



# ANNUAL REPORT

## **Management's Responsibility**

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To the Members of Homestead Consumers Co-op Ltd.:

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 that 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 26, 2023



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General Manager

To the Members of Homestead Consumers Co-op Ltd.:

## Opinion

We have audited the financial statements of Homestead Consumers Co-op Ltd. (the "Co-operative"), which comprise the balance sheet as at January 31, 2023, 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, 2023, 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.

## Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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 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.

## 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.

Portage la Prairie, Manitoba

April 26, 2023

*MNP LLP*

Chartered Professional Accountants

# Homestead Consumers Co-op Ltd.

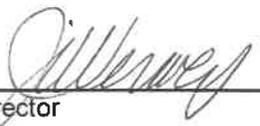
## Balance Sheet As at January 31, 2023

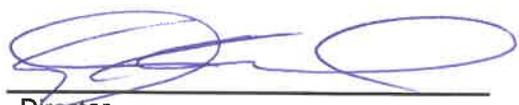
|   | 2023          | 2022          |
|---|---------------|---------------|
| <b>Current assets</b>                           |               |               |
| Cash  | \$ 2,409,480  | \$ 5,698,023  |
| FCL special deposit (Note 4(a))                 | 20,239,714    | 17,125,939    |
| Accounts receivable (Note 5)                    | 4,607,419     | 3,648,469     |
| Income taxes recoverable                        | 705,491       | 218,907       |
| Inventories (Note 6)                            | 11,270,011    | 9,560,861     |
| Prepaid agriculture suppliers                   | 20,000        | 124,394       |
| Prepaid expenses                                | 187,296       | 166,341       |
|   | 39,439,411    | 36,542,934    |
| <b>Investments</b>                              |               |               |
| Federated Co-operatives Limited (Note 4(b))     | 19,980,624    | 19,177,959    |
| Other organizations                             | 46,520        | 46,520        |
| <b>Property, plant and equipment (Note 7)</b>   | 29,833,823    | 27,888,067    |
| <b>Total assets</b>                             | \$ 89,300,378 | \$ 83,655,480 |
| <b>Current liabilities</b>                      |               |               |
| Accounts payable and trust liabilities (Note 9) | \$ 8,531,785  | \$ 8,378,627  |
| Customer prepaid accounts                       | 1,723,797     | 2,526,992     |
|   | 10,255,582    | 10,905,619    |
| <b>Asset retirement obligation (Note 4(c))</b>  | 171,346       | 168,443       |
| <b>Total liabilities</b>                        | 10,426,928    | 11,074,062    |
| <b>Members' equity</b>                          |               |               |
| Share capital (Note 10)                         | 33,177,528    | 31,437,129    |
| Reserves and retained savings (Note 11)         | 45,695,922    | 41,144,289    |
|   | 78,873,450    | 72,581,418    |
| <b>Total liabilities and members' equity</b>    | \$ 89,300,378 | \$ 83,655,480 |

Subsequent event (Note 18)

Commitments (Note 19)

Approved on behalf of the Board of Directors

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

*The accompanying notes are an integral part of these financial statements*



**Homestead Consumers Co-op Ltd.**  
**Statement of Net Savings and Statement of Retained Savings**  
**For the Year Ended January 31, 2023**

