



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

2021 ANNUAL REPORT



General Manager **GM LETTER**

ANGIE VOILES

I've been reminded in these past few years about how fragile the structure that holds my beliefs up actually is. Values and rights I want to be inalienable are constantly being challenged, inequitably accessible, and rolled back. That may seem like an odd statement to begin a newsletter article about the state of a grocery store but to me it makes perfect sense. I have, and do, work and shop at the co-op because I believe it's an agent of change that after 50 years is still relevant and even more necessary than ever.

The state and health of our co-op is challenged and in jeopardy due to cumulative negative net income over the past 8+ years. These losses have continued due to the deep sales declines we've experienced during the pandemic.

I am deeply concerned about the fate of our co-op. We collectively do not have time to contemplate our commitment, we either want a co-op in Ann Arbor or we don't. And we will make our decision in the next few months/years with our choice to spend our grocery dollars at PFC, or not.

I feel deeply grateful and humbled for all the work, support and passion that has been poured into PFC over the past half century from:

- Our incredible, dynamic, gifted staff members over all this time.

- The dedication and vision of our board of directors.

- Our committed, invested and active membership and customer base.

But we cannot and will not continue without:

- Members and shoppers choosing to value a democratically run, local, values driven grocery store in Ann Arbor.

- Members stepping up to join the Board and give our democracy strength.

- Our collective commitment to infusing this unique, change-making store with our support again.

This is more than a grocery store to me, and it's certainly more than a job. It's the day-to-day embodiment of my commitment to my values and my be-

liefs. And I have been gut checked often recently about what it means when we collectively become passive in the support of our values and rights - they disappear. And as PFC struggles can I, can WE, save it?

I can't alone. It can only be saved through our collective action.

Co-ops are formed to provide for the community where they are not being served by the traditional business model. They are power and service to the people for the people. Does the Ann Arbor community still need and want that? Do we still value that or do we want to let that fade away?

I am here for the fight. I am here for: human rights, food access, local food and food systems, battling climate change, democratic governance, community ownership, delicious food and also I massively love this co-op, will you join me in revitalizing it?

This is our co-op, our store, our investment. WE must take action to keep our co-op open. NOW.

Shop now, shop often, and tell a friend, or we will lose our co-op.





President **PRESIDENTS REPORT**

JAIME MAGIERA PRESIDENT

Friends,

Ahead of the 2022 Annual Meeting, I want to share with you the latest news from the Board of Directors.

First and foremost, I'm happy to say that after many hours and days of hard work alongside the General Manager, the Multi-Year Plan has been completed, and is now being actively monitored. This plan sets out a series of goals for the co-op, including a return to profitability and an eventual move to a larger building. The Board and General Manager will begin working on an easily digestible overview of the plan in the coming months.

In terms of meetings, the Board is still relegated to virtual ones only. The continual waves of Covid variants and fluctuating number of infections simply make in-person meetings too risky at this time - for board members and others who may wish to attend. The Board continues to review the situation and will move to in-person meetings when they feel the time is right. Personally, I very much value the connectedness which comes from in-person co-op meetings. On the other hand, having a toddler at home who cannot get vaccinated from Covid means I have to be extra cautious. Likewise, it would be very sad and frustrating if in-person meetings ended up causing a spike in covid cases in our community. So, we wait.

Next, I want to reiterate the importance and value of serving as a PFC Board or committee member. Ultimately, it is the Board who monitors the General Manager and who helps set the direction of the co-op

via Policy Governance. To put a finer point on this: The People's Food Co-op will not survive without a strong board. We need volunteers. Likewise, the Linkage Committee has strived to foster the board/membership relationship and reinvigorate an interest in our co-op and co-ops in general. Please consider volunteering your time with them.

As the co-op struggles to survive, it's important that we all shop there as much as possible. Every purchase brings us closer to the goal of profitability. If there is something you want which the co-op doesn't appear to carry, please reach out to the store to see if it can be ordered.

Lastly, this will be my last update as President of the Board of Directors. I adore my son, who is now 21 months old, and want to spend as much time as possible with him and my wife. Also, I'm feeling the call to return to systems design/analysis work in the community. Over the past 6 months I've put measures in place to ensure that the transition to a new board President is as smooth as possible. The Board, and PFC, are in good hands.

