

HAPPY COW DAIRY, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX

HAPPY COW DAIRY, LLC

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HAPPY COW DAIRY, LLC

BALANCE SHEETS

<u>ASSETS</u>	DECEMBER 31,	
	<u>20XY</u>	<u>20XX</u>
CURRENT ASSETS: (NOTE 1)		
Commodity receivables	\$ 324,400	\$ 247,000
Other receivables	45,100	18,900
Inventory - feed	1,021,000	859,300
Capitalized forage cost	<u>239,500</u>	<u>253,300</u>
TOTAL CURRENT ASSETS	<u>1,630,000</u>	<u>1,378,500</u>
PROPERTY AND EQUIPMENT - AT COST: (NOTE 2)		
Land	370,500	370,500
Land improvements	1,288,400	1,255,100
Buildings	3,074,700	2,945,600
Machinery and equipment	2,662,500	2,091,200
Financing lease - right-of-use asset (Note 5)	320,000	320,000
Dairy livestock (Note 3)	<u>3,131,700</u>	<u>2,921,800</u>
TOTAL PROPERTY AND EQUIPMENT	10,847,800	9,904,200
Accumulated depreciation	<u>(2,997,200)</u>	<u>(2,481,400)</u>
NET PROPERTY AND EQUIPMENT	<u>7,850,600</u>	<u>7,422,800</u>
OTHER ASSETS: (NOTE 1)		
Investments in cooperatives - net of reserve	102,900	66,300
Operating leases - right-of-use assets (Note 5)	<u>281,700</u>	<u>48,040</u>
TOTAL OTHER ASSETS	384,600	114,340
TOTAL ASSETS	<u>\$ 9,865,200</u>	<u>\$ 8,915,640</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 380,700	\$ 328,800
Accrued expenses	35,000	31,000
Accrued interest	20,250	16,000
Accrued labor and payroll taxes	31,700	30,600
Current portion of long-term debt (Note 4)	674,550	606,000
Current portion of financing lease liability (Note 5)	62,950	60,150
Current portion of operating lease liabilities (Note 5)	<u>94,600</u>	<u>35,440</u>
TOTAL CURRENT LIABILITIES	1,299,750	1,107,990
LONG-TERM LIABILITIES:		
Long-term debt (Note 4)	3,852,350	4,281,400
Financing lease liability (Note 5)	156,900	219,850
Operating lease liabilities (Note 5)	<u>187,100</u>	<u>12,600</u>
TOTAL LONG-TERM LIABILITIES	<u>4,196,350</u>	<u>4,513,850</u>
TOTAL LIABILITIES	5,496,100	5,621,840
MEMBERS' EQUITY	4,369,100	3,293,800
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 9,865,200</u>	<u>\$ 8,915,640</u>

See accompanying notes and
Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,	
	<u>20XY</u>	<u>20XX</u>
REVENUE FROM OPERATIONS: (NOTE 6)		
Milk	\$ 7,330,800	\$ 5,545,000
Livestock revenue (Note 3)	149,900	118,100
Cull cow revenue (Note 3)	266,800	216,000
Other income	181,300	138,800
TOTAL REVENUE FROM OPERATIONS	<u>7,928,800</u>	<u>6,017,900</u>
OPERATING COSTS AND EXPENSES:		
Animal health	206,000	205,300
Bedding	53,900	42,800
Breeding expense	25,800	17,300
Cull cow expense (Note 3)	592,700	665,100
Custom hire	145,000	136,600
Depreciation (Note 2)	558,400	427,000
Feed	3,695,400	2,584,800
Fuel	38,900	57,800
Hauling and trucking	118,400	109,200
Insurance	20,200	37,300
Interest	221,500	264,200
Labor, benefits and taxes	541,400	544,200
Lease and rent (Note 5)	7,800	-
Marketing	54,800	50,500
Miscellaneous	20,100	11,300
Professional fees	34,600	27,300
Repairs and maintenance	185,100	109,000
Supplies	43,700	53,800
Taxes	-	200
Utilities	150,400	122,000
TOTAL OPERATING COSTS AND EXPENSES	<u>6,714,100</u>	<u>5,465,700</u>
INCOME (LOSS) FROM OPERATIONS	<u>1,214,700</u>	<u>552,200</u>
OTHER INCOME (LOSS)		
Gain (loss) on sale of assets	2,000	-
TOTAL OTHER INCOME (LOSS)	<u>2,000</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 1,216,700</u>	<u>\$ 552,200</u>

See accompanying notes and
Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	YEARS ENDED	
	DECEMBER 31,	
	<u>20XY</u>	<u>20XX</u>
MEMBERS' EQUITY, BEGINNING OF THE YEAR	\$ 3,293,800	\$ 2,837,100
Net income (loss)	1,216,700	552,200
Members' (withdrawals)	(141,400)	(95,500)
MEMBERS' EQUITY, END OF THE YEAR	<u>\$ 4,369,100</u>	<u>\$ 3,293,800</u>

See accompanying notes and
Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC
STATEMENTS OF CASH FLOWS

	YEARS ENDED	
	DECEMBER 31,	
	<u>20XY</u>	<u>20XX</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,216,700	\$ 552,200
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cull cow expense	592,700	665,100
Depreciation	558,400	427,000
Amortization of debt issuance costs	800	800
Capitalized cost of heifers born	(99,600)	(74,300)
Capitalized cost of raising heifers	(703,000)	(622,200)
Noncash portion of investments in cooperatives	(61,000)	(50,000)
(Gain) loss on sale of assets	(2,000)	-
Change in current assets:		
Commodity receivables	(77,400)	(9,100)
Other receivable	(26,200)	(18,900)
Inventory	(161,700)	11,000
Prepaid expenses	13,800	(225,800)
Change in current liabilities:		
Accounts payable	51,900	144,900
Accrued expenses	4,000	21,500
Accrued interest	4,250	(20,300)
Accrued labor and payroll taxes	1,100	13,200
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,312,750</u>	<u>815,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	2,000	-
Purchase of land improvements	(33,300)	(116,400)
Purchase of buildings	(129,100)	-
Purchase of machinery and equipment	(323,100)	(327,500)
Proceeds from heifers sold	-	500
Proceeds from investments in cooperatives	24,400	16,500
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(459,100)</u>	<u>(426,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	199,700	355,100
Repayment of long-term debt	(851,800)	(607,800)
Repayment of financing lease	(60,150)	(40,000)
Members' withdrawals	(141,400)	(95,500)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(853,650)</u>	<u>(388,200)</u>
NET CHANGE IN CASH	-	-
CASH AT BEGINNING OF THE YEAR	-	-
CASH AT END OF THE YEAR	<u>\$ -</u>	<u>\$ -</u>

(Continued)

See accompanying notes and
Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC
STATEMENTS OF CASH FLOWS

	YEARS ENDED	
	DECEMBER 31,	
	<u>20XY</u>	<u>20XX</u>
SUPPLEMENTAL DISCLOSURES FOR STATEMENT OF CASH FLOWS:		
Interest paid	\$ 199,000	\$ 283,500
Operating cash flows from financing lease	\$ 60,150	\$ 40,000
Operating cash flows from operating leases	\$ 69,930	\$ 38,280
NONCASH OPERATING, INVESTING, AND FINANCING ACTIVITIES:		
Purchase of machinery and equipment	\$ (290,800)	\$ -
Acquisition of financing lease - right-of-use asset	-	(320,000)
Acquisition of operating leases - right-of-use assets	(290,200)	-
Proceeds from long-term debt	290,800	-
Proceeds from financing lease liabilities	-	320,000
Proceeds from operating lease liabilities	290,200	-
CASH PAID	\$ -	\$ -

See accompanying notes and
Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Business Activity - Happy Cow Dairy, LLC (the Company) is a limited liability company with two members that was formed under the laws of the state of Michigan on January 1, 20XX for the purpose of producing milk. The Company operates a 1,500 cow dairy farm in Pigeon, Michigan. Forages are grown by the Company. The principal product is milk, which is sold to a farmer owned cooperative.

