

ANNUAL REPORT 2008 The FOOD CO-OP



Take a moment
to appreciate all that
we've done together as local
member-owners in 2008...walk
along our member
services path.



Hope Dies Last

Steve Moore, Board President

I recently read an interview with Studs Terkel that was printed in AARP Magazine shortly after his death last October. Studs Terkel was talking about the Great Depression and his experience of it and its aftermath – and about how things are different now because we have lived through the Civil Rights Movement and the Sixties and have seen what activism can do. He was quoted as saying:

The lessons of the Great Depression? Don't blame yourself. Turn to others. Take part in the community. The big boys are not that bright.

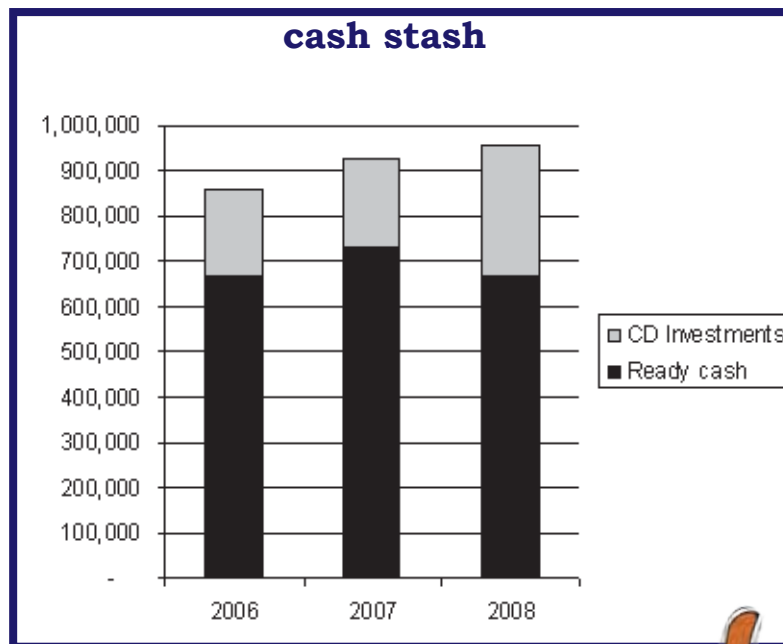
Hope dies last ...Without hope, you can't make it. And so long as we have that hope, we'll be okay.

As the nation's economic situation unfolds, we have a lot of foundations for hope here in Jefferson County. Our climate and fertile farmland and our tenacious sustainable farming community offer great promise that we will continue to have good things to eat. Our activist communities continually offer ways to get involved in each others' efforts and in our collective lives - for the betterment of us all. At the very center of all that goodness stands our Food Co-op.

Over this past year, the Co-op increased its sales volume and added members, which has allowed us to add to an already substantial cash reserve, even after performing necessary maintenance on the roof and the parking lot and after adding administrative space near the Co-op on Clay Street. So the Co-op is in the enviable position of being fiscally sound as we decide how to respond to the effects of the economic turmoil.

But the real value of the Co-op is rooted in what Studs Terkel was talking about – in turning to others and taking part in the community and in supporting hope. This community center is what is missing in much of our culture; the world can be a pretty frightening place without a community to turn to. In our Co-op community, we create an entire marketplace that can provide every kind of opportunity we might need – to see each other, to talk to each other, to debate each other, to sell to and buy from each other, to teach and to learn from each other. Not everyone wants the same things from the Co-op nor brings the same things to it, but everyone belongs to this marketplace and has the opportunity to participate as they choose.

As I look forward to the coming year, I am sure we will have our challenges and disappointments and I am sure that we will pull together and support each other as a community in spite of or maybe even because of them. I am also sure that The Food Co-op will serve as a very active and engaged catalyst in sustaining us all. At least that's my hope.



"I live over by the Hood Canal Bridge. I only shop at the Co-op! One: I love this store! Two: It is so much more inexpensive than (another store). I love the choices here at the co-op and want to support local farmers and my co-op! Thank you for doing such a great job!" - K.B. Member-Owner

March 3 and 31
Cheese Making Classes
Both with waiting lists!

