

# 2015 Annual Report

## Board President's Report to Owners

by Gwyneth Bowman, AFC Board President

2015 was a dynamic year, centered on enhancing ownership and engagement. Participants in three owner focus groups became actively involved in discussing cooperative governance and generated valued information. The goal is to encourage owners to run for Board positions and be more actively involved in Co-op activities.

Long range planning for future growth was also a significant focus last year. We developed a Real Estate Committee to look for appropriate sites, both developed and undeveloped, to meet the need for

more parking and square footage. Since we are growing out of our current space, all potential sites were assessed for their usability. With 10,000 owners, this is key.

Another important part of organizing our future growth was the formation of our new Strategic Planning Steering Committee. This joint standing committee, composed of Directors and Managers, oversees the Co-op's strategic planning process and implementation of strategic initiatives. The next phase will include skilled and interested owners on the strate-

gic initiatives.

The Board also undertook an extensive review of our Bylaws to make sure they complied with current law and included new opportunities to conserve resources. These revisions have the potential to save thousands of dollars. We encourage your approval of these important updates when you vote this year.



## General Manager's Report

by Emile Amarotico, GM

“Are the rumors true?” has been a common refrain in the last year. “Is the Co-op going to move to the Safeway property?” Spoiler Alert... No. For the foreseeable future, the property is not an option. Why not?

2015 started with news of Albertsons purchase of Safeway, followed by the Federal Trade Commission's demand that they divest certain stores (including the Ashland Safeway) to preserve competition. Along came Haggen, with 18 existing stores, to buy and convert 146 Albertsons and Safeway stores to its banner within six months!

As witnessed in Ashland, Haggen's unsuccessful efforts lead to bankruptcy within a few months. During the bankruptcy, the FTC reconsidered its initial mandate, allowing Albertsons to buy

back many of its divested stores, including the Ashland Safeway.

Key point: Haggen originally bought the Ashland Safeway business, equipment and lease, but not the real estate. The real estate had already been sold to an investment partnership for \$4.5MM, who in turn listed it for \$7.3MM, a price based on Haggen's 25 year lease rate of \$1.18 per square foot (x 23,000sf). Given that typical lease rates for similar stores in the region are about half this, neither the lease nor the sales price were considered prudent by the Board.

But what about “all the parking!” at the Safeway property? While it has significantly more dedicated parking than the Co-op, outlying parking in that vicinity is far inferior to the Co-op's location. There are over 145 spaces on the Co-op's block,

whereas there are only 135 on the Safeway block bounded as it is by Siskiyou, East Main and the cemetery. And, successfully converting the Safeway property to suit the Co-op would eliminate parking spaces to make way for outdoor landscaping and community space, if even permitted under City of Ashland Land Use Code!

So, with 2015 behind us and rumors dispelled for now, we anticipate a significantly renovated Safeway store to open in early 2017. Meanwhile, we'll keep looking for opportunities to satisfy the demands of our growing ownerbase.



# 2015 Financial Report to Owners

by Christina Oliver, Financial Manager



For 2015, the Co-op enjoyed sales growth of 4.3%, which was a refreshing change after the 0.8% growth we experienced the year before. We suspect that the Safeway conversion to, and then closure of, Haggen, the only other grocery store on the north end of town, contributed to our increase in sales growth. When (or if) Safeway re-opens, we expect some impact on sales as curious shoppers check out the remodeled store.

The total patronage dividend amount for 2015 was \$489,439, which is approximately 2.2% of about \$22.4 million in

sales to owners. This amount was calculated by our CPAs to be the maximum patronage dividend allowed by the IRS, subject to the Co-op's \$2 check minimum. Since the Board has decided to retain 50% of this patronage dividend allocation for future capital needs, 50% will be the actual amount distributed. Each owner will receive a check in 2016 for approximately 1.1% of their purchases during the year 2015. Thank you for the continued support of your local food co-op.

