



# ANNUAL REPORT

**SWAN VALLEY CONSUMERS COOPERATIVE LIMITED  
ANNUAL MEETING AGENDA  
MAY 13<sup>th</sup>, 2021**

- Call to Order
- Chair's Opening Remarks
- Approval of Agenda
- Motion to extend speaking privileges to visitors
- Minutes of the last Annual Meeting
- Business Arising from the Minutes
- Auditor's Report and Financial Statements
- Appointment of Auditors
- Nominating Committee Report
- Board President's Report
- General Manager's Report
- FCL Delegate's Report
- Service Awards
- Question Period
- New Business
- Prize Draws
- Adjournment

## **Summary of the Minutes of the 80<sup>th</sup> Annual Meeting of Swan Valley Consumers Cooperative Limited**

At 7:30 pm on June 29, 2020 President Larry TerHorst called the Annual Meeting to order. He began by welcoming everyone to our 80<sup>th</sup> Annual Meeting which was held virtually. President TerHorst introduced those in attendance, absent were Brenda Bielik and Jason Sakal. He also went through virtual meeting procedures and requested that those in attendance observe a moment of silence in remembrance of the lives of cooperators who have passed on.

Don Hagman – Kim Kosokowsky: Motion that we accept the Agenda as printed.

CD

Carma Masson – Kevin Kirkpatrick: Motion that we extend speaking privileges to visitors.

CD

President TerHorst asked if there was any questions regarding the Minutes of the last Annual Meeting and ensured that everyone had an opportunity to read through the summary.

Don Hagman - John Sandborn: Motion that we approve the minutes as circulated.

CD

There was no new business arising out of the Summary of the Minutes.

Kristin Brading presented the Auditor's Report, and Financial Statements. Kristin read the Auditor's letter, reviewed the Balance Sheet and Statement of Net Savings and Retained Savings. She referred to the Statement of Cash Flow and the Notes, explaining that the notes provided more details to the statements.

No questions arising out the reading of the Financial Statements:

Johnny Wintoniw - Sharon Alford: Motion that we accept the Auditor's Report and Financial Statements as presented.

CD

President TerHorst called on Jessica Lacasse to speak recommending MNP LLP be appointed as our auditors.

Jessica Lacasse - Kim Kosokowsky: Motion that we appoint MNP LLP as our external auditor for the 2020 year.

CD

Don Hagman presented the Nominating Committee's Report. Don stated that the terms of Lorna Munro, John Sandborn and Brenda Bielik ended in 2020. The call for nominations was advertised as per the bylaws. John Sandborn and Lorna Munro allowed their names to stand and that Brenda Bielik would not be returning as a Director. Don Hagman thanked Brenda for her service. We had 2 other nominees from the advertisement, Inge Orf and Kevin Kirkpatrick.

Elections were held at the Swan Valley Co-op from June 19-29,2020

Don Pratt, scrutineer, was called on to present the results:

John Sandborn, Lorna Munro, and Kevin Kirkpatrick were the successful candidates

Leanne Hutman - Johnny Wintoniw: Motion to destroy the ballots

CD

Larry TerHorst presented the President's Report.

Colin Peters presented the General Manager's Report.

Jessica Lacasse presented the FCL Delegate's Report.

Rick Achter - Lorna Munro: That we accept the President's Report, General Manager's Report, Nominating Committee's Report and the FCL Delegate's Report as presented.

CD

### **Question Period**

President TerHorst explained how to unmute your line if you had a question. No questions brought forward.

### **Service Awards**

Colin Peters presented the service award:

Larry TerHorst – 15 years of service

**New Business**

No new business was brought forward

President TerHorst thanked the attendees for joining the first virtual meeting.

Lorne Shevernoha: Moved that we move to adjourn the Annual Meeting at 8:05 pm.

CD

## **Management's Responsibility**

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To the Members of Swan Valley Consumers Cooperative Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Cooperative. 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 fulfills 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 Cooperative'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.

April 29, 2021

Signed "Kristin Brading"

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Controller

## Independent Auditor's Report

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To the Members of Swan Valley Consumers Cooperative Limited:

### Opinion

We have audited the financial statements of Swan Valley Consumers Cooperative Limited (the "Cooperative"), which comprise the balance sheet as at January 31, 2021, 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 Cooperative as at January 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Cooperative 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 Cooperative'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 Cooperative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Cooperative'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

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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 Cooperative'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 Cooperative'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 Cooperative 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.

