Glacial Lakes Corn Processors

Consolidated Financial Report
August 31, 2017

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

Independent auditor's report	1-2
Financial statements	
Consolidated balance sheets	3
Consolidated statements of operations	4
Consolidated statements of stockholders' equity	5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-24
Independent auditor's report on the supplementary information	25
Supplementary information	
Consolidating balance sheet	26
Consolidating statement of operations	27

RSM

RSM US LLP

Independent Auditor's Report

Board of Directors
Glacial Lakes Corn Processors

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Glacial Lakes Corn Processors and its Subsidiaries (the Company), which comprise the consolidated balance sheet as of August 31, 2017; the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Glacial Lakes Corn Processors and its Subsidiaries as of August 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of the Company, as of and for the year ended August 31, 2016, were audited by other auditors, whose report, dated December 6, 2016, expressed an unmodified opinion on those statements.

RSM US LLP

Sioux Falls, South Dakota
December 1, 2017

Glacial Lakes Corn Processors

Consolidated Balance Sheets
August 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 52,104,417**	$ 43,610,716
Short-term investments	**47,964,354**	42,008,592
Accounts receivable, net	**13,385,725**	9,232,291
Inventories	**18,021,345**	21,901,140
Derivative financial instruments	**748,442**	3,816,250
Prepaid expenses	**249,420**	372,774
Income tax receivable	**6,605**	2,815,343
Total current assets	**132,480,308**	123,757,106
Other non-current assets:		
Investments in unconsolidated affiliates	**17,050,964**	16,516,341
Other assets	**1,356,938**	1,175,931
Total other non-current assets	**18,407,902**	17,692,272
Property and equipment, net	**103,018,097**	108,433,024
Total assets	**$ 253,906,307**	$ 249,882,402
Liabilities and Stockholders' Equity		
Current liabilities:		
Checks issued in excess of bank balance	**$ 4,817,701**	$ 6,338,313
Accounts payable	**25,885,294**	22,323,257
Accrued expenses	**3,747,003**	4,539,771
Patronage dividends payable	**7,425,466**	11,138,739
Glacial Lakes Exports distributions payable	**1,058,534**	-
Current maturities of long-term debt	**4,117,500**	4,117,500
Total current liabilities	**47,051,498**	48,457,580
Long-term liabilities:		
Long-term debt, less current maturities	**2,774,375**	6,891,874
Deferred income taxes	**2,964,831**	2,655,715
Other	**3,588,000**	2,856,419
Total long-term liabilities	**9,327,206**	12,404,008
Total liabilities	**56,378,704**	60,861,588
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, $1.00 par value; authorized 1,000,000 shares; no shares issued and outstanding	**-**	-
Common stock, $0.00056 par value; authorized 500,000,000 shares; 185,636,652 and 185,638,152 shares issued and outstanding in 2017 and 2016, respectively	**103,061**	103,061
Additional paid-in capital	**113,507,620**	113,507,620
Cerficates of interest	**1,262,166**	1,262,166
Unallocated capital	**75,229,290**	68,228,193
Allocated capital	**7,425,466**	5,919,774
Total stockholders' equity	**197,527,603**	189,020,814
Total liabilities and stockholders' equity	**$ 253,906,307**	$ 249,882,402

See notes to consolidated financial statements.

Glacial Lakes Corn Processors

Consolidated Statements of Operations
Years Ended August 31, 2017 and 2016

	2017	2016
Revenue:		
Product sales	**$ 432,064,952**	$ 401,097,601
Service revenue	**466,967**	255,906
Government incentive revenue	**753,083**	521,810
Total revenue	**433,285,002**	401,875,317
Cost of goods sold	**390,966,014**	382,740,687
Gross profit	**42,318,988**	19,134,630
Operating expenses:		
General and administrative expenses	**6,975,835**	6,699,444
Legal settlements (Note 13)	**3,081,104**	-
Total operating expenses	**10,056,939**	6,699,444
Operating income	**32,262,049**	12,435,186
Other income (expense):		
Interest expense	**(690,334)**	(785,544)
Interest income	**453,624**	164,288
Equity in earnings of unconsolidated affiliates	**2,491,825**	430,939
Other income, net	**415,843**	99,929
	2,670,958	(90,388)
Income before income taxes	**34,933,007**	12,344,798
Income tax provision (benefit)	**1,233,116**	(800,930)
Net income	**$ 33,699,891**	$ 13,145,728
Basic and diluted earnings per common share	**$ 0.182**	$ 0.071

See notes to consolidated financial statements.

