A close-up photograph of a woven basket filled with various root vegetables. In the foreground, there are several bright orange carrots with green tops, several light-colored parsnips, and a large sweet potato. The background shows more vegetables, including what appears to be a head of cauliflower and some green leafy herbs. The lighting is warm and natural, highlighting the textures of the vegetables.

OUTPOST
NATURAL FOODS

rooted in community

2023 Annual Report

President's Report

Ashley Fisher, Board President

One year ago, I spoke at the annual meeting, reflecting on the changing times at our co-op. The Board of Directors was actively engaged in the interview process for the successor of General Manager Pam Mehnert, who was nearing retirement. I ended that speech with these words:

“While change may be inevitable, and can at times feel uncomfortable or uncomfortable, it brings with it a sense of possibility and excitement. The Board looks to the future with enthusiasm and is committed to hiring a General Manager who will lead with vision and deep commitment to Outpost’s values and the owners we serve.”

I am pleased to introduce the person who we hired for the position, Ray Simpkins. You may recall that a year ago, Outpost was still seeking stable footing coming out of the pandemic, and was facing ongoing supply chain issues and economic turmoil. In the past nine months, Ray has carried the good work of his predecessor forward in responding to those challenges, while adding his own industry expertise and direction. Today, Outpost’s financial position is on solid ground.

I want to take a moment to point out how crucial that footing is to our cooperative. Our mission states the following: “Outpost Natural Foods exists so that our owners have a healthy, diverse, and sustainable community. We will accomplish this while maintaining the long-term strength of the cooperative.”

With our stability comes the stability of every small farm, every family operation, every local business owner whose products we buy and sell. With our stability comes increased access to services and products that promote environmental health and organic and locally produced goods. In his brief time here, Ray has proven his ability to maintain the strength of this cooperative. That strength will empower this cooperative to engage with Outpost’s mission and vision in ever more expansive directions.

Other changes have also taken place in recent months. The Board of Directors changed the title of General Manager to CEO. This choice was made because Outpost was not in alignment with the titles that executive leaders of multi-store cooperatives nationwide carry. Outpost opened as a single location in 1970, and the title general manager was appropriate for the leader of that store. Yet, as Outpost grew over time to four locations, the general manager’s title was not adjusted to reflect the position’s expanded duties. The Board of Directors voted unanimously in support of the change, bringing Outpost in alignment with industry standards.



The Board of Directors has also created a Diversity, Equity, and Inclusion Committee. This committee’s purpose is to engage with the policies that guide the Board of Directors and CEO in accomplishing their separate duties. Through this committee, we will ensure that diversity, equity, and inclusion are not concepts addressed on an ad-hoc basis, nor will they be subject to the individual preferences of future CEOs and board members. Instead, diversity, equity, and inclusion will be baked into the policies that underpin Outpost’s governance and operational activities.

In conclusion, I want to affirm the powerful work taking place across this organization. Executive leadership transitions are one of the hardest changes an organization can undergo. The Board of Directors would like to express gratitude to all of the staff who are supporting Outpost during this transition year. We are grateful to Ray for accepting the position and pouring his energy into this place. We are grateful to the executive directors who have welcomed Ray and worked diligently to meld Outpost’s rich history and culture with his new perspectives. And we are deeply grateful to the staff across Outpost’s stores who interact with owners and shoppers every day, making people feel welcome and connected in this place we call home.

Thank you for your shared ownership of Outpost.

A FOREST OF MANY TREES



By Margaret Mittelstadt,
Director of Community Relations

The first official meeting of Outpost’s Diversity, Equity, and Inclusion Committee took root on October 26, 2022. Having applied to sit on the team, the seven-member group consisting of clerks, managers, directors, and the GM, got to work immediately to awaken the team’s purpose of providing direction and gathering feedback in support of the co-op’s DEI Vision.

To begin, each team member completed the Intercultural Development Inventory (IDI) profile, allowing each to understand how they individually view diversity, equity, and inclusion along a continuum ranging from ‘denial’ to ‘adaptation.’ Combined results helped the team establish a starting point to work from by first understanding and comprehending their own individual biases toward DEI goals and outcomes.

Branching out from there, the group set out to identify key DEI focus topics for learning and began building resources for further learning and possible training. The initial work has sprung forth an anthology of annotated and documented summaries appropriate for Non-Supervisory Hourly Staff through Directors and the GM/CEO. This digital library of learning information has begun to leaf out and will be implemented in 2024.

Among HR tasks, preferred pronouns have been added to candidate screenings and for the new hire process as well as use of preferred first name, helping to affirm the co-op as a welcoming and safe workplace for all interested to work at Outpost. An ‘Employee Commitment’ including DEI Vision and expectations has been created for all staff to sign-off, scheduled for January 2024 implementation.

