



PEOPLE'S FOOD CO-OP
NATURAL FOODS MARKET & DELI

ANNUAL REPORT 2019



General Manager
GM LETTER
ANGIE VOILES

First I, and we, owe an apology to the membership for the delay in an annual report. We didn't receive our final reviewed financials until late July and beyond that, the delay lies with us.

I've found myself frozen at my computer trying to draft something to the membership and community that will resonate and inspire. Finding that inspiration amidst a global pandemic and a reckoning with our country's legacy of oppression and overt violence has been in a word -challenging. And so I'm holding these values as my compass and lens: justice, equity, community, health, access. All the things that drew me towards and keep me at the co-op. It is also how I interpret our Ends and mission because this store is more than a store.

So, here is what I have to offer:

I see PFC as an agent of change and progress. Our work to bring healthy, accessible food is elemental to all humans. Our impact, however, is contingent on our ability. In this sense, I mean our financial ability to continue to stay in business and therefore grow our impact. I have perhaps been too vague or optimistic in my previous messages about the need our co-op has for membership and community engagement. It is elemental to our survival. Cooperatives are created to fulfil a community need not met by other means. Does Ann Arbor still need a co-op? Do we want a co-op? Are we willing to do what is necessary to sustain a co-op? This is the question that keeps me up at night: are we still necessary and relevant? Does the fact that we are a community and democratically directed natural foods grocery store still mean something? Does our triple bottom line still resonate? Are our corporate counterparts doing a better job in selling to you and meeting your needs?

As the world reacts to COVID-19, PFC is classified, as I have always believed it to be, as essential. The PFC staff have shown their strength, courage and

commitment extraordinarily as we've continued service through this global crisis. I have always felt honored to work with a group of brilliant, creative, and altruistic individuals that have/do make up our staff. But I can say nothing but thank you to everyone who has continued to weather personal risk to serve our community providing delicious, local, and sustainable food. Even though almost everything about our daily lives has changed in the past 6 months, a heartfelt thank you is also due to the members and customers who have continued to support PFC during this difficult and scary time.

"Show us you want a co-op by making us a part of your shopping budget"

I will be frank here, this next year will be the litmus test. If the membership and the greater Ann Arbor community wants this food co-op to exist, then we have no other time to show that. With eight years of negative profitability, banking on the success and prudence of the past does not allow us much runway for the future. But we can turn it around! The advances we've already made in operations are

a great credit to the dedication and effort of our amazing staff. Now, the missing piece is you! Show us you want a co-op by making us a part of your shopping budget, tell us how we can meet the community's needs. How can we help you and other people in our community choose our democratically governed, locally owned store over the other sea of other options? I believe it's important and necessary that Ann Arbor has a co-op. For our triple bottom line, investment in the integrity of food and business, our impact on the local economy, and work towards the holistic health of our bodies and communities all those values we share are what makes up this co-op. But we are now at a moment when this co-op will not survive if the membership and community do not support it, in numbers, now. Don't let PFC become another landmark of Ann Arbor that disappears from our community. Let's help this co-op survive, thrive, grow and nourish generations to come!



President PRESIDENTS REPORT

JAIME MAGIERA PRESIDENT

Dear PFC Members,

As we round out another year, I wanted take a moment to reflect on the work the board has done and lay out the goals we have for the coming months.

First, it's helpful to re-iterate to our new members what part the Board of Directors plays in the functioning of the co-op. The board consists of up to 9 members who are elected by the membership for staggered three year terms. We adhere to a policy governance model. We define policies that set long term goals for the co-op as an organization and monitor the General Manager in terms of those goals and that of the Bylaws. We also facilitate communication with members and other co-operatives

The Board held a town hall on January 29th. It was one in a series that we've held over the past few years to keep members informed on what's happening at their co-op during what are very difficult times for us financially. The underlying premise is that we must change in a variety of ways if the co-op is to survive. The Board and the General Manager have been working together on a multi-year plan that will address PFC's consistent lack of space and resources necessary to thrive in the competitive organic and bulk grocery market of today. To coincide with that planning, Board members have taken advantage of a variety of development opportunities with our partner organization Columinate.

Speaking of partnerships, PFC has been delighted to be partnering with the Old Fourth Ward organization on a variety of projects to emphasize the value of community, and our place in it. That value is describe in the article Community and the Corner Store Article that I wrote for the Old Fourth Ward newsletter (<https://peoplesfood.coop/2020/11/01/communitycornerstore/>)

The Board's goals for 2020 and beyond are quite varied. Once the multi-year plan is finalized, we'll be working to implement and monitor it.

We're continuing to augment the board's communication with the membership by posting to our website more informative articles about PFC and important trends in the co-op world. We'll be highlighting the ways in which members can help the co-op by volunteering for the board and the various committees. Finally, we'll be facilitating more partnerships with community organizations.

Please don't hesitate to reach out to myself or the Board at this crucial time.

