

# ***ANNUAL FINANCIAL REPORT***

## **CLIFFORD FARMERS CO-OPERATIVE ELEVATOR COMPANY**

CLIFFORD, NORTH DAKOTA

FOR PERIODS:  
JANUARY 1, 2023 TO DECEMBER 31, 2023  
AND  
JANUARY 1, 2022 TO DECEMBER 31, 2022

Incorporated: July 10, 1918

**STEVE BALDOCK, GENERAL MANAGER**

### **OFFICERS AND DIRECTORS**

Brent Kohls, President

Scott Judisch, Vice President

James Aarsvold, Secretary & Treasurer

Cody Braaten

Jason Richtsmeier

Eric Knudsvig

Nick Erickson

Bart Marvel

Jesse Bring

Burke, Myers & Associates, Ltd.  
3332 4th Avenue S • Suite 2A  
Fargo, ND 58103-2201  
Telephone: (701) 232-8400

## EMPLOYEES

### Galesburg

Dereck Clauson  
Corey Verke  
Dave Ust  
Josh Ziegler  
Gina Bornemann  
Randy Friesz

### Clifford

Mike Bjerke, Assistant Manager  
Curtis Germundson  
Robert Sanderson  
Scott Haux  
Judd Wilson  
Colton Huschka  
Melvin Albert  
Kevin Gapp  
Cody Amb

### Office

Christina Leland, Clifford  
Mikenzie Canton, Clifford  
Ashley Hanson, Clifford  
Shelby Powell, Clifford/Galesburg  
Kristen Olstad, Galesburg  
Tracey Bender, Hunter  
Ashley Olson, Hunter

### Agronomy Department

Barry Dickhoff, Manager, Galesburg  
Brandon Abell, Galesburg  
Tanner Alfson, Galesburg  
Kody Grandalen, Mayville  
Michael Reynolds, Hunter

### Hope

Mike Severson, Assistant Manager  
Lee Jacobson

### Casselton

Brad Kjar, Grain Merchandiser  
Doug Lingen, Grain Merchandiser

### Mayville

Reece Groth  
Ryan Groth  
Arvid Michaelis  
Andrew Munter

### Gardner

Lee Anderson  
Monte Haiby

### Hunter

Scott Murch, Assistant Manager  
Paul Teegarden, Propane Manager  
Randal Abrahamson  
Joshua Homan  
Alec Horn  
Edward McPherson  
Christy Montonye  
Michael Montonye  
Rocky Rice  
Justin Teegarden

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**Clifford Farmers Co-operative Elevator Company**  
Box 68  
Clifford, ND 58016-0068

### **Opinion**

We have audited the accompanying financial statements of Clifford Farmers Co-operative Elevator Company, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in patrons' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clifford Farmers Co-operative Elevator Company as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clifford Farmers Co-operative Elevator Company 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Company'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Company'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.

Respectfully submitted,



Burke, Myers & Associates, Ltd.  
Fargo, North Dakota

January 31, 2024



## CLIFFORD FARMERS CO-OPERATIVE ELEVATOR COMPANY

## BALANCE SHEET

AS OF DECEMBER 31,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand and in Bank	\$ 4,138,918.59	\$ 2,893,581.61
Investment Accounts	71,505,700.22	64,530,532.14
Margins Account	<u>2,600,883.13</u>	<u>7,648,169.98</u>
Total Cash and Cash Equivalents	\$ 78,245,501.94	\$ 75,072,283.73
Receivables:		
Accounts Receivable	\$ 3,767,147.19	\$ 2,764,068.12
Less: Allowance for Credit Losses	(383,885.99)	(385,730.23)
Other Trade Receivables	228,910.20	1,092,984.93
Customer Purchase Advances	937,207.96	247,207.96
Accrued Gain on Open Contracts		3,880,983.42
Grain in Transit - Net of Advances	<u>9,742,824.14</u>	<u>1,422,715.09</u>
Total Receivables	\$ 14,292,203.50	\$ 9,022,229.29
Inventories:		
Grain Inventory	\$ 58,309,067.30	\$ 54,609,830.89
Merchandise Inventory	<u>17,955,886.68</u>	<u>16,275,428.22</u>
Total Inventories	\$ 76,264,953.98	\$ 70,885,259.11
Prepaid Items	<u>9,702,990.88</u>	<u>8,613,483.33</u>
Total Current Assets	\$ 178,505,650.30	\$ 163,593,255.46
Property, Plant, and Equipment:		
Plant and Equipment - at cost	\$ 61,970,614.84	\$ 44,750,655.83
Less: Accumulated Depreciation	(45,294,437.91)	(30,182,496.30)
Right-of-Use Assets - Finance	3,662,989.99	
Less: Accumulated Amortization	(1,843,942.27)	
Real Estate - at cost	<u>490,523.68</u>	<u>258,217.68</u>
Net Property, Plant, and Equipment	\$ 18,985,748.33	\$ 14,826,377.21
Other Assets:		
Investments in Regional and Other Local Cooperatives	\$ 2,928,515.60	\$ 1,696,826.05
Investment in Alton Grain Terminal, LLC	7,918,485.44	5,577,589.99
Investment in Alton Agronomy, LLC	1,974,666.71	1,316,444.48
Investment in La Rinascente Pasta, LLC	16,573.89	10,009.01
Investment in Prairieland Ag, LLC	20,000.00	10,000.00
LP Tank Receivables	170,935.19	32,566.10
Goodwill - Mayport Aviation	194,791.67	222,291.67
Covenant Not to Compete - Mayport Aviation	<u>20,833.33</u>	<u>30,833.33</u>
Total Other Assets	\$ 13,244,801.83	\$ 8,896,560.63
TOTAL ASSETS	<u>\$ 210,736,200.46</u>	<u>\$ 187,316,193.30</u>

(The accompanying notes are an integral part of the financial statements)

