



2021 Annual Report



Two Rivers
Cooperative

OTLEY • PELLA • MONROE • TRACY



2021 Annual Report

TWO RIVERS COOPERATIVE - PELLA, IOWA

NAME, POSITION	TERM EXPIRES
Scott Marshall, <i>PRESIDENT</i>	2023
Brad Rietveld, <i>VICE-PRESIDENT</i>	2022
Matt Overbergen, <i>SECRETARY</i>	2023
Scott De Prenger, <i>TREASURER</i>	2021
Greg Van Walbeek, <i>DIRECTOR</i>	2021
Bryce Kelderman, <i>DIRECTOR</i>	2021
Rob Vos, <i>DIRECTOR</i>	2022
Joel Gritters, <i>DIRECTOR</i>	2022
Steve Nunnikhoven, <i>DIRECTOR</i>	2023
Shane VanWyk, <i>ASSOCIATE DIRECTOR</i>	2021
Floyd Uitermarkt, <i>ASSOCIATE DIRECTOR</i>	2022

Tracy Gathman, *GENERAL MANAGER*

Incorporated	JANUARY 1920
Annual Meeting Date	WITHIN 150 DAYS OF CLOSE OF YEAR
Under Chapter 499 of the Code of	IOWA

Balance Sheets - August 31, 2021 & 2020

ASSETS

CURRENT ASSETS

	2021	2020
Cash	\$ 2,220,543	\$ 13,419
Receivables		
Notes & Contracts	27,183	16,236
Trade – Net of Allowance for Doubtful Accounts of \$28,203 (2021) and \$61,825 (2020)	1,715,684	1,507,308
Grain in Transit	47,806	1,158,570
Other	95,441	30,231
Margin Account	1,783,639	204,219
Inventories		
Grain	1,761,051	1,033,120
Merchandise	4,209,793	3,505,546
Petroleum	510,563	453,696
Prepaid Expenses & Purchases	1,876,646	1,332,807
Total Current Assets	14,248,349	9,255,152

PROPERTY, PLANT & EQUIPMENT

Land	426,376	426,376
Buildings & Equipment	30,482,770	30,812,622
	30,909,146	31,238,998
Accumulated Depreciation	(18,640,221)	(18,386,204)
Net Property, Plant & Equipment	12,268,925	12,852,794

OTHER ASSETS

Notes & Contracts	44,246	35,053
Prepaid Pension	189,370	78,090
Total Other Assets	233,616	113,143

EQUITY IN OTHER ORGANIZATIONS

	5,026,533	5,046,897
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TOTAL ASSETS

	\$ 31,777,423	\$ 27,267,986
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The accompanying notes are an integral part of the financial statements.

LIABILITIES & MEMBERS' EQUITY

CURRENT LIABILITIES

	2021	2020
Checks Written in Excess of Bank Balance	\$ 0	\$ 463,901
Current Maturities of Long-Term Debt	1,000,000	1,000,000
Notes Payable - Operating Payables	0	547,714
Trade	4,103,827	1,233,799
Customer Credit Balances & Prepaid Sales	3,031,144	824,860
Unpaid Grain	2,078,919	1,667,015
Other	23,294	24,382
Accrued Expenses		
Property Taxes	273,033	275,196
Interest	16,951	18,459
Other	315,965	191,919
Equity Revolvement	190,754	0
Total Current Liabilities	11,033,887	6,247,245

LONG-TERM LIABILITIES

Notes Payable – Net of Current Maturities	3,512,500	5,114,800
Deferred Income Taxes	508,452	412,736
Total Long-Term Liabilities	4,020,952	5,527,536

MEMBERS' EQUITY

Class A Common	70,800	70,500
Class B Common	23,050	23,850
Preferred Stock Local	732,386	925,917
Preferred Stock Regional	1,720,149	1,730,517
Preferred Stock Non-Qualified – Local	2,098,811	2,102,365
Preferred Stock Non-Qualified – Regional	1,752,894	1,755,312
Accumulated Other Comprehensive Income	189,370	78,090
Allocated Patronage Dividends	415,000	0
Retained Savings	9,720,124	8,806,654
Total Members' Equity	16,722,584	15,493,205

TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 31,777,423	\$ 27,267,986
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The accompanying notes are an integral part of the financial statements.

Statement of Savings - August 31, 2021 & 2020

	2021	2020
Sales	\$76,168,378	\$ 61,934,282
Cost of Goods Sold	69,748,036	56,208,611
Gross Savings on Sales	6,420,342	5,725,671
Other Operating Revenue	2,528,653	2,746,127
Total Gross Revenue	8,948,995	8,471,798
Operating Expenses, Including Interest	8,402,226	8,759,206
Operating Savings (Loss)	546,769	(287,408)
Patronage Dividend Income	268,841	403,613
Debt Forgiveness Income	602,300	0
Savings Before Income Taxes	1,417,910	116,205
Income Tax Expense (Benefit)	95,716	(52,047)
Net Savings	\$ 1,322,194	\$ 168,252

DISTRIBUTION OF NET SAVINGS

Patronage Dividends		
Non-Qualified	\$ 415,000	\$ 0
Retained Savings	907,194	168,252
	\$ 1,322,194	\$ 168,252

The accompanying notes are an integral part of the financial statements.

Statement of Comprehensive Income - August 31, 2021 & 2020

	2021	2020
Net Savings	\$ 1,322,194	\$ 168,252
Other Comprehensive Income		
Frozen Pension Plan Adjustment	111,280	13,688
Total Comprehensive Income	\$1,433,474	\$ 181,940

The accompanying notes are an integral part of the financial statements.





Statement of Member's Equity - August 31, 2021 & 2020

	TOTAL	CAPITAL STOCK	
		CLASS A COMMON	CLASS B COMMON
Balance – August 31, 2019	\$15,339,123	\$70,650	\$24,300
Stock Issued	1,100	750	350
Estate & Retirement Program Paid	(43,270)	(1,002)	(800)
Transfers	0	102	0
Regional Preferred Redeemed Less Than Par	14,312	0	0
Overaccrual of Prior Year Patronage	0	0	0
Comprehensive Income	181,940	0	0
Balance – August 31, 2020	15,493,205	70,500	23,850
Stock Issued	1,450	1,350	100
Estate & Retirement Program Paid	(21,067)	(1,050)	(900)
Regional Preferred Redeemed Less Than Par	6,276	0	0
Comprehensive Income	1,433,474	0	0
Preferred Stock Revolvement	(190,754)	0	0
Patronage Dividends Allocation			
Deferred – Non-Qualified	0	0	0
Balance – August 31, 2021	\$16,722,584	\$70,800	\$23,050

The accompanying notes are an integral part of the financial statements.



