AGENDA

94th ANNUAL MEETING – APRIL 26, 2023

Registration Business	6:30 PM
Meeting	7:00 PM
Desserts, Coffee & Tea	Following Meeting

1. Call to Order and Opening Remarks
2. Appointment of Chair and Secretary
3. Proof of Due Calling and Declaration of Quorum
4. Rules of Order
5. Introduction of Guests, GM and Directors
6. Adoption of Agenda
7. Fiscal 2021 Annual General Meeting Minutes
8. Business Arising from the Minutes
9. Reports
    - Board of Directors
    - Nomination Committee
    - General Manager
    - Financial
10. Director Election Proceedings
    - Nominee Address
11. New Business
    - Appointment of External Auditors for Fiscal 2023
12. Questions
13. Director Election Results
14. Door Prizes
15. Adjournment

HERITAGE CO-OP 1997 LTD.

93rd ANNUAL MEETING MINUTES

Wednesday April 27, 2022
Minnedosa Community Conference Centre

1. Call to Order and Opening Remarks

Board President Ian Gerrard called the meeting to order at 7:30 pm.

2. Appointment of Chair and Secretary

Following Bylaws 10.06 and 10.07, the Board appointed Ian Gerrard as Chair, and Jordan Jacobsen as Secretary for the 93rd Annual General Meeting.

3. Proof of Due Calling and Declaration of Quorum

Ian reviewed the notice that was given regarding the meeting of the Members and declared that a quorum was present.

4. Rules of Order

Ian reviewed the Rules of Order for the meeting including the voting privileges and procedure, visitor privileges, and question cards.

5. Introduction of Guests, GM and Directors

Ian introduced the invited Guests, General Manager and current Board Members.

6. Adoption of Agenda

Moved by Adam Gurr (26674), seconded by Allison Noto (42504) that the agenda be adopted as presented. Carried.

7. Fiscal 2020 Annual General Meeting Minutes

Moved by Bill Moorehead (37803), seconded by Norval Lee (12933) that the Minutes from the 92nd Annual General Meeting held April 28, 2021 be adopted. Carried.

8. Business Arising from the Minutes.

There was no new business arising from the Minutes.

9. Reports

Board Report
- Ian Gerrard, Board Chair, presented the Board Report

Nomination Committee Report
- Mel Birmingham, Nomination Committee Chair, presented the Nomination Committee Report
- Five nominations were received for two Director positions

GM Report
- Dennis Laing, General Manager, presented the General Manager Report

Financial Report
- Tamra Rapsky, Finance Operations Manager, presented the Financial Report
- Total sales of $ 229,676,109
- Local earnings of $ 4,897,865

- FCL loyalty program of $ 2,865,635
- FCL patronage refund of $ 6,930,808
- Net savings (before tax) of $ 14,846,589

Moved by Fred Homann (12685), seconded by Robert Hirst (69942) that all reports be adopted as presented.

10. Director Election Proceedings

- Ian invited each nominee to address the Membership and answer any questions
- Nominees Eric Bjornson, Josh Bromley, Keith Murray, Brad Ross, and Harvey Wedgewood addressed the Membership
- Ian then spoke to the voting process and asked each Member to cast their vote
- Votes were collected and counted by 3 representatives from Meyers Norris Penny who acted as Scrutineers for the meeting

11. New Business

Appointment of External Auditors

Moved by Darren Rozdeba (6781), seconded by Harvey Wedgewood (2814) that MNP LLP be appointed as external auditors for the 2022 fiscal year. Carried.

Bylaw Amendment Resolutions (Special Resolution)

Moved by Barrett Nelson (2811), seconded by Bill Moorehead (37803) to approve the addition of Bylaw 10.14 – Electronic Attendance and the revision to Bylaw 4.02 – Director Qualifications as attached. Carried.

12. Questions

Ian and Dennis answered questions that were submitted.

13. Director Election Results

As per Bylaw 4.09 the Board appointed 3 Scrutineers to ascertain the results of the election

Ian declared Eric Bjornson (7507), and Brad Ross (1829) as Directors on the Heritage Co-op Board of Directors, each for a term of 3 years.

Moved by Mel Birmingham (35201), seconded by Larry Chemerika (10900) to destroy the ballots of the Heritage Co-op Director election. Carried.

14. Door Prizes

Tickets were drawn for 5 prizes that were then presented to Members in attendance.