March 5
Local Growers
Workshop - 33 Local
Farmers Attend

Over 200
students
toured our
store

April
"Our Kids
Our Business"

OWNER

P.T. Chamber of
Commerce sponsor
for the month of
April

March 1
Marko Colby
Fermentation Class

15,000
Newsletters
Distributed

April 16
Biggest Member
Appreciation
Day Ever!

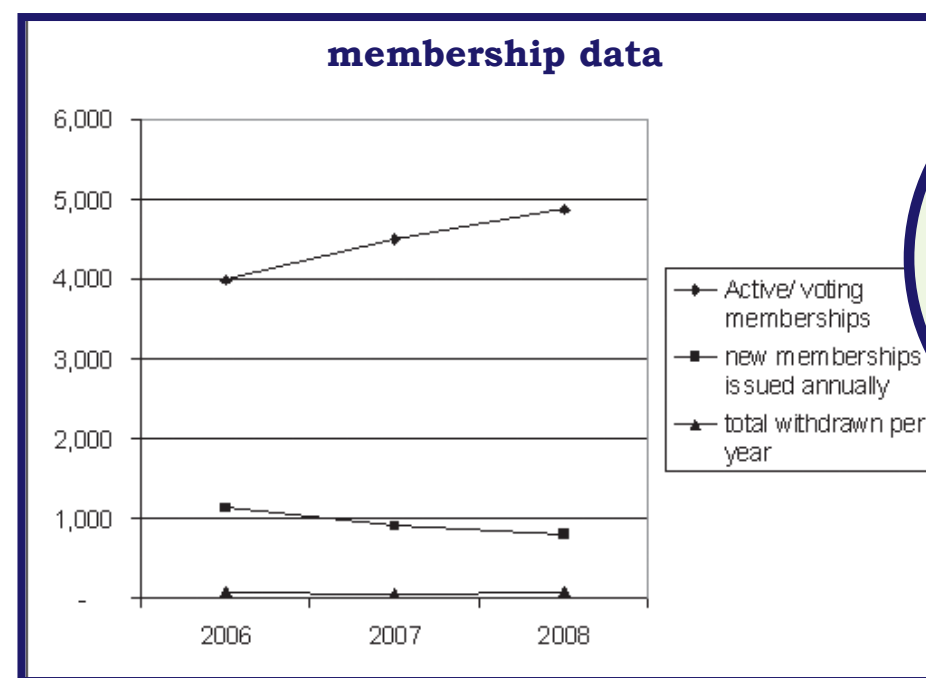
April
WSU Master
Gardeners
in-store advice

April 19, 20
Hosted NWCD
workshop "How to
Start a Co-op"

May 8
Co-op/Equal Exchange
Fair Trade event
P.T. Community Center

Rhody Bed Race
Spirit Award goes to
the Co-op Compost
"Go Cruisers!"

WSU Master
Gardeners served 388
Member-Owners in
the store.

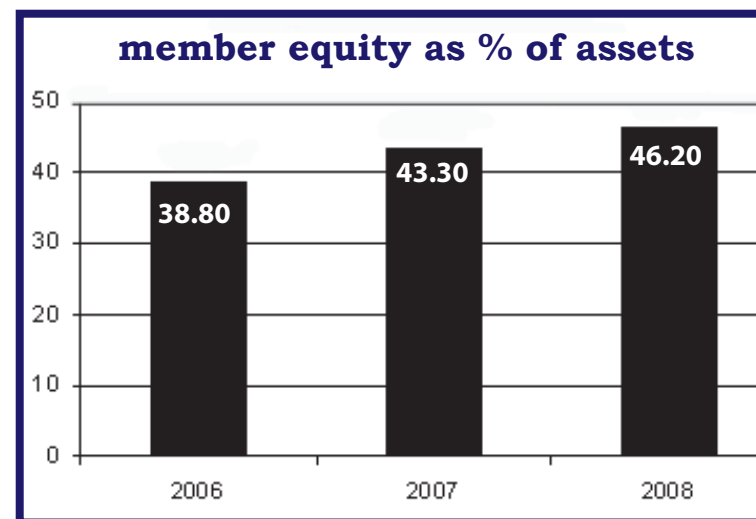


**Bylaws
Article II
Section 2:
Defines active
voting member as
paid-in-full or paid
Capital Investment
(CI) for that
month.**

