Golden Growers Cooperative

2012

Annual Report

Milestones

HIGHLIGHTS	*Year Ended Dec. 31, 2012*	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Total Members' Equity	*$42,744,000*	$46,576,000	$51,187,000
Income from ProGold LLC	*$6,596,000*	$6,157,000	$5,900,000
Net Income	*$5,649,000*	$5,338,000	$5,009,000
Earnings per Unit	*$0.36*	$0.34	$0.32

Financial Review

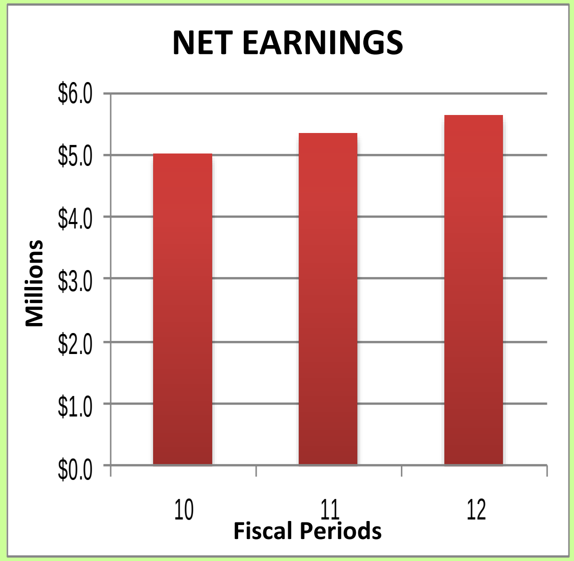
Golden Growers Cooperative is an agricultural cooperative owned by 1585 members who reside primarily in Minnesota, North Dakota, and South Dakota. The cooperative was created in 1994 to own a 49 percent interest in ProGold Limited Liability Company. Golden Growers has one partner in ProGold. American Crystal Sugar Company of Moorhead, Minnesota owns 51%.

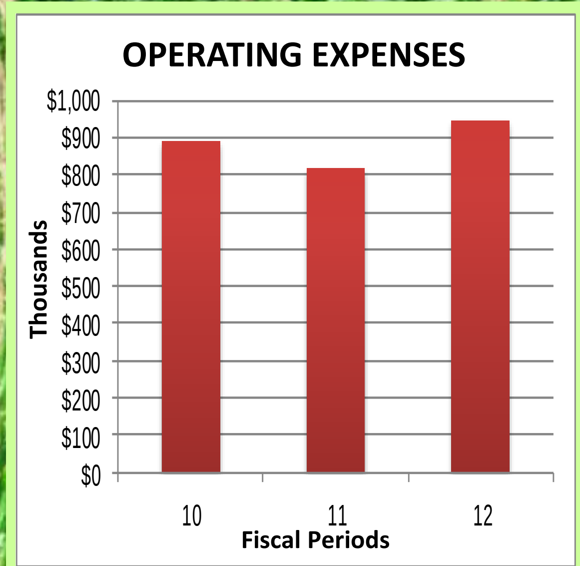
On January 1, 2008, ProGold LLC entered into a second ten-year lease agreement with Cargill, Inc., to operate the ProGold corn wet-milling facility near Wahpeton, North Dakota. That lease expires December 31, 2017, although the lease could be extended for a limited period under certain circumstances. 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.

