

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

(i) Income taxes

The Co-operative follows the taxes payable method whereby only current income tax assets and liabilities are recognized to the extent they remain unpaid or are recoverable. In addition, the benefit relating to a tax loss incurred in the current period and carried back to prior periods is recognized as a current asset. Current income tax assets and liabilities are measured using tax rates that are enacted or substantively enacted at the reporting date.

(j) Goodwill

Goodwill resulting from business combinations represents the portion of the purchase price that was in excess of the fair value of the net identifiable assets acquired. Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying amount of the reporting unit to which goodwill is assigned exceeds the fair value of the reporting unit. If the carrying value of the reporting unit to which goodwill has been assigned exceeds its fair value, then, with respect to the reporting unit's goodwill, any excess of its carrying value over its fair value is expensed. Impairment losses relating to goodwill cannot be reversed in future years.

(k) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is taken over the estimated useful lives of the assets using the following methods and rates once the intangible asset is functional:

Franchise fee	Straight-line	20 years
---------------	---------------	----------

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

(l) Government assistance

The Co-operative recognizes government assistance when there is a reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Co-operative recognizes government assistance related to the Canada Emergency Wages Subsidy ("CEWS") as a reduction to the expense which the assistance program is meant to fund.



3. Financial instruments and risk management

The significant financial risks to which the Co-operative is exposed are credit risk, interest rate risk, liquidity risk, and commodity price risk.

(a) Credit risk

The Co-operative is exposed to credit risk on accounts receivable from its customers. The Co-operative manages credit risk through an active credit management program. The Co-operative does not have a significant exposure to any individual customer.

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Co-operative's sensitivity to fluctuations in interest rates is limited to its cash and debt. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

(c) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations associated with financial liabilities. The Co-operative is exposed to liquidity risk arising primarily from the current and long - term debt obligations. The Co-operative's ability to meet obligations depends on funds generated by its operations.

(d) Commodity price risk

The Co-operative enters into transactions to purchase crop production products, for which market prices fluctuate. The nature of the Co-operative's activities exposes it to risk of changes in commodity prices related to crop inputs that may occur between the time products are received from the supplier and actual date of sale to customers. To mitigate a portion of this risk, the Co-operative enters into contracts with the supplier to purchase the product at specified prices.



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

4. Transactions with Federated Co-operatives Limited

(a) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2022, the Co-operative purchased goods amounting to \$64,030,130 (2021 - \$48,709,734) from FCL in the normal course of operations.

These purchases resulted in a patronage refund from FCL which was received as non-cash consideration in the form of additional shares in FCL. FCL, based on its available cash flow, redeemed an amount of FCL shares held by the Co-operative. The amounts of the patronage refund and shares redeemed are as follows:

	2022	2021
Opening investment balance	\$ 13,341,623	\$ 12,234,310
Patronage refund	1,989,775	2,102,264
Share redemptions	<u>(1,664,937)</u>	<u>(994,951)</u>
Closing investment balance	<u><u>\$ 13,666,461</u></u>	<u><u>\$ 13,341,623</u></u>

(b) Asset retirement obligation

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to \$25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has six sites under this program. Management believes that due diligence has been exercised and that the impact of the asset retirement obligation to the Co-operative's financial statements is not significant.

The Co-operative's has one fertilizer site that is covered under the contaminated site management program established by FCL. Management cannot make a reasonable estimate of the future asset retirement obligation due to the uncertainty of the timing of when management would decommission the fertilizer division.

(c) Purchase commitments

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from December 2015. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during this period amounted to approximately \$92,435 (2021 - \$229,278). Management intends to fulfill all existing contracts with FCL.



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

(ii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase at least 90% of its total goods from FCL and commits, to the best of its ability, to use FCL's services. If the eligibility requirements are met, FCL will pay the Co-operative, on a quarterly basis, a Loyalty Payment based on cents per litre. The Loyalty Payment revenue is accrued as earned.

(iii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase home centre products, from FCL and continue to operate the home centre over a 30 year period commencing from May 1, 2018. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at October 31, 2022 amounted to \$870,133 (2021 - \$870,133). Management intends to fulfill all commitments with FCL.

