

2017
ANNUAL REPORT

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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 Cooperative Ends Statements

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

1. Benefit from a thriving, locally owned business.
2. Enjoy a retail store that satisfies customers.
3. Have access to healthy, high quality fresh foods and prepared items for a range of budgets and dietary requirements.
4. Have access to holistic education and further resources that foster informed choices about wellness, healthy foods, sustainable living and the cooperative model.
5. Realize returns on our success, in the form of value added back into the community through charitable contributions, outreach projects, member-owner benefits, and other investments in the local economy.
6. Be participants in a more sustainable food system which emphasizes environmental stewardship, conservation, equitable treatment, and local sourcing in all areas of our business to the greatest extent possible.

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THE PAST YEAR AT A GLANCE

PROGRESS TOWARDS OUR ENDS IN THE 2016/2017 FISCAL YEAR

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

1. Benefit from a thriving, locally owned business

For every \$100 spent in locally owned independent stores, \$68 returns to the community through taxes, payroll, and other expenditures when you shop at The Co-op. If you spend that in a national chain, only \$43 would stay here. If you're buying online, none of the money is returned to your community. Over \$15,468 was spent in property taxes and approximately \$1,176,484 was spent on payroll and payroll tax expenses.

For more on how the Co-op is thriving, see the sales recap at the end of this report!

2. Enjoy a retail store that satisfies customers

In the 2017 WFC customer Survey, question #6 asked, "How would you rate your level of satisfaction with us?" The number to the left represents the number of respondents. The results were:

Highly Satisfied	249	52.2%
Somewhat Satisfied	131	27.4%
Neutral	30	6.2%
Somewhat Dissatisfied	27	5.8%
Highly Dissatisfied	35	7.3%
No Responses	4	<1%
Totals	477	100%

Since October 2013, the Co-op has been participating in National Cooperative Grocer's Mystery Shopper program. A Mystery Shopper program provides a systematic collection of reliable, valid information based on a mystery shopper's store experience. It's another way to measure the shopping experience to someone that may not be a regular shopper at the Co-op. A total of 12 shopping events July through June, have given us an overall satisfaction rating of 99%. The average for the Eastern Corridor was 90%. We are rated on store appearance, individual department presentation, customer service, and overall impressions.

3. Have access to healthy, high quality fresh foods and prepared items for a range of budgets and dietary requirements.

We strive to offer vegetarian, vegan, and gluten free options in every department. This year we introduced a product/company inquiry form at our suggestion box to allow greater input from our member-owners and customers.

In order to be accessible to a variety of budgets, we implemented an everyday low pricing strategy targeted at items our shoppers buy most. While the pricing changes impacted hundreds of items, the most purchased per department are: Dr. Bronner's bulk soaps (lowered by almost \$20 a gallon!), Middlefield cheese, Organic Valley Milk, Ezekiel breads, and Braggs Apple Cider vinegar. The café also introduced an \$6 toasted cheese and soup meal.

4. Have access to holistic education and further resources that foster informed choices about wellness, healthy foods, sustainable living and the cooperative model.

Our Community Room events continued to reach large numbers of people. From July 1, 2016 to July 1, 2017 we had 558 public classes or events and 133 internal events. According to sign in logs, 2,478 people attended classes and events in our community room.

The top 3 attended classes for the fiscal year were:

- Linda Soto – Change Your Thoughts (26)
- Samantha Lincoln – Leaky Gut/Functional Foods (30)
- Julia Thompson – Law of Attraction 101 (26)

The Whole Story signage throughout the store gives informational tidbits about particular products and the Whole Plan helps customers make informed choices about the foods they eat.

We have informational brochures located on the

slat wall by the front door. The titles include, "Eating Well on a Budget", "Low Salt Options", and "Gluten Free Foods" to help shoppers make informed choices. We also have a welcome brochure that explains everything about our store and what the benefits of member-ownership are.

