



2019
annual
report

**WHOLE
FOODS
CO-OP**



Whole Foods Co-op Mission Statement

To serve our community as the foremost provider of foods and products that enrich health and well-being, cultivating a spirit of community through excellent service and education.

Whole Foods Co-op is a full-service natural foods grocery store with a wide variety of healthy foods, wellness products, and body care products from local and national brands. Our focus and mission each day is to provide the best possible customer experience for each and every person who walks through our doors. Our buyers do their best to create a product selection that encompasses the daily needs of our customers by providing options with the consideration of a variety of dietary needs as well as budgets.

Whole Foods Cooperative Ends Statements

Because of the Whole Foods Cooperative, the Erie community and our member-owners will:

- 1. Erie** - Our Erie community will flourish as a result of our support for a local and value-based food system, our efforts to foster a culture of inclusion, and our commitment to a living wage.
- 2. Environment** - Our environment will be minimally impacted by the Co-op's own practices, and our members, neighbors, and civic leaders will be able to follow our example toward a greener future.
- 3. Education** - Our members, shoppers, and community will look to the Co-op as a trusted resource for information about nutrition, health, sustainability, and cooking practices. Our civic leaders will look to the Co-op as a trusted resource on the Cooperative business mode.



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board president's report

By Cole Schenley, Board President

Looking back at this last year, it has to be said that this has been a challenging time for the Whole Foods Co-op, but one with great potential. A year ago we had launched the SorcERIE food truck, one of the boldest initiatives that the Co-op has ever taken on over the course of its history. This year has been one of rebuilding, with the board spending time inwardly focused and the operations team working towards small victories while it recoups the investment made in the food truck. We are several years from taking on larger projects, but in the meantime both the board and the operations team are seeking ways to grow the Co-op, become even more inclusive, and look to better meet the ends statements that are our foundation.

One of the strengths of the Co-op is our commitment to providing our employees a living wage. The Erie Reader featured the Co-op and general manager, LeAnna Nieratko, in an issue this past summer, where LeAnna spoke about the necessity of offering a living wage to all Co-op employees. And LeAnna was also featured in the Reader's 40 under 40 class of 2019. The board appreciates how well LeAnna is able to represent the Co-op, both in the media and at a number of conferences she's attended over the last year.

With the hire of a full-time human resources manager, Erin Wincek, the Co-op has made a stronger investment in its employees. For years the HR manager was a part time position, and while those services were helpful and appreciated, LeAnna let the board know

that she was looking to strengthen that position by hiring on a full-time manager. Erin has acquainted herself well with the Co-op. She has helped foster better ties between the staff and the board, entities at the Co-op that surprisingly do not always have much of a relationship. She has, for example, personally introducing newer staff members to me when I have come into the store to shop. LeAnna also deserves credit here, for her continued commitment to bringing members of the operations team at all levels to board meetings. Erin has started working on passport training for new employees, helping them have a better understanding of the culture of the Co-op.

There may not have been anything as splashy as the rollout last year of the SorcERIE food truck, but the Co-op was not without successes. From the truck being written about in the industry publication Cooperative Grocer, to the updated cafe menu, to the continued work by the staff committees, to finding ways to lessen our dependency on plastic; there have been many things to be proud of at the Co-op this year. The staff dress code was rewritten to be more inclusive, with a focus on enforcing health & safety standards and allowing for more individual expression.

The board has struggled at times this year to be as disciplined about its work as it needs to be. One of my personal challenges, stepping into the top leadership role at the Co-op, has been balancing the needs of the staff,

the board, and the member-owners. I have not always succeeded, but I can say that whatever the make-up of next year's board, there will be a better commitment to forging a new vision for the Whole Foods Co-operative. Our last vision was written in the summer of 2011, and it is time for our board to begin updating that vision for the next phase of the Co-op's existence. Additionally, we need to make a more concerted effort to reach out to the wider membership. We appreciate the member-owners that come to our board meetings to speak their mind, even when we disagree. However, they make up only a fraction of the wider membership, and the board will do better over the next year to have deeper interactions with the people shopping at the Co-op. One of the sad aspects of being the president of the board has been seeing several members of our board step down over the last year, or decide to not run again in this years' election. Those members all have their individual reasons, but I lament the loss of so much talent. The board is currently in talks with our consultant to help with onboarding, in part to lessen the chances that a board member will leave their position prematurely.