Brandon, Manitoba

April 29, 2021

*MNP* LLP

Chartered Professional Accountants



**Swan Valley Consumers Cooperative Limited**  
**Balance Sheet**  
**As at January 31, 2021**

	<b>2021</b>	<b>2020</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,855,719	\$ 1,863,603
Accounts receivable	3,180,709	3,520,162
- Customer (Note 5)		
- Other	553,870	393,133
Income taxes recoverable	106,956	589,395
Inventories (Note 6)	8,903,357	8,505,489
Prepaid agriculture suppliers	2,763,695	3,936,600
Prepaid expenses	204,970	231,670
Current portion long-term receivable (Note 7)	25,545	24,087
	17,594,821	19,064,139
 <b>Long-term receivable</b> (Note 7)	 22,522	 4,686
 <b>Investments</b>		
Federated Co-operatives Limited (Note 4(a))	11,482,463	11,366,234
Other organizations	140	-
 <b>Assets under capital lease</b> (Note 8)	 2,324,509	 2,558,261
<b>Property, plant and equipment</b> (Note 9)	14,033,132	14,799,714
<b>Total assets</b>	<b>\$ 45,457,587</b>	<b>\$ 47,793,034</b>
 <b>Current liabilities</b>		
Accounts payable and trust liabilities (Note 11)	\$ 6,153,319	\$ 9,844,938
Customer prepaid accounts	3,297,191	2,782,940
Current portion of obligation under capital lease (Note 12)	359,329	339,515
	9,809,839	12,967,393
 <b>Obligation under capital lease</b> (Note 12)	 1,776,469	 2,109,316
<b>Long-term debt</b> (Note 13)	1,163,690	483,511
<b>Asset retirement obligation</b> (Note 4(b))	31,213	50,978
<b>Total liabilities</b>	12,781,211	15,611,198
 <b>Members' equity</b>		
Share capital (Note 14)	16,437,247	17,051,698
Reserves and retained savings (Note 15)	16,239,129	15,130,138
	32,676,376	32,181,836
<b>Total liabilities and members' equity</b>	<b>\$ 45,457,587</b>	<b>\$ 47,793,034</b>

Subsequent events (Note 22)

Contingency (Note 23)

Approved on behalf of the Board of Directors

Signed "Rick Achter"

Director

Signed "Don Hagman"

Director

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



**Swan Valley Consumers Cooperative Limited**  
**Statement of Net Savings and Statement of Retained Savings**  
**For the Year Ended January 31, 2021**

	2021	%	2020	%
<b>Sales</b> (Note 16)	\$ 83,776,598	100.0	\$ 87,243,174	100.0
<b>Cost of goods sold</b>	<u>71,878,651</u>	<u>85.8</u>	<u>76,934,786</u>	<u>88.2</u>
<b>Gross margin</b>	<u>11,897,947</u>	<u>14.2</u>	<u>10,308,388</u>	<u>11.8</u>
<b>Expenses</b>				
Operating and administration	11,599,775	13.8	11,910,220	13.7
Net interest (Note 18)	<u>55,700</u>	<u>0.1</u>	<u>(18,543)</u>	<u>-</u>
	<u>11,655,475</u>	<u>13.9</u>	<u>11,891,677</u>	<u>13.7</u>
<b>Savings (loss) from operations</b>	242,472	0.3	(1,583,289)	(1.9)
FCL loyalty program (Note 4(c)(iii))	1,086,113	1.3	229,709	0.3
Patronage refunds	<u>1,162,409</u>	<u>1.4</u>	<u>3,983,914</u>	<u>4.6</u>
<b>Savings before income taxes</b>	2,490,994	3.0	2,630,334	3.0
Income tax expense (Note 20)	<u>66,993</u>	<u>0.1</u>	<u>3,567</u>	<u>-</u>
<b>Net savings</b>	<u><b>\$ 2,424,001</b></u>	<u>2.9</u>	<u><b>\$ 2,626,767</b></u>	<u>3.0</u>
<b>Retained savings, beginning of year</b>	<b>\$ 1,720,303</b>		<b>\$ 917,529</b>	
Net savings	2,424,001		2,626,767	
Transfer to general reserve (Note 15)	(249,100)		(263,033)	
Patronage allocation to members (Note 14)	<u>(1,331,027)</u>		<u>(1,560,960)</u>	
<b>Retained savings, end of year</b> (Note 15)	<u><b>\$ 2,564,177</b></u>		<u><b>\$ 1,720,303</b></u>	

