



**2019**  
**SCORECARD &**  
**ANNUAL REPORT**



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



Job Fair at the Creamery Café



LETTER FROM THE GENERAL MANAGER	1
LETTER FROM THE BOARD	3
EQUITABLE, ECONOMIC RELATIONSHIPS	7
POSITIVE ENVIRONMENTAL IMPACTS	9
INCLUSIVE, SOCIALLY RESPONSIBLE PRACTICES	11
ANNUAL REPORT	13





## Continued Community Investment and Financial Stability

Sean Doyle, General Manager

In fiscal year 2019 Seward Community Co-op faced significant new competition from other grocery stores in our market place. Our sales declined by 2% while many of our costs increased. We also faced an incredibly difficult labor market in which maintaining adequate staffing levels was a challenge. While we were not profitable, we did maintain a strong cash position because of our relatively high depreciation expense. While not being profitable is disappointing, we are in a financially stable position and this report shares with you many of the co-op's accomplishments in 2019.

It was our first year with a collective bargaining agreement (CBA) with UFCW 663. Since the CBA was ratified in August 2018, management and staff through the Labor Management Committee have built a positive dialogue to resolve several important issues that were left unresolved in the CBA. These include a revised attendance policy, a reimbursement policy for footwear, and the administration of a wage premium for employees who provide interpretation to customers. I am sincerely grateful for the hard work of the score of employees and managers involved in this committee.

The last quarter of fiscal year 2019 marked our fifth anniversary for the capital campaign for the Friendship store and the Creamery Café. In the year, we had \$1.2 million in owner loans due, all of which were repaid or reinvested in the co-op. We paid off \$431,000 in loans, converted \$137,000 of previous loans to C stock, and extended \$657,000 of loans by one to five years. Also we received almost \$100,000 in new owner investment. In addition, we continue to make payments on our long-term debt, paying down \$790,000. All total, including owner debt, we paid off about \$1.2 million.

In the past year, we launched Community Foods to share with shoppers the attributes most important to our co-op. The cooperative difference remains our authentic relationships with small-scale, local and cooperative producers. Community Foods is built around our Ends Statement and harkens cooperative values by adding "inclusive" and "sustainable" to the qualifying criteria. I hope you have been excited by many items in our stores and café from Community Foods producers, and continue to tell your family and friends about them.

Last year, we welcomed over 1,300 new owners to our cooperative. Now more than 21,000 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



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



Seafood Producers Cooperative



Hoyo Sambusa

**Small. Local. Cooperative. Inclusive. Sustainable.**

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.

As a cooperative community, we aspire not only to serve co-op 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. This purpose, along with the cooperative principles, brings us together to operate Seward Community Co-op. We make a difference in our community through good jobs, products made by our community and wealth that is held in common. Please join me in celebrating another dynamic year at our co-op.





## Wishing Board Members Well in Next Chapters

Joe Riemann, Board President

On behalf of the Seward Community Co-op's Board of Directors, I report that our co-op has made progress towards accomplishing the Ends in the past year, in spite of the financial challenges we faced. One impactful development is the launch of Community Foods last fall. This label is unique to Seward Co-op and specifically calls attention to food makers, artisans and producers that are central to our community's values. Items in our stores and café that meet two of five criteria – local, small-scale, cooperative, inclusive ownership, sustainable practices – receive the Community Foods label. Eighty percent of Seward Co-op owners have made it clear in surveys that when making purchasing decisions, they take into account who owns the company that manufactures a product. We care about pointing consumers' attention to brands that are not owned by Unilever, Tyson and Nestlé, for example, because these multi-national food companies are not rooted in the communities we serve. They perpetuate an extractive and non-sustainable economy, which butts up against the essence of our Ends Statement, to sustain a healthy, equitable and socially responsible community.

By focusing on who owns the products we sell, we positively impact the local food system. We also lessen the co-op's environmental footprint. When products are sourced locally, we reduce miles to market. In the last fiscal year, nearly \$18 million, or 41%, of our products were locally sourced. Many of these are from small-scale and cooperative producers. Many of our competitors tout they are local, but in reality, a very small portion of their products actually come from our community. We also sourced just over \$17 million, or 40%, of our products from organic producers. This too has a positive impact on our environment, in that organic agriculture is more regenerative and has fewer harmful impacts to planet Earth.

This past year we saw greater than typical turnover at the board table—all for good reason. In the spring, long-term director Mehdi Kennar stepped away from the board so that he could be re-employed at the co-op. (Our bylaws limit the number of employees on the board to two.) We are happy to have Mehdi serving in the Front End at the Friendship store, but have missed him as a director. In August, another long-term director, Lenny Nelson, relocated with his family to Florida. In September, designated employee director, Nahrissa Rush, took employment elsewhere. (Co-op bylaws require employment for this board seat.) All three directors gave their energy and enthusiasm for making Seward an even better co-op. We wish them well in their new endeavors.



