

# 2014 Annual Report

## Message from the Board of Directors

by Gwyneth Bowman, AFC Board President



The year 2014 continued to be a year of success as our Co-op focused on improving working conditions for our employees. Our Deli remodel was an example of this, giving employees adequate workspace to serve our owners more efficiently.

General Manager, Emile Amarotico, completed his first year successfully with excellent evaluation outcomes and continues to lead with expertise and creativity! He has led the charge in working on our Strategic Planning Process. Our Management Team and Board of Directors are also participating in this project.

During our election for Board of Directors, our Co-op owners elected three new Directors. We welcomed our new Employee Director, Ian Crosby, who has many years of Co-op expertise. Julie O'Dwyer and Jeff Golden, both experienced business leaders and community members, joined our Board as Patron Directors. A special thank you to all of you who voted in our last election. Demonstrating your democratic rights is one of our most important Co-op Principles!

Funding for our Community Grants Program was simplified changing the grants calculation formula to 0.08% of the previous year's sales. This will standardize the annual amount given out in competitive grants to small non-profits

who contribute needed services to our community. Work was also done on improving policies and procedures, including the hours of work expectations required by all Directors and the development of our new Director Orientation Guide. We also approved an Owner Focus Group proposal, which will be held in 2015. Meetings will be designed to receive feedback from our Owners on their thoughts of participation in our Co-op's governance and volunteer programs.

During the last quarter of the year we were very attentive to closely monitoring our sales and bottom line. Sales growth was slowing which was concerning. The Board trimmed their 2015 budgeted expenses by \$10,000 to coincide with expected slower sales growth in 2015.

## General Manager's Report

by Emile Amarotico, GM



What a year for listening! As a serial problem-solver it has taken real intention and focus for me to listen for broader themes rather than become distracted by thinking of quick fixes for our challenges!

Besides participating on a dozen or so standing committees throughout the year, I also worked on a significant Co-op strategic planning initiative. In early 2014

we convened six cross-functional teams of employees, directors, owners and other community members to identify and discuss trends impacting the Co-op. Groups focused on one of the following themes: capacity constraints, competitive trends, food sourcing, long-range trends, sustainability and shopping trends.

Early last summer, directors and managers used feedback from these teams during a day-long session to find a shared sense of key issues and opportunities facing the Co-op in the next five to ten years. From that came a shared future vision and teams convened to further

refine four key initiatives. It was a privilege to listen to each team hammer out strategies to address capacity issues, develop a sustainable organic food production facility, further advance the cooperative movement, and extend our educational outreach.

In autumn, teams reported their recommendations for advancing these strategies, and several are now moving forward. However, with capacity issues, we felt a need for deeper understanding of the Co-op's strengths and weaknesses, as well as the opportunities and threats in

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## GM Report (continued from page 1)

our marketplace. We convened as a small team of directors and managers to identify and articulate the key factors impacting the Co-op's future. They reported back earlier this year with parameters for moving forward: continue to grow awareness of our brand and the rigorous product standards it represents, continue to develop value-added Co-op products, and find innovative solutions to alleviate parking constraints.

Participating in this strategic planning process gave me ample opportunity to practice listening. It's clear that there are no simple answers to the dilemma

of cooling growth as shopper demand eclipses our capacity. However, as in expressionism, the strokes of our individual contributions together evoke an image for the Co-op's future. The challenge, then, is in how we get there from here. Resolving any individual aspect of our capacity issue which may have the ripple effect of creating other challenges, can cause some "wicked problems!"

When faced with uncertainty, Zen wisdom urges us to "Move and the way will open." We will continue to move and our strategic planning teams will continue their efforts in finding the way. And I will continue to listen.

# 2014 Financial Report to Owners

Presented by Christina Oliver, Financial Manager



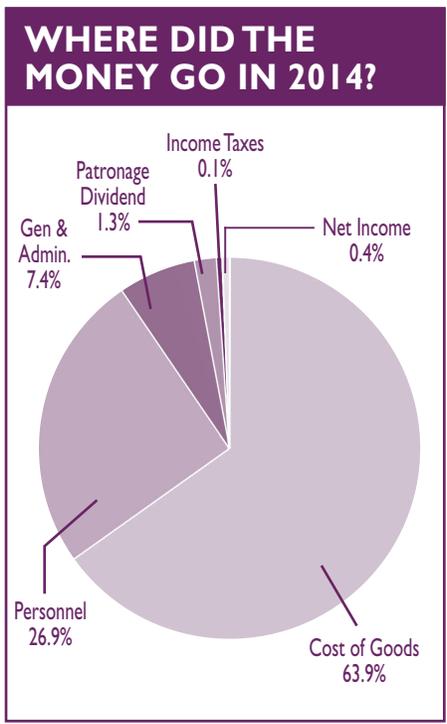
The year 2014 was full of projects; from all-new monitors and cash drawers at all registers, to a new phone system for the entire campus, to the Deli remodel with an entirely

new traffic pattern! The Deli was closed for 8 days during the remodel, contributing to slowed sales growth over the previous year of only 0.8%. Since we are self-funded for employee health insurance, our employee benefits expense reflects actual claims paid and 2014 had heavier claims than in the past. Our non-labor operating expenses, however, remained in check at exactly the same percentage as the previous year. For these reasons, our Operating Income amount in 2014 was lower and resulted in a patronage dividend amount that is a little less than half the amount we had last year.

