
CHICAGO
MARKET

A COMMUNITY

CO
-
OP



Annual
Report
2020.

A Message from Chicago Market's Board President

We've learned a lot this past year.

Facing the difficult decision to step away from our location in February helped to remind us that we are **not** a location. We are a community of people with a shared vision for a better food system, a better place to shop. We will be a community hub that supports farmers, food producers, eaters and employees alike. No matter where we land. The Gerber building is beautiful, but it does not define Chicago Market. Our vision defines us:

Local, sustainable, connected.

We also learned how valuable honest and frequent communication is. The Board has committed to improvement there and we are also excited to be receiving more communication from Owners via email, attendance at Board meetings, and more.

And we've learned how incredibly powerful it can be to hire the right people, give them the right direction, and trust them. Instead of our previous model of asking our store design consultants to wedge our Cadillac idea of a grocery store into a wedge-shaped building, we asked Firebrand the opposite. We showed them our space and said, "What can work here? What can meet our Vision, meet our projected sales numbers, and make our Owners happy and proud?" There's a summary of Firebrand results below.

Though it looks like our progress has slowed this year, the good news is that we have improved. Our organization is stronger, our leadership is more effective, and our volunteer base is powerful, engaged, and expanding.

And the pandemic has taught us some things too. It made clear that the conventional food system is broken and that it is so important for us to develop shorter food supply chains. Co-ops are at the very center of that – they buy from and support local and regional farms and producers and are incredibly resilient in times of crisis. We watched our open co-op friends Dill Pickle and Sugar Beet locally but also others around the country respond quickly to the crisis with care for their shoppers, care for their staff, and shelves full of healthy local foods (and toilet paper) for shoppers.

There is a clear business opportunity for Chicago Market here, as Jacqueline Hannah of Food Co-op Initiative and part of our Firebrand assessment team said recently:

"The lack of local food access in Chicago is interesting. Compared to other cities your size, the availability of local is minimal. There are farmers, producers, creative food innovators who can have their work transformed by Chicago Market. You have an opportunity to take Chicago's entire food scene to a new level and to a new level of equity."

We are what our Vision says we are: **A better food community - local, sustainable, connected.** Stay focused on that goal with us and we will get there, together.

Grant Kessler
August 30, 2020

* * * * *

Year in Review

In the fall of 2019, we faced the understanding that our construction costs were very high and that the inefficiency of the shape of our space raised our labor costs such that the project did not look viable. Our Columinate consultant asked that we get a second set of eyes on our project to see how they might view it. Two experts from NCG (National Cooperative Grocers) visited us in January and concurred with Columinate that our project, *as planned*, did not work.

The Board voted on the operational, financial, and organizational feasibility of the project *as planned and at that point in time* and opted to step away from the Gerber building.

The Board informed the Uptown chamber and the alderman and then met with the CTA to ask to be released from our lease. The CTA surprised us and made it clear they wanted to work with us to help us stay. Negotiations with them showed enough material change that we felt it was necessary to share these probable changes with NCG. We also expressed a shift in our Board's thinking to NCG. No longer did we insist that consultants working for us squeeze our Cadillac plans into the space but instead, we began asking for them to tell us, honestly, what *could* be feasible in that location. NCG indicated they felt there might be a path forward operationally and suggested an 8-week feasibility assessment to prove or disprove that, but unfortunately due to COVID-19, they were unable to take on the work as they were busy supporting open co-ops around the country.

Research led us to Kaye Kirsch, a highly recommended project manager at Firebrand Cooperative and we hired her in late June to build out a team to run through an 8-week operational assessment for us. The scope of this work was to determine whether there is an operationally feasible store at the Gerber building given new terms with the CTA and if so, to also produce a working preliminary pro forma that aligns with their programming and staffing suggestions. Firebrand would either tell us no or deliver a workable plan to move forward successfully.

At the same time, a Board member Dana McKinney and volunteer Becky Reimer built and administered an Owner survey to assess Owner sentiment and potential willingness to participate financially in the future. The full survey results are [here](#).

