



Viroqua
food  op

2018 Annual Report
FY 2017-18



Our Mission

The Viroqua Food Co+op combines a commitment to natural foods, superior customer service and the building of a cooperative business. We emphasize organic and local foods and products to promote the long-term health of individuals and the environment. As member-owners and as a center for community, we offer the opportunity to create together a work of enduring value.

Board of Directors

Mike Link, President
Karen Mischel, Vice President
Peter Bergquist, Secretary
Larry Homstad, Treasurer
Eric Snowdeal
Aurora Boyd
Elizabeth Tigan
vfcbod@viroquafood.coop

General Manager

Jan Rasikas
jan.rasikas@viroquafood.coop

Some Assembly Required

Jan Rasikas, General Manager

Fiscal Year 2017-18 was a long year of construction and we made it through! We could still find beautiful organic fruits and veggies and most of our favorite food – albeit next to 30-foot-tall walls of plastic with concrete saws buzzing on the other side. The big question for months was “Where is the front door this time?”

Watching our plan jump from blueprints to 3D fixtures and shelves was very satisfying. It was like a big Tetris puzzle; first we move aisles over here, to complete construction over there, then we move back in with new pieces and start all over again in a new spot! It was an exercise in patience and stamina for everyone involved.

Staff pulled several all-nighters to move products during each phase of construction and pitched in wherever needed, day after day. It’s hard to call any construction project “smooth” when you’re in it every day. Although I can say with immense pride that our staff and VFC Owners, along with a super construction team, joined together for the success of our co-op.

We love to cook fresh meals for you and even without a kitchen we found a way. The Taco Truck in the parking lot, during a sweltering summer, was well received and treasured by the community. VFC’s dedicated staff cooked outside every day, rain or shine, and wore ice packs around their necks in the heat.

Many thanks and a big shoutout to our friends at Organic Valley for the loan of the food trailer. That’s Principle Six: Cooperation Among Co-ops at its finest. We love and appreciate you!

It’s important to note, Fiscal Year 2017-18 was a “disrupted year” for VFC marking the first year in our history for a planned decline in sales. But we accomplished our sales goals, and the health of our community owned Co-op stayed strong. We think you’ll agree that it was worth it to stay open and have access to local and organic foods while under construction. I appreciate everyone’s commitment to shopping and working in a construction zone.

And now, on to our bright future!

Supporting Our Local Economy

The Viroqua Food Co+op is committed to providing product from local sources. Since we are located strategically amidst a thriving organic farming community, we are able to offer food that is grown close to home. There are very few food co-ops in the country who define local as close of a proximity as we do.

The Viroqua Food Co+op defines local as a product grown or produced within a 100-mile radius.

Our impact on the community is measured by a robust local food economy that brings fresh, healthy foods to our families. VFC cultivates truly reciprocal partnerships and friendships with local growers and producers, while giving co-op shoppers a convenient connection to fresh, delicious food of the highest quality.

How does local food benefit co-op shoppers, growers, communities and the environment? It's fresher, tastes

better, and retains more nutrients. In addition, eating local helps preserve and even stimulate the local economy, as dollars spent on local foods support our farmers and producers. By keeping producers' wages in the community, much of the income they earn, and the taxes they pay, in turn go back into the local economy.

Our co-op plays an important role in the local economy for other reasons. Wages for VFC Staff, donations to local organizations, and state and local taxes also keep the dollars you spend circulating in our community.

Every \$1 spent at a co-op generates \$1.60 for that co-op's community. That's the multiplier effect!

Considering that VFC had \$7.14 million in sales in FY 2017-18, that's an annual economic impact of over \$11.4 million. By choosing to shop local at the VFC, our community increased its total economic activity by more than \$4 million. Thank you for supporting us – and in doing so, supporting local farmers and producers!



Ridgeland Harvest

sales from local* products:

\$2.3M

total sales

32%

total sales

*local = within a 100-mile radius of VFC

community
donations

>\$10.7K

local
taxes*

>\$47.2K

staff
wages

>\$1.4M

*state and local taxes



Small Family Farm

together we grow

VFC Board of Directors

At the end of a five-year journey, the VFC is experiencing the concluding stages of the expansion. We appreciate the support of the ownership for enduring the disruption during the construction and continuing to shop, as well as their significant investment in the endeavor.

The overall financial picture of the expansion was complicated. While New Market Tax Credits are a somewhat arcane financial topic, this seven-year tax credit program allowed the VFC to parlay our member's capital investments and strong fiscal experience into a larger store that offers a more comprehensive shopping experience – as well as supports more local vendors and employs more local individuals.

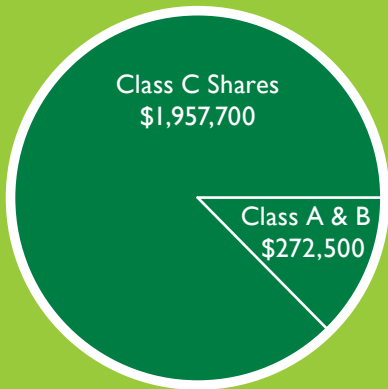
VFC also received a \$250,000 Wisconsin Economic Development Corporation (WEDC) Community Development Investment (CDI) Grant for the expansion project through assistance and collaboration with the City of Viroqua. The VFC Board appreciates the City's dedication to maintaining VFC as a strong anchor to downtown shopping, as a local employment resource, and as a regional gem helping

bring a spotlight to the local food economy.

