

# **Glacial Lakes Corn Processors**

Consolidated Financial Report  
August 31, 2022

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## Independent Auditor's Report

Board of Directors  
Glacial Lakes Corn Processors

### 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, 2022 and 2021, 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, 2022 and 2021, 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.

### 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 consolidated 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 consolidated 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  
November 10, 2022

## Glacial Lakes Corn Processors

### Consolidated Balance Sheets August 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 79,861,152	\$ 61,775,860
Short-term investments	79,706,879	-
Accounts receivable, trade	19,694,626	13,711,058
Inventories	63,341,338	58,480,577
Derivative financial instruments	15,899,371	9,852,562
Prepaid expenses	822,694	114,614
Other receivables	2,175,484	1,269,744
Tax receivable	767,323	307,054
<b>Total current assets</b>	<b>262,268,867</b>	<b>145,511,469</b>
Property and equipment, net	121,536,682	118,465,791
Investments in unconsolidated affiliates	28,200,709	19,756,286
Other assets	1,362,238	1,362,238
<b>Total assets</b>	<b>\$ 413,368,496</b>	<b>\$ 285,095,784</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 4,900,000	\$ 4,900,000
Accounts payable	77,574,798	47,773,744
Accrued expenses	8,594,504	6,586,491
Dividends payable	18,563,665	-
Glacial Lakes Exports distributions payable	3,968,912	1,308,738
<b>Total current liabilities</b>	<b>113,601,879</b>	<b>60,568,973</b>
Long-term debt, less current maturities	31,548,530	36,378,960
Deferred income taxes	2,576,626	1,070,041
Railcar damage accrual	9,518,674	8,641,049
<b>Total liabilities</b>	<b>157,245,709</b>	<b>106,659,023</b>
Commitments (Notes 9, 11 & 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	141,249,940	63,563,914
<b>Total stockholders' equity</b>	<b>256,122,787</b>	<b>178,436,761</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 413,368,496</b>	<b>\$ 285,095,784</b>

See notes to consolidated financial statements.

**Glacial Lakes Corn Processors**

**Consolidated Statements of Operations  
Years Ended August 31, 2022 and 2021**

	2022	2021
Net sales:		
Ethanol sales	\$ 818,610,194	\$ 580,664,065
Distillers grains sales	191,769,259	153,955,897
Corn oil sales	73,592,106	43,011,862
<b>Total revenue</b>	<b>1,083,971,559</b>	<b>777,631,824</b>
Cost of goods sold	<b>(988,359,766)</b>	<b>(758,129,290)</b>
<b>Gross profit</b>	<b>95,611,793</b>	<b>19,502,534</b>
General and administrative expenses	<b>(8,798,932)</b>	<b>(7,081,772)</b>
Grant income	16,007,157	-
Other operating income, net	869,711	5,537,597
<b>Operating income</b>	<b>103,689,729</b>	<b>17,958,359</b>
Nonoperating income (expense):		
Interest expense, net (Note 4)	2,120,244	(586,015)
Interest income	723,605	587,200
Equity in earnings of unconsolidated affiliates	15,769,377	3,178,819
Gain on extinguishment of debt	-	2,989,077
	<b>18,613,226</b>	<b>6,169,081</b>
<b>Income before income tax expense</b>	<b>122,302,955</b>	<b>24,127,440</b>
Income tax expense	<b>2,262,067</b>	190,900
<b>Net income</b>	<b>\$ 120,040,888</b>	<b>\$ 23,936,540</b>
Basic and diluted earnings per common share	<b>\$ 0.647</b>	<b>\$ 0.129</b>

See notes to consolidated financial statements.