And our Capital Campaign team made research calls to 35 Owners to further help the Board judge funding feasibility. Thanks to those on the team – Allie Koolbeck, Lauren Thomas West and Adam Matsil and additional callers Jordon Rothschild and James Gignac.

In the spring of 2020, we also placed Kate Grimm in our Volunteer Coordinator lead position and she has been instrumental in helping with the intake of volunteers and the forming of robust teams. She has onboarded over 20 new volunteers and placed many of them on teams. Three of our busiest teams: Capital Campaign, To Market To Market, and Volunteer teams are averaging 125 hours of volunteer time per month. Combined with the strong interest we've had from 11 Owners to run for the Board of Directors this means we've made strong improvement in our organizational capacity, which was in question in February.

Firebrand Feasibility Assessment Results

(Note that Firebrand's results rely on particular points of negotiation with the CTA, which are ongoing.)

"If all key recommendations in this report are followed, Chicago Market is very likely to be able to open and run a financially feasible and successful retail grocery store in the Gerber building location. Our recommendations, as outlined in this report, are achievable but will take significant and focused effort to attain. Yet, all of the recommendations outlined in the report have been met by previous successful startup food co-ops and/or by co-ops in very similar markets with similar site limitations.

Primary Takeaways:

- Sales projections for the Gerber Building location are exceptionally high. There is no other location in the wider trade area that will match this site in potential sales volume.
- Uptown's extremely dense population indicates that Chicago Market's potential aligns with a handful of highly successful food co-ops in the country operating in similar markets with a Dense Urban Model. This model varies from a typical startup food co-op model in some key metrics that have important impacts for Chicago Market's pro forma assumptions.
- These dense urban, small format, high volume stores operate differently in some areas. Having a General Manager who has experience operating a store in this model is strongly preferred and a very experienced food co-op GM is an absolute necessity.

Sales projections per square foot for this site outstrip 95%+ of all sales projections for startup food co-ops in the last decade.

— Jacqueline Hannah
Food Co-op Initiative

- Our team assessed Financial Feasibility of the store based on operations and provided recommendations about financing the project. The Board of Chicago Market will need to do their own assessment of the financing appetite of their ownership to ensure the Phase 3 capital campaign goal of \$1.4 million is achievable and ramp up their communications and outreach to hit membership targets of 3,500 members at opening.
- If the above financing challenges are met, and the store is opened according to the programming, leadership, marketing, and operational excellence presumed in our projections, we believe that Chicago Market will not just be viable in the Gerber Building, but has the potential to thrive and become a beloved neighborhood institution that will revitalize what is currently an empty storefront in an iconic building in a world-class city."

Owner Growth

We've welcomed 152 new Owners to Chicago Market since our last Annual Meeting in August of 2019, a drop in growth from 452 during the previous year. This brings us to a total of 1864 Owners.

Funding

We applied this year for a \$100,000 planning grant through the USDA's LFPP (Local Food Promotion Program). Unfortunately, we will not receive this grant funding, but we do plan to reapply with the USDA in the spring for their \$500,000 Implementation Grant. Thanks to Board member Bob Kunze and his team of volunteers, Cheri Heramb and Elizabeth Foster, for putting so much time and effort into this application.

We had Owners ask whether they could upgrade their Ownership from Founding to. Being a Cultivating Owner means you'll be recognized in the store and is an important way to participate in the financial health of the Co-op. This past year we added the [Level Up!](#) option to our website so Owners can do so any time they like. In response to one of our survey results, we will also be adding a payment plan option to Level Up! soon.

At the urging of our Capital Campaign team members, we have made the Donate option on our website something people could do via credit card. Previously, it required writing and mailing a check. We anticipate the donation option to be a larger part of our capital campaign the next time around. In the meantime, donations from Owners and non-Owners are encouraged at any time.

Diversity and Inclusion

To broaden who can become an Owner and bring more voting voices into our community and onto our Board, the Board recently structured and agreed upon a new Ownership level - **All Are Welcome**. It will be approved via vote soon. This much lower entry level is accessible to those on a fixed income.

