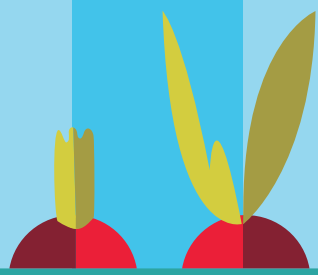
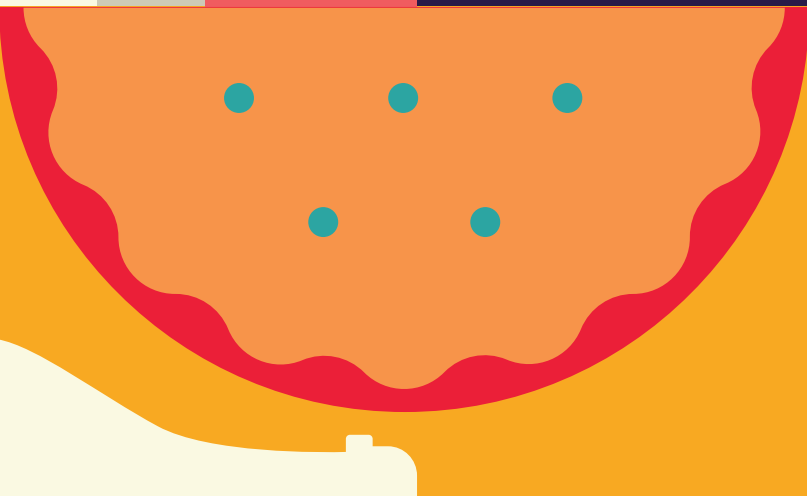


LA MONTAÑITA
 FOOD CO-OP
ANNUAL
REPORT
 — 2020 —

09/1/2019-08/31/2020





Valerie Smith,
President, La Montañita Co-op
Board of Directors

**La Montañita Co-op
Board of Directors**

Valerie Smith,
President

Maggie Seeley,
Vice President

Emily Conway,
Treasurer

Liz Davenport,
Secretary

Anita Adalja

Thomas Adams

Benjamin Bartley

Peg Durkee

Micah Roseberry

Send an email to
**TalkWithTheBoard@
LaMontanita.coop** if you
would like to share any
questions, comments or
concerns with the Board
of Directors.

From the Board President

2020 has been a year like no other at La Montanita, a year of tough realities and solidarity in the face of challenges. Two of our operations were closed due to chronic financial losses. As the closure was going forward, an ominous new challenge was beginning to manifest, a pandemic that promises to fundamentally change economies and culture world-wide.

While closing stores and letting wonderful staff members go was very hard, we entered the new fiscal year with our remaining stores bearing the burden of those losses. Our responsibility as stewards of our members' assets demanded that we take that step. We will enter 2021 with more potential for profit than we've had in over 5 years.

The pandemic took over center stage at that point. Since March we have learned things we never expected to learn, such as what social distancing is, how masks can protect us, and how crowded restaurants and meat packing plants are. With over a million lives lost world-wide, we worked to make our stores safe places, and adjust business as usual to business as an essential service. What the future holds is uncertain, with supply chain challenges and record high rates of hunger.

Last year the board led a series of strategic visioning sessions, from which emerged a restating of the values that have driven our work for over 40 years, clean food, care of the earth, care of people, and community. Those values continue to be needed as never before.

“ The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy. ”

— Martin Luther King, Jr.

COVID hasn't changed the need to regenerate farmland, to reduce wasteful consumption, to build healthy communities through naturally produced food, and to connect people to a vibrant community.

This year, we acted on our values by adopting an equity component in our ends policies, to uphold the inherent worth of all humans. Training and measurement for achieving that end are ongoing. And we have begun the transition back to Policy Governance, a restoration of transparency and clarity for board work.

We are thankful for much amid these challenges. We are thankful for funds that became available to businesses to weather financial uncertainty. We are thankful for resilient and resourceful employees, and for our loyal members and shoppers. We are thankful to enter the coming year in a solid financial situation.

Valerie Smith

From the General Manager

La Montañita Co-op started as a small food-buying club in 1970s. That club eventually incorporated as a food cooperative, meaning its members were also the owners of the business. Over the next 44 years, the Co-op grew to more than 16,000 member-owners with stores in Albuquerque, Santa Fe, and Gallup, collectively generating more than \$40,000,000 in sales per year. In addition to its unique structure as a cooperative, La Montañita also differentiates itself by carrying and promoting authentically local and organic products. For these reasons, La Montañita Co-op and its member-owners have contributed greatly to the development of a sustainable food system in New Mexico.

