

FY2022 ANNUAL REPORT



OUR MISSION

Our mission is to be a trusted partner for the high-quality, dependable products, services and insights that help those who count on us to achieve their goals.

OUR VISION

To provide sustainable solutions and exceptional service that enable current and future generations to achieve success.



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Winthrop, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2022

Officers and Directors

<u>Name</u>	<u>Address</u>	<u>Term Expires</u>	<u>Position</u>
Jeff Manderscheid.....	Olivia, MN.....	2022.....	Chairman
Todd Kettner.....	Winthrop, MN	2023.....	Vice-Chairman
Tyler Stehr.....	Winthrop, MN	2023.....	Secretary/Treasurer
Kevin Lindeman	Brownton, MN	2022	Director
Jeff Franta	Lafayette, MN.....	2024	Director
Ryan Mackenthun	Brownton, MN	2024	Director
Kurt Martens.....	Gaylord, MN.....	2024.....	Director

Management

Mitch Altermatt CEO/General Manager

CONSOLIDATED BALANCE SHEETS
August 31, 2022 and 2021

Assets

	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,048,595	\$ 1,129,067
Receivables		
Current Portion of Notes Receivable	66,603	66,603
Trade – Net of Allowance for Doubtful Accounts of \$1,447,302 (2022) and \$1,198,030 (2021)	15,170,378	11,620,449
Grain in Transit	2,467,510	1,236,314
Other	3,054,899	4,235,635
Margin Accounts	7,359,558	6,420,631
Inventories		
Grain	5,135,819	9,379,124
Agronomy	25,156,228	12,442,595
Energy	1,816,034	1,319,559
Feed and Farm Supply	8,947,641	7,409,114
Consumer Goods and Hardware	15,062	-
Prepaid Inventories	4,649,230	7,332,880
Prepaid Expenses	1,121,730	993,272
Prepaid Income Taxes	-	556,302
Total Current Assets	76,009,287	64,141,545
PROPERTY, PLANT AND EQUIPMENT		
Land	5,921,088	7,744,988
Land Improvements	13,671,643	13,784,303
Buildings and Equipment	84,968,950	84,935,159
	104,561,681	106,464,450
Accumulated Depreciation	(56,010,073)	(53,444,310)
Undepreciated Cost	48,551,608	53,020,140
Construction in Process	786,112	417,845
Net Property, Plant and Equipment	49,337,720	53,437,985
OTHER ASSETS		
Notes Receivable	666,262	1,208,278
Deferred Compensation Plan Assets	49,891	102,641
Intangible Assets	120,000	160,000
Intangible Assets – Other	10,985	20,917
Total Other Assets	847,138	1,491,836
INVESTMENTS		
Equity in Other Organizations	17,205,495	17,949,851
Investments in Other Companies	926,353	1,026,353
Total Investments	18,131,848	18,976,204
TOTAL ASSETS	\$144,325,993	\$138,047,570

CONSOLIDATED BALANCE SHEETS
August 31, 2022 and 2021

Liabilities and Members' Equity

	2022	2021
CURRENT LIABILITIES		
Checks in Excess of Bank Balance	\$ 24,414	\$ 24,451
Current Maturities of Long-Term Notes	3,017,164	5,429,229
Current Maturities of Capital Leases	442,888	239,099
Notes Payable – Seasonal	-	5,822,513
Patron Investments – Demand Notes	4,126,328	1,849,640
Payables		
Trade	7,420,380	7,365,814
Unpaid Grain	13,400,522	7,880,886
Patron Credits	12,802,346	9,632,854
Deferred Payment Contracts	5,118,137	3,833,094
Other	1,599,338	1,557,372
Margin Account	608,234	-
Accrued Expenses		
Property Taxes	592,871	705,809
Interest	142,917	381,005
Income Taxes Payable	27,874	-
Payroll and Payroll Taxes	3,981,437	2,228,279
Other	1,334,042	492,793
Patronage Dividends Payable	2,749,133	2,200,000
Total Current Liabilities	57,388,025	49,642,838
LONG-TERM LIABILITIES – Net of Current Maturities		
Notes Payable	2,050,883	8,526,827
Capital Leases	1,309,763	869,556
Deferred Payment Contracts	17,022	-
Patron Investments – Certificates	2,059,643	744,000
Other	1,953,607	135,641
Total Long-Term Liabilities	7,390,918	10,276,024
DEFERRED INCOME TAXES	904,326	60,360
MEMBERS' EQUITY		
Revolving Funds	21,615,406	21,583,831
Non-Qualified Allocation	6,461,237	8,934,191
Preferred Equity	-	2,465,348
General Reserve	50,566,081	45,084,978
Total Members' Equity	78,642,724	78,068,348
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$144,325,993	\$138,047,570

