



ANNUAL REPORT 2019

Prairie North
Co-operative Limited



PRAIRIE NORTH CO-OPERATIVE LIMITED

OUR VALUES

Service

Exceeding Expectations

Integrity

Honest and Trustworthy

Unity

We are Better Together

OUR VISION

To be the trusted first choice in our community.

OUR ASPIRATION

Our Co-op provides exceptional value through outstanding service delivered by an engaged and dedicated team. We strive to build sustainable communities in which we live, grow, and share.

OUR MISSION STATEMENT

Our team is committed to excellence at every opportunity to serve our guests and our community.

We will consistently deliver a trusted, welcoming, and personalized experience.

SERVICE • INTEGRITY • UNITY

You're at home here.



YOUR PRAIRIE NORTH CO-OP

Prairie North Co-op is here to serve its members with products and services that help build, feed, fuel and grow communities. We are a different kind of business; as a co-operative, we are not only working for our communities, we are owned by our community. Co-ops embed sustainability in their business by planning and investing for the long term, with the community and environment in mind; they work to create jobs; and they partner with other organizations and local businesses. Prairie North Co-op profits do not leave the community, they go back into it – and back to our members.

Prairie North Co-op has 280 employees serving over 12,354 members in 15 different communities in northeast Saskatchewan. We continue the tradition of giving back to communities, not only in patronage refunds to our members, but also financial support to many local organizations which amounted to over \$112,000 in 2019. We are proud of our involvement with the communities we serve, and we invite you to visit our locations.

Locally invested. Community minded. Lifetime membership benefits. You're at home here.



EMPLOYS
280
COMMUNITY MEMBERS



12,354
MEMBER OWNERS



RECIPIENT 2019 EXCELLENCE IN CO-OPERATION AMONGST CO-OPERATIVES

RANKED #55 ON THE TOP 100 COMPANIES LIST IN 2019 BY SASKBUSINESS MAGAZINE (UP 25 SPOTS)



\$108,000,000
IN SALES FOR 2019

MESSAGE FROM THE CHAIR



Ed Dufault, President

As with any organization a number of strategic changes took place with our lines of business; the most notable was the entry into the sales of liquor at Kelvington, Spalding and St. Brieux this past year. This move will further enhance our ability to provide service to our members and allows us to keep investing in our local communities.

Your Board approved a capital re-investment of \$2,031,286 million dollars in 2019 which was to replace and/or add equipment to many of our community retails. A new Ag storage structure in Archerwill is being completed along with building renovations at the Kelvington food and gas bar and a Melfort administration office was also approved. A feasibility study is currently underway to modernize the C-store in Archerwill.

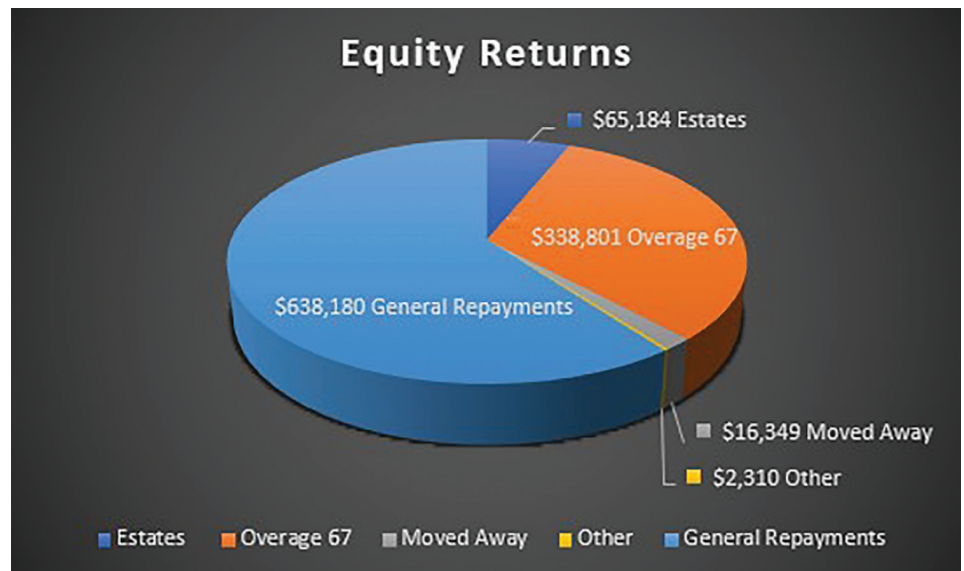
Sales for 2019 were in line with the budgeted forecast of 108 million dollars. Net earning of \$3 million before tax were just slightly higher than budgeted due to a higher patronage allocation from FCL. Equity allocations based on the following:

Petroleum (retail pumps, cardlocks & bulk delivery)		3.0%
Other departments	Food	0.9%
	Home	0.9%
	Agro	0.9%

The 2019 year was a year of growth and challenges within the organization. In April the community of Archerwill became part of Prairie North through the dissolution of their Co-op. The disposition of the assets is being handled internally and should be concluded by December 2020.

