Berkshire Co-op QUARTERLY NEWSLETTER

Fall 2017



Berkshire Co-op Market is the center of a flourishing community that:

- cultivates generosity, cooperation and care for our environment
- invigorates the local economy through equitable relationships and support of the cooperative movement
- engages our greater community through education and outreach
- is the trusted source of healthful food for all

the greatest oak

slow and steady growth, not unlike that of an oak

we aim to make real food available for all

real good

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Berkshire Co-op QUARTERLY NEWSLETTER

The ANNUAL REPORT

board of directors

Betsy Andrus



Leslie Davidson













leadership team

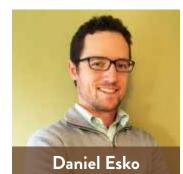


























Investing in our Future

Daniel Esko General Manager

Our Co-op community has much to Of course with every success comes income. With the help of all staff, we were to cost almost \$50,000 a year to for our co-op community to celebrate! Thankfully, we have an amazing group

celebrate upon the closing of fiscal year new challenges for the Co-op. While we 2017. After years of delays, we moved our turned the tide on the sales decline in the expansion project forward and signed a last quarter of the fiscal year, the Co-op long term lease with the developer of our is now operating in the most competitive new store. To support our capital needs for grocery landscape in history, which is the expansion, we successfully concluded exerting downward pressure on sales and our owner loan campaign in early July with gross margins, making us work smarter over \$1.3 million invested by the Co-op's and harder to maintain a competitive owners with groundbreaking expected position in the market. Further, net later this fall. After two consecutive years income while positive, was significantly of declining sales and operating losses, our below budget mainly due to higher than team stemmed the tide of lost sales and budgeted personnel costs. Depreciated has shown two straight years of positive net assets and aging infrastructure continue able to implement open book management maintain and also negatively impact the and are still investing in and building this customer experience, further limiting our powerful storewide management program sales potential. And while much progress to its full potential. This year we rolled out has been made in the last year, we still our community access to healthy foods struggle at times to consistently provide discount program (H.E.L.P.) to hundreds an exceptional customer experience. of community members. Our donation A continued focus on retail excellence and sponsorship programs have once again as well as the development of a next helped many local organizations continue level customer service program will be a doing the good work they do to build a key differentiator for the Co-op in this healthy community. Our commitment to increasingly competitive market. Finally, education and outreach did not waver as we new store construction this fall will touched the lives of hundreds of children negatively impact customer count and in the area through our elementary school sales, and maintaining profitability during education programs. Indeed, there is much this time will be a significant challenge.

100 new owners, many who bought a and outreach, and is the trusted source of share to support the Co-op's growth as it healthful food for all. Simply put, our coworks to secure its new long term home. op community strives to provide real food Some owners joined because of the to all and do real good for all. The activity alignment of personal and organizational of the cooperative is entirely in service of values while some joined simply because these ends, which ultimately aim to help they want convenient access to real, build a happier and healthier community. wholesome food from a trusted source. In the impact section of this annual report, Others see cooperative business as a we will show how our Co-op community means to balance the scales of capitalism achieves its mission of real food, real good. a little more in favor of everyday people, helping create a more just and In conclusion, I want to thank each and equitable economy that truly benefits every stakeholder who participated in our the communities in which they operate. cooperative endeavor this past year and Whatever our reasons for becoming helped us accomplish what sometimes owners of our cooperative, we can all seemed like the impossible. From the agree that an investment in the Co- dedicated and hardworking employees op is an investment in our community. who make it happen day in and day out,

"...we strive to provide real food to all and do real good..."

our strategic business priorities, we take get their groceries from the Co-op, to guidance from our ends policies developed the owner investors who wrote checks by the democratically elected board of for the new store, I extend a most warm directors, which outline the results we and heartfelt thank you. Thank you all for want to achieve organizationally and in our investing in your co-op, for investing in your community. The Berkshire Co-op Market community, and for investing in our future. is the center of a flourishing community

of committed stakeholders who will that cultivates generosity, cooperation, team up to meet these challenges head and care for our environment; invigorates on and I am confident that together, the local economy through equitable we will overcome these difficulties. relationships and support of the cooperative movement; engages our Last year the Co-op welcomed almost greater community through education

to our passionate and selfless volunteer board of directors who ensure the Co-op's sustainable future, I say thank you. From our spirited and passionate local food purveyors who produce the most delicious and wholesome food, to our skilled local service providers who are always there for us no matter the hour, I say thank you. To As we look to the future and identify the owners and shoppers who choose to



