



2022 Annual Report

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NCG Ends Policy

NCG exists to maximize members' success, inclusivity, and impact, and to grow the cooperative grocery sector in size and scope in an environmentally regenerative manner.

DEI Vision

We are a learning organization on a continuous journey to build a positive and inclusive culture that values a diversity of ideas, perspectives and identities. We foster an environment where everyone is treated with dignity and respect, where we are inspired by our work and proud of our contributions.

Board Chair Report

By Sarah Christensen



Your board hit the ground running in January 2022 by adopting an updated Ends policy crafted by our DEI Committee. The updated policy includes new language declaring our commitment to inclusion and care for the environment.

Our Spring Meeting includes our Annual Meeting and the conclusion of our Board of Directors election. We welcomed two new board members, Rita York-Hennecke and Emile Amarotico. We gave thanks to Chris Maher for his many years of board service, as well as LeAnna Nieratko for graciously filling a vacancy. Both continued supporting the board by serving on committees — Chris on the Bylaw and Nominating committees and LeAnna on the DEI committee.

The board focused our 2022 DEI learning on food justice issues. NCG’s Racial Equity and Food Justice Manager, Gabby Davis, was our educational facilitator. We had bimonthly calls on topics ranging from understanding food policies and practices that negatively impact Indigenous people to learning about the barriers in our stores for those with chronic illnesses and/or compromised immune systems.

In August, we had a one-day retreat overlap with the DC Board of Directors. In the last couple of years, the DC was restructured and shifted its focus to supporting co-ops in low income, limited access (LILA) communities. It was good and necessary to get reacquainted with the functional relationship between NCG and its wholly owned subsidiary.

Throughout 2022, we received regular reports from our board committees and updated our charters to reflect the work with which they are charged.

With TMI Consulting’s support, the DEI Committee reviewed and recommended changes to our Ends policy and reviewed and provided feedback on our new member applications, nomination processes and documents, as well as the bylaw revisions presented by our bylaw committee.

A few months ago, Mark Goehring, NCG’s Board Facilitator, said to me, “NCG board and management together have planted seeds that have the potential to really change NCG in the next five to 10 years — first with the Ends, then the DC shift, the member application process and the Next Level work.” His comment struck me because when you’re in the thick of planning and doing, it can be easy to forget that big changes can take time to come to fruition. Some of the seeds we’ve planted have long germination times. We’re growing big trees, not microgreens!



Dismantling systemic and institutional bias doesn’t happen overnight, especially when operating in a broader system that has foundations built on perpetuated racism, harm and marginalization. Mark’s reminder about the seeds we’ve planted and the course we’re charting made me proud and grateful to be a part of NCG at this time, with all of you. I’m especially grateful to those who have engaged with the board as this work has developed, pushing us when we left a bias unchecked, encouraging us when we proposed something that felt revolutionary, and extending gratitude and patience for the work we do in addition to our jobs at our home co-ops.

It is no secret that grocery is a volume business, dominated by a small group of very large players. Even the biggest co-ops in our group are small by comparison. And yet here we are, building community wealth by being regenerative rather than extractive businesses. The COVID-19 pandemic taught us many things, and chief among those was the need for flexibility and adaptability. Those skills will remain necessary as we work against the norm, building local and just food systems in an increasingly global economy — one that leaves us susceptible to any number of challenges: pandemics, labor disruptions and shortages, climate disasters, and the distinct and ripple effects of systemic and environmental racism. The challenges may be great, and the arc may be long, but this type of work is familiar to us. In fact, it is what we’re here for.

