

2012

# ANNUAL REPORT



People's Food Coop



*People's Food Co-op*

# ANNUAL MEETING

## AGENDA

- 6:30PM** Meet and greet, snacks, voting open
- 7:00PM** Call meeting to order, welcome and introductions
- 7:05PM** Approve minutes from last meeting, announce close of voting in 5 minutes
- 7:10PM** Voting closes
- 7:11PM** President's report
- 7:15PM** GM report
- 7:25PM** Financial report
- 7:30PM** Rebate info
- 7:35PM** Facilitated questions, answers and discussion
- 7:50PM** Presentation of Life As Art Award-In-Memory of Ken King
- 8:05PM** Election results announced and out-going board appreciation
- 8:15PM** Keynote speaker, Oran Hesterman of the Fair Food Network. Screening of "Detroit Voices" followed by discussion
- 9:00PM** Close

## PRESIDENT'S REPORT

Rebecca Kannek



### IN 2012, PEOPLE'S FOOD CO-OP JOINED WITH COOPERATIVES AROUND THE WORD IN CELEBRATING

the International Year of Cooperatives. The global commemoration, declared by the United Nations, was an opportunity to highlight the benefits of cooperatives as businesses that make a difference in our communities.

As part of our yearlong celebration of the Year of the Co-op, we hosted a "Get to Know Your Local Co-op" open house at PFC in October, national co-op month. Other observations included resolutions by both the Ann Arbor City Council and Washtenaw County Board of Commissioners to commemorate the International Year of the Cooperative. These resolutions recognized the role of PFC and other area cooperatives (housing, preschool, credit unions) in making a difference in our community.

With or without a special UN designation, every year (and *every day*), since first opening our doors in 1971, PFC makes a difference in our community. And 2012 was no exception: it was another successful year. It was a successful financial year with record sales and a healthy profit that will be shared with you, our member-owners. And it was a successful year of staying true to our core values: PFC remains committed to locally grown, organic food, protection

of the environment and the cooperative principles.

And I can't talk about our successes of 2012 without noting PFC's hard-working, dedicated staff. The Board is proud of our staff. Administratively, the co-op is still in a time of transition as the Board continues its search for a permanent general manager. Our board/staff search committee has put in many hours to find the right person to fill this important position. We are most grateful that longtime staffer Kevin Sharp is serving as our general manager on an interim basis. Kevin has done an amazing job for a much longer time period than we all envisioned when he first volunteered to serve in this leadership role. Thanks to Kevin and the entire PFC staff for keeping our store open and thriving.

Additional highlights from the Board's work over the past year:

Board members helped staff PFC's table at the annual HomeGrown Festival and volunteered at our Member Appreciation Day in the store; both outreach events provided opportunities for the Board to form and strengthen our linkage with the ownership and broader community. Our quarterly Coffee-with-the-Board event in the cafe is yet another excellent way for Board members to interact with members and

*"...thank you to our members for helping to make 2012 a successful year at PFC, a year of making a difference in our community."*

other customers. We always welcome hearing from you with any questions, comments, concerns and compliments you may have.

We continue to monitor the impact of the change in hours of the County parking lot's availability for our shoppers. The lot used to be available to the public after 5:00 p.m. M-F and now is not available until 5:45 p.m. We are gathering data to see if this lack of parking for 45 minutes has affected our sales and accessibility to our customers. Parking is a challenging issue for all downtown businesses and is especially critical for a downtown food market. This issue will be further examined in 2013, working with the County facilities staff and the very supportive chair of the County Board of Commissioners.

The Board renewed its contract with CDS (Cooperative Development Services), a consulting co-op, participating in its Cooperative Board Leadership Development (CBLD) program. Four Board members attended CDS' Cooperative Board Leadership 101 foundations class for directors, a one-day training in Mt. Pleasant with representatives from 7 Michigan food co-ops. All seven Board members participated in our annual development retreat with the support of our CDS consultant; we deepened our understanding of policy

governance, discussed staff ends and examined diversity issues.

