TRINITY AG, LLC

SMITH CENTER, KANSAS

AUGUST 31, 2022

SHORT-FORM REPORT

LINDBURG
VOGEL PIERCE FARIS
Chartered

TRINITY AG, LLC
Smith Center, Kansas

OFFICERS AND DIRECTORS
August 31, 2022

MEMBERS

Central Plains Co-op	Smith Center, Kansas
Rangeland Cooperatives, Inc.	Phillipsburg, Kansas
Producers Agricultural Marketing Association, Inc.	Kensington, Kansas

MANAGING BOARD

Rex Mulder	Rangeland Cooperatives, Inc.	Chairman
Dean Panter	Central Plains Co-op	Vice-Chairman
Mitch Miller	Producers Agricultural Marketing Association, Inc.	Secretary
Kerry Ferguson	Producers Agricultural Marketing Association, Inc.	Director
Donald Grauerholz	Producers Agricultural Marketing Association, Inc.	Director
Ron Matteson	Rangeland Cooperatives, Inc.	Director
John Timmons	Central Plains Co-op	Director
Scott Wells	Rangeland Cooperatives, Inc.	Director
John Zabel	Central Plains Co-op	Director
Jr. Hagman	Central Plains Co-op	Associate Director

Bruce Williams	Chief Executive Officer

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Gregory D. Daughhetee, CPA
Kenneth D. Hamby, CPA
Michael R. Meisenheimer, CPA
Nick L. Mueting, CPA
Billy J. Klug, CPA
Randall R. Hofmeier, CPA
Brent L. Knoche, CPA
Brian W. Mapel, CPA
Jeffrey D. Reece, CPA
Brady H. Byrnes, CPA
Alex P. Larson, CPA
Gage B. Kepple, CPA

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Trinity Ag, LLC
Smith Center, Kansas

Opinion

We have audited the accompanying financial statements of Trinity Ag, LLC (the Company) Smith Center, Kansas, which comprise the balance sheets as of August 31, 2022 and 2021, and the related statements of operations, cash flows, and members' capital 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 Trinity Ag, LLC as of August 31, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 these 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 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.

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Auditors' 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 auditors' 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.

Lindburg Vogel Pierce Faris

Certified Public Accountants

Hays, Kansas
November 28, 2022

TRINITY AG, LLC
Smith Center, Kansas

BALANCE SHEETS
August 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	$ 13,676.15	$ 186,055.56
Accounts receivable - trade	2,601,835.46	1,913,337.64
Allowance for doubtful accounts	(100,000.00)	(100,000.00)
Accounts receivable - related party	2,032,966.62	1,685,823.62
Other receivables	529,726.19	401,482.77
Prepaid commodities and expenses	491,656.11	147,090.78
Inventories	6,494,620.34	5,437,263.27
TOTAL CURRENT ASSETS	12,064,480.87	9,671,053.64
INVESTMENTS		
Limited liability companies	4,717,631.01	3,622,074.24
Corporate stock	944,494.57	868,934.38
TOTAL INVESTMENTS	5,662,125.58	4,491,008.62
PROPERTY, PLANT, AND EQUIPMENT		
Cost	8,855,149.99	7,749,272.81
Accumulated depreciation	(3,465,611.06)	(2,306,385.23)
NET PROPERTY, PLANT, AND EQUIPMENT	5,389,538.93	5,442,887.58
TOTAL ASSETS	$ 23,116,145.38	$ 19,604,949.84

LIABILITIES AND MEMBERS' CAPITAL

	2022	2021
CURRENT LIABILITIES		
Accounts, taxes, and expenses payable	$ 2,325,628.21	$ 1,800,864.10
Collections received in advance	577,339.59	399,723.92
Grain handling received in advance - related party	330,329.62	361,266.15
Members' payable - related party	1,052,767.14	42,929.51
Current maturities of notes payable	4,330,131.10	4,260,605.94
Capital lease obligations	413,594.38	344,946.32
TOTAL CURRENT LIABILITIES	9,029,790.04	7,210,335.94
LONG-TERM LIABILITIES, excluding current maturities		
Capital lease obligations	1,417,641.41	1,450,987.10
MEMBERS' CAPITAL	12,668,713.93	10,943,626.80
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$ 23,116,145.38	$ 19,604,949.84

See accompanying notes.

