# *Surveying the Corn Wet Milling Landscape*

# 2015 Annual Report

Golden Growers Cooperative

| HIGHLIGHTS | Year Ended Dec. 31, 2015 | Year Ended Dec. 31, 2014 | Year Ended Dec. 31, 2013 |
|---|---|---|---|
| Total Members' Equity | *$28,213,000* | $34,053,000 | $38,416,000 |
| Income from ProGold LLC | *$5,250,000* | $5,981,000 | $5,746,000 |
| Net Income | *$4,533,000* | $5,242,000 | $4,797,000 |
| Earnings per Unit | *$0.29* | $0.34 | $0.31 |

## Financial Review

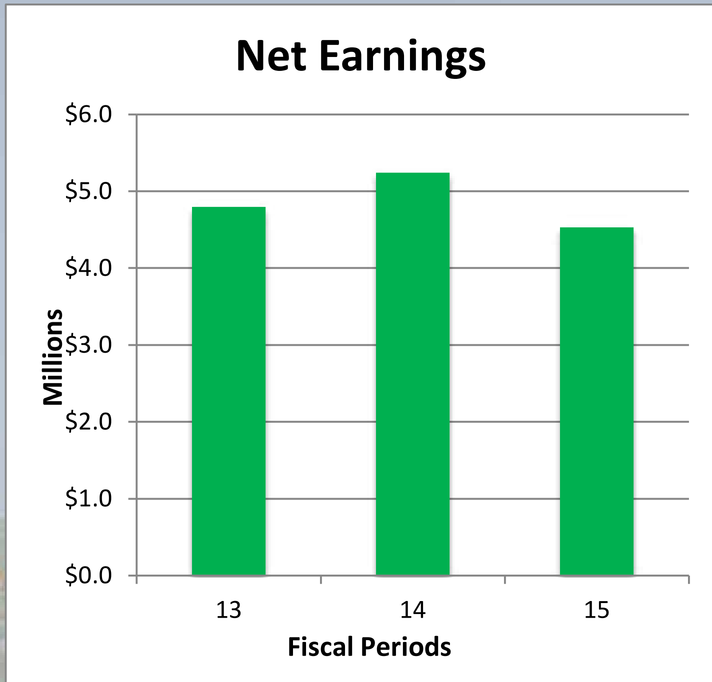
Golden Growers Cooperative is an agricultural cooperative owned by 1554 members who reside primarily in Minnesota, North Dakota, and South Dakota. The cooperative was created in 1994 to own a 49 percent interest in ProGold Limited Liability Company. Golden Growers has one partner in ProGold. American Crystal Sugar Company of Moorhead, Minnesota owns 51%.

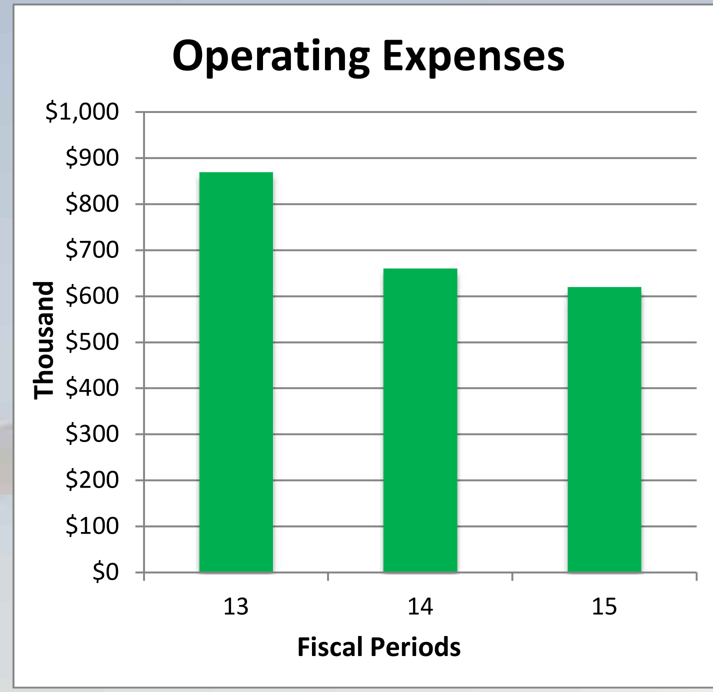
On January 1, 2008, ProGold LLC entered into a second ten-year lease agreement with Cargill, Inc., to operate the ProGold corn wet-milling facility near Wahpeton, North Dakota. That lease expires December 31, 2017, although the lease could be extended for a limited period under certain circumstances. Under this agreement, ProGold retains ownership of the facility and will receive rent averaging $21.9 million annually over the life of the lease. ProGold is essentially debt free.

