



Meadow Lake

75
YEARS
EST. 1945



Annual Report

Meadow Lake Co-operative
Association Limited

2019

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About Us

Meadow Lake Co-op was incorporated in 1945. We are one of the largest employers in Meadow Lake with a total workforce of 170 team members. And, one of the top 100 companies in Saskatchewan. Ranking number 61 last year. The Meadow Lake Co-op serves its members and community with products and services that help keep your money in your community. We are a different kind of business – we are locally invested, community-minded and offer lifetime membership benefits, including patronage refunds, quality products and services and fair prices.

Since 2010, Meadow Lake Co-op has returned more than \$8.8 million to its members in cash back and equity, while contributing over \$842,000 to community organizations and initiatives.



Our Values

Community

Committed to enhance the places we live, work and play.

Service

Creating an experience that exceeds our customer's expectations.

Team Work

Establishing a culture to achieve growth and productivity.

Responsibility

Remaining relevant through innovation and efficiency.

Vision Statement

Creating sustainable partnerships throughout our communities.

Aspirational Statement

By building relationships with both customers and communities we represent a culture of innovation, engagement and continuous improvement.

Mission Statement

Leading exceptional customer experiences in the communities we serve.



You're at home here



Meadow Lake Co-operative Association Limited Annual General Meeting 2020 Agenda

1. Call to Order
2. Appointment of the Chair
3. Nomination for the Secretary
4. Adoption of Agenda
5. Adoption of 2019 Annual Meeting Minutes
6. Business arising out of the Minutes
7. Reports:
 - President's Address - Ryan Wilfing
 - General Manager's Report – Caralee Strome
 - Financial Report – Dustin Calvert
8. Adoption and Discussion
9. Announcement of Directors – Cliff McKay
10. Appointment of Auditors for 2020
11. New Business
12. Adjourn

Corporate Governance

You're At Home Here

Meadow Lake Co-op's Board of Directors has the legal responsibility to supervise the management and the affairs of the Co-op. Board members represent the membership. Board members act honestly and in good faith, maintaining relationships with members but considering the best interests of the Co-op as a whole.

The Board works with the General Manager, Senior management team and Managers to establish the Mission of the organization. Together, the groups set goals and yearly corporate priorities. Each department develops its plan and budget to support these priorities, with the overall budget reviewed and approved by the Board. The Board meets annually with the senior management team. This meeting provides valuable insight into operations, exposure to key personnel and the opportunity to ask detailed questions, providing context when determining strategic direction.

The Board of Directors is made up of directors with a broad base of expertise. There is ongoing education for all directors provided by Federated Co-operatives Limited (FCL).

Message from the Board of Directors



Hello Members,

So many unforeseen and unanticipated things have happened thus far in 2020 it is hard to even recall 2019. With the COVID19 pandemic changing everyone's daily lives, our focus and routines have changed as we adjust for the future, but we still can look back on the great year we had in 2019.

The BOD met regularly throughout the previous fiscal year to guide and support management with direction of our Coop.

This past year we challenged management with the task of having more local profit and reducing Accounts Receivables. I am pleased to report they were successful in both accounts. The BOD also reviewed and updated the Credit policies of our Coop as they were quite outdated for the times.

After such a successful year surpassing the proposed budget, the Board of Directors agreed to allocate on commodity groups similar to the previous year:

4.5% Petroleum /Oil; 2.0% Food /Pharmacy; 1.5% Agro /Fert /Hardware /Propane. This resulted in a total allocation of slightly over 2 million dollars back to our members. With maintaining a 35% general cash repayment, the total cash returned to membership including "over age of 65" payments and "over equity cap" payments was above \$1 million dollars. The total number of cheques issued was 5,030.

With our continued success from our member support, we have been able to reinvest in our assets in the community. Our new Cardlock has now commenced operations and has had favorable feedback. We have also taken steps to initiate a liquor offering in the Meadow Lake community. The BOD has also been focussed on looking forward with a 5 year plan to continue to update existing facilities to serve the membership better.

As we have all experienced with the global pandemic, priorities can change in a hurry. Since the outbreak and changes with social distancing, the sales in petroleum have declined and groceries have skyrocketed. Our coop has been positioned well to handle the swing in priorities. I am proud of the hard work and effort expressed by our frontline workers and management throughout the extensive changes to protocol in daily business risks in these trying times. With the changes, our community has embraced the steps taken by our locations and staff to remain open and provide services in a safe and reliable manner. The amount of patrons supporting our locations it is obvious that it was essential that we remained open to serve and that the public felt safe in our stores.

I have been a representative of the Meadow Lake Coop members on the Board of Directors for long enough that I cannot remember how many years it has been. Therefore, I am retiring from my position but feel it is a good time to leave as there are strong individuals on the current BOD and a good leadership in management to continue to lead our Coop and keep it relevant in the communities it serves. My time on the BOD has been satisfying and rewarding to help direct the ML Coop to grow and thrive.