Jaime Magiera
President, Board of Directors



Wednesday, November 18, 6:30PM
BlueJeans Virtual Meeting visit our website for more details.

We love members to attend! Please bring ideas, comments, & constructive criticism. The meeting's agenda will be posted here the weekend before.

Are you someone who is Friendly,
Flexible, Focused and

WANTS TO VOLUNTEER?



Join us on one of these committees

- **Linkage** – Contact Ray at: vicepresident@peoplesfood.coop
- **Nominations** – Contact Ray at: vicepresident@peoplesfood.coop
- **Ken King Award** - Contact Amanda at: amandamccreless@gmail.com



PEOPLE'S FOOD CO-OP
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BOARD OF DIRECTORS



JAIME MAGIERA
PRESIDENT
TERM EXPIRES 2021



RAY ANDERSON
VICE PRESIDENT
TERM EXPIRES 2022



HANNAH DAVIS
TREASURER
TERM EXPIRES 2022



AMANDA McCRELESS
SECRETARY
TERM EXPIRES 2022



MARY H ROONEY
DIRECTOR
TERM EXPIRES 2021



DANIELLE FALCON
DIRECTOR
TERM EXPIRES 2023



VICTORIA WESTMAN
DIRECTOR
TERM EXPIRES 2023



PATRICK ZABAWA
DIRECTOR
TERM EXPIRES 2023

About

The Board of Directors are elected by PFC members to represent them in setting policy and ensure the financial well-being of the Co-op.

Member-owners are encouraged to participate in the Co-op's decision-making process and to attend monthly board meetings. Time is set aside for public comments at the start of each meeting. Have a topic you would like the board to consider? The deadline for member requested agenda items is two weeks before the scheduled meeting. Contact president@peoplesfood.coop for more information. Our board generally meets on the third Wednesday of the month (subject as always to occasional one-time shifts to accommodate events).

If you have any comments to share with us, contact any of the directors.

TREASURER'S REPORT

ANGIE VOILES, GENERAL MANAGER

HANNAH DAVIS, BOARD TREASURER

The last year has been a time of dramatic change for the People's Food Co-op. We came out of 2018 with some tough news about the co-op's profitability, and with a change to the member equity amount for the first time since our founding. We've heard from many of you over the past year: you're concerned about the store's profitability and viability, you want to be involved, you want to be heard. We hear you and are so grateful to have a concerned, committed membership. We certainly have a lot of challenges to overcome—notably falling sales and a small, expensive building—but have been making a lot of changes and leveraging our many strengths to fulfill one of our Ends: "Remembering and building on People's Food Co-op's history we will thrive into the future!"

Our reviewed loss for 2019 was \$174,237 (\$30,000 of that was a non-operational loss: we had to cancel a planned deli remodel, and that planned amount was moved from the store's assets). Our loss from 2018 was \$192,991. While we still lost money, we are seeing positive trends in decreased loss each successive quarter last year: Q1 was \$71,721 (including the \$30,000 from the deli remodel), Q2 was \$49,958, Q3 was \$39,219, and Q4 was \$7,317. Our general manager Angie and the PFC staff have been working extremely hard to manage margin and control labor costs (in 2019, labor was 19.8% as a percentage of sales, compared to the budget of 19.9%; in 2018 we were 2.2% over budget), and those efforts are paying off.

The co-op still faces ongoing challenges to profitability: we saw a 10% sales decline in 2019 compared to 2018, and our non-labor expenses are fixed or rising. The building itself is old and has a challenging layout, which causes inefficiencies and equipment strain, resulting in high service costs and loss of goods and sales. In addition, while the staff has been working diligently to control margin, some departments are still in the middle of this process, and this affects profitability.

The board of directors has also been involved in new initiatives. We have been taking courses to improve our financial literacy, and are working closely with the GM on financial planning for the co-op. Angie has been developing a robust multi-year plan, and the board is confident in this plan's ability to steer the co-op well into the future (of course, no report written in 2020 would be complete without a mention of the COVID-19 pandemic. This multi-year planning process has taken longer than we expected because we've had to retool a lot of processes and timelines as a result!).

As always, the People's Food Co-op relies on the support of its members and shoppers! The more people shop at the co-op regularly, become members, reinvest at the increased member equity rate, the more successful we can be.

