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Lovettsville Cooperative Market 2022 Annual Report

Overview

2022 was all about executing the Co-op's vision. While we've continued to build membership and raise the capital to fund our project, most of our focus has been on the exciting but daunting task of actually building our brick and mortar store! Our Building Committee and general manager (GM) have worked through countless details, coordinating the efforts of the store designer, architect, equipment suppliers, and developer to ensure we have an outstanding, cost-effective facility. We have done so in an environment of supply chain shortages and increasing prices for most building products and fixtures. But we have persevered, and the proof is right there on the square – the Squirkle – that is!

Eleven long years to get here, but we're just getting started! Our Producer Committee is working to identify an outstanding group of local producers, our GM and Finance Chair are preparing to hire 25 employees to staff the store, and our Marketing Committee is preparing a campaign which we hope will lead to impressive sales from day one! Our goal is to make the Lovettsville Co-op a cornerstone for our community and western Loudoun, and to serve as a model for how a group of people, inspired by a vision, can work in cooperation to fulfill a dream. And you, our members, are that group of people, so thank you and congratulations!

Our Mission

The Lovettsville Cooperative Market will offer healthy products in a member-owned grocery store to everyone, members and non-members alike. We are committed to policies, practices, and values that support a vibrant community, a strong local economy, and sustainably-produced food.



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2022 Highlights - Building the Store

Store Details, Details, Details

When we completed the detailed store design with UNFI in late 2021, we felt like we were well on our way to finalizing our store plans. Who knew building a store was so complicated? Fortunately, with meticulous follow-through by our Building Committee (Rich Guralnik, Ellis Burrell, and Julie Harner) and expert guidance from our GM, Garland McQueen, our architect John Matthias, and our developer Gary Large, we've been able to keep things on track for a spring opening. The architectural and engineering plans are complete, building permits have been filed, and \$545K in refrigeration equipment has been ordered. While construction and equipment costs have been significantly higher than originally budgeted, we've been able to manage these overruns by reducing other expenses and raising additional funds through member loans.

Meet Our Interim General Manager

One of the key factors in the success of a startup food co-op is having a general manager experienced in food co-ops, and particularly, in the start-up phase. Unlike large grocery stores, a co-op's general manager does not have a corporate office to provide guidance in marketing, management, finance, or any of the other aspects of running a grocery store. A co-op general manager is essentially a CEO! Fortunately, we have contracted with an outstanding interim general manager, Garland McQueen, who will be joining us full time this month. You'll get a chance to meet Garland at our annual meeting on February 23, 2023.



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2022 Highlights – Membership

Membership Surpasses 900!

Membership began the year at member 792. We are now at 914 member-owners. I want to thank Julie Harner and the members of the membership committee and the volunteers that staffed tables at farm markets, poured beer and wine, made jam, and talked and talked and talked about the Co-op. Here are the highlights of our year:

- **Waterford Trail Run** – The Lovettsville Co-op sponsored the trail run in April and had an information table set up with snacks for runners and fans. This was a great event to get the Co-op's name out there for hundreds of runners to see!
- **Brunswick Farm Market** – We had at least 2 volunteers on each second and last Friday from May to September. This was an opportunity to not only talk about the Co-op and bring on new members (about 20 from Brunswick this year) but to also reach out to potential producers. Thanks to Gretchen for coordinating and attending every session.
- **Bluemont Fair** – We had the BEST spot for this event, held in downtown Bluemont in September. Thousands of visitors walked by our table and the free jam tastings, thanks to Petrina, brought in lots of folks. Once captured, they listened to the story of the Co-op. We had 2 direct sign ups from the fair and strong interest from many others.
- **Lovettsville Octoberfest** – we supported the town in 2 ways. The membership committee did advanced calling to vendors for the Kinderfest activities. This involved about 10 hours in volunteer support. We also staffed the beer and wine stations Friday night and Saturday. This involved multiple hours of volunteer support.

Social Media

Our social media platforms have continued to experience significant growth. The number of followers on Instagram has grown from 897 to 1,024 in the last year, and Facebook has grown from 2,584 to 2,800! This expanded presence has made it easier to reach non-members which has helped drive our growth in membership. An easy way to help the Co-op is to **LIKE** and **SHARE** our social media posts!



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2022 Highlights - Financial Position

Sources and Uses – A Financial Snapshot

The following table provides a financial overview of how the Co-op is building your store (cumulative from 2011 through 2023)! It is a budget that shows where all the funds will be coming from (the Sources) and how they will likely be spent (the Uses). On the Sources side, the bulk of the funding will be sourced from Member Loans and the bank financing (First Position Debt). Note that Member Equity (what you paid to become a member) and Donations / Benefits & Sales are also substantial. In fact, these Sources were absolutely essential in providing the seed financing we needed to move forward prior to securing the member loans and bank financing necessary to make this dream come true!

