



# The Wheatsville 2008-2009 Annual Report



## Annual Financial Report

prepared by Dan Gillotte, General Manager

We had another incredible financial year at our co-op. This report accompanies our income statement and balance sheet. Our financials have been reviewed by our CPA and they include board allocations for patronage, investor share dividends and are after taxes.

## Balance Sheet

A balance sheet is like a snapshot of a business' financial condition at a specific moment in time, typically the close of an accounting period. The balance sheet is one way to assess the financial strength or health of a business. Our balance sheet continues to show a very strong financial footing.

## The Income Statement

The income statement, sometimes referred to as a P & L or profit and loss statement, is a summary of revenues and expenses. It shows the financial progress of a company over a period of time. In this case, it shows Wheatsville's revenues and expenses for the fiscal year ending May 31, 2009.

Wheatsville's sales grew to \$9.87 million, an incredible 16% increase over the previous year. This 16% growth is on top of 30+% growth from the previous two years. Over the last four years our sales have grown more than 65%! Sales growth is one important indicator of a business's success and health, and Wheatsville is doing well on that count! It's also important to note that even when our parking lot and store were most disrupted by construction, store sales STILL rose by 3-5%. One other note about sales: Our growth was strong even despite the hard-hitting recession that began in the middle of last fiscal year.

Our cost of sales (or goods) is the amount of money we spend on product in an accounting period. It is the biggest single expense category at the co-op, with about 62¢ of each dollar spent by consumers at the co-op going to pay for our inventory of the products they buy. This includes merchandise from local and national vendors. Thanks to our growing sales volume and our partnership with other food co-ops across the country, we have continued to be able keep our prices competitive and our costs stable on products purchased nationally.

After cost of sales, our next biggest expense category is personnel. We spent 24¢ of every dollar taken in at the registers on personnel expenses including wages, benefits and payroll taxes. This amounted to more than \$2,371,376 of total dollars, a 23% increase over the previous year. We continued to have strong staff benefits in this past year as well as continued to improve staff pay. One major thing we do at Wheatsville that bucks the trend of other businesses is that we have increased Wheatsville's portion of our staff's insurance premium to keep their payments the same and have been doing this for a number of years.

Our earnings before income tax for the year were \$218,835 (2.22% of our sales). This is a very good showing for our co-op.

This income statement for Wheatsville Food Co-op shows yet another very, very successful financial year for our co-op.

## Wheatsville Co-op INCOME STATEMENT

Fiscal Year Ending May 31, 2009

June 1, 2008 - May 31, 2009

<b>SALES</b>	<b>\$9,867,261</b>
Cost of Goods Sold	\$6,072,695
<b>GROSS MARGIN</b>	<b>\$3,794,566</b>
Nonmember Surcharges	\$45,925
Other Adjustments to Margin	(\$1,910)
<b>ADJUSTED GROSS MARGIN</b>	<b>\$3,838,581</b>
<b>Operating Expenses:</b>	
Personnel	\$2,371,376
Depreciation & Amortization	\$53,366
Facilities	\$351,689
Advertising & Promotion	\$161,735
Operating Supplies	\$154,341
Other Operating Expenses	\$331,385
<b>PROFIT ON OPERATIONS</b>	<b>\$414,689</b>
<b>Non-Operating Revenues &amp; Expenses:</b>	
+ Membership Joining Fees	\$84,489
- Membership Services Expense	(\$42,879)
- Board of Directors Expense	(\$59,359)
+ Finance Revenues	\$18,145
- Ongoing Development Expense	(\$40,990)
- Long-Term Development Expense	(\$173,839)
- Special Events Net Expense	(\$1)
+ Other Non-Operating Revenues	\$18,582
<b>EARNINGS BEFORE INCOME TAX</b>	<b>\$218,835</b>
Income Tax Provision	(\$56,503)
<b>EARNINGS AFTER INCOME TAX</b>	<b>\$162,332</b>

The total assets of Wheatsville Food Co-op as of May 31, 2009 are an incredible \$4,738,750. Of that, \$1,318,996 is considered "current" meaning it is relatively liquid. This includes cash and cash equivalents, inventory, etc. One measure of a business' financial health is called the "current ratio". This measures the ability of a business to pay off its financial obligations in a timely manner. It compares the current assets of the business to its current liabilities. A ratio of 2 to 1 is considered good during normal business times, but co-op

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expansion consultant Bill Gessner says that anything over 1.25 to 1 is good during a renovation. Our current ratio is 1.71 to 1, a good showing. Our current ration has decreased since last year because we used up a lot of cash to build this great new facility and add our new equipment.