Ryan Wilfing,
Board President

A Message from Our General Manager

You're At Home Here



Caralee Strome, General Manager

Meadow Lake Co-op has an incredible heritage in North West Saskatchewan. The original Meadow Lake Co-op was founded on March 2, 1945 by a group of forward-thinking individuals. In 1962, the Co-op expanded into the Goodsoil area with the opening of a general store. Makwa Co-op, incorporated in 1939, amalgamated with Meadow Lake Co-op in July 1963. Over the years, we have offered many services and commodities to our communities such as: food, clothing, fabrics, lumber, building materials, cafeteria, hardware, housewares, furniture, appliances, outdoor recreational equipment, fuel, pharmacy and ag products. We are very proud to be celebrating 75 years this year!

Our vision statement is that Meadow Lake Co-op will create sustainable partnerships throughout our communities. We continue to invest in our communities and improve the existing locations and facilities. By enhancing product offerings and focusing on providing legendary personalized service we are on a pathway to evolving our member experience.

It is vital that Meadow Lake Co-op is strategically focused on a future of growing partnerships, developing our team and enriching the member shopping experience. We must remain at the forefront of a highly competitive marketplace and be agile and focused on efficiency and growth.

What does our future bring? We are very proud of our new cardlock location that was recently opened. We are in the process of developing and planning a new liquor offering in the community of Meadow Lake. Our current plan is to build a stand alone building on the south end of the Service Centre parking lot, with opening in spring 2021. As well, we are looking at an interior renovation at the Pharmacy; implementation of a new payroll system; security upgrades; point-of-sale upgrades; rotating replacement of rolling stock; IT upgrades; various equipment upgrades and we are trying to figure out the best investment for our Goodsoil location.

Community is what your Co-op is! Community – the team members that serve our members every day. They know your name, they know what is going on in your lives, they are your business partners. Giving back to our communities is an essential part of Meadow Lake Co-op’s values which guide us to provide over \$100,000 to more than 105 community groups within our trading area. We were proud to support local clubs, hockey, band, volleyball, basketball, rugby, swim club, 4-H Clubs, Kid’s Sport, scholarships, music festivals, Hospital Foundation and Pioneer Lodge. In 2020, we have a local group that was selected as a recipient of funds from the CRS Community Spaces. Willow Creek Community Garden is the proud recipient of \$26,000 to further enhance their offerings to the community.

We are incredibly proud of our Team Members for their passion in delivering a “You’re at Home Here” level of service. Our success is only achieved through our team members, our members, our Board of Directors and the support provided by Federated Co-operative Limited. Thank you to everyone who contributed to another remarkable year!

Some of the organizations that the Meadow Lake Co-op has donated to.



- *ML Dog Sled Club
- *ML Scholarships
- *Makwa Rec Board
- *ML Cruisers
- *Livelong Summerpiel
- *Beaver River Wildlife
- *Loon Lake Rec Board
- *Minor Ball
- *Schools in our Trading Area
- *Beauval Rec Board
- *Prairie n’ Forest Equestrian
- *Goodsoil Pre-natal
- *Goodsoil Volunteer Fire Dept.
- *Pierceland Figure Skating Club
- *Meadow Lake Music Festival
- *Special Olympics
- *Big Island Lake First Nation
- *Lavallee Memorial Fishing Derby
- *Northern Hamlet of St. Georges Hill
- *And many, many more



John Decker, HR Manager/Operation's Manager

Human Resources

The past year has been a unique blend of exciting and challenging events for the Human Resources Department.

With the assistance of Kincentric, an Employee Engagement Survey was conducted at the retail. The survey was completed on-line by all team members with Kincentric gathering the data and providing us with their analysis. From this analysis, team leaders are now able to establish strategies within their departments and locations designed to build employee engagement across the retail. This work will be ongoing with the intent of launching another survey in 2021 to help identify what progress has been made.

The retail hosted inspirational speaker Darci Lang, whose message to her audience was "Focus on the 90%". All team members were able to attend Darci's presentation either in the morning or afternoon session. Feedback on the presentations was very positive with team members indicating that they had several take aways that could put to use both at work and in their personal life.

Precious Ekhtor joined the administration team in the role of Human Resources Advisor. Precious came to us with extensive education in the Human Resource field and has quickly become an excellent resource to all team members at the retail.

Although there were challenges in some areas of recruitment, particularly for positions requiring professional designations all locations now have a full compliment of team members.

The onset of COVID-19 came with its own set of challenges. Legislation, health authority restrictions, and government support systems have at best been moving targets changing almost daily. We are happy to say that despite this the retail has through re-deployment of team members to different locations, controlling of consumer traffic in our locations and adjusting opening hours where necessary, have not had to institute layoffs. All team members have remained extremely dedicated and diligent enhancing the fact that "you're at home here".

The next year in Human Resources will undoubtedly look different than the past. With so many pieces now happening virtually, we will need to establish strategies to address this, while still ensuring that we remain an accessible and effective resource to all team members at the retail.



5 years: Kevin Towns, Cole Temple, Brett Morin, Jeff Smith, Jackie Gilroyed, Rhonda Gerbrandt, Bonnie Booth, Kiley Hallahan, Lynn Bell
10 years: Jessica Gillett, Jade Vu, Rhonda Paramzchuk, Gloria Dyck
15 years: Julie Vandale, Colette Turberfield, Diane Wagmann
45 years: Dave Froese

Operations

Meadow Lake Co-op experienced strong sales results in all commodities in 2019 finishing the year at 1.5% lower than the year previous.

