Dear Members, Investors and Friends,

Thirty-five years ago, on June 28, 1979, NCDF made its first loan—a loan to Mill City Co-op Foods in Minneapolis. Since then, NCDF has made nearly 800 loans to cooperatives totaling $37 million. Loans have financed the startup, growth, and expansion of worker, farmer, food and housing co-ops. Over the years, NCDF has remained true to its mission of fostering economic democracy by providing financing to cooperative enterprises. NCDF has also maintained a steadfast commitment to investing in low-income and economically disadvantaged communities, recognizing cooperatives as a vital tool for community development and creating equitable economic opportunity.

In 2013, NCDF provided $2 million in loans to 14 cooperatives: five worker-owned co-ops, one farmer-owned co-op, five retail grocery co-ops, and three housing co-ops. Each dollar invested by NCDF, on average, helped the co-ops leverage an additional $12 dollars of other resources, bringing a financial impact of over $14 million. Loans went to co-ops in 8 states around the U.S.: two co-ops in Baltimore, Maryland; three in Portland, Oregon; and co-ops in Greensboro, North Carolina; Austin, Texas; Bloomington, Indiana; Marquette, Michigan; Berkeley and Isla Vista, California; and Rochester, Long Prairie, and Grand Marais, Minnesota. These cooperatives are making a difference in their communities: 100% of the co-ops that received financing in 2013 are located in and serving economically disadvantaged communities and 50% of the retail food grocery co-ops are in food deserts. The 11 cooperative businesses that received financing created and maintained 171 jobs, and the three housing co-ops created and maintained 20 units of affordable housing.

In 2013, NCDF’s board and management continued the work of building a solid financial foundation for the organization. We exceeded goals for earned revenue and held tightly to budgeted expenses, but we were disappointed to post a deficit for the year after falling short of our goal for grants and donations. Nonetheless, NCDF showed an increase in stockholders equity in 2013, raising additional equity from the sale of common stock to new members, additional capital contributions from existing members, and the sale of preferred shares.

As we move into 2014, NCDF is well-positioned to meet its financial and programmatic goals. We have made significant progress with fundraising, and we continue to underwrite a steady pipeline of financing projects with co-ops around the US. We have expanded our partnerships with credit unions, banks and CDFIs, allowing us to serve new areas and providing capital access for more cooperatives. As NCDF’s loan portfolio grows, we are able to move the organization forward towards greater financial self-sufficiency and expand the impact of our work.

In cooperation,

Christina Jennings
Executive Director

Megan Teare
President of the Board of Directors

Northcountry Cooperative Development Fund (NCDF) is a cooperatively owned community development loan fund committed to fostering economic democracy by investing in cooperative enterprises. NCDF was founded in 1978 and provides financing to natural foods, consumer, producer, housing, and worker-owned cooperatives throughout the United States. NCDF is certified by the U.S. Department of Treasury as a Community Development Financial Institution (CDFI) and serves more than 170 cooperative members in more than 30 states.
A FEW OF OUR BORROWERS

Red Rabbit Cooperative Bakery
Austin, Texas

Inspired by the Michael Moore documentary, *Capitalism: A Love Story*, Red Rabbit’s bakers set out to create an equitable and democratic workplace and really good vegan donuts. After just two years, they needed more equipment to keep up with demand. The worker-owned, wholesale bakery sells its wares to Austin-area coffee shops, grocery stores, and farmers markets. With the backing of other area co-ops, they borrowed $33,000 from NCDF’s Worker Ownership Fund in 2013, tripling their annual sales.

Marquette Food Cooperative
Marquette, Michigan

In 2013 Marquette Food Co-op bought a building in central Marquette and began the process of build out and relocation. The new store is located in a food desert and will create 25 to 30 new jobs. The expansion will triple the retail space to 9,000 square feet, offer shoppers a greater selection of products, more local foods, wider aisles, parking, and community meeting space. NCDF helped leverage almost $3 million in additional financing from Range Bank and Northern Initiatives Fund. NCDF participated a portion of its loan to Local Enterprise Assistance Fund (LEAF).

