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1
SALAD DRESSINGS
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MUSTARD
PICKLES
WORLD FOODS
CANNING SUPPLIES

RAISED | GROWN | PRODUCED
WESTERN CANADA

**PROUDLY
WESTERN
CANADIAN**

**LOOK FOR
LOCAL!**

Finding Western-Canadian
and Saskatchewan-made
products

DAYDREAM
GARLIC FARM

13⁹⁹

MARQUETTE
GARDENS

Support
Local
Businesses

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Saskatchewan logo of LOCAL
products from BARN & COO-CARTIC
MILK, BUTTER, EGGS, AND
SUN BLOTTED HONEY

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CO-OP[®]

ANNUAL REPORT 2022

Prairie North
Co-operative Limited

CO-OP



OUR VALUES

Service

Exceeding Expectations

Integrity

Honest and Trustworthy

Unity

We are Better Together

OUR VISION

To be the trusted first choice in our community.

OUR MISSION STATEMENT

Our team is committed to excellence at every opportunity to serve our guests and our community.

We will consistently deliver a trusted, welcoming, and personalized experience.

SERVICE • INTEGRITY • UNITY

You're at home here.



ABOUT US

Prairie North Co-op operates out of 21 locations – from St. Brieux, Spalding and Naicam in the west; to Melfort and Brooksby in the north; and Archerwill and Kelvington in the east. We serve our members with products and services that help build, feed, fuel and grow the communities in which we live and do business.

As a co-operative, we are a different kind of business; we are not only working for our communities, but we are also owned by our community. Co-ops embed sustainability in their business by planning and investing for the long term, with the community and environment in mind; they work to create jobs; and they partner with other organizations and local businesses. Prairie North Co-op profits do not leave the community, they go back into it – and back to our members. We take pride in our community involvement and our commitment to providing quality products and services.

Prairie North Co-op employs 296 and serves 12,795 members. We continue the tradition of giving back, not only in patronage refunds to our members, but also through financial support to several local organizations. In 2022, sponsorship and donations totalled almost \$154,463 to 223 different organizations in our trading area. Locally invested. Community-minded. Lifetime membership benefits. We are Co-op.

YOUR PRAIRIE NORTH CO-OP

**BUILDING, FEEDING, FUELLING,
AND GROWING COMMUNITIES**



**EMPLOYS
296**

COMMUNITY MEMBERS

**21 LOCATIONS – ARCHERWILL, BROOKSBY, KELVINGTON,
MELFORT, NAICAM, SPALDING & ST.BRIEUX**



**12,795
MEMBER OWNERS**



**Capital
Re-investment of
\$13,410,251**

**\$174,247,392
IN SALES FOR 2022**



PRESIDENT'S MESSAGE FROM THE BOARD



Any Paragon staff wanting to join our co-operative were offered employment.

Sustainability Report – on Earth Day in April, we released our second published Sustainability Report. Co-ops have long believed in being a responsible business – protecting our members' investments while also considering our people, our communities, and our environment. The how and why behind that belief is detailed in our Sustainability Report.

Purchase of St. Brieux Ag & Auto – in May, Prairie North Co-op, together with Judy Lefebvre, owner announced the purchase of St. Brieux Ag & Auto in St. Brieux. We recognized that the closure of this store would leave a huge hole in the community so when the opportunity to discuss an acquisition presented itself, we were happy to talk about how we could ensure that the legacy continued. Natalie Sakundiak, who had worked for the Lefebvre's since 2009, stayed on to manage the day-to-day operation of the business as a Prairie North Co-op employee.

Archerwill C-Store Renovation – after an extensive renovation that saw an unused service bay in the C-Store in Archerwill converted to an expanded liquor section with a walk-in cooler, new kitchen, public washrooms, and shipping/receiving area; the interior and exterior were given a facelift.

Sustainable Communities Fund – in August the Board once again approved an allocation of \$25,000 for the Prairie North Co-op

On behalf of the Prairie North Co-op Board of Directors, I would like to extend a sincere thank you for your patronage over the last year. 2022 has been a year of growth for our co-operative and, in some cases, that has meant that we have had to make the best of it as we renovated and built to serve you better. Thank you for your patience. Another group that is deserving of thanks are the management and staff of Prairie North Co-op. As members of your community, we hear time and again how these people bring our values of service, integrity, and unity to life and that makes us so very proud.

YEAR IN REVIEW

Acquisition of Paragon Ag Services, Ltd. – in February Prairie North Co-op announced the acquisition of the Melfort and Brooksby sites of Paragon. The addition of these assets significantly increased our anhydrous ammonia business and enables us to even better serve the needs of our ag customers moving forward.

CASH. THAT'S YOUR REWARD

Over the past four years, Prairie North Co-op has returned over \$7.9 million to our members in equity and cash back. The 2022 patronage allocations approved by the Board in February were:

- 1.0% FOOD**
- 0.5% HARDWARE & LUMBER**
- 0.75% FERTILIZER & CHEMICAL**
- 2.75% PETROLEUM**

Sustainable Communities Fund. Applications were accepted during the month of September, with four projects selected for funding ranging in value from \$3000 to \$10,000:

- Kelvington Walking Trails, funds for a wheelchair accessible washroom
- Melfort Minor Football, funds for a booth
- Naicam Pickleball Club, funds for a windbreak, benches, and equipment shed for pickleball court
- Star City Library Learning Project, funds for equipment

James Smith First Nation – after the tragic events at James Smith Cree Nation in September, recognizing the imminent need to get support to the families most impacted to offset travel costs to visit loved ones in hospital and to assist with the cost of wakes and funerals, Prairie North Co-op and Lake Country Co-op approached Federated Co-op Limited to work out the details of a \$10,000 donation based on FCL matching the local co-operatives individual commitments of \$2,500 worth of gift cards. At Prairie North Co-op we continued to collect donations for the First Nation through our food store locations and thanks to the generosity of our members and customers, another \$4,700 was added to our original donation by September 30th Truth and Reconciliation Day stat.

Melfort Administration Move – the Prairie North Co-op administrative team moved to its new location at 107 Burrows Ave. E. in October after the old Co-op Car Care Centre, a building/property already owned by the co-operative, renovations were complete. The renovated space boasts seven offices, a reception area, cubicle space for four, washrooms, a board room with a kitchen, and two storeys of file storage. The cost of renovating was far less than including administrative space in the new food store build or building something new on another location.

Anhydrous Ammonia (NH3) – work began on the new Ethelton NH3 site in June and was complete by November.

