



# ANNUAL REPORT





Swan Valley

## OUR VALUES

### INTEGRITY

Be honest, trustworthy and responsible

### EXCELLENCE

In customer experience

Through knowledge and personal growth

Lead and inspire by example

### RESPECT

Treat others as you want to be treated

### COMMUNITY

Be proud of our community

Give back and have fun doing it

## OUR VISION

To be the retailer of choice in the communities we serve.

## OUR MISSION

We make a difference in our members lives, through our committment to excellence in customer experience.

## ASPIRATIONAL STATEMENT

Our customers feel at home because our team lives the Co-op brand. We create a culture of ongoing learning and development to build success. Using our financial strength, we foster growth in a sustainable manner. We are a community focused co-op making sound investments into stewardship practices that make a difference in our members lives.





**SWAN VALLEY CONSUMERS COOPERATIVE LIMITED  
ANNUAL MEETING AGENDA  
MAY 10<sup>th</sup>, 2022**

- 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 & Declaration of Election Results
- Board President's Report
- General Manager's Report
- FCL Delegate's Report
- New Business
  - Presentation of Proposed Bylaw Revisions
- Service Awards
- Question Period
- Prize Draws
- Adjournment





## Summary of the Minutes of the 81<sup>st</sup> Annual Meeting of Swan Valley Consumers Cooperative Limited

At 7:35 pm on May 13, 2021 President Larry TerHorst called the Annual Meeting to order. He began by welcoming everyone to our 81<sup>st</sup> Annual Meeting which was held virtually. President TerHorst introduced those in attendance. He also went through our 2nd 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.

President TerHorst introduced the Board of Directors who were in attendance virtually and joining in person in the Boardroom.

Bob Tibble - Cynthia Zimmer: Motion that we accept the Agenda as printed.

CD

Lorne Shevernoha - Lorna Bell: Motion that we extend speaking privileges to visitors.

CD

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

Stephen Tanner - Kevin Kirkpatrick: 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 of the reading of the Financial Statements:

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

CD

President TerHorst called on Rick Achter to speak recommending MNP LLP be appointed as our auditors.

Rick Achter – Derek Armstrong: Motion that we appoint MNP LLP as our external auditor for the 2021 year.

CD

Jessica Lacasse presented the Nominating Committee's Report. Jessica stated that the terms of Lorne Shevernoha and Don Hagman ended in 2021. The call for nominations was advertised as per the bylaws. Lorne Shevernoha and Don Hagman allowed their names to stand and one new application was received from Gary Bartel. Gary Bartel, Don Hagman, and Lorne Shevernoha were elected by acclamation. Jessica thanked everyone for attending the virtual meeting.

Board President Larry TerHorst welcomed Gary Bartel to the board and looks forward to working with him.

Larry TerHorst presented the President's Report.

Colin Peters presented the General Manager's Report.

Rick Achter presented the FCL Delegate's Report.

Evan Blecker – Danny Hansford: Motion that we accept the President's Report, General Manager's Report, Nominating Committee's Report and the FCL Delegate's Report as presented.

CD

### **Service Awards**

Lorna Munro – 9 years

Don Hagman – 15 years

John Sandborn – 27 years

President TerHorst thanked all the board for their dedicated service to the members of Swan Valley Co-op.

**Question Period**

President TerHorst opened the question period either by email or chat. No questions brought forward. TerHorst extended an opening for questions later to contact Colin, Larry or any of the board.

**New Business**

No new business was brought forward.

**Prize Draws** were drawn.

Home Baking basket valued at \$250, won by Lorna Bell.

5 – \$50 Co-op Gift Cards won by:

- Jessica Lacasse
- Stephen Tanner
- Evan Blecker
- Sharon Alford
- Rosemary Zagrobelny

President TerHorst thanked the attendees for joining the virtual meeting.

Nicole Hrapsted: Moved that we move to adjourn the Annual Meeting at 8:09 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 fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the 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 26, 2022

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, 2022, 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, 2022, 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 26, 2022

