



NEIGHBORHOOD CO-OP GROCERY

Annual Report

2018

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 Co-op 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
Richard Thomas
Susan Barry

ECO PRINTING

This annual report was printed by Modern Postcard on FSC certified paper that was manufactured using renewable energy (wind, hydro, and biogas). 100% made in the U.S.A.

QUESTIONS

Email info@neighborhood.coop or call 618.529.3533 x207

2019 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
Margaret Anderson
Mary Avery
Lauren Bonner
Leslie Duram
Barbara James
Jak Tichenor

Contact the Board at:
Boardlink@neighborhood.coop

2018

CONTENTS

3 GENERAL MANAGER LETTER

4 BOARD CHAIR LETTER

5 TREASURER'S REPORT

6 FINANCIALS

8 OUTREACH REPORT

10 2019 ELECTION:
MEET YOUR CANDIDATES



FROM THE GENERAL MANAGER

FRANCIS MURPHY

Despite many familiar challenges, Neighborhood Co-op Grocery continues to thrive. In 2018, sales declined again but profitability improved. The Co-op also made progress in the achievement of its Ends policies. Since 2010, when the board of directors established policies that describe desired outcomes that form the purpose of the Co-op, management has created three-year strategic plans to achieve those Ends. Annually, I report to the board the progress the Co-op is making to further our shared values. The following outlines some of those accomplishments.

The Co-op's success at living its Big Purpose (a distillation of the Ends policies), to cultivate community and provide meaningful goods and services, is evident on a daily basis in the store. In 2018, we received confirmation of this in the results of our biannual owner/customer satisfaction survey. This survey had 520 respondents of which the vast majority were owners. Ninety percent of the survey respondents rated their overall satisfaction with the Co-op as extremely satisfied or satisfied. This compares favorably with survey results at other food co-ops even with high overall satisfaction with co-ops generally.

We were proactive regarding the environment in 2018, earning recognition from the U.S. Environmental Protection Agency (EPA) for our work reducing refrigerant emissions, becoming the first store in Southern Illinois to receive GreenChill certification. Many of the refrigerants used by supermarkets are hydrofluorocarbons (HFCs), a class of potent greenhouse gases that contribute to climate change when leaked into the atmosphere. Relative to a similarly-sized average supermarket, our store avoided annual refrigerant emissions equivalent to an estimated 297 metric tons of carbon dioxide. That's equal to removing 63 passenger vehicles from the road.

The most successful new program of 2018 was the Link Match program, which we launched on July 1. We received a \$20,000 grant from Experimental Station, an Illinois not for profit, to enact this program. In brief, customers who used Link cards received Link Match currency that allowed them to buy local fruits and vegetables sold at the Co-op at no cost to them. The grant also paid for the costs of programming our POS system and the printing of currency and promotional materials. We are always looking for ways to make shopping more affordable and inclusive of our entire community. We were delighted to receive this grant which allowed us to offer healthy incentives to customers and help local producers as well.

In 2018, Co+op Basics sales grew approximately 9% compared to the previous year to 10.5% of total sales. The Co+op Basics program allows us to offer more affordable groceries for those looking to stretch their budget. It also allows us to be more competitive on price. 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 indicates that our shoppers appreciate these affordable options and 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.

In short, despite the challenges of a shrinking local economy and mounting competition, Neighborhood Co-op Grocery continues to be a thriving consumer owned food co-op. We remain a profitable business while making progress towards achieving goals around community, sustainability, and access to meaningful products and services. Thank you for being part of the Co-op and contributing to its success.



FROM THE BOARD CHAIR

RICHARD THOMAS

2018 was an eventful year all around, including for the Neighborhood Co-op Grocery Board of Directors. You, the owners, elected us to help further the Co-op's mission through these interesting times, which we do in partnership with our exceptional General Manager, Francis Murphy.

The Board, in 2018, had a much lower turnover of Directors than in 2017, which results in less getting-up-to-speed and more getting-stuff-done. We did say goodbye to Dr Simeon Grater, whose enthusiasm, insights, and good humor are missed by us all, and we welcomed Barbara James and Leslie Durham onto the Board for three-year terms.

Morsel, the Co-op's quarterly ownership publication, exists to keep you apprised as to what's happening at the Co-op. That includes accounts of some of the Board's activities. Much of the Board's work happens in committees. The Boardlink Committee provides our direct line to the ownership. They organize owner education presentations such as the director of SIUC's Fermentation Science Program, Dr Matt McCarroll's September talk on home brewing, and Michael Hatfield of Flyway Family Farm's November talk on mushrooms. They also survey the ownership to find out what is important to you. So the next time you see people sitting at a table in front of the Co-op on a frigid November Saturday morning, please stop and tell them what you think!

