



## Finance Committee Meeting Minutes

September 7, 2022

Zoom

### Present at meeting

**Finance Committee:** Kirsten Lindquist (Treasurer - Employee Director), Diane Sharples (Member at Large), Thomas Wehland (Employee Director), Pamela Lee (Vice President), Chris Copple (Member at Large), Roger (President), Humnath Panta (Secretary), James Kloor (Member at Large), Alexandra Profant (Board Member)

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

**Members:** Brenda Harper, Tracy Woods

**Guests:** Bruce Mayer, Elizabeth van der Weide (Wegner CPAs)

### 1. Welcome

Meeting started at 6:02pm by Kirsten Lindquist. Introductions were made.

### 2. Fiscal Year 2022 Draft Audit Review – Reported by Barney

Reviewed notes/journal entries from the auditors.

- Journal Entries – entries have been proposed by both staff and the auditors. Journal entries are standard for year end adjustments to bring into balance between our financial statements, their books and tax books. The journal entries are debits and credits tied to amounts due or amounts already paid and verifying that the statements that are generated after these journal entries will balance.

Reviewed the following entries:

- NCG Equity Dividend Fund – we received a refund and are adding it as an asset in the equity fund.
  - At the end of fiscal year 2022 we discovered that some of the adjustments used for claiming healthcare expenses were based on expectancies and were not tied back to the actual expenses paid. We ended up overestimating actual costs. We made adjustments so that FY22 is correct based on actual expenses. We could not adjust previous years with the same issue, so this year's claims payable amount to get to this year's total goes against retained earnings. We have corrected this issue moving forward and now use actual health care costs and not estimates.
  - Tesla Battery – the battery is still nonfunctional. It had been declared as other income, but since it's not in service yet, we are taking it out of other income.
  - Accounts Receivable Other – we have to declare the Employee Retention Credit (ERC) that we applied for. We have not yet received a payment of ~1.5 million. We need to declare it as accounts receivable.
  - Contingency - a contingency expense is being used as an offset to the ERC income. We don't anticipate an expense like this to occur again in the future, as the issue has been addressed. The contingency expense is being put into Other Expenses.
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- Financial Statements – CPAs opinion that there have been no questionable entries.
  - Balance Sheets – Assets have increased by almost 3 million. Long-term liability has also gone up. The journal entries are what adjust the balance sheet. Accounts Payable remains consistent.

Accrued expenses has gone from \$922,000 to \$1,719,000. The majority of that increase is due to the contingency from journal entry 12.

- Income – we had a good year, \$36,161,000 over \$34,647,000. Costs of goods went up a bit and thus Gross Margin went down percentage wise but was up in dollars. We saw improvements in personal payroll, a slight increase in dollars but lower in percentage. Operational costs were up a bit, mostly in energy expenses. We hope to bring these costs down this year with new refrigerator cases that will decrease energy use and minimize maintenance costs. Net income for the year is just short of \$252,000 which is what associated tax entries are based upon. Last year the PPP loan was the major component of the net income. Last year we increased from operating to net. This year we are decreasing from operating to net.
  
- James – Have we considered patronage dividends to reduce the operating income at the end of the year to reduce the provision for taxes?
  - o Barney – this has not yet been discussed, but a discussion will need to be had.
  - o Kirsten – the board needs to review the capital budget and discuss a patronage dividend.
- Chris - Do you expect the personnel percentage of expenses to increase with the new union wage changes?
  - o Sean – Yes, and we are working on estimating the increased cost and ways to offset that.
- Chris – With the PPP and ERC income, it makes it difficult to see how income relates to members/shoppers.
  - o Barney – We have been able to benefit from it with the PPP and ERC income. These are unusual things that we can't count on, which is why they are in "other" categories. They are not part of our day-to-day operations. Even with these big influxes of income we do pay attention to making sure the operations of the store remain in check and healthy.
  - o Sean - Looking at the operating income is a great way to gauge the success of the store.

**Recommendation to the Board:** Accept the draft fiscal year 2022 audit as presented.  
Motion by Diane, 2<sup>nd</sup> from James, motion passes (9/0/0).

### 3. FY23 Third Quarter C Share Dividend Rate

The committee took no action, and the C share remains at the rate of 2.5%.

### 4. Member Comment on Reports

- Alexandra – The Eureka employees I ran into today were very pleased that Kirsten was elected by the employees to be a board member.

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

Next Quarterly Finance Committee Mtg. – Wednesday, November 16 at 6pm

Agenda items:

- FY23 quarter financials
- Approve FY23 fourth quarter C share dividend

### 6. Meeting Adjourns

Consensus reached to adjourn the Sept. 7, 2022, meeting at 7:20pm.

*Minutes submitted by Emily Walter*