

Board of Directors Report : 2010

Andrika Kuhle, President, Board of Directors

2010 was a successful year for the Moscow Food Co-op, with 7% growth over 2009, and a 20% increase in membership. It was a quiet year until November, when we learned of Kenna's departure. This was a heartbreaking announcement, as we had all grown fond of, and reliant upon her solid leadership for over two decades. Our interim team has done a remarkable job of leading us smoothly over the past eight months. We have now come full circle and are pleased to welcome our new General Manager, Seth Marcantonio.

Typically, the purpose of an annual report and meeting is to update owners about the financial well being of the Co-op. For this year's meeting our purpose is two-fold; we look back to 2010 and look forward to a new chapter of leadership!



Participating member Tenley Burke helps people discover local flavors with the FACT program on Fridays.

As you'll read in the GM report, 2010 was a financially successful, solid year. As a result we focused on increasing our savings and paying down our long-term debt. In the spring of 2010, the Board of Directors completed our Ends Statement after a couple years of effort. The Ends are what



The Tuesday Growers Market has safer pedestrian access in its new spot in the parking lot.

drive our board work; they guide the strategic vision of the store, and they are ultimately what the GM is held accountable to. We relied heavily on our Strategic Plan to craft them. The Moscow Food Co-op Ends, which are part of our governing policies read as follows:

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



The deli was full for the board member candidate forum in February.

- 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

2010 was also a year for Green Commerce. The joint board committee, which formed as a result of a recommendation of the Strategic Plan, focused on defining what is "Local" and gathering input from staff and local producers to determine what kinds of changes would improve local vendor/store partnerships. Store staff, particularly, Sequoia Ladd and departmental managers, worked to develop vendor guidelines for each department. These guidelines have been instrumental in making sure that business relationships between the Co-op and local vendors are reciprocal, and in establishing expectations for buying/selling local goods.

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January 2010 • launched *Impulse Giving* program, one year anniversary of launching Dime in Time program. Member Appreciation Day [MAD] sale

February 2010 • launched *Mamas and Papas* of the Co-op weekly group, human resources organized customer service training sessions for all staff

March 2010 • annual *Taste of the Palouse* event in the store, Co-op sponsored *Food on the Table* regional conference at the University of Idaho

Board of Directors Report: 2010, *continued*

During 2010, the Board realized that although we were supportive of laying the foundation for implementing patronage refunds, our bylaws did not allow it, and we needed a member vote to change the bylaws. Member owners overwhelmingly voted to make the change at last year's September annual meeting. The board has begun to investigate what will need to be done to implement patronage refunds, determine how we will know when we are financially mature enough to consider them, and then how they can be administered. We don't anticipate administering them for the 2011 fiscal year.

As we move forward, we hope to re-examine our Strategic Plan: is it doing what we intended it to do; are we working with it effectively; is anything in the plan getting overlooked; did we forget to include anything? We would appreciate hearing our member-owners thoughts on our strategic plan. How do you think we are doing? Let us know by filling out a comment form or sending a message to boardmembers@moscowfood.coop.

Now its time to celebrate in 2011! We are excited to start a new chapter of the Moscow Food Co-op with Seth Marcantonio as our General Manager. Seth joins us after leaving his post as Store Manager of the Berkshire Food Co-op in Great Barrington, MA, and with many years of experience in retail management and in the natural foods industry. We look forward to his leadership and building a solid working relationship with him.



Classical music fills the store during the holiday season, on Tasteful Thursdays.

April 2010 • annual board elections, Co-op takes part in several Earth Month activities and sponsors *Empty Bowls* hunger relief fundraiser

General Manager's Report

Joan McDougall, Theresa Nuhn, and Deb Reynolds

Financial Report

In 2010, our co-op sales continued to grow by an amazing 9% over 2009 for a total of just under \$8 million – this in spite of the continuing recession in the overall economy. According to *Natural Food Merchandiser* magazine, the natural and organic products industry as a whole grew somewhat less at 7%. Our customer count for 2010 was 7% greater than in 2009 and the average shopping basket purchase increased by 1.5%. Membership grew by an additional 1,122 participants – a 20% increase.



Former general manager Kenna Eaton moved on to new challenges at the Port Townsend food co-op at the end of 2010.