The Board Development Committee organizes board education presentations, which is something that is taking on a much greater importance in our work to keep the Co-op a thriving business that is responsive to you, the owners, and the community at large. This committee is also responsible for recruiting candidates and organizing elections to the Board of Directors.

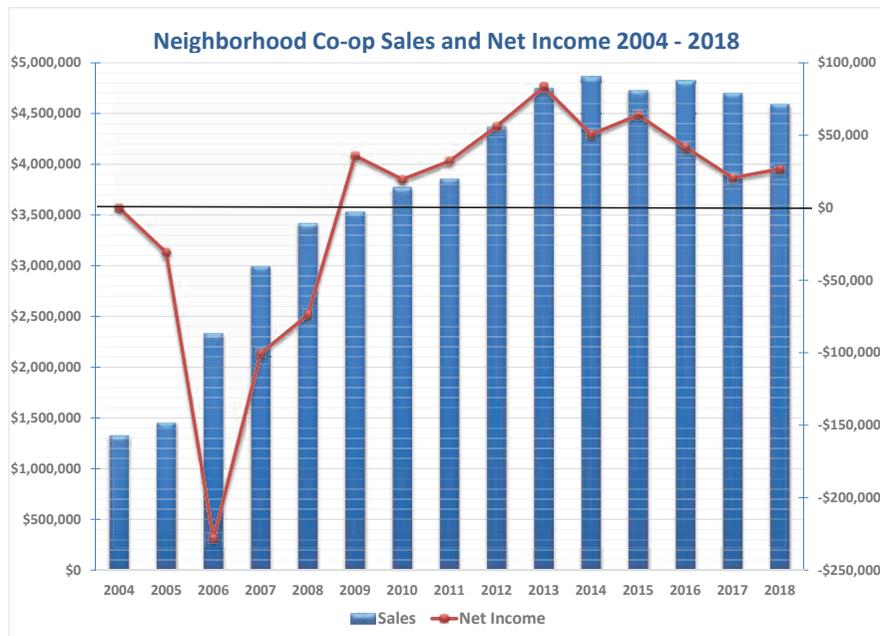
The Policy and Finance Committee mostly deals in the nuts and bolts of board functioning. This year they completed an overhaul of the policies that guide our implementation of the Co-op's Bylaws, which are the legally binding rules by which we function. They have also made considerable progress on producing a Board Manual, which will be the home for current procedures that provide step-by-step instructions for the many routine tasks performed by the board. This Board Manual will be a big help in getting new board members up to speed on the workings of the board. These not so exciting efforts have the very important result of freeing up board time to deal with the pressing issues facing us.

You do not have to be paying much attention to notice that big changes are happening in the grocery industry and food production in general. Natural and organic foods have exploded into traditional grocery stores. Amazon has bought Whole Foods. Dollar stores are now selling more food than Whole Foods and are opening thousands of new stores a year, filling in the gaps between Walmarts and more traditional supermarkets, and radically changing the sort of food available to their shoppers. Right here in Carbondale, Kroger has recently spent over \$6 million renovating their store and implementing online shopping and curbside pickup. All this leads us to ask where natural food co-ops, in general, and the Neighborhood Co-op in particular, fit into this rapidly altering landscape. Layered on top of these national trends are our own local difficulties arising from the decline in enrollment at SIUC and the financial difficulties of the state of Illinois. Your board, along with the General Manager, is working to keep the Neighborhood Co-op Grocery healthy while serving your needs.



TREASURER'S REPORT

SUSAN BARRY, BOARD TREASURER



Neighborhood Co-op Grocery's 2018 sales decreased 2.4% compared to the previous year to \$4.6 million. This was approximately the same percentage sales loss as was experienced in 2017. It is not surprising that sales have declined at the Co-op, as Southern Illinois University and the community continue to downsize. The Co-op is also operating in an increasingly competitive environment with national supermarket chain stores offering more and more private label natural and organic products.