Board President's Report

Dan Seitz **Board President**

This past year, the Co-op focused its nonetheless, also incumbent upon the efforts on raising the loan funds necessary board and staff to make sure that the for its expansion project. Despite a slow store provides an excellent customer start that may have had more to do with experience in line with expectations. national politics than local circumstances, the Co-op more than exceeded its This coming year will present some ambitious goal—and so we are poised to challenges. As we move into the move forward. A heartfelt thank you goes construction phase of the expansion to our owners for their financial support of project, there will inevitably be some the project, our general manager Dan Esko inconveniences. We urge all of our and the Co-op staff, who worked tirelessly customers to continue to patronize the to contact owners, explain the loan program Co-op despite these inconveniences. and handle the complex paperwork, Nothing will contribute more to our and finally to my fellow board members success in a new space than maximizing who engaged frequently with owners to our success in the current space. explain the project, discuss loan options, hear suggestions, and address concerns. Finally, it's important to acknowledge how

The opening of a new facility is, however, more broadly, the socially responsible approximately a year away. What this business movement—are to the wellbeing means is that the Co-op must now focus on of our country and world today. People being the best store it can possibly be. This involved with these types of businesses will include maintaining an inviting, clean understand that by the supporting the and well-stocked store, offering excellent life-affirming values we believe incustomer service, and continuing to offer including community, cooperation, the products that are responsibly grown and environment, vibrant democracy, and sourced, with an emphasis on products acceptance of all people regardless of that also contribute to our local economy. religion, race or ethnic heritage—we While many of you shop at the Co-op will not only enhance individual and because cooperatives offer a progressive, group wellbeing, but will also achieve values-based business model—a truly the financial success necessary for

crucial the cooperative movement—and, kinder, gentler form of capitalism—it is, these types of businesses to flourish.































The Greatest Oak was Once a Little Nut Who Held Its Ground

Jill Maldonado Marketing Team Member

nearly impossible to trace the origin of this proverb because it exists in every culture in the world where the oak tree grows. The oak is the subject of wise, old proverbs because in it we recognize many of the characteristics we admire in peoplepersistence, slow growth, and generosity.

One oak tree can drop as many as 10,000 acorns in a year. If left undisturbed, an acorn will germinate and sprout in the spring. But, we don't see thousands of new oak trees every year because an acorn faces many reached sales of half a million dollars a year challenges in its early life. There is only the slightest chance it will land on the forest it was 12 years old. It would be another floor; remain hidden from hungry animals; decade before the Co-op expanded again sprout, root and find enough sunlight to grow.

The oak is persistent.

Much like the mighty oak, the Co-op had a humble beginning. It began as a network of buying clubs where neighbors pooled their resources to bring healthy food into the area, distributing it from their garages. From those early efforts among neighbors, to more wildlife than any other native tree. the idea of a cooperative grocery store was born. And, just like a tiny acorn, the Co-op had many obstacles to overcome spiders. Owls and bats make their homes before it would take root and find the sun inside hollow trunks. Mice, rabbits, and on Rosseter Street in 1981. Persistence.

It's funny, but it's true. So true, that it's An oak tree will send its roots five feet into the earth during its first year of life, but it might be as much as a decade before it has grown enough to provide shade. Above ground, there might not appear to be any significant growth, but those deep roots are what make them strong and hardy trees.

The oak grows slowly.

The fledgling Co-op grew into its new home, expanded its membership and before expanding for the first time when and moved to its current location on Bridge Street in 2003. Fourteen years later, we have grown as much as we can in our current location and a year from now, we'll be moving into our new store. From 1,100 square feet of retail space to 7,600 over a span of thirty five years. Slow growth.

The oak tree is a source of food and shelter The multitude of insects that live in the bark of an oak attract a variety of birds and foxes are just a few of the small animals tree. The acorns an oak tree drops provide a lifeline through the winter to the spring for hundreds of small animals.

The oak is generous.

