



Valley NATURAL
FOODS™

2020 ANNUAL REPORT



LETTER FROM THE CEO & BOARD

NICK SEEBERGER & MARK MOSINIAK

With everything that has occurred in the last year, we aren't sure where to start or how to update the owners on all of the incredible happenings at the co-op. At a certain level we are all experiencing this together as we navigate COVID-19, social unrest and economic uncertainty and the impacts of each of them on our lives. In all of this, Valley Natural Foods has remained a community-owned and focused business that has put the health and safety of our customers and staff first. We have strived to provide updates on co-op happenings via weekly updates, on social media and in our Living Naturally publication. This report will serve as a very high-level summary of those items you may have already read about and a brief summary of financial performance.

This March, all our lives were upended by the global pandemic and its impact on all facets of life. In the face of such adversity, it has been inspiring to see how our staff and customers have responded. In particular, we want to thank the community members who sewed and delivered over 400 masks within a week of our call-out for help. The spirit of cooperation is strong in our community!

Health and safety have been our driving focus during the pandemic, and we have continued to adjust our practices as we have followed the recommendations and requirements of public health agencies. Early on we implemented basic health screenings for staff, face masks for staff and eventually customers and expanded store cleaning efforts.

In May we launched online ordering for pick-up or delivery, allowing contactless shopping for our customers who need or prefer online shopping. For our employees we launched programs to guarantee pay if they needed to quarantine due to symptoms. Through August, these efforts have supported our accomplishment of no confirmed COVID-19 cases among staff. While we accept it is a matter of time before we experience cases, we are grateful to be where we are today.

In late May and June, the metro area became the focal point of the entire country as unrest and anger erupted after the killing of George Floyd. For many members of our staff and community this was a racial justice reckoning a long time coming. At the co-op we took an anti-oppression stand and committed to making the co-op a welcoming place to all in our community. Immediate actions have included launching diversity and equity training opportunities for board and management and focusing the Register Round-Up program on organizations that address racial inequalities. We also made a direct donation of \$1,000 to support the rebuilding of Lake Street businesses in Minneapolis. Our customers have stepped-up as well, and one of the highest round-ups of the year was to Minnesota Education Equity Partnership for \$3,457. This work is on-going and will be a part of our strategic plan moving forward.

Our financial performance in fiscal year 2020 (July '19 – June '20) was better than we had planned. In our first full year post expansion we planned on losses of \$295,000 as we worked to build our sales. We finished the year with \$269,000 in losses, \$26,000 better than plan. In April we applied and were awarded a Payroll Protection Program (PPP) loan. With PPP loan forgiveness booked as we used the loan proceeds, we ended the year with a \$131,000 profit. We plan for a small profit in FY21 and an increasing net income in future years. Due to losses in FY18 and FY19 we have a loss carried forward that offsets our gains this year.

Our patronage refund is based upon our income for tax purposes, as there is no income for tax purposes this year, we are not issuing a patronage refund. As competition in natural foods has steadily increased, from traditional grocers to online services to non-traditional grocers (e.g. – convenience stores, hardware stores, etc.), we find both revenues and net income shrinking over time. We are not alone in seeing this effect, many of our peers across the country are experiencing the same pressures. It is unlikely that we will be in a position to issue a patronage refund in the next year or two. We do plan to continue offering dividends on Class C shares of stock and are on-track to repay all our member loans.

The patronage refund is an important mechanism in the co-op for the equitable distribution of profits. By law we distribute our profits based on our owner's use of, or patronage of, the co-op. That distribution is not taxed and is viewed as a refund on purchases; hence it is called the patronage refund. While it is an important mechanism for profit distribution, the primary purpose of our operations is to support our mission of health and well-being in the South Metro. Our expansion provides our community with more spacious aisles which have proven very necessary during COVID-19, the ability to showcase more locally grown and produced food and wellness products and gathering spaces for our community to come together. In the coming year, your health and well-being will remain the center of all our decision making. In this way we provide value to all our owners as we strengthen financial performance.

There have been so many other cool happenings at the co-op in the last year, we hope you will take the time to read our e-newsletter and Living Naturally magazine to stay up to date on the new and exciting things happening at the co-op. Feel free to reach out to the board (board@valleynaturalfoods.com) or CEO (nseeberger@valleynaturalfoods.com) with questions or comments. We wish you all good health and well-being as we continue to move forward together.



