

Boundary Consumers Co-operative Ltd.



You're at home here.

2021 Annual Report





You're at home here.

Aspirational Statement

Boundary Co-op is a team that delivers WOW by providing exceptional service to our customers and guests. Our customers feel at home when they enter our facilities, because we are a face they know and can trust. Boundary Co-op is an employer of choice because of our desire to develop from within and our continuous focus on a safe work environment. We are a pillar in our community, creating shared value. Financially we are strong, positioning our Co-op for sustainable growth by adapting to the ever changing business landscape.

Boundary Co-op Values

Responsibility.

Accountability is important.

- Respect the environment
- Be accountable for your actions

Integrity.

Be honest and trustworthy.

- Act ethically, communicate openly
- Respect your colleagues, our members and our business partners

Community.

Local leadership matters.

- To foster a family atmosphere focused on achieving our vision
- Care for our communities and invest in them

Excellence.

Strive to be the best.

- Focus on continuous improvement and celebrate success
- Innovate and evaluate

Vision

To be the retailer of choice.

Mission

Boundary Co-op will focus on innovation improvements and provide quality products and service to our members.





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Message from the Board President

Over the last year, the board held 10 regular board meetings and a couple special meetings, all of which were a blend of virtual and in person.

The Leaders Conference, in November, was held virtually. Co-op Directors attended several presentations focusing on Diversity, both around the Board table and throughout the entire Co-operative system.

In late February, Debbie Graham and I attended FCL's virtual Annual General Meeting as Boundary Co-op delegates. There were 131 Member Retail Co-operatives, registering 286 delegates at this meeting. And it was during this meeting it was reported that, as of May 6, 2022, Scott Banda, CEO of Federated Co-operatives Ltd., would be resigning from his position. Banda served as CEO of FCL for 12 years. In early April, we learned that Heather Ryan would succeed him as CEO.

This past year was an impressive one for FCL, reporting total sales of \$9 billion in 2021, up from \$7.9 billion in 2020. Earnings were \$494.7 million, compared to \$176.8 million the previous year. FCL also reported \$353.5 million is being returned to member retail Co-ops through a patronage allocation. This compares to an allocation of \$117.5 million in 2020.

We as a board would like to thank Ryan and his team for all their hard work throughout the past year. The staff have once again gone above and beyond to keep our locations running effectively and efficiently. An honest thank you to each and every one of our staff for all of your hard work.

Thank you,

A handwritten signature in black ink, appearing to read "Matthew Heide".

Matthew Heide
Board President



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Message from the General Manager

Boundary Co-op continues to work towards our vision of “being the retailer of choice”. Even though we were met with another challenging year, we were still able to provide a high level of service and quality products in 2021. We stayed true to our brand values of responsibility, integrity, community and excellence. Boundary Co-op’s strategic plan centres on five pillars; people, market, operational, financial, and sustainability. It is these five pillars which build the framework for our future success.

This past year was a challenging one, and one that saw a lot of change. Still, Boundary Co-op had a very successful year. In 2021, energy accounted for 49% of our sales, food 40% of sales, Home and Building Supplies (HABS) 7%, and Agro accounted for 4% of our total sales. When recapping our earnings, energy accounted for 50% of our net savings, food accounted for 42%, HABS 7%, and Agro accounted for 1% of net savings.

Here are a few highlights from our 2021 financial report:

Sales	\$ 71,661,199
Local Savings	\$ 1,350,351
Net Savings	\$ 5,049,898
Allocation to Members.....	\$ 3,134,200
General Repayment	\$ 2,052,348

Boundary Co-op continues to invest in our communities; in 2021 we provided donations and support totaling \$74,663. Throughout the year we supported many organizations and projects in our trading area. We continued our investment in local youth by awarding \$9,000 in bursaries to local high school graduates; we supported important initiatives such as the Deloraine Grow Project, STARS Air Ambulance, Christmas Cheer Boards, recreation programs for youth and seniors, and many other worthwhile organizations. These contributions are in addition to Federated Co-operative programs, such as Communities in Full Color and Fuel Good Day. Our communities are very important to Boundary Co-op and we really appreciate the opportunity to get involved.

In closing, I would like to thank the over 7000 members for their continued support, our team for their dedication and hard work, and our Board of Directors for their valuable leadership and guidance. Boundary Co-op really does have an exciting future!

