



February, Finance Meeting Recap — submitted by James Kloor, Board Treasurer

The Finance Committee met to review FY19 Q3 Financials, discuss the audit, as well as the FY20 Budget. The Audit was not available for review - as we are still waiting for the final version from our Auditors, Wegner CPAs. Barney Doyle, the Controller, assured the Finance Committee that staff would have the audit in the next week or so, which would then be distributed to the Finance Committee & Board. This year I am planning on releasing the Management Letter to the members. The management letter usually contains suggestions for improvement, and overall comments from the auditors for the Board / Staff to implement. The Co-ops current line of credit, for example, was a recommendation that appeared in a previous year's management letter. I expect staff to have responses to the management letter, and a timeline to implement any suggestions. I plan to release the staff response to the members.

FY20 Budget was not ready for presentation at the Finance Committee meeting. This is in part due to my request to see three budget scenarios (high level scenarios - not line by line, or dept. by dept). I recognize and acknowledge that I've made the process more difficult for staff - and I feel like it will spur a much more robust conversation around the budget. I will be working with Barney Doyle in the coming weeks to make sure staff's presentation meets the needs of the Finance Committee - and to make sure we have a budget passed before the start of the FY20 fiscal year.

Given that those two large discussion items weren't available in time for last night's meeting - the Finance Committee scheduled another meeting for March 28, at 6 pm to be held at the Arcata Community Center Arts & Crafts room. Please attend if you can, there should be some robust discussion.

For the first time in over a year we posted a profit at the end of a quarter. It wasn't a lot - about \$8,000 - but it's proof that the enormous work staff has put into controlling expenses is working. Labor percentage is in line with benchmarks, gross margin is in line with benchmarks - so really on the expense side of things we're doing a good job to control the pieces of our financial health that we can. The uncontrollable parts - like overall sales, and one-off charges like health care claims - still serve as a challenge. Thanksgiving saw large sales numbers, and a very positive period - but the December financials don't look stellar. Again, I'd note, in December we didn't lose any money - but we're just not making enough to substantially rebuild cash reserves.

Looking towards the coming weeks - we are facing another cash liquidity crunch point. This is similar in what we discussed in November/December - and different. It's similar in that we might need to utilize our existing line of credit. It's different in our organizational capacity and readiness to understand/tackle the issue. In November it very much felt like we were on the cliff's edge of understanding the issue and addressing it. Now it feels like we're still on the edge of a cliff, but with helmet's, climbing harnesses, and an anchor of experience to arrest our fall if we do slip. It also feels different, because in my time here with the Co-op we'd never faced an issue like this. Now we have. We've seen the issue before, and more importantly, we've worked through it. Remember, we were projected to run out of cash on December 7th - we didn't, and we haven't run out of cash since that date.

Overall, this Finance Committee meeting left me anxious, but assured. It would be foolish not to be anxious, we're not out of the woods yet. But I have seen the staff at the Co-op tackle this issue before, and I believe they will tackle it again. I look forward to discussing the FY20 budget - and how we will plan to rebuild our cash reserves, and I look forward to reviewing the FY18 audit at the March 28 meeting.