

## President's Message *by Doug Addison*

What do we mean when we say we're "going to the store." When you tell your spouse or your roommate that you're "going to the store, need anything?" Do they wonder, "is he talking about the hardware store, the book store, the Apple store?" No, we always mean the grocery store, and for all of us owners, that usually means Wheatsville.

Consider the power of that shared cultural idiom, "going to the store." Most obviously, it points to how central a role food — and access to it — plays in sustaining us. My view from the boardroom leads me to believe that a grocery store also can play a role in building and sustaining our community and our economy. Wheatsville, of course, has always been more than a store. It's not just a place to get tasty, trustworthy food in a friendly, community-oriented setting. For shoppers, it's a place to find alignment in shared values; for staff, it's a place to work at a good-paying job in a respectful environment; and for the board and management, it's a lever to transform society, and maybe even change the grocery store business.

I doubt that many of us here were looking to transform society when we first set foot in one of Wheatsville's stores. I know I wasn't. I started shopping at Wheatsville nearly 20 years ago. I shopped there because it was the most reliable and convenient place to buy fair trade coffee and get an eggless egg salad sandwich. Today, I still do most of my grocery shopping at Wheatsville. Board directors like myself also go to the store for other reasons: We go to listen to our fellow owners, staff members, management and each other about issues facing our cooperative. We go to learn about challenges facing food co-ops from outside experts. We go to study and question financial statements and operational plans to ensure the co-op remains successful. And I still go for the fair trade coffee, popcorn tofu, the cashew tamari dressing, and on and on.

I'm telling you this because the board watches our co-op from the closest vantage point that an owner can get, and we like what we see. When we go to the store to do our job of listening, learning and questioning, we are strengthening our co-op. Dan's plan for a minor remodel at the Guadalupe store — the board supports it because we understand the need to keep that location successful. The livable wage plan that was recently expanded to include all pay groups. Dan's business plan showed the board how Wheatsville could afford it.

So I know that when Wheatsville employees go to the store — when they go to work — they're earning a livable wage at a job with good benefits and a chance for advancement. As employees at both stores have told me and my board colleagues, Wheatsville's move to be a wage leader in Austin has made a difference in their ability to make ends meet in the face of Austin's ever-rising cost of living. This is a really big deal, and it should be a point of pride for all owners.

I also know that when Dan and his managers go to the store, when they step into their offices or cubicles, they confront both opportunities and challenges. Their task is to run and grow an independent, community-owned business. They do so with creative initiatives like finding efficiencies in a perpetual inventory system and improving the co-op's price image with programs such as Co-op Basics and Super Awesome Weekly Deals. Dan has brought the board along for all of this, and we see the strategic wisdom in his plans. At his recent annual evaluation, the board commended Dan for (among other things) being perpetually optimistic but also realistic about plans for Wheatsville. He thinks big but also does his homework before bringing plans to the board.

The board also understands the reality of running an independent, community-owned grocery store. The grocery business in Austin and elsewhere isn't getting any easier. From ready-made meal kits and meal delivery options to new competition from Trader Joe's and the upcoming Whole Foods 365 concept, surviving and thriving in a competitive grocery store market is a full-time job and then some. The board knows this and has devoted time at meetings this year to learn and talk about what grocery industry experts call the "new normal," that being, making Wheatsville one of the stores Austin goes to because we sell what our owners and shoppers want to buy, all while remaining true to our values and economically viable with slimmer margins than ever before.

And that, at its core, is what a cooperative like Wheatsville is all about — a shopper-owned business that exists for the mutual benefit of **US**. So when you go to the store, when you go to Wheatsville, you're engaging in the highest form of participation: shopping there.

Our next challenge will be getting our neighbors, our co-workers, dare I say, all of Austin, to equate "going to the store" with going to Wheatsville. And I think we have the good food, the fair prices, and the community values to make it happen. Wheatsville's recent track record of progress and achievement will continue, and I'm looking forward to watching it happen.