CEO Report

By C.E. Pugh



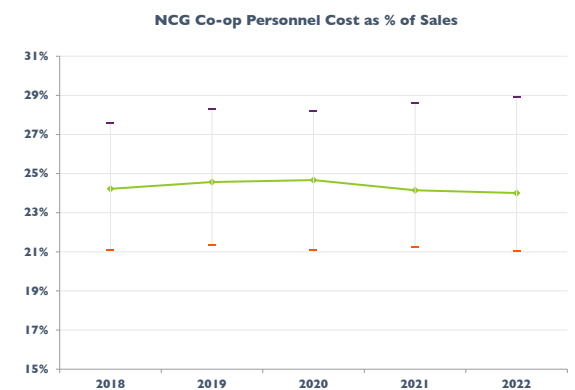
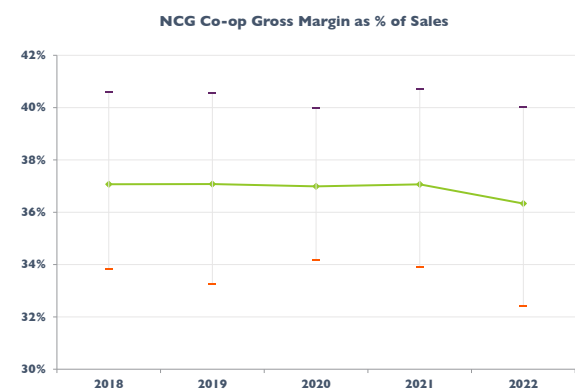
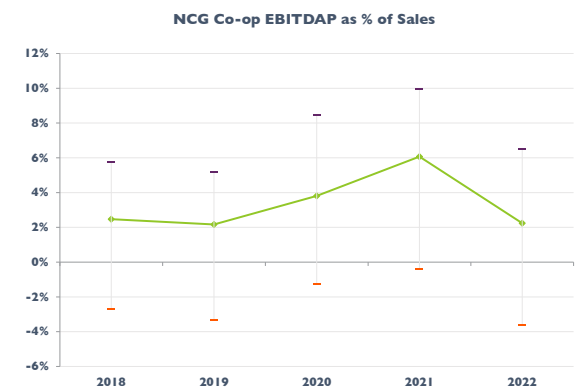
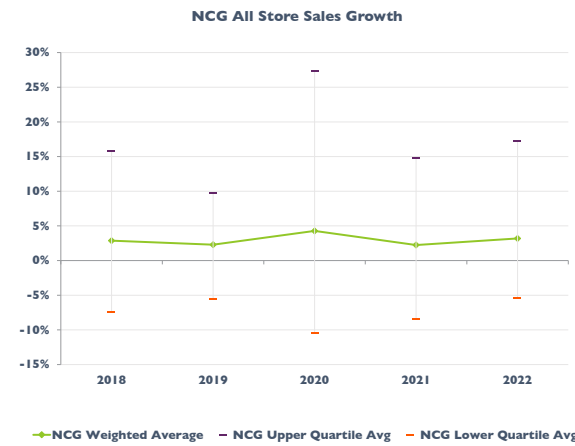
Please accept our appreciation for the many ways you and your staff are working to uplift and empower your community. Your cooperatives are beacons of acceptance and inclusivity in an often divisive world, and it is our privilege to serve you.

Our work together continues to build the cooperative economy and improve the health and well-being of our communities!

Mixed Financial Performance

Co-op sales improved slightly in 2022, while personnel costs were lower. However, lower gross margins combined with the ending of federal COVID-19 relief funds resulted in a decline in EBITDAP to pre-pandemic levels.

At the national level, co-op sales growth continued to support NCG's financial results, and we were pleased to return \$2.0 million in patronage dividends to members in 2022. Total cash payments to members since 2005 now total \$11.5 million.



Growth, Development and Retail Support

NCG member co-ops opened two new retail locations and completed two store relocations and two remodels in 2022. Additionally, one NCG member completed a merger with a smaller co-op in a neighboring market.

We were delighted to welcome three new members to NCG, including one start-up co-op — growing NCG's membership to 151 co-ops at year end. NCG's Board of Directors approved new member criteria to make it easier for co-ops to join NCG in future years.

NCG's Retail Support team completed 125 business improvement projects with individual members, focusing on opportunities such as new manager coaching and support, system development and refinement, department level resets or refreshes, pricing and margin support, livable wage calculation and implementation, and general assessments.

The Retail Support team also supported three intensive turnaround projects at member co-ops that were on the verge of insolvency. At the end of 2022, all three co-ops remained open to shoppers, two of them with strong prospects for recovery.

NCG supports eight peer networks, comprised of Designated Representatives (DRs) from similarly sized co-ops. These networks typically meet monthly and give DRs a space to collaborate, learn from each other and solve common and emerging challenges. NCG hosted 106 virtual peer network meetings during the year.

NCG moderates several online discussion forums intended to facilitate peer-to-peer conversation and problem solving for a variety of operational and administrative departments. The discussion forums provide co-op staff access to peer expertise and a sense of the larger co-op community. In 2022, NCG

launched seven new discussion forums: POS and Scanning, Front End and Customer Service, Grocery, Meat and Seafood, Prepared Foods, Produce and Wellness, bringing the total to 12 active forums. In 2022, there were 13,400 visits to the forums and over 155,000 page views.

