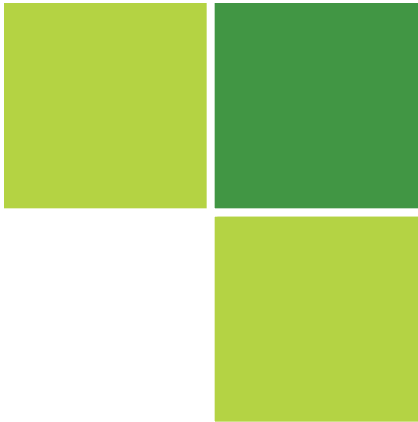




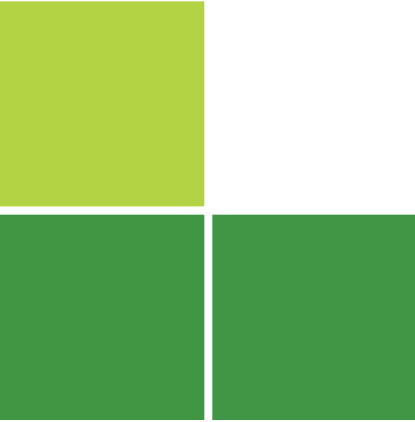
# 2015 SCORECARD ANNUAL REPORT



# Seward Co-op will sustain a healthy community that has:

Equitable economic relationships;  
Positive environmental impacts; and  
Inclusive, socially responsible practices.

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## Cultivating a More Healthy and Equitable Society

Sean Doyle, General Manager

After 43 years in business, Seward Community Co-op reached a major milestone by opening the Co-op Creamery Neighborhood Café. We now operate more than one business unit. In addition to our community-owned grocery store on Franklin Avenue, the Creamery Café provides another gathering space to bring our community together over great food. And the opening of the Friendship store, concurrent with the publication of this report, is the culmination of years of strategic planning and engagement efforts by countless individuals. We are thrilled to be celebrating the completion of the Friendship store in tandem with a longtime co-op tradition: the annual co-op owners' meeting.

Our co-op continues to be very successful. Sales in fiscal year 2015 totaled \$33,996,391—a 4 percent increase over the prior year. Our net income before taxes and patronage refund was \$1,843,243. This increase in the predistribution net income was largely thanks to \$1,519,172 in debt forgiveness income due to the conclusion of the New Market Tax Credit funding for our relocation six years ago. We can either pay taxes on this income or share it with you, the owner of our co-op. Nearly 14,000 owners accounted for 78.46 percent of store sales, making our total patronage refund \$1,438,755. This accomplishment could not have happened without your support. We sincerely appreciate your ownership and patronage.

This past year, we have welcomed a large number of new staff to the cooperative. Hiring a staff that represents the diversity of our community is a priority for Seward Co-op. In June 2014, we established hiring goals for diversity stating that, by 2019, our staff would be comprised of at least 32 percent people of color. At fiscal year's end on June 30, we had 255 employees, 21 percent of whom were people of color. As you read this report, with the opening of the Friendship store, we will be approaching 400 employees, and we have already exceeded our 2019 goal with 34 percent people of color employed at the co-op.

We have made increasing co-op diversity a priority because we operate in a society in which there has been historic inequity. Seward Co-op's Ends Statement compels us to create equitable economic relationships. This directs us to try to mitigate this inequity. We must be as certain as we can be that all who are involved in providing goods and services to our community are treated fairly. This means that our community's sustenance is not achieved at the expense or exploitation of another



The management team of the Friendship store (front row, L to R): Raynardo Williams, Store Manager; Diane McCarthy, Wellness Manager; Vivian Mims, Front End Manager; Nick Cronin, Assistant Store Manager; Samuel Bjorgum, Produce Manager; (back row, L to R): Angel(ika) Matthews, Deli Manager; Karl Gerstenberger, Meat & Seafood Manager; Rebecca Yuzefovich, Grocery Manager. Photo by Andres Perez.

community or person. If we exclude groups or people from the opportunity to participate in our cooperative, we are complicit in broader societal exploitation. For this reason, Seward Co-op employees and consumers increasingly reflect the neighborhoods in which we operate.

