

## Annual Report 2009



## Board of Directors Report

Bill Beck, President, Board of Directors

Last year, 2009, was a very prosperous and productive year for the Moscow Food Co-op. Our Co-op is a dynamic organization that continues to build on the foundation of our 37-year history. Now, after five years in our new location, we are able to serve our owners and our extended Co-op community better than ever before.

Our Co-op had its most profitable year ever in 2009. Thanks to the hard work of management and staff, the growing support of owners and shoppers in our community and the financial oversight of our Board of Directors (BOD), we are more financially secure than ever before. This year, 2010, has continued to build on the strengths of 2009. Though we remain vigilant due to a volatile and still uncertain economy, we are confident that our Co-op's financial strength will continue. Kenna Eaton, General Manager, provides more detailed information about our finances elsewhere in this annual report.

Last year our Board of Directors focused on other important aspects of the governance of our Co-op. We have adopted new by-laws and adopted amended Articles of Incorporation for our Co-op. Our by-laws define our relationship with our owners and how our BOD functions. We have also amended our Articles of Incorporation. These articles will allow us to be taxed as a cooperative and issue patronage dividends to our owners.

It is necessary for our owners to approve of our BOD decision to amend our Articles of Incorporation. Our Board has worked hard to take these necessary steps that will allow us to be taxed as a nonprofit cooperative. We look forward to the support of our owners by voting to approve filing amended Articles. Carol Spurling, Engagement and Outreach Coordinator, writes more about patronage dividends in the following pages.

Our Board of Directors also rewrote our Ends Policies. These policies define the results we would like to produce in the world. They reflect our strategic plan adopted in 2008. Our new Ends Policies provide guidance to help us create the future we want for our Co-op.

Much of the work of our Board of Directors takes place in committees. In 2009, we established seven committees to help us implement our strategic plan and further strengthen the democratic and philosophical foundation of our Co-op. Among these committees are Nominations and Elections, Green Commerce, and Engagement and Outreach. The Nominations and Elections Committee recently conducted the most engaged election process in our

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*Moscow Food Co-op Board of Directors*

*Back row, left to right: Andrika Kuhle, Jamie Bentley, Kimberly Vincent, and Bill Beck (BOD president)*

*Front row, left to right: Donal Wilkinson, Christine Locker (BOD assistant), and Kenna Eaton (General Manager)*

*2 members not present: Mark Mumford and Sheryl Hagen-Zakirson*

## **Board of Directors Report,** *continued from page 1*

Co-op's history. They are working hard to increase democratic control of our Co-op. Our Green Commerce Committee's purpose is to help us develop and support the local food and goods economy. Our Engagement and Outreach Committee has received national recognition for programs like the Good Food Film Series, Mamas and Papas and Co-op Kids, the Business Partner Program, the Good Food Book Club, and Essential classes. We have more participating member-owners than ever helping us reach out to our community.

Our Board of Directors continues to learn, grow, and change to better meet the needs of our owners and our extended Co-op community. Thank you for all you've done for the Co-op. We look forward to your continued support.

*In 2009, the Deli and Bakery were at the front of our financial turnaround with tighter purchases, great teamwork and much less waste.*



## **2009 Best Year Ever!**

### **General Managers Report**

*Kenna S. Eaton, General Manager*

2009 was the best financial year ever for the Moscow Food Coop. Even though sales were down about 1% from 2008, our profitability was very good. In 2008 we lost \$44,000 and in 2009 we made \$158,000! That is about 2% profit.

The turnaround was partly due to uncertainty about the economy. We took a fresh look at all our expenses and planned changes if our sales did not grow like they did in 2008. That planning paid off because, starting in March, 2009, our sales started to drop. Our employees did an incredible job focusing on the things we needed to change to reduce expenses, concentrating on our strategic goals, and still offering fair prices. Throughout 2009, we kept beating our competitors' prices on organic and natural food! The end results for the year were really amazing.

In 2009, we lost a little money in only one month. That was a big change from 2008 when we lost money in 5 months. In 2009, the Deli and Bakery were at the front of our financial turnaround searching for better prices, great teamwork and much less waste. Commodity prices for rice, flour and sugar stabilized in 2009 after wild fluctuations in 2008! Remember the rice "shortage?" In 2009, we tightened our belts and reduced our payroll during our slowest months while we reduced administrative overhead. Our productivity was better, cost of goods (wholesale prices) stopped rising so quickly and we had a better handle on all areas of the Co-op.

Because of economic uncertainty, we were very conservative with our big ticket projects. Although we put nearly all expensive purchases on hold (including the salad bar), we did add more bike parking in front of the store and installed new lighting and covers for our open refrigeration units that helped to conserve resources and save money. We doubled our outreach activities with more events, more local charitable giving and more partnered activities with other organizations who share our strategic vision. We added more member-only sale prices in 2009 with discounts saving \$13,000 for members. We sent out an additional \$10,000 in coupons to our top member purchasers in December.