15. Adjournment

Moved by Darren Rozdeba (6781), seconded by Adam Gurr (26674) that the meeting be adjourned at 9:21 pm.

BOARD OF DIRECTORS RESOLUTION – Bylaw 10.14

WHEREAS the Directors of Heritage Co-op 1997 Ltd. (the "**Cooperative**") deem it to be in the best interests of the Cooperative to add "Section 10.14, Electronic Attendance" to the Bylaws of the Cooperative (the "**Bylaws**") to allow for participation and voting by members of the Cooperative in meetings of the members by means of an electronic or other communication facility determined appropriate by the Board;

NOW THEREFORE BE IT RESOLVED THAT the Bylaws be and are hereby amended as follows:

(1) The Bylaws are hereby amended by adding, immediately after existing Section 10.13, the following, as a new Section 10.14:

"10.14 Electronic Attendance

(a) In accordance with the *Act*, the regulations, and those procedures, rules, and processes established by the board from time to time, at the discretion of the board:

(i) A member may attend a meeting of members by means of an electronic or other communication facility; and

(ii) A meeting of members may be held entirely by means of electronic communication technology.

(b) If a member participates in a meeting referred to in (a), such member is deemed to be present at the meeting, including for the purposes of quorum."

Proposed By Law Amendment

CURRENT STATE:
4.02 Personal Qualifications [Section 184]

No person shall be a director if that person:

(a) is not an individual;

(b) is less than 18 years of age;

(c) is of unsound mind and has been so found by a court in Canada or elsewhere;

(d) is bankrupt;

(e) is an employee of the Cooperative or a commission operator under contract with the Cooperative; or

(f) has an account with the Cooperative that is more than 120 days in arrears.

PROPOSED AMENDMENT:
4.02 Personal Qualifications [Section 184]

No person shall be a director if that person:

(a) is not an individual;

(b) is less than 18 years of age;

(c) is of unsound mind and has been so found by a court in Canada or elsewhere;

(d) is bankrupt;

(e) is an employee of the Cooperative or a commission operator under contract with the Cooperative; or

(f) has an account with the Cooperative that is more than 120 days in arrears;

(g) is an individual who is related to an employee of the Cooperative in any of the following ways:

A. Spouse;

B. Person living in an arrangement equivalent to spouse;

(h) has been an employee, tenant or contractor for the Cooperative within the past 24 months; (i) has brought court action against the Cooperative or is an individual who is related to anyone that has brought court action against the Cooperative, in any of the ways listed in (g); or

(j) is an owner or employee of any business offering products or services in significant competition with Heritage Co-op.

BOARD REPORT

By: Ian Gerrard, Board Chair

On behalf of the Board of Directors it is my pleasure to congratulate everyone who is a part of Heritage Co-op on another very successful year. Following extraordinary sales growth of 13% in 2021, in 2022 we experienced similar growth of 25% with sales increasing from $229 million to $287 million. Recognizing that much of this increase was due to inflation, we sustained strong earnings in 2022 with before tax income of $14.6 million. As noted above, rapid inflation was a significant factor this year. Not only does this drive up the cost of goods we sell, but also the cost of holding inventory, costs related to replacing and improving our facilities and equipment and all other operating costs increase. Our Team has done an excellent job of navigating these challenges and, as a result, all important financial indicators remain positive.

With excellent earnings in 2022 we are very pleased to announce a patronage dividend of $7.4 million based on 2.96% of qualifying purchases in 2022. In addition, a cash repayment of $3.7 million will be made to Members this year. Heritage Co-op has historically viewed dividends as a way to say thank you for your support and has focused on a strong dividend program. Heritage Co-op's ability to maintain relatively consistent patronage dividend reflects a history of continued growth and strong financial performance at a level that also allows for reinvestment in the organization. Our long term goal is to sustain a meaningful dividend program based on strong performance that ensures we also have adequate funds to invest in our future and execute on our strategic plans.

Last year I spoke about the how the essential ingredient for our success was Member ownership. Today, Cooperatives in Canada, and around the world, serve communities large and small. In all cases the unique characteristic is the sense of community embedded in those organizations. Cooperatives are themselves a community of Members and are also very much a part of the communities in which they do business. This only works if the Members see themselves as part of the organization, believe that they have a say in "their business" and remain active and engaged. Engagement can work on many levels. It can be as simple as recognizing the contribution we make to your community and making your buying choices accordingly. Offering your input and opinions is also valuable. Exercising your voting privileges at meetings of the Members and electing your Board of Directors is an important expression of Member ownership. Ultimately a Cooperative such as Heritage Co-op only exists to serve the needs of the membership. If those Members aren't engaged then the unique character of the organization is lost and, with that, our focus on our communities and Members will diminish.

