ANNUAL REPORT 2023

Prairie Sky Co-operative Association Ltd.

Management's Responsibility

To the Members of Prairie Sky Co-operative Association 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. 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 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

Independent Auditor's Report

MNP LLP

To the Members of Prairie Sky Co-operative Association Ltd.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prairie Sky Co-operative Association 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.

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.

SUITE 301, 117 3RD ST. NE, WEYBURN SK, S4H 0W3
T: 306.842.8915 F: 306.842.1966 MNP.ca

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.

Weyburn, Saskatchewan

April 13, 2023

MNP LLP

Chartered Professional Accountants

Prairie Sky Co-operative Association Ltd.

Balance Sheet

As at January 31, 2023

	2023	2022
Current assets		
Cash and cash equivalents (*Note 5(a)*)	$ 1,637,203	$ 184,345
Prepaid supplier accounts	176,139	163,175
Accounts receivable (*Note 6*)	5,200,847	4,075,388
Income taxes recoverable	2,386	136,323
Inventories *(Note 7)*	7,372,271	6,393,635
	14,388,846	10,952,866
Investments		
Federated Co-operatives Limited *(Note 5(b))*	16,912,786	16,305,203
Other organizations, at cost	380	230
Property, plant and equipment *(Note 8)*	17,617,380	18,712,133
Intangible assets (Note 9)	375,000	-
Goodwill *(Note 10)*	29,172	29,172
Total assets	**$ 49,323,564**	**$ 45,999,604**
Current liabilities		
Line of credit *(Note 5(d))*	$ -	$ 824,025
Accounts payable and trust liabilities *(Note 12)*	6,938,133	5,094,029
Customer prepaid accounts	121,671	59,439
Current portion of long-term debt *(Note 13)*	-	107,113
	7,059,804	6,084,607
Asset retirement obligation *(Note 14)*	84,743	82,722
Total liabilities	7,144,547	6,167,329
Members' equity		
Share capital *(Note 15)*	19,463,758	18,951,530
Reserves and retained savings *(Note 16)*	22,715,259	20,880,745
	42,179,017	39,832,275
Total liabilities and members' equity	**$ 49,323,564**	**$ 45,999,604**

Subsequent event (*Note 21*)

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Prairie Sky Co-operative Association Ltd.
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2023

		2023	%		2022	%
Sales *(Note 17)*	$	109,407,528	100.0	$	85,962,163	100.0
Cost of goods sold		93,507,322	85.5		72,144,061	83.9
Gross margin		15,900,206	14.5		13,818,102	16.1
Expenses						
Operating and administration		15,826,002	14.4		14,568,996	16.9
Net interest *(Note 18)*		(149,856)	(0.1)		(54,480)	(0.1)
		15,676,146	14.3		14,514,516	16.8
Savings (loss) from operations		224,060	0.2		(696,414)	(0.7)
Other items						
FCL loyalty program (Note 5(c)(iii))		1,793,610	1.6		2,023,140	2.4
Patronage refunds		3,038,065	2.8		3,135,801	3.6
		4,831,675	4.4		5,158,941	6.0
Net savings before income taxes		5,055,735	4.6		4,462,527	5.3
Income taxes *(Note 20)*		589,566	0.5		434,006	0.5
Net savings	**$**	**4,466,169**	4.1	**$**	**4,028,521**	4.8

		2023		2022
Retained savings, beginning of year	**$**	**-**	**$**	**-**
Net savings		4,466,169		4,028,521
Transfer to statutory reserve *(Note 16)*		(252,789)		-
Transfer to general reserve *(Note 16)*		(1,579,320)		(1,634,444)
Patronage allocation to members *(Note 21)*		(2,634,060)		(2,394,077)
Retained savings, end of year (*Note 16*)	**$**	**-**	**$**	**-**

The accompanying notes are an integral part of these financial statements

Prairie Sky Co-operative Association Ltd.

