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Delta

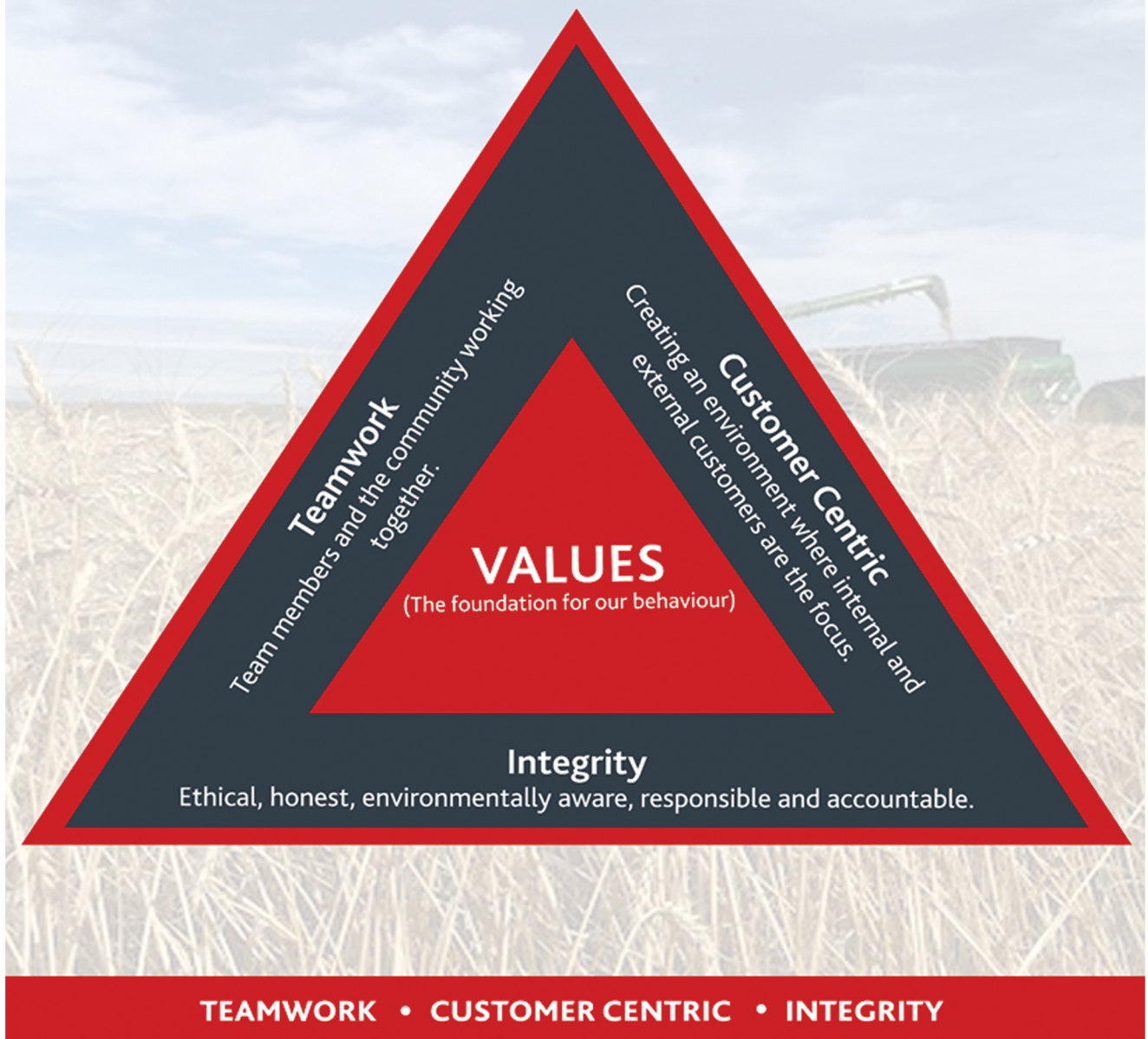


When Delta Co-op was first formed this crest was developed to show the spirit of the co-operative business as being 'Equal parts SERVICE and SAVINGS built on a strong foundation of OWNERSHIP. As we looked to modernize and update our Vision, Mission and Values we thought it was important to pay homage to this little piece of our history.

VISION & VALUES

VISION:

Inspiring our communities as a sustainable Co-operative



DELTA HISTORY

Delta Co-op has a history rich in strategic partnership's that have benefited the growth and development of our retail and the communities we serve. These partnerships were forged by co-operative minded people in 1962 who saw the benefits and efficiencies of working together to create stronger co-operative businesses in their communities.

