



# **ANNUAL REPORT 2022**

Southland Co-operative Ltd.

## Management's Responsibility

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To the Members of Southland Co-operative Ltd.:

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. 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 25, 2022



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General Manager

To the Members of Southland Co-operative Ltd.:

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Southland Co-operative Ltd. (the "Co-operative"), which comprise the balance sheet as at January 31, 2022, 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, 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 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 has been applied on a basis consistent with that of the preceding year.

Weyburn, Saskatchewan

May 25, 2022

*MNP LLP*

Chartered Professional Accountants

**Southland Co-operative Ltd.**  
**Balance Sheet**  
**As at January 31, 2022**

	2022	2021
<b>Current assets</b>		
Cash and cash equivalents	\$ 491,041	\$ 96,648
FCL special deposit (Note 4(a))	2,906,936	3,047,257
Accounts receivable - Customer (Note 5)	1,387,497	1,079,415
- Other	158,118	300,886
Income taxes recoverable	162,982	-
Inventories	7,899,667	6,602,527
Prepaid expenses	223,582	207,118
Current portion long-term receivable (Note 6)	47,693	15,097
	<u>13,277,516</u>	<u>11,348,948</u>
 <b>Long-term receivable (Note 6)</b>	 3,051	 1,475
 <b>Investments</b>		
Federated Co-operatives Limited (Note 4(b))	9,582,455	9,150,507
Other organizations	20,475	20,456
 <b>Property, plant and equipment (Note 7)</b>	 11,811,468	 11,936,539
<b>Intangible assets (Note 8)</b>	118,340	25,100
<b>Total assets</b>	<b><u>\$ 34,813,305</u></b>	<b><u>\$ 32,483,025</u></b>
 <b>Current liabilities</b>		
Accounts payable and trust liabilities (Note 10)	\$ 4,054,494	\$ 4,019,703
Customer prepaid accounts	127,195	118,717
Income taxes payable	-	82,355
	<u>4,181,689</u>	<u>4,220,775</u>
 <b>Asset retirement obligation (Note 4(c))</b>	 123,504	 118,629
<b>Total liabilities</b>	<u>4,305,193</u>	<u>4,339,404</u>
 <b>Members' equity</b>		
Share capital (Note 11)	12,776,228	11,599,335
Reserves and retained savings (Note 12)	17,731,884	16,544,286
	<u>30,508,112</u>	<u>28,143,621</u>
<b>Total liabilities and members' equity</b>	<b><u>\$ 34,813,305</u></b>	<b><u>\$ 32,483,025</u></b>
 Subsequent event (Note 19)		
Commitment (Note 20)		

Approved on behalf of the Board of Directors

Patricia Piche  
 Director  
 May 25/22

Jim Pettymushak  
 Director  
 May 25/2022

The accompanying notes are an integral part of these financial statements



**Southland Co-operative Ltd.**  
**Statement of Net Savings and Statement of Retained Savings**  
**For the Year Ended January 31, 2022**

	<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>
<b>Sales</b> (Note 13)	\$ 66,299,402	100.0	\$ 59,875,803	100.0
<b>Cost of goods sold</b>	<u>54,100,676</u>	<u>81.6</u>	<u>47,892,126</u>	<u>80.0</u>
<b>Gross margin</b>	<u>12,198,726</u>	<u>18.4</u>	<u>11,983,677</u>	<u>20.0</u>
<b>Expenses</b>				
Operating and administration	11,212,961	16.9	10,901,825	18.2
Net interest (Note 15)	<u>(73,433)</u>	<u>(0.1)</u>	<u>(70,101)</u>	<u>(0.1)</u>
	<u>11,139,528</u>	<u>16.8</u>	<u>10,831,724</u>	<u>18.1</u>
<b>Savings from operations</b>	1,059,198	1.6	1,151,953	1.9
FCL loyalty program (Note 4(d)(iii))	894,370	1.3	990,411	1.7
Patronage refunds	<u>2,159,761</u>	<u>3.3</u>	<u>812,887</u>	<u>1.4</u>
<b>Savings before income taxes</b>	4,113,329	6.2	2,955,251	5.0
Income tax expense (Note 17)	<u>295,446</u>	<u>0.4</u>	<u>254,314</u>	<u>0.4</u>
<b>Net savings</b>	<u><b>\$ 3,817,883</b></u>	<u><b>5.8</b></u>	<u><b>\$ 2,700,937</b></u>	<u><b>4.6</b></u>
 <b>Retained savings, beginning of year</b>	 \$ -		 \$ -	
Net savings	3,817,883		2,700,937	
Transfer to statutory reserve (Note 12)	(260,000)		(158,454)	
Transfer to general reserve (Note 12)	(927,639)		(718,499)	
Patronage allocation to members (Note 19)	<u>(2,630,244)</u>		<u>(1,823,984)</u>	
<b>Retained savings, end of year</b> (Note 12)	<u><b>\$ -</b></u>		<u><b>\$ -</b></u>	

