

Fare Share Co-op

# JUNE-DECEMBER 2015 GENERAL MANAGER REPORT



## Looking back at 2015

We have seen significant and sustained growth in sales in the last two quarters of 2015. The increased support from the community and Co-op members is exhilarating. Our financial situation has continued to stabilize and the Co-op staff has worked hard to provide superior service, along with an increasingly balanced inventory and improved pricing structures we are making huge strides towards our long-term Energy Efficiency Goal.

Fare Share is better positioned than ever to provide products and services to it's members and the greater community!

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## **New General Manager**

I was hired in the beginning of June 2015 and initially immersed myself in the book keeping practices of the Co-op. I was able to be part of finalizing a large financing project in support of the Co-op's long-term Energy Efficiency Goal. I have also been able to assess the organization with new eyes and with the help of strong business experience. I developed new short-term and long-term strategies for operations. In addition, the Fare Share Board of Directors and I have been working on increasing board training opportunities with the intent to strengthen the ability of the Board to effectively advocate on the organization's behalf. Fare Share is a community asset and I am honored to be part of this organization.

My focus in 2015 was to reduce operating costs and short-term liabilities, to increase sales, and to reduce the Co-op's energy footprint.

## **Financing Projects**

The loan and grant package from USDA Rural Development was finalized in August. This project supported two important items in the second phase of Fare Share's Energy Efficiency Plan. The loan funds of \$34,000 paid for the purchase and installation of our new Heat Pumps. Most of the grant funds of \$17,500 paid for the purchase and part of the installation of our new produce cooler. Fare Share pledged, and did contribute, \$1,500 for part of the installation. The total grant of \$17,500 has not been used up, allowing us to complete additional items in Phase Two of our Energy Efficiency Plan in 2016.

Efficiency Maine has also contributed financially to our Phase Two energy efforts. The funds were finally released late last year and we were able to move ahead with the installation of a new LED lighting system.

## **Grant Application and Technical Assistance**

In conjunction with the Finance Committee I identified a set of critical issues early in my employment. The committee came across an applicable grant while researching best

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capitalization practices. Cooperative Funds of New England (CFNE) offered grant funds to small to mid size cooperatives for technical assistance aimed at strengthening organizations such as ours by offering training and analysis.

Our application was accepted and we received grant funds to pay for 6 months of technical assistance from Independent Retailers Shared Services Cooperative (IRSSC) and we have been working with IRSSC since October. This partnership has provided us with a nice overview of our current position in the community by analyzing our strengths, weaknesses, opportunities, and threats. That analysis gives us a good foundation for building sales strategies, pinpoint Board training opportunities, continue and finalize our marketing plan, and better communicate with members and the community. The approved grant funds totalled \$4,350. Half of the funds were paid out initially and half of the funds will be paid out upon completion of the project.

The final products of the technical assistance will be realized in 2016 and can be used as Board and GM tools moving forward.

### **Heat Pump Installation**

My personal favorite! The installation went smoothly. Tim Arsenault from EcoHeat Maine did a very nice job with installing all units. They have been our only source of heating and have provided dependable heat even through the coldest part of the winter. We spent \$0.00 on heating oil in the last 6 months of 2015. Our electricity bill increased (over last year) in those last months, but not significantly. With a few more months under our belt we will do a detailed analysis of the cost savings of this project.

### **Produce Cooler Installation and Compressor Relocation**

We had a few issues with the purchase of the produce cooler. The wrong unit showed up. We had to send it back only to receive a unit slightly different from the one originally ordered. The installation went well and we were able to relocate one of our other compressors to the same location for easy access and more efficient cooling in the summertime. Hawkeye Refrigeration worked together with Flander's Electric to complete the project.

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## **LED Lighting System Installation**

Flander's Electric installed the new LED lighting system and replaced old bulbs in the rental spaces with LED bulbs. This was made possible by rebates from Efficiency Maine. Fare Share paid a total of \$1,740 for a \$6,962 installation job. The Efficiency Maine funds had been frozen for some time, but were released in time for us to make the installation happen in 2015. The storefront suffered from inadequate lighting for some time due to the old fixtures habit of breaking bulbs. Having a well lit storefront has an incredibly positive effect on shopping experience and our mood.

## **POS Evaluation and Upgrade**

A plan to upgrade from our existing POS system to a more affordable and user friendly system is in place. We have been in the queue for technical support for most of the fall. The new POS system was financed by CFNE at \$2,000. Fare Share's current database is scheduled to be transferred and the system fully installed in March 2016.

## **New Vendors**

Bringing in new local vendors to enhanced the Co-op's product mix is exciting. Additions such as Maine Medicinals, A Wee Bit Farm and Misty Brook Farm is really complementing the previous mix of vendors and products. Other additions are the more affordable grocery brand Field Day that offer a great range of organic and natural products at low prices without compromising integrity. The supplement section has also received a great boost and Fare Share can now offer a very extensive array.

