ANNUAL REPORT 2021

Prairie Sky Co-operative Association Ltd.

Management's Responsibility

To the Members of Prairie Sky Co-operative Association 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 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 may meet periodically and separately with, both the Board and management to discuss their audit findings.

April 15, 2021

Independent Auditor's Report

To the Members of Prairie Sky Co-operative Association Ltd.:

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management and 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by paragraph 11 of the Co-operatives Regulations, 1998, we report that, in our opinion, Canadian accounting standards for private enterprises have been applied on a basis consistent with that of the preceding year.

Weyburn, Saskatchewan

MNP LLP

April 15, 2021

Chartered Professional Accountants

Prairie Sky Co-operative Association Ltd.

Balance Sheet

As at January 31, 2021

			2021		2020
Current assets					
Cash and cash equivalents (Note 5(a))		$	1,469,192	$	1,327,672
Prepaid supplier accounts			126,939		123,529
Accounts receivable	- Customer *(Note 6)*		2,514,270		3,974,870
	- FCL		-		107,202
	- Other		991,940		586,254
Income taxes recoverable			-		258,406
Inventories *(Note 7)*			4,229,520		4,115,377
			9,331,861		10,493,310
Investments					
Federated Co-operatives Limited *(Note 5)*			15,678,077		15,606,266
Other organizations, at cost			60		412
Property, plant and equipment *(Note 8)*			18,377,679		13,364,306
Goodwill *(Note 9)*			29,172		29,172
Total assets		**$**	**43,416,849**	**$**	**39,493,466**
Current liabilities					
Accounts payable and trust liabilities *(Note 11)*		$	5,550,751	$	1,680,647
Customer prepaid accounts			66,083		82,047
Income taxes payable			210,962		-
Current portion of long-term debt *(Note 12)*			160,000		160,000
			5,987,797		1,922,694
Long-term debt *(Note 12)*			107,113		266,667
Asset retirement obligation *(Note 13)*			80,771		75,664
Total liabilities			6,175,681		2,265,025
Members' equity					
Share capital *(Note 14)*			17,992,480		18,764,269
Reserves and retained savings *(Note 15)*			19,248,688		18,464,172
			37,241,168		37,228,441
Total liabilities and members' equity		**$**	**43,416,849**	**$**	**39,493,466**

Subsequent events (*Note 22*)

Approved on behalf of the Board of Directors

_______________ Director _______________ Director

The accompanying notes are an integral part of these financial statements

Prairie Sky Co-operative Association Ltd.

Statement of Net Savings and Statement of Retained Savings

For the Year Ended January 31, 2021

	2021	%	2020	%
Sales *(Note 16)*	$ 71,205,452	100.0	$ 84,101,711	100.0
Cost of goods sold	58,017,608	81.5	72,022,988	85.6
Gross margin	13,187,844	18.5	12,078,723	14.4
Expenses				
Operating and administration	14,048,176	19.7	13,894,500	16.5
Net interest *(Note 17)*	(120,664)	(0.2)	(294,194)	(0.3)
	13,927,512	19.5	13,600,306	16.2
Loss from operations	(739,668)	(1.0)	(1,521,583)	(1.8)
Other items				
FCL loyalty program (Note 5(c)(iii))	1,911,376	2.7	431,052	0.5
Patronage refunds	718,109	1.0	6,135,189	7.3
Government assistance *(Note 20)*	851,257	1.2	-	-
	3,480,742	4.9	6,566,241	7.8
Net savings before income taxes	2,741,074	3.9	5,044,658	6.0
Income taxes *(Note 19)*	318,590	0.4	426,994	0.5
Net savings	**$ 2,422,484**	3.5	**$ 4,617,664**	5.5

	2021	2020
Retained savings, beginning of year	**$ -**	**$ -**
Net savings	2,422,484	4,617,664
Transfer to statutory reserve *(Note 15)*	(150,759)	(588,991)
Transfer to general reserve *(Note 15)*	(636,278)	(1,315,271)
Patronage allocation to members *(Note 14)*	(1,635,447)	(2,713,402)
Retained savings, end of year (*Note 15*)	**$ -**	**$ -**

The accompanying notes are an integral part of these financial statements

Prairie Sky Co-operative Association Ltd.
Statement of Cash Flows
For the Year Ended January 31, 2021

