

Annual Report

To the Member-Owners | 2015-2016 Fiscal Year



LINDEN HILLS
CO-OP
GROCERY & DELI

Interim General Manager's Report

Jolene Parker | Interim General Manager

At the co-op, we recently had a customer ask about a poster that hung in our store on 44th and Upton. The poster contained a poem about the “kind of world we want to live in,” but none of us could recall exactly what it said. I reached out to Paula, the GM when I first started at the co-op in 2005. She remembered the poster, titled “How to Build Community.” When I read it again, I understood why it hung in the co-op. The poem embodies some of the many reasons why the co-op exists. Reading it again reminded me where we came from and why we are here today.

“Start a tradition. Seek to understand. Share what you have. Know your neighbors. Greet people.”

In March, we celebrated 40 years of building community. In September, I joined longtime member and former co-op employee Tom Lundgren for an evening with the Linden Hills History Group. We had the opportunity to hear firsthand from several long time members, including Carol Vaubel, who started Linden Hills Co-op. Carol and a group of volunteers made the co-op a reality and created the vision that would guide the co-op into the future. Although our ends have slightly changed, we continue to work to understand our community, share our profits with local groups, and most importantly, remain a place to meet your neighbors.

I often hear from our members and shoppers that one of the reasons they love the co-op are the kind employees. Our employees have built personal relationships with our community. They know your names, your favorite foods and sometimes even your member number.

The co-op has grown to employ 90+ hardworking individuals committed to keeping the co-op principles alive. Our employees choose quality products that align with our commitment to nutrition, concern for the environment and awareness of social issues. They ensure that our customers can find good foods and products that meet the co-op's high standards. Our employees keep our shelves stocked, prepare our delicious foods and baked goods, and make sure that the co-op is the best it can be for our shoppers. They write educational articles and provide nutrition resources for our members on our website and in the Rolling Oats Journal. They have keen financial acumen to ensure good business practices and that we are profitable enough to carry forth our vision. Our employees seek out non-profit organizations that need our support. The co-op works hard to guarantee that our employees have good health insurance and benefits.

Our employees work together, support each other, and build a sense of community that is unique to working at the co-op.

“Buy from local merchants. Support neighborhood schools. Use your library.”

Linden Hills Co-op supports over 300 local vendors including 20 local organic farmers and growers just in our produce department. We frequently invite our local vendors for demos and educational events so our shoppers can know their producer personally. We serve as drop off site for several produce CSAs. I am proud of the co-op's relationships with its many local farms and producers who rely on our store to maintain a healthy business.

Guided by our staff donation committee, Linden Hills Co-op has donated over \$40,500 to local organizations just this year. Most of that funding went to local schools and educational programs. The co-op is a sustaining supporter Midwest Food Connection, who taught 150 lessons in 6 schools in the Linden Hills community. We provide fresh fruit and vegetables to Aleph Preschool in St. Louis Park on a weekly basis throughout the school year.

Each Spring, we collect used books for the Friends of the Linden Hills Library Book Sale, which raises funds to keep our beloved Linden Hills Library running.

“Learn from new and uncomfortable angles.”

Over the last several years, there have been many changes in our community. We've seen increasing competition with a lot of financial power moving into our area. A few years ago, we reported that we had over 25 major competitors within a 4 mile radius and that number continues to grow. In response, we remodeled our store this year to better serve our members and community. We focused on refreshing our fastest growing departments, expanding our most popular offerings, and improving work and energy efficiencies.

As we look toward the future, we hope that the voices of our members come forward to support a consolidation with two of our fellow cooperatives, Wedge and Eastside. A consolidation would help pave the way for a more sustainable future. No matter how the vote turns out, I appreciate the co-op's willingness to consider a new and perhaps uncomfortable path as we continue to seek out the best ways to build community. I look forward to continuing that mission for years to come.

Board President's Report

Alex Slichter | Board President

Last year, we described 2015 as a year of quiet movement for the board. This year was anything but quiet! We took our board focus on community, local, growth, and financial strength into action with the announcement of two major initiatives – our store refresh and the proposed consolidation with the Wedge and Eastside Co-ops. All the preparation and discussion was finally ready for action.

Our remodel was in response to ongoing competitive pressure in our area. It also came out of a need to improve both our physical facility and responsiveness and relevancy to our shoppers. Beyond making good business sense (and cents!), as a board, we made sure the project aligned with our Ends Policy. Our refresh expanded access to fresh, healthy, and natural food choices, particularly with our deli, salad bar, and meat departments. Our new dairy cases are certified energy efficient, which will lower our carbon footprint and reduce our utility costs. They are more efficient for loading and cut down on spoilage and waste. Our beautiful new eating area better encourages community interaction. We were beyond pleased to complete the project with no employee or contractor injuries, below budget, and ahead of schedule.

