



**Finance Committee Meeting Minutes  
September 27, 2017  
Ten Pin Building Mezzanine**

**Present at meeting**

**Board:** Leah Stamper (President), Cheri Strong (Vice President), Colin Fiske (Secretary), Robert Donovan, Ed Smith, James Kloor

**Absent Board:** Mary Ella Anderson (Treasurer)

**FC Committee Members:** Chris Copple, Laura Jones

**Staff:** Melanie Bettenhausen, Emily Walter

**1. Welcome**

Meeting started at 6:02 pm by James Kloor. Introductions were made.

**2. Approval of minutes**

**Motion:** Approve minutes from 6/28/17.

Motion by James/2<sup>nd</sup> from Ed, Motion passes (5/0/2), Colin/Laura abstain. (Leah not present)

**3. FY16 audit findings update – Reported by Melanie**

Melanie reviewed the FY16 audit findings report, updating the committee on what changes have been made, and what are still in the works, to resolve audit findings. In FY19 the Co-op plans to purchase new HR software that will help the Co-op improve security over time clock use and resolve an audit finding.

**4. FY17 audit report – Reported by Melanie**

Melanie reported that she received a draft of the FY17 audit and sent it back due to several blatant errors that needed correction. Chris was upset that the FY17 audit has not been distributed and accused Melanie of hiding the audit. Melanie explained that she is not in the habit of distributing documents that are in draft form with errors. Melanie said the audit will be distributed to the board and Finance Committee (FC) members when they are corrected. Melanie offered to email the uncorrected drafts to the board immediately if that was their pleasure. The board declined.

Melanie noted two of the audit findings that need to be resolved are making sure United Natural Foods, Incorporated (UNFI) deliveries are being counted because UNFI is “known to short deliveries without credit,” according to the auditor. This could mean having a dedicated receiver to do the counting. The other finding needing to be addressed is having a line of credit. Melanie reported that the board was having a special meeting after the FC meeting to make a resolution on the line of credit, which will move us closer to having that finding resolved.

The group discussed audit process and how the FC is involved. Per the FC Charter - the audit is reviewed by the FC committee and approved by the board. Due to the timing of this FC meeting and a board meeting being held next week, the FY17 audit will first be reviewed by the board. No FC members had a concern with this.

**ACTION:** Melanie will email the audit to the FC committee when it's complete.

5. **FY18 first quarter financials** – Reported by Melanie (*Leah arrived to the meeting*)

The group likes the updated format of the quarterly financials. Melanie reviewed FY18 Q1. Revenue is down compared to last year. We are not where we thought we would be, with the remodel behind schedule. Net income is down due multiple costly health care claims. Melanie is not sure if FY18 Q1 includes any health reimbursement and will check with Brandy.

ACTION: Brandy will work to include a variance column for prior year as well.

Melanie mentioned having multiple bank accounts with Redwood Capital Bank and not knowing what they were originally opened for. There is a total of six accounts: (1) payroll, (2) accounts payable, (3) checkbook at customer service in Arcata, (4) checkbook at customer service in Eureka, (5) mystery account with \$0 balance, and (6) CDARS investment account. Melanie related that Brandy believes there should only be three accounts total. The committee agrees.

Chris doesn't like that the FC members are emailed separately from the rest of the board.

ACTION: Emily will include FC members with the board when emailing future FC documents.

Balance Sheet

- Chris voiced that inventory is going up while sales are going down. Operating expenses are going up while gross margin is deteriorating. Retained earnings are down and he is concerned that members will quit buying and start redeeming shares. Chris thinks all indicators are showing that the Co-op is going the wrong direction, and that it's not just a problem of health care costs being too high. The problem is the General Manager.
- Melanie noted that the inventory numbers won't be accurate until an audit takes place later this month. Chris expressed that not having accurate audit numbers is a failure on the part of the General Manager.
- Melanie asked if Chris would like to be included on the email with monthly board packet materials so that he would receive the GM report. He declined.
- Melanie reported that she checks in with our National Co+op Grocers (NCG) advisor about our finances. NCG does not show the same concerns that Chris does.
- James noted the Proforma should be referenced when looking at the financials as it shows the Co-op is right where we planned to be financially at this time with the remodel.
- Chris motions that the FC recommend to the board that the information in the finances show downward trend in all key indicators, due to lack of good management. No Second and the motion was dismissed.

Health Reserve Account

- James would like the board to discuss setting up a benefits reserve or have a dedicated health care reserve to help with health insurance cost spikes that occur from time to time.
- James would like to ask mgt. to create a plan to sustainably manage a health reserve account.
- Melanie - the Co-op is reviewing alternative forms of health insurance. We are working with an insurance broker who is putting together an alternative insurance package to review.
- Ed - in the past the Co-op found that private health insurance was more expensive on average for the Co-op, was more expensive for employees, and offered less options for local providers.
- Colin – is NCG still investigating a collective co-op group insurance?

**Motion:** Recommend that the board direct management to produce a report on various options for addressing periodic spikes in health insurance claims including, but not limited to, buying commercial insurance, establishing a reserve fund, and pooled co-op insurance.  
Motion by Colin, 2<sup>nd</sup> from James, Motion passes (6/1/1), Chris opposed/Laura abstained.

**6. FY18 third quarter C share dividend APR approval (currently 2.00% APR)**

- Melanie wants to look into what other financial institutions are paying out on dividends.
- James recommends reviewing Vanguard Total Bond Market and other co-ops.

**Motion:** Approve FY18 third quarter C share dividend APR at 2.00%  
Motion by James, 2<sup>nd</sup> from Chris, Motion passes (8/0/0), All approved.

**7. Set next Finance Committee date**

Melanie noted that the 2<sup>nd</sup> quarter ends this Saturday and those financials should be ready for review in late October. The group decided the next Finance Committee meeting will be held on Thursday, Nov. 16, 6-8pm at the Ten Pin Building.

**8. Member input on reports**

- Melanie – would the committee prefer a written explanation of the financials?
  - o James suggests putting a highlighted number next to key numbers in the finances that need explanations, similar to a footnote number.
  - o Chris agrees with James.
- Melanie - what remodel financial information should be presented to the FC?
  - o Colin referred to the FC charter. Major decisions, if possible, should go through the FC. If urgent, then going to the board is okay.
  - o Chris would like an updated proforma to help understand the balance sheet. He believes the board should oversee the month to month finances of the remodel.

**9. Discuss agenda items for next meeting**

- FY18 fourth quarter C share dividend APR approval
- Review FY18 2<sup>nd</sup> quarter financials
- Review FY17 audit report
- Review ideas for a having health reserve account
- Presentation of proforma

**10. Meeting adjourns**

Meeting adjourned at 7:10pm

**Next Meeting:** Wednesday, November 16, 2017, 6:00-8:00 in the Ten Pin Building Mezzanine.

**Recommendations for the Board:**

- Approve FY18 third quarter C share dividend APR at 2.00%
- Recommend that the board direct management to produce a report on various options for addressing periodic spikes in health insurance claims including, but not limited to, buying commercial insurance, establishing a reserve fund, and pooled co-op insurance.

*Minutes submitted by Emily Walter*