



**ANNUAL
REPORT
2020**

**Sherwood Co-operative
Association Limited**

Management's Responsibility

To the Members of Sherwood Co-operative Association Limited:

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

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

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Co-operative. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the Co-operative's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 27, 2020



Chief Executive Officer

Independent Auditor's Report

To the Members of Sherwood Co-operative Association Limited:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at January 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Co-operative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control.

Independent Auditor's Report Continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

Regina, Saskatchewan

April 27, 2020

MNP LLP
Chartered Professional Accountants

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

	2020	2019
Current assets		
Cash and cash equivalents	\$ 651,548	\$ 278,173
Accounts receivable - Customer (Note 5)	4,296,875	3,763,798
- Other	1,756,684	194,566
Income taxes recoverable	1,678,876	247,676
Inventories	12,229,974	11,749,955
Prepaid expenses	215,315	193,528
Current portion long-term receivable (Note 6)	26,000	26,000
	20,855,272	16,453,696
Long-term receivable (Note 6)	304,500	330,500
Investments		
Federated Co-operatives Limited (Note 4(a))	36,469,000	33,100,866
Other organizations	966	1,052
Property, plant and equipment (Note 7)	87,416,707	78,503,137
Total assets	\$ 145,046,445	\$ 128,389,251
Current liabilities		
Accounts payable and trust liabilities (Note 9)	23,800,034	17,803,820
Customer prepaid accounts	222,929	212,040
Current portion of long-term debt (Note 10)	-	1,365,830
	24,022,963	19,381,690
Long-term debt (Note 10)	7,702,694	2,654,000
Total liabilities	31,725,657	22,035,690
Members' equity		
Share capital (Note 11)	49,191,314	47,559,327
Reserves and retained savings (Note 12)	64,129,474	58,794,234
	113,320,788	106,353,561
Total liabilities and members' equity	\$ 145,046,445	\$ 128,389,251

Subsequent events (Note 18)

Commitment (Note 19)

Approved on behalf of the Board of Directors

Kerry Gray

Director

William Schroeder

Director

The accompanying notes are an integral part of these financial statements



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

	2020	%	2019	%
Sales (Note 13)	\$ 250,925,513	100.0	\$ 264,289,124	100.0
Cost of goods sold	210,203,606	83.8	224,548,900	85.0
Gross margin	40,721,907	16.2	39,740,224	15.0
Expenses				
Operating and administration	45,617,788	18.2	42,673,656	16.1
Net interest (Note 14)	311,971	0.1	(77,302)	-
	45,929,759	18.3	42,596,354	16.1
Loss from operations	(5,207,852)	(2.1)	(2,856,130)	(1.1)
FCL loyalty program (Note 4(c))	1,093,196	0.5	-	-
Patronage refunds	16,840,670	6.7	19,922,751	7.5
Savings before income taxes	12,726,014	5.1	17,066,621	6.4
Income taxes (Note 17)	853,160	0.3	2,738,587	1.0
Net savings	<u>\$ 11,872,854</u>	4.8	<u>\$ 14,328,034</u>	5.4
Retained savings, beginning of year	\$ -		\$ -	
Net savings	11,872,854		14,328,034	
Transfer to statutory reserve (Note 12)	(636,301)		(853,331)	
Transfer to general reserve (Note 12)	(4,542,553)		(6,050,630)	
Patronage allocation to members (Note 11)	(6,694,000)		(7,424,073)	
Retained savings, end of year (Note 12)	<u>\$ -</u>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements



Sherwood Co-operative Association Limited
Statement of Cash Flows
For the Year Ended January 31, 2020

