

Park Slope Food Coop Financial Summary for the March 28, 2023 General Meeting

Reviewing the preliminary* 4-week financial statement ending 02/26/2023. This 2-page summary is followed by 6 pages of financial statements and then 1 page of Appendices.

*preliminary pending audit by outside CPA firm

Summary Section 1: Quick View Statement of 4 weeks ending 02/26/2023

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

Sales:.....	4,133,000
Money Generated by Sales To Pay Expenses (Gross Margin):	807,000
Expenses	(782,000)
Gain or Loss on Operations:	25,000
Other Income & Interest Income	12,000
Gain or (Loss) before Income Taxes:	<u>37,000</u>

B) Balance Sheet

Current Assets:

Cash	7,073,000
Other Current Assets: Inventory, Prepaid Expenses etc.	1,033,000
Total Current Assets.....	8,106,000

Non-Current Assets: Land, Buildings, Equipment, Tax Assets,

Money Held by Other Coops	4,776,000
Total Assets.....	<u>12,882,000</u>

Liabilities, Retained Earnings & Member Equity, etc.:

Liabilities including Pension Liability:.....	4,632,000
Members Equity/Capital.....	4,182,000
Theoretical Pension Income	854,000
Retained Earnings	3,214,000
Total Liabilities and Members' Equity	<u>12,882,000</u>

C) Cash Flow Statement

Increase in Cash during the 4 Weeks Ended 02/26/2023	402,000
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Summary continued on next page

Summary Section 2: Projections for this year ending 01/28/2024

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

Summary Section3: How is our financial cushion and how can we be ready for the next pandemic?

Cash of 7.1 million is at an all-time high per the balance sheet on page 4 of 6. Before the pandemic started the Coop had \$3.9 million in cash. During the 3 years of the pandemic the Coop burned through about \$7.5 million. How did we lose so much money yet come out 3 years later with over 3 million more dollars than we started? Answer: Government aid of over \$6 million, many members voluntarily increased their Member/Owner Equity investments, and members voted to increase our prices by raising the base mark-up by 4%.

These are the questions members should be aware of:

Crucial Planning Question 1: How much cash might we want on hand to weather the next pandemic? Since most grocery stores made record profits during the pandemic, it is very unlikely that grocery stores will be eligible for US government aid during the next pandemic. It is very likely that we will need more than 3.9 million at the start of the next pandemic. How much more?

Crucial Planning Question 2: In addition to more cash, what other measures might we take to help during the next pandemic? One measure we are working on is developing a robust home delivery system that is partially motivated by the idea that our members could still receive groceries from the Coop. What other measures should we take?

INCOME STATEMENT	4 weeks to	2/26/23	4 weeks to	2/27/22
		Per Cent of Sales		Per Cent of Sales
Net Sales	4,132,825	100.00%	3,591,053	100.00%
Cost of Goods Sold				
Inventory At Beginning	648,192		689,804	
Net Purchases	3,401,021		2,895,598	
Total Available for Sale	4,049,213		3,585,402	
Less: Inventory At End	723,765		741,486	
Cost of Goods Sold	3,325,448	80.46%	2,843,916	79.19%
Gross Margin	807,377	19.54%	747,136	20.81%
Expenses				
Expenses Except Depreciation	768,725	18.60%	775,014	21.58%
Depreciation	13,545	.33%	16,824	.47%
Total Expenses (Schedule)	782,270	18.93%	791,838	22.05%
Operating Income (Loss)	25,107	.61%	(44,701)	(1.24%)
Other Income				
Membership Fees	4,980	.12%	7,970	.22%
Events & Gifts	0	.00%	0	.00%
Cash Discounts & Rebates	0	.00%	0	.00%
Other Discounts	0	.00%	0	.00%
Patronage Refund Income	0	.00%	0	.00%
Income Tax Refund	0	.00%	0	.00%
Other Income	(55)	(.00%)	2,015	.06%
Total Other Income	4,925	.12%	9,985	.28%
Income Before Interest & Taxes	30,032	.73%	(34,716)	(.97%)
Interest Expense-Loans	0	.00%	0	.00%
Interest Expense-Other	0	.00%	0	.00%
Dividend/Interest Income	6,724	.16%	790	.02%
Net interest	6,724	.16%	790	.02%
Income (Loss) Before Income Taxes	36,756	.89%	(33,927)	(.94%)
Provision for Taxes	0		0	
Net Income (Loss)	36,756		(33,927)	
Other Comprehensive Income-pension Plan Related	0		0	
Total Comprehensive Income (Loss)	TBD		TBD	