Eighth Co-op Principle Added By US Food Co-ops & Credit Unions

In Summer 2023, an eighth Cooperative Principle, Diversity, Equity, and Inclusion, has been recognized and adopted by National Co-op Grocers and US Credit Unions as a show of support for the change to be recognized by the International Cooperative Alliance. Prior to the creation of the DEI Co-op Principle, Outpost has been earnestly working on DEI-related initiatives since 2020.

Our Cooperative Principles

1 Voluntary and open membership

2 Democratic member control

3 Member economic participation

4 Autonomy and independence

5 Education, training, and information

6 Education, training, and information

7 Concern for community

8 Diversity, equity, and inclusion

Letter from our CEO

Hello Outpost Family!

I would like to take a few minutes to reflect on our performance for 2023, our goals for 2024 and what the landscape looks like for Outpost as we move forward.

Our financial performance for 2023 was a momentous success. Fiscal 2023 had one additional week, which occurs every seven years. That week appeared in Quarter 1 FY23. With the additional week, first quarter sales were up 9.4% over previous year and second quarter sales (without an additional week, were up 3.9%, right on budget! Third quarter sales rose to 6.8%, exceeding budget. Typical co-op multi-store performers were reporting below what we've seen last year (which was 3% or higher). Fourth quarter sales growth was 5.7%. This was a strong Q4 performance. Sales totaled \$48,544,774 which was an increase of \$191,586 versus 2022.

From an operations perspective our biggest success involved our merchandising team working closely with the stores to decrease inventory in key areas to build cash reserves and our purchasing team working with the Hub to decrease inventory. Shoring up those processes helped us to be more efficient in our operation. Store teams did an excellent job pushing merchandise to the sales floor just as the holidays were coming.

As you all know the competitive landscape is very saturated regarding selling groceries. Outpost has less than 1% market share, led by Pick 'n Save/Metro Market, Walmart, Costco, Meijer and Sam's Club. There will be more pressure on retailers like Outpost that do not have the size and our ability to offer best pricing and value. I think where we will be able to differentiate ourselves to be successful is promoting our niche that adds a distinct experience to those that shop us. I think we can all agree that a true Outpost shopping experience is unmatched. So, you can expect an enhanced experience in our café. You will see an investment on our checkout procedure where we attempt to be more efficient as well as focusing on where our owners are demanding things. Be on the lookout in your neighborhood store!

Our commitment to helping create a more sustainable community has awarded us great recognition this past year. The Wisconsin Sustainable Business Council recognized and awarded Outpost with the Maturing designation. It is a part of the Green Masters Program, and the award is given to an organization who has identified and is improving its performance in most material sustainability issues. An organization that is effectively engaging in sustainability and integrating systems to manage its performance in material issues. This is especially exciting because we are helping improve our environment. You will be happy to know our less plastic initiative is also underway.

Outpost also received the 2023 Best of Milwaukee Award for Organic Grocery, presented by the Shepherd Express. All of you play an important role in making this possible.



Staffing was a challenge for us this past year as we trained and filled 196 open vacancies with twenty-one being internal promotions. Getting back to coaching, teaching, and training for success was and remains a key focus in stores. Standard Operating Procedures are being taught to our new hires which will lead to a more efficient operation and strengthen the company culture.

Finally, as we navigate 2024, I would like to propose a challenge to all owners. This is a goal we can all work on together. We currently have a little over 21,500 owners, most of which are active. My challenge is to see if we can grow our ownership by 1,500 this year. If you know people who are similar to you with regard to shopping local vendors, believe in improving our world through a solid sustainability program, eat healthy, love to exercise or who are athletes; I want you to share your story as to why you love to be an owner and shop Outpost. Personal testimonies touch people differently, especially when it is someone you trust. We have an excellent product, let's share it!

There were a ton of exciting accomplishments you should be proud of in 2023 and you can look forward to many more. I am excited for where we are headed in 2024.

Warm Regards,

Raymore Simpkins

Ray Simpkins, CEO



Balance Sheets

Years ending September 30, 2023
and September 24, 2022

| | 2023 | | 2022 | |
|---------------------------------------|---------------------|--------------|---------------------|--------------|
| ASSETS | | | | |
| Current Assets | \$4,836,441 | 21.1% | \$3,827,740 | 26.5% |
| Property & Equipment | \$9,308,792 | 40.6% | \$9,447,951 | 65.5% |
| Other Assets | \$8,756,475 | 38.2% | \$1,141,452 | 7.9% |
| TOTAL ASSETS | \$22,901,708 | 100% | \$14,417,143 | 100% |
| LIABILITIES | | | | |
| Current Liabilities | \$4,066,900 | 17.8% | \$3,324,737 | 23.1% |
| Long-Term Liabilities | \$8,736,580 | 38.1% | \$1,357,818 | 9.4% |
| TOTAL LIABILITIES | \$12,803,480 | 55.9% | \$4,682,555 | 32.5% |
| TOTAL EQUITY | \$10,098,228 | 44.1% | \$9,734,589 | 67.5% |
| TOTAL LIABILITIES & EQUITY | \$22,901,708 | 100% | \$14,417,144 | 100% |