NCG's Customer Experience (CX) Program allows co-ops to capture post-transaction shopper feedback, measure satisfaction and improve customer loyalty. In 2022, 61 member co-ops with 108 unique locations collected valuable insights from a total of 52,801 customers. Member co-ops achieved notable improvement on many key CX metrics throughout the year — most notably, Overall Customer Satisfaction improved by nearly two full percentage points to a high of 75.5% in December.

NCG's Store Development team worked on 18 store feasibility and expansion projects in 2022, with many scheduled for completion in 2023. 2022 saw the retirement of a long-time staff member, and the team hired a replacement for that role along with a new position to meet rising member demand for support. NCG's Store Development and Retail Support teams worked on several projects together to improve expansion project outcomes and increase efficiency, including launching the development of store programming and fixture plan prototypes, which will be implemented in 2023.

Sales and Marketing

NCG delivered two national direct-to-consumer mail campaigns in 2022. Our May mailer, which offered consumers a single-shop coupon for \$10 off a minimum \$40 purchase, was sent via Every Door Direct Mail to over 405,000 households within a five-mile radius of participating co-ops (131 members with 171 locations). This mailer had a redemption rate of 4.3% and generated \$921,000 in sales.

Our December mailer, which was designed to create awareness of a Field Day buy one, get one free promotion in Co+op Deals, was sent directly to 385,000 natural/organic food shoppers within 10 miles of NCG co-op locations. This campaign generated nearly \$1.2 million in sales. NCG member average basket growth in December 2022 grew 20%, from \$37.24 to \$44.42.

We integrated Inclusive Trade recognition in the Co+op Deals flyer and developed 21 Inclusive Trade partner profiles to support in-store promotion by members. We facilitated Fairtrade America's "Choose the World You Want" campaign, with Outpost Natural Foods Co-op, People's Food Co-op - Portland and Sevananda Natural Foods Market all receiving new murals for their stores.

We developed two new co-op awareness videos and supported them with an ad campaign in Q4 that generated over 7.5 million impressions and 360,000 views. We provided direct support and/or mentoring to 28 members and oriented 75 new co-op marketing staff to NCG resources. We also contracted with a vendor to renew our work on a digital promotions platform in early 2023.

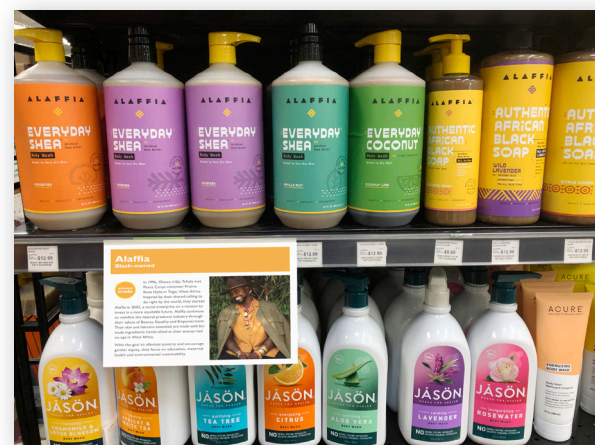
Strong Trade Investment

NCG's cost-plus contract with UNFI saved members over \$50 million in 2022, a savings of 7.6% on our system's UNFI purchases when compared to what members would pay under UNFI's volume discount pricing structure for independents. Contract savings increased by 4% over 2021.

NCG continued to secure strong promotional pricing investments for Co+op Deals, including discounts, rebates and coupon redemptions. These investments delivered an additional \$42.7 million in cost savings to consumers. Co-op shoppers save an average of 25% on Co+op Deals.



Sample of December mailer designed to create awareness of Field Day items on buy one, get one free promotion in Co+op Deals.



Samples of in-store shelf signs highlighting Inclusive Trade vendors.

NCG's partnership with UNFI for Field Day and Wild Harvest private label equivalent products through the Co+op Basics program delivered over \$7.5 million in cost savings on \$28 million of retail sales for NCG members.

Core Sets

2022 was NCG's first full year of Core Sets reviews. We completed 19 full category reviews and 19 new item reviews, and 93% of NCG members (operating 189 stores) are currently participating in the program.

In the categories for which a Core Sets review was completed in 2022, sales growth for items recommended by NCG outpaced the category — growing 17% for the period starting one month post reset through February 2023, compared to overall category growth of 8% for NCG co-ops and 7% for the Natural Channel as reported through SPINS.

In addition to the improvements in assortment and sales growth spurred by this program, Core Sets cost supports delivered an additional \$4.8 million in new trade investment. In 2022, NCG secured over 900 Core Sets cost supports, with more to come.