Thank you,

Ryan Polnik
General Manager



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Boundary Co-op recognizes *good work*

Boundary Co-op celebrates the success of our team members and recognizes their contributions towards their personal growth, our organization, and to our communities. Our team members help create and share meaningful experiences every day – for our customers and for each other. The team at Boundary Co-op works together, connecting with local members and giving back to the community. And we firmly believe they are the reason for our continued success.

Boundary Co-op wishes to acknowledge the long-term service of the following employees within our organization.

5 Years

Timothy Koop
Michael Dillabough
Tanja Endres
Alicia Szwagierczak

10 Years

Shirley Bell
Korey Garabed
Patricia Griffith

15 Years

Chris Graham

20 Years

Nancy Nickel
Christine Kowal
Connie Fuchs

25 Years

Shelley Hole
Vicki Beard

35 Years

Judy Adams

WE ARE | CO-OP

Boundary Consumers Co-operative Ltd.

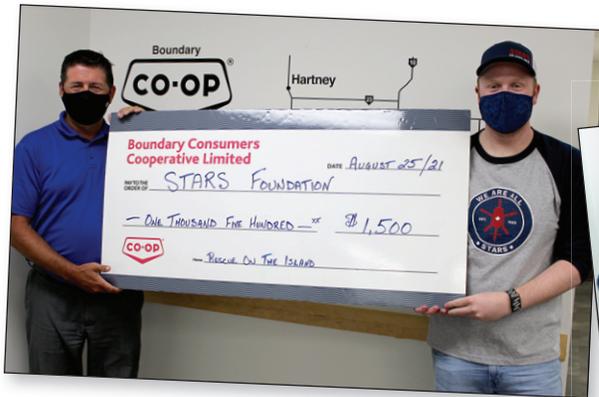


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Retail Co-ops are part of the fabric of the communities we serve. We live, work and go to school here. We build enduring relationships with our members and neighbours. We inspire our employees to bring our brand to life every day by modeling and celebrating a culture of teamwork, giving and growth.

Boundary Co-op contributes to our vibrant communities by creating jobs, working with other local businesses, and giving to non-profit and charitable organizations. We firmly believe in the importance of investing in those local initiatives which benefit our communities.

This past year, Boundary Co-op contributed a total of \$74,663 in support of various organizations and projects in our trading area!



WE ARE BUILDING COMMUNITIES
WE ARE GIVING BACK
WE ARE CO-OP



Boundary Consumers Co-operative Ltd.



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At Boundary Co-op, we understand that our values must align with our members' values and our community's values. When we invest not only money, but time in our community, we are investing in its long-term success.

Being community-minded means that whether we are hosting one of our Kids' Club activities, a fundraising event, or a BBQ lunch, we are committed to doing those things which benefit our members and neighbours.



IT'S A CO-OP THING!





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To the Members of Boundary Consumers Cooperative Ltd.:

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, 2022, 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, 2022, 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.

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, 2022

MNP
LLP
Chartered Professional Accountants



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Boundary Consumers Cooperative Limited
Balance Sheet
As at January 31, 2022

	2022	2021
Current assets		
Cash and cash equivalents	\$ 10,973,137	\$ 8,759,795
FCL special deposit (Note 4(a))	3,526,197	4,011,116
Term deposit (Note 6)	150,000	150,000
Accounts receivable	2,057,849	1,908,040
- Customer (Note 5)		
- Other	1,636	107,968
Income taxes recoverable	236,013	141,616
Inventories (Note 7)	8,246,626	7,476,989
Prepaid expenses	141,908	147,640
Current portion long-term receivable (Note 8)	65,685	65,545
	<u>25,399,051</u>	<u>22,768,709</u>
Long-term receivable (Note 8)	84,419	141,913
Investments		
Federated Co-operatives Limited (Note 4(b))	10,729,874	10,219,673
Other organizations	646	646
Property, plant and equipment (Note 9)	14,535,031	15,455,938
Goodwill (Note 10)	153,350	153,350
Total assets	\$ 50,902,371	\$ 48,740,229
Current liabilities		
Accounts payable and trust liabilities (Note 12)	\$ 4,054,991	\$ 4,309,422
Customer prepaid accounts	285,070	235,922
	<u>4,340,061</u>	<u>4,545,344</u>
Asset retirement obligation (Note 4(c))	146,709	142,593
Total liabilities	<u>4,486,770</u>	<u>4,687,937</u>
Members' equity		
Share capital (Note 13)	18,008,286	17,036,881
Reserves and retained savings (Note 14)	28,407,315	27,015,411
	<u>46,415,601</u>	<u>44,052,292</u>
Total liabilities and members' equity	\$ 50,902,371	\$ 48,740,229