Red Clover Collective
Baltimore, Maryland

In the Better Waverly neighborhood of Baltimore, Red Clover Collective is an urban intentional community. Formed in 2004, the six members are committed to cooperative living and collective ownership. Together they are working towards a world where sustainable living, social justice, and artistic creation are central values. However, without a lender willing to make a loan to the cooperative, one member took on the mortgage, leasing it back to the cooperative. In 2013, the cooperative turned their ideal of collective ownership into reality, refinancing the mortgage with a $235,000 loan from NCDF.

The Vital Compass
Portland, Oregon

A worker-owned, collectively run acupuncture clinic and herbal pharmacy, the Vital Compass opened its doors in 2013. The founders set out to create a democratic and just workplace for practitioners, and also to provide services to residents of the low-income community where they are located. They offer acupuncture, massage, herbal consultation, and prescription compounding. Through the Worker Ownership Fund, NCDF provided a $17,500 loan to finance leasehold improvements and startup costs.

Red Emma’s Bookstore Coffeehouse
Baltimore, Maryland

Started in 2004, the worker-owned restaurant, coffee roaster, and bookstore set out to create a community gathering space and a financially viable cooperative business. As members of the collective explain, “Our mission is twofold: first, to demonstrate that it’s possible to build institutions that directly put values like sustainability and democracy to work; and second, to build a resource for movements for social justice here in Baltimore.” When the opportunity arose to move into a larger space, members threw themselves into the effort, raising capital from the community and investing substantial sweat equity. With a $50,000 loan from NCDF’s Worker Ownership Fund, they opened the new 4,600-square-foot space in 2013.

Cook County Whole Foods
Grand Marais, Minnesota

In 2013, Cook County Whole Foods built a new store. The $2.4 million project was financed by the local credit union, a county revolving loan fund, and member loans, but when they still faced a $400,000 financing gap, they turned to NCDF. As General Manager Jennifer Stoltz notes, “NCDF offered us the last piece of financing that we were unable to secure elsewhere.” The expansion allowed the co-op to expand its offerings, grow sales, buy more energy-efficient equipment, add jobs, improve working conditions, and increase wages. Adds Stoltz, “Wages and benefits were up 59% over last year,” while maintaining the same labor margin.
2013 AT A GLANCE

NCDF made over $2 million in loans to 14 cooperatives in eight states:
• Five worker-owned co-ops in Maryland, California, Texas, and Oregon
• Three housing co-ops in Maryland, Indiana, and Oregon
• One farmer-owned co-op in Minnesota
• Five food co-ops in North Carolina, California, Michigan, and Minnesota
99% of NCDF financing went to co-ops located in economically distressed communities.

With the support of NCDF financing, the co-ops:
• Created and retained 171 jobs
• Created and retained 20 units of affordable housing
• Leveraged more than $12 million in additional capital

SPECIALIZED FUNDS

Sustainable Food Systems Financing (SF2)
NCDF SF2 Program supports sustainable food systems and access to healthy foods by providing financing to cooperatives in production, retail sales, wholesale, distribution and marketing of sustainably produced food, including small farmer and grocery co-ops.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Made</td>
<td>$1,462,155</td>
<td>$1,330,396</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>$2,997,023</td>
<td>$2,558,820</td>
</tr>
</tbody>
</table>

Worker Ownership Fund
In partnership with the US Federation of Worker Cooperatives, NCDF’s WOF provides financing to worker-owned co-ops to create democratic jobs, especially in low-income communities.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Made</td>
<td>$325,500</td>
<td>$28,000</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>$444,674</td>
<td>$138,287</td>
</tr>
<tr>
<td>Investments Held</td>
<td>$140,048</td>
<td>$73,004</td>
</tr>
<tr>
<td>Equity</td>
<td>$98,980</td>
<td>$98,980</td>
</tr>
<tr>
<td>Deployment Rate</td>
<td>186%</td>
<td>80%</td>
</tr>
</tbody>
</table>