	2020	2019
Operating activities		
Net savings	\$ 11,872,854	\$ 14,328,034
Adjustments for:		
Depreciation	6,027,836	5,051,890
FCL patronage refund	(16,840,670)	(19,922,751)
Loss on the disposal of property, plant and equipment	62,854	54,463
Changes in non-cash operating working capital:		
Accounts receivable	(2,095,195)	1,255,053
Income taxes recoverable	(1,431,200)	73,898
Inventories	(480,019)	(564,637)
Prepaid expenses	(21,787)	(5,402)
Long-term receivables	26,000	26,000
Accounts payable and trust liabilities	5,996,214	(390,184)
Customer prepaid accounts	<u>10,889</u>	<u>38,911</u>
Cash provided by (used for) operating activities	<u>3,127,776</u>	<u>(54,725)</u>
Investing activities		
Redemption of FCL shares	13,472,536	15,938,201
Additions to property, plant and equipment	(15,118,820)	(13,280,867)
Proceeds from the disposal of property, plant and equipment	114,560	317,088
Investment in other organizations	<u>86</u>	<u>96</u>
Cash provided by (used for) investing activities	<u>(1,531,638)</u>	<u>2,974,518</u>
Financing activities		
Repayment of line of credit	-	(108,349)
Increase in long-term debt	-	126,748
Change in line of credit included in long-term debt	5,048,694	2,654,000
Repayment of long-term debt	(1,365,830)	(1,663,716)
Share capital issued	22,135	20,925
GST on allocation	274,654	198,210
Redemption of share capital	<u>(5,202,416)</u>	<u>(3,964,496)</u>
Cash used for financing activities	<u>(1,222,763)</u>	<u>(2,736,678)</u>
Net increase in cash and cash equivalents	373,375	183,115
Cash and cash equivalents, beginning of year	278,173	95,058
Cash and cash equivalents, end of year	\$ <u>651,548</u>	\$ <u>278,173</u>

The accompanying notes are an integral part of these financial statements



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

1. Incorporation and operations

Sherwood Co-operative Association Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on April 8, 1931. The primary business of the Co-operative is operating retail food, home centre and petroleum outlets in Regina, Saskatchewan 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, accrued liabilities and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

These financial statements have been prepared to reflect the following significant accounting policies:

(a) Definition of financial year

The Co-operative's financial year ends on the Saturday closest to January 31.

(b) Cash and cash equivalents

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

(c) Inventories

Inventories are valued using a weighted average formula, first-in first-out method, and the retail method. Inventories are stated at the lower of cost and net realizable value.

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

(d) Investments

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



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

(e) Financial instruments

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

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

(f) Property, plant and equipment

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

Pavement	Declining balance	8%
Buildings	Straight-line & declining balance	4%-10% of original cost & 10%
Tanks	Declining balance	10%
Furniture & equipment	Straight-line & declining balance	30% of original cost & 20% - 100%
Vehicles	Declining balance	30%
Vehicle equipment	Declining balance	15%
P.O.S. equipment	Straight-line	20% of original cost
Leasehold improvements	Straight-line	5% - 20% of original cost

In the year of acquisition, depreciation is prorated over the period of use.

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

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

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

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



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

(g) Asset retirement obligation

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

(h) Share capital

The Co-operative approves an allocation to members subsequent to year end. The amount is recorded as an addition to share capital and a reduction in retained savings. The Co-operative records the redemption of shares that is to be paid to members at the time it has been approved by the Board of Directors.

(i) Revenue recognition

The Co-operative recognizes revenue when evidence of an arrangement exists, delivery or change of ownership has occurred, the price has been determined, and collection is reasonably assured.

(j) Income taxes

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

(k) Business combinations

Business combinations are accounted for using the acquisition method. The application of this method requires certain estimates and assumptions especially concerning the determination of the fair value of the acquired intangible assets, property, plant and equipment, as well as the liabilities assumed at the date of the acquisition, based on information available at that date.

At the acquisition date, the Co-operative recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Any non-controlling interest in a subsidiary is measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

The consideration transferred for each acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, and equity instruments issued by the Co-operative to obtain control of the subsidiary.



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

3. Financial instruments and risk management

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

(a) Credit risk

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

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Co-operative's sensitivity to fluctuations in interest rates is limited to its cash and debt. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

(c) Liquidity risk

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

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

(a) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2019, the Co-operative purchased goods amounting to \$172,857,869 (2018 - \$182,312,410) from FCL in the normal course of operations.