**Asset \$
without Liability
=
Member Equity**

**L
LOCAL**

**Over 34 cents of
every sales dollar spent at
The Food Co-op circulates
right back into our local
economy.**



local expenditures

	2004	2005	2006	2007	2008
Local farmers & producers	\$541,641	\$525,427	\$560,115	\$614,194	\$663,904
Local distributors & services	\$692,167	\$663,718	\$725,258	\$778,111	\$913,028
Staff wages	\$1,540,111	\$1,650,931	\$1,752,962	\$1,889,385	\$1,911,544
Staff vacation (paid time off)	\$69,307	\$86,020	\$92,641	\$99,544	\$126,692
Donations & discounts	\$55,984	\$53,367	\$47,410	\$46,506	\$56,300
Interest on member loans	\$34,570	\$13,453	\$10,072	\$6,800	\$5,800
Total local expenditures	\$2,933,780	\$2,992,916	\$3,188,458	\$3,434,540	\$3,677,267
% of annual sales	35.9%	34.0%	34.2%	33.8%	34.1%
Annual Sales	\$8,166,804	\$8,793,501	\$9,326,925	\$10,170,073	\$10,787,304
Local Farmers & Producers Purchases as % of annual sales	6.6%	6.0%	6.0%	6.0%	6.2%



May 20
Annual Meeting
J.C. Fairgrounds

May 29
Free Consultations in Deli
with Registered Nutritionist
Charlie Sandell

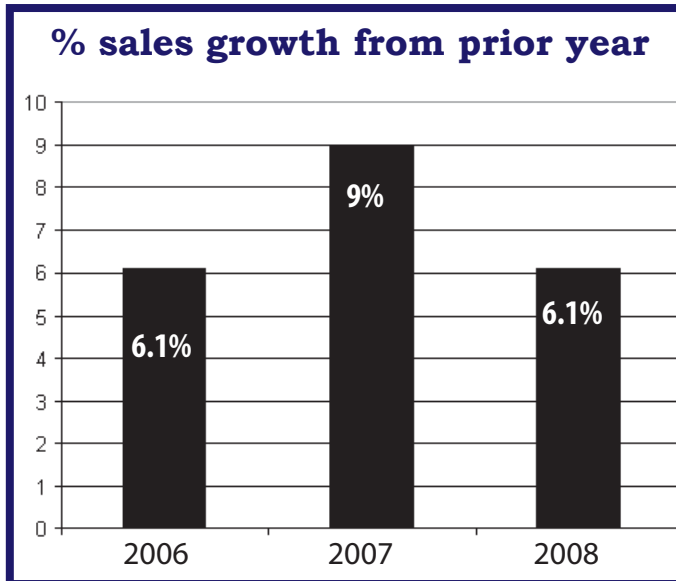
"Our 4th trip to P.T. and we keep coming back to
the CO-OP! The store is easy to use and I like the
signage for locally grown produce. My husband
comes for the morning oatmeal."
- C.S. Tampa, FL

May 29
Stevenson
Middle School
Store Tour

Recession? So how is the Co-op doing?

Briar Kolp, General Manager

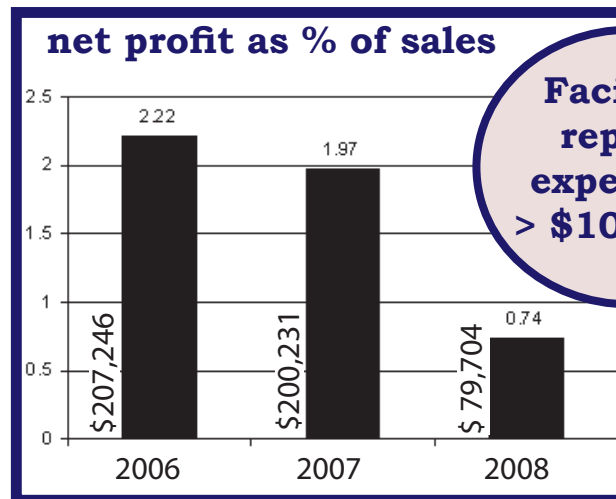
Last year the rumors of a pending recession were building and by the fourth quarter, in many people's minds, it had arrived. The news was filled with all kinds of economic stories from companies reducing work hours, closing a day each week, laying off employees, and, yes, "closing for good"!



