



# ANNUAL REPORT 2022

REPORT FROM LIZZY HAYWOOD, CEO

## A Cooperative Business is a Resilient Business

The PFC story is one of people seeking new ways to provide for each other. A counterculture with a hunger to build community outside the industrial food system. People looking to regain control from a system more interested in profits than people. The founders of People's Food Co-op—and co-ops across the country—were inspired to action, to create social change and equality with commonly-held capital. In Rochester and La Crosse there were different players and pathways, but the motivation was the same: put the choice in people's hands.

In the 50 years since, food production, distribution and access have changed tremendously. Our co-op has expanded to meet the needs of our customers in ways not imagined in 1973. Through the cooperatively-owned business, we have an inherent continuity of mission. The world is rampant with consolidations, but our business evolves through community ownership and can change to meet new needs and desires. Our longevity is more evidence of cooperatives as a sustainable business model, serving people who invest and use its services.

During 2022 we modified and rebuilt services which had changed during previous two years. After a pandemic-related hiatus we were delighted to participate in events like Earth Day Fair and Juneteenth, a Roller-skate Disco and health fairs at universities. We made inroads to reduction of food waste through a partnership with 125 Live. These are examples of how a cooperative attends to Principle 7: Concern for Community.

Putting action behind our 8th Principle: Respect for Diversity, we established new standards of inclusion in the workplace through training and policy development, and introduced the Inclusive Trade label to promote businesses owned by people who are typically marginalized in the food industry.

Expansion of our Co-op Basics program made organic foods more affordable last year, mitigating the impact of historic inflation rates. This is one way we achieve the goals of our 2nd Ends statement: Provide high-quality, safe food, at fair prices, with an emphasis on local, organic, fairly traded and natural goods.

We faced big challenges last year, too. For example, inflation rates impacted everything in our business—

not just the cost of the food but the cost of packaging, grocery bags, utilities, and services. Gross margin suffered as we struggled to balance what costs we could pass along to the consumer. Ingredients which are the core of our Deli programs became very expensive. We are meeting this challenge with strategic pricing, and updates to our production systems.

Another challenge is one that businesses across the country are facing: recruitment and retention of team members. Solving that issue takes a multi-pronged approach over many months, addressing benefits, training, cultural improvement, and investment in recruiting efforts. This work is ongoing.

As important as a food co-op can be, it is just one piece of a larger network which sustains a community's health and well-being. Farmers, producers and creators make up the fabric which bonds us. They build the soil and bring sustenance to our tables. And there are thousands of co-op owners who put much more than their groceries dollars into good food. They are working on many fronts to establish better health for all people. The co-op is embedded in this network, and we all benefit through the sustainable community we're building together.

# 2022 FINANCIALS

For questions on financials, contact Lizzy Haywood at [liz.haywood@pfc.coop](mailto:liz.haywood@pfc.coop), or Robin Roberts, Board Treasurer, at [robin.roberts@pfc.coop](mailto:robin.roberts@pfc.coop).

## CONSOLIDATED STATEMENTS OF INCOME

	Audited Sept. 2022	Audited Sept. 2021
Total sales	21,505,222	21,781,853
Cost of goods	13,799,014	13,595,896
Gross margin	7,706,208	8,185,956
Operating expenses		
Personnel	4,739,863	4,940,654
Occupancy with depreciation	1,448,530	1,382,014
Operating expenses	958,913	933,664
Advertising/Promotions/Sponsorships	224,599	257,212
Administrative expenses	252,691	280,899
Net income from operations	81,612	391,513
Other income	111,740	96,640
Governance	23,802	23,601
Owner 5% discounts	241,937	239,128
Employee retention tax credit	630,838	0
Interest & other expenses	(137,356)	(147,393)
Income before taxes	421,073	77,859
Provision for income taxes	1,488	53,560
Net income	422,561	131,419

## CONSOLIDATED BALANCE SHEET

### As of September 25, 2022 and September 26, 2021

	Audited Sept. 2022	Audited Sept. 2021
Cash	1,227,264	1,888,390
Accounts receivable & prepaid expenses	108,881	74,821
Tax credits and loans receivable	704,400	73,376
Inventory	1,115,987	1,003,983
Net property, equipment & loan cost	4,707,840	4,878,333
Other assets	726,050	707,399
Total assets	8,590,422	8,626,302
Accounts payable & accrued expenses	998,027	1,155,120
Other total current liabilities	1,256,395	1,413,488
Long-term debt	2,232,731	2,454,485
Total long-term liabilities	2,305,828	2,573,272
Total liabilities	3,562,223	3,986,760
Owner Shares: A & B stock	1,281,917	1,233,767
Owner Shares: C-stock (preferred shares)	2,734,997	2,684,994
Retained earnings	209,684	(80,820)
Other owner equity	801,824	801,601
Total owner equity	5,028,422	4,639,542
Total liabilities & equity	8,590,422	8,626,302

