

2010 Annual Report

Message from the Board of Directors

by Gwyneth Bowman,
President



Ashland Food Co-op is one of the most innovative and successful co-ops in the nation. Despite the lingering economic downturn, we continued to thrive while serving our

owners and our community. Our consumer-owned, member-governed Cooperative Corporation is a democratic organization where owners elect their Board of Directors to represent them. The corporate powers of AFC are under the authority of our Board of Directors and all business affairs are managed under its direction.

One of our key duties is the fiduciary responsibility of our Co-op. All of our property and power is entrusted to the Board to benefit our owners. We assure sound management to achieve our strategic priorities and keep the ownership informed about the status of our business. We are visionary decision-makers who work with management to discover opportunities that would benefit our co-op such as our new state-of-the-art Pioneer Street facility.

Our 2010 goals and action plan strengthened and enriched our duties listed above. Anticipating the 2011 board election, we finished work on determining and fine tuning expectations of directors. Our time commitment is extensive and we needed to ensure that doesn't deter qualified candidates. We also developed a mentor program for new Board members which helps enhance a smooth transition.

Several of our other goals addressed enhanced communication with owners, co-op management and employees. It is imperative that we understand the roles of each other as we work in concert to achieve our yearly strategic priorities. Our over-arching goal is to develop an intricate web of partnership between our Board, management, employees, vendors, farmers and other valued stakeholders so we are all working together to achieve our Mission and Vision!

Since you have received this Annual Report with election materials, I'd like to remind you that you have the opportunity to elect two Patron Board Members to represent you. Concurrently, our employees, who are owners, will elect one staff director to represent them. Please take this responsibility seriously. We need your involvement as we end this current program year and embark on a new one July 1, 2011. We want to thank Ric Sayre who has served as the Staff Director for nine years and Elizabeth Robinson who has served as Patron Director for three years. We will miss both of you!

Report from the General Manager

by Richard Katz



Our accomplishments in 2010 were significant and contributed to our overall viability and mission. Sales growth at over 8% shows that the Co-op has rebounded well from the effects of the recession, and our shoppers continue to support us in ever increasing numbers. In fact we handle about 2,700 transactions each day. Of course, while

higher sales indicate customer satisfaction, they also put more strain on our facility and our employees. Unfortunately we have not yet found a way to increase the store footprint or the parking lot. One very bright spot for 2010 was the completion of an extensive remodel of the adjacent building at 300 N. Pioneer Street that we purchased two years ago. This building now houses our beautiful Community Classroom, a large conference room, and six new offices. The building was retrofitted with five skylights, a new high efficiency HVAC system, energy efficient lighting, and non-toxic finishes that support our sustainability goals. The result has been an effective new addition that allows our administrative staff the space they need, while freeing up some office space in our store for operational needs. We continue to look to our Vision as a strong focus for our future.

- » Joyfully working together
- » Delighting shoppers
- » Enhancing health
- » Enriching community

The connection with our owners and shoppers is what makes the Co-op unique and valuable. "Delighting shoppers" by offering great service, quality products, and good prices not only keeps people coming back, but also gives our staff a feeling of accomplishment and purpose. Our employees, who now number more than 150, deserve the bulk of the credit for the Co-op's success. Our Board of Directors is a dynamic team who guides this organization. I am most grateful for their dedication and good spirits, and for the great loyalty and appreciation we receive from you, our owners. Together we are making this Vision a reality.



photo by Rory Finney

A Business Model that Works — The Cooperative Business Model

Report from the Board Treasurer by Guy Nutter



If you have been following the business news, you know the difficulties some US businesses have been experiencing. Perhaps you wonder how AFC is faring?

Most businesses in America work on the principle of generating the greatest return for their shareholders, or most recently, for the benefit of a few incredibly (some would say obscenely) well-paid executives, often siphoning wealth out of local communities.

As a cooperative, we follow a different businesses model. Members of AFC are shareholders in this business, just as if we had bought a share in General Motors.

Our purchases support that business model.

