

# CORNERSTONE CO-OP

*CORNERSTONE CO-OP IS A MEMBER-OWNED CO-OPERATIVE!*

32,000+  
MEMBERS

**MAKING LIFE  
BETTER IN OUR  
COMMUNITIES!**

## ANNUAL REPORT 2023

**OUR HUMBLE  
BEGINNINGS STARTED  
WITH LOCAL FARMERS  
BUILDING A CO-OP**

MANVILLE CO-OP	1919
ST. PAUL CO-OP	1932
VERMILION & DISTRICT CO-OP	1934
ELK POINT CO-OP	1938
DEWBERRY CO-OP	1941
WAINWRIGHT CO-OP	1944
PROVOST - 1 <sup>ST</sup> LOCATION	2015
TWO HILLS - 1 <sup>ST</sup> LOCATION	2019

**CORNERSTONE  
STARTED**  
JANUARY 29, 2017

**24 LOCATIONS  
ACROSS NORTH  
EASTERN ALBERTA**



TREATY 6 TERRITORY

**SHOPPING AT YOUR LOCAL CO-OP CREATES JOBS  
AND SUPPORTS THE ECONOMY CLOSE TO HOME**

♥ **LOCAL!**



**CORNERSTONE**

# Our Values

## INSTILLS TRUST

Sharing Information.  
Listening Intentionally.  
Accountability for Words and Actions.

## COLLABORATION

Respecting Others. Working  
Together. Partnering Locally.  
Connecting our Neighbours.

## CUSTOMER FOCUSED

Commitment to Detail in Retail.  
Creating a Lifetime of Value.  
Integrating Innovation.  
Curious with Solutions.

# Brand Values

## LOCALLY INVESTED

## COMMUNITY MINDED

## LIFETIME MEMBERSHIP BENEFITS

## CARE FOR THE ENVIRONMENT



## TABLE OF CONTENTS

2024 President's Message Board & Directors	3
Board Committees	4
CEO   Talent & Culture Highlights	5
Operations   Marketing Highlights	6
Financial Highlights	7
Ownership Returns & Allocations 2023	8
Community Giving Efforts	9
Sustainability Highlights	11
2023 Annual Report	12



# 2024 President's Message

Our Board plays a pivotal role in steering the direction and vision of our organization. With collaboration from our Leadership team, we reviewed and future-proofed our corporate strategy and goals this year, landing on three new Values: Instills Trust, Collaboration and Customer-Focus.

We are excited about our new offering of a replacement building for the Home & Agro Centre in Wainwright. However, construction and start-up costs were demanding in terms of financial resources. The Board remains proud to announce an Equity allocation of over \$2M and 11,000 cheques back into the pockets of Member-owners who supported their local Co-op through purchases, even with a large capital project and rising operating and inflationary costs throughout 2023.

A challenge that came late in the year was saying goodbye to our long-time General Manager/ CEO, Graham Getz. We wish Graham the best as he continues his cooperative journey to Medicine Hat as CEO of South Country Co-op. The recruitment of a new Executive leader was an excellent exercise for the Board to put into practice strategic alignment of the insights and priorities our Co-op has for the future.

As Chair of the Board, I extend a sincere appreciation for trusting the Co-op to feed and fuel your family – we are a different kind of business. With a strong governance foundation and a talented Leadership team, we are poised for continued success and sustainable growth.



*Cliff Martin*  
BOARD PRESIDENT

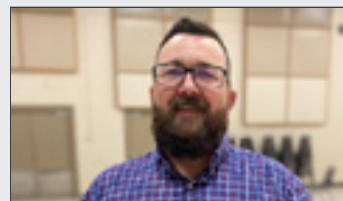
## DIRECTORS



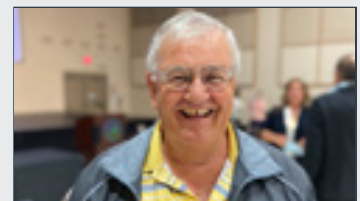
Keith Brower  
DIRECTOR



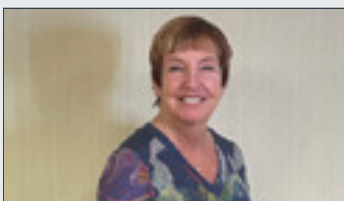
Cole Jackson  
RETIRING DIRECTOR



Justin Anderson  
VICE PRESIDENT



Ron Boisvert  
DIRECTOR



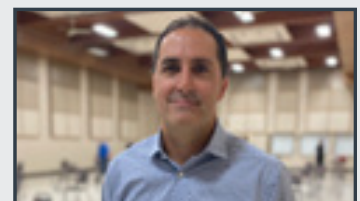
Tracy Edwards  
DIRECTOR



Jordan Thompson  
DIRECTOR



Kathy Zajic  
CORPORATE SECRETARY



Doug Zarowny  
DIRECTOR

# Board Committees

## GOVERNANCE COMMITTEE

Takes a leadership role to build and enhance the board's effectiveness and continuous improvement. Reviews and advises the board on Policy revision recommendations. Reviews bylaws to mitigate risks and protect member's assets.