As a cooperative community, we aspire not only to serve our owners' mutual needs, but also to demonstrate that it is possible to cultivate a more healthy and 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. All this is a reflection of the incredible dedication that co-op staff and the board have to our multiple bottom lines. By working together, we create commonwealth. This hard work and these commonly held assets are the foundation of our success as a cooperative. Please join me in celebrating another strong, dynamic year at Seward Co-op.







## Realizing Our Long-term Vision

Leah Janus, Board President

We have so much to celebrate this fall. At our August 2015 board meeting, General Manager Sean Doyle presented the board with the co-op's Ends Report for fiscal year 2015. The Ends Report is an annual document prepared by the management team for the board that interprets what the co-op's Ends mean and provides data that demonstrates progress toward realizing our Ends. The Ends Report this year was bursting with accomplishments that demonstrate the values of our co-op. Some examples of our collective accomplishments in the last year are:

- The co-op concluded a \$3.1 million capitalization campaign.
- The co-op completed construction of the new Creamery location and successfully opened the Co-op Creamery Neighborhood Café. In addition, co-op administrative offices and a food production facility are at the Creamery.
- The Friendship store is complete with the hiring of an additional 80–90 co-op employees; it will greatly expand food access and our geographic community.
- The co-op has increased the percentage of its workforce comprised of people of color. In the last fiscal year, 41 percent of new staff were people of color. In addition, co-op management and hiring personnel have engaged in trainings and workshops aimed at attracting and maintaining more employees of color.
- Co-op staff and the board engaged in extensive outreach efforts in the neighborhoods surrounding the Friendship store. Outreach efforts included meetings with residents and organizations and hours of face-to-face conversations about the Friendship store, social justice, and co-ops in general.

The opening of the Co-op Creamery Café means that the co-op can produce and make available more locally and sustainably prepared foods, including bakery, deli, and meat products. In addition, the café expands access to the co-op and increases opportunities for owners and community members to gather over a meal. The opening of the Friendship store provides increased access to healthy foods in an area with low access to fresh foods. The Friendship store will provide a more convenient shopping location to roughly 15 percent of co-op owners who currently live in the area.

An item the board has discussed extensively in the past year is whether the co-op should develop an agreement regarding community impact with the neighborhood groups around Friendship. Since our first community meeting at Sabathani Community Center in July 2013, co-op board, management, and staff have been engaged in conversations and outreach with the neighborhoods surrounding the Friendship store. We partnered with the Bryant Neighborhood Organization (BNO), where the store is located, to discuss a Mutual Benefits Agreement (MBA) that would build a partnership to address community concerns and continue our outreach work. This work is anticipated to resume sometime after the Friendship store opens.

The decision to postpone the MBA was not accepted by the Central Area Neighborhood Development Organization (CANDO)—the neighborhood group north of 38th Street. In recent months, a public conversation initiated by CANDO demanded that the co-op negotiate and sign a Community Benefits Agreement (CBA). CANDO organized using #CBAnow to engage in a media campaign to discredit the co-op and compel it to negotiate. Without co-op input, CANDO drafted a document with demands that were adversarial in tone, would create a negative financial impact on the co-op, and would effectively create a neighborhood oversight body for the co-op's board of directors.

The board has rejected the proposed CBA, citing the fourth Cooperative Principle:

*Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.*

The board appreciates hearing from owners on issues like this. We believe that the co-op is strengthened by an ownership base that espouses diverse (and at times divergent) viewpoints and opinions. We are stronger as a co-op when debate occurs. You can find letters regarding the board's detailed consideration of the issues associated with the proposed CBA at [www.seward.coop/board](http://www.seward.coop/board).

The board believes that management's actions and decisions on these issues are entirely consistent with and further Seward Co-op's Ends Statement and the International Cooperative Principles. The board supports management's efforts to ensure that any agreement that the co-op enters into be consistent with those principles. Finally, and fundamentally, the board believes that the co-op has had, and will continue to have, a positive effect on the communities within which the co-op operates.

We are happy to have so much to celebrate with our owners this fall, and we look forward to continuing to work toward a realization of our Long-term Vision and values.



Co-op Creamery Neighborhood Café,  
2601 E. Franklin Ave.



Franklin store, 2823 E. Franklin Ave.



