Sitka Food Co-op
2015 Annual Report

March 1st, 2016

Our Vision
Bringing good food and community together

Our Mission
Working together to nourish the community by focusing on value while providing healthy food and quality products

Our Values
Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. In addition, the Sitka Food Co-op values local, regional, humane, and organic food sources, food security, health, community, diversity, and a sense of humor.

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The Year In Review

From the 2015 Board of Directors
By: Maricruz Vega, Jen Mac Donald, & Robert Baines

This year was all about getting more firmly established as a local business in Sitka. We started the year with a change in management staff and several new faces at the table serving on the Board of Directors. We were ready and eager for another exciting year, but our enthusiasm was tempered by individual circumstances requiring several board members to step down. Life happens – so we regroup, adapt, and continue forward.

The first part of the year was spent transitioning and training; with Keith Nyitray stepping down from the Board and taking on the job of General Manager. One of our goals was to minimize operational responsibilities of board members and shift those duties to the General Manager. We needed to formalize our management structure even more so than we had in the previous year, and Keith’s familiarity with the inner-workings of the Co-op and gung-ho attitude made this possible. The Board sincerely appreciates Keith’s tireless efforts and extra hours devoted to making the Sitka Food Co-op a success. Additionally, the award of a $1,300 grant from the Indiana Cooperative Development Center and a $10,000 “Seed Grant” from Food Co-op Initiative (FCI) made it possible for our Co-op to take some big strides forward in membership growth and visibility in our community. We look forward to leveraging the remainder of the FCI grant in 2016 to achieve even more – and we hope to engage YOU, our members, in taking an active role in helping develop and attain our vision. Thank you to all of our members for your continued support!

From the General Manager
By: Keith Nyitray

Admittedly, stepping into the role of General Manager (GM) was a bit of a challenge at times for me this past year... there’s much that goes on “behind the scenes” that I never suspected while serving on the Board. Thankfully there’s an incredible national support structure that provides young and growing co-ops (like ours) with advice and training, as well as opportunities to connect with other co-ops & their GM’s from around the country.

While the position is challenging, it’s also quite exciting and rewarding as well. Without a doubt, I believe the Co-op is making a positive difference for our members and in our community and I look forward to helping the Co-op grow and develop in new and exciting ways while still providing the best possible service to all members.

General Overview
2015 was a year of continued growth and change. Operations were expanded, membership grew, sales increased, and our involvement in the community reached new levels of support and visibility. The following reports all paint the same picture… we’re successful and we’re growing! Though we didn’t make any money in 2015, we didn’t lose any either!
Financials
In 2015, as both our membership and overall sales grew, it became apparent that we needed to grow our investment in equipment, labor, professional services, and community outreach to match. While we continued to operate with frugality in mind whenever possible (e.g., Google web services and volunteers), some of our major expenses included: increased payroll and payroll taxes, fees for online services, professional services (bookkeeper, tax preparation), additional office and kitchen equipment & supplies, and promotional materials. To offset these expenditures we applied for and were successfully awarded a $10,000 matching grant from Food Co-op Initiative (FCI).

The following tables and graphs summarize the Co-op’s financial position in 2015 compared to the prior years:

**NET INCOME**

![Net Income Graph](image)

*NOTE: $2,316 in FCI Seed Grant reimbursements for 2015 expenditures did not arrive until early January 2016. Had they arrived prior to 12/31 this graph would indicate a $20 Net Income.*