CONSOLIDATED STATEMENTS OF SAVINGS
Years Ended August 31, 2022 and 2021

	2022	2021
Sales	\$452,461,823	\$366,111,309
Cost of Goods Sold	417,603,412	337,610,900
Gross Savings on Sales	34,858,411	28,500,409
Other Revenue	14,776,033	12,627,066
Total Gross Revenue	49,634,444	41,127,475
Operating Expenses, Including Interest	39,617,921	37,817,745
Operating Savings - Local	10,016,523	3,309,730
Gain from Discontinued Operations	-	205,622
Gain on Extinguishment of Note	-	3,746,500
Patronage Dividend Income	397,255	1,079,248
Savings Before Income Taxes	10,413,778	8,341,100
Income Tax Expense (Benefit)		
Current	320,168	(30,172)
Deferred	843,966	68,542
Net Savings	\$ 9,249,644	\$ 8,302,730

DISTRIBUTION OF NET SAVINGS

Qualified Patronage Dividend Provision		
Cash – 70% (2022) and 100% (2021)	\$ 2,749,133	\$ 2,200,000
Deferred – 30% (2022) and 0% (2021)	1,178,200	-
	3,927,333	2,200,000
Retained Earnings	5,322,311	6,102,730
	\$ 9,249,644	\$ 8,302,730

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended August 31, 2022 and 2021

	Total	Revolving Funds	Non-Qualified Allocation	Preferred Equity	General Reserve
Balance – August 31, 2020	\$74,709,633	\$22,517,837	\$ 9,070,620	\$ 3,920,264	\$39,200,912
Equity Redeemed	(2,389,507)	(854,644)	(79,947)	(1,454,916)	-
Preferred Equity Dividend	(234,468)	-	-	-	(234,468)
Other	(120,040)	(79,362)	(56,482)	-	15,804
Current Year Net Savings	8,302,730	-	-	-	8,302,730
Patronage Dividends					
Current	(2,200,000)	-	-	-	(2,200,000)
Balance – August 31, 2021	78,068,348	21,583,831	8,934,191	2,465,348	45,084,978
Equity Redeemed	(3,662,272)	(1,146,625)	(50,299)	(2,465,348)	-
Non-Qualified Redemption	(2,142,663)	-	(2,142,663)	-	-
Transfers/Adjustments	51,374	-	(279,992)	-	331,366
Preferred Equity Dividend	(172,574)	-	-	-	(172,574)
Current Year Net Savings	9,249,644	-	-	-	9,249,644
Patronage Dividends					
Current	(2,749,133)	-	-	-	(2,749,133)
Deferred	-	1,178,200	-	-	(1,178,200)
Balance – August 31, 2022	\$78,642,724	\$21,615,406	\$ 6,461,237	\$ -	\$50,566,081

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended August 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Savings	\$ 9,249,644	\$ 8,302,730
Adjustments to Reconcile Net Savings to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	4,695,674	4,760,295
Gain on Sale of Property, Plant and Equipment	(1,342,714)	(1,503,647)
Impairment of Property, Plant and Equipment	-	(59,640)
Patronage Dividend Income Received as Equity	(208,743)	(206,270)
Forgiveness of Long-Term Note	-	(3,751,500)
Write-down of Investment	-	6,333
Deferred Income Taxes	843,966	68,542
Employee Retention Credit	1,348,480	-
Change in Assets and Liabilities		
Increase in Receivables	(3,549,176)	(1,415,391)
Increase in Margin Account	(330,693)	(6,229,403)
Increase in Inventories	(10,520,392)	(8,118,067)
(Increase) Decrease in Prepayments on Inventories	2,683,650	(6,260,618)
Increase in Prepaid Expenses	(128,458)	(176,326)
(Increase) Decrease in Prepaid Income Taxes	584,176	(151,825)
Increase in Payables	10,087,688	10,110,788
Increase in Accrued Expenses	2,243,381	127,550
Net Cash Provided by (Used in) Operating Activities	15,656,483	(4,496,449)
Proceeds from Sale of Property, Plant and Equipment	4,197,843	3,013,810
Additions to Property, Plant and Equipment	(3,400,606)	(2,878,156)
(Increase) Decrease in Notes Receivable	542,016	(181,038)
Equity in Other Organizations Redeemed	356,601	307,376
Redemptions from Investments in Other Companies	696,497	42,734
Net Cash Provided by Investing Activities	2,392,351	304,726
Net Borrowings (Repayments) of Short-Term Notes	(5,822,513)	5,822,513
Additional Long-Term Borrowings	-	6,352,711
Repayment of Long-Term Notes	(8,312,100)	(5,041,392)
Net Issuance of Patron Notes and Certificates	2,987,202	78,576
Net Issuance of Capital Leases	643,996	896,805
Redemption of Members' Equity	(3,662,272)	(2,389,506)
Preferred Equity Dividend	(172,574)	(234,468)
Redemption of Non-Qualified Patronage	(2,142,663)	-
Allocated Patronage Dividends Paid in Cash	(2,199,839)	(1,000,000)
Other Financing Activities	551,457	(93,170)
Net Cash Provided by (Used in) Financing Activities	(18,129,306)	4,392,069
Net Increase (Decrease) in Cash	\$ (80,472)	\$ 200,346
Cash – Beginning of Year	1,129,067	928,721
Cash – End of Year	\$ 1,048,595	\$ 1,129,067

