

The Kootenay Co-op Board of Directors

PRESIDENT'S REPORT

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I find it extraordinary, that after 35 years of growth, that our Co-op continues to grow faster and faster. Even in these adverse economic times, sales have grown by about 5½%, we added over 660 new members to our membership roll, we continue to do more community outreach and we continue to have more and more involvement and impact in our community, all whilst upholding all of the Co-op principles. Not bad for a volunteer buying club that started in a basement, moved to the old school house in South Slokan, moved to the old Nelson Pantry House location at the far end of Baker street and then moved to our current store. In the last 35 years, there have been good times, there have been bad times and there have been interesting times. As we look forward, the Co-op is entering another of those interesting times.

The planned move to the far end of Baker Street in two years will be extremely taxing for the management and staff of the Co-op and for the board. Whilst running a successful Co-op, which is a full time job for the management and staff, we have to plan the new store – not just the physical space, but the products and services we will carry. We have to take into consideration the needs and requirements of the members who have given us feedback by completing the largest survey the Co-op has ever undertaken. To top it off, we also have to continue to keep the current store workable for our members – something that is becoming more and more difficult to do. With more members and more sales, there are more people flowing through the store and there are more products to be moved. The changes instituted this year with extending the daily opening hours and opening the store on Sunday,

have made a huge difference in spreading the load throughout the week. However there is little more we can do in this area, and by the time we move, the store will once again be back to peak capacity. We are obviously going to have to come up with some more innovative solutions.

With the expansion in mind, starting this fall, the management and directors will be coming to you the members for help and advice. We will be forming advisory panels to focus on particular aspects of the expansion and we will be seeking skilled and experienced members to volunteer their expertise to help us. We will also be employing a Project Manager to oversee the development and implementation of our plans, to co-ordinate the focus groups, and to keep us all on track. As I say – we are moving into interesting times.

The changes and growth we anticipate going forward would not be possible without the hard work, skill and dedication of our management and staff. The board would like to thank them for their support, their dedication, and their hard work and for a work ethic that goes well beyond the norm.

I would also like to express my appreciation and thanks to the Board. As you are aware, the board is a volunteer position and sometimes the work load is excessive and looks to be heading more and more in that direction over the next few years. Their humour, patience and co-operative spirit have been a real pleasure to work with – and for that I thank them. A special thanks goes to Russell, who will be stepping down from the Board this year having served a two year term. His knowledge, experience and easy style has made life a pleasure.

The Board, apart from looking forward and planning for the far future also has to look to the present and the near future. Some of the notable highlights of the board's work this year include:

- The Strategic Planning committee, chaired by myself, finished its work in the fall of 2009 by finalizing the Strategic Plan. The management and staff have taken that plan and have now converted it to an Operational Plan which will guide the Co-op as it moves forward.
- The Expansion committee, chaired by Russell, continued its work in moving the Co-op towards its new future.
- The Finance committee, chaired by Sasha, developed and implemented a new safe investment strategy for the Co-op under the principle of 'No Risk'.
- The Board Nomination and Development Committee, chaired by Jen, and supported by Deirdrie and the full board developed the new Board nomination and election process that the Co-op is operating for the first time this year.
- We also developed new terms of reference for a new Members Outreach committee to, amongst other aims, enhance communications with the members of the Co-op. This new committee will start its work this fall.

Being President of the Board over this last year and being on the Board for the last four years has been a wonderful experience – being able to participate in the development and growth of a truly worthwhile organisation. The biggest lesson I have learnt is that as a member, the Kootenay Co-op is my store and if I want it to grow, if I want it to develop then it is up to me to make it happen, just as it is for each of you.

Jeremy Lack, Board President

Nominations Committee

Chaired by Jen Smith

The Nominations Committee reviewed and suggested amendments to the electoral process for the Board of Directors. The Board of Directors approved these amendments, including an extension of the timeline - candidates must now formally declare their candidacy by March, and balloting began in-store in August, and concludes at the AGM in September. Candidates profiles are available in the August and September newsletter, and an all-candidates forum was held prior to the AGM. We hope that these changes have a positive influence on member participation and the ultimate composition of the Board of Directors.

