



2018

SCORECARD | ANNUAL REPORT



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.



2018 CSA Fair at Seward Co-op Creamery Café



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Nurturing Cooperative Consciousness

Sean Doyle, General Manager

On behalf of the staff of Seward Co-op, I am happy to report that fiscal year 2018 showed a small profit. While modest, this is the first profitable year in three years. In addition to being profitable, our cash flow was strong. We ended the year with a healthy increase in our cash position. We were able to make some significant improvements to all three business units and reduce the co-op's debt. Because the profit was small, the board of directors declined to declare a patronage refund. Since the individual refunds for each household would have been quite small, the board opted to reinvest these earnings back into our cooperative enterprise.

We accomplished a profit while facing significant market challenges. Last year was the first year in my 14 years as general manager where we saw a reduction in gross sales. As many of you may know, the grocery industry has become increasingly competitive in the Twin Cities. In addition to more stores and new brands entering the market, much of our product mix has become mainstream. The cooperative difference remains our authentic relationships with small-scale, local and cooperative producers. We build on this with our new Community Foods label that launched in September 2018. This program was built around our Ends Statement and stands on cooperative values by adding "inclusive" and "sustainable" to the qualifying criteria.

We spent much of the last year negotiating with our employees who organized in June 2017 within Local 653 (now 663) United Food and Commercial Workers Union. At the end of August 2018, employees ratified the contract. I recognize the hard work of both employees and management in negotiating this contract. First contracts are difficult and time consuming, as they provide the basis for future negotiations. I am sincerely grateful for the hard work of the score of employees involved in this process. While there were periods of tension over the past year, the co-op's board and management maintained a neutral position throughout. We fundamentally believe it is the right of all people to form associations for mutual benefit, and we look forward to this new partnership with unionized staff.

Last year, we welcomed nearly 1,500 new owners to our cooperative. Now more than 20,000 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 high-quality, reliable product mix. Others come because they are passionate about social justice. Many have a high regard for our local economic and environmental impact. I believe we can all be appreciative of Seward Co-op's efforts to hire staff who reflect the diversity of the neighborhoods in which we operate.



Community Foods
Values Every Day

Community Foods is a new Seward Co-op labeling program featuring producers that best align with our cooperative values and mission to sustain a healthy community.



Small. Local. Cooperative. Inclusive. Sustainable.

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. As we nurture cooperative consciousness and raise awareness of oppression in all its forms, Seward Co-op moves towards building justice and commonwealth. We use the words commonwealth, or community wellbeing, to define the result of accomplishing our Ends Statement, because it best captures our desire to build commonly held assets for the common good. 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.



Realigning Our Long Term Vision

Mary Alice Smalls, Board President

Realigning Our Long Term Vision
by Mary Alice Smalls

I'm humbled to report that the co-op made progress towards accomplishing its Ends this year. So many things about our co-op provide hope, too. We heard that community members enjoyed the new and expanded CSA Fair format at the Creamery Café, and we saw great turnout at our Farm Table dinners spotlighting farms, SEED recipients, and discussing the Real Cost of Food. Local nonprofits benefited from SEED donations totaling \$293,177, and from more than \$57,000 in co-op grants, donations and sponsorships. Please enjoy reading about all of the great activities of our co-op this past year in the 2018 Scorecard. These highlights point to ways co-op staff, vendors/producers, shoppers and owners have cooperated successfully to make Seward Co-op's Ends a reality.

The board of directors wants to build on all these successes. It is the role of leaders at Seward Co-op to convene and share ideas about our long-term future. In March, board and management staff held a joint retreat to discuss two priorities that affect continued sustainability. Staff provided a thorough presentation about the highly competitive grocery landscape in Minneapolis. We also reviewed the co-op's current long-term vision, to begin identifying the road we believe needs to be travelled so that the co-op remains relevant for the next 5-10 years. Rest assured that the board of directors is envisioning ways to actively invite your input into this process. Several ideas are being considered to maximize owner engagement opportunities; stay tuned in the year ahead to join conversations about Seward Co-op's long-term vision.

