



ANNUAL REPORT 2023

**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 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 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.

May 1, 2023



Chief Executive Officer

To the Members of Sherwood Co-operative Association Limited:

Report on the Audit of the Financial Statements

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, 2023, and the statements of net savings and retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at January 31, 2023, 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.
- 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

May 1, 2023

Chartered Professional Accountants


Sherwood Co-operative Association Limited
Balance Sheet
As at January 31, 2023

	2023	2022
Current assets		
Cash	\$ 5,231,381	\$ 193,411
FCL special deposit (Note 4(a))	7,827,932	7,481,905
Accounts receivable (Note 5)	6,969,066	5,304,473
Inventories (Note 6)	14,343,364	13,212,348
Prepaid expenses	371,107	326,807
Current portion long-term receivable (Note 7)	33,800	33,800
	34,776,650	26,552,744
Long-term receivable (Note 7)	197,100	230,900
Investments		
Federated Co-operatives Limited (Note 4(b))	40,136,860	38,433,126
Other organizations	767	830
Property, plant and equipment (Note 8)	85,188,008	82,192,990
Total assets	\$ 160,299,385	\$ 147,410,590
Current liabilities		
Line of credit (Note 9)	\$ -	\$ 170,602
Accounts payable and trust liabilities (Note 10)	24,422,785	21,945,539
Income tax payable	871,661	290,253
Customer prepaid accounts	119,562	154,318
Total liabilities	25,414,008	22,560,712
Members' equity		
Share capital (Note 12)	52,602,767	50,834,838
Reserves and retained savings (Note 13)	82,282,610	74,015,040
	134,885,377	124,849,878
Total liabilities and members' equity	\$ 160,299,385	\$ 147,410,590

Subsequent events (Note 20)

Commitments (Note 22)

Approved on behalf of the Board of Directors



 Director



 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, 2023

	2023	%	2022	%
Sales (Note 14)	\$ 330,836,707	100.0	\$ 275,250,684	100.0
Cost of goods sold	<u>273,752,519</u>	<u>82.7</u>	<u>225,583,956</u>	<u>82.0</u>
Gross margin	<u>57,084,188</u>	<u>17.3</u>	<u>49,666,728</u>	<u>18.0</u>
Expenses				
Operating and administration	52,433,500	15.9	47,241,527	17.2
Net interest (Note 16)	<u>(665,710)</u>	<u>(0.2)</u>	<u>(102,382)</u>	<u>-</u>
	<u>51,767,790</u>	<u>15.7</u>	<u>47,139,145</u>	<u>17.2</u>
Savings from operations	5,316,398	1.6	2,527,583	0.8
FCL loyalty program (Note 4(d)(iii))	5,230,076	1.6	5,301,831	1.9
Patronage refunds (Note 4(b))	<u>8,518,671</u>	<u>2.6</u>	<u>8,675,883</u>	<u>3.2</u>
Savings before income taxes	19,065,145	5.8	16,505,297	5.9
Income tax expense (Note 19)	<u>3,293,050</u>	<u>1.0</u>	<u>2,680,107</u>	<u>1.0</u>
Net savings	<u>\$ 15,772,095</u>	<u>4.8</u>	<u>\$ 13,825,190</u>	<u>4.9</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	15,772,095		13,825,190	
Transfer to statutory reserve (Note 13)	(978,962)		(825,266)	
Transfer to general reserve (Note 13)	(7,122,974)		(6,440,462)	
Patronage allocation to members (Note 12)	<u>(7,670,159)</u>		<u>(6,559,462)</u>	
Retained savings, end of year (Note 13)	<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, 2023

	2023	2022
Operating activities		
Net savings	\$ 15,772,095	\$ 13,825,190
Adjustments for:		
Depreciation	5,892,262	6,537,723
FCL patronage refund	(8,518,671)	(8,675,883)
Gain on the disposal of property, plant and equipment	(32,322)	(2,421)
Changes in non-cash operating working capital:		
Accounts receivable	(1,664,593)	(1,372,126)
Income taxes	581,408	550,224
Inventories	(1,131,016)	(1,815,801)
Prepaid expenses	(44,300)	(50,226)
Long-term receivables	33,800	33,800
Accounts payable and trust liabilities	2,477,246	2,396,024
Customer prepaid accounts	(34,756)	(12,483)
Cash provided by operating activities	<u>13,331,153</u>	<u>11,414,021</u>
Investing activities		
Redemption of FCL shares	6,814,937	6,940,706
Additions to property, plant and equipment	(8,891,491)	(3,784,936)
Proceeds from the disposal of property, plant and equipment	36,533	2,567
Investment in other organization	63	70
Cash provided by (used for) investing activities	<u>(2,039,958)</u>	<u>3,158,407</u>
Financing activities		
Repayment of long-term debt	-	(3,218,119)
Share capital issued	18,350	15,880
GST on allocation	242,108	156,027
Redemption of share capital	(5,997,054)	(4,530,226)
Cash used for financing activities	<u>(5,736,596)</u>	<u>(7,576,438)</u>
Net increase in cash	5,554,599	6,995,990
Cash, beginning of year	7,504,714	508,724
Cash, end of year	<u>\$ 13,059,313</u>	<u>\$ 7,504,714</u>
Cash is comprised of:		
Cash	\$ 5,231,381	\$ 193,411
FCL special deposit	7,827,932	7,481,905
Line of credit	-	(170,602)
	<u>\$ 13,059,313</u>	<u>\$ 7,504,714</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, 2023