KeHE

2022 represented the first full calendar year of the KeHE supply contract. One hundred and forty-four co-op locations (representing 108 co-ops) placed at least one order with KeHE in 2022. Invoiced purchases for the year were \$15.8 million, a 96.4% increase over 2021.

Regional Produce Distribution Relationships

NCG expanded programming with partner distributors including Four Seasons Produce, Russ Davis Wholesale and UNFI Produce. Programming

was competitively bid between partner distributors and, as a result, offered cost supports to more members in more regions. In NCG's seasonal Vidalia Onion program, member participation grew from 42 member locations in 2021 to 95 locations in 2022, with cases purchased increasing by 68%. Similarly, member participation in NCG's seasonal Colorado Peach program grew from 23 locations in 2021 to 49 in 2022, with cases purchased tripling.

In 2022, NCG also worked with the Federation of Southern Cooperatives to build market access for their primarily BIPOC member growers. With a focus on watermelons to start, NCG members in the Upper Midwest were able to sell through an entire load of cooperatively grown and BIPOC-grown watermelon in a matter of three days. This purchasing activity was supported by both digital and in-store marketing materials to build consumer awareness and demand.

Supplier Diversity

NCG continued its work in 2022 on a supplier diversity program in alignment with our broader organizational commitment to diversity, equity and inclusion. Although diverse-owned brands represent just 3% share of total brand sales for NCG co-ops reported through SPINS, in aggregate the sales of diverse-owned brands are growing 11.2% faster than total. To provide for growing co-op and consumer interest in diverse-owned brands, NCG launched a new mark, Inclusive Trade, which was featured on diverse-owned brands in our promotions program beginning in September 2022. In 2022, 14 brands ran 21 Inclusive Trade promotions, generating over \$1.4 million in sales.

Next Level Initiative

In an effort to remove costs from member back-office operations and permit NCG to deliver greater value to members, we began work to

establish common business systems, processes and technologies in 2022. NCG launched projects to establish an NCG standard in the following areas:

- Chart of accounts
- Product hierarchies for all store departments and PLU structure for random weight products
- Recommended margins for all product departments that incorporate the impacts of NCG program pricing

NCG also started conceptualizing and researching centralized services for recipe costing, point-of-sale (POS) configuration and preferred point-of-sale and pricing management.

Professional Development

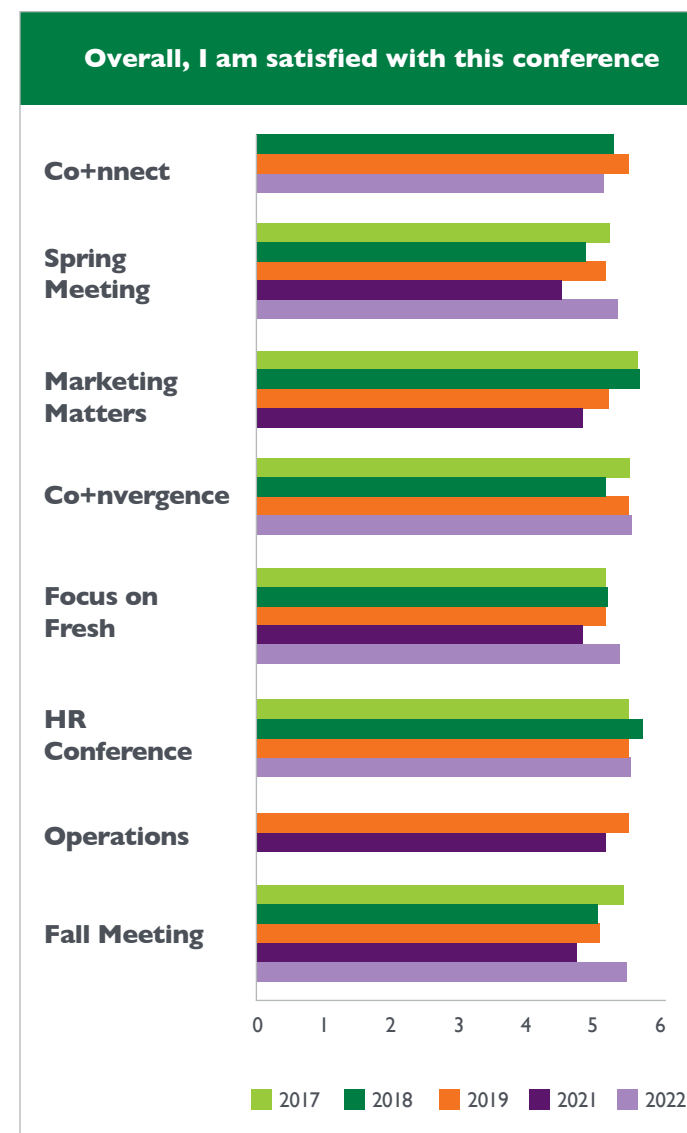
NCG’s catalog of online professional development programs within Co+op U continues to grow — from 180 to 219 at the end of 2022 — providing free access to just-in-time development resources for co-op staff. There are over 3,700 active users in Co+op U, and co-op staff completed an average of 588 courses per month in 2022. We also programmed two member meetings and four conferences for co-op staff.

