



**Karma Co-operative Annual General Meeting
Monday, October 17, 2011, 6:30pm – 9:30pm
Friends' House, 60 Lowther Ave, Toronto**

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Agenda

- 5:30 Doors open
Meeting registration begins
Snacks served
- 6:25 Call to order
- 6:30 Approval of the agenda
Approval of the minutes of the 2010 Annual General Meeting
- 6:35 Treasurer's report and Auditors' report
- 6:50 Discussion of the two reports
- 7:00 Motions to receive the financial statements and to reappoint the Auditors
- 7:05 Discussion of social responsibility at Karma
- 7:30 Review of & motion on proposed minor by-law amendment
- 7:40 Discussion & motion on proposed changes to work credit for Board members
- 7:50 Review of election procedures and nominations for 5 two-year terms
- 8:00 Ballot, if required, for the two-year terms
Ten-minute break during ballot collection
- 8:10 Membership report and discussion
Discussion of written committee reports
- 8:30 Announcement of winners of the election, if required
Nominations and second ballot, if required, for the 2 one-year terms
- 8:35 Board & Staff Relations report
- 8:45 Discussion of the two reports
- 8:55 Announcement of winners of election to one-year terms
President's report
- 9:05 General Manager's report
- 9:15 Discussion of the two reports
- 9:25 Motions to receive the President's and General Manager's reports
- 9:30 Adjournment and cleanup

When ballots are not required, subsequent election events may be moved earlier in the agenda, and the break may be rescheduled

**Karma Co-operative Annual General Meeting
Minutes for the meeting of Monday, October 18, 2010
Friends House, 60 Lowther Avenue, Toronto**

Board Members Present: Arel Agnew, Corey Berman, Hilary Gibson-Wood, Howard Kaplan, Angela Lee, Sarah Pretty, Benjamin Watts

Chair: Sarah Pretty

Minutes taker: Russell Moses

Minutes editor: Kirsten Heyerdahl, Howard Kaplan

1. Call to order

The meeting was called to order at 6:37pm by Sarah Pretty.

2. Approval of the Agenda

Sarah Pretty moved that the agenda be approved. Hilary Gibson-Wood seconded. The motion was carried.

6:25 Call to order
6:30 Approval of the agenda
Approval of the minutes of the previous Annual General Meeting
6:35 Treasurer's report and Auditors' report
6:50 Discussion of the two reports
7:05 Motions to receive the financial statements and to reappoint the Auditors
7:10 Consideration of proposed by-law amendments
7:40 Review of election procedures and nominations for two year terms
8:00 First ballot, if required, for the two year terms *
Ten-minute break during ballot collection
8:10 Discussion of proposed changes to the member loan and fees (the continuation of discussions that began at the February forum)
8:35 Announcement of winners of election to two-year terms
Nominations and second ballot, if required, for the one year term
8:50 President's report
8:55 General Manager's report
9:05 Announcement of winners of election to one-year terms
Discussion of the two reports
9:15 Motions to receive the President's and General Manager's reports
Discussion of written committee reports
9:30 Adjournment and cleanup

* If no ballots need to be cast for the two-year terms, then the nominations and elections for the one-year term will immediately precede the ten-minute break.

3. Approval of the Minutes of the 2009 AGM

Sarah Pretty moved that the 2009 minutes be approved. Reg McQuaid seconded. The motion was carried.

4. Treasurer's report

Howard Kaplan had distributed a written report.

He began by announcing that Karma had not had a very successful year financially. It was however, better than the previous year. This year sales were up 1.9%; this percentage takes into consideration the gross goods moved. Shrinkage was way down from last year; there was good product turnaround — staff were doing well with preservation.

Fewer staff hours had been worked this year; last year Karma had been overstaffed, and the store was now more appropriately staffed. Wages had been increased. Karma's expenditures on consulting had increased this year, as drafting the collective agreement required a consultant. A good contract resulted however; it is to be renewed in May, 2011. Karma's overall operating loss was \$4,752, and there was a surplus of \$5,300 this year. We are therefore not under serious immediate threat as was felt last year.

5. Auditor's report

Winston Lum had distributed a written report.

He declared that there had been dramatic improvement since 2009, due mainly to higher margins, lower shrinkage, and a decrease in staff costs — from \$277,642 to \$230,958. Karma's overall cash flow position has improved; current debt has improved by \$29,074. Based on the audit, as of May 31, 2010, Karma's financial statements fairly presented the financial position of the organization. Winston Lum thanked the staff, especially Denise Stapleton, the Bookkeeper, and Justin McNabb, the General Manager, for their help.

6. Discussion of the two reports

Discussion centred on the union membership and salary ranges of staff. Arel Agnew responded that the Board was aware that the staff wages are not high.

In response to a question about the increase in amortization, Howard Kaplan replied it was due to capital investments in the renovations. He noted a portion of it would soon no longer show on our books, as we will have finished amortizing a round of renovations done 20 years ago.

7. Motions to receive the financial statements and to reappoint the Auditors

Howard Kaplan moved that the General Meeting hereby receives the audited financial statements as approved by the Board, the Auditors' report on the statements, and the Treasurer's report. Art Jacobs seconded. The motion was carried.

Howard Kaplan moved that the General Meeting hereby reappoints Berman, Lofchick & Lum LLP as the auditor for Karma Co-operative, Inc. for the fiscal year ending May 31, 2011. Hilary Gibson-Wood seconded. The motion was carried.

8. Consideration of proposed by-law amendments

Howard Kaplan had distributed a written report containing the proposed changes.

By-laws are fundamental documents that, second to the Ontario Corporations Act, express how to run the co-op. The by-laws were first adopted in 1972, and have undergone many amendments, though this is the largest one so far. Most of the proposed changes are technical, for example the use of the corporate seal within the by-laws is no longer pertinent as Karma does not have a corporate seal. Howard noted that a few members had read the full document and could assure the AGM that the proposed changes were acceptable.

These proposed amendments must be approved by a two-thirds majority.

Amendment 1: Member Loans

Howard noted that this motion does not change the loan to voluntary, but only allows for that change to be possible. If this by-law amendment is passed by the General Meeting, then the proposal to change the member loans, if approved by the AGM, would be further discussed by the Board. The Board would then decide whether or not to proceed with changing the member loan. Howard stressed that this is a time sensitive issue whereby the AGM must act now or wait until the next year's period.

Sarah Pretty moved that the General Meeting approves amending the first paragraph of Article II, section 4, of the by-laws, as distributed in the reports booklet. Ben Watts seconded. The motion was carried. One opposed.

Amendment 2: Limitations on Durations of Service as Director

Sarah Pretty moved that the General Meeting approves amending Article IV, section 3(b), of the by-laws, as distributed in the reports booklet. Kirsten Heyerdahl seconded. The motion was carried.

Amendment 3: Leave to be Absent from Director's Meetings, Participation in a Meeting by Telecommunications, Conflict of Interest, and Quorum

Director's leave is ambiguously stated in the by-laws. This amendment will clarify what leave is.

Although directors have participated in meetings via telecommunication in the past, inserting this section into the by-laws would explicitly validate any future such attendance. The Board must consent to a director participating in the meeting in such a manner.

Inserting a conflict of interest section requires directors to declare a conflict of interest to the Board and abstain from discussion or voting in the matter.

The proposed change to quorum is so that quorum is flexible in the case that the Board not fully populated.

Sarah Pretty moved that the General Meeting approves inserting Article IV, sections 10, 11, and 12, and modifying and renumbering section 13 of the by-laws, as distributed in the reports booklet. Mike Paduada seconded. The motion was carried.

Amendment 4: Explicitly allowing official communication by electronic means when both parties agree

This is consistent with our current practice, but has not previously been formally authorized. It is part of the Ontario Electronic Commerce Act.

Sarah Pretty moved that the General Meeting approves adding Article XIV, section 4 of the by-laws, as distributed in the reports booklet. Hilary Gibson-Wood seconded. The motion was carried.

Amendment 5: Remaining technical amendments

Deborah Cherry and Reg McQuaid reassured the General Meeting that they had read the document and that the remaining amendments were all technical in nature. Howard Kaplan noted that the revised version of the by-laws will be online soon.

Sarah Pretty moved that the General Meeting approves making all of the remaining technical changes to the by-laws indicated in the document By-laws amendment proposal, Karma Co-operative Annual General Meeting, October 2010, as distributed in the reports booklet. Art Jacobs seconded. The motion was carried.

9. Review of election procedures and nominations for two-year terms

As the elections chair, Sarah Pretty had three people to nominate this year:

- 1) Rick Conroy: Although absent this evening, Rick had given written consent for his nomination, which Sarah Pretty read aloud. Corey then played Rick's video, which was followed by his bio which Sarah Pretty read aloud.
- 2) Kirsten Heyerdahl: Kirsten briefly addressed the General Meeting.
- 3) Howard Kaplan: Howard briefly addressed the General Meeting.

Sarah Pretty then asked for nominations from the floor; there were six positions to fill on the Board and only three candidates. There were no nominations from the floor and therefore elections were not necessary; the three candidates were acclaimed (as per the new by-law). Sarah Pretty welcomed the new members to the Board and encouraged other potentials to come and talk to the Board.

Howard Kaplan noted that there are currently four directors that are continuing onto the second year of their two-year terms. New directors can be appointed by a majority vote of the Board

Sarah Pretty then asked if there were any one-year term nominations. There were not.

10. Ten minute break

Meeting resumed at 7:57 pm.

11. Discussion of proposed changes to the member loan and fees

Hilary Gibson-Wood and Howard Kaplan had distributed a written report.

Hilary noted that the Board had undertaken a review of membership policy, looking at new and existing membership. Karma is still aiming to increase sales; even a small increase makes a large difference to the sustainability of the co-op. The goal is still a minimum increase of 5%.

Three potential ways to increase profitability are to increase membership size, to increase income per member, and to obtain income from non-member shoppers. In terms of increasing profitability by lowering expenses, there is little else the co-op can do, and the Board does not favour a raise in product prices.

The policy for membership recruitment must be attractive to potential members and membership must remain attractive for membership retention. There is an ongoing issue of fairly new members leaving the co-op — this must be addressed while satisfying the existing membership base. A forum was held in February to discuss membership policy. The conclusions from that meeting are available in Hilary Gibson-Wood's February Forum report. Comments from the forum expressed two key themes: there are significant financial barriers to becoming and sustaining a membership at Karma Co-op and while we need to think about

making Karma a welcoming place for people who are not currently members, the idea of membership is important.

The Board has approved in principle a membership fee rescheduling — members have an option of paying a \$10 quarterly fee, starting in the quarter that they join or to pay a \$36 annual fee upfront. This is a \$4 savings for an upfront payment of their fees and provides a choice for membership fee payments.

In order to reduce barriers to loan payments, the Board has also discussed making the member loan optional and voluntary. The loan, if paid, becomes \$100 (an increase from the current \$70). Non-lenders would pay a \$40 annual membership fee (\$10 quarterly) and lenders would pay less, a \$35 annual membership fee, but would have to pay \$10 quarterly if they wanted to make quarterly payments.

The aim is to reduce financial barriers and provide more options for membership fee payments — this is intended to maintain membership exclusivity and financial sustainability. If accepted, a new member could join for as little as \$10 upfront. This is based on the MEC membership model; membership is exclusive, and the cost to join is low.

This also addresses discouraged groups like students or couples (where each person pays a loan and a fee). It provides them with options to join and remain members without having to extend to them special status, therefore maintaining membership equity (and is also easier administratively). Equity and enforcement issues are avoided as related to incremental, long-term loan payments. It also provides solution to trial-shopper irritation and trial shopping abuse, potentially allowing the co-op to eliminate the trial-shopper option, since members could simply join with a small commitment on the spot.

