

**BLUE MOUNTAIN POWER
CO-OP**

FINANCIAL STATEMENTS

DECEMBER 31, 2021

BLUE MOUNTAIN POWER CO-OP**TABLE OF CONTENTS
DECEMBER 31, 2021**

	<u>Page</u>
Independent Auditors' Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 17
Schedule 1 - Statement of Operations - Ancillary	18
Schedule 2 - Statement of Operations - Operating	19
Schedule 3 - Statement of Operations - Energy	20
Schedule 4 - Statement of Operations - Deposit Reserve	21

INDEPENDENT AUDITORS' REPORT

To the Members of:
Blue Mountain Power Co-op

Opinion

We have audited the accompanying financial statements of Blue Mountain Power Co-op ("the Co-op") which comprise the statement of financial position as at December 31, 2021, and the statement of changes in net assets, statements of operations, and cash flows for the year ended December 31, 2021, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Co-op as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 *Auditors' Responsibilities for the Audit of the 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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-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.

Auditors' 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 auditors' 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-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 auditors' 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 auditors' 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 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.

Red Deer County, Alberta
March 29, 2022

Pivotal LLP

Chartered Professional Accountants

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS	Ancillary	Operating	Energy	Deposit Reserve	2021	2020
CURRENT ASSETS						
Cash and cash equivalents	\$ -	\$ 1,237,774	\$ 13,122	\$ -	\$ 1,250,896	\$ 1,215,197
Accounts receivable	37,686	2,115,051	-	-	2,152,737	1,424,272
Inventories	759	-	-	-	759	18,476
Prepaid expenses and deposits	<u>-</u>	<u>133,249</u>	<u>-</u>	<u>-</u>	<u>133,249</u>	<u>61,041</u>
	38,445	3,486,074	13,122	-	3,537,641	2,718,986
RESERVE FUNDS (Note 3)	-	-	-	3,961,198	3,961,198	4,150,058
LONG TERM LOANS RECEIVABLE (Note 5)	-	280,591	-	-	280,591	295,485
CAPITAL ASSETS (Note 6)	-	19,235,500	-	-	19,235,500	17,117,701
INTANGIBLE ASSETS (Note 7)	<u>-</u>	<u>171,760</u>	<u>-</u>	<u>-</u>	<u>171,760</u>	<u>184,993</u>
	<u>\$ 38,445</u>	<u>\$ 23,173,925</u>	<u>\$ 13,122</u>	<u>\$ 3,961,198</u>	<u>\$ 27,186,690</u>	<u>\$ 24,467,223</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 8,118	\$ 602,003	\$ 1,185,530	\$ -	\$ 1,795,651	\$ 1,330,104
Government remittances payable	599	58,910	-	-	59,509	60,390
Due to (from) internal funds	(287,321)	2,992,199	(2,506,849)	(198,029)	-	-
Current portion of long term debt (Note 10)	<u>-</u>	<u>413,839</u>	<u>-</u>	<u>-</u>	<u>413,839</u>	<u>242,326</u>
	(278,604)	4,066,951	(1,321,319)	(198,029)	2,268,999	1,632,820
Long term debt (Note 10)	-	3,378,870	-	-	3,378,870	352,426
CAPITAL CONTRIBUTIONS (Note 11)	<u>-</u>	<u>10,572,374</u>	<u>-</u>	<u>-</u>	<u>10,572,374</u>	<u>10,649,497</u>
	<u>(278,604)</u>	<u>18,018,195</u>	<u>(1,321,319)</u>	<u>(198,029)</u>	<u>16,220,243</u>	<u>12,634,743</u>
NET ASSETS						
UNRESTRICTED NET ASSETS	317,049	5,155,730	1,334,441	-	6,807,220	7,682,422
EXTERNALLY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,159,227</u>	<u>4,159,227</u>	<u>4,150,058</u>
	<u>317,049</u>	<u>5,155,730</u>	<u>1,334,441</u>	<u>4,159,227</u>	<u>10,966,447</u>	<u>11,832,480</u>
	<u>\$ 38,445</u>	<u>\$ 23,173,925</u>	<u>\$ 13,122</u>	<u>\$ 3,961,198</u>	<u>\$ 27,186,690</u>	<u>\$ 24,467,223</u>
CONTRACTUAL OBLIGATIONS (Note 12)						
CONTINGENCIES (Note 13)						
GUARANTEES (Note 15)						