Statement of Member's Equity - August 31, 2021 & 2020

CAPITAL STOCK

QUALIFIED		NON-QUALIFIED		ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ALLOCATED PATRONAGE DIVIDENDS	RETAINED SAVINGS
LOCAL PREFERRED	REGIONAL PREFERRED	LOCAL PREFERRED	REGIONAL PREFERRED			
\$ 934,264	\$1,755,486	\$1,751,828	\$1,759,453	\$ 64,402	\$ 355,000	\$8,623,740
0	0	0	0	0	0	0
(8,245)	(24,968)	(4,112)	(4,143)	0	0	0
(102)	(1)	(1)	2	0	0	0
0	0	0	0	0	0	14,312
0	0	354,650	0	0	(355,000)	350
0	0	0	0	13,688	0	168,252
925,917	1,730,517	2,102,365	1,755,312	78,090	0	8,806,654
0	0	0	0	0	0	0
(2,777)	(10,368)	(3,554)	(2,418)	0	0	0
0	0	0	0	0	0	6,276
0	0	0	0	111,280	0	1,322,194
(190,754)	0	0	0	0	0	0
0	0	0	0	0	415,000	(415,000)
\$ 732,386	\$1,720,149	\$2,098,811	\$1,752,894	\$ 189,370	\$ 415,000	\$9,720,124

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows - August 31, 2021 & 2020

CASH FLOWS FROM OPERATING ACTIVITIES	2021	2020
Net Savings	\$ 1,322,194	\$ 168,252
Adjustments to Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities		
Patronage Dividends Income Received as Equity	(78,020)	(108,452)
Depreciation	1,466,169	1,478,495
Gain on Sale of Property, Plant & Equipment	(266,990)	(1,200)
Bad Debt Expense	12,608	38,598
Debt Forgiveness Income	(602,300)	0
Deferred Income Tax Expense (Benefit)	95,716	(52,047)
Changes in Assets & Liabilities		
(Increase) Decrease in Receivables	813,623	(664,723)
Increase in Margin Account	(1,579,420)	(40,267)
Increase in Inventories	(1,489,045)	(466,907)
(Increase) Decrease in Prepaid Expenses	(543,839)	295,855
Increase (Decrease) in Payables	5,487,128	(1,050,547)
Increase (Decrease) in Accrued Expenses	311,129	(164,637)
Net Cash Provided by (Used in) Operating Activities	4,948,953	(567,580)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property, Plant & Equipment	(1,032,209)	(1,161,974)
Proceeds from Sale of Property, Plant & Equipment	416,899	1,200
Increase in Notes and Contracts	(9,193)	(16,376)
Equity in Other Organizations Redeemed	98,384	72,120
Net Cash Used in Investing Activities	(526,119)	(1,105,030)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Checks Written in Excess of Bank Balance	(463,901)	229,337
Net Borrowings (Payments) Under Line of Credit Agreement	(547,714)	547,714
Additional Borrowings on Long-Term Debt	0	602,300
Retirement of Long-Term Debt	(1,000,000)	(1,000,000)
Stock Issued	1,450	1,100
Stock Redeemed	(205,545)	(28,958)
Net Cash Provided by (Used in) Financing Activities	(2,215,710)	351,493

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows - August 31, 2021 & 2020

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	2021	2020
Net Increase (Decrease) in Cash	\$2,207,124	\$(1,321,117)
Cash – Beginning of Year	13,419	1,334,536
Cash – End of Year	\$2,220,543	\$ 13,419

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	2021	2020
Cash Paid (Refunded) During the Year for:		
Interest	\$ 327,287	\$ 379,781
Income Taxes	0	(5,000)

SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES	2021	2020
Allocated Patronage Dividends – Non-Qualified	\$ 415,000	\$ 0
Debt Forgiveness Income	602,300	0

The accompanying notes are an integral part of the financial statements.



Independent Auditor's Report

To the Board of Directors
Two Rivers Cooperative
Pella, Iowa

We have audited the accompanying financial statements of Two Rivers Cooperative, Pella, Iowa, which comprise the balance sheets as of August 31, 2021 and 2020, and the related statements of savings, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Two Rivers Cooperative, Pella, Iowa, as of August 31, 2021 and 2020, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

November 2, 2021

Gardiner + Company P.C.

Notes to Financial Statements

Note 1: Organization & Nature of Business

The Company was incorporated in 1920 under Iowa Law and is operating as a cooperative for the mutual benefit of its members. Voting common stock ownership is limited to agricultural producers on a one share—one vote premise. Net savings on business transacted by members is allocated to them on the books of the Corporation or paid to them through patronage dividends.

The Company operates a licensed public grain warehouse; provides grain marketing and related services, sells feed, petroleum and agronomy in and around Marion, Jasper and Mahaska counties in Iowa.

The Company's gross revenues were derived from:

	2021	2020
Agronomy Sales & Related Services	34%	30%
Grain Sales & Related Services	25	26
Petroleum Sales & Related Services	26	27
Feed Sales & Related Services	10	14
Other Merchandise Sales & Services	5	3

COMPREHENSIVE INCOME REPORTING

The Company accounts for comprehensive income in accordance with the Comprehensive Income Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which requires comprehensive income and its components to be reported when a company has items of other comprehensive income. Comprehensive income includes net income plus other comprehensive income (i.e., certain revenues, expenses, gains and losses reported as separate components of stockholders' equity rather than in net income).

RECEIVABLES, NET

Receivables are shown on the balance sheet net of the allowance for doubtful accounts for book purposes. The amount of the allowance is based on historical bad debt experience and a current evaluation of the aging and collectability of receivables. For tax purposes, uncollectible amounts are charged against current operations and no allowance for doubtful accounts is maintained.

Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the accounts receivable and the related allowance may change in the near term.

Trade receivables with credit balances have been included in the customer credit balances and prepaid sales as a current liability.

Note 2: Summary of Significant Accounting Policies

The significant accounting practices and policies are summarized below.

GRAIN IN TRANSIT

In accordance with industry practice on contracts, subject to final grade and weight determination at the destination point, the Company consistently records a sale at the time grain is shipped.

HEDGING

The Company generally follows a policy of hedging its grain transactions to protect gains and minimize losses due to market fluctuations. Gains and losses from these hedge transactions are reflected in the margins of the respective commodity.

INVENTORIES

Commodity inventories such as grain and fuels are valued at market (realizable value adjusted for freight, test weights, discounts and other differentials), including a provision for gains or losses on future sales and purchase commitments.

Merchandise inventories are valued at lower cost (first-in, first-out method) or net realizable value. Net realizable value is the estimated

selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

PROPERTY, PLANT & EQUIPMENT

Land, buildings and equipment are stated at cost. Depreciation methods are discussed in Note 5.

Maintenance and repairs are expensed as incurred. Expenditures for new facilities and those which increase the useful lives of the buildings and equipment are capitalized. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses on the dispositions are recognized in earnings.

EQUITY IN OTHER ORGANIZATIONS

Equities in other organizations are recorded at cost, plus unredeemed patronage dividends received in the form of capital stock and other equities. Cooperative stocks are not transferable, thereby precluding any market value, but they may be used as collateral in securing

Note 2: Summary of Significant Accounting Policies (Continued)

loans. Patronage dividends received are recognized as income and any impairment of equities is not recognized by the Company until formal notification is received, or when there has been permanent impairment of the carrying value of the investment. Redemption of these equities is at the discretion of the various organizations.

MEMBERS' EQUITY

Common stock may be issued only to members who are agricultural producers or other users. Equities are issued and/or redeemed at par value. All equity transactions require Board of Director approval.

PATRONAGE DIVIDEND INCOME

Patronage refunds from other cooperatives are recognized as income in the year the Company receives notification from the distributing cooperative.

DISTRIBUTION OF NET SAVINGS

Net savings is allocated to patrons on a patronage basis, based on taxable income and in accordance with the articles and bylaws of the Company.

Patronage refunds to members of the cooperative may take the form of either qualified or nonqualified written notices of allocation. The terms qualified and nonqualified refer to the tax aspect of a refund. For a patronage refund to be qualified as an income tax deduction for the Company at least 20% of the refund must be paid in cash. A nonqualified refund then, is a refund where less than 20% of the refund is paid to the member in cash and does not qualify as a tax deduction for the Company.

Unallocated savings, after provision for income taxes, is accounted for as an addition to unallocated retained savings.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company provides a wide variety of products and services, from production agricultural inputs such as livestock feeds, crop nutrients, fuels and other farm supplies, to grain marketing, storage and drying services, agronomy spreading and spraying, transportation, and other agricultural related services. Sales are recorded upon transfer of title, which could occur at the time commodities are shipped or upon receipt by the customer, depending on the terms of the transaction. Service revenues are recorded once such services have been rendered. A large portion of the Company's revenues are attributable to forward commodity sales contracts, which are considered to be physically settled derivatives under ASC 815, Derivatives and Hedging (Topic 815).