# 2022 FINANCIALS

## CONSOLIDATED STATEMENT OF CASH FLOWS

For twelve months ending September 25, 2022

	Audited Sept. 2022	Audited Sept. 2021
Net income (loss)	422,561	131,419
Depreciation & amortization	442,477	429,170
Deferred income taxes	(7,000)	(51,000)
Changes in liabilities	(157,093)	43,025
Net cash flows from operating activities	(133,298)	525,754
Net cash flows from investing activities	(272,170)	(236,201)
Proceeds from issuance of common stock	48,150	55,000
Redemption and dividends on preferred stock	(82,054)	(260,107)
Payments on long term debt	(225,037)	(225,036)
Net cash flows from financing activities	(255,658)	(426,885)
Net change in cash	(661,126)	(137,332)
Cash at end of year	1,227,264	1,888,390

### OUR EIGHT COOPERATIVE PRINCIPLES

- ① *voluntary and open membership*
- ② *democratic member control*
- ③ *members' economic participation*
- ④ *autonomy and independence*
- ⑤ *education, training, and information,*
- ⑥ *cooperation among cooperatives*
- ⑦ *concern for community*
- ⑧ *respect for diversity*

## TREASURER'S REPORT

In 2022, there were many challenges and hard times. However, I am happy to report that we continued to grow membership at a healthy rate—welcome to the 600 new member-owners! We also made gains on the slow and steady work of paying the co-op's loan and reducing our Debt-to-Equity Ratio. The balance sheet for the co-op remains healthy.

In 2022, owners made up 55% of total sales. In total, owner 5% discounts totaled approximately \$300,000 and Wellness discounts saved 3,903 owners a total of \$36,460.

There are still challenges. Each store, city, and community, is facing unique difficulties. After the pandemic and in the face of inflation, shopping habits changed. We are working to stay attuned to these changes and the needs of owners and communities, and ensure that the co-op is financially healthy.

For the year ended September 25, 2022, People's Food Co-op reported \$21.51m in sales and \$422,561 net income, a decline in net sales and a rise in net income compared to 2021.

Revenues were lower primarily due to decreased sales in vitamins and body care, meat and alcohol sales. We experienced large volume increases in deli, bakery and produce, compared to the previous year, and varied performance in center-store grocery. The number of customer transactions per week increased slightly in 2022 and the average amount spent at each transaction decreased by 3.5%, compared to the year before. This indicates that shoppers were spending grocery dollars at other retailers, a habit that wasn't as common in 2021.

Operating profit was 0.4% of sales, down from 1.8% in 2021. Most of this decline can be attributed to erosion of gross margin, an outcome of the inflationary environment. Occupancy costs for repairs and maintenance also hit the bottom line, a factor of replacing aging equipment. Several key equipment investments were made in 2022.

For FY2022, EBITDA (earnings-before-tax-depreciation-and-amortization) decreased from 3.2% to 1.7% compared to 2021, below our standard. EBITDA illustrates both profitability and potential cash flow available for compensation, debt reduction, and funding preferred share dividends. Management and the Board of Directors are focused on reserving cash and on generating positive cash flow at each location.

The net profit achieved in FY22 was due to booking the Employee Retention Credit, a pandemic-era program which rewarded businesses for maintaining the workforce during reduced business times.

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The Board considered the issuance of patronage refunds and decided not to declare any patronage on profits for FY22, for two reasons. First, the net profit achieved was due to a one-time influx but operational income was small. Second, due to a federal tax rule benefit called a Net Operating Loss carryover, there was no additional tax protection from patronage.

It should be noted that owners achieve a significant amount of benefit through use of the monthly

discount structure. About 2% of the total spent by owners last year was then returned in discounts at the time of sale. The complete audited financial statements for 2022 are available upon request to [board@pfc.coop](mailto:board@pfc.coop).

— Elizabeth Leighton  
*Treasurer in 2022, People's Food Co-op  
Board of Directors*

## 11,745 TOTAL OWNERS

We would like to extend a sincere thank you to all of you who shopped with People's Food Co-op in 2022.

## PFC MISSION

Working together to build a sustainable community, while treating all people with kindness and fairness.

## GLOBAL ENDS POLICY

**People's Food Co-op is people working together to build a sustainable community.**

### END 1

People's Food Co-op will work to educate, expand, empower and engage a community centered on food, health and sustainability.

### END 2

People's Food Co-op increases the availability of high-quality, safe food, at fair prices, with an emphasis on local, organic, fairly traded and natural goods.

### END 3

People's Food Co-op will work to achieve and maintain profitability while operating in accordance with the eight cooperative principals.

