



P | F | M | A

Pennsylvania Food Merchants Association

2016 Annual Report

STRONGER TOGETHER



WHO WE ARE

The Pennsylvania Food Merchants Association is a trade association advocating for food retailers, wholesalers and affiliated businesses in Pennsylvania. Our nearly 800 retail members operate more than 3,500 retail food stores, employing more than 150,000 people in the Commonwealth.

We have

772

CORPORATE MEMBERS

1,933

CONVENIENCE STORES

884

SUPERMARKETS

51

OTHER STORES
(Superettes, Meat Markets,
Fruit Markets, Beer Stores, etc.)

14

PHARMACIES
(standalone pharmacies only
Many of our supermarket members
have pharmacies.)

38

WHOLESALERS/
DISTRIBUTORS

152

ASSOCIATE MEMBERS

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PFMA

Pennsylvania Food Merchants Association

"The mission of the Pennsylvania Food Merchants Association is to improve the public image, effectiveness and profitability of companies in the retail and wholesale food distribution industry."

CHAIRMAN'S MESSAGE

It's hard to believe that I'll finish my two-year term as your chairman in May. The two years went by quickly as we worked on many issues impacting the food industry.

The Pennsylvania Food Merchants Association (PFMA) had several legislative victories in 2016, and it continues to work on other issues to help create a positive business climate in the Commonwealth.

PFMA became an even stronger association in 2016 as the Pennsylvania Distributors Association (PDA) officially merged into our group during the annual conference last May in Hershey, Pa. With common legislative and regulatory issues, PDA members are a valuable addition to the PFMA board of directors. They provide input on the association's legislative agenda, annual meeting and other activities. Jeff Allen, Allen Brothers Wholesale Distribution, represents the distributors as one of three chairmen of PFMA's legislative committee.

Following the sale of business subsidiary MEMO Financial Services, Inc. to Catalina Acquisitions LLC. in October 2015, PFMA started a Corporate Leadership Sponsorship to help offset the association's operating expenses. Our board members provided sponsorships and solicited their vendors to join and sponsor PFMA. The sponsorship funds help the association continue to provide the high level of services our members expect. In our first year,

31 companies became Corporate Leadership Sponsors. I encourage all members to promote PFMA and urge your vendors to support PFMA's legislative and regulatory efforts.

We made a concerted effort to provide greater value to members through our "Lunch and Learn" webinar series in 2016. Experts on industry topics spend an hour sharing their knowledge on topics of interest to PFMA members. These successful webinars will continue in 2017.

Our education efforts also hit the road with our "Employment Law for Retailers" seminars. Attorneys from Cohen Seglias Pallas Greenhall and Furman PC educated retailers on their roles as responsible employers, including mandates for leave time, overtime rules, employee discrimination, and special rulings for union shops.

On the legislative front, PFMA welcomed a huge legislative victory as Governor Tom Wolf signed his historic adult beverage reform allowing food retailers with a Restaurant Liquor License the ability to sell up to four bottles of wine for off-premises consumption. In addition, the bill allows the PLCB the authority to



Paul Rankin
Country Fair, Inc.

"I encourage all members to promote PFMA and urge your vendors to support PFMA's legislative and regulatory efforts."

reissue licenses that haven't been renewed or revoked via an auction. Later, the association helped amend and pass legislation to make a few changes to the bill, including providing a sales tax credit for retailers who pay sales tax to the PLCB; changing the staffing requirement to require register staffing only when patrons are in the licensed premises; and eliminating an unofficial PLCB requirement for the licensed premises to have a separate entrance.



PFMA Chairman Paul Rankin, Country Fair, Inc., left; PFMA President and CEO David McCorkle, and Alex Baloga, director of external relations, met with Governor Tom Wolf, right, at his office on June 15 to discuss food industry issues including, adult beverage sales, border state competition, tobacco taxes and other PFMA policy priorities.



Great visit with U.S. Rep. Mike Kelly (PA-3) at his Sharon, Pa. office in March. PFMA Chairman Paul Rankin, Country Fair, left, and Jim Kupiewski, Country Fair, left, joined PFMA's Alex Baloga, second from right; for a meeting with the congressman to discuss swipe fee reform, border adjustment taxes and the EPA/RINS point of obligation issue. Below, Senator John Rafferty, a candidate for attorney general, talks with Justin Evans, Giant Eagle during the PFMA board meeting in May.



Other PFMA legislative victories included an increase in the minimum presumptive cigarette price, pharmacy audit standardization, lowering fees customers pay to cash a check; and helping secure a second delay in the FDA's menu labeling requirements.

In Philadelphia, PFMA and our members fought hard against Mayor Jim Kenney's beverage tax. We successfully reduced the proposed 3-cent per ounce tax to 1.5 cents per ounce, but unfortunately, Philadelphia City Council passed the bill and Mayor Kenney signed it into law. Since the tax's implementation in January 2017, our members have lost as much as 30 to 50 percent in sales and have said they will need to lay off workers. We continue to work with a business coalition in Philadelphia to eliminate the tax and find alternative funding for the mayor's pre-kindergarten programs.

Please review the legislative section of this report for a full recap of our legislative work last year.

Thank you for being a member of PFMA. Together, we can provide a united front on the issues impacting the food industry. If you are not already, I encourage you to take an active role in the association to get the most out of your membership. Join a committee, attend a conference, participate in a webinar, advertise the Ridge Scholarship or contact your lawmaker about an issue.

My thanks to the officers, board members and committee chairmen who freely offer their ideas, time and financial support to PFMA. You help make the association a stronger and more influential voice on the issues impacting our businesses daily.

