

“A RECAP OF OUR 37TH YEAR OF BUSINESS”

ANNUAL REPORT 2010

> GM Report By Crystal Halvorson <

Make no mistake about it, 2010 was easier and more fun at Menomonie Market than 2009! As the country and the world started its slow climb out of recession, we were able to stand up straight, stretch, and operate the way we love to, with confidence and an eye to the future. Our sales growth for the year was a healthy 7.8%, which felt great compared to our 1.3% growth the year before. As our sales growth recovered, we put into action plans to provide something new for our members and customers. The Lunchbox, a space to meet friends for hot lunch, salad bar, and good conversation, came on the scene in May 2010, after a lot of planning, shopping, and remodeling.

In order to provide the room in our building for such a space, we rented space next door at the Hotel Marion building, and moved the offices of GM, Bookkeeper, and Membership and Marketing Manager there. This was a big change for everyone at MMFC, and required organization, technology, and new systems to keep everyone in the loop on daily activities. The Manager on Duty squad took on a lot more fires with the GM off site, and demonstrated that they are capable, smart, and ready to take on more all the time (something I knew already!).

The Lunchbox was timed for a slow start, when UW-Stout and local schools were out for summer, in order for us to ease into running a little restaurant. By the time school started up in the fall, we were a well oiled machine, and visits to our Lunchbox have been growing steadily ever since. Gail and her crew in the deli have been fantastic, and are creating a high quality, fresh, clean lunch five days a week. The Front End has also provided great customer service coverage for the area without skimping on help out on the sales floor. And many of our employees are treating themselves to a nutritious and quick lunch while they work!

The Lunchbox was another effort that we have made to expand our offerings within our current space without spending a lot, while we continue to get financially and organizationally prepared for a “real” expansion project. This past year has been one with a

lot of effort put toward a relocation project, and has been a tumultuous experience! We continued to negotiate with several entities looking to be a part of development projects in the downtown Menomonie area, and were very excited to be a possible anchor tenant in the proposed Gateway Project, a redevelopment of the old Leever’s grocery store site right to the northwest of our current location. This project was approved by the City, vetoed by the Mayor, approved again, and then tied up in a lawsuit brought by a concerned landlord’s group for long enough to make the project unviable to the developer. Menomonie Market invested much time and money in negotiations, legal work, market analysis, and planning, and we are recovering from the disappointment that this isn’t our project. The process has left us sure of what we need in a location and in partners, and we are continuing to seek out the best match for our co-op, so that we can provide a physical space that will serve the needs of our members for years to come. Once again, we have the hope that a project is right around the corner!

Other highlights of 2010 are well connected to our growing membership. We welcomed over 150 new members to the family, a number that continues to grow at a beautiful pace. These new members brought us equity of \$16,300; since we are a profitable business, all of this money goes directly to our savings, to be used for furthering our goal of a bigger, easier to shop facility.

Something new in 2010 was the change in our percent of sales that is attributed to members—it has gone down! At first glance this may seem alarming, but actually it is a great sign in light of all those new members. It means that faster than we are getting folks to join, we are also seeing new faces for the first time. We attribute this change to the Lunchbox, to all the news this year about the Gateway Project, and to the fantastic outreach that our talented Tanya Young does; it has attracted non-members that live and work near us and want to try something new. We are on the radar more than ever in Menomonie as a legitimate place to shop; what this means is that more folks

are open to making positive change in their diets, which benefits us all.

Members also told us with their shopping dollars that they want more local food. We spent well over \$250,000 on food and products directly from both local and regional farmers and producers; the biggest jump in years. That is a 25% increase! When you compare that to an overall sales growth of less than 8%, you can see that we are really making great progress in our goal to source more local food, and promote and protect the farmers and land that we have near us in the process. Our plans for 2011 are just as lofty; we will continue to source local when we can and educate folks about the importance of supporting our local food shed. A huge kudos goes out to all the staff that make our local program happen; buying from lots of small guys is a lot more work than buying from one big guy, and our jump in local sales means a lot of meetings, negotiations, training, deliveries, billing, phone calls, orders, and changes to our pricing system to make it all work.

