CALAMCO

A PARTNERSHIP WITH GROWERS

2023
ANNUAL
REPORT

MESSAGE TO SHAREHOLDERS

As the end of 2022 neared, California was still in the grips of a devastating three-year drought that resulted in the fallowing of an estimated 1.3 million acres of farmland. 2023 brought the state a deluge of thirty-one atmospheric storms. Statewide precipitation was 141% of normal. The Sierra Nevada snowpack peaked at 237% of normal in April.

While suddenly blessed with ample water, some farmers faced starkly different challenges. Heavy rains January through March caused massive flood damage in agricultural regions. Monterey County reported damages to crops and farm infrastructure. In the San Joaquin Valley, the former Tulare Lake filled with floodwaters that inundated farms and dairies.

On a positive note, high commodity prices combined with the historic snowfall and replenished reservoir levels led to a strong recovery in planted acreage. The U.S. Department of Agriculture Farm Service Agency reported the state's growers planted over 500,000 acres of rice in 2023. Nearly double the acres planted in 2022 when drought reduced surface water deliveries to nearly zero, mostly on the Sacramento Valley's west side. Northern California's rice crop is one of our cooperative's largest consumers of anhydrous ammonia, which is converted to aqua ammonia at various fertilizer retail facilities throughout the region. The increase in planted acres had a significant positive impact to our bottom line. ■

OPERATIONS

CALAMCO increased its fleet size from six tractors and drivers in 2018 to fourteen tractors and drivers in 2023. We plan to continue to expand our trucking fleet, allowing us to rely less on third-party trucking companies, and will hire additional drivers to service our customers. At present, CALAMCO has a total of fifty-five trailers (fifty ammonia trailers, two R-Grade trailers, two liquid trailers, and one stainless steel insulated trailer). With this expansion, we are available to haul other fertilizers and chemicals for our customers and keep drivers busy during the off season.

Assembly Bill 5 (AB5) redefined the criteria for determining whether a worker is an employee or an independent contractor in California. Under AB5 a worker is presumed to be an employee unless they satisfy certain conditions. With the passage of AB5, it has been challenging to comply with the law and obtain drivers for our busy spring season.

We use the Business-to-Business exemption of AB5 to hire motor carriers who have their own authority and insurance to haul for the spring planting season. This is no easy task, however a total of fifteen trucking companies were contracted by CALAMCO to assist with our spring season demand. This year, CALAMCO hauled a record 45,000 tons. This is up from 2018 when we shipped 22,000 tons.

In 2023, following our busy spring season, we began a 20-year inspection and related maintenance on one of two 20,000-ton ammonia storage tanks. This is a big, expensive, time-consuming effort, which was completed at the end of the year. We will repeat this process in 2024 on the second storage tank. ■

SYCAMORE FACILITY

In preparation for our 2023 spring season, mass flow meters were installed on our load-racks at our Sycamore Aqua facility located in Colusa County. The addition of these meters streamlines and expedites the loading process for aqua trucks by programing and loading the precise amount of product into the truck, thus alleviating the need to re-weigh the truck after loading. This process saves at least ten minutes in total load-time per truck, saving valuable time for drivers, while increasing efficiency for CALAMCO staff. ■

RETIRED IN 2023

Bobby Byers – 35 Years with CALAMCO

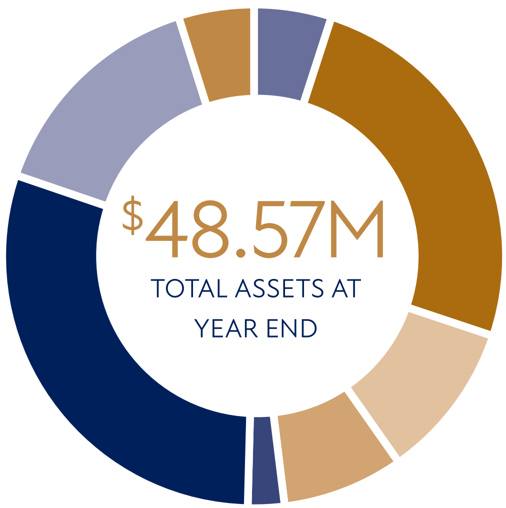
Bobby began his career with CALAMCO as a driver in May of 1988. Over the years he worked in the Cold Storage Facility, moved into a loader position, and then moved up to a leadman position at the Stockton Terminal. ■

MARKETING

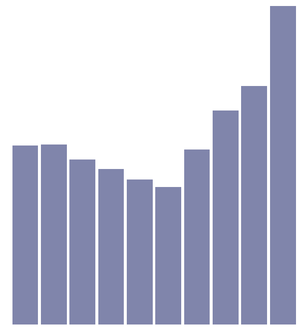
We ended our 2023 fiscal year with $7.6 million in patronage. This equates to a $60.29 dividend per ton for qualified purchases; a 45% return on investment for those members that purchased their stock at $20 per share. Members that received the additional incentive of $1 per ton for submitting their fertilizer purchases on-line and an additional $1 for receiving their rebate via ACH transfers increased their rebate to $62.29 per ton. This equates to a 47% return on investment! This past year, we shipped 134,389 tons of product of which 133,684 (99.5%) was shipped to patrons.