## Glacial Lakes Corn Processors

### Consolidated Statements of Stockholders' Equity Years Ended August 31, 2022 and 2021

	Common Stock	Additional Paid-In Capital	Certificates of Interest	Unallocated Capital	Total
Balance, August 31, 2020	\$ 103,061	\$ 113,507,620	\$ 1,262,166	\$ 40,472,996	\$ 155,345,843
Net income	-	-	-	23,936,540	23,936,540
Glacial Lakes Exports distributions	-	-	-	(845,622)	(845,622)
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)
<b>Balance, August 31, 2022</b>	<b>\$ 103,061</b>	<b>\$ 113,507,620</b>	<b>\$ 1,262,166</b>	<b>\$ 141,249,940</b>	<b>\$ 256,122,787</b>

See notes to consolidated financial statements.

## Glacial Lakes Corn Processors

### Consolidated Statements of Cash Flows Years Ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income	\$ 120,040,888	\$ 23,936,540
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,313,478	18,627,004
Deferred income taxes	1,506,585	776,077
Forgiveness of Paycheck Protection Program loans	-	(2,989,077)
Equity in earnings of unconsolidated affiliates	(15,769,377)	(3,178,819)
Distributions from unconsolidated affiliates	8,114,402	333,126
Amortized gain on short-term investments	(131,006)	-
Gain from sale of property and equipment	-	(1,750)
Loss on derivative financial instruments	69,275,454	31,267,904
Change in operating assets and liabilities:		
Accounts and other receivables	(6,889,308)	1,110,770
Inventories	(4,860,761)	(34,894,255)
Derivative financial instruments	(75,322,263)	(37,535,774)
Prepaid expenses	(708,080)	(11,828)
Tax receivable	(460,269)	(146,266)
Other assets	-	(1,090)
Accounts payable	31,282,087	22,847,611
Accrued expenses and railcar damage accrual	2,885,638	2,148,922
<b>Net cash provided by operating activities</b>	<b>147,277,468</b>	<b>22,289,095</b>
Cash flows from investing activities:		
Purchases of property and equipment	(22,795,832)	(10,423,543)
Proceeds from sale of property and equipment	-	1,860
Investment in unconsolidated affiliates	(789,448)	(3,000,000)
Purchase of short-term investments	(79,575,873)	-
<b>Net cash used in investing activities</b>	<b>(103,161,153)</b>	<b>(13,421,683)</b>
Cash flows from financing activities:		
Proceeds from long-term debt	-	359,560
Payments on long-term debt	(4,900,000)	(4,900,000)
Dividends paid	(15,779,116)	-
Glacial Lakes Exports distributions paid	(5,351,907)	(2,940,487)
<b>Net used in financing activities</b>	<b>(26,031,023)</b>	<b>(7,480,927)</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,085,292</b>	<b>1,386,485</b>
Cash and cash equivalents:		
Beginning	61,775,860	60,389,375
Ending	\$ 79,861,152	\$ 61,775,860
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest of \$480,222 and \$0	\$ 1,298,906	\$ 632,625
Cash paid for income taxes	\$ -	\$ -
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired with accounts payable	\$ 340,720	\$ 1,821,753
Glacial Lakes Exports distributions payable	\$ 3,968,912	\$ 845,622
Dividends payable	\$ 18,563,665	\$ -

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 inventory valuation, accrual for damage to leased railcars, derivative financial instruments, and the carrying value of property and equipment and related impairment testing.

**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 \$113,546,359 and \$110,766,475 and commission costs were \$3,012,817 and \$3,736,974 for the years ended August 31, 2022 and 2021, 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).

**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.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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

**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, 2022 and 2021, 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. The Company recognized no accrued losses on purchase commitments as of August 31, 2022. The Company recognized accrued losses of approximately \$510,000 on purchase commitments as of August 31, 2021.

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, 2022, and August 31, 2021 there were no events or circumstances that indicated the asset groups of the Cooperative may be impaired.

**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 16.35% 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:** The Cooperative applied for and received \$16,007,157 in cash from the United States Department of Agriculture's Biofuel Producer Program. The program was created as part of the Coronavirus Aid, Relief, and Economic Security Act in 2020, which allocated \$700,000,000 to support biofuel producers who experienced market losses due to the pandemic. The grant is not required to be repaid. Since these funds are provided to subsidize historical losses of the Company, and are not to be repaid, the Company 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, 2022 and 2021, 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 \$171,025 and \$107,567 for the years ended August 31, 2022 and 2021, respectively.

