

2017

NEIGHBORHOOD CO-OP GROCERY

[ANNUAL REPORT]



published by:

NEIGHBORHOOD CO-OP GROCERY

OUR STORE

1815 W Main Street, Carbondale IL 62901
Open Daily 7am - 10pm
www.neighborhood.coop

The Neighborhood Co-op is a cooperative grocery store owned by members of our very own community. Most of our staff are even owners! We are a founding member of the National Cooperative Grocers, a network of more than 200 cooperative grocery stores all across America. We combine our buying power to bring you the best food at the best value while staying locally governed. We work hard to support our community and improve our local food system.

OUR MISSION

Neighborhood Co-op Grocery aims to serve the needs of its owners and patrons by providing wholesome foods, economically, in the cooperative tradition and in ways that best promote the health of the individual, the community and the earth.

DIRECTOR OF DESIGN

Amy Dion
amy@neighborhood.coop

CONTENT BY

Francis Murphy
Amy Dion
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Susan Barry

ECO PRINTING

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QUESTIONS

Email info@neighborhood.coop or call 618.529.3533 x207

2018 BOARD MEETINGS

*Meetings happen once a month
6pm • Co-op Community Room
All owners are welcome!*

See neighborhood.coop for meeting dates

BOARD OF DIRECTORS

Richard Thomas, Chair
Kristy Bender, Vice Chair
Susan Barry, Treasurer
Lauren Bonner
Margaret Anderson
Simeon Grater M.D.
Mary Avery

Contact the Board at:

Boardlink@neighborhood.coop

2017

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MEET YOUR CANDIDATES



FROM THE GENERAL MANAGER

FRANCIS MURPHY

2017 was another challenging year for Neighborhood Co-op for familiar reasons. The local economy is noticeably contracting and area conventional grocers continue to pick up their game. The declining local economy can be traced, of course, to the steep enrollment decline at Southern Illinois University (SIU), which has 6,000 fewer students on campus than 10 years ago. This has resulted in tens of millions of dollars no longer circulating locally. A more direct impact on the Co-op has been the loss of 1,200 positions at SIU over the past 3 years. The best predictor of whether someone will shop at the Co-op is their level of education. Loss of jobs at SIU means that we are losing the people mostly likely to support us.

We know from our marketing surveys that Kroger is mostly where our customers shop other than the Co-op. Kroger is one of the largest retailers in the world as measured by revenue and currently operates over 2,600 stores in the United States under two dozen banners. The introduction of the Simple Truth private label line in 2012 represented a clear investment in growing sales of natural and organic products. Simple Truth generated \$1.7 billion in sales in 2016 and the brand's sales grew 19% in the third quarter of 2017.

The Carbondale Kroger completed a \$6.6 million remodel to their 65,000 square foot store in 2017. New additions include a gourmet cheese shop, expanded fresh sushi, gourmet pizza and a new soup and salad bar. The existing Starbucks was relocated to an addition on the south side of the building. The expansion project also created space for a sorting facility for Kroger's online ordering and curbside pickup program.

The retail grocery world is changing rapidly. The big news of 2017 was Amazon's acquisition of Whole Foods Market. It is not clear what technology based services by this e-commerce giant will mean for the future of the grocery

business. Predictions range from minimal to catastrophic impacts.

We worked hard in 2017 to meet these challenges. Recognizing that price as well as selection are important to our customers, we doubled down on our Co-op Basics program so that we could offer more affordable groceries. Historically, price has been the number one complaint of our owners when surveyed about why they shop elsewhere. Increasing sales of Co-op Basics products indicated that our shoppers appreciate these affordable options and

hot sandwich program which was made possible by the purchase of a "bullet" countertop oven. The wellness department also got a new, larger supplements cooler in order to stock the growing sales of refrigerated supplements, particularly fish oils and probiotics.

