TPSS Co-op

2013 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

Editor: Marilyn Berger

Designer: Kiyoung Nam

CO-OP MANAGEMENT TEAM

General Manager:
Abdi Guled

Produce Manager:
Adam Tenga

Operations Manager:
Al Romero

Wellness Manager:
Nelson Graves

Finance Manager:
Navneet Rangra

Front End Manager:
Tilahun Berhe

Human Resources Manager:
Marilyn Berger

Silver Spring Leaders:
Neteraru Rashad, Erick DeLeon, Jordan Terrazas, Jawarra Blake

BOARD OF REPRESENTATIVES

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

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

Dan Robinson
Treasurer
[redacted]
Occupations: Consultant, Business Owner, Teacher
Term expires 11/30/15

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

Erin Gabrielson
[redacted]
Occupation: Psychology Fellow
Term Expires 11/30/13

Matt Hersh
[redacted]
Occupation: Student
Term Expires 11/30/14

Kahlil Yanes
[redacted]
Occupation: Program Liaison
Term Expires 11/30/15

Ken Firestone
[redacted]
Occupation: Retired
Term Expires 11/30/14

Bill Rogers
[redacted]
Occupation: Professor
Term Expires 11/30/15

Letter from the President of the Board

Welcome to the TPSS Annual Report for 2013! After 33 years, our Co-op is doing well and continues to serve our local community at our two locations. We enjoyed another profitable year while staying true to our mission of "promoting healthful living by offering wholesome foods, high quality produce and community resources in clean, friendly and cooperative grocery stores...that you own!"[i]

While it is the Board of Representative's job to provide overall direction for TPSS Co-op, it is the General Manager's job to implement the policies and carry out all the day-to-day operations. This is no small task, and the Board would like to acknowledge Abdi Guled, our GM. When Abdi was chosen in early 2012, the position came with an extensive "to-do" list. Abdi continues to rise to the many challenges and opportunities presented by managing TPSS! He and our staff work hard to identify problems, develop new processes and put improvements in place. McGladrey LLP completed the first full audit of TPSS Co-op in six years, covering the 2011-2012 fiscal year. While an audit is never an easy process, this one in particular took a huge commitment of time and effort from management, and Abdi and his team juggled the demands of the auditors along with all their other duties admirably.

While Abdi worked to ensure that TPSS's activities complied with board policies, he also embarked on another deeper level of work to promote and evaluate something very difficult to measure, how well our Co-op is performing on our central mission, reflected in our Ends Policies (printed on page 6). Working with Board guidance and feedback, Abdi has started an ongoing "Goals and Indicators Report" that provides various creative and concrete ways to track how we are doing.

The Board continues to work to seek better *alignment* with management, to work *cooperatively* with management, and to provide clear direction and guidance regarding expectations and governance policies that guide our cooperative.

One of the larger challenges our Co-op faces is the economic performance of the Silver Spring market. The Board continues to monitor the health of this store, and staff continues to work to improve sales and revenue, and establish the Silver Spring store as consistently profitable. The Co-op as a whole continues to remain on solid financial footing. For the 2012-13 fiscal year, the Co-op posted a profit of $235,000 on sales of $10,733,000. The Takoma Park store continues a track record of strong performance and our Expansion Committee is working to identify various expansion scenarios for the store.

The Board understands that expansion can raise questions and concerns for some members (and we are open to hearing from our membership on this and any other topic!). There are many things we all love about our current stores, and we don't want to lose the character and history that help make TPSS what it is today. But the Board continues to believe it is crucial to move forward in exploring expansion possibilities. An expansion would enable us to stock a wider range of products, provide more (and faster!) check-out lanes, provide brighter and more spacious aisles, install more modern and energy-saving systems for HVAC and refrigeration, and offer larger produce, bulk, bakery, and prepared foods sections. A larger TPSS would also employ more people. We could realize these benefits and more, while continuing to support and build the local economy by keeping more dollars local, selling more healthy and sustainable food, and supporting our local food and farm vendors!