**Recent accounting pronouncement:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 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, 2021, 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. The Cooperative is currently evaluating the impact of the adoption of the new standard on its financial statements. See Note 9 for potential impact.

**Subsequent events:** The Cooperative has evaluated subsequent events through November 10, 2022, the date which the financial statements were available to be issued.

The Board of Directors of the Cooperative voted to have its members deliver 129,945,656 (0.70 per share) bushels of corn for the year ending August 31, 2023, on an open delivery system.

#### Note 2. Short-term Investments

The following is a summary of the Cooperative's short-term investments (original maturity due within one year) as of August 31, 2022:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
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 market value at August 31, 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

#### Note 3. Inventories

The following table summarizes inventories as of August 31, 2022 and 2021:

	2022	2021
Grain	\$ 29,126,492	\$ 27,846,229
Chemicals and ingredients	2,288,926	1,917,916
Ethanol and coproducts:		
Finished goods	20,598,829	18,954,685
In process	4,991,141	4,026,984
Spare parts	6,335,950	5,734,763
	<u>\$ 63,341,338</u>	<u>\$ 58,480,577</u>

Inventory is stated net of a valuation adjustment of approximately \$15,000 and \$717,000 for the years ended August 31, 2022 and 2021, 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.

As of August 31, 2022 and 2021, the Cooperative has entered into the following derivative financial instruments, none of which are designated as hedging instruments:

		2022		2021		
		Notional	Notional Quantity	Fair Value	Notional Quantity	Fair Value
			Long (Short)	Assets (Liabilities)	Long (Short)	Assets (Liabilities)
Corn contracts	Bushels	4,585,000	\$ 2,054,038	(14,350,000)	\$ 2,414,839	
		(15,395,000)	(5,160,713)	130,000	(10,613)	
Ethanol contracts	Gallons	(25,116,000)	2,145,133	(2,940,000)	264,600	
		(3,024,000)	(181,860)	(6,216,000)	(844,095)	
Natural gas contracts	mmBtu	1,463,750	2,266,874	600,000	410,400	
Interest rate swap	Dollars	36,750,000	1,757,313	41,650,000	(1,821,303)	
Total derivatives			<u>2,880,785</u>		<u>413,828</u>	
Deposit with broker			13,018,586		9,438,734	
Total			<u>\$ 15,899,371</u>		<u>\$ 9,852,562</u>	

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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

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, 2022 and 2021, none of which are designated as hedging instruments:

	2022	2021
Gain (loss) recognized in consolidated statements of operations:		
Ethanol sales:		
Ethanol contracts	\$ (61,183,082)	\$ (33,216,421)
Cost of goods sold:		
Corn contracts	(14,609,789)	745,299
Natural gas contracts	3,499,258	264,050
Interest expense:		
Interest rate swap	3,018,159	690,948

#### Note 5. Property and Equipment

The following table summarizes property and equipment as of August 31, 2022 and 2021:

	2022	2021
Land and land improvements	\$ 31,686,988	\$ 30,818,101
Buildings	36,614,495	36,487,183
Railroad equipment and rolling stock	20,982,381	20,702,923
Machinery and equipment	369,151,069	355,303,826
Office equipment	1,002,694	927,825
Construction in progress	11,487,838	5,370,808
	<u>470,925,465</u>	<u>449,610,666</u>
Less accumulated depreciation	(349,388,783)	(331,144,875)
	<u>\$ 121,536,682</u>	<u>\$ 118,465,791</u>

Depreciation expense for the years ended August 31, 2022 and 2021, was approximately \$18,243,908 and \$18,557,434, 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 (5.45% at August 31, 2022). There were no outstanding borrowings, and the amount available under the agreement was \$50,000,000 as of August 31, 2022. The revolving line of credit expires on December 19, 2026.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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

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 (5.35% at August 31, 2022), 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 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, 2022 or 2021.

