

# **PRAIRIE CO-OPERATIVE ASSOCIATION LIMITED**

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ANNUAL GENERAL MEETING

May 26, 2021 | 7:00pm





**Prairie Co-operative Limited**  
**Annual General Meeting Minutes / Informational Meeting Minutes**  
**August 27, 2020 at Melville Community Works - Melville, SK**

7:00 p.m. called the meeting to order.

2020.08.16

Moved By: Thad Trefiak

Seconded By: Al Lutz Motion to appoint Lyle Lutz as chairman and Wanda McLeod as secretary. Carried

2020.08.17

Moved By: Patty Welch

Seconded By: Val Crandlemire Motion to approve the agenda as presented. Carried

2020.08.18

Moved By: Terry Kormos

Seconded By: Tracey Olson Motion to approve the minutes as read from meeting held on March 27, 2019.  
Carried

Lyle Lutz presented the Board and Delegate Information

Tracey Olson presented the Auditors & Operations Statement

Chris Paradis presented General Manager Information

Bob Moulding gave the Nominating Committee Information, all acclaimed: Brent Gervais, Kevin Kattler,  
Thad Trefiak

2020.08.19

Moved By: Janna Lutz

Seconded By: Harley Hahn Motion to adopt information as read. Carried

Director Oath of Office was given by Curtis Nickel, Commissioner of Oaths

Questions & Discussions: None

Director Service Award goes to Martin Catto for 9 years on the Board and has retired.

2020.08.20

Moved By: Curtis Nickel

Seconded By: Brent Gervais Motion to appoint FCL Auditors as the Internal Auditor and MNP  
as External Auditor. Carried

Door Prizes handed out

2020.08.21

Moved By: Al Lutz Motion to adjourn the meeting at 7:35 p.m.



**ANNUAL  
REPORT  
2020**

**Prairie Co-operative  
Limited**

## Management's Responsibility

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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. 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 15, 2021

  
E-SIGNED by Chris Paradis

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General Manager

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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, 2020, 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, 2020, 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.

## Independent Auditor's Report (Continued)

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- 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

March 15, 2021

*MNP LLP*

Chartered Professional Accountants


**Prairie Co-operative Limited**  
**Balance Sheet**  
**As at November 30, 2020**

	<b>2020</b>	<b>2019</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 734,385	\$ 1,411,456
Accounts receivable	2,098,674	2,653,021
- Customer (Note 5)		
- Other	40,519	120,482
Income taxes recoverable	-	290,449
Inventories (Note 6)	12,652,757	13,853,638
Prepaid agricultural suppliers	211,491	29,088
Prepaid expenses	20,151	23,325
Current portion long-term receivable (Note 7)	77,981	38,123
	15,835,958	18,419,582
 <b>Long-term receivable</b> (Note 7)	 110,057	 50,348
 <b>Investments</b>		
Federated Co-operatives Limited (Note 4(a))	13,649,181	15,280,072
Other organizations	27,429	27,334
 <b>Property, plant and equipment</b> (Note 8)	 23,847,543	 19,157,543
<b>Total assets</b>	<b>\$ 53,470,168</b>	<b>\$ 52,934,879</b>
 <b>Current liabilities</b>		
Accounts payable and trust liabilities (Note 10)	\$ 4,624,514	\$ 7,465,410
Income taxes payable	32,158	-
Customer prepaid accounts	286,549	340,434
	4,943,221	7,805,844
 <b>Long-term debt</b> (Note 11)	 4,588,014	 2,632,905
<b>Asset retirement obligation</b> (Note 4(b))	106,377	103,626
<b>Total liabilities</b>	9,637,612	10,542,375
 <b>Members' equity</b>		
Share capital (Note 12)	15,467,647	15,379,263
Reserves and retained savings (Note 13)	28,364,909	27,013,241
	43,832,556	42,392,504
<b>Total liabilities and members' equity</b>	<b>\$ 53,470,168</b>	<b>\$ 52,934,879</b>
 Subsequent event (Note 19)		
Commitment (Note 20)		
Contingency (Note 21)		