Heritage Co-op is very fortunate to have an engaged membership. We have seen very strong interest in serving on the Board of Directors, see good uptake on Member feedback opportunities so, in this sense, feel our organization is alive and well. To improve Members' access to these opportunities we have plans to expand our means of communication to Members and provide other options to participate in Member voting through upcoming changes to our Bylaws.

Ultimately, the Board of Directors is the mechanism by which the interests of our Member owners are represented. It may surprise some that the Board of Directors make relatively few decisions. Our responsibility is to assess our circumstances, set the direction for the organization and monitor our progress toward those goals. We are also responsible to ensure that the organization is operated in a prudent manner and that risks are managed prudently. All of this is done in the long term best interests of the business, on behalf of Members and other stakeholders, most notably the several hundreds of Team Members employed at Heritage Co-op. As Heritage grows in size and complexity, it stands to reason that the Board's practices must evolve accordingly and the Heritage Board is currently focused on a number of initiatives in support of that effort.

In closing, I would like to extend a very sincere thank you to everyone who has made this organization the success it is today. Dennis Laing and his Team have done an incredible job of leading our organization, adapting to challenges and seizing the opportunities available to us. Our Team of some 500 individuals have worked hard and done an excellent job of serving our Members while also adapting to change and challenges. Our Members who chose to do business with Heritage Co-op should be proud of our success, we thank you for your support. Once again, we must recognize the contribution of our partner FCL for the innumerable ways that they contribute to our success. On behalf of the Board of Directors I would like to convey our sincere thank you to everyone's contribution to our success in 2022.

I would also like to take this opportunity to thank my fellow Directors for your commitment and the guidance you have provided. Our Board works hard and each year Directors faithfully attend regular monthly meeting as well as several committee meetings, planning workshops, training and FCL events. Your dedication is appreciated, thank you.

Respectfully on behalf of the Board of Directors,

Ian Gerrard

GENERAL MANAGER REPORT

By: Dennis Laing, General Manager

Good evening, ladies and gentlemen,

I would like to express my appreciation to our Board of Directors and our Team Members, without whom, the success of Heritage Co-op would be impossible. It has been nearly two years since my family and I returned home to Manitoba and we are thankful for the opportunity to be part of the Heritage Co-op family.

Together in 2022, we worked our way through the third year of the world-wide pandemic that saw restrictions lessened and finally lifted with perhaps a return to a new normal. New practices and habits have been formed over the past three years, not the least of which means that our family carries a bottle of hand sanitizer in our vehicle wherever we go. Our Members and Guests, our Team, and our Board of Directors worked together to ensure everyone has an environment in which to work and shop that was as safe as possible.

Almost daily, we are affected by external forces and global events that are outside of our control. Through 2022, we experienced challenges with supply chain, with inflation, and with rising interest rates, all impacting our Co-op and our Members. The reallocation of resources by manufacturing plants (technology), the war in Ukraine, the dramatic increase in inflation after significant injection of relief monies to kick start a stagnant economy and the resulting increase in interest rates to curb the rapidly rising inflation rate have all affected our Co-op and our Members.

We must continue to shift our focus to be more strategic in nature and in our planning for the future. We continue to identify risks, trends, and project potential legislative changes to ensure we are properly able to plan. Canada is marching toward its 2030 Climate Change targets and its target of being net-zero emissions by 2050. This is presenting challenges, as things like carbon tax continues to rise.

Government legislated, larger than normal increases to minimum wage will present challenges in 2023 as we take an approach that is fair and equitable to our Team Members, our Co-op, and is able to be replicated for future increases. In a Co-op as large as Heritage, this will have a large, annual impact.

We are one of approximately 160 local Co-ops that make up Federated Co-operatives Limited (FCL). In May, Chief Executive Officer Scott Banda retired, and Heather Ryan named as his successor. This marks the passing of the torch at the helm of our Federation.

In September 2022, FCL's previously announced acquisition of ~181 Husky Retail Gas sites was finalized and the review process by the Competition Bureau completed. The review by the Competition Bureau presented Heritage Co-op with an opportunity to acquire one of these Husky Retail Gas sites, at 102 Rosser Avenue in Brandon. Heritage Co-op took ownership of this site on March 31 this year and will operate it under the Husky banner until the conversion to Co-op takes place this summer.

