

ANNUAL REPORT

2015



WELCOME!

There is a lot that goes into defining how well we are working toward our Ends. Our Annual Report lets you know how we did and the progress we made in 2015. As we are in the midst of creating a long-term plan, this report holds a particular urgency. How will we grow? What challenges are we facing? What successes do we want to build upon? Let these questions guide you through the reports that follow.

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OUR ENDS STATEMENT

A PASSIONATE COMMUNITY WORKING TOGETHER FOR SUSTAINABILITY, PROGRESSIVE LAND AND ANIMAL STEWARDSHIP, HUMAN RIGHTS, SOCIAL AND ECONOMIC JUSTICE.

THRIVING COOPERATIVE AND LOCAL ECONOMIES.

A SAFE AND WELCOMING COMMUNITY WHERE ALL ARE VALUED.

DEMOCRATIC WORKPLACE WHERE ALL WORKERS' VOICES ARE VALUED.

ACCESS TO HEALTHFUL FOODS OUR CUSTOMERS CAN TRUST.

A LETTER FROM YOUR BOARD OF DIRECTORS:

Looking back at the last year we have much to be proud of. 2014 ended with the Co-op at a loss for the first time in nearly a decade. The Collective Management spent the last year working to improve the Co-op's financial health and ended the year with a small profit, despite the persistent competition from both conventional and natural foods grocers.

Much of this success stemmed from the Co-op becoming even more efficient in our operations. Our Co-op achieved this without sacrificing our commitment to living-wage jobs or partnering with family farms & cottage industries. The delicate balancing act between staying competitive and living our cooperative values can be tricky. However, the Collective Management continues to meet the challenge with thoughtful, engaged innovation.

The support of Member-Owners was just as crucial. By choosing to shop at the Co-op, we choose to support the business we all own. We reaffirm our investment in the Co-op not just as a business, but as a caretaker of our collective wealth to further our purpose of bringing healthy, ethically sourced food our members want. Further, we show our support for the Co-op not just as a store, but as a hub for the many communities that make up People's.

The future continues to hold increasing competition, rising costs, and other challenges. To continue to meet these, your Board of Directors and Collective Management have been doing their homework. Beyond looking at our current financial health, we have continued to educate ourselves

about ways to improve, and have held engagement events and listening sessions. We have also reached out to organizations with shared values and underrepresented communities to better understand their needs as well.

The challenge is clear.

How does People's Co-op continue to grow and thrive while staying true to our values of equitable access to healthy, sustainably produced food? While doing so, how do we ensure that our Co-op meets the needs of our Member-Owners, both those of the present and those of the future? And how do we do all this while sustaining and deepening our commitment to social justice, our role in the greater community, and a force for economic change in our local economy?

"Above and beyond the question of how to grow the economy there is a legitimate concern about how to grow the quality of our lives," wrote Paul Wellstone. Your Board of Directors and Collective Management invite you to join us in the coming year in exploring and realizing how People's Co-op can achieve exactly that aim.

In Cooperation,




Jacob Engstrom
Board President

SUPPORTING OUR FOODSHED


People's active support of our foodshed is the direct result of our commitment to our Ends of Progressive Land & Animal Stewardship, Thriving Cooperative & Local Economies, and Access to Healthful Foods Our Customers Can Trust. This is visible not only in our produce section, but all around the store. In all, over 42% of all store products are grown or produced in Oregon or Washington. We're able to do this because of our small size as well as our willingness to work with small vendors, whether they are launching a new business, making a special product, or have made a conscious decision to operate on a small scale. Our adherence to our buying guidelines supports this practice, and ensures that our products are GMO-free and support the workers that produced them, too.