Approved on behalf of the Board:

_____ Chairman

_____ Director

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021

	Ancillary	Operating	Energy	Deposit Reserve	Total 2021	Total 2020
UNRESTRICTED NET ASSETS						
Balance, beginning of year	\$ 245,379	\$ 5,360,922	\$ 2,076,121	\$ -	\$ 7,682,422	\$ 6,583,077
Excess (deficiency) of revenues over expenses	<u>71,670</u>	<u>(205,192)</u>	<u>(741,680)</u>	<u>-</u>	<u>(875,202)</u>	<u>1,099,345</u>
Balance, end of year	<u>317,049</u>	<u>5,155,730</u>	<u>1,334,441</u>	<u>-</u>	<u>6,807,220</u>	<u>7,682,422</u>
EXTERNALLY RESTRICTED NET ASSETS						
Balance, beginning of year	-	-	-	4,150,058	4,150,058	4,234,679
Excess (deficiency) of revenues over expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,169</u>	<u>9,169</u>	<u>(84,621)</u>
Balance, end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,159,227</u>	<u>4,159,227</u>	<u>4,150,058</u>
	<u>\$ 317,049</u>	<u>\$ 5,155,730</u>	<u>\$ 1,334,441</u>	<u>\$ 4,159,227</u>	<u>\$ 10,966,447</u>	<u>\$ 11,832,480</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021

	Ancillary	Operating	Energy	Deposit Reserve	2021	2020
ANCILLARY OPERATIONS - Schedule 1						
Revenues	\$ 423,298	\$ -	\$ -	\$ -	\$ 423,298	\$ 364,895
Expenses	<u>351,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,628</u>	<u>280,523</u>
	<u>71,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,670</u>	<u>84,372</u>
OPERATING OPERATIONS - Schedule 2						
Revenues	-	3,899,190	-	-	3,899,190	3,996,049
Expenses	<u>-</u>	<u>3,745,109</u>	<u>-</u>	<u>-</u>	<u>3,745,109</u>	<u>3,449,791</u>
	<u>-</u>	<u>154,081</u>	<u>-</u>	<u>-</u>	<u>154,081</u>	<u>546,258</u>
ENERGY OPERATIONS - Schedule 3						
Revenues	-	-	7,264,536	-	7,264,536	5,778,438
Cost of sales	<u>-</u>	<u>-</u>	<u>7,078,816</u>	<u>-</u>	<u>7,078,816</u>	<u>4,694,771</u>
Gross margin	<u>-</u>	<u>-</u>	<u>185,720</u>	<u>-</u>	<u>185,720</u>	<u>1,083,667</u>
Expenses	<u>-</u>	<u>-</u>	<u>927,429</u>	<u>-</u>	<u>927,429</u>	<u>918,744</u>
	<u>-</u>	<u>-</u>	<u>(741,709)</u>	<u>-</u>	<u>(741,709)</u>	<u>164,923</u>
DEPOSIT RESERVE OPERATIONS - Schedule 4						
Revenues	-	-	-	1,070,995	1,070,995	933,254
Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,076,023</u>	<u>1,076,023</u>	<u>1,098,678</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,028)</u>	<u>(5,028)</u>	<u>(165,424)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING	71,670	154,081	(741,709)	(5,028)	(520,986)	630,129
INTEREST INCOME	-	68,868	29	14,197	83,094	130,946
GAIN ON DISPOSAL OF CAPITAL ASSETS	-	149,257	-	-	149,257	35,975
GOVERNMENT ASSISTANCE (Note 19)	-	-	-	-	-	25,000
AMORTIZATION OF CAPITAL CONTRIBUTIONS	-	556,474	-	-	556,474	551,720
AMORTIZATION OF CAPITAL ASSETS	-	(1,076,189)	-	-	(1,076,189)	(1,002,264)
AMORTIZATION OF INTANGIBLE ASSETS	-	(57,683)	-	-	(57,683)	(57,686)
GAIN ON DISPOSAL OF INVESTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,904</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 71,670</u>	<u>\$ (205,192)</u>	<u>\$ (741,680)</u>	<u>\$ 9,169</u>	<u>\$ (866,033)</u>	<u>\$ 1,014,724</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