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum from FCL and continue to operate the convenience store and Dairy Queen over a 20 year period commencing from June 8, 2021. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at October 31, 2022 amounted to \$1,152,370 (2021 - \$nil). Management intends to fulfill all commitments with FCL.

(v) Under the terms of the agreement with FCL, the Co-operative has committed to purchase fertilizer products, at market price, from FCL over a five year period commencing from July 2019. Failure to meet this commitment would require the Co-operative to pay a termination charge to FCL determined by a formula based on purchases and years remaining in the contract. Management intends to fulfill all existing contracts with FCL.

5. Accounts receivable

	2022	2021
Customer accounts receivable	\$ 3,267,900	\$ 2,288,974
Other accounts receivable	38,676	116,442
Allowance for doubtful accounts	<u>(115,000)</u>	<u>(115,000)</u>
	<u><u>\$ 3,191,576</u></u>	<u><u>\$ 2,290,416</u></u>



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

6. Inventories

	2022	2021
Raw material	\$ 861,507	\$ 652,966
Goods for resale	<u>12,460,221</u>	<u>10,016,729</u>
	<u><u>\$ 13,321,728</u></u>	<u><u>\$ 10,669,695</u></u>

The cost of inventories recognized as an expense during the year was \$68,034,693 (2021 - \$56,075,890).

7. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2022 Book Value	2021 Book Value
Land	\$ 982,501	\$ -	\$ 982,501	\$ 982,501
Buildings	19,330,273	6,417,282	12,912,991	9,578,263
Roadways & parkways	3,826,550	1,257,615	2,568,935	1,273,243
Tanks	689,652	321,148	368,504	39,204
Furniture & equipment	7,286,847	4,348,379	2,938,468	1,433,588
Vehicles	2,796,080	2,312,437	483,643	684,934
Computer equipment	1,776,298	1,205,221	571,077	162,511
Leasehold improvements	119,723	102,086	17,637	26,455
Assets under construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,962,692</u>
	<u><u>\$ 36,807,924</u></u>	<u><u>\$ 15,964,168</u></u>	<u><u>\$ 20,843,756</u></u>	<u><u>\$ 18,143,391</u></u>

Depreciation for the current year included in operating and administration expense was \$1,858,957 (2021 - \$1,611,119).

8. Intangible asset

	Original Cost	Accumulated Amortization	2022 Book Value	2021 Book Value
Dairy Queen Franchise	<u>\$ 47,250</u>	<u>\$ 1,181</u>	<u>\$ 46,069</u>	<u>\$ -</u>

Amortization for the current year end included in operating and administration expenses was \$1,181 (2021 - \$nil).



Delta Co-operative Association Limited

Notes to the Financial Statements For the Year Ended October 31, 2022

9. Line of credit

(a) The Co-operative has a \$4,943,000 line of credit with Unity Credit Union of which \$762,575 has been drawn as at October 31, 2022 (2021 - \$nil). The line of credit is secured by a charge on inventory and accounts receivable. Interest on the line of credit is prime plus 0.25% (6.20%) (2021 - 2.70%).

(b) The Co-operative has a line of credit with Federated Co-operatives Limited up to \$5,000,000 between the months of January to May and \$3,750,000 from June to December. \$3,750,000 has been drawn as at October 31, 2022 (2021 - \$1,000,000). The line of credit is secured by the property and associated assets. Interest on the line of credit is prime rate of 5.95% (2021 - 2.45%). The line of credit is subject to certain measurable covenants. As at October 31, 2022, the Co-operative was not in compliance with one of these covenants. FCL has provided a written waiver for this covenant.