COMMUNITY IMPACT



Shoppers contributed
\$36,286
by rounding-up at the registers and donating their reusable bag redemptions. Thank you for your generosity.

FY 2020 RECIPIENTS:

Community Action Partnership
Eastview Community Foundation
Echo Park Elementary School
Land Stewardship Project
Main Street Project
Midwest Food Connection
Oakridge Elementary School
Operation Gratitude
The Open Door
The Sheridan Story
360 Communities
Westview Elementary School



Shoppers donated
3,000+ lbs.
of non-perishable food items. Thank you for generously and continuously filling the food collection bin.



\$22,599
in donations and sponsorships from VNF's own funds supported local non-profits and community organizations.

RECIPIENTS INCLUDE:

Burnsville Chamber of Commerce
Caponi Art Park
Food Co-op Initiative
Lake Street Council Recovery Fund
Midwest Food Connection
The Arc Minnesota
The Cornucopia Institute
The Open Door
The Sheridan Story



327
new member-owners were welcomed to our co-op community. Thank you for helping us grow!



\$4,470
in interest earned from VNF's Co-op Community Fund was donated to Midwest Food Connection.

FINANCIAL STATEMENTS

FISCAL YEAR 2020

INCOME STATEMENT

	FY2020	FY2019	% CHG
Revenue (Net)	\$14,866,137	\$14,150,508	5.06%
Cost of Goods	9,146,920	8,650,819	5.73%
Gross Profit	5,719,217	5,499,689	3.99%
Labor	3,637,429	3,692,804	-1.50%
General & Administrative Costs	2,127,487	2,083,356	2.12%
Operating Costs	5,764,916	5,776,160	-0.19%
Operating Income	(45,699)	(276,471)	
Other Income/Expenses	176,820	(179,779)	198.35%
Income Before Taxes	131,121	(456,250)	
Income Taxes	-	(106,025)	-
Net Income	\$131,121	\$(350,225)	137.44%

BALANCE STATEMENT

	FY2020	FY2019
Cash	\$2,099,861	\$1,907,231
Inventory	598,648	596,518
Prepaid Expenses/Current Receivables	131,404	145,282
Current Assets	2,829,913	2,649,031
Property & Equipment, Net	9,210,681	9,431,916
Construction in Progress	-	38,103
Equity and deposits in other Co-ops	450,748	426,097
Other Receivables	211,147	223,709
Total Assets	12,702,489	12,768,856
Current Liabilities	920,650	1,048,085
Long Term Debt	4,948,166	5,036,244
Deferred Tax Liability, net	236,000	236,000
Total Liabilities	6,104,816	6,320,329
Member Equity	5,718,161	5,698,160
Retained Earnings	879,512	750,368
Total Equity	6,597,673	6,448,528
Total Liabilities & Equity	\$12,702,489	\$12,768,857

CASH FLOW

	FY2020	FY2019
FROM OPERATIONS		
Net Income	\$131,121	\$(350,225)
Depreciation & Amortization	454,341	321,765
(Increase) Decrease in Inventory	(2,130)	(121,115)
(Increase) Decrease in Receivables	20,775	32,845
Gain/Loss on Equipment	-	40,156
Deferred Income Tax	-	(114,000)
(Increase) Decrease in Assets	3,254	(6,132)
Increase (Decrease) in Current Liabilities	(111,247)	157,362
Cash Flow from Operations	496,114	(39,344)
FROM INVESTING		
(Increase) Decrease in Fixed Assets	(195,003)	(4,895,476)
(Increase) Decrease in Other Assets	(24,583)	9,185
Cash Flow from Investing	(219,586)	(4,886,291)
FROM FINANCING		
Increase (Decrease) in LT Liabilities	(103,898)	4,512,629
Increase (Decrease) in Equity	20,000	25,600
Cash Flow from Financing	(83,898)	4,538,229
Total Cash Flow	192,630	(387,406)
Beginning Cash	1,907,231	2,294,637
Ending Cash	\$2,099,861	\$1,907,231

Valley Natural Foods Co-op works in partnership with the South Metro community to support health and well-being through education and expertise in local, sustainable food and wellness services.

—Valley Natural Foods Mission Statement





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