## Wheatsville Co-op BALANCE SHEET

May 31, 2009 vs June 1, 2008

<b>ASSETS</b>	<b>05/31/09</b>	<b>06/01/08</b>	<b>Year-to-Date Comparison</b>
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	\$932,563	\$1,822,189	(\$889,626)
Accounts Receivable	\$17,161	\$20,769	(\$3,608)
Inventories	\$263,368	\$249,658	\$13,710
Prepaid Federal Income Taxes	\$44,582	\$11,464	\$33,118
Prepaid Expenses & Other Current Assets	\$61,323	\$43,953	\$17,370
<b>Total Current Assets</b>	<b>\$1,318,996</b>	<b>\$2,148,033</b>	<b>(\$829,037)</b>
<b>FIXED ASSETS</b>			
Property & Equipment	\$3,999,352	\$1,422,885	\$2,576,468
Accum. Depreciation & Amortization	(\$687,578)	(\$882,711)	\$195,133
<b>Total Fixed Assets</b>	<b>\$3,311,774</b>	<b>\$540,174</b>	<b>\$2,771,600</b>
<b>INVESTMENTS &amp; OTHER ASSETS</b>			
Investments	\$107,980	\$96,767	\$11,213
Deferred Income Tax Benefit	\$0	\$14,000	(\$14,000)
<b>Total Other Assets</b>	<b>\$107,980</b>	<b>\$110,767</b>	<b>(\$2,787)</b>
<b>TOTAL ASSETS</b>	<b>\$4,738,750</b>	<b>\$2,798,974</b>	<b>\$1,939,776</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$428,779	\$242,596	\$186,183
Member Patronage & Dividends Payable	\$28,604	\$80,604	(\$52,000)
Accrued Liabilities	\$214,728	\$178,711	\$36,017
Refundable Deposit on Sublease	\$0	\$342	(\$342)
Commercial Notes, current portion	\$98,130	\$0	\$98,130
<b>Total Current Liabilities</b>	<b>\$770,241</b>	<b>\$502,253</b>	<b>\$267,988</b>
<b>LONG-TERM LIABILITIES</b>			
Commercial Notes, less current portion	\$1,489,928	\$0	\$1,489,928
Deferred Tax Liability	\$32,000	\$0	\$32,000
<b>Total Long-Term Liabilities</b>	<b>\$1,521,928</b>	<b>\$0</b>	<b>\$1,521,928</b>
<b>MEMBER EQUITY</b>			
Member Capital Paid In, incl. Donated Capital	\$471,081	\$442,768	\$28,312
Member Investor Shares	\$715,100	\$715,100	\$0
Retained Patronage	\$562,030	\$574,210	(\$12,180)
Cooperative Educational Fund Reserve	\$1,000	\$1,000	\$0
Retained Earnings - Prior Years	\$535,038	\$563,642	(\$28,604)
Current Earnings Retained	\$162,332	\$0	\$162,332
<b>Total Member Equity</b>	<b>\$2,446,581</b>	<b>\$2,296,721</b>	<b>\$149,860</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$4,738,750</b>	<b>\$2,798,974</b>	<b>\$1,939,776</b>

## No Patronage Rebates This Year

by John Perkins,  
Financial Manager

The Internal Revenue Code offers a special opportunity for member-owned cooperatives to reduce their taxable income by declaring a patronage dividend, or rebate, that allocates a portion of the owners' purchases back to them at the end of the fiscal year. Wheatsville has taken advantage of this benefit the last four years in a row. This year, however, we decided to retain all of our net savings in order to pay toward the costs of our renovation project.

In past years, the rebate process allowed us to increase our cash reserves as we saved up to fund our expansion. This was possible because we were able to exclude a total of \$736,696 from our taxable income while refunding \$147,339, or 20% of this amount, to our owners. The remaining 80% of patronage was retained by the co-op and used to help with the project. Since our incremental tax rate would have been higher than 20%, we actually kept more cash by returning money to owners rather than paying additional taxes to the government.