Strategic Planning Committee Report

Chaired by Paula Sobie

The Strategic Planning Committee slowed down only briefly this year after a very busy 2009. With the assistance of a consultant, the Co-op's management team spent several months over the winter of 2010 formulating an Operations Plan to guide staff in the fulfillment of the Strategic Plan developed in May 2009.

As a follow-up to devising these plans, the Board of Directors and management team met again in May 2010 for another day of strategic planning. After reviewing the Strategic Plan, the Board and managers discussed how the newly composed Operations Plan is actualizing many of the goals set in place for our future.

The Strategic Planning Committee also updated our terms of reference this year to include an additional goal ensuring alignment between these two plans. Furthermore, we implemented increased monitoring and review mechanisms to verify that the committee is effectively steering the Board towards our strategic commitments. Considering the growth and change which the coming year will surely bring, having current strategic and operational plans along with board and management teams working together to implement these, Co-op members can be assured that those leading the Co-op are prepared and excited by the challenges that lie ahead.

The Co-op Supports Local Farms

Last year more than \$320,000 worth of produce was purchased from 26 local growers!



Board Expansion Committee

Chaired by Russell Precious

This year has brought with it many changes for the Co-op. As the year continues, those changes have been unfolding as a benefit to our organization and its employees. My term as Human Resources Manager started November 2009. It has been an honor and pleasure learning and working with the Co-op staff, and I look forward to the continuation of this learning experience. In congruence to my employment, I am working on my Master of Arts in Leadership, where all of the information is directly applicable to talent development and building sustainable systems for managing that talent. The timing for both to be in play is serendipitous and delightful.

In early 2010, the Co-op initiated its third employee satisfaction survey. The results were extremely positive and incurred more understanding for where we stand as a community of practice. The survey results were shared with all of our staff and recommendations were taken for how to engage our next survey experience.

The Co-op continues to host bi-annual staff meetings and is regularly seeking new opportunities for employee training and education. As we ramp up for our relocation and increase in personnel responsibilities as a result, Human Resources, along with the help of other employees, has been investigating a variety of systems and technologies to embed into our current program.

Starting in September 2010, our Health and Safety Committee will have a chance to start fresh with two new members. There are four people on the committee and everyone is very excited to employ the visions we share. With respect to other personnel items, our Health Benefits package is still quite progressive, although we are in the process of researching new opportunities. We are continually refining our recruitment, training and management protocol with the intention to create a solid framework for employee retention.

Within the last 9/10 months a few new personnel initiatives have taken place. One of the larger initiatives was our Artistic Showcase Fundraiser. With an intention to invigorate a sense of collaboration, staff were brought together to showcase their hearts, through their art. The Showcase fundraised \$770 for the Oxygen Art Centre. This event received feedback directing us to do it again. So, we'll see what happens next year! As a second initiative and training program, HR has devised a series of workshops intended to empower employees to live inspired by providing practical tools for increasing self and situational awareness. The concepts are based on the belief that as we increase our self awareness, we can increase our situational awareness, coinciding with our ability to process change, learn and grow.

With 70 employees in cooperation, it is no wonder this place is a great place to work!

Laura Zeman, Human Resources Manager

The 'Expansion Committee' was created nearly two years ago as a planning tool for identifying the primary issues that need to be addressed in moving the Co-op from its current location on Baker Street to the Extra Foods site. This of course came after several years of exploring a number of potential options, none of which adequately filled our requirements. The Extra Foods site moved from the realm of possibility to being much more probable early last Fall when the board announced at the AGM that a letter of intent had been signed with the owners of the Extra Foods site. Prior to the letter of intent the Board and staff had given considerable attention to the potential move at our strategic planning weekend in May of 2009. The move was recognized as one of the Co-op's core strategic goals.

Unlike most board committees that consist of two or three board members, the Expansion Committee includes the entire Board, as moving the store represents such a significant event for the Co-op. Having reached agreement on the Extra Foods site, the committee started the planning process that included reviewing the financial projections, determining how we will finance the project, negotiating a lease with the current owners and choosing a Project Manager. Preliminary conversations have been held in all of these areas, and it is our hope that a lease will be signed by the end of October.

One of the primary tasks of the Expansion Committee now will be to ensure input from members. This past summer there was a great response to our very extensive member survey, much of which was addressed to the expansion issue. Going forward we will engage the many folks who volunteered to participate in a series of focus groups.