Chicago Market's community [stands in solidarity](#) with the Black Lives Matter movement and the Board has committed to learning and listening for ways of taking meaningful action and being supportive. We have committed Board meeting time to this work, starting with reading and discussing [Everyone Welcome?](#) With the strength of new Board members, we plan to restart our Outreach & Inclusion team to further this work throughout our organization.

Empowered by our oncoming new Board members, we plan to restart the critical work of our Outreach & Inclusion team to strengthen our partnerships within the community and hold the Co-op accountable to hiring and pricing practices that benefit all in the neighborhood.

Events

Owner Information Sessions (6) and Mixers (1)

Our event planning volunteers work tirelessly to produce a variety of events throughout the year. In pre-COVID-19 months, we hosted Information Sessions to encourage and welcome new Owners to join us, as well as one Social Mixer.

We also produced six other events of various types, many in our space:

- One of our Board members spoke at a Women Helping Empower Women event at our Business Owner My Buddy's
- We welcomed author and co-op expert Jon Steinman as a guest speaker at Raygun in Andersonville where he spoke about the power of co-ops in the food system.
- We hosted an Open House in our space; we produced the Second Annual Holiday Pop-Up Market in conjunction with The Chamber for Uptown's Winter Walk on Wilson; we brought Mind Body Defense in for a Self-Defense for Beginners workshop.
- We partnered with Business Partners, The Chamber for Uptown to bring an art installation, Chameleon Blind by artist and Owner Mara Baker, to our space and hosted her for an evening art opening event.
- We've also added artwork in support of Black Lives Matter by BOJITT to our windows as well as pieces from the Corona Women series courtesy of Wilson Abbey/Everybody's Coffee. All three art installations were in place for the Uptown Art Walk at the end of July.

After COVID-19 changed things, we moved events online with great success:

- Our Board meetings are now online and enjoy much greater Owner attendance than our in-person ones did.

- We met with Owners twice in April and May to give project updates (recordings are available on our [News website tab](#))
- We hosted 3 events to encourage and recruit new Board member candidates. These **So, You Want To Be a Board Member?** Sessions welcomed 32 interested Owners as well as a Meet the Candidates session.
- We launched our Online Workshop series, offering 6 classes since May teaching gardening, desk yoga, kitchen skills, summer cocktails, truffle making, and kickboxing. We've had 125 people attend these and are encouraging attendees to consider donating to the Co-op now too.

P6: Learning from the Co-op Community

One of the strengths of the cooperative model is the free sharing of information among co-ops (Cooperative Principle #6) and the Board and volunteers alike are connected and learning from our co-op community all the time. This year we attended 19 COVIDeo sessions covering various topics that the pandemic raised for organizing co-ops like ours. These were hosted by the Food Co-op Initiative and welcomed experts and peers for learning and sharing.

We also attended the annual CCMA (Consumer Cooperative Management Association) conference online this year.

We shared some of what we learned in these sessions on our blog:

- [The Grocery Landscape](#)
- [What About E-Commerce?](#)

Board Officer Elections

Chicago Market's Board elects its officers annually, and in the fall of 2019, it elected Grant Kessler, president; Sarah Kircher, vice-president; Isaac Emerson, treasurer; Lee Herman, secretary. In January, after the loss of Board members, the Board voted to appoint Lee Herman as secretary/treasurer and agreed to operate without a vice-president.

Professional Support

Except for our Firebrand team and some work with our Columinate consultant, we halted all paid consultant work in the fall of 2019 as we work to develop a feasible plan forward.

Ownership Refunds

The Board had previously made the policy decision that because store opening and bank financing were nearing, we needed to suspend Ownership refunds to preserve Owner equity for the next steps in our development. The Board recently reconfirmed this policy and committed to a quarterly reassessment and to posting the most recent policy on the [Documents](#) page of our website.

What's on the Horizon?

If the Board votes in favor of remaining at the Gerber building:

Funding

Our Capital Campaign team is planning an early fall campaign to promote our Level Up! option and a late fall donation campaign to take advantage of end-of-year giving. Along with funds from Owner growth, these funding initiatives will be critical to funding the next steps – schematic design work (~\$35,000), the second security deposit to the CTA (\$25,000), and confirming a GM hire and bringing them on as project manager (\$50,000).