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



**Southland Co-operative Ltd.**  
**Statement of Cash Flows**  
**For the Year Ended January 31, 2022**

	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Net savings	\$ 3,817,883	\$ 2,700,937
Adjustments for:		
Depreciation	1,142,767	1,198,410
Accretion	4,875	4,875
FCL patronage refund	(2,159,742)	(812,863)
Gain on the disposal of property, plant and equipment	(61,476)	(16,517)
Changes in non-cash operating working capital:		
Accounts receivable	(165,314)	222,313
Income taxes recoverable (payable)	(245,337)	416,916
Inventories	(1,297,140)	(497,768)
Prepaid expenses	(16,464)	(9,256)
Long-term receivables	(34,172)	63,805
Accounts payable and trust liabilities	34,791	432,356
Customer prepaid accounts	8,478	(14,311)
Cash provided by operating activities	<u>1,029,149</u>	<u>3,688,897</u>
<b>Investing activities</b>		
Redemption of FCL shares	1,727,794	731,577
Additions to property, plant and equipment	(1,030,695)	(878,967)
Additions to intangible assets	(93,240)	-
Proceeds from the disposal of property, plant and equipment	74,475	21,319
Investment in other organization	(19)	(14)
Cash provided by (used for) investing activities	<u>678,315</u>	<u>(126,085)</u>
<b>Financing activities</b>		
Share capital issued	2,610	2,050
GST on allocation	57,998	54,059
Redemption of share capital	(1,514,000)	(1,355,412)
Cash used for financing activities	<u>(1,453,392)</u>	<u>(1,299,303)</u>
<b>Net increase in cash and cash equivalents</b>	254,072	2,263,509
<b>Cash and cash equivalents, beginning of year</b>	<u>3,143,905</u>	<u>880,396</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 3,397,977</u></u>	<u><u>\$ 3,143,905</u></u>
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	\$ 491,041	\$ 96,648
FCL special deposit	2,906,936	3,047,257
	<u><u>\$ 3,397,977</u></u>	<u><u>\$ 3,143,905</u></u>

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





**Southland Co-operative Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

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**1. Incorporation and operations**

Southland Co-operative Ltd. ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on February 24, 1939. The primary business of the Co-operative is operating retail agricultural, food, and petroleum outlets in Assiniboia, 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, 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 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).





**Southland Co-operative Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

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**(e) Financial instruments**

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

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

**(f) Property, plant and equipment**

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

Buildings	Declining balance	4% to 10%
Pavement	Declining balance	8%
Tanks	Declining balance	10% to 20%
Furniture & equipment	Declining balance	10% to 20%
Vehicles	Declining balance	30%
Vehicle equipment	Declining balance	15%
Computer equipment	Straight-line & declining balance	3 years or 30% to 100%
Asset retirement cost	Straight-line	25 - 35 years

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

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

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.



**(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. Patronage allocations are recognized in earnings when earned by the Co-operative.

