

PORTLAND FOOD CO-OP

COMMUNITY OWNED MARKET

Portland Food Cooperative Annual Report 2013

A Letter from the Board President

This year was a turning point for the Co-op, when we decided as a membership that we had a great opportunity to expand our mission and our impact by growing to become a retail store. We gathered often during this process, at a day-long retreat on a beautiful summer day in June, and again at a special Member-Owner meeting in July, to discuss our values and the Co-op's role in contributing to the community. Strengthened by a market analysis from a national consultant that showed plenty of market opportunity in Portland, and by a business plan developed by local consulting firm Common Good Ventures, the Board listened to Member-Owners all summer long about our future. The message was consistently resoundingly clear: a retail storefront, providing a one-stop shopping experience and open to the public, was the commonly held vision for the Co-op. The final business plan was approved in August, new committees sprung up to take the charge, and we have been moving full steam ahead ever since.

Of course, all this planning and development happened against the backdrop of an impressive ongoing all-volunteer buying club operation

that sold nearly \$200,000 of goods in 2013. Working Member-Owners continued to keep the gears running to purchase food from dozens of Maine farmers and producers, to organize educational events, and to support other local and national co-operatives (Crown of Maine and Frontier).

And these days, there is rarely time to pause and look back. We've been moving forward at a fast pace, continually strengthened by the expertise and talent coming out of the woodwork that is helping making our storefront possible. In 2014, we'll be making a big splash not just in Portland, but within the entire local food economy of Maine. But beyond that, we'll also be serving as a model for democratic governance and consumer ownership; providing education and resources to the community; and contributing to building a stronger neighborhood in the vicinity right around our store. It's an exciting time to be a Member-Owner. Let's open the doors! - *Daniel Ungier*

Finance Review

In October of 2013 we kicked off our Member-Owner campaign. Our plan to open a retail store was immediately met with a huge outpouring of support (cont.).

LOCAL IMPACT

Throughout the year Member-Owners added a little extra to their orders. Together in 2013 we donated to the Preble Street Soup Kitchen:

100 pounds of beans

120 pounds of oats

165 dozen eggs

53% of all food items purchased were locally sourced



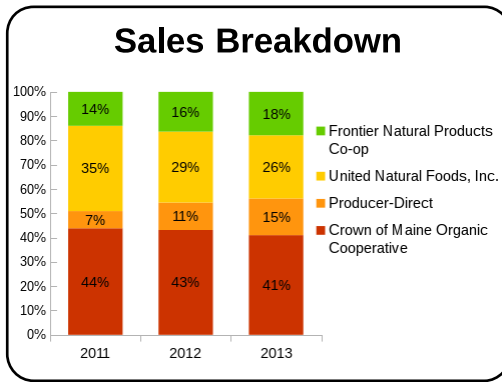
Balance Sheet as of December 31, 2013
(Unaudited)

ASSETS	FY 2013
Bank Accounts	120,494
Accounts Receivable	2,518
Other Current Assets	429
Total Current Assets	123,442
Fixed Assets (Net)	14,979
Work in Progress – Retail Store	40,737
Total Fixed Assets	55,716
Other Assets	67,708
TOTAL ASSETS	249,378
LIABILITIES	
Accounts Payable	11,183
Other Current Liabilities	2,316
Total Current Liabilities	13,499
Line of Credit	25,000
Member-Owner Loans	85,500
Other Non-Current Liabilities	53,695
Total Non-Current Liabilities	164,195
TOTAL LIABILITIES	177,695
EQUITY	
Member-Owner Equity & Paid-In Capital	59,972
Retained Earnings	6,687
Net Income	2,513
TOTAL EQUITY	134,050
TOTAL LIABILITIES AND EQUITY	145,233

Finance Review (cont.)

The enthusiasm of new Member-Owners has proved contagious, and appears to be rapidly spreading. We closed the year with Member-Owner equity close to \$60k, which was roughly a quarter of total assets at that time.

