



## 49<sup>th</sup> Annual Meeting

held virtually (on Zoom)

April 20, 2023

**Owners Present:** Elizabeth Benyi, Victoria Bergvall, Kristine Bradof, Susan Burack, Cathy Campbell-Olszewski, Karin Cooper, Emily Dekker-Fiala, Phyllis Fredendall, Liz Fujita, Jay & Phyllis Green, Elizabeth Hakola, Barbara Hardy, Polly & Sean Havins, Cynthia Hodges, Mark Jindrich & Emily Newhouse, Stephen Jukuri, Jeanne Kempainen, Sharon Levine, Rebecca Matuszak, Julie Pintar, Julia & Matt Petersen, William Predebon, Lisa Reitz, Bill Rose, Susan Serafini, Jim & Theresa Spence, Jo Thierolf, Sam Tidwell, Curt Webb & Keren Tischler, Briana Tucker & Travis Wakeham, Whitney Warstler, Roger Woods.

**Note:** *This list includes all individuals who signed-in via our digital Annual Meeting sign-in form and others who were observed to be in attendance. Four additional logins were in attendance, but were not identified. **On record, 39 individuals, representing 32 member households were in attendance. Quorum was satisfied by the 464 online votes cast.***

### **Call to order & Welcome - Roger Woods, Board President & Treasurer**

Board President Roger Woods called the virtual annual meeting to order at 6:01 pm.

Roger welcomed everyone, introduced himself and current board members, and reviewed the meeting agenda.

### **Review of Annual Meeting Minutes Process - Stephen Jukuri, Board Secretary**

To provide opportunities for owner review of the minutes from this meeting, the draft minutes will be posted on the Board page of the Co-op website by Friday, May 5th. The minutes can be read and reviewed at that time. Members in attendance can submit corrections, amendments or comments to the draft minutes via email to [board@keweenaw.coop](mailto:board@keweenaw.coop) or in-person by May 10, the date of the next regular board meeting. The draft Annual Meeting minutes will be amended as needed and approved at the May 10th, 6pm board meeting. Stephen also welcomed owner attendance at any regular board meeting.

### **Election Results - Stephen Jukuri, Board Secretary & Roger Woods, Board President (while Stephen temporarily lost internet connection due to weather)**

All voting took place online from April 1 - April 17, 2023. There was a record level of participation this year, with 464 ballots cast (22.6% participation), up from 379 last year.

Owners voted for two Bring-a-Bag Campaign fund recipients from ten applicants and three Board Directors from three candidates.

**Bring-a-Bag Campaign**

For every bag customers bring to the Co-op to fill with groceries, the Co-op deposits \$0.05 into the Bring-a-Bag Fund. Each recipient organization receives these funds for six months. In a typical year, this amounts to \$500-\$600 for each organization. We see this as a great way to reduce the waste stream as we raise money for charities.

**Applicants:**

1. Bridging Gaps Childcare
2. Copper Beacon
3. Copper Country Angel Mission
4. Copper Country Habitat for Humanity
5. Kaleidoscope Alternative Education Organization
6. Keweenaw Family Resource Center
7. Keweenaw Land Trust
8. Keweenaw Natural Areas
9. Keweenaw Outdoor Recreation Coalition
10. Wild Ones - Keweenaw Chapter

**Chosen Recipients:**

For the periods: Jul 1, 2023 - Dec 31, 2023 & Jan 1, 2024 - Jun 30, 2024

1. Keweenaw Land Trust (163 votes)
2. Copper Country Habitat for Humanity (129 votes)

**Board of Directors**

This year's board election was uncontested, with three board candidates to fill three board seats (all 3-year terms ending 2026). Each owner was able to cast three votes for three candidates, totaling 1201 votes among 464 voters.

**Candidates:**

1. Stephen Jukuri - incumbent
2. Susan Serafini - former board member
3. Whitney Warstler

**Elected Board Members:**

1. Stephen Jukuri (417 votes)
2. Susan Serafini (411 votes)
3. Whitney Warstler (373 votes)

Roger congratulated the elected board members for their interest and willingness to support the Co-op with board service. A special thanks to outgoing board members Joan Schumaker Chadde and Natalie Nold. It has been great working with them, and we may continue working with them on board committees.

## **2022 Financial Recap - Curt Webb, General Manager**

*The 2022 Annual Report is available on the Co-op website. 2022 Financial statements were prepared in-house. A financial review of 2022 is in-process. That report will be available in 1-2 months.*

### **Profit & Loss Statement**

- 2022 was another good year for our Co-op, with 5.4% sales growth, and \$5.1 million in annual sales.
- We did feel the economic volatility, as keeping up with inflationary pressures on pricing was a challenge. As a result, Gross Margin fell 1.3% short of budget. We've been addressing that and feel we're on top of that now.
- Personnel expense, our most controllable and largest expense after Cost of Goods Sold, improved by 1% compared to 2021, though we still came in 0.8% over budget. We continue to focus on systems and productivity to keep that indicator moving in the right direction. We think our new store will help us overcome many of the labor inefficiencies inherent in our current location.
- Other expense categories were near or on-budget.
- The shortfall in Margin and overage in Personnel Expense represented approximately \$100,000 in unrealized operating income for the year.
- Relocation expenditures also took a bite out of profit. These expenses were in the form of due diligence and development support, which continued to grow in 2022. At the same time, we took in donations directly and through our Round-UP campaign to support relocation efforts, which helped to offset some of these expenses.
- The overall 2022 annual Net Income was 0.7%.

