



**J.G. Boswell Company**  
Consolidated Financial Statements  
and Supplementary Information<sup>©</sup>

Years Ended June 30, 2022 and 2021  
With Report of Independent Certified Public Accountants

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Years Ended June 30, 2022 and 2021

**Contents**

Report of Independent Certified Public Accountants .....	1
Consolidated Financial Statements	
Consolidated Balance Sheets .....	4
Consolidated Statements of Income.....	6
Consolidated Statements of Comprehensive Income .....	7
Consolidated Statements of Stockholders' Equity.....	8
Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements.....	11
Supplementary Information	
Consolidated Schedules – Non-US GAAP Presentation .....	37

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors and Shareholders  
J.G. Boswell Company

**Opinion**

We have audited the consolidated financial statements of J.G. Boswell Company (a California corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a 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 the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

**Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidated Schedules – Non-US GAAP Presentation for the years ended June 30, 2022 and 2021 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Grant Thornton LLP*

Los Angeles, California  
October 12, 2022

J.G. Boswell Company  
Consolidated Balance Sheets

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands, Except Share Information)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 16,261	\$ 137,941
Short-term investments	64,459	–
Trade receivables, net	81,912	39,925
Inventories	118,287	141,972
Growing crops	146,689	109,073
Prepaid expenses and other	17,593	10,751
Total current assets	445,201	439,662
Other assets and investments:		
Right-of-use assets – operating leases	1,526	2,244
Other assets	9,333	3,689
Total other assets and investments	10,859	5,933
Property, plant and equipment, at cost:		
Buildings and improvements	219,216	219,277
Machinery and equipment	457,069	457,864
Orchards	205,556	176,722
Less accumulated depreciation and amortization	(528,197)	(519,082)
	353,644	334,781
Land and related water investments	106,048	106,049
Net property, plant and equipment	459,692	440,830
Total assets	\$ 915,752	\$ 886,425

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands, Except Share Information)</i>	
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable trade	\$ 44,809	\$ 47,600
Accrued liabilities	42,457	104,057
Total current liabilities	<u>87,266</u>	151,657
Noncurrent liabilities:		
Accrued employee benefits and other	26,186	49,700
Lease liabilities – operating leases	1,012	1,516
Deferred tax liability – net	17,553	12,654
Total noncurrent liabilities	<u>44,751</u>	63,870
Commitments and contingencies		
Stockholders' equity:		
Common stock, without par value:		
Authorized shares – 2,500,000		
Issued and outstanding shares – 977,778 (979,091 in 2021)	89,168	52,454
Retained earnings	701,373	641,775
Accumulated other comprehensive loss	(6,806)	(23,331)
Total stockholders' equity	<u>783,735</u>	670,898
Total liabilities and stockholders' equity	<u>\$ 915,752</u>	<u>\$ 886,425</u>

*See accompanying notes.*

# J.G. Boswell Company

## Consolidated Statements of Income

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands, Except Share Information)</i>	
Sales	\$ 475,585	\$ 353,539
Cost of sales	353,421	347,040
General and administrative	40,296	34,278
Operating income (loss)	<u>81,868</u>	<u>(27,779)</u>
Other income (expense):		
Net interest expense	(988)	(1,588)
Net gain on sale of assets	1,521	2,009
Other	(749)	227
Income (loss) from continuing operations before taxes	81,652	(27,131)
Income tax (expense) benefit from continuing operations	(15,394)	5,294
Net income (loss) from continuing operations	<u>66,258</u>	<u>(21,837)</u>
Discontinued operations:		
Loss from discontinued operations, net of tax	–	(2,613)
Gain on sale of Auscott, net of tax	16,983	122,114
Discontinued operations, net of tax	<u>16,983</u>	<u>119,501</u>
Net income	<u>\$ 83,241</u>	<u>\$ 97,664</u>
Basic earnings (loss) per share from continuing operations	\$ 67.70	\$ (22.00)
Basic earnings per share from discontinued operations	17.35	120.41
Basic earnings per share	<u>\$ 85.05</u>	<u>\$ 98.41</u>
Diluted earnings (loss) per share from continuing operations	\$ 66.97	\$ (22.00)
Diluted earnings per share from discontinued operations	17.16	119.09
Diluted earnings per share	<u>\$ 84.13</u>	<u>\$ 97.09</u>
Weighted-average shares outstanding – basic	978,630	992,481
Weighted-average shares outstanding – diluted	989,410	1,003,475

*See accompanying notes.*

J.G. Boswell Company

Consolidated Statements of Comprehensive Income

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
Net income	\$ 83,241	\$ 97,664
Other comprehensive income, net of tax:		
Foreign currency translation gain	–	14,380
Foreign currency translation gain realized upon divestiture	–	2,500
Minimum pension and postretirement health care liability adjustment, net of \$5,919 tax expense (\$3,456 tax expense in 2021)	<b>16,525</b>	13,971
Other comprehensive income, net of tax	<b>16,525</b>	30,851
Comprehensive income	<b>\$ 99,766</b>	<b>\$ 128,515</b>

