



2019 TWIN CITIES CO-OP PARTNERS ANNUAL REPORT

Letters from the CEO and Board • Financials • Giving Report

LETTER FROM THE CEO

By Josh Resnik

I AM PLEASED TO REPORT THAT TWIN CITIES CO-OP PARTNERS HAD ANOTHER SUCCESSFUL YEAR

in fiscal 2019, and I am excited about our prospects as we look ahead to the next decade. From a financial perspective, the organization topped \$70 million in sales for the first time ever — with growth of 0.7% vs. last year. And after a relatively slow start to the year, we finished with a strong fourth quarter to end the year profitable — with \$126,352 in net income. As a co-op, a large part of our success is measured by ownership and we succeeded there too; we ended the fiscal year with 23,121 active owners — up 858 owners from one year ago. This was our largest increase in co-op ownership count in over a decade — meaning we are growing the co-op model and sharing co-op principles with many new people.

As a social-mission driven organization, we look at our success beyond just the profit and loss statement. Our daily and long-term business is guided by our mission: “Build Community by Developing a Strong Local Food System.” These principles have been at our core for 45 years, but in many ways, they are more important now than ever. We are more divided as a nation than we have been in many years. Despite all of our devices and social media, people feel less connected and less in control than ever before. And in the food world, as we have seen a mainstreaming of natural, organic, healthy, sustainably-raised foods (which is



mostly a good thing), we also know there are many companies out there that are cutting corners and do not share our vision for a sustainable and just food system. The oasis the co-op provides is essential — we connect people to their food source and the

incredible people who are growing, producing, and cooking our food. Our owners are seeking a greater sense of connection, and we help provide that connection.

The importance of building community and developing a strong local food system are core conversations we have among employees at TCCP, and between my leadership team and the board. And we want to invite our owners into the conversation. We have launched our Faces and Voices campaign — which is intended to create more dialogue with owners so owners can share in their own words and pictures the role that TCCP plays in their lives. We want to learn from all of you.

In our second full-year as a consolidated organization — the result of the 2017 consolidation of the Wedge and Linden Hills Co-ops — we continue to believe in the co-op principles of co-operation among co-ops and the idea of “stronger together.” In the past year, we have worked on continuing to consolidate our systems and teams as one organization in everything from the implementation of a consolidated point of sales register system (Catapult) to a new

positions of Prep Foods Coordinator and Culinary Director that are working to improve the quality of our food, create more consistency across our stores, and tap into the advantage of our larger scale. Having seen many of the benefits of the shared organization, I believe more than ever that we made the right choice in joining together to be more competitive as an organization and provide more benefits for our stakeholders.

I want to view the year through the lens of each of our key stakeholder groups to share some of our key accomplishments in FY’19:

STAKEHOLDERS:

OWNERS/SHOPPERS:

As I mentioned above, we expanded our impact by welcoming in an additional 858 new owners to Twin Cities Co-op Partners over the past 12 months. We strive every day to create a great shopping experience that welcomes shoppers and provides access to high quality foods. At both the Wedge and Linden Hills, we invested in improving the shopping experience through store refreshes and category resets. At the Wedge, we expanded our hot bar and soup offerings, added a new aisle in Health and Body Care (with hundreds of new products), and significantly improved our offerings in everything from gluten-free pastas and baked goods to kombuchas to cut fruit. At Linden Hills, we improved our displays in Produce, improved signage, significantly upgraded offerings in Refrigerated and Frozen Grocery, expanded CBD offerings, and more recently added a new and much bigger customer service desk. We launched our quarterly Owner Celebrations



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where we celebrate things that make shopping at TCCP so wonderful — apples in Fall, citrus in Winter, and our amazing local vendors. For each month-long celebration period, we send out high value coupons, create fun displays in-store, and share

many great product samples. We had amazing response to several special events throughout the year — events like 30% off Evan Healy and Pranarom, the Meat and Seafood sale in June, and Wellness Weekend in October. In fact, during our Wellness Weekend, where all Health and Body Care products were 25% off, we celebrated our largest sale day in our 45-year history at both the Wedge and Linden Hills Co-ops. We truly appreciate the trust our owners put in the co-op and value the relationship with them.

