



## NCG Membership Background

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***“NCG exists to maximize members’ success, inclusivity and impact, and to grow the cooperative grocery sector in size and scope in an environmentally regenerative manner.” — NCG Ends Statement.***

NCG is a co-op for co-ops, founded by general managers to help co-ops grow and operate profitably in more competitive markets and in an increasingly competitive and complex industry. To support members, NCG functions as both a purchasing co-op and as a development co-op.

As a purchasing co-op NCG operates as a “virtual chain,” leveraging the combined purchasing power of its members to secure competitive prices and payment terms with distributors and vendors. NCG offers purchasing contracts with both UNFI and KeHE. NCG also offers promotional programs like Co+op Deals — which provides co-op shoppers with deep discounts on thousands of items every two weeks — and Co+op Basics — which gives shoppers competitive everyday low prices on a wide variety of private label-equivalent staples throughout the store. These programs allow each NCG member to provide more value for their shoppers.

As a development co-op, NCG’s experienced staff help members improve operational and financial performance and respond to emerging challenges and opportunities that co-ops face in their local markets. We offer hundreds of virtual training courses through our Co+op U learning platform, and host several in-person events each year to provide co-op staff with training and industry awareness. NCG also has a dedicated Business Expansion team that helps co-ops grow and expand. Since 2010, NCG has helped over 100 co-ops successfully complete projects, including new stores, remodels, onsite expansions, relocations and start-ups.

Co-ops interested in joining NCG must be independent food co-ops located and operating in the United States. They agree to abide by NCG’s member agreement and must adhere to the specific requirements of individual programs in which they elect to participate.

### **NCG Member Benefits**

Membership with NCG is similar to membership at a local food co-op. When a co-op joins, it purchases a share of NCG, and is then entitled to member rights and benefits, including the ability to access NCG’s programs and services, influence NCG, participate in governance, and receive patronage distribution when NCG is profitable as determined by NCG’s board.

#### NCG Member Rights

1. Elect representatives to the board of directors as provided for by the NCG bylaws.
2. Have clear opportunities to influence programs and services.
3. Receive comprehensive information about the operations, plans and status of NCG.
4. Participate in NCG’s programs and services, including NCG purchasing contracts, promotional programs and in-store support resources.



5. Participate in and contribute to NCG through national, regional or other special working groups, as well as advisory committees as established by NCG.
6. Receive patronage allocations as provided for by the NCG bylaws.
7. Terminate the co-op's NCG membership per NCG bylaws and discontinue participation in any NCG program per the specific terms of that program's participation agreement.

## **NCG Member Participation**

Each NCG member co-op is represented by a designated representative (DR). The DR signs the NCG's member agreement on behalf of their co-op (with authorization from their board of directors) and represents their co-op to NCG. DRs vote for NCG's Board of Directors and can run as a candidate for the board of directors. DRs are usually the co-op's general manager, but the role can be filled by another designated employee of the co-op who is empowered to make decisions on behalf of their co-op.

Each member's DR is required to ensure that their co-op meets all membership and program requirements:

1. Maintain confidentiality of information gathered through NCG program participation and to not share or use information to the detriment of NCG or any of its member co-ops
2. Attend and participate in all required meetings.
3. Meet program requirements as stipulated in program participation agreements.
4. Ensure timely submission of data to NCG, CoMetrics, SPINS and other data reporting services.
5. Respond to requests for information promptly and thoroughly.
6. Ensure that the required programmatic contacts are updated.

NCG's member agreements are meant to be shared with each member co-op's board of directors. When co-ops submit an application for membership with NCG, they can request a copy of the member agreement.

## **Financial Requirements for Members**

NCG members are required to contribute to NCG's equity base, as well as pay annual dues. In addition, member co-ops may pay specific program fees, as appropriate. Program fees are generally limited to optional or add-on services to programs — e.g., for customization of the promotional flyer, mailing coupons directly to consumers, registration fees for trainings, etc.

### Member Investment

Member investments provide the foundational capital for NCG as a purchasing cooperative. There are three types of required member investments in NCG:

- Common stock — One \$500 voting share, required of each member co-op.\*
- Base equity — Based on sales volume and adjusted every three years. The base equity requirement is 0.10% of the member's most recent annual sales volume. New members have up to five years to complete their member equity investment after joining. \*
- Retained patronage equity accounts — When patronage is declared, the amount of patronage to be distributed back to co-ops in cash and the amount to be retained to invest in new services, research or development, is made by NCG's Board of Directors.



