

NEW DEAL CAFÉ MANAGER'S REPORT

December 15, 2001

There hasn't been a general membership meeting since I became the manager 16 months ago, so I will attempt to summarize the progress and problems the café has had during that period. This report also includes financial summary tables, and a list of the café's awesome employees. I have tried to address all of the recurring questions that I have heard over the past year. Unfortunately, this makes the report quite lengthy.

The café's place in the community

The New Deal Café is the realization of the dream of having a cooperative coffeehouse in the Center where the community could gather for dessert and live music. In this regard, the café is a resounding success. Our business has grown substantially and the feedback is overwhelmingly positive that people enjoy and value the café as an integral part of Greenbelt. During the past year, we have had live music every weekend, numerous local and civic group meetings, catered office luncheons, hosted birthday parties, and much more. It is apparent that the café adds enormous value to Roosevelt Center and to Old Greenbelt itself. New residents rave about us. I fully support the café remaining a non-profit cooperative, and have always wanted to see expanded community participation through local cooks, local performers, children's activities, etc... I have always supported any possible use of the café by local groups, and feel strongly that we need to find the time to locate and continue to promote these uses.

The café as a restaurant

The volume of business the café does has grown significantly. We have experienced a 44% increase in business over the last year (from averaging \$14,400/month in sales during the year 2000 to \$20,900/month in 2001). Though we still carry a large debt burden from the year 2000, we have managed (barely) to pay the current expenses and keep the café running.

The health department inspects us every 4 months and we always pass. But, work could be done to the space in order to make it easier to clean and keep clean. The converted bank that we operate out of is very difficult and labor intensive to maintain. Most of the features of restaurants that make them easy to maintain, such as tile, floor drains, and integral counters are absent in the café. Painting the floor has been a much talked-about option that should probably be attempted soon – we get many comments about the condition and appearance of the old floor.

When I became manager, I initiated many cost-cutting measures, particularly a move to specialized vendors for products such as paper goods, produce, and bulk items. I introduced higher profit items, like the Ice Rages and chai. I began ordering baked goods more frequently in less quantity so they would be fresher and sell better. We now carry Uptown Bakery items, which have been very popular. (Chef Lou has definitely had an impact on our sales.) We rearranged the kitchen to make it more efficient. We were able to purchase a sandwich prep table with a large donation so that we could at least make sandwiches and salads much quicker and easier. I reduced the menu and took away so many choices (i.e., hummus choices, bread choices, dressing varieties) to make it quicker and easier to order and prepare. I raised prices, more than once, because people were

always commenting that our prices were so reasonable. (In fact many still do, so should we raise them again?) We started calculating sales tax, which had been included in the prices since the cafe originally opened.

There are still way too many dishes to handle without a dishwasher. I switched to paper this week since this is our slowest month of the year and we have fewer people working.

The key to the café surviving is obviously to increase our profit margin. The challenge for the coming year will be to figure out how to do that. After keeping track of what customers were ordering for several weeks, I cut the cooking time (in the community center) down. We were selling much less of the food that was being prepared there than we were of sandwiches and items we prepare at the café. This has helped reduce the workload in the café significantly.

We need to find additional ways to cut the menu and simplify operations so that we can manage with a smaller staff. We also need to further analyze food costs and find additional ways to economize.

The live entertainment and special events that we have are particularly important to the café's success, as those days are usually our most profitable.

Finances

Over the past year, the New Deal Cafe will have grossed approximately \$250,000 and will have probably taken a loss of approximately \$3000. The café had many debts 16 months ago and not enough money coming in. I continued to discover more bills that needed paying as the months went by. After much negotiating, we are now set up to pay back all but three of our remaining debts.

Tax Debt

- Federal payroll taxes – We are in contact with the IRS now and will be proposing a settlement to them soon. It will take some months before we are notified of their decision. (Giving us more time to raise money!)
- State payroll taxes – We paid off year 2000 taxes in May 2001.
- State Unemployment Taxes – It was discovered this year that the café was not set up with a state unemployment account because at the time of our combined registration we had no employees. It took a while to figure this out, but we now have an account with the state, and are in the process of paying back the amount we owe.
- Sales Tax – We paid off sales tax owed through June 2000 in June 2001. We are now on a 2-year payment plan for the tax owed through Dec. 2000.

