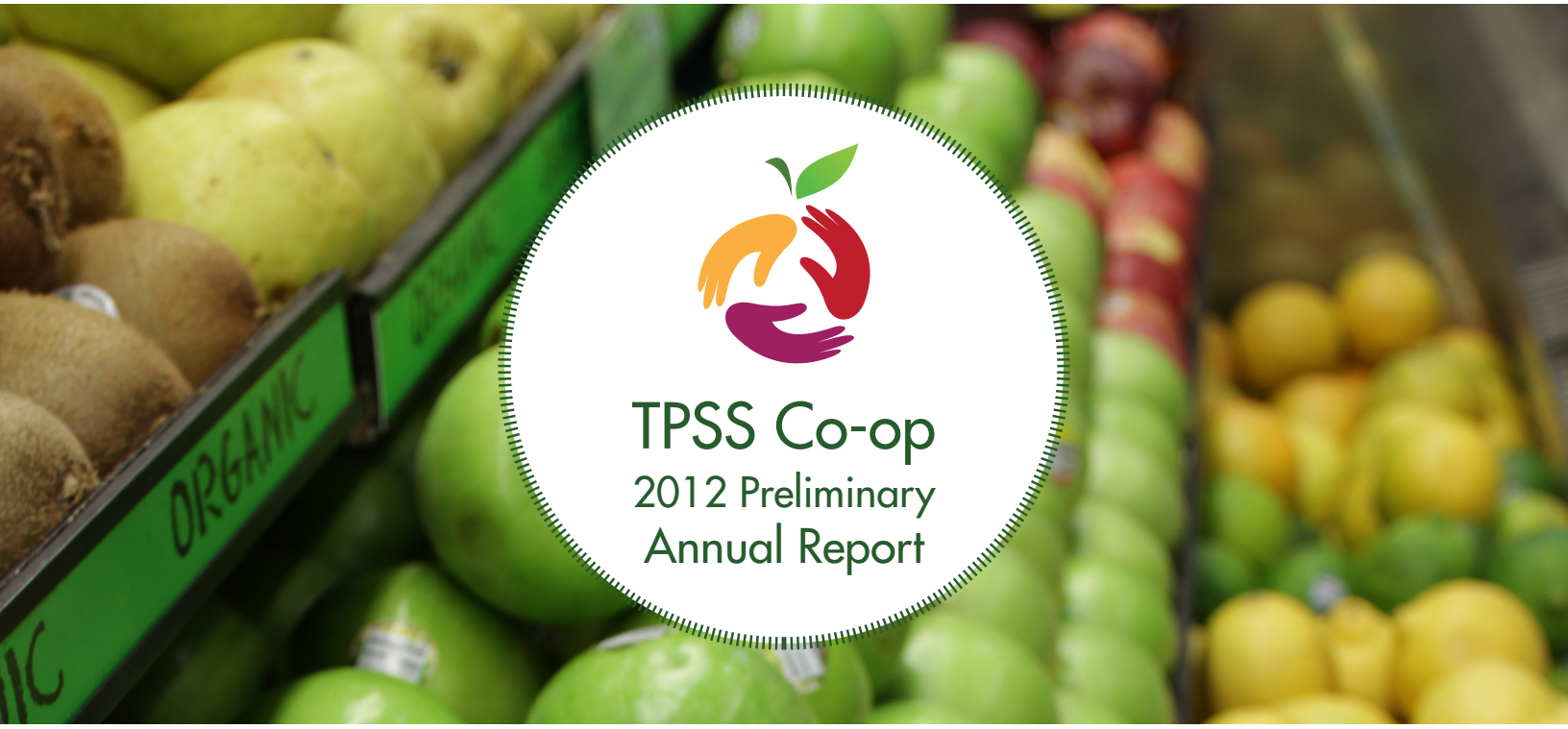

TPSS Co-op
2012 Preliminary Annual Report

About the TPSS Co-op

OUR MISSION STATEMENT

Takoma Park-Silver Spring Co-op promotes healthful living by offering wholesome food, high quality products, and community resources in clean, friendly cooperative grocery stores…that you can own!

