

2023

DEBENTURE PROSPECTUS

THIS OFFERING IS SUBJECT TO CERTAIN RISK FACTORS CONCERNING THE COMPANY
AND ITS BUSINESS (SEE RISK FACTORS, PAGE N-2&3),
AND IS MADE TO BONA FIDE RESIDENTS OF IDAHO ONLY.



Idaho Farm Bureau[®]
FINANCIAL SERVICES

FARM BUREAU FINANCE COMPANY
(herein referred to as the Company)

275 Tierra Vista Drive ♦ P.O. Box 4848 ♦ Pocatello, Idaho 83205-4848

PROSPECTUS

Farm Bureau Finance Company

(herein referred to as the Company)

275 Tierra Vista Drive

P.O. Box 4848

Pocatello, Idaho 83205-4848

\$30,000,000 Offering of Subordinated Debenture Notes (herein referred to as Notes and Debentures)

THIS OFFERING IS SUBJECT TO CERTAIN RISK FACTORS CONCERNING THE COMPANY AND ITS BUSINESS (SEE RISK FACTORS, PAGES N-2 & 3), AND IS MADE TO BONA FIDE RESIDENTS OF IDAHO ONLY.

The present offering is as follows:

<u>Price to Public Minimum Amount</u>	<u>Term of Notes</u>	<u>Interest Rate¹</u>	<u>Aggregate Amount of All Debenture Note Offerings</u>	<u>Maximum Commission or Underwriting Discount²</u>	<u>Proceeds to Company³</u>
\$50	1 to 60 months	See Below	\$30,000,000	\$600,000	\$29,400,000

- ¹ Interest Rates are determined weekly, based upon management's assessment of current market conditions and vary according to the sum and term of the investment.
- ² The commission is payable to investment representatives by the Company, for the sale of securities.
- ³ The offering will be made by investment representatives of the Company, under the supervision of Company officers. There is no representation as to what portion of the offering will be sold and issued. (See Right of Offering, page N-1)

For remedies of investors for false or misleading statements in connection with this offering, see page N-7.

THE REGISTRATION OF THESE SECURITIES BY THE IDAHO DEPARTMENT OF FINANCE DOES NOT SIGNIFY THAT THE DIRECTOR HAS APPROVED OR RECOMMENDED THESE SECURITIES NOR HAS HE RATIFIED THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 (THE 'ACT'), BUT ARE SOLD IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION PROVIDED IN SECTION 3 (a) (11) OF THE ACT, AND RULE 147 PROMULGATED UNDER THE ACT. ACCORDINGLY, REALES AND TRANSFERS OF THESE SECURITIES ARE STRICTLY LIMITED TO RESIDENTS OF THE STATE OF IDAHO. ANY ATTEMPT TO RESELL OR TRANSFER IN VIOLATION OF THIS RESTRICTION SHALL BE VOID. THE COMPANY WILL EFFECTUATE TRANSFERS OF THIS CERTIFICATE ONLY IN ACCORDANCE WITH THE ABOVE INSTRUCTIONS AND IN COMPLIANCE WITH THE RESTRICTIONS ON TRANSFER SET FORTH IN RULE 147."

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UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS SPEAKS ONLY AS OF ITS DATE AND NEITHER DELIVERY HEREOF NOR SALE HEREUNDER SHALL CREATE ANY IMPLICATION THAT THE AFFAIRS, ASSETS OR LIABILITIES OF THE COMPANY HAVE CONTINUED WITHOUT CHANGE SINCE THE DATE OF THIS PROSPECTUS. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT HEREIN CONTAINED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING OR SOLICITATION WITH RESPECT TO THESE SECURITIES BY THE COMPANY IN ANY STATE EXCEPT IDAHO.

PLAN OF OFFERING AND DESCRIPTION OF SECURITIES

Prospectus and Representation

Notes may be offered only by this prospectus. Proceeds of these Notes are applied toward working funds to expand the Company's loan services. Excess funds are used to purchase marketable securities, or investment properties.

No person or representative of the Idaho Farm Bureau Federation or its affiliates may offer, solicit, or otherwise transact for sale, any of these Notes except licensed securities agents. Scheduled commissions will be paid to licensed securities salesmen on all securities they sell. (See face sheet under caption, "Maximum Commission or Underwriting Discount.") Such subscription will be made through a salesman/agent, duly registered and licensed in the State of Idaho.

Term, Amount & Rate

The principal sum and due date of each Note will vary according to arrangements with each investor. A minimum investment of \$50 and a minimum term of one month is required. The annual weighted average interest rate on Debentures was 2.3784%, .3047%, and .5136% for the fiscal years ended December 31, 2022, 2021, 2020, respectively. The Company incurred approximately \$433,447, \$301,987, and \$416,230 in total interest expense for those same years, respectively.

Before a Note is issued, the principal amount of the Note must be paid in full without credit or discount. Notes will be issued from Pocatello, Idaho, no later than five days following receipt of the purchase money and subscription agreement. Notes will be signed for the Company by an authorized officer, with the name of the payee(s), the interest rate, the issuance date, the maturity date and all terms and conditions as therein specified. Although the investor contracts to invest a specified amount for a specified term, the Company customarily redeems Notes prior to the maturity date upon request with the interest rate reduced to reflect an interest penalty. THE COMPANY RESERVES THE RIGHT TO REFUSE REQUESTS FOR EARLY REDEMPTION AT ANY TIME.

Management reviews market conditions weekly and determines interest rates to be offered during the following week. The yield on each Note will be fixed for the term of the Note and will be based on the investment amount and maturity date arranged with the investor.

Interest and Maturity Options

The investor may choose to have interest paid or compounded quarterly.

Prior to each Debenture maturity date, the Company shall notify the investor of the present value, the term of the Note and the interest rate available for the next term if they should elect to reinvest for the same term as the original purchase. This notice will be sent to the investors last address of record.

At maturity, the Debenture will be automatically renewed at the interest rate then offered by the Company, for the same period of time as initially stated unless: 1) an owner surrenders his or her Note to the Company for payment or 2) the Company gives an owner ten (10) days prior to a maturity date, written notice to call this Note for payment.

Right of Offering

Unless total annual investments exceed the amount approved by this prospectus as outlined on page "i", the Company will honor all investment requests. However, the Company reserves the right to discontinue this offering and return monies to prospective investors at any time total annual investments exceed the approved limit.

The Company

On February 14, 1961, the Company was incorporated under the laws of the State of Idaho as the Farm Bureau Finance Company. It has been incorporated and registered in the State of Idaho only. It maintains its principal place of business at 275 Tierra Vista Drive, P.O. Box 4848, Pocatello, Idaho 83205-4848.

The Company deals primarily with Idaho Farm Bureau Federation's members and affiliated organizations. It finances premiums for several lines of insurance, and provides loans secured by motor vehicles, mobile homes, home equity, and other areas of finance approved by the Board of Directors. Excess funds are invested in marketable securities that are redeemable as loan demands increase. The Company leases equipment and automobiles to affiliated Farm Bureau companies. The Company may also acquire and lease property.

The Company owns 96.71% of the stock of Western Community Insurance Company, an Idaho multiple lines insurance company, at a cost of \$1,679,700. Western Community Insurance Company is licensed to offer property, marine and transportation, disability, surety, casualty and workmen's compensation insurance. The ownership of such stock brings the Company within the requirements of an insurance holding company under Title 41, Chapter 38 of the Idaho Code.

RISK FACTORS

The Notes of the Company being offered involve a degree of risk. In analyzing this offering, investors should carefully consider the following matters:

1. Notes offered by this prospectus are non-negotiable and are paid from the assets shown in the finance portion of the balance sheet of this prospectus. It should be noted the balance sheet and income statement include assets and earnings of subsidiaries of the Company. Payment of interest and principal is contingent upon the earnings and financial position of the Company. Principal once invested, will not be due until maturity. These Notes are not guaranteed by any affiliate, third party, or any agency of state or federal government. Holders of Notes offered by this prospectus will have claims equal to holders of Notes offered in previous or future Note offerings. Payment of the Note plus accrued interest shall be subordinated to all obligations owing to banks, trusts or governmental agencies.
2. The ratio of debt to equity at December 31, 2022, was 1.39 to 1. The ratio shall vary as new Notes and Class B stock are issued and previously issued Notes and Class B stock are redeemed. The debt to equity ratio shall increase as new Notes are issued or previously issued Class B stock is redeemed. The debt to equity ratio shall decrease as previously issued Notes are redeemed and new Class B stock is issued.
3. The common Class A voting stock of the Company is owned by Farm Bureau Mutual Insurance Company of Idaho and the Idaho Farm Bureau Federation, along with one hundred twenty-five shares each to the President of Idaho Farm Bureau Federation, the Executive Vice President of Idaho Farm Bureau Federation and to the Executive Vice-President of Farm Bureau Mutual Insurance Company of Idaho. The Board of Directors of those companies, this Company and of Western Community Insurance Company (a 96.71% owned subsidiary) are common. Therefore, decisions and resulting policy set by this common directorship could be influenced by factors not directly involving the Company's operations.
4. The return on investments in subsidiaries can be affected by the common directorship discussed in Note 3.
5. There are no funds borrowed from banks as of the date of this prospectus, but bank credit is utilized from time to time. When bank credit is used, it may require pledging of assets sufficient to cover such bank loans. The bank may then have prior claim to such portion of the assets pledged over claims of Note holders.
6. The availability of credit extended by banks to the Company is also, in part, contingent upon the Company's equity base. The Company is continuing to offer its Class B non-voting common stock to increase its equity base. The future availability of bank credit is contingent upon the bank's requirements at the time of application for such credit.
7. Interest expense for the Company increased to \$433,447 in 2022 from \$301,987 in 2021, earnings per common share increased to \$.62 in 2022 from \$.49 in 2021. Interest coverage decreased to 15.67 times in 2022 from 17.61 times in 2021.