## GROWTH & BUSINESS DEVELOPMENT COMMITTEE

Review and advise management on long-term retail planning. The Committee also assists in identifying sustainable and financially sound opportunities for the Retail that are aligned with the Retail Goals and the Guiding Statements of the Co-op.

## NOMINATIONS COMMITTEE

Assumes the primary responsibility for matters pertaining to the board's recruitment and nomination function in accordance with established policies and practices approved by the board.

## OWNER & COMMUNITY

### ENGAGEMENT COMMITTEE

Assists the board in strategically planning to increase ownership and owner awareness and engagement in the co-operative and providing guidance to enhance the co-operative's presence, image, and reputation in the community.

### FINANCE COMMITTEE

Ensures that the co-operative remains financially sound by regularly reviewing financial performance against goals. It also reviews and recommends financial policies that support and advance the co-operative's mission, vision and strategic goals.





# Chief Executive Officer

It's my pleasure to summarize the past year as our Co-op's new CEO. The year 2023 was a transformative one for Cornerstone, marked by resilience and adaptation of shifting priorities. Here's a brief overview of the key developments that shaped the previous year:

**1. Change Management:** We undertook two large system changeovers – to modernize our internal financial and human resource program systems. Cornerstone embraced transformation at an accelerated pace, leveraging technology to enhance our administrative operating systems for the future. Though we encountered some anticipated and several unexpected challenges, we navigated through these trials to better position ourselves for 2024 and beyond.

**2. Operational Value:** Even in these challenging economic times, your Co-op is seeking opportunities to improve operational value to our Owners by investing in world-class facility upgrades. We opened our new 16,400 sq ft Home Building & Agro Centre in Wainwright in April. This solidified the Wainwright Cornerstone Common as a true power hub in the community, offering all Co-op community essentials in one convenient location.

**3. Customer Impact:** Cornerstone reaffirmed our commitment to community engagement and social responsibility. One area we are focused on is education of the cooperative model – we are a different kind of business. We are connecting with schools and, in 2024, will be adding a fourth High School scholarship and teaching students how cooperatives like Cornerstone contribute to community development and economic resilience.

**Looking Ahead:** As we look forward to the year ahead, Cornerstone Co-op remains committed to upholding guiding statements and reaching our goal of growing in People and Business to Share Generations.



# Talent & Culture Highlights

The Talent and Culture Team are trusted advisors who support all talent-related responsibilities of the organization, including talent acquisition, onboarding, introduction to the Cornerstone Brand, performance management, total rewards (payroll and benefits), safety, employee engagement, training and development, succession planning; long service and other recognition programs.

**In 2023, Talent and Culture led strategic initiatives to enhance employee engagement, and highlights include:**

- Execution of a new name tag and uniform program for all employees.
- Execution of engagement action planning and pulse survey results with department Team Leaders.
- Continued to grow our Cornerstone Employee experience – through communication via our bi-weekly newsletters, posters, letters, etc., and through organizing events for the teams such as annual Team Appreciation BBQs and events, annual Team Awards Galas, STIP celebrations, highlighting positive results through teamwork.
- Continued in our Diversity and Inclusion journey focusing on continuing to build our awareness through educational and experiential opportunities in our communities.
- Enhanced our total rewards package with an expanded team discount on purchases.
- People Forward Implementation – FCL provided us with this new payroll and human resources information system. While this program will ultimately result in efficiency and improvements, the team faced significant challenges. The team worked hard to respond successfully to all challenges through implementation.
- We achieved another successful external Certificate Of Recognition safety audit, with a final score of 87%.
- Leadership Training virtual sessions were provided to Team Leaders in 2023 to enhance leadership skills and build engagement with the overall team.

**Stats from our team:**

- Number of Departments that have retention lower than 80%: 3
- % of new hires with completed eLearning & onboarding within 30 days: 83%
- % of employees who opt into our team newsletter: 70%
- Number of Lost Time Claims with WCB: 2
- Safety Compliance Scorecard %: 91.81%

**Judy Grimwood**

DIRECTOR OF TALENT & CULTURE

# Operations Highlights

In 2023, Consumers continue to be challenged with inflationary cost increases across all commodity lines. We are dedicated to providing the utmost value in all our products and services, promoting affordable options.