Vendor Debt

- Buonoparte Breads – We owed this bakery \$1500 in August 2000. We now pay our bills monthly.
- Equal Exchange – We are currently making payments of \$25/order on this debt from 2000. Starting in February of 2002, we are supposed to make additional payments of \$75/order. This would pay off our debt in less than 2 years.
- Silver Spoon – This is the rental on our espresso machine. We are making payments of \$60/month towards the debt, which should be paid off in 15 months.

Other Debts

- Greenbelt News Review – We owed the News Review \$900 for past ads. Several anonymous donors paid off most of this, with the rest coming from the “Guys In Ties” Slay the Dragon Concert. We do not owe the News Review anything as of this time.
- City of Greenbelt – We are making payments of \$10/month towards our rental of the kitchen in the Community Center. This debt also includes rental fees from when the café was operating out of the Community Center.
- Co-op Supermarket – We have not started to pay off this loan yet.
- Member loan – No payments have been made toward this amount.
- Deferred manager pay – I have withheld cashing some paychecks in order to provide a reserve for the café’s uneven income periods. This year has seen many ups and downs (as it was our first full year of operation), and the balance of this account has varied. It is quite high at the moment because December is our absolute slowest month. It is also the time when quarterly and semiannual taxes are due, and the time when our insurance payments begin again. If sales follow the trend of last year, the café should make a profit in succeeding months, and this “reserve” will decrease.

Bookkeeping

- A succession of treasurers (three) worked on the finances until it was all turned over to me in June of this year. QuickBooks has never been properly set up for a small restaurant like ours. Ideally, the board will find someone experienced in doing this to help us. The new year would be an ideal time to start. We did have a CPA who had volunteered to help us review the books from last year. In January, the board had decided that the books from 2000 needed to be audited. Unfortunately, this failed to happen.

Fundraising

Since beginning the membership and fundraising campaign in January of this year, the café has raised over \$10,800. By the end of this year, \$5900 of this amount will have been spent on reducing our debt. (Depending on the sales totals from December, we may now need to use some of this money for operating expenses). Support continues to come in from areas surrounding Greenbelt and so many people seem genuinely happy to have found us and want us to survive. I believe with more effort, that many more dollars could be added to our donations account.

Business Structure

Lapse of incorporation – It was discovered this year that the New Deal Café’s incorporation had lapsed because it wasn’t renewed in 1999. To get it reinstated, we needed to file personal property tax returns for the years since then. To do that, we needed to provide inventories of those years. The inventories were completed and were waiting on someone to file the personal property returns. The CPA who had volunteered to audit the books also agreed to help the board do this, but unfortunately the work was not completed. The city’s attorney, Mr. Bob Manzi, has now agreed to help us with this.

Non-profit status – Mr. Manzi is also helping us apply for non-profit status. He and our volunteer CPA believe that we need to wait on the results of this request before reinstating our incorporation.

Board of Directors – For most of this period, we have operated with a number of vacancies on the board, and by June 2000, the number had dwindled to one. This severely hampered the ability of the cooperative to handle some of the many issues facing it. Hopefully, a new board will bring much-needed energy and enthusiasm to the tasks that lie ahead.

Staff

The café has a number of long-term, dedicated employees, several of whom recently celebrated their one-year anniversaries. In fact, we have 6 employees who have worked at the café for over one year. We have some employees who have returned to work here, and others who help out when needed though they have gotten better, higher-paying jobs.

On the other hand, working at the New Deal is a very demanding job for the pay. New hires sometimes do not stay long, and it has often been difficult to find reliable employees. Most, if not all, of our current employees work at the café for more than their paycheck – they value being part of the New Deal and what it means to Greenbelt.

Volunteers

I have been courting volunteers since I became the manager. The café had developed a reputation for not welcoming volunteers. Mimi prepared some eye-catching volunteer forms, and we started using volunteers in the kitchen, for shopping, for special events and more. There have never been enough, of course, but I feel like volunteers are the core of Greenbelt and should be well represented at the café. It would be nice to have a volunteer coordinator to handle other issues, such as training, skills, scheduling, etc.... since I often have to relegate that to the bottom of my list. However, the café continues to have a cadre of dedicated volunteers, who have been essential to keeping us in business. Many thanks to all.

