



Shared Capital[™] Cooperative

BUILDING ECONOMIC DEMOCRACY

Annual Report 2017

Message from the Board President and Executive Director

Dear Members, Investors and Friends,

Throughout 2017, Shared Capital Cooperative continued to make a real impact in local communities by providing \$3 million in financing to 15 co-ops, including start-ups, expansions, and conversions of businesses to worker ownership. These co-ops we supported created and retained living-wage jobs, created democratic workplaces, sustained and regenerated a healthy environment, and expanded access to healthy foods.

We are pleased to continue to deepen our impact through collaborations with local partners who are developing cooperative economic solutions to advance racial equity and economic justice in their communities. By partnering, we are able to mobilize capital from the cooperative sector and its allies on a national scale to support vital efforts in local communities.

Our financial performance in 2017 did not meet our goals, and we posted an operating loss. There were two reasons. First, we increased our reserves due to continued intense competition in the grocery sector that has challenged new and long-standing food co-ops. We continue to work closely with our food co-op borrowers to support their success. Secondly, at our current size, we rely on raising grants each year to subsidize our operating budget. We fell short of our grant goal in 2017, but we are pleased that we have strong grant commitments in hand for 2018.

We are excited to see renewed and growing interest in cooperative solutions in communities throughout the U.S. We look forward to continuing to work together with our members and allies to build a just, inclusive, and democratic economy.

Cooperatively,



A stylized, handwritten signature of Alex Betzenheimer in black ink.

Alex Betzenheimer
President



A stylized, handwritten signature of Christina Jennings in black ink.

Christina Jennings
Executive Director

Board of Directors

Thomas Beckett, *Secretary*
Carolina Common Enterprise
Durham, North Carolina

Alex Betzenheimer, *President*
Seward Community Co-op
Minneapolis, Minnesota

Dana Curtis, *Treasurer*
Key Figures
Austin, Texas

Jacqueline Hannah
Food Co-op Initiative
Urbana, Illinois

Pamela Madzima
Federation of Southern
Cooperatives /
Land Assistance Fund
Epes, Alabama

Repa Mekha
Nexus Community Partners
St. Paul, Minnesota

Anne Reynolds
University of Wisconsin Center
for Cooperatives (Retired)
Madison, Wisconsin

Holly Jo Sparks
Oryana Natural Foods Market
and MSU Student Housing
Cooperative Traverse City, and
East Lansing, Michigan

Jaime Villalaz, *Vice President*
Latino Economic Development
Center
Sauk Rapids, Minnesota