	2021	2020
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess (deficiency) of revenues over expenses	\$ (866,033)	\$ 1,014,724
Add (deduct) non-cash items:		
Amortization of capital assets	1,076,189	1,002,264
Amortization of capital contributions	(556,474)	(551,720)
Amortization of intangible assets	57,683	57,686
Gain on disposal of capital assets	(149,257)	(35,975)
Gain on disposal of investments	-	(700,904)
	<u>(437,892)</u>	<u>786,075</u>
Net changes in non-cash working capital:		
Accounts receivable	(728,466)	(94,119)
Inventories	17,717	152
Prepaid expenses and deposits	(72,208)	(2,525)
Accounts payable and accrued liabilities	678,371	(32,707)
Government remittances payable	(880)	502
Deferred grant revenue	-	(254,102)
Cash from (used for) operating activities	<u>(543,358)</u>	<u>403,276</u>
FINANCING		
Proceeds from long term debt	4,368,924	511,724
Repayment of callable debt	-	(2,592)
Repayment of long term debt	(1,170,967)	(94,400)
Capital contributions received	487,557	213,452
Capital contributions disposed	(27,318)	-
Cash from financing activities	<u>3,658,196</u>	<u>628,184</u>
INVESTMENTS		
Purchase of capital assets	(3,605,430)	(1,906,331)
Proceeds on disposal of capital assets	322,537	46,272
Change in reserve funds	188,860	84,621
Issuance of long term loans receivable	-	(13,707)
Repayment of long term loan receivable	14,894	23,791
Proceeds on disposal of Corridor Communications, Inc. shares	-	759,997
Repayment of loan from Corridor Communications, Inc. ...	-	16,432
Cash used for investment activities	<u>(3,079,139)</u>	<u>(988,925)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	35,699	42,535
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR ...	<u>1,215,197</u>	<u>1,172,662</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,250,896</u>	<u>\$ 1,215,197</u>

NON-CASH TRANSACTIONS (Note 14)

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. BASIS OF PRESENTATION

The Co-op was incorporated under the Rural Utilities Act and Regulations of Alberta. The Co-op is a not-for-profit organization and is exempt from tax under Section 149(1) of the Income Tax Act. The purpose of the Co-op is to purchase electric power to resell to members, and construct and operate the member-owned electric power distribution system. The Co-op has four divisions:

- The Ancillary division provides computer maintenance services to the Rocky Mountain House area and billing services to other Rural Electrification Associations.
- The Operating division accounts for the remaining income and expenses of the Co-op.
- The Energy division accounts for the sale of energy to the members of the Co-op. Members are either on a fixed plan or variable rate plan.
- The Deposit Reserve division is regulated by Rural Utilities with a fixed dollar charge being billed to each customer for the purpose of building up the reserve to cover any future maintenance or construction on the system.

These financial statements were prepared in Canadian dollars and in accordance with Canadian accounting standards for not-for-profit organizations.

The Co-op is incorporated under the name Rocky Rural Electrification Association Ltd. operating as Blue Mountain Power Co-op.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the following significant accounting policies:

Cash and Cash Equivalents

Cash and cash equivalents consists of till floats, cash in bank accounts, and profit sharing common shares.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and costs necessary to make the sale. Any previous inventory write-downs will be reversed if economic circumstances have changed to support an increased inventory value.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are accounted for at cost. Amortization is based on the estimated useful life of each asset, using the following rates and methods:

Automotive	- 30% declining balance
Buildings	- 4% and 10% declining balance
Computer equipment	- 30% declining balance
Distribution system	- 40 years straight line
Fence	- 10% declining balance
Furniture and fixtures	- 20% and 30% declining balance
Parking lot	- 7% declining balance

One half of normal rates are applied in the year of acquisition, excluding additions to the distribution system.

Capital Contributions

Capital contributions represent payments received from customers toward the direct cost of new service construction and are amortized into income at the same rate that the related electrical distribution system is amortized.

Deferred Capital Contributions

Deferred capital contributions consists of monies received for electricity contracts. These amounts are recorded as capital contributions but are not amortized until the point in which the service is complete and is tied into the distribution system.

Intangible Assets

Intangible assets are amortized on the basis of their useful life using the following rates and methods:

Computer software	- 8 years straight line
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Revenue Recognition

Revenue from the sale of electricity is recognized as revenue as the electricity is consumed by the Co-op's members.

Revenue from the sale of goods and services is recognized when services are provided or products are delivered to members, there is clear proof that an arrangement exists, amounts are fixed or can be determined and the ability to collect is reasonably assured.

