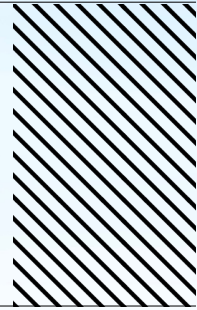


2017 ANNUAL REPORT



Community-Owned Since 1971



MESSAGE FROM THE GENERAL MANAGER



Matt Gougeon
General Manager

2017 was a year in which your Marquette Food Co-op completed a three part strategy, begun in 2016, to become more productive operationally, more relevant as a full-service grocery store, and more integral to community through being a model workplace and employer. As outlined in this Annual Report, last year we implemented productivity measures that resulted in better labor systems. We curated better product selection. We continue to develop better pricing, promotion, and margin management. And finally, we recognized the value of working by implementing a Livable Wage model for staff in the 4th quarter of last year. We did all of this by playing to our strengths of actively listening to people and thinking critically about what we hear. Think of it this way; we created ways in which our owner and customer experience was improved in tandem with employee experience by rewarding each with a richer and more relevant cooperative.

The proof is in the pudding. We created an engaged and valued workforce, offered people more value at the cash register, and improved dialogue and relations amongst our owners and community. This is the foundational work upon which we will build deeper cooperative economic impact in our community. This is how we set the stage for creating social justice and equity surrounding food. By taking care of the stakeholders of this cooperative, we may reach further into our community to share our assets not as a handout, but a hand up. The modest investment required to be a part of the MFC gives one access to all it offers. Considered thoughtfully, as with rising tides and boats, what is offered by your Co-op is a good shot at what is best for all. An individual investment is shared by everyone, and breaks from the financialized norm of our society where only a select few prosper.

I'm asked often enough, "When will we get a patronage dividend again?" The short answer to that is: Not this year. But as board President Phil Britton writes elsewhere in this document, the dividend returned to this community by the very existence of this cooperative is substantial. Doing the foundational work over the last couple of years has set us up to share in the future profits of this company. I will say here emphatically, I believe the patronage dividend is impactful because it gives an individual member a monetary tangible sense of economic return on investment. But it pales in comparison to having neighbors with good jobs who are able to make ends meet, local farms having an additional market for their products, brick and mortar assets owned by friends and neighbors, good wholesome food available

in abundance, excellent and friendly customer service, high quality educational and wellness opportunities at a regular cadence, consistency, purpose, respect, and permanence. This is cooperative economics. This is our model. The MFC is our local solution to what ails us. We are competing collectively and successfully in a market and system designed to get rid of us.

We accomplish so much and this kind of organizational maturity results in a variety of positive impacts, not the least of which is financial. Let's run through a few numbers to help you understand our condition and situation. As our various efforts at improving the store began to take root, we began to see growth. After a slow 1st quarter, we ended the year 9 percent up, buoyed by double-digit growth that began in July. We had profitable 2nd and 3rd quarters. But our 4th quarter showed a loss because of increased personnel costs attached to Livable Wage implementation. In the end, we realized a small profit for the year, our first since opening the new store and albeit smaller than anticipated, right on schedule. Importantly, we were cash positive through the year, although I wouldn't say we are cash rich. There's room for improvement there. The fact remains that we still carry substantial debt and this is the main obstacle to an easy return to regular profitability. However, our debt is reduced month over month and I can't say enough about how our senior lender, Range Bank, has been more of a partner to us than just a money lender. 2018 is the balloon year on our debt and we will renegotiate new terms with Range Bank on \$2 million in loans.

Looking ahead in 2018, we face a challenging year with the opening of Meijer. I anticipate taking a worrisome hit in sales, but we are ready and bracing for it. As with most things, the effect of Meijer will be temporary as its newness wears off. Undaunted, you may expect us to continue to move ahead this year with initiatives – both seen and unseen – as we work to create increased access to cooperative goods and services. The uncommon common sense of our model and organization will reach ever more households in our community. Together, we are unique in our building of the cooperative economy in the U.P. We are unique in our investment in one another. Feel good. Shop YOUR Co-op.