Banks were being bought out, crumbling under their own operational practices. So much so that in 2009, FDIC insured is evolving from Federal Deposit Insurance Corporation to mean "Families Defying Institutionalized Cash"! As many returned to "banking by mattress," one could go so far as to say that the "Sleep Number Bed" may replace brick and mortar banks.

It's no wonder so many Co-op owners are asking me, "so how is the Co-op doing?" My first response is that we are thankful for the loyalty of our owners. Even with the fourth quarter taking a bit of a nose dive, we ended last year with a 6.1 increase over 2007 (see % sales growth graph). However; at the end of the first quarter of 2009 we are down 3% compared to the first quarter in 2008.

The good news is: we have been saving money over the past eight years, so the Co-op is in a strong cash flow position (see cash stash graph page 2). In 2008 we planned on major repairs to the roof and parking lot, of which over \$100,000 was expensed, we finalized the installation of a new point-of-



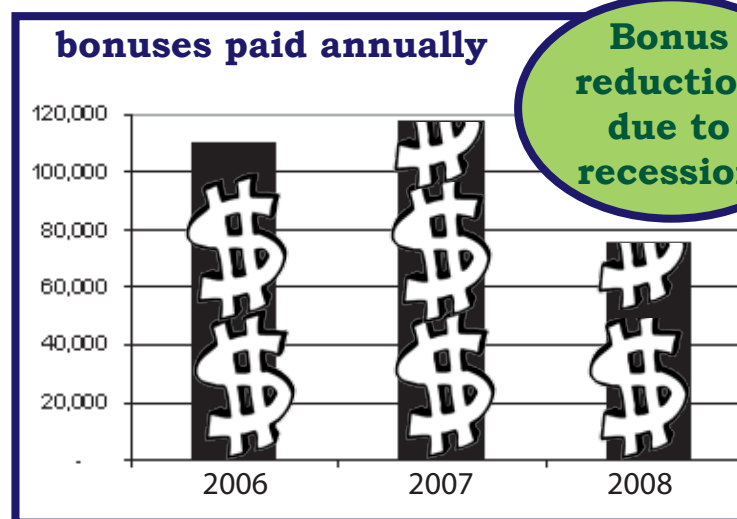
Facility repair expenses > \$100,000

sale system, and furnished the new Clay Street offices, reducing our net profit (see net profit as a % sales graph).

The recession did hit home when we decided to reduce the amount of the year-end bonus from the amount of the mid-year bonus paid to staff in August (see bonus paid annually graph). This reduction in bonus was due to fourth quarter declining sales and uncertainty in the marketplace.

Operationally, the Co-op performed quite well in 2008 in spite of fourth quarter declining sales and increased costs in raw wages, paid-time-off earned, and health benefit premiums (see respective labeled graphs).

Cont. on page 5



Bonus reduction due to recession



June 12-14
CCMA
Conference

Hosted
Washington
Regional Co-ops

July
Began offering Free
Natural Foods Classes for
Member-Owners

June 8
Sponsored
Fort-2-Fort Bike
Ride Fundraiser

June
Raw Foods
Classes in
Deli

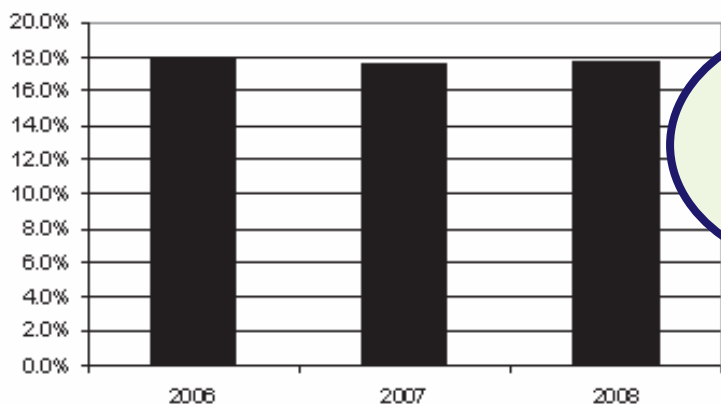
June 4
Grant Street Elementary
School Store Tour 40+ 2nd
graders

