

ANNUAL REPORT

2015-2016



MARSH RIVER CO-OP 5 VETERANS HWY, PO BOX 217 BROOKS ME 04921 (207) 722-3053
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A PIVOTAL MOMENT

In August, the Marsh River Co-operative (the Co-op) celebrated its second year as a store. The Co-op ended the fiscal year on June 30 with a net loss of \$600 and assets of approximately \$12,400 (primarily inventory).

The Co-op can be proud to remain open after two years. However, two key factors make the Co-op's viability uncertain:

- **The Co-op was founded with the idea that it would be operated and managed by volunteers.** This has proven to be a challenge. We have found it necessary to hire an assistant manager (currently paid 25 hrs/week) and, more recently, a cashier (6 hrs/week). This paid time in no way covers all of our needs. The Co-op continues to rely on a very small number of volunteers to staff the store and manage the organization. These volunteers cannot continue to put in the number of hours needed to keep the store open and to ensure the Co-op fulfills its mission.
- **The Co-op was founded with a hope that its member owners and an increasing number of community members at large would provide the customer base to support the Co-op.** Despite a larger and more varied store inventory and a slowly growing customer base, sales have not increased enough to cover all costs.

Without changes, the Co-op will face significant challenges in remaining open for another year.

At the annual meeting on November 13, we will ask you, the Co-op member owners, to consider if and how the Co-op can achieve both financial and volunteer sustainability.

- Your Board Members: Kim Jacobs (President), Ronanne Haigh (Treasurer), Heather Selin (Secretary), Nancy McAlley, Mike Switzer, Meredith Toumayan, Nancy Webster

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MRC ANNUAL MEETING & POTLUCK

Sunday, November 13
4:00 - 6:15pm
at the Co-op

AGENDA

4:00 - 4:25	Member Registration, Potluck & Socializing
4:30 - 4:40	Welcome & Introductions
4:40 - 4:55	Financial Overview
4:55 - 6:00	Discussion: Co-op's Future Directions
6:00 - 6:15	Election of 2016-2017 board of directors

THE MISSION of the Marsh River Cooperative is to foster our local community and economy by offering affordable, high quality, and locally produced food and goods in a welcoming space that strengthens our community social fabric.

FINANCIAL SUMMARY



The Co-op's fiscal year is July 1 – June 30. The figures below compare the 2015 and 2016 fiscal years. The 2015 total sales figures are pro-rated to reflect the fact that the Co-op was only open for business in 11 months during that fiscal year.

- The Co-op had a net operating loss¹ of \$3,885 in 2016. A major factor in this loss was the correction of an inventory entry error made in 2015, which overstated the value of 2015 inventory by \$1,500. If this error had been discovered and corrected in 2015, that fiscal year would have reflected a net loss of approximately \$1,500, rather than the \$37 profit reflected in last year's financial statements.

WOW!

- 100 members
- At least 3,000 volunteer hours
- \$51,000 paid to local producers

- The operating loss was significantly defrayed by other income of donations and membership income of \$3,285, resulting in a net loss of \$600.

The full year-end financial statements are available at the Co-op. Copies will be available at the Annual Meeting.

PROFIT & LOSS SUMMARY	2015	2016
Sales income	\$109,152 ²	\$124,319 ³
Less cost of goods sold (inventory at 1 July 2015 + 2016 purchases)	88,400	102,906
GROSS PROFIT (Sales income less cost of goods sold)	20,753	21,413
Operating Expenses (Wages, utilities, credit card fees, insurance, supplies, taxes)	24,346	25,299
NET OPERATING PROFIT (LOSS)	(3,593)	(3,885)
Other Income (Donations, membership fees, interest)	3,630	3,285
NET PROFIT (LOSS) (Gross profit less operating expenses)	\$37	\$(600)

¹ Net operating profit or loss is defined here as revenue from sales, minus cost of goods sold and minus operating expenses.

² The Co-op was only open for 11 months in the 2015 fiscal year. A pro-rated estimate of sales for 12 months is \$121,317. This is an **estimate only** to provide a sense of comparison from 2015 to 2016.