|  | 2023                        | %            | 2022                       | %            |
|--|-----------------------------|--------------|----------------------------|--------------|
| <b>Sales</b> (Note 12)                         | \$ 153,668,721              | 100.0        | \$ 124,932,705             | 100.0        |
| <b>Cost of goods sold</b>                      | <u>131,115,947</u>          | <u>85.3</u>  | <u>105,184,810</u>         | <u>84.2</u>  |
| <b>Gross margin</b>                            | <u>22,552,774</u>           | <u>14.7</u>  | <u>19,747,895</u>          | <u>15.8</u>  |
| <b>Expenses</b>                                |                             |              |                            |              |
| Operating and administration                   | 18,994,438                  | 12.4         | 18,041,483                 | 14.4         |
| Net interest (Note 14)                         | <u>(784,457)</u>            | <u>(0.5)</u> | <u>(376,323)</u>           | <u>(0.3)</u> |
|  | <u>18,209,981</u>           | <u>11.9</u>  | <u>17,665,160</u>          | <u>14.1</u>  |
| <b>Savings from operations</b>                 | 4,342,793                   | 2.8          | 2,082,735                  | 1.7          |
| FCL loyalty program (Note 4(d)(iii))           | 2,227,307                   | 1.4          | 2,212,957                  | 1.8          |
| Patronage refunds (Note 4(b))                  | <u>4,013,323</u>            | <u>2.6</u>   | <u>4,257,485</u>           | <u>3.4</u>   |
| <b>Savings before income taxes</b>             | 10,583,423                  | 6.8          | 8,553,177                  | 6.9          |
| Income tax expense (Note 17)                   | <u>334,198</u>              | <u>0.2</u>   | <u>1,086,253</u>           | <u>0.9</u>   |
| <b>Net savings</b>                             | <u><b>\$ 10,249,225</b></u> | <u>6.6</u>   | <u><b>\$ 7,466,924</b></u> | <u>6.0</u>   |
| <br>   |                             |              |                            |              |
| <b>Retained savings, beginning of year</b>     | <b>\$ -</b>                 |              | <b>\$ -</b>                |              |
| Net savings                                    | 10,249,225                  |              | 7,466,924                  |              |
| Transfer to general reserve (Note 11)          | (1,058,342)                 |              | (855,318)                  |              |
| Transfer to special reserve (Note 11)          | (3,492,527)                 |              | (2,034,794)                |              |
| Patronage allocation to members (Note 10)      | <u>(5,698,356)</u>          |              | <u>(4,576,812)</u>         |              |
| <b>Retained savings, end of year</b> (Note 11) | <u><b>\$ -</b></u>          |              | <u><b>\$ -</b></u>         |              |

*The accompanying notes are an integral part of these financial statements*



**Homestead Consumers Co-op Ltd.**  
**Statement of Cash Flows**  
**For the Year Ended January 31, 2023**

|   | <b>2023</b>                 | <b>2022</b>                 |
|---|-----------------------------|-----------------------------|
| <b>Operating activities</b>                                 |                             |                             |
| Net savings   | \$ 10,249,225               | \$ 7,466,924                |
| Adjustments for:  |                             |                             |
| Depreciation  | 2,291,110                   | 1,980,536                   |
| Accretion   | 2,903                       | 3,430                       |
| FCL patronage refund  | (4,013,323)                 | (4,257,485)                 |
| Gain on the disposal of property, plant and equipment       | (25,144)                    | (668)                       |
| Changes in non-cash operating working capital:              |                             |                             |
| Accounts receivable   | (958,950)                   | (626,561)                   |
| Income taxes recoverable                                    | (486,584)                   | 65,001                      |
| Inventories   | (1,709,150)                 | (1,104,461)                 |
| Prepaid agriculture suppliers                               | 104,394                     | 352,704                     |
| Prepaid expenses  | (20,955)                    | 24,515                      |
| Accounts payable and trust liabilities                      | 153,158                     | 328,541                     |
| Customer prepaid accounts                                   | (803,195)                   | 1,037,274                   |
| Cash provided by operating activities                       | <u>4,783,489</u>            | <u>5,269,750</u>            |
| <b>Investing activities</b>                                 |                             |                             |
| Redemption of FCL shares                                    | 3,210,658                   | 3,405,988                   |
| Additions to property, plant and equipment                  | (4,277,183)                 | (484,711)                   |
| Proceeds from the disposal of property, plant and equipment | 65,461                      | 4,000                       |
| Cash provided by (used for) investing activities            | <u>(1,001,064)</u>          | <u>2,925,277</u>            |
| <b>Financing activities</b>                                 |                             |                             |
| Share capital issued  | 9,300                       | 8,410                       |
| GST on allocation   | 154,717                     | 100,967                     |
| Redemption of share capital                                 | (4,121,210)                 | (3,224,523)                 |
| Cash used for financing activities                          | <u>(3,957,193)</u>          | <u>(3,115,146)</u>          |
| <b>Net increase (decrease) in cash</b>                      | <b>(174,768)</b>            | <b>5,079,881</b>            |
| <b>Cash, beginning of year</b>                              | <b><u>22,823,962</u></b>    | <b><u>17,744,081</u></b>    |
| <b>Cash, end of year</b>                                    | <b><u>\$ 22,649,194</u></b> | <b><u>\$ 22,823,962</u></b> |
| Cash is comprised of:                                       |                             |                             |
| Cash  | \$ 2,409,480                | \$ 5,698,023                |
| FCL special deposit   | 20,239,714                  | 17,125,939                  |
|   | <b><u>\$ 22,649,194</u></b> | <b><u>\$ 22,823,962</u></b> |

*The accompanying notes are an integral part of these financial statements*



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**1. Incorporation and operations**

Portage la Prairie Consumers Cooperative Association Limited was incorporated under the Cooperatives Act of Manitoba on October 21, 1928 and Homestead Consumers Co-op Ltd. (Carman) was incorporated under the Cooperatives Act of Manitoba on June 11, 1959. On February 3, 2019, the two co-operatives amalgamated to form Homestead Consumers Co-op Ltd. ("the Co-operative). The primary business of the Co-operative is operating agricultural, retail hardware, food, and petroleum outlets in Portage la Prairie, Carman, and area, Manitoba.

