

BLUE MOUNTAIN POWER CO-OP
FINANCIAL STATEMENTS
DECEMBER 31, 2022

BLUE MOUNTAIN POWER CO-OP**TABLE OF CONTENTS
DECEMBER 31, 2022**

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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, 2022, and the statement of changes in net assets, statements of operations, and cash flows for the year ended December 31, 2022, 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, 2022, 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.

Emphasis of Matter

We draw attention to Note 18 to the financial statements, which describes that the financial statements that we originally reported on March 27, 2023 have been amended and describes the matter that gave rise to the amendment of the financial statements. Our opinion is not modified in respect of this matter. Our procedures with respect to events subsequent to March 27, 2023, are restricted solely to that amendment to the financial statements.

Red Deer County, Alberta
March 27, 2023
Except as to Note 18, which is as of April 24, 2023

Pivotal LLP

Chartered Professional Accountants

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	Ancillary	Operating	Energy	Deposit Reserve	2022	2021
CURRENT ASSETS						
Cash and cash equivalents	\$ -	\$ 1,053,188	\$ -	\$ -	\$ 1,053,188	\$ 1,250,896
Accounts receivable	33,404	2,937,124	-	-	2,970,528	2,152,737
Inventories	-	-	-	-	-	759
Prepaid expenses and deposits	-	135,877	-	-	135,877	133,249
	<u>33,404</u>	<u>4,126,189</u>	<u>-</u>	<u>-</u>	<u>4,159,593</u>	<u>3,537,641</u>
RESERVE FUNDS (Note 3)	-	-	-	2,535,774	2,535,774	3,961,198
LONG TERM LOANS RECEIVABLE (Note 4)	-	247,925	-	-	247,925	280,591
CAPITAL ASSETS (Note 5)	-	20,975,994	-	-	20,975,994	19,235,500
INTANGIBLE ASSETS (Note 6)	-	124,450	-	-	124,450	171,760
	<u>\$ 33,404</u>	<u>\$ 25,474,558</u>	<u>\$ -</u>	<u>\$ 2,535,774</u>	<u>\$ 28,043,736</u>	<u>\$ 27,186,690</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 3,282	\$ 649,789	\$ 2,346,382	\$ -	\$ 2,999,453	\$ 1,795,651
Government remittances payable	599	13,357	-	-	13,956	59,509
Due to (from) internal funds	(297,123)	5,506,466	(3,618,172)	(1,591,171)	-	-
Current portion of long term debt (Note 9)	-	3,691,456	-	-	3,691,456	413,839
	<u>(293,242)</u>	<u>9,861,068</u>	<u>(1,271,790)</u>	<u>(1,591,171)</u>	<u>6,704,865</u>	<u>2,268,999</u>
Long term debt (Note 9)	-	-	-	-	-	3,378,870
CAPITAL CONTRIBUTIONS (Note 10)	-	10,602,332	-	-	10,602,332	10,572,374
	<u>(293,242)</u>	<u>20,463,400</u>	<u>(1,271,790)</u>	<u>(1,591,171)</u>	<u>17,307,197</u>	<u>16,220,243</u>
NET ASSETS						
UNRESTRICTED NET ASSETS	326,646	5,011,158	1,271,790	-	6,609,594	6,807,220
EXTERNALLY RESTRICTED NET ASSETS	-	-	-	4,126,945	4,126,945	4,159,227
	<u>326,646</u>	<u>5,011,158</u>	<u>1,271,790</u>	<u>4,126,945</u>	<u>10,736,539</u>	<u>10,966,447</u>
	<u>\$ 33,404</u>	<u>\$ 25,474,558</u>	<u>\$ -</u>	<u>\$ 2,535,774</u>	<u>\$ 28,043,736</u>	<u>\$ 27,186,690</u>
CONTRACTUAL OBLIGATIONS (Note 11)						
CONTINGENCIES (Note 12)						
GUARANTEES						

Approved on behalf of the Board:

