COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

La Farge, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

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INDEPENDENT AUDITORS' REPORT

Stockholders
Cooperative Regions of Organic Producer Pools
La Farge, Wisconsin

We have audited the accompanying consolidated financial statements of Cooperative Regions of Organic Producer Pools and its subsidiaries (the "cooperative"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), patrons' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the cooperative's preparation and fair presentation of the consolidated 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 cooperative'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cooperative Regions of Organic Producer Pools and its subsidiaries as of December 31, 2017 and 2016, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the cooperative changed its method of accounting to reclassify certain tax effects from accumulated other comprehensive income to unallocated capital reserve due to the newly enacted corporate income tax rate. Our opinion is not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 26, 2018

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED BALANCE SHEETS
As of December 31, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 24,415,033	$ 1,871,654
Accounts receivable, net	88,893,273	85,397,769
Inventories, net	147,322,711	149,085,201
Income tax receivable	558,076	1,705,387
Prepaid and other current assets	5,175,373	4,818,023
Notes receivable - current portion	593,701	735,339
Deferred tax asset - current portion	6,119,636	12,536,617
Total Current Assets	273,077,803	256,149,990
NET PROPERTY, PLANT AND EQUIPMENT	105,915,593	89,652,704
OTHER ASSETS		
Investments	6,021,792	2,280,492
Goodwill, net	967,640	1,105,874
Intangibles, net	1,105,697	1,228,958
Notes receivable, net	2,591,817	2,498,187
Other long-term assets	10,328,064	6,778,750
Total Other Assets	21,015,010	13,892,261
TOTAL ASSETS	$ 400,008,406	$ 359,694,955

LIABILITIES AND PATRONS' EQUITY

	2017	2016
CURRENT LIABILITIES		
Line of credit	$ 89,880,484	$ 61,166,368
Current maturities of long-term debt	1,934,147	813,294
Accounts payable	57,748,976	47,944,180
Farmer payable	36,683,666	45,930,181
Accrued expenses	11,777,552	8,843,101
Income tax payable	68,967	83,276
Total Current Liabilities	198,093,792	164,780,400
Long-term debt, less current maturities	18,765,286	5,532,144
Deferred tax liability	954,860	6,286,102
Other long-term liabilities	1,572,500	1,222,500
Total Liabilities	219,386,438	177,821,146
PATRONS' EQUITY		
Class E stock	98,734,838	85,265,324
Class B stock	27,942,430	25,643,751
Class A stock	50,700	49,625
Class B stock - subscriptions	4,416,699	4,579,879
Class B stock - subscriptions receivable	(4,416,699)	(4,579,879)
Pool equities	3,024,958	3,007,242
Accumulated other comprehensive income	3,343,199	1,694,189
Unallocated capital reserve	45,652,145	64,550,547
Total Controlling Interest	178,748,270	180,210,678
Non-controlling interest in subsidiaries	1,873,698	1,663,131
Total Patrons' Equity	180,621,968	181,873,809
TOTAL LIABILITIES AND PATRONS' EQUITY	$ 400,008,406	$ 359,694,955

See accompanying notes to consolidated financial statements.

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2017 and 2016

	2017	2016
GROSS SALES	$ 1,145,451,895	$ 1,099,648,894
Discounts & allowances	(69,850,753)	(44,571,489)
NET SALES	1,075,601,142	1,055,077,405
COST OF SALES	968,191,442	927,529,166
Gross Profit	107,409,700	127,548,239
OPERATING EXPENSES		
Direct marketing	16,302,440	21,304,854
Indirect marketing		
Sales & sales support	11,177,347	11,222,745
Mission & messaging	2,671,174	2,639,967
Brand marketing	18,699,518	19,697,796
Total Indirect Marketing	32,548,039	33,560,508
Pool expenses	12,035,943	9,280,465
General & administrative	52,637,026	54,850,489
Product development	1,302,187	1,086,888
Governance	1,393,265	1,097,151
Legal fees & co-op affairs	1,833,104	1,792,418
Sustainability	1,011,214	1,059,774
Other expenses	189,524	997,802
Total Operating Expenses	119,252,742	125,030,349
Operating Income (Loss)	(11,843,042)	2,517,890
OTHER EXPENSE (INCOME)		
Interest expense	3,457,757	876,872
Other income	(2,789,844)	(775,814)
Net Other Expense	667,913	101,058
Income (Loss) Before Taxes	(12,510,955)	2,416,832
INCOME TAXES BENEFIT	(1,883,247)	(3,842,285)
NET INCOME (LOSS)	(10,627,708)	6,259,117
Net (income) loss attributable to non-controlling interest	(210,567)	45,129
NET INCOME (LOSS) ATTRIBUTABLE TO THE CONTROLLING INTEREST	$ (10,838,275)	$ 6,304,246

See accompanying notes to consolidated financial statements.

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2017 and 2016

	2017	2016
NET INCOME (LOSS)	$ (10,627,708)	$ 6,259,117
Unrealized gain on derivative instruments, net of tax of $642,104 and $1,024,634	1,056,618	1,694,189
COMPREHENSIVE INCOME (LOSS)	$ (9,571,090)	$ 7,953,306

See accompanying notes to consolidated financial statements.

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED STATEMENTS OF PATRONS' EQUITY
For the Years Ended December 31, 2017 and 2016

	Class E-1 Stock	Class E-2 Stock	Class E-4 Stock	Class B Stock	Class A Stock	Pool Equities	Class B Stock - Subscriptions	Class B Stock - Subscriptions Receivable	Unallocated Capital Reserve	Accumulated Other Comprehensive Income	Non-Controlling Interest in Subsidiaries	Patrons' Equities Total
BALANCES, December 31, 2015	$ 65,770,669	$ 1,772,475	$ -	$ 37,223,623	$ 45,875	$ 1,934,737	$ 2,600,000	$ (2,600,000)	$ 65,204,048	$ -	$ 1,708,260	$ 173,659,687
Stock sold	5,608,941	-	-	1,171,960	-	2,862,521	-	-	-	-	-	9,643,422
Retirements	(1,211,170)	(1,772,475)	-	(3,603,935)	-	(572,601)	-	-	-	-	-	(7,160,181)
Class A stock - issued	-	-	-	-	3,750	-	-	-	(3,750)	-	-	-
Stock transfers	11,569,898	-	-	(10,352,483)	-	(1,217,415)	-	-	-	-	-	-
Dividends - stock	3,526,986	-	-	1,204,586	-	-	-	-	(4,731,572)	-	-	-
Dividends - cash	-	-	-	-	-	-	-	-	(2,324,631)	-	-	(2,324,631)
Base capital adjustment	-	-	-	-	-	-	1,979,879	(1,979,879)	-	-	-	-
Net income (loss)	-	-	-	-	-	-	-	-	6,304,246	-	(45,129)	6,259,117
Other	-	-	-	-	-	-	-	-	102,206	-	-	102,206
Unrealized gain on derivative instruments, net of tax of $1,024,634	-	-	-	-	-	-	-	-	-	1,694,189	-	1,694,189
BALANCES, December 31, 2016	85,265,324	-	-	25,643,751	49,625	3,007,242	4,579,879	(4,579,879)	64,550,547	1,694,189	1,663,131	181,873,809
Stock sold	3,646,632	-	11,467,219	194,944	-	3,114,030	-	-	-	-	-	18,422,825
Retirements	(2,859,744)	-	(2,165)	(1,271,452)	-	(941,089)	-	-	-	-	-	(5,074,450)
Class A stock - issued	-	-	-	-	1,075	-	-	-	(1,075)	-	-	-
Stock transfers	87,134	-	94,062	1,974,029	-	(2,155,225)	-	-	-	-	-	-
Dividends - stock	1,036,376	-	-	1,401,158	-	-	-	-	(2,437,534)	-	-	-
Dividends - cash	-	-	-	-	-	-	-	-	(5,029,126)	-	-	(5,029,126)
Base capital adjustment	-	-	-	-	-	-	(163,180)	163,180	-	-	-	-
Net income (loss)	-	-	-	-	-	-	-	-	(10,838,275)	-	210,567	(10,627,708)
Reclassification of tax impact (Note 2)	-	-	-	-	-	-	-	-	(592,392)	592,392	-	-
Unrealized gain on derivative instruments, net of tax of $642,104	-	-	-	-	-	-	-	-	-	1,056,618	-	1,056,618
BALANCES, December 31, 2017	$ 87,175,722	$ -	$ 11,559,116	$ 27,942,430	$ 50,700	$ 3,024,958	$ 4,416,699	$ (4,416,699)	$ 45,652,145	$ 3,343,199	$ 1,873,698	$ 180,621,968

See accompanying notes to consolidated financial statements.