Statement of Income

Years ending September 30, 2023
and September 24, 2022

| | 2023 | | 2022 | |
|---|---------------------|-------------|---------------------|--------------|
| SALES | \$48,544,774 | 100% | \$45,588,823 | 100% |
| Cost of Goods Sold & Operating Expenses | \$34,188,018 | 70.4% | \$31,792,390 | 69.7% |
| Total Personnel Costs | \$12,462,498 | 25.7% | \$12,221,253 | 26.8% |
| Selling & Administrative Expenses | \$1,870,086 | 3.9% | \$1,131,075 | 2.5% |
| Net Operating Income | \$24,172 | 0.0% | (\$650,063) | -1.4% |
| Net Other Income (Expense) | \$85,111 | 0.2% | 372,449 | 0.8% |
| Net Income (Loss) Before Income Taxes | \$109,283 | 0.2% | (\$277,614) | -0.6% |
| Provision for Income Taxes | \$33,000 | 0.1% | \$3,000 | 0.0% |
| NET INCOME (LOSS) | \$142,283 | 0.3% | (\$274,614) | -0.6% |



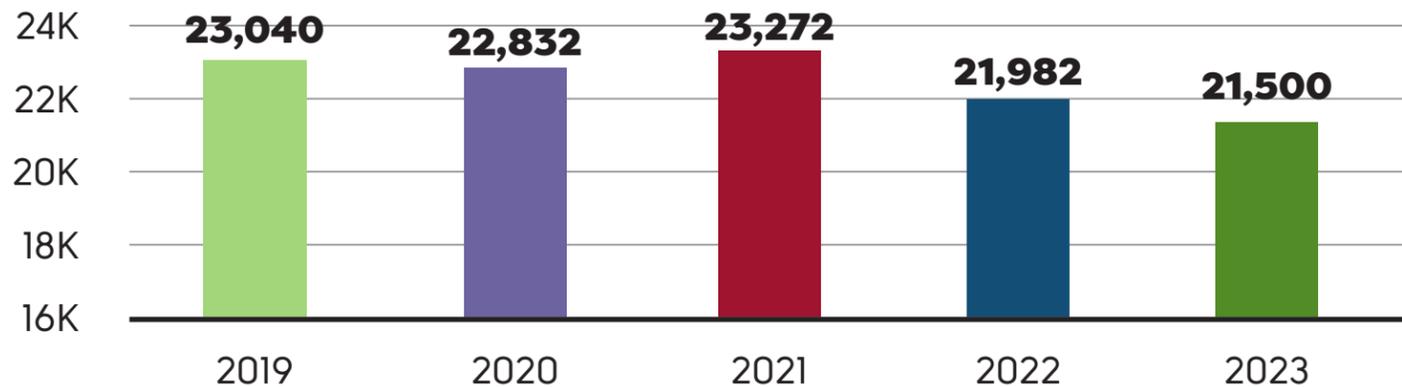
By The Numbers:

Melissa Drews, Board Treasurer

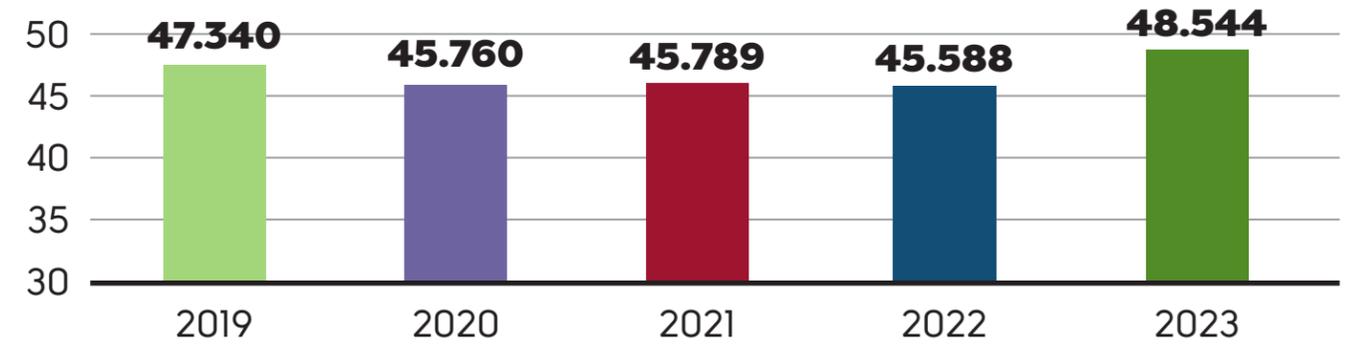
Consistent with previous years, the board utilized the services of Wegner CPA to provide an independent evaluation of our financial statements, balance sheet, and related statements of income, equity, and cash flows. We are pleased to report that Wegner gave a clean opinion on their audit of our financial position. Over the past year the co-op was presented with many ongoing challenges. Issues such as continued inflation and wholesale price increases both impacted Outpost's overall operational results. Despite this, there were some positive outcomes for the year. We steadily improved our overall financial health in fiscal 2023 and for the first time since fiscal 2018 the Outpost Board of Directors is pleased to have declared a patronage rebate for our owners. We experienced a growth in sales in line with our anticipated budget for the year, with a strong performance in the fourth quarter. We added to the value of current assets in property and equipment with the purchases of updated equip-

ment for our Capitol Drive location and finalized expenses for the remodel and expansion of our Bay View store. We also fixed issues with our gross margin by carrying out strategic plans to decrease immediate payables and reduce expenses on inventory. Our debt to equity remains under our adjusted goal of 1.75:1, which was necessitated by the addition of \$7 million in debt to our annual financial statements to comply with the lease liability rule that went into effect for this fiscal year. While it appears that the number of active owners is continuing a trend toward decline, due to the changes to our equity payment structure in 2022, active ownership has been balancing out as anticipated and increasing over the past three consecutive quarters. Into this current year, we will continue to engage in efforts to grow our ownership. The board is optimistic that we can continue to face any challenges ahead with the same positive outlook that got us to this point within our history.

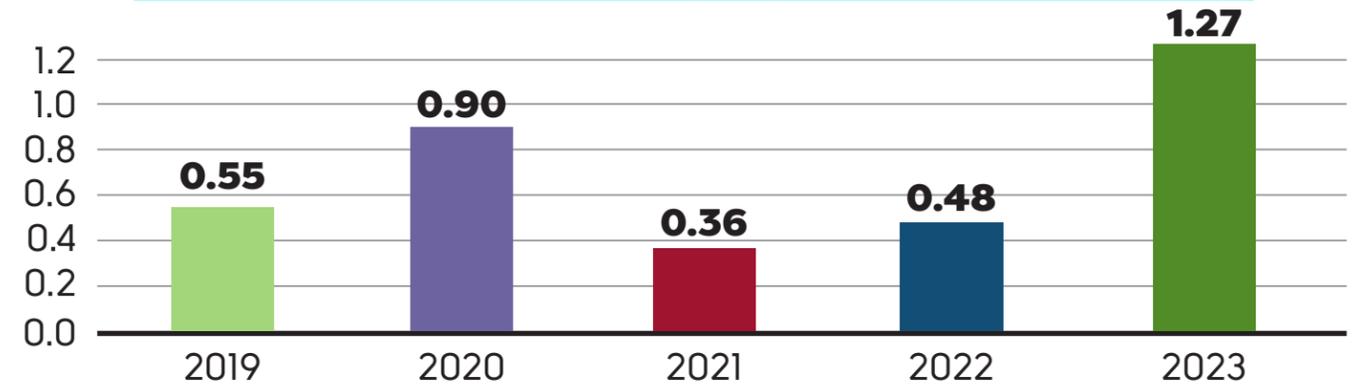
Number of Active Owners



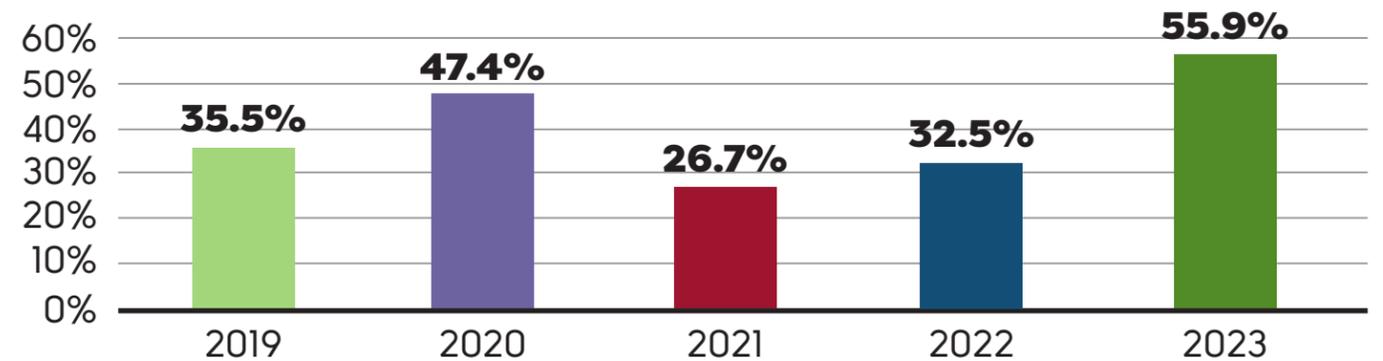
Sales (in Millions)