On the Uses side of the ledger, Leasehold Improvements and Equipment are the major expenditures. Professional fees are also significant and include years of consulting, market studies, store design, architecture fees, and legal expenses. The Working Capital of \$395k will provide the store with a buffer for the first few years as the cash flow grows and the Overrun Allowance of \$104k is for any additional unexpected costs increases or unbudgeted items that arise.

The bottom line is that the Board has done everything possible to make sure our store serves our mission and is financially sustainable.

Projected Sources & Uses - Inception to Store Opening			
Uses of Funds		Sources of Funds	
Leasehold Improvements	\$700,000	Donations / Benefits & Sales	\$134,000
Equipment	1,100,000	Grants	75,000
Inventory	204,000	Member Equity	180,000
Professional Fees	313,000	Member Loans	1,768,000
Pre-opening Promotion	26,000	Landlord Contribution	69,000
Pre-opening Personnel Expense	97,000	Free Fill	20,000
Pre-opening Admin & Site Expense	76,000	CoPos Loan (POS System)	24,000
Rent Deposit	75,000	First Position Debt	950,000
Financing Fees & Pre-opening Interest	30,000		\$3,220,000
Post-Opening Professional Support	25,000		
National Co-op Group Deposit	75,000		
Working Capital	395,000		
Overrun Allowance	104,000		
Total Uses	\$3,220,000		



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Loan from National Co-op Bank

We have an executed Commitment Letter from National Co-op Bank for a \$950,000 SBA 7(a) loan that will fund the rest of the build-out and start-up operations of the store. We anticipate closing on this loan will occur in the next couple of months. This is a huge step as the much needed final piece of the financing package that is nearly in place, and we are proud to have obtained financing from a commercial bank given the volatility of the current credit markets.

Capital Campaign

The Co-op kicked off the Capital Campaign in February of 2021 and to date has raised \$1.74 Million of our **new goal of at least \$1.77 Million by April 30, 2023**. The funds have been raised through 15-year member loans paying from 4% to 6% (or higher!) depending on the size of the loans. The average loan has been equal to \$17,000, which is outstanding, but we still have many members who have not yet invested. We need more of you who have not invested to consider loans in the \$2,000 to \$5,000 range to help reach our goal of at least \$1.77 Million. *Note we say at least \$1.77 Million because if we raise more, we may be able to borrow less from the bank which will reduce our interest expense!

Donations and Grants

The Co-op received over \$11,000 in donations from individuals and the Loudoun County Board of Supervisors voted in November to award the Co-op with a \$60,000 grant. The County grant received unanimous support from the Supervisors and is based on our commitment to source at least 25% of our sales from Loudoun County producers. Note that the Co-op, while not a 501c(3) organization, can use charitable donations for certain limited purposes and has a mechanism to process them so that they are tax deductible for the donor.

End of Year Financials

We collected approximately \$17k in new membership fees in 2022, coupled with over \$43k in donations, totaling \$60k! This helped offset our expenses of \$57k. We also incurred capital expenditures of approximately \$50k in store design fees and \$545k in refrigeration equipment. We funded those significant capital expenditures with member loan funds. As of 12/31/22, the Co-op had approximately \$1.1M in the bank. We also took advantage of the rising deposit rates to open a new money market account earning a competitive rate of interest.

As an appendix to this report, we have included our balance sheet as of December 31, 2022 and our income statement for the calendar year ending December 31, 2022.



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2023 – Looking Forward

Grow Membership

2022 has been another phenomenal year with respect to membership growth, and Julie Harner and her Membership Committee deserve all the credit! Reaching our goal of 900 member owners in 2022 was critical in satisfying one of the banks requirements for getting a loan. Our new goal of 1,000 member owners by store opening is not only a nice round number, it will just make the Co-op that much stronger! The more people who are excited about the Co-op and join, the more shoppers we will have going forward. But reaching that new target is up to you, our member owners, not merely Julie and her team. You must reach out to neighbors and friends and have them join YOUR Co-op. You can always send an email to membership@lovettsville-grocery.com with suggestions or questions on how to recruit new members.

One Last Push for Capital

We have been working the phones and emails it seems constantly for two years to reach our Capital Campaign goals, and I guarantee you no one will be happier for it to end than our Campaign volunteers! Now that we are so close to our final goal of at least \$1.77 Million (\$1,767,837 by Caroline's calculation, and she's the Finance Chair!), we just have to make one last push. Only \$30,000 more, but we absolutely have to get there to fund the rising build-out costs – and secure our bank loan. It would be fantastic if we could raise more in member loans to reduce our bank loan. So, if you have already invested, thank you, and tell your friends and neighbors why you invested! If you haven't, there is still time to make a member loan, helping the Co-op, the community, and earning some interest to boot!