We continue to focus on embracing technology to make us more modern and improve the customer experience. In 2023, we completed the installation of electronic shelf labels in our food stores and the Vermilion Pharmacy, which has provided some very significant savings and reduction of paper and plastic waste from landfills. We are committed to being the best in local, as we are now exceeding 400 food and liquor items that are sourced within 200km of the nearest Cornerstone location. We launched two new Cornerstone programs, "Cornerstone Cuts Costs," which is a month-long price reduction on staple Co-op food products. As well as the addition of old-fashioned/novelty candies, which include nostalgic treats like Astro Pops and retro Kool-Aid flavours.

In the Liquor Division, the industry as a whole has seen a sales decline, while Cornerstone Liquor Division had an increase over the previous year. Non-Alcoholic drinks have become a trend, and we have grown our selection in our liquor locations.

In June, we completed an exterior renovation at our Vermilion Gas Bar with new pumps and an updated canopy. All Gas Bars now accept "Tap & Pay" right at the dispensers and are ready for video capability on the screens in the near future. It will be exciting to play some cool ads at the pumps. In 2024, we have just added Iced Coffee into our lineup at all the gas bars, and we continue to be on the lookout for new, innovative lines that will give people more reason to come into our Convenience stores. Wainwright Carwash is currently going through a renovation. This is a more efficient wash that will cut some operating costs, with the addition of the new Laser Arch light show for an added flair - it will be the coolest wash in town!

Our Wainwright Home Building & Agro Centre, which opened in March, has been growing solid in sales over the past year and continues to experience steady progress. We saw some heavy deflation in lumber, and this impacted our location's profitability. Our inventory valuation was corrected with some heavy adjustments and markdowns as we identified old products and removed those over the year. Employee product knowledge training was a primary focus in both Home Centre locations, and the launch of a new Special Project pricing initiative for our customers looking to do some projects around the house.

## Mike Senger

DIRECTOR OF OPERATIONS

# Marketing & Community Engagement

Our team had an exciting year for 2023, full of legacy initiatives, commodity-specific campaigns, and a record year of events. The Marketing and Community Engagement team communicates to both internal team members and external owners the campaigns and initiatives that occur within our trading area. We also create and develop all marketing materials, measure the Return on Investment on campaigns, coordinate events, communicate news updates and manage local strategic partnerships. It is our team's mission to communicate our Co-op story and inspire others to believe in the brand and our Purpose Statement: Making Life Better in our Communities.

In 2023, Cornerstone Co-op's Marketing Team led the following campaigns and initiatives to increase brand and community engagement and sales:

- Invested over \$210,000 in over 240 different local community groups through donation requests/sponsorships, etc.
- Lead Member Plus Pilot and rolled out to all of Cornerstone successfully
- Completed Haying in the 30's Co-op Building (Grocery/Marketplace side) and educated customers on the Co-op Story
- Launched numerous commodity-specific campaigns that had a positive return on investment for the teams (Beat the Tax, 12 Days of Christmas Liquor, Co-op Ownership Campaign, etc.)
- Completed the Lapsed Members Project that was started in 2022
- Created a new strategy for social media that showcases our teams more to our owners and increases brand presence/sales
- Led and executed all the legacy campaigns and events listed in the Community Giving Efforts section

## Jordyn Prior

ASSOCIATE DIRECTOR OF BRAND



# Financial Highlights

Our 2023 fiscal year saw one of the largest transitions we have experienced in the last 30 years. Our teams navigated away from our old legacy accounting system to a new program that will provide better and more modern functionality for future business needs. This new financial system will make it easier to implement future technological upgrades for regulatory purposes and to add value to the member/owner experience.

We have faced many challenges at the retail level, including suppressed economic conditions in our trading areas and increased costs due to inflation. Food, Liquor, Pharmacy and Petroleum sales were stable compared to the previous year. Our Co-op has continued to invest in our communities through significant capital asset purchases. We continue to employ over 450 + employees across our trading area and contribute significantly to the economy of the communities we serve. Finance highlights include:



**\$186 million**

Total sales in 2023  
(\$192.5 million last year)  
Most of the decrease is  
attributed to fuel price deflation  
compared to the previous year.



**\$3.5 million**

Net savings prior to  
corporate tax in 2023  
(\$5.9 million last year)



**\$2 million**

Patronage allocation  
to our members  
(\$3 million last year)



**\$3.1 million**

Co-op Equity paid in cash  
to our owners in 2023  
(On par with 2022)



**\$8.7 million**

Patronage and loyalty in cash  
from our wholesaler Federated  
Co-operatives in 2023

I would like to sincerely thank our teams for their tremendous effort to achieve our goals in 2023 and look forward to continuously improving results in 2024.