During my time here, I've come to appreciate the ways in which the Co-op is a center of community. Jenny's Education & Outreach programs touch neighbors, children and good people who need a helping hand. The community dinners that Travis prepares and serves every month provide not just good food, but good company to our friends who might otherwise eat alone. The Co-op employs nearly 70 people on its staff, many of whom drive as much as an hour to work at a place where they find friendship, shared values and a fair wage. Last year, the Co-op purchased nearly \$1 million in goods from local food producers. At the same time, we collected nearly \$13,000 for local charitable organizations through our at-register donation programs. Generosity.

Everything the Co-op has become grew from the idea that neighbors are stronger together. With persistence, slow growth



that live among the expansive roots of the and generosity, we have accomplished so much, so far.

> To all of you little nuts who held your ground 35 years ago, I thank you for helping grow this mighty oak that has become home to so many of us.

How to Grow Your Own Oak Tree

- 1. Collect green acorns in early fall. (Right now is the perfect time!) Choose ones without worms, holes, or fungus.
- 2. Put the acorns in a bucket of water for a couple minutes. Acorns that float won't grow. Discard any floaters.
- 3. Put the remaining acorns in a large zipper bag with damp sawdust, vermiculite or peat. Put the bag in the refrigerator for 40-45 days. This process is known as stratification. Having a seed exposed to cold temperatures primes it for sprouting in the spring.
- 4. Keep an eye on your acorns. The root end will begin to crack through around early December. Once the root has cracked through, the acorn is ready to be planted.
- 5. Plant each acorn in a deep 2 inch diameter pot with drainage holes. Place the acorn about 2-4 inches below the surface with the root facing down. Water regularly.
- After about six months, when the oak has grown about four inches, it can be transplanted outdoors.
- 7. Watch it grow!



Education & Outreach Report

Jenny Schwartz Education & Outreach Coordinator

The Co-op has introduced me to a is grown right here in our community. world with an emphasis on community, Each Saturday I am quickly reminded creativity and an encouragement to learn what this apparently simple table means to cook. As I walk though the produce to some of our youngest customers. I department, I am immediately inspired have watched some of our little chefs by the local and seasonal selection. For grow from standing on an egg crate with instance, when I look at the purple and their caregiver guiding them from behind, pinto red potatoes from MX Morningstar, to confident, independent people who creativity sparks and I search the rest of can chop and prepare their own snacks. the store to purchase ingredients I need Sometimes the kids RUN to the table, to make homemade potato chips, a simple excitedly anticipating what they are going recipe that only requires a few ingredients. to make that day. To save money, it is easy to purchase the exact amount of oil and seasonings from Parents will often share how their kids our bulk department. I feel that the Co- ended up talking about a Kids Can Cook op is always working to create positive activity all week, that it's the reason their experiences and inspiring new menu child is at the market that morning. I hear options for meals.

how our table is the only place they will try certain vegetables and enjoy what they're For the past three years, Berkshire Co- eating. Recipes over the summer have op Market has sponsored the Great included: rainbow wraps, vegetable pasta Barrington Farmers Market which has salad, cabbage salad and more! On top of afforded us the opportunity to host our that, I think our table has increased the Kids can Cook program where some of sales of lettuce knives in our community. the best local food is being purchased. Kids have been known to insist on having I aim to invoke the creative experience a lettuce knife in an effort to make a safer that I have at the Co-op by presenting cooking environment at home. With safety a variety of colorful, fresh and seasonal comes freedom. If parents don't need to ingredients that inspire kids to visit the worry about their kids in the kitchen, they table, make a snack and then take the don't need to watch them like a hawk. This recipe home and make it again. Our table allows kids the freedom to be creative, helps inspire young chefs to start creating imaginative and playful. They can actually and appreciate the variety of food that play "waiter and waitress" and serve real

