

**Park Slope Food Coop Financial Summary for the February 28<sup>th</sup>, 2023 General Meeting (reviewing the preliminary\* full year financial statement that ended 01/29/2023). This summary is followed by 9 pages of financial statements and then 1 page of Appendices.)** \* preliminary pending audit by outside CPA firm

**Summary Section 1: Quick View Statement of 52 week year ending 01/29/2023**

**A) Income Statement- Rounded numbers to nearest thousand. Negative numbers in (parentheses)**

Sales:	48,200,000
Money Generated by sales to pay expenses (gross margin):	9,269,000
Expenses:	(9,619,000)
Loss on operations: <u>subtotal</u>	<u>(350,000)</u>
other income* and interest income:	414,000
<b>Gain or (Loss) before income taxes: <u>Total</u></b>	<b><u>64,000</u></b>

\*Please note that other income is unusually high this year due to non-recurring pandemic circumstances

**B) Balance Sheet**

Current Assets: Cash:	6,672,000
Other Currents Assets: Inventory, prepaid expenses etc.	<u>914,000</u>
<b>Total current assets:</b>	<b>7,586,000</b>

Non-current assets: Land, buildings, equipment, tax assets, money held by other Coop's	4,923,000
<b>Total Assets:</b>	<b><u>12,509,000</u></b>

**Liabilities, Retained Earnings & Member Equity etc:**

liabilities including pension liability:	4,301,000
Members Equity/capital	4,167,000
Theoretical pension income:	854,000
Retained earnings:	3,187,000

<b>Total Liabilities and Members' Equity</b>	<b><u>12,509,000</u></b>
--	--------------------------

### **C) Cash Flow Statement:**

**Increase in cash during the 52 week year ended 01/29/2023..... 2,484,000**  
(1.5 million owed to us by the IRS came in during January)

### **Summary Section 2: Note on operating income or loss**

For many years when we spoke of the Income Statement at these meetings we focused on the "bottom line". But during the pandemic the bottom line has been distorted by COVID related non-recurring extraordinary other income. Therefore, in order to get a better idea of how far we have come and what challenges exist we are of late focusing on "Operating Income (Loss)" which measures our financial situation before being distorted by extraordinary other income. During the 52 weeks ending 01/29/2023 the extraordinary other income was **\$238,639**. (see pages 1 of 9 and 4 of 9). The operating loss for the year was (\$350,000).

### **Summary Section 3: Looking ahead to next fiscal year:**

This section will not be presented during the Treasurer's report tonight. Projections for the fiscal year ending 01/29/2024 will be presented during the March 28th GM

### **Summary Section 4: How is our financial cushion?**

See balance sheet on page 7 of 9. Cash of 6.7 million is at an all-time high.

#### **Follow the money:**

Pre-pandemic cash.....	3.9 million
Increase in Member Owner Equity Investments since pandemic..	0.9
US Gov't aid via PPPs and ERCs.....	6.2
Extra Gross margin provided by members through higher mark-up.....	3.2
<b>Total Cash available during pandemic.....</b>	<b>14.2 million</b>
<b>Subtract Cash on hand at 01/29/2023.....</b>	<b>6.7</b>
<b>Approximate total of cash we burned through during the pandemic.....</b>	<b>7.5 million</b>

This section 4 summary is provided in order for us to possibly consider how much cash we might want on hand and other measures we might take in order to weather the next pandemic when it is very unlikely that grocery stores will be eligible for US Gov't aid like we received during this pandemic. The grocery industry overall did well during the pandemic. One measure we are working on is trying to develop a robust home delivery system and that is partially motivated by the fact that it would help us during the next pandemic.