The accompanying notes are an integral part of these financial statements



# Swan Valley Consumers Cooperative Limited

## Statement of Cash Flows

For the Year Ended January 31, 2021

	2021	2020
<b>Operating activities</b>		
Net savings	\$ 2,424,001	\$ 2,626,767
Adjustments for:		
Depreciation	2,008,955	1,665,252
Amortization	271,181	298,645
Accretion	1,013	975
FCL patronage refund	(1,162,288)	(3,983,914)
Loss (gain) on the disposal of property, plant and equipment	(19,136)	81,913
Changes in non-cash operating working capital:		
Accounts receivable	178,716	364,043
Income taxes recoverable	482,439	(527,760)
Inventories	(397,868)	1,029,466
Prepaid agriculture suppliers	1,172,905	1,573,775
Prepaid expenses	26,700	(83,047)
Long-term receivables	(19,294)	(3,028)
Accounts payable and trust liabilities	(3,691,619)	(1,690,205)
Customer prepaid accounts	514,251	(1,285,569)
Asset retirement obligation	(20,778)	-
Cash provided by operating activities	1,769,178	67,313
<b>Investing activities</b>		
Redemption of FCL shares	1,046,059	3,187,131
Additions to property, plant and equipment	(1,309,557)	(6,005,026)
Additions to capital assets under capital lease	(37,429)	-
Proceeds from the disposal of property, plant and equipment	86,320	23,343
Investment in other organization	(140)	-
Cash used for investing activities	(214,747)	(2,794,552)
<b>Financing activities</b>		
Increase in capital lease obligation	27,799	-
Repayment of capital lease obligation	(340,832)	(327,170)
Change in line of credit	680,179	483,511
Share capital issued	1,680	1,760
GST on allocation	33,081	64,080
Redemption of share capital	(1,964,222)	(2,790,685)
Cash used for financing activities	(1,562,315)	(2,568,504)
<b>Net decrease in cash and cash equivalents</b>	<b>(7,884)</b>	<b>(5,295,743)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,863,603</b>	<b>7,159,346</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,855,719</b>	<b>\$ 1,863,603</b>

The accompanying notes are an integral part of these financial statements



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

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**1. Incorporation and operations**

Swan Valley Consumers Cooperative Limited ("the Cooperative") was incorporated under the Cooperatives Act of Manitoba on April 17, 1940. The primary business of the Cooperative is operating retail agriculture, food, and petroleum outlets in Swan River, Manitoba and 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, asset retirement obligations, 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 Cooperative'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 Cooperative 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 Cooperative'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).



# Swan Valley Consumers Cooperative Limited

## Notes to the Financial Statements For the Year Ended January 31, 2021

### (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 Cooperative 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 Cooperative 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 Cooperative 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) Assets under capital lease

Leases, which transfer substantially all of the benefits and risk incidents to ownership of property, are recorded as an acquisition of an asset and the incurrence of an obligation. Under this method of accounting for leases, the asset is amortized over its estimated useful life and the obligation, including interest thereon, over the life of the lease. Rents on non-capital leases are expensed as incurred. Amortization on the assets under capital lease are taken over the estimated useful lives of the assets using the following methods and rates:

NH3 tanks	Declining balance	10%
Transport trailer	Declining balance	15%
Transit van	Declining balance	30%

### (g) 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:

Land improvements	Declining balance	4% to 10%
Buildings	Straight-line & declining balance	25 years & 10%
Tanks	Declining balance	10% & 20%
Vehicles	Declining balance	15% & 30%
Furniture & equipment	Declining balance	20% to 30%
Computer equipment	Declining balance	55% & 100%
Asset retirement cost	Straight-line	25 - 30 years

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

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

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



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

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**(h) Asset retirement obligation**

The Cooperative 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.

**(i) Share capital**

The Cooperative 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 Cooperative records the redemption of shares that is to be paid to members at the time it has been approved by the Board of Directors.

**(j) Revenue recognition**

The Cooperative 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 Cooperative.

**(k) Income taxes**

The Cooperative 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.

**(l) Government assistance**

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

**3. Financial instruments and risk management**

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

**(a) Credit risk**

The Cooperative is exposed to credit risk on accounts receivable from its customers. The Cooperative manages credit risk through an active credit management program. Two customers account for 35% (2020 - three customers accounted for 35%) of the accounts receivable balance.



