ANNUAL REPORT

2021

Prairie Co-operative Limited

Management's Responsibility

To the Members of Prairie Co-operative Limited:

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 that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the 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.

March 17, 2022

Signed by Chris Paradis
2022-03-17 19:15:22:22 CST

General Manager

Independent Auditor's Report

To the Members of Prairie Co-operative Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prairie Co-operative Limited (the "Co-operative"), which comprise the balance sheet as at November 30, 2021, 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 November 30, 2021, 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.

Report on Other Legal and Regulatory Requirements

As required under paragraph 11 of the Co-operatives Regulations, 1998, we report that, in our opinion, Canadian accounting standards for private enterprises have been applied on a basis consistent with that in the preceding year.

Regina, Saskatchewan

MNP LLP

March 17, 2022

Chartered Professional Accountants

Prairie Co-operative Limited
Balance Sheet
As at November 30, 2021

		2021	2020
Current assets			
Cash and cash equivalents		$ 144,452	$ 734,385
Accounts receivable	- Customer (Note 5)	3,318,970	2,098,674
	- Other	265,285	40,519
Income taxes recoverable		697,925	-
Inventories (Note 6)		16,784,034	12,652,757
Prepaid agriculture suppliers		1,162,184	211,491
Prepaid expenses		10,768	20,151
Current portion long-term receivable (Note 7)		92,399	77,981
Assets held for sale (Note 8)		224,329	-
		22,700,346	15,835,958
Long-term receivable (Note 7)		68,637	110,057
Investments			
Federated Co-operatives Limited (Note 4(a))		15,485,434	13,649,181
Other organizations		27,490	27,429
Property, plant and equipment (Note 9)		29,054,090	23,847,543
Total assets		**$ 67,335,997**	**$ 53,470,168**
Current liabilities			
Line of credit (Note 10)		$ 217,021	$ -
Accounts payable and trust liabilities (Note 11)		7,647,640	4,624,514
Income taxes payable		-	32,158
Customer prepaid accounts		478,681	286,549
		8,343,342	4,943,221
Long-term debt (Note 12)		11,193,110	4,588,014
Asset retirement obligation (Note 4(b))		109,227	106,377
Total liabilities		19,645,679	9,637,612
Members' equity			
Share capital (Note 13)		16,729,318	15,467,647
Reserves and retained savings (Note 14)		30,961,000	28,364,909
		47,690,318	43,832,556
Total liabilities and members' equity		**$ 67,335,997**	**$ 53,470,168**

Subsequent event (Note 21)
Commitment (Note 22)

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Prairie Co-operative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended November 30, 2021

	2021	%	2020	%
Sales (Note 15)	$ 106,475,215	100.0	$ 94,911,643	100.0
Cost of goods sold	89,337,038	83.9	78,996,196	83.2
Gross margin	17,138,177	16.1	15,915,447	16.8
Expenses				
Operating and administration	16,617,846	15.6	15,567,086	16.4
Net interest (Note 17)	34,466	-	(97,574)	(0.1)
	16,652,312	15.6	15,469,512	16.3
Savings from operations	485,865	0.5	445,935	0.5
FCL loyalty program (Note 4(c)(v))	1,334,780	1.3	1,424,262	1.5
Patronage refunds (Note 4(a))	3,538,041	3.3	1,561,443	1.6
Savings before income taxes	5,358,686	5.1	3,431,640	3.6
Income tax expense (Note 19)	234,241	0.2	562,175	0.6
Net savings	**$ 5,124,445**	4.9	**$ 2,869,465**	3.0

	2021	2020
Retained savings, beginning of year	**$ -**	**$ -**
Net savings	5,124,445	2,869,465
Transfer to statutory reserve (Note 14)	(326,630)	(171,583)
Transfer to general reserve (Note 14)	(2,169,202)	(1,131,083)
Patronage allocation to members (Note 13)	(2,628,613)	(1,566,799)
Retained savings, end of year (Note 14)	**$ -**	**$ -**

The accompanying notes are an integral part of these financial statements

Prairie Co-operative Limited
Statement of Cash Flows
For the Year Ended November 30, 2021