**Brad Belton**

DIRECTOR OF FINANCE







## Ownership Returns & Allocations

Allocation is based on 2023 financial results and 2023 purchases you've made using your Cornerstone Co-op ownership number. Each year, your Co-op's elected board of directors decides to put aside a percentage of purchases to be given to owners in the form of cashback and deposits into owners' equity accounts. The 2023 equity allocation percentages are:



# OVER \$2 MILLION

allocated to Member-Owners for the 2023 fiscal year

## \$1.7 MILLION

of that in cash back going right into the hands of our owners.

## 11,000

cheques are hitting the mailboxes starting

### 2023 Equity Allocation Percentages

**3.0%**  
Oil  
Purchases

**3.0%**  
Pharmacy  
Purchases

**4¢/L**  
Dyed  
Diesel

**3.0%**  
Propane  
Purchases

**2¢/L**  
Clear Fuels  
& Dyed Gas

**3.0%**  
Car Wash  
Purchases

**0.75%**  
Food &  
Convenience

**0.75%**  
Liquor  
Purchases



# Community Giving Efforts

Cornerstone Co-op has been deeply ingrained in the community for numerous years. Embracing values of customer focus, trust, and collaboration. Cornerstone Co-op is wholeheartedly committed to the causes that are most significant to our local Co-op owners.

*Making life better in our Communities*



**\$92,805.65**

raised by impactful Alberta Co-op partnership for local mental Health Programs and Supports. The local Co-ops include Wild Rose Co-op, New Horizon Co-op, Westview Co-op, Central Alberta Co-op and Cornerstone Co-op

**OVER**

**1,300**

**VOLUNTEER HOURS**



**\$20,000**



donated to local  
**Food Banks and Santa's Anonymous**

**OVER**

**\$220,000**



donated to more than

**260 NON-  
PROFITS AND  
CHARITIES**

within our communities of:

**Provost, Wainwright,  
Vermilion, Mannville,  
Dewberry, Elk Point, St. Paul  
and Two Hills**

**\$2,000**



donated to 24 local schools through  
**Booster Juice School Fundraising Program**

# Fuel Good Day



**Funds donated supported** \$2,675 to the St. Paul Fire and Rescue  
**the following organizations:** \$946 to the Wainwright Equine Centre  
\$1,179 to the Vermilion Senior's Centre

**OVER**

**\$33,000**



Donated back to local school  
Breakfast Programs through our  
**Bags for Breakfast Program**

**OVER**

**350 Seniors**



received gifts donated by our owners through our  
**COMMUNITY CARING PROGRAM**

**\$17,000**



raised collectively to the Alberta Mental Health  
Foundation in partnership with South Country Co-op,  
New Horizon, Central Alberta and Westview Co-op

**OVER 30**

BBQs hosted to assist  
community groups in fundraising



**\$20,000**

donated back to 15 local 4-H clubs for  
District Suppers and New Registration fees.

209 4-H kids were sponsored through our  
Co-op Growing Leaders Program in partnership  
with Arrowwood Co-op, Central Alberta Co-op,  
Pembina West Co-op, Pincher Creek Co-op,  
Westview Co-op and New Horizon Co-op.



# Loop Program

Loop is based on a simple idea:  
Food should be put to its highest and best use.

Loop provides simple systems with safe liability structures that enable food wholesalers, retailers, and producers to divert one hundred percent of their unsaleable food away from landfills and towards those in their community who can use it best.

## 74 farms

in total have benefited since the inception of this program

## 56 farms

benefited from 300 Tonnes of diverted organic waste in 2023. Diverted grocery store waste is used as animal feed, bioenergy and compost

## Sustainability Highlights



**89**  
percent

89% of waste has been diverted from landfills

**\$5M** 

Average investment of \$5 Million per year in capital assets since 2018

**470** 

Over 470 team members with wages of \$18 Million invested back into the economy

**\$16,000**

\$16,000 in paper & ink saved annually by switching to Electric Shelf Labels



**48,200**

48,000 lbs of clothes have been collected for Inclusion Alberta for Developmental Disabilities

**199** 

**202** 

### Hyper Local Products:

199 Liquor products and 202 Food products are sourced within 200km of our cornerstone communities



**45%** 

of monthly customer statements are emailed vs. mailed

**1,300** 

community volunteered hours by Cornerstone team members



**\$92,000**

in Government Grants for reducing emissions at the Mannville Food Store by 50% for refrigeration modifications to a new low-pressure/solar system



