



2009

# Annual Report

**Seward Co-op**  
GROCERY & DELI





## 2009 Year in Review

In August of 2009, Seward Cooperative Grocery and Deli was heralded by Minneapolis Mayor R.T. Rybak, in his annual budget speech, as a “success story.” This reference exemplifies Seward Co-op’s dynamic changes in fiscal year 2009. This was an extraordinary year for us. We opened our new home in January, in the midst of one of worst recessions in generations. In the face of these dire economic times, the community pulled together, growing the co-op beyond our greatest hopes.

The numbers tell the story best, with membership growing from 4,700 to more than 6,300 in the past year. The vast majority of these new members joined since our opening in January. Sales for the year grew comparably. We topped out at just under \$16 million—a 32 percent increase. As an organization, we have grown from having 120 employees a year ago to 175 at the end of fiscal year 2009. Creating 55 new jobs in the cooperative is something of which we can be proud.

As anticipated, one-time startup costs associated with the move resulted in the co-op posting a loss for the first time in close to a decade. This means that the co-op did not issue a patronage refund, as there were no profits to distribute. What the co-op delivered instead was a beautiful new store that affords a larger selection of products, more services and greater opportunity to bring the community together. Our new education program has been well received, and the expanded seating area is a place to connect with old friends and new acquaintances.

All of this, of course, would not have occurred without the more than 240 Seward Co-op members who invested close to \$1.5 million dollars in the new store in 2007 and 2008. I have had conversations with many who invested over the past year. Repeatedly, I have heard how pleased they have been with their decision. Not only did they get a great store close to home in which to shop, but they also did not see their investment erode in the volatility of the stock market crash last September. One of the key attributes of investing in a cooperative is that your money will stay at par. And while there will not be large gains in boom times, there is also much less chance of the investment going bust.

Included in this year’s report is the 2009 Seward Scorecard. As a cooperative community, we aspire to be a crucial link to a healthier and more sustainable society as articulated in our Ends Statement. The Scorecard measures key indicators to determine if we are making progress in this effort. By tracking these symbolic measures, we identify how well we are growing our co-op’s purpose. The dedication of our staff and board to these multiple bottom lines is the foundation of our success as a co-op. Both deserve praise for their hard work.

— Sean Doyle, General Manager

## THE SEWARD CO-OP ENDS STATEMENT

**We will sustain a healthy community that has**

- Equitable economic relationships
- Positive environmental impacts
- Inclusive, socially responsible practices

## From the Board of Directors



We've just ended a busy and exciting year at Seward Co-op. In January, we opened

our new store, and the response from the community has been overwhelmingly positive. The co-op is outperforming our financial projections, and we hope to resume declaring annual patronage refunds for the 2009–10 fiscal year.

More exciting is the vibrancy and energy the new store has injected into the neighborhood. In addition to attracting new customers, the opening of the new store also meant an additional 55 new jobs during one of the most difficult economies of the last half-century.

Your Board of Directors has worked hard to keep up with the pace set by the management and employees of the co-op. In October 2008, new directors Jill Randerson, Leah Janus and Allison Meyer joined our board; they have brought insight, intelligence and energy to us.

Allison is the final Employee Director to be elected for a single-year term solely by the co-op staff. At last year's annual meeting, members voted for a bylaw change and, with this year's election, the Dedicated Employee Director position will be elected for a two-year term by the general membership. This was done to ensure that all members of the board represented the interests of all our member-owners.

With the opening of the new store successfully behind us, the board has begun to investigate how we might better create the Healthy Community envisioned in our Ends Statement. During our annual board

retreat in February, the board developed four areas on which to concentrate our attention: Food Policy, Access to Food, Community Organizing and Fair Trade.

To help us understand the complex issues facing cooperatives, the board invited Robert P. King, professor of applied economics at the University of Minnesota, to our March meeting to discuss local economies and the role of cooperatives in the current economic environment.

In May, we invited Mary Pat Riamondi, associate program director for health and wellness at the University of Minnesota (where her responsibilities include coordinating the Minnesota Food and Nutrition Network and serving as a board member for Hunger Solutions Minnesota) to discuss issues around food access among various communities. That discussion proved to be so thought provoking that we have decided to invite Mary Pat to speak at our annual member-owner meeting.

