



**Shared Capital
Cooperative®**

BUILDING ECONOMIC DEMOCRACY

2019

Annual Report



Message to our members, partners and allies

We are pleased to share with you the activities and accomplishments of the past year. In 2019, we increased our lending by over 80% from last year, funding 21 loans totaling \$4.2 million. Conversions of businesses to worker cooperatives was our fastest growing segment and accounted for 50% of financing.

In 2019, we celebrated 40 years of financing cooperatives, hosting three regional events to connect with our members and to connect our members to each other. We participated in and led numerous training workshops at local, regional, and national conferences. We amplified our message with new stories about our work published online and in print.

We're so thankful to you, our members, supporters and partners, for all you do to make our work possible. We're thrilled to start a new decade with this momentum. Thank you, and onward!

Cover photo: 40th Anniversary reception at Eastern Conference for Workplace Democracy in Baltimore, Maryland, October 2019.



Board of Directors 2019

Thomas Beckett
Carolina Common Enterprise
Durham, North Carolina

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

Me'Lea Connelly, Vice President
Cooperative Paradigm
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, Secretary
Nexus Community Partners
St. Paul, Minnesota

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

Julie Ristau
Main Street Project
Northfield, Minnesota

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

Jaime Villalaz
Latino Economic Development
Center
Sauk Rapids, Minnesota

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Executive Director

Samantha Bailey
Loan Officer

Mark Fick
Senior Loan Officer

Jessica James
Loan Administrator

Adam Trott
Director of Member Relations

Rhonda Weidling
Operations Manager

Jim Shadko
Senior Loan Officer (contract)

Andi Shively
Controller (contract)

Conversions to Worker Cooperatives

*“Shared Capital is the
fiercest advocate for
cooperatives in the US.”*

—Jacqueline Hannah,
Food Co-op Initiative

Conversions—selling a business to the employees who form a worker cooperative—is critical to retaining jobs and wealth in local communities. Over the past three years, we have expanded our financing of conversions. In 2019, 50% of our financing went to conversions.

Through conversions and all of our lending, we are committed to opening up access to capital for those who have been excluded. Over 75% of our financing goes to co-ops organized and owned by people of color, women, LGBTQ individuals, and low-income communities.



Adams and Chittenden Scientific Glass Co-op

Lending in 2019



Quilt Shop Co-op



Ronan Cooperative Brewery

3701 Grand Ave Associates

Minneapolis, Minnesota

\$99,000 for capital improvements to 10-unit housing cooperative

California Solar Electric Company

Grass Valley, California

\$250,000 for employees to purchase solar installation company to form a worker cooperative

Happy Earth Cleaning Co-op

Minneapolis, Minnesota

\$180,000 for the employee purchase and conversion of an eco-friendly residential cleaning company

Adams & Chittenden Scientific Glass Co-op

Berkely, California

\$300,000 to purchase scientific glass manufacturing company by employees as a worker cooperative

Cooperative Home Care Associates

Bronx, New York

\$1 million loan to worker-owned home care provider

Marquette Brewing Cooperative

Marquette, Michigan

\$75,000 to finance a cooperatively owned microbrewery and taproom

East Aurora Co-op Market

East Aurora, New York

\$306,000 to refinance equipment for consumer-owned grocery co-op

Mutual Aid Twin Cities Housing Cooperative

Minneapolis, Minnesota

\$241,000 to purchase a house for affordable housing cooperative



Federation of Southern Cooperatives



East Aurora Co-op Market

Outskirts Vintage

Chicago, Illinois

\$34,000 to purchase vintage clothing store and convert it to a worker co-op

Ronan Cooperative Brewery

Ronan, Montana

\$150,000 for launch of community-owned brewery business

Works Progress Cooperative

Seattle, Washington

\$30,000 to finance relocation and leasehold improvements for a member-owned coworking space

Oxbow Design Build Cooperative

Holyoke, Massachusetts

\$200,000 for conversion of design build company to a worker cooperative

Seattle Wholesale Growers Market

Seattle, Washington

\$75,000 line of credit for co-op owned by sustainable, local flower growers; and \$50,000 term loan for expansion and relocation

Working Systems Cooperative

Olympia, Washington

\$150,000 term loan and \$50,000 line of credit to convert a labor union software IT company to worker ownership

Rockman et al Cooperative

San Francisco, California

\$200,000 for purchase of evaluation and research firm by employees

US Federation of Worker Cooperatives

Philadelphia, Pennsylvania

\$25,000 line of credit for national trade association of worker cooperatives

Borrower Stories 2019



Happy Earth Cleaning Co-op

Minneapolis, Minnesota

Photo credit: Bre McGhee

When Jesse and Marion Dunbar decided to move out of state to be closer to their aging parents, they knew they would have to sell the successful business they had built in Minneapolis-St. Paul. Buy-out offers were disappointing. Buyers wanted the book of clients and wouldn't promise to keep the 19 employees.

