

2012

Annual Report





2012 Year in Review

I'm thrilled to be able to report to you on Onion River Co-op's performance over this past fiscal year.

At the basic level, we provide groceries for our Members and other customers. It wasn't that long ago in 2008 that only 20% of shoppers were Members of our Co-op. The following year was 30%, the year after 40%, the next year was 50%, and this past year was over 57%. This remarkable achievement mirrors growth in Membership.

We now have over 8,000 Members – a big jump from 2,600 in 2008! More Members and Member sales have enabled our Co-op to offer Patronage Dividends for five consecutive years. This November, we will be sending out into the community over 7,500 checks worth over \$600,000 in cash to our Members. The average Member will be receiving \$84. As former Co-op Board President Nathan Caswell describes this, the Co-op's Patronage Refund is our own economic stimulus package to the Burlington community.

We focus our product mix on local food. This past year over \$11 million of our \$33 million in sales came from the sale of local products. In addition, we support our local farmers with creative financing, great relationships with our buyers, volunteer workers at Crop Mobs, community educational opportunities through Farm Tours, and through our support of related organizations like the Intervale Center. We're very proud to support our local farmers and will continue to strengthen the local food system into the future.

We're all very lucky to be living in northwestern Vermont. Burlington is often cited as one of the best places to live in the country. Our dirty little secret is the level of childhood hunger that exists in our community. Hunger Free Vermont reports that Vermont is ranked 11th hungriest in the nation. Rob Meehan of the Chittenden Emergency Food Shelf reports that their need for food is greater than it ever has been in our community. This is a moral outrage and a challenge to all of us. I'd like to give you a few examples of what we have been doing in your name to fight this epidemic.

Our Food for All program provides a 10% discount to those who are most in need. In this past year, we had \$1,697,000 in sales in this program giving participating Members almost \$170,000 in enhanced buying power. In the past year we completed \$90,000 in payments to the Chittenden Emergency Food Shelf that we committed to when we opened our downtown location. We continue to offer customers tear off coupons at each register to make Food Shelf donations and the Co-op continues to provide a high level of support through product and cash donations. Our hope is that at some point in time childhood hunger will become a memory of a more barbaric age, but in the meantime we will continue our support of anti-hunger programs.

I also want to take a brief moment to thank you for the opportunity to work at the Co-op for the past 10 years, and to serve as your General Manager for the last 6. It's been an enormous privilege. Frankly, I was a little nervous taking this position six years ago as I was the eighth General Manager in the first four years the store was open. As General Manager, I am blessed with having a tremendous leadership team to help compass our goals. Please take a moment as you read the following pages and note the tremendous accomplishments of the Co-op. Our success is due to an enormously supportive Membership, a committed and enlightened Board of Directors, and a truly great staff.

Clem Nilan,
General Manager



Board President's Report

A number of years ago, both before and after Onion River Co-op opened City Market in its current location, many people wondered whether our Co-op could expand and still hold to its vision and values. This was a reasonable question from Co-op and community members who were both fond of the smaller version of our Co-op and aware of the pitfalls inherent in “big business.” This was brought home to me recently when a long-time

Member of the Onion River Co-op shared with me an article he had found in his files. From 2005, this Seven Days' article asked the question explicitly: “Can City Market keep growing and fulfill its social mission?”

As members of the Board of Directors, we are responsible for financial oversight, monitoring of the General Manager's performance, and setting the long-term direction of the Cooperative through the Ends: our goals for our organization. From this vantage point, we hear monthly about aspects of the store from sales growth to employee wages to our contributions toward other cooperatives and in support of the local food system. The answer the Board has to that question – can we keep growing and fulfill our social mission? – is immediate and unanimous. *Of course we can.* The information in this Annual Report shows a business which does right, starting at home with its own employees, in its local community of shoppers and producers, and in its region where it supports the development of the cooperative economy. It couldn't be clearer that the social mission of the organization is being fulfilled.

But let's think about this question a little more. Why would growth interfere with fulfilling a social mission? Why is growth somehow to be feared? Unchecked corporate growth is not the same thing as growth in a cooperative. What if we asked the question in reverse: “Can City Market stop growing and fulfill its social mission?” We could downsize – but we'd sell less food. And reach fewer people in our community who want to eat healthily or buy locally. Ensuring that people in our community can buy the food they want is what makes us a successful business. Our growth is a major source of our ability to contribute to the community.

