



SCORECARD
ANNUAL REPORT

2016



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.



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Making Significant Investments in the Co-op's Future

Sean Doyle, General Manager

Fiscal year 2016 was a time of significant change for Seward Community Co-op. We opened our second grocery store in a Minneapolis neighborhood with previously limited access to healthful foods. We made our first foray into the restaurant industry with a no-tipping service model. We also centralized some of our food production. We increased the number of living-wage jobs to community members who are passionate about the cooperative business model. As co-op shoppers, diners and owners, our collective impact was felt in SEED donations to area organizations that share our commitment to a healthy community. We are delighted to have much to celebrate!

The opening of the Friendship store and the Seward Co-op Creamery Café are significant investments in the co-op's future. In this report you will see that for the first time in eight years, and as planned, the co-op posted a loss. The last time we had a loss was when we relocated the Franklin store. Like then, the biggest contributors to this loss were startup expenses and personnel costs that were significantly higher than would occur in a typical year. In our plans for the year, we reserved more than adequate cash to manage these losses. And while there will not be a patronage refund this year, we can be proud of the increased capacity of our co-op in serving more families in our community.

Last year, we welcomed nearly 3,300 new owners to our cooperative. Now more than 17,000 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. Still others have a high regard for our local economic and environmental impact. I think 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.

We have seen success in our efforts to be a more diverse employer, going from 23 percent employees of color at the end of last fiscal year to 36 percent employees of color at the end of fiscal year 2016. We have attracted more multilingual employees and, as a service to our customers, added languages spoken to employee nametags. We have made increasing diversity at the co-op a priority because we want to reflect the neighborhoods in which we operate, and we want use the co-op as a tool to help address historic inequity. Seward Co-op's Ends Statement compels us to create equitable economic relationships. In our work addressing inequity, we face competing forces. There are real, meaningful and unavoidable barriers — price is one, and the perception that natural foods are exclusive is



Clockwise from top left: Franklin store Wellness staff. The 2016 Seward Co-op Creamery Café team. Co-op staff enjoy a meal at the Creamery.

another. Every day, our staff and our board of directors confront head on inherent tensions in our business, and they do a commendable job to ensure Seward Co-op meets the needs of as many of our 17,000 owners as possible.

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, or may someday, participate in the co-op. 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.



Examining Equity

Mary Alice Smalls, Board President

The board's primary job is to monitor Seward Co-op's progress towards achieving its Ends. On behalf of the board, I want to first thank Seward employees at all three business units for their exhaustive dedication and focus on performance. Because of staff, the Ends subpoints of "equitable economic relationships," "positive environmental impacts" and "inclusive, socially responsible practices" continue to be visible realities in 2016. No discussion of the co-op's accomplishments over the past year is complete without recognizing Seward employees, as well as the contributions made by all stakeholders involved in growing our accomplishments. The Friendship store opened one year ago and exceeded financial expectations! The Creamery Café reopened as a casual atmosphere for the community to gather around food and a space that will host inclusive and socially responsible practices. In the last year, we reached \$1 million in SEED donations, which support a number of important organizations in our expanding community. Seward Co-op was the recipient of an award given by HIRED, recognizing the co-op as the Employment Champion of 2016 in the city of Minneapolis. We now have more than 17,000 owners who contribute to our success by being consistent shoppers, showing up at board meetings, writing comment cards, and expressing their likes and dislikes.

The co-op also remains committed to making healthy food accessible to the communities we serve, through programs like Nourish, our needs-based ownership option and everyday discount. There are many more accomplishments throughout our cooperative, but I want to share a significant board undertaking from this past year.

On the heels of a divisive campaign in which we learned that all did not necessarily feel welcome at the co-op, and after the Friendship store opening, the board set high on its agenda the task of articulating reasons for growth in ways that exemplified and aligned our actions with our stated Ends, long-term vision, and the cooperative principles. The social justice values held by many existing co-op owners coupled with the decision to serve a larger geographical community and expose more people to the co-op — especially those underrepresented in the cooperative movement to date — revealed that we are a cooperative that strives to grow with purpose.

