



LAKE COUNTRY

2021 Annual Report





Our Vision

To be recognized by members, customers and partners as a retail innovator, community supporter and business leader in Western Canada.

Our Mission

We provide an exceptional experience to customers and members to enhance the success and vibrancy of our communities.

Our Values

Honesty, Innovation, Responsibility, Respect

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MESSAGE

— from the —

BOARD

Lake Country Co-op is a member owned cooperative governed by a Board of Directors elected by and accountable to the membership. As a member you provide guidance by electing members to serve as community delegates, who then elect the cooperative Board of Directors. The directors strategically steer the Association forward by continuously improving the products and services available for the next generation of Lake Country Co-op members.

This past year was another year of challenges and successes. A second year of a global pandemic made for many demanding times for our retail stores. The Board would like to commend our CEO, and the Senior Leadership Team for their remarkable leadership, as well as all the amazing team members for their tireless efforts in achieving an extremely successful financial year in the midst of many adversities. Our Association has worked tremendously hard to provide exceptional experiences to all members and customers and to support the communities we serve. This year we are very pleased to see our Association achieve a very healthy net savings enabling us to share \$16.5M of profits with our members and over \$550,000 in support of community charities and organizations. This past year the Board and Senior Leadership worked together to forge a new direction for the next decade by formulating new Vision, Mission and Values statements.

The new vision statements are posted in every one of our 60 locations in all 19 communities, and are also included in this annual report.



Ian Lauder

Board President

BOARD OF DIRECTORS



This new direction will ensure our Association makes a difference in the lives of our members by investing in innovative business growth, growing our people and investing in our communities.

Yes, we are a different kind of business and proud to share who we are. We are truly local and have been for 81 years. We are focused on making our communities better and by enhancing the success and vibrancy of our communities we will remain strong for generations to come.

Today the Lake Country Co-op membership has grown to over 51,000 local people. On behalf of the Board of Directors I want to sincerely thank every member; your immeasurable support has proven that LOCAL really does matter and will continue to be the cornerstone of our future success. Thank you!

Ian Lauder, Board President

BOARD OF DIRECTORS (Left to Right):

Wayne Kabatoff - Secretary, Morley Doerksen - Director, Ian Lauder- President

Roger Mayert - Director, Kevin Lockwood - Director, Dannie Wreford - Director, Cheryl Bauer-Hyde - Director,
Rick Kindrachuk - Vice President

MESSAGE

— from the CEO

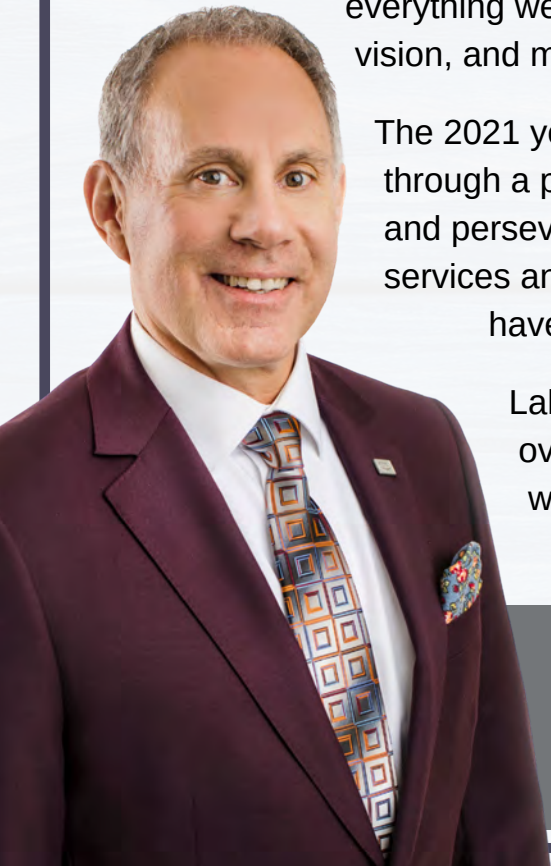
At Lake Country Co-op our purpose is to be a retail leader and innovator that supports the communities we serve. We are an Association deeply rooted in the community values of honesty, innovation, responsibility and respect. It is a privilege to look back on more than eight decades of success and also to look forward as we set the stage to evolve for many years to come.

With the newly forged Vision, Mission and Values of Lake Country Co-op, we can concentrate on innovative improvements for our membership.

Every leader and team member had the opportunity to participate in the development of our new strategic direction and have a vested interest in achieving successful results for our members. Our goal is to ensure the sustainability of our Association and communities long into the future. Our new vision; to be recognized by members, customers and partners as a retail innovator, community supporter and business leader in Western Canada, will encourage forward thinking, and enable us to enter into new ventures with our members' future needs in mind. Our new mission; we provide an exceptional experience to customers and members to enhance the success and vibrancy of our communities, will ensure we continue to support local, work with partners to offer more to our members, and provide new opportunities to our people. Our new values are quite straight forward; Honesty, Innovation, Responsibility, and Respect. We will continue to keep these front of mind in everything we do to ensure we are always working with integrity towards our vision, and mission.

The 2021 year was full of many challenges as we continued to navigate our way through a pandemic. Our teams continued to prove their resilience, fortitude, and perseverance as they eagerly worked together to provide exceptional services and goods to all our members and customers. I am thrilled to report we have achieved an extremely healthy net savings of over \$31M.

Lake Country is extremely proud of the partnerships we have developed over the years, and are very enthusiastic about our latest endeavour with Sturgeon Lake Development Ltd. and Sturgeon Lake First Nation.



Tim Keller

Chief Executive Officer

SENIOR LEADERSHIP TEAM



The Western Nations Gas Bar Brand, fuelled by Co-op, is a growing network of independent, locally owned Indigenous gas bars.

Developed in consultation with Indigenous groups, they will help to support strong, vibrant communities through mutually beneficial relationships built on our shared values and remaining respectful of Indigenous culture. We are so honoured to be able to support the first Western Nations Gas Bar in Canada, Tipi Fuel and Convenience, right here in Prince Albert.