food that they made from scratch. They help make it even more special with the can really be that cool kid they watched on Lunchbox peppers that can be found at the Food Network's "Chopped Jr." At the Indian Line Farm, the yellow and purple end of each cooking experience, kids are cauliflower from Maynard farm, fresh encouraged to take come an illustrated ricotta cheese from R+G Cheesemaker copy of the day's recipe. I often hear how to name a few. With the Co-op right they are kept in special boxes at home or next door, you can get pasta, rice, Israeli how "my kids have made that corn salad couscous and other must haves that you at least six times since last week". I hear can't get at the farmers' market yet. how the pictures inspire the kids to start making something new in the kitchen. There is a lot of serious stuff going on in These are conversations that I get to have our country, world and with our food. I just all the time at the market. For the Co- hope to remind everyone that we have the op, this program is organized and run on ability to find happiness and creativity in a very small budget but the return on that simple situations. We can't control the investment is huge. We purchase very few world but we can control making dinner, ingredients and the local farmers will often what we put in it and how it's seasoned. give discounts or hand over a zucchini to What a great idea to pass onto the next support the excited kids. The farmers at generation! the Great Barrington Farmers' Market



real food

Real food is wholesome and healthful. Real food is local, organic and sustainable. We aim to make real food available for all.

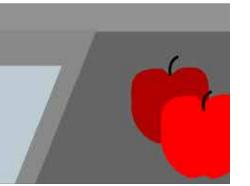


\$2,754,010 in Local Item Sales



Senior Discount 1,950 People Saved Enrolled HELP Program

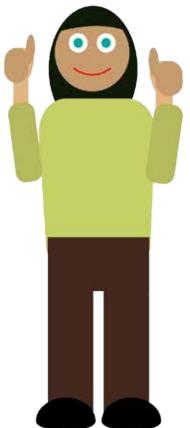
223
People \$30,006
Saved



real good

Real good is what we strive to do; to better our community through cooperation, equitable relationship building, education and outreach.



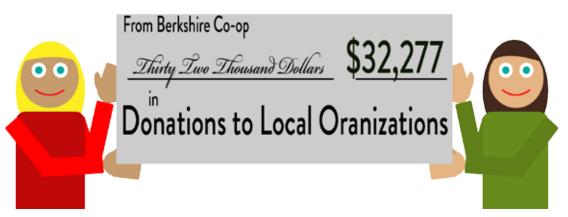










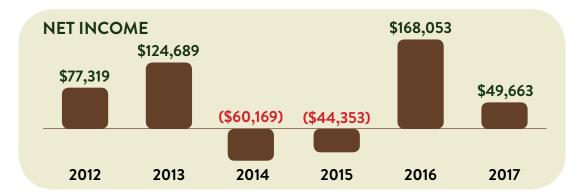


financial review

FISCAL YEAR 2017 ended June 30. It saw the Co-op make significant progress towards opening a new store, particularly with securing owner loan financing and making subsequent capital investments in expansion planning. No significant increase/ decrease in sales was seen with almost 100 new owner shares sold. The Co-op still uses the cash basis of accounting and is in the process of planning the transition to GAAP (Generally Accepted Accounting Principles) accounting in fiscal year 2018.

INCOME STATEMENT	F	Y2017	FY2016	
Net Sales	\$ 8,015,084	100%	\$ 8,044,871	100%
Cost of Goods	4,811,292	60.0%	4,829,677	60.0%
Gross Profit Margin	3,203,792	40.0%	3,215,194	40.0%
Wages - All	1,770,266	22.1%	1,635,999	20.3%
Benefits and Taxes	380,332	4.7%	363,471	4.5%
Total Labor Expenses	2,150,598	26.8%	1,999,470	24.9%
General and Administrative	965,551	12.0%	988,426	12.3%
Depreciation	31,881	0.4%	36,150	0.4%
Total Expenses	3,148,030	39.3%	3,024,046	37.6%
Net Operating Income	55,762	0.7%	191,148	2.4%
Other Income	19,481	0.2%	10,305	0.1%
Interest Expense	(84)	0.0%	(2,849)	0.0%
Income Before Taxes	75,159	0.9%	198,604	2.5%
Income Tax Expenses	25,496	0.3%	30,551	0.4%
Net Income	\$ 49,663	0.6%	\$ 168,053	2.1%

Sales decreased by \$29,787 to a year end total of \$8,015,084, due to decreases in customer count from the prior year. Gross profit remained stable at 40% of sales as pricing updates were consistently attended to. Labor expense was \$151,128 greater than last year at 26.8% of sales, due primarily to the hiring of a permanent general manager, the addition of the new evening manager position, and a \$40,000 annual wage increase that took effect on July 1. General and administrative expenses were managed closely throughout the year and were decreased by \$22,875 to 12% of sales. Net income after taxes was positive at \$49,663, a decrease of \$118,390 from last year primarily due to the increase in personnel expenses.