There were challenges to overcome including a slow start in agriculture and a devastating storm at Murray Doell campsite at Goodsoil. These were met head on by our team and our members yielding positive results.

Construction began on the new cardlock on Highway 4. The onslot of winter unfortunately postponed opening until this spring. The project is now complete and all reports are that it is running smoothly and members and customers are very impressed with the facility. Also, the wheels have been put in motion to construct a new liquor store next to the existing Service Center with a spring of 2021 proposed completion.

Our commitment to building the community continued in 2019 with partnerships and contributions to local groups including a final \$20,000 installment to the new Pioneer Lodge for a total commitment of \$100,000. Several team members spent and continue spending time volunteering for community events including Meals on Wheels.

We were happy to have been nominated in the Customer Service category at the Meadow Lake Business Excellence Awards as well as having employees and locations receive recognitions in the Reader's Choice Awards.

For the past several months, like all business's, we have been challenged with adapting to an ever changing retail landscape. However, with the continued dedication and hard work of our employees combined with the patience, understanding and co-operation of our members and customers, we will endeavor to continue to provide the best possible employee and customer experience possible while maintaining the safety and health of all concerned.

Thank-you for your continued support and we look forward to serving you going forward.





Garry Stabler,
Food Division Manager

Wow, what a year.

Had a great summer of 2019 and then a dull fall and sporadic harvest. Followed by a mild winter.

Then COVID-19 hit us straight in the face. We endured it all, with hoarding of food items and severe shortages at the warehouse, to Team Members getting tested or fearful to work. We needed to protect our Team Members and our Customers, so we had lineups at the front of store and initiated a new cleaning procedure throughout the day. We want to thank the United Church for helping us fill grocery orders during this trying time. Because Covid-19 is still here and in order to maintain social distancing, we have increased our customer count from 25 to 30 customers at this time. We do appreciate the social distancing for the safety of our Team Members and fellow customers. We can only hope that Covid-19 will be just a faded memory.

We continue to work with Marketing to help create excitement and boost sales.

Our next event will be "Dog Days of Summer". Starting July 30 to Aug. 5 2020.

Then it is a Back To School event starting Aug.6 to Aug.26

Everyone is invited to come into the Food Store and check it out.

We are still celebrating our 75th. Look out for our 80th.



Curtis Ebach
Ag Division Manager

The 2019 season was absolutely amazing, the Ag team was firing on all cylinders in every department. The fertilizer plant had another record season and is looking to expand in 2021. The Ag team is really excited about the 2020 growing season. We have a full moisture profile and have a record amount of committed inventory.





**Ron Dishko, Petroleum Division Manager/
Service Center Manager**

Hardware

The Hardware team work very hard to keep the store looking well stocked, neat and clean. Sales in Hardware were fairly strong where our sports department struggled with the cold temperatures this past winter.

Sunday opening remains a popular decision by many who need to finish up some jobs around the house and yard.

We repurposed the shop to a seasonal display area, which has been a huge draw for customers.

We had a strong Christmas season with our petting zoo, Santa and sleigh rides, which have always been a hit!!

We added locking gun cabinets for more safety and better display of firearms.



Petroleum

The year started out strong with fuel litres on an upward trend. We worked out an agreement with Turtleford Co-op to deliver bulk oil for us which is working very well.

We purchased a new 2020 Freightliner tandem fuel truck which is equipped to pull a pup. This has added to our fleet of fuel trucks and has been a great asset.

Construction on the new cardlock just north of town, unfortunately weather delays kept us from opening in the fall of 2019.

2019 saw some changes to the Petroleum team with Rhonda moving to the Admin office to take on the new roll of Petroleum/Credit.



Rick Burnett
Asset Protection Manager



Here at Meadow Lake Co-op we have signed and are committed to follow the Saskatchewan WorkSafe Charter on Mission Zero. The term Mission Zero is defined as zero suffering, zero injuries and zero fatalities. As Safety Leader, it is my goal to make sure Team Members have the right safe job procedures in place. We also have safety awareness for team members that is achieved through toolbox meetings, Occupational Health Committee (OHC) meetings, Facility Inspections & Investigations, emergency response plans and risk & hazard identification. We have personal protective equipment for team members. And, we have 5 Automated External Defibrillators (AED). Each location has a team member trained in First Aid / CPR and we will continue training for the betterment of safety. We have improved our safety culture through better communication, documentation and with comments from Team Leaders.

Meadow Lake Co-op will continue to work towards setting high standards in our facilities so our team can have a safe workplace and a safe place for all our members in every location. The Meadow Lake Co-op Members and our Team Members are a very important part of our Co-op Association and this is why Safety is our number one priority.



Sheldon McGilvery
C-Store Manager



In this past year we've had some great contests and promos. Our Fuel Good Day was a huge success with over 30000 liters sold. Our charity of choice was Turning Point Youth Center. We've had two lucky winners in our area for Free Car Wash For A Year promo.

The Gas Bar received a new fresh look with a larger fresh sandwich cooler, new coffee island and cooperative coffee program. We also did a reset of store products and casms. We now feature a bulk section.

As this is my first year as a manager, I am starting to understand the challenges and hard work it takes to become successful. It really has been a great first year. With that being said we do have a new Asst. Manager. Congratulations to Connor MacLeod on the promotion.

