



ANNUAL REPORT

Alberni District Co-operative Association
92nd Annual General Meeting
For the year ending November 28th, 2020
Held on June 05, 2021

Agenda

1. Call to Order and Introduction
2. Notice of Meeting **Pg 3**
3. Minutes of the 91st Annual General Meeting **Pg 4-7**
4. Business arising from the minutes
5. Reports
 - a) Directors **Pg 8-9**
 - b) General Manager **Pg 10**
 - c) Auditor/Financial **Pg 11-27**
6. Discussion and Adoption of reports
7. Appointment of Auditors for 2021
8. Election of Directors **Pg 28-30**
9. New Business
10. Oath of Office – to be completed at first board meeting after the AGM
11. Adjournment

You're at home here.



Alberni

Notice
Alberni Co-op
VIRTUAL
Annual General Meeting

Pre-Registration required

Register by email or phone by end of day June 03rd

The following is required to register:

Name – First and Last

Co-op #

Phone #

Email registration to gm@adcoop.ca

or

Phone in registration to 250-731-4599

Place: Virtual

Meeting Time: 2:00pm

Saturday June 05, 2021

**Minutes of the 91st Annual General Meeting
For the year ending November 30th, 2019**

Call to Order: President Jim Creighton calls the 91st AGM to order at 1:03 p.m.
President Jim Creighton introduced the Board, Management, and guests (MNP, Cory Vanderhorst)

28 members and 1 non-member signed the register. (Apologies from 2 directors Neil Malbon and Ray Dol)

**Agenda/
Additions:** No additions to the agenda

**Previous Year
Minutes:** Minutes for the 90th Annual General Meeting are read by Jim Creighton.

Jim Creighton asked for a motion that the Minutes of the 90th Annual General Meeting be accepted as presented.

Moved by: David Hooper
Seconded by: Ron Sopow
Carried

**Business Arising
from the Minutes:** None

**Presidents
Report:** Given by President Jim Creighton

**Manager's Report:
Audit and** Given by General Manager Dave Heinrichs

Financial Statement:

Presented by Corey Vanderhorst from Meyers Norris & Penny on behalf of Alberni District Co-op.

FCL Report:

No FCL report

Jim Creighton motioned to accept the reports presented by Corey Vanderhorst on Alberni's 2019 Audit and Financial Statement.

Moved by: Bev Denning
Seconded by: Ron Sopow
Carried

Appointment of Auditors:

Jim asked to have a motion for Meyers Norris & Penny to be appointed as auditors for year 2020.

Moved by: Ron Sopow
Seconded by: Dave Hooper
Carried

Election of Directors:

There was 1 seat available for the seat of Buddy Hamilton. There were 3 nominations for the 1 seat, Buddy Hamilton, Bev Denning and Ron Sopow; Ron Sopow withdrew from the Election of Directors in favor of Buddy Hamilton continuing. Speeches were given by the 2 remaining directors and a vote was then done and counted by Corey Vanderhorst from Meyers Norris & Penny. The successful recipient was Buddy Hamilton who then gave a thank you speech. Jim Creighton inquired on putting off Oath of

Office as all directors were not in attendance of the AGM.

Jim Creighton asked for a motion to postpone Oath of Office until all Board of Directors can meet in person.

Moved by: Bev Denning
Seconded by: David Hooper
Carried

Jim Creighton asked for a motion to destroy the ballots.

Moved by: Ron Sopow
Seconded by: David Hooper
Carried

Staff Awards:

Dave Heinrichs announced years of service for staff and directors. Recipients included.

Lisa McTaggart; Five Years
Diena Tyne; Ten Years
Callum Neuwirth; Five Years
Dave Heinrichs; Twenty Years

An announcement was given for Buddy Hamilton's 24 years of service on the Board of Directors

New Business:

None

Other Business:

Bev Denning inquired about renovations planned for JR and BCRK locations. Jim Creighton requested Dave Heinrichs to speak to the questions. Dave Heinrichs touched on basic plans and expressed they were currently in the planning stages.