_____ Chairman

_____ Director

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Ancillary	Operating	Energy	Deposit Reserve	Total 2022	Total 2021
UNRESTRICTED NET ASSETS						
Balance, beginning of year	\$ 317,049	\$ 5,155,730	\$ 1,334,441	\$ -	\$ 6,807,220	\$ 7,682,422
Excess (deficiency) of revenues over expenses	<u>9,597</u>	<u>(144,572)</u>	<u>(62,651)</u>	<u>-</u>	<u>(197,626)</u>	<u>(875,202)</u>
Balance, end of year	<u>326,646</u>	<u>5,011,158</u>	<u>1,271,790</u>	<u>-</u>	<u>6,609,594</u>	<u>6,807,220</u>
EXTERNALLY RESTRICTED NET ASSETS						
Balance, beginning of year	-	-	-	4,159,227	4,159,227	4,150,058
Excess (deficiency) of revenues over expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,282)</u>	<u>(32,282)</u>	<u>9,169</u>
Balance, end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,126,945</u>	<u>4,126,945</u>	<u>4,159,227</u>
	<u>\$ 326,646</u>	<u>\$ 5,011,158</u>	<u>\$ 1,271,790</u>	<u>\$ 4,126,945</u>	<u>\$ 10,736,539</u>	<u>\$ 10,966,447</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

	Ancillary	Operating	Energy	Deposit Reserve	2022	2021
ANCILLARY OPERATIONS - Schedule 1						
Revenue	\$ 315,366	\$ -	\$ -	\$ -	\$ 315,366	\$ 423,298
Expenses	<u>305,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,771</u>	<u>351,628</u>
	<u>9,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,595</u>	<u>71,670</u>
OPERATING OPERATIONS - Schedule 2						
Revenue	-	4,157,919	-	-	4,157,919	3,899,190
Expenses	<u>-</u>	<u>3,839,560</u>	<u>-</u>	<u>-</u>	<u>3,839,560</u>	<u>3,745,109</u>
	<u>-</u>	<u>318,359</u>	<u>-</u>	<u>-</u>	<u>318,359</u>	<u>154,081</u>
ENERGY OPERATIONS - Schedule 3						
Revenue	-	-	8,258,874	-	8,258,874	7,264,536
Cost of sales	<u>-</u>	<u>-</u>	<u>7,270,655</u>	<u>-</u>	<u>7,270,655</u>	<u>7,078,816</u>
Gross margin	<u>-</u>	<u>-</u>	<u>988,219</u>	<u>-</u>	<u>988,219</u>	<u>185,720</u>
Expenses	<u>-</u>	<u>-</u>	<u>1,050,873</u>	<u>-</u>	<u>1,050,873</u>	<u>927,429</u>
	<u>-</u>	<u>-</u>	<u>(62,654)</u>	<u>-</u>	<u>(62,654)</u>	<u>(741,709)</u>
DEPOSIT RESERVE OPERATIONS - Schedule 4						
Revenue	-	-	-	1,154,941	1,154,941	1,070,995
Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,232,118</u>	<u>1,232,118</u>	<u>1,076,023</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,177)</u>	<u>(77,177)</u>	<u>(5,028)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING	9,595	318,359	(62,654)	(77,177)	188,123	(520,986)
INTEREST INCOME	2	73,482	3	44,895	118,382	83,094
GAIN ON DISPOSAL OF CAPITAL ASSETS	-	124,778	-	-	124,778	149,257
AMORTIZATION OF CAPITAL CONTRIBUTIONS	-	563,681	-	-	563,681	556,474
AMORTIZATION OF CAPITAL ASSETS	-	(1,162,011)	-	-	(1,162,011)	(1,076,189)
AMORTIZATION OF INTANGIBLE ASSETS	-	(57,288)	-	-	(57,288)	(57,683)
LOSS ON DISPOSAL OF INVESTMENTS	<u>-</u>	<u>(5,573)</u>	<u>-</u>	<u>-</u>	<u>(5,573)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 9,597</u>	<u>\$ (144,572)</u>	<u>\$ (62,651)</u>	<u>\$ (32,282)</u>	<u>\$ (229,908)</u>	<u>\$ (866,033)</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022	2021
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Deficiency of revenues over expenses	\$ (229,908)	\$ (866,033)
Add (deduct) non-cash items:		
Amortization of capital assets	1,162,011	1,076,189
Amortization of capital contributions	(563,681)	(556,474)
Amortization of intangible assets	57,288	57,683
Gain on disposal of capital assets	(124,778)	(149,257)
Loss on disposal of investments	5,573	-
	<u>306,505</u>	<u>(437,892)</u>
Net changes in non-cash working capital:		
Accounts receivable	(823,363)	(728,466)
Inventories	759	17,717
Prepaid expenses and deposits	(2,628)	(72,208)
Accounts payable and accrued liabilities	1,303,474	678,371
Government remittances payable	(45,553)	(880)
Cash from (used for) operating activities	<u>739,194</u>	<u>(543,358)</u>
FINANCING		
Proceeds from long term debt	338,731	4,368,924
Repayment of long term debt	(439,984)	(1,170,967)
Capital contributions received	602,134	487,557
Capital contributions refunded	(8,495)	(27,318)
Cash from financing activities	<u>492,386</u>	<u>3,658,196</u>
INVESTMENTS		
Purchase of capital assets	(2,993,123)	(3,605,430)
Purchase of intangible assets	(54,450)	-
Proceeds on disposal of capital assets	160,195	322,537
Change in reserve funds	1,425,424	188,860
Repayment of long term loan receivable	32,666	14,894
Cash used for investment activities	<u>(1,429,288)</u>	<u>(3,079,139)</u>
INCREASE (DECREASE) IN CASH AND CASH		
EQUIVALENTS	(197,708)	35,699
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR ...	<u>1,250,896</u>	<u>1,215,197</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,053,188</u>	<u>\$ 1,250,896</u>