Paul Rankin
PFMA Chairman
2015-17

PFMA LEADERSHIP



Chairman
Paul Rankin
Country Fair, Inc.
Erie, PA



Vice Chairman
Jeffrey Brown
Brown's Super Stores, Inc.
Westville, NJ



Treasurer
Richard Wood III
Wawa, Inc.
Wawa, PA



Secretary
Thomas Cormier
Ahold USA, Inc.
Carlisle, PA

Jeff Allen

Allen Brothers Wholesale Distributors, Philadelphia, PA

Samuel Anderson

Pump n Pantry, Montrose, PA

Jim Bello

Bello's Shurfine, Erie, PA

Carole F. Bitter

Friedman's Freshmarkets, Butler, PA

Bill Bracey

Bill's ShopRites, Covington Twp., PA

Ed Burda

Utz Quality Foods, Inc., Hanover, PA

Brad Chivington

Turkey Hill Minit Markets, Lancaster, PA

Don Conklin

Sunoco, Inc., York, PA

Michael Cotherman

McLane Company, Shipperville, PA

Dan Croce

Acme Markets, Inc., Malvern, PA

Lisa Dell'Alba

Square One Markets, Inc., Bethlehem, PA

Joseph Della Noce

SUPERVALU, Inc., Mechanicsville, VA

Justin Evans

Giant Eagle, Inc., Pittsburgh, PA

Joe Fasula

Gerrity's Markets, Scranton, PA

Blaine Forkell

Wegmans, Inc., Allentown, PA

Robert Fortunato

Team Sledd, Wheeling, WV

Scott Hartman

Rutter's Farm Stores, York, PA

Tom Jamieson

Shop 'n Save & Save-A-Lot, Uniontown, PA

Barry Margolis

Cooper-Booth Wholesale Co., Mountville, PA

Gary McGuirk

Liberty USA, a division of Eby Brown, West Mifflin, PA

Richard McMenamin

McMenamin Family ShopRite, Philadelphia, PA

Dan McNabb

Castle Shannon Shop 'n Save, Castle Shannon, PA

Chuck Miller

Ellis Coffee, Philadelphia, PA

Steve Moller

Keystone State Distributing, Inc., Bethlehem, PA

John Nasser

Obade Candy Co., Inc., Kittanning, PA

Frank Puleo

C&S Wholesale Grocers, Robesonia, PA

Jonathan Resnick

Resnick Distributors, New Brunswick, NJ

Paul Sauder

R.W. Sauder, Inc., Lititz, PA

Louie Sheetz

Sheetz, Inc., Altoona, PA

Lisa Silberman

A.J. Silberman and Co., Indianola, PA

Randy Silverman

Klafter's, Inc., New Castle, PA

Chris Trate

W.A. DeHart, Inc., New Columbia, PA

Joseph Tripi

Tripifoods, Inc., Buffalo, NY

Dean Walker

Boyer's Food Markets, Orwigsburg, PA

Jonathan Weis

Weis Markets, Inc., Sunbury, PA

PRESIDENT'S MESSAGE

PFMA's 2016 goal was to increase interaction between our members and their elected representatives.

I am pleased to congratulate Alex Baloga, PFMA vice president, external relations; PFMA Directors, members and elected officials for 2016 high-lights including:

- Member participation in CDA, NGA, FMI and NACS Public Affairs Assembly in Washington, D.C.;
- Daily contact at the state capitol by PFMA staff and members;
- Participation in public hearings in Philadelphia on numerous issues including the beverage tax heralded by Mayor Jim Kenney;
- Member action across the state that resulted in the historic passage of Act 39 and the sale of wine in more than 400 Pennsylvania food stores to date;
- PFMA participates in every meeting and public hearing of the state Milk Marketing Board. Our team of accountants from Herbein + Co. and Allen Warshaw, Esq. have maintained dairy case profitability with their excellent work.
- Special tobacco seminars that brought together tobacco growers, processors, retailers and elected officials to oppose tobacco tax increases.

PFMA Member Recruitment

Your help in adding supporters to PFMA's membership will satisfy several objectives. First, we need as many industry and consumer advocates that we can assemble to get the message out to elected and appointed officials. Second, the annual revenue needed by the organization must continue to grow to provide professional growth for associates and resources to meet expanding service requests. Finally, continuing legislative and regulatory reform in the Commonwealth begins at the local level and every member can make a difference by educating your representatives about issues impacting your business, associates and customers.

Promoting a Clean Pennsylvania

The 2017 Great American Cleanup of PA began March 1st and ends on May 31st. During this period, events registered through gacofpa.org will receive free bags, gloves and vests from PennDOT District offices, while supplies last. Events can include litter cleanups, illegal dump cleanups, beautification projects, special collections and educational events.

In 2016, there were 6,118 events with 158,821 volunteers who collected more than 5 million pounds of trash. For 10 years running, all 67 counties participated in this annual community improvement event.



David McCorkle
President & CEO

“Continuing legislative and regulatory reform in the Commonwealth begins at the local level and every member can make a difference by educating your representatives about issues impacting your business, associates and customers.”

PFMA members Sheetz, ShopRite, The Fresh Grocer, Wawa, Weis Markets, Giant Eagle, Giant Food Stores and Wegmans support Keep Pennsylvania Beautiful and the Great American Cleanup of Pennsylvania. Contact Shannon Reiter at sreiter@keepbeautiful.org to take part in food industry supported community projects.

PRESIDENT'S MESSAGE (cont.)

Special thanks to the following endorsed services:

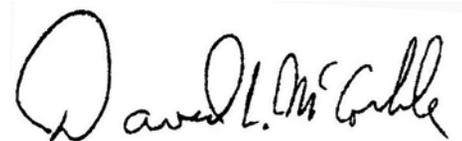
- Pennsylvania Coupon Redemption Services, Inc. led by President Autumn Thomas and Laurie Savoy. See pages 22-23. PCRS now serves customers in 25 states.

- MEMO Financial Services, Inc. is an endorsed PFMA program providing electronic bill payments, money orders and other money services, and I urge you to use the services of this PFMA-endorsed company led by President Tanya Butler.

- OnDemand Energy is also a PFMA -endorsed program serving dozens of PFMA members and the association. Please contact Cheryl Hefft at CHEfft@ondemandenergy.com for a money -saving energy delivery proposal.

- Scanning Certification Program (SCP) conducted more than 1,100 state inspections in 2016 by seven inspectors, working under the supervision of Executive Director Autumn Thomas and the SCP Board of Advisors. If you are not a participating company, call Autumn today at (717) 760-5905.

It is a pleasure to be part of an industry so dedicated to serving the Commonwealth and providing service to customers. All the best for a happy and healthy 2017.



David L. McCorkle
President & CEO

Rep. Seth Grove talks to PFMA's Jerry Kupris and Barry Margolis, Cooper-Booth Wholesale, during the Tobacco Summit last May.



PFMA Member Christy Spoa, Ellwood City Save-A-Lot, left, and Alex Baloga, right, met with U.S. Representative Keith Rothfus in his Beaver, Pennsylvania office to discuss menu labeling, overtime regulations and swipe free reform.



Ray Charley, Charley Family Shop 'N Save, greets U.S. Representative Glenn Thompson during the Fall Legislative Conference. PFMA presented Thompson with the Federal Legislator of the Year award.



In February met with U.S. Congressman Pat Meehan (PA-7) in Springfield, PA. From left, Alex Baloga, PFMA vice president of external relations; Congressman Pat Meehan, and Rich Wood, Wawa, Inc., met to discuss menu labeling, GMO labeling, patent reform and tax reform.

GOVERNMENT RELATIONS



MEET THE PFMA GR TEAM



David McCorkle
President & CEO
dmccorkle@pfma.net
(717) 760-5900



Alex Baloga
V.P., External Relations
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(717) 760-5912



Meagan Thorpe
Assn. Services Manager
mthorpe@pfma.net
(717) 760-5922



Jeff Allen
Allen Brothers
Wholesale Distribution
Philadelphia, PA



Brad Chivington
Turkey Hill
Minit Markets
Lancaster, PA



Joe Fasula
Gerrity's Supermarkets
Scanton, PA

LEGISLATIVE COMMITTEE CO-CHAIRS

GOVERNMENT RELATIONS



2016 was a year of historic highs and lows for PFMA's Government Relations efforts. On the positive note, in Pennsylvania, lawmakers and the governor broke nearly 50 years of stalemate to create an avenue for wine to be sold in food stores.