(Volunteers recently redid the bathrooms, to rave reviews! In fact, the “newer” look of the café has been very popular – the space seems warmer and cozier now.)

Outlook

Though the café owes tens of thousands of dollars, we continue to receive money and support. New memberships are still coming in. I am sure that we could gain many more members with a strong membership drive.

We have gone further into debt this year (through my loans), but we have totally paid off some debts and are making progress on most of the rest. Only the loan to the Co-op and a large member loan are currently unresolved. If the café were to close, there would be no way to raise the money needed to pay off the IRS or the other debtors, and past managers and board members would be liable for some of those debts.

However, it is critical that we cut our expenses and increase our profits immediately because the café has essentially no cash reserves and is operating with a near-zero profit margin.

The future of the café rests in the hands of the members. How badly do they want it to survive? I believe with lots of hard work (by more than just a few) that the success of the café is within reach. But there should be no illusions that this will be an easy task, and it will definitely take teamwork and business savvy. The complete operation of this restaurant/nightclub/community center/caterer/rental hall/cooperative is too much for just a few people, particularly with the problems hanging over us that are still to be resolved. My sincere hope is that there are people who care enough to fight for its existence.

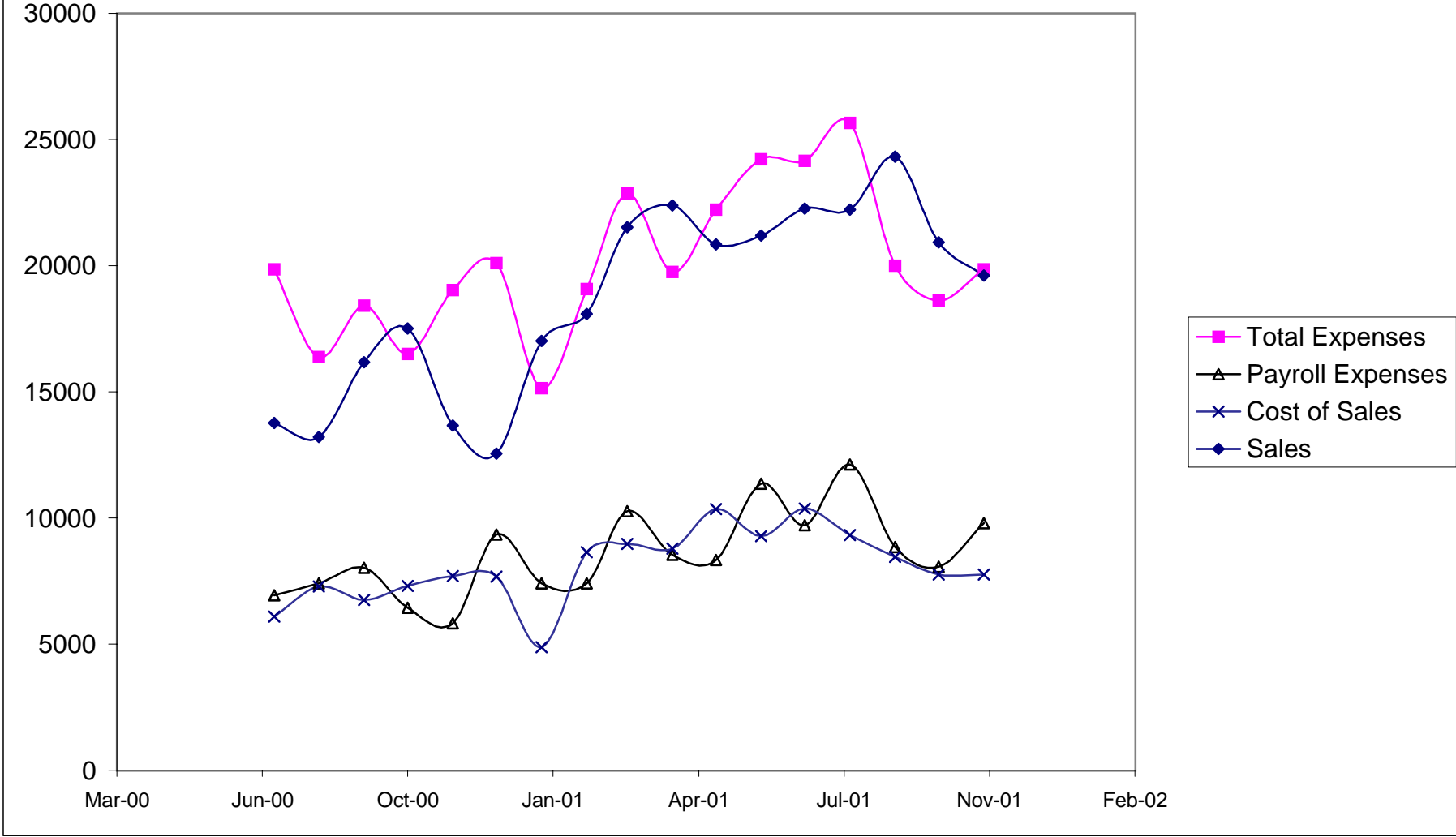
Terri Rutledge

New Deal Café Employees

Brandon Dwyer
Clare Storck
Cristy Baker
Deborah Taylor
Debrom Kokobu
Ellen Bakke
Gabe Cahalan
Ginger Farnham
Jon Clark
Julia Wade
Kati Monke
Katie Smallwood
Kristin Stenson
Lauren Byers
Laurie Scheinhaus
Prisca Mpanda
Rian Brittentine
Vasilios Frankos
Terri Rutledge

New Deal Cafe
Financial Summary

New Deal Cafe Trends
July 2000 - November 2001



New Deal Cafe
Financial Summary

New Deal Café Financial Summary July 2000 - November 2001																	
	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01