	2021	2020
Operating activities		
Net savings	$ 2,422,484	$ 4,617,664
Adjustments for:		
Depreciation and accretion	1,394,264	1,434,531
FCL patronage refund	(718,109)	(6,135,189)
Loss on the disposal of property, plant and equipment	78,331	62,553
	3,176,970	(20,441)
Changes in non-cash operating working capital:		
Prepaid supplier accounts	(3,410)	9,655
Accounts receivable	1,162,116	(117,387)
Income taxes recoverable (payable)	469,371	275,670
Inventories	(114,143)	155,000
Accounts payable	3,870,104	337,100
Customer prepaid accounts	(15,964)	(46,369)
Cash provided by operating activities	8,545,043	593,228
Investing activities		
Redemption of FCL shares	646,298	4,908,151
Redemption of other investments	352	-
Additions to property, plant and equipment	(6,500,591)	(656,479)
Proceeds from the disposal of property, plant and equipment	19,729	2,118
Cash (used for) provided by investing activities	(5,834,212)	4,253,790
Financing activities		
Repayment of long-term debt	(159,554)	(370,000)
Share capital issued	3,340	3,850
GST on allocation	107,946	139,515
Redemption of share capital	(2,521,043)	(3,500,200)
Cash used for financing activities	(2,569,311)	(3,726,835)
Net increase in cash and cash equivalents	**141,520**	**1,120,183**
Cash and cash equivalents, beginning of year	**1,327,672**	**207,489**
Cash and cash equivalents, end of year	**$ 1,469,192**	**$ 1,327,672**

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Weyburn Co-operative Association Limited was incorporated on June 26, 1929, Beaubier Co-operative Association Limited was incorporated on May 20, 1932, Milestone Co-operative Limited was incorporated on January 13, 1915, and Cross Country Co-operative Association Limited was incorporated on March 24, 1919 under the Co-operatives Act of Saskatchewan. On February 1, 2014, the Weyburn Co-operative and Beaubier Co-operative were amalgamated to form Prairie Sky Co-operative Association Ltd. ("the Co-operative"). On January 29, 2017, Prairie Sky Co-operative and Milestone Co-operative amalgamated. On February 3, 2018, Prairie Sky Co-operative and Cross Country Co-operative amalgamated. The primary business of the Co-operative is operating retail consumer and petroleum outlets in Weyburn, Beaubier, Lang, and Milestone, Saskatchewan and area.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

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 January 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 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, 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 5).

(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 financial instruments at fair value. Financial instruments, which are subsequently measured at amortized cost, are adjusted by transaction and financing costs incurred on acquisition.

2. Significant accounting policies *(continued from previous page)*

(e) Financial instruments *(continued from previous page)*

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

(f) Property, plant and equipment

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

Buildings	Declining balance or Straight-line	4% to 10% or 10 - 25 years
Parking lots	Declining balance	8%
Tanks	Declining balance	20%
Furniture & equipment	Declining balance	20%
Computer hardware	Declining balance or Straight-line	45% to 100% or 4 - 5 years
Vehicles	Declining balance	30%
Truck equipment	Declining balance	15%
Asset retirement cost	Straight-line	20 - 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 grant 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) 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 net savings. 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.

2. Significant accounting policies *(continued from previous page)*

(h) Revenue recognition

The Co-operative recognizes revenue when evidence of an arrangement exists, delivery or change of ownership has occurred, the price to the buyer is determined, and collection is reasonably assured. Patronage allocations are recognized in earnings when allocated to the Co-operative.

(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 share capital that is to be paid to members at the time it has been approved by the Board of Directors.

(j) 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.

(k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The amounts of such items are based upon the Co-operative's best information and judgment. Actual amounts could differ from these estimates.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Other estimates include valuation of potential contingencies and possible impairment of long-lived assets.

An asset retirement obligation is recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date when the liability is incurred and a reasonable estimate of the obligation is determinable. The best estimate of the asset retirement obligation is the present value of the amount the Co-operative would rationally pay to settle the obligation, or transfer to a third party, at the balance sheet date.

When a liability is recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related asset. The asset retirement cost is amortized over the estimated useful life of the related asset.

Significant estimation or judgment is required in the determination of (i) inventories valued at retail and adjusted to cost; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet date; and (iii) estimated inventory provisions associated with vendor allowances and internal charges.

Depreciation and amortization is based on the estimated useful lives of property, plant and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in net savings in the year in which they become known.

2. Significant accounting policies *(continued from previous page)*

(l) Goodwill

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a bargain purchase gain. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment when circumstances indicate that the carrying value may be impaired. Impairment of goodwill is determined by assessing the recoverable amount of each operating segment to which the goodwill relates. Where the recoverable amount of the operating segment (including the carrying value of the allocated goodwill) is less than the carrying value, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. There were no impairment losses recorded in the current year.

(m) Government assistance

The Co-operative recognizes government assistance when there is 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 as other income.

3. Financial instruments and risk management

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

(a) Credit risk

The Co-operative is exposed to credit risk on accounts receivable from its customers. The Co-operative manages credit risk through an active credit management program. As at January 31, 2021, no single customer accounts for more than 10% (2020 - none) of total customer accounts receivable.