Revenues arising from derivative contracts accounted for under ASC 815 are specifically outside the scope of ASC Topic 606 and therefore not subject to the provisions of the new revenue recognition guidance. As such, the impact of adoption of the new revenue guidance has only been assessed for revenue from contracts that are not accounted for as derivative arrangements.

Substantially all of the Company's revenue recognition obligations are satisfied at a given point in time as sales are made to end-users and services are rendered.

The Company also receives prepayments from its customers for products and services to be sold or performed in future periods. As the Company's policy is to recognize revenue as performance obligations have been met, the amounts received by the Company under this industry normal transactions are deferred as revenue in the Company's Balance Sheet. The Company had customer prepayments and credit balances deferred accordingly in the amounts of \$3,031,144 and \$824,860 as of August 31, 2021 and 2020, respectively. The Company expects to complete its performance obligations via point in time sales transactions over the course of the next fiscal year.

SALES TAXES

Various entities impose a sales tax on specific categories of the Company's sales. The Company collects the sales tax from patrons and remits the entire amount to the respective taxing authorities. The Company excludes the tax collected and remitted from sales and the cost of sales, respectively.

INCOME TAXES

The Company, as a non-exempt cooperative, is taxed on non-patronage earnings and any patronage earnings not paid or allocated to patrons.

The Company evaluates uncertain tax benefits arising from tax positions taken or expected to be taken based upon the likelihood of being sustained upon examination by applicable tax authorities. If the Company determines that a tax position is more likely than not of being sustained, it recognizes the largest amount of the arising benefit that is greater than 50% likely of being realized upon settlement in the financial statements. Any tax positions taken or expected to be taken that do not pass the more likely than not test, the Company establishes reserves offsetting the benefits related to such positions. Interest and penalties, if any, are included in the current period provision for income taxes in the Company's statements of savings and are included as a current liability in the balance sheets.

DEFERRED INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The principal temporary differences are due to the use of different financial reporting and income tax methods for depreciation, bad debts, inventory capitalization and compensated absences.

LEASES

Leases which meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the fair value of the leased properties at the beginning of the respective lease terms. Such assets are amortized evenly over the related lease terms of their economic lives. Leases which do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred.

ADVERTISING EXPENSES

The Company's advertising expenses are charged against income during the year in which they are incurred. Total advertising costs charged to expense for the years ended August 31, 2021 and 2020 are \$184,162 and \$224,662, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. They are used to manage well-defined commodity price risks. The Company may use futures, forward, option and swap contracts to reduce the volatility of grain and fuels. These contracts permit final settlement by delivery of the specified commodity. These contracts are not designated as hedges as defined by the Derivatives and Hedging Topic of the FASB ASC. Unrealized gains or losses are recognized in the valuation of the respective commodity's ending inventory.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not under duress. Nonperformance or credit risk is considered when determining the fair value of liabilities. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

DEBT FORGIVENESS

The Company has elected to account for the forgivable debt under FASB ASC 470-50, *Debt Modifications and Extinguishments* and FASB ASC 405-20, *Extinguishment of Liabilities*. Forgivable debt received from a government entity was accounted for as debt until debt extinguishment occurs when the Company is legally released from being the obligor. Upon release, the Company recognized the forgiven amount as income in the Statements of Savings.

Note 3: Concentrations of Risk

CREDIT RISK – FINANCIAL INSTITUTIONS

The Company had deposits with financial institutions in excess of insured limits in the amount of \$1,105,048 and \$0 at August 31, 2021 and 2020, respectively.

CREDIT RISK – RECEIVABLES

The Company is a locally owned agri-business supplier with facilities in Marion, Jasper and Mahaska counties. In the normal course of business, the Cooperative grants credit to customers, substantially all of whom are agricultural producers and members of the Cooperative residing and/or operating in the above-mentioned counties under standard terms without collateral. As these receivables are concentrated in the agricultural industry, collection of the receivables may be dependent upon economic returns from farm crop and livestock production. Additionally, the Company grants credit to other customers purchasing processed agricultural products in trade areas beyond the above counties. The Company's credit risks are continually reviewed and management believes that adequate allowances have been made for doubtful accounts.

CREDIT RISK – SUPPLIERS

The Company historically prepays for or makes deposits on undelivered inventories. Concentration of credit risk with respect to inventory advances, are primarily with a few major suppliers of agricultural inputs.

OFF-BALANCE SHEET RISK – COMMODITY CONTRACTS

Realized and unrealized gains and losses from futures and forward hedge contracts and commitments are included in gross savings. There is the possibility that future changes in market prices may make these contracts more or less valuable, thereby, subjecting them to market risk. Risk arises from changes in the value of these contracts and commitments and the potential inability of counterparties to perform under the terms of the contracts. There are numerous factors which may significantly influence the value of these contracts and commitments, including market volatility.

Note 4: Related Party Transactions

The Company, organized on a cooperative basis, conducts a substantial portion of their operations with members (owners) of the Company and has ownership interest in various regional cooperatives from whom they purchase products for resale and sell products to.

The Company sells supplies to and purchases grain from the Board of Directors and certain employees. The aggregate of these transactions is not significant to the financial statements.

The Company had trade receivables due from directors and employees of \$40,721 and \$52,653 as of August 31, 2021 and 2020, respectively.

The Company had patron credit balances due to directors and employees of \$365,486 and \$8,055 as of August 31, 2021 and 2020, respectively.

Note 5: Property, Plant & Equipment

The August 31, 2021 cost of depreciable assets by depreciation method is as follows:

	LIFE IN YEARS	STRAIGHT-LINE	DECLINING BALANCE	TOTAL
Buildings	7-50	\$11,471,943	\$ 0	\$11,471,943
Equipment	3-33	15,004,464	141,425	15,145,889
Vehicles	3-10	3,864,938	0	3,864,938
		\$30,341,345	\$141,425	\$30,482,770

The August 31, 2020 cost of depreciable assets by depreciation method is as follows:

	LIFE IN YEARS	STRAIGHT-LINE	DECLINING BALANCE	TOTAL
Buildings	7-50	\$11,471,943	\$ 0	\$11,471,943
Equipment	3-33	15,047,654	141,425	15,189,079
Vehicles	3-10	4,151,600	0	4,151,600
		\$30,671,197	\$141,425	\$30,812,622

Depreciation expense in the amount of \$1,466,169 and \$1,478,495 has been charged against operations for the years ended August 31, 2021 and 2020, respectively.

Note 6: Equity in Other Organizations

Equity in other cooperatives consist of purchased equities, which are valued at cost, and equities received as patronage dividend income, which are carried at face value. Losses are recognized on these investments when the Company receives formal notification of loss allocations from the investee, or when there has been permanent impairment of the carrying value of the investment. Redemption of

these equities is at the discretion of the various organizations, thereby making it impracticable to estimate future cash flows from these investments.

At August 31, 2021 and 2020 the Company had equity in other cooperatives as follows:

	2021	2020
CHS, Inc.	\$2,919,131	\$2,978,519
Land O'Lakes, Inc.	1,229,942	1,213,552
CoBank, ACB	376,638	359,165
The Cooperative Finance Association, Inc.	222,933	230,207
Ag Processing, Inc.	265,634	253,198
Others	12,255	12,256
	\$5,026,533	\$5,046,897

Note 7: Unpaid Grain

Unpaid grain at August 31, 2021 and 2020 consisted of deferred payment, price later, priced not paid and extended price grain contracts. Deferred payment, priced not paid and extended price contracts represents grain on which title has passed to the Company with payment to be made at a later date. Price later contracts represent grain on which title has passed to the Company with a price to be

fixed at a later date. The Company includes these bushels as purchases and reflects the corresponding liability based on the bid price at August 31.

