

willy street co-op

Fiscal Year 2021

June 29 2020 TO July 4 2021

64
online

classes & nutrition consultations

82,077 lbs
of food donated to local food pantries and food banks

2,325,707 lbs



of organic produce sold

360,096
pounds of local cheese sold



105,211
pounds



of locally roasted coffee sold

23,248
pounds of house-made sausage sold



210,763
Fair Trade
avocados sold



Boxes of food provided via curbside pickup

5,584

2,033

New Owners

Number of active Owners

31,873

32%
of the Co-op's sales
are local products



GENERAL MANAGER REPORT

Anya Firszt, General Manager

a.firszt@willystreet.coop

Hello Dear Owners,

Much of the last fiscal year was spent responding to changes brought about by the pandemic.

Your Co-op remained open throughout the pandemic, providing goods and services to our customers while adhering to established pandemic protocols. The pandemic presented challenges well beyond our business-as-usual routine, and despite those challenges, we sold \$57 million dollars in groceries and employed 370 million dollars to serve our nearly 32,000 Owners.

We learned by necessity how to expedite operational change; some of these changes included the ramping up of online delivery programs, adding curbside pickup, providing gift and subscription boxes, and changes in product offerings due to COVID-19 ordinances requiring some departments be shut down.

We also learned that shopping habits changed during the pandemic. Pre-pandemic shoppers went to multiple stores to do their shopping, but during the pandemic they chose a primary store to do most, if not all, of their shopping. Not all of our regular shoppers chose Willy Street Co-op as their primary shopping location, which contributed to our negative sales growth.

The pandemic had a ripple effect on our ability to staff open shifts and we saw our applicant pool rapidly decrease. Our product supply chain was also negatively impacted by the pandemic with product out-of-stocks and subsequent challenges with labor shortages.

Our staff, each and every member of our workforce, played an essential role in keeping our Co-op a safe place to work and shop. Our staff showed up and gave it their all so we could be open for business to serve you. I am so proud of our staff. Please take a moment to thank them for their dedication and service the next time you are in one of our stores.

Last year was year two of our contract with the United Electrical, Radio, and Machine

Workers of America, also known as the UE. Since the outbreak of the pandemic in March 2020, we successfully negotiated eight Temporary Agreements with the UE related to COVID-19. Later this calendar year, we will begin bargaining our second contract with the UE for possible ratification in early 2022. Stay tuned for updates and milestones as we move through the bargaining process to ratification.

We finished year one of our three-year contract with a local consulting firm, Step Up: Equity Matters. Our leadership group completed an in-depth training that included individual coaching sessions. This initial work will help us apply an equity lens as we work with Step Up to develop our strategic plans prioritizing equity initiatives in terms of leadership and governance; talent; customer, Owner, and community relationships; branding and marketing; and vendors and suppliers.

Last spring, MG&E's O'Brien Solar Fields in Fitchburg, Dane County's largest solar array, started delivering energy. Your Co-op, along with Tribe 9 Foods (which makes Yumbutter, RP's Pasta, and other products), UW-Madison, and a few other local organizations are partners in the project and receive some of their power from this solar array. Additionally, MG&E is adding pollinator plantings in certain areas of the array under the solar panels to boost pollinator habitat for dwindling monarch and honeybee populations. We are excited to be part of this project!

This was our second year of unrealized budgetary goals due to the pandemic. Our mission statement directs us to be an economically sustainable grocery business and we continually review areas of our operation to see where changes need to be made to support a healthy expense-to-sales balance. Read more about our fiscal year financial performance later in this report.

Thank you all for being part of our Co-op's journey during what was a very hard and challenging year—knowing that we make good things happen makes the hard times less hard.

Here's to another 47 years!



BOARD OF DIRECTORS REPORT

Jeannine Bindl, Board President

board@willystreet.coop

On behalf of your Co-op's Board of Directors, I want to thank you for your support in FY21. COVID-19 added to your Co-op's challenges during the last fiscal year—as it did for all of us—but we are fortunate to have a few bright spots to share as well.