The Co-op picked up a number of awards in 2017. The most significant of these was being named the 2017 recipient of the Carbondale Chamber of Commerce's Business of the Year Award. The award was given to us at

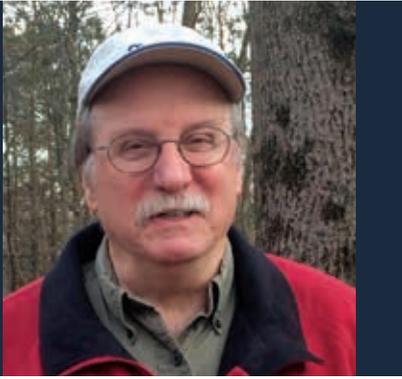


Left Photo: Francis Murphy accepts Chamber of Commerce Business of the Year Award from Shane Carsrud. Right photo: Co-op managers (back row) Jason Hull, Chris Neville, Pale, (middle row) Shannon Harms, Francis Murphy, (front row) Amy Dion, Dania Luabach and Greg Wharton stand with Chamber Award.

our prices are indeed competitive. This is a National Co-op Grocers supported program, which means we have representatives at the national level negotiating better pricing and an increasing number of products to offer shoppers.

We also made investments in equipment in 2017 to better serve our owners and customers. The largest of these was the new Point-of-Sale (POS) system, which put us on a more sophisticated platform for this mission critical system. No doubt of greater interest to our customers was the new

the Chamber's 101st Annual Banquet in February 2018 following a Chamber-wide nomination process and selection by their Board of Directors. We were also selected #1 in the Best Local Grocery Store category in The Southern's Readers' Choice: Best of 2017 Awards. Finally, the most fun award we received was in the Great Carbondale Pumpkin Race in November 2017 where our 160 pound entry blazed across the finish line first, winning the Grand Prize and \$500, which we donated to charity.



FROM THE BOARD CHAIR

RICHARD THOMAS

As always, it has been a busy year for the Neighborhood Co-op Board of Directors. We are elected by you, the owners, to act on your behalf to further the Co-op's mission and to plan for the future.

Early in the year we successfully renewed a three-year contract with General Manager Francis Murphy. We are very fortunate indeed to have Francis leading the Co-op in these difficult times.

A newly updated Strategic Plan was completed following a year of effort by the Co-op management team with consultation by the Board. The Co-op staff deserves much credit for their invaluable input and time contributions.

The Co-op's quarterly ownership publication, the Morsel, aims to keep you abreast of what's happening at the Co-op. Each issue contains an account of Board activities over the intervening period. The Board also arranges the Owner Education Series, which brings in experts to speak on a range of topics throughout the year. The Board Link Committee has organized a great program for the coming year.

2017 was a year of many changes on the Board. We said goodbye to Board members Jordan Edmonds, Chris Post, and Ryan Pankau, whose job commitments forced them to resign. We miss them, and the commitment and talent they brought to the Board, and wish them well. We were very fortunate to be able to appoint Mary Avery to complete Ryan's term of office. Mary has a deep understanding of the workings of the Board and the Co-op gained over

a period of many years. Her experience is a huge help to us. I was elected by the Board to replace Ryan as Chair. We also said goodbye to our Board Secretary, Kristin Pass, who has been ably replaced by Wendell Pohlman. Finally, our long time Board meeting facilitator, Kitty Mabus, moved to the Pacific Northwest, and was replaced by former Board



The Co-op staff deserves much credit for their invaluable input and time contributions.



member Trish Wright, who ensures our meetings run to the agenda and schedule. Needless to say, we are looking forward to a period of greater stability in the coming year!

The Board has been reviewing, and where appropriate, streamlining and simplifying its policies with the aim of freeing up some of the time and effort used to monitor compliance with these policies. This will allow more time to be spent confronting the challenges the Co-op is facing as a result of events at the local, state, and national levels. We are using guidance from a national consultant for co-ops, and a review of policies of other co-ops to steer our policy revisions. The Board Policy and

Finance Committee has taken on this task, and they have completed a revision of policies relating to the General Manager, which the Board has approved. This will result in very significant time savings for the General Manager. Be assured that the high level of Board oversight that you as owners expect, and the Co-op Bylaws demand, will be maintained. This policy review will continue in 2018, and we expect to complete it by mid-year.