*MNP* LLP

Chartered Professional Accountants

**Swan Valley Consumers Cooperative Limited**  
**Balance Sheet**  
**As at January 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,956,376	\$ 1,855,719
Accounts receivable - Customer (Note 5)	3,341,258	3,180,709
- Other	1,025,666	553,870
Income taxes recoverable	-	106,956
Inventories (Note 6)	11,760,462	8,903,357
Prepaid agriculture suppliers	2,613,750	2,763,695
Prepaid expenses	208,090	204,970
Current portion long-term receivable (Note 7)	33,922	25,545
	23,939,524	17,594,821
 <b>Long-term receivable (Note 7)</b>	 12,232	 22,522
 <b>Investments</b>		
Federated Co-operatives Limited (Note 4(a))	12,043,265	11,482,463
Other organizations	289	140
 <b>Assets under capital lease (Note 8)</b>	 2,077,416	 2,324,509
<b>Property, plant and equipment (Note 9)</b>	16,150,013	14,033,132
<b>Total assets</b>	<b>\$ 54,222,739</b>	<b>\$ 45,457,587</b>
 <b>Current liabilities</b>		
Accounts payable and trust liabilities (Note 11)	\$ 10,978,676	\$ 6,153,319
Customer prepaid accounts	3,162,614	3,297,191
Income tax payable	447,170	-
Current portion of obligation under capital lease (Note 12)	375,728	359,329
Current portion of long term debt (Note 13)	131,435	-
	15,095,623	9,809,839
 <b>Obligation under capital lease (Note 12)</b>	 1,400,310	 1,776,469
<b>Long-term debt (Note 13)</b>	2,200,000	1,163,690
<b>Asset retirement obligation (Note 4(b))</b>	32,134	31,213
<b>Total liabilities</b>	18,728,067	12,781,211
 <b>Members' equity</b>		
Share capital (Note 14)	17,235,056	16,437,247
Reserves and retained savings (Note 15)	18,259,616	16,239,129
	35,494,672	32,676,376
<b>Total liabilities and members' equity</b>	<b>\$ 54,222,739</b>	<b>\$ 45,457,587</b>

Subsequent event (Note 22)

Commitment (Note 23)

Approved on behalf of the Board of Directors

Signed "Don Hagman"

\_\_\_\_\_  
Director

Signed "Rick Achter"

\_\_\_\_\_  
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, 2022**

	2022	%	2021	%
<b>Sales</b> (Note 16)	\$ 104,525,978	100.0	\$ 83,776,598	100.0
<b>Cost of goods sold</b>	<u>90,653,026</u>	<u>86.7</u>	<u>71,878,651</u>	<u>85.8</u>
<b>Gross margin</b>	<u>13,872,952</u>	<u>13.3</u>	<u>11,897,947</u>	<u>14.2</u>
<b>Expenses</b>				
Operating and administration	12,174,248	11.6	11,599,775	13.8
Net interest (Note 18)	<u>(30,660)</u>	<u>-</u>	<u>55,700</u>	<u>0.1</u>
	<u>12,143,588</u>	<u>11.6</u>	<u>11,655,475</u>	<u>13.9</u>
<b>Savings from operations</b>	1,729,364	1.7	242,472	0.3
FCL loyalty program (Note 4(c)(iii))	1,063,566	1.0	1,086,113	1.3
Patronage refunds	<u>2,804,170</u>	<u>2.7</u>	<u>1,162,409</u>	<u>1.4</u>
<b>Savings before income taxes</b>	5,597,100	5.4	2,490,994	3.5
Income tax expense (Note 20)	<u>933,450</u>	<u>0.9</u>	<u>66,993</u>	<u>0.1</u>
<b>Net savings</b>	<u><b>\$ 4,663,650</b></u>	<u>4.5</u>	<u><b>\$ 2,424,001</b></u>	<u>3.4</u>
<b>Retained savings, beginning of year</b>	<b>\$ 2,564,177</b>		<b>\$ 1,720,303</b>	
Net savings	4,663,650		2,424,001	
Transfer to general reserve (Note 15)	(559,710)		(249,100)	
Patronage allocation to members (Note 14)	<u>(2,665,559)</u>		<u>(1,331,027)</u>	
<b>Retained savings, end of year</b> (Note 15)	<u><b>\$ 4,002,558</b></u>		<u><b>\$ 2,564,177</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, 2022**

