



# 2017 ANNUAL REPORT



# 2017 G.M. REPORT: SURVIVING & THRIVING

## DAVID LESTER, GENERAL MANAGER

While the majority of Co-ops across the U.S. face negative or flat sales growth due to fierce competition from conventional retailers to Whole Foods (Amazon) to online retailers like Blue Apron, our store continues its focus on our mission and Ends to guide our work.

We experienced our slowest rate of sales growth ever since we moved the store to our current location in 2008. We have experienced this fierceness of competition in the grocery world for almost three years and I am proud to say that we have survived and become a better business because of it. The good news is that we have worked really hard to keep sales growth and net income positive. We have focused on addressing staff wages and have increased our lower paygrades by 10% each year the last two years. 100% of our staff have wages above the living wage for Winneshiek County. We increased our staff retention rate to its highest level since 2014 and currently have 57 employees. Focusing on more competitive pricing, outstanding customer service and planning for a future major store remodel and possible expansion will be our focus for 2018. Thanks to the more than 5,000 member/owners who make our little store in northeast Iowa a big deal!

People, Planet, Profit:

- More People! 188 new members joined us in 2017 bringing our total membership to 4,995.
- Our Energy Star building portfolio indicated our lowest year of energy usage in five years! Our Energy Star building rating went up 4 points to 96/100.
- Despite a difficult and challenging year, we managed to report a small profit at the end of 2017. Seven out of the last eight years have achieved a positive net income!



### SALES

Cost of Goods Sold

### GROSS MARGIN

### Operating Expenses:

Personnel

Depreciation & Amortization

Facilities

Marketing

Supplies

Interest

Discounts

Patronage Dividend

Other Operating Expenses

### PROFIT ON OPERATIONS

### Non-Operating Revenues & Expenses:

Less Board Expenses

Plus Other Revenues

### EARNINGS BEFORE INCOME TAXES

Income Taxes

### EARNINGS AFTER INCOME TAX

2017

2016

\$5,172,125

\$5,146,954

\$3,182,337

\$3,133,669

\$1,989,788

\$2,013,285

\$1,423,800

\$1,375,777

\$84,282

\$84,537

\$178,981

\$173,995

\$72,102

\$79,103

\$64,092

\$56,902

\$26,736

\$30,116

\$66,226

\$71,961

(\$0)

(\$3,741)

\$107,807

\$113,496

(\$34,238)

\$31,139

\$10,387

\$14,230

\$47,080

\$35,250

\$2,455

\$52,159

(\$2,139)

(\$13,475)

\$316

\$38,684





# Building Our Balance Sheet



## 2017 by the Numbers

**Annual Sales: \$5,172,125**

**Total number of employees: 57**

**Employees working 30 hours per week or more (full-time): 32**

**Average hourly wage paid to employees: \$13.31**

**Total number of member/owners who have equity with us: 4,995**

**Percentage of sales to member/owners: 76.5%**

**Number of new member/owners: 188**

**Total member/owner investment: \$1,029,557**

**Total donations to our community: \$7,521**

**Sales to local vendors: \$1,280,419 (24% of total store sales)**

| Assets                          | 2017               | 2016               |
|---------------------------------|--------------------|--------------------|
| Cash                            | \$122,654          | \$220,650          |
| Other Current Assets            | \$236,828          | \$209,897          |
| Property/Equipment              | \$1,347,141        | \$1,392,268        |
| Other Assets                    | \$84,354           | \$74,452           |
| Total Assets                    | \$1,790,977        | \$1,897,267        |
| Liabilities                     |                    |                    |
| Current Liabilities             | \$316,472          | \$386,789          |
| Long-Term Liabilities           | \$444,948          | \$501,944          |
| Total Liabilities               | \$761,420          | \$888,733          |
| Equity                          |                    |                    |
| Member Shares                   | \$500,758          | \$479,951          |
| Preferred Stock                 | \$67,150           | \$67,250           |
| Retained Earnings               | \$357,355          | \$318,671          |
| Retained Patronage Dividends    | \$103,978          | \$103,978          |
| Net Income                      | \$316              | \$38,684           |
| Total Equity                    | \$1,029,557        | \$1,008,534        |
| <b>Total Liabilities/Equity</b> | <b>\$1,790,977</b> | <b>\$1,897,267</b> |

On the balance sheet side of the story, we lowered our long-term debt by more than \$104,000. We paid off our last member loans in 2017 and we have significantly lowered the balance on our mortgage for the current building. This did take some of cash reserves but has put us in a good position to take on more debt in the future for a potential store remodel and expansion. Member equity continues to get stronger due to positive net income the last six years and increasing membership.

