



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

2022 ANNUAL REPORT



GENERAL MANAGER'S LETTER

ANGIE VOILES GENERAL MANAGER

Greetings to the membership and staff of PFC as well as all our customers and community members. I would like to express how appreciative I am for this annual opportunity to sincerely thank those members and shoppers who have supported our co-op in 2022 by shopping at PFC! And to thank and acknowledge the excellent work of our amazing PFC staff!

2022 continued a trend of challenging financial years for PFC. We ended the year with -.4% sales growth over the previous year, higher than budgeted expenses, and below budgeted margins all resulting in a negative net income.

Although the financial result in 2022 was far from what we needed and were aiming for, there are some bright spots and trends that deserve recognition:

- With the help of federal covid relief funds our cash position is currently strong.
- While our profit margin achievement was below its target, we saw margins strengthen throughout 2022 with 4Q22 being the highest achieved margin quarter of the year.
- Similarly, while our sales growth was slightly negative compared to the prior year, we rebounded from -1.7% sales growth during the construction that closed our intersection in the Fall to only -.4% in less than a quarter.

- We recruited and onboarded a Prepared Foods Manager in late 2022 and she and her team have re-opened the hot bar, increased our prepared foods offerings and are working diligently to re-open our café.

Look ahead to 2023 and beyond we have clear and necessary goals as an organization: strong margin performance, expense control, and sales growth.

- Our purchasing and operational teams are working tirelessly to make sure our margin targets are being met while still delivering competitive prices, excellent promotions, and delicious fresh products.
- We have analyzed each vendor and service looking for areas where we can cut or reduce any expenses possible.
- The final piece, sales, is something we will encourage and support through product selection and quality, community marketing and engagement, and a delightful shopping experience. Only you, the members and customers, can ultimately control the outcome by shopping at the co-op.

We need our membership and the greater Ann Arbor community to show they value and support a co-op in Ann Arbor by shopping at it. We need your support to survive and thrive!



PRESIDENT'S REPORT

PATRICK ZABAWA PRESIDENT

Our beloved People's Food Co-op of Ann Arbor remains in a precarious state in 2023. Thanks to the hard work of our general manager and staff, we've received plentiful grants since COVID upended our planning in 2020 and have minimized our losses, and the PFC thus continues to hold sizable cash reserves. On the other hand, the PFC continues to

run at a loss and is struggling to turn its losses into sales growth.

I'm delighted, though, to see continued interest in PFC from our community. New members continuously join our co-op, three members applied to join our Board of Directors this year, our Board is active

and engaged, and in discussions with members I've had this year, members continue to see the benefits of the PFC and our model in the community.

What is the board doing to plan for our future? Since COVID upended our planning, we've slowly but surely started revisiting our plans. Our immediate focus is returning the store to profitability, and that is contingent upon your and our shopper's continued patronage of our store, but especially growth and patron usage of our hot bar, prepared foods, and soon-to-be-opened Cafe Verde.

PRESIDENT REPORT CONTINUED

Beyond the necessity of profitability, we're starting to revisit our Ends Policies - what values we stand for - and our place in the community. To that end, our Board has been stepping up and plans to further ramp up its engagement with the community, both in participating in making our store a better place to shop and in gathering feedback from our members, shoppers, and others in our community. Our 2021 shopper survey and 2023 focus groups have very much helped in those efforts - thank you to those who have participated!

With your continued patronage of and involvement in our co-op - and by the PFC discovering and living up to the values of our community - we can thrive into the future, but great challenges remain in returning our store to a cashflow-positive position.



TREASURER'S REPORT

SUSAN RANDALL

The People's Food Co-op financial picture continues to be mixed. The fundamentals of our Co-op are strong—the debt-to-equity ratio is low (.4), new members continue to invest (net of 88 new members in FY 22), sales per labor hour are competitive with coops nationally, and our 4th quarter sales increased over one year ago by 3.7%. Yet this positive trend could not offset the trials of earlier quarters. Sales for the full year were stagnant at -0.4% compared to the prior year. And most worrisome, negative net earnings of -\$198,289 puts the Co-op in fiscal jeopardy and decreases our hard-earned retained earnings.

The Co-op's turnaround business plan calls for the full reopening of the Café. Hiring and staffing have been challenges to achieve this. Yet full reopening is key to the Co-op turnaround plan.