Staff

Mark Fick
Director of Lending

Christina Jennings
Executive Director

Brenda Pfahnl
Senior Loan Officer & Director of
Programs

Jim Shadko
Senior Loan Officer

Adam Trott
Director of Member Relations

Rhonda Weidling
Operations Manager

2017 Outcomes and Impacts



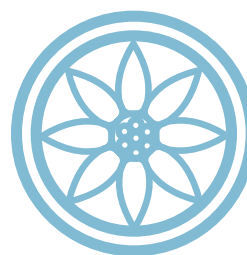
\$3
million
financed in 2017



723
jobs



\$10.9
million
loans outstanding



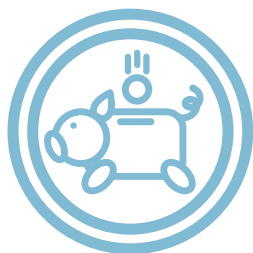
83
loans
outstanding



95%
in **low**
income
communities



70%
of grocery loans in
food
deserts



owned by
228
member
co-ops



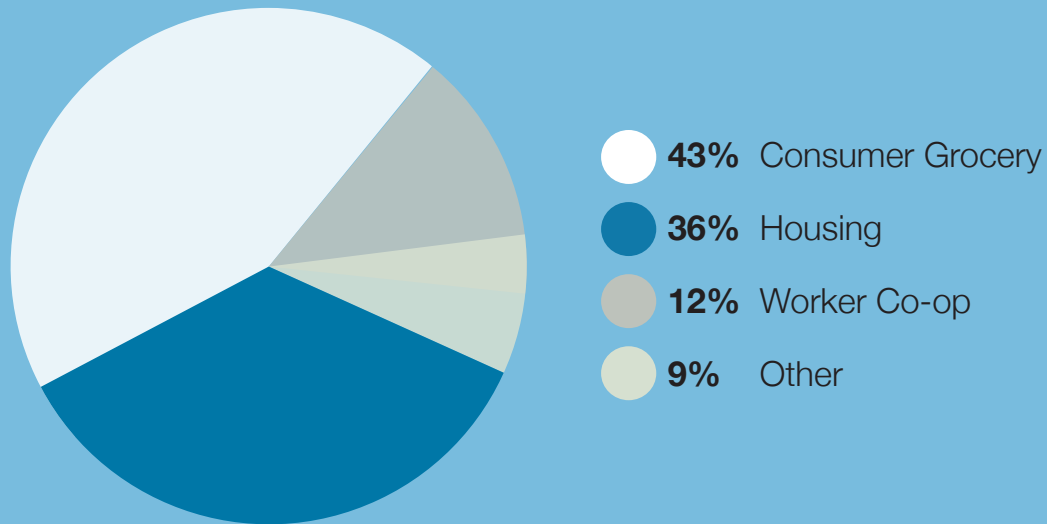
members in
35
states

“Shared Capital is the gateway for a more successful cooperative sector.”

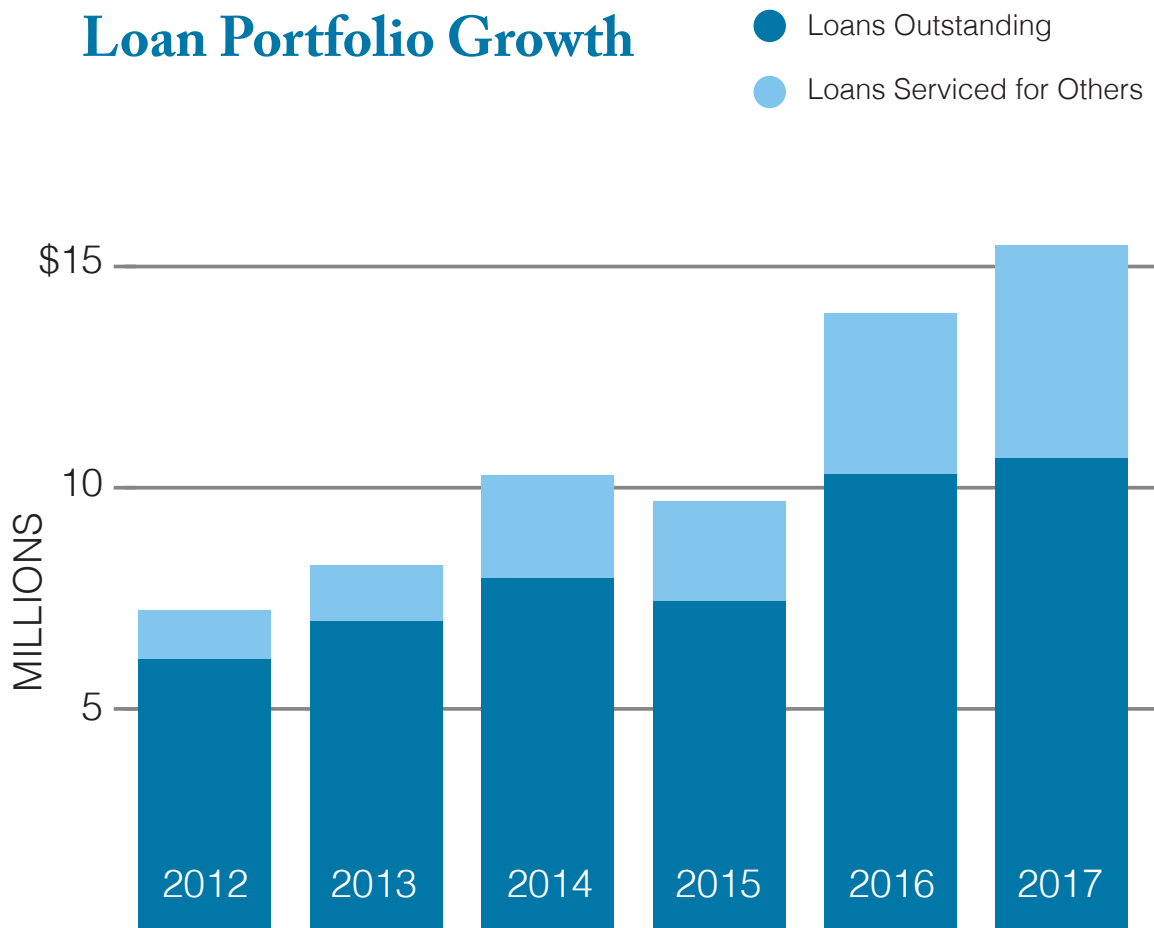
Repah Mekha, President and CEO of Nexus Community Partners and Shared Capital Board Member