	2021	2020
Operating activities		
Net savings	$ 5,124,445	$ 2,869,465
Adjustments for:		
Depreciation	2,027,260	1,457,138
Accretion	2,850	2,751
FCL patronage refund	(3,538,041)	(1,561,443)
Loss (gain) on the disposal of property, plant and equipment	(67,298)	275,179
Changes in non-cash operating working capital:		
Accounts receivable	(1,445,062)	634,310
Income taxes	(730,083)	322,607
Inventories	(4,131,277)	1,200,881
Prepaid agriculture suppliers	(950,693)	(182,403)
Prepaid expenses	9,383	3,174
Long-term receivables	27,002	(99,567)
Accounts payable and trust liabilities	3,023,126	(2,840,896)
Customer prepaid accounts	192,132	(53,885)
Cash provided by (used for) operating activities	(456,256)	2,027,311
Investing activities		
Redemption of FCL shares	1,701,788	3,192,334
Additions to property, plant and equipment	(7,476,858)	(6,475,682)
Proceeds from the disposal of property, plant and equipment	86,020	53,365
Investment in other organization	(61)	(95)
Cash used for investing activities	(5,689,111)	(3,230,078)
Financing activities		
Increase in long-term debt	6,605,096	1,955,109
Share capital issued	6,050	5,610
GST on allocation	33,789	50,062
Redemption of share capital	(1,306,522)	(1,485,085)
Cash provided by financing activities	5,338,413	525,696
Net decrease in cash and cash equivalents	(806,954)	(677,071)
Cash and cash equivalents, beginning of year	734,385	1,411,456
Cash and cash (borrowings) equivalents, end of year	**$ (72,569)**	**$ 734,385**
Cash and cash equivalents (borrowings) are comprised of:		
Cash and cash equivalents	$ 144,452	$ 734,385
Line of Credit	(217,021)	-
	$ (72,569)	**$ 734,385**

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Prairie Co-operative Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on July 6, 1936. The primary business of the Co-operative is operating retail agricultural, food, home centres and petroleum outlets in Melville and area, Saskatchewan.

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, asset retirement obligations, income taxes, 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 November 30.

(b) Cash and cash equivalents

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

(c) Inventories

Inventories are valued using a weighted average formula, first-in first-out method, and the retail method. Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the most appropriate method for that particular inventory class.

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

(d) Investments

The Co-operative's investments are accounted for using the cost method. Accordingly, the investments are recorded at acquisition cost, less any provisions for permanent impairment or adjustments for patronage refunds or share redemptions. All transactions with FCL are disclosed in a separate note (Note 4).

(e) Financial instruments

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at amortized cost, unless management has elected to carry the instruments at fair value. The Co-operative has not elected to carry any such financial instruments at fair value. Financial instruments, which are subsequently measured at amortized cost, are adjusted by transaction and financing costs incurred on acquisition.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Co-operative determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Co-operative could realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Property, plant and equipment

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

Buildings	Straight-line & declining balance	10 to 25 years or 10% to 20%
Pavement	Declining balance	4% to 8%
Furniture & equipment	Straight-line & declining balance	12 to 20 years or 20%
Computer equipment	Straight-line & declining balance	5 years or 30% to 100%
Leasehold improvements	Straight-line	10 years
Vehicles & equipment	Straight-line & declining balance	5 years or 15% to 45%
Asset retirement cost	Straight-line	25 to 35 years

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

Claims for assistance under various FCL programs are recorded as a reduction of the cost of related assets in the period in which eligible expenditures are incurred, with any depreciation calculated on the net amount.

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.

(g) Asset retirement obligation

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

(h) 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.

(i) Revenue recognition

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

(j) Income taxes

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

(k) Assets held for sale

Long-lived assets are classified as an asset held for sale at the point in time when the asset is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period.

Assets to be disposed of are presented separately on the balance sheet and reported at the lower of carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

(l) Government assistance

The Co-operative recognizes government assistance when there is a reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Co-operative recognizes government assistance related to the Canada Emergency Wages Subsidy (“CEWS”) as a reduction to the expense which the assistance program is meant to fund.