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

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**(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 Cooperative's sensitivity to fluctuations in interest rates is limited to its cash, funds on deposit, and debt. The Cooperative manages its exposure to interest rate risk through floating rate deposits and borrowings.

**(c) Liquidity risk**

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

**(d) Commodity price risk**

The Cooperative enters into transactions to purchase crop production products, for which market prices fluctuate. The nature of the Cooperative'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 Cooperative 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 Cooperative, along with other Cooperatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Cooperatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2020, the Cooperative purchased goods amounting to \$66,214,216 (2019 - \$75,380,432) 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 Cooperative. The amounts of the patronage refund and shares redeemed are as follows:

	<b>2021</b>	<b>2020</b>
Opening investment balance	\$ 11,366,234	\$ 10,569,451
Patronage refund	1,162,288	3,983,914
Share redemptions	<u>(1,046,059)</u>	<u>(3,187,131)</u>
Closing investment balance	<u>\$ 11,482,463</u>	<u>\$ 11,366,234</u>



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

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**(b) Asset retirement obligation**

The Cooperative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Cooperative's liability to \$25,000 per site as long as the Cooperative continues to exercise due diligence. The Cooperative has two petroleum sites under this program. Management believes that due diligence has been exercised. At year end, the Cooperative has accrued a liability in the amount of \$31,213 (2020 - \$50,978). A corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of tanks. Accretion for the current year included in operating and administration expense was \$1,013 (2020 - \$975).

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

**(c) Purchase commitments**

(i) Under the terms of the agreement with FCL, the Cooperative 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 July 2011. Failure to meet this commitment would require the Cooperative 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 \$1,717,486 (2020 - \$1,717,486). Management intends to fulfill all existing contracts with FCL.

(ii) Under the terms of the agreement with FCL, the Cooperative has committed to purchase petroleum products, at market price, from the FCL corporate bulk plant over a ten year period commencing from March 2016. Failure to meet this commitment would require the Cooperative 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) In November 2019 FCL introduced the Loyalty Program. Under the terms of the agreement with FCL, the Cooperative 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 Cooperative, on a quarterly basis, a Loyalty Payment based on cents per litre. Loyalty Payment revenue is accrued as earned. Patronage refunds on other commodities are allocated each December.

(iv) Under the terms of the agreement with FCL, the Cooperative has committed to purchase agricultural-related products from FCL and continue to operate certain agro locations over periods of ten to thirty years depending on the specific contract. Failure to meet this commitment would require the Cooperative to repay the assistance received on a prorated basis. Total assistance that would be repayable if commitments were not met without FCL approval as at January 31, 2021 amounted to \$141,123 (2020 - \$141,123). Management intends to fulfill all commitments with FCL.

(v) Under the terms of the agreement with FCL, the Cooperative has committed to purchase fertilizer products, at market price, from FCL over a five year period commencing from July 2019. Failure to meet this commitment would require the Cooperative 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.





**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

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**5. Accounts receivable - customer**

Shown net of an allowance for doubtful accounts of \$95,000 (2020 - \$55,000).

**6. Inventories**

	<b>2021</b>	<b>2020</b>
Raw material	\$ 2,562,576	\$ 2,137,296
Goods for resale	<u>6,340,781</u>	<u>6,368,193</u>
	<u><u>\$ 8,903,357</u></u>	<u><u>\$ 8,505,489</u></u>

The cost of inventories recognized as an expense during the year was \$71,618,459 (2020 - \$76,739,810).

**7. Long-term receivable**

		<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
	Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
Tanks & bins	<u>\$ 48,067</u>	<u>\$ 25,545</u>	<u>\$ 22,522</u>	<u>\$ 24,087</u>	<u>\$ 4,686</u>

The Cooperative has long-term interest free receivables covering tanks and bins which are recoverable over three years. The receivables are secured by the purchased tanks and bins.

**8. Assets under capital lease**

	Original Cost	Accumulated Amortization	<b>2021</b> Book Value	<b>2020</b> Book Value
NH3 tanks	\$ 2,767,212	\$ 640,112	\$ 2,127,100	\$ 2,363,445
Transport trailer	248,151	82,557	165,594	194,816
Transit van	<u>37,429</u>	<u>5,614</u>	<u>31,815</u>	<u>-</u>
	<u><u>\$ 3,052,792</u></u>	<u><u>\$ 728,283</u></u>	<u><u>\$ 2,324,509</u></u>	<u><u>\$ 2,558,261</u></u>

Amortization for the current year included in operating and administration expense was \$271,181 (2020 - \$298,645).