Planning for projects takes months and, in some cases, even years. Some major projects in 2022 include:

- Western Nations Gas Bar opening

    - Strategic Partnership with Gambler First Nation to supply and provide Management Services in the first of its kind in Manitoba, Western Nations.
- Sandy Lake Food Store exterior upgrade
- Erickson Gas Bar signage and pump upgrade

In addition, many smaller-scale projects were completed in 2022.

Future upgrades to existing infrastructure, projects, and capital expenditures are identified and prioritized to ensure alignment with our Strategic and Operational Priorities as set by our Board of Directors, Return on Investment for our Members, as well as our commitment to being Community Builders.

We will continue to be challenged by rising interest rates, increased legislation, inflation, and supply chain challenges through 2023 and through the next three to five years. Increased national deficit, the related rise in interest rates to curb inflation and devalue debt, global conflict, potential labour disruptions, and the quest to find a new normal following as we (hopefully) exit a global pandemic will all put pressure on our organization.

Despite the challenges on the horizon, Heritage Co-op is well-positioned to not only survive, but to thrive, largely due to the support of our members who shop locally. Profits from our business stay local, through equity allocations, general cash repayments, investments in infrastructure and in our communities, as well as many other ways.

Our Heritage Co-op Team is dedicated to providing a World Class Guest Experience to our Members. To our Team Members, I appreciate the hard work, extra time and effort that you put forth, to ensure that happens.

Thank you to our Members for your ongoing support. We appreciate your patience and kindness. Thank you to the Board of Directors, Team Leaders, and Team Members for your dedication to Heritage Co-op. With these four groups of people working together, anything is possible, and our future is bright.

Dennis Laing

General Manager

Heritage Co-op 1997 Ltd.

Management's Responsibility

To the Members of Heritage Co-op 1997 Ltd.:

Management is responsible for the preparation and presentation of the accompanying consolidated 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 consolidated 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 consolidated financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Co-op. 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-op's external auditors.

MNP LLP is appointed by the Members to audit the consolidated 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 3, 2023

Signed "Dennis Laing"

General Manager

Independent Auditor's Report

To the Members of Heritage Co-op 1997 Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Heritage Co-op 1997 Ltd. (the "Co-op"), which comprise the consolidated balance sheet as at December 31, 2022, and the consolidated statements of net savings, retained savings and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Co-op as at December 31, 2022, and the results of its consolidated operations and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Co-op in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Co-op'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-op or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-op's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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-op'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-op'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 consolidated 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-op to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Co-op to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Brandon, Manitoba

MNP LLP

April 3, 2023

Chartered Professional Accountants

Heritage Co-op 1997 Ltd.
Consolidated Balance Sheet
As at December 31, 2022

	2022	2021
Current assets		
Cash	$ 30,273,728	$ 10,325,401
FCL special deposit (Note 4(a))	6,221,132	907,066
Accounts receivable (Note 5)	7,078,941	7,257,232
Income taxes recoverable	76,483	378,080
Inventories (Note 6)	30,023,379	27,343,807
Prepaid agriculture suppliers	4,190,646	9,262,094
Prepaid expenses	257,513	211,504
Current portion long-term receivable (Note 7)	248,894	237,650
	78,370,716	55,922,834
Long-term receivable (Note 7)	220,768	398,915
Investments		
Federated Co-operatives Limited (Note 4(b))	25,640,108	24,339,235
Other organizations	279,080	445,348
Property, plant and equipment (Note 8)	28,810,529	30,794,552
Intangible asset (Note 9)	740,260	797,200
Goodwill	1,345,482	1,345,482
Total assets	**$ 135,406,943**	**$ 114,043,566**
Current liabilities		
Accounts payable and trust liabilities (Note 11)	$ 34,904,464	$ 18,023,099
Customer prepaid accounts	11,045,160	13,187,680
Current portion of long-term debt and callable debt (Note 12)	32,756	111,682
	45,982,380	31,322,461
Long-term and callable debt (Note 12)	-	33,182
Asset retirement obligation (Note 4(c))	171,806	221,251
Total liabilities	46,154,186	31,576,894
Members' equity		
Share capital (Note 13)	41,958,219	40,435,062
Reserves and retained savings (Note 14)	47,294,538	42,031,610
	89,252,757	82,466,672
Total liabilities and members' equity	**$ 135,406,943**	**$ 114,043,566**

Subsequent event (Note 21)
Commitment (Note 22)

Approved on behalf of the Board of Directors

Signed "Ian Gerrard"
Director

Signed "Brad Ross"
Director

The accompanying notes are an integral part of these financial statements

Heritage Co-op 1997 Ltd.