With the challenge of Covid-19 we will continue to provide excellent customer experiences and keep the health and safety of our team members a high priority.



Ray Chretien
Goodsoil Branch Manager

Food

2020 has been a huge transition year for the Goodsoil Coop. Operationally, as a team, we are much better now than in 2019. We have also changed some of the offerings in the store. Covid, in itself and all of its nuances, has played a huge roll in better margins and sales as well ... so many different positive opportunities for us in the grocery business. Over the last couple of months we have had the opportunity to see many new faces come through our door. We were unable to hold our annual Mingle Jingle this past December, however we are planning it again this coming December, with COVID in mind.

Hardware

We as a team have improved on timeliness of seasonal changes, along with a complete realign of all hardware offerings ... sight lines improved on those high theft items and all categories are now easier to shop.

Feed

We have seen an increase in feed sales. And that increase is growing each year.

Petroleum and Propane

We are the only fuel station, in town, that is open 24 hours a day, which is a benefit to our membership. And, customers are coming to us for their propane bottle fills.



Julie Vandale,
Pharmacy Front End Manager

In the last year we have seen a few changes in team members and in our offerings. We have increased our vitamin section by 4ft, brought in a display of home health products that will aid in everyday living and started measuring for compression again to name a few.

We welcomed Kellie as our new pharmacy manager after Cara accepted a position as pharmacist at the new pharmacy in Battleford. Donna-Rae became our new part time Pharmacist. And, Maria became our licensed pharmacy tech. Our front store acquired two new team members Dawn and Kayleen.

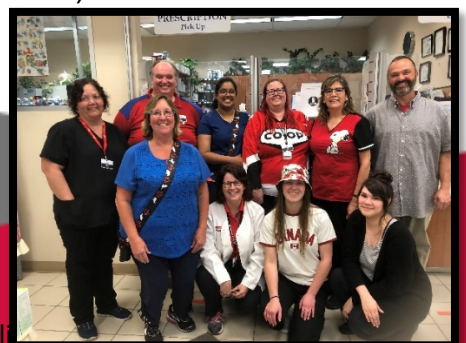
As a result of COVID-19 we started deliveries in town and added curbside delivery for people from out of town.

This year we welcomed Chris as our new full time pharmacist and Kellie stepped down as pharmacy manager to allow for Tim Hines to become our new Pharmacy manager.



Tim Hines B.Sc.P
Pharmacy Manager

I was born and raised in Marwayne, AB, where I have and still live while my wife Wendy and I have raised our four children, three daughters, Darby, Dawson & Daryn, and one son, Dallas. I attended Lakeland College for pre-pharmacy, and then the University of Alberta for my pharmacy undergraduate degree. I worked in Lloydminster for Shoppers Drug Mart for two years after graduating from university, then five years as a manager with the Real Canadian Superstore in Lloydminster. I then, along with a partner, opened two of our own stores in Lloydminster, which eventually grew to three stores, operating as Family Pharmacy, which we sold in December 2016. I took two years off which we spent with our family, both at home and some time spent travelling, two tremendous years that I was fortunate to have. We have acquired a small herd of Katahdin sheep which we run at home and at my mothers' farm, with the help of Wendy and our kids. I resumed my pharmacy career as a relief pharmacist at Family Pharmacy in May 2019, and have worked in several other locations as well, including Cornerstone Co-op Pharmacy in Vermillion, AB, Prescription Works pharmacy in Big River, SK and Meadow Lake Co-op Pharmacy as well. I am fortunate to have the opportunity to manage the Meadow Lake Co-op Pharmacy and I am looking forward to contributing to the challenges ahead of our group.



You're at home here
Meadow Lake

CO-OP

LIFETIME MEMBERSHIP BENEFITS

Our profits are your profits.

We are a different kind of business - a business that shares our profits with our members. A Co-op membership offers a lifetime of rewards including high quality products and services at competitive prices. We also offer the potential for annual cash-back and an equity account that grows over time, as well as the opportunity to get involved as a member-owner.

Everyone is welcome to shop at the Meadow Lake Co-op and everyone is invited to become a member. There are no points to collect or miles to accumulate, just cash back to spend on whatever you like. Its simple - cash back!



Meadow Lake

75
YEARS
EST. 1945



What is a Co-op and why is membership important?

Simply put, Co-op's wouldn't exist or operate without its members. Instead of being owned by one person and controlled by a head office somewhere far away, Co-ops are owned by members and are locally operated. Each time a Co-op member shops at their Co-op, the amount of their purchases are added up and they share in their local Co-op's profits.

How do customers become members?

There is an application form and a membership fee of \$10.00. (You're actually buying a share of your local co-op). Become a member and you become an owner. Your membership is for a lifetime. No annual fees.

How much has Co-op give given back?

Over the past 10 years Meadow Lake Co-op has given back over \$8.8 million. Money that is reinvested back to members and their communities.

How much will I get back?

Each member's allocation depends on the amount they spend. If you make more purchases at your Co-op your cash-back will increase. It's easy to earn cash back just by shopping at Co-op for your everyday needs!

What's an equity account? How do I get mine?