In Washington, Congressional leaders collaborated to craft a compromise GMO bill, averting a logistical disaster. But economic ambitions and shortfalls both in Pennsylvania and in Philadelphia made smoking and soda that much more expensive for retailers, distributors, and customers.

FEDERAL ISSUES

PFMA collaborated well with its federal counterparts to push Pennsylvania's delegation to Congress in pursuit of several goals:

GMO Legislation

The state of Vermont put the rest of America in a bind when it passed legislation requiring all food manufacturers to declare whether its products contained ingredients with genetically modified organisms (GMOs). This legislation left manufacturers with the difficult decision of whether to use Vermont's required packaging everywhere; to segregate what is sold to Vermont and what is sold to other states; or to stop selling in Vermont altogether.



Fortunately, Congress intervened before manufacturers had to make that decision. In June, Congress passed a compromise bill crafted by Senate Agricultural Committee chairs Pat Roberts (R-KS) and Debbie Stabenow (D-MI) that standardizes how manufacturers can declare GMO ingredients on packaging and, more importantly, preempting state action.

Menu Labeling

FDA's requirements that all chains with 20 or more locations that serve "restaurant type food" label their menu boards with calorie information had a wild ride in 2016. The requirements were originally to be enacted in December of 2015, but were delayed to December of 2016, and later pushed back to the current compliance date of May 5, 2017. Then, in a surprise announcement in late November, FDA told retailers that if your state or locality passed legislation with the original December 1, 2016 date, your compliance date is back to December 2016. While Pennsylvania is not one of those states, it still caused heart rates to jump for many retailers.



Fortunately for all, common sense won the day, and FDA announced the enforcement date back to May 2017 for everyone.

In the meantime, the Common Sense Menu Labeling Act, which clears up some of the ambiguities in the regulations and lessens the severe penalties for good-faith compliance, stalled in the Senate. While it had the support of the majority, it could not get enough Democratic support for a cloture vote. Its fate may change with the Presidential change, as this was a cause near and dear to the Obama administration, and was part of the Affordable Care Act, which is being challenged.

Overtime rules

The U.S. Department of Labor revised its rules requiring time-and-a-half pay for hours worked over 40 in a week. While the “duties test” for exempt employees remained untouched, the salary threshold for exemption doubled to \$47,476, with an automatic escalator based on 40th percentile salary levels in certain regions of the country. This gave retailers the difficult choice to either hand out raises for certain managers to meet that threshold; monitor working hours closely to ensure that employees stayed under 40 per week; or move more employees to part-time to avoid paying overtime. This controversial action was halted by a Texas judge who slapped an injunction on the efforts, agreeing with the claim that the Department lacked statutory authority to attach a salary standard at all. This issue will likely be addressed by the incoming Presidential administration.



SNAP Retailer Standards

The United States Department of Agriculture attempted to crack down on the number of SNAP retailers in America by issuing new regulations. The regulations mandate that each retailer carry a certain number of “staple foods,” create depth of stock requirements for those staples, and remove the practice of counting multi-ingredient foods as one of those staples. While large supermarkets should easily



meet this standard, it places a regulatory burden on small format and convenience stores, which are often the only option for rural and urban communities. PFMA has submitted a letter protesting these changes, and USDA has responded by reducing the depth of stock requirements. These regulations are far from the finish line, and will receive further scrutiny in 2017.

STATE ISSUES

Due to budgetary shortfalls, 2016 was a difficult year for Pennsylvania, especially Pennsylvania smokers. But PFMA was able to dodge some of the most damaging state revenue generators, and still accomplished many of its legislative priorities, including progress towards meaningful liquor privatization:



Act 39 Liquor Reform

PFMA worked for legislation allowing food retailers to carry wine for the better part of its history. In 2016, we saw progress made toward those efforts. Act 39, passed in the heat of the budget negotiations, created an avenue for retailers with a restaurant (R) license to sell limited quantities of wine. PFMA was also instrumental in passing a bill towards the end of session which helped to resolve many of the outstanding logistical issues hindering retailers from applying for a license.

There is still progress to be made. It is PFMA's goal to offer the optimal retailer opportunity and customer convenience, and this bill still excludes many retailers that lack the financial ability or space to reconfigure their stores for an R license. And as retailers are still required to go through PA Liquor Control Board (LCB) wholesaling, the limited shelf price markdown from LCB leaves retailers with little to no margin. But yet, this is the first avenue created for wine in private retail, and we have come a long way.



Speaker Mike Turzai and Governor Tom Wolf toast the grand opening of Wegmans new wine shop in Mechanicsburg, Pennsylvania. Retailers with a Restaurant Liquor License can now purchase an expanded permit to sell wine.

GOVERNMENT RELATIONS

State Budget

As the spring months went on, it became more and more obvious that Pennsylvania was facing a significant financial shortfall. This put the Pennsylvania legislature in the difficult position of identifying revenue generators for the state budget to backfill those missing dollars. PFMA was successful in removing the most harmful taxes from consideration. There was discussion in upping the state sales tax, expanding the number of products included under sales tax, and increasing the personal income tax rate, none of which got traction in the budget debate.

Unfortunately, something had to give, and what gave was tobacco taxes. Additional taxes were levied on cigarettes, as well as other tobacco products, including the first massive taxes on e-cigarettes and vape products. Also of note to retailers is the capping of Pennsylvania's vendor sales tax allowance, which reduces the amount of sales tax dollars allocated to retailers for tax collection.

With 2017 fiscal picture looking equally dismal, this fight is far from over.



Pharmacy Issues

Many of PFMA's legislative priorities for pharmacy were delivered in 2016, including:

- Legislation that allows pharmacists to administer flu vaccines for children with parental permission.
- Legislation that requires out-of-state pharmacies to register in Pennsylvania to fill prescriptions for residents.
- A bill that would have placed a highly administrative burden on replacements for biosimilars was satisfactorily amended to allow an entry into an electronic health record.
- Legislation that requires pharmacy benefit managers (PBMs) to register with the Department of Insurance and standardizes the PBM audit process.

Minimum Presumptive Price for Cigarettes

PFMA was successful in working a longtime legislative priority into the budgetary process. Legislation that raised the minimum presumptive price for cigarettes for retailers from six percent to seven percent was amended into the Pennsylvania fiscal code and passed.

SNAP Distribution

Benefit distribution for the Supplemental Nutrition Assistance Program (SNAP) has long been a hindrance to efficient store operation. While distribution differs from county to county, counties that opt to distribute on one day guarantee a run on stores from SNAP participants, often leaving customers that choose to shop later in the day with lesser selection.