42% LOCAL PRODUCTS

We define our local Foodshed as grown or produced in **Oregon** or **Washington**



6,990 LBS LOCAL HONEY
SOLD IN BULK



46,096 LOCAL EGGS SOLD

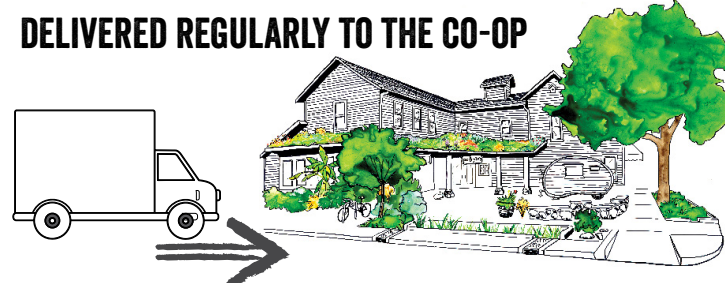
GIVING BACK

Local Foodshed Organizations	\$5,431
Montavilla Food Co-op: 2015 recipient of the People's Cooperative Community Fund (PCCF)	\$1,000
National co-op development: Trans-Latina worker co-op in New York and Cooperation Jackson in Mississippi	\$2,000

TOTAL DONATIONS: \$8,431

43 LOCAL FARMS

DELIVERED REGULARLY TO THE CO-OP



30% OF OUR PRODUCE IS FARM-DIRECT



96% OF OUR PRODUCE IS CERTIFIED ORGANIC

*The remaining 4% is wildcrafted or from small local farms that use organic practices though they are not certified organic.

GOAT MILK LOAN!



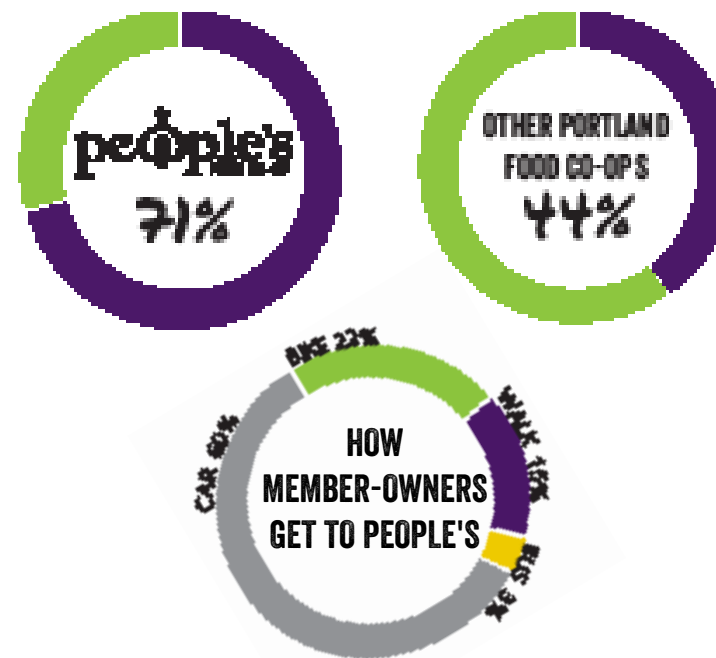
Fern's Edge Goat Dairy received \$10,000 in 2015 to increase their capacity to provide customers raw goat milk and goat cheeses. Payback began in September and we expect full payback in under three years.

WE'RE OWNED BY OUR NEIGHBORS



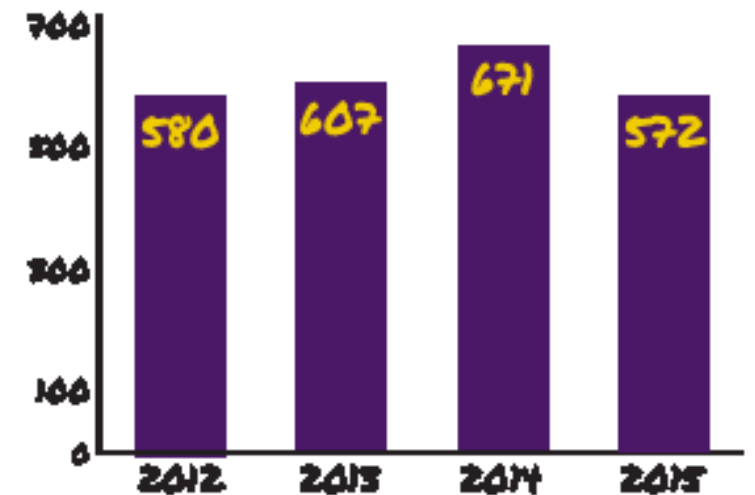
Our Member-Owners are at the heart of our community, and for good reason; not only do they own the store, but 71% of our sales are to Member-Owners. Compared with the 47% average for National Co-op Grocers stores across the country, it is clear that the preferences and values of our Member-Owners drive our business more than at many other co-ops.

