



J.G. Boswell Company

Consolidated Financial Statements[©]

Years Ended June 30, 2024 and 2023
With Report of Independent Certified Public Accountants

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J.G. Boswell Company
Consolidated Financial Statements

Years Ended June 30, 2024 and 2023

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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, 2024 and 2023, and the related consolidated statements of income, comprehensive income, 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, 2024 and 2023, 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 available to be 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.

Grant Thornton LLP

Los Angeles, California
October 16, 2024

J.G. Boswell Company

Consolidated Balance Sheets

	June 30	
	2024	2023
	<i>(In Thousands, Except Share Information)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 211	\$ 92
Trade receivables, net	49,860	52,290
Inventories	211,588	205,934
Growing crops	180,323	110,831
Prepaid expenses and other	13,000	21,594
Total current assets	<u>454,982</u>	<u>390,741</u>
Other assets:		
Right-of-use assets – leases	5,456	2,751
Other assets	9,910	9,738
Total other assets	<u>15,366</u>	<u>12,489</u>
Property, plant and equipment, at cost:		
Buildings and improvements	230,974	230,899
Machinery and equipment	468,264	472,307
Orchards	275,449	248,973
Less accumulated depreciation and amortization	<u>(569,086)</u>	<u>(556,498)</u>
	405,601	395,681
Land and related water investments	106,048	106,048
Net property, plant and equipment	<u>511,649</u>	<u>501,729</u>
Total Assets	<u><u>\$ 981,997</u></u>	<u><u>\$ 904,959</u></u>

	June 30	
	2024	2023
	<i>(In Thousands, Except Share Information)</i>	
Liabilities and Stockholders' Equity		
Current liabilities:		
Note payable	\$ 35,700	\$ 5,000
Accounts payable trade	56,456	38,358
Accrued liabilities	34,475	37,267
Total current liabilities	<u>126,631</u>	<u>80,625</u>
Noncurrent liabilities:		
Accrued employee benefits and other	19,031	16,881
Lease liabilities – leases	3,983	1,522
Deferred tax liability – net	25,768	22,217
Total Liabilities	<u>175,413</u>	<u>121,245</u>
Commitments and contingencies		
Stockholders' Equity:		
Common stock, without par value:		
Authorized shares – 2,500,000		
Issued and outstanding shares – 973,977		
(977,410 in 2023)	94,909	93,581
Retained earnings	713,575	689,979
Accumulated other comprehensive (loss) income	(1,900)	154
Total Stockholders' Equity	<u>806,584</u>	<u>783,714</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 981,997</u></u>	<u><u>\$ 904,959</u></u>

See accompanying notes.

J.G. Boswell Company

Consolidated Statements of Income

	Year Ended June 30	
	2024	2023
	<i>(In Thousands, Except Share Information)</i>	
Sales	\$ 469,529	\$ 382,156
Cost of sales	388,746	342,523
General and administrative	19,744	26,520
Operating income	61,039	13,113
Other income (expense):		
Net interest expense	(2,143)	(504)
Net gain on sale of assets	1,651	1,913
Other	82	166
Income before taxes	60,629	14,688
Income tax provision	13,976	3,763
Net income	46,653	10,925
Basic earnings per share	\$ 47.83	\$ 11.16
Diluted earnings per share	\$ 47.69	\$ 11.10
Weighted-average shares outstanding – basic	975,362	978,587
Weighted-average shares outstanding – diluted	978,241	984,341

See accompanying notes.

J.G. Boswell Company

Consolidated Statements of Comprehensive Income

	Year Ended June 30	
	2024	2023
	<i>(In Thousands)</i>	
Net income	\$ 46,653	\$ 10,925
Other comprehensive income, net of tax:		
Minimum pension and postretirement health care liability adjustment, net of \$1,115 tax benefit (\$2,042 tax expense in 2023)	(2,054)	6,960
Other comprehensive (loss) income, net of tax	(2,054)	6,960
Comprehensive income	<u>\$ 44,599</u>	<u>\$ 17,885</u>

See accompanying notes.

