

2016 ANNUAL REPORT



Putting your equity to work

We believe in our owners' culture. And we strive to live by it every day.

LETTER FROM BILL SCHUSTER, CHAIRMAN AND CHRIS VINCENT, PRESIDENT & CEO



The fundamental philosophy of a cooperative is farmers sharing a basic belief that, by joining together, they can accomplish things they cannot do individually. That belief is why you own this cooperative and why you want it to be successful. That's why every decision and every investment we make is focused on what's best for the farmers who own this company.

Putting your equity to work is not just about building grain facilities, buying spray planes and service vehicles, or developing new agronomy products. It's about a way of doing business that is integrally connected and unwaveringly focused on capturing value for what you produce and the work you do every day.

At The Aurora Cooperative, there is no distance between the business and the farmers who own it. If you don't succeed, we don't succeed. If you don't exist, we don't matter.

There is also no distance between the different enterprises within The Aurora Cooperative. Energy, grain, agronomy and animal nutrition all work across divisional lines to ensure alignment of purpose and seamless service to the farmers who depend on their cooperative.

We believe in you—our owners. We believe in what you do. And we value your contribution and commitment to agriculture and your communities.

We also believe in our people. We trust them to do the right thing. To be self-directed and customer-focused. To not just meet your expectations, but exceed them.

Fostering a culture in which our people don't just understand what we're here to do for you. They absolutely believe it—and live it every day.

Our sole purpose is to create the best profit opportunities for your farm, your cooperative and your future. And in doing that, we will continue to be the best partner—and the best cooperative—you can choose.



Bill Schuster
Bill Schuster
CHAIRMAN



Chris Vincent
Chris Vincent
PRESIDENT & CEO

YOUR LEADERSHIP



When it comes to your success, local matters.

There is nothing more “local” than farming. Because no other farm is quite like yours. Every decision you make and every input you purchase has a distinct and unique impact on your success.

It’s why we invest your equity in Real Farm Research. Because you can’t have 100% confidence in hybrids and varieties based on averages or on trials conducted a hundred miles away.

It’s why we test every product in our Ready 2 Grow (R2G) portfolio at least three years to make sure it performs consistently right here under local conditions before we release it. And some don’t make the cut. We’d rather know that in our trials than have you find out in your fields.

It’s why we stay on top of changes in the nutritional value of distillers grains from local ethanol plants to make sure your rations consistently deliver what your animals require.

And it’s why we continue to invest in people who believe in their hearts that there is simply no better way to make a living than farming. Local people dedicated to the success of our farmer-owners and to the communities in which they live.



“The research The Aurora Cooperative does is about local results. It’s research tuned into our area and our needs.”

Jim Kreutz | Giltner, Nebraska

YOUR FARM





Not just growing a crop. This is about growing confidence.

COMMITTED TO YOUR COMMUNITIES

The Aurora Cooperative believes in the value of rural communities—and we do our part to be a good neighbor and a strong supporter of the hometowns we serve.

In 2016 alone, we made **177** contributions to a total of **40** communities throughout Nebraska, Colorado, Texas and South Dakota.

From donations to non-profit organizations to ads in the local school athletic programs and community newspapers to financial support for youth and community initiatives, The Aurora Cooperative is a good neighbor in the communities we serve.

“It all comes down to trust. If I can trust a company, they’re going to get my business. That’s what I really appreciate about The Aurora Cooperative.”

Jay Reiners | Juniata, Nebraska

There are a lot of moving parts to any agricultural operation. Every day, there are dozens of decisions to be made—and every decision matters.

You are always in the driver’s seat in terms of making the choices for your operation. That’s the way it should be. Our role is to provide you with the best research, products, inputs and information to help you make the best decisions for your farm—with confidence.

Through Data Advantage, you can transform multiple layers of information into decisions that deliver on the promise of precision agriculture.

With our “genetics first” focus, you can choose from a diverse portfolio of hybrids, varieties and traits that are best matched to your fields and management.