With that, I wish you all the best.

Yours in cooperation,

Jaime Magiera

BOARD OF DIRECTORS



JAIME MAGIERA
PRESIDENT



PATRICK ZABAWA
VICE PRESIDENT



RAY ANDERSON
TREASURER'S REPORT



AMANDA McCRELESS
DIRECTOR



MICHAEL METZGER
DIRECTOR

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.



TREASURER'S REPORT

RAY ANDERSON

Dear PFC members, I would very much like to be the bearer of good news about the sustainability of our beloved Peoples Food Cooperative. Instead, I must take solace in the fact that our door is still open for business and we have continued to serve our community through our products and ideals. Much can be celebrated by never having closed our doors through the pandemic and also in the fact that we were always there for you in these difficult last two years. Ann Arbor has said goodbye to many treasured businesses who could not withstand the trials of Covid-19. Conversely, PFC quietly celebrated its 50th Anniversary this year, but with little fanfare. As we embark on our next decade, we hold dear our members who have chosen to invest in our future together.

Thanks to a 10% increase in our active members this past year, our members now number almost 2300 which has strengthened our equity and helped us significantly through some very rocky sales losses. Our cooperative was also helped in the past two years by loans from the Paycheck Protection Program (PPP) and from an Economic Injury Disaster Loan (EIDL). Our nearly \$200,000 loss in 2020 was completely offset by the PPP loan forgiveness. This year's loss of almost \$320,000 is being partially offset by the IRS's one-time Employee Retention Credit (ERC). While this all goes into the good news column, the truth is our cooperative cannot withstand these kind of profit losses for much longer. PFC has reported losses every year since 2012.

Our shopper numbers have decreased by 17% (an average of 532 shoppers per week) over the last year. While blame can be explained by the pandemic restrictions and concerns, the truth is the average shopper count has also experienced a steady decline over the past 8 years. The National Co-op Grocers (NCG) in the past has put our coop in the \$6 million sales category, which we consistently reported in our Annual Report starting in 2012 until 2018. This year's sales are significantly down to just over \$4 million.

There were several staff members furloughed during the strictest days of the pandemic, and the café and the popular salad and hot bar were completely closed and remain so. Restaffing these areas now is proving difficult as is true for many businesses locally and nationwide. Management, however, has used this difficult employee shortage to promote cross-training departmental employees, focusing on efficiencies. With the potential rebirth of the café side along with an expected increase in shoppers and additional sales, management will be able to project profitability due to the restructured mix of margin/labor/sales.

The option for online sales was popular among shoppers in the early stages of the pandemic accounting for 7% of sales. This year online sales accounted for only 2% of sales. The Double-Up Food Bucks program has attracted on average 25 to 30 new, economically disadvantaged shoppers per month to the co-op.

In December, the board authorized the accounting firm of Wegner and Associates of Madison, Wisconsin to conduct a thorough audit of our store's financials.

PEOPLE'S FOOD COOPERATIVE, INC. BALANCE SHEET

Adjusted Numbers Draft

Years ended December 31
2021 2020

ASSETS

CURRENT ASSETS

Cash	\$382,399	\$555,797
Accounts receivable	4,951	3,917
Tax credits receivable	479,164	-
Inventory	218,373	210,317
Prepaid expenses	17,851	15,719
Total current assets	1,102,738	785,750
Equipment & leasehold improvements - net	184,831	227,425

OTHER ASSETS

Equity & deposits in other cooperatives	156,381	187,734
Deferred taxes	156,000	156,000
Security deposits	16,569	16,569
Total assets	\$1,616,519	\$1,373,478

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$181,030	\$170,293
Accrued liabilities	56,908	51,480
Current portion of long-term debt	1,269	-
Total current liabilities	239,207	221,773
Long-term debt net of current portion	148,731	150,000
Total liabilities	387,938	371,773

MEMBERS' EQUITY

Members' shares	884,322	850,707
Retained earnings	344,259	150,998
Total members' equity	1,228,581	1,001,705
Total liabilities and members' equity	\$1,616,519	\$1,373,478

We recently received a clean audited opinion for the financial statement representing Fiscal 2021. Using their words, "In our opinion, the financial statements presents fairly, in all material respects, the financial position of People's Food Cooperative, Inc. as of December 31, 2021, and results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America."