We have also continued to expand our offerings in our existing trading area to support our members. Our newest locations are the Nipawin Wine, Spirits & Beer and Spiritwood C-Store, providing an enhanced level of products and services that were not previously available in those areas. Lake Country Co-op has more projects on the horizon to ensure our local communities are supported for the years to come.

Of course, our amazing accomplishments can only be realized through a concerted effort by all our team members, leaders, directors and elected officials. It is because of your continued efforts that Lake Country is able to thrive as an integral business supporting our trading area. Thank you also to our fantastic members and customers for all of your support, especially in our rural locations. By shopping LOCAL, your cooperative will continue to thrive and make a difference in the lives of all members and our communities. Thank you so much!

Tim Keller, Chief Executive Officer

SENIOR LEADERSHIP TEAM (Left to Right):

Brian Kindt - VP Agro, Dave Hudak - VP Energy & Facilities, Monique Zwack - Executive Director Pharmacy & Customer Experience, Tim Keller - Chief Executive Officer, Geoff German - VP Consumer Operations & Innovation, Matthew Stenerson - VP People & Culture, Adena Viczko - Executive Assistant, Brad Casavant - Chief Financial Officer

Community Delegates

Lake Country Co-op delegates represent each community Lake Country Co-op is located in. The number of delegates is based on the population of the community. The delegate body is responsible for electing the Board of Directors.

BIG RIVER

Joyce Giesser
Mabel Leong-Machielse
Ruth Doucette

BIRCH HILLS

Mark Rolfes
Vacancy
Vacancy

CANWOOD

Lynn Harper
Dannie Wreford
Michele Person

CHOICELAND

Morley Doerksen
Carson Shymanski
Spencer Staffen

DOMREMY

Daniel Boutin
Vacancy
Vacancy

KINISTINO

Mark Powalinsky
Chris Beaulieu
Brad Merkosky

LA RONGE

Michelle Brown
Allyson Brown
Vacancy

MARCELIN

Linda Nelson
Caroline Wilson
Noella Crowder

NIPAWIN

Greg Youzwa
Kevin Lockwood
Zach Youzwa

PADDOCKWOOD

Dawn Folden
Wayne Paczay
Lois Aspvik

PRINCE ALBERT

Roger Mayert
Stan Bliss
Linda Enequist
Cheryl Bauer-Hyde
Felix Casavant
Patrick Soloducha
Brad Grassick
Glenn McMullen
Michael Grassick
Orest Kwiatkowski
William Stafford
Marianne Turcotte
Wayne Kabatoff
Ryan Dmytruk
Kim Kotylak

SHELLBROOK

Ken Skarpinsky
Ian Lauder
Cliff Skauge

SMEATON

Jen Chamberlain
Julie Reid
Michelle Grunerud

SPIRITWOOD

Greg Ardagh
Jeannine Dauvin
Jean Ouellette

WAKAW

Gaetan Vachon
Rick Kindrachuk
David Osolinsky



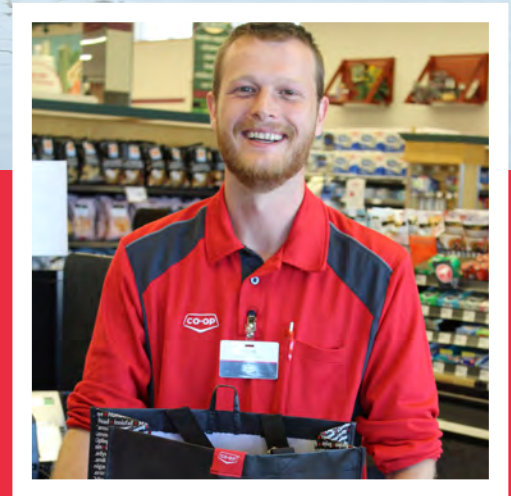
Established in 2014, Lake Country Co-op's *Legendary Service Program* rewards our team members who go above and beyond the service standard.

Their reward is a \$50 Co-op Gift Card, a travel mug and both public & internal recognition. Throughout the year, we receive nominations from customers and team members and make selections with the help of our legendary service committee. Each year, all Legendary Service recipients are then considered for the title of ELITE and their stories are shared.

LEGENDARY SERVICE AWARD

NIPAWIN FOOD STORE; DAVID PAETKAU

At the beginning of May, a man was driving through Nipawin and his car broke down. He was trying to push it off the road when Dave arrived and offered to help. They were able to get the vehicle into a nearby parking lot where Dave took a look at the car to find the source of the problem. The vehicle owner did not know much about cars and was actually living in his car at the time, so it was crucial that it get fixed. After about half an hour of inspection, Dave said he would need a part and that all the shops in town were currently closed. He mentioned that he may be able to find one and left the parking lot. When Dave returned, he not only had the part, but he also brought Tim Hortons, and was able to fix the car in a short time. The man told Dave about his road trip and that he didn't have any means of communication so he was so grateful for the help. Dave then proceeded to give the man an old cell phone and charger. Although there were no minutes or a plan, he would be able to call 911 in case of an emergency.



This is an incredible display of kindness and we are so proud to have Dave on our team. Way to go Dave!

HIGHLIGHTS

SALES
\$520 M

Returned
\$16.5 M
in patronage
to members

\$7.4 M
in cash back
to members

Community
Impact
in **2021**

\$550,000

to community
organizations & initiatives

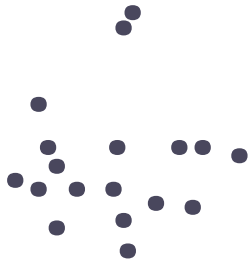
Over **\$180,000**

donated to 100 youth sports
teams, recreation groups
and schools through our

GIFT CARD PROGRAM

60

locations in



19

communities

2021 PATRONAGE ALLOCATION

Crop Supplies 4.25%

Grocery 4.00%

Liquor 1.75%

General Merchandise 3.50%

Petroleum 5.50%

Pharmacy 4.00%

Fertilizer 3.00%

Feed 0.50%

OVER **1,050**

Team
Members

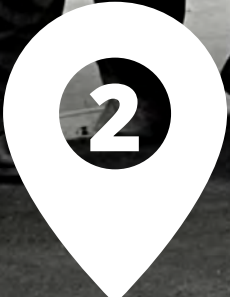
1st

WESTERN NATIONS
partnership in Canada

OVER **51,000**

active
memberships

Lake Country Co-op values Indigenous engagement and relationship building as part of our commitment to reconciliation and the sustainability of our Association. We believe that our alignment with core values of local Indigenous communities provides a unique opportunity to create successful business partnerships which in turn supports thriving communities.