Although Delta Co-op is a singular retail, it is our districts that allow us to keep independant roots and allow us to continue to grow.

From 2012 and beyond, Delta Co-op has seen great continued growth. We are now serving over 6000+ members, give over \$50,000 on an annual basis to our communities. We continue to renovate and build new locations and offer new services to our members. Though we are currently seeing a very volatile economy that seems to change day to day we continue to look to the future with optimism.

The members of the Co-operatives that came together to form 'Delta' voted on the new name. Balzar Klotz was awarded \$25 for having his suggested name selected from the 150 that were submitted & voted on by the membership.

January 1, 1962 Co-operatives in Evesham, Senlac, Unity and Macklin amalgamate to create The Delta Co-operative Association Limited.

November 25, 1971 Delta Co-op opens its first Drug Department (Pharmacy) at the cost of \$27,000.

June 1, 1974 Tramping Lake Co-op amalgamates with Delta Co-op.

March 25, 1981 Luseland Co-operative (which includes Major) joins Delta.

1984 The Board approves policy to donate to Board-approved youth programs recognizing need for support in the communities.

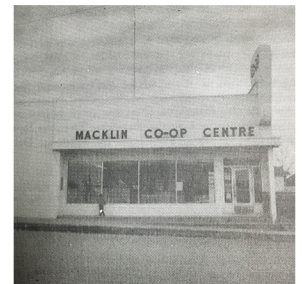
August 20, 1986 Bakery opens at the Macklin Food Store.

September 2, 1987 Newly renovated and expanded Food Store in Unity opens.

2012 Amalgamated with Wilkie Co-operative

March 27, 2022 Delta Co-op opens a new C-Store location in Macklin.

May 8, 2022 Delta Co-op opens Dairy Queen in Macklin.





Delta

GM REPORT | Kristine Moon

Delta Co-op is not just a store, nor is it a big corporation that reports to a head office in another city. We are local, responsible to our members who are the investors. We are the creation of people coming together to help each other. We were created as early as 1929 by our members and continue to serve our members' needs. Looking at the history of Delta we see that four co-ops came together in 1962 to create Delta Co-op. Senlac established in February of 1929, Unity established in December of 1929, Evesham established in February of 1932, and Macklin established in March of 1939. We were later joined in 1980 by Luseland, established in April of 1915, who was earlier joined, in 1966, by Dereck/Major that date back to 1912. In November of 2012, we were joined by Wilkie Co-op that was established in October of 1936. These Co-ops were all created because their members wanted a business that was their business, a business that would support their communities and look to create value for their members. Delta Co-op was created to have your best interest at heart. We are local; created by our members for our members and any profits made go back to our members. We truly are a unique kind of business.

This kind of business is governed by a board of directors, voted on by the members to represent their needs. Annually, Management and Board look at our Vision and Values to ensure that it is still relevant and that they serve the needs of the members. As we reflect on where we are and where we would like to be, we decided that our Vision and Values continue to exemplify our purpose. Our Vision is "Inspiring our communities as a sustainable Co-operative". This phrase is short but packed with a lot of information. Inspiring means to be a leader in each of our communities and help to foster the growth and the success of each community. Sustainable means that we need to be fiscally responsible for our members business to ensure that it is a sustainable organization. It also means that we need to be good stewards of our environment and make environmentally responsible choices. Our Values guide us as we make decisions to fulfill our vision. From our beginnings Delta Co-op has used a triangle, or delta to show our values. The base or bottom of the delta is the base from which our business is built, this value is Integrity. Simply meaning Ethical, Honest, Environmentally aware, Responsible, Accountable. On the right side we have Customer Centric. This means creating an environment where internal and external customers are the focus throughout the organization. Our final left side of the delta is Teamwork. This means Team Members and community working together. Our Vision and Values are our yard stick by which we measure our decisions both at the board level, and also at each level of our organization to ensure we are making the correct decision for Delta.

