

2020 TWIN CITIES CO-OP PARTNERS ANNUAL REPORT

Letters from the CEO and Board • Financials • Giving Report

LETTER FROM THE CEO

By Josh Resnik

EVERY YEAR WE FACE NEW CHALLENGES AT THE CO-OP AND FIND WAYS TO OVERCOME THEM.

I cannot think of a more challenging time in the history of the co-op (or our community) than the last seven months. Many of us feel like our world turned upside down as we faced a global health pandemic and the horrific killing of George Floyd, followed by long overdue community conversations and outrage about years of socioeconomic inequality and discrimination.

During these uncertain times, the co-op serves a more important role than ever. People love co-ops in large part because they are a social glue in the community and provide a feeling of connection, especially as we are feeling a sense of isolation. On top of that, we play an essential role as a safe and trusted resource in a time of uncertainty.

I am proud of how our 360 employees are responding to such uncertain and ever-changing circumstances. Our mission to “Build Community by Developing a Strong Local Food System” is essential today. The value of a strong local food system really shined through when panic buying depleted retail shelves and warehouse racks at larger retailers. We were able to provide relative abundance because of our amazing network of small and local vendors. The importance of this robust local food system was demonstrated even more so when many local farms and producers needed alternative outlets to sell product due to closures of local restaurants and schools; Twin Cities Co-op Partners (TCCP) provided a



place for them to continue selling their products.

COVID RESPONSE:

Faced with fear and many unknowns at the beginning of the COVID crisis, we chose to act quickly and decisively in our business operations. With each important decision, we asked four questions:

- 1. SAFETY:** Are we keeping our employees and customers safe? Without a safe shopping and work environment, nothing else mattered.
- 2. FOOD ACCESS:** Are we serving our community and providing an important service at a time of need?
- 3. JOBS:** Are we doing what is necessary to keep people employed and well compensated in what could become a tough economic period ahead?
- 4. LONG-TERM OPERATIONS:** Are we making the right decisions that will keep our business strong and operating in the long term?

The Wedge and Linden Hills Co-op were among the first grocery stores in the area to adopt plexiglass at the registers, create protocols to sanitize register lanes and carts between customers, limit the number of customers in the building at one time to reduce crowding, post social-distancing signage throughout our stores, and many other measures. However, we understood there were owners still not comfortable shopping in stores. Coming directly from owner feedback, we quickly developed and introduced Co-op Curbside, our online ordering

and pickup program, in less than four weeks—a very accelerated program launch. This new service provides continued access to food with zero contact. To date, Co-op Curbside has been well received and in nearly six months we have filled over 7,300 orders and sold almost \$1 million.

GEORGE FLOYD AND OUR ANTI-RACISM JOURNEY:

The killing of George Floyd by a Minneapolis police officer marked a vivid and painful reminder of the long history of mistreatment of Black people in our city and across the country. As a co-op, we were already introspective about diversity, equity and inclusion. Our approach focused on enhanced employee training and forming new community partnerships. However, after many discussions and frank conversations about race in our community, we agreed we needed to do more. We are in full support of the Black Lives Matter movement, and we are on a journey towards creating a more proactively and purposefully anti-racist organization. Through this work we are committing to making progress as it relates to:

- 1. PEOPLE:** Accelerating our efforts in hiring Black, Indigenous and People of Color (BIPOC) across the organization, and creating a more welcoming environment for BIPOC employees. Conducting anti-racism training for all employees and actively recruiting a new Diversity Equity and Inclusion (DEI) Manager.
- 2. PRODUCT:** Reviewing our buying practices and committing to partners with a wider selection of products from BIPOC-owned farms and vendors. In addition, we are evaluating our product offerings to better represent and celebrate our diverse community.



3. COMMUNITY RELATIONSHIPS:

Actively building networks in the BIPOC community to do a better job welcoming more BIPOC customers, supporting BIPOC groups, creating more inclusive messaging in and out of store, and having better BIPOC representation on our board.

You can read our full anti-racism statement on our website at tccp.coop/anti-racism-journey. We recognize we have a lot to learn, and it starts with listening. We want to sincerely build relationships and make everyone feel truly welcome every day.