TRINITY AG, LLC
Smith Center, Kansas

STATEMENTS OF OPERATIONS
For Years Ended August 31, 2022 and 2021

	2022	2021
SUPPLY SALES	$ 39,836,150.74	$ 27,610,603.95
COST OF SALES	35,038,906.87	23,657,835.27
GROSS MARGINS ON SALES	4,797,243.87	3,952,768.68
OPERATING INCOME		
Related party		
Earnings	5,605,625.79	3,997,309.20
Grain handling	1,704,888.38	1,490,864.98
Grain storage	1,095,959.63	930,155.17
Trucking income	194,085.09	144,508.31
Application income	925,003.56	936,617.57
Feed mill services	186,130.00	185,167.63
Cleaning and treating	73,513.26	72,919.60
Labor income	142,678.66	132,780.36
Finance charges	94,068.21	90,156.45
Rent and lease income	12,010.74	38,102.52
Miscellaneous income	18,219.12	4,414.54
Loss on disposal of property, plant, and equipment	(6,650.00)	(16,885.24)
Extinguishment of debt	0.00	935,900.00
TOTAL OPERATING INCOME	10,045,532.44	8,942,011.09
GROSS INCOME FROM LOCAL OPERATIONS	14,842,776.31	12,894,779.77
OPERATING EXPENSES		
Personnel costs	5,062,201.72	5,070,927.68
Fixed expenses	2,553,071.77	2,163,164.09
Other operating expenses	3,639,546.33	3,237,673.99
TOTAL OPERATING EXPENSES	11,254,819.82	10,471,765.76
EARNINGS FROM LOCAL OPERATIONS	3,587,956.49	2,423,014.01
OTHER EARNINGS		
Patronage dividends	137,130.64	298,672.67
NET EARNINGS	$ 3,725,087.13	$ 2,721,686.68

See accompanying notes.

TRINITY AG, LLC
Smith Center, Kansas

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash collected (paid)		
Sales	$ 39,341,545.87	$ 28,070,928.98
Cost of sales	(36,165,674.24)	(23,441,394.12)
Interest income	94,068.21	90,156.45
Other operating income	9,598,138.85	7,623,000.28
Interest expense	(260,124.81)	(181,320.84)
Other operating expenses	(9,630,632.76)	(9,253,338.99)
Other earnings	(1,033,986.32)	(1,353,996.51)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,943,334.80	1,554,035.25
CASH FLOWS FROM INVESTING ACTIVITIES		
Long-term investments redeemed	0.00	7,813.93
Property, plant, and equipment purchased	(849,393.89)	(565,357.60)
Property, plant, and equipment sold	1,250.00	9,619.26
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(848,143.89)	(547,924.41)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net short-term borrowing	50,341.59	1,990,791.38
Payment on long-term capital leases	(317,911.91)	(366,165.49)
Members' capital retired	(1,000,000.00)	(2,500,000.00)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,267,570.32)	(875,374.11)
NET INCREASE (DECREASE) IN CASH	(172,379.41)	130,736.73
CASH AT BEGINNING OF YEAR	186,055.56	55,318.83
CASH AT END OF YEAR	$ 13,676.15	$ 186,055.56

	2022	2021
RECONCILIATION OF NET EARNINGS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net earnings	$ 3,725,087.13	$ 2,721,686.68
Items not affecting cash		
Extinguishment of debt	0.00	(935,900.00)
Bad debt expense	617.38	(4,401.27)
Other earnings	(75,560.19)	(226,220.79)
Related party earnings	(1,095,556.77)	(1,426,448.39)
Depreciation expense	1,218,825.83	1,003,761.26
Loss on disposal of property, plant, and equipment	6,650.00	16,885.24
Accounts receivable - trade	(689,115.20)	238,470.50
Accounts receivable - related party	(347,143.00)	(318,969.74)
Other receivables	(128,243.42)	374,250.95
Prepaid commodities and expenses	(344,565.33)	230,138.32
Inventories	(1,057,357.07)	(705,261.03)
Accounts, taxes, and expenses payable	553,995.10	313,644.96
Collections received in advance	177,615.67	238,198.43
Grain handling received in advance	(30,936.53)	7,141.62
Members' payable - related party	29,021.20	27,058.51
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 1,943,334.80	$ 1,554,035.25

NONCASH INVESTING AND FINANCING ACTIVITIES

The Company entered into capital leases for equipment totaling $410,000.00 (less $59,750.00 applied to current lease payments) and $1,016,258.00 for the years ended August 31, 2022 and 2021, respectively. In addition, the Company had $935,900.00 of debt extinguished for the year ended August 31, 2021.