RISK FACTORS-continued

8. The Company will continue its offering of Notes and Class B stock in amounts necessary to meet working capital requirements which may include, but not be limited to, the retirement of existing debt and the redemption of Class B stock.
9. The Company operates as a licensed finance company in competition with existing finance companies and banks in the State of Idaho.
10. The Company's profitability depends in part on its ability to borrow funds from outside sources and to make loans at rates of return in excess of the interest rate paid on such borrowed funds. (See The Business of the Company) There can be no assurance that market conditions permitting the Company to realize a profit on this spread in interest rates will continue to prevail.
11. Many investors upon maturity choose to reinvest Debenture proceeds rather than withdraw their funds from the Company. (See section "Interest and Maturity Options.") The percentage of Debentures reinvested at maturity during the years ended December 31, 2022, 2021, 2020 was approximately 84%, 86%, 83% respectively. The Company cannot guarantee that similar historical rates of renewal will continue. If a large number of investors choose to withdraw their Debenture funds at maturity or redeem stock, the cash reserves of the Company may be insufficient to meet the demand. The Company may need to borrow funds, sell assets, or arrange other means in order to meet the unexpected demand. This may impair the Company's ability to repay Debentures when they mature, or to conduct "business as usual".
12. At time of purchase all investors of Debenture and Class B stock must be residents of the state of Idaho. Therefore, investors of the Company are geographically concentrated within the state of Idaho. Adverse economic conditions in Idaho could result in a decrease in Debenture and Class B stock investment by investors in the Company which could adversely affect the Company's liquidity and ultimately its ability to repay Debentures or offer redemption opportunities for Class B stock.
13. Borrowers from the Company are geographically concentrated in Idaho. Adverse economic conditions in Idaho could result in increased defaults by such borrowers in Idaho. This could, in turn, adversely affect the Company's liquidity, its ability to operate its programs, and ultimately its ability to repay Debentures. The Company does not have any policy limiting the geographic concentration of its loans.
14. Excess funds are invested in stocks, bonds, commercial paper, and investment properties which may fluctuate in value. These marketable securities and excess funds are subject to various market risks, which may result in losses if the market value of the investments declines. Also, the Company's temporary cash investments held at various financial institutions and brokerage firms customarily exceed the amounts guaranteed by federal insurance.
15. The Company has not established a trust indenture to provide for repayment of the principal amount of the Debentures, nor does the Company intend to create such a trust. Therefore, no trustee will monitor our ongoing affairs on behalf of the investor. There is no agreement to provide for joint action by investors if the Company defaults on the Debentures. In addition, except as provided by law, failure to pay the interest or principal on one Debenture will not be a default on other Debentures. The investor will have none of the other protections a trust indenture might provide.
16. The Company has not and does not intend to set up a sinking fund or escrow to help pay principal and interest on its Debentures. Accordingly, the Company does not have funds set aside specifically for their repayment, and offering proceeds will not be segregated from other assets of the Company. The Company's ability to repay Debentures will therefore be solely dependent on the Company's financial condition and liquidity at the time the Debentures must be paid.
17. There are no restrictions in the by-laws of the Company limiting the use of proceeds for the payment of stock dividends.
18. The profitability of the Company's insurance subsidiary, Western Community Insurance Company, is affected by the actual losses paid against insured risks. While management believes appropriate reinsurance agreements are maintained and actuarially assessed premiums are collected to assure profitability, the ultimate loss pay out may be greater than anticipated due to conditions not within the control of the Company.

THE BUSINESS OF THE COMPANY

Since 1961, the Company has financed policyholders' annual premiums on insurance coverage written through Farm Bureau Mutual Insurance Company. The Insurance Company collects a portion of the premium on financed policies and assigns the remainder to the Company on a full recourse basis. The Insurance Company guarantees payment to the Company of any uncollectible balances. At 2022 year-end, 196 insureds owed a total of \$334,643. Premium finance loans are payable on monthly, quarterly, or semi-annual installments with a maximum term of ten months. Premium finance income in 2022 of \$33,716 represented less than 1% of total Company revenue.

Since 1961, the Company has furnished automobiles on a lease basis to the Farm Bureau Mutual Insurance Company. In 1968, this service was extended to the Idaho Farm Bureau Federation and the Company began offering office equipment leasing to Farm Bureau affiliates. Automobile leases are set up on a 24% annualized depreciation schedule, however, the typical life on an auto lease is three years and 85,000 miles. The lessee guarantees the Company full recovery of the vehicle book value at the termination of the lease. The lease term of equipment is four years. At 2022 year-end, the Company owned 102 leased autos with a total depreciated value of \$1,350,425. Income from the lease program in 2022 was \$828,542 representing 3% of total Company earnings. The Company may also acquire and lease real property.

In 1964, the Company began financing new car and truck purchases for Farm Bureau members. Financing of recreational vehicles was added in 1968. In the following years, the Company expanded its loan portfolio to include mobile home financing, home equity loans, and other collateralized consumer credit. Payment terms are offered on monthly, quarterly, semi-annual, and annual payment modes to accommodate the borrower's method of income. Maturities are scheduled up to fifteen years on loans secured by real property and new mobile homes. New auto loans are offered with 72-month maturities; used vehicles and recreational vehicles are scheduled for various terms depending on the year, model and value of the collateral. It is management's opinion that the relatively short-term loan maturities provide for a quicker, more favorable response to varying interest rates and changing economic conditions. Loan earnings are calculated as simple interest on the unpaid balance of the loan. Interest rates are set to obtain an average minimum return of 4% above the investment rate offered on the Company's debenture notes. These rates are reviewed at least monthly based on current market conditions. At 2022 year-end, consumer loans were at \$73,532,030. Total income from loans totaled \$6,488,137 representing 25% of annual revenue.

Insurance premium financing and consumer loan requests are submitted to the Company through sales representatives of the Farm Bureau Mutual Insurance Company, located in 44 counties throughout the State of Idaho. Equipment leases are negotiated upon request for the affiliated companies.

The Company maintains approximately \$1,000,000 in liquid funds to cover day-to-day operations. Excess funds are invested in stocks, bonds, commercial paper and real estate. At 2022 year-end, these investments totaled \$43,480,392 at cost with current market value of \$40,749,824. Total investment income for 2022 came to \$2,749,414 representing 11% of annual revenue.

A reserve for doubtful debt is maintained at 1.5% of the consumer loan outstanding. To date, Company losses have never exceeded that figure. This reserve is maintained at a level considered adequate to provide for potential future loan losses based on management's evaluation of the loan portfolio, as well as on prevailing and anticipated economic conditions. The Company does not anticipate it will exceed its current reserve for doubtful debt.

The Company owns 96.71% of the common stock of Western Community Insurance Company. This subsidiary Company is engaged in the business of writing lines of insurance not provided by Farm Bureau Mutual Insurance Company. Sales representatives of Farm Bureau Mutual Insurance Company are instrumental in writing these lines of business. During 2022 premium written totaled \$62,872,032. Western Community Insurance Company income in 2022 came to \$15,633,577 representing 61% of total Company revenue.

Income from Western Community Insurance Company is reflected in the above referred annual revenue.

THE BUSINESS OF THE COMPANY-continued

The primary sources of capital to meet loan demand are the sale of Class B common stock, the issuance of Debentures, and the issuance of notes payable to affiliates (See, Notes Payable to Affiliates). Dividends of 1 cent per share have been declared and paid on outstanding Class A and Class B common stock totaling \$78,658 in 2022 and \$80,073 in 2021. The amount of future dividends, if any, will be determined by the Board of Directors at the appropriate time.

The Company is licensed under the authority of the Idaho Department of Finance as a regulated lender, and is in compliance with the provisions of the Idaho Credit Code. The issuance of the license by the Idaho Department of Finance does not constitute a recommendation by any federal or state securities commission or regulatory authority. There have not been in the past, nor does the Company anticipate in the future, any adverse effects upon the earnings or profitability of the Company from compliance with these regulations.

The total loans outstanding for the years 2022 and 2021 are compared to the net earnings and debt outstanding as follows:

	<u>2022</u>	<u>2021</u>
Finance Receivables Outstanding – net	\$72,773,376	\$64,599,178
Net Earnings	6,358,829	5,016,834
Outstanding Liabilities	122,564,926	106,936,830
Debt to Equity Ratio	1.39	1.23
Interest and Preferred Dividend Coverage	15.67	17.61

DEBT FINANCING AND CAPITALIZATION as of December 31, 2022.

The capitalization of the Company as of December 31, 2022, as adjusted to show the net effect of a hypothetical offering of \$30,000,000 of Notes issued and 200,000 shares of new Class B stock being issued at the first quarter of 2023 selling price of \$11.59 is set forth below:

	<u>Outstanding</u>	<u>As Adjusted</u>
Debt:		
Notes Payable to Affiliated Companies (see pg. N-12)	16,846,356	16,846,356
Notes	<u>6,062,873</u>	<u>30,000,000</u>
Total Debt	◆ <u>\$22,909,229</u> ◆	◆ <u>\$46,846,356</u> ◆
Equity:		
Minority Interest	1,407,799	1,407,799
Common Stock, Class A, No Par Value	607,129	607,129
Common Stock, Class B, No Par Value	13,657,498	15,975,498
Retained Earnings	<u>71,625,188</u>	<u>71,625,188</u>
Total Equity	\$87,297,614	\$89,615,614

*Part of the proceeds raised from the sale of Notes and stock offerings may be used to redeem existing Notes and/or Class B common stock.

Proceeds of Note sales and stock offerings provide operating capital for Farm Bureau Finance Company. Each year the Company renews the offer for sale of \$30 million dollars in aggregate Notes and unlimited shares of Class B common stock. Furthermore, the Company redeems outstanding Notes and stock while continuing the new sales. It is anticipated the Company in future years will continue to offer Debentures and Class B common stock in amounts necessary to meet working capital requirements and to retire existing debt.

DEBT FINANCING AND CAPITALIZATION-continued

The Company's Note sales and redemptions for the past five years were:

<u>Year</u>	<u>Notes Sold</u>	<u>Notes Redeemed</u>	<u>Outstanding As of December 31</u>
2018	\$5,554,080	\$6,323,742	\$10,645,047
2019	\$3,411,207	\$5,477,161	\$8,579,093
2020	\$4,909,837	\$6,421,414	\$7,067,515
2021	\$3,917,752	\$4,147,514	\$6,837,753
2022	\$4,363,225	\$5,138,106	\$6,062,873

OUTSTANDING DEBENTURES

As of December 31, 2022, outstanding debentures totaled \$6,062,873.

<u>Type (Months)</u>	<u>Number of Debentures</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
1-3	574	3.0267	\$706,308
4-5	28	2.2339	\$8,205
6-11	345	1.6677	\$286,362
12-23	147	1.6777	\$2,523,494
24-35	27	2.2333	\$1,137,699
36-47	5	1.1200	\$46,093
48-60	26	2.0077	\$1,352,560

MATURITY INFORMATION

The following table shows the current principal balances of Debentures that are scheduled to mature during each of the next five fiscal years and thereafter as of December 31, 2022.

