



2018

FREE RANGE FOOD CO-OP ANNUAL REPORT

CONTENTS

- 1-2.....MESSAGE FROM THE BOARD
- 3-4.....MEET YOUR BOARD
- 5.....COOPERATIVE PRINCIPLES & VALUES
- 6.....HIGHLIGHTS FROM THE YEAR
- 7.....FINANCIAL REPORTS
- 8.....STOCK OWNERSHIP IN FRFC
- 9.....HIGHLIGHTS FROM THE YEAR
- 10.....DEVELOPMENT TIMELINE
- 11.....RESULTS FROM THE MARKET STUDY
- 12.....WHAT NEXT YEAR *COULD* LOOK LIKE

Wednesday
November 14th, 2018

Old Central School
10 NW 5th Street
Grand Rapids, MN

6pm - 8pm

OUR MISSION

To build a member-owned grocery store that will increase access to local foods and goods, provide a foundation for educational activities, enhance health and well-being, and promote sustainability within our community.

MESSAGE FROM THE BOARD

The democratic foundation of Free Range Food Co-op (FRFC) consists of the owners and the board of directors. This foundation will evolve as FRFC grows to include the general manager and staff in the future. Owners display their engagement by shopping at their store, voting, running for the board of directors, and serving on co-op committees, ***but what does an owner do before the store is open?***

There are five elements related to the foundation of democracy:

1. Recognition of the fundamental worth and dignity of every person
2. Respect for the equality of all persons
3. Faith in majority rule and an insistence upon minority rights
4. Acceptance of the necessity of compromise; and
5. Insistence upon the widest possible degree of individual freedom

We found this interesting as it is related to the development of FRFC. We all matter as owners in the development of our cooperative. We all have a contribution to the success of our Co-op.

The USDA conducted a study in 2005 and described 4 key characteristics of successful cooperatives. This information is still relevant.

1. Strong General Manager
2. Owner Community
3. Reasonable Competition
4. Dedicated Organizers

Additionally, support from other cooperatives, a strong business plan, finances, and a market niche were identified as factors related to a start-up co-op's success.

STRONG GENERAL MANAGER

The board of directors will receive training related to hiring a general manager. FRFC needs to hire someone with at least five years' experience, and strong diplomatic and marketing skills. FRFC will conduct a national search and may have to entice someone to move to the beautiful Grand Rapids area for a very competitive wage. Our goal is to hire the general manager one year before FRFC opens, and this person will be a strong player in the process of the Stage 3 development tasks.

OWNER COMMUNITY

Owners have democratic control of their grocery store. ***Owners need to feel like this is THEIR cooperative.*** FRFC belongs to the owners! Engagement of owners is identified as a critical factor in a cooperative's success. FRFC needs its owners to contribute their time and money. Once the store is open, that will happen when owners patronize their co-op by shopping there, but what does that mean before the store is open?

Loans, and potentially grants will cover a large portion of total capital requirements, but lenders will expect to see us as owners, put some of our own capital at risk. That can be in the form of your \$100 ownership fee, additional purchase of Preferred Shares, owner loans, as well as human capital in the form

of volunteer or board service. We have already been told by lenders that in addition to owner capital, they will expect to see proof of a strong, engaged organizing team as part of their decision to invest in our co-op. Owners need to invest in the store before it's open, in order for the business to start on solid enough footing.

Our cooperative needs the shared expertise of its owners. Owners have opportunities to volunteer their expertise to various teams or participate as a volunteer during our capital campaign. This is not an exclusive club and FRFC needs to pay attention to diversity and present the message that all are welcome.

REASONABLE COMPETITION

The USDA study discusses different aspects of success related to local foods, ensuring competitive prices, identifying competition and continuing to have a market niche. Local, natural and organic foods have been identified as something that is important to the 600+ owners so far. When the store is open, its success will depend on the owners shopping at FRFC. Strategies to remain relevant will extend beyond our community as the retail industry becomes more and more competitive. Food co-op's have proven to be resilient, but they are not immune to the struggles seen throughout the grocery industry today. Just like any business, we will need to find creative ways to be profitable in order to build up capital for our store so it can operate for our benefit in the long term. The good news is that cooperatives have been doing this for decades.

