

2021

# TWIN CITIES CO-OP PARTNERS ANNUAL REPORT

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# LETTER FROM THE CEO

By Josh Resnik

**As we moved through a year of uncertainty in our community and world, Twin Cities Co-op Partners focused efforts on embracing change. We needed to adapt how we do business and connect with our community. We were up to the challenge. Despite the changing times, we fulfilled on our mission and had a positive impact on our owners, employees, vendors, and community. Sales were up this year and topped \$75 million—a new record for TCCP.**

**We've changed and evolved in a lot of ways this past year. Here I'd like to highlight three key changes that contributed to our success and set us up for the future.**

## CPW and Nicollet

Twin Cities Co-op Partners is a unique business—really unlike any other food co-op in the nation. While other co-ops have grown with multiple stores our model has been to impact various parts of the food chain—with retail outlets, but also a distribution business, food production, and catering.

The demand for products and services from Co-op Partners Warehouse (CPW) grew more than ever this past year and CPW saw tremendous growth—particularly in its core business of selling produce to other co-ops. CPW is now one of the largest organic produce distributors in the Upper Midwest, building its reputation for excellent product quality and absolute integrity by working with select small and midsize farms and new grocery producers, and then connecting them with co-ops, independent grocers, restaurants, and cafes.

Sales for CPW were up 14% over the previous year and external sales were \$30.9 million. We have seen even stronger growth in the first quarter of FY'22, and are confident that there is a lot of opportunity to significantly expand this part of our business and create an even greater impact through the Upper Midwest. As a result, the Board and leadership are investing in the business including a banana-ripening room, information systems, new equipment, and important new positions—all to support our growth.

However, as CPW numbers grew, sales at the Wedge Table (our mini market and café) did the opposite. Unfortunately, sales at the Wedge Table never reached the goals we had hoped for, and the sales challenges were exacerbated by Covid. Our commissary kitchen, artisan bakehouse, and catering business saw similar declines as customers dined out less, worked from home, and halted in-person events. Toward the end of the fiscal year, we made the difficult decision to close our Nicollet operation, including the café, bakery, and catering and move food preparation back to our stores.

## Covid Safety

As Covid rates went up and down over the past year and we continued to learn more, we adjusted our retail operations. Last October we slowly began hosting owner celebrations again. We extended promotional periods like our 10% off owner discount and HBC sales to avoid crowding in the store. It was a delicate balance of providing value for our owners, but also maintaining a safe shopping experience. As new Covid variants cropped up and cases started to skyrocket again, we decided to reinstitute a mask requirement in our stores in mid-August. We continuously monitor information and prioritize the safety of our customers and employees.

We couldn't keep our staff safe without the support and compliance of our co-op shoppers who continue to follow safety policies, are mindful of their proximity to our staff and other customers, and wear masks in our stores. Thank you for helping us keep our community safe.

## Anti-Racism Journey

As we continue on our anti-racism journey, I want to highlight our continued efforts to make TCCP a more just and equitable organization. We were successful in a majority of our goals for





FY'21 outlined in our Diversity, Equity and Inclusion (DEI) strategy and anti-racism statement. These

include sourcing 18 new Black, Indigenous, People of Color (BIPOC) owned products which not only adds more variety to the products for customers but enriches BIPOC businesses and the community. During Black History Month, we told the stories of many of the Black-owned brands in our stores, offered sales on featured products and some were featured in the Kare11 news story: "How TCCP is honoring Black History Month."

Furthermore, our efforts in community outreach produced results that align with the goals we set forth. We partnered with

### By the Numbers

In the 2021 Fiscal Year, TCCP

- topped \$75 million in sales
- issued over \$814,000 in owner discounts
- paid employees \$632,780 hazard pay
- issued over \$500,000 in food and monetary donations

Northside Residents Redevelopment Council (our April Change Matters partner) in their zero-waste challenge by donating a collection of sustainable products. Lastly, we partnered with other local co-ops for a Co-op Community Conversations series that shed light on various topics including the racial covenants in

Minnesota, how art can deepen our commitment to racial and social justice, and the stories of three local immigrants who own food businesses in the Twin Cities.

While we are proud of our progress on several fronts, and although we saw an increase, we fell short of our goal in diversity hiring. We saw this increase with 21 of our new hires (28%) who self-identified as BIPOC. To do a better job at diversity hiring, we have established new partnerships with Twin Cities Urban League and Minneapolis Community Planning Economic Development.