A variety of store operations benefited from the resulting increase in our gross profit. We were able to fund wage and benefit increases as part of our mission to be Moscow's Best Workplace. (This included a 10% jump in medical insurance premiums.) Under Bill Bonner's capable guidance and astounding array of skills, we made progress on some long-delayed building and equipment maintenance needs – a process that is continuing in 2011. We expanded our community support activities and gave attention to development and maintenance of an improved web site. We invested in computer hardware and software updates that were much needed.

In a continuing effort to meet our commitment to sustainable business practices, we invested in low power use, LED freezer lights. For this project, we received significant financial help from an Avista rebate program. We also upgraded three of our

May 2010 • *BikeFest* in the alley, and the *Tuesday Growers Market* begins the season in a new spot in our parking lot

point-of-sale terminals/registers, including new scanner scales.

In planning for the future and to meet our membership requirements with NCGA (National Cooperative Grocers Association), we have been aggressively building our savings funds. 2010's stellar sales made it possible for us to grow our savings by an additional \$150,000. We have also continued making extra payments on our long term debt. This practice will result in lower total interest expense and a payoff date that is nearly six months earlier than the terms of the loan.

Operations

2010 was an upbeat year for Co-op operations. We started January with M.A.D. (Member Appreciation Day) and held two additional M.A.D. discount days during the year. Our annual Taste of the Palouse in February spotlighted the increasing volume and variety of local vendors the Co-op is welcoming. These folks are so great to work with.

We installed the long-awaited salad bar in June, which adds a whole new dimension to deli meals. At that time an extra cooler for drinks was also purchased. Strong sales supported other capital improvements. We



Mary Jo Knowles loves the salad bar that was installed in June.

June 2010 • *Co-op Kids!* becomes a weekly group instead of meeting twice a month. *Salad Bar* opens.

updated the check stands with screens so customers can see their transactions and we installed improved credit card processing machines. A new section of bulk bins for the baking products was purchased and a desk for product sampling was built at the front of the store. Behind the scenes, we installed a new dishwasher for the kitchen to improve the speed and sanitation of dish processing.

We rolled out our new bi-monthly Co + Sales Program during the second half of the year. Changing sales twice monthly is keeping the store fresh and vital. This program, implemented by the National Cooperative Grocers Association to which we belong, is giving us deeper discounts on more items more often than the previous Cooperative Advantage Program that had been in effect for ten years.



Our interim GM team: Deb Reynolds, Theresa Nuhn, and Joan McDougall.

Setting up a permanent food bank donation location at the front of the store made it easy to assist those in need. In 2010 the Co-op donated just under \$1000 of food. Other folks in the community have also donated food products in this large basket which is emptied weekly and delivered to the food bank. Thanks to everyone who contributed.

Staff Activities

2010 saw many staff changes, including saying goodbye to our Store Manager, Steve Kobs, who left in the fall and then receiving the news that Kenna Eaton had accepted a position as General Manager with the Food Co-op in Port Townsend, WA. We created positions for a new Finance Manager, Facilities Maintenance Specialist and a Promotions and Products Education Coordinator.

July 2010 • Farm Tour for volunteers and staff, our *Preserve the Harvest* workshops get underway for the season



Our meat department sales grew significantly in 2010.

2010 FOCUS ON LOCAL

Raw Milk deliveries from Little Bear Dairy began in December.

Amy E introduced dairy-free candy bars and vegan pecan toffee.

Virginia began packaging her tortillas in a 6-pack.

Sampling of Sales Volume of Local Products:

Bequet Caramels	32,650
Local Eggs	7,582 dozen
Idaho Ice Water	6,146 bottles
Harvard Honey Bees, bulk	3,919 pounds
Virginia	2,936 jars of salsa & 1,383 packs of tortillas
Shepherd's Grain Flour	2,913 pounds
Cowgirl Chocolates	2,654 chocolate delights
Pacific NW Co-op Dry Beans	2,285 pounds
Sage Bakery Bread	2,409 loaves
Amy E's Bakery Candy	1,479 treats
Bumble Bar	1,403 bars

We continue to screen for and hire employees who can help us fulfill our Best Workplace Mission – those who know the value of respectful interaction and also the value of hard work mixed with a little fun. Our turnover rate remained below the national average and staffing levels stayed steady, averaging between 85 – 90 employees year-round. Staff participated in store wide customer service training in the spring and an All-Store Meeting in the fall. This meeting in early October was a great success. We closed the store early for shared dinner together and then broke into small groups

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Blair Van Pelt cans peaches at Preserve the Harvest workshop in August.

