



ANNUAL REPORT



Armstrong Regional Cooperative

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102nd Annual General Meeting

7:00pm, Wednesday, 15 May 2024, Vernon Lodge, Vernon

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 – GEOFF MAILE
Change of Year End
MOTION REQUIRED

NOMINATIONS COMMITTEE- AKBAL MUND

REPORT FROM THE BOARD OF DIRECTORS – LARRY HILL

REPORT FROM THE GM - HANS PETERSEN

FINANCIAL STATEMENTS TO BE PRESENTED

REPORT OF THE AUDITORS- ANGELA SPENCER (BDO CANADA LLP)
MOTION REQUIRED

APPOINTMENT OF THE AUDITORS - MO CHOUDRY
MOTION REQUIRED

ELECTION OF THE DIRECTORS

UNFINISHED/NEW BUSINESS

GOOD AND WELFARE
FCL DIRECTOR ADDRESS

ADJOURNMENT

101st Annual General Meeting 7:00pm, Wednesday, 17 May 2023, Oddfellows Hall Armstrong BC

Special Guests: Darlene Thorburn FCL, Angie Spencer BDO

Retired Directors Acknowledgement- Ken Earl, Kirsten Green, Hugh Chalmers, Nairn Van Hahn

CALL TO ORDER – 7:05

NOTICE CONCERNING THE ANNUAL MEETING TO BE READ: The President noted that all requirements were met for the notice of meeting and since we have a quorum, we can continue. confirmed 45 Members in attendance.

ADOPTION OF THE MINUTES OF THE PREVIOUS AGM TO BE ADOPTED : MOTION Jason K. Seconded Theresa D. Motion Carries

BUSINESS ARISING FROM THE MINUTES: Nil

REPORTS OF COMMITTEES

POLICY COMMITTEE

Brett K. Chair of Policy bring the following motion forward:

Whereas the rules of Armstrong Regional Cooperative association allow for a maximum of 11 directors and that the current number of directors elected totals 7 the Board of Directors recommends to the membership that the number of directors be increased to 9. This revision would take effect at the next AGM in 2024. This resolution is an ordinary resolution and requires only a simple majority.

MOTIONS Ken E. seconds

Discussion by Committee Chair Brett K.

- During the past year due to two director resignations meeting a quorum of 4 directors was difficult to achieve. While these circumstances might not happen again soon, the situation can arise once more.
- Having 9 directors simplifies the election cycle i.e., 3 directors are up for election every year.
- Having 9 directors also makes the formation of 3 committees easier.
- The business of ARC has grown exponentially in complexity and scale. The increase by 2 directors allows the Board to tap into a wider range of expertise.
- This increase of scale and complexity needs to be shared over a larger director body.

Discussion

Over the past year hasn't been new quorum set with less than 7 directors and Member opposes motions as no need to change, circumstances of this year were unusual and unlikely to be repeated. Recommending "we tighten our belt" as increase of directors will increase overall cost.

Member asked What is the significance of 11 vs 9 as bylaws state we have a max of 11 directors? The board requires membership approval to make this change, change would not be affected till next year. Never been a need to change to 9 in the past and has traditionally only had 7 directors.

9 Directors would spread the load of work, and more diverse board and better board governance. Not a big impact on the budget as cost of directors is minimal.

Discussed how an increased board could bring better representation of new trade areas we have entered recently. Board had appointed a board during the year to assist with resignation of board members.

What do the board member do? Hiring GM, member relations committee, policy committee, Finance committee, monitor financial performance.

Because of growth of co-op and Member recommends an increase of Co-Op, Member speaks in favour of motion.

Question, why are we waiting until 2024 to make increase? To provide the membership proper notice of Change

Kim S. motion to amend change to motion that motion come into effective immediately vs 2024

Jim C. Seconds

Discussion on amendment to motion

Against amendment, Membership requires proper notice, to move from 7 to 9 directors

In favour of amendment- Reason for going to 9, immediately, because of the large growth of the co-op, not advantageous to wait.