Basis of Accounting - The financial statements of Happy Cow Dairy, LLC were prepared using the accrual basis of accounting. This basis of accounting recognizes revenues when earned and expenses when incurred, which conforms to accounting principles generally accepted in the United States of America (U.S. GAAP) except for the way the Company values its dairy livestock. U.S. GAAP requires dairy and breeding livestock to be valued at cost less accumulated depreciation. The Company values its dairy livestock at cost, however the dairy livestock is not being depreciated. The effect of this departure from U.S. GAAP has not been determined.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires the Members to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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. Unused feed inventory is estimated by the Members and valued at cost. The amount ultimately realized at the time of feeding may differ. This difference may be material.

Cash and Cash Equivalents - For the purpose of reporting the statements of cash flows, the Company considers all cash amounts, that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Trade Accounts and Other Receivables - U.S. GAAP requires the Company to report the amount of accounts, notes, and other forms of receivables at the amount the Members expect to collect from balances outstanding at the balance sheet date. The amount collectible is to be estimated using historical performance, projections of trends, and known information regarding the financial condition of the customer or other debtor. The amount estimated to be uncollectible is deducted from the book balance by means of an allowance for uncollectible accounts. Based on the Members' assessment of the outstanding receivable balances at the balance sheet date, any potential realization losses will be immaterial, and therefore, no allowance for uncollectible accounts is recorded on the balance sheet.

Inventory - All inventories are stated at the lower of cost or net realizable value using the average cost method.

	<u>20XX</u>	<u>Feed delivered</u>	<u>Feed used</u>	<u>20XY</u>
Corn silage	\$ 526,500	\$ 690,000	\$ (576,400)	\$ 640,100
Haylage	157,900	623,700	(507,600)	274,000
High moisture corn	93,800	124,800	(111,700)	106,900
Straw	81,100	-	(81,100)	-
Total	<u>\$ 859,300</u>	<u>\$ 1,438,500</u>	<u>\$ (1,276,800)</u>	<u>\$ 1,021,000</u>

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Property and Equipment - Property and equipment are stated at cost. Depreciation of the property and equipment is computed using the straight line method over the estimated useful lives of the assets as follows:

Land improvements	15 - 30 years
Buildings	10 - 20 years
Machinery and equipment	3 - 10 years

Depreciation for tax purposes is computed by using the straight line, declining balance, and modified accelerated cost recovery system methods, therefore temporary differences exist.

Leases - The Company leases certain real estate and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. The Members only reassess the determination if the terms and conditions of the contract are changed.

Financing leases are included in financing lease right-of-use (ROU) assets, other current liabilities, and financing lease liabilities in the balance sheet.

Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities in the balance sheet.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments. Financing and operating lease ROU assets and liabilities are recognized at the least commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable. For leases that do not provide an implicit rate, to determine the present value of lease payments, the Members use the Company's incremental borrowing rate based on the information available at lease commencement. Financing and operating ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

Investments in Cooperatives - The Company follows the practice of investing in cooperatives with which it does business. Investments in cooperatives are carried on the books net of a reserve. Such investments are valued at cost and adjusted annually for allocated patronage dividends net of cash distributions and net of the reserve.

	<u>20XY</u>	<u>20XX</u>
Investments in cooperatives - at cost	\$ 169,800	\$ 108,800
Reserve	(67,900)	(43,500)
Stock in GreenStone Farm Credit Services	1,000	1,000
Investments in cooperatives - net of reserve	\$ 102,900	\$ 66,300

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Revenue Recognition - The Company's material revenue is from the sale of commodities which is produced and sold through contracts with its customers. The customers are primarily dairy processors located in the same geographic location as the Company. The Company sells its commodities using standard industry contracts with the customers. The Company recognizes revenue for the sale of commodities at a point in time when it satisfies its performance obligations by transferring control over the commodities at delivery to the customer, which is shipped daily. The payment for the commodities sold is received the month following the delivery to the processor. The primary contract with the dairy processor has a variable price based on the market price at the time of delivery.

Income Taxes - Income from the Company is combined with the income and expense of the Members from other sources and reported in the Members' individual federal and state income tax returns. Therefore it is classified as a pass-through entity for federal and state income tax purposes. Thus, no provision for income taxes has been recorded in the financial statements.

Subsequent Events - The Member has evaluated subsequent events through February 28, 20XZ, the date that the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT:

The major classes of the dairy facilities, equipment, and the total accumulated depreciation are as follows:

	<u>20XX</u>	<u>Additions</u>	<u>Disposals</u>	<u>20XY</u>
Land	\$ 370,500	\$ -	\$ -	\$ 370,500
Land improvements	1,255,100	33,300	-	1,288,400
Buildings	2,945,600	129,100	-	3,074,700
Machinery and equipment	2,091,200	613,900	(42,600)	2,662,500
Financing lease - ROU asset	320,000	-	-	320,000
Total property and equipment	<u>6,982,400</u>	<u>776,300</u>	<u>(42,600)</u>	<u>7,716,100</u>

	Depreciation			
	<u>20XX</u>	<u>expense</u>	<u>Disposals</u>	<u>20XY</u>
Land improvements	316,177	90,142	-	406,319
Buildings	1,090,667	193,852	-	1,284,519
Machinery and equipment	1,050,556	242,406	(42,600)	1,250,362
Financing lease - ROU asset	24,000	32,000	-	56,000
Total accumulated depreciation	<u>\$ 2,481,400</u>	<u>\$ 558,400</u>	<u>\$ (42,600)</u>	<u>\$ 2,997,200</u>

NOTE 3 - DAIRY LIVESTOCK:

The Members believe a well maintained dairy herd does not depreciate. Although individual dairy cows do depreciate, the herd as a whole does not. Lower performing cows are constantly replaced with higher performing cows, therefore, the Company does not depreciate the herd, but values it at cost. Revenue from cull cows sold is recorded at the gross amount and reported in the income statement under "Revenue from operations" under the caption "Cull cow revenue". The cost of the dairy cows is charged to the operations when they are sold or die. This amount is reported in the income statement under "Operating cost and expenses" under the caption "Cull cow expense". The carrying value on the balance sheet is determined using a cumulative average cost. For the years ended December 31, 20XY and 20XX, the value used is \$1,530 and \$1,565 per cow, respectively. This approximates the average cost of the dairy cows.