DEDICATED ORGANIZERS

The organizers and board members are volunteers with full-time jobs, families, continuing college education, and other social commitments. Development takes place in the spare time of the volunteers. The organizers are determined, consistent and have been in the development process for 3 years. Consistency of leadership and handover to new leadership when someone needs to withdraw or reduce their volunteer hours is of the utmost importance. If this handover of leadership takes place at a critical juncture it could be detrimental to the success of our co-op.

In summary, the board and organizing team of FRFC is asking for help from its owners. ***We are asking for all owners to consider our co-op as something that exists now, rather than something we are waiting for that might exist in the future.*** We know this can be difficult when we don't have a physical store to shop at yet, however, this is the challenge we are presented with in order to have a food co-op in Grand Rapids.

The effort to build our food co-op started three years ago. During that time, we have made new friends, learned together, laughed together, and built the foundation of what will someday be an operational business. Our co-op will create an outlet for local and regional growers and producers to sell their food and goods, and to then make those goods available to consumers. Our co-op already adheres to the cooperative principles and values. Through our mission and vision, those values will carry us through building our food co-op.

Let's build our food co-op together!

Your FRFC Board of Directors,
Annaliesa, Carrie, Molly, Sarah & Tom

Source: Lawless, G. & Reynolds, A. (2005). Keys to Success for Food Co-op Start-ups in Rural Areas: Four Case Studies. USDA Rural Development, Research Report 208.

MEET YOUR BOARD

SARAH VERKE

Board Chair

Sarah lives in Grand Rapids in Wabana Township, and she is married with two children. She holds degrees in Paralegal Studies, and Interactive Graphic and Web Design, is currently attending school full time at St. Scholastica to finish her Bachelors in Business Management. She has worked for the State of Minnesota for 16 years, with the last 9 at the DNR. Sarah enjoys gardening, cooking, reading, exercising, traveling, spending time with her family, and being outside as much as possible in the spring and summer months. Sarah joined the co-op effort because she believes that co-ops have a great potential to improve the quality of life in the communities they serve. Specifically important to Sarah is building a stronger local food system, addressing access to organic and whole foods, and strengthening the local culture on environmental stewardship. Sarah also appreciates the cooperative principles and values that help to lay a strong foundation for how cooperatives operate. Sarah serves as the Board Chair, she is the marketing coordinator, outreach team member, and frequently works on other projects and events.

Sarah's term expires October 2019

ANNALIESA MCCARTNEY

Board Vice Chair

Annaliesa has three children, Jacob (27), Gabriella is (24) and Lewis (16). She is married to Nick and lives in Blackberry. Annaliesa's parents and six siblings reside in Hibbing, MN. She is a registered nurse and works on the Women's Health & Birth Centers at Grand Itasca Hospital and Range Regional Hospital, Hibbing. She is attending Bemidji State University to attain her Bachelor's in Nursing and will continue to grad school in the Fall of 2019. Her goal is to get her Master's in Nursing Education.

Annaliesa volunteers with Free Range Food Co-op because she wants to see access improve for people regionally to wholesome, affordable, clean-grown food. Historically, food co-ops are known to make a positive economic impact on the region they occupy with jobs at competitive wages. The money spent at Free Range Food Co-op will stay in our community and region. The money circulates back for the betterment of our community, suppliers, farmers, non-profit and community organizations AND its owners! Annaliesa encourages you to invest in your co-op now before it's open through volunteerism. She wants to be a part of this progressive movement in our community. She will continue to serve on the board for the remainder of her term to help this community owned business get its footing.