As you might expect, the board did not enter into the consolidation lightly. Our committed directors spent many scheduled board meeting nights, weekends, and evenings of their free time meeting with our partners and their teams to ensure this was in the best interests of LHC. After extended diligence, we were unanimously committed to bringing the proposed consolidation to the membership. Throughout this process, we reflected back on our Ends Policy. When we went through the list it was quickly apparent that if we were committed to the consolidation, we could better grow cooperative economy and increase the availability of natural, non-GMO, organic, and local foods by working with like-minded partners.

Amidst these two big projects, the board had our normal governance and business to execute. Ongoing operating and capital financials were reviewed and approved. We conducted and reviewed a staff satisfaction survey. We sent two directors to the annual consumer cooperative conference to learn best practices and connect with peers.

This September, Luke Schell submitted his resignation as general manager after 8 years at Linden Hills Co-op. Luke was instrumental in the relocation of our store six years ago and our recent remodel. He was an early supporter of the proposed consolidation and continues to believe that a consolidation is in the best interest of the co-op. We wish Luke the very best in his future endeavors and thank him for his contributions.

Jolene Parker, currently operations manager, has been named interim general manager. Jolene has worked at LHC for 11 years. This decision was made in accordance with our pre-existing succession planning policy. We will revisit the general manager position following the outcome of the consolidation vote.

The Linden Hills Board of Directors strives to provide the best cooperative experience possible. We represent our fellow owners and provide a key link between them and store operations. Thank you for the opportunity you have given us. Personally, it is a great privilege to serve with such a fantastic, committed group.

Linden Hills Co-op

Ends Policies

Our primary goal is to operate the highest quality natural foods retail store in our community. We are committed to providing excellent customer service and integrating our business practices with our core values:

1. Provide and promote healthful choices for our members and shoppers.
2. Provide, use and promote earth-friendly sustainable products.
3. Encourage activism on sustainability, health and nutrition-related issues.
4. Build community within Linden Hills and neighboring communities.

Board Treasurer's Report

Sarita Parikh | Board Treasurer

This fiscal year was an investment year for our co-op. We remodeled the store to enhance and expand space in the strongest growth areas, most notably the prepared foods and meat sections. The remodel keeps the store fresh and interesting in one of the United States' most competitive retail grocery markets. Throughout the remodel, in the midst of tarps and construction, the co-op staff kept the store running smoothly. In fact, sales increased to \$13.687 million. Compared to last year, sales grew almost 2%, or \$257K. The co-op had a strong cash flow this year. As always, the diligent, quality employees were key to these successes.

In the remodel, we replaced \$218K of outdated equipment, which was written off as a one-time expense. This one-time expense took our net income to -69K. Excluding the one-time expense, net income would have been \$149K. The co-op's retained earnings on the balance sheet are \$1.284M, which is slightly higher than in 2014. However, in light of this year's negative income, there will not be a 2016 patronage refund.

Spending your dollars at the co-op allows us to continue to find new and different ways to meet and beat your needs, deepen our communities, and promote locally-made, sustainably-produced, and trustworthy food and products. Thank you for your support and commitment to our co-op.

Linden Hills Community Cooperative, Inc. Balance Sheet

	Preliminary Audited	Reviewed
	June 30, 2016	June 30, 2015
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 1,053,595	\$ 1,526,510
Accounts Receivable	\$ 18,893	\$ 14,436
Inventory	\$ 495,608	\$ 522,197
Refundable Income Taxes	\$ -	\$ 27,245
Deferred income tax benefit	\$ 38,830	\$ 15,500
Prepaid expenses	\$ 9,899	\$ 24,437
TOTAL CURRENT ASSETS	\$ 1,616,825	\$ 2,130,325
FIXED ASSETS		
Furniture and Equipment	\$ 1,425,727	\$ 1,689,082
Leasehold Improvements	\$ 3,108,928	\$ 2,261,060
Less Depreciation	\$ (1,476,907)	\$ (1,611,564)
TOTAL FIXED ASSETS	\$ 3,057,748	\$ 2,338,578
OTHER ASSETS		
Investments in other co-ops	\$ 430,453	\$ 387,634
Other Assets	\$ 65,747	\$ 63,058
TOTAL OTHER ASSETS	\$ 496,200	\$ 450,692
TOTAL ASSETS	\$ 5,170,773	\$ 4,919,595
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 554,279	\$ 392,880
Accrued Expenses	\$ 308,266	\$ 518,435
Current Maturities of Long-term Debt	\$ 317,010	\$ 590,693
TOTAL CURRENT LIABILITIES	\$ 1,179,555	\$ 1,502,008
Long Term Debt	\$ 1,136,818	\$ 585,965
Other Liabilities	\$ 118,319	\$ 119,170
TOTAL LIABILITIES	\$ 2,434,692	\$ 2,207,143
EQUITY		
Class A Stock	\$ 692,640	\$ 661,700
Class B Stock	\$ 758,956	\$ 697,235
Retained Earnings	\$ 1,284,485	\$ 1,353,517
TOTAL EQUITY	2,736,081	2,712,452
TOTAL LIABILITIES & EQUITY	\$ 5,170,773	\$ 4,919,595

Linden Hills Community Cooperative, Inc.
Statement of Income and Retained Earnings