SALES TO MEMBER-OWNERS



Community gatherings, educational events, Farmers' Markets, Member-Owner yoga and community room classes continue to be an important part of fostering our passionate community. We strive to offer a diverse array of classes and events that are at low or no cost and open to all. We facilitate building relationships, new connections and hope to be more than just a grocery store.

NEW MEMBER-OWNERS*



In 2015, we came just short of our goal of 600 net new Member-Owners per year at 572. Though the number of refunded shares continues to decrease, the number of new Member-Owner investments decreased as well. This can likely be attributed to the abnormal growth in 2014 from the 10% monthly Member-Owner discount. After repealing the monthly discount in 2015 and not being able to distribute patronage, it is not surprising that the number of new Member-Owners decreased.



336 COMMUNITY ROOM CLASSES



120 FREE YOGA CLASSES

MAKING OUR ENDS MEET



30
EMPLOYEES
WITH FULL
HEALTH BENEFITS

\$16.76/HR
AVERAGE WAGE

Many of the collective managers at People's choose to work here over places where they might make more money because People's values match their own. Our Ends and our democratic workplace attract workers who are willing and able to make that trade off.

Working at People's allows for more participation, more autonomy, more trust of workers and more flexibility without judgment than most places where a person could earn a wage. In general, workers feel safer and more valued here than many other workplaces.

When housing in inner Portland was more affordable and distances to work were shorter, this was a sustainable lifestyle choice for a lot of staff members, but rising costs are making this more difficult for us all.

In 2015, housing inflation priced some workers out of the neighborhood of inner SE, increased some workers' rents by almost double, left some workers scrambling to hang on to homes that were being abruptly sold, often forced staff members to move further away on very short notice, and even left one worker houseless.

Last year we saw the highest cost increases to date to keep our generous healthcare plan. For the third year in a row, we prioritized keeping our plan over giving a cost of living increase to wages. We continue to ask ourselves in earnest: how do we make our Ends meet?

How do we keep the most ethical and nutritious food available to our community, especially those of us who shop on a tight budget? How do we keep our sales healthy so we can meet the \$15 per hour livable wage -- to support not only our workers but

RENT IN PORTLAND INCREASED 8-9%, ABOUT \$100 A MONTH SINCE 2014.

- PORTLAND HOUSING BUREAU, OCTOBER 2015

also the movement toward livable wages for everyone? How do we continue to uphold our values while staying economically viable? How do we support the people making and growing deeply nutritious and culturally appropriate food? How do we keep all of this affordable for everyone who is feeling the pinch of the new Portland economy?

More than ever we are determined to ask for input and help from our community. We can support one another on staff through tough times. We hope that we can take care of People's so that the Co-op can take care of us. But we also recognize that we have to branch out and connect with like-minded institutions and individuals in our city in order to truly thrive. As part of our long-term planning process, we are looking for support from local organizations that share our values to help us grow in a way that supports our Ends. Simultaneously, we are reaching out to see what we have that is most needed by our community in order to turn our present dilemmas into hope. We really do believe that we are stronger together -- that we can respond better -- if we are in working in cooperation, and that is what we aim to do going forward.