The contracts as of August 31, 2021 and 2020 are summarized as follows:

	2021		2020	
PRICE LATER CONTRACTS	BUSHEL	AMOUNT	BUSHEL	AMOUNT
Corn	38,467	\$ 192,046	143,900	\$ 448,696
Soybeans	15,435	190,237	27,040	240,253
		<u>382,283</u>		<u>688,949</u>
DEFERRED PAYMENT CONTRACTS				
Corn	200,336	1,210,909	106,447	344,619
Soybeans	23,532	327,054	20,031	143,175
		<u>1,537,963</u>		<u>487,794</u>
PRICED NOT PAID CONTRACTS				
Corn	22,818	146,637	44,336	148,091
Soybeans	896	12,036	0	0
		<u>158,673</u>		<u>148,091</u>
EXTENDED PRICE CONTRACTS				
Corn	0	0	262,000	758,200
Soybeans	0	0	70,000	524,747
		<u>0</u>		<u>1,282,947</u>
LESS: ADVANCES				
		0		940,766
		<u>\$2,078,919</u>		<u>\$1,667,015</u>



Note 8: Financing Arrangements

Information regarding financing at August 31, 2021 and 2020 is as follows:

LENDER	INTEREST RATE	BALANCE		REPAYMENT BASIS
		2021	2020	
CoBank, ACB				
RI0302T01	3.24%*	\$1,712,500	\$2,112,500	\$100,000 due Quarterly thru 11-20-25; Balance 02-20-26
CoBank, ACB				
RI0302T03-A	3.24%*	2,800,000	3,400,000	\$150,000 due quarterly thru 02-20-26; balance due 05-20-26.
Community First Credit Union				
0001	1.00%	0	602,300	Loan was fully forgiven by the SBA on 12-30-20.
		4,512,500	6,114,800	
Less: Current Maturities		1,000,000	1,000,000	
Long-Term Debt		\$3,512,500	\$5,114,800	

Seasonal borrowings in effect at August 31, 2021 and 2020 are as follows:

LENDER	INTEREST RATE	BALANCE		REPAYMENT BASIS
		2021	2020	
CoBank, ACB-SO1	2.99%*	\$0	\$547,714	Due 07-01-22

*Denotes continuously variable interest rate.

The CoBank, ACB notes are secured by a first mortgage lien on all real property owned by the Company and a security agreement covering all personal property, including inventory and accounts receivable arising from the sale thereof, subject only to first mortgages and security agreements for other contracts. They are further secured by \$376,638 of equity in CoBank, ACB.

The loan with Community First Credit Union is under the Small Business Administration Paycheck Protection Program. The loan was forgiven and included in income during fiscal year August 31, 2021.

The loan agreements with CoBank, ACB, contain restrictive and affirmative covenants which provide, among other things; (1) restrictions on incurring additional indebtedness, (2) making loans to any one person or entity outside the ordinary course of business, (3) limitations on the type and amount of guarantees, and (4) maintaining certain levels of working capital on a monthly and year-end basis. The Company did incur additional indebtedness with Community First Credit Union, however, CoBank has waived any action on non-compliance.

Loan commitments in effect at August 31, 2021 and 2020, were as follows:

OPERATING	2021	2020
CoBank, ACB	\$10,000,000	\$10,000,000
Term – CoBank, ACB	4,512,500	5,512,500

Aggregate annual maturities of the long-term debt outstanding at August 31, 2021, are as follows:

MATURITY DATE - YEAR ENDING AUGUST 31

2022	\$1,000,000
2023	1,000,000
2024	1,000,000
2025	1,000,000
Thereafter	512,500
	\$4,512,500

Interest expense charged to operations at August 31, 2021 and 2020 was \$325,779 and \$363,052, respectively.

Note 9: Capital Stock

At August 31, 2021 and 2020, capital stock consisted of the following:

	PAR VALUE	SHARES AUTHORIZED	SHARES OUTSTANDING	
			2021	2020
Class A Common Stock	\$150	3,000	472	470
Class B Common Stock	50	2,000	461	477
Class A Preferred Stock	1	6,000,000	732,386	925,917
Class B Preferred Stock	1	6,000,000	855,951	857,875
Class C Preferred Stock	1	3,000,000	0	0
Class D Preferred Stock	1	3,000,000	864,198	872,642
Class E Preferred Stock	1	6,000,000	2,098,811	2,102,365
Class F Preferred Stock	1	6,000,000	1,752,894	1,755,312
Class G Preferred Stock	1	6,000,000	0	0
Class H Preferred Stock	1	6,000,000	0	0
Class I Preferred Stock	1	6,000,000	0	0
Class J Preferred Stock	1	6,000,000	0	0
Class K Preferred Stock	1	6,000,000	0	0
Class L Preferred Stock	1	6,000,000	0	0
Class M Preferred Stock	1	6,000,000	0	0
Class N Preferred Stock	1	6,000,000	0	0
Class O Preferred Stock	1	6,000,000	0	0

All stock will be issued at its par value. The Company may pay dividends not to exceed eight percent per year of par value on Classes G and H Preferred Stock, but will not pay dividends on any other class

of its stock. Class A Common Stock is the only class of stock with voting rights. A person may only own one share of common stock.

Note 10: Pension Plans

Substantially all of the Company's employees participate in the Coop Retirement Plan, which is a multiple employer defined benefit plan that is funded by contributions from employer and employees and provides for monthly income for life upon retirement or upon total and permanent disability. The amount of benefits is based upon length of service and compensation. The plan is administered by United Benefits Group.

The Company intends to continue to participate in the plan indefinitely; however, it may voluntarily discontinue the plan at any

time. The Company's annual contributions are consistently charged to expenses as they are due. The plan, which has no funding deficiencies, uses the aggregate cost method of valuations. Under this method, the normal cost is adjusted each year to reflect the experience under the plan, automatically spreading gains or losses over future years. The relative position of each employer associated with the plan, with respect, to the actuarial present value of accumulated benefits is not determinable.

Note 10: Pension Plans (Continued)

The Company is one of approximately 300 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 “multiemployer plan” under the FASB Accounting Standards Master Glossary. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

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

The Company’s participation in the Plan, including administration costs, for the years ended August 31, 2021 and 2020 is outlined in the table below:

PLAN NAME	EIN	PLAN NUMBER	CONTRIBUTIONS	
			2021	2020
Co-op Retirement Plan	01-0689331	001	\$168,069	\$199,481

The Company’s contributions for the years stated above constitute its total contributions made to all multiemployer plans and did not represent more than 5 percent 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 the comparability of 2021 and 2020 contributions. Plan-level information is included in Form 5500 and therefore is available in the public domain.

The Company participates in a 401(k) thrift plan administered by Associated Benefits Corporation. The plan covers full-time employees over 21 years of age who have completed at least four months of continuous employment. Presently, only employee

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

c. The Company intends to participate in the plan indefinitely, however it may voluntarily elect to discontinue the plan at any time, and may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability that could be material to the financial statements.

contributions are being made to the plan. The Company paid administration fees for the years ended August 31, 2021 and 2020 in the amount of \$11,611 and \$14,719, respectively.

Prior to the merger, employees of Farmers Cooperative Exchange and its joint venture Cornerstone Feeds participated in separate defined benefit plans administered by Associated Benefits Corporation. Each of these plans has been frozen and will remain frozen until each plan is terminated. The Company made no contributions to the plan for the years ended August 31, 2021 and 2020.