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ (10,627,708)	$ 6,259,117
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	10,920,432	8,660,939
Noncash portion of patronage allocations received	-	(81,426)
Equity income from joint ventures	(1,929,054)	(182,616)
Loss on disposal of property and equipment	743,886	374,214
Change in inventory reserve	(8,757,834)	10,068,475
Change in allowance for doubtful accounts	(1,282,908)	-
Change in deferred taxes	(2,353,986)	(2,689,938)
Changes in assets and liabilities:		
Accounts receivable	(2,212,596)	(2,608,412)
Inventories	10,520,324	(40,822,003)
Prepaids and other current assets	1,719,610	(1,501,305)
Accounts payable and farmer payable	(653,764)	8,144,351
Accrued expenses	1,182,010	(1,146,663)
Other assets and liabilities, net	332,571	(5,767,892)
Net Cash Flows from Operating Activities	(2,399,017)	(21,293,159)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(26,304,715)	(28,865,964)
Proceeds from disposal of equipment	154,811	109,905
Net receipts (advances) on notes receivable	(145,553)	1,312,471
Cash paid for purchase of investment in cooperatives	-	(300,000)
Dividends from (investment in) joint venture	(1,812,332)	74,941
Proceeds from (investment in) tax increment project revenue bond	105,782	(236,249)
Purchase of Dombrovski stock	-	(1,176,454)
Net Cash Flows from Investing Activities	(28,002,007)	(29,081,350)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of patrons' equities	(5,074,450)	(7,160,181)
Patronage refunds paid to members	-	(1,982,000)
Proceeds from stock sales	18,422,825	9,643,422
Payment of cash dividends	(3,276,686)	(1,952,708)
Net proceeds from line of credit	28,714,116	51,166,368
Repayments of long-term debt	(841,402)	(713,559)
Proceeds from long-term debt	15,000,000	219,708
Net Cash Flows from Financing Activities	52,944,403	49,221,050
Net Change in Cash and Cash Equivalents	22,543,379	(1,153,459)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,871,654	3,025,113
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 24,415,033	$ 1,871,654
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	$ 3,457,572	$ 909,429
Cash paid (refunded) for income taxes	(876,294)	6,643,253
NONCASH INVESTING AND FINANCING ACTIVITIES		
Stock dividend issuance	$ 2,437,534	$ 4,731,572
Class A stock issuance	1,075	3,750
Unrealized gain on derivative instruments, net of tax	1,056,618	1,694,189
Debt obligation incurred for equipment	195,397	498,977
Accounts payable incurred for equipment	1,212,046	-

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

Cooperative Regions of Organic Producer Pools ("CROPP" or "the cooperative") is organized and operated on a cooperative basis, marketing organic products for patrons domestically and internationally. The cooperative and its members must adhere to organic certification standards. Major products handled are organic dairy, eggs, meat, feed, soy and produce. Revenue in excess of operating costs and expenses are allocated to patrons on a patronage pool basis, as either allocated or unallocated. Transfers of patronage are permitted only with approval of the cooperative's Board of Directors.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative Regions of Organic Producer Pools and its wholly-owned subsidiaries, Organic Logistics, LLC, Worden Elevator, LLC and OMC, LLC along with its 66% and 65% majority-owned subsidiaries, Lorentz Etc., Inc. ("Lorentz") and Dombrovski Meats, LLC ("Dombrovski"), respectively. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The cooperative maintains cash in accounts with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation. Management does not believe there is a significant credit risk associated with the deposits.

Accounts Receivable

Accounts receivable arise from marketing patrons' products. The cooperative grants credit to customers, substantially all of which, are distributors and retailers throughout the United States. Accounts are considered past due when payment is not received within the period allowed under terms of the sale. Past due accounts receivable bear interest at 18% annually and income is recognized when received. Management periodically reviews past due receivables and charges off uncollectible accounts when all reasonable collection efforts have been exhausted.

The allowance for doubtful accounts reflects management's estimates of inherent credit risks based upon past experience of the cooperative and evaluation of the underlying credit risks. All of the credit granted is unsecured with no collateral policy.

Inventories

Inventories consist primarily of raw and finished dairy products and packaging materials which are valued at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method. Market is considered as net realizable organic value.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Derivatives

The cooperative recognizes derivative instruments on the balance sheet as either an asset or liability, measured at fair value. The cooperative's derivatives consist of hedging contracts to manage the price risk associated with energy costs. The cooperative also uses interest-rate-related hedging contracts to manage the exposure related to the changes in interest rates on its variable-rate debt arrangement. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, whether the hedge is a cash flow hedge or a fair value hedge.

At December 31, 2017 and 2016, the cooperative elected to designate certain hedging contracts as accounting hedges. The gains or losses on these open contracts are treated as cash flow hedges and are initially included as a component of other comprehensive income. They are subsequently reclassified into cost of sales when the contract is closed. The cooperative documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge.

At December 31, 2017 and 2016, the cooperative has not elected to designate certain derivative instruments as accounting hedges. As such, changes in the fair value of these instruments are recorded in the consolidated statements of operations.

It is the policy of the cooperative to execute such contracts with creditworthy counterparties. These activities are subject to policies established by the cooperative which, among other matters, prohibit the use of derivative financial instruments for speculative purposes.

Fair Value Measurements

The cooperative defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and include expenditures for land and improvements, buildings, equipment, vehicles, software and construction in progress. Depreciation and amortization is computed on individual assets using the straight-line method at rates adequate to amortize the cost of applicable assets over their useful lives. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts and the resulting gains or losses are reflected in income. Expenditures for normal maintenance and repairs are expensed, while major renewals and betterments are capitalized.

Investments

Investments in cooperatives are stated at cost plus patronage refunds received in noncash equities less cash distributions received. Investments in cooperatives have no quoted market prices and, as such, it is not practical to estimate the fair value of such investments.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Investments (cont.)

Investments in 20% to 50%-owned companies are accounted for under the equity method as the cooperative can exercise significant influence, but not control, over such investments. The equity method requires that gains (losses) are recognized in other income (expense), net in the consolidated statements of operations.

Notes Receivable

The cooperative has entered into notes receivable with customers in conjunction with the sale of product. Maturity and interest rates vary based on the terms of the notes. Notes receivable payments are generally due each month and interest income is recognized when due. Payments collected on notes receivable are included in net receipts (advances) collected by investing activities in the statement of cash flows. In addition, the cooperative has a note receivable from Cashton Greens Wind Farm, LLC (see Note 7) and a grant receivable from a tax incremental finance commitment with the Village of Cashton (see Note 18).

On an annual basis, management reviews amounts due under its notes receivable for recoverability when events or circumstances indicate that the carrying amounts of the amount due may not be recoverable. At December 31, 2017 and 2016, the cooperative recorded an allowance for doubtful accounts (see Note 8).

Goodwill

Goodwill represents the excess of purchase price over the net assets acquired. The cooperative amortizes goodwill using a straight-line method over 10 years and has elected to test goodwill for impairment at the entity level when a triggering event has occurred. A triggering event may indicate the fair value of the entity is below its carrying value. No triggering events have occurred during 2017 or 2016 and therefore the cooperative has not recognized any impairment losses in those years.

Intangible Assets

The cooperative has acquired various customer lists, non-compete contracts and trademarks. The cost of the intangibles totaled $1,804,902 and $1,699,367 as of December 31, 2017 and 2016. The intangibles are being amortized on straight-line method over 5 to 15 years. The accumulated amortization of these intangibles totaled $699,205 and $470,409 as of December 31, 2017 and 2016, respectively. Amortization expenses on intangibles were $228,796 and $227,037 for the years ended December 31, 2017 and 2016. Amortization expense will range from $165,000 to $202,000 per year for the next five years.

Impairment of Long-Lived Assets

The cooperative reviews long-lived assets, including property, plant and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There was no impairment loss for the years ended December 31, 2017 and 2016.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Income Taxes

The cooperative files a federal income tax return with its 100% or more owned subsidiaries. The cooperative is subject to federal and state income taxes on additions to the unallocated capital reserve. As an exempt cooperative under Section 521 of the Internal Revenue Service ("IRS") code, substantially all of the common voting stock must be held by producers who are marketing their products through the cooperative. The value of products marketed for nonmembers may not exceed the value of products marketed for members. The exempt statutes allow the cooperative to take the amounts paid in dividends, during the tax year, as a tax deduction.

