



Potsdam Food Cooperative
Annual Report 2017

Prepared by
Joseph Andriano, Board President
For Annual Meeting on Feb. 15, 2018

Introduction

Board President: Joseph Andriano

On behalf of the Board of Directors of the Potsdam Co-op, I am pleased to provide the following report to our Member-Owners. This report consists of the General Manager's Report, the Treasurer's Report, and a summary of each Committee's achievements in 2017.

Two major issues faced the Co-op in 2017. First, the Board began exploring the question of how to insure that the Co-op would be sustainable in 2018 and beyond. As you may be aware, New York State law now mandates an increase in minimum wage over the next several years. Our previous General Manager, Eric Jesner, provides a report to the Board and the Membership that these increases in minimum wage would reach a point in the coming years where our expenses would outstrip our income, thus making the Co-op no longer sustainable. With these realities in mind, the Board commissioned a study of the market that the Co-op operates in in early 2017. The results of this report indicated that the main way for the Co-op to deal with this upcoming deficit is to seek to move in to a larger space and expand its offerings. Obviously this would be a major change for the Co-op, and the Board has created a new committee to investigate whether this move would be feasible.

The second major issue that faced the Co-op in 2017 was the decision by our General Manager, Eric Jesner, to leave the North Country. While the Board was saddened to hear of Eric's departure to move back home, we were happy that long time Co-op employee, Andy Peet, agreed to step in as our Interim General Manager. As of this writing, the Board has created an Ad Hoc GM Search Committee which has received a number of applications for the position and is screening them.

I encourage you to read through this report and become more informed about the work that the Co-op is doing. I also encourage you to be as involved in the Co-op as your schedule will permit. Despite the major changes the Co-op is facing, the one thing that has always remained stable is the commitment of our member-owners to this store. Please consider joining a committee or volunteering to work in the store. The more people involved, the stronger the Co-op is.

General Manager's Report

Interim General Manager: Andy Peet

Sales

Sales were up 0.52%, to \$1,806,344, before discounts of \$84,343 were given. It is good to see overall positive growth, but it's not as good as our growth from last year (3.57%.) We started the year strong, being up over 5% halfway through the year then slowed in the last two quarters. The Carriage House remains strong with a 6.56% increase of \$8,386 for the Bakery, and a 7.56% increase of \$12,828 for the deli. Refrigerated Grocery contributed 5.64% growth of \$12,252. The Buying Club improved 19.28% with \$5,132 more than 2016.

Cash Flow & Profit

Sales increased \$6,685 while purchases actually decreased by \$5,072 to \$1,003,013. Similar to the previous year cash flow was good in 2017. This kept us in a position to stay well ahead of bills and continue adding to our savings accounts. It also allowed us to invest in our potential future by hiring CDS Consulting to conduct Market and Marketing research. We did this without the use of member loans.

Member-ownership

Member-ownership is up 9 to bring us to an average of 977 member-owners for 2017. Special thanks to all of those involved in our Membership Drive that kicked off in April. The efforts of the board, committee members, and staff payed off and we reached our goal of 50 new members. We finished 2017 with 1013, which was 58 more than we had Before the Membership drive.

The percent of sales to member-owners is up 1.5% to make up 66.52% of total sales. The sales per member-owner household is down just \$4.40 to \$1,186. This figure is important because it shows that the product mix in the store is meeting the needs of our member-owners.

Credit Card Processing

In April we switched to a new card processor called First Data and we now get a better deal on our fees for processing card transactions. In 2017 63.66% of our total sales were paid for with credit cards. Card sales were up \$70,963 to \$1,150,584. Despite the increase we payed \$25,221 in processing fees which is \$2,732 or 9.77% less than the previous year.

Buying Department

We have split up the buying department between myself, Jessie, Erik, Alissa, and Linzie. Each of our new buyers are dedicated, long-standing employees who have been chosen for their new roles based on their strengths, experiences, and personal interests. They are all eager to contribute to our continued success and I believe the Co-op stands to benefit because they seek to rejuvenate their respective departments and strengthening the product mix.

Thank You

I'd like to thank all of the Co-op staff. We continue to refine our operations and staff continues to adapt to the many changes. More is being asked of each staff member as sales continue to grow and I'm grateful for the responsibilities that each person takes to make sure the Co-op meets all of your needs.