The terms of Board members Linda Diane Feldt, Matthew Graff and Jeff Tenza have come to an end. The dedication and commitment of all our Board members is truly appreciated, especially during this past year with all the extra work involved in our search for a new general manager. While we are grateful to all co-op members who volunteer to serve on the Board, I want to take this opportunity to single out Linda Diane and express gratitude for her long involvement with PFC. She has been a board member nine of the last twelve years, guiding the board as president, active board member and policy expert during those years, including providing critical leadership during the challenging time of the boycott referendum. On a personal note, Linda Diane recruited me to run for the Board four years ago and she has served as a mentor and source of support for me and for others on the Board. Thank you to Linda Diane, Matthew and Jeff for their valued service.

And thank you to our members for helping to make 2012 a successful year at PFC, a year of making a difference in our community. It is an honor to be working for the benefit of the cooperative and all its owners.

## TREASURER'S REPORT

*Matthew Staff*



### 2012 WAS A YEAR THAT RETURNED PFC TO A LEVEL OF PROFITABILITY WE HAVEN'T SEEN SINCE 2009.

Once again the staff team achieved record sales of over \$6.6 million at the store and café. We ended the year in a financially secure and very strong position with just over \$1 million in cash, prepaid bills and receivable payments, \$650,000 in equipment and inventory and less than \$300,000 of short-term debt.

In March 2013 the Board voted to issue a rebate for 2012. While we await final figures, the profit is expected to be in the neighborhood of \$100,000. Of that, by law only the percent of sales attributable to Co-op members—which was 64 percent or \$64,000—can be returned as a dividend. In addition, the 2012 rebate will be combined with retained rebates from 2010 and 2011. As members may recall, profits from 2010 and 2011 were modest. This led the Board to issue rebates but retain them because the administrative costs of issuing the checks would have exceeded many of the rebates themselves. Therefore, the rebate checks sent out to members in the coming months will include those from 2010, 2011 and 2012.

The board has had many discussions this past year about how to leverage our strong balance sheet with meaningful and exciting projects. We ask members to give the board and manage-

*“Congratulations to each of us for creating and maintaining a vibrant member-owned grocery alternative in downtown Ann Arbor”*

ment feedback about your own ideas and desires for our future. We are exploring a number of different possibilities including expansion, an alliance with the Washtenaw Food Hub and other ideas.

It has been a great experience for me to serve you during my first board term. I have learned a great deal about the store and how our finances actually work. I would be happy to answer any questions or discuss with any of you the details of our financial reports. I want to thank our strong staff for all that they do. They support your board representatives and all of our fellow Co-op members all day, every day. Congratulations to each of us for creating and maintaining a vibrant member-owned grocery alternative in downtown Ann Arbor.

## BOARD OF DIRECTORS



**REBECCA KANNER**  
**PRESIDENT**  
TERM EXPIRES 2015



**GAIA KILE**  
**VICE PRESIDENT**  
TERM EXPIRES 2014



**MATTHEW GRAFF**  
**TREASURER**  
TERM EXPIRES 2013



**LINDA DIANE FELDT**  
**SECRETARY**  
TERM EXPIRES 2013



**KEEGAN RODGERS**  
**DIRECTOR**  
TERM EXPIRES 2015



**CYNTHIA SHIH**  
**DIRECTOR**  
TERM EXPIRES 2014



**JEFF TENZA**  
**DIRECTOR**  
TERM EXPIRES 2013

**PFC Balance Sheet 12/31/12**

Total Current Assets	1,210,401
Equipment/LHI	424,688
Other Assets	101,622
<b>Total Assets</b>	<b>1,736,711</b>
Total Liabilities	404,280
Total Equity	1,332,431
<b>Total Liabilities &amp; Equity</b>	<b>1,736,711</b>