We have participated in virtual job fairs with both organizations and are excited to make further connections so that our employee base is more representative of the incredible diversity of Minneapolis. Through more proactive candidate sourcing and more intentional recruiting efforts, we are confident we can reach our FY'22 diversity hiring goals.

### Our Commitment to our Stakeholders

As we continue to adapt and embrace the changes we are faced with, our values and commitment to our mission and stakeholders remains steadfast. We are completely committed to the mission of Building Community by Developing a Strong Local Food System—and that is something we focus on every day and in every decision. And we remain committed to supporting the needs of our stakeholders (owners, employees, community, farmers/vendors) who loyally support our business. Here are some of the ways we delivered on those promises this year.

#### Owners/Shoppers

In total, owners received \$814,165 in discounts in FY'21. That represented an increase of 11.8% from a year ago. Through a combination of our quarterly 10% off owner-only deals, our Co-op Affordability Project (CAP) discounts, and our 1% rebate at the end of the year, owners saw major benefits to shopping at the co-op.

In a year with a lot of transformation and economic uncertainty, one important way we were there to support our owners was through our CAP program which offers alternative paths to ownership and everyday discounts to people who qualify by being part of various government assistance programs. This important program ensures access to healthy, high-quality food for everyone. In FY'21 we welcomed 427 new CAP owners to the co-op, which represents an increase of almost 60% vs. the previous year. Additionally, our total investment in CAP discounts was \$245,366—a 14% increase over the previous year.

In October 2020 we launched a new digital program called Co-op Perks. By signing up for e-mail offers, owners can get special deals on co-op products. Co-op Perks shoppers have received great deals like free ice cream and cleaning products, and there is more to come. So far, 5,300 owners have signed up for Co-op Perks. Our goal is for all owners to take part in this great program.





This summer, over 900 shoppers completed our owner survey—our best response in years. I was excited to see that overall satisfaction scores remained very high and have increased since our last survey two years ago. A common measure of customer loyalty is a “Net Promoter Score” which measures how many customers will recommend your business. The Wedge and Linden Hills Co-op scored a 57, an excellent score according to industry standards. We were told that you love the co-op for our best in local, organic, and healthy foods. We heard your suggestions for improvement—including parking, pricing of some items, and recommendations for new products. We take this feedback very seriously and will be working on solutions and improvements for each.

### Employees

I continue to be impressed by and grateful for our amazing employees at TCCP. Their hard work, knowledge, and loyalty has been so crucial to maintain successful co-op operations. At a time when hiring and retaining employees is so difficult, I am proud to say that we have 31% of employees with over 10 years of service and 8% with over 20 years.

Keeping a safe environment for employees has always been of the utmost importance. In total only 5.0% of our employees who have worked for TCCP since the beginning of the pandemic have tested positive for Covid. And while our employees are often in high contact with the public, our rate of employees with Covid infections was less than half the rates for Minnesota and the United States. Also, I am happy to say that we have no evidence of cases of employee-to-employee transmission. We take the threat of Covid very seriously and strongly encourage employees with symptoms or exposure to stay home (and get paid). Also, through the first half of the fiscal year, we paid hazard pay on all hours worked—totaling extra compensation for employees of \$632,780.

Speaking of pay, we also brought all wages at TCCP above \$15 per hour in November 2020. This was 20 months ahead

of the city of Minneapolis law requiring \$15 starting wages. Wages at TCCP now start at \$15.25 and include a generous benefits package for all full-time employees (over 80% of our employee base).

### Vendors

One of the things I love most in working at the co-op is building relationships with local vendors and helping them in developing their businesses. At the retail level, we provided an outlet for popular restaurant brands like Broder’s and Rose Street Patisserie to sell products at a time when people were dining out less often. It’s a win-win situation for these local food makers to expand their reach and for our customers who now have access to restaurant-quality foods at our stores. Through CPW we were able to help a number of Minnesota brands reach a wider market including Revol Greens (Medford), MinnTofu (Spring Lake Park), North Star Kombucha (Minneapolis), and Maazah (Arden Hills). Through these partnerships, we are building a stronger local food system that benefits everyone.

### Community

As the pandemic continued on, the community needs remained high. I am proud to say that TCCP has continued to increase our community support. This year, we prioritized hunger relief organizations and supporting BIPOC communities. Through the sales of our yard signs, we’ve donated over \$10,000 to the Du Nord Foundation’s Community Market. CPW donated over \$350,000 in produce and other food to hunger relief organizations. Additionally, before closing the commissary, we prepared a total of 100,000 healthy meals for Minnesota Central Kitchen’s free meal program. And with the generous support of our shoppers and vendor partners, our community donated almost \$145,000 to community organizations through Change Matters.

