



Finance Committee Meeting Minutes

May 23, 2024

Zoom

Present at meeting

Finance Committee: Mike Connors (Treasurer), Brenda Harper (President), James Kloor (Member at Large), Chris Copple (Member at Large), George WinterSun (Secretary), Ellis Smith (Employee Director), Diane Sharples (Member at Large), Laura Jones (Director)

Staff: Emily Walter, Sean Nolan, Barney Doyle

Members: Kathleen Pelley

1. Welcome

The meeting was started at 6:06pm by Mike.

2. FY24 Q4 Finance Review – reported by Barney

It was a nice comeback quarter with good sales although slightly under budget by ~\$36k. We budgeted for a slightly higher Margin. Payroll and Occupancy were under budget. Total Operating Expenses were under budget. We did have a profit but not as good as we had budgeted for.

We had net sales of ~\$36k and came very close to budget. Costs of Goods Sold was higher than we anticipated which caused Margins to be lower than budgeted. Payroll was slightly under budget for the year. Total Operating Expenses were very close to budget. We have a net loss of ~\$99k for the year. After health insurance accruals we'll show a net loss closer to ~\$200k. This was probably the closest to a “normal” year since 2019. Health Care costs were under budget this year, which is great.

- Sean – It's encouraging that we did see improvements for Gross Margins in Q4. We anticipate seeing stronger Margins for Q1 of the current fiscal year.
- James – Are you feeling good about the number of staff you have?
 - o Barney – The number of staff seems to be staying flat.
 - o Sean – The budget for FY25 did not budget for increased staff.
- George – There is a loss gain line this year with around \$47k and the previous year it was over \$700k. Why is that?
 - o Barney – The previous years have been roller coasters with big expenses and unexpected large incomes from employee retention credits, etc. It's hard to make a pre audit and post audit comparison. Looking at Net Operating Costs is the best thing to look at.
- Diane – I was pleased to see the 27% sales growth and wonder what you attribute to that?
 - o Mike – The reason for this is that there is an extra week, 5 weeks compared to 4 weeks.
 - o Sean – The quarter comparison is 2.3% increase in sales.
- Diane – How many parking spaces have you lost in Arcata and has it impacted sales?
 - o Sean – We lost about 20 spaces and only saw an impact during the construction of the parking lot.
 - o Mike – When you say sales are about the same. Is that in dollars or foot traffic?
 - o Sean – We did comparisons during construction and the month following and it showed sales/foot traffic bouncing back the following month after construction. I haven't done long range comparisons.

- Mike – Job well done that we hit most numbers to budget. It seems that it was the Margin that kept us from meeting budget, but it looks like we’re already seeing improvements since Q4.
 - o Sean – Since Q4 we have implemented more pricing changes that should show continued improvement to Margins.
- Mike – I would like to see the top number increase to keep up with inflation. To stay flat we need that number to go up with inflation. Both the quarterly and period benchmarks the ratio is stuck at 1.3, which is under the target of 1.5. Is there a reason we aren’t meeting this target?
 - o Barney – We took on a lot of debt with long term loans for the generators, an electric van and we refinanced the property. Thus, I don’t see these changing anytime soon. We don’t have any plans for increased assets at this time. We may still expense some more repairs. Having these loans allows us to maintain cash flow.
- James – Is the right of use liability asset throwing off our current ratio?
 - o Barney – I think it’s minimal. I can ask Steven if he sees that as a potential problem.
 - o James – It’s new to us and I don’t like seeing it on the balance sheet.
- Mike – The Arcata margins are looking better than the Eureka margins.
 - o Sean – After the financials were published, we found a mix up where some large invoices were charged to the wrong stores. The margins are actually more balanced than what we put in the report.
- Mike – When looking at the income statement the G&A expense from last year to this year decreased by ~\$1M. Why is that?
 - o Sean – I believe that was the flooring and renovation costs.
- Mike – What is FMS data source?
 - o Barney – They have direct access to our accounting software and direct access to our bank. We’ve been using FMS since around 2017, before I was employed here.
- Mike – I would like to see more greater than or equal to or less than or equal to comparators on the benchmark tables.
- James – We have a long runway of cash right now. I think it’s interesting to think about what capital improvement projects we have and what debt we’re trying to retire so that we can have greater profits in the future. For example, if we had a \$300k profit would it be returned as patronage refund or would it go to pay off our long-term debts? Maybe having a \$10k profit at the end of the year is the best thing for our members because it means we controlled expenses.

Recommendation to the Board: Accept the FY24 Q4 financials.
 Motion by Diane, 2nd from James, motion passes (8/0/0).

3. FY24 Audit Update – reported by Barney

I talked with Wegner CPAs. They expect few if any issues with this year’s audit. We’ll be conducting Zoom calls in early June. We anticipate completed audited financials by the end of July.

4. FY25 second Quarter C Share Dividend Rate

- James – What are the returns on the assets in the ICS? It looks like the ICS interest rate is the same as the C share dividend rate and they are both about the same amount. So, a way to think of it is that that interest is covering the C Share dividend rate.
 - o Barney – we get 2.0% from our ICS account.
 - o James – that means it’s covering all but 0.5% of C Share dividends which is great.
- Chris – My understanding is that we want to slowly get rid of our C Shares. Do we want to reduce the dividend rate to speed up C shares withdrawals?
 - o Sean – We want to avoid the possibility of large amounts of withdrawals triggered by a change in the C Share dividend rate. Currently, there is a natural, steady decline in C Shares.

- Mike – I look at this as a low interest loan from our Members and I don't think this is a loan we want to pay off first. I suggest we maintain the current rate of 2.5%.

AGREEMENT: No change to the dividend rate.

5. Member Comments

- None.

6. Set Future FC Meeting Date and Agenda Items

Next Finance Committee Meeting – Thursday, August 22 at 6pm

Future Agenda Items:

- FY24 Audit
- FY25 Q1 Finance Review
- Dividend Review
- FC Members

7. Meeting Adjourns

Consensus reached to adjourn the May 23, 2024, meeting at 6:59pm.

Minutes submitted by Emily Walter