



**ASHLAND
FOOD CO+OP**
— EST. 1972 —

ANNUAL REPORT





Board President's Report to Owners

by Ed Claasen, AFC Board President

I would like to extend a big thank you for their dedicated service to two of our long term Board members who stepped down in 2018. Gary Einhorn resigned after 5 years on the Board for health reasons and Jeff Golden resigned after his election to the Oregon State Senate due to the demands and travel required in that position.

The Board was very fortunate to have three exceptional new members join us following last June's election. Trine Ostergaard, Dean Williamson and Mira Wonderwheel have provided great contributions. We lost Dean to a new job in Colorado and will be losing Mira to a new position in Klamath Falls, so the upcoming election will bring some new faces to our Board. We have seven excellent candidates for four open positions.

Some of the Board highlights from 2018 include:

- We authorized the purchase of a 1.8 acre lot on Clear Creek Drive to secure one of the few remaining undeveloped spaces in downtown Ashland that could accommodate a larger store with adequate parking.
- We engaged local architects Carlos Delgado, Jerome White and Christopher Brown to guide us in developing a 25-year phased development plan for resolving the space constraints of our current store and moving into the long-term future. We hope to be able to share more about next steps in the coming months.
- We asked our General Manager to develop a methodology for projecting the financial implications of major decisions five years into the future. Emile worked with Mel Geddes, our Finance Manager, to create an excellent financial modeling tool that will serve us well as we consider major investment decisions.
- After a detailed study, we authorized the creation of a Store Manager position to provide much needed attention to merchandise management while freeing the General Manager to give more attention to major strategic challenges. We were fortunate to have the ideal candidate in Barry Haynes, our long-time Produce Manager, who brings the same commitment to excellence to the whole store that we have all experienced in produce over the years.
- We created a new Board committee, the External Relations Committee, to provide ongoing attention to our informal partnerships with other Rogue Valley co-ops and to further the co-op movement in the Rogue Valley. Please remember that our monthly Board meetings are open to all owners and that there are always volunteer opportunities to get involved!

2019 Board of Directors



Ed Claasen
President



Gwyneth Bowman
Vice-President



Trine Ostergaard
Secretary



Charlie Douglass
Treasurer



Steve Bowman
Interim Term
Director



Julie O'Dwyer
Director



Mira Wonderwheel
Director

Social Trends

* * *

FACEBOOK

642,000 > **12%**

total impressions

increase from 2017

15,000 > **27%**

total impressions

increase from 2017

6.5%
GROWTH

TOTAL FANS
6,579

Average Daily Users Reached: **1,111**

* * *

INSTAGRAM

194,364 > **38%**

total impressions

increase from 2017

13,252 > **18%**

total impressions

increase from 2017

27.5%
GROWTH

TOTAL FANS
2,548

Average Daily Users Reached: **334**



General Manager's Report

by Emile Amarotico, General Manager

For the Co-op, and the community, 2018 was something of a roller coaster ride. In the first six months we enjoyed the steady uphill click, click, click as sales began climbing following the anniversary of the reopening of Safeway. Then with a heart-pounding two month plunge, sales dropped precipitously as locals and visitors alike fled smoke in the region!

When sales drop, to remain fiscally responsible, we have to reduce our prime operating costs: the cost of goods, and labor cost. Managing product costs is relatively simple since our purchasing systems focus on the daily replenishment of items sold. Thus lower sales automatically trigger lower replenishment rates.

Labor cost however, is not as simple to manage. Labor cost comes from the exchange of pay and benefits for a human worker's time. Human time does not sit on a shelf in a warehouse, but is an integral component of a worker's life. To respect the effort necessary to integrate work and personal life, we typically schedule workers two weeks out.

Last summer, without knowing whether the air would be clear or smoky two weeks out, we maintained our summer schedules and relied on workers to self select to reduce labor hours. Since this is their livelihood, not many could afford to cut hours and reduce labor cost sufficiently. As week after week of smoke befell the region and negatively impacted sales, we focused on reducing labor costs without significantly impacting worker livelihoods.

Despite experiencing the lowest health care claims in several years, and successfully managing labor cost when sales picked up again after the smoke finally cleared, we ended the year without achieving a productivity bonus for workers for the first time in over a decade. 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 did not net a productivity bonus. However, 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 an increase in their utilization. This resulted in owners enjoying more savings upfront, rather than waiting to receive them in their annual patronage dividend.



Finance Committee Report

by Charlie Douglass & Mel Gedde

The Finance Committee has many functions, the most important of which is to monitor the financial state of the Co-op.