## 2016 Fall Owner Gathering a Success! *by Julie Le, Board Member, photos by Bob Kinney*

On Saturday, October 8, Wheatsville welcomed owners, staff, shoppers, and vendors to the **2016 Fall Owner Gathering**. We kicked the FOG off

with a fabulous display of live music from the **Dead Music Capital Marching Band** who marched around the parking lot of Wheatsville South Lamar and through the store, with our very own **Chief Executive Grocer, Dan Gilotte**, on sousaphone. There couldn't be a better way to start "Celebrating 40 years of community" - our theme for this year's FOG. We were also delighted to have some of our original owners, from 1976, come out to continue supporting our co-op. We had our Second Annual Owner Business Fair, with 8 vendors who generously donated raffle prizes this year. Thank you to **HAIKU PRESS, Tandem Midwifery, Fertile Ground Gardens, Blue Stitches, Love Pet Care, World on a String, Austin V Life, and Adams Musical Learning Adventures**.



I have to say that this year's FOG was a great success. The FOG committee (Julie Le, Reyna Bishop, Raquel Dadomo, and Erica Rose) are especially grateful to our volunteers who helped set-up and take-down the entire event, and everyone who came out to show their support for our beloved co-op. We can't wait until FOG 2017!



This year's **Board President, Doug Addison**, opened the Annual Business Meeting on what it meant to "go to the store" and why that is of particular importance to Wheatsville's owners. It's community, it's shopping with our values, and it's local.

**Dan Gilotte** followed Doug by giving an impassioned speech on being the friendliest neighborhood grocery store in a competitive market, while keeping livable wages for our staff high enough to thrive in Austin.

**Our Nominations Committee Chair, Kitten Holloway**, introduced our board candidates for five open spots on the board of directors as they spoke about how they would contribute to the board, if elected.

Rounding out the Business Meeting was our **Board Treasurer, Andy Shively**, who reported the Audit Committee's findings and that Wheatsville is in good financial shape.

The meeting concluded in a way fitting to Wheatsville, a 40th birthday ode, performed entirely with kazoos, by everyone who came to the FOG.

Topping off the festival, we had wonderful tunes from the **Lost Pines** again this year, with **Spilled Milk Social Club** doing arts and crafts for the kids, a miniature cart race, face painting by **Sparkle Fingers**, and silly face artist **Steve Godfrey**. We also had an "I <3 Wheatsville" photo booth, with photographer **Bob Kinney**, our former board president, taking pictures of owners who wanted to show off their love for our co-op!





# WHEATSVILLE ANNUAL REPORT – FISCAL YEAR 2015-2016



## Annual Financial Report

prepared by Dan Gillotte, Chief Executive Grocer

Fiscal Year Ending 5/29/16 was a good year in many ways. We achieved the largest sales of our history and rolled out our Livable Wage and Benefits plan mid-year - a monumental achievement. As you follow along with this report, consider the activity we've undertaken in these past few years: we opened the

South Lamar store, lowered prices for all shoppers, and increased wages. Even though it resulted in lower than planned net income, you'll see that the financial state of Wheatville is solid and that we performed very well.

This report accompanies our income statement and balance sheet. The financials accompanying this report have been audited by our CPA. They are after provision for taxes, and reflect an allocation of \$58,775 to pay investor share dividends.

### Wheatville Co-op Income Statement Compared to Business Plan Fiscal Year Ending May 29, 2016

	ACTUALS	PLAN
<b>SALES</b>	<b>\$33,559,312</b>	<b>\$34,267,323</b>
Cost of Goods Sold	\$21,101,954	\$21,467,161
<b>Gross Profit Margin</b>	<b>\$12,457,358</b>	<b>\$12,800,162</b>
Personnel Expense	\$8,348,864	\$8,564,052
Depreciation & Amortization	\$655,613	\$655,671
Other Operating Expenses	\$3,235,481	\$3,170,980
Interest on Bank Loan	\$265,261	\$264,758
Other Non-Operating Expenses		
less Non-Operating Revenues	\$82,485	\$90,185
<b>Net Income &lt;Loss&gt; before Income Tax</b>	<b>-\$130,346</b>	<b>\$54,516</b>
Provision for Taxes	-\$44,000	\$0
<b>Net Income &lt;Loss&gt;</b>	<b>-\$86,346</b>	<b>\$54,516</b>

## 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 Wheatville's revenues and expenses for the fiscal year ending May 29, 2016.