	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Net savings	\$ 4,663,650	\$ 2,424,001
Adjustments for:		
Depreciation	1,826,102	2,008,955
Amortization	247,094	271,181
Accretion	921	1,013
FCL patronage refund	(2,804,011)	(1,162,288)
Gain on the disposal of property, plant and equipment	(139,973)	(19,136)
Changes in non-cash operating working capital:		
Accounts receivable	(632,345)	178,716
Income taxes	554,126	482,439
Inventories	(2,857,105)	(397,868)
Prepaid agriculture suppliers	149,945	1,172,905
Prepaid expenses	(3,120)	26,700
Long-term receivables	1,913	(19,294)
Accounts payable and trust liabilities	4,825,357	(3,691,619)
Customer prepaid accounts	(134,577)	514,251
Asset retirement obligation	-	(20,778)
Cash provided by operating activities	<u>5,697,977</u>	<u>1,769,178</u>
<b>Investing activities</b>		
Redemption of FCL shares	2,243,209	1,046,059
Additions to property, plant and equipment	(4,653,122)	(1,309,557)
Additions to capital assets under capital lease	-	(37,429)
Proceeds from the disposal of property, plant and equipment	850,111	86,320
Investment in other organization	(149)	(140)
Cash used for investing activities	<u>(1,559,951)</u>	<u>(214,747)</u>
<b>Financing activities</b>		
Increase in capital lease obligation	-	27,799
Repayment of capital lease obligation	(359,760)	(340,832)
Change in line of credit	1,167,745	680,179
Share capital issued	1,770	1,680
GST on allocation	24,518	33,081
Redemption of share capital	(1,871,642)	(1,964,222)
Cash used for financing activities	<u>(1,037,369)</u>	<u>(1,562,315)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	3,100,657	(7,884)
<b>Cash and cash equivalents, beginning of year</b>	<u>1,855,719</u>	<u>1,863,603</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,956,376</u>	<u>\$ 1,855,719</u>

The accompanying notes are an integral part of these financial statements



## **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 agricultural, food, and petroleum outlets in Swan River and the Pas, Manitoba and 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, 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).



**(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 risks incident 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 depreciated 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. Depreciation 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% & 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.



**(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 earned by 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 tax rates that are enacted or substantively enacted at the reporting date.

**(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 Wages Subsidy ("CEWS") as a reduction to the expense which the assistance program is meant to fund. Government assistance in the form of forgivable loans is recognized as other income in the year that the forgivable loan is received.

**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. The Cooperative does not have a significant exposure to any individual customer (2021 - two customers accounted for 35% of the accounts receivable balance).



**(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, 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. 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, 2021, the Cooperative purchased goods amounting to \$82,707,661 (2020 - \$66,214,216) 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>2022</b>	2021
Opening investment balance	\$ 11,482,463	\$ 11,366,234
Patronage refund	2,804,011	1,162,288
Share redemptions	<u>(2,243,209)</u>	<u>(1,046,059)</u>
Closing investment balance	<u>\$ 12,043,265</u>	<u>\$ 11,482,463</u>



**(b) Asset retirement obligation**

The Cooperative participates in a contaminated site management program established by FCL to manage its asset retirement obligations for petroleum sites. 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 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 \$32,134 (2021 - \$31,213). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$921 (2021 - \$1,013).

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 March 2012. 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 \$192,802 (2021 - \$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) 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. The Loyalty Payment revenue is accrued as earned.

(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, 2022 amounted to \$141,123 (2021 - \$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, 2022**

**5. Accounts receivable - customer**

Shown net of an allowance for doubtful accounts of \$275,000 (2021 - \$95,000).

**6. Inventories**

	<b>2022</b>	2021
Raw material	\$ 3,632,784	\$ 2,562,576
Work in process	<u>8,127,678</u>	<u>6,340,781</u>
	<u><u>\$ 11,760,462</u></u>	<u><u>\$ 8,903,357</u></u>

The cost of inventories recognized as an expense during the year was \$90,440,125 (2021 - \$71,618,459).

**7. Long-term receivable**

	<b>2022</b>	<b>2022</b>	2021	2021
Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
Tanks & bins	<u>\$ 46,154</u>	<u>\$ 33,922</u>	<u>\$ 25,545</u>	<u>\$ 22,522</u>

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

**8. Assets under capital lease**

	Original Cost	Accumulated Depreciation	<b>2022</b> Book Value	2021 Book Value
NH3 tanks	\$ 2,767,212	\$ 852,821	\$ 1,914,391	\$ 2,127,101
Transport trailer	248,151	107,396	140,755	165,594
Transit van	<u>37,429</u>	<u>15,159</u>	<u>22,270</u>	<u>31,814</u>
	<u><u>\$ 3,052,792</u></u>	<u><u>\$ 975,376</u></u>	<u><u>\$ 2,077,416</u></u>	<u><u>\$ 2,324,509</u></u>

Depreciation for the current year included in operating and administration expense was \$247,094 (2021 - \$271,181).