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX

NOTE 3 - DAIRY LIVESTOCK: (CONTINUED)

	<u>20XY</u>			<u>20XX</u>		
	<u>Quantity</u>	<u>Value Per Head</u>	<u>Total Value</u>	<u>Quantity</u>	<u>Value Per Head</u>	<u>Total Value</u>
Cows on hand,						
January 1,	1,352	\$ 1,565	\$ 2,115,900	1,292	\$ 1,672	\$ 2,160,200
Add: Transferred	574	1,446	830,000	458	1,355	620,800
Subtotal	<u>1,926</u>	<u>1,530</u>	<u>2,945,900</u>	<u>1,750</u>	<u>1,589</u>	<u>2,781,000</u>
Less: Sold	(311)	1,528	(475,100)	(302)	1,671	(504,600)
Died	(77)	1,527	(117,600)	(96)	1,672	(160,500)
Total cost of cull cows	(388)	1,528	(592,700)	(398)	1,671	(665,100)
Cows on hand,						
December 31,	<u>1,538</u>	<u>\$ 1,530</u>	<u>\$ 2,353,200</u>	<u>1,352</u>	<u>\$ 1,565</u>	<u>\$ 2,115,900</u>
Heifers on hand						
January 1,	1,157	\$ 697	\$ 805,900	1,122	\$ 651	\$ 730,700
Add: Born net of dead	664	150	99,600	495	150	74,300
Capitalized cost			703,000			622,200
Subtotal	<u>1,821</u>	<u>883</u>	<u>1,608,500</u>	<u>1,617</u>	<u>883</u>	<u>1,427,200</u>
Less: Transferred	(574)	1,446	(830,000)	(458)	1,355	(620,800)
Sold	(34)	-	-	(2)	250	(500)
Heifers on hand,						
December 31,	<u>1,213</u>	<u>\$ 642</u>	<u>\$ 778,500</u>	<u>1,157</u>	<u>\$ 697</u>	<u>\$ 805,900</u>
Heifers						
Age						
0 - 2 Months	220	\$ 225	\$ 49,500	223	\$ 225	\$ 50,175
3 - 5 Months	174	360	62,640	162	380	61,560
6 - 8 Months	151	495	74,745	124	535	66,340
9 - 11 Months	132	630	83,160	146	690	100,740
12 - 14 Months	157	765	120,105	154	845	130,130
15 - 17 Months	156	900	140,400	146	1,000	146,000
18 - 20 Months	115	1,035	119,025	115	1,155	132,825
21 - 23 Months	89	1,170	104,130	60	1,310	78,600
24 Months & Over	<u>19</u>	<u>1,305</u>	<u>24,795</u>	<u>27</u>	<u>1,464</u>	<u>39,530</u>
Total heifers	<u>1,213</u>	<u>642</u>	<u>778,500</u>	<u>1,157</u>	<u>697</u>	<u>805,900</u>
Total dairy cows	<u>1,538</u>	<u>\$ 1,530</u>	<u>2,353,200</u>	<u>1,352</u>	<u>\$ 1,565</u>	<u>2,115,900</u>
Total dairy livestock	<u>2,751</u>	<u>\$ 1,138</u>	<u>\$ 3,131,700</u>	<u>2,509</u>	<u>\$ 1,165</u>	<u>\$ 2,921,800</u>

Heifers born are assigned a value of \$150 which approximates costs. Values from heifers born are recorded in the income statement under "Revenue from operations" under the caption "Livestock revenue". When heifers are sold, the proceeds are used to reduce the value of heifers on hand. The proceeds approximate the cost of the heifers sold. The livestock revenue also includes any bull calves sold at current market prices.

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX

NOTE 4 - LONG-TERM DEBT:

Long-term debt consists of the following:

Lender	Origin. Date	Maturity Date	(A)	Payment (B)	Interest rate		Balance		Current Portion	
					20XY	20XX	20XY	20XX		
AgLender										
Note	7/1/20XY	7/1/20YB	M	\$ 3,225	F	1.90%	-	\$ 95,700	\$ -	\$ 37,100
Total AgLender								<u>95,700</u>	<u>-</u>	<u>37,100</u>
COW Capital										
Note	5/12/20XW	5/12/20YA	M	2,167	F	1.90%	1.90%	34,200	61,400	25,500
Total COW Capital								<u>34,200</u>	<u>61,400</u>	<u>25,500</u>
GreenStone Farm Credit Services										
Line of credit	12/29/20XM	10/1/20XZ	M	(I)	V	5.25%	4.50%	58,900	345,800	-
Line of credit has an authorized limit of \$500,000										
Mortgage	4/7/20XQ	4/1/20YF	M	7,900	F	4.20%	4.20%	503,700	566,200	74,300
Mortgage	5/5/20XS	11/1/20YI	M	9,500	F	4.90%	4.90%	880,400	942,200	72,000
Note	5/4/20XU	7/1/20YB	M	5,100	F	4.60%	4.60%	437,700	475,400	41,500
Mortgage	10/15/20XU	5/1/20YK	M	7,000	F	4.25%	4.25%	708,400	751,800	54,100
Mortgage	4/17/20XV	11/1/20YK	M	3,500	F	5.10%	5.10%	351,100	369,300	24,500
Note	7/15/20XW	7/1/20YD	M	10,900	F	4.35%	4.35%	426,100	535,700	112,800
Note	4/17/20XV	5/1/20YC	M	11,600	F	4.80%	4.80%	438,700	544,700	118,800
Note	2/7/20XY	11/1/20YC	M	3,709	F	4.25%	-	169,500	-	37,000
Total GreenStone Farm Credit Services								<u>3,974,500</u>	<u>4,531,100</u>	<u>535,000</u>
Individual										
Land contract	2/1/20XU	2/1/20YB	M	2,900	F	6.12%	6.12%	275,700	288,700	19,050
Total Individual								<u>275,700</u>	<u>288,700</u>	<u>19,050</u>
Tractor Credit										
Note	3/11/20XV	3/20/20XY	M	3,006	F	-	6.50%	-	9,000	-
Note	6/28/20XY	6/28/20YB	M	5,202	F	3.70%	-	148,800	-	57,900
Total Tractor Credit								<u>148,800</u>	<u>9,000</u>	<u>57,900</u>
Total								<u>4,528,900</u>	<u>4,890,200</u>	<u>\$ 674,550</u>
Less: Unamortized debt issuance costs								<u>(2,000)</u>	<u>(2,800)</u>	
Long-term debt - net of debt issuance costs								<u>4,526,900</u>	<u>4,887,400</u>	
Less: Current portion of long-term debt								<u>(674,550)</u>	<u>(606,000)</u>	
Long-term debt								<u>\$ 3,852,350</u>	<u>\$ 4,281,400</u>	

(A) M - Monthly payments

(I) Interest only

(B) F - Fixed interest rate

V - Variable interest rate

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX

NOTE 4 - LONG-TERM DEBT: (CONTINUED)

Collateral:

The long-term debt is secured by land, land improvements, buildings, equipment, and livestock of the Company.

