

willy street co-op Annual Report

Fiscal Year 2018

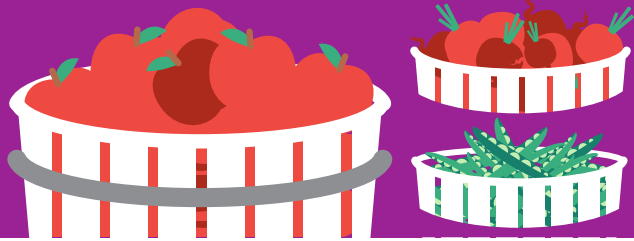
JULY 3
2017

TO

JULY 2
2018

\$8,077,261

Paid directly to local vendors
(excluding local distributors)



10,424
Double Dollars
coupons distributed

(9,584 redeemed or \$47,288)



502,637 Pounds of
Fair Trade
chocolate,
bananas, and
coffee sold



\$2,126,075
Active Owner
Equity



3,385

New Owners



11,125 lbs
of local produce
processed for winter



2,025



local fruit pies sold



4,450
Fruit & Veggie
Prescription Program
vouchers distributed
151 patients or \$8,900

34,970
Active Owners



GENERAL MANAGER REPORT

Anya Firszt, General Manager

a.firszt@willystreet.coop

Dear Owners,

We accomplished some pretty significant achievements in Fiscal Year 2018 — all worth celebrating!

Our sales and ownership have grown steadily since we first opened in 1974; in Fiscal Year 2018 our operation included three retail storefronts, one Production Kitchen, and a Central Office, all with nearly 35,000 Owners and 400 staff and combined annual sales of over \$50 million. Wow!

In the last year, we were able to bring greater parity between the product selection and services offered at all three stores. Willy North installed their outdoor seating area, now complete with our Willy Street Co-op signature umbrellas! Willy North also opened their Juice Bar for made-to-order fresh-squeezed, blended and coffee drinks. And, Willy East introduced beer and wine to their offerings to be more consistent with our two other stores.

In summer 2017, Owners approved the expenditure of funds for the expansion of Willy West. Once receiving Owner approval for the project, we began the planning and redesign of Willy West in earnest, with construction beginning in spring 2018. By the end of the fiscal year (which was in June) we were half done with project work. And, by the time you read this Annual Report, the construction work will be completed. THANK YOU to all our staff and shoppers for your patience throughout the six months of disarray and organized chaos. If you have not had an opportunity to visit Willy West in the last several weeks or months, you have a treat waiting for you!

On the staff side of our operation, we increased our starting wage to \$12/hr early in the fiscal year. We reviewed all our job descriptions and pay ranges and made pay adjustments to reflect the updates with pay increases awarded to the retail staff in January, and nearly all other staff at the beginning of the current fiscal year. We also awarded pay for performance raises in April in conjunction with our annual evaluation cycle.

Thank you for your part in keeping the cooperative business model dream alive and making our Co-op the success it is! It remains an honor and privilege to serve you.

Yours in Cooperation,
Anya



Prakriti and Doug Ryddner (flanking GM Anya Firszt) were the first Owners to buy Owner Bonds to help finance the expansion of Willy West. Owners bought \$674,500 in Bonds in just 24 days.



Willy North managed to squeeze in a juice bar, and then a sandwich station a few months later.

BOARD OF DIRECTORS REPORT

Jeannine Bindl, Board President

board@willystreet.coop

Woven into everything we do at the Co-op is our commitment to invest in and enrich both our community and the environment. From accepting the Force for Local Change award on behalf of the Double Dollars program to giving over \$530,000 dollars in charitable donations, your Board of Directors is proud of the way the Co-op has accomplished our Ends this year. This is all thanks to you, the Co-op's Owners.

Speaking of Owners, we are 3,385 stronger this year, totalling 34,970 Owners at the end of Fiscal Year 2018. If you are a new Owner of the Co-op, welcome! We are so glad you are here.

Together as a cooperative we are able to strengthen our community. Investment in our future is one way we do this. Last year Co-op Owners approved an expansion of our West location. The expansion will provide an additional 3,500 retail square feet, a larger Community Room and commercial-grade kitchen to better serve the needs of our community.



Did you know you can vote for the Board of Directors at the Annual Meeting & Party? Interested in running? See www.willystreet.coop/board.