Wheatville's sales grew to \$33,559,312 a 6.8% increase over the previous year. While Guadalupe sales continued to have negative year-over-year they were balanced by S. Lamar's gains which allowed us to see overall sales growth for the co-op. S. Lamar's meteoric sales growth did level off, which is to be expected in the latter half of the second year of being open.

Our Cost of Goods Sold (COGS) 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 approximately 63% of each dollar spent by consumers at the co-op going to pay for our inventory of the products they buy which includes merchandise from local and national vendors. This cost decreased from the prior year as a percentage of sales (which is good). COGS was more than our historical best, but our gross profit margin remains adequate as we continue to work to keep prices on hundreds and hundreds of items in store more affordable to more people.

After Cost of Goods, our next biggest expense category is personnel. We spent 24.88% of every dollar taken in at the registers on personnel expenses including wages, benefits and payroll taxes. This amounted to \$8,348,864 This amount was less than budgeted but was an increase of 8.09% over the previous year as we implemented our Livable Wage and Benefits model at the co-op. This raised wages for 80% of co-op hourly staff by \$2-3 on average and was made affordable by staff doing more with fewer people. The efforts of management and staff to take on this critical issue of affordability in Austin was something that we did not plan for financially last year but also did not want to wait until this current fiscal year to implement. So, we did the hard stuff we needed to in order to ensure that all staff can be paid a livable wage. We continue offer a very excellent insurance benefit at the co-op and that cost does continue to rise for us as it does for all businesses. But, at the request of many staff we also began offering an even lower cost insurance option that covers the requirements of the Affordable Care Act but is much more affordable to staff.

Our Net Income before taxes was \$130,346, reduced after tax credits to -\$86,346 or -0.26% of sales, so practically break even for a business our size. We had planned to have a small positive net income last year but due to lower margins than forecast we ended up with the small negative instead. It's typical for businesses to lose money in their first year or two (or even 3, sometimes) after a major expansion. After our renovation of Guadalupe in 2009 we defied the trends of our sister co-ops and had no such loss, but we did after opening S. Lamar. We also saw our strongest margins in recent history in the 3rd and 4th quarters this year which would indicate that our margins are stabilizing at a place that will provide solid financial success and profitability in the current fiscal year. That being said, a few years of loss doesn't concern us very much as long as we are financially healthy enough to continue to operate our business appropriately and as we move to the Balance Sheet, we can show that is the case.

### Wheatville Co-op FYE15 - FYE14 Balance Sheet Comparison May 29, 2016 vs May 31, 2015

ASSETS	05/29/16	05/31/15	Year-to-Year Difference
<b>CURRENT ASSETS</b>			
Cash	\$1,159,110	\$1,307,885	(\$148,775)
Accounts Receivable	\$118,061	\$57,299	\$60,763
Inventory	\$986,681	\$921,400	\$65,281
Prepaid Expenses	\$28,631	\$37,618	(\$8,987)
<b>Total Current Assets</b>	<b>\$2,292,483</b>	<b>\$2,324,202</b>	<b>(\$31,718)</b>
<b>FIXED ASSETS</b>			
Property & Equipment	\$6,316,009	\$6,914,015	(\$598,006)
<b>OTHER ASSETS</b>			
Equity & Deposits in Cooperatives	\$508,362	\$456,567	\$51,795
<b>TOTAL ASSETS</b>	<b>\$9,116,855</b>	<b>\$9,694,783</b>	<b>(\$577,929)</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$918,721	\$925,033	(\$6,312)
Accrued Expenses	\$453,529	\$500,881	(\$47,351)
Investor Shares Dividends Payable	\$58,775	\$59,322	(\$547)
Current Portion of Long-Term Debt	\$490,629	\$456,810	\$33,819
<b>Total Current Liabilities</b>	<b>\$1,921,654</b>	<b>\$1,942,046</b>	<b>(\$20,392)</b>
<b>LONG-TERM LIABILITIES</b>			
Long-Term Debt less Current Portion	\$3,046,020	\$3,534,763	(\$488,743)
Expansion Consulting Fees			\$0
Deferred Taxes	\$0	\$0	\$0
<b>Total Long-Term Liabilities</b>	<b>\$3,046,020</b>	<b>\$3,534,763</b>	<b>(\$488,743)</b>
<b>TOTAL LIABILITIES</b>	<b>\$4,967,674</b>	<b>\$5,476,809</b>	<b>(\$509,135)</b>
<b>OWNERS' EQUITY</b>			
Investor Shares	\$1,724,900	\$1,738,100	(\$13,200)
Membership Capital	\$1,154,480	\$1,064,963	\$89,517
Retained Patronage	\$1,043,125	\$1,043,125	\$0
Retained Earnings	\$226,675	\$371,786	(\$145,111)
<b>Total Owners' Equity</b>	<b>\$4,149,180</b>	<b>\$4,217,974</b>	<b>(\$68,794)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$9,116,855</b>	<b>\$9,694,783</b>	<b>(\$577,929)</b>