³ In 2015, the Co-op had expanded "summer" (June-Oct) hours. In 2016 we remained at "winter" hours all year due to a shortage of volunteers. This will have negatively impacted 2016 sales volume, but we don't know by how much.

ANNUAL MEETING DISCUSSION: SUSTAINING THE CO-OP



This past year has, in many ways, been a good one for the Co-op:

- Increased membership from 81 to 100 members.
- An estimated 2.5% increase in sales in 2016 over 2015.
- Increase in money paid to local vendors from \$46,000 in 2015 to \$51,000 in 2016
- Improvement of facilities and operational systems (see "Highlights" on page 7 for more details).

But even with this positive growth, the Co-op faces significant challenges:

- Our profits from sales are not sufficient to cover expenses. Our net operating loss this year was nearly \$4,000. Donations and membership fees helped reduce this to a net loss of \$600.
- Our expenses in the past two years have not reflected rent expenses or adequate staffing expenses.
- We have an insufficient number of volunteers to manage the Co-op and operate the store.
- We are headed into the “slow” season and, based on data from previous years, can expect to incur losses in five of the next six months.

In order to be sustainable, the Co-op needs to resolve these challenges. Specifically, we need to achieve one or more of the following goals in the short term, in order of importance and feasibility:

- Significantly increase sales revenues: By around 18%, or \$32,000 more than in 2016.
- Significantly increase the number of active Co-op volunteers: Double the current number of volunteers.
- Raise significant funds through other means, such as grants: At least \$7,000/year in the short term.
- Increase gross profit margin.
- Decrease costs.

You will find more detailed information on each of these strategies in the following pages (Ways to Achieve Sustainability).

In the event that we are not able to achieve the above goals, we will need to consider **other options** within the next few months:

- **Consider a different model of operation**, such as a once-a-week market, or a buying club combined with occasional events.
- **Consider store closure.**

We are looking to you, all member owners, to provide clear guidance to the incoming Board of Directors about how to proceed over the next few months. This is a critical discussion, and one that the Board does not take lightly.

Please come to the annual meeting on **November 13** prepared to discuss these issues. This is YOUR Co-op; we need YOUR input.



WAYS TO ACHIEVE SUSTAINABILITY



1. INCREASE SALES REVENUES

Actions Taken in 2016:

- Expanded inventory, including introduction of wine and beer sales
- Lowered prices on many items in order to expand customer base and sales
- Better anticipation of seasonal needs (planting season, July 4 opening, Labor Day, Common Ground Fair weekend)
- Increased promotion: Better outdoor signage, paid advertising through WERU radio and Republican Journal

Estimated Needs:

- **"Current Situation"**: Would only be feasible if volunteer store staffing increases significantly. Pay 25 staff hours/week & cover slightly increased other expenses. Gross sales (approximately) needed: \$156,000/year, an increase of 18% over 2016 sales. Does not include payment of any rent.
- **"Slight Improvement"**: As above, but pay 30 staff hours/week. Gross sales needed: \$173,000, a 39% increase over 2016 sales. Volunteer staffing would still need to increase.
- **"Sustainable Operation"**: Pay 44 staff hours/week (current opening hours plus an hour daily for opening/closing), pay minimal rent of \$300/month. Gross sales needed: \$226,000, an 82% increase over 2016 sales.



Questions to Consider:

- Are any of these scenarios realistic? If so, what needs to happen to achieve them?
- How much more money will you, as a member, commit to spending at the Co-op every week? For example, if every member spent an extra \$10 every week, sales would increase by \$45,000.

2. INCREASE NUMBER OF VOLUNTEERS

Actions Taken in 2016:

- In 2016, about 25 volunteers have kept the Co-op running. Around 15 "core" volunteers do the bulk of the work. Some volunteers regularly contribute 30+ hours a month working store hours and doing board, committee or other work. This is not sustainable. Current volunteers are exhausted and cannot do more. Many need to do less.
- We asked all consumer members to volunteer two hours per month.
- We reduced the required volunteer hours for producer members from 12 to 4 hours/month, hoping that this requirement would be more realistic to meet.
- Implemented an on-line sign up system to make it more convenient for volunteers to sign up for store shifts.
- Regular email and phone calls to volunteers to fill consistently empty shifts.
- Additional recruitment of volunteers for other needs through phone calls, email, personal conversations, and the newsletter.

