



## Finance Committee Meeting Minutes

February 22, 2023

Zoom

### Present at meeting

**Finance Committee:** Humnath Panta (Treasurer), Thomas Wehland (Secretary - Employee Director), Laura Jones (Director), Michael Connors (Director), James Kloor (Member at Large), Diane Sharples (Member at Large)

**Staff:** Emily Walter, Sean Nolan, Barney Doyle

**Members:** Kathleen Pelley

### 1. Welcome

Meeting started at 6:04pm by Humnath. Introductions were made.

### 2. FY23 Third Quarter Financial Review – reported by Barney

In this quarter we experienced the earthquake and power outage that led to loss of sales and spoiled product. We are looking for backup generators that would be able to power the full stores to prevent this type of loss in the future. The Tesla batteries in Eureka are currently putting power back into the grid, and the power they store is not available to the store for the first five years we have the batteries. If we foresee losing power we can contact Tesla in advance to store energy in the batteries for our use.

- James – I recommend getting three quotes to find the generator that works best operationally and financially for the Co-op.

The ~\$500,000 epoxy floor repair costs are going to be expensed. By expensing them now, it will create a loss going into 2023. We received the first Employee Retention Credit (ERC) check in December and a second one in January, bringing in almost \$2M. The ERC income was applied to fiscal year 2022 and not the current tax year. It's an interesting year as we have a large income loss for the fiscal year, yet we have a bit over \$4M cash on hand.

We did a physical inventory at the end of January and will have those numbers in the next week. P9 inventory was estimated due to the holidays.

Revenue for the quarter was down \$546K compared to budget. That reflects the renovation, December power outage, and large healthcare claims. I remain confident that our pricing changes and margins are getting better. Sales are looking good.

- Mike – are the healthcare claims work-related?
  - o Barney – none of these are due to work related issues. These are not workers comp claims.
- Mike – daily operating expenses are increasing rapidly. I understand some of this is due to the renovations. Are the operating expenses getting under control now that renovations are complete?
  - o Barney – I attribute most of these expenses to the renovations as well as some equipment and supplies that were purchased. I'm confident that number will start to drop going into P11.

- Sean – the P9 and Q3 spike is likely the expensing of equipment. The overall trend over several quarters – you’ll notice it matches the growth sales trend. They are correlated. If the sales growth is higher, it’s often correlated to increased costs of goods.
- Mike – have you thought about doing these metrics, separating the store locations? Do you ever do reporting that strips out the one-time events?
  - Sean – we have an internal report that somewhat mirrors the financial statements but breaks down by individual departments and store. It allows us to see operational costs without the big caveats, like the renovation.
- Humnath – requested cash flows for several quarters and periods be reported.  
ACTION: Barney will include new reports at the next Finance Committee meeting.
- There was a question about the statement of cashflows that Barney will look into and get back to the committee about.

**Recommendation to the Board:** Accept the FY23 Q3 Financials as presented, not including the statement of cash flows.  
Motion by Thomas, 2<sup>nd</sup> from Humnath, motion passes (7/0/0).

### 3. FY23 Audit Update

We are getting ready for the audit with Wegner and anticipate it going smoothly. It looks like personnel interviews will take place early June.

### 4. FY24 Draft Budget Update

We are busy reviewing financials from this fiscal year and projecting income and expenses for fiscal year 2024. The process is working well, thanks to an SOP created by Sean in previous years. The draft will be reviewed by the Finance Committee on March 23.

- James – how do you estimate health care costs?
  - Sean - Our insurance broker helps us review past health care costs and what to expect in the upcoming year.

### 5. FY24 first Quarter C Share Dividend

- Diane – I think 2.5% is competitive. Financial institutions are starting to pay more, but we aren’t a financial institution.
  - Mike – I agree with Diane. I think the Co-op is just getting over hard economic times and we shouldn’t make any changes that would feel alarming to members.
- The committee agreed to make no changes to the interest rate.

### 6. Member Comments

None

### 7. Set Future FC Meeting Date and Agenda Items

Next Quarterly Finance Committee Mtg. – Thursday, March 23 at 6pm

#### Future Agenda Items:

- Review FY24 Draft Budget
- Finance Committee Members at Large

### 8. Meeting Adjourns

Consensus reached to adjourn the February 22, 2023, meeting at 7:11pm.

*Minutes submitted by Emily Walter*