La Montañita's UNM Grab-and-Go location opened in 2012 following an initiative by students enrolled in the UNM Sustainability Studies Program. It was a part of the Sustainability 334 class called "Co-ops as a Business Model," a collaboration between UNM and La Montañita Co-op. The small store on campus provided the student body with a healthy alternative to the food providers in the SUB, the campus food court. Our Grab-and-Go location started with promising prospects and integral partnerships, but in the years that followed, that landscape changed and sustainable profitability was never reached.

In 2013, our Co-op opened its sixth retail store in the Westside of Albuquerque, located in the Cottonwood Commons shopping

“ Together the two locations [UNM and the Westside] showed losses of nearly \$800,000 per year, risking the financial viability of the rest of our cooperative. Despite our best efforts, the stores were not able to achieve profitability. ”

center. La Montañita was excited to serve the communities of Rio Rancho, Corrales, and beyond. Since the store's opening in 2013, however, market study projections for that location were never realized. Together the two locations showed losses of nearly \$800,000 per year, risking the financial viability of the rest of our cooperative. Despite our best efforts, the stores were not able to achieve profitability.

This March, the Board of Directors announced to the membership the closure of the two locations. This was a difficult decision, but it was ultimately in line with the fiduciary responsibility of the Board. Following the announcement, General Management and the Board of Directors worked to reach early termination agreements and successfully closed both locations this fiscal year.

What does this mean for the future of La Montañita Co-op? It means that by strengthening our



James Esqueda,
La Montañita Co-op,
General Manager

La Montañita Co-op Leadership Team

James Esqueda,
General Manager

JR Riegel,
Membership Engagement &
Marketing Director

Jennifer Knapp,
Distribution Center Director

John Heckes, CFO

Dalon Bynum,
Human Resources Director

Rob Dixon,
Information Technology Director

Store Leadership

Willy Cookson, Nob Hill

Nagisa Suzuki, Santa Fe

Travis Kriegel, Rio Grande

Leaf Ashley, Gallup

“ Our goal is to continue to nourish our shoppers while also supporting both our team members and shoppers at this time of need, providing calmness in the face of uncertainty. ”



remaining operations, the Co-op will be better positioned to meet our goals of increased access to, and purchase of, healthy foods; a growing regenerative agriculture sector that uses sound environmental practices; a thriving and sustainable local economy that benefits members and community; and a strengthened cooperative community in which systems of oppression have been dismantled.