VFC Owners increased their financial support with more than \$1 million invested in Class C stock purchases, therefore exceeding our base plan and allowing for an enhanced solar investment.

The everyday shuffling of shelving products, access to the store, parking and so much more, is a testament to the tenacity of the staff and management. As anyone who knows the disruption of living in a house during a remodel, our doubling of retail space while remaining open for business – and still providing excellent customer service – is praiseworthy.

Going forward, as the construction is completed and the shelves stay put, we are looking forward to taking a breath and enjoying our new, shiny home. The Board continues to oversee our financial health, our excellent quality of service to our owners, and our mission to provide healthy, local, nutritious food to Viroqua and the surrounding area.



Class C Shares = investment equity by VFC Owners

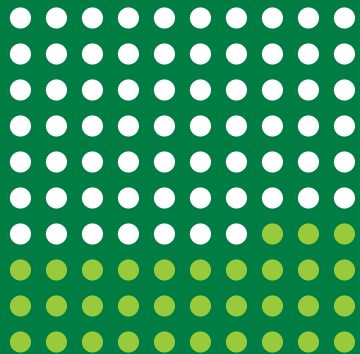
Class A & B Shares = ownership equity by VFC Owners

owner equity

\$2.23M



VFC Board of Directors (L to R): Peter Bergquist, Aurora Boyd, Eric Snowdeal, Mike Link, Eric Newman, Karen Mischel, Larry Homstad



67%
of sales from
VFC Owners

33%
of sales from
other shoppers

The VFC Board of Directors would like to welcome the **199 new owners** who joined the Co-op in FY 2017-18, and extend a *big thank you* to our **3,958+** owners for supporting our Co-op.

A Great Place to Work

The Viroqua Food Cooperative has a reputation for excelling in customer service, product knowledge, and genuine care for the community in which it serves. We are committed to these principles. These standards are set by the Co-op, but they become a reality due to the efforts of a very dedicated and vibrant group of employees.

This past year has been a year of change. When change presents itself, whether it's the physical changes of the store, changes to services, changes in leadership and staff – so does opportunity. As a group, we embraced the changes and took the opportunities.

As a leadership team, the expansion project highlighted the need to evaluate every system. As a result, every system has been re-worked and evaluated to ensure we are meeting the needs of our customers and employees alike.

The trials and tribulation of expansion really put our customer service commitment to the test. Once again, this extremely smart and talented group of people more than rose to occasion. Our newly expanded co-op is beautiful, but the real beauty of the Viroqua Food Cooperative is the uniquely talented employees.

VFC Employee Benefits

Employee Discount

- part-time employees receive a 10% discount
- full-time employees receive a 20% discount

Paid Time Off – All employees accrue Paid Time Off (PTO) based on longevity

- 1-2 years of employment earns 2 weeks PTO
- 3-4 years of employment earns 3 weeks PTO
- 5-9 years of employment earns 4 weeks PTO
- 10+ years of employment earns 5 weeks of PTO

Paid Break – All employees who work 6 hours per shift receive a 30-minute paid break

Short Term Disability – Full-time employees receive a Short Term Disability plan 100% paid for by VFC

Comprehensive Medical Plan – All 30+ hour/week employees may choose from two comprehensive group medical insurance plans

Flexible Spending Account – All employees are eligible to contribute to a Flexible Spending Account

- VFC contributes up to \$200 annually

401K – VFC offers a 401K plan and green investment opportunities with an experienced financial planner



of full-time staff
(>32 hours/week)

58

of part-time staff
(<32 hours/week)

11

total staff

69

80%
of staff

eligible for healthcare

100%
of staff

earn \$10/hr or more



Community Collaboration

The Seventh International Cooperative Principle is *Concern for Community* and VFC lives by it! We are rooted in our community with the support of our 3,950+ dedicated owners. We collaborate with initiatives that match our mission of supporting local, organic and co-op businesses. We partner with the following groups and organizations:

- **Viroqua Chamber Main Street** – Bjorn Bergman, VFC Outreach Coordinator, serves on the Board of Directors of this local nonprofit that aims to support existing and new businesses in our region.
- **Vernon County Cooperative Association** – Bergman also serves on the Board of Directors of this organization, which promotes and teaches community members about the importance of Vernon County cooperative businesses.
- **Driftless Folk School (DFS)** – VFC Owners get a \$10 discount on selected DFS culinary and agriculture classes. Thirty-six owners attended DFS discounted classes in FY 2017-18.

- **Give Where You Live Donations** – VFC Owners vote annually for local nonprofits who receive 1% of the Co-op's total sales on the second Wednesday each month, along with customer round ups and cash donations at the registers.
- **Wisconsin Future Farmers of America** – VFC and Organic Valley sponsor the WI FFA Organic Supervised Agriculture Experience (SAE) Grant for students to create or expand their own organic agriculture business. The 2017 SAE Grant was awarded to Jessica Bahr, *Randolph Cambria-Friesland FFA*, to grow organic vegetables and sell them through a farm stand.