Consolidated Statement of Net Savings and Statement of Retained Savings

For the Year Ended December 31, 2022

	2022	%	2021	%
Sales (Note 15)	$ 287,151,574	100.0	$ 229,676,109	100.0
Cost of goods sold	251,034,993	87.4	195,813,907	85.3
Gross margin	36,116,581	12.6	33,862,202	14.7
Expenses				
Operating and administration	30,782,758	10.7	29,100,105	12.7
Net interest (Note 18)	(213,666)	(0.1)	(135,768)	(0.1)
	30,569,092	10.6	28,964,337	12.6
Savings from operations	5,547,489	2.0	4,897,865	2.1
Other income (expense) (Note 16)	(167,569)	(0.1)	152,281	0.1
FCL loyalty program (Note 4(d)(iii))	2,747,187	1.0	2,865,635	1.2
Patronage refunds	6,507,055	2.3	6,930,808	3.0
Savings before income taxes	14,634,162	5.2	14,846,589	6.4
Income tax expense (Note 20)	1,996,475	0.7	1,995,129	0.9
Net savings	**$ 12,637,687**	4.5	**$ 12,851,460**	5.5

	2022	2021
Retained savings, beginning of year	**$ 231,239**	**$ 192,932**
Net savings	12,637,687	12,851,460
Transfer to special reserve (Note 14)	(3,379,392)	(2,765,202)
Transfer to general reserve (Note 14)	(2,032,742)	(2,157,875)
Patronage allocation to members (Note 13)	(7,366,339)	(7,890,076)
Retained savings, end of year (Note 14)	**$ 90,453**	**$ 231,239**

The accompanying notes are an integral part of these financial statements

Heritage Co-op 1997 Ltd.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2022

	2022	2021
Operating activities		
Net savings	$ 12,637,687	$ 12,851,460
Adjustments for:		
Depreciation	3,307,429	3,629,309
Depreciation for intangible asset	56,940	56,940
Accretion	4,193	4,097
FCL patronage refund	(6,504,364)	(6,928,905)
Gain on the disposal of property, plant and equipment	(181,834)	(8,400)
Changes in non-cash operating working capital:		
Accounts receivable	178,291	(4,436,844)
Income taxes recoverable	301,597	(299,692)
Inventories	(2,679,572)	(3,825,867)
Prepaid agriculture suppliers	5,071,448	(1,922,029)
Prepaid expenses	(46,009)	(13,044)
Long-term receivables	166,903	857,404
Accounts payable and trust liabilities	16,881,365	7,984,516
Customer prepaid accounts	(2,142,520)	3,578,063
Asset retirement obligation	(53,638)	14,779
Cash provided by operating activities	26,997,916	11,541,787
Investing activities		
Redemption of FCL shares	5,203,491	5,543,124
Additions to property, plant and equipment	(1,537,405)	(1,188,916)
Proceeds from the disposal of property, plant and equipment	395,833	121,649
Investment in other organization	166,268	(153,480)
Cash provided by investing activities	4,228,187	4,322,377
Financing activities		
Repayment of long-term debt	(112,108)	(6,235,413)
Share capital issued	12,115	12,370
GST on allocation	205,149	141,250
Redemption of share capital	(6,068,866)	(4,761,527)
Cash used for financing activities	(5,963,710)	(10,843,320)
Net increase in cash	**25,262,393**	**5,020,844**
Cash, beginning of year	**11,232,467**	**6,211,623**
Cash, end of year	**$ 36,494,860**	**$ 11,232,467**
Cash is comprised of:		
Cash	$ 30,273,728	$ 10,325,401
FCL special deposit	6,221,132	907,066
	$ 36,494,860	**$ 11,232,467**

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Heritage Co-op 1997 Ltd. was incorporated under the Cooperatives Act of Manitoba on March 29, 1929 and Strathclair Co-operative Association Limited was incorporated under the Cooperatives Act of Manitoba on June 5, 1929. On December 30, 2018, the two co-operatives amalgamated under Heritage Co-op 1997 Ltd. ("the Co-operative"). The primary business of the Co-operative is operating retail agricultural, food, home centre and petroleum outlets in their trading areas.