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

**9. Property, plant and equipment**

	Original Cost	Accumulated Depreciation	<b>2021</b> Book Value	2020 Book Value
Land	\$ 556,361	\$ -	\$ 556,361	\$ 556,361
Land improvements	2,024,007	1,001,383	1,022,624	1,101,206
Buildings	12,952,204	5,997,204	6,955,000	6,909,483
Tanks	688,760	537,785	150,975	175,875
Furniture & equipment	10,062,032	6,503,470	3,558,562	4,310,381
Computer equipment	915,474	633,433	282,041	171,315
Vehicles	3,513,207	2,082,354	1,430,853	1,143,094
Asset retirement cost	22,526	7,448	15,078	12,202
Under construction	61,638	-	61,638	419,797
	<u>\$ 30,796,209</u>	<u>\$ 16,763,077</u>	<u>\$ 14,033,132</u>	<u>\$ 14,799,714</u>

Depreciation for the current year included in operating and administration expense was \$2,008,955 (2020 - \$1,665,252).

**10. Line of credit**

The Cooperative has a \$8,000,000 line of credit with Swan Valley Credit Union of which no amount has been drawn as at January 31, 2021 (2020 - \$nil). The line of credit is secured by a Business Security Agreement and a General Security Agreement. Interest on the line of credit is bank prime less 0.25% (2.95%) (2020 - 3.7%).

**11. Accounts payable and trust liabilities**

	<b>2021</b>	2020
FCL payables	\$ 4,629,755	\$ 7,858,707
Other payables	1,313,402	1,851,534
Trust liabilities:		
Payroll deductions	63,486	2,845
Goods and services tax	5,026	-
Provincial sales tax	40,687	48,182
Federal fuel charge	100,963	83,670
	<u>\$ 6,153,319</u>	<u>\$ 9,844,938</u>



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

**12. Obligation under capital lease**

	Total	2021 Current Portion	2021 Deferred Portion	2020 Current Portion	2020 Deferred Portion
NH3 tanks <sup>(1)</sup>	\$ 1,957,946	\$ 321,638	\$ 1,636,308	\$ 307,891	\$ 1,957,946
Transport trailer <sup>(2)</sup>	151,371	33,004	118,367	31,624	151,370
Transit van <sup>(3)</sup>	26,481	4,687	21,794	-	-
	<u>\$ 2,135,798</u>	<u>\$ 359,329</u>	<u>\$ 1,776,469</u>	<u>\$ 339,515</u>	<u>\$ 2,109,316</u>

<sup>(1)</sup> The lease agreement for the NH3 tanks matures November 2026, requires semi-annual minimum lease payments of \$189,533 and has a nominal interest rate of 4.78%. This lease is secured by the NH3 tanks under capital lease (Note 8).

<sup>(2)</sup> The lease agreement for the transport trailer matures May 2024, requires semi-annual minimum lease payments of \$18,339, has a nominal interest rate of 4.65%, and includes a buyout option at the end of the lease. This lease is secured by the transport trailer under capital lease (Note 8).

<sup>(3)</sup> The lease agreement for the transit van matures October 2023, requires monthly minimum lease payments of \$467, has a nominal interest rate of 1.99%, and includes a buyout option at the end of the lease. This lease is secured by the transit van under capital lease (Note 8).

The scheduled principal repayments on the capital lease for the next five years and subsequent are as follows:

2022	\$ 359,329
2023	375,728
2024	403,288
2025	414,997
2026	383,682
Subsequent payments	<u>198,774</u>
	<u>\$ 2,135,798</u>



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

**13. Long-term debt**

	Total	2021 Current Portion	2021 Deferred Portion	2020 Current Portion	2020 Deferred Portion
FCL <sup>(1)</sup>	\$ 1,163,690	\$ -	\$ 1,163,690	\$ -	\$ 483,511

(1) FCL line of credit, bearing interest at prime rate (2.45%) (2020 - 3.95%), repayable via an annual reduction in available credit, matures December 2024. The loan is subject to certain non-financial covenants. The Cooperative 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 Business Security Agreement and a General Security Agreement. The available line of credit decreases as follows:

December 1, 2020 - December 1, 2021	\$ 4,400,000
December 1, 2021 - December 1, 2022	3,300,000
December 1, 2022 - December 1, 2023	2,200,000
December 1, 2023 - December 1, 2024	1,100,000

