



# ANNUAL REPORT

## **Management's Responsibility**

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To the Members of North of 53 Consumers Cooperative 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 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 primarily of Directors who are neither management nor employees of the Cooperative. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the Cooperative's external auditors.

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

April 21, 2021

Signed "Tom Therien"

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General Manager

## Independent Auditor's Report

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To the Members of North of 53 Consumers Cooperative Ltd.:

### Opinion

We have audited the financial statements of North of 53 Consumers Cooperative Ltd. (the "Cooperative"), which comprise the balance sheet as at December 31, 2020, and the statements of net savings, retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as at December 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 Cooperative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Cooperative's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

## Independent Auditor's Report - Continued

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

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

Brandon, Manitoba

April 21, 2021

*MNP LLP*

Chartered Professional Accountants

# North of 53 Consumers Cooperative Ltd.

## Balance Sheet

As at December 31, 2020

	2020	2019
<b>Current assets</b>		
Cash and cash equivalents	\$ 78,938	\$ 14,200
Accounts receivable	608,777	1,031,582
- Customer (Note 5)		
- Other	52,201	47,192
Income taxes recoverable	34,042	239,922
Inventories	1,420,605	1,434,639
Prepaid expenses	54,590	52,658
Current portion long-term receivable (Note 6)	3,070	-
	<u>2,252,223</u>	<u>2,820,193</u>
<b>Long-term receivable (Note 6)</b>	10,919	-
<b>Investments</b>		
Federated Co-operatives Limited (Note 4(a))	4,580,311	4,515,153
Other organizations	5	5
	<u>14,520,663</u>	<u>15,085,219</u>
<b>Property, plant and equipment (Note 7)</b>		
<b>Total assets</b>	<b>\$ 21,364,121</b>	<b>\$ 22,420,570</b>
<b>Current liabilities</b>		
Line of credit (Note 8)	\$ -	\$ 44,454
Accounts payable and trust liabilities (Note 9)	2,288,282	2,204,117
Customer prepaid accounts	51,348	41,491
	<u>2,339,630</u>	<u>2,290,062</u>
<b>Long-term debt (Note 10)</b>	<u>4,806,484</u>	<u>6,524,335</u>
<b>Total liabilities</b>	<u>7,146,114</u>	<u>8,814,397</u>
<b>Members' equity</b>		
Share capital (Note 11)	5,163,074	5,060,119
Reserves and retained savings (Note 12)	9,054,933	8,546,054
	<u>14,218,007</u>	<u>13,606,173</u>
<b>Total liabilities and members' equity</b>	<b>\$ 21,364,121</b>	<b>\$ 22,420,570</b>

Subsequent events (Note 20)

Approved on behalf of the Board of Directors

Signed "Linda Clark"

Director

Signed "Dennis Whitbread"

Director

The accompanying notes are an integral part of these financial statements



**North of 53 Consumers Cooperative Ltd.**  
**Statement of Net Savings and Statement of Retained Savings**  
**For the Year Ended December 31, 2020**

	2020	%	2019	%
<b>Sales</b> (Note 13)	\$ 33,379,094	100.0	\$ 31,323,908	100.0
<b>Cost of goods sold</b>	<u>26,083,542</u>	<u>78.1</u>	<u>24,961,825</u>	<u>79.7</u>
<b>Gross margin</b>	<u>7,295,552</u>	<u>21.9</u>	<u>6,362,083</u>	<u>20.3</u>
<b>Expenses</b>				
Operating and administration	7,146,738	21.4	7,345,746	23.5
Net interest (Note 15)	<u>159,462</u>	<u>0.5</u>	<u>255,969</u>	<u>0.8</u>
	<u>7,306,200</u>	<u>21.9</u>	<u>7,601,715</u>	<u>24.3</u>
<b>Loss from operations</b>	(10,648)	-	(1,239,632)	(4.0)
FCL loyalty program (Note 4(c)(ii))	270,772	0.8	44,062	0.1
Patronage refunds	<u>651,589</u>	<u>2.0</u>	<u>1,330,796</u>	<u>4.2</u>
<b>Savings before income taxes</b>	911,713	2.8	135,226	0.3
Income tax expense (recovery) (Note 18)	<u>63,681</u>	<u>0.2</u>	<u>(42,247)</u>	<u>(0.1)</u>
<b>Net savings</b>	<u><u>\$ 848,032</u></u>	<u>2.6</u>	<u><u>\$ 177,473</u></u>	<u>0.4</u>
<b>Retained savings, beginning of year</b>	\$ -		\$ -	
Net savings	848,032		177,473	
Transfer to special reserve (Note 12)	(91,171)		(163,950)	
Transfer to general reserve (Note 12)	(425,773)		(13,523)	
Patronage allocation to members (Note 11)	<u>(331,088)</u>		<u>-</u>	
<b>Retained savings, end of year</b> (Note 12)	<u><u>\$ -</u></u>		<u><u>\$ -</u></u>	

