



**ASHLAND  
FOOD CO+OP**

EST. 1972

# 2017 Annual Report

With passion, purpose, and a whole lot of love, we're more than just a grocery store.



## General Manager's Report

by Emile Amarotico, *General Manager*

Following a couple of years of slow growth, shopper counts and sales rebounded with the closure of the Ashland Safeway/Haggen store in late 2015 and for all of 2016. Then, with the reopening of a fully renovated Safeway in April 2017, we experienced a more than 3% decline in sales for the year.

Interestingly, while customer counts and overall sales declined, we saw a healthy increase in the "average basket" (total sales divided by the number of shoppers). This was a clear indication that our gains in 2015 and 2016 were the result

of having only one downtown grocery store. For that period it appears that more frequent trips with smaller purchases occurred based on the convenience of our location versus having to travel south.

As a result of declining sales and increasing labor and benefit costs, we had to adjust employee scheduling to regain efficiency. By year end, our labor expense was within budget and allowed for a small productivity bonus. And, based on our ongoing profitability, employees received a small profit sharing bonus.

In early 2017 we successfully converted from paper to eCoupons (\$5 and 10% off). Thanks to not having to remember to carry and present paper coupons, and the simplicity of having them available at the register, we experienced a significant increase in their utilization. This resulted in owners enjoying more savings during the year, rather than waiting to receive them in their annual patronage dividend.



## Board President's Report to Owners

by Ed Claasen, AFC Board President

Your Board of Directors has been actively engaged on your behalf throughout 2017. Here are some of the significant actions we have undertaken:

- We established a new Board Committee, the Owner Engagement Committee chaired by Board Secretary Julie O'Dwyer, focused on active engagement with our 10,000 plus owners. Look for more topical forums, invitations to share your preferences, and fun gatherings.
- We introduced electronic voting to make it easier for you to vote on director candidates and other governance matters and to reduce the cost of reaching out to each of you.
- We encouraged and supported a variety of changes designed to enhance your shopping experience, such as the replacement of paper coupons with e-coupons that enable the cashier to simply ask you when you want to apply your monthly discount.

- We conducted our first on-line annual meeting in an effort to make it easier to attend or to view the meeting at your convenience.

- We instituted a restorative justice program in collaboration with Resolve (formerly Mediation Works) that gives youth shoplifters an opportunity to resolve their violation through a reconciliatory process.

- We are actively exploring options in our banking relationships that allow us to work primarily with financial institutions that are in full alignment with our values.

The Board of Directors strives to fulfill its responsibilities to its owners with full transparency, but without drawing a lot of attention to itself. However I would like to invite you to recognize our longest-term member for her extraordinary service. Gwyneth Bowman has been a member of the Board since 2004 and the president of the

Board from 2008 to 2017. She will be completing her final term in 2019 and insisted that she would not run for another year as president so that we would be prepared to carry on in her absence. Her steady and caring leadership has been invaluable to the Board and the Co-op, and we extend a huge thank you to Gwyneth for many years of selfless service!

In our annual meeting last year we reviewed with you our progress on our strategic planning initiatives. By far the most important of those is resolving the capacity constraints that make shopping at the Co-op a regular "adventure" - Will you find a parking space? And who will you (literally) bump into in the shopping aisles? This past year we have made significant progress in identifying options for expansion and hope to be sharing some specifics with you in the near future. So stay tuned!



## Finance Committee Report

by Charlie Douglass, Treasurer

The Finance Committee had another active and productive year. Major changes included hiring a new Finance Manager and the beginning of sourcing a new Owner-Volunteer for the committee.

- Extensive and continued research on our banking needs and whether we can find an alternative to Wells Fargo. A list of smaller regional banks has not come up with a workable alternative.
- Implemented auditors' suggestion that the General Manager have a credit card and that all purchases be reviewed monthly by the Board Treasurer who will then sign off on them.

- Recommended and won Board approval for 50% distribution of Patronage Dividend for the 2016 fiscal year.

- Implemented detailed monthly finance reports for the Finance Committee to review. The Board will continue to receive only the quarterly reports.