This year, unionized co-op employees and management negotiated and ratified a two-year contract. Co-op leadership, including directors on the board, remained neutral to respect the process of negotiating a contract. We are proud of the new agreement between co-op staff and management.

At the same time, we engaged in dialogue with some owners that led to changes to our co-op governance processes. The great number of observers to our work this year intensified board deliberations to be more open, and presented more opportunities to clarify what the board does and does not do. Based on owner requests we now post monthly board meeting agendas and our policy manual online.



(Clockwise from top left) Board members Mehdi Kennar, left, Mary Alice Smalls, Jill Krueger and Lenny Nelson at Open Streets Franklin. LaDonna Sanders-Redmond, Diversity and Community Engagement Manager, and Michael Chaney of Project Sweetie Pie at the co-op's CSA Fair. Attendees at the 2017 Annual Owner Meeting.

We welcome observers at our monthly board meetings. Because these are working meetings, and are intended for discussion and decision-making by elected directors, we plan to build more opportunities into our annual calendar to specifically hear from co-op owners at large.

On behalf of the board, we are honored to have been elected to represent you and we are sincerely thankful for all who continue to support the co-op. Special appreciation goes out to our board administrator, Allison Meyer, and General Manager Sean Doyle and all others who have worked tirelessly to make our co-op one of the best in the nation.



Hoyo Sambusa



Sacred Blossom Farm



(Clockwise, from center) Hoyo Sambusa staff sampling at Open Streets Franklin. Children's activities with Midwest Food Connection at the CSA Fair. Etsehiwot Mersha, left, and Katie Jerome, Franklin store staff. Tour of a polyculture herb farm during Eat Local Co-op Farm Tour. Farm Table dinner at Creamery Café, featuring SEED recipient Tamales y Bicicletas. Tunde Wey, guest chef and speaker at 2017 Annual Owner Meeting. Danielle Mkali, Councilmember Kevin Reich, Me'Lea Connolly, Sean Doyle and Gail Graham at panel discussion on supporting Black-led co-ops.

Seward Co-op will sustain a healthy community that has **equitable, economic relationships.**

CO-OP EMPLOYMENT

We create jobs to expand the cooperative economy.



Most of our employees are represented by the United Food and Commercial Workers and are compensated based on their contract. Those employees who are not part of the bargaining unit are compensated using the City of Minneapolis living wage model.

STAFF DEVELOPMENT

We develop staff to help build the cooperative economy and contribute to its highest ideals. Throughout the year, **189** employees took part in a variety of training and development opportunities.



EQUITABLE ECONOMY

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



A total of **\$19.5 million** were from **P6 producers.**

Seward Co-op used the P6 logo to feature products from local, cooperative, and small-scale producers. Community Foods is our new identifier with the same criteria as before, and now *sustainable* and *inclusive* producers as well.



A total of **\$2.8 million** fair trade products sold.

ACCESSIBILITY

We offer products that are accessible and affordable. Nourish items are Seward Co-op's most affordable foods and wellness products.

\$985,085
in SNAP and WIC transactions.

\$390,209
in needs-based discounts.