**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.
- **Capital expenditures**—The Cooperative is limited to annual capital expenditures of \$30,000,000, measured annually at the end of the Cooperative's fiscal year.
- **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.



## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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

**Paycheck Protection Program (PPP) loans:** On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. In April 2020, the Cooperative entered into promissory notes with a bank for borrowings of \$2,611,819 as part of the PPP under the CARES Act, administered by the Small Business Association (SBA). In January 2021, the Cooperative entered into promissory notes with a bank for borrowings of approximately \$360,000 as part of the second round of PPP under the CARES Act. During the year ended August 31, 2021, the Cooperative received approval for loan forgiveness from the SBA for the full balance of the PPP borrowings plus accrued interest on the loans. Forgiveness of loan proceeds are included in nonoperating income on the consolidated statement of operations for the year ended August 31, 2021.

**Long-term debt:** The following table summarizes long-term debt outstanding as of August 31, 2022 and 2021.

	2022	2021
Term loan	\$ 36,750,000	\$ 41,650,000
Less unamortized debt issuance costs	(301,470)	(371,040)
	36,448,530	41,278,960
Less current maturities	(4,900,000)	(4,900,000)
	<u>\$ 31,548,530</u>	<u>\$ 36,378,960</u>

Maturities of long-term debt as of August 31, 2022, are as follows:

Years ending August 31:	
2023	\$ 4,900,000
2024	4,900,000
2025	4,900,000
2026	4,900,000
2027	4,900,000
Thereafter	12,250,000
	<u>\$ 36,750,000</u>

#### 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.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 7. Stockholders' Equity (Continued)

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 Outstanding	Per Share Amount
2022:			
Basic and diluted earnings per share	\$ 120,040,888	185,636,652	\$ 0.647
2021:			
Basic and diluted earnings per share	23,936,540	185,636,652	0.129

#### 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.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 8. Fair Value Measurements (Continued)

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, 2022 and 2021:

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)

Balance Sheet Location	August 31, 2021			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments, assets	\$ 3,089,839	\$ -	\$ -	\$ 3,089,839
Derivative financial instruments, liabilities	(854,708)	(1,821,303)	-	(2,676,011)

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.

#### Note 9. Leases

The Cooperative leases 634 hopper and 1,212 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, 2022 and 2021, totaled \$5,488,513 and \$8,492,755, respectively, which is net of sublease income and rebates.

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, 2022 and 2021, were \$10,361,449 and \$9,875,049, respectively. The portions of these accruals classified as long-term were \$9,518,674 and \$8,641,049 as of August 31, 2022 and 2021, respectively.

The Cooperative's approximate future minimum lease payments as of August 31, 2022, are as follows:

Years ending August 31:	
2023	\$ 14,458,902
2024	10,947,627
2025	8,175,895
2026	5,750,685
2027	4,132,260
Thereafter	3,334,500
	<u>\$ 46,799,869</u>

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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

**Corn marketing and purchases:** The Board of Directors of the Cooperative voted to have its members deliver 126,232,923 (0.68 per share) and 124,376,557 (0.67 per share) bushels of corn for the years ended August 31, 2022 and 2021, 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 \$0.006 and \$0.005 per bushel for 2022 and 2021, respectively.

For the years ended August 31, 2022 and 2021, the Cooperative purchased corn from its members (including committed bushels described above) as follows:

	Bushels	Dollars
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>
2021:		
Individuals	25,232,445	\$ 112,188,380
Elevators	35,642,431	191,549,754
	<u>60,874,876</u>	<u>\$ 303,738,134</u>

The Cooperative paid approximately \$5,726,724 and \$2,503,000 as freight allowance on committed bushels to the members for the purchase of corn for the years ended August 31, 2022 and 2021, 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, 2022 and 2021.