Generally, our stated Ends, that "Seward Co-op will sustain a healthy community," have compelled the board to look critically at exactly who we are as cooperators and how best to serve the interests of all co-op owners. With assistance from a consul-



Clockwise from top left: Rep. Keith Ellison (center) visits the Friendship store in January, calling Seward Co-op a successful model for urban grocery stores. Cooks prepare breakfast at the Seward Co-op Creamery Café. Members of the board of directors participate in Franklin Open Streets at the Creamery during P6 Month.

tant, the board has engaged in a process to examine its governance style and board policies to ensure alignment with our stated Ends, particularly the subpoint that calls forth inclusive and socially responsible practices. We seek to develop a common understanding of what equity and intercultural inclusivity means for the board of directors. We are exploring how the board monitors equity and where specific equity language should reside in the variety of policies we use.

While we celebrate all that our stakeholders contributed to Seward's successful year, we will continue listening to our owners and working to ensure that the board's governance style remains accountable to and in alignment with our Ends Statement. We are thankful for our harvest!



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	PAYING	LIVING	WAGE	TOTAL	EMPLOYEES	NEW	JOB	CREATED
100%	344	91						

*The Minneapolis living wage is \$12.85 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
170	267						

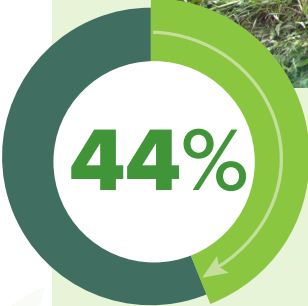


EQUITABLE ECONOMICS

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



Sin Fronteras Farm & Food



of sales, a total of \$18 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.



Just Coffee

A total of \$2 million in fairly traded products.

ACCESSIBILITY

We offer products that are accessible and affordable.

\$1,071,790 in SNAP and WIC transactions.

\$317,486 given in needs-based discounts.



\$1,869,039 in Nourish products.



ALTERNATE TRANSPORTATION

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



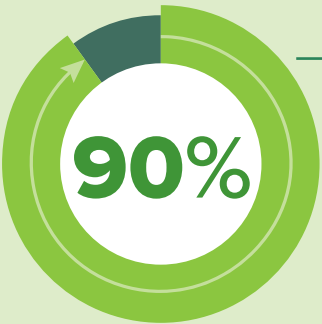
1,890 square feet dedicated to car-/bike-sharing programs and bike parking



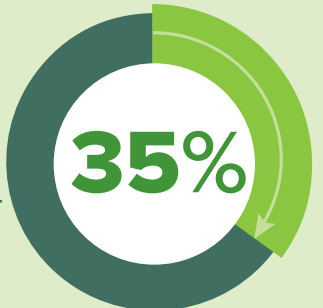
524 participants in our biking incentive program, Cycle Perks

SUSTAINABLE OPERATIONS

We operate sustainably compared to industry norms.



— of waste recycled

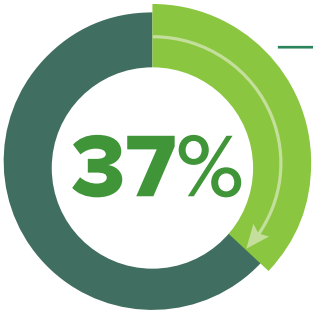


less energy: co-op buildings' energy usage outperforming building-code standards.

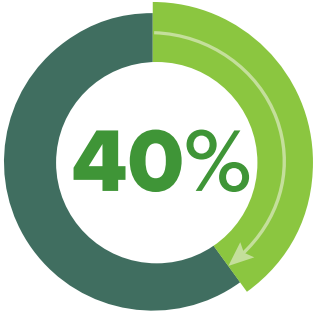


MINIMAL IMPACTS

We source products that minimize negative environmental impacts.