**Income Statement 12/31/12**

Gross Sales		6,541,189
Cost of Sales		3,853,200
<b>Gross Profit</b>	<b>42.3%</b>	<b>2,687,989</b>
Other Income		20,615
<b>EXPENSES</b>		
Personnel Expenses		(1,580,567)
Occupancy		(325,733)
Administration		(70,554)
Marketing Expenses		(152,462)
Facilities		(319,634)
Board of Directors Expenses		(45,036)
Depreciation Expense		(72,478)
<b>TOTAL Expenses</b>		<b>(2,566,464)</b>
Profit before Taxes & Rebates		142,140
Income Taxes		(11,231)
Member Rebate (Qualified)		(83,741)
<b>Net Profit</b>		<b>47,168</b>

**Percentage of Sales to Members**

Member Sales	63.0%	4,118,264
Non-Member Sales	37.0%	2,422,925
<b>Total Sales</b>	<b>100%</b>	<b>6,541,189</b>

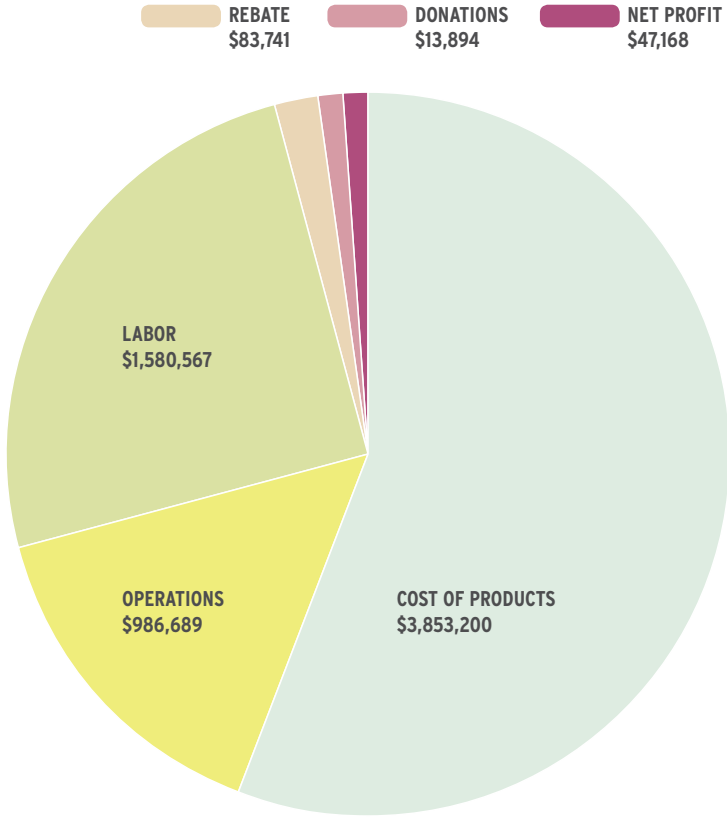


## STATEMENTS OF MEMBERS' EQUITY

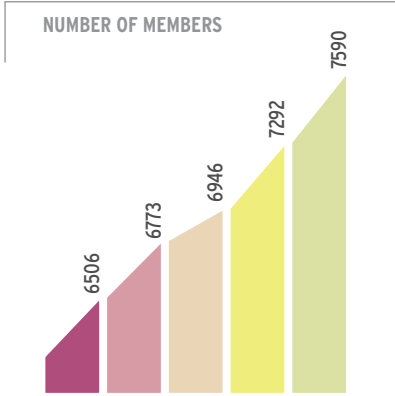
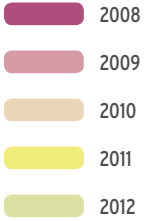
*Years ended December 31, 2012 (reviewed)  
and 2011 (audited)*