Ninety-four percent of NCG member co-ops completed at least one Co+op U course in 2022 and 93% of members attended at least one member meeting or conference. Member satisfaction with meetings and conferences remained high in 2022 (note that all conferences are not held every year).

Cooperative Engagement

NCG actively works to live into the co-op principle of “cooperation among cooperatives” through a wide variety of partnerships with co-ops of all types. In 2022, NCG participated in an initiative convened by the International Cooperative Alliance called ICETT — the International Cooperative

Entrepreneurship Think Tank. Two NCG staff members actively participate in these dynamic exchanges of innovative ideas and research to boost co-op performance and increase our collective impact. Domestically, NCG is an active participant in the National Cooperative Business Association, joining our U.S. co-op peers to build an inclusive economy. As it has for many years, NCG actively seeks out and works with cooperative business partners wherever possible, including CoMetrics, Equal Exchange, Frontier Co-op, National Cooperative Bank, Organic Valley, Shared Capital Cooperative, Food Co-op Initiative, CCMA, Columinate and many others.



NCG Development Co-op (DC)

The DC focused primarily on research and development of a cooperative solution to improve food access in low income, limited access (LILA) communities in 2022. Nearly 57 million people live in LILA census tracts, leaving them without access to grocery stores. We believe that a cooperative solution can help improve access to healthy food in these communities — creating a more equitable food system.

2022 work included:

- Adopting a new Ends statement: *The NCG DC exists to develop innovation solutions to grow the size, scope, and diversity of the cooperative grocery sector.*
- Providing financial support and technical assistance to Kensington Community Food Co-op in Philadelphia, Pa., to prevent the co-op from closing and helping prepare the co-op to apply for NCG membership.
- Championing the membership of Harvest Market, a Black-led food co-op in Winston-Salem, N.C., to NCG.
- Working with Gem City Market in Dayton, Ohio, to prepare the co-op to apply for NCG membership.
- Partnering with Georgetown Law Center for Racial Equity to develop the business plan for Rosie’s grocery to improve access to healthy food in Washington, D.C.
- Participating in NCG’s Supplier Diversity committee to develop a program to increase the number of diverse suppliers available to NCG members.
- Continuing work with Mileston Cooperative Association to develop a small format grocery store in Mileston, Miss. — the poorest county in the United States.

Effective Advocacy

Through NCG, co-ops contributed nearly \$700,000 in dues and direct donations in 2022 to support

national work on cooperative development, local food and farming, organic integrity, reducing plastics in the supply chain, climate change mitigation, food justice and racial equity.

NCG is deepening existing relationships and building new partnerships with Black, Indigenous and people of color (BIPOC) led organizations. Our contributions included \$238,722 of investments in organizations and initiatives dedicated to creating a more equitable and just food system and society, including:

- Agricultural Justice Project — administers Food Justice certification, widely recognized as the most rigorous standard for labor and trade practices in the food and farming industry.
- Federation of Southern Cooperatives/Land Assistance Fund — serves a membership of Black farmers, landowners, cooperatives and other low-income rural people with co-op development, land retention and advocacy.
- Mileston Cooperative — a grassroots network of Mississippi Black farmers developing a strategic growth plan, youth training program and a supply chain connection between Mileston’s farmers and NCG food co-ops.
- National Black Food and Justice Alliance — self-determining food economies programs building Black collective power within the food system.
- Manifest Equity Conference — event sponsorship included free access for all NCG co-op DRs to this virtual conference focusing on creating sustainable belonging in the workplace.

In addition to investing money in partnerships to build a more equitable food system, NCG is also advocating for federal legislation to bring about systemic change across a range of issues important to food co-ops, developed with input and feedback from the Advocacy Advisory committee. These guidelines not only inform our work in Washington, D.C., but also help NCG communicate food co-ops’ values to industry.