## INCOME STATEMENT

	52 weeks to	1/29/23 Per Cent of Sales	4 Weeks thru	1/29/23 Per Cent of Sales
<b>Net Sales</b>	<u>48,172,077</u>	<u>100.00%</u>	<u>4,146,576</u>	<u>100.00%</u>
<b>Cost of Goods Sold</b>				
Inventory At Beginning	689,804		0	
Net Purchases	<u>38,861,804</u>		<u>3,189,713</u>	
<b>Total Available for Sale</b>	<u>39,551,608</u>		<u>3,189,713</u>	
Less: Inventory At End	<u>648,192</u>		<u>(272,372)</u>	
<b>Cost of Goods Sold</b>	<u>38,903,416</u>	<u>80.76%</u>	<u>3,462,085</u>	<u>83.49%</u>
<b>Gross Margin</b>	<u>9,268,661</u>	<u>19.24%</u>	<u>684,491</u>	<u>16.51%</u>
<b>Expenses</b>				
Expenses Except Depreciation	9,413,195	19.54%	760,173	18.33%
Depreciation	<u>205,584</u>	<u>.43%</u>	<u>8,427</u>	<u>.20%</u>
<b>Total Expenses (Schedule)</b>	<u>9,618,779</u>	<u>19.97%</u>	<u>768,599</u>	<u>18.54%</u>
<b>Operating Income (Loss)</b>	<u>(350,117)</u>	<u>(.73%)</u>	<u>(84,109)</u>	<u>(2.03%)</u>
<b>Other Income</b>				
Membership Fees	82,995	.17%	4,790	.12%
Events & Gifts	(52)	(.00%)	0	.00%
Cash Discounts & Rebates	238,639	.50%	0	.00%
Other Discounts	0	.00%	0	.00%
Patronage Refund Income	4,775	.01%	0	.00%
Income Tax Refund	0	.00%	0	.00%
Other Income	<u>12,198</u>	<u>.03%</u>	<u>1,726</u>	<u>.04%</u>
<b>Total Other Income</b>	<u>338,555</u>	<u>.70%</u>	<u>6,516</u>	<u>.16%</u>
<b>Income Before Interest &amp; Taxes</b>	<u>(11,562)</u>	<u>(.02%)</u>	<u>(77,592)</u>	<u>(1.87%)</u>
Interest Expense-Loans	0	.00%	0	.00%
Interest Expense-Other	0	.00%	0	.00%
Interest Income	<u>75,688</u>	<u>.16%</u>	<u>37,912</u>	<u>.91%</u>
<b>Net Interest</b>	<u>75,688</u>	<u>.16%</u>	<u>37,912</u>	<u>.91%</u>
<b>Income (Loss) Before Income Taxes</b>	<u>64,127</u>	<u>.13%</u>	<u>(39,680)</u>	<u>(.96%)</u>
<b>Provision for Taxes</b>	<u>0</u>		<u>TBD</u>	
<b>Net Income (Loss)</b>	<u>64,127</u>		<u>TBD</u>	
<b>Other Comprehensive Income-pension Plan Related</b>	<u>0</u>		<u>TBD</u>	
<b>Total Comprehensive Income (Loss)</b>	<u>TBD</u>		<u>TBD</u>	

