

Annual Report 2008

**Northcountry Cooperative Development Fund
Northcountry Cooperative Foundation
Northcountry Cooperative Federal Credit Union**

Boards of Directors

NCDF

Roy Berger
Barbara Broen
John Flory
John Gostovich
Elka Malkis
Tom Quinn
Dave Swanson
Megan Teare
Cecil Wright

Northcountry Cooperative Development Fund (NCDF)

is a cooperatively organized financial intermediary and community development financial institution (CDFI), providing loans and technical assistance to a broad range of growing and developing cooperatives.

pages 1–5

NCF

Gayle Cupit
Elka Malkis
Joelyn Malone
Dave Swanson
Tom Quinn

Northcountry Cooperative Foundation (NCF) is a 501(c)(3) nonprofit organization. NCF assists low-income, low-wealth and underserved communities to develop community-owned and democratically governed enterprises through training, education, and technical assistance.

pages 6–7

NCFCU

Steve Dugan
John Gostovich
Scott Jax
Roger Johnson
Elka Malkis

Northcountry Cooperative Federal Credit Union

(NCFCU) is a federally chartered community development credit union and CDFI, providing loans and investment opportunities where all deposits directly support cooperative communities.

page 8

THE FUND

Message from
Northcountry
Cooperative
Development Fund

Dear Members and Friends:

To say that 2008 was a challenging year is perhaps an understatement. Early in 2008, Northcountry Cooperative Development Fund experienced the single largest loan loss in its 30 year history with the write-off of the loan to the Nicollet Cooperative Association, a low-income housing cooperative in Minneapolis. The loan loss and subsequent organizational restructuring resulted in an operating deficit of almost \$600,000. And of course, economic hardship and financial uncertainty were not unique to NCDF in 2008.


The challenges both inside and outside of the organization have forced us to look carefully at what we do and how we do it. We have refocused our time and energy on our core work—making loans to cooperatives. We have reviewed our lending policies and underwriting standards to ensure that we are making good loans that help our members and to safeguard the resources our members and social investors have invested with us. We have stepped up the monitoring of our loan portfolio to ensure that we are poised to quickly lend a helping hand to borrowers that may find themselves facing financial hardship. In 2008, we made loans totaling over \$800,000 to thirteen cooperatives and four individual members in seven states. In 2009, we plan to increase our lending to meet the needs of our members.

This year, the annual report itself reflects changes. Over the past twelve months, we have worked to create greater autonomy and independence among the Northcountry family of organizations. Steps have been taken to separate executive authority and reduce board overlap among NCDF, Northcountry Cooperative Foundation and Northcountry Cooperative Federal Credit Union, while maintaining a strong sense of shared mission and vision. On the following pages you will find the Foundation and Credit Union presenting their updates and financial reports as independent organizations within this family.

NCDF is fortunate. With a strong 30-year history, a talented staff and a committed base of members, we believe we have a solid foundation on which to build. We have positioned ourselves for a focused 2009. We are committed to achieving no less than break-even operations and are poised to meet the financing needs of our members.



Christina A Jennings
Executive Director, NCDF



Dave Swanson
President, NCDF Board



Woodshanti— San Francisco, California

Named **Best Green Business of the Year** by *San Francisco Magazine* in 2008, NCDF member **Woodshanti** is a worker-owned cooperative building high-quality furniture and cabinetry using responsibly harvested lumber and natural finishes. Creating simple, elegant and well-crafted pieces, Woodshanti takes its commitment to environmental stewardship one step further by salvaging and recycling local lumber whenever possible.

Woodshanti began in 1997 when Shawn Berry, a nuclear physicist, and Tom Clossey, an anthropologist, took over the shop in San Francisco's Bayview District. Drawing inspiration from their ecological commitment and the word "Shanti," the Sanskrit word for peace, they set out to transform their shop—and the entire trade of woodworking.

Woodshanti formally organized as a worker-owned cooperative in 2002. As a founding member explained, "We chose this model to give our members greater control over their working environment and to give our business the strong, stable guidance of a collective decision-making process." Worker-members receive living wages, health insurance and education benefits.

In 2008, Woodshanti approached NCDF for a loan to help them smooth cash flow. The loan was made through the **Worker Ownership**

Loan Fund (WOLF), a program launched in 2007 as a collaboration between NCDF and the **US Federation of Worker Cooperatives**. WOLF builds on NCDF's ongoing commitment to supporting worker-owned co-ops by expanding access to financing and technical assistance.