“This grant will push me to fully learn and understand the benefits and values of organic agriculture....”

– Jessica Bahr, 2017 Organic Agriculture SAE Grant Recipient

Microlending Initiative

B&E's Trees was the recipient of the 2018 VFC Microloan.

B&E's Trees is a local certified organic maple syrup producer located outside Cashton, WI, and co-owned by Bree (B) Breckel and Eric (E) Weninger. They produce delicious, certified organic Bourbon Barrel Aged Maple Syrup, in collaboration with Central Waters Brewing Company of Amherst, WI. The brewery sources freshly used bourbon barrels, which B&E's repurposes to age certified organic maple syrup at the Food Enterprise Center in Viroqua. When their syrup is mature, they return the maple-soaked barrels to Central Waters to age their limited release Maple Barrel Stout.

B&E's received a \$3,500 one year, no-interest microloan to turn a space at the Food Enterprise Center in Viroqua into a maple syrup aging rickhouse. A rickhouse is a traditional facility where whiskey is aged in barrels, taking on the smoky, vanilla flavors naturally found in charred white oak barrels. This project allows them to increase their maple syrup aging capacity, to more closely meet the demands for their delicious maple syrup. Learn more about their ongoing projects at: www.bandestrees.com



Environment

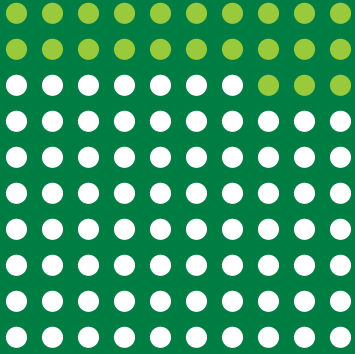
VFC Solar Power Project

VFC was awarded a \$25,000 RECIP (Renewable Energy Competitive Incentive Program) – Focus on Energy Grant for our solar power project, which covered about 23% of the costs. The completed project consists of 130 panels that cover the south-facing roof of the Co-op.

On average, these solar panels will save 61,360 kilowatt hours per year (the equivalent of 6 average US homes), which is approximately 13% of the Co-op's current total electric usage. We are so excited to finally be able to implement solar power as part of our green initiatives with our expansion project.

We partnered with Ethos Green Power (Viroqua) and Phase 3 Energy (Belleville, WI). The Solar Panels went live on November 7, 2018.





77%

of discards are recycled and diverted from landfills... That's **94 tons!**



99%
of produce department is certified organic

68
local organic farms

sales of certified organic

\$3,315,534

sales of cooperative product

\$1,544,117

46%

22%



Deep Rooted

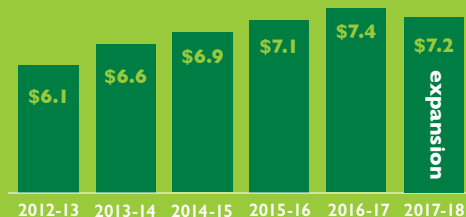
expense overview

Cost of Goods	59.3%
Personnel	27.2%
Operational	11.7%
Miscellaneous	1.8%

\$7,144,666
total sales

annual sales

in millions



Balance Sheet

<u>Balance Sheet</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Cash	2,744,992	354,729
Inventory	293,203	309,267
Other Current Assets	149,956	133,642
Total Current Assets	\$3,218,151	\$797,638
Property and Equipment, Net	5,660,933	1,802,639
Other Assets	5,065,423	159,695
Total Assets	\$13,944,507	\$2,759,972
Current Liabilities	1,912,471	744,333
Long-Term Debt	10,022,186	768,891
Total Liabilities	\$11,934,657	\$1,513,224
Owner Equity	2,190,809	1,383,346
Retained Earnings	(383,850)	(286,668)
Retained Patronage	109,726	109,726
Minority Interest	52,821	-
Additional Paid-in Capital	983	17,868
Total Equity	\$1,947,265	\$1,246,748
Total Liabilities & Equity	\$10,489,233	\$2,782,014

Income Statement

Income Statement	FY 2017-18	FY 2016-17
Net Sales	7,144,666	7,449,115
Cost of Goods	4,513,491	4,653,543
Gross Profit Margin	\$2,631,175	\$2,795,572
Wages	1,418,688	1,393,497
Benefits and Taxes	654,813	622,798
Total Labor Expense	\$2,073,501	\$2,016,295
General and Administrative	765,189	726,585
Depreciation	127,639	118,937
Total Expenses	\$2,966,329	\$2,861,817
Net Operating Income	(\$335,154)	(\$66,245)
Other Income	437,756	50,573
Other Expense	140,498	28,204
Income Before Taxes and Patronage Refund	(\$37,896)	(\$66,008)
Income Taxes	(6,000)	(8,000)
Net Income Before Patronage Refund	(\$31,661)	(\$58,008)





To VFC Owners, Board, Staff and Community Partners – thank you for making it a great year.

Viroqua
food co-op

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Connect with Viroqua Food Co-op