For the past 18 months, the Co-op has engaged Step Up: Equity Matters to help advance diversity, equity, and inclusion within the Co-op. Step Up uses their Recognize, Own, Disrupt unconscious bias approach. The work started by assessing internal culture, structure and processes and has progressed through the year to engage both Board members and senior management in training about unconscious bias, leading change, and applying an equity lens to our work. All staff members are receiving training in the current fiscal year. We will continue our work with Step Up for the next couple of years to ensure that valuing diversity, equity, and inclusion becomes embedded in our Co-op's culture.

Participating in community reinvestment efforts is one of the many rewarding aspects of Board work. In FY21, our Co-op was able to provide grants to 10 local organizations via our Community Reinvestment Fund. All of the organizations funded had a focus on reaching out to underserved populations, promoting health and well being, and fostering social engagement. Five of the awarded grants went to supporting extensions of current programming and five grants were awarded to organizations starting new programming. The average grant amount was \$2,499 totalling \$25,000 reinvested into our community. I am eager to report that this is a fraction of what we as a Co-op community were able to invest in our community during FY21.

Again, a continued thank you to our Co-op staff is due. They have continued to work hard to find innovative solutions for the challenges faced by the mandatory restrictions resulting from the COVID-19 pandemic. As a result, our community has continued to have the opportunity to shop and invest locally. Please join us in thanking our Co-op's staff for all they have

done and continue to do.

Finally, we would like to reiterate the Board's commitment to uprooting racism in our community. We are looking forward to continuing to work with Step Up: Equity Matters but are aware that much of this work is personal. We invite you to participate in confronting biases in your own space as well.

As always, thank you for your support of our Co-op. We appreciate the opportunity to represent you on the Co-op's Board of Directors.

We can be reached by email at:
board@willystreet.coop (Board only)
or all-board@willystreet.coop
(Board and some management).

Food Accessibility

Access Discount

- ▲ 1,371 Owners enrolled
- ▲ \$301,778 in savings distributed
- ▲ 58,972 transactions

Double Dollars

- ▲ 14,352 vouchers distributed
(83% were redeemed)
- ▲ \$59,243 worth of fruits and vegetables given

FoodShare/QUEST

- ▲ 42,623 transactions
- ▲ \$1,635,733 in sales

WIC (Willy North only)

- ▲ 757 transactions
- ▲ \$18,835 in sales

willy street co-op GLOBAL ENDS POLICY:

Willy Street Grocery Co-op will be at the forefront of a cooperative and just society that:

- has a robust local economy built around equitable relationships;
- nourishes and enriches our community and environment; and
- has a culture of respect, generosity, and authenticity.



Prepared Foods Category Manager Dustin Skelley tries out Sally the Salad Robot at Willy East.



We offered a variety of product-filled boxes last fiscal year, from organic fruit & vegetable boxes to boxes with Thanksgiving foods to boxes with gift items, all available for curbside pickup. These provided customers with another way to get Co-op products without having to come into our stores.



Welcome to the very first edition of The Word on the Beet! We're so glad to have you here!

We launched "Word on the Beet," a weekly email that tells Co-op customers what's been added to the Produce department, what tastes best, and what it's their last chance to get, while sharing some recipes and news about how weather is affecting the produce we offer.

Sign up at:

www.willystreet.coop/emails



DIVIDE PERENNIALS

The pandemic led some people to start gardening, so we offered a Gardening Q&A on Zoom. Ben Futa, host of the PBS show "Let's Grow Stuff," gave some gardening information over five episodes and took questions from viewers. Find the videos on our Youtube channel.



Some of our classes moved online during the pandemic, including the very popular Kids in the Kitchen series led by Chef Lily.

Save Some Trees

Get our newsletter and Annual Report via willystreet.coop/subscribe

Willy East:
1221 Williamson St.

Willy West:
6825 University Ave.

Willy North:
2817 N Sherman Ave.

GIVING BACK



CHARITABLE GIVING AMOUNTS BY TYPE:

"Abandoned equity" is Owner equity paid to join the Co-op that is unclaimed or donated by Owners who leave or do not shop at the Co-op for at least three years. By law, funds are donated annually to a charitable fund. "Operations" refers to money budgeted as an expense for the purpose listed.

