

Positive Change: A Cooperative Principle in Action

All cooperatives are linked by seven core principles that guide us in business. The seventh principle is “Concern for Community” which encourages us to work for the sustainable development of communities through policies and programs accepted by our owners. Since 1976 Bloomingfoods has endeavored to be a positive force in this community; working to meet the needs of local folks, support local food, and build a healthy local economy. We believe that community-based organizations are vital to the health and wellness of this community, and we want to help them succeed!

At the beginning of 2016, we introduced “Positive Change” as a community-driven fundraising campaign that offers shoppers the opportunity to round their purchase up to the nearest dollar, or donate more if they wish. This program has been incredibly successful, raising nearly \$40,000 since January, and we’re excited to announce we’ll be continuing it in 2017!

The program’s success has generated enormous interest, and while we would love to be able to offer support to every community organization, we have chosen to let our Bylaws be our guide, and to prioritize organizations that are aligned with our mission and vision for a healthy community:

- “To promote and encourage interest in the local growing of food crops and to provide

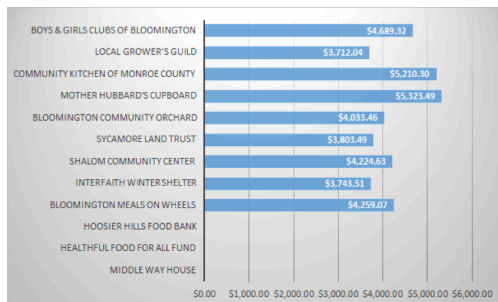
for the consumers of Southern Indiana locally grown, nutritious and non-chemically produced foodstuffs.”

- “To educate the community to the economic, social and other beneficial values inherent in organizing community services, and in offering locally produced consumer goods and food-stuffs.”
- “To help provide low cost food and consumer services to the indigent members of the Co-op and to the local community as a whole.”

Organizations we are looking for should:

- Feed the community
- Grow food, and/or provide gardening & nutrition education
- Support local growers
- Create community projects that focus on food
- Focus on the food system, and policies that shape our food system

We thank you for your thoughtful consideration and your vote for our 2017 recipients.



2016 ANNUAL REPORT BLOOMINGFOODS

Your Community Owned Grocery Since 1976



EAST

**NEAR
WEST
SIDE**

**IVY
TECH**

GM REPORT

By Anthony Alongi

FY2016, which ended on July 2nd, was another year of significant change and financial difficulty at Bloomingfoods. The changes to the organization, in both facilities and personnel, that were started in late FY2015 continued throughout the most recent fiscal year and Bloomingfoods in July 2016, again, looks very different than the organization that started the year.

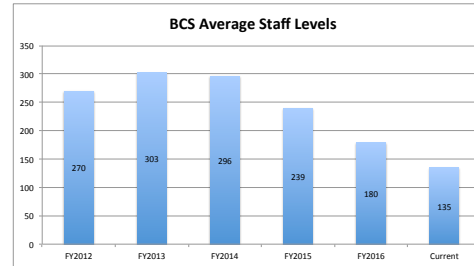
NEW LEADERSHIP

I took over as General Manager of Bloomingfoods on March 1st, having been hired in large part due to my strong and extensive financial background, a skill set deemed important for an organization that by the end of FY2016 had lost nearly \$1.6 million over the past three years. I arrived to an organization that was significantly worse off than I had imagined, one that was in significant danger of ceasing to exist. Bloomingfoods current state can be traced to a number of factors, some of which are under our control and some of which are not. Bloomingfoods is a cooperative business (not just a cooperative and not just a business) and it was imperative that we changed the way we operate the organization to reflect this – business and cooperative. New leadership meant more than just the General Manager, however. Since the beginning of March, 17 mid or senior level managers are in different positions in the organization than they were on March 1st.

