

# **Glacial Lakes Corn Processors**

Consolidated Financial Report  
August 31, 2023

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Glacial Lakes Corn Processors

### Report on Audit of the Financial Statements

#### ***Opinion***

We have audited the consolidated financial statements of Glacial Lakes Corn Processors and its subsidiaries (the Company), which comprise the consolidated balance sheets as of August 31, 2023 and 2022, the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1 to the consolidated financial statements, the Company has adopted Accounting Standards Update No. 2016-02 *Leases* (Topic 842) issued by the Financial Accounting Standards Board. Pursuant to the adoption of this guidance, the Company changed its method of accounting for leases, which now include recognizing right-of-use assets and lease liabilities for the rights and obligations created by operating lease agreements. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Sioux Falls, South Dakota  
November 20, 2023

## Glacial Lakes Corn Processors

### Consolidated Balance Sheets August 31, 2023 and 2022

|   | 2023                  | 2022                  |
|---|-----------------------|-----------------------|
| <b>Assets</b>   |                       |                       |
| Current assets:   |                       |                       |
| Cash and cash equivalents   | \$ 62,007,180         | \$ 79,861,152         |
| Short-term investments  | 79,402,876            | 79,706,879            |
| Accounts receivable, trade  | 32,952,136            | 19,694,626            |
| Inventories   | 47,032,969            | 63,341,338            |
| Derivative financial instruments  | 9,817,490             | 15,899,371            |
| Prepaid expenses  | 919,696               | 822,694               |
| Other receivables   | 1,951,858             | 2,175,484             |
| Tax receivable  | -                     | 767,323               |
| <b>Total current assets</b>   | <b>234,084,205</b>    | <b>262,268,867</b>    |
| Property and equipment, net   | 136,683,796           | 121,536,682           |
| Right-of-use operating lease assets, net  | 39,917,425            | -                     |
| Investments in unconsolidated affiliates  | 29,143,296            | 28,200,709            |
| Other assets  | 1,526,798             | 1,362,238             |
| <b>Total assets</b>   | <b>\$ 441,355,520</b> | <b>\$ 413,368,496</b> |
| <b>Liabilities and Stockholders' Equity</b>   |                       |                       |
| Current liabilities:  |                       |                       |
| Current maturities of long-term debt  | \$ 4,900,000          | \$ 4,900,000          |
| Accounts payable  | 78,302,822            | 77,574,798            |
| Accrued expenses  | 10,353,880            | 8,594,504             |
| Current portion—operating leases  | 13,509,949            | -                     |
| Tax payable   | 52,195                | -                     |
| Dividends payable   | -                     | 18,563,665            |
| Glacial Lakes Exports distributions payable   | 3,653,329             | 3,968,912             |
| <b>Total current liabilities</b>  | <b>110,772,175</b>    | <b>113,601,879</b>    |
| Long-term debt, less current maturities   | 26,718,100            | 31,548,530            |
| Operating leases, net of current portion  | 26,764,546            | -                     |
| Deferred income taxes   | 2,135,175             | 2,576,626             |
| Railcar damage accrual  | 8,005,424             | 9,518,674             |
| <b>Total liabilities</b>  | <b>174,395,420</b>    | <b>157,245,709</b>    |
| Commitments (Notes 9, 11 and 12)  |                       |                       |
| Stockholders' equity:   |                       |                       |
| Preferred stock, \$1.00 par value; authorized 1,000,000 shares; no shares issued and outstanding            | -                     | -                     |
| Common stock, \$0.00056 par value; authorized 500,000,000 shares; 185,636,652 shares issued and outstanding | 103,061               | 103,061               |
| Additional paid-in capital  | 113,507,620           | 113,507,620           |
| Certificates of interest  | 1,262,166             | 1,262,166             |
| Unallocated capital   | 152,087,253           | 141,249,940           |
| <b>Total stockholders' equity</b>   | <b>266,960,100</b>    | <b>256,122,787</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 441,355,520</b> | <b>\$ 413,368,496</b> |

See notes to consolidated financial statements.

## Glacial Lakes Corn Processors

### Consolidated Statements of Operations Years Ended August 31, 2023 and 2022

|   | 2023                   | 2022           |
|---|------------------------|----------------|
| Net sales:                                      |                        |                |
| Ethanol sales                                   | \$ 803,081,466         | \$ 818,610,194 |
| Distillers grains sales                         | 203,792,944            | 191,769,259    |
| Corn oil sales                                  | 81,753,092             | 73,592,106     |
| <b>Total revenue</b>                            | <b>1,088,627,502</b>   | 1,083,971,559  |
| Cost of goods sold                              | <b>(1,012,225,490)</b> | (988,359,766)  |
| <b>Gross profit</b>                             | <b>76,402,012</b>      | 95,611,793     |
| General and administrative expenses             | <b>(10,491,222)</b>    | (8,798,932)    |
| Grant income                                    | 1,986,798              | 16,007,157     |
| Other operating income, net                     | 1,703,349              | 869,711        |
| <b>Operating income</b>                         | <b>69,600,937</b>      | 103,689,729    |
| Nonoperating income (expense):                  |                        |                |
| Interest expense, net (Note 4)                  | 325,509                | 2,120,244      |
| Interest income                                 | 4,229,912              | 723,605        |
| Equity in earnings of unconsolidated affiliates | 3,755,681              | 15,769,377     |
|   | <b>8,311,102</b>       | 18,613,226     |
| <b>Income before income tax expense</b>         | <b>77,912,039</b>      | 122,302,955    |
| Income tax expense                              | <b>2,137,189</b>       | 2,262,067      |
| <b>Net income</b>                               | <b>\$ 75,774,850</b>   | \$ 120,040,888 |
| Basic and diluted earnings per common share     | <b>\$ 0.408</b>        | \$ 0.647       |

See notes to consolidated financial statements.

## Glacial Lakes Corn Processors

### Consolidated Statements of Stockholders' Equity Years Ended August 31, 2023 and 2022

|                                     | Common<br>Stock   | Additional<br>Paid-In Capital | Certificates<br>of Interest | Unallocated<br>Capital | Total                 |
|-------------------------------------|-------------------|-------------------------------|-----------------------------|------------------------|-----------------------|
| Balance, August 31, 2021            | \$ 103,061        | \$ 113,507,620                | \$ 1,262,166                | \$ 63,563,914          | \$ 178,436,761        |
| Net income                          | -                 | -                             | -                           | 120,040,888            | 120,040,888           |
| Dividends                           | -                 | -                             | -                           | (34,342,781)           | (34,342,781)          |
| Glacial Lakes Exports distributions | -                 | -                             | -                           | (8,012,081)            | (8,012,081)           |
| Balance, August 31, 2022            | 103,061           | 113,507,620                   | 1,262,166                   | 141,249,940            | 256,122,787           |
| Net income                          | -                 | -                             | -                           | 75,774,850             | 75,774,850            |
| Dividends                           | -                 | -                             | -                           | (59,589,345)           | (59,589,345)          |
| Glacial Lakes Exports distributions | -                 | -                             | -                           | (5,348,192)            | (5,348,192)           |
| <b>Balance, August 31, 2023</b>     | <b>\$ 103,061</b> | <b>\$ 113,507,620</b>         | <b>\$ 1,262,166</b>         | <b>\$ 152,087,253</b>  | <b>\$ 266,960,100</b> |

See notes to consolidated financial statements.

## Glacial Lakes Corn Processors

### Consolidated Statements of Cash Flows Years Ended August 31, 2023 and 2022

|  | 2023                 | 2022                 |
|--|----------------------|----------------------|
| Cash flows from operating activities:  |                      |                      |
| Net income   | \$ 75,774,850        | \$ 120,040,888       |
| Adjustments to reconcile net income to net cash provided by operating activities:              |                      |                      |
| Depreciation and amortization  | 18,949,231           | 18,313,478           |
| Deferred income taxes  | (441,451)            | 1,506,585            |
| Equity in earnings of unconsolidated affiliates  | (3,755,681)          | (15,769,377)         |
| Distributions from unconsolidated affiliates   | 7,672,820            | 8,114,402            |
| Amortized gain on short-term investments   | (2,385,526)          | (131,006)            |
| Gain from sale of property and equipment   | 20,838               | -                    |
| (Gain) loss on derivative financial instruments  | (11,284,347)         | 69,275,454           |
| Operating leases   | 357,072              | -                    |
| Change in operating assets and liabilities:  |                      |                      |
| Accounts and other receivables   | (13,033,885)         | (6,889,308)          |
| Inventories  | 16,308,368           | (4,860,761)          |
| Derivative financial instruments   | 17,366,228           | (75,322,263)         |
| Prepaid expenses   | (97,002)             | (708,080)            |
| Tax receivable   | 819,518              | (460,269)            |
| Other assets   | (164,560)            | -                    |
| Accounts payable   | 402,508              | 31,282,087           |
| Accrued expenses and railcar damage accrual  | 246,127              | 2,885,638            |
| <b>Net cash provided by operating activities</b>   | <b>106,755,108</b>   | <b>147,277,468</b>   |
| Cash flows from investing activities:  |                      |                      |
| Purchases of property and equipment  | (34,068,104)         | (22,795,832)         |
| Proceeds from sale of property and equipment   | 346,006              | -                    |
| Investment in unconsolidated affiliates  | (4,859,726)          | (789,448)            |
| Purchase of short-term investments   | (237,187,396)        | (79,575,873)         |
| Maturity of short-term investments   | 239,876,925          | -                    |
| <b>Net cash used in investing activities</b>   | <b>(35,892,295)</b>  | <b>(103,161,153)</b> |
| Cash flows from financing activities:  |                      |                      |
| Payments on long-term debt   | (4,900,000)          | (4,900,000)          |
| Dividends paid   | (78,153,010)         | (15,779,116)         |
| Glacial Lakes Exports distributions paid   | (5,663,775)          | (5,351,907)          |
| <b>Net used in financing activities</b>  | <b>(88,716,785)</b>  | <b>(26,031,023)</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                    | <b>(17,853,972)</b>  | <b>18,085,292</b>    |
| Cash and cash equivalents:   |                      |                      |
| Beginning  | 79,861,152           | 61,775,860           |
| Ending   | <b>\$ 62,007,180</b> | <b>\$ 79,861,152</b> |
| Supplemental disclosures of cash flow information:   |                      |                      |
| Cash paid for interest, net of capitalized interest of \$1,511,023 and \$480,222               | <b>\$ 2,277,445</b>  | <b>\$ 1,298,906</b>  |
| Cash paid for income taxes   | <b>\$ 2,184,880</b>  | <b>\$ -</b>          |
| Supplemental schedule of noncash investing and financing activities:                           |                      |                      |
| Property and equipment acquired with accounts payable  | <b>\$ 666,236</b>    | <b>\$ 340,720</b>    |
| Right-of-use assets and operating lease liabilities from the adoption of ASC Topic 842, Leases | <b>\$ 53,882,591</b> | <b>\$ -</b>          |
| Glacial Lakes Exports distributions payable  | <b>\$ 3,653,329</b>  | <b>\$ 3,968,912</b>  |
| Dividends payable  | <b>\$ -</b>          | <b>\$ 18,563,665</b> |