We continue to believe that accessibility to healthy food is an important initiative for our co-ops. Through our products, merchandising, programming, and shopper materials, we want to continue to attract a more diverse group of shoppers to our stores — something we have improved over the past 5 years, but want to keep getting better. An important part of diversity is also income diversity. Access to healthy food should be available for people at all income levels. Our Co-op Affordability Project has attracted over 1,300 owners who are on government assistance programs, and we provided \$212,386 in CAP discounts last year.

EMPLOYEES:

An important piece of what makes TCCP so unique and wonderful as an organization is



our knowledgeable and dedicated employees. We have 55 employees who have been with the organization for 15+ years, 100 employees for 10+ years (almost unprecedented in this industry to have 25% of staff with 10+ years). We recognize the

importance of a skilled workforce. The connections between our customers and staff help create a unique shopping experience.

We are proud of our strong working relationship with UFCW 1189 at the Wedge Co-op and Co-op Partners Warehouse and with UFCW 653 at Linden Hills Co-op. The past year saw contract extensions with both units represented by UFCW 1189 — as we agreed to a contract that creates the path to starting wages of \$15 per hour with generous benefits for all employees.

VENDORS:

Building healthy relationships with our vendors has always been paramount at TCCP. Our success and the success of the great local farms and food producers is closely tied together. Our model is very different than big corporate food retailers.



On the Prep Foods side, we continued to expand and build new partnerships with companies creating responsibly-sourced, healthy, and delicious foods in the community. We launched a partnership with PinKU for sushi

and Japanese street foods. We significantly expanded our gluten-free baked offerings through partnerships with Bittersweet Baking and Valley's Own (part of the south metro's food co-op). And we featured recipes from popular local chefs, Ann Kim and Sameh Wadi in our hot bars.

At CPW, we continue to support local entrepreneurs in the food business who are working to expand to new markets. Several of the local lines that we began distributing for in FY'19 are Hoyo sambusas, C'est Gourmet frozen

baked goods, Vanilla Bean Project, Freak Flag Foods sauces, Blue Lotus Chai, D'Avocado Avocado Chocolate, Atlas Provisions snacks, Cosmic Cacao chocolates, Local Crate meal kits, and Locally Laid eggs. One of the highlights of the year was our CPW vendor fair last summer. We

welcomed about 200 people to meet with over 75 vendors that we distribute or cross-dock for. It was our first vendor fair at CPW in almost a decade — a great reminder of all CPW does to build a strong local food economy.

COMMUNITY:

Over the past year we continued to develop the Change Matters program by adding a vendor contribution program where select vendors donate a portion of their sales to the designated Change Matters recipient. This unique program is a great way of increasing our impact in the community. Through TCCP's coordination, the generosity of our shoppers and our vendor-partners we made donations of \$155,755 to 12 community organizations in FY'19 — a 29% increase over last year. Those \$0.10 and \$0.75 "round up" donations make a significant difference for thousands of people in need in our



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community — through great organizations like Open Arms, Pajama Pride, and Tubman. We also expanded our conversations and programming with Change Matters recipients through events at the Wedge Table and in-store displays.



As an organization, we have identified five target areas in which we want to make an impact in the community. We focus on health, youth, diversity, sustainability, and neighborhood development. I am pleased to report, we have made progress in all five areas — through partnerships, sponsorships, events, and program development. (More details can be found on page 5).

LOOKING AHEAD:

As we look ahead to the future, I wanted to share a few important initiatives.

KEY INGREDIENTS:

This summer, we introduced a program for all employees called “Key Ingredients.” It focuses on the shared behaviors that create a great working environment for employees and, in turn, a great shopping environment for customers. With a focus on Teamwork, Engagement, Accountability, Open Mindedness, Welcoming, and Empathy, we are creating a shared language about how we want to treat one another and our customers. The program includes training, employee evaluations, rewards and recognition, and hiring standards.



CUSTOMER SURVEYS:

Some of you may have noticed a customer survey on your register receipt — about 1 in every 40 transactions has the survey. This is an effort to better understand the customer experience and work to make improvements where

needed. We take the feedback very seriously. It is a national program so we can compare our service levels in many categories to other co-ops and independent grocers around the country. We get scores on everything from the checkout experience to product availability to likelihood to recommend shopping at our stores. Three months into the program, I am happy to report that our overall customer satisfaction scores are very high at the Wedge and Linden Hills, but we also are learning about what to do better.