*See accompanying notes.*

# J.G. Boswell Company

## Consolidated Statements of Stockholders' Equity

	<b>Accumulated Other Comprehensive Income (Loss)</b>					<b>Treasury Stock</b>	<b>Total</b>
	<b>Common Stock</b>	<b>Retained Earnings</b>	<b>Postretirement Benefits</b>	<b>Pension and Other</b>	<b>Foreign Currency Translation Adjustment</b>		
	<i>(In Thousands, Except Share Information)</i>						
Stockholders' equity at June 30, 2020	\$ 59,634	\$ 562,588	\$ (37,302)	\$ (16,880)	\$ (6,704)	\$ 561,336	
Net income	–	97,664	–	–	–	97,664	
Other comprehensive income	–	–	13,971	16,880	–	30,851	
Dividends paid (\$14.00 per share)	–	(13,769)	–	–	–	(13,769)	
Retirement of 7,625 shares of common stock	(476)	(4,708)	–	–	–	(5,184)	
Retirement of 11,761 shares of treasury stock	(6,704)	–	–	–	6,704	–	
Stockholders' equity at June 30, 2021	52,454	641,775	(23,331)	–	–	670,898	
Net income	–	<b>83,241</b>	–	–	–	<b>83,241</b>	
Other comprehensive income	–	–	<b>16,525</b>	–	–	<b>16,525</b>	
Dividends paid (\$18.00 per share)	–	<b>(17,627)</b>	–	–	–	<b>(17,627)</b>	
Modification of 31,632 shares of common stock	<b>32,581</b>	–	–	–	–	<b>32,581</b>	
Modification of 5,824 shares of restricted common stock	<b>5,295</b>	–	–	–	–	<b>5,295</b>	
Retirement of 7,540 shares of common stock	<b>(1,162)</b>	<b>(6,016)</b>	–	–	–	<b>(7,178)</b>	
Stockholders' equity at June 30, 2022	<b>\$ 89,168</b>	<b>\$ 701,373</b>	<b>\$ (6,806)</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 783,735</b>	

*See accompanying notes.*

# J.G. Boswell Company

## Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Net income (loss) from continuing operations	\$ 66,258	\$ (21,837)
Income from discontinued operations	16,983	119,501
Net income	<u>83,241</u>	<u>97,664</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realizable value adjustment	49	5,658
Depreciation expense	30,427	33,639
Deferred income taxes	(1,021)	8,823
Stock-based compensation expense	7,243	13,485
Modification of shares of common stock	32,581	–
Modification of shares of restricted common stock	5,295	–
Gain on sale of assets	(1,521)	(2,009)
Loss on extinguishment of debt	1,139	–
Changes in operating assets and liabilities:		
Increase in trade receivables	(41,987)	(12,671)
Decrease in inventories	23,636	6,375
(Increase) decrease in growing crops	(37,617)	3,660
(Increase) decrease in prepaid expenses and other	(7,981)	11,447
(Increase) decrease in other assets	(4,926)	873
(Decrease) increase accounts payable and accrued liabilities	(55,030)	12,706
(Decrease) increase in accrued employee benefits and other noncurrent liabilities	(1,573)	8,359
Net cash provided by operating activities – continuing operations	<u>14,972</u>	68,508
Net cash used in operating activities – discontinued operations	–	(44,619)
Net cash provided by operating activities	<u>14,972</u>	<u>23,889</u>

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	<b>4,148</b>	5,498
Purchase of property, plant and equipment	<b>(51,915)</b>	(40,768)
Increase in short-term investments	<b>(64,459)</b>	–
Increase in other	–	(918)
Net cash used in investing activities – continuing operations	<b>(112,226)</b>	(36,188)
Net cash provided by investing activities – discontinued operations	–	297,514
Net cash (used in) provided by investing activities	<b>(112,226)</b>	261,326
<b>Financing activities</b>		
Repayment of notes payable	–	(130,757)
Dividends paid	<b>(17,627)</b>	(13,769)
Redemption of restricted stock units	<b>(1,719)</b>	(1,334)
Exercise of stock options	<b>2,098</b>	1,338
Repurchase of common stock	<b>(7,178)</b>	(5,184)
Purchase of treasury shares issued to Rabbi Trust	–	(6,704)
Net cash used in financing activities – continuing operations	<b>(24,426)</b>	(156,410)
Net cash used in financing activities – discontinued operations	–	–
Net cash used in financing activities	<b>(24,426)</b>	(156,410)
Effect of exchange rate changes on cash and cash equivalents	–	7,479
Net (decrease) increase in cash and cash equivalents	<b>(121,680)</b>	136,284
Cash and cash equivalents at beginning of year	<b>137,941</b>	1,657
Cash and cash equivalents at end of year	<b>16,261</b>	137,941
Less cash and equivalents of discontinued operations, end of year	–	–
Cash and cash equivalents at end of year	<b>\$ 16,261</b>	<b>\$ 137,941</b>

*See accompanying notes.*

# J.G. Boswell Company

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### **1. Lines of Business**

J.G. Boswell Company's (the Company) principal business is the production, processing and marketing of agricultural commodities, primarily cotton, cotton seed products, tomatoes, small grains and orchards. Domestic agricultural operations are in California. The Company owns full or fractional subsurface oil, gas and mineral interests in the land it owns, and land owned by others in both California and Oregon. The Company's wholly owned Australian subsidiary (Auscott), which was sold during the year ended June 30, 2021, operated in the agricultural sector and was primarily involved in the growing, processing, marketing, shipping and warehousing of cotton and grains, in the state of New South Wales.

### **2. Summary of Significant Accounting Policies**

#### **Recently Adopted Accounting Pronouncements**

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. The ASU is effective for annual periods beginning after December 15, 2020. Early adoption is permitted, and the Company adopted ASU 2018-14 during the year ended June 30, 2021. Adoption of the new standard did not have a material impact on the consolidated financial statements.

#### **Discontinued Operations**

A disposal group is classified as a discontinued operation when the following criteria are met: (1) the disposal group is a component of an entity; (2) the component of the entity meets the held-for-sale criteria in accordance with the policy described above and (3) the component of the entity represents a strategic shift in the entity's operating and financial results. Alternatively, if a business meets the criteria for held for sale on the acquisition date, the business is accounted for as a discontinued operation.

The results of Auscott operations have been presented as Discontinued Operations in accordance with Accounting Standards Codification (ASC) 205-20.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Pandemic**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this filing, the Company remains fully operational with employees working on location. The Company cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may continue to impact the consolidated financial position, consolidated results of operations and consolidated cash flows.

