

2024 | TWIN CITIES CO-OP PARTNERS ANNUAL REPORT

LETTER FROM THE CEO • FINANCIALS • GIVING REPORT



2024 Annual Report

Letter from
the CEO



LETTER FROM THE CEO

We all do better when our co-op does better, and our co-op does better when we live our mission of building community by developing a strong local food system. I am happy to report that the last year was a year of transition at the co-op, and one that sets the stage for furthering Twin Cities Co-op Partners' positive impact in the community.

My name is Nick Seeberger, and I am the CEO of Twin Cities Co-op Partners (TCCP). It's always helpful to remind our owners that our organization is made up of our two retail locations – Wedge Lyndale and Wedge Linden Hills, along with our regional warehouse and distribution business, Co-op Partners Warehouse.

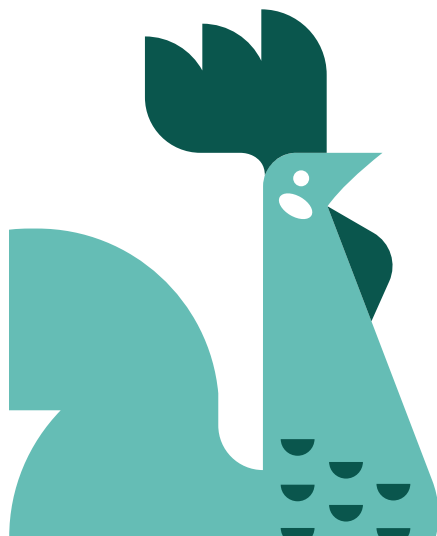
When I started in this role in early August this year, I did not fully understand what I was walking in to. Turns out the co-op has a friendly and well-tenured staff with 89 out of 293 employees having worked here for more than 10 years. The co-op also boasts an incredibly strong balance sheet, a financial statement that demonstrates what the co-op owns and how it was paid for, which positions us well for on-going investment and expansion. We also had some recent financial success at Wedge Lyndale and Wedge Linden Hills that was more than offset by challenges we experienced at Co-op Partners Warehouse (CPW). With a strong balance sheet and cash position, the co-op worked through the challenges of the last year and is on-track for future growth and expansion.

Before I describe how the Board, Leadership Team, and staff successfully navigated the last year I thought I should tell you more about myself. I am a veteran of the co-op movement with more than 24 years of experience in natural foods co-ops. I began my career washing dishes in the deli of Seward Co-op, another local food co-op, and progressively moved into positions of increasing responsibility ultimately ending my time there as the Operations Manager leading the two retail locations and the operations at the Co-op Creamery building. During my tenure at Seward Co-op I attained a Masters of Management Co-ops and Credit Unions degree from St. Mary's University in Halifax, Nova Scotia in Canada. My education and operational experience prepared me for the move to CEO of Valley Natural Foods, a co-op in Burnsville, Minnesota, in 2017. Having led Valley Natural Foods through expansion and growth I was honored to have the opportunity to bring my experience here to TCCP!

Just as important to me as my co-op history is my personal history. I have lived in the metro area of the Twin Cities since moving here to attend college in 1997 at the University of Minnesota. My wife, Caitlin, and I live in Saint Paul with our three children, Inez (16), Nolan (14), and Leo (8). As a family we enjoy singing loudly and out-of-tune in the car, endlessly debating without compromise what to watch on movie night and doing a lot of laughing together.

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As parents, Caitlin and I know that our children are inheriting a world with staggering economic disparities, worsening environmental conditions, and age-old societal structures that lead to inequitable outcomes for different people in our society.

The co-op structure, coupled with our co-op's focus on local and organic foods, provides hope for a path forward to address the economic, social, and environmental issues ahead of us. In the last year the co-op has made several improvements to grow our community impact:

- Replaced a section of the roof at Lyndale with a white roof, improving energy efficiency;
- Negotiated union contracts with Linden Hills and CPW staff that provide significant wage increases for our staff;
- Fully repaid our owners who invested in Class C shares;
- Transitioned our quarterly newsletter Cultivate from print to digital;
- Adopted street drains for clean-up for both Linden Hills and Lyndale stores.

These, and many other initiatives, only scratch the surface of the impact we have as an organization.

CPW is a distribution center located in Saint Paul that provides produce, refrigerated, and grocery products to over 400 customers across 6 states. Founded in 1999, CPW is a hub for local food distribution, while also carrying international fair-trade products, such as Equal Exchange bananas and organic produce from across the USA. Last year an enterprise resource planning (ERP) software installation at CPW did not go as planned and the ability of many

vendors and customers to get products to market was challenged. It was a first-hand reminder of the importance of CPW in the regional food system. I am happy to report through a lot of hard work, by a lot of individuals, CPW operations are up and running, and sales are again growing. We are on the path to regaining the trust of our many partners and the entire team is committed to CPW's success.

