



Friendly. Healthy. Community owned.



Welcome to the 2014 Annual Report!

Read about how we have been working in alignment with our Mission Statement.

Kootenay Co-op Mission Statement

Our mission is to promote community involvement by cultivating a cooperative, sustainable, organic way of life through:

Providing the highest quality, affordable natural foods and products, and wherever possible organic, in a pleasant, comfortable environment;

- Serving members effectively;
- Encouraging a healthy local economy;
- Community and member education;
- Maintaining the financial health of the Cooperative;
- Promoting community interchange of ideas;
- Providing a workplace that reflects these values

Kootenay Co-op 295 Baker St., Nelson

Annual Report 2014

June 1, 2013 - May 31, 2014.

Serving Members Effectively

It has been a full and exciting year, both for the Co-op and me, as I complete my first full year as Customer Service & Checkout Manager! My focus as the manager of this large and hard-working department has been on improving both our checkout and customer service systems to maintain--and improve--high quality and efficient service to all Members and customers. It's been a pleasure to see so many improvements implemented this year that provide better service storewide to our member-owners.

Our Human Resources Manager, Sarah, started a "Passport Training" program for all Co-op staff, which includes two separate customer service trainings.

As of March 30, 2014, we increased our open hours and are now open from 7:30am to 9:00pm (instead of 8am-8pm), including most statutory holidays. This has allowed shoppers better access and eases congestion a bit as a result. As time goes on, more and more shoppers are taking advantage of these later and earlier opening times.

There have been improvements to managing our very busy and full store during our bi-annual caselot sales with additional staff assisting each cashier to process transactions quicker and more accurately, as well as giving customers more assistance with their large and cumbersome orders.

On July 1, 2014 we installed our new Point of Sale system. The new system is more intuitive and straightforward, reducing training time and increasing efficiency of time spent ringing through transactions. It also gives customers a clear break down of each item on the customer screen - what the savings are on sale items for members, discounted items, charges for bottle deposits, and returns for bottle deposits, etc. The new system also includes an integrated Interac machine, which means one less step for cashiers, quicker processing time and no errors!

Staff hours have also been extended at our customer service desk, providing service from 8am-9pm, allowing better and quicker service. In addition to all the existing services we offer at the customer service desk, we now do all returns and new member sign ups on the new POS station at the desk. Customer service is the go to place in the store for information, questions or concerns!

-Lori Robinson, Customer Service & Checkout Manager
t: 250 354 4077 www.kootenay.coop

Encouraging a Healthy Local Economy



As we continue to grow, so do our opportunities to help our local economy and build the healthy society of which we all dream. This was a very big year in the local food movement – real change is well underway and the energy stimulating this change is coming from a wonderful mix of young and old.

Department Specific:

The Grocery Department hired a new Assistant Manager, Patrick Angove. We've also seen a lot of local businesses changing hands: Uphill Bakery, Little Miss Gelato and Wild Onion Nutburgers are a few of them. It is great to see these businesses continue to flourish under new leadership.

The Deli has worked with a number of new local meat suppliers including laying the groundwork with Cripple Crow from Passmore who are poised to sell us over 1000 chickens this year.

The Produce Department has created the new position of Produce Buyer and promoted

James Wilkinson to fill the role. This position will give the Produce Department more time and energy to work with local vendors. Produce hosted a very successful Annual Grower Event with a completely revised format on November 14th. Over 50 people attended.

The Wellness Department saw Manager Lori Robinson move on to Customer Service/Checkout Manager and previous Assistant Manager Michelle Beneteau step up to take the Manager role. Kristina Hus the Wellness Buyer then moved to Wellness Assistant Manager and finally Mary Lauritzen took over the Wellness Buyer position.

True Local Campaign & New Vendor Information Package

The True Local Campaign officially launched on June 1st 2013, the first day of our new fiscal year. In tandem with our new comprehensive "Vendor Information Package" we are poised better than ever to give local suppliers the mentorship they need to be successful in their ventures.

On April 14th we hosted our second local supplier event "Eat, Drink & Be Local". Gary Diers, from Tipiland Organic Farm, celebrated 25 years of doing business with the Co-op in style with a very inspiring keynote presentation about Tipiland that left everyone in the room in awe. Attendance at this event exceeded 125!



There are things money can't buy...



