



ANNUAL REPORT 2022

Cornerstone Co-operative

Management's Responsibility

To the Members of Cornerstone Co-operative:

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 and ensuring all information in the annual report is consistent with the statements. 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 is 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.

April 28, 2022

signed by "Graham Getz"

General Manager

To the Members of Cornerstone Co-operative:

Opinion

We have audited the financial statements of Cornerstone Co-operative (the "Co-operative"), which comprise the balance sheet as at January 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 January 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.

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.

Edmonton, Alberta

April 28, 2022

MNP LLP

Chartered Professional Accountants

Cornerstone Co-operative
Balance Sheet
As at January 31, 2022

	2022	2021
Current assets		
Cash and cash equivalents	\$ 1,091,603	\$ 2,271,382
Accounts receivable - Customer (Note 5)	6,058,370	4,286,870
- Other	99,390	789,856
Income taxes recoverable	865,204	-
Inventories	16,750,826	16,599,408
Prepaid expenses	291,018	276,407
Current portion long-term receivable (Note 6)	112,583	94,602
	25,268,994	24,318,525
 Long-term receivable (Note 6)	 89,171	 149,800
 Investments		
Federated Co-operatives Limited (Note 4(a))	23,821,393	22,653,878
Other organizations	70,167	68,011
 Property, plant and equipment (Note 7)	 42,859,221	 45,836,647
Goodwill	126,902	126,902
Total assets	\$ 92,235,848	\$ 93,153,763
 Current liabilities		
Accounts payable and trust liabilities (Note 9)	\$ 9,717,087	\$ 10,007,835
Income taxes payable	-	459,320
Customer prepaid accounts	377,178	145,371
Current portion of long-term debt (Note 10)	2,856,241	4,052,066
	12,950,506	14,664,592
 Long-term debt (Note 10)	 2,887,500	 5,743,741
Asset retirement obligation (Note 4(b))	125,623	119,984
Total liabilities	15,963,629	20,528,317
 Members' equity		
Share capital (Note 11)	38,463,906	37,874,857
Reserves and retained savings (Note 12)	37,808,313	34,750,589
	76,272,219	72,625,446
Total liabilities and members' equity	\$ 92,235,848	\$ 93,153,763

Subsequent event (Note 19)

Commitments (Note 20)

Approved on behalf of the Board of Directors

signed by "Cliff Martin"

 Director

signed by "Don Zarowny"

 Director

The accompanying notes are an integral part of these financial statements



Cornerstone Co-operative
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2022

	2022	%	2021	%
Sales (Note 13)	\$ 174,425,829	100.0	\$ 162,769,464	100.0
Cost of goods sold	<u>144,975,658</u>	<u>83.1</u>	<u>132,251,014</u>	<u>81.3</u>
Gross margin	<u>29,450,171</u>	<u>16.9</u>	<u>30,518,450</u>	<u>18.7</u>
Expenses				
Operating and administration	30,951,601	17.7	29,294,945	18.0
Net interest (Note 15)	<u>(86,307)</u>	<u>-</u>	<u>50,076</u>	<u>-</u>
	<u>30,865,294</u>	<u>17.7</u>	<u>29,345,021</u>	<u>18.0</u>
Savings (loss) from operations	(1,415,123)	(0.8)	1,173,429	0.7
FCL loyalty program (Note 4(c)(iv))	2,798,727	1.6	2,961,233	1.8
Patronage refunds (Note 4(a))	<u>5,837,576</u>	<u>3.3</u>	<u>2,248,847</u>	<u>1.4</u>
Savings before income taxes	7,221,180	4.1	6,383,509	3.9
Income tax expense (Note 17)	<u>862,129</u>	<u>0.5</u>	<u>843,720</u>	<u>0.5</u>
Net savings	<u>\$ 6,359,051</u>	<u>3.6</u>	<u>\$ 5,539,789</u>	<u>3.4</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	6,359,051		5,539,789	
Transfer to general reserve (Note 12)	(3,057,724)		(3,019,807)	
Patronage allocation to members (Note 19)	<u>(3,301,327)</u>		<u>(2,519,982)</u>	
Retained savings, end of year (Note 12)	<u>\$ -</u>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements



Cornerstone Co-operative
Statement of Cash Flows
For the Year Ended January 31, 2022