2022 was a busy and exciting year. We opened two new locations in Macklin – a C-Store and a Dairy Queen. We are quite proud to be the first Co-op in all of Western Canada to operate a Dairy Queen franchise. Along with this we welcomed quite a few new team members to the staff complement – 40 new hires. This presented a learning curve on all sides and I cannot thank everyone enough for their efforts and patience. We are reporting a significant increase in sales for 2022. Some of this increase is due to growth such as what we had in the agriculture commodity as well as the addition of two new locations. A portion of it is due to inflationary increases such as the price of fuel. Our goal is to have a positive EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization) at each location. We have seen some significant improvements in this area but we still have work to do to become more efficient. This will become our focus in the next few years, striving towards a positive local earning while balancing our fiscal responsibility with what our members are telling us through their purchases. The past few years have been spent updating our locations and looking at growth opportunities. While this provided us with beautiful facilities, it has also depleted our cash reserves.

In closing I would like to thank our team for the outstanding work they have done this past year. Your contribution and dedication do not go unnoticed. I would also like to thank the Board of Directors for their guidance and support this past year. To you, our members, thank you for choosing us to do business with. We appreciate your support and loyalty and look forward to serving your needs in the coming year.



Kristine Moon





Delta

PRESIDENT'S REPORT | Ron Veller

This year Delta Co-op sales grew significantly to \$80,356,502 from \$66,930,664 in 2021; this represents a 20% increase. Net savings decreased 24.7% to \$2,002,176. Delta Co-op received \$893,362 from the FCL Loyalty Plan along with the FCL Patronage of \$1,994,956; the latter is a slight decrease of 5.3% from last year. Delta Co-op had a local loss of \$834,267 in 2022. It must be noted that the C-Store/-Dairy Queen project in 2022 and the Canadian Emergency Wage Subsidy (CEWS) program received in 2021 are a major reason for the variance in our financial results. On a more positive note, an allocation of \$1.1 million was given to members with 50% paid in cash.

Delta Co-op completed a major capital project with the building of a C-Store/Dairy Queen at Macklin. It appears that members are well pleased with the project as evidenced by their enthusiastic support. As always, the Delta Board of Directors annually visit all business operations within the Association to ensure that necessary updates and maintenance are being addressed thus protecting assets.

Delta Co-op's management agreement with Duperow Co-op expired in mid-March this year. However, agreements are still in place with Duperow for accounting services and, with Duperow and Central Plains, for credit services. These agreements not only provide financial benefits for Delta Co-op but help establish a connection for future business relationships within the Co-op Retail System. None of these service agreements impact employee duties within Delta Co-op operations.



Board members will continue to access formal training through the FCL Director Development Program (DDP) to enhance their governance skills. In addition to regular meetings Directors also serve on committees that require extra time and effort. This past year, Directors again engaged in a Board Assessment Survey. This initiative allows Directors to examine their governance performance noting and addressing areas that require improvement. At present, the Board of Directors is engaged in a major task to recruit a new General Manager as Andrew will be moving on to a new work assignment with FCL. Noreen Wangler (Member At Large) has decided to retire from the Board. We thank Noreen for the dedicated service she has provided to the governance of Delta Co-op. On behalf of Delta Co-op members and myself a big thank you to all fellow Directors for their efforts!

All employees and management personnel of Delta Co-op are to be commended for the excellent service they provide to members. I invite members to join me in thanking them. In particular, thank you to Andrew Parrott, our General Manager, and the senior management team who have successfully guided Delta Co-op business operations during the past year. Andrew will be leaving Delta Co-op after 4 ½ years of excellent service. We wish him good luck in his new assignment with FCL.

Thank you to the members of Delta Co-op for your continued support and loyalty!



Ron Veller



Management's Responsibility

To the Members of Delta Co-operative Association Limited:


Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Co-operative. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the Co-operative's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

January 26, 2023


Controller

To the Members of Delta Co-operative Association Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Delta Co-operative Association Limited (the "Co-operative"), which comprise the balance sheet as at October 31, 2022, and the statements of net savings and retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at October 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 independent of the Co-operative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

Independent Auditor's Report *(continued from previous page)*

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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by paragraph 11 of the Co-operative's Regulations, 1998, we report that, in our opinion, Canadian accounting standards for private enterprises have been applied on a basis consistent with that of the preceding year.