New Melfort Food Store Build – work continued in 2022 on the new 25,000 square foot Co-op Food Store adjacent to the Stone Gate development. This

2022 AT A GLANCE



DONATED TO 223 CHARITIES & NON-PROFITS



SCHOLARSHIPS GIVEN \$2,500



60 GALLONS OF PAINT DONATED



RETURNED TO MEMBERS IN EQUITY & CASH BACK \$2,105,323

new build will ensure that Prairie North Co-op grocery customers in Melfort and surrounding area will be able to access our great Co-op products in a new food store that will allow us to leverage new technological advances in the food industry.

I would be remiss if I didn't mention the annual Board strategy planning session as a part of the year in review. Annually, the Prairie North Co-op Board of Directors meets for a dedicated strategy planning session as we recognize that strategic growth is critical to the long-term success of the organization. This process is designed to challenge us to look at growth sustainably through the lens of business opportunities that expand both the membership and the trading area.

OUR FINANCIAL POSITION

As we look to 2023, I am proud to report that our financial position is strong. Sales for the 2022 fiscal year exceeded the budgeted \$137,000,000. Net savings before tax of \$4,924,301 were achieved. The patronage allocation from Federated Co-op Limited (FCL), including loyalty payment, was \$5,107,144. In 2022, the Board approved a capital re-investment for property, plant and equipment of \$13,410,251. This is up significantly from 2021 due to the progress on the Melfort Food Store build, the purchase of Paragon Ag and St. Brieux Ag & Hardware, and the renovation of the Archerwill C-Store. Over the past four years, Prairie North Co-op has returned over \$7.9 million to our members between contributions made to equity accounts and cash back in the form of cheques.

The 2022 patronage allocations approved by the Board in February were:

- 1.0% back for food
- 0.5% back for hardware and lumber
- 0.75% back for fertilizer and chemical
- 2.75% back for petroleum

In total, we are allocating \$2,105,323 to members with \$1,122,192 being returned by cheque for the cash back portion. I think that I

TERM EXPIRING AT 2023 AGM
 LORNE TYACKE
 KELLY COPELAND
 GREG MASLIN

TERM EXPIRING AT 2024 AGM
 ED DUFAULT
 JIM ZEMLUK
 BARRY MARQUETTE
 TOM BOYES

TERM EXPIRING AT 2025 AGM
 TRENT FEDORYCHKA
 MONICA SOCHASKI
 JOHN KNUDSEN

speak for every Board member when I say that seeing projects that have been in the planning stage for us reach fruition, and the impact that our commitment to investing in rural Saskatchewan is making in our communities, is so very rewarding. It has been our pleasure to serve you, our members. Thank you again for your patronage. Your support of our co-operative translates into jobs for local people, donations to local community groups and projects, and the growth that we experienced in 2022.

GENERAL MANAGER'S REPORT ON OPERATIONS



- we welcomed the customers and staff from Paragon Ag and the St. Brieux Ag and Hardware store into our Co-op
- we continued to grow our Ag division - both people and facilities. Our AGRO FUEL team is now comprised of 34 knowledgeable individuals, we have added a tri-drive truck to the fleet for fuel delivery, converted a fuel delivery truck to bulk oil, and work began on a new NH3 site near Ethelton
- we opened our new Admin office on Burrows Avenue in Melfort
- our new Melfort Food Store is well under way and scheduled to open in August 2023
- the C-store in Archerwill underwent one of the most dramatic transformations I have witnessed in my 30 years at Co-op
- our Kelvington team members rebounded from a disastrous plow wind that tore the roof off the C-store and did immense damage in the community and to our other retails sites there.

I am honoured to report to the membership on our operations for the fiscal year 2022. As I look back on the year and reflect on all the things our Co-op accomplished, I am in awe of our team members, members, customers, and leadership team. I am proud to share with you that we continued to grow our business in significant ways, with just about every community in Prairie North Co-op seeing capital re-investment:

PROUD AND PRODUCTIVE PEOPLE

One of the things that make Co-ops a different kind of business is the belief that we are better together and 2022 was certainly a testament of that. Much of what we achieved can be credited to the commitment

Last year in the Annual Report, I reported that “by most standards, 2021 was our most successful year in over a decade” . . . that can now be said about 2022.





of all levels of our organization—Board, Leadership, and Team Members—to focus on being the trusted first choice for our members and customers, and to bring our values of Service, Integrity, and Unity to life each day. Our gross sales were up \$45,264,630, this is an increase of 35%. Last year in the Annual Report, I reported that “by most standards, 2021 was our most successful year in over a decade” . . . that can now be said about 2022.

Managing through growth can be a challenge as growth brings change and not everyone is comfortable with change. In the Fall of 2022, we administered an organization-wide employee engagement survey. With a survey participation rate of 87%, of the 13 key dimensions measured in the survey—rewards and recognition, work/life integration, and safety to name a

few—Prairie North Co-op, I am proud to report that we were up in 11 of the 13 areas over a similar survey conducted two years ago.