NON-CASH TRANSACTIONS (Note 13)

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022

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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Hedge Accounting

The Co-op has entered into contract for differences agreements to purchase energy up until June 2026 at a fixed price. The Co-op has designated that hedge accounting will be applied to these contracts.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 12, 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.

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. RESERVE FUNDS

Investments have been made in accordance with the Utilities Regulations - Section II. As at December 31, 2022 the deposit reserve is underfunded by \$1,591,170.

4. 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.

	2022	2021
Capital Assistance Program	\$ 32,140	\$ 36,012
Cooperative Assistance Program	<u>222,017</u>	<u>251,265</u>
	254,157	287,277
Less current portion	<u>(6,232)</u>	<u>(6,686)</u>
	<u>\$ 247,925</u>	<u>\$ 280,591</u>

5. CAPITAL ASSETS

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 478,582	\$ -	\$ 478,582	\$ 478,582
Automotive	2,962,233	1,869,974	1,092,259	884,763
Buildings	2,387,343	386,539	2,000,804	2,074,675
Computer equipment	23,587	17,575	6,012	4,345
Distribution system	29,847,089	12,834,154	17,012,935	15,340,021
Fence	26,594	9,063	17,531	10,792
Furniture and fixtures	695,705	414,270	281,435	349,380
Parking lot	<u>135,072</u>	<u>48,636</u>	<u>86,436</u>	<u>92,942</u>
	<u>\$ 36,556,205</u>	<u>\$ 15,580,211</u>	<u>\$ 20,975,994</u>	<u>\$ 19,235,500</u>

Included in the distribution system is inventory of \$2,589,769 (2021 - \$1,729,206) which is not in use or amortized during the year.

6. INTANGIBLE ASSETS

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	<u>\$ 508,404</u>	<u>\$ 383,954</u>	<u>\$ 124,450</u>	<u>\$ 171,760</u>

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

7. 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 \$67,346 of electricity to the directors in 2022 (2021 - \$111,417). Amounts owing from the directors are included in accounts receivable and there are no amounts owing to directors as at year end.

	2022	2021
Directors' fees	\$ 58,595	\$ 39,441
Mileage	11,017	4,609
Other benefits	<u>32,568</u>	<u>33,062</u>
	<u>\$ 102,180</u>	<u>\$ 77,112</u>

8. 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 6.45% (2021 - 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 6.45% (2021 - 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 6.95% (2021 - 2.95%). As at December 31, 2022, the Co-op had no amounts outstanding under the credit facility (2021 - \$nil).