NEW LOCATIONS
Nipawin Wine, Spirits, Beer
Spiritwood C-Store



TIPI FUEL PARTNERSHIP
1st Western Nations
Partnership in Canada



NEW VENTURES ON THE HORIZON
Ambrose Grocery & CRU
Kinistino Agro
Shellbrook Ag Centre

MARKET



Lake Country Co-op is delighted to continue serving our members and customers with state-of-the-art facilities offering high-end shopping experiences that are unique and memorable. Our two new locations include Nipawin Wine, Spirits, Beer, and the Spiritwood C-Store. These locations offer a new, convenient, premium shopping experience while supporting local community events and offering unique employment opportunities. Our aim is to continue to focus on socially responsible operations while contributing to the long-term sustainability of the Association.

Lake Country Co-op was one of the co-operatives within the CRS to participate in a member engagement survey in 2021. We received excellent feedback from our members that confirmed what is most important; friendly customer service. We endeavour to make our communities a better place to work and shop, and appreciate the honest feedback from our loyal member base.

In 2021, Lake Country Co-op partnered with Sturgeon Lake Developments Ltd. and Sturgeon Lake First Nation to open Tipi Fuel and Convenience in Prince Albert. This location is proudly the first Western Nations branded Gas Bar in Western Canada with Lake Country Co-op providing on site management services. The Co-op Western Nations brand provides a unique opportunity for a mutually beneficial partnership between First Nation's communities and Co-operative Retailers. Fuelled by Co-op, the new Western Nations Gas Bars will create robust employment opportunities within a business model that respects and promotes Indigenous culture and shared values. We see vast value in partnering with local Indigenous communities and look forward to the vibrancy that this partnership will contribute to our trading area.

At Lake Country Co-op we are extremely optimistic about our future and are continually searching for new innovations to improve our offerings to members.

New ventures on our horizon include a new state of the art Agro facility in Shellbrook, a new grocery offering at Emma Lake, and an added Agro offering in Kinistino. Technology will also play a significant role for our members as we implement new interfaces for online shopping, internal systems and user friendly apps.

OPERATIONS

Lake Country Co-op and our Senior Leadership Team is extremely proud of all of our teams and the hard work that went into our tremendous year in 2021. We were able to surpass last year's sales by over 35%.

The ever-changing provincial health mandates presented difficulties, however we have adapted, and are working diligently to ensure we are able to offer all of our members the high-quality products with the exceptional service they have come to expect from us. Some of the protocols we have continued are: increased cleaning procedures, signage to ensure physical distancing, masking, limiting number of customers where needed, PPE for Team Members and rapid tests upon request.

Endeavoring to remain relevant for rural community members in 2021, we completed the upgrade and renewal of 5 rural stores; Kinistino Food, Canwood Food, Smeaton, Marcelin, and Paddockwood. Investing in rural communities demonstrates our commitment to local members and ensures they have modern, relevant services.

Co-operation is at the core of our Association, and we continue to live this every day in our ongoing enterprises. In 2021, Lake Country Co-op continued our service agreements with both Ridgedale Co-op and Fairy Glen Co-op. We are also in our fourth year of a management agreement with Big River First Nation's Miami Food & Fuel. Through these partnerships we offer expertise in the areas of accounting, credit, safety and asset protection, and overall guidance and leadership. We know that working together makes us stronger, and Lake Country is extremely proud of these initiatives. We are honoured to have won a total of 12 Prince Albert Best of the Best Awards in 2021 in the areas of Food, Fuel, Liquor, Pharmacy, Agro, Pro Tackle, Cleanliness, and Service including Best Place to Work. We were also thrilled to be recognized by the CRS, receiving two CRS Awards for Cooperation among Cooperatives, and Excellence in Sustainability. These awards reaffirm our leadership among cooperatives and our dedication to provide the best products and exceptional services to our members and customers.