In June, many board members had the opportunity to travel to Pittsburgh to attend the annual conference of the Consumer Cooperative Management Association (CCMA) where board members attended a variety of interesting workshops. The highlight of the CCMA conference was the naming of Seward board member Dan Nordley as recipient of the Howard Bowers Fund Award of Cooperative Excellence for Cooperative Service, which recognizes dedicated leadership and exemplary service to the entire cooperative community. Dan is stepping down from the Seward board after many years of service — much of it as our President. During Dan's tenure on the board, the co-op saw its most successful years, and we owe much of our current prosperity to his board leadership. We will miss him greatly.

A handwritten signature in black ink, appearing to read "David Hoffman-Dachelet". The signature is fluid and cursive.

— David Hoffman-Dachelet, Board President

### Board of Directors

Becky Faust Goze  
Madeline Kastler

David Hoffman-Dachelet  
Allison Meyer

Miriam Holsinger  
Rebecca Monro

Dan Nordley

Leah Janus  
Jill Randerson

### General Manager

Sean Doyle

## Scorecard Features

Seward Co-op has realized tremendous growth in recent years. The Seward Co-op Scorecard represents efforts by management and staff at the co-op to measure how well we are growing on purpose. The Scorecard was developed in 2006 by Seward Co-op employees who defined our commitments and identified symbolic data points we could use to demonstrate our progress towards accomplishing our Ends Statement, which states: Seward Co-op will sustain a healthy community that has

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

The Scorecard is designed to be dynamic, with management and staff implementing new measures and commitments based on results. Fiscal year 2009 marks the third year of measurement and shows progress in many areas.

Seward Co-op exemplifies cooperative principles and practices that contribute to the economic, social and environmental sustainability of the communities we serve. Our communities include the Seward workplace (staff and their families and partners); our neighborhoods (members, customers and neighbors); local relationships (farmers and vendors in the five-state area); the global community; and other co-ops' employees.

The 2009 Scorecard is available in its entirety online at [www.seward.coop](http://www.seward.coop).

### We measure our success by how well we live up to these commitments:

- We cultivate a diverse, respectful and caring workplace.
- We operate with intentional respect for the environment.
- We commit to financial goals that allow us to maximize our profits in the support of our mission, our values and our community.
- We actively support, participate and invest in the communities we serve.

## New Memberships: We continue to grow

**DURING FISCAL YEAR 2009,  
1,322 NEW MEMBERS,  
SUCH AS BRIAN REICHERT,  
JOINED SEWARD CO-OP.**



**NEW CO-OP MEMBERS BRIAN REICHERT AND FAMILY**  
Photo by Kevin Davis

Reichert says this of the new store: "It's a convenient, friendly store where we can purchase healthful food for our family." He also feels it is important to support a member-owned co-op and local business, as well as local farmers. "The monthly specials and member discounts help, too," he adds.

Reichert says he and his family also enjoy the Deli's expanded salad/hot bar and co-op's new open seating area. "It's welcoming and comfortable," he says of the store, a sentiment many of the co-op's new members share.



CHEESE BUYER SCOTT HEARD AND MEAT & SEAFOOD MANAGER CHRIS DICK Photo by Tom Vogel

**Financial:** WE COMMIT TO FINANCIAL GOALS THAT ALLOW US TO MAXIMIZE OUR PROFITS IN THE SUPPORT OF OUR MISSION, OUR VALUES AND OUR COMMUNITY.

In fiscal year 2009, 34.8 percent of the co-op’s sales came from local food. Within that number, however, lies the story of two of the co-op’s most significantly expanded departments, and the commitment they have to sourcing local products.

Since the opening of the new store in January 2009, Meat & Seafood Manager Chris Dick has worked to obtain quality local beef, chicken and pork. The result is 73 percent of department sales are local.

“We’re blessed with ability to source much of our product locally,” Dick says. “We have a great structure of farms near the Twin Cities, and that allows us to help local farmers keep money in their communities. It also reduces our carbon footprint and offers a better product than what’s available on the commodity market.”

Earlier this year, when sourcing a grass-fed beef supplier, Dick put in a great deal of effort to work with Grass Run Farms, a collaboration of three small organic family farms in Dorchester, Iowa. “We knew they had a quality product, so we wanted to give owners Ryan and Kristine Jepsen the opportunity they needed to grow their small family-run farm and be successful.”

