

Annual Report

Activities of Nova Scotia Co-operatives in 2006

Co-operatives Annual Report

This report is published by the Co-operatives Branch of Service Nova Scotia and Municipal Relations. It covers the activities of registered co-operatives taken from reports submitted to this office for their financial year ending in 2006. This document provides partial fulfilment of the requirements of the *Co-operative Associations Act*, Chapter 98, Acts of 1989, Section 5(2)(d-e).

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Honourable Jamie Muir

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Letter to the Minister Responsible for Co-operatives

The Honourable Jamie Muir
Minister of Service Nova Scotia and Municipal Relations

Dear Minister Muir:

I am pleased to present the Co-operatives Annual Report for the year 2006, in compliance with the requirements of the *Co-operative Associations Act*. This is the 71st report since 1935 when the first *Co-operative Act* required the Inspector to report annually to the Minister. Because we allow co-operatives 6 months after the end of their fiscal year to provide their annual reports, this report is available every Fall and covers the preceding calendar year.

This report summarizes the information provided by 291 (95%) of the 305 co-operatives in the province. I am pleased to report that, due to the annual renewal process implemented 4 years ago, compliance with the *Co-operative Act* increased from 66% in 2002 to about 95% for each of the past three years.

Four years ago, Nova Scotia became the first jurisdiction in Canada to ask co-operatives to report on how they function on “multiple bottom lines”. This means that co-operatives provide information on their demographics, finances and their co-operative (or democratic) functioning.

Demographic data: The total number of co-operatives increased slightly to 305 and the number of members continues to show steady growth.

- There were 19 new incorporations in 2006, plus one amalgamation. This is exactly half the number of new incorporations from the historic high of 38 in 2004, and is the lowest number of new co-operatives since 1999.
- The number of strike-offs also dropped significantly to 13, from 29 in 2005.
- The net result of 19 new co-ops, 13 strike-offs and one amalgamation was a small increase in the number of co-operatives to 305, from 302 at the end of 2005.
- For the third year in a row membership increased. The 43,000 members reported in 2006 is an impressive 13% increase from 2004.
- Employment in the sector also rose slightly to 3,348 from 3,321 employees in 2005.

Financial data: Profits decreased but equity increased.

- Co-operatives reported a slight increase in income to \$728 million, but a slightly larger increase in expenses. This resulted in a decrease in profits, from \$9.0 million in 2005 to \$7.4 million in 2006. This follows two years in a row of increases in net income.
- Members' equity increased to \$103 million from \$92 million in 2005, with most of the increase seen in investment, agricultural and worker co-operatives.

Co-operative functioning: The number of board and members' meetings was virtually unchanged, but co-operatives reported more board vacancies and less education.

- The percentage of all co-operatives that held an Annual General Meeting was virtually unchanged at 94%. Similarly unchanged was the percentage that established quorum (99%) and that presented financial statements which were approved by the membership (93%).
- Co-operatives showed commitment to the principle of democratic member control by holding an average of just over 7 board meetings and almost 4 members' meetings during the year.
- The number of co-operatives with full boards of directors dropped to 87%, from 92% last year.
- Last year nearly 1,500 members attended an education event, for an average of almost 6 members per co-operative. In 2006, that number dropped to 1,367, for an average of 5 per co-operative. This is a decrease for the first time since this data was first collected 4 years ago.

This report shows that co-operatives remain an important part of the Provincial economy. They continue to attract more members and they show commitment to the co-operative principles which help build and maintain strong communities in Nova Scotia. However, there are some concerns starting to appear including a reduction in new start-ups, decreased profits, more board vacancies and less education. I hope that the co-operative community takes steps to redress these concerns and re-double efforts to build and maintain this strong, locally-owned sector of the Provincial economy.

I trust that this overview provides a comprehensive snapshot of the co-operative sector in 2006.

Sincerely,



Ronald Skibbens
Inspector of Co-operatives

Letter to Nova Scotian Co-operatives

Dear Co-operators,


Thanks to the good work of your directors and staff, the percentage of co-operatives complying with the *Co-operative Associations Act* remains high. This helps me to continue the most comprehensive and accurate reports on co-operatives ever produced in Nova Scotia.

Information provided by co-operatives is presented in three broad categories: demographics, finances and co-operative functioning. The demographic data shows a slow reduction in the number of new co-operatives, but an increase in the number of members. The financial data shows that co-operatives had decreased profits but increased equity. Finally, the co-operative functioning data shows that commitment to co-operative principles is not as strong as in previous reports. The two most noticeable changes were more board vacancies and fewer members who attended an educational event. However, the average percentage of co-operatives holding an AGM remained high, as did the number establishing quorum and having the financial report approved by the members.

As always, your co-operative's public information is available on our website www.rjsc.ca where you can "search our database". At that site under "forms and information", you can also find standard forms for by-law changes, financial reports and other needs. As always, I welcome your input and suggestions, including ideas for new forms or changes to the forms already online. Finally, copies of this report and other co-operative information is available at www.gov.ns.ca/snsmr/coop/.

As in years past, I urge you to help make the sector in Nova Scotia even stronger by following the co-operative principles listed on the following page. In light of the fact that there are more co-operative members, but fewer attended educational events in 2006 than in previous years, I urge you to take steps to follow principle #5 by contacting either the Co-operative Housing Federation of Canada or the Nova Scotia Co-operative Council for their list of training opportunities.