Finally, our increased business in the store has allowed us more leverage to support the community around us. MMFC has been proud to sponsor many events throughout 2010 aimed at education, sustainability, food security, and nutrition. Our contributions and donations budget has also grown; in 2010 we donated more than \$3000 in money and food to various local organizations, ranging from a little league team to the Stepping Stones Food pantry. In addition, our Hill of Beans program, where we donate 5 cents every time you save us a bag, continues to support lots of different non-profit organizations throughout the year. It is with the support of all of our members and shoppers that we have this budget; thanks for contributing to a better community when you shop for your groceries!

We hope that MMFC is a place that feeds you. Thank you for the effort that goes into supporting this little co-op. In all the ways that you contribute, you are a part of something special in Menomonie that can’t be sold or manipulated. Cheers!

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BOARD PRESIDENT'S REPORT



Menomonie Market has once again finished the year in a strong economic position. With slow and cautious economic recovery appearing to be forthcoming, our position heading

into 2011 is favorable. Because of the continuing patronage of our dedicated members and customers as well as the fine efforts of our staff and management team, we've finished the 4th quarter of 2010 with a financial growth of 6.9% and a rolling sales growth that never went into the negative numbers. Menomonie Market ended 2010 with no long-term debt as well as a healthy balance of cash in the bank! Because of our success, Menomonie Market has been able to continue delivering our Ends statement by increasing our charitable donations to local organizations.

Our membership continues to grow! Over the last year we've welcomed over 167 new members bringing out total membership to over 1400. Of that total, almost 1200 of you have been active shoppers within the last 12 months. Despite the economic difficulties we've faced as a country, people still chose to invest in Menomonie Market. I believe that this continuing growth in membership is because people understand the value of investment in a local organization that truly exemplifies the culmination of the beliefs, desires, and needs of its membership. All of our shoppers, both members and non-members, have a part in shaping our store be it via feedback to the staff, product requests, event attendance, election voting, and even Board membership. Thank you for your continued confidence

and faith in the cooperative model and local business!

In response to many requests from our membership for a space to purchase and eat freshly made, healthy food, the dedicated staff at Menomonie Market put forth a big effort and made big changes to open The Lunchbox in May of 2010. Featuring at least one hot item per day and one gluten-free item per week as well as a soup and salad bar, The Lunchbox has been a resounding success.

On August 19th, 2010 the Board hosted a member listening session at the Mabel Tainter Theater. The purpose of this listening session was to solicit feedback from a group of members in a manner that was focused and which also allowed the Board to practice speaking about the possibility of expansion while learning about member concerns regarding this topic. Members were asked what they felt a successful expansion would look like and what role they felt members should play in such an expansion. The amount of excitement and level of involvement in this session was very encouraging. Over the past year Board members have also hosted events such as a highway cleanup along Highway 29, small dinner gatherings, afternoon teas, and bicycle rides. All of these events serve to solicit feedback from our membership to better inform us of your desires for Menomonie Market.

CDS Consulting Co-op is an organization that aids cooperative boards across the country with leadership consulting, retreat facilitation, web-based training, and other services for Board development. In 2009 the Board decided not to enroll with CDS due to concerns of cost during the recession. In November of 2010 the Board of Directors voted to re-establish our relationship with CDS Consulting. Because of recent turnover of Board

membership and the continued possibility of expansion it was decided that the expertise offered by the CDS staff would be worth the expense. Due to the efforts of our General Manager Crystal, Menomonie Market received a substantial grant that helped offset this cost. Mark Goehring and Joel Kopischke are our contacts with CDS and Mark has long experience with our organization.

In January the Board of Directors decided to update our Governance Policies based on a template provided by CDS Consulting and suggested by our General Manager. Governance Policies are the framework under which the Board and General Manager operate. This framework is divided into policy groups such as Ends and Executive Limitations which the General Manager operate under and Governance and Board/Staff Relations, which direct the Board. These materials provided a modern framework for us to revisit all of our policies and re-use, re-write, or replace them as necessary. The process allowed the Board to be more in-line with current Board beliefs as well as allowing for easier extrapolation of data for Board and General Manager monitoring reports.

