



FINANCIAL STATEMENTS

Year Ended December 31, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bushmills Ethanol, Inc  
Atwater, Minnesota

We have audited the accompanying financial statements of **Bushmills Ethanol, Inc** (a Minnesota cooperative) which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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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 **Bushmills Ethanol, Inc** as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Christina Rep*

Willmar, Minnesota  
February 1, 2017

**BUSHMILLS ETHANOL, INC**  
**BALANCE SHEETS**  
December 31, 2016 and 2015

**ASSETS**

	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 27,928,771	\$ 22,205,574
Accounts receivable	2,999,871	3,203,846
Inventories	6,736,780	4,833,283
Prepaid expenses	330,131	360,748
Hedge accounts	1,222,925	1,754,494
<b>TOTAL CURRENT ASSETS</b>	<b>39,218,478</b>	<b>32,357,945</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land and improvements	5,659,373	5,659,373
Buildings	7,478,340	7,417,256
Vehicles	90,005	90,005
Office equipment	216,067	187,462
Plant equipment	66,777,496	65,632,624
Construction in progress	544,583	562,955
	80,765,864	79,549,675
Accumulated depreciation	(50,157,890)	(45,401,184)
	<b>30,607,974</b>	<b>34,148,491</b>
<b>OTHER ASSETS</b>		
Financing costs, net of amortization	20,713	33,375
Investments	413,250	417,043
	<b>433,963</b>	<b>450,418</b>
<b>TOTAL ASSETS</b>	<b>\$ 70,260,415</b>	<b>\$ 66,956,854</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,551,328	\$ 4,618,630
Accounts payable - related party	1,670,373	1,983,002
Accrued expenses	903,479	632,292
Deferred corn pool fees	130,894	131,119
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,256,074</b>	<b>7,365,043</b>
<b>MEMBERS' EQUITY</b>	<b>63,004,341</b>	<b>59,591,811</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 70,260,415</b>	<b>\$ 66,956,854</b>

Excerpted from audited financial statements.

**BUSHMILLS ETHANOL, INC**  
**STATEMENTS OF OPERATIONS**  
Years Ended December 31, 2016 and 2015

	<u>2016</u>		<u>2015</u>
<b>SALES</b>	\$ 110,188,877	\$	116,116,128
<b>COST OF SALES</b>	<u>95,478,784</u>		<u>104,483,139</u>
<b>GROSS PROFIT</b>	14,710,093		11,632,989
<b>OPERATING EXPENSES</b>	<u>3,042,646</u>		<u>2,792,903</u>
<b>INCOME FROM OPERATIONS</b>	11,667,447		8,840,086
<b>OTHER INCOME (EXPENSE)</b>			
Interest and dividend income	99,492		117,471
Interest expense	(28,125)		(192,036)
Loss on sale of asset	(11,768)		-
Miscellaneous income	10,123		40,028
	<u>69,722</u>		<u>(34,537)</u>
<b>NET INCOME</b>	<u>\$ 11,737,169</u>	\$	<u>8,805,549</u>

Excerpted from audited financial statements.

**BUSHMILLS ETHANOL, INC**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**Years Ended December 31, 2016 and 2015**

<b>BALANCE - December 31, 2014</b>	\$	68,257,262
Membership fees - patron		2,000
Distributions		(17,473,000)
Net income		<u>8,805,549</u>
<b>BALANCE - December 31, 2015</b>		59,591,811
Membership fees - patron		2,000
Redemption of units		(80,000)
Distributions		(8,246,639)
Net income		<u>11,737,169</u>
<b>BALANCE - December 31, 2016</b>	\$	<u><u>63,004,341</u></u>

Excerpted from audited financial statements.

**BUSHMILLS ETHANOL, INC**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 11,737,169	\$ 8,805,549
Charges to net income not affecting cash		
Depreciation and amortization	4,779,184	4,834,590
Realized and unrealized (gains) losses on hedging activities	(2,816,431)	(1,564,159)
Bad debt expense	23,580	-
Loss on equipment	11,768	-
(Increase) decrease in current assets		
Accounts receivable	180,395	(189,213)
Prepaid accounts	30,617	(50,626)
Net cash received (paid) on hedging activities	3,348,000	49,000
Inventories	(1,903,497)	2,798,568
Net proceeds from escrow funds	-	811,686
Increase (decrease) in current liabilities		
Accounts payable	(379,931)	(3,600,841)
Accrued expenses	271,187	(290,745)
Deferred corn pool fees	(225)	(5,546)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>15,281,816</b>	<b>11,598,263</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(1,237,773)	(1,863,564)
Purchases of investments	3,793	(17,302)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,233,980)</b>	<b>(1,880,866)</b>
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term debt borrowings	-	(6,116,652)
Payments for financing costs	-	(31,900)
Distributions to members	(8,246,639)	(17,473,000)
Redemption of units	(80,000)	-
Proceeds from membership fees	2,000	2,000
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(8,324,639)</b>	<b>(23,619,552)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,723,197</b>	<b>(13,902,155)</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<b>22,205,574</b>	<b>36,107,729</b>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<b>\$ 27,928,771</b>	<b>\$ 22,205,574</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 22,500	\$ 217,116
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Property and equipment purchases included in accounts payable	\$ -	\$ 52,721

Excerpted from audited financial statements.