These purchases resulted in a patronage refund from FCL which was received as non-cash consideration in the form of additional shares in FCL. FCL, based on its available cash flow, redeemed an amount of FCL shares held by the Co-operative. The amounts of the patronage refund and shares redeemed are as follows:

	2020	2019
Opening investment balance	\$ 33,100,866	\$ 29,116,316
Patronage refund	16,840,670	19,922,751
Share redemptions	<u>(13,472,536)</u>	<u>(15,938,201)</u>
Closing investment balance	<u>\$ 36,469,000</u>	<u>\$ 33,100,866</u>



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

(b) Asset retirement obligation

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to \$25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has 17 sites under this program. Management believes that due diligence has been exercised and that the impact of the asset retirement obligation to the Co-operative's financial statements is not significant.

(c) Purchase commitments

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from June 2018. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during the ten-year period ending January 31, 2020 amounted to approximately \$17,534,079 (2019 - \$17,277,468). Management intends to fulfill all existing contracts with FCL.

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

(iii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase all food, pharmacy, and food-related products, from FCL and continue to operate all food stores acquired through the Sobey's acquisition over a thirty year period commencing from June 2018. Failure to meet this commitment would require the Co-operative to repay the assistance received on a prorated basis. Management intends to fulfill all commitments with FCL.

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase at least 90% of its total goods from FCL and commits, to the best of its ability, to use FCL's services. If the eligibility requirements are met, FCL will pay the Co-operative, on a quarterly basis, a Loyalty Payment based on cents per litre.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$910,000 (2019 - \$742,000).



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

6. Long-term receivable

	Total	2020 Current Portion	2020 Deferred Portion	2019 Current Portion	2019 Deferred Portion
Relocation	<u>\$ 330,500</u>	<u>\$ 26,000</u>	<u>\$ 304,500</u>	<u>\$ 26,000</u>	<u>\$ 330,500</u>

The relocation receivable is interest free and repayable at \$1,000 bi-weekly for ten years at which time the remaining balance is receivable.

Although the relocation receivable is of a demand nature, management does not intend to exercise the demand feature. The schedule of repayments on the relocation loan for the next five years and thereafter are as follows:

2021	\$ 26,000
2022	26,000
2023	26,000
2024	26,000
2025	26,000
Subsequent payments	<u>200,500</u>
	<u>\$ 330,500</u>

7. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2020 Book Value	2019 Book Value
Land	\$ 26,339,199	\$ -	\$ 26,339,199	\$ 20,633,362
Pavement	9,303,351	2,683,623	6,619,728	5,584,868
Buildings	43,906,002	11,043,381	32,862,621	25,306,971
Tanks	42,474	39,927	2,547	2,830
Furniture & equipment	32,179,293	18,452,890	13,726,403	10,009,766
Vehicles	1,481,370	1,105,321	376,049	219,640
Vehicle equipment	793,580	391,843	401,737	309,680
P.O.S. equipment	1,290,839	758,167	532,672	428,255
Leasehold improvements	4,772,745	2,905,811	1,866,934	1,043,300
Under construction	<u>4,688,817</u>	<u>-</u>	<u>4,688,817</u>	<u>14,964,465</u>
	<u>\$ 124,797,670</u>	<u>\$ 37,380,963</u>	<u>\$ 87,416,707</u>	<u>\$ 78,503,137</u>

Depreciation for the current year included in operating and administration expense was \$6,027,836 (2019 - \$5,051,890).

8. Line of credit

The Co-operative has a \$425,000 line of credit with Conexus Credit Union of which no amount has been drawn as at January 31, 2020 (2019 - \$nil). The line of credit is secured by a promissory note and a General Security Agreement covering all present and after acquired property. Interest on the line of credit is prime plus 2.0%.