Interest income is recognized on an accrual basis.

The Co-op earns revenues on a monthly basis through the deposit reserve and association levies. These revenues are recognized in the months to which they pertain.

The Co-op follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, inventory obsolescence, prepaid expenses, overhead costs included in the electricity distribution system, the useful lives of capital assets, and accrued liabilities. Actual results could differ from those estimates.

As disclosed in Note 13, settlement processes in the Alberta electricity market may result in adjustments to previously settled loads in future periods. The adjustments will result in changes to previous estimates of electricity revenues and expenses. Any such adjustments, which could be material, will be recorded in the period they become known.

Financial Instruments

Measurement of financial instruments

The Co-op initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Co-op subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, reserve funds and long term loans receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and long term debt.

The Co-op does not currently hold any financial assets measured at fair value.

3. RESERVE FUNDS

Deposit Reserve

The Deposit Reserve Fund is being held in deposit accounts with interest rates ranging from 0.02% to 0.20%. It includes funds accumulated from the members of the Co-op and is not available for use by the Co-op, other than for capital replacement or maintenance of the distribution system as required by the Rural Utilities Act.

Investments have been made in accordance with the Utilities Regulations - Section II. As at December 31, 2021 the deposit reserve is underfunded by \$198,029.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. INVESTMENT IN CORRIDOR COMMUNICATIONS, INC.

The Co-op had an investment in Corridor Communications, Inc. ("Corridor"). Corridor was incorporated in 2008 to operate and maintain a wireless network for the provision of high speed internet access that would benefit Co-op members as a precursor to the development of a larger and more comprehensive network throughout the Province of Alberta. During the prior year, all investments and interests in Corridor were sold and the amount received in full, other than \$165,193 that was held in escrow and will be released April 1, 2022. This amount is recorded in accounts receivable.

5. LONG TERM LOANS RECEIVABLE

Long term loans receivable are comprised of monies loaned to new members for the building of new services. There are two initiatives known as the Capital Assistance Program and the Cooperative Assistance Program. New members will not be required to pay a deposit upon signing a contractual agreement; the full amount is to be covered by the Co-op on behalf of the members. The loan agreements are for a maximum of 15 years with interest at 4.50% for the Capital Assistance Program and for a maximum of 40 years with interest ranging from 5.00% to 6.95% for the Cooperative Assistance Program. The current portion is accounted for as part of accounts receivable.

	2021	2020
Capital Assistance Program	\$ 36,012	\$ 40,064
Cooperative Assistance Program	<u>251,265</u>	<u>261,878</u>
	287,277	301,942
Less current portion	<u>(6,686)</u>	<u>(6,457)</u>
	<u>\$ 280,591</u>	<u>\$ 295,485</u>

6. CAPITAL ASSETS

	2021		2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 478,582	\$ -	\$ 478,582	\$ 478,582
Automotive	2,653,640	1,768,877	884,763	994,540
Buildings	2,376,096	301,421	2,074,675	1,425,156
Computer equipment	57,699	53,354	4,345	6,208
Distribution system	27,524,612	12,184,591	15,340,021	13,904,246
Fence	19,045	8,253	10,792	11,991
Furniture and fixtures	734,166	384,786	349,380	197,040
Parking lot	<u>135,072</u>	<u>42,130</u>	<u>92,942</u>	<u>99,938</u>
	<u>\$ 33,978,912</u>	<u>\$ 14,743,412</u>	<u>\$ 19,235,500</u>	<u>\$ 17,117,701</u>

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

7. INTANGIBLE ASSETS

	<u>2021</u>		<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer software	\$ <u>500,421</u>	\$ <u>328,661</u>	\$ <u>184,993</u>

8. RELATED PARTY TRANSACTIONS

During the year, the directors of the Co-op were entitled to receive a fee for Board and Committee meetings. They are also entitled to reimbursement for out of pocket expenses such as attendance at conventions and other meetings on behalf of the Co-op. Electricity is sold to directors at the same price and under the same terms as other members of the Co-op. The transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Co-op sold \$111,417 of electricity to the directors in 2021 (2020 - \$37,245). Amounts owing from the directors are included in accounts receivable and there are no amounts owing to directors as at year end.

