

What a year! David Lester, Ger

2012 was one of the best years for our store in many different ways. The financial health of our store is the best it has ever been in the current store location. We outperformed our budgeted sales growth and net income which allowed us to purchase some additional equipment and do more staff training. We budgeted for a 5% increase in sales and achieved a 10.7% increase. We budgeted for a \$28,690 net income and achieved a \$64,810 (+126%) net income!

Other successes in 2012 worth mentioning were:

- 319 new member/owner signups (the most since 2008, our first year in the new store location.)
- Working with the ISU Extension Office to offer a CSA share
 of local products to Rockwell Collins employees. We hope to
 use this pilot program as a model to help increase the value
 of employer-based wellness programs and provide more opportunities for local producers.
- Re-financing of our loans.

We continued to deepen our community connections and offer more classes and education about the products we sell and why they are better for our bodies and the planet. Our focus has been on education, supporting quality, locally-grown products and offering a positive shopping experience. This type of year would not have been possible without dedicated member/owners and outstanding staff! Thank you.



	2012	2011
SALES	\$4,151,682	\$3,749,316
Cost of Goods Sold	\$2,520,419	\$2,304,726
GROSS MARGIN	\$1,631,263	\$1,444,590
Operating Expenses:		
Personnel	\$1,044,927	\$951,068
Depreciation & Amortization	\$117,898	\$112,345
Facilities	\$108,647	\$115,925
Marketing	\$55,699	\$51,505
Supplies	\$40,419	\$40,188
Interest	\$52 , 701	\$69,656
Discounts	\$37,033	\$33,067
Other Operating Expenses	\$91,792	\$74,983
PROFIT ON OPERATIONS	\$82,147	\$(4,147)
Non-Operating Revenues & Expenses:		
Less Board Expenses	\$13,911	\$11,561
Plus Other Revenues	\$17,783	\$8,136
EARNINGS BEFORE INCOME TAXES	\$86,019	\$(7,572)
Income Taxes	\$21,209	\$4,219
EARNINGS AFTER INCOME TAX	\$64,810	\$(11,791)

Success by the Numbers

- We gained 319 new member/owners, bringing our total membership to 3,976 (55 of these members are College Cooperators)
- Our total annual sales was \$4,151,682 (+10.7% growth over 2011)
- We budgeted for a \$28,690 net income in 2012, but achieved a \$64,810 net income (+126%)
- Sales of local products totaled \$851,459, (20.5% of total sales)
- Our cash situation grew 25.3% over 2011

Letter from the Board President

Bill Pardee, Oneota Co-op Board President



When you shop at our Co-op, you see a cheerful, helpful staff. You see an expanded array of products. You see announcements for the many course offerings. If you look more closely, you'll see evidence of our support for local, sustainably grown food. These are core reasons for the Co-op's existence.

I joined the Board in April of 2010, just about a month after David Lester became General Manager. The Co-op has made remarkable progress in these three years, due especially, in my opinion, to David's leadership. At that time, the Co-op

had 36 employees, sales of \$3.2M/yr, and a membership of about 3,200. It didn't quite make a profit for the previous year, and it had not for several years. Three years later, we have added 753 new members (23% increase); we had sales of \$4.1M for last year (up 28% over three years, a compound growth rate of 8.5%); we have 44 employees (up 22%). Those employees have high morale as measured by an independent expert survey, and they have had several raises. We had a net profit for the three years of about \$110,000. We have refinanced to reduce our debt cost, and we have set aside funds to repay member loans on time beginning in early 2014.

This has been a joint success of the GM, staff, member/owners who patronized the store, member/owners who lent money to the store, and member/owners who also helped fund the expansion by purchasing preferred shares. In the spirit of sharing the success with those who helped make it possible, the Board approved a 6% dividend for holders of preferred shares. The Board also wanted to reward those members who patronized the store with a patronage dividend, but it encountered a technical obstacle in that lowa law requires patronage dividends to be applied first to payment of any unpaid portion of the membership. Our accounting system is not yet able to handle payments on membership that are not a multiple of \$20.