**14. Share capital**

Authorized, unlimited @ \$1	2021	2020
Balance, beginning of year	\$ 17,051,698	\$ 18,237,537
Allocation to members	1,331,027	1,560,960
Cash from new members	1,680	1,760
GST on allocation	33,081	64,080
Shares transferred from reserves	7,138	1,111
	<u>18,424,624</u>	<u>19,865,448</u>
General repayment	1,321,520	1,707,912
Shares transferred to reserves	23,155	23,065
Withdrawals and retirements	444,890	718,601
Withholding tax	197,812	364,172
	<u>1,987,377</u>	<u>2,813,750</u>
Balance, end of year	<u>\$ 16,437,247</u>	<u>\$ 17,051,698</u>



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

**15. Reserves and retained savings**

	<b>Special Reserve</b>	<b>General Reserve</b>	<b>Retained Savings</b>	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ 5,221,575	\$ 8,188,260	\$ 1,720,303	\$ 15,130,138	\$ 14,042,377
Net savings distributed to retained savings	-	-	2,424,001	2,424,001	2,626,767
Patronage allocation	-	-	(1,331,027)	(1,331,027)	(1,560,960)
Shares transferred	-	16,017	-	16,017	21,954
Reserve transfers	-	249,100	(249,100)	-	-
Balance, end of year	<u>\$ 5,221,575</u>	<u>\$ 8,453,377</u>	<u>\$ 2,564,177</u>	<u>\$ 16,239,129</u>	<u>\$ 15,130,138</u>

**16. Sales**

	<b>2021</b>	<b>2020</b>
Consumer products	\$ 28,832,354	\$ 29,062,948
Petroleum and agro	<u>54,944,244</u>	<u>58,180,226</u>
	<u>\$ 83,776,598</u>	<u>\$ 87,243,174</u>

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

**17. Government assistance**

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

The Cooperative has determined that it has qualified for the CEWS. The Cooperative has applied for \$268,511 which has been reflected as a reduction to operating and administration expenses.



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

**18. Net interest**

	2021	2020
Interest expense on		
- Short-term debt	\$ 28,993	\$ 60,139
- Long-term debt	62,177	4,688
- Obligation under capital lease	101,644	116,192
Interest revenue	<u>(137,114)</u>	<u>(199,562)</u>
	<u>\$ 55,700</u>	<u>\$ (18,543)</u>

**19. Pension plan**

The Cooperative participates in a multi-employer defined contribution plan whereby the Cooperative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Cooperative has no unfunded liability under this plan. During the year, the Cooperative recorded \$271,326 (2020 - \$244,558) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

**20. Income tax expense**

The Cooperative accounts for income taxes using the taxes payable method. As a result, the Cooperative's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2021	2020
Savings before income taxes	\$ 2,490,994	\$ 2,630,334
Expected income tax expense at the combined tax rate of 27.0% (2020 - 27.0%) net of the general rate reduction	672,568	710,190
Decrease in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(77,513)	(63,398)
Patronage allocation to members of \$1,331,027 (2020 - \$1,560,960)	(359,377)	(421,459)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	95,126	-
Patronage carryforward claimed	(244,865)	-
Capital cost allowance in excess of depreciation	-	(468,146)
Allowance for doubtful accounts	(5,872)	-
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(12,693)	(6,542)
Patronage dividends available for carryforward	-	257,532
Prior year tax adjustment	<u>(381)</u>	<u>(4,610)</u>
Income tax expense	<u>\$ 66,993</u>	<u>\$ 3,567</u>



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2021**

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**21. 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 Cooperative 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.

**22. Subsequent events**

**(a) Patronage allocation to members**

Subsequent to January 31, 2021 the Board of Directors approved a patronage allocation to members in the amount of \$1,331,027 (2020 - \$1,560,960).

**(b) Fertilizer shed project**

Subsequent to January 31, 2021, the Cooperative has undertaken project planning and land acquisition for the construction of a fertilizer shed in Swan River, Manitoba.

**23. Contingency**

Certain claims are pending against the Cooperative. 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 Cooperative's financial condition or results of operation.