	<u>2023</u>	<u>2022</u>
LIABILITIES AND PATRONS' EQUITY		
Current Liabilities:		
Outstanding Checks	\$ 11,460,645.80	\$ 5,336,923.81
Grain Related Payables:		
Priced Grain Payable	\$ 9,900,329.24	\$ 19,240,693.20
Delayed Pricing & Basis Fixed Liability	66,592,251.39	43,943,087.43
Accrued Liability on Open Contracts	3,948,553.26	
Deferred Payment Contracts	<u>34,362,830.15</u>	<u>45,831,142.07</u>
Total Grain Related Payables	\$ 114,803,964.04	\$ 109,014,922.70
Miscellaneous Payables:		
Accounts Payable	\$ 1,308,947.62	\$ 1,856,893.41
Accrued Expenses	1,937,511.49	1,618,033.84
Patron Credit Balances & Advance Payments	6,425,868.85	6,879,627.23
Patronage Dividend Declared Payable	7,500,000.00	8,750,000.00
Equity Retirements Declared Payable	<u>8,928,768.52</u>	<u>7,895,500.17</u>
Total Miscellaneous Payables	\$ 26,101,096.48	\$ 27,000,054.65
Seasonal Loans & Current Notes:		
Local Demand Notes Payable	\$ 414,765.48	\$ 560,367.95
Seasonal Loan	16,747.13	
Current Portion of Long Term Debt	<u>308,596.76</u>	<u></u>
Total Seasonal Loans and Current Notes	\$ 740,109.37	\$ 560,367.95
Total Current Liabilities	\$ 153,105,815.69	\$ 141,912,269.11
Long-Term Liabilities:		
Lease Liabilities - Finance	\$ 1,850,270.49	
Less: Current Portion Leases	<u>(308,596.76)</u>	<u></u>
Total Long-Term Liabilities	\$ 1,541,673.73	\$ -
Patrons' Equity:		
Capital Stock Preferred (Authorized 4,000 Shares \$100 par value, no shares issued or outstanding)		
Capital Stock Common (Authorized 1,000 Shares \$100 par value, 466.5 & 468.5 fully paid shares issued and outstanding)	\$ 46,650.00	\$ 46,850.00
Revolving Capital	28,009,514.26	23,756,052.11
Non-Qualified Notices of Allocation	10,047,891.30	7,813,505.77
Capital Reserve - Unallocated	<u>17,984,655.48</u>	<u>13,787,516.31</u>
Total Patrons' Equity	\$ 56,088,711.04	\$ 45,403,924.19
TOTAL LIABILITIES AND PATRONS' EQUITY	<u>\$ 210,736,200.46</u>	<u>\$ 187,316,193.30</u>

(The accompanying notes are an integral part of the financial statements)

STATEMENT OF CHANGES IN PATRONS' EQUITY  
FOR PERIOD: JANUARY 1, 2023 TO DECEMBER 31, 2023

	<u>Capital Stock Common</u>	<u>Revolving Capital</u>	<u>Non-Qualified Notices</u>	<u>Unallocated Capital Reserve</u>
Balance as of 1/1/2023	\$ 46,850.00	\$ 23,756,052.11	\$ 7,813,505.77	\$ 13,787,516.31
Underallocation of 12/31/2022 Patronage Dividend		(153.35)	(13,391.19)	13,702.30
Equity Retirements	(100.00)	(3,444.33)	(0.03)	
Hunter Grain Equity 12/1/2023		3,849,421.46	1,734,083.64	4,031,312.12
<u>Equity Retirements Payable:</u>				
Estates and Age Retirement 100% of 2010, 2019, & 85.5% of 2020 100% of 2019 and 2020 NQ	(100.00)	(7,474.19) (7,084,887.44)	(1,755.98) (1,834,550.91)	
<u>Distribution:</u>				
0.13% of Net Proceeds to Unallocated Capital Reserve				23,085.54
Non-Patronage Net Income				129,039.21
Non-Qualified Notices of Allocation 50% of Qualified Patronage to Revolving Capital		7,500,000.00	2,350,000.00	
	<u>\$ 46,650.00</u>	<u>\$ 28,009,514.26</u>	<u>\$ 10,047,891.30</u>	<u>\$ 17,984,655.48</u>

FOR PERIOD: JANUARY 1, 2022 TO DECEMBER 31, 2022

	<u>Capital Stock Common</u>	<u>Revolving Capital</u>	<u>Non-Qualified Notices</u>	<u>Unallocated Capital Reserve</u>
Balance as of 1/1/2022	\$ 47,250.00	\$ 22,917,314.36	\$ 5,737,469.08	\$ 13,531,446.00
Underallocation of 12/31/2021 Patronage Dividend		(14,200.77)	(22,801.12)	51,207.42
Equity Retirements	(300.00)	(2,823.50)		
<u>Equity Retirements Payable:</u>				
Estates and Age Retirement 100% of 2009, 2018, & 70% of 2019	(100.00)	(37,173.83) (7,857,064.15)	(1,162.19)	
<u>Distribution:</u>				
0.51% of Net Proceeds to Unallocated Capital Reserve				100,765.24
Non-Patronage Net Income				104,097.65
Non-Qualified Notices of Allocation 50% of Qualified Patronage to Revolving Capital		8,750,000.00	2,100,000.00	
	<u>\$ 46,850.00</u>	<u>\$ 23,756,052.11</u>	<u>\$ 7,813,505.77</u>	<u>\$ 13,787,516.31</u>

(The accompanying notes are an integral part of the financial statements)

STATEMENT OF OPERATIONS  
FOR YEARS ENDING DECEMBER 31,

	<u>2023</u>	<u>2022</u>
GROSS SALES	\$ 514,545,844.10	\$ 527,520,248.07
Deduct Cost of Sales:		
Beginning Net Inventory	\$ 70,885,259.11	\$ 62,890,223.37
Purchases During Year	502,089,737.96	516,037,369.74
Less: Ending Net Inventory	<u>(76,264,953.98)</u>	<u>(70,885,259.11)</u>
Total Cost of Sales	<u>\$ 496,710,043.09</u>	<u>\$ 508,042,334.00</u>
GROSS PROCEEDS FROM TRADING	\$ 17,835,801.01	\$ 19,477,914.07
Add: Service & Other Income		
Storage & Handling	\$ 1,035,921.78	\$ 1,832,011.56
Other Storage & Handling	13,589.56	
Local Services - See Note #18	2,261,816.49	1,728,608.93
Trucking Income	1,167,028.95	1,111,133.73
Miscellaneous Rent	5,300.00	5,800.00
Finance Charges	149,915.70	142,406.81
Interest Income	3,307,363.96	2,957,946.64
Gain on Asset Disposition	111,680.92	165,715.36
Miscellaneous Income	<u>2,093.74</u>	
Total Service & Other Income	<u>\$ 8,054,711.10</u>	<u>\$ 7,943,623.03</u>
GROSS PROCEEDS FROM LOCAL OPERATIONS	\$ 25,890,512.11	\$ 27,421,537.10
Less: General Expenses	\$ 8,396,868.93	\$ 7,012,382.80
Interest Expense	186,435.85	620,191.84
Depreciation	2,111,366.77	1,968,380.02
Amortization - Finance Leases	28,980.09	
Amortization - Intangibles	<u>37,500.00</u>	<u>37,500.00</u>
Total Expenses	<u>\$ 10,761,151.64</u>	<u>\$ 9,638,454.66</u>
NET LOCAL PROCEEDS	\$ 15,129,360.47	\$ 17,783,082.44
Add: Patronage Dividends Received	721,798.77	728,831.03
Earnings from Alton Grain Terminal, LLC	1,132,862.26	747,622.99
Earnings from Alton Agronomy, LLC	480,393.25	548,143.43
Earnings from La Rinascente Pasta, LLC	<u>14,192.00</u>	<u>3,664.00</u>
NET PROCEEDS BEFORE INCOME TAXES	\$ 17,478,606.75	\$ 19,811,343.89
Less: Income Tax (Expense) Benefit		
Federal	12,868.00	(1,031.00)
State	<u>10,650.00</u>	<u>(5,450.00)</u>
NET PROCEEDS FOR THE YEAR	<u><u>\$ 17,502,124.75</u></u>	<u><u>\$ 19,804,862.89</u></u>