## SCHEDULES OF OPERATING EXPENSES

	52 weeks to	1/29/23	4 Weeks thru	1/29/23
		Per Cent of Sales		Per Cent of Sales
<b>Personnel</b>				
General Coordinators	505,197	1.05%	40,861	.99%
All Other Employees	4,462,759	9.26%	353,837	8.53%
<b>Total Payroll</b>	4,967,956	10.31%	394,698	9.52%
Employee Health Benefits	1,557,156	3.23%	93,756	2.26%
Employee Pension Benefits	644,819	1.34%	49,601	1.20%
Employee Benefits-Other	54,994	.11%	302	.01%
Vacation, Health & Personal Days Accrued	0	.00%	0	.00%
<b>Total Compensation Package</b>	7,224,926	15.00%	538,357	12.98%
Payroll Taxes	429,688	.89%	44,776	1.08%
Workers Comp. Insurance Expense-Staff	15,725	.03%	4,860	.12%
EAP and/or Training Fees	18,473	.04%	243	.01%
Payroll Preparation Expense	51,802	.11%	4,021	.10%
Pension/401k Administration Expense	45,825	.10%	24,976	.60%
Consultant Fees	0	.00%	0	.00%
<b>Total Personnel</b>	7,786,439	16.16%	617,234	14.89%
<b>Occupancy</b>				
Electric	159,349	.33%	17,555	.42%
Gas	55,714	.12%	5,272	.13%
Insurance	283,401	.59%	21,662	.52%
Taxes - Real Estate	143,432	.30%	11,307	.27%
Taxes - Water & Sewer	9,192	.02%	700	.02%
Exterminator	3,114	.01%	0	.00%
<b>Subtotal</b>	654,202	1.36%	56,496	1.36%
Deprec. - Building	165,363	.34%	11,508	.28%
<b>Total - Occupancy</b>	819,565	1.70%	68,004	1.64%
<b>Store</b>				
Store Supplies	122,999	.26%	8,306	.20%
Recycling and Garbage Removal	28,654	.06%	2,243	.05%
Cash Short or (Over)	(1,724)	(.00%)	(2,966)	(.07%)
Svc Cntrct Exp. & Rpr.-Stre Equip.	175,432	.36%	9,604	.23%
<b>Subtotal</b>	325,361	.68%	17,187	.41%
Depreciation - Fixtures & Equip.	18,721	.04%	542	.01%
<b>Total Store</b>	344,083	.71%	17,729	.43%
<b>Office</b>				
Printing & Copying	4,735	.01%	0	.00%
Office Supplies	70,968	.15%	1,213	.03%
Telecommunications	31,882	.07%	42	.00%
Postage	3,234	.01%	66	.00%
Professional Fees	0	.00%	0	.00%
Svc Cntrct Exp. & Rpr.-Ofc. Equip.	89,477	.19%	6,357	.15%
<b>Subtotal</b>	200,296	.42%	7,678	.19%
Depreciation - Furn. & Equip.	21,500	.04%	(3,623)	(.09%)
<b>Total Office</b>	221,796	.46%	4,055	.10%

continued on page 3

## SCHEDULES OF OPERATING EXPENSES (cont'd)

	52 weeks to	1/29/23	4 Weeks thru	1/29/23
		Per Cent of Sales		Per Cent of Sales
<b>Other</b>				
Repairs, Tools, Maintenance	73,349	.15%	25,373	.61%
Advertising and Promotion Expense	14,914	.03%	2,143	.05%
Meeting Expenses	9,967	.02%	205	.00%
Miscellaneous Expense	27,708	.06%	1,157	.03%
Gazette Ad Income	0		0	.00%
Less: Printing & Delivery	983	.00%	0	.00%
National Co-op Grocers Member Fees	30,000	.06%		.00%
Childcare Expense	0	.00%	0	.00%
Audit Expense/Tax Preparation	65,700	.14%	4,200	.10%
Bank Charges	4,187	.01%	271	.01%
Electronic Payment Service Charges	180,363	.37%	13,970	.34%
Workers Compensation Insurance-Members	25,825	.05%	6,573	.16%
Legal Fees	13,900	.03%	186	.00%
<b>Total Other</b>	<b>446,896</b>	<b>.93%</b>	<b>61,577</b>	<b>1.49%</b>
<b>Total Expenses</b>	<b>9,618,779</b>	<b>19.97%</b>	<b>768,599</b>	<b>18.54%</b>

## SALES AND MEMBERSHIP AVERAGES

Sales Per Week:	52 weeks to	1/29/23	4 Weeks thru	1/29/23
Average	\$926,386		9,188	
Increase or (Decrease) in Sales Per Week	\$102,116	12.39%	3,339	.08%