Co-operatively yours,



Ronald Skibbens
Inspector of Co-operatives

The International Co-operative Alliance Statement on the Co-operative Identity

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

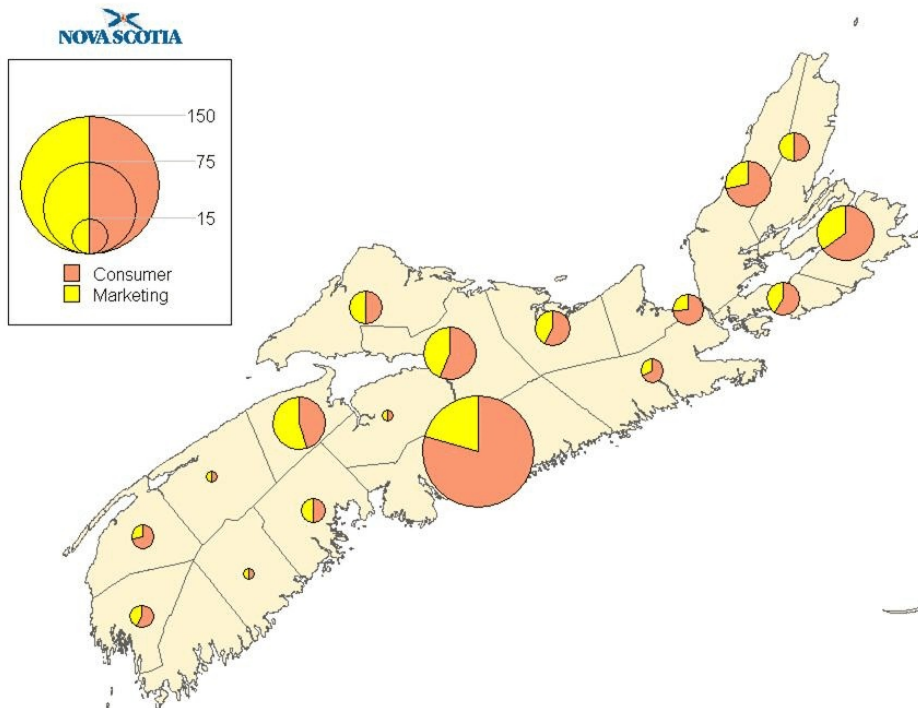
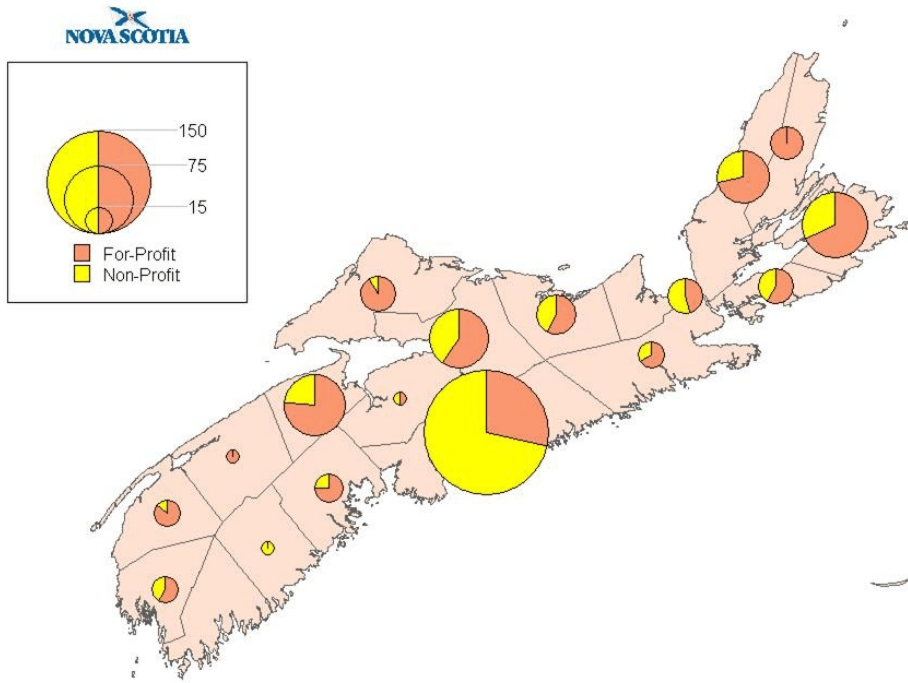
Co-operatives are based on the values of self-help, democracy, equality, equity, and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice. The co-operative principles are:

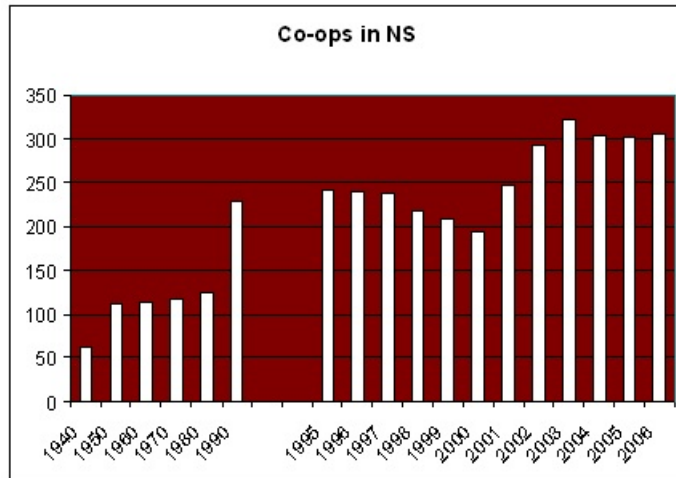
1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation among Co-operatives
7. Concern for the Community

For full text see: www.ica.coop/coop/principles.html



Demographic Data

Demographic Summary



Number of Co-operatives

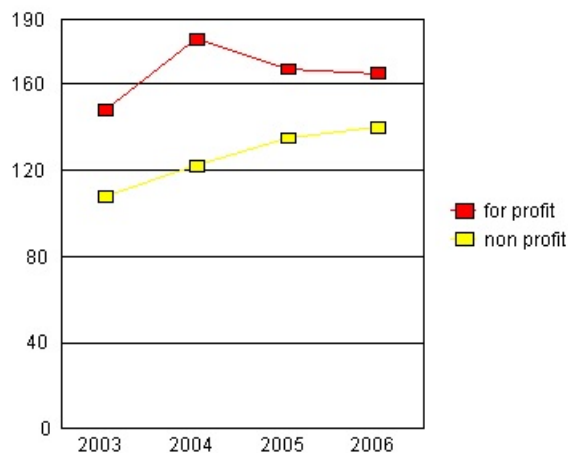
There were 305 co-operatives in Nova Scotia at the end of 2006. The table at left shows 10-year groupings for the first 50 years of co-operative history in the Province, and the total by year for the past 11 years. It shows that the number of co-operatives in Nova Scotia doubled between 1940 and 1950, doubled again between 1980 and 1990, decreased by 15% between 1995-2000, and then increased by 50% between 2000 and 2003. The number has been relatively flat

for the most recent 3 years as both new start-ups and wind-downs have decreased and kept pace with each other. The development work to help fledgling groups start a co-operative was traditionally located within the Provincial Government in the Co-operatives Branch. I suspect that the amount of time each Inspector and any assistants could devote to development was decisive in the number of new incorporations each year. In 2002 that development work was contracted to the Nova Scotia Co-operative Council, which is a co-operative of co-operatives.