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, asset retirement obligations, income taxes, accrued liabilities and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

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

(a) Definition of financial year

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

(b) Cash

Cash is defined as cash 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) Financial instruments

The Co-operative recognizes its financial instruments when the Co-operative becomes party to the contractual provisions of the financial instrument.

(i) Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction are initially recorded at their fair value. At initial recognition, the Co-operative may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Co-operative has not made such an election during the year.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment, or adjustments for patronage refunds or share redemptions. All transactions with Federated Co-operatives Limited (FCL) are disclosed in a separate note (Note 4). All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

(ii) Financial asset impairment

The Co-operative assesses impairment of all its financial assets measured at cost or amortized cost. The Co-operative groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty, whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Co-operative determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The Co-operative reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year net earnings.

The Co-operative reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in net earnings in the year the reversal occurs.

(e) 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%
Furniture & equipment	Straight-line & declining balance	30% of original cost & 20%-100%
Vehicles & equipment	Declining balance	10%-30%
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.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

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.

(f) 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 net savings. 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.

(g) 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.

(h) Revenue recognition

The Co-operative recognizes revenue when evidence of an arrangement exists, delivery or change of ownership has occurred, the price has been determined, and collection is reasonably assured. Patronage allocations are recognized in earnings when earned by the Co-operative.

(i) 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 tax rates that are enacted or substantively enacted at the reporting date.

(j) Government assistance

The Co-operative 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 Co-operative 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.

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 (2022 - no significant exposure to any individual customer).



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

(b) Interest rate risk

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

(c) Liquidity risk

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

4. Transactions with Federated Co-operatives Limited

(a) FCL special deposit

Amounts held with FCL as special deposits earn interest at rates based on prime rates.

(b) 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, 2022, the Co-operative purchased goods amounting to \$229,775,655 (2021 - \$176,500,949) 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:

	2023	2022
Opening investment balance	\$ 38,433,126	\$ 36,697,949
Patronage refund	8,518,671	8,675,883
Share redemptions	<u>(6,814,937)</u>	<u>(6,940,706)</u>
Closing investment balance	<u>\$ 40,136,860</u>	<u>\$ 38,433,126</u>

(c) 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.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

(d) 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 February 2013. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during this period amounted to approximately \$10,068,433 (2022 - \$10,563,221). 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 at least 90% of its total goods from FCL and commits, to the best of its ability, to use FCL's services. If the eligibility requirements are met, FCL will pay the Co-operative, on a quarterly basis, a Loyalty Payment based on cents per litre. The Loyalty Payment revenue is accrued as earned.

(iv) 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.

(v) Under the terms of the agreement with FCL, the Co-operative has committed to purchase food, pharmacy, food-related products, and petroleum, from FCL and continue to operate certain food stores and c-stores over periods of ten to thirty years depending on the specific contract. Failure to meet this commitment would require the Co-operative 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, 2023 amounted to \$13,002,925 (2022 - \$13,002,925). Management intends to fulfill all commitments with FCL.

5. Accounts receivable

	2023	2022
Customer accounts receivable	\$ 5,824,886	\$ 4,869,532
Other accounts receivable	1,474,180	1,374,941
Allowance for doubtful accounts	<u>(330,000)</u>	<u>(940,000)</u>
	<u>\$ 6,969,066</u>	<u>\$ 5,304,473</u>



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

6. Inventories

	2023	2022
Marketplace food stores	\$ 4,414,950	\$ 3,954,123
Petroleum operations	2,728,183	2,880,914
Home centre	4,141,263	3,782,348
Branches	<u>3,058,968</u>	<u>2,594,963</u>
	<u><u>\$ 14,343,364</u></u>	<u><u>\$ 13,212,348</u></u>

The cost of inventories recognized as an expense during the year was \$273,752,519 (2022 - \$225,583,956).

