

2011 Annual Report

Message from the Board of Directors

by Gwyneth Bowman, President



As I reflect back on the year of 2011 the words “Happy Lonesome” come to mind. This was a year of success, positive growth, with handfuls of challenge thrown in. Our Board of Directors went through significant change as three new owners joined our team. We welcomed Sheila Carder and Phil Johnson, who were successful candidates in our election and Charles Douglass who was appointed to a vacated director position. We also grieved the loss of director Ric Sayre who died suddenly.

Our Co-op, one of the most successful in the nation, grew to more than 7,700 household owners. This is a tribute to our First and Third Principles, Voluntary and Open Membership and Member Economic Participation. Our owners share daily about their love for their Co-op. Many told us they moved to our community because of their trust in our safe and nutritious food.

Not only were we able to improve employee benefits, but our community was benefited by adding necessities to our Basic Pricing program to purchase nutritious foods. Our financial audit, by an independent CPA firm, commended us for an accurate, excellent job! Great management and great successes!

Our owner volunteers, committed to values of self-help, self-responsibility and solidarity, have expanded in numbers. Their belief in social responsibility and caring for others has resulted in dynamic outreach programs. They walk the talk of our Fifth Principle – Education, Training and Information for our community.

Having a deep belief in our values of

democracy and equality, our Board supports our employees having an informed election to make the choice of who they want to represent them. In honesty and openness, we ask others to remain neutral as they make this determination. Our Second and Fourth Principles of Democratic Member Control and Autonomy and Independence speak to us about the importance of being a self-help organization controlled by our owners. In this example our employees must be free of intervention so they can exercise their rights under our federal laws.

Challenges in our future include our community’s response to GMOs. Our Seventh Principle, Concern for Community looms as a very important crossroads for all of us. We must make a determination of what our future involvement and intervention will be.

We are looking forward to CELEBRATION in 2012! It is the International Year of Cooperatives and Ashland Food Co-op’s 40th Birthday Party! We also extend a warm welcome to Medford Food Co-op. Our Sixth Principle, Cooperation among Cooperatives, underlines the importance of us working together and supporting one another.

Report from the General Manager

by Richard Katz



2011 was a year of small accomplishments and some potentially large changes.

» Sales growth for 2011 came in at a respectable 7.5%. Deli, Bulk, and Meat & Seafood led department sales growth, all with increases of over 10%. Sales volume came in at over \$26 million, with Co-op owners making 70% of those purchases.

- » Under the leadership of General Manager Emile Amarotico and Board President Jim Sims, Medford Food Co-op opened its doors last August after many years of organizing. AFC supported them in this effort through offering assistance from our experience. Their sales have continued to increase since opening.
- » AFC participated in Just Label It, a campaign to organize citizens to urge lawmakers to force labeling of Genetically Modified Organisms in food products. This effort garnered over one million comments written by consumers who care. Their website is <http://justlabelit.org>.
- » The Co-op began its own Scrip program to allow schools to purchase gift cards at a 5% discount and sell them to parents at face value. Schools use the 5% difference to fund programs, scholarships, and projects. So far six schools participate.
- » The Specialties Department launched a Wine Club with monthly First Friday Wine Tastings, held in our Co-op Classroom. This has moved beyond a private club to an inclusive public event that highlights local producers and showcases vineyards from around the world.
- » We continued to work on facility improvements, focusing on landscaping upgrades including low perimeter walls, new irrigation, and more plantings. This will continue through 2012.
- » In June we became aware that some employees had contacted a union, UFCW Local 555, to organize workers at the Co-op. Employees on both sides of this issue have been dialoging and organizing. We held an Owner Forum in November to let owners know about this effort and give people a chance to speak and ask questions. Over 200 owners attended the three hour event. We learned at that time that the union had filed Unfair Labor Practice charges against the Co-op through the NLRB. These charges were settled with the NLRB in April.



Another Good Year for the Co-op!

Report from the Board Treasurer by Guy Nutter



As I am not running for reelection, this is my last annual report as Board Treasurer. It has been one of my favorite parts of the job, and writing it for the last time once again brings a smile to my face!