2017 Lending & Investing

Lending by Type of Co-op



Loan Portfolio Growth



2017 Lending & Investing

Vital Compass

Portland, Oregon

\$8,500 working capital for new hire and growth for a worker cooperative Chinese medicine pharmacy and clinic

Dill Pickle Food Cooperative

Chicago, Illinois

\$450,000 + \$150,000 = \$600,000 to finance the expansion and relocation of a grocery cooperative

The Hub Bike Co-op

Minneapolis, Minnesota

\$270,000 to finance expansion and real estate purchase of a worker cooperative bike shop

Renaissance Community Cooperative

Greensboro, North Carolina

\$255,000 to finance inventory, equipment, working capital for the start-up of a grocery cooperative

Wirth Cooperative Grocery

Minneapolis, Minnesota

\$50,000 to finance equipment, inventory, and leasehold improvements for a grocery cooperative

eQuality HomeCare Cooperative

New Braunfels, Texas

\$50,000 working capital for startup homecare worker cooperative

Cooperative Energy Futures

Minneapolis, Minnesota

\$400,000 in working capital for consumer owned community solar panel gardens

Independent Brewers Alliance

Somerville, Massachusetts

\$100,000 in working capital for startup of a purchasing cooperative

New Deal Café

Greenbelt, Maryland

\$50,000 to finance the restaurant operation for a consumer cooperative

Prairie Roots Food Cooperative

Fargo, North Dakota

\$292,000 for inventory, leasehold improvements, and working capital for a startup grocery cooperative

Natural Harvest Food Co-op

Virginia, Minnesota

\$1,000,000 to finance expansion and relocation of a grocery cooperative

Seattle Wholesale Growers Market

Seattle, Washington

\$75,000, a line of credit facility for a flower growers' market cooperative

Green Top Grocery Cooperative

Bloomington, Illinois

\$700,000 for equipment, inventory, and leasehold improvements for a startup grocery cooperative

“Shared Capital looks out for cooperatives. It made it look like we are smart to have opened up a cooperative ourselves!”

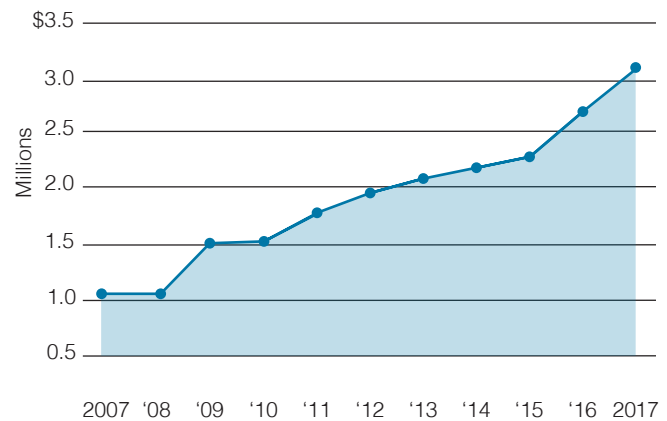
Peter Ibik, MontCo Union Taxi Cooperative, Montgomery County, MD

Worker Ownership Loan Fund

2007 - 2017



WOLF Lending [dollars]



40
loans

\$3.2
million borrowed

\$5K
to

\$400K
range of loan size





Independent Brewers Alliance

For all the buzz about craft brewing, starting a brewery means competing against multi-national competition, a consolidated beer market and costly distribution and packaging. Creating a quality product is as hard as getting it in the hands of consumers.