Discussed potential conflict of directors running voting on amendment

Question called on Amendment vote- In favor 14, 19 oppose. Amendment to motion defeated

Chair call the question on original motions of increase directors from 7 to 9 starting 2024

Motion carried

NOMINATIONS COMMITTEE

Geoff M. Chair reports on Nominations Committee. Committee starting meeting in February, contacted potential candidates, advertised for members of upcoming AGM/ Election.

One member dropped out from conflict, one dropped out for personal reasons, and 5 people running for 4 positions.

FINANCIAL STATEMENTS TO BE PRESENTED and REPORT OF THE AUDITORS

Report from Angie Spencer, BDO external auditor, summary financials provided to membership in AGM Package. Audit Completed financial year ending Jan 28 2023, issued "clean" audit report.

Armstrong co-op gone through substantial growth, notable increase PPE (plants,property and Equipment) increase with husky acquisition liability increased from increase shareholders equity, a/r and payables. Consolidated ops, \$91 million to \$134 million year over year with gas price increase and diversification of business. Gross profits up to \$15.6 million up from \$10.5 Million. Other income 7.9 received from FCL dividend. Net income for 2023 13.9 million

Question regarding 3 wheeled electric vehicle, asset still owned by co-op at this time.

Motions to accept the financial statements as presented. motioned, Mo C., Jason K. seconds

Motions Carries

REPORT FROM THE BOARD OF DIRECTORS

Report provided with AGM Package

Comment and discussion: Membership discussed frustration over Co-Op overlaying of other co-ops trade areas ie other co-op owning liquor stores in our territory.

ELECTION OF THE DIRECTORS: Member running for director

Akbul Mund- Elected for 2-year term

Brett Kirkpartick- Incumbent- Elected for 3-year term

Kim Sinclair

Mo Choudhary- Elected for 3-year term

Robbie Hoyte- Incumbent- Elected for 3-year term

REPORT FROM THE GM:

GM Report provided in AGM Package

Question on GM Report: Question on 25th Ave property, what is the vision? GM discussed that we have 1 long term tenant which we have built a building for, bulk plant equipment has sold. Board will be reviewing this property in strategic board sessions in the near future. Suggestion from membership for co-op housing with 25th Ave property.

Suggestion on monetizing of electric chargers, in boards strategic planning and may be cost provided.

Jay K. motions to destroy voting ballots, Nairn V. seconds.

Motions Carries

APPOINTMENT OF THE AUDITORS

Motion to Appoint BDO Vernon as the auditors for the 2023 fiscal year

MOTION REQUIRED Theresa D. Seconded by Wilf M.

UNFINISHED/NEW BUSINESS

Nil

GOOD AND WELFARE

FCL DIRECTOR ADDRESS

Darlene Thorburns presents as a FCL Director to the membership. Armstrong is a member owner of FCL. FCL is owned by 160 co-ops across 4 provinces, FCL provides patronage to Armstrong Regional Co-Op based on purchases, FCL leverages power of buying in bulk for the co-op. FCL is owns a refinery in

Regina, refinery is FCLs largest assets having 900 employee 5.6 million barrel capacity, refinery support all 160 co-ops.

FCL supports local co-op with operations and service support such as procurement, food stores, Agriculture centers, Fuel and Gas Bar, including card locks and fuel storage. FCL also provided service support such as providing a liaison to support local co-ops, helping design and build sites, Finance tool support, people and culture ie HR.

Question form membership on new integrated computer system. FCL is working on a new system, Darlene not sure on timeline, but would forward to FCL leadership for a response.

STAFF PRESENTATIONS

Norms C.- 5 years of service

GOOD AND WELFARE- Door Prizes

Peter V.	Bill S.	Mo C.	Wilf M.	Peter. V	Kaden
Paul	Tiffany K	Akbul M.	Harvey D.	Harvey	Joe
Keith W.	Hugh C				

ADJOURNMENT- 8:33



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Board of Directors message – May 2024

The year of 2023 proved to be a year of consolidation and adjustment for Armstrong Regional Co-operative. As we reported last year, ARC has acquired 3 Husky fuel stations. One station was in each of Salmon Arm and Vernon with one further one in Cranbrook. The remaining Husky station in Vernon was declined by the Board due to its poor location and potential earth contamination issues. The stations we did acquire took considerable time and effort to bring up to ARC standards.