NCG advocates for the following:

- [Cooperative Business](#)
- [Inclusive Economies](#)
- [Racial Equity](#)
- [Food Justice](#)
- [Local Food and Farming](#)
- [Organic Certification](#)
- [Climate Action](#)
- [Environmental Responsibility](#)
- [Engaged Citizens, Vibrant Communities](#)

Diversity, Equity and Inclusion

Increasing diversity and fostering an inclusive culture within NCG and its co-ops remains a system-wide priority. We recognize that a more diverse and inclusive work culture is crucial to our capacity for innovation, recruitment, retention and effectiveness. NCG's work to improve the diversity and inclusiveness of our workplace and advocacy partnerships continued in 2022 (see graphic).

In January, we welcomed Gabby Davis in the new role of Racial Equity and Food Justice Manager, dedicated to supporting co-ops in their efforts to meaningfully contribute to racial equity among their staff, shoppers and community.

Because an inclusive culture is necessary to attract and maintain diversity, work in 2022 focused on visiting co-ops to understand needs, modeling inclusivity and being responsive to evolving needs. DEI content was offered at NCG conferences, the NCG Board engaged in a food justice discussion series to deepen their understanding across a range of marginalized identities, and we organized healing sessions for co-op staff in the wake of the racially motivated Tops Grocery massacre.

NCG moves forward with humility as a learning organization on a continuous journey to build a positive and inclusive culture that values a diversity of ideas, perspectives and identities. We strive to foster

an environment where everyone is treated with dignity and respect, where we are inspired by our work and proud of our contributions.

Collective Impact

Measuring our impact is an important business activity that informs our work in advocacy and sustainability and helps us promote the positive difference that co-ops make in their communities. We use this aggregate data to leverage NCG food co-ops' influence within the natural foods industry, as well as with federal officials and consumers.

NCG's Advocacy and Sustainability team dedicated 2022 to overhauling and upgrading Co+efficient — our custom, complimentary sustainability software that allows co-ops to track progress across social, environmental and economic metrics. Based on your input, we simplified the platform and impact survey, making it more intuitive and user-friendly, and facilitated data collection by expanding our subscription to allow for a second person at each co-op to access the platform.

2022 impact metrics data was submitted by 109 co-ops, representing 72% of NCG's membership. We are pleased to report year-over-year improvement in the national averages for our metrics on local producers, racial diversity of leadership, number of co-ops offering a needs-based discount, number of employees per co-op and healthcare benefits eligibility. NCG members maintained their level of impact in most other areas while addressing the challenges of a global pandemic, growing inflation, supply chain disruption and severe staff shortages.

More information on our systems' progress toward our Ends is provided in our annual Ends Report.

Our work together continues to build the cooperative economy and improve the health and well-being of our communities!

2022 NCG DEI Journey



Some of the seeds we've planted have long germination times. We're growing big trees, not microgreens!

— Sarah Christensen



2022 Financial Statements

Consolidated Profit and Loss (Jan-Dec)

	FY 2022	FY 2021
Purchasing Income ¹	35,211,021	32,509,595
Member Dues	1,875,211	1,823,017
Other Operating Income ²	1,569,768	1,268,866
Total Operating Income	\$38,656,000	\$35,601,477
Personnel Expenses	17,228,103	15,729,111
General & Administration Expenses ³	6,685,845	7,479,847
Purchasing Expenses	7,510,164	4,837,857
Other Program Expenses ⁴	2,008,668	930,971
Travel/Meeting Expenses	2,291,771	599,877
Total Operating Expenses	\$35,724,551	\$29,577,662
Net Operating Income	\$2,931,449	\$6,023,815
Interest and Other Income	133,865	93,184
Interest and Other Expense	(301,474)	(290,298)
Net Pass-through Income/Expense ⁵	(111,410)	(98,170)
Total Other Income (Expense)	(\$279,019)	(\$1,184,284)
Income Taxes ⁶	45,766	(123,578)
Net Income (Loss)	\$2,606,663	\$4,963,109

Balance Sheets (Year-end, Dec 31)