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

9. Accounts payable and trust liabilities

	2020	2019
FCL payables	\$ 17,321,552	\$ 12,246,155
Other payables	5,626,806	5,374,145
Trust liabilities:		
Goods and services tax	153,724	-
Provincial sales tax	165,392	163,177
Workers Compensation Board	25,335	17,766
Liquor consumption tax	3,165	2,577
Federal Fuel Charge	504,060	-
	<u>\$ 23,800,034</u>	<u>\$ 17,803,820</u>

10. Long-term debt

	2020	2020	2019	2019
Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
FCL ⁽¹⁾	-	-	1,356,801	-
FCL ⁽²⁾	-	-	9,029	-
FCL LOC ^{(3),(4),(5)}	<u>7,702,694</u>	<u>-</u>	<u>-</u>	<u>2,654,000</u>
	<u>\$ 7,702,694</u>	<u>\$ -</u>	<u>\$ 1,365,830</u>	<u>\$ 2,654,000</u>

⁽¹⁾ This loan was repaid in full during the year

⁽²⁾ This loan was repaid in full during the year

^{(3),(4),(5)} Lines of credit, bearing interest at prime rate (2020 - 3.95%), repayable via an annual reduction in available credit, mature on August 31, 2027, December 31, 2025, and November 4, 2030 . The loans are subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and have been in compliance since the loan start date. Security for the credits consist of a Business Security Agreement and a General Security Agreement. The available credits decrease as follows:

September 1, 2019 - August 31, 2020	\$ 14,480,000
September 1, 2020 - August 31, 2021	12,670,000
September 1, 2021 - August 31, 2022	10,860,000
September 1, 2022 - August 31, 2023	9,050,000
September 1, 2023 - August 31, 2024	7,240,000
September 1, 2024 - August 31, 2025	5,430,000
September 1, 2025 - August 31, 2026	3,620,000
September 1, 2026 - August 31, 2027	1,810,000
January 1, 2020 - December 31, 2020	9,085,714
January 1, 2021 - December 31, 2021	7,571,429
January 1, 2022 - December 31, 2022	6,057,143
January 1, 2023 - December 31, 2023	4,542,857
January 1, 2024 - December 31, 2024	3,028,571
January 1, 2025 - December 31, 2025	1,514,286



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

November 4, 2019 - November 4, 2020	\$ 11,000,000
November 4, 2020 - November 4, 2021	10,000,000
November 4, 2021 - November 4, 2022	9,000,000
November 4, 2022 - November 4, 2023	8,000,000
November 4, 2023 - November 4, 2024	7,000,000
November 4, 2024 - November 4, 2025	6,000,000
November 4, 2025 - November 4, 2026	5,000,000
November 4, 2026 - November 4, 2027	4,000,000
November 4, 2027 - November 4, 2028	3,000,000
November 4, 2028 - November 4, 2029	2,000,000
November 4, 2029 - November 4, 2030	1,000,000

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

2021	\$ -
2022	-
2023	-
2024	-
2025	-
2026 and subsequent	<u>7,702,694</u>
	<u>\$ 7,702,694</u>

11. Share capital

Authorized, unlimited @ \$1	2020	2019
Balance, beginning of year	\$ 47,559,327	\$ 43,993,460
Allocation to members	6,694,000	7,424,073
Cash from new members	22,135	20,925
GST on allocation	274,654	198,210
Shares transferred from reserves	<u>17,700</u>	<u>17,830</u>
	<u>54,567,816</u>	<u>51,654,498</u>
General repayment	2,927,669	1,982,493
Shares transferred to reserves	174,086	130,675
Withdrawals and retirements	1,682,841	1,615,661
Withholding tax	<u>591,906</u>	<u>366,342</u>
	<u>5,376,502</u>	<u>4,095,171</u>
Balance, end of year	<u>\$ 49,191,314</u>	<u>\$ 47,559,327</u>



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

12. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2020	2019
Balance, beginning of year	\$ 10,172,059	\$ 48,622,175	\$ -	\$ 58,794,234	\$ 51,777,428
Net savings distributed to retained savings	-	-	11,872,854	11,872,854	14,328,034
Patronage allocation	-	-	(6,694,000)	(6,694,000)	(7,424,073)
Shares transferred	156,386	-	-	156,386	112,845
Reserve transfers	<u>636,301</u>	<u>4,542,553</u>	<u>(5,178,854)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 10,964,746</u>	<u>\$ 53,164,728</u>	<u>\$ -</u>	<u>\$ 64,129,474</u>	<u>\$ 58,794,234</u>