<u>Time of Maturity</u> <i>During the year ended:</i>	<u>Number of Debentures</u>	<u>Aggregate Principal Balance</u>
December 31, 2023	1125	\$4,048,328
December 31, 2024	20	\$292,412
December 31, 2025	6	\$818,458
December 31, 2026	0	\$0
December 31, 2027	1	\$901,522

The Company's Class A and Class B stock sales and redemptions for the past five years were:

<u>Year</u>	<u>Stock Sold</u>	<u>Total Shares Stock Redeemed</u>	<u>Outstanding As of December 31</u>
2018	83,878	91,959	8,341,110
2019	77,919	256,452	8,162,577
2020	47,196	162,840	8,046,933
2021	64,032	102,647	8,008,193
2022	196,762	331,826	7,873,129

CONFLICT OF INTEREST

The entire common Class A voting stock of the Company is owned by the Farm Bureau Mutual Insurance Company of Idaho and the Idaho Farm Bureau Federation along with one hundred twenty-five shares each to the President of Idaho Farm Bureau Federation, the Executive Vice President of Idaho Farm Bureau Federation (currently not exercised) and to the Executive Vice-President of Farm Bureau Mutual Insurance Company of Idaho. The Board of Directors of Farm Bureau Mutual Insurance Company of Idaho, Idaho Farm Bureau Federation, this Company and of Western Community Insurance Company (a 96.71% owned subsidiary) are common. Therefore, decisions and resulting policy set by this common directorship could be influenced by factors not directly involving the Company's operations.

USE OF PROCEEDS

Proceeds are to be applied, in addition to operating income and the proceeds of prior offerings, toward increased loan services to members as well as leasing to the Idaho Farm Bureau Federation and affiliated organizations and corporations. Excess funds are invested in stocks, bonds, commercial paper, and investment properties. It is anticipated that funds will be applied in the approximate percentages as follows:

		<u>Proceeds</u>	<u>Selling Expense</u>
A. Financing of Insurance Premiums	2 %	588,000	12,000
B. Financing of Consumer Loans	71%	20,874,000	426,000
C. Investments - Stocks, Bonds and Commercial Paper	8 %	2,352,000	48,000
D. Equipment, Vehicle and Real Property Leasing	12 %	3,528,000	72,000
E. Redemption of Class B Stock & Debentures in Normal Course of Business	7 %	2,058,000	42,000
	<u>100 %</u>	<u>\$ 29,400,000</u>	<u>\$ 600,000</u>

Note: The disclosed anticipated use of proceeds is not a statement of either the historical, present or future corporate assets investment mix. Part of the proceeds from the sale of Debentures and stock offerings may be used to redeem Debentures and/or Class B common stock (See Debt Financing and Capitalization). The Company has also invested and made loans to Farm Bureau service organizations and to affiliated companies and will continue to make such funding available through the sale of the Company's capital stock and Notes. It is not anticipated that such capital funding will constitute more than 1% of the proceeds in 2023.

In no event will proceeds be applied to uses contrary to the purposes specified herein or not reasonably related to the business of the issuer as described in this offering circular.

REMEDIES OF INVESTORS

Remedies of investors for false or misleading statements in connection with this offering: in the event that this prospectus, or any other written or oral representation to an investor in connection with this offering, contains any untrue statement of a material fact or omits a material fact necessary in order to make the statements made not misleading, then such investor has the right under federal and state securities laws to rescind his purchase and receive back his purchase price in full upon the tender of the securities purchased by him, or to recover actual damages or obtain relief, as appropriate. Any such investor may pursue such relief in a private action brought through his own attorney in the appropriate federal or state court. In such event, the officers, directors, principal stockholders and other controlling persons of the issuer may be jointly and severally liable to the investor to the same extent as the issuer and will not be protected by the corporate form of organization. Under certain circumstances the investor may recover his attorney's fees as well.

DESCRIPTION OF PROPERTIES

The Company owns office equipment and vehicles which are leased to various Farm Bureau companies. From time to time it also holds foreclosed properties for sale. These are listed as assets on the December 31, 2023 balance sheet as follows:

Office Equipment and Vehicles	\$1,860,405
Foreclosed Property held for sale.....	\$0

EMPLOYEES

The Company employs 19 full-time employees and 1 part-time employee. There is no significant seasonal hiring and no union representation. Management's opinion is that its relationship with employees is good.

OFFICERS AND DIRECTORS

The Company's policies, guidelines and direction come through a Board of Directors, executive officers and staff.

The Board of Directors is comprised of 21 individuals who serve for a one-year term. Though not required by the Company's by-laws, individual members of the Board also serve as directors of the Idaho Farm Bureau Federation, Farm Bureau Mutual Insurance Company of Idaho, Western Community Insurance Company and Farm Insurance Brokerage Company. An annual audit prepared by a CPA firm is provided to board members and officers. As of December 31, 2022, the names of the executive officers and directors of the Company, their age, their principal occupation for the past 5 years, address and securities held are as follows:

BRYAN L. SEARLE	62	<i>President and Director</i>	A Farmer whose address is 538 E 1250 N, Shelley	Has 125 shares of Class A common stock and 1,835 shares of Class B common stock
RICHARD K. DURRANT	62	<i>Vice President and Director</i>	A Farmer whose address is 7592 S Ten Mile Rd., Meridian	Has 7,804 shares of Class B common stock
TODD D. ARGALL	55	<i>Executive Vice-President and CEO</i>	An Executive whose address is P.O. Box 4848, Pocatello	Has 125 shares of Class A common stock
THOMAS J. LYONS	55	<i>Secretary</i>	An Attorney whose address is P.O. Box 4848, Pocatello	
JASON T. WILLIAMS	45	<i>Treasurer</i>	An Executive whose address is P.O. Box 4848, Pocatello	Has 6,989 shares of Class B common stock
RICK BRUNE	52	<i>Director</i>	A Farmer whose address is 3602 E 3880 N, Hazelton	Has 376 shares of Class B common stock
CODY CHANDLER	46	<i>Director</i>	A Rancher whose address is 1151 Devils Elbow Rd, Weiser	Has 6,986 shares of Class B common stock
JASON FELLOWS	38	<i>Director</i>	A Farmer whose address is 2592 W 800 S, Weston	

OFFICERS AND DIRECTORS-continued

TOM DANIEL	71	Director	A Farmer, whose address is 1142 Deer Park Rd, Bonners Ferry	Has 7,728 shares of Class B common stock
MATT DORSEY	50	Director	A Farmer whose address is 21755 Hoskins Rd, Caldwell	
RAY SEARLE	33	Director	A Farmer whose address is 583 E 1430 N, Shelley	
MARJORIE FRENCH	80	Director	A Forester/Schoolteacher whose address is Route 1, Box 43, Princeton	Has 3,051 shares of Class B common stock
DAN GARNER	57	Director	A Farmer whose address is 3579 N Westside Hwy, Clifton	
GALEN LEE	57	Director	A Farmer whose address is 2770 SW 1 ST Ave, New Plymouth	Has 2,383 shares of Class B common stock
TOM MOSMAN	65	Director	A Farmer/Rancher whose address is 3099 Central Ridge Rd, Craigmont	Has 1,685 shares of Class B common stock
TRAVIS MCAFFEE	50	Director	A Farmer/Rancher whose address is 1293 W 3700 N, Howe	
DOUG BARRIE	47	Director	A Farmer whose address is 12493 N 55 TH E, Idaho Falls	
RICK PEARSON	55	Director	A Farmer whose address is 1705 E 4000 N, Buhl	Has 3,629 shares of Class B common stock
SCOTT STEELE	58	Director	A Farmer whose address is 6130 1 st Street, Idaho Falls	Has 343 shares of Class B common stock
DARREN TABER	50	Director	A Farmer whose address is 474 E Highway 26, Shoshone	Has 25 shares of Class B common stock
AUSTIN TUBBS	45	Director	A Farmer/Rancher whose address is 5830 W 2500 N, Malad	Has 17,282 shares of Class B common stock

All officers and directors of the Company occupy positions as officers or directors with the Idaho Farm Bureau Federation or other affiliated corporations. They devote such time to the affairs of the Company as the business of the Company requires. Their compensation is paid by the Farm Bureau Mutual Insurance Company or by the Idaho Farm Bureau Federation and prorated to the affiliated companies on the basis of time devoted to the affairs of each of the affiliated corporations.

The Company shares in a pro-rata cost of per diem paid to Board Members. Such remuneration for per diem and expenses of directors paid to Farm Bureau Mutual Insurance Company of Idaho totaled \$89,437 in 2022.

MANAGEMENT

In 2023, the Board of Directors appointed Todd D. Argall as Executive Vice-President and CEO, Thomas J. Lyons as Secretary, and Jason T. Williams as Treasurer. Brett E. Fuhrman, Director of Finance, together with the staff and clerical force, conducts the day-to-day operation of the Company.

The officers and employees of the Company, with the exception of those who are licensed to sell securities, will receive no commissions or any other special compensation with this offering.

The Company does not pay any remuneration directly to its officers, or employees. Under the terms of an agreement with Farm Bureau Mutual Insurance Company of Idaho, the Company pays a management fee. Pursuant to such agreement, management fees totaled \$1,435,151 in 2022 and \$1,234,129 in 2021.

LITIGATION

Periodically, the Company institutes legal action to collect defaulting loans. Otherwise, the Company is not included in any material litigation either as plaintiff or defendant, nor is the Company aware of any litigation contemplated against it. The Company is not subject to any adverse order, judgment or decree in connection with issuance of any of its securities either by any court or the Securities and Exchange Commission.

LIMITATIONS

No dealer, salesman or any other person has been authorized by the Company to give information or make any representation other than those contained in this prospectus, and if given or made, such information must not be relied upon as having been authorized by the Company. To order any of the securities offered by the Company, the investor must complete the Subscription Agreement (page 45) attached as the last page of this prospectus.

REPORT TO NOTE HOLDERS

Upon request, the Company will furnish to Note holders annual audited financial statements with an independent certified public accountant's opinion within 120 days after the end of its fiscal year.

REGULATION

The Company is licensed as a Regulated Consumer Finance Company under the laws of the State of Idaho, with the Idaho Department of Finance.

ENVIRONMENTAL IMPACT

A statement regarding the effect of this offering on the environment is not applicable.