STORE HOURS - LOCATIONS

Open Daily
9 am - 9 pm
www.tpss.coop

Takoma Park Store
201 Ethan Allen Avenue
Takoma Park, MD 20912
301-891-2667

Silver Spring Store
8309 Grubb Road
Silver Spring, MD 20910
240-247-2667

ANNUAL REPORT TEAM

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Designer: Kiyoung Nam

CO-OP MANAGEMENT

General Manager:
Abdi Guled

Operations Manager:
Al Romero

Finance Manager:
Brenda Tilery

HR Manager:
Marilyn Berger

Wellness Manager (TP):
Nelson Graves

Front End Manager (TP):
Tilahun Berhe

Silver Spring Managers:
Neteraru Rashad
Matt Hersh
Jordan Terrazas

BOARD OF REPRESENTATIVES

David Walker
President
[redacted]
Occupation: Consultant
Term Expires 11/30/12

Tanya Whorton
Vice President/Treasurer
[redacted]
Occupation: Law Librarian
Term Expires 11/30/14

Matt Hersh
Secretary
[redacted]
Occupation:
Produce Manager (SS)
Term Expires 11/30/14

Emily Townsend
[redacted]
Occupation: Physicist
Term Expires 11/30/13

Mary Rooker
[redacted]
Occupation:
Shamanic Practitioner
Term Expires 11/30/12

Steve Dubb
[redacted]
Occupation:
Research Director
Term Expires 11/30/13

Nelson Graves
[redacted]
Occupation:
Wellness Manager (TP)
Term Expires 11/30/12

Ken Firestone
[redacted]
Term Expires 11/30/14

Letter from the President of the Board

The International Year of Cooperatives has been good for our Co-op. The past Fiscal Year was a period of transition and recovery for our businesses. The Board of Directors approved new Ends policies to better define the purpose and goals of TPSS Co-op and approved a new Member Benefits Policy.

The most-significant decision by the board was hiring Abdi Guled as General Manager, with a three-year contract. His strong performance as Interim General Manager for a year made him a natural choice to lead our operations for the future.

Abdi Guled and his team have been able to achieve a remarkable financial turnaround of Co-op operations during the 2011–2012 fiscal year. A profit of $298,383 during the current fiscal year stands in stark contrast to the loss of $197,211 in fiscal 2010–2011. Sales in Takoma Park were up 5.6% during the year. Operating losses in Silver Spring were approximately half those in the previous year. Because the Silver Spring store pays for certain indirect costs, such as administrative, HQ, marketing and governance expenses, it actually contributed almost $60,000 to the profitability of TPSS Co-op as-a-whole. Fourth-quarter results indicate that the Silver Spring store was approaching break-even by the end of the fiscal year.

The Board of Directors, with the support of the Finance and Audit Committee, is continuing to revise and refine our financial policies to promote financial professionalism at the Co-op. As an example of this – and to prepare for financing the expansion project in Takoma Junction – the Board has selected McGladrey LLP, a nationally-respected accounting firm, to perform the Co-op's first audit in six years. The financial statements included in this Annual Report are unaudited and the report will be re-issued once the audit is completed.

The Board has also defined an important new right of membership, by approving a Boycott Policy for the Co-op. Since a boycott prevents all member-owners from purchasing boycotted items at our stores, the Co-op must assure widespread support among member-owners. So, while any member-owner may propose a boycott, enactment of any boycott now requires a two-thirds vote of the membership. Successful boycotts remain in effect for one year and may be re-authorized annually.

TPSS Co-op continues to serve our community beyond our stores. The Co-op contributed almost $4000 to charities and community organizations during the 2011–2012 fiscal year, much of it dedicated to specific causes by Co-op member-owners through the bag-token jars in both stores. As an example of our commitment to education and local food systems, the Co-op co-sponsored the Food Security in Maryland summit in June 2012.

At the October 2011 General Membership Meeting, Co-op member-owners authorized the Board to seek expansion of our Takoma Junction store, doubling its retail space. The Board commissioned a market feasibility study which provided an independent professional assessment that there was adequate existing demand capable of supporting an expanded store in Takoma Park. In February 2012, The Takoma Junction Task Force issued its Final Report recommending to the Takoma Park City Council that the City-owned lot be developed for use by an "Independent, non-chain, community-scale business (which could include the TPSS Co-op or a like business and food-truck vendors)". Recently, TPSS Co-op made a formal presentation of its expansion goals and objectives to the Takoma Park City Council, which was well-received. To assure effective guidance and oversight for the expansion project, the Board revitalized the Expansion Committee and revised the committee charter.