During 2019 your Board was tasked with hiring a new general manager after the departure of Randy Wasserman due to an advancement opportunity within Federated Co-op Limited (FCL). The Board successfully recruited Terry Tremblay in September 2019. Terry's wealth of experience, combined with his knowledge of the area, will serve Prairie North Co-op well. Please join me in welcoming Terry and Maureen to Melfort and surrounding communities.

DURING 2019 THE BOARD AUTHORIZED THE RETURN OF EQUITY IN THE FOLLOWING CATEGORIES:



In 2019 1045 new members joined our co-operative association. This was mainly attributed to the members of the Archerwill location after the dissolution of their co-operative.

Prairie North Co-op continues to support local communities through financial donations to various events, projects and youth developments within the trading area. In 2019, \$112,000 was contributed to those causes that met the criteria for community initiatives.

In 2019 Prairie North Co-op entered into shared agreements with our neighboring retails - Beeland, Carrot River, and Parkland - to provide management expertise in areas OHS, human resources, delivery of bulk oil to farm sites, and marketing. Our focus is to provide cost saving measures whenever possible.

I would like to thank the Board of Directors for their dedication and guidance during 2019. Your input to the discussion and decision making at the board table is greatly appreciated. The Prairie North Co-op Board sought nominations to fill three 3-year term positions and one 1-year term on the Board of Directors. Nominations opened at the end of April and closed on May 17, 2019. The call for nominations were advertised in local papers, on posters hung in communities throughout the region,

2019 AT A GLANCE



PRAIRIE NORTH CO-OP

and on social media. The Director's term of office expiration and record of attendance for 2019 regular board meetings is included.

The challenges of 2019 appear small in comparison to what we have been enduring in the first few months of 2020 as COVID-19 pandemic precautions have entered our communities. Let me assure you we are doing everything possible to make sure we can provide the necessary product and services our customers need to carry on their business while making sure individual safety is not compromised. We continue to follow the recommendation of the provincial and federal health authorities as we ease into the re-open phases set out by the provincial government. Although the longer term affects of this incident have yet to be realized, what we can say is that our Co-op association will adapt to whatever is required, just as it has over the last 100 years.

On behalf of the Board of Directors I want to express our appreciation and gratitude to Terry Tremblay and his dedicated senior leadership team for their commitment to our co-operative. His ability to make the transition and inspire the team was remarkable.

To all our front line employees who have provided courteous, friendly service to our customers through this challenging time, thank you for your dedicated service to Prairie North Co-op and our members.

And lastly, the most important people, are you the members. We thank you for your patronage and loyalty in 2019 and we are committed to earning your continued support in the years ahead.

On behalf of the Board of Directors,

Ed Dufault, President

TERM EXPIRING AT 2020 AGM

LORNE TYACKE	11/12
KELLY COPELAND	10/12
GREG MASLIN	12/12

TERM EXPIRING AT 2021 AGM

ED DUFAULT	11/12
JIM ZEMLUK	12/12
CLINT SUTTER	11/12
BARRY MARQUETTE	12/12
TOM BOYES	10/12

TERM EXPIRING AT 2022 AGM

TRENT FEDORYCHKA	5/6
MONICA SOCHASKI	12/12
JOHN KNUDSEN	7/8

Cover photo credit: Connor Heavin

The Prairie North Co-operative of 2020 has a rich history that is rooted in agriculture. It was originally established in 1914 as the Melfort Grain Growers Co-operative Trading Association. Hampered by a lack of access to markets, area farmers decided to experiment with a purchasing co-operative to buy basic supplies and commodities.

*adapted from One Hundred Years of Co-operation, Collaboration and Innovation, 2014. Published by Prairie North Co-op Ltd.

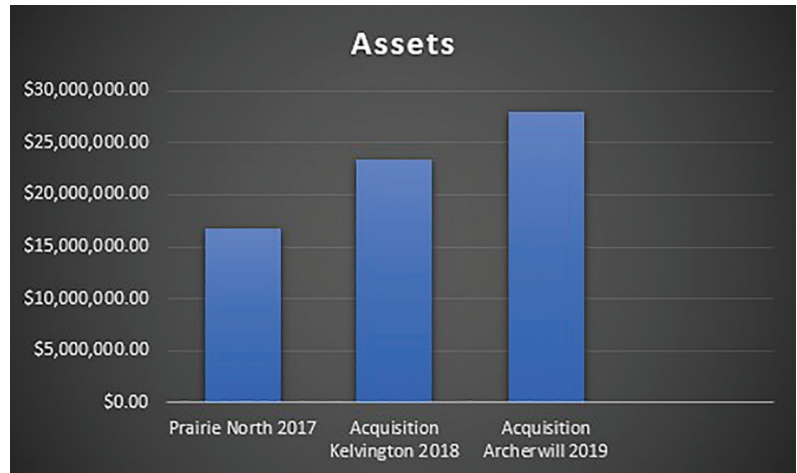
GENERAL MANAGER'S REPORT ON OPERATIONS

I am honoured to report to the membership on our operations for the fiscal year 2019. My name is Terry Tremblay and I was appointed general manager of Prairie North Co-op in September 2019. I come to Prairie North Co-op after three years as a retail advisor in Edmonton, where I advised 13 co-operatives throughout northern Alberta and British Columbia. I have spent 27 years working in the Co-op Retailing System, the majority of which was managing co-ops throughout northern Saskatchewan.