Treasurer's Report (Finance Committee Report)

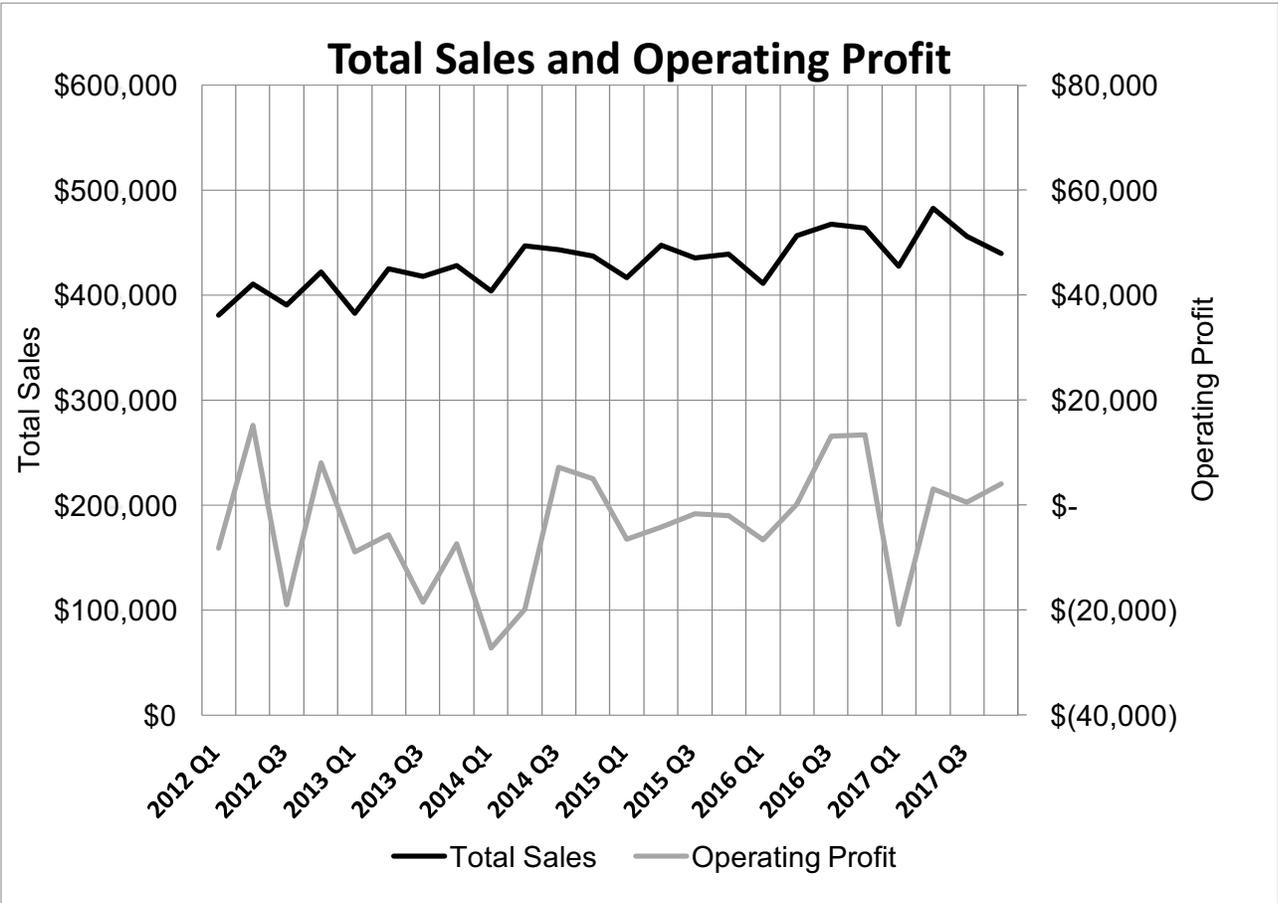
Chair: Robin McClellan

A Good Year

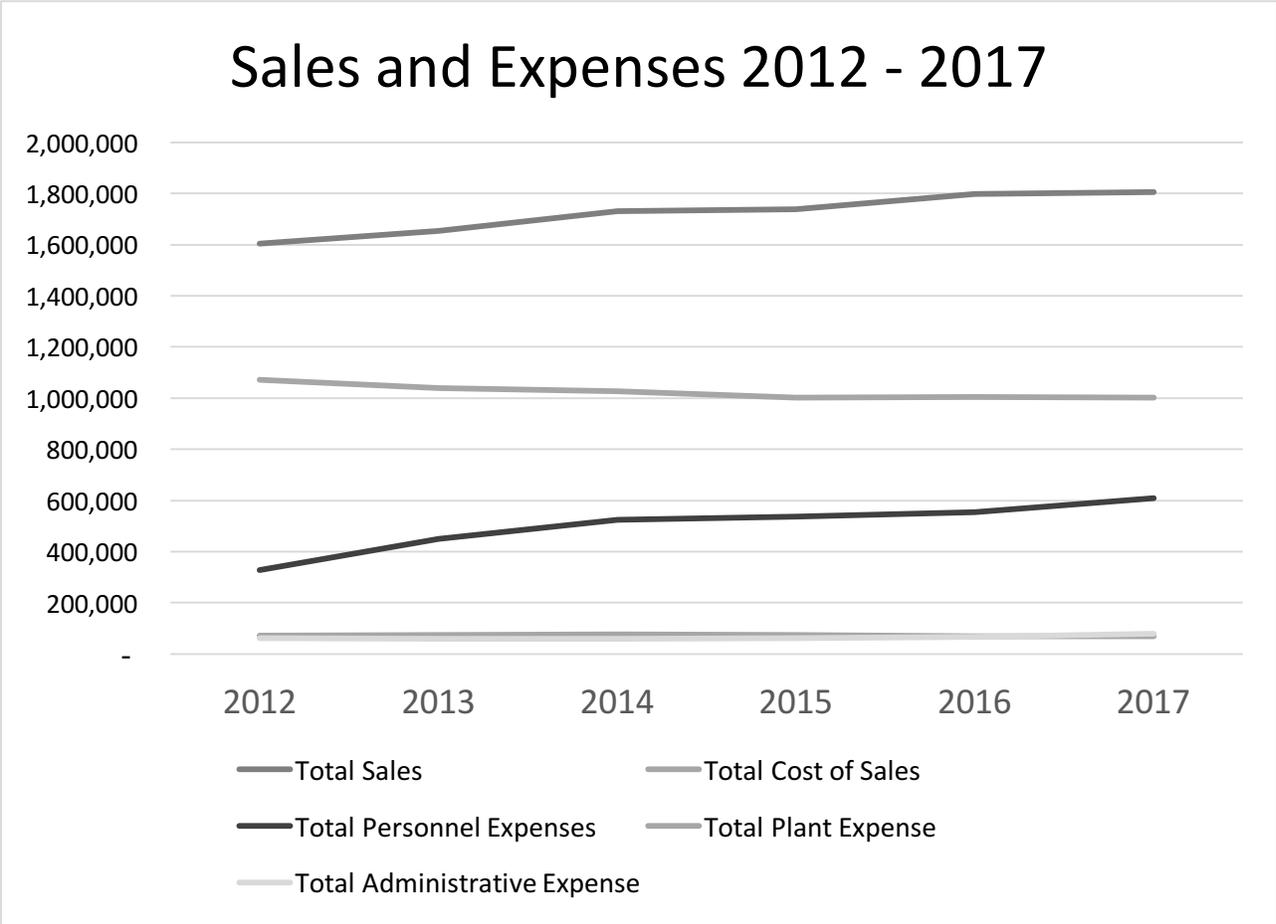
2017 was a year of variability. Co-op Sales are often impacted by weather and had some bearing on the poor sales in the first quarter of the year.

Another source of variability may be the change in accounting software. The numbers that were used to generate the charts are the first draft and may change significantly upon review. Most of the numbers presented on these charts will not be greatly impacted by these changes, but because our Net and Operating Profit are so thin, small changes may impact it significantly. Due to this uncertainty, draft financial statements have not been included with this report. At this point, Operating Profit is negative and Net Profit is in positive for 2017.