An equity account is like a savings account. Each year your Co-op's profits are shared among members. A portion is paid back to you in cash. (You will get a cheque in the mail). The remaining portion is deposited into your equity account and it grows over time.

You're at home here

CO-OP

Meadow Lake Co-op was incorporated in 1945. We are proud of having provided goods and services to our members and community for 75 years and we look forward to serving you for many more years to come!

Dustin Calvert,
Controller



Independent Auditor’s Opinion - Myers Norris Penny (MNP)

Our Annual Financial Statement package is introduced with an Auditor’s Report which contains the following Opinion:

“In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Meadow Lake Co-operative Association Ltd. as at January 31, 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.”

Sales

Annual sales of \$88M remains consistent with last year which is when we reached the peak of our growth trend that resulted in an additional \$20M in annual sales over a 5-year time frame.

Margin

While sales volumes have leveled off, we have continued our focus on generating margin dollars from those sales. This focus has contributed to an additional \$700,000 or 1.1% in margin to help cover the expenses of our operation. This has been the main factor driving the change from realizing a local net loss in previous years, to now a positive local net savings. A local net savings has not been achieved since 2014 which is when our growth into new commodities began. Ensuring that Meadow Lake Co-op operates with an annual profit reduces the reliance we have had on patronage refunds from Federated Co-op (FCL) to fund our operations.

Net Savings

As mentioned, we have overcome the 5-year hurdle of local losses, last year being a loss of \$62,000. This year we were not only able to generate a profit, but we were able to end the year just shy of \$800,000. For the second year in a row it was another record year of FCL earnings which resulted in an allocation of \$5M to our local Co-op. This resulted in a combined savings of \$5.8M.

2020 Meadow Lake Co-op’s Membership Allocation

Our Board of Directors approved an allocation with the same structure as 2019 that resulted in \$2,066,000 being distributed back to our members. The remainder of our earnings have been transferred to reserves to ensure financial stability and allow for opportunities of growth into the future.



ANNUAL REPORT 2020

Meadow Lake Co-operative
Association Limited

Independent Auditor's Report

To the Members of Meadow Lake Co-operative Association Limited:

Opinion

We have audited the financial statements of Meadow Lake Co-operative Association Limited (the "Co-operative"), which comprise the balance sheet as at January 31, 2020, and the statements of net savings, retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at January 31, 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.

Independent Auditor's Report (continued)

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 by 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 of the preceding year.

Prince Albert, Saskatchewan

June 9, 2020

MNP LLP

Chartered Professional Accountants



Meadow Lake Co-operative Association Limited
Balance Sheet
As at January 31, 2020

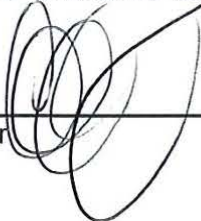
| | 2020 | 2019 |
|--|----------------------|----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 995,991 | \$ 822,445 |
| Accounts receivable - Customer (Note 5) | 5,104,345 | 4,906,014 |
| - Other | 111,859 | 73,623 |
| Inventories (Note 6) | 12,869,567 | 11,458,483 |
| Prepaid agriculture suppliers | 286,898 | 937,581 |
| Prepaid expenses | 125,458 | 113,877 |
| | 19,494,118 | 18,312,023 |
| Investments | | |
| Federated Co-operatives Limited (Note 4(a)) | 12,097,563 | 11,096,194 |
| Other organizations | 28,345 | 25,946 |
| Property, plant and equipment (Note 7) | 15,354,870 | 13,650,633 |
| Intangible Asset (Note 8) | 150,000 | - |
| Total assets | \$ 47,124,896 | \$ 43,084,796 |
| Current liabilities | | |
| Accounts payable and trust liabilities (Note 10) | \$ 7,536,854 | \$ 7,243,732 |
| Customer prepaid accounts | 2,764,138 | 2,552,521 |
| Income taxes payable | 276,745 | 165,001 |
| Current portion of long-term debt (Note 11) | - | 1,340,000 |
| | 10,577,737 | 11,301,254 |
| Long-term debt (Note 11) | 1,895,690 | - |
| Asset retirement obligation (Note 4(b)) | 62,269 | 61,184 |
| Total liabilities | 12,535,696 | 11,362,438 |
| Members' equity | | |
| Share capital (Note 12) | 13,228,907 | 13,062,237 |
| Reserves and retained savings (Note 13) | 21,360,293 | 18,660,121 |
| | 34,589,200 | 31,722,358 |
| Total liabilities and members' equity | \$ 47,124,896 | \$ 43,084,796 |

Subsequent events (Note 18)

Commitment (Note 19)