General Manager Search

We expect this to begin this fall.

Store Design

With a working preliminary floor plan in hand as a result of our Firebrand assessment, we will need to have an architect craft a schematic design plan next.

To Market, To Market

Our To Market, To Market team was established initially to bring opportunity to farmers and producers to keep their product moving through the difficult COVID-19 times. The team reached out to dozens of farmers and were glad to learn that their needs were met - they had taken on many more CSA shares and then farmers markets opened relatively soon to serve them. We've expanded our search and found a few farmers who don't have strong sales outlets in Chicago and we will be bringing their goods to the Chicago Market community very soon.

Thank You

Chicago Market is a volunteer-driven democracy - thank you to our Board members who stepped down or had terms ending this year. We'd like to recognize them for their dedication to the Co-op:

Greg Berlowitz , Isaac Emerson, Seth Harrop, Kristin Hettich, Sofia Jouravel, Sarah Kircher, Dan Miller, Sebastian Rojas, John Michael Rotello, Richard Stacewicz

And thank you to ALL our volunteers, especially those who stood by their Co-op during a difficult period. This cannot happen without our volunteers.

Thanks to Lakeview Pantry for the generous use of their meeting room for our Board meetings.

We are proud to be members of Business Partners, The Chamber for Uptown and the Andersonville Chamber of Commerce, and thank them both for their ongoing support.

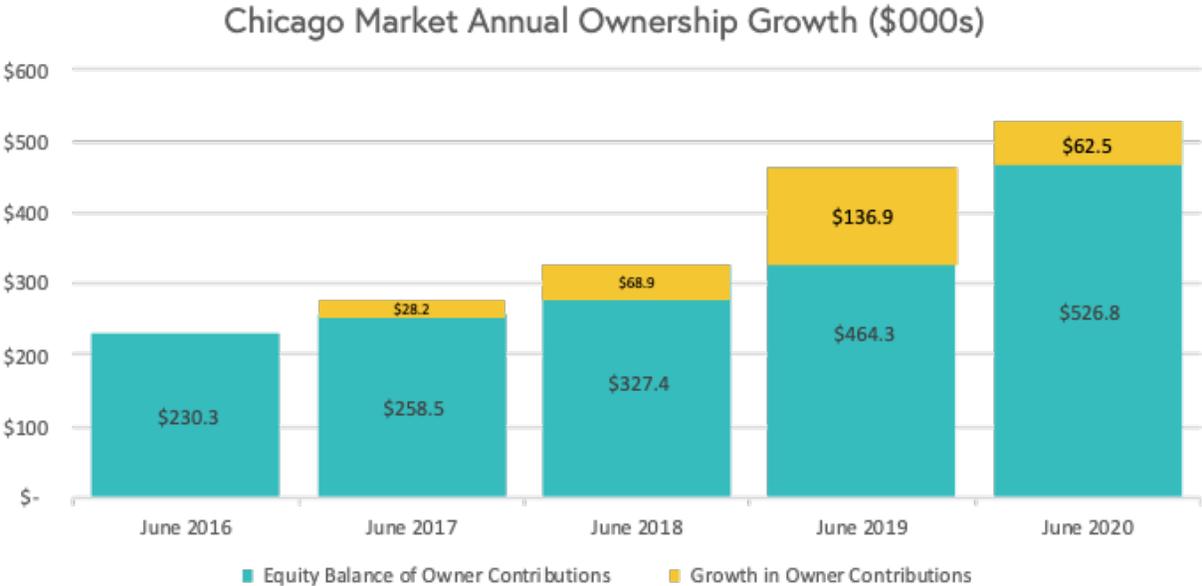
[continued]

Financial Statements

Chicago Market Financial Statements are attached at the end of this document. Summary highlights are presented on the next several pages.