This year, our books reflect a net profit before tax of \$238,835. This suggests that a rebate would be advantageous; however, our taxable income turned out to be only \$49,467 which is under the 20% tax bracket. The difference between book profits and taxable income is due to an accelerated depreciation schedule applied by our tax accountants to our new equipment purchases.

Patronage rebates remain an excellent tool for the co-op to share profits with owners while reducing our taxes, and in most profitable years it is likely we will continue to offer them. Our board of directors decides each year whether or not to include a rebate in its allocation of net savings for the year.

Our overall member equity, the amount of the co-op's assets that are owned by the members, is \$2,446,581. The largest equity amount is from the 165 investor shareholders who invested in the co-op in 2005 during our investor share drive. After that, we show \$471,081 as the paid-in equity from all of our investment members (you gold and green card folks!). The rest of our equity is split between retained patronage from our rebates over the last four years and retained earnings, the amount of money we have earned and saved over the history of Wheatsville's life. A change this year is the addition of debt from the National Co-op Bank (NCB) which shows up as Commercial Notes, less current portion in Long-term liabilities and as Commercial notes, current portion in Current Liabilities.

The CPA-reviewed balance sheet shows Wheatsville to be a very healthy business heading in to our first year in the new store!

I am very pleased with our financial performance over the past several years and want to thank my wonderful staff for the incredibly important role they have played in getting us to where we are today. I also want to thank you, the ownership, for your amazing support of your cooperative business. We quite simply couldn't be here without you!

## Wheatsville's Concern for Community *by Dan Gillotte, General Manager*

The seventh co-op principle is Concern for the Community and we interpret this to mean that Wheatsville should be a good environmental steward as well as a good neighbor and positive contributor to our community. It's also an important part of our co-op's mission statement and board Ends policies. These principles guide us in all of our decisions at the co-op.

The Annual Report is an opportunity to reflect on the ways that we strive to live our mission as we promote the cooperative economy, minimize our impact on the environment, create an ethical workplace, help local groups and transform society!

### Wheatsville's Environmental Activity

Wheatsville's mission statement includes a commitment to "minimize exploitation of the producers or damage to the environment". We work to accomplish this piece of the mission, operationally, every day. While we are definitely not perfect (I don't know how grocery stores, as we think of them, could be) we do many things that the average business does not to further our mission and be less harmful to the environment

### We do a lot each day to make better choices for the environment.

#### Throughout the store:

- We recycle internally generated paper, glass, cardboard, plastic, glass, and aluminum. The city does not have a program for commercial recycling pick-up, so we voluntarily spend about \$3,500 a year for recycling services.

We advocate for customers to use less packaging by having bulk items available.

- We also give shoppers an incentive to bring their own bags and refillable containers by taking 5¢ off their grocery bill for each reused item. In the last fiscal year, Wheatsville Owners and shoppers kept more than 130,000 pieces of plastic and paper out of the waste stream by bringing their own bags and containers! That's over 350 bags and other containers per day being reused!
- We also offer many reusable bag options for sale under \$5, including our extremely popular green Wheatsville Logo bags that we sell at the incredibly low price of \$1.99. We will continue in the coming years to try and find ways to encourage reuse whenever possible.
- We advocate local products whenever possible and carry a wide selection. Anything that you can get closer to where it's produced is almost always an environmentally better choice than product shipped from away. Look for our "Local Product" or green "Miles to Market" signs throughout the store that indicate local or regional products that you can choose.
- We have been a founding member of the Austin Energy Green Choice program since its inception in 2001. Through this program Austin Energy contracts for green power to meet our annual electrical needs. Green power then is delivered to our electric system daily. This means less electricity is produced daily from Austin Energy power plants using natural gas or coal. Instead, the power that we use at Wheatsville is being produced through

green sources like wind, solar and methane recapture.

- All of our pest control is done through an integrated pest management system and, when we do treat pests, we do so with inert non-artificial low impact pest control methods.