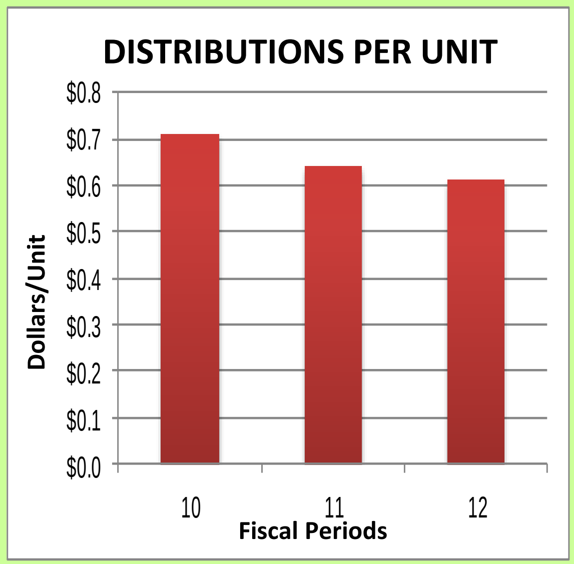
On September 1, 2009, Golden Growers converted from a North Dakota cooperative to a Minnesota cooperative governed by Minnesota statute 308B. The financial reports presented in this document reflect audited financial reports for the periods ending December 31, 2012, 2011, and 2010.

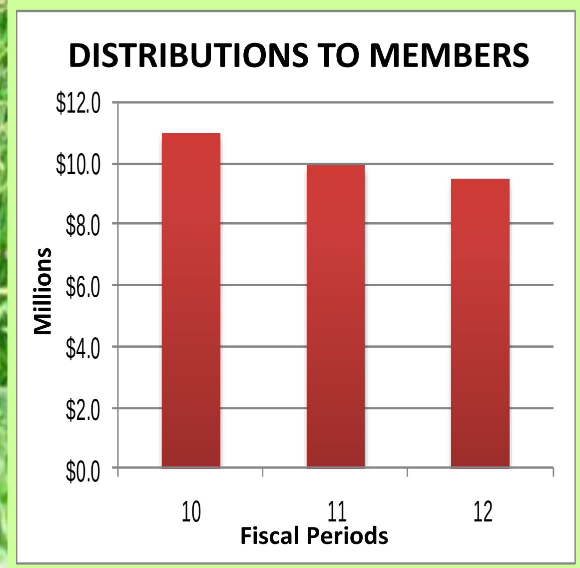
For the year ended December 31, 2012, Golden Growers had net income of $5,009,000, compared with a net income of $5,338,000 for 2011, and $5,900,000 for 2010.

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 2012 was $13,461,000 compared to $12,565,000 for calendar year 2011, and $12,449,000 for calendar year 2010.









Change is inevitable. Change for the better is a full-time job.
-Adlai Stevenson

Golden Growers Cooperative is undergoing a bit of transition. The baton of cooperative management was been passed from the capable hands of Mark Dillon to me in October. But that doesn't mean that the transition was concluded – it merely got off to a good start.

Since October 15th, it seems that every day has something new to offer. There are always new questions to ask, new process to understand, new people to be introduced to, and new topics to learn about. Change (or transition) is indeed a full time job.

Change is also on the mind of your Board of Directors. Golden Growers is fortunate to be a very stable cooperative with excellent partners and a broad base of members. But where does the cooperative go from here?

In 2012, your Board of Directors began a strategic planning process. A transition in cooperative management spurred by Mark Dillon's retirement was the catalyst, but more was on their mind.