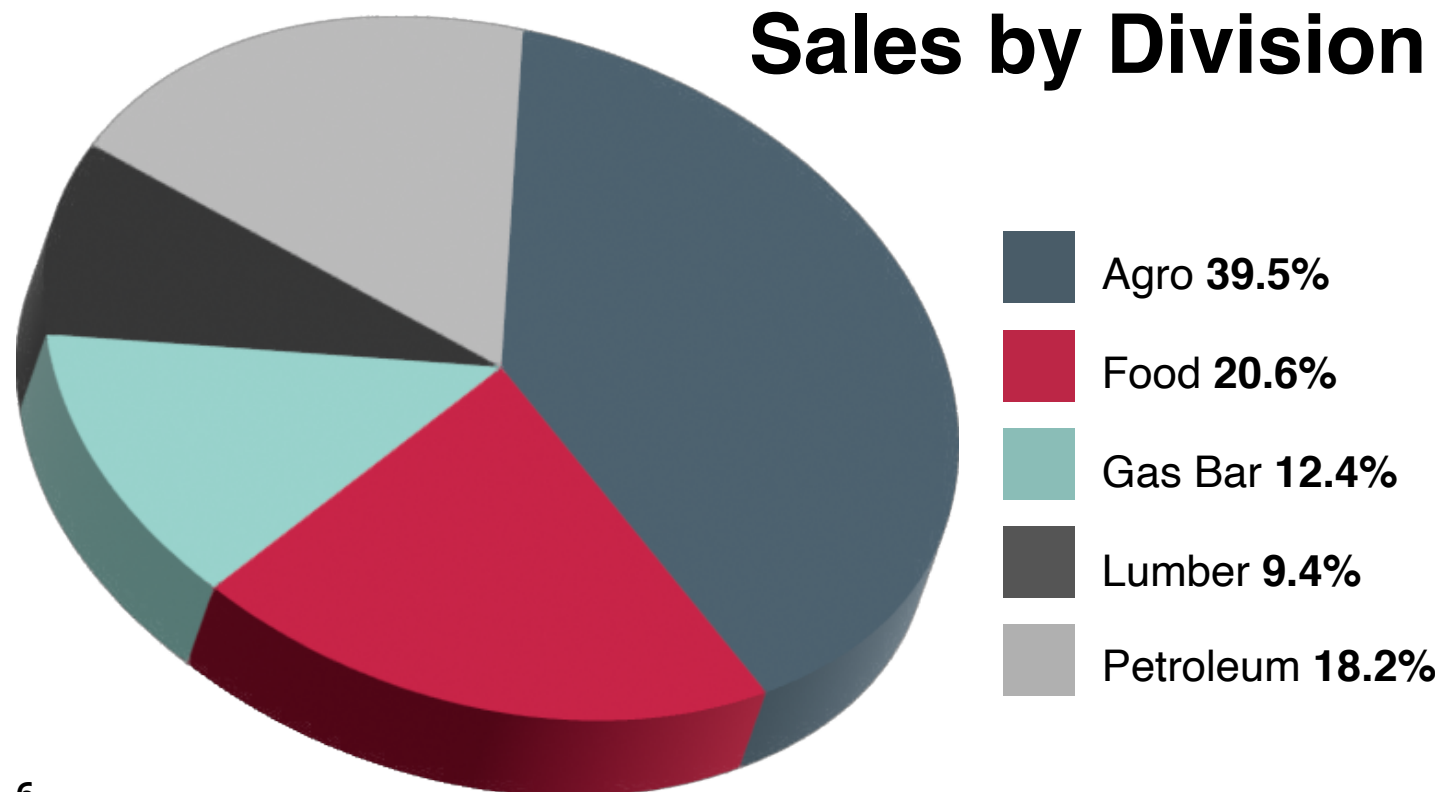
ORGANIZATIONAL STRUCTURE

“Better together” is reflected in our organizational structure through shared service agreements. In 2019 Prairie North Co-op entered into shared service agreements with Beeland, Carrot River and Parkland to share management expertise in Occupational Health and Safety. Today finance, delivery of bulk fuel, IT, and marketing are other areas of sharing as we continue to leverage our relationships with neighbouring co-operatives to capture efficiencies and improve financial results.

MAINTAINING OPERATIONAL EXCELLENCE

Co-ops have long believed in being a responsible business – protecting our members’ investments while also considering our people, our communities, and our environment. The process of reviewing our facilities is an ongoing one. It can be triggered from an operations standpoint – is the facility meeting the needs of our members and customers in that community? Is it allowing us to do business efficiently? And it can be triggered by an opportunity, like when we hear about the potential sale of a local business that complements our portfolio and aligns with our growth plan.

Prairie North Co-op is dedicated to contributing to the sustainability of the communities in which we do business. The projects outlined in my introductory



Prairie North Co-op
#ServiceIntegrityUnity

- CARDLOCK**
Melfort, Archerwill, Kelvington, Naicam, Rose Valley & St. Brieux
- CAR WASH**
Melfort
- PROPANE**
Melfort, Archerwill, Kelvington, Naicam & St. Brieux
- FUEL**
Melfort, Archerwill, Kelvington, Naicam & St. Brieux
- AGRO**
Melfort, Archerwill, Brooksby, Kelvington & Naicam
- CONVENIENCE**
Melfort, Archerwill, Kelvington & Naicam
- HOME & BUILDING**
Melfort, Archerwill, Kelvington & Naicam
- GROCERY**
Melfort, Archerwill, Kelvington, Naicam, Spalding & St. Brieux
- LIQUOR**
Kelvington, Spalding & St. Brieux

comments demonstrate a commitment to investing in the local economy and to meeting our member’s needs for decades to come.

PRUDENT FINANCIAL MANAGEMENT

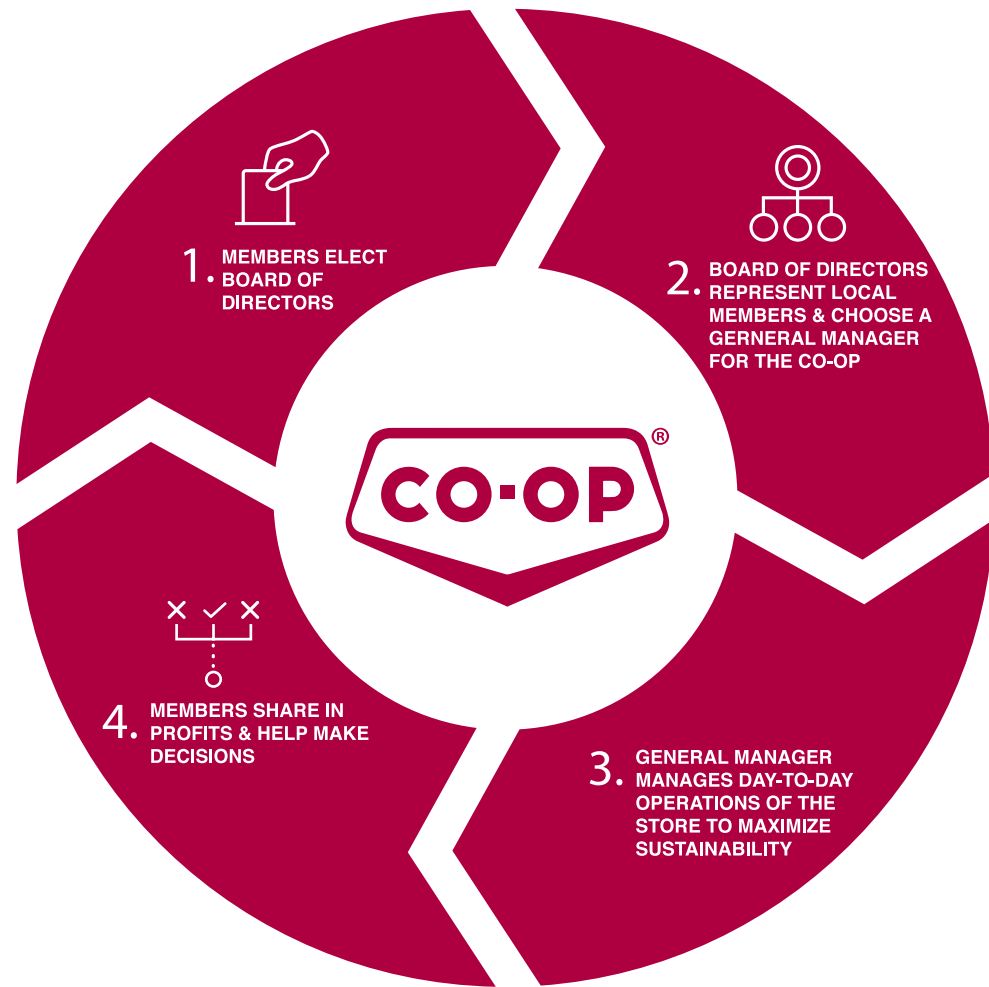
Gross sales for the 2022 fiscal year were \$174,247,392. Our patronage and loyalty payments from Federated Co-operatives Limited was \$5,107,144 in 2022. Of the \$4,924,301 after-tax savings, \$2,311,390 has been put to reserve and \$2,105,323 was returned to members in the form of contributions to equity accounts and cash back in the form of cheques.