Approved on behalf of the Board of Directors

Director



Director



The accompanying notes are an integral part of these financial statements



Meadow Lake Co-operative Association Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2020

| | 2020 | % | 2019 | % |
|--|----------------------------|-------------------|----------------------------|-------------------|
| Sales (Note 14) | \$ 87,936,544 | 100.0 | \$ 89,330,796 | 100.0 |
| Cost of goods sold | <u>75,034,484</u> | <u>85.3</u> | <u>77,167,307</u> | <u>86.4</u> |
| Gross margin | <u>12,902,060</u> | <u>14.7</u> | <u>12,163,489</u> | <u>13.6</u> |
| Expenses | | | | |
| Operating and administration | 12,613,570 | 14.3 | 12,351,931 | 13.8 |
| Net interest (Note 15) | <u>(176,738)</u> | <u>(0.2)</u> | <u>(126,582)</u> | <u>(0.1)</u> |
| | <u>12,436,832</u> | <u>14.1</u> | <u>12,225,349</u> | <u>13.7</u> |
| Savings (loss) from operations | 465,228 | 0.6 | (61,860) | (0.1) |
| FCL loyalty program (Note 4(c)) | <u>333,144</u> | <u>0.4</u> | <u>-</u> | <u>-</u> |
| Local savings (loss) | 798,372 | 1.0 | (61,860) | -0.1 |
| Patronage refunds | <u>5,009,300</u> | <u>5.7</u> | <u>5,734,177</u> | <u>6.4</u> |
| Savings before income taxes | 5,807,672 | 6.7 | 5,672,317 | 6.3 |
| Income tax expense (Note 17) | <u>1,032,776</u> | <u>1.2</u> | <u>1,024,992</u> | <u>1.1</u> |
| Net savings | <u>\$ 4,774,896</u> | <u>5.5</u> | <u>\$ 4,647,325</u> | <u>5.2</u> |
| | | | | |
| Retained savings, beginning of year | \$ - | | \$ - | |
| Net savings | 4,774,896 | | 4,647,325 | |
| Transfer to statutory reserve (Note 13) | (290,384) | | (283,616) | |
| Transfer to general reserve (Note 13) | (2,417,772) | | (2,292,749) | |
| Patronage allocation to members (Note 18) | <u>(2,066,740)</u> | | <u>(2,070,960)</u> | |
| Retained savings, end of year (Note 13) | <u>\$ -</u> | | <u>\$ -</u> | |

The accompanying notes are an integral part of these financial statements



Meadow Lake Co-operative Association Limited

Statement of Cash Flows For the Year Ended January 31, 2020

| | 2020 | 2019 |
|--|--------------------------|--------------------------|
| Operating activities | | |
| Net savings | \$ 4,774,896 | \$ 4,647,325 |
| Adjustments for: | | |
| Depreciation | 1,356,760 | 1,484,460 |
| Accretion | 1,085 | 1,054 |
| FCL patronage refund | (5,006,846) | (5,731,663) |
| Loss (gain) on the disposal of property, plant and equipment | 109 | (21,784) |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (236,567) | 230,129 |
| Income taxes payable | 111,744 | 356,599 |
| Inventories | (1,411,084) | 1,561,763 |
| Prepaid agriculture suppliers | 650,683 | (412,071) |
| Prepaid expenses | (11,581) | 9,930 |
| Accounts payable and trust liabilities | 293,122 | (2,576,873) |
| Customer prepaid accounts | 211,617 | (483,354) |
| Cash provided by (used for) operating activities | <u>733,938</u> | <u>(934,485)</u> |
| Investing activities | | |
| Redemption of FCL shares | 4,005,477 | 4,585,330 |
| Additions to property, plant and equipment | (3,096,107) | (614,903) |
| Addition to intangible assets | (150,000) | - |
| Proceeds from the disposal of property, plant and equipment | 35,001 | 36,262 |
| Investment in other organization | (2,399) | (2,434) |
| Cash provided by investing activities | <u>791,972</u> | <u>4,004,255</u> |
| Financing activities | | |
| Change in FCL line of credit | 555,690 | (1,340,000) |
| Share capital issued | 3,040 | 3,720 |
| GST on allocation | 52,603 | 43,285 |
| Redemption of share capital | (1,963,697) | (1,724,489) |
| Cash used for financing activities | <u>(1,352,364)</u> | <u>(3,017,484)</u> |
| Net increase in cash and cash equivalents | 173,546 | 52,286 |
| Cash and cash equivalents, beginning of year | 822,445 | 770,159 |
| Cash and cash equivalents, end of year | <u>\$ 995,991</u> | <u>\$ 822,445</u> |

The accompanying notes are an integral part of these financial statements



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

1. Incorporation and operations

Meadow Lake Co-operative Association Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on March 2, 1945. The primary business of the Co-operative is operating retail agricultural, food and petroleum outlets in Meadow Lake, Saskatchewan and the surrounding area.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of these financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable, inventory, useful life of property, plant and equipment, impairment of long-lived assets, 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 January 31.

(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.



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

(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 | 5 - 25 years |
| Pavement | Declining balance | 8% |
| Tanks | Declining balance | 10% & 20% |
| Furniture & equipment | Declining balance | 20% |
| Computer equipment | Straight-line & declining balance | 5 years & 45% - 55% |
| Vehicles | Declining balance | 15% & 30% |
| Asset retirement cost | Straight-line | 25 - 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. No such impairment loss was recorded during the year.



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

(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.

(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) Intangible asset

An intangible asset recorded at cost is tested for impairment when circumstances indicate that the carrying value may be impaired.