Howard mentioned that member loans are a form of risk capital. Co-ops must raise money from its members to cover certain costs, either by loans or fundraising; Karma chose loans. Karma also has a line of credit but member loans do help to alleviate the risk of having to borrow from the credit union. It is not necessary for all members of Karma to provide Karma with a loan, so long as the total amount loaned remains adequate. This proposal will work so long as members take an interest in participating in the co-op and saving a small amount on their membership fees. Those individuals who do not choose to lend the money, or cannot lend the money, will simply pay more. This scheme allows members to meet Karma's needs, but neither group is getting a special deal at the expense of others. Member equity is thus preserved. A \$100 loan saves the co-op \$4 in credit; those who do not loan \$100, will pay \$4 more.

Karma does not yet know how many members will continue to loan if it became voluntary. According to the dotmocracy survey as posted in the store, 40 people will still loan, six will not. If that sample is representative, this policy will be successful. The proposal does not change the structure, but authorizes further investigation.

Hilary further stated that the proposal includes a clause that states that the Board can decide, based on further investigation, not to move forward if it is not in Karma's best interest. She directed people to the full text of the motion, and also a series of FAQs within the report to avoid a lengthy discussion period.

Questions and comments from the floor centered on whether or not the loan was a barrier to new membership and whether the changes to the fee structure would be an incentive to joining. The attached discussion record documents the discussion in full.

The question was called by Carolyn. The name of the member who seconded was not recorded. The discussion was ended. The text of the motion was then brought to attention by slide.

Hilary Gibson-Wood moved that the General Meeting hereby approves the following conditions for member loans, as authorized by Article II, section 4, of the by-laws:

1. The standard member loan is \$100, an increase of \$30 from the previous \$70.
2. The member loan is voluntary, and is not a required condition of membership; however, all members are encouraged to provide such loans.
3. All members of the same household must either provide or not provide member loans, and no loans in values other than \$100 per member will be accepted.
4. For administrative convenience, one member of the household will be designated the "loan holder," and any repayment of the loan upon resignation will be made to that member on behalf of the household.
5. To encourage members to provide member loans, any member providing such a loan will receive a discount on the membership fee, in lieu of interest on that loan, whenever the full year's membership fee is paid at once.
6. The board is hereby delegated to set the value of the discount on fees and to establish reasonable rules to allow each household to make the transition from the current \$70 per member loan to the new loan values.
7. The board is hereby instructed to collect written applications from each member household, in which the household elects to increase or withdraw its member loan; to assess whether the proportion of households making each choice would result in a net benefit to the co-operative were the new loan conditions to be put into effect; and, should the board decide that the new loan conditions would result in such a benefit, to declare the conditions to be in effect and to honour all such applications.
8. If the board decides, on the basis of the assessment in clause 7, that the cooperative should not proceed with the new loan conditions, then the conditions remain unchanged from what they were before this motion was adopted.

Mark seconded. The motion was carried.

Although there was not time to formally discuss or incorporate friendly amendments suggested by the members during discussion prior to the vote, notes about that discussion were kept for the Board's consideration in interpreting this motion.

12. President's Report

Sarah Pretty had distributed a written report.

She began by stating that it had been an important year for the co-op. We have turned a corner, and the situation is not looking so dire. There is still much work to do however, especially with the structural changes.

She admitted that she had reported in her written report a rosier view of the membership than was the case; membership is only at 885. She was pleased to see that finances are looking better and felt that the signing of the collective agreement with the staff and the union on March 5, 2010, was the biggest achievement of the year. She gave thanks to Greg Miller and Paul Dixon, Howard Kaplan, Harry Koster, and Margaret Knittl, and she thanked Arel Agnew as the Board representative in the bargaining.

Other achievements had been the huge effort made to communicate more regularly to the membership, the February forum, the Community Development Committee's open house for members, the streamlined IOU policy, the updated membership booklet, the progress towards finishing the Members' Room, and the physical improvements to the building.

She gave thanks to all the committees that did so much work this year and felt that she had worked with a terrific Board. She thanked members for their work and gave adieus to those leaving, and thanked Justin McNabb for putting up with everything and his tirelessly work. She gave thanks to the staff as well, and closed with a request to the membership to consider getting involved in a new way this year, because there is a lot of work to be done.

13. General Manager's Report:

Justin McNabb had submitted a written report.

He began by clarifying the confusion regarding membership numbers brought up in the President's report. It was a simple matter of membership cards, where active members who had become inactive because of a lack of shopping in the past six months had recently been moved to the inactive pile.

Justin thanked everyone for trusting him to continue to be the General Manager; this is his third year in the position. His mantra was to not change anything when he started but the store is now completely different. He had some initiatives to run the store more successfully, and implementing them would not have been possible without the staff. He mentioned the benefits of unionization, and felt that Karma had a stable, dedicated staff, with a low turnover rate.

Sarah Pretty moved to receive the General Manager's and President's reports. Ben Watts seconded. The motion was carried.
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The meeting was adjourned. The time was not noted.

Carolyn made an announcement regarding a petition of the Ontario Co-operative Association asking the Legislative Assembly of Ontario to change the requirements for starting a co-op, allowing co-op business to start up more easily, and have all the advantages of regular businesses. She asked for members in attendance to consider signing the petition.

Attachments can be found in the booklet entitled Karma Co-operative Inc. Annual General Meeting, October 18, 2010 Documents and Reports:

Minutes of the 2009 AGM

Auditor's report

Financial statements

Treasurer's report

President's report

Staff relations report

Corporate Secretary's and Communications Secretary's report

General Manager's report

Reports from the committees: Building Committee, Chronicle Committee, Community Development Committee, Finance Committee, Orientation Committee, Web Committee

By-laws amendment proposal, Karma Co-operative Annual General Meeting, October 2010

Membership structure review: progress report and Member loan change proposal

A discussion record was created in a separate file to document questions from the floor, the responses they were given, and general discussion for the material presented at the AGM. It is attached to these minutes.

Introduction to the financial statements and Treasurer's report, 2011

Howard Kaplan, Treasurer

The audited annual financial statements are prepared by our Auditors, based on data maintained by our Bookkeeper, Denise Stapleton. The statements are in a format required by accounting standards and the Co-operative Corporations Act. After the Finance Committee reviews the draft statements, any necessary corrections are made, the Board approves the statements, and the final statements are delivered to us in both computer file and hardcopy format.

Below, you will find scanned images of two pages from the hardcopy audited statements, the Auditors' report and the balance sheet. The former is signed by Berman, Lofchick, & Lum, our Auditors; the latter is signed by myself and Corey Berman, two Board members. On the subsequent pages you will find the complete financial statements, including these two pages, as full-page images that are easier for a computer to process.

BERMAN, LOFCHICK & LUM, LLP
CHARTERED ACCOUNTANTS

197 SHEPPARD AVENUE WEST
2ND FLOOR
TORONTO, ONTARIO M2N 1M9
TELEPHONE: (416) 229-9360
FAX: (416) 229-9325
email: bberman@col.ca
marshall@col.ca
winston@col.ca

JERRY BERMAN, B.Sc. C.A.
MARSHALL LOFCHICK, B.A. (HONS.) C.A.
WINSTON LUM, B. Comm. C.A.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Karma Co-Operative Inc. which comprise the statement of financial position as at May 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Karma Co-Operative Inc. as at May 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Respectfully submitted,
Berman Lofchick & Lum LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants.

Toronto, Ontario.
September 19, 2011.

KARMA CO-OPERATIVE INC. (INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)		
STATEMENT OF FINANCIAL POSITION		
MAY 31, 2011		
	2011	2010
ASSETS		
Current		
Inventory	\$ 142,486	\$ 117,943
Prepaid expenses and sundry receivables	<u>8,651</u>	<u>4,167</u>
	151,137	122,110
Capital - at cost less accumulated amortization (note 2)	285,587	283,143
Other - at cost		
Membership loan - ONFC	35,029	35,039
Shares in Toronto Renewable Energy Co-operative	2,000	2,000
Shares in Alterna Savings Credit Union	<u>212</u>	<u>210</u>
	<u>\$ 473,965</u>	<u>\$ 442,502</u>
LIABILITIES		
Current		
Bank indebtedness	\$ 1,949	\$ 30,005
Bank line of credit (note 3)	131,868	65,597
Accounts payable and accrued liabilities	29,785	25,915
Deferred revenue	390	-
Building loans (note 4)	<u>65,500</u>	<u>65,500</u>
	<u>229,492</u>	<u>187,017</u>
NET ASSETS		
Net assets invested in capital	88,719	152,046
Members' loans (note 5)	122,072	128,376
Unrestricted net assets	<u>33,682</u>	<u>(24,927)</u>
	<u>244,473</u>	<u>255,485</u>
	<u>\$ 473,965</u>	<u>\$ 442,502</u>
Approved on behalf of the Board:		
<i>Howard Kaplan</i>	Director	
<i>Corey Berman</i>	Director	
The accompanying notes form an integral part of these financial statements.		
	-2-	

The legally required format for an audited statement is not the most useful format for Karma members to understand. Therefore, following the audited statement, you will find a one-page statement that I prepared, looking at selected results from a different perspective and presenting a measure of shrinkage, one of our key financial indicators. Shrinkage is a measure of what we buy that we cannot sell, because it is lost to damage, loss of freshness, pricing errors, or pilferage. This one-page statement is unaudited, primarily because there are no auditing standards defined for that statement. However, the numbers in the statement are derived from the numbers in the audited statements, wherever possible.

After the financial statements, you will find my Treasurer's report. In that report, I present a deeper exploration of selected financial results, explaining how we compute them, how they have changed since last year, and why that is important.

KARMA CO-OPERATIVE INC.
(INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)
FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2011

INDEX

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Karma Co-Operative Inc. which comprise the statement of financial position as at May 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Karma Co-Operative Inc. as at May 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Respectfully submitted,

CHARTERED ACCOUNTANTS.
Licensed Public Accountants.

Toronto, Ontario.
September 19, 2011.

KARMA CO-OPERATIVE INC.
(INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)

STATEMENT OF FINANCIAL POSITION

MAY 31, 2011

	2011	2010
ASSETS		
Current		
Inventory	\$ 142,486	\$ 117,943
Prepaid expenses and sundry receivables	<u>8,651</u>	<u>4,167</u>
	151,137	122,110
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	<u>244,473</u>	<u>255,485</u>
	<u>\$ 473,965</u>	<u>\$ 442,502</u>

Approved on behalf of the Board:

_____ Director

_____ Director

The accompanying notes form an integral
part of these financial statements.

KARMA CO-OPERATIVE INC.
(INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MAY 31, 2011

	Invested in capital assets	Members' loans (note 5)	Unrestricted	2011 Total	2010 Total
BALANCE					
- Beginning of year	\$ 152,046	\$ 128,376	\$(24,937)	\$ 255,485	\$ 246,830
- Excess (deficiency) of revenues over expenses	(24,692)		5,069	(19,623)	(4,752)
- Net membership revenue			6,845	6,845	5,300
- Purchases of capital assets - net of related debt	(38,635)		38,635		
- Members' loans received - net		1,766		1,766	8,107
- Forfeited members' loans (note 5)	_____	_(8,070)	_8,070	_____	_____
BALANCE					
- End of year	\$ <u>88,719</u>	\$ <u>122,072</u>	\$ <u>33,682</u>	\$ <u>244,473</u>	\$ <u>255,485</u>

The accompanying notes form an integral part of these financial statements.

