



Finance Committee Meeting Minutes

July 27, 2023

Zoom

Present at meeting

Finance Committee: Humnath Panta (Treasurer), Kirsten Lindquist (Vice President - Employee Director), Brenda Harper (President), Thomas Wehland (Secretary – Employee Director), James Kloor (Member at Large), Diane Sharples (Member at Large), Chris Copple (Member at Large)

Staff: Emily Walter, Sean Nolan, Barney Doyle

Members:

Guests: Steven Brokish (Wegner CPA)

1. Welcome

Meeting started at 6:04pm by Humnath.

2. FY23 Audit Review – reported by Barney

The large contributions to losses this year were the renovations of both stores, expensing the floor repairs, earthquake power outage, and making changes to claims payable. Due to large amounts of balance sheets adjustments, there are substantial additions to assets and liabilities and taxes that change the bottom line.

- Chris – the basic deterioration of margin, payroll and all operating categories is due to expensing extraordinary things?
 - o Barney – when the asbestos was discovered, and we had to do the full floor repair. It became an expense that we hadn't budgeted for. The operational payroll was very close to our budget. The losses in product from the earthquake was a minimum of \$120k. In addition, we lost sales when the power was out and with a lack of product to sell.
- Brenda – Can we see a breakdown of all the different discounts?
 - o Barney - The three main discounts are employee, senior and member discounts.
 - o Brenda – Have employees shopped more with the employee discount?
 - o Barney – Yes. Sales have increased.
- Humnath – Why are the occupancy/operating supplies expenses so high?
 - o Sean – That is from the costs related to the renovations and repairing the floors and painting. There were also reduced sales during the renovations. Payroll was high due to large health care expenses.

Roger joined the meeting via phone.

Steven walked the committee through the audit.

- This is a clean audit with an unmodified opinion, which is great.
- The new lease standard was incorporated into the audit for the first time.
- While it was a rough fiscal year, the Co-op is still doing well financially.
- The purpose of the Lease Standard is to make companies that lease assets comparable to companies that own assets. By adding the capitalized value of the lease, it will make a Co-op that leases its property more comparable to a Co-op that owns their space. The asset and liability pretty much offset each other. The expense goes into occupancy.

- Statement of Cash flows is the most important statement in my opinion. It tells you if you are generating enough cash. Our normal operating activities are generating cash for the business. Unfortunately, we lost some operating cash due to the earthquake and renovation expenses. With everything that happened the Co-op did well and with fewer extraordinary events this number should be even better this fiscal year.
- Income Taxes – we have a deferred tax benefit that needs to be reduced by about \$40k.
- I think that Barney and the team are doing a great job. What this means is that what you are seeing on a regular basis is something you can rely on and that you don't have to necessarily rely on the audit for decision making purposes. The controls that are in place are meeting the needs of the Co-op.
- Barney – we need to adjust the deferred taxes before approving the audit, and until the audit is complete, we can't issue financial statements for FY24.

AGREEMENT: The finance committee will meet at 5:45pm on August 3, prior to that night's board meeting to review, and approve, updated audit.

3. Member Comments

- James – The last two years we've had extraordinary income like the ERC tax credits that covered the issue of our health care expenses. If we didn't have that special income we'd be in a much different situation. We basically got bailed out on our health care expenses this year, but we likely won't get bailed out in the future.
 - o Kirsten – Is there anything we can do about health care costs?
 - o Sean – We could switch to a full fund plan instead of self-insured, but we're in a contract for a couple of more years. A regular policy would also cost a lot more annually.
- Kirsten – with a tight budget, have we looked into increasing cash via an investment?
 - o Barney – This hasn't been discussed.
 - o James – The insured cash accounts payout 2.5-3%. There are also three month brokered CDs at 5.5%. The board would need to direct any money movement.

AGREEMENT: Continue discussion of investments at a future meeting.

4. Set Future FC Meeting Date and Agenda Items

Next Finance Committee Meeting August 3 at 5:45pm.

Next Quarterly Finance Committee Meeting – Thursday, August 24 at 6pm

Future Agenda Items:

- Quarterly Financials
- Members at Large Terms
- Review Benchmarks
- Review Finance Language concerning Labor & Personnel w/benefits

5. Meeting Adjourns

Consensus reached to adjourn the July 27, 2023, meeting at 7:11pm.

Minutes submitted by Emily Walter