Types of Co-operatives

Co-operatives in Nova Scotia identify themselves as either for-profit or non-profit. This choice reflects the founding members' guiding principles including whether surpluses are kept with the business (non-profit) or distributed to members (for profit). Co-operatives Branch further classifies co-operatives as either marketing or consumer co-operatives depending on whether the members are selling or buying their goods or services.

Although the total number of co-operatives has remained relatively constant for the past three years, the table at left shows that 2006 was the fourth year in a row that the number of non-profit



co-operatives increased, from 108 in 2003, to 140 in 2006. The gap between the two types has also been narrowing, with non-profits representing 40% of all co-operatives in 2003 and increasing to 46% in 2006. (The list of new incorporations in 2006 is on page 12). Most of the increase in non-profit registrations is due to the fact that I read the incorporation documents for both co-operatives and societies, and have noticed that society applicants are sometimes planning to run a non-profit business. In this area, the *Societies Act* is clear. It is "not for the purpose of any trade, industry or business" and so I encourage those non-profit business groups to consider

registration as a co-operative instead. This has helped push the number and percentage of non-profit co-operatives higher over the past 4 years.

	<i>For profit</i>	<i>Non-profit</i>	<i>Total</i>
<i>Consumer</i>	79 (26%)	121 (40%)	200 (66%)
<i>Marketing</i>	86 (28%)	19 (6%)	105 (34%)
Total	165 (54%)	140 (46%)	305 (100%)

As shown in the table above, for-profit co-operatives are slightly more likely to be marketing co-operatives, whereas non-profits are overwhelmingly consumer groups and make up the largest group of co-ops, at 40% of the total. Within that group, 90 (74% of 121) are housing co-operatives which were established to provide government-subsidized housing for the long-term benefit of moderate- and low-income Nova Scotians. A growing concern across the country is the fact that monthly government subsidies to these groups are scheduled to end when their first mortgages are paid off. As each housing co-operative pays off their mortgage, government will end its involvement in a social housing program. Two housing co-operatives in Nova Scotia will reach that milestone in 2008.

Geographic Location of Co-operatives, Employment and Membership

The demographic data presented on the next page shows that the largest number of co-operatives were in Halifax County, followed by Cape Breton County and Colchester County. Housing co-operatives were the largest type of co-operative with 87 (29%) of the total, followed by service co-operatives and worker co-operatives.

The data on page 10 shows that Pictou County had the most co-operative employees at 960, followed by Kings County with 822 and Halifax County with 668. The same table shows that there were 7,701 members in Inverness County, followed by Colchester County with 7,249 members and Cumberland County with 5,840 members.

Looking at employees and membership by co-operative type, retail consumer co-operatives had 29,354 (69%) of the 42,831 members in the province. In terms of employment, the agricultural co-operatives dominate, accounting for 2,413 (72%) of the 3,348 employees in the sector.

New Co-operatives, Significant Anniversaries and Struck Co-operatives

On page 12 is a list of the 19 new co-operatives (and one amalgamation) that were incorporated in 2006. Co-operatives Branch warmly welcomes them to the sector and wishes them every success in their endeavors. The growth in the number of new co-operatives continues its three year decline after the one-time high of 38 new co-ops in 2004.

In recognition of their service and commitment to their communities, the co-operatives with significant anniversaries in 2006 are listed on pages 13.

Registered Co-operatives: Distribution by Type and County

	Housing	Investment	Retail	Service	Total Consumer	Agriculture	Craft	Fishery	Timber	Worker	Total Marketing	Total Coops #	%
Annapolis	0	0	1	0	1	0	0	0	0	1	1	2	1%
Antigonish	4	0	2	2	8	1	0	1	0	1	3	11	4%
Cape Breton	7	4	1	7	19	1	0	0	0	9	10	29	10%
Colchester	2	6	3	6	17	6	1	1	0	6	14	31	10%
Cumberland	1	0	3	3	7	4	0	0	2	1	7	14	5%
Digby	1	2	1	1	5	1	0	0	0	1	2	7	2%
Guysborough	0	0	2	2	4	0	0	2	0	0	2	6	2%
Halifax	58	3	5	16	82	4	2	1	0	12	19	101	33%
Hants	0	0	0	1	1	0	0	0	0	1	1	2	1%
Inverness	2	2	5	7	16	1	1	1	0	3	6	22	7%
Kings	3	1	1	7	12	5	0	0	0	12	17	29	10%
Lunenburg	1	0	2	2	5	1	2	0	1	1	5	10	3%
Pictou	5	1	0	1	7	1	1	1	1	1	5	12	4%
Queens	1	0	0	0	1	0	0	0	0	1	1	2	1%
Richmond	0	0	3	3	6	0	0	2	0	2	4	10	3%
Shelburne	0	0	0	0	0	0	0	0	0	0	0	0	0%
Victoria	0	0	4	1	5	1	0	1	1	2	5	10	3%
Yarmouth	3	0	1	0	4	0	0	3	0	0	3	7	2%
Total #	88	19	34	59	200	26	7	13	5	54	105	305	
Total %	29%	6%	11%	19%	66%	9%	2%	4%	2%	18%	34%		

Co-operatives Branch groups co-operatives into two types: consumer and marketing. Consumer co-operatives are organized for the benefit of the buyer, marketing co-operatives are organized for the benefit of the seller. Both consumer and marketing are sub-divided further as above. Of special note are worker co-operatives, where labourers organize together to market their services.