KARMA CO-OPERATIVE INC.
(INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)

STATEMENT OF OPERATIONS

YEAR ENDED MAY 31, 2011

	2011	2010
SALES	\$ <u>1,448,732</u>	\$ <u>1,467,212</u>
COST OF SALES		
Inventory - Beginning of year	117,943	112,635
Purchases	<u>1,160,446</u>	<u>1,144,245</u>
	1,278,389	1,256,880
Inventory - End of year	<u>142,486</u>	<u>117,943</u>
	<u>1,135,903</u>	<u>1,138,937</u>
GROSS PROFIT	<u>312,829</u>	<u>328,275</u>
EXPENSES		
Store wages and payroll costs	248,474	230,958
Office and general	23,920	20,924
Utilities	16,240	15,913
Bank charges and interest	10,178	10,002
Realty taxes	8,446	7,862
Repairs and maintenance	5,210	3,113
Telephone	4,118	4,487
Insurance	3,192	4,198
Audit fees	2,160	2,080
Consulting costs	1,880	20,637
Amortization	<u>24,692</u>	<u>26,774</u>
	<u>348,510</u>	<u>346,948</u>
OPERATING LOSS FROM RETAIL OPERATIONS	<u>(35,681)</u>	<u>(18,673)</u>
Add - current year's building fees and donations (note 6)	13,610	11,673
- sundry revenue	2,445	2,243
- interest earned	<u>3</u>	<u>5</u>
	<u>16,058</u>	<u>13,921</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ <u><u>(19,623)</u></u>	\$ <u><u>(4,752)</u></u>

The accompanying notes form an integral
part of these financial statements.

KARMA CO-OPERATIVE INC.
(INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)

SCHEDULE OF MEMBERSHIP OPERATIONS

YEAR ENDED MAY 31, 2011

	2011	2010
REVENUE		
Member service fees (note 6)	\$ <u>13,611</u>	\$ <u>13,889</u>
EXPENSES		
Committee expenses	2,387	4,371
Administration	1,557	1,661
Newsletter	1,360	652
Members' meetings	922	1,385
Audit fees	<u>540</u>	<u>520</u>
	<u>6,766</u>	<u>8,589</u>
NET MEMBERSHIP REVENUE	\$ <u>6,845</u>	\$ <u>5,300</u>

The accompanying notes form an integral part of these financial statements.

KARMA CO-OPERATIVE INC.
(INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)

STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2011

	2011	2010
Cash and cash equivalents provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	\$ (19,623)	\$ (4,752)
Net membership revenue	<u>6,845</u>	<u>5,300</u>
	(12,778)	<u>548</u>
Adjustments for:		
Amortization	<u>24,692</u>	<u>26,774</u>
Changes in non-cash working capital:		
Increase in inventory	(24,542)	(5,308)
(Increase) decrease in prepaid expenses and sundry assets	(4,483)	17,576
Increase (decrease) in accounts payable and accrued liabilities	3,868	(4,465)
Increase in deferred revenue	<u>390</u>	<u>-</u>
	(24,767)	<u>7,803</u>
Cash flow from operating activities:	<u>(12,853)</u>	<u>35,125</u>
Cash flow from investing activities:		
Increase in capital assets	(27,135)	(18,618)
Increase in shares of Alterna Savings Credit Union	(2)	(4)
Decrease in loan - ONFC	<u>9</u>	<u>-</u>
	<u>(27,128)</u>	<u>(18,622)</u>
Cash flow from financing activities:		
Members' loans received - net of repayments	1,766	8,107
Increase (decrease) in line of credit	66,271	(23,313)
Increase in building loans	<u>-</u>	<u>5,500</u>
	<u>68,037</u>	<u>(9,706)</u>
Net increase in cash and cash equivalents	28,056	6,797
CASH AND CASH EQUIVALENTS - Beginning of year	<u>(30,005)</u>	<u>(36,802)</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ (1,949)</u>	<u>\$ (30,005)</u>

The accompanying notes form an integral
part of these financial statements.

KARMA CO-OPERATIVE INC.
(INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

- (a) Inventory is valued at the lower of cost, on the first-in, first-out basis, and net realizable value.
- (b) Amortization was provided at the following annual rates consistent with those of the preceding period:

Building improvements	- 5%	of cost
Building	- 2 1/2%	of cost
Equipment	- 20%	of cost
Computer equipment	- 33 1/3%	of cost

Depreciation is computed on a straight-line basis, as a fixed percentage of the original purchase cost each month until the asset is fully depreciated. Assets are depreciated from the month they become usable.

- (c) The organization does not account for contributed materials and services.

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	2011 Net	2010 Net
Land	\$ 6,412	\$ -	\$ 6,412	\$ 6,412
Building improvements	386,097	135,354	250,743	244,393
Building	40,000	34,000	6,000	7,000
Equipment	103,879	82,596	21,283	25,338
Computer equipment	<u>4,867</u>	<u>3,718</u>	<u>1,149</u>	<u>-</u>
	\$ <u>541,255</u>	\$ <u>255,668</u>	\$ <u>285,587</u>	\$ <u>283,143</u>

3. LINE OF CREDIT

	2011	2010
	\$ <u>131,698</u>	\$ <u>65,597</u>

Karma has secured a commercial line of credit from Alterna Savings and Credit Union Limited to a maximum of \$300,000 (current balance - \$131,868). The line of credit is secured by an open first mortgage on the Co-operative's property located at 739 Palmerson Avenue, Toronto, Ontario. Interest is payable monthly at a variable rate calculated at Alterna Savings' prime rate plus ½%. The purpose of the loan was to finance certain renovations to the Co-operative's property as approved by the Board of Directors.

Continued...

KARMA CO-OPERATIVE INC.
(INCORPORATED UNDER THE CO-OPERATIVE CORPORATIONS ACT OF ONTARIO)

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2011

...Continued

4. BUILDING LOANS

The building loans have been issued in two series, with identical terms except for the maximum values of the individual loans. In 2008 and 2009, loans with no specified individual lending limit were received according to the terms of the Offering Statement of Karma Co-operative, Inc. dated May 31, 2008. Beginning in 2010, loans not exceeding \$1,000 per member per year were received according to the terms of Regulation 178 of the Revised Regulations of Ontario, Section 12.6, which allows loans of that value to be received from members without issuing an offering statement.

Interest is calculated using a rate per annum which is 50 basis points higher than the rate which Alterna Savings and Credit Union is paying for its investment savings account, as of the last day of the month. Interest is paid on the last day of the fiscal year. For the loans received before 2010, this represents a 25 basis point increase over the terms of the original offering statement, with the increase effective in August, 2010.

5. MEMBERSHIP LOANS

The Co-operative has recorded all membership loans received from its inception (1972) to date in its accounts. The loans payable to active members amount to \$122,072 (2010 - \$128,376). While reasonable effort has been made to repay membership loans to terminated members, the Co-operative has, for accounting purposes, adopted the policy of treating as forfeit all outstanding loans from members who have been inactive for eight years or more. The Board of Directors determined that of the total of membership loans, \$8,070 will not be repaid and is treated as forfeited in the current year to the Co-operative and is included as unrestricted net assets.

6. ALLOCATION OF MEMBERSHIP FEES

All membership fees received are divided evenly into building fees appearing on the statement of operations, and member services fees, appearing on the schedule of membership operations.

7. FINANCIAL INSTRUMENTS

The Co-operative's financial instruments consist of bank indebtedness, membership loans and shares, bank line of credit, accounts payable and accrued liabilities and building loans. It is management's opinion that the Co-operative is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying values of the financial instruments approximate their fair values because of the relatively short period to maturity of the instruments or because they are receivable or payable on demand.

8. TRANSACTIONS WITH NON-MEMBERS

The amount of business transacted during the year with non-members was less than 5%.

Karma Co-operative, Inc.
Analysis of Operations and Key Balance Sheet Indicators
June 2010 through May 2011, with prior year comparison

Prepared by the Treasurer, Howard Kaplan

Unaudited

Analysis of Operations

	Jun 2010 - May 2011	Jun 2009 - May 2010	Difference
SALES (excluding non-work charges)			
Total, after discounts	1,410,768	1,432,310	-21,542
Discounts given	13,747	15,134	-1,388
Total, before discounts	1,424,515	1,447,444	-22,930
PURCHASES			
Cost, net of discounts and inventory changes	1,135,151	1,138,937	-3,786
GROSS PROFIT (after sales discounts)			
As a percentage of sales revenue	19.5%	20.5%	-0.9%
OPERATING EXPENSES			
Staff costs: Salaries, wages, contract staff	248,251	230,958	17,293
Non-work surcharge plus flat fees (offset against staff costs)	-37,919	-36,135	-1,783
Other expenses	96,331	95,352	980
TOTAL OPERATING EXPENSES	306,664	290,175	16,490
OPERATING PROFIT			
As a percentage of sales revenue after discounts	-31,048	3,198	-34,246
	-2.2%	0.2%	-2.4%
NON-OPERATING ACCOUNTS			
Building fees	13660	11673	1,987
Contract negotiations and other consulting	-1880	-20637	18,757
TOTAL OPERATING AND NON-OPERATING PROFIT			
As a percentage of sales revenue after discounts	-19268	-5766	-13,502
	-1.4%	-0.4%	-1.0%
SHRINKAGE ANALYSIS			
Average retail mark-up	37.0%	36.2%	0.8%
Net wholesale cost of goods sold	1,039,746	1,062,735	-22,989
Cost of goods purchased but unsold (shrinkage)	95,406	76,203	19,203
Shrinkage as a percentage of wholesale purchases	8.4%	6.7%	1.7%

The value for average retail markup is estimated from the approved markup policy, which grants the staff some small leeway in setting retail prices. Because of this leeway and unavoidable errors, neither the average retail markup nor the shrinkage reported here are as accurate as their representation to the nearest 0.1% might suggest.

Key Balance Sheet Indicators

	May 31, 2011	May 31, 2010	
Cash and equivalents	-133,818	-95,602	-38,215
Building loans (including accrued interest)	-65,500	-65,500	0
Inventory	143,238	117,943	25,294
Fixed assets (building & equipment)	286,246	283,143	3,103
Active member loans	130,142	128,376	1,766

The value shown for fixed assets includes the book value of the land and building, including amortization (depreciation), since their purchase in 1978. This is standard accounting practice, but their actual value, were they to be sold, might be considerably different.

Treasurer's Report

Howard Kaplan, Treasurer

This past year, fiscal 2011, our net loss was uncomfortable but not disastrous. This is disappointing, compared to last year's breaking even. In this report, I will show that our increased shrinkage fully explains the loss; we were already taking steps to reduce shrinkage as the fiscal year ended. Most of the figures to support what I say here can be found on the "Analysis of Operations and Key Balance Sheet Indicators" page I've inserted just after the audited statement, just before this report. Some of you will also want to look at the more detailed figures in the audited statement.