Approved on behalf of the Board of Directors

 SIGNED by Patty Welch

Director

 SIGNED by Brent Gervais

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, 2020**

	2020	%	2019	%
<b>Sales</b> (Note 14)	\$ 94,911,643	100.0	\$ 91,995,112	100.0
<b>Cost of goods sold</b>	<u>78,996,196</u>	<u>83.2</u>	<u>78,344,760</u>	<u>85.2</u>
<b>Gross margin</b>	<u>15,915,447</u>	<u>16.8</u>	<u>13,650,352</u>	<u>14.8</u>
<b>Expenses</b>				
Operating and administration	15,567,086	16.4	15,077,755	16.4
Net interest (Note 15)	<u>(97,574)</u>	<u>(0.1)</u>	<u>(53,169)</u>	<u>(0.1)</u>
	<u>15,469,512</u>	<u>16.3</u>	<u>15,024,586</u>	<u>16.3</u>
<b>Savings (loss) from operations</b>	<u>445,935</u>	<u>0.5</u>	<u>(1,374,234)</u>	<u>(1.5)</u>
FCL loyalty program (Note 4(c)(v))	1,424,262	1.5	96,767	0.1
Patronage refund (Note 4(a))	<u>1,561,443</u>	<u>1.6</u>	<u>4,899,933</u>	<u>5.3</u>
<b>Savings before income taxes</b>	3,431,640	3.6	3,622,466	3.9
Income tax expense (Note 16)	<u>562,175</u>	<u>0.6</u>	<u>444,241</u>	<u>0.5</u>
<b>Net savings</b>	<u><b>\$ 2,869,465</b></u>	<u>3.0</u>	<u><b>\$ 3,178,225</b></u>	<u>3.4</u>
<b>Retained savings, beginning of year</b>	<b>\$ -</b>		<b>\$ -</b>	
Net savings	2,869,465		3,178,225	
Transfer to statutory reserve (Note 13)	(171,583)		(181,123)	
Transfer to general reserve (Note 13)	(1,131,083)		(1,222,698)	
Patronage allocation to members (Note 12)	<u>(1,566,799)</u>		<u>(1,774,404)</u>	
<b>Retained savings, end of year</b> (Note 13)	<u><b>\$ -</b></u>		<u><b>\$ -</b></u>	

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, 2020**

	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net savings	\$ 2,869,465	\$ 3,178,225
Adjustments for:		
Depreciation	1,457,138	1,688,134
Accretion	2,751	2,659
FCL patronage refund	(1,561,443)	(4,899,933)
Loss on the disposal of property, plant and equipment	275,179	8,108
Changes in non-cash operating working capital:		
Accounts receivable	634,310	191,605
Income taxes	322,607	(41,355)
Inventories	1,200,881	(966,011)
Prepaid agricultural suppliers	(182,403)	(29,088)
Prepaid expenses	3,174	131,652
Long-term receivables	(99,567)	(51,134)
Accounts payable and trust liabilities	(2,840,896)	(9,281)
Customer prepaid accounts	(53,885)	(79,165)
Cash provided by (used for) operating activities	<u>2,027,311</u>	<u>(875,584)</u>
<b>Investing activities</b>		
Redemption of FCL shares	3,192,334	4,573,008
Additions to property, plant and equipment	(6,475,682)	(1,602,693)
Proceeds from the disposal of property, plant and equipment	53,365	44,558
Investment in other organization	(95)	327
Cash (used for) provided by investing activities	<u>(3,230,078)</u>	<u>3,015,200</u>
<b>Financing activities</b>		
Increase in long-term debt	1,955,109	-
Repayment of long-term debt	-	(107,095)
Share capital issued	5,610	5,360
GST on allocation	50,062	54,420
Redemption of share capital	(1,485,085)	(1,625,204)
Cash provided by (used for) financing activities	<u>525,696</u>	<u>(1,672,519)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(677,071)</u>	<u>467,097</u>
<b>Cash and cash equivalents beginning of year</b>	<u>1,411,456</u>	<u>944,359</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 734,385</u>	<u>\$ 1,411,456</u>

*The accompanying notes are an integral part of these financial statements*



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

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## **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).



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

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**(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

**(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.

Petroleum assets built in connection with an FCL Petroleum Purchase Agreement, along with any corresponding liability, are recorded by the Co-operative upon commissioning of the assets, as FCL retains ownership of the assets until the project is commissioned. Accordingly, any grants and debt financing provided by FCL are recorded at the project commissioning date.

An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

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**(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 allocated to 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.