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

**9. Property, plant and equipment**

	Original Cost	Accumulated Depreciation	<b>2022</b> Book Value	2021 Book Value
Land	\$ 556,361	\$ -	\$ 556,361	\$ 556,361
Land improvements	2,024,007	1,080,124	943,883	1,022,624
Buildings	12,905,020	6,442,131	6,462,889	6,955,000
Tanks	688,760	558,732	130,028	150,975
Furniture & equipment	9,961,061	7,010,658	2,950,403	3,558,562
Computer equipment	989,467	812,613	176,854	282,041
Vehicles	3,094,051	1,884,481	1,209,570	1,430,853
Asset retirement cost	22,526	8,517	14,009	15,078
Under construction	3,706,016	-	3,706,016	61,638
	<u>\$ 33,947,269</u>	<u>\$ 17,797,256</u>	<u>\$ 16,150,013</u>	<u>\$ 14,033,132</u>

Depreciation for the current year included in operating and administration expense was \$1,826,102 (2021 - \$2,008,955).

**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, 2022 (2021 - \$nil). The line of credit is secured by a Business Security Agreement and a General Security Agreement. Interest on the line of credit is prime less 0.25% (2.95%) (2021 - 2.95%).

**11. Accounts payable and trust liabilities**

	<b>2022</b>	2021
FCL payables	\$ 7,878,386	\$ 4,629,755
Other payables	2,905,069	1,313,402
Trust liabilities:		
Payroll deductions	1,156	63,486
Goods and services tax	-	5,026
Provincial sales tax	41,687	40,687
Federal fuel charge	152,378	100,963
	<u>\$ 10,978,676</u>	<u>\$ 6,153,319</u>



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

**12. Obligation under capital lease**

	Total	2022 Current Portion	2022 Deferred Portion	2021 Current Portion	2021 Deferred Portion
NH3 tanks <sup>(1)</sup>	\$ 1,636,308	\$ 336,058	\$ 1,300,250	\$ 321,638	\$ 1,636,308
Transport trailer <sup>(2)</sup>	118,367	34,450	83,917	33,004	118,367
Transit van <sup>(3)</sup>	21,363	5,220	16,143	4,687	21,794
	<u>\$ 1,776,038</u>	<u>\$ 375,728</u>	<u>\$ 1,400,310</u>	<u>\$ 359,329</u>	<u>\$ 1,776,469</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 are as follows:

2023	\$ 375,728
2024	403,289
2025	414,997
2026	383,682
2027	198,342
	<u>\$ 1,776,038</u>



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

**13. Long-term debt**

	Total	2022 Current Portion	2022 Deferred Portion	2021 Current Portion	2021 Deferred Portion
FCL LOC <sup>(1)(2)</sup>	\$ 2,331,435	\$ 131,435	\$ 2,200,000	\$ -	\$ 1,163,690

<sup>(1)</sup> FCL line of credit, bearing interest at prime rate, (2.45%) (2021 - 2.45%) 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 has 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, 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

<sup>(2)</sup> FCL line of credit, bearing interest at prime rate, (2.45%) repayable via an annual reduction in available credit, matures June 2031. The loan is subject to certain non-financial covenants. The Cooperative believes it is in compliance with these covenants as at year-end and has 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:

July 1, 2021 - June 30, 2022	\$ 6,500,000
July 1, 2022 - June 30, 2023	5,850,000
July 1, 2023 - June 30, 2024	5,200,000
July 1, 2024 - June 30, 2025	4,550,000
July 1, 2025 - June 30, 2026	3,900,000
July 1, 2026 - June 30, 2027	3,250,000
July 1, 2027- June 30, 2028	2,600,000
July 1, 2028- June 30, 2029	1,950,000
July 1, 2029- June 30, 2030	1,300,000
July 1, 2030- June 30, 2031	650,000

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

2023	\$ 131,435
2024	1,100,000
2025	1,100,000
	<u>\$ 2,331,435</u>



**Swan Valley Consumers Cooperative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

**14. Share capital**

Authorized, unlimited @ \$1	<b>2022</b>	2021
Balance, beginning of year	\$ 16,437,247	\$ 17,051,698
Allocation to members	2,665,559	1,331,027
Cash from new members	1,770	1,680
GST on allocation	24,518	33,081
Shares transferred from reserves	4,181	7,138
	<u>19,133,275</u>	<u>18,424,624</u>
General repayment	1,176,693	1,321,520
Shares transferred to reserves	26,577	23,155
Withdrawals and retirements	538,465	444,890
Withholding tax	156,484	197,812
	<u>1,898,219</u>	<u>1,987,377</u>
Balance, end of year	<u><u>\$ 17,235,056</u></u>	<u><u>\$ 16,437,247</u></u>