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for federal and state income tax purposes, at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Tax Cuts and Jobs Act of 2017 (the "Act") was enacted on December 22, 2017. The Act reduces the United States federal corporate tax rate from the maximum of 35% to a flat rate of 21%. The cooperative is still analyzing certain aspects of the act and refining its calculations. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The tax effects from an uncertain tax position are recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The cooperative recognizes the financial statement benefit of a tax position only after determining that the relevant taxing authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority.

It is the cooperative's policy to recognize interest and penalties related to unrecognized tax benefits in income tax expense. With few exceptions, the cooperative is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years ended prior to December 31, 2014. The cooperative is not currently under examination by any taxing jurisdiction.

Revenue Recognition

Revenue is recognized upon transfer of title or ownership and risk of loss pass to the customer, which could occur upon either shipment or receipt by the customer depending upon the contract.

Sales are reduced by customer rebates, discounts and allowances and returns. Amounts related to these customer programs that are earned but not paid are included in accrued expenses on the consolidated balance sheets. Accrued customer programs totaled $3,156,049 at December 31, 2017 and 2016. Amounts billed to a customer as part of a revenue transaction related to shipping and handling are included in net sales.

Shipping and Handling Costs

Shipping and handling costs incurred are reported as a component of cost of sales.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was $10,179,876 and $10,618,592 for the years ended December 31, 2017 and 2016, respectively.

Research and Development Costs

Research and development costs are charged to operations when incurred and are reported as a component of operating expenses. The amounts charged to expense were $1,292,187 and $1,086,888 for the years ended December 31, 2017 and 2016, respectively.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2 - Change in Method of Accounting for Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

Effective December 31, 2017, the cooperative changed its method of accounting for reporting comprehensive income (loss) with the early adoption of Accounting Standards Update 2018-02 (ASU). The adoption of ASU 2018-02 allows the cooperative to reclassify from accumulated other comprehensive income the tax impact on deferred tax assets, relating to the unrealized gain on derivative instruments, to unallocated capital reserve for the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate as stated in the Tax Cuts and Jobs Act (Act).

The reclassification resulted in a decrease to unallocated capital reserve of $592,392 and an increase to accumulated other comprehensive income of $592,392. The cooperative believes this method will improve the usefulness of the financial statements.

NOTE 3 - Accounts Receivable

The components of accounts receivable at December 31, 2017 and 2016 are as follows:

	2017	2016
Current	$ 70,393,466	$ 58,443,695
1 to 30 days	15,480,291	22,352,476
31 to 60 days	2,038,115	3,729,035
61 days to 90 days	1,009,167	949,891
Greater than 91 days	1,305,809	2,551,729
Directors & employees	28,537	15,964
Total Accounts Receivable	90,255,385	88,042,790
Less: Allowance for doubtful accounts	(1,362,112)	(2,645,021)
Accounts Receivable, Net	$ 88,893,273	$ 85,397,769

NOTE 4 - Inventories

Inventories consist of the following:

	2017	2016
Raw materials	$ 2,803,219	$ 4,331,285
Finished product	155,515,390	165,446,488
Packaging and ingredients	5,440,657	4,501,817
	163,759,266	174,279,590
Less: Allowance for inventory obsolescence	(16,436,555)	(25,194,389)
Total Inventories	$147,322,711	$149,085,201

NOTE 5 - Derivatives

The cooperative uses derivative instruments to manage its exposure to price volatility for certain energy-related costs and changes in interest rates. The cooperative's risk management objective is to limit its cash outflows associated with the risk of fluctuations in the market price of these energy contracts.

During 2017 the cooperative entered into interest rate derivative instruments and uses these derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt. The derivative instruments have a collective notional amount of $50,000,000 at inception and fixes the cooperative's one-month LIBOR interest rate on a portion of its line of credit at 2.15% and 2.03% through April 2022.

NOTE 5 - Derivatives (cont.)

The notional amount of the hedging contracts in place at a point in time provides an indication of the extent of the cooperative's involvement in such instruments at that time, but does not represent exposure to market risk or future cash requirements under some of these instruments. As of December 31, 2017 the absolute notional amount of each open energy-related and interest-rate-related contracts that are not designated as a hedging instrument is approximately $150,000 and $46,666,656. As of December 31, 2016 the absolute notional amount of each open energy-related contracts that is not designated as a hedging instrument is approximately $2,300,000. As of December 31, 2017 and 2016, the absolute notional amount of each open energy-related contract that is designated as a hedging instrument is approximately $25,300,000 and $15,400,000.

Derivative Instruments Not Designated as Hedging Instruments

At December 31, 2017 and 2016, the cooperative maintained a margin account balance of $406,612 and $665,944, respectively, with its counterparties in connection with the derivative instruments. The fair value of the energy-related derivatives totaled $11,651 and ($123,497) as of December 31, 2017 and 2016, respectively. The unrealized losses of these instruments are included in other operating expenses in the consolidated statements of operations. The cooperative's net position of the margin account balance and the fair value of the derivatives are included in prepaid and other current assets in the consolidated balance sheets. The cooperative realized $259,333 of losses and $849,041 of gains in the consolidated statements of operations during 2017 and 2016, respectively, relating to these energy-related instruments.

At December 31, 2017, the fair value of the interest-rate-related derivative instruments are $30,261 and ($58,596) and are included in prepaid and other current assets and accrued expenses, respectively, in the consolidated balance sheets. The effect of the derivative instrument is reported in the consolidated statements of operations as part of interest expense.

Derivative Instruments Designated as Hedging Instruments

Derivative instruments designated as hedging instruments are reported in the consolidated balance sheets at fair value as of December 31 as follows:

		Fair Value	
	Balance Sheet Location	2017	2016
Energy contracts - current portion	Prepaid and other current assets	$ 1,927,263	$ 997,614
Energy contracts - long-term	Other long-term assets	2,490,282	1,721,209

The assets recorded represent the estimated amounts the cooperative would receive if the contracts were closed at year end. The cumulative $1,056,618 gain, net of tax of $642,104, from changes in the open hedging contract's fair value that is included in other comprehensive loss for the year ended December 31, 2017 will be reclassified into net income when the contracts are closed. The amount expected to be reclassified from other comprehensive income during 2018 is approximately $1,927,263. The cooperative realized $628,005 of gains on settled commodity hedging contracts in the consolidated statements of operations during 2017.

NOTE 6 - Property, Plant and Equipment

Property, plant and equipment consist of the following:

	Depreciable Lives	2017	2016
Land		$ 1,681,072	$ 958,864
Buildings	39 yrs.	73,889,179	57,226,620
Machinery and equipment	5 - 10 yrs.	62,765,218	42,678,538
Software	3 - 5 yrs.	11,746,186	11,246,068
Vehicles	5 yrs.	5,568,339	5,529,897
Construction in progress		7,491,760	19,535,114
Total Property, Plant and Equipment		163,141,754	137,175,101
Less: Accumulated depreciation		(57,226,161)	(47,522,397)
Net Property, Plant and Equipment		$105,915,593	$ 89,652,704
Depreciation & amortization expense		$ 10,920,432	$ 8,660,939

NOTE 7 - Investments

Investments consist of the following:

	2017	2016
Investments in other cooperatives	$ 961,172	$ 961,258
Investment in Organic Valley Fresh	3,585,500	-
Investment in Cashton Greens Wind Farm	708,130	832,973
Investment in Vermont Packinghouse	766,990	486,261
Total Investments	$ 6,021,792	$ 2,280,492

NOTE 7 - Investments (cont.)

Investment in Organic Valley Fresh

During November 2016, the cooperative entered into a joint venture agreement with Dean Foods Company to create a limited liability corporation, Organic Valley Fresh LLC (“OVF.”) Both parties share voting control and equity ownership equally and neither party exercises control over OVF. OVF entered into Co-Packing, Brand Licensing, Product for Resale Purchase, Milk Supply and Product Sales and Distribution agreements with its members. The nature of the business conducted by OVF is to process, distribute, market and sell organic dairy and related products under the Organic Valley ® brand and under private label.

As outlined in the agreements, the cooperative has contractual obligations with four legacy copackers that continue to produce OVF product. The cooperative is obligated to reimburse OVF the contribution margin received by the cooperative on the OVF products produced by the legacy copackers. Contribution margin paid to OVF was approximately $1,500,000 for the year ended December 31, 2017 which is included in cost of sales on the accompanying consolidated statements of operations.