**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.



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

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**(c) Liquidity risk**

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

**(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, 2020, the Co-operative purchased goods amounting to \$72,815,833 (2019 - \$75,113,428) 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:

	2020		2019
Opening investment balance	\$ 15,280,072		\$ 14,953,147
Patronage refund	1,561,443		4,899,933
Share redemptions	<u>(3,192,334)</u>		<u>(4,573,008)</u>
Closing investment balance	<u>\$ 13,649,181</u>		<u>\$ 15,280,072</u>

**(b) Asset retirement obligation**

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to \$25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has six sites under this program. Management believes that due diligence has been exercised and that the impact of the asset retirement obligation to the Co-operative's financial statements is not significant. At year end, the Co-operative has accrued a liability in the amount of \$106,377 (2019 - \$103,626). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$2,751 (2019 - \$2,659).

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.



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

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**(c) Purchase commitments**

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from January 2011. 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 \$1,787,154 (2019 - \$2,661,108). 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 commitments 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.

**5. Accounts receivable - customer**

Shown net of an allowance for doubtful accounts of \$190,000 (2019 - \$190,000).

**6. Inventories**

	<b>2020</b>		<b>2019</b>
Raw material	\$ 832,946	\$	1,512,888
Goods for resale	<u>11,819,811</u>	<u>\$</u>	<u>12,340,750</u>
	<u>\$ 12,652,757</u>	<u>\$</u>	<u>13,853,638</u>

The cost of inventories recognized as an expense during the year was \$78,841,396 (2019 - \$78,031,652).



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

**7. Long-term receivable**

	Total	2020 Current Portion	2020 Deferred Portion	2019 Current Portion	2019 Deferred Portion
Petroleum tanks	\$ 188,038	\$ 77,981	\$ 110,057	\$ 38,123	\$ 50,348

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. Property, plant and equipment**

	Original Cost	Accumulated Depreciation	2020 Book Value	2019 Book Value
Land	\$ 2,447,044	\$ -	\$ 2,447,044	\$ 2,531,567
Buildings	11,523,958	3,440,379	8,083,579	8,603,015
Pavement	3,568,104	1,367,802	2,200,302	2,412,218
Furniture & equipment	6,323,432	3,950,588	2,372,844	2,869,974
Computer equipment	1,115,763	1,001,311	114,452	173,503
Leasehold improvements	74,721	74,721	-	-
Vehicles & equipment	4,915,408	3,834,092	1,081,316	1,164,415
Asset retirement cost	82,590	49,343	33,247	36,766
Assets under construction	7,514,759	-	7,514,759	1,366,085
	<u>\$ 37,565,779</u>	<u>\$ 13,718,236</u>	<u>\$ 23,847,543</u>	<u>\$ 19,157,543</u>

Depreciation for the current year included in operating and administration expense was \$1,457,138 (2019 - \$1,688,134).

The Co-operative has recorded a write down on the assets at the Melville Home Centre and Food Store. An impairment loss of \$269,174 (2019 - \$nil) was included in operating and administration expense.

**9. Line of credit**

The Co-operative has a \$1,797,354 line of credit of which no amount has been drawn as at November 30, 2020 (2019 - \$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%). (2019 - 4.2%)





**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

**10. Accounts payable and trust liabilities**

	2020	2019
FCL payables	\$ 1,810,624	\$ 5,873,630
Other payables	2,567,566	1,338,643
Trust liabilities:		
Payroll deductions	81,649	76,671
Goods and services tax	-	31,287
Provincial sales tax	72,655	67,845
Federal fuel charge	89,464	74,693
Liquor tax	2,556	2,641
	<u>\$ 4,624,514</u>	<u>\$ 7,465,410</u>

**11. Long-term debt**

	Total	2020 Current Portion	2020 Deferred Portion	2019 Current Portion	2019 Deferred Portion
FCL LOC <sup>(1)</sup>	<u>\$ 4,588,014</u>	<u>\$ -</u>	<u>\$ 4,588,014</u>	<u>\$ -</u>	<u>\$ 2,632,905</u>

<sup>(1)</sup> The credit facility, bearing interest at prime rate, repayable via an annual reduction in available credit, matures December 31, 2028. The loan 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 date. Security for the credit is a promissory note and a general security agreement covering all present and after acquired property. The available line of credit decreases as follows:

January 1, 2020 - December 31, 2020	\$5,360,000
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