AN EVEN SMALLER BLOOMINGFOODS

Focusing on the financial crisis, it became apparent early on that further significant organizational changes were required. The Elm Heights store quickly surfaced as a source of much of the problem. Significantly underperforming since its opening, it was determined that with the overall cash position of Bloomingfoods at critical levels, the cash drain from that operation was too great to continue or to try to correct and the difficult decision was made to close the operation. Not having a fourth location in Bloomington also gave us the opportunity to close our offsite kitchen and move those operations back into the two remaining larger stores. Although these were painful decisions for our members and loyal shoppers, they were necessary to allow Bloomingfoods to move forward. One bright spot in the closures was that both were accomplished without the need to lay off any staff members. Today, the retail side of Bloomingfoods looks much like it did in 2010 (two full size stores and one smaller operation), a time of prosperity for Bloomingfoods. Today, Bloomingfoods is a more manageable operation and is more appropriately sized for Bloomington, its members and its other shoppers. Bloomingfoods is also smaller today in terms of staff. Related to the closure of Elm Heights was a staffing level that had grown to levels unsustainable for the level of annual sales. While some of this work was started during FY2015, it continued throughout FY2016. From a peak that saw staffing levels of some 320 people, Bloomingfoods is now at a much more sustainable level of around 140. Once again, this was accomplished without layoffs to staff.

Today, industry standard labor metrics (sales per labor hour, labor as a % of sales, etc.) are monitored and managed on a daily basis.



THE BUSINESS OF THE COOPERATIVE

As mentioned above, Bloomingfoods is a cooperative business and needs to be run as such. I have received numerous letters from members lamenting the fact that Bloomingfoods is not what it used to be – there are no longer shelves of knick-knacks in the stores, the seafood case at NWS is gone and Bloomingfoods doesn't support dozens of community events the way it used to. The letters usually end with comments about too much attention being paid to "profit." As mentioned earlier in this report, the reality is that Bloomingfoods has lost \$1.6 million over the past three years, is in a severe cash crunch and cannot start to pay back owners who lent the organization money in 2011-2012 and who were due to begin being paid back last month. And while none of the decisions we are making are being made on a profit-only basis, the fact is that we do, more than ever, need to ensure that the things we are doing lead to a positive bottom-line. Until I am sure that the future of this organization is secure, you will get the same answer from me. That doesn't mean that we don't also have to consider the

cooperative side of the business – we do. That's the ultimate challenge. How do you run a sustainable, profitable business (one of our ends) while balancing the cooperative nature of the business and the desires of over 12,000 individual owners?

THE FUTURE....

As this is being written in October 2016, Bloomingfoods is in a much better place than it was one year ago. Today, we are a smaller, more nimble and more manageable business, and a business that is more appropriately sized for the current Bloomington market. Much has been made over the past two years about the impact of competition. Yes, it has had a significant impact. And more is coming... soon! It is here, it isn't going away and we have to adapt. What was once the exclusive domain of Co-ops has become mainstream and, in many cases, a commodity. But we have one advantage that none of our competition has. We are a community-owned organization. Nobody else can have the impact that we do in the local community – it isn't possible. We have been strengthening Bloomington by our presence for 40 years. I look forward, with your help and support, to rebuilding Bloomingfoods and to ensuring its place in Bloomington for at least another 40 years.

Bloomingfoods Senior Leadership Team

Tony Alongi	General Manager
Paul Read	Operations Manager
Todd Dixon	Finance Manager
Open	HR Manager
Jean Kautt	Marketing & Member Services Manager
Keith D. Hughes	IT Manager
Mac McLaughlin	East Store Manager
Cathleen Craig	NWS Store Manager

THE BLOOMINGFOODS FINANCIALS FOR FISCAL YEAR ENDING July 2nd, 2016

BALANCE SHEET	7/2/16	6/30/15
Current Assets	\$ 816,009	\$ 1,610,306
Fixed Assets	\$ 3,587,661	\$ 3,781,125
Other Assets	\$ 639,494	\$ 614,879
TOTAL ASSETS:	\$ 5,043,164	\$ 6,006,310
Current Liabilities	\$ 1,294,410	\$ 1,275,696
Long-Term Liabilities	\$ 2,165,733	\$ 2,604,377
TOTAL LIABILITIES:	\$ 3,460,143	\$ 3,880,073
Retained Earnings	\$ 626,114	\$ 1,178,958
Member Equity	\$ 1,249,028	\$ 1,239,400
Retained Patronage	\$ 721,419	\$ 721,419
Patronage Dividend	\$ (1,013,540)	\$ (1,013,540)
TOTAL Owner's Equity	\$ 1,583,021	\$ 2,126,237
TOTAL Liability & Equity:	\$ 5,043,164	\$ 6,006,310