Legislation was introduced by Sen. Dave Argall (R-Berks) that would require the Pennsylvania Department of Human Services to spread distribution out over 25 days, which would help to resolve this problem. As the legislation was introduced too late in the session to generate consideration, it did bring stakeholders to the table, and will likely receive further discussion in 2017.

GOVERNMENT RELATIONS

LOCAL ISSUES

Philadelphia

While PFMA celebrated some major successes in 2016, little silver lining can be seen in Philadelphia. The combination of the financial woes of the city, an incoming mayor with large ambitions, and his administration committed to a healthier city by any means, placed a huge burden on Philadelphia retailers and residents.

Beverage Tax

The first and most daunting challenge to Philadelphia retailers was a tax that was placed at a rate of three-cent-per-ounce for distribution of any sugar sweetened beverage in the city. The tax was eventually reduced to 1.5 cents per ounce but spread over a larger number of sweetened beverages.

A broad-based business coalition formed in opposition, but the financial windfall which funds citywide Pre-K, city improvements, and allay city pension costs could not be overcome. PFMA was among several plaintiffs who filed a lawsuit in opposition of the tax, but the Court of Common Pleas dismissed it. It is currently being appealed.

The Tax's Impact

Businesses are hurting because of this tax. Many of their customers are shopping outside the city to avoid paying the high tax on these products. Some retailers estimate a 30 to 50 percent loss in sales and they will have to lay off employees if they don't get the tax repealed.



Top photo, protestors, including business leaders, union workers and customers, converge on city hall to oppose the Philadelphia Beverage Tax. Above, ABC 6 Philadelphia interviews PFMA President & CEO David McCorkle about the beverage tax, which includes thousands of beverages, including diet soda and juices. Left, Brown's Super Stores developed a No Philly Beverage Tax aisle to help shoppers identify items that aren't taxed.

GOVERNMENT RELATIONS



LOCAL ISSUES

Philadelphia

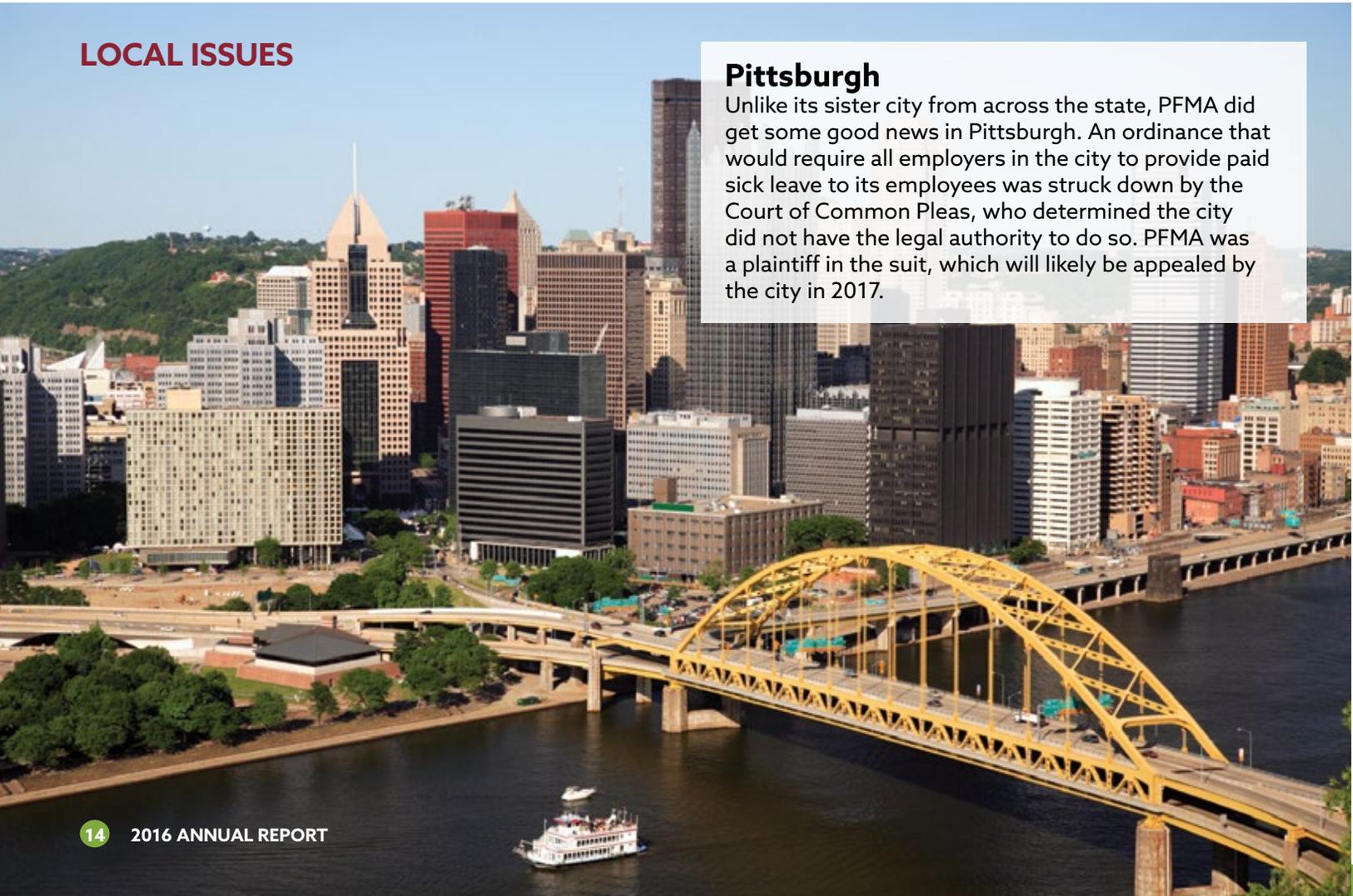
Tobacco Permit Zoning Requirements

In an effort to curb smoking in its low-income neighborhoods, the Philadelphia Board of Health introduced surprise regulations that place a quota of one license per 1,000 residents for Philadelphia neighborhoods. This is significant in the fact that nearly all of these neighborhoods are already over the quota. In addition, the regulations prohibit licenses for retailers within 500 feet of a school or with two or more citations for sales to minors.

Restrictive Covenants

An ordinance introduced by Councilperson Cindy Bass would prohibit food retailers from placing restrictive covenants that disallow developers from leasing sites to other food retailers within a certain distance. PFMA has opposed this bill, as it would stifle development, jeopardize store development, and restrictive covenants are often required for financing. We are currently working with council members to resolve local dilemmas to remove the need for this bill.

LOCAL ISSUES



Pittsburgh

Unlike its sister city from across the state, PFMA did get some good news in Pittsburgh. An ordinance that would require all employers in the city to provide paid sick leave to its employees was struck down by the Court of Common Pleas, who determined the city did not have the legal authority to do so. PFMA was a plaintiff in the suit, which will likely be appealed by the city in 2017.