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

**(k) Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Indefinite life intangible assets are not amortized.

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

**(l) 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 (2021 - one customer accounted for 11% 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 Co-operative's sensitivity to fluctuations in interest rates is limited to its cash and funds on deposit. 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 (FCL)**

#### **(a) FCL special deposit**

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



**Southland Co-operative Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

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**(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, 2021, the Co-operative purchased goods amounting to \$47,117,326 (2020 - \$39,303,674) 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:

	2022	2021
Opening investment balance	\$ 9,150,507	\$ 9,069,221
Patronage refund	2,159,742	812,863
Share redemptions	<u>(1,727,794)</u>	<u>(731,577)</u>
Closing investment balance	<u>\$ 9,582,455</u>	<u>\$ 9,150,507</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 eight sites under this program. Management believes that due diligence has been exercised. At year end, the Co-operative has accrued a liability in the amount of \$123,504 (2021 - \$118,629). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$4,875 (2021 - \$4,875).

**(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 March 2012. 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 \$773,610 (2021 - \$799,932). 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 June 2014. 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.



**Southland Co-operative Ltd.**  
**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 \$68,400 (2021 - \$68,400).

**6. Long-term receivable**

	Total	2022 Current Portion	2022 Deferred Portion	2021 Current Portion	2021 Deferred Portion
Petroleum tanks	\$ 50,744	\$ 47,693	\$ 3,051	\$ 15,097	\$ 1,475

The Co-operative 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.

**7. Property, plant and equipment**

	Original Cost	Accumulated Depreciation	2022 Book Value	2021 Book Value
Land	\$ 549,369	\$ -	\$ 549,369	\$ 549,369
Buildings	11,330,264	4,844,213	6,486,051	6,492,145
Pavement	2,201,868	916,659	1,285,209	1,396,963
Tanks	1,655,951	1,128,599	527,352	615,299
Furniture & equipment	6,107,725	4,254,655	1,853,070	2,160,900
Vehicles	1,626,689	1,143,141	483,548	288,846
Vehicles equipment	1,027,758	545,367	482,391	215,002
Computer equipment	1,002,518	954,217	48,301	74,642
Asset retirement cost	85,913	47,980	37,933	42,808
Under construction	58,244	-	58,244	100,565
	<u>\$ 25,646,299</u>	<u>\$ 13,834,831</u>	<u>\$ 11,811,468</u>	<u>\$ 11,936,539</u>

Depreciation for the current year included in operating and administration expense was \$1,142,767 (2021 - \$1,198,410).



**Southland Co-operative Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

**8. Intangible asset**

	Original Cost	Accumulated Amortization	2022 Book Value	2021 Book Value
Liquor permits	\$ 118,340	\$ -	\$ 118,340	\$ 25,100

In 2011 and 2021, the Co-operative purchased commercial liquor permits that have an indefinite life.

**9. Line of credit**

The Co-operative has a \$2,495,000 line of credit with Conexus Credit Union of which no amount has been drawn as at January 31, 2022 (2021 - \$nil). The line of credit is secured by inventory and accounts receivable and a General Security Agreement. Interest on the line of credit is prime plus 1% (3.45%) (2021 - 3.45%).

**10. Accounts payable and trust liabilities**

	2022	2021
FCL payables	\$ 2,621,027	\$ 2,763,961
Other payables	1,243,003	1,039,344
Trust liabilities:		
Payroll deductions	25,335	74,064
Provincial sales tax	59,838	65,157
Federal fuel charge	88,414	65,255
Liquor consumption tax	16,877	11,922
	<u>\$ 4,054,494</u>	<u>\$ 4,019,703</u>

**11. Share capital**

Authorized, unlimited @ \$1	2022	2021
Balance, beginning of year	\$ 11,599,335	\$ 11,073,252
Allocation to members	2,630,244	1,823,984
Cash from new members	2,610	2,050
GST on allocation	57,998	54,059
Shares transferred from reserves	55	1,402
	<u>14,290,242</u>	<u>12,954,747</u>
General repayment	999,652	850,536
Shares transferred to reserves	14	-
Withdrawals and retirements	310,417	329,690
Withholding tax	203,931	175,186
	<u>1,514,014</u>	<u>1,355,412</u>
Balance, end of year	<u>\$ 12,776,228</u>	<u>\$ 11,599,335</u>