INCOME STATEMENT	FY 2016	FY2015
Total SALES	\$ 17,818,805	\$23,079,900
Total COST of Goods Sold	\$ 11,136,536	\$14,371,957
GROSS Profit:	\$ 6,682,269	\$ 8,707,943
Personnel	\$ 4,791,556	\$ 6,666,589
Operations	\$ 1,780,019	\$ 2,241,457
Administrative	\$ 367,722	\$ 504,593
TOTAL Operating Expenses:	\$ 6,939,297	\$ 9,412,639
NET Profit/(Loss):	\$ (257,028)	\$ (704,696)
Other Income/(Expense)	\$ (295,340)	\$ (101,442)
*NET INCOME:	\$ (552,368)	\$ (806,138)

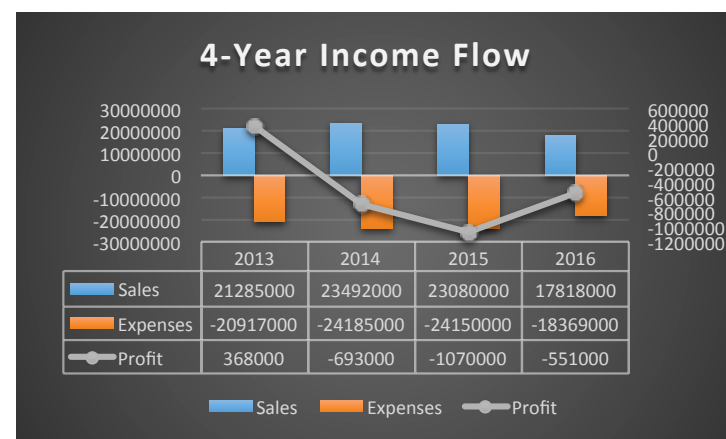
CASH FLOW STATEMENT	FY 2016	FY2015
Income	\$ (552,300)	\$ (806,000)
Operations	\$ (447,200)	\$ (695,000)
Investing	\$ -	\$ -
Financing	\$ (123,600)	\$ (105,000)
Net Inc/(Dec)	\$ (570,800)	\$ (800,000)
Cash	\$ 243,900	\$ 814,700

FISCAL YEAR 2016 Management Analysis

For fiscal year 2016, Bloomingfoods Cooperative operated four locations in Bloomington, the 'East' location, a Near West Side downtown location, an Elm Heights location, and a location at Ivy Tech. We generated an income deficit of \$(552,000) on gross sales of \$17.8 million, while incurring a 16% percent drop in total assets from fiscal year 2015 primarily from reduced cash and inventory levels. Liabilities showed a slight (11%) improvement from 2015 with lower payroll and employee benefit obligations, along with receding long-term debt. Though there was a slight increase in Member Equity for the year, total Equity and specifically Retained Earnings dropped due to the income challenges presented by excess personnel expenses, reduced sales for the year, and overall losses incurred by the Elm Heights operation which was discontinued in March of 2016.

We generated a (\$570,800) cash flow deficit for the year, compared with an (\$800,000) deficit for fiscal year 2015. We anticipate our liquidity needs for fiscal year 2017 to range from \$16 to \$16.3 million which includes requirements for working capital, operations, and senior debt. Based on current operating trends, we believe cash flows from operating activities will be adequate to meet these liquidity needs for the next twelve months. These statements are based on management's beliefs and assumptions in light of information currently available, and are subject to uncertainties and other factors that could cause actual results to differ materially.

Our performance for the year was a marked improvement over 2015, and along with reduced expense obligations, a more streamlined business operation, and staff changes, budgeted expectations for 2017 forecast a modest loss of \$(97,000) on total sales of \$16.1 million.