COUNSEL

Name and address of legal counsel is:..... Nathan J. Cuoio
Merrill & Merrill, Chtd.
109 N. Arthur Ave, 5th floor
Pocatello, Idaho 83204

INDEPENDENT PUBLIC ACCOUNTANT

Name and address of certified public accountant is:..... Deaton & Company
215 North 9th Avenue
Pocatello, Idaho 83201

SHAREHOLDERS AND OWNERSHIP

The Company by-laws permit the issuance of only Class A and Class B common stock. Voting rights are limited to Class A stock only. Present ownership of the outstanding Class A stock of the company is listed as follows:

<u>Class of Shares</u>	<u>Name and Address of Shareholder</u>	<u>Number of Shares</u>
Class A	Bryan L. Searle 538 E 1520 N, Shelley	125
Class A	Todd D. Argall P.O. Box 4848, Pocatello	125
Class A	Idaho Farm Bureau Federation P.O. Box 4848, Pocatello	141,250
Class A	Farm Bureau Mutual Insurance Company of Idaho P.O. Box 4848, Pocatello	4,700,000

CLASS A STOCK

At a special stockholders meeting held March 18, 1980, the authorized common Class A stock was increased from 50,000 shares to 500,000 shares. The par value was reduced from \$10.00 per share to \$2.00 per share, and the shares were split 5 shares per 1 share outstanding at that time. Again, on January 26, 1990 at a special stockholder meeting the authorized common Class A stock was increased from 500,000 shares to 2,500,000. The par value was reduced from \$2.00 per share to 40 cents per share, and the shares were split 5 shares per 1 share outstanding at that time. Again, on March 9, 2009, at a special stockholder meeting the authorized common Class A stock was increased from 2,500,000 shares to 100,000,000, the par value was reduced from 40 cents per share to zero, and the shares were split 5 shares per 1 share outstanding at that time.

The by-laws of the Company limit ownership of Class A stock to the Idaho Farm Bureau Federation and the Farm Bureau Mutual Insurance Company of Idaho with the exception of one hundred twenty-five shares each to the President of the Idaho Farm Bureau Federation, the Executive Vice-President of the Farm Bureau Mutual Insurance Company, and the Executive Vice-President of Federation (currently not exercised). These individuals are required to sell or exchange their respective shares of Class A stock at book value to the Company upon leaving their office with the Federation or the Insurance Company. As of December 31, 2022, 4,841,500 shares have been issued and are outstanding.

CLASS B STOCK

In May, 1973 the stockholders authorized the issue of 50,000 shares of common Class B (non-voting) stock. At a special stockholder meeting held March 18, 1980, the authorized common Class B stock was increased from 50,000 to 500,000 shares. The par value was reduced from \$10.00 to \$2.00 per share, and the outstanding shares of Class B stock were split 5 shares per 1 share outstanding at that time. Again, on January 26, 1990 at a special stockholder meeting the authorized common Class B stock was increased from 500,000 to 2,500,000 shares. The par value was reduced from \$2.00 per share to 40 cents per share and the outstanding shares of Class B stock were split 5 shares per 1 share. Again, on March 9, 2009, at a special stockholder meeting the authorized common Class B stock was increased from 2,500,000 shares to 100,000,000, the par value was reduced from 40 cents per share to zero, and the shares were split 5 shares per 1 share outstanding at that time. At December 31, 2022, there were 3,031,629 shares issued and outstanding. There is no one individual owning more than 10% of the Class B stock.

STOCK OPTIONS

On March 26, 2002, Western Community Insurance Company granted key officers and employees stock options to purchase 8,100 shares of Western Community Insurance Company common stock at \$83.85 per share. As of December 31, 2012, all options have been exercised.

On December 30, 2003, Western Community Insurance Company granted a key officer stock options to purchase 500 shares of Western Community Insurance Company common stock at \$91.40 per share. As of December 31, 2008, all options have been exercised.

On September 30, 2014, Western Community Insurance Company granted key officers stock options to purchase 6,600 shares of Western Community Insurance Company common stock at \$33.90 per share. As of December 31, 2022, 5,000 options have been exercised.

On December 31, 2020, Western Community Insurance Company granted key officers stock options to purchase 1,000 shares of Western Community Insurance Company common stock at \$44.69 per share. As of December 31, 2022, zero options have been exercised.

On December 31, 2021, Western Community Insurance Company granted key officers stock options to purchase 3,400 shares of Western Community Insurance Company common stock at \$47.31 per share. As of December 31, 2022, zero options have been exercised.

For all outstanding options at the year end, Western Community Insurance Company's obligation in the difference between the stock option exercise price and the book value of the Company has been accrued and included in accounts payable on the year-end financial statement.

Some of the persons to whom the options were granted are also officers of Farm Bureau Finance Company.

PREFERRED STOCK

The Company's articles of incorporation authorize its board of directors to issue preferred stock without a vote of the common shareholders. Currently the Company has no outstanding preferred stock issued and does not foresee the future issuance of any preferred stock. Nevertheless, such preferred stock would only be issued if the issuance of the preferred stock is approved by a majority of the Company's independent directors who do not have an interest in the transaction and who have access, at the Company's expense, to the Company's or independent legal counsel.

NOTES PAYABLE TO AFFILIATES AND OTHER INSTITUTIONAL INVESTORS

One source of capital to meet loan demand is the issuance of notes payable to affiliates and other institutional investors. Notes payable to affiliates and other institutional investors are private placement notes to sophisticated institutional investors individually negotiated upon the request of the affiliated corporation. Each note is registered with Standard and Poor's Corp. for the issuance of a security identification number. The proposed note along with the company's financial information is then presented to the National Association of Insurance Commissioners Securities Valuation Office which issues an investment rating for the note. The rating is used by institutional investors for investment and accounting purposes. The affiliated notes have consistently received a two (2) investment grade rating.

All future material affiliated notes, transactions and loans will be made or entered into on terms that are no less favorable to the Company than those that can be obtained from unaffiliated third parties. Furthermore, all future material affiliated notes, transactions and loans, and any forgiveness of loans, will be approved by a majority of the Company's independent directors who do not have an interest in the transactions but shall have access, at the Company's expense, to the Company's or independent legal counsel.

NOTES PAYABLE TO AFFILIATES AND OTHER INSTITUTIONAL INVESTORS - continued

December 31, 2022	Amount	Interest Rate
Farm Bureau Mutual Insurance Company of Idaho	12,842,879	.45 - 3.80
Farm Insurance Brokerage	1,870,087	.65 - 5.50
Idaho Farm Bureau Federation	122,404	.75 - .75
Washington State Farm Bureau	577,198	2.85 - 2.85
Montana Farm Bureau Federation	1,000,000	5.50 - 5.50
Montana Farm Bureau Foundation	417,446	5.50 - 5.50
Total	\$ 16,830,014	

December 31, 2021	Amount	Interest Rate
Farm Bureau Mutual Insurance Company of Idaho	14,491,980	.20 - 2.00
Farm Insurance Brokerage	1,770,204	.50 - 1.40
Idaho Farm Bureau Federation	1,027,176	.45 - 8.00
Washington State Farm Bureau	569,442	1.30 - 1.30
Montana Farm Bureau Federation	901,306	2.00 - 2.00
Montana Farm Bureau Foundation	311,030	2.00 - 2.00
Total	\$ 19,071,138	

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FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Farm Bureau Finance Company and Subsidiary
Pocatello, Idaho

Opinion

We have audited the accompanying consolidated financial statements of Farm Bureau Finance Company, an Idaho corporation, and subsidiary, which comprise the consolidated balance sheets as of December 31, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Farm Bureau Finance Company and subsidiary as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Farm Bureau Finance 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Farm Bureau Finance Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.


Auditor's Responsibility 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 consolidated 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 Farm Bureau Finance 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 Farm Bureau Finance 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.



Pocatello, Idaho
March 30, 2023

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

**CONSOLIDATED BALANCE SHEETS (PAGE 1 OF 2)
DECEMBER 31, 2022 AND 2021**

	ASSETS	
	2022	2021
Finance		
Cash and cash equivalents	\$ 856,121	\$ 692,559
Accounts receivable	91,011	64,494
Accrued interest and dividends	393,029	359,224
Prepaid expenses	3,830	1,791
Refundable income taxes	-	295,913
Investments		
Stocks--at fair value	1,902,440	4,465,664
Net finance receivables	72,773,376	64,599,178
Property and equipment		
Land	-	41,324
Rental buildings	-	396,288
Automotive equipment	2,889,315	2,723,398
Office equipment	1,446,618	1,446,618
Accumulated depreciation	(2,475,528)	(2,274,979)
	<u>77,880,212</u>	<u>72,811,472</u>
Insurance		
Cash and cash equivalents	1,360,870	1,014,585
Premiums receivable	18,247,957	15,113,201
Reinsurance recoverables and receivables	60,224,148	54,716,472
Accrued interest and dividends	403,118	393,931
Receivable from affiliate	1,085	1,614
Deferred policy acquisition costs	9,772,895	8,245,083
Guaranty funds receivable	24,736	-
Other receivable	52	22
Refundable income taxes	-	19,175
Investment		
Bonds--at amortized cost	40,223,240	37,648,418
Stocks--at NAIC fair value	2,767,626	3,692,209
	<u>133,025,727</u>	<u>120,844,710</u>
	<u>\$ 210,905,939</u>	<u>\$ 193,656,182</u>

The accompanying notes are an integral part of these financial statements

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

**CONSOLIDATED BALANCE SHEETS (PAGE 2 OF 2)
DECEMBER 31, 2022 AND 2021**

LIABILITIES AND STOCKHOLDERS' EQUITY

	2022	2021
LIABILITIES		
Finance		
Accounts payable	\$ 696,053	\$ 575,891
Line of credit - note payable	8,000,000	-
Accrued interest payable	18,763	-
Notes payable--affiliates	16,846,356	19,071,138
Finance loans in process	190,847	321,708
Subordinated debenture notes payable	6,062,873	6,837,754
Accrued property tax payable	-	4,392
Income taxes payable	380,526	-
Deferred income tax liability	225,066	706,640
	<u>32,420,484</u>	<u>27,517,523</u>
Insurance		
Unpaid insurance losses	29,750,511	28,877,917
Unearned insurance premiums	30,473,637	25,838,555
Unearned ceding commission	10,056,300	8,526,723
Accounts payable	100,613	81,827
Accounts payable--affiliates	1,731,676	1,178,478
Taxes, licenses and fees	186,267	182,207
Ceded reinsurance premiums payable (net of commission)	17,624,742	14,459,912
Deferred income tax liability	119,321	273,688
Income taxes payable	101,375	-
	<u>90,144,442</u>	<u>79,419,307</u>
 Total liabilities	 122,564,926	 106,936,830
 STOCKHOLDERS' EQUITY		
Common Stock--Class A, no par value	607,129	607,129
Common Stock--Class B, no par value	13,657,498	12,578,944
Unrealized gains (losses) on marketable securities	600,088	1,867,322
Unrealized gains (losses) on marketable securities--subsidiary	443,311	1,036,358
Retained earnings	71,625,188	69,264,812
	<u>86,933,214</u>	<u>85,354,565</u>
Minority interest in subsidiary	1,407,799	1,364,787
	<u>88,341,013</u>	<u>86,719,352</u>
 Total equity	 88,341,013	 86,719,352
 Total liabilities and net assets	 <u>\$ 210,905,939</u>	 <u>\$ 193,656,182</u>