Members inquired about canopies being installed at our Johnston Road location as part of the renovation upgrade. Dave spoke to the requirements by the city to have a canopy. Questions regarding the location of the cardlock. Dave spoke to a property in mind but not finalized yet. Also, a question regarding cardlock pricing and Dave spoke to this as well.

Oath of Office:

Postponed as per above motion.

Member Draws:

No draws were given due to Covid-19 restrictions.

Adjournment:

1:39 p.m.

Motion to adjourn given by Ron Sopow.

President's Report

Good afternoon and welcome to the 92nd Annual General meeting of the Alberni District Co-operative Association.

Later in the program you will be presented with our Financial Report, which will show that despite COVID -19 we have had a successful year and continue to hold a strong financial position.

In keeping with the principles of a Co-op, we will once again be issuing a Patronage Dividend. It was the decision of your Board of Directors that this net savings for the year ending December 1st, 2020 be distributed as follows.

That a Patronage Dividend of 3.0% be declared for a total of \$542,040.

That 100% of the Patronage Refund for 2020 be paid out in cash to members with an equity balance of \$3,500 as of December 1st, 2020.

That the balance of the Patronage Dividend be paid out at a rate of 90% cash with the remaining 10% being applied to the member's equity.

That the balance of the net savings, a sum of \$231,244 be allocated to general reserve.

As in past, the Board has worked hard on your behalf, with several significant accomplishments this year.

The purchase of the Liquor Depot – which is now called Alberni District Liquor.

The purchase of the Johnston Road property for the new Cardlock and Bulk Plant.

As well, the Alberni District Coop believes strongly in supporting our community. Once again, we participated in Fuel Good Day raising \$3,500 for Special Olympics. We also increased our donation budget, resulting in significant donations to the Bread of Life and the Salvation Army.

And, one of our biggest accomplishments was that we were able to keep all forty-six of our employees employed despite all the COVID challenges.

I would like to personally thank my fellow Board members for their contribution and commitment to our Coop. Over the past year, Board members attended monthly meetings, planning sessions, as well as the Leaders and Regional Conferences, the Vancouver Island Central Services Co-op AGM, and the Annual General Meeting of Federated Co-ops.

In closing, on behalf of the Board, I would like to thank Dave and his staff for their dedication and commitment to the success of our Co-op, they are the ones that make it all happen, and for that we are very grateful.

Respectfully submitted,

Neil Malbon
Board President

General Managers Report

As 2020 has come to a close we are happy to say we were able to maintain a positive year financially considering the challenges in today's world with Covid and were still able to return patronage to our members as Neil pointed out in his report.

We continue to review our assets and you will notice our Johnston road c-store has gone through a massive renovation. Also want to make note that when you get a chance, take a moment and check out our new liquor store located at the bottom of Johnston Road. Moving into liquor has been a great investment and we are happy to bring more offerings to our members. We will continue to look for new opportunities and work at capitalizing on them if they are right for our Co-op. Our goal is to remain relevant and ensure we are here for future generations.

Alberni Co-op also continues to value being Community-Invested and we are very proud to support our community, even in trying times. We didn't let Covid take away from us giving back and we still supported multiple organizations throughout 2020 and we were able to return over \$42,000.

In closing I would like to thank the Directors for their guidance over the past year, the Staff for their hard work at making Alberni Co-op successful and the Membership for your continued support. I look forward to 2021 and its challenges that come with it as we continue to grow and evolve. Thank you.

Respectfully Submitted,

Dave Heinrichs
General Manager

Management's Responsibility

To the Members of Alberni District Co-operative Association:

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, 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 with both the Board and management to discuss their audit findings.

May 6, 2021

 E-SIGNED by Dave Heinrichs

General Manager

To the Members of Alberni District Co-operative Association:

Opinion

We have audited the financial statements of Alberni District Co-operative Association (the "Co-operative"), which comprise the balance sheet as at November 30, 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 November 30, 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.