Board of Directors Annual Report By Caroline Beebe

Bloomingfoods has experienced another tumultuous year but we are still open for business and moving toward financial stability. Both the board and management have experienced many transitions. At the 2015 annual meeting we saw the handoff from our acting general manager (GM) contracted from the National Cooperative Grocers, to our interim GM, internally promoted Brad Alstrom. Alstrom kept Bloomingfoods operating until the GM search process was completed and our new GM Tony Alongi was hired to begin March 1.

Alongi has been a fortuitous hire for Bloomingfoods. As Director Lilly describes: "The working relationship with Tony is open, cooperative, collaborative and respectful. The depth of his knowledge and experience is critical, he has brought rigorous analysis to the Co-op, and is not afraid to make decisions and move on them." The board is grateful for his quick, painful, but necessary closing of the Elm Heights location in May. That decision has kept all other doors open.

In another transition, for the past two years the board has adapted to four different administrative support staff that resulted in a loss of corporate memory concerning the operational aspects of the board. In April, Alongi appointed Catie Schamel as Board Administrator. The directors are extremely grateful for her stability, attention to detail, and willingness to step up to the challenges facing the board as we reconstruct the board processes.

In early summer of 2015, the board determined the need for a detailed review of all policies governing the directors and board processes. Over the course of the last year, the board evaluated and revised 7 out of 15 policies, and chartered three board committees. The revised Policy Register is posted on the website.

In another personnel transition, the board has been preparing for the October election when the 2015 bylaw revision goes into effect and we move from 7 to 9 directors. The directors revised policy and bylaws (awaiting owner-member ratification) to allow for Bloomingfoods staff to sit as directors. With the resignation of one director in July, the board anticipates the challenges of an unprecedented six board seats to be filled November 1.

As we look to the work ahead, the new board will be finalizing a full re-write of the bylaws to be brought to the owner-members for approval in 2017. This re-write follows a nationally based template and works in concert with the current vote to modernize the articles of incorporation. In the coming months be prepared to educate yourselves about these changes.

The new board will establish its goals at their annual February retreat, but you can anticipate continued progress on transparency (see the web-accessible FAQ statements prepared over the past year in response to the Owner-Linkage Committee compilation of owner-member questions). In the spirit of transparency, the board is committed to continuing the owner forums through 2017. These are your opportunities to learn, ask questions, and provide input. This is your co-op, get involved!

OUR ENDS

Because of Bloomington Co-operative Service (dba Bloomingfoods Market & Deli), people in Bloomington and South Central Indiana will have:

1. A market for local, organic and healthy products, meeting the needs of consumers and producers
2. Increased cooperative ownership that strengthens the local economy and community.
3. A model of sustainable, profitable business.
4. An increased understanding of the local food system and its importance.

2016 Board of Directors:

President – Caroline Beebe, term ends 2018

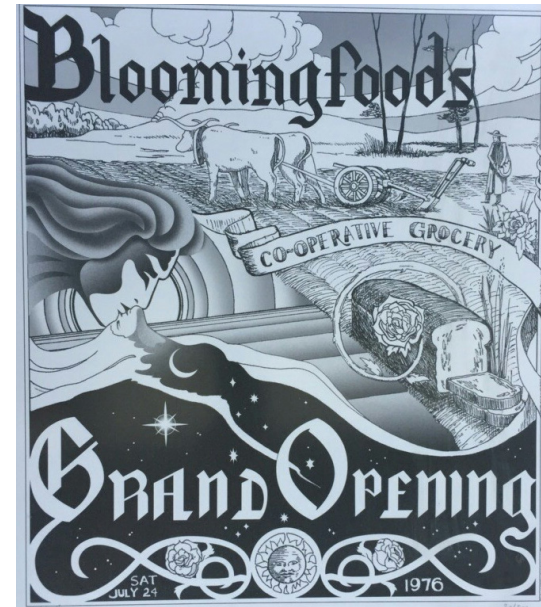
Vice President – Dedaimia Whitney, term ends 2016

Secretary – Janice Lilly, term ends 2017

Dave Debikey, term ends 2018

Kristina Wiltsee, term ends 2016

Jeremiah Junken, term ends 2016



Bloomingfoods Co-operative Market and Deli
Celebrating 40 Years 1976 - 2016
Grand Opening poster by Ned Shaw