**Distillers grains sales:** For the years ended August 31, 2022 and 2021, the Cooperative sold distillers grains to members of the Cooperative as follows:

	Tons	Dollars
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>
2021:		
Dry distillers grains	7,483	\$ 1,466,572
Wet distillers grains	52,212	4,735,228
	<u>59,695</u>	<u>\$ 6,201,800</u>

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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

**Receivables and payables:** As of August 31, 2022 and 2021, amounts receivable from or due to members of the Cooperative were as follows:

	2022	2021
Receivables for distillers grains	\$ 459,447	\$ 488,402
Receivables for net pool fees	437,522	500,184
Payables for corn and freight allowances	50,467,110	20,696,326

**Customer concentrations:** During the years ended August 31, 2022 and 2021, 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	
	2022	2021	2022	2021
Harvestone Commodities, LLC	\$ 883,402,315	\$ 612,569,473	\$ 7,281,629	\$ 8,775,842
Cenex Harvest States	100,273,547	83,682,492	5,522,955	2,913,282

#### 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 3% of the employees' contributions and 50% of the next 2% of employees' contributions, for a maximum match of 4% of the employees' salary. All employer contributions for eligible employees are vested immediately. During the years ended August 31, 2022 and 2021, the Cooperative contributed \$495,783 and \$444,274, 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, 2022, the Cooperative has awarded 785,625 Units under the plan and 623,750 of these units were vested. The Cooperative has recorded a liability of \$985,525 and \$509,231 for the value of the Units as of August 31, 2022 and 2021, 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.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 12. Commitments (Continued)

**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 \$883,402,315 and \$612,569,473 for the years ended August 31, 2022 and 2021, respectively. Accounts receivable from the marketer were \$7,281,629 and \$8,775,842 as of August 31, 2022 and 2021, respectively.

**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 \$100,273,547 and \$83,682,492 for the years ended August 31, 2022 and 2021, respectively. Accounts receivable from the marketer were \$5,522,955 and \$2,913,282 as of August 31, 2022 and 2021, 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 \$16,752,396 and \$13,640,000 for the years ended August 31, 2022 and 2021, respectively. Accounts receivable from the marketer were approximately \$923,360 and \$37,000 as of August 31, 2022 and 2021, 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, 2023. Revenues from the agreements were approximately \$22,761,754 and \$16,700,000 for the years ended August 31, 2022 and 2021, respectively. Accounts receivable from the marketer were approximately \$610,649 and \$727,000 as of August 31, 2022 and 2021, 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 \$90,128,000 and \$69,136,000 for the years ended August 31, 2022 and 2021, respectively. Accounts payable to the ag cooperative were approximately \$230,896 and \$119,000 as of August 31, 2022 and 2021, respectively.

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 12. Commitments (Continued)

**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.

**Forward purchase and sales contracts:** As of August 31, 2022, 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	5,571,200		By 11/30/2024
Priced contracts	10,951,900	\$ 6.57	By 12/31/2023
Total (primarily from members)	<u>16,523,100</u>		
Sale of ethanol (in gallons):			
Index contracts	37,961,900		By 12/31/2022
Priced contracts	44,900	\$ 2.71	By 09/30/2022
Total	<u>38,006,800</u>		
Sale of dry distillers grains (in tons):			
Priced contracts	143,800	\$ 275	By 12/31/2022
Total	<u>143,800</u>		
Sale of modified wet distillers grains (in tons):			
Priced contracts	22,400	\$ 100	By 3/31/2023
Total	<u>22,400</u>		

#### Note 13. Investments in Unconsolidated Affiliates

The Cooperative's investments in other renewable fuel businesses consist of the following as of August 31, 2022 and 2021:

	2022	2021
Granite Falls Energy, LLC	\$ 16,186,819	\$ 10,395,163
Redfield Energy, LLC	4,061,530	2,970,675
Harvestone Group, LLC	7,925,760	6,363,848
Other investments	26,600	26,600
	<u>\$ 28,200,709</u>	<u>\$ 19,756,286</u>

