



LINDEN HILLS CO-OP

GROCERY & DELI



*Annual Report
to the Member-Owners*
2009–2010

ON THE COVER

Top: The store monarchs go through the stages from caterpillar to chrysalis to butterfly.

Bottom: Our new store goes from artist's conception to reality on opening day.

Below: The 3815 Sunnyside site in the (very) early stages of renovation.

Board President's Report

KIMBERLY PROFFITT

What a whirlwind of a year it has been! When I sat down to write the annual report message last year, we were just about to announce plans to relocate the Co-op from 43rd and Upton to the corner of Sunnyside and France Avenues. It is still amazing to me to think that in less than a year's time, we signed a lease, raised the funding for the project, completed the construction and renovation and opened the doors.

The idea of a new store, an expanded store, a store that can do even more to fulfill its mission has been discussed by the board for many years. Seeing that vision through to reality, as you might guess, was the focus of much of the board's attention this past year. Though oversight of the project was the responsibility of our General Manager, Luke Schell, and the relocation Project Manager, Tom Lundgren (who both did an outstanding job), the board took a very active role in monitoring the progress of the project. From the end of October through mid-March, board members were key players in the member-owner investment campaign. We made countless phone calls, did tabling in the store, attended member meetings, assisted with loan closings and wrote lots of thank you notes. And our members came through, raising over \$1.53 million in just three months—pretty impressive by most anyone's standards!

Throughout this process, we have learned a lot from our member-owners. We've discovered "linkage"—learning what is important to members when it comes to the future of the Co-op—is incredibly interesting as well as a crucial part of what we need to do. At the same time, it can be challenging. Many of



Board President Kimberly Proffitt, General Manager Luke Schell, and Board Vice President Rhea Sullivan.

our discussions have centered on what we need to be asking our members, how we can do a better job of this and how we can ensure our decisions meet both the Co-op's ends policies and reflect the desires of our member-owners.

Outside of the relocation project, we have continued the process of reviewing and rewriting our "executive limitations" governance policies—the expectations we set for the general manager about how the store will be run. It's turned out to be a long but very educational process. We have just a few of these policies left to rewrite and then we will begin to look at our "board process" policies—what expectations we have for ourselves as a board in relation to other directors, the general manager and our members.

The board could not do its work without the support of General Manager Luke Schell and his dedicated staff. We know the day-to-day operations are in good hands...which allows us the freedom to spend most of our time on "future" thinking. We thank them for their commitment to the Co-op and for fielding many, many questions about the relocation.

Of course, we would not be where we are today without our shoppers and member-owners. Sales in 2009-2010 topped out at just over \$9.2 million, another record year. 519 new households were welcomed as member-owners. And, as mentioned earlier, our member-owners showed their excitement about our relocation by participating in the member loan program. Your passion for the Co-op and what it stands for is amazing.

Our new store opens the door to countless opportunities for us to bring the mission of the Co-op to life. It's up to you, our member-owners, and the board, as your representatives, to decide which paths to follow. We're excited about shaping the next chapter of the Linden Hills Co-op story and look forward to working together as we move into the future.



Staff Report

LINDEN HILLS CO-OP & NATURAL HOME

The themes of transformation and continuity characterized fiscal year 2009–2010, as the co-op staff set about bringing an expanded, environmentally responsible store to fruition. For much of the year, the expansion and relocation team focused on renovating the space at 3815 Sunnyside to meet Leadership in Energy and Environmental Design standards for existing buildings. Meanwhile, store-level staff worked hard to achieve strong sales numbers, make department-level plans for the new store, expand relationships with our local suppliers, and support green innovation.

In October 2009, members were invited to “Share a Meal and Share a Vision” at the co-op’s Annual Meeting. There it was announced that the co-op had entered into a lease agreement to move to a larger building at the 44th and France business node of Linden Hills. Following the meeting, the co-op hosted several focus groups to solicit member feedback on the design and functions of the new space, generating requests for a teaching kitchen and the pursuit of LEED certification. The co-op’s general manager, Luke Schell, assembled an expert relocation and expansion team, many of whom had prior experience with LEED certification. Headed up by co-op member and project manager Tom Lundgren, the team was composed of Wilkus Architects, Gorski Design and Zeman Construction Company.

Just as the co-op changed its logo when it moved to West 43rd Street in 1995, the move to 3815 Sunnyside prompted another update of the co-op’s branding. Marketing and Member Services Manager, Jeanne Lakso worked with local company Sussner Design to create a modern logo that exemplified the co-op’s values and character as described by its members.

In February 2010, the co-op’s member loan drive surpassed the goal of \$1.5 million in committed loans (from more than 200 co-op members, and in less than four months)! And, on April 9th, co-op members gathered to celebrate the Groundbreaking Ceremony, with renovations at the Sunnyside sight officially beginning on April 12th.