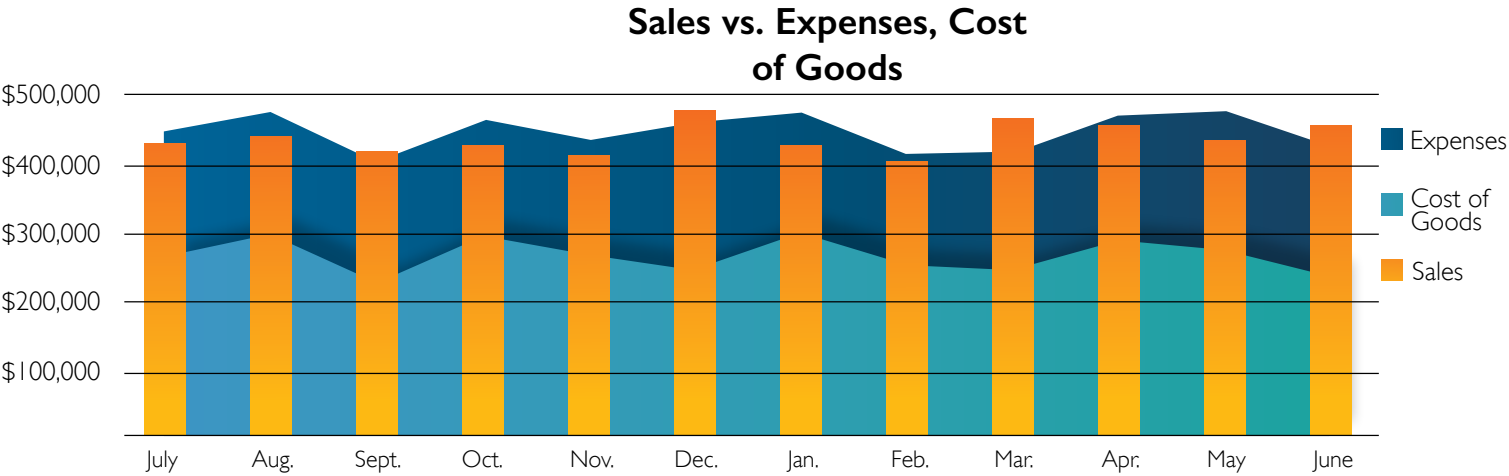
Whatever challenges the Co-op tackles in the coming year, we will have new faces on the board and the continued help of our talented staff to help guide us forward. This mix of experience and fresh ideas are just what our board and our Co-op need to become even better than we have been. It's exciting to think of all that we can accomplish as a team and as a community, and I'm lucky to have played a small part. Thank you.

general manager's review

By LeAnna Nieratko, General Manager

Sitting down to write a review, I was struck by how repetitive the opening sentence would be to Annual Reports of year's past: This year has been wild! I started thinking about why that is; why is a Co-op year always so wild?

It's one of the blessings and trappings of being community owned. The ability to change and grow is the responsibility to change and grow. That growth can be challenging, and at times feel scary, but we undertake it in a variety of ways every single day. This is sometimes in the bigger more obvious form or starting the SorcERIE food truck or running the Art Museum café last summer, but it also happens in small but impactful ways like purposefully investing in staff training or allotting additional resources to a social media outreach position.



We saw sales and transaction growth in the 2018-2019 year and with it some need for expanded roles and expenses. This growth exposed some gaps in our collective skill sets that we sought to close through training and education. We ultimately reduced our total training expense by \$6,352 this year by investing more on the payroll side and adding a full time Human Resources Manager. We also utilized our relationships with other Co-ops to take part in their training programs including sending the management and administrative teams to Green Star Co-op in Ithaca New York to attend a Sexual Harassment and LGBTQ+ awareness training session. That session opened a lot of important advocacy conversations that inspired us to offer pronoun pins to both staff and shoppers. It also was one of the motivating factors to take a greater look into our dress code policy to ensure we weren't unintentionally upholding systems of oppression through our own policies. There is a lot of work and education still ongoing around this, but I am proud of the work of cooperators in the social sphere.