**Investments in Granite Falls Energy, LLC:** The Cooperative owns 5,004 units (16.35%) 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, 2022 and 2021, the Cooperative recognized equity in net income (loss) of GFE of \$10,445,376 and \$1,774,976, respectively. The Cooperative received cash distributions of \$4,653,720 and \$0 during the years ended August 31, 2022 and 2021, 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, 2022 and October 31, 2021 (its fiscal year), is as follows:

Condensed Balance Sheets	July 31, 2022 (Unaudited)	October 31, 2021 (Unaudited)
Current assets	\$ 78,157,059	\$ 64,813,688
Property and equipment, net	51,773,419	49,716,246
Other assets	26,057,852	30,606,980
Total assets	\$ 155,988,330	\$ 145,136,914
Current liabilities	\$ 36,437,250	\$ 30,023,641
Long-term debt, less current maturities	9,450,000	27,621,428
Long-term liabilities	11,091,850	13,570,112
Members' equity	99,009,230	73,921,733
Total liabilities and members' equity	\$ 155,988,330	\$ 145,136,914
	Nine Months Ended July 31, 2022 (Unaudited)	Year Ended October 31, 2021 (Unaudited)
Condensed Statements of Operations		
Revenues	\$ 313,035,325	\$ 309,615,376
Costs of goods sold	(268,696,474)	(282,847,152)
Gross profit	44,338,851	26,768,224
Operating expenses	(6,173,257)	(8,127,172)
Other expense, net	15,379,807	7,388,854
Net income	53,545,401	26,029,906
Less NI attributable to noncontrolling interest	-	(2,372,825)
Net income attributed to GFE	\$ 53,545,401	\$ 23,657,081

**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.



## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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

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.

For the years ended August 31, 2022 and 2021, the Cooperative recognized equity in net income of RE of \$2,286,433 and \$356,764, respectively. The Cooperative received cash distributions of \$1,195,579 and \$0 during the years ended August 31, 2022 and 2021, 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, 2022 and 2021, is as follows:

Condensed Balance Sheets	August 31, 2022 (Unaudited)	August 31, 2021 (Unaudited)
Current assets	\$ 33,520,454	\$ 17,777,939
Property and equipment, net	20,524,807	22,762,268
Other assets	5,342,881	5,332,482
Total assets	\$ 59,388,142	\$ 45,872,689
Current liabilities	\$ 7,168,615	\$ 6,256,008
Long-term debt, net of current portion	500,000	1,500,000
Other accrued liabilities	1,945,881	1,711,351
Members' equity	49,773,646	36,405,330
Total liabilities and members' equity	\$ 59,388,142	\$ 45,872,689
Condensed Statements of Operations	Year Ended August 31, 2022 (Unaudited)	Year Ended August 31, 2021 (Unaudited)
Revenues	\$ 216,865,925	\$ 155,871,929
Costs of revenues	(189,646,104)	(150,300,631)
Gross profit	27,219,821	5,571,298
General and administrative expenses	(3,718,260)	(3,361,530)
Other income	4,520,034	2,162,349
Net income	\$ 28,021,595	\$ 4,372,117

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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

**Investments in Harvestone Group, LLC:** As of August 30, 2021, the Cooperative owned 45 units (17.27%) of Harvestone Group, LLC (Harvestone). During the year ended August 31, 2022, the Cooperative contributed an additional \$789,448 of cash in exchange for an additional 4 units of Harvestone. As of August 30, 2022, 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, 2022 and 2021, the Cooperative recognized equity in net income of Harvestone of \$3,037,568 and \$1,047,079, respectively. The Cooperative received cash distributions of \$2,265,104 and \$0 during the years ended August 31, 2022 and 2021, respectively.

