



ANNUAL REPORT 2021

Boundary Consumers
Cooperative Limited

Management's Responsibility

To the Members of Boundary Consumers Cooperative Limited:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises and ensuring that all information in the annual report is consistent with the statements. 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 Company. 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 fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

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

May 11, 2021



General Manager

To the Members of Boundary Consumers Cooperative Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boundary Consumers Cooperative Limited (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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

Report on Other Legal and Regulatory Requirements

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

Brandon, Manitoba

May 11, 2021

MNP LLP

Chartered Professional Accountants

Boundary Consumers Cooperative Limited
Balance Sheet
As at January 31, 2021

	2021	2020
Current assets		
Cash and cash equivalents	\$ 8,759,795	\$ 2,763,925
FCL special deposit (Note 4(a))	4,011,116	7,560,654
Term deposit (Note 6)	150,000	150,000
Accounts receivable - Customer (Note 5)	1,908,040	2,908,221
- Other	107,968	13,564
Income taxes recoverable	141,616	-
Inventories (Note 7)	7,476,989	7,639,660
Prepaid expenses	147,640	136,333
Current portion long-term receivable (Note 8)	65,545	43,382
	<u>22,768,709</u>	<u>21,215,739</u>
Long-term receivable (Note 8)	141,913	44,464
Investments		
Federated Co-operatives Limited (Note 4(b))	10,219,673	10,106,982
Other organizations	646	646
Property, plant and equipment (Note 9)	15,455,938	16,611,157
Goodwill (Note 10)	153,350	153,350
Total assets	\$ 48,740,229	\$ 48,132,338
Current liabilities		
Accounts payable and trust liabilities (Note 12)	\$ 4,309,422	\$ 5,459,047
Customer prepaid accounts	235,922	139,582
Income taxes payable	-	27,255
	<u>4,545,344</u>	<u>5,625,884</u>
Asset retirement obligation (Note 4(c))	142,593	138,617
Total liabilities	<u>4,687,937</u>	<u>5,764,501</u>
Members' equity		
Share capital (Note 13)	17,036,881	16,881,071
Reserves and retained savings (Note 14)	27,015,411	25,486,766
	<u>44,052,292</u>	<u>42,367,837</u>
Total liabilities and members' equity	\$ 48,740,229	\$ 48,132,338

Subsequent event (Note 22)

Approved on behalf of the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements



Boundary Consumers Cooperative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2021

	2021	%	2020	%
Sales (Note 15)	\$ 66,590,057	100.0	\$ 66,419,864	100.0
Cost of goods sold	<u>53,834,604</u>	<u>80.8</u>	<u>55,858,535</u>	<u>84.1</u>
Gross margin	<u>12,755,453</u>	<u>19.2</u>	<u>10,561,329</u>	<u>15.9</u>
Expenses				
Operating and administration	11,204,432	16.8	10,870,615	16.4
Net interest (Note 17)	<u>(291,303)</u>	<u>(0.4)</u>	<u>(398,912)</u>	<u>(0.6)</u>
	<u>10,913,129</u>	<u>16.4</u>	<u>10,471,703</u>	<u>15.8</u>
Savings from operations	1,842,324	2.8	89,626	0.1
FCL loyalty program (Note 4(d)(iii))	1,219,878	1.8	208,665	0.3
Patronage refunds (Note 4(b))	<u>1,126,909</u>	<u>1.7</u>	<u>3,954,333</u>	<u>6.0</u>
Savings before amalgamation	4,189,111	6.3	4,252,624	6.4
Gain on amalgamation	<u>-</u>	<u>-</u>	<u>9,328,790</u>	<u>14.0</u>
Savings before income taxes	4,189,111	6.3	13,581,414	20.4
Income tax expense (Note 20)	<u>550,736</u>	<u>0.8</u>	<u>620,340</u>	<u>0.9</u>
Net savings	<u>\$ 3,638,375</u>	<u>5.5</u>	<u>\$ 12,961,074</u>	<u>19.5</u>
Retained savings, beginning of year	\$ 9,577,156		\$ 863,134	
Net savings	3,638,375		12,961,074	
Transfer to general reserve (Note 14)	(418,929)		(1,358,141)	
Transfer to special reserve (Note 14)	(9,577,594)		(863,743)	
Patronage allocation to members (Note 13)	<u>(2,138,177)</u>		<u>(2,025,168)</u>	
Retained savings, end of year (Note 14)	<u>\$ 1,080,831</u>		<u>\$ 9,577,156</u>	

