



KEWEENAW
CO-OP
Market & Deli



2022

**Keweenaw Co-op
Annual Report**



Our Ends

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.
- Advantages of a cooperative business model.

Board of Directors

Roger Woods, *President/Treasurer*
Kim Green, *Vice President*
Stephen Jukuri, *Secretary*
Cathy Campbell-Olszewski, *Director*
Joan Schumaker-Chadde, *Director*
Rebecca Matuszak, *Director*
Cynthia Hodges, *Director*
Bre Tucker, *Director*

General Manager

Curt Webb
curt@keweenaw.coop

From the Board

This past year was a historic year even for a cooperative getting ready to celebrate 50 years of serving the community! With the 612 Quincy Street location secured, the Board of Directors in conjunction with Curt, our Keweenaw Co-op General Manager, started determining the critical path of activities to get to a grand opening. These activities included reincorporating in Michigan to utilize the updated Cooperative legal structures and enable us to raise capital in a cost effective manner. With a successful member-owner vote in April, the Board moved on to a successful investment campaign, exceeding our \$1 million goal. Curt and the various stakeholders worked in parallel to secure grant funding and construct a funding model to allow the project to move forward. The Board recently approved the loans that were the final piece of the funding model, allowing initial work to begin in earnest.

The question I get often from community members is “Why is it taking so long?” The number of legal, financial, organizational and operational activities was quite numerous and any delays in a certain activity in the critical path forces everything else to move out as well. The Board focused on making sure we were making the best decisions based on the information at the given time and sometimes we needed more to make sure we were making the best decisions for our member-owners and our community. We will continue to monitor the financial and physical progress of the project as we aim for opening in 2024.

How can you help? Continue to support the Co-op by shopping and sharing the word about our amazing store (staff, selection, values). Even though I have been here over 20 years, I still find people that haven’t found the hidden gem that we have, with the new store we won’t be hidden anymore!



Roger Woods
Board President

2,181

Keweenaw Co-op Owners

\$40,056

Owner: Appreciation Month Discounts

\$45,470

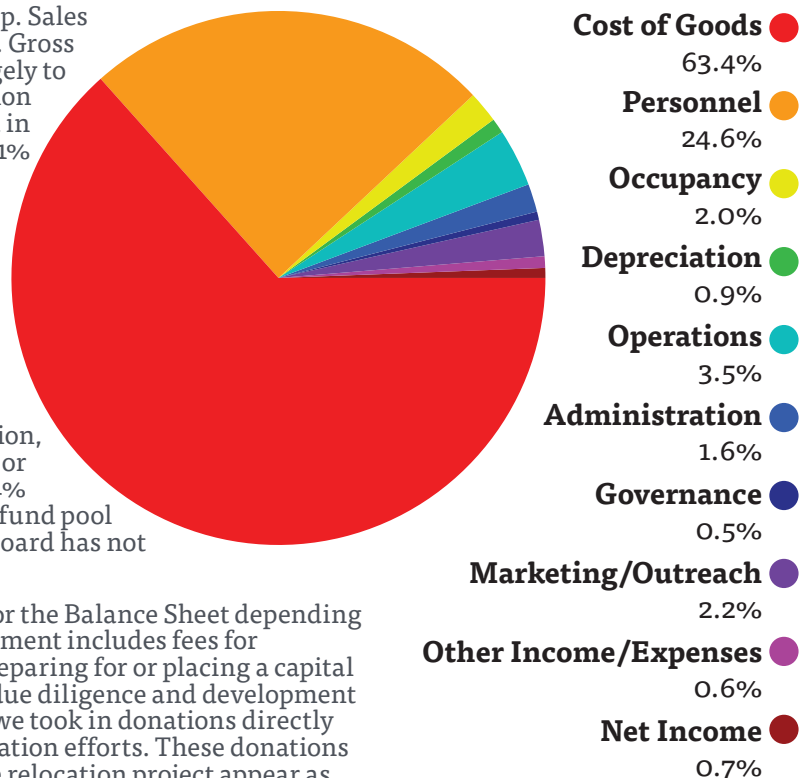
Owner: Special Order by the Case Discounts