We also felt some of the pain of taking on risk. This was the first full year in which the SorcERIE food truck was a functioning department of the Co-op. This took a lot of mental bandwidth for all parties at every level to figure out staffing, storage, closing for winter and opening again for summer. With this risk came concern; we had less cash; our net income was negative. While new ventures at this magnitude do take some time to be financially sustainable, we found ourselves feeling the strain. We learned a lot a long the way and as this summer was better than 2018, we anticipate the summer of 2020 will be the best yet.

One thing we do know is that our exposure into the community has had a lot of positives including sustained traffic and sales increases for the store. We also had an opportunity on the national stage by being featured for the outreach initiative of the truck though The Cooperative Grocer (a nationally published magazine for Co-ops).

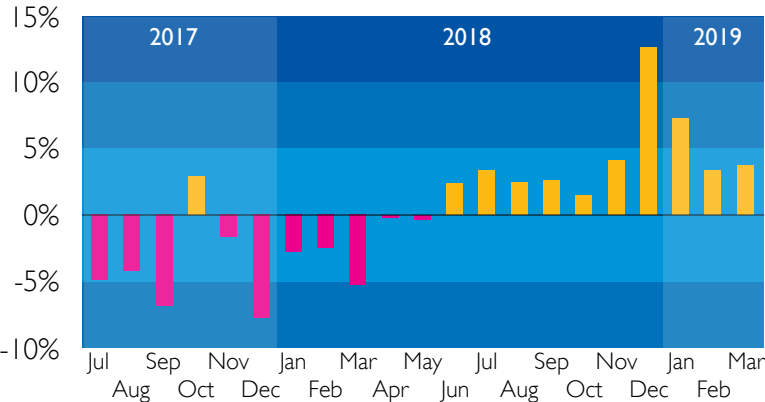
Another highlight of this year was the expansion of our staff-led committees. We went into this year with committees designed to focus on achieving our Ends. The more we discussed the possibility for workers to really engage in the greater principles of the Co-op, the more we realized we needed to expand the areas of interest for more people to be able to participate. Our committees and their charters:

- Erie: focus on bringing in and supporting local producers outside of the Grow-op. This will be measured by comparing the percentage of local vendors over time.
- Environment: continued focus on plastic reduction and elimination in the store. Additionally, this committee will help lead efforts with composting.
- Education: focus on using the community room as an optimal education space by surveying patrons and bringing in speakers/classes that meets their interests and needs.
- Co-op Historians: focus on telling the story of our co-op. This committee will seek out historical documents, pictures, stories to be shared in employee training and with patrons.
- The Grow-op: focus on educating and perpetuating the Grow-op, our urban agricultural initiative to bring in community gardeners.
- Staff Benefits committee: focus on creating spaces for staff (particularly the break/locker areas). Future focus on launching a staff wellness program.

thank you

I am sitting in my office as I type this, looking out into a bustling hallway full of passionate brilliant people and feel grateful for the opportunity to lead this organization. The talent here, the heart that is here, is second to none. This level of commitment to an organization can be hard as we attempt to navigating the complex and ever-changing tapestry of the world around us. We will not always agree on how we define healthy, or how we define accessible, or how we should lay out the store, market products, serve the community... but we do all agree that this Co-op is a powerful mechanism for participating in our own food system and our own economy. That's pretty wild.

Sales Growth % Pre and Post Food Truck



employment at the co-op

By Erin Wincek, Human Resources Manager

finding our calling

At Whole Foods Cooperative, our employees are encouraged to explore their passions and strengthen their skills, developing into roles they had not previously considered. This year was a shining example of this trend! Our Produce Manager, Kristen, who previously worked in our cafe, was able to transition that truly allows her skills and knowledge flourish. Jamie, a friendly face in our Front End department, recently joined the Wellness team where she can use her health knowledge to help others. There are many examples over the years of our employees taking on new roles, and in many cases, feeling like they've found their calling. Jason, our IT Manager started off in the Grocery Department, and Ben started as a cashier and has found his calling in our Finance Department. The opportunities for employees to grow, learn, and transform is a unique and vital part of working at the co-op.