And what creates our growth? Our Members. You, our community, join and shop and create the wealth that comes back to us in so many ways including through the Patronage Refund. Through this cooperatively owned business we support our community in all the ways detailed in this report: a thoughtful and focused economic stimulus package aimed right at ending hunger, teaching about food, supporting local farms and developing cooperatives.

How about some more growth?

In cooperation,

A handwritten signature in cursive script that reads "Susan Munkres". The ink is dark and the signature is fluid and personal.

Susan Munkres,
Board President



Celebrating City Markets's 10th Birthday

Ends Policy

The Onion River Co-op will be central to a thriving and healthy community, where:

- consumers have local access to progressive environmental, social, and healthful choices;
- residents enjoy an enhanced quality of life;
- the local food system is strengthened;
- the cooperative model is supported; and,
- our owners have a sense of pride in their cooperative.

Tasting BUTTERWORKS FARM yogurt at the Harvest Celebration



Sustainability & Environment

The Co-op's goal is to divert our waste from old-fashioned landfills. Due to our advanced recycling system, in FY2012 we were able to reduce the amount of our total waste sent to landfills from 31% to 25%. In composting alone, we've increased from 59 tons in FY2011 to almost 125 tons in FY2012. This dramatic increase is due to the inclusion of compostable waste from our Prepared Foods Department (the food bar, deli, and sandwich stations) and from our café eating area. In addition, our Facilities Department launched an employee composting program to remove unbleached hand towels from the waste stream headed to the landfill.

We work closely with the Chittenden Solid Waste District (CSWD) to find new ways to divert waste (besides simply not creating it in the first place). Currently, our Facilities Manager is working with a variety of other downtown businesses and the CSWD to partner on recycling film plastics. This category of plastics includes plastic bags, shrink wrap and a number of other plastics. Hopefully this program will be up and running soon.

Free water from our Reverse Osmosis (RO) machine is one Member benefit that reduces waste in our community's waste stream. Members enjoyed over \$31,000 worth of free water in FY2012. In total, the store sold over 84,000 gallons of RO water during the year. If this were water sold in 20 ounce bottles, which is our most popular size, it would represent over 539,000 plastic bottles that our customers didn't use because they purchased their water in bulk.

In FY2011, the Co-op partnered with Leading Edge Design Group and Digital Lumens to transition from a metal halide to LED-based lighting system. The new system also included an integrated program called LightRules that gives the Co-op's Facilities staff up-to-date information to track usage. The installation of this new system continued into FY2012, with additional success. The Co-op compares our energy usage year to year, based on kilowatt hours per customer. We have additional customers coming through our door each year, which means the freezer doors are open more often, the air conditioning and heating systems run a little harder, and we use a bit more energy. In FY2011, we used 0.91 kilowatt hours per customer, compared to 0.90 in FY2012 (and 0.96 in FY2010). Installing solar panels in 2010 and installing new lighting systems in 2011 and 2012 have allowed us to continue to decrease our usage per customer.