Today, Woodshanti's eight member-owners collaborate to create a business committed to fine craftsmanship, artistic creativity, environmental activism, and economic stability. And their business model seems to be working. They have received numerous awards for their designs, as well as for business innovation and environmental stewardship.



Common Ground Food Co-op moved to its new location in 2008.

Common Ground Food Co-op— Champaign-Urbana, Illinois

For 35 years, **Common Ground Food Co-op** operated out of the basement of a local church near the University of Illinois campus. Cramped space and lack of visibility to the community created significant limitations.

Despite these obstacles, membership grew over the years. The active and committed base of members envisioned a vibrant, growing co-op that would bring more local and organic foods to the broader community. It was clear that this goal could not be realized from the church basement, and in 2005, they launched the search for a new home.

In August 2008, with the support of members and financing from NCDF, Local Enterprise Assistance Fund (LEAF), and state and local redevelopment agencies, Common Ground Food Co-op moved into its new home with 2,200 square feet of retail space in Lincoln Square Mall in downtown Urbana. General Manager Jacqueline Hannah explains, "Since the expansion and relocation, the co-op is serving over 3500 people a month, sales have increased by over 90% and the co-op has been able to more than double the amount of revenue going to local farms."



Woodshanti member assembles a custom-designed piece of furniture.



Portland Collective Housing— Portland, Oregon

In 2002, as home prices and rents skyrocketed across the Pacific Northwest, a group of renters in Portland came together to create more affordable alternatives. By mid-2003, the group had incorporated Portland's first housing cooperative and purchased two large homes near downtown.

Portland Collective Housing (PCH) is committed to providing affordable housing to the city's low-income residents, and requires that 95% of its members be low-income. In fact, nearly all of the co-op's thirteen member-residents have incomes at or below 20 percent of area median income.

A dramatic increase in the interest rates on their mortgages in 2006 left the co-op short on cash and, despite rent increases, unable to invest in ongoing maintenance. In 2008, members of PCH approached NCDF interested in refinancing their mortgage at a more favorable rate to reduce their monthly payments and to free up some cash for long-awaited improvements.



One of two homes owned by Portland Collective Housing.

NCDF worked together with NASCO and PCH's local bank to structure the refinancing. Each partner brought something to the table. Albina Bank brought its local market knowledge and ongoing client relationship; NASCO came with its extensive experience organizing housing cooperatives and managing rehab projects; NCDF brought its flexible capital and its experience structuring financing for housing cooperatives. And the co-op was able to get back to its focus: offering an affordable and democratically run housing option for local residents.

Organic Maple Cooperative— Cashton, Wisconsin

How do you make a sweet thing even sweeter? Make it a co-op! Maple Valley was already a pioneer in organic and fair practices for maple production, and owner (and current NCDF board member) Cecil Wright recognized that a co-op would be one of the best ways to leverage the strength of Maple Valley's stakeholders. In 2007, Maple Valley reorganized as **Organic Maple Cooperative**.

Organic Maple Co-op developed a structure with four classes of membership representing its producers, employees, consumers and investors. Explains Wright, "This hybrid model leverages the strength of our producer base, our outstanding employee knowledge, and our strong customer following...(as well as) investors who believe in cooperatives as a socially responsible investment vehicle." In the co-op, producers are the dominant stakeholders and elect four of the seven seats on the board of directors. Workers, consumers and investors each elect one representative to the board.

Organic Maple Co-op's hybrid cooperative model, high quality products and commitment to family farms and environmental stewardship are proving to be a successful combination. In 2007, their first year of operations as a co-op, Organic Maple sales grew by 42 percent. In 2008, there was a shortage of organic maple syrup and prices skyrocketed. Organic Maple Co-op approached NCDF for a line of credit to purchase more raw maple syrup for processing and resale. Although sales levels were down slightly in 2008 as a result of the shortage, the business still proved profitable. This year the co-op is focused on expanding its base of organic producer-members to keep up with growing demand.



A couple of organic maple syrup producers get sappy.