- Received approval to cancel any un-cashed checks for Patronage Dividend going back 4 years.

- Due to negative productivity bonus amounts, we agreed and won Board support to change financial statements to show the actual percentage achieved for the labor cap.

- Discussed how to better empower Dept. Managers to control labor costs the GM and Finance Manager came up with a powerful tool that tracks labor hours verses sales dollars. This is a game changer!

- Finance Manager achieved significant improvement on returns of our numerous CD's by seeking slightly longer terms and using our financial clout to obtain higher rates of return.

- Completed yearly audit with Wegner, CPAs and received high marks for excellent accounting practices and collegial, professional relations with the auditors.





# 2017 Financial Report to Owners

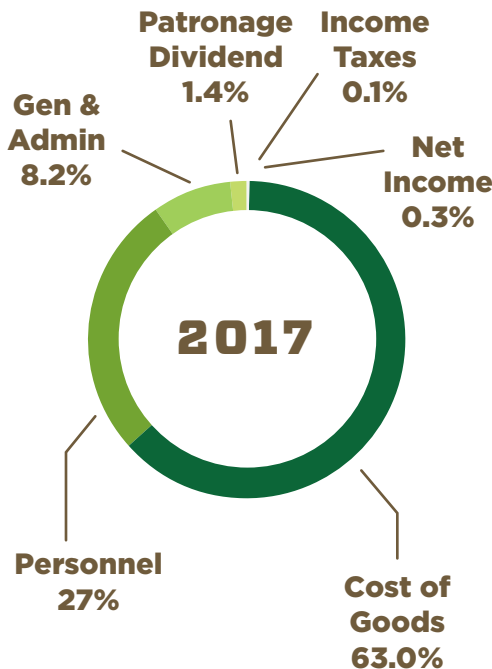
by Mel Gedde, *Financial Manager*

I would like to start off my first annual report since becoming Financial Manager last year, by thanking my predecessor Christina Oliver for her many years of service and using her financial acumen to create a stable and secure financial practice here at the Co-op. I look forward to continuing her success in the exciting times ahead.

In 2017 our Co-op experienced renewed competition when Safeway reopened. With a little foresight, hard work and support we were able to mitigate the impact and only experienced a 3.2% decrease in sales from 2016. This is the first year sales were less than the previous year since we became a cooperative organization back in 2002 and is yet another sign of our ever-crowding retail environment. Even with this increased competition and lower sales we were able to end up with a healthy operating income and patronage dividend for the year.

The total patronage dividend amount for 2017 is \$408,374, which is approximately 1.8% of our \$22.6 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. The Board has decided to retain 60% of this patronage dividend allocation as we look forward to future capital needs, therefore, 40% will be the actual amount distributed. We are excited to provide each owner a check in 2018 for approximately 0.7% of their purchases during the 2017. Thank you for supporting our local food co-op and community.

## Where did the money go in 2017?



## Balance Sheet

Assets	2017	2016
Cash	1,781,700	1,989,571
Short-Term Investments	3,674,898	3,408,631
Other Current Assets	109,405	84,754
Inventory	754,583	741,146
<b>Total Current Assets</b>	<b>6,320,586</b>	<b>6,224,102</b>
Long-term Assets	3,219,689	3,302,304
Fixed Assets	414,586	373,082
<b>Total Assets</b>	<b>9,954,861</b>	<b>9,899,488</b>

Liabilities & Equity	2017	2016
Accounts Payable	881,626	933,326
Patronage Dividend Payable	163,349	287,354
Other Current Liabilities	1,052,915	1,212,887
<b>Total Current Liabilities</b>	<b>2,097,890</b>	<b>2,433,567</b>
Deferred Tax Liability	151,000	150,000
<b>Total Liabilities</b>	<b>2,248,890</b>	<b>2,583,567</b>

Retained Patronage Dividend	3,428,310	3,176,563
Retained Earnings	3,156,111	3,000,945
Other Equity	1,019,453	983,248
Net Income	102,097	155,165
<b>Total Equity</b>	<b>7,705,971</b>	<b>7,315,921</b>
<b>Total Liabilities &amp; Equity</b>	<b>9,954,861</b>	<b>9,899,488</b>