See notes to consolidated financial statements.



## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies

**Nature of business:** Glacial Lakes Corn Processors (GLCP), a cooperative located near Watertown, South Dakota, was organized in May 2001 and operates ethanol plants in South Dakota for commercial sales. Wholly owned subsidiaries of GLCP are Glacial Lakes Energy, LLC (GLE), Aberdeen Energy, LLC (AE), Hub City Energy, LLC (HCE), and Huron Energy, LLC (HE). GLE owns and operates a 130 million gallon per year ethanol plant near Watertown, South Dakota. AE owns and operates a 140 million gallon per year ethanol plant near Aberdeen, South Dakota. HCE owns and operates a 50 million gallon per year ethanol plant near Aberdeen, South Dakota. HE owns and operates a 40 million gallon per year ethanol plant near Huron, South Dakota.

**Principles of consolidation:** The consolidated financial statements (collectively, the financial statements) include the accounts of GLCP and its wholly owned subsidiaries (collectively, the Cooperative). All significant intercompany accounts and transactions have been eliminated in consolidation.

A summary of the Cooperative's significant accounting policies follows:

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Estimates significant to the financial statements include accrual for damage to leased railcars and assumptions related to adoption of Accounting Standards Codification (ASC) Topic 842.

**Revenue recognition:** The Cooperative uses a five-step model for recognizing revenues from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Cooperative assesses the contract term as the period in which the parties to the contract have enforceable rights and obligations.

The Cooperative generally sells ethanol and distillers grains pursuant to marketing agreements and corn oil pursuant to contract agreements with third parties. Revenue from the sale of product is recognized at a point in time, upon transfer of control to the customer. For single manifest ethanol railcars, distillers grains, and corn oil sales, control transfers when loaded into the railcar. For ethanol sales by unit trains, control transfers when the last railcar of the unit train is loaded and the shipping documentation transferred to the customer. In some instances, the Cooperative enters into contracts with customers that contain multiple performance obligations to deliver volumes of ethanol or coproducts over a contractual period of less than 12 months.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Cooperative allocates the transaction price to each performance obligation identified in the contract based on relative stand-alone selling prices and recognizes the related revenue as control of each individual product is transferred to the customer in satisfaction of the corresponding performance obligations. The Cooperative has elected to treat shipping and handling activities related to contracts with customers as a cost of fulfilling the promise to transfer the associated product and not as a separate performance obligation. Shipping costs for ethanol and distillers grains sales paid directly by the Cooperative's marketers and commissions deducted by the marketers are presented on a net basis in revenue on the consolidated statements of operations. Railcar lease costs incurred by the Cooperative in the sale of its products are included in the cost of goods sold.

Payment terms on invoiced amounts are typically three to 15 business days. As these payment terms are less than one year, the Cooperative has determined that a significant financing component does not exist. The primary purpose of the Cooperative's invoicing term is to provide customers with simplified and predictable ways of purchasing the product and not to receive financing from or provide financing to the customer.

The Cooperative has elected to apply the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

The following is a description of principal activities from which the Cooperative generates revenue. Revenues from contracts with customers are recognized when control of the promised goods are transferred to customers, in an amount that reflects the consideration expected to be received in exchange for those goods.

- Ethanol sales
- Distillers grains sales
- Corn oil sales

All revenue recognized in the consolidated statements of operations is considered to be revenue from contracts with customers.

**Taxes collected from customers:** The Cooperative collects various taxes from customers for remittance to governmental authorities. These amounts are recorded on a net basis.

**Shipping and commission costs:** Shipping costs were \$114,798,732 and \$113,546,359 and commission costs were \$3,548,197 and \$3,012,817 for the years ended August 31, 2023 and 2022, respectively. Shipping costs for ethanol and distillers grains sales paid directly by the Cooperative's marketers and commissions deducted by the marketers are presented on a net basis in revenue on the consolidated statements of operations.

**Concentrations of credit risk:** The Cooperative performs periodic credit evaluations of its customers and generally does not require collateral. The Cooperative's results of operations may vary with the volatility of the markets for inputs (including corn, natural gas, chemicals and denaturant) and for the finished products (ethanol, distillers grains and corn oil).

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Cash and cash equivalents:** The Cooperative considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Cooperative maintains bank deposit accounts that regularly exceed federally insured limits. The Cooperative has not experienced any losses in such accounts.

**Short-term investments:** Short-term investments consist solely of debt securities that the Cooperative has the positive intent and ability to hold to maturity and are stated at amortized cost.

**Accounts receivable:** Trade accounts receivable are carried at original invoice amount less an allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of receivables. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recognized when received. As of August 31, 2023 and 2022, there was no allowance for doubtful accounts as all accounts are considered to be collectible.

**Inventories:** Grain and spare parts inventories are stated at the lower of cost or net realizable value on the weighted-average cost method. Other inventories are stated at the lower of cost or net realizable value on the first-in, first-out method.

**Derivative financial instruments:** The Cooperative enters into forward purchase and sales contracts for corn and ethanol, which meet the definition of a derivative under accounting standards but qualify for the normal purchase, normal sale exception to derivative accounting. These contracts provide for the purchase or sale of commodities in quantities that are expected to be used or sold over a reasonable period of time in the normal course of operations. These contracts are not marked to market in the financial statements. In circumstances where management estimates that cash contract values from purchased corn cannot be recovered through the sale of ethanol and related coproducts, a loss is recorded on the contract. Such losses are included in cost of goods sold.

Exchange-traded futures contracts and interest rate swaps are recognized as either assets or liabilities at their fair value in the consolidated balance sheets with the changes in the fair value reported in current-period earnings. Changes in fair value of exchange-traded futures contracts are included in product sales or cost of goods sold on the consolidated statements of operations consistent with the commodity being hedged. Changes in fair value of interest rate swaps are included in interest expense on the consolidated statements of operations.

**Property and equipment:** Property and equipment is stated at cost. Expenditures for major renewals and betterments that extend useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expense as incurred. Depreciation is computed by the straight-line method over the following estimated useful lives:

|                                      | <u>Years</u> |
|--------------------------------------|--------------|
| Land improvements                    | 15-20        |
| Buildings                            | 20-30        |
| Railroad equipment and rolling stock | 5-20         |
| Machinery and equipment              | 7-30         |
| Office equipment                     | 3-7          |

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Long-lived assets:** The Cooperative reviews long-lived assets for impairment when events and circumstances indicate that the assets may not be recoverable. For purposes of this review, long-lived assets are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of other groups of assets and liabilities (asset group). If the sum of undiscounted cash flows estimated to be generated by an asset group are less than the carrying amounts of those assets, an impairment loss is recognized for the excess of the carrying value of the asset group over its fair value. During the years ended August 31, 2023 and 2022, there were no events or circumstances that indicated the asset groups of the Cooperative may be impaired.

**Leases:** On September 1, 2022, the Cooperative adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* and the related amendments, which supersedes most previous U.S. GAAP operating lease guidance. Under this guidance, lessees are required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted cash flow basis; and (2) a right-of-use (ROU) asset, which is an asset that represents the lessee's right to use the specified asset for the lease term. Under this guidance, lessor accounting is largely unchanged, with some minor exceptions. Lease expense under the new guidance is substantially the same as prior to the adoption. See Note 9 for further information. The Cooperative elected to adopt the new standard under the modified retrospective method, in which prior-period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

Upon the initial adoption of ASC 842, the Cooperative elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Cooperative does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Cooperative has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on September 1, 2022.

The Cooperative determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Cooperative obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Cooperative also considers whether its service agreements include the right to control the use of an asset.

The Cooperative made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or September 1, 2022, for existing leases upon the adoption of Topic 842). To determine the present value of lease payments, the Cooperative made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). The Cooperative also made an accounting policy election available under Topic 842 not to assess whether any expired or existing land easements are, or contain, leases at transition if they were not previously accounted for as leases under Topic 840.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

Certain of the Company's leases also include non-lease components that transfer a distinct service to the Company, such as common area maintenance services and other operating costs and charges. For all asset classes, the Company has elected the lessee practical expedient to combine lease and non-lease components and account for the combined unit as a single lease component.

