



Open Harvest Cooperative Grocery

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Open Harvest Mission Statement

The goal of Open Harvest is to provide good health through good nutrition.

Open Harvest provides high quality and natural foods with a high level of service and a reasonable price to the community of Lincoln.

Open Harvest is a member-owned retail cooperative dedicated to equitable employment practices, support of local producers, consumer education, and sustainable agricultural practices.

ANNUAL REPORT

General Manager's Report

The big news is, of course, expansion, and we are in the thick of it as I write. A more detailed account of the expansion project is available elsewhere in this report. We are thrilled to be able to go ahead with the project, so long in the making, and grateful for the help we have received from so many dedicated individuals. It is our goal to ensure the continuing success of the co-op for many years to come and to raise the level of service we are able to provide to our loyal member-owners and other customers.

As we move forward to a bigger and better Open Harvest, we are mindful of our roots in the cooperative movement and core mission to provide good health through good nutrition. We will continue to attend to ethics in all aspects of our business.

The expanded store will reflect the wishes of our member-owners with a much larger meat and seafood section, more paper and cleaning products and more choices in many departments. We are unable to add a beer and wine section due to city zoning restrictions. We continue to emphasize our long term commitment to locally produced foods throughout the store and consider this one of the most important differences between us and the other grocery stores in town. We are 'walking the walk' of local in a big way.

In October of 2008, the economy took a severe downturn and Open Harvest has not been exempt from the effects of this. We have seen a slowdown in the rate of sales growth we were enjoying and changes in the buying habits of our customers. We have tried hard to adapt our product mix and pricing to accommodate these changes.

The 2008/2009 financial year ended on June 30, 2009, and although we ended the year with a loss of \$24,608, we were profitable in the most recent 3 quarters. The economy changed so quickly in the fall of 2008 that, along with many other businesses, we could not adjust rapidly enough to prevent a loss in our first fiscal quarter. Sales growth for the year was 5.88% when compared to the 2007/2008 financial year.

Our budget and business plan for 2009/2010 are in place, and we are very optimistic about our prospects for a strong and successful year. We are counting on our member-owners and other customers to shop at the co-op to help us pay back the debt we have taken on in order to expand. In last year's report I wrote that, "We hope that in the yearly report for 2008/2009 we can share success stories in our new location and have a firm footing for the future of Open Harvest." With your help, we can achieve that goal.

Jim Nelson

Balance Sheet Definitions

Current Assets – includes monies in checking and savings accounts, accounts receivable, short term CD's, prepaid expenses, and inventory.

Fixed Assets – includes furniture and equipment, leasehold improvements, less depreciation and amortization.

Other Assets – investments and long term CD's.

Current Liabilities – includes accounts payable, accrued personnel expenses, other payable expenses such as sales and property tax

Long Term Liabilities – includes long term loans

Member Equity – the equity in the Co-op held by Active members

Retained Earnings – how much money the Co-op made in its 30 year history

Net Income – how much money the Co-op made this fiscal year



Cooperative Principles

Cooperatives follow seven internationally recognized principles:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation Among Cooperatives
- Concern for Community

Income Statement Highlights*

	FY 08/09	FY 07/08
Sales	\$3,746,392	\$3,538,395
Cost of Goods Sold	\$2,253,786	\$2,100,311
Gross Margin	\$1,492,606	\$1,438,084
Operating Expense	\$1,552,771	\$1,454,297
Other Income/Expense	\$35,557	\$29,735
Net Income	(\$24,608)	\$13,522

*Full audit report available upon request.

Balance Sheet

	FY 08/09	FY 07/08
ASSETS		
Current Assets	\$583,272	\$426,120
Fixed Assets	\$78,914	\$86,087
Other Assets	\$50,293	\$35,838
TOTAL ASSETS	\$712,479	\$548,045
LIABILITIES		
Current Liabilities	\$224,769	\$257,066
Long Term Liabilities	\$185,047	\$0
TOTAL LIABILITIES	\$409,816	\$257,066
EQUITY		
Member Equity	\$225,787	\$189,495
Retained Earnings	\$101,484	\$87,962
Net Income	(\$24,608)	\$13,522
TOTAL EQUITY	\$302,663	\$290,979
TOTAL LIABILITIES & EQUITY	\$712,479	\$548,045

Where We Do Business

	FY 08/09	FY 07/08
Local	27%	24%
Regional	2%	3%
UNFI	42%	44%
All Others	29%	29%

Local – Nebraska, Kansas and Iowa

Regional – Missouri, Colorado, Wisconsin, South Dakota and Wyoming

WHERE YOUR DOLLARS GO...

Many of the following amounts support local growers and suppliers, provide jobs and services that stay in our community, give money back to members and make donations to help ease hunger in Lincoln.