The balance sheet of Prairie North Co-op in 2022 depicts total assets of \$100,229,627 compared to \$75,747,801 in 2021 and member owner equity of \$48,502,515 . . . up from \$46,580,403.

COMMUNITY AND ENVIRONMENTAL SUSTAINABILITY

In Prairie North Co-op, sustainability drives growth—renovations and new builds—and the facilities decisions that we make around environmental practises, waste reduction and energy efficiency. Sustainability also drives our Ag Division’s recycling efforts for pesticide and seed containers, used oil containers, tires, and batteries. It is our Food Division’s support of local food banks and adoption of the LOOP program for food waste diversion and our commitment to sourcing local food suppliers to reduce the environmental impacts of transportation. Sustainability is the choice of chemicals we use in our car wash in Melfort and how the water used is treated before it returns to the municipal system. And sustainability is employing local people and supporting local projects and organizations so that our members take pride in being a part of our co-operative and our customers

	2022	2021
Agro	\$68.7M	\$40.0M
Food	\$35.8M	\$34.1M
Gas Bar	\$21.5M	\$18.6M
Lumber	\$16.3M	\$15.8M
Petroleum	\$31.7M	\$20.5M



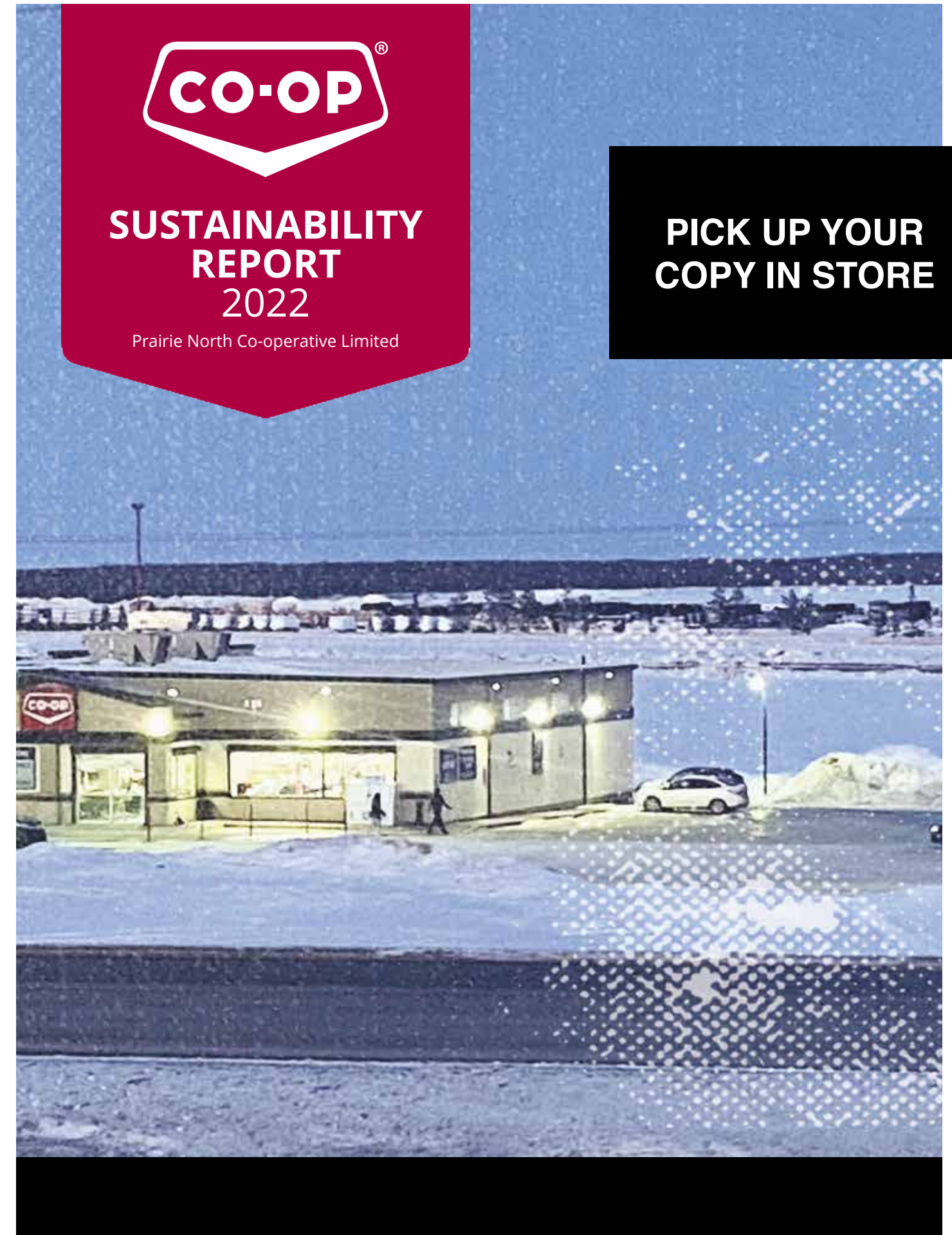
feel good about supporting us. I am proud to share with you that we continued to grow our business in significant ways, with just about every community in Prairie North Co-op seeing capital re-investment.

2021 marked the creation of our Sustainable Communities Fund, an allocation of \$25,000 to provide support to capital projects and new programs to enhance the quality of life for the people in the communities and surrounding region that make up Prairie North Co-op. In its 2nd year, over 20 applications were received between September 1 and September 30. The successful projects are listed in Ed Dufault's report from the Board. In total, \$154,463 was donated to 223 charities and non-profits throughout the year.

IN CLOSING

I want to close by recognizing the contribution of our 296 team members, our board members, and our 12,795 member owners. Whether your role in our co-operative was one of trusting us to provide you with the goods and services that you need daily; or one of leadership; or it was one of showing up day in and day out with a co-op shield on your shirt and a smile on your face, because of you, as a co-operative, we are making a difference in our members' lives. Thank you.