BUSINESS RESULTS

In light of everything going on, we were also trying to run a financially viable business in FY'20. While remaining focused on the health and wellbeing of our staff and community, we managed to



be successful in operating the business profitably. Despite many extra investments in hazard pay and additional safety supplies and protocols, we finished FY'20 profitable—with net income after taxes of \$15,704. We set a record in FY'20 with total TCCP sales of \$73,336,501—up 4.5% from last year. And while food service sales have been greatly impacted by the pandemic, our sales in our retail business units were up: Wedge (+1.5%) and Linden Hills Co-op (+8.5%), and in our distribution business: Co-op Partners Warehouse (+7.3%). With a dramatic decline in people eating outside the homes, prepared-foods-related businesses have declined: lost hot bar and made-to-order sales at retail, lost sales to restaurants for CPW, reduced production at our commissary kitchen, and lost significant sales at the Wedge Table (which we

have closed at least through the end of the calendar year).

STAKEHOLDERS:

As part of our mission statement, we are committed to managing our business with four groups of stakeholders in mind. Here is our progress in the past year in serving those groups:

OWNERS & SHOPPERS: In July 2019, we changed our owner benefit program to reward owners with 1% cash back on every dollar spent over the fiscal year (July–June), as well as offering one 10% off shopping trip each quarter. During the fiscal year, we paid out a total of \$728,029 in owner benefits between the 1% cash back, 10% off quarterly discounts, and Co-op Affordability Project to support lower-income shoppers.

Admittedly, as with every major change at the co-op, there were those who loved our new programs and those who did not care for them. Thank you all for sharing your feedback. We encourage this feedback and take it seriously. Some common comments were related to avoiding the use of paper coupons and expanding the redemption period for our coupons. Based on this, TCCP has introduced a digital coupon program called Co-op Perks, starting with our October Owner Celebration. Owner coupons are now available at the registers for all



owners, automatically loaded onto owner accounts. Simply ask your cashier to apply your coupon during the redemption period. We are also testing a one-month redemption period, versus one-week, for

October. This will give shoppers more flexibility and time, as well as reduce crowding and create a safer shopping experience during COVID.

EMPLOYEES: Across the nation as the pandemic broadened, grocery employees were at the center of the discussion—being recognized for their important efforts as frontline workers. At the co-op, we have focused our efforts on gratitude, flexibility and safety. Our leadership team understands the daily challenges of working through the pandemic and continuing to operate effectively and efficiently despite those challenges. From the beginning of the pandemic through September, TCCP has invested \$572,000 in our employees through an additional \$2 per hour of hazard pay. And while unemployment rates skyrocketed this spring, TCCP did not have a single layoff related to COVID.

Through creativity and flexibility, TCCP was able to temporarily re-deploy employees across locations and departments to meet the needs where they were greatest. Flexible work solutions were devised for a number of employees to address individual situations, whether that meant



allowing remote work solutions for administrative employees or temporary leaves of absence for operational workers. Overall, 105 employees have used some form of leave of absence benefits. Strict safety protocols have

LETTER FROM THE CEO

been in place since the beginning to maintain the health and wellness of our employees who rely on TCCP for their income.

VENDORS: Building healthy relationships with our vendors has always been paramount. Our success and the success of the hardworking local farmers and producers with whom we work with is closely tied together. Our model is very different from the large corporate grocery retailers.

Throughout the spring, we took great pride in how bountiful our store looked compared to other grocery stores. Our vast network of local suppliers helped to minimize shortages. Meanwhile, we were able to continue our reputation for being one of the first retailers to carry new, on-trend items. Some of our top sellers included Beyond Meat, Vegan Rob's Snacks, Field Day frozen pizza, new LaCroix flavors and local Bizzy Coffee cold brew.

At CPW, a core part of our business is supporting local farmers and vendors and helping expand their distribution base and build their businesses. This year, we're excited to have added new farms and producers like: Living Green (an aeroponics lettuce Farm in Faribault, Minn.), Taking Stock (an organic chicken stock producer in St. Paul, Minn.), McKaskle Family Farm (a fifth generation organic rice farm in Missouri—producing a much-needed item during the pandemic-based supply shortages),

and Ten Finns (an A2 milk producer in Menahga, Minn.). By linking small farms and producers to those retailers and consumers seeking high quality food throughout the Upper Midwest, we fulfill our mission in building an even stronger local food system.



COMMUNITY: A major initiative for our co-op has been our Change Matters program. Through the generosity of our owners and the coordination of our employees,

we donated over \$165,000 to 12 community organizations. Each month, our community's \$12,000–\$14,000 donation makes a major impact for operations and programming for our local nonprofits. We were proud to support a variety of nonprofit groups that celebrate diversity and empower communities, including Green Card Voices, Nawayee Center School and Hopewell Music Cooperative in North Minneapolis. Also, in April and May, when the hunger crisis surged due to COVID, we paused our slated calendar to route donations to three longtime partners actively addressing the urgent community need: Open Arms of Minnesota, Second Harvest Heartland, and Every Meal (formerly The Sheridan Story).