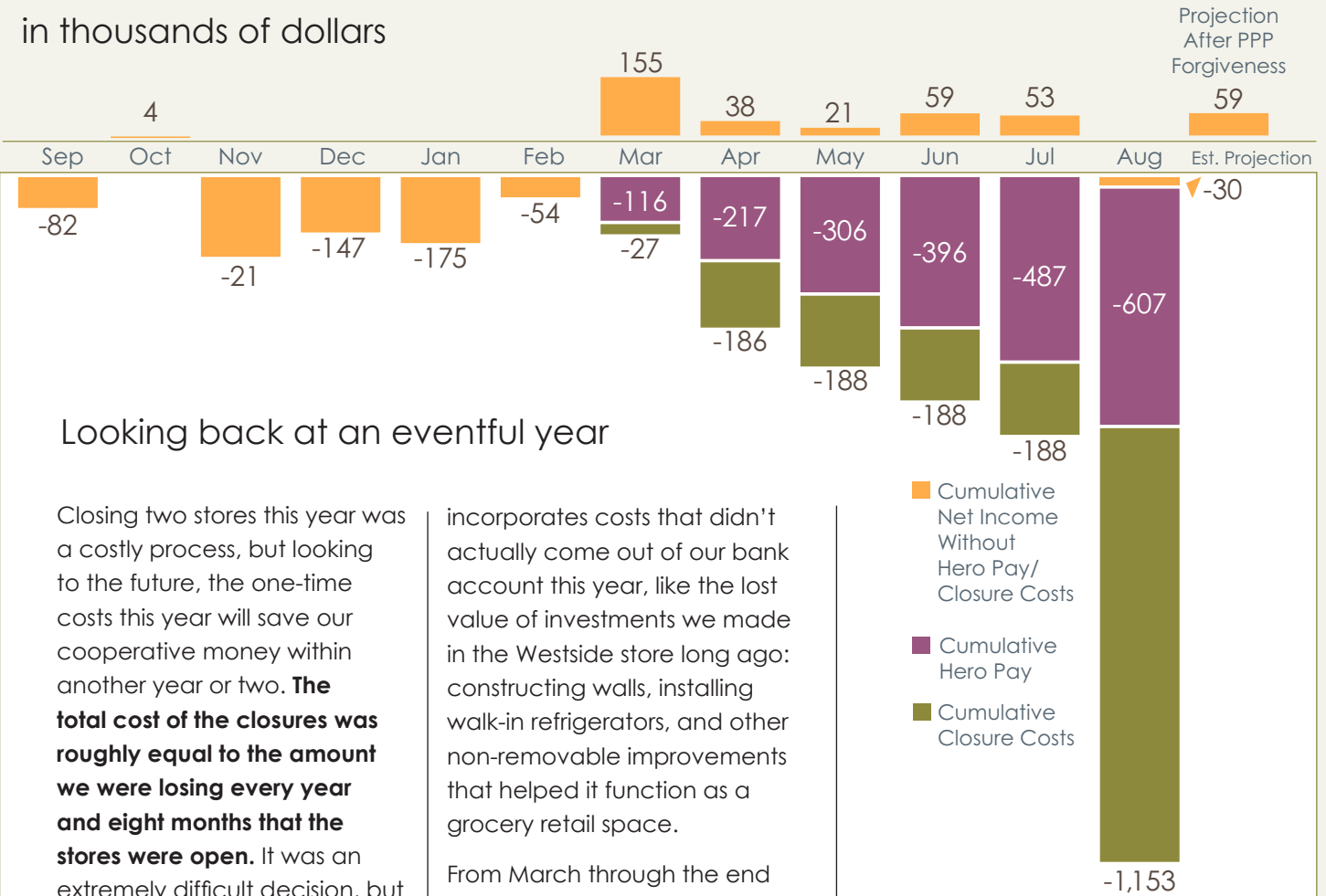
In the spring of this year, the COVID-19 pandemic affected us alongside hundreds of other cooperative retailers. This unprecedented phenomenon arrived at a time when our Co-op had just recovered from a rough financial 1st quarter. Our cooperative had recorded a loss of \$211,501 by the end of our first quarter in November. After our second quarter that ended in February, our cooperative made it back up to a positive net income. Shortly after that in March, April, and May, we saw unprecedented and frequent changes in our stores as we adapted to new requirements at both the city and state level. Maximum capacity reductions and the temporary discontinuation of self-serve areas or departments affected the co-op finances drastically, resulting in losses of over \$400,000 by the end of this quarter.

As we are wrapping up the fiscal year, we are continuing to balance how we serve the community while taking care of our team members. The changing nature of this pandemic makes it difficult to balance both. Our goal is to continue to nourish our shoppers while also supporting both our team members and shoppers at this time of need, providing calmness in the face of uncertainty. You might have noticed that supply levels in certain areas such as dry grocery and bulk are still low, and it will take some time to level out the supply chain. Our Co-op is working closely with all our partners along the supply chain. We are working hard to ensure there is sufficient product availability to meet the needs of our community over the next few months. We will continue to share updates through email and social media, and we thank you for giving us the opportunity to serve this community when it needs healthy food the most. We appreciate the overwhelming love and support we have received for coming to the front line in this uniquely challenging year, and we look forward to a more financially sound future as we begin this next fiscal year.

James Esqueda
Sí se puede,
James Esqueda

2020's Unusual Costs

in thousands of dollars



Looking back at an eventful year

Closing two stores this year was a costly process, but looking to the future, the one-time costs this year will save our cooperative money within another year or two. **The total cost of the closures was roughly equal to the amount we were losing every year and eight months that the stores were open.** It was an extremely difficult decision, but ultimately it was necessary for the financial sustainability and future of our cooperative.

As you can see above, store closure costs accounted for the majority of our negative net income this year. Most of these costs were actually incurred in August because it took time to finalize the closures, settle all the details with the property owners we were leasing from, and get the various costs added up. This includes things like severance packages for our team members from those stores and the costs of ending our lease early. It also

incorporates costs that didn't actually come out of our bank account this year, like the lost value of investments we made in the Westside store long ago: constructing walls, installing walk-in refrigerators, and other non-removable improvements that helped it function as a grocery retail space.

From March through the end of this fiscal year in August, we had an additional Hero Pay Differential adding **\$3 per hour** worked to the paychecks of all employees except our General Manager. You can see this adding up over the months, eventually accounting for about a third of our net losses this year. We gave a larger amount of Hero Pay and maintained it for a longer period of time than most other grocers (including other cooperatives), and as it ended in August we transitioned into the next step of our ongoing effort to increase base wages at all locations.

