Sitka Food Co-op
2017 Annual Report
March 11th, 2018

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 Board of Directors by Ariane, Geof, Kathy, Jim, & Ron

Growth and adaption are two words that come to mind for describing 2017. The Co-op still has just above 200 active members, yet the order sizes just seem to be getting bigger and bigger! Luckily, we’ve had over a third of our members volunteer on and off throughout the past year. Delivery days just wouldn’t be possible without them. So a big “thank you” to our many volunteers. Though we have had to say good-bye to Holly, we have welcomed in Leah and Maury as assistant managers to Keith.

Earlier in the year, the Board successfully wrote up a new set of by-laws to be voted on and there are now new governance policies in place that have really helped define everyone’s roles - allowing Keith and the Board to work better as a team. These governance policies will continue to provide guidance to future Board members and staff.

Centennial Hall has been such a great location, but is already starting to feel small. Hopefully 2018 will continue to bring about growth and adaption, with us moving even closer to a more permanent and stable distribution location.

From the General Manager by Keith Nyitray

Wow! What another amazing year of growth for all of us at the Co-op. No doubt I’ve sounded like a broken record each and every time I announced that we’d just broken another sales record, but that’s what’s happened on a regular basis this past year. We just kept growing and growing! Overall, sales increased by another 20% this past year, which – on top of our 48% growth in 2016 – means the overall value of what our members purchased through the Co-op grew by 77% in the past two years alone. I’m sure everyone has noticed that occasionally we’ve had to rent the third room at Centennial Hall to meet the ever-increasing number and size of our orders. Heck… even when we expanded and used all three rooms (3,652 square feet) for our larger orders the space was a tad tight. Don’t get me wrong, it’s a good problem to have, but it’s one we need to seriously look at and address if we’re going to continue providing the best possible service to all our members (both current and future) and the members from the general public who just walk-in to “Shop the Co-op.”

One of the things we know from looking at our statistics and the results of our recent survey is that there is a definite opportunity for us to grow even larger. With 200+ members this means only six percent (approximately) of the households in Sitka are participating in the Co-op. We also know from the responses to our most recent survey that: more than a third of our members spend less than 25% of their monthly food budget through the Co-op; that another third spends between 25% and 50%; and that the final third spends somewhere over 75% of their food budget through the Co-op. These numbers tell me that there is so much more that we can to do provide wholesome, natural, and organic foods and products as inexpensively as practicable to our community. This has always been our goal, and always will be.

I know that many of our members are concerned about what our future will look like when we move to a more stable and possibly permanent distribution center/location of our own. Rest assured, from “day one” we have always promised to continue our existing program which allows members to pre-order and
“split” cases in advance of a delivery. This is why our focus is centered on creating a better distribution location as opposed to developing a typical storefront. Of course, our retail operation would naturally expand as we’d have more space to have more products on display, and we’d have the stability to have bulk dispensers – meeting the many requests from members for more bulk goods and less packaging.

As always, our success is due to our members and their support of the Co-op. Members are an important component of who we are - and we could never be a successful “cooperative” without the cooperation of all our members. Whether members help out weighing produce or splitting 25 pound bags of beans, attend Board and committee meetings to help guide the Co-op’s growth, or even just share their Co-op experience by telling their friends and family about who we are and what we’re doing… every member has contributed to the growth and success of the Co-op this past year. Without a doubt, we ARE making a positive difference in our community… and this is something every member should be proud of.

As your GM, know that I love what I’m doing and that I look forward to continue helping the Co-op grow in new and exciting ways while still providing the best possible service to all members. 2018 already holds promise of it being another amazing year, so look for new programs, events, and opportunities to participate in YOUR Co-op! Thank you for letting me work with… and for… you.

**General Review & Overview**
Each and every year since we incorporated in 2011 the Co-op has always been presented with a variety of challenges as we grew and developed our retail operation -- and 2017 was no different. This past year the main challenge was how to handle and process the increasing size and number of orders. As stated above, the Co-op grew an additional 20% in 2017. Members are now ordering more and more often, and, with the subsequent increase in the size of our deliveries, the amount of time and help required to keep the Co-op running increased as well.

Processing everyone’s orders (the paperwork behind the scenes), setting up (and taking down) Centennial Hall, unloading the pallets when they arrive, sorting and splitting cases and bulk items, placing the orders out on the tables, and then handling payments when members pick up their orders – takes a lot of work and time. Fortunately, our pool of volunteers did an incredible job of “stepping up to the plate” to handle the larger orders. Without them we couldn’t do what we do as well as we do it. Many thanks must also go out to our two assistant managers (Leah Murphy & Maury Hackett) for keeping everything and everyone running so smoothly and doing it with such a warm and friendly personal touch.

