



114,000 VOICES

ONE VISION.

2023 CO-OP PURPOSE REPORT

PART TWO: FINANCIALS

LETTER FROM KRISH

Dear PCC member-owner:

Thank you for taking the time to read our 2023 Co-op Purpose Report, Part Two: Financials. As you perhaps read in [Part One: Responsible Sourcing, Sustainable Operations, and Community and Food Systems](#), our co-op's operating values, food quality standards and our community are the interwoven threads that make PCC so special — as always, we thank you for shopping your values at PCC. We are so proud of our team and grateful to our member-owners. The support of our suppliers and community partners humbles us, and we continue to be energized by the power of our cooperative purpose.

In many respects, 2023 was not an easy year for our co-op. As a local, independent and community-owned grocer, we have navigated unique challenges through each successive year of the pandemic, and while 2023 presented fewer health-related impacts than years past, it also laid bare the hard realities of operating a grocery co-op in a transformed economic environment. Inflation, rising costs of living and goods, and changing consumer habits were some of the factors that made for a tough year.

In the face of this turbulence, we did what co-ops do — stayed true to our purpose and addressed each opportunity and challenge through our triple bottom line lens of people, planet and profit. As we emerge into 2024, we are excited about the road ahead. While focus, discipline, patience and grit are critically necessary to return our co-op to sustained profitability, so too are the passion and joy that accompany being thoughtful stewards of this iconic institution.

One of the more important efforts that the co-op undertook in 2023 was the negotiation of a new labor contract for our union staff. The process began in June 2023 and [the contracts were ultimately ratified in February 2024](#). This collective bargaining cycle received a unique level of focus and public interest as we pursued a contract balancing the needs of our staff with the co-op's long-term financial viability. Throughout, I deeply appreciated your advocacy on behalf of our people — we know, like you do, that people are at the heart of our business, and we appreciated your encouragement to do right by them through the bargaining process. It served as a valuable reminder of the importance of this work. These contracts make PCC union staff among the best paid grocery workers in the region, with substantially better benefits than others in this industry. It reflects our values and moves our co-op forward.

In late 2023, we made the difficult decision to [close our Downtown Seattle store](#). PCC signed a lease for this location in 2018, and the original opening date in 2021 was postponed to 2022 because of the area's conditions following the pandemic. After opening, however, Downtown PCC significantly underperformed relative to our original expectations due, in part, to

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2024 marks the beginning of a transformative, multi-year period for PCC. Knowing that sustained profitability is the only reliable way to deepen the impact of our mission in the community, we are now focused on returning the co-op to robust financial health.

dramatically changed shopper demographics and reduced office worker density. It was clear to us that despite the amazing efforts of our staff and the consistently stellar store conditions, continued losses there posed a significant financial risk to the co-op in aggregate, and the closure was necessary to preserve PCC's long-term viability. While hard, the thoughtful shutdown of our operations at 4th & Union was consistent with PCC's values, and all staff members were offered a position elsewhere in the co-op.

During the year we extended
30 special offers exclusively
to our member-owners with a
TOTAL VALUE OF \$250;
we also hosted member-only
events and offered discounts
at local, like-minded businesses.

The closure of the Downtown Seattle store involved a significant financial charge, making 2023 an unprofitable year for PCC. Throughout the year, we worked hard to reduce operating expenses across the co-op, and to be more efficient. We did so while also launching meaningful and exciting new programs including [PCC's Inclusive Trade Program](#), DoorDash delivery, and freshly made-in-store sushi. Despite the hard work done by our teams in the stores and at the co-op office, it was regrettably not enough to turn a profit.

During the year we extended 30 special offers exclusively to our members with a total annual value of \$250; we also hosted member-only events and secured [discounts at local, like-minded businesses](#). We do hope you were able to take advantage of some or all these benefits. Due to the unprofitable results, our Board of Trustees determined that there will be no patronage dividend paid to members in 2023. We are disappointed, as I imagine you are as well. We know the potential for a dividend is a benefit that many members look forward to and are sorry that we are unable to acknowledge your support in this way.

2024 marks the beginning of a transformative, multi-year period for PCC. Knowing that sustained profitability is the only reliable way to deepen the impact of our mission in the community, we are now focused on returning the co-op to robust financial health. This commitment requires change — in how and what we prioritize, the way we make decisions and hold ourselves accountable to them, and to the discipline and rigor with which we measure progress. It also means that we will continue to be open to new and innovative ways to meet our commitment to you, our member-owners, and to ensure that your voice is heard in this journey. Ultimately, we strive to ensure that your co-op continues to do what it has for over seven decades — be a trusted source for good food, supported by a culture of values that puts people and community first.