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. One customer accounts for 10.52% (2019 - One customer accounted for 10.33%) of the accounts receivable balance



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

(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, 2019, the Co-operative purchased goods amounting to \$69,661,884 (2019 - \$71,235,978) 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 | \$ 11,096,194 | \$ 9,949,861 |
| Patronage refund | 5,006,846 | 5,731,663 |
| Share redemptions | <u>(4,005,477)</u> | <u>(4,585,330)</u> |
| Closing investment balance | <u>\$ 12,097,563</u> | <u>\$ 11,096,194</u> |



Meadow Lake Co-operative Association Limited

Notes to the Financial Statements For the Year Ended January 31, 2020

(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 three 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. As of January 31, 2020, the Co-operative has accrued a liability in the amount of \$62,269 (2019 - \$61,184). A corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of tanks. For the year January 31, 2020, the Co-operative has recorded \$1,085 in accretion expense (2019 - \$1,054).

The Co-operative has one fertilizer site that is 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 October 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 \$2,222,184 (2019 - \$1,576,856). 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 September 2017. 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 fertilizer products, at market price, from FCL over a five year period commencing from July 2015. 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.

(iv) 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.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$200,000 (2019 - \$100,000).



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

6. Inventories

| | 2020 | 2019 |
|------------------|----------------------|----------------------|
| Raw material | \$ 3,266,831 | \$ 3,549,869 |
| Goods for resale | 9,602,736 | 7,908,614 |
| | \$ 12,869,567 | \$ 11,458,483 |

The cost of inventories recognized as an expense during the year was \$74,670,312 (2019 - \$76,778,384).

7. Property, plant and equipment

| | Original Cost | Accumulated Depreciation | 2020 Book Value | 2019 Book Value |
|-----------------------------|----------------------|-----------------------------|----------------------|----------------------|
| Land | \$ 3,458,808 | \$ - | \$ 3,458,808 | \$ 3,452,816 |
| Buildings | 11,331,126 | 5,363,212 | 5,967,914 | 6,167,880 |
| Pavement | 1,314,221 | 777,717 | 536,504 | 583,157 |
| Tanks | 634,659 | 549,855 | 84,804 | 103,029 |
| Furniture and equipment | 6,476,715 | 4,769,415 | 1,707,300 | 2,094,653 |
| Computer equipment | 1,236,646 | 1,202,744 | 33,902 | 64,073 |
| Vehicles | 2,847,401 | 1,783,354 | 1,064,047 | 1,028,740 |
| Asset retirement obligation | 50,866 | 35,305 | 15,561 | 17,025 |
| Under construction | 2,486,030 | - | 2,486,030 | 139,260 |
| | \$ 29,836,472 | \$ 14,481,602 | \$ 15,354,870 | \$ 13,650,633 |

Depreciation for the current year included in operating and administration expense was \$1,356,760 (2019 - \$1,484,460).

8. Intangible asset

| | 2020 | 2019 |
|----------------|-------------|-------------|
| Liquor license | \$ 150,000 | \$ - |

The Co-operative purchased a liquor license to operate a liquor store.

9. Line of credit

The Co-operative has a \$6,000,000 line of credit of which no amount was drawn as at January 31, 2020 (2019 - \$nil). The line of credit is secured by a first security interest in accounts receivable, inventory, vehicles and equipment, and a general security agreement. Interest on the line of credit is at prime rate (3.95% at January 31, 2020).



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

10. Accounts payable and trust liabilities

| | 2020 | 2019 |
|------------------------|---------------------|---------------------|
| FCL payables | \$ 6,342,336 | \$ 6,162,245 |
| Other payables | 1,008,789 | 1,077,793 |
| Trust liabilities: | | |
| Goods and services tax | 73 | 652 |
| Provincial sales tax | 1,128 | 3,042 |
| Federal fuel charge | 184,528 | - |
| | <u>\$ 7,536,854</u> | <u>\$ 7,243,732</u> |

11. Long-term debt

| | 2020 | 2020 | 2019 | 2019 |
|-----|--------------|-----------------|------------------|------------------|
| | Total | Current Portion | Deferred Portion | Current Portion |
| | | | | Deferred Portion |
| FCL | \$ 1,895,690 | \$ - | \$ 1,895,690 | \$ 1,340,000 |
| | | | | \$ - |

FCL line of credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures November 2025. 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. The funding available under the lines of credit decreases as follows:

| | |
|---------------------------------------|--------------|
| November 15, 2019 - November 15, 2020 | \$ 3,700,000 |
| November 15, 2020 - November 15, 2021 | 3,083,333 |
| November 15, 2021 - November 15, 2022 | 2,466,667 |
| November 15, 2022 - November 15, 2023 | 1,850,000 |
| November 15, 2023 - November 15, 2024 | 1,233,333 |
| November 15, 2024 - November 15, 2025 | 616,667 |

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

| | |
|--------------------|---------------------|
| 2021 | \$ - |
| 2022 | - |
| 2023 | 45,690 |
| 2024 | 616,667 |
| 2025 | 616,667 |
| Subsequent payment | 616,666 |
| | <u>\$ 1,895,690</u> |