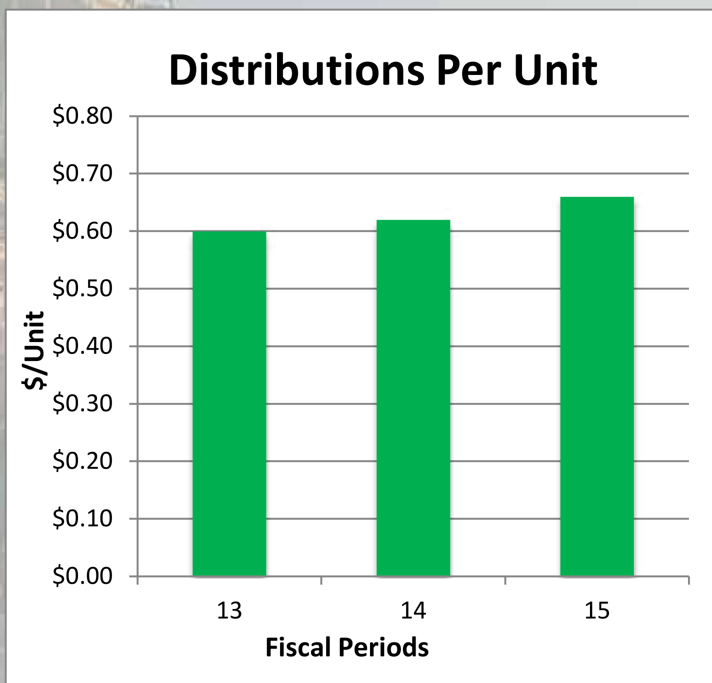
On September 1, 2009, Golden Growers converted from a North Dakota cooperative to a Minnesota cooperative governed by Minnesota statute 308B. The financial reports presented in this document reflect audited financial reports for the periods ending December 31, 2015, 2014, and 2013.

For the year ended December 31, 2015, Golden Growers had net income of $4,533,000 compared with a net income of $5,242,000 for 2014, and $4,797,000 for 2013.

ProGold's fiscal year ends on August 31st. Adjusted for the calendar year, ProGold's net income for the twelve months ending December 31 of 2015 was $10,714,000 compared to $12,206,000 for calendar year 2014, and $11,726,000 for calendar year 2013.



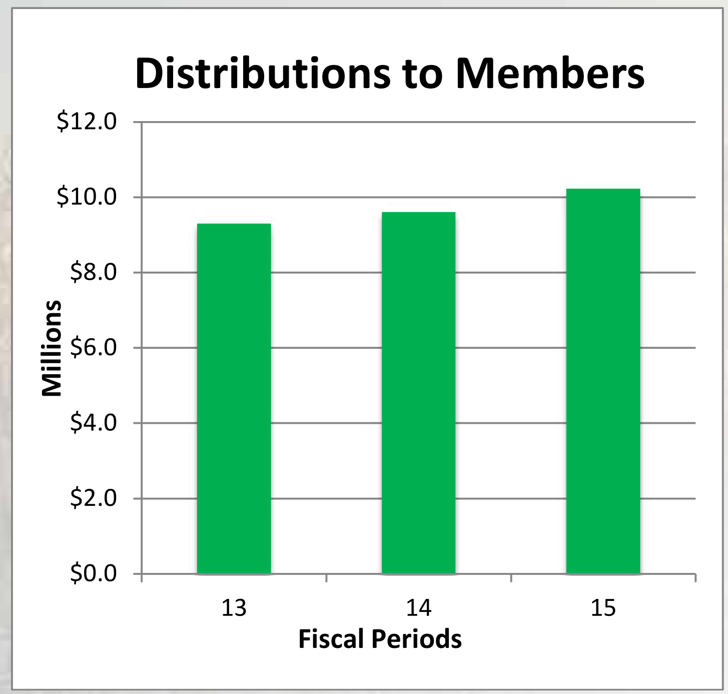
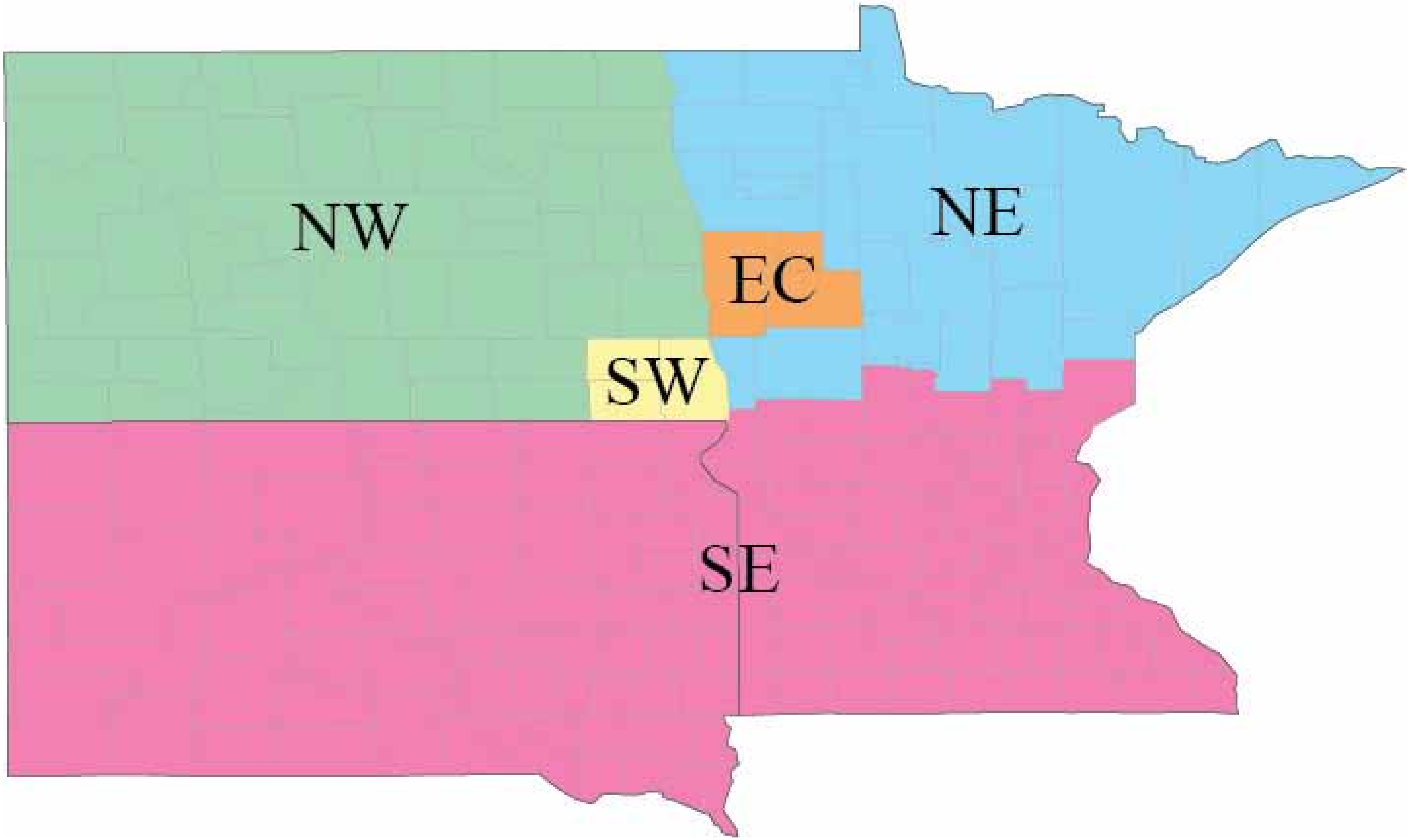




