



ANNUAL REPORT

2020

Riverbend
Co-operative Ltd.

LEADING SUCCESS

Our Values

Integrity

Be honest and trustworthy

Community

We are an integral part of the communities we serve

Responsibility

Accountability matters

Service

We have a passion for understanding and exceeding our customers' expectations

Our Vision

To be the retailer of choice for the products and services we provide.

Our Mission

We are the leader in our community delivering valued customer and employee experiences.



RIVERBEND CO-OPERATIVE LTD.

For **Riverbend Co-op**, it's about the roots that go back to our farmers and community members with our first store opening in 1930. You can say that Riverbend Co-op was here before local was even a thing.



You're local and so are we.

Local is our thing.

Together we have done great things over the past year.

As a member-owner of Riverbend Co-op, you've supported local producers and local jobs. You've helped investment stay in our community and helped your neighbours through local community organizations.

We've honoured our traditions providing you with a local, independent shopping alternative. As a member-owner and a locally operated co-operative, we're always evolving to meet the changing needs of our community and respond to market and economic forces.

Our 2020 annual member patronage return for purchases made from November 3, 2019 - October 31, 2020, is as follows:

● **1%** refund on purchases from our food and convenience stores



● **4%** refund on all pharmacy purchases, including the full cost of prescriptions and professional services, even if all or some is covered through benefits



● **0.5%** refund on Home & Agro purchases, including Crop Protection & Fertilizer



● **2.5%** refund on gasoline purchases



● **2.5%** refund on clear diesel purchases



● **3.2%** refund on dyed diesel purchases

This year, Riverbend Co-op members received \$841,457 through the annual member patronage refund. Of this, \$423,404 was paid in cash. Your equity in Riverbend Co-op will determine the amount returned in cash, illustrated below:

EQUITY BEFORE ALLOCATIONS

% OF ALLOCATION IN CASH

\$10.00 - \$99.99

0%

\$100.00 - \$3,999.99

25%

\$4,000.00 - \$8,999.99

35%

\$9,000.00 - \$14,999.99

90%

\$15,000.00 & OVER

100%

Thank you so much for your support which allows us to be locally invested in all the communities we serve. If you have any questions, please give us a call at 306-867-8614.

WHAT'S NEW AT RIVERBEND CO-OP



We have become a zero food waste grocer through our partnership with Loop Resource! Whether it's used for feeding people, animals, fertilizer or fuel, our products never go to waste!



Riverbend Co-op now offers custom seed treating done by our USC Seed Treater located at our Tullis Ag Location! We also have your wheat and lentil bulk seed in stock!

CO-OP HOME & AGRO

Riverbend Co-op has launched a new e-commerce Home & Agro website that allows you to view our in-store stock on items in real time! You can now order online, schedule a pick up and pay in-store!



Our Co-op Community Rink Project was a selected winner through our community spaces program in 2019! The rink is now complete and we can't wait to see you and your family there!



Riverbend Co-op's submission for the Annual CRS Awards has been chosen as one of the finalists in the Excellence in Health & Safety Category! Being a finalist shows our dedication to Health & Safety and gives us recognition as a leader in this field!

We would like to thank our incredible member-owners for their continued support through these challenging times that we face. Your safety is our top priority and we will continue to do all we can to ensure that!

2020-2021

BOARD OF DIRECTORS



CORY OUELLETTE
SECRETARY



GARTH WEITERMAN
PRESIDENT



SUSAN KASPER
VICE PRESIDENT

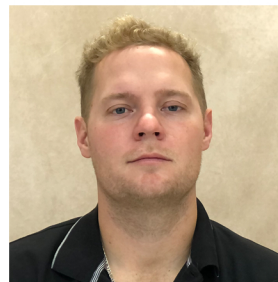
This Board of Directors was chosen by you, our members, to guide the affairs and success of your co-operative.



JOHN HARRINGTON
DIRECTOR



BARB CERNIUK
DIRECTOR



ED SPIGOTT
DIRECTOR



TREVOR TUPLIN
DIRECTOR



LANA PALMER-LOW
ASSOCIATE



GREG SARVIS
GENERAL MANAGER



JUSTIN TURTON
CONTROLLER

You're at home here.