With all this good news, the Co-op will face choices in the next two or three years about how to serve its community better. Our Ends policy defines in general terms the benefits that we will provide to our stakeholders, but that policy is not sufficient to guide the choices among the rich array of alternatives. Is it more important, for example, to expand the Decorah store than to serve nearby communities that don't have a grocery store? It's foolish, in my opinion, to suppose we can do everything, and almost as foolish to simply take the first good opportunity.

The Board has planned for the coming year a systematic discussion of our values, purpose, mission, risks, opportunities, strengths, weaknesses, and vision to set two or three strategic priorities. Our intent is to reach agreement on little pieces that add up to wise decisions to protect the Co-op and serve our stakeholders better.

Your Co-op is strong. It will remain strong. It does need member/owners willing to serve on the Board to make thoughtful decisions. The work of the Board is sometimes mundane and occasionally profound, but it is always important. I leave the Board with some regret because there is so much good work to do, but with confidence in my successors.

The fine Co-op that we have today grew out of a painful transition in which some people lost a job that meant more than a job, and the competence and even character of some employees and Board members were sometimes criticized. I believe everyone acted out of love for the Co-op, and I am sad for those who experienced pain at that loss of a job, or of a community, or of respect for their character and purpose. I feel gratitude for the healing that I have seen these last three years.



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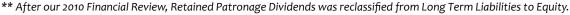
OUT Balance SHeet David Lester, General Manager & Larry Neuzil, Finance Manager

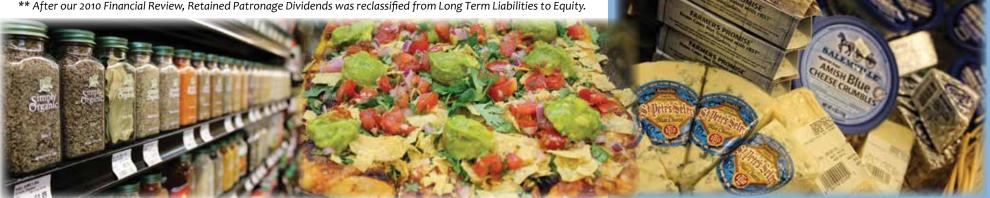
Assets	2012	2011	2010
Cash	\$372,574	\$297,355	\$235,421
Other Current Assets	\$181 , 925	\$175,412	\$193,876
Property/Equipment	\$1,382,096	\$1,469,145	\$1,484,538
Other Assets	\$46,894	\$41,913	\$38,576
Total Assets	\$1,983,489	\$1,983,825	\$1,952,411
Liabilities			
Current Liabilities	\$423,941	\$384,234	\$342,276
Long-Term Liabilities	\$926,269	\$1,059,436	\$1,117,327
Total Liabilities	\$1,350,210	\$1,443,670	\$1,459,603
Equity			
Member Shares	\$371,140	\$342,076	\$309,630
Preferred Stock	\$67 , 250	\$68,000	\$68,000
Retained Earnings	\$168,196	\$103,386	\$115,178
Retained Patronage Dividends	\$26,693	\$26,693	**
Total Equity	\$633,279	\$540,155	\$492,808
Total Liabilities/Equity	\$1,983,489	\$1,983,825	\$1,952,411

things, our financial picture continues to improve. The highlights worth mentioning are a stronger cash situation, member equity growth and total equity improved greatly mostly due to a strong year of net income.

- Our total cash on hand improved by 25.3%
- Member shares increased by 8.5%
- Total equity increased by 17.2%

One of the biggest financial accomplishments of 2012 was re-financing our debt and saving the Co-op over \$180,000 in interest over the life of our loans. Plus, we will pay off this debt 3 years sooner than before! We continue to reduce our debt load, and are on track to pay off the majority of our member loans in 2014. Even in an uncertain economy we continue to make progress and we are excited about the future of our store.