10. Accounts payable and trust liabilities

	2022	2021
FCL payables	\$ 8,499,263	\$ 5,919,108
Other payables	1,347,359	1,885,506
Trust liabilities:		
Payroll deductions	99,731	67,693
Goods and services tax	34,216	-
Provincial sales tax	81,344	64,711
Federal fuel charge	130,374	123,482
Vapour tax	145	43
Liquor consumption tax	18,554	23,250
	<u>\$ 10,210,986</u>	<u>\$ 8,083,793</u>

11. Callable and Long-term debt

	Total	2022 Current Portion	2022 Deferred Portion	2021 Current Portion	2021 Deferred Portion
FCL line of credit ⁽¹⁾⁽²⁾	\$ 4,815,340	\$ -	\$ 4,815,340	\$ 571,664	\$ 3,784,108
Unity Credit Union loan ⁽³⁾	98,673	98,673	-	213,265	-
	<u>\$ 4,914,013</u>	<u>\$ 98,673</u>	<u>\$ 4,815,340</u>	<u>\$ 784,929</u>	<u>\$ 3,784,108</u>

⁽¹⁾ FCL line of credit, bearing interest at prime rate of 5.95% (2021 - 2.45%), repayable via an annual reduction in available credit, matures April 30, 2024. Security for the credit is a General Security Agreement. The available line of credit decreases as follows:

May 1, 2022 - April 30, 2023	\$ 1,166,667
May 1, 2023 - April 30, 2024	583,333



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

⁽²⁾ FCL line of credit, bearing interest at prime rate of 5.95% (2021 - 2.45%), repayable via an annual reduction in available credit, matures July 4, 2029. The loan is subject to certain measurable covenants. The Co-operative is not in compliance with both of these covenants as at year end. FCL has provided a written waiver for this covenant. Security for the credit is a General Security Agreement. The available line of credit decreases as follows:

July 5, 2022 - July 4, 2023	\$ 6,562,500
July 5, 2023 - July 4, 2024	5,625,000
July 5, 2024 - July 4, 2025	4,687,500
July 5, 2025 - July 4, 2026	3,750,000
July 5, 2026 - July 4, 2027	2,812,500
July 5, 2027 - July 4, 2028	1,875,000
July 5, 2028 - July 4, 2029	937,500

⁽³⁾ The Macklin Store mortgage loan obtained from the Unity Credit Union is repayable on demand at \$10,031 per month including interest at 3.59% (2021 - 3.59%) per annum. The remaining balance is due in 2023. Security for the loan is the Unity food store building and property with a net book value of \$1,661,409 (2021 - \$1,846,754).

The scheduled principal repayments on the long-term debt for the next five years and subsequent are as follows, provided the callable debt is not demanded:

2023	\$ 98,673
2024	127,840
2025	937,500
2026	937,500
2027	937,500
Subsequent payments	<u>1,875,000</u>
	<u><u>\$ 4,914,013</u></u>



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

12. Share capital

Authorized, unlimited @ \$1	2022	2021
Balance, beginning of year	\$ 12,018,462	\$ 10,839,906
Allocation to members	1,101,226	1,550,000
Cash from new members	3,770	2,840
GST on allocation	48,088	10,119
Shares transferred from reserves	4,000	2,364
	<u>13,175,546</u>	<u>12,405,229</u>
General repayment	955,266	22,243
Shares transferred to reserves	16,965	64,796
Withdrawals and retirements	338,074	279,174
Withholding tax	172,425	20,554
	<u>1,482,730</u>	<u>386,767</u>
Balance, end of year	<u>\$ 11,692,816</u>	<u>\$ 12,018,462</u>

13. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2022	2021
Balance, beginning of year	\$ 3,727,535	\$ 15,068,000	\$ 956,375	\$ 19,751,910	\$ 18,581,344
Net savings distributed to retained savings	-	-	2,002,176	2,002,176	2,658,134
Patronage allocation	-	-	(1,101,226)	(1,101,226)	(1,550,000)
Shares transferred	12,965	-	-	12,965	62,432
Reserve transfers	<u>191,552</u>	<u>925,000</u>	<u>(1,116,552)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 3,932,052</u>	<u>\$ 15,993,000</u>	<u>\$ 740,773</u>	<u>\$ 20,665,825</u>	<u>\$ 19,751,910</u>



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

14. Sales

	2022	2021
Unity	\$ 35,522,956	\$ 33,385,561
Wilkie	7,547,980	6,999,017
Macklin	16,791,505	12,231,362
Luseland	3,205,637	2,742,884
Petroleum	17,288,424	11,571,840
	<u>\$ 80,356,502</u>	<u>\$ 66,930,664</u>

All sales are to external customers and no single customer accounts for more than 10% of sales.