How would we finance such an endeavor? As in previous years, we have allocated a portion of our profits to our expansion fund; as of June 30, 2013, the expansion fund totaled $570,000. Like many other Co-ops in the country that are expanding, we intend to tap our biggest resource- our 8,000 members! Co-op members all over the country are supporting their Co-ops through special investment programs which allow them to provide capital to fund expansions. More than 50 food cooperatives across the country are planning an "in-place" expansion project or a new store in the next three years.[ii] We hope that our Co-op becomes part of this active growth movement!

As we look ahead to 2014 and beyond, I would like to take this opportunity to reach out and challenge you as individual members. In joining the Co-op, you became part of our community. Each of you can help further our organizational and community goals. The best way to support your Co-op is to continue to shop with us. At the end of the day, we are a business and depend on sales volume to fuel the business. But there are a number of other ways you can also make a difference. Consider running for the Board of Directors, join one of our special committees or help us advertise through word of mouth with your friends and neighbors. Each of you plays an important role in our continued success!

We can all make our Co-op and our community stronger by working together. On behalf of myself and my fellow board representatives, thank you for your continued support and membership in the TPSS Co-op.

Yours cooperatively,

Tanya

Tanya Whorton, **Board President**

i TPSS Co-op Mission Statement

ii NCGA Co-op Leadership Conference: 2013 Pre-Conference Survey Summary. Conducted by the Survey Research Center (SRC) at the University of Wisconsin-River Falls. Report 2013/2, March 2013

Financial Report

Takoma Park Silver Spring Cooperative

Year End: June 30,2013

Income Statement

	2013 Preliminary (unaudited)	2012 Adjusted (audited)	Change
Sales	$ 10,732,648	$ 10,618,708	$ 113,940
Other income	77,536	129,195	(51,659)
Less: Cost of Goods Sold	7,404,768	7,228,054	176,714
Gross Profit	3,405,416	3,519,849	(114,433)
Interest and Dividend Income	364	2,256	(1,892)
Total Net Revenues	3,405,780	3,522,105	(116,325)
Expenses			
Personnel Costs	1,919,541	1,933,575	(14,034)
Occupancy	373,493	402,858	(29,365)
Operating Costs	379,220	394,916	(15,696)
Administration	175,624	178,057	(2,433)
Marketing & Outreach	14,225	42,833	(28,608)
Governance	78,217	32,682	45,535
Total Expenses	2,940,320	2,984,921	(44,601)
Earnings before Interest, Taxes, Depreciation & Amortization (EBITDA)	465,460	537,184	(71,724)
Less: Depreciation	(38,072)	(55,620)	17,548
Earnings before Interest & Taxes (EBIT)	427,388	481,564	(54,176)
Less: Provision for Income Tax	(192,259)	(190,080)	(2,179)
Net Proceeds	$ 235,129	$ 291,484	(56,355)
Net Income (Loss)	$ 235,129	$ 291,484	(56,355)

Balance Sheets

Assets	2013 (unaudited)	2012 (audited)	Change
Current Assets			
Cash	$ 1,555,273	$ 1,335,505	$ 219,768
Accounts Receivable	2,998	85,854	(82,856)
Inventory	419,545	409,221	10,324
Other Current Assets	116,426	88,037	28,389
Current Assets	2,094,242	1,918,617	175,625
Net Fixed Assets	150,548	88,922	61,626
Other Assets	117,020	115,700	1,320
Total Assets	$ 2,361,810	$ 2,123,239	238,571
Liabilities & Equity			
Liabilities			
Current Liabilities			
Trade Debt	336,939	397,078	(60,139)
Other Current Liabilities	172,354	200,596	(28,242)
Total Current Liabilities	509,293	597,674	(88,381)
Long-term Liabilities	80,609	30,773	49,836
Total Liabilities	589,902	628,447	(38,545)
Equity			
Member Paid-in Capital	786,522	744,255	42,267
Donated Capital	324,520	324,800	(280)
Retained Earnings	660,866	425,737	235,129
Total Equity	1,771,908	1,494,792	277,116
Total Liabilities & Equity	$ 2,361,810	$ 2,123,239	238,571

The preparation of financial statements requires management to makeestimates and assumptions. Actual results could differ from those amounts. The Co-op auditors are currently performing the remainder of their audit procedures. The information presented was prepared by management, is subject to change based on the completion of the audit, and is considered unaudited until the auditors complete their procedures and review process. Management does not believe the remaining audit procedures will result in significant changes to the information presented, and will issue a supplement to the annual report should the information change significantly.