On a supply basis, ammonia prices steadily declined from October 2022 through July 2023 (down 75%), with Tampa ammonia prices at about half of where they were in 2022. Industry sources credited the declines to be primarily driven by lower natural gas prices. Prices began to rebound in the back half of 2023, and as a result we had to increase our prices from the summer lows. ■

FINANCIAL HIGHLIGHTS



- $2.42M CASH AND CASH EQUIVALENTS
- $12.21M CERTIFICATES OF DEPOSIT
- $4.92M ACCOUNTS RECEIVABLE
- $3.79M INVENTORY
- $1.14M PREPAID EXPENSES AND DEPOSITS
- $14.49M PROPERTY AND EQUIPMENT, NET
- $7.24M OPERATING RIGHT-OF-USE-ASSET, NET
- $2.36M INVESTMENTS

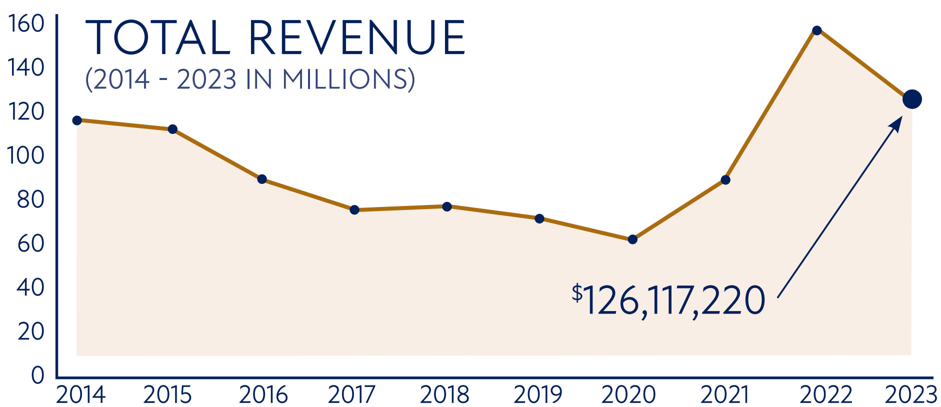


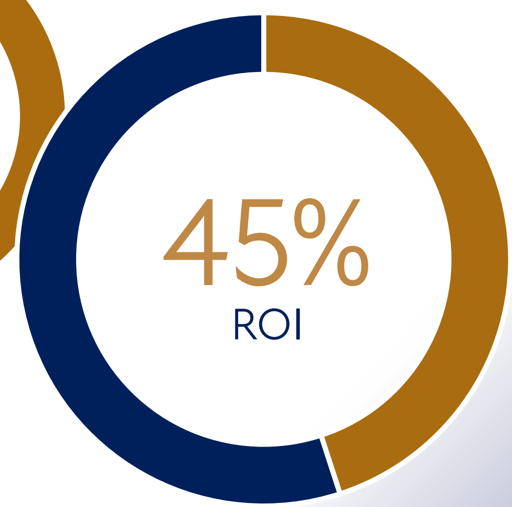
$14.49M
PROPERTY AND EQUIPMENT, NET

$7.57M
CASH PATRONAGE ALLOCATED

$12.11M
NET WORKING CAPITAL

$26.00M
SHAREHOLDERS EQUITY





2.07M
SHARES OUTSTANDING AT YEAR-END

895
SHAREHOLDERS

$0
CURRENT OUTSTANDING DEBT

FINANCIAL SUMMARY

CALAMCO's revenues for 2023 were $126.1 million compared to $158.1 million for 2022. Total cost of materials and expenses were $117.8 million compared to $152.5 million for 2022, leaving a consolidated net margin for 2023 of $8.3 million compared to $5.6 million for 2022. The Board of Directors declared a distribution of patronage income of $7.6 million which was paid out to members based on 121,096 tons of qualifying ammonia equivalent.

Shareholder equity of $26 million for 2023 is an increase of $900,000 from our 2022 fiscal year. On October 19, 2015, the Company entered into a credit agreement which had an available borrowing limit of $5 million at October 31, 2016. The agreement was amended on August 25, 2022. The Company's line of credit is limited to the lesser of combined totals of 65% of inventories and 70% of eligible accounts receivable or a fixed amount as defined in the line of credit agreement. The fixed amount fluctuates from a minimum of $3 million to a maximum of $40 million over the life of the agreement. At October 31, 2023 the maximum line of credit available amounted to $3 million.

The line of credit accrues interest at BSBY Daily Floating Rate plus 1.375% (4.92% at October 31, 2023) and expires on October 1, 2024. The balance outstanding was $0 and $4,6772,343 at October 31, 2023 and 2022.

The financial condition of CALAMCO remains as strong as ever. CALAMCO's on-going financial strength is reflected in the following financial statements. ■

DAN STONE
President, Chief Executive Officer

CASE VAN STEYN
Chairman of the Board

BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD
Case Van Steyn
District 2

DIRECTORS
Bardin Bengard
District 4

Alan Freese
District 1

Beau Howard
District 3

G.Rey Reinhardt
J.R. Simplot Co.

Chris Shelden
J.R. Simplot Co.

Richard Sunderland
J.R. Simplot Co.