Net income was roughly \$27,000 or 0.6% of sales in 2018 compared to budgeted net income of roughly \$12,000 or 0.3% of sales. As the graph above shows, the Co-op's net income has been generally declining since 2013 but last year showed an improvement

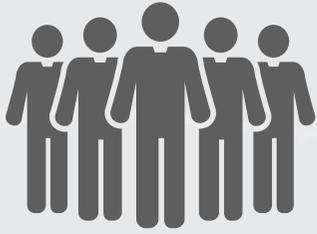
over 2017. Net income has generally fallen off for co-ops that are members of National Co+op Grocers over the last several years as a result of reduced margins and increased personnel costs. Our co-op, like others, has lowered margins in recent years in order to better compete with conventional grocery 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 2018 with the Debt to Equity ratio reaching its lowest level in twelve years at 1.22 as of December 31. This indicates that the Co-op's assets are increasingly financed by owner equity rather than debt. As noted previously, in 2019 the

Co-op will finally retire its senior debt from the relocation project in 2005-2006 that created our current store. "Senior debt" refers to the roughly \$1 million that the Co-op borrowed from First Southern Bank and the City of Carbondale. By the end of 2019, owner loans will be the Co-op's only long-term debt with repayment scheduled to begin in 2021.

The Co-op's cash and cash equivalents improved dramatically in 2018, increasing more than \$60,000 to nearly \$225,000. The new Point-of-Sale (POS) system in 2017 was purchased with \$100,000 in cash and substantially reduced the Co-op's liquidity. By the end of 2018, cash had rebounded significantly to close to its previous level.

2018 HIGHLIGHTS



CO-OP OWNERS

227

NEW OWNERS

47

RESIGNATIONS

180

NET GAIN

3113

TOTAL ACTIVE OWNERS



OUTREACH

Over \$8,400 contributed to local non-for-profits



NET INCOME

was roughly \$27,000 or 0.6% of sales compared to budgeted net income of roughly \$12,000 or 0.3% of sales



DEBT TO EQUITY RATIO

improved from 1.36 to 1.22 indicating that the Co-op's assets are increasingly financed by owner equity rather than debt



21.5% OF SALES

Sales of local products \$986,400



SALES

declined 2.4% to \$4.6 million

| BALANCE SHEETS | 2018 | 2017 |
|-------------------------------------|--------------------|--------------------|
| Assets | | |
| Current Assets | \$591,899 | \$511,846 |
| Property and Equipment | 614,866 | 683,386 |
| Other Assets | 88,956 | 90,429 |
| Total Assets | \$1,295,721 | \$1,285,661 |
| Liabilities and Equity | | |
| Current Liabilities | \$411,897 | \$321,031 |
| Long-Term Liabilities | 299,004 | 419,371 |
| Total Liabilities | 710,901 | 740,402 |
| Paid-In Capital | \$22,234 | \$22,234 |
| Co-op Shares | 383,167 | 370,387 |
| Retained Earnings | 152,639 | 132,111 |
| Net Income | 26,780 | 20,527 |
| Total Equity | 584,820 | 545,259 |
| Total Liabilities and Equity | \$1,295,721 | \$1,285,661 |

INCOME STATEMENTS

| | | |
|-------------------------------|--------------------|--------------------|
| Sales | \$4,591,768 | \$4,703,206 |
| Cost of Sales | 2,843,033 | 2,905,446 |
| Gross Profit | 1,748,735 | 1,797,760 |
| Expenses | | |
| Personnel | 1,101,331 | 1,152,920 |
| Occupancy | 332,144 | 312,678 |
| Operating | 149,435 | 149,006 |
| Administrative | 38,986 | 47,369 |
| Governance | 30,182 | 34,311 |
| Owner Sales Discounts | 20,784 | 16,805 |
| Marketing | 50,705 | 44,586 |
| Total Expenses | 1,723,567 | 1,757,675 |
| Operating Income | 25,168 | 40,085 |
| Other Income (Expense) | 1,612 | (19,558) |
| Net Income | \$26,780 | \$20,527 |

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:

- **Food Giveaway** - NCG created a giveaway as a way to educate our customers about our Basics program. Via a raffle, one lucky customer won \$75 of our Basics products as well as the opportunity to pick a food pantry to be the recipient of a \$75 cash donation.
- **Souper Bowl of Caring** – February 3, We were one of the locations that provided space for SIU football players to volunteer their time to raise money for Good Samaritan House.
- **Collection for backpacks** - We supported Back Packs for Success, a local organization that supplies children, whose families can't afford school supplies, with backpacks. We served as a drop off location during the month of February.
- **SIU Ceramics Spring Cup Sale** – April 7, SIU Ceramic students sold cups in front of the Co-op to raise money for their program. The Co-op supported this event by providing free hot tea and coffee with every cup purchase.
- **Earth Day All Species Puppet Parade** – April 22, the Co-op contributed to this family friendly event by providing healthy treats to parade participants.
- **Girls World Expo** – April 29, the Co-op was a sponsor for this event. We donated 500 Co-op bags as well as had a table with information and healthy snacks.
- **Bike to Work Day** – May 31, the City of Carbondale ended their annual bike event at Turley Park. The Co-op provided a picnic lunch with sandwiches, chips and drinks. The turnout was better than the year before, with about 30 people attending.
- **Red Cross Blood Drive** - July 7, in partnership with Red Cross the Co-op hosted a successful blood drive in our parking lot.
- **Empty Bowl Fundraiser with SIU Ceramics** - October 27, SIU Ceramic Students and Faculty sold handcrafted bowls outside the Co-op, and the store donated soup for people to enjoy after they purchased a bowl. More than \$3,000 was raised for the Good Samaritan Food Pantry!