Glacial Lakes Corn Processors

Consolidated Statements of Stockholders' Equity
Years Ended August 31, 2017 and 2016

	Common Stock	Additional Paid-In Capital	Certificates of Interest	Unallocated Capital	Allocated Capital	Total
Balance, August 31, 2015	$ 103,061	$ 113,505,120	$ 1,262,166	$ 88,245,198	$ 12,059,288	$ 215,174,833
Net income	-	-	-	13,145,728	-	13,145,728
Patronage earnings allocated to stockholders	-	-	-	(11,138,289)	11,138,289	-
Patronage dividends	-	-	-	(21,281,862)	(17,277,803)	(38,559,665)
Glacial Lakes Exports distributions	-	-	-	(742,582)	-	(742,582)
Contributed capital	-	2,500	-	-	-	2,500
Balance, August 31, 2016	103,061	113,507,620	1,262,166	68,228,193	5,919,774	189,020,814
Net income	-	-	-	33,699,891	-	33,699,891
Patronage earnings allocated to stockholders	-	-	-	(18,990,630)	18,990,630	-
Dividends allocation	-	-	-	(5,218,515)	5,218,515	-
Patronage dividends	-	-	-	3,385,698	(22,703,453)	(19,317,755)
Glacial Lakes Exports distributions	-	-	-	(6,200,711)	-	(6,200,711)
Pool fees	-	-	-	327,464	-	327,464
Unit repurchase (1,500 shares)	-	-	-	(2,100)	-	(2,100)
Balance, August 31, 2017	$ 103,061	$ 113,507,620	$ 1,262,166	$ 75,229,290	$ 7,425,466	$ 197,527,603

See notes to consolidated financial statements.

Glacial Lakes Corn Processors

Consolidated Statements of Cash Flows
Years Ended August 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net income	$ 33,699,891	$ 13,145,728
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,725,507	20,146,546
Deferred income taxes	309,116	(521,101)
Equity in earnings of unconsolidated affiliates	(2,493,926)	(430,939)
Amortized gain (loss) on held-to-maturity investments	33,391	(5,687)
Gain on disposal of equipment	(6,200)	-
(Gains) losses on derivative financial instruments	6,695,549	(5,731,686)
Change in operating assets and liabilities:		
Accounts receivable	(4,153,434)	1,859,831
Inventory	3,879,795	(6,500,258)
Due to (from) brokers	(3,627,741)	4,358,920
Prepaid expenses	123,354	2,500,740
Income tax receivable	2,808,738	(497,379)
Other assets	(181,007)	(221,285)
Accounts payable	5,071,993	3,954,712
Accrued expenses	(61,187)	(987,468)
Net cash provided by operating activities	63,823,839	31,070,674
Cash flows from investing activities:		
Purchases of property and equipment	(17,738,035)	(20,167,101)
Proceeds from sale of property and equipment	6,200	-
Purchase of held-to-maturity securities	(47,943,153)	(45,463,272)
Maturity of held-to-maturity securties	41,954,000	42,935,000
Distributions from unconsolidated affiliates	1,959,303	1,709,099
Net cash used in investing activities	(21,761,685)	(20,986,274)
Cash flows from financing activities:		
Increase (decrease) in checks issued in excess of bank balance	(1,520,612)	6,338,313
Payments on long-term debt	(4,200,000)	(3,850,000)
Purchase of shares	(2,100)	-
Patronage dividends paid	(22,703,564)	(46,081,575)
Glacial Lakes Exports distributions	(5,142,177)	(742,582)
Net cash used in financing activities	(33,568,453)	(44,335,844)
Net increase (decrease) in cash and cash equivalents	8,493,701	(34,251,444)
Cash and cash equivalents:		
Beginning	43,610,716	77,862,160
Ending	$ 52,104,417	$ 43,610,716
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 664,430	$ 880,220
Cash paid for income taxes	$ 485,000	$ -
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired with accounts payable	$ 593,280	$ 2,103,236
Patronage dividends payable	$ 3,713,273	$ 11,138,739
Glacial Lakes Exports distributions payable	$ 1,058,534	$ -

See notes to consolidated financial statements.

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) and Aberdeen Energy, LLC (AE). GLE owns and operates a 100 million gallon per year ethanol plant near Watertown, South Dakota. AE owns and operates a 100 million gallon per year ethanol plant near Aberdeen, South Dakota.

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

A summary of the Company'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 (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 inventory valuation, stock-based compensation, accrual for damage to leased railcars, derivative financial instruments, deferred income taxes, and useful lives of property and equipment.

Revenue recognition: The Company generally sells ethanol and dried distillers grains pursuant to marketing agreements. Revenue from product sales is recorded when the product is loaded and title transfers to the customer. Product sales are recorded net of outbound shipping costs and commissions. Service revenue is recognized as earned. Government incentive revenue is recognized in accordance with the terms of the program.

Expense classification: Cost of goods sold includes raw materials, payroll for plant employees and general plant overhead charges. General and administrative expenses consist primarily of payroll for management and administrative employees and fees paid to service providers for legal, accounting and consulting services.

Shipping and commission costs: Shipping costs for product sales are generally paid directly by the Cooperative's marketers. Shipping costs and commissions paid to the marketers are presented on a net basis in product sales on the consolidated statements of operations. Shipping costs were $74,543,295 and $94,162,006 and commission costs were $3,266,575 and $2,825,966 for the years ended August 31, 2017 and 2016, respectively.

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

Cash and cash equivalents: The Cooperative considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Cooperative maintains its cash and cash equivalents in bank deposit accounts which periodically exceeded federally insured limits. The Cooperative has not experienced any losses in such accounts. The Cooperative institutions monitors its depository using a third party and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

Accounts receivable: 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.