5. Realize returns on our success, in the form of value added back into the community through charitable contributions, outreach projects, member-owner benefits, and other investments in the local economy.

Charitable contributions: Prior to the beginning of a new fiscal year, the membership is given the opportunity to vote for their favorite local non-profits. We take the 12 organizations (one represented in each month) with the most votes and set up donation jars at each register. The Co-op matches up to \$200 a month for the non-profit that is represented in that particular month. This year, the Co-op gave approximately \$7,375 (+67% to the previous year) in charitable contributions.

Member-owner benefits:

- Ability to vote for Board Members
- Exclusive sales just for our member-owners.
- Special order privileges including a 10% case discount.
- Ability to vote for which non-profit organizations the Co-op donates to throughout the year.
- Opportunity to have their voices heard by attending board meetings
- Use of the Co-op Community Center, free of charge
- Eligible to receive a patronage dividend if they shop in a year it is declared

Investments in the local economy: When the Co-op purchases local products we are defining "local" as the counties between Erie and our larger surrounding cities: Pittsburgh, Buffalo and Cleveland. This year we spent \$211,686 on local goods.

6. Be participants in a more sustainable food system which emphasizes environmental stewardship, conservation, equitable treatment, and local sourcing in all areas of our business to the greatest extent possible

We recycle paper, plastic, glass, ink cartridges, cardboard, and toner. We have energy efficient lighting throughout the Co-op and Community Center, including in all of our indoor coolers and freezers. Our food waste from Produce is made available to others for their animals or composting needs.

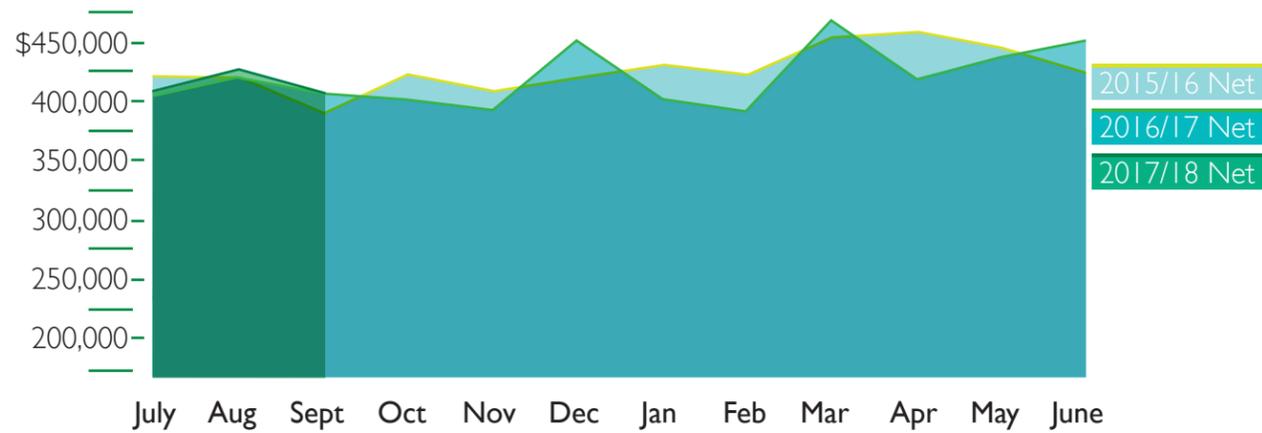
When we purchase products from our suppliers, we choose those who practice good stewardship and farming practices. Our product statement guides us in all of our purchases which includes a producer values requirement.

The Co-op is working with Environment Erie and has received grants for our rain garden projects two years in a row. The 26th street rain garden helps to beautify the parking lot and functions as a storm water management tool. It has also helped with traffic control and providing pedestrians with a safe, beautiful path along the busy corridor of 26th Street, it also has reduced parking lot flooding.



FINANCIALS

SALES GROWTH



The above graph shows our total net sales, which is our gross sales minus any discount expense. When the 15% member discount was active, we saw higher gross sales but significantly higher discount expenses. The above graph illustrates sales with consideration for the impact of discounts.