*Photo courtesy of Perry Rust, Fargo*

# Member Districts




This communication contains discussion of some of our expectations regarding Golden Growers Cooperative and ProGold LLC's future performance. These forward looking statements are based on our current views and assumptions. Actual results could differ materially from these current expectations and forecasts, and from historical performance. Members should consider such risks and uncertainties when evaluating any forward-looking statement and not put undue reliance on any forward-looking statements. Golden Growers Cooperative undertakes no obligation to update any forward-looking statements in this presentation to reflect future events or developments.

# *Board of Directors and Management*

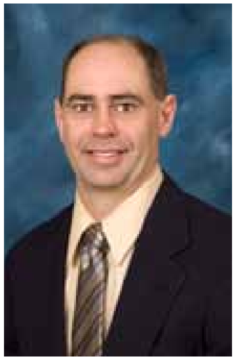
## *Northwest*

Glenn Johnson
Mayville, ND

Les Nesvig
LaMoure, ND

Nicolas Pyle
Casselton, ND

## *Northeast*



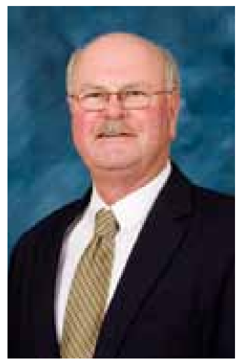
Shaun Beauclair
Stephen, MN

Matt Hasbargen
Fargo, ND

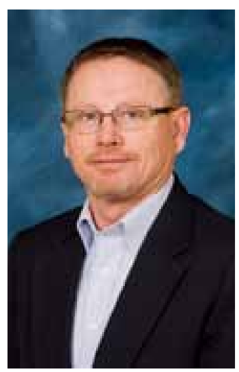
Gary 'Butch' Jirak
Breckenridge, MN

## *Southwest*

Brett Johnson
Mooreton, ND

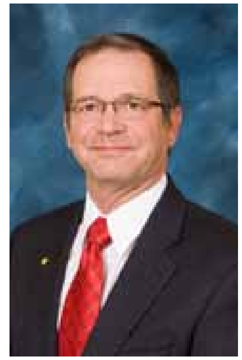


Chris Johnson
Wahpeton, ND



Bruce Speich
Milnor, ND

## *Southeast*



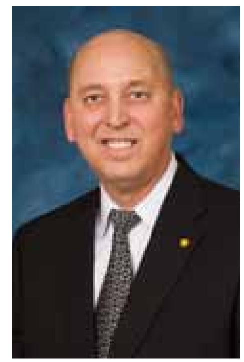
Bernie DeCock
Ghent, MN

Byron Koehl
Hancock, MN

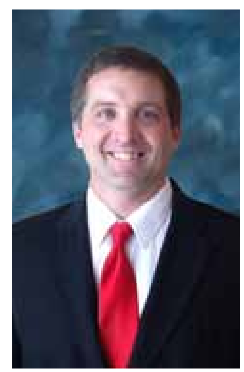
Larry Vipond
Herman, MN

## *East Central*

David Benedict
Sabin, MN



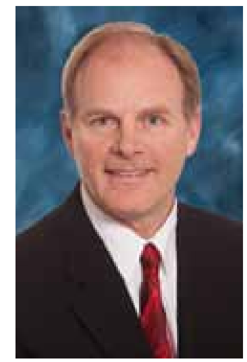
Mark Harless
Borup, MN



Scott Jetvig
Hawley, MN

**Executive Committee**

Chairperson
**Mark Harless**
First Vice Chair
**Nicolas Pyle**
Second Vice Chair
**Shaun Beauclair**
Secretary
**Matt Hasbargen**
Treasurer
**Leslie Nesvig**



Scott Stofferahn
Executive Vice President

# Surveying the Corn Wet Milling Landscape

As we look back on 2015 and toward 2016, we understand that change is occurring within the corn milling industry. The landscape is being influenced by consumption, government actions, legal battles, and changing consumer interests.