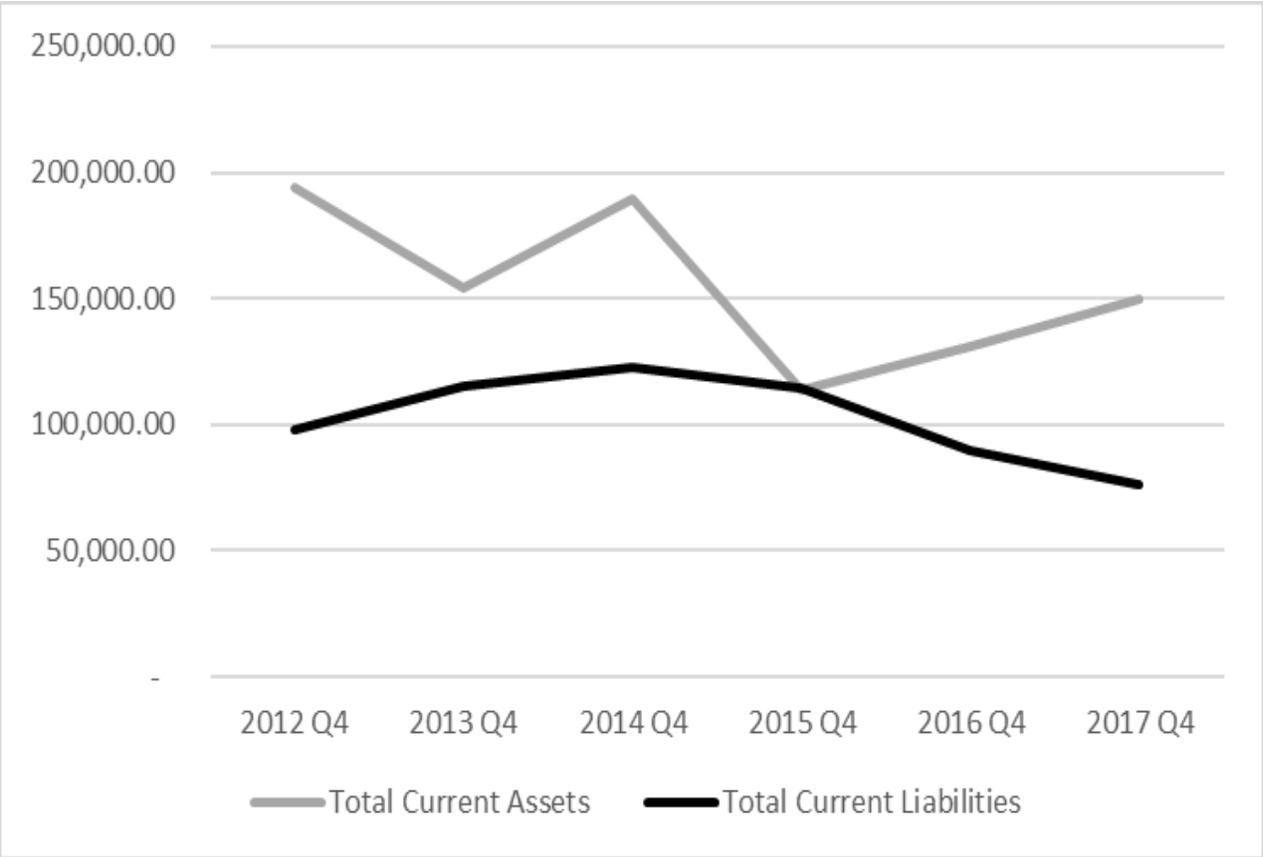
As you can see from the graph, sales fluctuate from quarter to quarter. The first quarter is generally lower, but the other quarters fluctuate less predictably. 2017 wasn't as strong in growth of sales as 2016 but sales is only one part of the overall financial picture.



The second graph tracks Cost of Sales and Personnel Cost, the major expenses, and Net Profit and Operating Profit. Personnel cost is rising and will continue to rise over the foreseeable future as the minimum wage rises. Cost of Sales, on the other hand, has dropped even while Sales has risen.



Another trend that was very heartening was continuing rise in the current assets while current liabilities remained the same. This provides a general cushion against unexpected expenses. As you can see from the graph, Current Assets have been rising for the last two years while Current Liabilities have been decreasing. The ratio of current assets to current liabilities, called the current ratio, is an measure of liquidity or the ability to pay short term debt. At 1.98, it the



highest it has been since 2012. The Co-op has no long term debt.

Underlying Issues

One of the financial concerns facing the Co-op is the rising cost of personnel. The response to this concern has been, and continues to be, two-fold. First, increased staff efficiency. Labor costs as a percent of sales have been increasing steadily over the last 5 years because of the cost of health insurance and the increase in the minimum wage. The Co-op is committed to paying a living wage and so when minimum wage has increased, wages across the board have been raised

to the extent possible. This has been offset with better use of staff so there are less hours per unit sales even though the cost has been higher.