	2022	2021
Operating activities		
Net savings	\$ 6,359,051	\$ 5,539,789
Adjustments for:		
Depreciation	3,846,115	4,297,889
Accretion	5,639	4,895
FCL patronage refund	(5,837,576)	(2,246,715)
Loss (gain) on the disposal of property, plant and equipment	4,128	(7,050)
Changes in non-cash operating working capital:		
Accounts receivable	(1,081,034)	2,342,574
Income taxes recoverable	(865,204)	1,701,298
Inventories	(151,418)	477,049
Prepaid expenses	(14,611)	17,512
Long-term receivables	42,648	(120,103)
Accounts payable and trust liabilities	(290,748)	(5,696,319)
Income taxes payable	(459,320)	459,320
Customer prepaid accounts	231,807	(164,427)
Asset retirement obligation	-	10,937
Cash provided by operating activities	<u>1,789,477</u>	<u>6,616,649</u>
Investing activities		
Redemption of FCL shares	4,670,061	2,022,044
Additions to property, plant and equipment	(897,702)	(395,160)
Proceeds from the disposal of property, plant and equipment	24,885	15,661
Investment in other organization	(2,156)	(2,117)
Cash provided by investing activities	<u>3,795,088</u>	<u>1,640,428</u>
Financing activities		
Repayment of long-term debt	-	(300,891)
Change in line of credit	(4,052,066)	(5,722,940)
Share capital issued	12,200	13,780
GST on allocation	76,592	70,855
Redemption of share capital	(2,801,070)	(2,574,704)
Cash used for financing activities	<u>(6,764,344)</u>	<u>(8,513,900)</u>
Net decrease in cash and cash equivalents	<u>(1,179,779)</u>	<u>(256,823)</u>
Cash and cash equivalents, beginning of year	<u>2,271,382</u>	<u>2,528,205</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,091,603</u></u>	<u><u>\$ 2,271,382</u></u>

The accompanying notes are an integral part of these financial statements



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

1. Incorporation and operations

Cornerstone Co-operative ("the Co-operative") was incorporated under the Co-operatives Act of Alberta on January 29, 2017 following the amalgamation of St. Paul & District Co-operative Association Limited (incorporated May 6, 1932) and Eastalta Co-op Ltd. (incorporated June 5, 1969). The primary business of the Co-operative is operating hardware, food, and petroleum outlets in St. Paul, Elk Point, Manville, Dewberry, Two Hills, Vermilion, Wainwright and Provost, Alberta and area.

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, income taxes, asset retirement obligations, 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 January 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.

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) Investments

The Co-operative's investments are accounted for using the cost method. Accordingly, the investments are recorded at acquisition cost, less any provisions for permanent impairment or adjustments for patronage refunds or share redemptions. All transactions with FCL are disclosed in a separate note (Note 4).



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

(e) Financial instruments

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at amortized cost, unless management has elected to carry the instruments at fair value. The Co-operative has not elected to carry any such financial instruments at fair value. Financial instruments, which are subsequently measured at amortized cost, are adjusted by transaction and financing costs incurred on acquisition.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Co-operative determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Co-operative could realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) 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:

Pavement & dykes	Declining balance	8%
Buildings	Straight-line	3 to 25 years
Tanks & fences	Declining balance	10%
Furniture & equipment	Declining balance	20%
Vehicles	Declining balance	30%
Computer equipment	Straight-line & declining balance	5 years, 45% to 100%
Asset retirement cost	Straight-line	20 - 30 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.



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

(g) 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.

(h) 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.

(i) 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.

(j) 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 substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

(k) 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.

(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.



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

3. Financial instruments and risk management

The significant financial risks to which the Co-operative is exposed are credit risk, interest rate risk and liquidity 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 (2021 - no 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 obligations and debt. The Co-operative's ability to meet obligations depends on funds generated by its operations.

4. Transactions with Federated Co-operatives Limited (FCL)

(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, 2021, the Co-operative purchased goods amounting to \$121,763,952 (2020 - \$112,958,858) 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	\$ 22,653,878	\$ 22,429,207
Patronage refund	5,837,576	2,246,715
Share redemptions	<u>(4,670,061)</u>	<u>(2,022,044)</u>
Closing investment balance	<u><u>\$ 23,821,393</u></u>	<u><u>\$ 22,653,878</u></u>



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

(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 nine sites under this program. Management believes that due diligence has been exercised. At year end, the Co-operative has accrued a liability in the amount of \$125,623 (2021 - \$119,984). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$5,639 (2021 - \$4,895).