The next year will be a pivotal year at the co-op. I will work with the Board, leaders, and staff to build alignment around our co-op's long-term plan and identify the initiatives we will pursue to grow our impact. A few items in the works are:

- Clean up and restore Lyndale landscaping;
- Resurface all parking lots at Lyndale;
- Install and reset the prepared foods section at Linden Hills – more house made products for our customers!;
- Evaluate and possibly refresh the juice bar, dining area, and front end at Lyndale;
- Continue exploration and pursuit of potential 3rd store location

All these investments will increase co-op accessibility and improve our customers' experience.

The thing I am most excited about is that next year we will be celebrating our 50th anniversary! While it will technically be Wedge Lyndale's 51st anniversary and Wedge Linden Hills 49th, we are splitting the difference and planning fun and exciting ways to celebrate our past and look to the future. As a father and cooperator, I have a strong sense of obligation to ensure that those who come after us have something to build upon. At TCCP, we are committed to making decisions that strengthen our local food system, because we know that those decisions make our community stronger. Thank you all for your support now and into the future.

In co-operation,



Nick Seeberger,
CEO



2024 Annual Report

Community
Report

LOCAL



OWNERS



WE WELCOMED
1,392
NEW OWNERS



WE GAVE
\$322,505
IN DISCOUNTS TO CO-OP
AFFORDABILITY PROJECT MEMBERS

EMPLOYEES



COMMUNITY



ENVIRONMENT





2024 Annual Report

Letter from
the Board



LETTER FROM THE BOARD

It's been a noteworthy year for the co-op. One filled with ups and downs, coming and goings, reasons for celebration and time to reflect on lessons learned. We are excited to welcome our new CEO, Nick Seeberger, to the co-op. While TCCP's size and reputation attracted numerous qualified candidates for the CEO position, Nick, with his focus on operations and finance combined with his dedication to the co-op model, made him a clear choice to lead TCCP. Nick is fortunate to inherit a strong leadership team who ran the co-op through the first half of the year with the support of their dedicated, tenured and, outstanding departments at both of our retail stores and our CPW distribution center. We can't thank them all enough for keeping the TCCP machine running during this period of transition in leadership.

On a positive note, our retail operations at the Wedge Lyndale and Linden Hills, had a very strong year, with sales up 4%, delivering equally strong margin and profit performance. In fact, the Wedge Lyndale store had record breaking profit last year. This financial success at retail, however, was tempered by an extremely tough rollout of our new CPW warehouse management system, ultimately resulting in a financially difficult year for the co-op. We owe a debt of gratitude to the CPW staff and the customers and vendors we serve, who stood by us through trying times. We are confident we have turned the corner at CPW and Nick is working closely

with the CPW staff to ensure we emerge stronger than ever before.

This month we also say goodbye to two highly committed board members, Sarita Parikh who served 3 back-to-back terms on the board, most recently as president, and Christine Page who served as board vice president during her tenure. Your contributions have been numerous, and you will both be missed.

As we look forward to FY '25, TCCP is excited to celebrate its 50th anniversary — 50 years during which TCCP helped shape the organic grocery industry, increased its commitment to local farmers and vendors, supported sustainable farming and business practices, pledged its dedication to diversity and inclusion, and grew membership of our TCCP co-op community to over 21,000 active owners. Our community of owners, farmers, vendors, customers, and those in the markets we serve - you are the backbone of TCCP. We remain committed to you and are continually anchored by TCCP's mission: to build community by developing a strong local food system.

Yours in cooperation,
The TCCP Board of Directors

Top Row: Bao, Christine,
Emily **Middle Row:** Jobin,
Lisa, Mark **Bottom Row:**
Sarita, Steve, Yoshi



2024 Annual Report

Treasurer Report



TREASURER REPORT

In FY24, TCCP's two retail stores performed well and yielded both healthy profits and revenue growth. The Warehouse unit was unprofitable and saw substantial decline in revenue due to a flawed technology upgrade project. This mixed financial performance led to a disappointing overall result.

Overall, TCCP recorded FY24 gross sales of \$76,340,129 and a net income loss of (\$1,347,119), compared with sales of \$81,532,980 and positive net income of \$879,770 in the prior year. The FY24 shortfalls are attributable to a 6.4% decline in TCCP consolidated sales.

The retail stores — Wedge Lyndale and Wedge Linden Hills — saw combined sales grow by 4.2% to \$46.4M. Staff in both locations worked diligently to maintain competitiveness in the era of high inflationary pressures, with particular emphasis on customer service, promotional items, and customer loyalty programs. Customer traffic increased 7.3% from the prior year, with average basket size down modestly.