# ANNUAL REPORT 2023

Cornerstone Co-operative





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**OUR HUMBLE  
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TREATY 6 TERRITORY

**SHOPPING AT YOUR LOCAL CO-OP CREATES JOBS  
AND SUPPORTS THE ECONOMY CLOSE TO HOME**



**CORNERSTONE**





# ANNUAL REPORT 2024

Cornerstone Co-operative

## Management's Responsibility

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To the Members of Cornerstone Co-operative:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises and ensuring all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Co-operative. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the Co-operative's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

June 18, 2024

*signed by "Kory Kralkay"*

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General Manager



To the Members of Cornerstone Co-operative:

## Opinion

We have audited the financial statements of Cornerstone Co-operative (the "Co-operative"), which comprise the balance sheet as at January 31, 2024, 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, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Co-operative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ☐ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ☐

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Alberta

June 18, 2024

*MNP LLP*

Chartered Professional Accountants

Cornerstone Co-operative  
Balance Sheet  
As at January 31, 2024

	2024	2023
Current assets		
Cash	\$ 1,408,889	\$ 1,149,367
Accounts receivable (Note 5)	5,613,865	7,356,855
Income taxes recoverable	997,042	398,368
Inventories	19,988,988	17,943,463
Prepaid expenses	321,635	423,866
Current portion long-term receivable (Note 6)	20,841	187,379
	<u>28,351,260</u>	<u>27,459,298</u>
	46,917	43,188
Long-term receivable (Note 6)		
Investments		
Federated Co-operatives Limited (Note 4(a))	26,035,470	24,840,589
Other organizations	73,551	71,327
	46,420,678	48,101,581
Property, plant and equipment (Note 7)	126,902	126,902
Goodwill		
Total assets	<u>\$ 101,054,778</u>	<u>\$ 100,642,885</u>
Current liabilities		
Accounts payable and trust liabilities (Note 9)	\$ 15,438,261	\$ 11,646,410
Customer prepaid accounts	1,236,347	1,172,036
Current portion of long-term debt (Note 10)	-	4,081,952
	<u>16,674,608</u>	<u>16,900,398</u>
	5,781,969	5,399,491
Long-term debt (Note 10)	137,709	99,835
Asset retirement obligation (Note 4(b))	22,594,286	22,399,724
Total liabilities	<u></u>	<u></u>
Members' equity		
Share capital (Note 11)	37,104,732	38,193,154
Reserves and retained savings (Note 12)	41,355,760	40,050,007
	<u>78,460,492</u>	<u>78,243,161</u>
Total liabilities and members' equity	<u>\$ 101,054,778</u>	<u>\$ 100,642,885</u>
Subsequent event (Note 17)		
Approved on behalf of the Board of Directors		
 <u>signed by "Cliff Martin"</u> Director	 <u>signed by "Justin Anderson"</u> Director	

The accompanying notes are an integral part of these financial statements





**Cornerstone Co-operative**  
**Statement of Net Savings and Statement of Retained Savings**  
**For the Year Ended January 31, 2024**

	2024	%	2023	%
Sales (Note 13)	\$ 1 86,482,277	100.0	\$ 192,552,388	100.0
Cost of goods sold	<u>1 57,099,554</u>	<u>84.</u>	<u>162,509,998</u>	<u>84.</u>
Gross margin	<u>2 9,382,723</u>	<u>2</u>	<u>30,042,390</u>	<u>4</u>
Expenses		15.		15.
Operating and administration	3 4,244,669	<del>8</del> 8.4	31,499,929	<del>6</del> 6.
Impairment loss of property, plant & equipment	-	-	400,052	4
Net interest (Note 14)	<u>3 99,381</u>	<u>0.2</u>	<u>51,885</u>	<u>0.2</u>
	<u>3 4,644,050</u>	<u>18.6</u>	<u>31,951,866</u>	<u>-</u>
				<u>16.6</u>
Loss from operations	(5,261,327)	(2.8)	(1,909,476)	(1.0)
	2,809,939		2,721,826	
FCL loyalty program (Note 4(c)(iii))	5,974,403	1.5	5,095,980	1.4
Patronage refunds	<u>3,523,015</u>	<u>3.2</u>	<u>5,908,330</u>	<u>2.6</u>
	<u>1 39,202</u>	<u>1.9</u>	<u>666,278</u>	<u>3.0</u>
Savings before income taxes				
Income tax expense (Note 16)		0.1		0.3
Net savings	<u>\$ 3,383,813</u>	<u>1.8</u>	<u>\$ 5,242,052</u>	<u>2.7</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	3,383,813		5,242,052	
Transfer to general reserve (Note 12)	(1,305,753)		(2,241,694)	
Patronage allocation to members (Note 11)	<u>\$ (2,078,060)</u>		<u>\$ (3,000,358)</u>	
Retained savings, end of year (Note 12)	<u>-</u>		<u>-</u>	