In closing, I want to emphasize how pivotal 2024 is for PCC. You, our member-owners, are the co-op's most committed and loyal patrons, and we need your help. We know that you all appreciate the quality of the products we sell, and how we treat people, animals and the planet in getting those items from where they are made, raised and grown to our shelves. We know that you value the extraordinary service from our incredible staff. We know you understand that what each PCC store offers is special and not available through any other grocer in the region. **For these reasons, we ask you to consider strengthening your commitment to PCC; earmark the largest percentage of your grocery budget for the co-op. Make PCC the first stop on your grocery list. Share what you think is special about PCC with your family and friends. Come visit us more often!**

On the next page, we introduce you to the leadership team guiding our co-op into the future. Please read on from there for our staffing goals, compensation structure and philosophy (page 7) and to review the summary of the financial statement (page 13) and the details (page 15).

Let's keep food cooperative.

With gratitude and appreciation,



Krish Srinivasan
CEO & President

CO-OP LEADERSHIP

Meet the people guiding PCC into the future with a strategic plan that furthers PCC's vision, mission and values.

PCC's triple bottom line and our shared commitment to economic, social and environmental responsibility is one that our community of staff, member-owners and customers identify with and support with their everyday shopping. The co-op's leadership is comprised of CEO & President Krish and eight executives, each of whom bring decades of industry expertise along with a collective passion for food systems and the community. PCC's leadership team is two-thirds represented by women at the helm – [twice the average representation](#) of women in the most senior roles.



CHRIS NAISMITH

CHIEF FINANCIAL OFFICER

Chris oversees the financial stewardship of PCC and leads all financial and accounting operations, banking relationships, business planning and analysis. She serves as the financial strategic planner, overseeing capital investments and budgets, compiling financial reports, and managing all financial operations to preserve the co-

op's financial health. Chris champions financial training and transparency to demystify PCC's business for staff in every function and level of the organization and seeks to advance the development of women in finance.

"I love being on a purpose-driven team where I can combine my professional and personal passions. It is a privilege and responsibility to steward our co-op's finances coming out of the pandemic and we are doing so with deep commitment to contributing to the triple bottom line and upholding PCC's economic, social and environmental responsibility."

DANA MONTANARI

CHIEF PEOPLE OFFICER

Dana's work is guided by a recognition of our shared humanity and commitment to be of service to the co-op's people. She joined PCC just before the pandemic and stewarded human resources through a period of extraordinary challenges. Today, Dana is focused on improving methods of staff recognition, deepening equity and inclusion, training and development, and positioning the co-op as the grocery employer of choice in our region.



"Our people are the heart of the community – they are the caregivers and I believe HR cares for the caregivers. Whether working on co-op wide HR initiatives or providing individual counsel to our staff, my team and I work to honor them. Having the opportunity to create an environment that serves our staff's needs is rewarding and fulfilling. We know our staff are the best in the business and this year we are finetuning the co-op's HR practice to best support our teams."

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CO-OP LEADERSHIP CONTINUED



FREYA BRIER

VICE PRESIDENT OF
LEGAL AND GENERAL COUNSEL

Freya serves as the co-op's attorney and handles all things legal to ultimately minimize risk to PCC. Her career spans four decades with over half her tenure devoted to representing national and regional natural foods grocers. Freya also works closely with the co-op's Board of Trustees to advise on legal and procedural matters and keep minutes of the various Board and committee meetings.

"I love the variety of legal and business issues that I deal with as in-house counsel and as part of the co-op's strategic team. A natural and organic shopper for 45 years, I am passionate about organic foods in both my personal and professional lives. I raised two amazing sons on organic foods and love that my work supports our belief at PCC that people, animals and waterways ought to be protected."

SUSAN LIVINGSTON

VICE PRESIDENT OF
MARKETING + PURPOSE

Susan's hire in 2022 marked a new era for PCC as she led the merger of the former marketing and social and environmental responsibility teams to form the co-op's Marketing + Purpose department. Susan comes to PCC as a brand marketing and social impact leader with more than 25 years of cross-sector experience. Her focus is on optimizing resources, systems and teams to scale social impact solutions through PCC's triple bottom line business strategy.

"Food offers us an incredible opportunity to effect change because it touches all parts of our communities. From nutrition and wellness to public policy, sustainability and culture, food is embedded into every aspect of our lives. PCC's staff, members and customers care deeply about community food systems, and they spend with intention to ensure that their grocery shopping aligns with their values. By investing together, we can put our purpose to work every single day."



MICHELE MALLORY

VICE PRESIDENT OF
INFORMATION TECHNOLOGY
AND BUSINESS PLANNING

Michele brings 20 years of tech experience across multiple industries to the co-op. She oversees the planning, development and maintenance of PCC's information systems, technologies and processes to support brick and mortar retail and e-commerce. Michele is passionate about leveraging technology and data to accelerate business outcomes and make decisions. Her deep focus on continuous improvement frees the capacity needed to deliver more value for the co-op and our member-owners.