(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 October 2012. 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 \$2,716,175 (2021 - \$2,716,470). Management intends to fulfill all existing contracts with FCL.

(ii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products for the Vermilion River corporate bulk plant, at market price, from the FCL corporate bulk plant over a ten year period commencing from July 2014. Failure to meet this commitment would require the Cooperative to pay a portion of the capital costs of the bulk plant to FCL determined by a formula based upon usage. Management intends to fulfill all existing contracts with FCL.

(iii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase food and foodrelated/pharmacy/home centre products, from FCL and continue to operate certain food/pharmacy/homecentre stores over a ten year period commencing from November 2017. 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 amounted to \$1,493,711 as at January 31, 2022 (2021 - \$1,493,711). Management intends to fulfill all commitments with FCL.

(iv) 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.



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$1,272,922 (2021 - \$299,130).

6. Long-term receivable

	Total	2022 Current Portion	2022 Deferred Portion	2021 Current Portion	2021 Deferred Portion
Petroleum tanks	\$ 201,754	\$ 112,583	\$ 89,171	\$ 94,602	\$ 149,800

The Co-operative has long-term interest free receivables covering petroleum tank equipment which are recoverable over five years. The receivables are secured by the petroleum tank equipment.

7. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2022 Book Value	2021 Book Value
Land	\$ 7,103,872	\$ -	\$ 7,103,872	\$ 7,103,872
Pavement & dykes	6,395,748	2,575,508	3,820,240	4,152,610
Buildings	32,750,605	8,556,194	24,194,411	25,559,254
Tanks & fences	117,401	64,858	52,543	58,381
Furniture & equipment	16,451,565	10,363,926	6,087,639	7,296,581
Vehicles	3,664,943	3,022,304	642,639	916,241
Computer equipment	2,551,534	1,906,580	644,954	694,887
Asset retirement cost	94,194	44,111	50,083	54,821
Under construction	262,840	-	262,840	-
	<u>\$ 69,392,702</u>	<u>\$ 26,533,481</u>	<u>\$ 42,859,221</u>	<u>\$ 45,836,647</u>

Depreciation for the current year included in operating and administration expense was \$3,846,115 (2021 - \$4,297,889).



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

8. Line of credit

The Co-operative has a \$1,000,000 line of credit with Servus Credit Union of which no amount has been drawn as at January 31, 2022 (2021 - \$nil). The line of credit is secured by a Business Security Agreement and a General Security Agreement. Interest on the line of credit is prime plus 1.0% (3.45%) (2021 - 3.45%).

9. Accounts payable and trust liabilities

	2022	2021
FCL payables	\$ 7,566,832	\$ 7,042,409
Other payables	1,842,387	2,371,479
Trust liabilities:		
Payroll deductions	-	162,376
Workers Compensation Board	-	185,683
Federal fuel charge	307,868	245,888
	\$ 9,717,087	\$ 10,007,835

10. Long-term debt

	2022	2022	2021	2021
	Total	Current Portion	Deferred Portion	Current Portion
				Deferred Portion
FCL LOC	<u>\$ 5,743,741</u>	<u>\$ 2,856,241</u>	<u>\$ 2,887,500</u>	<u>\$ 4,052,066</u>
				<u>\$ 5,743,741</u>

Vermilion food store/Wainwright liquor store, St. Paul gas bar, and Two Hills cardlock loans bear interest at the prime rate of 2.45% (2021 - 2.45%) and are repayable via an annual reduction in available credit. The loans are subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at January 31, 2022 and has been in compliance since the loan start dates. Security for the lines of credit is a General Security Agreement. The available credit per year is as follows:

	Vermilion food store/ Wainwright liquor store	St. Paul gas bar	Two Hills cardlock	Total
2023	\$ 1,562,500	\$ 675,000	\$ 650,000	\$ 2,887,500

The scheduled principal repayments on the long-term debt for the next two years are as follows:

2023	\$ 2,856,241
2024	2,887,500
	\$ 5,743,741



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

11. Share capital

	2022	2021
Authorized, unlimited @ \$1		
Balance, beginning of year	\$ 37,874,857	\$ 37,844,944
Allocation to members	3,301,327	2,519,982
Cash from new members	12,200	13,780
GST on allocation	76,592	70,855
	<u>41,264,976</u>	<u>40,449,561</u>
General repayment	1,535,581	1,209,962
Withdrawals and retirements	1,060,380	1,182,203
Withholding tax	205,109	182,539
	<u>2,801,070</u>	<u>2,574,704</u>
Balance, end of year	<u>\$ 38,463,906</u>	<u>\$ 37,874,857</u>

12. Reserves and retained savings

	General Reserve	Retained Savings	2022	2021
Balance, beginning of year	\$ 34,750,589	\$ -	\$ 34,750,589	\$ 31,730,782
Net savings distributed to retained savings	-	6,359,051	6,359,051	5,539,789
Patronage allocation	-	(3,301,327)	(3,301,327)	(2,519,982)
Reserve transfers	<u>3,057,724</u>	<u>(3,057,724)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 37,808,313</u>	<u>\$ -</u>	<u>\$ 37,808,313</u>	<u>\$ 34,750,589</u>

13. Sales

	2022	2021
Food division	\$ 82,444,951	\$ 87,426,948
Home centre division	15,942,190	16,391,803
Petroleum division	76,038,688	58,950,713
	<u>\$ 174,425,829</u>	<u>\$ 162,769,464</u>

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



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

14. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada has announced the 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 Co-operative has determined that it has qualified for CEWS. The Co-operative has applied for and has received \$217,490 (2021 - \$1,172,994) which has been reflected as a reduction to operating and administration expenses.

15. Net interest

	2022	2021
Interest expense on		
- Short-term debt	\$ 3,796	\$ 16,472
- Long-term debt	200,145	350,588
Interest revenue	<u>(290,248)</u>	<u>(316,984)</u>
	<u>\$ (86,307)</u>	<u>\$ 50,076</u>

16. 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 \$638,603 (2021 - \$626,715) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

17. 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	\$ 7,221,180	\$ 6,383,509
Expected income tax expense at the combined tax rate of 23.0% (2021 - 23.8%) net of the small business deduction	1,660,871	1,520,552
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	3,517	(893)
Patronage allocation to members of \$3,301,327 (2021 - \$2,519,982)	(759,305)	(600,260)
Patronage carryforward claimed	-	(42,721)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(43,090)	(33,831)
Other items that impact income taxes:		
Prior year tax adjustment	136	873
Income tax expense	\$ 862,129	\$ 843,720

18. Economic conditions

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Co-operative's operations were impacted by COVID-19 due to increased customer demand in some circumstances as well as supply chain disruptions. The impact of COVID-19 has been partially offset by available government programs for which the Co-operative was eligible. The future impact the COVID-19 outbreak may have on the Co-operative is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.



Cornerstone Co-operative
Notes to the Financial Statements
For the Year Ended January 31, 2022

19. Subsequent event

Patronage allocation to members

Subsequent to January 31, 2022 the Board of Directors approved a patronage allocation to members in the amount of \$3,301,327 (2021 - \$2,519,982).

20. Commitments

The Co-operative is committed to the completion of a home centre. The estimated total cost of the project is \$8,100,000 of which \$262,840 has been set up in under construction. This project will be financed from operations and loan.

21. Operating leases

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

2023	\$	134,700
2024		139,706
2025		141,375
2026		56,575
2027		14,144
		<hr/>
	\$	<u>486,500</u>



Cornerstone Co-operative
Unaudited Statistical Information
For the Year Ended January 31, 2022

Record of Sales and Net Savings

	<u>Year</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>
From Date of Incorporation, May 6, 1932, to January 31,	2013	\$ 1,093,778,673	\$ 57,760,256	5.3
	2014	99,173,089	7,113,236	7.2
	2015	107,153,529	6,030,297	5.6
	2016	88,165,368	4,109,911	4.7
	2017	83,745,484	2,599,374	3.1
	2018	167,037,409	8,777,409	5.3
	2019	178,907,378	6,255,847	3.5
	2020	169,545,597	3,797,752	2.3
	2021	162,769,464	5,539,789	3.4
	2022	174,425,829	6,359,051	3.6
		<u>\$ 2,324,701,820</u>	<u>\$ 108,342,922</u>	<u>4.7</u>