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.

Nanaimo, British Columbia

May 6, 2021

MNP LLP

Chartered Professional Accountants

Alberni District Co-operative Association
Balance Sheet
As at November 30, 2020

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 1,952,078 | \$ 452,892 |
| FCL special deposit (Note 4(a)) | 4,546,246 | 7,427,605 |
| Accounts receivable - Customer (Note 6) | 838,883 | 1,056,529 |
| - Other | 488,169 | 244,657 |
| Income taxes recoverable | - | 183,132 |
| Inventories | 990,015 | 754,297 |
| Prepaid expenses | 33,832 | 90,266 |
| | <u>8,849,223</u> | <u>10,209,378</u> |
| Investments | | |
| Federated Co-operatives Limited (Note 4(b)) | 6,798,597 | 8,195,601 |
| Vancouver Island Central Services Co-operative Association (Note 5) | 61,932 | 60,549 |
| Other organizations | 249 | 247 |
| Property, plant and equipment (Note 7) | 5,010,663 | 4,938,958 |
| Intangible asset (Note 8) | 735,000 | - |
| Goodwill (Note 9) | 2,113,000 | - |
| Note Receivable | - | 4,450 |
| Total assets | \$ 23,568,664 | \$ 23,409,183 |
| Current liabilities | | |
| Accounts payable and trust liabilities (Note 10) | 2,295,339 | 2,134,596 |
| Income taxes payable | 170,818 | - |
| Customer prepaid accounts | 84,893 | 1,296 |
| Total liabilities | <u>2,551,050</u> | <u>2,135,892</u> |
| Members' equity | | |
| Share capital (Note 11) | 2,865,269 | 3,347,728 |
| Reserves and retained savings (Note 12) | 18,152,345 | 17,925,563 |
| | <u>21,017,614</u> | <u>21,273,291</u> |
| Total liabilities and members' equity | \$ 23,568,664 | \$ 23,409,183 |

Subsequent events (Note 20)
 Commitments (Note 21)
 Comparative figures (Note 22)

Approved on behalf of the Board of Directors

 E-SIGNED by Jim Creighton

Director

 E-SIGNED by Neil Malbon

Director

The accompanying notes are an integral part of these financial statements



Alberni District Co-operative Association
Statement of Net Savings and Statement of Retained Savings
For the Year Ended November 30, 2020

| | 2020 | % | 2019 | % |
|--|--------------------------|-------------------|----------------------------|-------------------|
| Sales (Note 13) | \$ 24,300,902 | 100.0 | \$ 31,999,667 | 100.0 |
| Cost of goods sold | <u>20,898,813</u> | <u>86.0</u> | <u>28,410,062</u> | <u>88.8</u> |
| Gross margin | <u>3,402,089</u> | <u>14.0</u> | <u>3,589,605</u> | <u>11.2</u> |
| Expenses | | | | |
| Operating and administration | 2,846,754 | 11.7 | 3,439,163 | 10.7 |
| Net interest (Note 15) | <u>(177,284)</u> | <u>(0.7)</u> | <u>(236,713)</u> | <u>(0.7)</u> |
| | <u>2,669,470</u> | <u>11.0</u> | <u>3,202,450</u> | <u>10.0</u> |
| Savings from operations | <u>732,619</u> | <u>3.0</u> | <u>387,155</u> | <u>1.2</u> |
| FCL loyalty program (Note 4(d)) | 749,818 | 3.1 | 63,966 | 0.2 |
| Patronage refunds | <u>46,418</u> | <u>0.2</u> | <u>2,402,894</u> | <u>7.5</u> |
| Savings before income taxes | 1,528,855 | 6.3 | 2,854,015 | 8.9 |
| Income tax expense (Note 17) | <u>755,571</u> | <u>3.1</u> | <u>577,820</u> | <u>1.8</u> |
| Net savings | <u>\$ 773,284</u> | <u>3.2</u> | <u>\$ 2,276,195</u> | <u>7.1</u> |
| | | | | |
| Retained savings, beginning of year | \$ - | | \$ - | |
| Net savings | 773,284 | | 2,276,195 | |
| Transfer to general reserve (Note 12) | (231,244) | | (1,150,499) | |
| Patronage allocation to members (Note 11) | <u>(542,040)</u> | | <u>(1,125,696)</u> | |
| Retained savings, end of year (Note 12) | <u>\$ -</u> | | <u>\$ -</u> | |