INCREASING FOOD ACCESS AT THE FARMERS' MARKET



Community is at the center of everything we do here at People's. From responding to the needs of our Member-Owners and shoppers to supporting local farmers and vendors, People's actively participates in building a thriving community of eaters, workers, and producers. At our Farmers' Market, this includes making it easier for folks to access healthy local foods through our SNAP matching program.



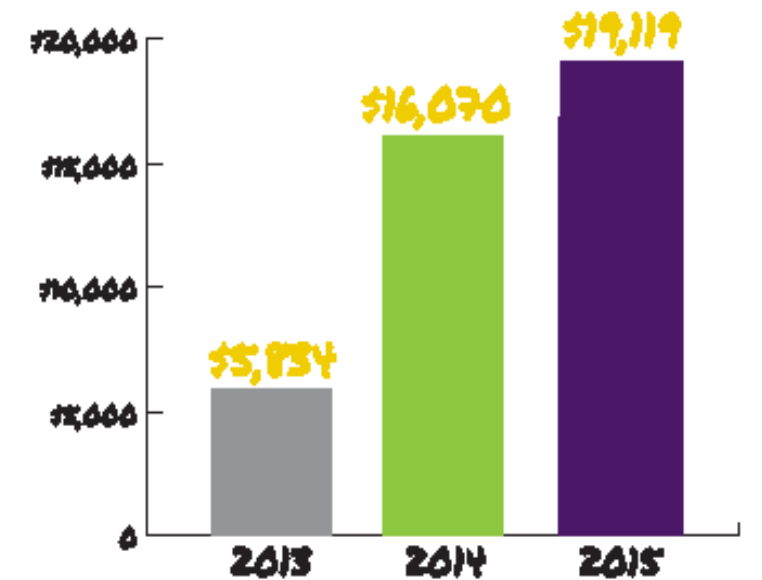
SNAP matching, which started at People's in August 2013, gives folks using an EBT card at our Farmers' Market up to an extra \$5 per week to spend at the market. For example, if someone spends \$5 from their EBT card, they get \$10 to spend with vendors at the market on eligible purchases. This benefit furthers our Ends of Economic Justice and Access to Healthy Food. It also supports our End of Thriving Local Economies by providing income to our vendors that they wouldn't receive otherwise.

Before the program, an average of \$497 per week in EBT funds were spent at the Farmers' Market. By the end of 2015 that average climbed to \$739 per week. In addition to this increase in EBT spending, People's has given out over \$41,000 in matching funds since the program began. As a result of People's SNAP matching program, more food dollars are staying in our community, supporting local producers, growing our local

\$18,610 SNAP MATCHING FUNDS BACK INTO OUR LOCAL ECONOMY



SNAP MATCHING FUNDS DISTRIBUTED



economy and providing access to healthy foods for folks that need it.

Looking forward, we expect to see more growth of the program in 2016. In part, this is due to the rising cost of living in Portland and stagnant wages citywide, causing people to stretch their budgets further. **In addition, we are joining dozens of other Portland-area markets and increasing our SNAP Match from \$5 to \$10 this year, thanks to a federal grant.** We hope that this will allow us grow our support for our community by ensuring a thriving market for our vendors and affordable food for our Member-Owners and shoppers.

BACK IN BLACK: THE NUMBERS

Another year has gone by! When looking back at 2015, our financial picture looks similar to recent years. Sales growth is still low, competition continues to increase, and the challenge of providing livable wages as the cost of living rapidly increases persists. There was one big difference this past year, though: while we lost money on operations in 2014, we had a modest positive net income in 2015. Cash improved a bit, and overall we are holding our ground financially. Because of many years of solid performance and financial decisions made with the future in mind, we're in great shape and ready to grow!

We also had our accountant do a full audit of our 2015 books. They found no significant issues with our financial reporting and record keeping, which provides the Board and Member-Owners with assurance that our books are accurate and finance controls are strong. We are not only protecting the co-op's assets, but have the verification of an outside party that the numbers tell the true tale.

