

www.twmca.com

FINANCIAL STATEMENTS

**EAST END STOREFRONT
CO-OPERATIVE**

December 31, 2020

Limited Liability Partnership _____



Tompkins Wozny
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of
East End Storefront Co-operative

Opinion

We have audited the financial statements of East End Storefront Co-operative (the Co-operative), which comprise the balance sheet as at December 31, 2020, and the statement of earnings and deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at December 31, 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 audit 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

Tompkins Wozny LLP

Vancouver, Canada
July 6, 2021

Chartered Professional Accountants



East End Storefront Co-operative

BALANCE SHEET

As at December 31

	2020	2019
	\$	\$
ASSETS		
Current		
Cash <i>[note 3]</i>	114,828	101,287
Accounts receivable <i>[note 4]</i>	1,581	1,655
Income tax receivable	755	487
Inventory	109,331	106,387
Prepaid expenses	13,803	3,888
Total current assets	240,298	213,704
Long-term investments - Federated Co-operatives Limited <i>[note 5]</i>	39,412	38,898
- Other	400	947
Capital assets <i>[note 6]</i>	20,234	26,414
	300,344	279,963
LIABILITIES		
Current		
Accounts payable and accrued liabilities <i>[note 7]</i>	135,553	152,004
Deferred grants	12,271	—
Total liabilities	147,824	152,004
MEMBERS' EQUITY		
Accumulated deficit	(170,530)	(188,663)
Members' share capital <i>[note 8]</i>	323,050	316,622
	152,520	127,959
	300,344	279,963


Lease commitment *[note 9]*

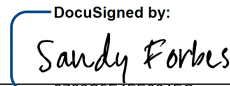
Liquidity risk *[note 10]*

Covid-19 *[note 12]*

See accompanying notes to the financial statements

On behalf of the Board:

Chris Galloway 
27057916D474494...
 Director

Sandy Forbes 
9766C5E4FE884EC...
 Director



East End Storefront Co-operative

STATEMENT OF EARNINGS AND DEFICIT

Year ended December 31

	2020	2019
	\$	\$
SALES	2,221,439	1,931,973
Cost of goods sold	1,519,054	1,334,810
Gross margin	702,385	597,163
Grants	25,230	—
Wage subsidy - government assistance <i>[note 12]</i>	9,284	—
Bottle deposits	8,910	6,041
Patronage refund - FCL <i>[note 5]</i>	5,132	3,344
Other revenue	1,943	1,692
	752,884	608,240
EXPENSES		
Salaries and benefits	464,868	422,338
Rent	67,135	66,545
Professional fees	50,786	42,750
Bank charges and interest	28,402	19,376
Utilities	26,818	24,482
Expansion	25,230	—
Property taxes	17,014	25,929
Store supplies and other	16,808	11,041
Repairs and maintenance	10,438	8,221
Amortization	6,179	7,752
Advertising	5,886	14,788
Telephone	3,990	3,820
Postage	2,854	2,418
Insurance	2,835	2,806
Board expense	2,361	2,788
Donations and gift certificates	2,000	50
Licenses and fees	1,032	698
Membership Development	115	—
	734,751	655,802
Income (loss) before income taxes	18,133	(47,562)
Income taxes recovery <i>[note 11]</i>	—	—
Net income (loss) for the year	18,133	(47,562)
Accumulated deficit, beginning of year	(188,663)	(141,101)
Accumulated deficit, end of year	(170,530)	(188,663)

See accompanying notes to the financial statements

East End Storefront Co-operative**STATEMENT OF CASH FLOWS**

Year ended December 31

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the year	18,133	(47,562)
Item not affecting cash		
Amortization	6,179	7,752
Changes in non-cash working capital items		
Accounts receivable	75	(814)
Income tax receivable	(268)	74
Inventory	(2,944)	(459)
Prepaid expenses	(9,915)	2,110
Accounts payable and accrued liabilities	(16,451)	25,190
Deferred revenue	12,271	—
Cash provided by (used in) operating activities	7,080	(13,709)
FINANCING AND INVESTING ACTIVITIES		
Purchase of capital assets	—	(1,712)
Patronage refund - FCL	(5,132)	(3,344)
Redemption of FCL shares	4,618	2,675
Sale of investments	547	—
Shares issued (net)	6,428	6,940
Cash provided by financing and investing activities	6,461	4,559
Increase (decrease) in cash for the year	13,541	(9,150)
Cash, beginning of year	101,287	110,437
Cash, end of year	114,828	101,287

See accompanying notes to the financial statements

East End Storefront Co-operative**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

1. PURPOSE OF THE ORGANIZATION

The East End Storefront Cooperative (the "Co-operative") was incorporated March 3, 1975 under the B.C. Co-operative Associations Act. The Co-operative is a member-owned grocery store that distributes high-quality nutritious food and products in order to foster health and vitality in the community, and to offer healthful affordable choices for its members and the community at large. The Co-operative is subject to income taxes on any income that is not distributed through patronage allocations to members.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and include the following significant accounting policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the year. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, in particular as it relates to useful lives of capital assets. Actual results could differ from these estimates.

Revenue Recognition

Revenues from product sales are recognized at the point of sale. Any discount or allowances provided to members by the Co-operative at the time of sale, are recognized as a reduction in net sales as the products are sold to members. All sales taxes is excluded from sales revenue.

Measurement of Financial Instruments

The Co-operative initially measures its financial assets and financial liabilities at fair value. The Co-operative subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable. Financial assets measured at cost are tested for impairment when there are indicators of impairment.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

East End Storefront Co-operative**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash**

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the year-end.

The statement of cash flows is prepared on a net cash basis and cash flows from operating and investing activities are presented using the indirect method.

Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory, which is counted at retail values, is discounted to cost by applying the applicable standard discount rate for each commodity. Inventory consists of finished goods ready for sale.

Capital Assets

Amortization is calculated on a declining-balance basis except for leasehold improvements which are amortized on a straight-line basis, at the rates shown in note 6.

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 major property and equipment are reflected in income in the year of disposition.

Income Taxes

The Co-operative uses the income tax payable method of accounting for income taxes. Under this method, the Co-operative reports the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities as an expense (income) for the year.

Cost of Goods Sold

Cost of goods sold includes inventory sold during the year, including purchasing and distribution costs and shipping and handling fees.

3. CASH AND TERM DEPOSITS

	2020	2019
	\$	\$
Cash	114,828	68,570
Term deposits	—	32,717
	114,828	101,287



East End Storefront Co-operative**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

3. CASH AND TERM DEPOSITS (CONT'D)

The term deposit has an interest rate of 1.65%. The term deposit is a non-redeemable term and does not have significant risk of change in value. The Co-operative's investment policy to manage interest rate risk is to invest in conservative fixed income securities with highly rated banking institutions to ensure no erosion of capital while earning a reasonable rate of return.

4. ACCOUNTS RECEIVABLE

	2020	2019
	\$	\$
Interest and other	77	960
Government receivable - GST	1,504	695
	1,581	1,655

5. INVESTMENT IN FEDERATED CO-OPERATIVES LIMITED SHARES

East End Storefront Co-operative along with other Co-operatives in Western Canada own Federated Co-operatives Limited (FCL). At the end of December in each year, FCL distributes a substantial portion of its net earnings among these retail Co-operatives in proportion to the business done by each with FCL. During the year ended December 31, 2020, East End Storefront Co-operative purchased goods amounting to \$121,448 [2019 - \$94,051] from FCL, which resulted in a patronage refund from FCL of \$5,132 [2019 - \$3,344].

6. CAPITAL ASSETS

	Rates	Cost \$	Accumulated Amortization \$	Net Book Value \$
2020				
Furniture and equipment	20%	231,064	216,694	14,370
Computer equipment	30%	60,631	58,321	2,310
Computer software and point of sale system	30%	36,762	34,233	2,529
Leasehold improvements	2 to 8 years	23,684	22,659	1,025
		352,141	331,907	20,234

East End Storefront Co-operative

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

6. CAPITAL ASSETS (CONT'D)

	Rates	Cost \$	Accumulated Amortization \$	Net Book Value \$
2019				
Furniture and equipment	20%	231,064	213,100	17,964
Computer equipment	30%	60,631	57,331	3,300
Computer software and point of sale system	30%	36,762	33,149	3,613
Leasehold improvements	2 to 8 years	23,684	22,146	1,538
		352,141	325,726	26,414

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020 \$	2019 \$
Operations	102,857	116,763
Wages	12,794	12,977
Vacation	18,676	21,021
Government remittance - PST	6	35
- WorkSafeBC	1,220	1,208
	135,553	152,004

8. MEMBERS' SHARE CAPITAL

	2020 \$	2019 \$
Members' voting shares		
Authorized: unlimited at \$20.00 per share		
Balance, beginning of year	298,247	292,307
Shares purchased by members (net)	6,428	5,940
Balance, end of year	304,675	298,247
Members' non-voting shares		
Balance, beginning of year	18,375	17,375
Share investments by members	—	1,000
Balance, end of year	18,375	18,375
Total members' share capital	323,050	316,622

East End Storefront Co-operative**NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

9. LEASE COMMITMENT

In addition to property taxes, the Co-operative is committed to annual rent payments until June 30, 2021 for its store premises. The required payments in 2021 is \$32,935.

10. FINANCIAL INSTRUMENTS

The Co-operative is exposed to various risks through its financial instruments. The following analysis presents the Co-operative's exposures to significant risk as at December 31, 2020.

Credit Risk

Credit risk is the risk that the Co-operative will incur a loss due to the failure by its debtors to meet their contractual obligations. The Co-operative is exposed to credit risk with respect to its cash, term deposits and accounts receivable. The Co-operative limits its exposure to credit risk by placing its cash in bank accounts with a credit union.

Given the nature of the Co-operative's revenue, there is no concentration of accounts receivable. There has been no bad debt recognized in the year. The maximum amount of credit risk exposure is limited to the carrying amount of the balance in the financial statements.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Co-operative is exposed to interest rate risk on its cash, term deposits and line of credit.

Liquidity Risk

Liquidity risk is the risk that the Co-operative will not be able to meet its cash requirements or fund obligations as they become due. The Co-operative attempts to maintain adequate levels of working capital by preparing budgets to ensure all its obligations can be met when they fall due. The Co-operative incurred an operating losses in each of the last 3 years, is experiencing increased competition, and is working diligently to address these matters and to provide an adequate amount of working capital.

11. INCOME TAXES

At December 31, 2020, the Co-operative had aggregate non-capital losses for income tax purposes available to offset taxable income of future years of \$252,816 [2019 - \$271,462]. These losses can be carried forward for a period up to twenty years with these losses starting to expire in 2029. Due to the uncertainty of realizing the future income tax benefit of these losses the amount has not been recognized in these financial statements.



East End Storefront Co-operative

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

12. COVID-19

The outbreak of the coronavirus, also known as COVID-19, has spread across the globe and is impacting worldwide economic activity. The grocery store has remained open with added safety precautions since the outbreak. As of the audit report date, there has been no negative impact compared to budget on revenues or earnings. The ultimate extent of the impact of this outbreak and related containment measures on the Co-operative's operations cannot be reliably estimated at this time.

The Society has applied for and received the 10% Wage Subsidy grant during the year to cover employees wages for the period of March to June 2020.