In 2016, a handful of some of the brightest craft brewers in the U.S. built a shared vision of how to work together to tip the scales toward small. They chose a purchasing co-op structure to share strength in this increasingly competitive industry while staying independent. Securing financing from Shared Capital and LEAF augmented this cooperative vision, and later that year the Independent Brewers Alliance began.

“We were confident,” Executive Director Fort Mendes said, “that a craft beer cooperative wasn’t just a good idea, it was a necessity. Co-ops have a long, proven record of keeping businesses strong and independent in industries facing increasing competition.”

“Our first year’s goal was ambitious,” said Fort. “We wanted members whose combined barrelage exceeded 250,000 barrels,” The IBA shattered that goal. “We currently represent over 500,000 barrels

of buying power, with brewer-members ranging from 2,500 barrels to 75,000 barrels. The average member produces 15,000 barrels.”

The IBA also offers members significant saving programs on a variety of operational expenses including all kinds of freight and parcel shipments, payroll processing, warehouse supplies, recycling and packaging on bottles and cans, cardboard, kegs, and freight.

\$100,000 lent by Shared Capital empowered 28 brewers to join together for shared buying power to lower costs, compete with large scale brewers, and save up to \$20,000 annually.

According to Fort, the momentum continues. “We are now in negotiations with a half-dozen additional members, and an equal number of suppliers.”

“Co-ops have a long, proven record of keeping businesses strong and independent in industries facing increasing competition.”



Natural Harvest Food Co-op



Natural Harvest Food Co-op first opened its doors on the main street in Virginia, Minnesota in 1979. The original 400-square-foot store was no larger than many living rooms. Over the years, the co-op faced many obstacles. Located in an Iron Range town of 8,700 people in northern Minnesota, Virginia's economy is tied to the ups and downs of the mining industry and declining population since the 1960s.

Nonetheless, the co-op undertook two renovations as it grew to over 3,200 owners and reached \$3.2 million in sales. In 2016 the Board decided to build a new store to meet member demand for a larger variety of products and to add a deli, hot bar, salad bar and a classroom.

To finance the project, Natural Harvest turned to Shared Capital Cooperative. The co-op was a long-time Shared Capital member and had borrowed several times over the years. In 2015, as it planned for growth, Natural Harvest invested some of its savings with Shared Capital, knowing the funds would be used to support other co-op projects while also getting a financial return.

The co-op led a successful member loan campaign and worked with Shared Capital to leverage \$1,000,000 in financing for the project. Shared Capital partnered with two local CDFIs (Community Development Financial Institutions), the Entrepreneur Fund and Northland Foundation, that were eager to invest in this important local project but didn't have experience lending to food co-ops.

Natural Harvest's new, bright, and sunny 9,000-square-foot store opened in April 2017 and features a classroom for community events and member gatherings. The new location is in a federally designated "food desert," which had limited grocery store access for area residents. The co-op expects the new building will serve the community for years to come.

"Shared Capital partnered with local lenders to bring much wanted co-op expertise."