This year—2023—is a critical moment for the People's Food Co-op. We must increase sales. We must end the year with a profit.

The Finance Committee was reestablished this past year and assisted me in quarterly reviews of the financial reports as well as a deep dive into the full audit completed for 2021. Members Matthew Graff, retired accountant, and Carol Collins, former co-op general manager and consultant, provide invaluable expertise, guidance and, when appropriate, recommendations to the Board of Directors.

The People's Food Co-op Board participates in the Coop Board Leadership Development Program provided by Columinate, a national coop consulting group. I completed the Financial Training for Directors in November-December (offered as webinar). One of many take-aways was this nugget: profits in the grocery industry are razor thin; the industry standard is just 1%.

The months ahead will be decisive for this storied fifty-year plus institution. Please stay connected...the People's Food Coop needs your engagement now more than ever.

BOARD OF DIRECTORS



PATRICK ZABAWA
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TERM EXPIRES 2023
PRESIDENT@PEOPLESFOOD.COOP



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COLLEEN CRAWLEY
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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.



Join us on [Zoom.com](https://zoom.us) for our
Virtual Board Meetings
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.



PEOPLE'S FOOD COOPERATIVE, INC.
BALANCE SHEETS
December 31, 2022 (Reviewed) and 2021 (Audited)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 622,620	\$ 382,399
Accounts receivable	4,413	4,951
Tax credits receivable	-	479,164
Inventory	231,924	218,373
Prepaid expenses	11,701	17,851
Total current assets	870,658	1,102,738
Equipment and leasehold improvements - net	166,212	184,831
OTHER ASSETS		
Operating lease right-of-use asset	692,141	-
Finance lease right-of-use asset	41,941	-
Equity and deposits in other cooperatives	148,348	156,381
Deferred taxes, net	213,000	156,000
Security deposits	16,569	16,569
Total assets	\$ 2,148,869	\$ 1,616,519
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 181,198	\$ 181,030
Accrued liabilities	17,065	58,908
Current portion of operating lease liabilities	130,032	-
Current portion of finance lease liabilities	16,956	-
Current portion of long-term debt	1,889	1,269
Total current liabilities	347,140	239,207
Operating lease liabilities, less current portion	572,876	-
Finance lease liabilities, less current portion	25,690	-
Long-term debt less current portion, net	148,111	148,731
Total long-term liabilities	746,677	148,731
Total liabilities	1,093,817	387,938
MEMBERS' EQUITY		
Members' shares	909,082	884,322
Retained earnings	145,970	344,259
Total members' equity	1,055,052	1,228,581
Total liabilities and members' equity	\$ 2,148,869	\$ 1,616,519



PEOPLE'S FOOD COOPERATIVE, INC.
STATEMENTS OF OPERATIONS
Years Ended December 31, 2022 (Reviewed) and 2021 (Audited)

	2022		2021	
	Amount	%	Amount	%
SALES REVENUE				
Sales	\$ 4,083,735	102.19	\$ 4,100,767	101.72
Less: Member discounts	(87,412)	(2.19)	(89,285)	(1.72)
Net sales	3,996,323	100.00	4,031,502	100.00
Cost of sales	2,677,354	67.00	2,672,112	66.28
Gross profit	1,318,969	33.00	1,359,390	33.72
OPERATING EXPENSES				
Personnel	928,228	23.23	1,113,166	27.61
Occupancy	362,943	9.08	323,919	8.03
Operating expenses	190,561	4.52	194,331	4.82
Administrative expenses	71,409	1.79	59,534	1.48
Depreciation expense	38,876	0.97	44,629	1.11
Promotions	30,758	0.77	30,980	0.77
Governance	18,498	0.46	23,052	0.57
Total operating expenses	1,631,273	40.82	1,789,611	44.39
Net loss from operations	(312,304)	(7.82)	(430,221)	(10.67)
OTHER INCOME (EXPENSE)				
Employee Retention Tax Credit	-	-	614,277	15.24
Other income	62,443	1.56	9,966	0.24
Other expense	(5,428)	(0.14)	(761)	(0.02)
Total other income	57,015	1.42	623,482	15.46
Net income (loss) before income taxes	(255,289)	(6.40)	193,261	4.79
Provision for income taxes	57,000	1.43	-	-
Net income (loss)	\$ (198,289)	(4.97)	\$ 193,261	4.79