SALES

Sales growth improved to +2.4%, a solid boost from +0.2% in 2014 (and above overall inflation of 1%). The 2-day Anniversary Sale in late September provided great deals to many shoppers, and was a huge boost to sales – a win-win. Bulk and Produce sales growth, which together account for about a half of sales at the co-op, were both limited. Bulk sales were down -3%, which sadly mirrors a general trend for many food co-ops across the country. Produce sales picked up near the end of the year to barely equal 2014 sales. While competition certainly affects our sales, an even more pressing issue is that our space is near capacity. The store is crowded for customers, and there is no room to expand our product selection. Both affect our sales

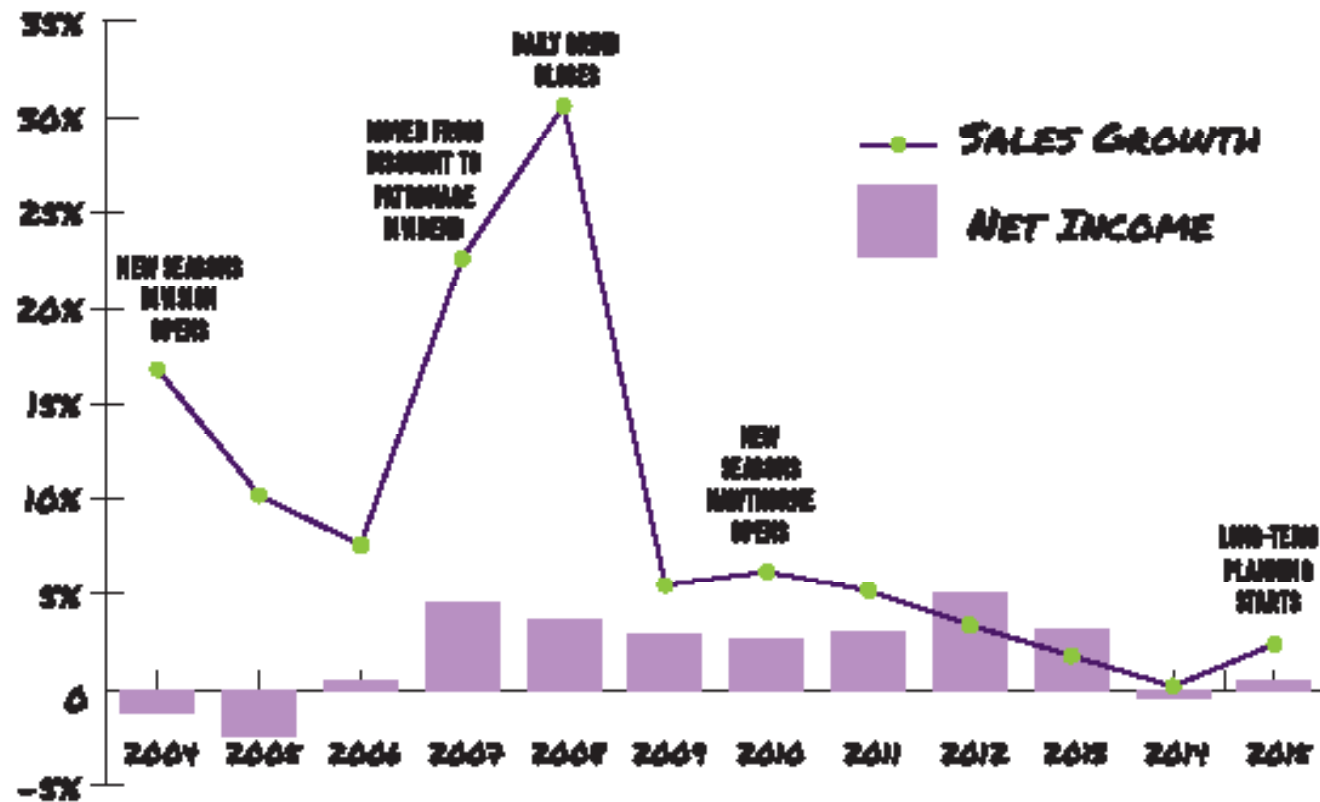


^ The Anniversary Sale in September transformed our store and courtyard into stock-up central of bargains and deals. With two extra registers outside and beautiful weather, the weekend helped the co-op reach positive sales growth and net income for 2015. What a way to celebrate 45 years in business!

growth! In creating our long-term plan we're hoping to find a way out of these predicaments.