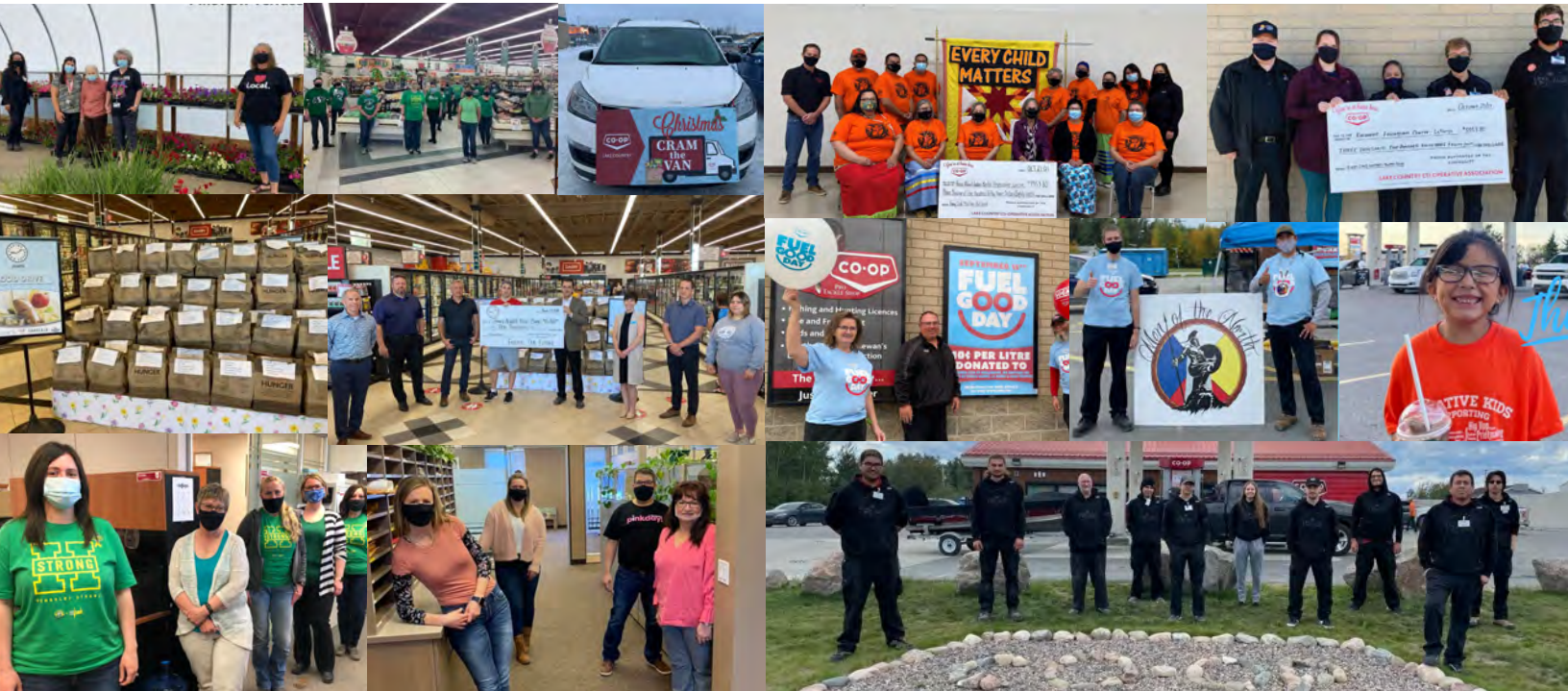
SUSTAINABILITY

COMMUNITY SUPPORT

In 2021 Lake Country Co-op provided over \$550,000 to more than 260 organizations within our trading area. We completed the 10th year of our Gift Card Fundraising program which provided \$185,292 to non-profits and youth activities in our area. The Feeding our Future program that provides emergency school lunches to students in the Prince Albert school divisions had another successful year having provided 212,785 lunches valued at over \$412,000 since the program's inception. We are very fortunate to have like-minded businesses in Prince Albert that understand the need to provide for the youth in our communities. It is by supporting the next generation and encouraging their education that we ensure their success and the future of our communities. We also participated once again in Fuel Good Day (\$13,234), and food drives to support our local Food Banks that raised over \$210,000.

This past year we also supported the National Day for Truth and Reconciliation by selling orange buttons in all of our locations, raising over \$7,100 for local Indigenous groups. Lake Country Co-op recognizes the importance of September 30 as an opportunity for our Board of Directors, Senior Leadership Team, Delegates, Team Leaders, and Team Members to remember, reflect and engage in acts of reconciliation in order to honour and recognize Indian Residential School Survivors, their families, Indigenous communities and those who didn't make it home. Through the First Nations University of Canada we provided Indigenous awareness training to all team leaders and elected officials. We will continue to extend this opportunity to all team members throughout 2022.

At Lake Country, we continue to support important causes across our Association such as Pink Shirt Day; promoting anti-bullying and bringing awareness to our customers while also providing resources to our team members to encourage fostering positive mental health.





CO-OP

CO-OP

LAKE COUNTRY

CO-OP

CO-OPERATIVE COFFEE

At Lake Country Co-op we value people first. We know that everything we accomplish is due to the continued hard work, dedication, and kindness of our team members. This past year was another challenging year with many uncertainties and changes. Thank you to all our team members for their amazing resilience and dedication. To show this appreciation we have updated some of our policies in 2021, including our wellness policy to encourage the health and well-being of our people. We also completed a rebrand of our Legendary Service Program this past year. This program continues to be essential to our Vision and Mission, in recognizing those team members who go above and beyond to ensure our customers and members have exceptional experiences when they shop with us. We are in the process of implementing a new and improved onboarding and training program. The new program will foster higher learning and development within all of our teams. This will enable all team members the opportunity to grow their career with Lake Country Co-op and the CRS.

Alongside the member engagement survey completed in 2021, Lake Country, also, participated in a Team Member Engagement Survey. We received important feedback from our people and are creating action plans to ensure we are supporting their needs to the best of our ability.

Our Co-op has taken important steps towards our journey of Truth and Reconciliation, committing to over 3,000 educational hours dedicated to cultural awareness training over the next 12 months. These educational hours will promote a renewed relationship with Indigenous communities through transformative learning about truth and reconciliation.

We are extremely proud to have been awarded the Prince Albert's Best of the Best "Best Place to Work" award in 2021 and will continue to develop and recognize our people for their essential role within our association. Thank you everyone!

PEOPLE





LAKE COUNTRY

Year In Review

DECEMBER 2020



CRAM THE VAN

Lake Country 'Crams the Van' to support the local food banks. Over \$7,900 in cash and food donations were crammed into the van.

TELEMIRACLE

Lake Country Co-op Members and Customers donate \$10,000 to Telemiracle with the purchase of Helping Hands.



FEBRUARY 2021

SEPTEMBER 2021



FUEL GOOD DAY

Lake Country Co-op Fuel Good Day is a huge success, raising a total of \$13,234.43 contributed to five amazing local charities!



NATIONAL DAY OF TRUTH AND RECONCILIATION

Lake Country wears orange to raise awareness about the impacts of residential schools on Indigenous Peoples, their families and communities and to honour the healing journey of the survivors and their families. Buttons are sold leading up to September 30. Over \$7,100 is raised for the Prince Albert Indian Metis Friendship Centre and La Ronge Kikinahk Friendship Centre. Lake Country commits to 3,000 learning hours through FNUC.