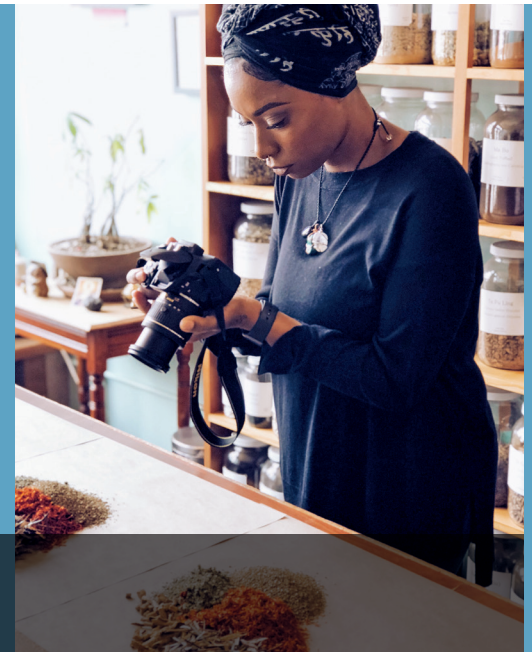


Vital Compass

In 2013 two cooperators started a journey to make a dream come true—a cooperatively owned and run acupuncture and Chinese herbal clinic that served themselves, other practitioners of Chinese medicine, and the diverse community in Portland, Oregon. With funding secured from Shared Capital Cooperative and local small business organization MESO, they opened their doors in 2013.

Having found some initial success, they started a search to add to their team and found two additional practitioners to join them on a worker-owner track to see clients for acupuncture, herbal consultation and massage as well as making custom medicines for practitioners outside their clinic.

They soon grew to four full worker-owners and have an ever-growing inventory of Chinese and Western herbs. Now they have four worker-owners and two additional team members on a worker-owner track, an office manager and another practitioner.



With a model that has served them well, they are looking toward expanding space and services in the coming years beyond the 800 square feet into a fully realized dream of a fully functioning compounding herbal medicinalary and larger clinic.

They hope to continue to offer more fair employment opportunities to acupuncturists and herbalists, excellent medicine to their community, and a replicable cooperative model for enterprising practitioners.

“Shared Capital’s support was vital to work with local lenders and build a solid cooperative foundation poised for expansion, growing membership, and a thrilling future.”