Sharing Expertise & Spending Time

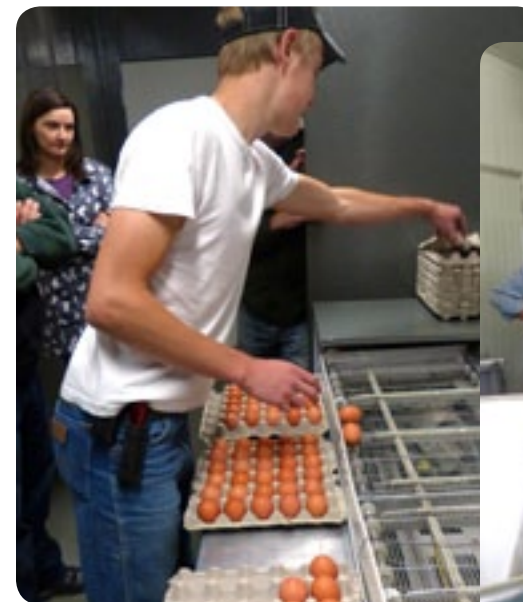
We promote a healthy community and economy in a variety of ways. We provide keynote speakers from amongst our knowledgeable staff and lead workshops throughout the region. We share resources like trainers, best practises and policies/procedures with our sister co-ops and fellow small businesses. We offer informal mentoring to numerous businesses and co-ops. And we sit on Boards and committees that serve the community.

Here is a sample of some of these efforts over the past 12 months:

- April 5th – Presentations at Food Farm Fork Event - Jocelyn Carver, Joe Karthein
- April-Dr. Compost Workshop Series-Christoph Martens
- March 15th – Presentation at Young Agrarians – Joe Karthein
- February 28th – Mentoring the Kettle Valley Food Co-op - Joe Karthein, Deirdrie Lang, Jocelyn Carver
- October 28th – Grand Forks Abattoir Meeting – Joe Karthein, Doug Falconer
- October 9th & 11th – Hosted Food Security Canada Webinars – Joe Karthein
- June 21 – 2013/14 Farm Visits (Kootenay Meadows, Sunshine Valley Eggs, Canyon City, & Mountain Harvest Farm)

Here's a partial list of community groups Co-op Managers contribute to:

- Nelson & Area Economic Development Partnership Advisory Panel
- Upper Columbia Cooperative Council Board of Directors
- Poverty Reduction Committee, Social Planning Action Network
- Kootenay Lake Agricultural Society Board of Directors
- City of Nelson Cultural Development Committee
- Downtown & Waterfront Master Plan Steering Committee
- Chief Constable's Diversity Advisory Committee



Community & Member Education, Promoting a Community Interchange of Ideas



This was a year that called for strong advocacy, focussing on three key issues: supporting local food growers & processors, the regulation of genetically modified (GM) food in Canada and the fate of BC's Agricultural Land Commission (ALR).

Local Food

Building on our True Local Campaign, which started just at the tail end of last fiscal year, we hosted a New Farmer information session last November, spoke at a number of regional events (including the Farm Food Fork event in Nelson and the Young Agrarians event

in Creston). We hosted Jean Michel Fortin, successful market gardener, and continued to promote our local farmers and food processors in our newsletter, on our website, in our Supplier Stories series in the Nelson Star and in person at our Co-op Minifest events during Marketfests.

GM Foods

Genetically Modified foods has also become a subject of great member interest. We were happy to become a participating retailer in the non-GMO project. We also were the local host for the GMO speaking tour with scientist Thierry Vrain. We deepened our commitment to non-GMO products with a new statement in our Buying Guidelines limiting GMOs in new products we carry.

The ALR

We also found ourselves as a centre of information and activity with regards to proposed changes to the Agricultural Land Reserve by the Provincial Government. While we cannot claim that farmers and their advocates won that battle, we raised our voices with many hundreds of others who see the importance of safeguarding agricultural land for future generations of BC residents.

On all three of these issues, we are fortunate to live in a community that so actively, thoughtfully and doggedly participates in public discourse and civic activism!

The Kootenay Co-op runs a plethora of community programs that provide a combination of material, financial and educational support to the larger community.

In total, the Co-op provided to the community more than \$100,000 worth of grants, scholarships, bursaries, awards, sponsorships, free promotion, venues and expertise as well as food, supplements, gift cards and more in the 2014 fiscal year.

How can a business that runs on such a tight budget do so much?

1. It's part of our mission

We fund these initiatives both through the Marketing & Outreach Budget (1% of sales). Also, our Board, managers and staff all contribute their time and expertise to help organise and support these initiatives as part of their duties, making us a pretty effective community group! This year, initiatives like the Local Supplier Appreciation Event (April), Member Loans Campaign (October), Local Suppliers Information meeting (November) and Twelve Days of Giving (December) were all great examples of collaborative events put together by multiple departments and the Board.