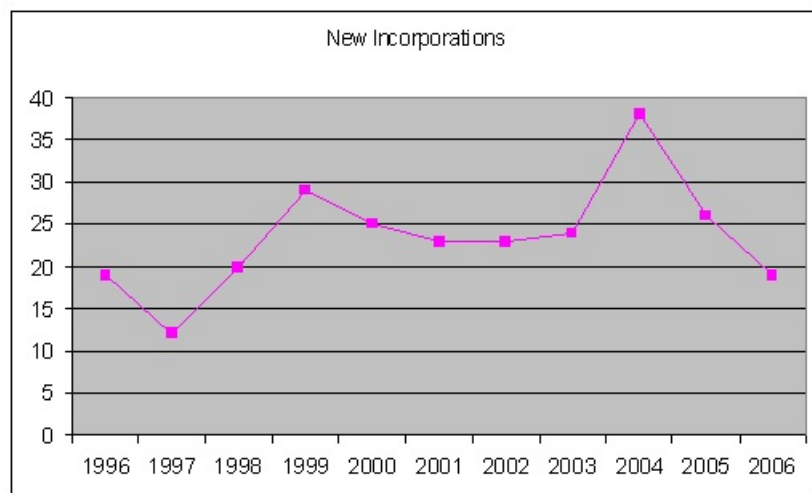
Employees and Membership - By County

	Full-time	Part-time	Total Employees	Membership
Annapolis	1	8	9	42
Antigonish	15	3	18	424
Cape Breton	14	20	34	2,732
Colchester	40	53	93	7,249
Cumberland	40	33	73	5,840
Digby	3	236	239	229
Guysborough	17	18	35	818
Halifax	523	145	668	5,359
Hants	0	0	0	17
Inverness	92	88	180	7,711
Kings	711	111	822	3,821
Lunenburg	4	7	11	753
Pictou	686	274	960	595
Queens	4	1	5	143
Richmond	39	33	72	2,056
Shelburne	0	0	0	0
Victoria	39	55	94	3,805
Yarmouth	16	19	35	1,237
Total 2006	2,244	1,104	3,348	42,831
Total 2005	2,309	1,012	3,321	40,340
Total 2004	2,219	1,124	3,343	37,948
Change from 2004 to 2006	1%	-2%	0%	13%

Employees and Membership - By Type

Type	Co-operatives Reporting	Employees			Number of Members
		Full-time	Part-time	Total	
Consumer					
Housing	88	6	6	12	1,964
Investment	19	1	2	3	2,169
Retail	34	180	216	396	29,354
Service	59	54	49	103	5,046
<i>Total Consumer</i>	<i>200</i>	<i>241</i>	<i>273</i>	<i>514</i>	<i>38,533</i>
Marketing					
Agriculture	26	1,807	606	2,413	1,417
Craft	7	27	4	31	108
Fishery	13	20	78	98	414
Timber	5	18	38	56	693
Worker	54	131	105	236	1,666
<i>Total Marketing</i>	<i>105</i>	<i>2,003</i>	<i>831</i>	<i>2,834</i>	<i>4,298</i>
Total 2006	305	2,244	1,104	3,348	42,831
Total 2005	303	2,309	1,012	3,321	40,340
Total 2004	285	2,219	1,124	3,343	37,948
Change from 2004 to 2006	7%	1%	- 2%	0%	13%

Nineteen Co-operatives Incorporated in 2006



The number of new co-operatives in 2006 decreased for the second year in a row, to half of the all-time high of 38 new incorporations in 2004. Nineteen is below the average number of new incorporations for the past 10 years, and is the lowest in any one year since 1998. The list below includes the one amalgamated co-operative.

Name	Registry ID #	Location	Type*
Art Dealers Co-op of Lunenburg Ltd	3133511	Lunenburg	CN
Blue Ox Heritage Farm Co-operative Limited	3141551	Dartmouth	MF
C&T Racing Co-operative Ltd.	3141551	Dartmouth	CF
CEDIF Members Development Co-operative Limited	3134131	Truro	MF
Cape Breton Organic Beekeepers Co-op Ltd.	3173772	George's River	MF
Careforce Home Care Workers Co-operative Limited	3137611	Wolfville	MF
GuitarFest Cape Breton Co-operative Limited	3143471	Sydney	CF
Hemford Cemetery Co-operative Ltd.	3160540	Hemford	MN
Island Music Centre Co-operative Limited	3126244	Sydney	CN
King's Bookstore Co-operative Limited	3167235	Halifax	CF
New Ross Country Market Co-op Limited	3177313	New Ross	MN
Northumberland Media Co-operative Limited	3128964	Marshville	CF
Nouvelle Investment Co-operative Group Limited	3152332	Dartmouth	CF
Parrsboro Wellness Centre Co-op Ltd.	3162613	Parrsboro	CN
Port Hood RV Co-operative Limited	3141711	Port Hood	CF
Pugwash Farmers' Market Co-operative Limited	3161312	Pugwash	MN
Quality Compost Producers Co-operative Ltd.	3166154	Brookfield	MF
Radio Tatamagouche Co-op Ltd.	3148452	Tatamagouche	CN
Spryview Housing Co-operative Limited (<i>Amalgamation</i>)	3191173	Dartmouth	CN
YES! Café Co-operative Limited	3172893	Windsor	MF

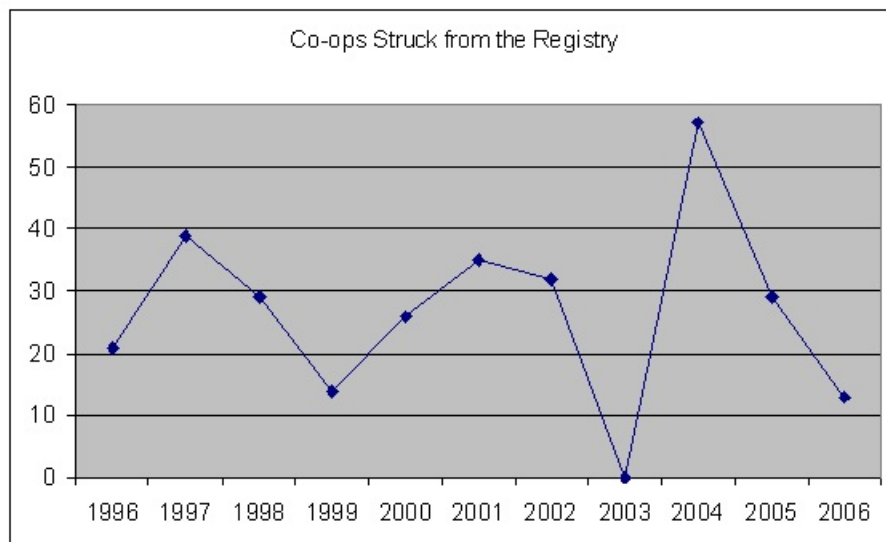
* Co-op Types: CN = consumer nonprofit (n = 5), CF = consumer for profit (n = 6), MN = (marketing nonprofit (n = 3), MF = marketing for profit (n = 6)

Anniversaries of Incorporation in 2006

In 2006, 23 co-operatives celebrated the passage of one decade or more since their incorporation. We congratulate these co-operative's members and boards of directors for their continued commitment to co-operation and member services.