15. Net interest

	2022	2021
Interest expense on		
- Short-term debt	\$ 34,625	\$ 20,144
- Long-term debt	309,790	85,488
Interest revenue	<u>(80,829)</u>	<u>(64,367)</u>
	<u>\$ 263,586</u>	<u>\$ 41,265</u>

16. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada has announced the Canadian Emergency Wage Subsidy (CEWS) program in April 2020. CEWS provide wage subsidies on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, which for CEWS includes demonstration of revenue declines as a result of COVID-19. The following government assistance has been reflected as a reduction to operating and administration expenses:

	2022	2021
CEWS	<u>\$ -</u>	<u>\$ 478,148</u>

17. Pension plan

The Co-operative participates in a multi-employer defined contribution plan whereby the Co-operative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Co-operative has no unfunded liability under this plan. During the year, the Co-operative recorded \$269,369 (2021 - \$281,998) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



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

18. Income tax expense

The Co-operative accounts for income taxes using the taxes payable method. As a result, the Co-operative's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2022	2021
Savings before income taxes	\$ 2,045,051	\$ 3,051,630
Expected income tax expense at the combined tax rate of 27.0% (2021 - 27.0%) net of the general rate reduction	552,164	823,940
Decrease in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(19,379)	(54,505)
Deferral of patronage income inclusion	-	-
Patronage allocation to members of \$1,101,226 (2021 - \$1,550,000)	(297,331)	(418,500)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	-	43,291
Capital cost allowance in excess of depreciation	(370,884)	-
Allowance for doubtful accounts	662	-
Other items that impact income taxes:		
Manufacturing and Processing Investment Tax Credit	(10,419)	(929)
Patronage dividends available for carryforward	158,211	-
Prior year tax adjustment	29,851	199
Income tax expense	<u>\$ 42,875</u>	<u>\$ 393,496</u>

19. Subsequent event

Patronage allocation to members

Subsequent to October 31, 2022 the Board of Directors approved a patronage allocation to members in the amount of \$1,101,226 (2021 - \$1,550,000).



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

20. Operating leases

The Co-operative is committed to operating leases. Total minimum lease payments are as follows:

2023	\$	14,100
2024		14,100
2025		7,200
		<hr/>
	\$	35,400
		<hr/>

21. Lease to others

The Co-operative leases property, plant and equipment to others. The lease is classified as an operating lease and rental revenues are included in operating and administration expenses. The cost of the property, plant and equipment held for leasing purposes is \$486,645 (2021 - \$486,645) and the accumulated depreciation as at October 31, 2022 is \$266,760 (2021 - \$248,844). Revenue generated from operating leases is \$58,144 (2021 - \$58,644).

22. Comparative figures

Certain comparative figures have been reclassified to conform to current year financial statement presentation. This did not affect prior year earnings.



Delta Co-operative Association Limited
Unaudited Statistical Information
For the Year Ended October 31, 2022

Record of Sales and Net Savings

	<u>Year</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>
From Date of Incorporation, December 29, 1929 to October 31,	2013	\$ 840,393,654	\$ 48,244,894	5.7
	2014	74,521,656	3,163,072	4.2
	2015	63,160,078	2,077,167	3.3
	2016	61,307,009	1,786,462	2.9
	2017	66,137,051	2,142,043	3.2
	2018	72,075,122	2,602,332	3.6
	2019	70,455,645	1,566,417	2.2
	2020	62,831,388	474,131	0.8
	2021	66,930,664	2,658,134	3.9
	2022	80,356,502	2,002,176	2.5
		<u>\$ 1,458,168,769</u>	<u>\$ 66,716,828</u>	<u>4.6</u>

Membership

Members purchasing during the year	6,251
Inactive members	<u>779</u>
Total members	<u>7,030</u>





Delta

TOTAL DONATION DOLLARS FOR 2022: \$ 77,446.00

COMMUNITY IMPACT REPORT



Sports - 16%



Community - 43%



Arts & Culture - 5%



Christmas - 2%



Advertising - 34%

('Advertising' refers to any donation where we are supporting a cause through purchasing advertising ex: programs ads, rink boards, etc.)

