

2021 TRANSPARENCY REPORT





Phoenix

A mythological bird that lived for centuries in the Arabian desert prior to burning itself on a pyre—obtaining new life by arising from the ashes from its predecessor.

A NOTE FROM OUR COOPERATIVE GENERAL MANAGERS

OUR STAFF had been fully vaccinated by May, and by the time we finally reopened for indoor dining in August we'd already been living and operating in a pandemic for 17 months.

We'd seen our neighborhoods and the world change. We'd lost friends, relatives and customers to the pandemic. But we were careful, and we were deliberate and it was time: after all, what was a community coffee shop without its community?

Many of the things we'd worried about in 2020 had returned to some semblance of normalcy: our partners at Rust Belt Riders were back in action, dutifully hauling compost from our six locations; we had our first in-person managers

meeting in a year and first all-staff party in two; and scientists told us that we didn't need to worry and could use customers' mugs that they brought from home. We kept roasting coffee and brewing it, and you kept coming in.

Community started growing back—like wildflowers blooming in the cracks of concrete.

But other things would only grow more complicated, like Delta, and Omicron, and cup shortages, shipping delays, inflation, and the most competitive job market in many of our lifetimes. Vaccination rates stalled and Americans gave up masking just like they gave up on democracy.

The pandemic dragged on.

In many ways, 2021 felt like a sequel to 2020—more complicated, less exposition, and kind of a slog toward the end. But we found moments that gave us hope, and a community to share them with.

Like last year, this year's report is structured a bit differently, reflecting the current disruption, but we once again strive to present a picture of our company as it exists today and as we'd like to exist in the future. As we move into 2022, we hope that a normalization and return to normal operations allows us to rebuild the relationships we haven't been able to attend to due to the pandemic and re-commit ourselves to important environmental, sustainability, and diversity and inclusion work.

Rounding the corner in 2022, we look forward to a safe reopening of indoor dining and the opportunity to help rebuild and restore community through delicious coffee.



Christopher Feran & Shane Hinde
co-general managers,
Phoenix Coffee /
Ohio PC Cooperative

THIS REPORT SEEKS TO REFLECT ON HOW WELL WE ACHIEVED OUR PLEDGES:

seek out producers who share our values, buy their coffee year-over-year, and pay above the long-term cost of production;

hire dedicated, curious, playful minds who share our values, regardless of economic status, sex, gender, race, ethnicity, or creed;

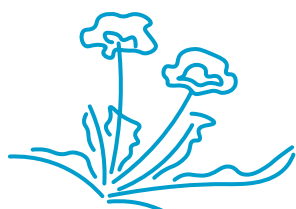
seek to hire and promote from within before exploring external candidates, for all positions at all ranks;

create a sustainable business environment considered with long-term viability rather than short-term dividends;

use our resources to support responsible businesses who are, when possible: local, progressive, and that value economic, social, and environmentally sustainable practices;

democratize wealth and create economic opportunity for our members and partners through cooperative ownership;

live by these values as we cherish those values and our people greater than maximizing profits.



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Thank You

2021 IN REVIEW



DEMOGRAPHICS

33

employees,
company wide

MANAGEMENT

SEVEN

total across retail
& production

THREE

non-cismen

ONE

non-white

2

veterans

WHO WE ARE

EMPLOYEE TENURE

70%

EMPLOYEES WITH
TENURE GREATER
THAN 12 MONTHS

45.5%

EMPLOYEES WITH
TENURE GREATER
THAN 5 YEARS

AVERAGE TENURE & NUMBER ON STAFF

4 YEARS,
0.4 MONTHS

for baristas (22)

7 YEARS,
6 MONTHS

for leadership (8)

4 YEARS,
4.7 MONTHS

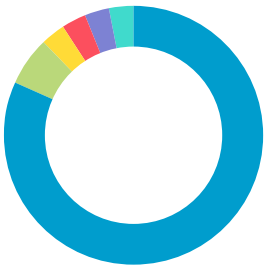
for all cafe staff (26)

6 YEARS,
8.9 MONTHS

average tenure,
cooperative members

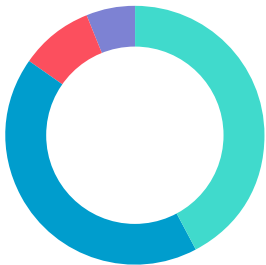
RACIAL IDENTITY

- White
- Hispanic/Latinx
- Asian
- Black/African American
- Middle Eastern Arab
- Multi-racial



GENDER IDENTITY

- Cisgender female
- Cisgender male
- Genderqueer, non-binary, gender fluid
- Trangender male/man



Phoenix experienced turnover in 2021 related to pandemic-related disruptions and management turnover. Our greatest failure as a company is in not creating or retaining a more diverse and inclusive workforce.