	FY 08/09	FY 07/08
Wages and Salaries	\$841,918	\$750,214
Other Personnel Expenses	\$119,002	\$114,317
Discounts to Staff and Volunteers	\$51,802	\$62,121
Member Discounts	\$40,325	\$34,118
Other Member Benefits	\$13,151	\$11,451
Donations (Food and Other Support)	\$12,204	\$16,831
Expansion Expense	\$11,139	\$12,188
Rent	\$83,740	\$84,184
Credit Card Fees	\$45,979	\$40,891

DEFINITIONS

Wages and Salaries – wages, salaries and contract labor

Donations – food, outreach and other donations

**Total number of
active members**

3,160

Member Sales

	Projected FY 09/10	FY 08/09	FY 07/08
Gross Sales	\$4,458,020	\$3,746,392	\$3,538,396
Growth from Previous Year	19.0%	5.9%	9.0%
Customer Count	181,440	168,138	162,203
Avg. per day	504	467	444
Average Basket	\$24.57	\$22.50	\$21.82
Member Sales	60%	62%	58%
Non Member Sales	40%	38%	42%
New Members	850	788	639
Renewing Members	1,500	1,136	1053
New Member Equity	*	\$19,700	\$15,975
Renewing Member Equity	*	\$28,125	\$26,325

* Because of the currently running "Pay Forward" promotion, and the increase to \$40 in the annual equity payment on January 1, 2010, projections would not be meaningful.

EXPANSION REPORT

“Change is good... and unavoidable!”

Over the past three years expansion has been a thought, a goal and a priority in many of our minds here at Open Harvest. Now, thanks to lots of local support and hard work, the project has become a reality and we have achieved our goal.

We signed a new lease, raised member loan money, got a bank loan and, after a few hurdles, obtained a building permit. Then the real work began... starting July 1st 2009, we have been in full expansion mode. There were a few bumps in the road, but for the most part the project has gone very well. Now, we have a beautiful new store to segue into the next phase of Open Harvest.

Grand Opening events are scheduled to begin October 16th, kicked off by a ribbon cutting ceremony with Mayor Chris Beutler. Grand Opening activities will continue for four weeks, taking us almost to Thanksgiving. Giveaways, in-store sales and featured events will be part of the celebration!

Before this expansion began, we asked our member owners what they wanted to see in a bigger store. The answers were mixed, but most wanted more meat and seafood, an expanded selection of deli food and grab-n-go items, more produce, more emphasis on local items, and of course, more space. After acquiring the Eyes of the World space, our sales area has expanded by a whopping 70%, which brings our total square footage to nearly 10,000. Our staff members are also very happy to have more storage and work space behind the scenes.

The newly renovated store features the expanded departments our members requested. We have more local produce, meats and gourmet foods; more gluten-free and special-diet items; larger aisles, a fourth check stand and a full-service customer service desk. Our emphasis will remain on fresh, local and all-natural and organic items. We will remain strong as a co-op and continue to support our local community, just as we have done for the past 34 years.

We are particularly proud that the expansion has been accomplished almost entirely through local support. We have tried to hire as many local companies as possible to do the remodeling work. Lincoln contractor Sandquist Construction and A1 Refrigeration are major project partners. Straw Sticks & Bricks donated a recycled glass countertop for the Deli valued at \$1,400.

Union Bank and Trust and Open Harvest members helped finance the project. 86 of our members loaned a total of \$201,400 and hundreds of other members raised more than \$13,000 by paying their membership renewals in advance.

Another accomplishment of the project is that it has been done in as green a way as possible, given our

financial limitations. We've made every effort to stay environmentally friendly throughout. The newly added wooden fixtures are recycled from Linens n' Things, Lincoln's Screen Ink is crafting matching in-store signs from recycled wood and an Iowa company took the old metal fixtures for recycling and resale. Other eco-friendly choices include Zero-VOC paint, energy-efficient lighting and ozone-friendly refrigerated equipment, the majority refurbished rather than new.

Among the departments, meat and seafood grew the most, by 150%, with a new case and a full-service seafood counter. We will continue to offer a wide array of antibiotic-free, GMO-free natural and organic meat and seafood. Our meat and seafood manager works closely with local ranchers to source natural and organic beef, pork, chicken and other meats and fish.

The cheese department has also gained a service counter which offers cut-to-order pieces. With the additional square footage we are also now able to offer a greater selection of imported and locally produced cheeses.

The produce aisle, formerly the site of shopping cart logjams, now boasts five new tables piled high with fresh natural and organic vegetables and fruit. One table exclusively features produce from local farmers.

The large new grab-n-go cooler displays ready-to-eat meals, salads, and sandwiches prepared on site by our deli. Also in that cooler are fresh baked-from-scratch desserts and treats from our in-house Bakery.

Our bulk section now features over 400 dry bulk foods including beans, rice and other grains, flours, pastas, nuts and seeds, granolas and trail mixes, honey, olive oil, coffees and teas, herbs and spices. Newly returned is bulk peanut butter, freshly ground for you on the spot!

The supplements and body care department has gained a cooler for an expanded selection of refrigerated nutritional oils and probiotics. We also have plans to introduce our own private label vitamins and a clean line of high quality cosmetics is in the works.

Our new full-service customer service desk will sell stamps, process memberships and answer shoppers' questions.

For us here at Open Harvest, this expansion is just the beginning of a new era in our 34-year history of growth and service to our local community. Thank you to all our member owners and shoppers for your continued support.

*Kelsi Swanson, Merchandising Manager &
Elizabeth Wolf*