As you know, AFC follows a different business model than many businesses in America. I am happy to report that we can all be very proud of our not-so-little store. We now have 7,734 owners, up from 7,372 owners last year (and from 5,278 in 2007). Our sales have grown from \$24,373,027 in 2010 to \$26,200,755 in 2011. When we compare this to our 2006

sales of \$18,917,234, that's more than a 38.5% increase in sales over just 5 years.

Thanks to decisions by previous Boards of Directors, a great management team, our employees, and you, the owners of this business, AFC is debt-free. All of the upgrades and improvements you have seen in the past few years have been paid for without the Co-op having to borrow any money.

In 2011, as a result of a concerted effort by AFC's Financial Manager and GM, the Co-op now conducts 80% of its banking through local banks. As you can guess, for a business of our size, finding local banks to handle our rather complex needs, getting systems set up and in place, and moving accounts was no small task.

As owners in this cooperative business,

we all enjoy certain extras. Every year we get those extras in the form of \$5 and 10% coupons in our newsletter, coupon booklets which can be picked up at the store, and, best of all, a dividend check in the mail at the end of the year. "What other grocery store sends you a check just for shopping at their store?"

Some of you may wonder what those benefits work out to be. Well, if you spent \$3,000 at the Co-op last year, you received approximately \$56 in up-front benefits (\$5 coupons, 10% coupons & coupon booklets) and then you should receive approximately \$52 in a Patronage Dividend check.

Speaking of benefits, I cannot adequately express how rewarding it has been serving you for the past five years. Thank you.

2011 Financial Report to Owners

Presented by Christina Oliver,
Financial Manager

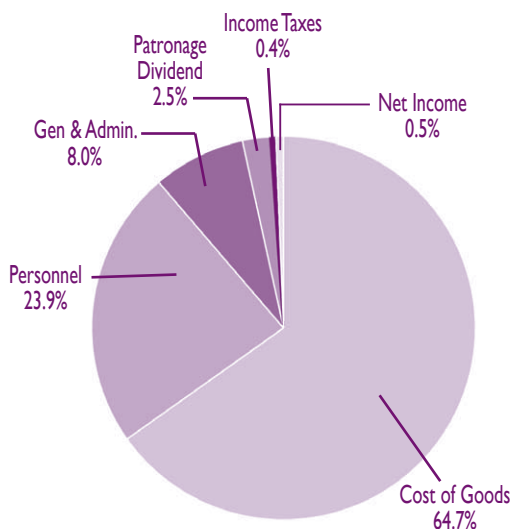


The year 2011 was a good one, financially, for the Ashland Food Co-operative. Our sales growth over the previous year was a healthy 7.5%, which is significantly higher than the 5.2% that was budgeted.

The total patronage dividend amount for 2011 was \$649,938, which is approximately 3.4% of about \$18.9 million in sales to owners. This amount was calculated by our CPAs to be the maximum patronage dividend allowed by the IRS, subject to our \$2 check minimum. 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 2012 for approximately 1.7% of their purchases during the year.

Thank you, loyal owners, for your continued patronage of the Ashland Food Co-operative.

WHERE DID THE MONEY GO IN 2011?



ASHLAND FOOD COOPERATIVE

BALANCE SHEET

	12/31/11	12/31/10
ASSETS		
Cash	1,723,132	1,241,386
Short-term Investments	2,156,682	1,812,649
Othe Current Assets	210,808	278,473
Inventory	671,358	629,492
Total Current Assets	4,761,980	3,962,000
Long-term Investments	0	110,185
Fixed Assets	2,535,880	2,623,590
Total Assets	7,297,860	6,695,775
LIABILITIES & EQUITY		
Accounts Payable	790,063	744,860
Patronage Dividend Payable	324,969	283,173
Current Liabilities (excl. Accounts Payable)	986,570	973,602
Total Current Liabilities	2,101,602	2,001,635
Long-term Liabilities	193,000	202,000
Total Liabilities	2,294,602	2,203,635
Retained Patronage Dividend	1,612,818	1,282,750
Retained Earnings	2,507,737	2,350,818
Equity (excl. Retained Earnings & Net Income)	701,834	754,269
701,834	Net Income	128,434
156,738		
Total Equity	5,003,258	4,492,140