2022 gave Delta Co-op many opportunities to support local events, organizations and community projects. We donated to over 110+ initiatives in our communities totalling \$77,446.00. Along with the many financial contributions, we participated in many town events. These include but are not limited to: Ice Cream Sundae Bars, Winter Wonderland, Christmas in Our Town, Santa Day, and Late-Night Shopping, the Christmas Light Parade, Rodeo Parade and festivities, the MS Bike Ride, the set up of the boards for the outdoor skating rink, Kids Club BBQ's & Swim days, and so much more!! 2022 was also an exciting year for community projects as we started the **Spread A Little Love** event that takes place on Valentines Day. Delta Co-op is actively exploring for ways to benefit all who live in our communities.



Youth - 32%



Adults - 21%



All Ages - 43%



Seniors - 4%

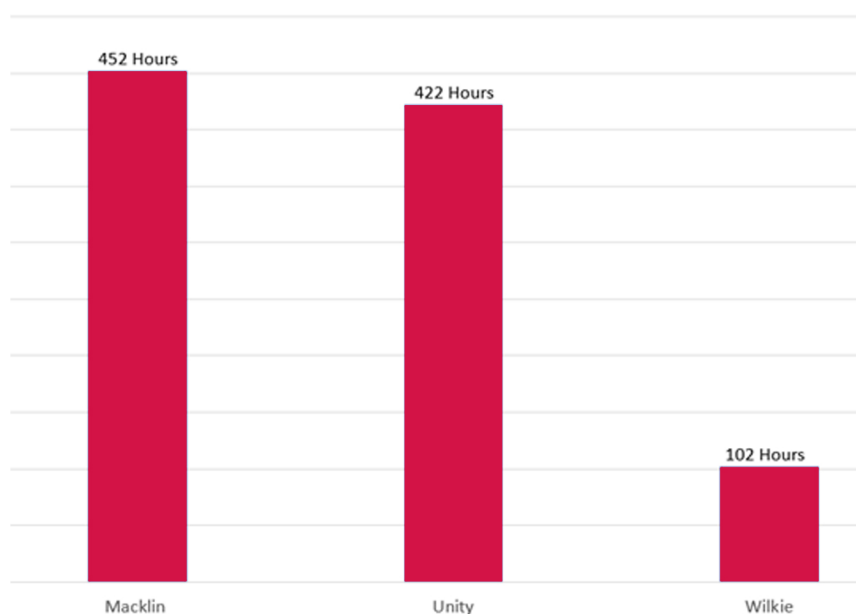


TOTAL VOLUNTEER HOURS FOR 2022: **976** *(That's 40.67 days!)*

Staff record time they volunteer at Delta Co-op hosted events and have the option to also submit volunteer time they give outside of their working hours through an app called Helper Helper. This allows us to track and better evaluate the impact our staff members are having in their communities and better realize any gaps we may be seeing in service.

We will continue to look for meaningful volunteer opportunities to present to staff and are also learning a lot about what matters most to our employees by seeing what groups they are involved in. Some of those groups staff members were involved with in 2022 include:

976 Volunteer Hours



- Unity Credit Union Board of Directors
- Unity Chamber of Commerce
- Unity Lions Club
- Kin Club of Unity
- Sask Central Victim Services Board
- Macklin Minor Hockey Association
- UCHS SCC
- Wilkie Housing Authority
- Wilkie Hunters Safety
- Macklin Chamber of Commerce
- Macklin Town Council
- Citizens on Patrol
- Unity CWL
- Unity Golf Club



FUN FACT:

- 2 staff members gave over 140+ hours of service each in 2022.

Volunteerism is the voice of the people put into action. These actions shape and mold the present into a future of which we can all be proud.

- Helen Dyer





BOARD MEMBERS | Years of Service

Ron Veller - 16 years
President



Nola Sperle- 4 years
Vice-President



Lloyd Fell - 7 years



Kevin Burningham - 5 years



Noreen Wangler - 3 years



Celeste Bridgeman - 3 years



Adam Franko - 2 years



Theresa Poschenreider - 2 years



Tina Drummond - 1 year