Statement of Cash Flows

For the Year Ended January 31, 2023

	2023	2022
Operating activities		
Net savings	$ 4,466,169	$ 4,028,521
Adjustments for:		
Depreciation and accretion	1,788,144	1,619,635
FCL patronage refund	(3,037,915)	(3,135,631)
Loss on the disposal of property, plant and equipment	11,733	24,976
	3,228,131	2,537,501
Changes in non-cash operating working capital:		
Prepaid supplier accounts	(12,964)	(36,236)
Accounts receivable	(1,125,459)	(569,178)
Income taxes recoverable	133,937	(347,285)
Inventories	(978,636)	(2,164,115)
Accounts payable and trust liabilities	1,844,104	(456,722)
Customer prepaid accounts	62,232	(6,645)
Cash provided by (used for) operating activities	3,151,345	(1,042,680)
Investing activities		
Redemption of FCL shares	2,430,332	2,508,505
Decrease of other investments	(150)	(170)
Additions to property, plant and equipment	(1,144,225)	(1,987,953)
Proceeds from the disposal of property, plant and equipment	66,121	10,840
Cash provided by (used for) investing activities	1,352,078	531,222
Financing activities		
Advances (repayments) on line of credit (net)	(824,025)	824,025
Repayment of long-term debt	(107,113)	(160,000)
Share capital issued	5,000	3,870
GST on allocation	86,946	54,947
Redemption of share capital	(2,211,373)	(1,496,231)
Cash used for financing activities	(3,050,565)	(773,389)
Net increase (decrease) increase in cash and cash equivalents	**1,452,858**	**(1,284,847)**
Cash and cash equivalents, beginning of year	**184,345**	**1,469,192**
Cash and cash equivalents, end of year	**$ 1,637,203**	**$ 184,345**

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Weyburn Co-operative Association Limited was incorporated on June 26, 1929, Beaubier Co-operative Association Limited was incorporated on May 20, 1932, Milestone Co-operative Limited was incorporated on January 13, 1915, and Cross Country Co-operative Association Limited was incorporated on March 24, 1919 under the Co-operatives Act of Saskatchewan. On February 1, 2014, the Weyburn Co-operative and Beaubier Co-operative were amalgamated to form Prairie Sky Co-operative Association Ltd. ("the Co-operative"). On January 29, 2017, Prairie Sky Co-operative and Milestone Co-operative amalgamated. On February 3, 2018, Prairie Sky Co-operative and Cross Country Co-operative amalgamated. The primary business of the Co-operative is operating retail consumer and petroleum outlets in Weyburn, Beaubier, Lang, and Milestone, Saskatchewan and area.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

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

(a) Definition of financial year

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

(b) Cash and cash equivalents

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

(c) Inventories

Inventories are valued using the first-in first-out method and the retail method. Inventories are stated at the lower of cost and net realizable value.

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

(d) Investments

The Co-operative's investments are accounted for using the cost method. Accordingly, investments are recorded at acquisition cost, less any provisions for permanent impairment or adjustments for patronage refunds or share redemptions. All transactions with FCL are disclosed in a separate note (Note 5).

2. Significant accounting policies *(continued from previous page)*

(e) 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-operative 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

(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.

2. Significant accounting policies *(continued from previous page)*

(f) Property, plant and equipment

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

Buildings	Declining balance or Straight-line	4% to 10% or 10 - 25 years
Parking lots	Declining balance	8%
Tanks	Declining balance	20%
Furniture & equipment	Declining balance	20%
Computer hardware	Declining balance or Straight-line	45% to 100% or 4 - 5 years
Vehicles	Declining balance	30%
Truck equipment	Declining balance	15%
Asset retirement cost	Straight-line	20 - 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 grant 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.

(g) Asset retirement obligation

The Co-operative has a liability for an asset retirement obligation in the period in which a legal liability is incurred. The liability is based on management's best estimate. The liability is subsequently adjusted for the passage of time, which is recognized as an accretion expense in the statement of 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.

(h) Revenue recognition

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

(i) 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 share capital that is to be paid to members at the time it has been approved by the Board of Directors.

(j) Income taxes

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

2. Significant accounting policies *(continued from previous page)*

(k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The amounts of such items are based upon the Co-operative's best information and judgment. Actual amounts could differ from these estimates.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Other estimates include valuation of potential contingencies and possible impairment of long-lived assets.

An asset retirement obligation is recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date when the liability is incurred and a reasonable estimate of the obligation is determinable. The best estimate of the asset retirement obligation is the present value of the amount the Co-operative would rationally pay to settle the obligation, or transfer to a third party, at the balance sheet date.

When a liability is recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related asset. The asset retirement cost is amortized over the estimated useful life of the related asset.

Significant estimation or judgment is required in the determination of (i) inventories valued at retail and adjusted to cost; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet date; and (iii) estimated inventory provisions associated with vendor allowances and internal charges.

Depreciation and amortization is based on the estimated useful lives of property, plant and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in net savings in the year in which they become known.

(l) Goodwill

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a bargain purchase gain. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment when circumstances indicate that the carrying value may be impaired. Impairment of goodwill is determined by assessing the recoverable amount of each operating segment to which the goodwill relates. Where the recoverable amount of the operating segment (including the carrying value of the allocated goodwill) is less than the carrying value, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. There were no impairment losses recorded in the current year.

(m) 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.

(n) Government assistance

The Co-operative recognizes government assistance when there is 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 as other income.