The Board Development Committee has initiated a program of Board education and in-depth conversations about dealing with the challenges facing the Co-op. To this end we are inviting external speakers to Board meetings to provide the sort of detailed education we need to inform our discussions and, ultimately, to shape the future direction of the Co-op. We have just started down this road and we will be keeping owners informed along the way.

We truly welcome input from owners; we encourage you attend a Board meeting where you can see your Board in action as well as make comments for the Board's consideration. Alternatively, talk to Board members at Co-op events, or email us at Boardlink@neighborhood.coop. Notices of Board meetings and meeting minutes are posted in the Co-op. You can also follow the Board online by reading Board meeting minutes at www.neighborhood.coop. We want to hear from you! Who knows, you might be inspired to run for election to the Board!



TREASURER'S REPORT

SUSAN BARRY, BOARD TREASURER

Neighborhood Co-op Grocery's 2017 sales decreased 2.5% compared to the previous year to \$4.7 million. This was only the second time in our history in which annual sales declined; 2015 was the other. Structural changes in the natural products industry along with a contracting local economy has created an environment in which achieving sales growth has become increasingly difficult. Our co-op outperformed the economy of Carbondale as a whole which saw sales tax revenues shrink 5.6% in the most recent fiscal year.

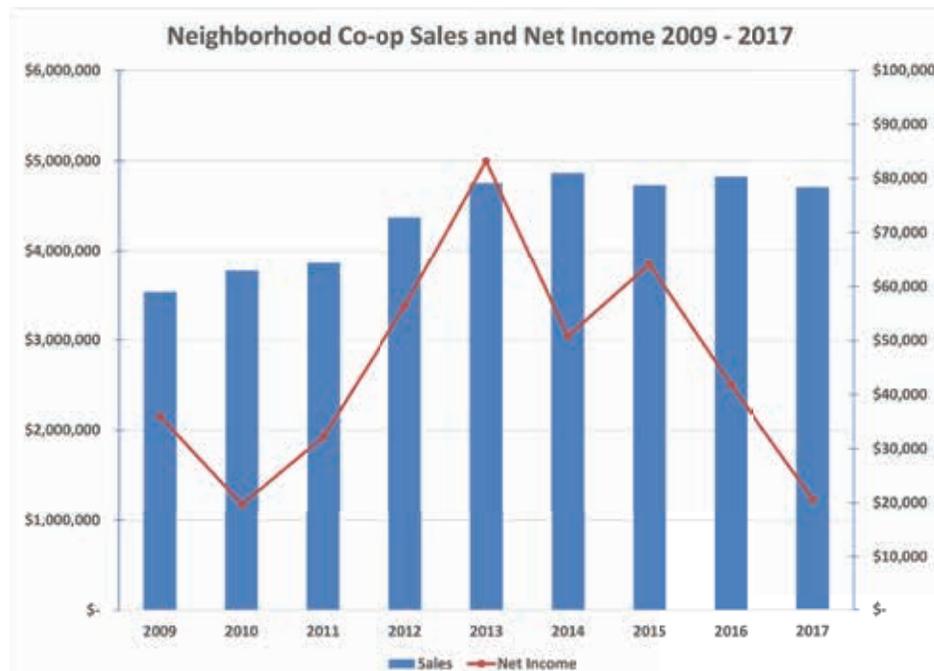
Net income was roughly \$21,000 or 0.4% of sales in 2017 compared to budgeted net income of roughly \$31,000 or 0.6% of sales. As the graph below shows, the Co-op's net income peaked in 2013 and has been generally declining

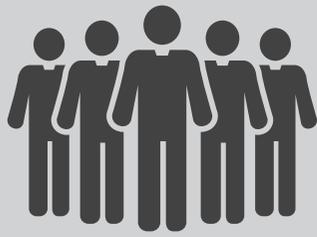
since that time. Net income has generally fallen off for co-ops that are members of National Co-op Grocers over the same period as a result of reduced margins and increased personnel costs. Our co-op, like others, has lowered margins in recent years in order to better compete with conventional grocery 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.