7. Long-term receivable

		2023	2023	2022	2022
	Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
Relocation	<u>\$ 230,900</u>	<u>\$ 33,800</u>	<u>\$ 197,100</u>	<u>\$ 33,800</u>	<u>\$ 230,900</u>

The relocation receivable is interest free and repayable at \$1,300 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:

2024	\$ 33,800
2025	33,800
2026	33,800
2027	33,800
2028	33,800
Subsequent payments	<u>61,900</u>
	<u><u>\$ 230,900</u></u>



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2023 Book Value	2022 Book Value
Land	\$ 27,141,913	\$ -	\$ 27,141,913	\$ 27,141,913
Pavement	10,393,831	4,318,139	6,075,692	6,328,797
Buildings	50,053,929	17,116,193	32,937,736	35,146,298
Furniture & equipment	35,649,303	26,943,867	8,705,436	10,886,563
Vehicles & equipment	2,890,668	2,117,787	772,881	734,569
P.O.S. equipment	2,190,490	1,301,815	888,675	252,837
Leasehold improvements	4,884,986	3,732,180	1,152,806	1,412,013
Under construction	7,512,869	-	7,512,869	290,000
	<u>\$ 140,717,989</u>	<u>\$ 55,529,981</u>	<u>\$ 85,188,008</u>	<u>\$ 82,192,990</u>

Depreciation for the current year included in operating and administration expense was \$5,892,262 (2022 - \$6,537,723).

9. Line of credit

The Co-operative has a \$500,000 line of credit with Conexus Credit Union of which no amount has been drawn as at January 31, 2023 (2022 - \$170,602). The line of credit is secured by a promissory note and a General Security Agreement covering all and present and after acquired property. Interest on the line of credit is prime plus 2.0% (8.7%) (2022 - 4.45%).

10. Accounts payable and trust liabilities

	2023	2022
FCL payables	\$ 15,582,115	\$ 14,712,875
Other payables	7,376,857	6,112,035
Trust liabilities:		
Workers Compensation Board	34,150	12,430
Goods and services tax	166,132	41,291
Provincial sales tax	222,157	169,663
Liquor consumption tax	2,645	3,038
Vape consumption tax	3,306	4,827
Tire tax	109	-
Federal fuel charge	1,035,314	889,380
	<u>\$ 24,422,785</u>	<u>\$ 21,945,539</u>



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

11. Long-term debt

FCL lines of credit with no balance outstanding as at January 31, 2023 (no balance at January 31, 2022), bearing interest at prime rate (2023 - 6.7%) (2022 - 2.45%), 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, 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, 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
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

12. Share capital

Authorized, unlimited @ \$1	2023	2022
Balance, beginning of year	\$ 50,834,838	\$ 48,813,102
Allocation to members	7,670,159	6,559,462
Cash from new members	18,350	15,880
GST on allocation	242,108	156,027
Shares transferred from reserves	25,808	24,414
	<u>58,791,263</u>	<u>55,568,885</u>
General repayment	4,001,870	2,827,213
Shares transferred to reserves	191,442	203,821
Withdrawals and retirements	1,516,601	1,441,226
Withholding tax	478,583	261,787
	<u>6,188,496</u>	<u>4,734,047</u>
Balance, end of year	<u>\$ 52,602,767</u>	<u>\$ 50,834,838</u>



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

13. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2023	2022
Balance, beginning of year	\$ 12,495,294	\$ 61,519,746	\$ -	\$ 74,015,040	\$ 66,569,905
Net savings distributed to retained savings	-	-	15,772,095	15,772,095	13,825,190
Patronage allocation	-	-	(7,670,159)	(7,670,159)	(6,559,462)
Shares transferred	165,634	-	-	165,634	179,407
Reserve transfers	<u>978,962</u>	<u>7,122,974</u>	<u>(8,101,936)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 13,639,890</u>	<u>\$ 68,642,720</u>	<u>\$ -</u>	<u>\$ 82,282,610</u>	<u>\$ 74,015,040</u>

14. Sales

	2023	2022
Marketplace food stores	\$ 83,978,799	\$ 78,032,073
Petroleum operations	172,411,335	142,508,855
Home centre	10,362,491	10,268,948
Branches	<u>64,084,082</u>	<u>44,440,808</u>
	<u>\$ 330,836,707</u>	<u>\$ 275,250,684</u>

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

15. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada has announced the Canadian Emergency Wage Subsidy (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 for CEWS includes demonstration of revenue declines as a result of COVID-19. The following government assistance has been reflected as a reduction to operating and administration expenses:

	2023	2022
CEWS	<u>\$ -</u>	<u>\$ 1,732,556</u>



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

16. Net interest

	2023	2022
Interest expense on		
- Short-term debt	\$ 726	\$ 1,023
- Long-term debt	-	42,732
Interest revenue	<u>(666,436)</u>	<u>(146,137)</u>
	<u>\$ (665,710)</u>	<u>\$ (102,382)</u>

17. Lease to others

The Co-operative leases property, plant and equipment to others. The lease is classified as an operating lease and rental revenues are included in operating and administration expenses. At January 31, 2023 the cost of the property, plant and equipment held for leasing purposes was \$2,905,874 (2022 - \$2,905,874) and the accumulated depreciation was \$1,567,243 (2022 - \$1,476,311). Revenue generated from operating leases during the year is \$313,769 (2022 - \$330,049).