It has been an honor to serve on the Board of Directors of an organization that I truly love. While the loss of Cari Witcher, Richyne Meyer, and Warren Lang is sad, I feel fortunate to have been able to work with such amazing and thoughtful people and look forward to continuing to work with Charis Collins, Joan Menefee, Monika Herrmann, and Renee Howarton. I also look forward to welcoming our new Board members and to our collective development ahead. Lastly, I would like to recognize the hard work and dedication of the Board of Directors, our General Manager Crystal Halvorson, and the entire staff of Menomonie Market.

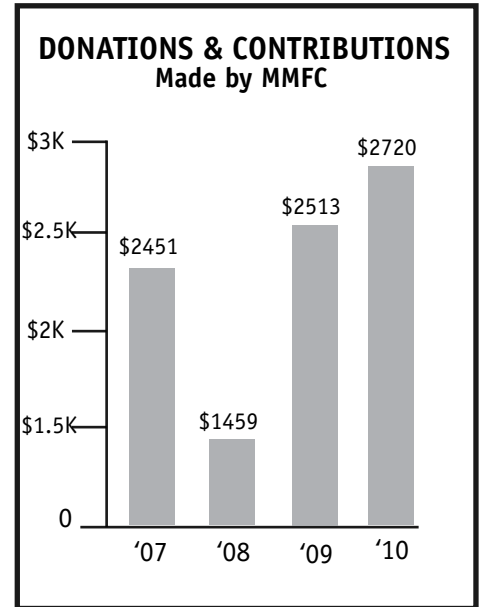
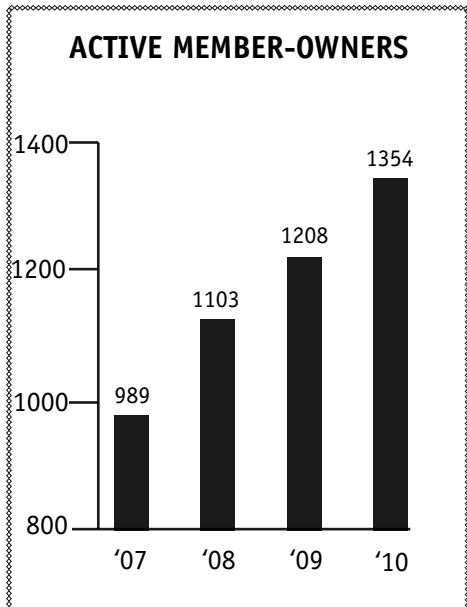
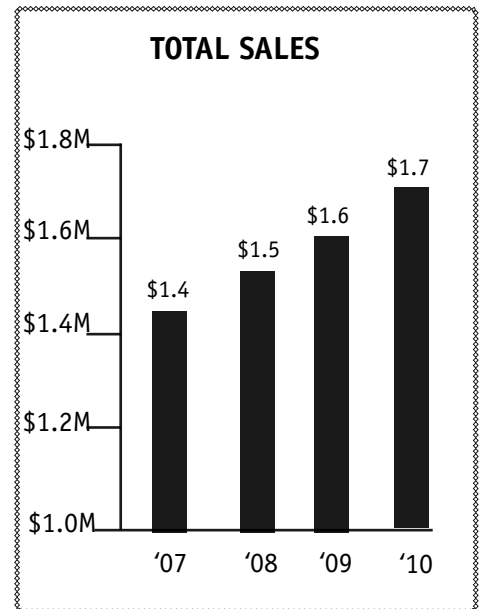
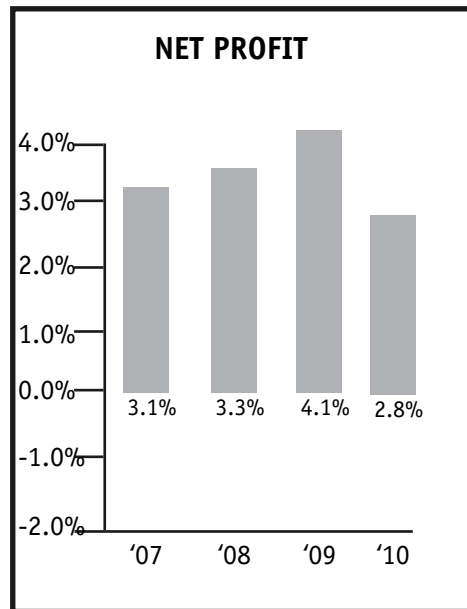
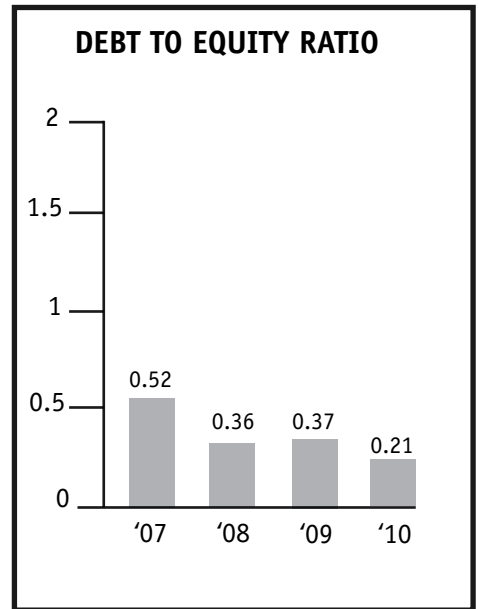
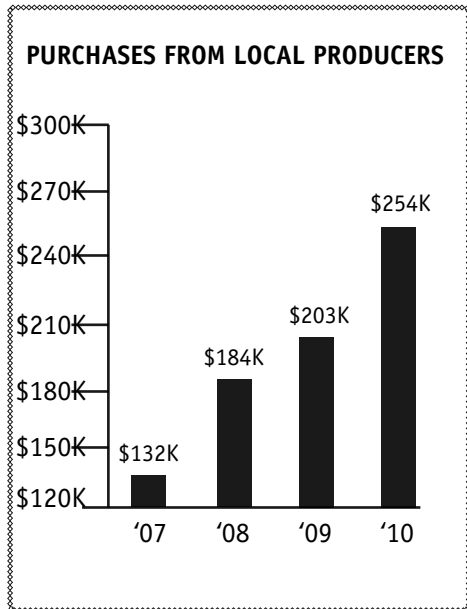
FINANCIALLY \$PEAKING