OWNER BENEFITS:

On July 1, we switched to a new owner benefit model. Our changes came out of on-going customer feedback, an owner survey this spring, and a review of co-op (food and other) benefit programs around the country. There was a desire for a guaranteed cash back at the end of the year — coming out of concerns of the inconsistency of patronage refunds. To this end, every owner will receive a guaranteed 1% cash back at the end

of the fiscal year. Whether one shops frequently and makes many small purchases, infrequently with several large purchases — or anywhere in between — everyone receives the same 1% cash back. This program — based on the REI model -- was deemed more equitable than our previous monthly discount program where some owners received 10% of their annual spend back in discounts and others only received 0.1%. Additionally, we are offering 10% off coupons for one shopping trip four times per year as part of our owner celebrations, as well as coupons for heavily

discounted or free products during those celebrations. And at the beginning of 2020 we are introducing our Community Connect program where TCCP owners will receive discounts at a number of partner businesses around town. While we know not all owners love the changes, we sincerely believe there

are improvements in simplicity and fairness through the new program. With that said, we are continuing to gather owner feedback over the year, and we'll consider further adjustments for next year to continue to improve the owner experience.

We are grateful every day for the great support of our owners. We exist as a business to serve the needs of owners. And, in turn, we ask our owners to support the business by shopping to sustain a healthy co-op.



GIVING REPORT



Change Matters
RAISED A RECORD

\$155,430

for 12 local organizations!

Herbivorous Acres

The Sheridan Story

Pajama Pride

St. Stephen's Human Services

Open Arms of Minnesota

Hennepin County Medical Center

Food Shelf

Upstream Arts

TC Food Justice

Minnesota FoodShare

Aliveness Project

*Tubman**

Canine Inspired Change

*May was our record highest month for Change Matters!

WE RAISED \$15,125

for Tubman to help open an onsite food pantry at the Chrysalis center in South Minneapolis.

Our annual Change Matters total

INCREASED 29%

over last year!

THANK YOU!



NEARLY \$3,000!



Co-op Partners Warehouse donated

\$83,673.75

in food to local food shelves.



314 NEW OWNERS

joined the Co-op Affordability Project this year. TCCP provided

\$212,386

in discounts

to CAP owners to increase access to healthy, affordable food.

NEW!

In January,

WE LAUNCHED

CHANGE MATTERS PRODUCT PARTNERS

a program that invites local businesses to donate a portion of their sales to non-profit groups in conjunction with Change Matters.

So far this year, Product Partners has increased our donations by

We supported **130 local organizations** with gift cards and in-kind donations totaling nearly

\$7,000

Twin Cities Co-op Partners staff

VOLUNTEERED 788 HOURS

at local non-profit organizations.

\$4,252.88

in change was collected at the registers for 4 local food shelves.

The Food Group

Groveland Food Shelf

Joyce Uptown Food Shelf

Sabathani Community Center



22,000

Minneapolis Public School (MPS) students in

45

local schools

tried new foods through our partnership with the MPS True Food Taste Test program that invites children to explore new healthy foods and think critically about them.



SUCCESS TODAY AND A STRONGER FUTURE!

The Twin Cities Co-op Partners Board of Directors is pleased to report an exciting fiscal year at the co-op. As representatives of our owners, the board focused on delivering a better experience to fellow owners, customers, and community.

Financially, the fourth quarter was the best we've had in over five years. Costs that didn't benefit our owners or employees were curtailed. A better product mix to match diverse shopper tastes was rolled out, with an emphasis on fresh. Our catering and business-to-business sales continued to grow. And amidst increased competition, we're proud that our co-op continues to stand out from the rest.

As the board of directors, we had a busy year working to represent and recognize the many voices of co-op ownership and support the overall health of the business. The work we are doing is focused on improving the co-op today and ensuring continued success in the future. We made several strides over the past year that leave us exceptionally proud of our work to make thoughtful, prudent, and forward-thinking decisions on your behalf:

Ownership Benefits – The board worked with TCCP's marketing department to look hard into the value of ownership. We helped administer and then analyze the owner survey which provided us valuable feedback. From that, we recommended a major change in owner benefits — intended to be more intentional, add new value, and be more equitable. We want to reinvest in you what you spent with us over the year.