See accompanying notes.

TRINITY AG, LLC
Smith Center, Kansas

STATEMENTS OF MEMBERS' CAPITAL
For Years Ended August 31, 2022 and 2021

	Central Plains Co-op	Rangeland Cooperatives, Inc.	Producers Agricultural Marketing Association, Inc.	Total
BALANCE AT AUGUST 31, 2020	$ 3,007,313.38	$ 3,007,313.37	$ 3,007,313.37	$ 9,021,940.12
Distributions	(400,000.00)	(240,000.00)	(160,000.00)	(800,000.00)
Net earnings	1,173,895.56	853,895.56	693,895.56	2,721,686.68
BALANCE AT AUGUST 31, 2021	3,781,208.94	3,621,208.93	3,541,208.93	10,943,626.80
Distributions	(500,000.00)	(300,000.00)	(200,000.00)	(1,000,000.00)
Net earnings	1,508,362.37	1,188,362.38	1,028,362.38	3,725,087.13
Distributions payable	(433,333.34)	(313,333.33)	(253,333.33)	(1,000,000.00)
BALANCE AT AUGUST 31, 2022	$ 4,356,237.97	$ 4,196,237.98	$ 4,116,237.98	$ 12,668,713.93

See accompanying notes.

TRINITY AG, LLC
Smith Center, Kansas

NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Trinity Ag, LLC (the Company) is a Kansas limited liability company with locations in North Central Kansas. The Company is principally engaged in marketing, handling, and storing grains and in retail sales of agricultural related products to individuals and businesses located in the trade territory. The duration of this limited liability company shall be perpetual except that the Company shall terminate by other limited means provided for in the operating agreement.

The Company has entered into a warehouse operating agreement with AgMark, LLC (AgMark). The warehouse operating agreement grants AgMark the exclusive right and license to manage and operate the Company's grain facilities. The Company receives earnings from AgMark for the grain that has been originated by the Company. The Company is responsible for its proportionate share of costs and expenses for its ownership interest in AgMark.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash equivalents are included in cash. The Company considers interest-bearing investments due on demand as cash equivalents.

Trade Receivables

Accounts receivable originate from nongrain sales and services and are carried at the original invoice amount less any payments and sales discounts. Accounts receivable are due fifteen days after the month end statement date. Any remaining balance not paid on or before the last day of the month following the month of purchase is subject to finance charges. Accounts thirty days past due are considered delinquent. Accounts receivable balances with charges ninety days past the initial statement date as of August 31, 2022 and 2021, were $268,686.56 and $110,623.26, respectively.

The Company provides an allowance for doubtful accounts, which is based upon an evaluation of outstanding trade receivables, historical collection information, and existing economic conditions. Delinquent accounts are written off based on individual credit evaluation and specific circumstances of the customer. Recoveries of trade receivables previously written off are recorded when received.

Trade receivables with credit balances and prepayments by customers for undelivered products or services are classified as collections received in advance.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Net realizable value is the estimated selling price less reasonably predictable costs of completion, disposal, and transportation.

Derivatives, Financial Instruments, and Hedging Activities

The Company's derivative instruments primarily consist of over-the-counter contracts. These contracts are economic hedges of price risk, but these contracts, as defined under FASB ASC 815-10 "Derivatives and Hedging," are not designated or accounted for as hedging instruments for accounting purposes. All derivative instrument contracts are recorded on the Company's balance sheets at fair value as discussed in Note 10—Fair Value Measurements. Outstanding contract obligations and financial position location of these contracts are discussed in Note 13—Derivative Transactions and Contract Obligations. The change in the derivative's fair value has been recognized in cost of sales in current earnings.