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CALAMCO

STOCKTON, CALIFORNIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of CALAMCO, which comprise the balance sheets as of October 31, 2023 and 2022, and the related statements of net margin and distribution of net margin, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CALAMCO as of October 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CALAMCO and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1 to the financial statements, in the year ended October 31, 2023, the Company adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CALAMCO's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a

INDEPENDENT AUDITORS' REPORT

Continued

test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CALAMCO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CALAMCO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit. ■

CliftonLarsonAllen LLP

CLIFTONLARSONALLEN LLP
Roseville, California
December 15, 2023

FINANCIAL STATEMENTS

BALANCE SHEETS (AS OF OCTOBER 31)

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,422,164	$ 338,850
Certificates of Deposit	12,207,460	-
Accounts Receivable (Net of Allowance for Doubtful Accounts of $1,700 for 2023 and $1,161 for 2022)	4,924,137	6,840,602
Inventory	3,785,798	20,085,824
Prepaid expenses and deposits	1,139,469	1,187,701
TOTAL CURRENT ASSETS	24,479,028	28,452,977
PROPERTY AND EQUIPMENT, NET	14,490,502	10,864,841
OPERATING RIGHT-OF-USE-ASSET, NET	7,244,069	-
INVESTMENTS		
LLC (NOTE 1)	2,006,378	2,005,103
Insurance program (NOTE 1)	353,878	257,025
TOTAL INVESTMENTS	2,360,256	2,262,128
TOTAL ASSETS	$ 48,573,855	$ 41,579,946

LIABILITIES AND SHAREHOLDERS' EQUITY	2023	2022
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 4,138,734	$ 2,677,928
Current Lease Liability- Operating	496,857	-
Line of Credit	-	4,672,343
Current Notes Payable	606,441	588,103
Income Taxes Payable	800	800
Patronage Dividend Due to Shareholders	7,130,636	4,687,724
TOTAL CURRENT LIABILITIES	12,373,468	12,626,898
LONG TERM LIABILITIES		
Long-Term Notes Payable	2,657,097	3,263,538
Long-Term Lease Liability- Operating (Less Current Maturities)	6,748,764	-
Deferred Revenue	220,486	234,462
Deferred Compensation Plan	571,952	363,871
TOTAL LONG TERM LIABILITIES	10,198,299	3,861,871
TOTAL LIABILITIES	22,571,767	16,488,769
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
SHAREHOLDERS' EQUITY		
Common Stock	5,180,161	5,186,569
Additional Paid-In Capital	11,934,469	11,764,568
Retained Earnings	9,406,458	8,674,040
Common Stock Subscriptions	(519,000)	(534,000)
TOTAL SHAREHOLDERS' EQUITY	26,002,088	25,091,177
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 48,573,855	$ 41,579,946

See accompanying Notes to the Financial Statements

STATEMENTS OF NET MARGIN AND DISTRIBUTION OF NET MARGIN

REVENUES FOR YEARS ENDED OCTOBER 31,		2023		2022
Sales	$	123,444,476	$	156,233,389
Terminaling		2,099,882		1,589,560
Interest Income and Other		572,862		356,221
TOTAL REVENUES	**$**	**126,117,220**	**$**	**158,179,170**

COSTS AND EXPENSES FOR YEARS ENDED OCTOBER 31,		2023		2022
Cost of Materials, Operations, and Distribution	$	113,816,276	$	149,022,096
Selling, General, and Administrative Expenses		3,092,581		3,069,206
Interest Expense		386,208		308,390
Other Expense		516,552		141,552
TOTAL COSTS AND EXPENSES		**117,811,617**		**152,541,244**
NET MARGIN BEFORE INCOME TAXES		8,305,603		5,637,926
INCOME TAX EXPENSE (BENEFIT)		800		800
NET MARGIN	**$**	**8,304,803**	**$**	**5,637,126**
Net Margin from Member Business	$	7,572,385	$	5,399,253
Net Margin from Nonmember Business		732,418		237,873
NET MARGIN	**$**	**8,304,803**	**$**	**5,637,126**

See accompanying Notes to the Financial Statements

FINANCIAL STATEMENTS

STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCES AT NOVEMBER 1, 2021	2,068,057	$ 5,179,872	$ 11,539,373	$ 8,436,167	$ (235,263)	$ 24,920,149
Issuance of Common Stock	32,000	80,000	560,000	-	(450,000)	190,000
Repurchase of Common Stock	(29,321)	(73,303)	(340,058)	-	-	(413,361)
Payments Received on Common Stock Subscriptions	-	-	5,253	-	151,263	156,516
Distributions Declared	-	-	-	(5,399,253)	-	(5,399,253)
NET MARGIN	-	-	-	5,637,126	-	5,637,126
BALANCES AT OCTOBER 31, 2022	2,070,736	$ 5,186,569	$ 11,764,568	$ 8,674,040	$ (534,000)	$ 25,091,177

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCES AT OCTOBER 31, 2022	2,070,736	$ 5,186,569	$ 11,764,568	$ 8,674,040	$ (534,000)	$ 25,091,177
Issuance of Common Stock	27,600	69,000	483,000	-	(30,000)	522,000
Repurchase of Common Stock	(26,272)	(75,408)	(318,349)	-	-	(393,757)
Payments Received on Common Stock Subscriptions	-	-	5,250	-	45,000	50,250
Distributions Declared	-	-	-	(7,572,385)	-	(7,572,385)
NET MARGIN	-	-	-	8,304,803	-	8,304,803
BALANCES AT OCTOBER 31, 2023	2,072,064	$ 5,180,161	$ 11,934,469	$ 9,406,458	$ (519,000)	$ 26,002,088