We are part of a business owned and operated for our mutual benefit. The people who use its services control it equally. Our business model focuses on putting into, rather than taking out of, the community. A glance at our website will give you an idea of the endless number of ways we accomplish this.

As Treasurer, I am very proud to say that the Co-op is a very healthy business! We are a business with over 7300 owners, no debt, and continually increasing sales and earnings. AFC's workforce has seen an

increase in benefits in this past year. We have reduced some prices, improved our physical plant, leased additional nearby warehouse space, and remodeled the Pioneer Street property (without incurring any debt). Our sales have grown from just

under \$19 million in 2006 to over \$24 million in 2010!

Every time you put an item in your basket, you can feel incredibly

proud about what we are doing for our community, our employees, our world and ourselves. You are part of a very successful business model. As I like to say...changing the world, one wheat-free chocolate cookie at a time!

Every time you put an item in your basket, you can feel incredibly proud about what we are doing for our community, our employees, our world and ourselves.

2010 Financial Report to Owners

Presented by **Christina Oliver**, Financial Manager



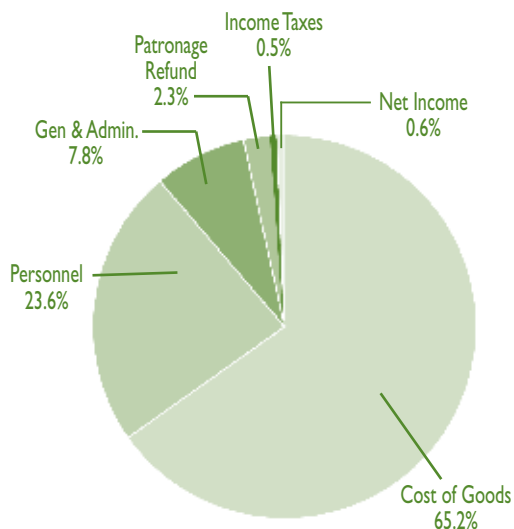
The Ashland Food Cooperative experienced a return to more stable sales growth numbers in the year 2010. We ended up with an 8.1% sales growth

over the previous year, which was much higher than the 3.7% that was budgeted.

The total patronage dividend amount for 2010 was \$566,346, which is approximately 3.3% of about \$17.1 million in sales to owners. This amount was calculated by our CPAs to be the maximum patronage dividend allocation allowed by the IRS. Since the Board has decided to retain 50% of this patronage dividend allocation for future capital needs, 50% will be the actual amount distributed. Each owner will receive a check in early June 2011 for approximately 1.65% of their purchases during the year, subject to a new minimum check limit of \$2.00.

Thank you for your continued support and patronage of the Ashland Food Cooperative.

WHERE DID THE MONEY GO IN 2010?



ASHLAND FOOD COOPERATIVE

BALANCE SHEET

	12/31/10	12/31/09
ASSETS		
Cash & Cash Equivalents	1,241,386	1,145,466
Short-term Investments	1,812,649	1,270,537
Current Assets (excl. Inventory & Cash)	278,473	181,811
Inventory	629,492	585,201
Total Current	3,962,000	3,183,015
Long-term Investments	110,185	108,909
Fixed Assets	2,623,590	2,637,213
Total Assets	6,695,775	5,929,137
LIABILITIES & EQUITY		
Accounts Payable	744,860	560,324
Patronage Dividend Payable	283,173	290,562
Current Liabilities (excl. Accounts Payable)	973,602	908,116
Total Current Liabilities	2,001,635	1,759,002
Long-term Liabilities	202,000	181,000
Total Liabilities	2,203,635	1,940,002
Retained Patronage Dividend	1,282,750	999,577
Retained Earnings	2,350,818	2,244,975
Equity (excl. Retained Earnings & Net Income)	701,834	638,740
Net Income	156,738	105,843
Total Equity	4,492,140	3,989,135
Total Liabilities & Equity	6,695,775	5,929,137

