



# **ANNUAL REPORT FY 2022**

Armstrong Regional Cooperative  
For the Year Ending 28 Jan 2023



# Armstrong Regional Cooperative

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## 101<sup>st</sup> Annual General Meeting

7:00pm, Wednesday, 17 May 2023, Oddfellows Hall Armstrong

### Agenda

CALL TO ORDER

NOTICE CONCERNING THE ANNUAL MEETING TO BE READ

ADOPTION OF THE MINUTES OF THE PRECEDING AGM TO BE ADOPTED  
MOTION REQUIRED

BUSINESS ARISING FROM THE MINUTES

REPORTS OF COMMITTEES

POLICY COMMITTEE

MOTIONS REQUIRED

NOMINATIONS COMMITTEE

FINANCIAL STATEMENTS TO BE PRESENTED

MOTION REQUIRED

REPORT OF THE AUDITORS

REPORT FROM THE BOARD OF DIRECTORS

ELECTION OF THE DIRECTORS

REPORT FROM THE GM

APPOINTMENT OF THE AUDITORS

MOTION REQUIRED

UNFINISHED/NEW BUSINESS

GOOD AND WELFARE

FCL DIRECTOR ADDRESS

STAFF PRESENTATIONS

ADJOURNMENT

## ARC REPORT FROM THE DIRECTORS

MAY 16<sup>th</sup>, 2023

The year of 2022 was a tumultuous one! Our GM of 20 years took retirement and thus our previous Chair Hugh Chalmers stepped up into the breach. Therefore as a consequence Hugh had to resign his position of Director. Since Hans entered his name in the competition for GM and was subsequently confirmed to that post, he had to resign as well. This left us with only five directors for a good part of the year.

Therefore, the Board entered a six-month arduous process of selecting a new Boss. First, we enlisted the professional services of FCL (Federated Co-operatives Ltd) and the use of their professional Human Resources department. They did an excellent job of guiding us through a program that covered spreading the opportunity in Armstrong through out the western provinces. At the tail end of the process, we had six qualified candidates to evaluate. We are delighted with our final choice. Hans seems to be fitting right into his new position.

Obviously the other business lines for ARC could not be placed on hold during this time frame. We continued to execute our game plan of diversifying our income sources. We acquired two more liquor store locations and expanded the storage lot facilities. While acquiring the three Husky stations deviated somewhat from this plan, we carefully analyzed the potential revenue from these locations to the almost bargain basement pricing from FCL and realized that the acquisition choice was an excellent business opportunity. We also had to consider what competitor might step in and threaten our territory if we declined the opportunity.

Along with the expanding business lines, we knew we also had to revise our organizational structure. Through the leadership of the new General Manager we now have layer of operational managers in energy, finance and liquor sales. I have no doubt that Hans will expand on this topic in his report.

The bottom line is literally that we are and intend to stay as one of the highest performing co-operatives in not only British Columbia but in western Canada.

To close out, on behalf of the Board I would love to extend our thanks to the staff and management for making it all happen. We can plan and calculate but you folks make it all happen!!



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## 2023 AGM - General Managers Report

May 2023

Welcome to the 101<sup>st</sup> Annual General meeting of the Armstrong Regional Cooperative (aka “the ARC”). As many of you know, I had the privilege of serving on the ARC Board of Directors for 3 years and then transitioned into the General Manager role in February of this year. Before focusing on the highlights of the past year, I would like to recognize the efforts of Hugh Chalmers who, upon the retirement of Jeff Payne last summer, stepped in as interim GM and was instrumental in guiding the ARC through this active period. Hugh has been with the ARC since 2014, first as a director and then as president. Hugh will retire from all his duties at the end of May, and we will be forever grateful for his efforts and devotion to the ARC. Thank you, Hugh, and best wishes for your well-earned retirement.

Our 100<sup>th</sup> year was one of tremendous change and growth for your Co-op. We began the process of taking over 3 new gas stations (one in Vernon, one in Salmon Arm, and one in Cranbrook). As a result, revenues increased to over \$132 Million, and profit increased to \$14 Million. Aside from returning unprecedented levels of patronage to our members, these earnings will help the ARC continue to grow and diversify its holdings to ensure long-term stability and sustainability.

Some quick facts from 2022:

Revenues increase 46% year-on-year

Net earnings increased 103% year-on-year

Fuel volumes increased 5.8% year-on-year

Liquor sales increased 26.5% year-on-year

Membership increased 11.4% year-on-year

When looking at such results, I cannot help but acknowledge the superb efforts of our employees. As I have gotten the chance to meet the staff members at each of our locations, I have been struck by their commitment to serving our members and embodying the Cooperative spirit in everything that they do. It is a privilege to be able to lead such a team and I thank each one of them for the support they have shown me as I have come into this role.

