



Scorecard | Annual Report 2017



Seward
COMMUNITY CO-OP

Seward Co-op will sustain a healthy community that has:
Equitable economic relationships;
Positive environmental impacts; and
Inclusive, socially responsible practices.



(R to L) Artist Gustavo Lira, along with Raul Palacios and Raul Palacios, stands in front of the mural he designed for the Friendship store. The mural, commissioned by the co-op, represents the history of the Bryant-Central neighborhood, while also honoring the history of the Friendship site and its cultural impact.



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Creating an Even More Resilient Cooperative

Sean Doyle, General Manager

In fiscal year 2017, which ended on June 30, we welcomed more than 1,800 new owners to our cooperative. Now more than 18,000 households are directly invested as member-owners in Seward Co-op's success! The reasons for becoming an owner of the co-op are varied. Some seek a welcoming store with a quality, reliable product mix. Others come because they are passionate about social justice. Still others have a high regard for our local economic impacts and environmental sustainability. This report shares with you many of the highlights of our co-op's accomplishments.

Autumn is a time for taking stock before winter. As many of you may know, our cooperative faces new intense competitive pressures. Because none of us knows the future, it's important to discuss how we are preparing for both opportunities and challenges that may come our way. Fiscal year 2017 was a time of equalizing after 2016, which was a year of significant change for Seward Community Co-op. We rebounded from anticipated, but significant, losses in 2016, and we posted a modest loss for 2017. This means that the co-op will not issue a patronage refund this year, but we are optimistic that we will in 2018.

While we were not profitable this past year, we made tremendous strides to prepare the co-op for the increases in competition. Our cash flow was strong, we were able to make significant improvements to all three business units, and we reduced the co-op's debt.

Some of the conversations that board and management have had during recent months center on how to address challenges in the natural foods industry, including a declining market share for co-ops. Many people feel this is the "new normal" for natural foods, and it presents a contrast to decades of growth for co-ops. Together we must all envision how we create an even more resilient cooperative.

As many of you may know, at the end of June co-op employees decided to unionize within Local 653 United Food and Commercial Workers Union. The co-op held a neutral position during this process. We worked closely with the union to create a safe space that was professional and respectful, which enabled a smooth election process. The vote by staff demonstrates the importance of democracy, as they expressed their fundamental right to be represented by a union. From my perspective it is no different than our right to form a cooperative. All people have the right to form mutual associations for common benefit. While we still need to negotiate a contract, we look forward to this new partnership with our employees.



(Clockwise) Staff at the Franklin store following their vote to unionize this summer. Friendship Store Manager on Duty Yolanda Womack helps out in the Bulk area. Front of House Shift Lead Chris Hamilton prepares a beverage in the Creamery Café.

As a cooperative community, we aspire not only to serve owners' mutual needs, but also to demonstrate that it is possible to cultivate a healthier and more equitable society, as articulated in our Ends Statement. Through the Scorecard, we measure the co-op's social impact. In the following pages, you will find data demonstrating the difference we make in our community. We focus our operations towards creating structure and nourishment for those who choose to be, or may someday be, part of our prosperous community, so that all who participate in the co-op are individually and collectively well in both body and spirit. We maintain an openness to meeting potential future needs. By working together, we see the co-op as a tool through which to support society's need for greater racial equity. Please join me in celebrating another strong, dynamic year at Seward Co-op.



Balancing Growth With Purpose

Mary Alice Smalls, Board President

One of the board's primary roles is to work towards our Ends and Long-term Vision by monitoring and reviewing co-op policies. These exist to guide the operations of Seward Co-op in sustaining a healthy community in the communities it serves. Another one of the board's roles is directing the General Manager to steer operations for co-op sustainability. The GM, in turn, leads the co-op's progress towards the Ends and Long-term Vision achievement.

A huge challenge in 2017 was, and continues to be, balancing growth with purpose while honoring the shared values we hold as owners of the co-op. Inclusive socially responsible practices mean more than putting signs of welcome in the window. It also means targeting benefits to our stakeholders and the communities we serve. Accomplishments include the growth of the trade area served by our two stores to more than 18,000 owners, and increased access to good food for our 1,845 new owners (23% of whom availed themselves of the needs-based payment option to become members). The SEED program has raised more than \$1.25 million through customer contributions to support nonprofits like Isuroon, Sabathani Community Center, and Kente Circle Training Institute. The co-op also sponsored such organizations as Midwest Food Connection, Midtown Farmers Market, and In the Heart of the Beast Puppet and Mask Theatre, as well as efforts to assist protesters at Standing Rock. This commitment clearly demonstrates the third subpoint of our Ends in the wealth of activity and engagement beyond specific job performance. The operations that staff performed are what make all the good works happen.