Keeping it Local L

I want to personally thank all of the 319 new member/owners that signed up in 2012 which brings our total membership to 3,976. As a member/owner of our Co-op, you directly support a local business that saw over 46% of total sales stay in our economy. When we break this down, that means almost \$1.9 million stays in our local economy. This includes \$851,149 going to local producers and over \$1,044,927 providing wages and benefits to 44 local individuals and their families. These figures do not include the numerous donations we made to community

organizations and the education and

outreach that our staff and member/

owners provided this past year.

This year we are featuring an employee who has seen many changes to our Co-op over the last two decades. Betsy Peirce will have worked at the Oneota Community Food Co-op 20 years as of August 2013. Betsy lives with her husband Ketel, who is a partner with Hometown Taxi and her daughter Olivia, who attends KinderHaus Outdoor Preschool. We sat down with Betsy and asked her a few questions about her job, changes she has seen and what keeps her here in Decorah.

Q: Twenty years is a long time to work in one organization. What do you like about working at the Co-op?

A: My favorite part of my job is being in the aisles interacting with customers. I love teaching people things they didn't know about their food: how to cook it, what it tastes like (offering samples), where things are grown, who grew them, what nutritional benefits they might get from eating that particular food. I like to tell people things they don't even ask about - like why certain produce items are not always available, and what is affecting availability. These days, the answer almost always has to do with extreme weather somewhere. I love working with my local growers and thereby encouraging more local commerce. My personal relationships with some of them have gone back to my beginning days at the Co-op - so we have more than a business relationship. I also love working with all my talented co-workers. We work well as a team and better yet, we have fun together.



Betsy Peirce Produce Manager

Q: You seem to have weathered many changes at the Co-op. How are we doing now?

A: I have seen a lot of change and growth in the last 20 years having worked in three different store fronts and through two moves. Not all of it was easy, but we are in a most exciting time right now. We are a respected part of the downtown business community. We are reaching out to broader parts of our community and we are growing in a sustainable and careful manner.

Q: Okay, after being here 20 years, you have to have some favorite things at the Co-op that you can't live without. What are your top five?

A: 1)The Café breakfasts and lunches 2)Bulk coconut oil and olive oil 3)Bulk grains and beans 4) our meat selection 5)Equal Exchange Panama Dark Fair Trade Chocolate bars.

Q: What do you like to do when you're not working?

A: I love to spend time with my husband and daughter Olivia who is five and a half. I also love to read, ski, walk, dance, listen to live music and spend time with friends.



What's Cooking at the Co-op?

End #4 – A community that is educated about food and other products that are healthy for people and the environment.

In 2012, we added a position to our Marketing department - Education and Outreach Coordinator. Johanna Bergan was excited to transition from Front End Manger into this position. Throughout the year we increased our educational offerings - offering 74 classes, 35 store tours, and class fees and sign-ups were up 42% compared to 2011.

Our educational focus remains on cooking with whole foods and teaching basic cooking skills. Helping our member/owners, and the community, learn to eat seasonally and to appreciate the array of high-quality local and organic products available in our store is our mission. We will continue to provide increased educational opportunities to the Northeast Iowa community in the future.

In the coming year keep your eyes open for new instructors, increased focus on alternative diets including vegetarian, raw, gluten and lactose free, and more opportunities for children and low-income households to interact with food.



OCC Ends

Because the Oneota Community Co-op exists as an institution grounded in the cooperative principles, there will be the following:

- a retail source for food and other products that, to the greatest extent possible, are organic, sustainably produced, locally grown and/or processed, and affordable.
- a business that encourages the expansion of sustainably grown local food sources.
- a business that promotes the development of cooperation and co-operative enterprise.
- a community that is educated about food and other products that are healthy for people and the environment.
- **5** a business that promotes environmental sustainability.
- 6 employment in a work place that provides the personal satisfaction of collaborative work directed toward common goals.
- **7** a local community whose fabric is strengthened through caring, and sharing gifts of time, energy, and resources.
- **8** an institution that respects and encourages the diversity of its membership.