



HERITAGE[®]
Cooperative



ANNUAL REPORT FISCAL YEAR 2023



HeritageCooperative.com

LETTER FROM THE CHAIRMAN

Heritage Cooperative Members,

As I'm sitting down to write this letter, I'm looking out the kitchen window reflecting on the recently completed harvest. I'm also sitting here wondering what the future will hold for our farm. What will the future hold for Heritage Cooperative? What will be the impact of Artificial Intelligence? How will our global markets change? What will be the impact of Climate Change? What will be the impact of all the conflict we are experiencing in the world? These are monumental questions with no clear answers. The only thing that is certain is the fact they will dictate change.

As we navigate through the changes in the future it is important to keep a steady hand on the wheel and stay the course. We have the following basic elements in place to successfully adapt to the coming changes.

A strong financial position

Strong management

Dedicated employees

A continuous improvement program.

Driving down costs with improved efficiency

Change is not easy to accept and for those of us with gray hair it is even harder, however, the reality is that if we do not change and grow, we will not survive. Heritage is a member-driven Cooperative with the overall objective is creating value for our members. Your continued support is what makes this work. Thank you.



George Rellinger
Chairman, Board of Directors





Back Row

George F. Rellinger (Chairman), Lamar L. Liming (Vice Chairman), Kevin Henry (Secretary),
Kenneth J. Schilling (Governance Committee Chair), Michael T. Graham (Audit/Credit Committee Chair)

Front Row:

Randy Campbell (HR and Compensation Committee Chair), Edward A. Zimmerman III (Director),
Raymond Bricker (Director), Dennis D. Comstock (Director), Adam Graham (Director), Phil Herring (Director)

LETTER FROM PRESIDENT & CEO

Heritage Cooperative Members,

The fiscal year 2023 was a challenging but rewarding one for our company. We faced headwinds from the fertilizer market, the interest rate environment and the feed integration process, but we overcame them with resilience and innovation. Our revenue and profitability remained strong, reflecting our commitment to excellence and customer satisfaction.

We are committed to delivering high-quality results and value to our owners. To achieve this, we have been reviewing and enhancing our performance, offerings, and systems to align with your needs and expectations. We are assessing our facilities, equipment and technologies to identify opportunities for improvement in speed, efficiency and costs. We know how important this is to you and your operations. You will see this in the investments we made last year and continue to make.

To enhance our services and operations, we have made those investments in various areas. We have updated our application machines and drones to improve the spraying, spreading and scouting of our customer fields. We have added grain storage, a larger grain dryer and conveyors to increase the efficiency of grain movement within the elevator. We have also invested in more technology, such as Compuweigh at two elevators and Agvend for our portal, which we are constantly improving. Furthermore, we have upgraded our Nashport and Beloit facilities with new offices and many other assets too numerous to mention.

My sincere gratitude goes to the whole Heritage Cooperative staff for their performance, commitment and desire to enhance the quality of service we provide to our customers. As we face various challenges and opportunities in our environment, we appreciate their fortitude, adaptability and resolve in embracing change and maintaining our customer-centric vision.

Thank you to our members/owners of Heritage Cooperative for their trust and support and for enabling us to collaborate as we pursue improvement and growth together.



Jeffrey C. Osentoski
President & CEO



STATEMENT OF OPERATIONS

SALES		2023
Supply	\$	431,568,120
Marketing	\$	615,855,267
Total Sales	\$	1,047,423,387
COST OF SALES		
Supply	\$	373,905,120
Marketing	\$	595,283,629
Total Cost of Sales	\$	969,188,749
GROSS MARGIN		
Supply	\$	57,663,000
Marketing	\$	20,571,638
Total Gross Margin	\$	78,234,638

OTHER REVENUE	\$	32,504,250
OPERATING EXPENSES	\$	(99,219,315)
INTEREST EXPENSE	\$	(7,204,124)
SAVINGS FROM OPERATIONS	\$	4,315,449
OTHER INCOME (EXPENSE)		
Patronage Refunds	\$	6,895,986
Investment Income, Net	\$	25,776
Interest Income	\$	46,575
Net Gain on Sale of Property and Equipment	\$	357,832
Total Other Income	\$	7,326,169
SAVINGS BEFORE INCOME TAXES	\$	11,641,618
BENEFIT FROM INCOME TAXES	\$	395,711
NET SAVINGS	\$	11,245,907

MISSION

To be an agricultural cooperative providing value to our members and customers through individualized solutions.