##### **Basis of Consolidation**

The Company's consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

##### **Accounts Receivable**

Receivables are stated at the carrying values, net of a reserve for doubtful accounts. The Company records specific provisions for the individual accounts when the Company becomes aware of a customer's inability to meet its financial obligations. The provision for doubtful accounts was zero and \$14,000 for the years ended June 30, 2022 and 2021, respectively.

##### **Foreign Currency Translation**

Results of operations for Auscott were translated from Australian dollars into U.S. dollars at the average exchange rates of \$0.7457 for the year ended June 30, 2021.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Inventories and Growing Crops**

Agricultural products and growing crops are stated at the lower of cost or market and net realizable value (LCNRV) with cost, determined by the first-in, first-out (FIFO) method.

The carrying value of inventory is assessed based on a lower of cost or market analysis. The LCNRV of \$49,000 and \$5,658,000 was recorded to cost of sales for the years ended June 30, 2022 and 2021, respectively.

The Company records an inventory reserve for the anticipated loss associated with tomato paste spoilage. This reserve is based on management's current knowledge with respect to inventory levels, sales trends and historical experience. The inventory reserve was \$967,000 and \$1,100,000 for the years ended June 30, 2022 and 2021, respectively.

##### **Commodities Futures and Forward Exchange Contracts**

During the year ended June 30, 2021, Auscott entered into forward exchange contracts and related options to hedge revenues, which are received in U.S. dollars and converted to Australian dollars. When title of the hedged commodity passed to the customer and the sale was recognized, the gain or loss from the financial instruments used to hedge the transaction was also recorded in sales. Any additional gains and losses from hedging financial instruments were recorded on an accrual basis in discontinued operations in the accompanying consolidated statements of income.

In the normal course of business, management estimated future production and employed the Company's risk management strategy in hedging the variability of the price and exchange rate of that production. The Company's policy restricted the extent to which hedging was completed during the planning, growing and processing of commodities. The policy does not permit hedging more than estimated production under any circumstance. If production estimates changed to a level below the hedged volume, the excess hedge position was removed.

# J.G. Boswell Company

## Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Prevented Planting Insurance Recoveries

The Company may file Prevented Planting claims on certain crops when those crops are prevented from being planted due to adverse weather conditions. Insurance recoveries from such claims are recorded to revenue in the period in which the proceeds are received. The Company received recoveries net of insurance premiums related to the 2021 Pima crop of \$25,344,000 for the year ended June 30, 2022 and none for the year ended June 30, 2021.

#### Property, Plant and Equipment

Property, plant and equipment are carried at cost and depreciated primarily on the double-declining balance method over the following estimated useful lives: buildings and improvements, 3–40 years, and machinery and equipment, 3–25 years. Building leasehold improvements are amortized over the related term of the lease.

Costs of planting and developing orchards are capitalized until the orchards become commercially productive. At such time, the Company ceases the capitalization of costs and commences depreciation. Subsequent orchard maintenance costs are accounted for as production costs.

The table below summarizes capital expenditures from both continuing operations and discontinued operations for the years ended June 30.

	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
<u>Continuing operations</u>		
Segment capital expenditures	\$ 50,156	\$ 40,142
Corporate capital expenditures	761	626
Total capital expenditures – continuing operations	<u>\$ 50,917</u>	<u>\$ 40,768</u>
<u>Discontinued operations</u>		
Segment capital expenditures	\$ –	\$ 999
Corporate capital expenditures	–	49
Total capital expenditures – discontinued operations	<u>\$ –</u>	<u>\$ 1,048</u>

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Earnings per Share**

Basic earnings per share information is based upon the weighted-average number of shares of common stock outstanding during each year. Diluted earnings per share is based on the weighted-average number of shares of common stock outstanding plus incentive stock option equivalents of 10,780 and 10,994 for the years ended June 30, 2022 and 2021, respectively. Diluted shares outstanding include the dilutive effect of incentive stock option equivalents.

##### **Fair Value of Financial Instruments**

The carrying amounts reported in the consolidated balance sheets for the Company's current financial instruments approximate fair value due to the short-term nature of these instruments.

##### **Treasury Stock**

The Company records treasury stock at cost under the constructive retirement method. Shares repurchased by the Company are retired during the same fiscal year. In 2018, the Company purchased 11,761 shares and placed those shares into a Rabbi Trust for purposes of funding its non-qualified deferred compensation plan. In accordance with ASC 710, *Compensation*, employer stock held in the Rabbi Trust is included as Treasury Stock and is a reduction from equity in the stockholders' equity section of the consolidated balance sheets. During the year ended June 30, 2021, the Company exchanged cash for the fair value of the Company's shares held by the Rabbi Trust and concurrently retired the 11,761 shares. The amount paid for treasury stock was \$8,703,000.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Statements of Cash Flows**

Cash and cash equivalents include cash on hand and in banks, and short-term highly liquid investments with original maturities of 90 days or less. The Company places its cash with major financial institutions. At June 30, 2022, and throughout the year then ended, the Company had deposits in excess of federally insured limits. Management does not believe that this exposes the Company to unreasonable risks given the nature of the financial institutions utilized. The Company paid interest of \$194,000 and income taxes of \$30,200,000 on continuing operations for the year ended June 30, 2022. The Company paid interest of \$5,411,000 and received income tax refunds, net of income taxes paid, of \$12,106,000 on continuing operations for the year ended June 30, 2021. There was no capitalized interest and \$4,357,000 of capitalized interest on continuing operations for the years ended June 30, 2022 and 2021, respectively. The Company paid interest of \$1,018,000 and income taxes of \$10,211,000 on discontinued operations for the year ended June 30, 2021.

##### **Short-term Investments**

The Company's short-term investments were \$64,459,000 and \$0 as of June 30, 2022 and 2021, respectively. The investments are classified as trading securities and are invested in equity securities. Trading securities are reported at fair value with the realized and unrealized gains or losses resulting from changes in fair value recognized in other income (expense) in the accompanying consolidated statements of income. The investments are categorized as Level 1 assets in the fair value hierarchy (see Note 7).

##### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### 3. Discontinued Operations

On June 1, 2021, the Company completed the sale of its wholly-owned subsidiary, Auscott, to an unrelated third party. The transaction included cash proceeds of approximately \$294,504,000, net of \$3,010,000 of transaction expenses. The agreement also contains customary representations, warranties, and indemnification obligations. As a result, the Company recorded a pretax gain of \$161,691,000, which is included in discontinued operations in the accompanying consolidated statements of income. The \$2,500,000 of foreign currency related losses recorded in discontinued operations that were previously included in accumulated other comprehensive income on the consolidated balance sheet were settled as part of the transaction.

The Company realized a tax benefit of \$16,983,000 as a result of this transaction during the year ended June 30, 2022.

The results of operations of Auscott for the year ended June 30, 2022 and 2021 that are reflected in the accompanying statements of income as discontinued operations consist of the following:

	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
Sales	\$ —	\$ 35,453
Cost of sales	—	28,354
General and administrative	—	4,730
Operating income	—	2,369
Interest expense	—	(1,112)
Net loss on hedging activities	—	(5,611)
Other gains	—	28
Loss from discontinued operations before income tax	—	(4,326)
Income tax benefit	—	1,713
Gain (loss) from discontinued operations, net of tax	—	(2,613)
Gain on sale of Auscott, net of tax	<b>16,983</b>	122,114
Net income from discontinued operations	<b>\$ 16,983</b>	<b>\$ 119,501</b>

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### 4. Revenue Recognition

The Company accounts for its revenues in accordance with ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606). Under this ASU, companies must apply a five step model to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Through the identification of the Company's chief operating decision maker and an analysis of the management approach as prescribed by ASC 280 – *Segment Reporting*, the Company operates in one reportable operating segment, which generates revenues from agricultural products and agricultural processing services. Agricultural products primarily include revenues generated from the sale of cotton, cotton seed, tomatoes, small grains and orchard products. Agricultural processing services includes revenues generated from services rendered to third parties for cotton ginning and oil milling services whereby these products are converted into sellable raw cotton and cottonseed oil.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Revenues for agricultural products are recognized when the risks and rewards of ownership have substantively transferred to customers. This condition normally is met when the product has been delivered. Amounts related to shipping and handling billed to customers in a sales transaction are recorded as sales and related costs are recorded within cost of sales.

Revenues for agricultural processing services are generated via processing that is short-term in nature. The Company recognizes revenues for such services in a manner which depicts the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**4. Revenue Recognition (continued)**

Performance Obligations – Revenues are recognized when control of the promised goods is transferred to the customer or delivery of services is rendered, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Each shipment represents a separate performance obligation. The Company’s selling price is directly observable as it is the price at which the Company sells its products separately to the customer. The Company recognizes revenue based on the point in time criteria based on the definition of control, which is generally upon shipment terms for products or as services are delivered.

Revenues from continuing operations are generated in the United States of America. Revenues from discontinued operations are generated in Australia. Weather and water resources are critical factors in production and differ in the two locations. There are different price and market factor influences on Pima cotton from California and Upland cotton in Australia. The customer base of the two locations is similar. One customer comprised greater than 10% of revenues for the years ended June 30, 2022 and 2021.

Disaggregated Revenue – The Company disaggregates revenue by geographic region and sales of goods or services (agricultural products or agricultural processing services). The following table provide disaggregation of revenues by geography and revenue stream for the years ended June 30:

	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
<u>Geography</u>		
United States – continuing operations	<b>\$ 475,585</b>	\$ 353,539
Australia – discontinued operations	<b>\$ –</b>	\$ 35,453
Revenue stream – continuing operations:		
Agricultural products	<b>\$ 464,310</b>	\$ 343,669
Agricultural services	<b>11,275</b>	9,870
Total sales – continuing operations	<b>\$ 475,585</b>	\$ 353,539
Revenue stream – discontinued operations:		
Agricultural products	<b>\$ –</b>	\$ 31,175
Agricultural services	<b>–</b>	4,278
Total sales – discontinued operations	<b>\$ –</b>	\$ 35,453

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**5. Notes Payable**

There were no notes payable as of June 30, 2022 and 2021, respectively.

During the year ended June 30, 2022, the Company refinanced its credit facility by replacing the secured revolving credit facility with a secured line of credit up to an aggregate principal amount of \$50,000,000 which expires in September 2023. Interest is payable at the bank's quoted cost of funds ranging from 2.11% to 2.17%. The facility permits for standby letters of credit up to \$20,000,000.

During the year ended June 30, 2021, the Company refinanced its domestic lines of credit. The lines of credit were extinguished and replaced with a \$350,000,000 secured revolving credit facility. Interest was payable at the banks' quoted cost of funds rates ranging from 2.75% to 4.75%. On June 30, 2021, the Company reduced the aggregate principal amount of the revolving credit facility to \$300,000,000. Capitalized finance costs related to the refinancing were not material. As of June 30, 2021, all outstanding indebtedness was paid.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### 6. Leases

ASC Topic 842, *Leases*, requires lessees to recognize assets and liabilities for most leases. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (i.e., an identified asset) for a period of time in exchange for consideration. The Company determines if an arrangement is a lease at contract inception. The Company's contracts that are determined to be leases include explicitly or implicitly identified assets where the Company has the right to substantially all of the economic benefits of the assets and has the ability to direct how and for what purposes the assets are used during the lease term.

The Company has leases for land, office facilities and equipment, which are classified and accounted for as operating leases. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term from one to five years or more. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option.

The Company made an accounting policy election not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of twelve months or less. Furthermore, the Company has elected not to separate the accounting for lease components and non-lease components, for all classes of leased assets. ROU assets and lease liabilities are recognized based on the present value of the fixed lease payments over the lease term at the commencement date. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by lease incentives. The Company uses its incremental borrowing rate as the discount rate to determine the present value of the lease payments for leases that do not have a readily determinable implicit discount rate. The Company's incremental borrowing rate is the rate of interest that it would have to borrow on a collateralized basis over a similar term and amount in a similar economic environment.