Dick also notes that dealing with local meat often offers customers better pricing,

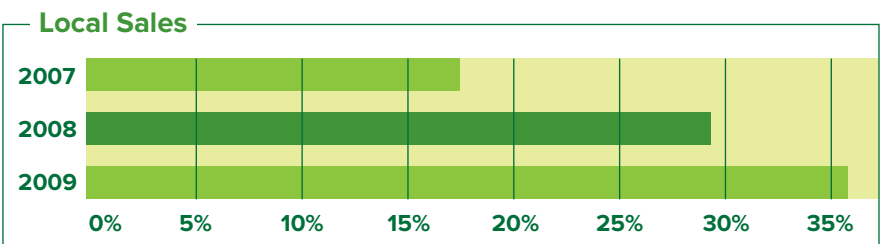
more versatility and freshness in cuts. “Plus, we know exactly where every ounce of meat comes from,” he says.

Across the store, in the Cheese department, where 58 percent of sales were from local product, Cheese Buyer Scott Heard extols the virtues of local cheese: “Not only are the negative effects of transportation lessened, but we’re also supporting local farmers and cheese makers — and the rural communities they come from — ensuring that they can continue to operate.”

“When we eat local cheese, we’re eating a taste of our local soils,” Heard says.

“This is cheese made from pasture-raised cows, so you taste the local pastures — the soil and flowers — and there’s something special about that. The French and Italians have been doing this for centuries, and now I can say we’re doing it here at Seward Co-op, too.”

Castle Rock Organic Farms, an organic dairy in Osceola, Wis., supplies the co-op directly. Heard buys from them because they provide a local, organic option for people in Minnesota and Wisconsin. He says, “That’s the type of business we want to support, so they can survive and be an example for other farmers in the area.”



## Financial Highlights

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

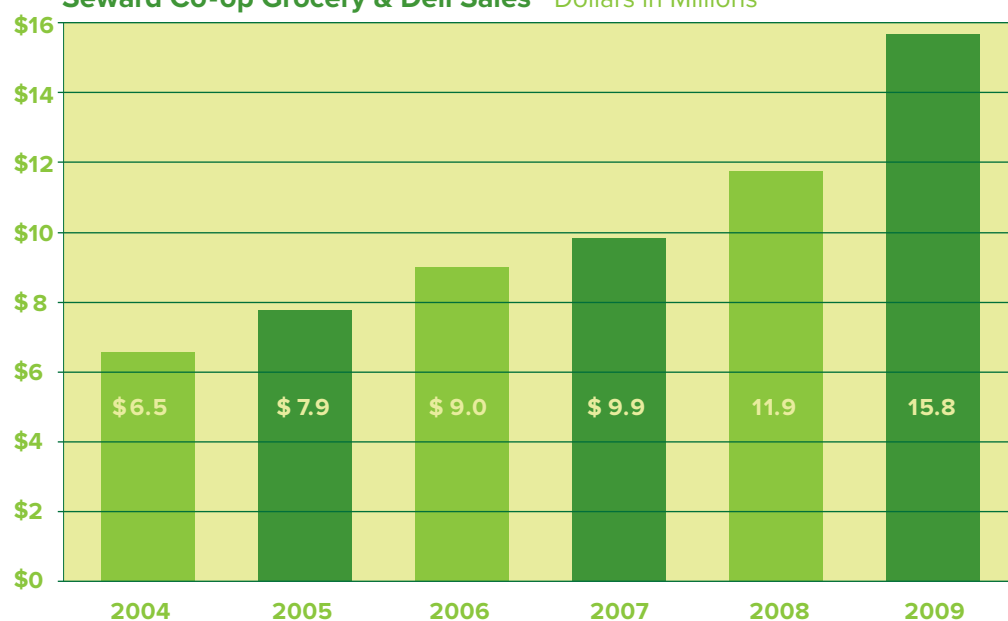
Fiscal year 2009 was a year of dramatic change. We finalized construction and moved to our new home. We exceeded our expectation with regards to our co-op's operational performance. Sales growth was 32% over last year with the vast majority of this growth occurring since the move.

We posted a significant loss due to one time start up costs; this however was significantly less than anticipated in our initial proforma. Sales have also been significantly higher than our market study derived proforma sales basis. While this loss prevents the co-op from issuing a patronage refund, we are well positioned to return to profitability in fiscal year 2010. The co-op is in good financial shape. The balance sheet shows a strong cash position. The cash flow statement indicates good net cash gains.