A primary priority for the Board and management is the turnaround of the Silver Spring store. The future is looking brighter, with new lighting now illuminating improved product selection. General Manager Abdi Guled has realigned store management and staff to focus on steadily growing sales and consistently profitable operations in the next fiscal year.

David Walker, **Board President**

Financial Report

Takoma Park Silver Spring Cooperative

Income Statements

	FY 2011–2012 7/1/2011-6/30/2012	FY 2010–2011 7/1/2010-6/30/2011	Change
Sales	$ 10,770,558	$ 10,294,405	$ 476,153
Other income	59,804	40,785	19,019
Less: Cost of Goods Sold	(7,362,861)	(7,133,105)	229,756
Gross Income	3,467,500	3,202,085	265,415
Interest and dividend income	2,256	2,083	173
Total Net Revenues	3,469,756	3,204,167	265,589
Expenses			
Personnel Costs	1,952,767	2,369,075	(416,308)
Occupancy	402,858	452,545	(49,687)
Operating Costs	368,555	379,515	(10,960)
Administration	178,132	158,541	19,591
Marketing & Outreach	42,822	78,949	(36,127)
Governance	32,682	20,864	11,818
Total Expenses	2,977,816	3,459,489	(481,673)
Earnings before Interest, Taxes, Depreciation & Amortization (EBITDA)	491,940	(255,322)	747,262
Less: Depreciation	43,557	58,041	(14,483)
Earnings before Interest & Taxes (EBIT)	448,383	(313,362)	761,746
Less: Provision for Income Tax	150,000	(116,151)	266,151
Net Income	$ 298,383	($ 197,211)	495,595

Balance Sheets

Assets	**30 June 2012**	**30 June 2011**	**Change**
Current Assets			
Cash	$ 1,335,472	$ 880,008	$ 455,464
Accounts Receivable	85,890	2,640	83,250
Inventory	474,219	404,192	70,028
Other Current Assets	97,488	133,356	(35,868)
Total Current Assets	1,993,069	1,420,195	572,874
Net Fixed Assets	510,404	546,041	(35,637)
Other Assets	218,478	226,398	(7,920)
Total Assets	$ 2,721,951	$ 2,192,634	529,317
Liabilities & Equity			
Liabilities			
Current Liabilities			
Trade Debt	397,078	387,426	9,652
Other Current Liabilities	315,218	144,151	171,067
Total Current Liabilities	712,296	531,577	180,719
Long-term Liabilities	47,072	47,072	0
Total Liabilities	759,368	578,649	180,719
Equity			
Member Paid-in Capital	744,255	695,511	48,744
Donated Capital	324,800	324,800	0
Retained Earnings	893,528	593,674	299,854
Total Equity	1,962,583	1,613,985	348,598
Total Liabilities & Equity	$ 2,721,951	$ 2,192,634	529,317

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

These statements are unaudited and may be subject to change during the audit process. A final version of the annual report will be issued once the audited financial statements are received and accepted by the Board of Directors.

2012 Financial Condition Report to Owners

Brenda Tilery, Finance Manager

Fiscal Year 2011-2012 was a HUGE bounce back over the prior year. TPSS' bottom line has buoyed up from a six-figure deficit in 2011 to an inspiring pre-tax $450,000 profit. Reduction to this figure for tax adjustment by the auditor will be an estimated $150,000, or a minimum of 30% net income—the more money we make, the more taxes we pay. Even after paying our taxes, the entity is financially healthy!

Over the past year, several things contributed to the Co-op's greatly improved position: starting with a good budget, succeeding in operating with a diligent eye towards the bottom-line, and implementing aggressive management strategies that targeted industry-standard margins. $10 million in sales--$7 million from Takoma Park and $3 million from Silver Spring--not bad for our 23-year-old Co-op!

Our Silver Spring store remains a work-in-progress as we try to improve its financial position. Expenses were not the culprit this year as they were previously, but the $3 million in sales fell short in generating the gross profit needed to defray a loss of $110,000. On the other hand, Silver Spring began to climb out of the hole by cutting its 2011 deficit in half this year! The store's loss, however, did have a negative effect on the entity's revenue after netting it with Takoma Park's $570,000 bottom line. The Silver Spring store reimburses the Takoma Park store for personnel costs that Takoma Park pays out of its account for payroll processing. Rigorous sales improvement must happen.

