



NorthEast
Investment
Cooperative

2022 Annual Report

NEIC Board of Directors

Chris Moser - President

Joe Bove - Vice President

Malcom Potek - Treasurer

Michael Darger - Secretary

Evan Hall

Dan Scoggins

Dylan Stanton

Pat Vasatka

Together We Can



PRESIDENT'S NOTE

Fellow Cooperators,

NEIC ended 2022 without another project under active development. The commercial real estate market in Northeast continues to be a challenging arena, especially for a cooperative of our size. But I will highlight in this letter that the board was hard at work searching for opportunities to invest in our community and that your existing investments continue to grow.

In March of 2022, the board held a special visioning session outside of our regular meeting. It can be challenging to review the status of the cooperative, review financials, present and discuss committee reports, and still have time to align on an overarching plan during a monthly meeting. Each board member presented their priorities for the cooperative. We combined these initiatives with viewpoints collected during a series of member engagement sessions held the year before and achieved five points of consensus:

1. Geographic Boundaries: Northeast+ (no specific boundaries)
2. Residential/Commercial/Mixed Use: Maintain Focus on Commercial
3. Type of Tenants: independent, locally owned businesses
4. Improve Board of Directors/Committee Experience
 - Improve onboarding process for board and committee members
 - Organization, everyone can find what they need
5. Proactive Targeting: prioritize, target and approach vacant real estate owners

In past years, the NEIC board has relied on Multiple Listing Service (MLS) listings to find opportunities. While we still keep an eye on this resource, we have taken a more active approach this year. For the first half of our July board meeting, the board met for a walking tour of Johnson St. NE between 28th and 29th Avenues. We identified a handful of properties that might be in need of investment and reached out to their respective owners to see how we could collaborate. Again in October, the board met and walked along Central Ave NE from 18 ½ to 27th Avenue. We sent letters to owners of unused and under-used properties. Although none of these conversations led to a new project, it is this type of active approach that broadens NEIC's neighborhood recognition and elevates our opportunity to find our next project.

Build Community



Change You Can



PRESIDENT'S NOTE

Financially the cooperative remains on solid ground. Both our properties were fully leased through 2022, and continue to be today. Our lease terms include yearly adjustments based on the consumer price index. During the February 2023 board meeting the board approved full 2022 dividend payments for C and D shareholders. During our March meeting, the board allocated 100% of 2022 net income of \$18,232 to A share member capital credit accounts.

It has been a pleasure to serve on the NEIC board the past 4 years as well as president for the past 2 years. At our May meeting, I handed the reins over to President Evan Hall and am confident that he and the rest of the board will continue to lead NEIC on a transformative and profitable path.

- Chris Moser



Invest In

Change You Can



DIVIDENDS AND CAPITAL CREDITS

At its February and March 2023 meetings, the NEIC Board of Directors voted to make a Capital Credit Allocation for all NEIC members and declare dividends on C and D shares as follows:

- 100% of annual net income post taxes rounded down to nearest dollar be applied to A-share capital credit accounts.
- Full distribution to C shares (2%)
- Full distribution to D shares (4%)

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. 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 and considers redemption requests on a quarterly basis. Any share redemption requests are approved when the stated financial criteria are met and in the order received.

Additional Notes:

- C and D shareholders will have already received their dividend payment in the mail and will receive a 1099-DIV in early 2024.
- 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.
- Contact board@neic.coop with any questions about dividends or capital credits.