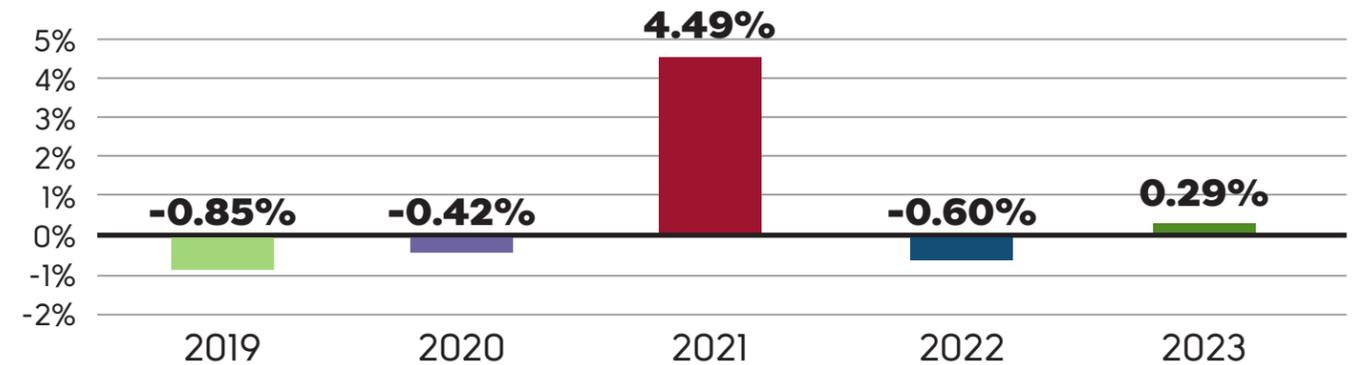
Debt to Equity Ratio



Debt as % of Assets



Profits as a % of Sales



Rooted in Sustainability

Our Mequon store solar generated **45,010 kWh** of energy

We composted **229.75 tons** of food scraps

71% of all waste generated was diverted from landfills

Our total Local/Regional sales were **34%**

Our total organic sales were **44%**

Outpost is ranked **#27** on the EPA Green Power Partnership Top 30 Retail List



Mequon Store still LEEDs the Way

Our Mequon store received a LEED Silver Certification in green building design and construction from the U.S. Green Building Council when it was built in 2014. LEED stands for Leadership in Energy and Environmental Design and comprises a rigorous rating system for such areas as site use, water efficiency, energy and atmosphere, indoor environmental quality, and innovation. Outpost is only one of 2 retail grocers in Wisconsin earning a LEED Silver certification. A 56-kWh rooftop solar array was added in 2018 and the energy generated there helps to offset the co-op's overall environmental impact.

Good News for Renewable Energy

Outpost signed a new 3-year contract for Renewable Energy Credits (REC) with our renewable energy partner 3Degrees. Purchasing RECs allows Outpost to reduce the environmental impact of the electricity and natural gas that we use by matching that carbon-based consumption with purchased credits used to develop renewable energy projects. Outpost's credits will be used for wind production. The environmental benefit of our RECs is equivalent to taking **498 cars** off the road for each calendar year of our contract.



Cardboard Recycling Costs

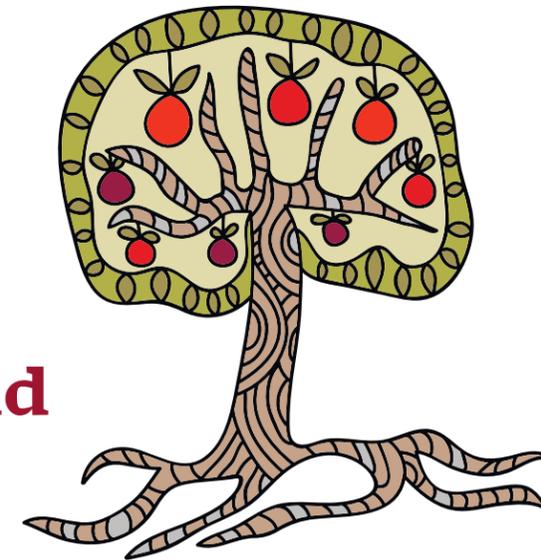
A lot of cardboard and corrugated packaging moves through your co-op to bring you the foods you love. Usually, Outpost is paid by the ton to recycle these materials, however, in 2023, the reverse happened, and we had to pay a total of **\$7,820.00** to have our cardboard bales picked up, a result of a downturn in the recycled paper market. This added cost was not anticipated and contributed to the co-op's operational costs. Toward the end of the fiscal year, we started to see these costs start to come down and anticipate being reimbursed once again for our cardboard recycling efforts!