## INCOME STATEMENT

	52 weeks to	1/29/23 Per Cent of Sales	52 weeks to	1/30/22 Per Cent of Sales
<b>Net Sales</b>	<u>48,172,077</u>	100.00%	<u>42,862,061</u>	100.00%
<b>Cost of Goods Sold</b>				
Inventory At Beginning	689,804		630,935	
Net Purchases	<u>38,861,804</u>		<u>34,472,421</u>	
<b>Total Available for Sale</b>	<u>39,551,608</u>		<u>35,103,356</u>	
Less: Inventory At End	648,192		689,804	
<b>Cost of Goods Sold</b>	<u>38,903,416</u>	80.76%	<u>34,413,552</u>	80.29%
<b>Gross Margin</b>	9,268,661	19.24%	8,448,509	19.71%
<b>Expenses</b>				
Expenses Except Depreciation	9,413,195	19.54%	11,066,462	25.82%
Depreciation	<u>205,584</u>	.43%	<u>257,421</u>	.60%
<b>Total Expenses (Schedule)</b>	<u>9,618,779</u>	19.97%	<u>11,323,883</u>	26.42%
<b>Operating Income (Loss)</b>	(350,117)	(.73%)	(2,875,374)	(6.71%)
<b>Other Income</b>				
Membership Fees	82,995	.17%	21,750	.05%
Events & Gifts	(52)	(.00%)	90	.00%
Cash Discounts & Rebates	238,639	.50%	11,229	.03%
Other Discounts	0	.00%	0	.00%
Patronage Refund Income	4,775	.01%	129,140	.30%
Income Tax Refund	0	.00%	0	.00%
Other Income	<u>12,198</u>	.03%	<u>3,915,628</u>	9.14%
<b>Total Other Income</b>	<u>338,555</u>	.70%	<u>4,077,838</u>	9.51%
<b>Income Before Interest &amp; Taxes</b>	(11,562)	(.02%)	1,202,464	2.81%
Interest Expense-Loans	0	.00%		
Interest Expense-Other	0	.00%	(1,868)	(.00%)
Dividend/Interest Income	<u>75,688</u>	.16%	<u>19,534</u>	.05%
<b>Net interest</b>	<u>75,688</u>	.16%	<u>17,666</u>	.04%
<b>Income (Loss) Before Income Taxes</b>	64,127	.13%	1,220,129	2.85%
<b>Provision for Taxes</b>	<u>0</u>		<u>148,800</u>	
<b>Net Income (Loss)</b>	<u>64,127</u>		<u>1,368,929</u>	
<b>Other Comprehensive Income-pension Plan Related</b>	<u>0</u>		<u>0</u>	
<b>Total Comprehensive Income (Loss)</b>	<u>TBD</u>		<u>TBD</u>	