While I am proud of our community impact every year, I think the past six months have especially shown our ability to help where it's most needed. In early summer, we began a partnership with Minnesota Central Kitchen (MCK), a program through Second Harvest Heartland, to prepare 2,400 cooked meals per week in our commissary

kitchen. MCK distributes meals to people in need through their strong networks of community partners.

In FY'20, CPW donated \$75,000 in produce and groceries to organizations serving our communities. As demand has increased over the summer, so have our food donations; CPW donated over \$93,000 just in the first three months of our new fiscal year. And we continued to cast a wide net in our giving—donating to 90 community groups, including school PTAs and sports programs, neighborhood associations, arts organizations, and more through our charitable giving program. More details can be found on the following page.

LOOKING AHEAD:

There continues to be so much uncertainty about how long we will be impacted by COVID, the political future, the economic challenges ahead, and how we can collectively move forward to build a more just and equitable society. We're left with more questions than answers. In these times, we prepare ourselves for different scenarios and work our hardest to control what we can. In our case, that means continuing to focus on providing a very safe shopping experience, maintaining close relationships with vendors and a steady supply of food, and treating our employees with respect. At TCCP, we are set to continue to meet the needs of our community as we have this year.

Reflecting on the past seven months, I can honestly say that I am even more thankful to be a part of such an amazing community within TCCP. I truly appreciate the hard work of our employees and vendors, am awed by the great work of our community partners, and am grateful for the loyalty of our co-op owners and shoppers. Thank you!

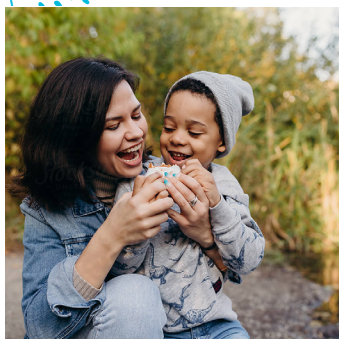


GIVING REPORT

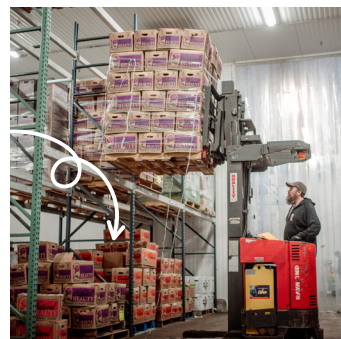
TOGETHER WE MADE A REAL DIFFERENCE.

As an owner, you are part of a collective effort to make this world a better place. We're proud of the work we do together to strengthen our community, help those in need and support our local food system. During this past fiscal year, we sure accomplished a lot:

TOGETHER WE WELCOMED **1,300+** NEW OWNERS into our co-op community.



TOGETHER WE DELIVERED **\$75,000+** IN PRODUCE & GROCERY DONATIONS from Co-op Partners Warehouse to local hunger-relief organizations.



TOGETHER WE SUPPORTED CO-OP EMPLOYEES BY DISTRIBUTING **\$570,000+** IN HAZARD PAY since the pandemic began.

TOGETHER WE DONATED **\$165,000+** to local nonprofits through Change Matters.



TOGETHER WE GAVE **\$330,782** back to our owners as part of their 1% rebate owner benefit.



TOGETHER WE STOCKED **5,500+** LOCAL PRODUCTS on our shelves and in turn supported hundreds of small local farmers and producers.



TOGETHER WE SUPPORTED **90 COMMUNITY GROUPS** including school PTAs and activity programs, neighborhood associations, arts organizations, and more through our charitable giving program.

TOGETHER WE ISSUED **\$200,000+** IN DISCOUNTS to owners enrolled in our Co-op Affordability Project.



2020. AN ASTOUNDING YEAR.

As this article goes to publication, we still have three months left in the year, and the only thing anyone can say with certainty is that we continue to face a level of uncertainty that few of us have seen in our lifetimes.

In the midst of these times, the Twin Cities Co-op Partners Board of Directors is buoyed by the staff, farmers, producers, customers, and communities who support, and are supported by, the co-ops. Every role and every relationship helps foster our shared mission: We are here, together, to *build community by developing a strong local food system*.

Mission-driven enterprises often reference the “Triple Bottom Line.” People, planet and profit. The idea is that success is measured by having meaningful social, environmental and economic impact. Delivering on a triple bottom line, even in the best of times, is a challenge. Making sustainable and fair choices often takes more work than the alternatives.