2. Co-op Member Generosity

We are fortunate to have an extremely generous membership who donate money via Co-op Outreach programs like our Till Donation cards and annual Holiday Giving Tree. Members raised almost \$6000 this fiscal year for organisations like Stepping Stones Emergency Shelter and the Nelson Food Cupboard.

3. Great suppliers

We are also very grateful to our many wonderful suppliers who donate thousands of dollars of food and prizes this year to our member community. Suppliers like Nature's Path, Clif, Traditional Medicinals, Almond Breeze, Camino, Pamela's, Wholesome Sweeteners, Weleda, Purica and so many more donated \$5000 worth of prizes for members and foods for events like Find Your Divine, Twelve Days of Giving and our Cooking Classes.

Vitamin Donations: A special thanks to Natural Factors, who generously donated \$2000 of vitamins and supplements. ANKORS was our Wellness Week Vitamin Project recipient(\$1000) and Stepping Stones Emergency Shelter (\$450) and Kootenay Kids (\$450) received holiday season donations.

4. It takes a village... to raise a village

None of this goodwill would be worth much if it weren't for the hundreds of community groups, and their thousands of volunteers, who dedicate their time and energy to making this region such a wonderful place to live. We are grateful to all the groups who have asked us to support their efforts, from the West Kootenay EcoSociety to the Corazon Choir and everyone in between. Thank you for your hard work and dedication! (See next page for a partial listing of some of these amazing organisations).



Community Giving

Here's a partial list of community groups your Co-op supported this year...

We were able to give \$250+ (in cash or in kind) to the following community groups and schools this year:

- Our Daily Bread Soup Kitchen
- Columbia Basin Environmental Education Network
- Kootenay Writers Society
- Elephant Mountain literary Festival
- Nelson Special Olympics
- Mental Health Outreach Club
- Kaslo Community Garden Club
- Young Agrarians
- Kootenay Lake Hospital Foundation
- Nelson & District Seniors Coordinating Society
- Corazon Choir
- BEAKS
- LaLeche League
- Kootenay Animal Assistance Program (KAAP)
- Wild Voices for Kids (CBEEN)
- Transition Nelson/Local Intelligence Gathering
- Canadian Mental Health Association
- Fat Tire Festival
- Kootenay Kids
- Nelson Sea Cadets
- Crawford Bay School
- Hume School
- Wildflower Program
- LV Rogers High School (various programs)
- Waldorf School
- Ecole De Sentier Alpines
- Doctors Without Borders

Scholarships & Bursaries:

Congratulations to Gabe Carpendale who was our 2014 Member's \$1000 Scholarship recipient and to Jason Hoerger, who was our Yes! Camp \$650 Bursary recipient.

Community Education

Community Education: We offer very popular Cooking & Wellness classes and sponsor a wide variety of community education/awareness-raising events. Here's a small sample of events we have supported:

- Canadian GMO Speaker Cross Canada Tour
- Agricultural Land Commission Information Night
- Farm Food Fork Event
- Deconstructing Dinner Film Festival
- Nelson Food Cupboard Food Skills Class Series



We were able to give \$1000+ (in cash or in kind) to the following community groups this year:

- Capitol Theatre Society
- Civic Theatre Society
- Nelson Food Cupboard
- Stepping Stones Emergency Shelter
- Slocan Valley Permaculture Cooperative
- Kootenay Organic Growers Society
- Friends of Kootenay Lake
- Oxygen Art Centre
- Kootenay Co-op Radio
- Kaslo Community Garden Club
- Seniors Economic & Environment Development Society (SEEDS)
- AIDS Network Kootenay Outreach and Support Society (ANKORS)
- West Kootenay Women's Centre
- West Kootenay EcoSociety
- West Kootenay Roller Derby Association
- SPCA, Nelson Branch
- Friends of Pulpit Rock Society
- Kootenay Climbing Association