The current fiscal year has seen a flurry of activity thus far. In early March, we added a new liquor store in Kelowna, bringing our total to three. Later that month, we began the conversions of our purchased Husky sites and are happy to report that we now have 6 fully operational Co-op gas bars to serve our ever-growing membership. We are especially excited to add Cranbrook to the list of communities we serve and look forward to growing that market in the years to come.

In terms of charitable giving, in 2022 the ARC donated a total of \$123,000 in the form of school bursaries, charitable donations, and community club support. In addition, our Fuel Good Day in September generated \$11,350 for North Okanagan charities. Our involvement in community events, whether it be Christmas lights-ups, parades or our own Movie Nights continue to be highlights of our year and we look forward to expanding our presence along with our growing scope.

While this period of progress and the opportunities it provides are indeed positive for the overall development of our cooperative, we are facing some headwinds in the near term. A reduction in industrial activity in the North Okanagan, particularly in the forestry sector, is having a negative impact on results. Wholesale and labour costs have continued to rise, squeezing margins, and putting additional pressure on the bottom line. We are also seeing that litres per consumer are decreasing as more and more people transition to EVs and Hybrid vehicles.



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That said, looking forward we are confident that the ARC is on the path to long-term viability, furthering our ability to provide the highest levels of value and service while at the same time providing support to our communities that support us.

For all attending our 101<sup>st</sup> AGM, thank you very much for your participation and engagement which is essential for maintaining the vitality and success of our Co-op. And to all our members and community stakeholders, please accept our sincere appreciation for your support. With your continued commitment, we are sure to realize our vast potential.

Best regards,

Hans Petersen



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Fax: 250 832 2429  
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BDO Canada LLP  
571 6th Street NE, Suite 201  
Salmon Arm, BC, V1E 1R6

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## Report of the Independent Auditor on the Summary Consolidated Financial Statements

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### To the Members of Armstrong Regional Cooperative

#### Opinion

The summary consolidated financial statements, which comprise the summary consolidated balance sheet as at January 28, 2023, the consolidated statement of operations and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Armstrong Regional Cooperative (the Group) for the year ended January 28, 2023.

In our opinion, the accompanying summary consolidated financial statements are consistent in all material respects, with the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1 to the summary consolidated financial statements.

#### Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by accounting standards for private enterprises. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the consolidated financial statements and the auditor's report thereon.

The summary consolidated financial statements and audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the auditor's report dated April 12, 2023 on the audited consolidated financial statements.

#### The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements for the year ended January 28, 2023 in our report dated April 13, 2023.

#### Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the criteria disclosed in Note 1 to the summary consolidated financial statements.

#### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

*BDO Canada LLP*

Chartered Professional Accountants

Salmon Arm, British Columbia  
April 26, 2023

## Summary Consolidated Financial Statements

### Statement of Consolidated Balance Sheet

	January 28, 2023	January 29, 2022
<b>Assets</b>		
Cash	\$ 3,446,808	\$ 4,351,944
Account receivable	7,321,471	6,137,915
Inventory	4,187,230	3,177,301
Investment in Federated Co-operatives Limited	13,096,713	12,413,424
Property, plant and equipment	23,444,756	14,413,846
Goodwill and intangibles	3,238,136	3,238,136
Other assets	152,869	325,447
	<u>\$ 54,887,983</u>	<u>\$ 44,058,013</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and accrued liabilities	\$ 1,050,384	\$ 1,033,454
Due to Federated Co-operatives Limited	7,827,761	7,791,701
Other liabilities	6,138,222	4,514,679
Shareholders' equity	39,871,616	30,718,179
	<u>\$ 54,887,983</u>	<u>\$ 44,058,013</u>

### Statement of Consolidated Operations

	January 28, 2023	January 29, 2022
Revenue	\$ 134,484,481	\$ 91,571,190
Cost of sales	118,857,399	80,991,203
Gross profit	15,627,082	10,579,987
Other income	7,948,433	3,040,709
Operating expenses		
Advertising and promotions	270,873	147,157
Amortization	1,211,078	795,732
Interest and bank charges	5,329	56,162
Rent and overhead	2,390,581	1,594,468
Vehicles and travel costs	526,179	417,603
Wages and benefits	3,736,356	2,987,002
	<u>8,140,396</u>	<u>5,998,124</u>
Income before income taxes	15,435,119	7,622,572
Income taxes	1,488,278	740,975
Net income	13,946,841	6,881,597
Retained earning, beginning of year	21,906,905	19,539,986
Patronage dividends	(5,420,987)	(4,514,678)
Retained earnings, end of year	<u>\$ 30,432,759</u>	<u>\$ 21,906,905</u>