Annaliesa's term expires October 2019

MEET YOUR BOARD

CARRIE BARSNESS

Records Officer

Carrie is a life-long resident of the Grand Rapids area and currently resides in Cohasset. She is currently employed at Grand Rapids State Bank as an Account Services Representative. Carrie enjoys running, reading, cooking and spending time with friends and family in her spare time. She is proud and excited to be a part of the efforts of bringing a food co-op grocery store into the Grand Rapids area. What attracted her to the project is the sense of community this will bring. That is truly what a cooperative stands for; a group of people working together to reach a common goal or effort. Carrie serves as the Vice Chair. She volunteers her time on the outreach team, as well as planning other projects and events.

Carrie's term expires October 2019

TOM WILLIAMS

Director

Tom is a 1986 graduate of The College of St. Scholastica with a B.A. in Nursing, and a 1992 graduate of William Mitchell College of Law. His legal career focused on regulatory compliance with two state agencies and a major health plan company. He retired in 2015 and moved with his wife Sandy to Grand Rapids in 2017. He joined Free Range Food Co-op as its 354th owner in 2017. Tom and his wife are also owners of Mississippi Market in St. Paul, and Valley Natural Foods in Burnsville, and Whole Foods Co-op in Duluth.

Tom's term expires October 2020

MOLLY MACGREGOR

Director

Molly MacGregor moved to Grand Rapids in 2017, to work at DNR as regional planner, and to enjoy living in an exciting small community. She started her career in journalism, launched the editorial side of two Minneapolis neighborhood newspapers, worked briefly at the Minneapolis Tribune, and then published a regional business newsletter at the Federal Reserve Bank there. She moved north in the 1980s, settling in Walker, and working in Grand Rapids, Bemidji and Detroit Lakes, as well as running her own organizational development consulting service.

Molly has two grown sons, and is a member of KAXE and Community Presbyterian Church. She loves music, food, politics and the great people of the north woods. "I joined the board because I believe that Free Range Food Co-op is a not just store but it is also a service, connecting producers to consumers, and building on the unique values and culture of our community," she said.

Molly's term expires October 2020

COOPERATIVE PRINCIPLES



Voluntary & Open Membership

Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Men and women serving as elected representatives are accountable to the membership. Members have equal voting rights - one member, one vote.

Member Economic Participation

Members contribute equitably to, and democratically control the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, setting up reserves, benefiting members in proportion to their transactions with the cooperative, and supporting other activities approved by the membership.

Autonomy & Independence

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.

Education, Training & Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public about the nature and benefits of cooperation.

Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

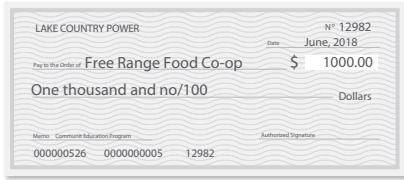
Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

COOPERATIVE VALUES

Cooperatives are built and operated based on the values of **self-help, self-responsibility, democracy, equality, equity** and **solidarity**. In the tradition of their founders, cooperative members believe in the ethical values of **honesty, openness, social responsibility** and **caring for others**.

HIGHLIGHTS OF THE YEAR



Awarded \$1000 from Lake Country Power for Community Education related to food, health and wellness, and the cooperative model.

Our Co-op received the “Best of the Best” award at the Up & Coming Food Co-op conference in March 2018. We were given this award in recognition of our use of best practices during development of our food co-op.



THE GROW-OP

Location: Bryndlewood, Grand Rapids, MN

18 ~ Table Hosts

92 ~ Guests

26 ~ Planning & Event Volunteers

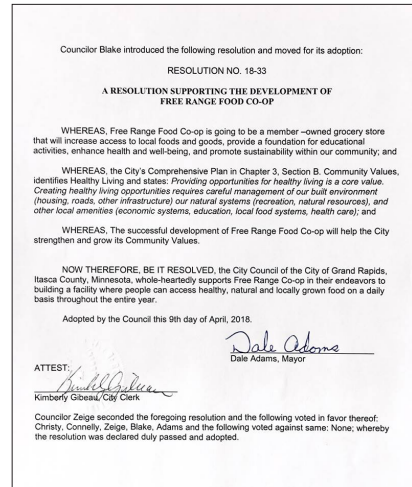
28 ~ New Owners

120+ ~ Total Attendees

\$2200 ~ Cost of Event



Photo credit to Jenna Marek of JMT Photography



The Grand Rapids City Council passed Resolution 18-33 in support of Free Range Food Co-op.