(The accompanying notes are an integral part of the financial statements)



	<u>2023</u>	<u>2022</u>
<u>Distribution of Net Proceeds as follows:</u>		
<u>Association Net Proceeds:</u>		
0.13% for 2023 & 0.51% for 2022 of Net Proceeds to Unallocated Capital Reserve	\$ 23,085.54	\$ 100,765.24
Non-Patronage Net Income	<u>129,039.21</u>	<u>104,097.65</u>
Association Net Proceeds	\$ 152,124.75	\$ 204,862.89
<u>Patrons' Net Proceeds:</u>		
50% for 2023 and 50% for 2022 Cash Patronage Dividend	\$ 7,500,000.00	\$ 8,750,000.00
50% for 2023 and 50% for 2022 Reinvested in Revolving Capital	7,500,000.00	8,750,000.00
Non-Qualified Notices of Allocation	<u>2,350,000.00</u>	<u>2,100,000.00</u>
Patrons' Net Proceeds	<u>\$ 17,350,000.00</u>	<u>\$ 19,600,000.00</u>
TOTAL DISTRIBUTION	<u>\$ 17,502,124.75</u>	<u>\$ 19,804,862.89</u>

(The accompanying notes are an integral part of the financial statements)

STATEMENT OF CASH FLOWS  
FOR YEARS ENDING DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Cash Provided by (Used for) Operations:		
Net Proceeds for the Year	\$ 17,502,124.75	\$ 19,804,862.89
Add (Deduct) Non-Cash Items:		
Depreciation	2,111,366.77	1,968,380.02
Amortization	66,480.09	37,500.00
Non-Cash Dividends from Other Co-ops.	(236,210.07)	(243,457.18)
Earnings from AGT, LLC Reinvested	(27,760.21)	(10,888.29)
Earnings from La Rinascente, LLC Reinvested	(6,564.88)	
(Gain) Loss on Asset Disposition	(111,680.92)	(165,715.36)
Changes in Certain Elements of Working Capital:		
Receivables	(3,634,354.87)	(559,469.11)
Inventories	(5,379,694.87)	(7,995,035.71)
Prepaid Items	(1,052,090.10)	(228,081.55)
Payables	674,160.81	26,613,609.71
	<u>\$ 9,905,776.50</u>	<u>\$ 39,221,705.42</u>
Cash Provided by (Used for) Operations		
Cash Provided by (Used for) Investing Activities:		
Investments in Other Co-ops. Received	\$ 40,452.83	\$ 27,694.35
Cash Distribution from La Rinascente Pasta, LLC		149.56
Change in Long-Term LP Tank Receivables	6,033.97	
Proceeds from the Disposal of Fixed Assets	135,000.00	262,700.00
Purchase of Stock in Triangle Insurance	(950.00)	
Purchase of Real Estate		(22,256.00)
Purchase of Fixed Assets	(1,333,337.62)	(1,639,726.30)
	<u>\$ (1,152,800.82)</u>	<u>\$ (1,371,438.39)</u>
Cash Provided by (Used for) Investing Activities		
Cash Provided by (Used for) Financing Activities:		
Change in Outstanding Checks	\$ 5,097,343.12	\$ 1,602,650.78
Change in Short-Term Local Notes Payable	(145,602.47)	(490,048.61)
Acquisition (Reduction) of Seasonal Loan	16,747.13	
Payments on Long-Term Lease Liabilities - Finance	(25,172.08)	
Retirement of Common Stock	(200.00)	(600.00)
Retirement of Revolving Capital	(7,897,682.31)	(3,973,297.84)
Non-Qualified Notices Redeemed	(1,162.22)	(3,896,193.27)
Patronage Dividend Paid	(8,749,842.24)	(5,985,794.47)
	<u>\$ (11,705,571.07)</u>	<u>\$ (12,743,283.41)</u>
Cash Provided by (Used for) Financing Activities		
Increase or (Decrease) in Cash	\$ (2,952,595.39)	\$ 25,106,983.62
Cash and Cash Equivalents, January 1-Clifford	75,072,283.73	49,965,300.11
Cash and Cash Equivalents, December 1-Hunter	<u>6,125,813.60</u>	
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 78,245,501.94</u>	<u>\$ 75,072,283.73</u>
Interest Paid	\$ 185,426.33	\$ 622,696.59
Income Tax Paid	\$ 4,032.00	\$ 10,081.00

(The accompanying notes are an integral part of the financial statements)

## CLIFFORD FARMERS COOPERATIVE ELEVATOR COMPANY

## NOTES TO FINANCIAL STATEMENTS

FOR YEAR ENDING DECEMBER 31, 2023

Note 1 – Summary of Significant Accounting Policies

Nature of Operations: The Company is a C-Corporation operating as a cooperative. Operations are in the agricultural industry, which includes the buying and selling of ag commodities, ag inputs and related agribusiness services. The Company operates facilities in Clifford, Hope, Galesburg, Hunter, Gardner and Casselton, ND.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue Recognition: The Company recognizes revenue from the sale of grain and various retail products, as well as the performance of various services for its customers, in accordance with the provisions of FASB ASC 606 "Revenue from Contracts with Customers", which provides a comprehensive revenue recognition model to account for revenue from contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company recognizes revenue at the transaction price the Company expects to be entitled to at the point in time when the Company satisfies its performance obligation by transferring control of a product or service to a customer in accordance with the terms of the underlying contract. For a majority of the Company's contracts with customers, control transfers to a customer at the point in time when the products or services have been delivered which is, generally, when legal title, physical possession, and risk and rewards of ownership transfer to the customer. In certain circumstances, control transfers over time as the customer simultaneously receives and consumes the benefits of the service as the performance obligation is completed. The Company uses the output method to recognize revenue over time.