Disappointing setbacks from a second year of not being able to declare a patronage refund and slightly missing 2017 budget projections did not deter co-op staff from participating in the creation of new stakeholders that share passion for equitable economic relationships. The co-op endorsed the 15 Now proposal. Staff contributed 133 hours in assisting other co-ops. The collaboration with Nexus Community Partners to support the North Star Black Cooperative Fellowship program—which promotes a curriculum focusing on Black cooperative economic thought and practice—and co-op staff's decision to unionize with Local 653 United Food and Commercial Workers Union should be celebrated. Our Ends, along with the Cooperative Principles, point to growing a commonwealth wherein people historically have and can form mutual associations for their common benefit.



(Clockwise) Board members Joe Riemann (left) and Migdalia Loyola talk to an owner in the Friendship store. Seward Co-op staff celebrate raising SEED funds for In the Heart of the Beast Puppet and Mask Theatre. A student displays her artwork during a visit to her school from Midwest Food Connection.

How the co-op impacts the environment, the third subpoint of our Ends to sustain a healthy community, involves additional areas for improvement. Do you know that for 10 years now the co-op has produced its own effective cleaners and sanitizers, which reduces purchasing costs but are harmless to the environment? Or that last year the co-op purchased the solar array at the Franklin store, which has been Energy Star-certified for the last three years, and offset a total of 25 tons of carbon (the equivalent of 638 trees)? The co-op constantly tracks, adapts and improves its impact on the environment in order to minimize negative impacts.

Please join me in a heartfelt thank you to Seward co-op staff who are talented, dedicated and nationally recognized co-op leaders, and who again this year cultivated significant Ends achievement.



(Clockwise, from center) The Seward Co-op Friendship Produce team visits dahlia fields at the Hmong American Farmers Association (HAFA). Seward board member and Friendship Store Manager on Duty Mehdi Kennar dances with the crowd at Franklin Open Streets. Jerry Williams performs with his band Sultry Soul at the 2016 Annual Owner Meeting at the Friendship store. Diners enjoy a special meal and conversation with farmers from York Farm and Rebel Soil at the Creamery's Farm Table dinner. Farmers at the annual CSA Fair discuss their farm offerings with fair-goers. Sausage production staff at the Creamery production facility with their Seward-made sausages. Aaron Hoffmeister of Beez Kneez and Friendship Store Wellness staff demonstrates honey extraction for Eat Local Farm Tour attendees.

LIVING-WAGE JOBS

We compensate employees (who have worked 2,000 hours) using a living-wage* model and create jobs to expand the cooperative economy.



JOB S PAYING LIVING WAGE	TOTAL EMPLOYEES	NEW JOBS CREATED
100%	377	5

*The Minneapolis living wage is \$13.01 for employees who earn health insurance and other benefits.

STAFF DEVELOPMENT

We develop staff to help build the cooperative economy and contribute to its highest ideals.

STAFF HOURS ASSISTING OTHER CO-OPS	PROFESSIONAL DEVELOPMENT OPPORTUNITIES
133	258



EQUITABLE ECONOMICS

We contribute to a more equitable economy by offering quality products through intentional sourcing.



A total of \$20.8 million are from P6 producers.



P6 is a national movement guided by shared values and three overarching criteria: cooperative, small, local. The goal: increasing market access for small farmers, building co-operative supply chains and, ultimately, changing our food system.

A total of \$2.7 million fair trade products sold.

ACCESSIBILITY

We offer products that are accessible and affordable.

\$1.1 million
in SNAP and WIC transactions.

\$390,436
in needs-based discounts.

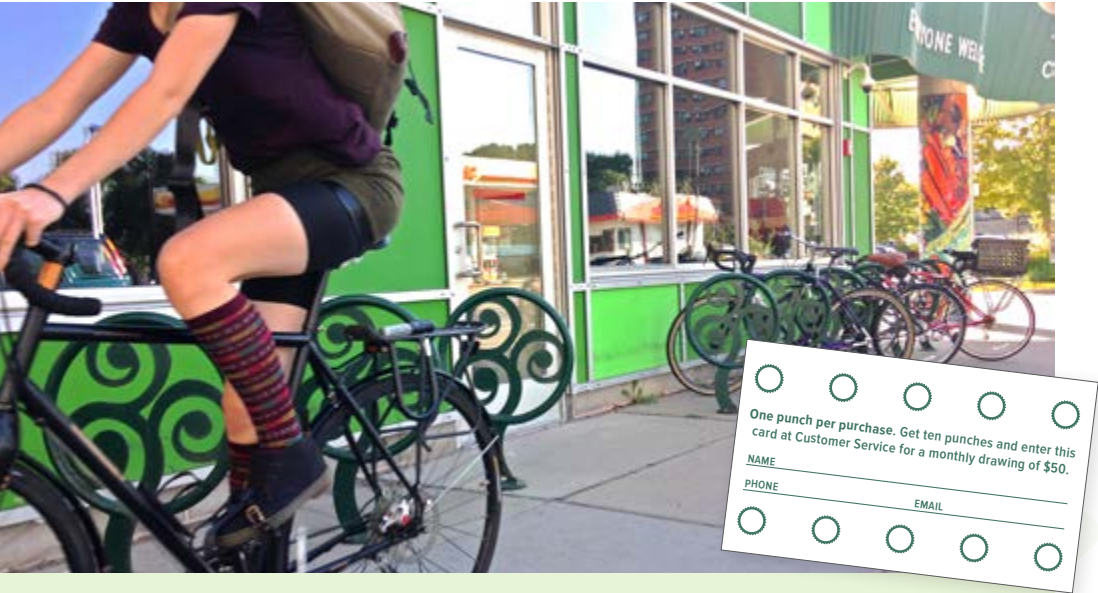
\$2.1 million
Nourish products sold.