PEOPLE'S FOOD COOPERATIVE, INC. BALANCE SHEET

| | Years ended December 31 | |
|--|-------------------------|-----------|
| | 2019 | 2018 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$291,846 | \$321,194 |
| Accounts receivable | 3,863 | 4,197 |
| Inventory | 222,497 | 210,807 |
| Prepaid expenses | 17,325 | 17,708 |
| Total current assets | 535,531 | 553,906 |
| Equipment and leasehold improvements-net | 286,966 | 375,144 |

| | | |
|---|-------------|-------------|
| OTHER ASSETS | | |
| Equity and deposits in other cooperatives | 199,023 | 157,486 |
| Deferred taxes | 156,000 | 156,000 |
| Security deposits | 16,569 | 16,569 |
| Total assets | \$1,194,089 | \$1,259,105 |

| | | |
|---------------------------------------|-----------|-----------|
| LIABILITIES AND MEMBERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$185,845 | \$203,570 |
| Line of credit | - | 15,250 |
| Accrued liabilities | 46,751 | 53,240 |
| Total liabilities | 232,5965 | 272,060 |

| | | |
|---------------------------------------|-------------|-------------|
| MEMBERS' EQUITY | | |
| Members' shares | 810,337 | 661,652 |
| Retained earnings | 151,156 | 325,393 |
| Total members' equity | 961,493 | 987,045 |
| Total liabilities and members' equity | \$1,194,089 | \$1,259,105 |

PEOPLE'S FOOD COOPERATIVE, INC. STATEMENT OF OPERATIONS

| | Years ended December 31 | |
|------------------------|-------------------------|-------------|
| | 2019 | 2018 |
| | (Audited) | (Reviewed) |
| SALES REVENUE | | |
| Sales | \$5,544,815 | \$6,157,595 |
| Less: Member discounts | (103,172) | (145,167) |
| Net sales | 5,441,643 | 6,012,428 |
| Cost of sales | 3,483,841 | 3,850,430 |
| Gross profit | 1,957,802 | 2,161,998 |

| | | |
|---------------------------|-----------|-----------|
| OPERATING EXPENSES | | |
| Personnel | 1,346,858 | 1,580,945 |
| Occupancy | 348,013 | 351,853 |
| Operating expenses | 236,972 | 249,095 |
| Depreciation expense | 76,167 | 81,871 |
| Administrative expenses | 63,966 | 113,227 |
| Governance | 38,583 | 19,119 |
| Promotions | 35,113 | 53,432 |
| Total | 2,145,672 | 2,449,592 |

| | | |
|-------------------------------|-------------|-------------|
| OTHER INCOME (EXPENSE) | | |
| Other income | 41,948 | 40,579 |
| Other expense | (28,315) | (5,976) |
| Total other income (expense) | 13,633 | 34,603 |
| Net loss before income taxes | (174,237) | (252,991) |
| Provision for income taxes | - | 60,000 |
| Net loss | \$(174,237) | \$(192,991) |

Your PFC Linkage Committee!

RAY ANDERSON

Our committee has been joined this year by a number of enthusiastic voices searching for ways to broaden the committee's scope and engage more members who wish to contribute to the vision of the People's Food Co-op in a more sustainable future. We continue to work virtually with the board of directors, our general manager, and concerned members during the ongoing pandemic with our action items, such as the importance of belonging to a cooperative, cooperative principles, zero waste, PFC's 50th Anniversary celebration (coming in July 2021), and exploring the potential of a capital campaign. We have taken time this year to listen to random members in focus groups and individually in the store, and we have heard their concerns and recorded their dreams of what the coop could become. The spread of the pandemic and lockdown has stymied our momentum and has threatened the committee's viability, as it has with many groups and organizations across the country. We have pivoted, though, and looked at ways we can still make a difference for our cooperative community. Our energy has led us to the goals of the co-op as stated in our Ends Policies, especially

relating to Ends #4 ("In our business and community, we work towards the elimination of institutional and structural racism and oppression"). You can read our monthly highlights in the co-op's newsletter "Small Bites," as we describe the work of the various non-profits that we are engaged with in the store through our "Change For Our Community" program. We will also be hosting virtual conversations with our non-profit recipients. In August, we hosted a conversation with Pam Kisch, Executive Director, Fair Housing Center of Southeast and Mid Michigan. In October, we are hosting a conversation with Danielle Dicks, Director, Community Action Network.

If you are interested in making an impact in our co-op community and help to drive important efforts like "Change For Our Community," you can contact vicepresident@peoplesfood.coop to join or find out more about PFC's Member Linkage Committee.

CHANGE FOR OUR COMMUNITY!

HOW CHANGE WORKS

Change for our Community gives shoppers the opportunity to round up their purchase to an even dollar amount. Each month, a different local organization is featured as the recipient, and 100% of all donations collected go to that specific organization.

For more information visit our website: Peoplesfood.coop

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CHANGE FOR OUR COMMUNITY!

With every transaction, round up your purchase to help support local organizations.

February Recipient



Together we raised
\$3,461.53

March Recipient



Together we raised
\$3,239.10

April Recipient



Together we raised
\$2,083.70

May Recipient



Together we raised
\$1,942.93

June Recipient



Together we raised
\$2,078.75

July Recipient



Together we raised
\$1,734.94

August Recipient



Together we raised
\$1,541.79

September Recipient



Together we raised
\$1,593.08

October Recipient



Together we raised
\$1,520.80

TOGETHER WE'VE RAISED \$19,196.62