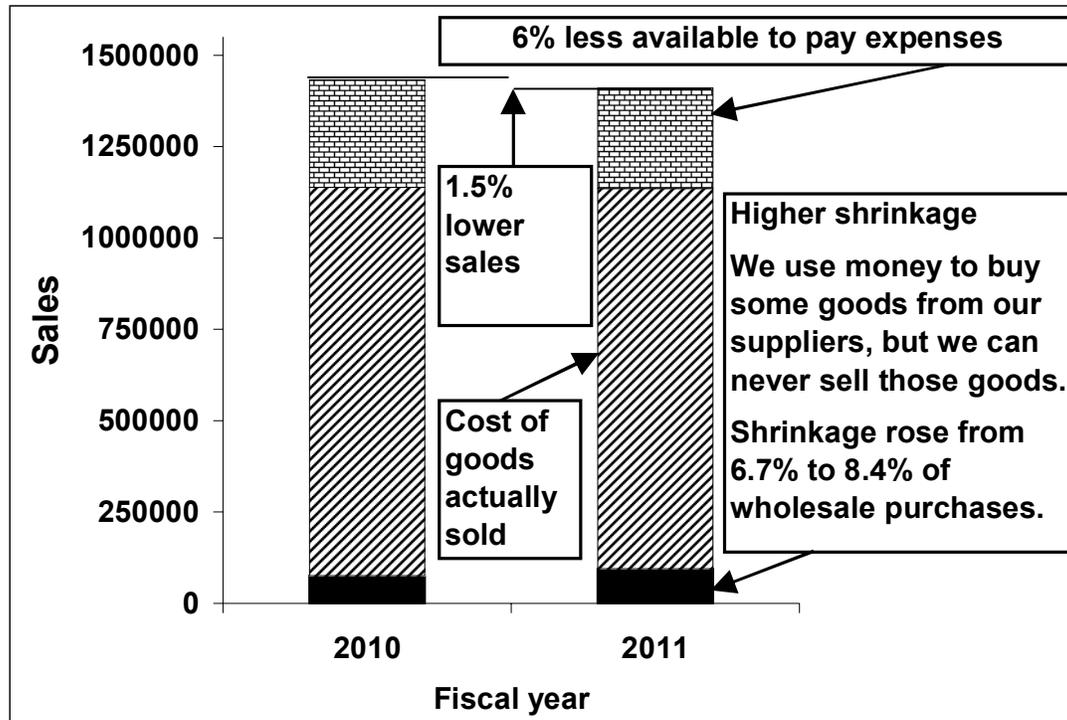
Fiscal 2011 covers the months June 2010 through May 2011, as reported in detail on the statements preceding this report. The transition between fiscal years is always marked by taking a careful inventory of our goods for sale, under the supervision of the auditors.

The primary reality that the inventory reveals is our gross margin, or how much surplus we generated by selling at retail goods purchased at wholesale. This gross margin is affected both by our average markup, how much we charge at retail for each dollar of wholesale cost, and by our rate of shrinkage, how much of what we bought at wholesale could not get sold at retail. The reasons for shrinkage include spillage, spoilage, trimming of produce for display, pricing and cash errors, and pilferage. Both pricing flexibility and pricing errors make it difficult to exactly compute the markup and the shrinkage rate. Between inventories, but based on calculations derived from sales, purchases, and inventories, we estimate our financial progress; when we take an actual inventory officially in May or unofficially in the fall, we adjust that estimate in the light of reality. If shrinkage is better than we'd been estimating, our actual inventory is higher than we'd projected from our purchases and our sales, and vice versa.

During the year, we experienced unusual losses of goods to both pests and equipment breakdowns. Even though we adjusted our predicted shrinkage somewhat to account for these, the actual inventory at the end of May was lower than we'd projected, meaning the losses were greater than we'd realized. Note that inventory was actually considerably higher than it was at the end of May 2010, but that's not the issue: inventory wasn't as much higher as we thought it would be, after we'd taken into account everything we'd bought and sold during the year. Last year, shrinkage was 6.7% of our wholesale purchases; this year, it had risen to 8.4%. Combined with a small sales decrease of 1.5%, our sales generated 6% less money to pay our expenses.

In dollar terms, shrinkage rose by about \$19,000, which is almost exactly our total loss on the store accounts (excluding membership income and expenses). In other words, if shrinkage hadn't risen at all, we would have broken even on the store accounts. Although operating expenses were higher than last year, non-operating expenses (primarily consulting fees related to staff changes and to contract negotiation) were lower than last year, making the increased shrinkage the primary reason that this year's results were different from last year's.

Note that small shrinkage increases require large sales increases to compensate for them. Whenever our shrinkage goes up by 1%, we lose \$10,000. To earn an additional \$10,000, we need to raise sales by roughly \$100,000, taking into account the markup, the losses due to shrinkage, and the estimated staff costs to prepare and sell the additional merchandise. That is why, as we discover correctable causes of shrinkage (such as increases in losses due to pests), we work so hard to eliminate those causes. Our new General Manager has been directing much staff effort to pest control; we won't know the effect on inventory until our unofficial count on November 1. We have recently replaced two freezers. Our need to reduce shrinkage is also one reason why we are working towards better sales prediction and inventory control systems, which will allow us to order more effectively and thereby reduce that portion of shrinkage caused by perishable goods becoming too old to sell (or at least too old to sell for their full retail value).



In our membership accounts, we show a surplus of about \$6,800, around \$7 per member. Some of this surplus reflects our not yet incurring expenses that will occur in the next fiscal year, particularly for new membership system software, which I expect might cost over \$5,000. In addition, we are planning to upgrade our web site, and we have regularly invited all committees to identify special projects for which they could use an injection of one-time funds.

Together, the operating loss and the membership surplus resulted in a net loss to Karma of around \$13,000. However, on our balance sheet as of the end of May 2011 compared to May 2010, our cash position (including what we borrow from our line of credit) declined by more than that amount, around \$38,000. The primary reason for the difference was that we are carrying \$25,000 more inventory than we were a year previously. Since this high inventory has not resulted in sales higher than they were last year, we believe much of the increase does not benefit us, and we have been working to reduce the inventory to more reasonable levels. We have financed this inventory by borrowing more on the line of credit.

In summary, we ended the fiscal year in a moderately worse state of financial health that we began it. The primary steps we are taking to restore that health are to attack shrinkage and to increase membership, the latter being an important step in increasing sales.

Currently, we have only limited information about the first three months of the new fiscal year. We do know that sales are down about 17%, compared to last summer. Clearly, this is a worrying trend, and we are working to understand and solve the problem.

I will present the following motions at the appropriate times:

The General Meeting hereby receives the audited financial statements as approved by the Board, the Auditors' report on the statements, and the Treasurer's report.

The General Meeting hereby reappoints Berman, Lofchick & Lum LLP as the auditor for Karma Co-operative, Inc. for the fiscal year ending May 31, 2011.

Issues of Social Responsibility

As the Board juggles its various responsibilities the need to lower expenses is an ongoing concern.

There are two issues of social responsibility we need to address:

- One issue is that of subsidizing some members by giving work exemptions.
- The other issue is that of giving donations to organizations and events that request them.

The fundamental question is do we focus on reaching financial stability and getting out of debt or do we feel we have some social responsibility to our members and the community that we must satisfy?

Do we curtail or stop giving work exemptions and donations?

At our 2011 AGM the Board would like the community to have a brief discussion of these topics. The discussion and any motions arising from the meeting could then be considered by the Board for possible changes to present practices.

1. A Review of Work Commitment Exemptions

Background:

Presently we have exemptions for:

- Maternity / Paternity leave.
- Sickness /long term and short term
- Age. As of age 65 members no longer need do any work shifts.

(Members may also apply for suspension of membership allowing them to suspend their work shifts)

QUESTIONS:

1. Is it inevitable that some work exemptions are necessary?
2. Do 65-year-old people really need an exemption?
3. Do parents of a baby always need work exemptions? If they do need exemptions: then for how long?

Remember:

- We are not discussing full time work but rather the 2-hour work shift each member gives the co-op each month.
- Work shifts need not necessarily be worked. A member can change their status to that of a non-working member and pay the surcharge.

For purposes of discussion I will move the following:

MOTION:

All Karma members are responsible for their work shifts either by doing shifts or by becoming non-working members. There are no exemptions.

If this fails I move:

Alternate MOTION:

All Karma members are responsible for their work shifts with some Health Exemptions such as:

1. Maternity - Paternity leave.
2. Long term illness and financial inability to pay as non-working.

2. A quick review of donations Practice

Background: There has been a tradition of the General Manager giving donations to groups who apply. We can find no written policy. We are aware that the Palmerston School Fair (\$50- \$100 gift basket), a Literacy Conference (water, juice and snacks worth upwards of \$250) and several other local organizations and healthy food conferences have been given donations.

The QUESTION: do Karma members want to subsidize donations (and to whom) or not?

For purposes of discussion I will move the following:

MOTION:

Karma Co-op will no longer give out donations.

If this fails I will move the following:

Alternate MOTION:

Karma Co-op will give donations, with GM approval to organizations within a six-block radius (of Karma). These organizations must be socially responsible non-profit groups who can advertise our donation in their literature and at the site of distribution. (Block area around Karma is arbitrary).

This is seen as a promotional undertaking.

There will be both an event specific (\$25-50) and yearly (\$250) monetary limit to donations. (Dollar values are arbitrary).

Please note we are trying to keep this to a 25-minute discussion.
Arel Agnew will facilitate

Proposal to change the by-laws

At its meeting on September 12, 2011, the Board of Directors approved the following amendment to Article II, Section 6 of the by-laws:

Determination of Rights of Members

6. The rights of members are of two kinds, the democratic right to vote at general meetings of the co-operative and serve on its board of directors or its committees, and the economic right to purchase its goods and services by paying money or performing work. Only those members who are not delinquent in meeting their financial and other obligations to the co-operative have these rights. These obligations include, but are not limited to, the payment of any membership fee, the payment of ~~the~~**any mandatory** member loan, the payment of any other monetary debts to the co-operative, and the performance of any work required of the member. The board of directors shall establish regulations for determining when a member has met these obligations; however, no member shall lose democratic rights unless his or her ~~obligations are overdue by four or more months~~ **current membership fee has not been paid or any other obligation is overdue by one or more months**. Only those members who are eligible to exercise democratic rights or whose eligibility expires four weeks or less before the date of a general meeting have the right to be notified of that meeting of the co-operative.

Explanation of the proposed changes:

Previously, the by-law assumed that all members were required to pay member loans; the first change to the by-law recognizes that there might not be such a mandatory loan.

Whether or not amended, the by-law requires the Board to set a formal policy stating when members are considered to be in good standing and may therefore vote at the AGM or serve on the Board or committees. The proposed amendment concerns limits on the policy the Board may set concerning this. Previously, memberships always expired on May 31 and were renewed for 6 or 12 months at a time. Therefore, a member fee was either more than 4 months overdue or else paid-up at the time of a late October AGM. Now that membership fees can expire at random month-ends during the year, the Board would need to let people with fees several months overdue vote at the AGM unless the by-law were rewritten. The second proposed change amends the by-law so that the Board may require all fees to be fully paid whenever members exercise their democratic rights. This change, if accepted, will not affect eligibility at the 2011 AGM but will affect it at future general meetings.

For the proposed amendment to become part of the by-laws, the Board must approve it (which has already occurred), and the amendment must be confirmed, with or without variation (further minor changes), by a two-thirds vote at the AGM. The vote will be taken on the following resolution, with the part in square brackets to be included only if necessary:

The Karma Annual General Meeting of 2011 confirms the proposed amendment to Article II, Section 6 of the by-laws as distributed in the reports booklet prior to the meeting [and subsequently revised by the meeting].

Increase in board members' work credit hours

Kirsten Heyerdahl, Corporate Secretary

The amount of work that some officers of the board must perform each month to fulfill their duties is in excess of the prescribed work credits. Some officers of the board also routinely go above and beyond their duties to better Karma. All board members currently receive auto credit of four hours per month, but board meetings regularly run at least three hours in length, and preparation for meetings and other required duties take much more than one hour. In order to attract and retain qualified personnel for the board, it is important that we provide a reasonable estimate of the time commitment required, and remunerate appropriately.

At the May 5 meeting, the Board unanimously approved the following motion:

The Board authorizes the increase of monthly work credit hours that Board members receive from four hours to six hours per month, effective May 1, 2011. This credit is assumed to cover the work required both to prepare for Board meetings and attend them. Board members must attend the monthly Board meeting, in person or remotely, in order to receive their monthly work credit.

Board members who do regular Board or officer work can claim up to four additional hours of work credit per month, whether or not they are eligible for that month's meeting credit. This additional work must be documented and is subject to Board approval. The Board notes that while an additional four hours of work credit is the compensation limit for work done by directors, it is neither a realistic estimate of how much additional work is done, nor is it a limit on how much work is permitted.