Inventory: Corn inventory is 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, ethanol, natural gas, denaturant and distiller's grain, 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, a loss is recorded on the contract. Such losses are included in cost of goods sold.

Exchange-traded futures contracts are marked to market as derivative financial instruments on the consolidated balance sheets. Changes in fair value are included in product sales or cost of goods sold on the consolidated statements of operations consistent with the commodity being hedged.

Investments in unconsolidated affiliates: The Cooperative accounts for its investments in Granite Falls Energy, LLC (GFE) and Redfield Energy, LLC (RE) using the equity method of accounting under which the Cooperative's respective share of the net income of the unconsolidated affiliates is recognized as equity in earnings of unconsolidated affiliates on the consolidated statements of operations and the net income, less any distributions received, is added to (subtracted from) the investment accounts.

Property and equipment: Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Land improvements	15-20
Buildings	20-30
Railroad equipment and rolling stock	5-20
Machinery and equipment	7-30
Office equipment	3-7

Long-lived assets: The Cooperative reviews long-lived assets for impairment when events and circumstances indicate that the assets may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of cash flows 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 over its fair value.

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

Income taxes: The Cooperative is a non-exempt cooperative association subject to federal income tax on non-patronage 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 non-patronage 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, stock-based compensation, 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 consolidated 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, 2017 and 2016, 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. The Cooperative has no U.S. federal or state examinations currently in progress.

Earnings per share (EPS): Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS 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.

Fair value of financial instruments: The carrying amounts for cash and cash equivalents, short-term investments, account receivable, derivative financial instruments, checks issued in excess of bank balance, accounts payable, and accrued expenses are either recorded at or approximate fair value. The Cooperative does not consider it practicable to estimate the fair value of its revolving lines of credit, long-term debt or subordinated note payable due to the unique nature of the obligations.

Domestic international sales corporation: The Cooperative's members own Glacial Lakes Exports Holdings, LLC. Glacial Lakes Exports Holdings, LLC owns 100 percent 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 GLE and AE 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 $183,911 and $125,648 for the years ended August 31, 2017 and 2016, respectively.

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

Recent accounting pronouncements: In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. These amendments refine and expand hedge accounting for both financial (e.g., interest rate) and commodity risks. Its provisions create more transparency around how economic results are presented, both on the face of the financial statements and in the footnotes. It also makes certain targeted improvements to simplify the application of hedge accounting guidance. The ASU will be effective for the Cooperative beginning on September 1, 2020, however, early adoption is permitted. The Cooperative is currently evaluating the impact of this guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. These amendments require an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments eliminate the exception for an intra-entity transfer of an asset other than inventory. The amendments do not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. The ASU will be effective for the Cooperative beginning on September 1, 2019, however, early adoption is permitted. The Cooperative is currently evaluating the impact of this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The ASU is intended to simplify various aspects of accounting for share-based compensation arrangements, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For example, the new guidance requires all excess tax benefits and tax deficiencies related to share-based payments to be recognized in income tax expense, and for those excess tax benefits to be recognized regardless of whether it reduces current taxes payable. The ASU also allows an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. ASU 2016-06 will be effective for the Cooperative beginning on September 1, 2018. Different methods of adoption are required for the various amendments and early adoption is permitted, but all of the amendments must be adopted in the same period. The Cooperative is currently evaluating the impact of the adoption of this guidance on its consolidated financial condition, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the impact of our pending adoption of the new standard on our consolidated financial statements.

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

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of deferred income taxes by eliminating the requirement for entities to separate deferred tax liabilities and assets into current and noncurrent amounts in classified balance sheets. Instead, it requires deferred tax assets and liabilities be classified as noncurrent in the balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2017. Early adoption is permitted, and this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The adoption of this standard is not expected to have a material impact on the Cooperative's consolidated financial statements. Upon adoption of this standard on a retrospective basis, all deferred income tax assets and liabilities will be presented as noncurrent.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in the ASU require entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The Cooperative early adopted this ASU during the year ended August 31, 2017, with no material effect on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest— Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Cooperative adopted this standard during the year ended August 31, 2017, with no material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Cooperative has not yet selected a transition method and is currently evaluating the effect that the standard will have on our consolidated financial statements.

Reclassifications: Certain reclassifications to the consolidated balance sheet and statements of operations were made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no impact on working capital or equity as of August 31, 2016, or to gross profit, operating expense or net income for the year then ended.

Subsequent events: The Cooperative has evaluated subsequent events through December 1, 2017, the date which the consolidated financial statements were available to be issued.

In November 2017, the Board of Directors declared a $0.12 per unit dividend for a total distribution of approximately $22,300,000 payable in January 2018 to shareholders of record as of August 31, 2017.

Note 2. Investments in Held-to-Maturity Securities

The following is a summary of the Cooperative's investment in held-to-maturity securities:

	2017	2016
Due within one year	$ 47,964,354	$ 42,008,592

	Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
August 31, 2017:				
United States and corporate securities	$ 47,964,354	$ -	$ (33,390)	$ 47,930,964
August 31, 2016:				
United States and corporate securities	$ 42,008,592	$ 5,284	$ -	$ 42,013,876

The securities in a loss position have been in an unrealized loss position for less than 12 consecutive months as of August 31, 2017.