### Income Statement

	2009		2008	
Net Sales	\$ 15,786,005	100.0%	\$ 11,874,289	100.0%
Cost of Goods	\$ 9,639,251	61.1%	\$ 7,365,808	62.0%
<b>Gross Profit Margin</b>	<b>\$ 6,146,754</b>	<b>38.9%</b>	<b>\$ 4,508,481</b>	<b>38.0%</b>
Wages	\$ 3,426,025	21.7%	\$ 2,391,977	20.1%
Benefits and Taxes	\$ 787,496	5.0%	\$ 597,557	5.0%
<b>Total Labor Expense</b>	<b>\$ 4,213,521</b>	<b>26.7%</b>	<b>\$ 2,989,534</b>	<b>25.2%</b>
General and Administrative	\$ 1,504,515	9.5%	\$ 1,265,641	10.7%
Depreciation	\$ 226,365	1.4%	\$ 122,990	1%
<b>Total Expenses</b>	<b>\$ 5,944,401</b>	<b>37.7%</b>	<b>\$ 4,378,165</b>	<b>36.9%</b>
Net Operating Income	\$ 202,353	1.3%	\$ 130,316	1.1%
Other Income	\$ 246,328	1.6%	\$ 154,675	1.3%
Patronage Refund	\$ —		\$ (88,000)	-0.7%
Interest Expense	\$ (435,324)	-2.8%	\$ (209,682)	-1.8%
New Store Start up	\$ (400,951)	-2.5%	\$ —	
Gain (Loss) on Sale of Assets	\$ (76,227)	-0.5%	\$ 146,506	1.2%
<b>Income Before Taxes</b>	<b>\$ (463,821)</b>	<b>2.9%</b>	<b>\$ 133,815</b>	<b>1.1%</b>
Provision for Income Taxes	\$ (145,748)	0.9%	\$ 40,601	0.3%
<b>Net Income</b>	<b>\$ (318,073)</b>	<b>-2.0%</b>	<b>\$ 93,214</b>	<b>0.8%</b>

### Seward Co-op Grocery & Deli Sales Dollars in Millions



### Balance Sheet

	2009	2008
Cash	\$ 784,851	\$ 487,487
Debt Service Reserve	\$ 468,634	
Inventory	\$ 420,281	\$ 249,995
Other Current Assets	\$ 51,267	\$ 897,724
<b>Current Assets</b>	<b>\$ 1,725,033</b>	<b>\$ 1,635,206</b>
Property and Equipment	\$ 9,068,677	\$ 5,434,783
Other Assets	\$ 1,761,777	\$ 6,300,063
<b>Total Assets</b>	<b>\$ 12,555,487</b>	<b>\$ 13,370,052</b>
Current Liabilities	\$ 860,135	\$ 1,556,524
Long-term Debt	\$ 10,623,161	\$ 10,604,836
<b>Total Liabilities</b>	<b>\$ 11,483,296</b>	<b>\$ 12,161,360</b>
Member Equity	\$ 1,149,494	\$ 967,922
Retained Earnings	\$ (77,303)	\$ 240,770
Total Equity	\$ 1,072,191	\$ 1,208,692
<b>Total Liabilities and Equity</b>	<b>\$ 12,555,487</b>	<b>\$ 13,370,052</b>

### Comparison to Pro Forma

	Proforma	Actual
<b>Income Statement</b>	<b>2009</b>	<b>2009</b>
Sales	12,670,000	15,786,005
Cost of Sales	7,670,000	9,639,251
<b>Gross Margin</b>	<b>5,000,000</b>	<b>6,146,754</b>
<b>Percentage</b>	<b>39.5%</b>	<b>39.6%</b>
Total Expenses	4,488,000	5,803,138
Net Income before Interest and Depreciation	512,000	343,616
Interest Expense	(578,000)	(435,324)
Depreciation	(517,000)	(226,365)
<b>Net Income</b>	<b>(583,000)</b>	<b>(318,073)</b>
<b>Percentage</b>	<b>- 4.6%</b>	<b>- 2.0%</b>