OWNER GROWTH

YEAR ONE: 10/2015 - 10/2016

214 owners . 18% of total owners needed

YEAR TWO: 10/2016 - 10/2017

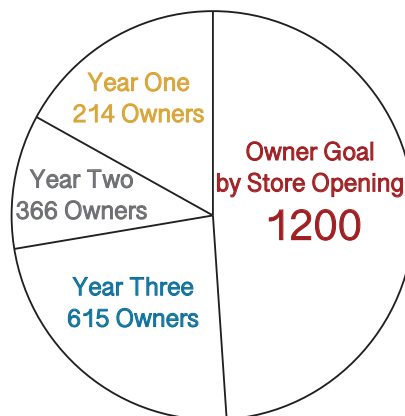
366 owners . 31% of total owners needed

Growth from year one - 152 owners

YEAR THREE: 10/2017 - 11/2018

615 owners . 51% of total owners needed

Growth from year two - 249 owners



FINANCIALS

BALANCE SHEET FY2018

July 2017 - June 2018

	FY2018	FY2017
ASSETS		
<i>checking</i>	16751.04	13,110.30
<i>savings</i>	1409.25	1408.06
<i>paypal merchant</i>	2419.16	2702.31
TOTAL ACCOUNTS RECEIVABLE	300.00	0.00
TOTAL ASSETS	\$20,879.45	\$17,220.67
LIABILITIES	0.00	0.00
EQUITY		
<i>net assets and income</i>	20,879.45	17,220.67
TOTAL LIABILITIES & EQUITY	\$20,879.45	\$17,220.67

INCOME STATEMENT FY2018

July 2017 - June 2018

	FY2018	FY2017
INCOME		
<i>grants, other public support & interest</i>	8950.82	4020.94
PROGRAM INCOME		
<i>ownership fees</i>	17,977.50	17,934.50
<i>sales of promotional Products</i>	1697.00	1230.00
TOTAL INCOME	\$28,625.32	\$23,185.44
GROSS PROFIT	\$28,625.32	\$23,185.44
OPERATING EXPENSES		
<i>Registration and event fees</i>	1257.64	
<i>Charitable contribution</i>	200.00	
<i>Accounting fees(Quickbooks)</i>	180.00	
<i>Market Study</i>	9969.85	
<i>Financial Feasibility Study</i>	4250.00	
<i>Postage</i>	672.62	
<i>Supplies</i>	1291.44	
<i>Advertising Expenses</i>	2538.30	
<i>Credit Card Fees</i>	306.04	
<i>Insurance</i>	501.00	
<i>Memberships & Dues</i>	373.15	
<i>Website</i>	385.88	
<i>Travel, Training & Conferences</i>	2990.62	
TOTAL OPERATING EXPENSES	\$24,916.54	\$13661.11
NET INCOME	\$3708.78	\$4231.60

STOCK OWNERSHIP IN FREE RANGE FOOD CO-OP

Free Range Food Co-op currently issues two classes of stock. Class A is voting stock and Class B is nonvoting stock. Each owner paid \$100 to join the Co-op. This purchased one share of Class A stock and three shares of Class B stock. Class A stock gives each owner a vote in Co-op business.

The Restated Bylaws, when adopted, will give the Co-op the opportunity to issue a new class of stock, Class C. Class C will be a nonvoting stock, but with important distinctions. First, it will be “preferred” stock, meaning that if the Co-op ever failed financially, holders of preferred stock will be paid back before holders of Class A and Class B stock. Second, when the Co-op becomes financially successful, the Board may elect to pay a dividend to holders of Class C stock on an annual basis. Finally, Class C stock may be purchased only by holders of Class A stock.