The consolidated financial statements of the Co-operative, as at and for the year ended December 31, 2022 comprises the Co-operative and its wholly owned subsidiary, Westman Aerial Spraying Ltd.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of these financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable, inventory, useful life of property, plant and equipment, impairment of long-lived assets, goodwill, intangible 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) Basis of consolidation

i. Subsidiaries

The consolidated financial statements include the accounts of the Co-operative and its subsidiaries. Subsidiaries are entities that the Co-operative controls. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

ii. Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from said transactions, are eliminated in preparing the consolidated financial statements.

(b) Definition of financial year

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

(c) Cash

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

(d) 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.

(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-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.

(f) Assets under capital lease

Leases, which transfer substantially all of the benefits and risks incident to ownership of property, are recorded as an acquisition of an asset and the incurrence of an obligation. Under this method of accounting for leases, the asset is depreciated over its estimated useful life and the obligation, including interest thereon, over the life of the lease. Rents on non-capital leases are expensed as incurred.

(g) 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	Straight-line & declining balance	1 - 25 years, 4% & 10%
Pavement	Straight-line & declining balance	15 years, 8% & 10%
NH3 plant & fence	Declining balance	10%
Tanks & fertilizer bins	Declining balance	20%
Furniture & equipment	Declining balance	20%
Vehicles	Declining balance	30%
Vehicle equipment	Declining balance	20%
Aircraft	Declining balance	5%
Computer equipment	Declining balance	30% & 55%
Asset retirement cost	Straight-line	25 - 35 years

In the year of acquisition, depreciation is prorated on a quarterly basis. No depreciaion is taken on assets under construction.

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.

(h) 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.

(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 shares that is to be paid to members at the time it has been approved by the Board of Directors.

(j) 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 allocated to the Co-operative.

(k) 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.

(l) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Finite life intangilbe assets are tested for impairment when events or circumstances indicate the carrying value may not be recoverable. When the recoverable amount is less than the carrying value, an impairment loss is recognized in net savings for the year. Intangible assets, once functional, are amortized on a straight-line basis over their useful lives.

(m) 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.

(n) 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.

(o) 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.

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

(c) Liquidity risk

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

(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 (FCL)

(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 $232,358,392 (2021 - $173,165,714) 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	$ 24,339,235	$ 22,953,454
Patronage refund	6,504,364	6,928,905
Share redemptions	(5,203,491)	(5,543,124)
Closing investment balance	$ 25,640,108	$ 24,339,235

(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 $171,806 (2021 - $221,251). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was $4,193 (2021 - $4,097).

The Co-operative has four 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 environmental impact from its 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 April 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 $3,836,343 (2021 - $3,863,096). 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 March 2013. 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, and food-related products, petroleum products and agro-related products from FCL and continue to operate certain food stores, agro and cardlock operations 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 December 31, 2022 amounted to $1,711,945 (2021 - $1,711,945). 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 July 2019. Failure to meet this commitment would require the Co-operative to pay a termination charge to FCL determined by a formula based on purchases and years remaining in the contract. Management intends to fulfill all existing contracts with FCL.

5. Accounts receivable

	2022	2021
Customer accounts receivable	$ 7,544,889	$ 7,839,217
Other accounts receivable	634,052	518,015
Allowance for doubtful accounts	(1,100,000)	(1,100,000)
	$ 7,078,941	$ 7,257,232

6. Inventories

	2022	2021
Inventories at cost	$ 25,402,162	$ 27,343,807
Inventories at net realizable value	4,621,217	-
	$ 30,023,379	$ 27,343,807

The cost of inventories recognized as an expense during the year was $250,391,541 (2021 - $195,160,725).

At December 31, 2022, the cost of inventories recognized as an expense includes $1,040,250 in respect of write-downs of inventory to net realizable value (2021 - $nil).

7. Long-term receivable

	Total	2022 Current Portion	2022 Deferred Portion	2021 Current Portion	2021 Deferred Portion
J&P Grocery(1)	$ 25,100	$ 8,400	$ 16,700	$ 8,400	$ 25,100
Tanks(2)	444,562	240,494	204,068	229,250	373,815
	$ 469,662	$ 248,894	$ 220,768	$ 237,650	$ 398,915

(1) The Co-operative has a long-term interest free receivable covering the purchase of J&P Grocery's building and equipment which is recoverable over 7.75 years. The receivable is secured by a promissory note and personal guarantees.