I am proud to say that I am particularly connected to northeast Saskatchewan as I was raised on a mixed farm at Barrier Lake. Growing up, my family used Co-op number 14 in both Archerwill and Bjorkdale Co-ops. My first Co-op job was as a meat cutter with Beeland Co-op in Tisdale and during my Co-op career, I spent six years managing the Carrot River Co-op. The last co-op I managed, before going to FCL, was Meadow Lake Co-op which had a similar commodity mix to that of Prairie North.

OPERATIONS/MARKET

Without a doubt 2019 was a significant year for Prairie North Co-op as it saw the bringing of the assets and business of Archerwill Co-op under the Prairie North Co-op umbrella. This, following the merger with East Central Co-op (Kelvington) has strengthened Prairie North Co-op and set us up to capitalize on several opportunities. The logistics, particularly in our petroleum and Ag supply businesses, become much more efficient when travelling from Saint Brieux in the northwest of our region to Kelvington in the southeast.




PRAIRIE NORTH CO-OP

When you hold the acquisition decisions up to our values of Service, Integrity, and Unity; it is clear that our membership will benefit moving forward. 2019 saw liquor offerings added to our Spalding and St. Brieux food store as well as a stand-alone liquor store purchased in Kelvington. In each case, the additions have had a positive impact on location results and will make meaningful contributions to the future profitability of Prairie North. We continue to look for similar opportunities.










Financial results saw Prairie North Co-op achieve sales of \$108,000,000 which is up \$10,000,000 from 2018. This is primarily due to the addition of Archerwill Co-op for 9 months of the year.

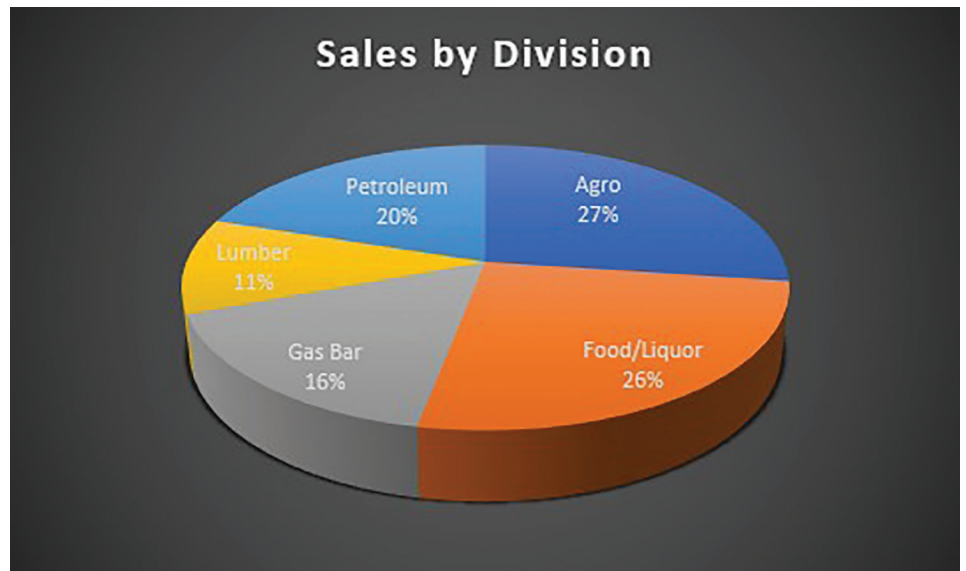
Our margin dollars were up \$1,000,000 while operating expenses were up \$1.5 million but as a % of sales they were stable. Depreciation makes up \$1.8 million of our expenses. Our local loss of \$2.3 million compares to \$2 million last year. This was offset by a \$5.3 million patronage refund from FCL in 2019, compared to \$5.9 million in 2018. Of our \$3 million net profit \$1.5 million is being returned to the members in the form of an equity allocation and \$1.5 million allocated to taxes and reserves



Prairie North Co-op

#ServiceIntegrityUnity

	CARDLOCK Melfort, Archerwill, Kelvington, Naicam, Rose Valley & St. Brieux
	CAR WASH Melfort
	PROPANE Melfort, Archerwill, Kelvington, Naicam & St. Brieux
	FUEL Melfort, Archerwill, Kelvington, Naicam & St. Brieux
	AGRO Melfort, Archerwill, Kelvington & Naicam
	CONVENIENCE Melfort, Archerwill, Kelvington & Naicam
	HOME & BUILDING Melfort, Archerwill, Kelvington & Naicam
	GROCERY Melfort, Archerwill, Kelvington, Naicam, Spalding & St. Brieux
	LIQUOR Kelvington, Spalding & St. Brieux





You're at home here.

Savings (loss) by Division before patronage

Agro	\$(741,000)
Food/Liquor	\$(743,000)
Gas Bar	\$(344,000)
Lumber	\$(662,000)
Petroleum	\$100,000

The balance sheet of Prairie North Co-op after combining the three co-operatives depicts total assets of over \$60 million and long-term debt of only \$1.3 million.

