



KEWEENAW
CO-OP

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Vice President

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Treasurer

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Director

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JOE FREED
Director

KIM GREEN
Director

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Director

2017 annual report

Community Owned & Operated Since 1973

Hancock, MI • www.keweenaw.coop • 906.482.2030



from the board

2017 was another great year for the Keweenaw Co-op!

For those who feel that my annual report lacks innovation and imagination with saying words to this effect for five previous years....you are so right and I am so delighted!

In this, my final report to the Owners of the Co-op, I am thrilled to be repeating myself in my opening statement. Our Co-op is strong and only getting stronger, we stand as a beacon - I select this word with care - among the co-ops of the region. Our ownership is growing, our bank balance is growing, our staff is stronger, and our professional leadership beginning with our General Manager, Curt Webb, and including all - and this year I can repeat - all - of the management team is not only excellent but is getting better by the day.

Floor operations are good, reset is working, local suppliers are growing! Front end gets deserved compliments, website and social media are reborn, the Board of Directors is active and effective.



Wow! Life is great and we can all bask in our successes? NO!, ... well Ok maybe do it for 30 seconds... wait for it, right. Wait another 30 seconds, I would like to thank all who have helped, guided and periodically kicked me over the last 8 years, the KCI is a great group! - sentiment aside now...

ON TO WORK!

We are a Co-op of the Rochdale Principles, we are a Co-op with vital and evolving ends (hint - look up when you are checking out, the 7 principles are posted on the walls and the Ends are all around! - look at your table at the annual meeting!)

So how in the current environment do we make this work, we are in great shape now but what of the future? For the immediate future the only plausible option is that we will be in even better shape but what is next?

After years of necessary delay, after more behind the scenes work on budgets and running financials than any ought to do we are finally making progress on relocation! 1.5, 2, or 3 years from now we will be in a new store! This may seem a long time off but it is not, now is the time for us all to be active, not just Curt and his staff, not just the Board of Directors, but all.

SO HOW TO BE ACTIVE?

Tell the tale, we are justly happy that we have surpassed the 1400 Owner bar! I do not recall how often I have urged us all to each find a new owner each year. When the new President reports next year would it not be great to have over 2800 Owners?

Put your money where your mouth is. I anticipate in the next year the Board will announce a preferred stock sale to help finance the move. While I wish I could invest hundreds of thousands (the rate of return sure as heck beats the bank!) I cannot, most of you can't either, but co-ops give us the opportunity to pool our resources, each of us doing what we can. Think of the story we could tell with 80 - 90% participation! "Together we are stronger!"

Shop, be supportive of the staff, give your ideas!, look forward, be proactive.

You are reading this because you care, I am writing this because I do too. Shortly after you read this I will no longer be President! Will I dust off my hands and say, well 8 years is enough? No, rather I will welcome the new ideas, a new Board and new Owners who are doing the good work. I trust, you will stand with them and offer thoughts, work, good feelings, ideas, investments and most importantly a true embrace of the Co-op's statement:

WE ARE STRONGER TOGETHER!

We will not just survive, we will thrive!

caring for OUR community in 2017



25,586

Bags Saved in 2017

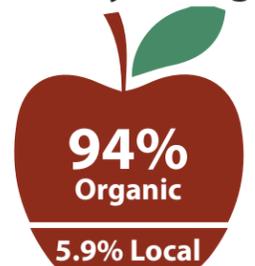
\$53,377

Senior/Student Day Discounts

\$14,163

Owner: Appreciation Month Discounts

Healthy Eating



\$16,970

Owner: Special Order by the Case Discounts

\$6,486

Co-op Deals & New Owner Coupons

coop explorers

335

Participation of Kids 12 and under

Community Sponsorships (not including labor)

16 + 14 = \$4,679
Organizations Events Donated



Passed on to customers \$66,883 NCG Promotional Rebates

income statement

Sales growth was steady in 2017. We remained ahead of the curve for Midwest co-ops that continued to experience low-growth to flat sales. Our Gross Margin remained solid in a large part due to reduced cost of goods thanks to NCG brokered deals. This continues to allow us to offer better retail pricing which in turn drives higher volume. Operating Expenses grew overall by 6%, slightly under sales growth. Labor grew in track with sales, but represented the largest dollar increase. Operating and Administration grew by notable percentages. Technology upgrades make up most of the difference in Operating expense. Staff attendance at conferences and other development opportunities accounts for the increase in Administration costs.