See accompanying Notes to the Financial Statements

STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	2023	2022
Net Margin	$ 8,304,803	$ 5,637,126
Adjustments to Reconcile Net Margin to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,244,665	1,251,145
Gain on Equity Method Investment	(129,898)	(68,996)
Distributions from Equity Method Investment	33,045	108,482
Noncash Lease Expense	1,552	-
Effect of Changes in:		
Accounts Receivable, Net	1,916,465	(1,339,377)
Inventory	16,300,026	(10,406,848)
Prepaid Expenses and Deposits	48,232	(166,009)
Deferred Compensation	208,081	(49,638)
Deferred Revenue	(13,976)	(13,976)
Accounts Payable and Accrued Expenses	1,460,806	(173,704)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	29,373,801	(5,221,795)
CASH FLOWS FROM INVESTING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2023**	**2022**
Purchases of Property and Equipment	(4,870,326)	(1,888,191)
Purchases of Certificates of Deposit	(12,207,460)	-
Investment Contribution	(1,275)	(18,277)
NET CASH USED BY INVESTING ACTIVITIES	(17,079,061)	(1,906,468)
CASH FLOWS FROM FINANCING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2023**	**2022**
Proceeds from Issuance of Common Stock	522,000	190,000
Retirement of Common Stock	(393,757)	(413,361)
Payments Received on Common Stock Subscriptions	50,250	156,516
Distributions to Members	(5,129,473)	(6,911,526)
Repayment of Long-Term Debt	(588,103)	(544,580)
Revolving Line of Credit, Net	(4,672,343)	4,672,343
NET CASH USED BY FINANCING ACTIVITIES	(10,211,426)	(2,850,608)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,083,314	(9,978,871)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	338,850	10,317,721
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,422,164	$ 338,850
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	**2023**	**2022**
Cash Paid for Interest	386,208	308,390
Cash Paid for Income Taxes	$ 800	$ 800
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES	**2023**	**2022**
Common Stock Subscriptions Issued	$ 30,000	$ 450,000
Accrual of Patronage Dividend Due to Shareholders	$ 7,130,636	$ 4,687,724
Purchases of Property, Plant, and Equipment	$ 4,870,326	$ 2,383,169
Less: Acquisition of Property Funded by Long-Term Debt	-	(494,978)
Cash Paid for Equipment	$ 4,870,326	$ 1,888,191

See accompanying Notes to the Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following items comprise the significant accounting policies of CALAMCO (the Company). The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

COMPANY'S ACTIVITIES
CALAMCO, located in Stockton, California, is a nonexempt agricultural cooperative that sells and transports anhydrous ammonia and related fertilizer products to its members. The Company also provides terminaling, transportation and trucking services. Patronage retains are levied and remitted to members at the discretion of the board of directors.

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

CASH AND CASH EQUIVALENTS
The Company considers all highly liquid instruments with a maturity, at date of purchase, of three months or less to be cash equivalents.

CERTIFICATES OF DEPOSIT
The Company holds certificates of deposit totaling $12,207,460 and -0- at October 31, 2023 and 2022, respectively. The certificates bear interest ranging from 5.55% to 5.7% and have maturities of three to seven months.

ACCOUNTS RECEIVABLE
Receivables are carried at the original invoice amount and are written off to expense in the period in which they are deemed uncollectible. The Company provides for estimated losses on accounts receivable based on historical bad debt experience and a review of existing customer receivables. Past due status is based on the terms of each sale. Management's evaluation of accounts receivable resulted in an allowance of $1,700 and $1,161 for the years ended October 31, 2023 and 2022, respectively. The Company charges 1.5% interest per month on past due balances over 30 days.

INVENTORIES
Inventories, which consist primarily of anhydrous ammonia, aqua ammonia, and ammonia nitrate, are carried at the lower of cost (first-in, first-out method) and net realizable value.

PROPERTY AND EQUIPMENT
Property and equipment are stated at cost, less accumulated depreciation. Costs of repairs and maintenance are charged to expense. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from 3 to 50 years. Periodically, the Company assesses the recoverability of its long-lived assets to determine if assets have been impaired. Any impairment loss would be measured at the excess of the carrying amounts of assets over their fair value.

INVESTMENTS
Insurance Program
The Company became a member of a multi-provider captive insurance company (the Captive) for general liability, auto, and workers' compensation insurance in 2006.

The Captive agreement provides for specific deductibles, a risk sharing pool, and layers of indemnity coverage. Any surplus or deficit of the risk pool in respect of a policy year after meeting the attributable claims and expenses shall be credited or debited to the dividend pool balances of the shareholders in accordance with their risk pool allocations. The investment balances, which reflect the expected future payouts from the dividend pool, were $353,878 and $257,025 as of October 31, 2023 and 2022, respectively. The difference between the investment carrying value of the Company to the underlying net assets of the Captive is due to the allocation of equity back to the Company based on how its individual risk pool (Company's claim performance) performance in addition to the general pool. Also, members of the Captive are required to fund surplus contributions (based on claims performance), as necessary, which are held as collateral for claims activity.