Financial Results Summary

	2010	2009	2008
NET SALES	7,937,978	7,272,203	7,332,533
COST OF GOODS SOLD	4,574,089	4,256,335	4,455,637
GROSS PROFIT	3,363,889	3,015,868	2,876,896

PERSONNEL	2,206,547	1,978,525	1,908,475
OCCUPANCY	313,266	318,085	329,451
OPERATIONS	327,630	254,639	290,054
MARKETING & OUTREACH	215,261	169,203	177,613
STORE OPERATIONS	187,037	157,028	247,554
GOVERNANCE	21,135	12,922	7,823
TOTAL EXPENSES	3,270,876	2,890,403	2,960,971

OTHER INCOME	41,166	47,674	40,173
OTHER EXPENSES	44,693	14,522	
NET INCOME	89,486	158,617	(43,902)

August 2010 • Growers Market Farm Tour, we go to Palousafest at U-Idaho, **MAD sale**

September 2010 • membership passes the bylaw changes necessary to implement **Patronage Dividends**



**MOSCOW
FOOD CO-OP**

121 E Fifth Street
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Open daily from 7:30 am to 9:00 pm
www.moscowfood.coop

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Participating member Craig Joyner shares samples of tea with customers.

General Managers Report, continued

for tours around the store to various departments. Each manager was responsible for packing in as much information as they could into 8 minute presentations. Staff appreciated this opportunity to get to know each other plus learn something new about their store.

Our Best Workplace Committee met monthly to assess the work environment, make recommendations and prepare for our bi-annual staff opinion survey. Our Participating member program flourished proving opportunities for about 100 participating members to share their talents and gifts with the store. Outreach continued its great work with our Tuesday Growers



Moscow Food Co-op Balance Sheet as of 12/31/10

ASSETS

Current Assets	
Checking/Savings	\$385,663.48
Accounts Receivable	2,032.96
Prepaid Expenses	26,235.07
Deposits and Other	896.36
Inventory	352,180.55
Other Assets	
Equipment	\$896,845.30
Leasehold Improvements	784,444.19
Accumulated Depreciation	(905,260.80)
Refundable Security Deposit	8,557.76
NCGA Joint Liability Fund	9,716.40
Patronage Equity	34,602.68

TOTAL ASSETS **\$1,595,913.95**

LIABILITIES AND EQUITY

Current Liabilities	
Accounts Payable	\$173,238.39
Gift Cards	25,204.83
Sales Tax Payable	39,795.94
Current Portion Long-Term Debt	105,727.83
Accrued Interest Payable	11,497.50
Accrued Payable Paid Time Off	46,015.51
Income Tax Liabilities	35,213.00
Payroll Liabilities	65,514.07
Long Term Liabilities	
Loans	139,779.16
Member Loans	240,000.00

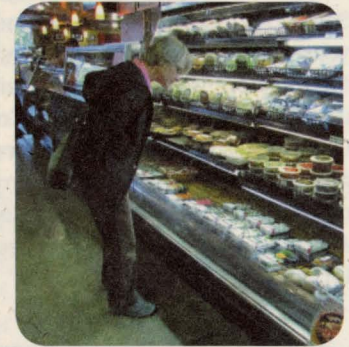
TOTAL LIABILITIES **\$881,986.23**

EQUITY

Member Equity	\$600,566.28
Retained Earnings	23,875.94
Net Income 2010	89,485.50

TOTAL EQUITY **\$713,927.72**

TOTAL LIABILITIES AND EQUITY **\$1,595,913.95**



A customer considers what to get for lunch from our well-stocked grab-n-go case.

Market, Good Food Film Series, Mama and Papas, Co-op Kids!, and participation in many more activities both at the Co-op and in the surrounding communities.



The Wincentsen family of Little Bear Dairy in Troy started providing the Co-op with raw goat and cow milk to sell in December.

left; Massage therapist and substitute cashier Belinda Rhodes gives a cashier a well-deserved massage during a Tasteful Thursdays event.

October 2010 • field trip season and wellness fair season at the Co-op, with hiring of first product promotions and education coordinator we get serious about social media

November 2010 • annual *Tasteful Thursdays* event, we learn Kenna will depart

December 2010 • begin planning for *Bag It Campaign* in 2011, GM search committee begins their work, interim GM team chosen, Deliveries of raw milk from Little Bear Dairy begins