Diversity, Equity, Inclusion – Over the past year, the board has been working with DeYoung Consulting on Diversity, Equity, Inclusion training. Through this work, we are improving how we consider a wide range of perspectives in our board service and work products, and how we develop a more mindful decision-making process. This is an important, on-going initiative.

Long-term Strategic Plan – Together with TCCP's leadership team, the board spent the past year evaluating options for thoughtful growth over the next five years with a goal of how we best fulfill our mission and continue to survive and thrive as a business that adds value for our owners, employees, vendors, and the community. As we finish that work in the next few months, we will share with fellow owners a summary of our decision-making process, key outcomes, and proposed next steps.

Board Structure – In this current election, we've added a ninth board seat. This is part of a 2-year process to take our board from seven to nine members. The intent is to strengthen and diversify the voices involved in our co-op decision-making. Additionally, we have added a board leadership role as chair of board development to improve our effectiveness.

As we look to 2020 and beyond, we'd like to remind you that we want to hear from you and welcome the chance to connect with you this evening over at the Board Table. On behalf of the Board of Directors, thank you again for attending our annual meeting and for your continued commitment to your local co-op and our greater mission to support our local food system.

Yours in cooperation,
The TCCP Board of Directors



Clockwise from top left: Me'Lea Connelly, Alex Slichter (President), Emily Anderson, Tom Pierson (Treasurer), Josh Reznik (TCCP CEO), Emily Paul (Vice President), Matthew Larson, Sarita Parikh, Jane Schommer (Secretary)

TREASURER REPORT

Twin Cities Co-op Partners (TCCP) ended the 2018-19 fiscal year with net income just over \$126,000. This is an improvement of \$561,000 over last year's results which included \$755,000 in one-time accounting adjustments for taxes and the sale of the Gardens of Eagan property. This is TCCP's first profitable year as a consolidated organization. I'm proud of the excellent work done by staff to contain costs and improve overall operations, while at the same time increasing base wages and facing down intense competition in the natural food market.

The TCCP Board has decided not to distribute patronage to owners this year. Due to the net losses of recent previous years, and the resultant deferred tax asset on our books, in addition to the consideration that average patronage would amount to approximately \$0.09 per owner, this year's profit will instead be reinvested in the co-op. For additional context, owners received over \$800,000 in discounts throughout the year, and owner benefits were adjusted based on survey feedback to provide ongoing value directly to owners.

TCCP continues to maintain a strong balance sheet - a stable financial position, independent of the flows of revenue and expense in a given year. We have maintained healthy liquidity to meet our short-term obligations. This fiscal year ended with \$388,000 less cash on hand, primarily due to investments in new equipment and payment of previously deferred C-share dividends.

In line with the 2013 C-share equity offering created by the Wedge Community Co-op (pre-consolidation), in which over 300 owners invested nearly \$2 million, this year the TCCP Board has set in motion the process of C-shares redemptions. Additionally, recognizing the value of maintaining owner investment in the co-op, both internally and from the perspective of institutional lenders, the TCCP Board has started to explore the creation of an owner loan program. More on each of these developments will be shared with owners soon, as final details are ironed out.

As a values-based enterprise, balancing the need for financial outcomes and delivering on our mission is no small set of tasks. Thanks to the dedication of our staff and the continued loyalty of our owners, this year has been a success by many measures for TCCP.

