



Finance Committee Meeting Minutes November 16, 2023

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), Mimi 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 6:05pm by Mike.

2. How to Read Financial Statements

James reviewed a PowerPoint presentation explaining useful ways to look at financial statements.

- Barney - The longer the timeframe that you look at the more accurate. A full quarter is more accurate than a Period, just as a full year is more accurate than a quarter.

3. FY24 Q2 Finance Review – reported by Barney

Cash went up from Q1 by ~\$114k. Inventory went up over \$80k from Q1. Net Revenue was up by ~\$60k, or +0.7% compared to budget, and up ~\$193k over prior year Q2 FY23. I think these are the results from our renovations at the Arcata store last year. The downside is that the Cost of Goods Sold was over budget by ~\$201k and even with higher revenue, Gross Margin was unfavorable to budget by ~\$141k for Q2, coming in at 36.6% of sales, whereas 38.4% was budgeted. Direct Payroll Expenses were lower in percentage for the quarter, and lower than budget by \$19k, bringing them to 19.7% of sales, whereas budget was 20.0%. Benefits, including health care, are over budget by \$115k, bringing total Payroll, Payroll Taxes and Benefits over budget by \$85,368 or 27.5% of revenue as compared to 26.8% budgeted for Q2. General & Administrative Expense are slightly over budget by \$17,353, and Occupancy costs were over budget by \$27,327.

We show a Net Income loss for Q2 of \$268,206 which is \$267,600 unfavorable to budget for Q2 (-\$606). We do sometimes have negative budgets, but in this case it's much more negative than expected. We are looking into where we can make improvements to margins.

- Mike – we have been short on margin for a while now.
 - o Sean – Yes. We are making some improvements in certain departments and not yet in others. Generally, pricing is the biggest component, but also promotion of product. Year over year we are seeing some improvements, but we aren't yet meeting our targets.
- George – Is there a significant difference between the stores as far as margins go?
 - o Sean – We don't see a big difference in margin between stores, as products should be priced the same.
- Mike – Is the margin target per department consistent?
 - o Sean – Every department has its own margin target.

Barney reviewed the new financial graphs created for the Finance Committee.

- James – Can we get information on Net Sales – Occupancy?

ACTION: Barney will look into that.

- Chris – The new graphs are clear and help with understanding financials. I think that any period numbers detract from the focus of what the boards job is. Unless the board is investigating a specific issue there is no need to review Period financials. The board should only be reviewing the quarterly financials.
 - o Barney – The only reason to review Period statements is to find any anomalies. I do think too much effort is often spent on the Period statements.
 - o James – What if we define an activator that would cause the board to review the Period financials?

The committee discussed different potential Period financial report activators:

- 2 quarters of negative sales growth or
- 2 quarters of MML after T&B less than 9% or
- Days of Cash on Hand less than 20

AGREEMENT: The committee will continue this discussion at the Feb. Finance Committee Mtg.

Recommendation to the Board: Accept the FY24 Q2 financials.
Motion by Diane, 2nd from James, motion passes (9/0/0).

4. **FY24 fourth Quarter C Share Dividend**

It was suggested the committee review the dividend rate on an annual basis, following the audit, instead of quarterly.

- James – Is there anything in our Securities Permit that requires quarterly dividend review?

ACTION: Barney and Sean will look into any policies regarding reviewing dividends.

5. **Review Benchmarks** – reported by Barney

- James – I like the new targets to budget on the benchmarks. But which way do we want the number to go. It seems we are missing some greater than or less than symbols.
- Chris – It is a substantial change. We are no longer referencing a baseline, other than ourselves, and it isn't based on any industry standards.
 - o Barney – NCG is in the process of coming up with new standard benchmarks. We have let NCG know that we would like baseline numbers from them.

6. **Member Comments**

None

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

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

Future Agenda Items:

- Dividend Review
- Activators for Period Financial Statements
- FY24 Audit Update
- Draft Budget Update

8. **Meeting Adjourns**

Consensus reached to adjourn the November 16, 2023, meeting at 7:33pm.

Minutes submitted by Emily Walter