Fair Value Measurements: The Company determines the fair value of certain assets and liabilities in accordance with the provisions of FASB ASC 820 "Fair Value Measurements and Disclosures". Fair value is defined as the price that would be received to sell an asset, or the price that would be paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The standard establishes a valuation hierarchy, which prioritizes the valuation inputs into three broad levels as follows:

Level 1: inputs consist of quoted prices in active markets for identical assets and liabilities.

Level 2: inputs consist of quoted prices for similar assets and liabilities in active markets, or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration.

Level 3: inputs consist of unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

Concentration Risk:

1. The Company primarily transacts its business with two financial institutions. Deposits in these financial institutions periodically exceed FDIC's insured limits with these financial institutions. Deposits in these financial institutions were \$34,385.67 and \$91,395.15 as of December 31, 2023.
2. The Company periodically has deposits with ADM Investor Services, Inc. who holds the Company's commodity brokerage account. These funds are unsecured and uninsured.



3. The Company has a cash management system established with CoBank, Denver, CO. This results in deposits with CoBank in their investline program and in their checking accounts. Deposits with CoBank are not covered under FDIC's insurance limits. The balance deposited with CoBank as of December 31, 2023 was \$71,505,700.22.
4. The Company grants credit to patrons, substantially all of who are local residents in the regional trade area, who are primarily involved in agribusiness. Most of the credit granted is unsecured with no collateral policy.

Rebates: Rebates for products purchased are recorded as a reduction of the suppliers' cost when the product is held in inventory or a reduction to cost of sales when the product is sold.

Sales Tax: The Company is required to collect certain sales and other taxes and fees from customers on behalf of governmental agencies and remit these to the applicable agency on a periodic basis. These taxes and fees are excluded from revenues and cost of sales, respectively.

Accrued Compensated Absences: Compensated absences are accrued and charged to expense in the period in which it is earned.

Accounting Changes: Certain items have been reclassified in the 2022 statement to conform to the format of the 2023 statement.

#### Note 2 – Revenue Recognition

The following table represents the Company's revenue and other income recognized for the years ended December 31, 2023 and 2022, disaggregated based on the timing of the transfer of goods or services. Revenue from performance obligations satisfied at a point in time consist primarily of sales of grain commodities through grain sales contracts with various local and regional grain buyers throughout the country and sales of retail agronomy and propane products and services through retail sales contracts with various local customers in the Company's trade area. Revenue from performance obligations satisfied over time consist primarily of grain storage and handling and drying income based on the Company's fee schedule with various local customers in the Company's trade area.

	<u>12/31/2023</u>	<u>12/31/2022</u>
Revenue recognized at a point-in-time	\$ 517,761,868.47	\$ 530,231,402.36
Revenue recognized over time	1,638,371.48	2,054,027.57
Revenue recognized under other guidance	<u>3,576,354.32</u>	<u>3,271,868.81</u>
Total Revenue and Other Income	<u>\$ 522,976,594.27</u>	<u>\$ 535,557,298.74</u>

#### Note 3 – Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of cash on hand, deposits in various banks, excess funds in CoBank, and net amounts in the commodity hedge account.



Note 4 – Receivables:

1. Accounts Receivable – are from sales of ag inputs and services to its agricultural customers. Accounts Receivables are carried at original invoice amount plus any accrued and unpaid interest, which is billed monthly on all unpaid accounts. Customer finance charges are recognized as other income when it is charged to the account. The Company evaluates the collectability of all receivables based on historical experience, current conditions, and reasonable forecasts affecting the collectability of the reported amount and establishes an allowance for credit losses based on this assessment. Accounts Receivable are pledged as collateral in accordance with the Company's line of credit. Aging of Accounts Receivable are as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>1/1/2022</u>
30 Days & Under	\$ 789,491.69	\$ 688,932.67	\$ 1,446,663.14
Deferred Billing	777,029.85	1,038,613.58	850,395.13
31 to 60 Days	447,600.79	281,109.54	52,641.15
61 Days to 1 Year	1,749,152.02	753,067.25	500,755.00
1 Year & Over	<u>3,872.84</u>	<u>2,345.08</u>	<u>1,865.99</u>
Total Accounts Receivable	<u>\$ 3,767,147.19</u>	<u>\$ 2,764,068.12</u>	<u>\$ 2,852,320.41</u>

2. Allowance for Credit Losses – a valuation account has been established for all accounts that are doubtful of collection based on historical experience, current conditions, and reasonable forecasts. The allowance is reviewed periodically by management and the board of directors for adequacy.
3. Other Trade Receivables – is a receivable from the ethanol plant in Casselton for interest due net of miscellaneous charges, chemical rebates received in the subsequent period, and insurance proceeds on a fertilizer plant claim in 2023.
4. Customer Purchase Advances – are primarily advances given to producers in the area who have grain stored in the elevator or have contracted grain for nearby delivery. The grain in the elevator or the purchase contract serves as collateral on the advance.
5. Grain in Transit, Net of Advances – is a receivable for grain that has been shipped as of the balance sheet date and payment will be received in the subsequent period. The transit grain is categorized as either priced or unpriced. Priced transit grain has been sold and is priced according to confirmation of sales or actual grain settlements in the subsequent period. Unpriced transit grain has been shipped to another facility but has not been fully priced as of the balance sheet date. Title to this unpriced transit grain has passed to the other facility and it is priced according to their market as of the balance sheet date. The transit grain is shown net of any applicable advances received. The beginning balance in grain in transit as of January 1, 2022 was \$315,257.52.

Note 5 – Inventories

1. Grain inventories and all corresponding grain liabilities have been designated as a hedged item in a fair value hedge. These grain inventories and the corresponding grain liabilities are valued at current market value.
2. Merchandise inventories consist of agronomic products, propane and miscellaneous merchandise and are valued at lower of cost or net realizable value.

Note 6 – Prepaid Items

Prepaid items are expenses, merchandise orders, or credits for returns. These items are either expenses paid in advance or credits that have not yet been received. The major categories of prepaid items are as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
Prepaid General Expenses	\$ 216,967.06	\$ 151,422.70
Supply House Credits (Advanced payment or returns for credit)	9,431,004.82	8,445,323.63
Prepaid Taxes	59,419.00	48,687.00
Less: Provision for Income Taxes	<u>(4,400.00)</u>	<u>(31,950.00)</u>
Total Prepaid Items	<u>\$ 9,702,990.88</u>	<u>\$ 8,613,483.33</u>

Note 7 – Property, Equipment and Depreciation

Property and equipment are carried at cost. Depreciation is calculated using the straight-line method over their estimated useful lives. Maintenance and repair costs are expensed as incurred. Expenditures, which materially increase values or extend the useful life of existing fixed assets are capitalized.