3. Financial instruments and risk management

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

(a) Credit risk

The Co-operative is exposed to credit risk on accounts receivable from its customers. The Co-operative manages credit risk through an active credit management program. The Co-operative does not have a significant exposure to any individual customer.

(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.

(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.

(d) Commodity price risk

The Co-operative enters into transactions to purchase crop production products, for which market prices fluctuate. The nature of the Co-operative’s activities exposes it to risk of changes in commodity prices related to crop inputs that may occur between the time products are received from the supplier and actual date of sale to customers. To mitigate a portion of this risk, the Co-operative enters into contracts with the supplier to purchase the product at specified prices.

4. Transactions with Federated Co-operatives Limited (FCL)

(a) 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, 2021, the Co-operative purchased goods amounting to $86,314,032 (2020 - $72,815,833) 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:

	2021	2020
Opening investment balance	$ 13,649,181	$ 15,280,072
Patronage refund	3,538,041	1,561,443
Share redemptions	(1,701,788)	(3,192,334)
Closing investment balance	$ 15,485,434	$ 13,649,181

(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 six 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 $109,227 (2020 - $106,377). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was $2,850 (2020 - $2,751).

The Co-operative has two fertilizer sites that are covered under the contaminated site management program established by FCL. Management cannot make a reasonable estimate of the future asset retirement obligation due to the uncertainty of the environmental impact from its fertilizer division.

(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 November 2015. 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 $1,772,004 (2020 - $1,787,154). Management intends to fulfill all existing contracts with FCL.

(ii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from the FCL corporate bulk plant over a ten year period commencing from March 2013. Failure to meet this commitment would require the Co-operative to pay a portion of the capital costs of the bulk plant to FCL determined by a formula based upon usage. Management intends to fulfill all existing contracts with FCL.

(iii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase all crop supply products, at market price, from FCL over a ten year period commencing on November 6, 2013. Failure to meet this commitment would require the Co-operative to pay an amount equal to the reasonable estimate of the aggregate net wholesale profits attributable to the sale of crop supply products by FCL to the Co-operative's farm supply business from the date of the breach to the end of the exclusive term. Management intends to fulfill all commitments with FCL.

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase fertilizer products, at market price, from FCL over a five year period commencing from April 2019. Failure to meet this commitment would require the Co-operative to pay a termination charge to FCL determined by a formula based on purchases and years remaining in the contract. Management intends to fulfill all existing contracts with FCL.

(v) 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.

(vi) Under the terms of the agreement with FCL, the Co-operative has committed to purchase agricultural products, from FCL and continue to operate certain agricultural centres and Cardlocks for a 30 year period commencing from March 2018. 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 November 30, 2021 amounted to $1,634,811 (2020 - $1,634,811). Management intends to fulfill all commitments with FCL.

(vii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase food and food-related, pharmacy, and home centre products, from FCL and continue to operate certain food, pharmacy, and home centre stores over a 30 year period commencing from April 2021. Failure to meet this commitment would require the Co-operative to repay the assistance received and accrued on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval amounted to as at November 30, 2021 amounted to $3,458,457 (2020 - $1,855,388). Management intends to fulfill all commitments with FCL.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of $190,000 (2020 - $190,000).

6. Inventories

	2021	2020
Raw material	$ 2,039,104	$ 832,946
Goods for resale	14,744,930	11,819,811
	$ 16,784,034	$ 12,652,757

The cost of inventories recognized as an expense during the year was $89,182,238 (2020 - $78,841,396).

7. Long-term receivable

	Total	**2021** Current Portion	**2021** Deferred Portion	2020 Current Portion	2020 Deferred Portion
Petroleum tanks	$ 161,036	$ 92,399	$ 68,637	$ 77,981	$ 110,057

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

8. Assets held for sale

During 2021, the Co-operative adopted a plan to dispose of the old grocery store location in Melville. As at November 30, 2021 the criteria for classifying the assets as held for sale were met and the building ceased being amortized and the land and building have been classified as assets held for sale. The net book value of the land and buildings as at November 30, 2021 is $224,329. Subsequent to yearend, the Co-operative entered into a binding agreement to sell the land and building of the grocery store with a transaction closing and possession date of March 31, 2022.