### **Balance Sheet**

- The 2022 Balance Sheet shows a number of significant changes, largely related to relocation.
- Assets show an increase due to community investments that reside in both cash assets and Work-in-Progress Assets including new property, improvements and equipment downpayment.
- On the Equity side of the balance sheet, highlights include additional Owner Equity, representing another year of a growing Co-op membership, and the addition of Non-voting Investment Certificates. These are community investments, through a Michigan Invests Locally Exemption (MILE) Offering in the Co-op's relocation project. By the end of 2022 \$929,750 in Investment Certificates had been sold.

### **Patronage**

- Net Profit, from which the Patronage Refund pool is typically drawn, was slim in 2022. As of this report, the Board has not made a final decision on Patronage Refunds for 2022.

### **Key Ratios**

- These ratios continue to highlight the Co-op's work to position ourselves for a major project. We've continued to build cash and minimize debt, but everything you see here is about to change as we move into this project. Low debt to equity ratio shows

that our business is currently financed through equity, not debt, but soon we'll be bringing on project debt. The current ratio compares current assets to current debt, a measure of our ability to pay what we owe. Our working capital has continued to grow, even as we've begun to invest in relocation.

## **2022 Highlights - Curt Webb, General Manager**

- We continued to move a lot of food out of our little, tired storefront, but the excitement of a new location keeps us motivated to improve our service and offerings. Sales have nearly doubled over the last 10 years. Our customer count dropped dramatically in 2020 as the pandemic altered shopping patterns. Customer count is climbing back but we're still only back to 2017 counts. In 2020 basket size grew dramatically, offsetting the fewer shopping trips, and we continue to average \$10 larger basket size than pre-pandemic.
- We wouldn't be where we are today without our hard-working, fun-loving staff. Gratitude also to our hard-working farmers, and all the support we saw from our loyal owners and community in the last year! Not only did our staff help us achieve another record year of sales, this work is setting us up to operate in a new store!
- The capital campaign was another highlight of the year. Being able to share the excitement about our relocation project and share plans and dreams with our community was energizing!
- We continued to support the community that supports us in 2022 through sponsorships, donations, partnerships and participation. Our on-going programs of Bring-a-Bag, Double Up Food Bucks and Round UP at the register saw increased support and participation in 2022.

## **Relocation Update**

### **Where we have been - Roger Woods, Board President**

This past year was a historic year even for a cooperative getting ready to celebrate 50 years of serving the community! With the 610 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 Roger often gets 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 information. We will continue

to monitor the financial and physical progress of the project as we aim for opening in early 2024.

### **Where we are going - Curt Webb, General Manager**

We are proud to be repurposing an existing, obsolete building in downtown Hancock. With that comes a less-than-straightforward planning process with its added share of design and engineering challenges. We've worked through those and Curt is pleased with what we're beginning to build.

Specific Project Progress includes:

- Construction Drawings in-hand
- Long-lead time equipment ordered
- Building Permit pulled
- Demolition has begun in preparation for construction
- A parking lot storm sewer was removed that ran beneath the future sales floor addition
- Foundation work commenced for the 4,000 sq ft addition on the Quincy St level and the elevator shaft on the Hancock St level.

Construction is expected to take 8-9 months. Equipment and fixture installation will take another 1-2 months. As Roger said, we expect the new store to open in early 2024 if all goes according to plan.

While some ground has already been broken, we're waiting for some mild weather to commemorate the start of this project with a groundbreaking ceremony in May.

The financing side of this project was the heaviest lift for Curt last year. It required funding creativity and the opportunities we sought all came through for us, which shows that we have a project that funders are excited about. With the help of local investors, local, state and federal grantors and mission-minded lenders, we pulled together a financing package that will provide our community with a wonderful new store that serves our community fresh, healthy food in a convenient location. That makes it all worthwhile!

Curt expressed gratitude for the loyalty, support, patience and excitement that owners and customers have shown over this last year, and look forward to seeing everyone in the new store in 2024!

### **Moderated Discussion - facilitator Roger Woods, Board President**

As it relates to the Co-op's Ends, the Board wants to understand what our Co-op means to you, our owners. Roger asked for feedback on the following question, and also welcomed general questions and comments. There will be a set of follow-up questions from the board to owners regarding what we want to be doing in the future.

#### **What is the difference that the Keweenaw Co-op makes in the world?**

- Karin Cooper: Because we are not dependent on big corporate quotas, the Co-op can provide goods that are valued by the community, minimizing product waste.

