

Boundary Consumers Co-operative Ltd.



You're at home here.

2019 Annual Report



LOCALLY INVESTED | COMMUNITY MINDED | LIFETIME MEMBERSHIP BENEFITS



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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

Making a positive difference by being a leading business in the communities we serve.

Mission

To be customer-focused and the best at providing products and services to our communities.





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Message from the General Manager

Boundary Co-op had another successful year. There were many highlights in 2019, the most notable being the amalgamation of Killarney-Cartwright Consumers Co-operative Ltd. with Boundary Consumers Co-op Limited. The two co-ops had a long history of working together with shared services, and the amalgamation made the two retails stronger.

Boundary Co-op continues to support our guiding statements by supporting our local communities with various donations to organizations and community groups. In 2019, Boundary Co-op donated a total of \$78,488. Boissevain School was a recipient of our Community Spaces Grant. The school received a donation of \$68,900 from Federated Co-operatives Limited to build a nature play space and outdoor classroom.

Boundary Co-op also saw the completion of the Killarney Food store renovation. This project included the addition of new decor, expanded food programs, and making the store more sustainable for the future by adding LED light bulbs and doors on refrigeration cases. The cost of this project was \$650,000. Another project Boundary Co-op started was the renovation of the Boissevain C-Store. This renovation included new petroleum storage, pumps, the addition of a canopy, and a refresh of both the inside and outside of the C-Store. This project was completed in spring of 2020 and totalled 2.6 million.

A few highlights from our 2019 financial report:

Sales: \$66,419,864

Local Savings: \$298,120

Net Savings: \$13,581,243 (due to gain on fixed assets with amalgamation)

Allocation to Members: \$2,024,817

General Repayment: \$1,441,350 (paid in October in 2020)

Looking ahead to 2020, we face many challenges but are also excited for our future. We continue to strengthen employee and director competencies through programs and training opportunities in the area of leadership, management and technical skills. We are working hard to increase customer satisfaction, by enhancing products, service delivery, promotions and brand awareness. Boundary Co-op continues to strengthen support to local community initiatives/charities, through initiating strategies that guide financial giving and volunteerism, and enhance environmental responsibility, by adopting retail practices that reduce energy and waste.

In closing, I would like to thank the Board of Directors for their leadership and guidance. Thank you to the staff for their dedication and hard work to ensure our customers receive excellent customer service, and finally, to our members - thank you for your continued support.

A handwritten signature in black ink, appearing to read "Ryan Polnik", is written over a light blue rectangular background.

Ryan Polnik,
General Manager

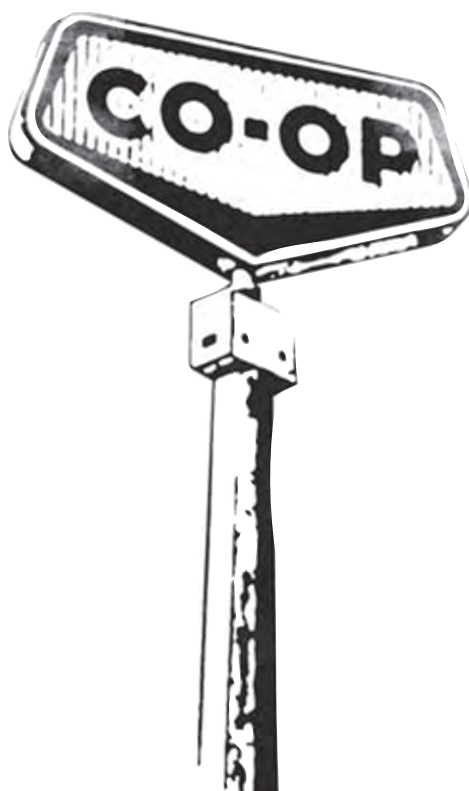


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Boundary Co-op recognizes *good work*

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

Jane Purvis
Candice Bryski
Heather Garden
Katherine Kirby
Tyson Minne
Kelvin Pugh
Kayla Massicotte
Dahlia Sarmiento

10 Years

Tyrone Jacobson
Marianna Spurrill
Ryan Couchuyt
Cody Keyes

15 Years

Justin Lynn
Trent Lyons
Cliff Kaufmann

25 Years

Brian Sorensen
Ryan Polnik

35 Years

Allan Scheirlinck

40 Years

Karen Spence



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Your home is *our* home

Co-op contributes to our vibrant communities by creating jobs, working with other local business, and giving back to local organizations. Boundary Co-op firmly believes in the importance of investing in local initiatives which, in turn, lead to the benefit of our community.

This past year, Boundary Co-op gave a total of \$78,488 in donations to various local charities and organizations.





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Local.

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 it is hosting one of our Kids' Club activities, a fundraising event, or a BBQ lunch for a local club, we are committed to doing those things which benefit our members and neighbours.



Boundary Consumers Co-operative Ltd.



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At Boundary Co-op, we believe our members/customers feel at home because we too 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.

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Report on the Audit of the Financial Statements

To the Members of Boundary Consumers Cooperative Ltd.:

Opinion

We have audited the financial statements of Boundary Consumers Cooperative Ltd. (the "Co-operative"), which comprise the balance sheet as at January 31, 2020, and the statements of net savings and retained savings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at January 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 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
June 9, 2020

MNP
LLP

Chartered Professional Accountants

Boundary Consumers Co-operative Ltd.