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

2021	\$ -
2022	568,014
2023	670,000
2024	670,000
2025	670,000
Subsequent payments	<u>2,010,000</u>
	<u>\$ 4,588,014</u>



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

**12. Share capital**

Authorized, unlimited @ \$1	2020	2019
Balance, beginning of year	\$ 15,379,263	\$ 15,228,788
Allocation to members	1,566,799	1,774,404
Cash from new members	5,610	5,360
GST on allocation	50,062	54,420
Shares transferred from reserves	5,190	4,745
	<u>17,006,924</u>	<u>17,067,717</u>
General repayment	733,037	765,825
Shares transferred to reserves	54,192	63,250
Withdrawals and retirements	577,657	670,387
Withholding tax	174,391	188,992
	<u>1,539,277</u>	<u>1,688,454</u>
Balance, end of year	<u>\$ 15,467,647</u>	<u>\$ 15,379,263</u>

**13. Reserves and retained savings**

	Statutory Reserve	General Reserve	Retained Savings	2020	2019
Balance, beginning of year	\$ 4,319,234	\$ 22,694,007	\$ -	\$ 27,013,241	\$ 25,550,915
Net savings distributed to retained savings	-	-	2,869,465	2,869,465	3,178,225
Patronage allocation	-	-	(1,566,799)	(1,566,799)	(1,774,404)
Shares transferred	49,002	-	-	49,002	58,505
Reserve transfers	<u>171,583</u>	<u>1,131,083</u>	<u>(1,302,666)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 4,539,819</u>	<u>\$ 23,825,090</u>	<u>\$ -</u>	<u>\$ 28,364,909</u>	<u>\$ 27,013,241</u>



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

**14. Sales**

	2020	2019
Food division	\$ 27,616,133	\$ 25,555,155
Non-food division	<u>67,295,510</u>	<u>66,439,957</u>
	<u>\$ 94,911,643</u>	<u>\$ 91,995,112</u>

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

**15. Net interest**

	2020	2019
Interest expense on		
- Short-term debt	\$ 1,781	\$ 1,909
- Long-term debt	21,750	81,961
Interest revenue	<u>(121,105)</u>	<u>(137,039)</u>
	<u>\$ (97,574)</u>	<u>\$ (53,169)</u>

**16. Income taxes**

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:

	2020	2019
Savings before income taxes	\$ 3,431,640	\$ 3,622,466
Expected income tax expense at the combined tax rate of 27.0% (2019 - 27.0%) net of the general rate reduction	926,543	978,066
Increase in income tax expense resulting from:		
Non-taxable income and non-deductible expense	80,550	4,484
Patronage allocation to members of \$1,566,799 (2019 - \$1,774,404)	(423,036)	(479,089)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(23,147)	(58,837)
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(1,547)	(98)
Prior year tax adjustment	<u>2,812</u>	<u>(285)</u>
Income tax expense	<u>\$ 562,175</u>	<u>\$ 444,241</u>



**Prairie Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended November 30, 2020**

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**17. 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 \$385,725 (2019 - \$354,341) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

**18. Economic conditions**

During the year, 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. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Co-operative as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**19. Subsequent event**

**Patronage allocation to members**

Subsequent to November 30, 2020 the Board of Directors approved a patronage allocation to members in the amount of \$1,566,799 (2019 - \$1,774,404).

**20. Commitment**

The Co-operative is committed to the completion of a new grocery store and home centre at Melville. The estimated total cost of the project is \$20 million of which \$7,514,759 has been set up as assets under construction. This project will be financed from operations and an FCL loan.

**21. Contingency**

Certain claims are pending against the Co-operative. While it is not possible to determine the ultimate outcome of such actions at this time, it is management's opinion that the ultimate resolution of such matters will not have an adverse affect on the Co-operative's financial condition or results of operation.

