



**HERITAGE<sup>®</sup>**  
Cooperative

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***ANNUAL REPORT***  
***FISCAL YEAR 2021***

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# Letter from the Chairman

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Heritage Cooperative Members,

Isn't it amazing how quickly things can change? While fiscal year 2020 was a tough year for our cooperative, Team Heritage pulled together and turned things around, creating positive results in all four of our core divisions of Grain, Agronomy, Energy and Feed for fiscal year 2021. A large part of this improvement was the power of being interdependent with divisions sharing employees and equipment. Just as in your own operation, asset utilization is essential. The most valuable asset of Heritage Cooperative is the employees. Their commitment and dedication are the driving force behind our success.

The overall farm economy is stronger and, with higher commodity prices and increased worldwide demand for the products we produce, is creating a more attractive market. Hopefully this trend will continue but with it comes some challenges. We are still dealing with a global pandemic that has created a labor shortage in the supply chain. This shortage impacts both the commodities we are selling and the inputs we need to produce those commodities. Fortunately, the laws of supply and demand will eventually level this playing field.

As we look to the future we must continue down the path of continuous improvement. Technology and automation will lead us to a more efficient operation. Innovation and updates provide value for our members and our strong financial position will enable us to support the needed changes.

Thank you for supporting Heritage Cooperative. Our goal is to provide value to our members.



George Rellinger  
Chairman, Board of Directors

# Letter from the President and CEO

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Heritage Cooperative Members,

In agriculture no two years are the same, and the results of 2021 versus the previous year is a prime example. In 2020 your cooperative posted over a four-million-dollar loss. In 2021, we bounced back to over a nine-million-dollar profit without any government assistance through the “Paycheck Protection Program”. While it may seem that everything came together to produce these results, Heritage had to manage many different challenges. We had our supply side challenges throughout the year and continue to incur them. Products like Roundup, salt, and equipment such as tanks became a challenge to obtain. Freight was also hard to find, in addition to considerably rising costs. The challenges of finding people to work has been felt by all as evidenced by the establishments that are either closed or have reduced hours.

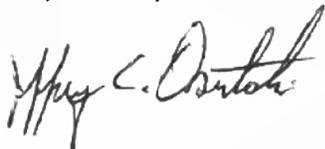
I would like to personally thank the entire Heritage Cooperative team for working together through these challenging times to help mitigate or avoid impacting our partners and customers. Their dedication, hard work and ability to tackle new challenges daily allowed us to fulfill our customer needs in a timely manner. This ranged from keeping locations open as we dealt with Covid-19 to everything it takes to get a field sprayed on time. There are many examples I can cite but in the end our employees truly are the unsung heroes at Heritage Cooperative.

As you look at the financial statements in the annual report, you will see the significant differences in the financial performance of your cooperative from 2020 to 2021. Behind this, all divisions showed positive improvements over results. This allowed the directors to approve patronage refunds back to the member/owners of Heritage Cooperative.

Heritage Cooperative strives to deliver the best quality and value to our partners and customers. One of our core values is “Continuous Improvement”. We are continuing to invest in the cooperative by adding more grain space, updating some of our application machines, reinvesting in our Shur Grow seed brand, digital platforms, and new energy truck software, just to name a few. Also, we can’t forget our investment in our people. This includes providing new challenges, new roles and responsibilities and helping them grow with training inside and outside the cooperative. This becomes more important as the baby boomer generation continues to retire.

Thank you for allowing Heritage Cooperative to be part of your operation and for the opportunity to improve and grow with you.