\* Note: Start-up co-ops with no current sales basis are assessed \$500 for common stock and \$1,000 in base equity.

### Member Dues

Dues are assessed annually to all NCG member co-ops and are also based on sales volume. The annual dues formula is \$1,000 plus 0.10% of annual sales, with a cap set at \$30,000. Dues are calculated based on sales from July 1 through June 30 each year.

New start-up co-ops with no current sales basis are assessed \$500 base dues per year until the store completes four full quarters of operations.

Dues are payable to NCG at the beginning of each calendar year, but members may opt to pay dues quarterly.

### Other Financial Obligations

Co-ops that participate in NCG's national supply contracts (with United Natural Foods, Inc. and KeHE) receive improved pricing and payment terms, and in exchange, agree to share liability for each other's payables to the distributor. If a participating co-op defaults on its payments, other co-ops on contract contribute to cover the amount due. To protect NCG and member co-ops from the possibility of an unexpected payment that could negatively impact cash flow, co-ops established a self-insurance fund that NCG manages on their behalf. This fund is used to cover any unpaid payables from defaulting co-ops. The amount a co-op is asked to contribute to the fund is set and managed by a committee of NCG member designated representatives based on each co-op's potential risk.

Co-ops that complete the NCG application and sign confidentiality agreements will receive additional information about this shared liability fund, including what the applying co-op could be required to contribute based on its purchase volume with a distributor.

## **Membership Criteria for Established Co-ops**

The following criteria applies to established co-ops — those already operating retail stores.

### Board Criteria

NCG's Board of Directors has established the following general membership criteria:

1. Incorporated and operating as a food cooperative (consumer, worker, producer, or hybrid), or purchasing cooperative.
2. Committed to growth, profitability and continuous improvement.
3. Able to comply with the requirements of the NCG membership agreement.
4. Demonstrated commitment to creating a welcoming environment for diverse members of the community.
5. Demonstrated commitment to inclusivity in the workplace.
6. Demonstrated commitment to supporting a diverse supply chain.
7. Committed to aligning around common business processes, systems, and technologies in order to build a strong, resilient, and innovative food co-op system.
8. Meets additional criteria as set by management (below).



## Management Criteria

NCG's management has established the following criteria for established co-ops interested in joining:

1. General manager or a staff member with similar authority in place to serve as the co-op's Designated Representative to NCG who understands, accepts and is committed to the responsibilities of NCG membership.
2. Has submitted at least eight (8) quarters of financials to CoMetrics and agrees to submit quarterly financials within 45 days of each quarter end.
3. Current or new store location secured for at least three years (own or lease).
4. Willing to comply with NCG financial reporting standards:
  - a. Secure an annual third-party CPA review of annual financial statements.
  - b. Produce monthly financial statements in accordance with GAAP, including:
    - i. Publish monthly or 4/5-week period end statements within 30 days of month end.
    - ii. Record current portion of long-term debt as a current liability.
    - iii. Record depreciation and amortization monthly.
    - iv. Accrue payroll expense.
    - v. Reconcile every bank account monthly.
  - c. Produce separate income statements for separate business units (stores, restaurants, warehouses, commissaries, etc.).
  - d. Accurately account for inventory at each quarter end.
5. Operate with POS system capable of reporting to SPINS.
6. Capital structure in place that provides for current and future operational needs.
7. Current or new store projections of EBITDA provide for minimum 1.25 debt service coverage ratio.
8. Current or new store projections maintain minimum of ten days of cash.
9. Current or new store projections provide for debt-to-equity ratio less than 3.0.
10. Provide a board resolution authorizing the co-op to join NCG and comply with the NCG membership agreement.

NCG has separate membership criteria for start-up co-ops as noted below.

## **How to Apply**

Established co-ops — those that are already open — interested in applying for membership with NCG can submit their application and supporting materials before one of two application deadlines:

- January 1. NCG's Board of Directors reviews applications submitted by January 1 at their April meeting, for an effective member date of May 1.
- June 1. NCG's Board of Directors reviews applications submitted by June 1 at their September meeting, for an effective member date of October 1

Note: start-up co-ops should read the "Support for Start-ups" section below about the timing of their applications.