SHARED SERVICE AGREEMENTS

2019 saw Prairie North Co-op enter into further shared service agreements with neighbouring co-operatives with the intention of both streamlining operations and reducing costs. In March of 2020 the work of the shared service agreements was recognized at FCL's annual meeting with Beeland, Carrot River, Parkland, and Prairie North co-ops jointly receiving the Excellence in Co-operation amongst Co-operatives award for 2019.

OTHER AWARDS AND RECOGNITION

The Naicam Home Centre was the recipient of FCL's 2019 Home Centre Commitment to Excellence Award for the Saskatoon Region. In September, we were excited to learn that Prairie North had moved from #80 to #55 in SaskBusiness's Top 100 businesses ranking.

SUSTAINABILITY

Prairie North Co-op cares about the things that are important to its members and we are proud to be a part of the community and to support the organizations, projects and events that are doing good things close to home. A strong social conscience has always been a part of our co-op; in fact, the co-operative business model has been built on a foundation of community involvement and service. On Earth Day garbage bag and gloves were given to students in Archerwill, Kelvington, Star City, Rose Valley, Gronlid, Yellow Quill FN, Naicam, Melfort and St. Brieux. While students took part in a community cleanup, Prairie North Co-op team members prepared a BBQ lunch for participants.

In 2019 Prairie North Co-op team members volunteered almost 700 hours in their communities and through the Casual for a Cause program at work, they raised \$6,000 for the Jim Pattison

Children's Hospital Foundation. Team members, members and customers made the following donations possible:

- **\$4,600 raised for STARS air ambulance**
- **\$3,200 raised for Heart & Stroke through Pie Sensations**
- **\$2,500 raised for Tele Miracle**
- **\$1,000 raised for Breast Cancer through Dress for a Cause**
- **\$600 raised for the Saskatchewan Lung Association**

Prairie North continued to have a positive impact in all the communities in which we operate with direct donation and sponsorship totalling \$112,000 and \$2,700 was given in student scholarships. Through our partnership with local schools and Food Bank Bag sales 1550 lbs of food was collected for local Food Banks. BBQs were another source of Food Bank donation. In Kelvington alone, 22 BBQs were held raising over \$10,000 for local charities. Additional funds were distrusted through the following FCL programs:

- **\$35,000 to the Melfort Communities in Bloom through Community Spaces**
- **\$7,500 raised and distributed to local charities on Fuel Good Day, where 50,000 litres were sold**
- **\$5,400 raised for the NE SPCA through Propane for Pets**
- **Through Communities in Full Colour Prairie North Co-op donated 300 gallons of paint valued at approximately \$9,500**

Though growth was a focus and much time was spent in 2019 on merges and acquisitions, seeking opportunities to work with groups was still a priority and will continue to be a priority moving forward. We are committed to making our communities better places to live, work and play.

PRAIRIE NORTH CO-OP

PEOPLE

We understand that none of the many and significant achievements we make as an organization is possible without the 280 dedicated, hardworking employees and managers. We are committed to developing our people and are proud of the number of management positions that we have been able to fill from within our current talent pool. We provide opportunities for advancement within Prairie North Co-op as well as the CRS:

- **Prairie North Co-op invested 3452 hours into employee training in 2019**
- **we had five internal team members that were promoted to management positions and, in addition, two individuals transferred to Prairie North from other co-ops into management roles**
- **we have eight candidates on advance training in preparation for future leadership positions**
- **we sent two candidates to level I and II estimating courses to better serve our lumber customers and contractors**
- **one candidate completed Food Manager Training at our association and moved to another retail to take a position as a Food Manager**
- **Shane Klepack completed his Ag Manager Advance training with us and has accepted a position as Assistant Ag Manager in Melfort**

Employee engagement is a corporate goal that focuses on attaining feedback through a survey. All levels of our organization will be evaluated in the survey and action plans will be developed

to address the findings of the feedback provided. This will be a key in driving improvements to our customer and member experience.

IN CLOSING

The significance of the work done in 2019 has strengthened the foundation on which we have been able to face the challenges of 2020 . . . challenges that are many and are threatening the very survival of a number of local industries and businesses. With the prospects of a drawn-out economic recovery and the impact that this will have in our communities, I am confident in our ability to come out of the current situation faster and stronger than our competitors because of decisions made and actions taken.

Sincerely,

Terry Tremblay





You're at home here.

AUDITED FINANCIAL STATEMENTS

Management's Responsibility

To the Members of Prairie North Co-operative Limited:


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

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

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

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

May 5, 2020



General Manager

Independent Auditor's Report

To the Members of Prairie North Co-operative Limited:

Opinion

We have audited the financial statements of Prairie North Co-operative Limited (the "Co-operative"), which comprise the balance sheet as at December 31, 2019, 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 Co-operative as at December 31, 2019, 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the 2019 Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management 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.