\$309,634

From Customers

Community CHIP™

See details at www.communityshares.com



\$301,778

From Operations

Access Discounts

(1371 participants)



\$24,263

From Operations

Donations of food, gift bags, gift cards, and other products and services (88 nonprofits and schools)



\$65,923

From Operations, Customers, & Abandoned Equity

Double Dollars Fund

See details at www.willystreet.coop/community/double-dollars



\$6,112

From Operations

Up & Coming Food Co-op Conference for start-up co-ops



\$25,000

From Abandoned Equity

Community Reinvestment Fund

(10 organizations)



\$3,154

From Operations

Support to local schools through the Co-op's Scrip Program



\$10,000

From Abandoned Equity

Dane County Farmers' Market/FairShare CSA Coalition COVID-19 Emergency Farmer Fund



\$10,000

From Abandoned Equity

Matched Double Dollars Fund donations

(Goodman Community Center, Lussier Community Education Center, Middleton Outreach Ministry, The River Food Pantry, and Wil-Mar Neighborhood Center)



\$70,000

From Operations

Local event sponsorships

(including the Good Neighbor Festival, Fête de Marquette, YWCA Racial Justice Summit, and many more)



\$815,864 TOTAL IN FY21 DONATIONS

FINANCE REPORT

Paige Wickline, Finance Director

p.wickline@willystreet.coop

Fiscal Year 2021 was a 53-week year that ran from June 29, 2020 through July 4, 2021. The year was financially challenging for our Co-op primarily due to the impact of the ongoing global pandemic on sales, product availability, and changes in the labor market. In spite of all the challenges, our Co-op remained resilient. We were able to keep our retail sites open, continued to provide employment to staff, and continued our journey of understanding what it means to become more equitable, inclusive, and diverse.

Our operating loss for FY21 came in at \$967,901. We had budgeted for a much smaller operating loss of \$410,801. The larger loss was due to a combination of lower than expected sales and lower than expected earnings on those sales. Our FY21 budget was created in the spring of 2020 when we were optimistic that our sales levels would recover in the fall of 2020. This recovery did not happen and we experienced negative sales growth from July of 2020 through March of 2021. We ended the year with sales of \$57.3 million which was \$3.7 million less than our sales budget of \$61 million. We also experienced a lower margin on these sales because of changes in our sales mix. Margin is the amount of money left over after we pay for the cost of goods sold, which is expressed as a percent of sales.

We were fortunate that when the effects of the pandemic began to hit us in the spring of 2020 we had strong cash and equity positions. This financial strength, along with receiving a \$2.5 million PPP loan (Paycheck Protection Program) in April of 2020, allowed us to maintain our operations, meet our financial obligations, keep staff employed, and provide hazard pay to staff for 30 weeks in 2020.

In June 2021, we received notice from the U.S. Small Business Administration that our PPP loan was 100% forgiven and they had sent the funds to our lender, Summit Credit Union, to pay off our loan. Once our loan was officially forgiven, the \$2.5 million in PPP loan debt was paid off and the loan proceeds were recorded as income in FY21. We are grateful for the vital support the PPP loan funds provided.

In February of this year we paid the three-year Owner Bonds that helped fund our expansion at Willy West in 2018. Then in June and July we paid out the maturing five-year Bonds that helped fund the opening of Willy North in the summer of 2016. One final batch of five-year Bonds for Willy North was paid out in August. The total for all Bonds maturing in 2021 was \$534,000. We wish to thank our Owners who purchased Bonds for their financial support.

Our Co-op's operating income was negatively impacted by the pandemic this past year, yet—with the PPP loan—we had positive net income. When we combine our actual results from FY21 and FY20 we have net income of \$919,655. We ended the year with a strong cash position and an increase in retained earnings of \$2 million.

We anticipate it will take us two years to fully adjust to our new post-pandemic reality and achieve positive operating income. This will include working to improve our sales margin and improve our sales growth. Each of you can help us reach our financial goals by continuing to shop at your Co-op regularly. This supports not only your Co-op, but also local producers and neighboring local businesses. Your patronage is what keeps us going and will help us and other local businesses continue to recover.