Held-to-maturity securities are recorded in the balance sheet at amortized cost. Estimated market value at August 31, 2017 and 2016, 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. Actual maturities may differ from contractual maturities because the issuers of certain debt securities may have the right to call or prepay their obligations.

Note 3. Accounts Receivable

The following table summarizes accounts receivable as of August 31, 2017 and 2016:

	2017	2016
Trade	$ 12,047,917	$ 8,368,315
Other	1,341,093	873,194
	13,389,010	9,241,509
Less allowance for doubtfull accounts	3,285	9,218
	$ 13,385,725	$ 9,232,291

Note 4. Inventories

The following table summarizes inventories as of August 31, 2017 and 2016:

	2017	2016
Grain	$ 9,804,207	$ 12,500,733
Ethanol and co-products:		
Finished goods	2,590,082	3,988,975
In process	1,397,047	1,272,281
Chemicals and ingredients	792,587	818,770
Spare parts	3,437,422	3,320,381
	$ 18,021,345	$ 21,901,140

Note 5. Derivative Financial Instruments

The Cooperative has entered into short-term exchange-traded contracts as a means of managing exposure to changes in commodity prices. As of August 31, 2017 and 2016, the Cooperative has entered into the following exchange traded derivative financial instruments, none of which are designated as hedging instruments:

		2017		2016	
	Notional	Notional Quantity Long/(Short)	Fair Value Assets (Liabilities)	Notional Quantity Long/(Short)	Fair Value
GLE					
Corn contracts	Bushels	(225,000)	$ 90,150	(600,000)	$ 1,090,275
		(1,025,000)	(95,875)		
Ethanol contracts	Gallons	(5,544,000)	(97,020)	(10,500,000)	1,542,681
Deposit with (due to) broker			350,928		(826,513)
AE					
Corn contracts	Bushels	540,000	22,475	(3,825,000)	2,604,463
		580,000	(38,938)		
Ethanol contracts	Gallons	(2,772,000)	9,148	(13,650,000)	1,057,140
		(8,316,000)	(290,930)		
Deposit with (due to) broker			798,504		(1,651,796)
Total			$ 748,442		$ 3,816,250

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

Note 5. Derivative Financial Instruments (Continued)

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, 2017 and 2016, none of which are designated as hedging instruments:

	2017	2016
Gain (loss) recognized in consolidated statements of operations:		
Revenue—product sales:		
Ethanol contracts	$ (10,159,391)	$ (993,755)
Cost of goods sold:		
Corn contracts	2,237,026	8,964,149
Natural gas contracts	-	(3,308,577)

Note 6. Property and Equipment

The following table summarizes property and equipment as of August 31, 2017 and 2016:

	2017	2016
Land and land improvements	$ 18,492,790	$ 13,374,272
Buildings	33,135,064	31,385,869
Railroad equipment and rolling stock	18,606,543	12,450,470
Machinery and equipment	297,153,128	289,093,864
Office equipment	1,181,385	1,047,270
Construction in progress	3,516,530	8,530,935
	372,085,440	355,882,680
Less accumulated depreciation	(269,067,343)	(247,449,656)
	$ 103,018,097	$ 108,433,024

Depreciation expense for the years ended August 31, 2017 and 2016, was $21,643,006 and $19,960,564, respectively.

Note 7. Revolving Lines of Credit and Long-Term Debt

Revolving lines of credit: The Cooperative, GLE and AE have a loan agreement with a group of lenders administered by Compeer Financial (formerly AgStar Financial Services). This loan agreement includes $25,000,000 seasonal revolving line of credit to be used for working capital and ongoing operating expenses. Availability under the revolving line of credit is subject to a borrowing base, calculated as a percentage of eligible receivables and certain inventory categories. Revolving line of credit advances borrowed and repaid may be re-borrowed at any time prior to the revolving line of credit termination date of October 1, 2017. Amounts borrowed on the revolving line of credit bear interest at a rate 3.00 percent above the one month LIBOR (4.2263 percent at August 31, 2017). Amounts borrowed under the revolving line of credit are secured by substantially all the assets of the Cooperative, GLE and AE. There were no outstanding borrowings and the amount available under the agreement was $25,000,000 as of August 31, 2017. This seasonal revolving line of credit expired on October 1, 2017, and was not renewed.

Note 7. Revolving Lines of Credit and Long-Term Debt (Continued)

The Cooperative also has a $55,000,000 term revolving line of credit with Compeer Financial. Revolving line of credit advances borrowed and repaid may be re-borrowed at any time prior to the revolving line of credit termination date of June 30, 2019. Amounts borrowed on the revolving line of credit bear interest at a rate 3.10 percent above the one month LIBOR (4.3263 percent at August 31, 2017). Amounts borrowed under the revolving line of credit are secured by substantially all the assets of the Cooperative, GLE and AE. There were no outstanding borrowings and the amount available under the agreement was $54,648,826 as of August 31, 2017. The amount available is reduced by Standby Letters of Credit.