ASHLAND FOOD COOPERATIVE

INCOME STATEMENT

	2011	%	2010	%
Sales	26,200,755	100.00%	24,373,027	100.00%
Cost of goods sold	16,962,962	64.74%	15,885,313	65.18%
Gross Margin	9,237,793	35.26%	8,487,714	34.82%
Operating Expenses				
Wages & Benefits	6,137,959	23.43%	5,620,803	23.06%
Profit-sharing	131,004	0.50%	121,865	0.50%
Occupancy	413,588	1.58%	341,062	1.40%
Depreciation	187,969	0.72%	185,538	0.76%
Operating	562,820	2.15%	547,889	2.25%
Administrative	272,692	1.04%	199,695	0.82%
Governance	108,644	0.41%	100,589	0.41%
Member Sales Discounts	374,493	1.43%	348,154	1.43%
Promotional	214,720	0.82%	198,034	0.81%
Other expenses (income)	-48,657	-0.19%	-16,459	-0.07%
Income before PD and taxes	882,561	3.37%	840,544	3.45%
Patronage Dividend	649,938	2.48%	566,346	2.32%
Taxable Income	232,623	0.89%	274,198	1.13%
Income Tax Expense	104,189	0.40%	117,461	0.48%
Net Income	128,434	0.49%	156,737	0.64%

Annual Social Responsibility Report

Sustainability Goals Become More Focused for 2011

Our top goal in 2011 was to reduce our landfill pickups by 50%. We recycled 4 cubic yards of material for every 1 cubic yard sent to the landfill. This was an improvement over 2010 where we had a 3 to 1 ratio. We eliminated approximately 28% of our dumpster pickups. We accomplished this primarily by introducing durable-ware for our dine-in deli customers and by reducing our waxed cardboard waste. AFC initiated a pilot program with three of our largest growers to explore using reusable produce containers to help reduce the use of waxed cardboard.

In addition, we advanced our in-store recycling programs with a dedicated area for storing and sorting recyclables, additional recycling education for employees, and improved recycling infrastructure in work spaces. Additional projects this year included a pilot program for employee composting in our staff break room area, and completion of a small garden of four raised beds on our campus, to provide fresh herbs to our Community Oven culinary program and our Meal Solutions tasting program. The beds also provide garden-related outreach, and inspiration for would-be gardeners.



For the past several years, AFC has focused on small climate-friendly projects as a place to begin addressing climate change. We have a number of programs to encourage climate-friendly transportation. We provide secure parking for bicycle commuters and shoppers, and we give weekly prizes to employees who walk, bike, and carpool. We have a program to collect bikes from the community, repair them, and give them to employees for free. In 2011 six employees received free refurbished bicycles, and several others received free bicycle repairs and parts.

Our sustainability committee remains on the path for our 2030 sustainability goals. We are committed to implementing our strategic goals every year knowing that we must remain flexible as opportunities and challenges arise.

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 2011 our expanded volunteer base allowed us to offer more school tours, classroom visits, and cooking classes for special needs students. Volunteer support also allowed for creation of on-going partnerships in the community.

New Ventures

- Created an on-going workshop for Farm to School volunteers who teach children how to chop and cook food they harvest on the farm.
- Started a Co-op garden club to oversee the planning and planting of four raised beds behind the Pioneer St. Classroom. Produce from the beds is used in cooking classes and culinary tastings. Winter gardening classes were offered as part of planting the beds.
- Streamlined Meal Solution tasting program with a new recipe card format and more focus on local products.
- Partnered with the YMCA to teach their day care kids about healthy snacks.



- Themed our two Farm Tours to spotlight the region's unique and nationally recognized Herb Pharm and Pacific Botanicals.
- Co-sponsored the world premiere of A Wild American Forest, a documentary about the Klamath-Siskiyou eco-region.

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

- Eat Local Week Festival included a Food, Flowers and Art reception in the classroom. Art work from Betty LaDuke featured farmers Joan Thorndike and Suzy Fry.
- Co-sponsored a year of events with Southern Oregon Birth Center focused on the young family. These included an all-day fair in the classroom; a community forum focused on choosing Health Care Providers; monthly Free Monday Night Lectures about pregnancy; and cooking classes specifically for healthy pregnancy.
- Co-sponsored an Amazing Grains Symposium with Oregon State University Extension Office. Part of our contribution was creating a booklet of recipes for participants to take home.