The total patronage dividend amount for 2014 was \$362,232, which is approximately 1.7% of about \$21.5 million in sales to owners. This amount was calculated by our CPAs to be the maximum patronage dividend allowed by the IRS, subject to our \$2 check minimum. Since the Board has decided to retain 60% of this patronage

dividend allocation for future capital needs, 40% will be the actual amount distributed. Each owner will receive a check in early June 2015 for approximately 0.7% of their purchases during the year.

As always, we are grateful for your loyalty which ensures the continued success of your Co-op.



# Board Treasurer's Report

By Charlie Douglass



2014 was a year of transition. As the national trend of general slowing growth for food markets and co-ops continued, we also slowed but have remained in good financial condition

otherwise. This is my last report as your Treasurer, so instead of a lot of gee whiz numbers, I wanted to talk a bit about the experience.

Your Co-op is a vibrant and interesting place to work, especially when it comes to having a finger on the pulse of finances. I am sad to be moving on, but so happy that I have had the inside story of how well and with such care our Co-op is run. Your Board of Directors and all the Committees that do the daily work of making sure this enterprise is responsibly run deserve your support and commendation.

We have had to make many important financial decisions over the last 3 years. I can tell you they are made in true cooperative style and not until all opinions have been heard and considered. Our Finance Committee has an owner volunteer who is the voice of the owners in our meetings. We have formal financial reviews every year and always come through with high marks.

As we move into 2015, our numbers are looking strong and for me that feels like a good time to pass the torch to someone new. I would encourage all of you reading this to consider running for a spot on the Board and serving in the future. I can say that you will not regret it and you will have a chance to be part of the great future our Co-op has to offer. It has been an education, an honor, and most of all a bit of fun! See you shopping!

ASHLAND FOOD COOPERATIVE

**BALANCE SHEET**

	12/31/14	12/31/13
<b>ASSETS</b>		
Cash	1,586,907	2,390,568
Short-term Investments	2,652,287	2,888,283
Other Current Assets	110,515	67,313
Inventory	752,976	703,597
<b>Total Current Assets</b>	<b>5,102,685</b>	<b>6,049,761</b>
Long-term Assets	330,181	183,687
Fixed Assets	3,163,266	2,309,902
<b>Total Assets</b>	<b>8,596,132</b>	<b>8,543,350</b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable	843,262	837,616
Patronage Dividend Payable	144,893	424,258
Other Current Liabilities	963,024	993,246
<b>Total Current Liabilities</b>	<b>1,951,179</b>	<b>2,255,120</b>
Deferred Tax Liability	141,000	160,000
<b>Total Liabilities</b>	<b>2,092,179</b>	<b>2,415,120</b>
Retained Patronage Dividend	2,635,282	2,413,518
Retained Earnings	2,862,071	2,742,108
Other Equity	898,434	852,641
Net Income	108,166	119,963
<b>Total Equity</b>	<b>6,503,953</b>	<b>6,128,230</b>
<b>Total Liabilities &amp; Equity</b>	<b>8,596,132</b>	<b>8,543,350</b>

ASHLAND FOOD COOPERATIVE

**INCOME STATEMENT**

	2014	%	2013	%
Sales	28,821,376	100.0%	28,599,823	100.0%
COGS	18,420,975	63.9%	18,180,239	63.6%
<b>Gross Margin</b>	<b>10,400,401</b>	<b>36.1%</b>	<b>10,419,584</b>	<b>36.4%</b>
<b>Operating Expenses</b>				
Wages & Benefits	7,689,841	26.7%	7,047,693	24.6%
Profit-sharing	67,702	0.2%	142,999	0.5%
Occupancy	389,661	1.4%	386,696	1.4%
Depreciation	157,014	0.5%	159,239	0.6%
Operating	606,678	2.1%	611,959	2.1%
Administrative	314,785	1.1%	330,114	1.2%
Governance	140,084	0.5%	123,116	0.4%
Member Sales Discounts	444,007	1.5%	440,516	1.5%
Promotional	176,305	0.6%	161,877	0.6%
Other expenses (income)	(85,396)	-0.3%	(63,780)	-0.2%
<b>Income before PD and taxes</b>	<b>499,720</b>	<b>1.7%</b>	<b>1,079,155</b>	<b>3.8%</b>
Patronage Dividend	362,232	1.3%	848,480	3.0%
<b>Taxable Income</b>	<b>137,488</b>	<b>0.5%</b>	<b>230,675</b>	<b>0.8%</b>
Income Tax Expense	29,322	0.1%	110,710	0.4%
<b>Net Income</b>	<b>108,166</b>	<b>0.4%</b>	<b>119,965</b>	<b>0.4%</b>

# Annual Social Responsibility Report 2014

## Social Equity, Education and Sustainability

The Outreach Team engages in activities that enhance social equity in the community and that fulfill the Cooperative Principle 5: Education, Training and Information. Because of the successful May 2014 ballot measure to ban growing GMOs in Jackson County, many of our ongoing activities offered education and information to inform our ownership about this important issue.