*Jill Krueger, left, and Migdalia Loyola enjoy food and conversation at 2018 Annual Owner Meeting; Lenny Nelson shares reflections from previous year at 2018 Annual Owner Meeting; Sally Nixon, left, Mehdi Kennar and Nahrissa Rush welcome community members to the 2019 CSA Fair.*

Finally, I express my sincere gratitude to outgoing board vice-president, Migdalia Loyola, who decided to not run for re-election this year because of a new job that limited her availability. From her first meeting, Migdalia helped shape the racial equity and inclusion work of the board that continues to guide our work today. Thanks to my fellow directors for the time and passion you bring to Seward's purpose in the community, and to governing with grace. Because of this turnover, we look forward to working with at least four new directors in the coming year, and prioritizing the board's work of guiding and holding a long-term vision for our organization.





(Clockwise from center) Red Bone Singers perform at 2018 Annual Owner Meeting; Naima Dhore gives a farmer talk at 2019 CSA Fair; Josie and C show off Seward-made Pride cupcakes; Franklin Store Manager Lea Vogl-Jensen, enjoys the \$4 Community Dinner in July 2019; community members celebrate the opening of the 38th Street Bridge with a community dinner in August 2018; Beth Dooley and Sean Sherman sign copies of their book "The Sioux Chef's Indigenous Kitchen" at 2018 Annual Owner Meeting; May 2019 SEED recipient Appetite for Change receives a \$24,977 check in SEED donations; Green Garden Bakery promotes Community Choice SEED voting.



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, employees took part in **259** training and development opportunities.



**EQUITABLE ECONOMY**

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



**\$18.5 million** were from Community Foods producers.



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

A total of **\$2.6 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.

**\$2,326,787**  
Nourish products sold.

**\$923,244**  
in SNAP and WIC transactions.

**\$398,395**  
in needs-based discounts.

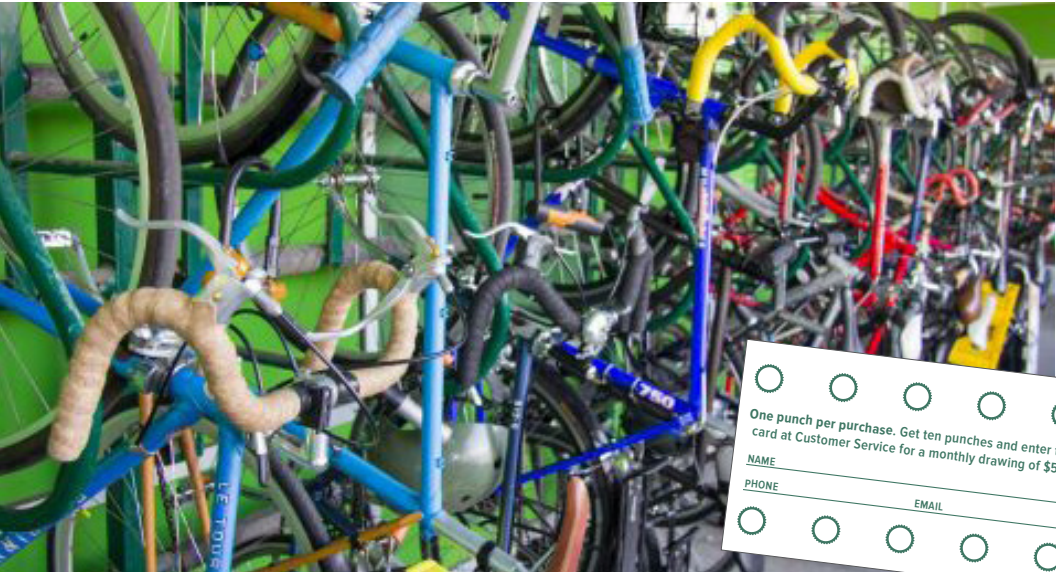




Seward Co-op will sustain a healthy community that has **positive environmental impacts**

**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.

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

**SUSTAINABLE OPERATIONS**

We operate sustainably compared to industry norms.



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**

**\$3.2 million**

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

**\$49,591**



**MINIMAL IMPACTS**

We source products that minimize negative environmental impacts.



— **\$17.6 million** of organic products sold.



**\$17.9 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.



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

62%

STAFF IDENTIFYING AS BIPOC



36%



MULTILINGUAL STAFF

8%

**CO-OP OWNERSHIP**

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

21,246 total owners

1,333 new owners



**NEW OWNER PAYMENTS**

INSTALLMENT 11%

NEEDS-BASED 29%

IN FULL 60%

**GIVING BACK**

We prioritize and promote giving back to our community.