2013 Financial Condition Report to Owners

Dan Robinson, Board Treasurer

Fiscal Year 2012-2013 was a mixed bag, with the Takoma Park store a continuing success and the Silver Spring store a disappointment. The Co-op's bottom line shows a $285,000 profit, but that includes a loss at Silver Spring of $125,500. There will be a tax adjustment by the auditor, and we are financially healthy, but the continued poor performance at Silver Spring is a major concern.

Over the past year, several things contributed to the Co-op's good financial position: the budget was developed with rigor, operations were conducted with a diligent eye towards the bottom line, and continued aggressive management strategies that targeted industry-standard margins bore fruit. Sales neared $11 million - $7.8 million from Takoma Park and $3 million from Silver Spring.

We have followed recommendations from a consultant concerning our Silver Spring store, which got a facelift, improved stocking procedures, a re-set (evaluation of what is on the shelves) and additional outreach. Expenses were kept in line. The Silver Spring store reimburses the Takoma Park store for personnel costs that Takoma Park pays out of its account for payroll processing.

The Takoma Park store has also continued to improve, with more attention paid to what is carried, and streamlined management.

A brand new generator was installed over the summer to deal definitively with the power outages that have plagued the Takoma Park store over the years. The generator has been tested and stands ready to go into action in the event of a major storm or other electricity outage.

A second annual audit has just been completed, and issues from last year's audit have been resolved. A continuing issue, which will be addressed this year, is a membership list that needs cleaning.

The big news on the horizon is the expansion of the Takoma Park store. Building on our market study from last year, this year we completed a site plan feasibility study that evaluated three possible alignments for the build-out of an expanded store. Additionally, the City of Takoma Park completed and distributed an environmental assessment of the land under the adjoining parking lot. That assessment is positive, allaying fears of possible contamination issues and the site plan study we completed ourselves gives us a roadmap of ideas for expansion at this location.

Letter from the General Manager

The fiscal year that ended June 30, 2013 was filled with both great accomplishments and major challenges. One of our biggest accomplishments was the purchase and installation of a generator at our Takoma Park location. In past years, we experienced considerable losses due to power outages caused mainly by storms. In fact, our insurance claims history became so bad that our insurer refused to renew our policy! Fortunately, we have found a new policy, and a working generator will minimize our losses of perishable goods and lost sales. In the event of a widespread outage, we will bring the perishables from the Silver Spring store to Takoma Park. I am sure our community will enjoy having our local store open and ready for business during any power outages, and all will be welcome to charge their cell phones!

We continue to explore the expansion of our Takoma Park store. We hired an architectural firm to study the feasibility of expanding at our current location, and we are also exploring other possibilities. The City of Takoma Park sponsored a study of the ground underneath the municipal parking lot adjacent to the store and determined that there is nothing dangerous buried there, so the possibility of toxic waste prohibiting us from exploring the use of part of the lot for our expansion has been eliminated.

One of our big initiatives in the year that just ended was to systematically review our product mix and pricing strategy to make sure we remain competitive and successful. Operations Director Al Romero has spent a great deal of time analyzing which of our products sell well, and which do not, and we have been adjusting our product mix based on turns reports. We have also slowly adjusted our prices to move closer to industry standards for margins.

A great addition to our managerial staff has been our new Finance Manager, Navneet (Navy) Rangra. Navy came to us with seven years of financial experience in the hospitality industry. He holds two bachelors degrees and will soon complete his MBA studies. He is also a Certified Management Accountant candidate. Navy has done an excellent job of familiarizing himself with our financial record keeping and facilitating the successful completion of our recent audit.

Another step forward at TPSS has been in the field of social media and marketing. Traffic to the TPSS Facebook page grew tremendously in the past year. If you haven't friended us, please check out the page and become a friend of TPSS. Last year, we truly moved into the 21st Century with the release of a TPSS mobile app for both IPhone and Android users. The TPSS app offers users the following sections: manufacturers' and store coupons that can be redeemed at the register via the phone (no clipping necessary!), in-store specials, addresses for both locations with a link to maps and directions, store hours, recipes and hints, and links to our Facebook page and website. We will also be able to use the app to send out notices of emergency closures, which we hope to avoid with the purchase of our generator (see above). We have also revamped our website to make it more informative and interesting and are updating our Facebook page daily.