WAYS TO ACHIEVE SUSTAINABILITY....cont'd



Estimated Needs:

- With paid staff of 25 hours/week, we need volunteers for 19 hours/week (82 hrs/mo; 981 hrs/yr) just to keep the Co-op open at the current hours.
- We also need board members, committee members, and other volunteers to work on a host of other things, such as Facebook and web page content, policy development, purchasing, store displays, promotion, finance, fundraising, event coordination.
- We need to approximately double the number of volunteers consistently working store hours, and double the number of volunteers working on other aspects of the Co-op's operation.

Questions to Consider:

- Is it realistic to expect approximately 25 **additional** people to consistently volunteer? If so, what needs to happen to achieve this?
- How much additional volunteer time will you, as a member, commit to the Co-op every month? (See page 10 for more info!)

3. SERIOUS FUNDRAISING

Actions Taken in 2016:

- Engaged Slow Money Maine and SCORE to provide guidance on needs and potential fundraising opportunities
- Fundraising activities were event-based, and raised less than \$1,000
- Investigated some grants, but none were applied for due to lack of time available from committed volunteers with the skills and experience necessary to write the grants.



Estimated Needs:

- Unless we improve other factors, such as sales and margins, we would need to rely on significant fundraising on an ongoing basis as part of our business model. This would not be a "one-off" effort.
- If we relied on fundraising instead of increased sales to pay expenses we would need to raise these estimated amounts every year:
 - "Current Situation" scenario above: \$7,000
 - "Slight Improvement": \$12,000
 - "Sustainable Operation" scenario: \$25,000
- Even with increased sales, some fundraising will be needed to pay for upgraded equipment and extraordinary expenses, such as intensive expansion of inventory.

Questions to Consider:

- Should fundraising be a primary component of the Co-op's business model? If so, how can we feasibly raise the funds needed?
- Will those of you members with grant-writing experience commit to doing this work in the next few months?

WAYS TO ACHIEVE SUSTAINABILITY....cont'd



4. INCREASE GROSS PROFIT MARGIN (% profit on goods sold)

Actions Taken in 2016:

- Reduced or eliminated various discounts
- Introduced wine and beer sales, which have a higher margin than many other products
- Increased average profit margin from under 20% to 25%
- Initiated co-buying with the Belfast Co-op in order to stock more items affordably

Estimated Needs:

- We would like to further increase our gross profit margin, but there are challenges:
 - With low buying volume, we have limited ability to buy products at lower prices.
 - We have limited paid staff time to work on ways to reduce the costs of goods.
 - If we increase prices, we risk reducing sales.

Question to Consider:

- What ideas do you have to increase profit margin, that you are willing to help implement?

5. DECREASE OPERATING COSTS

Actions Taken in 2016:

- We have examined how to reduce costs, but we have not identified significant new ways to make savings. Our largest costs are cost of goods sold, wages, utilities, and insurance, over which we have little control, or which can only be decreased with undesirable consequences (such as reduction of store hours or reduction of inventory).
- Some savings are feasible but require investment of capital that we do not have. For example, we could reduce electricity costs with a more efficient produce cooler. However, the cost of the cooler would be at least \$8,000, money that we would need to raise (see "Serious Fundraising" above) or borrow.

Estimated Needs:

- We are underspending in major areas, such as better displays, appropriate pay and benefits for staff, a larger promotional budget (for advertising, sponsorships, events, and/or other outreach), and in putting money aside for inevitable equipment repair and replacement costs.
- We do not currently pay rent, a huge cost savings that we receive thanks to a landlord who supports our endeavor. Our current lease stipulates that we only pay rent if we make a profit. The rent is one-third of profits, up to a maximum of \$1,000/month. The rent agreement can be cancelled or changed with six months notice. We need to be prepared for this possibility.

Question to Consider:

- What ideas do you have to decrease costs, that you are willing to help implement?

