

2006 annual report



**Cooperatively owned,
collectively managed.**

since 1970

finances.



By Miles Uchida, People's financial manager, with his son Hazel.

As I look back on 2006, contemplating what to put in this report, it is with the fresh knowledge that Whole Foods and Wild Oats have now merged into one entity, solidifying Whole Foods' position as #1 in natural foods (in sales at least). Here at your co-op, we look at finances differently than most businesses. We're not in the business of making money for money's sake, or looking to extend our tentacles across the country. However, a solid financial base IS important if we are to put our values into practice and ultimately see our mission and vision through to its fullest potential. We can never take even our existence for granted in the rapidly growing natural foods "industry". Running a financially successful business is absolutely essential in the long run. So as you read on, remember that the numbers are just one bottom line – albeit an important one – of our multiple bottom lines.

People's sales grew 7.6% in 2006. Bulk and produce combined made for an industry-defying 44% of total store sales, continuing to show our owners' support for fresh fruits & vegetables and unprocessed foods.

Overall, People's ended 2006 with a small operating loss. On the balance sheet (capital) side, we started out the year with very little cash, due to the completely worthwhile but costly investments in our new POS register system, 5-door freezer, and store reset. We continue to pay off our bank loan and some loans to members, as our debt load slowly declines. Our debt to equity ratio remains fairly high, while our solvency ratios are fairly low. Both improved in 2006, but we certainly look forward to stronger results in these areas in 2007.

Membership and equity investments have continued to grow at a steady rate. In fact, both new members and new investments have been higher than the previous year in every year since our expansion in 2002 – which is a remarkable feat! We had a very successful equity drive in October, bringing in over \$10,000 in new investments for the month – clearly our members see the value of ownership for their co-op.

Patronage refund

In 2006 we held the most successful election in People's history when 400 member-owners (twice as many as normal) turned out to vote and supported a move to the patronage refund system by 78%.

A question in many members' mind is, "Will there be a Patronage Refund issued for 2007?" That is not an easy question to answer. We have budgeted for a significant profit (3%) in 2007, so it is likely that there will be the potential for a refund. However, we still have a lot of aspirations and future capital needs, as well as the need for more cash in the bank right now. Will the best thing for the co-op be to return the profits to its owners? Should the co-op retain some of those earnings for future capital endeavors on behalf of the membership? What about emergency reserves? These questions can really only be answered after 2007 is in the books. But one thing is for sure – the decision will be based on the co-op's vision and goals. Our member-elected volunteer Board of Director's will make the best decision for the co-op as a whole.

ASSETS = LIABILITIES + EQUITY

Assets: What the co-op HAS (building, equipment, inventory, cash)

Liabilities: What the co-op OWES: Loans, withholdings, bills

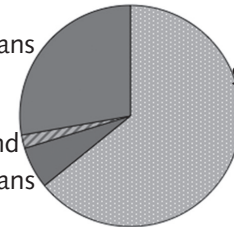
Equity: What we OWN: member shares, net income (profits)

Member Loans

ShoreBank Pacific

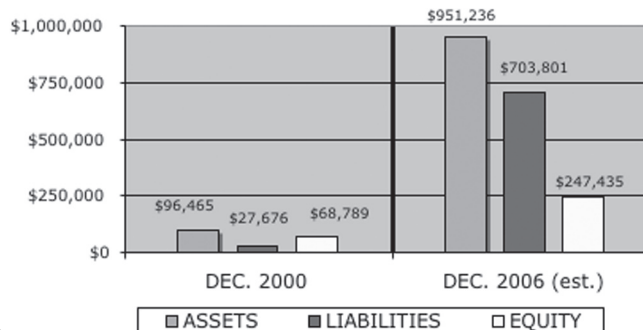
City of Portland
Other loans

2006 DEBT SOURCES

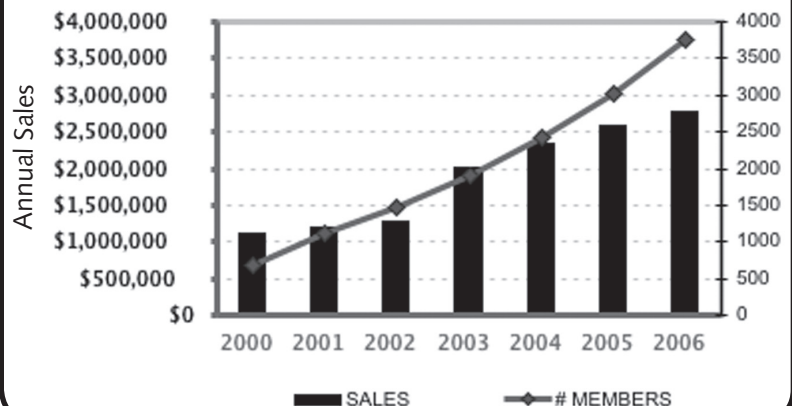


2006 vs. 2000 BALANCE SHEET COMPARISON

This graph compares 2000 (2 years before expansion) to 2006.



MEMBERSHIP & SALES GROWTH



Community

FOOD FOR ALL PROGRAM Based on member-owner input, the co-management set into motion the "Food For All Program" offering a 4% discount to member-owners experiencing economic need.

FOSTERING DIVERSITY Diversity Advisory Committee members have been working steadily on identifying ways to make the co-op more inclusive and empowering.

ESL CLASSES The co-op now sponsors free English as a Second Language (ESL) classes with the generous support of volunteer instructors.