Estimated useful lives of assets for depreciation are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Useful Life</u>
Buildings	\$ 31,874,252.77	\$ 21,087,226.21	5 to 50 Years
Permanent Equipment	19,344,774.75	16,397,068.74	5 to 25 Years
Mobile Equipment	<u>10,751,587.32</u>	<u>7,810,142.96</u>	3 to 15 Years
Totals	<u>\$ 61,970,614.84</u>	<u>\$ 45,294,437.91</u>	

Right-of-Use Assets – Finance

The Company has recorded its finance leases in accordance with the provisions of FASB ASC 842 "Leases". Leases that have a term greater than one year are classified as Right-of-Use Assets based on the present value of the lease payments, including the residual value purchase option since it's probable the Company will execute the purchase option at the end of the lease term. The Company has used the interest rate implicit in the lease. The Company has two finance leases with Farm Credit Leasing. Details of these finance leases can be found under Note 16 – Lease Liabilities – Finance. Amortization of Right-of-Use Assets in finance leases is calculated using the straight line method over their estimated useful lives.

Estimated useful lives of assets for amortization are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Useful Life</u>
Buildings	\$ 1,435,880.00	\$ 472,643.81	20 Years
Permanent Equipment	1,870,000.00	1,239,507.89	7 to 15 Years
Mobile Equipment	<u>357,109.99</u>	<u>131,790.57</u>	7 Years
Totals	<u>\$ 3,662,989.99</u>	<u>\$ 1,843,942.27</u>	



The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected future cash flows are less than the carrying value, an impairment loss will be recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. As of December 31, 2023, there have been no impairment adjustments to the carrying value of fixed assets.

#### Note 8 – Investments In Regional and Other Local Cooperatives

Investments are primarily non-cash dividends from other cooperatives and are stated at cost, plus reinvested patronage refunds. These investments are payable strictly at the issuing entities discretion and have no readily available market value. The principal investments were as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
Land O'Lakes, Inc.	\$ 2,092,396.38	\$ 1,345,178.13
CoBank	207,767.30	62,508.49
CHS, Inc.	241,846.39	186,102.39
Ag Processing Inc.	289,347.50	
Other Local Cooperatives	<u>97,158.03</u>	<u>103,037.04</u>
Total Investments in Other Co-ops.	<u>\$ 2,928,515.60</u>	<u>\$ 1,696,826.05</u>

#### Impairment

The Company believes it is not practical to estimate the fair value of the investments in these regional cooperatives without incurring excessive costs because there is no established market for these investments and it is inappropriate to estimate future cash flows, which is largely dependent on future earnings of these organizations. If these investments in regional cooperatives become impaired, the Company will cancel the same amounts of allocated equity to its' patrons, having no effect on the locally owned equity.

#### Note 9 – Investment in LLC's

1. Effective June 2001, the Company made a capital investment in Alton Grain Terminal, LLC, which is an LLC that owns and operates a high-speed grain terminal in Hillsboro, ND. The capital investment by the Company bought an 18% ownership interest in the LLC. With the merger of Galesburg Cooperative Elevator Company, the Company acquired an additional 18.10% ownership interest in the LLC. With the merger of Hunter Grain Company, the Company acquired an additional 16.00% ownership interest in the LLC. Effective September 1, 2017 the LLC purchased a membership interest of 2%, thereby increasing the Company's ownership to 53.1632%. The fiscal year end of Alton Grain Terminal, LLC is August 31<sup>st</sup>, and the Company is reporting its earnings from the LLC on the equity method. The investment in Alton Grain Terminal, LLC is as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
36.8367% Capital Investment	\$ 1,752,155.00	\$ 1,752,155.00
16.3265% Capital Investment-Hunter Grain	680,988.00	
Accumulated Earnings Reinvested	<u>5,485,342.44</u>	<u>3,825,434.99</u>
Total Investment in Alton Grain Terminal, LLC	<u>\$ 7,918,485.44</u>	<u>\$ 5,577,589.99</u>

	<u>12/31/2023</u>	<u>12/31/2022</u>
Beginning of Year Balance	\$ 5,577,589.99	\$ 5,566,701.70
Add: Hunter Grain Investment	2,313,135.24	
Current Year GAAP Earnings	1,132,862.26	747,622.99
Less: Cash Distributions	<u>(1,105,102.05)</u>	<u>(736,734.70)</u>
End of Year Balance	<u>\$ 7,918,485.44</u>	<u>\$ 5,577,589.99</u>

Condensed Financial Information of Alton Grain Terminal, LLC:
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	<u>8/31/2023</u>	<u>8/31/2022</u>
Current Assets	\$ 26,059,024	\$ 28,239,375
Property, Plant & Equipment	6,075,349	6,631,999
Other Assets	496,522	480,526
Total Assets	<u>\$ 32,630,895</u>	<u>\$ 35,351,900</u>
Current Liabilities	\$ 18,269,804	\$ 21,066,169
Member Equity	14,361,091	14,285,731
Total Liabilities & Equity	<u>\$ 32,630,895</u>	<u>\$ 35,351,900</u>
Gross Sales	\$ 216,758,876	\$ 206,635,351
Net Income	\$ 3,075,360	\$ 2,029,558

2. Effective October 2003, the Company invested \$260,000 for a 16.67% equity ownership in Alton Agronomy, LLC. With the merger of Galesburg Cooperative Elevator Company, the Company acquired an additional 16.67% ownership interest in the LLC. With the merger of Hunter Grain Company, the Company acquired an additional 16.67% ownership interest in the LLC, for a total ownership interest of 50%. Alton Agronomy, LLC is a high-speed wholesale dry fertilizer plant in Hillsboro, ND. The LLC has two other members, with one owning 16.67%, and one owning 33.33%. The year-end for Alton Agronomy, LLC is September 30<sup>th</sup> and the Company is reporting their earnings using the equity method. The investment in Alton Agronomy, LLC is as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
33.3333% Capital Investment	\$ 520,000.00	\$ 520,000.00
16.6667% Capital Investment-Hunter Grain	260,000.00	
Accumulated Earnings Reinvested	<u>1,194,666.71</u>	<u>796,444.48</u>
Total Investment in Alton Agronomy, LLC	<u>\$ 1,974,666.71</u>	<u>\$ 1,316,444.48</u>