HAPPENINGS AND HIGHLIGHTS



While we mull over our challenges, we can't forget to celebrate our accomplishments! In 2016 the Co-op has made numerous improvements to its systems, increased its inventory, sponsored events and artworks, and harnessed the energy of its beautiful volunteers. Here are just a few things that happened in 2016.

Events and Exhibits

- Ukrainian Easter Egg Decorating with artist/member Lesia Sochor
- Quiz Nights with David Greeley
- Puppet-making workshop and show with Andrea Simoneau
- Brooks 200th Anniversary 4th of July Celebration – porch barbeque and including float with live chickens! (see picture)
- Formal Tea fundraiser put on by Ralph's Café, sold out and with all proceeds donated to the Co-op.
- Christmas Craft Show with crafter demos
- Rotating art exhibits by community and Co-op members Mike McDonald, Melissa McDonald, Marta Madden, Louise Shorette, Hélène Melone, Max Nolin (see picture), and John Lusignan



Operational & Policy Improvements

- New efficient vendor payment handling – thanks Fred!
- Electronic organization of membership and volunteer lists, formal tracking process for volunteer hours, & online scheduling for Co-op store shifts – thanks Becky and volunteer committee!
- Updated and more comprehensive Operations manual for “running of the store” – thanks Shelley & Nancy M!
- Development of financial analysis and projections, leading to reduction of discounts and higher profit margin – thanks Heather S and financial planning working group!
- Streamlined processes to track product inventory and sales, leading to fewer losses from spoilage and greater buying efficiencies – thanks Matthew!
- Other improved systems including more efficient point of sale system, security improvements to network and wifi, and ability to handle debit cards – thanks Matthew!



HAPPENINGS AND HIGHLIGHTS...cont'd



Product and Price Improvements

- Lots of new products, including:
 - Wine and beer, including local-ish wines and ciders - \$4,514 in sales from July- Sept.
 - Bananas, avocados, ricotta cheese – thanks to co-buying with Belfast Co-op
 - Swan's honey (Albion)
 - Toddy Pond yogurt (Monroe)
 - White's Farm artisanal salami (Winterport)
 - Common Hill beef (Jackson)
 - Applebottom beef (Jackson)
 - Wicked Joe and Carrabassett coffees
- Lower prices – many of our products are now at a lower price than at other stores in the area! - thanks Matthew, Mike and merchandising committee!



Marketing

- Regular Facebook postings – thanks Matthew, Moriah and Meredith!
- WERU radio announcements – thanks Dave G for donating!
- Republican Journal ads – thanks Ronanne & Heather S for organization/design!
- Monthly newsletter - thanks Paul!
- New outdoor signage out front – thanks Al, Bekki D, Heléna Melone for painting, Kim for designing, and Bob K and Kim for wood donation!
- Producer profile bulletin board – thanks John P for building the board and Max for doing the producer profiles!

Facilities Improvements

- New flower boxes brightening our front area – thanks Kim and Mike S!
- Changes to the store layout and addition of bulk dispenser bins – thanks facilities committee for heavy lifting and Belfast Coop for donating the bins!
- Refinished floor - thanks Izzy!



ACKNOWLEDGEMENTS



A Week in the Life of Your Co-op

Monday. Kim, Mike and Heather S of the merchandising committee are identifying product gaps and rearranging product displays. The facilities committee, Al, Izzy, Kim, John & Dave are bringing up new display shelves from the basement. Matthew, working from home and often on volunteer time, is ordering produce, dairy, meat and dry goods. Fred is finalizing the monthly financial statements. Meredith is chairing the crafter committee meeting with Bekki, Sonja, Gail and Val. On another Monday we're doing inventory with Fred, Sean, Heather Q, Cody, Shelley, Kim, Meredith, Heléna, and Betsy.

Tuesday. Volunteers are driving across Waldo County picking up products our customers want but that we can't get delivered because our orders are so small. Mike S or Ronanne get Back 40 Bakehouse bread, Bekki D gets White Orchard milk, and Matthew, Charles or Barbara get Toddy Pond yogurt. Kim and Heather S are finalizing the agenda for the board meeting tonight. Other board members might be working on "homework" assignments, like Nancy M updating the ops manual, Ronanne checking out advertising options, Shelley reporting on volunteer issues, Heather S crunching numbers, or Mike & Izzy planning events.