Melfort, Saskatchewan

May 5, 2020

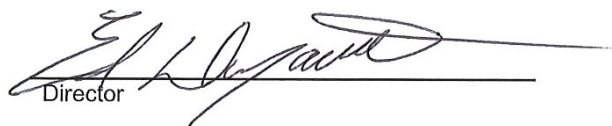
MNP LLP

Chartered Professional Accountants

Prairie North Co-operative Limited
Balance Sheet
As at December 31, 2019

	2019	2018
Current assets		
Cash and cash equivalents	\$ 242,985	\$ 473,150
Accounts receivable	5,104,148	4,093,735
- Customer (Note 5)		
- Other	288,211	55,818
Income taxes recoverable	458,266	384,247
Inventories (Note 6)	20,851,739	16,325,592
Prepaid agriculture suppliers	723,879	1,812,529
Prepaid expenses	242,632	205,427
Current portion long-term receivable (Note 7)	106,633	22,325
	28,018,493	23,372,823
Long-term receivable (Note 7)	22,029	148,991
Investments		
Federated Co-operatives Limited (Note 4(a))	14,464,969	13,400,517
Other organizations	5,005	5,005
Property, plant and equipment (Note 8)	17,955,005	17,724,155
Intangible assets (Note 9)	495,000	-
Total assets	\$ 60,960,501	\$ 54,651,491
Current liabilities		
Line of credit (Note 10)	\$ 6,555,995	\$ 5,294,270
Accounts payable and trust liabilities (Note 11)	12,690,099	6,163,420
Customer prepaid accounts	1,751,390	1,348,932
Current portion of long-term debt (Note 12)	532,171	1,863,241
	21,529,655	14,669,863
Long-term debt (Note 12)	1,370,277	2,919,888
Asset retirement obligation (Note 4(b))	180,050	149,874
Total liabilities	23,079,982	17,739,625
Members' equity		
Share capital (Note 13)	16,443,928	16,599,323
Reserves and retained savings (Note 14)	21,436,591	20,312,543
	37,880,519	36,911,866
Total liabilities and members' equity	\$ 60,960,501	\$ 54,651,491
Subsequent events (Note 19)		
Contingent liability (Note 21)		
Commitments (Note 22)		

Approved on behalf of the Board of Directors



 Director



 Director

The accompanying notes are an integral part of these financial statements

Prairie North Co-operative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended December 31, 2019

	2019	%	2018	%
Sales (Note 15)	\$ 108,410,994	100.0	\$ 98,606,058	100.0
Cost of goods sold	<u>93,606,799</u>	<u>86.4</u>	<u>84,781,812</u>	<u>86.0</u>
Gross margin	<u>14,804,195</u>	<u>13.6</u>	<u>13,824,246</u>	<u>14.0</u>
Expenses				
Operating and administration	17,352,876	16.0	15,800,536	16.0
Net interest (Note 16)	<u>(62,280)</u>	<u>(0.1)</u>	<u>752</u>	<u>-</u>
	<u>17,290,596</u>	<u>15.9</u>	<u>15,801,288</u>	<u>16.0</u>
Loss from operations	<u>(2,486,401)</u>	<u>(2.3)</u>	<u>(1,977,042)</u>	<u>(2.0)</u>
FCL loyalty program (Note 4(c))	<u>188,800</u>	<u>0.2</u>	<u>-</u>	<u>-</u>
Local loss	<u>(2,297,601)</u>	<u>(2.1)</u>	<u>(1,977,042)</u>	<u>(2.0)</u>
Patronage refunds	<u>5,324,262</u>	<u>4.9</u>	<u>5,953,368</u>	<u>6.0</u>
Savings before income taxes	<u>3,026,661</u>	<u>2.8</u>	<u>3,976,326</u>	<u>4.0</u>
Income tax expense (Note 18)	<u>351,030</u>	<u>0.3</u>	<u>508,487</u>	<u>0.5</u>
Net savings before gain on amalgamation	<u>2,675,631</u>	<u>2.5</u>	<u>3,467,839</u>	<u>3.5</u>
Gain on amalgamation	<u>-</u>	<u>-</u>	<u>4,336,606</u>	<u>4.4</u>
Net savings	<u>\$ 2,675,631</u>	<u>2.5</u>	<u>\$ 7,804,445</u>	<u>7.9</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	2,675,631		7,804,445	
Transfer to statutory reserve (Note 14)	(290,567)		(553,492)	
Transfer to general reserve (Note 14)	(842,331)		(5,202,541)	
Patronage allocation to members (Note 13)	<u>(1,542,733)</u>		<u>(2,048,412)</u>	
Retained savings, end of year (Note 14)	<u>\$ -</u>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