**15. Reserves and retained savings**

	<b>Special Reserve</b>	<b>General Reserve</b>	<b>Retained Savings</b>	<b>2022</b>	2021
Balance,	\$ 5,221,575	\$ 8,453,377	\$ 2,564,177	\$ 16,239,129	\$ 15,130,138
Net savings distributed to retained savings	-	-	4,663,650	4,663,650	2,424,001
Patronage allocation	-	-	(2,665,559)	(2,665,559)	(1,331,027)
Shares transferred	-	22,396	-	22,396	16,017
Reserve transfers	<u>-</u>	<u>559,710</u>	<u>(559,710)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u><u>\$ 5,221,575</u></u>	<u><u>\$ 9,035,483</u></u>	<u><u>\$ 4,002,558</u></u>	<u><u>\$ 18,259,616</u></u>	<u><u>\$ 16,239,129</u></u>



**16. Sales**

	<b>2022</b>	<b>2021</b>
Consumer products	\$ 30,370,078	\$ 28,832,354
Petroleum and agro	<u>74,155,900</u>	<u>54,944,244</u>
	<u><u>\$ 104,525,978</u></u>	<u><u>\$ 83,776,598</u></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 has announced the CEWS program in April 2020. CEWS provide wage subsidies on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, which includes demonstration of revenue declines as a result of COVID-19.

The Cooperative has determined that it has qualified for CEWS. The Cooperative has applied for and has received \$45,939 (2021 - \$268,511) which has been reflected as a reduction to operating and administration expenses.

**18. Net interest**

	<b>2022</b>	<b>2021</b>
Interest expense on		
- Short-term debt	\$ 34,716	\$ 28,993
- Long-term debt	44,163	62,177
- Obligation under capital lease	86,523	101,644
Interest revenue	<u>(196,062)</u>	<u>(137,114)</u>
	<u><u>\$ (30,660)</u></u>	<u><u>\$ 55,700</u></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 \$285,636 (2021 - \$271,326) 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:

	<b>2022</b>	<b>2021</b>
Savings before income taxes	\$ 5,597,100	\$ 2,490,994
Expected income tax expense at the combined tax rate of 27.0% (2021 - 27.0%) net of the general rate reduction	1,511,217	672,568
Decrease in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(62,753)	(77,513)
Patronage allocation to members of \$2,665,559 (2021 - \$1,331,027)	(719,701)	(359,377)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	193,061	95,126
Allowance for doubtful accounts	14,416	(5,872)
Patronage carryforward claimed	-	(244,865)
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(1,945)	(12,693)
Prior year tax adjustment	(845)	(381)
	<u>\$ 933,450</u>	<u>\$ 66,993</u>

**21. Economic conditions**

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



**22. Subsequent event**

(a) Subsequent to January 31, 2022 the Board of Directors approved a patronage allocation to members in the amount of \$2,665,559 (2021 - \$1,331,027).

(b) A fire at the Agro maintenance shed in Swan River on January 13, 2022 resulted in the loss of the building, inventory, equipment and vehicles at that location. It is estimated that the total net recovery including insurance proceeds is \$42,885.

**23. Commitment**

The Cooperative is committed to the completion of a fertilizer shed. The estimated total cost of the project is \$6,589,560 of which \$3,649,815 has been set up as assets under construction. This project will be financed with credit facilities from the FCL lending program.



**Swan Valley Consumers Cooperative Limited**  
**Unaudited Statistical Information**  
**For the Year Ended January 31, 2022**

**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,	2013	\$ 1,093,854,555	\$ 56,100,424	5.1
	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	3.4
	2022	104,525,978	4,663,650	4.5
		<u>\$ 1,843,879,126</u>	<u>\$ 91,100,491</u>	<u>4.9</u>

**Membership**

Members purchasing during the year	5,230
Inactive members	<u>1,214</u>
Total members	<u>6,444</u>





### Board of Directors

Director	Address	Office	Term Expires
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
Don Hagman	Swan River	Director	2024
Lorne Shevernoha	Swan River	Director	2024
Gary Bartel	Minitonas	Director	2024

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

### Years of Service

Rick Achter	Durban	18
Jessica Lacasse	Swan River	3
Larry TerHorst	Kenville	17





Swan Valley

## BOARD OF DIRECTORS ELECTIONS

### CANDIDATE PROFILES



#### RICK ACHTER

Rick spent 34 years employed with Inco as an engineer in Thompson and has been a long time Valley resident. He has served on the Swan Valley Co-op Board of Directors and as Secretary for the past 18 years. It's his way of giving back meaningful support to area residents. He believes Swan Valley Co-op plays an integral role in making the Valley a good place to be.



#### JESSICA LACASSE

Jessica has served one term as a Director on the Swan Valley Co-op Board. She is a busy mom who spends time volunteering with various organizations. As a Director, she has learned a lot about cooperative values and wants to continue learning to help build the community.