Adoption of Topic 842 resulted in the recording of initial ROU assets and liabilities related to the Company's operating leases of \$53,882,591 at September 1, 2022. The adoption of the new lease standard did not materially impact the statements of operations or cash flows and did not result in a cumulative-effect adjustment to the opening balance of stockholders' equity.

**Investments in unconsolidated affiliates:** The Cooperative has a 20.37% investment interest in Harvestone Group, LLC, which markets the Cooperative's ethanol. The Cooperative also has a 16.62% ownership interest in Granite Falls Energy, LLC and a 8.16% ownership interest in Redfield Energy, LLC. These investments are flow-through entities and are being accounted for by the equity method of accounting under which the Cooperative's share of net income is recognized as income in the Cooperative's statements of operations and added to the investment account. Distributions or dividends received from the investments are treated as a reduction of the investment account.

**Grant income:** In May 2022, the Cooperative received funding from the U.S. Department of Agriculture in the amount of \$16,007,157 pursuant to the Biofuel Producer Program (BPP). In August 2023, the Cooperative received additional funding of \$1,986,798. The funding received from the grant is not required to be repaid. Since these funds are provided to subsidize historical losses of the Cooperative, and are not to be repaid, the Cooperative accounted for the proceeds by analogy to International Accounting Standards 20 *Accounting for Government Grants and Disclosure of Government Assistance*, and reported as grant income within operating income in the accompanying consolidated statements of operations.

**Income taxes:** The Cooperative is a nonexempt cooperative association subject to federal income tax on nonpatronage income and patronage income not allocated to members. The Cooperative is permitted to deduct the portion of patronage income allocated to the members in the form of cash dividends and qualified written notice of allocations from taxable income. The Cooperative allocates its patronage income on the tax basis. Deferred income taxes are recorded on the consolidated balance sheets for basis differences related to nonpatronage income from the Cooperative's investments in unconsolidated affiliates. The deferred tax liability represents the future tax return consequences of those differences. The Cooperative uses accelerated depreciation methods for income tax purposes, which causes taxable income to be different than net income for financial reporting purposes. Taxable income is also different than net income on the consolidated statements of operations for differences related to derivative financial instruments, long-term incentive plan, accrued railcar damages, accrued compensation and certain recorded losses. No deferred income taxes are recognized on these differences.

Management has evaluated the Cooperative's tax positions and concluded that the Cooperative has taken no uncertain tax positions that require recognition in the financial statements. The Cooperative recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. During the years ended August 31, 2023 and 2022, there were no material amounts recognized for interest or penalties related to unrecognized tax benefits.

The Cooperative files income tax returns in the federal and Minnesota jurisdiction. The Cooperative is no longer subject to federal tax examinations by tax authorities beyond three years for jurisdictions in which it files. The Cooperative has no U.S. federal or state examinations currently in progress.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Earnings per share:** Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that would occur, using the treasury stock method, if securities or other obligations to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the Cooperative's earnings, unless such effects are antidilutive.

**Domestic international sales corporation:** The Cooperative's members own Glacial Lakes Exports Holdings, LLC. Glacial Lakes Exports Holdings, LLC owns 100% of Glacial Lakes Exports, Inc., which is a domestic international sales corporation (DISC) under the Internal Revenue Code. Glacial Lakes Exports, Inc. receives a commission from the Cooperative on certain international sales. These commissions are recognized as distributions to the Cooperative's members in the consolidated statements of stockholders' equity in the year the sales occur.

**Advertising costs:** Advertising and promotion costs are expensed when incurred and totaled \$199,773 and \$171,025 for the years ended August 31, 2023 and 2022, respectively.

**Subsequent events:** The Cooperative has evaluated subsequent events through November 20, 2023, the date which the financial statements were available to be issued.

The Board of Directors of the Cooperative voted to have its members deliver 131,802,023 (0.71 per share) bushels of corn for the year ending August 31, 2024, on an open delivery system.

On November 15, 2023, the Board of Directors of the Cooperative voted to approve various capital expenditures of approximately \$50M.

#### Note 2. Short-term Investments

The following is a summary of the Cooperative's short-term investments (original maturity due within one year):

|                                   | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair Market<br>Value |
|-----------------------------------|-------------------|------------------------------|-------------------------------|----------------------|
| August 31, 2023:                  |                   |                              |                               |                      |
| United States Treasury securities | \$ 79,402,876     | \$ -                         | \$ (121,596)                  | \$ 79,281,280        |
| August 31, 2022:                  |                   |                              |                               |                      |
| United States Treasury securities | \$ 79,706,879     | \$ -                         | \$ (102,979)                  | \$ 79,603,900        |

Short-term investments are recorded in the consolidated balance sheet at amortized cost. Estimated fair market value at August 31, 2023 and 2022, was determined by reference to quotations or market indices for the respective investment securities. The unrealized gains and losses are determined at a point in time and would only be realized upon the sale of the investment securities. If the investment securities are held to their contractual maturities, no gains or losses are realized.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 3. Inventories

The following table summarizes inventories as of August 31, 2023 and 2022:

|                           | 2023                 | 2022                 |
|---------------------------|----------------------|----------------------|
| Grain                     | \$ 21,119,788        | \$ 29,126,492        |
| Chemicals and ingredients | 2,576,773            | 2,288,926            |
| Ethanol and coproducts:   |                      |                      |
| Finished goods            | 12,307,403           | 20,598,829           |
| In process                | 3,830,519            | 4,991,141            |
| Spare parts               | 7,198,486            | 6,335,950            |
|                           | <u>\$ 47,032,969</u> | <u>\$ 63,341,338</u> |

Inventory is stated net of a valuation adjustment of approximately \$0 and \$15,000 for the years ended August 31, 2023 and 2022, respectively.

#### Note 4. Derivative Financial Instruments

The Cooperative is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are commodity price risk and interest rate risk. Short-term exchange-traded contracts are entered into to manage the price risk associated with forecasted purchases and sales of materials used and products sold in the Cooperative's manufacturing process.

The Cooperative has two floating-to-fixed interest rate swap agreements to manage interest rate risk associated with its London Interbank Offered Rate (LIBOR)-based borrowings which are not designated as cash flow hedges. The differential to be paid or received on all swap agreements and related amount on deposit with (due to) broker are presented net in derivative financial instruments in the consolidated balance sheets. Amounts paid or received in connection with the swap agreements' monthly settlements, as well as changes in fair value, are included in interest expense. The swap agreements expire in December 2029 and have effectively fixed the interest rates at 1.88% and 1.80%. The notional amounts of the interest rate swaps decrease by \$1,225,000 each quarter. In connection with the December 2021 amendment to its credit agreement with Compeer Financial due to the discontinuance of LIBOR, the Company updated its swap agreement to align their borrowing rate from LIBOR to Secured Overnight Financing Rate (SOFR) Index. The swap agreement expires in December 2029 and effectively fixes the interest rate at 1.76%. The notional amount of the swap decreases by \$1,225,000 each quarter. The interest rate swaps contain no credit risk-related contingent features.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

#### Note 4. Derivative Financial Instruments (Continued)

As of August 31, 2023 and 2022, the Cooperative has entered into the following derivative financial instruments, none of which are designated as hedging instruments:

|                       | Notional | 2023         |                      | 2022         |                      |
|-----------------------|----------|--------------|----------------------|--------------|----------------------|
|                       |          | Notional     | Fair Value           | Notional     | Fair Value           |
|                       |          | Long (Short) | Assets (Liabilities) | Long (Short) | Assets (Liabilities) |
| Corn contracts        | Bushels  | 285,625      | \$ (50,643)          | 4,585,000    | \$ 2,054,038         |
|                       |          | (12,008,125) | 5,674,268            | (15,395,000) | (5,160,713)          |
| Ethanol contracts     | Gallons  | (6,930,000)  | 1,592,766            | (25,116,000) | 2,145,133            |
|                       |          | (13,818,000) | (2,123,835)          | (3,024,000)  | (181,860)            |
| Natural gas contracts | mmBtu    | -            | -                    | 1,463,750    | 2,266,874            |
| Interest rate swap    | Dollars  | 31,850,000   | 2,310,415            | 36,750,000   | 1,757,313            |
| Total derivatives     |          |              | 7,402,971            |              | 2,880,785            |
| Deposit with broker   |          |              | 2,414,519            |              | 13,018,586           |
| Total                 |          |              | \$ 9,817,490         |              | \$ 15,899,371        |

These contracts and related amount on deposit with broker are presented net in derivative financial instruments in the consolidated balance sheets.

The following table summarizes the gains (losses) on derivative transactions reflected in the Cooperative's consolidated statements of operations for the years ended August 31, 2023 and 2022, none of which are designated as hedging instruments:

|  | 2023           | 2022            |
|--|----------------|-----------------|
| Gain (loss) recognized in consolidated statements of operations: |                |                 |
| Ethanol sales:   |                |                 |
| Ethanol contracts  | \$ (4,241,273) | \$ (61,183,082) |
| Cost of goods sold:  |                |                 |
| Corn contracts   | 19,154,525     | (14,609,789)    |
| Natural gas contracts  | (4,981,809)    | 3,499,258       |
| Interest income:   |                |                 |
| Interest rate swap   | 1,352,904      | 3,018,159       |

The Cooperative has approximately 1,700,000 bushels of corn inventory delivered under delayed-pricing contracts as of August 31, 2023. The contracts have various pricing deadlines through October 1, 2024. The Company is subject to risk of changes in the corn market until they are priced.



## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 5. Property and Equipment

The following table summarizes property and equipment as of August 31, 2023 and 2022:

|                                      | 2023                  | 2022                  |
|--------------------------------------|-----------------------|-----------------------|
| Land and land improvements           | \$ 32,704,615         | \$ 31,686,988         |
| Buildings                            | 36,630,032            | 36,614,495            |
| Railroad equipment and rolling stock | 21,404,623            | 20,982,381            |
| Machinery and equipment              | 383,220,903           | 369,151,069           |
| Office equipment                     | 1,137,089             | 1,002,694             |
| Construction in progress             | 28,863,833            | 11,487,838            |
|                                      | 503,961,095           | 470,925,465           |
| Less accumulated depreciation        | (367,277,299)         | (349,388,783)         |
|                                      | <u>\$ 136,683,796</u> | <u>\$ 121,536,682</u> |

Depreciation expense for the years ended August 31, 2023 and 2022, was \$18,879,661 and \$18,243,908, respectively.

#### Note 6. Revolving Line of Credit and Long-Term Debt

**Term revolving line of credit:** The Cooperative has a \$50,000,000 term revolving line of credit with Compeer Financial. Revolving line of credit advances borrowed and repaid may be reborrowed at any time prior to the revolving line of credit termination date. Amounts borrowed on the revolving line of credit bear interest at a rate of 2.90% above the Farm Credit one-month Secured Overnight Financing Rate (SOFR) Index (8.32% at August 31, 2023). There were no outstanding borrowings, and the amount available under the agreement was \$50,000,000 as of August 31, 2023. The revolving line of credit expires on December 19, 2026.

The Cooperative pays Compeer Financial an unused commitment fee on the average daily unused portion of the term revolving line of credit from the closing date until the maturity date at the rate of 30 basis points on a per-annum basis.

**Term loan:** The Cooperative has a \$49,000,000 term note with Compeer Financial to finance the purchase of certain assets acquired and liabilities assumed as part of the acquisition of Advanced BioEnergy, LLC. The term loan bears interest at a rate 2.80% above the Farm Credit one-month SOFR Index (8.22% at August 31, 2023), with equal quarterly payments of principal in the amount of \$1,225,000 plus interest accrued during the period. The Cooperative may convert a portion of the term loan to a fixed rate loan, bearing interest at a rate defined in the term loan agreement, if the Cooperative provides a written notice to the lender 30 days prior to the effective date of request and receives approval from the lender, among other conditions.

Amounts borrowed under the revolving line of credit and term loan are secured by substantially all the assets of the Cooperative.

**Letters of credit:** The Cooperative can request up to \$2,000,000 in standby letters of credit from Compeer Financial. Outstanding letters of credit plus the outstanding revolving line of credit shall not at any time exceed the term revolving loan commitment. Any letters of credit must expire by December 19, 2026. No letters of credit were issued or outstanding during the years ended August 31, 2023 or 2022.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 6. Revolving Line of Credit and Long-Term Debt (Continued)

**Covenants and requirements of loan agreement:** The primary financial covenants and restrictions, all determined in accordance with U.S. GAAP, include the following:

- **Working capital**—The Cooperative must maintain a consolidated working capital of not less than \$40,000,000 measured on a monthly basis. For this purpose, working capital is defined as current assets less current liabilities, excluding current portion of lease liability, plus the available portion on the term revolving line of credit.
- **Debt service coverage ratio**—The Cooperative must maintain a consolidated debt service coverage ratio of not less than 1.40-to-1.00, measured annually at the end of the Cooperative's fiscal year. For this purpose, debt service coverage ratio is defined as net income before depreciation and amortization divided by \$4,900,000.
- **Distributions**—The Cooperative may make distributions to its members as long as working capital, including the available portion of the revolving line of credit, exceeds \$65,000,000 after distribution. If working capital, including the available portion of the revolving line of credit, is less than \$65,000,000 immediately prior to or after distribution, aggregated distributions in any fiscal year shall not exceed 100% of the Cooperative's net income for the immediately preceding year. Distributions made by DISC are recognized as distributions to the Cooperative's members.
- **Indebtedness**—The Cooperative cannot create, incur, assume or suffer to exist any debt in an aggregate principal amount in excess of the \$250,000 without the prior written consent from Compeer Financial, except for permitted indebtedness defined within agreement.

**Long-term debt:** The following table summarizes long-term debt outstanding as of August 31, 2023 and 2022.

|                                      | 2023                 | 2022                 |
|--------------------------------------|----------------------|----------------------|
| Term loan                            | \$ 31,850,000        | \$ 36,750,000        |
| Less unamortized debt issuance costs | (231,900)            | (301,470)            |
|                                      | 31,618,100           | 36,448,530           |
| Less current maturities              | (4,900,000)          | (4,900,000)          |
|                                      | <u>\$ 26,718,100</u> | <u>\$ 31,548,530</u> |

Maturities of long-term debt as of August 31, 2023, are as follows:

|                         |                      |
|-------------------------|----------------------|
| Years ending August 31: |                      |
| 2024                    | \$ 4,900,000         |
| 2025                    | 4,900,000            |
| 2026                    | 4,900,000            |
| 2027                    | 4,900,000            |
| 2028                    | 4,900,000            |
| Thereafter              | 7,350,000            |
|                         | <u>\$ 31,850,000</u> |

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 7. Stockholders' Equity

The Cooperative is an agricultural association whereby members must meet established membership criteria, hold a minimum of 2,500 shares of common stock, pay the required membership fee and enter into a uniform delivery and marketing agreement.

The common stock of the Cooperative is the membership stock of the Cooperative and entitles each member to one vote in the affairs of the Cooperative regardless of the number of common shares owned. Patronage dividends are paid on the common stock. According to the articles of incorporation, the Cooperative may issue preferred stock. Preferred stock of the Cooperative would be nonvoting with allowable noncumulative dividends paid on preferred stock not to exceed 8% annually of the par value of the preferred stock.

In the event of a liquidation or dissolution of the Cooperative, net assets remaining after the liabilities of the Cooperative are settled will be distributed first to the holders of preferred stock up to an amount equal to the consideration given. Second, distributions will be to the holders of the common stock and any nonvoting certificates of interest into which the common stock was converted, up to an amount equal to the consideration given plus, in the case of holders of certain shares of common stock, a Share Revaluation Preference. Third in preference is the members holding patron equities in the order from oldest to most recent. Fourth distribution is to the existing members on the basis of their past patronage. Final distributions will be to patrons in accordance with their credited interest in capital reserves, and any remaining assets to patrons in proportion to their patronage since the most recent issuance of capital stock in which a Share Revaluation Preference was created.

The purpose of the Share Revaluation Preference is to equalize the liquidating distribution entitlements associated with outstanding shares with those associated with newly issued shares, notwithstanding that they were issued at different times and at different prices. This will equalize the entitlements of the pre-2006 shares with shares issued after May 31, 2006 (newly issued shares). However, the tax treatment on liquidation will be considerably different because the Share Revaluation Preference on the pre-2006 shares will be taxed as patronage dividends to the holders of those shares, to the extent the Cooperative recognizes gain on sale of assets and such gain constitutes patronage sourced gain, and assuming that the Cooperative remains taxable as a cooperative. The newly issued shares, on the other hand, will have their tax basis to offset against their distribution.

A reconciliation of net income and common stock share amounts used in the calculation of basic and diluted earnings per share for the years ended August 31, are as follows:

|                                      | Net Income    | Average Shares<br>Outstanding | Per Share<br>Amount |
|--------------------------------------|---------------|-------------------------------|---------------------|
| 2023:                                |               |                               |                     |
| Basic and diluted earnings per share | \$ 75,774,850 | 185,636,652                   | \$ 0.408            |
| 2022:                                |               |                               |                     |
| Basic and diluted earnings per share | 120,040,888   | 185,636,652                   | 0.647               |

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 8. Fair Value Measurements

Accounting standards establish 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 Cooperative has the ability to access.

**Level 2:** Inputs to the valuation methodology include significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Unobservable inputs to the valuation methodology 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 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 tables summarize by level, within the fair value hierarchy, the Cooperative's assets (liabilities) measured at fair value on a recurring basis at August 31, 2023 and 2022:

| Balance Sheet Location                        | August 31, 2023 |              |         |              |
|---|-----------------|--------------|---------|--------------|
|   | Level 1         | Level 2      | Level 3 | Total        |
| Derivative financial instruments, assets      | \$ 7,267,034    | \$ 2,310,415 | \$ -    | \$ 9,577,449 |
| Derivative financial instruments, liabilities | (2,174,478)     | -            | -       | (2,174,478)  |

  

| Balance Sheet Location                        | August 31, 2022 |              |         |              |
|---|-----------------|--------------|---------|--------------|
|   | Level 1         | Level 2      | Level 3 | Total        |
| Derivative financial instruments, assets      | \$ 6,466,045    | \$ 1,757,313 | \$ -    | \$ 8,223,358 |
| Derivative financial instruments, liabilities | (5,342,573)     | -            | -       | (5,342,573)  |

The derivative financial instruments consist of commodity contracts and interest rate swaps. Commodity contracts are valued based on quoted market prices and therefore are classified as Level 1. Interest rate swaps are valued based upon externally developed pricing models based upon observable market inputs and therefore are classified as Level 2.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 9. Operating Leases

The Cooperative leases tanker and hopper rail cars under operating lease agreements that had remaining terms at the adoption of ASC 842 of one to six years. The Cooperative's leases generally do not contain any restrictive covenants or residual value guarantees.

Operating lease costs and sublease income are recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended August 31, 2023.

|                        |                      |
|------------------------|----------------------|
| Operating lease cost   | \$ 15,250,391        |
| Short-term lease cost  | 510,600              |
| Sublease income, gross | (897,936)            |
| Total lease cost       | <u>\$ 14,863,055</u> |

The Cooperative's approximate future minimum lease payments as of August 31, 2023, are as follows:

|  |                      |
|--|----------------------|
| Years ending August 31:                  |                      |
| 2024                                     | \$ 14,868,618        |
| 2025                                     | 11,465,035           |
| 2026                                     | 7,916,325            |
| 2027                                     | 5,501,400            |
| 2028                                     | 3,481,290            |
| Thereafter                               | 526,500              |
| Total lease payments                     | <u>43,759,168</u>    |
| Less imputed interest                    | <u>(3,484,673)</u>   |
| Total present value of lease liabilities | <u>\$ 40,274,495</u> |

The weighted-average discount rate on the Cooperative's operating leases was 3.38% as of August 31, 2023. The weighted-average remaining lease term of the leases was 3.73 years as of August 31, 2023.