I’m proud of the many ways on which we’ve fulfilled our mission this year and remain committed to our owners, employees, vendors and community. I want to thank all of you for walking with us on this journey as we embrace change and set the co-op up for continued success in the future.

## GIVING REPORT

Together we're building a strong, equitable food system for all.



CPW donated  
**\$354,072**  
in unsaleable food to  
local hunger relief  
organizations.

**\$10,166**  
was raised for the  
Du Nord Foundation  
through yard sign  
sales.

Our employees  
received  
**\$632,780**  
in hazard pay for keeping  
our doors open during  
the pandemic.

TCCP raised  
**\$144,432**  
through the generous  
donations of shoppers  
and vendors through  
Change Matters.

**1,373  
PEOPLE**  
joined the co-op  
this year.

We issued over  
**\$245,000**  
in discounts to  
members of the  
Co-op Affordability  
Project.

The commissary  
prepared over  
**100,000 MEALS**  
for Minnesota Central  
Kitchen.

Almost  
**\$320,000**  
was returned to co-op  
owners through our 1%  
cash back reward.

# LETTER FROM THE BOARD

**Nearly every person and organization, across the planet, has encountered uncertainty and change over the last eighteen months. We continue to adapt and remain committed to our mission of building community by developing a strong local food system.**

Twin Cities Co-op Partners has accelerated its ability to adapt in this ever-changing world. We deeply value our partnerships with staff, farmers, producers, customers, and the communities who support, and are supported by, the co-ops. Our mission is a shared purpose that enables us to evolve, together.

The "Triple Bottom Line," that is, balancing a sustainable mix of "people, planet, and profit," continues to inform TCCP's decisions and goals. We believe that our success is measured by having meaningful social, environmental, and economic impact. The principles behind a triple bottom line, naturally add complexity, but are central to our mission.

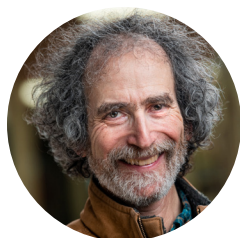
This last fiscal year, much like the year before, required considerable levels of adaptation. TCCP especially focused on three areas that required reshaping and adaptation: maintaining a safe, trustworthy environment for shoppers, staff, and community during the pandemic; growth, advocacy and partnerships for racial justice, and adapting to the changing needs of the business with the closure of the Nicollet Commissary and Wedge Table and investment in Co-op Partners Warehouse.

We have deep gratitude for all the people who help foster the co-op mission. We are thankful to our staff for their shared commitment to keep shoppers, and each other, safe and upbeat. We also thank our shoppers for their shared diligence, and of course, for their support of the co-ops. We thank our farmers and vendors for their continued commitment to providing delicious, healthy, and sustainable food to our communities.

And we are grateful to our communities for your ongoing support. We encourage you to connect with us at [board@tccp.coop](mailto:board@tccp.coop)

Yours in cooperation,  
The TCCP Board of Directors.

**WE BELIEVE THAT OUR SUCCESS IS MEASURED BY HAVING MEANINGFUL SOCIAL, ENVIRONMENTAL, AND ECONOMIC IMPACT.**



# TREASURER REPORT

In the face of an ever-changing marketplace, Twin Cities Co-op Partners (TCCP) has had to grow and adapt. As we continued to manage through a global pandemic and increasing retail competition, we were tasked to evaluate which aspects of the business are thriving and deserve continued investment, while making some tough decisions about parts of the business that were holding us back.

Over the past year, Co-op Partners Warehouse (CPW) has flourished. Up 14% in sales versus the prior year, it has become a leader in providing local and organic produce in the Midwest. TCCP leadership, with the Board's support, made thoughtful investments in CPW this year, which will pay dividends for years to come. At the same time, TCCP permanently closed the Wedge Table, discontinued our bakehouse and catering businesses, and redirected our remaining Commissary operations from the Nicollet location into the local stores. While originally optimistic about these ventures, it became apparent that they could not be profitable long term, and the pandemic accelerated the decision to shut the Nicollet location down. The financial impact of the Nicollet closure is apparent throughout TCCP's FY '21 financial statements which are described in more detail below.