## SCHEDULES OF OPERATING EXPENSES

	52 weeks to	1/29/23 Per Cent of Sales	52 weeks to	1/30/22 Per Cent of Sales
<b>Personnel</b>				
General Coordinators	505,197	1.05%	519,250	1.21%
All Other Employees	4,462,759	9.26%	5,433,795	12.68%
<b>Total Payroll</b>	4,967,956	10.31%	5,953,045	13.89%
Employee Health Benefits	1,557,156	3.23%	2,033,735	4.74%
Employee Pension Benefits	644,819	1.34%	772,650	1.80%
Employee Benefits-Other	54,994	.11%	88,586	.21%
Vacation, Health & Personal Days Accrued	0	.00%	77,520	.18%
<b>Total Compensation Package</b>	7,224,926	15.00%	8,925,536	20.82%
Payroll Taxes	429,688	.89%	496,522	1.16%
Workers Comp. Insurance Expense-Staff	15,725	.03%	62,315	.15%
EAP and/or Training Fees	18,473	.04%	14,734	.03%
Payroll Preparation Expense	51,802	.11%	79,517	.19%
Pension/401k Administration Expense	45,825	.10%	15,383	.04%
Consultant Fees	0	.00%	3,161	.01%
<b>Total Personnel</b>	7,786,439	16.16%	9,597,167	22.39%
<b>Occupancy</b>				
Electric	159,349	.33%	150,178	.35%
Gas	55,714	.12%	38,699	.09%
Insurance	283,401	.59%	257,232	.60%
Taxes - Real Estate	143,432	.30%	152,786	.36%
Taxes - Water & Sewer	9,192	.02%	9,179	.02%
Exterminator	3,114	.01%	3,194	.01%
<b>Subtotal</b>	654,202	1.36%	611,269	1.43%
Deprec. - Building	165,363	.34%	179,184	.42%
<b>Total - Occupancy</b>	819,565	1.70%	790,453	1.84%
<b>Store</b>				
Store Supplies	122,999	.26%	52,167	.12%
Recycling and Garbage Removal	28,654	.06%	30,951	.07%
Cash Short or (Over)	(1,724)	(.00%)	2,144	.01%
Svc Cntrct Exp. & Rpr.-Stre Equip.	175,432	.36%	188,599	.44%
<b>Subtotal</b>	325,361	.68%	273,862	.64%
Depreciation - Fixtures & Equip.	18,721	.04%	49,694	.12%
<b>Total Store</b>	344,083	.71%	323,556	.75%
<b>Office</b>				
Printing & Copying	4,735	.01%	14,188	.03%
Office Supplies	70,968	.15%	60,702	.14%
Telecommunications	31,882	.07%	32,512	.08%
Postage	3,234	.01%	16,499	.04%
Professional Fees	0	.00%	0	.00%
Svc Cntrct Exp. & Rpr.-Ofc. Equip.	89,477	.19%	86,373	.20%
<b>Subtotal</b>	200,296	.42%	210,275	.49%
Depreciation - Furn. & Equip.	21,500	.04%	28,543	.07%
<b>Total Office</b>	221,796	.46%	238,817	.56%

continued on page 3

SCHEDULES OF OPERATING EXPENSES (cont'd)	52 weeks to	1/29/23	52 weeks to	1/30/22
		Per Cent of Sales		Per Cent of Sales
<b>Other</b>				
Repairs, Tools, Maintenance	73,349	.15%	47,354	.11%
Advertising and Promotion Expense	14,914	.03%	200	.00%
Meeting Expenses	9,967	.02%	4,614	.01%
Miscellaneous Expense	27,708	.06%	22,954	.05%
Gazette Ad Income	0		225	
Less: Printing & Delivery	983		779	
National Co-op Grocers Member Fees	30,000	.06%	30,000	.07%
Childcare Expense	0	.00%	0	.00%
Audit Expense/Tax Preparation	65,700	.14%	63,500	.15%
Bank Charges	4,187	.01%	6,796	.02%
Electronic Payment Service Charges	180,363	.37%	140,649	.33%
Worker's Compensation Insurance-Members	25,825	.05%	27,563	.06%
Legal Fees	13,900	.03%	29,255	.07%
<b>Total Other</b>	<b>446,896</b>	<b>.93%</b>	<b>373,889</b>	<b>.87%</b>
<b>Total Expenses</b>	<b>9,618,779</b>	<b>19.97%</b>	<b>11,323,883</b>	<b>26.42%</b>

**SALES AND MEMBERSHIP AVERAGES**

Sales Per Week:	52 weeks to	1/29/23	52 weeks to	1/30/22
Average	\$926,386		\$824,270	
Increase or (Decrease) in Sales Per Week	\$102,116	12.39%	(\$11,406)	-1.36%