"I am a strong believer that technology and data hold the key to innovation. The dynamic environment at PCC requires innovative thinking, collaboration and continuous improvement. I love cultivating a solution-oriented IT strategy that combines the needs of our members and shoppers with PCC's core values, vision and mission."

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CO-OP LEADERSHIP CONTINUED



MARK COMSTOCK

VICE PRESIDENT OF
STORE DEVELOPMENT,
REPAIRS AND MAINTENANCE

Mark has spent 30 years leading multi-national real estate teams in the retail, technology and industrial sectors. He is responsible for the strategic and tactical oversight of our real estate assets, overseeing the team that manages the development, repairs and maintenance of PCC's stores. Mark works to provide a pragmatic, analytic and business-centric view, and he appreciates how to balance the sustainable building and maintenance of the co-op's stores with the realities of our business to ensure a viable and great shopping experience.

"I've learned the benefit of blending art and science in managing our real estate assets. I appreciate what differentiates PCC, our staff, and work hard to see to it that our teams have the tools necessary to allow them to do what they love — serve our shoppers. Real estate plays an important part in delivering on our mission, vision and values, and I am proud to join in that work."

JENNIFER BEUS

VICE PRESIDENT OF
STORE OPERATIONS

Jennifer leads the operations of PCC's stores in processes, policies and people to help create the co-op's memorable and loved shopping experience. She began her career with the co-op 18 years ago in store leadership, including heading the teams at Green Lake Aurora and Fremont PCC. More recently, Jennifer guided our stores through the twists and turns of the pandemic while continuing to oversee store systems and service, staff labor, shrink management and safety.

"My passion lies in transforming complex operational challenges into strategic opportunities. The work I do at the co-op is in service of people and our contributions to our community, the local economy and our food system. The joy of my week is the time spent in our stores that keeps me connected to our staff, members and the business."



DAVE SPEAR

VICE PRESIDENT OF
MERCHANDISING,
PROMOTIONS AND SOURCING

Dave joined PCC in late 2023 and leads the merchandising team that sources the co-op's product offerings with a dedication to fresh, organic, seasonal food that is sustainably sourced from over 800 local producers, farmers, ranchers and fishers. Dave holds a crucial role in shaping PCC's promotional go-to-market strategy, store experience and private label and pricing strategy.

"I'm thrilled to be at PCC during such as a formative period for the co-op. I am diving in and immersing myself in this community, from our dedicated staff and exceptional stores to the highly engaged membership and hardworking suppliers that fill our shelves. It is rare to find such values alignment with a company that measures the bottom line by more than just profits. Even as we adjust to the norms of grocery in a post pandemic landscape, I feel a sense of purpose here alongside my team and our shared commitment to economic, social and environmental responsibility."

PCC'S STAFFING GOALS, COMPENSATION STRUCTURE AND PHILOSOPHY

PCC is the nation's largest retail grocery cooperative and, as such, is guided by cooperative principles, which include a commitment to openness, transparency and accountability. In the spirit of those principles, the Management Development and Compensation Committee (MDCC) of PCC's Board of Trustees is providing the following disclosures about PCC's staffing goals, compensation philosophy and structure.

As of January 1, 2024, PCC had 1,794 total employees. When discussing PCC's compensation, it's easiest to categorize the co-op's staff into three distinct compensation groups:

- **Unionized store staff**, which consists of 1,522 people or 85% of total staff.
- **Non-union staff**, which consists of 272 people or 15% of total staff, including store support staff in our office and store managers.
- **Managerial staff**, which consists of 100 people or 6% of the total staff. This group includes both store management — the Store Directors, Assistant Store Directors and Deli Managers of each store — and the co-op's CEO, Leadership Team (including the Chief Financial and People Officers, and the Vice Presidents of Merchandising, Promotions and Sourcing, Store Operations, Marketing + Purpose, Information Technology & Business Planning, Store Development, Repairs and Maintenance and Legal and General Counsel) and other bonus-eligible store support staff in supervisory roles.

STAFFING GOALS AT PCC

PCC seeks to attract and retain competent, qualified and diverse staff in our stores and store support office. We look for employees who are passionate about the products we sell and our social and environmental goals, including advancing the health and well-being of people, and providing support for our vendors and the communities we serve. By offering fulfilling and robust career opportunities, we aim to be an employer of choice, and the best grocery employer in the Pacific Northwest.

Compensation is just one element of PCC's attractiveness as an employer. Our culture; our continuing commitment to diversity in our workforce; our mission to ensure that good food nourishes the communities we serve, and to cultivate vibrant local, organic

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By offering fulfilling and robust career opportunities, we aim to be an employer of choice, and the best grocery employer in the Pacific Northwest.

food systems; the support we provide to our local communities, farmers and product suppliers; and our commitment to the environment make PCC unique in our ability to attract and retain dedicated, capable staff.