TCCP continued to experience sales growth in FY '21, ending the year with over \$75 million in sales—a 2% increase over the prior year. As mentioned above, CPW fueled this growth, while retail (Wedge and Linden Hills) held its own, despite wrapping the prior year March/April Covid rush on grocery and dry goods (think back to empty toilet paper shelves in March 2020!). Sales attributed to the Nicollet location were obviously down with the Wedge Table closure and the transition away from the bakehouse and catering operations at Nicollet. TCCP members earned 1% back rebates of of nearly \$500,000 this year, a 24% increase over last year.

While total sales were up, TCCP sustained a \$1.0 million net loss, driven almost completely by the closure of the Wedge Table and the Nicollet location. Because the decision was made to close Nicollet in FY '21, we were required to recognize that loss in this year's financial statements, even though the building and associated assets were not yet listed for sale. When the building sale is complete in FY '22, we will recognize the difference between the estimated proceeds and what we will actually net on



the sale, helping to temper a portion of this year's loss. Moreover, with the closure of Nicollet, TCCP will again be in a position to generate positive net income in FY '22 and beyond.

TCCP leadership and the staff did an excellent job in FY '21 of holding operating expenses flat. This despite \$320,000 paid in the owner 1% cashback program and an increase in retail starting wages for our well-deserved staff to \$15.25/hour—among the highest in the Twin Cities grocery trade.

As you review the balance sheet, you will see a reduction in assets of nearly \$2.0 million. This is primarily attributable to a reduction of property and equipment from closing Nicollet and a reduction of CDs which matured and were used to pay down accrued liabilities / bank loans, buy back Class C Stock (C-Shares), pay C-Share dividends and fund investments in CPW. With respect to C-Shares, the Board authorized the redemption of \$250,000 in C-Shares in FY '21, and recently approved an additional \$250,000 in C-Share redemptions for FY '22 which will be issued in October. We will evaluate further C-Share redemptions in late Spring 2022 after we close on the sale of Nicollet. As has been our practice, in FY '21 the Board declared a 4% stock dividend for remaining C-Shares holders.

TCCP's cashflow remains strong. This cash position is likely to improve in FY '22 as the sale of Nicollet is completed and TCCP operations delivers on planned profit.

We are committed to growing TCCP and to delivering on our mission of building community through a strong local food system. The critical investment made to expand CPW this year squarely delivers on that mission, while the closure of the Wedge Table and sale of Nicollet demonstrate our commitment to sound fiscal management that ensures future retail expansion. As the marketplace demands, we will adapt and respond to ensure a strong TCCP now and in the future.