Of the \$4,924,301 after-tax savings, \$2,311,390 has been put to reserve and \$2,105,323 was returned to members in the form of contributions to equity accounts and cash back in the form of cheques.





ANNUAL REPORT 2022

Prairie North
Co-operative Limited

Management's Responsibility

To the Members of Prairie North Co-operative Limited:

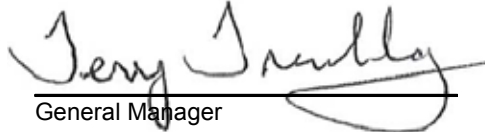
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises. This responsibility includes selecting appropriate 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 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 20, 2023


General Manager

To the Members of Prairie North Co-operative Limited:

Report on the Audit of the Financial Statements

Qualified Opinion

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

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at December 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 Qualified Opinion

The disclosure requirements of Canadian accounting standards for private enterprises, Section 1582 - Business Combinations, are not met as the financial statement notes do not provide the consideration transferred for the acquisition, or the acquisition date fair value of the assets acquired and liabilities assumed and the statement of cash flows does not separately present the cash consideration paid for the acquisition.

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 those standards are further described in the Auditor's Responsibilities for the Audit of the Financial 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 qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Report on Other Legal and Regulatory Requirements

As required by paragraph 11 of the Co-operatives 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

April 20, 2023



Chartered Professional Accountants

Prairie North Co-operative Limited
Balance Sheet
As at December 31, 2022


	2022	2021
Current assets		
Cash	\$ 4,460,651	\$ 4,983,079
FCL special deposit (Note 4(a))	-	337,382
Accounts receivable (Note 5)	7,605,610	4,027,797
Income taxes recoverable	43,314	98,049
Inventories (Note 6)	34,604,723	25,705,423
Prepaid agriculture suppliers	5,755,947	5,429,949
Prepaid expenses	400,410	346,581
Current portion long-term receivable (Note 7)	162,629	210,808
	53,033,284	41,139,068
Long-term receivable (Note 7)	8,280	11,891
Investments		
Federated Co-operatives Limited (Note 4(b))	16,203,566	15,459,876
Other organizations	5,005	5,005
Property, plant and equipment (Note 8)	29,061,766	18,566,961
Intangible assets (Note 9)	565,000	565,000
Goodwill (Note 10)	1,352,726	-
Total assets	\$ 100,229,627	\$ 75,747,801
Current liabilities		
Line of credit (Note 11)	\$ 16,000,000	\$ 6,000,000
Accounts payable and trust liabilities (Note 12)	20,671,374	14,299,229
Customer prepaid accounts	7,600,980	8,732,669
Current portion of long-term debt (Note 13)	-	464,800
	44,272,354	29,496,698
Long-term debt (Note 13)	7,255,347	-
Asset retirement obligation (Note 4(c))	199,411	192,700
Total liabilities	51,727,112	29,689,398
Members' equity		
Share capital (Note 14)	17,486,654	17,410,797
Reserves and retained savings (Note 15)	31,015,861	28,647,606
	48,502,515	46,058,403
Total liabilities and members' equity	\$ 100,229,627	\$ 75,747,801

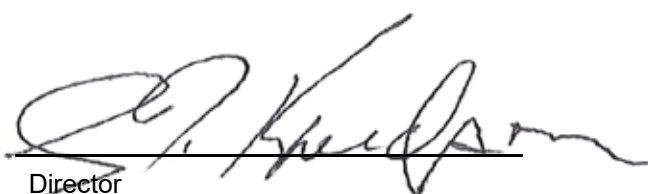
Subsequent events (Note 21)

Commitments (Note 22)

Contingency (Note 23)

Approved on behalf of the Board of Directors


 Director


 Director

The accompanying notes are an integral part of these financial statements



Prairie North Co-operative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended December 31, 2022

	2022	%	2021	%
Sales (Note 16)	\$ 174,247,392	100.0	\$ 128,982,762	100.0
Cost of goods sold	151,561,144	87.0	109,499,924	84.9
Gross margin	22,686,248	13.0	19,482,838	15.1
Expenses				
Operating and administration	22,417,639	12.9	19,594,706	15.2
Net interest (Note 18)	451,452	0.3	(7,429)	-
	22,869,091	13.2	19,587,277	15.2
Loss from operations	(182,843)	(0.2)	(104,439)	(0.1)
FCL loyalty program (Note 4(d)(iii))	1,388,695	0.8	1,370,350	1.1
Patronage refunds (Note 4(b))	3,718,449	2.1	3,990,078	3.1
Savings before income taxes	4,924,301	2.7	5,255,989	4.1
Income tax expense (Note 20)	505,955	0.3	608,595	0.5
Net savings	\$ 4,418,346	2.4	\$ 4,647,394	3.6
Retained savings, beginning of year	\$ -		\$ -	
Net savings	4,418,346		4,647,394	
Transfer to statutory reserve (Note 15)	(221,775)		(276,187)	
Transfer to general reserve (Note 15)	(2,089,615)		(1,966,858)	
Patronage allocation to members (Note 14)	(2,106,956)		(2,404,349)	
Retained savings, end of year (Note 15)	\$ -		\$ -	

The accompanying notes are an integral part of these financial statements



Prairie North Co-operative Limited
Statement of Cash Flows
For the Year Ended December 31, 2022

	2022	2021
Operating activities		
Net savings	\$ 4,418,346	\$ 4,647,394
Adjustments for:		
Depreciation	2,684,003	2,180,153
Accretion	6,710	6,447
FCL patronage refund	(3,718,449)	(3,987,578)
Gain on the disposal of property, plant and equipment	(129,857)	(19,355)
Changes in non-cash operating working capital:		
Accounts receivable	(3,577,813)	(223,685)
Income taxes recoverable	54,735	(98,049)
Inventories	(8,899,300)	(4,157,469)
Prepaid agriculture suppliers	(325,998)	(2,599,472)
Prepaid expenses	(53,829)	(29,808)
Long-term receivables	51,790	206,443
Accounts payable and trust liabilities	6,372,145	3,637,326
Customer prepaid accounts	(1,131,689)	2,803,494
Income taxes payable	-	(974,624)
Cash provided by (used for) operating activities	<u>(4,249,206)</u>	<u>1,391,217</u>
Investing activities		
Redemption of FCL shares	2,974,759	3,190,062
Additions to property, plant and equipment	(13,410,251)	(3,210,106)
Addition to goodwill	(1,352,726)	-
Proceeds from the disposal of property, plant and equipment	361,301	22,413
Cash provided by (used for) investing activities	<u>(11,426,917)</u>	<u>2,369</u>
Financing activities		
Increase in long-term debt	7,255,347	-
Repayment of long-term debt	(464,800)	(901,744)
Change in line of credit	10,000,000	2,794,730
Share capital issued	2,930	2,735
GST on allocation	62,933	38,799
Redemption of share capital	(2,040,097)	(1,360,177)
Cash provided by financing activities	<u>14,816,313</u>	<u>574,343</u>
Net (decrease) increase in cash	(859,810)	1,967,929
Cash, beginning of year	5,320,461	3,352,532
Cash, end of year	\$ 4,460,651	\$ 5,320,461
Cash is comprised of:		
Cash	\$ 4,460,651	\$ 4,983,079
FCL special deposit	-	337,382
	<u>\$ 4,460,651</u>	<u>\$ 5,320,461</u>