The Company owns one of forty-one shares in the Captive. The Company's investment for the membership interest is included in investments and accounted for using the equity method given the influence the Company provides for its' own claims activity as well as its board representation in the Captive.

The Company amortizes the premiums paid to the Captive over the policy year. At October 31, 2023 and 2022, the Company has a $315,039 letter of credit available for possible claims. Management estimates any contingent liabilities under the Captive agreement are not material.

Summarized financial information is based upon the most recent financial reports available for the Captive at June 30, 2023, and June 30, 2022, is as follows:

	UNAUDITED 2023	AUDITED 2022
Total Assets	$ 136,995,686	$ 114,925,644
Total Liabilities	89,332,068	83,195,344
Net Income (Loss)	8,139,608	(12,148, 856)

LLC Investment
During 2015, the Company purchased 25,000 Class A shares in an Arizona Limited Liability Company (the LLC) for the total sum of $2,000,000 for an 8.5% stake. The LLC is in the business of developing next-generation nitrogen fertilizer production technology and has a patent for a zero emissions combined fertilizer and thermal power plant. The Company's interest in the investment is accounted for using the cost method with original investment recorded at cost, plus or minus observable change in value and less impairment. During the current year, there was no observable change in value and there was no impairment recognized. During the year ended October 31, 2023 and 2022, the Company contributed an additional $1,275 and $3,403 to the LLC, respectively. The Company maintains an option on an offtake agreement in the event the LLC constructs a NH3 Plant in California under a new entity.

IMPAIRMENT OF LONG-LIVED ASSETS
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There was no impairment losses recognized for long-lived assets as of October 31, 2023 and 2022.

INCOME TAXES
Under the federal tax code, the Company is a nonexempt cooperative association. Nonexempt cooperatives accrue income taxes on net nonpatronage proceeds. No provision for taxes is made for net patronage proceeds paid or allocated to members as qualified notices of allocation.

Deferred tax assets and liabilities are calculated by applying applicable tax rates to the nonpatronage differences between the financial statement basis and tax basis of assets and liabilities currently recognized in the financial statements. Deferred tax liabilities and assets are classified as noncurrent on the balance sheet. The accounting standard for uncertain tax positions prescribes a recognition threshold and measurement process for accounting and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Company does not have any entity level uncertain tax positions.

It is the Company's policy to include interest and penalties related to unrecognized tax benefits within the provision for income taxes on the statements of net margin and distribution of net margin. No amounts were recognized for interest and penalties related to unrecorded tax benefits during fiscal years 2023 or 2022.

PATRONAGE RETAINS

Net margin may be retained or distributed to members at the option of the board of directors. The board annually determines whether additional retains are needed.

MEMBER DISTRIBUTIONS

Net margins from member business are distributed on the basis of patronage, not to exceed a calculation based on the number of shares of common stock owned by the individual member.

REVENUE RECOGNITION

The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company enters contracts with its customers to sell ammonia-based fertilizer products (products) which are generally short-term contracts allowing for the satisfaction of all performance obligations in less than one month. The Company also enters into terminaling contracts with a related party where the Company charges a terminaling fee (see Note 13). A contract exists when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. The Company's contracts with customers typically include a single performance obligation to transfer its products.

The pricing and payment terms for contracts are based on the Company's standard terms and conditions. Contracts do not contain a significant financing component, as the Company's standard terms and conditions generally require payment 30 days from the invoice date.

Revenue is recognized when control of products including shipping and handling fees billed to customers has transferred to customers. For the majority of the Company's customer arrangements related to ammonia product sales, control transfers to customers at a point in time when the products have been delivered to the customer as that is generally when legal title, physical possession, and the risks and rewards of the products transfers to the customer. Revenues related to terminaling fees are recognized over time.

The timing of revenue recognition, billings, and cash collections results in receivables, contract assets, and contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the balance sheets. The Company does not have significant contract assets or liabilities as of October 31, 2023 and 2022.

The Company has elected a practical expedient to recognize incremental costs incurred to obtain contracts, which primarily represent sales commissions where the amortization period would be less than one year, as an expense when incurred in the financial statements.

The transaction price includes estimates for reductions in revenue from prompt payment discounts, the right to return eligible products, and/or other forms of variable consideration. These amounts are estimated based upon the most likely amount of consideration to which the customer will be entitled. All estimates are based on historical experience, anticipated performance and the Company's best judgment at the time to the extent it is probable that a significant reversal of revenue recognized will not occur. All estimates for variable consideration are reassessed periodically.

Amounts billed to customers related to shipping and handling costs are included in Total Revenue in the statements of margin and distribution of net margin. The Company has elected to account for shipping and handling costs as fulfillment costs, and they are included in Cost Of Materials, Operations, and Distribution in the statements of net margin and distribution of net margin.

Rental income is recognized under the current lease standards with the exception of certain ancillary nonlease revenue items. The Company had no ancillary nonlease revenue items that fall under the guidance of Topic 606.

ADOPTION OF NEW ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective November 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended October 31, 2022 are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, the Company recognized a right-of-use assets and liabilities of $7,245,621 respectively.