BALANCE SHEET

		2017	2016
CURRENT ASSETS:	Cash & Equivalents	\$229,970	\$131,750
	Accounts Receivable	4,886	5,763
	Inventory	343,060	328,146
	Other Current Assets	6,146	-
	Total Current Assets	584,062	465,659
	Fixed Assets	3,047,243	3,261,159
	Other Assets	302,465	271,114
	Total Assets	\$3,933,770	\$3,998,030
LIABILITIES:	Accounts Payable	359,037	315,790
	Other Current Liabilities	525,995	485,981
	Total Current Liabilities	885,032	801,771
	Long Term Liabilities	2,339,908	2,530,160
	Total Liabilities	\$3,224,940	\$3,331,931
EQUITY:	Preferred Shares	473,000	473,000
	Capital Stock	571,010	530,193
	Retained Earnings	(583,101)	(486,019)
	Undistributed Patronage Dividends Allocated	246,006	246,006
	Net Income	1,915	(117,082)
	Total Equity	\$708,830	\$666,098
	Total Liabilities & Equity	\$3,933,770	\$3,998,030

INCOME STATEMENT

		2017	2016
INCOME:	Gross Sales	9,286,576	8,513,527
	Cost of Goods Sold	5,955,513	5,524,070
	Gross Profit Margin	\$3,331,063	\$2,989,457
EXPENSES:	Personnel Expense	2,148,711	2,064,306
	Occupancy	290,352	251,413
	Depreciation	221,221	216,964
	Operating Expense	423,971	417,710
	Administrative	201,092	234,927
	Governance	27,493	11,750
	Promotional	58,357	53,436
	Total Operating Expense	\$3,371,198	\$3,250,505
	Other Income / Expense	42,051	143,967
	Taxes	0	0
	Net Income	\$1,915	(\$117,082)

MESSAGE FROM THE BOARD PRESIDENT



Phil Britton
Board President

My favorite grocery bag is the one that says “I own a grocery store with a bunch of my friends.” I love it because it’s weird. It makes you stop and go, “wait, what?” Followed inevitably by “...why?”

This year’s Annual Ends Report makes the point early on that “...good food is at the heart of building a healthy community...” and then supports that in the following pages. This grocery store that you and I own put almost \$3 million into our local economy, implemented one of the area’s first Livable Wage models, and connected thousands of people with food that is good for both people and planet. The report is packed full of ways our cooperative is contributing to, and in many instances leading the way in, building a healthy community centered around good food.

But it’s not just that we do a bunch of cool things aside from selling groceries, it’s that these things are a part of who we are. It’s in our DNA. The 7th Principle of Cooperation states that “while focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.” This annual report is our feedback on those policies.

That’s why the statement “I own a grocery store with a bunch of my friends” resonates with me. It’s a reminder of the tangible involvement you and I have, as owners of this beautiful cooperative, in making a positive impact where we live. It’s yet another reason to feel good while shopping the Co-op.

So how does our ownership of this grocery store play out in the real world? Primarily through electing people to represent us on the Board of Directors, an annual process we just completed. We had the largest field of candidates in at least my memory, and year-over-year participation in the election process grows. Congratulations to our newly elected board members: Mary Pat Linck and Angie Cherrette! And thank you for entrusting me with one more term.

The Board of Directors is your link to the store. We amalgamate the needs and aspirations of our owners into policies that Matt and his staff put into practice, then we monitor and adjust. When we say the continuing success and growth of our grocery store is thanks to you, that’s not hyperbole – it’s quite literally true. Each step in that process is robust, from the incredible staff and leadership to the Board that continues to up its game year over year, but the process begins and ends with you – the owners. Shopping at the store, voting in elections, giving feedback, attending classes and workshops; these are all ways you support this cooperative, and that’s what makes us unique. So, finally, from myself and the rest of the Board, thank you! Thank you for making this cooperative what it is, thank you for being that “bunch of friends” that we all get to share in this together with.