The whiteness of specialty coffee as an industry is a well-known and widely observed phenomenon that often results in exclusion of non-white individuals from consideration and the self-selection of white individuals for employment. The increasing whiteness of the neighborhoods in which we operate compounds this problem. In 2022 we must be cognizant of our deficiencies and the need to create a more diverse cooperative that more accurately reflects the community we hope to serve and engage in more robust, strategic recruitment to fill new openings.

Data was collected through a self-reported survey of all employees using responses from 100% of respondents.

WAGES

AVG. HOURLY BARISTA WAGE
excluding tips and benefits

\$10.89
PER HOUR



OUR LONG-TIME PHOENIXERS

This company wouldn’t be what it is without the contributions of those who have shared their time, skills, passions and energies with this company over several generations of baristas, managers and two (or sometimes three) logos.

Employees who have been with Phoenix for more than a year working more than 28 hours per week for a year are eligible to become employee-owners in our cooperative.

Thank you to those Phoenixers who’ve been with the company for five or more years:

- Lily Brnicevic COVENTRY
- Ivan Cardona COVENTRY
- Keith Kornajcik OHIO CITY
- Amber Finucan LEE ROAD
- Christopher Feran HQ & ROASTERY
- Jules Handley OHIO CITY
- Shane Hinde HQ & ROASTERY
- James Hollis HQ & ROASTERY
- Peter Matuszewski LEE ROAD
- Matt Manieri OHIO CITY
- Stephen Shaum DOWNTOWN
- Joanna Van Rensselaer OHIO CITY
- Sheerin Sandhu COVENTRY
- Britney Strouf DOWNTOWN
- Kevin Strang COVENTRY



FINANCIAL TRANSPARENCY

PAYROLL
PROTECTION

WHEN THE SHUTDOWN ORDER came in March of 2020, we faced an impossible situation. Our choices were limited: declare bankruptcy, lay off our staff, and close our doors forever, or find a new path forward—even if it looked very different from the Phoenix of 2019.

We pivoted to carry-out only and changed the way we operated in an effort to keep our doors open and keep our staff on payroll. We offered voluntary furlough to any staff who felt uncomfortable working, were at high risk, or for any other reason. Downtown, where sales were slow, we temporarily closed one of our stores as the city sat quietly.

When the Payroll Protection Program was introduced, we applied immediately, looking to use it as a lifeline to retain our staff and operations. Before we received the first round of PPP funding on April 23, 2020—which we used before

our conversion to a cooperative in October of that year—we had just 19 staff left on our payroll. When we received our funding, that number increased to 42—a number that we maintained through the 8 week funding period.

Our second round of funding came after our cooperative conversion, in 2021. In the time between our two disbursements, we'd adjusted our operations significantly—consolidating our two downtown stores into one operating unit to reflect the continued state of disruption in both of the downtown neighborhoods where we operate, maintaining smaller teams at each café in order to give staff the opportunity to work longer shifts and more hours while we scheduled in covid pods, and keeping our operating model lean. Because our conversion to a cooperative necessitated that we create a new legal entity for the company, the

SBA's and Huntington Bank's review of our application for our second round of funding took longer than we'd hoped—and when we finally received our funding 3 months after we applied, on May 19, 2021, we were months past the most dire weeks of our winter slowdown.

We were able to extend the second round of PPP funding to a 24 weeks period per the law's guidance, and used the funding exclusively for payroll enhancements—including increasing hours where we could, implementing hazard pay and back pay for hours that had been cut previously during our first winter operating amidst a pandemic.

Because these programs are funded by the public trust, we feel transparency about how we used these monies is important, beyond what is otherwise required or publicly available.