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 as of August 31, 2022 and 2021, is as follows:

Condensed Balance Sheets	August 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)
Current assets	\$ 214,189,671	\$ 222,395,870
Property and equipment, net	6,287,586	6,513,883
Other non-current assets	2,808,161	144,839
Total assets	\$ 223,285,418	\$ 229,054,592
Current liabilities	\$ 181,361,278	\$ 180,939,135
Long-term debt	4,541,248	4,717,067
Non-current deferred tax liability	1,521,656	536,576
Other non-current liabilities	1,747,171	1,980,409
Members' equity	34,114,065	40,881,405
Total liabilities and members' equity	\$ 223,285,418	\$ 229,054,592
	Eight Months Ended August 31, 2022 (Unaudited)	Year Ended December 31, 2021 (Unaudited)
Condensed Statements of Operations		
Sales	\$ 2,092,892,000	\$ 2,799,395,190
Costs of goods sold	(2,076,936,463)	(2,764,049,815)
Gross profit	15,955,537	35,345,375
Selling, general, and administrative expense	(6,894,281)	(12,693,655)
Other expense, net	(378,672)	(2,635,082)
Provision for income taxes	(1,271,614)	(3,377,809)
Net income	\$ 7,410,970	\$ 16,638,829

## Glacial Lakes Corn Processors

### Notes to Consolidated Financial Statements

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#### Note 14. Income Taxes

The provision for income taxes charged to operations for the years ended August 31, 2022 and 2021, consists of the following:

	<u>2022</u>	<u>2021</u>
Current expense (benefit)	\$ 755,482	\$ (585,177)
Deferred expense	1,506,585	776,077
Total income tax expense	<u>\$ 2,262,067</u>	<u>\$ 190,900</u>

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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Deferred tax liability:		
Investment in GFE and RE	<u>\$ (2,576,626)</u>	<u>\$ (1,070,041)</u>

As of August 31, 2022, the net patronage loss carryforward and research and development credit carryforward for income tax purposes had not been determined. As of August 31, 2021, the Cooperative has net patronage loss carryforward and patronage sourced research and development credit for income tax purposes of approximately \$2,463,000 and \$30,394,000, respectively. The Cooperative may use the net patronage research and development credit to offset future patronage taxable income. The net patronage 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, 2022

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Huron Energy, LLC	Hub City 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 Balance Sheet August 31, 2021

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Huron Energy, LLC	Hub City Energy, LLC	Eliminations	Consolidated
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 1,241,547	\$ 36,589,631	\$ 22,338,275	\$ 4,053,575	\$ (2,447,168)	\$ -	\$ 61,775,860
Accounts receivable, trade	-	2,566,966	8,662,398	2,344,177	1,007,293	(869,776)	13,711,058
Inventories	-	26,098,809	22,859,028	2,192,456	7,330,284	-	58,480,577
Derivative financial instruments	-	4,993,001	3,617,304	93,412	1,148,845	-	9,852,562
Prepaid expenses	-	53,033	36,231	9,543	15,807	-	114,614
Other receivable	-	20,483,771	438,755	106,094	255,615	(20,014,491)	1,269,744
Tax receivable	307,054	-	-	-	-	-	307,054
<b>Total current assets</b>	<b>1,548,601</b>	<b>90,785,211</b>	<b>57,951,991</b>	<b>8,799,257</b>	<b>7,310,676</b>	<b>(20,884,267)</b>	<b>145,511,469</b>
Property and equipment, net	-	40,640,128	32,812,745	5,416,279	39,596,639	-	118,465,791
Investments in unconsolidated affiliates	-	19,756,286	-	-	-	-	19,756,286
Investments in consolidated subsidiaries	179,267,693	-	-	-	-	(179,267,693)	-
Other assets	-	820,533	541,705	-	-	-	1,362,238
<b>Total assets</b>	<b>\$ 180,816,294</b>	<b>\$ 152,002,158</b>	<b>\$ 91,306,441</b>	<b>\$ 14,215,536</b>	<b>\$ 46,907,315</b>	<b>\$ (200,151,960)</b>	<b>\$ 285,095,784</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	-	19,613,859	23,483,704	8,561,703	16,998,745	(20,884,267)	47,773,744
Accrued expenses	-	3,126,261	1,243,525	705,465	1,511,240	-	6,586,491
Great Lakes Exports distributions payable	-	202,854	431,884	674,000	-	-	1,308,738
<b>Total current liabilities</b>	<b>-</b>	<b>22,942,974</b>	<b>25,159,113</b>	<b>10,614,466</b>	<b>22,736,687</b>	<b>(20,884,267)</b>	<b>60,568,973</b>
Long-term debt, less current maturities	-	-	-	5,045,778	31,333,182	-	36,378,960
Deferred income taxes	1,070,041	-	-	-	-	-	1,070,041
Railcar damage accrual	-	4,132,000	1,667,600	638,775	2,202,674	-	8,641,049
<b>Total liabilities</b>	<b>1,070,041</b>	<b>27,074,974</b>	<b>26,826,713</b>	<b>16,299,019</b>	<b>56,272,543</b>	<b>(20,884,267)</b>	<b>106,659,023</b>
Stockholders' equity	179,746,253	124,927,184	64,479,728	(2,083,483)	(9,365,228)	(179,267,693)	178,436,761
<b>Total liabilities and stockholders' equity</b>	<b>\$ 180,816,294</b>	<b>\$ 152,002,158</b>	<b>\$ 91,306,441</b>	<b>\$ 14,215,536</b>	<b>\$ 46,907,315</b>	<b>\$ (200,151,960)</b>	<b>\$ 285,095,784</b>