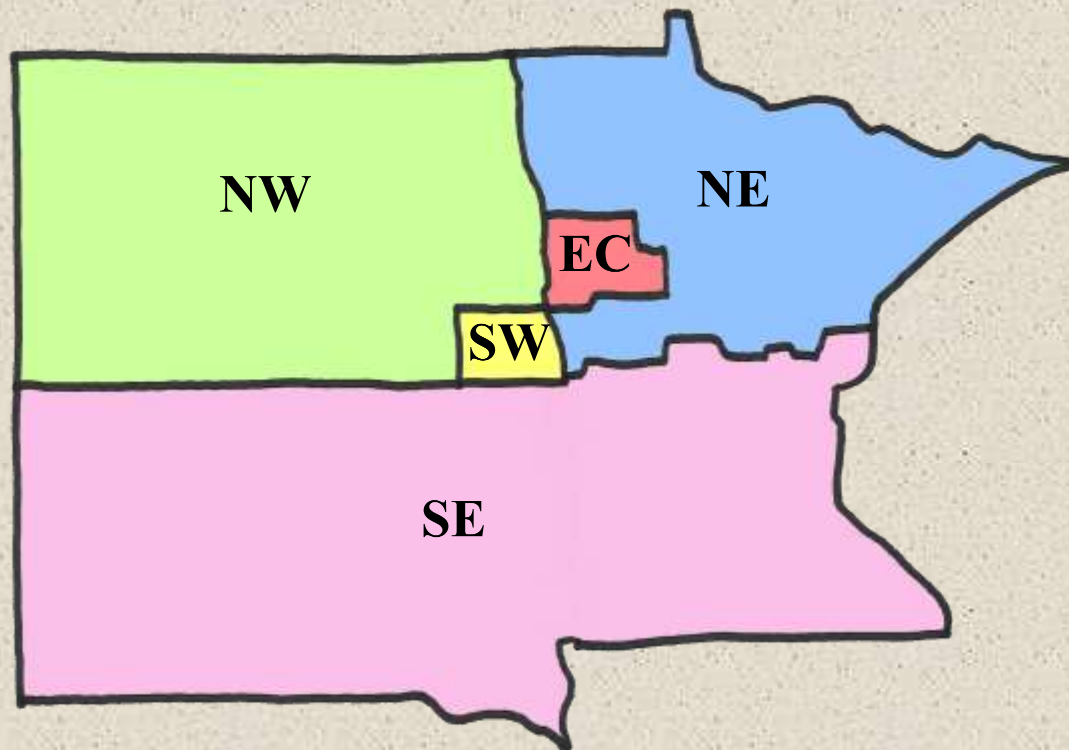
Through this process, they asked themselves where they see the Cooperative in both the short and long term. What are the challenges the cooperative faces and what opportunities may lie ahead?

Planning for the future requires vision and a willingness to consider change. And while the process has just begun and the Cooperative is only beginning to think about the opportunities that may lie ahead, I can say that I am excited about the future – your future.

Scott Stofferahn

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.

MEMBER DISTRICTS



Board of Directors and Management

Northwest

Glenn Johnson
Mayville, ND

Leslie Nesvig
LaMoure, ND

Nicolas Pyle
Casselton, ND

Southwest

Chris Johnson
Great Bend, ND

Randall Mauch
Mooreton, ND

Bruce Speich
Milnor, ND

Southeast

Bernie DeCock
Ghent, MN

Byron Koehl
Hancock, MN

Jason Medhaug
Veblen, SD

Northeast

Shaun Beauclair
Stephen, MN

Tom Jennen
Fergus Falls, MN

Gary "Butch" Jirak
Breckenridge, MN

East Central

David Benedict
Sabin, MN

Paul Borgen
Dilworth, MN

Mark Harless
Moorhead, MN

Executive Committee

Chairperson
Jason Medhaug
First Vice Chair
Paul Borgen
Second Vice Chair
Tom Jennen
Secretary
Randall Mauch
Treasurer
Leslie Nesvig

Scott Stofferahn
Executive VP, Current

Mark Dillon
Executive VP to Sept 30

Milestones

Every year starts off in the most optimistic of fashions. Farmers finally got a break as drier weather interrupted our multi-year wet cycle in the several months that led up to spring planting. For the first time in several years, flooding was not a consideration and persistently wet land that had been unavailable was being planted.

As the production year continued, precipitation fell further and further behind seasonal averages. Concerns over the lack of moisture that have not been much of a consideration in recent years started to creep into every conversation.

Buoyed by a subsoil reserve, crops in our region did pretty well. In fact, production of corn was quite surprising given our seasonal moisture deficit. And when comparing our regional yields to what was experienced in the corn-belt, we found ourselves in a very fortunate situation - good yields and good prices to go with them.