The Corporate Secretary will record the increased monthly work hours, but the Member Records Secretary will credit Board members with only four hours per month until these changes are ratified by the next AGM, at which time retroactive credit will be given.

A Board member does not get further extra work credit or cash payment for extraordinary work except when filling a role that should not ordinarily be filled by a Board member or Board officer.

Candidate Biographies

Coleen Clark

Coleen Clark has been a working member of Karma since 1998 or 1999. She is employed at Ryerson University as an Assistant Professor of Finance in the School of Business Management and teaches four personal finance courses. Coleen has had two personal finance text books published by Captus Press (*Retirement and Estate Planning in Canada* and *Risk Management and Insurance in Canada*) and was the Treasurer of the Ryerson Faculty Association for three years. Coleen has an MBA in Finance and Accounting and has had many years experience in the private sector before Ryerson.

Coleen Clark is comfortable with financial reports and works constantly with computers using spreadsheets and word processing. However, since that is how she currently spends her time, she would prefer to have a board position which would allow her to be involved with member services as she is interested both in how things work and also how to make things work better for users.

Mel Hall

Mel Hall has been an activist for justice in the global food system and a hard-core vegan for years. She graduated from Halifax's Dalhousie University in International Development Studies and Environmental Studies and has pursued working in the non-profit management sector. During her time at Dalhousie, Mel sat on the board of a student run food co-operative which had a mandate of making ethical food and education accessible to students and the surrounding community. Once in Toronto in 2011, to feed her passion for food co-operatives and vegan options, Mel quickly became a member of Karma. Mel aims to use her experience and enthusiasm to help in decision-making and projects for Karma.

Membership Report

Hilary Gibson-Wood & Howard Kaplan

Some of the most important changes at Karma since our last AGM have been to our membership system. These changes make it easier for new members to join the co-op and provide options for existing members that respond to the needs of different kinds of households. The 2010 AGM voted on and approved a plan to change one part of our membership structure, the member loan, while receiving an update about more planned changes. The motion that was adopted included a provision that the Board would report back to the 2011 AGM on how the changes in membership were working – specifically, how the changes have affected our member recruitment & retention, along with the numbers of members choosing to top-up their loan to \$100 and remain lenders versus choosing to withdraw their loan and cease to be lenders. This report aims to provide that information, as well as giving an update on where we are at with the changes and what we are expecting in the future.

Changes to our membership policy – where are we now?

We won't use the space of this report to go into every detail of membership options, fees etc – those details can be found in our Membership Handbook (available in-store in hard-copy, and online on the membership page of our website), as well as in update emails from the Board that we frequently send to keep members up-to-date on what our membership policy is, and what it means for their household.

In sum, there are three central things that have changed: 1) The member loan is now an optional \$100 loan (instead of a mandatory \$70 loan); 2) annual membership fees can now be paid quarterly (at \$10/quarter) or annually at each member's choice, with those members who do have a member loan being eligible for a reduced annual fee; and 3) the categories of 'working' and 'non-working' have changed; instead, we now have 'flat-rated' (where a member can choose each month whether they work or pay the equivalent fee – but commits to doing one of these things every month) and 'percentage rated' (where a member makes no monthly commitment, but pays 10% surcharge on all purchases). Importantly, these changes have eliminated some unfair policy differences between members meeting their commitments by working monthly shifts and by paying monthly flat fees.

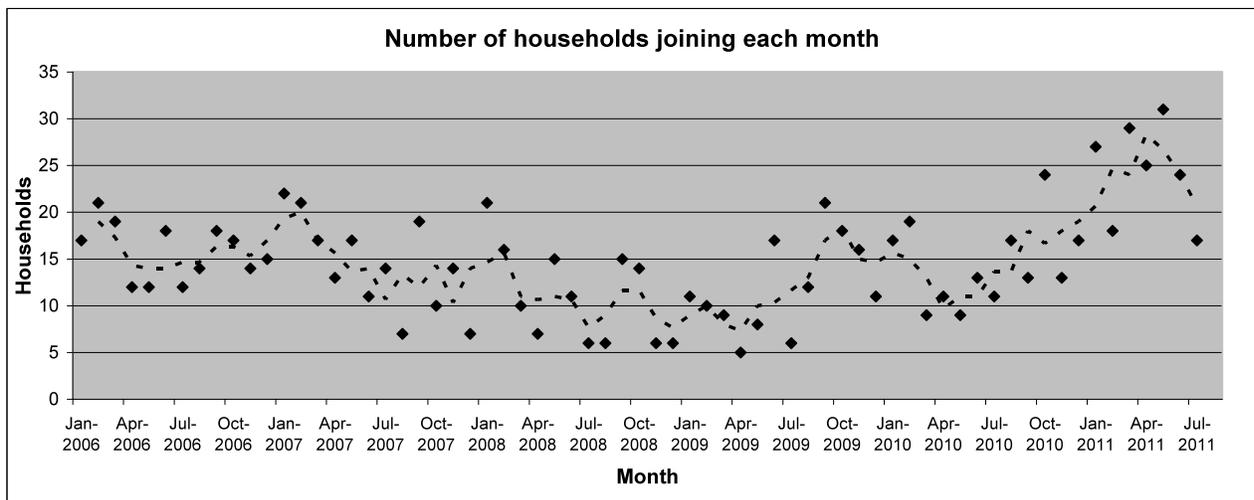
These changes reduce the barriers to joining Karma. Instead of being required to pay a \$70 loan as well as \$18 membership fee upon joining, now a potential member can come into Karma and join on the spot for their first quarter's membership fee - \$10. The changes are also aimed to give both new and current members more options, options that can suit different kinds of households. For example, let's say I am a university student only living in Toronto from September to June, and I want to become a member of Karma, but don't have a whole lot of money, nor a whole lot of extra time to do member labour. I'm only going to be buying groceries for myself, and so I calculate that I won't be spending more than \$220 each month at Karma. I can join for \$10 (my first quarter's membership fee), opt not to pay a loan, and choose to be a 'percentage-rated' member, paying 10% surcharge when I do shop. If I do have time here and there to work at Karma, I could pick up an advertised 'shopping credit shift.'

Our new GM, Amy André, has made a helpful chart of the different membership options, showing which options might appeal to different kinds of potential members. This kind of communication and promotion of our new membership system is extremely important for attracting new members, and it is something that the Membership Secretary has been working

on with Amy, the Community Development Committee (CDC), and the Orientation Committee. We'd like to take this opportunity to thank Amy and the two committees for their enthusiasm, input and continuing work on this, specifically mentioning the committee members with whom we've worked directly: Natalie Brown, Paul De Campo, and Sondra vanderVaart.

All members will by now have noticed that we've made major changes to our membership record-keeping systems. The paper shop-work cards are gone, replaced by a small notebook computer between the two cash registers. This computer will get official updates from the Member Records Secretary, currently Marilou Lawrence, on a weekly basis, and it will also record the staff's interim updates as they occur. This should provide much more current information to the cashiers, and it can eventually not only give the cashiers each household's status but also identify what the household might need to do about that status, such as making up work shifts or paying the next quarter's membership fees. Invisible to the members and cashiers, but nonetheless very important, the new software is already making the work of recording work, flat fees, and membership fees and loans much faster and more accurate. Among other improvements, no AGM notices or household address labels were printed for those households accepting email delivery of the information: this is something we've been trying to do for some years, but this year the process is finally working. As of mid-September, the software upgrade is not yet working as reliably as it should, but we estimate that about three fourths of the really urgent work has been accomplished. Because of many delays in completing the system, we have also delayed enforcing some of the rules requiring membership fees and monthly commitments to be up to date as a condition of shopping. However, we expect to move to full enforcement over the fall.

Member Recruitment



How have the changes to our membership policy impacted our recruitment of new members? This graph shows the number of households joining each month since January 2006 (data are not yet available after August 2011). The diamonds represent each month's individual data, while the dashed line represents a three-month running average, which tends to smooth out some of the ordinary month-to-month variation. We had a particularly bad two-year period from August 2007, one year before we started our renovations, through July 2009; during that time, we had 11 months in which fewer than 10 new households joined and only 1 month in which more than 20 new households joined. In the 10 months beginning in November 2010, when we changed the loan and fee policies to make membership more attractive, we have had no months when fewer than 10 households joined, but we have had 6 months in which more than

20 joined. The upward trend perhaps began in June 2010, a few months before the membership policy was changed, but we believe that the policy change enhanced any increase in recruitment.

Corresponding statistics on member retention and resignation are available. Beginning in July 2010, we've been able to collect easily-retrievable measures of when households shop, but the records prior to then are not computerized. Therefore, we don't have a good historical measure of when households actually became inactive, though we do have a record of when the Member Records Secretary declared them to be inactive. In that regard, slightly more than half of the members who have joined since November 20, 2010 apparently have not shopped since June. That statistic might be a little inaccurate, since it depends on the cashiers' accuracy in keying household numbers; also, we are not sure how it compares to previous years' experience, which we cannot easily measure. Nonetheless, it is disappointing that our median new member retention seems to be no more than half a year.

Member Loans

Since November 20, 2010, when we made the loan optional and allowed joining for a \$10 first-quarter fee, 226 new households have joined and are still shown as active on our books. However, not all of them may actually be active, as described above. Of the 98 households which joined under the new rules and which we know to have shopped since June 1, 8 have become lenders, though two of those have not yet upgraded their loans from \$70 to \$100 per member.

There are 624 households who are still active on our books and who were members prior to 20 November. Of those 624, 93, or about 15%, have apparently not shopped since June 1. Nonetheless, 8 of those households have increased their member loans to \$100 per member. (This suggests that the record of when they last shopped might be inaccurate.) Of the remaining 531 households, those which have apparently shopped since June 1, 110 have so far raised their member loans to \$100 per member.

Overall, counting all the households which were in Karma on November 20 and are still active members, as of mid-September we had taken in about \$5200 more in member loans than we had refunded. As of the date these statistics were compiled, about 20 of households had withdrawn their loans, while another 110 had increased them. However, it is important to note that these figures do not include loan refunds still being processed on that date – less paperwork is required to collect loans than to refund them, so the loan collection totals show up in our records earlier than the loan refund totals. More importantly, these figures are not good predictors of our future experience with the balance between loan increases and refunds. We expect that the most active members would be the ones most likely to increase their loans rather than ask for refunds. The most active members are also the ones most likely to have done anything about their loan balances already. Therefore, we would expect the early returns to show a net increase in the amount loaned; the cash flow may be closer to zero or even somewhat negative in the future. Also, as membership turns over and members who have never lent replace members who have increased their loans, this may have a negative impact on the total amount lent. Nonetheless, these early figures suggest that the loan changes we undertook are helping rather than hurting Karma in terms of cash flow, in addition to whatever effect they have on recruitment.

We should also note that there are many households whose loans as recorded on our books are irregular, being none of \$0, \$70, or \$100 per current member. Some of that irregularity

results from changes in our loan policy and loan enforcement policy over the years; some results from members leaving households with no loan refund requests being made. There are also about 375 households where the loan is still \$70 per member. Karma is not planning to exert any pressure on these households to “regularize” their loans. It would not benefit Karma to have them withdraw their loans, and it does not harm Karma to have them maintain loans in the system, so long as these households do not claim any reduction on membership fees.

What’s next?

We are happy to report the positive impacts that the new membership policy has had thus far on our recruitment. Although we recognize that Karma’s future needs may require more changes, we feel that this system is appealing to potential members and more equitable to current members. We suggest that the incoming Board assess the need for a second forum on membership (the first was held in Feb 2010 and was the starting point for our plan for membership policy changes). We appreciate all of the feedback (both positive and negative!) that we have received from members so far on changes to the membership system, and we hope that you will continue to be engaged in the process.