MARCH 2021



EVERY WOMAN MATTERS. PERIOD.

The Marketplace and Clinic Pharmacies collect feminine hygiene products for women supported by the YWCA Prince Albert. With your generosity, 2,904 items are collected which equates to 580 days of feminine protection.

MAY 2021



GREENHOUSE EXPANSION

The Prince Albert Home Centre expands their greenhouse just in time for Mother's day 2021.

JUNE 2021



COMMUNITY SPACES ROTARY ADVENTURE PARK

Co-op provides \$100,000 towards the Tower Structure at the Rotary Adventure Park in Little Red River Park, Prince Albert through the Community Spaces program. This project also includes hill-side slides, parkour equipment and a variety of other options for all ages to enjoy.

COMMUNITIES IN FULL COLOUR

The Co-op team members, along with Prairie North, Carrot River and Beeland Co-op successfully complete Phase One of the Communities In Full Colour Painting Project at Wapiti Ski Hill!!



SPIRITS



JULY 2021

NIPAWIN WINE, SPIRITS, BEER OPENING

Lake Country opens a new state of the art 5400 sq. ft facility offering a high-end shopping experience that is unique and memorable.

AUGUST 2021



TIPI FUEL & CONVENIENCE

Lake Country Co-op proudly partners with Sturgeon Lake Developments Ltd. and Sturgeon Lake First Nation on the construction of a brand-new Western Nations Fuel & Convenience Store in Prince Albert.

Management's Responsibility

To the Members of Lake Country Co-operative Association Limited:

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

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

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

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

February 17, 2022



CEO

Independent Auditor's Report

To the Members of Lake Country Co-operative Association Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lake Country Co-operative Association Limited (the "Co-operative"), which comprise the balance sheet as at October 31, 2021, and the statements of net savings and retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at October 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

Responsibilities of Management and The Board of Directors 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.

The Board of Directors 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.

Independent Auditor's Report continued

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.

Prince Albert, Saskatchewan

February 17, 2022

MNP LLP

Chartered Professional Accountants

Lake Country Co-operative Association Limited
Balance Sheet
As at October 31, 2021

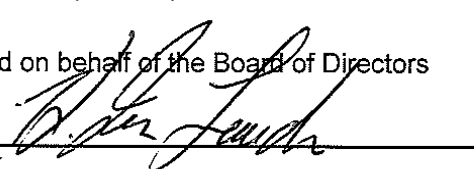
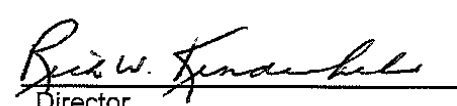
	2021	2020
Current assets		
Cash and cash equivalents	\$ 7,660,515	\$ 5,801,563
Accounts receivable	34,637,553	26,531,638
- Customer (Note 5)		
- Other	4,098,222	4,479,202
Income taxes recoverable	-	1,295,135
Inventories (Note 6)	94,939,869	74,303,955
Prepaid agriculture suppliers	9,661	586,785
Prepaid expenses	343,344	142,318
	<u>141,689,164</u>	<u>113,140,596</u>
Investments		
Federated Co-operatives Limited (Note 4(a))	62,586,006	54,653,599
Other organizations	808	808
Property, plant and equipment (Note 7)	63,894,700	62,168,371
Assets under capital lease (Note 8)	801,848	-
Other assets (Note 9)	5,314,406	4,799,406
Goodwill (Note 10)	2,072,548	2,072,548
Total assets	\$ 276,359,480	\$ 236,835,328
Current liabilities		
Line of credit (Note 11)	\$ 497,808	\$ 16,219,319
Accounts payable and trust liabilities (Note 12)	61,067,436	28,003,359
Customer prepaid accounts	2,919,014	3,561,715
Income taxes payable	1,850,642	-
Current portion of capital lease obligations (Note 13)	177,321	-
Current portion of long-term debt (Note 14)	1,273,736	3,264,379
	<u>67,785,957</u>	<u>51,048,772</u>
Long-term debt (Note 14)	3,238,251	5,127,396
Lease obligation (Note 13)	666,263	-
Total liabilities	<u>71,690,471</u>	<u>56,176,168</u>
Members' equity		
Share capital (Note 15)	94,938,759	85,511,334
Reserves and retained savings (Note 16)	109,730,250	95,147,826
	<u>204,669,009</u>	<u>180,659,160</u>
Total liabilities and members' equity	\$ 276,359,480	\$ 236,835,328

Subsequent event (Note 23)

Commitments (Note 24)

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements



Lake Country Co-operative Association Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended October 31, 2021

	2021	%	2020	%
Sales (Note 17)	\$ 520,630,439	100.0	\$ 383,490,932	100.0
Cost of goods sold	<u>437,855,990</u>	<u>84.1</u>	<u>323,851,946</u>	<u>84.4</u>
Gross margin	<u>82,774,449</u>	<u>15.9</u>	<u>59,638,986</u>	<u>15.6</u>
Expenses				
Operating and administration	68,300,299	13.1	56,022,904	14.6
Net interest (Note 18)	<u>(641,863)</u>	<u>(0.1)</u>	<u>(732,426)</u>	<u>(0.2)</u>
	<u>67,658,436</u>	<u>13.0</u>	<u>55,290,478</u>	<u>14.4</u>
Savings from operations	15,116,013	2.9	4,348,508	1.2
FCL loyalty program (Note 4(c)(iii))	5,956,363	1.1	5,275,560	1.4
Patronage refunds (Note 4(a))	<u>15,552,763</u>	<u>3.0</u>	<u>7,049,922</u>	<u>1.8</u>
Savings before gain on amalgamation	36,625,139	7.0	16,673,990	4.4
Gain on amalgamation	<u>-</u>	<u>-</u>	<u>16,116,853</u>	<u>4.2</u>
Savings before income taxes	36,625,139	7.0	32,790,843	8.6
Income tax expense (Note 21)	<u>5,508,767</u>	<u>1.1</u>	<u>974,095</u>	<u>0.3</u>
Net savings	<u>\$ 31,116,372</u>	<u>5.9</u>	<u>\$ 31,816,748</u>	<u>8.3</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	31,116,372		31,816,748	
Transfer to statutory reserve (Note 16)	(1,906,159)		(1,676,438)	
Transfer to general reserve (Note 16)	(12,626,313)		(20,142,291)	
Patronage allocation to members (Note 15)	<u>(16,583,900)</u>		<u>(9,998,019)</u>	
Retained savings, end of year (Note 16)	<u>\$ -</u>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements



Lake Country Co-operative Association Limited
Statement of Cash Flows
For the Year Ended October 31, 2021

	2021	2020
Operating activities		
Net savings	\$ 31,116,372	\$ 31,816,748
Adjustments for:		
Depreciation	7,386,223	5,792,215
FCL patronage refund	(15,552,763)	(7,049,922)
Gain on the disposal of property, plant and equipment	(84,107)	(44,549)
Gain on amalgamation	-	(16,116,853)
Changes in non-cash operating working capital:		
Accounts receivable	(7,724,935)	86,291
Income taxes	3,145,777	(498,406)
Inventories	(20,635,914)	(18,430,745)
Prepaid agriculture suppliers	577,124	(532,611)
Prepaid expenses	(201,026)	185,130
Accounts payable and trust liabilities	33,064,077	(10,243,703)
Customer prepaid accounts	(642,701)	1,192,994
Net working capital on amalgamation	-	5,963,408
Cash provided by (used for) operating activities	<u>30,448,127</u>	<u>(7,880,003)</u>
Investing activities		
Redemption of FCL shares	7,620,356	17,715,964
Additions to property, plant and equipment	(10,505,179)	(4,450,513)
Proceeds from the disposal of property, plant and equipment	159,886	70,109
Cash acquired on amalgamation	-	753,251
Cash provided by (used for) investing activities	<u>(2,724,937)</u>	<u>14,088,811</u>
Financing activities		
Increase in long-term debt	2,090,427	6,050,500
Repayment of long-term debt	(5,126,631)	(809,589)
Share capital issued	22,240	21,485
GST on allocation	270,636	259,729
Redemption of share capital	(7,399,399)	(6,758,927)
Cash used for financing activities	<u>(10,142,727)</u>	<u>(1,236,802)</u>
Net increase in cash and cash equivalents	17,580,463	4,972,006
Cash and cash borrowings, beginning of year	<u>(10,417,756)</u>	<u>(15,389,762)</u>
Cash and cash equivalents (borrowings), end of year	<u>\$ 7,162,707</u>	<u>\$ (10,417,756)</u>
Cash and cash equivalents (borrowings) are comprised of:		
Cash and cash equivalents	\$ 7,660,515	\$ 5,801,563
Line of credit	(497,808)	(16,219,319)
	<u>\$ 7,162,707</u>	<u>\$ (10,417,756)</u>

The accompanying notes are an integral part of these financial statements



Lake Country Co-operative Association Limited

Notes to the Financial Statements For the Year Ended October 31, 2021

1. Incorporation and operations

The Lake Country Co-operative Association Limited was incorporated under the Co-operatives Act of Saskatchewan on April 8, 1940 and Pineland Co-operative Association Limited was incorporated under the Co-operatives Act of Saskatchewan on January 19, 1929. On September 1, 2020, the two co-operatives amalgamated to form Lake Country Co-operative Association Limited ("the Co-operative"). The primary business of the Co-operative is operating retail food, liquor, agriculture, home building, and petroleum outlets in Prince Albert and area, Saskatchewan.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. A precise determination of many assets and liabilities is dependent upon future events and consequently, the preparation of these financial statements involves the use of estimates and approximations. Areas subject to estimation include valuation of accounts receivable, inventory, useful life of property, plant and equipment, impairment of long-lived assets, goodwill, intangibles, 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 October 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).



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

(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) Assets under capital lease

Leases, which transfer substantially all of the benefits and risks incident to ownership of property, are recorded as an acquisition of an asset and the incurrence of an obligation. Under this method of accounting for leases, the asset is depreciated over its estimated useful life and the obligation, including interest thereon, over the life of the lease. Rents on non-capital leases are expensed as incurred.

(g) 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	4% to 8%
Buildings	Straight-line	5 to 25 years
Manufacturing	Declining balance	20%
Furniture & equipment	Declining balance	20%
EDP equipment	Straight-line	20% of original cost
Vehicles	Declining balance	15% & 30%
Dwelling	Straight-line	4% of original cost

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.



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

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

(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) Goodwill

Goodwill resulting from business combinations represents the portion of the purchase price that was in excess of the fair value of the net identifiable assets acquired. Goodwill is not amortized and is tested for impairment whenever changes in circumstances indicate that the carrying amount of the reporting unit to which goodwill is assigned exceeds the fair value of the reporting unit. If the carrying value of the reporting unit to which goodwill has been assigned exceeds its fair value, then, with respect to the reporting unit's goodwill, any excess of its carrying value over its fair value is expensed. Impairment losses relating to goodwill cannot be reversed in future years.

(m) Intangible assets

Indefinite life intangible assets, which consist of licenses, are not amortized.

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



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

(n) 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.

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 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.



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

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, 2021, the Co-operative purchased goods amounting to \$380,895,761 (2020 - \$313,096,420) 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:

	2021	2020
Opening investment balance	\$ 54,653,599	\$ 54,069,743
Increase in FCL shares from amalgamation	-	11,249,898
Patronage refund	15,552,763	7,049,922
Share redemptions	<u>(7,620,356)</u>	<u>(17,715,964)</u>
Closing investment balance	<u>\$ 62,586,006</u>	<u>\$ 54,653,599</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 26 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.

The Co-operative has seven 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.

(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 November 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 \$7,776,468 (2020 - \$7,833,552). 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 February 2015. 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.