The Company's commodity contracts primarily relate to fertilizer and energy commodities. The Company uses commodity contracts to provide pricing opportunities and commodity availability. To reduce the price change risks associated with holding fixed price commitments, the Company generally takes opposite and offsetting positions by entering into over-the-counter contracts, to the extent practical, in order to arrive at a net commodity position within the formal position limits it has established and deemed prudent for each commodity. The price risk the Company encounters for energy commodities it handles is hedged with over-the-counter contracts. Price risk associated with fertilizer is not hedged and as a result, the Company is at risk for price volatility for quantities in excess of forward sales commitments. Forward contracts for fertilizer and energy commodities are accounted for as normal purchases and sales transactions. The Company expects all normal purchases and sales transactions to result in physical settlement. Hedging arrangements do not protect the Company from nonperformance by counterparties to contracts.

The Company has elected to not offset the fair value amounts of derivative instruments and the fair value amounts of the right to reclaim or the obligation to return cash collateral arising from derivative instruments recognized at fair value executed with the same counterparty under a master netting arrangement. The Company has receivables of $166,539.64 and $5,075.25, which approximate fair value for the right to reclaim cash collateral against net derivative positions at August 31, 2022 and 2021, respectively. Such amounts have been included in the prepaid commodities and expenses caption on the balance sheets.

Investments

Investments in limited liability companies are accounted for under the equity method. Under the equity method, investments are recorded at cost and adjusted for the Company's share of the investment profits, losses, and distributions.

Investments that are purchased in cooperatives are valued at cost less any impairment in the value that is not temporary in nature. Investments that represent qualified allocated equities in cooperatives are valued at the face amount of the allocation less any redemptions, write-downs, or loss for impairment. Investments that represent nonqualified allocated equities are valued at the amount of the allocation less any estimated allowance for doubtful redemptions based upon an evaluation of the potential redemption, less any redemptions, write-downs, or loss for impairment.

The investee cooperatives' patronage earnings or losses vary substantially from year to year, and interim operating results are not available. Accordingly, patronage allocations of earnings or losses for which notification has not been received cannot be reasonably determined. Patronage allocations are credited or charged to other earnings or losses.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of plant or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses are included in the results of operations.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. The Company uses other depreciation methods (accelerated) for tax purposes when appropriate.

Revenue Recognition

The Company has analyzed the provisions of FASB ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to confirm with the new standard. Sales and revenue are recognized at a specific point-in-time when ownership, risks, and rewards transfer.

Retail and wholesale sales of supplies and income from services provided to customers are recognized when the product is delivered or the service is performed. Earnings from AgMark, LLC (AgMark) are recognized based on the Company's fiscal year September 1 through August 31. Grain handling income is recognized when the grain is sold by AgMark. Volume discounts on sales or services are recognized when the revenue is recognized. Cash discounts that relate to early payment agreements are recognized when the payment is received. Sales transactions that result in sales or other tax assessments are recorded on the net of tax method.

Storage income is computed on a daily basis on unsettled grain delivered to the Company by its customers.

Extinguishment of Debt

The Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Company received this loan under the PPP, which is being accounted for under the guidance in ASC 470—*Debt*. Under ASC 470, the loan is derecognized when the Company receives notification that all debts had been forgiven and recorded the extinguishment of debt in operating income during the year ended August 31, 2021.

Advertising

The Company expenses advertising as incurred. Advertising costs for the years ended August 31, 2022 and 2021, were $95,023.83 and $59,381.92, respectively.

Income Taxes

The financial statements do not include a provision for income taxes because the Company does not incur federal or state income taxes as a limited liability company. Instead, its income or losses are included in its members' income tax returns and are taxed based on their tax strategies.

Subsequent Events

Management has evaluated subsequent events through November 28, 2022, the date which the financial statements were available for issue.

NOTE 2—INVENTORIES

A summary of inventories is as follows:

	2022	2021
Agronomy	$ 4,161,788.42	$ 3,601,126.95
Petroleum	1,197,728.29	797,308.83
Farm supply	638,111.67	522,710.56
Feed	496,991.96	516,116.93
	$ 6,494,620.34	$ 5,437,263.27

NOTE 3—INVESTMENTS

A summary of investments is as follows:

	2022	2021
AgMark, LLC - 17.77% ownership	$ 4,717,631.01	$ 3,622,074.24
CHS, Inc.	891,773.09	832,423.74
Other cooperatives	52,721.48	36,510.64
	$ 5,662,125.58	$ 4,491,008.62