13. Sales

	2020	2019
Marketplace food stores	\$ 53,813,092	\$ 53,604,090
Petroleum operations	142,091,596	144,741,815
Home centre	8,617,583	10,176,817
Branches	<u>46,403,242</u>	<u>55,766,402</u>
	<u>\$ 250,925,513</u>	<u>\$ 264,289,124</u>

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

14. Net interest

	2020	2019
Interest expense on		
- Short-term debt	\$ 4,172	\$ 2,100
- Long-term debt	487,338	202,275
Interest revenue	<u>(179,539)</u>	<u>(281,677)</u>
	<u>\$ 311,971</u>	<u>\$ (77,302)</u>



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

15. Lease to others

The Co-operative leases property, plant and equipment to others. The leases are classified as operating leases and rental revenues are included in operating and administration expenses. The cost of the property, plant and equipment held for leasing purposes is \$2,938,358 (2019 - \$2,933,908) and the accumulated depreciation as at January 31, 2020 is \$1,327,961 (2019 - \$1,233,153). Revenue generated from operating leases is \$330,033 (2019 - \$343,072).

16. Pension plan

The Co-operative participates in a multi-employer defined contribution plan whereby the Co-operative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Co-operative has no unfunded liability under this plan. During the year, the Co-operative recorded \$816,768 (2019 - \$761,318) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

17. Income taxes

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

	2020	2019
Savings before income taxes	\$ 12,726,014	\$ 17,066,621
Expected income tax expense at the combined tax rate of 27.0% (2019 - 27.0%) net of the general rate	3,436,024	4,607,988
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	3,699	80,294
Patronage allocation to members of \$6,694,000 (2019 - \$7,424,073)	(1,807,380)	(2,004,500)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	-	66,399
Capital cost allowance in excess of depreciation	(747,494)	-
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(37,640)	(9,459)
Prior year tax adjustment	<u>5,951</u>	<u>(2,135)</u>
Income tax expense	<u>\$ 853,160</u>	<u>\$ 2,738,587</u>



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

18. Subsequent events

(a) Patronage allocation to members

Subsequent to January 31, 2020 the Board of Directors approved a patronage allocation to members in the amount of \$6,694,000 (2019 - \$7,424,073).

(b) COVID-19

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Co-operative as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

19. Commitment

The Co-operative is committed to the completion of a new hybrid site in Southey. The estimated total cost of the project is \$6,457,591 of which \$4,688,817 has been set up as construction in progress. This project will be financed from operations and loans.

20. Operating leases

The Co-operative is committed to operating leases. Total minimum lease payments are as follows:

2021	\$ 548,250
2022	624,250
2023	624,250
2024	624,250
2025	572,226
Subsequent payments	<u>-</u>
	<u>\$ 2,993,226</u>

21. Comparative figures

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



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

Record of Sales and Net Savings

	<u>Year</u>	<u>Cash payments to members</u>	<u>Sales</u>	<u>Savings before income taxes</u>	<u>%</u>
From Date of Incorporation, April 8, 1931, to January 31,	2010	*	\$ 2,056,186,819	\$ 59,651,842	3.0
	2011	1,829,020	142,224,566	5,711,691	4.0
	2012	1,754,557	175,407,341	10,374,775	5.9
	2013	2,661,844	192,032,113	12,596,230	6.6
	2014	3,558,302	208,426,886	12,856,169	6.2
	2015	4,078,867	234,652,633	10,391,423	4.4
	2016	3,704,201	213,173,475	10,377,892	4.9
	2017	4,048,080	228,335,978	11,163,943	4.9
	2018	4,232,922	242,012,500	10,048,334	4.1
	2019	3,964,496	264,289,124	17,066,621	6.4
	2020	<u>5,202,416</u>	<u>250,925,513</u>	<u>12,726,014</u>	<u>5.1</u>
		<u>\$ 35,034,705</u>	<u>\$ 4,207,666,948</u>	<u>\$ 172,964,934</u>	<u>4.1</u>

* Cash payments to members represent only the most recent ten year history

Membership

Members purchasing during the year	67,638
Inactive members	<u>12,113</u>
Total members	<u>79,751</u>