2023 FINANCIAL REPORT

BALANCE SHEET

ASSETS	2023	ASSETS	2023
CURRENT ASSETS		INVESTMENTS AND OTHER ASSETS	
Cash and Cash Equivalents	\$ 4,769,777	Investments in Cooperatives	\$ 22,837,345
Accounts Receivable, Net of Allowance for Doubtful		Investments in Marketable Securities and Other Businesses	\$ 3,452,073
Accounts of \$1,467,818 at August 31, 2023	\$ 64,875,345	Cash Surrender Value of Life Insurance	\$ 315,264
Grain and Miscellaneous Receivables	\$ 15,609,026	Goodwill	\$ 3,005,000
Income Taxes Refundable	\$ 22,289	Interest Rate Swap Agreement	\$ 230,517
Inventory	\$ 74,219,666	Deferred Taxes	\$ 243,000
Margin Account Equity	\$ 6,605,291	Total Investments and Other Assets	\$ 30,083,199
Unrealized Gains on Forward Contracts	\$ 2,634,058	Total Assets	\$ <u>300,477,136</u>
Prepaid Inventory	\$ 1,430,229		
Prepaid Expenses	\$ 279,249		
Total Current Assets	\$ 170,444,930		
PROPERTY AND EQUIPMENT			
Land	\$ 10,163,591		
Land Improvements	\$ 16,227,368		
Buildings	\$ 80,986,293		
Machinery and Equipment	\$ 96,527,340		
Office Equipment	\$ 2,372,193		
Delivery Equipment	\$ 31,136,667		
Constructions in Progress	\$ 8,019,422		
Total	\$ 245,432,874		
Less: Accumulated Depreciation	\$ 152,414,026		
Total Property and Equipment	\$ 93,018,848		



VISION

To be the partner of choice by enabling our people to provide superior customer experience, efficiencies, and strategic alignments.



VALUES

Provide Superior Customer Service • Highest Standards of Integrity and Trust
 Continuous Improvement • Being a Good Partner

LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Notes and Mortgage Loans Payable	\$ 25,281,063
Current Lease Liabilities - Operating	\$ 1,844,232
Accounts Payable	\$ 26,192,162
Grain Payable	\$ 32,275,910
Delayed Price and Basis Grain Obligations	\$ 13,294,565
Customer Prepaid Balances	\$ 7,064,590
Cash Patronage Refunds Payable	\$ 2,993,160
Unrealized Losses on Forward Contracts	\$ 3,320,637
Accrued Wages and Taxes	\$ 4,993,579
Accrued Interest	\$ 428,375
Other Liabilities	\$ 1,606,126
Total Current Liabilities	<u>119,294,399</u>
LONG-TERM LIABILITIES	
Long-Term Notes Payable	\$ 29,300,000
Interest Rate Swap Agreement	\$ 5,102,062
Pension and Post Retirement Obligations	\$ 3,452,232
Total Long-Term Liabilities	<u>\$ 37,854,294</u>
Total Liabilities	<u>\$ 157,148,693</u>

LIABILITIES AND EQUITY	
SHAREHOLDERS' AND PATRONS' EQUITY	
Capital Shares	\$ 516,740
Patrons' Equity	\$ 64,825,381
Capital Reserve	\$ 80,352,512
Accumulated Other Comprehensive Loss	\$ (2,366,190)
Total Shareholders' and Patrons' Equity	<u>\$ 143,328,443</u>
Total Liabilities and Equity	<u>\$ 300,477,136</u>

THANK YOU!

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Audited by: Clifton Larson Allen LLP