Termination surplus (deficit) for each of the plans for the years ended August 31, 2021 and 2020 were as follows:

	2021	2020
Farmers Cooperative Exchange	\$182,647	\$80,727
Cornerstone Feeds	6,723	(2,637)
	\$189,370	\$78,090

The Company made no contributions to the plan for the years ended August 31, 2021 and 2020.

The effects of any curtailments of the plan were not reasonably estimable at August 31, 2021 and 2020, and accordingly, the Company has not reflected any gains or losses.

Note 11: Income Taxes

Components of the provision for income tax expense (benefit) for the years ended August 31, 2021 and 2020 was as follows:

	2021	2020
Deferred Income Tax Expense (Benefit)	\$95,716	\$(52,047)

Total income tax expense for the years ended August 31, 2021 and 2020, was less than the normal amount computed by applying the U.S. federal income tax rate to savings before income taxes primarily because of the surtax exemption, permanent timing differences, and temporary timing differences creating deferred income taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income

tax purposes. Deferred taxes are classified as current or non-current, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from timing differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the timing differences are expected to reverse.

Amounts for deferred tax assets and liabilities at August 31, 2021 and 2020 are as follows:

DEFERRED TAX ASSETS (LIABILITIES) – NON-CURRENT

	2021	2020
Depreciation	\$(1,897,214)	\$(1,823,114)
Non-Qualified Allocation	1,271,063	1,273,033
Net Operating Loss	66,810	75,515
Accrued Compensated Absences	32,475	31,099
Allowance for Doubtful Accounts	9,307	20,402
263A	9,107	8,237
Acquired Customer List	0	2,092
	\$ (508,452)	\$ (412,736)

The Company files tax returns with the Internal Revenue Service and the State of Iowa.

At August 31, 2021 the Company has available an unused net operating loss carry forward of \$202,456 that may be applied against

future taxable income. The carry forward will expire August 31, 2032.

The Company has available unused federal tax credits totaling \$154,759. The tax credits have a twenty year carry forward and will begin to expire August 31, 2033.

Note 12: Operating Leases

The Company has various non-cancelable and cancelable operating leases on property and equipment. Total lease expense for the years ended August 31, 2021 and 2020 was \$21,732 and \$699, respectively.

Note 13: Fair Value Measurements

The Company determines the fair market value of its instruments as of August 31, 2021 and 2020 based on the three levels of fair value hierarchy which are:

- Level 1** Values are based on unadjusted quoted prices in active markets for identical assets or liabilities. These assets or liabilities include commodity derivative contracts on the Chicago Board of Trade.
- Level 2** Values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities exchanged in inactive markets.
- Level 3** Values are based on unobservable inputs reflecting management's own assumptions and best estimates that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

Note 13: Fair Value Measurements (Continued)

The following table sets forth assets and liabilities measured at fair value and the respective levels to which fair value measurements are classified within the fair value hierarchy:

FAIR VALUES AS OF AUGUST 31, 2021

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets				
Forward Contracts – Grain	\$ 0	\$ 237,034	\$0	\$ 237,034
Futures Contracts – Grain	360,833	0	0	360,833
Futures Contracts – Fuels	778,439	0	0	778,439
Grain Inventories	0	1,524,017	0	1,524,017
Fuel Inventories	0	398,661	0	398,661
	\$1,139,272	\$2,159,712	\$0	\$3,298,984

Financial Liabilities

Forward Contracts – Fuels	0	\$ 48,248	0	48,248
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FAIR VALUES AS OF AUGUST 31, 2020

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets				
Forward Contracts – Grain	\$ 0	\$ 1,584	\$0	\$ 1,584
Forward Contracts – Fuels	0	8,223	0	8,223
Grain Inventories	0	1,031,536	0	1,031,536
Fuel Inventories	0	277,585	0	277,585
	\$0	\$1,318,928	\$0	\$1,318,928

Financial Liabilities

Futures Contracts – Grain	\$ 11,400	\$ 0	\$0	\$ 11,400
Futures Contracts – Fuels	159,108	0	0	159,108
	\$170,508	\$0	\$0	\$170,508

The carrying value of the Company's other financial instruments, consisting principally of cash, trade receivables, accounts payable, lines of credit and other obligations, approximates fair value due to the short-term maturity of these instruments. The carrying value of long-term borrowings approximates fair value as the interest the

Company could obtain on similar debt instruments approximate the interest rates of current debt obligations. The Company's investments in other cooperatives are stated at cost. There is no established market for these investments, and it is not otherwise practical to determine the fair value of investments in cooperatives.



Note 14: Derivative Financial Instruments & Hedging Activities

The Company's purpose for entering into derivative and its overall risk management strategies are discussed in Note 2. The fair value of commodity derivatives is presented in Note 13. Additional information regarding the fair value of derivative transactions is as follows:

DERIVATIVE ASSETS:	BALANCE SHEET LOCATION	FAIR VALUE AS OF AUGUST 31	
		2021	2020
Open Futures Contracts	Margin Account	\$1,139,272	\$(170,508)

In addition, gains and losses on commodity derivatives are located in gross savings on sales in the Statements of Savings. Net gains on commodity futures contracts amounted to \$3,075,458 and \$296,960 for the years ended August 31, 2021 and 2020, respectively.

Note 15: Commitments & Contingencies

- a. The Company is contingently liable for any weight or grade deficiencies that may occur at time of delivery on the following bushels of grain in storage under warehouse receipts or awaiting disposition at August 31, 2021:

DAILY POSITION RECORD (DPR)	CORN	OATS	SOYBEANS
Open Storage	90,595	74	42,829
Company Owned – Unpaid	261,621	0	39,863
Company Owned – Paid	19,892	1,458	(30,863)
Total Company Owned	281,513	1,458	9,000
Total Stocks Per DPR	372,108	1,532	51,829

- b. The Company is subject to various federal and state regulations regarding the care, delivery and containment of products which the Company handles and has handled. The Company is contingently liable for any associated costs which could arise from the handling, delivery and containment of these products. These costs cannot be determined at present. While resolution of any such costs in the future may have an effect on the Company's financial results for a particular period, management believes any such future costs will not have a material adverse effect on the financial position of the Company as a whole.
- c. The Company has entered into an agreement with The Cooperative Finance Association, Inc., where The Cooperative Finance Association, Inc. will provide input financing to certain company patrons. The Company agrees to perform services regarding the origination, servicing, and collection of completed documents from patrons and related parties. The Company will guarantee 0%–100% of the total non-collectible producer loan amounts, as well as 0%–100% of any expenses incurred by The Cooperative Finance Association, Inc., in the collection or attempted collection of any patron loan. Total outstanding balances as of August 31, 2021, are as follows:

Outstanding Principal Balance	\$1,282,280
Accrued Interest	21,826
Guarantee Amount	367,436