Hiring and Retention

Prior to the pandemic, we recruited to fill up to 89 open PCC positions at any given time; during 2021 and 2022, open positions increased to a high of 192. To improve hiring and retention rates, we instituted new programs to bolster our attractiveness as an employer in the Seattle metropolitan area, including \$300 bonuses for referring job applicants; the PCC Learning Fund, encouraging employees to take training programs to advance skills and knowledge in their role; more frequent staff recognition and anniversary bonuses; and the addition of an on-call translation service to assist with communication between store management, non-English speaking staff and Human Resources. The success of these programs, coupled with increases in the numbers of people looking for employment, dropped PCC's open positions to 42 at the end of 2023. Given that the hiring and training costs associated with each new employee averages \$1,400, this increase in employee retention rates is important for the co-op's financial and operational health.

Median Tenure at PCC

More than 85% of PCC's staff are full-time employees. One measure of PCC's success in attracting and retaining staff members is reflected in the tenure of PCC staff at all levels. While the median tenure of food service workers nationally declined again from 1.9 years in 2021 to 1.6 years in 2023, the median tenure of unionized PCC store staff is 2.6 years, and the average tenure is 4.9 years. The tenure of store support and managerial staff together at PCC increases the overall average tenure of all employees at PCC to 5 years.

PCC as a Career

PCC provides career opportunities for store and store support staff to advance to higher level positions within the co-op. To ensure staff are successful at their jobs, we provide a variety of position-specific and general training programs and offer classes to

strengthen other skills needed for advancement. We reimburse staff for the cost of English Learner (ELL) courses and, as part of the PCC Learning Fund, provide up to \$1,000 per staff member per year for the costs of classes toward two- and four-year college degrees. PCC rolled out the "Growing Your Career at PCC" course in September 2023, focused on building a career at PCC in Deli Management, and this course is now available as an e-learning module in our learning management system, with new content added quarterly. In 2024, PCC will be rolling out a training program for staff interested in pursuing a career in Grocery Management, with additional training and growth paths to be developed and rolled out in the future.

PCC's success in offering career opportunities is illustrated by the fact that in 2023, 51% of our open store management positions were filled by promotions of internal candidates, and 24% of our store support staff started their careers at PCC stores.

Justice, Equity, Diversity and Inclusion Initiatives at PCC

PCC continues to prioritize strengthening our commitments and efforts toward Justice, Equity, Diversity and Inclusion (JEDI). A comprehensive discussion of our JEDI program can be found in the Co-op Purposes Report, Part One: [Responsible Sourcing, Sustainable Operations, and Community Food Systems](#). The co-op is focused on creating better access to job opportunities for Black, Indigenous and People of Color and LGBTQIA+ candidates, and is continuing to train our staff on JEDI principles and practices to better workplace experiences and increase staffing and retention.

COMPENSATION PHILOSOPHY

PCC's overall compensation philosophy is to offer total compensation (wages, benefits and incentive pay) that is at or above the median compensation within the grocery industry and the Puget Sound region in which our stores and store support office operate. This means that prevailing compensation levels in the broader Seattle market are an important factor in how PCC establishes wages and benefits for all employees. Compensation philosophy, the

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The co-op took an important and significant step towards paying our store union staff a fair wage with great benefits — making PCC store staff members among the best paid grocery workers in the region.



components of compensation at PCC, and how the philosophy is applied are overseen by the MDCC on behalf of the Board of Trustees. How compensation is set, and the elements of compensation differ between our unionized store staff, managerial staff (including non-union store management) and store support staff, is outlined below.

Staff Compensation at PCC

Shared Benefits

In addition to wages, the various compensation groups (unionized, store support and managerial staff) receive benefits that are a part of PCC's overall compensation packages. Each group receives additional benefits that are unique to that group (outlined in the group-by-group discussions below). The shared benefits include a 15% discount on all PCC purchases made by staff or members of their household — in 2023, the aggregate value of staff discounts provided was \$1.3 million. All staff also receive a free membership to the co-op for the duration of their employment, which entitles them to the same benefits received by other members, such as free offerings or special discounts through member-only offers and, if approved by the Board of Trustees, a patronage dividend based on their annual purchases. All staff may participate in a subsidized bus pass program for a nominal monthly fee of \$10.17, are eligible for the PCC Learning Fund (described above), and have access to free counseling sessions, financial advice and family services through PCC's Employee Assistance Program.