The Paycheck Protection Program was immensely helpful in keeping our finances healthy and our paychecks going out normally in such an abnormal year. With the help of our friends at Nusenda Credit Union (another cooperative!), we're projecting about **90%** loan forgiveness, which would be enough to bring us up to a positive net income figure for the year once it's finalized.

2019–2020 Financials

Consolidated Income Statement

Year 2020 is projected & subject to CPA Review, Tax, & PPP Forgiveness

Year Ended:	8/31/2020	8/31/2019	8/31/2018	8/31/2017
Sales	\$ 43,429,879	\$ 44,846,273	\$ 44,257,751	\$ 42,301,355
Member and Staff Discounts	\$ 867,483	\$ 925,488	\$ 912,638	\$ 914,364
Net Sales	\$ 42,562,396	\$ 43,920,785	\$ 43,345,113	\$ 41,386,991
Cost of Goods	\$ 27,573,934	\$ 28,338,806	\$ 27,750,709	\$ 26,758,148
Gross Profit	\$ 14,988,462	\$ 15,581,979	\$ 15,594,405	\$ 14,628,843
Staff Wages, Benefits and Taxes	\$ 11,018,526	\$ 10,383,372	\$ 9,943,135	\$ 9,434,425
Occupancy and General Expenses	\$ 5,423,797	\$ 5,436,686	\$ 5,159,500	\$ 4,832,945
Other Income and Expenses	\$ -336,852	\$ 266,521	\$ 274,682	\$ 277,729
Income before Taxes	\$ -1,790,713	\$ 28,442	\$ 766,451	\$ 639,203
Income Tax	\$ -28	\$ -8,493	\$ -11,200	\$ 42,798
Net Income	\$ -1,790,685	\$ 36,936	\$ 777,651	\$ 596,405

Consolidated Balance Sheet

Year Ended:	8/31/2020	8/31/2019	8/31/2018	8/31/2017
Current Assets	\$ 6,351,111	\$ 5,127,199	\$ 5,422,839	\$ 5,142,892
Property and Equipment (net)	\$ 1,668,652	\$ 2,668,167	\$ 2,858,220	\$ 3,026,429
Other Assets	\$ 877,213	\$ 907,803	\$ 905,251	\$ 905,816
Total Assets	\$ 8,896,977	\$ 8,703,169	\$ 9,186,309	\$ 9,075,137
Current Liabilities	\$ 4,369,594	\$ 2,301,048	\$ 2,452,985	\$ 2,483,018
Long Term Liabilities	\$ 326,715	\$ 410,769	\$ 778,908	\$ 1,304,354
Total Liabilities	\$ 4,696,309	\$ 2,711,817	\$ 3,231,892	\$ 3,787,372
Member Equity	\$ 4,200,668	\$ 5,991,352	\$ 5,954,417	\$ 5,287,765
Total Liabilities and Member Equity	\$ 8,896,977	\$ 8,703,169	\$ 9,186,309	\$ 9,075,137

Ratio Analysis

Current Ratio	1.45	2.23	2.21	2.07
Debt to Equity	1.12	0.45	0.54	0.72
Return on Assets (EBITP/Total Assets)	-20.00%	0.64%	8.81%	7.67%
Return on Equity (EBTP/Equity)	-42.63%	0.47%	12.87%	12.09%

Finances & Discounts

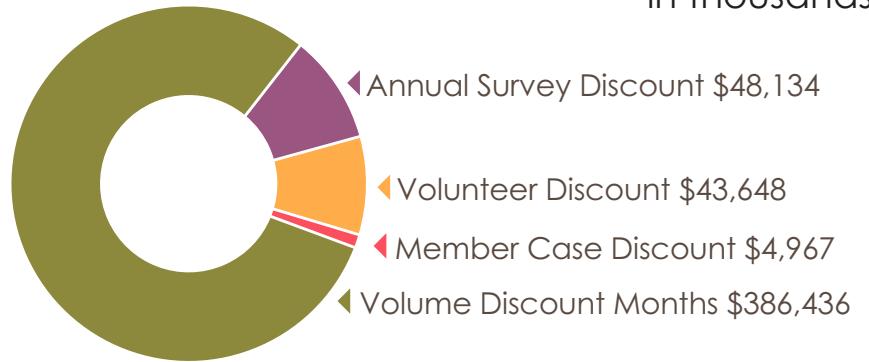
67.3% of sales this year were to member-owners

\$5,017,357 paid to producers in New Mexico for local foods we sold this year. This represents just over **18%** of the food we sold this year.

\$1,633,750 paid to regional producers (in CO, AZ, or TX) for regional foods we sold this year. More than **24%** of the food we sold this year was sourced either locally or regionally.