3. Financial instruments and risk management

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

(a) Credit risk

The Co-operative is exposed to credit risk on accounts receivable from its customers. The Co-operative manages credit risk through an active credit management program. As at January 31, 2022, no single customer accounts for more than 10% (2022 - none) of total customer accounts receivable.

(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.

4. Contractual obligations

The Co-operative has provided guarantees amounting to $15,000 for Saskatchewan Lotteries.

5. Transactions with Federated Co-operatives Limited ("FCL")

(a) FCL special deposit

Amounts held with FCL as special deposits earn interest at rates based on prime rates. Amount of FCL special deposit is $903,286 (2022 - $nil) included in cash and cash equivalents.

(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 $82,519,430 (2021 - $62,538,260) 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:

	2023	2022
Opening investment balance	$ 16,305,203	$ 15,678,077
Patronage refund	3,037,915	3,135,631
Share redemptions	(2,430,332)	(2,508,505)
Closing investment balance	$ 16,912,786	$ 16,305,203

5. Transactions with Federated Co-operatives Limited (continued from previous page)

(c) Purchase commitments

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from September 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 plus interest on the grants compounded annually at 10% from the grant date. Total grants received amounted to $1,153,855 (2022 - $1,153,855). 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 September 2015. 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.

(d) Line of credit

The Co-operative has a $5,916,667 (2022 - $7,100,000) line of credit available with Federated Co-operatives Limited, bearing interest at prime plus 2.0% of which $nil (2022 - $824,025) has been drawn. Security for the line of credit is a general security agreement covering all present and after acquired property. Prime rate is currently 6.70%. The available amount decreases each year for 5 years as follows:

May 14, 2022 - May 13, 2023	$ 5,916,667
May 14, 2023 - May 13, 2024	4,333,333
May 14, 2024 - May 13, 2025	3,550,000
May 14, 2025 - May 13, 2026	2,366,667
May 14, 2026 - May 13, 2027	1,183,333

6. Accounts receivable

	2023	2022
Accounts receivable - customer	$ 5,343,892	$ 4,167,434
Other accounts receivable	56,955	107,954
Allowance for doubtful accounts	(200,000)	(200,000)
	$ 5,200,847	$ 4,075,388

7. Inventories

	2023	2022
Inventory	$ 7,372,271	$ 6,393,635

Inventory consists of goods for resale. The cost of inventories expensed and included in cost of goods sold is $93,507,322 (2022 - $72,144,060).

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	**2023** Book Value	**2022** Book Value
Land	$ 1,187,448	$ -	$ 1,187,448	$ 1,187,448
Buildings	17,486,156	6,502,725	10,983,431	11,633,621
Parking lots	3,226,631	1,038,588	2,188,043	2,331,653
Tanks	523,725	311,702	212,023	288,672
Furniture & equipment	7,632,053	5,744,410	1,887,643	2,126,602
Computer hardware	979,272	909,918	69,354	120,186
Vehicles	2,386,158	1,633,305	752,853	635,702
Truck equipment	1,024,139	722,176	301,963	347,517
Asset retirement cost	67,335	32,713	34,622	40,732
	$ 34,512,917	$ 16,895,537	$ 17,617,380	$ 18,712,133

Depreciation for the current year and included in operating and administration expense is $1,786,122 (2022 - $1,617,684). Loss on disposal of property, plant, and equipment included in operating and administration expense is $11,733 (2022 - $24,975).

9. Intangible assets

	Original Cost	Accumulated Amortization	**2022** Book Value	2021 Book Value
Liquor licenses	$ 375,000	$ -	$ 375,000	$ -

Liquor licenses have an indefinite life and are not amortized.

10. Goodwill

	2023	**2022**
Opening balance	$ 29,172	$ 29,172
Impairment losses	-	-
Closing balance	$ 29,172	$ 29,172

11. Line of Credit

The Co-operative has a $4,000,000 (2022 - $4,000,000) line of credit available with Weyburn Credit Union, bearing interest at prime plus 0.5% of which $nil (2022 - $nil) has been drawn. Security for the line of credit is a general security agreement covering all present and after acquired property. Prime rate is currently 6.70%.

The line of credit is subject to certain financial covenants. Weyburn Credit Union requires a current ratio of 1:1, a debt service ratio of 1.25:1, and is required to maintain shareholder equity of at least 25% of total assets. As at January 31, 2023, the Co-operative is in compliance with all covenants.