summer employment for teens

From June through August of 2019, we welcomed Paige and Alex to our team through the County of Erie's Summer JAM program! Every summer, 150 youth work at more than 50 businesses and non-profit organizations in Erie County to learn critical employment skills. A first job often means so much more than a paycheck. It can mean a connection to a lifelong mentor, the ability to envision a career path, a boost in self-confidence, an appreciation for the value of education, and a belief that you can be something. Our summer students worked primarily in our Grocery Department, learning to stock shelves, fill bulk bins, and interact with customers. They also took on maintenance work around the store - you may have noticed our beautiful picnic tables that were carefully painted by them! We are thankful for this program and look forward to participating in the future.



staff benefits committee

A new committee began this past year as a way to give our employees a voice in decisions about staff benefits and shared spaces. In the three months since the committee was formed, the group improved the break room, updated the outdoor staff seating area, worked on a Benefits Satisfaction Survey for their coworkers, and planned improvements to our cafe kitchen and buyers' area. So far, this group consists of 8 members and continues to grow!

financials

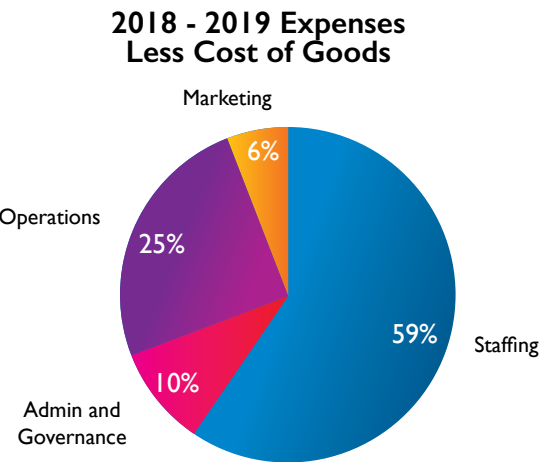


Profit and Loss Statement

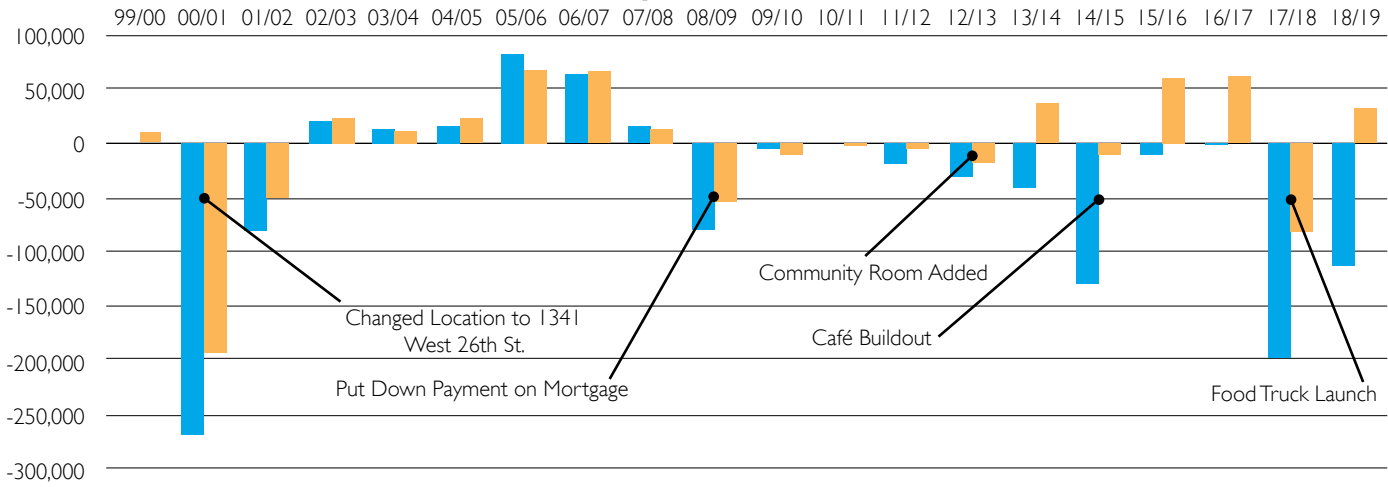
	2019	2018	2017	2016
Sales	5,173,982	\$5,003,209	\$5,142,012	\$5,425,082
Cost of Goods	\$3,145,865	\$3,049,804	\$3,010,100	\$3,172,930
Gross Profit \$	\$2,028,117	\$1,953,405	\$2,131,912	\$2,252,152
Gross Profit as a % of Sales	39.2%	39.0%	41.5%	41.5%
Operating Expenses	\$625,664	\$691,721	\$610,201	\$524,850
Staff Wages, Benefits & Taxes	\$1,321,207	\$1,279,631	\$1,243,502	\$1,278,919
Member-owner Discounts	\$12,481	\$10,141	\$115,596	\$298,296
Depreciation, Building & Equipment	\$88,870	\$83,926	\$75,704	\$77,121
Property Taxes	\$ 21,190	\$20,728	\$20,686	\$20,533
Bank Card Fees	\$71,614	\$65,528	\$67,586	\$65,257
Total Expenses	\$2,141,026	\$2,151,675	\$2,133,275	\$2,264,976
Income from Operations	(\$112,909)	(\$198,270)	(\$1,363)	(\$12,824)
Other Income	\$97,027	\$31,983	\$15,649	\$31,709
Rental Income	\$59,460	\$59,460	\$57,660	\$59,460
Total Other Income	\$156,487	\$91,443	\$73,309	\$91,169
Net Income Before Taxes \$	\$43,578	(\$106,827)	\$71,946	\$78,345
Net Income Before Taxes as a % of Sales	0.8%	-2.1%	1.4%	1.4%
Taxes	(\$12,590)	\$24,305	\$18,725	\$18,295
Net Income After Taxes \$	\$30,988	(\$82,522)	\$53,221	\$60,050
Net Income After Taxes as a % of Sales	0.6%	-1.6%	1.0%	1.1%