Our Co-op really benefits from the loyalty of our owners. About 75% of sales are to members. We had a net gain of 488 new members in 2009, ending the year with 5442. Thank you.

On behalf of our entire staff I would like to thank you for continuing to seek out fresh, local and healthful choices- helping make 2009 our most successful year ever. We expect the same will be true for 2010!

### **Finance Report**

*Steve Kobs, Store Manager*

The most important financial story of 2009 was our improved profitability. Sales were down a bit, but profit was our best ever, \$158,617.

## **Ends Policies**

Building on the foundations of The Seven Cooperative Principles, our Co-op shall:

- Maintain an economically sustainable consumer food co-op
- Support the local, organic, and sustainable food and goods economy
- Foster civil dialogue, connections between people, and community engagement
- Provide our owners and customers access to a diverse array of food, goods, and services that meets their needs
- Model environmental sustainability through our activities, facilities, products, and services
- Educate our owners, customers, and the wider community about food and food systems
- Create a rewarding work environment for our staff and excellent service for our owners and customers







# Financial Results

Retails sales were almost \$7.3 million in 2009, down just 8/10ths of one percent from 2008. Sales of vitamins were especially strong. Other U.S. consumer food cooperatives had an average of 3% sales growth in 2009. The sales trend at MFC was worse than the national average.

Wholesale prices, called "cost of goods," were nearly \$200,000 less in 2009 than in 2008. We got better deals and reduced waste in perishable departments, producing a much healthier "gross profit." Nearly all other expense categories were also lower in 2009, including occupancy expenses, operations, outreach and store supplies. We updated some of our business practices, improved our inventory technique, and shared more information with staff. Expenses were about \$130,000 less in 2009 than we spent in 2008. Many small improvements created a total that was much better than 2008.

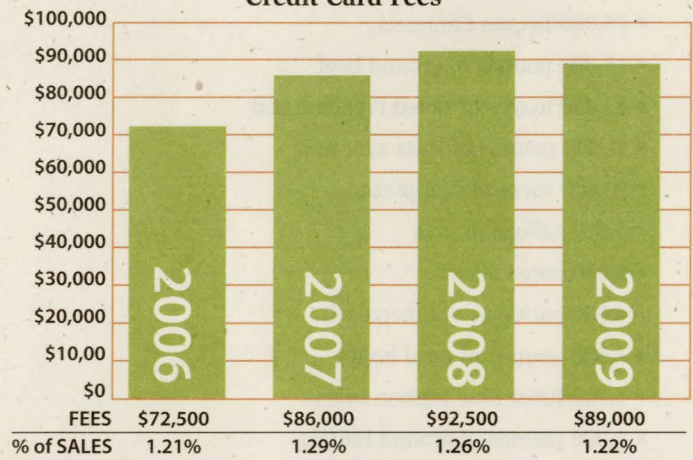
Members helped use reduce the fees we pay to process credit and debit cards. Retailers pay credit card fees, called "discounts," when we are paid with credit cards. These fees are subtracted from the total price so the consumer is not aware of the charge. In 2008, MFC paid \$92,500 in these fees. Members helped us make some simple changes in how cards are used, paying cash for smaller purchases and avoiding debit cards for smaller purchases, and we got a slightly better discount rate through our contract with other food cooperatives, saving \$3,500 for MFC

	2009	2008	2007
NET SALES	7,272,203	7,332,533	6,652,981
COST OF GOODS SOLD	4,256,335	4,455,637	3,989,941
<b>GROSS PROFIT</b>	<b>3,015,868</b>	<b>2,876,896</b>	<b>2,663,040</b>

PERSONNEL	1,978,525	1,908,475	1,713,154
OCCUPANCY	318,085	329,451	340,314
OPERATIONS	254,639	290,054	284,163
OUTREACH	169,203	177,613	153,062
STORE EXPENSES	157,028	247,554	156,654
GOVERNANCE	12,922	7,823	775
<b>TOTAL EXPENSES</b>	<b>2,890,403</b>	<b>2,960,971</b>	<b>2,648,122</b>

OTHER INCOME	47,674	40,173	19,873
OTHER EXPENSES	14,522		
<b>NET INCOME</b>	<b>158,617</b>	<b>(43,902)</b>	<b>34,791</b>

**Credit Card Fees**



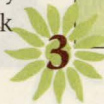
While 2009 was our best profit performance, that result is about average in the outside world. The industry average profit for grocery stores last year was 1.9% of sales. Our 2009 profit was 2.2% of sales. We experience the benefits of this "average" profitability every day.

With money in the bank, we can evaluate new programs and ideas on their merits. We expanded the participating member program, contributed more to local charities, expanded our efforts to support local food producers and reinvested money back into the Co-op replacing aging equipment, upgrading infrastructure and improving shopping. We have made early payments on our debts and set aside money in savings. All this for just 2¢ for every sales dollar.