Multiple power outages plagued TPSS last year. This year, Nature spared the Co-op from numerous business interruptions up until the very last two days of the fiscal year. Yes, during inventory! Recovery of the loss is covered by insurance.

In the cooperative spirit, TPSS had loaned the Mariposa Food Co-op $50,000 for their expansion project in the form of a one-year promissory note bearing 3% interest. Mariposa's project has been successful, and they have repaid the note plus interest on time.

Big ventures lie ahead for the Takoma Park Silver Spring Co-op. For the first time in six years, a full audit will be done for this fiscal year-end to assure the sound footing needed for growth. The Co-op is on its way to a vibrant future!

Letter from the General Manager

The fiscal year that concluded on June 30, 2012, was an incredible one for TPSS as a whole and for me personally. Our Co-op had ended the previous fiscal year with a loss of almost $200,000. How amazing it is that we ended this past year with a net income of almost $450,000 prior to taxes! In January, 2011, the Board of Representatives asked me to serve as the Interim General Manager. A year later, the Board conducted an extensive national search before selecting me to fill the General Manager role in February, 2012. Having started my TPSS career as a stocker 14 years ago, I feel honored to undertake this awesome responsibility.

The success of the past year is due to the dedication and hard work of our staff. A key addition to that staff has been Operations Manager Al Romero. Al came to TPSS with years of experience as a director of sales and new business development, director of purchasing, and a category manager for several well-known companies. He has been working closely with our managers and buyers to improve their purchasing and merchandising skills. With his vast knowledge, coaching management style, and boundless energy, Al has had a great impact since his arrival.

FY 2012 was a challenging one as we put our efforts into turning around our financial situation. We committed and continue to commit a great deal of our resources towards assuring the viability of our Silver Spring store, which showed a huge loss in FY 11 and a smaller but still highly significant loss in FY12. To that end, I implemented a plan and timeline with benchmarks along the way. While the focus has been on Silver Spring, we have taken actions at both stores to ensure the continued success of our Co-op. These measures include reviewing and adjusting product selection; training buyers and managers on the evaluation of the operational key indicators of sales growth, margin management, inventory management and labor management; and improving the physical appearance of both stores.

During the past year, we continued to promote local products. This effort not only supports our local community but cuts the amount of fuel used to transport items from producer to consumer. Smaller producers also tend to cause less negative environmental impact. We are currently carrying produce from 10 local farmers, and we have increased the amount we order from Tuscarora, a certified organic local farmers' co-op.

While concentrating on present viability, we are also looking to the future as we plan the Takoma Park expansion. The charter for our Expansion Committee has been updated, and I am hoping that a re-energized and re-focused Expansion Committee will work closely with me to make this dream a reality. We have made a concerted effort to build/renew cooperative ties with the Old Takoma Business Association. In addition, we are working with them on the use of the municipal lot by the food truck project and the revitalization of Takoma Junction, a big part of which we hope will be a much expanded TPSS.

During the past year, we continued to provide financial and outreach support to charitable organizations (see article elsewhere). We also sponsored and/or participated in community events such as the Art Hop, Earth Day celebration, school group tours of our stores, health fairs, street festivals, and the Food Safety symposium held this summer.

In FY13, I look forward to continuing to work with our amazing, talented staff, engaged Board of Representatives, and supportive member-owners as we implement our strategic plan for the future while making sure that, as our ends policies so clearly state, "TPSS Co-op will be a sustainable cooperative enterprise that benefits the community at large — consistent with community needs, financial viability, cooperative principles, healthful living, and strong environmental stewardship."

Abdi Guled, **General Manager**

Co-op Principles

Statement of Co-op Identity

Adopted by the International Cooperative Alliance in 1995.

Definition: A Cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Values: Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, Cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles: The Cooperative principles are guidelines by which Cooperatives put their values into practice:

1st Principle: Voluntary & Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of members, without gender, social, racial, political, or religious discrimination.

2nd Principle: Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary Cooperatives members have equal voting rights (one member, one vote), and Cooperatives on other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their Cooperative. At least part of that capital is usually the common property of the Cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their Cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4th Principle: Autonomy & Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Cooperative autonomy.

5th Principle: Education, Training & Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their Cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

6th Principle: Cooperation among Cooperatives

Cooperatives service their members most effectively and strengthen the Cooperative movement by working together through local, national, and international structures.