"This is a great co-op. Fantastic
selection of fresh produce, grains,
bakery items, staples..."
- Marie B. Silverdale

Courtyard Music
Howly Slim, Eldon Sleight, Chuck Easton,
Rhythm Planet, Audacity, Emaline
Delapaix, Mike Mullin, Raven,
Underscore Okestra, Rex Reed

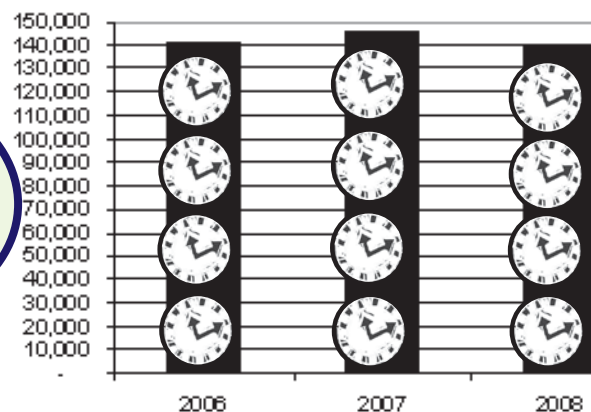


labor \$ as % sales



Consistent benchmark performance

annual employee hours

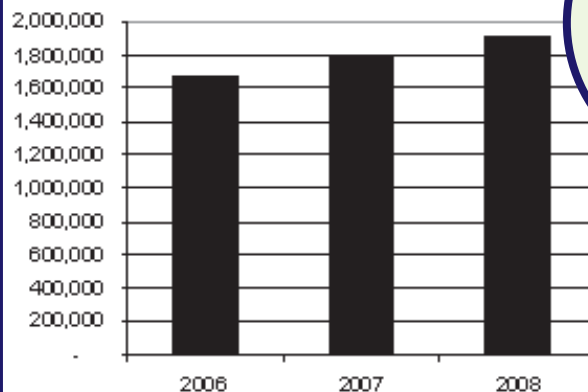


Briar Kolp, General Manager cont. from page 4

We have been very fortunate to have experience and longevity with staff; however, with that comes higher wages and a greater number of employees receiving benefits.

The effectiveness with which we worked in 2008 and the changing times is demonstrated by the staff performing within benchmarks (see annual employee hours and labor \$ as a % of sales graphs). I believe it can be said that in 2008 we maintained financial stability and continued to operationally perform to a high standard while also compensating the staff well.

