



*cooperatively owned, everyone welcome*

April 28, 2019

## Treasurer's Report to Member-Owners - 2019

Dear Co-op Member-Owners,

You have already heard from Kim Tobin, our President, and Karl Sabo, our General Manager, about the operating results for 2018 and first quarter of 2019, as well as the generic financial and operational difficulties that face us at this time, our 7th year as a cooperative grocery & deli.

I want to talk with you about our capital history and current condition. When the Co-op opened in December, 2012, it had borrowed more than a million dollars, principally from a combination of the Florence Bank and Co-op Member-Owners to finance the store acquisition from Alice & Amy, store renovation and initial working capital. Early operating losses and renovation cost overruns resulted in a new capital campaign in 2014 which produced more than \$300,000 in additional loans and outright gifts from Member-Owners. By the end of 2018, we had paid down the Florence Bank debt from about \$560,000 to \$414,000 and the loans owed to Member-Owners from about \$430,000 to \$311,000 (all figures rounded), a total long-term debt reduction of about \$265,000. None of that reduction is attributable to store operating profits. All of it to Member-Owner generosity.

Still, the rule is that when you borrow money the lender expects, at least eventually, to be repaid, even if that lender is a Co-op Member-Owner. Our Member-Owner loans began to reach pay-back maturity dates in 2016. Since then, we have been asking Member-Owner lenders to extend those maturities for an additional 5 to 6 years or to forgive their loans entirely (which forgiveness now- April, 2019- totals \$101,000).

Not everyone can extend or forgive. Each year some Member-Owner loans must be repaid. The Co-op has now run out of existing resources to make those repayments. Going forward, we need to apply all cash generated by store operations to the payment of operations expenses and business needs. To make the needed loan repayments we plan to ask some of our existing Member-Owners to join together in a new "pooling" program for paying off those loans. We expect, however, that most Member-Owner lenders will not require immediate loan repayment.



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Beginning in May, for this new “pooling” loan program we will be seeking \$60,000 to \$80,000 in new loans from Member-Owners to be devoted solely to repaying existing Member-Owner loans maturing during the next three years whose lenders will need repayment. That temporary relief (for three years) from the need to fund Member-Owner repayment needs from store-generated cash will give Co-op management the time to establish a self-reliant business attractive to enough satisfied customers, new and old, to generate the consistent profits needed to survive.

Submitted by Wil Hastings, Treasurer.