Then the Dunbars learned about the option of selling the business to their employees through a worker cooperative. This would retain the mission and talent they had worked hard to develop at Happy Earth Cleaning. The Dunbars and members of their team learned more about cooperatives through the City of Minneapolis's Co-op Technical Assistance (C-TAP) Program. Then they worked with Nexus Community Partners, Project Equity, and Shared Capital to support the conversion, which was finalized in December 2019.

Happy Earth Cleaning Cooperative provides eco-friendly cleaning services for homes, businesses, and apartment building common areas in the Twin Cities region of Minneapolis-St. Paul, Minnesota. "Clients love that we're a co-op," reported Battles. Being a co-op enhances the customer experience by having trusted and invested worker-owners.

"We get it beaten into us that it isn't possible to have working-class, blue-collar people treated fairly and paid well," said Zach D. "When you tell someone housecleaning, they don't think about equity in the workplace or dignified living. This isn't true, you can have a job like this and have a say in the workplace." Workers at Happy Earth start at 30% to 50% above minimum wage, receive paid sick time and vacation after a trial period, and have a say in their schedule.

Shared Capital was a natural fit when it came to financing because of the shared cooperative values. Shared Capital provided a \$180,000 loan to the worker co-op. "The fact that Shared Capital exists and was able to offer us a loan was game changing," said Battles. "The process had all these little things, and Shared Capital made sure we had everything we needed."

Happy Earth Cleaning reported a 13% increase in revenue when it converted. "If we can see more places enacting this, it would be a huge positive change" stated Zach. Battles added, "To anyone that is considering becoming a co-op—do it!"

Cooperative Home Care Associates

Bronx, New York

When state reimbursement processes changed, Cooperative Home Care Associates (CHCA) was faced with a serious challenge. The 45-day delay meant coming up with millions of dollars to cover 3 payrolls for CHCA 2000 worker-owners, nearly all women of color. “If we didn’t get financing, we weren’t making payroll” reported Robbin Richards, VP of Finance at CHCA. Shared Capital structured a loan, bringing together 4 CDFIs. Richards noted, “Traditional banks wouldn’t work with funds coming from the state. We were lucky that Shared Capital led the way.”



The Nokoma

Minneapolis, Minnesota

When the Nokoma needed exterior repairs to its historic brick building, they couldn’t get a bank loan. The 12-year old co-op provides affordable housing to 19 households that earn less than 50% of the area median income. “It wasn’t feasible to pass the cost along to residents,” noted Pierce Stepp, property manager with Cooperative Properties Management Cooperative (also a Shared Capital member and borrower). “The 6th Cooperative Principle of cooperation among cooperatives is all about this. Without Shared Capital, I don’t see that it would have happened,” added Stepp.



Ronan Cooperative Brewery

Ronan, Montana

This rural Montana town of 2,000 has seen businesses close and its downtown suffer in recent economic downturns. In community meetings, Ronan residents wanted to bring back businesses and create space for neighbors, friends, and family to gather and connect. The idea of a co-op brewery quickly brought 350 people to the table with the local economic development agency. “Local (bank) financing wasn’t possible,” reported board member Darci Jones, but Shared Capital made a loan for \$150,000, adding to what was raised in the local community.



Impacts in 2019

million in loans made

\$4.17

17

loans to 16 co-ops

jobs created and maintained

1781

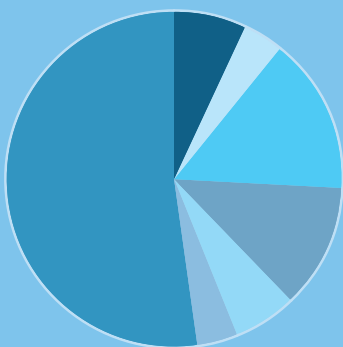
2019 Lending

2019 Lending
by Purpose



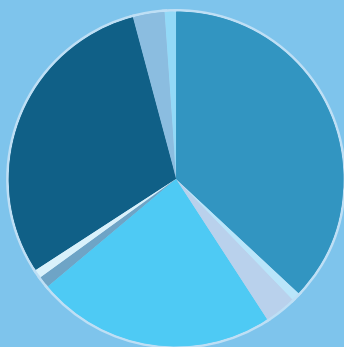
- 41% Conversion
- 9% Expansions
- 36% Maintenance
- 14% Start-up