During the year ARC directors and senior management conducted a weekend strategic planning session. We all agreed that while we would not turn down the possibility of acquiring additional fuel outlets, we would not actively seek such opportunities. Any potential acquisition would have to meet at minimum a ten year pay back timeline. Instead, we will concentrate on our property management and liquor store arms. Both of these investment opportunities will assist us in our goal of diversifying our income streams. The future remains cloudy as to the successor to fossil fuels as an engine for transportation.

As a consequence of this diversification strategy, we acquired a liquor license in Kelowna which was subsequently transferred to our new location in Revelstoke. This location will be open for business shortly. Also, another Kelowna location was acquired at Glenmore and Summit Drive. This location was converted to an ARC liquor outlet and was re-opened in late March 2024.

Other items accomplished by the Board included implementing over to a new information portal which is much more secure. In the past tree years our Member Relations Committee has averaged approval of approximately \$100,000 in donations and bursaries to deserving applicants in the south Interior of British Columbia.

We wish to take this opportunity to thank the fine and dedicated work of management and staff of our entire organization. Our people make the biggest difference. Well, that and very clean washrooms!!

Larry Hill, Chair

On behalf of the Board of Directors



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General Manager's Report – May 15, 2024

Welcome to the 102nd Annual General Meeting of the Armstrong Regional Cooperative (aka “the ARC) Thank you for taking some time out of your evening to join us.

This year, we are excited to have our AGM offered online as well as in person in order to allow members to join from all over our region, which has expanded greatly in the past 18 months.

Similar to 2022, 2023 saw an increase in growth and change for your Co-op. While our revenues grew to \$139 Million (up 5%), profit decreased to \$7.1 Million (down 44%) from 2023. The main reasons for the profit reduction are as follows:

- Higher costs associated with Husky conversions
- Higher governmental compliance costs
- Fuel price deflation
- Higher finance costs associated with purchase of Husky's and Liquor
- Loss provision against credit default of Nata farms
- Negative revenue impact of Summer wildfires for Aug/Sept 2023

While the ARC results did not reach the historic highs of 2022, there were a number of positive developments which will ensure the long-term growth and sustainability of the Co-op.

Three new gas bars in Vernon, Salmon Arm and Cranbrook were successfully converted from Husky's to Coop's and another liquor store was added to our portfolio. We finished upgrades to our 25th Ave property for our long-term tenants which will increase rental revenues substantially over the next 10 years. We also purchased a revenue property in Revelstoke to take advantage of the tourism and value growth in that area.

Liquor sales began the year slowly but did pick up in the second half of the year, helped significantly by ARC Liquor membership growth and community participation.

The ARC's commitment to community support and charitable giving remained strong, with over \$200,000 contributed in 2023 to organizations throughout the Okanagan and East Kootenays.

2024 is off to a positive start with a number of exciting enhancements for our members:.

- On March 27, we took over the Glenmore Liquor store, giving us 3 locations in Kelowna. We also just opened a new liquor store in Revelstoke at Mackenzie Village, near the ski resort.



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- We have installed a new high propane tank and auto dispenser at our Cranbrook gas bar which we expect to greatly enhance our fuel volumes.
- The other half of our 25th Ave property has been fully leased out for the next 5 years.
- We will be implementing 24 hr fueling at our Cranbrook gas bar this year with the intent of expanding it to all gas bars over the next 2 years.
- We have partnered with FLO and FCL to install Level 3 EV chargers at our Vernon and Salmon Arm locations.
- This Fall we will be installing credit and debit card functionality at our Scotch Creek and Canoe cardlock sites.
- We are in the final stages of implementing e-Commerce throughout our Liquor stores which will allow customers to order online for pick-up in-store.

All in all, our Co-op is continuing to grow in a responsible and sustainable manner and there is a lot to look forward to in the coming years.

Of course, none of this would be possible without the tremendous efforts of our staff members. Their dedication is essential to our continued success and I thank them for bringing the best of themselves to work each and every day.