As we considered the theme for this year's annual report, the word that seemed to continually come to mind was 'milestone'. In fact, there are a few milestones on our mind:

- A milestone in corn production since the ProGold plant was constructed;
- A milestone for loyal Golden Growers employees; and
- A milestone of fully returning our members' original investment.

A major question on the minds of ProGold's original organizing team was, *'Will there be a consistent supply of corn?"* You will recall, the ProGold plant was the FIRST major corn processing plant in the region. It would consume 85,000 bushels per day and over 30 million bushels each year.

It was a serious concern. In 1992 and 1993 immature corn and low yields were the product of two of the coldest growing seasons on record. From 1993-1995, average annual production was only 56 million bushels in an eleven county area neighboring the ProGold plant. Today, average annual production has more than tripled. Improved genetics, production practices, and pest management along with a dramatic increase in acres planted have combined for a three year average (09-11) of over 177 million bushels, a 313% increase! And in 2008, net production in this eleven county area topped out at 214 million bushels.

Despite additional corn milling in the area, we've reached a milestone where consistent supplies of corn are no longer the major concern.

In another milestone for Golden Growers Cooperative, two of our longest serving and most dedicated employees decided to retire.

On June 10th of 1996, Mark Dillon became Golden Growers' first employee and only Executive Vice President until his retirement on September 30th. It is impossible to think about Golden Growers without appreciating the excellent leadership Mark Dillon provided in his 16 years at the helm. Mark sweated through the early years right along with us, assured our members that better days were on the horizon, guided us through a particularly complicated transition to a cooperative organized the Minnesota 308B statute, and celebrated when the Golden Growers began issuing cash distributions to its members.

When Ila Rodgers assumed the responsibilities of Office Manager with Golden Growers on June 4, 2001, we didn't fully realize how fortunate we were. For nearly 12 years, Ila's background in accounting and attention to detail served us exceptionally well. Pride in her work and pride in her association with Golden Growers highlighted her career with us.

We offer our best wishes to Mark Dillon and Ila Rodgers as they spend more of their time focused on enjoying life—they deserve it.

Our final milestone is one that the Golden Growers Board of Directors, Management, and Staff are most pleased to announce. When we mailed out checks to retire equity credits in February 2013, Golden Growers Cooperative's combined distributions now total 100.4% of our members' original investment. In other words, **every penny of our members' original investment of $3.45/share (unit) has been paid back!**

There were times in the early years when members despondently wondered if they would ever see a return. But with sound management, good partners, and determination, Golden Growers members have been made whole in nominal terms. AND as members, you own a debt free interest in the ProGold plant. **That's a milestone worth celebrating.**

You will note that Golden Growers current assets were significant at year's end. The majority of this balance was used to issue a February, 2013 retirement of allocated equity credit to members. In addition, current assets grew from the prior year by over $600,000. As part of a strategic planning process, the Board determined that it was prudent to slowly build an available balance in preparation for significant capital maintenance expenses at the plant. While predicting the amount or timing of major repairs is not fully understood, we know that keeping the plant in top condition is in the best interest of our members.

Finally, as Chairman of the Board, I want to welcome Scott Stofferahn and Melissa Kava to the Golden Growers Staff replacing Mark Dillon and Ila Rodgers. We look forward to a productive future with both of them.

Jason Medhaug

Jason Medhaug
Chairperson, Golden Growers Cooperative

Widmer Roel PC
Certified Public Accountants
& Business Advisors
PRIDE IN SERVICE – PRIDE IN PEOPLE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Golden Growers Cooperative
Fargo, North Dakota

We have audited the accompanying balance sheets of Golden Growers Cooperative as of December 31, 2012 and 2011, and the related statements of operations, changes in members' equity and comprehensive income and cash flows for the years then ended December 31, 2012, 2011, and 2010. Golden Growers Cooperative' management is responsible for these 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 audits 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 also 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, 2012, 2011, and 2010, and the results of its operations and its cash flows for the years ended December 31, 2012, 2011, and 2010, in conformity with accounting principles generally accepted in the United States of America.