70 th	1936	Shean Co-operative Limited Victoria Farmers Co-operative Limited
60 th	1946	Bridgewater Farmers Co-operative Society Limited Scotsburn Co-operative Services Limited Upper Stewiacke Co-operative Limited
50 th	1956	Colchester Co-operative Services Limited Victoria Co-operative Fisheries Limited
30 th	1976	Baxter's Harbour Co-operative Limited North Nova Forest Owners Co-operative Limited Westmoor 57 Co-operative Limited
20 th	1986	Antigonish Farm & Garden Co-operative Limited Chignecto Housing Co-operative Limited Evangeline Courts Housing Co-operative Limited John Hugh MacKenzie Housing Co-operative Limited Lower Argyle Fishermen's Co-operative Limited Manoir St. Pierre Housing Co-operative Limited (Le) McIntosh Run Housing Co-operative Limited Nova Scotia Co-operative Council Limited Spanish Bay Continuing Housing Co-operative Limited Water Street Studio Co-operative Limited
10 th	1996	Community Health Promotion Atlantic Network Co-op Limited Just Us! Coffee Roasters Co-operative Limited Lunenburg Balsam Fir Co-operative Limited

Co-operatives Struck in 2006



In 2006, there were 13 co-operatives struck. This is a return to the traditional range after a one-time correction in 2003-2004 when the automated renewal process was put in place. During the first year of the new process, no co-operatives were struck, resulting in double the usual number being struck in the following year.

Name	Registry ID #	Location	Type
Canadian Institute of English Co-op Ltd.	3092275	Shubenacadie	MN
Cape Breton Oyster Fishers Co-operative Limited	3068264	North Sydney	MF
Co-operative Resource Services Limited	3033671	New Glasgow	MF
Creative Workers Co-operative Limited	3080973	Halifax	CF
Directors Coaching and Support Co-operative Limited	3094599	Truro	MF
Five Islands Bazaar Co-operative Limited	3094612	Five Islands	MN
Gravenstein Investment Co-operative Limited	3096149	Wolfville	CF
Independent Crab Co-operative Limited	3076141	Sheet Harbour	MF
Island Kitchen Manufacturers Co-operative Limited	3083288	New Waterford	MF
Maple Gold Co-operative of N.S.	2003521	Nappan	MF
Network Printer Technology Co-operative Limited	3063433	Halifax	MF
New Deal Investment Fund Co-op Ltd	3098888	Sydney Mines	CF
North Nova Health Care Co-operative Limited	3093704	New Glasgow	CF

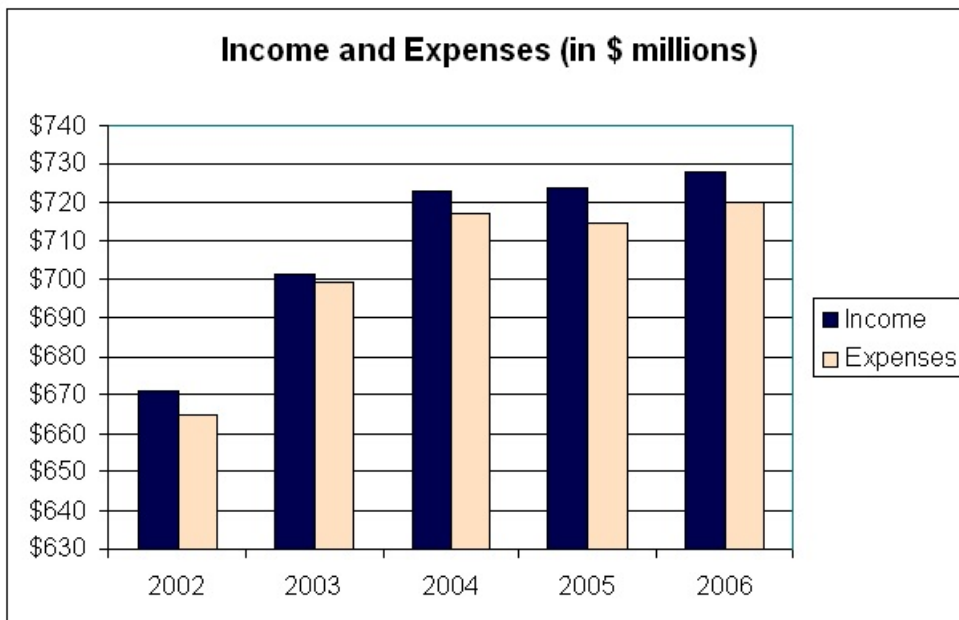
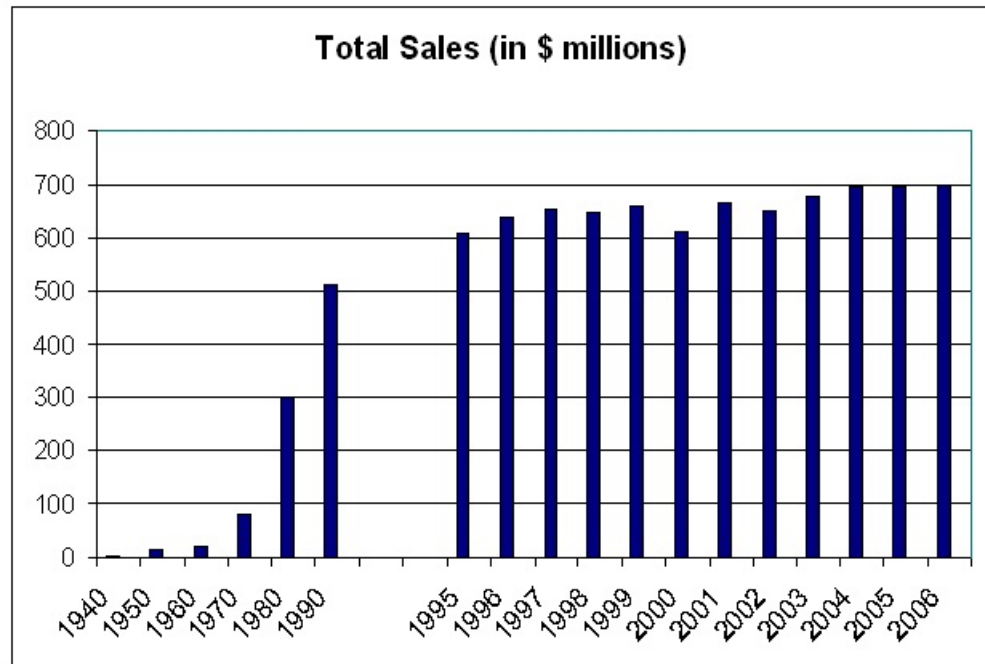
* Co-op Types: CN = consumer nonprofit (n = 0), CF = consumer for profit (n = 4), MN = marketing nonprofit (n = 2), MF = marketing for profit (n = 7)