Standby letters of credit: Under the loan agreement, Compeer Financial agreed to provide a facility for standby letters of credit. At August 31, 2017, AE has outstanding standby letters of credit of $351,174 and GLE has no standby letters of credit.

Long-term debt: The following table summarizes long-term debt as of August 31, 2017 and 2016:

	2017	2016
Term loan with Compeer Financial, due in monthly installments of $350,000 plus accrued interest at 1-month libor plus 3.10% (4.3263% at August 31, 2017), matures June 30, 2019 and is secured by substantially all assets	$ 7,050,000	$ 11,250,000
Less debt issuance costs	(158,125)	(240,626)
	6,891,875	11,009,374
Less current maturities	(4,117,500)	(4,117,500)
	$ 2,774,375	$ 6,891,874

The Loan Agreement with Compeer Financial requires compliance with a number of covenants including minimum working capital levels, fixed charge coverage ratio, minimum tangible net worth, limitations on distributions and limitations on capital expenditures.

Maturities of long-term debt as of August 31, 2017, are due in future years as follows:

	Note Principal	Debt Issuance Costs	Total
Years ending August 31:			
2018	$ 4,200,000	$ (82,500)	$ 4,117,500
2019	2,850,000	(75,625)	2,774,375
	$ 7,050,000	$ (158,125)	$ 6,891,875

Note 8. 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.

Note 8. Stockholders' Equity (Continued)

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 non-voting with allowable non-cumulative dividends paid on preferred stock not to exceed 8 percent 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 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 to the members holding patron equities in the order from oldest to most recent and finally to the existing members on the basis of their past patronage, fourth 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 from continuing operations and common stock share amounts used in the calculation of basic and diluted earnings per share (EPS) for the years ended August 31 are as follows:

	Net Income	Weighted Average Shares Outstanding	Per Share Amount
2017			
Basic EPS	$ 33,699,891	185,637,227	$ 0.182
Effects of dilutive securities:			
Exercise of stock units	-	-	-
	$ 33,699,891	185,637,227	$ 0.182
2016			
Basic EPS	$ 13,145,728	185,643,548	$ 0.071
Effects of dilutive securities:			
Exercise of stock units	-	-	-
	$ 13,145,728	185,643,548	$ 0.071

Note 9. 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: Significant other 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: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following table summarizes by level, within the fair value hierarchy, the Cooperative's assets (liabilities) measured at fair value on a recurring basis at August 31, 2017 and 2016:

	August 31, 2017			
Balance Sheet Location:	Level 1	Level 2	Level 3	Total
Derivative financial instruments, assets	$ 121,773	$ -	$ -	$ 121,773
Derivative financial instruments, liabilities	(522,763)	-	-	(522,763)
	$ (400,990)	$ -	$ -	$ (400,990)

	August 31, 2016			
Balance Sheet Location:	Level 1	Level 2	Level 3	Total
Derivative financial instruments	$ 6,294,559	$ -	$ -	$ 6,294,559
	$ 6,294,559	$ -	$ -	$ 6,294,559

The derivative financial instruments consist of commodity contracts which are valued based on quoted market prices.

Note 10. Leases

The Cooperative leases 505 hopper and 645 tanker cars under operating lease agreements. Generally, the Cooperative is required to pay executory costs such as maintenance and insurance.

Rent expense on the rail cars for the years ended August 31, 2017 and 2016, totaled $10,981,847 and $12,152,320, respectively, which is net of sublease income of $212,492 and $0, respectively.

Note 10. Leases (Continued)

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, 2017 and 2016, were $4,346,000 and $3,462,420, respectively. The portions of these accruals classified as long-term were $3,588,000 and $2,856,419 as of August 31, 2017 and 2016, respectively.

The Cooperative's approximate future minimum lease payments as of August 31, 2017, are as follows:

Years ending August 31:	
2018	$ 8,677,296
2019	6,175,785
2020	5,295,675
2021	4,049,450
2022	2,788,100
Thereafter	860,600
	$ 27,846,906

Note 11. Related Party Transactions and Concentrations

Corn marketing and purchases: The Board of Directors of the Cooperative voted to have its members deliver 90,962,694 (0.49 per share) and 89,106,313 (0.48 per share) bushels of corn, for the years ended August 31, 2017 and 2016, 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 of $0.007 and $0.005 per bushel for 2017 and 2016, respectively.

For the years ended August 31, 2017 and 2016, the Cooperative purchased corn from its members (including committed bushels described above) as follows:

	Bushels	Dollars
2017		
Individuals	25,440,835	$ 80,229,751
Elevators	24,478,218	77,714,221
	49,919,053	$ 157,943,972
2016		
Individuals	25,958,987	$ 86,490,494
Elevators	31,733,668	108,477,383
	57,692,655	$ 194,967,877

Included in the amounts paid to the members of the Cooperative for the purchase of corn for the years ended August 31, 2017 and 2016, the Cooperative paid $2,812,495 and $2,460,037, respectively, as freight allowance on committed bushels and $60,900 and $60,900 as additional payment 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, 2017 and 2016.