Widmer Roel PC

Widmer Roel, PC
Fargo, ND
March 1, 2013

Golden Growers Cooperative

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

Balance Sheets
Golden Growers Cooperative
December 31, 2012 And 2011
(In Thousands)

	DECEMBER 31,	
ASSETS	**2011**	**2012**
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,203	$ 2,698
Short-Term Investments	217	218
Prepaid Expenses	1	1
Total Current Assets	2,421	2,917
PROPERTY AND EQUIPMENT, net	3	8
Investment in ProGold Limited Liability Company	44,327	40,070
Total Assets	$ 46,751	$ 42,995
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 24	$ 67
Accrued Liabilities	3	5
Total Current Liabilities	27	72
NON-CURRENT LIABILITY	148	179
MEMBERS' EQUITY		
Members' Equity		
Membership Units, Authorized 60,000,000 Units, Issued and Outstanding 15,490,480 as of December 31, 2012 and 2011	46,724	42,923
Accumulated Other Comprehensive Income (Loss)	(148)	(179)
Total Members' Equity	46,576	42,744
Total Liabilities and Members' Equity	$ 46,751	$ 42,995

Statement of Operations
Golden Growers Cooperative
For The Years Ended December 31, 2012, 2011, And 2010
(In Thousands, Except Share Amounts)

	DECEMBER 31, 2010	DECEMBER 31, 2011	DECEMBER 31, 2012
Corn Revenue	$ 58,015	$ 79,376	$ 92,838
Corn Expense	(58,114)	(79,478)	(92,935)
Net Income from ProGold Limited Liability Company	5,900	6,157	6,596
General & Administrative Expenses	(819)	(733)	(861)
Net Income from Operations	4,982	5,322	5,638
Interest Income	27	16	11
Net Income	$ 5,009	$ 5,338	$ 5,649
Weighted Average Shares/Units Outstanding	15,474,734	15,490,480	15,490,480
Earnings per Share/Membership Unit Primary and Fully Diluted	$ 0.32	$ 0.34	$ 0.36

Statements of Changes in Members' Equity and Comprehensive Income

Golden Growers Cooperative
For The Years Ended December 31, 2012, 2011, And 2010
(In Thousands)

	Class A Stock	Class B Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Members' Equity	Total Members' Equity	Annual Comprehensive Income
BALANCE, December 31, 2009	$ -	$ -	$ -	$ -	$ (132)	$ 57,179	$ 57,047	
Net income	-	-	-	-	-	5,009	5,009	$ 5,009
Member distributions	-	-	-	-	-	(10,998)	(10,998)	-
Issuance of membership units	-	-	-	-	-	141	141	-
Pension liability adjustment	-	-	-	-	(12)	-	(12)	(12.00)
BALANCE, DECEMBER 31, 2010	-	-	-	-	(144)	51,331	51,187	$ 4,997
Net income	-	-	-	-	-	5,338	5,338	$ 5,338
Member distributions	-	-	-	-	-	(9,945)	(9,945)	-
Pension liability adjustment	-	-	-	-	(4)	-	(4)	(4)
BALANCE, DECEMBER 31, 2011	-	-	-	-	(148)	46,724	46,576	$ 5,334
Net income	-	-	-	-	-	5,649	5,649	$ 5,649
Member distributions	-	-	-	-	-	(9,450)	(9,450)	-
Pension liability adjustment	-	-	-	-	(31)	-	(31)	(31)
BALANCE, DECEMBER 31, 2012	$ -	$ -	$ -	$ -	$ (179)	$ 42,923	$ 42,744	$ 5,618

Statement of Cash Flows

Golden Growers Cooperative
For The Years Ended December 31, 2012, 2011, And 2010
(In Thousands)