Aggregate maturities of long-term debt are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
20XZ	\$ 674,550
20YA	603,800
20YB	898,700
20YC	436,300
20YD	230,000
Thereafter	1,685,550
Total	\$ 4,528,900

NOTE 5 - LEASES:

Financing lease right-of-use asset consists of the following:

	<u>20XY</u>	<u>20XX</u>
Financing lease right-of-use asset:		
Forage harvester	\$ 320,000	\$ 320,000
Total financing lease right-of-use asset	<u>\$ 320,000</u>	<u>\$ 320,000</u>

Financing lease liability consists of the following:

<u>Lessor</u>	<u>Origin. Date</u>	<u>Maturity Date</u>	<u>Payment</u>	<u>Discount Rate</u>		<u>Balance</u>		<u>Current Portion</u>
				<u>20XY</u>	<u>20XX</u>	<u>20XY</u>	<u>20XX</u>	
Farm Credit Leasing								
Financing	4/1/20XX	4/1/20YC	\$ 5,967	4.50%	4.50%	\$ 219,850	\$ 280,000	<u>\$ 62,950</u>
Less: Current portion of financing lease liability						<u>(62,950)</u>	<u>(60,150)</u>	
Net long-term financing lease liability						<u>\$ 156,900</u>	<u>\$ 219,850</u>	

Future undiscounted and discounted financing lease payments are as follows:

<u>Years ending December 31,</u>	<u>Undiscounted</u>	<u>Discounted</u>
20XZ	\$ 71,604	\$ 62,950
20YA	71,604	65,800
20YB	71,604	68,850
20YC	23,857	22,250
Total	<u>\$ 238,669</u>	<u>\$ 219,850</u>

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX

NOTE 5 - LEASES: (CONTINUED)

The following summarizes the line items in the income statement which includes the components of financing lease expense for the years ended December 31, 20XY and 20XX.

	<u>20XY</u>	<u>20XX</u>
Depreciation of lease assets included in depreciation expense	\$ 32,000	\$ 24,000
Interest on lease liabilities included in interest expense	11,450	9,100
Total financing lease costs	<u>\$ 43,450</u>	<u>\$ 33,100</u>

Financing Lease Term and Discount Rate:

Weighted average remaining lease term	4 years
Weighted average discount rate	4.50%

Operating Leases:

The Company has operating leases for equipment. The Company also has certain leases for equipment and buildings with terms less than 12 months for which the Company has elected to recognize in operating expenses.

Most leases include one or more options to renew, with renewal terms that can extend the lease term. Only lease options that the Company is reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 20XY and 20XX:

Operating leases - right-of-use assets consist of the following:

	<u>20XY</u>	<u>20XX</u>
Machinery and equipment	<u>\$ 281,700</u>	<u>\$ 48,040</u>

Operating lease liabilities consist of the following:

<u>Lessor</u>	<u>Origin. Date</u>	<u>Maturity Date</u>	<u>Payment</u>	<u>Discount rate</u>		<u>Balance</u>		<u>Current Portion</u>
				<u>20XY</u>	<u>20XX</u>	<u>20XY</u>	<u>20XX</u>	
JCB Finance:								
Operating	5/10/20XW	5/31/20XZ	\$ 3,190	5.59%	5.59%	\$ 12,600	\$ 48,040	\$ 12,600
Operating	5/1/20XY	5/1/20YB	3,500	5.59%	-	94,700	-	40,750
Operating	10/31/20XY	10/31/20YD	3,575	7.25%	-	174,400	-	41,250
Total						<u>281,700</u>	<u>48,040</u>	<u>\$ 94,600</u>
Less: Current portion of operating lease liabilities						<u>(94,600)</u>	<u>(35,440)</u>	
Net long-term operating lease liabilities						<u>\$ 187,100</u>	<u>\$ 12,600</u>	

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX**

NOTE 5 - LEASES: (CONTINUED)

Future undiscounted and discounted financing lease payments are as follows:

Years ending December 31,	Undiscounted	Discounted
20XZ	\$ 98,155	\$ 94,600
20YA	84,900	76,900
20YB	60,400	51,100
20YC	42,900	33,200
20YD	35,750	25,900
Total	\$ 322,105	\$ 281,700

The components of operating lease expenses that are included in "Operating expenses" in the statements of income for the year ended December 31, 20XY and 20XX are as follows:

	<u>20XY</u>	<u>20XX</u>
Operating lease expense	\$ 69,930	\$ 38,280
Short-term land lease payments	186,670	136,720
Other rent payments	7,800	-
Less: Capitalized to forages	(256,600)	(175,000)
Total lease and rent expense	\$ 7,800	\$ -

Operating Lease Term and Discount Rate:

Weighted average remaining lease term	4 years
Weighted average discount rate	6.62%

NOTE 6 - REVENUES:

Sources of revenue consist of the following:

	<u>20XY</u>	<u>20XX</u>
Milk:		
Revenue from contracts with customers (point in time)	\$ 7,376,300	\$ 5,545,000
Milk loss insurance proceeds (premiums)	(45,500)	-
Livestock revenue: (Note 3)		
Capitalized cost of heifers born	99,600	74,300
Proceeds from bull calves	50,300	43,800
Cull cow revenue	266,800	216,000
Other revenue:		
Agricultural program payments	86,700	67,900
Other income	9,200	4,400
Patronage dividends	85,400	66,500
Total revenue	\$ 7,928,800	\$ 6,017,900

NOTE 7 - CONCENTRATIONS OF CREDIT RISK:

The Company sells all milk to one customer, Farmer Owned Cooperative. The balance due from Farmer Owned Cooperative at December 31, 20XY was \$324,400. As of January 15, 20XZ, the entire balance was collected.

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 20XY AND 20XX**

NOTE 8 - COMMITMENTS:

In the ordinary course of business, the Company may enter into certain sales or purchase contracts. These contracts may involve pricing milk sales for future months and/or contracting to purchase certain inputs such as feed for future months. These contracts may result in unrealized gains or losses, and they may be material. As of December 31, 20XY, no determination of any unrealized gains or losses has been made.

SUPPLEMENTARY INFORMATION

HAPPY COW DAIRY, LLC

SCHEDULE OF ASSETS, LIABILITIES & NET WORTH
DECEMBER 31, 20XY

	ESTIMATED CURRENT VALUE
ASSETS	
Commodity receivables (Note B)	\$ 324,400
Other receivables (Note C)	45,100
Inventory (Note D)	1,106,200
Prepaid expenses (Note E)	239,500
Land, buildings and improvements (At cost)	4,539,700
Machinery and equipment (Note F)	1,725,000
Dairy livestock (Note G)	4,011,725
Investments in cooperatives (Note H)	68,900
TOTAL ASSETS	<u>12,060,525</u>
LESS: LIABILITIES	
Accounts payable	380,700
Accrued interest	20,250
Accrued labor and payroll taxes	31,700
Long-term debt	<u>4,528,900</u>
TOTAL LIABILITIES	4,996,550
NET WORTH BEFORE ESTIMATED INCOME TAXES	<u>7,063,975</u>
LESS: ESTIMATED INCOME TAXES (NOTE I)	2,005,400
NET WORTH (NOTE J)	<u>\$ 5,058,575</u>

See accompanying notes to supplementary information
and Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

**NOTES TO THE SUPPLEMENTARY INFORMATION
DECEMBER 31, 20XY**

NOTE A - BASIS OF PRESENTATION:

This information is presented on an estimated current value basis as determined by the Members and does not present financial position and results of operations in accordance with U.S. GAAP. Information prepared on an estimated current value basis is characterized by greater subjectivity and imprecision than conventional historical cost information. Amounts ultimately realized by the Company from the disposal of properties may vary significantly from the current values presented. This supplementary information does not reflect any personal effects or nonfarm investments of the Members.