Note 16: Subsequent Events

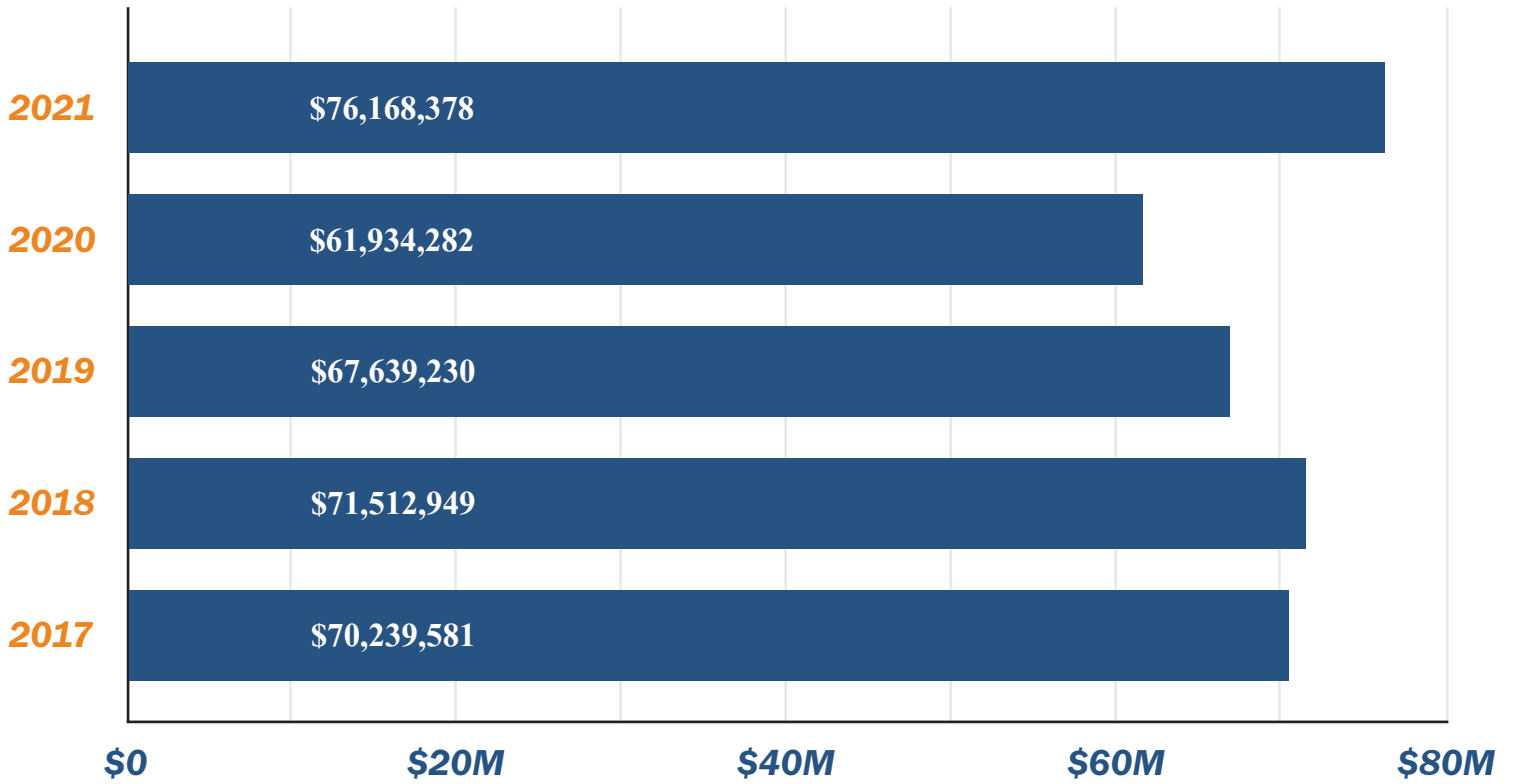
The Company has considered the effect, if any, that events occurring after the balance sheet date and up to November 2, 2021 have on the financial statements as presented. This date coincides with the date the financial statements were available to be issued.

Annual Meeting 2021 - Years in Review

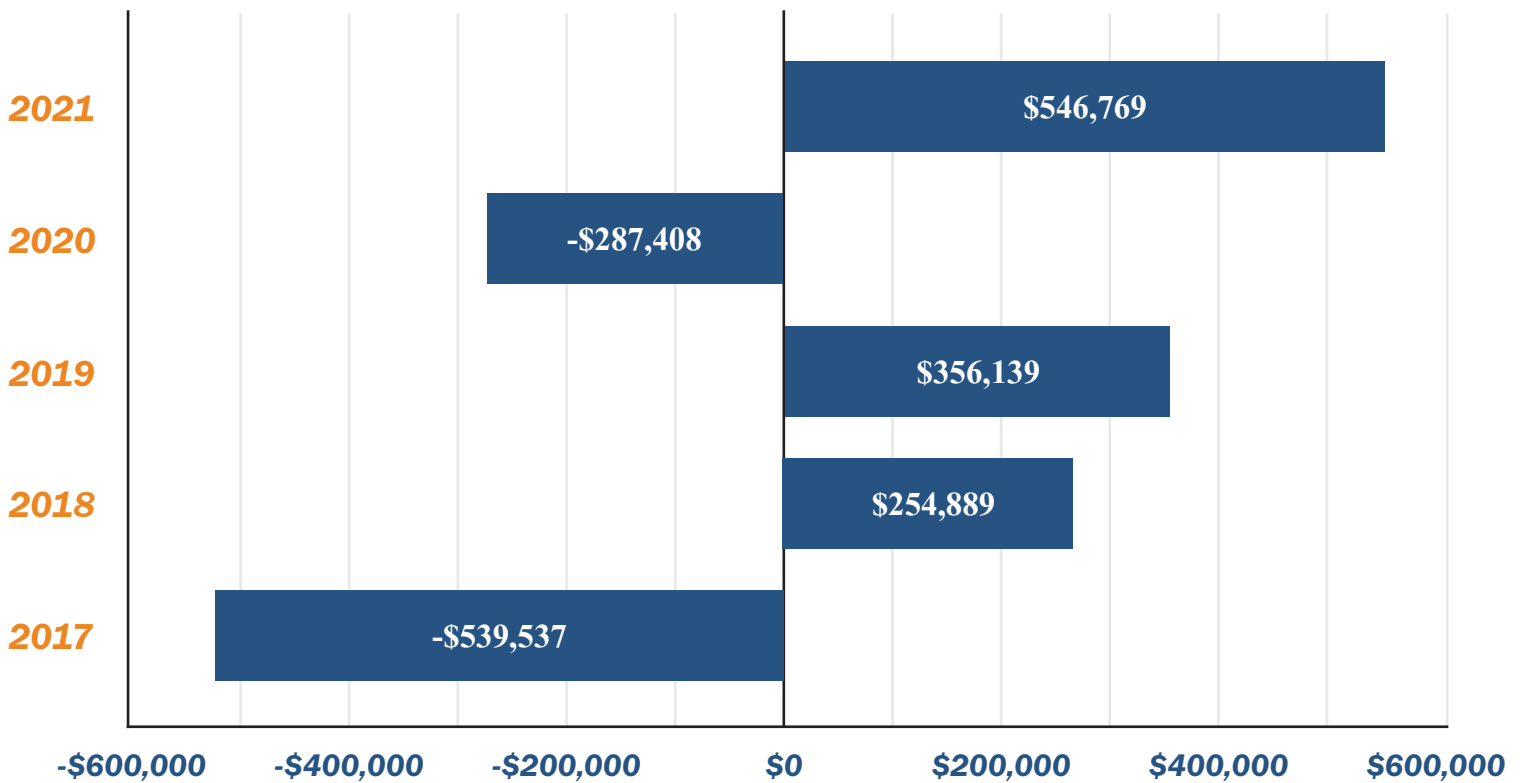
	2021	2020	2019	2018	2017
Total Sales	\$76,168,378	\$61,934,282	\$67,639,230	\$71,512,949	\$70,239,581
Local Savings	\$546,769	-\$287,408	\$356,139	\$254,889	-\$539,537
Total Savings	\$1,322,194	\$168,252	\$762,192	\$890,894	\$69,232
Total Member's Equity	\$16,722,584	\$15,493,205	\$15,339,123	\$14,751,013	\$13,873,578
Cash Returned to Members	\$205,545	\$28,958	\$170,143	\$75,409	\$40,538
Fixed Asset Expenditures	\$882,300	\$1,161,974	\$1,034,771	\$417,678	\$3,374,612