	<u>2021</u>	<u>2020</u>
Directors' fees	\$ <u>39,441</u>	\$ 38,442
Mileage	<u>4,609</u>	4,335
Other benefits	<u>33,062</u>	<u>27,680</u>
	\$ <u>77,112</u>	\$ <u>70,457</u>

9. CREDIT FACILITY

The Co-op has an authorized bank line of credit in the amount \$145,000 with Rocky Credit Union that bears interest at the prime rate. The effective interest rate at year end was 2.45% (2020 - 2.45%).

The Co-op has an authorized bank line of credit in the amount \$200,000 with The Bank of Montreal (BMO) that bears interest at the prime rate. The effective interest rate at year end was 2.45% (2020 - 2.45%).

The Co-op has guaranteed an irrevocable letter of credit in favour of Fortis in the amount of \$21,000. The letter of credit is due on demand and bears interest at prime plus 0.50%. The effective interest rate at year end was 2.95% (2020 - 2.95%). As at December 31, 2021, the Co-op had no amounts outstanding under the credit facility (2020 - \$nil).

The Co-op has a credit facility with BMO that gives it the ability to borrow amounts upwards of \$6,375,000 that bears interest at prime plus 0.50%. The effective interest rate at year end was 2.95% (2020 - 2.95%). As at December 31, 2021, the Co-op had drawn \$3,339,445 on these amounts (2020 - \$nil).

The credit facility agreement with BMO is secured by a general security agreement, providing BMO with a security interest over all present and after-acquired personal/movable property of the Co-op, including an all collateral mortgage in the amount of \$1,575,000 registered over the building in which the Co-op currently resides.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

10. LONG TERM DEBT

	2021	2020
Capital rebuild loans repayable in quarterly payments of \$291, with maturities up to August 31, 2022. The loans bear no interest.	\$ 267	\$ 1,696
Term loan repayable in monthly instalments of \$3,143 plus interest at 3.40%. The loan matures August 2024. The loan is secured by the Co-op's 2020 Freightliner M2-106 Trim Truck, with a net book value of \$110,157.	100,571	138,285
Term loan repayable in monthly instalments of \$3,557 plus interest at 3.10%. The loan matures March 2025. The loan is secured by the Co-op's 2020 Freightliner M2-106 Trim Truck, with a net book value of \$172,761.	139,520	182,449
Term loan repayable in monthly instalments of \$4,951 plus interest at 2.75%. The loan matures July 2025. The loan is secured by the Co-op's 2020 Freightliner M2-106 Digger Truck, with a net book value of \$237,396.	212,906	272,322
BMO Equipment loan repayable in monthly payments of \$3,707 including interest at 3.62%. The loan matures October 2026. The loan is secured as described in Note 9.	271,818	-
BMO Association Credits loan repayable in monthly payments of \$32,238 including interest of 3.62%. The loan matures October 2026. The loan is secured as described in Note 9.	1,595,787	-
BMO Building Renovation loan repayable in monthly payments of \$8,363 including interest at 2.99%. The loan matures August 2026. The loan is secured as described in Note 9.	<u>1,471,840</u>	<u>-</u>
	3,792,709	594,752
Current portion of long term debt	<u>(413,839)</u>	<u>(242,326)</u>
	\$ 3,378,870	\$ 352,426

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

10. LONG TERM DEBT (Continued)

Scheduled principal repayments on the callable debt and long term debt are as follows:

2022	\$ 413,839
2023	419,946
2024	413,982
2025	338,738
2026	300,450
Thereafter	<u>1,905,754</u>
	<u>\$ 3,792,709</u>

Under the provision of the loan agreement with BMO, the Co-op is required to maintain a debt service coverage ratio of no less than 1.25:1. As at December 31, 2021, the Co-op was in breach of the covenant. The bank has provided a waiver for the covenant breach.

11. CAPITAL CONTRIBUTIONS

<u>2021</u>			<u>2020</u>
<u>Total</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
<u>Contribution</u>	<u>Amortization</u>	<u>Contribution</u>	<u>Contribution</u>
<u>\$ 22,568,196</u>	<u>\$ 11,995,822</u>	<u>\$ 10,572,374</u>	<u>\$ 10,649,497</u>

During the year, the Co-op received net contributions from members and non-members of \$487,557 (2020 - \$213,452) and recorded net amortization of capital contributions of \$556,474 (2020 - \$551,720). Included in the total contributions is \$146,452 (2020 - \$39,266) of services that were not complete at year end and have not yet been amortized.