raw wages per year

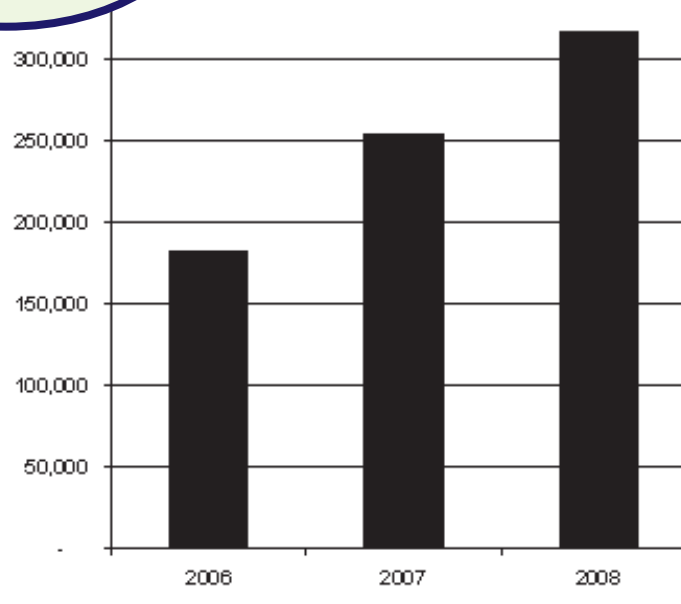


Employee longevity

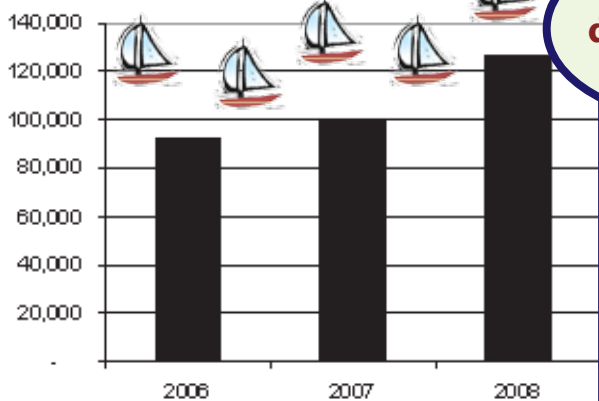
Market value wages

Increase due to staff retention and higher premiums

health benefit costs



paid time off



Increase due to staff retention



Graphs by Sally Lovell, Senior Accountant

Board policies require an independent CPA firm to conduct a financial review every year and to conduct a more detailed audit no less than every third year. Year 2007 was an audit year. The Board hires the CPA firm and CPA findings are reported directly to the Board. The Port Ludlow CPA firm of Glessing and Associates performed the financial audit. Copies of the CPA audited financial statement are available on request.

THE FOOD COOP

Profit & Loss Summary for 2008 Year End

SALES:	10,787,304	
COST OF GOODS SOLD	6,773,575	62.8%
GROSS PROFIT / MARGIN %	4,013,729	37.2%

OPERATING EXPENSES:

Total Personnel	2,732,872	25.3%
Total Occupancy	380,202	3.5%
Total Store Operations	330,363	3.1%
Total Advertising & Outreach	88,284	0.8%
Subtotal Board	46,813	0.4%
Subtotal General Admin	324,571	3.0%
TOTAL OPERATING EXPENSE	3,903,106	36.2%

NET OPERATING INCOME	110,623	1.0%
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TOTAL OTHER INCOME (EXPENSE)	(3,420)	
Federal Income Tax Exp	27,499	0.3%
NET INCOME (LOSS) AFTER TAXES	79,704	0.7%

THE FOOD CO-OP

BALANCE SHEET 12/31/08

ASSETS

Total Cash	955,249
Inventory & Receivables	398,384
Total Current Assets	1,353,633

Land, Building, Equipment	2,362,517
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Total Assets	3,716,151
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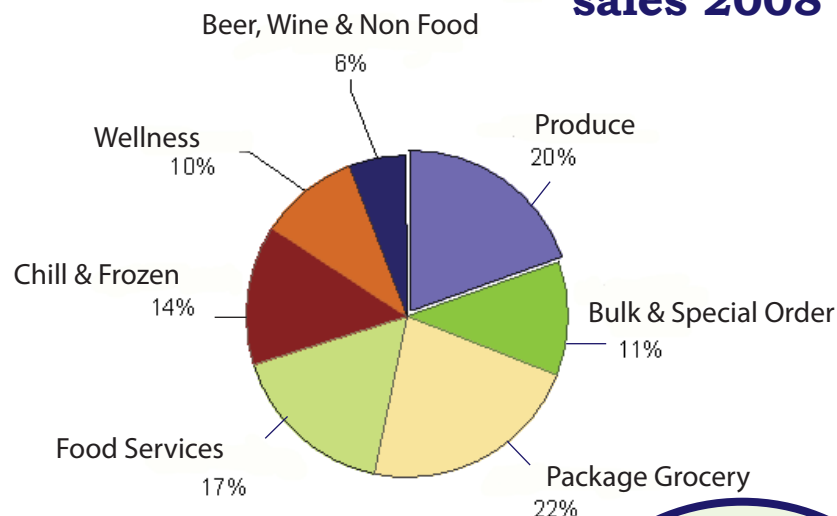
LIABILITIES

Total Current Liabilities	485,083
Total Long Term Liabilities	1,513,875
Total Liabilities	1,998,958