2019 Lending
by Co-op Type



- 7% Consumer - Other
- 4% Consumer - Food
- 15% Federation
- 12% Housing
- 6% Multi-Stakeholder
- 4% Producer
- 52% Worker

Loan Portfolio
by Co-op Type



- 1% Purchasing
- 37% Consumer - Food
- 1% Consumer - Other
- 3% Federation
- 23% Worker
- 1% Producer
- 1% Home ownership
- 30% Housing
- 3% Multi-stakeholder



2019 Investors and Donors

Boulder Housing Coalition
 Candide Group
 Capital Impact Partners
 Catholic Health Initiatives
 CDFI Fund of the US Department of Treasury
 College Houses
 Colorado Solidarity Fund
 Columinate (previously CDS Consulting Co-op)
 Common Good Finance
 Common Ground Food Co-op
 Community Housing Expansion of Austin
 Community Mercantile
 Community Pharmacy
 Cook County Whole Foods
 The Co-op Natural Foods
 Cooperative Development Foundation
 The Cooperative Foundation
 CP Local 001
 Cronin-Geller Social Justice Fund
 Eastside Food Cooperative
 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
 Frederick County Consumer Cooperative
 Fresh Pond Capital clients
 Fund for Democratic Communities
 Fund for Economic Democracy, LLC
 Grain Train Natural Food Co-op
 GreenStar Cooperative Market
 Hall Capital Partners clients

Hunger Mountain Cooperative
 Inter-Cooperative Council at Ann Arbor
 Isthmus Engineering
 Kansas Midwives LDF
 The Kentron Foundation
 Keweenaw Cooperative
 Lexington Cooperative Market
 Littleton Consumer Cooperative Society
 Loring Wolcott & Coolidge
 Sustainability Group clients
 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
 New Riverside Café
 New Visions Investments, LLC
 New World Foundation
 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
 Saint Peter Food Co-op
 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
 Three Rivers Market
 Twin Cities Co-op Partners
 Twin Pines Cooperative Foundation
 Union Cab of Madison Cooperative
 United Natural Foods
 Valley Alliance of Worker Cooperatives
 Valley Natural Foods
 Weaver Street Market
 Weavers Way Cooperative Association
 Western Wisconsin Coalition of Co-ops
 Wheatsville Co-op
 Whole Foods Community Co-op
 Wild Oats Cooperative
 Willimantic Food Co-op
 Willy Street Co-op

2019 Audited Financial Statements

Balance Sheet (as of December 31)

ASSETS	2019	2018	LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$1,823,949	\$1,351,396	Accounts payable	\$27,511	\$10,795
Accrued interest receivable	45,717	35,239	Accrued Expenses	16,094	22,273
Accounts receivable	307,097	582,886	Deferred Revenue	8,000	152,903
Other Current Assets	26,064	21,505	Funds Held for Others	283,396	282,533
Current portion of loans receivable	1,978,773	1,909,943	Income taxes payable	656	656
TOTAL CURRENT ASSETS	4,181,600	3,900,969	Accrued interest payable on Notes	276,609	186,223
			Current portion of Investment Notes	4,176,292	3,774,982
OTHER ASSETS			TOTAL CURRENT LIABILITIES	4,788,558	4,430,365
Security deposit	\$3,000	\$3,000			
Property and equipment (net)	29,931	31,152	LONG-TERM LIABILITIES		
Intangible assets (net)	18,506	19,995	Accrued interest payable on investment notes	\$62,377	\$144,649
Equity investments in cooperatives	159,560	154,560	Notes payable - long-term portion	6,488,529	5,783,719
Notes receivable less current portion	9,041,882	8,599,968	TOTAL LONG-TERM LIABILITIES	6,550,906	5,928,368
Allowance for loan losses	(700,439)	(997,441)	TOTAL LIABILITIES	11,339,464	10,358,733
Deferred tax asset	616,000	595,000			
TOTAL OTHER ASSETS	9,168,440	8,406,234			
			EQUITY		
TOTAL ASSETS	\$13,350,040	\$12,307,203	Preferred Stock	2,164,467	2,119,769
			Common Stock	2,194,949	2,209,274
			Retained Earnings	(2,348,840)	(2,380,573)
			TOTAL EQUITY	2,010,576	1,948,470
			TOTAL LIABILITIES & EQUITY	\$13,350,040	\$12,307,203