**22. 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, 2020**

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**Record of Sales and Net Savings**

	<u>Year</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>
From Date of Incorporation, July 6, 1936 to November 30,	2011	\$ 555,969,444	\$ 29,311,168	5.3
	2012	49,181,517	3,834,671	7.8
	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
		<u>\$ 1,246,573,318</u>	<u>\$ 67,097,586</u>	<u>5.4</u>

**Membership**

Members purchasing during the year	10,478
Inactive members	<u>1,862</u>
Total members	<u>12,340</u>





# Prairie Co-operative Limited Bylaw Revisions

## Definitions 1.01

(a) “Act” means The Co-operatives Act, 1996, S.S., C.C-37.3, as amended from time to time, and in the case of such amendment, any references in the bylaws of the Co-operative shall be read as referring to the amended provisions;

### Revise:

(a) “Act” means The Co-operatives Act, 1996, S.S., C.C-37.3, as amended and in the case of such amendment, any references in the bylaws of the Co-operative shall be read as referring to the amended provisions;

## Execution of Instruments 2.03

(b) The Board is authorized, from time to time, to appoint by resolution, any officer or officers or any persons on behalf of the Co-operative either to sign contracts, documents or instruments in writing generally or to sign specific contracts, documents or instruments in writing.

### Revise:

(b) The Board is authorized to appoint by resolution, any officer or officers or any persons on behalf of the Co-operative either to sign contracts, documents or instruments in writing generally or to sign specific contracts, documents or instruments in writing.

## Borrowing Powers 2.04

(b) The Board may from time to time delegate to such one or more of the directors and officers of the Co-operative as may be designated by the Board all or any of the powers conferred on the Board by the Act to such extent and in such manner as the Board determines at the time of such delegation.

### Revise:

(b) The Board may delegate to such three or more of the directors and officers of the Co-operative as may be designated by the Board all or any of the powers conferred on the Board by the Act to such extent and in such manner as the Board determines at the time of such delegation.

## Financing Arrangements 2.05

The financial business of the Co-operative, including without limitation, the borrowing of money and the giving of security therefore, shall be transacted with such credit unions, credit

union centrals, banks, trust companies, or other bodies corporate or organizations, from time to time, as may be designated by or under the authority of the Board. Such financial business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the Board may, from time to time, specify or authorize.

**Revise:**

The financial business of the Co-operative, including without limitation, the borrowing of money and the giving of security therefore, shall be transacted with such credit unions, credit union centrals, banks, trust companies, or other bodies corporate or organizations as may be designated by or under the authority of the Board. Such financial business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the Board may specify or authorize.

### Approval of Membership 3.02

No person may become a member of the Co-operative unless that person has submitted a written application for membership, and until the said application has been approved by the Board or by a committee thereof.

**Revise:**

A person may become a member of the Co-operative by:

- a) Submitting a written application for membership or,
- b) Completing an online membership application, utilizing a check box consent for signature and submitted via Prairie Co-op website,
- c) And the said application has been approved by the Board or by a committee thereof.

### Share Purchase Requirements 3.03

- a) Applicants for membership are required to purchase 100 common shares of the Co-operative.
- b) At least 10% of the common shares purchased must be paid in cash at the time of application for membership.

**Revise:**

- a) Applicants for membership are required to purchase ten common shares of the Co-operative.
- b) All of the common shares purchased must be transacted at the time of application for membership.



### Withdrawal of Membership 3.09

- a) A member may apply to withdraw from the Co-operative by giving to the Secretary of the Co-operative six months' notice in writing of his intention to withdraw. The Board, by resolution, may accept any application to withdraw upon shorter notice.

#### Revise:

- a) A member may apply to withdraw from the Co-operative by submitting an *Application for Withdrawal* form. The board, by resolution, may accept any application to withdraw.

### Payment to Members 3.14

- a) Subject to clause (d), the Co-operative shall purchase all of the withdrawing member's shares at their par value and shall repay the member loan within one year of the date of the directors' approval of the withdrawal, when the withdrawal is for one of the following reasons:
- b) Subject to clause (d), when withdrawal is for reasons other than those described in clause (a), the Co-operative shall repay those shares purchased as a condition of membership, at the par value, and the member loans within six months of this date of the directors' approval of the withdrawal; and the balance of the member's allocated earning shall be paid within a period not exceeding twenty years of the date of the directors' approval of the withdrawal.
- e) The directors may purchase at par value a member's shares except for those required as a condition of membership, at such time and in such amounts as, in their discretion, the financial position of the Co-operative permits.

#### Revise:

- a) Subject to clause (d), the Co-operative shall purchase all of the withdrawing member's shares at their par value and shall repay within one year of the date of the directors' approval of the withdrawal, when the withdrawal is for one of the following reasons:
- b) Subject to clause (d), when withdrawal is for reasons other than those described in clause (a), the Co-operative shall repay those shares purchased as a condition of membership, at the par value and the balance of the member's allocated earning shall be paid within a period not exceeding twenty years of the date of the directors' approval of the withdrawal.