Riverbend

President's Report

This past year has seen a tremendous number of changes to your co-operative. Our business has been able to weather most of them, limiting impact to our bottom-line, because of management's ability to pivot as required. This led to a large number of "firsts". Your co-op has a strong balance sheet with hopes it will grow even stronger as we go forward.

Your board began to meet virtually as soon as the pandemic lockdown was announced and continues in that format. We all agree meeting face to face is preferred, but we have to admit that there most likely will be meetings on a blended basis, once we make it through our current situation. Meeting virtually does have some advantages, particularly for those board members an hour or two away. Holding our meetings this way saves the late night drives, making it much safer for those who normally would have to travel.

Safety for our staff and customers is paramount in our business. The pandemic measures implemented have kept everyone safe and we are unaware of any lost time due to staff contracting the virus. This has meant more time spent on sanitization and cleaning in our stores. We were very pleased that these efforts were recognized at the recent FCL AGM with Riverbend winning the award for Excellence in Health and Safety.

Your board has updated its strategic direction and with the irrigation expansion announcement continues to evaluate potential opportunities. We also review on an ongoing basis, our current lines of business, looking for areas where we could seek improvement. The board itself has encouraged its directors to complete the series 1 and 2 of the director development program. This is an ongoing process.

I mentioned firsts earlier. I want to tell you that we were the first cooperative in the province to hold a virtual AGM and the first to have directional lane markers in our stores. Our online grocery ordering system (developed by our staff) was well received and continues in use. We were the first to have 24 hour pay at the pump (2 locations) in rural Saskatchewan. We also were beta testers for Build.crs, the on-line ordering system for our Home and Building Solutions locations which is now implemented.

As you know, 2020 was our 90th anniversary. Planned celebrations had to be muted due to the pandemic but some instore activities were still held. Going forward we'll have to adapt any future celebrations to the given circumstance.

The board wishes to thank the staff for their tremendous efforts in this past year. Without their commitment and willingness to adapt to our changing conditions we would not have been able to maintain the level of service for which Riverbend is known. We are very proud of your response and deeply appreciate the work you do.

A co-op's strength is its members. We want to supply the goods and services that you require. We hope that we can continue to count on your support as we move forward.

Garth Weiterman
President

General Manager's Report

2020 is a year I am sure no-one will forget anytime soon. It was a year filled with unprecedented challenges that our Co-op had to make quick decisions on to fulfill our Vision & Mission. Safety for our team members and guests was our top priority. Riverbend Co-op is a trusted brand in our communities which was validated through the pandemic.

I am proud of how nimble our team was to respond to the challenges and to serve our members. We had to make several changes to our business in an uncertain time. At times, we had to re-allocate resources from other departments to support our food business which saw exponential growth. We had to curtail hours at our Gasbar operations, where demand for transportation fuels dropped almost overnight. We added services such as Free Grocery Delivery, and an online order service so those in the community that were isolating for whatever reason could access the essential goods they required. We knew we could not stand still with all the change happening around us.

Riverbend Co-op achieved sales of \$71.3 million, compared to \$72.5 million the year before. We experienced a dramatic drop in demand with transportation fuels, cardlocks and the overall selling price in petroleum. Helping us keep pace with the previous year, we had experienced growth in Food, as well as an improved year in our Ag Solutions Division. Margins were improved by \$1.4 million dollars from the previous year. The decrease in demand in petroleum was experienced throughout Western Canada, and as a result loyalty and patronage refunds from FCL decreased by \$1.7 million. Our bottom line came in at \$1.5 million, and improvement of \$240,000 from the previous year.

Riverbend Co-op climbed to 75th place from 84th in Saskatchewan's top 100 Companies. Thank-you to our members who voted with their dollars to make this possible. We are also proud to be recognized leaders in Health and Safety, by winning the Co-op Retailing System Excellence in Health and Safety Award. We managed to bring on additional services such as 24-hour self-serve at the pump at our Gasbars, as well as launched an e-commerce site at our Home & Building Supply sites in Davidson and Outlook.