The Companies elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The standard had a material impact on the balance sheets but did not have an impact on the income statements, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

LEASES

The Company leases administrative offices, railcars, and certain other equipment under operating lease agreements. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 *(CONTINUED)*

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

NOTE 2
PROPERTY AND EQUIPMENT

Property and equipment as of October 31 consist of the following:

	2023	2022
Land	$ 70,000	$ 70,000
Plant Equipment	44,270,091	42,434,811
Construction in Progress	3,420,699	385,654
Total	47,760,790	42,890,465
Less: Accumulated Depreciation	33,270,288	32,025,624
Property and Equipment, net	$ 14,490,502	$ 10,864,841

Depreciation expense amounted to $1,244,665 and $1,251,145 for the years ended October 31, 2023 and 2022, respectively. Capitalized interest expense in construction in progress totalled $116,705 in the year ended October 31, 2023. There was no capitalized interest expense in the year ending October 31, 2022.

NOTE 3
INCOME TAXES

The components of the provisions for income taxes for the years ended October 31 are as follows:

	2023	2022
Federal:		
Current Tax Expense (Benefit)	$ -	$ -
Deferred Tax (Benefit) Expense	-	-
Total	-	-
State:		
Current Tax Expense (Benefit)	800	800
Deferred Tax (Benefit) Expense	-	-
	800	800
Total Tax (Benefit) Expense	$ 800	$ 800

Income taxes reported on the statements of net margin and distribution of net margin differ from the amount that would result in applying the statutory rate primarily due to treatment of the patronage dividends, deferred tax valuation allowance, and other return to provision true-ups.

The components of net deferred tax assets (liabilities) as of October 31 are as follows:

	2023	2022
Deferred Tax Assets (Liabilities):		
Deferred Compensation	$ 848	$ 468
Other	867	248
Depreciation	12,615	14,208
Investment	(495,462)	(495,185)
Loss Carry-Forwards	813,872	1,030,273
Net Deferred Tax Assets	332,740	550,012
Valuation Allowance	(332,740)	(550,012)
Net Deferred Tax Assets (Liabilities)	$ -	$ -

The Company has total deferred tax assets of $828,202 and $1,045,197 at October 31, 2023 and 2022, respectively. Deferred taxes relate primarily to federal and state loss carry-forwards. Gross federal and state loss carry-forwards totaled $3,092,496 and $3,824,094, respectively. Federal and state loss carry-forwards begin to expire in the fiscal year ending 2034.

The valuation allowance for deferred tax assets as of October 31, 2023 and 2022, was $332,740 and $550,012, respectively. The net change in the total valuation allowance was a decrease of $217,272 for the year ended October 31, 2023, and a decrease of $106,037 for the year ended October 31, 2022. The valuation allowance relates to uncertainties about the ability to realize the loss carry-forwards as a result of the Company's current operating performance related to nonpatronage business. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

NOTE 4
LEASES – ASC 842

The Company leases administrative offices, railcars, and certain other equipment under operating lease agreements. Port terminal space is also leased under an agreement that expire in December 2041. All ammonia is delivered through this port.

In calculating the right of use asset and liability, certain lease arrangements include options to extend which the Company has considered when it is reasonably certain that the Company will exercise the option.

The following table provides quantitative information concerning the Company's leases:

Operating Lease Cost	$ 831,131
Short-Term Lease Cost	364,087
Total Lease Cost	$ 1,195,218
Other Information:	
Operating Cash Flows from Operating Leases	$ 829,579
Right-of-Use Assets Obtain in Exchange for New Operating Lease Liabilities	$ 7,749,642
Weighted Average Remaining Lease Term - Operating Leases	16.9 Years
Weighted Average Discount Rate - Operating Leases	4.37%

The Company classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of October 31, 2023 , is as follows:

Year Ending October 31:	Amount
2024	$ 800,082
2025	645,922
2026	643,922
2027	634,322
2028	574,772
Thereafter	6,945,707
Undiscountred Cash Flows	10,244,727
Less: Imputed Interest	(2,999,106)
Total Present Value	$ 7,245,621

The port lease agreement also entitles the Company to receive a wharfage credit against the lease expense based on a tonnage delivered to the port. The lease agreement provides that the Company may be required to remove improvements to the property at its cost at the conclusion of the lease. The Company estimates that the present value of any removal costs is not material.

On March 13, 2014, the Company entered into a sublease agreement for a portion of the land from the port. The sublease agreement is between the Company (sublessor) and Crowne Cold Storage LLC (sublessee). The specific terms of the sublease agreement call for $500,000 to be paid by the sublessor to the sublessee in the first three years of the lease, after which the payments decrease to $40,000 per year for all years after December 31, 2016. Future minimum expected lease receipts are as follows:

Year Ending October 31:	Amount
2024	$ 40,000
2025	40,000
2026	40,000
2027	40,000
2028	40,000
Thereafter	600,000
Total	$ 800,000

The Company recognizes rental income under the straight line method and has recorded a deferred rent liability of $220,486 and $234,462 within Deferred Revenue on the balance sheets as of October 31, 2023 and 2022, respectively. Rental income recognized for the years ended October 31, 2023 and 2022 was $53,976.