**INCOME STATEMENT COMPARISONS**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>% of Total</th>
<th>2015</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>$108,390</td>
<td>100.00%</td>
<td>$139,106</td>
<td>100.00%</td>
</tr>
<tr>
<td>Merchandise Sales</td>
<td>$102,233</td>
<td>94.31%</td>
<td>$134,628</td>
<td>96.78%</td>
</tr>
<tr>
<td>Membership Fees</td>
<td>$3,205</td>
<td>2.96%</td>
<td>$2,796</td>
<td>2.01%</td>
</tr>
<tr>
<td>Grant Income</td>
<td>$2,760</td>
<td>2.55%</td>
<td>$1,582</td>
<td>1.14%</td>
</tr>
<tr>
<td>Misc. Income</td>
<td>$192</td>
<td>0.18%</td>
<td>$100</td>
<td>0.07%</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>$93,101</td>
<td>85.89%</td>
<td>$117,262</td>
<td>84.30%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$15,289</td>
<td>14.11%</td>
<td>$21,844</td>
<td>15.70%</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$13,417</td>
<td>12.38%</td>
<td>$24,159</td>
<td>17.37%</td>
</tr>
<tr>
<td>Net Income</td>
<td>$1,886</td>
<td>1.74%</td>
<td>(2,315)</td>
<td>(1.67%)</td>
</tr>
</tbody>
</table>
## Sitka Food Co-op
### Balance Sheet
#### As Of December 31, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-op Checking</td>
<td>10,040.79</td>
<td>16,087.08</td>
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<tr>
<td>Co-op Savings</td>
<td>3,417.03</td>
<td>2,773.57</td>
</tr>
<tr>
<td><strong>Total Bank Accounts</strong></td>
<td><strong>$13,457.82</strong></td>
<td><strong>$18,860.65</strong></td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>2,105.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Undeposited Funds</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Other current assets</strong></td>
<td><strong>$2,105.00</strong></td>
<td><strong>$0.00</strong></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>15,562.82</strong></td>
<td><strong>18,860.65</strong></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>2,009.56</td>
<td>1,450.44</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td><strong>$2,009.56</strong></td>
<td><strong>$1,450.44</strong></td>
</tr>
<tr>
<td>Other Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security Deposits Asset</td>
<td>4,150.00</td>
<td>0.00</td>
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<tr>
<td><strong>Total Other Assets</strong></td>
<td><strong>$4,150.00</strong></td>
<td><strong>$0.00</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$21,722.88</strong></td>
<td><strong>$19,811.09</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Cards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-op Credit Card</td>
<td>12,238.80</td>
<td>8,515.40</td>
</tr>
<tr>
<td><strong>Total Credit Cards</strong></td>
<td><strong>$12,238.80</strong></td>
<td><strong>$8,515.40</strong></td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City and Borough of Sitka Payable</td>
<td>1,305.06</td>
<td>1,132.02</td>
</tr>
<tr>
<td>Payroll Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AK Unemployment Tax</td>
<td>134.25</td>
<td>12.06</td>
</tr>
<tr>
<td>Federal Taxes (941/944)</td>
<td>241.55</td>
<td>91.80</td>
</tr>
<tr>
<td>Federal Unemployment (940)</td>
<td>98.02</td>
<td>19.44</td>
</tr>
<tr>
<td><strong>Total Payroll Liabilities</strong></td>
<td><strong>$433.82</strong></td>
<td><strong>$132.30</strong></td>
</tr>
<tr>
<td><strong>Total Other Current Liabilities</strong></td>
<td><strong>$1,738.88</strong></td>
<td><strong>$1,255.32</strong></td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>$13,977.68</strong></td>
<td><strong>$9,770.72</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$13,977.68</strong></td>
<td><strong>$9,770.72</strong></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>10,040.37</td>
<td>8,154.96</td>
</tr>
<tr>
<td>Net Income</td>
<td>-2,295.67</td>
<td>1,885.41</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>$7,744.70</strong></td>
<td><strong>$10,040.37</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td><strong>$21,722.38</strong></td>
<td><strong>$19,811.09</strong></td>
</tr>
</tbody>
</table>

**Note:** $2,016 reimbursement from FCI and $300 reimbursement from ICDC for 2015 not included as they arrived in 2016.
WHERE DID THE MONEY GO IN 2015?

Sales
The Co-op wrapped up 2015 with nine total suppliers providing quality products to the community. We continued working with Blue Valley Meats (free ranged GMO, hormone and antibiotic free meats & dairy products), Azure Standard (natural foods producer and distributor), United Natural Foods (national distributor of organic and natural products), Organically Grown Company (fresh produce), and Equal Exchange (Fair Trade products). We also continued featuring three local products sources: Finn Island Farm, Sitka Local Foods Network, and Gimbal Botanicals. New in 2015 was that, by member request, we added Eco-friendly cleaning products from Rockin Green.