Stock is an important source of funding for the Co-op, especially in our current phase of development. We need additional resources in order to hire a part-time outreach coordinator. Lenders will also want to see financial investment by owners as a sign of our commitment to succeed. Once the Co-op has sufficient working capital, the Board may elect to “call” Class B or Class C stock for payment; in other words, buy back the stock.

DEVELOPMENT TIMELINE

We are following a timeline that was created by Food Co-op Initiative and has been used by start-up food co-ops that have successfully opened in the past 10+ years. This timeline helps us to visualize and address important tasks and meet ownership goals in tandem, keeps us on course, and prevents us from moving forward before we are ready and prepared.



STAGE 1: ORGANIZING 0 - 250 OWNERS

- Begin to organize and recruit volunteers
- Incorporate organization
- Form board of directors and finalize by-laws
- Set up financial and record keeping systems
- Conduct community survey
- Start building community ownership
- Build website and social media pages



STAGE 2A: FEASIBILITY 250 - 500 OWNERS

- Conduct market and financial feasibility studies
- Build local grower/producer relationships
- Develop business plan
- Build strong owner growth team



STAGE 2B: PLANNING 500 - 700 OWNERS

- Begin process of hiring a general manager
- Complete site analysis and secure store location
- Develop capital campaign model
- Approach cooperative lenders
- Finalize business plan



STAGE 3A: PRE-CONSTRUCTION 700 - 900 OWNERS

- Hire general manager
- Recruit new owners based on store location
- Secure external funding and launch capital campaign
- Secure contracts with growers/producers
- Finalize plans for store design and renovations



STAGE 3B & C: CONSTRUCTION & OPENING 900 - 1200 OWNERS

- Finalize budget
- Work with general manager to hire and train staff
- Order and install equipment and inventory
- Open the store

RESULTS OF THE MARKET STUDY

In October 2017, the board of directors for Free Range Food Co-op contracted with Debbie Suassuna of G2G Research Group and CDS Consulting Co-op to conduct a market study for the co-op. Debbie has over 20 years of location research and site analysis experience, and specializes in natural foods co-ops.

SUMMARY OF KEY FINDINGS:

- Based on the population size, demographic composition and competitive environment of the Grand Rapids market area, combined with the experiences of other natural foods co-ops that operate in similar market situations, it appears that there is sufficient sales potential to support a full-line natural foods co-op.
- The proposed natural foods co-op will serve a relatively large-sized trade area, extending between 14 and 46 straight-line miles, encompassing most of Itasca County, with a small portion of west-central St. Louis County extending to the city of Hibbing. There are an estimated 58,200 shoppers within the defined trade area.
- It is recommended that Free Range Food Co-op have about 4000 sq ft of sales area, which will allow for customers to make most or all of their grocery purchases at the co-op.
- It is strongly recommended that Free Range Food Co-op place a heavy emphasis on its deli/prepared food departments by offering a sandwich station, specialty drink bar, self-serve hot/cold food bars, and a good selection of grab and go foods.
- Our market study has identified two geographic locations that would be favorable locations for the food co-op: South Highway 169 and along the Highway 2 corridor.
- Indoor/outdoor seating space and classroom/community space are also recommended.
- The food co-op should strive to become a part of the community through various outreach programs in order to raise awareness to the co-op, but also to demonstrate how the co-op supports the community. In addition there is a need for a strong educational component in order to enhance shopper/owner awareness to the relationship between food, the environment and their health.