The cooperative receives royalty income to license the Organic Valley ® brand. The royalty income is $10 cents per equivalent gallon of branded product. Royalty income of approximately $200,000 was recognized by the cooperative for the year ended December 31, 2017 which is included in gross sales on the accompanying consolidated statements of operations.

OVF reimburses the members for selling, general and administrative costs under the operating agreement. During 2017, the cooperative was reimbursed approximately $500,000 for these services and is included in general and administrative expenses on the accompanying consolidated statements of operations.

The cooperative sells organic raw milk to OVF to produce manufactured finished product. Sales to OVF for raw organic milk were approximately $23,900,000 for the year ended December 31, 2017 which is included in gross sales on the accompanying consolidated statements of operations. The cooperative purchases manufactured finished product from OVF to re-sell to the cooperative's customer base as defined in the agreements. Purchases from OVF for manufactured finished product were approximately $18,600,000 for the year ended December 31, 2017 which is included in cost of sales on the accompanying consolidated statements of operations.

At December 31, 2017, the cooperative has an accounts receivable and accounts payable balance of $3,977,422 and $2,216,366, respectively, which is included in accounts receivable and accounts payable, respectively, on the accompanying consolidated balance sheet.

Investment in Cashton Greens Wind Farm

Cashton Greens Wind Farm, LLC ("CGWF") is a joint venture with another company, and its primary purpose is to operate a wind generation facility that includes two wind turbines and associated assets. The facility is located on the cooperative's real estate in Cashton, Wisconsin. Upper Midwest Municipal Power Agency purchases all the electricity generated, less line loss, from CGWF. Both parties share voting control and equity ownership equally and neither party exercises control over CGWF.

The cooperative has a note receivable from CGWF, as amended during 2017, which bears interest at 3.00% with interest only payments during 2017 and 2018 and monthly principal and interest payments of $20,347 each succeeding calendar year with a final payment due June 2027 (see Note 8).

NOTE 7 - Investments (cont.)

Investment in Vermont Packinghouse

Vermont Packinghouse ("VPH") is a joint venture with another company, and its primary purpose is to operate a custom meat and sausage processing facility in North Springfield, Vermont. The facility serves customers throughout the northeastern part of the United States. Both parties share voting control and equity ownership equally and neither party exercises control over VPH.

The investments are accounted for using the equity method with gains (losses) recognized in net other income (expense), net in the consolidated statements of operations. The net loss of the cooperative for the year ended December 31, 2017, includes $1,585,500 of income, ($124,844) of loss and $468,397 of income from OVF, CGWF and VPH, respectively. The net income of the cooperative for the year ended December 31, 2016, includes ($168,531) of loss and $351,147 of income from CGWF and VPH, respectively. At December 31, 2017, OVF had total assets of $12,979,000, total liabilities of $5,808,000, total equity of $7,171,000 and net income of $3,171,000. At December 31, 2017, CGWF had total assets of $8,160,874, total liabilities of $6,744,622, total equity of $1,416,252 and a net loss of ($249,688). At December 31, 2017, VPH had total assets of $1,952,773, total liabilities of $418,615, total equity of $1,534,158 and net income of $936,794.

NOTE 8 - Notes Receivable

The components of notes receivables at December 31, 2017 and 2016 are as follows:

	2017	2016
Notes receivable from producers	$ 1,965,233	$ 2,117,500
Grant note receivable	397,636	243,377
Notes receivable from Cashton Greens Wind Farm	1,829,929	1,829,929
Other receivables	35,000	85,000
Total Gross Notes Receivable	4,227,798	4,275,806
Allowance for doubtful accounts	(1,042,280)	(1,042,280)
Total Net Notes Receivable	$ 3,185,518	$ 3,233,526

Analysis of the change in the allowance for doubtful accounts follows:

	2017	2016
Beginning balance	$ 1,042,280	$ -
Charge-offs	-	-
Transfer (to) from allowance for doubtful accounts	-	1,042,280
Provision	-	-
Ending Balance	$ 1,042,280	$ 1,042,280

NOTE 8 - Notes Receivable (cont.)

As of December 31, 2017 and 2016, the analysis of the age of the notes receivable is as follows:

	2017	2016
Current	$ 3,185,518	$ 3,233,526
Past Due	-	-
Total Notes Receivable	$ 3,185,518	$ 3,233,526

NOTE 9 - Goodwill

The components of net goodwill at December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Goodwill	$ 1,382,343	$ 1,382,343
Less: Accumulated amortization	(414,703)	(276,469)
Net Goodwill	$ 967,640	$ 1,105,874

Future amortization expense is expected to be $138,234 per year through fiscal 2025.

Total amortization expense was $138,234 for the years ended December 31, 2017 and 2016. Amortization expense has been included in operating expenses in the accompanying consolidated statements of operations.

NOTE 10 - Line of Credit

Prior to April 2017, the cooperative had a five-year credit agreement with a bank that allowed the cooperative to borrow up to $100,000,000. During April 2017, the cooperative amended its credit agreement with the bank that allows the cooperative to borrow up to $125,000,000 until December 31, 2017. During November 2017, the credit agreement was amended to allow the cooperative to borrow up to $110,000,000 in 2018. The syndicated credit agreement matures during June 2018 and is secured by a security agreement which includes substantially all assets of the cooperative. Interest accrues at a rate of LIBOR plus an applicable margin (effectively 3.63% and 2.31% at December 31, 2017 and 2016, respectively). The credit agreement has an unutilized fee of 0.25%.

As of December 31, 2017 and 2016, there was $89,880,484 and $61,166,368 outstanding on the line of credit. Under the terms of the line of credit, the cooperative is required to abide by certain financial covenants.

NOTE 11 - Long-Term Debt

	2017	2016
State of Wisconsin Investment Board	$ 15,000,000	$ -
Wisconsin Economic Development Corp	138,632	225,314
Purity Farms	133,335	263,428
Merchants Bank Loan A	827,751	954,568
Merchants Bank Loan B	3,477,498	3,732,478
Merchants Bank Loan C	153,932	196,003
Wells Fargo Loan	257,512	283,750
Jules & Associate Loan A	186,279	229,030
Jules & Associate Loan B	305,817	374,289
Jules & Associate Loan C	105,335	53,288
Other	113,342	33,290
	20,699,433	6,345,438
Less: Current maturities of long-term debt	(1,934,147)	(813,294)
Total long-term debt	$ 18,765,286	$ 5,532,144

State of Wisconsin Investment Board ("SWIB")

The cooperative has a long-term note payable to SWIB with an original principal balance of $15,000,000 and bears interest at an adjustable rate (effectively 8.37% as of December 31, 2017). The adjustable interest rate reduces in succeeding calendar years if the cooperative has achieved certain financial covenant thresholds, as stated in the agreement. The note payable requires quarterly principal payments of $250,000 plus interest with a final payment of all outstanding principal due on October 15, 2029. The note payable is secured by real estate and equipment located in McMinnville, Oregon. The cooperative is required to abide by certain financial covenants.

Wisconsin Economic Development Corp ("WEDC")

The cooperative has a long-term note payable to WEDC with an original principal balance of $590,000 and bears interest at 2.00% with monthly principal and interest payments of $7,535. The note matures on September 7, 2019 and is collateralized by equipment. The cooperative is required to abide by certain covenants related to maintaining a workforce in LaFarge, Wisconsin.

Purity Farms

The cooperative has a long-term note payable to Purity Farms with an original principal balance of $666,667 with annual principal payments of $130,110. The note matures on January 15, 2018 and is non-interest bearing.

Merchants Bank

Merchants Bank Loan A - Lorentz has a long-term note payable to Merchants Bank with an original principal balance of $1,388,308 and bears interest at 3.95% with monthly principal and interest payments of $13,562. The note matures on August 15, 2023 and is collateralized by substantially all assets of Lorentz.

NOTE 11 - Long-Term Debt (cont.)

Merchants Bank (cont.)

Merchants Bank Loan B - Lorentz has a long-term note payable to Merchants Bank with an original principal balance of $4,500,000 and bears interest at 3.95% with monthly principal and interest payments of $33,319. The note matures on August 15, 2023 and is collateralized by the real estate located in Cannon Falls, Minnesota.

Merchants Bank Loan C - Lorentz has a long-term note payable to Merchants Bank with an original principal balance of $300,000 and bears interest at 4.25% with monthly principal and interest payments of $4,135. The note matures on April 1, 2019 and is collateralized by substantially all assets of Lorentz.