Financially speaking, Menomonie Market has had a typical year for a successful grocery that is climbing out of a global recession. Our Profit and Loss shows our healthy sales growth and an improved margin over last year with a slower growth in our Cost of Goods Sold expense. On the expenses side, our numbers looked very different than the year before. Our administration and occupancy costs were greater, in large part due to taking on more office space and connecting the telephone and computer systems of the two locations. Our "other income" (income generated outside the business of selling groceries) was down due to saying goodbye to a tenant in our kitchen space, and spending money on possible relocation scenarios. Our profits were healthy but down over last year; this was in large part due to the creation of the Lunchbox and the planned slower start to the sales in that new area, and due to increased labor costs with a higher turnover rate than in years past.

After our corporate income taxes are completed, the board will make its yearly decision as to whether or not to declare a Patronage Dividend, and if so, what amount should be distributed to members in the form of cash and what amount retained for the long term vision of the business. Any money we retain will go straight to the savings account where it will join retained earnings from years past; this is member money that will be used to further the vision of MMFC.

Our Balance Sheet also fared very well in 2010. We built cash, and spent very little in the way of big investments in our current site. We used some of our profits to completely pay off the Line of Credit that we took in 2009 to purchase our new Point of Sale System and new computers; we no longer have any long term debt at all. Most exciting is our 24% jump in equity; this comes from 2010 profits, new members joining and paying their \$100 investment, and the retained portion of the 2009 Patronage Dividend that was paid out in 2010. This combination of increased equity and very low debt looks great to a financial institution; it speaks to our readiness for expansion.