Medical, Dental and Vision Coverage

All full-time staff and their dependents are eligible to participate in PCC's medical, dental and vision plans (MDV) at premiums that are heavily subsidized by the co-op — PCC pays approximately 94% of the overall MDV premium cost. Even though PCC saw a 7.1% overall increase in the cost of providing MDV coverage to staff in 2023, only a small portion of that increase was passed along to staff in 2024. In addition, to offer an even more affordable level of MDV, in 2024 PCC will introduce an additional medical plan that offers a higher deductible coverage at a lower monthly cost.

Those who enroll in MDV coverage also receive short- and long-term disability coverage and life insurance at no additional cost. The MDV coverage PCC offers is generally more substantial than equivalent coverage offered to other regional grocery employees through union-sponsored medical plans. Additionally, PCC subsidizes a greater portion of the monthly premiums, so the cost to our store staff is equal to or lower than the cost of coverage offered to other unionized grocery employees in the region. The approximate value of PCC's MDV coverage to an individual staff member who enrolls is estimated at \$9,900 per year, with the value of coverage for a family estimated at over \$27,630 per year.

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Wages and Other Monetary Compensation

Unionized Store Staff

Unionized store staff are members of the United Food and Commercial Workers Union (UFCW 3000) and are compensated in accordance with collective bargaining agreements negotiated between PCC and the UFCW 3000 and ratified by our unionized staff.

The large, unionized grocers in the Puget Sound region participate in one regional union contract negotiation. PCC has historically bargained separately from other unionized grocers in the region because it allowed PCC to provide a more robust benefits package to our unionized staff than is offered by the regional union contract. PCC's bargaining cycle has lagged up to 19 months behind other regional unionized grocers. In mid-2022, these other unionized grocers renegotiated their pay scales and, until PCC completed the recent collective bargaining cycle (discussed below under 2024 Contract Gains), the wage scales for PCC store staff were slightly below the median for the unionized grocery industry in the Puget Sound region (though our benefits packages were and are above median in value to staff).

In 2023, PCC provided unionized store staff with the following elements of monetary compensation in addition to wages and the shared benefits outlined above:

- Contributions to staff pension plans administered by UFCW 3000 – total aggregate contributions in 2023 to staff pension plans were \$4.8 million, or about \$3,153.00 per staff member.
- Recognition bonuses (amounts vary based on length of service) for milestone work anniversaries. In 2023, PCC increased recognition bonuses and expanded the program to offer recognition bonuses for staff at their one-year employment anniversary as part of the overall program to improve employee retention.
- A per-employee \$50 “thank you” gift card bonus in November 2023.

2024 Contract Gains

PCC began collective bargaining with UFCW 3000, the representative of our unionized store staff, for our meat and grocery contracts in June of 2023, and concluded such bargaining with contract ratification in February of 2024. Bargaining took significantly longer than normal because both sides were invested in developing and agreeing to a contract that is the most substantial in our four-decade history of collective bargaining with the union. Having heard clearly from across the co-op that the most important aspects of staff compensation are strong hourly wages and benefits packages, PCC prioritized these components. With this contract, the co-op took an important and significant step towards paying our store union staff a fair wage with great benefits – making PCC store staff members among the best paid grocery workers in the region.

The two agreements (grocery and meat) provide significant gains for PCC unionized staff, including the following:

- Wage increases ranging from 4.1% to 16.5% depending on position and location (inside or outside Seattle);
- Achievement of substantially higher journey-level wages after three years of full-time work rather than the previously required five years;
- Automatic pay increases in the event of increases in future minimum wage rates;
- Increased night pay premiums and enhanced overtime in some situations; and
- Continued funding of pensions for unionized staff.

In addition to the compensation increases identified above, as part of the new contracts, PCC unionized staff may participate in a labor management committee (LMC), led by the two unionized staff members on PCC's Board of Trustees, to discuss and make recommendations to the Board on a wide variety of topics.

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Store Support Staff

PCC's store support staff (which includes both managerial and non-managerial staff in the Finance and Accounting, Executive, Human Resources, Information Technology, Legal, Marketing + Purpose, Merchandising and Store Development departments) are primarily salaried employees.

Based on recent compensation studies, overall compensation for the co-op's store support staff is currently at the median for comparable positions in the Puget Sound region.

In addition to wages, in the past year, PCC provided all store support staff with the following elements of monetary compensation:

- Contributions of 5% to 8% on behalf of staff to PCC's 401(k) Retirement Plan (whether or not the staff member contributes). In 2023, total aggregate contributions were \$1.26 million or about \$6,792 per staff member.
- A per employee \$50 "thank you" gift card bonus in November 2023.
- Recognition bonuses (in varying amounts, based on length of service) described above for milestone work anniversaries.

Managerial Staff

Managerial staff include PCC's CEO and Leadership Team, Store Directors, Assistant Store Directors, Store Deli Managers and bonus-eligible store support staff with supervisory responsibilities. Managerial staff are salaried and not eligible for overtime compensation but are eligible for MDV coverage and receive the same shared benefits and other elements of monetary compensation identified above as received by non-managerial store support staff.