Payroll
Protection
Program
Funds
Utilization

	PPP 1 8 week period	PPP 2 24 week period
DISBURSMENT DATE	4/23/2020	5/19/2021
LOAN TOTAL	\$232,412.00	\$325,377.00
PAYROLL RENT UTILITIES SUPPLIER COSTS	<div><div><div></div><div></div><div></div><div></div></div><div><div>\$191,576.25</div><div>\$28,246.60</div><div>\$9,272.45</div><div>\$11,378.58</div></div></div>	<div><div>100% OF FUNDS DISBURSED TO PAYROLL</div><div>\$325,377.00</div><div>\$0.00</div><div>\$0.00</div><div>\$0.00</div></div>
EMPLOYEE RETENTION	START 42 END 42	START 31 END 34
LOAN FORGIVENESS	100% forgiven	100% forgiven

CO-OP

FIRST CLASS OF EMPLOYEE-OWNERS

14 COOPERATIVE MEMBERS
7 baristas, 7 leadership

6 EMPLOYEES ANTICIPATED TO BE
ELIGIBLE FOR EMPLOYEE-OWNERSHIP



Ivan Cordona



Amira Fahmy



Christopher Feran



Shane Hinde



Joanna Van
Rensselaer



Sheerin Sandhu



Stephen Shaum



Rachel Starnik



James Hollis



Keith Kornajcik



Peter Matuszewski



Sean Miller



Kevin Strang



Josh Weiss



OUR IN-HOUSE

KITCHEN

OUR STRATEGIC PRIORITY of building an in-house program to produce our own pastry and to scale our oat milk production necessitated investments in equipment and infrastructure such as a 60-liter mixer, new oven, and a walk-in cooler and freezer as well as personnel, expanding our kitchen program to include one full time Manager of Culinary Operations and a part-time production staff member. Additionally, we consolidated the vision for our retail food program under our kitchen to rebuild a unified and interesting program complementary to our beverage program.

We envision that our sourcing standards for our kitchen will meet the standards established by our coffee program in its transparency and commitment to working with producers and vendors who share Phoenix's values.



Our 2021 producer and supply chain partners were:

Ohio City Farm

Cleveland's largest urban farm—and one of the one of the largest contiguous urban farms in the U.S. at 6 acres in size—sits in the heart of Ohio City just blocks from our store at Bridge Ave and West 30th. The farm is jointly administered by Ohio City Incorporated and the Cuyahoga Metropolitan Housing Authority, and operated by The Refugee Response. From Ohio City Farm, we purchased produce such as peppers, tomatoes, and herbs that went into our house-made scones.

Quarry Hill Orchards

In the summer and fall, when the team wanted to take advantage of the abundant seasonal fruits grown in Ohio, we turned to Quarry Hill Orchards, a 130 acre, family-owned fruit farm whose history extends back three generations to 1929. From Quarry Hill Orchards, we purchased peaches.

Green City Growers

Before helping Phoenix convert into a worker-owned cooperative by providing financing to the cooperative to purchase the company, Evergreen was in the business of setting up worker-owned businesses, such as Green City Growers, a large-scale hydroponic greenhouse that produces specialty greens, herbs, and micro-greens at East 55th and Kinsman. We purchased basil from Green City Growers.

PROGRAM

COFFEE

2021 created a new set of challenges for coffee.

Disruptions related to Covid-19 continued beyond a single harvest, leading to labor shortages causing fruit to go unpicked and coffee at warehouses unmilled; political instability which made in-country logistics challenging; and shipping container shortages and port delays, extending transit times and costs far beyond those from the pandemic's first year.

TOWARD THE END of the year, the c-market experienced a rally, carrying the commodity price index to its highest levels in over a decade. While this might seem to benefit producers, who have long suffered from a c-market index price well below costs of production, inflation, unfavorable exchange rates, as well as higher costs of labor, transportation and inputs drove costs higher still, exacerbating an already delicate situation.

Our longstanding partnerships with the coffee producers we work with helped to insulate Phoenix from some of the worst of these pressures, but as we head into 2022, we expect to necessarily see significantly higher prices for green coffee around the world—from Ethiopia to Brazil and Colombia.

Even as we face this uncertainty into the next few years, Phoenix remains committed to our sourcing philosophy:

We work with producers who are committed to growing specialty coffee using economically and environmentally sustainable methods. We seek out producers who are willing to question the status quo of how coffee is grown, processed, and sold.

We commit to purchase directly from producer partners over multiple harvests in order to create trust and financial stability as well as encourage experimentation.

We pay producers above their costs of production and build in premiums to subsidize hiring experts such as agronomists and processing specialists.

We see the coffee producers we work with—as well as our supply chain partners at import and export—as members of our community.