CUSTOMER SEED DONATIONS

\$276,352

GRANTS, DONATIONS & SPONSORSHIPS

\$49,329

PAID EMPLOYEE COMMUNITY SERVICE HOURS

408



**COMMUNITY RELATIONSHIPS**

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

PRODUCT CHANGES PER CUSTOMER REQUESTS

716

CLASSES OFFERED TO THE PUBLIC

48

COMMUNITY MEETINGS AND PUBLIC STORE TOURS BY STAFF

45





**FISCAL YEAR 2019**, which ended June 30th, brought continuing changes in our market. New competitors on Lake Street (Aldi) and Hiawatha Avenue (Cub) impacted the Franklin store, while the closure of the 38th Street Bridge impacted the Friendship store for several months. This year also saw the launch of our Community Foods initiative, and the first SEED Community Choice recipients.

INCOME STATEMENT	2019		2018	
Net Sales	\$ 43,515,018	100.0%	\$ 44,492,041	100.0%
Cost of Goods	26,069,708	59.9%	26,355,906	59.2%
Gross Profit Margin	17,445,310	40.1%	18,136,135	40.8%
Wages	9,360,682	21.5%	8,470,925	19.0%
Benefits and Taxes	2,081,842	4.8%	2,945,634	6.6%
Total Labor Expense	11,442,524	26.3%	11,416,559	25.7%
General and Administrative	4,818,429	11.1%	4,952,173	11.1%
Depreciation	1,096,101	2.5%	1,091,579	2.5%
Total Expenses	17,357,054	39.9%	17,460,311	39.2%
Net Operating Income	88,256	0.2%	675,824	1.5%
Other Income	109,311	0.3%	68,169	0.2%
Interest Expense	(750,454)	(1.7%)	(775,320)	(1.7%)
Income Before Taxes & Patronage	(552,887)	(1.3%)	(31,327)	(0.1%)
Patronage Refund	-	0.0%	-	0.0%
Income Tax Expense	-	0.0%	-	0.0%
Income Tax Benefit	30,040	0.1%	72,230	0.2%
Net Income	(522,847)	(1.2%)	40,903	0.1%

Fiscal year 2019 had a year-over-year decline in sales for the second consecutive year. The decline in sales was \$977,023, or 2.2% of sales. Labor costs for the year were, as planned, higher than typical as a strategy to mitigate the impact of new competition and the introduction of the collective bargaining agreement with UFCW 663. After a long track record of success, we also experienced a decrease in gross profit margin. These factors combined led to a substantial loss for the year.

CASH FLOW	2019	2018
Net Income	\$ (522,847)	\$ 40,903
Depreciation & Amortization	1,148,888	1,144,366
(Increase) Decrease in Inventory	65,471	(53,034)
Patronage Refund Satisfied with Stock	0	0
Patronage Refunds Received in Equity	(52,462)	(18,720)
(Increase) Decrease in Other Current Assets	(61,813)	(81,537)
Increase (Decrease) in Current Liabilities	408,701	176,001
Cash Flow from Operations	985,938	1,207,979
From Investments		
(Increase) Decrease in Fixed Assets	(215,247)	(364,314)
(Increase) Decrease in Other Assets	50,000	64,000
Cash Flow from Investments	(165,247)	(300,314)
From Financial		
Increase (Decrease) in Long Term Liabilities	(1,149,092)	(538,767)
Increase (Decrease) in Equity	124,163	(161,118)
Cash Flow from Financing	(1,024,929)	(699,885)
Total Cash Flow	(204,238)	207,780
Beginning Cash	2,154,711	1,946,931
Ending Cash	\$ 1,950,473	\$ 2,154,711

While our total cash flow for the year was negative, the co-op's operations continue to generate substantial positive cash flow. Our loss for the year was considerably less than our depreciation expense. Repayment of debt was the biggest contributor to the negative cash flow. Our ending cash balance of \$1.95 million is more than adequate to meet the co-op's short term liquidity needs.

#### ANNUAL SALES

in millions





BALANCE SHEET	2019	2018
Cash	\$ 1,950,473	\$ 2,154,711
Inventory	923,771	989,242
Other Current Assets	180,781	218,968
Current Assets	3,055,025	3,362,921
Property and Equipment, Net	20,392,044	21,205,666
Other Assets	5,170,548	5,175,318
Total Assets	\$ 28,617,617	\$ 29,743,905
Current Liabilities	\$ 4,401,454	\$ 4,365,229
Long Term Debt	18,578,811	19,267,663
Total Liabilities	22,980,265	23,632,892
Member Equity	7,596,891	7,472,728
Retained Earnings	(1,959,539)	(1,361,715)
Total Equity	5,637,352	6,111,013
Total Liabilities and Equity	\$ 28,617,617	\$ 29,743,905

In total, our balance sheet again remained fairly stable from 2018 to 2019. We paid down almost \$1.2 million of debt during the year. Our capital renewal campaign was very successful. Of \$1.2 million of owner loans maturing during the fiscal year, \$752,000 were renewed for at least one year. The decline in equity was due primarily to the loss we incurred for 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**

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### **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](http://www.seward.coop)

A decorative graphic of stylized leaves in various shades of green, located in the bottom right corner of the page.