J.G. Boswell Company

Consolidated Statements of Stockholders' Equity

	Common Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Earnings	Income (Loss)	Total
	<i>(In Thousands, Except Share Information)</i>				
Stockholders' equity at June 30, 2022	977,778	\$ 89,168	\$ 701,373	\$ (6,806)	\$ 783,735
Net income	—	—	10,925	—	10,925
Other comprehensive income	—	—	—	6,960	6,960
Dividends paid (\$20.00 per share)	—	—	(19,579)	—	(19,579)
Modification of common stock	—	1,398	—	—	1,398
Modification of restricted common stock	3,375	3,743	—	—	3,743
Stock-based compensation	1,247	1,740	—	—	1,740
Repurchase and retirement of common stock	(4,990)	(2,468)	(2,740)	—	(5,208)
Stockholders' equity at June 30, 2023	977,410	93,581	689,979	154	783,714
Net income	—	—	46,653	—	46,653
Other comprehensive loss	—	—	—	(2,054)	(2,054)
Dividends paid (\$20.00 per share)	—	—	(19,510)	—	(19,510)
Modification of common stock	—	1,347	—	—	1,347
Modification of restricted common stock	544	605	—	—	605
Stock-based compensation	269	280	—	—	280
Repurchase and retirement of common stock	(4,246)	(904)	(3,547)	—	(4,451)
Stockholders' equity at June 30, 2024	973,977	\$ 94,909	\$ 713,575	\$ (1,900)	\$ 806,584

See accompanying notes.

J.G. Boswell Company

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2024	2023
	<i>(In Thousands)</i>	
Operating activities		
Net income	\$ 46,653	\$ 10,925
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realizable value adjustment	4,518	—
Depreciation expense	33,819	34,229
Provision for bad debt	25	175
Provision for inventory spoilage	1,308	1,075
Deferred income taxes	4,666	2,622
Stock-based compensation expense	37	9,979
(Gain) on sale of assets	(1,651)	(1,913)
Changes in operating assets and liabilities:		
Decrease in trade receivables	2,405	29,447
Increase in inventories	(11,480)	(88,722)
(Increase) decrease in growing crops	(69,492)	35,858
Decrease (increase) in prepaid expenses and other	8,594	(4,001)
Increase in other assets	(2,877)	(1,630)
Increase (decrease) in accounts payable and accrued liabilities	19,611	(7,913)
Increase in accrued employee benefits and other noncurrent liabilities	1,443	207
Net cash provided by operating activities	<u>37,579</u>	<u>20,338</u>

	Year Ended June 30	
	2024	2023
	<i>(In Thousands)</i>	
Investing activities		
Proceeds from sale of property, plant and equipment	3,363	3,042
Purchase of property, plant and equipment	(45,451)	(77,395)
Decrease in short-term investments	—	64,459
Net cash used in investing activities	(42,088)	(9,894)
Financing activities		
Proceeds from note payable	30,700	5,000
Principal paid on finance leases	(40)	—
Dividends paid	(19,510)	(19,579)
Redemption of stock units	(2,388)	(8,561)
Exercise of stock options	318	1,735
Repurchase of common stock	(4,452)	(5,208)
Net cash provided by (used in) financing activities	4,628	(26,613)
Net increase (decrease) in cash and cash equivalents	119	(16,169)
Cash and cash equivalents at beginning of year	92	16,261
Cash and cash equivalents at end of year	\$ 211	\$ 92

See accompanying notes.

J.G. Boswell Company

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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 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.

2. Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncements

On July 1, 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13 Financial Instruments-Credit Losses (Topic 326), which requires the use of an impairment methodology that reflects an estimate of expected credit losses, measured over the contractual life of an instrument, based on information about past events, current conditions, and forecasts of future economic conditions. The ASU requires a modified retrospective implementation resulting in a cumulative-effect adjustment through retained earnings in the year of adoption. The adoption did not have a material impact on the consolidated financial statements on the implementation date.

Flood Expense

During the year ended June 30, 2023, the Company experienced rainfall surpassing historical records. The Company incurred costs to manage flood flows and expense land preparation costs. This resulted in a charge to cost of sales of \$38,730,000 and \$40,803,000 for the years ended June 30, 2024 and 2023, respectively.

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 2023 Pima and Safflower crops of \$48,157,000 and the 2022 Pima crop of \$22,237,000 for the years ended June 30, 2024 and 2023, respectively.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

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.