Owner Growth

Owner growth during fiscal year 2019-2020 at a lower rate than the previous year. Still, over 175 new Owners in the fiscal year ending June 30, 2020, Chicago Market gained \$62.5K in Ownership funds.

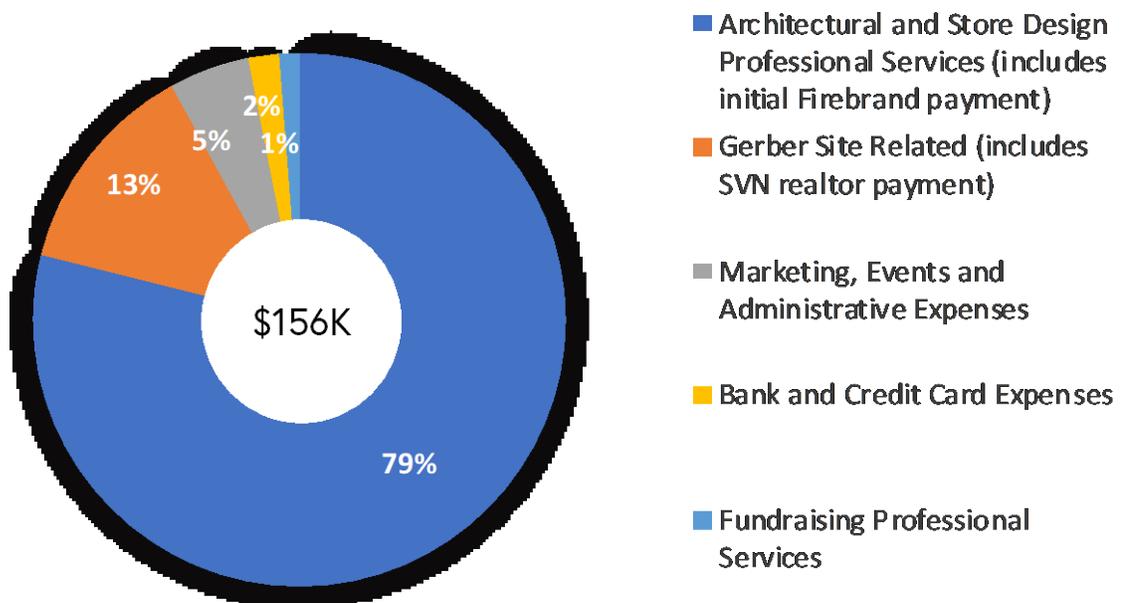


Operating Activity

Chicago Market continued spending money on architectural and store design activities during the 2019 calendar portion of the fiscal year. During 2020, the only store design money spent was for the first half payment for the Firebrand Cooperative Operational Feasibility study.

Until store opening, we have only limited income from merchandise sales and administrative fees. Thus, Chicago Market runs with an operating loss. The Co-op's expenses can be seen in the chart below (cash basis of monies spent).

