



Strengthening the Cooperative Economy: Practical Tips for Current and Prospective Co-ops

Webinar Series



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Series Schedule

Session 1 | Cooperatives 101 & Business Conversion Issues

October 5 - 11:00 AM - 12:00 PM

Session 2 | Cooperatives 101 & Start-Up Issues

October 12 - 11:00 AM - 12:00 PM

Session 3 | Maintaining Financial Health for Your Co-op

*October 19 - 10:00 AM - 11:00 AM **Please note earlier time for this session.*

Session 4 | Human Resources Best Practices

October 26 - 11:00 AM - 12:00 PM

Session 5 | Housing Co-ops: Now and the Future

November 2 - 11:00 AM - 12:00 PM



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Session 3 | Maintaining Financial Health for Your Co-Op

October 19, 2022

Panelists:

CHRIS LINDER Loan and Outreach Officer, Cooperative Fund of the Northeast

ADAM PRESCOTT Shareholder, Bernstein Shur, Business Restructuring & Insolvency Practice

JOHN CRANE General Manager, Portland Food Co-Op

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Agenda

PART 1	Cooperatives as Businesses
PART 2	Introduction to Financial Documents
PART 3	Common Signs of Financial Distress
PART 4	Internal Practices for Understanding and Using Financial Information
PART 5	Q + A



Cooperatives as Businesses

- Cooperatives promote democratic principles, facilitate fairness and equality in the workplace, and bring new goods and services to the market on a local, sustainable, and affordable level. But at their core, cooperatives are businesses
- Achieving a cooperative's mission – both financial and non-financial – rests on its ability to achieve financial success and sustainability
- Lack of financial stability causes monetary loss to members, employees, lenders, creditors, and the community
- “No margin, no mission”



Introduction to Financial Documents

The Budget and Pro Forma Financials

- Timely preparation – Internal and External Uses
- Knowns and unknowns (contingencies)
- Historic comparisons
- Future adjustments, assumptions, and trends
- Analysis, adjust, and adjust again



Introduction to Financial Documents

- Balance Sheet: Detailed information about a company's assets, liabilities, and equity (Assets = Liabilities + Equity)
- Profit & Loss Statement: Report showing revenue the company earned over a specific time period and the costs and expenses associated with earning that revenue (net earnings or losses)
- Cash Flow Statement: Report of inflows and outflows of cash
- Comparisons of Actuals vs Projected: Regularly compare actual financials with projected performance



Introduction to Financial Documents

Income Statement



	<u>Jan - Sep 22</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income	5,143,829.20	4,651,558.19	492,271.01	110.58%
Cost of Goods Sold	<u>3,421,315.16</u>	<u>2,997,523.25</u>	<u>423,791.91</u>	<u>114.14%</u>
Gross Profit	1,722,514.04	1,654,034.94	68,479.10	104.14%
Expense				
61000 - Salaries and Related Expenses	1,124,687.81	1,139,394.03	-14,706.22	98.71%
62000 - Operations Expenses	<u>517,479.99</u>	<u>449,200.94</u>	<u>68,279.05</u>	<u>115.2%</u>
Total Expense	<u>1,642,167.80</u>	<u>1,588,594.97</u>	<u>53,572.83</u>	<u>103.37%</u>
Net Ordinary Income	80,346.24	65,439.97	14,906.27	122.78%
Other Income/Expense				
Other Income	33,449.77			
Other Expense	<u>23,579.38</u>	<u>17,166.35</u>	<u>6,413.03</u>	<u>137.36%</u>
Net Other Income	<u>9,870.39</u>	<u>-17,166.35</u>	<u>27,036.74</u>	<u>-57.5%</u>
Net Income	<u><u>90,216.63</u></u>	<u><u>48,273.62</u></u>	<u><u>41,943.01</u></u>	<u><u>186.89%</u></u>