President's report

Howard Kaplan

In the past year at Karma, we have experienced some important events, while we have failed to experience some others. Some of those events we experienced were specifically initiated by the Board or the members, and some seem to have just happened to us, though we might have prevented the unfortunate ones by better planning and control.

In a quantitative but not qualitative sense, the year began badly, when after the Board elections in October 2010 there were only seven directors, and the Board was able to appoint only one more during its term. Because the Board was small, and because we don't have effective systems by which committees or civil servants can take on more of the directors' work, the individual directors have had a larger than usual workload. Fortunately, the Board has not been in serious disagreement on most issues — I can recall few occasions on which a vote was not unanimous — and the Board's meeting process has been effective. In part, that was because my role as President, leading and coordinating some of our initiatives, was separated from the important role of organizing and chairing Board meetings, a role taken on by Hilary Gibson-Wood, our Vice-President. Not only did this division of labour relieve me of some of the workload, it also guaranteed that I couldn't let my own enthusiasms (or my disenthiasms) interfere with a proper Board discussion of whatever it was considering.

The small size of the Board not only increased its own workload per member; it created problems for the successor Board to be elected at the 2011 AGM. A Board always has positions which can best be filled by people with previous, recent experience on the Karma Board or committees. With few directors, and specifically with few who were elected to two-year terms last October, we may have an unusually small pool of continuing directors with the skills and background they will need for the next year.

The next major event of the year was the Board's decision to terminate the employment of our previous General Manager (GM), Justin McNabb, in January. Although this happened early in the Board's term, it was not a new issue: both of the previous two Boards had discussed the GM's strengths and weaknesses (as all Boards must do), and this year's Board benefited from those previous discussions. This benefit was not primarily in the form of formal reports from the previous Board to its successor; rather, it was largely in the form of the continuing directors' familiarity with the issue and with the Board's alternatives. In particular, Arel Agnew, our Vice-President for Staff Relations, had been Justin's supervisor during the previous year, and the experiences she reported were an important factor in the Board's decision.

At the same meeting where the termination decision was made, the Board appointed a hiring committee of Arel Agnew, Corey Berman, and Kirsten Heyerdahl to find a successor GM. The decision to hire took less time than the Board originally expected: in mid-February, the Board approved hiring Amy André, conditional upon her obtaining proper authorization to work in Canada. Amy's availability for an interview in Toronto during the time we were hiring was one of those unpredictable but fortunate events that just happened to us — she was living in California but planning a move to Toronto. After we made our decision, Corey took the lead in dealing with our lawyer and with the considerable paperwork burden we'd need to complete because of the immigration issue; the subsequent delays in the processing of Amy's paperwork were largely out of Karma's control.

Amy's eventual arrival as our new GM, at the end of May, was clearly one of the most important events of the last year. She has now been with Karma for nearly four months. During that time, I have observed the positive impact she has made on the rest of the staff. She has tried to learn the basics of all of their jobs, not so she can substitute for them in emergencies (though that's

also important) but so she can co-ordinate their work with hers and with each other's. This is an important role for any GM, and I was pleased that she made it one of her priorities. Given her background as someone with an MBA, I was concerned that she'd be much more interested in the spreadsheets and accounts than in the detailed work of running a grocery store, and I was pleasantly surprised how much she cares about the real, physical store and staff. She dealt quickly with some previously longstanding staff irritations: there are now regular staff meetings, and the new staff schedules give everyone some time off during the weekend. She appears to have already brought the mouse situation back under control, and she is working seriously with the staff on other critical issues such as inventory control and shrinkage management. She recognizes the importance of completing technology projects such as the installation of a central server in the office and the scanning of barcodes at the cash register, and she is eager to make progress on them. Given the unfortunate coincidence of Michael Armstrong's parental leave occurring shortly after Amy's arrival, requiring her to devote much of her time to learning and doing his job, she has accomplished much during her short time at Karma.

Unfortunately, when Amy began work, we did not simultaneously experience a thorough and long-overdue overhaul of our documents and policies explaining exactly what the GM does and how her work relates to that of the Board and committees. This is a problem that both Board members and Amy recognize. The Board has so far adopted a single-page description of roughly what the GM does, but it isn't clear enough. We're not seeking something which details every task on the GM's worklist; instead, we're seeking something that helps everyone know whether or not a task is on the GM's worklist, without listing all of those tasks. For example, scheduling staff is clearly on that worklist, while organizing elections to the Board is clearly not. However, there are considerable grey areas, including membership policy administration, member labour, financial planning and reporting, supervision of office staff, and engagement with outside organizations. On the date I'm finalizing this report, I'm expecting the October Board meeting, one week later, to address some of these issues. The next Board will also need to consider whether the GM should continue to report to a single individual or to a larger Supervisory Committee, which was the model in most past years.

The Board's problems with the lack of an effective civil service were most evident in the role of Recording Secretary. At several times during the year, our Corporate Secretary, Kirsten Heyerdahl, hired a promising member to record Board meetings and draft the minutes, only to have events beyond our control force the member to leave that position soon afterwards. Despite these setbacks, Kirsten has done an excellent job in ensuring that we have high-quality minutes of the Board's discussions and decisions, minutes that should enable our successor Boards to clearly understand what we have done. Kirsten has also been trying to collect and organize our paper archives, a task made more difficult by the lack of proper storage space for them at Karma.

A major concern of the past year was the continuing overhaul of our membership and member records systems, work which is not yet complete. During the previous Board year, Justin had often expressed his frustrations about the membership policies and fees, especially the cost barriers to new members' joining. The Board agreed with Justin about this matter, though it took some time for the Board to decide which solutions would most effectively address the problem. As part of the Board's commitment to making changes, it appointed Hilary Gibson-Wood as Membership Secretary, a role Karma had needed for some time, and she has continued to fill that role this past year. She and I have co-written a separate Membership Report, found elsewhere in this booklet, which addresses this area in much more detail than I do here.

Shortly before the last AGM, the Board outlined the key components of a plan to reduce the barriers to membership: a membership fee payable either quarterly or annually at each member's choice, an optional member loan that makes a member eligible for a reduced annual

fee, and a merging of the categories of working and flat-fee-paying members under a common designation with consistent rules. After the AGM's conditional approval of the loan change, the one part of this plan specifically requiring that approval, the Board met the AGM's conditions by surveying the members to see how they'd likely respond to the loan's being larger but optional. The survey results were positive, and the Board proceeded with the package of loan and fee changes as fast as the record-keeping systems would support them.

The Board was pleased that Tim Middleton, a director appointed after the AGM to fill a vacancy, had extensive database design experience. He began to revise our member records software to support the new membership arrangements, to allow us to replace the paper shop-work cards with a computer display, and to easily incorporate new features in the future. One of the unfortunate events that happened to Karma was Tim's sudden need to leave both the Board and that project for personal reasons. When Tim left us his uncompleted work as a basis for future development, Rick Conroy, one of our directors, and Jason Moore, our webmaster, took on the considerable task of reviewing Tim's work to see what had been accomplished and what remained to do.

When it became clear that we would not be able to complete Tim's design on the schedule required, the Board adopted Plan B: I would make enough changes to our existing software to support our current needs, without doing the full redesign that would make future development easier. (Full disclosure: as this urgent work is outside the range of my ordinary responsibilities as an officer and director, I am receiving payment for it.) As I write this in the first days of autumn, I consider that work only about three-fourths done. At some time in the future, perhaps not this next year, we will need to again review Tim's work to see whether completing it is an appropriate use of our resources.

I tend to view the past year at Karma primarily from the Board's perspective, in part because the Board and its members were filling gaps that would ordinarily be filled by other groups or individuals, and in part because what's new about Karma often starts at the Board. However, it is equally important that parts of Karma that were already working well continued to work well, and that's largely the responsibility of people off the Board. In this regard, I especially want to recognize and thank Michael Armstrong, ordinarily our Assistant GM, who became our Acting GM on very short notice in January and occupied that role for three months while continuing to oversee the produce department. After Amy's arrival, both Michael and the other staff worked hard to teach her the Karma way of doing things and to ensure that she can function well in her new role. However, this experience has reminded us how little of our key operational information is currently stored anywhere other than in the staff members' memories, and the new Board will need to support the new GM in getting more of this information into a form that can survive staff absences and resignations.

Besides the Board and the staff, another key Karma institution is our committee system. The committees generally provide reports directly to the members at the AGM, and unfortunately this year's Board will learn some of what the committees have been doing from those reports, rather than directly from the committees. In most past years, there was a formal Board liaison to each committee, but few such appointments were made this year, and only some of the committees have initiated regular communication with the Board by other means. As a result, the Board hasn't been effective enough in understanding and coordinating the work of different committees, nor in conveying its decisions to the committees that need to implement them. This problem has been most critical with respect to the Orientation Committee, since the membership policy and procedures have been changing rapidly during the year. During the year, the Committees Secretary, Angela Lee, has contacted all committees as part of her review of how the committees work and how they relate to the Board, but unfortunately this work has

not yet led to a draft Committees Policy. I consider this to be an important gap in our governance arrangements, and I will urge the next Board to continue this policy's development.

Above, I mentioned a few projects that were started but not yet completed. There were other projects on which there is even less for this Board to report, though in some cases committees will be bringing substantial work-in-progress to the attention of the next Board. Without going into any more detail here, some of the important uncompleted projects are a review of our communications strategies (especially the web site and *The Chronicle*), a review of our branding and public image, the renegotiation of the collective agreement with CUPE 1281, a formal budget for the fiscal year that began on June 1, the reorganization (partially onto digital media) of our records and archives, and the establishment of the Board's priorities for its own and the General Manager's attention during the new Board's term. In addition, the new Board will need to respond to many items that are not yet on the horizon, including many suggestions that will come from the GM or committees but require Board approval or advice to implement.

For the record, the Treasurer has informed me that, from a financial standpoint, the past year was disappointing but not disastrous. I will not go into any detail about that in my report, as the Treasurer will be discussing that separately.

I'd like to close by thanking everyone at Karma — in their roles as Board, staff, or members — for their support to each other during his often-difficult year. We've spent more time in crisis management — in inventing solutions to urgent problems — than we ought to have spent, but we've been helped greatly by the considerable goodwill and energy that everyone has shown. I hope that, next year, we can relieve some of the stresses that have caused us to draw so deeply on that well of goodwill.

General Manager Report

Amy André

Introduction:

I'm so glad to be at Karma! In this report, I'll review the accomplishments and challenges of last fiscal year, as well as what's been happening so far this fiscal year – and what things are coming up on the horizon. I started working here just a few days before the end of last fiscal year, so I worked with the Assistant General Manager, Michael, to “fill in the blanks” related to our accomplishments and challenges for that year.

I've structured this report to match the 10 major areas of the General Manager job description: Board, budget & finance, operations & maintenance, IT, planning, marketing, membership, purchasing & merchandising, HR, and other. The text in italics is taken from the job description. The text that's not italicized is my own language. And the bolded bullet points are areas where I want to especially draw your attention.

Board:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
To Do This Fiscal Year	<ul style="list-style-type: none"> • <i>Submit a self-evaluation and goals for the coming year as part of Supervisory Committees' evaluations of the General Manager</i> 	
On-going Tasks	<ul style="list-style-type: none"> • <i>Attend Board meetings as a non-voting member</i> • <i>Provide a monthly report as per Board requirements</i> • <i>Submit agenda items, as necessary, on issues needing Board action</i> • <i>Liaise formally and informally with selected (need) Co-op's committees</i> 	
Notes	<ul style="list-style-type: none"> • The Board has been extremely welcoming to me, and supportive in my process of getting to know Karma and Canada! Thank you, Board! 	

