



## March, Finance Meeting Recap — submitted by James Kloor, Board Treasurer

### Highlights from the Audit

- The auditors noted one deficiency in internal control for Fiscal Year 18, notably that fiscal year 2018 was closed one week too early. This can be attributed to turnover in staff – and has been rectified by the current accounting team by printing the accounting period dates on all financials. Our Co-op has a very oddly defined fiscal year – the fiscal year closes on the last Saturday in March. So, some years it's 52 weeks long, others 53. I tried to change this ~6 months ago only to be reminded that in the grocery industry we compare week to week. And picking a specific date would cause the end of the year to split weeks – causing comparisons to be difficult.
- Small recommendations from the auditors that could improve the way our Co-op functions, like:
  - A perpetual inventory system
  - Adopting new “lease” accounting standards
  - Making our board minutes less of a transcript, and more focused on the actions taken
  - Items from the prior management letter, like separating who mails the checks, from who creates the checks
- None of these issues present a hurdle the Co-op cannot overcome, nor do they come off as too much of a surprise. We know turnover in management can lead to loss of information, changes to the accounting standards happen outside of our control, and things like perpetual inventory have been in some way shape or form part of the business plan for a while (it's a big undertaking).

### FY20 budget

I asked for three scenarios for the Finance Committee to review – and management delivered. I wanted Finance Committee to have a real conversation around the budget – to review and consider what it would take to meaningfully rebuild cash. In the end, the Finance Committee chose to recommend to the board scenario 3 (which was the staff recommended scenario) that made the following assumptions (very broad – high level):

- Overall labor would remain steady
- Net sales down 3%
- A bottom-line net income of \$450,000

For Scenario 3, health expenses, which are uncontrollable and difficult to budget for, are budgeted for a worst-case scenario. Also, staff noted that 3% is probably a little over-pessimistic – but the Finance Committee elected to keep that projection, and recommend the budget as presented.

Our Co-op is fortunate to have such involved members – we had great questions at the meeting from members who serve on the Finance Committee, and from members in the audience who joined. If you have any questions regarding the Finance Committee, please email [jameskloor.board@northcoast.coop](mailto:jameskloor.board@northcoast.coop).

The next Finance Committee meeting will be Thursday, May 30. Location TBD.