a deeper look at expenses

For the 2018-2019 fiscal year, we planned our expenses to pursue a few specific priorities: those defined by the Board through our Ends, and those required of us in the course of running the business. As discussed in the GM review, we focused a lot of our staff and staff development opportunities. This included a payroll price tag which included the labor involved in training exercises, committee meetings, and daily staff huddles. This also included an investment in a full time HR manager and a Marketing Specialist.



Net and Operational Income



where is this income from?

Operational Income (Op income): The blue bars on the graph (above) represent income from the business of selling groceries. This is the equation of all of our sales against all of the expenses it takes to make those sales: labor, repairs, cost of goods, utilities, governance, etc..

Net Income: The orange bars on the attached graph represents our total income. This is a combination of our income from selling groceries and income from other sources, in our case this is rent, donated equity and patronage dividends.

member-owners at your co-op

We had 321 new member-owners join us this fiscal year. That’s an 3% decrease over the number of new member-owners the year before. We saw a spike in new member-owners during a drive we held in March. Our environment committee partnered with the Marketing Department and the Grocery manager to give a reusable branded jar to all new member-owners.

New Member-Owners



changes in common stock (equity)

On our balance sheet from 2018 to 2019, despite an increase in new member-owners, there is a decrease in common stock. The process for this is defined in the following pages. The actual change amount due to inactive shoppers was \$84,810, representing 1,099 member-owners who have no shopped at the Co-op in 5 years or more.

This brings our total equity balance to \$695,545 and our total member-owner count to 7,029.

Balance Sheet

	2019 (Draft)	2018 (Adjusted)
Assets		
Cash	\$168,792	\$215,070
Current Assets	\$286,278	\$310,943
Fixed Assets	\$1,531,689	\$1,597,730
Other Assets	\$145,099	\$127,773
Total Assets	\$2,124,709	\$2,251,516
Liabilities		
Accounts Payable	\$130,622	\$165,647
Total Current Liabilities	\$141,697	\$120,459
Total Long Term Liabilities	\$685,683	\$772,311
Other	\$55,819	\$56,519
Total Liabilities	\$1,022,073	\$1,114,936
Equity		
Common Stock	\$659,545	\$721,009
Retained Earnings	\$443,091	\$415,571
Total Equity	\$1,102,636	\$1,136,580

a deep dive into equity



history

In 2014, member-owners voted to change our bylaws to the following:

Section 2.3 - Responsibilities.
Each Investor who maintains current equity requirements as described in Section 2.2 above, notifies the Co-op of any change to his or her name or address, and makes a purchase within the store within a two year period shall be considered in active status, or in failing to meet these requirements, shall be held to be inactive (“Inactive”) and to have voluntarily terminated their Investment and donated their equity to the general funds of the Cooperative. References herein to the rights and entitlements of Investors shall be understood to refer only to Investors in good standing and of active status.