Friendship store, 317 E. 38th St.





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



### LIVING WAGE JOBS

We compensate employees using a living wage model and create jobs to expand the cooperative economy.

#### JOBS PAYING LIVING WAGE

**99%**

The Minneapolis living wage is updated annually. In March 2015 it increased from \$12.61 to \$12.82 for employees who earn health insurance and other benefits.

#### TOTAL EMPLOYEES

**265**

### ACCESSIBILITY

We offer products that are accessible and affordable.

**4.7%**

of sales, and total \$1,582,854 in **Nourish products** sold.

**2.8%**

of sales, and total \$935,476 in **SNAP and WIC transactions**. Total Needs-based discounts: \$209,787.

### EQUITABLE ECONOMICS

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



— **41.2%** of sales, and total \$13,988,372 from \*P6 producers

**6%**

of sales, and total \$2,027,536 of **fair-trade certified products**.



\*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.

### STAFF DEVELOPMENT

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

#### STAFF HOURS ASSISTING OTHER CO-OPS

**195.25**

#### DEVELOPMENT OPPORTUNITIES

**330**





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.

SQUARE FEET DEDICATED TO CAR/BIKE SHARING PROGRAMS AND BIKE PARKING

1,292 square feet

MINIMAL PACKAGING

We minimize packaging in the products we stock and feature.

BULK POUNDS

516,580

BULK PRODUCTS SOLD

\$2.8 million

GREEN BAG CREDITS

359,647

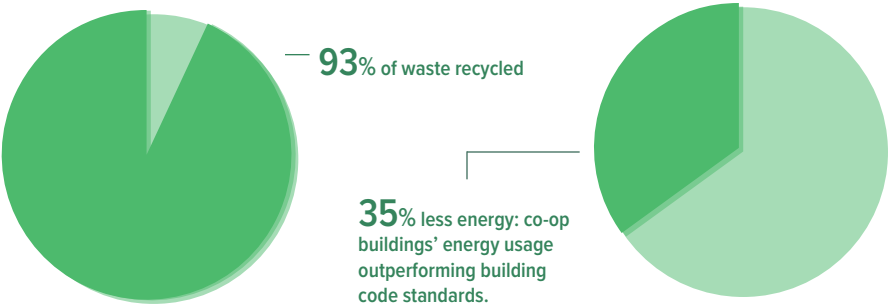
DISCOUNTS FOR GREEN BAG CREDITS ISSUED

\$35 thousand



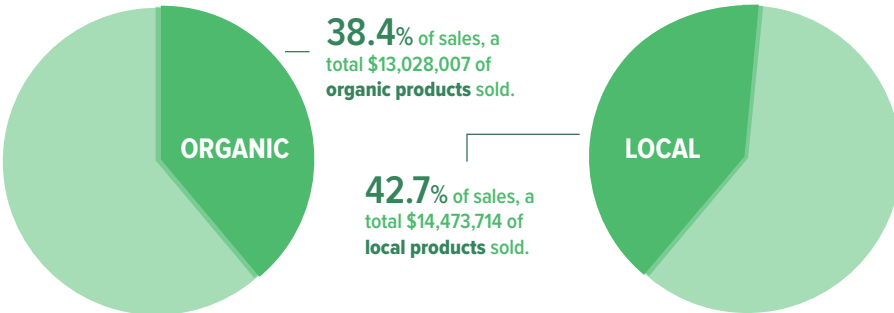
SUSTAINABLE OPERATIONS

We operate sustainably compared to industry norms.



MINIMAL IMPACTS

We source products that minimize negative environmental impacts.

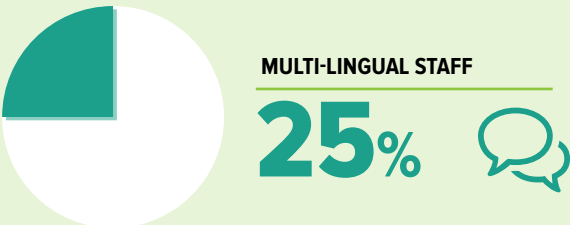
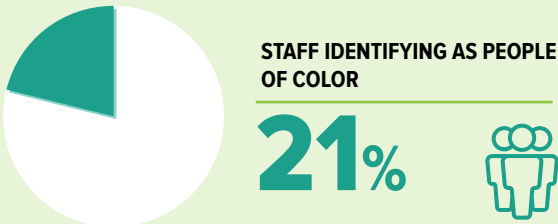




Seward Co-op will sustain a healthy community that has inclusive, socially responsible practices.