In addition to countless hours of extra volunteer labor, planning, advisory expertise and professional services, the greater community chipped in. We received donations of maintenance services, supplies, and equipment worth over \$11,000.



Meanwhile, we continued pre-order operations with a focus on expanding year-round availability from more of our vendors. Gross receipts fell just short of our \$200,000 goal, but the hard work paid off. Member-owners tipped the scale with 56.1% of sales supporting Maine producers. This reflects an increasing demand for local goods, up from 50.9% in 2012 and 54.4% in 2011. We became the largest consumer of local food from Crown of Maine Organic Cooperative, surpassing even Whole Foods in order volume.

Our producer-direct program continued to grow and became more central to operations. New offerings were warmly welcomed by Member-Owners, and sales increased to constitute 15% of total revenue. The increase we saw from 11% in 2012 and 7 percent in 2011 was not unintentional. Coordinated by Tim McLain and Sandra Benson, our P-D crew added nine new connections to our network, including fresh seafood via Salt + Sea Community Supported Fishery, and reusable goods by Anne

Income Statement
January 1 - December 31, 2013

	FY 2012	FY 2013	% of Income
Sales Income	212,499	193,533	100.00%
Cost of Goods Sold	193,278	175,256	90.56%
Gross Profit	19,221	18,277	9.44%
Marketing Operations	253	10,736	5.55%
Administration	1,589	923	0.48%
Software and General Administrative	1,385	2,582	1.33%
Liability Insurance	602	640	0.33%
Professional Services	-	2,478	1.28%
Total Administration Expense	1,987	5,700	2.95%
Occupancy			
Facility Expense	202	170	0.09%
Property Tax	6,277	6,472	3.34%
Utilities & Telecom	2,389	2,558	1.32%
Total Occupancy Expense	8,869	9,201	4.75%
Total Expenses	12,697	26,559	13.72%
Net Operating Income	6,524	(8,282)	-4.28%
Other Income (Expense)	519	11,077	5.72%
Earnings Before Taxes and Depreciation	7,044	2,795	1.44%
Income Taxes	-	282	0.15%
Depreciation	1,438	-	-
Net Income	5,606	2,513	1.30%

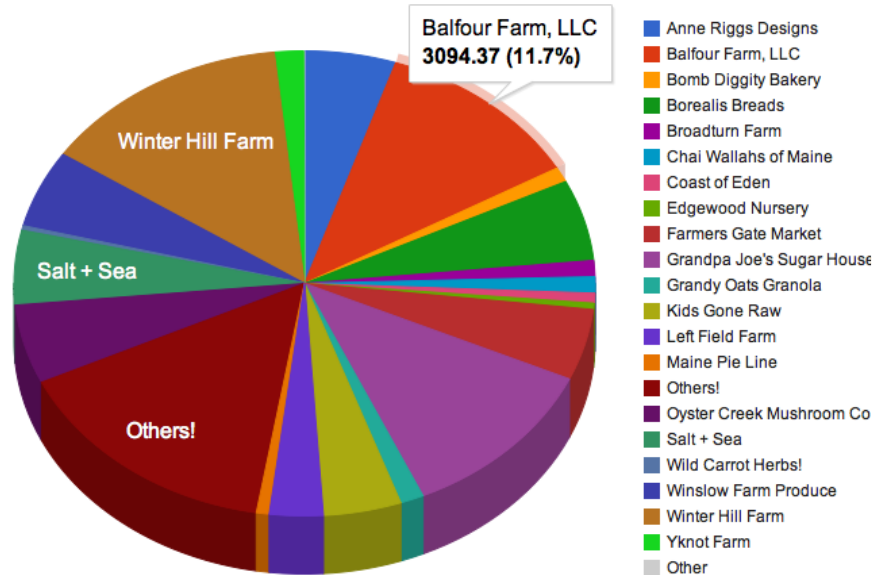
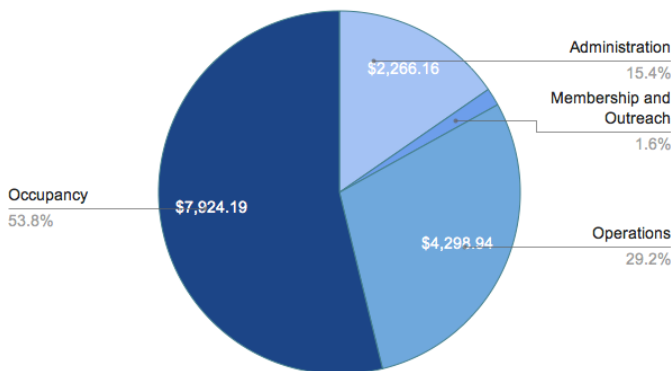
Riggs Designs. 2013 was also a big year of expansion for many of our vendors, including Balfour Farm's dairy production in and the creation of Crown of Maine's Northern Girl label and processing facility. - *Bragita Noreen, Treasurer*