Among the Committee's key functions are:

- Ensuring sound business practices
- Providing accurate and timely financial reporting
- Ensuring internal financial controls

List of Accomplishments based on Committee Goals and Core Functions

Along with the hard work this committee does, there is time of collegial discussion of how to shape the future of our wonderful Co-op. Here is a list of key 2018 milestones for the Committee:

- Discussion and Groundwork for implementation of electronic patronage dividend payments to Owners. (This will be implemented in 2019)
- Implemented 5 year budgeting/planning tool to help with future planning and to assist in decision making around Co-op expansion.
- Implemented financial tracking tool on a quarterly basis to show certain critical ratios (This gives some key metrics for the Board of Directors to monitor, giving them insight into how the business is performing)
- Participated in Audit of the Co-op's finances for 2017. This is done by an outside accounting firm that specializes in Co-op finances. The Ashland Food Co-op was ranked "In the Top Healthy Tier of Co-ops"
- Revised investment policy to increase returns on our investments



2018 Finance Committee Members

Charlie Douglass
Treasurer & Finance
Committee Chair
(January 2018-June 2018)

Dean Williamson
Treasurer & Finance
Committee Chair
(July 2018-December 2018)

Ed Claassen
Board President

Emile Amarotico
General Manager

Mel Gedde
Finance Manager

Larry Cooper
Owner - Volunteer

Sharon Van Duker
Human Resources Manager

Steve Davidson
Information Technology - Point of Sale
Manager



Finance Report to owners

by Mel Gedde,
Financial Manager

In 2018 our Co-op was blessed with another profitable year, overcoming a slow summer season to having our highest profit in 5 years. Thanks to hard work by our team members we were able to control our labor and benefit costs to more than make up for the large dip in sales due to lingering smoke.

With higher earnings comes an increase in patronage dividends and the amount you receive in your annual distribution. We are excited to announce that your share of the 2018 dividends has been delivered to your account electronically as a credit to be used at our registers. Ask your cashier to apply your distribution to your next purchase, if you have not already done so.

For 2018, the total patronage dividend amount is \$661,742, which is approximately 2.9% of our \$22.9 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 distribute 30% of this dividend allocation back to owners. We are happy to provide each owner a credit, available at our checkstands for almost 0.9% of their purchases during 2018. The remaining 70% of the allocation will be retained as we look forward to investing in major improvements for the Co-op over the next few years.

BALANCE SHEET

ASSETS	2018	2017
Cash	\$ 966,180	\$ 1,781,700
Short-Term Investments	3,697,448	3,674,898
Inventory	831,551	754,583
Other Current Assets	105,182	109,405
Fixed Assets	4,646,809	3,219,689
Long-term Assets	413,020	414,586
TOTAL ASSETS	\$ 10,660,190	\$9,954,861

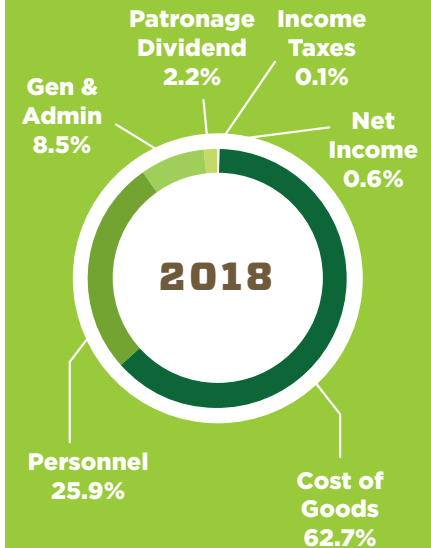
LIABILITIES & EQUITY	2018	2017
TOTAL LIABILITIES	\$ 2,278,128	\$2,248,890
Retained Patronage Dividend	3,894,403	3,428,310
Retained Earnings	3,258,207	3,156,111
Other Equity	1,056,037	1,019,453
Net Income	173,414	102,097
Total Equity	8,382,061	7,705,971
TOTAL LIABILITIES & EQUITY	\$10,660,189	\$9,954,861

INCOME STATEMENT

	2018	%	2017	%
Sales	\$29,837,963	100%	\$30,277,452	100%
COGS	18,711,730	62.7	19,068,921	63.0
GROSS MARGIN	11,126,233	37.3	11,208,531	37.0

Operating Expenses	2018	%	2017	%
Wages & Benefits	7,719,353	25.9	8,181,211	27.0
Operating Expenses	2,090,368	7.0	2,073,421	6.9
Membership Discounts	539,339	1.8	522,650	1.7
Other Expenses (Income)	-82,588	-0.3	-114,579	-0.4
Income Before PD & Taxes	859,761	2.9	545,828	1.8
Patronage Dividend	661,743	2.2	408,374	1.3
Income Tax Expense	24,604	0.1	35,358	0.1
NET INCOME	\$ 173,414	0.6%	\$ 102,097	0.3%

Where did
the money
go in 2018?