2019-2020 Fiscal Year Expenses



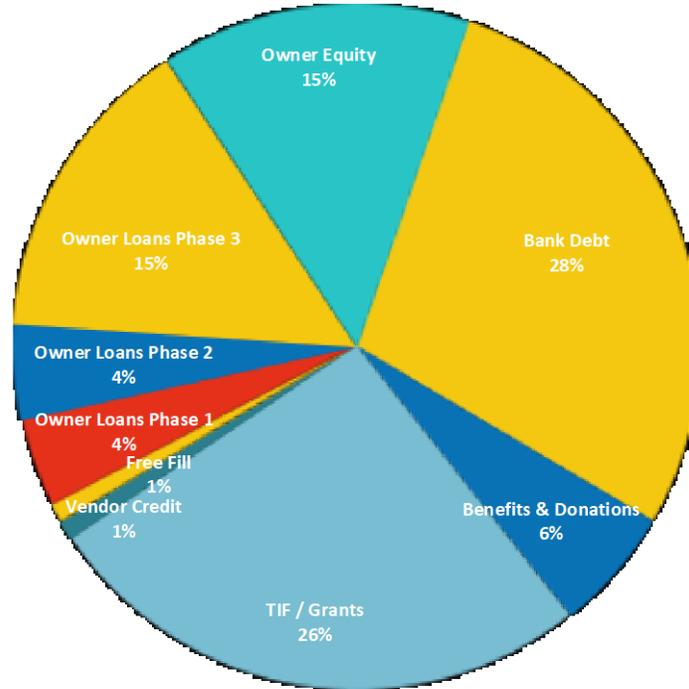
Forward-looking Statement

The Firebrand Cooperative Operational Feasibility report includes a preliminary design for Chicago Market. Further progress in refining the design and moving to construction will depend on a dramatically successful Capital Campaign and Owner growth. Absent adequate non-bank funding, the project will not be able to move forward with design and construction.

The total project cost is expected to be a little less than \$7M total cost of the project including Owner Equity and Owner Loans already obtained. Assuming a successful Capital Campaign and

enough Owner Growth, we expect Chicago Market will be able to get bank and TIF financing as planned. The chart below shows the breakdown of funding sources.

PROJECTED FUNDING SOURCES



Bank Debt	\$1,931,078.00	28.2%
TIF / Grants	\$1,800,000.00	26.3%
Vendor Credit	\$63,207.00	0.9%
Free Fill	\$63,207.00	0.9%
Owner Loans Phase 1	\$287,000.00	4.2%
Owner Loans Phase 2	\$306,460.00	4.5%
Owner Loans Phase 3	\$1,000,000.00	14.6%
Benefits & Donations	\$400,000.00	5.8%
Owner Equity	\$1,000,000.00	14.6%
Total	\$6,850,952.00	

Please Support Our Business Owners

(note that we keep an updated list on our website)

Amanda Skrip - Natural
Foods Chef + Wellness
Consultant

Andersonville Farmers
Market

Big Jones

Bike Home Chicago Real
Estate

Breslin Farms

Bueno Properties, Inc

Building Block Toys

Candid Wines

Citypads

Clayco

Collective Resource
Compost

Cornerstone Community
Outreach

Earth First Farms

Edward Collins-Fanner

ext.54

FarmLogix

Farpoint Development

Fat Cat Chicago

First Financial Credit Union
*(Chicago Market Owners
are eligible to open
accounts at FFCU)*

Gardeneers

Green Sheep Water

Hewn Bakery

Jeanette's Cookies

Jo Snow Syrups

Joel Berman Architecture &
Design

Khepri Renewal

Le Parfait

Logan Square Kitchen

Mara Baker Studio

Most Motivated

My Buddy's

Natural Investments -
Sylvia Panek

New Acropolis Chicago

New Food Studio

No Bones Beach Club

Organic Bread of Heaven

Pang Organic Tea

Pastoral Artisan Cheese
Bread & Wine

Pokiology

Printed Canvas

Ravenswood Event Center

Sauce & Bread Kitchen

Scratch Goods

Simple Farmer Wines

SoFo Tap

Stewart School Lofts

Swedish Hospital

The Bitter Ex Bitters
Company

The Kola Nut Collaborative

The Levantine Kitchen

The Public Barber

The Vogel Team

Two Door Group at
Compass

Uncommon Ground

Uptown Arcade

Vincent

Wellbeing Personalized
Healthcare

Yoga Body Elements

Chicago Market

BALANCE SHEET

As of June 30, 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
10000 Chase Business	25,286.11
10002 First Midwest Bank -Checking	471,687.90
10010 National Cooperative Bank	1,003.24
Total Bank Accounts	\$497,977.25
Other Current Assets	
13000 Prepaid Expenses	11,394.00
Total Other Current Assets	\$11,394.00
Total Current Assets	\$509,371.25
Fixed Assets	
15000 Property & Equipment	8,450.20
15200 Operating Lease - Right of Use	2,004,384.48
Total Fixed Assets	\$2,012,834.68
Other Assets	
17010 Security Deposits	25,000.00
Total Other Assets	\$25,000.00
TOTAL ASSETS	\$2,547,205.93
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20100 Accounts Payable (A/P)	-893.86
Total Accounts Payable	\$ -893.86
Other Current Liabilities	
22000 Accrued Expenses	41,744.65
23000 Deposits Payable	-9.20
Total Other Current Liabilities	\$41,735.45
Total Current Liabilities	\$40,841.59
Long-Term Liabilities	
28500 Lease Liability	2,004,384.48
28600 Deferred Rent Liability	305,367.49
29810 Shareholder Notes Payable - OLC 2018 Campaign	568,873.96
Total Long-Term Liabilities	\$2,878,625.93
Total Liabilities	\$2,919,467.52
Equity	
31000 Owner's Contribution	526,788.64
32000 Retained Earnings	-744,327.21
Net Income	-154,723.02
Total Equity	\$ -372,261.59
TOTAL LIABILITIES AND EQUITY	\$2,547,205.93