We don’t shy away from our responsibility to you. We’re there throughout the season—from seed selection to harvest. You’ll find us riding in the combine watching the yield monitor with you. We want to see the year-end “report card” as much as you do.

When something doesn’t work, we take responsibility. And when something we’ve recommended succeeds, we feel the same sense of pride that you do. But the fact remains that in good times and tough times, we need to work together. To collaborate, cooperate and innovate.

You value your independence. But being independent does not mean you are alone. The Aurora Cooperative is by your side. We take your success personally—and we’re out to prove it every day.



YOUR FARM



Battling every day on your behalf.

Hitting home runs is a thrill, and it does happen. But more often, it's "small ball" that wins the game in agriculture. Managing small increments makes a huge difference in the end.

It's the way you run your farm. It's the way we manage your cooperative.

When we purchase the resources you need, we negotiate aggressively on your behalf. We treat every transaction with our suppliers as an opportunity to increase value for our owners.

Consider how fuel and energy are integral to everything you do and everything we do for you—from our

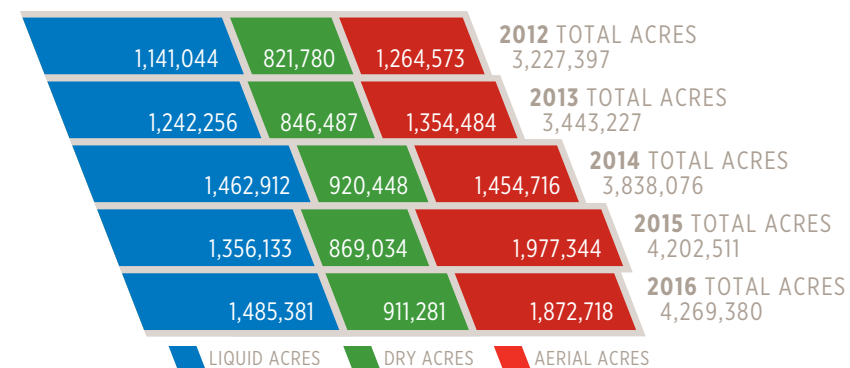
fleet of aerial applicators to on-farm delivery of fuel and lubricants to the trucks and equipment that all of us use to get the job done. Battling for an extra couple of cents on price can make a huge impact on your bottom line.

The dollars generated by your cooperative—and the dollars saved—are reinvested in ways that continually come back to benefit your farm today and tomorrow.

We bring that fighter's mentality to every investment we make on your behalf. It's your company. It's your money.

We never forget that.

Application Acres



"Aurora Cooperative is very dedicated to what they do. They're knowledgeable about their products and services – and they're not afraid to put in the extra hours when we are, too."

Jason Frink | Hastings, Nebraska

MAKING YOUR EQUITY WORK EVEN HARDER

Reinvesting owner equity is all about making sure you have the people, equipment, technology, facilities and competitive pricing you need to be productive and profitable. Here are just a few of the ways in which The Aurora Cooperative put your equity to work in 2016:

- Added a new fuel truck in Bertrand, NE
- Purchased the business and expertise of Agronomy Supply Company in Neligh, NE
- Handled 101 million bushels of your grain during fiscal year 2016
- Purchased a new feed delivery truck at the Grand Island, NE feed mill
- Hired four key employees and added agronomy services in Republic, KS
- Added new shop hoists at the service centers in Hardy, NE and Upland, NE
- Upgraded the pickup fleet for animal nutrition staff
- Added two mechanics at the Aurora, NE service center
- Added a dry fertilizer facility in Traer, IA
- Updated pellet mill quills and feed mill equipment in Grand Island, NE
- Implemented the Michelin tire program, saving thousands of dollars on tires for the fleet
- Took in 49 million bushels during the fall 2016 harvest



Connecting vision with reality.