- Member shares increased by 4.3%
- Total equity increased by 2%



# Greetings from the Oneota Co-op Board of Directors

## BRITA NELSON, BOARD PRESIDENT

The year 2017 was our 44th year in business and was a tough one for many co-ops across the country. We witnessed the closing of multiple stores and negative sales growth with many others. On a local level, we saw increased competition in the organic and natural foods market coming from big-box retailers and mail-order food prep companies alike.

While we did not meet sales growth targets in 2017, the excellent work of Oneota Community Co-op (OCC) staff led to our store remaining in the black. We realize that every day, customers have a choice where to spend their grocery dollars and we know we will have our work cut out for us this year and beyond. Despite these tough conditions of 2017, OCC raised staff wages, donated generously to our larger community, paid down debt, and made progress toward our strategic initiatives and other innovative projects.

As a board, we have frequently discussed our role in aligning policy and strategic endeavors to best support the mission and long-term viability of our Co-op. We want lower prices. We want higher staff wages. Both are so vitally important. Our strategic priorities, revised in 2015, address both. In addition, they address the work before us related to the physical use of our store. In the year ahead, the board will be undertaking the important work of analyzing our options related to potential renovation/expansion of the existing



Co-op building. To that end, the board has approved formation of an ad hoc committee comprised of members of the board and other member/owners. The committee's purpose is to analyze OCC's financial position, projected financial implications, and opportunities of the project.

As I contemplate the gravity of the decisions before us, I frequently think of the work and passionate commitment of past OCC leaders. Through their work and fierce dedication to cooperative principles, nourishing food and products, we have come from humble beginnings to being a major player in the Decorah grocery market. It is no secret to those who love our Co-op, that we have created something more than a grocery store. It is the community of OCC which has supported growth through the last 44 years, and it will be the community that sustains us into the future. We have confidence that the vibrant community of staff, member-owners and local grower/producers will keep us strong in a continually difficult market. We are grateful to all our member/owners for their patronage over the past 44 years. Thank you for being part of the Oneota Community Cooperative.

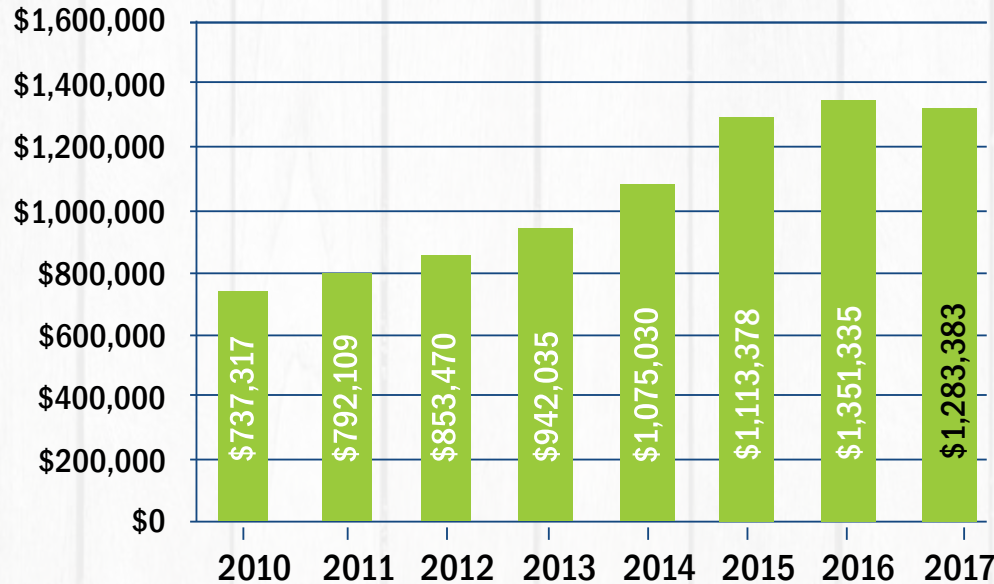
## MISSION STATEMENT

*The mission of the Oneota Community Food Co-op is to build vibrant communities and ecosystems by providing organic, locally produced and bulk foods, as well as other products and services that are sustainable for those who consume and produce them.*