**NCDF Audited
Financial
Statements**

Years ending
December 31,
2008 and 2007

BALANCE SHEET

| Assets | 2008 | 2007 |
|-------------------------------------|------------------|-------------------|
| Current Assets | | |
| Cash | 1,407,684 | 1,167,212 |
| Notes Receivable, Current | 1,916,573 | 1,977,837 |
| Other Receivables | 134,951 | 125,912 |
| Pre-paid expenses | 1,831 | 75,052 |
| TOTAL CURRENT ASSETS | 3,461,039 | 3,346,013 |
| FIXED ASSETS, NET | 8,461 | 15,027 |
| Other Assets | | |
| Notes Receivable, non-current | 5,917,728 | 8,576,446 |
| Deferred Tax Benefit | 200,200 | 130,100 |
| TOTAL OTHER | 6,117,928 | 8,706,546 |
| TOTAL ASSETS | 9,587,428 | 12,067,586 |
| Liabilities | | |
| Current Liabilities | | |
| Notes Payable, Current | 4,346,996 | 3,503,567 |
| Deferred Revenue | 124,889 | 38,000 |
| Other Liabilities | 20,350 | 483,081 |
| CURRENT LIABILITIES | 4,492,235 | 4,024,648 |
| Notes Payable, non-current | 4,847,685 | 7,185,654 |
| TOTAL LIABILITIES | 9,339,920 | 11,210,302 |
| Stockholders Equity | | |
| Common Stock | 448,148 | 448,748 |
| Non-Voting Stock | 535,200 | 555,210 |
| Equity Grants | 139,333 | 139,333 |
| Retained Earnings (Deficit) | (875,173) | (286,008) |
| TOTAL EQUITY | 247,509 | 857,284 |
| TOTAL LIABILITIES AND EQUITY | 9,587,428 | 12,067,586 |

2008 NCDF Investors

Adrian Dominican Sisters
Amazing Grains Food Co-op
Arizmendi Association of Cooperatives
Ascension Health
Calvert Foundation
Catholic Health Initiatives
CDFI Fund
Chequamegon Food Co-op
Community Mercantile
Community Pharmacy
Congregation of the Humility of Mary
Consumer Association for Cooperative
Action
Cooperative Development Foundation
Cooperative Development Foundation -
Hillman-Dubinsky Fund
Co-op Disaster Relief Fund

CooperationWorks!
East Lansing Food Co-op
Electric Embers Cooperative
Episcopal Church
Episcopal Diocese of Iowa Alternative
Investment Fund
Federated Youth Foundation
Franciscan Sisters of Little Falls
Funding Exchange Endowment
Funding Exchange Pooled Fund
Grain Train Natural Food Co-op
Group Health Association
Hampden Park Co-op
Harmony Natural Foods
Isthmus Engineering
Kansas Midwives LDF
Linden Hills Co-op

Loring, Wolcott and Coolidge Trust
M & I Community Development
Corporation
Madison Community Co-op
Mercy Investment Program, Inc.
Mesaba Range Co-op Park Association
Mississippi Market
MMA Community Development
Investments, Inc.
NASCO
Natural Harvest Food Co-op
NCB Capital Impact
NCB, FSB
National Cooperative Grocers Association
New Pioneer Co-op
New Riverside Café
New Wine Commune Cooperative



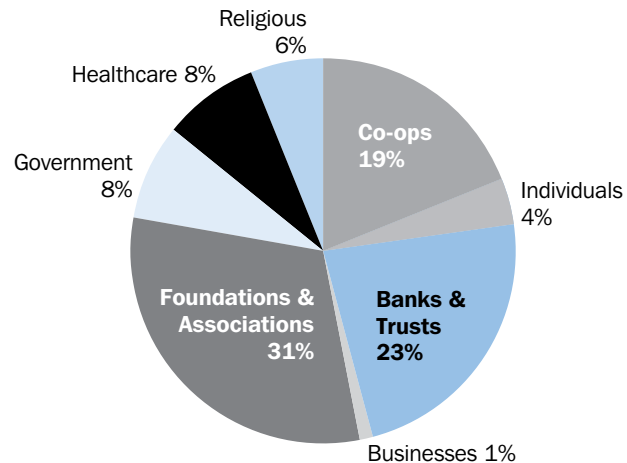
INCOME STATEMENT

| Revenues | 2008 | 2007 |
|-----------------------|------------------|------------------|
| Interest | 641,508 | 738,163 |
| Loan Fees | 23,282 | 43,842 |
| Management Fees | 695,986 | 639,929 |
| Grant Revenue | 29,360 | 65,108 |
| Other Revenue | 10,212 | 200 |
| Total Revenues | 1,400,349 | 1,487,242 |
| Interest Expense | 313,490 | 336,460 |
| GROSS PROFIT | 1,086,859 | 1,150,782 |