9. Property, plant and equipment

	Original Cost	Accumulated Depreciation	**2021** Book Value	2020 Book Value
Land	$ 3,274,145	$ -	$ 3,274,145	$ 2,447,044
Buildings	20,832,513	4,118,802	16,713,711	8,083,579
Pavement	4,412,904	1,577,618	2,835,286	2,200,302
Furniture & equipment	8,925,461	4,541,321	4,384,140	2,372,844
Computer equipment	1,343,201	1,054,414	288,787	114,452
Leasehold improvements	74,721	74,721	-	-
Vehicles & equipment	5,476,291	4,000,717	1,475,574	1,081,316
Asset retirement cost	82,590	52,862	29,728	33,247
Assets under construction	52,719	-	52,719	7,514,759
	$ 44,474,545	$ 15,420,455	$ 29,054,090	$ 23,847,543

Depreciation for the current year included in operating and administration expense was $2,027,260 (2020 - $1,457,138).

10. Line of credit

The Co-operative has a $1,797,354 line of credit of which $217,012 has been drawn as at November 30, 2021 (2020 - $nil). The line of credit is secured by a general security agreement on all co-operative assets and a specific agreement on accounts receivable, inventory and equipment. Interest on the line of credit is at prime plus 0.25% (2.7%) (2020 - 2.7%).

11. Accounts payable and trust liabilities

	2021	2020
FCL payables	$ 6,092,388	$ 1,810,624
Other payables	1,239,876	2,567,566
Trust liabilities:		
Payroll deductions	88,135	81,649
Goods and services tax	33,744	-
Provincial sales tax	75,091	72,655
Federal fuel charge	116,125	89,464
Liquor tax	2,281	2,556
	$ 7,647,640	$ 4,624,514

12. Long-term debt

	Total	**2021** Current Portion	**2021** Deferred Portion	2020 Current Portion	2020 Deferred Portion
FCL LOC[1]	$ 11,193,110	$ -	$ 11,193,110	$ -	$ 4,588,014

[1(i)] The line of credit, bearing interest at prime rate (2.45%) (2020 - 2.45%), repayable via an annual reduction in available credit, mature on December 2027. The line of credit was obtained to assist in funding of the agro/hardware centre in Cupar, SK. The line of credit is subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and have been in compliance since the loan start dates. Security for the credits consist general security agreement. The available line of credits decrease as follows:

January 1, 2021 - December 31, 2021	$ 4,690,000
January 1, 2022 - December 31, 2022	4,020,000
January 1, 2023 - December 31, 2023	3,350,000
January 1, 2024 - December 31, 2024	2,680,000
January 1, 2025 - December 31, 2025	2,010,000
January 1, 2026 - December 31, 2026	1,340,000
January 1, 2027 - December 31, 2027	670,000

[1(ii)] The line of credit, bearing interest at prime rate (2.45%), repayable via an annual reduction in available credit, mature on March 2031 The line of credit was obtained to was obtained to assist in funding of the new food store and home centre in Melville, SK. The line of credit is subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and have been in compliance since the loan start dates. Security for the credits consist general security agreement. The available line of credits decrease as follows:

March 2, 2021 - March 31, 2022	$ 14,000,000
March 2, 2022 - March 31, 2023	12,600,000
March 2, 2023 - March 31, 2024	11,200,000
March 2, 2024 - March 31, 2025	9,800,000
March 2, 2025 - March 31, 2026	8,400,000
March 2, 2026 - March 31, 2027	7,000,000
March 2, 2027 - March 31, 2028	5,600,000
March 2, 2028 - March 31, 2029	4,200,000
March 2, 2029 - March 31, 2030	2,800,000
March 2, 2030 - March 31, 2031	1,400,000

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

2022	$ -
2023	-
2024	-
2025	783,110
2026	2,070,000
Subsequent payments	8,340,000
	$ 11,193,110