And this year, perhaps more than ever before, the Co-op’s commitment to hard work, a commitment shared by so many of our partners, has helped us all weather staggering storms.

We see it in the way that employees focus on providing a safe, and calm, shopping experience.

We see it from our farmers and producers who continue to ensure that the co-op’s shelves stay stocked with *real food by real people*.

We see it from our customers and our communities, who know, deeply, that we are stronger together.

No one knows where the new normal will settle. But we do know that tried-and-true values of cooperation, equality, sustainability, and community will always be at the core of the Twin Cities Co-op Partners.

We thank you for your ongoing support and encourage you to connect with us at board@tccp.coop.

Yours in cooperation,
The TCCP Board of Directors



Top row (left to right): Sarita Parikh (President), Emily Anderson, Alex Slichter (President Emeritus)

Middle row: Lisa Fittipaldi (Treasurer), Me’Lea Connelly (Vice President), Steve Share (Secretary)

Bottom row: Jane Schommer, Tom Pierson, Emily Paul

TREASURER REPORT

Twin Cities Co-op Partners (TCCP) ended the 2019–2020 fiscal year with net income of just over \$15,000 in what has proven to be an eventful year for the co-op. Total income from sales exceeded \$73.3 million—a \$3.6 million increase over last year, fueled by strong sales at the Wedge, Linden Hills and CPW, while sales dropped in double digits at the Commissary and Wedge Table. Events of the year, both COVID-19 and neighborhood unrest following the murder of George Floyd, resulted in a difficult decision to close the Wedge Table through the end of the calendar year. So too, Commissary sales are feeling the pinch from COVID-19 with the temporary shut-down of the hot bar and salad bar and near-total elimination of catering sales.

In this COVID year, we have also had to make unprecedented investments for personal protective equipment (PPE), plexiglass shields at the register, additional cleaning supplies and over \$570,000 in hazard pay for our dedicated staff—all driving unanticipated expenses. As members looked for alternative ways to shop, we saw a sizable increase in Instacart fees at the Wedge, while simultaneously channeling funds to develop Curbside Pick-up which staff executed in record time, meeting member needs and making TCCP more competitive in the marketplace. Despite these increases in expenses, and the over \$700,000 paid in owner discounts and cash back, the staff did a great job of holding down other expenses to ensure we ended the year on a positive note, keeping us in the black for the second year in a row.

TCCP continues to have a strong balance sheet with a notable increase in cash and investments. This is driven by two key events. The first involves advantageous refinancing terms on an existing loan, increasing principal by \$900,000 coupled with a substantial reduction in the interest rate. The second is a \$2.7 million Payroll Protection Program (PPP) government loan developed to help small businesses stem the pandemic, and which we are optimistic will be forgiven, at least in part, in the 2020–2021 year. This positions us well to meet future obligations as well as fuel investment in growth. In addition, the balance sheet reflects the owner 1% cash-back program carrying over \$300,000 in accrued

payments during the 2019–2020 fiscal year, but which are now beginning to be paid out to owners in August of the new fiscal year.

In 2019–2020, the board made a decision to begin redeeming existing C Shares, part of an equity offering initiated in 2013 by the Wedge Community Co-op (pre-consolidation). To date, \$286,000 of the \$1.9 million owner investment has been redeemed. Future C Share redemptions will be evaluated in the coming year based on TCCP financial performance. A 4% dividend on C Shares was also declared this year.

As I reflect on this eventful and sometimes challenging year for our co-op, I am proud of the contribution and support TCCP has provided to its members, suppliers, employees and the community. Success is not solely measured by the bottom line. Through the tireless efforts of our front-line workers and dedicated staff, TCCP delivered on its mission to build community through a strong local food system, perhaps more this year than ever before.

