**Treasurer’s Report – Members Committee Meeting 10 February 2021**

**January Trading Update**

Trading throughout January was much improved. The table below sets out a summary Profit and Loss for January 2021 as compared to December 2020:

|  |  |  |  |
| --- | --- | --- | --- |
| **Alfalfa House P&L Snapshot (Jan 21 vs Dec 20)** | | |  |
|  |  |  |  |
|  | **Jan-21** | **Dec-20** | **Variance** |
| Income |  |  |  |
| Shop Trading | 79,745 | 84,130 | -5% |
| Subscriptions | 4,548 | 381 | NA |
| Donations | 8,740 | - | NA |
| **Total Income** | **93,033** | **84,511** | **10%** |
|  |  |  |  |
| Less: Cost of Sales | 37,788 | 47,627 | -21% |
|  |  |  |  |
| **Gross Profit** | **55,245** | **36,884** | **50%** |
| *Gross Profit Margin* | *59%* | *44%* |  |
|  |  |  |  |
| Operating Expenses |  |  |  |
| Administrative Expenses | 2,861 | 4,106 | -30% |
| Employee Expenses | 12,278 | 34,395 | -64% |
| Communication Expenses | - | 220 | -100% |
| Rent and Facility Expenses | 4,580 | 4,086 | 12% |
| Insurance Expenses | - | 6,820 | -100% |
| **Total Operating Expenses** | **19,718** | **49,626** | **-60%** |
|  |  |  |  |
| Non-operating Expenses | - |  |  |
|  |  |  |  |
| **Net Profit** | **35,527** | **(12,742)** | **-379%** |

There are a number of improvements made at the store level which have contributed to this, including:

1. Restricted purchasing – staff had been given a mandate to run down existing stock throughout January, and were provided with a strict purchasing budget. The store purchasing is currently limited to $5,500 for groceries, and $3,500 for produce.
2. Staffing – with the departure of the store manager, Allie, and her 2IC, Janet, there was a natural attrition from a human resourcing perspective. Ran and Carina have taken over the managerial duties seem to be keeping things on track. Wage increases aside, the existing staff structure provide cost reductions of approx.. $5,000 per pay cycle, or $10,000 per month when compared to previous months in FY21.
3. Subscription fees and donations – member subscription fees and donations continue to roll in since the 11 January email which contained AH bank details. At the end of January, AH had collected $4,548 in subscription fees, and $8,740 in donations.

Despite the good trading results in January, the Co-op is not out of the woods yet. Recent trading figures show a steep decline in the sales at the store level in recent weeks. The chart below sets out the daily trading figures for 2021 so far.

As you can see from the chart, there has been a significant drop in daily sales over the last few weeks. The above data was taken from the POS system, and there is no distinct reasoning for the drop in sales. However, having been in and around the Co-op for a few weeks, there are two main issues which are contributing to this:

1. Communication with members – lack of certainty around whether AH is still open. We need to address this issue as a matter of priority.
2. Staff morale – there is very low morale with the staff and I’m sure this is being communicated (either explicitly or implicitly) to the members when they are shopping. Too often I am seeing emails from staff members about issues which are not within their job roles, instead of focusing on running the store. And the same staff members complaining they don’t have enough time to do everything. We need to address this issue immediately.

**Budget for 2021**

In light of the current situation with the landlord, I have prepared a budget for the rest of calendar year 2021 (circulated as separate excel document).

Forecasting P&L is a bit of a science, and there is always inherent risk with forward-looking projections. In preparing the above analysis, I have made several key assumptions, including:

1. Shop trading has been forecast on the basis of $80,000 per month, with the exception of February, which is tracking closer to $70,000. The reduced sales forecast is based on the recent downward trend of daily sales.
2. Other income includes subscriptions and donations from members. I have estimated $4,000 for the month of February with no subscriptions or donations thereafter.
3. Cost of sales have been forecast as $9,000 weekly for February and March (current purchases budget), and reverting to $11,000 per week for the remaining months.
4. Administrative expenses are capped at $3,000 per month for the rest of the year. I have added $4,000 in September for accounting fees.
5. Staff rosters and wages are expected to stay the same until the end of March. I have increased the fortnightly wage amount to reflect an increase in pay for Ran and Carina. From April onwards, I have included an additional $2,100 gross pay to each wages run to reflect the likely hiring of a store manager.
6. Communications expenses are $212 per month.
7. Facility expenses are building costs estimated to be:
   1. Electricity $800 monthly
   2. Rubbish $80 monthly
   3. Cleaning $30 monthly
   4. Gas $40 monthly
   5. Council rates $500 quarterly
   6. Water usage $300 quarterly
8. Rent expected to be the same until the end of Feb, then increased to $3,900 per month plus GST thereafter. This amount has not been agreed by the landlord and is illustrative only.
9. Insurance expenses include workers comp and business insurance costs.
10. Non-operating expenses are those which are not made for the general purpose of operating the store. Included in this line item are the following non-operating expenses:
    1. $12,000 annual leave loading payments made to ex employees in February; and
    2. $25,000 in directors loans, forecast to be repaid over the course of November and December.