Best regards,

Hans Petersen

Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Members of Armstrong Regional Cooperative

Opinion

The summary consolidated financial statements, which comprise the summary consolidated balance sheet as at February 3, 2024, 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 February 3, 2024.

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 11, 2024 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 February 3, 2024 in our report dated April 11, 2024.

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.

Chartered Professional Accountants

Salmon Arm, British Columbia
April 11, 2024

Summary Consolidated Financial Statements

Statement of Consolidated Balance Sheet

	February 03, 2024	January 29, 2023
Assets		
Cash	\$ 1,010,488	\$ 3,446,808
Account receivable	5,926,293	7,321,471
Inventory	4,676,826	4,187,230
Investment in Federated Co-operatives Limited	13,962,690	13,096,713
Property, plant and equipment	26,271,784	23,444,756
Goodwill and intangibles	10,523,507	3,238,136
Other assets	692,527	152,869
	\$ 63,064,115	\$ 54,887,983
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	\$ 1,391,415	\$ 1,050,384
Due to Federated Co-operatives Limited	13,955,842	7,827,761
Other liabilities	5,834,231	6,138,222
Shareholders' equity	41,882,627	39,871,616
	\$ 63,064,115	\$ 54,887,983

Statement of Consolidated Operations

	February 03, 2024	January 29, 2023
Revenue	\$ 138,950,940	\$ 134,484,481
Cost of sales	123,734,807	118,857,399
Gross profit	15,216,133	15,627,082
Other income	4,529,160	7,948,433
Operating expenses		
Advertising and promotions	326,889	270,873
Amortization	1,575,425	1,211,078
Interest and bank charges	442,568	5,329
Rent and overhead	4,080,026	2,390,581
Vehicles and travel costs	659,326	526,179
Wages and benefits	5,433,636	3,736,356
	12,517,870	8,140,396
Income before income taxes	7,227,423	15,435,119
Income taxes	110,901	1,488,278
Net income	7,116,522	13,946,841
Retained earning, beginning of year	30,432,759	21,906,905
Patronage dividends	(5,834,231)	(5,420,987)
	\$ 31,715,050	\$ 30,432,759

Statement of Consolidated Cash Flows

	February 03, 2024	January 29, 2023
Cash flows from operating activities	\$ 10,340,810	\$ 9,654,403
Cash flows from investing activities	(12,465,604)	(6,672,443)
Cash flows from financing activities	(311,526)	(3,887,096)
Net decrease in cash	(2,436,320)	(905,136)
Cash, beginning of the year	3,446,808	4,351,944
Cash, end of the year	1,010,488	3,446,808
Non-cash transactions		
Increase in members' equity due to patronage allocation	\$ 704,346	\$ 623,097

DocuSigned by:

Larry Hill

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Director

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Robbie Hoyte

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Director

Armstrong Regional Cooperative
Note to Summary Consolidated Financial Statements

February 3, 2024

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 February 3, 2024.

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.



Biography

Geoffrey A. Maile, CPA, CA, FCA (UK)

Geoff qualified with a medium-sized firm of Chartered Accountants in the City of London. After qualifying he worked for two public companies. He emigrated to Williams Lake in 1977, moved to Vernon, and three years later became a sole practitioner in Kelowna, helping many small businesses with their purchase, sale and financing until retiring. From Vernon he moved to Armstrong eleven years ago.

Soccer has been his main sports passion, playing, coaching and refereeing. He served as Treasurer on the North Okanagan Youth Soccer board for ten years and was a cross-country skiing Jack Rabbit leader at Sovereign Lake for ten years. He designed a recreational ski program for teens, which was adopted across Canada and as a result was invited to join the board of Cross Country B.C. where he served as Treasurer for ten years.

Geoff currently volunteers in various capacities for Abbeyfield retirement homes and for the last six years has been the Treasurer for the Kelowna Abbeyfield House.