The cooperative guarantees the notes payable to Merchant Bank.

Wells Fargo Loan

Dombrovski has a long-term note payable to Wells Fargo with an original principal balance of $314,497 and bears interest at 4.75%. The note requires monthly principal and interest payments of $3,278 and matures on November 25, 2025. The note is collateralized by the real estate of Dombrovski.

Jules & Associates

Jules & Associates Loan A - Dombrovski has a capital lease obligation for equipment which requires 59 monthly principal and interest payments of $4,371. The obligation has a purchase option for $4,371 at the end of the lease, which matures during 2021.

Jules & Associates Loan B - Dombrovski has a capital lease obligation for equipment which requires 59 monthly principal and interest payments of $7,242. The obligation has a purchase option for $7,242 at the end of the lease, which matures during 2021.

Jules & Associates Loan C - Dombrovski has a capital lease obligation for equipment which requires 59 monthly principal and interest payments of $2,319. The obligation has a purchase option for $2,319 at the end of the lease, which matures during 2019.

Future minimum payments on the long-term debt for the year ended December 31, 2017 are as follows:

	SWIB	WEDC	Purity Farms	Merchant Bank	Wells Fargo	Julies & Associates	Other	Totals
2018	$ 1,000,000	$ 88,450	$ 133,335	$ 441,250	$ 27,533	$ 153,053	$ 90,526	$ 1,934,147
2019	1,000,000	50,182	-	523,700	28,888	157,022	5,460	1,765,252
2020	1,000,000	-	-	430,099	30,284	161,130	5,620	1,627,133
2021	1,000,000	-	-	448,032	31,802	121,623	5,785	1,607,242
2022	1,000,000	-	-	466,308	33,368	4,603	5,951	1,510,230
Thereafter	10,000,000	-	-	2,149,792	105,637	-	-	12,255,429
Totals	$ 15,000,000	$ 138,632	$ 133,335	$ 4,459,181	$ 257,512	$ 597,431	$ 113,342	$ 20,699,433

NOTE 12 - Leases

The cooperative leases certain equipment and office space under terms of operating leases. Rent expense for these leases amounted to $283,369 and $290,248 for 2017 and 2016, respectively. The lease terms mature in 2018 - 2022 with approximate annual lease payments of $24,000 - $116,000 over the next five years.

The cooperative rents warehousing space for the storage of finished goods and packaging inventory. The rental agreements renew annually. Total rent expense for these agreements totaled $2,999,203 and $2,799,615 for 2017 and 2016, respectively.

NOTE 13 - Income Taxes

The income tax expense consists of the following:

	2017	2016
Current benefit	$ (171,365)	$ (1,152,347)
Deferred benefit	(6,994,696)	(2,689,938)
Deferred expense - Change in federal income tax rate	5,282,814	-
Income Tax Benefit	$ (1,883,247)	$ (3,842,285)

The income tax expense reflects a combined federal and state tax rate. The difference between the effective tax rate of 15.05% for the year ended December 31, 2017 and the statutory federal rate of 35% and applicable state taxes is primarily due to stock dividends and the Tax Cuts and Jobs Act of 2017 (Act) which was enacted on December 22, 2017. The Act reduces the United States federal corporate tax rate from a maximum of 35% to a flat rate of 21%. The cooperative has remeasured deferred tax assets and liabilities based on the rate at which it is expected to reverse in the future, which is approximately 24%.

Deferred tax arises from recognizing revenue and expense in different years for tax and financial statement purposes. The net deferred tax asset and liability are comprised of:

	2017	2016
Deferred Tax Asset:		
Allowance for doubtful accounts	$ 584,700	$ 996,820
Inventory reserves	3,992,886	9,494,928
Other accruals	1,542,051	2,044,870
Net operating losses	7,001,845	23,229
	$ 13,121,482	$ 12,559,847
Deferred Tax Liability:		
Property, plant and equipment	$ 3,787,301	$ 5,058,276
Other	1,371,784	1,251,056
	$ 5,159,085	$ 6,309,332

NOTE 13 - Income Taxes (cont.)

Deferred taxes are classified in the balance sheet as follows:

	2017	2016
Deferred tax asset - current portion	$ 6,119,636	$ 12,536,617
Deferred tax asset - other long-term assets	2,797,621	-
Deferred tax liability	(954,860)	(6,286,102)
	$ 7,962,397	$ 6,250,515

Net operating loss carryforwards as of December 31, 2017, which will produce a future tax benefit, were approximately $33,300,000 and $45,000 for federal and state, respectively. The federal net operating losses will expire beginning 2025 through 2037 and the state net operating losses will expire beginning 2020 through 2032.

In assessing the realizability of deferred tax assets, the cooperative considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets at December 31, 2017, is dependent upon the cooperative's ability to generate future profitability during the periods the temporary differences become deductible and prior to the expiration of the tax loss carryforwards. Based upon the cooperative's profitable performance and projections of future profitability over the years prior to the expiration of the tax loss carryforwards, management believes it is more likely than not the cooperative will fully realize the benefits of the deferred tax assets.

NOTE 14 - Deferred Compensation

The Board of Directors has approved an unfunded and nonqualified deferred compensation plan for certain key employees. The Board of Directors has approved to award $230,000 for the year ended December 31, 2016. No deferred compensation was awarded for the year ended December 31, 2017.

NOTE 15 - Equities

Equity Capital Base Subscriptions

Capital Base Equity Subscriptions are recorded when a contract is entered into between the cooperative and new member producers, whereby the latter agrees to purchase Capital Base Equity, to be paid for over some installment period. As of December 31, 2017 and 2016, Class B stock subscriptions outstanding were $4,416,699 and $4,579,879, respectively. This balance is offset by a Class B stock subscription receivable.

When the member producer’s investment begins, partial payments toward their Capital Base requirement are recorded to Pool Assignments. Payments that fully satisfy the Capital Base requirement are issued to Class B Preferred shares.

NOTE 15 - Equities (cont.)

Equity Program

In accordance with the cooperative's articles and bylaws and by action of the Board of Directors, net savings from patronage sources, after reserves for necessary purposes, may be distributed to consenting patrons following the close of each year based on financial statement earnings. The cash portion of the patronage distribution is determined annually by the Board of Directors, with any retained balances issued in the form of allocated patron equities. No patronage dividend payable was recorded for 2017 and 2016.

The cooperative has a first lien on all capital stock, equity credits, and other interests standing on its books for all indebtedness of the respective holders or owners thereof to the cooperative. The cooperative also has the right, exercisable at the option of the Board of Directors, to offset such indebtedness against the amount of such capital stock, equity credits, or other interests standing on its books; provided, that nothing contained herein shall give the owners of capital stock, equity credits, or other interests any right to have such offset made.

The Board of Directors have the discretion to approve or deny all requests for redemption or transfer of the cooperative's stock. Stock may be transferred only on the books of the cooperative. The cooperative reserves the prior right to acquire any stock offered for sale by any shareholder, or a right to recall the stock of any shareholder. The consideration paid for stock recalled by the cooperative or purchased by the cooperative, under the prior right to acquire described above, shall be its par value plus any accrued unpaid dividends, provided that if the book value of such stock is less than the par value, the consideration shall be such book value.

The components of equities included in the financial statements as of December 31 are as follows:

Year ended December 31, 2017					
	Par Value	Authorized Shares	Issued Shares	Dividend Rate	Paid
Class E Series 1	$ 50.00	1,743,514	1,743,514	6%	Annually
Class E Series 4	$ 50.00	1,256,486	231,182	4%	Annually
Class B	$ 50.00	1,500,000	558,848	8%	Annually
Class A	$ 25.00	5,000	2,028	n/a	n/a

Year ended December 31, 2016					
	Par Value	Authorized Shares	Issued Shares	Dividend Rate	Paid
Class E Series 1	$ 50.00	3,000,000	1,705,306	6%	Quarterly
Class B	$ 50.00	1,500,000	512,875	8%	Annually
Class A	$ 25.00	5,000	1,985	n/a	n/a

The Board of Directors have authorized a total of 3,000,000 shares of Class E preferred stock as of December 31, 2017.

NOTE 15 - Equities (cont.)

Equity Program (cont.)

Class E, Series 1 Preferred Stock - This stock is an optional investment opportunity issued to members and non-members based on the Board of Directors approved plan. The stock carries an annual cumulative dividend currently paying 6% annually, as amended during 2017. These stockholders have no voting rights.The cooperative has not registered the shares under the Securities Act or any applicable state securities laws, but instead relies on certain exemptions from registration contained in the Securities Act and such state securities laws. Management had the right as any other investor, to purchase Class E, Series 1 Stock.