Co-ops can contact [membership@ncg.coop](mailto:membership@ncg.coop) to ask questions about membership and the application process, set-up a virtual meeting to talk about membership and application options, and to request an application for membership with NCG.

## Support for Start-ups

### Development Cooperative (DC)

NCG’s Development Cooperative (DC) works to find cooperative solutions to solve food access issues and promote start-up food co-op development. No matter where a start-up is at in its development journey, NCG’s DC is available to answer questions, direct organizers to the useful resources and provide information and guidance that will position a start-up to be able to access NCG support and resources. Co-ops can contact the Development Cooperative at [startup@ncg.coop](mailto:startup@ncg.coop).

### Business Expansion

NCG is best able to support a successful start-up store opening project through its Business Expansion team. The Business Expansion team mobilizes resources from across NCG to help with feasibility, planning, programming, design, construction and store set-up. Business Expansion support is available to start-up co-ops planning to join NCG so that the co-op is able to open with NCG’s programs and services in place and make a great first impression with shoppers. In addition, Business Expansion will endorse their clients’ applications for NCG membership when it comes time to apply.

Start-up projects have the best outcomes when the co-op starts working with Business Expansion beginning in the early feasibility stage of development, before a site is selected. (Find more information on the stages of start-up development in Appendix A.)

Beginning in 2026, start-up co-ops must begin using NCG’s Business Expansion services in early feasibility before a site is selected in order to open as NCG members. Start-up co-ops that choose not to work with NCG’s Business Expansion team are welcome to apply for membership after opening.

Support for Business Expansion Client Start-up Projects	Support for Independently Managed Start-up Projects
Business Expansion provides clients with overall timeline development, financing technical assistance, equipment and construction coordination, resources and guidance in back-office development and administrative system implementation, opening ordering support, marketing and merchandising planning, and staffing for onsite store set-up, staff training, and more.	NCG staff help co-op adopt supply contracts (UNFI and KeHE) and promotional programs (Co+op Basics, Co+op Deals).
Business Expansion endorses client applications for membership with NCG.	



Support for Business Expansion Client Start-up Projects	Support for Independently Managed Start-up Projects
Apply a minimum of 9-12 months prior to target opening.	Apply a minimum of 9-12 months prior to target opening. Available through 2025.

## Membership Criteria for Start-up Co-ops

### Board Criteria

NCG's Board of Directors has established the following general membership criteria:

1. Incorporated and operating as a food cooperative (consumer, worker, producer, or hybrid), or purchasing cooperative.
2. Committed to growth, profitability, and continuous improvement.
3. Able to comply with the requirements of the NCG membership agreement.
4. Demonstrated commitment to creating a welcoming environment for diverse members of the community.
5. Demonstrated commitment to inclusivity in the workplace.
6. Demonstrated commitment to supporting a diverse supply chain.
7. Committed to aligning around common business processes, systems, and technologies in order to build a strong, resilient, and innovative food co-op system.
8. Meets additional criteria as set by management.

### Management Criteria

NCG's management has established the following criteria for established co-ops interested in joining:

1. Full-time professional in place as General Manager or Project Manager (authorized to make commitments on behalf of the co-op) to manage the application process and who understands, accepts and is committed to the responsibilities of NCG membership.
2. Commitment to adopt and use NCG Chart of Accounts, mapped to CoMetrics at time of opening.
3. Commitment to use ECRS Catapult or SMS LoC for POS system.
4. Commitment to comply with NCG financial reporting standards:
  - a. Secure an annual third-party CPA review of annual financial statements.
  - b. Produce monthly financial statements in accordance with GAAP, including:
    - i. Publish monthly or 4/5-week period end statements within 30 days of month end.
    - ii. Record current portion of long-term debt as a current liability.
    - iii. Record depreciation and amortization monthly.
    - iv. Accrue payroll expense.
    - v. Reconcile every bank account monthly.
  - c. Produce separate income statements for separate business units (stores, restaurants, warehouses, commissaries, etc.).
  - d. Accurately account for inventory at each quarter end.
5. Demonstrate project viability by providing the following with their application:
  - a. A credible site-specific market study conducted by a firm vetted by NCG, current or updated within the last 3 years.
  - b. A Pro Forma with:



- i. Annual sales projections that discount the market study by at least 15%. (NCG recommends discounting by 20% or more.)
  - ii. At least 15 days of cash on hand throughout the duration of the pro forma. (NCG recommends 20 days or more of cash on hand.)
  - iii. A Debt Service Coverage Ratio (DSCR) of at least 1.0 by year three in the pro forma. Most lenders require a DSCR of 1.25. DSCR may be lower with signed commitment by lender agreeing to a lower level.
  - iv. Minimum capital expenditures budget by year three of:
    - 1. 10% of depreciable assets for projects that source new equipment.
    - 2. 20% of depreciable assets for projects that source used equipment.
  - v. (Through 2025) For start-ups in the implementation stage at the time of application: assumptions appropriate for store size, sales projections and department programming.
- c. A detailed Sources and Uses document (if not included in the Pro Forma) that shows the following:
- i. For co-ops still in stage two of start-up development, sources feature an appropriate source allocation:
    - 1. At least 30% from internal sources or grants.
    - 2. At least 20% from the landlord, city development funds, or other non-secured source.
    - 3. No more than 40% from debt.
  - ii. For co-ops in stage three of start-up development must secure commitment for 100% of sources before construction begins.
  - iii. For co-ops in stage two of start-up development, a contingency of at least 20%.
  - iv. For co-ops in stage three of start-up development:
    - 1. Minimum contingency of 10% during construction.
    - 2. Minimum contingency of 15% for co-ops that, based on the lease, may pay rent before opening.
- d. (Through 2025) for start-ups in the implementation stage that don't have an NCG Business Expansion contract:
- i. An updated proforma or operations budget based on the fixture plan and programming assumptions.
  - ii. A staffing plan in line with P&L labor budget that allows for:
    - 1. GM hired at least six months ahead of target opening.
    - 2. Managers hired at least four weeks ahead of target opening.
    - 3. Other staff hired at least 10-14 days ahead of target opening.

## Contact Us

For information about membership to NCG and NCG's application process, please contact [membership@ncg.coop](mailto:membership@ncg.coop).

For information about start-up resources, or to learn about how NCG supports start-up projects, please contact [startup@ncg.coop](mailto:startup@ncg.coop)



## Appendix A. FCI Development Stages

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FCI's 4-in-3 model for start-up development is a reference point for most start-up co-op stakeholders.

The "4" refers to what FCI calls the Four Cornerstones of Food Co-op Development: Vision, Capital, Talent and Systems.

The "3" is how FCI defines as the three development stages of food co-op development. Those stages are:

- I. Organizing – building the “organization”**
  - a. Organize and hold community meetings.
  - b. Incorporate the organization.
  - c. Kick off ownership drive.
  - d. Hold first Annual Meeting
  - e. Elect first Board of Directors
  - f. Conduct preliminary market study.
- II. Feasibility & Planning – building the plan**
  - a. Feasibility—deeper assessments of financial, market, and organizational capacity
    - i. Financial proforma created.
    - ii. Assess community capacity.
    - iii. Double ownership from stage 1
    - iv. Board votes on store feasibility
  - b. Planning—a business plan for financing and operations
    - i. Evaluate potential sites/update market study.
    - ii. Secure selected site with contingencies
    - iii. Apply for grants and secure any bank lending needed.
    - iv. Complete plans for Owner Loan drive
    - v. General Manager search
- III. Implementation – building the store**
  - a. Pre-construction
    - i. Announce selected site.
    - ii. Conduct owner loan drive
    - iii. Select contractor.
    - iv. Secure all financing.
    - v. Finalize store design.
    - vi. Setup vendor relationships
  - b. Construction
    - i. Kick off and complete construction.
  - c. Preparation for Opening
    - i. GM to hire/train staff.
    - ii. Install equipment.
    - iii. Order and stock inventory



- iv. Celebrate store opening!
- d. Sustaining—First Year and Beyond

Our long-term goal is for the DC to engage with start-ups in Stage 1; and having Business Expansion work with all start-ups at the beginning of Stage 2.

Additional information, including links to videos that describe the stages, can be found at <https://fci.coop/food-co-op-development-model-4-in-3/>