- e) The directors may purchase at par value a member's shares except for those required as a condition of membership, at such time and in such amounts as, in their discretion, the financial position of the Co-operative permits. A minimum of 100 common shares must be retained except for complete withdrawal.

### Joint Memberships 3.15

- a) Two or more persons may apply for joint membership in the Co-operative.
- b) The applicants for joint membership shall complete a membership agreement in a form specified, from time to time, by the board and the joint members agree to be bound by the terms thereof.
- c) More than one member of a household or company may use the same membership number. Only the member whose name appears on the application for membership or the member whose name appears first on the application for membership shall have the right to vote.
- d) Only members present at a meeting can cast a vote.

### Revise:

- a) Two persons may apply for joint membership in the Co-operative.
- b) The applicants for joint membership shall complete a membership agreement in a form specified by the board and the joint members agree to be bound by the terms thereof.
- c) A joint membership shall be entitled to cast only one vote on any resolution at any meeting of the Co-operative.
- d) When one of the two members reaches the age bylaw requirement, the membership may submit an application for withdrawal.
- e) Only one member of the joint membership will be eligible to serve as a director at any given time.
- f) Only members present at a meeting can cast a vote.

### Place of General Meetings 4.01

General meetings of the Co-operative shall be held at such locations in Saskatchewan and in the trading area of the Co-operative, as may be determined by the Board of Directors.

### Revise:

General meetings of the Co-operative shall be held in the trading area of the Co-operative by in-person or virtual meetings, as may be determined by the Board of Directors.

### Annual General Meeting Agenda 4.03

The agenda for the annual meeting shall include the following:

- 2) Reading and disposal of the minutes of the preceding annual general meeting.

Revise:

- 2) Reading and approval of the minutes of the preceding annual general meeting.

### Qualifications of Directors 6.01

The following individuals, in addition to those specified in the Act and the regulations, shall not be eligible to be elected or entitled to remain directors of the Co-operative:

Add:

- g) Has been an employee of Co-operative within the previous two years.

### Number of Directors 6.03

- a) The Board of Prairie Co-operative will consist of 9 individuals.

Revise:

- a) The Board of Prairie Co-operative will consist of 7-9 individuals.

### Directors' Duties and Powers 6.09

Add:

- c) Notwithstanding the powers of the Board of Directors to manage the business and affairs of the Co-operative, the Co-operative shall source at least 90% of the goods and commodities intended for resale that Federated Co-operatives Limited (FCL) supplies or makes available from an approved source, from and through FCL.

### Directors' Remuneration 6.11

- a) The directors shall be paid such remuneration for their services at 50% of the FCL Director rate set at the FCL Annual Meeting for a full day of service.
- b) President's Honorarium shall be set at 25% of the FCL Annual Director retainer set at the FCL Annual Meeting.

**Revise:**

a) The directors shall be paid such remuneration for their services at 50% of the FCL Director rate set at the FCL Annual Meeting for a full day of service.

b) The secretary shall be paid such remuneration for their services at 55% of the FCL Director rate set at the FCL Annual Meeting for a full day of service.

c) President's Honorarium shall be set at 25% of the FCL Annual Director retainer set at the FCL Annual Meeting.

Officers 6.12

c) The President shall:

iii) Perform such other duties and exercise such other powers as are incidental to such office or as may be required, from time to time, by the Board.

**Revise:**

iii) Perform such other duties and exercise such other powers as are incidental to such office or as may be required by the Board.

e) The Secretary Shall:

**Delete:**

ii) Have charge of the seal, if any, of the Co-operative

iii) Conduct the correspondence of the Co-operative and, subject to the order of the Board, have charge of all non-financial corporate records, books, papers and documents of the Co-operative

Unclaimed Funds 8.02

**Delete:**

Any funds remaining and unclaimed by creditors or members after three years from the date of the approval of the dissolution of the Co-operative shall be distributed in accordance with the Statement of Dissolution.