The accompanying notes are an integral part of these financial statements



Boundary Consumers Cooperative Limited
Statement of Cash Flows
For the Year Ended January 31, 2021

	2021	2020
Operating activities		
Net savings	\$ 3,638,375	\$ 12,961,074
Adjustments for:		
Depreciation	1,489,171	1,366,472
Accretion	3,976	4,776
FCL patronage refund	(1,126,909)	(3,954,333)
Loss (gain) on the disposal of property, plant and equipment	(2,915)	1,413
Gain on amalgamation	-	(9,328,790)
Changes in non-cash operating working capital:		
Accounts receivable	905,777	(1,526,998)
Income taxes recoverable	(141,616)	89,324
Income taxes payable	(27,255)	27,255
Inventories	162,671	(1,404,168)
Prepaid expenses	(11,307)	(51,533)
Long-term receivables	(119,612)	40,811
Accounts payable and trust liabilities	(1,149,625)	4,130,540
Customer prepaid accounts	96,340	(77,368)
Net working capital acquired on amalgamation	-	1,434,934
Cash provided by operating activities	<u>3,717,071</u>	<u>3,713,409</u>
Investing activities		
Redemption of FCL shares	1,014,218	4,913,123
Additions to property, plant and equipment	(346,137)	(2,597,794)
Proceeds from the disposal of property, plant and equipment	15,100	-
Investment in other organization	-	6,309
Term deposit	-	(150,000)
Cash acquired from amalgamation	-	2,294,578
Cash provided by investing activities	<u>683,181</u>	<u>4,466,216</u>
Financing activities		
Repayment of long-term debt	-	(213,488)
Share capital issued	2,660	2,810
GST on allocation	70,068	51,102
Redemption of share capital	(2,026,648)	(1,993,452)
Cash used for financing activities	<u>(1,953,920)</u>	<u>(2,153,028)</u>
Net increase in cash and cash equivalents	2,446,332	6,026,597
Cash and cash equivalents, beginning of year	<u>10,324,579</u>	<u>4,297,982</u>
Cash and cash equivalents, end of year	<u><u>\$ 12,770,911</u></u>	<u><u>\$ 10,324,579</u></u>
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	\$ 8,759,795	\$ 2,763,925
FCL special deposit	4,011,116	7,560,654
	<u><u>\$ 12,770,911</u></u>	<u><u>\$ 10,324,579</u></u>

The accompanying notes are an integral part of these financial statements



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

1. Incorporation and operations

Boissevain Consumers Cooperative Limited was incorporated under the Cooperatives Act of Manitoba on August 18, 1945. On January 30, 2011 the Boissevain Consumers Cooperative Limited amalgamated with Deloraine Consumers Co-op Limited and formed Boundary Consumers Cooperative Limited ("the Cooperative"). The Hartney Consumers Cooperative Limited was amalgamated into the Cooperative on January 29, 2012 and the operations were expanded to Waskada on September 1, 2012 through the acquisition of an existing business. The Killarney-Cartwright Consumers Co-op Ltd was amalgamated into the Cooperative on February 3, 2019. The primary business of the Cooperative is operating retail agricultural, food, and petroleum outlets in Boissevain, Deloraine, Hartney, Waskada, and Killarney, Manitoba.

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, asset retirement obligations, accrued liabilities and potential contingencies. These estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

These financial statements have been prepared to reflect the following significant accounting policies:

(a) Definition of financial year

The Cooperative'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 a weighted average formula, first-in first-out method, and the retail method. Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the most appropriate method for that particular inventory class.

The Cooperative 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 Cooperative'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).



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

(e) Financial instruments

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at amortized cost, unless management has elected to carry the instruments at fair value. The Cooperative 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 Cooperative 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 Cooperative 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	5 to 25 years & 10%
Fence	Declining balance	10%
Pavement	Declining balance	8%
Computer equipment & software	Straight-line & declining balance	5 years & 30% to 100%
Furniture & equipment	Declining balance	10% & 20%
Vehicles	Declining balance	30%
Vehicle equipment	Declining balance	15% to 30%
Asset retirement cost	Straight-line	25 to 35 years

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

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

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

(g) Asset retirement obligation

The Cooperative has a liability for an asset retirement obligation in the period in which a legal liability is incurred. The liability is based on management's best estimate. The liability is subsequently adjusted for the passage of time, which is recognized as an accretion expense in the statement of operations. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. Actual costs incurred upon settlement of the asset retirement obligations are charged against the asset retirement obligation to the extent of the liability recorded.