The other approach has been to increase margins—the difference between what the Co-op pays for a product and what it sells it for. Sometimes this has meant raising prices but more often it has meant finding better prices for similar products.

Another concern is weak sales. The consensus of the Finance Committee is that long-term financial viability requires ever increasing sales volume. This does have the effect of leveraging fixed costs and should have a direct positive effect on the Operating Profit. Historically, there has not been a strong correlation between Sales and Operating Profit (see the first chart) however there is a reasonable expectation that this will be the case in the future.

Cranking out the Numbers

The main change this year in the bookkeeping was the conversion to QuickBooks. After a false start in December, Stephanie Wallace at Pinto, Mucenski, Hooper, Van House, and Company, got us up and running. This means that the annual financial statements that are attached had to be done manually and there are bound to be a few hiccoughs. Stephanie's annual review should square everything, and the reviewed financials will be posted on the website as soon as they are done.

With the new system up and running, the next step is to integrate the numbers from the point of sale system (Catapult) with the main accounting system now in QuickBooks. This will reduce the amount of hand entry and thus time and the possibility of error.

Looking ahead

From a financial perspective, the Co-op has a strong balance sheet—no long-term debt, a good cash buffer, and a good current ratio of assets to liabilities. The challenge moving forward, the challenge that will define the job for the new manager, is to keep the costs down and grow sales.

Executive Committee Report

Chair: Joseph Andriano

The committee met monthly with the General Manager to review issues related to personnel, store operations and the General Manager's performance. The committee consisted of Co-op President Joseph Andriano, Vice President Laura Cordts, Treasurer Robin McClellan, and Secretary Erica LaFountain.

Governance Committee Report

Chair: Laura Cordts

There are several tasks which Governance is responsible for every year. This includes review and proposal of revisions to our Board Policy Manual and Board calendar, which was completed last spring; and identifying, vetting, orienting, and presenting a slate of qualified Board nominees for election at the annual meeting in February.

For much of 2017 the Governance Committee was focused on researching patronage dividends and then drafting bylaw revisions and meeting materials for approval by the member-owners. This was completed at our special membership meeting on October 19.

Now we have turned our attention to crafting a set of "Ends Policies" for the Co-op. With input from our member-owners, we hope to have a draft ready after the annual Board retreat in March.

Marketing Committee Report

Chair: Samantha DaGrossa

Highlights from 2017:

- The Marketing Committee (MC) planned a joint effort with the Membership/Events Committee to hold the first-ever Potsdam Food Co-op Membership Drive:

- Focus – to increase the Co-op’s active member-owner list and to strengthen the involvement of current member-owners. Ran from April 2, 2017 to June 30, 2017 and featured a Kick-Off Party, staff incentives and prizes/giveaways
- Outcome – 50 new member-owners signed-up during the Membership Drive; the experience established a model for future drives
- Co-op Ambassadors Program:
 - What is it?
 - For those member-owners interested in being a Co-op “Ambassador” at community events and to speak at local organizations, public forums, etc.
 - What for?
 - Those who are interested will be trained to present an informed, unified message about the Co-op’s Mission & Values and the benefits of becoming a member-owner
 - To increase the Co-op’s community presence and gain new membership/increase sales
 - To have a reliable list of Ambassadors to draw from for events
 - The Co-op held two successful Ambassador training sessions in Jan. 2017, creating an Ambassadors list of approx. 10 people
- Held a One-Day Membership Drive during the 2017 Co-op Open House in Sept. 2017:
 - Focus – to increase the Co-op’s active member-owner list and to promote membership renewal amongst current member-owners
 - Outcome – 3 new member-owners signed-up / 6 current member-owners renewed their membership during the event

Plans for 2018:

- Grow the Ambassadors Program – build the Ambassadors list and clarify the list based on availability, preferences, expertise, etc.
- Expand on the Ambassadors Program idea with a Co-op Community Speakers group that will present food/Co-op-related topics within the community (ex: community organizations, universities, etc.)
- Plan two one-month Membership Drives; probably during March and Sept. 2018