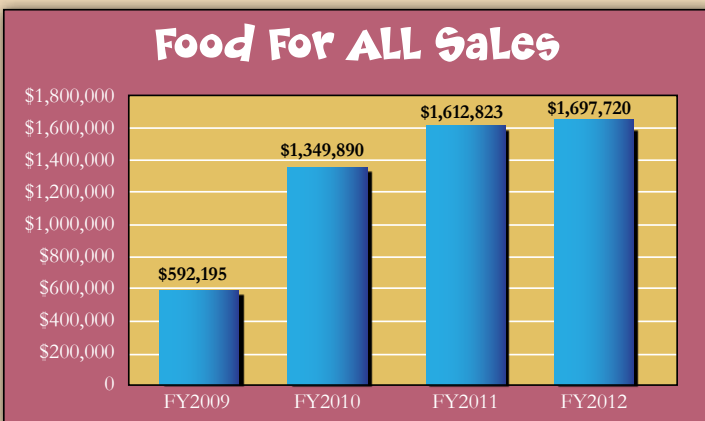
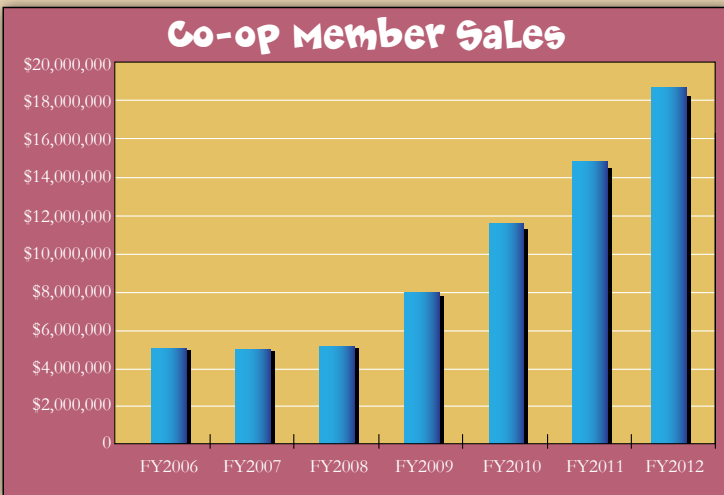
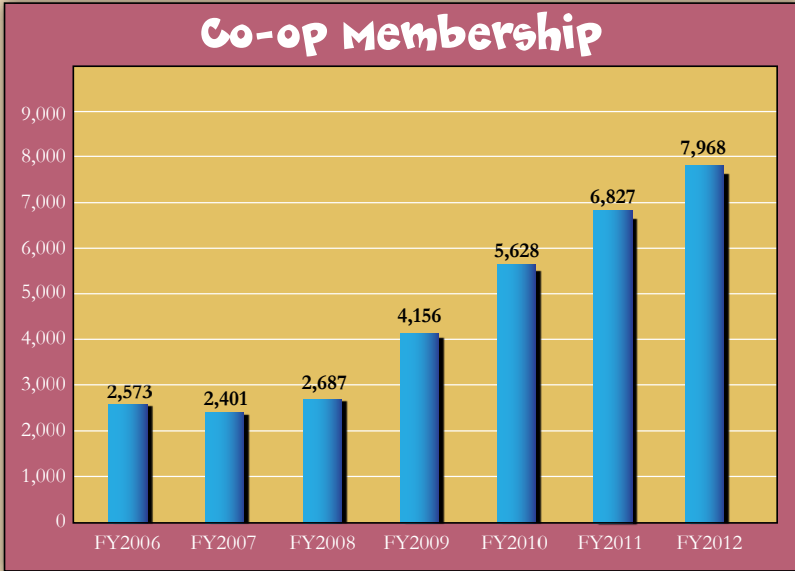
The Co-op continues to encourage customers to use alternate forms of transportation to shop. This summer, we traded one parking space for over a dozen new bike parking spaces. Our Facilities Department worked with Metalworks of Burlington to design and install custom racks. The racks are extra-long, offer plenty of space between bikes, and have some buffers installed to prevent cars from coming too close to the racks.

Farm TOUR at Fat Toad Farm



Co-op Membership & Member Sales

Do our Owners have a sense of pride in the Co-op? We often tie Member pride to data on Membership and Member sales. By these standards, our Members continue to have pride in the Co-op and the cooperative business model. Membership grew by over 16%, to almost 8,000 Members, in FY2012! Over the span of the last three fiscal years, our Membership has almost doubled. This trend of increased Membership also applies to increases in Member sales. Sales to Members increased over 26% from the prior fiscal year. Since FY2009, sales to Members have more than doubled.



Finances

The Co-op had another financially successful year!

Net sales for the fiscal year were \$33,080,430, a 9.3% increase over FY2011. Sales to Members have continued to steadily increase each year, ending this fiscal year at over 57%. Our net income before taxes and patronage was 6.74% of sales compared to 6.75% last fiscal year.

The Co-op's balance sheet is healthy and all of our financial ratios are strong. Our assets grew 15% from FY2011 to \$11.3 million. As we look toward a future of possible expansion, the Member's Equity of over \$6.8 million will be beneficial.