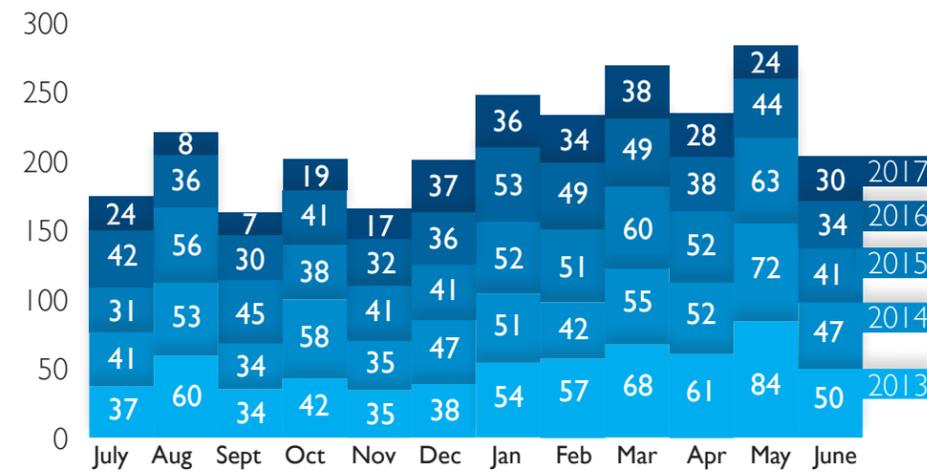
Last year, we projected 1.8% sales growth but saw a sales decline of 5%. The initial assumption with the retirement of the discount was that shoppers would make the same purchases. What we have found is that customers are spending the same amount of money and making different product selections. Based also on our everyday low pricing and Co-op Basics programs launching around the time of the discount change, it is difficult to say with certainty which had a greater impact on lowering our average basket size.

INCOME



In the figure to the left, our sources of income are represented by the blue and red lines, with our total net income (the sum of our ordinary and other income) represented in dark blue. Our total net income has been positive since 2014. Up until March 2017, the driving force behind our positive results came from our rental income. In 2017, we put in place measures to bring our ordinary net income into the positive as well, including eliminating a discount program that cost us around \$500,000 a year and a system for monitoring larger operational expenses such as payroll.

MEMBER-OWNER GROWTH



We continue to be strongly supported by our member-owners. 70% of our retail sales were to our member-owners and 30% were to our other shoppers. Altogether, those sales totaled over \$5,100,000. 302 new member-owners joined us in the 2016/2017 fiscal year. This is a sharp decline from years before. We made a conscious decision to slow our new member-owner acquisition while we moved through the patronage roll-out.

PATRONAGE

The calculation for patronage dividend comes from member-owner generated net income. One of the most important things we can do to ensure a positive net income, and therefore a patronage refund, is to control operating expenses. We did this in two ways this year: lowering our discount expense and putting in place a volume based payroll structure to lower payroll expense. These were historically our two biggest expenses. We were able to successfully lower both starting primarily in the 3rd quarter last fiscal year, resulting in positive operating incomes for Q3 and Q4. However, this fiscal year does include two quarters in which both expenses were relatively high (and net income was negative).

	Q1	Q2	Q3	Q4	Total
Sales	\$1,312,687	\$1,252,727	\$1,265,877	\$1,310,721	\$5,142,012
Cost of Goods	\$739,023	\$742,411	\$744,755	\$783,911	\$3,010,100
Payroll	\$280,217	\$273,622	\$263,189	\$253,303	\$1,070,331
Discounts	\$85,591	\$27,700	\$9,123	\$11,682	\$115,596
Total Expenses	\$587,002	\$538,362	\$510,826	\$497,085	\$2,133,275
Operating Income	-\$13,338	-\$28,046	\$10,296	\$29,725	-\$1,363

After adding our other income, of which our rental income is the most significant, we were able to bring in a positive net income on the year. From this number, only member-owner sales are eligible to distribute in the form of a patronage dividend. When the board declares a patronage dividend, we will work with our accountants to verify the amount available from member-owner sales. We will then send notices to eligible member-owners of the amount they are receiving based on the amount they shopped with the Coop this year.

