

# annual report

# 2016



## from your General Manager Sheila Conboy

Last year at this time, we were awaiting the opening of a cooperative market, six years in the making. The year started with a tumultuous construction ride, yet we've ended celebrating a very successful first year in operation. Thanks to you, we are on track to meet and exceed our sales projections, signaling the strong value of our impact on the community.

Our store opened June 8, 2016 and our sales tell us that you are in full support of it. Still, we have challenges ahead that while common among burgeoning businesses, need to be addressed so as not to compromise future success. In our February newsletter, we described the hurdles that were a result of unexpected difficulties during the construction phase: We spent more money than was initially planned. Major delays during construction further added to that cost. As a result, we started out with less than adequate working capital and currently continue to pay down that construction debt. Because we are a start-up, our vendor credit terms are short and we pay many of them cash on delivery. Established businesses can easily weather these conditions, but in order for us to overcome them, we will need to raise additional capital. For that reason we will launch a new capital campaign in the coming months. With your support, we will wrap it up in short order.

## East Aurora Co-op Market

locally grown, community owned

We already have all the tools we need to sustain our thriving cooperative. Alongside your support, Lexington Co-op in Buffalo continues to be a constant champion for us, continually underpinning our efforts for the last seven years through loans, encouragement and grace. Largely thanks to Lexington's support, we were just accepted into National Cooperative Grocers (NCG), an organization whose membership offers strong advantages to over 147 co-ops throughout the country. They offer professional and administrative resources – for finance, marketing, human resources and more. They also strengthen purchasing power, which allows co-ops to offer more value to member-owners. NCG helps newbies like us hone in on the preferred practices of successful co-ops with long histories of experience in all facets of this business.

Last month I attended the NCG spring conference held in Durham, North Carolina. The theme was the impact cooperatives have in their communities and the world. In his report, Derek, our board president, talks about our ends statements; a breakdown of the East Aurora Cooperative Market's mission. One year in business, and our impact is already evident. We are bringing more fresh, local food to our community, retaining more dollars here, and improving the health of our community, all while just beginning to meet the needs of our owners, who we exist to serve. We have only started to accomplish what we set out to do, but look how far we've come together. Thank you for being here and for sticking with your co-op while together we maximize our community business for the greatest positive impact.



## from your Board President Derek Punaro

*Our store is open!* Those four words give me great pleasure and should give all of you a great sense of accomplishment! It is no easy task to start a business this way, but the cooperative model and the willingness of this community proved it can be done. Now, the Board is looking at how well the business is functioning, how well are we meeting the objectives laid out in our Ends Policy and what do we need to do to succeed as we move forward.

As a Board, we're responsible for directing the co-op to be a business that creates a community that:

- **has access to high quality, reasonably-priced food, with an emphasis on local, minimally processed and ethically produced goods.**

*We hope the products you see on our shelves reflect this, and we always encourage your feedback on the products in your store.*

- **is empowered to influence what is grown, produced, sold, bought, and consumed.**

*By purchasing at the co-op, we're collectively steering our dollars towards the products that are important to us. As we grow, our impact becomes even greater!*

- **has a thriving local economy.** *We generated over \$1 million in sales in 2016 and are on track to exceed \$2 million in 2017. Co-ops keep a larger percentage of your grocery dollars in the local economy than traditional supermarkets.*

- **is knowledgeable about the impact of food and product choice on its well-being.**

*We've started to offer classes and Whole Food Nutrition Tours led by Registered Dietitians, and intend to expand our educational outreach as we grow.*

- **is knowledgeable about Cooperative Principles and Values and the cooperative infrastructure is supported.**

*We partner with other co-ops for educational, operational, and fiscal support, and are always looking to sell co-op produced goods (Alaffia body care, Cabot cheese, BreadHive granola, GroOperative produce).*

- **is inclusive of diverse persons with diverse needs.**

*The co-op is serving a wide range of people - everyday grocery shoppers, folks with special dietary needs, people looking for a quick, hot nutritious meal, members and non-members alike. We will soon be able to accept SNAP benefits. We're here for everyone, whatever they need us for.*

- **has a sense of pride, fairness, connectedness, belonging, and fellowship.**

*I love to shop our store because of the friendly faces that greet you, and I always run into people I know who are also happy to be shopping. I take pride knowing that I helped to build something that serves our region. I hope you're feeling these things as you shop your store. We built it together!*

- **supports and advocates sustainable agriculture, economy, environment, and quality of life in WNY.**

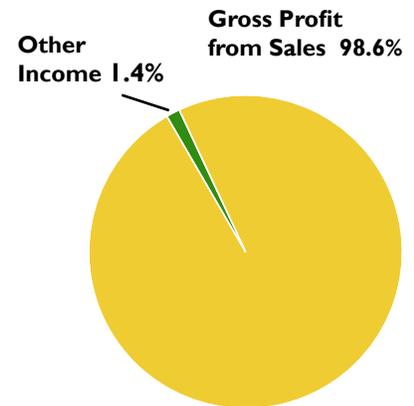
*When we do well on the individual ends above, we fulfill this goal as well.*

In a relatively short period of time in business, I'm proud to say that I see progress across all these areas. However, that doesn't mean we're out of the woods yet. In February, the Board reported to owners that the co-op's financial position was tenuous. Since opening, sales have been steady and the response from customers and the community is overwhelmingly enthusiastic. Operationally, the co-op's financial performance is strong and getting better each month. Still, our co-op is facing financial shortcomings stemming from the project phase of our business' development. The Board has worked diligently to consolidate the co-op's debt and maximize our working capital. We've received loans from National Co-op Grocers and Lexington Cooperative Market, two organizations who have been incredibly supportive of us. In a few months, we will launch a new capital campaign. This extends an opportunity to invest to the 300 new member-owners who have joined us since opening, as well as to those who weren't able to invest before, and to any member-owner who can now see what we've built, believes in our mission, and wants to help make us stronger. Collectively, we built the East Aurora Cooperative Market. Collectively, we will sustain it.