2017 Board of Directors



Cori Ann Noordyk
VICE PRESIDENT



Barbara Cromell
TREASURER



Michelle Augustyn
SECRETARY



Richard Kochis



Glenn Sarka



Collin Thompson



Courtney Morgan



Hillary Bush

THE MARQUETTE FOOD CO-OP GLOBAL ENDS

The actions of the Marquette Food Co-op provide access to local, organic, and wholesome products, and the benefits of a healthy, diverse, educated, and sustainable community.

These actions shall be guided by:

ECONOMIC VITALITY

MFC successfully uses the cooperative business model, primarily through a retail storefront, as a component of a robust local economy.

PAGE 5

FOOD

The MFC provides access to local, organic, wholesome, and fairly-traded food and products.

PAGE 6

OWNER ENGAGEMENT

MFC maintains connection and relevance to its owners and encourages them to take an active role in order to sustain the cooperative.

PAGE 7

MODEL WORKPLACE

MFC fosters a workplace in which there is a professional culture of mutual support and open communication, while balancing personal and organizational needs.

PAGE 9

ENVIRONMENTAL STEWARDSHIP

MFC strives to conduct its operations in an environmentally conscious manner.

PAGE 10

COMMUNITY LEADERSHIP

MFC takes a collaborative leadership approach to positively impact our community.

PAGE 11

EDUCATION & OUTREACH

MFC maintains connection and relevance to its owners and encourages them to take an active role in order to sustain the cooperative.

PAGE 12

LOCAL EMPHASIS

MFC gives preference to local products and services that align with operational principles.

PAGE 13

WELLNESS

MFC promotes health and wellness in our community through the principles of eating good food, staying connected, being active, and rest.

PAGE 14

\$9,280,000

Total Sales Revenue

901

Customers Per Day

324,226

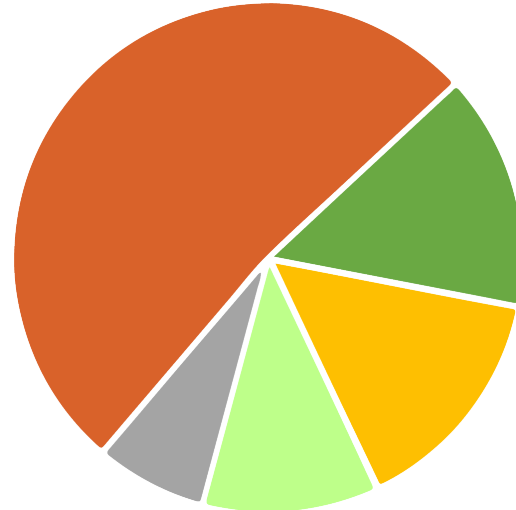
Total Transactions

Average Basket Size



\$28.64

**Percentage of Total Store Sales
by Department**



Grocery
52%

Produce
15%

Prepared Foods
15%

Wellness
11%

Meat & Seafood
7%





DOUBLE UP
FOOD BUCKS™

\$5,229

Vouchers Distributed

\$3,903

Vouchers Redeemed

75%

Redemption Rate

The Marquette Food Co-op is the first and only grocery store in the U.P. to offer the program, increasing access to food.



13,831 lbs

Watermelons Sold

11

New Store Promotions that passed savings on to shoppers

29

Hosted Sampling Events



5,040

Owners

45

New Owners through
Owner Referral Program



462

New Owners in 2017

67.8%

Sales from Co-op Owners

“The quality of food that we eat is probably the most important thing for our health, and the Co-op has quality food. You feel it... there’s a physical difference — mental and emotional, too.”

Aaron Clemins

Superior Fitness
Owner for **9 years**

“Both our business and the Co-op are so driven toward sustainability and knowing where your stuff comes from. We’re working toward a common goal and creating a culture together that supports those values. It’s a beautiful thing, especially to have in such close proximity.”