Cargill changed the supply landscape for corn sweeteners when, in January, they closed their corn milling plant in Memphis, TN. This action reduced corn sweetener capacity by roughly 10%. As a result, corn sweetener supplies were very tight throughout the year. This tightness was very evident as corn refiners announced 2016 contracting prices that were $3.50 to $4.50 per cwt higher than in 2015. Given high plant utilization, we can anticipate corn refiners achieved greater margins in tolling contracts which represent the majority of HFCS business.

In September, the U.S. Department of Commerce confirmed a preliminary decision that Mexican sugar had been dumped into the U.S. market. The affirmation of the prior settlement agreement between the U.S. and Mexico should stabilize the U.S. sugar market. Stable sugar prices in the U.S. ultimately support domestic HFCS prices. On the flip side, excess supplies of cheap sugar in Mexico may negatively impact HFCS exports.

A contentious lawsuit between corn refiners and the Sugar Association was settled in November. While the terms of the settlement agreement are not public, we view the settlement in a positive light. Continuing this public fight could have caused long term damage to both sweeteners in the mind of consumers. Now both groups can focus on dealing with issues of common interest.

The domestic consumption of HFCS has declined in relation of the decline in consumption of carbonated soft drinks. Corn refiners have responded to these declines by increasing HFCS exports, closing older plants located outside of corn growing regions, swinging capacity toward ethanol, and finding new uses for corn starches and corn glucose. Low oil prices have negatively impacted some promising renewable bio-based chemicals and oils.

In December, the EPA finalized its rule on the Renewable Fuels Standard (RFS). The EPA chose to align the standard with a perceived 10% blend wall rather than push toward increased ethanol utilization. Meanwhile, dramatic price declines for oil have resulted in a squeeze on ethanol profitability. Dry milling corn ethanol plants have no other output options to consider. Consequently, they are feeling the brunt of ethanol price declines. Because the corn wet milling process breaks the kernel into its various components, there are more 'refining' output options for use of corn.

Food companies are adjusting products in response to a public interest for sustainable supply chains and consumer concerns over genetically modified ingredients. Nutrition guidelines are also stressing decreased caloric intake of 'added sugars'.

So what does this changing landscape mean for Golden Growers' investment in the ProGold plant? We acknowledge that the future is far from certain. Yet, we believe that corn refining through wet milling plants like our ProGold plant will play an important role into the future. While our plant produces only one primary product, not counting byproducts, it produces that product efficiently in a profitable location. Presently, tight plant utilization means our plant plays an important role in meeting corn sweetener demand. While low oil prices will continue to place a financial squeeze on corn milling capacity shifted toward ethanol, we don't anticipate these low prices are sustainable for the long run.

On behalf of the Board and management of Golden Growers, you can count on us to fully consider the changing environment for the corn milling industry as we chart our course for the future. Change is always occurring, but with change, there may also be opportunity for Golden Growers Cooperative.

Sincerely,

Mark Harless, Chairman

Scott Stofferahn, Executive VP

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee and Board of Directors
Golden Growers Cooperative
West Fargo, North Dakota

We have audited the accompanying balance sheets of Golden Growers Cooperative as of December 31, 2015 and 2014, and the related statements of operations, comprehensive income, changes in members' equity and cash flows for each of the years in the three-year period ended December 31, 2015. Golden Growers Cooperative's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden Growers Cooperative, as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

Widmer Roel PC

Widmer Roel, PC
Fargo, ND
March 2, 2016

## MANAGEMENT'S DISCUSSION OF FINANCIAL RESPONSIBILITY

The management of Golden Growers Cooperative is responsible for the preparation, integrity and objectivity of the accompanying financial statements and related information contained in this annual report. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. Where appropriate, management has included estimates and judgments it believes are reasonable under the circumstances.

As a means of fulfilling its responsibility for the integrity of financial information included in this annual report, management has established a system of internal controls to obtain reasonable assurance that assets are safeguarded and transactions are properly recorded. Although no system of internal controls can detect and prevent all errors and irregularities, management believes the established system provides reasonable assurance that material errors and irregularities will be detected. The Board of Directors has also engaged independent certified accountants to review and assess the effectiveness of the internal accounting control system and to audit the cooperative's financial statements.

The Board of Directors has formed a finance committee to meet on a regular basis to review accounting, internal control, auditing and financial reporting matters. In addition, the finance committee meets with independent certified public accountants to discuss the planning and results of their audits.