***These Financial Statements reflect our 2010 financial performance BEFORE TAXES; once final tax adjustments and possible patronage adjustments have been made, the finalized Financial Statements will be available upon request.



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DONATIONS & COMMUNITY

BALANCE SHEET	12.31.10	12.31.09	% CHANGE
Total Current Assets	\$271,716.32	\$258,773.77	5.0%
Total Fixed Assets	\$50,330.48	\$50,101.50	0.46%
Total Other Assets	\$10,330.37	\$9,496.84	8.78%
TOTAL ASSETS	\$332,377.17	\$318,372.11	4.4%

Total Current Liabilities	\$59,221.88	\$75,290.12	-21.34%
Total Long Term Liabilities	\$0	\$22,395.59	-100.00%
Total Equity	\$273,155.29	\$220,686.40	23.78%
TOTAL LIABILITIES & EQUITY	\$332,377.17	\$318,372.11	4.4%

PROFIT & LOSS	JAN-DEC 10	JAN-DEC 09	% CHANGE
TOTAL INCOME	\$1,727,065.73	\$1,602,787.70	7.75%
TOTAL COGS	\$1,041,425.17	\$972,858.02	7.05%
GROSS PROFIT	\$685,640.56	\$629,929.68	8.84%

Personnel Costs	\$466,711.46	\$418,721.31	11.46%
Occupancy	\$73,430.56	\$63,185.73	16.21%
Operating Expenses	\$51,756.42	\$68,721.20	-24.69%
Administration	\$24,421.51	\$19,281.59	26.66%
Marketing	\$20,663.79	\$22,539.27	-8.32%
Member Discount	\$3,150.12	\$3,373.73	-6.63%
Governance	\$6,095.62	\$7,523.72	-18.98%
Interest Expense	\$551.27	\$840.70	-34.43%
Taxes	\$2,998.00	\$1,000.00	199.8%
TOTAL EXPENSE	\$649,778.75	\$605,187.25	7.37%

Net Ordinary Income	\$35,861.81	\$24,742.43	44.94%
Net Other Income	\$1,382.08	\$16,283.70	-91.51%
Patronage Dividends Paid	TBD	\$25,769.00	n/a

NET INCOME	\$37,243.89	\$15,257.13	144.11%
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HILL 'O BEANS DONATIONS '10

MOSES \$127.45
 Seed Savers Exchange \$61.85
 Gilbert Creek Restoration Project \$50.00
 Stepping Stones of Dunn Co. \$645.25
 Co-op Expansion Fund \$495.55
 Total is \$1380.10 which represents 27,602 bean 'votes'! We also gave out DOZENS of product donations to local organizations.

COMMUNITY EVENTS '10

Shops Off Broadway Health Fair
 UW-Stout Optimal Health Fair
 Menomonie Sunrise Rotary Rotary Fest
 Red Cedar Medical Center Safe Kids Day
 "Tastings" Mabel Tainter Benefit
 Great Community Cookout
 Falloween
 Shops Off Broadway Art & Craft Fair
 Ladies Night(s) Out
 Menomonie Recreation Youth T-Ball
 Wellness ROCKS Cooking Classes
 2nd Annual Stuff Swap
 Optimal Health Seminar

2010 HIGHLIGHTS

- > The Lunchbox at Menomonie Market (opened May 2010)
- > Season Sponsor Mabel Tainter Theater (performance refreshments)
- > "Wellness ROCKS" major sponsor (Red Cedar Medical Center)
- > Featured in 'Natural Food Network' (national trade publication)
- > Featured in 'Edible Twin Cities' (local food publication)
- > Featured in 'Etc.' magazine (local lifestyle magazine)
- > CoCo Turkey Award, 3 Years in Row! (NCGA)
- > Mabel Tainter Annual Art & Craft Faire (Concessions and Refreshments)