Member-Owner Discounts in thousands



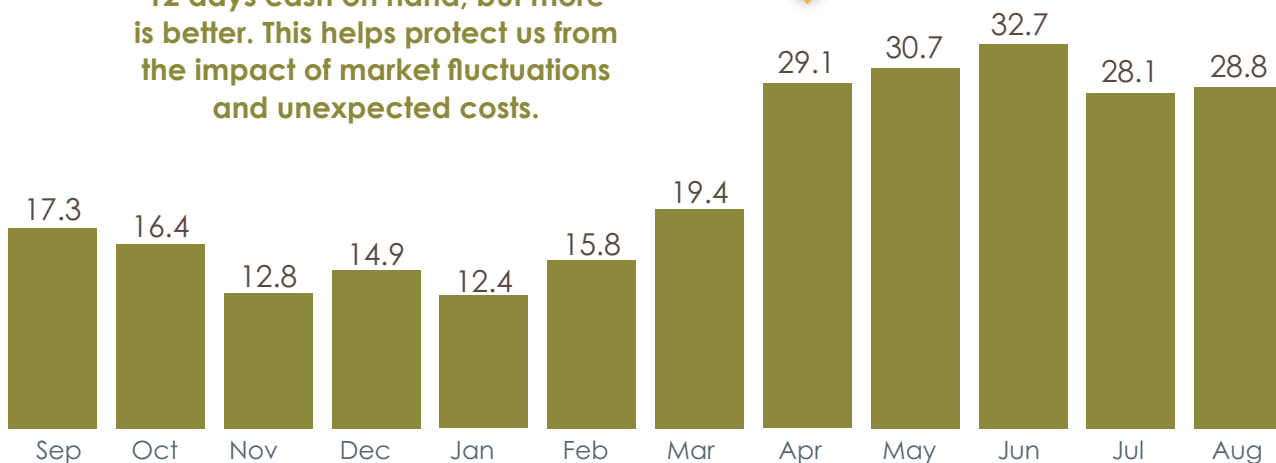
What about food sourced from Native-owned, Black-owned, and womxn-owned food producers?* We don't have enough information in our database to accurately calculate these numbers, but we'll be working towards this capability in the future to better track our economic impact and help inform buying decisions in the future.

*<https://en.wikipedia.org/wiki/Womxn>

Cash on Hand In days

We like to have a minimum of 12 days cash on hand, but more is better. This helps protect us from the impact of market fluctuations and unexpected costs.

Paycheck Protection Program (PPP) loan comes through



Volunteering

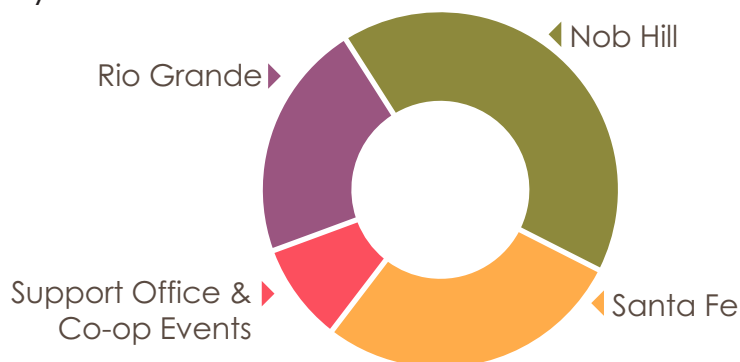
60% of volunteering was done at non-profits in New Mexico. We incentivize non-profit volunteering with co-op discount cards to increase the capacity of non-profits in New Mexico to advance their mission and create positive impacts for New Mexicans around the state.

2,296 discount cards were issued with 2,798 redeemed, so our tracking system could be under-recording volunteer hours by as much as 21%. We'll be working on this in the coming year to improve reporting accuracy as we keep track of our positive impacts.

2,631+ hours volunteered by Co-op member-owners.

This year we couldn't hold our EarthFest event, usually our biggest volunteering event of the year, but these numbers do include all the volunteers who helped out at 2019's Annual Member Owner Gathering.

Volunteering by location



Donations

More than **\$6,000** given in discretionary donations. This includes things like food donations for the Climate Strike last year, gift baskets for non-profits to raffle off in fundraisers, the cost of making sure every child in our Holiday Giving Tree program receives a gift, and more.

Thousands of pounds of produce donated to food shelters and homeless programs around our stores. With unexpected disruptions this year including the need to develop and launch an online shopping platform, we haven't had the time we usually do to tally up all the paper donation receipts here. We'll get them totaled as soon as we can though, and we'd like to do more focused reports throughout the year in the future, so keep an eye out for more on this in the coming months.