**Southland Co-operative Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

**12. Reserves and retained savings**

	<b>Statutory Reserve</b>	<b>General Reserve</b>	<b>Retained Savings</b>	<b>2022</b>	<b>2021</b>
Balance, beginning of year	\$ 3,168,636	\$ 13,375,650	\$ -	\$ 16,544,286	\$ 15,668,735
Net savings distributed to retained savings	-	-	3,817,883	3,817,883	2,700,937
Patronage allocation	-	-	(2,630,244)	(2,630,244)	(1,823,984)
Shares transferred	(41)	-	-	(41)	(1,402)
Reserve transfers	<u>260,000</u>	<u>927,639</u>	<u>(1,187,639)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 3,428,595</u>	<u>\$ 14,303,289</u>	<u>\$ -</u>	<u>\$ 17,731,884</u>	<u>\$ 16,544,286</u>

**13. Sales**

	<b>2022</b>	<b>2021</b>
Food	\$ 27,390,579	\$ 27,453,353
Non-food	<u>38,908,823</u>	<u>32,422,450</u>
	<u>\$ 66,299,402</u>	<u>\$ 59,875,803</u>

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

**14. 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 for CEWS includes demonstration of revenue declines as a result of COVID-19.

The Co-operative has determined that it has qualified for the CEWS. The Co-operative has applied for and has received \$nil (2021 - \$341,415) which has been reflected as a reduction to operating and administration expenses.





**Southland Co-operative Ltd.**  
**Notes to the Financial Statements**  
**For the Year Ended January 31, 2022**

**15. Net interest**

	<b>2022</b>	2021
Interest expense on short-term debt	\$ 407	\$ 5,584
Interest revenue	<u>(73,840)</u>	<u>(75,685)</u>
	<u><u>\$ (73,433)</u></u>	<u><u>\$ (70,101)</u></u>

**16. Pension plan**

The Co-operative participates in a multi-employer defined contribution plan whereby the Co-operative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Co-operative has no unfunded liability under this plan. During the year, the Co-operative recorded \$278,421 (2021 - \$278,255) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

**17. 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:

	<b>2022</b>	2021
Savings before income taxes	\$ 4,113,329	\$ 2,955,251
Expected income tax expense at the combined tax rate of 27% (2021 - 27%) net of the general rate reduction	1,110,599	797,918
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(15,320)	2,073
Patronage allocation to members of \$2,630,244 (2021 - \$1,823,984)	(710,166)	(492,476)
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(91,194)	(69,582)
Allowance for doubtful accounts	1,791	16,336
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(367)	-
Prior year tax adjustment	<u>103</u>	<u>45</u>
Income tax expense	<u><u>\$ 295,446</u></u>	<u><u>\$ 254,314</u></u>



## **18. 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 Co-operative'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 Co-operative was eligible. The future impact the COVID-19 outbreak may have on the Co-operative is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

## **19. Subsequent event**

### **Patronage allocation to members**

Subsequent to January 31, 2022 the Board of Directors approved a patronage allocation to members in the amount of \$2,630,244 (2021 - \$1,823,984).

## **20. Commitment**

The Co-operative is committed to the completion of a liquor store. The estimated total cost of the project is \$1,400,000 of which \$58,244 has been set up as under construction. This project will be financed from operations.



**Southland Co-operative Ltd.**  
**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, February 24, 1939 to January 31,	2013	\$ 633,822,548	\$ 32,553,184	5.1
	2014	48,693,737	3,013,191	6.2
	2015	59,588,704	4,725,519	7.9
	2016	55,910,686	2,697,971	4.8
	2017	53,533,070	2,209,488	4.1
	2018	57,679,304	2,522,332	4.4
	2019	60,705,441	2,938,450	4.8
	2020	58,631,408	2,325,829	4.0
	2021	59,875,803	2,700,937	4.6
	2022	66,299,402	3,817,883	5.8
		<u>\$ 1,154,740,103</u>	<u>\$ 59,504,784</u>	<u>5.2</u>

**Membership**

Members purchasing during the year	6,542
Inactive members	<u>1,811</u>
Total members	<u>8,353</u>