— of sales, **\$15.6 million** of organic products sold.



of sales, — **\$16.8 million** of local products sold.

MINIMAL PACKAGING

We minimize packaging in the products we stock and feature.

BULK PRODUCTS SOLD

\$3.3 million

MONEY GIVEN BACK FOR REUSABLE BAGS

\$37,000



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
57%



STAFF IDENTIFYING AS PEOPLE OF COLOR
36%



MULTILINGUAL STAFF
20%

OWNERSHIP

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

TOTAL OWNERS

17,199

NEW OWNERS

3,296

PAYMENTS IN FULL

71%

NEEDS-BASED PAYMENTS

18%

INSTALLMENT PAYMENTS

11%



RESPECTFUL RELATIONSHIPS

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

PRODUCT CHANGES PER CUSTOMER REQUESTS

177

CLASSES OFFERED TO THE PUBLIC

61

PUBLIC STORE TOURS BY STAFF

33

giving back

We prioritize and promote giving back to our community.

CUSTOMER SEED DONATIONS

\$266,894

GRANTS, DONATIONS & SPONSORSHIPS

\$92,338

PAID EMPLOYEE COMMUNITY SERVICE HOURS

663

Since the creation of **SEED** in 2011, we have raised over **\$1 million** for local organizations.



Past SEED recipients at the \$1 million celebration in April 2016

FISCAL YEAR 2016 ended June 30. It saw the Seward Co-op Creamery Café, our production kitchen and the Friendship store all begin operations. In addition to large increases in sales and new owners, the opening of these business units also led to significant changes to our balance sheet and cash-flow statement. Also, changes to accounting standards have led to the restatement of some items from the prior year.

INCOME STATEMENT	2016		2015	
Net Sales	\$ 42,044,987	100.0%	\$ 33,966,391	100.0%
Cost of Goods	25,059,760	59.6%	20,198,835	59.5%
Gross Profit Margin	16,985,227	40.4%	13,767,556	40.5%
Wages — All	10,010,097	23.8%	7,209,562	21.2%
Benefits and Taxes	2,416,243	5.7%	1,848,521	5.4%
Total Labor Expense	12,426,340	29.6%	9,058,083	26.7%
General and Administrative	4,501,006	10.7%	3,447,749	10.2%
Depreciation	1,049,785	2.5%	623,450	1.8%
Total Expenses	17,977,131	42.8%	13,129,282	38.7%
Net Operating Income	(991,904)	-2.4%	638,274	1.9%
Other Income	149,948	0.4%	272,968	0.8%
Net Gain on New Markets Tax Credit Maturity	-	0.0%	1,519,172	4.5%
Interest Expense	(685,819)	(1.6%)	(632,747)	(1.9%)
Income Before Taxes & Patronage	(1,527,775)	-3.6%	1,797,667	5.3%
Patronage Refund	-	0.0%	(1,438,755)	(4.2%)
Income Tax Expense	-	0.0%	(173,316)	(0.5%)
Income Tax Benefit	19,411	0.0%	-	0.0%
Net Income	\$ (1,508,364)	-3.6%	\$ 185,596	0.5%