(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 accounts payable and long-term debt. The Co-operative's ability to meet obligations depends on funds generated by its operations.

4. Contractual obligations

The Co-operative has provided guarantees amounting to $15,000 for Saskatchewan Lotteries.

5. 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. Amount of FCL special deposit is $771,678 included in cash and cash equivalents. In the prior year the amount of $4,942,748 relating to the special deposit was netted against the FCL payable and included in that balance.

(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 $44,186,755 (2019 - $62,531,111) from FCL in the normal course of operations.

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

	2021	2020
Opening investment balance	$ 15,606,266	$ 14,379,228
Patronage refund	718,109	6,135,189
Share redemptions	(646,298)	(4,908,151)
Closing investment balance	$ 15,678,077	$ 15,606,266

(c) Petroleum purchase commitment

(i) Under the terms of the agreement with FCL, the Co-operative has committed to purchase petroleum products, at market price, from FCL for its gas bar and cardlock operations over a ten year period commencing from November 2011. Failure to meet this commitment would require the Co-operative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL plus repay any gas bar and cardlock grants received plus interest on the grants compounded annually at 10% from the grant date. Total grants received amounted to $1,292,239 (2020 - $2,996,519). 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 September 2015. Failure to meet this commitment would require the Co-operative to pay a portion of the capital costs of the bulk plant to FCL determined by a formula based upon usage. Management intends to fulfill all existing contracts with FCL.

(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.

6. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of $200,000 (2020 - $200,000).

7. Inventories

	2021	2020
Inventory	$ 4,229,520	$ 4,115,377

Inventory consists of goods for resale. The cost of inventories expensed and included in cost of goods sold is $58,017,608 (2020 - $72,022,988).

8. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2021 Book Value	2020 Book Value
Land	$ 1,215,378	$ -	$ 1,215,378	$ 1,215,378
Buildings	12,341,118	5,217,789	7,123,329	7,589,765
Parking lots	2,123,141	1,003,217	1,119,924	1,051,632
Tanks	440,920	196,691	244,229	176,202
Furniture & equipment	6,926,985	5,267,784	1,659,201	2,050,953
Computer hardware	982,361	808,357	174,004	182,210
Vehicles	2,016,346	1,391,013	625,333	495,546
Truck equipment	977,587	611,670	365,917	364,575
Under construction	5,803,522	-	5,803,522	185,093
Asset retirement cost	67,335	20,493	46,842	52,952
	$ 32,894,693	$ 14,517,014	$ 18,377,679	$ 13,364,306

Depreciation for the current year and included in operating and administration expense was $1,389,157 (2020 - $1,434,531). Loss on disposal of property, plant, and equipment included in operating and administration expense was $78,331 (2020 - $62,553). During the year, property, plant and equipment were acquired at an aggregate cost of $6,500,591 (2020 - $656,479).

9. Goodwill

	2021	2020
Opening balance	$ 29,172	$ 29,172
Impairment losses	-	-
Closing balance	$ 29,172	$ 29,172

10. Line of Credit

The Co-operative also has a $4,000,000 (2020 - $4,000,000) line of credit available with Weyburn Credit Union, bearing interest at prime plus 0.5% of which $nil (2020 - $nil) has been drawn. Security for the line of credit is a general security agreement covering all present and after acquired property. Prime rate is currently 2.45%.

The line of credit is subject to certain financial covenants. Weyburn Credit Union requires a current ratio of 1:1, a debt service ratio of 1.25:1, and is required to maintain shareholder equity of at least 25% of total assets. As at January 31, 2021, the Co-operative is in compliance with all covenants.

11. Accounts payable and trust liabilities

	2021	2020
FCL payables	3,432,753	-
Other payables	1,879,508	1,463,836
Goods and Services Tax	(50,966)	2,184
Provincial Sales Tax	51,416	49,318
Payroll deductions	78,359	-
Liquor Consumption Tax	2,682	2,205
Federal Fuel Charge	156,999	163,104
	$ 5,550,751	$ 1,680,647

12. Long-term debt

	Total	2021 Current portion	2021 Deferred portion	2020 Current portion	2020 Deferred portion
Weyburn Credit Union (1)	$ 267,113	160,000	107,113	160,000	266,667

(1) Facility 4 loan obtained from Weyburn Credit Union, secured by car wash property with a net book value of $1,203,279 (2020 - $1,268,335), repayable in monthly installments of $35,000 plus interest at prime plus 0.5% per annum.

Regular principal repayments on the debt for the next two years are as follows:

2022	160,000
2023	107,113

13. 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 five (2020 - five) sites under this program. Management believes that due diligence has been exercised and that the impact of the asset retirement obligation is not significant.