Prior to this, the Co-op didn’t have a method for dealing with the equity of member-owners who were not longer shopping, but also did not request their equity back. Of the change, the Board of Directors at the time said:

“In consultation with our attorney, our management team, and our entire Board, we’ve identified a few areas [in the bylaws] that need to be changed this year to prepare us for the future. [For section 2.3] changes allow the Coop to recycle long dormant Investor money.”

They also listed legal compliance and accuracy as a driving force for this change.

Simultaneously, our Co-op was rolling out the change in discount structure, the change to patronage and preparing for the retirement of our long-time General Manager. In the sweeping changes, the bylaw change was not enacted.

Discussions about enacting the bylaws persisted from 2014 until July 2019 when the Board voted to begin the process of catching our balance sheet up to our bylaws. In these conversations, the current directors were concerned that being inactive for two years was not a long enough time frame to comfortable consider equity as having been forfeited.

In order to best stay compliant with legal advice, while simultaneously ensuring we are doing right by our member-owners, the Board decided to catch up to our bylaws incrementally, study the results and impact, and then make further decisions.

2014



·Bylaw change put into effect

2016



·Patronage goes into effect
·New General Manager hired

2017



·Audit of member-owner files to prepare for dividend
·General Manager alerts the Board to the bylaw; the decision is made with the Board and operations team to do research before activating as is.

2018



·Continued discussion and research into the current bylaw and potential options.

2019



·The Board decides a stepped approach to enacting the bylaw.
·Effective July 1, 2019: Equity for any member-owners who have been inactive for 5 years or more get donated to the general fund of the Co-op per the bylaw.

2020



·The operations team makes an effort to contact all inactive shoppers in the 2-5 year time frame.
·The Board tracks any requests for equity reinstatement.
·An additional year of 5 year or more inactive equity will be donated to the general funds of the Co-op per the bylaw.

2021



·The Board analyzes returns and requests for equity to determine if the bylaw should be enacted at 2 years or should be changed to 5.

2022



·Either the bylaw is enacted as is or changed to 5 years.

here’s the equity plan

equity frequently asked questions

What is the TLDR purpose for this?

We wanted to clean up our member-owner database and ensure we were legally compliant. We didn’t want to lose any member-owners, but over the years it has become difficult to maintain accurate records for member-owners who joined many years ago. By enacting the bylaw to 5 years, we will be able to fully audit our files and ensure our equity records are accurate.

Does this mean the Co-op has less money?

The changes are record keeping changes. The equity moved from common stock on our balance sheet to donated equity from inactive investors on our statement of income for this fiscal year, but no money had to change hands.

What happens if someone whose equity was donated wants it back?

Since our goal was just to ensure we had the most up-to-date information and not to lose member-owners, we have a process to request to re-instate equity that goes through customer service. Since anything involving equity has to be approved by the Board, there may be a wait to be formally reinstated, but the operations team will work to ensure any transactions made between the request and the approval get member-owner benefits. Please see the General Manager or the Board with any specific membership questions.

This makes our net income positive, does this mean we’ll get a patronage dividend?

No, here’s why: Patronage dividends come only from shopping activity done by member-owners. One quick way to know if a patronage income is possible is to look at our operational net income; if it is negative then that means shopper activity did not drive a surplus and would not constitute a dividend. From there, we must look only at shopping activity by member-owners. Here is a better look from our accountants at this year’s patronage considerations (a note, the net income from operations to consider for patronage also removes depreciation):

Total Sales to
Member-owners

\$3,347,073

Total Operational
Income to Consider

(\$91,318)

Member-owner Percent
of Income

65%

Income Attributed to
Member-owners

(\$59,074)

let's talk about sales!