METHODOLOGY OF REPORTING

Phoenix Coffee is a founding contributor and an active annual data donor to the Specialty Coffee Transaction Guide (SCTG) project through Emory University (<http://transactionguide.coffee>). The Specialty Coffee Transaction Guide compiles data donated from roasters, importers, exporters and coffee producers around the world to create an alternate price index to the c-market. Every year, we submit our contract data to the project for inclusion in the Specialty Coffee Retail Price Index. Beginning with last year’s report, we use the reporting data we submit to SCTG in our own Transparency Report for the sake of continuity.

All of the prices indicated are FOB prices (“free-on-board”), which is the price at the point of export. Just under one-third of the producers we work with self-export, meaning that they receive 100% of the FOB price. FOB includes, in addition to farm-gate price (the price paid to the producer), costs for transportation, local financing, milling, costs, customs and export fees. FOB is not reflective of the total price paid for green coffee as it does not include any fees incurred after export such as import, customs and FDA inspection, storage, financing, or transportation to our warehouse in Cleveland. This is not the most

granular way to look at coffee pricing in terms of farm-level sustainability; however, FOB does indicate at how much money from each contract stays within a producing country and is, therefore, a reasonable metric for assessing purchasing practices. Our work selecting exporters and directly contracting with producers who do not self-export helps to mitigate the opacity that might otherwise exist in the value stream.