During his previous two three-year terms on the ARC board he served on all committees, including being Chair of the Finance Committee. Having acquired an in depth understanding of the organization and the Federated Coop, Geoff is keen to apply that knowledge with his unique business experience for the further benefit of the ARC. He is passionate about the Coop and would be very happy and honoured to have your support to serve as your representative for the next three years.

Respectfully submitted
Geoff Maile

April 23, 2024



Biography

Kim Sinclair

After visiting family in the North Okanagan my wife and I fell in love with Armstrong and knew this was the place we wanted to raise our family. So, in 1992 I found work, and we moved here from Pitt Meadows. After buying a house and getting our daughter set up in school we joined the Armstrong Regional Cooperative.

I retired this past fall after 53 years of working to build support for young people to heal and grow; and engaging in community development initiatives. I have built two for profit companies and started a not-for-profit organization. During the last 40 of those years, I've been in roles of leadership. I bring experience in governance having served as both Chair and Vice chair as a School Trustee in Armstrong. I have served on society boards in executive positions including Aspiral Youth Partners Association, Asparagus Community Theatre, Coldstream Live Music Society and served as a member of the Age Friendly Committee in Armstrong, and on the Social Issues Advisory committee for the City of Salmon Arm.

I have worked with both the provincial and federal governments developing strategies and programs to build skills for young people in employability and entrepreneurship. I have served as a facilitator for organizations to develop strategic planning and improve governance practices. As part of my work in community development I helped to start three cooperatives- one in tourism, one in food security and one in shared administrative services to support not-for-profit organizations.

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

I have a strong commitment to the Armstrong Regional Cooperative. As a Board member, I will help to support the development of the Coop in its commitment to members, staff, and community.



Biography

Kirsten Green

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 fuel pool diversification opportunities with ethanol and biodiesel. Currently I am Chief Special Project Officer at 4AG Robotics in Salmon Arm where we are developing and deploying robotic mushroom harvesting systems. It is a dynamic startup operating in an exciting field. My responsibilities are currently predominantly around project implementation.

I served as interim director on this CO-OP board for 6 months in 2023 and stepped down from the elections last year due to family commitments. I enjoyed my interim period on the board and feel that I can make a positive contribution to the team as ARC continues to diversify beyond fuels.

Our family moved to beautiful BC from South Africa in October 2020 and are now happy to call Salmon Arm home. I have two teenage girls who keep me busy with their dance activities. I enjoy swimming, taking our dogs for walks in the forest, cuddling my cats and getting out into the countryside hiking, skiing, or enjoying the summer sun on the water in a canoe or SUP. I like to read, garden (with what the pets don't eat), and dabble in very amateur photography, although most of my current photo reel is of mushrooms. In my spare time I volunteer with my husband Jeremy at the 1st Salmon Arm Scout group.



Biography

Larry Daniel Hill

My wife and I moved to Armstrong in May of 2017. We were schooled and raised in the Okanagan area, but work had led me to several opportunities away from this lovely valley in both other parts of British Columbia and to Saskatchewan.

I graduated in 1976 from Okanagan College with a diploma in Business Administration and received my Certified General Accountants designation in 1990 and a degree in Credit Union Management (with honours) in 2000. I have now also completed the Co-operative directors program.

My professional career was primarily in the Credit Union system serving various senior management roles including operations, finance, insurance, and executive roles.

In the Credit Union system, I have held the position of director in the Northline region and served on the B.C. systems operations committee. In Saskatchewan I served similar roles as a delegate to Sask. Central. In Prince Albert I was extremely involved in the process of allowing Credit Unions to own insurance agencies as we have been able to do for some time in B.C.

Since moving to the North Okanagan/Shuswap, I am President of our Country Lane strata and assist with the Armstrong Museum/Art Gallery.

With my service on the Board of Armstrong Regional Co-operative, I served one year as a regular director and then had the honour of being elected to the post of Board Secretary for the last two years. Lastly, I have held the office of President and Board Chair for just over a year.

I have found the role of Co-op director to be extremely challenging and yet very rewarding. We have an excellent management team and a very capable staff. The future looks very bright for ARC but we have considerable work ahead of us. I certainly would love to be part of that future! I look forward to your support at the AGM!