Prairie North Co-operative Limited
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
Operating activities		
Net savings	\$ 2,675,631	\$ 7,804,445
Adjustments for:		
Depreciation	1,793,299	1,702,052
Accretion	5,963	2,608
FCL patronage refund	(5,322,262)	(5,951,668)
Gain on the disposal of property, plant and equipment	(151,825)	(151,229)
Changes in non-cash operating working capital:		
Accounts receivable	(1,242,806)	(2,045,788)
Income taxes recoverable	(74,019)	(187,949)
Inventories	(4,526,147)	(3,759,945)
Prepaid agriculture suppliers	1,088,650	(97,405)
Prepaid expenses	(37,205)	(58,896)
Long-term receivable	42,654	(171,316)
Intangible assets	(495,000)	-
Accounts payable and trust liabilities	6,526,679	465,124
Customer prepaid accounts	402,458	(2,068,323)
Asset retirement obligation	24,213	32,082
Cash provided by (used for) operating activities	<u>710,283</u>	<u>(4,486,208)</u>
Investing activities		
Redemption of FCL shares	4,257,810	6,144,194
Increase in FCL shares through amalgamation	-	(2,765,720)
Additions to property, plant and equipment	(2,049,319)	(6,798,256)
Proceeds from the disposal of property, plant and equipment	176,995	178,414
Investment in other organizations	-	(5,005)
Cash provided by (used for) investing activities	<u>2,385,486</u>	<u>(3,246,373)</u>
Financing activities		
Change in line of credit	1,261,725	5,187,289
Increase in long-term debt	-	43,467
Repayment of long-term debt	(340,096)	(457,001)
Change in long-term debt - FCL line of credit	(2,540,585)	1,696,033
Share capital issued	5,235	2,695
Share capital issued upon amalgamation	-	3,025,290
GST on allocation	58,789	25,576
Redemption of share capital	(1,771,002)	(1,386,494)
Cash provided by (used for) financing activities	<u>(3,325,934)</u>	<u>8,136,855</u>
Net increase (decrease) in cash and cash equivalents	(230,165)	404,274
Cash and cash equivalents, beginning of year	473,150	68,876
Cash and cash equivalents, end of year	\$ 242,985	\$ 473,150

The accompanying notes are an integral part of these financial statements

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

1. Incorporation and operations

Prairie North Co-operative Limited ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on June 22, 1914. The primary business of the Co-operative is operating retail agricultural, food, and petroleum outlets in Melfort, 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, intangible assets, 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 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. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the most appropriate method for that particular inventory class.

The 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).

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

(e) Financial instruments

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

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

(f) Property, plant and equipment

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

Pavement	Declining balance	8%
Fences	Declining balance	10%
Tanks	Declining balance	20%
Buildings	Straight-line & declining balance	3 - 25 years & 4% - 10%
Vehicles	Declining balance	15% & 30%
Computer equipment	Straight-line & declining balance	5 years & 30% - 55%
Furniture & equipment	Declining balance	20% & 3 years
Asset retirement obligation	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) Intangible assets

An intangible asset is recorded at cost and not amortized if it has an indefinite life. Intangible assets are tested for impairment when circumstances indicate that the carrying value may be impaired.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Business combinations

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

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

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

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

3. Financial instruments and risk management

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

(a) Credit risk

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

(b) Interest rate risk

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

(d) Commodity price risk

The Co-operative enters into transactions to purchase crop production products, for which market prices fluctuate. The nature of the Co-operative's activities exposes it to risk of changes in commodity prices related to crop inputs that may occur between the time products are received from the supplier and actual date of sale to customers. To mitigate a portion of this risk, the Co-operative enters into contracts with the supplier to purchase the product at specified prices.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

(a) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2019, the Co-operative purchased goods amounting to \$83,811,155 (2018 - \$77,948,055) 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:

	2019	2018
Opening investment balance	\$ 13,400,517	\$ 10,827,323
Increase in FCL shares from business combination	-	2,765,720
Patronage refund	5,322,262	5,951,668
Share redemptions	<u>(4,257,810)</u>	<u>(6,144,194)</u>
Closing investment balance	<u>\$ 14,464,969</u>	<u>\$ 13,400,517</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 11 sites under this program. Management believes that due diligence has been exercised. As of December 31, 2019, the Co-operative has accrued a liability in the amount of \$180,050 (2018 - \$149,874). A corresponding amount has been capitalized as an asset retirement cost. For the year ended December 31, 2019, the Co-operative has recorded \$5,963 in accretion expense (2018 - \$2,608).

The Co-operative has three fertilizer sites that are covered under the contaminated site management program established by FCL. Management cannot make a reasonable estimate of the future asset retirement obligation due to the uncertainty of the environmental impact from its fertilizer division.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

(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 April 2011. 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 \$1,836,411 (2018 - \$2,065,669). 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 December 2012. 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 fertilizer products, at market price, from FCL over a five year period commencing from July 2015. Failure to meet this commitment would require the Co-operative to pay a termination charge to FCL determined by a formula based on purchases and years remaining in the contract. Management intends to fulfill all existing contracts with FCL.

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase agriculture and home centre products, from FCL and continue to operate certain agriculture and home centres over a 10 - 30 year period commencing from April 2016. 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 amounted to \$879,480 (2018 - \$879,480). Management intends to fulfill all commitments with FCL.

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

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$155,000 (2018 - \$155,000).

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

6. Inventories

	2019	2018
Raw material	\$ 5,261,893	\$ 3,133,771
Goods for resale	<u>15,589,846</u>	<u>13,191,821</u>
	<u><u>\$ 20,851,739</u></u>	<u><u>\$ 16,325,592</u></u>

The cost of inventories recognized as an expense during the year was \$93,568,035 (2018 - \$84,770,353).