The accompanying notes are an integral part of these financial statements



Alberni District Co-operative Association
Statement of Cash Flows
For the Year Ended November 30, 2020

| | 2020 | 2019 |
|---|----------------------------|----------------------------|
| Operating activities | | |
| Net savings | \$ 773,284 | \$ 2,276,195 |
| Adjustments for: | | |
| Depreciation | 548,182 | 597,803 |
| FCL patronage refund | (40,536) | (2,395,630) |
| VICSCA patronage refund | (5,880) | (7,264) |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (21,415) | 755,773 |
| Income taxes recoverable | 183,132 | 217,416 |
| Inventories | (235,718) | 98,535 |
| Prepaid expenses | 56,434 | (15,138) |
| Accounts payable and trust liabilities | 160,743 | (109,052) |
| Income taxes payable | 170,818 | - |
| Customer prepaid accounts | 83,597 | (362) |
| Cash provided by operating activities | <u>1,672,641</u> | <u>1,418,276</u> |
| Investing activities | | |
| Redemption of FCL shares | 1,437,540 | 2,417,184 |
| Redemption of VICSCA shares | 4,497 | 13,553 |
| Additions to property, plant and equipment | (619,887) | (97,488) |
| Additions to intangible asset | (735,000) | - |
| Additions to goodwill | (2,113,000) | - |
| Investment in other organization | (3) | - |
| Cash used for investing activities | <u>(2,025,853)</u> | <u>2,333,249</u> |
| Financing activities | | |
| Repayment of long-term debt | - | (6,789) |
| Share capital issued | 3,020 | 4,690 |
| GST on allocation | 46,379 | - |
| Redemption of share capital | (1,078,360) | (1,048,502) |
| Cash used for financing activities | <u>(1,028,961)</u> | <u>(1,050,601)</u> |
| Net increase (decrease) in cash and cash equivalents | (1,382,173) | 2,700,924 |
| Cash and cash equivalents, beginning of year | <u>7,880,497</u> | <u>5,179,573</u> |
| Cash and cash equivalents, end of year | <u>\$ 6,498,324</u> | <u>\$ 7,880,497</u> |
| Cash and cash equivalents are comprised of: | | |
| Cash and cash equivalents | \$ 1,952,078 | \$ 452,892 |
| FCL special deposit | 4,546,246 | 7,427,605 |
| | <u>\$ 6,498,324</u> | <u>\$ 7,880,497</u> |

The accompanying notes are an integral part of these financial statements



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

1. Incorporation and operations

Alberni District Co-operative Association ("the Co-operative") was incorporated under the Co-operatives Act of British Columbia on October 10, 1928. The Co-operative operates three gas bar locations, a commercial cardlock, a furnace maintenance business and a liquor store in the Alberni Valley area. The Co-operative has approximately 11,000 members, of which approximately 9,000 are active.

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, income taxes, accrued liabilities, asset retirement obligation 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 November 30th.

(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 the first-in first-out method and the retail method. Inventories are stated at the lower of cost and net realizable value.

The Co-operative estimates net realizable value as the amount that inventories are expected to be sold for, taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is determined to be not recoverable due to obsolescence, damage or permanent declines in selling prices.

(d) Investments

The Co-operative's investments are accounted for using the cost method. Accordingly, the investments are recorded at acquisition cost, less any provisions for permanent impairment or adjustments for patronage refunds or share redemptions. All transactions with FCL are disclosed in a separate note (Note 4).