The limited liability companies investments held by the Company includes an ownership interest in AgMark, LLC (AgMark). The Company is represented on the AgMark board of directors and participates in the policy process of this company. Accordingly, this investment is accounted for under the equity method. Relevant financial information for AgMark as of August 31, the latest available audited financial information, is as follows:

	2022	2021
Assets	$ 163,563,750.44	$ 196,997,457.05
Liabilities	117,158,673.86	158,503,898.62
Equity	$ 46,405,076.58	$ 38,493,558.43
Revenues	$ 978,467,512.55	$ 711,240,537.99
Cost and expenses	940,760,514.21	677,328,176.83
Net income	$ 37,706,998.34	$ 33,912,361.16
The Company's share of net income	$ 6,701,585.42	$ 4,927,464.37

Redemptions and transfers of the investments in cooperatives are substantially restricted. Redemptions are at the discretion of the issuing cooperative and are normally based on their profitability.

NOTE 4—PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment is as follows:

	2022	2021
Land	$ 19,240.00	$ 9,000.00
Crop production	4,199,573.84	3,879,339.38
Elevator equipment	1,238,346.82	1,172,776.82
Petroleum equipment	1,124,303.31	846,434.56
Office and equipment	548,477.29	544,073.35
Machinery and equipment	523,697.88	531,197.88
Pickups	520,731.73	475,053.09
Feed equipment	680,779.12	291,397.73
	8,855,149.99	7,749,272.81
Accumulated depreciation	(3,465,611.06)	(2,306,385.23)
	$ 5,389,538.93	$ 5,442,887.58

NOTE 5—NOTES PAYABLE AND LONG-TERM LIABILITIES

A summary of notes payable and long-term liabilities is as follows:

	2022	2021
CoBank, ACB (a)		
Seasonal note due March 1, 2023		
(unadvanced commitment $4,049,488.57)	$ 3,950,511.43	$ 4,260,605.94
Drafts outstanding (b)	379,619.67	0.00
Capital lease obligations (c)	1,831,235.79	1,795,933.42
	6,161,366.89	6,056,539.36
Current maturities	(4,743,725.48)	(4,605,552.26)
	$ 1,417,641.41	$ 1,450,987.10

(a) Under the terms of the agreement, the Company has pledged substantially all of its assets as collateral. The note agreement contains a number of restrictive covenants, including a minimum working capital requirement of $2,700,000.00. In addition, the Company's debt and contingent liabilities to other lenders or finance companies is also restricted.

As of August 31, 2022, the interest rate charged on the seasonal note was 5.17%. Interest rates are variable and subject to change to reflect current rates.

(b) Drafts outstanding are outstanding checks, which will advance on the seasonal note when presented for payment.

(c) Present value of minimum lease payments; refer to Note 6—Capital Lease Obligations.

Interest costs for the years ended August 31, 2022 and 2021, aggregated $251,542.25 and $195,429.55, respectively.

Notes payable and long-term liabilities mature during the fiscal years ending August 31 in the following amounts:

	Notes Payable	Capital Lease Obligations	Total
2023	$ 4,330,131.10	$ 413,594.38	$ 4,743,725.48
2024	0.00	675,863.25	675,863.25
2025	0.00	213,184.17	213,184.17
2026	0.00	390,477.90	390,477.90
2027	0.00	138,116.09	138,116.09
	$ 4,330,131.10	$ 1,831,235.79	$ 6,161,366.89

NOTE 6—CAPITAL LEASE OBLIGATIONS

The Company is the lessee of equipment under capital leases expiring through 2027. The assets and liabilities under these capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the assets. Depreciation of assets under capital leases is included in depreciation expense.