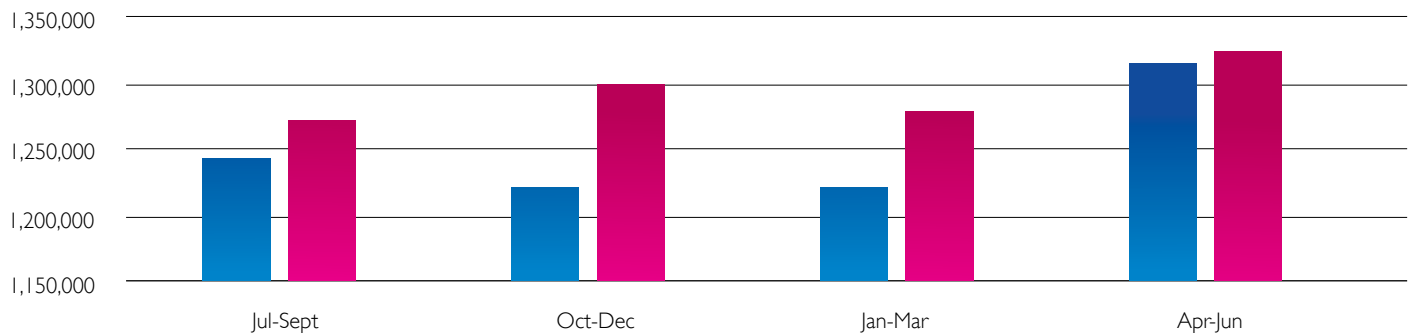


Sales for the 2018-2019 fiscal year were up 3.3% to last year with transactions up 8%.

Whole Foods Co-op 10

Sales by Quarter

2018 2019

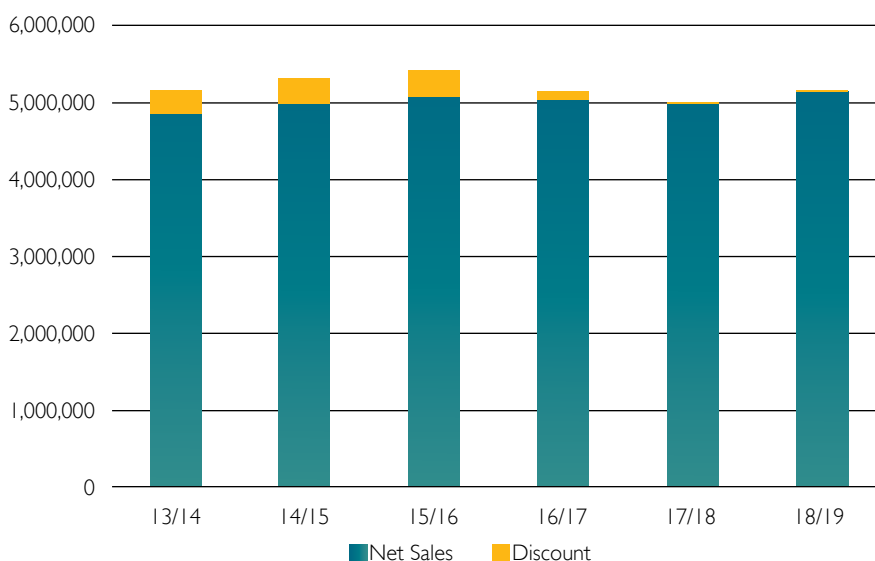


notable sales drivers

With consistent production of classic and new recipes, and the new bakery case, our Bakery department management led by Sarah Dreistadt managed double digit increases. CBD related products in the Wellness department and environmental products in the General Merchandise, led by Linda Lyons, grew by 6 % last year. Bulk sales continued to drive transactions, and sales in the Grocery department led by Eryn Schaefer. The Food Truck department led by Jessee Treiber experimented and drove sales for it's first year out.

	Sales	% overLY
Grocery Departments	\$2,418,721	1.6%
Café/Bakery	\$847,253	0.4%
Produce	\$415,975	-1.2%
Wellness Departments	\$1,430,840	6.6%
Food Truck	\$61,193	62.6%
Total Store	\$5,173,982	3.3%

Net Sales with Discount Trend



Ever since the discontinuation of our monthly member-owner discount and the roll-out of everyday low prices, we have found it pressing to analyze our sales with respect to the total discount expense. This gives a clearer picture of usable sales volume that can be turned back into staff compensation, new initiatives and lower prices.