The accompanying notes are an integral part of these financial statements

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
FINANCE OPERATIONS		
Finance loan interest and fees	\$ 6,521,853	\$ 5,940,878
Investment income	85,529	109,348
Auto lease income	613,449	618,814
Rental real estate income	7,300	37,200
Net realized gains (loss) on disposition of equipment	215,093	11,131
Net realized gain (loss) on disposition of securities	1,226,350	199,678
Operating revenues	8,669,574	6,917,049
Depreciation	845,050	862,858
Interest and bank charges	433,447	301,987
General and administrative	3,280,161	2,858,055
Bad debts	253,190	294,230
Operating expenses	4,811,848	4,317,130
Income from finance operations	3,857,726	2,599,919
INSURANCE OPERATIONS		
Ceding commissions	15,551,319	16,027,597
Investment income	1,364,572	1,320,108
Net realized gain (loss) on disposition of securities	72,963	(15,520)
Other income	9,295	7,390
Operating revenues	16,998,149	17,339,575
Underwriting	14,426,203	14,874,112
Bad debts	70,843	48,548
Operating expenses	14,497,046	14,922,660
Income from insurance operations	2,501,103	2,416,915
INCOME BEFORE INCOME TAXES	6,358,829	5,016,834
PROVISION FOR INCOME TAXES	1,416,947	1,049,280
INCOME BEFORE MINORITY INTEREST	4,941,882	3,967,554
MINORITY INTEREST IN SUBSIDIARY	68,224	67,095
NET INCOME	<u>\$ 4,873,658</u>	<u>\$ 3,900,459</u>
EARNINGS PER COMMON SHARE	<u>\$ 0.62</u>	<u>\$ 0.49</u>

The accompanying notes are an integral part of these financial statements

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
NET INCOME	\$ 4,873,658	\$ 3,900,459
OTHER COMPREHENSIVE INCOME		
Unrealized gains (losses) on securities		
Unrealized holding gains (losses) arising during year		
Finance company	(493,580)	726,936
Insurance company	<u>(677,729)</u>	<u>240,950</u>
	(1,171,309)	967,886
Reclassification adjustment for (gains) losses included in net income		
Finance company	(1,226,350)	(199,678)
Insurance company	<u>(72,963)</u>	<u>15,520</u>
	<u>(1,299,313)</u>	<u>(184,158)</u>
	(2,470,622)	873,331
Deferred income tax benefit (provision)		
Finance company	452,696	(131,081)
Insurance company	<u>157,645</u>	<u>(53,858)</u>
	<u>610,341</u>	<u>(184,939)</u>
Total other comprehensive income (loss)	<u>(1,860,281)</u>	<u>598,789</u>
COMPREHENSIVE INCOME	<u><u>\$ 3,013,377</u></u>	<u><u>\$ 4,499,248</u></u>

The accompanying notes are an integral part of these financial statements

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Common stock- Class A, no par value, 100,000,000 shares authorized, 4,841,500 for 2022 and for 2021 shares issued and outstanding		
Balance at beginning of year	\$ 607,129	\$ 607,561
Shares redeemed: 125 shares in 2021	<u>-</u>	<u>(432)</u>
Balance at end of year	<u><u>\$ 607,129</u></u>	<u><u>\$ 607,129</u></u>
Common stock- Class B, no par value, 100,000,000 shares authorized; issued and outstanding at end of year, 2022 - 3,031,629 shares; - 2021 - 3,166,693 shares; 2020 - 3,205,308 shares;		
Balance at beginning of year	\$ 12,578,944	\$ 12,084,256
Shares issued		
196,762 shares sold in 2022	2,206,171	-
64,032 shares sold in 2021	-	688,413
Shares redeemed and canceled		
331,8267 shares redeemed in 2022	(1,127,617)	-
102,647 shares redeemed in 2021	<u>-</u>	<u>(193,725)</u>
Balance at end of year	<u><u>\$ 13,657,498</u></u>	<u><u>\$ 12,578,944</u></u>
Unrealized gains on marketable equity securities		
Balance at beginning of year	\$ 1,867,322	\$ 1,471,145
Increase (decrease) in excess of market value over book value of marketable equity securities	(1,719,930)	527,258
Decrease (increase) in deferred income taxes	<u>452,696</u>	<u>(131,081)</u>
Balance at end of year	<u><u>\$ 600,088</u></u>	<u><u>\$ 1,867,322</u></u>
Unrealized gains on subsidiary marketable equity securities		
Balance at beginning of year	\$ 1,036,358	\$ 833,746
Increase (decrease) in excess of market value over book value of subsidiary marketable equity securities	(750,692)	256,470
Decrease (increase) in deferred income tax	<u>157,645</u>	<u>(53,858)</u>
Balance at end of year	<u><u>\$ 443,311</u></u>	<u><u>\$ 1,036,358</u></u>
Retained earnings		
Balance at beginning of year	\$ 69,264,812	\$ 66,311,406
Net income	4,873,658	3,900,459
Common stock cash dividends	(78,658)	(80,073)
Excess of cost of common shares reacquired and retired over proceeds received when issued	<u>(2,434,624)</u>	<u>(866,980)</u>
Balance at end of year	<u><u>\$ 71,625,188</u></u>	<u><u>\$ 69,264,812</u></u>

The accompanying notes are an integral part of these financial statements

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS (PAGE 1 OF 3)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Finance operations		
Finance loan interest and fees collected	\$ 6,521,853	\$ 5,940,878
Cash investment income collected	51,724	131,839
Cash lease income collected	613,449	618,814
Cash rental real estate income collected	7,300	37,200
Cash paid to suppliers	(3,192,947)	(2,807,274)
Interest paid	(414,684)	(301,987)
Income taxes paid	(342,425)	(478,001)
	<u>3,244,270</u>	<u>3,141,469</u>
Insurance operations		
Premiums collected net of reinsurance	667,279	335,739
Ceding commissions collected	16,926,544	17,241,871
Cash investment income collected	1,589,452	1,588,627
Underwriting expenses paid	(15,931,169)	(16,551,225)
Income taxes paid	(297,782)	(354,595)
Miscellaneous income collected	9,295	7,390
	<u>2,963,619</u>	<u>2,267,807</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,207,889	5,409,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Finance		
Purchase of equipment	(760,253)	(787,793)
Purchase of securities	(327,694)	-
Purchase of rental building improvements	-	(17,488)
Proceeds from sale of equipment	602,540	138,451
Proceeds from securities sold or matured	2,397,339	207,416
Net (increase) decrease of finance and other loan receivables	(8,558,249)	(5,646,708)
Proceeds from sale of foreclosed property	-	-
	<u>(6,646,317)</u>	<u>(6,106,122)</u>
Insurance		
Proceeds from securities sold or matured	6,254,562	4,767,175
Purchase of securities	(8,842,079)	(7,265,880)
Guaranty funds	(24,736)	-
	<u>(2,612,253)</u>	<u>(2,498,705)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (9,258,570)	\$ (8,604,827)

The accompanying notes are an integral part of these financial statements

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS (PAGE 2 OF 3)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (9,258,570)	\$ (8,604,827)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance		
Net increase (decrease) in notes payable to affiliates	(2,224,782)	2,201,979
Net increase (decrease) in subordinated debentures notes payable	(774,881)	(229,762)
Proceeds from line of credit	8,000,000	-
Proceeds from sale of common stock	2,206,171	688,413
Payments to redeem common stock	(3,562,241)	(1,061,135)
Payments of common stock dividends	(78,658)	(80,074)
	<u>3,565,609</u>	<u>1,519,421</u>
Insurance		
Payments to redeem common stock	(5,081)	-
Proceeds from sale of common stock	<u>-</u>	<u>-</u>
	<u>(5,081)</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>3,560,528</u>	<u>1,519,421</u>
NET INCREASE (DECREASE) IN CASH	509,847	(1,676,130)
CASH AT BEGINNING OF YEAR	<u>1,707,144</u>	<u>3,383,274</u>
CASH AT END OF YEAR	<u><u>\$ 2,216,991</u></u>	<u><u>\$ 1,707,144</u></u>

The accompanying notes are an integral part of these financial statements

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS (PAGE 3 OF 3)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

	<u>2022</u>	<u>2021</u>
NET INCOME	\$ 4,873,658	\$ 3,900,459
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Finance operations		
Depreciation	845,050	862,858
Bad debts	253,190	294,230
Deferred income taxes	(28,879)	38,205
Net realized (gain) loss on sale of assets	(215,093)	(11,131)
Net realized (gain) loss on disposition of securities	(1,226,350)	(199,678)
Minority interest	68,224	67,095
Insurance operations		
Amortization of bond discounts/premiums	234,047	273,830
Bad debts	70,843	48,548
Deferred income taxes	8,630	66,602
Net realized (gain) loss on sale of securities	(72,963)	15,520
(Increase) decrease in assets		
Finance operations--net	233,552	179,694
Insurance operations--net	(10,218,088)	(18,057,147)
Increase (decrease) in liabilities		
Finance operations--net	516,058	46,264
Insurance operations--net	10,866,010	17,883,927
Total adjustments	<u>1,334,231</u>	<u>1,508,817</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 6,207,889</u></u>	<u><u>\$ 5,409,276</u></u>

The accompanying notes are an integral part of these financial statements

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 1 OF 18)

NOTE 1 - Summary of Significant Accounting Policies

Farm Bureau Finance Company (Company) is engaged in the business of providing financing for consumer purchases of automobiles, other personal property, real estate, insurance premiums and the real estate rental business. The Company's majority owned subsidiary is engaged in the fire and casualty insurance business. The Company is a subsidiary of Farm Bureau Mutual Insurance Company of Idaho, who owns 58.69% of all common stock and 97.07% of the Class A voting stock.

Principals of Consolidation

The consolidated financial statements include the accounts of Farm Bureau Finance Company and its 96.72% owned subsidiary, Western Community Insurance Company. All significant intercompany transactions have been eliminated.

Insurance Premiums

Premiums are recorded when policies are issued or at the time reports are received from ceding insurance companies. The premiums are earned on a pro-rata basis over the term of the policy. The premiums applicable to the unexpired term of the policies are included in unearned premiums.

Investments

Debt securities owned by Farm Bureau Finance Company and classified as "held to maturity securities" are reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "trading securities" and reported at fair value, with unrealized gains and losses included in earnings. Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity.