Chicago Market

PROFIT AND LOSS

July 2019 - June 2020

	TOTAL
Income	
40000 Revenues	
40700 Merchandise Sales	-30.00
40710 Water Bottle Sales	365.00
40730 Yard Signs	110.00
40740 T-Shirt Sales	400.00
40750 Tote bag	10.00
Total 40700 Merchandise Sales	855.00
Total 40000 Revenues	855.00
Total Income	\$855.00
GROSS PROFIT	\$855.00
Expenses	
50000 Selling, Marketing, & Advertising Expense	
50200 Events	148.26
Total 50000 Selling, Marketing, & Advertising Expense	148.26
60000 General & Administrative Expense	
60010 Bank Charges	2,901.18
60020 Conference Training Expenses	6.59
60035 Dues & Subscriptions	325.00
60070 Legal & Professional Fees	
60071 Professional Fees - Arch	89,643.83
60072 Accounting Fees	404.25
60073 Columinate Consulting Fees	33,121.42
60074 Professional Fundraising Services	1,900.00
60075 Real Estate Agents	18,212.44
Total 60070 Legal & Professional Fees	143,281.94
60100 Repair & Maintenance	1,575.00
60105 Shipping and delivery expense	215.00
60110 Stationery & Printing	26.02
60125 Taxes & Licenses	536.47
60130 Technology Fees	5,861.41
60155 Utilities	587.28
Total 60000 General & Administrative Expense	155,315.89
Total Expenses	\$155,464.15
NET OPERATING INCOME	\$ -154,609.15
Other Income	
80000 Interest Income (Expense)	24.00
81000 Processing Fee Income	
81001 Processing Fee Income - Owner Pmnts	1,660.61
Total 81000 Processing Fee Income	1,660.61

Chicago Market

PROFIT AND LOSS

July 2019 - June 2020

	TOTAL
89000 Other Ordinary Income	0.52
89006 Donations	76.00
Total 89000 Other Ordinary Income	76.52
Total Other Income	\$1,761.13
Other Expenses	
Reconciliation Discrepancies-1	1,875.00
Total Other Expenses	\$1,875.00
NET OTHER INCOME	\$ -113.87
NET INCOME	\$ -154,723.02

Chicago Market

STATEMENT OF CASH FLOWS

July 2019 - June 2020

	TOTAL
OPERATING ACTIVITIES	
Net Income	-154,723.02
Adjustments to reconcile Net Income to Net Cash provided by operations:	
13015 Prepaid Expenses:Prepaid Insurance	-7,035.00
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	-7,035.00
Net cash provided by operating activities	\$ -161,758.02
INVESTING ACTIVITIES	
15210 Operating Lease - Right of Use:Operating Lease - Right of Use - Gerber Building	253,185.48
Net cash provided by investing activities	\$253,185.48
FINANCING ACTIVITIES	
28510 Lease Liability:Lease Liability - Operating - Gerber	-253,185.48
29810 Shareholder Notes Payable - OLC 2018 Campaign	51,787.56
31000 Owner's Contribution	60,514.48
Net cash provided by financing activities	\$ -140,883.44
NET CASH INCREASE FOR PERIOD	\$ -49,455.98
Cash at beginning of period	547,433.23
CASH AT END OF PERIOD	\$497,977.25