\$21,060 donated through our Good Cents program prior to the pandemic. These donations represent reusable bag and container credits (10¢ and 5¢ respectively) that our shoppers choose to donate to the local non-profits we highlight each month. The state banned reusable bags and containers early on in the pandemic, and even though bags have since been allowed again for self-bagging, containers are still not allowed. Even with bags allowed once again, donations through this program have been heavily disrupted this year.

We're donating **\$1,500 each** to the three non-profits who had previously been scheduled as our April, May, and June donation recipients, along with what little bag credit donations

we've accumulated since then. This will help them get the much-needed support they've been looking forward to, while also freeing us up to re-imagine this program to be more sustainable within the framework of the state's COVID-Safe Practices restrictions. These funds will come from the original budget for 2020's Annual Member-Owner Gathering; because it was held digitally this year, we ended up well under budget and used that as an opportunity to further support NM non-profits. Looking forward, we'll be exploring new ways to introduce more member-owner input into where our donations go in the future.

Employment

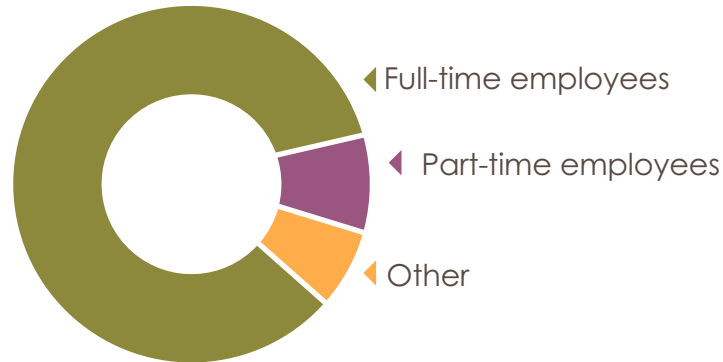
Living Wage

See the chart of cumulative financials for the year on page 5 of this report to learn more about our \$3/hour Hero Pay Differential this year.

By the end of October, we'll be up from 86% to **100%** of the living wage based on the model recommended by National Co-op Grocers (NCG), a cooperative of food co-ops around the country. The exact wage varies between our stores due to the different cost of living between Santa Fe, Albuquerque, and Gallup. The NCG model incorporates the costs of transportation, a phone, various living expenses, and some savings as well, which other living wage models often leave out.

With this change, we'll be paying about **\$13,212** more to our employees each pay period. It will also include wage adjustments for team members whose wages were already around the new living wage amount; this will help preserve raises they've earned previously on top of our old base wages.

Employees by category



224 full-time employees, 22 part-time employees, and 19 others (such as substitutes)

Wage Ratio

In the last few years there was a peak wage ratio of **7:1**, but we'd gotten it down to **5:1** in the last year. After we finalize some further changes in this area, it'll come down to **4:1**, ranking even better than most B Corps. This represents the difference between the highest and lowest wage within the organization, so smaller is better. Most B Corps aim for a ratio between 5:1 and 10:1; national corporations are a whole lot worse, often in the ballpark of hundreds or thousands-to-one.

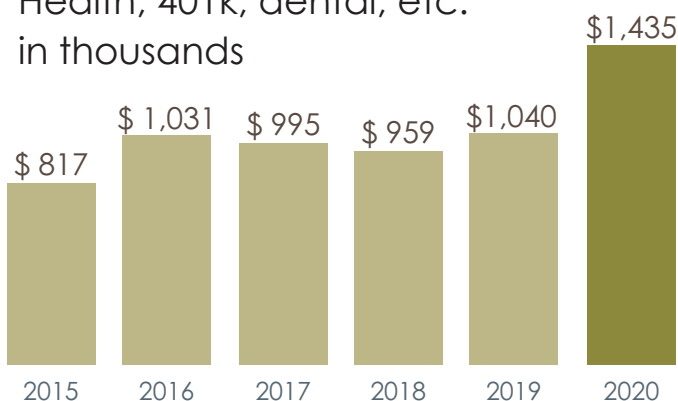
Employment Type & Turnover

224 full-time employees, **22** part-time employees, and **19** others (such as substitutes)

48.9% annualized employee turnover rate, an improvement upon recent years. Not counting the two locations that were closed this year, our annualized employee turnover rate this year would actually be **35.1%**. With a recent industry average for food & beverage retailers of 95.2% turnover, our co-op has done much better with employee retention than average grocery stores.