Accounts Receivable

Receivables are stated at the carrying values, net of a reserve for expected credit losses. The Company records specific provisions for the individual accounts when it becomes aware of a customer's inability to meet its financial obligations. Our expected credit loss allowance methodology for accounts receivable is developed using historical losses, current economic conditions and future market forecasts. We also perform ongoing evaluations of our existing and potential customer's creditworthiness. The allowance for expected credit losses was \$25,000 and \$175,000 for the years ended June 30, 2024 and 2023, respectively.

The Company has factoring agreements that are sponsored by certain customers. Under these arrangements, the Company may sell eligible short-term trade receivables on a non-recourse basis to unrelated financial institutions in exchange for cash. These transactions are accounted for as a sale of receivables.

During the years ended June 30, 2024 and 2023, the Company sold receivables of \$75,205,000 and \$63,179,000, respectively, under the customer sponsored factoring agreements in exchange for cash proceeds of \$73,928,000 and \$62,472,000, respectively. The proceeds from the sales of receivables are included in net cash from operating activities in the consolidated statements of cash flows. The cost of participating in the programs for the years ended June 30, 2024 and 2023 was \$1,277,000 and \$707,000, respectively, and is included in interest expense in the consolidated statements of income.

At June 30, 2024 and 2023, the outstanding principal amount of receivables under these customer sponsored factoring agreements amounted to \$6,367,000 and \$8,045,000, respectively.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Concentrations of credit risk consist primarily of trade receivables, revenues, and accounts payable. For the year ended June 30, 2024, the Company had three customers that comprised greater than 10% of trade receivables, one customer that comprised greater than 10% of revenues, and two suppliers that comprised greater than 10% of accounts payable.

For the year ended June 30, 2023, the Company had one customer that comprised greater than 10% of trade receivables and revenues, and one supplier that comprised greater than 10% of accounts payable.

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 reserve for LCNRV of \$4,518,000 was recorded to cost of sales for the year ended June 30, 2024. There was no reserve for LCNRV for the year ended June 30, 2023.

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 \$1,308,000 and \$1,075,000 for the years ended June 30, 2024 and 2023, respectively.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

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 for the years ended June 30.

	2024	2023
	<i>(In Thousands)</i>	
<u>Capital expenditures:</u>		
Segment capital expenditures	\$ 45,122	\$ 77,057
Corporate capital expenditures	329	338
Total capital expenditures	<u>\$ 45,451</u>	<u>\$ 77,395</u>

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 2,879 and 5,754 for the years ended June 30, 2024 and 2023, respectively. Diluted shares outstanding include the dilutive effect of incentive stock option equivalents. Share repurchases are recorded as treasury stock at cost under the constructive retirement method and are retired during the same fiscal year.

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.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

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 maturities of 90 days or less. The Company places its cash with major financial institutions. During the year ended June 30, 2024, there were no deposits in excess of federally insured limits. During the year ended June 30, 2023, 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 \$3,650,000 and income taxes of \$3,700,000 for the year ended June 30, 2024. The Company paid interest of \$601,000 and income taxes of \$2,574,000 for the year ended June 30, 2023. The Company capitalized interest of \$1,825,000 and \$103,000 for the years ended June 30, 2024 and 2023, respectively.

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. Critical accounting estimates are those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation or uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations of the Company. Significant estimates inherent in the preparation of the Company's consolidated financial statements include, but are not limited to, accounting for postretirement benefit plans, income taxes including deferred income taxes, workers' compensation plan, stock valuation, inventory reserves, land and related water investments, fair value measurements and contingencies. Actual results could differ from these estimates.

Reclassification

Certain 2023 balances have been reclassified to be consistent with the 2024 presentation. Such reclassifications did not impact the Company's consolidated financial position or results of operations.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

3. Revenue Recognition

The Company accounts for its revenues in accordance with Accounting Standards Update (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 include revenues generated from services rendered to third parties for oil milling services whereby these products are converted into sellable cottonseed oil and other byproducts.

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

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

3. Revenue Recognition (continued)

Revenues for agricultural products are recognized when the risks and rewards of ownership have substantively transferred to customers. Amounts related to shipping and handling that are 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.

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 rendered.