The accompanying notes are an integral part of these financial statements



Cornerstone Co-operative  
Statement of Cash Flows  
For the Year Ended January 31, 2024

	2024	2023
Operating activities		
Net savings	\$ 3,383,813	\$ 5,242,052
Adjustments for:	3,651,937	3,526,428
Depreciation	37,874	5,904
Accretion		400,052
Impairment of property, plant and equipment	-	
FCL patronage refund	(5,974,404)	(5,095,980)
Gain on the disposal of property, plant and equipment	(3,339)	(102,747)
Changes in non-cash operating working capital:		
Accounts receivable	1,742,990	(1,199,095)
Income taxes recoverable	(598,674)	466,836
Inventories	(2,045,525)	(1,192,637)
Prepaid expenses	102,231	(132,848)
Long-term receivables	162,809	(28,813)
Accounts payable and trust liabilities	3,791,851	1,929,323
Customer prepaid accounts	64,311	794,858
Asset retirement obligation	-	(31,692)
Cash provided by operating activities	<u>4,315,874</u>	<u>4,581,641</u>
Investing activities		
Redemption of FCL shares	4,779,523	4,076,784
Additions to property, plant and equipment	(1,983,647)	(9,224,307)
Proceeds from the disposal of property, plant and equipment	15,952	158,214
Investment in other organization	(2,224)	(1,160)
Cash provided by (used for) investing activities	<u>2,809,604</u>	<u>(4,990,469)</u>
Financing activities		
Change in long term debt	(3,699,474)	3,737,702
Share capital issued	13,870	12,650
GST on allocation	102,903	107,640
Redemption of share capital	(3,283,255)	(3,391,400)
Cash provided by (used for) financing activities	<u>(6,865,956)</u>	<u>466,592</u>
Net increase in cash	259,522	57,764
Cash, beginning of year	<u>1,149,367</u>	<u>1,091,603</u>
Cash, end of year	<u><u>\$ 1,408,889</u></u>	<u><u>\$ 1,149,367</u></u>

The accompanying notes are an integral part of these financial statements



Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

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1. Incorporation and operations

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

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of these financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable, inventory, useful life of property, plant and equipment, impairment of long-lived assets, goodwill, income taxes, asset retirement obligations, accrued liabilities and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

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

(a) Definition of financial year

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

(b) Cash

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

(c) Inventories

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

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

(d) Financial instruments

The Co-operative recognizes its financial instruments when the Co-operative becomes party to the contractual provisions of the financial instrument.



(i) Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction are initially recorded at their fair value. At initial recognition, the Co-operative may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Co-operative has not made such an election during the year.

Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment, or adjustments for patronage refunds or share redemptions. All transactions with Federated Co-operatives Limited (FCL) are disclosed in a separate note (Note 4). All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

(ii) Financial asset impairment

The Co-operative assesses impairment of all its financial assets measured at cost or amortized cost. The Co-operative groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty, whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Co-operative determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The Co-operative reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year net savings.

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 savings in the year the reversal occurs.





Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

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(e) Property, plant and equipment

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

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

Expenditures for maintenance and repairs are charged to operating expenses as incurred. Significant expenditures for improvements are capitalized. Gains or losses realized on the disposal of property, plant and equipment are reflected in operations in the year of disposition.

Claims for assistance under various FCL programs are recorded as a reduction of the cost of related assets in the period in which eligible expenditures are incurred, with any depreciation calculated on the net amount. An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.

(f) Asset retirement obligation

The Co-operative has a liability for an asset retirement obligation in the period in which a legal liability is incurred. The liability is based on management's best estimate. The liability is subsequently adjusted for the passage of time, which is recognized as an accretion expense in the statement of net savings and statement of retained savings. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.

(g) Share capital

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

(h) Revenue recognition

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



(i) Income taxes

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

(j) Goodwill

Goodwill resulting from business combinations represents the portion of the purchase price that was in excess of the fair value of the net identifiable assets acquired. Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying amount of the reporting unit to which goodwill is assigned exceeds the fair value of the reporting unit. If the carrying value of the reporting unit to which goodwill has been assigned exceeds its fair value, then, with respect to the reporting unit's goodwill, any excess of its carrying value over its fair value is expensed. Impairment losses relating to goodwill cannot be reversed in future years.