## Balance Sheet

A balance sheet is like a snapshot of the financial condition of a business 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 healthy financial footing.

The total assets of Wheatville Food Co-op as of May 29, 2016 are \$9,116,855. Of that \$2,292,483 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. Our current ratio is 1.19 to 1. We would prefer to be at 1.25:1 but we're close and it indicates that we are able to pay our financial obligations in a timely manner.

Our overall member equity, the amount of the co-op's assets that are owned by the members, is \$4,149,180. This equity includes member capital paid in by our owners, \$1,154,480 (in 2015 it was \$1,064,963), member investor shares \$1,724,900 and retained patronage \$1,043,125 (the portion of patronage allocations not paid out in rebates since 2005). The rest of our equity consists of retained earnings, the amount of money we have earned (including reductions for any losses) and saved over the history of Wheatville's life.

Since the renovation of Guadalupe in 2009 we have had a loan from National Co-op Bank. Two years ago we "rolled" that loan up into a new loan which included funding for the opening of South Lamar. This loan shows up as Commercial Notes, less current portion in Long-term liabilities and as Commercial notes, current portion in Current Liabilities.

The CPA-audited balance sheet shows Wheatville to be a healthy business on a good footing especially considering the huge transformation we orchestrated over the past 3 years!

Thank YOU for your continued incredible support and thanks also to the hard work of our Board and staff.



The Board at the Fall Owner Gathering: Andi Shively, Deborah Ingraham, Reyna Bishop, Julie Le, Doug Addison, Michelle Hernandez and Kitten Holloway.



## Wheatsville's BIG Direction *by Dan Gilotte, Chief Executive Grocer*



### 2012 Fall Owner Gathering

At Urban Roots farm I unveiled Wheatsville's BIG Direction plan for our owners to see and understand our exciting strategic plan for the future. This plan involved amplifying all of the good that we were doing at our store on GUADALUPE (our ONLY store at that point) by opening additional stores over several years.

We envisioned that these three BIG Direction Goals could be achieved if we were a successful and profitable business. Through growth, we imagined that working towards **Wheatsville's BIG Direction** goals would create: 1) more local, organic, sustainable food 2) more cooperative economy, and 3) more happy people.

### 2013 Fall Owner Gathering

We celebrated the concrete realization of the first step of Wheatsville's BIG Direction. We celebrated all the hard work and effort and commitment that went into opening our South Lamar store. We celebrated the fact that owners had been crying out for a south location for literally decades and now had a store in their neck of the woods that they could love as much as they loved the Guadalupe store but closer to more of them! We celebrated the many new staff that we hired to run this store and we were overjoyed at the number of local organic and sustainable products we were now stocking and selling at this location.

### 2016 Fall Owner Gathering

Now in 2016 we're able to see the tremendous strides and positive impact that we have had in Austin and how our BIG Direction vision is amplified when we open stores. After being open for three years at S. Lamar and 40 at Guadalupe, our combined impact has started to level out as we build up resources and the needed infrastructure to open an additional location. Once the next store opens, our impact again increases dramatically in a relatively predictable pattern. Sales, ownership and all the other metrics we care about grow substantially. That being said, the "in-between" years (such as this one) continue to demonstrate our impact and this report (based on the Ends Report we produce for the board) is intended to show the progress we have made this past year toward Wheatsville's BIG Direction Goals.