Saskatoon, Saskatchewan

January 26, 2023

MNP LLP

Chartered Professional Accountants

MNP

Delta Co-operative Association Limited

Balance Sheet

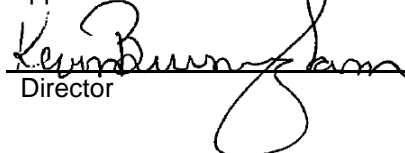
As at October 31, 2022

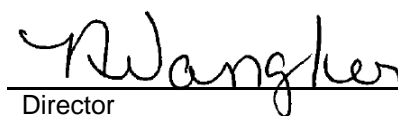
	2022	2021
Current assets		
Cash	\$ 200,475	\$ 902,050
Accounts receivable (Note 5)	3,191,576	2,290,416
Income taxes recoverable	491,314	-
Inventories (Note 6)	13,321,728	10,669,695
	<u>17,205,093</u>	<u>13,862,161</u>
Investments		
Federated Co-operatives Limited (Note 4(a))	13,666,461	13,341,623
Other organizations	22,713	22,713
Property, plant and equipment (Note 7)	20,843,756	18,143,391
Intangible asset (Note 8)	46,069	-
Goodwill	317,500	317,500
Total assets	<u><u>\$ 52,101,592</u></u>	<u><u>\$ 45,687,388</u></u>
Current liabilities		
Line of credit (Note 9)	\$ 4,512,575	\$ 1,000,000
Accounts payable and trust liabilities (Note 10)	10,210,986	8,083,793
Customer prepaid accounts	105,377	219,243
Income taxes payable	-	44,943
Current portion of long-term debt (Note 11)	-	571,664
Current portion of callable debt (Note 11)	98,673	213,265
	<u>14,927,611</u>	<u>10,132,908</u>
Long-term debt (Note 11)	4,815,340	3,784,108
Total liabilities	<u>19,742,951</u>	<u>13,917,016</u>
Members' equity		
Share capital (Note 12)	11,692,816	12,018,462
Reserves and retained savings (Note 13)	20,665,825	19,751,910
	<u>32,358,641</u>	<u>31,770,372</u>
Total liabilities and members' equity	<u><u>\$ 52,101,592</u></u>	<u><u>\$ 45,687,388</u></u>

Subsequent event (Note 19)

Commitments (Note 20)

Approved on behalf of the Board of Directors


Director


Director

The accompanying notes are an integral part of these financial statements



Delta Co-operative Association Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended October 31, 2022

	2022	%	2021	%
Sales (Note 14)	\$ 80,356,502	100.0	\$ 66,930,664	100.0
Cost of goods sold	<u>68,077,990</u>	<u>84.7</u>	<u>56,111,358</u>	<u>83.8</u>
Gross margin	<u>12,278,512</u>	<u>15.3</u>	<u>10,819,306</u>	<u>16.2</u>
Expenses				
Operating and administration	12,858,193	16.0	10,730,476	16.0
Net interest (Note 15)	<u>263,586</u>	<u>0.3</u>	<u>41,265</u>	<u>0.1</u>
	<u>13,121,779</u>	<u>16.3</u>	<u>10,771,741</u>	<u>16.1</u>
Savings (loss) from operations	(843,267)	(1.0)	47,565	0.1
FCL loyalty program (Note 4(c)(ii))	893,362	1.1	897,229	1.3
Patronage refunds	<u>1,994,956</u>	<u>2.5</u>	<u>2,106,836</u>	<u>3.1</u>
Savings before income taxes	2,045,051	2.6	3,051,630	4.5
Income tax expense (Note 18)	<u>42,875</u>	<u>0.1</u>	<u>393,496</u>	<u>0.6</u>
Net savings	<u>\$ 2,002,176</u>	<u>2.5</u>	<u>\$ 2,658,134</u>	<u>3.9</u>
 Retained savings, beginning of year	 \$ 956,375		 \$ 123,822	
Net savings	2,002,176		2,658,134	
Transfer to statutory reserve (Note 13)	(191,552)		(152,581)	
Transfer to general reserve (Note 13)	(925,000)		(123,000)	
Patronage allocation to members (Note 12)	<u>(1,101,226)</u>		<u>(1,550,000)</u>	
Retained savings, end of year (Note 13)	<u>\$ 740,773</u>		<u>\$ 956,375</u>	