#### In the deli, specifically:

- Most of our plastic containers come from corn, a renewable resource.
- Our paper co-op printed material is made using vegetable-based inks and an elemental chlorine-free bleaching process.
- Our deli uses a large percentage of organic products. We believe we use more organic products in our deli than any store in Austin. Almost all of the ingredients used by our bakery are organic. The main ingredients such as flour, sugar, butter, soy milk, and the chocolate chips are organic.
- Baked tofu, southern fried tofu, and the ever popular popcorn tofu are all made with organic tofu.
- Black beans and brown rice are both organic, which means that the very affordable beans and rice that you can purchase from the deli are 100% organic.
- Our kale, beets, carrots, and sweet potatoes are also organic.
- Using this many organic products in a deli is more rare than you might think. Look closely at the other delis in town, or ask them what's organic to see for yourself!

#### At the registers:

- Our plastic bags are 60-80% recycled content.
- Our paper bags are 60-65% recycled content.
- We save cardboard boxes (as possible) for shopper's use.

#### In the aisles:

We offer better environmental choices for cleaning supplies, bodycare and other items all throughout the store.

#### In our expansion project:

We have been rewarded an Austin Energy Green Builder rating for our project. This program requires that certain standards are met or exceeded for greener choices in building process, materials and operation. I'm proud that we are able to attain this award!

#### Some green features of our project:

- Recycling building materials- we recycled the vast majority of concrete, metal and some wood and other building material during the project.
- Energy efficient equipment- our new refrigeration is a state of the art system that is much more efficient than our old system allowing us to run more coolers with similar levels of energy as we used to use. We're also collecting hot water from the system to use for preheating our internal hot water.
- Energy efficient lighting- we're using high efficiency lighting that should save us energy. We have also added skylights and windows in the kitchen and on the Guadalupe side of the store to allow in natural light. Our offices have copious amounts of natural lighting which reduces our need for regular lights. I often go the whole day without turning on my lights!
- Low water plumbing- we have ultra low flow dual flush toilets in the entire store which will help save even more water than standard "Low-flow" toilets.
- Low or no VOC paints.
- Rainwater collecting- we'll be collecting water off of our roof to water our new green spaces. These are the 2 large green cisterns on the east side of the building.
- Concrete paving instead of asphalt- we made an "unsexy" but big environmental choice when we chose to spend more money and take more time to have a concrete parking lot instead of a traditional tar and asphalt lot. The benefits of this choice include: a

reduction in the heat island effect due to the reflective nature of concrete vs. asphalt, reduction of petroleum use- asphalt and tar are petroleum product, concrete is not, concrete is a largely recycled material, length of life- our lot will last for decades without replacement whereas asphalt lots need repaving every few years.

As you can see, Wheatsville does a lot to be a conscientious business and we continue to look for new and better ways to minimize our impact on the environment.

### Charitable And Civic Contributions

Wheatsville has steadily been increasing our charitable contributions over the past few years. As our financial strength has grown, so has our ability to help local groups and other charitable organizations. Last fiscal year, Wheatsville contributed more than \$41,000 to a slew of local groups including Capital Area Food bank, Hospice Austin, NASCO, SafePlace, People's Community Clinic, Sustainable Food Center, Green Corn Project, Tree Folks, Meals on Wheels and More, ACLU Central TX chapter, Austin Parks Foundation, Austin Green Art, Yellow Bike Project, Delwood Optimists Little League, Save Our Springs Alliance, Emancipet Mobile Spay / Neuter Clinic, and Ecology Action among many other groups.

Wheatsville is a founding member of the Austin Independent Business Alliance and I serve on the board of this group. AIBA works hard to promote the importance of local businesses to Austin and advocates for support from the city for local independent businesses. The banners on Guadalupe are one project of the AIBA that helps to highlight local business. A second local promoting organization Choose Austin First recently merged with AIBA bringing our membership up to over 350 local business members. AIBA is the original and premiere local business advocate and we are proud to be founding members.

Promoting local products is another crucial community builder. We strengthen our local economy and "do it ourselves" when we buy from our neighbors and owners. (Yep, many of our local vendors are also Wheatsville owners!) I am proud of the way that we connect and support our vendors and the plans that we have in the works to strengthen this even further.



Greenpeace sent us this nice hand drawn card thanking us for donating organic bananas for their event.

The support that you give your co-op gives us the financial strength to be able to contribute so strongly to our community. Being a good neighbor and giving donations to so many deserving groups is one of the greatest parts of my job and I think you can all be proud of the civic activity of your co-op and our demonstration of Concern for Community!