2023
TWIN CITIES CO-OP PARTNERS
ANNUAL REPORT

Co-op IS Community

LETTER FROM THE CEO

Last year in the annual report I talked a lot about the development in the spring of 2022 of a comprehensive Long Range Plan (LRP). Through my career across different organizations, I have seen many times when an LRP is forgotten about shortly after it was created. I am pleased to say that our LRP has been a very important part of our daily work at the co-op and has helped guide us to our most successful year since the consolidation in 2017. FY'23 was all about starting work on our LRP – with the goal of making progress on our long-term objectives and starting to lay the foundation for future growth.

In the simplest terms our LRP sets us up to do more of the positive things we want to do as a business:

1) Create more jobs and pay employees more;

2) Reward our owners and continue to create a great shopping experience;

3) Support our community – through generous giving, education, support of other co-ops, and furthering sustainable business practices; and

4) Support our local and organic farmers and vendors by creating a robust marketplace for their goods.

In so doing, we purpose to re-invest in the business to ultimately expand our footprint and impact to do even more for all of these partners. Having the LRP in place has given the whole organization more clear, tangible goals and allows us to focus on our most important initiatives. It helps drive communication throughout the organization and externally, and we can build our plans to the department level around what is most important for the long-term success of the organization.

The following is an overview of our financial results for the year, our progress against our LRP priorities, and how we are impacting our stakeholders through this work.

Financial Results:

FY'23 was our most successful year financially in years. We ended the year with net income of $879,770. While we showed a stronger final net income last year, it was due to the PPP loan we received, so this was a solid year from an operational standpoint. After several years in a row where we ran just above break even, it is nice to have a little more breathing room.

This means:

• More money to re-invest in the business;
• More money to share with employees – who saw profit sharing checks at the end of Q4; and
• More sales for the businesses we partner with.

At the foundation of this profitability was strong sales. We saw strong growth in each business unit and record sales years at Co-op Partners Warehouse and Wedge Linden Hills. We saw growth at each business unit with Wedge Lyndale, Wedge Linden Hills, and CPW growing 4.5%, 7.4%, and 4.4% respectively. In total our sales were up almost $4 million versus the previous year. Our strategy in the LRP is to "deliver a delightful customer experience through trusted curation of the best local and organic products, personalized service, and an authentic connection to our communities." Based on our strong sales, I believe we delivered well on each of these measures.

Long Range Plan:

In the LRP we highlighted five key priority areas to focus on as an organization. An update on each area:

CPW: Fix CPW Business Model for Growth

Over the past 3 years, CPW has been our fastest growth business unit, and is also the one where we see the most potential for future growth. In that three-year period, CPW has grown over $10 million (+37%). As part of our LRP we talked about the long-term strategy for CPW and how we can double our business from $37 million to $75+ million. We see many tons of food come into and out of our warehouse every week, and one of the biggest opportunities is to reduce waste. I am proud of some of the system changes the CPW has made in sourcing, inventory tracking, product rotation, and improving temperature consistency to help reduce shrink by 20% in FY'23. Our biggest investment and opportunity at CPW (and across all TCCP) in the second half of FY'23 and into FY'24 was our transition to a new warehouse management system. We spent much of FY'23 evaluating options and preparing for the launch on August 1. To be completely transparent, there have been some challenges with the implementation, but we feel like we have a good system for optimizing the implementation and getting significant benefits in how we manage our business.

Branding: Define and Differentiate our Retail Brands

After six years of operating with two distinct brand names – the Wedge and Linden Hills – we have decided to unify our brand name as one. Always referring to our stores as "Wedge and Linden Hills Co-op" has been clunky at best, and at worst – confusing to many shoppers that we are the same company. In looking to develop a unified brand for both stores, we wanted to celebrate our long heritage and built-up trust from the community and recognize the importance of our neighborhoods. To that end, our primary retail brand name is now Wedge Community Co-ops, and our locations are aptly named Wedge Lyndale and Wedge Linden Hills. This gives us the flexibility to market our current stores more effectively, while planning future growth of our brand.

Our process was comprehensive, talking to many owners, employees, and even our farmers and vendors. We wanted to really focus on what makes us unique as a brand and find a way to tell our story. We learned we're a well-known leader in the co-op community – locally, regionally, and nationally. More importantly, we learned more about what our community wants from us, and we're excited to bring more events, collaborations, outreach, and fun to our retail stores.