The KSCR Fund
KSCR Fund provides financing to democratically controlled, affordable cooperative campus housing. NCDF administers the fund for NASCO Development Services.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Outstanding</td>
<td>$100,095</td>
<td>$152,741</td>
</tr>
<tr>
<td>Investments Held</td>
<td>$197,974</td>
<td>$174,533</td>
</tr>
<tr>
<td>Deployment Rate</td>
<td>51%</td>
<td>88%</td>
</tr>
</tbody>
</table>

2013 INVESTORS AND DONORS

Adrian Dominican Sisters
Amazing Grains Food Co-op
Arizmendi Association of Cooperatives
BMO Harris Bank Community Investments
Calvert Foundation
Capital Impact Partners
Catholic Health Initiatives
CDS Consulting Co-op
Chequamegon Food Co-op
College Houses
Community Mercantile
Community Pharmacy
Congregation of the Humility of Mary
Cooperative Development Foundation
Cronin-Geller Social Justice Fund
East Lansing Food Co-op
Eastside Food Cooperative
Emily Faulkner Trust
Episcopal Diocese of Iowa Alternative Investment Fund
Federated Youth Foundation
Franciscan Sisters of Little Falls Fund for Democratic Communities
Gadfly Trust
Grain Train Natural Food Co-op
Hampden Park Co-op
Inter-Cooperative Council, University of Michigan
Isthmus Engineering
Kansas Midwives LDF
The Kentron Foundation
Keweena Cooperative
Lexington Real Foods Community Cooperative
Linden Hills Co-op
Madison Community Co-op
Mississippi Market
NASCO Properties
National Cooperative Grocers Association
Natural Harvest Food Co-op
New Pioneer Co-op
New Riverside Café
Northwest Area Foundation
Oberlin Student Cooperative
Association
Oneota Community Co-op
Open Harvest Food Co-op
Organic Valley/CROPP Cooperative
Our Lady of Victory Missionary Sisters
Ozark Natural Food Co-op
Park Cooperative Apartments
People’s Food Co-op (Ann Arbor)
People’s Food Cooperative (Wisconsin/Minnesota)
Positively 3rd Street
River Market Community Co-op
Riverton Community Housing
Roots and Fruits Produce
Sacramento Natural Foods Co-op
School Sisters of Notre Dame
School Sisters of St. Francis
Seward Community Co-op
Sinsinawa Dominicans
Sisters of Charity of the Blessed Virgin Mary
Sisters of St. Dominic
Sisters of St. Francis of Philadelphia
Sisters of St. Joseph of Carondelet
Sisters of the Presentation of the Blessed Virgin Mary
Sisters, Servants of the Immaculate Heart of Mary
Twin Pines Cooperative Foundation
Union Cab
United Natural Foods, Inc.
U.S. Department of Treasury Community Development Financial Institutions Fund
Valley Community Foods Co-op
Wedge Community Co-op
Wells Fargo Community Lending & Investment
Western Wisconsin Coalition of Co-ops
Wheatsville Co-op
Whole Foods Community Co-op
Willy Street Co-op
Woodlands Investment Management
### Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,039,975</td>
<td>628,438</td>
</tr>
<tr>
<td>Funds Held for KSCR Fund</td>
<td>116,136</td>
<td>43,840</td>
</tr>
<tr>
<td>Loans Receivable</td>
<td>7,016,557</td>
<td>6,143,359</td>
</tr>
<tr>
<td>Less Loan Loss Reserve</td>
<td>(380,025)</td>
<td>(343,082)</td>
</tr>
<tr>
<td>Net Loans Receivable</td>
<td>6,636,532</td>
<td>5,800,277</td>
</tr>
<tr>
<td>Other Assets</td>
<td>241,985</td>
<td>248,020</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>8,034,628</strong></td>
<td><strong>6,720,575</strong></td>
</tr>
</tbody>
</table>

| Liabilities |  |  |
| Notes Payable | 7,636,875 | 6,401,803 |
| KSCR Fund Payable | 116,136 | 43,840 |
| Other Liabilities | 18,203 | 32,112 |
| **TOTAL LIABILITIES** | **7,771,214** | **6,477,755** |

| Stockholders’ Equity |  |  |
| Preferred Stock | 1,025,960 | 975,960 |
| Common Stock | 985,199 | 954,434 |
| Retained Earnings | (1,747,745) | (1,687,574) |
| **TOTAL EQUITY** | **263,414** | **242,820** |
| **TOTAL LIABILITIES & EQUITY** | **8,034,628** | **6,720,575** |