The accompanying notes are an integral part of these financial statements



Delta Co-operative Association Limited

Statement of Cash Flows

For the Year Ended October 31, 2022

	2022	2021
Operating activities		
Net savings	\$ 2,002,176	\$ 2,658,134
Adjustments for:		
Depreciation	1,858,957	1,611,119
Amortization	1,181	-
FCL patronage refund	(1,989,775)	(2,102,264)
Loss (gain) on the disposal of property, plant and equipment	(99,263)	1,372
Changes in non-cash operating working capital:		
Accounts receivable	(901,160)	(355,123)
Income taxes recoverable	(491,314)	185,899
Inventories	(2,652,033)	(334,381)
Prepaid expenses	-	3,988
Accounts payable and trust liabilities	2,127,193	3,432,711
Income taxes payable	(44,943)	44,943
Customer prepaid accounts	(113,866)	34,939
Cash provided by (used for) operating activities	(302,847)	5,181,337
Investing activities		
Redemption of FCL shares	1,664,937	994,951
Additions to property, plant and equipment	(4,581,217)	(4,623,688)
Addition to intangible asset	(47,250)	-
Proceeds from the disposal of property, plant and equipment	121,158	23,118
Investment in other organization	-	(318)
Cash used for investing activities	(2,842,372)	(3,605,937)
Financing activities		
Increase (decrease) in line of credit	3,512,575	(2,329,571)
Increase in long-term debt	459,568	2,034,106
Repayment of callable debt	(114,592)	(110,562)
Share capital issued	3,770	2,840
GST on allocation	48,088	10,119
Redemption of share capital	(1,465,765)	(321,971)
Cash provided by (used for) financing activities	2,443,644	(715,039)
Net increase (decrease) in cash	(701,575)	860,361
Cash, beginning of year	902,050	41,689
Cash, end of year	\$ 200,475	\$ 902,050

The accompanying notes are an integral part of these financial statements



Delta Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2022

1. Incorporation and operations

Delta Co-operative Association Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on December 29, 1929. The primary business of the Co-operative is operating retail agriculture, food, hardware and petroleum outlets in Unity, Macklin, Luseland, and Wilkie, Saskatchewan and surrounding areas.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of these financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable, inventory, useful life of property, plant and equipment, impairment of long-lived assets, goodwill, intangible assets, income taxes, accrued liabilities and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

These financial statements have been prepared to reflect the following significant accounting policies:

(a) Definition of financial year

The Co-operative's financial year ends on the Saturday closest to October 31.

(b) Cash and cash equivalents

Cash and cash equivalents are defined as cash and investments with an initial maturity of less than three months.

(c) Inventories

Inventories are valued using a weighted average formula, first-in first-out method, and the retail method. Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the most appropriate method for that particular inventory class.

The Co-operative estimates net realizable value as the amount that inventories are expected to be sold for, taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is determined to be not recoverable due to obsolescence, damage or permanent declines in selling prices.

(d) Financial instruments

The Co-operative recognizes its financial instruments when the Co-operative becomes party to the contractual provisions of the financial instrument.



Delta Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2022

(i) Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction are initially recorded at their fair value. At initial recognition, the Co-operative may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Co-operative has not made such an election during the year.

Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment, or adjustments for patronage refunds or share redemptions. All transactions with Federated Co-operatives Limited (FCL) are disclosed in a separate note (Note 4). All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

(ii) Financial asset impairment

The Co-operative assesses impairment of all its financial assets measured at cost or amortized cost. The Co-operative groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty, whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Co-operative determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The Co-operative reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year net earnings.

The Co-operative reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in net earnings in the year the reversal occurs.



Delta Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2022

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is taken over the estimated useful lives of the assets using the following methods and rates:

Buildings	Straight-line	25 years
Roadways & parkways	Declining balance	4% to 10%
Tanks	Declining balance	10% & 20%
Furniture & equipment	Declining balance	20%
Vehicles	Declining balance	30% & 40%
Computer equipment	Straight-line & declining balance	5 years & 55%
Leasehold improvements	Straight-line	10 years

Expenditures for maintenance and repairs are charged to operating expenses as incurred. Significant expenditures for improvements are capitalized. Gains or losses realized on the disposal of property, plant and equipment are reflected in operations in the year of disposition.

Claims for assistance under various FCL programs are recorded as a reduction of the cost of related assets in the period in which eligible expenditures are incurred, with any depreciation calculated on the net amount.

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.

(f) Asset retirement obligation

The Co-operative has a liability for an asset retirement obligation in the period in which a legal liability is incurred. The liability is based on management's best estimate. The liability is subsequently adjusted for the passage of time, which is recognized as an accretion expense in the statement of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

(g) Share capital

The Co-operative approves an allocation to members subsequent to year end. The amount is recorded as an addition to share capital and a reduction in retained savings. The Co-operative records the redemption of shares that is to be paid to members at the time it has been approved by the Board of Directors.

(h) Revenue recognition

The Co-operative recognizes revenue when evidence of an arrangement exists, delivery or change of ownership has occurred, the price has been determined, and collection is reasonably assured. Patronage allocations are recognized in earnings when earned by the Co-operative.