Scott B. Stofferahn
Executive Vice President



*Photo courtesy of Perry Rust, Fargo*

## BALANCE SHEETS

Golden Growers Cooperative

| (In Thousands) | December 31, 2014 | December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 2,483 | $ 2,272 |
| Short-Term Investments | 218 | 220 |
| Prepaid Expenses | 220 | 287 |
| Total Current Assets | 2,921 | 2,779 |
| Furniture and Equipment, Net | 4 | 3 |
| Investment in ProGold Limited Liability Company | 31,344 | 25,831 |
| Total Assets | $ 34,269 | $ 28,613 |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| Current Liabilities | | |
| Accounts Payable | $ - | $ 23 |
| Accrued Liabilities | 216 | 229 |
| Total Current Liabilities | 216 | 252 |
| Non-Current Liabilities | - | 48 |
| Members' Equity | 34,053 | 28,361 |
| Members' Equity | | |
| Membership Units, Authorized 60,000,000 Units, Issued and Outstanding 15,490,480 as of December 31, 2015 and 2014 | | |
| (Accumulated Other Comprehensive Income) | - | (48) |
| Total Members' Equity | 34,053 | 28,313 |
| Total Liabilities and Members' Equity | $ 34,269 | $ 28,613 |

**See Notes to Financial Statements**

## STATEMENTS OF OPERATIONS

Golden Growers Cooperative

| (In Thousands) | Year Ended December 31, 2013 | Year Ended December 31, 2014 | Year Ended December 31, 2015 |
|---|---|---|---|
| **OPERATIONS** | | | |
| Corn Revenue | $ 82,925 | $ 61,130 | $ 56,370 |
| Corn Expense | (83,016) | (61,219) | (56,475) |
| Net Income from ProGold Limited Liability Company | 5,746 | 5,981 | 5,250 |
| General & Administrative Expenses | (869) | (660) | (620) |
| Net Income from Operations | 4,786 | 5,232 | 4,525 |
| Interest Income | 11 | 10 | 8 |
| Net Income | $ 4,797 | $ 5,242 | $ 4,533 |
| Weighted Average Shares/Units Outstanding | 15,490,480 | 15,490,480 | 15,490,480 |
| Earnings per Share/Membership Unit Primary and Fully Diluted | $ 0.31 | $ 0.34 | $ 0.29 |

**See Notes to Financial Statements**

## STATEMENTS OF COMPREHENSIVE INCOME

Golden Growers Cooperative

| (In Thousands) | Year Ending December 31, 2013 | Year Ending December 31, 2014 | Year Ending December 31, 2015 |
|---|---|---|---|
| Net Income Attributed to the Cooperative | $ 4,797 | $ 5,242 | $ 4,533 |
| Other Comprehensive Income | | | |
| Defined benefit pension plans | | | |
| Pension liability adjustment | 179 | - | (48) |
| Comprehensive Income | $ 4,976 | $ 5,242 | $ 4,485 |

**See Notes to Financial Statements**

## STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Golden Growers Cooperative

| (In Thousands) | (Accumulated Other Comprehensive Income) | Members' Equity | Total Members' Equity |
|---|---|---|---|
| **BALANCE, DECEMBER 31, 2012** | (179) | 42,923 | 42,744 |
| Net Income | - | 4,797 | 4,797 |
| Member Distributions | - | (9,304) | (9,304) |
| Pension liability adjustment | 179 | - | 179 |
| **BALANCE, DECEMBER 31, 2013** | - | 38,416 | 38,416 |
| Net Income | - | 5,242 | 5,242 |
| Member Distributions | - | (9,605) | (9,605) |
| Pension liability adjustment | - | - | - |
| **BALANCE, DECEMBER 31, 2014** | $ - | $ 34,053 | $ 34,053 |
| Net Income | - | 4,533 | 4,533 |
| Member Distributions | - | (10,225) | (10,225) |
| Pension liability adjustment | (48) | - | (48) |
| **BALANCE, DECEMBER 31, 2015** | $ (48) | $ 28,361 | $ 28,313 |

## STATEMENT OF CASH FLOWS

Golden Growers Cooperative

| (In Thousands) | Year Ending December 31, 2013 | Year Ending December 31, 2014 | Year Ending December 31, 2015 |
|---|---|---|---|
| Cash Flows from Operating Activities | | | |
| Net Income | $ 4,797 | $ 5,242 | $ 4,533 |
| Net (Income) from ProGold Limited Liability Company | (5,746) | (5,981) | (5,250) |
| Depreciation | 2 | 2 | 1 |
| Changes in Assets and Liabilities | | | |
| Prepaid Expenses | (9) | (210) | (67) |
| Accounts Payables | (67) | - | 23 |
| Accrued Liabilities | (1) | 212 | 13 |
| Net Cash Used in Operating Activities | (1,024) | (735) | (747) |
| Cash Flows from Investing Activities | | | |
| Purchase of investment | - | - | (2) |
| Distribution received from ProGold LLC | 10,784 | 9,669 | 10,763 |
| Net Cash Provided by Investing Activities | 10,784 | 9,669 | 10,761 |
| Cash Flows from Financing Activities | | | |
| Member Distributions Paid | (9,304) | (9,605) | (10,225) |
| Net Cash Used by Financing Activities | (9,304) | (9,605) | (10,225) |
| Increase (Decrease) in Cash and Cash Equivalents | 456 | (671) | (211) |
| Cash and Cash Equivalents, Beginning of Period | 2,698 | 3,154 | 2,483 |
| Cash and Cash Equivalents, End of Period | $ 3,154 | $ 2,483 | $ 2,272 |