The Co-op's balance sheet continued to grow stronger in 2017 with the Debt to Equity ratio reaching its lowest level in ten years at 1.37 as of December 31. This indicates that the Co-op's assets are increasingly financed by owner equity rather than debt. Senior debt from our relocation project in 2005-

2006 will be completely repaid in the next couple of years. Our loan from the City of Carbondale is scheduled to be repaid in June 2019 and our loan from First Southern Bank should be retired in December 2019. Owner loans are increasingly the largest component of our long-term debt.

The Co-op's cash position took a hit in early 2017 with the purchase of a new Point-of-Sale (POS) system. This purchase was necessitated by the City of Carbondale creating new sales taxes; our old POS system could only handle two different sales tax rates and we now collect and pay four sales taxes. However, we still have more than enough cash to operate a business of the Co-op's size.





New owners 235

Resignations 61

Net gain 174



Outreach

Involved in over 20 events that either raised funds or educated consumers



30% of sales

Sales of local products
\$1,409,300

2017 HIGHLIGHTS



Debt to Equity ratio

improved from 1.64 to 1.37 indicating that the Co-op's assets are increasingly financed by owner equity rather than debt



Net Income

was roughly \$21,000 or 0.4% of sales compared to budgeted net income of roughly \$31,000 or 0.6% of sales



Sales

declined 2.5%
to \$4.7 million

BALANCE SHEETS	2017	2016
Assets		
Current Assets	\$518,199	\$583,480
Property and Equipment	683,386	676,010
Other Assets	90,429	78,056
Total Assets	\$1,292,014	\$1,337,546
Liabilities and Equity		
Current Liabilities	\$327,292	\$383,691
Long-Term Liabilities	419,371	442,055
Total Liabilities	746,663	825,746
Paid-In Capital	\$22,234	\$22,234
Co-op Shares	370,387	357,455
Retained Earnings	132,111	91,675
Net Income (Loss)	20,619	40,436
Total Equity	545,351	511,800
Total Liabilities and Equity	\$1,292,014	\$1,337,546

INCOME STATEMENTS

Sales	\$4,703,206	\$4,822,908
Cost of Sales	2,905,446	2,990,296
Gross Profit	1,797,760	1,832,612
Expenses		
Personnel	1,152,920	1,142,193
Occupancy	312,678	288,665
Operating	149,012	163,921
Administrative	47,369	52,596
Governance	34,311	30,251
Owner Sales Discounts	16,805	27,841
Marketing	44,586	58,105
Total Expenses	1,757,681	1,763,572
Operating Income	40,079	69,040
Other Income (Expense)	(19,460)	(28,604)
Net Income (Loss)	\$20,619	\$40,436

OUTREACH

As a cooperative, we structure much of what we do around our community. It's this grassroots approach that guides us to work with local groups to make a collective impact for our region. We have supported several local organizations by working in partnership to help educate, bring awareness as well as raise funds for important causes. A few highlights to note:

- **Souper Bowl of Caring** happens each year. We were one of the locations that provided space for SIU football players to volunteer their time to raise money for Good Samaritan House of Carbondale.
- April 22 was the annual **Earth Day All Species Puppet Parade**. The Co-op contributes to this family friendly event by providing healthy treats to participants. It is a great way to support educating our youth about our environment.
- Carbondale was designated as a Bike-Friendly Community. Many activities happen during the month of May to educate and encourage participation among the community. The Co-op sponsored a **Bike to Work** luncheon, which was well received!
- The annual **Empty Bowl** Fundraiser with Southern Clay Works happened Oct. 21. Hosted in front of the Co-op, Southern Clay Works (SIU Ceramic Students and Faculty) sold handcrafted bowls to raise money for Good Samaritan House of Carbondale. The Co-op donated soup for people to enjoy after they purchased a bowl. More than \$4,000 was raised!