Investments in stocks and bonds owned by Western Community Insurance Company are valued for financial presentation in accordance with the National Association of Insurance Commissioners ("NAIC") publication *VALUATIONS OF SECURITIES*. Bonds are generally stated at amortized cost unless designated by NAIC as "medium or below quality" in which case the bonds are carried at associated value. Redeemable preferred stocks designated by NAIC as "highest and high quality" are stated at amortized cost. Redeemable preferred stocks designated by NAIC as "medium or below quality" are carried at associated value. Perpetual preferred stocks are carried at NAIC market value. Common stocks are stated at associated value, which approximates market or equity value. Realized gains or losses on the sale or maturity of investments are determined on the basis of the cost of the specific investment sold. Unrealized investment gains and losses are credited or charged directly to stockholders' equity.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 2 OF 18)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Allowance For Doubtful Accounts

All insurance premium receivables over 90 days old are 100% provided for in the allowance for doubtful premium accounts. Delinquent finance receivable accounts are charged off against the allowance for doubtful finance accounts after the underlying collateral has been repossessed and sold. The allowance for doubtful finance accounts is maintained at approximately 1.5% of net consumer installment loans.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation is computed on the straight-line method for financial reporting and the straight-line method and accelerated methods for income tax purposes.

Unpaid Insurance Losses

Provisions for losses and loss adjustment expenses are recorded at management's estimate of the liability which will be incurred. The estimated ultimate loss is intended to provide for outstanding case basis reserves, potential adverse development of case basis reserves, and late claim reporting. Although management believes that the liability for losses and loss adjustment expenses is adequate, the ultimate liability may vary from such estimates.

Policy Acquisition Costs

Policy acquisition costs, principally direct and indirect costs directly related to production of insurance premiums that are 100% ceded, are deferred and amortized against the ceding commissions earned.

Reinsurance

The Company complies with generally accepted accounting principles which eliminates the practice of reporting liabilities net of reinsurance ceded and requires that reinsurance receivables and recoverables (ceded reserves for losses) and prepaid reinsurance premiums (ceded unearned premiums) are to be reported as separate assets rather than as reductions of the related liabilities.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policies.

The Company receives commissions for ceding reinsurance. The ceding commissions are earned on a pro-rata basis over the term of the policies ceded. The commissions applicable to the unexpired terms of the policies are included in the unearned ceding commissions.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 3 OF 18)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company joins in filing a consolidated income tax return with its parent, Farm Bureau Mutual Insurance Company of Idaho, and other subsidiaries.

The Company conforms to accounting principles generally accepted in the United States of America, which requires the determination of deferred taxes using an asset and liability approach, whereby deferred tax liabilities and assets are recognized for expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax balances are adjusted to reflect enacted changes in income tax rates.

Income taxes are provided on net income less exclusions and deductions allowable for tax exempt interest income, dividends and other items. Investment tax credits are accounted for by the flow-through method and are used to reduce the income tax provision in the year such credits are available as a reduction of income taxes.

Deferred income taxes have been provided for on the difference in the carrying amounts and tax basis of assets and liabilities. These differences result primarily from the following:

- a. Different computations of depreciation charges for tax purposes and financial reporting purposes.
- b. Discounts on bonds purchased at less than par value which are taken into income over the term of the bond for financial reporting purposes and are recognized for tax purposes only when the bonds are sold.
- c. Certain dividends received which are recognized for financial reporting purposes and which are treated as a non-taxable reduction of basis for tax purposes.
- d. Equity in earnings of a 96.72% owned subsidiary, Western Community Insurance Company are recognized for financial reporting purposes, but not for tax purposes. The Company plans to indefinitely maintain its investment in this Company, therefore, a provision for deferred income taxes on the equity in earnings has not been provided.
- e. Deferred compensation on stock options is not recognized for tax purposes.
- f. Bad debt reserve method is used for financial reporting and the direct write-off method is required for income tax purposes.
- g. Unrealized capital gains included in the carrying value of marketable equity securities.
- h. Deferred policy acquisition costs are not recognized for tax purposes.
- i. Unearned ceding commissions are not recognized for tax purposes.
- j. Gain from the sale of a building is recognized using the installment method for tax purposes.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 4 OF 18)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Earnings Per Common Share

Earnings per common share are computed on the basis of the average number of shares outstanding during each year. Net income, after income taxes and preferred stock dividends, is used in the computation. The average number of shares of common stock used to compute earnings per common share was 7,905,459 in 2022 and 8,027,517 in 2021.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

Management has evaluated subsequent events through March 30, 2023, the date the financial statements were available to be issued.

Comprehensive Income

Generally accepted accounting principles defines comprehensive income as all changes in equity of an enterprise during a period except those resulting from stockholder transactions. A separate statement of comprehensive income has been presented. The accumulated balance of other comprehensive income consists of unrealized gains on marketable securities of the Finance Company and the Insurance Company and are separately stated in stockholders' equity.

Reclassifications

Certain balances from the 2021 financial statements have been reclassified to conform to the 2022 financial statements presentation. Such reclassifications had no effect on the previously reported net income for the year ended December 31, 2021.

NOTE 2 - Cash and Cash Equivalents

The Company's cash management policies include investing idle cash funds in highly liquid temporary investments. The Company considers these investments the equivalent of cash. Cash and cash equivalents consisted of the following:

	2022	2021
Petty Cash	\$ 1,000	\$ 1,000
Bank interest bearing checking and saving accounts	2,177,326	1,685,259
Stock Broker bank insured account	38,665	20,885
Total cash and cash equivalents	<u>\$ 2,216,991</u>	<u>\$ 1,707,144</u>

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 5 OF 18)

NOTE 3 - Investments

All of the bond portfolio of marketable debt securities have been designated as “held-to-maturity” and, therefore, are carried at amortized cost.

The book/adjusted carrying value and estimated market values of investments in debt securities as of December 31, 2022 are as follows:

	<u>Book/Adjusted Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>NAIC Estimated Fair Value</u>
<u>Insurance Co</u>				
Government Obligations				
US Government	\$ 267,554	\$ -	\$ 32,739	\$ 234,815
States	429,228	-	128,339	300,889
Political Subdivision	11,312,464	22,207	1,295,841	10,038,830
Special Revenue	25,970,210	68,566	2,349,973	23,688,803
Corporate Obligations				
Industrial	1,993,784	2,867	381,480	1,615,171
Hybrid securities	250,000	-	48,750	201,250
Total debt securities	40,223,240	93,640	4,237,122	36,079,758
<u>Finance Co</u>				
Corporate Obligations				
Industrial	-	-	-	-
Total bonds	<u>\$ 40,223,240</u>	<u>\$ 93,640</u>	<u>\$ 4,237,122</u>	<u>\$ 36,079,758</u>

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 6 OF 18)

NOTE 3 - Investments (Continued)

The book/adjusted carrying value and estimated market values of investments in debt securities as of December 31, 2021 are as follows:

	<u>Book/Adjusted Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>NAIC Estimated Fair Value</u>
<u>Insurance Co</u>				
Government Obligations				
US Government	\$ 268,394	\$ 45,238	\$ -	\$ 313,632
States	696,632	13,024	8,164	701,492
Political Subdivision	10,654,786	473,482	15,079	11,113,189
Special Revenue	24,005,940	1,437,526	24,414	25,419,052
Corporate Obligations				
Industrial	1,772,666	27,330	50,312	1,749,684
Hybrid securities	250,000	22,200	-	272,200
Total debt securities	37,648,418	2,018,800	97,969	39,569,249
<u>Finance Co</u>				
Corporate Obligations				
Industrial	-	-	-	-
Total bonds	\$ 37,648,418	\$ 2,018,800	\$ 97,969	\$ 39,569,249

The book/adjusted carrying value and fair value of debt securities at December 31, 2021, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Book/ Adjusted Carrying Value</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 1,968,759	\$ 1,979,927
Due after one year through five years	2,442,406	2,407,985
Due after five years through ten years	7,720,153	7,067,054
Due after ten years	28,091,922	24,624,792
	<u>\$ 40,223,240</u>	<u>\$ 36,079,758</u>

Proceeds from sales and matured debt securities during 2022 were \$5,707,747. Gross gains of \$55,157 and \$23,486 gross losses were realized during 2022.

Proceeds from sales and matured debt securities during 2021 were \$4,767,175. Gross gains of \$995 and \$16,514 gross losses were realized during 2021.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 7 OF 18)

NOTE 3 - Investments (Continued)

The following table sets forth the NAIC estimated fair value and unrealized losses of debt securities in an unrealized loss position that are not deemed to be other-than-temporarily impaired. These are listed by investment category and the length of time the securities have been in an unrealized loss position as of December 31, 2022.

	Less than one year		One year or more		Total	
	NAIC Estimated Fair Value	Unrealized Losses	NAIC Estimated Market Value	Unrealized Losses	NAIC Estimated Market Value	Unrealized Losses
<u>Insurance Co.</u>						
Government Obligations						
US Government	\$ -	\$ -	\$ 234,815	\$ 32,739	\$ 234,815	\$ 32,739
States	-	-	300,890	128,339	300,890	128,339
Political Subdivision	1,670,528	243,897	6,174,182	1,051,944	7,844,710	1,295,841
Special Revenue	4,763,760	516,664	23,688,803	1,833,309	28,452,563	2,349,973
Corporate Obligations						
Industrial	189,133	53,953	1,273,892	345,478	1,463,025	399,431
Hybrid securities	-	-	201,250	48,750	201,250	48,750
Total debt securities	\$ 6,623,421	\$ 814,514	\$ 31,873,832	\$ 3,440,559	\$ 38,497,253	\$ 4,255,073

The following table sets forth the NAIC estimated fair value and unrealized losses of debt securities in an unrealized loss position that are not deemed to be other-than-temporarily impaired. These are listed by investment category and the length of time the securities have been in an unrealized loss position as of December 31, 2021.