**Swan Valley Consumers Cooperative Limited**  
**Audited Statistical Information**  
**For the Year Ended January 31, 2021**

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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, April 7, 1940, to January 31,	2012	\$ 1,026,093,628	\$ 53,056,614	5.2
	2013	67,760,927	3,043,810	4.5
	2014	71,360,211	3,976,978	5.6
	2015	77,873,387	4,519,918	5.8
	2016	81,270,198	4,292,058	5.3
	2017	75,156,547	3,795,995	5.1
	2018	80,550,907	3,996,799	5.0
	2019	88,267,571	4,703,901	5.4
	2020	87,243,174	2,626,767	3.0
	2021	83,776,598	2,424,001	2.9
		<u>\$ 1,739,353,148</u>	<u>\$ 86,436,841</u>	<u>5.0</u>

**Membership**

Members purchasing during the year	5,298
Inactive members	<u>1,173</u>
Total members	<u>6,471</u>





## President's Report

Your Swan Valley Co-op recorded sales of over \$83.7 million during the 2020 fiscal year with net savings of \$2.4 million. These results were achieved thanks to the continued patronage of our members and the combined efforts of team leaders and team members as well as the Board of Directors. Throughout the 2020 year there were 168 new membership applications, total member cash repayments of \$1.32 million and an equity allocation of \$1.56 million to members based on 2019 purchases.

Looking forward to 2021, an allocation of \$1.33 million to members based on 2020 purchases has been approved. This allocation will be based on 1.0% of Food purchases, 2.0% of Agro purchases and 2.0% of Petroleum purchases.

This year with the arrival of the COVID-19 pandemic, the Board of Directors, in consultation with the Management Team, worked to ensure policies were in place to ensure the safety of our team and members. Our Management Team did an excellent job of helping develop and then implement the policies and procedures needed to keep our team and members safe during this unexpected and difficult situation. The Covid pandemic resulted in a major disruption to business operations and a significantly increased workload for all our team members. I am very proud of our entire Co-op team and wish to thank you for working together to keep our community safe. I also wish to thank you, the members, for your ongoing patience and cooperation in dealing with the restrictions needed to maintain everyone's safety.

Your Board of Directors held 11 meetings during the year as well as sustainability, governance, property and nominating committee meetings, as necessary. Our ongoing commitment to provide excellent service, products and facilities for our customers allows our co-op to generate revenues and profits. This gives us the opportunity to provide equity and cash back to our members as well as scholarships and donations to community events throughout the Swan Valley.

Your Board holds an annual strategic planning session to discuss the future needs and direction for your Co-op. Members of the property committee tour our facilities and meet with department team leaders to discuss asset requirements and potential opportunities. This information, along with a five-year financial forecast, forms the basis of the planning session. Together with the General Manager and leadership team, we develop our revolving five-year corporate goals, understanding that we need to evolve with the ever changing retail landscape to ensure our long term viability as a co-op.

This year FCL hosted its information meetings and AGM virtually. This allowed more of our directors to attend the June District 5 meeting, the Fall Leaders Conference and the information session hosted prior to FCL's 92nd AGM. Delegates attending the FCL AGM were Rick Achter, Lorne Shevernoha and Larry TerHorst.

In closing, we thank our members for their continued support and our employees for their service and dedication. Our goal is to provide strong leadership into the future so that we achieve our vision of being the retailer of choice in the communities we serve.

On behalf of the Board of Directors,

Larry TerHorst,

President

## General Manager's Report

Swan Valley Co-op surpassed \$83 million in sales and achieved local earnings of \$242,000 before FCL loyalty program and patronage repayments. After FCL patronage, our net earnings totaled \$2.4 million. The earnings are reflective of the success of our food and agro operations despite the disruptive and volatile environment brought on by COVID-19. My report will highlight our operations for the last year and touch on a few of the items we're working on in 2021.

Our Co-op continues to be focused on a proactive approach to our business with the continued use of Corporate Performance Management and Talent Management. These measurable goals-based frameworks help us carry out our mission and reach our vision of **being the retailer of choice in the communities we serve**. The ultimate goal for our Co-op is to remain relevant in a rapidly increasing, competitive retail environment, and create long term sustainable value for our members.

Last year, our Co-op completed a truck shelter for our petroleum units which provides excellent weather and wind protection helping us provide bulk fuel services, even on the coldest of winter days. We also celebrated our 80<sup>th</sup> anniversary, another significant milestone for our member owned organization.

Our major capital investments this year include the anticipated construction of a state of the art dry fertilizer storage and blending facility, that addresses our need for increased storage in this high volume portion of our business.

I'd also like to share a brief update regarding our COVID-19 response. Safety – of our employees, our customers and our community – is among our top priorities. We have the obligation to provide a safe environment for everyone which also aligns with our core values. We'll continue to follow government public health orders and implement mask use and other safety protocols in our locations.