CASH FLOW	FY2017	FY2016
Net Income	\$ 49,663	\$ 168,053
Depreciation & Amortization	34,439	36,791
(Increase) Decrease in Inventory	(23,218)	4,791
Patronage Dividends Received as Investments	(19,355)	(10,717)
Loss on Investment (non-cash)		540
(Increase) Decrease in Other Current Assets	7,332	39,327
Increase (Decrease) in Other Current Liabilities	(17,291)	61,302
Cash Flow from Operations	31,570	300,087
From Investments		
(Increase) Decrease in Fixed Assets	(6,769)	(3,100)
(Increase) Decrease in Other Assets	(107,984)	(102,521)
Cash Flow from Investments	(114,753)	(105,621)
From Financial		
Increase (Decrease) in Long-Term Liabilities	697,525	(77,875)
Increase (Decrease) in Equity	(509)	14,615
Cash Flows from Financing	697,016	(63,260)
Total Cash Flow	613,833	131,206
Beginning Cash	311,090	179,884
Ending Cash	\$ 924,923	\$ 311,090

Cash flow was net positive for the year at \$613,833 in additional cash generated by the business primarily through financing activities (owner loan funds), and to a lesser degree from operating activities. Total investments were \$114,753, a majority of which was capital investment related to new store fundraising, planning and design. End of year operating cash (less owner loan funds) was more than adequate to cover all short term cash obligations.

BALANCE SHEET	FY2017	FY2016
Cash	\$ 924,923	\$ 311,090
Inventory	239,856	216,638
Other Current Assets	58,853	64,977
Current Assets	1,223,632	592,705
Property and Equipment, Net	551,697	576,806
Other Assets	356,801	233,228
Total Assets	2,132,127	1,402,739
Current Liabilities	417,607	460,759
Long-Term Debt	707,719	-
Total Liabilities	1,125,326	460,759
Owners' Equity	1,006,801	941,980
Total Liabilities and Equity	\$ 2,132,127	\$ 1,402,739

The balance sheet as at June 30, 2017 shows a significant increase in cash due to the infusion of owner loan funds earmarked for capital expenditures as well as a much smaller increase in operating cash. Current assets increased commensurate with a \$23,218 increase in inventory on hand. Other assets grew by over \$123,573 as we made capital investments related to our expansion, namely fundraising costs, design, legal and consulting fees. Current liabilities decreased as we retired the final current portion of a \$100,000 loan from the Co-op Fund of New England. Long term debt increased as we closed on over 50% of the total owner loans before the end of the fiscal year. Total owner equity grew as net profit was retained and almost 100 new owner shares were sold over the course of the year. Overall, the Co-op's balance sheet grew \$729,388 year over year.

The summary financial statements provided are based on a preliminary financial review by Brazee and Huban, CPAs. The final review will be available subsequent to the publishing of this report. A complete copy of this review is available to co-op owners upon request.











Behind the Scenes: The Making of Food Co+op, Stronger Together

Today, the vast majority of U.S. food is the cells of another, altering the natural produced by an industrial system that ecosystem in a profound way. As industrial churns out commodity crops (like corn agriculture continues its monumental and soybeans), which are then turned into spread, the list of worries that accompany processed foods for human consumption it grows in parallel: or fed to livestock to produce cheap meat. But now, more than ever, people are showing interest in finding local, sustainable alternatives.

Humans first started cultivating land some 10,000 years ago, and incredibly, farming remained much the same for millennia, despite developments like irrigation, crop rotation, fertilization, and pesticide application (early pesticides were mercury, arsenic, and lead).

Since 1900, however, a new era of agriculture has taken shape. Machines and synthetic fertilizers and pesticides have tracts of overworked land.

doesn't stop there. For example, companies practitioners of sustainable, organic have begun genetically modifying plants farming, which focuses on the health of by inserting DNA from one species into soil, the environment, and the consumer.

