



NorthEast
Investment
Cooperative

2019 Annual Report

Prepared By

NEIC Board of Directors

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Sam Toberman - Vice President

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Jill Wilhelmi - President

Together We Can



President's Note

Dear NEIC Members,

As you know, NEIC's main focus in 2019 was finding a tenant or buyer for our second property at 1601 37th Ave. NE. We were very pleased to announce our new tenant, VL Builders, LLC earlier this year. VL Builders, LLC is a full service general contractor and remodeling company. We think this business will be an excellent addition to our neighborhood. As the new home of VL Builders, our building will bring jobs and economic activity to our community for years to come!

The building at 1601 37th Ave. NE has been a learning experience for NEIC about what types of properties might be best suited for the types of tenants we like to serve and the financial return we aim to attain. Although our first project was hugely successful, each property is unique, and we will try to apply the lessons learned to future investments.

While it took longer than expected to rent the 1601 property, we feel optimistic and well-positioned for the future. We continue to meet all expenses and remain in good standing with our bank. Our first property at 2506 Central Avenue remains solidly profitable. We are investigating different options for restructuring our debt and finances in anticipation of our next project.

Finally, we feel so thankful for our tenants Aki's Bread Haus and Fair State Brewing Cooperative, who are leaders of the local business community and give back to the neighborhood in so many ways. We really lucked out to be associated with such excellent and transformational businesses.

You can help! NEIC is volunteer-run and our committees need our collective energy and talents. Please consider joining us on a committee. Bring your neighborhood and building knowledge to the Property and Tenant committee! Bring your social media skills and personality to the Marketing and Membership committee! Bring your governance experience and attention to detail to the Finance and Governance committee! The more we do together, the stronger we can be in 2020! Thank you for your continued support of NEIC, and we look forward to what we'll do cooperatively this year.

Jill Wilhelmi
NEIC Board President



Build Community

Change You Can



NEIC COMMUNITY EVENTS

January: we kicked off the new year by hosting a listening session for Village Financial Cooperative, an emerging black-led credit union based in North Minneapolis and Co-op Principal Investment Club, a cooperatively focused investment club to pool resources, share knowledge and actively acquire cooperative assets. Councilman Kevin Reich was in attendance supporting NEIC and both cooperatives.

March: in an effort to showcase our space at 1601 37th Ave. NE, we partnered with local Northeast artist Susan Fryer Voight (www.susanfryervoight.com) along with some of her students to host our first local artist event. This event was a huge success with over fifty attendees and many sales of student art.

April: with a renewed membership and partnership with the MPLS Regional Chamber of Commerce, we hosted "Meet the Chamber" at our space on 37th Ave. NE. This gave us the opportunity to bring local business leaders into our space and speak to the group about our work.

August: NEIC partnered with our tenants at Fair State Brewing Cooperative and Aki's Breadhaus to host a table at Open Streets Northeast. This was an amazing afternoon spent connecting with community members and sharing our mission. August also brought our members wearing their NEIC t-shirts out to their local block parties for National Night Out. This continues to be a great way to connect with our neighbors.

September and November: We partnered with Fair State Brewing Cooperative and the Eastside Food Co-op for a series of events called "Wait...What's a Co-op?". The goal of the events was to build partnership amongst local cooperatives and awareness for membership.



KEY LESSONS LEARNED

As stated previously, the property at 1601 37th Ave. NE was a learning experience for our organization. We wanted to present some key lessons learned to our membership.

- Zoning matters a lot! Zoning was a major limiting factor in the types of prospective tenants who were able to rent our building. Many prospective tenants would have required a sprinkler system per building code.
- Execute your plan! We started and stopped construction multiple times because we were trying to anticipate the needs of a prospective tenant or tenants. This lengthened the buildout process to 1+ year.
- Make a decision! We wavered back and forth on whether we should subdivide the space into multiple units.
- Consider all options! We started with a plan to lease the building, then put it up for sale, then went back to lease or sell and finally found a tenant. We showed the property over two dozen times and partially negotiated a lease six times.
- Consider lowering the price sooner! We were working towards the numbers in the pro-forma we built, which provided a return to our investors. We weren't listening to the market or our real estate agent, who both said that we were overpriced.
- Location, location, location and parking matters! We received a lot of feedback about lack of parking.
- Transformational real estate projects are difficult and risky.

Invest In

Change You Can



LOOKING TO THE FUTURE

Our second project is a reminder that making transformative real estate investments is risky. The board expended considerable energy in marketing 1601 37th Ave NE in 2019. Now that we have successfully leased the property, we are looking towards our next project.