Tom Pierson
Board Treasurer

Twin Cities Co-op Partners

STATEMENT OF INCOME AND RETAINED EARNINGS

	JUNE 30, 2019		JUNE 30, 2018	
GROSS SALES	\$ 71,012,142		\$ 70,508,723	
Less: Member Discounts	\$ 816,793		\$ 849,222	
NET SALES	\$ 70,195,349	100.0%	\$ 69,659,501	100.0%
Cost of Sales	\$ 45,869,758	65.3%	\$ 45,317,249	65.1%
GROSS PROFIT	\$ 24,325,591	34.7%	\$ 24,342,252	34.9%
OPERATING EXPENSE				
Payroll	\$ 15,837,488	22.6%	\$ 15,696,049	22.5%
Shipping & Delivery	\$ 2,304,794	3.3%	\$ 2,107,387	3.0%
Depreciation & Amortization	\$ 1,096,672	1.6%	\$ 1,096,672	1.6%
General & Administrative	\$ 5,113,034	7.3%	\$ 5,012,402	7.2%
TOTAL OPERATING EXPENSES	\$ 24,358,931	34.7%	\$ 23,912,510	34.3%
OPERATING PROFIT	\$ (33,340)	0.6%	\$ 429,742	0.6%
OTHER EXPENSE				
Interest Expense	\$ (162,567)	-0.2%	\$ (190,519)	-0.3%
Interest Income	\$ 78,777	0.1%	\$ 39,786	0.1%
Other Income	\$ 176,782	0.3%	\$ 83,811	0.1%
Other Expense	\$ (23,270)		\$ (42,687)	
One-Time Expenses	\$ -	0.0%	\$ (199,268)	-0.3%
TOTAL OTHER	\$ 69,722	0.1%	\$ (308,877)	-0.4%
INCOME BEFORE INCOME TAX	\$ 36,382	0.1%	\$ 120,865	0.2%
INCOME TAX (EXPENSE)/BENEFIT	\$ 89,970	0.1%	\$ (556,315)	-0.8%
NET INCOME	\$ 126,352	0.2%	\$ (435,450)	-0.6%
RETAINED EARNINGS	\$ 4,879,353		\$ 4,445,705	
(Beginning of year)				
NET INCOME (Loss)	\$ 111,873		\$ (422,145)	
Additional Paid in Capital	\$ -		\$ 1,007,995	
Less: C SHARE DIVIDENDS ACCRUED	\$ (75,460)		\$ (152,202)	
RETAINED EARNINGS	\$ 4,915,766		\$ 4,879,353	
(End of year)				

2019 BOARD OF DIRECTOR STIPENDS

President	\$11,358.82
Vice-President	\$9,736.13
Treasurer	\$9,736.13
Secretary	\$9,736.13
Directors	\$8,113.44

Annual Board Stipends adopted by the TCCP Board of Directors for 2018–2019.

BALANCE SHEETS

	JUNE 30, 2019	JUNE 30, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,877,026	\$ 4,264,716
Investments	\$ 3,127,601	\$ 2,272,964
Inventory	\$ 2,603,653	\$ 2,644,137
Prepaid	\$ 75,535	\$ 173,708
Receivables	\$ 1,360,687	\$ 1,381,922
TOTAL CURRENT ASSETS	\$ 11,044,502	\$ 10,737,447
FIXED ASSETS		
Property & Equipment, Net	\$ 12,356,712	\$ 12,862,660
Farm Prop. & Equip. Held for Sale	\$ -	\$ -
TOTAL FIXED ASSETS	\$ 12,356,712	\$ 12,862,660
OTHER ASSETS		
Investments	\$ 664,863	\$ 1,534,677
Investment in Other Co-ops	\$ 1,603,462	\$ 1,495,333
Other Assets	\$ 804,938	\$ 716,766
TOTAL OTHER ASSETS	\$ 3,073,263	\$ 3,746,776
TOTAL ASSETS	\$ 26,474,477	\$ 27,346,883
LIABILITIES		
CURRENT LIABILITIES		
Current Portion of Long-term Debt	\$ 424,515	\$ 510,107
Accounts Payable	\$ 1,649,679	\$ 1,702,917
Accrued Expenses	\$ 1,471,818	\$ 1,530,641
Accrued C Share Dividends	\$ 75,300	\$ 228,463
TOTAL CURRENT LIABILITIES	\$ 3,621,312	\$ 3,972,128
LONG-TERM DEBT	\$ 3,847,141	\$ 4,466,631
EQUITY		
Class A Stock	\$ 387,210	\$ 379,674
Class B Stock	\$ 2,537,308	\$ 2,482,836
Class C Stock	\$ 1,882,500	\$ 1,897,500
Refund Equity Certificates	\$ 9,281,624	\$ 9,281,624
Accum. Other Comprehensive Income	\$ 1,616	\$ (12,863)
Retained Earnings	\$ 4,915,766	\$ 4,879,353
TOTAL EQUITY	\$ 19,006,024	\$ 18,908,124
TOTAL LIABILITIES & EQUITY	\$ 26,474,477	\$ 27,346,883