Building the Store and OPENING!

The building shell is up and Gary Large, our developer, will soon start the interior build out of the store. Refrigeration, HVAC, and shelving has been ordered and the remaining equipment will be ordered very soon. We anticipate beginning the installation of the fixtures and equipment in April, 2023 and will be opening in Spring, but a firm opening date is dependent on the delivery of some critical equipment (yes, the supply chain issues have slammed us throughout the year!) So as you drive through Lovettsville, watch the progress, and stay tuned for our GRAND OPENING announcement.



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Wrapping Up

As member owners, you have made this happen. 10 years, 5 years, even 2 years ago, nobody thought this could happen and many were skeptical about the possibility of raising over a million dollars in our community -- impossible they said! **But through your membership, but most importantly your member loans, you have made this happen!** So, please tell your friends and neighbors about YOUR Co-op. Encourage them to join; encourage them to lend. If you've made a loan to the Co-op, tell them why you invested. If you haven't invested yet, there is still time, and we need your loan to help us reach our goal of \$1.77 Million! Always remember, as a member owner who has supported this dream, this is YOUR legacy.

Final Note

As I'm drafting this report on February 3, 2023, I have to note the passing today of a dear friend and a quiet but strong supporter of the Co-op, Judy Randal. It seems Judy has been a part of the Lovettsville community forever, at least for my 30 plus years here. Always active, serving on numerous boards and committees, driving when we didn't want her to... a force of nature! For the last few years, Judy has quietly supported our Co-op, making a few anonymous donations when we really needed it and doing a member loan (with a 15 year payback!) at 90 plus years old. I think that was just her optimism – she expected to collect. Our community is richer for having had Judy in our company and she will be sorely missed.

John DeSaix

Chair

Lovettsville Cooperative Market



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Appendix – 2022 Financial Statements

**Lovettsville Cooperative Market
Balance Sheet
As of December 31, 2022**

	<u>Total</u>
ASSETS	
Current Assets	
Bank Accounts	
11100 Cash on Hand - Paypal	\$ 87
11200 BB&T	4,622
11210 BB&T Capital Campaign	22,596
11400 Money Market NCB	2,507
Sandy Spring Bank	1,072,837
Total Bank Accounts	<u>\$ 1,102,649</u>
Total Current Assets	<u>\$ 1,102,649</u>
Fixed Assets	
15200 Buildings	15,443
15201 Store Design - Bldg.	62,900
15300 Fixtures & Equipment	544,630
Total Fixed Assets	<u>\$ 622,973</u>
Other Assets	
18500 Deposits	25,000
Total Other Assets	<u>\$ 25,000</u>
TOTAL ASSETS	<u>\$ 1,750,622</u>
LIABILITIES AND EQUITY	
Liabilities	
Long-Term Liabilities	
25100 Member Loans	\$ 1,667,000
Total Long-Term Liabilities	<u>\$ 1,667,000</u>
Total Liabilities	<u>\$ 1,667,000</u>
Equity	
32000 Member Contributions	\$ 158,503
34000 Retained Earnings	(64,581)
Net Income	(10,299)
Total Equity	<u>\$ 83,622</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,750,622</u>



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**Lovettsville Cooperative Market
Profit and Loss
January - December 2022**

	<u>Total</u>	
Income		
Sales of Product Income	\$	122
Total Income		<u>122</u>
Gross Profit	\$	<u>122</u>
Expenses		
63000 Occupancy Expenses		
63300 Insurance	\$	5,034
63400 Business Licenses & Fees		130
Total 63000 Occupancy Expenses	\$	<u>5,164</u>
65000 Operations		371
65600 Bank Fees & Service Charges		60
65700 Credit Card Fees		106
65750 Loan Fees		11,000
65800 Interest Expense		500
Total 65000 Operations	\$	<u>12,037</u>
66000 Administration		2,671
66100 Office Supplies		492
66405 Legal Fees		18,348
66410 Accounting		3,742
66440 Software & Apps		391
66450 Consulting		12,629
Total 66000 Administration	\$	<u>38,272</u>
67000 Marketing & Membership		
67200 Newsletter Expense		1,195
Total 67000 Marketing & Membership	\$	<u>1,195</u>
Sales Tax Paid (deleted)		0
Total Expenses	\$	<u>56,669</u>
Net Operating Income	\$	<u>(56,547)</u>
Other Income		
71010 Equity Fees	\$	330
71020 Donations Received		42,960
71050 Interest Income		2,855
71080 Service Fee Income		102
Total Other Income	\$	<u>46,247</u>
Net Other Income	\$	<u>46,247</u>
Net Income	\$	<u>(10,299)</u>