YOUR AURORA COOPERATIVE

80 Locations in 7 States:

- Colorado (4)
- Iowa (1)
- Kansas (2)
- Nebraska (56)
- Maryland (1)
- South Dakota (1)
- Texas (15)

“Aurora Cooperative has been able to **leverage its financial stability** and combine it with forward thinking – so they can offer **solutions** that make our farm the best it can be.”

Zach Hunnicutt | Giltner, Nebraska

You hear a lot of companies talk about their “vision.” And, yes, it is important for your cooperative to always look forward.

While you’re focused on what happens every day on your farm, it’s our responsibility to also be looking well beyond the end of the row.

But what really matters to you is the here and now. What are you going to plant? How are you going to manage that crop? Who will you rely on for the advice, expertise and research you need to make informed decisions about your operation?

At The Aurora Cooperative, vision is about being prepared for “what’s next.” But it’s also about putting your equity to work to address your daily reality. Aligning today with tomorrow is a unique strength of The Aurora Cooperative.

Reality is how long you have to wait in line to deliver your grain. Vision is anticipating increased yields and having the facilities in place to handle them efficiently during harvest.

Reality is watching weeds develop resistance to traditional herbicides. Vision is creating the Liberty Link system to help you stay ahead of the game.

Reality is trying to make a profit in an environment of falling commodity prices. Vision is having the expertise, grain delivery systems, and relationships in place to provide you with a diverse portfolio of marketing options.

Reality is being subjected to the impact of weather, markets and global trade issues. Vision is implementing vertically integrated systems and value-added partnerships that bring greater predictability and control over your future.

Striking the balance between what you need today—and being ready to deliver what you’ll need tomorrow. That’s how The Aurora Cooperative puts its owners’ equity to work every day, all year long.

And it’s how we make certain that we’re not only prepared for your future—we’re helping shape it.



YOUR FUTURE



2016 FINANCIAL REPORTS

YOUR COOPERATIVE



As you review this financial information, pay particular attention to the **growth of equity and working capital available**. This cash is critical to our ability to seize opportunity and invest in the facilities, people and processes that position The Aurora Cooperative for sustained success and growth.

This is your equity at work for you—building the infrastructure, the systems and the human resources you need to make the most of every opportunity, today and in the decades to come.

Consolidated Balance Sheets

As of August 31, 2016 and 2015

ASSETS	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	\$414,154	\$2,192,179
Accounts, notes, and other receivables — net	143,658,050	117,033,444
Advances on inventory	6,986,970	16,985,139
Inventories:		
Grain	19,371,481	28,034,803
Merchandise	195,414,377	156,056,654
Deferred income taxes	150,519	142,369
Prepaid expenses and other current assets	18,118,763	14,549,834
Total current assets	384,114,314	334,994,422
INVESTMENTS:		
Investments in other cooperatives	35,679,732	24,022,741
Other investments	3,488,009	14,545,330
Total investments	39,167,741	38,568,071
PROPERTY AND EQUIPMENT:		
Land	9,405,216	5,999,256
Buildings, equipment, and vehicles	198,523,226	168,767,699
Construction in progress	2,111,385	—
Total property and equipment	210,039,827	174,766,955
Accumulated depreciation	(70,698,032)	(65,651,051)
Net property and equipment	139,341,795	109,115,904
OTHER ASSETS:		
Notes receivable	8,864,305	3,415,379
Prepaid expenses	652,130	898,050
Goodwill and intangible assets	21,313,802	23,814,156
Total other assets	30,830,237	28,127,585
TOTAL	\$593,454,087	\$510,805,982

The Consolidated Balance Sheets and Consolidated Statement of Operations and Comprehensive Income included here were derived from the consolidated financial statements audited by Deloitte & Touche LLP upon which there was an unqualified opinion.