Total 2015 sales, from all suppliers combined, was $193,420* (19% increase from 2014) with a definite surge in sales taking place in the last quarter of the year.

*Note: the $193,420 figure represent all dollars associated with each supplier (i.e., includes shipping, Co-op fees, and product sales). These figures differ from the Income Statement (above) because not all sales pass directly through the Co-op. Members pay most of the purchase costs for Azure Standard and Blue Valley Meats products directly to the supplier. We are including these figures because these sales represent purchases under the Co-op umbrella.
The following charts show sales, income, and combined values for all suppliers:

### 2015 SALES

**Sales By Supplier ($193,420)**

- 44% for $84,521 UNFI
- 20% for $39,165 Fresh Produce
- 19% for $35,951 Azure Standard
- 11% for $21,974 Blue Valley
- 6% for $10,777 Equal Exchange
- 0.4% for $715 Finn Island Farm
- 0.2% for $317 Gimbal Botanicals

**Net Income By Source**

- 32.08% for $7,473 UNFI
- 12.60% for $5,632 Fresh Produce
- 12.00% for $2,934 Azure Standard
- 9.01% for $2,796 Equal Exchange
- 6.79% for $2,099 Member Fees
- 0.55% for $1,582 Grants
- 0.42% for $584 Blue Valley Meats
- 0.55% for $127 Finn Island Farm
- 0.2% for $98 Gimbal Botanicals
The following table provides sales comparison statistics:

**SALE STATISTICS – 2014 vs. 2015 Comparison**

<table>
<thead>
<tr>
<th>Measure</th>
<th>UNFI</th>
<th>Azure Standard</th>
<th>Blue Valley Meats</th>
<th>Fresh Produce</th>
<th>Equal Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest dollar volume for a single month</td>
<td>$9,784</td>
<td>$9,998</td>
<td>$4,490</td>
<td>$3,844</td>
<td>$3124</td>
</tr>
<tr>
<td>Total sales for the year</td>
<td>$87,934</td>
<td>$84,521</td>
<td>$36,925</td>
<td>$35,951</td>
<td>$19,239</td>
</tr>
<tr>
<td>Percent change from previous year</td>
<td>-3.9%↓</td>
<td>-2.6%↓</td>
<td>+14.2%↑</td>
<td>+243.7%↑</td>
<td>+363.8%↑</td>
</tr>
</tbody>
</table>

$^1$ Fresh Produce – members could order twice/month starting in February of 2015
$^2$ Equal Exchange sales were not initiated until September 2014

**Operations**

Co-op operations in 2015 were largely focused on improving member service in as many ways as possible. One of our main changes this past year was our decision to offer fresh produce sales twice per month. This has been a great success and demand for our produce continues to be on the upswing. In conjunction with “opening our doors” two times per month, another change in operations was that we increased the amount and diversity of retail items (inventory) made available to members and the general public on delivery days. As a result, sales from our retail tables have risen from a few hundred dollars per month to over $2,000/month. The third major change this year was that we started offering sales on select items that range from 10 - 40% off regularly listed prices. By taking advantage of the
special promotions and discounts offered by various product “brokers” as well as the monthly “hot sheet” sales offered by UNFI we’re able to pass these savings directly to our members.

Behind the scenes: we were able to get the administrator for the Foodclub site to upload pictures of various products and also create ways to display our monthly sales; we made equipment purchases to make it easier for volunteers to sort & split orders (additional scales, knives, gloves, etc.) and store and transport our inventory (totes), and another iPad was purchased to help decrease wait times while on the check-out lines.

Our operations continued to incorporate environmental practices (e.g., re-using glass containers, egg cartons, recycling, continuing paperless operations where feasible, supporting local foods activities, supporting green education, and providing organic/fair trade/green products), which resulted in the Co-op receiving the Sitka Global Warming Group’s Green Business Award for the 3rd year in a row.

Volunteers
Food co-ops traditionally have utilized volunteers as part of their operational structure to keep costs down, create a sense of community within the organization, and build greater support and understanding from its members. We follow this same model and owe our successes again this year to active volunteer engagement. Without member support we couldn’t do what we do.