13. Share capital

Authorized, unlimited @ $1	**2021**	2020
Balance, beginning of year	$ 15,467,647	$ 15,379,263
Allocation to members	2,628,613	1,566,799
Cash from new members	6,050	5,610
GST on allocation	33,789	50,062
Shares transferred from reserves	1,966	5,190
	18,138,065	17,006,924
General repayment	628,716	733,037
Shares transferred to reserves	102,225	54,192
Withdrawals and retirements	538,780	577,657
Withholding tax	139,026	174,391
	1,408,747	1,539,277
Balance, end of year	$ 16,729,318	$ 15,467,647

14. Reserves and retained savings

	Statutory Reserve	**General Reserve**	**Retained Savings**	**2021**	2020
Balance, beginning of year	$ 4,539,819	$ 23,825,090	$ -	$ 28,364,909	$ 27,013,241
Net savings distributed to retained savings	-	-	5,124,445	5,124,445	2,869,465
Patronage allocation	-	-	(2,628,613)	(2,628,613)	(1,566,799)
Shares transferred	100,259	-	-	100,259	49,002
Reserve transfers	326,630	2,169,202	(2,495,832)	-	-
Balance, end of year	$ 4,966,708	$ 25,994,292	$ -	$ 30,961,000	$ 28,364,909

15. Sales

	2021	2020
Food division	$ 28,106,712	$ 27,616,133
Non-food division	78,368,503	67,295,510
	$ 106,475,215	$ 94,911,643

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

16. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada has announced the CEWS program in April 2020. CEWS provide wage subsidies on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, which for CEWS includes demonstration of revenue declines as a result of COVID-19.

The Co-operative has determined that it has qualified for the CEWS. The Co-operative has applied for and has received $405,020 which has been reflected as a reduction to operating and administration expenses.

17. Net interest

	2021	2020
Interest expense on		
- Short-term debt	$ 7,638	$ 1,781
- Long-term debt	137,632	21,750
Interest revenue	(110,804)	(121,105)
	$ 34,466	$ (97,574)

18. 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 $383,319 (2020 - $385,725) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

19. 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:

	2021	2020
Savings before income taxes	$ 5,358,686	$ 3,431,640
Expected income tax expense at the combined tax rate of 27.0% (2020 - 27.0%) net of the general rate reduction	1,446,845	926,543
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(52,917)	80,550
Patronage allocation to members of $2,628,613 (2020 - $1,566,799)	(709,726)	(423,036)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(469,595)	(23,147)
Allowance for doubtful accounts	7,218	-
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(23,396)	(1,547)
Prior year tax adjustment	35,812	2,812
Income tax expense	$ 234,241	$ 562,175

20. Economic conditions

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Co-operative's operations were impacted by COVID-19 due to increased customer demand in some circumstances as well as supply chain disruptions. The impact of COVID-19 has been partially offset by available government programs for which the Co-operative was eligible. The future impact the COVID-19 outbreak may have on the Co-operative is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

21. Subsequent event

Patronage allocation to members

Subsequent to November 30, 2021 the Board of Directors approved a patronage allocation to members in the amount of $2,628,613 (2020 - $1,566,799).

22. Commitments

The Co-operative is committed to the completion of a chemical shed in Ituna, SK. The estimated total cost of the project is $484,540 of which $7,950 has been set up as construction in progress. This project will be financed from operations.

23. Comparative figures

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

Prairie Co-operative Limited
Audited Statistical Information
For the Year Ended November 30, 2021

Record of Sales and Net Savings

	Year	Sales	Net Savings	%
From Date of Incorporation, July 6, 1936 to November 30,	2012	$ 605,150,961	$ 33,145,839	5.5
	2013	54,050,051	4,212,464	7.8
	2014	54,321,868	5,400,464	9.9
	2015	79,792,414	7,321,102	9.2
	2016	85,548,494	4,120,847	4.8
	2017	88,332,031	3,085,295	3.4
	2018	92,470,744	3,763,885	3.9
	2019	91,995,112	3,178,225	3.4
	2020	94,911,643	2,869,465	3.0
	2021	106,475,215	5,124,445	4.9
		$ 1,353,048,533	$ 72,222,031	5.3

Membership

Members purchasing during the year	10,496
Inactive members	1,931
Total members	12,427