The Cooperative is responsible for repairs and maintenance on the rail cars, as well as damages that are assessed at the end of the lease term. Accruals recorded for estimated damages as of August 31, 2023 and 2022, were \$10,706,512 and \$10,361,449, respectively. The portions of these accruals classified as long-term were \$8,005,424 and \$9,518,674 as of August 31, 2023 and 2022, respectively.

#### Note 10. Related-Party Transactions and Concentrations

**Corn marketing and purchases:** The Board of Directors of the Cooperative voted to have its members deliver 129,945,656 (0.70 per share) and 126,232,923 (0.68 per share) bushels of corn for the years ended August 31, 2023 and 2022, respectively, on an open delivery system. For those bushels not delivered by the members of the Cooperative, GLE obtained those bushels through a corn pool operated by GLE and charged a pool fee \$0.006 per bushel for 2023 and 2022, respectively.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 10. Related-Party Transactions and Concentrations (Continued)

For the years ended August 31, 2023 and 2022, the Cooperative purchased corn from its members (including committed bushels described above) as follows:

|             | Bushels           | Dollars               |
|-------------|-------------------|-----------------------|
| 2023:       |                   |                       |
| Individuals | 38,534,977        | \$ 247,953,810        |
| Elevators   | 29,508,104        | 200,737,768           |
|             | <u>68,043,081</u> | <u>\$ 448,691,578</u> |
| 2022:       |                   |                       |
| Individuals | 43,147,334        | \$ 276,527,027        |
| Elevators   | 36,078,441        | 243,643,362           |
|             | <u>79,225,775</u> | <u>\$ 520,170,389</u> |

The Cooperative paid approximately \$2,621,308 and \$5,726,724 as freight allowance on committed bushels to the members for the purchase of corn for the years ended August 31, 2023 and 2022, respectively. The Cooperative also paid approximately \$60,900 to those members who purchased over 50,000 shares of stock at the time the Cooperative was organized (called "Commercial Level Investors") for each of the years ended August 31, 2023 and 2022.

**Distillers grains sales:** For the years ended August 31, 2023 and 2022, the Cooperative sold distillers grains to members of the Cooperative as follows:

|                       | Tons          | Dollars             |
|-----------------------|---------------|---------------------|
| 2023:                 |               |                     |
| Dry distillers grains | 11,866        | \$ 2,874,110        |
| Wet distillers grains | 58,453        | 6,756,645           |
|                       | <u>70,319</u> | <u>\$ 9,630,755</u> |
| 2022:                 |               |                     |
| Dry distillers grains | 12,348        | \$ 2,868,813        |
| Wet distillers grains | 53,858        | 5,883,836           |
|                       | <u>66,206</u> | <u>\$ 8,752,649</u> |

**Receivables and payables:** As of August 31, 2023 and 2022, amounts receivable from or due to members of the Cooperative were as follows:

|  | 2023       | 2022       |
|--|------------|------------|
| Receivables for distillers grains        | \$ 321,357 | \$ 459,447 |
| Receivables for net pool fees            | 615,672    | 437,522    |
| Payables for corn and freight allowances | 41,987,586 | 50,467,110 |

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 10. Related-Party Transactions and Concentrations (Continued)

**Customer concentrations:** During the years ended August 31, 2023 and 2022, the Cooperative had major customers from which the product sales and receivables were as follows:

|                             | Product Sales         |                | Accounts Receivable |              |
|-----------------------------|-----------------------|----------------|---------------------|--------------|
|                             | Years Ended August 31 |                | August 31           |              |
|                             | 2023                  | 2022           | 2023                | 2022         |
| Harvestone Commodities, LLC | \$ 812,591,326        | \$ 883,402,315 | \$ 23,825,207       | \$ 7,281,629 |
| Genex Harvest States        | 104,411,498           | 100,273,547    | 2,431,115           | 5,522,955    |

#### Note 11. Employee Benefits

**Defined contribution plan:** The Cooperative has a safe harbor 401(k) plan for its employees. Eligible employees are able to contribute amounts (subject to IRS limits) and the Cooperative will match 100% of the first 4% of the employees' contributions and 50% of the next 1% of employees' contributions, for a maximum match of 4.5% of the employees' salary. All employer contributions for eligible employees are vested immediately. During the years ended August 31, 2023 and 2022, the Cooperative contributed \$629,160 and \$495,783, respectively, to the 401(k) plan.

**Long-term incentive plan:** The Cooperative has a Long-Term Stock Unit Incentive Plan, which provides deferred compensation to certain key employees of the Cooperative. The plan awards Stock Incentive Units (Units), which are assigned a value determined by the Board of Directors. No grants of new Units shall be made under the plan after August 31, 2025, and the plan terminates after all participants have been paid in full. Up to 1,600,000 Units may be awarded under the Plan. The Units vest three years from the date of employment or promotion. The Units also carry a Dividend Equivalent, which is the equivalent amount of patronage and DISC dividends actually paid in cash to the Cooperative's and Glacial Lakes Exports Holdings, LLC's members. Dividend Equivalents are paid on both vested and unvested Units. As of August 31, 2023, the Cooperative has awarded 916,875 Units under the plan and 818,750 of these Units were vested. The Cooperative has recorded a liability of \$1,383,688 and \$985,525 for the value of the Units as of August 31, 2023 and 2022, respectively, which is included in accrued expenses in the consolidated balance sheets.

#### Note 12. Commitments

**Environmental:** The Cooperative's facilities are subject to federal, state and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does management expect to have, any material effect upon operations. Management believes that the current practices and procedures for the control and disposition of such byproducts will substantially comply with the applicable federal and state requirements.

**Ethanol marketing:** The Cooperative entered into ethanol marketing agreements with Harvestone Commodities, LLC which provides that Harvestone Commodities, LLC may market, sell and transport the entire ethanol output of the Cooperative excluding up to 10% of the Cooperative annual production as higher level blends directly to local customers. The Cooperative pays Harvestone Commodities, LLC a marketing fee based upon gallons sold by the marketer. The marketing agreements expire in July 2025 and shall automatically renew for an additional two years unless either party terminates the agreements in accordance with its terms. Revenues from the agreements were \$812,591,326 and \$883,402,315 for the years ended August 31, 2023 and 2022, respectively. Accounts receivable from the marketer were \$23,825,207 and \$7,281,629 as of August 31, 2023 and 2022, respectively.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 12. Commitments (Continued)

**Distillers grains marketing:** The Cooperative has agreements with a national distillers grains marketer to sell its production of distillers grains from GLE and AE to the marketer and pay a commission based on the tons sold. The agreements are for a rolling one-year period expiring on October 1 of each year and the agreements shall remain in effect until terminated by either party by providing the other party not less than 120 days' written notice of its election to terminate the agreement. The agreements allow the Cooperative to sell distillers grains shipped by truck while the national marketer sells distillers grains shipped by railcars. Revenues from the agreements were \$104,411,498 and \$100,273,547 for the years ended August 31, 2023 and 2022, respectively. Accounts receivable from the marketer were \$2,431,115 and \$5,522,955 as of August 31, 2023 and 2022, respectively.

The Cooperative has an agreement with a national distillers grains marketer to sell its production of distillers grains from its HCE plant to the marketer and pay a commission based on the net selling price. The agreement shall remain in effect until terminated by either party by providing the other party not less than 30 days' written notice of its election to terminate the agreement. Revenues from the agreement were approximately \$13,650,809 and \$16,752,396 for the years ended August 31, 2023 and 2022, respectively. Accounts receivable from the marketer were approximately \$321,461 and \$923,360 as of August 31, 2023 and 2022, respectively.

The Cooperative has agreements with a local distillers grains marketer to sell its production of distillers grains from its HCE, HE and AE plants to the marketer and pay a commission based on the net selling price. The agreements expire on August 31, 2024. Revenues from the agreements were approximately \$25,532,803 and \$22,761,754 for the years ended August 31, 2023 and 2022, respectively. Accounts receivable from the marketer were approximately \$564,163 and \$610,649 as of August 31, 2023 and 2022, respectively.

**Grain procurement agreement:** The Cooperative has a grain procurement agreement with a regional ag cooperative where the ag cooperative originates, stores, and delivers all corn needs for the operations of the HE plant. The Cooperative pays a per bushel price equal to handling cost plus the forward fixed-priced contract or daily spot pricing. Corn purchased through the agreement was approximately \$95,554,544 and \$90,128,000 for the years ended August 31, 2023 and 2022, respectively. Accounts payable to the ag cooperative were approximately \$197,244 and \$230,896 as of August 31, 2023 and 2022, respectively.

**Natural gas supply:** The Cooperative currently has natural gas supply agreements in place with a national supplier for its production requirements. The contracts expire on September 30, 2024.



## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

#### Note 12. Commitments (Continued)

**Forward purchase and sales contracts:** As of August 31, 2023, the Cooperative has entered into forward purchase and sale contracts for the following:

|   | Quantity   | Average Price | Delivery Date |
|---|------------|---------------|---------------|
| Purchase of corn (in bushels):                    |            |               |               |
| Basis contracts                                   | 6,308,714  |               | By 3/31/2025  |
| Priced contracts                                  | 5,419,691  | \$ 5.34       | By 12/31/2023 |
| Total (primarily from members)                    | 11,728,405 |               |               |
| Sale of ethanol (in gallons):                     |            |               |               |
| Index contracts                                   | 66,607,114 |               | By 12/31/2023 |
| Priced contracts                                  | 36,747     | \$ 2.11       | By 9/01/2023  |
| Total   | 66,643,861 |               |               |
| Sale of dry distillers grains (in tons):          |            |               |               |
| Priced contracts                                  | 13,928     | \$ 208        | By 9/30/2023  |
| Total   | 13,928     |               |               |
| Sale of modified wet distillers grains (in tons): |            |               |               |
| Priced contracts                                  | 31,384     | \$ 90         | By 12/31/2023 |
| Total   | 31,384     |               |               |

#### Note 13. Investments in Unconsolidated Affiliates

The Cooperative's investments in other renewable fuel businesses consist of the following as of August 31, 2023 and 2022:

|                           | 2023          | 2022          |
|---------------------------|---------------|---------------|
| Granite Falls Energy, LLC | \$ 16,928,214 | \$ 16,186,819 |
| Redfield Energy, LLC      | 4,428,904     | 4,061,530     |
| Harvestone Group, LLC     | 7,555,836     | 7,925,760     |
| Other investments         | 230,342       | 26,600        |
|                           | \$ 29,143,296 | \$ 28,200,709 |

**Investments in Granite Falls Energy, LLC:** The Cooperative owns 5,004 units (16.62%) of Granite Falls Energy, LLC (GFE). GFE operates a 70 million gallon fuel ethanol plant near Granite Falls, Minnesota, and a 72.3 million gallon fuel ethanol plant near Heron Lake, Minnesota, through its wholly owned subsidiary Heron Lake BioEnergy, LLC.

For the years ended August 31, 2023 and 2022, the Cooperative recognized equity in net income (loss) of GFE of \$1,241,795 and \$10,445,376, respectively. The Cooperative received cash distributions of \$500,400 and \$4,653,720 during the years ended August 31, 2023 and 2022, respectively.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

#### Note 13. Investments in Unconsolidated Affiliates (Continued)

The Cooperative's equity in the net income (loss) of GFE is based upon estimated earnings (loss) of the affiliate for the 12 months ended July 31 of each year. Summary financial information for GFE as of July 31, 2023 and October 31, 2022 (its fiscal year), is as follows:

| Condensed Balance Sheets                | July 31, 2023<br>(Unaudited)                         | October 31, 2022<br>(Unaudited)                  |
|---|--|--|
| Current assets                          | \$ 55,073,386  | \$ 91,124,622                                    |
| Property and equipment, net             | 58,904,119   | 51,805,329                                       |
| Other assets                            | 28,650,648   | 25,387,709                                       |
| Total assets                            | \$ 142,628,153                                       | \$ 168,317,660                                   |
| Current liabilities                     | \$ 29,849,191  | \$ 52,981,513                                    |
| Long-term debt, less current maturities | 600,000  | 8,325,000  |
| Long-term liabilities                   | 11,281,820   | 10,051,808                                       |
| Members' equity                         | 100,897,142  | 96,959,339                                       |
| Total liabilities and members' equity   | \$ 142,628,153                                       | \$ 168,317,660                                   |
|   | Nine Months<br>Ended<br>July 31, 2023<br>(Unaudited) | Year Ended<br>October 31,<br>2022<br>(Unaudited) |
| Condensed Statements of Operations      |  |  |
| Revenues                                | \$ 275,405,139                                       | \$ 413,241,809                                   |
| Costs of goods sold                     | (262,456,303)  | (368,932,731)                                    |
| Gross profit                            | 12,948,836   | 44,309,078                                       |
| Operating expenses                      | (6,831,218)  | (8,666,284)                                      |
| Other income, net                       | 3,380,425  | 15,852,716                                       |
| Net income                              | \$ 9,498,043   | 51,495,510                                       |

**Investment in Redfield Energy, LLC:** The Cooperative owns 3,321,052 units (8.16%), of Redfield Energy, LLC (RE). RE operates a 60 million gallon fuel ethanol plant near Redfield, South Dakota.

Included in the total units of RE owned by the Cooperative are 1,010,526 units received as part of the consulting and management agreement, representing 5% of the outstanding units after the close of the offering in February 2006. These units receive a pro rata allocation of the ongoing earnings and distributions of RE; however, under the terms of RE's operating agreement, no amount was initially credited to the Cooperative's capital account at RE for these units, effectively reducing the Cooperative's equity in the net assets of RE from what would otherwise be expected. However, these units have a distribution preference of up to \$2,021,052 in any gain recognized by RE upon liquidation as long as other members receive a minimum liquidating distribution of \$1.00 per unit.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 13. Investments in Unconsolidated Affiliates (Continued)

For the years ended August 31, 2023 and 2022, the Cooperative recognized equity in net income of RE of \$799,111 and \$2,286,433, respectively. The Cooperative received cash distributions of \$431,737 and \$1,195,579 during the years ended August 31, 2023 and 2022, respectively.

The Cooperative's equity in the net income of RE is based upon estimated earnings of the affiliate for the fiscal year ended August 31 of each year. Summary financial information for RE as of and for the years ended August 31, 2023 and 2022, is as follows:

| Condensed Balance Sheets               | August 31,<br>2023 (Unaudited) | August 31,<br>2022 (Unaudited) |
|--|--------------------------------|--------------------------------|
| Current assets                         | \$ 33,154,454                  | \$ 33,520,454                  |
| Property and equipment, net            | 22,229,890                     | 20,524,807                     |
| Other assets                           | 12,687,918                     | 5,342,882                      |
| Total assets                           | <u>\$ 68,072,262</u>           | <u>\$ 59,388,143</u>           |
| Current liabilities                    | \$ 7,973,851                   | \$ 7,168,615                   |
| Long-term debt, net of current portion | -                              | 500,000                        |
| Other accrued liabilities              | 5,822,622                      | 1,945,881                      |
| Members' equity                        | 54,275,789                     | 49,773,647                     |
| Total liabilities and members' equity  | <u>\$ 68,072,262</u>           | <u>\$ 59,388,143</u>           |

  

| Condensed Statements of Operations  | Year Ended<br>August 31,<br>2023 (Unaudited) | Year Ended<br>August 31,<br>2022 (Unaudited) |
|-------------------------------------|--|--|
| Revenues                            | \$ 191,231,850                               | \$ 216,865,922                               |
| Costs of revenues                   | (178,258,874)                                | (189,646,101)                                |
| Gross profit                        | <u>12,972,976</u>                            | <u>27,219,821</u>                            |
| General and administrative expenses | (4,595,346)                                  | (3,477,982)                                  |
| Other income                        | 1,415,974                                    | 4,279,756                                    |
| Net income                          | <u>\$ 9,793,604</u>                          | <u>\$ 28,021,595</u>                         |

**Investments in Harvestone Group, LLC:** The Cooperative owns 49 units (20.37%) of Harvestone. Harvestone is a commodity merchant company centered on the marketing and trading of biofuels across North America.

For the years ended August 31, 2023 and 2022, the Cooperative recognized equity in net income of Harvestone of \$1,714,775 and \$3,037,568, respectively. The Cooperative received cash distributions of \$1,880,957 and \$2,265,104 during the years ended August 31, 2023 and 2022, respectively.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

#### Note 13. Investments in Unconsolidated Affiliates (Continued)

The Cooperative's equity in the net income of Harvestone is based upon estimated earnings of the affiliate for the 12 months ended August 31 of each year. Summary financial information for Harvestone is as follows:

| Condensed Balance Sheets                     | August 31,<br>2023 (Unaudited)                          | December 31,<br>2022 (Unaudited)               |
|--|---|--|
| Current assets                               | \$ 179,295,306  | \$ 224,753,416                                 |
| Property and equipment, net                  | 5,885,063   | 6,159,128                                      |
| Other non-current assets                     | 5,725,664   | 7,328,542                                      |
| Total assets                                 | \$ 190,906,033  | \$ 238,241,086                                 |
| Current liabilities                          | \$ 151,087,434  | \$ 190,378,982                                 |
| Long-term debt                               | 4,274,868   | 4,453,546                                      |
| Non-current deferred tax liability           | 691,524   | 1,105,639                                      |
| Other non-current liabilities                | 3,632,042   | 6,496,165                                      |
| Members' equity                              | 31,220,165  | 35,806,754                                     |
| Total liabilities and members' equity        | \$ 190,906,033  | \$ 238,241,086                                 |
|  | Eight<br>Months Ended<br>August 31, 2023<br>(Unaudited) | Year Ended<br>December 31, 2022<br>(Unaudited) |
| Condensed Statements of Operations           |   |  |
| Sales  | \$ 1,951,437,954  | \$ 3,114,230,690                               |
| Costs of goods sold                          | (1,937,368,247)   | (3,090,985,327)                                |
| Gross profit                                 | 14,069,707  | 23,245,363                                     |
| Selling, general, and administrative expense | (6,332,491)   | (10,202,524)                                   |
| Other expense, net                           | (1,731,133)   | (1,462,858)                                    |
| Provision for income taxes                   | (1,440,872)   | (1,540,513)                                    |
| Net income                                   | \$ 4,565,211  | \$ 10,039,468                                  |

#### Note 14. Income Taxes

The provision for income taxes charged to operations for the years ended August 31, 2023 and 2022, consists of the following:

|                            | 2023         | 2022         |
|----------------------------|--------------|--------------|
| Current expense            | \$ 2,578,640 | \$ 755,482   |
| Deferred (benefit) expense | (441,451)    | 1,506,585    |
| Total income tax expense   | \$ 2,137,189 | \$ 2,262,067 |

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 14. Income Taxes (Continued)

Deferred taxes are composed of basis differences related to nonpatronage earnings from the Cooperative's investments in GFE and RE. Since the Cooperative allocates its patronage earnings on the tax basis of accounting, deferred income taxes have not been recognized on the temporary differences associated with its patronage earnings. The most significant differences between book and tax earnings are depreciation and recognition of gains and losses associated with derivative financial instruments.