WHAT PLANS FOR THE NEXT YEAR *COULD* LOOK LIKE

2018	
DECEMBER	<ul style="list-style-type: none"> Finish transition of finances to 3rd party accountant Begin selling preferred shares to owners for wages for Outreach Coordinator Owner vote on proposed amendments to articles and bylaws
2019	
JANUARY	Hire Outreach Coordinator
FEBRUARY	<ul style="list-style-type: none"> Secure office space that can also be used as pop-up retail space Recruit remaining board members
MARCH	<ul style="list-style-type: none"> Attend training at Up & Coming Food Co-op Conference Recruit site selection team
APRIL	<ul style="list-style-type: none"> Strengthen volunteer team and outreach efforts Begin process of hiring a general manager
MAY	Develop a capital campaign model
JUNE	Begin implementation of capital campaign model with training and filling volunteer roles
JULY	<ul style="list-style-type: none"> Define financial needs of the co-op Develop a fundraising plan and identify potential sources
AUGUST	Complete development of a working business plan
SEPTEMBER	Secure location for the co-op
OCTOBER	Grow ownership to 900-1000

The completion of many of these tasks is *dependent upon* building a committed, engaged board of directors, and recruiting volunteers to work in key areas. Our outreach coordinator, once she or he is hired, trained and comfortable in their role, will be tasked with building and strengthening our outreach team and its efforts to build ownership for the co-op. This will then allow the board of directors to focus more intently on their tasks of putting together the team that will work to find a location for the co-op, completing our business plan, hiring a general manager for the store, and preparing for the capital campaign.

With this proposed timeline, we wanted to give owners a realistic example of what could be accomplished in the next year if we transition into working under a structure with a paid staff person who focuses intently on outreach, and building and training a strong volunteer team, and a board that focuses on business planning.

WHAT IS YOUR ROLE AS AN OWNER?

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We all have a responsibility now to our co-op, whether it's contributing your time as a volunteer, contributing funds toward the capital campaign and outreach coordinator position, or talking with the people in your life about the co-op. The reason behind this responsibility derives from the ownership structure of cooperatives. Our cooperative is owned and controlled by its members, and it is the members job now to build it so it can operate for our mutual benefit once the store is open.

CONTRIBUTING FUNDS TOWARDS OUTREACH COORDINATOR SALARY AND/OR CAPITAL CAMPAIGN:

Building capital through owner contributions is a common and necessary way that cooperatives raise funds. The board has been working with an attorney for the last few months so our cooperative can issue preferred shares to owners who would like to contribute towards the wages for the outreach coordinator, and in the future towards the capital campaign.

FUNDRAISING TEAM

Additional fundraising efforts outside of ownership equity will put us in a better position to support our development efforts. There are many creative and fun ways that we can raise money for the co-op such as pop-up sales, silent auctions, and community events, but we need a team to plan them! If this your area, please sign up to get this team started.

OUTREACH TEAM

In order to operate at an optimum level, there should be 15-20 people actively working on our outreach team. There are many different areas, and different time commitments to fit your schedule and comfort level. Some tasks could include:

Tabling, event planning, volunteering at events, hanging posters, giving presentations, and making welcome phone calls to new owners.

BOARD SERVICE

- 3 year terms
- Estimated commitment of 20 hours per month
- Complete necessary tasks outside of board meetings
- Interest in tasks such as site selection, capital campaign, business planning, and GM hiring.

CAPITAL CAMPAIGN TEAM

This is an example of what the capital campaign team will look like. Volunteers will need to be assigned to four specific areas:

25-30 VOLUNTEERS TOTAL

- Call Team: 12-15 volunteers
- Communications Team: 2-4 volunteers
- Closing Team: 3-5 volunteers
- Administrative Support Team: 3-5 volunteers

OTHER TYPES OF EXPERTISE NEEDED:

- Grantwriting
- Office administration
- Educational development (teach classes or coordinate)
- Photography & videography
- Marketing and public relations
- Public speaking or giving presentations
- Writing and editing
- Project management
- Event coordination
- Business
- Real estate

BUILDING OWNERSHIP THROUGH YOUR FAMILY, FRIENDS, NEIGHBORS AND CO-WORKERS

We can all promote our co-op by spreading the word by talking to the people in our social circles, and asking them to become owners.