Retained Earnings	1,167,667
Capital Investments	549,526
Total Member Equity	1,717,193

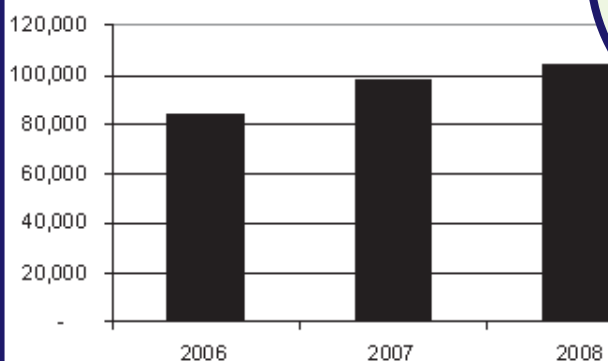
Total Liabilities and Equity	3,716,151
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sales 2008

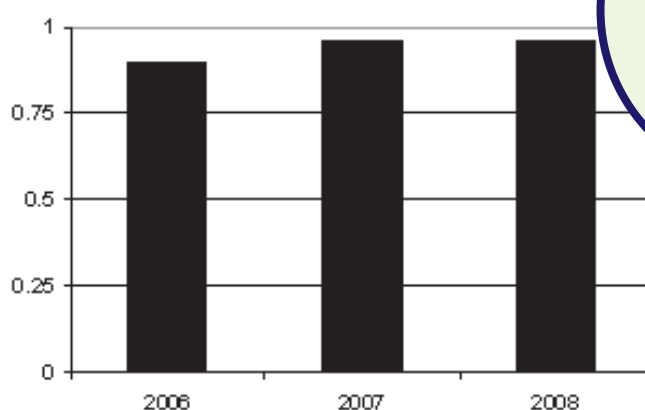


Our cost to use plastic:
Cooper Card-no fee
Debit Card-\$ fee
Credit Card-\$\$\$ fee
It's your choice

credit card fees



fee as % of sales



In 2008
Our use of plastic cards increased
and...
we negotiated lower fees

**October 12
Apple Festival**

"Thank you for pressing apples at the Apple Festival. What a great deal for my apples!"
Linda, Member-Owner

**October is
Fair Trade
Month**



**PSE Energy Rebate
\$2,976**

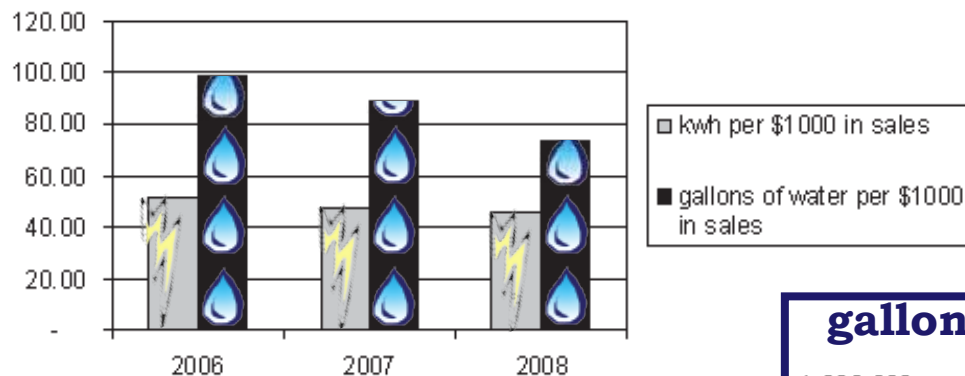
**October 16
Member
Appreciation Day**

**Energy Smart
Grocer Rebate
\$446.25**

*"One of the best
co-ops I've been to in
western Washington."*
- Cody F. Seattle WA