EV Fast-Chargers Grow Dim

Electric vehicle (EV) fast charge stations were installed at no cost to Outpost at each of our four stores back in 2016. Installed as part of a program between Nissan Auto and ZEF Energy to build up the EV grid, the chargers were popular places to 'top off' battery stores for EV owners. In 2023, a contract dispute between ZEF Energy and station maker EVgo resulted in the units permanently taken offline and removed. Outpost had no ownership or control of the situation. We continue to investigate installing our own EV charger. High installation costs may short-circuit our efforts. If EV charging is important to you as an owner, let us know!

Local & Growing: The Little Orchard That Could

By Michael Sorensen, Multi-Media Editor



Breaking up is hard to do. Since the 1970's Outpost brought apples in by the bushel through a partnership with Mequon's Barthel Fruit Farm. When Bob Barthel and Nino Ridgeway retired in 2019, new owners Sue and Jeff Knudsen kept the apples coming... and then the pandemic hit, and everything changed.

Sue and Jeff found themselves stretched too thin with waves of people visiting their farm for quarantine relief, forcing them to focus solely on selling apples at their spacious farm. Outpost's longtime Produce Category Manager, William Quinn, understood Barthel's choice but wondered what our shelves would look like without a vendor who was with us from the start.

"It wouldn't be Outpost without local produce. It's what we are. We had to have a local apple grower."

Enter Patterson's Orchard.

"We have close to 5,000 trees altogether," third generation apple farmer Jay Patterson tells Outpost. "My grandfather and father planted these trees together back in 1947. We have about 35 different varieties of apples. The season kicks off with Zestar, Ginger Gold and Paula Red apples and then it just keeps getting busier from there: McIntosh, Gala, Honeycrisp. Thanks to advances in ripening technology and our cold storage facilities we'll have fresh apples well into the winter and beyond."

Like most farmers, the biggest threats to success are twofold: the weather (good luck influencing that) and pests. The apple's fruit can be especially tricky when it comes to insects.

"Insects seem to like apples at all stages of the fruit's lifetime," Jay tells me with a soft chuckle. "It's not just one kind of bug you have to be on the lookout for. One insect likes to attack the apple when it's a flower, another might show up when it's just turning ripe, and another might appear on the scene at peak ripeness. It's a constant battle."

To gain an upper hand Patterson's (just like Barthel's) uses Integrated Pest Management, an environmentally sensitive approach to pest management that relies on a combination of common-sense practices using only the very minimum amount of chemicals necessary to keep their harvest intact.

"We hire an entomologist who comes out and sets traps for the insects so we can figure out what kind of pest we're dealing with. If there's not a lot of pests, then we don't have to spray. If we do have to spray, we use the least harsh chemicals we can. They cost more, but it's better for the people and us, as the grower, to handle. We try to limit how much we spray as much as possible."

Jay says that an anonymous someone on social media called Patterson's the "little orchard that could" and we couldn't agree more.





FRIEDENS FOOD PANTRIES HOSTS

Empty Bowls

IN DOWNTOWN MILWAUKEE

In October 2022, the annual Empty Bowls event in Milwaukee returned to an in-person fundraiser with a new non-profit host: Friedens Food Pantries. Guests sampled soups from local businesses, like Outpost, and chose a one-of-a-kind bowl made by a local potter or wood worker. Friedens surpassed their fundraising event goal of **\$60,000** and Outpost sold leftover bowls at our stores, raising another **\$11,175** to help alleviate hunger in our community.



Saying good-bye to Produce to the People



It proved to be a whirlwind year for the popular Produce to the People program, a partnership with our friends at Hunger Task Force which provided a 50% discount to Wisconsin FoodShare recipients for fresh produce purchased at Outpost. We celebrated the program's one-year anniversary in April, and then we saw its unforeseen demise at the beginning of November due to a lack of funding from the USDA Gus Schumacher Nutrition Incentive Program (GusNIP). The GusNIP grant was the source of the reimbursements to Outpost for the discounts provided.