In the coming weeks and months, you'll see new signs on the outside of the stores, and a complete refresh of interior signage, telling more of the stories of our farmers and producers. Look for new branded merchandise to purchase as well!



Retail: Drive Low Single Digit Retail Sales and Profit Growth

Sales at retail grew 5.6% in FY'23, which represented the largest collective growth across the two stores in over a decade (since the year Linden Hills Co-op moved into its then new Sunnyside location). At the foundation has been a focus on Best in Class customer service. We regularly measure our customer satisfaction through the on-going register receipts and can compare ourselves against co-ops and other specialty grocers around the country. Our goal is to be in the 20% in overall customer satisfaction – and we regularly are at that level. Additionally, we have focused on improving retail basics – like strong merchandising, product availability, easy to shop stores, and innovative new products.

Productivity: Generate productivity and operational efficiency to offset cost increases

While we are proud of our growth last year, we know that for established grocery stores, it is traditionally a relatively slow-growth business. At the same time, our costs in labor, utilities, and raw ingredients have historically risen much faster than our sales. To keep up, we continually need to ask ourselves – how can we work smarter and be more efficient? This means looking at our existing system, from point of sale to HR information systems, and using more of the tools so we can work smarter.
Additionally, we are looking at shrink (food waste) more closely than ever – and tracking it and developing tools to reduce waste. We are also in the rollout phase of a major project at retail around centralized receiving that will allow us to better manage inventory and work toward retail time margin management.

Team: Build Team Culture and Capabilities for Growth

Our fifth priority is centered around how we build teams for success today and in the future. We are putting a lot of focus on how we hire the right people for the right jobs, and on improving our training and development. In January we re-started our New Hire Orientation program for all new incoming employees, which had been on hiatus for almost three years since the start of the pandemic. Since then, we have had 110 people attend the full-day orientation, and I personally spend the first 45 minutes with every group talking about the co-op history, mission, and culture – trying to instill in them what makes us special as a company. I tell everyone that you do not know if you will be here for three months or 30 years, but our goal is to give you the tools so that if you want to have a career here, we will make you successful.
Amazingly, 30% of our staff have been working for the co-op for over 10 years (which is very uncommon in our industry) and 8.5% have been with the co-op for 20+ years. In addition to the New Hire Orientation, we have been working on a comprehensive training and development program that would provide key skills in Manager Training, Safety, Systems, and General Skill Building.

Stakeholder Impact:

Over the past decade, I have had conversations with many people about what success looks like for us as an organization. At a traditional for-profit business, it is more straightforward – as CEO the role is to "maximize shareholder value." But as a co-op and a social-mission oriented business, it is more nuanced. I like to explain that yes, we want to be profitable, but it is so we can better deliver for our four key stakeholder groups: employees, owners, community, and farmers/vendors. Here are some quick highlights of how we created value for our stakeholders in FY'23.

Employees: We know that our employees are a huge reason why customers love our co-ops. I am proud of our strong employee retention numbers as outlined in a previous section of this report. We work hard to create an environment where employees feel valued, have opportunities for career advancement, and have a voice in the direction of our business. Some highlights:

• At the end of 4th quarter, we were able to provide profit sharing checks for employees as a reward for strong business performance.

• Last year, 51 employees moved to new positions in the business.

• Last summer we started an employee referral program – based on a suggestion from a relatively new employee – and now employees can get a $200 bonus for recommending a new hire.

• In the spring we started a fun Local Love Sampling program for employees so they have more opportunities to try our favorite local brands and can talk about them with shoppers.

• And one of my favorite programs is our Key Ingredients Kudos awards. We reward employees for demonstrating above and beyond examples of our 6 key behaviors – Teamwork, Engagement, Accountability, Open Mindedness, Welcoming, and Empathy. Each month we get anywhere from 75-100 nominations, and we award four winners each month with a $100 check as a thank you for their great work.

Owners: We made three significant changes to our owner benefits at the beginning of FY'23:

1) We shifted our owner deals program from having a week-long deal every week for a month four times per year to having one high value offer for a week every month. Owners responded very well to spreading the offers more evenly through the year – and we saw a big increase in average redemptions and the number of people participating.

2) We eliminated the 1% cash back at the end of the year – which many people said they forgot about and said a small payout next August didn't impact their shopping in October. We replaced it with our e-mail based Co-op Perks program which delivered high value offers to people throughout the year.