Employee Benefit Costs

Health, 401k, dental, etc.
in thousands



Due to a rise in health insurance claims, our employee benefit costs increased by almost **38%**.

Benefits

We have a strong benefit package at relatively low cost to employees. We cover about **90%** of employee benefit costs, equivalent to an average of **\$3.03** per hour worked beyond wages.

85% of employees are eligible for benefits, much higher than the retail industry average of 51%.

Store Closures

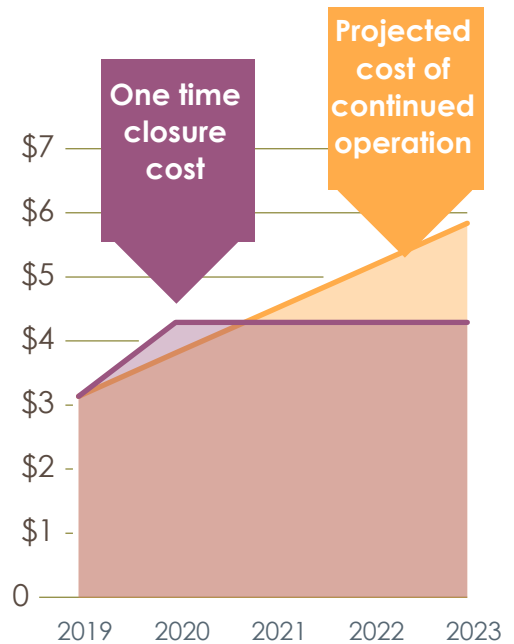
Prior to the Westside and UNM locations' closures in March, we had **1,635** active member-owners who had joined at our Westside store and **52** active member-owners who had joined at our UNM store.

By the end of September, 907 Westside member-owners had come up for renewal, with 187 choosing to renew (most shopping at our Rio Grande store instead). This represents about **20%** membership retention from that store since its closure, but we'll have a more complete picture of the impact after a year has passed since the closure.

In the same time period, 33 UNM member-owners came up for renewal, of whom 20 chose to renew. This represents about **60%** membership retention from that store, but it's not directly comparable to the numbers we see from the Westside location; our UNM store was very different from our other locations. It was much smaller with a primary emphasis on grab & go food options rather than your standard grocery store product selection, so many members would pick up something quick there when convenient and then do full grocery shopping trips at our other stores in Albuquerque. Because of this, we see both lower numbers of memberships being created within the UNM location and higher retention of UNM-originating members who still visit our other stores that are relatively close by.