Produce to the People was efficient and effective and brought a lot of delicious food and joy to people's lives. FoodShare customers needed to only show their state provided Quest EBT card and sign a voucher of proof of participation to receive the dis-

count. Since April 2022, customers came through Outpost cashier lanes thousands of times and saved more than **\$435,000** on fresh wholesome produce at all of Outpost's four store locations. Produce sales supported local and regional farmers and growers, and organic, too. A win-win.

In co-op fashion, Outpost engaged a "Take Action" campaign for all our customers to write their elected representatives in Congress to express their disappointment. More than **190** newsletter subscribers clicked on the links provided while numerous letters were collected at stores and sent en masse. Hunger Task Force reported that aides from Representative Gwen Moore's office called inquiring about why they were receiving all those letters!

The abrupt change in funding came as a jolt to us, as the program showed to be ex-

cellent in performance on its stated objectives. The whiplash effect was felt by many, but most acutely by program participants. Even though the grant application through Hunger Task Force was strong and sound, ultimately the USDA failed to recognize the popularity of the program and the benefit it provided our community. In fact, no programs in Wisconsin received funding from GusNIP.

Time will tell if Produce to the People can be restarted as we continue to seek a sustaining source of funding. Customers told us of the pain and hardship they have experienced, and we heard from stores of the customers they miss seeing in the stores. Co-ops are a vital part of a healthy, diverse, and sustainable community. We want these opportunities to be experienced by all.

MILK MONEY

In Fiscal Year 2023, Outpost shoppers contributed an amazing **\$10,132** to our Milk Money program. A \$4.00 Milk Money donation (the average cost of a gallon of milk) at checkout supported both local food pantries and Wisconsin dairy farmers through Hunger Task Force's Wisconsin Dairy Recovery Program.

BUY A BAG

2022 was a record year for Outpost's Buy A Bag fundraiser. Outpost shoppers donated **\$105,558** to our program so that Outpost could purchase **\$211,116** worth of food for Hunger Task Force of Milwaukee.

EARTHQUAKE RELIEF

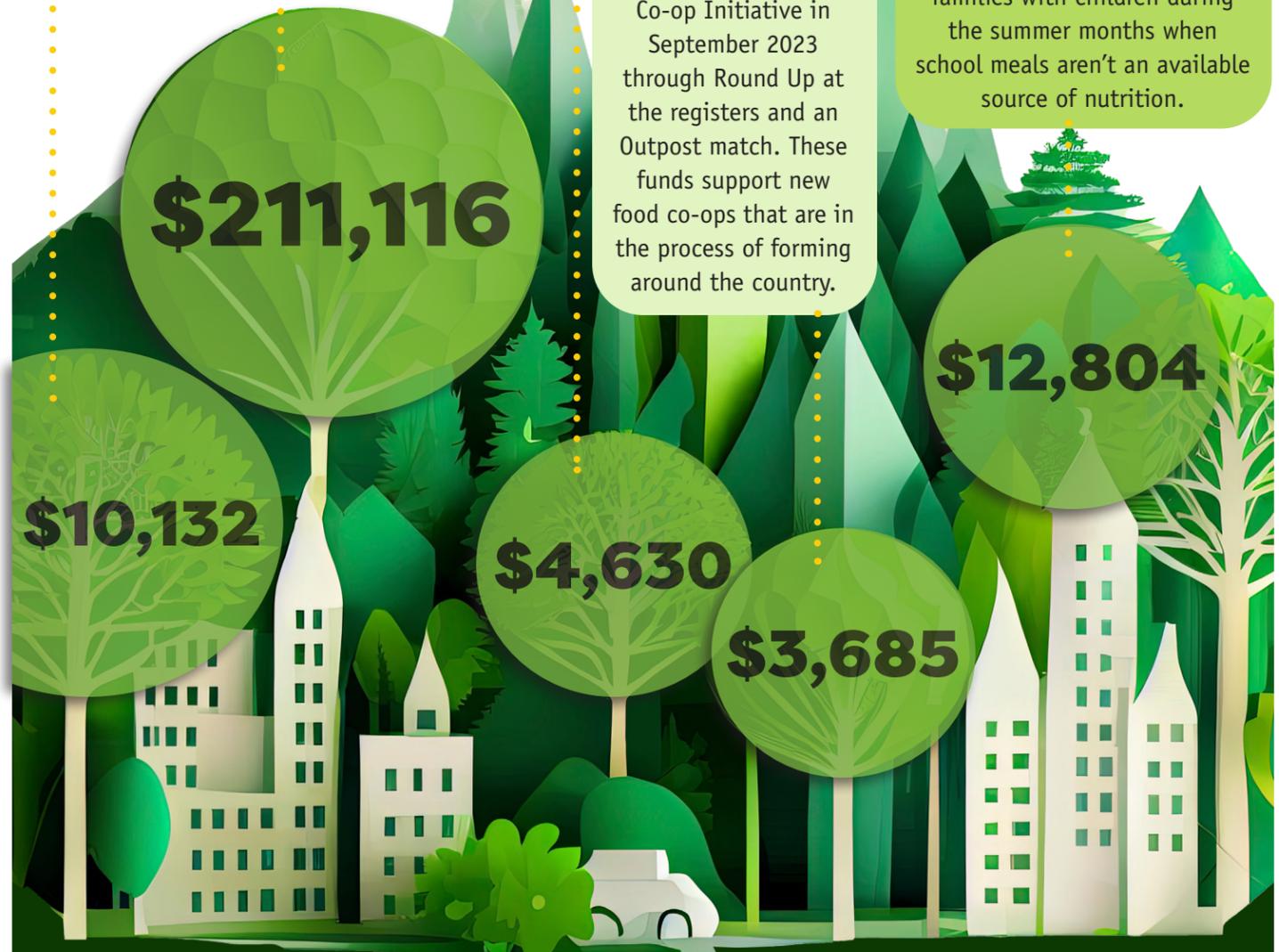
When a powerful 7.8 magnitude earthquake devastated southeast Türkiye and northwest Syria on February 6, 2023, Outpost shoppers sprang into action by rounding up their grocery totals to raise **\$4,630** for World Central Kitchen, a non-profit that fed earthquake survivors and rescue workers.