NOTE 5
LEASES – ASC 840

The Company leases administrative offices, railcars, and certain other equipment under operating lease agreements. Port terminal space is also leased under an agreement that expires in December 2041. All ammonia is delivered through this port. Future minimum lease payments for noncancellable operating leases with terms in excess of one year as of October 31, 2022 are as follows:

Year Ending October 31:	Amount
2023	$ 997,276
2024	874,505
2025	693,189
2026	667,775
2027	652,454
Thereafter	6,472,473
Undiscounted Cash Flows	$ 10,357,671

The port lease agreement also entitles the Company to receive a wharfage credit against the lease expense based on a tonnage delivered to the port. The lease agreement provides that the Company may be required to remove improvements to the property at its cost at the conclusion of the lease. The Company estimates that the present value of any removal costs is not material. Rental expense incurred under operating leases (including month-to-month rentals) was $1,011,458 for the years ended October 31, 2022.

NOTE 6
BANK FINANCING

On October 19, 2015, the Company entered into a credit agreement which had an available borrowing limit of $5,000,000 at October 31, 2016. The agreement was amended on August 25, 2022. The Company's line of credit is limited to the lesser of combined totals of 65% of inventories and 70% of eligible accounts receivable or a fixed amount as defined in the line of credit agreement. The fixed amount fluctuates from a minimum of $3,000,000 to a maximum of $40,000,000 over the life of the agreement. At October 31, 2023, the maximum line of credit available amounted to $3,000,000. The line of credit accrues interest at BSBY Daily Floating Rate plus 1.375% (4.92% at October 31, 2023) and expires on October 1, 2024. The balance outstanding was $-0- and $4,672,343 at October 31, 2023 and 2022.

The Company has available letters of credit that may not exceed $1,000,000. The letter of credit in the amount of $315,039 was outstanding at October 31, 2023 and 2022. The letter of credit matures on October 1, 2024. The Company must pay a nonrefundable fee equal to 1.375% per annum of the outstanding undrawn amount of each standby letter of credit, payable annually in advance, calculated on the basis of the face amount of outstanding on the day the fee is calculated.

The credit facilities are subject to an unused commitment fee of .20% per year based on the daily amount of credit outstanding. In the event the Company does not need the full amounts of credit, the Company may lower the upper limits in the existing agreements. The Company's bank financing is collateralized by substantially all of the Company's accounts receivable, inventory, and equipment.

NOTE 7
NOTES PAYABLE

Long-term debt as of October 31 consists of the following:

Description	Interest Rate	2023	2022
Notes payable, monthly principal and interest payments of $111,002, secured by equipment	2.93%	$ 3,263,538	$ 3,851,641
Less: Current Maturities		(606,441)	(588,103)
Total		$ 2,657,097	$ 3,263,538

Aggregate maturities on long-term debt over the next five years are as follows:

Year Ending October 31:	Amount
2024	$ 606,441
2025	625,368
2026	644,902
2027	665,064
2028	685,875
Thereafter	35,888
Total	$ 3,263,538

NOTE 8
COMMON STOCK

Common stock consists of the following at October 31:

	2023	2022
Class A, par value $2.50 per share, 1,200,000 shares authorized; 956,929 and 980,101 shares issued and outstanding at October 31, 2023 and 2022, respectively.	$ 2,392,323	$ 2,459,981
Class B, par value $2.50 per share, 1,250,000 shares authorized; 1,115,135 and 1,090,635 shares issued and outstanding at October 31, 2023 and 2022, respectively.	2,787,838	2,726,588
Total	$ 5,180,161	$ 5,186,569

Class A shareholders are entitled to elect at least a simple majority of directors. Class B shareholders are entitled to elect at least one director. J.R. Simplot Co. and affiliates are a 37% shareholder of the Company. 69% of the Class B common stock is owned by Cal Ida Chemical Co. (Cal Ida), a wholly-owned subsidiary of J.R. Simplot Co. (see Note 13).

NOTE 9
EMPLOYEE RETIREMENT PLAN

The Company has a defined contribution retirement plan covering employees meeting eligibility requirements. Employees are eligible to participate on the first day of the plan year in which they complete 12 months of employment, provided that they have worked at least 1,000 hours during that period. Minimum annual contributions to the plan are based upon 6% of annual compensation. Additional amounts may be contributed at the discretion of the Company's board of directors. The plan has an indefinite expiration date. The employee retirement plan expense was $503,793 and $441,896 for the years ended October 31, 2023 and 2022, respectively.

NOTE 10
SAVINGS PLAN

The Company has a 401(k) savings plan. Employees are eligible upon date of hire. The Company offers its employees a safe harbor 3% match of their compensation after a 90-day probation period. All other contributions are made at the discretion of the board of directors. All contributions vest immediately. The Company contributed $138,327 and $127,647 for the years ended October 31, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 11
DEFERRED COMPENSATION PLAN

The Company maintains a nonqualified deferred compensation plan whereby certain eligible employees can defer their compensation. The plan is governed by the Internal Revenue Code and qualifies under the Employee Retirement Income Security Act of 1974. The plan is funded from the general assets of the Company as needed. Payments of $48,110 and $143,256 were made to participants during the year ended October 31, 2023 and 2022, respectively. Also, included on the balance sheets as of October 31, 2023 and 2022, are liabilities of $571,952 and $363,871, respectively. These liabilities consist of participating employee deferrals adjusted for gains and losses based on model employee-directed investment portfolios in various equity securities and mutual funds.