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

(h) Share capital

The Cooperative 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 Cooperative records the redemption of shares that is to be paid to members at the time it has been approved by the Board of Directors.

(i) Revenue recognition

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

(j) Income taxes

The Cooperative 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) 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.

(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 Cooperative recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Any non-controlling interest in a subsidiary is measured either at fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

The consideration transferred for each acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, and equity instruments issued by the Cooperative to obtain control of the subsidiary.



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

(m) Government assistance

The Cooperative 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 Cooperative recognizes government assistance related to the Canada Emergency Wages Subsidy (“CEWS”) as a reduction to the expense which the assistance program is meant to fund.

3. Financial instruments and risk management

The significant financial risks to which the Cooperative is exposed are credit risk and interest rate risk.

(a) Credit risk

The Cooperative is exposed to credit risk on accounts receivable from its customers. The Cooperative manages credit risk through an active credit management program. The Cooperative does not have a significant exposure to any individual customer (2020 - one customer accounted for 12.9% of the accounts receivable balance).

(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 Cooperative's sensitivity to fluctuations in interest rates is limited to its cash and funds on deposit. The Cooperative 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.



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

(b) Patronage refund

The Cooperative, along with other Cooperatives 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 Cooperative purchased goods amounting to \$47,563,342 (2019 - \$50,940,234) 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 Cooperative. The amounts of the patronage refund and shares redeemed are as follows:

	2021	2020
Opening investment balance	\$ 10,106,982	\$ 7,566,458
Increase in shares from amalgamation	-	3,499,314
Patronage refund	1,126,909	3,954,333
Share redemptions	<u>(1,014,218)</u>	<u>(4,913,123)</u>
Closing investment balance	<u>\$ 10,219,673</u>	<u>\$ 10,106,982</u>

(c) Asset retirement obligation

The Cooperative participates in a contaminated site management program established by FCL to manage its asset retirement obligations. This program limits the Cooperative's liability to \$25,000 per site as long as the Cooperative continues to exercise due diligence. The Co-operative has eight sites under this program. Management believes that due diligence has been exercised and that the impact of the asset retirement obligation to the Cooperative's financial statements is not significant. As of January 31, 2021, the Cooperative has accrued a liability in the amount of \$142,593 (2020 - \$138,617). A corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of tanks. Accretion for the current year included in operating and administration expense was \$3,976 (2020 - \$4,776).

(d) Purchase commitments

(i) Under the terms of the agreement with FCL, the Cooperative 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 June 13, 2011. Failure to meet this commitment would require the Cooperative to immediately pay outstanding gas bar and cardlock loan balances owed to FCL, plus repay any gas bar and cardlock grants received, including interest on the grants compounded annually at 10% from the grant date. Total grants received during this period amounted to approximately \$847,271 (2020 - \$842,438). Management intends to fulfill all existing contracts with FCL.

(ii) Under the terms of the agreement with FCL, the Cooperative has committed to purchase petroleum products, at market price, from the FCL corporate bulk plant over a ten year period commencing from September 2013. Failure to meet this commitment would require the Cooperative 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.



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

(iii) Under the terms of the agreement with FCL, the Cooperative 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 Cooperative, on a quarterly basis, a Loyalty Payment based on cents per litre. The Loyalty Payment revenue is accrued as earned.

5. Accounts receivable - customer

Shown net of an allowance for doubtful accounts of \$80,000 (2020 - \$131,549).

6. Term deposit

Term deposit includes a one-year redeemable term deposit which bears interest at 1.85% and matures on April 17, 2021.

7. Inventories

	2021	2020
Work in process	\$ 18,085	\$ 16,077
Goods for resale	<u>7,458,904</u>	<u>7,623,583</u>
	<u>\$ 7,476,989</u>	<u>\$ 7,639,660</u>

The cost of inventories recognized as an expense during the year was \$53,834,604 (2020 - \$55,858,535).