Income (\$)																	
7010 - Interest Income	0	0	0	0	0	0	0	1	3	5	8	12	5	4	5	5	6
Donations & Memberships		227	143	470	1311	264	100	1255	3756	1449	916	60	0	715	508	736	1283
Sales⁽¹⁾	13774	13213	16173	17514	13672	12554	17011	18095	21519	22381	20843	21195	22267	22218	24319	20917	19602
Expense (\$)																	
Other Expenses⁽²⁾	1131	99	151	471	2333	1470	634	488	1407	588	1185	1856	1873	909	339	625	387
6390 - Utilities	400	0	1883	680	1589	0	636	945	609	240	747	120	583	1716	763	562	338
6290 - Rent	5280	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600
6430 - Cost of Sales⁽³⁾	6096	7290	6755	7304	7690	7679	4881	8636	8973	8787	10357	9284	10380	9319	8463	7752	7752
6560 - Payroll Expenses⁽⁴⁾	6939	7397	8021	6449	5815	9344	7401	7409	10267	8546	8333	11355	9720	12112	8845	8075	9789
Total Expenses	19846	16386	18409	16504	19027	20093	15153	19078	22857	19760	22221	24215	24156	25656	20010	18614	19866
Net Income w/o Donations	-6072	-3173	-2237	1010	-5355	-7539	1858	-982	-1335	2626	-1370	-3007	-1883	-3434	4314	2308	-258
Notes																	
(1) Sales is gross sales less sales tax																	
(2) Includes insurance, equipment, rentals, advertising, telephone, repairs & misc.																	
(3) Food, beverages, & consumable supplies																	
(4) Includes wages paid plus all state and federal withholdings.																	

**New Deal Cafe
Financial Summary**

Debt (\$)	Monies owed thru Aug 31, 2000	Monies owed thru Nov. 30, 2001	Note
Federal Payroll Taxes - Year 2000	9000	13389	In negotiation with IRS
Sales Tax - Year 2000	2500	4100	Payment plan in place
State Unemployment Taxes	1500	3000	Payment plan to be proposed for back debt
Co-op loan	7000	7000	
City of Greenbelt	5659	8537	Payment plan in place
Member loan	18000	18000	
Deferred Manager Pay	0	7000	
Silver Spoon Rental	1431	900	Payment plan in place
Equal Exchange Coffee	1541	3275	Payment plan in place
Greenbelt News Review	600	0	
Real Estate Tax Pass-Thru 2001		666	
State Payroll Taxes - Year 2000	1000	0	
Total	48231	65867	

Cash Balances (\$)			
	8/31/2000	11/30/2001	
Checking Account	814	3504	
Payroll Tax Account	0	70	
Sales Tax Account	0	3898	
Donations Account	0	7121	
Total	814	14593	