We compete with other employers in the Seattle market, including larger national grocers and locally based technology companies, for talented managerial staff. Larger competitors routinely offer stock, stock options or long-term equity-based compensation as part of their overall compensation packages, which can represent significant additional compensation

value to recruited employees. PCC, as a cooperative, cannot offer equity-based compensation. A new Short Term Incentive Program (STIP) was implemented January 1, 2023, to better align managerial staff incentives with the co-op's financial goals. Under this new bonus plan, eligible managerial staff may earn a percentage of their base compensation if PCC achieves certain co-op-wide financial targets set by the Board of Trustees, and where applicable, for achievement of store or departmental financial performance metrics. In addition, eligible participants may receive a small percentage of their base compensation as an Individual Performance bonus upon the achievement of individual performance goals agreed to at the start of the year by the participant and their supervisor.

CEO Compensation

PCC's business operations are overseen by our Leadership Team, which is in turn supervised by the co-op's Chief Executive Officer, Krishnan Srinivasan. Mr. Srinivasan also sits on the co-op's Board of Trustees, participates in all Board and committee meetings (see Board of Trustee Compensation below for a description of meeting obligations), and serves as the primary liaison between the co-op and other local businesses, governmental and community leaders, and PCC members. Mr. Srinivasan receives or may elect to receive the same additional compensation benefits made available to all store support and managerial staff. Mr. Srinivasan was hired as the CEO of PCC in January of 2022, and his annual base salary was set by the Board of Trustees at that time. Based on several 2023 national and Pacific Northwest executive compensation studies, Mr. Srinivasan's base salary in 2023 was approximately 85% of the median base salary (without including the value of equity compensation such as stock or stock options, a standard piece of executive compensation that PCC does not offer) for CEOs of similarly sized companies, and his total compensation package (base salary together with maximum bonus potential, if earned) was approximately 76% of the compensation of CEOs of similarly sized companies.

In 2023, Mr. Srinivasan's annual base salary, as set by the PCC Board of Trustees, was \$500,000, and

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he had the opportunity, conditioned upon PCC's achievement of certain financial goals established annually by the Board of Trustees, to earn an STIP bonus of up to 55% of his base salary. The co-op did not achieve the requisite financial performance in 2023 to enable the payment of STIP bonuses based on co-op, store, or departmental performance, and only the Individual Performance bonuses were paid to managerial staff who achieved their individual performance goals. Mr. Srinivasan did not receive any bonus for 2023, and his salary for 2024 remains unchanged. Mr. Srinivasan does not receive additional compensation for his participation as a trustee on the PCC Board of Trustees.

Board of Trustees Composition and Compensation

PCC's Board of Trustees oversees the setting of strategic financial, social and environmental goals for the co-op and monitors performance to such goals. The Board is made up of 11 members: eight "outside" trustees (i.e., not employed by PCC); two trustees who are store staff members; and PCC's CEO, who is an ex officio (automatically appointed) member of the Board. The Board has three standing committees, each with either three or four trustees as members, to whom the Board has delegated the oversight on specific areas of PCC's business. Trustees are recruited to the Board based on the leadership team's annual assessment of the skills needed to address PCC's strategic priorities and challenges in the coming years, as well as diversity of individuals, backgrounds and experience. Trustees participate in a minimum of four to five full-day Board meetings each year as well as a one- or two-day strategic meeting, and each Trustee sits on one or more committees, each of which holds an additional five or more one- to two-hour committee meetings each year. Trustees are provided with a substantial volume of written materials and financial statements for review before each Board and committee meeting to prepare for discussions. Trustees may be called upon to participate in special task forces formed from time to time, as well as participate in interviews of candidates for the Board or the Leadership Team and events with members and staff. Trustees are

expected to provide advice and guidance upon request to management throughout the year.

To ensure representation of staff on the Board, PCC proposed to UFCW 3000, and UFCW 3000 agreed that in the future, whenever the Board of Trustees seats currently occupied by unionized staff members become vacant, PCC's unionized staff will provide a list of potential candidate names from their ranks, and individuals selected by the Governance and Membership Committee from that list would be placed on the ballot for a vote by PCC's membership.

PCC competes with other businesses in the Seattle area for qualified and competent individuals willing to devote the time and effort required to serve on our Board of Trustees. Other businesses generally offer directors on their boards a mix of cash and equity-based compensation (generally stock or stock options) as consideration for their service on the board. PCC, being a cooperative, cannot offer equity-based compensation to those who serve on our Board of Trustees. Therefore, in recognition of the considerable duties, time and effort trustees commit to PCC, all trustees other than the CEO (who receives no compensation for his participation on the Board and its committees) receive a stipend of \$30,000 per year for their service to the co-op. In recognition of the additional time and effort required to fulfill the duties of the chairperson, the chair of the Board receives an additional \$12,500 stipend per year, and the chairs of the three standing committees each receive an additional \$7,500 per year for their services. The Board and committee chair roles rotate every few years.