EQUITY DRIVE The 2006 Equity Drive exceeded our expectations by building over \$10,000 in additional member-owner equity in October. Thank you to all those who participated. Your investment helps provide a solid financial foundation for the co-op. By working together and building our collective wealth, we make the co-op more vibrant.

CONNECTING WITH THE BROADER CO-OP MOVEMENT We continue to foster relationships in the co-op community by networking with the consumer and worker co-op sectors locally, regionally, nationally and internationally.

TABLING AT EVENTS You will see People's at more events now that we've developed a bike transportable tabling kit.

CULTIVATING COOPERATIVE COMMUNITY Events in 2006 included an Annual Membership Meeting, Summer Solstice Festival, Member Appreciation Days, Harvest Festival, Farmers Markets, free BBQs, pie eating contests & more.



LOOKING AHEAD IN 2007

As the co-op continues to grow steadily each year, development and growth planning become an important priority. Please be on the look out for a survey - we want to know how you want to see People's grow. The thoughtful consideration of our future will help guide us in creating the financial base to make that future possible. Maintaining a strong balance sheet will keep us well positioned to weather inevitable storms and the changing marketplace; ensuring that your co-op will be around for a long time working towards our shared vision.

In this ever-changing world of corporate consolidation and unsustainable practices, the co-op difference is as important as ever. Thanks for being a part of it.

the Store



A SUSTAINABLE COLLECTIVE MANAGEMENT Did you know that 20 full-time staff members manage your co-op collectively? That means we are a "no boss workplace"; we are empowered in our own job descriptions and use consensus to make major decisions. That's one of the core reasons why your co-op is such a great place to work. Our workers voices matter and therefore our staff is invested and empowered - doing their best while working for you.

We are proud to announce that a living-wage & benefits package was implemented in 2006; providing a fair wage to our staff and adequate health benefits including medical & dental insurance for the first time in People's History.

NEW REGISTERS Our hard working Tech Team worked with other CoCoNuts (Cooperative Computer Gurus from around the country) to replace our outdated registers with a new state-of-the-art, made-for-co-ops open source point of sale system.

NEW EQUIPMENT A five door freezer, the installation of light fixtures made by local artisans, a customer service station & register counter, etc.

MORE FREE SAMPLES IN THE STORE

UPDATED BI-LINGUAL SIGNAGE IN PRODUCE AND BULK; MORE PRODUCT INFO DISPLAYED

NEW WEBSITE www.peoples.coop was launched - check for upcoming events and monthly sales.

FARMERS' MARKET DIVERSITY More farmers & vendors - all year round.

FARM VISITS People's produce team toured many of the local farms that we buy from: They visited Groundwork Organics, Sunbow Farm, Mt. Hood Orchards (School Aid fruit), Columbia Blossom, and Hood River Organics (mushrooms).

People's gives!



THE 7TH COOPERATIVE PRINCIPLE IS "CONCERN FOR COMMUNITY"

We developed The People's Community Trust to put the choice of who we donate money to in the hands of the membership- after all, you own it! In 2006 the membership elected the following groups to receive the Community Trust money:

Oregon Sustainable Agricultural Land Trust * Books to Oregon Prisoners * Northwest Resistance Against Genetic Engineering * Northwest Farmworkers and Treeplanters United * Bridge House Adolescent Life Skills Program * FreeGeek * City Repair Northwest Coalition for Alternatives to Pesticides

We also donate \$100 worth of food to local, like-minded organizations every month. In 2006 we donated food to:

- +Lewis & Clark Animal Defense League
- +Northwest Environmental Defense Center
- +Zenger Farm
- +Prometheus Radio Project
- +US Federation of Worker Cooperatives
- +Sugar-free Halloween Party
- +Flying Focus Video Collective
- +Childbirth Movie Night
- +Lewis & Clark Environmental Defense League
- +Men's Wellness Group
- +Laughing Horse Books
- +PCASC Sweatfree Clothing Coalition
- +Radical Women
- +Sisters of the Road
- +Growing Gardens
- +Portland Urban Chickens
- +NARAL pro-choice Oregon auction
- +Interfaith Food and Farms Partnership
- +PDX Central America Solidarity Committee
- +Common Ground Health Clinic, New Orleans
- +SEI Carpentry Class for Women
- +Sustainable Portland Bike Tour
- +Linfield Student nurses
- +City repair Village Building Convergence
- +Native American Youth Association
- +Tour d' organics bike ride
- +Oregon Bus Project
- +Free Geek
- +Zenger Farm Summer camp
- +Rock and Roll Camp for Girls

As a worker collective, People's is proud to support workers' and immigrants' rights. In celebration of Mayday we donated 10% of sales for featured local produce items during the first week of May to Northwest Treeplanters and Farmworkers United (PCUN).

save 5%

Thank you for being a member of People's Food Co-op. **YOU** are what makes People's a co-op. **save 5% on any one grocery trip of your choice with this coupon. one coupon per PeopleShare please.**



GOOD
THRU APRIL
26TH 2007

We are not able to offer the 5% discount in addition to case discounts. Thanks in advance for your understanding.

People's is proud to announce that because of YOUR generosity we were able to donate over 450 pounds of healthy food to the Oregon Food Bank during the 2006 holiday season.

We were also able to offer thanksgiving food baskets to 15 families in need from our own membership. Cooperation works!



PRESORTED STANDARD
US POSTAGE PAID
PORTLAND OR
PERMIT NO. 11

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