Fundraising Events

The Co-op has seven basic principles that serve as guidelines for decision-making! "Concern for community" is our seventh principle. The Co-op is dedicated to helping local non-for-profits that help community members who are in need. As a business, we have resources that allow us to make a big impact; we do so by annually hosting two major fundraising events, **Feed Your Neighbor 5K** and the **Co-op Farm Crawl**.

In 2018, we restructured our efforts to increase the effectiveness of how we fundraise. We offered exciting sponsorship opportunities, better event organization, great press coverage, as well as strengthened current and new partnerships. Those efforts paid off, as we were able to triple our donation amounts to Good Samaritan House and Food Works!

A big thanks goes to a great group of volunteers and our Co-op staff who assisted in making our 5K the most successful to date! We increased race participation despite extreme cold temperatures that plagued the day. It's humbling to see so many in our community show such great support to battle hunger in our region. Thanks to the many local businesses that sponsored the race, we were able to donate 100% of race proceeds, \$3,600, to the Good Samaritan House! We also collected a large sum of nonperishable goods that went to support the SIU Food Pantry. In addition, we had music by local musicians, The Anns; John A. Logan College Massage Therapy students gave free massages; we gave away many door prizes; and the Co-op provided a variety of wholesome foods after the race.

In September, we held the annual Co-op Farm Crawl, where we had 14 farms participate throughout Southern Illinois. 2018 was the first year we sold out of all our car passes! Our Produce Manager, Chris Neville, was instrumental in solidifying the commitments of many of the farmers, assisted by Jennifer Paulson, Director of Food Works. Hosting farmers did an amazing job of prepping their properties and educating participants. 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 \$1,700 that was donated to Food Works!

Having fun!

The Co-op has been working toward having a greater presence in our region. Supporting events in our community is important as it encourages patronage at local businesses. This year the Co-op participated in several events again. Some of the highlights were:

- **Murdale Safe Halloween** is a popular event! We invited trick-or-treaters into the store for candy, cookies, hot cocoa, and coloring sheets. Hundreds of patrons participated in this great event.
- Sponsored by the Rotary Club of Carbondale Breakfast and Carbondale Main Street, the **Carbondale Great Pumpkin Race** is a family friendly event. The Co-op once again participated in the Race. We re-purposed the big pumpkin we bought as a store decoration. The Co-op was a crowd favorite!
- City of Carbondale hosts the annual **Lights Fantastic Parade**. With thousands of spectators, this was an ideal way to get our name out to the community and support a great event. Our float had a beautifully crafted logo that was surrounded by corn and carrot crops. Several employees volunteered their time to support this event by dressing as a monkey, pea and carrot.
- **Santa at the Co-op** brought many smiles to children and adults. This free event provides an intimate environment for our customers to experience holiday cheer.



Wooden Nickel

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 2018, the recipient organization funds totaled almost \$1,800 and went to:

- Touch of Nature
- I Can Read
- Sparrow Coalition
- Gum Drops
- IL Climbers Association
- Finding Forever Animal Rescue
- Caritas Family Solutions
- SI Modern Widows Club

Meet your 2019 CANDIDATES



**Margaret
Anderson**

BOARD NOMINATED
INCUMBENT

I am proud to serve as a member of the Board of Directors, and in finishing my first term of service on the board, I am happy to run for a second. Cooperatives need board leadership to serve their communities and owners, a role familiar to me from my days as an AmeriCorps volunteer through my current career as a public servant in the US Department of Agriculture. I have learned a great deal about how the Neighborhood Co-op board operates and would like to be able to use and expand upon those skills to serve for another 3 years.

As a conservationist for the Natural Resource Conservation Service, I especially appreciate the emphasis our Neighborhood Co-op places on supporting local farmers and food producers. I believe the Co-op is an integral part of our community, and I would like to continue my time on the board to help strengthen its role from within. As Chair of the Boardlink Committee, I have enjoyed being able to assist in connecting the community with educational speakers on salient topics in which member-owners have expressed interest.