Major Events

The Co-op hosts two major fundraising events each year. First is our **Feed Your Neighbor 5K** that takes place in April. Formerly known as the Nutrition Run, we shifted locations to Turley Park. Changes were well received as we raised over \$700 for the Good Samaritan Food Pantry, which is double what we raised last year. More than 180 participants turned out to run/walk the course that winds through the lovely neighborhoods near the Co-op. Local band, The Anns, filled the air with excellent harmonies. Participants enjoyed a variety of delicious and wholesome foods from the Co-op. A good time was had by all as we raised money for this very important effort to end hunger in our community.

The **Farm Crawl**, our other big event, took place September 16 and 17. We had 13 farms participate throughout Southern Illinois. We increased participation by selling 51 car passes, as well as donated several passes to students at SIU's School of Agriculture Sciences. Hosting farms did an amazing job of educating participants. As Co-op staff, we are lucky to be able to learn from and partner with these local farms. It says a lot about these amazing people that are willing to take time out of their busy schedules to teach others about their processes, struggles and successes! After it was all said and done, we raised \$500 that was donated to Food Works!





Having fun!

The Co-op has been working toward having a greater presence in our community. While it is important for us to grow sales and be environmentally responsible, we also want to help support community events. This year the Co-op participated in several events. Some of the highlights were:

- **Murdale Safe Halloween** is a popular event! As it was a very cold day, trick-or-treaters were invited into the store for treats. We had two stations, one in bulk that supplied lollipops and the second was in the community room where we had hot cocoa, cookies and coloring sheets. Many people gave us positive feedback and it was a very busy and positive day.

- Sponsored by the Rotary Club of Carbondale Breakfast and Carbondale Main Street, the **Carbondale Great Pumpkin Race** is a family friendly event. This was the first year for the Co-op to participate in the Race. We repurposed the big pumpkin we bought as a store decoration and created a persona through the use of a stuffed monkey who we named Hannah Banana. Hannah and our pumpkin were a crowd favorite. We won the Grand Prix Race by a split second and took home a \$500 cash prize. Winnings were donated to the Good Samaritan House.



- City of Carbondale hosts the annual **Lights Fantastic Parade**. This was the first in many years that the Co-op participated in this event. With thousands of spectators, this was an ideal way to get our name out to the community and support a great community event. Our float had a beautifully crafted logo that was surrounded by corn and carrot crops. Several employees volunteered thier time to support this event by dressing as a banana, pea and carrot. Three others, including two children, dressed as deer and rode on the float.

Wooden Nickels Program:

The Wooden Nickels program allows patrons to support local and regional non-profit organizations. Bring a bag, basket or anything else to carry your groceries in and we'll give you a Wooden Nickel to place in the token boxes near the store exit. There are two Wooden Nickel recipients each quarter. In 2017, the recipient organization funds totaled over \$1,900 and went to:

- Heartwood
- Carbondale New School
- Green Earth
- Carbondale Community Arts
- Illinois Native Plant Society
- Boys and Girls Club
- Friends of the Shawnee National Forest
- This Able Veteran



Meet your 2018 CANDIDATES



**Leslie
Duram**

BOARD NOMINATED

I moved to Carbondale in 1994 to teach at SIU. My family has been a strong supporter of the Neighborhood Co-op since we arrived in Southern Illinois. In fact, we shop at least once a week at the Co-op—so over the years, that adds up to well over 1,200 visits!

When my kids were little, they loved treats like Co-op cookies. My husband and I enjoy all the wonderful items that our Co-op has to offer, especially bulk grains, beans, and spices. In fact, when I travel for work, I often visit other cooperative groceries around the country and I am proud to report that our Neighborhood Co-op is truly one of the best!

At SIU, I teach Geography and Environmental Studies, so I read about many issues related to sustainability of society and the environment. The Neighborhood Co-op is dedicated to promoting “the health of the individual, the community, and the earth.” This mirrors my own goals, both professionally and personally, as I teach about environmental geography and seek to make good choices in daily life. I am passionate about environmental and social sustainability from the local community to the global level, and food is a key unifying force. For example, supporting local farmers can improve both our economy and ecology, while food choices impact the global environment and social equity.