Looking ahead into 2021, I am filled with optimism that there is a "light at the end of the tunnel". Your Co-op will continue to find ways for innovation, and to improve guest experience.

Thank-you so much to our team for all their hard work and dedication during a challenging time. Thank-you to the Board of Directors for your guidance and support. We were there for communities in a time of need. We provided stability, familiarity, and made life better in our communities when people needed it the most. A co-op is not building, it's not grocery store, it's not gas station. A Co-op is a group of people who come together to build up our communities. We are local, we are partners, we are Co-op!

Co-operatively,



Greg Sarvis
General Manager

Management's Responsibility

To the Members of Riverbend Co-operative Ltd.:

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

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

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Co-operative . The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information 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 25, 2021



General Manager

To the Members of Riverbend Co-operative Ltd.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Riverbend Co-operative Ltd. (the "Co-operative"), which comprise the balance sheet as at October 31, 2020, 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, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report

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-operative's 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.

Saskatoon, Saskatchewan

February 25, 2021

MNP LLP

Chartered Professional Accountants


MNP

Riverbend Co-operative Ltd
Balance Sheet
As at October 31, 2020

	2020	2019
Current assets		
Cash and cash equivalents	\$ 858,061	\$ 892,958
Accounts receivable - Customer (Note 5)	2,675,357	3,899,481
- Other	293,970	435,754
Income taxes recoverable	403,337	558,216
Inventories (Note 6)	10,885,961	14,030,199
Prepaid agriculture suppliers	477,669	-
Prepaid expenses	126,536	94,199
	15,720,891	19,910,807
Investments		
Federated Co-operatives Limited (Note 4(a))	11,063,340	12,524,107
Other organizations	147	147
Assets under capital lease (Note 7)	79,145	113,065
Property, plant and equipment (Note 8)	12,582,333	14,138,545
Other assets (Note 9)	-	12,518
Goodwill (Note 10)	1,700,000	1,700,000
Total assets	\$ 41,145,856	\$ 48,399,189
Current liabilities		
Line of credit (Note 11)	\$ 1,145,413	\$ 5,205,801
Accounts payable and trust liabilities (Note 12)	5,763,532	8,352,103
Customer prepaid accounts	313,618	322,589
Current portion of obligation under capital lease (Note 13)	19,303	16,747
	7,241,866	13,897,240
Long-term debt (Note 14)	3,046,820	4,306,937
Obligation under capital lease (Note 13)	78,999	98,302
Asset retirement obligation (Note 4(b))	120,960	161,175
Total liabilities	10,488,645	18,463,654
Members' equity		
Share capital (Note 15)	11,783,947	11,753,542
Reserves and retained savings (Note 16)	18,873,264	18,181,993
	30,657,211	29,935,535
Total liabilities and members' equity	\$ 41,145,856	\$ 48,399,189

Subsequent event (Note 23)

Approved on behalf of the Board of Directors



 Director



 Director

The accompanying notes are an integral part of these financial statements



Riverbend Co-operative Ltd
Statement of Net Savings and Statement of Retained Savings
For the Year Ended October 31, 2020

	2020	%	2019	%
Sales (Note 17)	\$ 71,348,258	100.0	\$ 72,486,457	100.0
Cost of goods sold	<u>60,194,066</u>	<u>84.4</u>	<u>62,774,306</u>	<u>86.6</u>
Gross margin	<u>11,154,192</u>	<u>15.6</u>	<u>9,712,151</u>	<u>13.4</u>
Expenses				
Operating and administration	11,423,069	16.0	11,904,902	16.4
Net interest (Note 19)	<u>129,072</u>	<u>0.2</u>	<u>220,132</u>	<u>0.3</u>
	<u>11,552,141</u>	<u>16.2</u>	<u>12,125,034</u>	<u>16.7</u>
Loss from operations	(397,949)	(0.6)	(2,412,883)	(3.3)
FCL loyalty program (Note 4(c)(iii))	1,046,765	1.5	-	-
Patronage refunds (Note 4(a))	<u>970,957</u>	<u>1.4</u>	<u>3,724,366</u>	<u>5.1</u>
Savings before income taxes	1,619,773	2.3	1,311,483	1.8
Income tax expense (Note 21)	<u>64,890</u>	<u>0.1</u>	<u>1,450</u>	<u>-</u>
Net savings	<u>\$ 1,554,883</u>	<u>2.2</u>	<u>\$ 1,310,033</u>	<u>1.8</u>
Retained savings, beginning of year	\$ -		\$ -	
Net savings	1,554,883		1,310,033	
Transfer to statutory reserve (Note 16)	(80,989)		(65,574)	
Transfer to general reserve (Note 16)	(612,899)		(379,799)	
Patronage allocation to members (Note 23)	<u>(860,995)</u>		<u>(864,660)</u>	
Retained savings, end of year (Note 16)	<u>\$ -</u>		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements



Riverbend Co-operative Ltd
Statement of Cash Flows
For the Year Ended October 31, 2020

	2020	2019
Operating activities		
Net savings	\$ 1,554,883	\$ 1,310,033
Adjustments for:		
Depreciation	1,831,469	1,917,885
Accretion	3,321	3,218
FCL patronage refund	(970,957)	(3,724,366)
Loss (gain) on the disposal of property, plant and equipment	10,096	(4,140)
Changes in non-cash operating working capital:		
Accounts receivable	1,365,908	(125,329)
Income taxes recoverable	154,879	(355,797)
Inventories	3,144,238	(5,329,297)
Prepaid agriculture suppliers	(477,669)	-
Prepaid expenses	(32,337)	(16,538)
Accounts payable and trust liabilities	(2,588,571)	1,926,861
Customer prepaid accounts	(8,971)	217,888
Asset retirement obligation	(43,536)	-
Cash provided by (used for) operating activities	<u>3,942,753</u>	<u>(4,179,582)</u>
Investing activities		
Redemption of FCL shares	2,431,724	3,356,377
Additions to property, plant and equipment	(322,581)	(4,257,149)
Additions to goodwill	-	(1,700,000)
Proceeds from the disposal of property, plant and equipment	<u>83,666</u>	<u>31,534</u>
Cash provided by (used for) investing activities	<u>2,192,809</u>	<u>(2,569,238)</u>
Financing activities		
Change in line of credit	(4,060,388)	4,849,528
Change in long term debt	(1,260,117)	2,764,937
Capital lease repayment	(16,747)	(9,514)
Share capital issued	2,160	3,500
GST on allocation	26,868	49,058
Redemption of share capital	<u>(862,235)</u>	<u>(962,124)</u>
Cash provided by (used for) financing activities	<u>(6,170,459)</u>	<u>6,695,385</u>
Net decrease in cash and cash equivalents	(34,897)	(53,435)
Cash and cash equivalents, beginning of year	<u>892,958</u>	<u>946,393</u>
Cash and cash equivalents, end of year	<u><u>\$ 858,061</u></u>	<u><u>\$ 892,958</u></u>

The accompanying notes are an integral part of these financial statements



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

1. Incorporation and operations

Riverbend Co-operative Ltd ("the Co-operative") was incorporated under the Co-operatives Act of Saskatchewan on January 31, 1930. The primary business of the Co-operative is operating retail agricultural, food, home centre, and petroleum outlets in Beechy, Davidson, Kenaston, Outlook, Hanley, Wiseton, Broderick, Tullis, and Strongfield, Saskatchewan and the surrounding areas.

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, other assets, goodwill, asset retirement obligation, 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).



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

(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:

Buildings	Straight-line & declining balance	15 - 25 years & 5% - 10%
Site preparation, pavement, & fence	Declining balance	4% - 10%
Tanks	Declining balance	10%
Furniture & equipment	Declining balance	20% & 30%
Computer equipment	Straight-line & declining balance	5 years & 45% - 100%
Vehicles	Declining balance	15% & 30%
Leasehold improvements	Straight-line	5 years
Asset retirement cost	Straight-line	25 - 35 years

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

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

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



(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 allocated to 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) Other assets

Other assets include intangible assets. An intangible asset is recorded and amortized using the straight-line method at a rate intended to amortize the cost of the intangible asset over its estimated useful life. Intangible assets are tested for impairment when circumstances indicate that the carrying value may be impaired.