	MEMBERS' SHARES	NONQUALIFIED PATRONAGE DIVIDENDS	RETAINED EARNINGS	TOTAL
<b>Balance December 31, 2010</b>	\$483,551	\$25,951	\$708,554	\$1,218,056
Shares issued	41,410	-	-	41,410
Member shares receivable	(818)	-	-	(818)
Member shares redeemed	(10,560)	-	-	(10,560)
Patronage dividends declared	-	7,917	(7,917)	-
Net income	-	-	23,441	23,441
<b>Balance December 31, 2011</b>	\$513,583	\$33,868	\$724,078	\$1,271,529
Shares issued	36,278	-	-	36,278
Member shares receivable	(1,478)	-	-	(1,478)
Member shares redeemed	(9,660)	-	-	(9,660)
Payment authorized on nonqualified patronage dividends	-	(33,868)	-	(33,868)
Patronage dividends declared	-	-	(83,741)	(83,741)
Net income	-	-	153,371	153,371
<b>Balance December 31, 2012</b>	\$538,723	\$-	\$793,708	\$1,332,431

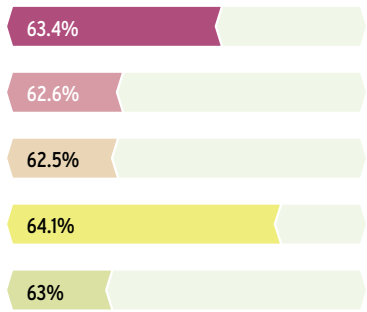
# HOW YOUR MONEY WAS USED IN 2012



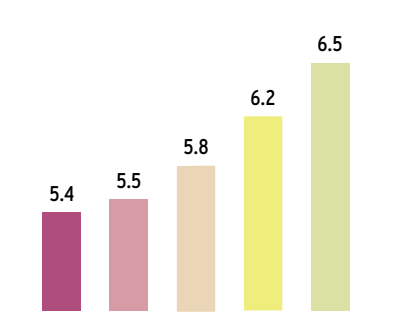
# KEY INDICATORS: *a Five year History*



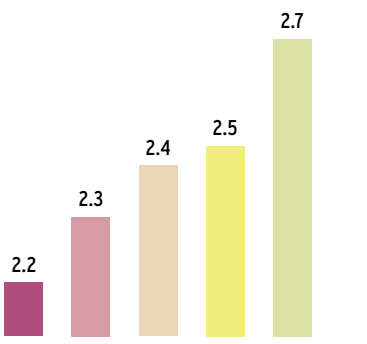
PERCENTAGE OF SALES TO MEMBERSHIP



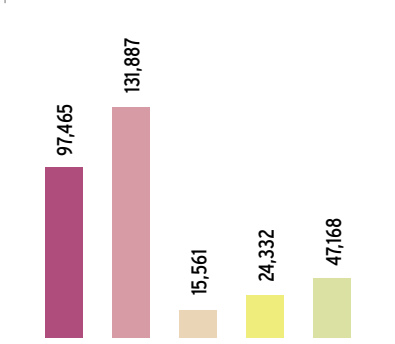
GROSS SALES *in millions of dollars*



GROSS PROFIT *in millions of dollars*



NET PROFIT



## INTERIM GENERAL MANAGER'S REPORT

*Kevin Sharp*



**FOR MUCH OF 2012 PFC PERFORMED GENERALLY WELL, GROWING OVER-ALL BY BETWEEN 6% AND 7% OVER 2011.** We did experience a softening of sales starting in mid-November that has more or less carried over into early 2013. We continue to look at strategies to bring things back on track. All in all, our stronger performance throughout the first three quarters of 2012 was sufficient enough that we ended the year showing some growth in most of the key indicators (sales, gross and net profits and membership).

A great deal of organizational effort last year went into finding a human resources director and of course a general manager. We accomplished both and are delighted to have brought Susan Landauer (HR) and Lesley Perkins (GM) on board. Other projects behind the scenes were the development of a new, comprehensive employee handbook, a new employee orientation and a customer service training module. We began the process of finding outside professionals to help us improve the diversity and awareness around diversity in our workplace. Those initial sessions with staff are scheduled for late April and May of this year.