ASHLAND FOOD COOPERATIVE

INCOME STATEMENT

	2010	%	2009	%
Sales	24,373,027	100.00%	22,554,241	100.00%
Cost of goods sold	15,885,313	65.18%	14,810,891	65.67%
Gross Margin	8,487,714	34.82%	7,743,350	34.33%
Operating Expenses				
Wages & Benefits	5,620,803	23.06%	5,187,232	23.00%
Profit-sharing	121,865	0.50%	112,771	0.50%
Occupancy	341,062	1.40%	286,615	1.27%
Depreciation	185,538	0.76%	190,145	0.84%
Operating	547,889	2.25%	490,363	2.17%
Administrative	199,695	0.82%	179,310	0.80%
Governance	100,589	0.41%	77,160	0.34%
Member Sales Discounts	348,154	1.43%	335,387	1.49%
Promotional	198,034	0.81%	204,119	0.91%
Other expenses (income)	-16,459	-0.07%	-97,258	-0.43%
Income before PD and taxes	840,544	3.45%	777,506	3.45%
Patronage Dividend	566,346	2.32%	581,124	2.58%
Taxable Income	274,198	1.13%	196,382	0.87%
Income Tax Expense	117,461	0.48%	90,540	0.40%
Net Income	156,737	0.64%	105,842	0.47%

Annual Social Responsibility Report

More Progress Made on Sustainability Goals

Our committee continued its work toward becoming a fully sustainable cooperative grocer by the year 2030. One of our biggest achievements was sending our first annual report to the Food Trade Sustainability Leadership Association. These reports are a requirement of FTSLA membership. FTSLA is a non-profit trade association dedicated to helping the organic food trade transition to more sustainable practices and raise the bar across the food industry. By working together with other leaders in our industry, we can actually make meaningful changes throughout the supply chain.

Here's a healthy sampling of our efforts:

- AFC employees separated unwanted materials into more than a dozen different waste streams, only one of which goes to the landfill. Our two largest volumes of landfill waste come from our deli (largely post-consumer waste) and our produce and meat departments (waxed cardboard boxes).
- Conservative estimates of our 2010 waste output (cubic yards):
 - » Landfill – 1,165
 - » Recycling – 574
 - » Compost – 58
- In 2007 AFC used approximately 30,000 paper shopping bags per month; in

2010 we averaged only 3,500 bags per month, despite an increase in sales.

- We used over 136,000 bagasse (natural fiber) trays for packaging meat, directly replacing an equal quantity of Styrofoam trays. We are still looking for a suitable replacement for seafood packaging.
- Late 2010, the deli switched to durable ware for eating in store. This reduced the Deli's post-consumer trash by 50%.
- Electrical consumption in the store has fallen 5.9% in the past two years even as sales increased; however, our overall consumption increased in 2010 after we acquired several new satellite buildings.
- Our new Pioneer Street facility was completed with our sustainability mission in mind.
- In Fall 2010 we initiated a program to collect bikes from the community, repair them, and give them to employees for free. Five employees signed up for and received free bikes for their commute to work.

Social Equity, Education and Service

The Outreach Team engages in activities that enhance social equity in the community and fulfill the Cooperative Principle of Education, Training and Information. In 2010 we added a variety of new and exciting projects made possible by growing our Co-op volunteer base.

New Ventures

- Quarterly Community Forums
- Co-sponsorship with ECOS of first annual Winter Film Series at SOU
- Kids in the Kitchen monthly series of cooking classes for children
- Kids in the Kitchen Recipes for Young Eaters demonstrated at the Culinary Kiosk
- Farm Tours enhanced by lunches made and served by Co-op volunteers from ingredients sourced from the farm we visited
- Creation of special purple Co-op Volunteer aprons. Now you can tell who they are!

Community Support

- Local non-profit organizations received \$23,100 in Community Grants
- Smart Chicken matched our sales for a month and donated chicken to ACCESS
- Spontaneous giving at the register supports Ashland Food Bank, Scan Against Hunger and Scan for Our Schools

Special Events

- Matt Dillon from Organic Seed Alliance was a guest speaker at the Annual Meeting
- The Lions Club of Ashland barbecued chicken donated by Smart Chicken for the Annual Meeting



photo by Rory Finney