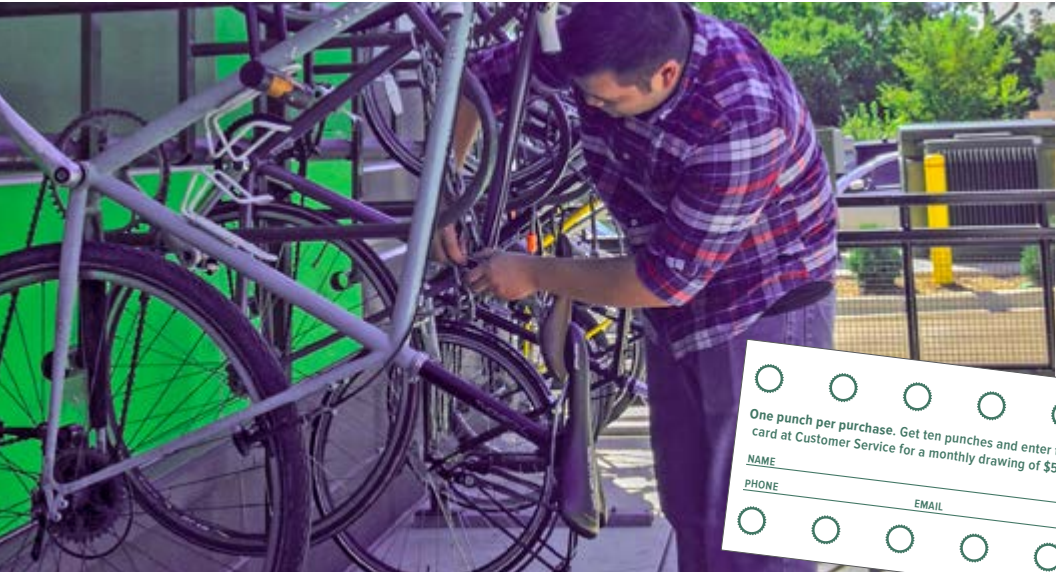
\$2,720,273
Nourish products sold.



Seward Co-op will sustain a healthy community that has **positive environmental impacts.**

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. **625** participants in our biking incentive program, Cycle Perks.

SUSTAINABLE OPERATIONS

We operate sustainably compared to industry norms.



At Seward Co-op **82%** of all waste is recycled.

MINIMAL PACKAGING

We minimize packaging in the products we stock and feature.

BULK PRODUCTS SOLD

\$3.4 million

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

\$50,681



MINIMAL IMPACTS

We source products that minimize negative environmental impacts.



— **\$17.7 million**
of organic products sold.



\$18.7 million —
of local products sold.

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

STAFF DIVERSITY

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



Creamery Café kitchen



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

62%

STAFF IDENTIFYING AS BIPOC



37%



MULTILINGUAL STAFF

17%

CO-OP OWNERSHIP

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

20,199 total owners

1,443 new owners



NEW OWNER PAYMENTS

IN FULL 62%

NEEDS-BASED 28%

INSTALLMENT 10%

GIVING BACK

We prioritize and promote giving back to our community.

CUSTOMER SEED DONATIONS

\$293,177

GRANTS, DONATIONS & SPONSORSHIPS

\$57,420

PAID EMPLOYEE COMMUNITY SERVICE HOURS

269



SEED recipient Soup for You Café



COMMUNITY RELATIONSHIPS

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

PRODUCT CHANGES PER CUSTOMER REQUESTS

419

CLASSES OFFERED TO THE PUBLIC

40

STORE TOURS GIVEN BY STAFF

13



FISCAL YEAR 2018, which ended June 30 2018, was the second full year of operations for the Friendship store and the Creamery Café. While continuing to face external challenges, including an increasingly competitive market for natural foods stores, we were also focused internally on launching our new Community Foods program.