SCHEDULES OF OPERATING EXPENSES

	4 weeks to	2/26/23	4 weeks to	2/27/22
		Per Cent of Sales		Per Cent of Sales
Personnel				
General Coordinators	43,353	1.05%	39,008	1.09%
All Other Employees	374,339	9.06%	342,563	9.54%
Total Payroll	417,692	10.11%	381,571	10.63%
Employee Health Benefits	112,476	2.72%	198,895	5.54%
Employee Pension Benefits	65,000	1.57%	50,000	1.39%
Employee Benefits-Other	0	.00%	125	.00%
Vacation, Health & Personal Days Accrued	0	.00%	0	.00%
Total Compensation Package	595,168	14.40%	630,592	17.56%
Payroll Taxes	41,721	1.01%	40,445	1.13%
Workers Comp. Insurance Expense-Staff	3,942	.10%	5,184	.14%
EAP and/or Training Fees	255	.01%	0	.00%
Retiree Health Benefits	0	.00%	0	.00%
Payroll Preparation Expense	4,032	.10%	4,153	.12%
Pension/401k Administration Expense	905	.02%	1,056	.03%
Consultant Fees	0	.00%	0	.00%
Total Personnel	646,023	15.63%	681,430	18.98%
Occupancy				
Electric	13,985	.34%	10,863	.30%
Gas	4,562	.11%	4,147	.12%
Insurance	23,360	.57%	21,956	.61%
Taxes - Real Estate	11,307	.27%	10,701	.30%
Taxes - Water & Sewer	802	.02%	792	.02%
Exterminator	490	.01%	0	.00%
Subtotal	54,506	1.32%	48,458	1.35%
Deprec. - Building	11,506	.28%	13,736	.38%
Total - Occupancy	66,011	1.60%	62,194	1.73%
Store				
Store Supplies	4,161	.10%	1,818	.05%
Recycling and Garbage Removal	157	.00%	2,015	.06%
Cash Short or (Over)	43	.00%	304	.01%
Svc Cntrct Exp. & Rpr.-Stre Equip.	8,894	.22%	9,563	.27%
Subtotal	13,254	.32%	13,700	.38%
Depreciation - Fixtures & Equip.	384	.01%	1,922	.05%
Total Store	13,638	.33%	15,622	.44%
Office				
Printing & Copying	395	.01%	395	.01%
Office Supplies	14,101	.34%	1,794	.05%
Telecommunications	2,391	.06%	2,794	.08%
Postage	12	.00%	24	.00%
Professional Fees	0	.00%	0	.00%
Svc Cntrct Exp. & Rpr.-Ofc. Equip.	7,640	.18%	5,761	.16%
Subtotal	24,537	.59%	10,768	.30%
Depreciation - Furn. & Equip.	1,656	.04%	1,166	.03%
Total Office	26,193	.63%	11,934	.33%

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SCHEDULES OF OPERATING EXPENSES (cont'd)	4 weeks to		2/26/23	4 weeks to		2/27/22
			Per Cent of Sales			Per Cent of Sales
Other						
Repairs, Tools, Maintenance		9,482	.23%		3,048	.08%
Advertising and Promotion Expense		0	.00%		0	.00%
Meeting Expenses		205	.00%		290	.01%
Miscellaneous Expense		301	.01%		287	.01%
<i>Gazette</i> Ad Income	0			0		
Less: Printing & Delivery	<u>0</u>	0	.00%	<u>0</u>	0	.00%
National Co-op Grocers Member Fees		0	.00%		0	.00%
Childcare Expense		0	.00%		0	.00%
Audit Expense/Tax Preparation		0	.00%		0	.00%
Bank Charges		224	.01%		415	.01%
Electronic Payment Service Charges		15,927	.39%		11,591	.32%
Workers Compensation Insurance-Members		4,029	.10%		3,466	.10%
Legal Fees		239	.01%		1,560	.04%
Total Other		<u>30,405</u>	<u>.74%</u>		<u>20,658</u>	<u>.58%</u>
Total Expenses		<u>782,270</u>	<u>18.93%</u>		<u>791,838</u>	<u>22.05%</u>

SALES AND MEMBERSHIP AVERAGES

Sales Per Week:	4 weeks to		2/26/23	4 weeks to		2/27/22
Average		\$1,033,206			\$897,763	
Increase or (Decrease) in Sales Per Week		\$135,443	15.09%		\$113,949	14.54%