Our board members are currently investigating options to restructure our debt and finances in order to best position the organization for the future. We're continuing to develop new partnerships, communicate with community leaders and keep our eye on the commercial real estate market. We want to think creatively about how we can help secure more community ownership in Northeast Minneapolis. Property values in our neighborhood are still high, but interest rates are low. Any disappointment we may have felt over our second property hasn't diminished the importance of our work or our excitement for what's next.



DIVIDENDS AND CAPITAL CREDITS

Overview. At its February 2020 board meeting, the NEIC board voted to make no allocation to Capital Credit Accounts for all NEIC members. The board decided **NOT** to declare dividends on Series 1 or Series 2 C shares and D shares for 2019. In light of the co-op's overall cash position and debt obligations, the board was unable to pay a dividend on C and D shares.

Note on Capital Credit Allocations. In 2014, the NEIC membership approved an amendment to our bylaws that created a system for the board to allocate to each member-owner, on an annual basis, a portion of that year's gain or loss in the net equity of the co-op. The board has discretion about its approach to valuation, but must communicate its strategy to the member-owners in the annual report. The board determined valuation based on its net profits. Gains in the value of NEIC's property portfolio would be recognized if/when properties are sold.

Note on Dividend Decisions. Under NEIC's bylaws, the co-op can pay dividends on A, C or D shares if the board determines, in its discretion, that the co-op has sufficient net earnings and has met certain financial targets during the fiscal year. NEIC only offers C and D shares for purchase in conjunction with specific properties/projects. Per our bylaws, these shares are given priority for dividend payments because C and D shareholders have invested additional funds, and therefore incurred additional risk, beyond their initial A-share purchase.

Note on Share Redemption Requests.

Occasionally, a member will, for a variety of reasons, request to redeem their NEIC shares. We always say that your investment in NEIC should be a patient investment, but we appreciate that a member's circumstances may change. Our Finance and Governance committee has developed objective financial criteria for approval of a redemption request considers redemption requests on a quarterly basis. Any share redemption requests are approved when the stated financial criteria are met and in the order the request was received.

Invest In

One Member



2019 FINANCIALS

A few things to keep in mind:

- Since no dividends will be declared on C&D shares in 2019 you will **NOT** receive a 1099-DIV in early 2020.
- Capital Credit Allocations are not redeemable for cash and are not taxable to members until the total reaches \$500 and converts to a C-share.

Thank you for your patient investment and for the countless intangible returns to our community. Owners are invited to contact board@neic.coop with any questions about dividends or capital credits.

Northeast Investment Cooperative PROFIT AND LOSS - PRELIMINARY & UNAUDITED January - December 2019

	TOTAL
Income	
51000 Building - Rental Income	77,417.17
59000 Interest Income	17.78
Total Income	\$77,434.95
GROSS PROFIT	\$77,434.95
Expenses	
62400 Depreciation Expense	18,153.84
62500 Amortization Expense	2,324.16
63300 Insurance Expense	6,032.69
63301 Insurance Expense at 1601	3,106.52
63400 Interest Expense	3,625.73
63402 Interest Expense on 1601 Loan	8,296.97
63500 Financial Processing Fees	420.00
64000 Marketing Expense	111.10
64100 Membership Expense	514.20
66500 Postage and Delivery	92.00
66750 Professional Fees - Accounting	1,359.99
66800 Property Management Fees	2,499.96
66900 Professional Fees - Other	277.72
67200 Repairs and Maintenance	1,013.47
68600 Utilities	8,144.75
68601 Utilities at 1601	1,316.04
68800 Real Estate Taxes	16,536.98
68801 Real Estate Taxes - 1601	3,864.64
75100 Income Taxes - State	800.00
Total Expenses	\$78,490.76
NET OPERATING INCOME	\$ -1,055.81
Other Expenses	
75000 Income Taxes - Federal	1,200.00
Total Other Expenses	\$1,200.00
NET OTHER INCOME	\$ -1,200.00
NET INCOME	\$ -2,255.81

Note

Taxes are being finalized and are estimated for this report.

One Vote

Multiple

Northeast Investment Cooperative

BALANCE SHEET - UNAUDITED

As of December 31, 2019

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	\$32,531
Other Current Assets	
12100 Miscellaneous Receivables	2,000
13100 Prepaid Expense	4,000
Total Other Current Assets	\$6,000
Total Current Assets	\$38,531
Fixed Assets	
14000 Building Costs - Capital	400,624
14001 Building Capitalized @ 1601	307,398
14500 Land Costs	44,800
14501 Land - 1601	12,600
17000 Accumulated Depreciation	(56,866)
17001 Accumulated Depreciation on 1601	(12,816)
19000 Start Up Costs	19,192
19001 Accumulated Amort. Startup	(7,148)
19101 Start Up costs - 1601	15,452
19102 Accumulated Amort. Startup at 1601	(1,715)
Total Fixed Assets	\$721,522
TOTAL ASSETS	\$760,053
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 Accounts Payable	443
Total Accounts Payable	\$443
Other Current Liabilities	
21000 Accrued Expenses	2,191
25000 Loan Payable - Current	
25001 Current Debt Loan# 1661602	10,201
25002 Current Debt Loan#1661601	7,677
25004 Loan Payable	137,865
Total 25000 Loan Payable - Current	155,743
Total Other Current Liabilities	\$157,934
Total Current Liabilities	\$158,377