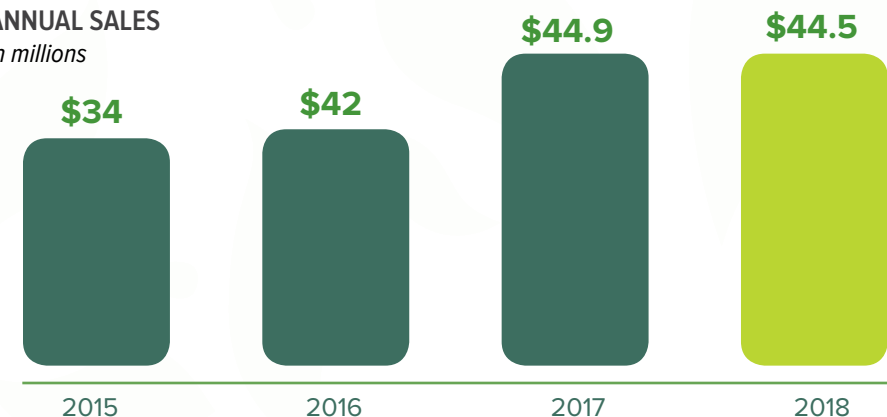
INCOME STATEMENT	2018		2017	
Net Sales	44,492,041	100.0%	\$ 44,939,795	100.0%
Cost of Goods	26,355,906	59.2%	26,656,760	59.3%
Gross Profit Margin	18,136,135	40.8%	18,283,035	40.7%
Wages	8,470,925	19.0%	8,835,246	19.7%
Benefits and Taxes	2,945,634	6.6%	3,141,671	7.0%
Total Labor Expense	11,416,559	25.7%	11,976,917	26.7%
General and Administrative	4,952,173	11.1%	4,743,519	10.6%
Depreciation	1,091,579	2.5%	1,062,372	2.4%
Total Expenses	17,460,311	39.2%	17,782,808	39.6%
Net Operating Income	675,824	1.5%	500,227	1.1%
Other Income	68,169	0.2%	136,297	0.3%
Interest Expense	(775,320)	(1.7%)	(784,886)	(1.7%)
Income Before Taxes & Patronage	(31,327)	(0.1%)	(148,362)	(0.3%)
Patronage Refund	-	0.0%	-	0.0%
Income Tax Expense	-	0.0%	(28,690)	(0.1%)
Income Tax Benefit	72,230	0.2%	-	0.0%
Net Income	40,903	0.1%	(177,052)	(0.4%)

After many years of very robust sales growth, fiscal year 2018 saw a year-over-year decline in sales of 1.0%, or \$450,000. However, after experiencing losses in the prior two years, we achieved a small profit for the year. This was partially due to a change in federal tax rates, but was helped by bringing labor costs closer to pre-expansion proportions.

CASH FLOW	2018	2017
Net Income	40,903	\$ (177,052)
Depreciation & Amortization	1,091,579	1,062,372
(Increase) Decrease in Inventory	(53,034)	2,725
Patronage Refund Satisfied with Stock	0	0
Patronage Refunds Received in Equity	(18,720)	(73,844)
(Increase) Decrease in Other Current Assets	(28,750)	247,037
Increase (Decrease) in Current Liabilities	176,001	93,376
Cash Flow from Operations	1,207,979	1,154,614
From Investments		
(Increase) Decrease in Fixed Assets	(364,314)	(636,607)
(Increase) Decrease in Other Assets	64,000	(176,763)
Cash Flow from Investments	(300,314)	(813,370)
From Financial		
Increase (Decrease) in Long Term Liabilities	(538,767)	(413,337)
Increase (Decrease) in Equity	(161,118)	117,579
Cash Flow from Financing	(699,885)	(295,758)
Total Cash Flow	207,780	45,486
Beginning Cash	1,946,931	1,901,445
Ending Cash	2,154,711	\$ 1,946,931

We achieved positive cash flow for the year of \$207,780. While our net income was modest, we had over \$1 million in depreciation for the year, which is a non-cash expense. As was true in 2017, our cash flow was driven by our core operations (as opposed to financing from loans or new equity). We ended the year with over \$2.1 million in cash.

ANNUAL SALES in millions



BALANCE SHEET	2018	2017
Cash	\$ 2,154,711	\$ 1,946,715
Inventory	989,242	936,208
Other Current Assets	218,968	152,797
Current Assets	3,362,921	3,035,720
Property and Equipment, Net	21,205,666	21,892,013
Other Assets	5,175,318	5,328,079
Total Assets	\$ 29,743,905	\$ 30,255,812
Current Liabilities	\$ 4,365,229	\$ 3,286,449
Long Term Debt	19,267,663	20,816,086
Total Liabilities	23,632,892	24,102,535
Member Equity	7,472,728	7,483,058
Retained Earnings	(1,361,715)	(1,329,781)
Total Equity	6,111,013	6,153,277
Total Liabilities and Equity	\$ 29,743,905	\$ 30,255,812

Overall, our balance sheet remained fairly stable from fiscal year 2017 to 2018. Our debt to equity ratio improved slightly, as we continued to pay down both bank loans and owner loans. At year-end, our current liabilities included a substantial number of owner loans that will be maturing in the coming 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