NOTE B - COMMODITY RECEIVABLES:

Commodity receivables consist of the following:

<u>Commodity</u>	<u>Quantity</u>	<u>Price</u>	<u>Amount</u>
Milk: Total component value	32,216 cwt	\$ 19.50	\$ 628,200
Less: Advertising	32,216 cwt	0.15	(4,800)
Hauling	32,216 cwt	0.32	(10,400)
Capital retain	32,216 cwt	0.10	(3,200)
Supplies			(1,000)
Advance payment			(284,400)
Total commodity receivables			<u>\$ 324,400</u>

NOTE C - OTHER RECEIVABLES:

Other receivables consist of the following:

	<u>Amount</u>
Farmland preservation tax credit	\$ 19,100
Cull cow receivable	26,000
Total other receivables	<u>\$ 45,100</u>

NOTE D - INVENTORY:

Inventory consists of the following:

<u>Inventory</u>	<u>Quantity</u>	<u>Cost</u>	<u>Estimated Current Value</u>	
			<u>Price</u>	<u>Amount</u>
Corn silage	16,700 ton	\$ 38.33	\$ 40.00	\$ 668,000
Haylage	5,375 ton	50.98	60.00	322,500
High moisture corn	890 ton	120.11	130.00	115,700
Total inventory				<u>\$ 1,106,200</u>

NOTE E - PREPAID EXPENSES:

Prepaid expenses consist of the following:

	<u>Amount</u>
Capitalized forage cost	\$ 239,500
Total prepaid expenses	<u>\$ 239,500</u>

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

NOTES TO THE SUPPLEMENTARY INFORMATION DECEMBER 31, 20XY

NOTE F - LAND, BUILDINGS AND LAND IMPROVEMENTS:

Land, buildings and land improvements are based on an appraisal, prepared for GreenStone Farm Credit Services dated April 4, 20XU. This appraisal includes 71 acres of land valued at \$270,000 and buildings and land improvements valued at \$3,991,000, for a total value of \$4,261,000. During 20XY and 20XX there were additional land improvements with a cost of \$149,600 and buildings with a cost of \$129,100. These amounts along with the appraisal total \$4,539,700.

NOTE G - MACHINERY AND EQUIPMENT:

Machinery and equipment was valued by the Members at December 31, 20XY as follows:

	<u>Amount</u>
Blade runner	\$ 23,000
Chisel plow	7,500
Chopper and corn header	350,000
Dumb box	15,000
Four wheelers (2)	7,000
GPS	15,000
Grinders (2)	13,000
Hay cutter	20,000
Hay inverter	13,000
Haybine	25,000
Manure spreading equipment	125,000
Merger	50,000
Mixer wagons (2)	100,000
Pickup trucks (2)	20,000
Planter	10,000
Rolling harrow and cultivator	23,000
Sandshooter	15,000
Silage defacer	3,500
Skidsteers (3)	65,000
Sprayer	44,000
Tractors (10)	600,000
Wagons	23,000
Water treatment and pasteurizer	28,000
Wheel Loader	130,000
Total machinery and equipment	<u>\$ 1,725,000</u>

NOTE H - DAIRY LIVESTOCK:

Dairy livestock on hand consists of the following:

	<u>Quantity</u>	<u>Average Cost</u>	<u>Estimated Current Value</u>	
			<u>Per Head</u>	<u>Amount</u>
Dairy cows	1,538	\$ 2,353,200	\$ 1,800	\$ 2,768,400
Heifers	1,213	778,500	1,025	1,243,325
Total dairy livestock		<u>\$ 3,131,700</u>		<u>\$ 4,011,725</u>

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

**NOTES TO THE SUPPLEMENTARY INFORMATION
DECEMBER 31, 20XY**

NOTE I - INVESTMENTS IN COOPERATIVES:

Investments in cooperatives consist of the following:

	<u>Amount</u>
Farmer Owned Cooperative - Capital retained	101,900
Farmer Owned Cooperative - Allocated patronage	67,900
Total investments in cooperatives	169,800
Discount to present value	x 40%
Total discounted investments in cooperatives	67,900
GreenStone Farm Credit Services stock	1,000
Total estimated value of investments in cooperatives	\$ 68,900

NOTE J - ESTIMATED INCOME TAXES:

Estimated income taxes have been provided on the excess of the estimated current values of assets and liabilities over their tax basis as if the estimated current values of the assets and liabilities had been realized on the statement date, using applicable tax laws and regulations. The provision will probably differ from the amounts of income taxes that eventually might be paid because those amounts are determined by the timing and method of disposal or realization and the tax laws and regulations in effect at the time of disposal or realization.

The estimated current values of assets and liabilities exceeded their tax basis by \$6,266,975 at December 31, 20XY, resulting in estimated income tax of \$2,005,400 on this excess. The excess of the estimated current values of major assets and liabilities over (under) their tax basis are:

Commodity receivables	\$ 324,400
Other receivables	45,100
Inventory - feed	1,106,200
Prepaid expenses	239,500
Land, buildings, and improvements	788,900
Machinery and equipment	769,200
Dairy livestock	3,387,425
Investments in cooperatives	68,900
Debt issuance costs	(2,000)
Accounts payable	(380,700)
Accrued expenses	(35,000)
Accrued interest	(20,250)
Accrued labor and payroll taxes	(24,700)
Total	\$ 6,266,975

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

NOTES TO THE SUPPLEMENTARY INFORMATION
DECEMBER 31, 20XY

NOTE K - RECONCILIATION OF NET WORTH :

	Net worth - January 1, 20XY	\$ 2,928,500
	Net income (loss) – Accrual basis	1,216,700
Add:	Amortization	800
	Depreciation	558,400
	Increase in value of livestock	1,004,825
Less:	Decrease in value of feed inventory	(30,500)
	Decrease in value of machinery and equipment	(388,900)
	Decrease in value of investments in cooperatives	(12,200)
	Members' withdrawals	(141,400)
	Increase in estimated income taxes	<u>(77,650)</u>
	Net worth – December 31, 20XY	<u>\$ 5,058,575</u>