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Boundary Consumers Cooperative Limited

Balance Sheet

As at January 31, 2020

	2020	2019
Current assets		
Cash and cash equivalents	\$ 2,913,925	\$ 797,982
FCL special deposit (Note 4(a))	7,560,654	3,500,000
Accounts receivable - Customer (Note 5)	2,908,221	1,391,728
- Other	13,564	3,059
Income taxes recoverable	-	89,324
Inventories (Note 6)	7,639,660	6,235,492
Prepaid expenses	136,333	84,800
Current portion long-term receivable (Note 7)	43,382	63,584
	<u>21,215,739</u>	<u>12,165,969</u>
Long-term receivable (Note 7)	44,464	65,073
Investments		
Federated Co-operatives Limited (Note 4(b))	10,106,982	7,566,458
Other organizations	646	641
Property, plant and equipment (Note 8)	16,611,157	8,333,292
Goodwill (Note 9)	153,350	153,350
Total assets	<u><u>\$ 48,132,338</u></u>	<u><u>\$ 28,284,783</u></u>
Current liabilities		
Accounts payable and trust liabilities (Note 11)	5,459,047	1,328,507
Customer prepaid accounts	139,582	216,950
Income taxes payable	27,255	-
Current portion of long-term debt (Note 12)	-	213,488
	<u>5,625,884</u>	<u>1,758,945</u>
Asset retirement obligation (Note 4(c))	138,617	101,608
Total liabilities	<u>5,764,501</u>	<u>1,860,553</u>
Members' equity		
Share capital (Note 13)	16,881,071	11,975,032
Reserves and retained savings (Note 14)	25,486,766	14,449,198
	<u>42,367,837</u>	<u>26,424,230</u>
Total liabilities and members' equity	<u><u>\$ 48,132,338</u></u>	<u><u>\$ 28,284,783</u></u>

Boundary Consumers Co-operative Ltd.



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Boundary Consumers Cooperative Limited Statement of Net Savings and Statement of Retained Savings For the Year Ended January 31, 2020

	2020	%	2019	%
Sales (Note 15)	\$ 66,419,864	100.0	\$ 44,608,430	100.0
Cost of goods sold	55,858,535	84.1	37,953,629	85.1
Gross margin	10,561,329	15.9	6,654,801	14.9
Expenses				
Operating and administration	10,870,615	16.4	7,212,306	16.2
Net interest (Note 16)	(398,912)	(0.6)	(248,340)	(0.6)
	10,471,703	15.8	6,963,966	15.6
Savings (loss) from operations	89,626	0.1	(309,165)	(0.7)
FCL loyalty program (Note 4(d))	208,665	0.3	-	-
Local savings (loss)	298,291	0.4	(309,165)	(0.7)
Patronage refunds	3,954,333	6.0	3,230,186	7.2
Savings before amalgamation	4,252,624	6.4	2,921,021	6.5
Gain on amalgamation (Note 21)	9,328,790	14.0	-	-
Savings before income taxes	13,581,414	20.4	2,921,021	6.5
Income tax expense (Note 18)	620,340	0.9	395,354	0.9
Net savings	\$ 12,961,074	19.5	\$ 2,525,667	5.6
Retained savings, beginning of year	\$ 863,134		\$ 486,074	
Net savings	12,961,074		2,525,667	
Transfer to special reserve (Note 14)	(863,743)		(486,517)	
Transfer to general reserve (Note 14)	(1,358,141)		(292,102)	
Patronage allocation to members (Note 13)	(2,025,168)		(1,369,988)	
Retained savings, end of year (Note 14)	\$ 9,577,156		\$ 863,134	

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Boundary Consumers Cooperative Limited Statement of Cash Flows For the Year Ended January 31, 2020

	2020	2019
Operating activities		
Net savings	\$ 12,961,074	\$ 2,525,667
Adjustments for:		
Depreciation	1,366,472	776,421
Accretion	4,776	2,592
FCL patronage refund	(3,954,333)	(3,230,186)
Loss on the disposal of property, plant and equipment	1,413	34,097
Gain on amalgamation	(9,328,790)	-
Changes in non-cash operating working capital:		
Accounts receivable	(1,526,998)	569,226
Income taxes recoverable	89,324	(68,189)
Income taxes payable	27,255	-
Inventories	(1,404,168)	(144,348)
Prepaid supplies accounts - FCL	-	189,026
Prepaid expenses	(51,533)	617
Long-term receivables	40,811	(2,508)
Accounts payable and trust liabilities	4,130,540	712,430
Customer prepaid accounts	(77,368)	(30,080)
Net working capital acquired on amalgamation	1,434,934	-
Cash provided by operating activities	<u>3,713,409</u>	<u>1,334,765</u>
Investing activities		
Redemption of FCL shares	4,913,123	2,584,149
Additions to property, plant and equipment	(2,597,794)	(1,420,524)
Proceeds from the disposal of property, plant and equipment	-	44
Investment in other organization	6,309	-
Cash acquired from amalgamation	2,294,578	-
Cash provided by investing activities	<u>4,616,216</u>	<u>1,163,669</u>
Financing activities		
Repayment of long-term debt	(213,488)	(466,713)
Share capital issued	2,810	1,850
GST on allocation	51,102	37,786
Redemption of share capital	(1,993,452)	(971,673)
Cash used for financing activities	<u>(2,153,028)</u>	<u>(1,398,750)</u>
Net increase in cash and cash equivalents	6,176,597	1,099,684
Cash and cash equivalents, beginning of year	4,297,982	3,198,298
Cash and cash equivalents, end of year	\$ 10,474,579	\$ 4,297,982
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	\$ 2,913,925	\$ 797,982
FCL special deposit	7,560,654	3,500,000
	<u>\$ 10,474,579</u>	<u>\$ 4,297,982</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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