**Growth:** “The process of increasing in amount, value, or importance.” This one word definitely sums up what’s been happening with, and within, our Co-op these past six years.

The charts above, and the following reports, all paint the same picture… we are definitely growing.
**FINANCIALS (as of 12/31/17)**

**Gross Income:** $251,623 – (25.4% increase over 2016)

**Gross Value:** $341,954* - (19.4% increase over 2016)

*Note: This amount represents all dollars associated with all purchases from all suppliers. This differs from our Gross Income because members pay most of the purchase costs for Azure Standard and Blue Valley Meats products directly to the supplier. We include this figure because it represents the retail value of all purchases made under the Co-op’s “umbrella.”

**Total Expenses:** $243,489 – (26.6% increase over 2016)

**Net Income:** $8,135 – (0.015% decrease from 2016)

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**Annual Net Income**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,816</td>
</tr>
<tr>
<td>2012</td>
<td>$(903)</td>
</tr>
<tr>
<td>2013</td>
<td>$5,435</td>
</tr>
<tr>
<td>2014</td>
<td>$1,911</td>
</tr>
<tr>
<td>2015</td>
<td>$(2,756)</td>
</tr>
<tr>
<td>2016</td>
<td>$8,256</td>
</tr>
<tr>
<td>2017</td>
<td>$8,135</td>
</tr>
</tbody>
</table>

**Purchases Made By Members: $341,954**

- **UNFI** ($105,644 31%)
- **Fresh Produce** ($80,241 23%)
- **Azure Standard** ($72,277 21%)
- **Blue Valley** ($44,376 13%)
- **Retail Table - mix** ($34,433 10%)
- **Equal Exchange** ($5,933 1%)
Sitka Food Co-op 2017 Annual Report

SALES STATISTICS: 2016 - 2017

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest dollar volume for a single month</td>
<td>$11,622</td>
<td>$11,577</td>
<td>$7,856</td>
<td>$9,911</td>
<td>$8,473</td>
<td>$8,753</td>
<td>$6,653</td>
<td>$9,216</td>
</tr>
<tr>
<td>Total sales for the year</td>
<td>$110,107</td>
<td>$105,644</td>
<td>$52,270</td>
<td>$72,227</td>
<td>$37,821</td>
<td>$44,376</td>
<td>$59,099</td>
<td>$80,241</td>
</tr>
<tr>
<td>Percent change over previous year</td>
<td>- 4.1%</td>
<td>+ 38.2%</td>
<td>+ 17.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+ 35.8%</td>
</tr>
</tbody>
</table>

WHERE DID THE MONEY GO IN 2017?

Expenses
As in previous years, as our operations grew so did our expenses. This year our overall expenditures were 28% higher than last. The largest increases took place in four main categories:

- Rent/storage increased by 285%
- Payroll increased by 47%
- Shipping increased by 38%
- Cost of Goods sold increased by 15%

This year 76% of our expenses went towards the purchasing and shipping of the products members eventually purchased. Payroll and operational expenses (rent, equipment, office supplies, taxes, and dues & subscriptions) accounted for another 20%. Administrative expenses (3.5%) included Board and liability insurance as well as professional consulting, Board and GM training, and travel expenses.

Co-op Expenses: $243,489

- Cost of Goods ($150,336  61.7%)
- Shipping ($34,741  14.3%)
- Payroll ($29,059  11.9%)
- Operational Expense ($18,326  7.9%)
- Administrative Expenses ($9,214  3.5%)
- Charitable Contributions ($1,813  0.7%)
### BALANCE SHEET COMPARISONS

#### Sitka Food Co-op

**BALANCE SHEET**

As of December 31, 2017

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>AS OF DEC 31, 2017</th>
<th>AS OF DEC 31, 2016 (PY)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-op Checking</td>
<td>20,485.59</td>
<td>19,172.20</td>
</tr>
<tr>
<td>Co-op Savings</td>
<td>7,484.03</td>
<td>4,835.95</td>
</tr>
<tr>
<td>Total Bank Accounts</td>
<td>$27,969.62</td>
<td>$24,008.15</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>4,500.97</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>82.81</td>
<td>4,150.00</td>
</tr>
<tr>
<td>Undeposited Funds</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Other Current Assets</td>
<td>$4,583.78</td>
<td>$4,150.00</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$32,553.40</td>
<td>$28,158.15</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>2,007.91</td>
<td>1,625.44</td>
</tr>
<tr>
<td>Total Fixed Assets</td>
<td>$2,007.91</td>
<td>$1,625.44</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$34,561.31</td>
<td>$29,783.59</td>
</tr>
</tbody>
</table>