LIABILITIES AND MEMBERS' EQUITY	2016	2015
CURRENT LIABILITIES:		
Outstanding check liability	\$4,437,488	\$ —
Notes payable:		
Line of credit	102,901,141	94,725,925
Current portion of term debt	11,402,347	12,024,627
Accounts and other payables	158,743,529	130,069,386
Accrued expenses	7,368,953	9,241,769
Cash patronage refunds	1,020,000	—
Total current liabilities	285,873,458	246,061,707
LONG-TERM LIABILITIES:		
Notes payable	111,690,124	82,673,481
Other long-term liability	2,034,176	2,630,728
Deferred income tax liability	4,116,428	3,790,914
Total long-term liabilities	117,840,728	89,095,123
Total liabilities	403,714,186	335,156,830
COMMITMENTS AND CONTINGENCIES		
MEMBERS' EQUITY:		
Capital stock	71,300	70,550
Members' equity credits	48,752,089	48,083,929
Retained earnings	142,291,718	128,763,245
Accumulated other comprehensive income (loss)	(1,375,206)	(1,268,572)
Total members' equity	189,739,901	175,649,152
TOTAL	\$593,454,087	\$510,805,982

Consolidated Statements of Operations and Comprehensive Income

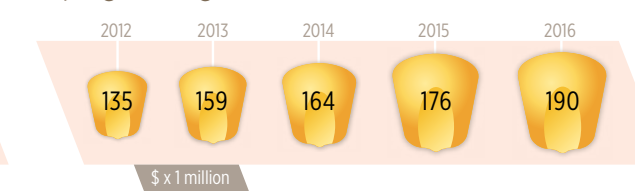
For the years ended August 31, 2016 and 2015

	2016	2015
SALES:		
Grain marketed	\$ 460,264,474	\$331,234,374
Merchandise sales	462,676,121	472,822,653
Other operating revenue	43,205,728	41,029,490
Total sales	966,146,323	845,086,517
COST OF GOODS SOLD	(820,199,928)	(704,513,901)
GENERAL AND ADMINISTRATIVE EXPENSES	(123,133,129)	(120,844,607)
OPERATING INCOME	22,813,266	19,728,009
OTHER INCOME (EXPENSE):		
Interest income and finance charges	1,869,002	1,529,503
Interest expense	(12,522,330)	(11,947,200)
Investment income and other	5,085,058	5,143,877
Total other income (expense) — net	(5,568,270)	(5,273,820)
INCOME BEFORE INCOME TAXES	17,244,996	14,454,189
INCOME TAX EXPENSE	392,335	507,249
NET INCOME	\$16,852,661	\$13,946,940
DISTRIBUTION OF NET INCOME:		
Cash patronage	1,020,000	—
Members' equity credits	2,380,000	—
Total patronage refunds	3,400,000	—
Retained earnings	\$13,452,661	\$13,946,940
NET INCOME	\$16,852,661	\$13,946,940
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized loss on interest rate swaps	(106,634)	(665,545)
Other comprehensive loss	(106,634)	(665,545)
COMPREHENSIVE INCOME	\$16,746,027	\$13,281,395

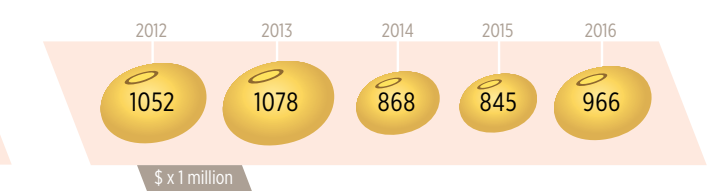
10-Year Patronage Distribution & Redemption = \$53 Million



Equity History



Total Sales





Your Farm. Your Cooperative. Your Future.

YOUR FUTURE



“We see Aurora Cooperative as a partner as we move forward into the future. They are going to be a vital part of our success.”