Statement of Earnings	FY2012	FY2011
Net Sales	\$33,080,430	\$30,270,583
Cost of Sales	\$20,813,900	\$18,997,091
Gross Profit	\$12,266,528	\$11,273,492
Operating Expenses	\$10,054,689	\$9,274,188
Other (Income) Expenses	\$(22,932)	\$(43,176)
Patronage Refund Expense	\$1,287,056	\$1,017,754
Provision for Income Taxes*	\$378,800	\$408,616
Net Earnings	\$568,915	\$616,110
Balance Sheet	FY2012	FY2011
Current Assets	\$6,618,655	\$5,119,584
Property & Equipment	\$4,068,728	\$4,032,372
Other Assets	\$706,169	\$743,520
Total Assets	\$11,393,552	\$9,895,476
Current Liabilities	\$2,511,468	\$2,344,089
Long Term Debt	\$1,849,100	\$1,821,591
Deferred Income Tax Liability	\$183,800	\$183,800
Member's Equity	\$6,849,184	\$5,545,996
Total Liabilities & Member Equity	\$11,393,552	\$9,895,476

* Pending final numbers from the Audit Review.

For any additional information regarding the Co-op's financial performance or to receive a detailed copy of the Annual Financial Statements, reviewed by Gallagher, Flynn and Company, LLP, please contact Jennifer Kennelly at jkennelly@citymarket.coop.



Co-op employees participate in VNA's Annual Fun Run

Patronage Dividend

The financial success of the Co-op and the increased Member sales this year allows us to declare a Patronage Dividend of \$1,287,056. This Dividend reflects an increase of over 26% from the FY2011 Patronage Dividend of \$1,017,754.

In November, City Market will issue 50% of the declared Patronage Dividend in cash and the remaining 50% will be reinvested in the Co-op and our community. Patronage Refund checks totaling over \$643,000 will be sent to 7,689 members. The average check will be approximately \$84 and over 3 cents of every dollar eligible Members spent will be returned in cash. This is what the Board and our General Manager like to call the Co-op's own economic stimulus package for our community.

Cooperative Movement

The Co-op continues to support the cooperative model in a number of different ways through our Co-operative Investment Plan. The goal for FY2012 was to invest a minimum of 5% of profits into other co-ops. We exceeded this goal in FY2012 and continue to make investments with the Cooperative Fund of New England and the Cooperative Capital Fund, as well as food co-ops and farm co-ops like the Brattleboro Food Co-op and the Intervale Community Farm.

In FY2012, the Co-op invested \$50,000 with the Intervale Community Farm, a cooperative, member-owned CSA farm in Burlington. The farm will repurpose the land formerly occupied by Intervale Compost, allowing them to produce food year-round. Plans are being laid to build 6 greenhouses to expand their production of winter greens. The CSA will also be able to offer a year-round CSA share (expanding into the spring months of March to June), expanded pick-your-own fields, and new storage and distribution facilities. We might even get to see some of those winter greens on the shelves of our Produce Department!

2011 COTS Tree Sale Preparation



Strong Local Food Systems

Onion River Co-op continues to partner with a variety of local food producers to strengthen the local food system. In turn, the local food system forms the foundation of our viability as a strong community-owned food cooperative and helps to secure the Co-op's future. The Co-op also continues to work with the Neighboring Food Cooperative Association (NFCA), to develop a regional food system, important in developing sustainability and long-term regional food security. In FY2012 the Co-op averaged over \$925,000 in sales each month of local products. Local product sales averaged over one third of our total sales volume with over 1,880 distinct local items for sale in the store by the end of the fiscal year.

The Co-op holds an annual Harvest Celebration, Eat Local Week and local recipe competition each year to highlight the value and multitude of our local products. Community and Co-op members joined us for Crop Mobs, gathering many hands to assist farmers with projects at Adam's Berry Farm in March to help cover his strawberry hoop house with big sheets of plastic, Rockville Market Farm where we cleaned out a tomato hoop house to prepare for housing the chickens over the winter, and Butterworks Farm where we helped harvest Jack Lazor's dry bean crop.

We also led Co-op Members on numerous farm tours to visit The Cellars at Jasper Hill, Fat Toad Farm, Artesano Meadery, Arethusa Farm, Stray Cat Flower Farm, Lemonfair Honeyworks, Gleason's Grains, Taconic End Dairy and Rock Art Brewery. Through these events, we celebrate our farmers, invite the community to learn about local food, and share the joy of eating locally. Staff education about local food and farms is also important to our mission and helps provide excellent customer service. We engaged City Market staff members in learning about local farms and foods through a series of staff trainings on food issues and staff farm tours to a dozen of our local producers' farms. We also continue to provide additional information at the Co-op and online through new brochures highlighting the attributes of our local products like meat and eggs to help customers learn more about the food they eat.