In 2015, 37 people gave 1,360 hours of their time to support the Co-op (equivalent to 175, 8-hour days). Of those total hours, 730 hours were devoted to helping with order deliveries (38% more than 2014) and the 5-member Board of Directors contributed the remaining 630 hours while attending meetings, workshops, and working on various projects and reports.

Our top volunteers (not including Board members) are recognized below, but all of our volunteers deserve our most sincere appreciation for their contributions!

1. The DeWinter Family
2. Deb LeVeck
3. Kathleen McCrossin
4. Hilloah Courtney
5. Ariane & Geoff Goudeau
6. Pam Bennion
7. Betsy Decker
8. Amber & Arthur Parker
9. Lacy Pennington
In addition, we know that not all members can volunteer during our order delivery days. As with any growing organization, there are many other opportunities to support the Co-op and we encourage our members to consider joining one of our committees to help us accomplish the following tasks:

- Diversify and increase membership, work on education & community outreach.
- Identify and develop options for improved member service.
- Identify and develop additional local and regional suppliers.
- Explore and develop options (including financing) for a permanent location.

**Membership**

We recognize that members are the core of our cooperative and as such, it is critical that we meet everyone’s needs to the best of our ability.

Throughout 2015 we endeavored to make improvements in those areas that we had control over. For example, we expanded our produce deliveries to twice monthly, altered hours for pick-ups, worked with Foodclub to improve website functionality, and recently launched a brand new website of our own with new features and easier navigational links. Overall, we continue to receive positive feedback on our current products and pricing, our courteous customer service, and our response time to any and all inquiries, concerns, and comments.

We must be doing something right! In 2015 our paid membership increased by 25 members for a total of 165 (18% increase from 2014). In addition, at the end of 2015 there were an additional 37 people who had signed up online, but had yet to order or complete their memberships.

Throughout 2016, we will continue to seek member feedback through membership surveys and direct contact. Our goal for 2016 is to reach a 300-membership level. To do this we need your help. Remember:

“**Friends tell other friends about the Co-op.**”

**Outreach & Education**

**Website and Social Media.**
Our use of the internet has proven invaluable in organizing our outreach efforts. Where our website is the main source for information about who we are and how we operate, we also actively use Facebook as a means for quick information delivery and feedback. Our presence on local pages such as “Sitka Chatters” has proven especially valuable in increasing our visibility, promoting sales, and bringing in new members.

**Other Media**
This year we finally created our own print brochures that are available at all our events and, in November of 2015, we began airing our first radio ads on two local stations (KIFW & KSBZ).
Events & Activities
One of our objectives is to support local production of foods and other goods; and a number of our outreach and education efforts revolved around this theme. The Co-op participated in or helped sponsor the following community events in 2015:

- Sitka Kitch Workshops
- Sitka Food Collaborative: working toward addressing the emergency food needs of Sitka
- Sitka Local Foods Network – Spring Local Producers Table: providing locally grown vegetables starts
- Sitka Farmers Market (6 markets throughout the summer)

Community Support
One of the seven cooperative principles is “concern for the community” and the Co-op puts this into practice by working with several community service organizations to provide access to healthy foods via:

- Direct food donations to the SAFV shelter & the Sitka Senior Center
- Membership assistance (for those in need)
- Letters of support for several proposed local endeavors relating to food production and security
- Sponsorships of local events including:
  - Thanksgiving Community Dinner at ANB Hall
  - Sitka Tribe of Alaska’s Thanksgiving Baskets
  - Christmas Community Dinner at ANB Hall

We were also contacted by the Youth Advocates of Sitka seeking support for their “Youth Business” program’s “Food Truck” (selling Smoothies) that they will be operating during the spring/summer of 2016. We look forward to supporting this program and the Youth Advocate program in general.

