



ANNUAL REPORT 2016

Annual Member Meeting Notice

Saturday, April 22nd, 2017

At the Co-op, on the 2nd Floor Mezzanine
1PM Potluck, 2PM Member Meeting



ANNUAL MEETING
NOTICE

LETTER FROM THE
PRESIDENT &
GENERAL MANAGER

LEARN ABOUT
WHAT'S HAPPENING

WHAT ABOUT
PATRONAGE?

2016 FINANCIAL
INFORMATION

**BREADROOT
NATURAL FOODS
COOPERATIVE**

100 East Blvd North
Rapid City, SD 57701

605 - 348 -3331

Breadroot.com

Letter from the Board President

Dear Breadroot Owners,

This is my third term as Board President and fourth as a board member. I have also served as



**Dowell Caselli-Smith,
Board President**

Board Treasurer in the past. As President I am very pleased with the Finance Committee and General Manager's fine work refining our monthly, quarterly and annual budget forecasts and reports. We have a clear picture of our financial history, situation and prospects, and things are moving in the right direction. We finally made a small profit this year and even have prospects of paying some small dividends next year.

The General Manager, Board Treasurer, and I attended board training in Minneapolis last year. When we returned, we proposed, and our board adopted, Breadroot's version of the CDS Consulting Cooperative's model *Policy Register and Board*

Calendar. The *Register* provides a thorough and systematic format for holding each other accountable in the *Four Pillars of Cooperative Governance*: Teaming, Democracy, Strategic Leadership, and Accountable Empowerment. We have been working out the bugs over the past year. In February 2017, each board member compiled and/or reflected on the *Cooperative Governance Board Self-Assessment*. We noted a number of strengths and weaknesses we will be addressing in 2017.

Quite obviously, one of our great strengths is to be found in our management and staff. A huge high five goes out to Jeff and his team. They are outstanding in my eyes and the member surveys you have completed this past year confirm I am not alone in this assessment.

I also want to thank the board members who have joined in working to serve your best interests over this past year. We are a good team and look forward to adding a few more members at the Annual Meeting.

We are looking forward to the next stages of dynamic growth and development for Breadroot. Please join us at the **Annual Meeting April 22** to help reflect on our past, present and future and to celebrate the selection of our new board members.

Yours in Cooperation,

Dowell Caselli-Smith,
Breadroot Board President

2016 at a Glance	
<i>Financials</i>	
Assets	\$220,175
Liabilities	\$62,336
Equity	\$157,839
Gross Sales	\$1,614,651
Net Income	\$5,325
<i>Membership Stats</i>	
New Members	439
Active Members	1,326
Shares Purchased	24,840

Dear Members,

A discussion came up at a recent Board meeting on how best to provide members with educational opportunities. Since we learn best when we seek the information ourselves, it seems logical to ask members what they would like to have information on or training in when using Natural Foods and products.

Some suggestions have been

- Breadmaking
- Using whole grains or other bulk items
- Cooking vegan, gluten free, paleo, etc.
- Learning about non-GMO, USDA Organic, or Fair Trade
- Using environmentally safe cleaning products.

The Board of Directors is very interested in providing what members want in regard to these educational issues.

Please drop your suggestions for what classes to offer into the suggestion box at the store or comment on Facebook. We'd love to have your input!

We also invite you to consider teaching any topic that is near & dear to your heart if the topic is relevant to the Co-op and cooperative principles.

Sincerely,
Jeanne Berry
Board Director

My Suggestion is:

Changes over time



The Co-op in 2017



Before the move in April 2015

A Letter from the General Manager...

Dear Members,

This year will be my sixth year of being a part of the Co-op, and the fifth year I've served you as General Manager. It has been an exciting ride! I remember volunteering on truck days at 6am five years ago. The carpet in the old store, and the hard work it took to move to this awesome location! Last year was a great year for the Co-op. It was our first full year at this location, and now it feels like home. We finished setting up grocery shelving, purchased the open-air produce cooler, and finally painted the walls in the manager's office. We also added sick-pay as a benefit for staff in addition to vacation pay and retirement matching. At the end of every project we take on, there is always another to tackle. We also added sick-pay as a benefit for staff in addition to vacation pay and retirement matching. This year I hope to have a Member Service Center up-and-running, complete the mezzanine (upstairs) to facilitate learning classes and group meetings, and get the Co-op more involved in the community.