I was first entrusted with the position of interim general manager in August of 2011. It has been a year and a half of what was expected to be a few

months' search for a replacement. I had the easy job. The board of directors worked tirelessly to not only find Lesley but to provide me leadership and guidance along the way. Most assuredly I could not have done much of anything without the hard work, patience and dedication of our staff. All performed their jobs well. Particular thanks goes out to Lori Crall, Heather Stein, Susan Landauer, Rusty Brach, Kristina Weber, Derek Kiesgen and Alyssa Hughes. My outreach and graphics team, Karen Vigmostad and Angela Mihelich, deserve a good dose of gratitude for their patience and persistence with me as well. Both are rumored to be a bit relieved and a bit anxious at the prospect of having me back as an office-mate full time. I would like to extend a huge thanks to everyone and am now more than eager to hand the reigns over to Lesley while I return to marketing and member services.



## EDUCATION AND OUTREACH REPORT

*Karen Vigmostad*

Caitlin Joseph departed as Coordinator in May to get her "hands dirty" farming and to oversee the Wednesday night Ann Arbor Farmers' Market. Dr. Karen Vigmostad joined us as Coordinator in late summer. Karen has significant experience in outreach, education, writing, and editing on issues of sustainability and environment. Our 2012 Outreach and education highlights include:

### FARMER AND AUTHOR JOEL SALATIN

Caitlin organized a high-profile visit of Joel Salazar to coincide with our April 2012 Annual Meeting. Over 350 people listened to Salazar at the Michigan Theater on April 24<sup>th</sup> and 75 people had dinner with him at the Washtenaw Food Hub.

### FARM AND INNOVATIONS TOUR

Building on the popularity of our 2011 farm tour, we held our Second Annual on October 7, 2012. We organized two simultaneous self-guided tours starting from the Co-op. One tour was of the long-time organic and biodynamic farms: Community Farm of Ann Arbor, Tantré Organic Farm, and Frog Holler. The second tour was of innovation in our foodshed: Tillian Farm Development Center, Chiwara Permaculture Research, and Selma Cafe. Despite sprinkling of rain, we had dozens of people including two ten-year-olds. We kicked off the tours at the Co-op giving

participants granola bars and maps. Earlier we had posted signs for each location. We ended the tours with Equal Exchange coffee, tea, Co-op cookies, and conversations at the last stop. Members expressed delight with the tours and were asking already about when we would organize the next one.

### HOMEGROWN FESTIVAL

September 8<sup>th</sup> brought the popular grassroots HomeGrown Festival featuring local food and drink at the Ann Arbor Farmers Market. Activities include tastings, kids' activities, handmade crafts and goods, music, and a walking parade. PFC served freshly made cookies as PFC board members worked side-by-side staff to engage with the community.



**FARM AND INNOVATION TOUR**  
*October 2012*



## **KINDLEFEST**

*November 2012*

### **NO KID HUNGRY**

On October 13 we were pleased to donate one percent of our profits to No Kid Hungry. This is a national campaign to connect kids in need with "nutritious food, teaches their families how to cook healthy, affordable meals, and engages the public to make ending childhood hunger a national priority."

### **INTERNATIONAL YEAR OF THE COOP**

To celebrate the United Nation's International Year of the Cooperative, on October 27 we invited other local cooperatives to join us for a sidewalk celebration outside our store. Participating were the Inter-Cooperative Council, University of Michigan Credit Union, Ypsilanti Food Cooperative, and the newly formed Ypsilanti Growers Cooperative.

### **KINDLEFEST**

On November 30<sup>th</sup> we served 500 cookies and four huge urns of hot chocolate

at Kerrytown's annual Kindlefest. Local artisans and farmers sold holiday wares while enjoying live music until late in the evening.

### **ANN ARBOR ADOPT-A-PARK**

PFC adopted nearby Sculpture Plaza Park and we recruited volunteers for a clean-up day.