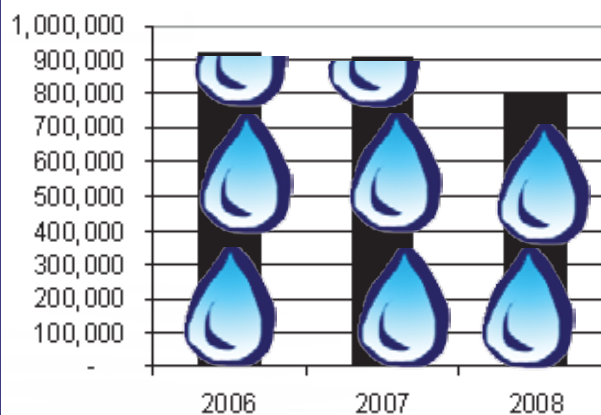
**October 26
Farmers
Market
Harvest
Dinner**

electric & water



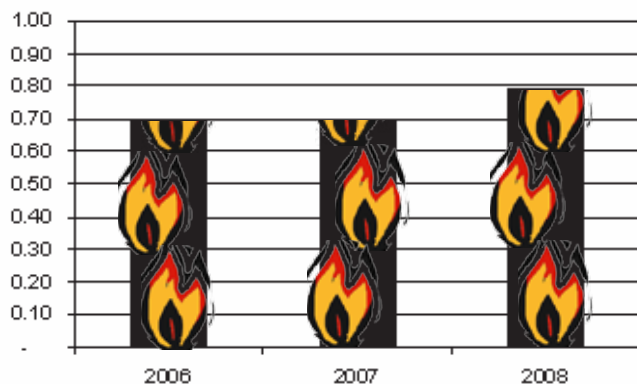
**Appx
72,000 gal/
yr of water total
represents filtered
water sales to our
shoppers**

gallons of water per year



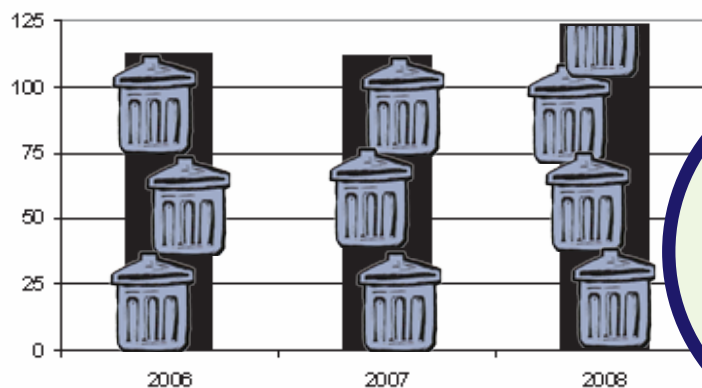
**May 07 - Install two point-of use hot water heaters
Aug 07 - Install additional landscape timers
Oct 07 - Install dual flush, low flush toilets
Aug 08 - Install water saving sprayers in produce
and meat departments**

gallons of propane per \$1000 in sales



**Our increased
propane usage in
2008 is due to colder
days and greater need
of Reznor heater at
receiving door**

annual cubic yards of trash



**As of
10/07 we lost
our resource
for recycled/
reused waxed
cardboard**

Thousands of dollars, one bean at a time...

2008

Reused
bags are converted
to nickles which are
converted to beans which
are converted to dollars
for local area
non-profits!

2009

BEANS FOR BAGS DONATIONS

Farm Flood Relief	\$ 269.45
Food Bank	2,551.37
Landworks	288.94
Jefferson AIDS	334.55
Boiler Room	450.30
Sunfield Farm	367.70
Habitat for Humanity	402.75
Olympic Mountain Pet Pals	345.35
Gathering Place	324.00
MASH	269.50
Friends of the Fields	319.90
Big Brothers Big Sisters	324.70
NAMI	269.20
Jumping Mouse	338.95

Bags → Nickles → Beans → \$6,856.65

Store donations of
\$7,495.03
made to 63 local
non-profit
organizations

\$14,351.68
Total Co-op
Community
Donations

"Organic gardening display is
absolutely awesome!"
- M.J.

"You should know that this co-op is raved about on
several internet travel sites. I see why. Healthiest,
least expensive breakfast after months of travel...
friendly staff - amazing produce, local stuff...
thanks!"
-Traveler from AK

416 turkeys
sold in
December

Local Farmers
Photo/Bio Project is
well under way...

November 13
Menu for the Future
Intro Class in the Deli

Kai Tai
Wreath
Auction