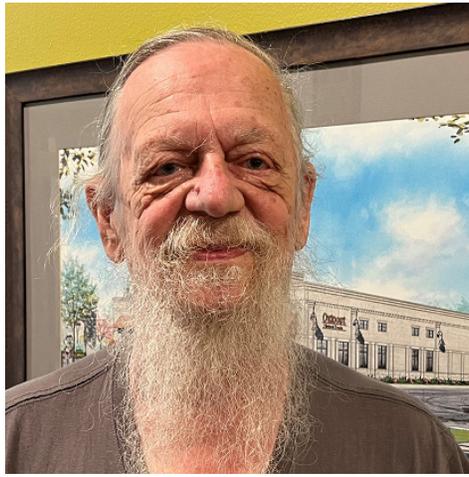
GO CO-OP

In the spirit of Co-op Principle 6 – Cooperation Among Cooperatives – Outpost raised **\$3,685** for Food Co-op Initiative in September 2023 through Round Up at the registers and an Outpost match. These funds support new food co-ops that are in the process of forming around the country.

THINK OUTSIDE THE LUNCHBOX

Outpost's 2023 Think Outside the Lunchbox summer fundraiser raised **\$12,804** in round up and cash donations at the registers. These funds help families with children during the summer months when school meals aren't an available source of nutrition.





Look Who Retired!

Clockwise from top left:

Pam Mehnert – 42 years at Outpost

Pam was Outpost’s General Manager for more than 35 years and retired in June following a 42-year-career with the co-op. She led our business from a \$2 million-dollar single location to a \$50 million-dollar operation that includes four retail stores, a central production kitchen, central office and warehouse, and multiple wholesale accounts.

Anu Skinner – 29 years at Outpost

In 1993 Anu was hired to be the Calendar Editor for our former publication the Outpost Exchange. When Graze magazine replaced The Exchange as Outpost’s main print publication, his job transitioned into the Marketing Graphics Department as an ad and sales flyer designer.

Tom Kneuppel – 22 years at Outpost

In May 2001, Tom was hired as the Assistant Store Manager at our Capitol Drive store, then moved on to Store Manager at the Wauwatosa store, the Bay View store, helped to open our Mequon store and was then store

manager there for many years. For the past couple of years, Tom was a rotating Store Manager at all of our locations.

Bob Martynski – 20 years at Outpost

Bob, Café Journey person at Outpost’s State Street store, began working at our co-op in 2002, only two years after that location opened and remained in this department his entire career at Outpost.

Bill Blank – 16 years at Outpost

Bill worked in our State Street store’s café as a Journey person. Bill was a longtime volunteer in our early years on Holton St. He was our dishwasher extraordinaire and a master cleaner.

Carlos Mazul – 9 years at Outpost

Carlos was our Construction & Repair Manager who grew the department by adding multiple employees and growing our internal preventative maintenance programs, as well as working to streamline equipment and parts across the locations.



2826 S. Kinnickinnic Avenue
Milwaukee, WI 53207

100 E. Capitol Drive
Milwaukee, WI 53212

7590 W. Mequon Road
Mequon, WI 53092

7000 W. State Street
Wauwatosa, WI 53213

www.outpost.coop