### **HEALTHY LIVING CLASSES AND MORE**

Our popular Healthy Living classes continued at Crazy Wisdom Bookstore and Tea. Monthly classes are held by Ellen Livingston on raw foods and Linda Diane Feld herbs. We added a third series by Rev. Lela of the Centers of Light on enhancing everyday life. Rev. Selena Lucas continued with a Speaking Peace series. PFC staff members were able to tour local producer Mindo Chocolate on January 16<sup>th</sup>.

### **ONGOING PROMOTIONS**

We hold Member Appreciation and Student Discount Days throughout the year. Every Wednesday is Senior Discount Day.

### **USE OF SOCIAL MEDIA**

We expanded and increased our presence on Facebook and Twitter. On Facebook we reached close to 3,000 "likes" and have over 1,600 followers on Twitter. We also enhanced our Pinterest page with areas such as "New Life for Leftovers", "Vegan Delicious", "Gluten Free", and "Eat Dessert First" for our 140 followers.

## KEYNOTE SPEAKER: *Oran Hesterman*



Dr. Oran Hesterman is President and CEO of Fair Food Network (FFN). Fair Food Network is a national nonprofit dedicated to building a more just and sustainable food system. One of the Network's innovations is Double Up Bucks where SNAP recipients' money is matched up to \$20 a visit at participating farmers' markets. Dr. Hesterman is a national leader in sustainable agriculture and food systems with more than 400 published reports and articles. He is the author of *Fair Food: Growing a Healthy, Sustainable Food System for All*, a guide to changing not only what we eat, but how food is grown, packaged, delivered, and sold.

Dr. Hesterman's experience in the philanthropic sector includes more than 15 years as program director for Food Systems at the W.K. Kellogg Foundation. He also played an essential role in the establishment of the Michigan Food Policy Council and has made significant

contributions to the funding of healthy food and farming via his leadership of the Sustainable Agriculture and Food Systems Funders group.

A former fellow in the Kellogg National Fellowship Program and the National Center for Food and Agriculture Policy in Washington, D.C., he has published more than 400 reports and articles on subjects ranging from cover crops and crop rotation to the impact of philanthropic investments on food systems practice and policy.

Dr. Hesterman earned his bachelor's and master's degrees from the University of California, Davis, in plant science/vegetable crops and agronomy, respectively. He received his doctorate in agronomy and business administration from the University of Minnesota, St. Paul.

## LIFE AS ART AWARD: *LaRon Williams*



Each year the PFC board of directors choosing someone from our community to receive the Ken King Life as Art Award. Our recipient this year is nationally acclaimed, award-winning story-teller LaRon Williams. LaRon's music-filled and highly participatory performances blend original and traditional tales that help improve literacy, encourage community, foster cooperation and promote peaceful conflict resolution. Through his words and music he also deepens the historical understanding of the American ideal of democratic inclusion.

LaRon is a board member of the Interfaith Council for Peace and Justice (ICPJ) as well as a member of its Racial and Economic Task Force. He is also a founding member of Sacred Song, an annual evening of kindred spirits to gather together and celebrate our common commitment to peace and justice. In LaRon's words, "We all have a moral

responsibility to bridge our social and cultural differences and strive together to build a just and peaceful world".

The Ken King Life as Art Award is named in honor of Ken King. Ken was a pioneer organic farmer and supporter of the co-op from early on. Each year the PFC board chooses a recipient who, through their life and work encourages community, embodies our culture through their creative expression and helps to instill an appreciation for and love of nature and the environment. Previous recipients were Ken King himself (posthumously 2009), Jeanine Palms (2010) and Jim Crowfoot (2011). We are delighted to present our 2012 Ken King Life as Art Award to LaRon Williams.



W. St. C.

BAR

& SALAD BAR • NATURAL FOODS...



Café Verde

Organic & Fair Trade  
Coffee & Espresso Bar



People's Food Co-op



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