# Board Treasurer's Report

by Stephen Sendar

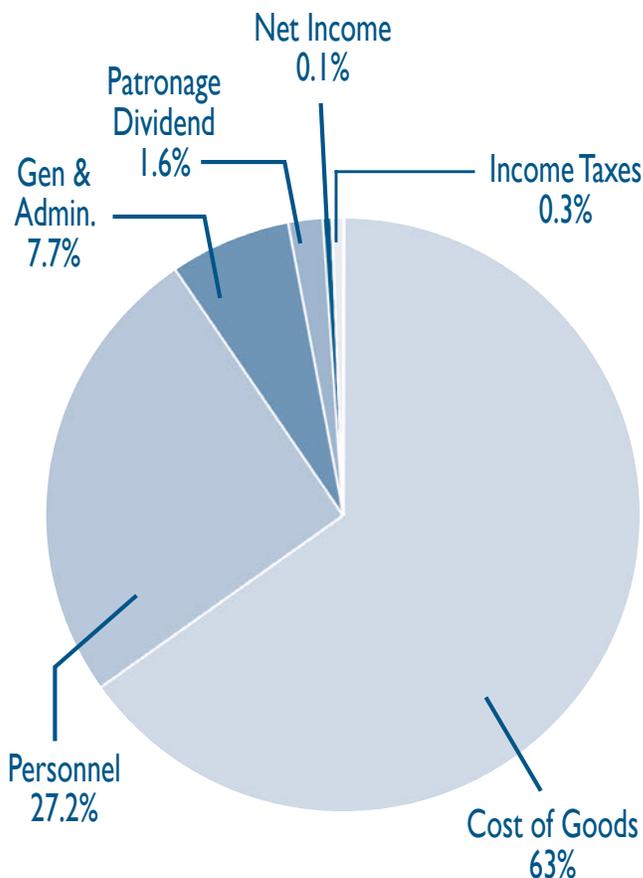


In 2015 our Co-op remained Ashland's most vibrant culinary and social hub where we are greeted by a warm smile and a happy-to-help-you staff. It's a place where food is carefully sourced and accurately labeled so that you can trust the quality of the food you buy. Your dollars, in turn, feed the local economy with profits staying at home for the benefit of owners, staff and the growing number of local suppliers.

Thanks to your loyal patronage, the Co-op saw sales increase to \$30,049,565 enabling us to increase the amount we will pay out in Patronage Dividend by nearly 39% over last year. Our balance sheet was stronger at the end of 2015 with owner equity increasing by about 4%. These are achievements to celebrate in today's increasingly competitive environment.

The Co-op's leadership team watches over the store's finances with great care to achieve the right balance of investing in operational improvements to keep our store and merchandise fresh and delightful for shoppers, and building sufficient capital reserves for future needs. The outstanding work of Financial Manager Christina Oliver who provides accurate information in "real" time, owner Roberta Stebbins who has a gift for naming the story the numbers tell us, and Meat Manager Derek Shilts who has a keen awareness of what our guests desire, allowed the Finance Committee to focus on building the financial architecture that will help keep the Co-op the region's natural and organic food leader long into the future.

## WHERE DID THE MONEY GO IN 2015?



ASHLAND FOOD COOPERATIVE

**BALANCE SHEET**

	12/31/15	12/31/14
<b>ASSETS</b>		
Cash	2,217,110	1,586,907
Short-term Investments	2,659,474	2,652,287
Other Current Assets	61,782	110,515
Inventory	779,323	752,976
<b>Total Current Assets</b>	<b>5,717,689</b>	<b>5,102,685</b>
Long-term Assets	358,563	330,181
Fixed Assets	3,281,891	3,163,266
<b>Total Assets</b>	<b>9,358,143</b>	<b>8,596,132</b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable	914,287	843,262
Patronage Dividend Payable	244,737	144,893
Other Current Liabilities	1,225,404	963,024
<b>Total Current Liabilities</b>	<b>2,384,428</b>	<b>1,951,179</b>
Deferred Tax Liability	149,000	141,000
<b>Total Liabilities</b>	<b>2,533,428</b>	<b>2,092,179</b>
Retained Patronage Dividend	2,885,272	2,635,282
Retained Earnings	2,970,237	2,862,071
Other Equity	938,497	898,434
Net Income	30,708	108,166
<b>Total Equity</b>	<b>6,824,714</b>	<b>6,503,953</b>
<b>Total Liabilities &amp; Equity</b>	<b>9,358,143</b>	<b>8,596,132</b>

ASHLAND FOOD COOPERATIVE

**INCOME STATEMENT**

	2015	%	2014	%
Sales	30,049,565	100%	28,821,376	100.0%
COGS	18,941,912	63%	18,420,975	63.9%
Gross Margin	11,107,653	37%	10,400,401	36.1%
<b>Operating Expenses</b>				
Wages & Benefits	8,028,335	26.7%	7,689,841	26.7%
Profit-sharing	150,248	.5%	67,702	.2%
Occupancy	505,565	1.7%	389,661	1.4%
Depreciation	192,734	.6%	157,014	.5%
Operating	658,082	2.2%	606,678	2.1%
Administrative	260,874	.9%	314,785	1.1%
Governance	137,203	.5%	140,084	.5%
Member Sales Discounts	461,564	1.5%	444,007	1.5%
Promotional	168,600	.6%	176,305	.6%
Other expenses (income)	(64,952)	-.2%	(85,396)	-.3%
Income before PD and taxes	609,400	2%	499,720	1.7%
Patronage Dividend	489,439	1.6%	362,232	1.3%
Taxable Income	119,961	.4%	137,488	.5%
Income Tax Expense	89,252	.3%	29,322	.1%
Net Income	30,709	.1%	108,166	.4%

# Annual Social Responsibility Report 2015

## Social Equity, Education and Sustainability

The Outreach Team engages in activities that enhance social equity in the community to fulfill Cooperative Principle 5: Education, Training and Information.