TPSS sponsored a series of films and discussions on the theme Farms, Food, and Public Policy. This series was very successful with large turnouts of interested, engaged audiences, and utilizing the Historic Takoma building was extremely rewarding.

In keeping with the Sixth Cooperative Principle of cooperation among cooperatives, we had loaned Mariposa Food Co-op in Philadelphia $50,000 to assist in their move to a larger location. Mariposa opened in 1971 as a members-only co-op. In 2012, they opened their new store to the entire community in a space five times the size of their original store. I am happy to say Mariposa is doing very well in their new location, and our loan has been paid back in full.

As we concluded FY13, we were well into planning for FY14 and beyond. Areas that will demand our attention include the continued financial challenges of our Silver Spring store, the potential expansion of our Takoma Park store, attracting more shoppers to TPSS, enhancing our educational efforts, and offering as many local products as possible.

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

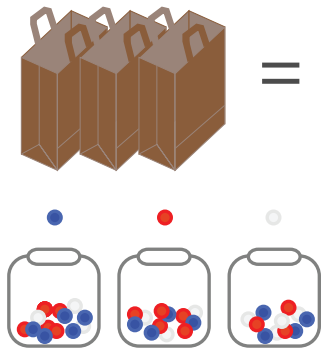
Cooperatives work for the sustainable development of their communities through policies approved by their members.

Concern for Community: Cooperative Principle #7

Shoppers who bring their own grocery bags not only help to protect our environment, but they also have a chance to support a worthy organization. Customers receive a token for each of their own bags used. Each token represents a nickel, and shoppers can select the organization that will receive the donation by the placing the tokens in the appropriate jar at the front of the store.

Here are the organizations that benefited from this project in FY13:

Washington Humane Society
Washington Animal Rescue
Rape Crisis Center
St. Ann's
D.C. Central Kitchen
Amnesty International
Bethesda Cares
Rachel Carson Council
House of Ruth



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.

Ends Statements

1. 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.
2. Co-op members are involved in and knowledgeable about the meaning, benefits and responsibilities of cooperative ownership.
3. Co-op customers have access to goods produced in socially and environmentally responsible ways, with an emphasis on local and organic foods, at reasonable prices and in welcoming community marketplace settings.
4. Customers are knowledgeable about food and food related issues and can make informed choices about healthful living.
5. TPSS Co-op is committed to being inclusive and accessible to the whole community. The Co-op will build strong linkages through its outreach programs with surrounding communities and nearby farmers and businesses.
6. The TPSS Co-op staff has an empowering and positive workplace.

Some of our Many Local Producers

American Hearth Bakery
Aux Delices Des Bois
(Transatlantic Foods)
Bao Food and Drink
(Garden Spot Distributors)
Bee George
Blue Nile Botanicals
Bonaparte Breads
Canela Bakery
Caromont Farms
Cava Mezze
Cervantes Coffee
Chapel's Country Creamery
Chesapeake Bay Roasting Company
DC Roasting Works
Ester's Granola
Everona Dairy
Firefly Farms
Firehook Bakery
George's Veggie Garden
(formerly The Vegetable Garden)
Goldilocks Goodies
Gunter's Honey
Heba's Health Foods
Hummingbird Farms
Island Style Ice Cream
Just Peachy Organic Health
Licking Creek
(Mike Tabor)
Loch Lomond Bakery
Locust Point Farms
McCutcheon Apple Products
Meadow Creek Dairy
Natureflections Photography
New Day Farms
New York Bakery
Olive Tree
Oscar Sushi
Planet of Vegans
Purple Mountain Organics
Rosendorff's Bakery
Seemconi
Shepherd's Manor Creamery
Shiloh Farms
(Garden Spot Distributors)
Soul Gourmet
Spring Mill Bread Co
Sunnyside Gourmet
Sweet and Natural
Trickling Springs Creamery
Zeke's Coffee