ALTERNATE TRANSPORTATION

We promote alternative transportation to and from the co-op.



1,890 square feet dedicated to car and bike-sharing programs and bike parking. **564** participants in our biking incentive program, Cycle Perks.

SUSTAINABLE OPERATIONS

We operate sustainably compared to industry norms. We use 35% less energy, meaning co-op buildings' energy usage outperforms building-code standards.



At Seward Co-op **80%** of all waste is recycled.

MINIMAL PACKAGING

We minimize packaging in the products we stock and feature.

BULK PRODUCTS SOLD

\$3.5 million

**MONEY GIVEN BACK TO SHOPPERS
USING REUSABLE BAGS**

\$40,707



MINIMAL IMPACTS

We source products that minimize negative environmental impacts.



Seward Co-op will sustain a healthy community that has **inclusive, socially responsible practices.**



STAFF DIVERSITY

We hire staff who reflect the neighborhoods in which we operate.



STAFF RESIDING WITHIN WALKING OR BIKING DISTANCE (1.5 MILES) OF OUR LOCATIONS

58%

STAFF IDENTIFYING AS PEOPLE OF COLOR



35%



MULTILINGUAL STAFF

15%

OWNERSHIP

We invite everyone to become a co-op owner through multiple payment options and a needs-based discount.

18,253 total owners

1,850 new owners



NEW OWNER PAYMENTS

IN FULL **67%**

NEEDS-BASED **23%**

INSTALLMENT **10%**

GIVING BACK

We prioritize and promote giving back to our community.

CUSTOMER SEED DONATIONS

\$297,913

GRANTS, DONATIONS & SPONSORSHIPS

\$71,241

PAID EMPLOYEE COMMUNITY SERVICE HOURS

465



SEED recipient Sunshine Tree Child Development Center

RESPECTFUL RELATIONSHIPS

We build respectful relationships with customers that cultivate trust within our cooperative.

PRODUCT CHANGES PER CUSTOMER REQUESTS

419

CLASSES OFFERED TO THE PUBLIC

53

STORE TOURS GIVEN BY STAFF

20



Southside Health holds a class at Friendship store

FISCAL YEAR 2017, which ended June 30, was the first full year of operations for the Friendship store. The Creamery Café was closed for renovations for two months during summer 2016, before re-opening in September. After the tremendous amount of energy put into our expansion projects during the previous two years, this past year was focused largely on improving operations across our three business units.