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 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) 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 | 25 - 30 years & 4.22% & 5.03% |
| Pavement | Declining balance | 4% & 8% |
| Tanks & fittings | Declining balance | 10% |
| Furniture & equipment | Straight-line & declining balance | 5 years & 20% - 100% |
| Vehicles | Declining balance | 10% - 45% |
| Fence | Declining balance | 10% |

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

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

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

(g) Share capital

The Co-operative approves an allocation to members subsequent to year end. The amount is recorded as an addition to share capital and a reduction in retained savings. The Co-operative records the redemption of shares that is to be paid to members at the time it has been approved by the Board of Directors.

(h) Revenue recognition

The Co-operative recognizes revenue when evidence of an arrangement exists, delivery or change of ownership has occurred, the price has been determined, and collection is reasonably assured.



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

(i) Income taxes

The Co-operative follows the taxes payable method whereby only current income tax assets and liabilities are recognized to the extent they remain unpaid or are recoverable. In addition, the benefit relating to a tax loss incurred in the current period and carried back to prior periods is recognized as a current asset. Current income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

(j) 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.

(k) Intangible asset

Intangible asset is stated at cost less impairment losses, if any. An impairment loss is recognized when the carrying amount of an intangible asset is not recoverable and exceeds its fair value. No such impairment loss was recorded during the year.

(l) 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.

(m) Government assistance

The Co-operative recognizes government assistance when there is a reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Co-operative recognizes government assistance related to the Canada Emergency Wages Subsidy ("CEWS") and the Temporary Wage Subsidy ("TWS") as a reduction to the expense which the assistance program is meant to fund. Government assistance in the form of forgivable loans is recognized as other income in the year that the forgivable loan is received.



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

3. Financial instruments and risk management

The significant financial risks to which the Co-operative is exposed are credit risk and interest rate 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 funds on deposit. The Co-operative manages its exposure to interest rate risk through floating rate deposits and borrowings.

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

(a) FCL special deposit

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

(b) Patronage refund

The Co-operative, along with other Co-operatives in Western Canada, own FCL. At the end of each year, FCL divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with FCL. During FCL's fiscal year ended October 31, 2020, the Co-operative purchased goods amounting to \$15,202,772 (2019 - \$22,167,830) 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 | \$ 8,195,601 | \$ | 8,217,155 |
| Patronage refund | 40,536 | | 2,395,630 |
| Share redemptions | <u>(1,437,540)</u> | | <u>(2,417,184)</u> |
| Closing investment balance | <u>\$ 6,798,597</u> | \$ | <u>8,195,601</u> |

(c) Asset retirement obligation

The Co-operative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Co-operative's liability to \$25,000 per site as long as the Co-operative continues to exercise due diligence. The Co-operative has three 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.



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

(d) Purchase commitments

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

5. Transactions with Vancouver Island Central Services Co-operative Association (VICSCA)

The Co-operative, along with other Co-operatives on Vancouver Island, own VICSCA. At the end of December in each year, VICSCA divides a substantial portion of its net savings among these retail Co-operatives in proportion to the business done by each with VICSCA. In 2020, the Co-operative purchased goods amounting to \$153,852 (2019 - \$206,066) from VICSCA in the normal course of operations. These purchases resulted in a patronage refund from VICSCA which was received as non-cash consideration in the form of additional shares in VICSCA. VICSCA, based on its available cash flow, redeemed an amount of VICSCA shares held by the Co-operative. The amounts of the patronage refund and shares redeemed are as follows:

| | 2020 | | 2019 | |
|----------------------------|------------------|--|------------------|--|
| Opening investment balance | \$ 60,549 | | \$ 55,467 | |
| Patronage refund | 5,880 | | 7,264 | |
| Share redemptions | <u>(4,497)</u> | | <u>(2,182)</u> | |
| Closing investment balance | <u>\$ 61,932</u> | | <u>\$ 60,549</u> | |

6. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of nil (2019 - \$30,409).