STAFF DIVERSITY

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



GIVING BACK

We prioritize and promote giving back to our community.

CUSTOMER SEED DONATIONS

\$221,158

GRANTS DONATIONS & SPONSORSHIPS DISTRIBUTED

\$141,623

EMPLOYEE COMMUNITY SERVICE HOURS REDEEMED

398

OWNERSHIP

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

TOTAL OWNERS

13,696

NEW OWNERS

1,630

OWNERS USING PAYMENT OPTIONS:



PAYMENTS IN FULL

58.7%

NEEDS-BASED PAYMENTS

28.8%

INSTALLMENT PAYMENTS

12.5%

RESPECTFUL RELATIONSHIPS

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

PRODUCT CHANGES PER CUSTOMER REQUESTS

123

CLASSES OFFERED TO THE PUBLIC

64

PUBLIC STORE TOURS BY STAFF

35





**FISCAL YEAR 2015**, which ended June 30, 2015, was a period of major progress on both our expansion projects. The first phase of the Creamery renovation was completed, allowing administrative staff to move into the new office space on the second floor in February. The second phase was largely completed at the end of the fiscal year, with the production kitchen beginning operation in June. Meanwhile, financing was secured for the Friendship store and construction began.

INCOME STATEMENT	2015		2014	
Net Sales	\$ 33,966,391	100.0%	\$ 32,708,281	100.0%
Cost of Goods	20,198,835	59.5%	19,478,470	59.6%
Gross Profit Margin	13,767,556	40.5%	13,229,811	40.4%
Wages	7,202,705	21.2%	6,815,346	20.8%
Benefits and Taxes	1,855,378	5.5%	1,648,834	5.0%
Total Labor Expense	9,058,083	26.7%	8,464,180	25.9%
General and Administrative	3,473,686	10.2%	2,989,529	9.1%
Depreciation	612,058	1.8%	508,083	1.6%
Total Expenses	13,143,827	38.7%	11,961,792	36.6%
Net Operating Income	623,729	1.8%	1,268,019	3.9%
Other Income	1,792,140	5.3%	342,364	1.0%
Net Gain on New Markets Tax Credit Maturity	1,519,172	4.5%		
Interest Expense	(572,626)	(1.7%)	(560,246)	(1.7%)
Net Income Before Taxes & Patronage Refund	1,843,243	5.4%	1,050,127	3.2%
Patronage Refund	(1,438,755)	(4.2%)	(807,338)	(2.5%)
Income Taxes	(173,316)	(0.5%)	(94,097)	(0.3%)
Net Income	\$ 231,172	0.7%	\$ 148,692	0.5%

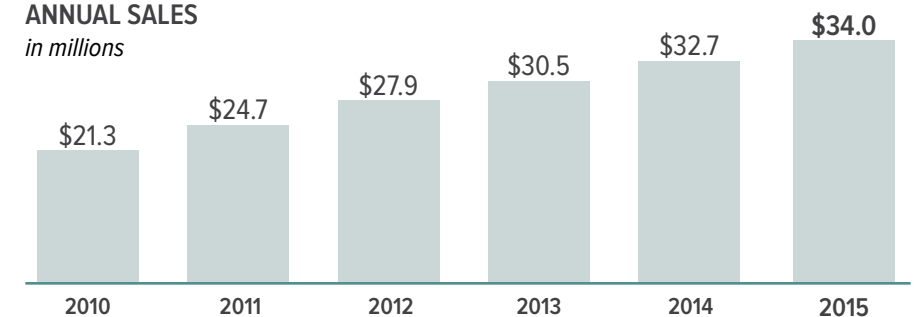
Sales increased \$1.3 million from 2014 to 2015, to just under \$34 million. Sales of P6 products increased by more than 2 percent, resulting in more than \$1 million in additional sales from small, local and cooperative producers. Sales to owners continued to increase, as well, from 77.6 percent to 78.5 percent. Fiscal year 2015 also marked the end of the New Markets Tax Credit financing structure that funded construction of the Franklin store. The exit from this structure resulted in a net gain of over \$1.5 million of debt forgiveness. This debt forgiveness contributed to a new record patronage refund of \$1.4 million, even as we incurred significant costs related to our expansion projects.