Disaggregated Revenue – The Company disaggregates revenue by sales of goods or services (agricultural products or agricultural processing services). This disaggregation represents how the Company evaluates its financial performance, as well as how the Company communicates its financial performance to other users of its consolidated financial statements. The following table provides disaggregation of revenues by revenue stream for the years ended June 30:

	2024	2023
	<i>(In Thousands)</i>	
Revenue stream:		
Agricultural products	\$ 460,868	\$ 372,593
Agricultural services	8,661	9,563
Total sales	<u>\$ 469,529</u>	<u>\$ 382,156</u>

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

4. Note Payable

Note payable consists of the following at June 30:

	2024	2023
	<i>(In Thousands)</i>	
Current note payable:		
\$150 million line of credit		
Interest is payable at the bank's quoted cost of funds		
rates ranging from 6.73% to 7.40% for 2024.	\$ 35,700	\$ 5,000
Total current note payable	\$ 35,700	\$ 5,000

During the year ended June 30, 2024, the Company amended and increased its unsecured line of credit facility from an available balance of \$50,000,000 at June 30, 2023 to \$150,000,000.

During the year ended June 30, 2023, the Company amended its credit facility by replacing the secured line of credit with an unsecured line of credit expiring January 2026. Certain financial covenants within this credit facility were modified.

Such modifications were not considered to be substantial under U.S. GAAP.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

5. 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 office facilities and equipment which are classified and accounted for as operating or finance 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 consolidated financial statements.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

5. Leases (continued)

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

	2024	2023
	<i>(In Thousands)</i>	
Operating lease costs:	\$ 1,632	\$ 1,018
Finance lease costs:		
Amortization of lease assets	8	—
Interest on lease liabilities	3	—
Short-term lease costs	8,539	5,740
Total lease costs	<u>\$ 10,182</u>	<u>\$ 6,758</u>

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

	2024	2023
	<i>(In Thousands)</i>	
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 1,680	\$ 1,040
Operating cash outflows from finance leases	43	—
ROU assets obtained in exchange for new operating lease liabilities	1,393	1,881
Leased assets obtained in exchange for new finance lease liabilities	74	—

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

5. Leases (continued)

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

	2024	2023
	<i>(In Thousands)</i>	
Operating leases:		
Right-of-use assets – operating and finance leases	\$ 5,456	\$ 2,751
Liabilities:		
Accrued operating lease liabilities	1,413	1,229
Accrued finance lease liabilities	42	–
Long-term operating and finance lease liabilities	3,983	1,522
Total lease liabilities	<u>\$ 5,438</u>	<u>\$ 2,751</u>

	2024	2023
Weighted-average remaining lease term:		
Operating leases	6.76 years	2.38 years
Finance leases	0.75 years	–
Weighted-average discount rate:		
Operating leases	6.20%	3.60%
Finance leases	6.88%	–

The following represents the Company's future undiscounted cash flows of its leases for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the consolidated balance sheet at June 30, 2024:

	Operating	Finance	Total
	<i>(In Thousands)</i>		
2025	\$ 1,703	\$ 42	\$ 1,745
2026	1,413	–	1,413
2027	558	–	558
2028	387	–	387
2029	392	–	392
Thereafter	2,309	–	2,309
Total lease payments	6,762	42	6,804
Less imputed interest	(1,366)	–	(1,366)
Present value of lease liabilities	<u>\$ 5,396</u>	<u>\$ 42</u>	<u>\$ 5,438</u>

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

6. 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 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:

	2024	2023
<u>Retirement plans</u>		
Discount rate	5.60%	5.30%
Expected long-term rate of return on assets	7.00%	6.50%
<u>Postretirement health care plan</u>		
Discount rate	5.40%	5.20%
Health care cost trend rate	7.50%	7.50%

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, 2024 and 2023

6. Retirement Benefit Plans (continued)

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

	Retirement Plans		Postretirement Health Care Plan	
	2024	2023	2024	2023
	<i>(In Thousands)</i>			
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 84,664	\$ 95,515	\$ 1,299	\$ 1,483
Service cost	950	1,000	19	24
Interest cost	4,189	4,205	65	65
Actuarial gains	(1,836)	(5,532)	(457)	(215)
Benefit payments	(7,913)	(10,524)	(63)	(58)
Benefit obligation at end of year	80,054	84,664	863	1,299
Change in plan assets:				
Fair value of plan assets at beginning of year	69,082	70,812	—	—
Actual return	(1,890)	6,389	—	—
Company contributions	2,607	2,405	63	59
Benefit payments	(7,913)	(10,524)	(63)	(59)
Fair value of plan assets at end of year	61,886	69,082	—	—
Funded status at end of year and amounts recognized	\$ (18,168)	\$ (15,582)	\$ (863)	\$ (1,299)
Amounts recognized in accumulated other comprehensive income (loss):				
Net actuarial (gain) loss	\$ 7,178	\$ 3,189	\$ (2,496)	\$ (2,267)