	Less than one year		One year or more		Total	
	NAIC Estimated Fair Value	Unrealized Losses	NAIC Estimated Fair Value	Unrealized Losses	NAIC Estimated Fair Value	Unrealized Losses
<u>Insurance Co.</u>						
Government Obligations						
States	\$ -	\$ -	\$ 425,828	\$ 8,164	\$ 425,828	\$ 8,164
Political Subdivision	514,091	3,097	1,828,273	11,983	2,342,364	15,080
Special Revenue	372,038	1,538	2,078,985	22,877	2,451,023	24,415
Corporate Obligations						
Industrial	265,075	9,832	1,183,859	40,480	1,448,934	50,312
	\$ 1,151,204	\$ 14,467	\$ 5,516,945	\$ 83,504	\$ 6,668,149	\$ 97,971

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 8 OF 18)

NOTE 3 - Investments (Continued)

All of the stock portfolio of marketable equity securities owned by Farm Bureau Finance Company have been designated as "available-for-sale securities" and, therefore, are carried at market value at the balance sheet date. The gross unrealized gains and losses on investments in nonredeemable preferred and common stocks owned by Farm Bureau Finance Company are as follows:

December 31, 2022	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Preferred stocks	\$ -	\$ -	\$ -	\$ -
Common stocks	1,094,453	883,597	75,610	1,902,440
	<u>\$ 1,094,453</u>	<u>\$ 883,597</u>	<u>\$ 75,610</u>	<u>\$ 1,902,440</u>

The unrealized gain on common and preferred stocks of \$807,987 for 2022 has been credited to stockholders' equity net of deferred income tax provision of \$208,003.

December 31, 2021	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Preferred stocks	\$ -	\$ -	\$ -	\$ -
Common stocks	1,937,644	2,581,753	53,733	4,465,664
	<u>\$ 1,937,644</u>	<u>\$ 2,581,753</u>	<u>\$ 53,733</u>	<u>\$ 4,465,664</u>

The unrealized gain on common and preferred stocks of \$2,528,020 for 2021 has been credited to stockholders' equity net of deferred income tax provision of \$885,051.

Western Community Insurance Company follows specialized practices in accounting for marketable equity securities. Those practices have been retained in the consolidated financial statements. The stock portfolio of Western Community Insurance Company is carried at NAIC market value.

The gross unrealized gains and losses on investments in common and preferred stocks owned by Western Community Insurance Company are as follows:

December 31, 2022	Cost	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Market Value
Preferred Stocks	\$ 937,500	\$ -	\$ 220,650	\$ 716,850
Common Stock	1,225,199	949,359	123,782	2,050,776
	<u>\$ 2,162,699</u>	<u>\$ 949,359</u>	<u>\$ 344,432</u>	<u>\$ 2,767,626</u>

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 9 OF 18)

NOTE 3 - Investments (Continued)

<u>December 31, 2021</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>NAIC Market Value</u>
Preferred Stocks	\$ 1,187,500	\$ 65,575	\$ -	\$ 1,253,075
Common Stock	1,141,558	1,361,663	64,087	2,439,134
	<u>\$ 2,329,058</u>	<u>\$ 1,427,238</u>	<u>\$ 64,087</u>	<u>\$ 3,692,209</u>

The net unrealized gain on common and preferred stocks of \$604,927 less adjustment on a bond of \$17,950 for 2022 has been credited to stockholders' equity net of deferred income tax of \$128,593 and minority interest of \$15,049.

The net unrealized gain on common and preferred stocks of \$1,363,151 for 2021 has been credited to stockholders' equity net of deferred income tax of \$291,589 and minority interest of \$35,303.

Wells Fargo Bank, N.A., as trustee, is holding one US Treasury bond with a NAIC statement value of \$267,554 and market value of \$234,815 for the Treasurer, State of Idaho, for the exclusive benefit of holders of the obligations of the Company under workers' compensation laws of the State of Idaho. US Bank, N.A., as trustee, is holding various municipal bonds with a NAIC statement value of \$1,158,576 and market value of \$1,027,174 for the Department of Insurance, State of Idaho, for the protection of all policyholders. US Bank, N.A., as trustee, is holding one municipal bond with NAIC statement value of \$301,297 and fair value of \$273,756 for the Department of Insurance, State of Oregon, for the protection of all policyholders.

The following is a summary of realized gross gains and losses from the sale of securities available for sale and the realized gross gains and losses from the sale, call or maturity of debt securities. The cost of the securities sold was based on the specific identification method.

<u>December 31, 2022</u>	<u>Gross Proceeds</u>	<u>Cost</u>	<u>Gross Gains</u>	<u>Gross Losses</u>
Available for sale				
Preferred stocks	\$ 204,400	\$ 250,000	\$ -	\$ 45,600
Common stocks	4,849,151	3,535,909	1,366,873	53,630
Debt securities	5,707,747	5,676,076	55,157	23,486
	<u>\$ 10,761,298</u>	<u>\$ 9,461,985</u>	<u>\$ 1,422,030</u>	<u>\$ 122,716</u>

<u>December 31, 2021</u>	<u>Gross Proceeds</u>	<u>Cost</u>	<u>Gross Gains</u>	<u>Gross Losses</u>
Available for sale				
Preferred stocks	\$ -	\$ -	\$ -	\$ -
Common stocks	207,416	7,738	199,679	1
Debt securities	4,767,175	4,782,695	995	16,515
	<u>\$ 4,974,591</u>	<u>\$ 4,790,433</u>	<u>\$ 200,674</u>	<u>\$ 16,516</u>

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 10 OF 18)

NOTE 3 - Investments (Continued)

Income from investments in marketable securities amounted to \$154,879 in dividends and \$1,299,610 in bond interest income for 2022 and \$190,345 in dividends and \$1,224,226 in bond interest income for 2021.

The Company amortizes bond discounts and premiums using the interest method over the life of the bonds.

NOTE 4 - Finance Receivables

At December 31, 2022 and 2021 finance receivables consisted of the following:

	2022	2021
Premium finance loans	\$ 334,643	\$ 311,792
Consumer installment loans	73,532,030	65,257,476
	73,866,673	65,569,268
Less allowance for doubtful finance accounts	(1,093,297)	(970,090)
	<u>\$ 72,773,376</u>	<u>\$ 64,599,178</u>

Premium finance loans are loans to finance premiums on insurance policies written by Farm Bureau Mutual Insurance Company of Idaho, Western Community Insurance Company and Farm Insurance Brokerage Company, Inc., and accepted with full recourse to the insurance company which guarantees any default on the part of the borrower. Terms of the financing plan call for assignment, in favor of the Finance Company, of all right, title and interest of the insured in and to any return or unearned premium which may become payable.

Consumer installment loans are written primarily for vehicles, mobile homes and home improvements. Terms normally range up to 10 years and the loans are secured by a title, chattel mortgage, or deed of trust. Pre-payment is permitted at the borrower's option.

NOTE 5 - Reinsurance

Western Community Insurance Company cedes 100% of all business written to Farm Bureau Mutual Insurance Company of Idaho. Reinsurance ceded contracts do not relieve Western Community from its obligations to policyholders. Farm Bureau Mutual Insurance Company of Idaho paid a 33% ceding commission to Western Community. The ceding commission earned at GAAP basis was \$15,551,319 for 2022 and \$16,027,597 for 2021.

	2022		2021	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
Direct	\$ 62,872,032	\$ 58,236,950	\$ 53,135,354	\$ 48,568,475
Assumed	-	-	-	-
Ceded	(62,872,032)	(58,236,950)	(53,135,354)	(48,568,475)
Net premiums	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 11 OF 18)

NOTE 5 - Reinsurance (Continued)

The effects of reinsurance assumed and ceded on losses incurred are as follows:

<u>Losses Incurred</u>	<u>2022</u>	<u>2021</u>
Direct	\$ 26,971,509	\$ 25,173,484
Assumed	-	-
Ceded	(26,971,509)	(25,173,484)
Net losses incurred	<u>\$ -</u>	<u>\$ -</u>

In accordance with GAAP, the Company's balance sheets reflect the following amounts as receivables from its parent Farm Bureau Mutual Insurance Company of Idaho, as a result of ceding 100% of the direct premiums written.

	<u>2022</u>	<u>2021</u>
Unpaid losses ceded	\$ 30,750,511	\$ 28,877,917
Unearned premiums ceded	30,473,637	25,838,555
Reinsurance recoverables and receivables	<u>\$ 61,224,148</u>	<u>\$ 54,716,472</u>

Included in ceded reinsurance premiums payable on the balance sheets under Insurance Company are the following amounts receivable from and payable to Farm Bureau Mutual Insurance Company of Idaho related to ceded insurance at December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Ceding commission receivable	\$ 1,395,044	\$ 1,240,692
Net balance receivable (payable) on insurance	(19,019,786)	(15,700,604)
	<u>\$ (17,624,742)</u>	<u>\$ (14,459,912)</u>

The maximum amount of return commission which would have been due if all reinsurance assumed and ceded was cancelled at December 31, 2022 and 2021, are \$10,056,300 and \$8,256,723, respectively.

NOTE 6 - Income Taxes

The Company joins in filing a consolidated income tax return with its parent, Farm Bureau Mutual Insurance Company of Idaho and other subsidiaries. The Company has been allocated federal and state income taxes by applying 21% and 6% rates in 2022 and 21% and 6.5% rates in 2021, to the Company's taxable income.

The Company complies with generally accepted accounting principles which requires the determination of deferred income taxes using an asset and liability approach, whereby deferred tax liabilities and assets are recognized for expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred balances are adjusted to reflect enacted changes in income tax rates.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 12 OF 18)

NOTE 6 - Income Taxes (Continued)

The provision for federal and state income taxes consists of the following components:

	2022	2021
CURRENT		
Federal	\$ 1,192,245	\$ 770,489
(Over) under accrual of prior year Federal	1,918	1,263
	<u>1,194,163</u>	<u>771,752</u>
State	242,694	177,722
(Over) accrual of prior year State	338	(5,000)
	<u>243,032</u>	<u>172,722</u>
	1,437,195	944,474
DEFERRED		
Federal	(12,185)	111,396
State	(8,063)	(6,590)
	<u>(20,248)</u>	<u>104,806</u>
Provision for income taxes	<u>\$ 1,416,947</u>	<u>\$ 1,049,280</u>

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

	2022	2021
DEFERRED TAX ASSETS		
Allowance for doubtful receivables	\$ 281,415	\$ 253,587
Accrued vacation pay	18,137	14,551
Foreclosed property	-	-
Stock options	10,310	8,105
Unearned ceding commission	2,111,823	1,790,612
Total deferred tax assets	<u>2,421,685</u>	<u>2,066,855</u>
Valuation allowance	<u>(2,470)</u>	<u>(2,026)</u>
Deferred tax assets, net of valuation allowance	2,419,215	2,064,829
DEFERRED TAX LIABILITIES		
Property and equipment	(316,615)	(314,026)
Accumulated bond discount amortization	(57,507)	(46,831)
Accrued dividends receivable	(576)	(543)
Unrealized capital gains on marketable equity securities	(331,269)	(946,963)
Deferred policy acquisition costs	(2,052,308)	(1,731,467)
Deferred gain on intercompany stock sale	-	-
Deferred gains from mergers	<u>(5,327)</u>	<u>(5,327)</u>
Deferred tax liabilities	<u>(2,763,602)</u>	<u>(3,045,157)</u>
Net deferred income tax asset (liability)	<u>\$ (344,387)</u>	<u>\$ (980,328)</u>

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 13 OF 18)

NOTE 6 - Income Taxes (Continued)

The Company's deferred income tax asset (liability) is reflected on the consolidated balance sheets as follows:

	2022	2021
Finance	\$ (225,066)	\$ (706,640)
Insurance	(119,321)	(273,688)
Net deferred income tax asset (liability)	<u>\$ (344,387)</u>	<u>\$ (980,328)</u>

The Company was able to exclude from federal taxable income \$73,775 for 2022 and \$91,532 for 2021 of its dividend income due to the 50% dividend exclusion provision. The Company was able to exclude from federal taxable income \$617,954 in 2022 and \$768,892 in 2021 of income earned on municipal bonds. The Company was required to reduce its deduction for losses incurred by \$166,849 in 2022 and \$205,410 in 2021 because of proration rules. The Company was required to reduce its deduction for meals and entertainment by \$63 in 2022 and \$239 for 2021 due to the 50% meals and 100% entertainment limitation. As a result of the above items, the relationship of the income tax provision to total pretax earnings varies from the customary relationship.