ASSETS	FY 2022	FY 2021
Current Assets		
Restricted Cash	13,682,442	12,713,761
Unrestricted Cash	13,701,259	13,469,626
Total Bank Accounts	\$27,383,701	\$26,183,387
Accounts Receivable	38,076,446	37,520,722
Prepaid Expenses/Inventory	1,475,353	1,450,870
Total Current Assets	\$66,935,500	\$65,154,979
Total Fixed Assets	\$1,490,708	\$1,227,813
Other Assets		
Investments/Other	874,918	1,130,107
Long Term Notes/ Receivables	6,589,549	7,177,923
Total Other Assets	\$7,464,466	\$8,308,030
Total Assets	\$75,890,674	\$74,690,821
LIABILITIES AND EQUITY	FY 2022	FY 2021
Accounts Payable	38,053,179	35,328,718
Sales/Income Tax Payable	8,374	6,661
Payroll and Payroll Liabilities	237,221	232,475
Accrued Expenses	2,686,637	2,904,713
Deferred Revenue	59,500	7,299
Joint Liability Deposits	5,459,270	6,213,583
Total Current Liabilities	\$46,504,181	\$44,693,450
Total Long Term Debt⁷	\$5,750,452	\$7,307,709
Equity		
Total Member Equity	2,291,578	2,287,052
Retained Earnings	(3,725,607)	(3,132,271)
Patronage - Allocated	25,070,071	23,534,881
Total Equity	\$23,636,041	\$22,689,662
Total Liabilities & Equity	\$75,890,674	\$74,690,821

1. Purchasing Income excludes the net effect of the revenue and expense for purchasing promotions, coupon books, and other supplier contract pass-throughs in which NCG collects amounts that are then paid out to member co-ops.

2. Other Operating Income includes marketing, work group, store development, NCG-DC, and Loan Fund income.

3. General & Administration expense includes office, IT, overhead, admin, marketing, and board expense.

4. Other program expense includes work group, store development, and projects/development expense.

5. Net Pass-through Income/(Expense) reflects the net effect of the revenue and

expense for purchasing promotions, coupon books, and other supplier contract pass-throughs in which NCG collects amounts that are then paid out to member co-ops. Pass-through income and expense for 2022 totaled \$31.13mm and \$31.24mm, respectively. Pass-through income and expense for 2021 totaled \$28.19mm and \$29.18mm, respectively.

6. Financial statements do not reflect final amount for income taxes.

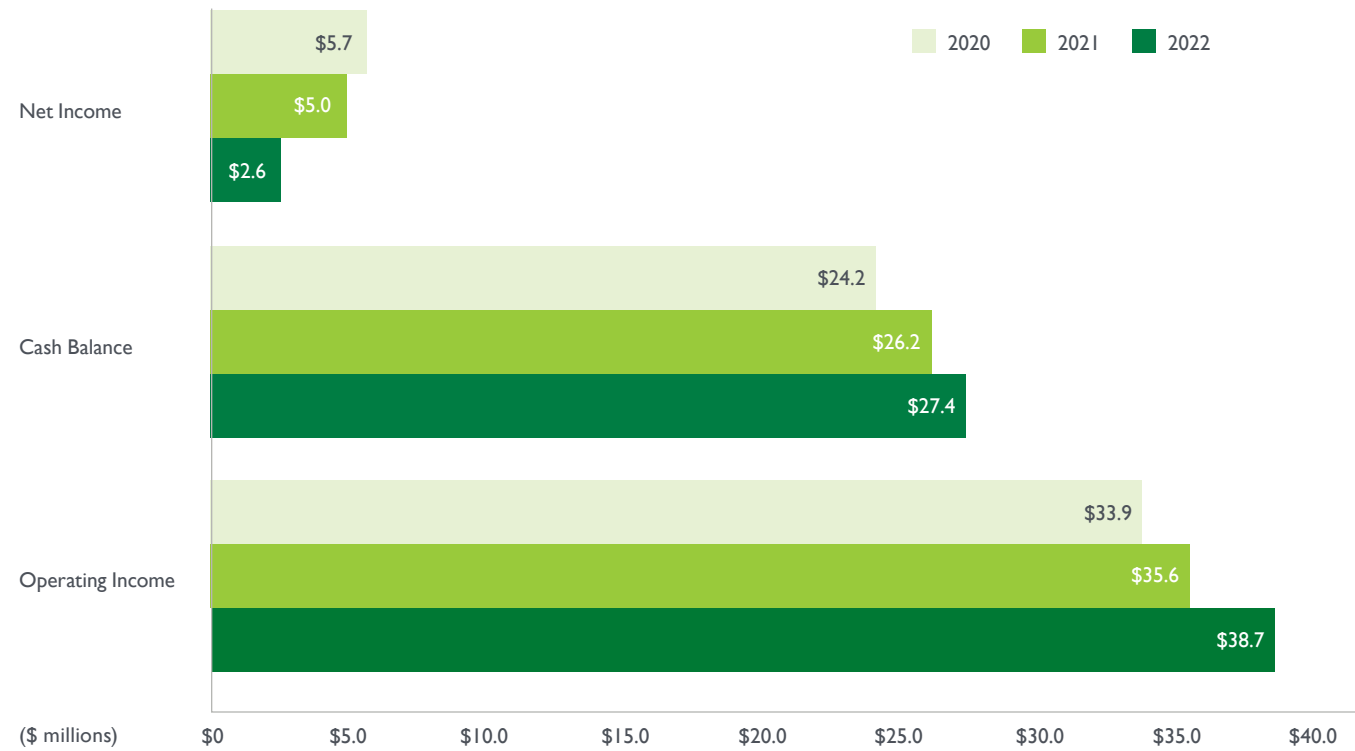
7. Long-term debt includes notes related to the NCG-DC Loan Fund.