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

12. Share capital

| | 2020 | 2019 |
|----------------------------------|----------------------|----------------------|
| Authorized, unlimited @ \$1 | | |
| Balance, beginning of year | \$ 13,062,237 | \$ 12,647,435 |
| Allocation to members | 2,066,740 | 2,070,960 |
| Cash from new members | 3,040 | 3,720 |
| GST on allocation | 52,603 | 43,285 |
| Shares transferred from reserves | 10,506 | 21,351 |
| | <u>15,195,126</u> | <u>14,786,751</u> |
| General repayment | 1,698,422 | 1,444,508 |
| Shares transferred to reserves | 2,522 | 25 |
| Withdrawals and retirements | 30,325 | 96,486 |
| Withholding tax | 234,950 | 183,495 |
| | <u>1,966,219</u> | <u>1,724,514</u> |
| Balance, end of year | <u>\$ 13,228,907</u> | <u>\$ 13,062,237</u> |

13. Reserves and retained savings

| | Statutory Reserve | General Reserve | Retained Savings | 2020 | 2019 |
|---|--------------------------|------------------------|-------------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 3,787,378 | \$ 14,872,743 | \$ - | \$ 18,660,121 | \$ 16,105,082 |
| Net savings distributed to retained savings | - | - | 4,774,896 | 4,774,896 | 4,647,325 |
| Patronage allocation | - | - | (2,066,740) | (2,066,740) | (2,070,960) |
| Shares transferred | (7,984) | - | - | (7,984) | (21,326) |
| Reserve transfers | <u>290,384</u> | <u>2,417,772</u> | <u>(2,708,156)</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 4,069,778</u> | <u>\$ 17,290,515</u> | <u>\$ -</u> | <u>\$ 21,360,293</u> | <u>\$ 18,660,121</u> |



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

14. Sales

| | 2020 | 2019 |
|---------------------------------|----------------------|----------------------|
| Food/consumer goods division | \$ 19,715,492 | \$ 20,020,998 |
| Service centre/gas bar division | 64,106,569 | 65,080,974 |
| Branches | <u>4,114,483</u> | <u>4,228,824</u> |
| | <u>\$ 87,936,544</u> | <u>\$ 89,330,796</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 | \$ 76,552 | \$ 106,249 |
| - Long-term debt | 38,458 | 72,404 |
| Interest revenue | <u>(291,748)</u> | <u>(305,235)</u> |
| | <u>\$ (176,738)</u> | <u>\$ (126,582)</u> |

16. 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 \$292,948 (2019 - \$259,633) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

17. 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 | \$ 5,807,672 | \$ 5,672,317 |
| Expected income tax expense (recovery) at the combined tax rate of 27.0% (2019 - 27.0%) net of the general rate reduction | 1,568,071 | 1,531,526 |
| Increase (decrease) in income tax expense resulting from: | | |
| Non-taxable income and non-deductible expense | 2,874 | (1,930) |
| Patronage allocation to members of \$2,066,740 (2019 - \$2,070,960) | (558,020) | (559,159) |
| Income or expenses claimed in different periods for income tax purposes: | | |
| Depreciation in excess of capital cost allowance | 19,373 | 62,212 |
| Other items that impact income taxes: | | |
| Manufacturing and processing investment tax credit | (1,895) | (7,876) |
| Prior year tax adjustment | 2,373 | 219 |
| | <u>1,032,776</u> | <u>1,024,992</u> |
| Income tax expense | \$ 1,032,776 | \$ 1,024,992 |

18. Subsequent events

(a) Patronage allocation to members

Subsequent to January 31, 2020 the Board of Directors approved a patronage allocation to members in the amount of \$2,066,740 (2019 - \$2,070,960).

(b) COVID-19

Subsequent to year-end, 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.



Meadow Lake Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2020

19. Commitment

The Co-operative is committed to the completion of a new cardlock site in Meadow Lake. The estimated total cost of the project is \$3,475,500 of which \$2,486,031 has been set up as construction in progress. This project will be financed from operations or loan.



Meadow Lake Co-operative Association Limited
Statistical Information
For the Year Ended January 31, 2020

Record of Sales and Net Savings

| | <u>Year</u> | <u>Sales</u> | <u>Net Savings ⁽¹⁾</u> | <u>%</u> |
|--|-------------|-------------------------|-----------------------------------|------------|
| From Date of Incorporation, March 2, 1945, to January 31, | 2011 | \$ 723,136,879 | \$ 45,609,522 | 6.3 |
| | 2012 | 49,290,227 | 2,988,181 | 6.1 |
| | 2013 | 53,943,412 | 3,376,792 | 6.3 |
| | 2014 | 64,172,049 | 3,691,689 | 5.8 |
| | 2015 | 67,330,255 | 2,276,344 | 3.4 |
| | 2016 | 72,812,059 | 2,514,887 | 3.5 |
| | 2017 | 76,006,827 | 2,101,289 | 2.8 |
| | 2018 | 79,249,640 | 2,671,068 | 3.3 |
| | 2019 | 89,330,796 | 4,647,325 | 5.2 |
| | 2020 | 87,936,544 | 4,774,896 | 5.5 |
| | | <u>\$ 1,363,208,688</u> | <u>\$ 74,651,993</u> | <u>5.5</u> |

⁽¹⁾ 2010 and prior years - savings is before income taxes and patronage refund to members.

Membership

| | |
|------------------------------------|--------------|
| Members purchasing during the year | 7,667 |
| Inactive members | <u>1,191</u> |
| Total members | <u>8,858</u> |