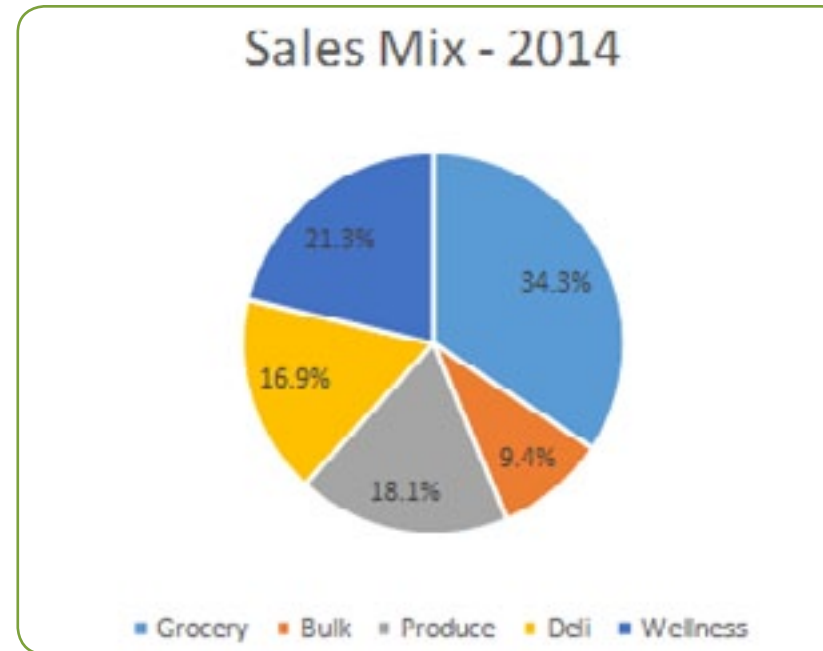
Community Space: Whenever possible, we offer community groups the use of our covered area & offsite meeting room at no charge. We can't wait to have our own community room in the new store!

Maintaining the financial health of the Cooperative

The 2014 Fiscal Year ("FY14") was another record breaking year for the Co-op. The Store generated over \$12 million dollars in Sales (which is over 8% growth on 2013 sales), purchased over \$1.5M of 'True Local' product and raised over \$1.7 million in loans from the membership to help finance the new store project.

Income Statement

The Graph below shows the breakdown of the \$12 million in sales between the store's departments. Whilst over 40% of sales comes from the Grocery and Bulk departments, all departments increased sales volume on last year despite the space constraints in the current store and are looking forward to being able to expand product and service offerings in the new, larger location.



To earn the \$12 million in sales, we spent over \$8 million on inventory, leaving a 32% margin or, \$32 in gross profit for every \$100 of sales through the tills, to pay all other operating costs. The Co-op's single biggest operating cost (after the cost of inventory) is wages and benefits. In FY14, the Co-op spent \$2.6M in wages and benefits, which represents 21.2% of sales or \$21 of the \$32 in gross profit discussed above. Other operating costs include rent (\$118,000), marketing and outreach programs/donations (\$126,000), bank and merchant fees (\$82,000), utilities (\$70,000) and amortisation (\$90,000). The Co-op also incurred \$86,000 in extraordinary expenses during the year

relating to the member loan campaign, member loan interest (first round payable in November 2014) and consulting costs in relation to the new store planning.

Net profit for the year after tax and amortisation was \$365,000.

Patronage Refund

Pursuant to the rules of the Co-op, the Board of Directors must recommend whether any of the year's net profit is to be distributed to members in the form a Patronage Return. In years past, the patronage return has typically been around 10% of net profit. This year, the Board has considered the financial position of the Co-op, the plans for the new store and the financing required to make that project happen and has recommended that a Patronage Return is not paid and that the Co-op retain profits to invest in the new store project.

The financial health of the Co-operative, *continued.*

Balance Sheet

The Co-op (at the consolidated level) has reported assets of \$8.9 million, including \$600,000 in presale deposits received on the Nelson Commons Project and \$5.9 million in Nelson Commons property assets. All Nelson Commons costs to date have been added to the cost base of the Vernon Street property assets on the balance sheet, rather than expensed on the Income Statement. This

'capitalising' of costs is intended to match expenses with the timing of revenues, so costs are not expensed in the period they were incurred or paid but rather recognised over a period of time when the asset is in use and generating revenue, via the amortisation of that asset.

The Co-op also invested close to \$100,000 in store assets over the year, predominantly software and computer upgrades but also on repairing leaseholds and repairing or replacing other smaller pieces of equipment around the store. The major store related capital program that will be paid for in FY15 but had a lot of the planning and preparation in FY14 is a new Point of Sale computer system. It will be an approx. \$85,000 project and is a key part of the operational planning for the new store.

New membership numbers during the year were similar to previous years, adding over \$30,000 to the Balance Sheet in membership equity.