Capital Lease Equipment	2022	2021
2 - 2019 Case IH SPX sprayers	$ 829,152.00	$ 829,152.00
2 - 2020 Case IH SPX 4440 sprayers	761,258.00	761,258.00
2017 RBR Venturi 350 applicator	423,594.00	423,594.00
2020 RBR Venturi 400 floater	410,000.00	0.00
2017 Case IH 4540 floater	255,000.00	255,000.00
2 Hyster S40FTS forklifts	48,628.00	48,628.00
Hyster H50XT forklift	28,147.00	28,147.00
2014 TerraGator 8400 applicator	0.00	120,000.00
	2,755,779.00	2,465,779.00
Accumulated depreciation	(1,145,150.41)	(709,005.44)
	$ 1,610,628.59	$ 1,756,773.56

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of August 31, 2022:

Year Ending		Amount
2023	$	470,400.04
2024		709,129.14
2025		230,974.88
2026		398,045.60
2027		139,541.79
		1,948,091.45
Amount representing interest		(116,855.66)
Present value of minimum lease payments	$	1,831,235.79

NOTE 7—MEMBERS' CAPITAL

Equity Interests

Interests of a member may be transferred and/or new members may be admitted to the Company only upon the unanimous consent of the members and upon such terms and conditions, as such consent may specify in accordance with the Company's operating agreement.

Allocation of Income and Losses

Income for each fiscal year shall be allocated among the members in accordance with the Company's operating agreement by a tiered percentage up to an earnings level and then shared equally among equity interest holders. Losses are shared equally among equity interest holders.

Limited Liability of Members

The members are individually liable for the Company's debts or liabilities to the extent of their capital account.

NOTE 8—EMPLOYEE RETIREMENT AND BENEFIT PLANS

Defined Benefit Plan

The Company is one of approximately three hundred and fifty employers that contributes to the Co-op Retirement Plan (the "Plan"), which is a defined benefit plan constituting a "multiple employer plan" under the Internal Revenue Code of 1986, as amended, and a "multi-employer plan" under the FASB Accounting Standards Master Glossary. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers;

b. If a participating employer stops contributing to the Plan, the unfunded obligation of the Plan may be borne by the remaining participating employers; and

c. If the Company chooses to stop participating in the multi-employer plan, the Company may be required to pay the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

The Company's participation in the Plan as of August 31 is as follows:

Plan Name	Number EIN	Number Plan	Contributions 2022	Contributions 2021
Co-op Retirement Plan	01-0689331	001	$ 203,842.81	$ 234,300.95

The Company's contribution for the years stated above constitute its total contributions made to all multi-employer plans and did not represent more than 5% of total contributions to the Plan as indicated in the Plan's most recently available annual report (Form 5500). There have been no significant changes that affect comparability of the 2022 and 2021 contributions. Plan-level information is included in Form 5500, and therefore, is available in the public domain.

Defined Contribution Retirement Plan

The Company participates in a retirement plan under section 401(k) of the Internal Revenue Code. Under the terms of the Plan, employees may make contributions up to 50% of their annual compensation, but not to exceed the limitations of the Internal Revenue Code. The Company makes matching contributions of 100% of the first 1% of employee contributions. The Company's expense for the years ended August 31, 2022 and 2021, was $20,496.58 and $19,655.86, respectively.

NOTE 9—RELATED PARTY TRANSACTIONS

Directors and Employees

The Company sells supplies to and purchases grains from the board of directors and certain employees. The aggregate of these transactions is not significant to the financial statements.

Facility and Management Agreements

The Company has entered into a series of agreements with its members, Central Plains Co-op, Rangeland Cooperatives, Inc., and Producers Agricultural Marketing Association, Inc. to manage and operate their facilities in their common trade territory. The Company retains all income and is responsible for all losses and expenses associated with these operations. The terms for these agreements are concurrent with the Company's operating agreement.

Warehouse Operating Agreement

The Company has an investment, receivable, and deferred income with AgMark, LLC (AgMark). In consideration for the warehouse operating agreement with the Company, AgMark has agreed to pay the Company a "put-through" payment of 12 cents per bushel for all grain receipts. The Company's share of earnings in AgMark is included in operating income in the accompanying statements of operations.

At August 31, 2022 and 2021, the Company's net receivable from AgMark was $1,650,004.58 and $1,264,478.00, respectively, for grain purchases, freight, handling, and earnings distribution from AgMark.

NOTE 10—FAIR VALUE MEASUREMENTS

The Company has determined the fair value of certain assets and liabilities through application of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10 regarding fair value measurements. FASB ASC 820-10 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Company's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of 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 three levels of the fair value hierarchy are described below:

- Level 1 inputs - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs - are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 inputs - are unobservable inputs for assets or liabilities.