The accompanying notes are an integral part of these financial statements



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

1. Incorporation and operations

Prairie North Co-operative Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on June 22, 1914. The primary business of the Co-operative is operating retail agricultural, food, and petroleum outlets in Melfort, Saskatchewan 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, intangible assets, goodwill, asset retirement obligations, 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 December 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.

(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.



(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:

Pavement	Declining balance	8%
Fences	Declining balance	10%
Tanks	Declining balance	10% & 20%
Buildings	Straight-line & declining balance	3 - 25 years & 4% - 20%
Vehicles	Declining balance	15% & 30%
Computer equipment	Straight-line & declining balance	5 years & 30% - 55%
Furniture & equipment	Straight-line & declining balance	3 years & 20%
Asset retirement cost	Straight-line	25 - 35 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 net savings. 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.



(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. Indefinite life intangible assets are not amortized. 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) Business combinations

Business combinations are accounted for using the acquisition method. The application of this method requires certain estimates and assumptions especially concerning the determination of the fair value of the acquired intangible assets, property, plant and equipment, as well as the liabilities assumed at the date of the acquisition, based on information available at that date.

At the acquisition date, the Co-operative recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Any non-controlling interest in a subsidiary is measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

The consideration transferred for each acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, and equity instruments issued by the Co-operative to obtain control of the subsidiary.



(m) 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 (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 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.

4. Transactions with Federated Co-operatives Limited

(a) FCL special deposit

Amounts held with FCL as special deposits earn interest at rates based on prime rates.



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

(b) 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 \$141,501,739 (2021 - \$99,231,196) 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	\$ 15,459,876	\$ 14,662,360
Patronage refund	3,718,449	3,987,578
Share redemptions	<u>(2,974,759)</u>	<u>(3,190,062)</u>
Closing investment balance	<u>\$ 16,203,566</u>	<u>\$ 15,459,876</u>

(c) 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 11 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 \$199,411 (2021 - \$192,700). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$6,710 (2021 - \$6,447).

The Co-operative's has five fertilizer sites that are 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.

(d) 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 March 2013. 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 \$1,767,746 (2021 - \$1,767,746). Management intends to fulfill all existing contracts with FCL.



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

(ii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from the FCL corporate bulk plant over a ten year period commencing from September 2016. Failure to meet this commitment would require the Co-operative 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 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.

(iv) 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.

(v) Under the terms of the agreement with FCL, the Co-operative has committed to purchase agriculture and home centre products, from FCL and continue to operate certain food stores over periods of 10 to 30 years commencing from April 2016. 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 December 31, 2022 amounted to \$1,312,045 (2021 - \$928,967). Management intends to fulfill all commitments with FCL.

5. Accounts receivable

	2022	2021
Customer accounts receivable	\$ 6,386,105	\$ 4,115,724
Other accounts receivable	1,919,505	412,073
Allowance for doubtful accounts	<u>(700,000)</u>	<u>(500,000)</u>
	<u>\$ 7,605,610</u>	<u>\$ 4,027,797</u>

6. Inventories

	2022	2021
Raw material	\$ 7,640,361	\$ 5,430,877
Goods for resale	<u>26,964,362</u>	<u>20,274,546</u>
	<u>\$ 34,604,723</u>	<u>\$ 25,705,423</u>

The cost of inventories recognized as an expense during the year was \$151,378,661 (2021 - \$109,385,183).



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

7. Long-term receivable

	Total	2022 Current Portion	2022 Deferred Portion	2021 Current Portion	2021 Deferred Portion
Petroleum tanks	\$ 170,909	\$ 162,629	\$ 8,280	\$ 210,808	\$ 11,891

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

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2022 Book Value	2021 Book Value
Land	\$ 2,348,337	\$ -	\$ 2,348,337	\$ 1,946,736
Pavement	1,327,292	687,589	639,703	682,057
Fences	74,782	49,164	25,618	28,464
Tanks	3,853	2,113	1,740	2,054
Buildings	20,467,882	8,648,171	11,819,711	9,640,254
Vehicles	7,001,528	4,026,846	2,974,682	1,650,975
Computer equipment	1,056,863	957,108	99,755	22,618
Furniture & equipment	13,637,289	8,852,382	4,784,907	3,679,046
Asset retirement cost	152,030	91,904	60,126	72,618
Under construction	6,307,187	-	6,307,187	842,139
	<u>\$ 52,377,043</u>	<u>\$ 23,315,277</u>	<u>\$ 29,061,766</u>	<u>\$ 18,566,961</u>

Depreciation for the current year included in operating and administration expense was \$2,684,003 (2021 - \$2,180,153).

9. Intangible assets

	Original Cost	Accumulated Amortization	2022 Book Value	2021 Book Value
Liquor permits	\$ 565,000	\$ -	\$ 565,000	\$ 565,000

The Co-operative owns four commercial liquor permits that have indefinite lives.



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

10. Goodwill

The changes in the carrying amount of goodwill for the current year are as follows:

	2022	2021
Balance, beginning of year	\$ -	\$ -
Additions to goodwill	1,352,726	-
Balance, end of year	<u>\$ 1,352,726</u>	<u>\$ -</u>

11. Line of credit

The Co-operative has a line of credit with Federated Co-operatives Limited for up to \$27,000,000 between the months of April to November and \$16,500,000 from December to March. \$16,000,000 has been drawn as at December 31, 2022 (2021 - \$6,000,000). Interest on the line of credit is at prime rate (6.45%) (2021 - 2.45%). The line of credit is subject to certain measurable covenants. As at December 31, 2022, the Co-operative is in compliance with such covenants.