	2015	2016	2017
Sales	3,075,339	3,291,556	3,519,319
Cost of Goods	(1,900,011)	(2,003,796)	(2,164,811)
Gross Profit	\$1,175,328	\$1,287,760	\$1,354,508

OPERATING EXPENSES

Personnel	851,859	904,001	985,791
Occupancy	68,386	70,668	69,559
Depreciation	14,081	37,028	29,005
Operations	103,808	110,290	134,544
Administration	41,452	16,517	23,057
Governance	13,034	15,016	12,634
Marketing/Outreach	54,031	64,412	64,096
Total Expenses	\$1,146,651	\$1,217,932	\$1,318,686

Operating Income	\$28,677	\$69,828	\$35,822
Other Income/Expenses	14,753	6,163	16,504
Patronage Refund	(16,940)	(33,315)	(18,214)
Income Tax Paid	(3,143)	(7,849)	(7,711)*
Net Income	\$23,347	\$34,827	\$26,401

*Estimated payment pending tax filing.

balance sheet

Our business continues to grow and our balance sheet is solid. Our current assets, which include savings, short-term investments, inventory and pre-paid expenses increased by 13% in 2017. Fixed assets decreased by 10% due to depreciation. Other assets increased due to investments we made in other co-ops. Liabilities, our short- and long-term payables, were 32% greater at the end of 2017 than at the end of 2016, mainly due to bill payment cycles (1 week worth of bills exceeds the amount of the difference). Equity, which represents Owner investment and retained earnings, grew by 6%.

BALANCE SHEET RATIOS

Current Ratio 5.8 (benchmark 1.25 or above)
(Current Assets divided by Current Liabilities) measures liquidity

Debt to Equity Ratio .21 (benchmark 3.0 or below)
(Total Liabilities divided by Total Equity) measures of solvency

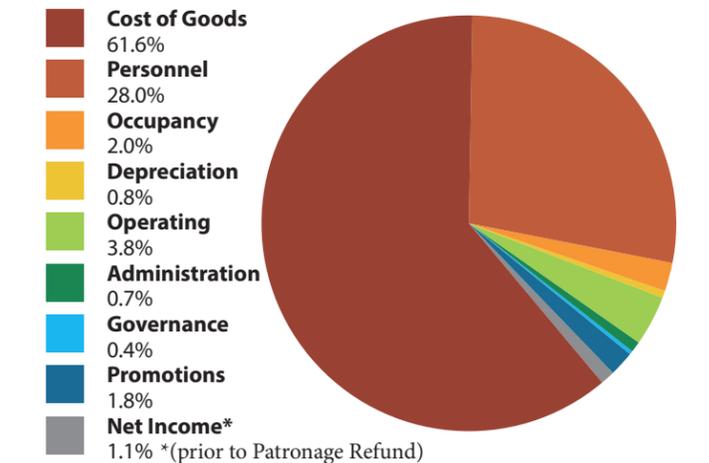
Sales per Sq. Foot



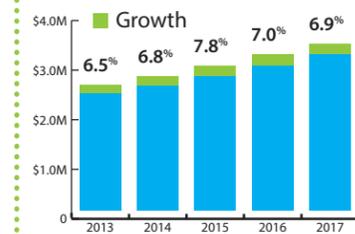
Avg. Transaction



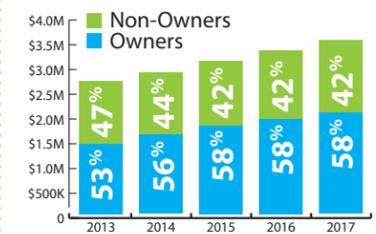
Total Sales 2017 \$3,519,319



Annual Sales Growth



Owner/Non-Owner Sales



ASSETS	2015	2016	2017
Current Assets	648,387	692,380	788,067
Property/Equipment	172,857	196,133	175,865
Other Assets	33,627	40,218	54,534
Total Assets	\$854,871	\$928,731	\$1,018,466

LIABILITIES	2015	2016	2017
Current Liabilities	110,748	102,264	135,157
Total Liabilities	\$110,748	\$102,264	\$135,157

EQUITY	2015	2016	2017
Pre-2010 Equity	38,098	37,998	37,867
Owner Equity	196,381	213,773	233,093
Retained Patronage	74,147	104,235	115,624
Retained Earnings	412,150	435,497	470,324
Net Income	23,347	34,964	26,401
Total Equity	\$744,123	\$826,467	\$883,309
Total Liabilities/Equity	\$854,871	\$928,731	\$1,018,466