COMMITTEE UPDATE

Committee Chairmen



Legislative

Jeff Allen

Allen Brothers
Wholesale Distribution
Philadelphia, PA



Legislative

Brad Chivington

Turkey Hill Minit Markets
Lancaster, PA



Legislative

Joe Fasula

Gerrity's Supermarkets
Scranton, PA

PFMA Committees

PFMA's committees meet regularly via conference call or in person to discuss issues related to their specialty. The committees are: Legislative, Food Protection, Fuels, Loss Prevention, and Pharmacy. The meetings focus on legislation impacting the industry; regulatory compliance; strategies for dealing with issues; and policy direction for the association.

New committees are formed as requested by our members. In 2016, a Human Resources and Sustainability formed. Email news alerts keep the committee informed with articles and any legislation information impacting them.



Food Protection

Steve Oswald

Wakefern Food Corp.
Elizabeth, NJ



Fuels

Gabe Olives

Impact 21
Harrisburg, PA

Food Protection

Bacteria *Listeria Monocytogenes (Lm)* was the featured topic at the May 3 Food Protection in Willow Grove, Pa. Kevin Dearwester of Select Micro Technologies educated the group on the physical properties of Lm and reviewed the products available to combat it. Lori and Phil Mele, PLM and Associates, also provided information on the foodborne illness.

Group participants Terry Levee and Mike Diskin, Giant Eagle, and Steve Oswald, Wakefern, provided an update on the Conference on Food Protection, where they learned about recommended changes to the Food Code.

In November, the committee learned about technological solutions for Menu Labeling and Meat Grinding logs for Mark Molter, Applied Data Corporation. Dr. Luke LaBorde, Penn State Department of Food Sciences, presented on the Food Safety Modernization Act and the Produce Safety and Preventative Controls Rule.



Kevin Dearwester, left, and Lori and Phil Mele educated the Food Protection Committee on Lm during their May meeting.



Loss Prevention

Lou Mola

Wawa, Inc.
Wawa, PA



Pharmacy

Paul Granger

C&S Wholesale Grocers
Robesonia, PA

Loss Prevention

Reid Fleming, Giant Eagle, and Detective Matthew Dotts, Derry Township Police Department, presented about Gift, Credit and Prepaid card fraud during the March 16 Loss Prevention Committee meeting. Paul Spiegel and John Paul Livingston of Mid Penn Bank wrapped up the meeting with information on skimming and PII theft.

The Loss Prevention Committee learned about technology available to assist retailers at its November 15 meeting. Pedro Ramos of Agilence discussed using Data Analytics for loss prevention, while John Maffey, M3T Corporation, talked about Physical Security and the Security Information Lifecycle. Derrick Price, Wakefern, discussed the use of facial recognition for loss prevention in retail stores.

ASSOCIATION SERVICES

PFMA Staff

In addition to PFMA President & CEO David McCorkle, nine staff members keep the association operating efficiently and effectively. They are always available to answer any questions members have on legislative and regulatory issues, communications, committees, business services and events.

Meet the PFMA Staff



David McCorkle
President & CEO
dmcorkle@pfma.net



Autumn Thomas
President, PCRS
Executive Director, SCP
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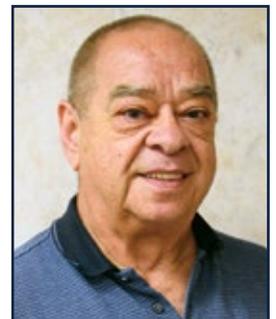
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Executive Assistant
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Controller
dcromer@pfma.net



Laurie Savoy
PCRS Account Manager
lsavoy@pfma.net



Lenny Semick
Maintenance

Association Services worked to provide PFMA members with increased value for the their membership in 2016.

Education

By adding webinars, creating a series of regional meetings, and adding a second conference dedicated to legislative topics, PFMA created further avenues for member education and networking in 2016.

The PFMA Annual Conference

PFMA held its yearly conference May 10-11 2016 at the Hershey® Lodge. The keynote speaker was Mary Ann Somers, vice president for Confectionaries at The Hershey Company. Somers spoke on Hershey's vision for transparency in response to a new generation of consumers. The company is redeveloping its recipes to include simple ingredients. She also unveiled its Olympic partnership and an Olympic Hershey bar wrapper.

Three professors from St. Joseph's University provided the morning education. Drs. Neill Crowley and Ernest Baskin provided two perspectives on consumer demographics, with Dr. Crowley representing the data analytics angle and Dr. Baskin providing a psychological perspective into the consumer mindset. Dr. George Latella wrapped up the sessions with a presentation on brand strategy.

Right, Attendees listen at one the the conference education sessions.



Scott Hartman, Rutter's, welcomes Mary Ann Somers of The Hershey Company to the PFMA Annual Conference in May.



PFMA and PDA members honored Jerry Kupris, center, president of the Pennsylvania Distributors Association, for his 28 years leading the PDA and a total of 38 years in the industry. Jeff Allen, Allen Brothers Dist., left, and Barry Margolis, Cooper-Booth Wholesale, presented Kupris with a special award.



Dr. Ernest Baskin, Saint Joseph's University, offers insight to consumer choices during his presentation at the PFMA conference on the "Psychology of Pricing."

ASSOCIATION SERVICES

The PFMA Legislative Conference

PFMA added a fall conference this year focusing solely on legislative issues. During the October event, state and federal legislative leaders addressed attendees. United States Representative Glenn Thompson was on hand to receive an award for his championing of PFMA's legislative issues. And Pennsylvania Senator Scott Wagner, never known to hold back, did not disappoint in his assessment of operations in Harrisburg. He also unofficially announced his plan to run for governor.

Awards were presented to PFMA members that have participated in FoodPAC, including Bill Bracey and the Sheetz family, and have been exemplary grassroots advocates for the industry, including Jeff Brown, Brown's Super Stores, and Scott Hartman of Rutters. In addition, Jim Lee from Susquehanna Polling and Research gave his analysis of the election and a panel of PFMA's federal counterparts from the National Grocers Association (NGA), Food Marketing Institute (FMI) and NACS discussed prominent issues in Washington.

Prior to the start of the conference, PFMA hosted a Wine Summit with a panel featuring John Metzger, executive director of the Pennsylvania Liquor Control Board, Karen Coates, chief of staff for House Speaker Mike Turzai; Terri Cofer Beirne, eastern counsel, The Wine Institute; and RJ O'Hara, partner, Flaherty-O'Hara PC. The panelists discussed the implementation of Act 39; obtaining the expanded permit to sell wine; and the PLCB's efforts to get online so that retailers can purchase wine to sell.



U.S. Representative Glenn Thompson accepts the 2016 "Federal Legislator of the Year" award from Alex Baloga on behalf of PFMA members.