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

SCHEDULE OF CAPITALIZED FORAGE COST
YEAR ENDED DECEMBER 31, 20XY

	<u>Beginning Balance</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Feed Delivered</u>	<u>Corn silage</u>	<u>Haylage</u>	<u>High moisture corn</u>
Capitalized cost:							
Ag service provider	\$ -	\$ 8,000	\$ -	\$ 8,000	\$ 5,200	\$ 1,900	\$ 900
Agriculture production	-	36,600	-	36,600	23,600	8,700	4,300
Crop input services	14,500	53,500	5,200	62,800	17,600	42,000	3,200
Custom hire	-	10,100	800	9,300	6,000	2,200	1,100
Dairy custom hire	-	87,500	-	87,500	56,600	20,700	10,200
Forage financial services	35,200	97,300	-	132,500	62,900	58,200	11,400
Fuel	42,400	106,200	41,700	106,900	53,200	44,100	9,600
Grain company	-	104,400	15,000	89,400	57,800	21,100	10,500
Labor	48,700	224,500	-	273,200	134,200	114,700	24,300
Major ag inputs	-	87,800	30,000	57,800	37,400	13,700	6,700
Rent	78,900	256,600	77,200	258,300	99,800	140,400	18,100
Repairs	23,800	167,700	-	191,500	84,000	92,300	15,200
Seed company	-	70,100	55,000	15,100	9,800	3,600	1,700
Seed company 2	-	24,300	8,500	15,800	7,600	6,800	1,400
Supplies	9,800	90,100	6,100	93,800	34,300	53,300	6,200
Total capitalized cost of forages	\$ 253,300	\$ 1,424,700	\$ 239,500	\$ 1,438,500	\$ 690,000	\$ 623,700	\$ 124,800

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

SCHEDULE OF FEED EXPENSE

	THREE MONTHS ENDED				
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	YEAR TO
	<u>20XY</u>	<u>20XY</u>	<u>20XY</u>	<u>20XY</u>	<u>DATE</u>
<u>Forages used:</u>					
Beet pulp	\$ 17,900	\$ 18,100	\$ -	\$ -	\$ 36,000
Corn silage	152,200	154,000	137,700	132,500	576,400
Corn stalks	8,700	8,900	-	-	17,600
Haylage	84,000	85,100	185,600	152,900	507,600
High moisture corn	46,600	47,200	-	18,000	111,800
Straw	13,600	13,900	-	-	27,500
Total forages used	<u>323,000</u>	<u>327,200</u>	<u>323,300</u>	<u>303,400</u>	<u>1,276,900</u>
<u>Other feed purchased:</u>					
Fall Farms	-	-	-	21,800	21,800
Farmer Jim	-	-	2,700	300	3,000
Farmer Joe	-	-	1,000	-	1,000
Farmer John	-	4,700	-	-	4,700
Farmer Mary	3,000	4,100	5,400	4,200	16,700
Farmer Mike	-	-	-	1,900	1,900
Farmer Paul	-	-	3,800	-	3,800
Farmer Tom	-	1,100	4,000	1,100	6,200
Forage Farms	800	800	-	-	1,600
Hay Farms	353,400	357,400	391,500	307,800	1,410,100
Local Ag Service	3,500	3,500	7,600	-	14,600
Local Beet Company	-	-	9,500	59,400	68,900
Local Farmers Elevator	40,500	41,100	41,000	36,600	159,200
Local Milling	207,100	209,500	214,000	353,300	983,900
Spring Farms	-	-	-	56,700	56,700
Summer Farms	6,900	7,000	6,900	7,900	28,700
Winter Farms	-	-	-	2,500	2,500
Total other feed purchased	<u>615,200</u>	<u>629,200</u>	<u>687,400</u>	<u>853,500</u>	<u>2,785,300</u>
Total feed before adjustments	938,200	956,400	1,010,700	1,156,900	4,062,200
<u>Adjustments:</u>					
Heifer feed adjustment	(97,100)	(98,200)	(84,100)	(87,400)	(366,800)
Total feed expense	<u>\$ 841,100</u>	<u>\$ 858,200</u>	<u>\$ 926,600</u>	<u>\$ 1,069,500</u>	<u>\$ 3,695,400</u>
<u>Per cow information:</u>					
Average dairy cows on the farm	1,362	1,376	1,405	1,482	1,407
Days in period	90	91	92	92	365
Feed cost per cow per day	\$ 6.86	\$ 6.85	\$ 7.17	\$ 7.84	\$ 7.20

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

SCHEDULE OF CAPITALIZED COST OF RAISING HEIFERS

	THREE MONTHS ENDED				
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	YEAR TO
	<u>20XY</u>	<u>20XY</u>	<u>20XY</u>	<u>20XY</u>	<u>DATE</u>
Other feed purchased:					
Calf Care Products	28,300	28,400	21,400	5,500	83,600
Heifer Milling	22,400	22,500	27,700	29,500	102,100
Local Charge Account	-	500	-	-	500
Total other feed purchased	<u>50,700</u>	<u>51,400</u>	<u>49,100</u>	<u>35,000</u>	<u>186,200</u>
Other capitalized cost:					
Animal health	5,000	5,000	5,000	5,000	20,000
Bedding	1,200	1,200	1,200	1,200	4,800
Breeding	3,000	3,000	3,000	3,000	12,000
Heifer feed adjustment	97,100	98,200	84,100	87,400	366,800
Labor	28,300	28,300	28,300	28,300	113,200
Total other capitalized cost	<u>134,600</u>	<u>135,700</u>	<u>121,600</u>	<u>124,900</u>	<u>516,800</u>
Total capitalized cost of raising heifers	<u>\$ 185,300</u>	<u>\$ 187,100</u>	<u>\$ 170,700</u>	<u>\$ 159,900</u>	<u>\$ 703,000</u>
Per heifer information:					
Average number of heifers	1,161	1,167	1,192	1,214	1,184
Days in period	90	91	92	92	365
Cost per head per day	\$ 1.77	\$ 1.76	\$ 1.56	\$ 1.43	\$ 1.63

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

SCHEDULE OF INCOME AND EXPENSES
PER DELIVERED AND ENERGY CORRECTED CWT OF MILK PRODUCED AND PER COW PER DAY

	HAPPY COW DAIRY, LLC THREE MONTHS ENDED MARCH 31, 20XY		HAPPY COW DAIRY, LLC THREE MONTHS ENDED JUNE 30, 20XY	
	AS DELIVERED	ECM	AS DELIVERED	ECM
Quantity of milk in cwt	89,979	94,725	90,978	94,047
Average number of cows milked per day	1,162		1,178	
Pounds of milk per cow per day	86	91	85	88
Number of cull cows	104		106	
Annualized herd turnover rate	30.97%		30.90%	
Average cows on farm for the period	1,362		1,376	
Number of days in period	90		91	
Breakeven milk price	\$ 16.04	\$ 15.28	\$ 16.03	\$ 15.52
Breakeven milk production per cow per day	72	75	71	73