12. Accounts payable and trust liabilities

	2022	2021
FCL payables	\$ 18,317,842	\$ 12,113,393
Other payables	2,004,102	1,772,335
Trust liabilities:		
Payroll deductions	-	105,364
Workers compensation	-	10,862
Provincial sales tax	108,379	110,270
Federal fuel charge	213,904	164,022
Vapour products	2,781	1,069
Liquor consumption tax	24,366	21,914
	<u>\$ 20,671,374</u>	<u>\$ 14,299,229</u>



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

13. Long-term debt

	2022	2022	2021	2021
Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
FCL line of credit ⁽¹⁾⁽²⁾⁽³⁾	\$ 7,255,347	\$ -	\$ 7,255,347	\$ 464,800

⁽¹⁾ The credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures June 2032. The loan is subject to certain financial and non-financial covenants. As at December 31, 2022, the Co-operative was not in compliance with two of these covenants. FCL was provided a written waiver for these covenants. Security for the credit is a Business Security Agreement and a General Security Agreement. The available line of credit decreases as follows:

July 1, 2022 - June 30, 2023	\$ 11,300,000
July 1, 2023 - June 30, 2024	10,170,000
July 1, 2024 - June 30, 2025	9,040,000
July 1, 2025 - June 30, 2026	7,910,000
July 1, 2026 - June 30, 2027	6,780,000
July 1, 2027 - June 30, 2028	5,650,000
July 1, 2028 - June 30, 2029	4,520,000
July 1, 2029 - June 30, 2030	3,390,000
July 1, 2030 - June 30, 2031	2,260,000
July 1, 2031 - June 30, 2032	1,130,000

⁽²⁾ The credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures February 2032. The loan is subject to certain financial and non-financial covenants. As at December 31, 2022, the Co-operative was not in compliance with two of these covenants. FCL was provided a written waiver for these covenants. Security for the credit is a Business Security Agreement and a General Security Agreement. The available line of credit decreases as follows:

February 15, 2022 - February 14, 2023	\$ 4,700,000
February 15, 2023 - February 14, 2024	4,230,000
February 15, 2024 - February 14, 2025	3,760,000
February 15, 2025 - February 14, 2026	3,290,000
February 15, 2026 - February 14, 2027	2,820,000
February 15, 2027 - February 14, 2028	2,350,000
February 15, 2028 - February 14, 2029	1,880,000
February 15, 2029 - February 14, 2030	1,410,000
February 15, 2030 - February 14, 2031	940,000
February 15, 2031 - February 14, 2032	470,000



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

⁽³⁾ The credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures June 2032. The loan is subject to certain financial and non-financial covenants. As at December 31, 2022, the Co-operative was not in compliance with two of these covenants. FCL was provided a written waiver for these covenants. Security for the credit is a Business Security Agreement and a General Security Agreement. The available line of credit decreases as follows:

June 10, 2022 - June 9, 2023	\$ 3,100,000
June 10, 2023 - June 9, 2024	2,790,000
June 10, 2024 - June 9, 2025	2,480,000
June 10, 2025 - June 9, 2026	2,170,000
June 10, 2026 - June 9, 2027	1,860,000
June 10, 2027 - June 9, 2028	1,550,000
June 10, 2028 - June 9, 2029	1,240,000
June 10, 2029 - June 9, 2030	930,000
June 10, 2030 - June 9, 2031	620,000
June 10, 2031 - June 9, 2032	310,000

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

2023	\$ -
2024	-
2025	-
2026	-
2027	-
Subsequent payments	7,255,347
	<u>\$ 7,255,347</u>

14. Share capital

Authorized, unlimited @ \$1	2022	2021
Balance, beginning of year	\$ 17,410,797	\$ 16,470,303
Allocation to members	2,106,956	2,404,349
Cash from new members	2,930	2,735
GST on allocation	62,933	38,799
Shares transferred from reserves	7,447	20,944
	<u>19,591,063</u>	<u>18,937,130</u>
General repayment	1,273,477	805,950
Shares transferred to reserves	64,312	166,156
Withdrawals and retirements	505,479	414,371
Withholding tax	261,141	139,856
	<u>2,104,409</u>	<u>1,526,333</u>
Balance, end of year	<u>\$ 17,486,654</u>	<u>\$ 17,410,797</u>



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

15. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2022	2021
Balance, beginning of year	\$ 4,904,569	\$ 23,743,037	\$ -	\$ 28,647,606	\$ 26,259,349
Net savings distributed to retained savings	-	-	4,418,346	4,418,346	4,647,394
Patronage allocation	-	-	(2,106,956)	(2,106,956)	(2,404,349)
Shares transferred	56,865	-	-	56,865	145,212
Reserve transfers	221,775	2,089,615	(2,311,390)	-	-
Balance, end of year	<u>\$ 5,183,209</u>	<u>\$ 25,832,652</u>	<u>\$ -</u>	<u>\$ 31,015,861</u>	<u>\$ 28,647,606</u>

16. Sales

	2022	2021
Agro division	\$ 68,749,137	\$ 40,037,907
Food division	35,838,885	34,058,796
Gas bar	21,541,066	18,613,582
Hardware and building supplies	16,370,707	15,797,509
Petroleum division	31,747,597	20,474,968
	<u>\$ 174,247,392</u>	<u>\$ 128,982,762</u>

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



Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2022

17. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada announced the Canadian Emergency Wage Subsidy (CEWS) program in April 2020. CEWS provided wage subsidies on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, which for CEWS included demonstration of revenue declines as a result of COVID-19.

In 2021 the Co-operative determined that it qualified for CEWS. The Co-operative applied for and received \$248,662 which was reflected as a reduction to operating and administration expenses for 2021.

18. Net interest

	2022	2021
Interest expense on		
- Short-term debt	\$ 11,331	\$ 217
- Long-term debt	795,972	159,267
Interest revenue	<u>(355,851)</u>	<u>(166,913)</u>
	<u>\$ 451,452</u>	<u>\$ (7,429)</u>

19. 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 \$463,126 (2021 - \$422,853) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



20. 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	\$ 4,924,301	\$ 5,255,989
Expected income tax expense at the combined tax rate of 27.0% (2021 - 27.0%)	1,329,561	1,419,117
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(31,839)	(19,587)
Patronage allocation to members of \$2,106,956 (2021 - \$2,404,349)	(568,878)	(649,174)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(226,431)	(135,038)
Allowance for doubtful accounts	30,560	-
Other items that impact income taxes:		
Manufacturing and Processing Investment Tax Credit	(18,535)	(44,656)
Prior year tax adjustment	(8,483)	37,933
Income tax expense	<u>\$ 505,955</u>	<u>\$ 608,595</u>

21. Subsequent event

(a) Patronage allocation to members

Subsequent to December 31, 2022 the Board of Directors approved a patronage allocation to members in the amount of \$2,106,956 (2021 - \$2,404,349).