Introduction to Financial Documents

Balance Sheet



	<u>Sep 30, 22</u>	<u>Sep 30, 21</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current Assets				
Checking/Savings	637,455.77	648,764.53	-11,308.76	-1.74%
Other Current Assets	376,504.07	297,184.44	79,319.63	26.69%
Total Current Assets	1,013,959.84	945,948.97	68,010.87	7.19%
Fixed Assets	361,458.11	373,264.32	-11,806.21	-3.16%
Other Assets	146,586.34	139,912.60	6,673.74	4.77%
TOTAL ASSETS	<u>1,522,004.29</u>	<u>1,459,125.89</u>	<u>62,878.40</u>	<u>4.31%</u>
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities	461,947.26	430,827.39	31,119.87	7.22%
Long Term Liabilities	365,267.93	528,260.18	-162,992.25	-30.86%
Total Liabilities	827,215.19	959,087.57	-131,872.38	-13.75%
Equity	694,789.10	500,038.32	194,750.78	38.95%
TOTAL LIABILITIES & EQUITY	<u>1,522,004.29</u>	<u>1,459,125.89</u>	<u>62,878.40</u>	<u>4.31%</u>



Internal Practices for Understanding and Using Financial Information

- Timeframe: Daily, weekly, monthly, and annual reporting – Different reports for different needs
- Identify the audience and what you are trying to accomplish with that audience
- Maximize visuals and simplify reporting
- Analysis: Trends over time, comparison to budget, comparison to industry data/peers
- Lender perspective – What to look for from borrower-cooperatives



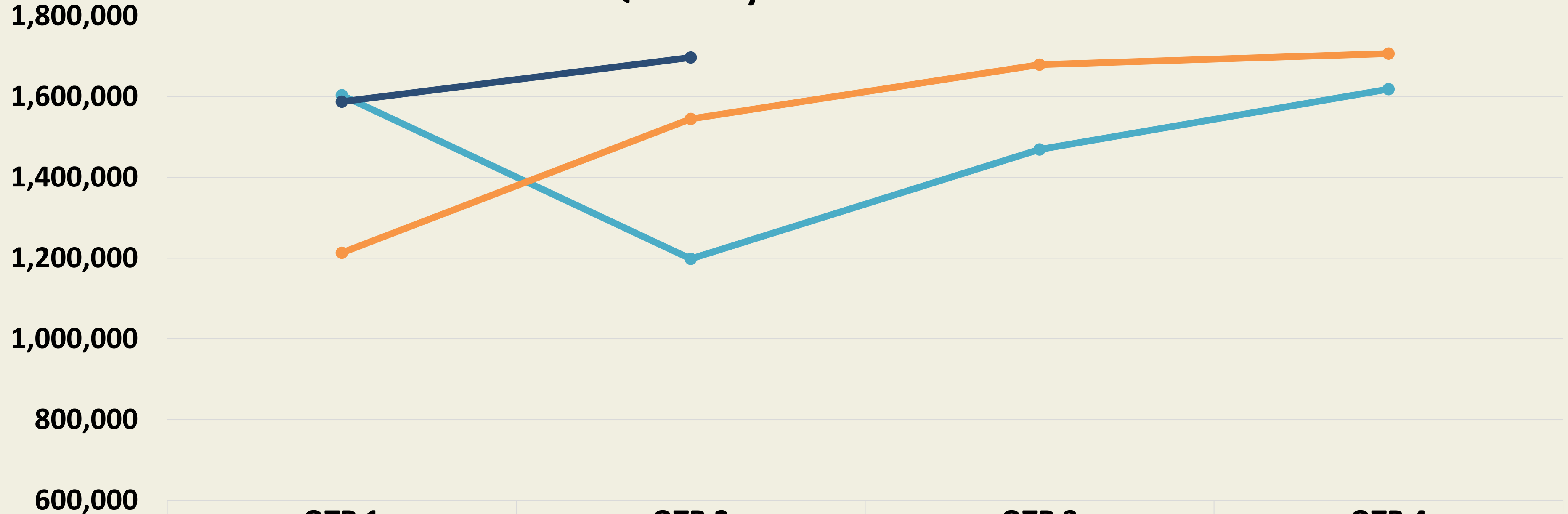
Internal Practices for Understanding and Using Financial Information