## **Increase Membership**

Fare Share has seen a 15% increase in membership between June and December of 2015. The Fare Share staff is working hard to sign up new members.

Both new and old customers are signing up. Communicating the benefits of the two tier pricing system and the values of the cooperative has proven effective. The increase in

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membership reflects the larger community's positive reactions to the many changes and the hard work presented by the Co-op in 2015.

### **Increased Sales**

Sales have increased significantly during the last two quarters of 2015. Fare Share is well positioned for increased sales and positive development in 2016 based on the 10% increase in sales in the last two quarters over the previous year. The month of September by far exceeded expectations and increased by 22%.

This increase is in part due to the excitement following the changes presented above. It is also due to several minor store resets and thoughtful merchandising. A new policy for discounting products and discontinuing undesirables has contributed to a cleaner and more current inventory, enhancing the shopping experience and also contributing to increased sales.

### **Decreased Cost of Operation**

The reduction in cost of operation has resulted from managing accounts payable differently, discontinuing certain services, and conserving resource. The Heat Pumps have also made it possible for Fare Share not to purchase heating oil, reducing utilities by 32% in the last 6 months of the year. Cost of supplies has decreased by 55% in that same period, and Bank and Vendor Charges have dropped by 40%.

Payroll cost increased by 8% and Professional Fees increased by almost 200% due to the closing of the USDA Loan and the Technical Assistance contract with IRSSC. Despite these increases the Total Expenses decreased by almost 1%.

### **Bright Future with exciting challenges**

All the positive changes in 2015 have strengthened Fare Share by supporting the Co-op's Ends Policies. We are moving into 2016 with strong momentum of increased sales and positive attitudes. My aggressive sales goal of a 25% increase reflect the positive impact already achieved, as well as the unlimited potential of this cooperative. It gives me great

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pleasure to let you all know that we exceeded that goal for the month of February 2016 with a 25.7% increase. That should give you a taste of what is to come. My focus for 2016 is to increase sales. Other areas of improvement will also be addressed, but to ensure the financial sustainability of the Co-op, sales have to be carefully managed.

As a final note, I want to let you know that I'm happy about the Board's decision to launch the Fare Share Capital Campaign in 2016. Fare Share will reach its potential when all of these pieces fall into place. Being properly capitalized, increasing sales, reaching financial sustainability through sound operating policies, and having a strong and positive membership base will elevate us all and bring Fare Share to the next level. There we can offer better products and services to our membership and the general public. Let's do it!

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# Fare Share Co-op

## Profit & Loss: January through December 2015

03/11/16 Accrual Basis

Ordinary Income/Expense	Jan 2015 - Dec 2015
<b>Income</b>	
Rental Income (incl Commons)	26,100.00
Grant Income	12,096.00
Sales (after discounts)	<u>365,193.40</u>
<b>Total Income</b>	403,389.40
<b>Cost of Goods Sold</b>	<u>249,045.42</u>
<b>Gross Profit</b>	154,343.98
<b>Expense</b>	
Insurance	3,740.82
Interest & Charges	13,275.99
Licenses Permits & Fees	600.00
Maintenance & Repairs	6,444.19
Mission & Marketing	894.95
Miscellaneous	789.24
Payroll/Regular	74,705.68
Payroll/EBT Benefit (EBT Used)	5,149.12
Payroll Tax	7,070.29
Payroll Benefits	5,275.48
Postage and Delivery	39.40
Printing and Reproduction	382.97
Professional Fees	6,184.04
Property Tax	308.35
Service Charges	73.47
Staff/board development	169.00
Supplies	2,879.10
Telecommunications	2,304.15
Travel	27.62
Utilities	<u>14,109.91</u>
<b>Total Expense</b>	<u>144,423.77</u>
<b>Net Ordinary Income</b>	9,920.21
<b>Other Income/Expense</b>	<u>-2,378.28</u>
<b>Net Income</b>	<b>7,541.93</b>

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# Fare Share Co-op

## Balance Sheet: As of December 31, 2015

03/11/16 Accrual Basis

**Dec 31, 2015**

### **ASSETS**

Current Assets	49,884.91
Fixed Assets	180,212.37
Other Assets	<u>1,069.57</u>

**TOTAL ASSETS** **231,166.85**

### **LIABILITIES & EQUITY**

Liabilities	
Current Liabilities	40,868.83
Long Term Liabilities	<u>309,217.76</u>
Total Liabilities	350,086.59
Equity	<u>-118,919.74</u>

**TOTAL LIABILITIES & EQUITY** **231,166.85**