2022 was another good year for the Keweenaw Co-op. Sales growth of 5.4% took us over \$5 million in annual sales. Gross Margin fell short 1.3% of budget. We attribute this largely to not keeping up with volatile wholesale prices as inflation climbed throughout the year. This has been addressed in subsequent quarters. Personnel expense improved by 1% compared to 2021, but still came in 0.8% over budget. We continue to focus on systems and productivity to keep that indicator moving in the right direction. Our new store will help us overcome many of the labor inefficiencies inherent in our current location. Combined, the shortfall of these two indicators represents \$107,000 in unrealized operating income for the year. Other expense categories were near or on budget.

Operating income (before interest, taxes, depreciation, patronage refunds and relocation expenses) was 2.1%, or 1.9% under budget. Adding in relocation expenses, 0.4% profit remains. This is the profit that the Patronage Refund pool would typically be drawn from. As of this report, the Board has not made a final decision on Patronage Refunds for 2022.

Relocation expenditures end up on either the P&L or the Balance Sheet depending on the nature of the expense. The Profit and Loss Statement includes fees for professional services that are not directly related to preparing for or placing a capital asset into service. Relocation expenses in the form of due diligence and development support continued to grow in 2022. At the same time, we took in donations directly and through our Round-UP campaign to support relocation efforts. These donations show up as other income. Note that Investments in the relocation project appear as Equity on the Balance Sheet.

Bottom line, the Co-op saw 0.7% Net Income for the year.

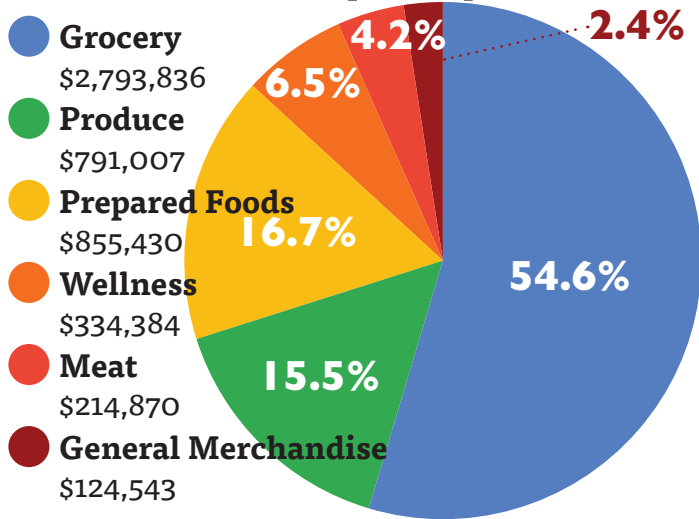


Income Statement

	FY 2020	FY 2021	FY 2022
Sales	4,525,367	4,850,348	5,114,070
Cost of Goods	(2,804,595)	(3,008,132)	(3,243,436)
Gross Profit	\$1,720,772	\$1,842,216	\$1,870,634
OPERATING EXPENSES			
Personnel	1,203,409	1,243,437	1,257,913
Occupancy	76,118	95,689	104,865
Depreciation	25,945	31,204	44,532
Operations	170,848	181,548	178,096
Administration	22,735	50,033	84,481
Governance	16,291	17,020	24,129
Marketing/Outreach	110,742	100,845	111,301
Total Expenses	\$1,626,088	\$1,719,862	\$1,805,317
Operating Income	\$94,684	\$122,354	\$65,317
OTHER INCOME/EXPENSES			
Relocation Donation Income	-	-	20,303
Relocation Expense	(3,079)	(49,049)	(64,779)
Other Income/Expenses	211,787	21,664	29,680
Patronage Refund	(60,789)	(41,361)	-
Income Tax Paid	(14,367)	(14,090)	(14,120)*
Net Income	\$228,236	\$39,518	\$36,401

*estimated payment pending tax filing

Total Sales by Department



The Balance Sheet captures a moment in time, in this case the end of 2022. It shows what the Co-op possesses (Assets), owes (Liabilities), and owns (Equity). The “balance” on a Balance Sheet is that Assets always equals Liabilities + Equity.