Budget & Financial Accountability:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
To Do This Fiscal Year	<ul style="list-style-type: none"> • <i>Obtain financing as directed by the Board and represent the Co-op in negotiating loans, leases and contracts</i> • <i>Organize and carry out bi-annual inventory</i> 	
On-going Tasks	<ul style="list-style-type: none"> • <i>Collaborate with the Finance Committee to oversee the general financial position of the Co-op</i> • <i>Attend monthly Finance Committee meetings bringing a manager's</i> 	

	<p><i>report* including the board report, and variable reports that affect finance committee</i></p> <ul style="list-style-type: none"> • Contribute to the preparation of the annual capital and operating budgets • <i>Compare actual performance to the budget, including but not limited to sales, purchases, expenses, margins, shrinkage, cash flow and inventory</i> • <i>Review daily cash reports, provide additional information to help the bookkeeper correct errors, and when necessary train the staff to complete the reports more appropriately</i> • <i>Provide payroll data and other weekly income and expenses to the bookkeeper in appropriate formats, and ensure that other staff do the same within the scope of their responsibilities</i> • <i>Maintain, in an easily retrievable form, all bookkeeping support records as required by law and Karma's policies</i> • Obtain financing as directed by the Board and represent the Co-op in negotiating loans, leases and contracts – Worked towards getting a grant for Karma • <i>With Karma Board approval, complete finance committee tasks as required</i>
Notes	<ul style="list-style-type: none"> • Thank you so much to the Finance Committee! Talk about a dedicated group of members. This Committee is a real workhorse at Karma, and I appreciate their tremendous diligence. • Inventory took longer to complete this summer than usual. • Sales this summer were lower than last summer, which is a major concern. Most of the drop seemed related to produce sales, and our long-term Produce Manager, Michael, was gone for the summer on a parental leave – at the same time as I was new to the organization and working through my own learning curve. Michael has been at Karma for 12 years, so this is a clear example of the value of his expertise, and the value of keeping turn-over low among the staff. It also means that cross-training and codifying internal knowledge are crucial to the success of the organization. To that end, I will be taking steps to make sure that training and institutional memory are given top priority.

Operations and Maintenance:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
	<ul style="list-style-type: none"> • Worked with Howard to decide on freezer purchase 	<ul style="list-style-type: none"> • Ensure cleanliness (including pest control), safety and maintenance of the Co-op's physical plant and capital equipment – Got a new four-door freezer, and got rid of two smaller, less-functional freezers. • Maintain adequate staffing levels including shared managerial on-call coverage, and posting schedules – Created a new scheduling system that

		maximizes the restorative power of the weekend.
To Do This Fiscal Year	<ul style="list-style-type: none"> • <i>Ensure adequate insurance coverage of The Co-op</i> • <i>Ensure an effectively working infrastructure, including preparations for potential emergencies</i> • Ensure compliance with all applicable laws, including but not limited to business licenses, permits, health regulations and labour laws – Soon, I'll be getting training on Canadian law. 	
On-going Tasks	<ul style="list-style-type: none"> • <i>Maintain security of building, equipment, inventory, staff, records, and members</i> • <i>Maintain inventory of store supplies (operations, cleaning, and office)</i> • <i>Prioritizes and assigns (may personally complete) work to accommodate for absenteeism</i> • <i>24 hour on call for store emergencies</i> 	
Notes	<ul style="list-style-type: none"> • Making sure that Karma is a one-stop shop for members includes making sure that the physical plant is well-maintained. I'm very grateful to the Building Committee for all their hard work on store! 	

Information Systems:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
		<ul style="list-style-type: none"> • Got a new scale
To Do This Fiscal Year	<ul style="list-style-type: none"> • <i>Ensure computer hardware and software is up to date, functioning well properly licensed, and properly documented</i> • <i>Maintain monthly, onsite and offsite, back up of Karma's database; software, and computer-stored forms and documents</i> • <i>Approve the initial specification and subsequent modification of significant information systems for store operations</i> • <i>Conduct appropriate acceptance testing of all information systems upon delivery or modification i.e. make sure systems work for intended use</i> 	
On-going Tasks	<ul style="list-style-type: none"> • <i>Assess software applications that may improve overall store operations</i> 	
Notes	<ul style="list-style-type: none"> • Karma could benefit exponentially from tech upgrades and installations. Works-in-progress include: networking all the computers, using our server; figuring out ways to improve the speed and functionality of our current office computers; and getting better scales or better service on our scales 	

Planning:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year

		<p>plan, a project being spearheaded by Corey Berman</p> <ul style="list-style-type: none"> • Met with Randy Wittecker of ONFC, and participated in a grant application with them.
To Do This Fiscal Year	<ul style="list-style-type: none"> • Investigate new business opportunities and make recommendations to the Board • Participate in regional and national co-operative and industry organizations • Keep current on co-operative philosophy, natural food products and business trends in the natural foods and co-operative industries 	
On-going Tasks	<ul style="list-style-type: none"> • Advise and assist the Board and member committees formulating objectives and policies, as required 	

Marketing:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
		<ul style="list-style-type: none"> • Liaise with like-minded organizations – Worked with ONFC on grant application. While the grant isn't about marketing Karma per se, it is about bringing in external resources for the organization, which is one of the goals of marketing. In addition, this work strengthens our relationship with ONFC, our largest supplier.
To Do This Fiscal Year	<ul style="list-style-type: none"> • Ensure our web site, store signs, and brochures are attractive, helpful and accurate 	
On-going Tasks	<ul style="list-style-type: none"> • Ensure adequate public presence of the Co-op • Market and advertise in publications and at public events that promote membership in the Co-op 	
Notes	<ul style="list-style-type: none"> • Huge “thank you” for the Community Development Committee and the Web Committee (which is now a part of the CDC) for all their incredible work on our external marketing! I feel so supported by these committees, and feel that their work is a real key in improving sales. • The other part of marketing (internal) relates to the member experience when they are inside the store. Store lay-out, signage, lighting, merchandise displays, and even things like music and temperature, are all part of that experience. I have been working with the staff on internal marketing (detailed in other parts of this report), and will continue to do so. 	

Membership:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
	<ul style="list-style-type: none"> • Wrote for the Chronicle 	<ul style="list-style-type: none"> • Got trained on Member Labor Coordination from Greg, to cover for him while he's on vacation.

		<ul style="list-style-type: none"> • Worked with staff to learn and then train members on the membership software • Wrote for the Chronicle • Interviewed by CDC for website video about Karma
To Do This Fiscal Year	<ul style="list-style-type: none"> • Keeps current on co-operative philosophy, natural food products and business trends in the relevant industries. 	
On-going Tasks	<ul style="list-style-type: none"> • Administer membership policies as set by the Board • Evaluate the effectiveness of membership policies and suggest changes to the Board • Ensure prompt, friendly, knowledgeable customer service on the part of all staff • Attend membership meetings as necessary • Prepare quarterly article for The Chronicle • Work with the board and committees to assess and increase member satisfaction • Conduct or delegate member labour training and supervision, communicate relevant trainers 'names to the membership, and ensure the effectiveness of the training 	
Notes	<ul style="list-style-type: none"> • Here I want to thank the members! Members have welcomed me with open arms, and have been so generous with me in sharing information about Karma's history and their own personal experiences shopping here. • I also want to thank the Chronicle Committee for their work and for inviting my contributions! • And, I have to thank the Orientation Committee. This dedicated group has been rolling with the times during a variety of changes in membership policy, and still getting the valuable work done of explaining our structure to the new and potential members! 	

Purchasing and Merchandising:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
	<ul style="list-style-type: none"> • Ran June inventory 	<ul style="list-style-type: none"> • Working with buyers to develop and enhance inventory management systems. Buyers have asked for spending limits, increased communication and coordination among themselves, and guidance on new product lines. (All in progress.)
To Do This Fiscal Year	<ul style="list-style-type: none"> • Create and maintain an accurate product database • Ensure a variety of appropriate products are available for sale • Set and monitor merchandising standards to maximize sales • Monitor product shrinkage, taking initiatives to reduce shrinkage 	
On-going Tasks	<ul style="list-style-type: none"> • Ensure pricing levels are in accordance with mark-up policies (ex: variable and discount policies) • Ensure our product policy is followed as best as possible • Delegate and supervise purchasing of merchandise 	
Notes	<ul style="list-style-type: none"> • If we get a grant from the Traceability Foundations Initiative, it will fund the development of an inventory management system that 	

	<p>incorporates our scanning technology and supports buyers' practices with maximum information about members' needs. Fingers crossed!</p> <ul style="list-style-type: none"> • Major thanks to the Food Issues Committee! The FIC has begun working one-on-one with our buyers, to support and advise them on their purchasing decisions. This is an invaluable resource for the staff.
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Human Resources:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
	<ul style="list-style-type: none"> • Hired and trained two part-time temporary staff for the summer 	<ul style="list-style-type: none"> • Hired a HaBA Buyer who is a registered nutritionist • Started practice of monthly staff meetings, as per long-standing request from union
To Do This Fiscal Year	<ul style="list-style-type: none"> • Organize personnel files. • Document HR practices and policies. 	
On-going Tasks	<ul style="list-style-type: none"> • Maintain written records of job descriptions on which staff is hired and evaluated • Hire and evaluate staff on the basis of the established standards • Ensure orientation and on the job training for all staff • Ensure staff retraining as required • Ensure strict adherence to the terms of the CUPE collective agreement • Keep detailed and accurate records of unionized staff activities • Ensure maintenance of confidential personnel files for length of tenure at The Co-op for a minimum of seven additional years • Take disciplinary action following established policies and keep accurate hard copy and electronic records of such actions • Promote health and safety practices and standards • Promote friendly and respectful relations between staff and between staff and members 	
Notes	<ul style="list-style-type: none"> • My final thank you is to the amazing Karma staff! I have the privilege of working every day with truly the most professional, diligent, dedicated group of co-workers imaginable. These folks have taught me so much, from business management, to local food politics – to gardening and cooking techniques! (Definitely not a job requirement, but really good to learn.) 	

Other:

Accomplishments	Fiscal Year Ending May 11	Current Fiscal Year
	<ul style="list-style-type: none"> • Supported Howard in setting up electronic payroll 	<ul style="list-style-type: none"> • <i>Maintain and enhance the Co-op's relationship with the neighbourhood, community and their organizations – Organized and facilitated visit from University of Toronto students</i>
To Do This Fiscal Year	(see on-going)	
On-going Tasks	<ul style="list-style-type: none"> • Perform other tasks that may be assigned by the Board 	

Notes	<ul style="list-style-type: none">• I've already been approached by a prof at George Brown College about giving a talk to their students in a food politics class. I look forward to developing relationships with this group, as well as other schools and organizations.
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Summary:

The focus for the remainder of this fiscal year is: sales, sales, sales. I want Karma to bounce back from the low sales summer, and I know that we can do it. The new membership system makes it easier for someone to become a member, and the CDC and I are working on reaching out to potential new members. The staff and I will continue to work hard on the shopping experience of current members, so that all members truly come to use Karma as their one-stop shop for their organic, local, health, and natural food needs!

Committee Reports

Chronicle Committee

Submitted by Karen Fliess

The main activities of the Chronicle Committee are to solicit articles from the board, committees, staff and membership, where possible to send a reporter 'on assignment' to meetings, events or interviews and to plan for and publish four seasonal issues of the Chronicle.

Though the Chronicle is a relatively small publication and we have the good fortune to have many highly skilled professionals on our committee, considerable work is involved to ensure successful production of an issue. For this reason we aim to rotate roles, so that not all members work on every issue.

For the first part of the past year the Chronicle Committee shrank to six members who took on multiple roles for each issue (Editor, Copy Editor, Proof Reader, Designer, Printing Manager, etc.). Most notable was long-time Chronicle editor Jennifer Ralston, who edited eight issues in a row without a break, often doubling as proofreader or copy editor. Not surprisingly, Jennifer resigned from our committee in May of this year but not before helping to recruit and begin to train some new committee members.