The Co-op partners with the Intervale Center, the Northeast Organic Farming Association of Vermont, the Burlington School Food Project, the Northern Grain Growers' Association, the Burlington Farmers' Market, the Old North End Farmers' Market, Rural Vermont (among others) and supports each of these organizations financially as well as with in-kind donations of staff time and participation in events.

In FY2012, we added a new way for Members to support the local food system. Uncashed Patronage Refund checks are now donated each year to an organization that strengthens the local food system. Uncashed Patronage Refunds in FY2012 totalled almost \$26,000 which we donated to the Intervale Farmers' Equipment Company (IFEC). IFEC began in 2007 as a collaborative effort between the Intervale Center and seven independent Intervale Farms to transition ownership of equipment and infrastructure to a cooperative group consisting of the member farms.

Filming of our "My Co-op Rocks" video



Caring for our Community

Here at the Co-op, we define community broadly to encompass our Members, employees, Burlington (and beyond) residents, our farmers and vendors, our community business partners and our non-profit partners.

We interpret caring for community, in part, as caring for those who are most food insecure in our community. To this end, we focus on eradicating childhood hunger through our partnerships with and donations to a variety of organizations. Part of our lease with the City of Burlington specified that we donate \$90,000 to the Chittenden Emergency Food Shelf by 2013. The Co-op completed payments on the original \$90,000 commitment in FY2012 and continues to donate to the Food Shelf at the same level (as if we'd not paid off the original commitment). Donations to the Food Shelf include product donations, cash donations, and customer donations through tear off coupons at each register. In addition, the Co-op partners with organizations that support food insecure families in our area like Boys & Girls Club of Burlington, Hunger Free Vermont, and the Burlington School Food Project/VT FEED.

We care for community through education as well. The number of classes and tours we offer and participation in them has risen dramatically in the past few years. A new and popular interactive tour is the "Pennywise Pantry" which covers food selection, storage, and recipe tips. The Co-op offered 149 classes last year and average attendance increased over 36%. From herbal education to wellness to cooking and everything in between, over 1,600 community members participated in our programs!

The Co-op aims to be accessible and welcoming to our entire community. Our delivery program assists those in the community who might otherwise have difficulty receiving groceries; we made almost 1,400 deliveries last year. In addition, our Food for All program offers a 10% discount to community members who receive 3SquaresVT, WIC or Social Security Disability Income. This program alone

offered almost \$170,000 in discounts, giving those in our community who are most food insecure that much additional buying power at the Co-op. Redemption of 3SquaresVT and WIC benefits also continues to grow, which tells us that we're continuing to meet the needs of a broad base of our community members.

We care for community and Members with our Member Worker program. In June 2012 alone, over 45% of Member Worker hours were spent volunteering in the community for partner non-profit agencies. Member Workers receive a discount on their Co-op shopping for donating their time to benefit our community. Member Workers volunteered over 5,700 hours with our Community Outreach Partners program last year. That's the equivalent of 2.75 full-time employees working to benefit our local non-profit partners: Burlington Area Community Gardens, Burlington School Food Project, Chittenden Emergency Food Shelf, Committee on Temporary Shelter, Five Corners Farmers' Market, Friends of Burlington Gardens, Grow Team ONE, Integrated Arts Academy, Intervale Center, Local Motion, New Farms for New Americans, NOFA-VT, ONE Community Dinner, Sustainability Academy, and Vermont FEED.

Co-op employees are an important part of our community as well. That's why we offer our employees a livable wage, great benefits and opportunities to participate in wellness activities throughout the year (including walking and biking programs, Vermont State Park passes, and health screenings). We offered over 19 programs and activities last year with a total of 430 participants.

In FY2012, we started a new program called "Change for Local Non-Profits" that donates 5 cents to a local non-profit each time customers reuse one bag. In the past, these nickels have been returned to our individual customers, but we felt we could make a larger impact on the community by donating the nickels to one non-profit each month. In our first year, we donated almost \$14,000 to twelve area organizations.