The following table indicates the changes to the Co-operative's asset retirement obligations:

	2021	2020
Balance, beginning of year	$ 75,664	$ 77,299
Change in obligation	(59)	(4,232)
Accretion expense	5,166	2,597
Balance, end of year	$ 80,771	$ 75,664

The obligation was calculated using a discount rate of 3.5 percent, which is consistent with the current cost of borrowing. It is expected that the majority of the costs will occur between the years of 2022 and 2040.

14. Share capital

Authorized, unlimited @ $1	2021	2020
Balance, beginning of year	$ 18,764,269	$ 19,406,152
Allocation to members	1,635,447	2,713,402
Cash from new members	3,340	3,850
GST on allocation	107,946	139,515
Shares from reserves	2,521	1,550
	20,513,523	22,264,469
General repayment	1,983,707	2,838,378
Withdrawals and retirements	235,532	214,868
Withholding tax	301,804	446,954
	2,521,043	3,500,200
Balance, end of year	$ 17,992,480	$ 18,764,269

15. Reserves and retained savings

	Statutory Reserve	General Reserve	Retained Savings	2021	2020
Balance, beginning of year	$ 4,489,363	$ 13,974,809	$ -	$ 18,464,172	$ 16,561,460
Net savings distributed to retained savings	-	-	2,422,484	2,422,484	4,617,664
Patronage allocation (Note 14)	-	-	(1,635,447)	(1,635,447)	(2,713,402)
Shares transferred	(2,521)	-	-	(2,521)	(1,550)
Reserve transfers	150,759	636,278	(787,037)	-	-
Balance, end of year	$ 4,637,601	$ 14,611,087	$ -	$ 19,248,688	$ 18,464,172

16. Sales categories

	2021	2020
Food division	$ 24,084,276	$ 21,688,782
General merchandise division	3,387,696	3,297,610
Petroleum division	36,170,095	43,310,574
Branches division	7,563,385	15,804,745
	$ 71,205,452	$ 84,101,711

17. Net interest

	2021	2020
Interest expense on		
- Short term debt	$ 3,475	$ 42,931
- Long-term debt	11,038	25,548
Interest revenue	(135,177)	(362,673)
	$ (120,664)	$ (294,194)

18. 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 $559,397 (2020 - $413,356) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.

19. 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:

	2021	2020
Savings before income taxes	$ 2,741,074	$ 5,044,658
Expected income tax expense at the combined tax rate of 27% (2020 - 27%) net of the small business deduction and general rate reduction	740,090	1,362,057
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expenses	21,166	17,270
Patronage allocation to members of $1,635,447 (2020 - $2,713,402)	(441,571)	(732,618)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation (less) more than capital cost allowance	(1,095)	15,148
Prior year adjustment	-	(234,863)
Income tax expense	$ 318,590	$ 426,994

20. Government assistance

In response to the negative economic impact of COVID-19, the Government of Canada announced the Temporary Wage Subsidy (TWS) program in March 2020 and the Canada Emergency Wage Subsidy (CEWS) program in April 2020. TWS and CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19.

The Co-operative has determined that it has qualified for the CEWS for the following periods during the year: Period 6: August 2 – August 29, 2020; Period 7: August 30 – September 26, 2020; Period 8: September 27 – October 24, 2020; Period 9: October 25 – November 21, 2020; Period 10: November 22, 2020 - December 19, 2020; Period 11: December 20, 2020 - January 16, 2021. The Co-operative has applied for and has received $851,257 which has been reflected in other items as income.

21. Commitments

The Co-operative is committed to the completion of the Home Centre. The estimated total cost of the project is $8.8 million of which $5.8 million has been set up as assets under construction. This project will be financed from an investment from FCL and a loan.

22. Subsequent event

Subsequent to January 31, 2021 the Board of Directors approved a patronage allocation to members in the amount of $1,635,447 (2020 - $2,712,241).

23. 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.

Prairie Sky Co-operative Association Ltd.
Unaudited Statistical Information
For the Year Ended January 31, 2021

Record of Sales and Savings

	Year	Cash Payments to Members	Sales	Net Savings [1]	%
From Date of Incorporation, June 29, 1929 to January 31,	2012	$ 25,369,217	$ 990,456,317	$ 44,519,042	4.5
	2013	2,441,934	76,410,426	5,266,508	6.9
	2014	3,283,618	79,361,070	5,446,210	6.9
	2015	3,808,576	90,460,501	6,783,774	7.5
	2016	3,930,543	73,537,061	2,964,369	4.0
	2017	2,683,617	69,780,710	2,811,152	4.0
	2018	2,288,802	78,926,629	4,565,094	5.8
	2019	2,821,207	88,656,446	7,011,820	7.9
	2020	3,500,200	84,101,711	4,617,664	5.5
	2021	2,521,043	71,205,452	2,422,484	3.5
		$ 52,648,757	$ 1,702,896,323	$ 86,408,117	5.1