In January and in June we had a small influx of new members join our committee. Though our numbers have swelled this change has meant a steep learning curve for both new and existing members of the committee and the recognition that we need to develop and create role descriptions, style guides and checklists to ensure that all tasks are covered consistently with each role. We have begun to do this and much of this work has been overseen and directed by Abigale Miller.

We have a planning and review meeting after every issue and at our summer meeting we were joined by Jason Moore from the web committee who gave us a mini-training session in Wordpress

We are still experimenting with the number of issues we print and for the summer issue of the Chronicle we did a small reprinting. Printing costs are our only expense. We are working together with Jason Moore to ensure that every issue appears on the Karma website.

Our goals for the coming year are to continue to create role descriptions, tracking sheets, a design style guide, a welcome letter for new members and guidelines for contributors.

Chronicle Committee mandate and goals:

The Chronicle Committee exists to ensure the publication of an internal newsletter.

The committee's duties shall consist of the actual production of the newsletter, the long-term planning and policy-making that guides the newsletter content and committee structure, and any other related special projects.

Our primary goal is to produce a high-quality publication that helps Karma's members communicate with each other, provides a forum for discussing important issues facing the co-op and prints important news about food and agriculture that would be of interest to Karma members.

Current Committee Members:

Shawn Caza, Derek Chadbourne, Melissa Dalgleish, Karen Fliess, Andrea Fonseca, Bill Howson, Karen Lior, Abigale Miller, Amy Packwood, Ellen Pauker, Amy Stein.

Leave of absence: Hilary Hall due to new baby.

Members who have left the committee: Jennifer Ralston, Kate Skipton

Community Development Committee

Submitted by Natalie Brown

1. Membership

Current members:

Natalie Brown (chair)
Michael Chartrand
Donald Currie
Susan Green
Amanda Martin
Donna Rebuges-Costa
Kate Skipton

Past members:

Lara Macinnis
Laura Coromai
Youssef Siddiqui
Mike Paduada

We have had a very busy year at the CDC. Our focus continues to be on raising Karma's profile within the Toronto food community, getting the word out to potential members, and creating opportunities within the Karma membership for engagement and fun. Here are some highlights of our achievements and milestones.

2. Events

- **Raw Food Class:** In March, Donald Currie put together an incredible raw food demonstration with lots of tastings. The event was held in the Karma member's room.
- **Karma @ Hot Docs:** We partnered with Hot Docs to co-present two films at the 2011 Hot Docs documentary film festivals. Karma members won free tickets by telling us what they love about Karma.
- **Other films:** Karma also co-presented a documentary about bees and honey production called 'Queen of the Sun: What are the bees telling us?' at the Toronto Underground Cinema in August.
- **Health Fair:** Karma members Donald Currie, Laura Coromai and Susan Green put together a fabulous Health Fair in April, featuring info on hynotherapy and the mitzvah technique.
- **Photo Contest:** This month (October), the call is going out to all Karma members to submit photos to our first photo contest. The contest is advertised in the upcoming issue

of the Chronicle and posters go up in the store next week. All Karma members are invited to submit their favourite photos of the Karma experience, from the store to cooking to the community. The top photographer will win a gift basket of Karma products and the top 3 photos will be framed and hung in the newly renovated Member's room.

3. The Karma website

After the AGM, we will be formally taking over Web Committee duties from Jason Moore, who is travelling for the next year or so. At the September 12 Board meeting, we presented a business case for redesigning www.karmacoop.org. The case was approved by the Board with a provisional budget of up to \$1000 to cover web hosting, templates and graphic design support as needed.

With leadership from Karma member Michael Chartrand and his colleagues at 26Mondays, we will launch a new site by the end of 2011. The new site will be built entirely on Wordpress – it will be easy to use and update and have a focus on great photos and video and integration with Karma's social media presence. We'll be working closely with the Chronicle Committee, the Orientation Committee, the Board, and all interested Karma members to update old content and create fresh content. Send us your ideas! community@karmacoop.org

4. Social Media

With Karma member Kate Skipton taking the lead and working closely with Karma GM Amy André, we have renewed and expanded Karma's presence in social media spaces, including Twitter, Facebook and Flickr. Our Twitter account now has 570 followers and our Karma Facebook page has gone from 50 to 116 followers. Kate and Amy are tweeting regularly and Chronicle Committee member Melissa Dalglish will be joining our Twitter team to keep our followers posted on new Chronicle content on the website.

5. Outreach Strategy and Planning

Amanda Martin has put together a comprehensive list of outreach contacts within the Toronto food and environmental communities. We will be building on this list by crafting an outreach strategy for 2012 that pairs our fresh web content with offline opportunities for partnerships like our relationship with Hot Docs.

Donna Rebustes-Costa has provided us with strategic advice based on her analysis of the 2009 Karma member's survey. We'll use her findings to target potential members more strategically and make better use of our limited committee resources.

6. Budget

We did not have any significant expenses in 2011. The Board has approved a \$1000 budget for the new website but we anticipate coming in significantly under that number.

7. 2012 Goals and Plans

We are continuing our focus on expanding Karma's web presence. The next four months will be all website, all the time. After the launch, we'll return to Amanda and Donna's outreach materials and start developing a short and long term strategy for increasing Karma's membership base. We hope to continue our partnership with Hot Docs and build new partnerships with like-minded Toronto groups to get the word out about how great Karma is.

Finance Committee

Submitted by Don Altman, Chair

The Committee consisting of Lisa Anderson (resigned part-way through the year), Charles Lior, Quincin Chan, Howard Kaplan (treasurer), and myself met almost every month during the year staffed, ably by Denise Stapleton and general manager. In the course of the year, the Committee reviewed and discussed monthly the financial results, the treasurer's report, the bookkeeper's report and the general manager's report. As well, we discussed and reviewed financial policies; financial control; the capital, operating and membership budgets; and reviewed the auditor's report and the audited financial statements.

Over the course of a year the Committee is involved in a wide range of policy issues which have financial implications. This past year was no exception. The most important item in this category that the Committee was involved in was the restructuring of the member loan and member fees. Other important issue that the Committee dealt with was the value of member labour.

The Committee monitored the progress of the installation of the new cash register software. It was involved in a number of policy discussions including, but not limited to, trial shopping, credit to shoppers, and shopping credits for additional work.

The Committee monitored the financial consequences of the union negotiations. The Committee has been analyzing sales data both geographically and household history.

In the up-coming year, besides the routine elements of the work – monthly report monitoring - the Committee will be continuing to do sales analyses, which is currently in progress, and monitoring the move toward product scanning, among other issues. The biggest issue facing the Committee will probably be falling sales and co-op profitability. As well, there are always issues that arise in the course of the year that require Finance Committee comments, but at this point I cannot tell what they might be.

Food Issues Committee

Submitted by Cindy Willems

One of the many challenges we faced this past year, since the last AGM, was the substantial change in Committee membership and appointment of Committee Chair. Once scheduling challenges were overcome and the dust settled, we began to redefine who we are and where we are going with Karma's product policy and various food issues, such as the potential dangers of genetically modified organisms (GMOs).

Since then, the Committee has continued to identify, document and research food products sold at Karma Co-op that may contain GE ingredients. This has been fundamentally challenging due to the considerable amount of genetically engineered (GE) ingredients already in the food supply and consequently the difficulty for anyone to know for certain that GE ingredients are not in a particular product. We are planning to meet with Karma's Board to discuss Karma's food priorities and set reasonable goals to free the store of GMOs in our food products.

We sponsored a Sunday afternoon Food Forum on February 27, 2011 to inform Karma members of various food issues and our mandate to **buy local, environmentally sustainable, ethical, low packaged, GMO free and affordable products**. We showed videos and provided free snacks, donated by local companies currently carried by Karma that fall within our food policy mandate. Attendance was low even though we had asked the Events committee to promote the forum in the store and in the neighborhood. Unfortunately there was no follow up to our conversations with them before the event.

Further challenges over the past year include:

- Karma's website is out of date and there doesn't seem to be a way to inform members about events run by the Committee, such as the February 2011 Food Forum.
- Time required to organize, research and follow up needed for the GMO project.
- Greater participation of Karma staff in FIC meetings.

Our goals:

- Developing a process for evaluating companies that have questionable ethical practices (from a list of companies Karma is currently boycotting and why).
- To work closely with the staff of Karma Co-op to further implement Karma's Product Policy. FIC to provide support through research, meetings and discussion. Two staff members will join us at each meeting to discuss any problems or concerns and FIC will follow up on issues that require follow up.
- Develop clear, accessible information about FIC and its activities.
- Draw up an *Implementation Guide* that supports the Product Policy, available for anyone to view in the Members Room and on the Karma website.
- FIC to develop a better connection with Karma members by sending out info on current Karma products and GMOs, on a regular basis, via The Chronicle, email flashes, website and other available means.
- Join the international Non-GMO project (nongmoproject.org), attend meetings, and report back.

Current mission statement:

1. To maintain a decision making process about product purchasing that complements the product policy.
2. To conduct research that ensures accuracy of information about products and suppliers.
3. To maintain a dialogue with the Karma community about the Co-op's values and products.

Revised Mission statement:

1. To develop and maintain a process for product purchasing that adheres to Karma's product policy.
2. To connect with food suppliers and distributors and research product ingredients to determine GE status.
3. To reduce, if not eliminate, GMO products from Karma's store.
4. To discuss food issues priorities and actions to be taken on an ongoing basis with Karma members.

The FIC has not used any funds over the last year.

Current members: Cindy Willems - Acting Chair, Ken MacDonald, Linda Zelicki, Prasad Anantha, Hershel Stroyman, Harry Koster (on sick leave).

Members that left this year: Val Colden, Tracey Tief, Stephen Pacifico

Orientation Committee

Submitted by Sondra vanderVaart

Members: The members of the Orientation Committee during the 2010 year were: Sandra Gregson, Adam Seelig, Paul DeCampo, Doug Parry, Paula Coutinho and Sondra vanderVaart

Mandate: The Orientation Committee is responsible for introducing all new members to Karma Coop. Our mandate is to respond to people's interest in Karma, provide an orientation as to how Karma functions, provide basic information about Karma's policies and welcome new members to Karma Coop.

Activities: We speak to all people who are interested in joining Karma Coop. In addition to providing information and answering questions over the phone, we schedule four in-person orientation sessions each month. In the 2010/11 fiscal year we introduced over 170 people to Karma Coop. This is in line with previous years (2009/10 -180 people; 2008/09 -140 people; and 2007/08 - 150 people).

Web Committee

Submitted by Jason Moore

The web committee in the last year morphed from a committee into more of a role for one person to manage Karma's online presence.

Some of the responsibilities included:

- * updating email forwarders for the @karmacoop.org addresses
- * monitoring that the website is running
- * preparing and sending mass emails to members (e.g. board news)
- * posting new content to the website (e.g. Chronicle, board minutes)
- * updating information on the website (e.g. staff, menu structure)

Other than ongoing maintenance, the main project in the past year was installing Wordpress to better manage content on the site. There are numerous benefits: It is easier to add content with both text and images, the karma website is more likely to show up in search engine results, and readers can comment on articles.

The last three issues of the Chronicle have been added to the Wordpress system, and at the time of writing the upcoming Fall issue will be added to Wordpress by the Chronicle committee.

Looking ahead, I will not be in Toronto next year, so I will be handing over responsibility of the website to the Community Development committee. This seemed a good fit, as they are involved with using social media such as Twitter and Facebook to attract new members, and the website is an important resource for potential members to learn more about Karma.

The **Building Committee** did not submit a report for the 2011 Annual General Meeting.