#### JACQUIE MYDYNISKI-ARP

Jacquie is the Principal at Swan Valley Regional Secondary School, a role she has occupied since 2017. She has a Bachelor of Education degree, Master of Arts in Education degree and a Graduate Diploma in Education. She is a community minded person who wants the Valley to grow and prosper.



#### LARRY TERHORST

Larry has served as a Director of the Swan Valley Co-op since 2004 and as President since 2016. He has been a farm owner/operator in the Valley since 1982. He is running for a Director position to continue working with the other Directors to guide the Co-op to remain a strong local business and community supporter.





## President's Report

Your Swan Valley Co-op recorded sales of over \$104 million during the 2021 fiscal year with net savings of \$4.66 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 2021 year there were 177 new membership applications, total member cash repayments of \$1.72 million and an equity allocation of \$1.33 million to members based on 2020 purchases.

Looking forward to 2022, an allocation of \$2.66 million to members based on 2021 purchases has been approved. This allocation will be based on 2.0% of Food purchases, 2.5% of Agro purchases and 4.0% of Petroleum purchases. In June 2022, a cash repayment of \$1.09 million will be made to members based on 45% of the current year's patronage allocation.

During 2021 the ongoing COVID pandemic continued to disrupt business operations and increase the workload for all our team members. I am very proud of our entire Co-op team and wish to thank all the team for working together to keep our community safe. I also wish to thank you, the members, for your patience and cooperation in dealing with the restrictions needed to maintain everyone's safety.

Your Board of Directors held 9 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 organizations and events throughout our trading area.

Your Board holds strategic planning sessions 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 ten year financial forecast, forms the basis of the planning sessions. Together with the General Manager and leadership team, we develop our 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 93rd AGM. Delegates attending the FCL AGM were Jessica Lacasse, John Sandborn, 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 \$104 million in sales which is a record, and achieved strong net earnings totalling \$4.66 million. The earnings are reflective of the success generated by our teams, despite the disruptive and volatile environment brought on by COVID-19 and other supply chain factors. My report will highlight our operations in 2021 and plans for 2022 and beyond.

Last year, our Co-op completed office renovations at our Petroleum and Agro locations in Swan River and began construction of a 6000 MT dry fertilizer storage and blending facility that addresses our need for increased storage in this high volume area of our business.

In 2022, our plans include completing signage, lighting and dispenser upgrades at our gas bar and cardlock locations as well as completion of the fertilizer facility. Our Petroleum division will be taking delivery of a new tri axle fuel delivery unit in the coming months. These continued investments ensure our Co-op remains relevant, in order to provide long term sustainable value to our member owners.

Your Co-op continues to support local groups and organizations by assisting them with their fundraising activities. Last year we invested over \$75,000 back into our local community through donations to these groups. Part of this contribution was \$25,000 toward our long term naming rights partnership of the new chalet being constructed at Thunderhill ski area. We recently launched an exciting new program, Co-op Community Fundamentals, that will help tell our story better in the areas of philanthropy and community investment. Please watch for the addition of new community fundraising opportunities that are part of this program.

Each year we review our current and future needs as a business and create plans to address them. Here are three focus areas that describe the vision and direction for our Co-op.

- **We are committed to our team.** We show this commitment by:
  - Investing in learning and development
  - Understanding our team needs through engagement surveys
  - Providing the tools and resources to serve our members safely each day
  - Caring about the well-being of our team and investing in programs such as our Employee & Family Assistance Program and other employee benefits
- **We are committed to getting better every day.** We pursue continuous improvement by:
  - Investing in new technology, facilities and assets
  - Promoting a culture of safety in our workplaces every day
  - Looking at new and existing ways to be efficient, productive and profitable
  - Actively addressing areas of risk to our team and our members' investment
- **We make a difference in our members' lives.** We make this difference by:
  - Providing an excellent customer experience that creates fans who recommend us to their family and friends, helping our business grow.
  - Investing in our communities through donations and programs that improve the places where we live, work and play

I want to close by thanking our team. I'd like to offer a sincere thank you for the way you've delivered excellent customer experiences to our members and guests this past year. You've displayed immense resilience and courage by being on the front lines, throughout the pandemic, delivering essential services to our communities.

Thank you to the Board for their strategic direction, support, and trust they place in our team, moving us 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





## FCL Delegate's Report

The 93<sup>rd</sup> Annual General Meeting of members of Federated Co-operatives Ltd. (FCL) was held virtually on February 27th and 28th, 2022.

There were 164 retailers with 286 delegates eligible for the AGM. A total of 131 retailers participated with 258 delegates registered. Due to the meeting being held virtually, all Co-op directors could choose to participate, but only delegates could vote.