Wednesday. Shelley is probably opening the store, as she often does two or three or more mornings a week. Wednesday opening is busy - the produce has to be transferred from the back cooler to the produce coolers. Fred is in tallying up last week's receipts and reconciling the books. Meredith or Kim or Ronanne might be covering the store until Matthew comes in. Many of the store shifts this week are still open. Becky W sends an email to members to try to fill the shifts. The financial planning working group, Heather S, Fred, Kip, Ronanne and Mike, are discussing budget projections.

Thursday. Is Shelley opening again? Doreen is often in to help unpack the Associated order. Izzy is a likely face at the register, maybe with Anne, a new producer member. Or Sean, although summer has been busy with the farm. Weekend shifts still open. Becky W sends a second email to try to get the usual - and hopefully some unusual - suspects to sign up. Fred is in again, keeping our books honest.

Friday. Nathan is opening. Lots of shoppers buying weekend groceries and wine and beer. Georges is helping the newest monthly artist set up their exhibit.

Saturday. Bekki D is picking up bread and pastries from Coastal Cafe in Searsport. Mary or Becky W might be opening, with the extra work of bagging and labelling the Coastal Cafe bread and putting the pastries on the shelf. Becky W, Kim, Ronanne, Rose or Heather S might have picked up other open shifts to hold the fort until Matthew gets there.

Sunday. Becky W is probably opening - she often does on Sundays. She may also be working other shifts that weren't filled. Plus tracking volunteer and member information. Matthew is closing as usual. Extra work on Sunday, putting the produce into the back cooler so the produce coolers can be turned off to save energy on days we're closed. Heather Q prepares the deposits for the bank in Belfast. Paul, with sidekick Meredith, is putting the finishing touches on the newsletter.....

ACKNOWLEDGEMENTS....cont'd



.....Yes, it takes a lot of hands to keep your Co-op going! Thank you to all who have volunteered and/or donated this year:

Al Meister, Alex Burge, Andrea Simoneau, Anne Weinberg, Barbara Clement, Becky Weaver, Bekki Devereux, Betsy Garrold, Betsy Gilbert, Bis Soisson, Bob Klein, Charles Hopkins, Cody Stark, Courtney Williams, Danielle Gizzi, Dave Greeley, Doreen Dickson, Ed Hamel, Frank Champa, Fred Jackson, Gail Cropley, Geof, George Faulkner, Georges Nashan, Hannah Stone, Heather Gibbs, Heather Quimby, Heather Selin, Heléna Melone, Izzy McKay, Jamila Levasseur, John Purinton, John Tipping, Kathy Chamberlain, Kim Jacobs, Kip Penney, Laura Pines, Lesia Sochor, Lisa Archer, Masha Faulkner, Matthew McKillop, Max Nolin, Mary Correa, Melissa McDonald, Meredith Toumayan, Mike Switzer, Molly Hamel, Moriah Helms, Nancy McAlley, Nancy Webster, Nyla Bravesnow, Paul Toumayan, Peter Baldwin, Reg, Richard Shyduroff, Rick Thompson, Ronanne Haigh, Rose Rapp, Sam, Sarah Cole, Sarah Simmons, Sean James, Sharon, Shelley Whitlach, Sonja Skoog, Surya, Syd Curtis, Val Derosier, Wes Soper.

If we missed your name, we apologize, and please let us know!

And a special thank you to a few whose contributions are above and beyond the call:

- Izzy McKay, for providing the Co-op store space for FREE until we make a profit
- Kim Jacobs, for exceptional leadership as President this year
- Fred Jackson, for keeping our financial boat afloat
- Matthew McKillop, for problem-solving skills and good humor far above his pay grade

WANTED and NEEDED: YOU

Want to be on the board? We have a few openings! Nominations for the annual meeting need to be submitted **by Nov. 4**.

- Contact Kim Jacobs: 722-3139 or zephyrhill@fairpoint.net

Want to volunteer in the store or on a committee?

- Contact Becky Weaver: 322-7121 or mrebeccaweaver@gmail.com

Want to donate lots of money? ☺

- Contact Kim (above)



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