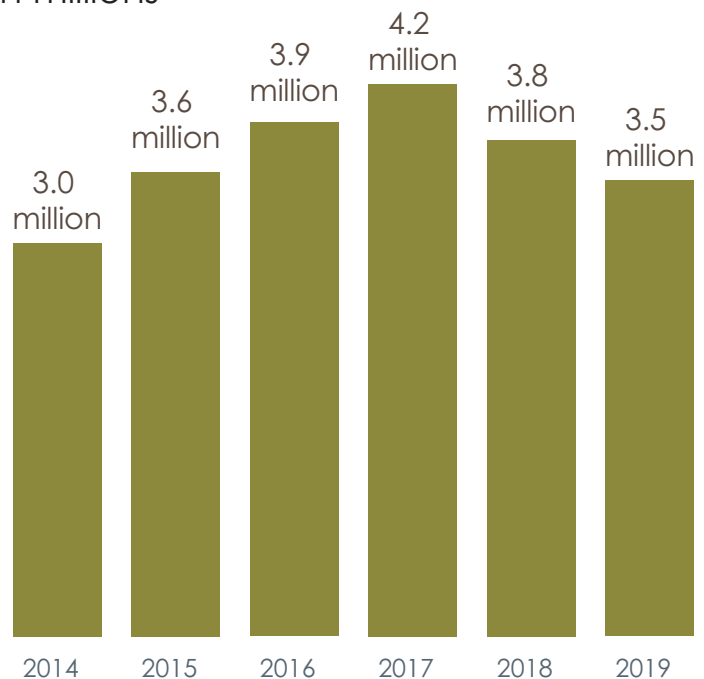
Westside Store Cumulative Losses

in millions



Westside Store Sales

in millions



Distribution Center

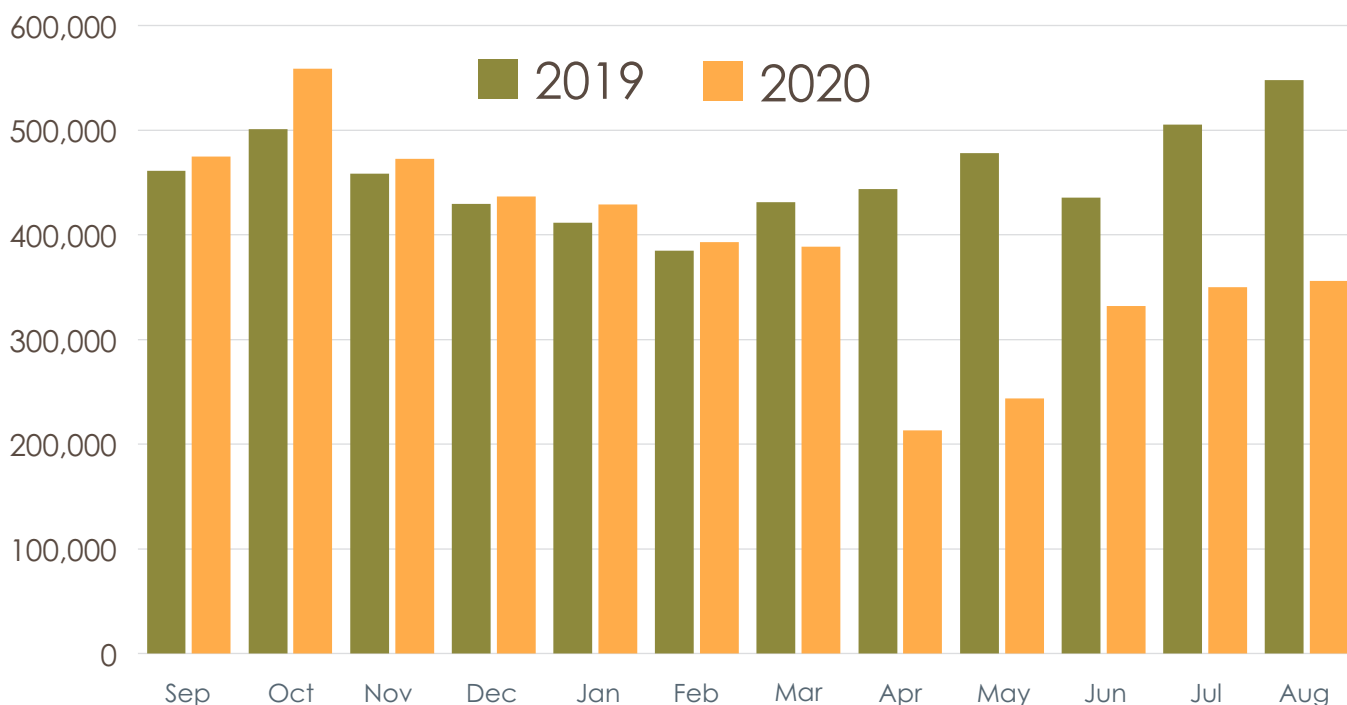
The Distribution Center picks food up from farms and makes deliveries all around the state, serving as an invaluable part of the local New Mexico foodshed. Through our value chain development work, the Distribution Center team provides no-cost education and support to farmers across NM. As a USDA GroupGAP certifier, we help farms large and small get trained and certified to sell their foods to customers like the New Mexico public school system.

\$7,871,441 total sales this year, down from 8,784,346 last year. **92%** of the decrease was in external sales, primarily driven by closures or declines in business at the many restaurants that account for the majority of our Distribution Center's external sales.

Our Distribution Center allows us to buy in larger quantities to have better pricing at the stores, but most of its sales are actually to customers outside of our cooperative. These external sales are where we saw the greatest hit this year in the Distribution Center, and you can see exactly when the pandemic started affecting these numbers in the chart below.

Distribution Center External Sales

2019 compared to 2020





Locations

Nob Hill

3500 Central Ave. SE
Albuquerque, NM 87106
505-265-4631
8am–8pm, Monday–Sunday

Santa Fe

913 West Alameda St.
Santa Fe, NM 87501
505-984-2852
7am–8pm, Monday–Sunday

Rio Grande

2400 Rio Grande Blvd. NW
Albuquerque, NM 87104
505-242-8800
8am–8pm, Monday–Sunday

Gallup

105 East Coal Ave.
Gallup, NM 87301
505-863-5383
8am–6pm, Monday–Sunday

Support Office

901 Menaul Blvd. NE
Albuquerque, NM 87107
505-217-2001
9am–5pm, Monday–Friday

Co-op Distribution Center

901 Menaul Blvd. NE
Albuquerque, NM 87107
505-217-2010
Hours vary; please call for
appointment.