7th Principle: Concern for Community

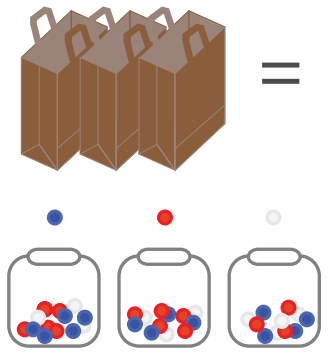
Cooperatives work for the sustainable development of their communities through policies approved by their members.

Concern for Community: Cooperative Principle #7

Shoppers who bring their own grocery bags can help to protect our environment while donating to a worthy charity. When checking out, customers receive a token for each of their own bags used. Each token represents five cents, and shoppers can choose the charity to receive the money by placing the tokens in the appropriate jar at the front of the store.

Following is a list of some of the charities TPSS supported through this program during the past fiscal year:

Washington Humane Society
Piney Branch Elem. Music Department
Washington Animal Rescue League
Takoma Park Emergency Assistance
Capital Area Food Bank
Rape Crisis Center
Friends of Sligo Creek
St Ann's Infant and Maternity Home
D.C. Central Kitchen
Grey Hound Welfare
Amnesty International
Bethesda Cares
Rachel Carson Council



TPSS Co-op committees provide ways for member-owners, staff, management and governance to cooperate in planning strategic initiatives, proposing or refining policies, monitoring or evaluating results, and gathering community input. Below are some of the Co-op committees now active. Contact the Co-op for opportunities to participate in these committees.

Expansion Committee

The TPSS Co-op Expansion Committee is working closely with the General Manager to help plan the expansion of our Takoma Junction facility.

Finance and Audit Committee

The Finance and Audit Committee reports to the Board of Representatives and advises the Board regarding financial policies, store financial performance, budget items, and related financial issues.

Food Advisory Group

The Food Advisory Group hopes to enhance Co-op product selection to align with member needs and preferences as much as possible. The group also supports outreach and research around food choices and ways the Co-op can support its mission of promoting healthful living by offering wholesome foods, high quality products and community resources in a clean, friendly and cooperative grocery store.

Local Foods Committee

The TPSS Local Foods Committee's purpose is to increase the number of local products sold at our stores by supporting local farmers and producers; to create an open dialogue with employees and customers in order to increase awareness and educate on supporting local producers; and to create sustainable methods for TPSS to consistently access and order local products.

Membership Committee

The Membership Committee is a standing committee that reports to the Board of Directors. The Membership Committee advises the Board regarding member policies, outreach, member education, and volunteering and organizes at least two full membership meetings each year.

Nominations Committee

The Nominations Committee supervises Board elections and recruits candidates to run for election to the Board. The Committee meets on an as-needed basis, typically with meetings concentrated around the election period.

Silver Spring Advisory Committee

The Silver Spring Advisory Group meets to discuss ways to assist staff in boosting sales at the Silver Spring store, increase membership, and get members more involved in the Co-op.

Takoma Park Advisory Committee

The Takoma Park Advisory Group provides member input with the goal of impacting sales growth and member participation at the Takoma Park Location.

Some of our Many Local Producers

Gunter's Honey
Bee George Honey
Canela Bakery
Bonaparte Bakery
Firehook Bakery
Spring Mill Bakery
New Yorker Bakery/Breads Unlimited
Cava Hommous
Asmar's Hummous
Hebas Mediterranean Food
Olive Tree
La Pasta
Sweet and Natural
Moorenko Ice Cream
Island Ice Cream

Planet of Vegans
DrinkMore Water
McCutcheon's
Seemconi
Mom's Apple Pie Company
Purple Mountain
Kefa Cafe
Zeke's Coffee
Cervantes Coffee (only in SS)
NaturalZing
Zendulgence Hemp Gelato
Gifford's Ice Cream
Loch Lamond Bakery
Oscar Sushi
George's Veggie Garden

Sunneen Health Foods
ECO City Farms
Potomac Valley Organics
Hidden View Organic Farm
Lancaster Farm Fresh Cooperative
Legacy Manor Farm
Licking Creek Bend Farm
Purple Mountain Organics
Royal Ginger Root
Sligo Creek Farm
Shea Radiance
Blue Nile Botanicals
Divinity Veganaturals
Keys Care
Skincando