### Statement of Consolidated Cash Flows

	January 28, 2023	January 29, 2022
Cash flows from operating activities	\$ 5,609,153	\$ 6,204,168
Cash flows from investing activities	(6,672,443)	(5,441,878)
Cash flows from financing activities	158,154	(2,006,153)
Net decrease in cash	(905,136)	(1,243,863)
Cash, beginning of the year	4,351,944	5,595,807
Cash, end of the year	<u>3,446,808</u>	<u>4,351,944</u>
Non-cash transactions		
Increase in members' equity due to patronage allocation	<u>\$ 623,097</u>	<u>\$ 248,275</u>

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 Director  
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 Director  
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## Armstrong Regional Cooperative

### Note to Summary Consolidated Financial Statements

January 28, 2023

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#### 1. Summary Consolidated Financial Statements

The summary consolidated financial statements are derived from the complete audited consolidated financial statements, prepared in accordance with Accounting Standards for Private Enterprises as at January 28, 2023.

The preparation of these summary consolidated financial statements requires management to determine the information that needs to be reflected so that they are consistent in all material respects with, or represent a fair summary of, the audited consolidated financial statements.

Management prepared these summary consolidated financial statements using the following criteria:

- (a) the summary consolidated financial statements include the statement of consolidated balance sheet, statement of consolidated operations and the statement of consolidated cash flows;
- (b) information in the summary consolidated financial statements agrees with the related information in the complete audited consolidated financial statements including comparative information and all major subtotals and totals; and
- (c) in all material respects, the summary consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete audited consolidated financial statements, including significant accounting policies and the notes thereto.

The complete audited consolidated financial statements of Armstrong Regional Cooperative are available upon request by contacting the management of Armstrong Regional Cooperative.





## **Akbal Mund – Bio**

We moved to Vernon in 1993, buying into ownership of Wendy's Restaurants and running that business for 20 years, proudly sponsoring youth soccer from ages U5-U18, as well as all kinds of other sports, from curling, rugby, baseball, to hockey. We ran the famous Wendy's Dreamlift days, which sent local kids with severe disabilities or life threatening illnesses to Disneyland. I have been heavily involved in the community my whole life, being President of the Vernon Soccer association, President of the BC Winter Games in 2012, VP of the Special Olympics in 2019, JCI Citizen of the year for Vernon in 2012 as well as many other organizations. I have a strong passion for sport, and continue to manage Funtastic, which is the largest slow pitch tourney in western Canada. Lastly, I was the Mayor of Vernon from 2014-2018, and I am currently a councillor with the City of Vernon.



## **BRETT H. KIRKPATRICK, LLB**

Brett, legal counsel at a Dumoulin Boskovich, volunteer and outdoor enthusiast, is a community and people advocate.

Brett studied law at the University of Western Ontario and was called to the Bar in Ontario in 1988. He was later called to the British Columbia Bar in 1995. He moved to Vernon, BC and has practiced law in British Columbia since 1999. Brett continues to practice law with Dumoulin Boskovich and is a certified mediator.

Brett has been a director of the Armstrong Regional Co-op since 2020.

Brett is strongly committed to the people of his community holding the following volunteer community positions:

- The Vernon and District Fantastic Sports Society (15 years as a Director, 5 years as President)
- Interior Provincial Exhibition Board Director (5<sup>th</sup> term)
- Past member of the Vernon Jaycees (now JCI Vernon)
- President of political riding association (10 years Provincial, 3 years Federal)
- Vernon Bar Association Treasurer (3 years)
- North Okanagan Shuswap Brain Injury Society Director (4 years)
- Downtown Vernon Association Director
- Vernon Curling Club Director

Brett has also held appointed positions to:

- Vernon Jubilee Hospital Ethics Committee
- Vernon and Area 55+ BC Games Committee

Outside of work and community positions, Brett enjoys downhill skiing, and was an avid equestrian rider and horse owner for many years.

Feel free to contact Brett at 250.558.5582, or by email at: [bkirkpatrick@ddubo.com](mailto:bkirkpatrick@ddubo.com)



## Kim Sinclair, Bio

**My family and I moved to the Armstrong area in 1992 from the Lower Mainland. I have over 40 years of experience in leading for profit, not for profit and community volunteer based organizations. I am currently the Executive Director for Aspiral Youth Partners in Salmon Arm.**

**I bring experience in governance having served as a School Trustee in Armstrong, chaired several boards including Asparagus Community Theatre, served as a member of the Age Friendly Committee in Armstrong, and sit on the Social Issues Advisory committee for the City of Salmon Arm. I have strong skills in leadership and community development and a desire to help build a community.**