Co-op Partners Warehouse (CPW) sales fell by 19% to \$30.0M. This decline was caused by difficulties in a project begun in August 2023 to convert to a new state-of-the-art inventory and shipping management software system. A combination of project mismanagement and errors in both the software and underlying pricing & inventory data impaired CPW's ability to properly serve our customers. As a result, sales declined and product loss (shrink) increased.

The Board took several actions beginning in fall 2023 to remedy this situation, including: replacing senior management; upgrading and reorganizing CPW staff; working with the software vendor to improve their product's functionality and reliability; and engaging outside experts to advise on warehouse operations. As a result, the system is stable and CPW is currently performing at industry-best levels as it fulfills customer orders and minimizes credits/refunds for faulty shipments. Management is now working to win customers back to CPW, with the intent to return the business to profitability in early calendar 2025.

TCCP remains a healthy cooperative, with a strong balance sheet. Cash and investments are \$10.1 M, compared with \$12.1 M a year prior. During FY24 \$215K was used to pay down bank debt to \$1M, and \$590K was used to redeem the final tranche of outstanding C shares. TCCP's liquid assets are invested in safe CDs or government bonds, with no investments in securities. TCCP uses conservative accounting principles and enjoyed a clean "unmodified opinion" in its FY24 audit.

As we look to the future, the Board anticipates a return to profitability and revenue growth in FY25, setting the stage for potential future growth in retail locations.

Mark Greene,
Board Treasurer



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Statement of Income and Retained Earnings

	June 30, 2024		June 30, 2023	
GROSS SALES	\$76,340,129		\$81,532,980	
Less: Member Discounts	\$571,045	0.7%	\$552,413	0.7%
NET SALES	\$75,769,084	100.0%	\$80,980,567	100.0%
COST OF SALES	\$52,283,608	68.5%	\$55,483,497	68.1%
GROSS PROFIT	\$23,485,476	30.8%	\$25,497,070	31.3%
OPERATING EXPENSE				
Payroll	\$16,197,489	21.2%	\$16,001,643	19.6%
Shipping & Delivery	\$2,780,411	3.6%	\$3,022,409	3.7%
Depreciation & Amortization	\$886,208	1.2%	\$878,811	1.1%
General & Administrative	\$6,149,389	8.1%	\$5,700,622	7%
TOTAL OPERATING EXPENSES	\$26,013,497	34.1%	\$25,603,485	31.4%
OPERATING PROFIT	(\$2,528,021)	-3.3%	(\$106,415)	-0.1%
OTHER INCOME/(EXPENSE)				
Interest Income/Expense, NET	\$314,722	0.4%	\$75,491	0.1%
Other Income & Expense, NET	\$393,392	0.5%	\$569,734	0.7%
TOTAL OTHER	\$708,114	0.9%	\$645,225	0.8%
INCOME BEFORE INCOME TAX	(\$1,819,907)	-2.4%	\$538,810	0.7%
INCOME TAX (EXPENSE) / BENEFIT	\$472,788	0.6%	\$340,960	0.4%
NET INCOME	(\$1,347,119)	-1.8%	\$879,770	1.1%



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Balance Sheets

	June 30, 2024	June 30, 2023
ASSETS		
CURRENT ASSETS		
Cash, CDs & Investments	\$10,091,197	\$11,068,450
Inventory	\$2,550,292	\$2,647,481
Receivables & Prepaid	\$1,645,176	\$1,666,535
TOTAL CURRENT ASSETS	\$14,286,665	\$15,382,466
Property & Equipment, NET	\$5,770,989	\$6,206,443
Right of Use Assets, NET	\$3,759,611	\$2,186,686
CDs & Investments	\$309,284	\$1,287,465
Investment in Other Co-ops	\$1,921,339	\$1,837,212
Deferred Income Taxes	\$1,751,000	\$1,270,000
TOTAL OTHER ASSETS	\$13,512,223	\$12,787,806
TOTAL ASSETS	\$27,798,888	\$28,170,272
LIABILITIES		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$221,056	\$213,567
Current Portion of Lease Liabilities	\$366,603	\$461,318
Accounts Payable	\$2,591,404	\$2,362,156
Accrued Expenses	\$1,928,547	\$2,069,070
TOTAL CURRENT LIABILITIES	\$5,107,610	\$5,106,111
LONG-TERM DEBT	\$789,529	\$1,005,509
LONG-TERM PORTION OF LEASE LIABILITIES	\$3,484,602	\$1,773,276
TOTAL LIABILITIES	\$9,381,741	\$7,884,896
EQUITY		
Class A Stock	\$439,980	\$427,930
Class B Stock	\$2,802,058	\$2,745,218
Class C Stock	\$0	\$590,000
Patronage Equity	\$9,281,624	\$9,281,624
Retained Earnings	\$5,893,485	\$7,240,604
TOTAL EQUITY	\$18,417,147	\$20,285,376
TOTAL LIABILITIES & EQUITY	\$27,798,888	\$28,170,272