Based on a 2022 third-party compensation study of board compensation levels from similarly sized private and public companies, the stipends paid to members of PCC's Board of Trustees in 2022 were roughly 25% of the total median compensation (both cash and equity) paid to directors on boards of similarly sized companies (based on annual revenues), and between 45% and 76% of the median cash-only compensation paid to directors of public and private companies, respectively, of similar size.

SUMMARY OF FINANCIAL STATEMENT

PCC Community Markets is the largest grocery co-op in the country, and our measure of success is in the service of our triple bottom line: people, profit and planet. PCC's goal is to run a healthy business, and profitability is directly related to the scope of the co-op's mission — to staff, members, the broader communities we serve, and the partners whose products fill our stores. For PCC, purpose and profit will always be two sides of the same coin, and this is what sets us apart from other grocers and retailers. 2023 was not an easy year for the co-op, and PCC is grateful to our member-owners, staff, suppliers and entire co-op community for the ways we pulled together. The following is a summary of the co-op's financial performance in 2023.

Net Sales

The co-op posted \$436.5 million in net sales in 2023, growing 3.5% year-over-year. Throughout the year we continued to see sales momentum in response to many initiatives aimed at stimulating growth; however, our overall sales growth for 2023 fell short of expectations. While the overall number of shopping trips in 2023 increased, fewer items were purchased per shopping trip, leading to an overall decline in unit sales and lower than expected net sales.

Close to two-thirds of total co-op sales (63.7%) in 2023 came from purchases by member-owners. PCC's membership program provides access for members to free or discounted product offers, events and partner discounts from a selection of local, like-minded businesses, as well as the potential opportunity to receive a dividend when the co-op is profitable. The co-op welcomed 9,800 new members in 2023! During the year, PCC made available over 30 member-only offers on quality seasonal products that represented a potential

For PCC, purpose and profit will always be two sides of the same coin, and this is what sets us apart from other grocers and retailers.

of \$250 in savings to each member — four times the cost of our lifetime \$60 membership fee (if members redeemed every offer). In December 2023 we provided a member-only offer of \$25 off a purchase of \$100 or more for the holidays, which contributed in part to our stronger fourth quarter sales. Our members realized an aggregate of \$3.4 million in savings from offer redemptions in 2023.

As a local, independent and community-owned grocer, PCC's future and success are inextricably intertwined with the food choices of our member-owners and shoppers. Every basket of groceries bought at the co-op helps support the local, organic food system and a community of suppliers, producers and organizations who share our values. With 114,000 active members in addition to our approximately 1,800 staff members, member-owners are part of something much bigger than a trip to the grocery store. Thank you for being part of this membership community.

Impairment Charge for Store Closure

In 2023, we made the difficult decision to close our Downtown Seattle store. Despite an amazing team, fantastic store conditions, and a supportive landlord, Downtown PCC remained unprofitable due to lower

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sales performance at the store attributable in part to post-COVID declines in downtown office population and smaller baskets shopped during the lunch traffic. Continued losses at that store were not sustainable for the long-term financial health of the co-op. The decision to close the Downtown store required an analysis, in accordance with Generally Accepted Accounting Principles, of the value assigned to the assets used in that store's operations. As a result of this evaluation, it was determined that the value of many of the assets had been reduced. Therefore, the co-op recognized a decrease in the value of the associated assets in the form of a non-cash impairment charge of \$12.5 million, which means that it affects operating income but not the co-op's cash balance.

Operating Expenses

Excluding the expenses related to the Downtown Seattle closure, total operating expenses for 2023 were down 1% from the prior year. All of PCC's operating expenses have been scrutinized and our teams worked very hard to find efficiencies, including moving PCC's Sound Consumer exclusively online, renegotiating contracts to lower fees, and maximizing ad dollar contributions from our vendors. We continue to manage all our expenses with an eye to frugality to provide the co-op with the long-term financial health we need to maintain our mission of people, profit and planet.

Wages, benefits and tax expenses were down in 2023 compared to 2022 due to the expiration of mandated hazard pay. This decrease is partially offset by an overall increase in salaries and wages under the prior union contract and increases in regional competitive wage rates for specialized expertise in specific roles. As discussed in the above section on staffing and compensation, in February of 2024, our unionized store staff ratified new union contracts with significant wage increases. The wage increases took effect in January of 2024 and are expected to impact the year's operating expenses.