3) And we created the successful Owners Love Local program. This was intended to highlight local businesses with the goal of providing high value offers for owners and encouraging them to try new local brands. Results on this have been great – highlighted by 30% offers for Just Coffee in February, Quebracho Empanadas in April, and Double Take Salsa for Cinco de Mayo; these brands saw sales increase during their events by 6x, 15x, and 10x respectively – and enjoyed a sales boost of $13,500 collectively.

We spent $552K in owner discounts (as reported in the annual report) on our CAP discounts and quarterly 10% off owner deals. And then we spent approximately $200K more on other owner specials – including Owners Love Local, our product-focused monthly owner specials, and Co-op Perks email discounts. In aggregate, owners responded to the new suite of benefits well as evidenced by an average increase in spending of about 5% from our active owners from FY'22 to FY'23.

Providing access to the co-op for households in need remained a very important priority for us in FY'23. CAP ensures access to high quality, nutritious foods for all households, regardless of income. In FY'23, we invested $302,700 in CAP discounts – an increase of 9.3% over the previous year. Over the year, we had 452 new owners sign up through the CAP program (35% of our new owners), and we ended the year with 1,817 owners enrolled in CAP – a net increase of 152 compared to the previous year.

Community: Community has always been at the core of our business. We create community through the shopping experience, serve communities through the Upper Midwest in our CPW distribution, and give back to our immediate communities in many ways. As a food company, a cause very near and dear to all of us is food insecurity. We strive to take a leadership role in ensuring that people in our community have access to high quality food. Between our system for food donations at Co-op Partners Warehouse and our investment in the Co-op Affordability Project, which we started in 2014, we donated $700,000 in FY'23 to address food insecurity and provide access to healthy foods through partners like Loaves and Fishes, Twin Cities Food

Justice, Sisters Camelot, and First Nations Kitchen. Another way in which we can impact our community is through the Change Matters program. Through the generosity of our shoppers rounding up at the register – we donated $108,000 over the year ($9,000 per month) to small to mid-sized non-profits who did great work in our neighborhoods – empowering communities of color, fighting hunger, and supporting emerging farmers.

Farmers/Vendors: One of my favorite things about working at the co-op is the time I get to spend with our amazing suppliers – the farmers and food entrepreneurs who bring us the great food that we have all come to love. From trips this summer to Rushford in southern Minnesota and Clear Lake in central Minnesota, I got to spend time with the teams at Featherstone Farms and Thousand Hills – two of our longest standing and biggest vendors. It was so energizing to hear about their commitment to regenerative agriculture, and a great reminder about some of the inherent challenges for small to mid-sized producers who are committed to sustainable practices and farming/ranching here in Minnesota. This commitment to local products runs beyond just our fresh categories. In packaged grocery, I have met with countless startups who come to us first after proving their concept in farmers markets. In FY'23 alone we brought in 315 new local items at retail – including the amazing Blakesville Creamery Cheeses from Wisconsin, the 3 Farm Daughters pastas from Grand Forks, Lovebird organic grain free cereals from the Twin Cities, and Pemmican Patty jerky from North Dakota. A couple notable new local vendors we started selling at retail in FY'22 and then distributing for at CPW in FY'23 are Jinx Tea and Nixta Tortillas.
I wholeheartedly believe that we win when they win and vice versa.

As we reflect on the past year, we are grateful for the loyalty of our owners, the hard work of our employees, and the excellent products from our farmers and vendors. This has been our most successful year in a long time because of the work of a community of people who are tied together through their connection with the community. The LRP has given us a road map of where to focus but it is in the work of many people day in day out that make that vision a reality. FY'23 was a great spring-board for future success, and I'm energized by the exciting work ahead to continue to grow our co-op and expand our impact.

COMMUNITY REPORT

Food first. Community always.

Throughout the previous fiscal year, we bolstered our community and the local food system in numerous ways. The following figures offer merely a glimpse into the tangible, positive effects our cooperative community has had on real lives.

Through Change Matters, we raised over

$107,998

for local organizations empowering communities of color, fighting hunger, and supporting emerging farmers. Thank you for rounding up at the register when you shop.

Co-op Partners Warehouse contributed

$396,312

worth of food donations to organizations such as Loaves and Fishes, Twin Cities Food Justice, Sisters Camelot, First Nations Kitchen, and other groups dedicated to alleviating hunger within our community.

We supported Reclaim with a $178 donation

through the sale of rainbow sprinkles and grain bowls for Pride.

