,814	\$13,954,112	\$25,000,426

### FIXED ASSETS

2019	2018	2017	2016	2015	2014
\$12,783,747	\$9,007,964	\$11,948,414	\$5,106,552	\$4,734,239	\$26,790,356

### EQUITY REVOLVEMENT

2019	2018	2017	2016	2015	2014
\$2,605,533	\$2,566,194	\$2,561,150	\$2,675,798	\$2,635,256	\$2,466,620