## Income Statement

	2017	%	2016	%
Sales	30,277,452	100%	31,289,973	100%
COGS	19,068,921	63.0%	19,634,718	62.8%
<b>Gross Margin</b>	<b>11,208,531</b>	<b>37.0%</b>	<b>11,655,255</b>	<b>37.2%</b>

## Operating Expenses

Wages & Benefits	8,089,544	26.7%	8,327,620	26.6%
Profit-Sharing	91,667	0.3%	156,450	0.5%
Occupancy	579,374	1.9%	501,730	1.6%
Depreciation	242,525	0.8%	210,939	0.7%
Operating	690,543	2.3%	680,755	2.2%
Administrative	293,066	1.0%	289,920	0.9%
Governance	111,186	0.4%	140,500	0.4%
Member Sales Discounts	522,650	1.7%	467,536	1.5%
Promotional	156,727	0.5%	163,641	0.5%
Other Expenses (Income)	-114,579	-0.4%	-81,905	-0.3%
<b>Income Before PD &amp; Taxes</b>	<b>545,828</b>	<b>1.7%</b>	<b>798,069</b>	<b>2.7%</b>
<b>Patronage Dividend</b>	<b>408,374</b>	<b>1.4%</b>	<b>574,674</b>	<b>1.8%</b>
Taxable Income	137,455	0.4%	223,395	0.7%
Income Tax Expense	35,358	0.1%	68,230	1.8%
<b>Net Income</b>	<b>102,097</b>	<b>0.3%</b>	<b>155,165</b>	<b>0.5%</b>



# 2017 Social Responsibility Report

Social Equity, Education & Sustainability

## Education

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

### Cooking Classes

Offered 5 free budget cooking classes to the community to support eating organic food on a budget.

### Free Community Events

Decorated hundreds of cookies at our Valentine's Cookie Party and Gingerbread Cookie Party- a free community event where families can decorate holiday cookies.

### Celebrations

Celebrated our 45th Anniversary with an outdoor party for the community full of bluegrass music, free cake, 600+ gift bags and kids activities.

### Sustainability Classes

Offered 5 free Zero Waste classes to the community and local students to encourage less plastic and food waste in the home.

### Volunteer Rewards Program

Launched a new Volunteer Rewards program for our co-op volunteers to show our appreciation for helping make our events run smoothly.

### Bee Girl

Partnered with Bee Girl Organization to host their intensive six-part Beekeeping Course.

### Rogue Valley Farm to School

Partnered with Rogue Valley Farm to School to offer 3 Summer Kids Camps. Jackson Care Connect offered scholarships to make the camps accessible to all community members.

### Fermentation Festival

Hosted our first Fermentation Festival featuring local fermentation gurus Kirsten and Christopher Shockey of Ferment Works.

### Farm Tour

Connected customers with their farmers on our annual Farm Tour. This year we visited Flying Fish Farm and Rogue Creamery.

## Sustainability



- Launched Bicycle Benefits, a national program that offers discounts at participating businesses.

- Launched our Durable Container Discount. When you dine in at the Deli, you will receive 15¢ off for each plate or bowl you use.

- Hosted the 2nd annual Apple Outlaw Backyard Fruit Drive to collect potentially wasted fruit to create Community Cider.

- Initiated our electronic newsletter

- In 2017, we received a Co+efficient Sustainability Star award from National Co-op Grocers (NCG) recognizing our positive environmental and community impacts.

- With the help of True South Solar, the co-op donated a 4.59 kW solar installation to the Ashland Emergency Food Bank.

- True South Solar installed a 12.42 kW PV solar system on our barn in October 2017. In total, we now have 54kW of solar installed which will supply us with more than 10% of our electricity.

## Community Support for 2017

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- Over 2,200 people attended cooking classes and special community events.

- Donated over \$25,000 to area nonprofits through our Community Grants Program.

- Collaborated with Rogue Valley Farm to School for three kids summer camps.

- Offered 50 FREE Monday Night Lectures on a variety of health and well-being topics.

- 85 local nonprofit organizations received \$25 gift cards through our donations program.