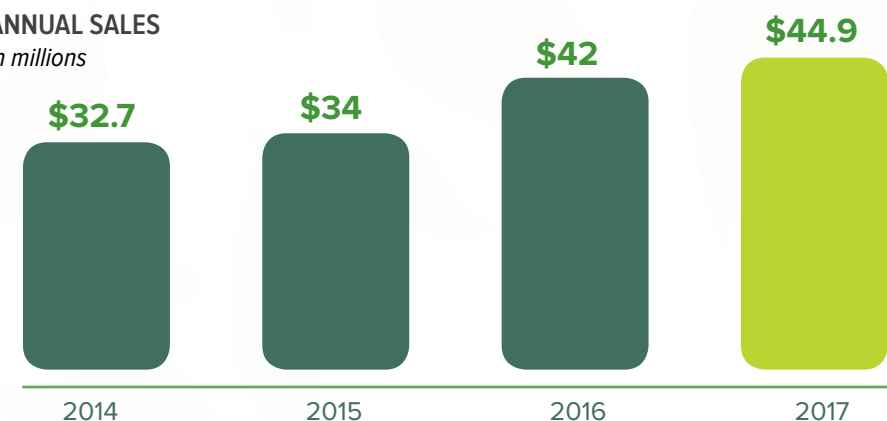
INCOME STATEMENT	2017		2016	
Net Sales	44,939,795	100.0%	\$ 42,044,987	100.0%
Cost of Goods	26,656,760	59.3%	25,059,760	55.8%
Gross Profit Margin	18,283,035	40.7%	16,985,227	37.8%
Wages	8,835,246	19.7%	9,323,676	20.7%
Benefits and Taxes	3,141,671	7.0%	3,102,664	6.9%
Total Labor Expense	11,976,917	26.7%	12,426,340	27.7%
General and Administrative	4,743,519	10.6%	4,501,006	10.0%
Depreciation	1,062,372	2.4%	996,997	2.2%
Total Expenses	17,782,808	39.6%	17,924,343	39.9%
Net Operating Income	500,227	1.1%	(939,116)	(2.1%)
Other Income	136,297	0.3%	149,948	0.3%
Interest Expense	(784,886)	(1.7%)	(738,607)	(1.6%)
Income Before Taxes & Patronage	(148,362)	(0.3%)	(1,527,775)	(3.4%)
Patronage Refund	-	0.0%	-	0.0%
Income Tax Expense	(28,690)	(0.1%)	-	0.0%
Income Tax Benefit	-	0.0%	19,411	0.0%
Net Income	(177,052)	(0.4%)	(1,508,364)	(3.4%)

Sales increased \$2.9 million, or 6.9%, from 2016 to 2017. After a significant loss in 2016 due to our expansion projects, we had a small loss of \$177,052 on a sales basis of more than \$44.9 million (or loss of 0.4% of sales). We achieved an increase in gross margin, and brought close to historic proportion labor expense, as we improved operations across all our business units.

CASH FLOW	2017	2016
Net Income	(177,052)	\$ (1,508,364)
Depreciation & Amortization	1,115,158	1,049,812
(Increase) Decrease in Inventory	2,725	(425,101)
Patronage Refund Satisfied with Stock	0	1,151,004
Patronage Refunds Received in Equity	(73,844)	(103,687)
(Increase) Decrease in Other Current Assets	175,251	(100,239)
Increase (Decrease) in Current Liabilities	112,376	(1,006,599)
Cash Flow from Operations	1,154,614	(943,174)
From Investments		
(Increase) Decrease in Fixed Assets	(636,607)	(5,275,577)
(Increase) Decrease in Other Assets	(176,763)	5,728,424
Cash Flow from Investments	(813,370)	452,847
From Financial		
Increase (Decrease) in Long Term Liabilities	(413,337)	(974,379)
Increase (Decrease) in Equity	117,579	208,330
Cash Flow from Financing	(295,758)	(766,049)
Total Cash Flow	45,486	(1,256,376)
Beginning Cash	1,901,229	3,157,605
Ending Cash	1,946,715	\$ 1,901,229

Despite negative net income for the year, we did generate positive cash flow. This cash flow was driven by our core operations (as opposed to financing from loans or new equity). We ended the year with just under \$2 million in cash. This is more than adequate to meet short-term obligations, while continuing to re-invest in our businesses.

ANNUAL SALES in millions



BALANCE SHEET

	2017	2016
Cash	\$ 1,946,715	\$ 1,901,229
Inventory	936,208	938,933
Other Current Assets	152,797	378,251
Current Assets	3,035,720	3,218,413
Property and Equipment, Net	21,892,013	22,273,250
Other Assets	5,328,079	5,147,319
Total Assets	\$ 30,255,812	\$ 30,638,982
Current Liabilities	\$ 3,286,449	\$ 3,237,566
Long Term Debt	20,816,086	21,113,053
Total Liabilities	24,102,535	24,350,619
Member Equity	7,483,058	7,365,479
Retained Earnings	(1,329,781)	(1,077,116)
Total Equity	6,153,277	6,288,363
Total Liabilities and Equity	\$ 30,255,812	\$ 30,638,982

After major changes in the prior two years, our balance sheet was very stable from 2016 to 2017. Key balance sheet ratios, such as our current ratio and debt-to-equity ratio, were largely unchanged. We paid down just under \$300,000 of debt during the year.

The summary financial statements have been audited by Mahoney, Ulbrich, Christensen, & Russ, CPAs. A complete copy of this audit is available to co-op owners upon request.

COOPERATIVE PRINCIPLES

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community



Seward Community Cooperative

Seward Co-op Creamery Café & Administrative Offices

2601 E. Franklin Ave., Minneapolis, MN 55406

Seward Co-op Franklin Store

2823 E. Franklin Ave., Minneapolis, MN 55406

Seward Co-op Friendship Store

317 E. 38th St., Minneapolis, MN 55409

www.seward.coop

