



CHATHAM
MARKETPLACE

2022 Annual Report

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From the Board

By Rhonda Mathis, Board President

Chatham Marketplace continues to gain momentum and to fine tune operations to better serve our owners and the wider community. 2022 was a good year, but it was not without its challenges. The store was finally able to lift its mask mandate but many impacts from the pandemic remained, such as inventory shortages and unprecedented price increases. The price increases resulted in a lower gross margin than expected but our General Manager, Evan Diamond, implemented improved processes to keep up with price changes more efficiently in the future. You can read more about that in the Manager Report to follow. We remain confident in the great performance by Evan and all the store staff.

We hope that you have noticed and appreciate the improvements in the store, including the remodeled Café with the delicious sandwich menu and expanded grab-and-go options such as hot breakfast biscuits and burritos and freshly made cookies. You can expect to see more improvements in 2023 including a refresh of the patio, already started with refurbished tables and some new chairs!

As a Board we have worked together to educate ourselves and discuss some challenging topics. We read *The Sum of Us* by Heather McGhee to help us make more informed decisions regarding diversity, equity, and inclusion issues. Currently we're reading *Grocery Story* by Jon Steinman which is a fascinating history of the grocery business and the value of food co-ops to their local communities.

As we envision how Chatham Marketplace will serve a growing Pittsboro and Chatham County, we're working with our co-op consultant Columinate to chart the course. We value your feedback in consideration of options such as relocating and expansion. We need new owners to continue to grow and evolve so we appreciate all of you sharing your love of Chatham Marketplace and the benefits of ownership with your neighbors and new residents of the area. We're always looking for dedicated Board and Committee members so if that service is of interest to you, please let us know!

As always, we appreciate your support of Chatham Marketplace!

Manager Report

By Evan Diamond, General Manager

One of my favorite stories from last year was the store's partnership with the town of Pittsboro where Chatham Marketplace provided town water customers with free, reverse-osmosis filtered and UV treated water. The town then reimbursed the store for the water. The partnership was spearheaded by Jennifer Platt and adopted as a stopgap measure for Pittsboro to provide safe water to residents amidst waves of PFAS chemicals being dumped into our water upstream. Because of the increased water demand, Chatham Marketplace was able to upgrade our water filtering system. In addition to increasing speed of filtering and overall capacity, this also came with an upgrade in system hardware technology which resulted in a much quieter system and was greatly appreciated by our staff.

The partnership came to an end once the town was able to install granulated active carbon filters, capable of cleaning and processing a million gallons of drinking water per day. I was happy to be presented with a town resolution by Mayor Cindy Perry last year at a Town Council Meeting. The resolution acknowledged the 46,819 gallons of water distributed during the 10 months the program ran - the equivalent of approximately two average home swimming pools!

In other good news, our Cafe completed a major overhaul both to its layout as well as its lunch menu. We created a more open and inviting area for customers to place orders and look over the menu and try samples and we created a premium sandwich menu utilizing loads of local products like Chicken Bridge sourdough, Haw River Mushrooms or First Hand Foods pork. And you rewarded our efforts by buying lots of food here! Last year the cafe grew 31% in sales over 2021. We continue to develop new grab n' go items that fit diverse diets and are still enjoying double digit growth in the prepared foods department over prior year.

I haven't even mentioned the pandemic yet. On March 7, 2022 we lifted our mask restriction which had essentially been in place for two years. Regardless of where you come down on the issue, this was a big deal for most of our customers and our staff and it coincided with the CDC downgrading the risk of community spread in Chatham County. While some staff and customers embraced the opportunity to return to a pre-pandemic look, many continue to choose to wear masks still. We look forward to this all one day coming to an end, but recognize that COVID-19 has yet to become endemic and although emergency measures are being rolled back, many Americans continue to die from the disease.

Turning to the overall financial health of the store, we had some issues in 2022. First and foremost, we were humbled in the first quarter of the year. I thought Chatham Marketplace had pricing tools and strategies in place to handle changing vendor costs, but it was nowhere near where it needed to be given the scale and speed at which our costs were rising across the board. *(Manager Report, Continues Next Page)*

Ends Statement

Chatham Marketplace exists to provide Chatham County with:

- Access to healthy quality food
- A trusted market to support local and sustainable agriculture
- A resource for community engagement and education





Manager Report - cont'd

By Evan Diamond, General Manager

(Manager Report, Continued from Previous Page) The result? A gross margin of 32.6%. Our target margin is between 37%. Gross profitability has to be right in our line of business or everything else gets really hard - which it did. We operate on thin profit margins in the grocery industry, often netting profits of 2 ¢ or 3 ¢ on the dollar. We did learn from our first quarter mistakes and fought hard to regain lost profits. In the final period of the year, we were able to beat our margin goal and achieved a 38.8% profit. Still, we ended the year with \$9,000 less cash than we'd budgeted for and despite our sales increasing 11% over budget, our profits only rose 5% while our total operating costs grew 10%, which led to our net loss for the year of (\$9,000).