My membership and board position in the Co-op has been a driving force in my own pursuit of health and wellness and represents values I support including democracy, equality, health, sustainability, family and community. If elected, I will appreciate the opportunity to continue to support the Neighborhood Co-op and the southern Illinois community as a member of the Co-op Board of Directors. Thank you for your consideration.



**Susan
Barry**

BOARD NOMINATED
INCUMBENT

I am passionate about all aspects of the Coop's mission: providing access to, and education on, healthy food and living is important to me and for healthy communities, and doing so in a cooperative, democratic fashion helps build the community even more. The Coop understands who they serve, and it reflects that: the products they stock, owner recognition, education series, and other community events. I've spent my life in education and volunteering, so the values of the Coop align with mine. I bring experience as a community college instructor and Division Chair at Shawnee Community College, which also included a lot of community outreach. I still work in education, for Pearson Education, training faculty and instructional designers to create and deliver engaging, interactive online graduate courses for universities across the country. Online education is about accessibility for growth, and I see this in the Coop's mission and values, too. I travel around the country to different universities, and I love seeing how each town's stores reflect and enhance the community. The Coop does this well: the atmosphere just outside and inside the Coop is inviting and diverse. It's a meeting place for family and friends, a place where shoppers know the department managers and can ask questions, and a place where you literally get a flavor of Southern Illinois. I have experience in strategic planning, administration, training, teaching, and community outreach to provide support to the board and Coop.

Check out my resume at: <https://www.linkedin.com/in/susan-barry-919b5047/>

Voting Starts April 6

The Co-op is pleased to announce we have four candidates in the 2019 Board Election!



Richard Thomas

BOARD NOMINATED
INCUMBENT

A few weeks ago I was surprised to be reminded that my first term on the Co-op board of directors would be coming to an end soon. It's been an eye-opening and enjoyable experience. Your board is a diverse and talented group of people who do not always agree, but always come to a consensus about the way forward, and generally have fun doing it. Since July of 2017 I have been serving as chair of the board, following Ryan Pankau's departure to take up a new job out of the area. The Co-op is in a strong financial position, but faces serious challenges, as do all local businesses, from the decline in enrollment at SIUC and issues stemming from the State of Illinois' financial problems. The board has spent considerable time in the past year streamlining and simplifying its policies so that routine governance matters take less time, while maintaining the expected level of oversight with which we are tasked. This leaves us with more time to concentrate on navigating our path forward. We are currently renovating our procedures and other documents and organizing them in a way that will make it much easier for new board members to get up to speed quickly on board functioning so that they can jump right into the work to ensure the Co-op remains healthy and is on a path to grow in the future. I would like to continue participating in this work for another term on the board.



Herb Klickner

BOARD NOMINATED

I am an advocate of sustainability, environmental protection/restoration, and responsible community involvement. I have served on several Boards over the past 15+ years including The United Way of Southern Illinois (Past President), Saline County United Way (Past President), CASA of Saline County (Past President), Saline County Chamber of Commerce (Past President), and the Harrisburg Rotary Club (Past President). I have also served, and continue to serve, SIL communities as a Community Bank President, a Kiwanian, a Rotarian, an IL Certified Adult Literacy Tutor, a University of Illinois Extension Master Gardener and most recently a volunteer Community Radio DJ. I believe firmly in giving back to the communities in which I live and work. I am also passionate about preserving and nurturing the environment and fauna we all depend on. I research and teach simple, sustainable, no till, pesticide & herbicide free gardening techniques that encourage working with nature rather than wrestling against it. I assist with the development and maintenance of community gardens promoting environmentally friendly cultural practices. I hold an MBA from SIUC, have 30+ years of management experience, possess excellent written/verbal communication skills, am proficient with computers, and I work very well with others. I adamantly support diversity, equality, fairness and tolerance. I am reasonably intelligent, good natured and open minded. I support the CO-OP's mission, and I believe I would add a congenial personality with a unique and valuable skill set to the Board. I appreciate your consideration.

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 newly elected Board!

Voting will start April 6 and will end at 6:30 pm on Saturday, April 27.

This year's voting will take place online. The election results will be announced at Owner Fest on Saturday, April 27th.

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
FEST

SATURDAY, APRIL 27 • 5–7 PM

THE WAREHOUSE AT 17TH STREET, MURPHYSBORO

5:00 pm - Be Happy Social Hour - with live music!

6:00 pm - Meeting (Last call for voting. Ballots close at 6:30 pm)

7:00 pm - Catered Dinner from the Co-op and 17th Street