Operating lease cost is recognized on a straight-line basis over the lease term. The depreciable life of assets and leasehold improvements are limited by the expected lease term. Certain vendors have the right to declare the Company in default of its agreements if any such vendor, including the lessors under its vehicle leases, determines that a change in the Company's financial condition poses a substantially increased credit risk. The Company's lease agreements do not contain any significant residual value guarantees or material restrictive covenants. The Company's sublease income is immaterial to the financial statements.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**6. Leases (continued)**

The components of lease expense are as follows for the years ended June 30:

	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
<u>Continuing Operations</u>		
Operating lease cost	\$ 906	\$ 1,007
Short-term lease cost	<b>3,588</b>	2,966
Total lease cost – continuing operations	<b>\$ 4,494</b>	<b>\$ 3,973</b>
<u>Discontinued Operations</u>		
Operating lease cost	\$ –	\$ 2,024
Short-term lease cost	–	139
Variable lease cost	–	97
Total lease cost – discontinued operations	<b>\$ –</b>	<b>\$ 2,260</b>

Supplemental cash flow information related to leases is as follows for the years ended June 30:

	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
<u>Continuing Operations</u>		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows – payments on operating leases	\$ 896	\$ 987
ROU assets obtained in exchange for new lease obligations:		
Operating leases	\$ 104	\$ 41
<u>Discontinued Operations</u>		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows – payments on operating leases	\$ –	\$ 3,834

Rental expense from continuing operations was approximately \$4,494,000 and \$3,973,000 for the years ended June 30, 2022 and 2021, respectively. Rental expense from discontinued operations for the year ended June 30, 2021 was approximately \$2,260,000.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**6. Leases (continued)**

Supplemental balance sheet information related to leases is as follows at June 30:

	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
<u>Continuing Operations</u>		
Operating leases:		
Right-of-use assets – operating leases	<b>\$ 1,526</b>	\$ 2,244
Accrued liabilities	<b>\$ 547</b>	\$ 763
Operating lease liabilities	<b>1,012</b>	1,516
Total operating lease liabilities	<b>\$ 1,559</b>	\$ 2,279

	<b>2022</b>	<b>2021</b>
<u>Continuing Operations</u>		
Weighted-average remaining lease term:		
Operating leases	<b>2.86 years</b>	3.50 years
Weighted-average discount rate:		
Operating leases	<b>3.60 %</b>	3.60 %

The following represents the Company's future undiscounted cash flows of its operating leases for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the balance sheet at June 30, 2022:

	<b>2022</b>
	<i>(In Thousands)</i>
<u>Continuing Operations</u>	
2023	<b>\$ 578</b>
2024	<b>546</b>
2025	<b>354</b>
2026	<b>162</b>
2027	<b>3</b>
Thereafter	–
Total lease payments	<b>\$ 1,643</b>
Less imputed interest	<b>(84)</b>
Present value of lease liabilities	<b>\$ 1,559</b>

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### 7. Retirement Benefit Plans

The Company has a defined benefit retirement plan for all eligible employees, which is funded on a current basis as required by applicable regulations. The plan is frozen and no additional benefits accrue to participants. The Company also has retirement plans that cover certain key employees, which are funded only to meet current obligations.

In addition to the Company's defined benefit retirement plan, the Company sponsors a defined benefit health care plan that offers postretirement health care benefits to all eligible domestic employees. The plan is contributory and contains other cost-sharing features such as deductibles and coinsurance. The Company's policy is to fund the cost of benefits as they are incurred.

The principal actuarial assumptions used are as follows at June 30:

	<u>2022</u>	<u>2021</u>
<u>Retirement plans</u>		
Discount rate	<b>4.70%</b>	2.50%
Expected long-term rate of return on assets	<b>5.90%</b>	6.10%
 <u>Postretirement health care plan</u>		
Discount rate	<b>4.60%</b>	2.40%
Health care cost trend rate	<b>7.00%</b>	5.75%

The primary investment objectives of the retirement plans are to achieve optimal rates of return with prudent levels of risk and liquidity, minimize risk of loss associated with the investments, and to provide adequate liquidity for benefit payments and plan management.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**7. Retirement Benefit Plans (continued)**

The following tables set forth the status of the domestic plans for the years ended June 30:

	Retirement Plans		Postretirement Health Care Plan	
	2022	2021	2022	2021
	<i>(In Thousands)</i>			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 124,649	\$ 131,291	\$ 2,262	\$ 2,050
Service cost	1,100	1,134	39	51
Interest cost	2,926	3,490	52	52
Actuarial (gain) loss	(24,177)	(1,795)	(777)	349
Benefit payments	(8,983)	(9,471)	(93)	(240)
Benefit obligation at end of year	<b>95,515</b>	124,649	<b>1,483</b>	2,262
Change in plan assets:				
Fair value of plan assets at beginning of year	78,353	59,175	–	–
Actual return	(657)	13,517	–	–
Company contributions	2,099	15,132	93	240
Benefit payments	(8,983)	(9,471)	(93)	(240)
Fair value of plan assets at end of year	<b>70,812</b>	78,353	–	–
Funded status at end of year and amounts recognized	<b>\$ (24,703)</b>	\$ (46,296)	<b>\$ (1,483)</b>	\$ (2,262)
Amounts recognized in accumulated other comprehensive loss (income):				
Net actuarial loss (gain)	<b>\$ 10,848</b>	\$ 33,265	<b>\$ (2,270)</b>	\$ (1,643)

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**7. Retirement Benefit Plans (continued)**

Net periodic benefit costs include the following components for the years ended June 30:

	Retirement Plans		Postretirement Health Care Plan	
	2022	2021	2022	2021
<i>(In Thousands)</i>				
Components of net periodic benefit cost:				
Interest costs on projected benefit obligation	\$ 2,926	\$ 3,490	\$ 52	\$ 52
Service cost	1,100	1,134	39	51
Expected return on plan assets	(3,788)	(3,773)	–	–
Amortization of actuarial loss (gain)	2,022	2,190	(150)	(179)
Settlements	663	1,703	–	–
Net periodic benefit cost	<u>\$ 2,923</u>	<u>\$ 4,744</u>	<u>\$ (59)</u>	<u>\$ (76)</u>

The estimated net periodic benefit cost for the plans for the year ending June 30, 2023, is \$1,131,000. Components of the estimated net periodic benefit cost are as follows: interest costs on projected benefit obligation – \$4,270,000; service cost – \$1,024,000; expected return on plan assets – \$(4,173,000); and amortization of actuarial loss – \$10,000.

In order to maintain 80% funded status of the plans, estimated cash contributions of \$3,465,000 would be required to be made during the year ending June 30, 2023.

Estimated future benefit payments expected to be paid out in the next ten years are as follows: 2023 – \$12,220,000; 2024 – \$8,148,000; 2025 – \$8,334,000; 2026 – \$8,052,000; 2027 – \$9,110,000 and \$35,765,000 for the next five years thereafter.

Under ASU 2018-14, significant gain and loss items were identified during the years ended June 30, 2022 and 2021. Gains and losses were due to changes in the discount rate. Postretirement medical gains and losses were due to the discount rate and census longevity changes.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **7. Retirement Benefit Plans (continued)**

Retirement plan assets consist of equity, debt and money market securities. At June 30, 2022, the investment mix was approximately 71% equity, 27% debt and 2% money market securities. At June 30, 2021, the investment mix was approximately 66% equity, 32% debt and 2% money market securities.

The asset allocation strategy is determined through a detailed analysis of assets and liabilities which defines the overall risk that is acceptable with regard to the expected level and variability of portfolio returns, contributions and plan expenses.

The long-term asset allocation policy was established by considering a variety of factors including, but not limited to, the duration of the liabilities, and the expected payout ratio.

ASC 820, *Fair Value Measurement*, establishes a fair value hierarchy that categorizes assets into levels based on the inputs to valuation techniques used to measure the assets' fair value. The hierarchy defines the highest category (Level 1) as that with the most observable inputs and the lowest category (Level 3) as that with the least observable inputs. The three levels are described below.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets.

Level 2 – Quoted prices in markets that are not considered to be active or assets for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Level 3 inputs include management's own assumptions.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**7. Retirement Benefit Plans (continued)**

Retirement plan assets' level within the fair value hierarchy is based on the lowest level of any input that is significant to the assets' fair value measurement. The fair value of the plan's assets, by level, is as follows at June 30:

	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>(In Thousands)</i>			
Plan assets at fair value:				
Mutual funds	\$ 3,867	\$ –	\$ –	\$ 3,867
Collective investment funds	–	34,623	–	34,623
Company common stock	–	–	30,967	30,967
Money market securities	–	1,355	–	1,355
Total plan assets at fair value	<u>\$ 3,867</u>	<u>\$ 35,978</u>	<u>\$ 30,967</u>	<u>\$ 70,812</u>

	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>(In Thousands)</i>			
Plan assets at fair value:				
Mutual funds	\$ 5,320	\$ –	\$ –	\$ 5,320
Collective investment funds	–	46,910	–	46,910
Company common stock	–	–	24,954	24,954
Money market securities	–	1,169	–	1,169
Total plan assets at fair value	<u>\$ 5,320</u>	<u>\$ 48,079</u>	<u>\$ 24,954</u>	<u>\$ 78,353</u>

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### 7. Retirement Benefit Plans (continued)

The following table sets forth a summary of changes in the fair value of the plan's Level 3 assets for the years ended June 30:

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
<u>Company common stock</u>		
Balance at beginning of year	\$ 24,954	\$ 20,144
Unrealized gain	6,013	4,810
Balance at end of year	<u>\$ 30,967</u>	<u>\$ 24,954</u>

The Company common stock fair value has been determined using standard valuation techniques, including the discounted cash flow, capital market, business transaction and asset accumulation methods. The significant inputs for the valuation models include financial statement forecasts derived from Company data, weighted-average cost of capital, real estate appraisals, and comparable industry and market data. The inputs into determination of fair value require significant judgement and estimation. Due to uncertainties in the estimation process, it is possible that actual results could differ from those estimates.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **8. Defined Contribution Retirement Plans**

The Company has domestic active and frozen defined contribution retirement plans covering all eligible employees.

The active defined contribution plans include a qualified 401(k) plan and non-qualified deferred compensation plans. Under these plans, the Company matching contributions are up to 4% of qualified earnings with an additional 4% annual contribution regardless of employee contributions. Employees classified as highly compensated under the Internal Revenue Code (IRC) may choose to participate in the deferred compensation plan in full or in addition to the 401(k) plan. Contributions under both plans are invested, at the employees' direction, among a variety of investment alternatives. Participants are immediately vested in their matching contributions while the 4% annual contributions vest after three years of employment. The 401(k) plan is fully funded. The deferred compensation plan is partially funded. Company contributions to the plans are \$2,693,000 and \$5,435,000 for the years ended June 30, 2022 and 2021, respectively.

The frozen defined contribution plans include a qualified profit sharing plan and non-qualified profit sharing plans.

Accrued liabilities related to the domestic plans are \$20,233,000 and \$23,861,000 at June 30, 2022 and 2021, respectively.

Discontinued operations included a profit sharing plan in which the Company made discretionary contributions based on annual earnings. Employees are fully vested in the Company's contributions after seven years of employment. The plan was funded to meet current obligations. Contributions to the plan were \$59,000 for the year ended June 30, 2021.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **9. Stock Incentive Plans**

The Company maintains stock-based incentive plans for key management. The plans allow for stock-based compensation awards, including awards of restricted equity shares, stock options and stock appreciation rights.