For good measure, here are a few of the other ways the Co-op was able to invest in the community last year:

-  We gave a total of \$25,000 in grants to 10 community partners via the Community Reinvestment Fund
-  We finished our first full year of the Retail Ready Lab in which 20 small, local vendors were able to pilot their products in our stores
-  We spent \$8,077,261.77 dollars with local vendors
-  We received \$65,791 in donations and reusable bag refunds towards the Double Dollars program

It is a privilege to serve the Willy Street Co-op Owners as a Board member. As one of our almost 35,000 Owners, are you interested in becoming more involved our cooperative? If so, please send a note to the Board Development Committee at BDC@willystreet.coop.

On behalf of your Board of Directors, thank you. Thank you for your generosity and the ways you make it possible for the Cooperative to invest in our local economy. We are eager to see how the ripples from this year continue and where the new ones will begin.



Your Board of Directors began visiting the stores once per month to answer questions and gather feedback. During the holidays they helped out with bagging at the registers.



Willy East staff members pose with the 2017 Mad Faves award. *Isthmus* readers voted your Co-op their favorite grocery store.



We added a patio and picnic tables in front of Willy North.



Your Co-op's Communications Director and Co-op Services Director hold the Force for Positive Change award, presented by John and Tashia Morgridge. The Co-op received the plaque and \$12,500 in recognition of its work on expanding the Double Dollars program. (Photo credit: Dan Johnson).



Purchasing Director led a workshop at the 2018 Up & Coming conference for growing food cooperatives. She taught the group how to build a strong and authentic local vendor program.



Thony Clark—Mango Man—holds his certificate showing that his product graduated from the Retail Ready Program.



The Willy West expansion started in spring of 2018. The first few months of construction happened in the former Hallmark store space just next door.



Mama Digdown's Brass Band performing during Fete de Marquette and our Annual Meeting & Party.

GIVING BACK



Charitable giving amounts by type:

\$44,954

Donations of food, gift bags, gift cards and other products and services (234 organizations)



\$57,190

Local event sponsorships (including La Fête, the Good Neighbor Festival, River Food Pantry's Harvest Dinner, and many more)



\$25,000

Community Reinvestment Fund (10 organizations)



\$65,266

From customers and the Co-op

Disaster relief (to Global Giving and Central Texas Food Bank for Hurricanes Harvey, Irma, Katia, Maria and earthquakes in the Chiapas region of Mexico)



\$65,971

From customers and the Co-op

Double Dollars Fund (scan card donations and reusable bag savings; does not include Healthy Dane's \$10,000 match)



\$10,000

Pantries of Plenty (Bread of Life Food Pantry, Goodman Community Center, Lussier Community Education Center, Middleton Outreach Ministry, The River Food Pantry, and Wil-Mar Neighborhood Center)



\$265,084

From customers

Community CHIP™ See a list of recipients at www.communityshares.com



\$533,285 TOTAL IN FY18 DONATIONS



Felicia Peña from Central Texas Food Bank visiting Willy East. We fundraised \$25,000 to provide meals for Hurricane Harvey victims. Thanks for your support!

Number of people the Co-op employs:

377



Number of staff eligible for benefits:

296

(Healthcare benefits for staff working at least 30 hours per week.)

Save Some Trees

Get our newsletter (and annual report) via email at willystreet.coop/subscribe



FINANCE REPORT

Paige Wickline, Finance Director

p.wickline@willystreet.coop

Fiscal Year 2018 (FY18) was another successful year where we exceeded our budget goals. All year our sales surpassed our expectations with final numbers coming in \$1.2 million over budget. The additional sales translated into revenue of \$316,000. Our expenses were less than expected, coming in \$300,000 under budget. Because of recent tax law changes, we also had a large reduction in our tax liability in the amount of \$456,000. As the result of these items, our net income was \$1 million better than expected and came in at \$219,000 compared to our budgeted loss of -\$853,000.

When we opened Willy North two years ago, we planned to have losses the first three years totaling \$2.4 million. We are now on track to have operating losses of under \$1 million.

Our cash and equity positions remain strong. Cash at year-end was \$3.54 million, up \$200,000 from the previous year. Owner equity increased by \$119,000 bringing Owner equity to \$2.668 million.

In FY18, we sold \$674,500 in Owner Bonds as part of the funding for our recently completed West Expansion Project. This project started in FY18 with a budget of \$2.271 million that included Owner Bonds, a loan from Summit Credit Union and \$100,000 in leasehold improvements from our landlord. The loan from Summit was not drawn on till FY19 to fund payments for the expansion. We will be paying back \$500,000 in three-year Bonds from Willy North at the end of FY18.