The Co-op’s Balance Sheet saw a number of changes in 2022, largely related to relocation. **Current Assets** shows an increase due to community investments that reside in both cash assets and a substantial downpayment on long-lead time equipment for the new store (the downpayment becomes a Work-in-Progress Asset upon delivery, and ultimately a fixed asset on the Property/Equipment line when placed into service). **Property and Equipment** (Fixed Assets) decreased due to depreciation. **Work-in-Progress Assets** is a new line representing investments in real estate (the 610 Quincy property purchase and site improvements) and professional services related to improving that asset (architect, engineer, legal, etc) that are considered part of the capital investment. **Total Assets** show an increase of over \$1 million, or 68%, at the end of 2022.

The increase in **Current Liabilities** lies mostly in Accounts Payable. This is due to the timing of billing cycles. The Co-op remains current on all payments due. At this point in time the Co-op has no Long Term Liabilities, but that will change in 2023 as we begin to draw on construction loans for the relocation project.

Increases in **Equity** to highlight include additional Owner Equity, representing another year of a growing Co-op membership roll. The other notable change in Equity is the addition of Non-voting Investment Certificates. These are community investments, through a Michigan MILE Offering, in the Co-op’s relocation project. At the end of 2022 \$929,750 in Investment Certificates had been sold.

BALANCE SHEET RATIOS

Current Ratio 5.5 (benchmark 1.0 or above)
(Current Assets divided by Current Liabilities)
measures liquidity

Debt to Equity Ratio .12 (benchmark 2.0 or below)
(Total Liabilities divided by Total Equity)
measures solvency

Balance Sheet

*These financial statements were prepared in-house.
The external audit of 2022 financial statements is scheduled to be conducted in May 2022.*

	FY 2020	FY 2021	FY 2022
ASSETS			
Current Assets	1,144,244	1,280,848	1,581,028
Property & Equipment, Net	232,796	208,840	177,635
Work in Progress Assets	-	-	777,852
Other Assets	72,151	84,544	117,452
Total Assets	\$1,449,191	\$1,574,232	\$2,653,967
LIABILITIES			
Current Liabilities	227,023	234,738	288,488
Total Liabilities	\$227,023	\$234,738	\$288,488
EQUITY			
Pre-2010 Equity	37,602	37,532	37,447
Owner Equity	300,673	345,196	385,235
Retained Earnings	486,810	715,046	774,024
Investment Certificates	-	-	929,750
Retained Patronage	168,847	202,202	202,622
Net Income	228,236	39,518	36,401
Total Equity	\$1,222,168	\$1,339,494	\$2,365,479
Total Liabilities/Equity	\$1,449,191	\$1,574,232	\$2,653,967

2022 Statistics



51.8¢/\$1

EVERY PENNY COUNTS
 For ever \$1.00 we spend
 Local: 25.6¢
 U.P.: 25.9¢
 Upper Midwest: 51.8¢



\$38,518

Relocation Donations

\$6,355

Round UP Donations - Western UP Food Bank and Detroit People's Food Co-op

\$10,825

Community Sponsorships/Donations



\$11,457

FREE Fresh Fruits and Veggies for Food Assistance Patrons (Pause On Earning DUFB Jul-Dec '22)