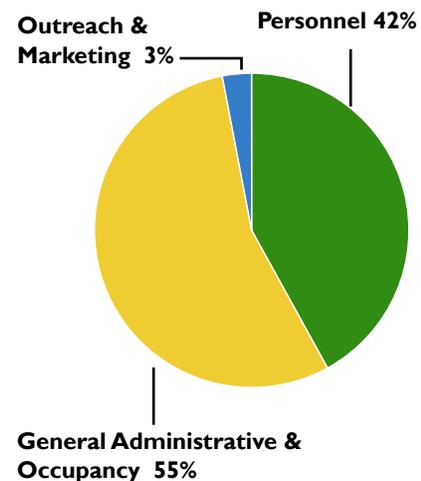


Co-op member-owner Andrew Emborsky cutting the ribbon on opening day!

## Income



## Expenses



See corresponding tables on the next page



*from your*  
**Board Treasurer**  
**Mike Benzin**

**Finally!**

We've been waiting to say that for a very long time. *Finally* we have a store that's open. *Finally* we have sales and operating income. *Finally* we have a conscientious and dedicated staff handling what our conscientious and dedicated volunteers used to do. *Finally!*

Our financial report this year is more robust than ever - but that doesn't mean it's all rosemary and sweet tea. We've said it before, while our sales have consistently exceeded projections since day one, naturally, so did expenses – of products, services, and labor. It cost more than anticipated to build-out the space that became our co-op. It also costs more to operate the store, but we've seen our operations become better and more efficient every month.

Like all new businesses, our pro forma projected that we'd lose money in our first few years. That is happening. It takes time to change shopping habits. It takes time for staff to become more effective and efficient. And it takes time to learn what products our community wants most. Until we're proficient in those areas, we'll continue to turn a negative profit while we evolve and grow. That's what our working capital is for.

So, time is the answer. Time will continue to grow our sales, realize better prices from vendors, and capture better terms with our lenders. Time will allow our operations & staff to mature. Our co-op needs time to grow to be financially self-sufficient.

This year, we're buying time by raising more money to fund our working capital through a capital campaign. We didn't anticipate this campaign, but we're excited to offer this opportunity for owners to invest in something they love and believe in. We need to boost our working capital even more, build more equity, pay down costly debt, and stabilize our cash flow. Your Board has negotiated financial terms and obtained loans to help strengthen our position, and in the coming months member-owners will be able to help secure our financial footing.

Our long-term projections are as strong as they've ever been. Stronger, in fact. But over the next year or two, much work remains to be done. When our capital campaign begins, please be there to support your store! The pie charts and tables in this report reflect our income, expenses and balance for the 2016 calendar year. An audited report will be available for your review come this fall. In the meantime, if you have any questions, please feel free to contact me anytime.

As always, thank you for supporting your store!

## BALANCE SHEET

### Assets

#### Current Assets

Cash	(45,951)
Inventory	154,406
Prepaid	1,904
Accounts Receivable	2,420
<b>Total Current Assets</b>	<b>112,780</b>

	Initial Value	Depreciation	Book Value
Property & Equipment (Fixed Assets)	1,988,243	(71,248)	1,916,995

**Total Assets 2,029,775**

### Liability & Member Equity

#### Current Liabilities

443,092

#### Notes Payable

Loans - Long Term Portion	979,441
Owner Loans	405,100

**Total Notes Payable 1,384,541**

#### Total Liability

**1,827,633**

#### Member Equity

Owner Preferred Shares	665,500
Paid in Member Capital	266,140
Retained Earnings	(246,178)
Net Income	(483,320)

**Total Member Equity 202,142**

**Total Liabilities & Member Equity 2,029,775**

## INCOME STATEMENT

### Income

Sales Income	1,381,819
Cost of Goods Sold	916,570

**Gross Profit 465,249**

**Other Income 6,823**

**Total Income 472,072**

### Expenses

Personnel	381,448
General Administrative & Occupancy	498,797
Outreach & Marketing	26,277

**Total Expenses 906,522**

**NET OPERATING INCOME (LOSS) (434,450)**



Each week,  
**2,600**  
 people enjoy a friendly  
 co-op shopping trip.



The kitchen makes  
**84 sandwiches** every day.

Your co-op is purchasing homegrown food from

**31 local farms.**



Sales are **24.7% above projections!**

*through December 2016, co-op customers devoured*



**7,753**  
 cups of soup



**726 lbs**  
 of freshly ground  
 peanut butter



**1,034**  
 local apples from  
 Dan Tower Farm



**YOU own it** *By shopping the co-op, you are creating change in our community.*

**Whole Eating Tours**

Registered Dietitians from your ranks are leading free tours of the co-op to educate anyone who wants to learn about how to incorporate nutritious whole foods into their every day.

**Events & Outreach**

Storytime and ice cream making for kids, Taste of East Aurora, the EA Chili Challenge (*EACM chili was crowned #2!*), ArtWalk and beyond - you've created a business for the community, and your staff is working hard to live up to the promise.

**ROC & Food Shuttle Donations**

Unsellable food at the co-op doesn't go to waste or to a landfill. We've partnered with the Rural Outreach Center (ROC) and WNY Food Shuttle, local non-profits who pick up and distribute food to folks who need it.