### Income Statement

| Revenues |  |  |
| Interest Income | 487,188 | 434,012 |
| Interest Expense | (155,997) | (158,055) |
| **Net Interest Income** | **331,191** | **275,957** |
| Provision for Loan Losses | (36,943) | (58,197) |
| **Net Interest Income after provision** | **294,248** | **217,760** |
| Loan & Servicing Fees | 48,663 | 49,694 |
| Grant Revenue | 16,112 | 1,019 |
| Other Income | 221 | 942 |
| **Total Noninterest Income** | **64,996** | **51,655** |
| **Income Before operating Exp.** | **359,244** | **269,415** |
| Salaries & Benefits | 237,727 | 233,318 |
| Contract Services | 112,489 | 100,870 |
| Occupancy & Office | 30,341 | 32,533 |
| Other Expenses | 38,858 | 35,656 |
| **Total Operating Expenses** | **419,415** | **402,377** |
| **Net Income (Loss)** | **(60,171)** | **(132,962)** |

### AUDITED FINANCIAL STATEMENTS

*Years ending December 31, 2013 and 2012*

#### Loan Portfolio

**As of 12/31/13**

- Consumer Food Co-ops: 42%
- Housing: 46%
- Worker Co-ops: 6%
- Other: 2%
- Share Loans to Individuals: 4%

#### Investment Sources

**As of 12/31/13**

- Cooperatives: 38%
- Government: 10%
- Foundations: 14%
- Banks: 18%
- Religious Congregations and Health Care: 11%
- Individuals and Trusts: 9%

*All percentages are by dollars.*
2013 LOANS

Agua Gorda Cooperative, 
Long Prairie, Minn. 
$9,155 to the small producer 
co-op and farm incubator to pro-
vide seasonal working capital to 
finance seeds, small equipment 
and inputs.

Citybikes Workers’ 
Cooperative, Portland, Ore. 
$160,000 to refinance their 
mortgage and make upgrades to 
their building.

Cook County Whole Foods, 
Grand Marais, Minn. 
$400,000 to finance a portion 
of the co-op’s $2.4 million 
expansion project.

Deep Roots Market, 
Greensboro, N.C. 
$350,000 as part of a 
$1,250,000 relocation and 
expansion project.

Inkworks Press, Berkeley, Calif. 
$45,000 to the worker-owned 
print shop to finance work-
ing capital and equipment 
maintenance.

Isla Vista Food Co-op, 
Isla Vista, Calif. 
$200,000 as part of the $1.6 
million financing package to 
purchase of their building.

Life Center Association, 
$85,000 to the housing co-op to 
make repairs and improvements 
to several of its homes in West 
Philly.

Marquette Food Cooperative, 
Marquette, Mich. 
$750,000 as part of the co-
op’s $5 million relocation and 
expansion to a new site.

People’s Food Co-op, 
Rochester, Minn. 
$250,000 as part of the 
$3 million build-out of a new 
store in downtown.

Red Clover Collective, 
Baltimore, Md. 
$235,000 to the six-member 
housing cooperative to pur-
chase the building and finance 
improvements.

Red Emma’s Bookstore 
Coffeehouse, Baltimore, Md. 
$50,000 to finance leasehold 
 improvement and working capital 
for the relocation and expansion 
of the worker-owned bookstore 
and vegetarian cafe.

Red Rabbit Cooperative 
Bakery, Austin, Texas 
$33,000 to finance new equip-
ment and working capital for the 
worker-owned vegan bakery.

The Vital Compass, 
Portland, Ore. 
$17,500 to finance leasehold 
improvements and startup costs 
for the worker-owned, collectively 
rut acupuncture clinic and herbal 
pharmacy.

NCDF MEMBERS AND BORROWERS

Northcountry 
Cooperative 
Development Fund

2600 East Franklin 
Minneapolis, MN 55406

612-767-2100 
www.ncdf.coop