Other Income	Q1	Q2	Q3	Q4	Total
Rent	\$14,415	\$14,415	\$14,415	\$14,415	\$57,660
Net Income (Operating & Other)	\$9,578	-\$4,719	\$21,795	\$45,292	\$71,946

PROFIT & LOSS STATEMENT

	2017	2016	2015
Sales	\$5,142,012	\$5,425,082	\$5,322,014
Cost of Goods	\$3,010,100	\$3,172,930	\$3,222,760
Gross Profit \$	\$2,131,912	\$2,252,152	\$2,099,254
Gross Profit as a % of Sales	41.5%	41.5%	39.4%
Cost of Goods	\$610,201	\$524,850	\$523,787
Staff Wages, Benefits & Taxes	\$1,243,502	\$1,278,919	\$1,259,206
Member-owner Discounts	\$115,596	\$298,296	\$294,263
Depreciation, Building & Equipment	\$75,704	\$77,121	\$73,537
Property Taxes	\$20,686	\$20,533	\$20,391
Bank Card Fees	\$67,586	\$65,257	\$58,703
Total Expenses	\$2,133,275	\$2,264,976	\$2,229,887
Income from Operations	(\$1,363)	(\$12,824)	(\$130,633)
Other Income	\$15,649	\$31,709	\$54,272
Rental Income	\$57,660	\$59,460	\$57,960
Total Other Income	\$73,309	\$91,169	\$112,232
Net Income Before Taxes \$	\$71,946	\$78,345	(\$18,401)
Net Income Before Taxes as a % of Sales	1.4%	1.4%	(0)
Taxes	\$18,725	\$18,295	\$4,470
Net Income After Taxes \$	\$53,221	\$60,050	(\$13,931)
Net Income After Taxes as a % of Sales	1.0%	1.1%	(0)

BALANCE SHEET

	2017	2016	2015
Assets			
Cash	\$280,300	\$231,815	\$173,856
Current Assets	\$368,828	\$298,798	\$326,355
Fixed Assets	\$1,549,324	\$1,578,583	\$1,644,306
Other Assets	\$16,965	\$91,547	\$84,715
Total Assets	\$2,226,649	\$2,200,743	\$2,229,232
Liabilities			
Accounts Payable	\$108,740	\$95,147	\$125,421
Current Portion of Long Term Debt	\$68,950	\$76,719	\$68,625
Other		\$28,357	\$61,642
Total Current Liabilities	\$177,691	\$200,223	\$255,688
Long Term Debt	\$803,344	\$832,255	\$903,573
Other	\$25,487	\$27,678	\$27,678
Total Liabilities	\$1,006,522	\$1,060,156	\$1,186,939
Equity			
Common Stock	\$684,533	\$670,970	\$632,727
Paid in Capital	\$16,690	\$16,690	\$16,689
Retained Earnings	\$452,819	\$452,927	\$392,877
Total Equity	\$1,220,126	\$1,140,587	\$1,042,293

Whole Foods Co-op Product Statement

The Whole Foods Co-op strives to meet the needs of our member-owners and our community, while selling food and items that are within our values. Every effort is made to provide choice through transparency. Our buyers evaluate and reevaluate our products and place a strong preference on the following values:

The Whole Foods Co-op will give strong preference to products that meet the following standards:

- Produced locally or regionally
- Organic and sustainable agriculture
- Non-GMO
- Cruelty free
- Certified humane
- Antibiotic and hormone free
- Fair trade
- Naturally flavored or colored
- Meets the needs of people on specialty diets, such as wheat-free, gluten-free, dairy-free, vegan, etc.



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