| LIABILITIES AND EQUITY      |                   |                        |
| Liabilities                |                   |                        |
| Current Liabilities         |                   |                        |
| Credit Cards                |                   |                        |
| Co-op Credit Card           | 16,317.43         | 14,153.54              |
| Total Credit Cards          | $16,317.43        | $14,153.54             |
| Other Current Liabilities   |                   |                        |
| City and Borough of Sitka Payable | -5,421.69        | 805.92                 |
| Direct Deposit Payable      | 0.00              |                        |
| Payroll Liabilities         | 715.66            | 180.55                 |
| Total Other Current Liabilities | $ -4,706.03      | $ 986.47               |
| Total Current Liabilities   | $11,611.40        | $15,140.01             |
| Total Liabilities           | $11,611.40        | $15,140.01             |
| Equity                      |                   |                        |
| Opening Balance Equity      | 400.71            | 229.55                 |
| Retained Earnings           | 14,414.03         | 6,157.79               |
| Net Income                  | 8,135.17          | 8,256.24               |
| Total Equity                | $22,949.91        | $14,643.58             |
| **TOTAL LIABILITIES AND EQUITY** | $34,561.31        | $29,783.59             |
Operations
Co-op operations in 2017 were largely focused on handling our larger orders. Also, as our understanding of the retail trade grew we expanded our use of various promotional offerings from even more of our vendors and their “brokers” to offer more online sales and add new items on our retail tables. Savings from these promotions were passed directly on to our members. Other operational changes included:

- Increasing the amount and diversity of our inventory made available to members and the general public on delivery days.
- Making additional purchases to make it easier for volunteers to sort & split orders (additional scales, calculators, storage totes, bags, etc.)
- Purchasing additional iPads and having more people on our “registers” to help decrease wait times while on the checkout lines. Though on main deliveries even having five registers isn’t always enough to prevent a line from forming. (Thank you for your patience!)
- Increasing the usage of paper bags for some of our produce items. (A direct response from our members to reduce the use of plastics - and we are currently in the process of looking for other ways to reduce our use of plastic bags and containers.)

Our operations also continued to incorporate other environmental practices (e.g., re-using egg cartons, reusing and recycling cardboard, continuing paperless operations where feasible, supporting local foods activities, supporting green education, and providing organic/fair trade/green products). This resulted in the Co-op receiving the Sitka Global Warming Group’s Green Business Award for the 5th year in a row.

Volunteers
Food co-ops traditionally have utilized volunteer labor 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. In 2017, 75 people gave 1,282 hours helping out with orders.

Of course, we know that not all members can volunteer during our order delivery days. So we’d like to remind everyone that there are always other opportunities to support the Co-op. We encourage our members to consider running for the Board, joining one of its committees working on projects such as: creating a strategic timeline, developing a professional business plan, initiating a capital campaign, and exploring options for a permanent distribution location.

Without member support we couldn’t do what we do.
Membership
In 2017 overall membership remained relatively level and ranged between 210 and 230 households. This was somewhat surprising given that new members have been joining every month. However, previous members and their families have also been leaving Sitka due to a variety of factors including retirement, job rotation and (as we all know first-hand) the high cost of living in town.

Membership is at the core of what any cooperative is about and we recognize that it’s important we try to meet everyone’s needs to the best of our ability. Overall, we continue to receive positive feedback on our current products and pricing, our courteous member service, and our response time to any and all inquiries, concerns, and comments.

Still, with only six percent of the households in Sitka participating in the Co-op we are well aware that we’re not adequately connecting with certain segments within Sitka: such as the Native, Filipino, and Coast Guard communities. This, however, is slowly improving. An increase in the number of Coast Guard families becoming members, and our recent partnership with the Sitka Tribe of Alaska, is a good start. Though there is still more that we could possibly do to expand our relationship with all the community segments of Sitka.

Of course, throughout 2018 we will continue to seek member feedback through surveys and direct contact. Our goal for 2018 is to reach at least a 250-membership level and to do this we’ll need your help. Remember: “Friends tell other friends about the Co-op.”

Website and Social Media
Our use of the internet has proven invaluable in organizing and handling our growth. While our website and emails are 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. Besides our own Facebook page, our presence on other local pages such as “Sitka Chatters” has also proven especially valuable in increasing our visibility, promoting sales, and bringing in new members.

Community Support
The seventh of the seven cooperative principles that we strive to operate by is “concern for the community,” and the Co-op puts this into practice through the following practices and programs:

- Membership assistance (for those in need)
- Our “New Beginnings” program which offers pre and post-natal products at a reduced cost to help the young families stay in town… and to give a healthy head start to our youngest and newest members.
- Donations of excess unsold produce to the SAFV shelter & the Sitka Senior Center.
- Annual sponsorship of the Thanksgiving & Christmas community dinners at ANB Hall.
- A sponsorship program to which local organizations can apply for donations at various levels.
- Work with the Sitka Tribe of Alaska and their social services division to find ways to improve their members’ access to healthy foods.
- Letters of support for several proposed state and national endeavors relating to cooperative and cottage industry development and business projects related to growing and/or producing local/regional food products.