Example: Portland Food Co-Op
Quarterly Sales



Example: Portland Food Co-Op

Quarterly Sales



2020
2021
2022

1,603,849
1,213,516
1,587,699

1,198,377
1,545,049
1,697,396

1,469,506
1,679,745

1,618,836
1,706,916

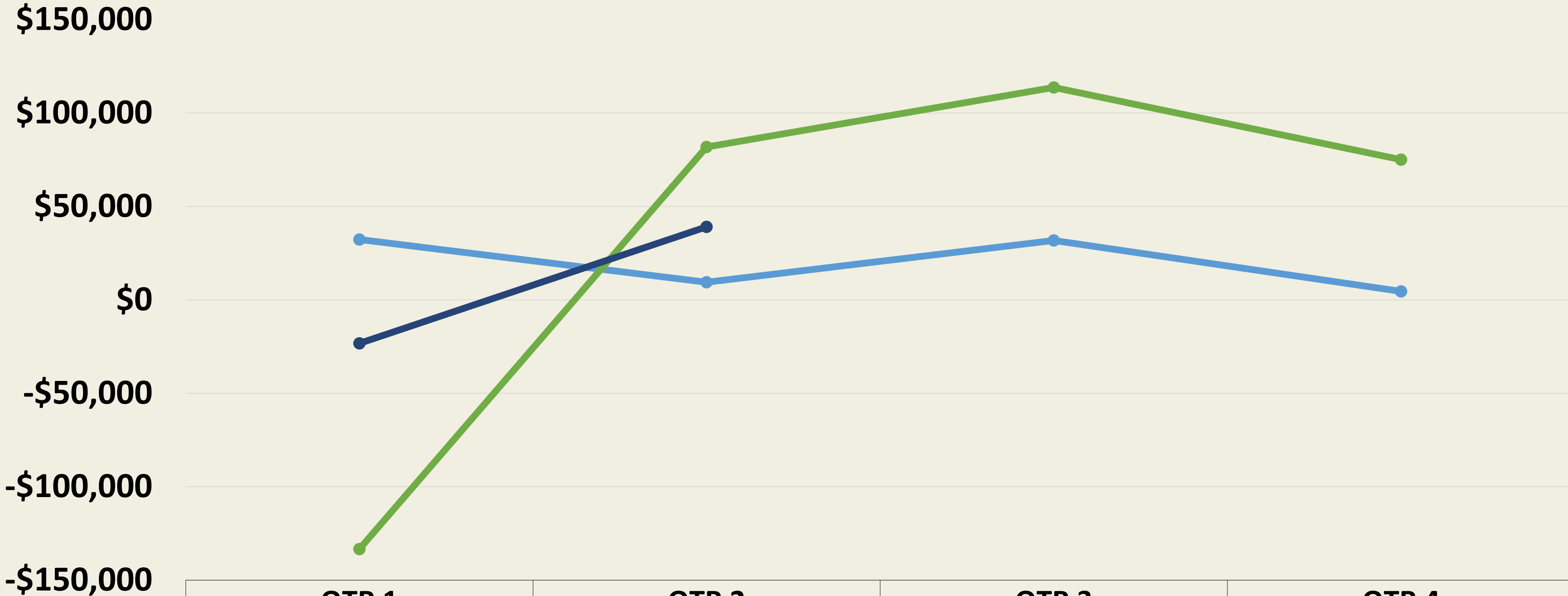


Internal Practices for Understanding and Using Financial Information

Example: Portland Food Co-Op
Net Income



Net Income



	QTR 1	QTR 2	QTR 3	QTR 4
2020	\$32,307	\$9,451	\$31,791	\$4,503
2021	-\$133,411	\$81,805	\$113,692	\$75,049
2022	-\$23,296	\$39,076		