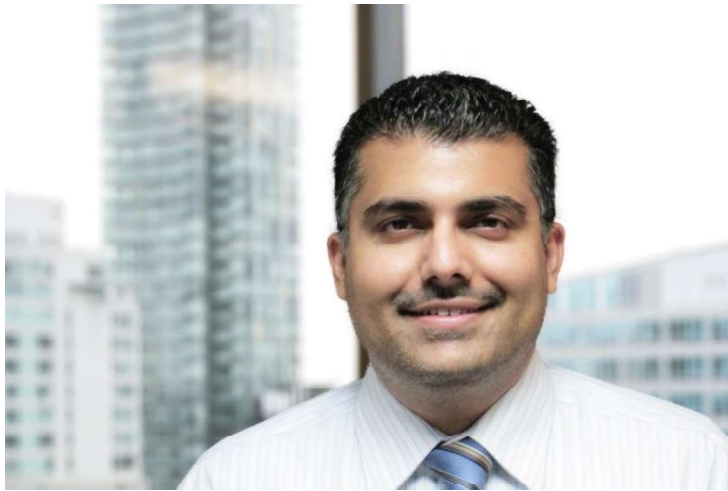
**I have a wide range of interests and passions, from musician and actor to woodworking and golf.**



My name is Kirsten Green and we moved to this gorgeous part of the world from South Africa in 2020 and are now happy to call Salmon Arm home. I have thoroughly enjoyed my few months as a co-opted board member. We have a great team and have been through some exciting changes in that short time. There are exciting times ahead as ARC continues to diversify beyond fuels.

I am a chemical engineer by training and spent two decades in the petrochemical industry working on projects around the world for the South African oil and gas company SASOL. I held a number of leadership roles on many projects including diversification opportunities with ethanol and biodiesel. Currently I am Chief Standards, Risk and Compliance Officer at TechBrew Robotics in Salmon Arm where we are building a robotic mushroom picking system.

In my spare time my husband Jeremy and I volunteer with the 1<sup>st</sup> Salmon Arm Scout group. My two wonderful teenage girls keep me busy with their dance and sport activities. I love taking my dogs for walks, cuddling my cats and getting out into countryside hiking, skiing, or out on the water in a canoe or SUP. I am a certified Pilates instructor like to read, draw and take photos.



I have always believed in community involvement. The opportunity to make an impact to the membership, through good cooperative governance is paramount. Good corporate governance creates transparent rules and controls, provides guidance to leadership, and align the interests of stakeholder. It helps build trust with the membership. I believe my prior experience as a Board of Director of Southern Plains Co-op, will be an asset to the Armstrong Regional Cooperative (ARC). I respect and understand what the Co-op model means.

My professional experience has stemmed from working with MNP and Deloitte. This background has helped me work in various senior roles in management with organizations, such as First Nations, School District and Municipalities. It's important to have a board member that has a strong understanding of the co-op's financial position. As such, I will help in making financial decisions for the organization, that will come handy as ARC look towards growth.

The ARC's business model has sparked my interest and I feel I can make an impact with my background. As someone with prior experience in the Co-op business model, I would be a great addition to the board. I look forward to working collaboratively to achieve our business and community goals. I believe in diversity and building a sense of community.

The board is a group of members that have been elected to make decisions for the co-op on behalf of all the other members. I am here to serve all members and will come with an unbiased opinion to serve all members, customers, employees, and stake holders. I have one voice and like all members one vote. How I use this voice to serve all depends on what I bring to the table.

I bring to the table financial literacy, prior board experience, senior management experience, willing to share ideas, collaborative, eager to participate, prepared, attentiveness and a burning desire to do the right thing for the membership.



### **Robbie Hoyte - 2023 Co-op bio**

Robbie was born and raised in the North Okanagan with deep family roots running back 5 generations. Being a Business Banking Advisor with Valley First, Robbie specializes in assisting local businesses with financial planning and financial management advice through out the North Okanagan.

Robbie's board experience spans multiple boards and positions; currently sitting on the JCI (Junior Chambers) Vernon Board and was previously on the NONA Board of Directors (the North Okanagan Neurological Association). Robbie has also volunteered in various capacities for the Vernon Winter Carnival Society and Downtown Vernon Association.

It has been an honour to serve the Members of the Armstrong Co-Op as a board member over the past 3 years. Over the last 3 years Robbie has had the privilege of taking on key roles on the board such as Secretary and Chair of the Member Relations Committee. Robbie hopes to continue to serve on the board and lead the Co-Op on a sustainable path for the Armstrong Co-Op to be successful for the next 100 years.

When Robbie is not working or volunteering, he enjoys hiking, showshoeing, golfing and taking in all that the Okanagan Valley has to offer with his wife Jessica.