To state the obvious, the Nelson Commons project is the largest capital project the Co-op has undertaken in its history. The project is expected to cost in excess of \$20 million and will be financed by a combination of bank construction finance, third party equity and store operating surpluses. We have prepared detailed capital budgets and cash flow forecasts at both the store and consolidated level to track expenditure and ensure that the Co-op has the ability to service the planned levels of debt.

The Co-op's continued financial success is due to the support of the community, Board of Directors and Co-op staff!

Providing a workplace that reflects these values

The Kootenay Co-op continues to grow and now employs over 90 amazing staff members! When we extended our store hours earlier this year and began to open on statutory holidays, we had even more opportunities to provide employment in our community.

In the summer of 2013 our staff participated in a visioning exercise where we held sessions to talk about what we love about our Co-op, what makes the Co-op a great place to work, and opportunities for improvement. As a result of these discussions, staff submitted vision statements and we held a vote to determine the vision we wanted to adopt and use to approach everything we do. Our new vision, which you may have seen around the store is **Friendly, Healthy, Community Owned!** Friendly refers to how we treat each other, our wonderful customers, our planet and our community. Healthy refers to the products we sell, creating a healthy organization and healthy relationships with our farmers, suppliers, and members. Community Owned reminds us that we exist for and because of our community. As members, we hope you feel we are living up to our vision!



Friendly. Healthy. Community owned.

Also during this past year, I focused on improving our internal training program. In January of this year we began a new Passport Training Program for all new staff with regularly scheduled training sessions on everything from The Co-op Difference, Our Buying Guidelines, the Co-op's History and Redevelopment, Customer Service, Health & Safety, Finances and the Bottom Line, and an introduction to each department in the store. The goal is to have knowledgeable staff who are better able to serve, educate, and answer your questions. I hope to expand this program over the next few years and take advantage of our knowledgeable staff who are ready to share their talents with their coworkers!

-Sarah Bedo, Human Resources Manager



President's Report



During the month of August while walking in forests in our region, I noticed a lot of activity that clearly indicated that the squirrels were planning for and attending to their future needs. The 2013-14 year on the Kootenay Co-op Board has felt a lot like that. The purchase of the property at 708 Baker Street was long a fait accompli and now we had to focus on a lot of behind the scenes work of incorporating our vision for a new home: the necessary groundwork of lining up debt and equity funding; of meeting diverse requirements of a range of government agencies; of communicating with the host of people, businesses and others who have a stake in the success of the Co-op. From the outside, the old building at 708 Baker Street may look like not much has happened but indeed it has been a busy year.

After last year's AGM, we welcomed two new Directors, Cathy-Ann Glockner, who joined the Board as the Employee Director, and Liz Babcock, who was acclaimed to replace Brian Kelsch on the Board. Brian sat as a Director for 6 years, providing insight into financial matters and governance, for which we are very grateful. Liz received an excellent but intense orientation to the culture and procedures of the Co-op and our Board as we all plunged into the Member Loan program, launched in October 2013. Aply

staffed by Marya Skrypiczajko under the oversight of Director Susan Morrison, the program sought to raise \$1.5M in a month. All Directors played an active role in the program, from staffing the phone lines to meeting member investors, to closing the agreements.

We exceeded our ambitious goal and, in fact, broke every record for membership loan programs by health food co-ops in North America. More importantly, we saw first hand, through the personal loans of 179 member-owners, a real commitment to our plans for the new store. We are so grateful to the membership, to Marya for her methodical and dedicated management of the program, to Susan Morrison, who held the dream while overseeing the minutiae, to the staff at the Co-op who supported the initiative in myriad ways, and to the wonderful members who volunteered their time to help us achieve this milestone on the path to the new store. The \$1.78M raised will help to ensure that we can realize all that we hope to in our new home.

After the Member Loan Program wrapped up, we were able to focus our attention back on the more mundane work of the Board, ensuring that our Board meetings run smoothly and cover the full purview of our responsibilities, that Directors feel comfortable and confident in their respective roles, and that we have the knowledge base necessary to do the work. As usual, we undertook an assessment and gap analysis of our skills and expertise and tailored our training accordingly. We also had our annual meeting with the store's Department Managers. This meeting is an important opportunity for the Directors to learn about the day to day experience of staff in the store, to hear about the planning and needs of the different departments, and for the Managers to see how the Board works to ensure that the Mission and Principles of the Co-op guide the daily operations of the store.

We also continued to provide direction and governance for the Nelson Commons project, helping to ensure that the overall project also aligns with our Mission and Principles. Over the course of the year, led by our Member Outreach Committee, the Board has offered numerous opportunities for our member-owners to engage in information sessions, to connect with our Directors, and to provide feedback on how we are doing.