The balance sheet shows the long-term liability of \$150,000 (EIDL loan). The liabilities total of \$387,938 is largely made up of monthly expenses which our cooperative pays consistently and on time. Your PFC board worked with our General Manager throughout the last year on a three-year business plan which outlines various benchmarks and strategies to reach profitability. They include reinstating the Prepared Foods Department and a return to full use of the café side of the cooperative. Meanwhile, we need members to consider at least adding one more of their monthly stops for groceries at PFC. We know from our recent shopper survey that members would shop more often at PFC if there was dedicated parking, more selection and less of a cramped feel to the physical space. Clearly, changes need to be made to enhance the shopping experience at PFC, but we will continue to be unable to make major changes until we become profitable.

We do hope to see everybody in a year when it is time for our next annual meeting and report.

Adjusted Numbers Draft

	2021		2020	
	Amount	%	Amount	%
SALES REVENUE				
Sales	\$ 4,100,767	101.72	\$ 4,746,361	101.58
Less: Member discounts	(69,265)	(1.72)	(73,932)	(1.58)
Net sales	4,031,502	100.00	4,672,429	100.00
Cost of sales	2,672,112	66.28	3,045,801	65.19
Gross profit	1,359,390	33.72	1,626,628	34.81
OPERATING EXPENSES				
Personnel	1,113,166	27.61	1,134,823	24.29
Occupancy	323,919	8.03	326,869	7.00
Operating expenses	194,331	4.82	218,031	4.67
Administrative expenses	59,534	1.48	58,046	1.24
Depreciation expense	44,629	1.11	65,354	1.40
Promotions	30,980	0.77	32,803	0.70
Governance	23,052	0.57	24,068	0.52
Total operating expenses	1,789,611	44.39	1,859,994	39.82
Net loss from operations	(430,221)	(10.67)	(233,366)	(5.01)
OTHER INCOME (EXPENSE)				
PPP loan forgiveness	-	-	195,000	4.17
Employee Retention Tax Credit	614,277	15.24	-	-
Other income	9,966	0.25	40,757	0.87
Other expense	(761)	(0.02)	(2,549)	(0.05)
Total other income	623,482	15.47	233,208	4.99
Net income (loss) before income taxes	193,261	4.80	(158)	(0.02)
Provision for income taxes	-	-	-	-
Net income (loss)	\$ 193,261	4.80	\$ (158)	(0.02)



VICE PRESIDENT REPORT

PATRICK ZABAWA

I've had the pleasure of serving on the board since just as COVID was starting, and that's come with its share of difficulties as well. I've found it difficult to connect with and learn from our membership in our virtual and masked world - something I've sought to do! The first COVID year's virtual Change for Community presentations and this year's Linkage Committee meetings have been sparsely attended. (Thank you to those who attended!) Therefore, in my yearning to connect with members, I've been grateful to members who have reached out to the board and for those who completed our survey of membership - as I and other board members strive to speak for our members, your opinions significantly guide us! Please do continue to be involved in your PFC and send a simple email message with any comment or concern you have regarding the future of our community.

For the past two years I've served on the board, the board has never had its full nine members. I admit that it's been difficult to keep up with the amount of work our all-volunteer board has before it. But I can say that I and we have tried our best to do right by the PFC community in our service.

I have been humbled in my service as a member of the board of directors. I am grateful for the members who have stepped up to run for the board and served the PFC in any past, present, or future capacity.

The PFC has many struggles ahead of it, but with your additional support of patronage, time, and concern and the care of our board, GM, staff, and the larger co-op and Ann Arbor communities, I believe it's possible we'll live our final Ends Policy: "Remembering and building on People's Food Co-op's history we will thrive into the future!"

The People's Food Co-op of Ann Arbor 2021 Shopper Satisfaction Survey Summary Report

Survey Research Center at University of Wisconsin – River Falls

The goal of this survey was to gauge customer satisfaction among shoppers of the People's Food Co-op (PFC) in Ann Arbor, MI. The survey was conducted by the Survey Research Center (SRC) at the University of Wisconsin – River Falls. Key findings of the survey are discussed below, and estimates are tabulated on page 3. In addition to analyzing the responses of PFC shoppers, we analyzed PFC's performance compared to 40 other food co-ops for which the SRC has recently conducted this survey, and also statistically significant differences between demographic groups (females vs. males, seniors vs. younger shoppers, low-income vs. higher-income households, etc.)