	52 weeks to 1/29/23			52 weeks to 1/30/22		
<b>BALANCE SHEETS</b>						
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash (Schedule)			6,672,237			4,188,155
Inventory			648,192			689,804
Prepaid Expenses (Schedule)			259,922			340,425
Other Current Assets			5,208	7,585,558		1,573,161
						6,791,545
<b>Fixed Assets</b>						
	Gross	Accum. Deprec.	Net	Gross	Accum. Deprec.	Net
Land	165,000		165,000	165,000		165,000
Building	6,079,884	3,220,722	2,859,161	6,079,884	3,055,359	3,024,524
Office Equipment	494,726	448,559	46,168	459,889	432,802	27,086
Store Equipment	2,128,895	2,120,454	8,441	2,128,895	2,101,733	27,162
Leased Equipment	30,150	13,402	16,748	30,150	7,659	22,492
Deposit on purch of FA	0		0	0		0
	8,898,656	5,803,138		8,863,818	5,597,554	
			3,095,518			3,266,265
<b>Other Assets</b>						
Invest. in Other Cooperative Associations (Sched.)			574,465			573,987
Security Deposit (NCG Joint Liability)			198,075			229,602
Deferred Income Tax Asset			1,055,546			1,055,546
						1,859,135
<b>Total Assets</b>			<u>12,509,162</u>			<u>11,916,945</u>
<b>LIABILITIES &amp; MEMBERS EQUITY</b>						
<b>Current Liabilities</b>						
Accounts Payable			2,245,110			1,964,529
Accrued Vacation, Health & Personal Days			576,059			576,059
Accrued Miscellaneous Expense			270,720			259,449
Donations Payable: Fair Food Program			616			1,672
Taxes Payable			9,946			9,468
Net Income Tax Liabilities			0			0
Current Obligations Payable Under Capital Leases			1,834	3,104,284		5,374
						2,816,552
<b>Long Term Liabilities</b>						
Non-Current Oblig. Payable Under Capital Leases			18,563			18,563
Bank Loans Payable			0			0
Pension Plan Liability			1,178,584	1,197,147		1,137,386
						1,155,949
<b>Total Liabilities</b>			<u>4,301,431</u>			<u>3,972,501</u>
<b>Members' Investment &amp; Members' Equity</b>						
Members' Investment			4,059,337			3,873,742
Paid-in Capital			10,566			10,566
Additional Paid-in Capital			96,771			83,205
Accumulated other comprehensive income			854,153			854,153
Retained Earnings			3,186,904	8,207,731		3,122,778
						7,944,445
<b>Total Liabilities &amp; Members Equity</b>			<u>12,509,162</u>			<u>11,916,945</u>
<hr/>						
Cash			\$6,672,237			\$4,188,155
Less: Accounts Payable (money owed to suppliers)			2,245,110			1,964,529
			<u>\$4,427,126</u>			<u>\$2,223,626</u>

## BALANCE SHEET SCHEDULES

52 weeks to 1/29/23

52 weeks to 1/30/22

## Cash

Sterling Checking	3,194,512		653,031	
Sterling Money Market Accounts	6,932		458,530	
Sterling FSA	43,713		57,182	
National Cooperative Savings Bank CDs/Money Market	50,785		2,477,605	
Spring Bank Money Market/Savings	283,366		280,050	
Vanguard Treasuries/Money Market	2,828,890		0	
Peoples Alliance Federal Credit Union CD	264,039	6,672,237	261,757	4,188,155

## Prepaid Expenses

Miscellaneous	0		0	
Service Contract-Office Equipment	47,580		39,610	
Service Contract-Store Equipment	9,201		32,530	
Workers Compensation Insurance	2,546		0	
Childcare Insurance	0		0	
Fire and Liability Insurance	0		0	
Fidelity Bond-Pension/401k	876		1,109	
Directors and Officers Liability Insurance	15,200		13,360	
Meeting Room Expense	0		2,782	
Real Estate Taxes	61,382		57,711	
Net Tax Asset	123,137	259,922	193,323	340,425

## Investment in Cooperative Suppliers

Patronage Dividends-National Co+op Grocers	410,183		410,183	
Patronage Refund-Frontier	73,907		73,693	
Patronage Refund-Fedco Seeds	775		611	
Equity-Fedco	100		0	
Equity-Frontier Cooperative Herbs	3,734		3,734	
Equity-National Coop. Bank-Class C Stock	28,412		28,412	
Equity-National Co+op Grocers (Member Equity)	56,855		56,855	
Equity-National Co+op Grocers (Voting Stock)	500	574,465	500	573,987