As of this year's AGM, I will have spent twelve years on the Board of Directors of the Co-op. I have come to the very difficult conclusion that I need to step off the Board due to other very onerous obligations in my work life. I deeply regret leaving at this exciting time in the Co-op's history but am so profoundly confident in the passion, knowledge and commitment of my fellow Directors and of the staff. I also know that our membership is vibrant, with active member-owners that help our Co-op stay strong, continue to evolve, and to be truly grounded in this community.

I, once again, must express my heartfelt appreciation to our amazing General Manager, Deirdrie Lang, and to our Nelson Commons Project Manager, Russell Precious, who, with Deirdrie, guide the project with wisdom, experience, patience and creativity.

I also wish to acknowledge the dedication and impressive contributions of my fellow Directors: Leon Piggott, our Vice President, whose legal knowledge and business acumen has been invaluable; Susan Morrison our

Treasurer, whose thoughtful questions and contributions are grounded in deep understanding of this community from her many years here as a homesteader and business owner; Paula Sobie who Chaired the Member Outreach Committee and ensured that we consistently and respectfully engaged with the membership; Jon Steinman, Chair of the Board Development Committee, who brings an analytical mind and a real commitment to communicating the many stories of the Co-op; Cathy-Ann Glockner, our Employee Director, whose long relationship with the Co-op as a staff member and one-time supplier ensures that her contributions to Board discussions are thoughtful and useful; and to our newest Director, Liz Babcock, who has risen to each and every challenge that has come before the Board in the past year and done so with grace, fresh eyes, and enthusiasm that has benefitted the entire Board. And last but not least, I wish to acknowledge our Board Administrative Assistant, Nancy Likness. Her role is to record the minutes of our meetings, which she does most admirably. But more importantly and just as welcome is when she breaks her silence as a recording secretary and shares her perspective and wisdom. I shall miss our regular meetings but know that I leave behind me an incredible group of people who will continue to guide the Co-op well.



2013-2014 Board of Directors

From Left: Leon Piggott, Cathy-Ann Glockner, Elizabeth Babcock, Paula Sobie, Susan Morrison, Jon Steinman & Abra Brynne.

-Abra Brynne, Board President

Member Loans



We did it! \$1.77+M!

Redevelopment Report



On one hand it feels like it has been a long two years since we took possession of our new property and on the other hand it feels like that two years has flown by. It has been exactly one year since we opened the Nelson Commons showroom and nine months since we began pre-selling our residential units. There are a whole lot of folks that are very excited about living in downtown Nelson – our pre-sales are moving along nicely and in those nine months we have already pre-sold over \$10 million in residential units – not bad for a little natural food Co-op!

Unfortunately, due to the timing of this Annual Report, it's a little premature to proclaim that we are moving ahead with demolition of the old building and construction of the Nelson Commons project. I

can report that things look like they are coming together and that the Board and the development team is very optimistic that we will be making that announcement very shortly.

Along with the planning and pre-sales for the Nelson Commons development, we have also continued the planning for the new Co-op store. Russell and I took a quick trip to Oakland earlier this year to tour stores with the reps from Hussmann Refrigeration. It is always great (and head-spinning!) to visit a densely populated area and be able to visit several stores within a couple of days. We have put together a preliminary floor plan for the new Co-op and are working on refining the details of the equipment that will be needed for our new food services department and other expanded departments.

We entered into the Nelson Commons project knowing that we would need a back-up plan if things did not proceed as expected. We have also spent time this year working on that back-up plan, or “Plan B” as we call it – the renovation of the existing building. We have worked with Steven Kaup of Studio 9 Architecture + Planning to put together a preliminary renovation plan and budget. The renovations required on that 50-year-old building will be extensive and expensive – from a new floor to a new roof and absolutely everything in between will need to be upgraded.

The financial pro formas for both scenarios also continue to be fine-tuned – and – the Nelson Commons mixed use development continues to be the financially favourable option for the Co-op. The Co-op is able to service the debt on either option but the Nelson Commons project will leave us with a long-term debt of about \$3 million less than the renovation option.

The original intentions of the Nelson Commons project continue to be the drivers behind moving the project forward – to revitalize that old property in the heart of downtown Nelson and, of course, to build a new store for Kootenay Co-op! Whether Plan A (Nelson Commons) or Plan B (renovation), both of these intentions will ultimately be realized!

-Deirdrie Lang, General Manager