EXPENSES & NET INCOME

Discounts: In 2015, we returned to offering Member-Owners a quarterly 10% discount. In 2014 we offered a 10% monthly discount, but it proved too costly to the co-op and crowded our space even more.



Labor: We kept overall labor costs from rising any further, but still face the challenge of trying to keep wages from lagging behind the increasing cost of living. At the end of 2015, we adjusted the health care coverage for full-time employees, and decided to distribute a cost of living adjustment. We will keep a close eye on our labor costs in 2016.

Gross Margins: The pressure to adjust prices to stay competitive continues, which is good for shoppers but puts a squeeze on our co-op. Overall, our store margin was down 0.25% in 2015, which directly cuts into our bottom line. This is a new reality that will only become more challenging moving forward.

Net Income: As noted, we rebounded in 2015. Through good planning and budgeting, we managed to show a profit of \$57,761 (1.0% of sales), compared to -\$28,974 (-0.5%) in 2014.

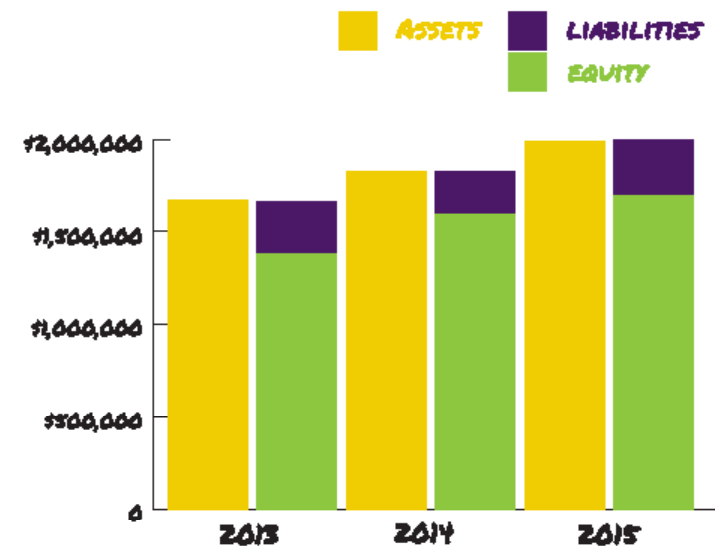
Patronage dividend: Positive net income means we are able to declare a patronage dividend which will provide some return to owners, while retaining some for the common good to support our co-op moving forward. See your patronage dividend voucher for more details.

2016 and beyond: We'll continue hanging in there, trying to boost sales, adjust prices, and manage expenses. We are still budgeting for a small profit in 2016 and expect to maintain cash and the ability to fuel our long-term plan.

PROFIT + LOSS

	2014	2015
INCOME		
SALES	\$5,524,231	\$5,654,409
OTHER INCOME	\$61,779	\$49,871
EXPENSES		
COST OF GOODS	\$3,533,437	\$3,594,633
PERSONNEL (payroll, benefits)	\$1,445,175	\$1,459,144
OPERATING EXPENSES	\$636,371	\$592,742
PROFIT		
NET INCOME (how much money we made before patronage & taxes)	-\$28,974	\$57,761

OUR FINANCIAL STABILITY



BALANCE SHEET

Looking at the balance sheet – which reflects the co-op's overall financial position – things remain strong, with many areas even improving. Areas of particular interest include:

Cash: Our total cash increased from \$803,000 to \$930,000, which represents about 60 days of operational expenses.

Liabilities: We still have no long-term debt, which puts us in a prime position to grow.