Four resolutions were presented with one each pertaining to meeting procedure, FCL director remuneration, Indigenous education, and Resolution Committee terms of reference.

Senior Leadership Team (SLT) presentations were made on Feb 27<sup>th</sup>, 2022, with these being some of the highlights:

- Diverse business lines provide balance to FCL and the Co-op Retailing System (CRS)
- The Energy Roadmap is a major focus with the acquisition of Husky Energy assets to get a larger piece of energy sales. The projected new canola crush plant will supply product to the planned renewable diesel facility near the Co-op Refinery Complex at Regina
- The stability of our co-operative model is our main advantage in making long term plans
- A strategic priority is underway to develop a new culture to be efficient, effective and sustainable
- Co-op has a strategy to enable people with high level skills, to provide the ability to meet the needs of our competitive markets and succeed to new levels of productivity and accomplishments

FCL CEO Scott Banda, who is retiring on May 6, 2022, after 12 years in that position and 20 years with FCL, commented that “the strength of the wolf is the pack, and the strength of the pack is the wolf”. This correlates to the strength of local Co-op retailers is FCL support, and the strength of FCL is the support of the retail Co-ops.

### District 5 (Manitoba)

- Sharon Alford was acclaimed as District 5 director and re-elected as FCL President/Chair of the Board following the re-organization meeting of the FCL Board of directors.
- Dave Kendall of North of 53 Coop was elected to the Resolutions Committee for a 2 (two) year term.
- Larry TerHorst of Swan Valley Coop was elected to a 1 (one) year term on the Nominations Committee.

Submitted by:

John Sandborn, Swan Valley Co-op Delegate



## Swan Valley Consumers Cooperative Limited

### Proposed Bylaw Additions and Revisions (noted in bold font)

#### 1. Original

2.07 is not present in current bylaws.

#### Proposed Revision

#### **2.07 Directors' Powers – Support of Federated Co-operatives Limited**

- a) **Notwithstanding the powers of the board of directors to oversee the business and affairs of the Cooperative, the Cooperative shall source at least 90% of the monetary value of the goods and commodities intended for resale by the Cooperative from or through Federated Co-operatives Limited, or a Federated Co-operatives Limited approved or preferred source.**

#### Explanation for addition:

The proposed addition below supports the board's and management's desire to maintain our strong support of our co-operative model and wholesaler, Federated Co-operatives Ltd. As this support is foundational to our co-operative structure, addition of this bylaw ensures accountability to our members.

#### 2. Original

#### 4.02 Personal Qualifications [Section 184]

No person shall be a director if that person:

- (a) is not an individual;
- (b) is less than 18 years of age;
- (c) is of unsound mind and has been so found by a court in Canada or elsewhere;
- (d) is bankrupt;
- (e) is an employee of the Cooperative or a commission operator under contract with the Cooperative;  
or
- (f) has an account with the Cooperative that is more than 60 days in arrears.

#### Proposed Revision:

#### 4.02 Personal Qualifications [Section 184]

No person shall be a director if that person:

- (a) is not an individual;
- (b) is less than 18 years of age;
- (c) is of unsound mind and has been so found by a court in Canada or elsewhere;

- (d) is bankrupt;
- (e) is an employee of the Cooperative, **partner of an employee or immediate family member of an employee residing in the same household**; or a commission operator under contract with the Cooperative.
- (f) has an account with the Cooperative that is more than 60 days in arrears.

**Explanation for revision:**

The revision in 4.02 (e) is being proposed to address potential director conflict of interest situations.

**3. Original**

4.05 Nominating Procedure

- (a) The nominating committee must invite members to submit nominations for the position of director by:
  - (i) advertising the invitation on at least two separate occasions at least 5 days apart, including the day of publication, in a newspaper circulating in the Cooperative's trading area, where the first advertising day is between 45 and 60 days before the annual members' meeting; and
  - (ii) posting the invitation in each place of business of the Cooperative, starting at least 60 days before the annual members' meeting.

**Proposed Revision:**

4.05 Nominating Procedure

- (a) The nominating committee must invite members to submit nominations for the position of director by:
  - (i) advertising the invitation on at least two separate occasions at least 5 days apart, including the day of publication, in a newspaper circulating in the Cooperative's trading area **and/or electronically on the Cooperative's website or through such other electronic means as may be determined by the Board**, where the first advertising day is between 45 and 60 days before the annual members' meeting; and
  - (ii) posting the invitation in each place of business of the Cooperative, starting at least 60 days before the annual members' meeting.