On January 18, 2017, the Board of Directors approved the sale of Class E, Series 1 stock and reinvested dividends up to $96 million through December 31, 2017. This includes reinvested dividends, new investments (with a maximum of $50,000 per person per calendar year) from employees, farmer-members and those who are actively involved or have a financial interest or ownership in a member farm operation, and transfers of Class B or Class E, Series 1 stock.

On March 2, 2017, the Board of Directors approved to call Class E, Series 1 stock beginning April 1, 2017. Beginning on July 1, 2017, all dividends on Class E, Series 1 stock will be paid in cash annually at the close of the second quarter of the calendar year.

On March 21, 2017, the Board of Directors declared a first quarter dividend at an annualized rate of 6% on Class E, Series 1 stock for 2017.

On June 28, 2017, the Board of Directors declared a second quarter dividend at an annualized rate of 6% on Class E, Series 1 stock for 2017.

Class E, Series 4 Preferred Stock - On March 2, 2017, the Board of Directors approved to open Class E, Series 4 stock beginning July 1, 2017 to active employees, farmer-members of the cooperative and specific outside investors as determined by the Board of Directors. On May 31, 2017, the Board of Directors approved the sale of 500,000 shares of Class E, Series 4 stock to investors during the period June 1, 2017 through April 30, 2018. The stock carries an annual dividend of 4% payable at the close of the second quarter. These stockholders have no voting rights.The cooperative has not registered the shares under the Securities Act or any applicable state securities laws, but instead relies on certain exemptions from registration contained in the Securities Act and such state securities laws.

On June 28, 2017, the Board of Directors approved a deferral of the annual dividend at the close of the second quarter until the close of the second quarter in 2018.

On July 27, 2017, the Board of Directors approved to open Class E, Series 4 stock to the public at large and revise the maximum investment per person or entity to $500,000 per calendar year.

On October 25, 2017, the Board of Directors approved to increase the number of approved shares of Class E, Series 4 stock from 500,000 shares to 1,200,000 shares.

NOTE 15 - Equities (cont.)

Equity Program (cont.)

Class E, Series 2 Preferred Stock - This stock was used by the cooperative to fund retained patronage distributions which were based on year-to-year profitability of the cooperative and were declared at the sole discretion of the Board of Directors. These stockholders had no voting rights. The stock carried a non-cumulative dividend paying 0-8 percent as determined annually by the Board of Directors. On January 20, 2016, the Board of Directors approved to retire Class E, Series 2 stock and declared an 8% dividend on Class E, Series 2 for 2016.

Class B Preferred Stock - This stock shall be capital stock for the purpose of member producers fulfilling their Capital Base investment requirement. This type of stock is non-voting. Each Board of Director is required to meet their related membership Capital Base investment requirement in Class B.

During 2016, the Board of Directors approved that each three year calendar period, beginning with 2016, a members' Capital Base investment requirement will be reconciled with the members' capital investment. In the event that a member is invested beyond 100% of the Capital Base investment requirement, the member may choose a cash dividend or transfer to another investment. During 2016, total transfers to Class E, Series 1 stock were $10,858,131.

On March 2, 2017, the Board of Directors approved to pay Class B stock dividends earned to date at the time of redemption or transfer.

On January 30, 2018, the Board of Directors declared an 8% dividend on Class B stock for 2017.

Class A Common Stock - This stock is the membership stock of the cooperative and is issued from the Unallocated Capital Reserve. Only individuals and entities who are producers of agricultural products may own Class A Stock. Each member holds one share of Class A stock which entitles the holder to one vote on matters submitted to a vote of the members. No individual or entity, directly or indirectly, may own more than one share of this stock.

As of December 31, 2017, Board of Directors, Management, and their immediate family have investment of $5,017,835 in the cooperative.

The Board of Directors may determine that Class A Stock has come into the hands of a person or entity not eligible for membership. Upon such determination, the stockholder will cease to have voting rights or privileges of the Class A Stock. Further, the Board of Directors may, in its sole discretion, terminate the ineligible stockholder's right and obligations to deliver agricultural products to the cooperative under the cooperative's membership agreement.

NOTE 15 - Equities (cont.)

Equity Program (cont.)

In the event of any liquidation, dissolution or winding up of the affairs of the cooperative, whether voluntary or involuntary, all debts and liabilities of the cooperative shall be paid first according to their respective priorities. The remaining assets shall be distributed in the following manner and order of preference: (1) first to the holders of shares of Class E Stock in an amount equal to the par value of such shares or book value, whichever is lower, plus any unpaid dividends declared thereon, in such priority of series of such shares as may have been established upon the issuance of the shares and on a pro rata basis within a series if necessary; (2) second to the holders of shares of Class B Stock in an amount equal to the par value of such shares or book value, whichever is lower, plus any unpaid dividends declared thereon, without priority and on a pro rata basis if necessary; (3) third to the holders of Class A Stock in an amount equal to the value of the consideration for which the shares of Class A Stock were issued, without priority and on a pro rata basis if necessary; (4) fourth to payment of the stated dollar amount of all patrons' equities (other than non-patronage earnings certificates), in chronological order of year beginning with the oldest outstanding patrons' equities first and on a pro rata basis within a year if necessary; (5) fifth to payment of the stated dollar amount of non-patronage earnings certificates, in chronological order of year beginning with the oldest outstanding non-patronage earnings certificates first and on a pro rata basis within a year if necessary; and (6) sixth to the patrons in accordance with their interest in capital reserves.
Any assets remaining after the foregoing payments shall be allocated among the allocation units in the manner as the Board of Directors, having taken into consideration the origin of the amounts, shall determine to be reasonable and equitable. Amounts so allocated shall be paid to current and former patrons of each such allocation unit in proportion to their patronage of the unit over the period as may be determined to be equitable and practicable by the Board of Directors. The obligations to distribute shall be construed as a preexisting duty to distribute any patronage sourced net gain realized in the winding up process to the maximum extent allowable bylaw.

Pools Equities

Pool Equities are partial payments to meet the member producer’s Capital Base requirements. Once the Capital Base requirements are met, amounts are transferred to Class B Preferred shares. Class B dividends are not accrued on any partial payments. For the years ended December 31, 2017 and 2016, total transfers from pool equities were $2,155,225 and $1,217,415, respectively.

The cooperative has various options for member producers to meet their Capital Base requirement. Capital Base investment approximates 5.5% of the total annual value of products shipped to the cooperative (or per the producer’s contract) for each of the producer’s farm pool operations. The Capital Base investment is a one-time investment, but can be modified based on changes in the farm pool operation’s value of product shipped to the cooperative.

NOTE 16 - Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

> *Cash and cash equivalents, trade receivables, accounts payable and accrued expenses:* The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

> *Investments in other cooperatives:* The carrying amounts are stated at cost plus allocated equities less cash distributions received, which approximate fair value.

> *Derivatives:* The fair value of derivative instruments are based upon quoted market prices or derived from prices in underlying futures markets.

> *Notes receivable:* The carrying value of the notes approximates fair value. The interest rates approximates a rate currently observed for debt of similar terms (see Note 8).

> *Long-term debt:* The carrying value of the cooperative's debt approximates fair value because the underlying rate of interest on the credit agreement and long-term notes payable are variable based upon LIBOR or fixed interest rates that approximate current rates should the cooperative obtain additional financing.

The Financial Accounting Standards Board (FASB) Topic 820, *Fair Value Measurements*, 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the cooperative 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 the asset or liability.

NOTE 16 - Fair Value Measurements (cont.)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The risk management activities presented in Note 5 are the only assets or liabilities carried at fair value measured on a recurring basis as of December 31, 2017 and 2016. Cost management arrangements related to energy contracts and interest rate swaps are considered Level 2 inputs.

Goodwill and intangibles are measured at fair value on a nonrecurring basis, if impaired, and are considered level 3 items.

NOTE 17 - 401(K) Plan

The cooperative has a 401(k) plan which is a defined contribution plan administered by two employee trustees for the benefit of participating employees. An employee must complete 3 months of service to participate in salary deferrals. An employee must complete one year of employment with at least 1,000 hours of service to be eligible to participate in the employer contribution. The cooperative provides a dollar for dollar match up to $1,300 annually or will contribute 3.2% of an employee's salary if the employee contributes 6.4% of their annual salary. The cooperative may contribute a discretionary amount of their salary deferrals which will be determined each year. The cooperative may make a discretionary profit sharing contribution to all eligible participants. Employees are vested 100% on their own salary deferrals. Employees are vested over a six year schedule for cooperative contributions. The cooperative made matching 401(k) contribution totaling $1,320,239 and $1,105,838 for the years ended December 31, 2017 and 2016, respectively. No employee profit sharing contribution was elected for 2017 and 2016.