	Audited June 30, 2016		Reviewed June 30, 2015	
GROSS SALES	\$	13,687,074	\$	13,429,748
Less: Member Discounts	\$	(131,723)	\$	(119,547)
NET SALES	\$	13,555,351	\$	13,310,201
Cost of Goods Sold	\$	(8,458,765)	\$	(8,392,379)
GROSS PROFIT	\$	5,096,586	\$	4,917,822
		37.2%		36.6%
OPERATING EXPENSE				
Wages and Benefits	\$	3,198,661	\$	2,962,733
Depreciation and Amortization	\$	332,915	\$	334,681
General and administrative	\$	1,425,432	\$	1,367,964
		23.4%		22.1%
		2.4%		2.5%
		10.4%		10.2%
OPERATING INCOME	\$	139,578	\$	252,444
		1.0%		1.9%
Other Income	\$	53,618	\$	59,867
Other Expense	\$	(270,419)	\$	(71,635)
Patronage Refund Expense			\$	(82,295)
Preliminary Provision for Income Taxes	\$	8,191	\$	(57,457)
		0.4%		0.4%
		-2.0%		-0.5%
				-0.6%
		0.1%		-0.4%
NET INCOME	\$	\$(69,032)	\$	\$100,924
		-0.5%		0.8%
RETAINED EARNINGS - BEGINNING OF YEAR	\$	1,353,517	\$	1,252,593
RETAINED EARNINGS- END OF YEAR	\$	1,284,485	\$	1,353,517

This year we remodeled our store to increase our prepared foods options and expand space in our strongest growth categories. In 2016, Other Expenses include replacement of \$217,885 of outdated equipment as part of the store remodel. Excluding this one-time expense, net income in 2016 is \$148,853. We anticipate that this proactive investment in our store will result in a long-term financial benefit as we seek to remain relevant in one of the most competitive retail grocery markets in the nation.

Supporting our Community, by the numbers

Linden Hills Co-op is committed to the 7th Cooperative Principle, Concern for Community. A staff donation committee is responsible for allocating community donations and quarterly grants, organizing register round-up programs and communicating the co-op's community giving to staff, members, and co-op shoppers. Learn more about the different ways we gave this year.

\$40,500
total donated during
the 2015-16 FY

Community Donations

Linden Hills Co-op frequently donates to events and fundraising initiatives hosted by local non-profit organizations in amounts of \$25 to \$100. The co-op donates \$100 a month in community donations, resulting in \$1,200 a year. Below are just a few of the organizations that received donations during the 2015-16 fiscal year.

- Land Stewardship Project
- Wood Lake Nature Center
- Lake Harriet Spiritual Community
- Great River Greening
- Lake Harriet Community School
- Linden Hills Power + Light
- Gardening Matters
- Women's Environmental Institute
- Open Arms of Minnesota
- P.ink
- Academy of Whole Learning
- Wayside House
- Reach for Resources
- Real Food Challenge - U of M

\$1,200
donated to community
events and fundraisers

Community Grant Program

In December 2015, the first grants from our co-op's new Community Grant Program were issued. We encourage local, community-based non-profits to apply for these mini-grants. Each quarter, we offer three levels of grants. Below are the nine organizations who received grants during the 2015-16 fiscal year.

- Youth Farm
- Appetite for Change
- Ghandi Mahal Interfaith Garden
- Fruits of the City
- MN Food Association
- North Country Food Alliance
- Loaves and Fishes
- Jefferson Community Schools
- Audubon Center of the North Woods

\$9,300
allocated to local
non-profit organizations

Grant Levels

-  Abundant Apple - \$575
-  Bountiful Beet - \$750
-  Caring Carrot - \$1000

Midwest Food Connection

Linden Hills Co-op is an ongoing sponsor of Midwest Food Connection. Through classes and field trips, Midwest Food Connection educates children in the Twin Cities about healthy eating, local foods, as well as sustainable and organic agriculture.

This year, we donated **\$20,400** to Midwest Food Connection.

Our donation brought **150** lessons to **6** Linden Hills neighborhood schools.

1,130 children in our community were reached through these lessons.

Annual Sponsorship

Linden Hills Co-op chooses one non-profit organization to support throughout the year through a food donation, community education, or monetary donation. This year, Linden Hills Co-op is sponsoring the healthy snack program at Aleph Preschool in St Louis Park. Linden Hills Co-op provides donations of fresh fruits and vegetables on a weekly basis.

\$4,800 donated
to Aleph Preschool in the
form of healthy snacks

2,885 fair trade bananas
donated to preschoolers during the 2015-16 school year



Seedling Fund

Every time you bring your own bag to the co-op, you have the option to donate or keep your 5 cent per bag credit. Donated bag credits become the Seedling Fund! Each October, members elect two local, environmentally focused organizations to support with the Seedling Fund during the fiscal year.

56,508 credits donated
=
56,508 bags saved

\$2,824 donated to Cool Plant
and Sustainable Farming Association
\$1,412 to each organization



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