	<u>12/31/2023</u>	<u>12/31/2022</u>
Beginning of Year Balance	\$ 1,316,444.48	\$ 1,316,444.48
Add: Hunter Grain Investment	658,222.23	
Current Year GAAP Earnings	480,393.25	548,143.43
Less: Cash Distributions	<u>(480,393.25)</u>	<u>(548,143.43)</u>
End of Year Balance	<u>\$ 1,974,666.71</u>	<u>\$ 1,316,444.48</u>



Condensed Financial Information of Alton Agronomy, LLC:
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	<u>9/30/2023</u>	<u>9/30/2022</u>
Current Assets	\$ 2,769,023	\$ 2,832,012
Property, Plant & Equipment	2,709,830	3,022,236
Other Assets	185,401	226,066
Total Assets	<u>\$ 5,664,254</u>	<u>\$ 6,080,314</u>
Current Liabilities	\$ 1,714,920	\$ 2,130,981
Member Equity	3,949,334	3,949,333
Total Liabilities & Equity	<u>\$ 5,664,254</u>	<u>\$ 6,080,314</u>
Net Income	\$ 1,441,180	\$ 1,644,430

3. Effective June 2003, the Company made a capital investment in La Rinasente Pasta, LLC. The Company invested \$10,000 for a one half interest in 1 of 32 active membership units. La Rinasente Pasta, LLC manufactures pasta in a factory in Hope, ND. The year-end for La Rinasente Pasta, LLC is December 31<sup>st</sup>, and the Company is reporting the earnings on a tax basis. The investment in La Rinasente Pasta, LLC is as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
One-half Membership Unit Investment	\$ 10,000.00	\$ 10,000.00
Accumulated Earnings Reinvested	<u>6,573.89</u>	<u>9.01</u>
Total Investment in La Rinasente Pasta, LLC	<u>\$ 16,573.89</u>	<u>\$ 10,009.01</u>

4. Effective April 2018, the Company signed a subscription agreement and purchased one Class B Membership Unit in Prairieland Ag, LLC for \$10,000. The LLC was formed to enhance the marketing and price competitiveness of agricultural input products for its members. The year-end of Prairieland Ag, LLC is December 31 and the Company will report its earnings from the LLC in accordance with the operating agreement of the LLC. The Company acquired an additional Class B Membership Unit through the merger of Hunter Grain Company, giving the Company two units for a total of \$20,000.

#### Note 10 – LP Tank Receivables

The Company has sold LP tanks to customers on credit. The customer makes monthly, quarterly, or annual payments on the tank for the next ten to eleven years. Upon the last payment, title of the tank passes to the customer. As of December 31, 2023, the outstanding balance was \$170,935.19.

#### Note 11 – Intangibles

##### Goodwill:

The Company has established goodwill on its balance sheet from the purchase of Mayport Aviation. The goodwill will be reviewed annually for impairment. The Company's policy will be to amortize the goodwill over a 15 year period for tax purposes; however the Company has elected a 10 year amortization for GAAP purposes.

	<u>12/31/2023</u>	<u>12/31/2022</u>
Beginning Goodwill	\$ 275,000.00	\$ 275,000.00
Ending Goodwill	<u>\$ 275,000.00</u>	<u>\$ 275,000.00</u>
Beginning Accumulated Amortization	\$ 52,708.33	\$ 25,208.33
Current Year Amortization	27,500.00	27,500.00
Ending Accumulated Amortization	<u>\$ 80,208.33</u>	<u>\$ 52,708.33</u>
Unamortized Goodwill	<u>\$ 194,791.67</u>	<u>\$ 222,291.67</u>

Covenant Not to Compete:

The Company acquired a covenant not to compete associated with its purchase of Mayport Aviation. The covenant not to compete is with the owners from the acquired company and is amortized over the life of the covenant for GAAP purposes and 15 years for tax purposes.

	<u>12/31/2023</u>	<u>12/31/2022</u>
Beginning Covenant Not to Compete	\$ 50,000.00	\$ 50,000.00
Ending Covenant Not to Compete	<u>\$ 50,000.00</u>	<u>\$ 50,000.00</u>
Beginning Accumulated Amortization	\$ 19,166.67	\$ 9,166.67
Current Year Amortization	<u>10,000.00</u>	<u>10,000.00</u>
Ending Accumulated Amortization	<u>\$ 29,166.67</u>	<u>\$ 19,166.67</u>
Unamortized Covenant Not to Compete	<u>\$ 20,833.33</u>	<u>\$ 30,833.33</u>

Note 12 – Grain Related Payables

1. Priced Grain Payable – represents a payable for grain on an open priced assembly sheet but the customer has not yet requested payment.
2. Delayed Pricing Liability – represents a payable for grain on a delayed pricing contract or on an assembly sheet with a delayed pricing designation. The grain is not priced in any form but title to the grain has passed to the elevator.
3. Basis Fixed Liability – represents a payable for grain on a basis fixed contract or an assembly sheet with a basis fixed designation. The grain is priced for basis purposes but open on futures pricing. Terms of a basis fixed contract turn title of the grain over to the elevator.
4. Derivative Contract Accruals – the Company utilizes future contracts, option contracts, and forward purchase and sales contracts to hedge against price level change risk in grain and fertilizer inventories and grain and fertilizer liabilities. These contracts are considered as a fair value hedge. Gains and losses on these designated fair value hedge derivatives are included within the sales or cost of sales of these grain and fertilizer items. The open contractual obligations are compared to market value and any corresponding accrued gain or loss are booked to the income statement and included in the sales or cost of sales. Details of derivative contracts are as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>1/1/2022</u>
Balance in Commodity Hedge Accounts	\$ 377,583.13	\$ 9,305,469.98	\$ 9,083,113.62
Add (Subtract) Open Futures Positions	<u>2,223,300.00</u>	<u>(1,657,300.00)</u>	<u>(2,373,775.00)</u>
Net Liquid Value in Margin Account	<u>\$ 2,600,883.13</u>	<u>\$ 7,648,169.98</u>	<u>\$ 6,709,338.62</u>
Accrued Equity on Grain Purchase Contracts	\$ (9,076,832.41)	\$ 2,604,497.78	\$ 1,481,898.32
Accrued Equity on Grain Sales Contracts	<u>5,128,279.15</u>	<u>1,276,485.64</u>	<u>3,332,896.00</u>
Net Gain (Loss) on Open Contracts	<u>\$ (3,948,553.26)</u>	<u>\$ 3,880,983.42</u>	<u>\$ 4,814,794.32</u>

5. Deferred Payment Contracts – represents a payable for grain the customer has priced with our Company. The customer has chosen not to receive payment for that priced grain until a later date for the customer's income tax purposes.