Brice & Teagan Sturmer

Velodrome Coffee
Owners for **8 Months**

“We are owners because we believe in supporting local farmers and providing easy access to local, healthy food in our community.”

**Vanessa Wight,
Jacquie Medina,
& Canyon**

Owners for **1 year**



3,977

People receiving our
online newsletter
and mid-month update

413

★★★★★

Reviews

Google, Facebook, TripAdvisor, Yelp

30%

Open Rate for Email Marketing
14.9% is industry average

629

Customer Suggestions

"Ten years ago, I was in a pretty bad car accident and was in the hospital for about a month. People from the Co-op came to visit twice with gifts and food. The Co-op is family. It's very much like a family to me."

Judy Sarosik
Owner for 47 years

"When I see a group of school children here obviously learning about quality food, I am delighted because their choices are key to their good health now and in the future."

Sheila Devlin
Owner for 17 years

"We continue to be Co-op members because it offers the products we like to buy. They value their members' opinions, they are locally-owned and they are very supportive of their local farmers, like us."

**Dan Rabine &
Mary Kramer**
Reh-Morr Farm
Owners for 11 years



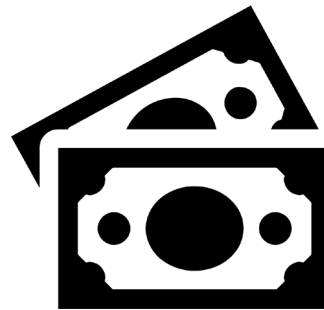


85
Employees

75%
Full-Time Staff

77%
Percentage of Management Team
promoted from within the store

Livable Wage!
Implemented October 1, 2017



\$11.56/hr
Minimum Wage
-
an increase of
\$2.66/hr





40,842

Bags saved through our
"Bring Your Own Bag" program



46,374 lbs

Material composted and
diverted from landfills



147,120 lbs

Material recycled



42.7%

of MFC Sales were organic
products compared to the
national average of 5%
(2017 NCG Trends Report)



\$62,790

Food donated to the community



\$10,349

Local Donations

\$7,300

Raised for United Way
of Marquette County



\$9,639

Raised for Schools and
Youth Organizations through
our Farm To School
Fundraising Program

We work with

20+

Community Organizations and
Business on issues relating to health,
wellness, and local agriculture

\$1,988

Donated to the MFC Community Fund by
shoppers at the register

Thank You!



4,325

People Reached through
Outreach Activities



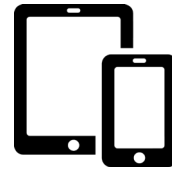
1,171

People attended Cooking Classes
and Demonstrations



43

Multi-Course Cooking Classes Held



10,267

Followers on Social Media



46

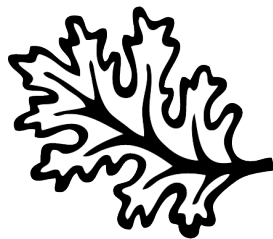
Local Vendors

\$840,827

Total Local Sales In-Store

31%

Total Revenue Returned
or Spent Locally



**U.P.  FOOD
EXCHANGE**
growing local food systems

\$216,011

Sales Passed through
UPFE Online Marketplace

\$10,366

Purchased from local vendors
for Farm to School Fundraising





\$420,732
Vitamins & Supplements Sold



2,500+ lbs

Fruit donated to JJ Packs
from ACHIEVE



669

People drank green smoothies
with us and learned to make
them on their own



60%

of products are organic

9

Wellness Fairs Attended
by Outreach

\$50,225

Scrip & Wellness
Gift Cards Sold



\$5,022

Donated through the
Scrip & Wellness
Gift Card Programs





502 W Washington St
Marquette, MI 49855

Open Daily 8am - 9pm
Everyone Welcome

www.marquettefood.coop
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