Invest In

One Member



2022 FINANCIALS

Northeast Investment Cooperative Balance Sheet - Unaudited

As of December 31, 2022

	Total	
ASSETS		
Current Assets		
Checking - Northeast Bank	\$ 46,721.61	
Other Current Assets		
12100 Miscellaneous Receivables	2,134.47	
13100 Prepaid Expense	7,203.70	
Total Other Current Assets	\$ 9,338.17	
Total Current Assets	\$ 56,059.78	
Fixed Assets		
14000 Building Costs - Capital	400,624.34	
14001 Building Capitalized @ 1601	307,397.87	
14500 Land Costs	44,800.00	
14501 Land - 1601	12,600.00	
17000 Accumulated Depreciation	(87,682.00)	
17001 Accumulated Depreciation on 1601	(36,461.51)	
19000 Start Up Costs	19,192.12	
19001 Accumulated Amort. Startup	(10,979.00)	
19101 Start Up costs - 1601	15,452.44	
19102 Accumulated Amort. Startup at 1601	(4,830.74)	
Total Fixed Assets	\$ 660,113.52	
TOTAL ASSETS	\$ 716,173.30	
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
21000 Accrued Expenses	\$ 1,686.51	
25000 Loan Payable - Current	30,479.09	
Total Current Liabilities	\$ 32,165.60	
Long-Term Liabilities		
24800 Tenant Security Deposits Held	\$ 8,954.33	
27000 Long Term Debt	111,309.07	
Total Long-Term Liabilities	\$ 120,263.40	
Total Liabilities	\$ 152,429.00	
Equity		
31001 A Shares - Initial	\$ 277,000.00	
31002 C Shares - Initial	15,000.00	
31003 D Shares - Initial	50,000.00	
31011 A Shares - Dividend Reinvest	72,962.74	
31102 C Shares - Series 2	21,500.00	
31103 D Share - Series 2	100,000.00	
32000 Retained Earnings	9,048.89	
Net Income	18,232.67	
Total Equity	\$ 563,744.30	
TOTAL LIABILITIES AND EQUITY	\$ 716,173.30	

Accrual Basis

One Vote

Multiple



2022 FINANCIALS

Northeast Investment Cooperative Profit and Loss - Unaudited January - December 2022

	<u>Total</u>
Income	
51000 Building - Rental Income	\$ 122,329.97
59000 Interest Income	-
Total Income	\$ 122,329.97
Expenses	
62400 Depreciation Expense	\$ 18,153.84
62500 Amortization Expense	2,324.16
63300 Insurance Expense	8,577.19
63301 Insurance Expense at 1601	1,156.80
63400 Interest Expense	1,347.81
63402 Interest Expense on 1601 Loan	5,398.72
63500 Financial Processing Fees	420.00
64000 Marketing Expense	96.00
64100 Membership Expense	806.74
66500 Postage and Delivery	166.00
66700 Professional Fees - Legal	3,200.00
66750 Professional Fees - Accounting	2,001.75
66800 Property Management Fees	4,150.06
66900 Professional Fees - Other	3,676.00
67200 Repairs and Maintenance	6,596.87
68600 Utilities	7,195.66
68800 Real Estate Taxes	18,019.08
68801 Real Estate Taxes - 1601	3,424.62
75100 Income Taxes - State	3,492.00
Total Expenses	\$ 90,203.30
Net Operating Income	\$ 32,126.67
Other Expenses	
63401 Distributions Paid to Investors	7,160.00
75000 Income Taxes - Federal	6,734.00
Total Other Expenses	\$ 13,894.00
Net Income	\$ 18,232.67

Accrual Basis

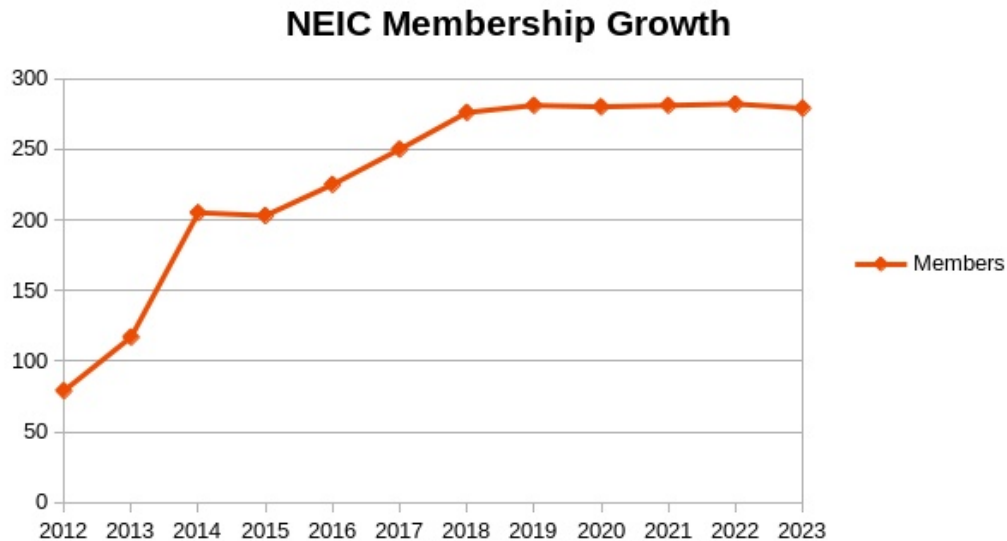
Bottom Lines

One Mission



MEMBERSHIP

NEIC has 279 members at the start of 2023.



COOPERATIVE VALUES

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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