I would be happy to be a part of the Neighborhood Co-op Board, where I could contribute to educational, environmental, and community needs related to food and health.



**Simeon
Grater, M.D.**

BOARD NOMINATED
INCUMBENT

My wife and I have been members of the COOP since moving to Carbondale in 1994.

I have served my first three year term on the COOP Board. I support the mission and purpose of our COOP. Besides wanting to promote healthy eating and sustainability, I have been active on the Boardlink Committee, planning and implementing educational programs. I have also attended last year’s national Consumer COOP conference.

I think our COOP is an outstanding feature of our community.

Voting Starts *March 24*

The Co-op is pleased to announce we have four candidates in the 2018 Board Election!



Barbara James

BOARD NOMINATED

I am most interested in the Co-op's commitment to cooperatively provide wholesome foods and promote health. After I retired from teaching communications at JALC for thirty-five years, I enrolled in a nursing program, obtained an LPN license, and worked for DCFS. Through my studies in nutrition and anatomy and physiology, I became fascinated with the connection between health and food.

As an educator, I taught students to respect and treasure their own curiosity, to research and find out what they needed to know. As a faculty union president and later an administrator at JALC, I saw myself as the custodian of the communication process, which meant my job was to help people speak and listen to each other. The mediation training I completed at SIUC was a major reason for my success.

Outside the academic world I have served on boards at the Presbyterian Church and the Women's Center. I was also on Jackson County's Habitat for Humanity board and worked on the crew. For over ten years, I have helped produce the annual Hunger Sale sponsored by Church Women United, and I have been delivering Meals on Wheels for the past two years. I have also tutored at the Boys and Girls Club and continue to tutor individual elementary and high school students.

In short, I know how to help people work productively together, and I enjoy doing it!



Jack Tichenor

BOARD NOMINATED

During my previous time on the Board, I became very passionate about the many positive aspects of the Co-op's relationship with our local community and economy as a welcoming center for commerce and ideas. As a Carbondale resident for more than three and a half decades, I came to deeply appreciate the important role the Co-op plays in helping to knit together a new sense of community identity in a University city that has historically been challenged by the high turnover of both students and professionals who transition through town on a regular basis.

Living only a few blocks away from the Co-op, I have seen first-hand how this business has breathed new life into our end of town and helped to create a real sense of neighborhood pride and belonging among local residents. I plan on spending the rest of my life in Carbondale and have devoted a great deal of time doing whatever I could to be of service whether it be through my work at SIU, in community affairs, and volunteer service in organizations like Carbondale Community Arts.

As a media practitioner for more than 45-years, I think my communications skills and personal relationships with many people here in the city could be very helpful to the Co-op and its goals. I share your passion for helping to make our city a better place to live and work and would consider it an honor to be of service once again if that is your decision.

Voting in the Co-op Board election is one of the things that makes the Neighborhood Co-op a co-op! Board candidates are Co-op owners who, if elected to the Board, serve for three-year terms. The Board guides Co-op policy and plans for the Co-op's future. We can't do it without you, so please cast your vote and join us at Owner Fest to celebrate the 2018 Board!

Voting will start March 24 and will end at 6:30 pm on Saturday, April 14.

This year's voting will take place online. The election results will be announced at Owner Fest on Saturday, April 14th.

VOTING LOGIN INFORMATION: Your user name is the primary owner's first name. The password is your owner number, which is in the top right of the address area on this mailer. Paper ballots are available upon request. Please see a Co-op staff member for more information.



Neighborhood Co-op Grocery
1815 West Main Street
Carbondale, IL 62901

CO-OP
OWNER
2018 **FEST**
SATURDAY, APRIL 14

The Warehouse at 17th Street

214 North 17th Street, Murphysboro

Tickets: \$5 (by April 13) or \$10 at the door

Available online and in-store. Tickets are required for dinner.

HAPPY HOUR

5pm

ANNUAL MEETING

6pm

DINNER

7pm