**See Notes to Financial Statements**

# NOTES TO FINANCIAL STATEMENTS

Golden Growers Cooperative
December 31, 2015, 2014 and 2013

## NOTE 1 - NATURE OF OPERATIONS

***Organization*** - Golden Growers Cooperative was initially organized as a North Dakota member-owned cooperative incorporated on January 19, 1994 ("GG-ND"). GG-ND and two other partners, one of whom was American Crystal Sugar Company ("ACSC") entered into a joint venture that formed ProGold Limited Liability Company, a Minnesota limited liability company ("ProGold") which designed and constructed a corn wet-milling facility in Wahpeton, North Dakota (the "Facility"). Under the joint venture, GG-ND (and indirectly its members) had the right and obligation to deliver corn to be processed at the Facility. After it was constructed and operated briefly by its members, the Facility was leased to Cargill Incorporated ("Cargill") who continues to operate the Facility under a lease that runs through December 31, 2017. Golden Growers Cooperative and ASCS are the current members of ProGold, with Golden Growers Cooperative holding a 49% interest and ACSC holding the remaining 51% interest.

On July 29, 2009 GG-ND formed a wholly owned cooperative subsidiary in the state of Minnesota (GG-MN), organized under Minnesota Statutes chapter 308A, solely for the purpose of reincorporating into the state of Minnesota. On September 1, 2009, GG-ND merged into GG-MN and reincorporated into the state of Minnesota. Immediately after the merger, GG-MN statutorily converted into a cooperative association governed under Minnesota Statutes 308B. As a result of its reincorporation and reorganization GG-ND, a North Dakota cooperative association historically taxed as a tax-exempt cooperative under Subchapter T of the Internal Revenue Code, became Golden Growers Cooperative, a Minnesota cooperative association governed by Minnesota Statutes chapter 308B as a cooperative for state law purposes but taxed as a partnership under Subchapter K of the Internal Revenue Code for tax purposes. Golden Growers Cooperative succeeded to the business of Golden Growers - North Dakota and except for changes to the structure and operations as a result of the reincorporation and statutory conversion, continues to operate the business of Golden Growers - North Dakota.

As part of the Conversion, GG-ND's members exchanged their shares of Class A Common Voting Membership Stock and Class B Non-Voting Equity Stock for identical and equal shares of such stock in GG-MN. Each member's single share of Class A Common Voting Membership Stock was redeemed for $150 and each member received membership units in GG-MN equal to the number of shares of Class B Non-Voting Equity Stock each member held in GG-ND prior to the Merger.

Prior to September 1, 2009, ownership of membership stock, which signified membership in the Cooperative, was restricted to producers of agricultural products. The ownership of equity stock was restricted to members of the Cooperative. Preferred stock could be held by persons who were not members of the Cooperative. At August 31, 2009 and 2008, the Cooperative had 10,000 shares of non-voting, $1,000 par-value preferred stock authorized, of which none were issued or outstanding. Equity requirements, as determined by the board of directors, could be retained from amounts due to patrons and credited to members' equity in the form of unit retains or allocated patronage.

The Cooperative reserved the right to acquire any of its stock offered for sale and the right to recall the stock of any member. In the event this right was exercised, the consideration paid for such stock was 25% of its book value.

Beginning September 1, 2009, ownership of membership units is available to any person or entity residing in the United States of America. Net proceeds or losses will be allocated to members on the basis of their patronage of the Cooperative.

In connection with the Conversion, the Cooperative changed its fiscal year end to December 31.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Investments*** - The Cooperative's investment securities are held to maturity and recorded at amortized cost. The Cooperative's investment in ProGold is recorded at historical cost plus its pro-rata share of ProGold's net income and additional paid-in capital less distributions received from ProGold. Unrealized gains or losses are recorded in accumulated other comprehensive income within members' equity. Gains and losses are determined using the specific identification method.

***Cash and Cash Equivalents*** - The Cooperative considers all demand accounts to be cash equivalents and overnight sweep accounts. Cash equivalents do not include money market accounts maintained by the Cooperative's investment managers. Cash equivalents do not include any investment with a stated maturity date, regardless of the term to maturity.

***Income Taxes*** - Beginning September 1, 2009, Golden Growers Cooperative is taxed as a limited liability company under Subchapter K of the Internal Revenue Code. As such, the Cooperative will generally not be subject to income taxes. Instead, net income will be reported by its members who will be responsible for any income taxes which may be due. Prior to September 1, 2009, Golden Growers Cooperative was an exempt cooperative for federal income tax purposes. As such, the cooperative was generally not subject to income taxes. Instead, net proceeds were allocated to the Cooperative's patrons who were responsible for any income taxes which may have been due. The Cooperative's net financial bases in its assets and liabilities exceeded its tax bases by approximately $11 million and $13 million as of December 31, 2015 and 2014, respectively.

***Property and Equipment*** - Property and equipment are stated at cost. Depreciation on assets placed in service is provided using the straight-line method over estimated useful lives ranging from 5 to 10 years.