8. Long-term receivable

		2021	2021	2020	2020
	Total	Current Portion	Deferred Portion	Current Portion	Deferred Portion
Petroleum tanks	<u>\$ 207,458</u>	<u>\$ 65,545</u>	<u>\$ 141,913</u>	<u>\$ 43,382</u>	<u>\$ 44,464</u>

The Cooperative has long-term interest free receivables covering petroleum tank equipment which are recoverable over five years. The receivables are secured by the petroleum tank equipment. Principal payments on account of the above long-term receivables will approximate the following:

2022	\$ 65,545
2023	61,590
2024	42,018
2025	<u>38,305</u>
	<u>\$ 207,458</u>



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

9. Property, plant and equipment

	Original Cost	Accumulated Depreciation	2021 Book Value	2020 Book Value
Land	\$ 1,845,888	\$ -	\$ 1,845,888	\$ 1,845,888
Pavement	1,750,973	476,876	1,274,097	1,022,329
Buildings	12,454,502	3,558,938	8,895,564	8,901,097
Computer equipment	759,628	574,248	185,380	74,157
Fence	120,363	51,510	68,853	76,504
Furniture and equipment	5,677,486	2,939,265	2,738,221	2,290,557
Vehicles	1,063,522	949,259	114,263	163,346
Vehicle equipment	678,615	406,128	272,487	324,466
Asset retirement cost	115,700	54,515	61,185	67,431
Under construction	-	-	-	1,845,382
	<u>\$ 24,466,677</u>	<u>\$ 9,010,739</u>	<u>\$ 15,455,938</u>	<u>\$ 16,611,157</u>

Depreciation for the current year included in operating and administration expense was \$1,489,171 (2020 - \$1,366,472).

10. Goodwill

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

	2021	2020
Balance, beginning of year	\$ 153,350	\$ 153,350
Additions to goodwill	-	-
Impairment losses	-	-
Balance, end of year	<u>\$ 153,350</u>	<u>\$ 153,350</u>

11. Line of credit

The Cooperative has a \$500,000 line of credit of which no amount has been drawn as at January 31, 2021 (2020 - \$nil). The line of credit is secured by a General Security Agreement covering all equipment, receivables and inventory. Interest on the line of credit is at 3.45% (2020 - 2.45%).

12. Accounts payable and trust liabilities

	2021	2020
FCL payables	\$ 3,027,893	\$ 4,256,441
Other payables	1,183,135	1,120,140
Trust liabilities:		
Goods and services tax	23,622	-
Provincial sales tax	12	82,466
Federal fuel charge	69,880	-
Workers Compensation Board	4,880	-
	<u>\$ 4,309,422</u>	<u>\$ 5,459,047</u>



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

13. Share capital

	2021	2020
Authorized, unlimited @ \$1		
Balance, beginning of year	\$ 16,881,071	\$ 11,975,032
Allocation to members	2,138,177	2,025,168
Share capital transferred from amalgamation	-	4,922,073
Cash from new members	2,660	2,810
GST on allocation	70,068	51,102
Shares transferred from reserves	1,709	1,416
	<u>19,093,685</u>	<u>18,977,601</u>
General repayment	1,263,842	1,256,423
Shares transferred to reserves	30,156	103,078
Withdrawals and retirements	530,418	573,450
Withholding tax	232,388	163,579
	<u>2,056,804</u>	<u>2,096,530</u>
Balance, end of year	<u>\$ 17,036,881</u>	<u>\$ 16,881,071</u>

14. Reserves and retained savings

	General Reserve	Special Reserve	Retained Savings	2021	2020
Balance, beginning of year	\$ 6,949,094	\$ 8,960,516	\$ 9,577,156	\$ 25,486,766	\$ 14,449,198
Net savings distributed to retained savings	-	-	3,638,375	3,638,375	12,961,074
Patronage allocation	-	-	(2,138,177)	(2,138,177)	(2,025,168)
Shares transferred	28,447	-	-	28,447	101,662
Reserve transfers	<u>418,929</u>	<u>9,577,594</u>	<u>(9,996,523)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 7,396,470</u>	<u>\$ 18,538,110</u>	<u>\$ 1,080,831</u>	<u>\$ 27,015,411</u>	<u>\$ 25,486,766</u>



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

15. Sales

	2021	2020
Consumer	\$ 36,386,747	\$ 31,822,809
Petroleum & Ag division	<u>30,203,310</u>	<u>34,597,055</u>
	<u><u>\$ 66,590,057</u></u>	<u><u>\$ 66,419,864</u></u>

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

16. Government assistance

In response to the negative economic impact of COVID-19 the Government of Canada has announced the CEWS program in April 2020. 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 Cooperative has determined that it has qualified for the CEWS. The Cooperative has applied for \$102,704 which has been reflected as a reduction to operating and administration expenses.