As the construction crews labored, our department managers made plans for the heart of the new store: our organic, local and fair trade products. Our buyers-enthusiastic with anticipation of more retail space-began frequenting local farmers markets in search of new local products. Managers carefully examined current product



Co-op Member Tina Broberg stops for breakfast during the Co-op’s Commuter Challenge commencement event.

offerings, forged relationships with new vendors and created “planograms” detailing how each and every product would be organized in the new store.

Even as we looked forward to a new building with energy-conscious design, our staff sought ways to further our commitment to environmental stewardship. Our Green Team researched green innovations that could take root in the current location and flourish at the new location. In addition to organizing our second annual Commuter Challenge (which encourages staff and shoppers to bike, walk or bus to the co-op), the Green Team partnered up with a local nonprofit, Eureka Recycling, to begin a composting program at Linden Hills Co-op.

As the fiscal year came to an end, the staff sat poised to shift all of their energies into closing down the 43rd and Upton site (not without some sadness) and reopening the store at 3815 Sunnyside. Despite the monumental task ahead, our staff took pride in the notion that we carry on a tradition began some thirty years ago: offering healthy food to our neighbors in a manner that benefits the community and the world at large.

Linden Hill’s Co-op Community Contributions

July 2009–June 2010

The co-op’s Community Contributions program gave donations and in-kind support to more than 90 local nonprofits. We also provided financial support to the Midwest Food Connection, which offers free lessons on food & agriculture to over 6,300 kids in more than 50 Twin Cities schools, including 106 lessons taught in Linden Hills and surrounding neighborhoods: Armatage, Burroughs, Kenny School, Lake Harriet Lower Campus, and Windom School.

Through our Green Patch Program, we donated \$3,585 to the Midwest Food Connection and Youth Farm & Market Project. The Green Patch organizations are chosen by member vote at our Annual Meeting, held each October. The Green Patch Program encourages shoppers to reduce waste and reuse canvas, cloth, or other durable shopping bags. Every time a shopper uses their own cloth or canvas grocery bag, they receive a Green Patch worth five cents which they may choose to donate. This year’s Green Patch donations represent 71,700 times that shoppers chose to use a reusable bag.

Treasurer's Report

TODD TROHA

This has clearly been an amazing year for our co-op. Last year we had the most successful year in the co-op's history. This year, despite an economy that struggles, not only were we able to raise \$1.5 million in capital investment from member-owners in record time over the holidays, but we had the highest sales and profit in our history again.

We knew that the 2009-2010 fiscal year was going to be difficult. While we did not reach our gross sales target, we did break the \$9 million sales mark for the first time. The management and board invested in the systems and training necessary to ensure that our margins improved to meet our profit goals even as we felt pressure on sales. These investments paid off, delivering 34% more in Net Income After Taxes than our goal and setting the co-op up for continued success in the new location. The board is happy to declare a patronage refund for the fourth year in a row. \$57,723.30 will be refunded to our member-owners via a combination of vouchers and stock.

The opening of our new location affords us many opportunities and challenges. This is the first time in many years that the co-op has been in a "debt" position. Careful planning, continued financial diligence and the wonderful support of both long-time and new member-owners will guarantee our continued success and our ability to meet the co-op's Ends Policies in Linden Hills and the surrounding neighborhoods.

Linden Hills Co-op

2009-10 Financial Report

BALANCE SHEETS

June 30, 2010 (reviewed) and 2009 (reviewed)

ASSETS	2010	2009
Current Assets	\$2,609,876	\$904,899
Property and Equipment	792,786	439,373
Other Assets	541,647	549,631
TOTAL ASSETS	\$3,944,309	1,893,903
LIABILITIES		
Current Liabilities	\$583,482	536,832
Long Term Debt	1,803,143	6,775
TOTAL LIABILITIES	\$2,386,625	\$543,607
MEMBER EQUITY		
Member Equity (Class A,B&C)	683,621	647,849
Ret. Patr. Ref. / Worker Stock	34,678	34,678
Retained Earnings	667,770	548,545
YTD Net Income	171,615	119,225
TOTAL EQUITY	\$1,557,683	\$1,350,296
TOTAL LIABILITIES & EQUITY	\$3,944,308	\$1,893,903

INCOME STATEMENT

For years ended June 30, 2010 and 2009

	2010	% of Sales	2009	% of Sales
NET SALES	9,219,771	100.00%	9,122,988	100.00%
Cost of Goods Sold	(5,811,342)	-63.03%	(5,796,916)	-63.54%
GROSS PROFIT	3,408,429	36.97%	3,326,072	36.46%
Operating Expense	(3,167,454)	-34.36%	(3,092,869)	-33.90%
OPERATING INCOME	240,975	2.61%	233,203	2.56%
Other Income	43,748	0.47%	72,423	0.79%
Other Expense	(62,813)	-0.68%	(101,488)	-1.11%
Provision for Income Taxes	(95,593)	-1.04%	(84,913)	-0.93%
NET INCOME	126,317	1.37%	119,225	1.31%

Linden Hills Co-op
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