Our sales last year were the highest ever- \$1.6 million! Our milestone of the first million was just a couple years ago! This means we are serving more members and providing more natural, local, and organic food to more families than ever before. The next milestone is two-million dollars, a milestone because we will be eligible for serious ordering discounts from our largest vendor. These discounts will be our first large opportunity to get products for cheaper.

As some of you know, we recently conducted a Member Service Survey. I've never seen a member survey at the Co-op in recent years that didn't scream "We love the Co-op!", and this time was no different. When asked what you would like to see more of, the greatest responses were "prepared food" and "education/learning areas" – both of these are on our agenda to accomplish this year. A good portion of you said you desired more information about our Patronage Dividend System. For more info, please read the note below by Karen Psiaki, join us at the annual meeting on Saturday, April 22nd at the Store where we will discuss patronage, and click [here](#) to visit our Patronage FAQ page.

Thanks for being part of the Co-op, I hope to see you at the Annual Meeting!

Sincerely,
Jeffrey Thouron
General Manager



A note about our Patronage Dividend System

Dear Member,

I am a member too, and I just recently volunteered to fill a vacant position on our Breadroot board. When I first joined the Co-op I loved the fact that I would receive a 10% discount at the register on anything I purchased. Then last year that discount dropped to 5% and I was disappointed. I started price shopping and calculating whether those rice cakes with my 5% discount were actually cheaper here, than at Safeway or Family Thrift Express, or any other market. If you live in Rapid City, you know the importance of being smart on price and shopping very price-consciously to make ends meet.

I missed the annual meeting last year, so I was surprised when I learned and understood that even the 5% discount would be going away. "What gives? Don't members enjoy any benefits anymore?"

Yes, we do. We enjoy ownership of the Co-op and....we enjoy the ability to use our individual purchasing power to increase the Co-op's available capital funds – capital for investment. The new freezers and the new store are all a testament to this power of pooled funds.

With the change in financial benefit from an immediate register discount on sales at the moment of your purchase to a delayed reward in the form of an annual patronage dividend, we are taking a step toward stronger financial control of our – meaning the Co-op's - future.

"Control" may be a poor choice of words. It conjures up images of financial analysts in business suits or security guards at banks. We, as a collective, will have more of a say in creating investment options for our future – for the health of this enterprise. When we received those cash discounts, we weren't even sure if the Co-op would see a net profit at the end of each year. Now, by delaying a payout, we can look at yearly performance, SEE if there is a net profit, and make a choice to store some of that net profit away in the form of retained earnings. Retained earnings is just a different form of "money in the bank". Money we can use to upgrade equipment, or expand facilities without having to borrow.

I miss those little perks. But I'm more excited about the possibility of our pooled funds allowing for more of the great expansion that has already taken place.

Please feel free to attend a Board meeting to learn more. Mark your calendar for the April 22nd Annual meeting in the store at 2:00pm.

Sincerely looking out for our joint interests,
Karen Psiaki
Board Director

Patronage FAQs

How are dividends calculated? Dividends are calculated based upon the eligible purchases an owner-member makes and how much profit the Co-op makes each year.

What are eligible purchases? All business done with the Co-op except for purchases of shares, donations, Co-op sponsored classes, off-site transactions, fundraiser ticket sales, crate & bottle deposits, special orders and online orders.

Am I eligible to receive dividends? If you own all forty shares, or if you purchased shares in the year in review, then you are eligible.

How many other co-ops use this method of returning profits to their owners? Most Co-ops use dividends. Many Natural Foods Cooperatives are using them to stay competitive. Almost all types of other Cooperatives use patronage benefits. When Breadroot was incorporated in 2001, our business was formed to include patronage benefits. We first considered patronage benefits in 2012.

Do you project a profit for 2017 and beyond? Our long term budget foresees significant profits from 2017 – 2020.

Will the Co-op distribute dividends every year? Only in years when the Co-op generates sufficient profits.