17. Net interest

	2021	2020
Interest expense on short-term debt	\$ 1,169	\$ 690
Interest revenue	<u>(292,472)</u>	<u>(399,602)</u>
	<u><u>\$ (291,303)</u></u>	<u><u>\$ (398,912)</u></u>

18. Lease to others

The Cooperative leases property, plant and equipment to others. The lease is classified as an operating lease and rental revenues are included in operating and administration expenses. At January 31, 2021 the cost of the property, plant and equipment held for leasing purposes was \$665,228 (2020 - \$665,228) and the accumulated depreciation was \$127,094 (2020 - \$72,036). Revenue generated from operating leases during the year is \$73,106 (2020 - \$78,053).

19. Pension plan

The Cooperative participates in a multi-employer defined contribution plan whereby the Cooperative and participating employees contribute equal amounts up to the maximum allowed under the Income Tax Act. The Cooperative has no unfunded liability under this plan. During the year, the Cooperative recorded \$233,564 (2020 - \$238,746) of expense relating to the plan. There were no significant changes to the rate of employer contributions during the year.



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

20. Income tax expense

The Cooperative accounts for income taxes using the taxes payable method. As a result, the Cooperative'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	\$ 4,189,111	\$ 13,581,414
Expected income tax expense at the combined tax rate of 27.0% (2020 - 27.0%) net of the general rate reduction	1,131,060	3,666,982
Increase (decrease) in income tax expense resulting from:		
Non-taxable income and non-deductible expense	1,076	4,276
Patronage allocation to members of \$2,138,177 (2020 - \$2,025,168)	(577,308)	(546,946)
Gain on amalgamation (2020 - \$9,328,790)	-	(2,518,773)
Income or expenses claimed in different periods for income tax purposes:		
Depreciation in excess of capital cost allowance	-	27,108
Capital cost allowance in excess of depreciation	(17,241)	-
Allowance for doubtful accounts	18,614	(8,485)
Other items that impact income taxes:		
Manufacturing and processing investment tax credit	(5,796)	(3,772)
Prior year tax adjustment	331	(50)
Income tax expense	\$ 550,736	\$ 620,340

21. 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.

22. Subsequent event

Patronage allocation to members

Subsequent to January 31, 2021 the Board of Directors approved a patronage allocation to members in the amount of \$2,138,177 (2020 - \$2,025,168).



Boundary Consumers Cooperative Limited
Notes to the Financial Statements
For the Year Ended January 31, 2021

23. Comparative figures

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



Boundary Consumers Cooperative Limited
Audited Statistical Information
For the Year Ended January 31, 2021

Record of Sales and Net Savings

	<u>Year</u>	<u>Sales</u>	<u>Net Savings ⁽¹⁾</u>	<u>%</u>
From Date of Incorporation, August 18, 1945 to January 31,	2012	\$ 319,187,255	\$ 21,110,996	6.6
	2013	48,719,624	4,177,965	8.6
	2014	50,496,275	2,740,692	5.4
	2015	50,262,085	2,290,808	4.6
	2016	43,740,427	1,474,283	3.4
	2017	40,743,542	1,363,947	3.3
	2018	42,371,330	1,726,850	4.1
	2019	44,608,430	2,525,667	5.6
	2020	66,419,864	12,961,074	19.5
	2021	66,590,057	3,638,375	5.5
		<u>\$ 773,138,889</u>	<u>\$ 54,010,657</u>	<u>7.0</u>

⁽¹⁾ 2020 amalgamation with Killarney-Cartwright Consumers Co-op.

Membership

Members purchasing during the year	7,245
Inactive members	<u>1,011</u>
Total members	<u>8,256</u>