Much of the Expansion Committee work will now be transferred to a team consisting of Deirdrie Lang (General Manager), a board representative, core staff and our Project Manager. Needless to say, the Board will continue to be at the center of the expansion project.

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GENERAL MANAGER'S REPORT

2010 Annual Report

Another action-packed year at Kootenay Co-op!

The Domino Effect

We survived significant changes to our management team this year. Michelle Beneteau started the dominos falling when she decided to resign from the Marketing Manager position to return to the Wellness department as the Assistant Manager. Jocelyn Carver, our Human Resources Manager of 5 years decided that was the perfect opportunity for her to make the move that she had always dreamed of and became our new Marketing Manager. Laura Zeman joined us in December as our new HR Manager. Lori Robinson, our Wellness Manager left us in June to join her husband in their family business and Robin Flynn came aboard as our new Wellness Manager. Welcome to Laura and Robin! One more management change on the horizon is coming up in the Deli. Mikale Leymann has decided to step down as our Deli Manager this fall. He is not going too far though; you will continue to find Mikale working behind the deli counter well into the future.

Board Election

In an effort to provide the membership with a more transparent and systematic process, the Board of Directors developed a new election procedure this year. The Co-op is fortunate to have Jeremy Lack and Jon Steinman both standing for re-election this year. Russell Precious has opted to not stand for re-election so I will take this opportunity to thank him for his service to the Co-op. In addition to the two

years that Russell sat on our Board, he has been a steadfast supporter of the Co-op for over twenty years. I will certainly miss his wise and rational contribution as an official Director, and I know that he will continue to support the Co-op in the future.

20 Years for Carolyn

Your Co-op turned 35 years old this year and with that came another twenty year anniversary of a staff member. Carolyn DeJong, our Office Administrator, celebrated 20 years of Co-op service in March. Congratulations Carolyn!

Member Survey

The member survey we conducted in June produced a ton of feedback from over 600 respondents. It has taken the better part of the summer to input all the written surveys and we are now beginning to sift through the results. It is easy to see how excited we all are about our new store and so fun to read all the great suggestions about what you would like your new store to be.

So Much To Do

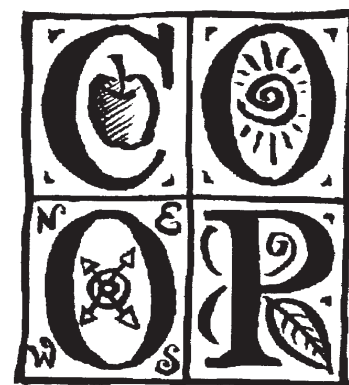
There is much to do this year – planning all the details of our new store! Our Project Manager is set to take the lead on the project on October 1, 2010. We will be undertaking a series of member forums over the next several months to gather ideas for your new store. If you have any comments or suggestions be sure to let me know. deirdrie@kootenay.coop

Deirdrie Lang
General Manager

Kootenay Co-op Mission Statement

"Promote community involvement by cultivating a cooperative, sustainable, organic way of life through:

- Providing 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."