Federation of Southern Cooperatives



Accelerate Employee Ownership launch, Photo credit: Project Equity

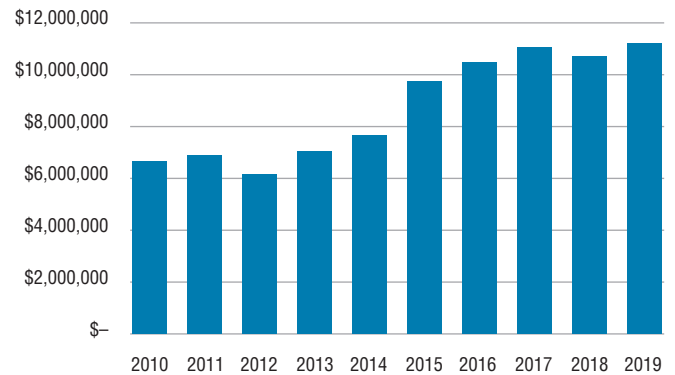
Income Statement (fiscal year ending December 31)

REVENUE	2019	2018
Interest and fee income	\$850,689	\$731,394
Loan recovery income	88,760	-
Other earned revenue	15,700	11,412
Grants and donations	860,324	328,900
TOTAL REVENUE	1,815,473	1,071,706
EXPENSES	2019	2018
Interest expense	225,798	210,516
Personnel	523,466	479,286
Contributions	165,000	-
Outside services	86,549	98,281
Travel and training	56,606	65,077
Occupancy	47,607	47,485
Legal	94,452	32,950
Advertising	50,359	25,013
Depreciation and amortization	13,730	18,273
Other operating expenses	43,484	45,696
Provision for loan losses	497,033	607,758
TOTAL OPERATING EXPENSES	1,804,084	1,630,335
Net revenue before taxes	\$11,389	\$(558,629)
Provision for income taxes	20,344	428,144
NET REVENUE	31,733	(130,485)

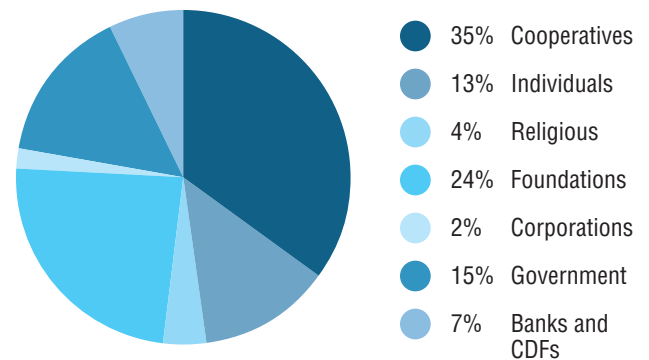


East Aurora Co-op Market

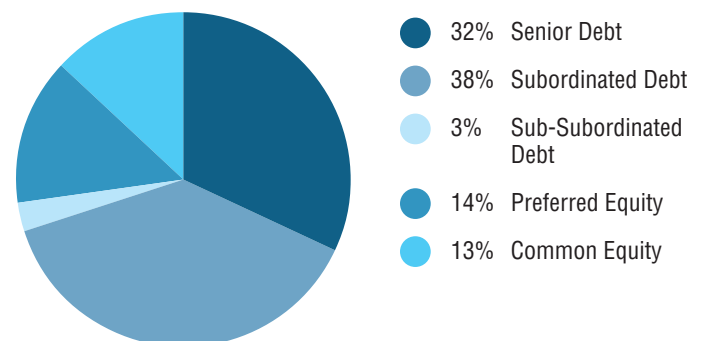
Loans and Investments Outstanding



Capital Sources



Capital Structure





**Shared Capital
Cooperative®**

BUILDING ECONOMIC DEMOCRACY

2388 University Avenue West, Suite 300
St. Paul, MN 55114

Presort Standard
U.S. Postage
Paid
Twin Cities, MN
Permit No. 1961



California Solar
Electric Company in
Grass Valley, one the
seven conversions
to worker co-ops we
supported in 2019