* Fiscal year 2022 financial statements incorporate estimated 2022 patronage dividend and income taxes and are subject to final audit adjustment. Some numbers and percentages may not add up due to rounding.

\$38.7 million in 2022 operating income

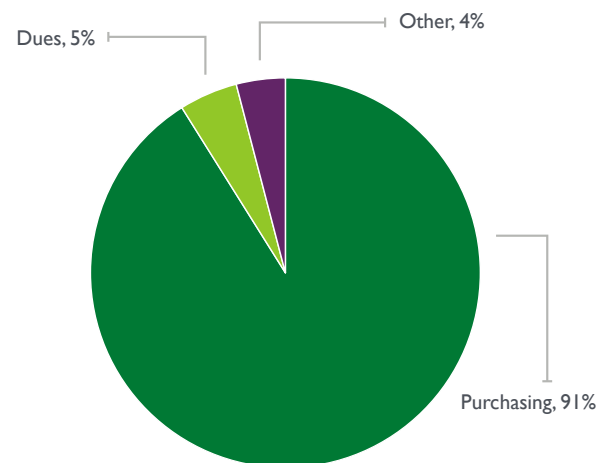
Financial Strength Continued as Operations Returned to Normal

Net income declined as operations returned to normal; but strength continues via increases in operating income and cash.



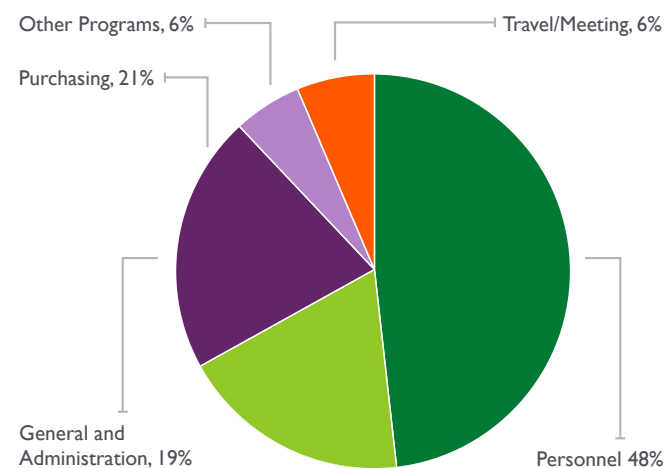
NGC 2022 Revenue

100%=\$38.7 million



NGC 2022 Expenses

100%=\$35.7 million



NGC Board of Directors

Sarah Christensen
Board Chair
GreenTree Cooperative Grocery

Liza Tedesco
Board Vice Chair
Chico Natural Foods Cooperative

Jan Rasikas
Board Secretary/Treasurer
Viroqua Food Co-op

Tim Bartlett
Board Member
Lexington Cooperative Market

Jennifer Beus
Board Member
PCC Community Markets

Kari Bradley
Board Member
Hunger Mountain Co-op

Bobby Sullivan
Board Member
French Broad Food Co-op

Kelly Wiseman
Board Member
Community Food Co-op - Bozeman

Rita York-Hennecke
Board Member
The Merc Co+op

NGC Leadership Team

CE Pugh
Chief Executive Officer

Robyn DesHotel
Chief Financial Officer

Allie Mentzer
Senior Director of Advocacy and Sustainability

Benjamin Nauman
Senior Director of Purchasing

Dave Blackburn
Senior Director of Store Development

Dave Olson
Senior Director of Retail Support

John Ferguson
Senior Director of Business Technology

Karen Zimelman
Senior Director of Membership and Cooperative Relations

Kelly Smith
Senior Director of Marketing & Communications

Lauren Olson
Senior Director of Talent Development

Thank you! Together, we make a difference for our communities!



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