Thank you for your support and interest in our Co-op.

Number of people
the Co-op employs:

370



Number of staff
eligible for benefits:

283

(Healthcare benefits
for staff working at least
30 hours per week)



The Balance Sheet, which provides a snapshot of the Co-op's resources (assets) and the financing of the resources (liabilities + equity), reflects the financial stability of the Cooperative. Liabilities are our obligations to creditors (banks, vendors, employees). Equity is comprised of our Owners' contributions via Owner Equity payments, retained patronage refunds and unallocated earnings. We round to the nearest decimal or dollar.

Balance Sheet	FY 2021	%	FY 2020	%
Assets				
Cash & Equivalents	3,674,513	25.74%	4,922,676	30.90%
Inventory	1,932,038	13.53%	1,902,048	11.94%
Income Tax Receivable	0	0.00%	3,127	0.02%
Other Current Assets	280,356	1.96%	164,747	1.03%
Property & Equipment - net	7,052,162	49.40%	7,795,209	48.93%
Other Assets	1,337,284	9.37%	1,144,260	7.18%
Total Assets	14,276,353	100.00%	15,932,067	100.00%
Liabilities & Equity				
Accounts Payable	1,836,206	12.86%	1,953,582	12.26%
Patronage Refund Payable	0	0.00%	0	0.00%
Other Current Liabilities	2,320,698	16.26%	3,983,448	25.00%
Long-Term Liabilities	4,044,073	28.33%	6,023,209	37.81%
Total Liabilities	8,200,977	57.44%	11,960,239	75.07%
Owner Equity	2,849,109	19.96%	2,814,904	17.67%
Retained Patronage Refunds	1,449,506	10.15%	1,449,506	9.10%
Retained Unallocated Earnings	1,776,761	12.45%	-292,582	-1.84%
Total Equity	6,075,376	42.56%	3,971,828	24.93%
Total Liabilities and Equity	14,276,353	100.00%	15,932,067	100.00%

The Income Statement measures our profitability. Sales, gross profit margin (sales less costs of goods sold), and personnel expenses are the key indicators of whether we can expect to meet budgeted profitability.

Income Statement	FY 2021	%	FY 2020	%
Sales	57,586,420	100.53%	58,458,708	100.54%
Access Discount	-301,778	-0.53%	-316,637	-0.54%
Gross Sales	57,284,642	100.00%	58,142,071	100.00%
Cost of Goods Sold	-37,350,121	-65.20%	-37,666,136	-64.78%
Gross Profit Margin	19,934,521	34.80%	20,475,935	35.22%
Expenses				
Personnel Expense	14,796,542	25.83%	15,698,663	27.00%
Occupancy Expense	2,080,306	3.63%	2,138,480	3.68%
Operating Expense	1,697,051	2.96%	1,680,959	2.89%
Promotional Expense	963,310	1.68%	986,436	1.70%
Depreciation & Amortization	656,418	1.15%	639,458	1.10%
Administrative Expense	597,809	1.04%	764,853	1.32%
Governance Expense	110,886	0.19%	162,389	0.28%
Total Operating Expense	20,902,322	36.49%	22,071,238	37.96%
Operating Income (loss)	-967,801	-1.69%	-1,595,303	-2.74%
Other Income	3,102,277	5.42%	343,668	0.59%
Interest Expense	-197,133	-0.34%	-214,004	-0.37%
Other Expense	0	0.00%	-49	0.00%
Total Other Income (Expense)	2,905,144	5.07%	129,615	0.22%
Income (Loss) Before Income Taxes	1,937,343	3.38%	-1,465,688	-2.52%
Provision for Income Tax	132,000	0.23%	316,000	0.54%
Net Income (Loss)	2,069,343	3.61%	-1,149,688	-1.98%

willy street co•op

1457 E. Washington Ave., Madison, WI 53703

POSTMASTER: DATED MATERIAL
CHANGE SERVICE REQUESTED