The accompanying notes are an integral part of these financial statements



# North of 53 Consumers Cooperative Ltd.

## Statement of Cash Flows

For the Year Ended December 31, 2020

	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Net savings	\$ 848,032	\$ 177,473
Adjustments for:		
Depreciation	1,160,959	1,335,219
FCL patronage refund	(651,589)	(1,330,796)
Gain on the disposal of property, plant and equipment	(160,866)	-
Changes in non-cash operating working capital:		
Accounts receivable	417,796	(272,269)
Income taxes recoverable	205,880	(80,683)
Inventories	14,034	(11,414)
Prepaid expenses	(1,932)	(8,060)
Long-term receivables	(13,989)	-
Accounts payable and trust liabilities	84,165	1,343,399
Customer prepaid accounts	9,857	581
	<u>1,912,347</u>	<u>1,153,450</u>
<b>Investing activities</b>		
Redemption of FCL shares	586,431	1,064,636
Additions to property, plant and equipment	(714,987)	(480,075)
Proceeds from the disposal of property, plant and equipment	279,450	-
	<u>150,894</u>	<u>584,561</u>
<b>Financing activities</b>		
Change in long-term debt	(1,717,851)	(1,225,665)
Share capital issued	880	1,370
Redemption of share capital	(237,078)	(325,368)
	<u>(1,954,049)</u>	<u>(1,549,663)</u>
<b>Net increase in cash and cash equivalents (borrowings)</b>	<b>109,192</b>	<b>188,348</b>
<b>Cash and cash equivalents (borrowings), beginning of year</b>	<b>(30,254)</b>	<b>(218,602)</b>
<b>Cash and cash equivalents (borrowings), end of year</b>	<b>\$ 78,938</b>	<b>\$ (30,254)</b>
Cash and cash equivalents (borrowings) are comprised of:		
Cash and cash equivalents	\$ 78,938	\$ 14,200
Line of credit	-	(44,454)
	<u>\$ 78,938</u>	<u>\$ (30,254)</u>

The accompanying notes are an integral part of these financial statements



## **1. Incorporation and operations**

North of 53 Consumers Cooperative Ltd. ("the Co-operative") was incorporated under the Co-operatives Act of Manitoba on September 9, 1946. The primary business of the Co-operative is operating retail food and petroleum outlets in Flin Flon and Creighton.

## **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, 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 December 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).





**(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	5% & 10%
Parking lots & dykes	Declining balance	4% & 8%
Tanks	Declining balance	10% & 20%
Furniture & equipment	Declining balance	20% - 100%
Vehicles	Declining balance	15% - 55%

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) 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.



**(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 substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

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

**3. Financial instruments and risk management**

The significant financial risks to which the 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. One customer accounts for 10.6% of the accounts receivable balance (2019 - no 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, funds on deposit, 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 (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, 2020, the Co-operative purchased goods amounting to \$23,075,089 (2019 - \$24,468,124) 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	\$ 4,515,153	\$ 4,248,993
Patronage refund	651,589	1,330,796
Share redemptions	<u>(586,431)</u>	<u>(1,064,636)</u>
Closing investment balance	<u>\$ 4,580,311</u>	<u>\$ 4,515,153</u>

**(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 two 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 October 21, 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 \$4,837 (2019 - \$4,837). 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 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.



# North of 53 Consumers Cooperative Ltd.

## Notes to the Financial Statements For the Year Ended December 31, 2020

(iii) Under the terms of the agreement with FCL, the Co-operative has committed to purchase food and food-related products, from FCL and continue to operate the food store over periods a ten year period commencing from March 1, 2017. Failure to meet this commitment would require the Co-operative to repay immediately the loan then outstanding, plus accrued interest. Management intends to fulfill all commitments with FCL.