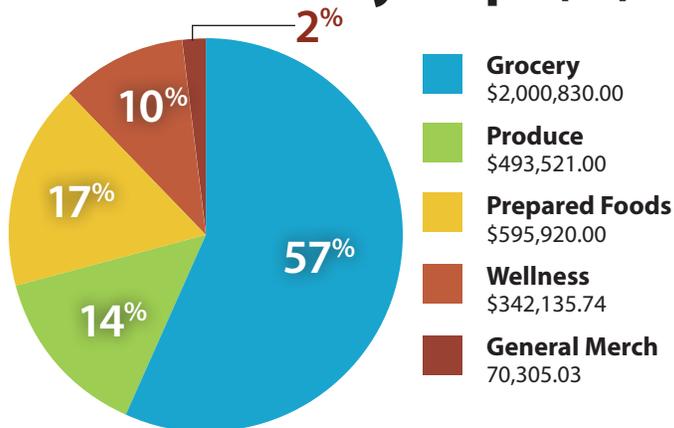
Avg. Inventory



Credit/Debit Processing Fees



Total Sales by Dept (%)



115,898

Total Transactions

By the Numbers



\$67,679

Average Weekly Sales

\$9,695

Average Daily Sales

Current Staff @ The Co-op = **187 Years**

+148

Cooperatives We Network With

12

Cooperatives We Do Business With

26

Cooperatives On Our Shelves

5

Cooperatives We Belong To



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 Board email board@keweenaw.coop

from the GM

The Keweenaw Co-op exists to sustain the physical and social health of our owners, customers and community with: a resilient and ethical food infrastructure; education, activism, and communication; and the advantages of a cooperative business model.

Each year we have an opportunity to share our efforts to meet these Ends with you, our Owners. I'll highlight some of our progress from 2017.

WHAT IS OUR IMPACT?

Economic Impact. Being a viable business allows us to use our dollars to support our Ends. Strong growth continued in 2017, with sales increasing 6.9% and units sold increasing 8.6%. Nearly 5,000 more transactions means more people came through our doors to find products that met their needs.

Of every dollar spent at the Co-op, 30.5¢ stayed in the local economy, 36.5¢ stayed in Michigan, and 51¢ remained in the 3-state region. In 2017, this included purchasing almost \$20,000 of produce from 20 local farms and providing 40 Co-op jobs.



Curt Webb gives you the scoop on The Coop.

At a time when a few large corporations own an ever-growing share of the food industry, the Co-op's purchases from independent distributors and direct purchases from independent producers increased by 12.5% in 2017 while the percentage of total purchases held at 25%. We continue to seek alternative sources of quality products in the interest of choice and diversity in the supply chain.

Community Impact. We connect people to good food. In addition to working with local farmers, sales of certified organic produce increased 11% in 2017 equaling 94% of sales in the Produce Department.

The Co-op supported organizations that advocate for organics, GMO labeling, local food, hunger issues and co-ops. These include the

Non-GMO Project, UP Food Hub, Western UP Food Bank, and National Co-op Business Association. We partnered with 42 community organizations, schools and businesses whose work aligns with our Ends.

In 2017, quarterly customer appreciation days were expanded to reach more of the community, and we hosted or sponsored more community and school events, educational initiatives and celebrations, including our first Local Farm Tour.

FOR WHOM DO WE EXIST?

Owners. As of early 2018, the Co-op has 1,400 Owners, 1,200 of whom were active in the past year. As Owners, in addition to putting your money behind your values, you enjoyed Owner Appreciation Discounts of over \$14,000, Owner Special Order discounts of nearly \$17,000, and a patronage refund totaling over \$15,000.

Staff. We strive to create an excellent workplace, with continued focus on staff experience. I'm pleased that our 2017 Staff Survey had 100% participation, with an overall score of 82%. In response to this and an assessment of our capacity for growth, we are focusing on wellness events, another wage scale overhaul, building team function, trust and accountability...moving toward the more supportive, dynamic, customer-focused organization we want to be.

We continue to look for ways to work smarter not harder. In 2017 we invested heavily in technology to help make that happen including WiFi, intercom, Point of Sale and computer upgrades.

Community. We strive to make the Co-op a welcoming, unthreatening and comfortable place for anyone to shop. Customer service sets the Co-op apart, but we continually look to take it to the next level.

We recognize our obligation to our Owners and, by extension, our community. Operational decision-making considers the effect our decisions will have on the community and we strive to make that a positive effect. Outreach and education efforts are tailored to expand the cooperative circle.

AT WHAT COST?

Installation of more efficient equipment has reduced our energy use and reduced food waste. We track progress through an annual impact survey. But, as you know, our building has many efficiency limitations and our staff work in less than ideal environments. Moving the Co-op to an energy-efficient, functional and aesthetically pleasing new home will allow us to dramatically grow our positive impact at a smaller environmental cost.

In 2018, planning turns to action. Current priorities are building a shared vision for the next iteration of the Keweenaw Co-op, site search and fundraising. There will be opportunities for you to engage along the way as we work to make this a reality. Thank you all for your continued support! ❖