



Finance Committee Meeting Minutes

November 29, 2016

Ten Pin Building Mezzanine

Committee Members: Mary Ella Anderson, Leah Stamper, Colin Fiske, Robert Donovan, Cheri Strong, Ed Smith

Staff: Melanie Bettenhausen, Cassie Blom, and Kala Eichamer

Members: Peggy Leviton and Chris Copple

Meeting started at 5:39pm by Mary Ella Anderson at the Ten Pin Building Mezzanine. Introductions were made.

Agenda Review. Nothing to add/change.

MOTION: Move to approve the agenda.

Anderson/Fiske

MOTION PASSES 7/0/0

FY16 Audit Report: Melanie goes over highlights of the audit and notes that management will wait to take action on any suggested changes until after CFO is in place. Notes that the CFO position has been change to Controller which is a more hands on role, the salary range has been adjusted accordingly. (More discussion under CFO Vacancy Progress Report, see below)

Suggestions from the auditors include:

- Payroll suggestions: sign checks bank transfers, authorize payments and tighten up policies. The Board may want to take up approval of GM expenses.
- Consider loan for cash needs. Nothing pressing to address.
- Recommendation monthly reconciliation.

Mary Ella asks what department of employees take care of these matters and where will the controller fit in? They will supervise all the finance department staff. The procedures manual will need refining. CFO's focus on future projections and strategy, where as a Controller is hands on and focused on risk management, documents, permits, etc. The Bylaws mention CFO as financial officer, we have had treasurer as officer and CFO as employee.

Mary Ella comments that she reviewed last year's minutes regarding the audit and couldn't find evidence of action. She is glad we are reviewing and acting.

1. **Recommendation to board to have the Treasurer or President sign off on all General Manager expenses and disbursements.**
2. **Recommendation that board accept the audit report.**

Consensus Reached.

CFO Vacancy Progress Report: See above. Melanie reports that she has 5-6 resumes in hand. When Michelle Sanders is back next week they will schedule interviews. Hoping for a selection before end of the year. They solicited as far as Santa Rosa. The top of salary range will be \$77,000.

FY17 Second Quarter Presentation: Melanie expresses that she is unsure of how the committee would like the information presented. The main thing to note is that we are doing well in this quarter. We are above budget. Review of provided document. The last three columns are cumulative of how we are doing. Budget was prepared in anticipation of ENF opening sooner which explains why we are looking better. They didn't open until August which was a soft launch. The Grand Opening was six weeks later in September. We



budgeted for initial big impact then gradual return, the opposite is happening though, the takeoff is slower but may increase over time. Good stuff: net income, \$5,449 budgeted/actual \$91,660 which is 1581% more than was anticipated! Estimate was low due to ENF, 15% loss anticipated. Occupancy, savings of \$40,000, not sure why/what the variances are. This quarter will be affected by refrigeration failure, water heater, and bakery oven down. All things that were beyond our control. Quarterly OBM meeting is next week, more information might come out at that meeting. One of the benefits of being a part of NCG, is we have a western corridor advisor. There is a risk committee who reviews our financials. Melanie had a conversation with our advisor and he did not see anything that was problematic. He shared some things that Melanie can do regarding projections/modeling. Melanie will share in the future. Understanding of how reports are pulled is key to how we create our numbers. Ed comments that the last column showing variance for each store is off, Melanie will look into it with the person who creates the report.

FY17 Fourth Quarter C Shares dividend APR approval. (Current 2.00% APR): Melanie consulted with an attorney, we have to look at our securities permit. Best to declare dividends and continue what we have been doing. Too risky to make a change right now there are too many unknowns in our immediate future. There is no real rationale behind changing or reducing. Peggy suggests continuing the current dividend amount as we have income right now and are in a stable financial situation currently.

Recommendation to stay at 2% for 4th quarter, Consensus.

Patronage Refunds: Discussion included:

- We had a good fiscal year 2016, based on that and the recommendations made by the auditors they came up with a calculation for us. Total patronage was \$336,221. If we issue a refund with 20% or more in cash, we don't have to claim as income.
- Stipulations include that members need to agree that if purchase were not personal (business related) they will need to claim the refund on their taxes. This transfers over tax liability for that money from the Co-op to members.
- Review of draft letter that will be given to customers. If they do not redeem it is not considered distributed. After much review, this is Melanie's recommendation to the board, pay out in full, 100% to fair share, 20% to non-fair share. There are substantial tax savings to the coop. Could the refund be linked to membership accounts? Possibly next year. We can only claim the full amount if 20% is distributed. Vouchers not redeemed would be unclaimed equity. The vouchers will be valid for 90 days after distribution. Would issue to us after unclaimed equity process. Amounts not in cash or shares if dissolved would go back to member. Problematic for our high turnover, administratively difficult to retain funds.
- Discussion of potential impacts a large cash disbursement will have on cash flow? Melanie doesn't know how that was being projected. As long as we have submitted the refund amount by Dec 15 we qualify. A line of credit has not been needed as we have been good with cash flow recently. Most businesses have one to provide a buffer for unforeseen expense. Distributing the refund in lump would be good for membership morale. Especially considering associated costs of split dividend.
- Review of different scenarios with % of distribution. We are not bringing people up to fair share and changing the rest of the distribution, they will get cash next year. After B share distribution, so more will be fair share.
- Ed, thinks cash in the bank is likely over 1 million. Inclined to do in one payment 40-50%
- Chris, terms are dependent on cash needed on hand, Melanie doesn't know. Need that number to make this decision. Not a specific cash on hand number, viewed in number of days we have cash to fund. When cash in the bank is 10 days or below NCG would put us on their watch list. We have 19.35 days in the bank currently.



- Peggy, how much money is one days? Melanie does not have the numbers now. We need to know how many days this distribution would bring us down. Ed estimates based on past numbers \$80,000-\$90,000 is one day's worth.
- **Recommendation to board to review details at the meeting and postpone decision until then.**
- Colin, what is distribution of single membership, what are the actual amounts that will be received. Melanie will give the numbers to Colin and he will format and send it back out in an email.
- Chris, no recommendation until management is clear on the numbers. This is a cross flow of information to yield what will be greatest benefit to both co-op and members. In order to renew member's belief in the patronage refund giving as much as possible in cash would be beneficial. Cheri would like to see 100% for all members. We have been suffering because of perception that we cannot afford to give refunds.
- **Consensus that the committee would like to see greatest amount possible given out in cash ideally in one payment if possible.**
- Discussion of needing more data as to how many refunds will be less than \$10. There could be many small checks. Melanie will add this question to lawyer she has been consulting with. This information will go back to the board in a more finalized proposal.
- The refund is being issued as a voucher so that members can bring it into the store and spend it, which they prefer. They can then redeem for cash, spend it in store or donate to CCF.

Deli Remodel Budget: Melanie asks the committee of two FY17 Budget drafts she has come across, does any one recall which was adopted? This was discussed at the February meeting. One was approved. Questions around capital improvements. What budget are we working from, in the minutes from March meeting? Melanie wants to align where numbers are being pulled from. Peggy suggests that projected sales numbers are going to be different then you could compare with budgets and divine which one we are working from. Melanie is going to meet with Peggy to discuss her meetings with the former CFO to clarify things

Member Input on Reports: None.

Next Meeting: Tuesday, March 28, 2017 5:30-7:00pm in the Ten Pin Building Mezzanine. Meeting adjourned at 7:51 pm

Minutes submitted by Kala Eichamer

Recommendation for Board:

1. Recommendation to board to have the Treasurer or President sign off on all General Manager expenses and disbursements.
2. Recommendation that board accept the audit report.