Occupancy costs include rent, utilities and services (such as cleaning our linens). Reduced occupancy costs in 2023 were driven by savings in operating costs resulting from renegotiated rates,

reduced rent expense, and reduced depreciation expense as capital spending slowed in 2023.

General and administrative expenses were up in 2023 compared to 2022 due to increases in debit and credit card fees related to a mix shift in the card types used, as well as investments in various areas including information technology security and automation efforts and market research and data mining work to support strategic marketing efforts.

Operating Loss

The impairment charge discussed above contributed to an overall operating loss of \$12.5 million for the co-op. Without the impairment charge the co-op would have achieved a very small operating profit, which was in line with our expectations to break even for the year. The co-op's overall profitability was also impacted by some of our stores that opened in recent years. New grocery stores typically operate at a loss in the first few years as sales grow and staff hours stabilize. We expect these newer stores to achieve a positive operating income in the next few years. With no member operating income, PCC regretfully was not financially able to declare and issue a dividend to members for 2023.

Cash

PCC secured a term loan in 2019 for the construction of potential new stores and drew the full amount available under the loan as a precaution against the unknown at the start of the pandemic. None of the loan proceeds were ever used, and in 2023, the co-op repaid the balance on that loan. PCC managed its cash effectively throughout the year and even with the loan repayment, ended 2023 with \$22.8 million of available cash, which is not a robust figure for a business of PCC's size and complexity, but sufficient to operate without needing any kind of credit. PCC continues to have access to a revolving line of credit should we need to fund short-term cash needs. For 2024, the co-op plans to invest between \$6–7 million in capital, primarily for necessary store repairs and continued improvements in information technology. Learn more about the co-op's 2023 financial performance on the following page.

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CONSOLIDATED INCOME STATEMENT

	2023	2022
SALES, NET	\$436,456,148	\$421,879,590
COST OF GOODS SOLD	264,744,847	255,485,493
Gross profit	171,711,301	166,394,097
% of Sales	39.3%	39.4%
OPERATING EXPENSES		
Wages, benefits and taxes	111,896,330	113,817,007
General and administrative expenses	20,202,079	18,900,024
Occupancy expenses	36,476,583	37,156,737
Marketing and outreach expenses	3,079,164	3,165,966
Loss on disposal of assets	213	233,316
Impairment charge and closing expense	12,574,881	-
Total operating expenses	184,229,250	173,273,050
(Loss) income from operations	(12,517,949)	(6,878,953)
OTHER INCOME (EXPENSE)		
Interest income	5,541	6,683
Interest expense	(100,217)	(313,763)
Investment income	424,674	6,747,815
Other income (expense)	155,474	188,691
Total other income, net	485,472	6,629,426
Income before patronage dividends and provision for income taxes	(12,032,477)	(249,527)
PATRONAGE DIVIDENDS	-	-
Income before provision for income taxes	(12,032,477)	(249,527)
PROVISION FOR INCOME TAXES		
Current benefit (expense)	(236,760)	(746,414)
Deferred tax benefit (expense)	2,407,785	305,076
NET INCOME	\$(9,861,452)	\$191,811
% of Sales	-2.3%	0.0%

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CONSOLIDATED BALANCE SHEET

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$22,825,951	\$23,092,309
Receivables, net	2,810,806	2,664,450
Inventories	10,483,463	11,271,459
Prepaid expenses and other assets	2,809,535	3,341,277
Income tax receivable	2,289,719	2,526,414
Total current assets	41,219,474	42,895,909
PROPERTY AND EQUIPMENT, net	70,864,435	85,304,735
LONG-TERM ASSETS		
Operating lease right-of-use assets	105,257,185	120,360,381
Other assets	552,438	499,460
Investments	3,250,005	2,852,371
Total long-term assets	179,924,063	209,016,947
Total assets	\$221,143,537	\$251,912,856

LIABILITIES AND MEMBERSHIP EQUITY

CURRENT LIABILITIES		
Accounts payable	\$14,099,431	\$13,209,355
Accrued wages and benefits	8,403,544	9,117,258
Other accrued expenses	2,962,859	3,226,510
Contract liabilities	657,798	787,294
Patronage dividends payable	57,271	99,574
Current portion of operating lease liabilities	8,203,180	7,927,832
Current portion of long-term debt	-	1,642,766
Total current liabilities	34,384,083	36,010,589
LONG-TERM LIABILITIES		
Deferred income taxes	3,970,191	6,377,901
Operating lease liabilities, net of current portion	120,646,785	129,979,955
Long-term debt, net of current portion	-	8,123,876
Total long-term liabilities	124,616,976	144,481,732
MEMBERSHIP EQUITY		
Membership certificates	12,180,796	11,597,401
Retained earnings	49,961,682	59,823,134
Total membership equity	62,142,478	71,420,535
Total liabilities and membership equity	\$221,143,537	\$251,912,856