Your Co-op continues to be financially strong and we look forward to continued investments in our staff, our retail locations and in how we serve our Owners and our community.

The Balance Sheet, which provides a snapshot of the Co-op's resources (assets) and the financing of the resources (liabilities + equity), reflects the financial stability of the Cooperative. Liabilities are our obligations to creditors (banks, vendors, employees). Equity is comprised of our Owners' contributions via Fair Share payments, retained patronage refunds and unallocated earnings. We round to the nearest decimal or dollar.

| Balance Sheet | FY 2018 | % | FY 2017 | % |
|-------------------------------------|-------------------|----------------|-------------------|----------------|
| Assets | | | | |
| Cash & Equivalents | 3,541,110 | 25.35% | 3,335,813 | 25.36% |
| Inventory | 1,899,247 | 13.60% | 1,922,685 | 14.62% |
| Income Tax Receivable | 3,127 | 0.02% | 3,127 | 0.02% |
| Other Current Assets | 280,849 | 2.01% | 248,951 | 1.89% |
| Property & Equipment - net | 7,631,578 | 54.63% | 7,092,024 | 53.91% |
| Other Assets | 614,236 | 4.40% | 552,234 | 4.20% |
| Total Assets | 13,970,147 | 100.00% | 13,154,834 | 100.00% |
| Liabilities & Equity | | | | |
| Accounts Payable | 2,333,160 | 16.7% | 1,885,049 | 14.3% |
| Patronage Refund Payable | 0 | 0.0% | 0 | 0.0% |
| Other Current Liabilities | 1,971,316 | 14.1% | 1,627,135 | 12.4% |
| Long Term Liabilities | 4,491,467 | 32.2% | 4,807,082 | 36.5% |
| Total Liabilities | 8,795,943 | 63.0% | 8,319,266 | 63.2% |
| Fair Share | 2,668,646 | 19.1% | 2,549,300 | 19.4% |
| Retained Patronage Refunds | 1,449,506 | 10.4% | 1,449,506 | 11.0% |
| Retained Unallocated Earnings | 1,056,052 | 7.6% | 836,762 | 6.4% |
| Total Equity | 5,174,204 | 37.0% | 4,835,568 | 36.8% |
| Total Liabilities and Equity | 13,970,147 | 100.0% | 13,154,834 | 100.0% |

The Income Statement measures our profitability. Sales, gross profit margin (sales less costs of goods sold), and personnel expenses are the key indicators of whether we can expect to meet budgeted profitability.

| Income Statement | FY 2018 | % | FY 2017 | % |
|-------------------------------------|-------------------|---------------|-------------------|---------------|
| Sales | | | | |
| Non-Owner Surcharge | 0 | 0.00% | 3,619 | 0.01% |
| Access Discount | -244,348 | -0.47% | -242,385 | -0.49% |
| Gross Sales | 52,061,575 | 100.00% | 49,011,383 | 100.00% |
| Cost of Goods Sold | -33,621,982 | -64.58% | -31,578,036 | -64.43% |
| Gross Profit Margin | 18,439,593 | 35.42% | 17,433,347 | 35.57% |
| Expenses | | | | |
| Personnel Expense | 13,502,262 | 25.94% | 13,028,187 | 26.58% |
| Occupancy Expense | 1,938,090 | 3.72% | 1,804,408 | 3.68% |
| Operating Expense | 1,441,957 | 2.77% | 1,485,540 | 3.03% |
| Promotional Expense | 567,340 | 1.09% | 571,746 | 1.17% |
| Depreciation & Amortization | 733,545 | 1.41% | 712,612 | 1.45% |
| Administrative Expense | 512,588 | 0.98% | 503,693 | 1.03% |
| Governance Expense | 144,630 | 0.28% | 114,942 | 0.23% |
| Total Operating Expense | 18,840,412 | 36.19% | 18,221,128 | 37.18% |
| Other Income | 330,312 | 0.63% | 327,223 | 0.67% |
| Interest Expense | -166,203 | -0.32% | -182,999 | -0.37% |
| Other Expense | 0 | 0.00% | -21,520 | -0.04% |
| Total Other Income (Expense) | 164,109 | 0.32% | 122,704 | 0.25% |
| Income (Loss) Before Income Taxes | -236,710 | -0.45% | -665,077 | -1.36% |
| Income Taxes | 456,000 | 0.88% | -29,000 | -0.06% |
| Net Income (Loss) | 219,290 | 0.42% | -694,077 | -1.42% |