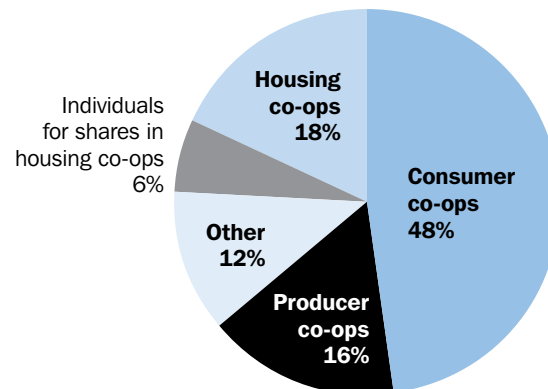
| Expenses | 2008 | 2007 |
|--------------------------------|------------------|------------------|
| Labor | 892,869 | 750,086 |
| Administration | 119,808 | 119,596 |
| Occupancy | 96,032 | 98,717 |
| Travel & Training | 23,118 | 32,464 |
| Project Expense | 93,192 | 448,883 |
| Provision for Bad Debt | 520,807 | 100,500 |
| TOTAL EXPENSES | 1,745,825 | 1,550,245 |
| Income (Loss) | | |
| Before Taxes | (658,965) | (399,464) |
| Income Tax Expense/ Benefit | 69,800 | 104,612 |
| NET INCOME (LOSS) | (589,165) | (294,852) |

THE FUND

2008 Investment in NCDF by Sector



2008 NCDF Loans Made by Sector



Northstar Asset Management, Inc.
Northwest Area Foundation
Oberlin Student Co-op Association
Oneota Community Co-op
Open Harvest Food Co-op
Opportunity Finance Network
Our Lady of Victory Missionary Sisters
Ozark Natural Food Co-op
Park Cooperative Apartments
Partners for the Common Good
People's Food Co-op (Ann Arbor)
People's Food Co-op (La Crosse)
Positively 3rd Street
Rainbow Grocery Cooperative
Riverton Community Housing
Roots and Fruits Produce
School Sisters of Notre Dame

School Sisters of St. Francis
Seward Community Co-op
Sinsinawa Dominicans, Inc.
Sisters of Charity Blessed Virgin Mary
Sisters of Charity of Cincinnati, Seton Enablement Fund
Sisters of St. Dominic
Sisters of St. Francis of Philadelphia
Sisters of St. Joseph in California
Sisters of St. Joseph of Carondelet
Sisters of the Presentation of the Blessed Virgin Mary
Sisters, Servants of the Immaculate Heart of Mary
SSM International
Tides Foundation/Exploring ELF
Trinity Health Corporation

Twin Pines Cooperative Foundation
Union Cab
United Natural Foods, Inc.
United States Trust of Boston
Wedge Community Co-op
Wells Fargo Community Development Corporation
Western Wisconsin Coalition of Co-ops
Wheaton Franciscan Sisters Corporation
Whole Builder's Co-op
Whole Foods Community Co-op
Willy Street Co-op
Woodlands Investment Management Account



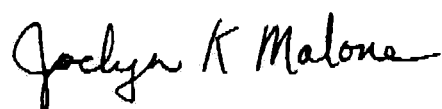
**Message from
Northcountry
Cooperative
Foundation Board**

Dear Funders, Partners and Friends:

This past year was one of alignment, building and transformation. As we witness the economic times turn, we feel the work our organization undertakes to serve households of modest means to be even more important. As an organization, we have decided to focus on our affordable housing and training initiatives. As part of our own cost-savings measures, we have phased out several of our cooperative business development activities and closed the North Dakota office. Former North Dakota staff members have formed a new organization, which will support community and cooperative development and continue to perform several activities formerly undertaken by NCF. We welcome their new organization serving the cooperative community and look forward to any future collaboration.

NCF has been building momentum with local partners who are becoming more interested in and involved with our manufactured housing cooperative conversion program. We will continue to build on that locally produced energy as well as take advantage of additional power gained by joining ROC USA™, a recently created organization striving to make resident ownership of manufactured home communities possible nationwide. We remain optimistic that our increased focus will sustain the organization through these tough times and create a base from which we can expand to provide additional programs and services.

Many thanks for generous support of our projects, programs and operations.