We welcomed

1,273

new owners into the co-op community.

We issued

$302,700

in discounts to owners enrolled in our Co-op Affordability Project.

$4,457.62

in change was collected in our donation boxes and given to local food shelves.

We hired

127

new employees into TCCP, ***and promoted 51 internal employees to new positions!***

30%

of our staff has been working for the co-op for at least 10 years!

We brought in

315

new local items

TCCP staff submitted

21

community service hours in September

Total number of local products is

5,409

Total number of local brands is

547

8.5% of our staff has been working for 20 years or more!

2023 Annual Report

Letter from the Board

Top Row: *Christine, Emily, Lisa* **Middle Row:** *Mark, Sarita, Sophia* **Bottom Row:** *Steve, Tom, Yoshi*

The co-ops are more than a place for healthy, local, and good food. They are also about building community! This includes connections we've built with local farmers, our relationships with vendors across the upper midwest, alongside the knowledge and passion of our staff, and the trust we've earned from you, our owners. All of these people and backgrounds come together, around tasty food, to make our co-ops really special.

Our mission has consistently guided us: We are here to build community by developing a strong local food system. In the co-op world, success is measured through social, environmental, and economic impact – what people in the co-op world call "the triple bottom line." This mix of people, planet, and profit are what make the co-ops so unique.

To help TCCP succeed with this triple bottom line, last year our organization introduced the TCCP Long Range Plan (LRP), which is a series of goals, strategies, and initiatives to support our co-op's mission. This LRP laid out the foundations for a long and impactful future for the co-ops. You'll hear much about the first year of the LRP from the CEO report.
The Board thanks all of you, the owners of Twin Cities Co-op Partners, for your ongoing support. Spending your shopping dollars at our stores keeps that money in the community, supports fair wages and benefits for employees, and helps sustain our local, midwestern food system.

We encourage you to connect with us at board@tccp.coop

Yours in cooperation,
The TCCP Board of Directors

TREASURER REPORT

Fiscal year 2022 was a year of recovery for Twin Cities Co-op Partners (TCCP) after a volatile and challenging 2021. While there is more work to be done, we are pleased to share with you fiscal year 2023 has been a year of strong financial performance:

- TCCP's total sales were $81,532,980, a growth of 5.09% compared to FY '22.
- Our gross profit, or the amount of money we made after subtracting from our sales the direct costs related to producing or acquiring the goods we sold, was $25,497,070; this was a growth of 6.66% compared to FY '22.
- We did record an operating loss of $103,061, which means we lost that much after subtracting from our gross profit the day-to-day operating costs (e.g., payroll, marketing, and shipping costs, etc.). However, we were able to significantly improve and reduce our operating loss last year from $377,969, or by 72.73%, anchored by robust sales and gross profit.
- Lastly, our net income, or the total amount of money left after subtracting all expenses and taxes from the money we earned and received, was $879,770. TCCP had a net loss for FY'22, excluding the PPP loan forgiveness and estimated taxes, of $119,215.

TCCP's balance sheet is strong:

- We repaid $200,000 of long-term loans.
- We retired $504,000 of the C Share equity offering initiated by the Wedge Co-op in 2013. We are happy to announce that we mailed C Share dividends of 4% and redeemed $590,000 of C Shares in September, which was the final payment of the original $1.9 million C Share offering.
- We invested $687,000 in equipment and software including a new CPW warehouse management system.

Lastly, you will see one other noteworthy item in the balance sheet. Due to a new accounting rule adopted on July 1, 2022, there is a change in the way our long-term (i.e., 12 months or longer) leases are reported. The value of TCCP's privilege to use the leased property over the duration of the agreed-upon lease term appears as a right-of-use asset, which is $2,186,686. Our long-term lease obligation, or lease liability, is $2,234,594, of which $461,318 are current. These appear as new line items in our report.

In summary, FY'23 has been an encouraging year. However, the world-at-large continues to experience various extreme events, such as the ongoing war in Ukraine, rapid and extreme climate events, economic uncertainty, and gaping education gaps across race and socioeconomic status. It is our firm belief that food is an essential foundation of a healthy, thriving community, and that healthy and thriving communities are crucial to a sustainable and inclusive world. The TCCP Board and leadership teams remain committed to ensuring strong balance sheet, positive operating cashflow, and overall growth, so we can make more to give more and do our small part in delivering on our mission to building a better world by creating a strong local food system.