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

6. Retirement Benefit Plans (continued)

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

	Retirement Plans		Postretirement Health Care Plan	
	2024	2023	2024	2023
	<i>(In Thousands)</i>			
Components of net periodic benefit cost:				
Interest costs on projected benefit obligation	\$ 4,189	\$ 4,205	\$ 65	\$ 65
Service cost	950	1,000	19	24
Expected return on plan assets	(4,436)	(4,173)	—	—
Amortization of actuarial (gain) loss	(28)	227	(145)	(217)
Settlements	—	213	(82)	—
Net periodic benefit cost	<u>\$ 675</u>	<u>\$ 1,472</u>	<u>\$ (143)</u>	<u>\$ (128)</u>

The estimated net periodic benefit cost for the plans for the year ending June 30, 2025 is \$284,000. Components of the estimated net periodic benefit cost are as follows: interest costs on projected benefit obligation – \$4,203,000; service cost – \$954,000; expected return on plan assets – \$(4,567,000); and amortization of actuarial gain – \$(306,000).

In order to maintain 80% funded status of the plans, estimated cash contributions of \$3,534,000 would be required to be made during the year ending June 30, 2025.

Estimated future benefit payments expected to be paid out in the next ten years are as follows: 2025 – \$11,658,000; 2026 – \$7,787,000; 2027 – \$9,279,000; 2028 – \$7,271,000; 2029 – \$7,141,000 and \$29,869,000 for the next five years thereafter.

Under ASU 2018-14, significant gain and loss items were identified during the years ended June 30, 2024 and 2023. Gains and losses were due to changes in the discount rate and assumptions for retirements and turnover. Postretirement medical gains and losses were due to the discount rate and the coverage of election assumptions from 35% to 15%.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

6. Retirement Benefit Plans (continued)

Retirement plan assets consist of equity, debt and money market securities. At June 30, 2024, the investment mix was approximately 72% equity, 26% debt and 2% money market securities. At June 30, 2023, the investment mix was approximately 75% equity, 24% debt and 1% 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 values. 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, 2024 and 2023

6. 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:

	2024			
	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
Plan assets at fair value:				
Mutual funds	\$ 8,381	\$ —	\$ —	\$ 8,381
Collective investment funds	—	24,722	—	24,722
Company common stock	—	—	27,660	27,660
Money market securities	—	1,123	—	1,123
Total plan assets at fair value	<u>\$ 8,381</u>	<u>\$ 25,845</u>	<u>\$ 27,660</u>	<u>\$ 61,886</u>

	2023			
	Level 1	Level 2	Level 3	Total
	<i>(In Thousands)</i>			
Plan assets at fair value:				
Mutual funds	\$ 8,972	\$ —	\$ —	\$ 8,972
Collective investment funds	—	25,454	—	25,454
Company common stock	—	—	33,673	33,673
Money market securities	—	983	—	983
Total plan assets at fair value	<u>\$ 8,972</u>	<u>\$ 26,437</u>	<u>\$ 33,673</u>	<u>\$ 69,082</u>

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

6. 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:

	2024	2023
	<i>(In Thousands)</i>	
<u>Company common stock</u>		
Balance at beginning of year	\$ 33,673	\$ 30,967
Unrealized (loss) gain	(6,013)	2,706
Balance at end of year	<u>\$ 27,660</u>	<u>\$ 33,673</u>

The Company common stock fair value has been determined using standard valuation techniques, including 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, 2024 and 2023

7. Defined Contribution Retirement Plans

The Company has 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. The Company contributions to the plans are \$2,839,000 and \$2,784,000 for the years ended June 30, 2024 and 2023, respectively.

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

Net accrued liabilities related to the plans are \$12,440,000 and \$12,163,000 at June 30, 2024 and 2023, respectively.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

8. Stock Incentive Plans

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

The Company awarded 200 common equity shares with immediate vesting during the year ended June 30, 2024.