# **PRAIRIE CO-OPERATIVE ASSOCIATION LIMITED**

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ANNUAL GENERAL MEETING

BOARD OF DIRECTOR  
NOMINEES

2021

## Biography – Helen Achtymichuk



Helen Achtymichuk has submitted her nomination papers for the Office of Director of Prairie Co-operative Ltd. Helen has been a member of Prairie Co-op for 44 years. Helen and her husband Douglas have three children: Shawna, Kelsey, and Brady. Helen has been an Executive Assistant for the past six years at Cornerstone Credit Union. Before that, she was a Lending Support Representative at Horizon Credit Union for 10 years, and a Legal Assistant with Bell, Kreklewich & Company for 11 years.

Helen has an extensive history of volunteerism. She has been in executive positions on many boards and committees in Melville, including Secretary of the Communiplex Planning Committee, City of Melville Regional Park Board, Melville Music Festival Association, and a trustee of the Melville School Division school board, to name just a small sample. Being a part of Prairie Co-op is part of Helen's family – her son Brady worked at the Prairie Co-op Gas Bar while attending school.



## Biography – Aaron Keisig



Aaron Keisig is currently serving as Vice-President of the Prairie Co-op Board of Directors.

Aaron has been a member of Prairie Co-op for 23 years. Aaron was born and raised in the Ituna area, and he and his wife Candace currently farm in the Balcarres area. They have four children – Jaylynn, Regan, Alexi, and Sadie. Aaron holds a B.Sc. in Agriculture from the University of Saskatchewan, and is a partner with his brother at the Lazy K Ranch Ltd for the past 20 years. Previously, he was employed by Aventis, Agrevo, and Bayer as a Research Tech and Seed Production Tech.

Aaron is active in his community, serving as a Reeve in the RM of Tullymet, President of the Wyber Community Club, and has been a Manager/Coach in Minor Hockey.



## Biography – Bob Moulding



Bob Moulding currently serves on the Board of Directors for Prairie Co-op as a Director. In the past, he has also served as President of the Board.

Bob and his wife Anne Marie live in the Lemberg area, and have five grown children – Marsha, Jonathan, Kaitlyn, Amber, and Cody. Bob has been a member of Prairie Co-op since about 1970. He has been an Adjuster/Fieldperson with Saskatchewan Crop Insurance Corporation for the past 16 years and he also farms. Previously, he worked with Mack Auctions as a contact/ring person for 10 years.

During his time on the Prairie Co-op Board, Bob has been an FCL Resolutions Chair and committee member. He has been a Councillor with two RMs, and is active with the Royal Canadian Legion, the Lions Club, the Fire Brigade, and has also been a 4-H Leader.





## Biography – Patty Welch



Patty Welch is currently serving as a Director on the Prairie Co-op Board of Directors.

Patti has been a member of Prairie Co-op for 14.5 years. Patty lives in Melville with her partner, Darris Wouters, and is a Financial Advisor with IG Wealth Management. She has held this position for 13 years.

Previously, she worked for a year with the Good Spirit School Division as an Administrative Assistant in Curriculum Development, and with the Prairie Valley School Division as a Librarian/Office worker in Grenfell for 15 years. Patty has two children, Brianna and Jordan.

She has volunteered with the Melville First Impressions Community for a year, the Melville Chamber of Commerce for two years, and has been a billet with the Melville Millionaires for ten years.



# 2020 ALLOCATION RATES



Petroleum	2.5%
Food	2.5%
Home Centre + Farm Supply	2.0%
Lubricants	3.0%
Chemical, Seed, + Fertilizer	0.5%
Ag Equipment	1.0%

Over \$1.56 Million in Equity Back to  
Our Members in 2021!



# 2020 SERVICE MILESTONES



## 35 YEARS

Valerie Crandlemire

## 20 YEARS

Linda Brooks

## 10 YEARS

Yolanda Cappo

Larry Gawel

Lindsay Hill

John Koolen

Michael Suwala

## 5 YEARS

Trevor Bancarz

Ralph Lee Buscano

Carah Desnomie

Denise Gallagher

Kelsey Kurtz

Brandon McKay

Harvey Miller

Blair Robison

Dale Tuttosi

## 30 YEARS

Cory Pereyma

Lori Rivers

## 15 YEARS

Leonard Antonishyn

Brenda King

Meryl Michalishen

Katherine Orchard

Kathy Reid

## 25 YEARS

Marlene Mucha

## RETIRED

Kathy Orchard (2021)

Dwayne Zrymiak (2020)