NOTE 7 - Line of Credit

In May of 2022, the Company opened an \$8,000,000 line of credit with interest at the bank's prime rate (7.5% at December 31, 2022) plus 1.8%. The line of credit was fully borrowed against at December 31, 2022.

NOTE 8 - Subordinated Debentures

Authority was obtained in 2022 and 2021 to issue new unsecured subordinated debentures in an amount up to \$30,000,000. Notes are issued for periods of 1 month to 5 years, but are customarily redeemed at any time upon request. During 2022, interest rates varied from .10% to 5.45% depending on maturity.

NOTE 9 - Common Stock

The Company has two classes of common stock which are voting Class A and nonvoting Class B.

Western Community Insurance Company grants to key officers and employees stock options to purchase shares of the Company's common stock at book value on the date the option is granted. Western Community's obligation for the difference between the stock option exercise price and the book value per share of the Company at its year-end has been accrued and included in accounts payable. The Company's liability on the outstanding 6,000 shares under option at December 31, 2022 and 2021, was \$49,096 and \$38,596, respectively.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 14 OF 18)

NOTE 10 - Stockholders' Dividend Restriction

The maximum amount of dividends which can be paid by State of Idaho insurance companies to stockholders without prior approval of the Insurance Commissioner is subject to restrictions relating to surplus. Western Community Insurance Company's statutory surplus at December 31, 2022 and 2021 was \$43,105,175 and \$41,647,899, respectively. The maximum dividend payout which may be made without prior approval for 2022 and 2021 by the Insurance Company is \$4,310,518 and \$4,164,790, respectively. No dividend payments were made during 2022 and 2021.

NOTE 11 - Compensated Absences

Personnel are provided by Farm Bureau Mutual Insurance Company of Idaho, the Company's parent. The Company reimbursed its parent for the cost of personnel and related expenses.

Farm Bureau Mutual Insurance Company's fringe benefit policy allows employees to accumulate non-vested sick leave based on years of service. Since the benefits are not vested, no accrual is necessary.

Vacations for employees of Farm Bureau Mutual Insurance Company are based on length of service. The amounts of accrued vacation pay earned at December 31, 2022 and 2021 for personnel assigned to the Finance Company have been reflected in accounts payable on the balance sheets.

NOTE 12 - Related Party Transactions

The Company engages in various transactions with companies having common management.

Included in accounts payable on the balance sheets is \$425,261 for 2022 and \$304,459 for 2021 for amounts due to the Company's parent for reimbursement of personnel costs and other expenses.

Notes payable to related companies at December 31, 2022 and 2021 totaled \$14,553,316 and \$15,208,488, respectively. Interest rates on notes payable during 2022 and 2021 ranged from 0.2% to 8%. Interest expense pertaining to related companies during 2022 and 2021 totaled \$129,894 and \$160,497, respectively.

Automobiles owned by the Finance Company are leased to these same companies. The cost of the leased automobiles at December 31, 2022 and 2021 was \$2,889,315 and \$2,723,398, respectively. Income from the lease of these automobiles totaled \$613,449 in 2022 and \$618,814 in 2021. Included in finance receivables at December 31, 2022 and 2021 are loans receivable from officers and Farm Bureau Mutual Insurance Company employees assigned to the Finance Company in the amount of \$47,669 for 2022 and \$72,186 for 2021. Included in subordinated debenture notes payable are notes payable to officers and employees assigned to the Finance Company in the amount of \$137,399 for 2022 and \$145,099 for 2021.

Farm Bureau Mutual Insurance Company of Idaho provides personnel, office space, and other services to the Finance Company on a month to month basis. The Finance Company reimbursed its parent for the cost of the services provided.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 15 OF 18)

NOTE 12 - Related Party Transactions (Continued)

The Finance Company paid to Farm Bureau Mutual Insurance Company of Idaho for various services provided by them, the following amounts for operating expenses:

	2022	2021
Personnel	\$ 1,435,151	\$ 1,234,129
Employee relations	614,168	542,637
Rent	70,692	70,692
Accounting and data processing	145,104	88,440
Insurance	28,417	25,600
	<u>\$ 2,293,532</u>	<u>\$ 1,961,498</u>

Farm Bureau Mutual Insurance Company of Idaho provides management services to Western Community Insurance Company. Western Community Insurance Company paid a management fee of 17% of premiums written by the Company to Farm Bureau Mutual Insurance Company of Idaho for 2022 and 2021. Management fees paid totaled \$10,688,245 for 2022 and \$9,033,010 for 2021. Western Community also paid Farm Bureau Mutual Insurance Company of Idaho a county service fee of 2% of premiums written for a total fee of \$1,257,441 for 2022 and \$1,062,707 for 2021.

The following amounts are included in Western Community's accounts payable affiliates at December 31, 2022 and 2021:

	2022	2021
Accounts payable affiliates		
Management, county service fees, commissions, and other expense reimbursements due parent	\$ 1,219,981	\$ 1,059,090
Credit Card Account Advance	497,255	88,020
Premium collection service fees due parent	14,440	31,368
	<u>\$ 1,731,676</u>	<u>\$ 1,178,478</u>

The Finance Company rents office space to Farm Bureau Mutual Insurance Company of Idaho on a month-to-month basis. The rental income for 2022 and 2021 totaled \$7,300 and \$37,200, respectively.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 16 OF 18)

NOTE 13 - Concentrations of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist principally of finance loans receivable and temporary cash investments.

The Company is engaged in the business of providing financing for consumer purchases of automobiles, other personal property, real estate and insurance premiums to members of the Idaho Farm Bureau Federation. All of the Company's lending activity is within the State of Idaho. Loan maturities are scheduled up to ten years. The Company provides financing of policyholders' annual premiums on insurance coverage written through Farm Bureau Mutual Insurance Company, Western Community Insurance Company and Farm Insurance Brokerage Co., Inc. The insurance companies collect a portion of the premium on financed policies and assigns the remainder to the Company on a full recourse basis. The Finance Company has discontinued the premium financing arrangement with its parent and subsidiary.

Western Community Insurance Company is engaged in the business of providing fire and casualty insurance to customers who reside in the State of Idaho and customarily grants credit on open account for premiums on insurance policies. The Companies policy is to require a sufficient down payment on the policies in order to cover any unpaid portion of the premium with the unearned premium upon cancellation.

The Company places its temporary cash investments with Key Bank in interest bearing checking and savings accounts and with D.A. Davidson & Co. in their money market accounts. The amounts invested customarily exceed the amounts guaranteed by federal insurance. Western Community Insurance Company invests its temporary cash with Key Bank.

NOTE 14 - Fair Value of Measurements

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 17 OF 18)

NOTE 14 - Fair Value of Measurements (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realized value or reflective of future values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Company's assets that are recorded at fair value as of December 31, 2022 and 2021.

Assets at Fair Value as of December 31, 2022

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 4,670,066	-	-	\$ 4,670,066

Assets at Fair Value as of December 31, 2021

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 8,157,873	-	-	\$ 8,157,873

FARM BUREAU FINANCE COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS (PAGE 18 OF 18)

NOTE 15 - Uncertain Income Tax Positions

The Company joins in filing a consolidated income tax return with its parent, Farm Bureau Mutual Insurance Company of Idaho and other subsidiaries. The Company has been allocated federal and state income taxes by applying 21% and 6% rates to the Company's taxable income.

The Company adopted Accounting for Uncertainty in Income taxes, which prescribe a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. For the year ended December 31, 2022 and 2021, the Company had no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

The Company is subject to routine audits by taxing jurisdictions. The Company believes it is no longer subject to income tax examinations for years prior to 2019.

NOTE 16 - Subsequent Events

After yearend the Company increased the limit of the line of credit to \$12,000,000.

Subscription Agreement



Farm Bureau Finance Company
PO Box 4848
Pocatello, Idaho 83205-4848

To purchasers of Subordinated Debenture Notes of the Farm Bureau Finance Company

These securities are offered and sold only to bona-fide residents of the State of Idaho. To confirm this sale and that you have received and reviewed the attached Prospectus, and also to confirm that you are an Idaho resident, please sign and return to us the certificate of residency attached below. No Debenture Note will be issued in your name or delivered to you until this form is received.

Agreement and Certificate of Residency

I, the undersigned, hereby subscribe for and agree to invest \$_____ in the Farm Bureau.

Finance Company Debenture Notes for a period of_____ at _____% interest.

I would like the interest (please T check) _____ Paid or _____ Compounded quarterly.

I understand I am investing for a specified term and if I request redemption of my Note prior to maturity date, the interest rate shall be reduced to reflect an interest penalty. THE COMPANY RESERVES THE RIGHT TO REFUSE REQUESTS FOR EARLY REDEMPTION AT ANY TIME.

I certify that I am a bona-fide resident of the State of Idaho for all purposes, and that my residence address is as set forth below. I further certify that I am not purchasing said notes for or on behalf of a non-resident or non-residents of the State of Idaho.

I acknowledge that I have received a copy of the Prospectus describing this offering.

Name(s)
exactly as
they should
appear.

Names(s) _____
(Please print)

Street _____

, Idaho _____ Phone _____

Social Security Number _____

Under the penalties of perjury, I certify this to be the correct Social Security Number of the first named person on this agreement.

Dated _____ Signed _____
(If jointly owned, both must sign)

Checks should be made payable to: **Farm Bureau Finance Company**