(2) The Co-operative has a long-term interest free receivables covering petroleum and fertilizer tank equipment which are recoverable over 3 years. The receivables are secured by the petroleum or fertilizer tank equipment.

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	**2022** Book Value	2021 Book Value
Land	$ 4,459,314	$ -	$ 4,459,314	$ 4,472,888
Buildings	22,851,458	12,344,253	10,507,205	11,640,477
Pavement	4,179,857	2,329,010	1,850,847	2,009,802
NH3 plant & fence	158,671	122,545	36,126	40,141
Tanks & fertilizer bins	3,687,134	3,287,757	399,377	474,282
Furniture & equipment	16,462,902	12,890,426	3,572,476	4,088,643
Vehicles	10,348,405	8,385,176	1,963,229	2,258,676
Vehicle equipment	729,727	455,318	274,409	67,452
Aircraft	7,068,406	1,697,617	5,370,789	5,580,483
Computer equipment	1,913,172	1,850,284	62,888	80,895
Asset retirement cost	105,266	83,551	21,715	77,918
Under construction	292,154	-	292,154	2,895
	$ 72,256,466	$ 43,445,937	$ 28,810,529	$ 30,794,552

Depreciation for the current year included in operating and administration expense was $3,307,429 (2021 - $3,629,309).

9. Intangible asset

	Original Cost	Accumulated Amortization	**2022** Book Value	2021 Book Value
Intangible asset	$ 1,138,840	$ 398,580	$ 740,260	$ 797,200

Intangible asset with a definite life is amortized on a straight-line basis over 20 years. Amortization for the current year end included in operating and administration expenses was $56,940 (2021 - $56,940).

10. Lines of credit

(a) The Co-operative has a $2,500,000 line of credit with Sunrise Credit Union of which no amount has been drawn as at December 31, 2022 (2021 - $nil). The line of credit is secured by a registered security agreement on accounts receivables. Interest on the line of credit is Sunrise Credit Union prime rate plus 0.25% (6.7%) (2021 - 3.7%).

(b) The Co-operative has a line of credit with Federated Co-operatives Limited up to $12,500,000 between the months of March to August and $6,000,000 from September to February. As of December 31, 2022, no amount has been drawn (2021 - $nil). The line of credit is secured by the property and associated assets of the Co-operative. Interest on the line of credit is 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.

11. Accounts payable and trust liabilities

	2022	2021
FCL payables	$ 19,242,157	$ 11,109,827
Other payables	14,877,325	6,041,178
Trust liabilities:		
Payroll deductions	-	174,443
Workers' compensation	327	6,489
Goods and services tax	46,721	41,636
Provincial sales tax	163,579	155,163
Federal fuel charge	574,355	494,363
	$ 34,904,464	$ 18,023,099

12. Callable and long-term debt

	Total	**2022** Current Portion	**2022** Deferred Portion	2021 Current Portion	2021 Deferred Portion
FCL LOC (1-3)	$ -	$ -	$ -	$ -	$ -
Mortgage (4)	32,756	32,756	-	111,682	33,182
	$ 32,756	$ 32,756	$ -	$ 111,682	$ 33,182

(1) Federated Co-operative Limited line of credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures February 2025. Security is a promissory note and a general security agreement covering all present and after acquired property. The available line of credit decreases as follows:

March 1, 2022 - February 28, 2023	$ 1,500,000
March 1, 2023 - February 29, 2024	1,000,000
March 1, 2024 - February 28, 2025	500,000

(2) Federated Co-operative Limited line of credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures March 2025. Security is a promissory note and a general security agreement covering all present and after acquired property. The available line of credit decreases as follows:

April 1, 2022 - March 31, 2023	$ 2,130,000
April 1, 2023 - March 31, 2024	1,420,000
April 1, 2024 - March 31, 2025	710,000

(3) Federated Co-operative Limited line of credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures February 2030. Security is a promissory note and a general security agreement covering all present and after acquired property. The available line of credit decreases as follows:

February 1, 2022 - February 1, 2023	$ 7,200,000
February 1, 2023 - February 1, 2024	6,300,000
February 1, 2024 - February 1, 2025	5,400,000
February 1, 2025 - February 1, 2026	4,500,000
February 1, 2026 - February 1, 2027	3,600,000
February 1, 2027 - February 1, 2028	2,700,000
February 1, 2028 - February 1, 2029	1,800,000
February 1, 2029 - February 1, 2030	900,000

The loans are subject to certain measurable covenants. As at December 31, 2022, the Co-operative is in compliance with all such covenants.