- Increase social media presence and shareable content – some discussion and efforts made in 2017 to increase the Co-op’s presence on Facebook & Instagram, but the MC will discuss ways to do more
 - o As the Ambassadors will be a physical presence in the local community, the Co-op needs to expand its online presence in the social media community
- Establish and strengthen the Co-op’s relationship to local/community-based organizations, esp. those with a related mission, such as a food or local emphasis
- Update “Local Producer Posters” to emphasize the Co-op’s support of local farmers and its offerings of local products – find ways to emphasize this online too
- Continue to discuss and enact ways to attract low-income shoppers to the Co-op; what can the Co-op offer while retaining its Mission & Values
- Help plan overall marketing efforts for the Co-op based on the 2017 CDS market study and marketing proposal

IT & Web Committee Report

Chair: Eric Ochraneck

In 2017 the IT & Web committee worked diligently on a few new initiatives.

- Board of Directors wiki page (General Co-op wiki coming soon!)
- PLU Lookup via website (If you haven’t tried it yet, you can find in the Bulk section of the website!)
- Extended “usable” wifi throughout the store

We also began a project to monitor temperatures in the many freezers & refrigerators in the store. This will help the GM catch temperature issues before they are able to effect the food, helping to save time and money by reducing loss and catching maintenance issues before they become larger problems. We hope to see this project finished in early 2018.

Finally, you may have noticed a change in the calendar on the website. In late 2017 we moved to using a Google calendar so the calendar can be easily updated and maintained. This also means

that if you are a Google calendar user yourself, you can add the Co-op's to your list and never miss an event!

Membership Committee Report

Chair: Maggie McKenna

The ultimate goal of the membership committee is to provide excellent benefits to member-owners in an effort to encourage more people in our area to join the co-op. We work in tandem with the marketing committee to get the word out about how great the co-op is for shopping, of course, but also for networking and entertainment.

This year, the membership and events committee organized all of the events for Co-op members including the Fall Open House, the Baking Fest and this Annual Meeting with the help of the Board. The committee also organized a farm visit to the Kent Family Growers, which was a great success and well attended.

This committee also encouraged the board to pass the following resolution: "to remove the board policy that special orders are only allowed to be made by member-owners. Everyone should be welcome to use this service. We feel that it is more in line with our policies of inclusion and will likely lead to more member-owners and good vibes all around." The motion was passed.

This coming year, the committee is discussing holding other farm visits, owner appreciation days, and possibly some health-related programs. Additionally, we will be considering new ways to revamp our existing annual events.

We are also hoping more people will spread their joy of community networking and event planning by joining our committee! We meet on the first Tuesday of the month at 6pm above the Carriage House. If you have any ideas of things you'd like to see us working, please feel free to reach out to Maggie at mmckenna.violin@gmail.com.

Newsletter Committee Report

Chair: Erica LaFountain

In the last year, Co-op Board Members Kayla French and Erica LaFountain have assumed production of the quarterly co-op newsletter. We hope you have enjoyed the last few issues featuring local producer interviews, new recipes, co-op news and events, etc. We continue to bring you articles by Paula Youmell, a local nutritional healer, as well as new regular contributions from local doula and educator, Mary Michelak, who addresses diverse issues for new parents.

We are always looking for new material, including written submissions as well as ideas for us to address in print. We would also like to feature more local food-related artwork. Please contact us at newsletter@potdamcoop.com with submissions, or to inquire about submission guidelines.

Conclusion

Board President: Joseph Andriano

When I'm not being President of the Potsdam Co-op, I have the pleasure of working as a professor at Clarkson University, when I interact with students from around the region and around the world on a day-to-day basis. When students hear that I am President of the Co-op, it often leads to a lengthy conversation about how much they love the idea of local food and local business.

The Co-op was founded 45 years ago on the principle of supporting local, sustainable agriculture and business, on the idea that we are stronger together supporting one another in supporting a place that we can feel good about buying our food, knowing we are getting products that not only nourish ourselves, but nourish our community.

It is important for us to remember, as we go through such major changes in the coming years, that young people today are thirsting for businesses like the Co-op. They want to support healthy, local food choices that are connected with the communities that they are in, but sometimes don't know how. One thing that each of us must ask ourselves, as supporters of this

great experiment in local food systems and local economies, is how can the Co-op reach out to the next generation? How can the Co-op model operate in a way that keeps its values while becoming a part of the 21st century economy? Answering these questions is critical for us to remain viable for another 45 years and beyond.