## LEADERSHIP TEAM 2023

Lizzy Haywood, CEO  
Jason Krautkramer, La Crosse Store Manager  
Matt Hartz, Interim Rochester Store Manager  
Kim Ingalls, HR Director  
Ann Mull, Marketing Director  
Gina Prange, Food Service Director

## 2022 BOARD OF DIRECTORS

Verna Simon, President, Sarah Miller, Vice President, Andrea Niesen, Secretary, Elizabeth Leighton, Treasurer, Lana Christian, Hunter Downs, Meghann Southwick

## 2023 BOARD OF DIRECTORS

Elizabeth Leighton, President, Sarah Miller, Vice President, Andrea Niesen, Secretary, Robin Roberts, Treasurer, Lana Christian, Michael Sersch, Verna Simon, Thomas Halada, Elizabeth Gamble

Contact the Board at: [board@pfc.coop](mailto:board@pfc.coop)





# ANNUAL REPORT 2022

## BOARD PRESIDENT'S REPORT

Fifty years on, so much remains the same at the co-op—we remain committed to our owners and communities. Though with every season and every year, the co-op changes, some years a little and some years a lot. I remain grateful for all that members



*Elizabeth Leighton,*  
2023 Board President

and employees bring to the co-op whether they are part of the community briefly or for a long time. I was privileged to meet members at the Annual Meeting who have been part of the co-op for many decades and even more privileged to work with some of the earliest members when I was a grocery clerk.

In 2022, change came to the co-op in the form of inflation and new economic conditions. I assume few of us are enjoying this era of inflation and uncertainty; I am not.

Nonetheless, here we are. And as a result, the co-op has made internal changes to adapt, but maintain our goals and values as best we can.

Some changes have been welcomed with excitement—the addition of sushi to Rochester brought to us by Neng and Seng Vue. New registers in both stores were a lovely upgrade. The addition of an app for shopping went live (a *huge* thank you to all the staff who made this possible). Classes returned to the community room in La Crosse.

Looking ahead to 2023, change is not only coming from forces outside the co-op, but we are making changes from within the co-op.

One of the changes is a new Board President (hello, there). Additionally, the Rochester has an interim store manager who comes to us from Columinate and New Pioneer Co-op. Matt Hartz is a very experienced general manager who is bringing decades of varied experiences to the Rochester store to share knowledge and skills with the team. I look forward to learning from Matt and am thankful that he is joining us, even for a short time.

The Board will keep a close eye on changing conditions and needs. At the same time, an important part of the policy regarding the Board's role is to look outward and toward the

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## REFLECTIONS FROM OUTGOING BOARD PRESIDENT

When I became the interim president in late 2019, I was looking forward to working with our new Board members. The group was diverse and vibrant and creative. We had a good in-person Board retreat in early February 2020, and I believed we were on track to do great things for the



*Verna Simon,* outgoing Board President

Co-op in the year ahead. And then everything stopped. With the pandemic, political issues, social instabilities, and racial unrest all working against us, looking back, I am impressed and proud of the PFC's ability to make it through. We were not perfect; we made mistakes and missteps. Our finances were rocky, and we cycled through Board members and staff. There is still much work to do,

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\$19.6k



Wellness discount—owners saved over \$19,651 using their wellness discount

\$240k



Owners saved over \$250,000 using their monthly 5% discount

20%



Almost 20% of our total sales are from local suppliers to PFC

\$14.3k



Round up program at customer check out raised \$14,284.

55%



Of total sales from member purchases

22%



22% products certified organic

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future. Much as the co-op seeks to balance, fair pay to farmers, producers, employees and offering fair prices to members and the broader community, the Board will balance its roles.

I would also like to take a moment to offer a thank you to Verna Simon for serving as the Board President since June 2019.

— Elizabeth Leighton  
*President, People's Food Co-op Board of Directors*

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but now in 2023, we are stronger thanks to all of you. As owners and shoppers, you understood the relevance of owning and controlling your own store. Your participation in virtual events and annual meetings told us you wanted to stay engaged with PFC. Your masked in-person shopping trips and curbside pick-ups told us you still wanted to shop at PFC. And your calls and emails, to either praise or criticize, told us that you love PFC enough to voice your concerns in the hopes of making the store better.

I am still on the Board of Directors, but I have stepped aside for a new President (Elizabeth Leighton, who is going to be awesome!). I want to thank everyone for all the support over the eight years I've been on the Board, and I'm especially thankful for the support during the height of the pandemic. I am always thankful for the interactions with owners, shoppers, and community members at large. And I am always grateful for the terrific staff who keep this enterprise running.

This year, I will be out more in the stores and in the community to see many of you in person, so please do say hello and tell me how much you love the People's Food Co-op. It always warms my heart to hear it.

Be well!  
Verna Simon