Financial Data

Financial Summary

All co-operatives in the Province are required by law to submit financial reports to Co-operatives Branch every year. The two required reports are an income/expense statement and a balance sheet. The income/expense statement shows whether a co-operative has made or lost money over the past year. The balance sheet shows a co-operative’s assets and liabilities, and thus their net worth.

Most of the income of co-operatives in the Province comes from sales (96% of total income in 2006). As the chart at the right shows, the annual total sales for all co-operatives in the Province has shown a gradual increase since the major jump in the 1970-1990 era.



Comparable data on expenses is only available for the past 5 years. During that time both income and expenses have shown a gradual increase, as shown in the chart at left and in more detail in the table on the following page. The table shows that net income has fluctuated between \$2 and \$9 million over the past 5 years and was \$7.4 million in 2006.

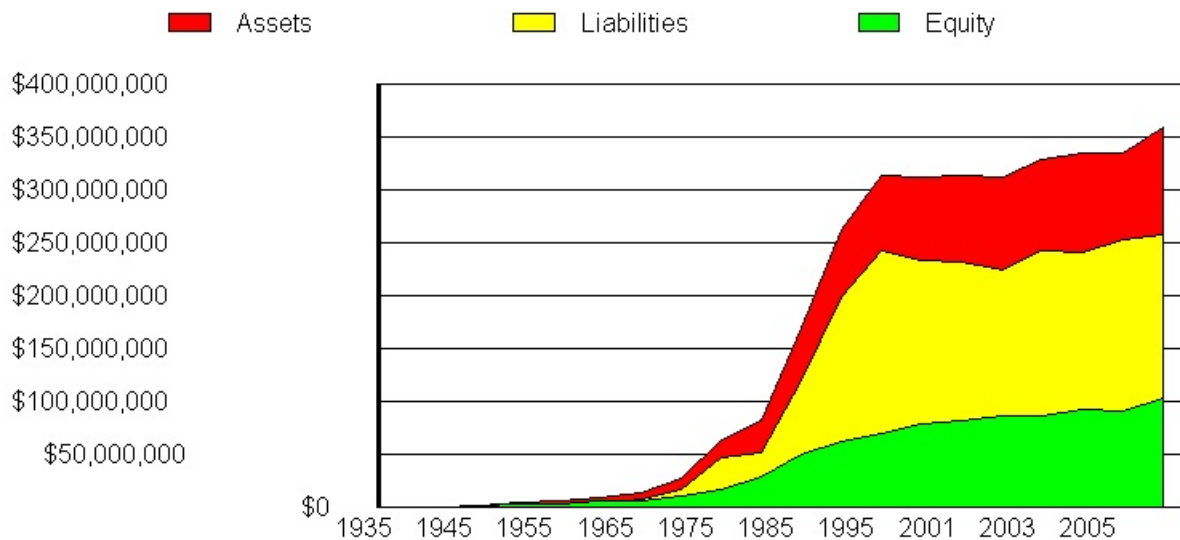
66-Year Operating Results Summary (all financial data in \$millions)

	Total Co-ops	Reporting Co-ops	Sales	Other Income	Total Income	Cost of Goods Sold	Other Expenses	Total Expenses	Net Income	Gross Margin
1940	62		3				1		0	
1950	113		14				2		0	
1960	114		21				5		1	
1970	117		79				14		1	
1980	124		302				57		4	
1990	228		512				120		4	
1995	241		609				133		2	
1996	240		638				143		4	
1997	238		651				142		3	
1998	217		646				146		1	
1999	209		658				147		3	
2000	194		612				138		8	
2001	247		663				143		9	
2002	293	193 (66%)	648	23	671	540	125	665	6	108
2003	323	256 (79%)	676	25	701	570	128	699	2	105
2004	303	285 (94%)	696	27	723	583	134	717	6	113
2005	302	291 (96%)	697	27	724	578	137	715	9	119
2006	305	291 (95%)	699	29	728	577	143	720	7	122

66-Year Balance Sheet Summary (all financial data in \$millions)

The table below summarizes the balance sheet information from co-operatives over the past 66 years. Of particular interest is the big jump in the 1965-1995 period followed by generally steady growth since that time.

	Assets	Liabilities	Equity
1940	1	0	1
1945	2	1	2
1950	5	2	3
1955	6	2	4
1960	9	3	6
1965	15	8	7
1970	28	17	11
1975	64	47	17
1979	82	53	29
1985	171	120	51
1990	262	200	63
1995	314	243	71
2000	312	233	79
2001	314	232	82
2002	312	225	87
2003	328	242	86
2004	335	241	93
2005	345	253	92
2006	360	257	103



Operating Results Summary

As stated above, co-operatives are grouped into consumer or marketing, and for-profit or non-profit. The tables in this section show financial data from the 291 co-operatives that provided financial information for their 2006 fiscal year.