NOTE 18 - Concentration and Commitments

Customer Concentration

One customer individually accounted for 10% or more of sales for the year ended December 31, 2017 and 2016. Sales to this customer represented 22% and 21% of sales for 2017 and 2016, respectively. One customer individually accounted for 10% or more of accounts receivable as of the year ended December 31, 2017 and 2016. Accounts receivable from this customer represented 15% and 12% of total accounts receivable at December 31, 2017 and 2016, respectively.

NOTE 18 - Concentration, Commitments and Contingencies (cont.)

Tax Incremental Finance Commitment

Village of La Farge - The cooperative entered into a development agreement with the Village of La Farge ("VLF"), as of June 13, 2003. The VLF provided assistance through the establishment of a tax incremental district for the construction of certain public works and improvements. The cooperative agreed to construct an office building of no less than 40,000 square feet and house approximately 220 employees. In addition, the cooperative agreed to assist the VLF in its application for grant funds and provide all assistance it could with respect to compliance with grant requirements. Under the development agreement, the cooperative may not sell, transfer or convey the property prior to January 1, 2028, without the express written consent of the VLF.

Village of Cashton - The cooperative has entered into a development agreement with the Village of Cashton ("VC"), as of May 17, 2006. The VC has established a business park within the Village of Cashton known as the Cashton Greens Business Energy Park. The cost of the tax incremental finance district improvements, financing and bond insurance was approximately $4,885,000 which included grants from the Wisconsin Department of Commerce and Wisconsin Department of Transportation (the "grants") totaling $1,500,000, as amended during April 2011, in financing for those public projects eligible for financing via the grants. Under this agreement, the VC also issued a tax increment project revenue bond ("TIPR Bond A") in the amount of $1,761,836, as amended during April 2011, which is used to reimburse the cooperative for the costs of funding the construction. TIPR Bond A bears interest at 7.00% and requires annual principal and interest payments of approximately $145,000 that are received by the cooperative. TIPR Bond A matures on December 1, 2025.

On June 25, 2012, the cooperative amended the development agreement with the VC and established a second tax increment project revenue bond ("TIPR Bond B") that will be issued in the amount of $4,500,000 when the infrastructure expenses related to to the construction of the distribution addition, completion of Organic Drive, and site work related to construction of the Cashton office building are completed. The cooperative anticipates that TIPR Bond B will be issued during 2018. In addition to the TIPR Bond B, this agreement includes a community development block grant and other state agency grants that require the cooperative to assist the VC in applying for the grants. In addition to the TIPR Bond B, these grants will reimburse the cooperative for the infrastructure expenses incurred.

The VC development agreement includes various clauses including site improvements, employment opportunities and a minimum assessed real property tax value of $12,000,000.

As of December 31, 2017, the cooperative has a grant receivable of $397,636 and an investment in Cashton TIPR bonds of $4,957,631. As of December 31, 2016, the cooperative has a grant receivable of $243,377 and an investment in Cashton TIPR bonds of $4,976,372. On the accompanying consolidated balance sheets, the grant receivable is included in current portion of notes receivable and the investment in Cashton TIPR bonds is included in other long-term assets.

NOTE 19 - Subsequent Events

The cooperative has evaluated subsequent events from the consolidated balance sheet date through April 26, 2018, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

NOTE 20 - Future Accounting Pronouncement

Income Taxes: Balance Sheet Classification of Deferred Taxes

During November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, “Balance Sheet Classification of Deferred Taxes.” ASU No. 2015-17 requires deferred tax assets and liabilities to be classified as noncurrent in a classified balance sheet. ASU No. 2015-17 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The cooperative is currently assessing the effect that ASU No. 2015-17 will have on its financial position.

Revenue from Contracts with Customers

During May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB also issued various amendments to ASU 2014-09. Topic 606 (as amended) is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The cooperative may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The cooperative is currently assessing the effect that Topic 606 (as amended) will have on its results of operations, financial position and cash flows.

Leases

During February 2016, the FASB issued ASU 2016-02, "Leases," which provides guidance for accounting for leases. The standard's core principal is that a company will recognize a lease asset and lease liability for most leases currently classified as operating leases under previous guidance. The standard also requires enhanced qualitative disclosures relating to leases. The standard will be applied using a modified retrospective approach and will be effective for the cooperative's fiscal years ending after December 15, 2019. The cooperative is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT
ON THE SUPPLEMENTAL INFORMATION

Stockholders
Cooperative Regions of Organic Producer Pools
La Farge, Wisconsin

We have audited the consolidated financial statements of Cooperative Regions of Organic Producer Pools and its subsidiaries as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated April 26, 2018 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental information provided, as identified in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 26, 2018

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATING BALANCE SHEET
As of December 31, 2017

	CROPP	Organic Logistics	Worden Elevators	Organic Meat Company	Lorentz	Dombrovski	Total	Consolidating Eliminations	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 22,525,617	$ 763,476	$ 40,539	$ 893,097	$ 148,630	$ 43,674	$ 24,415,033	$ -	$ 24,415,033
Trade accounts receivable, net	85,582,568	772,799	96,744	1,698,430	706,650	417,956	89,275,147	(381,874)	88,893,273
Related party receivable	11,163,975	13,156,972	-	1,737,284	-	-	26,058,231	(26,058,231)	-
Inventories, net	137,795,654	-	-	8,047,580	647,874	831,603	147,322,711	-	147,322,711
Income tax receivable	544,119	-	-	-	-	13,957	558,076	-	558,076
Prepaids and other current assets	5,021,186	-	93,214	-	60,973	-	5,175,373	-	5,175,373
Current portion of deferred tax asset	5,874,646	39,344	-	63,631	142,015	-	6,119,636	-	6,119,636
Current portion of notes receivable	593,701	-	-	-	-	-	593,701	-	593,701
Total Current Assets	269,101,466	14,732,591	230,497	12,440,022	1,706,142	1,307,190	299,517,908	(26,440,105)	273,077,803
NET PROPERTY, PLANT AND EQUIPMENT	96,811,763	-	14,482	-	6,054,278	3,035,070	105,915,593	-	105,915,593
OTHER ASSETS									
Long-term notes receivable, net	2,591,817	-	-	-	-	-	2,591,817	-	2,591,817
Investments	15,430,696	-	-	3,570,975	766,990	-	19,768,661	(13,746,869)	6,021,792
Intangibles, net	359,442	-	-	-	-	746,255	1,105,697	-	1,105,697
Goodwill, net	155,316	-	-	-	812,324	-	967,640	-	967,640
Other long-term assets	10,245,534	-	-	-	17,509	65,021	10,328,064	-	10,328,064
TOTAL ASSETS	$ 394,696,034	$ 14,732,591	$ 244,979	$ 16,010,997	$ 9,357,243	$ 5,153,536	$ 440,195,380	$ (40,186,974)	$ 400,008,406
LIABILITIES AND PATRONS' EQUITY									
CURRENT LIABILITIES									
Line of credit	$ 89,880,484	$ -	$ -	$ -	$ -	$ -	$ 89,880,484	$ -	$ 89,880,484
Current maturities of long-term debt	1,221,785	-	-	-	441,250	271,112	1,934,147	-	1,934,147
Accounts payable	49,155,035	7,862,139	2,254	733,687	228,457	149,278	58,130,850	(381,874)	57,748,976
Farmer payable	36,683,666	-	-	-	-	-	36,683,666	-	36,683,666
Accrued expenses	11,067,401	-	-	65,810	598,060	46,281	11,777,552	-	11,777,552
Related party payable	13,095,565	-	898,275	10,455,639	1,043,218	565,534	26,058,231	(26,058,231)	-
Income tax payable	-	-	-	-	68,967	-	68,967	-	68,967
Total Current Liabilities	201,103,936	7,862,139	900,529	11,255,136	2,379,952	1,032,205	224,533,897	(26,440,105)	198,093,792
Long-term debt, less current maturities	14,050,183	-	-	-	4,017,930	697,173	18,765,286	-	18,765,286
Other long-term liabilities	1,572,500	-	-	-	-	-	1,572,500	-	1,572,500
Deferred tax liability	-	-	-	-	326,056	628,804	954,860	-	954,860
PATRONS' EQUITIES									
Class E stock	98,734,838	-	-	-	-	-	98,734,838	-	98,734,838
Class B stock	27,942,430	-	-	-	-	-	27,942,430	-	27,942,430
Class A stock	50,700	-	-	-	-	-	50,700	-	50,700
Class B stock - subscriptions	4,416,699	-	-	-	-	-	4,416,699	-	4,416,699
Class B stock - subscriptions receivable	(4,416,699)	-	-	-	-	-	(4,416,699)	-	(4,416,699)
Pool equities	3,024,958	-	-	-	-	-	3,024,958	-	3,024,958
Accumulated other comprehensive income	3,343,199	-	-	-	-	-	3,343,199	-	3,343,199
Unallocated capital reserve	44,873,290	6,870,452	(655,550)	4,755,861	2,633,305	2,795,354	61,272,712	(15,620,567)	45,652,145
Total Controlling Interest	177,969,415	6,870,452	(655,550)	4,755,861	2,633,305	2,795,354	194,368,837	(15,620,567)	178,748,270
Non-controlling interest in subsidiaries	-	-	-	-	-	-	-	1,873,698	1,873,698
Total Patrons' Equity	177,969,415	6,870,452	(655,550)	4,755,861	2,633,305	2,795,354	194,368,837	(13,746,869)	180,621,968
TOTAL LIABILITIES AND PATRONS' EQUITY	$ 394,696,034	$ 14,732,591	$ 244,979	$ 16,010,997	$ 9,357,243	$ 5,153,536	$ 440,195,380	$ (40,186,974)	$ 400,008,406