**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, 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**

Cash is 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.



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**(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.



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**(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                 | 4% & 8%       |
| Buildings              | Straight-line & declining balance | 25 years & 5% |
| Fence                  | Declining balance                 | 10%           |
| Tanks                  | Declining balance                 | 10%           |
| Vehicles               | Declining balance                 | 15% & 30%     |
| Furniture & equipment  | Declining balance                 | 20%           |
| Leasehold improvements | Straight-line                     | 10 years      |
| Computer equipment     | Declining balance                 | 30% to 100%   |
| 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 operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

**(g) Share capital**

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

**(h) Revenue recognition**

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



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**(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) 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 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 (2022 - 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, funds on deposit, and debt. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

**(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.



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**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.

**(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 \$116,707,397 (2021 - \$90,745,121) 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:

|                            | <b>2023</b>          | 2022                 |
|----------------------------|----------------------|----------------------|
| Opening investment balance | \$ 19,177,959        | \$ 18,326,462        |
| Patronage refund           | 4,013,323            | 4,257,485            |
| Share redemptions          | <u>(3,210,658)</u>   | <u>(3,405,988)</u>   |
| Closing investment balance | <u>\$ 19,980,624</u> | <u>\$ 19,177,959</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 eight 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 \$171,346 (2022 - \$168,443). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$2,903 (2022 - \$3,430).

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



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**(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 February 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 \$368,520 (2022 - \$1,775,784). 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, at market price, from the FCL corporate bulk plant over a ten year period commencing from October 2017. 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 food, pharmacy, food-related products, home centre products, and agro products from FCL and continue to operate certain food stores, home centres and agro centres over periods of ten to thirty years depending on the specific contract. 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 January 31, 2023 amounted to \$696,198 (2022 - \$696,198). Management intends to fulfill all commitments with FCL.

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

**5. Accounts receivable**

|                                 | <b>2023</b>         | <b>2022</b>         |
|---------------------------------|---------------------|---------------------|
| Customer accounts receivable    | \$ 4,223,416        | \$ 3,274,652        |
| Other accounts receivable       | 542,003             | 516,865             |
| Allowance for doubtful accounts | <u>(158,000)</u>    | <u>(143,048)</u>    |
|                                 | <u>\$ 4,607,419</u> | <u>\$ 3,648,469</u> |



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

**6. Inventories**

|                               | 2023                 | 2022                |
|-------------------------------|----------------------|---------------------|
| Raw material - dry fertilizer | \$ 1,925,217         | \$ 1,209,416        |
| Goods for resale              | 9,344,794            | 8,351,445           |
|                               | <u>\$ 11,270,011</u> | <u>\$ 9,560,861</u> |

The cost of inventories recognized as an expense during the year was \$130,863,155 (2022 - \$105,070,641).

**7. Property, plant and equipment**

|                        | Original Cost        | Accumulated<br>Depreciation | 2023<br>Book Value   | 2022<br>Book Value   |
|------------------------|----------------------|-----------------------------|----------------------|----------------------|
| Land                   | \$ 1,476,310         | \$ -                        | \$ 1,476,310         | \$ 1,458,639         |
| Pavement               | 5,368,441            | 2,383,692                   | 2,984,749            | 3,117,849            |
| Buildings              | 26,774,650           | 7,455,405                   | 19,319,245           | 20,107,395           |
| Fence                  | 38,453               | 20,966                      | 17,487               | 19,974               |
| Tanks                  | 45,746               | 15,732                      | 30,014               | 33,349               |
| Vehicles               | 2,678,536            | 1,781,038                   | 897,498              | 575,726              |
| Furniture & equipment  | 11,969,082           | 7,296,626                   | 4,672,456            | 2,195,714            |
| Leasehold improvements | 271,026              | 247,830                     | 23,196               | 46,391               |
| Computer equipment     | 1,355,499            | 1,040,042                   | 315,457              | 291,993              |
| Asset retirement cost  | 114,384              | 78,565                      | 35,819               | 41,037               |
| Under construction     | 61,592               | -                           | 61,592               | -                    |
|                        | <u>\$ 50,153,719</u> | <u>\$ 20,319,896</u>        | <u>\$ 29,833,823</u> | <u>\$ 27,888,067</u> |

Depreciation for the current year included in operating and administration expense was \$2,291,110 (2022 - \$1,980,536).