Overall Satisfaction with PFC

- While PFC shoppers are generally satisfied with the Co-op and consider it an important source of their grocery purchases, PFC ranks well below other co-ops in its overall performance indicators. As shown on page 3, about 18% of shoppers say PFC meets their needs very well and 24% are extremely satisfied with PFC, both well below the co-op average.
- About 57% of shoppers say they are very likely to recommend PFC to a friend or a colleague. PFC's ranking on this measure is well below the average for other food co-ops. Female shoppers are less likely to recommend PFC than male shoppers, which is concerning because females comprise a large majority of shoppers.
- Nearly nine-in-ten shoppers say they feel welcomed (33%) or very welcomed (54%) when they shop at PFC. PFC is exactly equal to the average of other co-ops on this measure. It is encouraging that there were no statistically significant differences in how welcomed shoppers in different demographic groups felt at PFC (e.g. White vs. people of color).

PFC Departments and Store Characteristics

- In terms of departments (or product categories), PFC ranked in the bottom-half relative to the 40 co-ops in the comparison group in all but one department: Grocery items. The highest ranked PFC departments are grocery items, bulk products, and dairy.
- In terms of store characteristics, PFC ranked in the bottom-half relative to the 40 co-ops in the comparison group in all but two characteristics: responsiveness to customer feedback (ranked first), and prices (ranked second). Particularly notable is the result that PFC ranked in the bottom 25% of all co-ops in product selection & variety and location, two factors that are most likely to induce greater spending by PFC shoppers.

Measures of Patronage

- PFC shoppers have larger average weekly grocery budgets than the typical food co-op. About 55% of shoppers spend at least \$100 per week on groceries. However, they shop less frequently and spend a lower percentage of their grocery budget at PFC relative to other co-ops in the comparison group. Relative to other co-

ops, a substantially smaller proportion of shoppers consider PFC their primary grocer. This is generally more evident among female shoppers relative to male shoppers.

Factors that Would Induce Greater Spending

- The top three factors that would induce greater spending by PFC shoppers are improved selection & variety of products, a larger offering of lower-priced products, and a more convenient location. The three factors respectively received 24%, 20%, and 16% of all votes cast by shoppers. PFC ranks significantly higher than other co-ops across all three factors. A close fourth factor is the availability of more local products (14% of all votes received). There were no statistically significant differences between demographic groups in any of the top three factors.

Support for Relocation

- About four-in-ten shoppers actively oppose relocating PFC. All others either support (strongly or weakly) the relocation or are neutral on the issue. Major reasons for opposing the relocation include loss of walkability to the Co-op (as many shoppers live in the downtown area and are not willing to drive to a distant location) and loss of PFC's place in the downtown community if it moves out of the area. The primary reason for supporting the move is the potential for improved parking availability. Female shoppers are less likely to favor the relocation and member shoppers are more

likely to favor it relative to others in their respective demographic groups.

- The top three outcomes that shoppers want PFC to focus on if it relocates are selling more local and/or organic foods, giving more people a chance to join and use the Co-op, and expanding the number of living-wage jobs. Senior shoppers (65+) are more likely to agree with giving more people a chance to join and use the Co-op and less likely to agree with expanding the number of living-wage jobs relative to younger shoppers. New members are more likely to agree with selling more local and/or organic foods and less likely to agree with giving more people a chance to join and use the Co-op relative to shoppers who have been members for over 3 years.
- The top three design features that shoppers want in a new and expanded store include additional parking, green technologies and building practices, and a green space and/or garden. Female shoppers are more likely to vote for green technologies and building practices than male shoppers and member shoppers are more likely to vote for a green space and/or garden relative to non-member shoppers.
- About 24% of all shoppers are at least somewhat interested in making an investment to support PFC's relocation and about 35% are "not sure." About 42% are "probably not" or "not at all" interested in making such an investment. Female shoppers are less likely to be "very interested" in making an investment relative to male shoppers.