### Cash Flow

<b>FROM OPERATIONS</b>	
<b>Net Income</b>	<b>(318,073)</b>
Disposition of asset	71,675
Deferred Income Taxes	(150,000)
Patronage refunds paid/received in stock	11,644
Depreciation & Amortization	226,367
(Increase) Decrease in Inventory	(170,286)
(Increase) Decrease in Other Current Assets	(23,634)
Increase (Decrease) in Current Liabilities	224,245
<b>Cash Flow from Operations</b>	<b>(128,062)</b>
<b>FROM INVESTMENTS</b>	
Purchase of Property and Equipment	(5,155,244)
Withdrawals from Construction Escrow	5,491,136
<b>Cash Flow from Investments</b>	<b>335,892</b>
<b>FROM FINANCIAL</b>	
Increase (Decrease) in Long-term Liabilities	(21,638)
Increase (Decrease) in Equity	111,172
<b>Cash Flow from Financing</b>	<b>89,534</b>
<b>TOTAL CASH FLOW</b>	<b>297,364</b>
Beginning Cash	487,487
Ending Cash	784,851
<b>Additional Cash: Debt Service Reserve</b>	<b>468,634</b>

**Community: WE ACTIVELY SUPPORT, PARTICIPATE AND INVEST IN THE COMMUNITIES WE SERVE.**

Last year, Seward Co-op contributed nearly \$40,000 in donations, sponsorships and grants to neighborhood organizations and nonprofits throughout the community. Included in that was \$2,000 from the Seward Co-op Community Fund (SCCF) grant, \$1,500 of which went to Seward Child Care Center (SCCC), a child-centered program that promotes cooperative behavior, anti-bias skills, environmental awareness and development of the whole child in a safe, respectful and nurturing environment.

The grant from Seward Co-op supports SCCC's programs that teach children about sources of sustenance, plant life cycles and healthful food choices. Seward Child Care used the grant to continue their organic gardening and composting programs, in addition to purchasing new books and science materials to teach the children about the life cycles of plants, animals and insects.

"Teaching children about sustenance and how to care for the Earth is central to our philosophy of education," says Merritt Kanan, one of SCCC's early preschool teachers. "Through gardening, children learn about how plants grow and how they provide nourishment for people, animals, and insects. Our preschoolers take pride in their work caring for the Earth and are learning to appreciate the beauty and complexity of nature."



DAVID CARGO TEACHES A BREAD MAKING CLASS IN THE CO-OP'S NEW CLASSROOM KITCHEN. Photo by Nicki McCracken

**Classroom: WE PROVIDE EDUCATION ON MISSION-RELATED TOPICS SUCH AS SUSTAINABILITY, HEALTH, CO-OP PHILOSOPHY, AGRICULTURAL AND OTHER PERTINENT ISSUES.**

Seward Co-op has always fostered a commitment of providing not only quality, healthful foods to the community, but also offering educational opportunities. With the construction of our new store, we were able to fulfill this commitment with the addition of our classroom. So far, the co-op has hosted several cooking classes, as well as courses on brewing coffee, preserving foods, fermenting foods, bike commuting and raising chickens in an urban environment. Classes are open to the entire community—members and nonmembers alike.

**Workplace Culture: WE CULTIVATE A DIVERSE, RESPECTFUL AND CARING WORKPLACE. WE PROVIDE EMPLOYEES WITH THE TOOLS AND OPPORTUNITIES TO ADVANCE AND SUCCEED.**

FRONT END MANAGER VALERIE DOYING  
Photo by Kari Binning



"When it comes to opportunities for advancement, the co-op is interested in advancing employees who are qualified for a position and are also willing to improve upon their skills to be able to fill the open position," says Human Resources Generalist Sarajeane Weaver. "The co-op also provides training for staff if they, or their supervisor, feel there is a skill they can learn to help them do their job better."

Valerie Doying was hired as a part-time cashier at the co-op in August 2004. The job provided her with a flexible schedule that allowed her to still have time at home with her young children. Later that year, Valerie was hired as a Manager-on-Duty (MOD) in the newly created Operations department. The position involves opening or closing the store, taking care of security and maintenance issues, and supervising the housekeeping staff. In 2008, Valerie advanced to Front End Manager, where she schedules, reviews and manages a staff of close to 40 people. She is also responsible for the labor budget, equipment purchases and maintenance, cash and asset security, and all other operational details for the front end.