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

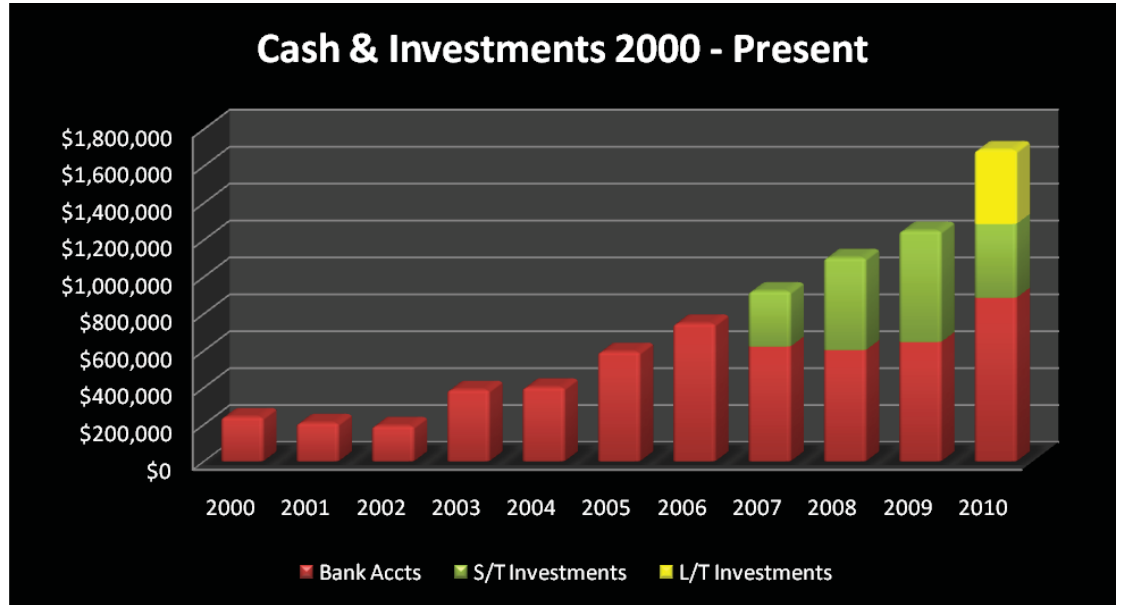
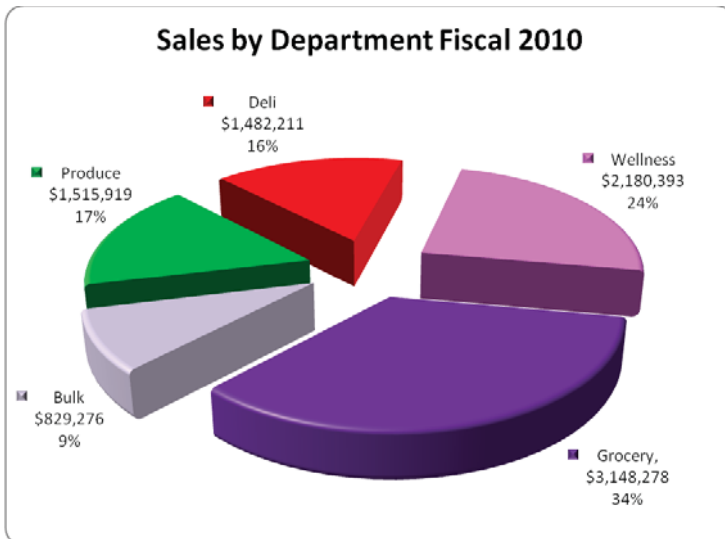
The Kootenay Country Store Cooperative concluded a successful 2010 fiscal year by generating sales of almost \$9.2 million, a 5.5% increase over our last fiscal year. The growth was the slowest that the Co-op has experienced for some time, indicating that the Co-op is not immune to the economic malaise enveloping North America and much of the world.

Of the \$9.2 million in sales, our cost of goods sold totalled almost \$6.4 million, leaving approximately \$2.8 million to pay for all other expenses.

Of the \$2.5 million in actual expenses, over \$1.8 million went back to the community in the form of wages and benefits to staff, as well as various donations and community outreach programs by the Marketing Department. Details on these community donations can be found elsewhere in the Annual Report.

After all expenses and income taxes we were left with a net income of \$268K to be retained in the business. This represents the best bottom line figure in the history of the Co-op.

Internally, the Deli and Wellness Departments experienced strong growth over the last fiscal and the breakdown of sales by department is shown in the accompanying graph.



We welcomed 660 new members over the last year, and net share investment totalled more than \$20K, indicating that people continue to be attracted to the Co-op's products, services and business model. Our total members now number 9,300 – almost half of the population of Nelson and surrounding area!

Perhaps the most remarkable note for 2010 is that despite our below average sales growth, we were still able to add over \$400K to our cash reserves and now have over \$1.68 million in deposits and various investments. The accompanying chart shows the increase over the past decade.

There are a few reasons for the significant increase over the last fiscal year. One is that our capital expenditures were only \$22K, the lowest amount in 8 years. With the bulk of leasehold improvements to our existing building in place, we can expect this number to remain relatively low until a move. As well, the notable decline in inventory year over year and a corresponding increase in our payables freed up reserves to be invested in various short and long term deposits as outlined in the notes to the financial statements. The long-term deposits all have a maturity date in mid 2012 in order to correspond with our planned relocation. The increase in the Co-op's reserves is welcome news as every dollar we save now will lower the borrowing costs associated with relocation.