### Awards

- AFC was named **2014 Recycler of the Year** by the Association of Oregon Recyclers.

### New Ventures

- Created a new event called the **New Owner Welcome Dinner**. The dinner is open to new owners who have joined in a 6 month period. They receive a little cooperative education as well as share their first impressions of being an AFC owner.
- Hosted a “house party” to **fundraise for Ballot Measure 15-119**.
- Offered a **4 part Spontaneous Happiness class**, based on work from Dr. Andrew Weil and taught by Wellness staff.
- Offered a **community workshop** called *Balancing Fire: Stress & Inflammation*, based on the teachings of Dr. Andrew Weil.
- **Held Movie Nights at the Co-op** featuring the film *PlanEat*, a film about the health virtues of a vegan diet, and *Bringing It Home*, a film about the benefits of growing industrial hemp.
- Offered **Food Labels 101**, a free class with Dr. Jo Jenner, ND.
- Offered a **free community event** featuring acclaimed Ashland Master Herbalist Donnie Yance.
- **Welcomed Master Herbalist Guido Mase from Urban Moonshine**, along with company founder Jovial King for a **free lecture** about herbal **bitters**.

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- Lotus Rising Project
- Options for Homeless Residents of Ashland
- ACCESS
- Peace House
- Ashland Food Project
- Children's Advocacy Center
- First Presbyterian Church of Phoenix
- Ashland City Farm
- Lot 26 & NeighborWorks Umpqua
- Northwest Forest Worker Center

## Sustainability

- **2014 resulted in some significant developments for us on the sustainability front, with GMOs, infrastructure, waste handling, and energy efficiency at the forefront.** AFC has become an important player in the conversation about GMOs. In early 2014 our Management Team adopted newly revised Product Standards. New products must be free from GMOs. We conducted numerous audits of our store inventory in 2014 and each department is working to eliminate older products that may contain GMOs.
- **We added new recycling and landfill receptacles** for customer use that feature easy-to-read signage aimed at increasing recycling.
- **We were able to add PET Clamshell containers** to our recycling stream.
- **Pre-consumer compost collection nearly doubled** in 2014.
- **Better in-store recycling increased AFC's landfill diversion rate** to 75% (by weight), and held steady at 86% (by volume).
- **AFC installed 4 separate "air curtain" units** to provide a chemical-free way to keep insects out of the store with the added benefit of keeping conditioned air and heating inside the store.
- **Switched to 100% renewable electricity.**
- **Developed and launched a Sustainable 401K option** for employees to choose.
- There's still much to be done to meet our goal of being "fully sustainable by the year 2030." But, 2014 was only the 5th year of our official sustainability program and proves that sustained progress toward our goal is possible!

## Social Responsibility Report (continued from page 3)

### Community Support

- **Partnered with Rogue Valley Farm to School** to train volunteers who teach children basic cooking skills on three local farms.
- **Continued our support of the Rogue Valley Food System Network.** The Network establishes a collaborative community of leadership to develop and advocate for a healthy and sustainable food system in Josephine and Jackson Counties.
- During November's Smart Chicken promotion, Ashland Food Co-op customer purchases allowed AFC to donate 2000 lbs (80 cases) of chicken to the ACCESS Nutrition Program.
- **The Farm to School Apple partnership** between AFC, Organically Grown Company and NW apple growers provided \$6,106 to Rogue Valley Farm to School.
- **Awarded Community Grants totalling \$22,881** to the following organizations:
  - Lomakatsi Restoration Project
  - Bear Creek Watershed Education Partners (BCWEP)
  - Natives of One Wind Indigenous Alliance/ Red Earth Descendants
  - Klamath-Siskiyou Wildlands Center (KS Wild)
  - Southern Oregon Regional Environmental Education Leaders (SOREEL)
  - Ruch Community School & The Greater Applegate Community Development Corporation
  - Southern Oregon Land Conservancy
  - White Oak Farm and Education Center
  - Sanctuary One
  - Blue Heron Park Community Garden
  - Schneider Museum of Art
  - Kid Venture Preschool
  - CASA of Jackson County
  - Crater Renaissance Academy of Arts & Sciences
  - Thrive
  - Medford School District, 549C
  - Boys and Girls Clubs of the Rogue Valley, Talent Branch
  - St. Vincent de Paul, Ashland/Talent Home Visit Conference
  - Southern Oregon ESD Migrant Education Program
  - The Rose Circle Mentoring Network
  - Congregation of the Angels of Service