Respectfully submitted,



Jeffrey C. Osentoski  
President & CEO

# 2021 FINANCIAL REPORT

## BALANCE SHEET

ASSETS	31-Aug-21	LIABILITIES AND EQUITY	31-Aug-21
<b>CURRENT ASSETS</b>		<b>CURRENT LIABILITIES</b>	
Cash and Cash Equivalents	\$ 2,992,776	Notes and Mortgage Loans Payable	\$ 22,691,253
Accounts Receivable, Net of Allowance for Doubtful		Accounts Payable	\$ 18,882,246
Accounts of \$1,000,000 at August 31, 2021	\$ 40,143,342	Grain Payable	\$ 23,827,863
Grain and Miscellaneous Receivables	\$ 16,403,584	Delayed Price and Basis Grain Obligations	\$ 7,390,883
Income Taxes Refundable	\$ 50,000	Customer Prepaid Balances	\$ 5,535,595
Inventory	\$ 60,720,919	Cash Patronage Refunds Payable	\$ 2,355,139
Margin Account Equity	\$ 11,299,499	Unrealized Losses on Forward Contracts	\$ 128,139
Unrealized Gains on Forward Contracts	\$ 4,119,438	Accrued Wages and Taxes	\$ 5,134,488
Prepaid Inventory	\$ 4,555,024	Accrued Interest	\$ 135,572
Prepaid Expenses	\$ 149,115	Other Liabilities	\$ 1,465,439
<b>Total Current Assets</b>	<b>\$ 140,433,697</b>	<b>Total Current Liabilities</b>	<b>\$ 87,546,617</b>
<b>PROPERTY AND EQUIPMENT</b>		<b>LONG-TERM LIABILITIES</b>	
Land	\$ 9,024,052	Long-Term Notes Payable	\$ 20,033,333
Land Improvements	\$ 14,954,540	Interest Rate Swap Agreement	\$ 332,150
Buildings	\$ 59,374,750	Pension and Post Retirement Obligations	\$ 4,246,152
Machinery and Equipment	\$ 84,204,479	<b>Total Long-Term Liabilities</b>	<b>\$ 24,611,635</b>
Office Equipment	\$ 2,188,484	<b>Total Liabilities</b>	<b>\$ 112,158,252</b>
Delivery Equipment	\$ 26,638,660		
Constructions in Progress	\$ 5,541,789	<b>SHAREHOLDERS' AND PATRONS' EQUITY</b>	
<b>Total</b>	<b>\$ 201,926,754</b>	Capital Shares	\$ 509,370
Less: Accumulated Depreciation	\$ 133,943,072	Patrons' Equity	\$ 55,534,590
<b>Total Property and Equipment</b>	<b>\$ 67,983,682</b>	Capital Reserve	\$ 70,866,979
		Accumulated Other Comprehensive Income (Loss)	\$ (3,682,464)
<b>INVESTMENTS AND OTHER ASSETS</b>		<b>Total Shareholders' and Patrons' Equity</b>	<b>\$ 123,228,475</b>
Investments in Cooperatives	\$ 22,535,525	<b>Total Liabilities and Equity</b>	<b>\$ 235,386,727</b>
Investments in Marketable Securities and Other Businesses	\$ 2,764,211		
Cash Surrender Value of Life Insurance	243,531		
Intangible Assets, Net of Amortization	\$ 587,081		
Deferred Taxes	\$ 839,000		
<b>Total Investments and Other Assets</b>	<b>\$ 26,969,348</b>		
<b>Total Assets</b>	<b>\$ 235,386,727</b>		

STATEMENT OF OPERATIONS		FY2021
<b>SALES</b>		
Supply	\$	236,963,708
Marketing	\$	558,642,824
<b>Total Sales</b>	<b>\$</b>	<b>795,606,532</b>
<b>COST OF SALES</b>		
Supply	\$	194,852,350
Marketing	\$	537,281,395
<b>Total Cost of Sales</b>	<b>\$</b>	<b>732,133,745</b>
<b>GROSS MARGIN</b>		
Supply	\$	42,111,358
Marketing	\$	21,361,429
<b>Total Gross Margin</b>	<b>\$</b>	<b>63,472,787</b>
<b>OTHER REVENUE</b>	\$	19,738,146
<b>OPERATING EXPENSES</b>	\$	(74,692,780)
<b>INTEREST EXPENSE</b>	\$	(2,762,782)
<b>SAVINGS (LOSS) FROM OPERATIONS</b>	<b>\$</b>	<b>5,755,371</b>
<b>OTHER INCOME (EXPENSE)</b>		
Patronage Refunds	\$	2,446,631
Income (loss) from Investments in Other Businesses	\$	(25,135)
Investment Income, Net	\$	720,251
Interest Income	\$	94,569
Net Gain on Sale of Property and Equipment	\$	138,990
<b>Total Other Income</b>	<b>\$</b>	<b>3,375,306</b>
<b>SAVINGS (LOSS) BEFORE INCOME TAXES (BENEFIT)</b>	<b>\$</b>	<b>9,130,677</b>
<b>PROVISION (BENEFIT) FOR INCOME TAX</b>	<b>\$</b>	<b>(92,348)</b>
<b>NET SAVINGS (LOSS)</b>	<b>\$</b>	<b>9,223,025</b>

Audited by: Clifton Larson Allen LLP

### Board of Directors

George Rellinger, Lamar Liming, Ken Schilling, Edward Zimmerman III, Randy Campbell, Phil Herring, Raymond Bricker, Dennis Comstock, Mike Graham, Kevin Henry, Adam Graham