

SCFC -- Growth From 2007 Through 2nd Quarter 2018

Bottom Line Growth – Our official bottom line has been measured in two different ways – one way before 2013 and the other way from 2013 to now. The difference is how we account for our Memberships. Prior to 2013 our Memberships were included in our bottom but now, they are accounted for separately on our Balance Sheet. It's accounting, tax and co-op technicalities between the two systems but the actual dollars coming in are exactly the same. Almost everyone gets confused about this – even our bankers at times.

The bottom line before 2013, in yellow, has the memberships fees included in that bottom line and is taxable. The yellow is more accurate as to what our income is. From 2013 onward, those Membership equity payments are **NOT** in the bottom line and are represented by the blueish-green highlight and those payments are not taxable. We have to remember to add this equity to get a bigger picture of our income. The alt bottom line shows the amounts accounted for in the alternative method than what was/is used. Again – the dollars are the same in both methods. Since we do not pay tax on the Membership Equity Payments, our current system saves us on tax.

Percentage of Growth – The Co-op has grown steadily over the years. Generally 2% - 3% is considered normal to keep up with inflation and rising costs although. The biggest year of growth was 2014 with over 10% growth. If we add 2012, 2013 and 2015, we have another 10% period. As a matter of fact, looking back further in history we find 2010 and 2011 combine for 12.99% growth; 2008 and 2009 combine for 12.4%; and 2006 and 2007 join up 12.21%.

Payroll - The payroll is our largest single expense but our Staff is also our largest benefit. Fair compensation for our Staff is always of the utmost importance. The industry standard is to keep payroll under 25% of revenue. It's standard because margins are low and difficult to maximize in a highly competitive market and that is what is needed to return a positive bottom line. If you have good growth – you can push that percentage higher. We can see that in 2006, payroll jumped from 22.4% to 24.06% during an increase of income by 9.64%. The bottom line dropped and as we can see, measured in current accounting (alt bottom line), we can see we dropped into the red. If we follow the next two year, we see that payroll was held back, the percentage dropped and the bottom line increased. 2 to 3 years is about the max one can go with a payroll correction.

With another large jump in 2008 in revenue, we can see that the payroll percentage started to rise again and the bottom line decreased. We see a small correction in 2012. Yet we also see that in 2013 the payroll percentage increased greatly but so did our bottom line. We worked mostly with purchasing better which enabled us to increase our margins slightly. That was a one-time boost though.

We knew we would have a significant growth spurt in 2014 and we took advantage of that by raising wages significantly and boosting the payroll percentage to its then highest point. That threw us into the red but we also knew that with revenues rising – that it would correct the next year. 2015 was meeting all expectations and on its way to the predicted 5% increase in revenues which would balance the payroll. We were confident in this as we hit all goals so we continued to compensate the Staff better although it pushed the payroll to its highest point at 27%. But growth stalled at the end on 2015 and took a minor downturn as we entered the new year. If we made the projected 5% increase – we would have been in the black.

And even that would have been fine if we had at least 2% growth in 2016. For the first time revenues dropped a little – nothing significant but since payroll was already high, we could not allow it to go higher. We had to correct quickly. As a group at our Staff meeting, we voted on methods to bring down payroll. Topping it was giving up the IRA – something rarely offered in grocery retail - as well as a few holidays, a few less shift hours and increased cross-training. We made the necessary adjustments and we immediately see an increase in the bottom line – no matter which method of accounting that you look at.

We continued our efforts in 2017 and we returned a very healthy bottom line.

As you see, the first half of 2018 has returned to growth and we have a good bottom line right now. We also are using this increase to again boost Staff payroll a little. We must continue to compensate our Staff fairly. All indicators point to the fact that we have plateaued in revenue. The need to compensate Staff fairly will increase payroll and with no extra income, we will not be able to move forward well in this area.

520	revenue	diff from year before	growth	bottom line	payroll	% to sales	increase over previous year	memberships	alt bottom line
2005	2,032,934.00			18,855.00	455,465.00	22.40%			
2006	2,228,822.00	\$195,888.00	9.64%	5,287.00	536,194.00	24.06%	\$80,729.00	\$7,785.00	(\$2,498.00)
2007	2,286,154.00	\$57,332.00	2.57%	65,370.00	544,974.00	23.84%	\$8,780.00	\$9,765.00	\$55,605.00
2008	2,493,346.00	\$207,192.00	9.06%	40,012.00	538,785.87	21.61%	(\$6,188.13)	\$10,480.00	\$29,532.00
2009	2,576,544.91	\$83,198.91	3.34%	32,416.33	589,062.55	22.86%	\$50,276.68	\$10,945.00	\$21,471.33
2010	2,733,465.00	\$156,920.09	6.09%	16,654.00	654,079.87	23.93%	\$65,017.32	\$19,040.00	(\$2,386.00)
2011	2,921,953.67	\$188,488.67	6.90%	(14,648.00)	712,911.95	24.40%	\$58,832.08	\$17,540.00	(\$32,188.00)
2012	3,024,141.53	\$102,187.86	3.50%	282.00	742,158.04	24.54%	\$29,246.09	\$18,370.00	(\$18,088.00)
2013	3,119,488.71	\$95,347.18	3.15%	3,112.59	808,522.93	25.92%	\$66,364.89	\$20,360.00	\$23,472.59
2014	3,437,402.19	\$317,913.48	10.19%	(26,939.53)	904,412.17	26.31%	\$95,889.24	\$20,540.00	(\$6,399.53)
2015	3,561,635.46	\$124,233.27	3.61%	(14,893.41)	962,104.04	27.01%	\$57,691.87	\$21,080.00	\$6,186.59
2016	3,502,304.15	(\$59,331.31)	-1.67%	9,600.21	909,495.47	25.97%	(\$52,608.57)	\$22,500.00	\$32,100.21
2017	3,496,106.90	(\$6,197.25)	-0.18%	32,096.28	887,023.83	25.37%	(\$22,471.64)	\$20,740.00	\$52,836.28

Jan 1 to June 30 2018

2016	1,782,027.61				449,078.00	25.20%			
2017	1,744,421.48	(\$37,606.13)	-2.11%	292.42	441,225.31	25.29%	(7,852.69)	\$10,450.00	\$10,742.42
2018	1,831,076.33	86,654.85	4.97%	33,137.31	457,664.34	24.99%	16,439.03	9,980.00	\$43,117.31