In 2018, the co-op sold

6,300 gallons
of Joe!

We are a perky little city!



In 2018, the co-op sold
25,324 burritos
which if laid end to end would stretch to
64 city blocks

In 2018, the co-op sold
757,480 oz
of **SOUP**
that's an equivalent of
20 hot tubs
filled with Housemade goodness



In 2018, the co-op sold

25,696 cookies

which if laid end to end would stretch to

2.5 miles

of delicious crumbles





Marketing & Education

2018 Update

Cooking Classes

From Moroccan cuisine to bread baking, enhance your culinary skills at one of our upcoming cooking classes. As an owner benefit, owners receive \$5 OFF of all cooking classes!



EDUCATION / COMMUNITY EVENTS



Farm Tour

1st annual Rogue Valley Farm Tour had 25 Local Farms participated and over 1,000 community members attended our event. The Farm Tour event is co-owned with the Medford Food Co-op.

Sustainability Class: Zero Waste Hero

Our yearly Free Zero Waste Hero class sold out!

Kids Summer Camp

Rogue Valley Farm to School hosted two kids summer camps in our community classroom and garden.

Education in Schools

We organized four classes targeting college and middle school students about reducing waste in the home and sustainability, reaching over 200 students.

First Friday Fest

The Co-op began hosting first Friday events. October was wildly successful with over 300 attendees despite the rainy and cold conditions.

Holiday Cookie Party

This growing Ashland Food Co-op event had a record-breaking 311 attendees and a large portion of our community stated our cookie party has become part of their holiday family tradition.



17 cooking classes

were held in our community kitchen. Cooking topics ranged from Fermentation to Moroccan inspired dishes.

4 FREE cooking classes

We held 4 free cooking classes for our community with a focus on how to shop smart at the Ashland Food Co-op.

42 Free Monday Night Lectures

were hosted in our community classroom. The majority of the lectures focused on health and wellness for the mind body and spirit.

COMMUNITY GIVING





EMAIL PROGRAM

Total Emails Sent

2017

201,396

2018

366,449

Open Rate

2017

31.2%

2018

29.3%



owner Benefits

wow!

Monthly Owner Rewards

Every month, the co-op provides monthly owner rewards.



January, March, April, May,
July, August, September,
November, & December



February, June,
& October



3%
OFF

Your dollars stay local!

Gift Card Purchases

Get 3% off a \$100 gift card when you pay by cash or check. Prevent credit card fees going to big companies and get the 3% back for yourself!

Patronage Dividend

Owners share the profit. The Board distributes patronage dividends in proportion to purchases.

A voice & a vote

Participate in YOUR co-op by running for a board position and holding office, voting in elections and joining committees.

our Sustainability Vision

By 2030, Ashland Food Co-op will be a living model of cooperation with the Laws of Nature.



Zero Waste

As a zero-waste facility, we will minimize waste intake and maximize beneficial reuse and diversion from landfill.



Carbon Neutrality

We will be carbon neutral, conserve energy, and 100% powered by renewable energy.



Eliminate Toxic Chemicals

We will use no persistent chemicals.



Sustainable Relations

We will model sustainability, justice, and equity in all of our relationships with employees, vendors, community, and other co-ops.

**Sustainability
Highlights**
2018 Update

- Annual Sustainability Reports published for 2017 and 2018. Every year we collect data and report to the Sustainable Food Trade Association, and National Co-op Grocers.

- EPA Green Power Partner Certification. We qualify for recognition by the EPA as voluntarily using green power to reduce the risk of climate change and support the development of new, renewable energy in the United States.

- Enrollment in Strategic Energy Management Program. We enrolled in the year-long program offered by Energy Trust of Oregon to focus on energy conservation and efficiency, joining the Southern Oregon Cohort.

- Total Solar Generation: 51 kW, or ~15% of our total energy use. We have two solar arrays, and supplement the rest with Renewable Energy certificates.



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To our owners, board, staff and partners –
thank you for making it a great year.
We are indeed stronger together!

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www.ashlandfood.coop