## Glacial Lakes Corn Processors

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

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Huron Energy, LLC	Hub City 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

## Glacial Lakes Corn Processors

### Consolidating Statement of Operations Year Ended August 31, 2021

	Glacial Lakes Corn Processors	Glacial Lakes Energy, LLC	Aberdeen Energy, LLC	Huron Energy, LLC	Hub City Energy, LLC	Eliminations	Consolidated
Net sales:							
Ethanol sales	\$ -	\$ 208,134,057	\$ 227,803,988	\$ 61,947,827	\$ 82,778,193	\$ -	\$ 580,664,065
Distillers grains sales	-	54,878,673	58,910,043	16,657,856	23,509,325	-	153,955,897
Corn oil sales	-	17,043,332	15,330,625	5,102,072	5,535,833	-	43,011,862
<b>Total revenue</b>	-	280,056,062	302,044,656	83,707,755	111,823,351	-	777,631,824
Cost of goods sold							
	-	(265,781,918)	(297,476,781)	(81,357,242)	(113,513,349)	-	(758,129,290)
<b>Gross profit (loss)</b>	-	14,274,144	4,567,875	2,350,513	(1,689,998)	-	19,502,534
General and administrative expenses							
	(426)	(2,724,001)	(2,035,517)	(1,071,752)	(1,250,076)	-	(7,081,772)
Other operating income, net							
	4,750	2,633,853	2,246,272	7,883	644,839	-	5,537,597
<b>Operating income (loss)</b>	4,324	14,183,996	4,778,630	1,286,644	(2,295,235)	-	17,958,359
Nonoperating income (expense):							
Interest expense	-	(78,242)	(1,552)	(69,950)	(436,271)	-	(586,015)
Interest income	569,675	9,964	1,863	101	5,597	-	587,200
Glacial Lakes Exports distributions	-	283,005	(182,706)	(944,002)	(1,919)	845,622	-
Equity in losses of unconsolidated affiliates	-	3,178,819	-	-	-	-	3,178,819
Equity in losses of consolidated subsidiaries	24,017,303	-	-	-	-	(24,017,303)	-
Gain on extinguishment of debt	-	1,211,047	739,480	275,457	763,093	-	2,989,077
	24,586,978	4,604,593	557,085	(738,394)	330,500	(23,171,681)	6,169,081
<b>Income (loss) before income tax expense</b>	24,591,302	18,788,589	5,335,715	548,250	(1,964,735)	(23,171,681)	24,127,440
Income tax expense							
	190,900	-	-	-	-	-	190,900
<b>Net income (loss)</b>	\$ 24,400,402	\$ 18,788,589	\$ 5,335,715	\$ 548,250	\$ (1,964,735)	\$ (23,171,681)	\$ 23,936,540