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid (Received) During the Year for:

Interest	\$ 1,161,032	\$ 1,355,085
Income Taxes	(547,189)	208,000

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES

Property, Plant and Equipment Acquired through Capital Leases	\$ 1,099,677	\$ 1,108,786
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SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES

Allocated Patronage Dividends	\$ 3,927,333	\$ 2,200,000
Note Forgiveness	-	3,751,500

SUPPLEMENTAL SCHEDULE OF ITEMS INCLUDED IN DISCONTINUED OPERATIONS

Gain on Sale of Property, Plant and Equipment	\$ -	\$ 666,592
Proceeds from Sale of Property, Plant and Equipment	-	2,093,544

FOUR-YEAR SUMMARY

Years Ended

August 31	2022	2021	2020	2019
STATEMENTS OF SAVINGS				
Sales	\$ 452,461,823	\$ 366,111,309	\$ 258,796,204	\$ 269,452,057
Operating Expenses, Including Interest	39,617,921	37,817,745	40,191,867	42,761,709
Operating Savings - Local	10,016,523	3,309,730	2,439,907	(1,443,649)
Net Savings	9,249,644	8,302,730	3,501,167	251,003
Operating Savings (Loss) - Local to:				
Sales	2.21%	0.90%	0.94%	(0.56)%
Equity	12.74%	4.24%	3.27%	(2.32)%

BALANCE SHEETS

Current Assets	\$ 76,009,287	\$ 64,141,545	\$ 42,300,215	\$ 68,922,451
Total Assets	144,325,993	138,047,570	119,626,810	152,295,809
Long-Term Liabilities	7,390,918	10,276,024	13,043,226	17,859,773
Total Members' Equity	78,642,724	78,068,348	74,709,633	73,650,505
Working Capital	18,621,262	14,498,707	10,426,264	8,681,694
Current Assets Ratio	1.32	1.29	1.33	1.14
Ownership Percentage	54%	57%	62%	48%
Local Ownership Percentage	45%	46%	50%	39%
Long-Term Liabilities to PPE	15%	19%	23%	29%

OTHER HIGHLIGHTS

Property, Plant, & Equipment Additions	\$ 3,400,606	\$ 2,715,082	\$ 2,212,042	\$ 1,367,614
Patronage Allocated - Cash	\$ 2,749,133	\$ 2,200,000	\$ 1,000,000	\$ -
Patronage Allocated - Deferred	\$ 1,178,200	\$ -	\$ -	\$ -
Qualified Patronage Retired	\$ 1,195,924	\$ 1,054,631	\$ 815,237	\$ 786,923
Non-Qualified Patronage Retired	\$ 2,142,663	\$ -	\$ -	\$ -
Preferred Stock Dividend	\$ 172,574	\$ 234,468	\$ 274,418	\$ 299,091
Preferred Stock Redeemed	\$ 2,465,348	\$ 1,454,916	\$ 352,384	\$ 19,000
Sales to:				
Property, Plant and Equipment	9.17	6.85	4.56	4.86
Equity	5.75	4.69	3.46	4.11
Expenses	11.42	9.44	5.68	5.91
Personnel Costs	27.41	23.14	12.28	13.30
Working Capital	24.30	25.25	24.82	34.86