### 3. Financial instruments and risk management

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

(a) Credit risk

The Co-operative is exposed to credit risk on accounts receivable from its customers. The Co-operative manages credit risk through an active credit management program. The Co-operative does not have a significant exposure to any individual customer (2023 - no significant exposure to any individual customer).

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Co-operative's sensitivity to fluctuations in interest rates is limited to its cash and debt. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

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(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. The Co-operative's ability to meet obligations depends on funds generated by its operations.

4. Transactions with Federated Co-operatives Limited

(a) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2023, the Co-operative purchased goods amounting to \$146,752,313 (2022 - \$146,040,145) 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:

	2024	2023
Opening investment balance	\$ 24,840,589	\$ 23,821,393
Patronage refund	5,974,404	5,095,980
Share redemptions	<u>(4,779,523)</u>	<u>(4,076,784)</u>
Closing investment balance	<u>\$ 26,035,470</u>	<u>\$ 24,840,589</u>

(b) Asset retirement obligation

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to \$25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has nine sites under this program. Management believes that due diligence has been exercised. At year end, the Co-operative has accrued a liability in the amount of \$137,709 (2023 - \$99,835). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$37,874 (2023 - \$5,904).





Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

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(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 February 2014. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during this period amounted to approximately \$2,503,779 (2023 - \$2,503,779). 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 July 2014. 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 and food related/pharmacy/home centre products, from FCL and continue to operate certain food/pharmacy/home centre stores over periods of ten to twenty years depending on the specific contract. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at January 31, 2024 amounted to \$3,438,554 (2023 - \$3,418,585). Management intends to fulfill all commitments with FCL.

5. Accounts receivable

	2024	2023
Customer accounts receivable	\$ 7,052,152	\$ 8,380,418
Other accounts receivable	74,520	208,746
Allowance for doubtful accounts	<u>(1,512,807)</u>	<u>(1,232,309)</u>
	<u>\$ 5,613,865</u>	<u>\$ 7,356,855</u>



Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

6. Long-term receivable

	Total	2024 Current Portion	2024 Deferred Portion	2023 Current Portion	2023 Deferred Portion
Petroleum tanks	<u>\$ 67,758</u>	<u>\$ 20,841</u>	<u>\$ 46,917</u>	<u>\$ 187,379</u>	<u>\$ 43,188</u>

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

7. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2024 Book Value	2023 Book Value
Land	\$ 6,703,820	\$ -	\$ 6,703,820	\$ 6,703,820
Pavement & dykes	7,218,355	3,194,244	4,024,111	3,514,621
Buildings	39,495,837	11,421,364	28,074,473	22,829,569
Tanks & fences	117,401	75,764	41,637	47,288
Furniture & equipment	18,673,428	12,723,665	5,949,763	5,198,286
Vehicles	3,891,746	3,225,244	666,502	912,449
Computer equipment	3,402,782	2,454,220	948,562	756,591
Asset retirement cost	62,502	50,692	11,810	14,163
Under construction	-	-	-	8,124,794
	<u>\$ 79,565,871</u>	<u>\$ 33,145,193</u>	<u>\$ 46,420,678</u>	<u>\$ 48,101,581</u>

Depreciation for the current year included in operating and administration expense was \$3,651,937 (2023 - \$3,526,428).

8. Line of credit

The Co-operative has a \$1,000,000 line of credit with Servus Credit Union of which no amount has been drawn as at January 31, 2024 (2023 - \$nil). The line of credit is secured by a Business Security Agreement and a General Security Agreement. Interest on the line of credit is prime plus 1.0% (8.2%) (2023 - 7.7%).



Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

9. Accounts payable and trust liabilities

	2024	2023
FCL payables	\$ 12,243,407	\$ 8,459,25
Other payables	2,266,263	
Trust liabilities:		5
Payroll deductions	372,935	
Goods and services tax	9,429	2,800,85
Federal fuel charge	546,227	-
	<u>\$ 15,438,261</u>	<u>\$ 11,646,410</u>

10. Long-term debt

	Total	2024 Current Portion	2024 Deferred Portion	2023 Current Portion	2023 Deferred Portion
FCL LOC	<u>\$ 5,781,969</u>	<u>\$ -</u>	<u>\$ 5,781,969</u>	<u>\$ 4,081,952</u>	<u>\$ 5,399,491</u>

Wainwright Home Centre loan bears interest at the prime rate of 7.20% (2023 - 6.70%) and is repayable via an annual reduction in available credit. The loan is subject to certain non-financial covenants and financial covenants. The Co-operative believes it is in compliance with these covenants as at January 31, 2024 and has been in compliance since the loan start dates. Security for the credit is a General Security Agreement. The maximum available credit per year is as follows:

June 1, 2023 - May 31, 2024	\$ 7,354,286
June 1, 2024 - May 31, 2025	6,128,571
June 1, 2025 - May 31, 2026	4,902,857
June 1, 2026 - May 31, 2027	3,677,143
June 1, 2027 - May 31, 2028	2,451,429
June 1, 2028 - May 31, 2029	1,225,714

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

2025	\$ -
2026	1,225,714
2027	1,225,714
2028	1,225,714
2029	1,225,714
Subsequent payments	879,113
	<u>\$ 5,781,969</u>



Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

11. Share capital

	2024	2023
Authorized, unlimited @ \$1		
Balance, beginning of year		
Allocation to members	\$ 38,193,154	\$ 38,463,906
Cash from new members	2,078,060	3,000,358
GST on allocation	13,870	12,650
	<u>102,903</u>	<u>107,640</u>
	<u>40,387,987</u>	<u>41,584,554</u>
General repayment	2,104,931	2,161,558
Withdrawals and retirements	898,635	910,770
Withholding tax	279,689	319,072
	<u>3,283,255</u>	<u>3,391,400</u>
	<u>\$ 37,104,732</u>	<u>\$ 38,193,154</u>
Balance, end of year		

12. Reserves and retained savings

	General Reserve	Retained Savings	2024	2023
Balance, beginning of year	\$ 40,050,007	\$ -	\$ 40,050,007	\$ 37,808,313
Net savings distributed to retained savings	-	3,383,813	3,383,813	5,242,052
Patronage allocation	-	(2,078,060)	(2,078,060)	(3,000,358)
Reserve transfers	<u>1,305,753</u>	<u>(1,305,753)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 41,355,760</u>	<u>\$ -</u>	<u>\$ 41,355,760</u>	<u>\$ 40,050,007</u>





Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

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13. Sales

	2024	2023
Food division	\$ 85,414,332	\$ 81,583,454
Home centre division	16,592,270	14,265,001
Petroleum division	<u>84,475,675</u>	<u>96,703,933</u>
	<u>\$ 186,482,277</u>	<u>\$ 192,552,388</u>

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

14. Net interest

	2024	2023
Interest expense on		
- Short-term debt	\$ 38,581	\$ 617
- Long-term debt	613,663	352,536
Interest revenue	<u>(252,863)</u>	<u>(301,268)</u>
	<u>\$ 399,381</u>	<u>\$ 51,885</u>

15. 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 \$629,204 (2023 - \$598,557) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Cornerstone Co-operative  
Notes to the Financial Statements  
For the Year Ended January 31, 2024

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16. 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:

	2024	2023
Savings before income taxes	\$ 3,523,015	\$ 5,908,330
Expected income tax expense at the combined tax rate of 23.0% (2023 - 23.0%) net of the general rate reduction	810,293	1,358,916
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	12,082	71,278
Patronage allocation to members of \$2,078,060 (2023 - \$3,000,358)	( 477,954)	( 690,082)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	( 205,318)	( 74,098)
Other items that impact income taxes:		
Prior year tax adjustment	99	264
Income tax expense	<u>\$ 139,202</u>	<u>\$ 666,278</u>

17. Subsequent event

Patronage allocation to members

Subsequent to January 31, 2024 the Board of Directors approved a patronage allocation to members in the amount of \$2,078,060 (2023 - \$3,000,358).

18. Operating leases

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

2025	\$ 141,375
2026	91,908
2027	<u>14,144</u>
	<u>\$ 247,427</u>

19. Comparative figures

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



Cornerstone Co-operative  
Unaudited Statistical Information  
For the Year Ended January 31, 2024

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Record of Sales and Net Savings

	Year	Sales	Net Savings	%
From Date of Incorporation, May 6, 1932, to January 31,	201	\$ 1,300,105,291	\$ 70,903,789	5
	5		4,109,911	.5
	201	88,165,368	2,599,374	4
	6	83,745,484	8,777,409	.7
	201	167,037,409	6,255,847	3
	7	178,907,378	3,797,752	.1
	201	169,545,597	5,539,789	5
	8	162,769,464	6,359,051	.3
	201	174,425,829	5,242,052	3
	9	192,552,388	3,383,813	.5
	202	186,482,277	\$ 116,968,787	2
	0	\$ 2,703,736,485		.3
	202			3
	1			.4
	202			3
	2			.6
	202			2
	3			.7
	202			1
	4			.8
				4
				.3