Note 11. Related Party Transactions and Concentrations (Continued)

Distiller's grain sales: For the years ended August 31, 2017 and 2016, the Cooperative sold distiller's grain to members of the Cooperative as follows:

	Tons	Dollars
2017		
Dry distiller's grain	11,204	$ 1,100,795
Wet distiller's grain	68,537	3,842,185
	79,741	$ 4,942,980
2016		
Dry distiller's grain	9,533	$ 1,153,124
Wet distiller's grain	88,197	5,566,254
	97,730	$ 6,719,378

Receivables and payables: As of August 31, 2017 and 2016, amounts receivable from or due to members of the Cooperative were as follows:

	2017	2016
Receivables for distiller's grains	$ 238,016	$ 483,180
Receivables for net pool fees	512,470	410,194
Payables for corn and freight allowances	7,748,394	6,692,919

Customer concentrations: During the years ended August 31, 2017 and 2016, the Cooperative had major customers from which the product sales and receivables were as follows:

	Product Sales Years Ended August 31,		Accounts Receivable August 31,	
	2017	2016	2017	2016
Eco Energy	$ 360,281,613	$ 304,730,356	$ 8,063,271	$ 3,063,594
Cenex Harvest States	41,322,314	47,008,172	1,660,841	3,014,871

Note 12. 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 percent of the employee's contribution, up to a maximum of 4 percent of the employees' salary. All employer contributions for eligible employees are vested immediately. During the years ended August 31, 2017 and 2016, the Cooperative contributed $278,799 and $114,311, respectively, to the 401(k) plan.

Note 12. Employee Benefits (Continued)

Long-term incentive plan: Glacial Lakes Energy, LLC 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 that plan after August 31, 2025, and the plan terminates after all participants have been paid in full. The number of Units that may be awarded under the Plan will not exceed an aggregate of 500,000 Units. The Units vest three years from the date of employment. The Units also carry a Dividend Equivalent which is the equivalent amount of patronage 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, 2017, the Cooperative has awarded 271,875 Units under the plan and 178,750 of these units were vested. The Cooperative has recorded a liability of $241,313 and $186,300 for the value of the Units as of August 31, 2017 and 2016, respectively.

Note 13. Commitments and Contingencies

Environmental: Substantially all of 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.

Other litigation and claims: On January 8, 2009, the Cooperative entered into Termination Agreements with their ethanol marketer, Aventine, to terminate the marketing agreements with Glacial Lakes Energy and Aberdeen Energy and all rights and obligations of the parties under the marketing agreements, effective January 16, 2009. Under the Termination Agreements, the Cooperative had recorded a receivable of $965,876 (related to unpaid true –up payments on sales of ethanol to Aventine from January 2009) and a payable of $1,184,188 (related to unpaid termination fees and other charges).

On April 7, 2009, Aventine filed for relief under Chapter 11 of the United States Bankruptcy Code and on May 5, 2009, the Bankruptcy Court granted Aventine's motion to reject certain contracts including the master railcar leases between Aventine and various railcar companies of the tanker cars that the Cooperative has subleased from Aventine, effective as of April 7, 2009.

In July 2013, Aventine brought a lawsuit against both Glacial Lakes Energy and Aberdeen Energy, in which Aventine sought damages for breach of the Termination Agreements. In response to Aventine's complaints, Glacial Lakes Energy and Aberdeen Energy filed a motion for summary judgment seeking dismissal of all of Aventine's claims. The court granted the dismissal motions on February 29, 2016. However, Aventine appealed that decision to the Seventh Circuit Court of Appeals and an unfavorable decision from the appellate court was rendered.

In February 2017, Aventine and Glacial Lakes Energy and Aberdeen Energy, under court order, executed a settlement agreement under which Glacial Lakes Energy and Aberdeen Energy paid in cash to Aventine $3.44 million in final resolution of these matters. This amount, net of the previously recorded receivable and payable, resulted in an expense of $3,081,104 recognized as legal settlements on the Cooperative's consolidated statement of operations for the year ended August 31, 2017.

Note 13. Commitments and Contingencies (Continued)

Ethanol marketing: The Cooperative sells substantially all of the ethanol produced from both GLE and AE pursuant to a marketing agreement. The Cooperative pays a commission on a per gallon sold basis. The contract term for both GLE and AE commenced on November 1, 2014, and expires December 31, 2017.

Distiller's grain marketing: The Cooperative has an agreement with a national distiller's grain marketer to sell its production of distiller's grain to the marketer and pay a commission based on the net selling price. The agreement is for a rolling one-year period expiring on October 1 of each year and the agreement 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 agreement allows the Cooperative to sell distiller's grain shipped by truck while the national marketer sells distiller's grain shipped by railcars.

In addition to the agreement referenced above, AE also has an agreement with a local feed manufacturing and marketing company to promote and market some of its production of distiller's grain and syrup and pay a fixed commission. The agreement remains in effect until terminated by either party providing the other party not less than 90 days written notice of its election to terminate the agreement.

Natural gas supply: The Cooperative currently has natural gas supply agreements in place with a national supplier for its production requirements. The contracts for GLE and AE expire on October 31, 2018.