With a low debt to equity ratio, healthy reserves, stable labour and margin percentages, and a loyal, educated membership, the Co-op remains in a healthy financial position heading into the 2011 fiscal year.

Paul Dawson
Finance Manager

The Kootenay Co-op offers fundraising opportunities for individuals & non-profit organizations in our community

Bursaries

Congratulations Bursary Winners:

\$500 Youth Award

The Youth Award will help Brooke Johnson to attend the Quest University in Squamish, BC.

\$500 Linda Prentice Memorial Award

Dana Leigh is attending the Academy of Classical Oriental Sciences in Nelson.

\$500 Gordon Seward Art & Music Award

Joel Wheeler is attending the Fanshawe College to study Music Industry Arts.

\$500 Environmental Fund

The Environmental Fund was awarded to Nelson Cares Society, Earth Matters Program for the Urban Gardening Education Project.

Soup for Haiti

In March, local supplier Sarah Butler, of Cookshack Catering, had a beautiful idea.

She offered to make and donate a Haitian-inspired stew to the Co-op Deli and asked if the Co-op would donate all of the proceeds to Haitian Relief opportunities. We'd like to thank Sarah for her generosity and inspiration.



Till Donations

Support for these groups at the tills

- ANKORS
- The Food Cupboard
- Stepping Stones For Success
- Pregnancy Outreach
- OAPF
- Second Chance Animal Shelter
- Broader Horizons
- CBAN
- West Kootenay Women's Association
- Haiti Earthquake Relief



Prize Giveaways

With the support of our suppliers, many prizes were won

A night in the Presidential Suite at Blaylock Mansion ~ 2 Powder Passes for Whitewater ~ Dinner for 2 at All Seasons Cafe ~ Flora Shopping Spree ~ Breville Ikon Blender ~ Trek Mountain Bike ~ Tubbs Frontier Snowshoes ~ Vitamix Food Processor ~ Miami Citizen Bike ~ Solio Solar Charger ~ Bonaire Air Ionizer ~ Miscellaneous gift baskets



Sponsorships

- Kootenay Co-op Radio
- Deconstructing Dinner
- FLIKS Film Festival
- Nelson Youth Soccer
- Welcome Wagon
- Baby Welcome Wagon
- Kaslo Jazz Festival
- Chamber of Commerce
- Selkirk College
- UCCC (Upper Columbia Coop Council)
- Percy Schmeiser
- Community Food Matters
- Nelson Leafs

Giving Tree

Our Giving Tree supported these 2 groups

- Jubilee Manor Place Foundation & Our Daily Bread

Investing in our Community

Your are automatically investing in our community every time you shop at the Co-op. You can make an even bigger impact by:

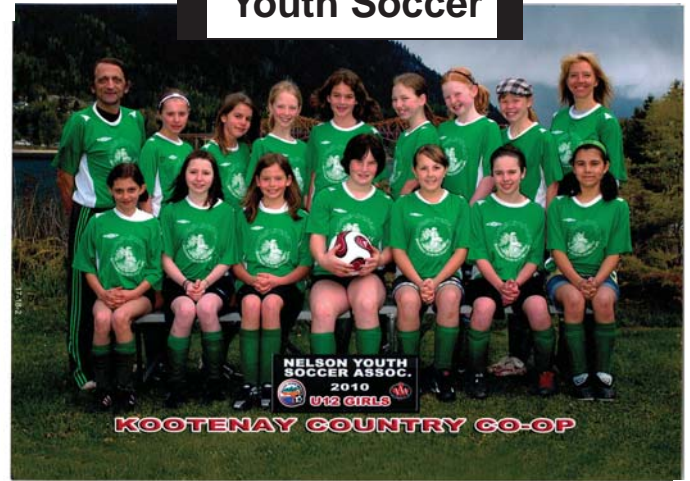
Shopping on Community Donation Days, using the Till Donations Cards and Supporting the Seasonal Giving Tree.