**8. Line of credit**

The Co-operative has a \$2,600,000 line of credit with Stride Credit Union of which no amount has been drawn as at January 31, 2023 (2022 - \$nil). The line of credit is secured by a General Security Agreement and all the Co-operative's assets. Interest on the line of credit is Stride Credit Union prime (6.7%) (2022 - 2.95%).



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**9. Accounts payable and trust liabilities**

|                            | <b>2023</b>         | 2022                |
|----------------------------|---------------------|---------------------|
| FCL payables               | \$ 6,300,343        | \$ 6,497,573        |
| Other payables             | 1,756,671           | 1,497,035           |
| Trust liabilities:         |                     |                     |
| Goods and services tax     | 16,188              | -                   |
| Provincial sales tax       | 127,687             | 93,455              |
| Federal fuel charge        | 326,928             | 279,010             |
| Withholding tax            | 75                  | -                   |
| Workers Compensation Board | 3,893               | 11,554              |
|                            | <u>\$ 8,531,785</u> | <u>\$ 8,378,627</u> |

**10. Share capital**

|                                  | <b>2023</b>          | 2022                 |
|----------------------------------|----------------------|----------------------|
| Authorized, unlimited @ \$1      |                      |                      |
| Balance, beginning of year       | \$ 31,437,129        | \$ 29,975,441        |
| Allocation to members            | 5,698,356            | 4,576,812            |
| Cash from new members            | 9,300                | 8,410                |
| GST on allocation                | 154,717              | 100,967              |
| Shares transferred from reserves | 170                  | 378                  |
|                                  | <u>37,299,672</u>    | <u>34,662,008</u>    |
| General repayment                | 3,199,565            | 2,719,647            |
| Shares transferred to reserves   | 934                  | 356                  |
| Withdrawals and retirements      | 419,244              | 240,846              |
| Withholding tax                  | 502,401              | 264,030              |
|                                  | <u>4,122,144</u>     | <u>3,224,879</u>     |
| Balance, end of year             | <u>\$ 33,177,528</u> | <u>\$ 31,437,129</u> |



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

**11. Reserves and retained savings**

|   | <b>General Reserve</b> | <b>Special Reserve</b> | <b>Retained Savings</b> | <b>2023</b>          | <b>2022</b>          |
|---|------------------------|------------------------|-------------------------|----------------------|----------------------|
| Balance, beginning of year                  | \$ 12,133,260          | \$ 29,011,029          | \$ -                    | \$ 41,144,289        | \$ 38,254,199        |
| Net savings distributed to retained savings | -                      | -                      | 10,249,225              | 10,249,225           | 7,466,924            |
| Patronage allocation                        | -                      | -                      | (5,698,356)             | (5,698,356)          | (4,576,812)          |
| Shares transferred                          | 764                    | -                      | -                       | 764                  | (22)                 |
| Reserve transfers                           | <u>1,058,342</u>       | <u>3,492,527</u>       | <u>(4,550,869)</u>      | <u>-</u>             | <u>-</u>             |
| Balance, end of year                        | <u>\$ 13,192,366</u>   | <u>\$ 32,503,556</u>   | <u>\$ -</u>             | <u>\$ 45,695,922</u> | <u>\$ 41,144,289</u> |

**12. Sales**

|                             | <b>2023</b>           | <b>2022</b>           |
|-----------------------------|-----------------------|-----------------------|
| Consumer division           | \$ 107,270,559        | \$ 95,040,528         |
| Petroleum and agro division | <u>46,398,162</u>     | <u>29,892,177</u>     |
|                             | <u>\$ 153,668,721</u> | <u>\$ 124,932,705</u> |

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



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**13. Government assistance**

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

|      | <b>2023</b> | 2022              |
|------|-------------|-------------------|
| CEWS | <u>\$ -</u> | <u>\$ 163,723</u> |

**14. Net interest**

|                     | <b>2023</b>         | 2022                |
|---------------------|---------------------|---------------------|
| Interest expense on |                     |                     |
| - Short-term debt   | \$ 6,084            | \$ 9,925            |
| Interest revenue    | <u>(790,541)</u>    | <u>(386,248)</u>    |
|                     | <u>\$ (784,457)</u> | <u>\$ (376,323)</u> |

**15. Lease to others**

The Co-operative leases property, plant and equipment to others. The lease is classified as an operating lease and rental revenues are included in operating and administration expenses. At year end the cost of the property, plant and equipment held for leasing purposes was \$8,040,335 (2022 - \$8,040,335) and the accumulated depreciation was \$2,129,843 (2022 - \$1,838,332). Revenue generated from operating leases during the year is \$458,398 (2022 - \$440,136).