Joelyn K. Malone
President, NCF Board

STATEMENT OF FINANCIAL POSITION

| Assets | 2008 |
|---|------------------|
| Cash | 100,213 |
| Contract Receivables | 12,550 |
| TOTAL CURRENT ASSETS | 112,763 |
| <i>Other Assets</i> | |
| Grants Receivable | 348,326 |
| Predevelopment Costs—Reimb. | 95,464 |
| Receivable—Paul Revere | 100,000 |
| NCDF Stock | 285,628 |
| Loan Receivable—CPMC | 90,620 |
| <i>Total Other Assets</i> | <i>920,039</i> |
| TOTAL ASSETS | 1,032,802 |
| Liabilities | |
| Accounts Payable | 10,920 |
| Managed Services Payable | 32,092 |
| Accrued Vacation | 9,796 |
| Co-op Disaster Fund | 51,081 |
| Deferred Revenue | 166,215 |
| Loan payable to NCDF | 188,407 |
| Loan Payable—Mid-River Project | 75,000 |
| TOTAL CURRENT LIABILITIES | 533,512 |
| Beginning Net Assets | 117,892 |
| Change in Net Assets | 381,398 |
| TOTAL NET ASSETS | 499,290 |
| TOTAL LIABILITIES & NET ASSETS | 1,032,802 |

**NCF Audited
Financial
Statements**

Year ending
December 31,
2008

STATEMENT OF ACTIVITIES

| Income | 2008 |
|-----------------------------|------------------|
| Grant Revenue | 680,000 |
| Government Contracts | 228,716 |
| Contract Revenue | 101,450 |
| Development Fees | 108,796 |
| Other Income | 8,584 |
| TOTAL INCOME | 1,127,546 |
| Operating Expenses | |
| Labor | 400,925 |
| Contract Services | 103,506 |
| Supplies & Materials | 10,034 |
| Travel | 35,526 |
| Other Operating | 5,118 |
| Occupancy | 37,897 |
| Administration | 153,142 |
| TOTAL EXPENSES | 746,148 |
| CHANGE IN NET ASSETS | 381,398 |



NCF becomes a ROC USA™ Certified Technical Assistance Provider (CTAP)

NCF will be expanding its successful manufactured housing cooperative conversion program as a member of the ROC USA Network. ROC USA has a mission of preserving affordable housing by making resident ownership of manufactured home communities viable nationwide. NCF will continue to deliver pre- and post-purchase technical assistance and training to help homeowners in Minnesota, North Dakota, South Dakota, Iowa and Wisconsin purchase their communities.



NCF launches innovative property management co-op

In July 2008, NCF organized a new property management enterprise, Common Properties Management Cooperative (CPMC), a Minnesota cooperative under Minnesota Statute 308B. CPMC became the first Minnesota property management organization that is cooperatively owned by its client-member-owners.

Organizing it as a cooperative gives the incentive for the organization to keep costs low—as any excess in revenue over expenses can and would be returned to its member-owners in patronage dividends. This gives the resident-owned communities in Minnesota and any other owners of real property seeking competitive professional property management services more options to fit their unique management needs. We believe that over time, CPMC will further demonstrate the efficacy and benefits of the cooperative ownership model.

Residents purchase manufactured home community in Madelia, Minnesota

In December 2008, residents of Madelia Mobile Village became Minnesota's fourth resident-owned, manufactured home community ("mobile home park"). Development of this project spanned several years. NCF took the lead role by providing technical assistance to residents throughout a lengthy and complicated transaction. Amidst the roller coaster ride to resident ownership, residents came together, formed a cooperative, built skills and purchased their community.



Like residents of the three other communities around Minnesota that NCF has successfully helped organize in recent years, homeowners in Madelia now expect to garner benefits of resident ownership: community pride, security, and long-term affordability. The cooperative has ordered a new sign to mark their community purchase, held their first annual meeting, and will soon develop a capital improvement plan. Under agreement with the new co-op and consistent with ROC USA best practices, NCF will provide training and technical assistance to the co-op members and board of directors for at least the seven-year term of the first mortgage.

Madelia Mobile Village Co-op Board accepts the gift of a gavel from NCF staff.

NCF 2008 Partners and Funders

Corporation for Enterprise Development
Family Housing Fund
Greater Metropolitan Housing Corporation
Greater Minnesota Housing Fund

Local Initiatives Support Corporation
McKnight Foundation
Minnesota Housing
Minnesota Housing Partnership

ROC USA™
United States Department of Agriculture
United States Department of Housing and
Urban Development



**Message from
Northcountry
Cooperative
Federal Credit
Union Board**

Dear Members, Investors and Borrowers:

I'm happy to report that in 2008, your Credit Union took significant steps to increase its financial strength. We hired Jerad Rasmussen to manage the Credit Union and moved to a personnel structure composed of a number of part-time employees. This reduced our operating costs while giving us the variety of skills we need to effectively manage our business. We also were able to renegotiate our interest payments to a number of investors—further reducing our costs. Finally, we have developed an action plan to grow our deposits, loans and net worth over the coming years. The plan has been submitted to our federal regulators for review and approval.