12. CONTRACTUAL OBLIGATIONS

As at December 31, 2021, the Co-op has three Contract for Differences agreements with an unrelated party. These agreements terminates between February 2022 and June 2026. The agreements gives effect to electric price swaps and fixed purchase prices whereby hourly amounts of electric energy and contract prices are determined. The difference between the pool price for each pricing hour and the contract price is paid by one party to the other. If the pool price is greater than the contract price, then the other party will pay the Co-op and if the contract price is greater than the pool price, then the Co-op will pay the other party. The agreement effectively fixed the Co-op's cost of purchasing electricity to a predetermined amount.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

13. CONTINGENCIES

The Co-op submits actual consumption reads for each of their sites monthly to the load settlement agent, who in turn, invoices for energy, line loss, and unaccounted for energy through a load settlement report. There has been a great deal of inconsistent invoicing from load settlement to all stakeholders in the province. The amounts up until August 31, 2021, have been settled, with four months of unreconciled amounts of load settlements to complete. As a result of the inconsistent invoicing from load settlement, the province also has the ability to charge all stakeholders in the province for any shortfall in overall usage. As at December 31, 2021, the Co-op cannot estimate the amount of any of these potential adjustments.

The Co-op considers any income earned to be non-taxable under the Income Tax Act. There is a degree of uncertainty regarding this position. No determination has been made as to the effect on these financial statements, if any, in the event the taxation authorities challenge this position.

14. NON-CASH TRANSACTIONS

During the year, capital assets were acquired at an aggregate cost of \$3,348,155 (2020 - \$2,218,831), of which \$55,225 (2020 - \$312,500) was included in accounts payable at year end. Cash of \$3,605,430 (2020 - \$1,906,331) was paid to purchase the capital assets.

During the year, intangible assets were acquired at an aggregate cost of \$44,450 (2020 - \$nil), of which \$44,450 (2020 - \$nil) was included in accounts payable at year end. Cash of \$nil (2020 - \$nil) was paid to purchase the intangible assets.

During the prior year, Corridor shares were disposed of at an aggregate amount of \$925,190 of which \$165,193 was included in accounts receivable at year end. Cash of \$759,997 was received during the 2020 year.

15. GUARANTEES

The Co-op has entered into indemnification agreements with the directors to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceedings in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents management from making a reasonable estimate of the maximum potential amounts the Co-op could be required to pay counterparties. The Co-op has purchased directors' and officers' liability insurance.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

16. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Co-op is exposed to various risks through its financial instruments. The following analysis provides a measure of the Co-op's risk exposure and concentrations at December 31, 2021:

Liquidity Risk

Liquidity risk is the risk that the Co-op will encounter difficulty in meeting obligations associated with financial liabilities. The Co-op is exposed to this risk mainly in respect of its long term debt and accounts payable.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Co-op's main credit risks relate to its accounts receivable and long term loans receivable. The Co-op provides credit to its members in the normal course of its operations.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to interest rate risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Co-op is exposed to interest rate risk on its floating interest rate financial instruments.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Co-op is exposed to other price risk through its stable rates charged to members and hedging contracts.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

17. ALLOCATION OF EXPENSES

The Co-op's policy is to allocate overhead amongst its four divisions. A percentage of the Operating division administrative costs is allocated to the other divisions based on each division's percentage of overall revenues. As a result both revenues and expenses have been overstated by \$584,280 (2020 - \$621,468) with a net impact on the financial statements of \$nil.

Included in the Ancillary division revenue is \$141,845 (2020 - \$148,723) for IT services, which was charged to the Operating division. As a result the Ancillary division revenue is overstated and the Operating division expenses are overstated, with a net impact of \$nil on the financial statements.

Included in the Operating division revenue is \$163,105 (2020 - \$244,119) for truck allocations, which was charged to the Deposit Reserve division. As a result the Operating division revenue is overstated and the Deposit Reserve division expenses are overstated, with a net impact of \$nil on the financial statements.

18. COVID-19 PANDEMIC

On March 11, 2020, the coronavirus outbreak (COVID-19) was declared as a pandemic by the World Health Organization. A provincial state of emergency was declared with respect to COVID-19 by the Government of Alberta per the Province of Alberta's Public Health Act on March 17, 2020. As a result, social distancing measures were implemented and economic activity slowed to providing only essential services.