Acknowledgements
While we are successful and growing, we’re also aware that we need outside help to continue doing so in a professional and profitable manner. Over the past year the Board and staff has worked closely with several national groups to assist us with planning, training, development, and community outreach. Of those we would especially like to thank:

- The Food Cooperative Initiative for not only all their instructional advice and materials, but a $10,000 matching Seed Grant… which we’ve just begun to utilize fully!
- Stuart Reid of the Food Cooperative Initiative for coming to Sitka in October to conduct a strategic planning workshop.
- CDS Consulting Cooperative for their professional advice, online services and workshops.
- The Indiana Cooperative Development Center for a $1,300 grant to cover expenses for the financial workshop and Board training workshop by CDS consultant Todd Wallace.
- Todd Wallace for his generous reduction of his usual contractual expenses because he loves Sitka and our Co-op so much!
- Equal Exchange for their generous donation of coffee and snacks for the emergency workers last August as well as an additional 25 lbs of coffee for the Thanksgiving and Christmas community dinners held at ANB Hall.
- The Northwest Cooperative Development Center for helping us share our experience with other groups in the Pacific Northwest interested in starting their own cooperative.
- Young Han – (Radial Motion) - who generously volunteered countless hours of his time and expertise to develop our new website even though he doesn’t live in Sitka and isn’t a member of the Co-op!
The Future

While our focus in 2015 was mostly on immediate operational needs and member services, we recognize that there are still areas that need to be improved upon. While we will constantly strive to improve our operation, the focus in 2016 will be on the following areas:

Distribution Location
As we are reaching the carrying capacity at our current location and are encountering associated logistical problems associated with the size and scale of the orders (and volume of chill and frozen items), we are looking at the possibility of having a more permanent location (or set up) that will provide for more efficient and manageable deliveries, distribution and storage of items, and for the continued growth in our operations.

Ordering Instructions
We understand that ordering online has been both daunting and discouraging for some members and we will continue to work with Foodclub on improving the experience. (A new Foodclub site is currently under construction and we have provided many suggestions for improving the site.) In the meantime, we will continue in-person tutorials on the “tips & tricks” of ordering to any member who asks, and will publish additional resources and instructions online at sitkafoodcoop.org

Delivery Day Operations
To streamline operations on delivery days we are preparing to hire several part-time cashiers to assist members with getting orders and invoices paid for with minimum hassle and confusion. We are also looking into upgrading our “point of sale” systems to allow for improved tracking of sales and inventory.

Membership Diversity & Accessibility
While there is a growing “buzz” about our Co-op, many segments of our community are still unaware and unsure of who and what we are, and what services we provide. So, in 2016 we will seek to continue expanding our community outreach via print & radio advertisements as well as through social media outlets. In addition, two projects we would like to see developed are: the ability to accept Alaska Quest (food stamp) cards, and a “home-delivery” system for those in the community with limited transportation and mobility options. (If you are interested in either of these projects please contact a member of the Board of Directors.)

Member Equity Transition
We will be proposing a member equity/patronage system (versus annual member fees) and expect to seek membership approval for this transition later this year so that it may be implemented at the start of 2017.

Fundraising
At the end of 2015 we applied for a State “Gaming License” and, if approved, we hope to hold our first raffle as a way to raise funds to better serve, and support, our community.

Co-op Mentoring
One of the seven cooperative principles is “cooperation among cooperatives” to work together to strengthen the cooperative movement. Established food co-ops have much to share and teach startups like us and we take advantage of this at every chance we can and every conference we can attend. We,
in turn, have much to offer other younger more nascent co-ops in terms of lessons learned. Currently we are offering our advice and services to the "Organic Food Co-op" in Portland, Australia.

**Conclusion**
We’ve come a long ways these past four years. We’ve gone from a small group of individuals in a buying club to an incorporated cooperative that is (as of this report) now serving over 180 households, is bringing an average of four tons of food into town per month, and is on track to do well over $240,000 worth of sales in 2016! Thanks to all our members and to the members of the general public who are still learning about who we are and what we have to offer our community – we are growing!

Together we ARE creating an alternative food model for Sitka that works!

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**Cooperative** [kō'ēp(ə)rətiv]

**Adjective:** involving mutual assistance in working toward a common goal.

**Noun:** a farm, business, or other organization owned and run jointly by its members, with profits or benefits shared among them.
The 7 Cooperative Principles are guidelines by which cooperatives put their values into practice:

#1: Voluntary and Open Membership: Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

#2: Democratic Member Control: Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

#3: Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their cooperative. Members allocate surpluses for any of all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

#4: Autonomy and Independence: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

#5: Education, Training and Information: Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

#6: Cooperation Among Cooperatives: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

#7: Concern for Community: While focusing on members needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.