	Consumer		Marketing		All Co-operatives	
	2006 (n=200)	2005 (n=197)	2006 (n=105)	2005 (n=105)	2006 (n=305)	2005 (n=302)
Sales	94,191,737	96,699,851	604,679,911	600,501,633	698,871,648	697,201,484
Other Income	20,166,472	18,474,180	8,589,350	8,601,251	28,755,822	27,075,431
Total Income	114,358,209	115,174,031	613,269,261	609,102,884	727,627,470	724,276,915
Cost of Goods Sold	78,412,804	80,885,039	498,863,582	497,050,995	577,276,386	577,936,034
Other Expenses	34,971,144	33,613,099	107,972,693	103,711,659	142,943,837	137,324,758
Total Expenses	113,383,948	114,498,138	606,836,275	600,762,654	720,220,223	715,260,792
Gross Margin	15,778,933	15,814,812	105,816,329	103,450,638	121,595,262	119,265,450
Net Income	974,261	675,893	6,432,986	8,340,230	7,407,247	9,016,123
Assets	127,057,313	124,799,389	233,290,402	219,800,939	360,347,715	344,600,328
Liability	104,412,814	102,186,176	153,040,034	150,606,846	257,452,848	252,793,022
Equity	22,644,496	22,613,214	80,250,368	69,194,094	102,894,864	91,807,308

Consumer co-operatives represent 200 of the 305 co-operatives (66%) but represent only 16% of total income and expenses. However they reported 35% of assets, 41% of liabilities and 22% of equity. Marketing co-operatives represent the other 34% of the total co-operatives and reported 84% of total income and expenses, and accounted for 87% of profit (both gross margin and net income). They reported 65% of assets, 59% of liabilities and 78% of equity.

Year over year trends show that consumer co-operatives income and expenses decreased, while marketing co-operatives income and expenses increased. Because marketing co-operatives dominate the economic figures, this resulted in overall increase in income and slightly larger increase in expenses. This resulted in a decrease in total net income from \$9.0 million in 2005, to \$7.4 million in 2006.

As shown in the table below, for-profit co-operatives reported 98% of the income and expenses, reported \$7.8 million in net income on a total income of \$709.5 million. This is a small increase in total income, but a small decrease in profit since expenses also increased.

Non-profit co-operatives reported a net loss of \$358,000 on an income of \$18 million. Like the for-profits, this was a small decrease in profits (increased deficit) from the previous year because expenses increased more than income. Non-profits owned \$85 million in assets which was 24% of the total in the sector and they reported only \$93,000 in equity, representing less than 1% of total equity in the sector. Equity in the non-profit sector is largely effected by housing co-operatives, which represent 65% of all non-profits. They report the value of their property as equal to the amount remaining on their mortgage and so their primary asset, and thus their equity, shrinks every year and tends toward zero.

	For Profit		Non-Profit		All Co-operatives	
	2006 (n=165)	2005 (n=167)	2006 (n=140)	2005 (n=135)	2006 (n=30)	2005 (n=302)
Sales	698,527,877	696,939,307	343,771	262,177	698,871,648	697,201,484
Other Income	11,020,613	10,827,863	17,735,209	16,247,568	28,755,822	27,075,431
Total Income	709,548,490	707,767,170	18,078,980	16,509,745	727,627,470	724,276,915
Cost of Goods Sold	577,126,864	577,838,366	149,522	97,668	577,276,386	577,936,034
Other Expenses	124,656,235	120,790,001	18,287,602	16,534,757	142,943,837	137,324,758
Total Expenses	701,783,099	698,628,367	18,437,124	16,632,425	720,220,223	715,260,792
Gross Margin	121,401,013	119,100,941	194,249	164,509	121,595,262	119,265,450
Net Income	7,765,391	9,138,803	(358,144)	(122,680)	7,407,247	9,016,123
Assets	275,095,835	259,979,188	85,251,880	84,621,140	360,347,715	344,600,328
Liability	172,294,178	170,770,365	85,158,670	82,022,657	257,452,848	252,793,022
Equity	102,801,657	89,208,824	93,210	2,598,484	102,894,867	91,807,308

Operating Results Summary by Type and Sub-Type

The tables on page 23 show details by co-operative type and sub-type. Those tables show that agricultural co-operatives continue to dominate the co-operative marketing sector for income and net worth.

1. Agricultural co-operatives accounted for 90% of all marketing sales and 78% of the \$699 million in total sales. They also account for 89% of all marketing income and 75% of the \$728 million in total income. Retail co-operatives place a distant second at 13% of both sales and total income.
2. Agriculture accounted for 89% of marketing expenses and 75% of the \$720 million in total expenses, with retail accounting for 13% of the total.
3. Rolled up in “other expenses” are the amounts spent on education. In this area, worker co-operatives spent 50% of the total \$98,000 followed by the service co-ops (20%), retail co-ops (16%), and housing co-ops (14%).
4. Agricultural co-ops owned 58% of the total \$360 million in assets and 66% of the \$103 million in equity.
5. Housing co-operatives owned 23% of the assets, but because of their high liabilities they are in a negative equity situation. As mentioned above, this situation may be partly explained by the fact that housing co-operatives report the value of their property as the amount outstanding on their mortgage. If this undervalues their assets, it also undervalues their equity.
6. Retail co-operatives owned only 9% of the assets, but because of relative low liabilities, they had 16% of the total equity in the sector.

Consumer Co-operatives

	Housing	Investment	Retail	Services	2006 Total	2005 Total
Sales	0	1,872	93,809,609	380,256	94,191,737	<i>94,617,506</i>
Other Income	14,494,548	459,847	1,683,933	3,528,144	20,166,472	<i>18,190,618</i>
Total Income	14,494,548	461,719	95,493,542	3,908,400	114,358,209	<i>112,808,124</i>
Cost of Goods Sold	0	0	78,321,024	91,780	78,412,804	<i>79,388,250</i>
Other Expenses	14,956,295	544,224	15,630,422	3,840,203	34,971,144	<i>32,486,729</i>
Total Expenses	14,956,295	544,224	93,951,446	3,931,983	113,383,948	<i>111,874,979</i>
Gross Margin	0	1,872	15,488,585	288,476	15,778,933	<i>15,229,256</i>
Net Income	(461,747)	(82,505)	1,542,096	(23,583)	974,261	<i>933,145</i>
Assets	81,660,551	5,383,246	34,037,685	5,975,831	127,057,313	<i>130,213,845</i>
Liability	83,399,084	446,315	17,446,312	3,121,103	104,412,814	<i>106,031,304</i>
Equity	(1,738,533)	4,936,931	16,591,373	2,854,728	22,644,499	<i>24,182,541</i>