7. Property, plant and equipment

| | Original Cost | Accumulated Depreciation | 2020 Book Value | 2019 Book Value |
|-----------------------|---------------------|-----------------------------|---------------------|---------------------|
| Land | \$ 1,135,144 | \$ - | \$ 1,135,144 | \$ 1,135,144 |
| Buildings | 2,434,035 | 1,065,062 | 1,368,973 | 1,363,947 |
| Pavement | 715,442 | 234,836 | 480,606 | 505,092 |
| Tanks & fittings | 871,064 | 549,657 | 321,407 | 357,119 |
| Furniture & equipment | 3,064,756 | 1,692,251 | 1,372,505 | 1,278,594 |
| Vehicles | 959,258 | 749,849 | 209,409 | 295,577 |
| Fence | 14,105 | 10,969 | 3,136 | 3,485 |
| Under Construction | <u>119,483</u> | <u>-</u> | <u>119,483</u> | <u>-</u> |
| | <u>\$ 9,313,287</u> | <u>\$ 4,302,624</u> | <u>\$ 5,010,663</u> | <u>\$ 4,938,958</u> |

Depreciation for the current year included in operating and administration expense was \$548,182 (2019 - \$597,803).



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

8. Intangible asset

Intangible asset consists of a licence that has an indefinite useful life.

9. Goodwill

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

| | 2020 | 2019 |
|----------------------------|---------------------|-------------|
| Balance, beginning of year | \$ - | \$ - |
| Additions to goodwill | 2,113,000 | - |
| Balance, end of year | <u>\$ 2,113,000</u> | <u>\$ -</u> |

10. Accounts payable and trust liabilities

| | 2020 | 2019 |
|------------------------|---------------------|---------------------|
| FCL payables | \$ 1,882,119 | \$ 1,857,252 |
| Other payables | 369,793 | 268,939 |
| Trust liabilities: | | |
| Goods and services tax | 20,795 | 5,855 |
| Provincial sales tax | 22,632 | 2,550 |
| | <u>\$ 2,295,339</u> | <u>\$ 2,134,596</u> |

11. Share capital

| Authorized, unlimited @ \$10 | 2020 | 2019 |
|----------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 3,347,728 | \$ 3,452,973 |
| Allocation to members | 542,040 | 1,125,696 |
| Cash from new members | 3,020 | 4,690 |
| GST on allocation | 46,379 | 54,893 |
| Shares transferred from reserves | 4,565 | 47,691 |
| | <u>3,943,732</u> | <u>4,685,943</u> |
| General repayment | 855,654 | 1,022,815 |
| Shares transferred to reserves | 103 | 187,130 |
| Withdrawals and retirements | 129,326 | 33,020 |
| Withholding tax | 93,380 | 95,250 |
| | <u>1,078,463</u> | <u>1,338,215</u> |
| Balance, end of year | <u>\$ 2,865,269</u> | <u>\$ 3,347,728</u> |



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

12. Reserves and retained savings

| | Statutory Reserve | General Reserve | Retained Savings | 2020 | 2019 |
|---|--------------------------|------------------------|-------------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 224,486 | \$ 17,701,077 | \$ - | \$ 17,925,563 | \$ 16,587,934 |
| Net savings distributed to retained savings | - | - | 773,284 | 773,284 | 2,276,195 |
| Patronage allocation | - | - | (542,040) | (542,040) | (1,125,696) |
| Shares transferred | (4,462) | - | - | (4,462) | 187,130 |
| Reserve transfers | - | 231,244 | (231,244) | - | - |
| Balance, end of year | <u>\$ 220,024</u> | <u>\$ 17,932,321</u> | <u>\$ -</u> | <u>\$ 18,152,345</u> | <u>\$ 17,925,563</u> |

13. Sales

| | 2020 | 2019 |
|------------------------|----------------------|----------------------|
| Beaver Creek Petroleum | \$ 7,956,714 | \$ 11,621,274 |
| Beaver Creek C-Store | 4,951,431 | 5,931,389 |
| Johnston Road C-Store | 5,525,215 | 7,443,473 |
| Furnace Maintenance | 308,974 | 279,253 |
| 10th Ave C-Store | 5,345,244 | 6,724,278 |
| Johnston Road Liquor | 213,324 | - |
| | <u>\$ 24,300,902</u> | <u>\$ 31,999,667</u> |

The Co-operative's business operations consist of one segment. All sales are to external customers and no single customer accounts for more than 10% of sales.

14. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada has announced the 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 TWS and CEWS. The Co-operative has applied for \$400,887 of which \$186,038 is outstanding in accounts receivable. These amounts have been reflected as a reduction to operating and administration expenses.



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

15. Net interest

| | 2020 | 2019 |
|------------------|---------------------|---------------------|
| Interest revenue | <u>(177,284)</u> | <u>(236,713)</u> |
| | <u>\$ (177,284)</u> | <u>\$ (236,713)</u> |

16. Pension plan

The Co-operative participates in a multi-employer defined contribution plan whereby the Co-operative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Co-operative has no unfunded liability under this plan. During the year, the Co-operative recorded \$68,451 (2019 - \$58,950) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

17. Income taxes

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Savings before income taxes | \$ 1,528,855 | \$ 2,854,015 |
| Expected income tax expense at the combined tax rate of 24.9% net of the small business deduction | 378,821 | 691,001 |
| Increase (decrease) in income tax expense resulting from: | | |
| Non-taxable income and non-deductible expense | 259 | 476 |
| Deferral of patronage income inclusion | 583,889 | 205,932 |
| Patronage allocation to members of \$542,040 (2019 - \$1,125,696) | (134,307) | (303,938) |
| Income or expenses claimed in different periods for income tax purposes: | | |
| Capital cost allowance in excess of depreciation | <u>(73,091)</u> | <u>(15,651)</u> |
| Income tax expense | <u>\$ 755,571</u> | <u>\$ 577,820</u> |

18. 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.



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

19. Business combination

On October 30, 2020 the Co-operative acquired the business operations and related assets for a liquor store in Port Alberni from Mid Island Consumers Services Co-operative. Total cash consideration was \$3,560,696. The Co-operative determined the acquisition constituted a business combination and applied the acquisition method to record the transaction. The businesses have been integrated and are reported within the Port Alberni Liquor Store division segments from the date of acquisition.

The purchase price allocation was as follows:

| | | |
|-------------------------|-----------|------------------|
| Cash & cash equivalents | \$ | 5,020 |
| Prepays | | 8,260 |
| Rent/Lease deposit | | 9,244 |
| Inventories | | 330,134 |
| Equipment | | 362,620 |
| Goodwill | | 2,113,000 |
| Liquor license | | 735,000 |
| Accrued Vacation | | <u>(2,582)</u> |
| | <u>\$</u> | <u>3,560,696</u> |

20. Subsequent events

(a) Patronage allocation to members

Subsequent to November 30, 2020 the Board of Directors approved a patronage allocation to members in the amount of \$542,040 (2019 - \$1,125,696).

(b) Share redemption

Subsequent to November 30, 2020 the Board of Directors approved a redemption of shares in the amount of \$422,252 (2019 - \$855,654).

21. Commitments

The Co-operative is committed to the completion of a new cardlock. The estimated total cost of the project is \$6,500,000 of which \$77,507 has been set up as construction in progress. This project will be financed from operations or a loan.

The Co-operative is committed to the completion of a store renovation. The estimated total cost of the project is \$1,300,000 of which \$41,976 has been set up as construction in progress. This project will be financed from operations or a loan.



Alberni District Co-operative Association
Notes to the Financial Statements
For the Year Ended November 30, 2020

22. Comparative figures

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

Effective December 1, 2019, the Co-operative changed its accounting policy to record the patronage allocation to members as an increase in share capital and as a charge to retained savings in the year it relates to. Prior to the change the Co-operative recorded the patronage allocation as a liability on the balance sheet and a charge to retained savings. The change was applied retrospectively, and the prior year has been restated. The impact for the change in accounting policy for December 31, 2019 removes \$1,125,696 from member patronage payable and increases share capital by \$1,125,696.