Note 13 – Miscellaneous Payables

1. Patron credit balances and advance payments are payments we have received from our customers to secure pricing and availability of agronomic and propane products and services for delivery in a future period. The advanced payment is carried as a payable until the customer physically picks up the product.
2. Provision for Income Taxes – the Company has a taxable status for income tax purposes and, accordingly, the provision for income taxes is based on unallocated patronage sourced income and all non-patronage sourced income. The current year provision has been netted against the current year estimated deposits. Income tax (expense) benefit is as follows:

	<u>12/31/2023</u>	<u>12/31/2022</u>
<u>Federal</u>		
Current Provision	\$ (4,400.00)	\$ (21,300.00)
Prior Year Adjustment	17,268.00	20,269.00
Total Federal	<u>\$ 12,868.00</u>	<u>\$ (1,031.00)</u>
<u>State</u>		
Current Provision	\$ -	\$ (10,650.00)
Prior Year Adjustment	10,650.00	5,200.00
Total State	<u>\$ 10,650.00</u>	<u>\$ (5,450.00)</u>
Income Tax (Expense) Benefit	<u>\$ 23,518.00</u>	<u>\$ (6,481.00)</u>

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in accompanying financial statements. The Company's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

3. Patronage dividend payable represents a payable for the cash portion of the Company's current year dividend allocation.
4. Equity retirements payable is a payable established because the Company's board of directors has approved to retire patrons' equity in the period subsequent the balance sheet date.

Note 14 – Seasonal Loans and Current Notes

The Company has the following short-term line of credit with the following creditor:

	Variable Interest Rate	Amount Available	Balance Due as of <u>12/31/2023</u>
CoBank Denver, CO Loan # 38033200S01-J Subject to Renewal 8/1/2024	7.86%	\$30,000,000	\$16,747.13

<u>Loan Covenants:</u>	Working Capital	Local Net Worth
CoBank	\$ 12,000,000	\$ 29,500,000
12/31/2023 Balance Sheet	\$ 25,399,835	\$ 43,014,844



Note 15 – Local Demand Notes Payable

<u>Payee</u>	<u>Collateral</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance Due as of 12/31/2023</u>
Numerous Local Entities	None	On Demand	Fixed 2.3%	\$414,765.48

A detailed list may be found in the office.  
Interest is paid annually on March 1<sup>st</sup>.

Note 16 – Lease Liabilities - Finance

<u>Payee</u>	<u>Collateral</u>	<u>Maturity</u>	<u>Implied Interest Rate</u>	<u>Balance Due</u>	<u>Portion Due Within One Year</u>
Farm Credit Leasing Services Minneapolis, MN Lease No. #001-0086066-000 Original Lease \$3,115,543.17 dated 5/25/2017 Monthly Payments of \$27,388.69 starting June 1, 2017 Buyout of \$623,108.63 at maturity	6500 Ton Dry Fertilizer Plant and related Equipment	6/1/2027	4.09%	\$ 1,586,659.27	\$ 268,844.80
Farm Credit Leasing Services Minneapolis, MN Lease No. #001-0121577-000 Original Lease \$357,109.99 dated 6/9/2021 Monthly Payments of \$3,925.14 starting August 1, 2021 Buyout of \$71,422.00 at maturity	2020 AGCO 8400 Terragator	8/1/2028	2.99%	<u>263,611.22</u>	<u>39,751.96</u>
Total Lease Liabilities - Finance				<u>\$ 1,850,270.49</u>	<u>\$ 308,596.76</u>
Minimum Term Payments:		12/31/2024		\$ 308,596.76	
		12/31/2025		320,993.85	
		12/31/2026		333,893.31	
		12/31/2027		789,570.43	
		12/31/2028		<u>97,216.14</u>	
		Total		<u>\$ 1,850,270.49</u>	

Note 17 – Patrons' Equity

1. Common Stock is the Company's voting stock. After an active customer has accumulated \$100 of revolving capital through patronage the Company may convert that accumulated revolving capital to a share of common stock which gives the customer the right to vote on matters of this Company. If the customer becomes inactive or indebted to this Company for a period of time the Company has the right to revoke this voting share.
2. Revolving Capital is the patronage allocated to our members in a non-cash form. The Revolving Capital reflected as capital liabilities are payable at the discretion of the Board of Directors. See By-laws, Article VII - Revolving Capital, Section 6.





**Note 20 – Profit Sharing Retirement Plan**

Funding of the profit sharing retirement plan for employees is at the discretion of the Board of Directors to be based on a percentage of the Net Proceeds, not to exceed 25% of eligible employees total wages and bonuses. A contribution to the Profit Sharing Retirement Plan was declared payable for 2023 in the amount of \$257,494.70 and for 2022 in the amount of \$249,261.20.

**Note 21 – Advertising Costs**

Costs for producing and distributing advertising are expensed as incurred. Advertising expenses:

<u>12/31/2023</u>	<u>12/31/2022</u>
<u>\$9,501.04</u>	<u>\$8,584.71</u>

**Note 22 – Fair Value Measurements**

The following table presents assets and liabilities that are carried at fair value, measured on a recurring basis. The classification of an asset or liability within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

Fair Value Measurements at December 31, 2023			
	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>			
Open Futures Positions	\$ 2,223,300.00		
Grain in Transit - Unpriced		\$ 12,092,824.14	
Grain Inventory		\$ 58,309,067.30	
<b>Liabilities:</b>			
Delayed Pricing Liability		\$ 54,053,434.84	
Basis Fixed Liability		\$ 12,538,816.55	
Open Contract Accruals		\$ 3,948,553.26	

Fair Value Measurements at December 31, 2022			
	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>			
Open Futures Positions	\$ (1,657,300.00)		
Open Contract Accruals		\$ 3,880,983.42	
Grain in Transit - Unpriced		\$ 6,472,715.09	
Grain Inventory		\$ 54,609,830.89	
<b>Liabilities:</b>			
Delayed Pricing Liability		\$ 35,955,339.77	
Basis Fixed Liability		\$ 7,987,747.66	

Note 23 – Market Position

	<u>Wheat</u>	<u>Corn</u>	<u>Soybeans</u>
Long (Short) with Market	<u>5,072</u>	<u>(869)</u>	<u>(21,042)</u>
Long (Short) with Basis	<u>130,911</u>	<u>1,160,745</u>	<u>(140,830)</u>

The Company is contingently liable for market fluctuation on the long or short grain and basis position that is reflected on its market position.