12. Accounts payable and trust liabilities

	2023	2022
FCL payables	$ 5,199,473	$ 3,457,324
Other payables	1,481,389	1,362,027
Goods and Services Tax	-	10,126
Provincial Sales Tax	54,743	54,015
Liquor Consumption and Vape Tax	2,202	3,171
Federal Fuel Charge	200,326	207,366
	$ 6,938,133	$ 5,094,029

13. Long-term debt

	Total	2023 Current portion	2023 Deferred portion	2022 Current portion	2022 Deferred portion
Weyburn Credit Union (1)	$ -	-	-	107,113	-

(1) Facility 4 loan obtained from Weyburn Credit Union, secured by car wash property with a net book value of $1,073,167 (2022 - $1,138,223), was repaid during the year.

14. 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 five (2022 - five) sites under this program. Management believes that due diligence has been exercised and that the impact of the asset retirement obligation is not significant.

The following table indicates the changes to the Co-operative's asset retirement obligations:

	2023	2022
Balance, beginning of year	$ 82,722	$ 80,771
Change in obligation	-	-
Accretion expense	2,021	1,951
Balance, end of year	$ 84,743	$ 82,722

The obligation was calculated using a discount rate of 6.95%, which is consistent with the current cost of borrowing. It is expected that the majority of the costs will occur between the years of 2023 and 2040.

15. Share capital

Authorized, unlimited @ $1	2023	2022
Balance, beginning of year	$ 18,951,530	$ 17,992,480
Allocation to members	2,634,060	2,394,077
Cash from new members	5,000	3,870
GST on allocation	86,946	54,947
Shares from reserves	1,574	2,387
	21,679,110	20,447,761
General repayment	1,609,152	1,112,064
Transfer to reserves	3,979	-
Withdrawals and retirements	345,592	228,521
Withholding tax	256,629	155,646
	2,215,352	1,496,231
Balance, end of year	$ 19,463,758	$ 18,951,530

16. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2023	2022
Balance, beginning of year	$ 4,635,214	$ 16,245,531	$ -	$ 20,880,745	$ 19,248,688
Net savings distributed to retained savings	-	-	4,466,169	4,466,169	4,028,521
Patronage allocation (Note 21)	-	-	(2,634,060)	(2,634,060)	(2,394,077)
Shares transferred	2,405		-	2,405	(2,387)
Reserve transfers	252,789	1,579,320	(1,832,109)	-	-
Balance, end of year	$ 4,890,408	$ 17,824,851	$ -	$ 22,715,259	$ 20,880,745

17. Sales categories

	2023	2022
Food division	$ 26,336,137	$ 25,241,369
General merchandise division	5,021,950	4,293,146
Petroleum division	67,027,577	47,216,356
Branches division	11,021,864	9,211,292
	$ 109,407,528	$ 85,962,163

18. Net interest

	2023	2022
Interest expense on		
- Short term debt	$ 40,889	$ 60,401
- Long-term debt	1,488	5,803
Interest revenue	(192,233)	(120,684)
	$ (149,856)	$ (54,480)

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 $400,125 (2022 - $376,497) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

20. Income taxes

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:

	2023	2022
Savings before income taxes	$ 5,055,735	$ 4,462,527
Expected income tax expense at the combined tax rate of 27% (2022 - 27%) net of the small business deduction and general rate reduction	1,365,048	1,204,882
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expenses	156,923	33,842
Patronage allocation to members of $2,668,221 (2022 - $2,394,218)	(720,420)	(646,439)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(211,985)	(158,279)
Income tax expense	$ 589,566	$ 434,006

21. Subsequent event

Subsequent to January 31, 2022 the Board of Directors approved a patronage allocation to members in the amount of $2,634,060 (2022 - $2,394,218).

Subsequent to January 31, 2022, the Co-operative began renovations to construct a liquor department in the grocery store. The estimated cost to complete is $715,000.

Prairie Sky Co-operative Association Ltd.
Unaudited Statistical Information
For the Year Ended January 31, 2023

Record of Sales and Savings

	Year	Cash Payments to Members	Sales	Net Savings [1]	%
From Date of Incorporation, June 29, 1929 to January 31,	2013	$ 27,811,151	$ 1,066,863,743	$ 49,785,550	4.7
	2014	3,283,618	79,361,070	5,446,210	6.9
	2015	3,808,576	90,460,501	6,783,774	7.5
	2016	3,930,543	73,537,061	2,964,369	4.0
	2017	2,683,617	69,780,710	2,811,152	4.0
	2018	2,288,802	78,926,629	4,565,094	5.8
	2019	2,821,207	88,656,446	7,011,820	7.9
	2020	3,500,200	84,101,711	4,617,664	5.5
	2021	2,521,043	71,205,452	2,422,484	3.5
	2022	1,496,231	85,962,163	4,028,521	4.8
	2023	2,211,373	109,407,528	4,466,169	4.1
		$ 56,356,361	$ 1,898,263,014	$ 94,902,807	5.0