New information, which cannot be predicted, may develop concerning the severity of COVID-19 and there is high uncertainty of the effect this could have on the Co-op's results. The overall impact to which COVID-19 may have on the Co-op's operations is unknown at this time.

19. GOVERNMENT ASSISTANCE

During the prior year, the Co-op received \$25,000 in funding from the Temporary Wage Subsidy for Employers due to COVID-19.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year method of presentation.

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS - ANCILLARY
YEAR ENDED DECEMBER 31, 2021

	2021	2020
REVENUE		
Billing and administrative services	\$ 161,080	\$ 163,499
Computer services (Note 17)	<u>262,218</u>	<u>201,396</u>
	<u>423,298</u>	<u>364,895</u>
EXPENSES		
Billing services	31,305	22,619
Insurance	12,805	8,628
Internal overhead allocation (Note 17).....	26,808	27,324
Office	2,475	2,839
Professional fees	2,560	2,340
Salaries and wages	194,722	174,210
Supplies	<u>80,953</u>	<u>42,563</u>
	<u>351,628</u>	<u>280,523</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 71,670</u>	<u>\$ 84,372</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS - OPERATING
YEAR ENDED DECEMBER 31, 2021

	2021	2020
REVENUE		
Association levies	\$ 178,429	\$ 176,108
Brushing revenues	554,712	478,424
Contract and feasibility studies	-	391,831
Internal overhead allocation recovery (Note 17)	584,280	621,468
Operating and maintenance revenue	2,405,317	2,204,078
Operating costs recovery	<u>176,452</u>	<u>124,140</u>
	<u>3,899,190</u>	<u>3,996,049</u>
EXPENSES		
Advertising	16,980	24,853
Bad debt	23,904	3,341
Billing costs	176,408	167,509
Contract and feasibility studies	-	310,167
Custom work	1,815	6,347
Directors' fees (Note 8).....	39,441	38,442
Insurance	76,942	68,749
Interest and bank charges	40,886	38,079
Interest on long term debt	49,404	10,015
Licenses, fees and dues	182,290	168,325
Line repairs and maintenance	181,562	74,264
Office	154,813	98,777
Professional fees	131,256	74,043
Property taxes	32,935	18,479
Rent	8,570	28,555
Repairs and maintenance	18,200	6,519
Salaries and wages	2,326,898	2,085,148
Sponsorships and donations	2,000	8,219
Subcontracts	160,903	114,335
Telephone and utilities	80,397	78,488
Travel and meetings	16,430	23,493
Vehicle operating	<u>23,075</u>	<u>3,644</u>
	<u>3,745,109</u>	<u>3,449,791</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 154,081</u>	<u>\$ 546,258</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS - ENERGY
YEAR ENDED DECEMBER 31, 2021

	2021	2020
REVENUE		
Competitive rate energy	\$ 1,489,813	\$ 888,400
Regulated rate energy	<u>5,774,723</u>	<u>4,890,038</u>
	<u>7,264,536</u>	<u>5,778,438</u>
COST OF GOODS SOLD		
Competitive rate energy	1,545,594	619,923
Regulated rate energy	<u>5,533,222</u>	<u>4,074,848</u>
	<u>7,078,816</u>	<u>4,694,771</u>
GROSS MARGIN	<u>185,720</u>	<u>1,083,667</u>
EXPENSES		
Billing costs	132,439	28,007
Internal overhead allocation (Note 17).....	465,996	508,680
Licenses, fees and dues	31,301	22,417
Office	19,634	29,717
Professional fees	30,728	74,126
Salaries and wages	<u>247,331</u>	<u>255,797</u>
	<u>927,429</u>	<u>918,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (741,709)</u>	<u>\$ 164,923</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS - DEPOSIT RESERVE
YEAR ENDED DECEMBER 31, 2021

	2021	2020
REVENUE		
Deposit reserve levy	\$ <u>1,070,995</u>	\$ <u>933,254</u>
EXPENSES		
Interest and bank charges	68	109
Internal overhead allocation (Note 17).....	91,476	85,464
Professional fees	2,304	2,106
System rebuild materials	325,231	220,131
System rebuild wages	493,839	546,749
Vehicle operating (Note 17)	<u>163,105</u>	<u>244,119</u>
	<u>1,076,023</u>	<u>1,098,678</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ <u>(5,028)</u>	\$ <u>(165,424)</u>