2021 Transparent Trade Coffee

REPORTING OCT 2020—SEPT 2021

18 CONTRACTS | 26 LOTS PURCHASED | 17 FIXED-PRICE CONTRACTS



52%
PERCENTAGE OF
SELF-EXPORTING
PRODUCERS

Single Origin Program

\$3.73 WEIGHTED FOB PRICE | 19% PERCENTAGE OF VOLUME

100% VOLUME ABOVE PRODUCER PROFITABILITY

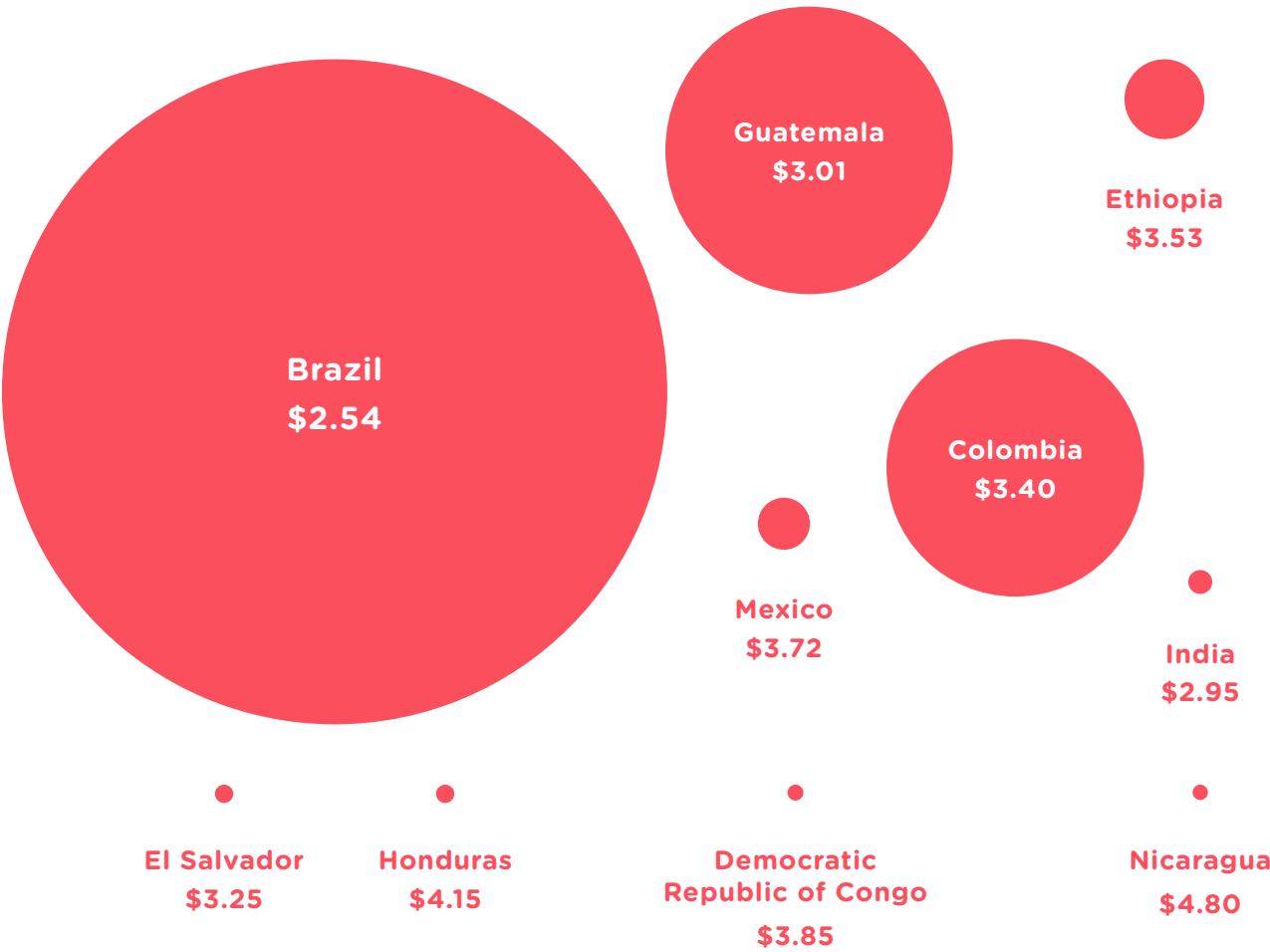
Weighted Average Cup Score



In 2021, 94% of our coffee contracts were fixed-price contracts and 100% were negotiated above the costs of production.

It’s important to note that every country has its own unique system of export and export regulations as well as land use, efficiencies and scale. In places like the farm we purchased from, in Brazil, where production is heavily automated, highly efficient and large scale, the cost of production is significantly lower. For this reason, our aggregated, weighted average FOB price skews low as coffee from Brazil is a core component of our blends.

Our purchasing, by country:
COUNTRY PERCENTAGE WEIGHTED FOB



Our multi-year partner producers featured in 2021 include...



CORE RELATIONSHIPS

- Ana Vizcaino, Finca Esperanza Guatemala**
2017, 2018, 2019, 2020, 2021, committed for 2022
- Abdul Wahid Sherif, Kossa Geshe Ethiopia**
2015, 2018, 2019, 2020, 2021, committed for 2022
- Mártir producers group Colombia**
2018, 2019, 2020, 2021, committed for 2022



ESTABLISHING RELATIONSHIPS

- Ernedis Rodriguez Colombia**
2020, 2021, committed for 2022
- Familia Boza El Salvador**
2020, 2021, committed for 2022
- Israel Ramirez Honduras**
2020, 2021, committed for 2022
- Kinini Village Rwanda**
2018, 2021, committed for 2022
- Luis Alberto Balladarez Nicaragua**
2020, 2021, committed for 2022
- Neja Fadil Ethiopia**
2020, 2021, committed for 2022

We are committed to our sourcing policy which includes working directly with producers who share our values and support their financial sustainability by paying them above the cost of production and also committing to multiple harvests.



BEGINNING RELATIONSHIPS

- Mighty Peace Coffee DR Congo**
2021, committed for 2022
- Shreedev Hulikere India**
2021, committed for 2022
- Ture Waji Ethiopia**
2021, committed for 2022

THANK YOU



Thank you to our local bakery partners: **Cleveland Bagel Company** and **Floressa**. As we begin to grow our own in-house baking program, thanks for keeping our case full of delicious selection.

Thank you to our innumerable partners at home, such as **Rust Belt Riders**, who help us continue to make our world look more like the world we want to live in.

Thank you to our **wholesale customers**—we couldn’t ask for better friends, collaborators and partners. It’s been a pleasure masking up and hanging in with you.

Thank you to our countless partners at origin—coffee producers, experts, exporters, and agents. **Ana, Diego, Anamaria and Francisco Vizcaino; Kyle Bellinger and José Vargas; Didier Javier Pajoy Ico; Neja Fadil; Abdul Wahid Sherif; and Moata Raya**—We’re looking forward to seeing you all again very soon.

Thank you to **Evergreen Cooperatives**. Thank you for believing in us and our vision enough to write a check on our behalf and help us achieve our goals of converting to an employee-ownership model and continuing to support and guide us as we grow.

Thank you to the **entire crew at Phoenix**—the most incredible humans we’ve ever had the pleasure of working alongside. We’re thrilled to embark on our adventure in cooperative ownership with you.

And finally,

Thank you to **you** for being a part of the Phoenix Phamily in 2021. We look forward to drinking coffee together in 2022 and the years to come.