"I've always been very aware of my personal needs as far as scheduling, keeping my family in mind," Doying says. "When I started at the co-op I wanted part-time work, but I was interested in growing with the organization. There's not a huge amount of turnover at the managerial level, but I found that persistence pays when trying to advance. Opportunities are there. Possibilities open up."

**Environment: WE OPERATE WITH INTENTIONAL RESPECT FOR THE ENVIRONMENT.**

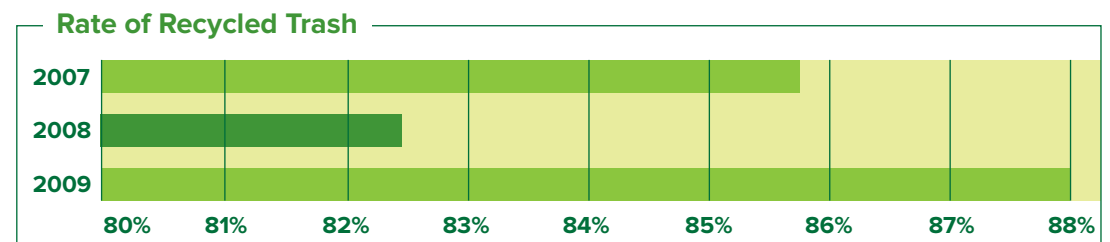
"The co-op cares enough about reducing its waste output to pay people to monitor it," says Allison Meyer, Seward's Assistant Operations Manager. "Last year, when collecting data for the Scorecard, we discovered our recycling levels had dipped. Because we were tracking this, we were able to educate staff on ways to improve." As a result, this fiscal year, the co-op's recycling levels are better than ever.

When a new employee is hired, he or she gets a waste orientation. "That's very important to us," says Meyer, who, along with the rest of the Operations staff, monitors waste (compost, trash, bottles and cans, paper, etc.) throughout the day. These "waste audits" involve checking prep areas, the employee break room and the co-op seating area/patio. "We note the mistakes, such as compostable items in the trash, and use them as examples in training," Meyer says. "It's a way we can teach ourselves to be better."

ASSISTANT OPERATIONS  
MANAGER ALLISON MEYER  
Photo by Tom Vogel

The co-op also tries to promote itself as a resource on waste management. Staff can come to the Operations staff if they have questions about what can be composted, recycled or thrown away. When needed, Eureka Recycling — one of the largest nonprofit recyclers in the United States — serves as a resource for Seward Co-op.

"At the co-op, staff has a lot of different responsibilities, but everyone knows that their jobs aren't done until they've properly disposed of waste," Meyer says.



## Expanding Our Commitment to the Community

Giving back to the community has been a commitment of Seward Co-op for nearly four decades. It is demonstrated through community donations, sponsorships, grants and outreach events. To ensure the long-term viability and growth of our contributions to the community, we launched the Seward Cooperative Community Fund (SCCF), a program for community giving.

The establishment of the SCCF embodies Seward's commitment to continue to grow not just as a business, but also as a resource that takes the concerns of our community to heart and to action.

Seward Co-op launched the SCCF in 2005 as an endowment fund to which individuals may donate money that will, in turn, earn interest. The fund is sponsored by Seward Co-op and administered by Twin Pines Cooperative Foundation (TPCF). TPCF invests the assets primarily in cooperative development funds, credit unions and local community-owned banks that support cooperatives.

As the fund continues to grow, the interest earned is given to nonprofits and/or cooperatives

in our community. The program provides grants up to \$2,000 to projects that protect the environment, support organic and/or local food cultivation, promote co-ops or promote community development and capacity building. In 2009, the SCCF stands at more than \$25,000 and, of the donations made to the Seward Grant Recipients, nearly \$1,000 came from interest on the SCCF.

New to the SCCF this year, the fund will now be supplemented by the Seward Co-op Visa credit card, which was launched in 2009 in partnership with SPIRE Credit Union.

Every time a Seward Co-op member uses the card (at Seward Co-op or anywhere else), a percentage of the transaction monies is delivered to the SCCF in the form of a quarterly contribution.

Seward Co-op has established a process whereby members can make a donation to the SCCF. Just let the cashier know you would like to make a donation to the fund, and he or she will process your cash contribution at the register.

GRANTS FROM THE SCCF HAVE HELPED SEWARD CHILD CARE CENTER STUDENTS LEARN ABOUT LOCAL FOOD AND ORGANIC GARDENING. Photo by Kari Goodnough