The Company awarded 2,740 and 6,025 restricted equity shares with immediate vesting during the years ended June 30, 2022 and 2021, respectively. Under the terms of the agreements, the Company may at any time repurchase some or all of the holders' shares. The holders may, at designated times during the year, require the Company to repurchase some or all of the holders' shares. The purchase price for any shares repurchased by the Company shall be the most recent semiannually prepared fair value. This valuation requires unobservable inputs classifying it in Level 3 of the fair value hierarchy (see Note 7). The Company recognizes stock-based compensation expense at the date of grant using the fair value method.

On December 10, 2021, the Company modified its restricted stock awards held over one year. The modified awards are equity classified.

The expense associated with the awards and restriction removal is included in total stock-based compensation expense. Stock-based compensation expense was \$28,103,000 and \$14,647,000 for the years ended June 30, 2022 and 2021, respectively.

In prior years, the Company awarded incentive stock options (ISOs) that allow for stock appreciation rights (SARs). These options have fully vested. The holders may exercise the vested portion of the units. Similar to the restricted common stock awards, shares resulting from this exercise may be repurchased by the Company, and the holders of those same shares may require the Company to repurchase some or all of the shares. The Company recognizes stock-based compensation expense for the appreciation of the exercisable and outstanding options and rights using the intrinsic value measurement method based on the fair value of the Company's common stock.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**9. Stock Incentive Plans (continued)**

Information regarding the units under the ISO and SAR stock-based compensation plans is as follows:

	<u>2022</u>	<u>2021</u>
Units outstanding at beginning of year	29,838	33,013
Exercised	(7,650)	(3,175)
Units outstanding at end of year	<u>22,188</u>	<u>29,838</u>
Units exercisable at end of year	<u>22,188</u>	<u>28,750</u>

Units and exercise price per unit by year of grant under the ISO and SAR-based compensation plans are as follows:

	<u>Units</u>	<u>Exercise Price Per Unit</u>
2012 Grant	6,063	\$ 520
2013 Grant	3,150	\$ 550
2014 Grant	3,025	\$ 570
2015 Grant	2,935	\$ 500
2016 Grant	3,340	\$ 530
2017 Grant	3,675	\$ 580
Units outstanding at June 30, 2022	<u>22,188</u>	

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**10. Income Taxes**

The components of income tax expense (benefit) from continuing operations are as follows for the years ended June 30:

	<b>Current</b>	<b>2022 Deferred</b>	<b>Total</b>
	<i>(In Thousands)</i>		
Federal	\$ 14,552	\$ (2,450)	\$ 12,102
State	1,863	1,429	3,292
	<u>\$ 16,415</u>	<u>\$ (1,021)</u>	<u>\$ 15,394</u>
	<b>2021</b>		
	<b>Current</b>	<b>Deferred</b>	<b>Total</b>
	<i>(In Thousands)</i>		
Federal	\$ –	\$ (4,491)	\$ (4,491)
State	31	(834)	(803)
	<u>\$ 31</u>	<u>\$ (5,325)</u>	<u>\$ (5,294)</u>

Intraperiod tax allocation rules require the Company to allocate the provision for income taxes between continuing operations and other categories of earnings, such as discontinued operations. As a result, the Company recorded a tax benefit of approximately \$16,983,000 and tax expense of approximately \$39,577,000 in discontinued operations related to the sale of the Company's wholly owned Australian entities as of June 30, 2022 and 2021, respectively.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

**10. Income Taxes (continued)**

The major elements contributing to the difference between the reported income tax expense (benefit) from continuing operations and income taxes computed at the U.S. federal statutory tax rate of 21% are as follows for the years ended June 30:

	<b>2022</b>		<b>2021</b>	
	<i>(In Thousands, Except Percentages)</i>			
Statutory rate	\$ 17,147	21.0 %	\$ (5,697)	(21.0)%
State income tax, net of federal tax	2,751	3.4 %	(727)	(2.7)%
Foreign-derived income deduction	(4,414)	(5.4)%	–	– %
Non-deductible settlement payment	1,978	2.4 %	–	– %
Share-based compensation	(1,790)	(2.2)%	1,133	4.2 %
Change in valuation allowances	–	– %	84	0.3 %
Tax credits	(398)	(0.5)%	(94)	(0.3)%
Other items, net	120	0.2 %	7	0.0 %
Effective tax rate	<b>\$ 15,394</b>	<b>18.9 %</b>	<b>\$ (5,294)</b>	<b>19.5 %</b>

The components of deferred tax assets (liabilities) are as follows at June 30:

	<b>2022</b>		<b>2021</b>	
	<i>(In Thousands)</i>			
Deferred tax assets:				
Compensation and employee benefit accruals	\$ 5,992		\$ 6,956	
Pension and postretirement medical liability	6,329		12,303	
Tax credit carryforwards	5,070		5,922	
Inventories	3,795		2,287	
Accrued liabilities	1,696		4,481	
Other	1,400		866	
Total deferred tax assets	<b>24,282</b>		32,815	
Valuation allowance	(4,685)		(4,685)	
Net deferred tax assets	<b>19,597</b>		28,130	
Deferred tax liabilities:				
Depreciation and amortization	(31,097)		(34,730)	
Investment basis difference	(6,053)		(6,054)	
Total deferred tax liabilities	<b>(37,150)</b>		(40,784)	
Total net deferred tax liabilities	<b>\$ (17,553)</b>		<b>\$ (12,654)</b>	

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **10. Income Taxes (continued)**

The Company records deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax basis, using statutory tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax laws and rates on deferred tax assets and liabilities is recognized in the results of operations in the period that includes the related enactment date.