- Cynthia Hodges: I think the Co-op makes a difference to our local community by providing jobs and also a marketplace for our local farmers and businesses.
- Polly & Sean Havins: Access to high quality foods.
- Elizabeth Benyi : The Keweenaw Co-op offers a sense of community....I relate very well to other people who are members. They typically are very active in the community doing a wide variety of services to the community at large. Great attention is also in food insecurity and forming local food to table alliances to address that.
- Stephen Jukuri: I think that the Co-op provides a great, continuous retail outlet for local food producers. Farmer's Markets are great, but the Co-op provides that offering during full business hours.
- Barb Hardy: A model of business based on cooperative values and principles.
- Jo Thierolf: I feel that it's important for people to be involved in food systems. As a whole, folks are so far removed from how food...happens (definitely include myself in this- and it's never anyone's fault!), how it gets to us. The Co-op makes me feel more connected to this idea.
- Lisa Reitz: Sustainable and ethically sourced products brought from the world (best coffee!) to our local community, along with local food grown by local people for local people. But, I'm more excited about what big differences the Co-op makes right here in our own community.....rather than in the world ;)
- Rebecca Matuszek: I think food cooperatives in general offer an important way for communities to access not only good food but ethically grown and raised foods which changes our entire food infrastructure. Being in a rural community, accessibility is an extra important aspect.
- Phyllis Fredenall: A welcoming and safe environment to purchase food, and in the future a place to sit and converse and have chance and wonderful encounters with friends and strangers.
- Susan Serafini: The new location can offer a lot more bulk, which reduces packaging and is more affordable. Those on a tight budget can still eat healthfully.
- William Predebon: The coop will continue to provide and grow a needed variety of foods for vegans and vegetarians.
- Keren Tischler: I see the Co-op playing a part in creating demand for responsibly-sourced, healthful food and supporting the local and regional economy in these markets. In the future, I can see the Co-op helping to provide a means for folks looking to eat without consuming lots of plastic.

### **General Questions & Comments**

- The Keweenaw Co-op is putting together a 50th Anniversary Cookbook. Everyone is encouraged to submit favorite recipes. Check the Co-op website or in the store for details.

- Elizabeth Benyi asked if the co-op received outside help & advice about reincorporation, relocation financing and/or meeting required guidelines. If so, what were those sources and how has the co-op utilized that information?
  - Roger Woods: We have utilized a variety of local and national consultants to help us understand what to expect in order to plan and execute this project. We have received both legal and cooperative-specific advice. From a board perspective, we have utilized consultants to understand legal requirements and to make sure we feel comfortable making a commitment to a project that we'll be financing for 15-30 years. Curt has been working with consultants on the logistical aspects of store-planning, project budgeting and financing.
  - Curt Webb: We're working with a cooperative consultant group that has experience with a couple hundred co-ops that have gone through either an expansion or relocation. They have a team that supports us in various aspects of this project, including structuring our capital stack and plugging financial projections into our business plan. They also have a team that helps with store programming, helping us understand variables. For example, how much of an x square foot expansion is expanded in grocery vs. produce; how do we staff those footprints in the appropriate mix? Though we can take it or leave it, we have some pretty sage advice coming our way. Locally, we're working with a number of professional firms regarding design and construction to ensure we end up with as quality a store as we can.
- Curt noted that the 2022 Annual Report is available on the Co-op website.
- Elizabeth Benyi: I just love the recipes in the newsletters, especially the soup recipes and stews....I now have an awesome collection of recipes with enough to have something different each week for 10 weeks. And I loved the wine recommendations in the newsletters.
- Susan Burack: There is such excitement in the community about the co-op's move.
- Cathy Campbell-Olszewski thinks the visibility of our new location is going to make the co-op accessible to people who may not have known it existed, whether community members or visitors.
- Lisa Reitz: The new bulk containers discount is awesome. Thank you all for your service and congrats to new board members.
- Stephen Jukuri welcomed owners to become involved in board committee work by emailing [board@keweenaw.coop](mailto:board@keweenaw.coop).
- Roger Woods thanked Barb Hardy and Robin Johnson for their volunteer work on Policy Committee and Susan Serafini for her work on the Finance/Pro Forma Committee prior to being reelected.
- Stephen Jukuri: As Policy Committee lead, it has been an absolute pleasure to work with Barb Hardy and Robyn Johnson on that committee.
- Curt Webb announced: As a byproduct of reincorporation, we're updating owner paperwork. We've been in the process of contacting all owners, but some contact information on file has gone out of date and others we haven't heard back from. If this

describes you or if you haven't heard from us, please reach out to [ownerservices@keweenaw.coop](mailto:ownerservices@keweenaw.coop). Know that if your paperwork isn't updated, you are still a member! However, there are some benefits to going through the process, such as being able to add an official joint owner.

### **Adjourn Meeting**

Roger thanked everyone for their attendance and formally adjourned the meeting at 6:41 pm.

Minutes submitted by Keren Tischler, Board Administrative Assistant