***Accounting Estimates*** - The preparation of the 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 at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

***Revenue Recognition*** - The Cooperative's members are contractually obligated to annually deliver corn to the Cooperative by either Method A or Method B or a combination of both. Under Method A, a member is required to physically deliver corn to the cooperative and under Method B a member appoints the cooperative as its agent to arrange for the acquisition and delivery of corn on the member's behalf. For an annual fee of $92,000 paid quarterly, the Cooperative contractually appoints Cargill as its agent to arrange for the delivery of the corn by its members who elect to deliver corn using Method A and to acquire corn on its behalf for its members who elect to deliver corn using Method B. The price per bushel paid to the member who elects to deliver corn using Method B is equal to the price per bushel paid by Cargill to acquire the corn as the Cooperative's agent. Members who deliver corn under Method A are paid the market price or contracted price for their corn at the time of delivery. The Cooperative pays members who deliver corn under Method A an incentive payment of $.05 per bushel while members who elect Method B to deliver corn pay the Cooperative a $.02 per bushel agency fee for the cost of having the Cooperative deliver corn on their behalf. The board has the discretion to change the incentive fee and the agency fee based on the Cooperative's corn delivery needs. The incentive fee and agency fee are a component of Corn Expense.

With respect to all Method A corn that is delivered, Cargill pays the aggregate purchase price for corn purchased from the Cooperative's members to the Cooperative and then, on the Cooperative's behalf, makes individual payments for corn directly to its members. If a Method A member fails to fully satisfy the corn delivery requirement, Cargill purchases replacement corn for which the Cooperative reimburses Cargill the amount by which the underlying contracted corn price is less than the price of buying the replacement corn that was due on the delivery date. The Method A member who fails to deliver corn is then invoiced by the Cooperative for the price of the corn.



*Photo courtesy of Perry Rust, Fargo*

Based on what is to be delivered by its members using Method A, Cargill then purchases the remainder of the corn to be delivered by the Cooperative on behalf of its Method B delivering members. Because Cargill purchases the corn on the Cooperative's behalf of Method B delivering members, the purchase price for the corn that would be paid to the Cooperative's members if they actually delivered the corn offsets against the payment to be made by the Cooperative to Cargill for the cost to purchase the corn, thus no payment is made from Cargill to the Cooperative for corn delivered using Method B. The Cooperative has determined Corn Expense for Method B deliveries based on the average quarterly cost per bushel paid by Cargill to the Cooperative's members for Method A quarterly deliveries.

***Concentrations*** - Several times during the year, the Cooperative maintained a cash balance in excess of the Federal Deposit Insurance Corporation ("FDIC") limits. At December 31, 2015, the Cooperative's cash balance exceeded the FDIC insurance limits by approximately $2.0 million.

***Fair Value Measurements*** - The Cooperative has determined the fair value of certain assets and liabilities in accordance with the provision of Accounting Standards Codification ("ASC") 820-10, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC -820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observed for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

## NOTE 3 - PROGOLD LIMITED LIABILITY COMPANY

The Cooperative has a 40% ownership interest in ProGold LLC. Following is summary financial information for ProGold LLC:

| (In Thousands) | December 31, 2015 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Current Assets | $ 133 | $ 2,375 | $ 151 |
| Long-Term Assets | 53,386 | 65,019 | 72,947 |
| Total Assets | $ 53,519 | $ 67,394 | $ 73,098 |
| Current Liabilities | $ 404 | $ 2,627 | $ 405 |
| Long-Term Liabilities | 400 | 800 | 1,200 |
| Total Liabilities | 804 | 3,427 | 1,605 |
| Members' Equity | 52,715 | 63,967 | 71,493 |
| Total Liabilities and Members' Equity | $ 53,519 | $ 67,394 | $ 73,098 |
| Rent Revenue on Operating Lease | $ 23,106 | $ 24,125 | $ 23,674 |
| Expenses | 12,392 | 11,919 | 11,948 |
| Net Income | $ 10,714 | $ 12,206 | $ 11,726 |

## NOTE 4 - INVESTMENTS

The Cooperative has determined fair value of its investments held to maturity based on Level 1 inputs.
The Cooperative's investments held to a majority are as follows as of December 31, 2015 and 2014 (in thousands):

| (In Thousands) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| December 31, 2015 | | | | |
| Money Market & CD's | $ 220 | $ - | $ - | $ 220 |
| December 31, 2014 | | | | |
| Money Market & CD's | $ 218 | $ - | $ - | $ 218 |

## NOTE 5 - INCOME TAXES

The Cooperative follows the provisions of ASC 740-10 related to accounting for uncertainty in income taxes.

The Cooperative had no unrecognized tax benefits on December 31, 2015 and 2014. No interest or penalties are recognized in the statements of operations or in the balance sheets. The Cooperative is no longer subject to U.S. Federal and State income tax examinations by tax authorities for fiscal years 2012 and earlier.

The Cooperative recognized no income tax expense for the years ended December 31, 2015, 2014 and 2013.

## PENSION PLAN

***Pension Plan*** – In December 2012, the Cooperative approved a change to freeze the Cooperative's defined benefit pension plan. As a result, no additional benefits will accrue to participants in the plan and no new employees are eligible for the plan. During the year ended December 31, 2015, 2014 and 2013, the pension expenses were $25,000, $74,000, and $141,000, respectively.

As of December 31, 2015, the pension plans were funded as required by the funding standards set forth by the Employee Retirement Income Security Act (ERISA).