- ·Water pollution from petroleumbased fertilizers and chemical pesticides
- ·Contamination of foods with drugresistant E. Coli and other pathogens
- ·Farm subsidies that singularly encourage large-scale production of
- ·An epidemic of obesity linked to increased consumption of processed foods
- •The health impacts of pesticides
- •The decline of family farms and rural communities

replaced human labor and crop systems But there's positive momentum in that naturally replenish themselves. As a the food industry, too, largely due to result, instead of raising a smaller but more increasing awareness of these and other diverse volume of crops that nourishes issues. A wellspring of support for organic, the soil, farmers are cultivating staggering sustainable, and local food has emerged, amounts of one or two crops on huge and while its market share remains small, interest is growing steadily.

And the changing face of agriculture Many local farms are small-scale



share common farming practices:

- ·Crop rotation, the practice of soil depletion
- "pastured" or "pasture-raised")
- methods such as crop rotation, market. combining various types of crops, timing of planting and harvest, weeding, Wherever you are, you have power to divert pests
- water and starves weeds by dripping network of valves, pipes, and tubes

co-ops, farmers markets, and through believe in.

While local isn't always sustainable and community-supported agriculture (CSA) organic, and organic isn't always small, ventures, in which people "subscribe" to these categories substantially overlap and receive weekly shares of fresh produce from the farm during the growing season.

alternating various crops in the same Organic farmers can pursue organic field to avoid a build-up of crop-certification from the USDA, which grants specific pathogens and pests and avoid them use of the "USDA Organic" label on their food products. Some producers who • Managed grazing, or creating grazing adhere to organic practices lack the means patterns across farmland to avoid over- to gain and maintain this certification. For grazed areas and allow for regeneration consumers, however, the availability of of a pasture's grasses (animals raised Certified Organic food at the supermarket in this way are often referred to as provides assurances about how their food was grown, particularly when they don't ·Cultural pest control, which involves have access to a local co-op or farmers'

and planting of "trap" crops to naturally influence the agricultural industry with the choices you make. Learn as much as you •Drip irrigation, a method that saves can about organic and sustainable farming practices, get to know your local farmers water slowly to the roots through a and food producers at the co-op or farmers' market, and above all, vote with your dollars by buying from producers Local farmers frequently sell at food whose food production methods you

Try These at Home!



Crockpot Blackbean Chili

Total Time: 6 hours, 10 minutes; 10 minutes active

Servings: 4-6

Set it and forget it, and you'll be so glad when this crockpot full of chili is ready. This meatless classic has a little extra texture thanks to quinoa, which simmers in the black bean broth and gives it body.

Ingredients

1 cup dried black beans, rinsed 2 large carrots

1 medium green pepper, chopped

115-ounce can diced tomatoes

1/4 cup quinoa

4 cups water

11/2 tablespoons chili powder

1 teaspoon salt

Preparation

Combine all the ingredients in the slow cooker and close the lid. Set the cooker on low and cook for 6 hours.

After 6 hours, test the beans for doneness. If they are not quite tender, cover and cook for another half an hour.

Serve hot or transfer to containers to refrigerate or freeze.

Serving Suggestion

Cornbread flecked with diced jalapeno peppers makes a tasty accompaniment to this hearty chili.

Pumpkin Gingerbread

Total Time: 1 hour 5 minutes; 20 minutes active

Servings: 20 slices (makes 2 loaves)

This pumpkin gingerbread is a delicious breakfast treat served warm with a smear of cream cheese and a drizzle of honey.

Preparation

Preheat the oven to 350°F. Grease two 9×5 inch loaf pans.

In a mixing bowl, whisk together the spices, salt, baking soda, baking powder and flours.

Ingredients

2 cups sugar 1/2 cup canola oil 1 cup applesauce

1/2 cup blackstrap molasses

4 large eggs

2 teaspoons vanilla extract

1/2 cup water

115-ounce can pumpkin puree

1 tablespoon ground ginger

1 teaspoon ground allspice

1 teaspoon ground cinnamon

1 teaspoon salt

2 teaspoons baking soda

1/2 teaspoon baking powder

2 cups all-purpose flour

11/2 cups whole wheat flour

In a second large mixing bowl, whisk together the sugar, oil, applesauce, molasses, eggs, vanilla, water, and pumpkin until smooth and well blended. Add the flour mix to the wet ingredients and blend well, then pour the batter evenly into the loaf pans.

Bake for 45-50 minutes until a toothpick inserted into the center of the loaf comes out clean, being careful not to over-bake. Let cool for 15 minutes before removing from the pan.



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