**Explanation for revision:**

The proposed revision allows for the inclusion of electronic advertising for board nominations.

#### 4. Original

- 4.06 Voting Procedure
- (a) Ballots must be:
- (i) obtained by a member from the Cooperative's business office, and cast in person by the member at that office during the 6 day period, in which that office is normally open for business, which ends at 6:00 p.m. the Saturday of the week prior to the week in which the annual members' meeting will be held; and
  - (ii) counted by the scrutineers immediately following the close of balloting as described in 4.06 (a) (i); and
  - (iii) made available for a 30 minute period immediately prior to the annual members' meeting, at the location of the meeting. Ballots cast during this time will be counted by the scrutineers following the end of this 30 minute period and added to the total votes cast during the voting week.

#### Proposed Revision

- 4.06 Voting Procedure
- a) The Directors may determine that elections be conducted by any one or any combination of the following methods:
- (i) obtained by a member from the Cooperative's business office, and cast in person by the member at that office during the 6 day period, in which that office is normally open for business, which ends at 6:00 p.m. the Saturday of the week prior to the week in which the annual members' meeting will be held;
  - (ii) made available for a 30 minute period immediately prior to the annual members' meeting, at the location of the meeting. Ballots cast during this time will be counted by the scrutineers following the end of this 30 minute period and added to the total votes cast during the voting week;
  - (iii) electronically; and/or**
  - (iv) mail in ballots.**
- (b) Ballots will be counted by the scrutineers immediately following the close of balloting as described in 4.06 (a) (i), (ii), (iii), (iv).

#### Explanation for revision:

An addition to allow for the voting of directors to be completed electronically and/or mail in ballots to support our growing geographic trading area.

## 5. Original

### 4.07 Term of Office

- (a) Except as set out in (b) and (c), a director elected to replace one whose term of office has expired holds office until the close of the third annual meeting of members after the one at which that director's election is first announced. [Sections 186(1) and 186(2)]
- (b) A director appointed or elected to fill a vacancy holds office for the unexpired term of the predecessor in office.
- (c) The Cooperative, by ordinary resolution at an annual meeting of members and before elections are held at that meeting, may provide for directors' terms of office that are shorter than those provided in (a).

### Proposed Revision

### 4.07 Term of Office

- (a) **No person elected to the Board of Directors shall serve for more than four (4) consecutive terms of three (3) years each. A Director is ineligible for nomination for one (1) year following the completion of the four (4) consecutive terms.**
- (b) Except as set out in (c) and (d), a director elected to replace one whose term of office has expired holds office until the close of the third annual meeting of members after the one at which that director's election is first announced. [Sections 186(1) and 186(2)]
- (c) A director appointed or elected to fill a vacancy holds office for the unexpired term of the predecessor in office.
- (d) The Cooperative, by ordinary resolution at an annual meeting of members and before elections are held at that meeting, may provide for directors' terms of office that are shorter than those provided in (b).

### Explanation for revision:

The addition of director term limits promotes the long term health of the Co-op by encouraging board diversity and succession planning.

## 6. Original

### 10.03 Time and Place of Meetings [Section 221(1)]

Meetings of members shall be held at the time and place in Manitoba that the board determines is appropriate.

#### Proposed Revision

### 10.03 Time and Place of Meetings [Section 221(1)]

- (a) **The Board of Directors will determine the time and format of meetings of members. This may include attendance by members in person, electronically or by other means that permit all persons participating in the meeting to communicate adequately with each other during the meeting.**

#### Explanation for revision:

The proposed revision allows for meetings of members to be conducted either in person or electronically to meet compliance requirements of the MB Co-op Act. Electronic member meetings were allowed during the COVID-19 pandemic by a temporary provision in the Emergency Measures Act.

## 7. Original

### 10.05 Notice of Meetings

- (a) Notice of the date, time and place of each meeting of members shall be given by:  
[Section 226(1)]
- (i) advertising on at least two separate occasions at least five days apart, including the day of publication, in a newspaper circulating in the Cooperative's trading area, where the first advertising day of publication is between 14 and 30 days before the meeting; and

#### Proposed Revision

### 10.05 Notice of Meetings

- (a) Notice of the date, time and place of each meeting of members shall be given by:  
[Section 226(1)]
- (i) advertising on at least two separate occasions at least five days apart, including the day of publication, in a newspaper circulating in the Cooperative's trading area **and/or electronically on the Cooperative's website or through such other electronic means as may be determined by the Board**, where the first advertising day of publication is between 14 and 30 days before the meeting; and

#### Explanation for revision:

The proposed revision allows for the inclusion of electronic advertising for notice of member meetings.