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

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

(iv) Under the terms of the agreement with FCL, the Co-operative has committed to purchase fertilizer products, at market price, from FCL over a five year period commencing from July 2019. 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.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$1,420,000 (2020 - \$1,300,000).

6. Inventories

	2021	2020
Raw material	\$ 10,689,353	\$ 7,128,537
Goods for resale	84,250,516	67,175,418
	<u>\$ 94,939,869</u>	<u>\$ 74,303,955</u>

7. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2021 Book Value	2020 Book Value
Land	\$ 7,772,478	\$ -	\$ 7,772,478	\$ 7,772,478
Pavement	10,963,638	4,400,271	6,563,367	6,517,285
Buildings	43,749,758	15,804,374	27,945,384	27,210,425
Manufacturing	6,047,205	3,632,018	2,415,187	3,036,554
Furniture & equipment	26,317,847	17,591,345	8,726,502	9,108,372
EDP equipment	5,011,974	4,184,662	827,312	1,160,413
Vehicles	15,975,165	11,313,247	4,661,918	5,226,055
Dwelling	1,387,165	493,446	893,719	940,553
Under construction	4,088,833	-	4,088,833	1,196,236
	<u>\$ 121,314,063</u>	<u>\$ 57,419,363</u>	<u>\$ 63,894,700</u>	<u>\$ 62,168,371</u>

Depreciation for the current year included in operating and administration expense was \$7,155,345 (2020 - \$5,792,215).



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

8. Assets under capital lease

	Original Cost	Accumulated Depreciation	2021 Book Value	2020 Book Value
Terra Gator Floaters	\$ 1,032,726	\$ 230,878	\$ 801,848	\$ -

Depreciation for the current year included in operating and administration expense was \$230,878 (2020 - \$nil).

9. Intangible asset

Licenses	2021	2020
Balance, beginning of year	\$ 4,799,406	\$ 4,705,586
Additions	515,000	93,820
Balance, end of year	\$ 5,314,406	\$ 4,799,406

10. Goodwill

The changes in the carrying amount of goodwill for the current year are as follows:

	2021	2020
Balance, beginning of year	\$ 2,072,548	\$ 2,072,548
Additions to goodwill	-	-
Impairment losses	-	-
Balance, end of year	\$ 2,072,548	\$ 2,072,548

11. Line of credit

The Co-operative has a quick loan authorized for up to \$6,000,000 along with a \$24,000,000 margined line of credit with Conexus Credit Union of which \$497,808 has been drawn as at October 31, 2021 (2020 - \$1,150,565). The lines of credit are secured by a Certified Copy of Resolution, a General Security Agreement, a first security interest in property with a net book value of \$8,178,500, and a specific security agreement over accounts receivable and inventory. Interest on the lines of credit is at prime (2.45%) (2020 - 2.45%). The loans are subject to certain financial covenants and the Co-operative is in compliance with these covenants as at year-end.

The Co-operative has a \$3,485,000 line of credit with Diamond North Credit Union of which no amount (2020 - \$Nil) has been drawn as at October 31, 2021. The line of credit is secured by a General Security Agreement. Interest on the line of credit is at prime plus 0.75% (3.2%) (2020 - 3.2%).

The Co-operative has two FCL operating lines of credit for \$40,000,000 and \$15,000,000 of which no amount has been drawn as at October 31, 2021 (2020 - \$15,068,753). The lines of credit bear interest at prime rate (2.45%) and are repayable on demand with semi-monthly payments of interest calculated daily. The loans are subject to certain financial covenants and the Co-operative is in compliance with these covenants as at year-end. Security for the credit is a General Security Agreement.



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

12. Accounts payable and trust liabilities

	2021	2020
FCL payables	\$ 50,873,398	\$ 17,495,607
Other payables	7,779,975	8,658,648
Trust liabilities:		
Payroll deductions	433,275	339,265
Goods and services tax	112,286	328,268
Provincial sales tax	795,980	379,314
Liquor consumption tax	195,740	173,009
Federal fuel charge	876,782	629,248
	<u>\$ 61,067,436</u>	<u>\$ 28,003,359</u>

13. Obligation under capital lease

		2021	2021	2020	2020
	Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
Terra Gators	<u>\$ 843,584</u>	<u>\$ 177,321</u>	<u>\$ 666,263</u>	<u>\$ -</u>	<u>\$ -</u>

The lease agreement for CWB National Leasing matures August 1, 2025, with a final payment of \$107,596 due on this date, has a nominal interest rate of 3.77%, secured by equipment with a net book value of \$801,848 (2020 - nil).

Future minimum lease payments related to obligations under capital lease are as follows:

2022	\$ 205,799
2023	205,799
2024	205,799
2025	307,348
	<u>924,745</u>
Less: imputed interest	<u>(81,161)</u>
	<u>\$ 843,584</u>



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

14. Long-term debt

	Total	2021 Current Portion	2021 Deferred Portion	2020 Current Portion	2020 Deferred Portion
Share Capital					
Repayments ⁽¹⁾	\$ 1,817,852	\$ 844,929	\$ 972,923	\$ 1,035,454	\$ 1,245,780
Fertilizer Plant ⁽²⁾	550,877	352,187	198,690	338,412	550,976
Fertilizer Truck and Floater ⁽³⁾	76,620	76,620	-	136,513	76,640
FCL Lines of Credit ⁽⁴⁾	2,066,638	-	2,066,638	1,754,000	3,254,000
	<u>\$ 4,511,987</u>	<u>\$ 1,273,736</u>	<u>\$ 3,238,251</u>	<u>\$ 3,264,379</u>	<u>\$ 5,127,396</u>

⁽¹⁾ The Co-operative pays share capital over-age repayments to its members over a four year timeframe.

⁽²⁾ The Diamond North Credit Union fertilizer plant loan is repayable at \$7,064 per week including interest at 3.99%. The remaining balance is due in June 2023. Security for this loan is a first security interest in the property with a net book value of \$1,039,797 (2020 - \$1,083,419).