Our panel from the national trade associations provided an update on topics such as menu labeling and swipe fee reform. From left, Anna Ready, NACS; Maggie Lyons, NGA; and Jennifer Hatcher, FMI.



Pennsylvania Senator Scott Wagner spoke at the Legislative Conference breakfast where he provided a candid look at the legislature in Harrisburg, and announced his plan to run for governor.

Webinars

Since many topics lend well to online education, PFMA increased its offerings for webinars, including:

- Jeff Campbell from Applied Predictive Technologies presented on what trends will change grocery in 2016.
- Ann Zerbe from CGA Law Firm presented on the basics of hiring good people.
- Debra Keller from Reference Services Inc. presented on the do's and don'ts when conducting background checks.
- Susanne Kauderer from EDS Strategic Management presented on managing food waste and its effect on your bottom line.
- RJ O'Hara from the law firm of Flaherty and O'Hara presented on what a store needs to do to get a restaurant license to sell beer and wine.
- Christopher Ingram from the firm of Vorys, Sater, Seymour and Pease LLP educated attendees on what to do when you find a skimmer.
- Dennis Egen from Engine Room Technologies taught attendees how to think like a hacker to address data vulnerabilities.
- Doug Brokaw from Grind2Energy demonstrated how food waste can be converted in-store and sold for energy.
- Jonathan Spadea and Matt Esslinger from Chartwell Law Offices discussed how retailers can manage workers' comp to keep premiums down.

Employment Law for Retailers

Recognizing PFMA member requests for more regional events and greater human resource assistance, PFMA convened four regional meetings entitled Employment Law for Retailers. Three attorneys from the law firm of Cohen Seglias Pallas Greenhall and Furman PC educated attendees about their roles as employers, including mandates for leave time, overtime rules, employee discrimination, and special rulings for union shops.



Communications

PFMA regularly communicates with its members. Via email alerts, our legislative staff keeps members updated on the latest legislative and regulatory activity, committee meetings and emergency alerts. In addition, PFMA publishes a monthly newsletter, *The Spectrum*, which features articles on legislative and regulatory issues, member store openings, news and other industry-related news.

Social media posts and our website at www.pfma.org keep the industry, legislators and others interested in the food industry informed with articles and photos of interest. In addition to Facebook and LinkedIn, PFMA joined Twitter in 2016.

Members who have an upcoming anniversary, event or store opening/remodel are encouraged to call the office to have a staff member attend to provide coverage in the newsletter and social media.

Our annual membership directory/buyer's guide helps members stay in touch and find products and services they need.

We encourage all members to check out our printed, online and website communications to keep abreast of any issues that may impact your business.

Membership Development

In his first two years with PFMA, Gary Lauer, director of membership development, is getting the word out about the association's work for the food industry. His visits to members and potential members provide an important voice for the association. In addition, Lauer attended the wholesaler trade shows, industry events and visited advertising groups to update them on PFMA's legislative work. In 2016, PFMA welcomed 78 new members — 59 associate members and 19 retail members. Greater membership numbers help strengthen the association's voice with local, state and federal officials.



Ridge Scholarship

PFMA, the Pittsburgh Association of Manufacturers Representatives and the Northwestern Pennsylvania Food Council started the Thomas R. and Laura Ridge Scholarship, which is named to honor former governor Tom Ridge's parents. His father worked in the food industry for 25 years.

In 2016, PFMA received 97 applications, which were evaluated by an independent judging panel. In April, 24 Ridge Scholars were announced. They received \$2,000 to attend the college or university of their choice.

Several companies sponsor the funds to provide scholarships for their employees, while the other winners receive their scholarships from the Ridge endowment.

Members who would like to establish a scholarship for their company can do so through the PFMA Education Trust. By making a tax-deductible gift to the trust and designating that the funds be used to provide scholarships to their employees or their children, the Education Trust serves as a vehicle for making tax-free scholarship awards. All PFMA members, their children and their employees are eligible to apply for the Ridge Scholarship.

ASSOCIATION SERVICES



Scanning Certification Program

The SCP is a voluntary price accuracy program whose purpose is to help participating stores maximize the performance of their internal price integrity practices. In other words, to ensure that the prices of all items for sale in the store are clearly identified to customers and that shoppers are charged the corresponding lowest advertised price at checkout.



Autumn Thomas
SCP Executive Director
athomas@pfma.net

For more information, contact:
Autumn Thomas,
executive director,
at 888-722-6727 or
email her at
athomas@pfma.net.

SCP Board of Advisors

The Scanning Certification Program was developed by a board of advisors, which continues to set policy and oversee all aspects of the program.

Edward D. Arnoldi
Pennsylvania Association
of Weights and Measures

Mary Bach
Consumer Advocate

Murray Battleman
Richboro Shop 'n Bag

Michelle Dorin
Weis Markets, Inc.

Dean Ely
Pennsylvania Association
of Weights and Measures

Dan Horman
SUPERVALU, Inc., Eastern Region

Dr. Drew Hyman



Pennsylvania State University

Ric LeBlanc
Pennsylvania Office of Attorney General

David McCorkle
Pennsylvania Food Merchants Association

Peg Rhodes
United Food and Commercial Workers

Pattie Shekiro
Acme Markets

Steve Swan
Retalix

Since 1991, the Scanning Certification Program (SCP) has helped participating retailers provide price accuracy and appropriate pricing information to consumers in Pennsylvania and surrounding states.



A Voluntary Price Accuracy Program

The SCP is a voluntary price accuracy program whose purpose is to help participating stores maximize the performance of their internal price integrity practices. In other words, to ensure that the prices of all items for sale in the store are clearly identified to customers and that shoppers are charged the corresponding lowest advertised price at checkout.

The SCP provides public recognition to stores that achieve and maintain a high level of price integrity. Adherence to program standards helps prevent overcharges that erode consumer confidence and undercharges that cost stores money. Certified stores also fulfill the Pennsylvania state requirement of Act 155 and Act 169 for the annual inspection of checkout scanning systems.

Guidelines of the SCP's best practices module require stores to adopt and advertise a price accuracy policy, provide employees with price accuracy training, document and correct errors promptly and ensure that shelf tags are accurate and legible.

SCP auditors conduct periodic unannounced in-store inspections to test price accuracy and measure compliance with program standards. Certification is awarded to stores that have implemented program requirements and achieve a price accuracy score of at least 98 percent on a random sampling of items.

An inspections-only module is also available for retailers who desire to have the SCP provide only price accuracy testing and reporting. Adoption of SCP best practices is optional, but the price accuracy inspection techniques, scoring criteria and inspection intervals are the same for both the best practices and inspections-only tracks of participation.

SCP Growth

The program has grown significantly over the past 25 years. Membership increased from ten baseline study participants in 1991 to 1,038 stores today. Members include Acme Markets, Country Fair, Giant Eagle/GetGo, Giant Food Stores, Price Chopper, Sunoco, SuperValu-Pittsburgh, Tops Markets, Weis Markets and numerous C & S Wholesale-supplied and other independent grocers. Supermarkets make up 67 percent of the membership and convenience stores account for 33 percent.