Forward purchase and sales contracts: As of August 31, 2017, 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	9,338,011		By 7/15/19
Priced contracts	5,099,655	$ 3.22	By 6/15/18
Total (primarily from members)	14,437,666		
Sale of ethanol (in gallons):			
Index contracts	11,136,831		By 10/31/17
Priced contracts	8,898,700	$ 1.56	By 9/30/17
Total	20,035,531		
Sale of dry distiller's grains (in tons):			
Index contracts	-		
Priced contracts	81,937	$ 146.27	By 12/31/17
Total	81,937		
Sale of modified wet distiller's grains (in tons):			
Index contracts	-		
Priced contracts	104,263	$ 53.94	By 3/31/18
Total	104,263		

Note 14. Investments in Unconsolidated Affiliates

The Cooperative's investments in other renewable fuel businesses consist of the following as of August 31, 2017 and 2016, respectively:

	2017	2016
Granite Falls Energy, LLC	$ 13,173,022	$ 12,943,366
Redfield Energy, LLC	3,872,342	3,569,475
Other investments	5,600	3,500
	$ 17,050,964	$ 16,516,341

Investments in Granite Falls Energy, LLC: The Cooperative owns 5,004 units (16.35 percent) of Granite Falls Energy, LLC (GFE). GFE operates a 70 million gallon fuel ethanol plant near Granite Falls, Minnesota. GFE has a controlling ownership interest (50.7 percent) of Heron Lake BioEnergy, LLC (HLBE). HLBE operates a 72.3 million gallon fuel ethanol plant near Heron Lake, Minnesota.

For the years ended August 31, 2017 and 2016, the Cooperative recognized equity in net income of GFE of $2,056,116 and $729,775, respectively, and received cash distributions of $1,826,460 and $1,576,260, respectively.

The Cooperative's equity in the net income of GFE is based upon estimated earnings of the affiliate as of July 31 of each year. Summary financial information for GFE as of July 31, 2017 and October 31, 2016, (its fiscal year) is as follows:

Condensed Balance Sheets	July 31, 2017 (Unaudited)	October 31, 2016
Current assets	$ 36,484,013	$ 40,349,179
Property and equipment, net	73,711,995	78,968,016
Other assets	2,875,116	2,153,727
Total assets	$ 113,071,124	$ 121,470,922
Current liabilities	$ 6,752,693	$ 14,337,010
Long-term debt, less current maturities	1,122,391	1,393,669
Member's equity	105,196,040	105,740,243
Total liabilities and member's equity	$ 113,071,124	$ 121,470,922

Note 14. Investments in Unconsolidated Affiliates (Continued)

Condensed Statements of Operations	Nine Months Ended July 31, 2017 (Unaudited)	Year Ended October 31, 2016
Revenues	$ 161,629,116	$ 215,526,226
Costs of goods sold	(146,624,568)	(198,627,132)
Gross profit	15,004,548	16,899,094
Operating expenses	(4,654,769)	(5,325,569)
Other income (expense), net	323,852	(345,263)
Net income	$ 10,673,631	$ 11,228,262

Investment in Redfield Energy, LLC: The Cooperative owns 3,321,052 units (8.13 percent), 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 percent 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.

For the years ended August 31, 2017 and 2016, the Cooperative recognized equity in net income (loss) of RE of $435,709 and $(298,836), respectively, and received $132,842 and $132,841 of cash distributions, respectively.

The Cooperative's equity in the net income (loss) of RE is based upon estimated earnings of the affiliate as of August 31 of each year. Summary financial information for RE as of August 31, 2017 and 2016, and for the years ended August 31, 2017 and 2016, is as follows:

Condensed Balance Sheets	2017 (unaudited)	2016
Current assets	$ 24,176,377	$ 17,497,742
Property and equipment, net	30,457,242	34,603,270
Other assets, net	222,316	211,908
Total assets	$ 54,855,935	$ 52,312,920
Current liabilities	$ 6,858,555	$ 4,073,577
Long-term debt, less current maturities	2,827,181	4,341,314
Member's equity	45,170,199	43,898,029
Total liabilities and member's equity	$ 54,855,935	$ 52,312,920

Note 14. Investments in Unconsolidated Affiliates (Continued)

Condensed Statements of Operations	2017 (unaudited)	2016
Revenues	$ 112,368,143	$ 104,481,166
Costs of goods sold	(104,610,785)	(106,802,394)
Gross profit (loss)	7,757,358	(2,321,228)
Operating expenses	(3,026,643)	(2,841,905)
Other income, net	628,560	772,843
Net income (loss)	$ 5,359,275	$ (4,390,290)

Note 15. Income Taxes

The provision for income taxes charged to income for the years ended August 31, 2017 and 2016, consists of the following:

	2017	2016
Current expense (benefit)	$ 924,000	$ (279,829)
Deferred expense (benefit)	309,116	(521,101)
Total income tax expense (benefit)	$ 1,233,116	$ (800,930)

Deferred taxes are comprised of basis differences related to non-patronage 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, 2017 and 2016, are as follows:

	2017	2016
Deferred tax liability:		
Investment in GFE and RE	$ (2,964,832)	$ (2,655,715)
Net deferred tax liability	$ (2,964,832)	$ (2,655,715)

As of August 31, 2017, the Cooperative has a net patronage loss carryforward for income tax purposes of approximately $3,723,000 and a net patronage research and development credit carryforward for income tax purposes of approximately $13,904,000.