Retail Project

In 2013 the Portland Food Co-op began its transformation from a buying club to a retail store open to the public. In September the Cooperative Fund of New England committed a \$330,000 loan to PFC and key leadership pledged an additional \$60,000, bringing us nearly a third of the way to our goal of \$1.26 million dollars. We kicked off the Member-Ownership drive in October

2013 Producer-Direct Purchases

Operating Expenses





and increased our numbers from about 400 to over 600, with a goal of 1,400 before the store opens. We began negotiations with the landowner to lease 290 Congress Street, and by the end of the year we were extremely close to finalizing the agreement. We formed a Capital Campaign Committee to identify and seek our start-up funding including grants, institutional loans, and the Member-Owner loan program. By the end of 2013 PFC had completed the long planning process and was eager to jump into the accelerated pace of 2014, in the fall of which our store will be open.

Governance Committee

The Governance Committee was convened in the summer of 2013 in order to help the board understand how best to guide the PFC once a retail store is launched. The committee researched a variety of governance structures used by non-profit organizations as well as food co-ops, and recommended that the board pursue a Policy Governance system. During the fall and winter the committee drafted a set of policies explicitly for the PFC and guided directors in reviewing and understanding them. This resulted in the board's approval of a set of governing policies to be formally adopted once the GM has assumed full responsibility for all operations. Additionally, the Governance Committee has led the planning of formal board training that will take place in the coming months, to train the board in the practice of Policy Governance and in new methods of conducting board business.

Member-Owner Engagement Committee

The Member-Owner Engagement Committee set the following goals:

- Spearhead a Member-Owner drive and gain at least 1,000 new Member-Owners by the fall of 2014
- Undertake outreach efforts in support of the drive
- Handle all marketing and communications efforts, including website, advertising, blog, newsletter
- Plan social and educational events that engage both Member-Owners and the public

The committee had a very successful year in meeting these goals with the invaluable help of Mary Alice Scott, whom we contracted as our campaign organizer. She enabled the PFC to dramatically extend its outreach efforts, attending over 25 events during November and December. By the end of December we had over 600 Member-Owners, on track with monthly goals. We created a new engaging and easily navigable website that has boosted our public image and enabled new Member-Owners to join online using PayPal. We increased our social media presence with more frequent Facebook posts, using advertising options to reach our core audience. A bi-weekly e-newsletter informed Member-Owners and others of PFC's rapid progress. We created new professionally-designed marketing materials including a rack card, posters, tabling materials, video, and giveaways (shopping



bags, stickers,) and conducted a small print advertising campaign, placing ads in five local publications. PFC was featured in two WMPG interviews.

Just before announcing our store plans we were voted "Portland's Best Kept Secret" in the annual Indie Biz awards.

In addition, the committee began planning several health and wellness workshops, a movie screening at Space Gallery, and two Member-Owner-wide space design meetings.