Yoshi Suzuki-Lambrecht
Board Treasurer

2023 Annual Report

Statement of Income and Retained Earnings

	June 30, 2023		June 30, 2022	
GROSS SALES	**$81,532,980**		**$77,583,861**	
Less: Member Discounts	$552,413	0.7%	$517,683	0.7%
NET SALES	**$80,980,567**	**100.0%**	**$77,066,178**	**100.0%**
COST OF SALES	$55,483,497	68.1%	$52,981,937	68.3%
GROSS PROFIT	**$25,497,070**	**31.3%**	**$24,084,241**	**31.0%**
OPERATING EXPENSE				
Payroll	$16,001,643	19.6%	$15,575,206	20.1%
Shipping & Delivery	$3,022,409	3.7%	$2,703,007	3.5%
Depreciation & Amortization	$878,811	1.1%	$883,480	1.1%
General & Administrative	$5,700,622	7.0%	$5,300,517	6.8%
TOTAL OPERATING EXPENSES	**$25,603,485**	**31.4%**	**$24,462,210**	**31.5%**
OPERATING PROFIT	**$(106,415)**	**-0.1%**	**(377,969)**	**-0.5%**
OTHER INCOME/(EXPENSE)				
Interest Income/Expense, NET	$75,491	0.1%	(62,093)	-0.1%
Other Income & Expense, NET	$569,734	0.7%	$325,271	0.4%
PPP Loan Forgiveness	$ -	0.0%	$2,728,000	
TOTAL OTHER	**$645,225**	**0.8%**	**$2,991,178**	**3.9%**
INCOME BEFORE EXTRAORDINARY ITEMS	**$538,810**	**0.7%**	**$2,613,209**	**3.4%**
GAIN (LOSS) ON NICOLLET LOCATION		**0.0%**	**$216,052**	**0.3%**
INCOME BEFORE INCOME TAX	**$538,810**	**0.7%**	**$2,829,261**	**3.6%**
INCOME TAX (EXPENSE) / BENEFIT	**$340,960**	**0.4%**	**$(220,476)**	**-0.3%**
NET INCOME	**$879,770**	**1.1%**	**$2,608,785**	**3.4%**
RETAINED EARNINGS				
(Beginning of Year)	**$6,384,434**		**$3,819,409**	
NET INCOME (Loss)	$879,770		$2,608,785	
Less: C-Share DIVIDENDS ACCRUED	$23,600		$43,760	
RETAINED EARNING/ADDITIONAL PAID IN CAPITAL (End of Year)	**$7,240,604**		**$6,384,434**	

	June 30, 2023	June 30, 2022
ASSETS		
CURRENT ASSETS		
Cash, CDs & Investments	$11,068,450	$11,883,369
Inventory	$2,647,481	$2,345,715
Receivables & Prepaid	$1,666,535	$1,633,732
TOTAL CURRENT ASSETS	**$15,382,466**	**$15,862,816**
Property & Equipment, NET	$6,206,443	$6,353,061
Right of Use Assets, NET	$2,186,686	
CDs & Investments	$1,287,465	$537,771
Investment in Other Co-ops	$1,837,212	$1,741,010
Deferred Income Taxes	$1,270,000	$852,000
TOTAL OTHER ASSETS	**$12,787,806**	**$9,483,842**
TOTAL ASSETS	**$28,170,272**	**$25,346,658**
LIABILITIES		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$213,567	$206,433
Current Portion of Lease Liabilities	$461,318	
Accounts Payable	$2,362,156	$1,894,832
Accrued Expenses	$2,045,470	$2,108,831
Accrued C Share Dividends	$23,600	$43,760
TOTAL CURRENT LIABILITIES	**$5,106,111**	**$4,253,856**
LONG-TERM DEBT	**$1,005,509**	**$1,216,116**
LONG-TERM PORTION OF LEASE LIABILITIES	**$1,773,276**	
TOTAL LIABILITIES	**$7,884,896**	**$5,469,972**
EQUITY		
Class A Stock	$427,930	$417,440
Class B Stock	$2,745,218	$2,699,188
Class C Stock	$590,000	$1,094,000
Patronage Equity	$9,281,624	$9,281,624
Retained Earnings	$7,240,604	$6,384,434
TOTAL EQUITY	**$20,285,376**	**$19,876,686**
TOTAL LIABILITIES & EQUITY	**$28,170,272**	**$25,346,658**

Wedge
COMMUNITY CO-OPS