### 5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$20,000 (2019 - \$20,000).

### 6. Long-term receivable

		2020	2020	2019	2019
	Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
Business Development Loan	\$ 13,989	\$ 3,070	\$ 10,919	\$ -	\$ -

The Co-operative has a 55 month business development loan agreement with a tenant of the Co-operative's leased property. The loan is payable to the Co-operative at \$300 per month with an interest rate of 4.2%.

### 7. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2020 Book Value	2019 Book Value
Land	\$ 1,544,024	\$ -	\$ 1,544,024	\$ 1,544,024
Buildings	13,191,737	4,371,482	8,820,255	8,958,393
Parking lots & dykes	1,774,526	207,590	1,566,936	1,633,322
Tanks	447,094	202,528	244,566	272,739
Furniture & equipment	4,570,143	2,616,346	1,953,797	2,498,123
Vehicles	770,874	379,789	391,085	178,618
	<u>\$ 22,298,398</u>	<u>\$ 7,777,735</u>	<u>\$ 14,520,663</u>	<u>\$ 15,085,219</u>

Depreciation for the current year included in operating and administration expense was \$1,160,959 (2019 - \$1,335,219).

### 8. Line of credit

The Co-operative has a \$500,000 line of credit of which no amount has been drawn as at December 31, 2020 (2019 - \$44,454). 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 bank prime plus 0.5 (3.95%)(2019 - 4.95%).



# North of 53 Consumers Cooperative Ltd.

## Notes to the Financial Statements For the Year Ended December 31, 2020

### 9. Accounts payable and trust liabilities

	2020	2019
FCL payables	\$ 1,715,442	\$ 1,696,610
Other payables	459,043	416,229
Trust liabilities:		
Payroll deductions	40,160	22,251
Goods and services tax	-	14,679
Provincial sales tax	32,047	23,893
Federal fuel charge	41,590	29,604
Workers Compensation Board	-	851
	<u>\$ 2,288,282</u>	<u>\$ 2,204,117</u>

### 10. Long-term debt

	2020	2020	2019	2019
	Total	Current Portion	Deferred Portion	Current Portion
				Deferred Portion
FCL line of credit	<u>\$ 4,806,484</u>	<u>\$ -</u>	<u>\$ 4,806,484</u>	<u>\$ -</u>
				<u>\$ 6,524,335</u>

Federated Co-operative Limited credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures February 28, 2027. The loan is subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and has been in compliance since the loan start date. Security for the credit is a security interest in the property and associated assets with a net book value of \$7,974,775 (2019 - \$8,735,530). The available line of credit decreases as follows:

March 1, 2020 - February 28, 2021	\$ 9,275,000
March 1, 2021 - February 28, 2022	7,950,000
March 1, 2022 - February 28, 2023	6,625,000
March 1, 2023 - February 29, 2024	5,300,000
March 1, 2024 - February 28, 2025	3,975,000
March 1, 2025 - February 28, 2026	2,650,000
March 1, 2026 - February 28, 2027	1,325,000

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

2021	\$ -
2022	-
2023	-
2024	-
2025	831,484
Subsequent payments	<u>3,975,000</u>
	<u>\$ 4,806,484</u>



**North of 53 Consumers Cooperative Ltd.**

**Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**11. Share capital**

Authorized, unlimited @ \$1	<b>2020</b>	2019
Balance, beginning of year	\$ 5,060,119	\$ 5,381,351
Allocation to members	331,088	-
Cash from new members	880	1,370
Shares transferred from reserves	8,065	2,766
	<u>5,400,152</u>	<u>5,385,487</u>
Withdrawals and retirements	<u>237,078</u>	<u>325,368</u>
Balance, end of year	<u>\$ 5,163,074</u>	<u>\$ 5,060,119</u>

**12. Reserves and retained savings**

	<b>General Reserve</b>	<b>Special Reserve</b>	<b>Retained Savings</b>	<b>2020</b>	2019
Balance, beginning of year	\$ 3,869,583	\$ 4,676,471	\$ -	\$ 8,546,054	\$ 8,371,347
Net savings distributed to retained savings	-	-	848,032	848,032	177,473
Patronage allocation	-	-	(331,088)	(331,088)	-
Shares transferred	(8,065)	-	-	(8,065)	(2,766)
Reserve transfers	<u>91,171</u>	<u>425,773</u>	<u>(516,944)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 3,952,689</u>	<u>\$ 5,102,244</u>	<u>\$ -</u>	<u>\$ 9,054,933</u>	<u>\$ 8,546,054</u>