⁽³⁾ The Diamond North Credit Union fertilizer truck and floater loan is repayable at \$2,738 per week including interest at 3.99%. The remaining balance is due in May 2022. Security for this loan is a first security interest in the property with a net book value of \$90,522. (2020 - \$257,256)

⁽⁴⁽ⁱ⁾⁾ The line of credit, bearing interest at prime rate (2.45%) (2020 - 2.45%), repayable via an annual reduction in available credit, matures on June 2025. Line of credit was obtained to assist in the funding of the crop inputs building expansion project in Nipawin, SK. The line of credit 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 General Security Agreement. The available line of credit decreases as follows:

July 1, 2021 - June 30, 2022	\$ 2,000,000
July 1, 2022 - June 30, 2023	1,500,000
July 1, 2023 - June 30, 2024	1,000,000
July 1, 2024 - June 30, 2025	500,000

⁽⁴⁽ⁱⁱ⁾⁾ The line of credit, bearing interest at prime rate (2.45%) (2020 - 2.45%), repayable via an annual reduction in available credit, matures on November 2021. Line of credit was obtained to purchase a lumber operation in Shellbrook, SK. The line of credit 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 General Security Agreement. The available line of credit decreases as follows:



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

16. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2021	2020
Balance, beginning of year	\$ 17,391,028	\$ 77,756,798	\$ -	\$ 95,147,826	\$ 72,747,472
Net savings distributed to retained savings	-	-	31,116,372	31,116,372	31,816,748
Patronage allocation	-	-	(16,583,900)	(16,583,900)	(9,998,019)
Shares transferred	49,952	-	-	49,952	581,625
Reserve transfers	<u>1,906,159</u>	<u>12,626,313</u>	<u>(14,532,472)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 19,347,139</u>	<u>\$ 90,383,111</u>	<u>\$ -</u>	<u>\$ 109,730,250</u>	<u>\$ 95,147,826</u>

17. Sales

	2021	2020
Consumer products	\$ 296,802,284	\$ 219,591,284
Agro division	<u>223,828,155</u>	<u>163,899,648</u>
	<u>\$ 520,630,439</u>	<u>\$ 383,490,932</u>

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

18. Net interest

	2021	2020
Interest expense on		
- Short-term debt	\$ 51,085	\$ 170,488
- Long-term debt	176,438	117,527
Interest revenue	<u>(869,386)</u>	<u>(1,020,441)</u>
	<u>\$ (641,863)</u>	<u>\$ (732,426)</u>



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

19. 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 \$5,460,099 (2020 - \$5,460,099) and the accumulated depreciation was \$1,815,614 (2020 - \$1,594,088). Revenue generated from operating leases during the year is \$506,251 (2020 - \$430,048).

20. 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 \$1,666,725 (2020 - \$1,337,375) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

21. Income tax expense

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

	2021	2020
Savings before income taxes	\$ 36,625,139	\$ 32,790,843
Expected income tax expense at the combined tax rate of 27% (2020 - 27%) net of general rate reduction	9,888,789	8,853,528
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	(165,163)	(30,737)
Patronage allocation to members of \$16,583,900 (2020 - \$9,998,019)	(4,477,654)	(2,699,465)
Gain on amalgamation	-	(4,351,550)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	61,021	-
Capital cost allowance in excess of depreciation	-	(473,773)
Allowance for doubtful accounts	78,526	-
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(1,978)	(121,643)
Loss carryforward on amalgamation	-	(208,498)
Prior year tax adjustment	125,226	6,233
Income tax expense	\$ 5,508,767	\$ 974,095



Lake Country Co-operative Association Limited
Notes to the Financial Statements
For the Year Ended October 31, 2021

22. 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.

23. Subsequent event

Patronage allocation to members

Subsequent to October 31, 2021 the Board of Directors approved a patronage allocation to members in the amount of \$16,583,900 (2020 - \$9,998,019).

24. Commitments

The Co-operative is committed to the completion of construction projects with an estimated remaining cost of \$12,181,804. The projects will be financed from operations, FCL investments and lines of credit.

25. Operating leases

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

2022	\$ 530,688
2023	530,688
2024	569,832
2025	569,832
2026	<u>569,832</u>
	<u><u>\$ 2,770,872</u></u>



Lake Country Co-operative Association Limited
Audited Statistical Information
For the Year Ended October 31, 2021

Record of Sales and Net Savings

	<u>Year</u>	<u>Share Repayments</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>
From Date of Incorporation, April 8, 1940, to October 31,	2012	\$ 63,891,658	\$ 2,743,665,844	\$ 160,415,454	5.8
	2013	4,765,704	201,635,448	10,273,549	5.1
	2014	5,117,951	232,435,620	8,938,409	3.8
	2015	4,495,503	234,950,056	9,094,171	3.9
	2016	4,249,707	251,070,801	10,500,119	4.2
	2017	4,329,216	282,792,405	8,648,759	3.1
	2018	5,683,039	329,073,417	21,097,363	6.4
	2019	6,037,679	368,372,866	15,899,244	4.3
	2020	6,758,927	383,490,932	31,816,748	8.3
	2021	7,399,399	520,630,439	31,116,372	5.9
		<u>\$ 112,728,783</u>	<u>\$ 5,548,117,828</u>	<u>\$ 307,800,188</u>	<u>5.5</u>

Membership

Members purchasing during the year	45,592
Inactive members	<u>6,145</u>
Total members	<u>51,737</u>



Pays des lacs

LAKE COUNTRY

Sâkâhikan Askîy

Tír Locha

Ṭara Lacului

Озерна країна

TÓUIDÉK

Paese del Lago

Kraina Jezior

Aina loko

लेक कंट्री

Jazerná krajina

Gwlad y Llynnoedd

País dels llacs


Pais dos lagos



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www.lakecountrycoop.crs



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शील देस

Нуурын улс

Järven maa

NEGARA DANAU

Hồ nước

湖乡

Озерная страна

レイクカントリー

Lacus patriae

Езерната страна

Лаке Цоунтри

Izwe Lechibi