7. Long-term receivable

	2019	2019	2018	2018
	Total	Current Portion	Current Portion	Deferred Portion
Petroleum tanks	<u>\$ 128,662</u>	<u>\$ 106,633</u>	<u>\$ 22,029</u>	<u>\$ 148,991</u>

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.

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2019 Book Value	2018 Book Value
Land	\$ 1,955,166	-	\$ 1,955,166	\$ 1,945,266
Pavement	1,249,833	517,427	732,406	790,369
Fences	57,279	41,546	15,733	15,045
Tanks	3,853	959	2,894	2,131
Buildings	17,006,192	6,236,869	10,769,323	10,624,442
Vehicles	3,983,187	3,071,637	911,550	983,000
Computer equipment	929,548	833,082	96,466	98,130
Furniture and equipment	9,638,980	6,538,591	3,100,389	3,173,120
Asset retirement obligation	152,030	54,380	97,650	92,652
Under construction	<u>273,428</u>	<u>-</u>	<u>273,428</u>	<u>-</u>
	<u><u>\$ 35,249,496</u></u>	<u><u>\$ 17,294,491</u></u>	<u><u>\$ 17,955,005</u></u>	<u><u>\$ 17,724,155</u></u>

Depreciation for the current year included in operating and administration expense was \$1,793,299 (2018 - \$1,702,052).

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

9. Intangible asset

	Original Cost	Accumulated Amortization	2019 Book Value	2018 Book Value
Liquor permits	<u>\$ 495,000</u>	<u>\$ -</u>	<u>\$ 495,000</u>	<u>\$ -</u>

In 2019 the Co-operative purchased three commercial liquor permits that have an indefinite life.

10. Line of credit

The Co-operative has a \$7,000,000 (2018 - \$7,000,000) line of credit of which \$6,555,995 has been drawn as at December 31, 2019 (2018 - \$5,294,270). The line of credit is secured by a Promissory Note and a General Security Agreement covering all present and after acquired property, the Melfort food store with a net book value of \$1,210,159, the Naicam food store with a net book value of \$73,096 and the St. Brieux store with a net book value of \$1,624,291. Interest on the line of credit is 4.7%. The line of credit is subject to certain measurable financial covenants. The Co-operative is compliant with these covenants at December 31, 2019 and believes it will be compliant for the foreseeable 12 months.

11. Accounts payable and trust liabilities

	2019	2018
FCL payables	\$ 5,869,478	\$ 4,603,488
Payable to Archerwill Co-op for purchase of assets	5,090,879	-
Other payables	1,566,828	1,482,499
Trust liabilities:		
Goods and services tax	-	1,475
Provincial sales tax	70,786	75,958
Federal fuel charge	78,989	-
Liquor consumption tax	13,139	-
	<u>\$ 12,690,099</u>	<u>\$ 6,163,420</u>

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

12. Long-term debt

	Total	2019 Current Portion	2019 Deferred Portion	2018 Current Portion	2018 Deferred Portion
FCL gas bar ⁽¹⁾	\$ -	\$ -	\$ -	\$ 340,096	\$ -
FCL line of credit ⁽²⁾	<u>1,902,448</u>	<u>532,171</u>	<u>1,370,277</u>	<u>1,523,145</u>	<u>2,919,888</u>
	<u>\$ 1,902,448</u>	<u>\$ 532,171</u>	<u>\$ 1,370,277</u>	<u>\$ 1,863,241</u>	<u>\$ 2,919,888</u>

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

⁽²⁾ Melfort Gas Bar, Melfort Home Centre, and Kelvington Home Centre loans bear interest at prime rate (3.95% as at December 31, 2019), repayable via an annual reduction in available credit. 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 is a Business Security Agreement and a General Security Agreement. The available credit per year is as follows:

Melfort Gas Bar

October 1, 2019 - September 30, 2020 \$ 646,000

Melfort Home Centre

October 1, 2019 - September 30, 2020 \$ 873,888
 October 1, 2020 - September 30, 2021 436,944

Kelvington Home Centre

May 1, 2019 - April 30, 2020 \$ 1,400,000
 May 1, 2020 - April 30, 2021 933,333
 May 1, 2021 - April 30, 2022 466,667

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

2020	\$ 532,171
2021	903,610
2022	<u>466,667</u>
	<u>\$ 1,902,448</u>

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

13. Share capital

	2019	2018
Authorized, unlimited @ \$1		
Balance, beginning of year	\$ 16,599,323	\$ 12,957,404
Allocation to members	1,542,733	2,048,412
Share capital issued upon amalgamation	-	3,025,290
Cash from new members	5,235	2,695
GST on allocation	58,789	25,576
Shares transferred from reserves	11,912	9,707
	<u>18,217,992</u>	<u>18,069,084</u>
General repayment	1,206,643	492,829
Shares transferred to reserves	3,062	83,267
Withdrawals and retirements	345,008	804,241
Withholding tax	219,351	89,424
	<u>1,774,064</u>	<u>1,469,761</u>
Balance, end of year	<u>\$ 16,443,928</u>	<u>\$ 16,599,323</u>

14. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2019	2018
Balance, beginning of year	\$ 3,642,791	\$ 16,669,752	\$ -	\$ 20,312,543	\$ 14,482,950
Net savings distributed to retained savings	-	-	2,675,631	2,675,631	7,804,445
Patronage allocation	-	-	(1,542,733)	(1,542,733)	(2,048,412)
Shares transferred	(8,850)	-	-	(8,850)	73,560
Reserve transfers	<u>290,567</u>	<u>842,331</u>	<u>(1,132,898)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 3,924,508</u>	<u>\$ 17,512,083</u>	<u>\$ -</u>	<u>\$ 21,436,591</u>	<u>\$ 20,312,543</u>

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

15. Sales

	2019	2018
Agro division	\$ 29,409,450	\$ 25,566,082
Food division	27,984,073	27,145,049
Gas bars	17,646,346	16,492,198
Hardware and building supplies	11,761,874	11,022,941
Petroleum division	<u>21,609,251</u>	<u>18,379,788</u>
	<u><u>\$ 108,410,994</u></u>	<u><u>\$ 98,606,058</u></u>

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

16. Net interest

	2019	2018
Interest expense on		
- Short-term debt	\$ 158,513	\$ 266,111
- Long-term debt	124,435	-
Interest revenue	<u>(345,228)</u>	<u>(265,359)</u>
	<u><u>\$ (62,280)</u></u>	<u><u>\$ 752</u></u>

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 \$397,277 (2018 - \$378,775) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

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:

	2019	2018
Savings before income taxes	\$ 3,026,661	\$ 3,976,326
Expected income tax expense at the combined tax rate of 27.0% (2018 - 27.0%) net of the general rate	817,198	1,073,608
Decrease in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(27,151)	(55,096)
Patronage allocation to members of \$1,542,733 (2018 - \$2,048,412)	(416,538)	(553,071)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	-	43,047
Capital cost allowance in excess of depreciation	(27,788)	-
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(5,663)	-
Prior year tax adjustment	10,972	(1)
	<u>351,030</u>	<u>(1)</u>
Income tax expense	<u>\$ 351,030</u>	<u>\$ 508,487</u>

19. Subsequent events

(a) Patronage allocation to members

Subsequent to December 31, 2019 the Board of Directors approved a patronage allocation to members in the amount of \$1,542,733 (2018 - \$2,048,412).

(b) COVID-19

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

Prairie North Co-operative Limited
Notes to the Financial Statements
For the Year Ended December 31, 2019

20. Business combination

On March 30, 2019, the Co-operative acquired the assets of Archerwill Co-operative Association Limited. Total cash consideration was \$7,793,749. The Co-operative determined the acquisition constituted a business combination and applied the acquisition method to record the transaction. The businesses have been integrated and are reported within the Agro, Food, and Gas Bar division segments from the date of acquisition. Upon dissolution of Archerwill Co-operative Association Limited, \$5,090,879 will return to Prairie North Co-operative Limited in the form of income.

The purchase price allocation was as follows:

Land	\$ 9,900
Buildings	777,981
Fixtures and equipment	322,119
Inventories	6,492,749
Net working capital	<u>191,000</u>
	<u><u>\$ 7,793,749</u></u>

21. Contingent liability

The Co-operative operates fertilizer properties that may require remediation. The likelihood and amount of any such obligation has not been determined.

22. Commitments

The Co-operative is committed to the completion of a chemical shed. The estimated total cost of the project is \$140,000 of which \$116,357 has been set up as construction in progress. This project will be financed from operations.

The Co-operative is committed to the completion of a cardlock. The estimated total cost of the project is \$200,000 of which \$157,071 has been set up as construction in progress. This project will be financed from operations.

23. Comparative figures

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

Prairie North Co-operative Limited
Statistical Information
For the Year Ended December 31, 2019

Record of Sales and Net Savings

	<u>Year</u>	<u>Sales</u>	<u>Net Savings ⁽¹⁾</u>	<u>%</u>
From Date of Incorporation, June 22, 1914 to December 31	2010	\$ 704,622,201	\$ 32,551,110	4.6
	2011	69,208,205	4,042,997	5.8
	2012	70,888,726	2,361,146	3.3
	2013	73,984,505	2,834,843	3.8
	2014	75,126,433	1,966,510	2.6
	2015	70,117,989	1,694,007	2.4
	2016	70,049,957	1,081,017	1.5
	2017	72,397,960	1,393,258	1.9
	2018	98,606,058	7,804,445	7.9
	2019	108,410,994	2,675,631	2.5
		<u>\$ 1,413,413,028</u>	<u>\$ 58,404,964</u>	<u>4.1</u>

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

Membership

Members purchasing during the year	10,710
Inactive members	<u>1,644</u>
Total members	<u>12,354</u>

For more information, please contact:

Box 1450

Melfort, SK,

S0E 1A0

PHONE: (306) 752-9381

FAX: (306) 752-5166

WEBSITE: www.prairienorthco-op.crs