Estimates of 2022 PFC Shopper Satisfaction Survey

Measure	PFC	Other Co-ops
<i>Measures of Overall Shopper Satisfaction</i>		
Co-op Meets Needs “Very Well”	18%	24%
“Extremely Satisfied” with Co-op	24%	31%
“Very Likely” to Recommend Co-op	57%	64%
Shoppers Feel "Very Welcomed"	54%	54%
<i>Top 3 PFC Departments Relative to Other Co-ops</i>		
Grocery Items	21%	18%
Bulk Products	41%	39%
Dairy	32%	32%
<i>Top 3 PFC Store Characteristics Relative to Other Co-ops</i>		
Responsiveness to Customer Feedback	39%	28%
Prices	10%	4%
Parking	9%	38%
<i>Measures of Co-op Patronage</i>		
Spending \$100+/week on Groceries	55%	51%
Shopping at least "Once a Week" at Co-op	36%	54%
Spending More than 50% of Grocery Budget at Co-op	23%	33%
<i>Top 3 Factors that Would Induce Greater Spending at PFC</i>		
Improved Product Selection/Variety	27%	18%
Offering More Lower-Priced Products	22%	11%
More Convenient Location	10%	6%
<i>Shopper Support for Relocating PFC</i>		
Support (Strongly or Weakly)	34%	-
Neutral	27%	-
Oppose (Strongly or Weakly)	39%	-
<i>Top 3 Outcomes Shoppers Consider Important if the PFC Relocates</i>		
Selling more local and/or organic foods	18%	-
Giving more people a chance to join and use the co-op	16%	-
Expanding the number of living-wage jobs	13%	-
<i>Top 3 Design Features that PFC Should have in New and Expanded Store</i>		
Additional parking	26%	-
Green technologies and building practices	23%	-
Green space and/or garden	12%	-
<i>Shoppers' Interest in Making an Investment to Support PFC Relocation</i>		
Very or somewhat interested	24%	
Not sure	34%	
Probably not or not at all interested	42%	

Survey Methodology

In November 2021 the SRC invited 5,763 People's Food Co-op (PFC) shoppers through direct email to complete the PFC Customer Satisfaction Survey online. The survey was launched on November 9, 2021 and was live for 2 weeks. One email reminder was sent to non-respondents on November 16, 2021. A total of 884 responses were received, for an overall response rate of about 15%, with 633 responses from PFC member-owners and 126 responses from non-member shoppers. Given the survey population of 8,679 member-owners, the SRC needed 368 responses to construct statistically reliable estimates (using the standard of +/- 5% margin of error, that is, if the survey was repeated 20 times, only once would the average response deviate by greater than 5% from the estimates constructed for this report). The actual response rate for member-shoppers (633 responses) far exceeded the minimum sample size needed (368), therefore, the estimates presented in this report have much higher validity than the statistical standard of +/- 5% margin of error.

In addition to constructing estimates for the overall sample, the SRC also tested for statistical significance of differences between respondents in the following demographic groups:

- Females: respondents who identify as “female” relative to identifying as “male” or “non-binary.”
- Seniors: respondents that report their age as 65 years or older.
- Members: respondents who are member-owners of PFC.
- New Members: respondents who have been member-owners of PFC for 3 years or less.
- No Kids: respondents who do not live in households with children.
- College Grads: respondents who have a 4-year bachelor's degree or higher.

These demographic splits were selected for marketing relevance and for potential differences of opinions/priorities across each subgroup. For example, the Seniors group was included because shoppers aged 65 or over may have shopping patterns that are starkly different from younger shoppers. In addition, seniors comprise one-third (33%) of all respondents in the sample and, therefore, the opinions of this group may inform marketing and communications strategies for PFC. Similarly, the No Kids group was included because households without children may have considerably different spending patterns than households with children.

Statistical significance indicates the reliability of an estimate. It allows greater confidence that the result represents the true perception of respondents and was not obtained by “chance.” Statistical significance is expressed as a probability that the observed difference between the average values for two groups is not real. A commonly used probability standard, and the one used in this report, is 5%. Statistical significance at the 5% level indicates there is only a 5 in 100 probability that the average values of the two groups are actually the same (that is, there is no statistical difference between the two). It does not mean the difference between the average values is necessarily large, important, or significant in the common meaning of the word. If there are a sufficiently large number of observations, even small differences in average values can be statistically significant.