Our six inspectors performed 1,101 inspections in seven states (PA, NJ, OH, DE, MD, WV & VA) last year, and audits



The Scanning Certification Program Board of Advisors met at PFMA headquarters in November to discuss the program, industry trends and provide feedback. From left, David McCorkle, PFMA; Dean Ely, Pa. Assn. of Weights & Measures; Mary Bach, consumer advocate; Ric LeBlanc, Attorney General's office; Autumn Thomas, SCP executive director; Ed Arnoldi, Pa. Assn. of Weights and Measures; Melissa Fadelsak, Acme; Dan Horman, SuperValu; and Pattie Shekiro, Acme.

take place any day of the week, although we usually visit stores only during normal daylight operating hours. The SCP's footprint will grow again in 2017 as we onboard approximately 70 new Acmes, including stores in Connecticut and New York.

SCP Helping Members Improve Price Accuracy

Most importantly, the SCP is meeting its core objective of helping its members enhance their price accuracy. Supermarket accuracy rose from 96.90 percent in 1991 to 98.68 percent in 2016. Convenience stores made strides too – improving overall average accuracy to 96.08 percent since 2000.

Price accuracy performance remains very store and, to a lesser extent, company specific – results are highly dependent on how well store-level employees understand and follow price integrity policies and procedures. SCP retailers and staff continue to work hard to achieve the highest level of price accuracy and, when necessary, address price accuracy problems that occur.

The SCP is a not-for-profit entity, led by a volunteer board of advisors and with management support from PFMA. All financial objectives were met in 2016, enabling inspection fees to be kept at their current level for the upcoming year. The fees paid by SCP members fund our entire operation and we're appreciative of our clients' continued support.

BUSINESS SERVICE



Pennsylvania Coupon Redemption Services (PCRS)

PCRS, a wholly-owned subsidiary of PFMA, has served the coupon processing needs of association members since 1956. It is the largest retail coupon clearinghouse owned and operated by a retail association, processing coupons for thousands of stores in 25 states.



Autumn Thomas
President
athomas@pfma.net



Laurie Savoy
PCRS Account Manager
lsavoy@pfma.net

Pennsylvania Coupon Redemption Services, Inc. (PCRS), serving PFMA members since 1956, is the association's longest operating business service.

PCRS Serving Customer's Needs

In addition to the retailers we service directly in Pennsylvania and adjoining states, PCRS also processes coupons for the Connecticut Food Association, East Central Ohio Food Dealers, Iowa-based Fareway Stores, Illinois Food Retailers Association, Michigan Grocers Association, New Hampshire Grocers Association, North Dakota Grocers Association, Olean Wholesale and the Utah Food Industry Association.

To ensure we're meeting the demands of a growing customer base, PCRS has invested heavily in its proprietary coupon payment and reporting software. Payment checks have been redesigned to simplify reconciliation and meet individual association specifications, a new statistical report detailing the top 150 coupon manufacturers in a retailer's shipment was launched and numerous client-specific customized reports have been added.



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 PO Box 860
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 800-543-8207 x 3129

For decades now, coupons have been the go-to promotional tool for CPG retailing, with more than 307 billion distributed and 2.375 billion redeemed by consumers nationwide in 2015.

No other vehicle has proven as successful at influencing shoppers to try a new product, make a repeat purchase or switch brands. With consumers cashing in on annual savings of nearly \$3.6 billion, food retailers can't afford not to accept manufacturer coupons — and PCRS makes it simple and affordable to do so.

PCRS is Competitively Priced with Superior Quality

Our competitively priced, superior quality redemption service is geared toward meeting the needs of both independent food retailers and chain operations. PCRS features include:

- Fast and accurate processing utilizing automated barcode scanning technology;
- Prompt payment for the full face value and 8-cent manufacturer handling allowance for all coupons redeemed;
- Three payment plan options (two, ten and 20 working days) for maximum convenience and flexibility;
- No service charges or volume minimums;
- Custom-built paper and digital coupon processing programs for large volume accounts;
- Experienced and professional customer service

support that's just a call or click away — our experts offer guidance on chargeback resolution, counterfeit coupons, coupon policies, digital coupons or any other aspect of your coupon redemption needs.

PCRS Processes Mobile & Digital Coupons

Through our partnership with NCH Marketing Services, PCRS also handles the electronic coupons that shoppers select from mobile apps or retailer or digital coupon publisher websites and download to their frequent shopper cards. Although currently only 1 percent of all coupon offers issued by manufacturers, consumer demand for ecoupons is expected to grow big and grow fast, so whether it's paper or pixelated coupons, PCRS has you covered.

PCRS Supports Association Efforts

Entrusting your coupons to PCRS also helps support PFMA. The profits earned from PCRS operations are returned to the association to help offset the costs of other PFMA programs, providing members with added value for each coupon submitted for processing.



PARTNER COUNCIL



DFIC Board of Directors



Chairman
Rich Kenney
Kenney Family
ShopRites
Wilmington, DE



Vice Chairman
Paula Janssen
Janssen's Market, LLC
Greenville, DE



Treasurer
Craig Clarke
Walgreens, Inc.
Delaware



Secretary
Lorelei Mottese
Wakefern Food Corporation
Edison, NJ



DFIC Executive Director
Julie Miro Wenger
juliemirowenger@gmail.com
302-545-8305

Stacey Brown
Safeway, Inc.
Lanham, MD

Daniella D'Ella
Acme Markets, Inc.
Malvern, PA

Ellen Valentino
Del. Beverage Assn.
Annapolis, MD

Tarox Young
Food Lion, LLC
Salisbury, NC

4 Cabot Place
Wilmington, DE 19711

Tom Cormier
Ahold USA
Carlisle, PA

Karen Sisson
Walgreens, Inc.
Delaware

Rich Wood
Wawa, Inc.
Wawa, PA

The Delaware Food Industry Council (DFIC) is the only statewide trade association for the food industry. It represents nearly 80% of the supermarkets, pharmacies and convenience stores in Delaware. In addition, this year marked the fifth year for its Delaware Association of Chain Drug Store Council. It represents 144 of the 160 pharmacies in the state of Delaware.



DFIC Accomplishments Over the Past Decade, include:

- First state to create a dedicated prosecutor for retail crime;
- First plastic bag bill in the country that had a preemptive measure so that each county and municipality could not impose different laws affecting bags;
- Civil recovery — DFIC created and passed a stolen property charge and an organized retail crime bill which became model legislation for other states to use.
- SNAP benefits for felons and the expansion of SNAP benefits to a 25-day cycle;
- Gross receipt tax reform;
- Developed a three-tiered system for travel restrictions during a state of emergency;
- Monitored the regulatory process for online gaming;
- Passed a pseudoephedrine bill that helps prevent smurfing in Delaware.