Alberni District Co-operative Association
Directors and Officers
For the Year Ended November 30, 2020

| <u>Position</u> | <u>Name</u> | <u>Address</u> | <u>Year Term Expires</u> |
|-----------------|------------------|------------------|--------------------------|
| President | Neil Malbon | Port Alberni, BC | 2022 |
| Vice President | Jim Creighton | Port Alberni, BC | 2022 |
| Secretary | Ray Dol | Port Alberni, BC | 2021 |
| Director | Buddy Hamilton | Port Alberni, BC | 2023 |
| Director | Penny Richardson | Port Alberni, BC | 2021 |





Alberni District Co-operative

4885 Beaver Creek Road
Port Alberni, B.C
Canada
V9Y 7E1

Phone Number: 250.723.2831
Fax Number: 250.723.0324
Email: gm@adcoop.ca
www.adcoop.ca



**Statement of Willingness to
Stand for Nomination to
The Board of Directors of
Alberni District Co-operative Association**

Date: 7 May 2021

I, PAT O'CONNELL being a member in good standing of Alberni District Co-operative Association, do wish my name to stand in nomination for the position of Director at the next Annual General Meeting of the Association.

Name: PAT O'CONNELL

Address: 6081 S'ARENGA RD.
PORT ALBERNI V9Y 8Y8

Co-op Membership Number: 9117

Telephone Number: 250-724-6526

Email Address: BALLYFINNER@GMAIL.COM

Signature:

Nominated By: Name: John Oosterom Member#: 4434

Seconded By: Name: Kevin McCurdy Member#: 4566

Every Director must be a member of the Association and hold the number of shares necessary to qualify for membership. Complete qualifications for a Director are available on the back of this form or in the Rules of the Association Part 13 Section 76.



Alberni District Co-operative

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V8Y 7E1

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Fax Number: 250.723.0324
Email: gm@adcoop.ca
www.adcoop.ca



**Statement of Willingness to
Stand for Nomination to
The Board of Directors of
Alberni District Co-operative Association**

Date: May 7, 2021

I, Penny Richardson being a member in good standing of Alberni District Co-operative Association, do wish my name to stand in nomination for the position of Director at the next Annual General Meeting of the Association.

Name: Penny Richardson

Address: 2133 Motion Dr.
Port Alberni, B.C.

Co-op Membership Number: 16566

Telephone Number: 250 724 2607

Email Address: jprichardson1@shaw.ca

Signature: *Penny Richardson*

Nominated By: Name: Buddy Hamilton Member#: 5631

Seconded By: Name: *Neil Mallon* Member#: 10381

Every Director must be a member of the Association and hold the number of shares necessary to qualify for membership. Complete qualifications for a Director are available on the back of this form or in the Rules of the Association Part 13 Section 76.



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Fax Number: 250.723.0324
Email: gm@adcoop.ca
www.adcoop.ca



Statement of Willingness to Stand for Nomination to The Board of Directors of Alberni District Co-operative Association

Date: May 10, 2021

I, Ray Dol being a member in good standing of Alberni District Co-operative Association, do wish my name to stand in nomination for the position of Director at the next Annual General Meeting of the Association.

Name: Raymond S. Dol

Address: 6895 Lamargue Rd.
Port Alberni, B.C. V9Y 8M1

Co-op Membership Number: 5800 (zeal Holdings Inc.)

Telephone Number: 250-720-5182

Email Address: earthroots46@gmail.com

Signature:

Nominated By: Name: Martin Dol Member#: 3073

Seconded By: Name: Robert Simpson Member#: 7201
(B+S. Mechanical)

Every Director must be a member of the Association and hold the number of shares necessary to qualify for membership. Complete qualifications for a Director are available on the back of this form or in the Rules of the Association Part 13 Section 76.