I'm grateful for our team's approach with the increased risk they face working on the front lines of our essential services. They are an integral part of the front line services offered in our communities; and I consider them superheroes.

Your Co-op continues to support local groups and organizations by assisting them with their fundraising activities. Last year we invested over \$73,000 back into our local community through donations to these groups. Part of this contribution was \$20,000 toward three legacy projects in celebration of our 80<sup>th</sup> anniversary. We are proud to be part of your community and happy to lend a hand toward projects and partnerships that are doing great things close to home.

I'm excited to announce this evening that Swan Valley Co-op has committed to a contribution of \$250,000 over a 10 year period to the Thunderhill Ski Club for their recreational development, which is in its early stages. The development features improvements for year round inclusive use for all ages. Co-op is proud to be a part of bringing this project into reality. Together, we are improving the places where we meet, play, learn and share. Thank you, Friends of Thunder and Thunderhill Ski Club, for your commitment to Swan Valley residents. The extraordinary work you do on a daily basis makes a difference.

I want to close by thanking our team. Without you, we could not serve our community as we have for more than 80 years. Also, the dedicated service and determination of our employees throughout the COVID-19 pandemic has been exemplary. You truly make a difference in our members lives every day.

Thank you to the Board for their strategic direction, support, and trust they place in our team in moving toward our vision. And, of course without the much needed support of **you**, our members, we would not exist. Thank you for your business.

Colin Peters, General Manager

## Delegate's Report

The 92<sup>nd</sup> Annual Meeting of the Members of Federated Co-operatives Limited (FCL) was held virtually from February 27 – March 1, 2021.

At present, there are 167 member retail cooperatives, two affiliate members and six associate members making up the Co-operative Retailing System (CRS). Two hundred eighty three delegates of the retail co-operatives were registered for the Annual Meeting. Local Co-ops serve nearly two million members and have operations in over 600 communities across Western Canada.

On Saturday, February 27, 2021, the 2020 Annual Report of Operations was presented followed by an exchange of questions and answers on the operation and 2020 financial results. FCL's 2020 sales were \$7.9 billion, net income was \$177 million, patronage allocation was \$118 million and share redemptions of \$114 million were made. Sales from 2020 were down from \$9.2 billion in the prior year and net income was down from \$959 million. The main reasons for the decline were the six month strike at the Co-op Refinery Complex and the discontinuing membership of the Calgary Co-op from the food business in March which represented about 20% decline in food volume.

Some positive items on the horizon for FCL include:

- With all the pressures for a reduced carbon footprint in the future, and mounting government regulations, the Coop Refinery Complex in Regina is well-positioned in the industry to meet the new regulations and be the best facility in regard to cost of product.
- Another initiative is FCL's continued work towards technology development to continue to reduce operating costs across operations and increase services and efficiencies for the CRS.
- The new bulk fertilizer terminal at Grassy Lake, AB is now in operation.

Other highlights:

- No resolutions were submitted in 2020 by the Retail Coops.
- FCL Board of Directors presented four resolutions mainly by-laws which all were passed by a majority vote.
- FCL Board of Directors elected not to increase their per diem for 2020 due to the reduced earnings.
- Dave Kendall from Flin Flon was elected to continue on the Resolution Committee.
- Jocelyn VanKoughnet was elected as FCL Director for District 5.
- 5<sup>th</sup> Annual CRS Awards were presented. Swan Valley Co-op was a finalist for "Excellence in Health and Safety" but unfortunately, did not win the award this year.

The annual meeting was well executed. Presentations by Sharon Alford and Scott Banda were excellent.

Rick Achter, Board Secretary  
District 5 FCL Delegate  
March 2021

**Board of Directors**

<b>Director</b>	<b>Address</b>	<b>Office</b>	<b>Term Expires</b>
Don Hagman	Swan River	Director	2021
Lorne Shevernoha	Swan River	Director	2021
Rick Achter	Durban	Secretary	2022
Jessica Lacasse	Swan River	Director	2022
Larry TerHorst	Kenville	President	2022
John Sandborn	Benito	Director	2023
Lorna Jean Munro	Mafeking	Director	2023
Kevin Kirkpatrick	Swan River	Director	2023

**As indicated above, the terms of the following Directors expire this year**

<b>Years of Service</b>		
Don Hagman	Swan River	15
Lorne Shevernoha	Swan River	3