	DECEMBER 31, 2010	DECEMBER 31, 2011	DECEMBER 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 5,009	$ 5,338	$ 5,649
Net (Income) from ProGold Limited Liability Company	(5,900)	(6,157)	(6,596)
Depreciation	5	4	2
Changes in assets and liabilities			
Accounts receivable	22	-	-
Prepaid expenses	(1)	-	-
Accounts payable	52	(30)	43
Accrued liabilities	40	(202)	2
Net cash used in operating activities	(773)	(1,047)	(900)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments available for sale	-	(2)	(1)
Proceeds from sale of investments held to maturity	99	-	-
Distribution received from ProGold LLC	10,674	10,902	10,852
Purchase of equipment	-	-	(6)
Net cash provided by investing activities	10,773	10,900	10,845
CASH FLOWS FROM FINANCING ACTIVITIES			
Member distributions paid	(10,998)	(9,945)	(9,450)
Net cash used by financing activities	(10,998)	(9,945)	(9,450)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(998)	(92)	495
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,293	2,295	2,203
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,295	$ 2,203	$ 2,698

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 ACSC 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 Golden Growers – North Dakota, 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 Review 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 Unites 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.

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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those 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.

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, 2012, the Cooperative's cash balance exceeded the FDIC insurance limits by approximately $2.6 million.

Fair Value Measurements - The Cooperative has determined the fair value of certain assets and liabilities in accordance with the provisions 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 observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Image courtesy of Pat Bresnahan, Casselton, ND

NOTE 3 – PROGOLD LIMITED LIABILITY COMPANY

The Cooperative has a 49% ownership interest in ProGold Limited Liability Company. Following is summary financial information for ProGold Limited Liability Company:

	December 31,		
(In Thousands)	2012	2011	2010
Current Assets	$ 111	$ 126	$ 132
Long-Term Assets	83,669	92,743	102,815
Total Assets	$ 83,780	$ 92,869	$ 102,947
Current Liabilities	$ 405	$ 406	$ 401
Long-Term Liabilities	1,600	2,000	2,400
Total Liabilities	2,005	2,406	2,801
Members' Equity	81,775	90,463	100,146
Total Liabilities and Members' Equity	$ 83,780	$ 92,869	$ 102,947
Rent Revenue on Operating Lease	$ 25,223	$ 24,063	$ 23,894
Expenses	11,762	11,498	11,445
Net Income	$ 13,461	$ 12,565	$ 12,449

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 maturity are as follows as of December 31, 2012 and 2011 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2012:				
Money Market & CD's	$ 218	$ -	$ -	$ 218
December 31, 2011:				
Money Market & CD's	$ 217	$ -	$ -	$ 217

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, 2012 and 2011. 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 2008 and earlier.

The Cooperative recognized no income tax expense for the years ended December 31, 2012, 2011 and 2010.

NOTE 6 – EMPLOYEE BENEFIT PLANS

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, 2012, 2011 and 2010, the pension expenses were $75,500, $42,000, and $31,000, respectively.

As of December 31, 2012, 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%.

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

	2012	2011
Discount Rate	6.00%	7.00%
Expected Return on Plan Assets	8.00%	8.50%
Rate of Compensation Increase	4.73%	4.67%

The following schedule reflects the expected pension benefit payments during each of the next five years and the aggregate for the following five years (in thousands):

	Expected Benefit Payments
2013	$ 4
2014	57
2015	57
2016	56
2017	56
2018-2022	267
Total	$ 497

The following schedules provide the components of the Net Periodic Pension Costs for the periods ended December 31, 2012, 2011 and 2010 (in thousands):

	December 31, 2012	December 31, 2011	December 31, 2010
Service Cost	$ -	$ 36	$ 33
Interest Cost	42	36	29
Expected Return on Plan Assets	(47)	(31)	(25)
Amortization of Net (Gain) Loss	76	10	9
Net Periodic Pension Cost	$ 71	$ 51	$ 46