Despite the challenging economic climate, your Credit Union continues to assist its members in financing their cooperative home purchases. We are, however, paying close attention to the likely value of our members' home purchases—we don't want our borrowers paying too much for their homes in today's market.

We're continuing to look at ways to reduce our costs and increase our operational efficiencies. In order to do so, we are examining an opportunity to share space with an established local credit union and are exploring ways to work more effectively with Northcountry Cooperative Development Fund, our sponsor organization.

As President of the Board, I would like to recognize our staff for their hard work, which enables us to help the people we serve; my colleagues on the board for their dedication; and our members who sustain and enhance our business.

Thank you for your continued support.

Sincerely,



John Gostovich
President, NCFCU Board



**NCFCU
Financial
Statements**

Year ending
December 31,
2008

BALANCE SHEET

| Assets | 2008 |
|---------------------------------------|------------------|
| Cash and Equivalents | 468,008 |
| Loans Receivable, net LLR | 4,960,411 |
| Accrued Interest | 20,833 |
| Investment NCUSIF | 54,688 |
| Other Assets | 3,853 |
| TOTAL ASSETS | 5,507,793 |
| Liabilities | |
| Dividends Payable | 30,122 |
| Share Accounts | 5,276,436 |
| Secondary Cap Loan | 125,000 |
| TOTAL LIABILITIES | 5,431,558 |
| Equity | |
| Regular Reserves | 59,700 |
| Undivided Earnings | 16,535 |
| TOTAL EQUITY | 76,235 |
| TOTAL LIABILITIES & EQUITY | 5,507,793 |

STATEMENT OF INCOME

| Operating Income | 2008 |
|--------------------------------|-----------------|
| Interest | 350,264 |
| Loan Fees | 6,186 |
| TOTAL REVENUE | 356,450 |
| Interest Exp. | 4,142 |
| Dividend Exp. | 242,526 |
| GROSS PROFIT | 109,782 |
| Operating Expense | |
| Labor | 79,213 |
| Contract Services | 23,148 |
| Other Expenses | 21,039 |
| Loan Loss Reserve | 25,484 |
| TOTAL OPERATING EXPENSE | 148,884 |
| Income from Operations | (39,102) |
| Gain (Loss) on Sale of Asset | (6,344) |
| Statutory Reserve Transfer | (12,158) |
| NET INCOME | (57,604) |



- 2008** – NCDF celebrates 30 years of financing cooperation
 - Common Properties Management Cooperative is launched by NCF
 - NCF becomes a ROC USA™ technical assistance provider
 - NCF organizes Minnesota’s fourth manufactured housing co-op, Madelia Mobile Village Cooperative in Madelia

- 2007** – NCDF passes \$25 million in loans made to co-ops since inception
 - NCDF launches Worker Ownership Loan Fund
 - NCFCU reaches \$5 million in assets
 - NCF organizes Minnesota’s third manufactured housing co-op, Bennett Park Cooperative in Moorehead

- 2005** – NCF organizes Minnesota’s second manufactured housing co-op, Paul Revere Cooperative in Lexington

- 2004** – NCF organizes first manufactured housing co-op in Minnesota, Sunrise Villa Cooperative in Cannon Falls
 - NCFCU passes \$1 million in deposits and is certified as a CDFI

- 2003** – Northcountry Cooperative Federal Credit Union (NCFCU) is chartered
 - NCDF passes \$8 million in assets

- 2002** – NCF initiates efforts to develop affordable housing cooperatives

- 2000** – Northcountry Cooperative Foundation (NCF) is founded

- 1997** – NCDF is certified as a Community Development Financial Institution (CDFI)
 - The Kris Olsen Traveling Cooperative Institute is initiated

- 1995** – NCDF launches share loan program for housing co-op members

- 1993** – NCDF grows to over \$1 million in assets

- 1988** – NCDF converts from a nonprofit to a cooperative association

- 1984** – NCDF hires first paid staff member

- 1979** – NCDF makes its first loans to Twin Cities’ cooperatives

- 1978** – Northcountry Cooperative Development Fund (NCDF) is founded



**Northcountry Cooperative Development Fund
Northcountry Cooperative Foundation
Northcountry Cooperative Federal Credit Union**

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