The Co-op has guaranteed an irrevocable letter of credit in favour of Alberta Electric System Operator (AESO) in the amount of \$540,000 (2021 - \$360,000). The letter of credit is due on demand and bears interest at prime rate. The effective interest rate at year end was 6.45% (2021 - 2.45%). As at December 31, 2022, the Co-op had no amounts outstanding under the credit facility (2021 - \$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 between 2.99% and 3.62%. As at December 31, 2022, the Co-op had drawn \$3,065,879 on these amounts (2021 - \$3,339,445).

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, 2022

9. LONG TERM DEBT

	2022	2021
Loan repaid during the year.	\$ -	\$ 267
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 T5 Trim Truck, with a net book value of \$77,110.	62,857	100,571
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 \$120,900.	96,591	139,520
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 D11-20 Digger Truck, with a net book value of \$166,166.	153,490	212,906
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 8.	236,582	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 8.	1,457,809	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 8.	1,371,488	1,471,840
BMO Equipment loan repayable in monthly payments of \$2,693 including interest at 6.26%. The loan matures August 2027. The loan is secured by the Co-op's 2022 Freightliner T6 Trim Truck, with a net book value of \$263,805.	182,438	-
BMO Truck loan repayable in monthly payments of \$3,869 including interest at 5.96%. The loan matures June 2027. The loan is secured by the Co-op's automotive assets unit S38, S39, and S40, with a net book value totaling \$187,165.	130,201	-
	3,691,456	3,792,709
Current portion of long term debt	(3,691,456)	(413,839)
	\$ -	\$ 3,378,870

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. LONG TERM DEBT (Continued)

Although the loans are of a demand nature, management does not believe that the demand feature will be exercised. Accordingly, the scheduled principal repayments on the callable debt are as follows:

2023	\$ 481,355
2024	479,232
2025	408,068
2026	374,116
2027	350,798
Thereafter	<u>1,597,887</u>
	<u>\$ 3,691,456</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, 2022, the Co-op was in breach of the covenant. The bank has not provided a waiver for the covenant breach, however no action from the bank is expected to be taken as a result.

10. CAPITAL CONTRIBUTIONS

<u>2022</u>			<u>2021</u>
Total	Accumulated	Net	Net
<u>Contribution</u>	<u>Amortization</u>	<u>Contribution</u>	<u>Contribution</u>
<u>\$ 23,161,835</u>	<u>\$ 12,559,503</u>	<u>\$ 10,602,332</u>	<u>\$ 10,572,374</u>

During the year, the Co-op received net contributions from members and non-members of \$593,639 (2021 - \$460,239) and recorded net amortization of capital contributions of \$563,681 (2021 - \$556,474). Included in the total contributions is \$172,052 (2021 - \$146,452) of services that were not complete at year end and have not yet been amortized.

11. CONTRACTUAL OBLIGATIONS

As at December 31, 2022, the Co-op has four Contract for Differences agreements with unrelated parties. These agreements terminate between March 2023 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, 2022

12. 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, 2022, 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, 2022, 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.

13. NON-CASH TRANSACTIONS

During the year, capital assets were acquired at an aggregate cost of \$2,937,898 (2021 - \$3,348,155), of which \$nil (2021 - \$55,225) was included in accounts payable at year end. Cash of \$2,993,123 (2021 - \$3,605,430) was paid to purchase the capital assets.

During the year, intangible assets were acquired at an aggregate cost of \$10,000 (2021 - \$44,450), of which \$nil (2021 - \$44,450) was included in accounts payable at year end. Cash of \$54,450 (2021 - \$nil) was paid to purchase the intangible assets.

14. HEDGE ACCOUNTING

Energy prices have historically shown significant fluctuations and in order to mitigate the risk of fluctuating energy prices, the Co-op has entered into additional energy contracts with unrelated parties with the following energy purchase commitments:

2023	38.698 MWh at \$58.75 - \$243.58
2024	35.040 MWh at \$58.75 - \$68.15
2025	35.040 MWh at \$58.75 - \$68.15
2026	17.376 MWh at \$58.75 - \$68.15

BLUE MOUNTAIN POWER CO-OP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

15. 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, 2022:

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 fixed and 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, 2022

16. 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 \$739,428 (2021 - \$584,280) with a net impact on the financial statements of \$nil.

Included in the Ancillary division revenue is \$119,622 (2021 - \$141,845) 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 \$174,464 (2021 - \$163,105) 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.