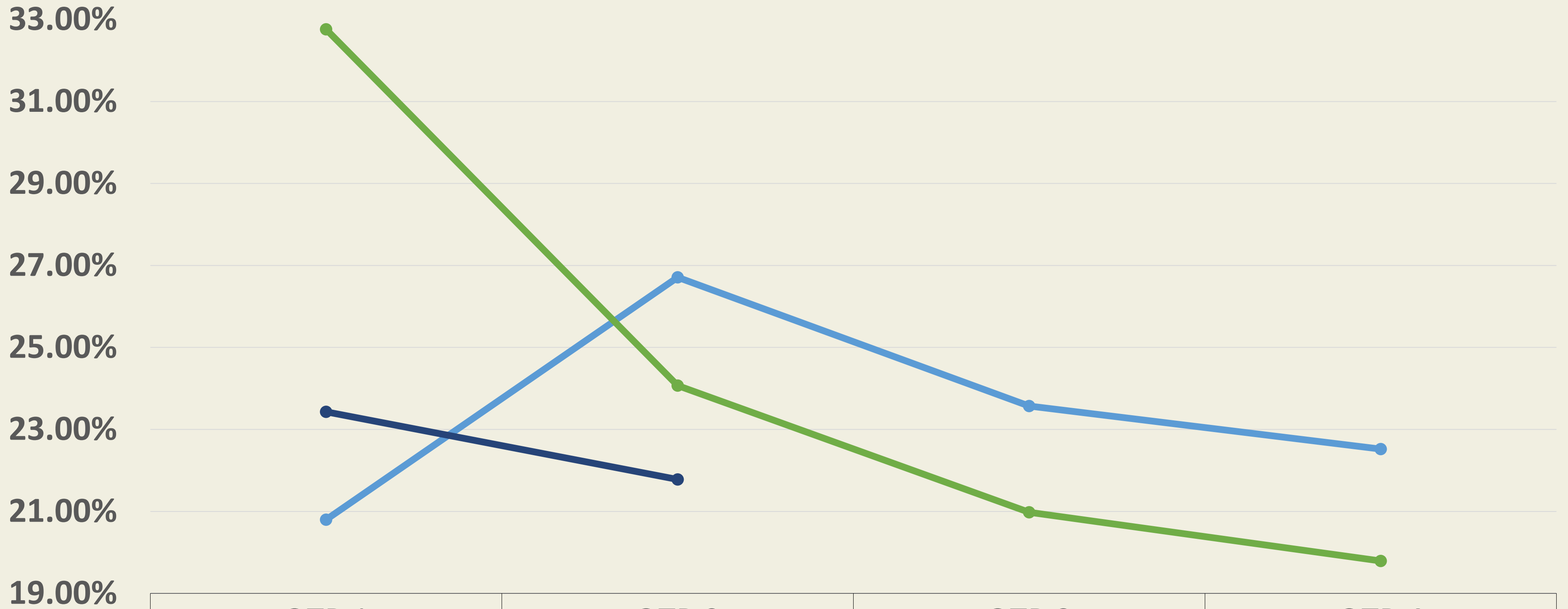


Internal Practices for Understanding and Using Financial Information

Example: Portland Food Co-Op
Payroll as a % of Sales



Payroll as a % of Sales



2020

20.80%

26.71%

23.57%

22.52%

2021

32.76%

24.07%

20.98%

19.79%

2022

23.43%

21.78%

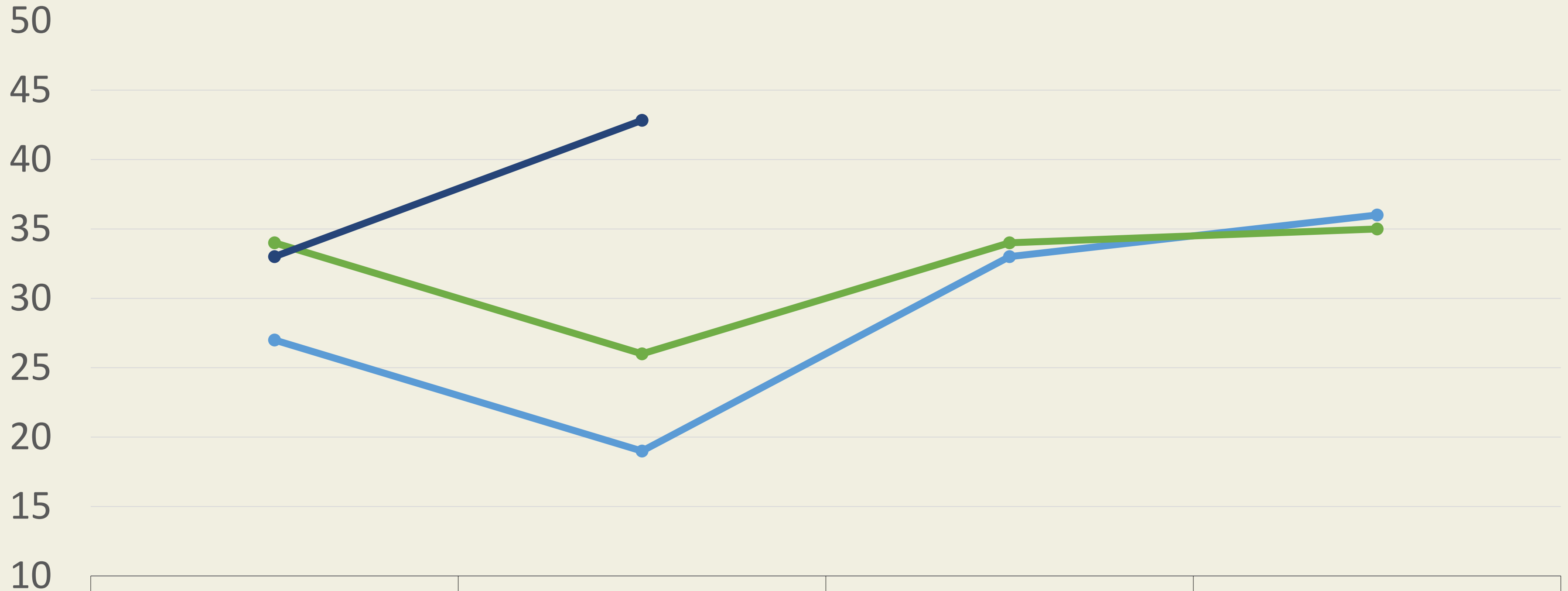


Internal Practices for Understanding and Using Financial Information

Example: Portland Food Co-Op
Days of Cash on Hand



Days of Cash on Hand



	QTR 1	QTR 2	QTR 3	QTR 4
2020	27	19	33	36
2021	34	26	34	35
2022	33	43		



Common Signs of Financial Distress

Warning Sign #1: Decreasing Revenue, Margin, and Negative Financial Trends

Warning Sign #2: Defaulting or Slow Paying with Vendors

Warning Sign #3: Frequent Cash Shortages

Warning Sign #4: Deferred Maintenance and Capital Improvements



Questions and Answers



Thank you!

Contact us:

**Chris
Linder**

Loan and Outreach Officer, Cooperative
Fund of the Northeast

chris@coopfund.coop / (207) 745-8226

**John
Crane**

General Manager, Portland Food Co-Op

John.Crane@portlandfood.coop / (207) 405-3465

**Adam
Prescott**

Shareholder, Bernstein Shur, Business
Restructuring & Insolvency Practice

aprescott@bernsteinshur.com / (207) 228-7145