Community Donation Days

On the third Tuesday of every month, 1% of sales is donated to a community group. These groups received the following amounts:

- 264.68 - Periwinkle Preschool
- 310.54 - Community Animal Assistance Program
- 269.27 - Market Fest
- 261.35 - West Kootenay Women In Need
- 379.21 - ANKORS
- 276.58 - Stepping Stones for Success
- 261.34 - Friends of the Family
- 269.93 - Pregnancy Outreach
- 242.18 - Junction Food Bank
- 223.49 - Pure Water for Haiti
- 364.67 - Garden Festival
- 260.14 - Bumi Sehat Foundation

Youth Soccer



The Co-op sponsors a youth soccer team

Miscellaneous Donations

were given to these community groups:

- | | | |
|-------------------------------|------------------------------------|------------------------------------|
| AFKO | Glacier Gymnastics Club | Nordic Ski Club |
| Amnesty International | Grain CSA | Oxygen Art Center |
| ANKORS | Grans to Grans | Oysters, Authors and Ale |
| Bantam C Softball Provincials | Haiti Arise | Redfish School |
| BEAKS | Heart to Heart | Resau Femme Haiti |
| Blewett School | Keep the beat | Second Chance Animal Shelter |
| Bumi Sehat | Kootenay Co-op Radio | Selkirk College (various programs) |
| Canadian Cancer Society | Kootenay Kids | Sinixt Nation Froggy Fest |
| Chamber of Commerce | Mountain Lakes Seniors Association | Summer Youth Theatre (TNT) |
| Commuter Challenge | NDYC | Trafalgar School |
| Fat Tire Fest | Nelson Food Cupboard Society | Waldorf School |
| Friendship Clubhouse | Neptune Swim Club | Winlaw School |

Adult Soccer



The Co-op sponsors an adult soccer team

Almost \$18,000 worth of Grocery & Produce items was donated to Food Banks & Community Service Groups



A Summary of Events & Programs this year

Cooking School

The Co-op Cooking School offered both spring and fall cooking class series again this year. Instructor Maggie Jones has been teaching, lecturing and writing about health and nutrition for three decades. Maggie shares her expertise and love of cooking with participants, who enjoy a full meal of delicious creations after each class.

These guest Instructors offered additional classes:

Eva Chobanuk
Lorraine Carlstrom
Naomi Jason
Kara Laur

Health Library

A new, extensive Customer Resource, available online and in the Wellness Department. Featuring:

Personal Care On-Line | News & Features | Alive Magazine | Health Tools | Alternative Medicine | More Recipes | Ingredient Glossary

Winter Social

Once again we stayed warm and cozy at our Annual Winter Social with home-baked goods supplied by Co-op staff and hot apple cider and cocoa. We gave away lots of prizes and sang along with two community choirs and live musicians to Sounds of the Season.



Resources

Member Pamphlet
Community Outreach Pamphlet
Monthly Newsletter
Workshops, Classes & Seminars
Guest Speakers
Recipes & Food Tips
Dietary & Nutritional Information
Store Tours
Kids Card (age 8 & under)
Website: www.kootenay.coop
eNEWS (on the homepage)
Product Information & Demos
Free Magazines
Shopping Service

More Resources

from the website/customer service

Card Series:

Recipe Cards
Produce Information Cards
Deli Cheese Cards

Pamphlet Series:

Bulk Bin Bounty
All Natural Household Cleaners
Sweeteners & Sugars
Guide to Nutritional Yeast
Fats & Oils
Celiac Disease & Gluten Intolerance
Our Local Farmers Guide
Sunscreen Guide
Bug Bite Remedy Guide
Healthy Kids, Healthy Snacks
Healthy Immunity Booklet
Non-GMO Project Shopping Guide

Earth Month

Earth Day Broadcast



On April 22, Kootenay Co-op Radio set up in front of the Co-op for its annual Earth Day Broadcast with the "Ecocentric" hosts and guest speakers. There were many prizes to give away and live music contributed to making a fun, educational and successful event.

Green Smoothie Revolution

In April we celebrated Earth Month with the Green Smoothie Revolution. We encouraged you to "eat the change you seek in the world" with our extensive green smoothie demos made in a Vitamix blender.

World Food Day



On World Food Day the Co-op partnered with the Nelson Food Cupboard for a Dinner and a Movie Fundraiser. The film *Fresh* was screened and thought-provoking presentations accompanied the dinner.