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, 2012 and 2011 and a statement of the funded status and amounts recognized in the Balance Sheets and Accumulated Other Comprehensive Income as of December 31, 2012 and 2011 and (in thousands):

	December 31, 2012	December 31, 2011
Change in Benefit Obligation		
Obligation at the Beginning of the Period	$ 515	$ 475
Service Cost	36	36
Interest Cost	37	33
Actuarial (Gain) Loss	115	(29)
Benefits Paid	-	-
Obligation at the End of the Period	$ 703	$ 515
Change in Plan Assets		
Fair Value at the Beginning of the Period	$ 367	$ 331
Actual Returns on Plan Assets	81	(6)
Employer Contributions	76	42
Benefits Paid	-	-
Fair Value at the End of the Period	$ 524	$ 367
Funded Status		
Funded Status as of Period Ended	$ (179)	$ (148)
Net Amount Recognized	$ (179)	$ (148)

	December 31, 2012	December 31, 2011
Amounts Recognized in the Balance Sheets		
Noncurrent Assets	$ -	$ -
Current Liabilities	-	-
Noncurrent Liabilities	(179)	(148)
Net Amount Recognized	$ (179)	$ (148)
Accumulated Gain (Loss) Recognized in Accumulated Other Comprehensive Income		
Accumulated Gain (Loss) Beginning of the Period	$ (148)	$ (144)
Recognized in Periodic Cost	51	2
Amount Arising During the Period	(82)	(6)
Accumulated Gain (Loss) End of the Period	$ (179)	$ (148)

The estimated amount that will be amortized from Accumulated Other Comprehensive Income at December 31, 2012 into net periodic benefit cost in fiscal 2013 is as follows (in thousands):

Prior Service (Cost)	$ -
Accumulated (Gain) Loss	76
Total	$ 76

The accumulated pension benefit obligation was $179,000 and $148,000 as of December 31, 2012 and 2011, respectively.

401(k) Plan – The Cooperative has a 401(k) plan that covers employees that meet eligibility requirements. The Cooperative's contributions to the plan totaled $8,000, $7,442 and $6,959 for the years ended December 31, 2012, 2011 and 2010, respectively.

Deferred Compensation Plan – Prior to 2010, the Cooperative had a non-qualified deferred compensation plan for a key employee. Under the plan, benefits accrued to the employee based upon the performance of the Cooperative. During 2010, the Cooperative terminated the plan and issued 31,493 membership units to the key employee. The Cooperative recognized expenses totaling $36,000 for the year ended December 31, 2010.

NOTE 7 – LINE OF CREDIT

The Cooperative has established a $1,000,000 line of credit with a variable interest rate based on the prime rate, maturing July 16, 2013. The line of credit is secured by business assets. At December 31, 2012, the Cooperative had no outstanding balance on the line of credit.

NOTE 8 – 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 agrees to provide enumerated transitional consulting services to the Cooperative until March 31, 2013. In exchange for such services, Mr. Dillon shall be paid $37,250 per month. If the Cooperative terminates the Agreement prior to March 31, 2013 for any reason other than for cause, the Cooperative will still be required to pay the full amount due under the Agreement. Mr. Dillon retired effective September 30, 2012. During the year ended December 31, 2012 , the Cooperative incurred $111,750 expense in connection with the Services Agreement.

NOTE 9 - SUBSEQUENT EVENTS

In February of 2013, the Cooperative declared a distribution of $3,098,053, or $0.20 per outstanding membership unit.

Management has reviewed subsequent events through March 1, 2013 the date to which the financial statements were available to be issued.

Image of Bailey courtesy of Grandparents Sylvan and Cindy Prothero, Norcross, MN

Golden Growers Cooperative

Auditors
Widmer Roel, PC
Fargo, ND

Fiscal Year
January 1 through December 31

Annual Meeting
March 21,2013
Courtyard by Marriott, Moorhead, MN

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Images courtesy of Evelyn & Rodney Tobyn, Pierpont, SD