Note 24 – Contingent Liabilities and Commitments

The Company is contingently liable for quality and grade of grains it has on warehouse receipts and other corresponding grain liabilities.

The Company is subject to federal and state regulations regarding the care, delivery, and containment of various ag input products that the Company handles. The Company is contingently liable for any contamination cleanup costs that could arise from the handling, delivery, and containment of these products.

The Company has an agreement with Winfield Secure to provide financing to various producers in the regional trade area. Each producer is required to submit a credit application to determine the amount of credit available, depending upon their individual financial condition. The credit commitment made to each producer is for the crop year from September 1 of any year through August 31 of the following year. Each loan has a maturity date of February 1 following the crop year. The Company is contingently liable for an annual amount equal to 3.75% of the aggregate maximum disbursed principal amount of all loans made during the crop year. The Company guarantee will be settled on or around August 31 following the maturity date of any loans made during the crop year. As of December 31, 2023, the outstanding principal due on these loans was \$2,090,265.19, which creates a potential guarantee by the Company of \$78,384.94, should these producers default on payment at maturity

Effective November 1, 2009, the Company signed a 3-year contract to supply corn to the ethanol plant in Casselton, ND. The plant will consume approximately 43 million bushels of corn. After the original 3 year contract expires the contract can be extended on a year by year basis for a period up to 5 years at the processors discretion. Effective July 17, 2019, the Company renewed the corn origination contract for an additional 10 years, expiring on July 31, 2029. Upon expiration the processor has the option to extend the contract on a year by year basis not exceeding a total of 5 years under the same terms and conditions.

The Company has approved a plan of merger by acquisition with Hunter Grain Company, effective December 1, 2023. On the effective date of merger, Hunter Grain Company will transfer all of its assets, liabilities and equity, of which Clifford Farmers Co-operative Elevator Company agrees to accept, as stated in the plan of merger. Hunter Grain Company will cease to exist, and Clifford Farmers Co-operative Elevator Company will be designated as the surviving cooperative.

Note 24 – Subsequent Events

Management has evaluated subsequent events through January 31, 2024, the date the financial statements were available to be issued.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
**Clifford Farmers Co-operative Elevator Company**  
Box 68  
Clifford, ND 58016-0068

We have audited the financial statements of Clifford Farmers Co-operative Elevator Company as of and for the years ended December 31, 2023 and 2022 and our report thereon dated January 31, 2024, which expressed an unmodified opinion on those financial statements, appears on page I. Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of supplemental information are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Burke, Myers & Associates, Ltd*

Burke, Myers & Associates, Ltd.  
Fargo, North Dakota

January 31, 2024

STATEMENT OF GENERAL EXPENSES  
FOR YEARS ENDING DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Directors Fees	\$ 3,100.00	\$ 2,830.00
Salaries and Wages	3,525,283.48	3,419,174.73
Contract Labor	513,479.90	
Payroll Taxes	225,118.34	228,483.86
Employee Insurance	643,457.33	637,699.40
Profit Sharing Retirement Plan	257,494.70	249,261.20
Unemployment Taxes	8,737.56	2,927.75
Worker's Compensation	9,666.36	27,936.18
	<hr/>	<hr/>
Employee Related Expenses	\$ 5,186,337.67	\$ 4,568,313.12
Railroad Site & Property Rent	16,674.38	8,983.22
Facility Lease - Hunter & Gardner	349,500.00	
Contractual Leases - See Note #19	15,300.00	15,300.00
Repairs & Maintenance - Plant & Equipment	287,530.11	330,270.50
Vehicle Allowance	32,500.00	20,150.00
Repairs - Mobile Equipment	492,490.78	300,922.98
Vehicle Licensing	39,828.53	38,022.50
Gas & Fuel	572,250.56	609,072.43
Insurance, License and Bonds	549,138.95	447,278.20
Property Taxes	202,092.46	163,247.65
Utilities	255,951.58	185,874.99
Telephone and Markets	63,131.96	56,963.88
Warehouse Supplies	17,754.19	18,358.79
Office Supplies	51,795.14	41,898.32
Bank Charges	8,453.68	19,753.50
Equipment Inspections and Service Contracts	76,078.64	65,846.46
Advertising and Customer Gifts	9,501.04	8,584.71
Dues and Subscriptions	40,389.19	20,310.96
Professional Fees	52,000.00	46,000.00
Payroll Service	2,375.61	3,021.88
Legal & Other Fees	41,352.06	4,803.34
Safety, Compliance, & Drug Testing Fees	13,104.53	12,559.79
Grain Measurement	3,869.15	6,018.66
Pest Control	6,356.00	5,520.00
Mileage, Meetings, and Travel	6,439.59	11,287.30
Miscellaneous Expense		515.13
Annual Meeting	4,673.13	3,504.49
	<hr/>	<hr/>
TOTAL GENERAL EXPENSES	<u>\$ 8,396,868.93</u>	<u>\$ 7,012,382.80</u>

(See independent auditor's report on supplementary information)

COMMODITIES HANDLED  
FOR YEARS ENDING DECEMBER 31,

<u>Commodity</u>	2023 New Receipts Net Bu.	2022 New Receipts Net Bu.	2023 Sales Net Bu.	2022 Sales Net Bu.
Wheat	2,722,629	1,877,528	2,242,165	1,730,242
Corn	64,325,033	58,688,420	60,911,363	60,563,703
Soybeans	<u>6,624,032</u>	<u>5,284,918</u>	<u>6,343,588</u>	<u>4,836,134</u>
TOTAL HANDLED	<u><u>73,671,694</u></u>	<u><u>65,850,866</u></u>	<u><u>69,497,116</u></u>	<u><u>67,130,079</u></u>
 <u>Fertilizer Sales - Tons:</u>				
Dry Fertilizer			29,796	25,252
NH3			2,689	1,177
Liquid Fertilizer			<u>1,929</u>	<u>1,816</u>
Total Fertilizer			<u><u>34,414</u></u>	<u><u>28,245</u></u>
Bulk Grain Seed Sales - Bushels			10,893	18,270
Propane Sales - Gallons			2,128,680	1,335,493
 <u>Merchandise Dollar Sales:</u>				
Commercial Seed			\$ 4,793,905.54	\$ 3,788,072.97
Chemical & Misc. Merchandise			\$ 9,878,333.76	\$ 8,964,616.27
Seed & Fertilizer Supplements			\$ 184,180.14	\$ 229,965.31
LP Tanks & Mdse			\$ 64,620.59	\$ 32,060.94
Less: Cash Discounts			\$ (257,626.88)	\$ (217,870.62)

(See independent auditor's report on supplementary information)