Equity: Our equity continues to grow, both from retained earnings/patronage and from owner investments! This is good not only from a financial perspective, but is also an indicator that our owners continue to support the co-op.

Overall: People's is in great financial shape to grow. We have to breathe in case of emergency and the ability to leverage financial resources for the long-term vision we come up with.

ASSETS: Everything we have

	2014	2015
Cash	\$802,730	\$930,046
Inventory	\$195,642	\$230,851
Other Current Assets	\$48,737	\$42,934
Equipment	\$294,384	\$292,571
Land & Building	\$890,051	\$899,503
Accumulated Depreciation	-\$450,328	-\$484,371
Other Assets	\$51,246	\$67,056
TOTAL ASSETS	\$1,832,464	\$1,978,590

LIABILITIES: What the co-op owes others

	2014	2015
Accounts Payable	\$73,974	\$124,317
Patronage Dividends Payable	\$86,023	\$117,824
Other Current Liabilities	\$77,634	\$65,852
Long Term Liabilities	\$0	\$0
TOTAL LIABILITIES	\$237,631	\$307,993

EQUITY: What the co-op owns

	2014	2015
PeopleShares (Member-Owner Equity)	\$819,473	\$876,280
Retained Patronage Dividends	\$487,771	\$500,736
Current Earning	-\$61,512	\$51,904
Retained Earnings	\$358,101	\$241,677
TOTAL EQUITY	\$1,594,833	\$1,670,597



1970s



1990s



1970s



2001

HOW DO WE CONTINUE TO GROW AND THRIVE WHILE STAYING TRUE TO OUR VALUES OF EQUITABLE ACCESS TO HEALTHY, SUSTAINABLY PRODUCED FOOD?

WE'VE BEGUN.

We're finding out how we will grow. We're asking vital questions of our Member-Owners, communities, and friends, and we're determining who we'll be in the future.

In the spring of 2016, we talked to you, to people from local organizations that share our values, and to our Board and staff. What we heard is that we're doing a great job choosing wonderful products for the shelves, racks, and tables that line our store. That we're successfully working towards our Ends of progressive land and animal stewardship and a thriving local economy.

But we also heard that we're not meeting the needs of everyone who would buy our food if not for cost, culture, distance, or other barriers. We have a ways to go in terms of creating more access to our food, and in creating a safe welcoming community that deeply embodies social and economic justice.

The food we sell takes the people who produce it into account. In order for farmers, farmworkers, and all other food system workers to be paid fairly, and for the land and animals to be well taken care of, the cost to the consumer is higher.

The problem is that this cuts out a large number of consumers who'd otherwise want to buy the food we have to offer. Instead, these customers are forced to participate in food systems that perpetuate the abuse of farmworkers, increase health issues for consumers, force workers across the food



1970s

system to rely on government assistance to survive month-to-month, and create toxic waterways and farmland. This isn't a system that anyone should have to participate in, and it's our aim to provide an alternative to everyone, regardless of income.

The changes that are happening in our local economy are making this harder than ever. As Portland's demographics and economics change, our store will feel more and more exclusive unless we actively reach out to a wider community. Our neighborhood is changing, cost of living is increasing, and it follows that our community of customers will be more homogenous in terms of income, ethnicity, age, marital status, and more.

People's values a richer and more varied community than that. Plus, our success as a business is tied to the breadth and diversity of people who shop here.

So we're broadening our thinking. We're reframing "ours" and "theirs" to simply "all of ours". We're using our whole selves to face the questions presented to us: How does People's Co-op continue to grow and thrive while staying true to our values of equitable access to healthy, sustainably produced food? How can we make these Ends meet? We need you on this journey to answer these questions and to make this vision a reality. We need your input, your opinions, your vision, your support, and your business. We hope you'll stand by us as we move into a new era of People's Food Co-op.



2000



2001



2015



people's
FOOD CO-OP

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Open Daily 8AM-10PM

FSC LOGO
HERE

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