



Finance Committee Meeting Minutes

August 26, 2020

Zoom

Present at meeting

Finance Committee: James Kloor (President), Cheri Strong (Employee Director), Colin Fiske (Vice President), Kirsten Lindquist (Treasurer - Employee Director), Diane Sharples (Member at Large), David Dahler (Member at Large), Laura Wright (Secretary), Roger, Leah Stamper

Missing Committee Members: Chris Copple (Member at Large)

Staff: Emily Walter, Barney Doyle, Sean Nolan, Thomas Wehland

Members: Elizabeth van der Weide (Wegner CPA), Bruce Mayer (Wegner CPA), Kathleen Pelley, Laura Jones

1. Welcome

Meeting started at 6:02pm by James Kloor.

2. FY20 Audit – reported by Bruce and Elizabeth (Wegner CPAs)

Bruce and Elizabeth reviewed the FY20 audit. The committee did a Q&A with Wegner CPAs. The committee requested that a disclaimer be added to the audit explaining the reason a physical inventory didn't take place at the end of the year due to COVID-19.

3. Line of Credit Renewal – reported by Barney Doyle

The Co-op's current line of credit is up for renewal or will expire October 1. The current line of credit is only \$149K which is operating costs for 2-3 days. When the Co-op had very little cash on hand the line of credit was important, although it was never used. Now that the Co-op is in a better cash position this small line of credit no longer makes sense.

Barney would like to see a larger loan, with at least a 2-year term and a longer payback term. Wegner CPAs recommends the Co-op get a larger line of credit. It would make more sense to have a \$500K-\$1M line of credit.

After we have 6 months of strong sales, and when the PPP forgiveness is complete, it would be a good time to then apply for a larger line of credit.

AGREEMENT: Let the current line of credit lapse and in 3-6 months consider pursuing a larger line of credit.

4. FY21 First Quarter Financials – reported by Barney Doyle

- 24.5 days cash on hand due to the PPP loan.
- Biggest issue is the down sales in prepared foods. Thankfully, other department sales are up.
- Gross Margins are improving, almost to our target of 39%.

Motion: Accept FY21 first quarter financials.

Approved by consensus.

5. Approve FY21 Third Quarter C Share Dividend

The committee discussed the pros and cons of lowering the current 2.65% dividend rate.

Recommend to the Board: Change the current dividend rate of 2.65% to 2.50%

Motion by James, 2nd by Diane, passed (5/2/2), Roger/Kirsten abstain, Cheri/David oppose

6. Capital Structure

James sent out a couple of educational articles about capital structure to the Finance Committee prior to this meeting. The committee discussed the capital structure of our Co-op and the importance of C shares and discussed ideas of different ways C shares can be restructured. The Co-op needs to decide how to bring in new capital and have a vision and plan for how to use C shares.

James recommends that Kirsten contact the Development Coordinator at the Equal Exchange Co-op to find out more about their successful capital structure.

7. A Share Discussion – reported by James

Every year the Co-op files a securities permit. It limits the number of A shares the Co-op can sell. The Co-op can currently sell 20,000 A shares. According to the Co-ops attorney it is easy to raise the A share limit by 1,000 shares on an annual basis. A formal vote from the board will be needed prior to filing our next annual securities permit.

8. Member Comment on Reports

- Thomas – likes the idea of restructuring C shares. Sees it as a benefit to members.

9. Set Future FC Meeting Date and Agenda Items

Next Finance Committee Mtg. - Monday, November 16, 6pm

Agenda items:

- Approve FY21 fourth quarter C share dividend
- Discuss future of C shares
- FY21 Q2 Review

10. Meeting Adjourns

Consensus reached to adjourn the August 28, 2020 meeting at 7:04pm.

Minutes submitted by Emily Walter