Bottom Lines

Multiple

Northeast Investment Cooperative

BALANCE SHEET - UNAUDITED

As of December 31, 2019

	TOTAL
Long-Term Liabilities	
24800 Tenant Security Deposits Held	6,696
27000 Long Term Debt	
27001 Long-Term Debt Loan#1661602	37,328
27002 Long-Term Debt Loan#1661601	26,072
Total 27000 Long Term Debt	63,400
Total Long-Term Liabilities	\$70,096
Total Liabilities	\$228,473
Equity	
31001 A Shares - Initial	278,000
31002 C Shares - Initial	15,000
31003 D Shares - Initial	60,000
31011 A Shares - Dividend Reinvest	36,720
31102 C Shares - Series 2	23,000
31103 D Share - Series 2	110,000
32000 Retained Earnings	9,102
Net Income	(243)
Total Equity	\$531,580
TOTAL LIABILITIES AND EQUITY	\$760,053

Note

Taxes are preliminary.

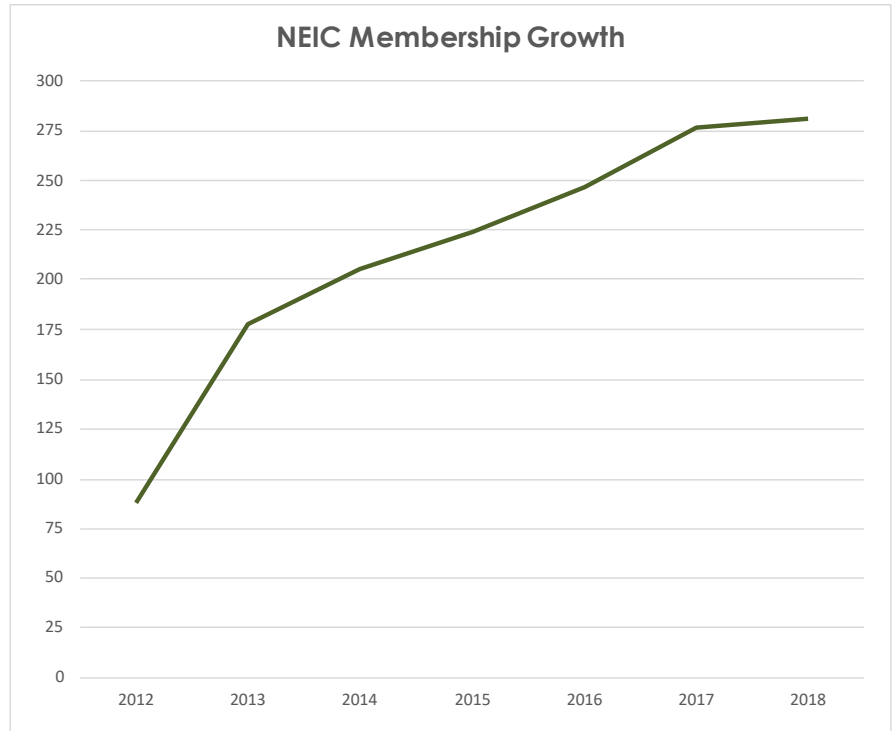
Bottom Lines

One Mission



MEMBERSHIP

NEIC's success would not be possible without our dedicated member-owners. We were excited to welcome 2 new members to NEIC in 2019, bringing our total membership to 283 members as of December 2019.



MISSION

NEIC Mission: NEIC's mission is to leverage member-owners' investments to purchase and rejuvenate stressed and poorly utilized residential and commercial properties in Northeast Minneapolis. Consistent with the principles and spirit of the cooperative movement, NEIC makes long-term, stabilizing, and transformative investments for the mutual benefit of our member-owners and our community.

NEIC Values: We rehabilitate, maintain, and lease our properties in a way that enhances their value and contributes to the overall quality of life in Northeast Minneapolis. We create multiple positive returns on investment for our members and our community. The Rochdale cooperative principles guide our work:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Cooperation among Cooperatives
- Concern for Community



Investing in Our Community

Please Contact Us at
board@neic.coop
With Any Questions



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