Subsequent event (Note 21)



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Boundary Consumers Cooperative Limited
Statement of Net Savings and Statement of Retained Savings
For the Year Ended January 31, 2022

	2022	%	2021	%
Sales (Note 15)	\$ 71,661,199	100.0	\$ 66,590,057	100.0
Cost of goods sold	<u>59,342,456</u>	<u>82.8</u>	<u>53,834,604</u>	<u>80.8</u>
Gross margin	<u>12,318,743</u>	<u>17.2</u>	<u>12,755,453</u>	<u>19.2</u>
Expenses				
Operating and administration	11,335,065	15.8	11,204,432	16.8
Net interest (Note 16)	<u>(366,673)</u>	<u>(0.5)</u>	<u>(291,303)</u>	<u>(0.4)</u>
	<u>10,968,392</u>	<u>15.3</u>	<u>10,913,129</u>	<u>16.4</u>
Savings from operations	1,350,351	1.9	1,842,324	2.8
FCL loyalty program (Note 4(d)(iii))	1,148,553	1.6	1,219,878	1.8
Patronage refunds (Note 4(b))	<u>2,551,007</u>	<u>3.6</u>	<u>1,126,909</u>	<u>1.7</u>
Savings before income taxes	5,049,911	7.1	4,189,111	6.3
Income tax expense (Note 19)	<u>550,739</u>	<u>0.8</u>	<u>550,736</u>	<u>0.8</u>
Net savings	<u>\$ 4,499,172</u>	<u>6.3</u>	<u>\$ 3,638,375</u>	<u>5.5</u>
Retained savings, beginning of year	\$ 1,080,831		\$ 9,577,156	
Net savings	4,499,172		3,638,375	
Transfer to general reserve (Note 14)	(504,991)		(418,929)	
Transfer to special reserve (Note 14)	(1,052,314)		(9,577,594)	
Patronage allocation to members (Note 13)	<u>(3,136,031)</u>		<u>(2,138,177)</u>	
Retained savings, end of year (Note 14)	<u>\$ 886,667</u>		<u>\$ 1,080,831</u>	



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Boundary Consumers Cooperative Limited
Statement of Cash Flows
For the Year Ended January 31, 2022

	2022	2021
Operating activities		
Net savings	\$ 4,499,172	\$ 3,638,375
Adjustments for:		
Depreciation	1,529,539	1,489,171
Accretion	4,116	3,976
FCL patronage refund	(2,551,007)	(1,126,909)
Gain on the disposal of property, plant and equipment	(19,783)	(2,915)
Changes in non-cash operating working capital:		
Accounts receivable	(43,477)	905,777
Income taxes recoverable	(94,397)	(141,616)
Income taxes payable	-	(27,255)
Inventories	(769,637)	162,671
Prepaid expenses	5,732	(11,307)
Long-term receivables	57,354	(119,612)
Accounts payable and trust liabilities	(254,431)	(1,149,625)
Customer prepaid accounts	49,148	96,340
Cash provided by operating activities	<u>2,412,329</u>	<u>3,717,071</u>
Investing activities		
Redemption of FCL shares	2,040,806	1,014,218
Additions to property, plant and equipment	(649,729)	(346,137)
Proceeds from the disposal of property, plant and equipment	60,880	15,100
Cash provided by investing activities	<u>1,451,957</u>	<u>683,181</u>
Financing activities		
Share capital issued	2,930	2,660
GST on allocation	68,450	70,068
Redemption of share capital	(2,207,243)	(2,026,648)
Cash used for financing activities	<u>(2,135,863)</u>	<u>(1,953,920)</u>
Net increase in cash and cash equivalents	1,728,423	2,446,332
Cash and cash equivalents, beginning of year	<u>12,770,911</u>	<u>10,324,579</u>
Cash and cash equivalents, end of year	<u><u>\$ 14,499,334</u></u>	<u><u>\$ 12,770,911</u></u>
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	\$ 10,973,137	\$ 8,759,795
FCL special deposit	3,526,197	4,011,116
	<u><u>\$ 14,499,334</u></u>	<u><u>\$ 12,770,911</u></u>



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Seven International Co-operative Principles

Boundary Co-op, like all co-operatives, is based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of our founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

These seven co-operative principles are guidelines by which Boundary Co-op puts its values into practice.

1) Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2) Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3) Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4) Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5) Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6) Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7) Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.



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