Thank you Investors & Donors

BMO Harris Bank NA Community Investments

Candide Group

Catholic Health Initiatives

CDFI Fund of the US Department of Treasury

CDS Consulting Co-op

College Houses

Common Good Finance

Common Ground Food Co-op

Community Housing Expansion of Austin

Community Mercantile

Community Pharmacy

Frederick County Consumer Cooperative

Fund for Democratic Communities

Gadfly Trust

Grain Train Natural Food Co-op

GreenStar Cooperative Market

Hunger Mountain Cooperative

Isthmus Engineering

Kansas Midwives LDF

The Kentron Foundation

Keweenaw Cooperative

Laura E Kahn Revocable Trust U/AGR

Lexington Cooperative Market

New Riverside Café

Northwest Area Foundation

Oberlin Student Cooperative Association

Oneota Community Co-op

Onion River Cooperative

Open Harvest Food Co-op

Organic Valley Family of Farms

Oryana Food Co-op

Outpost Natural Foods

Ozark Natural Food Co-op

Park Cooperative Apartments

People's Food Co-op

People's Food Co-op of Kalamazoo

People's Food Cooperative

River Valley Cooperative

Riverton Community Housing

Roots and Fruits Produce

School Sisters of Notre Dame

School Sisters of St. Francis

Seward Community Co-op

Sinsinawa Dominicans

Sisters of St. Dominic

Sisters of St. Francis of Philadelphia

Sisters of St. Joseph of Carondelet

Sisters, Servants of the Immaculate Heart of Mary

St. Peter Food Co-op

The Cooperative Foundation

Three Rivers Market

Twin Cities Co-op Partners

Twin Pines Cooperative Foundation

Union Cab of Madison Cooperative

Valley Alliance of Worker Cooperatives

Valley Natural Foods

Weaver Street Market

Weavers Way Cooperative Association

Western Wisconsin Coalition of Co-ops

Wheatville Co-op

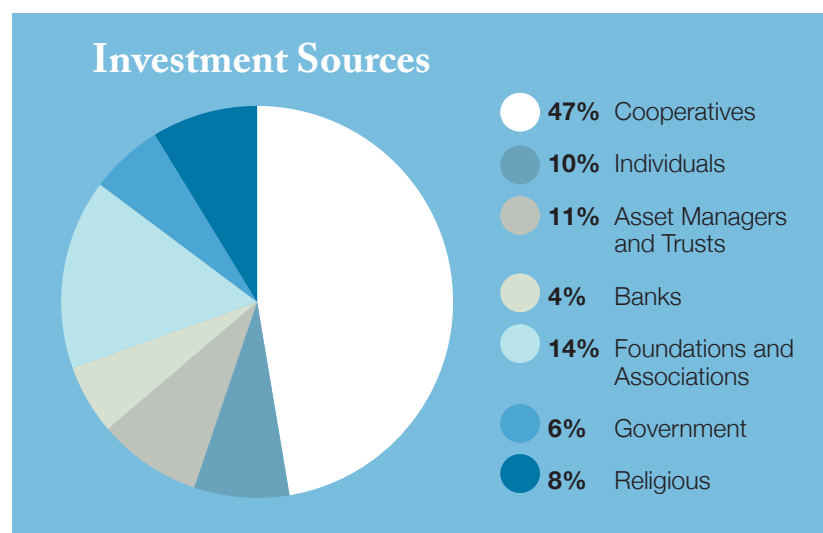
Whole Foods Community Co-op

Wild Oats Cooperative

Willimantic Food Co-op

Willy Street Co-op

Woodlands Investment Management



Cook County Whole Foods

Cooperative Development Foundation

CP Local 001

Cronin-Geller Social Justice Fund

The Co-op Natural Foods

Eastside Food Cooperative

Emily Faulkner Trust

Episcopal Diocese of Iowa Alternative Investment Fund

Ever'man Natural Foods

Federated Youth Foundation

Flatbush Food Co-op

The Food Co-op

Franciscan Sisters of Little Falls

Littleton Consumer Cooperative Society

Madison Community Co-op

Middlebury Natural Foods Co-op

Mifflin Street Co-op

Mississippi Market

Molehill Housing Co-op

Monadnock Food Co-op

MSU Student Housing Cooperative

NASCO Properties

National Co+op Grocers

National Cooperative Bank

Neighborhood Co-op Grocery

New England War Tax Resistance

New Pioneer Co-op

2017 Audited Financial Statements

Assets	2017	2016
Current Assets		
Cash	\$537,037	\$863,069
Current portion of notes receivable	1,867,446	1,717,799
Other current assets	74,772	70,583
Total Current Assets	\$2,479,255	\$2,651,451
Other Assets		
Equity investment in cooperatives	154,560	148,160
Loans receivable less current portion	8,996,306	8,580,724
Allowance for loan losses	(694,457)	(535,813)
Other assets	222,745	204,574
Total Other Assets	8,679,154	8,397,645
Total Assets	\$11,158,409	\$11,049,096

Liabilities	2017	2016
Current Liabilities		
Accrued interest payable	204,065	226,688
Current portion of investment notes	2,962,849	1,220,009
Other current liabilities	500,493	483,230
Total Current Liabilities	3,667,407	1,929,927
Long-Term Liabilities		
Accrued interest payable on investment notes	67,570	24,480
Notes payable - long-term portion	5,762,642	7,187,432
Total Long-Term Liabilities	5,830,212	7,211,912
Total Liabilities	9,497,619	9,141,839

Equity		
Preferred stock	1,699,031	1,699,031
Common stock	2,211,847	2,168,150
Retained earnings	(2,250,088)	(1,959,924)
Total Equity	1,660,790	1,907,257
Total Liabilities & Equity	\$11,158,409	\$11,049,096

Revenue	2017	2016
Interest & fee income	\$739,825	\$706,106
Loan recovery income	24,199	343
Other earned revenue	3,303	15,600
Grants & donations	10,550	78,150
Total Revenue	\$777,877	\$800,199

Expenses	2017	2016
Personnel	\$479,718	\$510,250
Contract services	56,886	25,861
Occupancy	37,797	25,958
Other expenses	115,524	114,948
Depreciation and amortization	14,694	13,111
Interest expenses	191,556	167,580
Provision for loan losses	171,866	203,688
Total Expenses	\$1,068,041	\$1,061,396
Net income (Loss)	(290,164)	(261,197)





**Shared Capital[™]
Cooperative**

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St. Paul, Minnesota 55114

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**Our mission is to foster economic democracy
by investing in cooperative enterprises.**