Date	5/31/12	5/31/13	6/2/14	6/1/15	5/29/16
# owners*	11,717	12,982	15,553	17,813	19,395
% increase	8.84%	10.79%	19.80%	14.53%	8.88%



### Growing the Co-op Economy

While we have made strides in all areas, substantial growth has been achieved through growing the co-op economy. What follows is a snapshot of the metrics we use to help assess our progress.

First, we look at the big numbers. We have seen steady increases in sales, ownership, and owner equity this year.

Date	Paid-in Capital	\$ increase	% increase
5/29/16	\$1,148,237	75,668	7.05%
5/31/15	\$1,072,569	135,844	14.50%
6/1/14	\$936,725	169,755	22.13%
6/2/13	\$766,970	63,786	9.07%

### Growing our Average Basket

We measure average basket as a way to see if we are helping owners buy more of their groceries through their cooperative. With food inflation at or below zero this shows that we are indeed doing a better job in having what our owners want to buy from our stores.

Timeline	FYE12	FYE 13	FYE 14	FYE 15	FYE 16
Average basket	\$25.73	\$26.60	\$26.25	\$26.60	\$27.11
Percent Increase	3.16%	3.38%	-1.31%	+1.3%	+1.91%

### More Good Paying Co-op Jobs

A robust cooperative economy create jobs, and Wheatsville's financial success creates more good paying jobs at our co-op. As you know, we made tremendous progress with our Livable Wage & Benefits program. **Our new entry level wage increased from \$9.50 to \$13.01 starting January 4th, 2016.**

One of the main tenets of how we would afford a Livable Wage & Benefits program was that we'd have fewer, better paid jobs. Due to our drive to increase efficiency in order to maintain good sales/labor ratios, the number of actual staff has in fact decreased from last fiscal year, while the personnel expense has increased. We expected and planned for the total number of jobs to go down through attrition and expect that the addition of more co-op jobs will happen through opening more stores.

As of date:	Total:	New jobs:
5/29/16	249	-18
5/31/15	267	32
5/31/14	235	87
5/31/13	148	3
5/31/12	145	21
7/15/11	124	10

While we haven't increased the total number of staff, Wheatsville has continued to grow the amount of money it puts into the local economy through employee wages and benefits.

Fiscal Year	Expenses	% Increase
FYE16	\$8,359,811	8.23% increase
FYE15	\$7,723,824	18.95% increase
FYE14	\$6,492,973	45.97% increase
FYE13	\$4,447,943	10.23% increase
FYE12	\$4,034,849	

### More Happy Staff

This year, we made huge strides in helping Wheatsville staffers thrive, and meet basic needs by implementing our new Livable Wage and Benefits program. The new Livable Wage and Benefits Plan increased wages for over 80% of hourly staff, and ensures that every Wheatsville employee earns a living wage of at least \$13.01 after their introductory period.

Our new entry level wage was calculated to include the current cost of the following:

- 1 Bedroom apartment in Austin
- Eating on the USDA moderate food plan
- Health insurance
- Transportation
- 5% of income to savings

Autumn Arizola, HR Manager reports that 95% of our staff are full time and have access to all our benefits as of 5/29/16 – that's up from only 83% of staff who were eligible on 5/31/15.



### Benefits Offered Include:

- Health Insurance – choice of premium or a basic plan
- Dental Insurance
- Vision Insurance
- Life Insurance
- Flexible Spending account for medical expenses
- 25% matching 401K up to \$1000
- Employee Assistance Program
- Bike to Work Benefit (up to \$120 in bike expenses /year)
- 15% discount on purchases for staff & one household member
- Access to damaged non-saleable goods.

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## Wheatville's BIG Direction... *continued*

By ensuring that no one who works at Wheatville is struggling to survive, we can our staff a platform to thrive with pay, benefits, and a workplace culture that emphasizes empowerment, direct communication, community involvement, play and appreciation.