**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 \$389,770 (2022 - \$367,214) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**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:

|  | <b>2023</b>   | <b>2022</b>  |
|--|---------------|--------------|
| Savings before income taxes  | \$ 10,583,423 | \$ 8,553,177 |
| Expected income tax expense at the combined tax rate of 27.0% (2022 - 27.0%) net of the general rate deduction | 2,857,524     | 2,309,358    |
| Increase (decrease) in income tax expense resulting from:  |               |              |
| Non-taxable income and non-deductible expense  | 2,841         | (22,743)     |
| Patronage allocation to members of \$5,698,356 (2022 - \$4,576,812)  | (1,538,556)   | (1,235,739)  |
| Income or expenses claimed in different periods for income tax purposes:                                       |               |              |
| Depreciation in excess of capital cost allowance   | -             | 11,517       |
| Capital cost allowance in excess of depreciation   | (741,632)     | -            |
| Other items that impact income taxes:  |               |              |
| Manufacturing and Processing Investment Tax Credit   | (233,684)     | (2,692)      |
| Prior year tax adjustment  | (12,295)      | 26,552       |
| Income tax expense   | \$ 334,198    | \$ 1,086,253 |



**Homestead Consumers Co-op Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2023**

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**18. Subsequent event**

**Patronage allocation to members**

Subsequent to January 31, 2023 the Board of Directors approved a patronage allocation to members in the amount of \$5,698,356 (2022 - \$4,576,812).

**19. Commitments**

(a) The Co-operative is committed to the completion of an upgrade to the Portage Food Store. The estimated total cost of the project is \$3,612,350 of which \$53,256 has been set up as under construction. This project will be financed from operations.

(b) The Co-operative is committed to the completion of an upgrade to the Portage River Road Gas Bar. The estimated total cost of the project is \$1,674,450 of which \$8,336 has been set up as under construction. This project will be financed from operations.

**20. Comparative figures**

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



**Homestead Consumers Co-op Ltd.**  
**Audited Statistical Information**  
**For the Year Ended January 31, 2023**

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**Record of Sales and Net Savings**

|   | <u>Year</u>         | <u>Sales</u>            | <u>Net<br/>Savings</u> | <u>%</u>   |
|---|---------------------|-------------------------|------------------------|------------|
| From Date of Incorporation,<br>October 21, 1928, to January 31, | 2014                | \$ 1,142,397,380        | \$ 56,082,550          | 4.9        |
|   | 2015                | 67,504,624              | 3,575,462              | 5.3        |
|   | 2016                | 59,694,601              | 2,566,665              | 4.3        |
|   | 2017                | 59,881,419              | 3,268,897              | 5.5        |
|   | 2018                | 64,330,588              | 3,186,702              | 5.0        |
|   | 2019                | 69,806,515              | 5,350,588              | 7.7        |
|   | <sup>(1)</sup> 2020 | 116,431,018             | 22,291,787             | 19.3       |
|   | 2021                | 109,242,132             | 5,880,570              | 5.4        |
|   | 2022                | 124,932,705             | 7,466,924              | 6.0        |
|   | 2023                | 153,668,721             | 10,249,225             | 6.6        |
|   |                     | <u>\$ 1,967,889,703</u> | <u>\$ 119,919,370</u>  | <u>6.1</u> |

<sup>(1)</sup> Includes gain on amalgamation



**Homestead Consumers Co-op Ltd.**  
**Directors and Officers**  
**For the Year Ended January 31, 2023**

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| <u>Position</u> | <u>Name</u>          | <u>Address</u>        | <u>Year Term Expires</u> |
|-----------------|----------------------|-----------------------|--------------------------|
| President       | Liza Penner          | Carman MB             | 2025                     |
| Vice-President  | David Koroscil       | Portage la Prairie MB | 2023                     |
| Secretary       | Audrey Veldman       | Carman MB             | 2023                     |
| Manager         | Trent Schidlowsky    | Portage la Prairie MB |                          |
| Director        | Lorne Hulme          | MacGregor MB          | 2025                     |
| Director        | Garett Hillmer       | Carman MB             | 2025                     |
| Director        | Michelle Comte-Smith | La Salle MB           | 2024                     |
| Director        | Jill Verwey          | Portage la Prairie MB | 2024                     |
| Director        | Dale Wood            | Oakville MB           | 2023                     |