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2017

	CROPP	Organic Logistics	Worden Elevators	Organic Meat Company	Lorentz	Dombrovski	Total	Consolidating Eliminations	Consolidated
GROSS SALES	$ 1,093,476,486	$ 10,221,338	$ 391,649	$ 27,051,116	$ 11,961,276	$ 6,946,971	$ 1,150,048,836	$ (4,596,941)	$ 1,145,451,895
Discounts & allowances	(66,835,853)	-	-	(2,593,277)	-	(421,623)	(69,850,753)	-	(69,850,753)
NET SALES	1,026,640,633	10,221,338	391,649	24,457,839	11,961,276	6,525,348	1,080,198,083	(4,596,941)	1,075,601,142
COST OF SALES	928,808,691	8,567,676	-	20,740,147	9,930,121	4,741,748	972,788,383	(4,596,941)	968,191,442
Gross Profit	97,831,942	1,653,662	391,649	3,717,692	2,031,155	1,783,600	107,409,700	-	107,409,700
OPERATING EXPENSES									
Direct marketing	15,180,183	-	-	1,122,257	-	-	16,302,440	-	16,302,440
Indirect marketing									
Sales & sales support	10,885,848	-	-	291,499	-	-	11,177,347	-	11,177,347
Mission & messaging	2,671,174	-	-	-	-	-	2,671,174	-	2,671,174
Brand marketing	17,435,482	-	-	1,264,036	-	-	18,699,518	-	18,699,518
Total indirect marketing	30,992,504	-	-	1,555,535	-	-	32,548,039	-	32,548,039
Pool expenses	12,035,943	-	-	-	-	-	12,035,943	-	12,035,943
General & administrative	45,859,354	1,534,321	476,591	1,456,515	1,506,461	1,803,784	52,637,026	-	52,637,026
Product development	1,286,990	-	-	15,197	-	-	1,302,187	-	1,302,187
Governance	1,377,344	-	-	15,921	-	-	1,393,265	-	1,393,265
Legal Fees & co-op affairs	1,833,104	-	-	-	-	-	1,833,104	-	1,833,104
Sustainability	1,011,214	-	-	-	-	-	1,011,214	-	1,011,214
Other expenses (income)	198,640	-	-	(9,116)	-	-	189,524	-	189,524
Total Operating Expenses	109,775,276	1,534,321	476,591	4,156,309	1,506,461	1,803,784	119,252,742	-	119,252,742
Operating Income (Loss)	(11,943,334)	119,341	(84,942)	(438,617)	524,694	(20,184)	(11,843,042)	-	(11,843,042)
OTHER EXPENSE (INCOME)									
Interest expense	3,218,534	-	-	400,278	226,468	60,231	3,905,511	(447,754)	3,457,757
Other income	(2,594,267)	-	-	(109,681)	(528,728)	(4,922)	(3,237,598)	447,754	(2,789,844)
Net Other Expense (Income)	624,267	-	-	290,597	(302,260)	55,309	667,913	-	667,913
Income (Loss) Before Taxes	(12,567,601)	119,341	(84,942)	(729,214)	826,954	(75,493)	(11,175,129)	-	(12,510,955)
INCOME TAX EXPENSE (BENEFIT)	(2,080,233)	21,629	(3,228)	41,807	370,804	(234,026)	(1,883,247)	-	(1,883,247)
NET INCOME (LOSS)	(10,487,368)	97,712	(81,714)	(771,021)	456,150	158,533	(10,627,708)	-	(10,627,708)
Net loss (income) attributable to non-controlling interest	-	-	-	-	(155,085)	(55,482)	(210,567)	-	(210,567)
NET INCOME (LOSS) ATTRIBUTABLE TO THE CONTROLLING INTEREST	$ (10,487,368)	$ 97,712	$ (81,714)	$ (771,021)	$ 301,065	$ 103,051	$ (10,838,275)	$ -	$ (10,838,275)

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

RECEIVABLES AND FINANCIAL RATIOS
As of December 31, 2017

Receivables	
Details of receivables are as follows:	
Trade accounts receivable	$ 82,304,958
Other receivables	7,950,427
	90,255,385
Allowance for doubtful accounts	(1,362,112)
	$ 88,893,273
An aging of receivables is as follows:	
Period of charge	
Current	$ 70,393,466
1 to 30 days	15,480,291
31 to 60 days	2,038,115
61 to 90 days	1,009,167
Greater than 91 days	1,305,809
Director and employees	28,537
	90,255,385
Allowance for doubtful accounts	(1,362,112)
	$ 88,893,273
Financial ratios	
Total current assets	$ 273,077,803
Excluded related party receivable	(28,537)
Net Current Assets	$ 273,049,266
Current liabilities	$ 198,093,792
Current ratio	1.38
Total liabilities	$ 219,386,438
Total patrons' equity	$ 180,621,968
Less: Excluded related party receivable	(28,537)
Adjusted Total Patrons' Equity	$ 180,593,431
Total Liabilities to Total Patrons' Equities Ratio	1.21

Wisconsin Grain Reporting Requirement

The dollar amount paid for and bushels of producer grain procured and deferred payments for the year ended December 31, 2017 are summarized as follows:

	Total Amount Paid	Deferred Payment	Total Bushels Paid For
January	$ 13,543	$ 6,794	1,693
February	36,931	21,634	4,622
March	30,943	9,375	3,969
April	61,882	28,348	9,712
May	105,691	83,456	15,241
June	37,754	37,754	5,453
July	35,682	35,682	5,500
August	139,387	125,189	13,857
September	24,184	16,391	3,007
October	80,130	35,575	10,440
November	123,207	97,822	14,919
December	119,677	119,677	14,279
Total	$ 809,011	$ 617,697	102,692

As of December 31, 2017, the cooperative had no outstanding grain obligations to grain producers and producer agents, respectively.

Iowa Grain Reporting Requirement

As of December 31, 2017, there are no differences between the grain obligations as included in the consolidated balance sheets and the monthly Iowa grain report for the year ended.

There are no collateral warehouse receipts.

There is no cooperative owned grain stored in unlicensed facilities.

There is no unpaid cooperative owned grain as of December 31, 2017. Total outstanding grower contracts as of December 31, 2017 were $22,950 for a total of 2,550 bushels.

The dollar value of grain and number of bushels purchased during the year ended December 31, 2017 are summarized as follows:

	Dollar Value	Bushels
Corn	$ 122,913	15,166
Barley	9,773	1,629
Soybean	41,730	2,469
Wheat	22,012	2,764
Oats	5,327	1,522
Mixed Grains	3,056	841

Gross grain sales for the year ended December 31, 2017 were $16,466,972.

Gross non-grain sales for the year ended December 31, 2017 were $1,128,984,923 and cost of sales were $968,191,442. For the year ended December 31, 2017, depreciation and interest expense was $10,920,432 and $3,457,757, respectively.