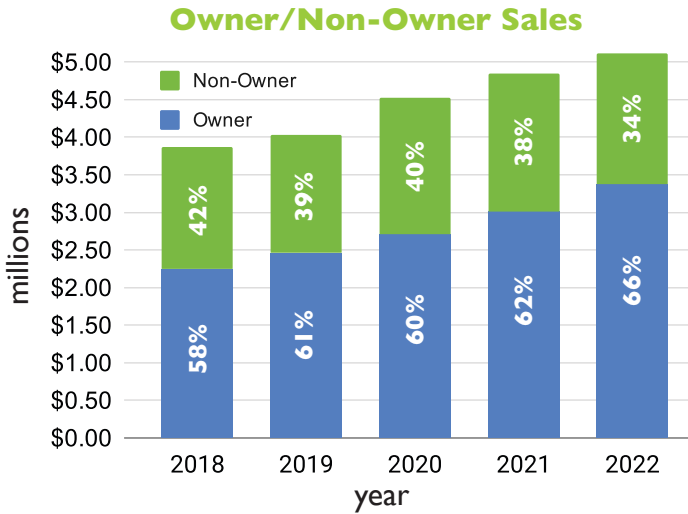
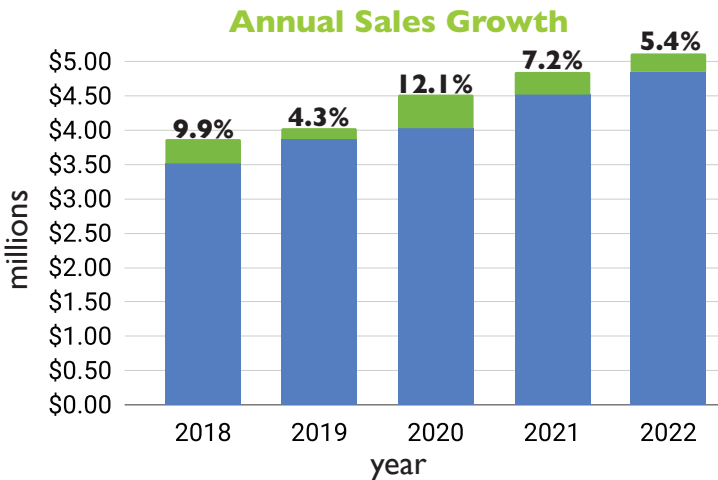


\$73,334

Credit/Debit Processing Fees

\$21,690

Senior/Student Discounts



From the GM

The past year has many tales to tell. Our co-op continued to grow and thrive, even amidst an uncertain economy and record inflation. Our little store saw \$5.1 million in great food head out our door and into the community. Our staff kept the shelves stocked and our customers happy while adjusting to organizational changes in preparation for a move to a bigger store, with even more customers to serve!

The Co-op Team has stepped up in so many ways. Their willingness to take on responsibilities and tasks has freed me up to focus on the myriad demands of a relocation project. Their willingness to take on leadership roles is helping form the support structure for a larger staff in our new store.

As far as my focus, it has largely been on plans and financing. We are proud to be repurposing an existing, obsolete building in downtown Hancock. But, with that comes a less straightforward planning process with an added share of design and engineering challenges. We've worked through those and I am very pleased with what we're beginning to build.

Inside that building there's a whole other set of decisions as we work through departmental programming with our larger sales floor. Expanding selection and services means additional vendors, equipment and systems, each requiring its own set of decisions before they can become a reality. And let me tell you, it's amazing how fast you can fill up a 14,000 sq ft building!

The financing side of things got more than its fair share of my time this last year. While this project required creativity to fund it, the opportunities that came our way came through for us. We have a project that funders were excited about. Whether it was local investors, local, state or federal grantors, or mission-minded lenders, we pulled together a financing package that's going to provide our community with a wonderful new store that serves our community fresh, healthy food in a convenient location. And that makes the effort all worthwhile!

My gratitude for the loyalty, support, patience and excitement that you've all shown over this last year. I look forward to seeing you in the new store in 2024!



Curt Webb
General Manager

\$5,114,070

Total Sales

114,823

Total Transactions

\$14,050

Average Daily Sales

 **\$43.48**

Average Transaction



KEWEENAW
CO-OP
Market & Deli

\$102,714

NCG Promotional Rebates
Passed on to Customers

\$10,244

Co-op Deals & New Owner Coupons

45

employees

with

182 years of experience

at the Co-op

154+

Cooperatives We Network With

28

Cooperatives On Our Shelves

10

Cooperatives We Do Business With

4

Cooperatives We Belong To

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