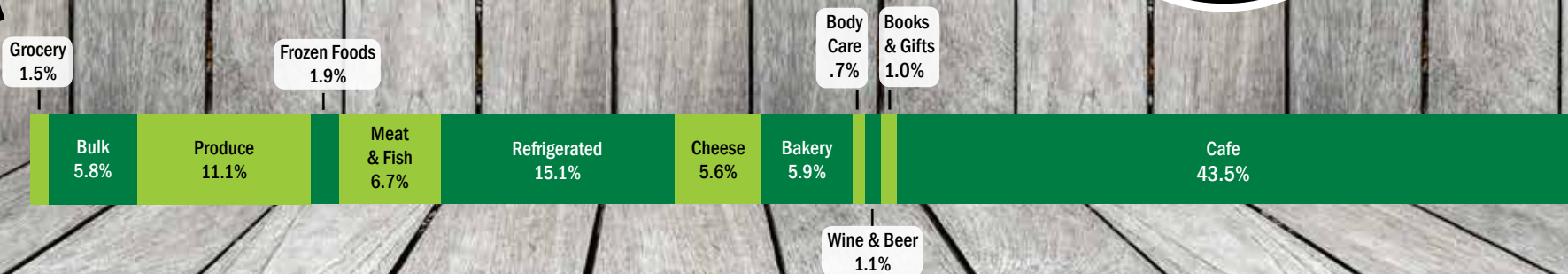


# OUR COMMITMENT TO LOCAL

## ANNUAL LOCAL SALES



At the Oneota Co-op, we define local as any product grown, produced, roasted, processed, or packaged within approximately a 100 mile radius of the Co-op.



2016 Percentage Total Store Sales = 26%

Sales in Dollars = \$1,351,335

2017 Percentage Total Store Sales = 25%

Sales in Dollars = \$1,283,383



# JUSTIN SKARIN SOUS CHEF

## EMPLOYEE SPOTLIGHT



This year's employee spotlight is Justin Skarin. Justin started as a Creative Lunch Cook and was just recently promoted to a new position of Sous Chef. Justin brings several years of cooking in the co-op world as you will read below. He is often working hard behind the scenes in the kitchen creating delicious dishes for our hot bar.

### **So, what is a typical day like for you at the Co-op?**

Short answer: busy. There's never a dull moment with so many mouths to feed. From the moment we're in the door until the end of the day, we hit the ground running to keep food flowing and customers happy. It's a mild thrill, to be honest, to keep ahead of the pace and successfully get through an afternoon of customer waves without leaving anyone empty-handed. I'm told that summers get pretty wild, so I've gotta work daily to reassess how much we're making to keep that perfect balance; but that makes every day a new opportunity to do it better.

### **Tell us a little bit about your journey to our Co-op and how you got to the Decorah area...**

I had been working at Wheatsfield Co-op in Ames since 2012; that's where I had called home and also where I happened to meet my wife. Last year, however, Hannah received a position with the State Historical Society of Iowa to be the site manager of the Montauk governor's mansion in Clermont, so it was natural that I transition to a position with Oneota (we would become members and shop here often enough, anyway). I'm grateful for the welcome I've

received and couldn't have expected a better fit for my goals. And to top it off, our best friends from Ames have roots in the area, so we'll never have to feel too homesick as long as they keep visiting their mother!

### **What are your favorite styles of cooking?**

I've been cooking for a few years so far, but I have yet to narrow down a favorite style; which is frankly my favorite part of cooking in a Co-op. From Indian cuisine to Hispanic dishes to homestyle midwestern fare, there's no limit to the possibilities while cooking in a grocery store! If I had to choose what most excites me, it's the challenge of making recipes that cater to dietary restrictions without sacrificing on a dish's character.