17. COMPARATIVE FIGURES

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

18. AMENDED FINANCIAL STATEMENTS

Subsequent to the audit report date, it was determined that no waiver will be issued for the breach of the debt covenants. As the debt is listed as current, there is no impact to the financial statements.

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS - ANCILLARY
YEAR ENDED DECEMBER 31, 2022

	2022	2021
REVENUE		
Billing and administrative services	\$ 182,354	\$ 161,080
Computer services (Note 16)	<u>133,012</u>	<u>262,218</u>
	<u>315,366</u>	<u>423,298</u>
EXPENSES		
Billing services	24,685	31,305
Insurance	8,215	12,805
Internal overhead allocation (Note 16).....	31,116	26,808
Office	1,639	2,475
Professional fees	340	2,560
Salaries and wages	210,180	194,722
Supplies	<u>29,596</u>	<u>80,953</u>
	<u>305,771</u>	<u>351,628</u>
EXCESS OF REVENUES OVER EXPENSES	\$ <u>9,595</u>	\$ <u>71,670</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS - OPERATING
YEAR ENDED DECEMBER 31, 2022

	2022	2021
REVENUE		
Brushing revenues	\$ 626,323	\$ 554,712
Internal overhead allocation recovery (Note 16)	739,428	584,280
Operating and maintenance revenue	2,609,261	2,583,746
Operating costs recovery	<u>182,907</u>	<u>176,452</u>
	<u>4,157,919</u>	<u>3,899,190</u>
EXPENSES		
Advertising	20,399	16,980
Bad debt	1,360	23,904
Billing costs	114,650	176,408
Custom work	6,855	1,815
Directors' fees (Note 7).....	58,595	39,441
Insurance	81,829	76,942
Interest and bank charges	40,632	40,886
Interest on long term debt	126,161	49,404
Licenses, fees and dues	169,458	182,290
Line repairs and maintenance	168,159	181,562
Office	116,559	154,813
Professional fees	80,560	131,256
Property taxes	27,836	32,935
Rent	-	8,570
Repairs and maintenance	7,272	18,200
Salaries and wages	2,408,141	2,326,898
Sponsorships and donations	9,133	2,000
Subcontracts	143,276	160,903
Telephone and utilities	90,615	80,397
Travel and meetings	53,480	16,430
Vehicle operating	<u>114,590</u>	<u>23,075</u>
	<u>3,839,560</u>	<u>3,745,109</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 318,359</u>	<u>\$ 154,081</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS - ENERGY
YEAR ENDED DECEMBER 31, 2022

	2022	2021
REVENUE		
Competitive rate energy	\$ 2,729,859	\$ 1,489,813
Regulated rate energy	<u>5,529,015</u>	<u>5,774,723</u>
	<u>8,258,874</u>	<u>7,264,536</u>
COST OF GOODS SOLD		
Competitive rate energy	2,612,322	1,545,594
Regulated rate energy	<u>4,658,333</u>	<u>5,533,222</u>
	<u>7,270,655</u>	<u>7,078,816</u>
GROSS MARGIN	<u>988,219</u>	<u>185,720</u>
EXPENSES		
Billing costs	154,885	132,439
Internal overhead allocation (Note 16).....	607,692	465,996
Licenses, fees and dues	27,405	31,301
Office	12,821	19,634
Professional fees	22,239	30,728
Salaries and wages	<u>225,831</u>	<u>247,331</u>
	<u>1,050,873</u>	<u>927,429</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ (62,654)</u>	<u>\$ (741,709)</u>

BLUE MOUNTAIN POWER CO-OP
STATEMENT OF OPERATIONS - DEPOSIT RESERVE
YEAR ENDED DECEMBER 31, 2022

	2022	2021
REVENUE		
Deposit reserve levy	\$ 1,154,941	\$ 1,070,995
EXPENSES		
Interest and bank charges	51	68
Internal overhead allocation (Note 16).....	100,620	91,476
Professional fees	1,097	2,304
System rebuild materials	358,612	325,231
System rebuild wages	597,274	493,839
Vehicle operating (Note 16)	174,464	163,105
	<u>1,232,118</u>	<u>1,076,023</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ <u>(77,177)</u>	\$ <u>(5,028)</u>