	Fair Value	Significant Other Observable Inputs (Level 2)
Fair value measurements at August 31, 2022, are as follows:		
Assets		
Energy		
Over-the-counter contracts	$ 159,428.49	$ 159,428.49
Fair value measurements at August 31, 2021, are as follows:		
Assets		
Energy		
Over-the-counter contracts	$ 100,248.62	$ 100,248.62

Over-the-Counter Contracts

Over-the-counter traded contracts are valued based on prices quoted from dealers of over-the-counter contracts and classified within Level 2.

Equity in Other Cooperatives

The Company believes it is not practical to estimate the fair value of investments in other cooperatives because there is no established market for these investments and it is inappropriate to estimate future cash flows, which are dependent on future earnings and the redemption policies of the other cooperatives.

Notes Payable and Long-Term Liabilities

The carrying amount of borrowings on notes payable approximates their fair value as the interest rate of the underlying instruments re-price according to market conditions.

As of August 31, 2022, the fair value of $1,831,235.79 capital lease obligations for which the interest rates are fixed, based upon borrowing rates currently available to the Company for debt issues with similar terms and maturities, is $1,751,043.63. As of August 31, 2021, carry about of capital lease obligations for which the interest rates are fixed approximated fair value.

NOTE 11—CONCENTRATIONS OF CREDIT RISK

Cash in Banks

At various times, the Company may have deposits in local financial institutions, which exceed Federal Deposit Insurance Corporation limits. Management believes that credit risk related to these deposits is minimal.

Accounts Receivable

The Company grants credit to patrons of the members, most of whom are local agricultural producers. The Company has the right to set off any amount it owes patrons against receivables due from patrons.

Cooperative Investments

The Company maintains investments in equities of cooperatives from which it purchases or sells products. See Note 3—Investments to the financial statements. A substantial portion of the business of these investees is dependent on the agribusiness economic sector.

NOTE 12—COMMITMENTS AND CONTINGENCIES

Grain Storage Liabilities

The Company is licensed for grain storage under the public warehouse license of AgMark, LLC. Under the AgMark, LLC Warehouse Operation Agreement, damage to grain stocks is the Company's responsibility. Grain delivered by individual customers can be commingled with other deliveries but must be stored in a licensed warehouse or approved temporary storage facility. The Company is required to maintain the grain in the same quantity, classification, and grade to match a representative quality equivalent to stored grain for all customers. The storage and handling of fungible grain products have an inherent risk of deterioration. Any deficiencies in both quantity and quality are recorded in these financial statements as a charge to current operations.

Input Recourse Program

The Company is contingently liable for obligations between patrons of the members and The Cooperative Finance Association, Inc. (CFA) under an input financing program. The Company guarantees a portion of these loans between the patrons and CFA. At August 31, 2022 the amount guaranteed to CFA on outstanding loan commitments of $1,031,974.13 amounted to $258,939.60.

NOTE 13—DERIVATIVE TRANSACTIONS AND CONTRACT OBLIGATIONS

The fair value of over-the-counter commodity derivatives is as follows:

	Balance Sheet Location	2022	2021
Derivative assets			
Over-the-counter contracts	Inventories	$ 246,955.15	$ 109,879.97
Derivative liabilities			
Over-the-counter contracts	Inventories	$ (87,526.66)	$ (9,631.35)

Gains and (losses) on commodity derivatives are located in cost of sales on the statements of operations. Net gains on over-the-counter contracts for the years ended August 31, 2022 and 2021, were $624,345.33 and $60,514.12, respectively.

The Company's purpose for entering into derivatives and its overall risk management strategies are disclosed in Note 1—Summary of Significant Accounting Policies.

At August 31, 2022, the Company had the following outstanding contracts, which have not been recognized in the accompanying financial statements:

	Contracts	
	Purchased	Sold
Energy products - gallons	350,000	670,354
Over-the-counter energy contracts - gallons	345,000	45,000
Fertilizer products - tons	926	1,325

Energy products are contracts for sales of refined fuels. The Company offsets the price risk with contracted purchase and over-the-counter contracts.

Fertilizer products are contracted purchases and sales prior to the application season. Contracts are made to guarantee the availability of inventories and lock in the price. The Company offsets the price risk by sales contracts to customers. Sales commitments for fertilizer products in excess of purchase commitments are covered by inventories on hand.