	PER DEL. CWT			PER ECM CWT			PER COW		
	AMOUNT	PRODUCED	PRODUCED	PER DAY	AMOUNT	PRODUCED	PRODUCED	PER DAY	
REVENUE FROM OPERATIONS:									
Milk	\$ 1,737,400	\$ 19.31	\$ 18.34	\$ 14.17	\$ 1,756,700	\$ 19.31	\$ 18.68	\$ 14.03	
Livestock revenue	30,400	0.34	0.32	0.25	30,800	0.34	0.33	0.25	
Cull cow revenue	76,200	0.85	0.80	0.62	77,000	0.85	0.82	0.61	
Other income	12,300	0.14	0.13	0.10	12,500	0.14	0.13	0.10	
TOTAL REVENUE FROM OPERATIONS	1,856,300	20.64	19.59	15.14	1,877,000	20.64	19.96	14.99	
OPERATING COSTS AND EXPENSES:									
Animal health	49,900	0.55	0.53	0.41	50,400	0.55	0.54	0.40	
Bedding	13,300	0.15	0.14	0.11	13,400	0.15	0.14	0.11	
Breeding	7,300	0.08	0.08	0.06	7,400	0.08	0.08	0.06	
Cull cow expense	162,400	1.80	1.71	1.32	164,300	1.81	1.75	1.31	
Custom hire - waste removal	30,900	0.34	0.33	0.25	31,200	0.34	0.33	0.25	
Depreciation	142,150	1.58	1.50	1.16	142,150	1.56	1.51	1.14	
Feed	845,000	9.39	8.92	6.89	854,300	9.39	9.08	6.82	
Fuel	9,800	0.11	0.10	0.08	10,000	0.11	0.11	0.08	
Hauling - milk	29,100	0.32	0.31	0.24	29,500	0.32	0.31	0.24	
Insurance	7,400	0.08	0.08	0.06	7,500	0.08	0.08	0.06	
Interest	54,800	0.61	0.58	0.45	55,500	0.61	0.59	0.44	
Labor, benefits and taxes	117,300	1.30	1.24	0.96	118,600	1.30	1.26	0.95	
Lease and rent	600	0.01	0.01	-	600	0.01	0.01	-	
Marketing and promotion	13,500	0.15	0.14	0.11	13,600	0.15	0.14	0.11	
Miscellaneous	2,600	0.03	0.03	0.02	2,700	0.03	0.03	0.02	
Professional fees and DHIA	6,200	0.07	0.07	0.05	6,300	0.07	0.07	0.05	
Repairs and maintenance	27,100	0.30	0.29	0.22	27,500	0.30	0.29	0.22	
Supplies	6,800	0.08	0.07	0.06	6,900	0.08	0.07	0.06	
Taxes	-	-	-	-	-	-	-	-	
Utilities	37,700	0.42	0.40	0.31	38,200	0.42	0.41	0.31	
TOTAL OPERATING COSTS AND EXPENSES	1,563,850	17.37	16.53	12.76	1,580,050	17.36	16.80	12.63	
INCOME (LOSS) FROM OPERATIONS	\$ 292,450	\$ 3.27	\$ 3.06	\$ 2.38	\$ 296,950	\$ 3.28	\$ 3.16	\$ 2.36	

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

SCHEDULE OF INCOME AND EXPENSES
PER DELIVERED AND ENERGY CORRECTED CWT OF MILK PRODUCED AND PER COW PER DAY

	HAPPY COW DAIRY, LLC THREE MONTHS ENDED SEPTEMBER 30, 20XY		HAPPY COW DAIRY, LLC THREE MONTHS ENDED DECEMBER 31, 20XY	
	AS DELIVERED	ECM	AS DELIVERED	ECM
Quantity of milk in cwt	90,766	92,354	93,988	96,808
Average number of cows milked per day	1,236		1,277	
Pounds of milk per cow per day	80	81	80	82
Number of cull cows	75		103	
Annualized herd turnover rate	21.18%		27.57%	
Average cows on farm for the period	1,405		1,482	
Number of days in period	92		92	
Breakeven milk price	\$ 16.81	\$ 16.54	\$ 17.92	\$ 17.43
Breakeven milk production per cow per day	62	63	72	74

	PER DEL. CWT			PER ECM CWT			PER COW		
	AMOUNT	PRODUCED	PRODUCED	PER DAY	AMOUNT	PRODUCED	PRODUCED	PER DAY	
REVENUE FROM OPERATIONS:									
Milk	\$ 1,967,000	\$ 21.67	\$ 21.30	\$ 15.22	\$ 1,869,700	\$ 19.89	\$ 19.31	\$ 13.71	
Livestock revenue	43,400	0.48	0.47	0.34	45,300	0.48	0.47	0.33	
Cull cow revenue	47,400	0.52	0.51	0.37	66,200	0.70	0.68	0.49	
Other income	111,700	1.23	1.21	0.86	44,800	0.48	0.46	0.33	
TOTAL REVENUE FROM OPERATIONS	2,169,500	23.90	23.49	16.79	2,026,000	21.55	20.92	14.86	
OPERATING COSTS AND EXPENSES:									
Animal health	54,700	0.60	0.59	0.42	51,000	0.54	0.53	0.37	
Bedding	11,800	0.13	0.13	0.09	15,400	0.16	0.16	0.11	
Breeding	7,200	0.08	0.08	0.06	3,900	0.04	0.04	0.03	
Cull cow expense	116,000	1.28	1.26	0.90	150,000	1.60	1.55	1.10	
Custom hire - waste removal	37,100	0.41	0.40	0.29	45,800	0.49	0.47	0.34	
Depreciation	142,150	1.57	1.54	1.10	131,950	1.40	1.36	0.97	
Feed	926,600	10.21	10.03	7.17	1,069,500	11.38	11.05	7.84	
Fuel	9,500	0.10	0.10	0.07	9,600	0.10	0.10	0.07	
Hauling - milk	29,400	0.32	0.32	0.23	30,400	0.32	0.31	0.22	
Insurance	500	0.01	0.01	-	4,800	0.05	0.05	0.04	
Interest	53,700	0.59	0.58	0.42	57,500	0.61	0.59	0.42	
Labor, benefits and taxes	153,900	1.70	1.67	1.19	151,600	1.61	1.57	1.11	
Lease and rent	-	-	-	-	6,600	0.07	0.07	0.05	
Marketing and promotion	13,600	0.15	0.15	0.11	14,100	0.15	0.15	0.10	
Miscellaneous	9,400	0.10	0.10	0.07	5,400	0.06	0.06	0.04	
Professional fees and DHIA	10,600	0.12	0.11	0.08	11,500	0.12	0.12	0.08	
Repairs and maintenance	94,800	1.04	1.03	0.73	35,700	0.38	0.37	0.26	
Supplies	14,700	0.16	0.16	0.11	15,300	0.16	0.16	0.11	
Taxes	-	-	-	-	-	-	-	-	
Utilities	43,000	0.47	0.47	0.33	31,500	0.34	0.33	0.23	
TOTAL OPERATING COSTS AND EXPENSES	1,728,650	19.04	18.73	13.37	1,841,550	19.58	19.04	13.49	
INCOME (LOSS) FROM OPERATIONS	\$ 440,850	\$ 4.86	\$ 4.76	\$ 3.42	\$ 184,450	\$ 1.97	\$ 1.88	\$ 1.37	