Acknowledgements
While we are successful are 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 state and national organizations to assist us with planning, training, development, and community outreach. Of those we would especially like to thank:

- The Alaska Cooperative Development Center for a grant to help cover expenses related to attending a conference for young Co-ops, and a grant to cover all expenses for a preliminary financial feasibility study and workshops conducted here in Sitka by UAF Professor Howard Sparks and his graduate student Irina Brown.
- The Food Co-op Initiative for its continued advice, training, and financial support.
- The Democracy at Work Institute for their consultation when they visited us in Sitka.
- Organically Grown Company for their generous donation of over 300 lbs of produce, which we in turn donated to the community Christmas dinner held at ANB Hall.
- The Fairbanks Co-op Market Grocery and Deli for providing information, insights, and training in how to run a food co-op.

This Year and Beyond
While our focus in 2017 was mostly on handling the larger orders, we recognize that there are still areas that we need to work on. In 2018 will continue to work on and improve/expand the following areas:

Foodclub Ordering Instructions: New members always find using our Foodclub ordering site somewhat daunting so this year we hope to create both a user-friendly manual and a short video tutorial.

Our “Co-op Cares” Program: New for 2018 is our “member-driven” donations program where, when members pay for their orders, they can voluntarily increase their order totals to the nearest dollar amount. Then, every six months, those extra proceeds are donated to a local charitable or non-profit organization chosen by the membership in attendance at each annual meeting. At our current rate of donations, we should be able to donate $300 - $400 to each of the two charities members elect to support.

Distribution Location: As we always have done during these past six years, we will continue to work towards having a stable, possibly permanent, location of our own. Such permanence will provide for more efficient and manageable deliveries, improved handling of chill and frozen items, better and increased storage and display of and for our retail inventory, and… for the continued growth in our operations and service to our community.

Capital Campaign: Member loans are a standard funding strategy among existing co-operatives and later this year the Co-op will be asking members to lend the Co-op money to help us prepare for and to meet the growing demand for the needed services we provide. We also know that in order to receive additional financing from any financial institution that it is important that members show financial support by lending money to help grow the Co-op. Member loans show banks and other lenders that the community supports the Co-op. Other co-ops across the country have all used member loans as core financing strategies with great success and we hope to do so as well.

Putting The 6th Principle Into Practice: Principle 6 is “Cooperation Among Cooperatives” and over the past few years we’ve been approached by several smaller/regional communities in Southeast Alaska wondering if/how they might be able to set up a co-op of their own. For the most part nothing developed from those talks… till now. We just started working with a group of folks in Petersburg who are definitely interested in starting a co-op of their own. Whether they start from scratch (like we did), or possibly start by operating under our “umbrella” until they can manage everything on their own, remains to be seen. However, as other co-ops have helped us over the years it’s kind of cool to now be in a position to help others start their own co-op… especially in a nearby and neighboring community.
**Co-op Continuity:** In order to ensure the Co-op’s continuity, our staff is now in the process of updating and compiling a complete “task by task” manual of the Co-ops operations. This new detailed manual will allow anyone to step into the GM position (if/when needed) and be able to run the operation with the least amount of disruption to ongoing operations.

**Conclusion**
We’ve come a long ways these past six years as we’ve gone from a small group of individuals in a buying club to an incorporated cooperative that is now serving well over 200 households and businesses. Six years ago we only had a vague conception of what we could possibly grow into, yet here we are – on the way to bringing in over 60 tons of wholesome and natural products into town this coming year valued at over $360,000. Six years ago, though, we did have the vision of having a place of our own someday. Thanks to the continued and dedicated support of our members, Board, and staff that vision is now on its way to become a reality.

We believe that our mission to make available wholesome natural and organic foods and products as inexpensively as practicable is a worthwhile one and one that needs to continue well into the future… and we know that there’s a demand for what we are doing, and that more and more households are in search of ways to be able to afford providing healthy foods at reasonable prices to their families. As such, our ongoing task is to find the ways and means to continue growing and continue providing a needed service to our community. With everyone’s continued help and support, we’re positive we’ll be able to do just that.

Together we are creating something positive… something that meets some of the needs in our community… and something every member should be proud of. Here’s to the future of OUR co-op!

* * *

**Bringing Good Food & Community Together!**
Cooperative |kōˈäp(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; benefiting 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.