With a strong end to 2022, which has continued into this year, I feel confident that Chatham Marketplace will be reporting much better profits to its owners in 2024. In fact, we're betting on it. At the end of 2022, we developed our first storewide gainshare program, in which staff will have access to a combined \$15,000 pool for two games around gross profits. I'm already excited to report back to you all in a year on how we do. And while the gainshare program has the ability to help us pad our staff's wages, moving us closer to a livable wage, we did also raise our entry level wage to \$12 and expect to complete the process of adjusting existing staff wages after the first quarter of 2023 is closed.

Looking ahead, I see more natural food options moving closer to Pittsboro, which will mean increased competition for our little shop. On the other hand, every day we see more newcomers moving into the many developments in Chatham Park, presenting the store with an unprecedented opportunity to delight new customers and increase our ownership. What will our store look like in five years? What will Pittsboro look like in five years and how will Chatham Marketplace fit into it? I've enjoyed my conversations about this with our board and look forward to continuing the conversation further in the months to come. More than at any point in my five year tenure with the store, I feel like we are nearing a moment where Chatham Marketplace not only must reinvest in itself to stay relevant - it can reinvest in itself and dream big. I look forward to hearing your ideas about what we can be. See you on the sales floor.

2022 Consolidated Financials¹

Profit/ (Loss) Statements *January - December*

Total Operating

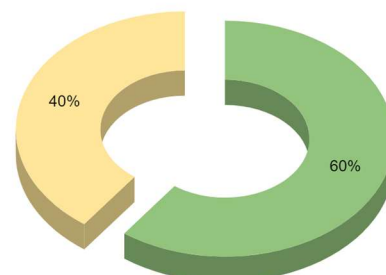
Income	2022	2021
Sales	2,469,000	2,212,000
Gross Profit	864,000	805,000
Personnel Expense	551,000	483,000
Operating Expense	894,000	790,000
Operating Profit	-30,000	7,000
Net other Income	21,000	182,000
Net Profit	-9,000	188,000

Balance Sheets *Year ends December 31*

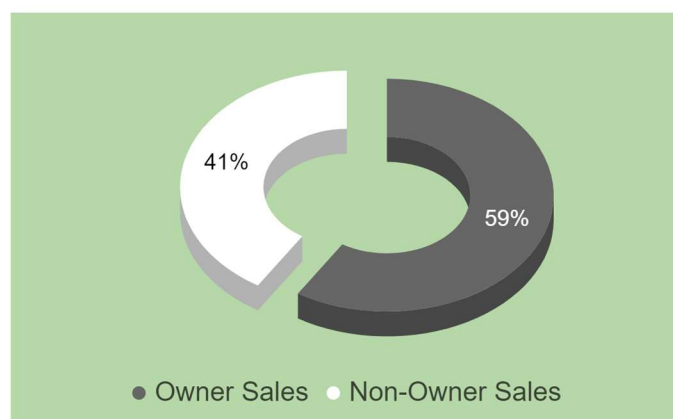
Assets	2022	2021
Current Assets	239,100	259,100
Fixed Assets	216,800	228,000
Other Assets	67,100	64,200
Total Assets	523,000	551,400

Liabilities

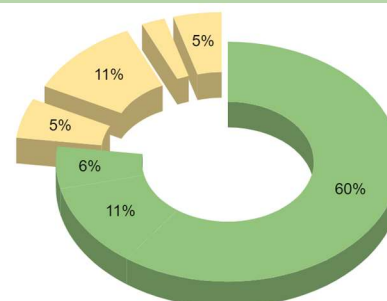
Current Liabilities	107,800	104,000
Long Term Liabilities	511,100	544,600
Total Liabilities	618,900	648,700
Ownership Shares	377,500	366,700
Retained Earnings	(464,000)	(652,200)
Total Equity	(95,900)	(97,300)
Total Liabilities and Equity	523,000	551,400



● Active Owners ● Inactive Owners



● Owner Sales ● Non-Owner Sales



● Grocery ● Produce ● Wellness ● Meat ● Café
● Cheese ● Sushi

¹ Financial reports are accurate as of April, 2023. The financial period is not "closed" at the time of this reporting. Figures might differ in future reports.