(4) The mortgage with Sunrise Credit Union is repayable on demand with blended monthly payments of $9,659 including interest at 4.056%. The remaining balance is due in 2023. Security for this loan is the Strathclair agro and downtown site properties with net book value of $418,692. (2021 - $459,284)

13. Share capital

Authorized, unlimited @ $1	**2022**	2021
Balance, beginning of year	$ 40,435,062	$ 37,149,918
Allocation to members	7,366,339	7,890,076
Cash from new members	12,115	12,370
GST on allocation	205,149	141,250
Shares transferred from reserves	8,515	3,931
	48,027,180	45,197,545
General repayment	4,769,584	3,526,894
Shares transferred to reserves	95	956
Withdrawals and retirements	369,436	595,962
Withholding tax	929,846	638,671
	6,068,961	4,762,483
Balance, end of year	$ 41,958,219	$ 40,435,062

14. Reserves and retained savings

	General Reserve	Special Reserve	Retained Savings	2022	2021
Balance, beginning of year	$ 25,567,430	$ 16,232,941	$ 231,239	$ 42,031,610	$ 37,073,201
Net savings distributed to retained savings	-	-	12,637,687	12,637,687	12,851,460
Patronage allocation	-	-	(7,366,339)	(7,366,339)	(7,890,076)
Shares transferred	(8,420)	-	-	(8,420)	(2,975)
Reserve transfers	2,032,742	3,379,392	(5,412,134)	-	-
Balance, end of year	$ 27,591,752	$ 19,612,333	$ 90,453	$ 47,294,538	$ 42,031,610

15. Sales

	2022	2021
Business to Business	$ 168,693,577	$ 126,915,582
Business to Consumer	118,457,997	102,760,527
	$ 287,151,574	$ 229,676,109

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

16. Other income (expense)

Other income (expense) consists of earnings received from Canadian Applicators Insurance Reciprocal.

17. Government assistance

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

	2022	2021
CEWS	$ -	$ 529,042

18. Net interest

	2022	2021
Interest expense on:		
- Short-term debt	$ 35,200	$ 35,529
- Long-term debt	163,503	72,443
Interest revenue	(412,369)	(243,740)
	$ (213,666)	$ (135,768)

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 $606,261 (2021 - $619,615) 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	$ 14,634,162	$ 14,846,589
Expected income tax expense at the combined tax rate of 27.0% (2021 - 27.0%) net of general rate reduction	3,951,224	4,008,579
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	7,890	(86,157)
Patronage allocation to members of $7,366,339 (2021 - $7,890,076)	(1,988,912)	(2,130,321)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	145,874	155,311
Allowance for doubtful accounts	(111,866)	(3,166)
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(6,728)	(19,809)
Prior year tax adjustment	(1,007)	70,692
Income tax expense	$ 1,996,475	$ 1,995,129

21. Subsequent event

Patronage allocation to members

Subsequent to December 31, 2022 the Board of Directors approved a patronage allocation to members in the amount of $7,366,339 (2021 - $7,890,076).

22. Commitment

The Co-operative is committed to acquiring a Husky retail fuel site from Federated Co-operative Ltd. The estimated total cost is $1,046,082 which will be financed from operations and new borrowing.

23. Comparative figures

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

Heritage Co-op 1997 Ltd.
Unaudited Statistical Information
For the Year Ended December 31, 2022

Record of Sales and Net Savings

	Year	Sales	Net Savings	%
From Date of Incorporation, March 29, 1929, to December 31,	2013	$ 1,303,621,556	$ 76,851,832	5.9
	2014	133,765,678	5,953,882	4.5
	2015	151,532,258	4,187,938	2.8
	2016	153,226,387	6,210,560	4.1
	2017	164,997,980	7,716,062	4.7
	2018	182,323,490	10,708,863	5.8
	2019	197,526,709	13,441,158	6.8
	(1) 2020	202,668,501	8,201,873	4.0
	2021	229,676,109	12,851,460	5.5
	2022	287,151,574	12,637,687	4.5
		$ 3,006,490,242	$ 158,761,315	5.3

(1) beginning in 2020 - consolidated financial statistics

Membership

Members purchasing during the year	27,140
Inactive members	5,232
Total members	32,372