18. 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 \$970,538 (2022 - \$885,252) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

19. Income tax expense

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:

	2023	2022
Savings before income taxes	\$ 19,065,145	\$ 16,505,297
Expected income tax expense at the combined tax rate of 27.0% (2022 - 27.0%) net of the general rate reduction	5,147,589	4,456,430
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	32,317	(337,803)
Patronage allocation to members of \$7,670,159 (2022 - \$6,559,462)	(2,070,943)	(1,771,055)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	125,750	-
Capital cost allowance in excess of depreciation	-	(19,109)
Allowance for doubtful accounts	15,805	37,902
Other items that impact income taxes:		
Manufacturing and Processing Investment Tax Credit	(671)	(8,748)
Prior year tax adjustment	43,203	322,490
	<u>\$ 3,293,050</u>	<u>\$ 2,680,107</u>
Income tax expense	<u>\$ 3,293,050</u>	<u>\$ 2,680,107</u>

20. Subsequent event

(a) Patronage allocation to members

Subsequent to January 31, 2023 the Board of Directors approved a patronage allocation to members in the amount of \$7,670,159 (2022 - \$6,559,462).

(b) Husky acquisition

Subsequent to year end, the Co-operative acquired a Husky retail fuel site from Federated Co-operatives Ltd. The purchase is financed through operations. The Co-operative determined the acquisition constituted a business combination and accounted for using the acquisition method. The method results in the acquirees' identifiable assets acquired being measured at their acquisition date fair values. The fuel sites will be integrated and reported within the Petroleum division from date of acquisition. As of the date of these financial statements, the fair value of the assets acquired and liabilities assumed have not yet been determined.

(c) Liquor license

Subsequent to year end, the Co-operative entered into an agreement to acquire a liquor license for \$1,523,700 that will be funded through internally generated cash flows and line of credit. Payments related to the acquisition are required on March 19, 2023 for \$375,925, February 17, 2024 for \$761,850 and August 17, 2024 for \$380,925. The transfer of the license is to take place on the date of final receipt of payment.



Sherwood Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended January 31, 2023

21. Operating leases

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

2024	\$ 617,913
2025	<u>502,563</u>
	<u>\$ 1,120,476</u>

22. Commitments

(a) The Co-operative entered into a 15 year lease agreement with YMCA for 19,005 square feet of the South Albert Food Store. As part of this lease agreement, the Co-operative has committed to pay for \$2.5 million in tenant improvements. The Co-operative has also committed to provide financing of an additional \$1.3 million related to tenant improvements on an interest free basis which the YMCA is to pay in the first five years of the lease. Of the estimated \$3.8 million dollar cost, \$2.7 million has been set up in under construction. This amount will be financed with internally generated cash flows and line of credit.

(b) The Co-operative is committed to the completion of a liquor store in Regina, Saskatchewan. The estimated cost is \$6,577,159 of which \$4,517,987 has been set up in under construction. This amount will be financed with internally generated cash flows and line of credit.

(c) The Co-operative has entered into a land purchase agreement in the amount of \$4,998,090 of which \$290,000 deposit has been paid and included in under construction. The remaining purchase price is payable upon specific milestones to be completed by the Seller. As part of this agreement, the Co-operative will provide a \$1,000,000 loan at prime plus 2% due no later than November 30, 2028 for the construction of a round about near the land location. Subsequent to year end, another \$290,000 deposit was paid.

23. 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
Unaudited Statistical Information
For the Year Ended January 31, 2023

Record of Sales and Net Savings

	<u>Year</u>	<u>Cash payments to members</u>	<u>Sales</u>	<u>Net Savings before income taxes</u>	<u>%</u>
From Date of Incorporation, April 8, 1931, to January 31,	2013	*	\$ 2,565,850,839	\$ 88,334,538	3.3
	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	5,202,416	250,925,513	12,726,014	5.1
	2021	5,015,511	230,577,404	7,598,351	3.3
	2022	4,530,226	275,250,684	16,505,297	5.9
	2023	5,997,054	330,836,707	19,065,145	5.8
		<u>\$ 44,332,075</u>	<u>\$ 5,044,331,743</u>	<u>\$ 216,133,727</u>	<u>4.3</u>

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

Membership

Members purchasing during the year	69,759
Inactive members	<u>14,283</u>
Total members	<u>84,042</u>