The Company awarded 3,929 restricted equity shares with immediate vesting during the year ended June 30, 2023. 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 6). The Company recognizes stock-based compensation expense at the date of grant using the fair value method.

The Company's restricted stock awards held over one year 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 \$773,000 and \$10,454,000 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023

8. Stock Incentive Plans (continued)

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

	2024	2023
Units outstanding at beginning of year	11,150	22,188
Exercised	(4,105)	(11,038)
Units outstanding at end of year	7,045	11,150
Units exercisable at end of year	7,045	11,150

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

	Units	Exercise Price Per Unit
2014 Grant	1,150	\$ 570
2015 Grant	1,275	\$ 500
2016 Grant	1,970	\$ 530
2017 Grant	2,650	\$ 580
Units outstanding at June 30, 2024	7,045	

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

9. Income Taxes

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

	2024		
	Current	Deferred	Total
	<i>(In Thousands)</i>		
Federal	\$ 7,661	\$ 3,685	\$ 11,346
State	1,649	981	2,630
	<u>\$ 9,310</u>	<u>\$ 4,666</u>	<u>\$ 13,976</u>

	2023		
	Current	Deferred	Total
	<i>(In Thousands)</i>		
Federal	\$ 995	\$ 2,647	\$ 3,642
State	146	(25)	121
	<u>\$ 1,141</u>	<u>\$ 2,622</u>	<u>\$ 3,763</u>

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

9. 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:

	2024		2023	
	<i>(In Thousands, Except Percentages)</i>			
Statutory rate	\$	12,732	21.0 %	\$ 3,084 21.0 %
State income tax, net of federal tax		2,960	4.9 %	827 5.6 %
Foreign-derived income deduction		(966)	(1.6)%	1,654 11.3%
Share-based compensation		133	0.2 %	(45) (0.3)%
Tax credits		(736)	(1.2)%	(1,736) (11.8)%
Other items, net		(147)	(0.3)%	(21) (0.2)%
Effective tax rate	\$	13,976	23.0 %	\$ 3,763 25.6 %

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

	2024	2023
	<i>(In Thousands)</i>	
Deferred tax assets:		
Compensation and employee benefit accruals	\$ 6,803	\$ 6,398
Pension and postretirement medical liability	4,665	4,095
Tax credit carryforwards	4,694	5,699
Inventories	4,509	6,274
Research expenditures	1,747	1,191
Accrued liabilities	1,282	1,401
Other	—	417
Total deferred tax assets	23,700	25,475
Valuation allowance	(4,685)	(4,685)
Net deferred tax assets	19,015	20,790
Deferred tax liabilities:		
Depreciation and amortization	(38,032)	(36,801)
Investment basis difference	(6,245)	(6,206)
Other	(506)	—
Total deferred tax liabilities	(44,783)	(43,007)
Total net deferred tax liabilities	\$ (25,768)	\$ (22,217)

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

9. 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.

The Company has recorded a valuation allowance of approximately \$4,685,000 for the years ended June 30, 2024 and 2023 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, 2024, 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 through 2019 to June 30, 2025 and California's 2012 through 2014 income tax returns to June 30, 2025.

J.G. Boswell Company

Notes to Consolidated Financial Statements (Continued)

June 30, 2024 and 2023

10. 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 \$2,133,000 and \$2,201,000 for the years ended June 30, 2024 and 2023, respectively. The remaining commitments under this purchase contract are payable as follows:

	2024
	<i>(In Thousands)</i>
2025	\$ 2,170
2026	2,207
2027	2,246
2028	2,285
2029	2,324
Thereafter	9,705
Total remaining commitments	<u>\$ 20,937</u>

Litigation

The Company is subject to various legal proceedings and claims arising from the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management believes that the ultimate resolution will not have a material adverse effect on the Company's financial position.

11. Subsequent Events

Subsequent events have been evaluated through October 16, 2024, the date the financial statements were available to be issued.

In September 2024, the Company amended its unsecured line of credit to increase the available balance to \$200,000,000. The date of expiration is September 2027.

The Company filed Prevented Planting claims on certain crops that were prevented from being planted due to adverse weather conditions. In the first quarter of fiscal year 2025, the Company received \$1,120,000 in net Prevented Planting insurance proceeds related to the 2024 Pima crop. These net proceeds will be recognized in the year ending June 30, 2025.