Deferred tax liabilities as of August 31, 2023 and 2022, are as follows:

|                          | 2023           | 2022           |
|--------------------------|----------------|----------------|
| Deferred tax liability:  |                |                |
| Investment in GFE and RE | \$ (2,135,175) | \$ (2,576,626) |

As of August 31, 2023, the net patronage loss carryforward and research and development credit carryforward for income tax purposes had not been determined. As of August 31, 2022, the Cooperative had net patronage loss carryforward and research and patronage sourced research and development credit for income tax purposes of approximately \$0 and \$29,482,843. The Cooperative may use the net patronage research and development credit to offset future patronage taxable income. The research and development credits carry forward for 20 years and will begin to expire after the August 31, 2033, tax year.

## Glacial Lakes Corn Processors

### Consolidating Balance Sheet August 31, 2023

|   | Glacial Lakes<br>Corn Processors | Glacial Lakes<br>Energy, LLC | Aberdeen<br>Energy, LLC | Huron<br>Energy, LLC | Hub City<br>Energy, LLC | Eliminations            | Consolidated          |
|---|----------------------------------|------------------------------|-------------------------|----------------------|-------------------------|-------------------------|-----------------------|
| <b>Assets</b>                                     |                                  |                              |                         |                      |                         |                         |                       |
| Current assets:                                   |                                  |                              |                         |                      |                         |                         |                       |
| Cash and cash equivalents                         | \$ 1,733,285                     | \$ 32,154,530                | \$ 54,882,531           | \$ (19,220,955)      | \$ (7,542,211)          | \$ -                    | \$ 62,007,180         |
| Short-term investments                            | -                                | 79,402,876                   | -                       | -                    | -                       | -                       | 79,402,876            |
| Accounts receivable, trade                        | -                                | 10,069,696                   | 9,490,289               | 5,519,571            | 7,872,580               | -                       | 32,952,136            |
| Inventories                                       | -                                | 15,260,251                   | 21,453,747              | 3,342,407            | 6,976,564               | -                       | 47,032,969            |
| Derivative financial instruments                  | -                                | 1,894,566                    | 3,066,188               | 450,284              | 4,406,452               | -                       | 9,817,490             |
| Prepaid expenses                                  | -                                | 567,094                      | 190,305                 | 81,567               | 80,730                  | -                       | 919,696               |
| Other receivables                                 | -                                | 2,607,255                    | 1,641,808               | 542,132              | 1,671,540               | (4,510,877)             | 1,951,858             |
| <b>Total current assets</b>                       | <b>1,733,285</b>                 | <b>141,956,268</b>           | <b>90,724,868</b>       | <b>(9,284,994)</b>   | <b>13,465,655</b>       | <b>(4,510,877)</b>      | <b>234,084,205</b>    |
| Property and equipment, net                       | -                                | 32,899,392                   | 47,138,187              | 13,860,589           | 42,785,628              | -                       | 136,683,796           |
| Right-of-use operating lease assets, net          | -                                | 27,674,474                   | 7,395,653               | 1,303,473            | 3,543,825               | -                       | 39,917,425            |
| Investments in unconsolidated affiliates          | -                                | 29,143,296                   | -                       | -                    | -                       | -                       | 29,143,296            |
| Investments in consolidated subsidiaries          | 269,401,432                      | -                            | -                       | -                    | -                       | (269,401,432)           | -                     |
| Other assets                                      | -                                | 862,970                      | 662,494                 | 178                  | 1,156                   | -                       | 1,526,798             |
| <b>Total assets</b>                               | <b>\$ 271,134,717</b>            | <b>\$ 232,536,400</b>        | <b>\$ 145,921,202</b>   | <b>\$ 5,879,246</b>  | <b>\$ 59,796,264</b>    | <b>\$ (273,912,309)</b> | <b>\$ 441,355,520</b> |
| <b>Liabilities and Stockholders' Equity</b>       |                                  |                              |                         |                      |                         |                         |                       |
| Current liabilities:                              |                                  |                              |                         |                      |                         |                         |                       |
| Current maturities of long-term debt              | \$ -                             | \$ -                         | \$ -                    | \$ 673,298           | \$ 4,226,702            | \$ -                    | \$ 4,900,000          |
| Accounts payable                                  | 1,987,247                        | 26,763,217                   | 32,067,065              | 1,210,699            | 20,785,471              | (4,510,877)             | 78,302,822            |
| Accrued expenses                                  | -                                | 4,406,271                    | 1,410,439               | 1,023,853            | 3,513,317               | -                       | 10,353,880            |
| Current portion—operating leases                  | -                                | 7,812,299                    | 2,738,116               | 286,568              | 2,672,966               | -                       | 13,509,949            |
| Tax payable                                       | 52,195                           | -                            | -                       | -                    | -                       | -                       | 52,195                |
| Glacial Lakes Exports distributions payable       | -                                | 11,110                       | 581,096                 | 3,061,123            | -                       | -                       | 3,653,329             |
| <b>Total current liabilities</b>                  | <b>2,039,442</b>                 | <b>38,992,897</b>            | <b>36,796,716</b>       | <b>6,255,541</b>     | <b>31,198,456</b>       | <b>(4,510,877)</b>      | <b>110,772,175</b>    |
| Long-term debt, less current maturities           | -                                | -                            | -                       | 3,793,681            | 22,924,419              | -                       | 26,718,100            |
| Operating leases, net of current portion          | -                                | 19,968,483                   | 4,718,376               | 1,016,904            | 1,060,783               | -                       | 26,764,546            |
| Deferred income taxes                             | 2,135,175                        | -                            | -                       | -                    | -                       | -                       | 2,135,175             |
| Railcar damage accrual                            | -                                | 5,144,000                    | 1,605,900               | 638,775              | 616,749                 | -                       | 8,005,424             |
| <b>Total liabilities</b>                          | <b>4,174,617</b>                 | <b>64,105,380</b>            | <b>43,120,992</b>       | <b>11,704,901</b>    | <b>55,800,407</b>       | <b>(4,510,877)</b>      | <b>174,395,420</b>    |
| Stockholders' equity                              | 266,960,100                      | 168,431,020                  | 102,800,210             | (5,825,655)          | 3,995,857               | (269,401,432)           | 266,960,100           |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 271,134,717</b>            | <b>\$ 232,536,400</b>        | <b>\$ 145,921,202</b>   | <b>\$ 5,879,246</b>  | <b>\$ 59,796,264</b>    | <b>\$ (273,912,309)</b> | <b>\$ 441,355,520</b> |

## Glacial Lakes Corn Processors

### Consolidating Balance Sheet August 31, 2022

|   | Glacial Lakes<br>Corn Processors | Glacial Lakes<br>Energy, LLC | Aberdeen<br>Energy, LLC | Huron<br>Energy, LLC | Hub City<br>Energy, LLC | Eliminations            | Consolidated          |
|---|----------------------------------|------------------------------|-------------------------|----------------------|-------------------------|-------------------------|-----------------------|
| <b>Assets</b>                                     |                                  |                              |                         |                      |                         |                         |                       |
| Current assets:                                   |                                  |                              |                         |                      |                         |                         |                       |
| Cash and cash equivalents                         | \$ 2,821                         | \$ 1,257,650                 | \$ 64,662,175           | \$ 8,322,121         | \$ 5,616,385            | \$ -                    | \$ 79,861,152         |
| Short-term investments                            | -                                | 79,706,879                   | -                       | -                    | -                       | -                       | 79,706,879            |
| Accounts receivable, trade                        | -                                | 4,289,151                    | 5,014,631               | 2,927,675            | 7,463,169               | -                       | 19,694,626            |
| Inventories                                       | -                                | 23,782,494                   | 24,201,815              | 2,437,181            | 12,919,848              | -                       | 63,341,338            |
| Derivative financial instruments                  | -                                | 6,258,086                    | 4,672,737               | 847,790              | 4,120,758               | -                       | 15,899,371            |
| Prepaid expenses                                  | -                                | 531,901                      | 166,352                 | 41,842               | 82,599                  | -                       | 822,694               |
| Other receivables                                 | 18,563,667                       | 26,720,344                   | 915,446                 | 268,495              | 466,051                 | (44,758,519)            | 2,175,484             |
| Tax receivable                                    | 767,323                          | -                            | -                       | -                    | -                       | -                       | 767,323               |
| <b>Total current assets</b>                       | <b>19,333,811</b>                | <b>142,546,505</b>           | <b>99,633,156</b>       | <b>14,845,104</b>    | <b>30,668,810</b>       | <b>(44,758,519)</b>     | <b>262,268,867</b>    |
| Property and equipment, net                       | -                                | 35,163,111                   | 29,009,209              | 12,220,694           | 45,143,668              | -                       | 121,536,682           |
| Investments in unconsolidated affiliates          | -                                | 28,200,709                   | -                       | -                    | -                       | -                       | 28,200,709            |
| Investments in consolidated subsidiaries          | 257,929,392                      | -                            | -                       | -                    | -                       | (257,929,392)           | -                     |
| Other assets                                      | -                                | 820,533                      | 541,705                 | -                    | -                       | -                       | 1,362,238             |
| <b>Total assets</b>                               | <b>\$ 277,263,203</b>            | <b>\$ 206,730,858</b>        | <b>\$ 129,184,070</b>   | <b>\$ 27,065,798</b> | <b>\$ 75,812,478</b>    | <b>\$ (302,687,911)</b> | <b>\$ 413,368,496</b> |
| <b>Liabilities and Stockholders' Equity</b>       |                                  |                              |                         |                      |                         |                         |                       |
| Current liabilities:                              |                                  |                              |                         |                      |                         |                         |                       |
| Current maturities of long-term debt              | \$ -                             | \$ -                         | \$ -                    | \$ 673,298           | \$ 4,226,702            | \$ -                    | \$ 4,900,000          |
| Accounts payable                                  | 118                              | 34,084,744                   | 36,851,455              | 15,585,238           | 35,811,761              | (44,758,518)            | 77,574,798            |
| Accrued expenses                                  | 7                                | 3,249,897                    | 1,645,198               | 1,757,202            | 1,942,200               | -                       | 8,594,504             |
| Dividend payable                                  | 18,563,665                       | -                            | -                       | -                    | -                       | -                       | 18,563,665            |
| Glacial Lakes Exports distributions payable       | -                                | 12,081                       | 999,858                 | 2,956,973            | -                       | -                       | 3,968,912             |
| <b>Total current liabilities</b>                  | <b>18,563,790</b>                | <b>37,346,722</b>            | <b>39,496,511</b>       | <b>20,972,711</b>    | <b>41,980,663</b>       | <b>(44,758,518)</b>     | <b>113,601,879</b>    |
| Long-term debt, less current maturities           | -                                | -                            | -                       | 4,419,730            | 27,128,800              | -                       | 31,548,530            |
| Deferred income taxes                             | 2,576,626                        | -                            | -                       | -                    | -                       | -                       | 2,576,626             |
| Railcar damage accrual                            | -                                | 5,730,000                    | 1,586,000               | -                    | 2,202,674               | -                       | 9,518,674             |
| <b>Total liabilities</b>                          | <b>21,140,416</b>                | <b>43,076,722</b>            | <b>41,082,511</b>       | <b>25,392,441</b>    | <b>71,312,137</b>       | <b>(44,758,518)</b>     | <b>157,245,709</b>    |
| Stockholders' equity                              | 256,122,787                      | 163,654,136                  | 88,101,559              | 1,673,357            | 4,500,341               | (257,929,393)           | 256,122,787           |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 277,263,203</b>            | <b>\$ 206,730,858</b>        | <b>\$ 129,184,070</b>   | <b>\$ 27,065,798</b> | <b>\$ 75,812,478</b>    | <b>\$ (302,687,911)</b> | <b>\$ 413,368,496</b> |