	4 weeks to 2/26/23			4 weeks to 2/27/22				
BALANCE SHEETS								
ASSETS								
Current Assets								
Cash (Schedule)			7,072,659			4,269,365		
Inventory			723,765			741,486		
Prepaid Expenses (Schedule)			301,334			389,569		
Other Current Assets			8,731	8,106,488		1,537,269	6,937,690	
		Accum.			Accum.			
Fixed Assets								
	Gross	Deprec.	Net		Gross	Deprec.	Net	
Land	165,000		165,000		165,000		165,000	
Building	6,079,884	3,232,228	2,847,656		6,079,884	3,069,095	3,010,788	
Office Equipment	494,726	449,772	44,954		459,889	433,526	26,362	
Store Equipment	2,128,895	2,120,839	8,057		2,128,895	2,103,655	25,240	
Leased Equipment	30,150	13,844	16,306		30,150	8,101	22,050	
Deposit on purch of FA	0		0		0		0	
	8,898,656	5,816,683		3,081,973	8,863,818	5,614,378	3,249,441	
Other Assets								
Invest. in Other Cooperative Associations (Sched.)			574,465				573,987	
Security Deposit (NCG Joint Liability)			63,384				231,337	
Deferred Income Tax Asset			1,055,546	1,693,395		1,055,546	1,860,870	
Total Assets				12,881,855			12,048,001	
LIABILITIES & MEMBERS EQUITY								
Current Liabilities								
Accounts Payable			2,514,773				2,070,748	
Accrued Vacation, Health & Personal Days			576,059				576,059	
Accrued Miscellaneous Expense			270,040				252,192	
Donations Payable: Fair Food Program			1,141				2,117	
Taxes Payable			6,694				6,749	
Net Income Tax Liabilities			0				0	
Current Obligations Payable Under Capital Leases			1,539	3,370,247		5,079	2,912,945	
Long Term Liabilities								
Non-Current Oblig. Payable Under Capital Leases			18,563				18,563	
Bank Loans Payable			0				0	
Pension Plan Liability			1,243,584	1,262,147		1,187,386	1,205,949	
Total Liabilities				4,632,394			4,118,894	
Members' Investment & Members' Equity								
Members' Investment			4,073,541				3,890,532	
Paid-in Capital			10,566				10,566	
Additional Paid-in Capital			97,091				85,005	
Accumulated other comprehensive income			854,153				854,153	
Retained Earnings			3,214,110	8,249,461		3,088,851	7,929,107	
Total Liabilities & Members Equity				12,881,855			12,048,001	
Cash							\$7,072,659	\$4,269,365
Less: Accounts Payable (money owed to suppliers)							2,514,773	2,070,748
							\$4,557,885	\$2,198,617

BALANCE SHEET SCHEDULES**4 weeks to 2/26/23****4 weeks to 2/27/22****Cash**

Sterling Checking	846,589		738,387	
Sterling Money Market Accounts	2,756,857		458,878	
Sterling FSA	41,341		51,902	
National Cooperative Savings Bank CDs/Money Market	50,867		2,478,081	
Spring Bank Money Market/Savings	284,066		280,167	
Vanguard Treasuries/Money Market	2,829,177		0	
Peoples Alliance Federal Credit Union CD	263,762	7,072,659	261,951	4,269,365

Prepaid Expenses

Miscellaneous	0		0	
Service Contract-Office Equipment	45,368		42,248	
Service Contract-Store Equipment	9,610		30,219	
Workers Compensation Insurance	5,147		13,492	
Childcare Insurance	0		0	
Fire and Liability Insurance	53,125		47,161	
Fidelity Bond-Pension/401k	841		1,292	
Directors and Officers Liability Insurance	14,031		12,332	
Meeting Room Expense	0		2,492	
Real Estate Taxes	50,074		47,010	
Net Tax Asset	123,137	301,334	193,323	389,569

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

4 weeks to 2/26/23**4 weeks to 2/27/22**

Inventory Turnover

63 x

52 x

STATEMENT OF CASH FLOWS

	<u>4 weeks to 2/26/23</u>	<u>4 weeks to 2/27/22</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, FISCAL YEAR TO DATE:		
Cash flows from operating activities:		
Net income (loss) before income taxes	36,756	(33,927)
Adjustments to reconcile results of operations to net cash effect of operating activities:		
Depreciation	13,545	16,824
Deferred income taxes	0	0
Excess of pension expense over cash contributions	65,000	50,000
Net change in asset and liability accounts:		
Inventories	(75,573)	(51,682)
Prepaid Expenses	28,774	(49,144)
Other current assets	(3,523)	35,892
Accounts payable	259,147	106,219
Other current liabilities	(70,997)	(9,826)
Total adjustments	<u>216,373</u>	<u>98,283</u>
Net cash provided by (used for) operating activities	<u>253,130</u>	<u>64,356</u>
Cash flows from investing activities:		
Acquisition of property and equipment, net	0	0
Investment in other cooperative associations	0	0
Security Deposit	<u>134,691</u>	<u>(1,736)</u>
Net cash provided by (used for) investing activities	<u>134,691</u>	<u>(1,736)</u>
Cash flows from financing activities:		
Repayment of capital lease obligations		
Bank Loans Payable	0	0
Net proceeds from member investments	14,204	16,790
Capital contributions	<u>320</u>	<u>1,800</u>
Net cash provided by (used for) financing activities	<u>14,524</u>	<u>18,590</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	402,345	81,211
Cash and cash equivalents - beginning of year	<u>6,670,314</u>	<u>4,188,155</u>
Cash and cash equivalents - end of period	7,072,659	4,269,365

Appendices

A) Definitions and calculations for understanding the financial statements as of 02/26/2023:

- 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 Mark Up = The percentage added to any particular product for the delivered cost. The Coop marks up all items received for resale to try to generate enough money to cover the expenses of operating the Coop, we don't always succeed. 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 add-ons 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 is calculated mathematically by the Coop as the difference between the perfect gross margin and our actual gross margin. 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.** Our perfect gross margin is calculated by dividing .2615 (the mark-up) by 1.2615 which =20.73%. 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 4-week period ended 02/26/2023 is 1.19%** as a percent of sales. This is calculated from the "perfect" gross margin of 20.73% minus gross margin from the income statement of 19.54%=1.19%.

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? And how easy or difficult would it be to do that?
- 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?