(n) Government assistance

The Co-operative recognizes government assistance when there is a reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Co-operative recognizes government assistance related to the Canada Emergency Wages Subsidy (“CEWS”) as a reduction to the expense which the assistance program is meant to fund.

3. Financial instruments and risk management

The significant financial risks to which the Co-operative is exposed are credit risk, interest rate risk, 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. One customer accounts for 10.2% of the accounts receivable balance (2019 - no significant exposure to any individual customer).

(b) Interest rate risk

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



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

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

(a) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2020, the Co-operative purchased goods amounting to \$49,032,278 (2019 - \$53,689,533) from FCL in the normal course of operations.

These purchases resulted in a patronage refund from FCL which was received as non-cash consideration in the form of additional shares in FCL. FCL, based on its available cash flow, redeemed an amount of FCL shares held by the Co-operative. The amounts of the patronage refund and shares redeemed are as follows:

	2020		2019
Opening investment balance	\$ 12,524,107	\$	12,156,118
Patronage refund	970,957		3,724,366
Share redemptions	<u>(2,431,724)</u>		<u>(3,356,377)</u>
Closing investment balance	<u>\$ 11,063,340</u>	\$	<u>12,524,107</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 seven 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. At year end, the Co-operative has accrued a liability in the amount of \$120,960 (2019 - \$161,175). A corresponding amount has been capitalized as an asset retirement cost. Accretion for the current year included in operating and administration expense was \$3,321 (2019 - \$3,218).

The Co-operative's has three fertilizer sites that are not 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 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 \$4,503,771 (2019 - \$4,503,771). 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 November 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.



Riverbend Co-operative Ltd
Notes to the Financial Statements
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(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 agricultural products, from FCL and continue to operate a certain Agricultural Centre over a thirty year period commencing from January 2019. 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 \$882,796 as at October 31, 2020 (2019 - \$882,796). Management intends to fulfill all commitments with FCL.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$132,200 (2019 - \$132,200).

6. Inventories

	2020	2019
Raw material	\$ 801,173	\$ 894,745
Goods for resale	<u>10,084,788</u>	<u>13,135,454</u>
	<u><u>\$ 10,885,961</u></u>	<u><u>\$ 14,030,199</u></u>

The cost of inventories recognized as an expense during the year was \$60,078,116 (2019 - \$62,651,108).

7. Assets under capital lease

	Original Cost	Accumulated Depreciation	2020 Book Value	2019 Book Value
Fork Lift	<u>\$ 124,563</u>	<u>\$ 45,418</u>	<u>\$ 79,145</u>	<u>\$ 113,065</u>

Depreciation for the current year included in operating and administration expense was \$33,920 (2019 - \$11,498).



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2020 Book Value	2019 Book Value
Land	\$ 1,560,899	\$ -	\$ 1,560,899	\$ 1,560,899
Buildings	9,997,104	4,818,650	5,178,454	5,672,194
Site preparation, pavement & fence	3,194,084	1,131,841	2,062,243	2,234,230
Tanks	542,071	217,483	324,588	360,653
Furniture & equipment	7,435,334	5,155,020	2,280,314	2,634,133
Computer equipment	1,626,097	1,459,218	166,879	243,416
Vehicles	3,289,165	2,356,712	932,453	1,312,260
Leasehold improvements	159,864	138,544	21,320	53,292
Asset retirement cost	102,587	47,404	55,183	67,468
	<u>\$ 27,907,205</u>	<u>\$ 15,324,872</u>	<u>\$ 12,582,333</u>	<u>\$ 14,138,545</u>

Depreciation for the current year included in operating and administration expense was \$1,785,031 (2019 - \$1,884,743).

9. Other assets

	Original Cost	Accumulated Amortization	2020 Book Value	2019 Book Value
Liquor Vending Rights	<u>\$ 191,665</u>	<u>\$ 191,665</u>	<u>\$ -</u>	<u>\$ 12,518</u>

Amortization for the current year end included in operating and administration expenses was \$12,518 (2019 - \$21,644).