## Glacial Lakes Corn Processors

### Consolidating Statement of Operations Year Ended August 31, 2023

|   | Glacial Lakes<br>Corn Processors | Glacial Lakes<br>Energy, LLC | Aberdeen<br>Energy, LLC | Huron<br>Energy, LLC | Hub City<br>Energy, LLC | Eliminations    | Consolidated    |
|---|----------------------------------|------------------------------|-------------------------|----------------------|-------------------------|-----------------|-----------------|
| Net sales:                                      |                                  |                              |                         |                      |                         |                 |                 |
| Ethanol sales                                   | \$ -                             | \$ 273,262,393               | \$ 311,573,244          | \$ 95,032,268        | \$ 123,213,561          | \$ -            | \$ 803,081,466  |
| Distillers grains sales                         | -                                | 70,040,027                   | 80,280,778              | 23,687,741           | 29,784,398              | -               | 203,792,944     |
| Corn oil sales                                  | -                                | 28,830,591                   | 31,710,905              | 8,810,616            | 12,400,980              | -               | 81,753,092      |
| <b>Total revenue</b>                            | -                                | 372,133,011                  | 423,564,927             | 127,530,625          | 165,398,939             | -               | 1,088,627,502   |
| Cost of goods sold                              | -                                | (350,888,392)                | (385,453,259)           | (120,138,312)        | (155,745,527)           | -               | (1,012,225,490) |
| <b>Gross profit</b>                             | -                                | 21,244,619                   | 38,111,668              | 7,392,313            | 9,653,412               | -               | 76,402,012      |
| General and administrative expenses             | (1,732)                          | (3,366,255)                  | (3,194,181)             | (1,869,843)          | (2,059,211)             | -               | (10,491,222)    |
| Grant Income                                    | -                                | 752,690                      | 576,862                 | 360,928              | 296,318                 | -               | 1,986,798       |
| Other operating income, net                     | 8,500                            | 665,389                      | 856,675                 | 42,532               | 130,253                 | -               | 1,703,349       |
| <b>Operating income</b>                         | 6,768                            | 19,296,443                   | 36,351,024              | 5,925,930            | 8,020,772               | -               | 69,600,937      |
| Nonoperating income (expense):                  |                                  |                              |                         |                      |                         |                 |                 |
| Interest expense                                | -                                | (151,893)                    | (1,767)                 | 66,411               | 412,758                 | -               | 325,509         |
| Interest income                                 | 25,670                           | 4,217,589                    | (13,705)                | (34)                 | 392                     | -               | 4,229,912       |
| Glacial Lakes Exports distributions             | -                                | (14,654)                     | (780,623)               | (4,552,915)          | -                       | 5,348,192       | -               |
| Equity in earnings of unconsolidated affiliates | -                                | 3,755,681                    | -                       | -                    | -                       | -               | 3,755,681       |
| Equity in earnings of consolidated subsidiaries | 72,531,409                       | -                            | -                       | -                    | -                       | (72,531,409)    | -               |
|   | 72,557,079                       | 7,806,723                    | (796,095)               | (4,486,538)          | 413,150                 | (67,183,217)    | 8,311,102       |
| <b>Income before income tax expense</b>         | 72,563,847                       | 27,103,166                   | 35,554,929              | 1,439,392            | 8,433,922               | (67,183,217)    | 77,912,039      |
| Income tax expense                              | 2,137,189                        | -                            | -                       | -                    | -                       | -               | 2,137,189       |
| <b>Net income</b>                               | \$ 70,426,658                    | \$ 27,103,166                | \$ 35,554,929           | \$ 1,439,392         | \$ 8,433,922            | \$ (67,183,217) | \$ 75,774,850   |



## Glacial Lakes Corn Processors

### Consolidating Statement of Operations Year Ended August 31, 2022

|   | Glacial Lakes<br>Corn Processors | Glacial Lakes<br>Energy, LLC | Aberdeen<br>Energy, LLC | Huron<br>Energy, LLC | Hub City<br>Energy, LLC | Eliminations     | Consolidated   |
|---|----------------------------------|------------------------------|-------------------------|----------------------|-------------------------|------------------|----------------|
| Net sales:                                      |                                  |                              |                         |                      |                         |                  |                |
| Ethanol sales                                   | \$ -                             | \$ 295,121,532               | \$ 308,221,437          | \$ 90,577,640        | \$ 124,689,585          | \$ -             | \$ 818,610,194 |
| Distillers grains sales                         | -                                | 69,038,833                   | 71,899,959              | 20,626,806           | 30,203,661              | -                | 191,769,259    |
| Corn oil sales                                  | -                                | 27,520,707                   | 26,565,282              | 8,307,546            | 11,198,571              | -                | 73,592,106     |
| <b>Total revenue</b>                            | -                                | 391,681,072                  | 406,686,678             | 119,511,992          | 166,091,817             | -                | 1,083,971,559  |
| Cost of goods sold                              | -                                | (353,286,861)                | (373,223,396)           | (108,526,559)        | (153,322,950)           | -                | (988,359,766)  |
| <b>Gross profit</b>                             | -                                | 38,394,211                   | 33,463,282              | 10,985,433           | 12,768,867              | -                | 95,611,793     |
| General and administrative expenses             | (735)                            | (3,338,694)                  | (2,776,399)             | (1,236,821)          | (1,446,283)             | -                | (8,798,932)    |
| Grant income                                    | -                                | 5,970,086                    | 3,915,777               | 2,759,769            | 3,361,525               | -                | 16,007,157     |
| Other operating income, net                     | 48,000                           | 528,011                      | 265,063                 | 1,144                | 27,493                  | -                | 869,711        |
| <b>Operating income</b>                         | 47,265                           | 41,553,614                   | 34,867,723              | 12,509,525           | 14,711,602              | -                | 103,689,729    |
| Nonoperating income (expense):                  |                                  |                              |                         |                      |                         |                  |                |
| Interest expense                                | -                                | (127,970)                    | (2,293)                 | 315,056              | 1,935,451               | -                | 2,120,244      |
| Interest income                                 | 45,401                           | 636,749                      | 23,432                  | (37)                 | 18,060                  | -                | 723,605        |
| Glacial Lakes Exports distributions             | -                                | 44,144                       | (1,758,077)             | (6,283,154)          | (14,994)                | 8,012,081        | -              |
| Equity in earnings of unconsolidated affiliates | -                                | 15,769,377                   | -                       | -                    | -                       | -                | 15,769,377     |
| Equity in earnings of consolidated subsidiaries | 114,198,208                      | -                            | -                       | -                    | -                       | (114,198,208)    | -              |
|   | 114,243,609                      | 16,322,300                   | (1,736,938)             | (5,968,135)          | 1,938,517               | (106,186,127)    | 18,613,226     |
| <b>Income before income tax expense</b>         | 114,290,874                      | 57,875,914                   | 33,130,785              | 6,541,390            | 16,650,119              | (106,186,127)    | 122,302,955    |
| Income tax expense                              | 2,262,067                        | -                            | -                       | -                    | -                       | -                | 2,262,067      |
| <b>Net income</b>                               | \$ 112,028,807                   | \$ 57,875,914                | \$ 33,130,785           | \$ 6,541,390         | \$ 16,650,119           | \$ (106,186,127) | \$ 120,040,888 |