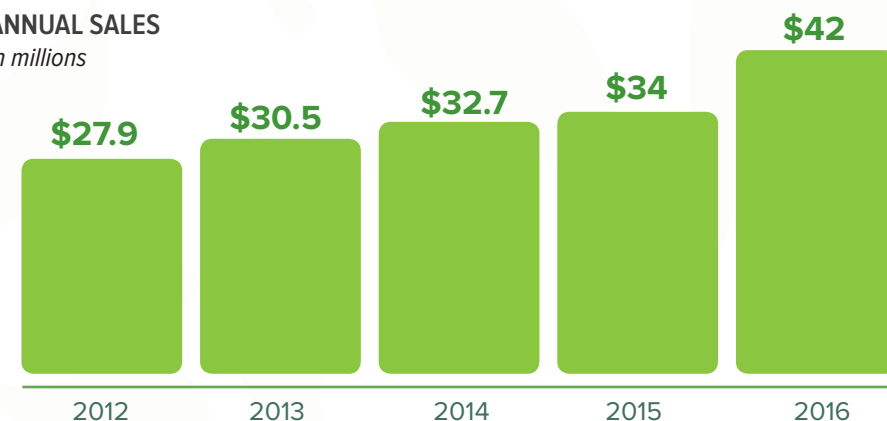
Sales increased \$8.1 million from 2015 to 2016, as the Friendship store and Seward Co-op Creamery Café opened. As was true in 2009 when we expanded to the current Franklin Avenue retail location, our net income for the year was negative due to these expansion projects. The biggest driver of this loss was labor expenses, including the cost of staff who were hired and trained prior to the new businesses opening.

CASH FLOW	2016	2015
Net Income	\$ (1,508,364)	\$ 185,596
Depreciation & Amortization	1,049,812	623,653
(Increase) Decrease in Inventory	(425,101)	(76,949)
Patronage Refund Satisfied with Stock	1,151,004	645,870
Patronage Refunds Received in Equity	(103,687)	(128,161)
(Increase) Decrease in Other Current Assets	(100,239)	235,621
Increase (Decrease) in Current Liabilities	(1,006,599)	(813,613)
Cash Flow from Operations	(943,174)	672,017
From Investments		
(Increase) Decrease in Fixed Assets	(5,275,577)	(3,624,601)
(Increase) Decrease in Other Assets	5,728,424	(10,735,399)
Cash Flow from Investments	452,847	(14,360,000)
From Financial		
Increase (Decrease) in Long-term Liabilities	(974,379)	11,607,615
Increase (Decrease) in Equity	208,330	347,821
Cash Flow from Financing	(766,049)	11,955,436
Total Cash Flow	(1,256,376)	(1,732,547)
Beginning Cash	3,157,605	4,890,152
Ending Cash	\$ 1,901,229	\$ 3,157,605

As expected, cash flow for the year was negative. A large amount of cash and financing that we had on hand at the end of 2015 was used during 2016 to complete our construction projects and launch the new businesses. The opening of the Friendship store required bringing in more than \$400,000 of new inventory. We paid down more than \$900,000 of debt during the year. Our cash balance at the end of the year was more than adequate to meet short-term obligations.

ANNUAL SALES

in millions



BALANCE SHEET

	2016	2015
Cash	\$ 1,901,229	\$ 3,157,605
Inventory	938,933	513,832
Other Current Assets	378,251	500,235
Current Assets	3,218,413	4,171,672
Property and Equipment, Net	22,273,250	12,136,059
Other Assets	5,443,144	18,960,145
Total Assets	\$ 30,934,807	\$ 35,267,876
Current Liabilities	\$ 3,237,566	\$ 4,682,434
Long-term Debt	21,408,878	24,143,283
Total Liabilities	24,646,444	28,825,717
Member Equity	7,365,479	5,935,736
Retained Earnings	(1,077,116)	506,423
Total Equity	6,288,363	6,442,159
Total Liabilities and Equity	\$ 30,934,807	\$ 35,267,876

The 2016 balance sheet shows significant changes from 2015. Many of these changes are due to re-classification of the Friendship store and Creamery as construction ended and the businesses opened. While our loss for the year did decrease equity, this was greatly reduced by both the distribution of the 2015 patronage refund and new owners joining the co-op. More than 3,000 new owners joined the co-op during the year.

The summary financial statements provided are based on a preliminary audit by Mahoney, Ulbrich, Christensen and Russ, CPAs. The final audit will be available subsequent to the publishing of this report. A complete copy of this audit is available to co-op owners upon request.



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