NOTE 12
COMMITMENTS AND CONTINGENCIES

The Company has a two-year agreement in which it will purchase effectively 100% of ammonia from one vendor. The agreement expires on December 31, 2024. Management believes that alternate vendors are available, if necessary.

The Company is currently involved in proceedings with the Environmental Protection Agency (EPA) regarding a compliance inspection which began in 2022 at the Company's facility at the Port of Stockton and has received remediation observations. Total capital expenditures resulting from the inspection totaled $1,086,932 through October 31, 2023. The Company has budgeted $4,160,000 in capital expenditures related to their Port of Stockton facility for the year ended October 31, 2024, which includes general improvements and costs related to the remediations observations. The Company has assessed the potential outcome of the proceeding and has determined it probable that a fine will be levied and that the amount can be reasonably estimated. The Company has accrued an estimated settlement liability $375,000 for the year ended October 31, 2023. Total legal fees incurred in related to this matter totaled $355,166 and $145,316 for the years ended October 31, 2023 and 2022, respectively.

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The Company made a change in 2021 and made another change in 2022 to the patronage allocation process, which management believes to be more aligned with the Company's by-laws. This is currently being challenged by one or more shareholders.

There is another dispute whether the Company may enter the urea ammonium nitrate (UAN32) market in California, in which J.R. Simplot Co. and affiliates (Simplot, a member of the cooperative) now competes, and uses facilities owned by the Company at the Port of Stockton for the storage and handling of UAN32.

Currently both matters related to the patronage allocation process and the UAN32 market are ongoing, and the ultimate outcome is uncertain. Total legal fees related to these matters incurred during the year ended October 31, 2023 and 2022 totaled $226,639 and $115,820, respectively.

NOTE 13
RELATED PARTY

The Company has an agreement with Simplot, a 37% shareholder, under which Simplot has agreed to purchase all of their anhydrous ammonia manufacturing needs in California from the Company. Under this agreement, the Company's price for anhydrous ammonia to Simplot is the Company's best dealer price less discounts (as defined in the agreement). Simplot receives an estimated patronage refund at the time of purchase. However, this amount is adjusted to actual monthly, and Simplot pays interest on the amount of any patronage refund received in advance. In February 2019, the Company also entered into an agreement with Simplot in which Simplot manufactures and/or procures ammonium nitrate (AN20) for the Company in exchange for a toll price. This tolling agreement requires Simplot to supply the Company with a minimum of 20,000 short tons of AN20 a year for five years. The agreement will automatically renew for one additional year unless either party notifies the other its intention not to renew.

In April of 2020, the Company modified its agreement with Simplot and its subsidiary Cal Ida Chemical Company (Cal Ida), under which the Cal Ida agrees to purchase all the anhydrous ammonia required by Cal Ida for manufacturing at its or its affiliate-owned Helm, California, and Lathrop, California, plants up to Cal Ida's preferred patronage right in any given calendar year. This agreement has an initial term ending October 31, 2030, and afterwards renews annually unless written notice is provided by either party 180 days before renewal.

In 2012, the Company completed construction and placed into service a second storage tank dedicated to terminaling UAN32. The Company has entered into an agreement with Simplot to terminal UAN32. The Company does not take possession of or sell the product on behalf of Simplot, but merely stores the product for Simplot and charges a related terminaling fee. The agreement has a five-year term with Simplot having the right to exercise seven consecutive five-year options to extend the term.

The following amounts relate to transactions with Simplot for the years ended October 31:

	2023	% of Total	2022	% of Total
Sales	$ 52,527,722	43%	$ 73,639,124	47%
Accounts Receivable	2,639,951	54%	1,283,411	19%
Tolling Costs Incurred Through Simplot	3,682,185		3,111,741	
UN32 Terminaling Revenue	2,099,882		1,589,560	
Accounts Payable	424,631		340,592	

NOTE 14
CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES

Financial instruments that potentially subject the Company to credit risk are funds held by depository institutions and customer trade accounts receivable generated in the normal course of business.

The Company maintains funds at depository institutions, including balances in short-term investment accounts, that periodically exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits, or in the case of the short-term investments, are not insured. The Company has not experienced any credit losses on these funds held at depository institutions.

The Company has a labor union contract for its Stockton Port employees with International Longshore and Warehouse Union. The contract expires on June 30, 2026. The union employees are covered through the CALAMCO Employee Retirement Plan.

As discussed in Note 1, the Company sells anhydrous ammonia and related fertilizer products primarily to agricultural distributors and retailers located throughout California and the western United States; therefore, a portion of its customers' ability to service their obligations is dependent on the agribusiness sector of the economy. Accounts receivable are recorded at the original invoiced amount and are written off against the allowance account when deemed uncollectible by management. While management believes that its security as a creditor is adequate and that the allowance for doubtful accounts is sufficient to provide for potential uncollectible receivables, it is possible that future write-offs could exceed the current allowance. Historical losses and current aging trends have been and are within management's expectations. Management determines the allowance for doubtful accounts based on the evaluation of individual accounts and historical write-offs. The Company does not have a policy for placing trade receivables on nonaccrual status and does charge 1.5% interest on past due balances over 30 days.

NOTE 15
SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 15, 2023, the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

CALAMCO

A PARTNERSHIP WITH GROWERS

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