



# LETTER FROM THE BOARD CHAIR

RYAN PANKAU, BOARD CHAIR

Food cooperatives have a special and unique relationship with their owners. Our Co-op is owned by you, the owners, and ownership in the Co-op is open to anyone willing to take on the responsibility and enjoy the rewards. In addition, the Co-op is democratically governed by an elected Board that acts on behalf of the owners. The Neighborhood Co-op Grocery Board of Directors has been quite busy this year discussing the shared values held by our owners and using that as the foundation from which to plan for the future and implement new ideas to better connect with the Co-op ownership.

This year, the Board has taken steps to provide better access for owners who wish to participate in the governance of the Co-op. Due to recent upgrades to the Co-op Community Room, we are now able to hold our Board meetings at the Co-op, and all owners are welcome to attend any of our meetings as a listener. If you wish to share something at a Board meeting, a new process was designed this year that more easily allows owners to be included on our meeting agendas. Please join us for a Board meeting sometime soon. We would love to hear from you, and a free Co-op meal is always provided!

Every three years, the Co-op management and the Board participate in a Strategic Planning Process. The result of this process is a Strategic Plan that articulates the Co-op's goals and objectives for the coming years. This plan helps us stay on track with the Co-op's mission, ends policy, and our vision for its future. This past year, we worked diligently to update our Strategic Plan. In July, the Board and management met for a day-long retreat where we used a scenario planning exercise to brainstorm and gather ideas. In early 2017, the new plan was finalized. A great deal of time and thought went into this plan, and I would like to express my thanks to the Co-op staff and Board for their efforts.

During the Strategic Planning Process, the Board spent significant time considering the values of our owners. We continually asked, "Does the direction we are guiding the Co-op accurately reflect our owners' values?" This question is often challenging for the Board to assess as we are primarily focused on making data-driven decisions, and relevant data can be difficult to attain or analyze. Some of the data we consider comes from interactions with owners at Co-op events, and other sources, but a large part of our data is derived from surveys that are sent out to the owners. Over the coming year, the Board will work to develop an Owner Values Survey. Please watch for this survey and contribute your input – it really does make a difference! Our Board truly appreciates any and all owner input in these surveys and through other means as well. The last Owner Values Survey had a great response. Thank you! Please keep up the tremendous feedback!

The Board has already started working on many of the items on our agenda for the coming year. This year, we plan to take an in-depth look into our policy with a focus on streamlining processes. With guidance from a national consultant for co-ops and review of policies adapted by other co-ops, we hope to greatly improve the efficiency of our governance process. In addition, a large part of the 2017 workload for the Board will be to explore the possibility of issuing patronage dividends this year. We plan to work closely with management to further assess this exciting opportunity, and we hope to offer this great benefit to our owners in the very near future.

As always, the Board welcomes your feedback and collaboration. Please feel free to attend one of our Board meetings, talk to a Board member at a Co-op event, or email us at [Boardlink@neighborhood.coop](mailto:Boardlink@neighborhood.coop).



Word cloud of the top 20 words from the Comments Section of the 2013 Owner Values Survey. Each word's size is relative to the number of times it appears in an owner response, with larger size indicating a greater number of responses.



# TREASURER'S REPORT

RICHARD THOMAS, BOARD TREASURER

Neighborhood Co-op Grocery sales grew 2.0% in 2016 to \$4.82 million. After many years of strong growth, sales have been relatively flat for the last 4 years. Structural changes in the natural products industry along with a stagnant local economy have created a “new normal” in which any growth is an accomplishment. Our co-op outperformed our peers in the central corridor of the National Cooperative Grocers (NCG) which had negative sales growth as a group in 2016.

Net income was roughly \$41,000 or 0.8% of sales in 2016, which was close to budget. As the graph below shows, the Co-op’s net income peaked in 2013 and has been generally declining since that time. Net income has

fallen off for NCG co-ops as a group over the same period as a result of reduced margins and increased personnel costs. Our co-op, like others, has lowered margins in recent years in order to better compete with conventional grocery stores that offer similar products. At the same time, personnel costs have gone up due to growth in wages and increased costs of benefits, especially health insurance.

Eight years in a row of net income has finally erased the large Net Operating Loss (NOL) carryforward that the Co-op accrued in the early years in the current store. As a result, the issuance of patronage dividends will become a realistic possibility for the first time since 2004. The Board and management will be learning

more about this complex topic during the coming year in anticipation of having 2017 net income to distribute.

The Co-op’s balance sheet continued to grow stronger in 2016 with the Debt to Equity ratio reaching its lowest level in ten years at 1.64 as of December 31. This indicates that the Co-op’s assets are increasingly financed by owner equity rather than debt. In 2016, the Co-op extended a loan from the City of Carbondale for another three years. The interest rate on this loan is only 3% and extending it allowed us to buy the new POS system with cash. Owner loans continue to be the largest component of our long-term debt.