(b) Liquor license

Subsequent to December 31, 2022 the Co-operative acquired a liquor license for \$776,100. This amount will be financed with internally generated cash flows.



22. Commitments

(a) The Co-operative is committed to the completion of a food store in Melfort, Saskatchewan. The estimated cost is \$14,108,172 of which \$5,647,848 has been setup as under construction. This amount will be financed with internally generated cash flows, FCL line of credit and an FCL loan.

(b) The Co-operative is committed to the completion of a petroleum upgrade in Archerwill, Saskatchewan. The estimated cost is \$1,290,000 of which \$230,742 has been setup as under construction. This amount will be financed with internally generated cash flows, FCL line of credit and an FCL loan.

23. Contingency

During the year, various locations within Kelvington suffered significant wind damage. Insurance claims were submitted, of which the claim related to lost inventory and repairs was settled and recorded prior to year-end with the \$400,000 received immediately subsequent to year-end. The insurance claim related to the Kelvington C-store buildings is not yet determinable.

24. Business combination

On February 24, 2022, the Co-operative acquired the assets, liabilities and business operations of a crop input business. The Co-operative determined the acquisition constituted a business combination and accounted for it using the acquisition method. The method results in the acquirees' identifiable assets acquired being measured at their acquisition date fair values. Since acquisition, the crop input business's assets, liabilities and operations have been integrated and reported within the Ag division.

25. Comparative figures

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



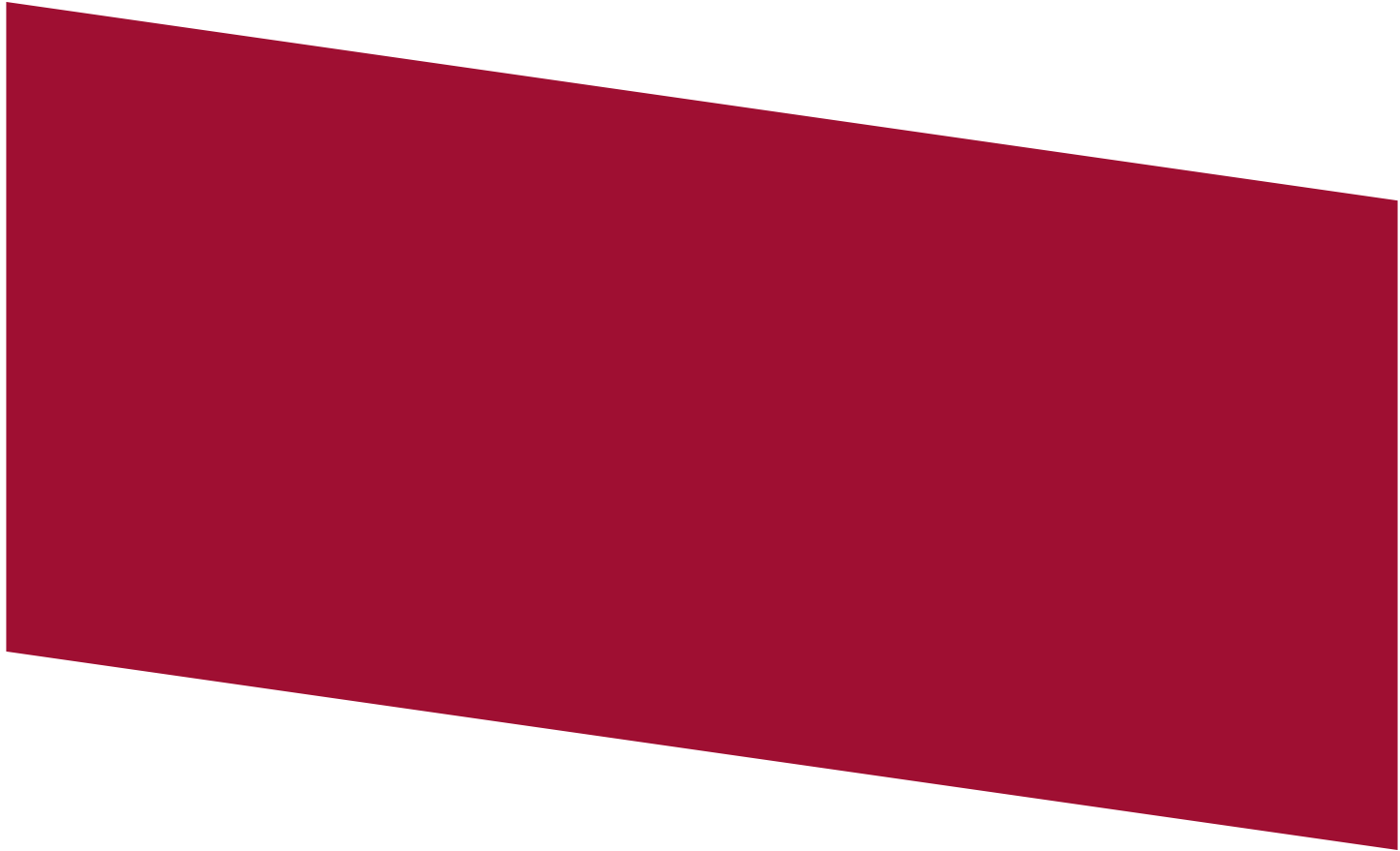
Prairie North Co-operative Limited
Unaudited Statistical Information
For the Year Ended December 31, 2022

Record of Sales and Net Savings

	<u>Year</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>
From Date of Incorporation, June 22, 1914 to December 31,	2013	\$ 918,703,637	\$ 41,790,096	4.5
	2014	75,126,433	1,966,510	2.6
	2015	70,117,989	1,694,007	2.4
	2016	70,049,957	1,081,017	1.5
	2017	72,397,960	1,393,258	1.9
	2018	98,606,058	7,804,445	7.9
	2019	108,410,994	2,675,631	2.5
	2020	115,314,746	6,216,836	5.4
	2021	128,982,762	4,647,394	3.6
	2022	<u>174,247,392</u>	<u>4,418,346</u>	<u>2.4</u>
		<u>\$ 1,831,957,928</u>	<u>\$ 73,687,540</u>	<u>4.0</u>

Membership

Members purchasing during the year	10,963
Inactive members	<u>1,832</u>
Total members	<u>12,795</u>



Congratulations to James Perron of Kelvington. His submission to the 2022 #MyCo-op employee photo contest was selected for our cover. The photo James submitted was of the Kelvington Food Store.



**For more information,
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