CASH FLOW	2015	2014
Net Income	\$ 231,172	\$ 148,692
Depreciation & Amortization	612,058	508,083
(Increase) Decrease in Inventory	(76,949)	15,158
Patronage Refund Satisfied with Stock	645,870	621,746
Patronage Dividends Received in Equity	(128,161)	(151,703)
(Increase) Decrease in Other Current Assets	235,621	(38,393)
Increase (Decrease) in Current Liabilities	(813,613)	134,489
Cash Flow from Operations	705,998	1,238,072
From Investments		
(Increase) Decrease in Fixed Assets	(3,685,605)	(267,968)
(Increase) Decrease in Other Assets	(10,735,399)	(2,999,650)
Cash Flow from Investments	(14,421,004)	(3,267,618)
From Financial		
Increase (Decrease) in Long-term Liabilities	11,634,638	3,394,112
Increase (Decrease) in Equity	347,821	461,720
Cash Flow from Financing	11,982,459	3,855,832
Total Cash Flow	(1,732,547)	1,826,286
Beginning Cash	4,890,152	3,063,866
Ending Cash	\$ 3,157,605	\$ 4,890,152

Driven by the strong operations of the Franklin store, cash flow from operations continued to be positive. Investments in the Co-op Creamery and Friendship store were the co-op's biggest uses of cash in 2015. This spending was financed by both debt and equity, from banks and the co-op's owners. The ending cash balance of \$3.15 million does not include an additional \$5 million in restricted funds specifically for construction of the Friendship store.

## ANNUAL SALES

in millions



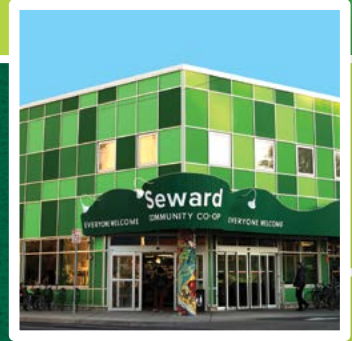
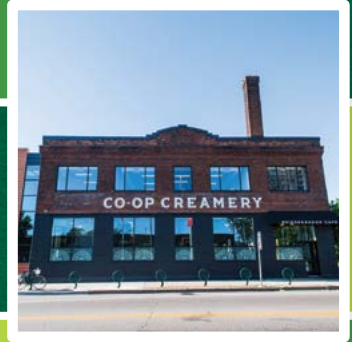
<b>BALANCE SHEET</b>	<b>2015</b>	<b>2014</b>
Cash	\$ 3,157,605	\$ 4,890,152
Debt Service Reserve	-	469,252
Inventory	513,832	436,883
Other Current Assets	500,235	1,085,899
Total Current Assets	4,171,672	6,882,186
Property and Equipment, Net	12,200,336	8,719,334
Other Assets	18,327,157	5,480,171
Total Assets	\$ 34,699,165	\$ 21,081,691
Current Liabilities	\$ 4,647,941	\$ 9,619,784
Long-term Debt	23,563,489	6,194,970
Total Liabilities	28,211,430	15,814,754
Member Equity	5,935,736	4,874,806
Retained Earnings	551,999	392,131
Total Equity	6,487,735	5,266,937
Total Liabilities and Equity	\$ 34,699,165	\$ 21,081,691

The co-op's assets and liabilities increased in 2015. The increase in fixed assets is largely due to the renovation of the Creamery, while the increase in other assets is largely because of the construction progress on the Friendship store. Most of this becomes fixed assets once the store opens. The increase in liabilities included both bank loans that financed these projects, as well as \$2.2 million in owner loans. The co-op's owners also invested more than \$600,000 in Class C stock, which, along with the 2014 patronage refund, were the drivers of the growth in equity.

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.







**SEWARD COMMUNITY COOPERATIVE**

2601 E. Franklin Ave., Minneapolis, MN 55406 | [www.seward.coop](http://www.seward.coop)