**North of 53 Consumers Cooperative Ltd.****Notes to the Financial Statements  
For the Year Ended December 31, 2020****13. Sales**

	2020	2019
Food division	\$ 26,974,256	\$ 22,685,517
Petroleum division	<u>6,404,838</u>	<u>8,638,391</u>
	<u>\$ 33,379,094</u>	<u>\$ 31,323,908</u>

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

**14. Operating and administration**

In response to the negative economic impact of COVID-19, the Government of Canada has announced the TWS program in March 2020 and the CEWS program in April 2020. TWS and 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 setup \$17,000 in accounts receivable. This amount has been also been reflected as a reduction to operating and administration expenses.

**15. Net interest**

	2020	2019
Interest expense on		
- Short-term debt	\$ 4,381	\$ 9,969
- FCL line of credit	174,805	270,971
Interest revenue	<u>(19,724)</u>	<u>(24,971)</u>
	<u>\$ 159,462</u>	<u>\$ 255,969</u>

**16. 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 year end the cost of the property, plant and equipment held for leasing purposes was \$4,657,743 (2019 - \$4,249,542) and the accumulated depreciation was \$3,328,882 (2019 - \$3,235,851). Revenue generated from operating leases during the year is \$185,153 (2019 - \$134,995).

**17. 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 \$181,547 (2019 - \$158,548) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



**18. 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	\$ 911,713	\$ 135,226
Expected income tax expense at the combined tax rate of 27.0% (2019 - 9.0%) net of the small business deduction	246,163	12,170
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(43,251)	72
Patronage allocation to members of \$331,088 (2019 - \$nil)	(89,394)	-
Income or expenses claimed in different periods for income tax purposes:		
Capital cost allowance in excess of depreciation	(53,018)	(24,301)
Allowance for doubtful accounts	3,429	(720)
Other items that impact income taxes:		
Loss carry-back	-	(25,557)
Manufacturing and Processing Investment Tax Credit	(248)	(1,982)
Prior year tax adjustment	-	(1,929)
Income tax expense (recovery)	<u>\$ 63,681</u>	<u>\$ (42,247)</u>

**19. Economic conditions**

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the 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.

**20. Subsequent events****Patronage allocation to members**

Subsequent to December 31, 2020 the Board of Directors approved a patronage allocation to members in the amount of \$331,088 (2019 - \$nil).





**North of 53 Consumers Cooperative Ltd.****Audited Statistical Information****For the Year Ended December 31, 2020****Record of Sales and Net Savings**

	<u>Year</u>	<u>Sales</u>	<u>Net Savings<sup>(1)</sup></u>	<u>%</u>
From Date of Incorporation, September 9, 1946 to December 31,	2011	\$ 554,233,529	\$ 21,065,427	3.8
	2012	24,636,230	1,765,004	7.2
	2013	26,661,361	2,115,709	7.9
	2014	27,186,748	1,773,959	6.5
	2015	26,461,742	1,637,201	6.2
	2016	25,947,326	1,893,436	7.3
	2017	26,986,067	1,536,517	5.7
	2018	29,641,019	338,877	1.1
	2019	31,323,908	177,473	0.4
	2020	33,379,094	848,032	2.6
		<u>\$ 806,457,024</u>	<u>\$ 33,151,635</u>	<u>4.1</u>

<sup>(1)</sup> 2010 and prior years - savings is before income taxes and patronage refund to members.

**Membership**

Members purchasing during the year	4,161
Inactive members	<u>416</u>
Total members	<u>4,577</u>



**North of 53 Consumers Cooperative Ltd.**  
**Directors and Officers**  
**For the Year Ended December 31, 2020**

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<b>Position</b>	<b>Name</b>	<b>Address</b>	<b>Year Term Expires</b>
President	David Kendall	Flin Flon, MB	2023
Vice-President	Rob Schiefele	Flin Flon, MB	2023
Secretary	Linda Clark	Flin Flon, MB	2023
Manager	Tom Therien	Flin Flon, MB	
Director	Richard Dansereau	Flin Flon, MB	2021
Director	Delwyn Ward	Flin Flon, MB	2020
Director	Dennis Whitebread	Flin Flon, MB	2021