### Principle 6: Cooperation among Co-ops

Our growth over the years as a co-op business and our many excellent programs and achievements has attracted a lot of attention from other food co-ops in the country. We're frequently asked to share our practices and processes with co-ops. There isn't a week that goes by that we don't get one or several emails from food co-op

operators and boards asking us how we do something or other the Wheatville Way.

Some of the areas where we are seen as leaders in food co-ops include: customer service, being the friendliest store in town, Open Book Management system, merchandising excellence, strategic direction for the future, Board / GM relationship, our staff culture, and commitment to servant leadership.

This past year we **logged more than 270 hours sharing information** via email and phone with other co-ops regarding everything from recipes and communication tools to pricing strategies and display arrangements, preparing and presenting at conferences, providing technical support, and serving on other cooperative boards.

Dozens of food co-ops around the country see us as a role model and would like to emulate the success that we have had. Just recently a co-op GM told me "Thanks. You guys at Wheatville are doing a lot of heavy lifting for all of us."

Wheatville's BIG Direction is our road map to this world we are trying to create. It recognizes and creates the economic engine that we need to accomplish great things. Looking forward we know that we'll have challenges but working together we will achieve even more for our co-op, Austin and the world!

I thank you for your support and look forward to seeing you at the co-op soon!

## Message from the Review Committee

The Board of Directors appointed board members Andi Shively (Treasurer), Rose Marie Klee, & Nada Lulic, along with Wheatville Owner Kristi Beer to serve as the Audit & Review Committee for Wheatville's 2016 Annual Report to the Owners. In accordance with Wheatville's by-laws, it is the Review Committee's responsibility to ensure that the Annual Report is complete, accurate and easy for owners to understand.

To ensure the Annual Report contains all required elements, the Committee reviewed the guidelines for a cooperative's Annual Report to members, which are specified in the Texas Cooperative Association statute and our Co-op's by-laws. This includes Wheatville's balance sheet, income statement, total number of shareholders, amount of paid-in capital, and other financial metrics. The Review Committee can confirm that Wheatville's Annual Report is in compliance with all legal requirements.

To check accuracy, the Board again hired Wegner LLP, CPAs and Consultants, a professional services firm that specializes in working with cooperative businesses. Wegner LLP's accountants have performed annual audits or reviews of the Co-op's finances for several years in row. The firm also prepares the Co-op's annual federal tax return. Wegner LLP reviewed financial statements included in the Annual Report. Consistent with Board policy, Wegner LLP conducted a full audit of Wheatville in 2016, as it has done the two previous fiscal years. Prior to 2014, Board policy called for a less extensive review in alternating years, the last of which was completed in 2013.

The Committee and many members of the Board spoke with Bruce Mayer, a Wegner CPA, after his team's audit of Wheatville's books and processes this year. The auditors worked to obtain reasonable assurance that the issued financial statements fairly reflect the cooperative's financial position. Their efforts resulted in a clear and unequivocal opinion confirming the accuracy of the financial statements.

Wegner sampled and tested bank reconciliations, accounts receivable, payable accounts, bank statements for notes payable, fixed assets, and depreciation expense as needed to support their opinion. The accountants also reviewed recent tax payments to confirm they were paid completely and on time. As a result of our conversations with Bruce Mayer about his processes, the Review Committee can report that the audit was conducted in a manner consistent with professional accounting standards. In addition, the accountants said they encountered no issues or problems in the course of the review. This reflects well on the work of Wheatville Finance Manager, John Perkins, and his staff.

While the Co-op did book a net loss in fiscal year ending May 29, 2016, Mayer noted that the loss was both anticipated and reasonable, especially for a business in growth mode. Additionally, he observed that Wheatville's balance sheet indicates that the cooperative is stable and remains well positioned for growth.

To further understand the business and its operations, and to confirm the accuracy of the information contained in the Annual Report, a Review Committee member met with Erica Rose, Wheatville's Ownership and Outreach Coordinator. They discussed processes and policies related to managing Member records and ensuring the accuracy of Member data. These systems were found to include sufficient checks to reasonably ensure their accuracy, and appeared to be well-maintained.