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

SCHEDULE OF INCOME AND EXPENSES
PER DELIVERED AND ENERGY CORRECTED CWT OF MILK PRODUCED AND PER COW PER DAY

	HAPPY COW DAIRY, LLC			NIETZKE & FAUPEL, P.C.		
	YEAR ENDED			UNDER 2,000 COWS ON FARM		
	DECEMBER 31, 20XY			DAIRY AVERAGES - NINE MONTHS ENDED		
	AS DELIVERED	ECM		AS DELIVERED	ECM	
Quantity of milk in cwt	365,711	377,932		256,906	270,518	
Average number of cows milked per day	1,214			1,143		
Pounds of milk per cow per day	83	85		82	87	
Number of cull cows	388			350		
Annualized herd turnover rate	27.58%			35.64%		
Average cows on farm for the period	1,407			1,313		
Number of days in period	365			273		
Breakeven milk price	\$ 16.72	\$ 16.17		\$ 20.18	\$ 19.17	
Breakeven milk production per cow per day	69	71		66	70	
			PER DEL. CWT			PER DEL. CWT
	AMOUNT	PRODUCED	PER COW	AMOUNT	PRODUCED	PER COW
REVENUE FROM OPERATIONS:			PER DAY			PER DAY
Milk	\$ 7,330,800	\$ 20.05	\$ 19.40	\$ 6,450,640	\$ 25.11	\$ 23.85
Livestock revenue	149,900	0.41	0.40	116,202	0.45	0.32
Cull cow revenue	266,800	0.73	0.71	236,844	0.92	0.66
Other income	181,300	0.50	0.48	220,114	0.86	0.61
TOTAL REVENUE FROM OPERATIONS	7,928,800	21.69	20.99	7,023,800	27.34	25.97
OPERATING COSTS AND EXPENSES:						
Animal health	206,000	0.56	0.55	110,160	0.43	0.31
Bedding	53,900	0.15	0.14	56,352	0.22	0.16
Breeding	25,800	0.07	0.07	31,292	0.12	0.09
Cull cow expense	592,700	1.62	1.57	614,702	2.39	1.71
Custom hire - waste removal	145,000	0.40	0.38	86,351	0.34	0.24
Depreciation	558,400	1.53	1.48	265,186	1.03	0.74
Feed	3,695,400	10.10	9.78	2,784,184	10.84	7.77
Fuel	38,900	0.11	0.10	104,959	0.41	0.29
Hauling - milk	118,400	0.32	0.31	219,276	0.85	0.61
Insurance	20,200	0.06	0.05	50,815	0.20	0.14
Interest	221,500	0.61	0.59	155,322	0.60	0.43
Labor, benefits and taxes	541,400	1.48	1.43	549,601	2.14	1.53
Lease and rent	7,800	0.02	0.02	71,837	0.28	0.20
Marketing and promotion	54,800	0.15	0.14	74,498	0.29	0.21
Miscellaneous	20,100	0.05	0.05	14,365	0.06	0.04
Professional fees and DHIA	34,600	0.09	0.09	39,042	0.15	0.11
Repairs and maintenance	185,100	0.51	0.49	213,508	0.83	0.60
Supplies	43,700	0.12	0.12	173,160	0.67	0.48
Taxes	-	-	-	35,659	0.14	0.10
Utilities	150,400	0.41	0.40	106,911	0.42	0.30
TOTAL OPERATING COSTS AND EXPENSES	6,714,100	18.36	17.76	5,757,180	22.41	21.29
INCOME (LOSS) FROM OPERATIONS	\$ 1,214,700	\$ 3.33	\$ 3.23	\$ 1,266,620	\$ 4.93	\$ 3.53

(Continued)

See Independent Accountant's Review Report.

HAPPY COW DAIRY, LLC

SCHEDULE OF INCOME AND EXPENSES
PER DELIVERED AND ENERGY CORRECTED CWT OF MILK PRODUCED AND PER COW PER DAY

	HAPPY COW DAIRY, LLC			NIETZKE & FAUPEL, P.C.				
	YEAR ENDED			UNDER 2,000 COWS ON FARM				
	DECEMBER 31, 20XX			DAIRY AVERAGES - YEAR ENDED				
	AS DELIVERED	ECM		AS DELIVERED	ECM			
Quantity of milk in cwt	336,675	347,956		312,708	330,900			
Average number of cows milked per day	1,169			1,045				
Pounds of milk per cow per day	79	82		82	87			
Number of cull cows	398			406				
Annualized herd turnover rate	29.48%			33.92%				
Average cows on farm for the period	1,350			1,197				
Number of days in period	365			365				
Breakeven milk price	\$ 14.76	\$ 14.27		\$ 19.69	\$ 18.59			
Breakeven milk production per cow per day	71	73		65	69			
	PER DEL. CWT	PER ECM CWT	PER COW	PER DEL. CWT	PER ECM CWT	PER COW		
REVENUE FROM OPERATIONS:	PRODUCED	PRODUCED	PER DAY	PRODUCED	PRODUCED	PER DAY		
Milk	\$ 5,545,000	\$ 16.47	\$ 15.94	\$ 11.25	\$ 7,789,938	\$ 24.91	\$ 23.54	\$ 17.83
Livestock revenue	118,100	0.35	0.34	0.24	120,180	0.38	0.36	0.28
Cull cow revenue	216,000	0.64	0.62	0.44	295,160	0.94	0.89	0.68
Other income	138,800	0.41	0.40	0.28	223,217	0.71	0.67	0.51
TOTAL REVENUE FROM OPERATIONS	6,017,900	17.87	17.30	12.21	8,428,495	26.94	25.46	19.30
OPERATING COSTS AND EXPENSES:								
Animal health	205,300	0.61	0.59	0.42	123,172	0.39	0.37	0.28
Bedding	42,800	0.13	0.12	0.09	76,882	0.25	0.23	0.18
Breeding	17,300	0.05	0.05	0.04	36,057	0.12	0.11	0.08
Cull cow expense	665,100	1.98	1.91	1.35	710,008	2.27	2.15	1.63
Custom hire - waste removal	136,600	0.41	0.39	0.28	65,302	0.21	0.20	0.15
Depreciation	403,000	1.20	1.16	0.82	347,225	1.11	1.05	0.79
Feed	2,584,800	7.68	7.43	5.25	3,290,640	10.52	9.94	7.53
Fuel	57,800	0.17	0.17	0.12	120,143	0.38	0.36	0.27
Hauling - milk	109,200	0.32	0.31	0.22	313,923	1.00	0.95	0.72
Insurance	37,300	0.11	0.11	0.08	63,736	0.20	0.19	0.15
Interest	264,200	0.78	0.76	0.54	190,660	0.61	0.58	0.44
Labor, benefits and taxes	544,200	1.62	1.56	1.10	619,891	1.98	1.87	1.42
Lease and rent	-	-	-	-	91,043	0.29	0.28	0.21
Marketing and promotion	50,500	0.15	0.15	0.10	68,356	0.22	0.21	0.16
Miscellaneous	11,300	0.03	0.03	0.02	14,824	0.05	0.04	0.03
Professional fees and DHIA	27,300	0.08	0.08	0.06	42,973	0.14	0.13	0.10
Repairs and maintenance	109,000	0.32	0.31	0.22	263,019	0.84	0.79	0.60
Supplies	53,800	0.16	0.15	0.11	186,891	0.60	0.56	0.43
Taxes	200	-	-	-	40,086	0.13	0.12	0.09
Utilities	122,000	0.36	0.35	0.25	127,317	0.41	0.38	0.29
TOTAL OPERATING COSTS AND EXPENSES	5,441,700	16.16	15.63	11.07	6,792,148	21.72	20.51	15.55
INCOME (LOSS) FROM OPERATIONS	\$ 576,200	\$ 1.71	\$ 1.67	\$ 1.14	\$ 1,636,347	\$ 5.22	\$ 4.95	\$ 3.75

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