Kelsey & Zach Herz | Lawrence, Nebraska

BOARD OF DIRECTORS



Bill Schuster



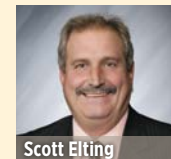
Evan Brandes



Paul McHargue



Craig Grams



Scott Elting



John Willoughby



Paul Mumm



Robin Bochart



Danny Janzen



Ryan Sands



Ken Kozisek



Brad Kroeger



Tobe Duensing



Dean Schwenka

Bill Schuster
Chairman, 1985

Bill and his son Scott produce yellow corn, white corn, seed corn and soybeans on their irrigated farm. Bill started the farming operation in 1970 and has expanded it to include custom farm work along with a trucking business and cow-calf herd.

Evan Brandes
Vice Chairman, 2003

Evan joined the family farm and corporation in 1975, raising corn, soybeans and seed corn. Their farm business also maintains a cow-calf operation and custom harvesting business.

Paul McHargue
Secretary/Treasurer, 2011

Paul and his brother operate a family farm of corn and popcorn which they started in 1988. The farm also has a farrow-to-finish hog operation.

Craig Grams
Audit Committee Chairman, 2009

Craig started his irrigated farming operation in 1983, where they raise corn, soybeans and white corn. He also has almost 30 years as a member of the Upland Fire Department and has been an EMT for 18 years.

Scott Elting
Director, 2006

Scott and his son operate Sugar Tree Farms, where they raise yellow and white corn, soybeans, wheat and alfalfa. They also have a replacement heifer development and cattle grower operation.

John Willoughby
Director, 2007

John started his career as a crop consultant and worked as an ag lender for over a decade before he began farming in 1992. His irrigated farm grows corn, soybeans and seed corn.

Paul Mumm
Nominating Committee Chairman, 2009

Paul began farming in 1982, and recently his son has joined the family business. His irrigated farm produces corn, soybeans and alfalfa—as well as a cow-calf operation and custom farming/haying operation.

Robin Bochart
Governance Committee Chairman, 2004

Robin and his brother have owned and operated their farm since 1977. Their irrigated farm produces corn, soybeans and alfalfa along with a 400-head cattle operation.

Danny Janzen
Director, 2004

Danny started farming in 1981, with his son Evan joining the family farm a few years ago. On their irrigated farm they raise corn, soybeans and specialty corn.

Ryan Sands
Director, 2014

Ryan started farming in 2002, where he joined the family farming corporation. On their irrigated farm they raise seed corn, soybeans and yellow corn.

Ken Kozisek
Director, 2014

Ken has operated his irrigated farm since 1992, raising corn, soybeans and rye. His farm also feeds and finishes cattle along with custom feeding and background weaning.

Brad Kroeger
Director, 2014

Brad has raised corn, soybeans and alfalfa on his irrigated farm since 1992. He also runs a cow-calf operation on his farm.

Tobe Duensing
Director, 2014

Tobe started his irrigated farming operation in 1979 where he raises corn, soybeans, and wheat. Tobe also raises cattle and has a custom feeding operation, along with custom harvesting and trucking enterprises.

Dean Schwenka
Director, 2015

Dean and his wife Mary Jo, together with their son Colin, raise seed corn, white corn and commercial corn on their irrigated farm along with a cattle operation. In addition, Dean works for regional banks doing collateral appraisals throughout the Midwest.

ESTABLISHED IN 1908

The Aurora Cooperative

is your resource for better information, better products and services and better decision making all year long. With the Aurora Cooperative, you have a trusted partner who looks well beyond the horizon. We're putting our owners' equity to work—every day. By anticipating what you'll need tomorrow and creating what's next for your farm. A portfolio of innovation that supports every aspect of your operation. And an unwavering commitment to your success—however you measure it. As a farmer-owner of The Aurora Cooperative, you can rest assured that every investment we make is focused on **your farm, your cooperative, your future.**

OUR OWNERS BELIEVE IN...



Aurora Cooperative

2225 Q Street • Aurora, NE 68818

Phone: 402.694.2106 • Toll-Free: 800.642.6795 • Fax: 402.694.6943

AuroraCoop.com • [Facebook.com/AuroraCooperative](https://www.facebook.com/AuroraCooperative)