### New Ventures

- **Partnered with Southern Oregon University, to bring the distinguished author and activist Dr. Vandana Shiva to Ashland** for an amazing day with students and a sold out evening lecture. That, for many, was the most significant event of the year.
- **Worked with Wellness staff, Mega-Food™ and local Master Herbalist Donnie Yance, to offer deep dives into the subject of immunity**, the role of the nervous system in stress reduction, and cancer prevention.
- **Offered two sessions of the Awakening the Dreamer symposium** from Pachamama in order to create a new frame of what is possible on planet Earth.
- **Offered the Northwest Earth Institute's Discussion Course** called Hungry for Change: Food, Ethics & Sustainability. Participants studied issues around food choices and personal ethics.
- **Launched an initiative in the store to educate consumers and staff** about the National Organic Standard.
- **Celebrated the Holidays with a Gingerbread Decorating Party** for Co-op families in our Classroom.
- **Created a partnership between the Deli and Outreach** to offer curb-side pick up for Thanksgiving Holiday Meals.
- **Launched a new pricing program called Co+op Basics** to offer a variety of pantry staples at super affordable prices.

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## Co-op rooftop solar array.



### Social Responsibility Report

(continued from page 3)

#### Community Support

- During November's Smart chicken promotion, Ashland Food Co-op customer purchases **allowed AFC to donate 1,800 lbs of chicken to the ACCESS Nutrition Program.**
- The Farm to School Apple partnership between **AFC, Organically Grown Company and NW apple growers provided \$5,516 to Rogue Valley Farm to School**
- **Awarded Community Grants totalling \$23,000** to the following organizations:
  - Options for Homeless Residents of Ashland
  - Ashland Food Angels – Congregation of the Angels of Service
  - Ashland Food Project
  - Children's Advocacy Center
  - Lotus Rising Project
  - NeighborWorks Umpqua
  - Peace House
  - Southern Oregon Education Service District/Migrant Education Program
  - BeeGirl
  - Bellview Elementary
  - Helman Elementary
  - Madrone Trail Public Charter School
  - Natives of One Wind Indigenous Alliance/Red Earth Descendants
  - Rogue River School District #35
  - Sanctuary One
  - Science Works Hands-on Museum
  - Siskiyou Field Institute
  - Southern Oregon Climate Action Now (SOCAN)
  - Southern Oregon Land Conservancy
  - Southern Oregon Regional Environmental Education Leaders (SORELL)
  - Bear Creek Watershed Education Partners (BCWEP)
  - Lomakatsi Restoration Project
  - Oahspe Foundation & Eloin Wilderness Preserve
  - Pollinator Project Rogue Valley (PPRV)
  - Rogue Valley Council of Governments
  - ACCESS
  - Asante Ashland Community Hospital
  - Boys and Girls Clubs of the Rogue Valley
  - La Clinica
  - Rogue Valley Farm to School
  - The Rose Circle Mentoring Network
  - Talent Great Green Garden

### Sustainability

- **Made significant upgrades to our cooling infrastructure**, including LED lighting in all of the refrigerated cases and new, more efficient cases in our produce and meat departments.
- **Introduced email receipts** for owners to save countless rolls of receipt paper.
- **Teamed up with Bonneville Environmental Foundation to purchase Renewable Energy Certificates** (equal to 100% of our electrical usage), **Water Restoration Certificates** (equal to 100% of our water consumption), and **Carbon Offsets** (covering all business trips and related travel).
- **Ongoing support to the City of Ashland in building a Climate and Energy Action Plan** to mitigate the impacts of climate change.
- Made a number of **small improvements to our existing reuse and recycling programs.**
- **Installed environmentally friendly acoustic tiles** to reduce noise in Deli areas

**The Co-op continues to make progress toward our 2030 goal of becoming a completely sustainable business**, but there is much more work to be done! As an owner, here are three simple things you can do to help us be more sustainable:

- **Choose certified Organic products** – they tend to have the highest ecological integrity
- **Buy whole, unprocessed foods** – they are nutritious, delicious, and have minimal packaging
- **Keep it local** – We offer lots of great local products and offer employees great benefits and a living wage. Shopping at the Co-op means you are also supporting the local economy.