One of the council's biggest accomplishments to date is being the first state in the country to repeal a bottle bill in favor of recycling. DFIC is so proud to have helped the Governor and legislators create and implement a state-

wide recycling program that brought single stream curbside recycling to a reality, thereby ending the bottle deposit fee. And, we have increased our diversion rate from 22% to 42% and we are beating the national average of diversion of 36%.

2016 Legislation

Plastic Bag Bill

The Delaware House of Representatives introduced a plastic bag bill, HB 202 sponsored by Rep. Hudson, which would place a 5-cent fee on both paper and plastic one-time use bags. The full 5-cents remains with the retailer.

Minimum Wage

DFIC successfully pushed off a \$10.10 minimum wage effort by the Senate. We fully expect to see the bill resurface in 2017.

Our 2017 legislative goals include:

- allowing our customers the convenience of being able to shop and purchase beer and wine in our stores;
- developing a comprehensive solution to plastic bags;
- create a standing order for Naloxone; and
- a dedicated court calendar for retail crime.

DFIC will be a resource a leader when it comes to food waste and will help create solutions to this ever-increasing challenge. In addition, DFIC will help push for Pharmacist Provider status and it will continue to be engaged in legislative and regulatory conversations that effect our industry.

DFIC Feeding the Hungry

Julie Miro Wenger, DFIC executive director, is currently the Chairman of the Board of the Food Bank of Delaware and Chair of the Coalition to End Hunger.

The DFIC joined forces with the legislature to raise 148,000 pounds of food for the Food Bank of DE in 2016. The food drive began in January and concluded in March. Together with Giant, Shoprite and Food Lion, 156,000 pounds of food were collected.



PARTNER COUNCIL



Delaware Food Industry Council

Annual Winterfest Event

The Delaware Food Industry Council hosted its annual Winterfest fund-raiser on Monday, December 5 at the Christiana Hilton, Wilmington, Delaware. DFIC Executive Director Julie Miro-Wenger and the Council board presented awards for Advocate of the Year, Partnership of Year, Pharmacist of the Year and Retailer of the Year.

2016 Winterfest Award Winners

Advocate of the Year

David Dryden, the 2016 Advocate of the Year recipient, takes the approach of helping to identify problems that the industry is facing and working on a solution for the greater good and benefit of all. He is an outspoken advocate; thoughtful, honest and a man of his word.

Until November 30, Dryden was the Executive Secretary of the Board of Pharmacy and the Director of the Office of Controlled Substance. In addition, he served as a board member of the National Board of Pharmacy. Under his tenure, he oversaw the creation and implementation of the Del. Prescription Monitoring Program (PMP), which was created to reduce the misuse of controlled substances and improved professional practice and patient care.

Pharmacist of the Year

Randolph Schaap, pharmacy manager for Walgreens in Georgetown, always takes the time to counsel patients on how and when they are taking their medication and the importance of adherence. He is highly vested in making sure his patients are doing everything possible to stay healthy. His consistent outreach to the community has made lasting relationships between patients and himself. Schaap exceeds expectations when it comes to delivering great results from his people.

Partnership of the Year

Giant Food is the 2016 partner of the year for its support of the Food Bank of Delaware. This year the Food Bank celebrated the "Produce Prescription" launch on June 1. The program, made possible by a \$154,000 grant from Giant Food's Our Family Foundation, aims to improve the health of Delawareans and increase access to fresh produce. Through the pilot, participating pediatric clinics will identify up to 120 families who are at risk for food insecurity and diet-related health conditions. Referring patients will receive a "produce prescription," enabling families to receive 15 to 20 pounds of fresh fruits and vegetables from the Food Bank of Delaware each month.

Giant also donated 200 hams and 1,000 turkeys to the food bank. The Food Bank of DE also recognized Giant as its partner of the year.



Retailer of the Year

Since its founding more than 124 years ago, Acme Markets remains dedicated to providing a high-quality grocery experience that its customers have come to expect. Today, Acme operates 107 stores, including Sav-On Pharmacies at select locations, in Pennsylvania, New Jersey, Delaware, and Maryland, employing more than 11,000 associates.

In 2016, following the purchase of A&P Stores, five new Acme Markets entered Delaware. Acme Markets has improved the customer experience and store performance across the division, deploying its operational playbook to drive sales growth. The transaction, expanded the Acme Markets footprint in Delaware and builds upon A&P's rich history of delivering quality products and services in the neighborhoods they serve.

Don Holst Lifetime Achievement Award

Governor Jack Markell was honored with the second annual Don Holst Lifetime Achievement Award. Markell was a businessman who ran for office to help make change happen both as the Treasurer and then as a two-term Governor. Whether the issue relates to gross receipts tax reform, potential legislation for a water tax, plastic bags, recycling, or food waste, Markell is always accessible, approachable and willing to listen to another point of view. He is interested in hearing about how legislation and regulations can impact doing business in Delaware. And he has proven that working together is always better than working in silos.

The award is named for pharmacist Don Holst, DFIC's first Pharmacist of the Year five years ago, who passed away suddenly in 2015.

The opinion letter prepared by PFMA's auditing firm, Boyer and Ritter, is provided for the information all members and interested parties. I am pleased that management and PFMA auditors have compiled a thorough financial review and concluded that as of June 30, 2016, PFMA had:

Total Assets: \$2,562,808
Association Equity: \$1,001,745
Total Assets and Association Equity: \$2,562,808

Respectfully,
 Richard Wood, Treasurer
 Pennsylvania Food Merchants Association



Treasurer
Richard Wood III
 Wawa, Inc., Wawa, PA

INDEPENDENT AUDITORS REPORT

Board of Directors
 Pennsylvania Food Merchants Association & Subsidiaries
 Wormleysburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statement of the Pennsylvania Food Merchants Association and Subsidiaries, which comprise the consolidated balance sheet as of June 30, 2016, and the related consolidated statements of operations and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material mis-

Boyer & Ritter, Camp Hill, Pennsylvania
 January 26, 2017



statement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation the consolidated financial statements.

We believe the audient evidence we have obtained is sufficient and appropriate to provide as basis for our audit opinion.

Emphasis of Matter

As more fully discussed in Note 2, the Association sold its stock in a wholly-owned subsidiary in October 2015, to an independent buyer. The operating results presented in the consolidated statement of operations reflect both the ongoing activities and the discontinued operations of the subsidiary that was sold, including the loss realized upon sale.

Opinion

In our opinion, the consolidated financial statements referred to about present fairly, in all material respects, the financial position of the Pennsylvania Food Merchants Association and Subsidiaries as of June 30, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Pennsylvania Food Merchants Association

Advocating the views of convenience stores, supermarkets, independent grocers, wholesalers and consumer product vendors operating in Pennsylvania.

PENNSYLVANIA FOOD MERCHANTS ASSOCIATION

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