2010 is already shaping up as another good year for us. Sales are up and profitability is good; a little above the industry average. Compared to other food cooperatives in 2010, we are among the leaders in sales growth and profitability. We no longer worry about what we cannot do because we have no money; we think about what we can do.

**Moscow Food Co-op Balance Sheet as of 12/31/2009**

<b>ASSETS</b>	
Current Assets	
Checking/Savings	\$228,477.00
Accounts Receivable	533
Prepaid Expenses	22,341
Bottle Deposits and Other	(154)
Inventory	336,030
<b>OTHER ASSETS</b>	
Equipment	807,962
Leasehold Improvements	775,059
Accumulated Depreciation	(752,112)
Refundable Security Deposit	8,558
NCGA Joint Liability Fund	11,514
Patronage Equity	33,510
<b>TOTAL ASSETS</b>	<b>\$1,471,718.00</b>
<b>LIABILITIES AND EQUITY</b>	
Current Liabilities	
Accounts Payable	\$107,066.00
Direct Deposit Liabilities	19,630
Gift Cards	22,146
Sales Tax Payable	36,279
Current Portion Long-term Debt	115,536
Accrued Interest Payable	12,273
Accrued Payable Paid Time Off	41,924
Income Tax Liabilities	9,444
Payroll Liabilities	30,461
Long Term Liabilities	
Leases	793
Loans	242,319
Member Loans	263,000
<b>TOTAL LIABILITIES</b>	<b>\$900,871.00</b>
<b>EQUITY</b>	
Member Equity	\$546,972.00
Retained Earnings	(134,742)
Net Income 2009	158,617
<b>TOTAL EQUITY</b>	<b>\$570,847.00</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,471,718.00</b>





# 2009 Success Brings Patronage Dividends Possibility

Carol Spurling, Outreach and Ownership Coordinator

The profitability that our Co-op enjoyed in 2009 brought with it unexpected questions. The most important question might be: What is the cooperatively appropriate way of handling our profit?

There is no single answer. What to do with profit will (hopefully) be an ongoing concern of the Board. There are many ways to handle profit: saving for the future, funding capital needs, paying off debt, supporting our strategic goals, and providing member-owner benefits.

*There are many ways to handle profit: saving for the future, funding capital needs, paying off debt, supporting our strategic goals, and providing member-owner benefits.*



One of the most important things we can do with our profit is give some of it back to you – as a patronage dividend.

Patronage dividends are profits returned to member-owners in proportion to the amount of their purchases. The more you've spent at the store, the

more patronage dividend you'll receive. Only cooperatives can offer this type of financial benefit to their owners.

For most member-owners, any patronage dividends they receive are non-taxable. Co-ops do have to pay taxes on profits, but not on patronage dividends, so it is a smart financial strategy to transform profits into patronage dividends. We can pay out all the store profit in the form of patronage dividends to member-owners, or retain a portion of the dividends to build a strong future for the Co-op.

As soon as store staff and the Engagement and Outreach committee realized in the 2<sup>nd</sup> half of 2009 that we would have a profit for the year, we began the process of adding patronage dividends to our array of member-owner benefits. We knew we wouldn't be able to give them for 2009 – you have to have everything in place more than a year in advance – but we wanted to make it a possibility for the future.

The process of implementing patronage dividends for the first time is not a straightforward or quick one. It involves answering many legal and financial questions as well as educating ourselves about how it all works.

At the time of writing this annual report, it is not yet known if we will have jumped all the hurdles necessary to offer patronage dividends for 2010. (We have accomplished some tasks but others are still ahead of us.) Also, we won't know if we've really earned a profit for 2010 until much later in the year. (It looks good so far.) Rest assured, we are working on it diligently, and will keep everyone informed about our progress through the newsletter, our website, and signage in the store. In the meantime, please keep showing your member card every time you shop, so you don't miss out on any patronage dividends that might come to you!



## In 2009 we sold:

- 327,000 cookies from our bakery
- 40,000 pounds of organic bananas
- 25,236 local eggs
- 25,000 Bequet Caramels
- 15,000 pounds of ground beef
- 13,440 loaves of salted French bread
- 11,500 pounds of Hass avocados
- 10,600 slices of Deli pizza
- 5,500 gallons of milk
- 5,000 bread sticks
- 4,500 packages of Emergen-C
- 3,600 pounds of local honey
- 1,700 Pabst Blue Ribbon beers
- 1,000 pounds of ground buffalo
- 365 bottles of Mont Pellier Pinot Noir Wine



**MOSCOW  
FOOD CO-OP**

121 E fifth Street  
208-882-8537  
Open daily from 7:30 am to  
9:00 pm  
[www.moscowfood.coop](http://www.moscowfood.coop)

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