RSM

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Glacial Lakes Corn Processors

We have audited the consolidated financial statements of Glacial Lakes Corn Processors and its Subsidiaries (the Company) as of and for the year ended August 31, 2017, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1-2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of operations 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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 consolidated financial statements as a whole.

RSM US LLP

Sioux Falls, South Dakota
December 1, 2017

Glacial Lakes Corn Processors

Consolidating Balance Sheet
August 31, 2017

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 2,356,780	$ 26,306,368	$ 23,441,269	$ -	$ 52,104,417
Short-term investments	-	23,982,177	23,982,177	-	47,964,354
Accounts receivable, net	7,425,466	8,067,906	6,694,704	(8,802,351)	13,385,725
Inventories	-	8,357,407	9,663,938	-	18,021,345
Derivative financial instruments	-	248,183	500,259	-	748,442
Prepaid expenses	-	154,999	94,421	-	249,420
Income tax receivable	6,605	-	-	-	6,605
Total current assets	9,788,851	67,117,040	64,376,768	(8,802,351)	132,480,308
Other noncurrent assets:					
Investments in unconsolidated affiliates	199,352,583	17,050,964	-	(199,352,583)	17,050,964
Other assets	-	815,246	541,692	-	1,356,938
Total other noncurrent assets	199,352,583	17,866,210	541,692	(199,352,583)	18,407,902
Property and equipment, net	-	50,830,236	52,187,861	-	103,018,097
Total noncurrent assets	199,352,583	68,696,446	52,729,553	(199,352,583)	121,425,999
Total assets	$ 209,141,434	$ 135,813,486	$ 117,106,321	$ (208,154,934)	$ 253,906,307
Liabilities and Stockholders' Equity					
Current liabilities:					
Checks issued in excess of bank balance	$ -	$ 53,213	$ 4,764,488	$ -	$ 4,817,701
Accounts payable	165,000	11,512,496	23,010,149	(8,802,351)	25,885,294
Accrued expenses	-	2,174,075	1,572,928	-	3,747,003
Patronage dividends payable	7,425,466	-	-	-	7,425,466
Glacial Lakes Exports distributions payable	-	283,207	775,327	-	1,058,534
Current maturities of long-term debt	-	2,058,750	2,058,750	-	4,117,500
Total current liabilities	7,590,466	16,081,741	32,181,642	(8,802,351)	47,051,498
Long-term liabilities:					
Long-term debt, less current maturities	-	1,387,187	1,387,188	-	2,774,375
Deferred income taxes	2,964,831	-	-	-	2,964,831
Other	-	2,914,000	674,000	-	3,588,000
Total long-term liabilities	2,964,831	4,301,187	2,061,188	-	9,327,206
Total liabilities	10,555,297	20,382,928	34,242,830	(8,802,351)	56,378,704
Stockholders' equity	198,586,137	115,430,558	82,863,491	(199,352,583)	197,527,603
Total liabilities and stockholders' equity	$ 209,141,434	$ 135,813,486	$ 117,106,321	$ (208,154,934)	$ 253,906,307

Glacial Lakes Corn Processors

Consolidating Statement of Operations
Year Ended August 31, 2017

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Eliminations	Consolidated
Revenue:					
Product sales	$ -	$ 208,821,458	$ 223,243,494	$ -	$ 432,064,952
Service revenue	-	287,548	179,419	-	466,967
Government incentive revenue	-	753,083	-	-	753,083
Total revenue	-	209,862,089	223,422,913	-	433,285,002
Cost of goods sold	-	184,759,099	206,206,915	-	390,966,014
Gross profit	-	25,102,990	17,215,998	-	42,318,988
Operating expenses:					
General and administrative expenses	1,141	3,853,313	3,121,381	-	6,975,835
Legal settlements	-	1,441,971	1,639,133	-	3,081,104
Total operating expenses	1,141	5,295,284	4,760,514	-	10,056,939
Operating income (loss)	(1,141)	19,807,706	12,455,484	-	32,262,049
Other income (expense):					
Interest expense	-	(345,167)	(345,167)	-	(690,334)
Interest income	13,231	237,159	203,234	-	453,624
Commissions income (expense)	-	(2,785,024)	(1,420,309)	4,205,333	-
Equity in earnings of unconsolidated affiliates	-	2,491,825	-	-	2,491,825
Equity in earnings of consolidated subsidiaries	31,764,075	-	-	(31,764,075)	-
Other income, net	10,043	405,800	-	-	415,843
Total other income (expense)	31,787,349	4,593	(1,562,242)	(27,558,742)	2,670,958
Income before income taxes	31,786,208	19,812,299	10,893,242	(27,558,742)	34,933,007
Income tax provision (benefit)	1,233,116	-	-	-	1,233,116
Net income	$ 30,553,092	$ 19,812,299	$ 10,893,242	$ (27,558,742)	$ 33,699,891