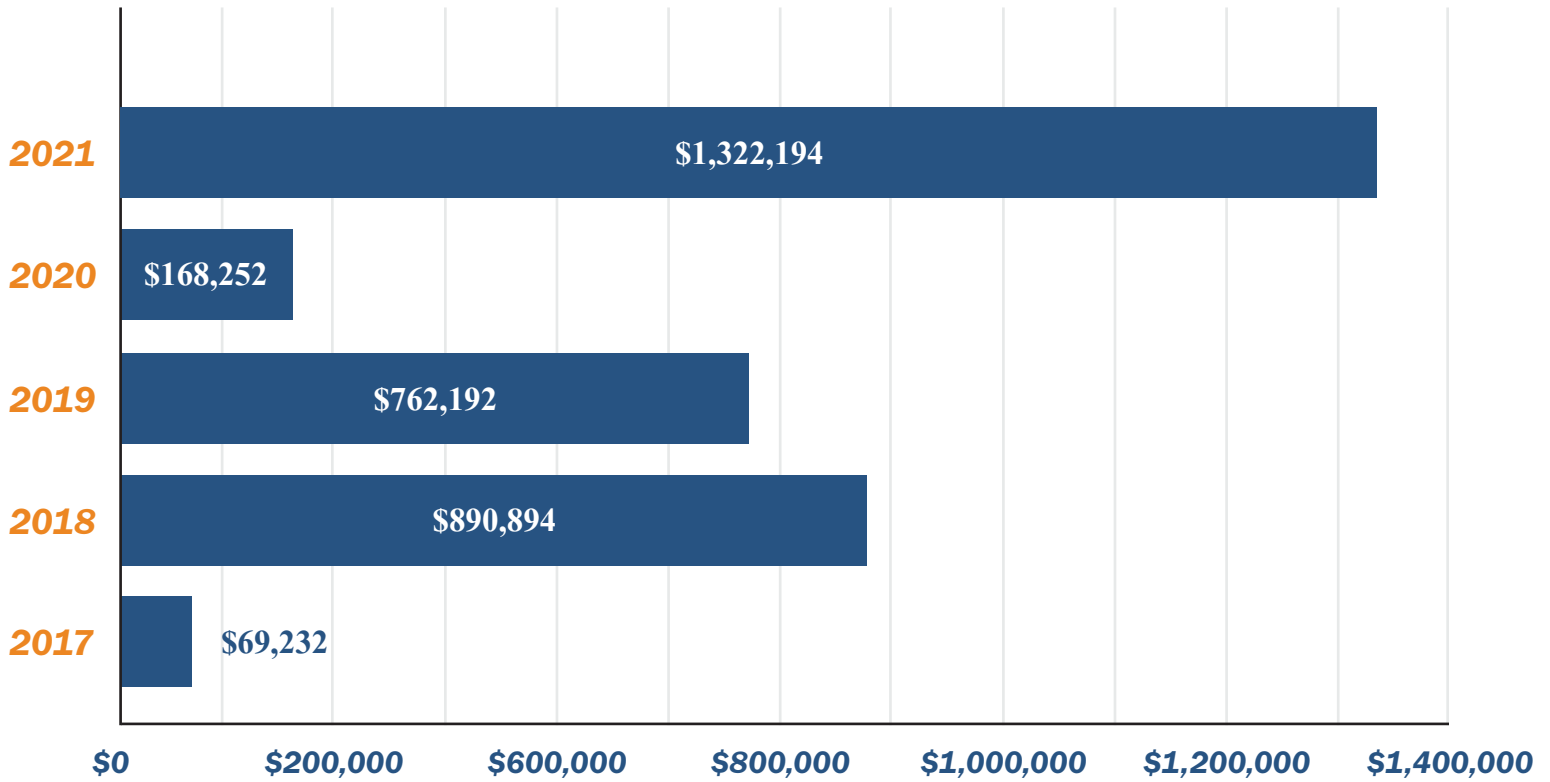
ANNUAL SALES



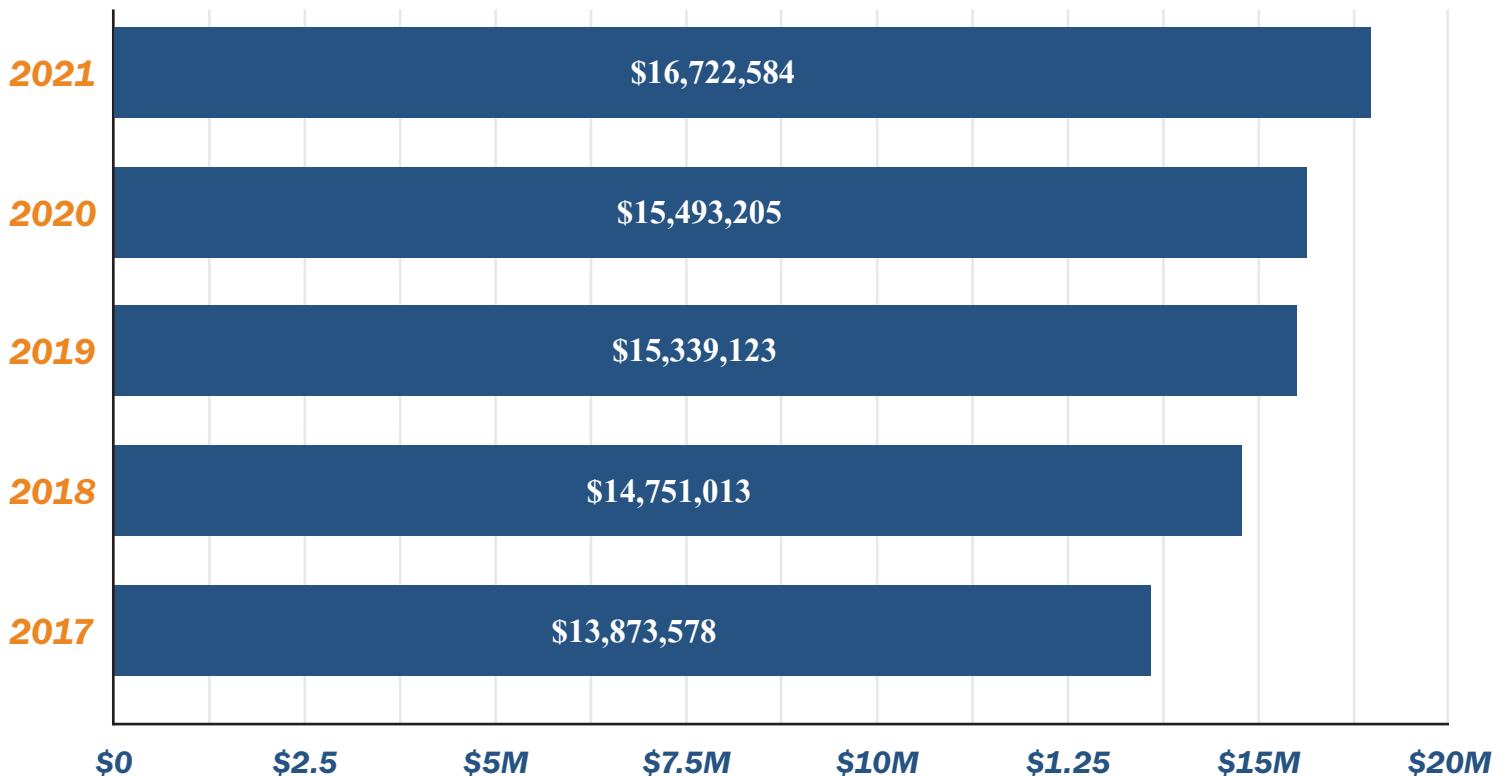
LOCAL SAVINGS



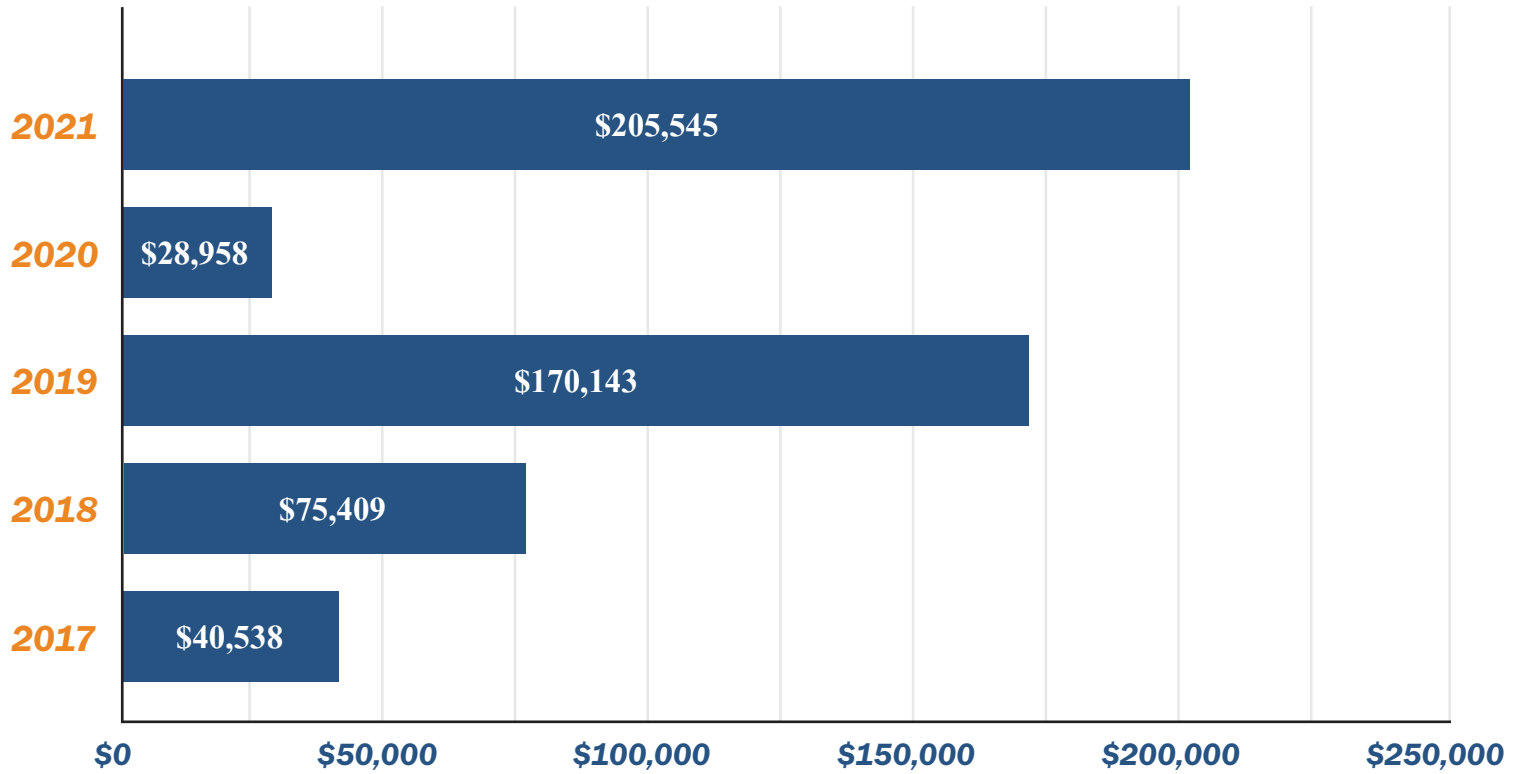
TOTAL SAVINGS



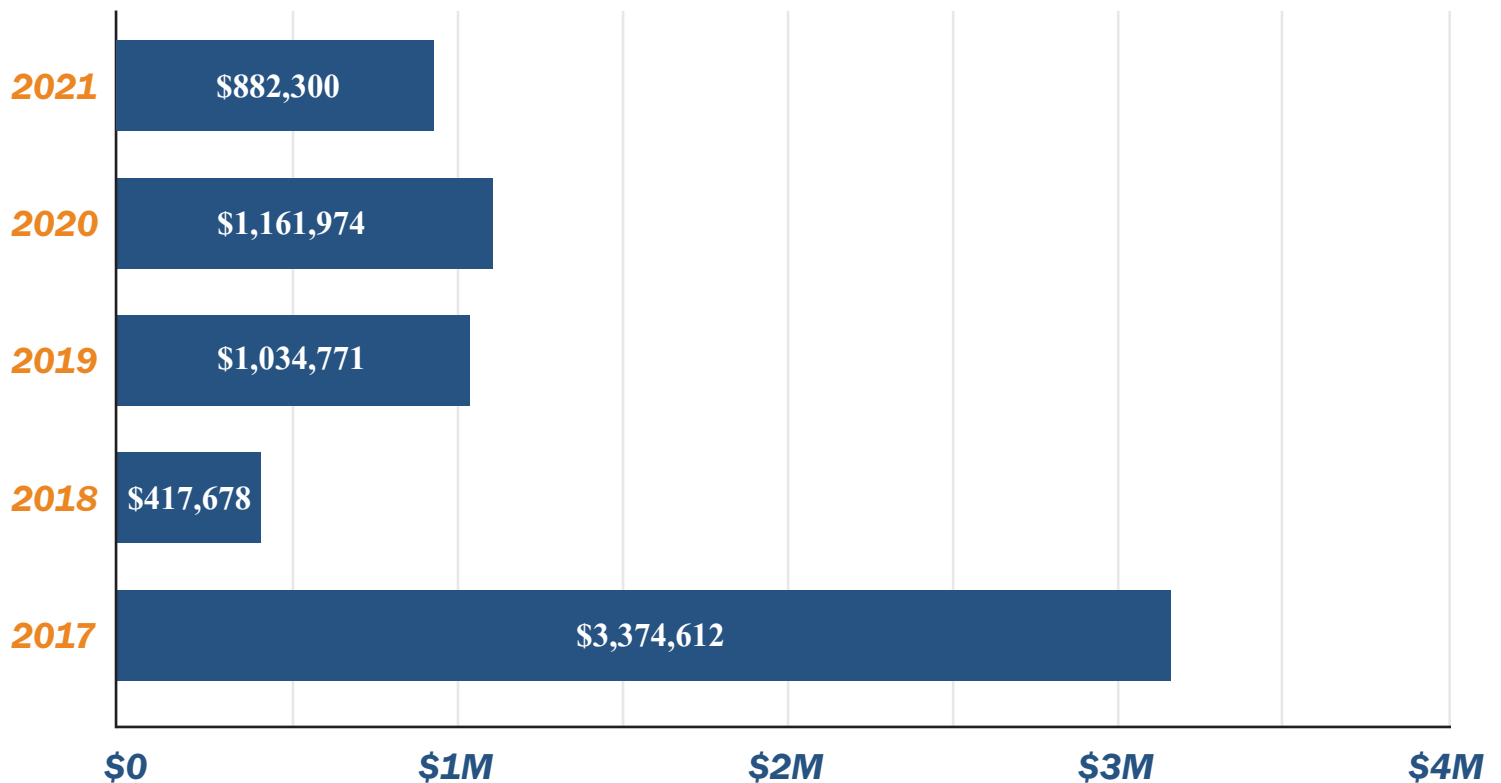
TOTAL MEMBERS' EQUITY



CASH RETURNED TO MEMBERS



ANNUAL FIXED ASSET EXPENDITURES





Pella Office
641-628-4167



Monroe Office
641-259-2232



Otley Office
641-627-5311



Tracy Office
641-949-6411



OTLEY • PELLA • MONROE • TRACY



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