52 weeks to 1/29/23

52 weeks to 1/30/22

## Inventory Turnover

58 x

52 x

## STATEMENT OF CASH FLOWS

52 weeks to 1/29/23

52 weeks to 1/30/22

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, FISCAL YEAR TO DATE:

## Cash flows from operating activities:

Net income (loss) before income taxes	64,127	1,368,929
Adjustments to reconcile results of operations to net cash effect of operating activities:		
Depreciation	205,584	257,421
Deferred income taxes	0	(172,201)
Excess of pension expense over cash contributions	41,198	570,917
Net change in asset and liability accounts:		
Inventories	41,612	(58,869)
Prepaid Expenses	80,503	(166,103)
Other current assets	1,567,953	(478,380)
Accounts payable	280,581	622,822
Other current liabilities	7,152	121,280
Total adjustments	2,224,584	696,887
Net cash provided by (used for) operating activities	2,288,710	2,065,816

## Cash flows from investing activities:

Acquisition of property and equipment, net	(34,837)	(33,279)
Investment in other cooperative associations	(478)	(95,095)
Security Deposit	31,527	(94,449)
Net cash provided by (used for) investing activities	(3,789)	(222,823)

## Cash flows from financing activities:

Repayment of capital lease obligations		(5,010)
Bank Loans Payable	0	0
Net proceeds from member investments	185,595	(113,115)
Capital contributions	13,566	40,222
Net cash provided by (used for) financing activities	199,161	(77,903)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

2,484,082

1,765,091

Cash and cash equivalents - beginning of year

4,188,155

2,423,064

Cash and cash equivalents - end of period

6,672,237

4,188,155

## Appendices: A) Definitions and Calculations for understanding the financial statements: (as of 01/29/2023)

- 1 Gross Margin = Net Sales (money generated by members when we shop) – Cost of the Goods Sold. The Gross Margin dollars divided by Net Sales dollars yields the gross margin percentage. The gross margin dollars are used to pay the expenses of running of the Coop.
- 2 The Coop marks up all items received for resale to try to generate enough money to cover the expenses of operating the Coop. As of 10/13/2020 **products are marked-up 25% for most members (temporarily up from 21%) above the delivered cost.** The exceptions: vitamins and supplements are marked-up an additional 10% above that; cheese, an additional 3%; bulk items, an additional 7%; organic produce, an additional \$1.10 per case is added to the delivered case cost; conventionally grown produce, an additional \$.50 per case; organic bananas, an extra \$2.50 per case above the \$1.10; and conventional papayas, an extra \$1.00 in addition to the \$.50. There are other minor additions that are part of the mark-up. **The result of all of the above is an estimated overall current markup of 26.15%.**
- 3 Shrink and perfect gross margin have been part of our financial analysis and concern since the Coop started in 1973. Perfect gross margin is reached when there is no spoilage, no theft, etc.; by the way, it is never reached. Because the Coop is usually run at about breakeven we pay attention to how far from perfect we are in order to remain financially sustainable and to be alerted to problems that have a financial impact and therefore need to be solved or improved upon. **The goal is to keep our low-price structure by solving problems instead of raising prices.** Shrink is the amount of imperfection. It is calculated by comparing the actual gross margin to the perfect gross margin. Our perfect gross margin is calculated by dividing .2615 (the mark-up) by 1.2615 which =20.92%. We estimate that a typical natural foods supermarket uses a markup of about 56% to yield a gross margin of about 34%. **Our estimated shrink for the 52 week period ended 01/29/2023 is 1.49%** as a percent of sales. This is calculated from "perfect" gross margin of 20.73% minus gross margin from the income statement of 19.24%=1.49%.

### B) What are some possible financial sustainability issues and questions looking forward:

- How important is lowering or not lowering prices?
- How important is adding checkouts that were removed during the pandemic.
- How important is adding back shopping hours that were reduced during the pandemic?
- How important is allowing more shoppers to be present in the store than we are doing now due to either pandemic public health considerations or to enjoy less crowded shopping conditions?
- How important is our policy on masks in regard to our financial projections?