The Board will continue to arrange for independent auditors like Wegner to conduct full annual audits of Wheatville's financial statements. Audits will include assessment of accounting policies and internal controls relevant to the preparation of same. The Board continues to monitor Wheatville's financial results routinely as part of policy governance, as well as creating the Annual Report to Owners.

We hope you find this year's Annual Report easy to understand. Wheatville is in solid fiscal health and continues to be positioned to grow Austin's cooperative economy. The Review Committee commends the 2016 Annual Report to the Owners of Wheatville.

*I certify that I am not a principal bookkeeper, accountant or employee of the Co-op.*  
Andi Shively, Treasurer, Wheatville Board of Directors

## Board Code of Ethics

*by Reyna Bishop, Board Member*



The Wheatville Board Code of Conduct policies (our B5 policies) outline the expectation we have of ourselves and of each other in the fulfillment of our duties. The overarching policy requires that "Directors commit to ethical, businesslike and lawful conduct".

Each year, the full Board participates in a Board Orientation in which we discuss, in depth, the board code of conduct to ensure there is a shared understanding and interpretation of the policy. Each director signs a Statement of Agreement (code of conduct/conflict of interest disclosure) at a minimum twice a year. All directors are trained to immediately apprise the full board of any actual or perceived conflict of interest as needed so that the board can discuss the conflict and determine what level (if any) of participation by that director would be appropriate for the issue in question.

Annually, each director is asked to score him or herself on Code of Conduct as part of our annual monitoring schedule. As part of this self-monitoring, the Board completed May 2016, the Board collectively scored itself with an average score (Scale of 1 to 5 with 5 being the most and 1 being the least compliant) of 4.67, with the highest scores at 4.9 and the lowest at 4.3. Overall, the results indicate that the Board felt that there was a high level of compliance to the Code of Conduct during the prior year.

Policy B5.9 dictates that any director who does not follow the code of conduct policy shall resign from the Board if requested to do so by a 2/3 majority vote of the remaining Board. This year, the Board made the difficult decision to vote to remove one director due to multiple missed board meetings and diminished overall participation (note that removal of a director as a result of missed meetings is also addressed in Wheatville Bylaws Section 5.12).

The full code with its multiple sub-policies can be accessed on the Wheatville website at <https://wheatville.coop/membership/board-of-directors/board-policy-governance>.



## Board Compensation

*by Andi Shively, Board Treasurer*

Each year, the Board reviews compensation for directors, as outlined in Article 5.11 of our bylaws. This annual review is done to assess whether the existing policy is the policy we want to maintain for the upcoming year. We report our decision to our members in the Annual Report for full disclosure and process transparency.

Compensation takes into consideration the many hours directors spend in co-op service, including board meetings, committee work, outreach, and other activities. Board members have long received a 10% discount on most purchases at the co-op. In more recent years, the board introduced monthly stipends, currently set at \$300 for the President and \$100 for all other directors. Stipends are not intended as compensation for hours worked, but rather as a way to signal the value of the Board's work to the cooperative, and to recognize the effort required to serve effectively.

Compensation to board members via discounts and stipends is quite common among food co-operatives. Research done in 2012 for food co-ops of comparable size found monetary compensation varying from \$300 to \$4800 per year for Directors, and discounts varying from 5% to 20%. Increased stipends for Officers are also a common practice. Wheatville's board compensation policy is in the middle of the range.

During our annual review of compensation, the board considered the increasing amount of time it takes to serve, as additional trainings, more involved committee work, and increasingly lengthy and detailed monitoring reports have become standard. As the cooperative grows and becomes more complex, so too does the job of the Board of Directors. Additionally, it was noted that the roles of the Secretary and Treasurer require significant additional time, learning, and assumption of responsibility, which has not historically been recognized in the compensation structure.

Following this conversation, the Board concluded that a slight increase in compensation would be appropriate for the 2017 Board. While the President's stipend and the discount offered to the Board will remain the same, the Secretary and Treasurer stipends were increased to \$200 per month, while non-officer Directors will receive \$150.

For those interested in sharing their opinions or learning more about Board work, we hold "open time" at the beginning of each regular monthly meeting for whomever may want to come. You can find more information or sign up for open time in the Board section of Wheatville's website.