Lisa Fittipaldi
Board Treasurer

STATEMENT OF INCOME AND RETAINED EARNINGS

	JUNE 30, 2020		JUNE 30, 2019	
GROSS SALES	\$ 73,733,748		\$ 70,542,447	
Less: Member Discounts	\$ 397,247		\$ 816,793	
NET SALES	\$ 73,336,501	100.0%	\$ 69,725,654	100.0%
Cost of Sales	\$ 48,248,465	65.8%	\$ 45,869,758	65.8%
GROSS PROFIT	\$ 25,088,036	34.2%	\$ 23,855,896	34.2%
OPERATING EXPENSE				
Payroll	\$ 16,486,748	22.5%	\$ 15,837,488	22.7%
Shipping & Delivery	\$ 2,315,370	3.2%	\$ 2,304,794	3.3%
Depreciation & Amortization	\$ 1,125,719	1.5%	\$ 1,103,615	1.6%
General & Administrative	\$ 5,408,169	7.4%	\$ 5,113,034	7.3%
TOTAL OPERATING EXPENSES	\$ 25,336,006	34.5%	\$ 24,358,931	34.9%
OPERATING PROFIT	\$ (247,970)	-0.3%	\$ (503,035)	-0.7%
OTHER INCOME/ (EXPENSE)				
Interest Expense	\$ (150,220)	-0.2%	\$ (162,567)	-0.2%
Interest Income	\$ 82,883	0.1%	\$ 78,777	0.1%
Other Income	\$ 697,265	1.0%	\$ 676,032	1%
Other Expense	\$ (14,053)	0.0%	\$ (52,825)	-0.1%
Owners' Cash-Back Reward	\$ (330,782)	-0.5%	\$ -	0.0%
TOTAL OTHER	\$ 285,093	0.4%	\$ 539,417	0.8%
INCOME BEFORE INCOME TAX	\$ 37,123	0.1%	\$ 36,382	0.1%
INCOME TAX (EXPENSE)/BENEFIT	\$ (21,419)	0.0%	\$ 89,970	0.1%
NET INCOME	\$ 15,704	0.0%	\$ 126,352	0.2%
RETAINED EARNINGS	\$ 4,917,382		\$ 4,866,490	
(Beginning of year)				
NET INCOME (Loss)	\$ 15,704		\$ 126,352	
Less: C SHARE DIVIDENDS ACCRUED	\$ 65,020		\$ 75,460	
RETAINED EARNINGS/ADDITIONS	\$ 4,868,066		\$ 4,917,382	
PAID IN CAPITAL (End of year)				

2021 BOARD OF DIRECTOR STIPENDS

President	\$ 10,386.51
Vice-President	\$ 8,902.72
Secretary	\$ 8,902.72
Treasurer	\$ 8,902.72
Director	\$ 7,418.93

Annual board stipends adopted by the TCCP Board of Directors for FY 2021.

BALANCE SHEETS

	JUNE 30, 2020	JUNE 30, 2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 8,033,416	\$ 3,877,026
CDs & Investments	\$ 1,106,974	\$ 3,127,601
Inventory	\$ 2,634,257	\$ 2,603,653
Prepaid	\$ 92,079	\$ 75,535
Receivables	\$ 1,187,320	\$ 1,360,687
TOTAL CURRENT ASSETS	\$ 13,054,046	\$ 11,044,502
FIXED ASSETS		
Property & Equipment, Net	\$ 11,410,890	\$ 12,356,712
TOTAL FIXED ASSETS	\$ 11,410,890	\$ 12,356,712
OTHER ASSETS		
CDs & Investments	\$ 3,745,771	\$ 644,863
Investment in Other Co-ops	\$ 1,625,337	\$ 1,623,462
Other Assets	\$ 754,705	\$ 804,938
TOTAL OTHER ASSETS	\$ 6,125,813	\$ 3,073,263
TOTAL ASSETS	\$ 30,590,749	\$ 26,474,477
LIABILITIES		
CURRENT LIABILITIES		
Current Portion of Long-term Debt	\$ 332,881	\$ 424,515
Accounts Payable	\$ 2,289,252	\$ 1,649,679
Accrued Expenses	\$ 1,679,037	\$ 1,471,818
Accrued Owners' Cash-Back Reward	\$ 330,782	\$ -
Accrued C Share Dividends	\$ 65,100	\$ 75,300
TOTAL CURRENT LIABILITIES	\$ 4,697,052	\$ 3,621,312
LONG-TERM DEBT	\$ 7,123,509	\$ 3,847,141
TOTAL LIABILITIES	\$ 11,820,561	\$ 7,468,453
EQUITY		
Class A Stock	\$ 395,950	\$ 387,210
Class B Stock	\$ 2,597,048	\$ 2,537,308
Class C Stock	\$ 1,627,500	\$ 1,882,500
Patronage Equity	\$ 9,281,624	\$ 9,281,624
Accum. Other Comprehensive Income	\$ -	\$ 1,616
Retained Earnings	\$ 4,868,066	\$ 4,915,766
TOTAL EQUITY	\$ 18,770,188	\$ 19,006,024
TOTAL LIABILITIES & EQUITY	\$ 30,590,749	\$ 26,474,477



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PARTNERS
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