### **If you were on a desert island, but could have one meal, what would it be?**

Whatever the locals are eating!

### **What do you like to do when you're not working?**

I have a wide variety of hobbies and four dogs to keep me busy. I'll dabble in woodcraft, guitar, hiking, drawing, video gaming, and graphic design; among other activities I enjoy but don't have the patience to master. Hannah also keeps me busy with volunteer work at the historic site, as well as crafting vegan dishes and adopting Italian Greyhound rescues.



# OUR MEMBERSHIP CONTINUES TO *grow*

*...and so does total member equity!*

2017: 4,995

2016: 4,846

2015: 4,703

2014: 4,505

2013: 4,279

2012: 3,976

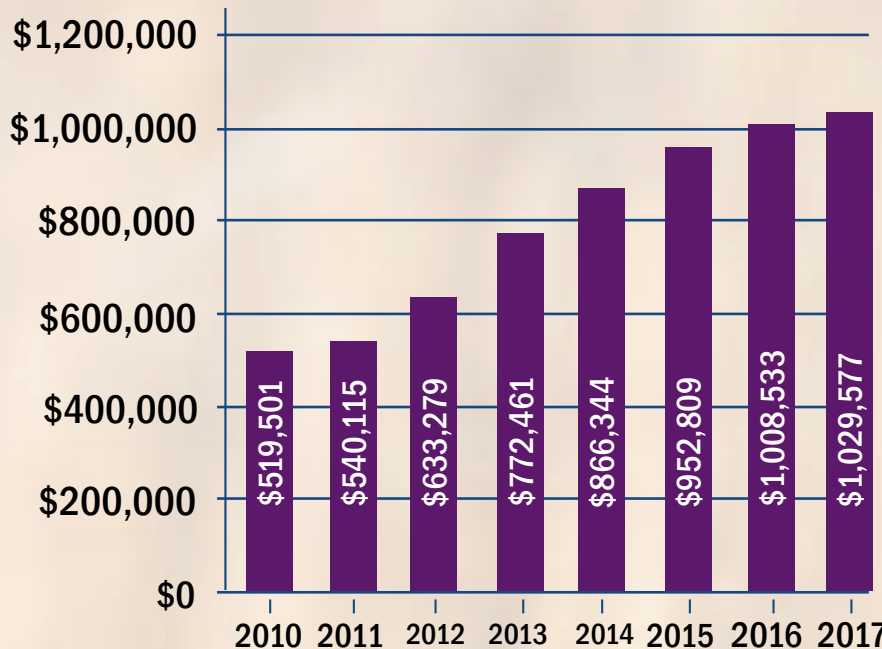
2011: 3,701

2010: 3,531

2009: 3,241



TOTAL MEMBER EQUITY



Keeping it  
*Local*

We want to personally thank all of the 188 new member-owners that signed up in 2017 which brings our total membership to 4,995. As a member/owner of our Co-op, you directly support a local business that contributes approximately 45 cents of every dollar spent in our store to our local economy.





# 2020 VISION: REMODEL/ EXPANSION UPDATE

Last summer we had a feasibility study done by the National Cooperative Grocery Development Cooperative. This study included a market study, an initial set of architectural drawings and a pro forma that gives us detailed financial information to help our board of directors and management make the best decision before investing in a store remodel. An ad-hoc committee is being formed on this subject which include current board members, management staff and members with financial savvy. We know that we are overdue for a refresh of our store and we are in need of updating some departments to better serve our membership as we get closer to the year 2020.

Our 2017 Member/Customer survey gave us valuable information to use as we research what will be best to improve in our store. We concentrated on getting 100% of our staff above the living wage for Winneshiek county and we know that we have to make more improvements operationally before we take on a large project like a remodel/expansion. Members told us that they want to see more local meat options, more fresh produce and that our Café/Deli needs improvement. We are listening and realize the opportunities that these departments have for our member/owners and the ever-increasing tourist traffic in Decorah.

Stay informed of this decision by reading our future board meeting agendas and other information on our website and in-store signage as we get closer to this exciting project.