The Cooperative's Compensation Committee has the responsibility of managing the operations and administration of the Cooperative's retirement plans. The Cooperative has an investment policy that establishes target asset allocations to reduce the risk of large losses. Asset classes are diversified to reduce risk, and equity exposure is limited to 75% of the total portfolio value. The stated goal is for each component of the plan to earn a rate of return greater than its corresponding benchmark. The return objective of the plan is to achieve a minimum average total rate of return of four percentage points (4.0%) above the rate of inflation as measured by the Consumer Price Index. The real rate of return goal assumes a real rate of return for equities of 10.0% and a real rate of return for fixed income of 4.0%.

Substantially all of the Plan's assets consist of BNY Mellon funds (Fund) and are valued based on Level II inputs, as determined from the Fund's FAS 157 footnote included in the Fund's audited financial statements. The Fund's valuation techniques include market matrix pricing and market inputs, including bench mark yields, reported trades, broker/dealer quotes and others. There has been no changes in valuation techniques and inputs in 2015, 2014 and 2013.

The assumptions used in the measurement of the Cooperative's benefit obligations are shown below:

## NOTE 6 - EMPLOYEE BENEFIT PLANS

Employee Benefit Plans - Chart 1

| | 2015 | 2014 |
|---|---|---|
| Discount Rate | 5.00% | 5.00% |
| Expected Return on Plan Assets | 6.25% | 6.25% |
| Rate of Compensation Increase | 4.73% | 4.73% |

The following schedule reflects the expected pension benefits payments during each of the next five years and the aggregate for the following five years:

Employee Benefit Plans - Chart 2

| (In Thousands) | Expected Benefits Payments |
|---|---|
| 2016 | 54 |
| 2017 | 54 |
| 2018 | 54 |
| 2019 | 54 |
| 2020 | 54 |
| 2021-2025 | 263 |
| Total | $ 553 |

The Cooperative expects to make contributions of approximately $20,000 to the defined benefit pension plan during the next fiscal year.

The following schedules provide the components of the Net Periodic Pension Costs for the periods ended December 31, 2015, 2014, and 2013:

| (In Thousands) | December 31, 2015 | 2014 | 2013 |
|---|---|---|---|
| Service Cost | $ - | $ - | $ |
| Interest Cost | 37 | 36 | 40 |
| Expected Return on Plan Assets | (44) | (48) | (59) |
| Amortization of Net (Gain) Loss | 11 | 25 | - |
| Net Periodic Pension Cost | $ 4 | $ 13 | $ (19) |

The following schedules set forth a reconciliation of the changes in the plan's benefit obligation and fair value of assets for the periods ending December 31, 2015 and 2014 and a statement of the funded status and amounts recognized in the Balance Sheets and Accumulated Other Comprehensive Income as of December 31, 2015 and 2014:

| (In Thousands) | December 31, 2015 | 2014 |
|---|---|---|
| Change in Benefit Obligation | | |
| Obligation at the Beginning of the Period | $ 748 | $ 696 |
| Service Cost | - | - |
| Interest Cost | 36 | 40 |
| Actuarial (Gain) Loss | 45 | 67 |
| Benefits Paid | (54) | (55) |
| Obligation at the End of the Period | $ 775 | $ 748 |
| Change in Plan Assets | | |
| Fair Value at the Beginning of the Period | 777 | 714 |
| Actual Returns on Plan Assets | (21) | 44 |
| Employer Contributions | 25 | 74 |
| Benefits Paid | (54) | (55) |
| Fair Value at the End of the Period | $ 727 | $ 777 |

*Continued from previous page.*

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Funded Status | | |
| Funded Status as of Period Ended | $ (48) | $ 29 |
| Net Amount Recognized | $ (48) | $ - |
| Amounts Recognized in the Balance Sheets | | |
| Noncurrent Assets | $ - | $ - |
| Current Liabilities | - | - |
| Noncurrent Liabilities | (48) | - |
| Net Amount Recognized | $ (48) | $ - |
| Accumulated Gain (Loss) Recognized in Accumulated Other Comprehensive Income | | |
| Accumulated Gain (Loss) Beginning of the Period | $ - | $ - |
| Recognized in Periodic Cost | - | - |
| Amount Arising During the Period | (48) | - |
| Accumulated Gain (Loss) End of the Period | $ (48) | $ - |

## NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Cooperative contracted with Cargill, Incorporated in connection with the procurement of corn which includes payments of $92,000 annually and terminates December 31, 2017.

On July 10, 2012, the Cooperative entered into a Services Agreement with Mark C. Dillon (the "Agreement"), the Cooperative's former Executive Vice President and Chief Executive Officer. The Agreement was entered into in anticipation of Mr. Dillon's retirement effective September 30, 2012. Pursuant to the Agreement, Mr. Dillon provided enumerated transitional consulting services to the Cooperative until March 31, 2013. In exchange for such services, Mr. Dillon was paid $37,250 per month. Mr. Dillon retired effective September 30, 2012. During the years ended December 31, 2015, 2014 and 2013, the Cooperative incurred $0, $0 and $111,750 expense in connection with the Services Agreement.

## NOTE 8 - SUBSEQUENT EVENTS

In February of 2016, the Cooperative declared a distribution of $3,098,096, or $0.20 per outstanding membership unit.

Management has reviewed subsequent events through March 2, 2016, the date to which the financial statements were available to be issued.

Golden Growers Cooperative

**Auditors:**

Widmer Roel, P.C.
Fargo, ND

**Fiscal Year:**
January 1 through December 31

**Annual Meeting:**
March 24, 2016
Cambria Conference Center, West Fargo, ND

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