As of June 30, 2022, the Company has available unused California Enterprise Zone tax credits of approximately \$476,000 which expire at various dates from 2025 through 2029.

The Company has recorded a valuation allowance of approximately \$4,685,000 for the years ended June 30, 2022 and 2021 related to foreign tax credits. In assessing whether its deferred tax assets are realizable, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjusts the valuation allowance accordingly.

The Company does not have any uncertain tax positions.

The Company files income tax returns in several tax jurisdictions, including the United States and California and is subject to routine audits by taxing authorities in the jurisdictions in which it files. As of June 30, 2022, tax years 2014 and 2016 through 2019 are under examination by the Internal Revenue Service and tax years 2012 and 2013 are under examination by the California Franchise Tax Board. The Company has extended the statute of limitations on its federal income tax returns for 2016, 2017, and 2018 to May 31, 2023 and California's 2012 through 2014 income tax returns to June 30, 2023.

## J.G. Boswell Company

### Notes to Consolidated Financial Statements (Continued)

June 30, 2022 and 2021

#### **11. Commitments and Contingencies**

##### **Other Commitments**

The Company has a long-term purchase contract that includes annual fixed payment terms for fifty years with an option to extend for an additional fifty years. Every tenth year, the fixed payment amount is subject to reassessments. Expenditures related to this agreement were \$2,172,000 and \$2,143,000 for the years ended June 30, 2022 and 2021, respectively. The remaining commitments for the first ten years under this purchase contract total \$2,201,000 payable in 2023.

##### **Litigation**

The Company is subject to various legal proceedings and claims arising from the ordinary course of business.

The Company was a defendant in a lawsuit alleging labor code violations. The Company was subject to claims under the Private Attorney General Act (PAGA), whereby a claim was filed against the Company on behalf of the state of California as well as the entire class of employees who were allegedly subject to similar labor code violations. As of June 30, 2022, this matter was settled.

##### **Standby Letter of Credit**

A commercial bank issued a standby letter of credit on behalf of the Company to the State of California Office of Self Insurance Plans (OSIP) for \$0 and \$8,047,000 under the Alternative Security Program as of the years ended June 30, 2022 and 2021, respectively. All employers who self-insure their workers' compensation liabilities are required to post collateral to protect and provide for their injured workers in the event the employer becomes insolvent or is otherwise unable to meet their statutory obligations. The standby letter of credit is valid until cancelled or matured and is collateralized by the revolving credit facility with the bank. The terms of the letter of credit are extended for a term of one year at a time. No amounts have been drawn under the standby letter of credit.

#### **12. Subsequent Events**

Subsequent events have been evaluated through October 12, 2022, the date the financial statements were available to be issued. No events have occurred that would have a material impact on the financial statements.

## Supplementary Information

J.G. Boswell Company

Consolidated Schedules – Non-US GAAP Presentation

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands, Except Share Information)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 16,261	\$ 137,941
Short-term investments	64,459	–
Trade receivables, net	81,912	39,925
Inventories	118,287	141,972
Growing crops	146,689	109,073
Prepaid expenses and other	17,593	10,751
Total current assets	<u>445,201</u>	<u>439,662</u>
Other assets and investments:		
Right-of-use assets – operating leases	1,526	2,244
Other assets	9,333	3,689
Total other assets and investments	<u>10,859</u>	<u>5,933</u>
Property, plant and equipment, at cost:		
Buildings and improvements	219,216	219,277
Machinery and equipment	457,069	457,864
Orchards	205,556	176,722
Less accumulated depreciation and amortization	(528,197)	(519,082)
	<u>353,644</u>	<u>334,781</u>
Land and related water investments	106,048	106,049
Net property, plant and equipment	<u>459,692</u>	<u>440,830</u>
Total assets	<u>\$ 915,752</u>	<u>\$ 886,425</u>

J.G. Boswell Company

Consolidated Schedules – Non-US GAAP Presentation (Continued)

	<b>June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands, Except Share Information)</i>	
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable trade	\$ 44,809	\$ 47,600
Accrued liabilities	42,457	104,057
Total current liabilities	<u>87,266</u>	<u>151,657</u>
Noncurrent liabilities:		
Accrued employee benefits and other	26,186	49,700
Lease liabilities – operating leases	1,012	1,516
Deferred tax liability – net	17,553	12,654
Total noncurrent liabilities	<u>44,751</u>	<u>63,870</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, without par value:		
Authorized shares – 2,500,000		
Issued and outstanding shares – 977,778 (979,091 in 2021)	89,168	52,454
Retained earnings	701,373	641,775
Accumulated other comprehensive loss	(6,806)	(23,331)
Total stockholders' equity	<u>783,735</u>	<u>670,898</u>
Total liabilities and stockholders' equity	<u>\$ 915,752</u>	<u>\$ 886,425</u>

J.G. Boswell Company

Consolidated Schedules – Non-US GAAP Presentation (Continued)

	<b>Year Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousands, Except Share Information)</i>	
Sales	\$ 475,585	\$ 388,992
Cost of sales	353,421	375,394
General and administrative	40,296	39,008
Operating income (loss)	<b>81,868</b>	(25,410)
Other income (expense):		
Equity earnings in unconsolidated entities	–	32
Net interest expense	(988)	(2,700)
Net loss on hedging activities	–	(5,610)
Net gain on sale of assets	1,521	2,005
Gain on sale of Auscott	–	161,691
Other	(749)	227
Income before taxes	<b>81,652</b>	130,235
Income tax benefit (expense)	1,589	(32,571)
Net income	<b>\$ 83,241</b>	\$ 97,664
Basic earnings per share	<b>\$ 85.05</b>	\$ 98.41
Diluted earnings per share	<b>\$ 84.13</b>	\$ 97.09
Weighted-average shares outstanding – basic	<b>978,630</b>	992,481
Weighted-average shares outstanding – diluted	<b>989,410</b>	1,003,475