The Co-operative purchased rights which are amortized on a straight-line basis over the initial five-year term.

10. Goodwill

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

	2020	2019
Balance, beginning of year	\$ 1,700,000	\$ -
Additions to goodwill	-	1,700,000
Balance, end of year	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

11. Line of credit

The Co-operative has a \$4,000,000 revolving line of credit with Prairie Centre Credit Union. \$1,145,413 has been drawn on the line of credit as at October 31, 2020 (2019 - \$2,587,280). The line of credit is secured by a Business Security Agreement and a General Security Agreement. Interest is prime plus 0.5% on the line of credit. (2019 - prime plus 0.5%).

The Co-operative has a \$3,000,000 interest only quick loan with Prairie Centre Credit Union of which no amount has been drawn as at October 31, 2020 (2019 - \$2,618,521). The quick loan is secured by a General Security Agreement. Interest is prime plus 0.5% on the quick loan. (2019 - prime plus 0.5%).

12. Accounts payable and trust liabilities

	2020	2019
FCL payables	\$ 4,651,961	\$ 7,317,754
Other payables	964,303	944,598
Trust liabilities:		
Payroll deductions	59,971	-
Goods and services tax	-	2,237
Provincial sales tax	707	7,270
Federal fuel charge	86,590	80,244
	<u>\$ 5,763,532</u>	<u>\$ 8,352,103</u>

13. Obligation under capital lease

	2020	2020	2019	2019	
Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion	
Capital lease	<u>\$ 98,302</u>	<u>\$ 19,303</u>	<u>\$ 78,999</u>	<u>\$ 16,747</u>	<u>\$ 98,302</u>

The forklift lease agreement with CWB National Leasing is repayable at \$2,038 per month including interest of 5.75% for 60 months with a purchase option at the end of the term. The lease is secured by equipment with a net book value of \$79,145 (2019 - \$113,065). Interest expense in the current year was \$5,667.

The scheduled principal repayments on the capital lease for the next 4 years are as follows:

2021	\$ 19,303
2022	20,442
2023	21,649
2024	<u>36,908</u>
	<u>\$ 98,302</u>



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

14. Long-term debt

	Total	2020 Current Portion	2020 Deferred Portion	2019 Current Portion	2019 Deferred Portion
FCL LOC ⁽¹⁾	<u>\$ 3,046,820</u>	<u>\$ -</u>	<u>\$ 3,046,820</u>	<u>\$ -</u>	<u>\$ 4,306,937</u>

⁽¹⁾ Federated Co-operative Limited line of credit, bearing interest at prime rate, repayable via an annual reduction in available credit, matures December 2028. The loan is subject to certain non-financial covenants. The Co-operative believes it is in compliance with these covenants as at year-end and has been in compliance since the loan start date. Security for the credit is a General Security Agreement covering all present and after acquired assets. The available line of credit decreases as follows:

January 1, 2020 - December 31, 2020	4,500,000
January 1, 2021 - December 31, 2021	4,000,000
January 1, 2022 - December 31, 2022	3,500,000
January 1, 2023 - December 31, 2023	3,000,000
January 1, 2024 - December 31, 2024	2,500,000
January 1, 2025 - December 31, 2025	2,000,000
January 1, 2026 - December 31, 2026	1,500,000
January 1, 2027 - December 31, 2027	1,000,000
January 1, 2028 - December 31, 2028	500,000

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

2021	\$ -
2022	-
2023	46,820
2024	500,000
2025	500,000
Subsequent payments	<u>2,000,000</u>
	<u>\$ 3,046,820</u>



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

15. Share capital

Authorized, unlimited @ \$1	2020	2019
Balance, beginning of year	\$ 11,753,542	\$ 11,794,734
Allocation to members	860,995	864,660
Cash from new members	2,160	3,500
GST on allocation	26,868	49,058
Shares transferred from reserves	2,617	3,814
	<u>12,646,182</u>	<u>12,715,766</u>
General repayment	510,199	500,148
Shares transferred to reserves	-	100
Withdrawals and retirements	265,312	313,077
Withholding tax	86,724	148,899
	<u>862,235</u>	<u>962,224</u>
Balance, end of year	<u>\$ 11,783,947</u>	<u>\$ 11,753,542</u>

16. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2020	2019
Balance, beginning of year	\$ 3,571,768	\$ 14,610,225	\$ -	\$ 18,181,993	\$ 17,740,334
Net savings distributed to retained savings	-	-	1,554,883	1,554,883	1,310,033
Patronage allocation	-	-	(860,995)	(860,995)	(864,660)
Shares transferred	(2,617)	-	-	(2,617)	(3,714)
Reserve transfers	<u>80,989</u>	<u>612,899</u>	<u>(693,888)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 3,650,140</u>	<u>\$ 15,223,124</u>	<u>\$ -</u>	<u>\$ 18,873,264</u>	<u>\$ 18,181,993</u>



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

17. Sales

	2020	2019
Consumer division	\$ 30,967,927	\$ 33,579,873
Home and agro division	8,545,327	10,055,891
Ag solutions division	<u>31,835,004</u>	<u>28,850,693</u>
	<u>\$ 71,348,258</u>	<u>\$ 72,486,457</u>

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

18. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada has announced the TWS program in March 2020 and the CEWS program in April 2020. TWS and CEWS provide wage subsidies on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, which for CEWS includes demonstration of revenue declines as a result of COVID-19.

The Co-operative has determined that it has qualified for the CEWS. The Co-operative has applied for and has received \$680,204 which has been reflected as a reduction to operating and administration expenses.

19. Net interest

	2020	2019
Interest expense on		
- Short-term debt	\$ 151,906	\$ 176,021
- Long-term debt	85,971	195,834
Interest revenue	<u>(108,805)</u>	<u>(151,723)</u>
	<u>\$ 129,072</u>	<u>\$ 220,132</u>

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 \$295,705 (2019 - \$281,001) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

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:

	2020	2019
Savings before income taxes	\$ 1,619,773	\$ 1,311,483
Expected income tax expense at the combined tax rate of 27.0% (2019 - 27.0%)	437,339	354,100
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	3,759	3,532
Patronage allocation to members of \$860,995 (2019 - \$864,660)	(232,469)	(233,458)
Patronage carryforward claimed	(231,881)	-
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	91,226	-
Capital cost allowance in excess of depreciation	-	(352,160)
Allowance for doubtful accounts	22,614	-
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(5,855)	(339)
Patronage dividends available for carryforward	-	229,867
Loss (gain) on disposal of assets	558	(1,118)
Prior year tax adjustment	(20,401)	1,026
	<u>\$ 64,890</u>	<u>\$ 1,450</u>

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, 2020 the Board of Directors approved a patronage allocation to members in the amount of \$860,995 (2019 - \$864,660).



Riverbend Co-operative Ltd
Notes to the Financial Statements
For the Year Ended October 31, 2020

24. Contingent liability

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

25. Comparative figures

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



Riverbend Co-operative Ltd
Audited Statistical Information
For the Year Ended October 31, 2020

Record of Sales and Net Savings

	<u>Year</u>	<u>Sales</u>	<u>Net Savings</u>	<u>%</u>	<u>Allocation</u>	<u>%</u>
From Date of Incorporation, January 31, 1930, to October 31,	2011	\$ 584,224,728	\$ 38,568,174	6.6	\$ 15,847,041	
	2012	44,903,706	3,255,897	7.3	2,033,117	5.1
	2013	47,932,660	3,257,363	6.8	2,123,223	5.0
	2014	54,912,695	3,974,119	7.2	1,973,011	4.0
	2015	50,012,584	2,341,013	4.7	1,581,718	3.5
	2016	52,505,116	1,874,671	3.6	1,386,596	3.1
	2017	54,474,719	1,739,606	3.1	1,298,370	2.9
	2018	60,189,618	2,351,115	4.0	1,375,475	2.8
	2019	72,486,457	1,310,033	1.8	864,660	1.4
	2020	71,348,258	1,554,883	2.2	860,995	1.4
		<u>\$ 1,092,990,541</u>	<u>\$ 60,226,874</u>	<u>5.5</u>	<u>\$ 29,344,206</u>	