## STATEMENT OF INCOME AND RETAINED EARNINGS

	JUNE 30, 2021		JUNE 30, 2020			
<b>GROSS SALES</b>	\$	<b>75,291,003</b>		\$	<b>73,733,748</b>	
Less: Member Discounts	\$	494,167	0.7%	\$	397,247	0.5%
<b>NET SALES</b>	\$	<b>74,796,836</b>	<b>100.0%</b>	\$	<b>73,336,501</b>	<b>100.0%</b>
<b>COST OF SALES</b>	\$	<b>50,389,642</b>	<b>66.9%</b>	\$	<b>48,248,465</b>	<b>65.4%</b>
<b>GROSS PROFIT</b>	\$	<b>24,407,194</b>	<b>32.4%</b>	\$	<b>25,088,036</b>	<b>34.0%</b>
<b>OPERATING EXPENSE</b>						
Payroll	\$	16,857,440	22.4%	\$	16,544,151	22.4%
Shipping & Delivery	\$	2,206,265	2.9%	\$	2,315,370	3.1%
Depreciation & Amortization	\$	1,072,828	1.4%	\$	1,125,719	1.5%
General & Administrative	\$	5,113,231	6.8%	\$	5,408,169	7.3%
<b>TOTAL OPERATING EXPENSES</b>	\$	<b>25,249,764</b>	<b>33.5%</b>	\$	<b>25,393,409</b>	<b>34.4%</b>
<b>OPERATING PROFIT</b>	\$	<b>(842,570)</b>	<b>-1.1%</b>	\$	<b>(305,373)</b>	<b>-0.4%</b>
<b>OTHER INCOME / (EXPENSE)</b>						
Interest Expense	\$	(123,210)	-0.2%	\$	(150,220)	-0.2%
Interest Income	\$	45,653	0.1%	\$	82,883	0.1%
Other Income	\$	979,619	1.3%	\$	754,668	1.0%
Other expense	\$	(9,031)	-0.0%	\$	(12,437)	-0.0%
Owners' Cash-Back Reward	\$	(319,998)	-0.4%	\$	(330,782)	-0.4%
<b>TOTAL OTHER</b>	\$	<b>573,033</b>	<b>0.8%</b>	\$	<b>344,112</b>	<b>0.5%</b>
<b>INCOME TAX BEFORE EXTRAORDINARY ITEMS</b>	\$	<b>(269,537)</b>	<b>-0.4%</b>	\$	<b>38,739</b>	<b>0.1%</b>
<b>IMPAIRMENT LOSS ON NICOLLET LOCATION</b>	\$	<b>(1,047,003)</b>	<b>-1.4%</b>	\$	<b>-</b>	<b>0.0%</b>
<b>INCOME BEFORE INCOME TAX</b>	\$	<b>(1,316,540)</b>	<b>-1.7%</b>	\$	<b>38,739</b>	<b>0.1%</b>
<b>INCOME TAX (EXPENSE) / BENEFIT</b>	\$	<b>321,763</b>	<b>0.4%</b>	\$	<b>(21,419)</b>	<b>-0.0%</b>
<b>NET INCOME</b>	\$	<b>(994,777)</b>	<b>-1.3%</b>	\$	<b>17,320</b>	<b>0.0%</b>
	\$	(994,777)	-1.3%	\$	17,320	0.0%
<b>RETAINED EARNINGS</b> (Beginning of year)	\$	<b>4,868,066</b>		\$	<b>4,915,766</b>	
<b>NET INCOME (Loss)</b>	\$	<b>(994,777)</b>		\$	<b>17,320</b>	
<b>Less: C-Share DIVIDENDS ACCRUED</b>	\$	<b>53,880</b>		\$	<b>65,020</b>	
<b>RETAINED EARNINGS/ADDITION PAID IN CAPITAL (End of year)</b>	\$	<b>3,819,409</b>		\$	<b>4,868,066</b>	



Twin Cities Co-op Partners  
**BALANCE SHEETS**

	JUNE 30, 2021	JUNE 30, 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 8,243,186	\$ 8,033,416
CDs & Investments	\$ 1,130,082	\$ 1,106,974
Inventory	\$ 2,475,609	\$ 2,634,257
Prepaid	\$ 42,842	\$ 92,079
Receivables	\$ 1,450,528	\$ 1,187,320
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 13,342,247</b>	<b>\$ 13,054,046</b>
<b>FIXED ASSETS</b>		
Property & Equipment, Net	\$ 9,975,170	\$ 11,410,890
<b>TOTAL FIXED ASSETS</b>	<b>\$ 9,975,170</b>	<b>\$ 11,410,890</b>
<b>OTHER ASSETS</b>		
CDs & Investments	\$ 2,482,493	\$ 3,745,771
Investment in Other Co-ops	\$ 1,674,322	\$ 1,625,337
Other Assets	\$ 1,088,524	\$ 754,705
<b>TOTAL OTHER ASSETS</b>	<b>\$ 5,245,339</b>	<b>\$ 6,125,813</b>
<b>TOTAL ASSETS</b>	<b>\$ 28,562,756</b>	<b>\$ 30,590,749</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-term Debt	\$ 412,198	\$ 332,881
Accounts Payable	\$ 1,761,619	\$ 2,289,252
Accrued Expenses	\$ 1,752,403	\$ 1,679,037
Accrued Owners' Cash-Back Reward	\$ 342,478	\$ 330,782
Accrued C-Share Dividends	\$ 53,880	\$ 65,100
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 4,322,578</b>	<b>\$ 4,697,052</b>
<b>LONG TERM DEBT</b>	<b>\$ 6,736,227</b>	<b>\$ 7,123,509</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 11,058,805</b>	<b>\$ 11,820,561</b>
<b>EQUITY</b>		
Class A Stock	\$ 406,640	\$ 395,950
Class B Stock	\$ 2,649,278	\$ 2,597,048
Class C Stock	\$ 1,347,000	\$ 1,627,500
Patronage Equity	\$ 9,281,624	\$ 9,281,624
Accum. Other Comprehensive Income	\$ - 0	\$ - 0
Retained Earnings	\$ 3,819,409	\$ 4,868,066
<b>TOTAL EQUITY</b>	<b>\$ 17,503,951</b>	<b>18,770,188</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 28,562,756</b>	<b>30,590,749</b>



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