Marketing Co-operatives

	Agriculture	Craft	Fishery	Timber	Worker	2006 Total	2005 Total
Sales	544,279,391	757,738	44,398,899	4,154,148	11,089,735	604,679,911	<i>600,501,633</i>
Other Income	3,269,499	172,775	346,542	596,908	4,203,626	8,589,350	<i>8,601,251</i>
Total Income	547,548,890	930,513	44,745,441	4,751,056	15,293,361	613,269,261	<i>609,102,884</i>
Cost of Goods Sold	449,051,419	368,472	38,970,566	2,361,103	8,112,022	498,863,582	<i>497,050,995</i>
Other Expenses	92,835,404	536,642	5,195,651	2,601,820	6,803,176	107,972,693	<i>103,711,659</i>
Total Expenses	541,886,823	905,114	44,166,217	4,962,923	14,915,198	606,836,275	<i>600,762,654</i>
Gross Margin	95,227,972	389,266	5,428,333	1,793,045	2,977,713	105,816,329	<i>103,450,638</i>
Net Income	5,662,067	25,399	579,224	(211,867)	378,163	6,432,986	<i>8,340,230</i>
Assets	210,340,792	567,268	8,637,193	2,419,669	11,325,480	233,290,402	<i>219,800,939</i>
Liability	142,684,834	70,885	1,697,566	1,485,733	7,101,016	153,040,034	<i>150,606,846</i>
Equity	67,655,958	496,383	6,939,627	933,936	4,224,464	80,250,368	<i>69,194,093</i>

Co-operative Functioning

Co-operative Functioning Summary

In 2002, Nova Scotia's co-operatives became the first in Canada to report on how well they function as a co-operative, in addition to how well they function as a business. In that year, co-operatives began responding to questions on the Annual Renewal forms sent out each year by Co-operatives Branch. The questions are on the board complements, meetings and the number of educational events attended by members (see the tables below and see the Annual Renewal form at www.gov.ns.ca/snsnr/rjsc/forms.asp#coop). All of the questions are intended to help a co-operative identify how well it is following the 7 principles of co-operation (see page 4).

The percentage of co-operatives with full boards dropped from last year's 92%, to 87% in 2006. This negative trend is driven by the for-profit consumer co-operatives which reported that only 80% had all board positions filled. That is a substantial drop from last year's report of 90% for that same group.

All board positions are filled:	for profit	non profit	total
consumer	80%	91%	80%
marketing	97%	94%	97%
total	89%	91%	87%

It is a legal requirement for every co-operative to hold an annual general meeting (AGM) every year. Here the interesting split is between consumer and marketing groups, with 92% of the former holding an AGM compared to 99% of the latter.

An AGM was held in the last year (12 months):	for profit	non profit	total
consumer	92%	92%	92%
marketing	99%	100%	99%
total	95%	93%	94%

The AGM is legal only if quorum is reached, and overall a very impressive 99% of co-operatives that held an AGM reached quorum.

Quorum was established at the AGM:	for profit	non profit	total
consumer	100%	98%	99%
marketing	100%	100%	100%
total	100%	98%	99%

The *Co-operative Associations Act* requires that a financial report be presented at the AGM, but this question goes a step further to ask whether the members actually approved the financial report. This is interpreted as an indication of the member's awareness, understanding and control of the business functioning of their co-operative.

A financial report was approved by the members at the AGM:	for profit	non profit	total
consumer	96%	94%	95%
marketing	90%	81%	89%
total	93%	92%	93%

As shown in the following table, co-operatives overall had an average of 7.3 board meetings in 2006, which was virtually unchanged from 2005. It is noticeable that consumer co-operatives held more board meetings than marketing co-operatives, although both numbers are within what I consider a normal range.

Average number of board meetings in the last year (12 months).	for profit	non profit	total
consumer	7.4	7.7	7.6
marketing	6.8	6.1	6.7
total	7.1	7.5	7.3

The average number of members' meetings ranged from about 2 to 5 in 2006. The lower number is what I would expect from a co-operative with a board that is functioning well. The higher number could be interpreted in a number of ways, from a positive sign of member's involvement to a negative sign of a board being "second guessed" by the members. It could also be an artifact of small co-operatives that have all of their members on the board. Those co-operatives may report all of their meetings as both board and members meetings.

Average number of members meetings in the last year (12 months).	for profit	non profit	total
consumer	1.9	4.7	3.6
marketing	3.8	4.9	4.0
total	2.9	4.7	3.7

Finally, it is interesting to see the wide variation in the number of members who attended an educational event. One of the co-operative principles is “Education, training and information” and this question is an attempt to determine the members’ commitment to that principle. The question does not ask whether the educational event was put on, or paid for, by the co-operative. It does not even ask whether the education was directly relevant to the functioning of the co-operative. However, even with those unknowns, it is interesting to see that marketing co-operatives averaged 6.5 members who attended an educational event compared to only 4.2 members per consumer co-ops. Looking at the data in more detail shows a wide variation between the consumer for-profit groups who averaged just under 3 members who attended an educational event, to the high of 8 for marketing for-profit groups.

It is also worthy of note that all of these number dropped from 2005, except for non-profit consumer co-operatives which are overwhelmingly housing co-operatives. Many of these co-operatives are members of the Co-operative Housing Federation of Canada, which has a local office and is strongly committed to training and education amongst its members. The average within this group increased from 3.8 in 2005, to 5.0 while the overall average fell from 5.6 in 2005, to 5.0 last year.

Average number of members who attended an educational event:	for profit	non profit	total
consumer	2.9	5	4.2
marketing	6.1	8.3	6.5
total	4.5	5.4	5

The data on co-operative functioning is collected because of the increasing interest in multiple bottom lines which measure not just how much money a company makes, but also their involvement in their community. Almost by definition, co-operatives are of and for their communities. They not only employ locally, but they generally keep their profits local, too. To explore this further, I am involved with a federally-funded research project on the Social Economy that will take a much closer look at the multiple bottom lines of both co-operatives and credit unions throughout Atlantic Canada over the next 4 years. As of Fall 2007, we have just completed administering a survey of all co-operatives and credit unions in Atlantic Canada, and are beginning data analysis. We plan to publish data from that survey early in 2008. I hope this survey will expand our knowledge of the co-operative sector in the Province and prove a useful companion to this report.

This, and other annual Co-operative Annual Reports are available at:
www.gov.ns.ca/snsmr/coop/resources/

The *Co-operative Associations Act* is available at:
www.gov.ns.ca/legislature/legc/statutes/co-opassc.htm

The Regulations to the Act are available at:
www.gov.ns.ca/just/regulations/regs/co-opgen.htm

The *Act* and Regulations are also available by contacting the Co-operatives Branch at:

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