



Finance Committee Meeting Minutes
August 17, 2015
Ten Pin Conference Room

Committee Members: Chris Copple, Jeremy Cotton, Dave Feral, Kate Lancaster, Cheri Strong, Steve Suttell and Jessica Unmack

Staff: Kelli Costa, Kelli Reese and Bella Waters

Guests: Audrey Griffin* and Kyle Schaaf*

*via teleconference

Meeting started at 7:07pm by Kate Lancaster at the Ten Pin Conference Room. Finance Committee Charter and member-at-large term added as 6b on Agenda. Introductions were made.

FY15 Audit Report. Audrey reviewed the audit, starting with financial statements. Discussion included:

- Clean opinion on the accompanying financial statements. Good current ratio (1.53) sales goal (3.2%), very little debt and accounts receivable high because of health insurance reimbursements.
- Statement of Income shows lower gross margin than last year and small change in personnel, both of which can result in good amount of cash shortage at end of year.
- Statement of Cash Flow shows differences between 2014 and 2015 cash flow. Accounts receivable and inventory both up in 2015.
- Letter to Board states that the auditors encountered no significant difficulties in dealing with management or receiving requested information. Required to point out that Management has ability to estimate depreciable lives of property and equipment, which auditors found to be reasonable.
- Letter to Management does not note any significant deficiencies or material weaknesses, as none were noted. Five suggestions to strengthen and make North Coast more efficient: formalize the accounting procedures manual, considering banking products to reduce fraud risks, formalize policy for review of bank credit training (yearly), consistent procedures at both locations (in terms of inventory count procedures) and reconciliation of subsidiary ledgers (monthly).
- Kyle and Audrey are both available for answering questions anytime. Kyle did note that the Co-op will be receiving a refund from both the state and federal 2012 tax return, which is close to \$18,000.

[Kyle and Audrey departed at 7:42pm]

Kelli C. noted the auditors were both easy to work with and very knowledgeable about cooperatives. She updated the Committee on progress made for the auditors' suggestions: Accounting procedures manual is being worked on starting with payroll; will ask Redwood Capital Bank about ACH block; Co-op needs to move monies from money market account at Redwood Capital to a different bank for insurance reasons and will look at credit ratings; working with manager and store manager on inventory counting procedures so everyone is on the same page; AP trial balance did not match PA aging. Variance approximately \$2,400 and will be moving to a monthly reconciliation once discrepancy has been found.

2015-2016 First Quarter Presentation. Kelli C. reviewed the financials from first quarter. Discussion included:

- Income statement - Good first quarter – sales and gross margin up from budget, occupancy is higher due to security guard in Eureka. Huge benefit in terms of decreasing theft and making staff and customers feel safer, but very costly.
- Balance sheet – accounts receivables high due to waiting for reimbursement from stop loss carrier. Discussed how the warehouse inventory is reflected in the total turns. The annual audit reflected a decrease in turns year over year.

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(14.6 is combined stores and 14.2 includes warehouse). Staff working with department heads to meet their department's individualized goal.

- Income statement and balance sheet trends – trends are going in correct direction. \$296k in accounts receivables which includes credit card payment, \$70 in reimbursement, and \$20 in customer accounts. Preferred stocks are up, but still C shares for sale.
- Will report on warehouse expenses at next Finance Committee, but the warehouse is doing well. Difficult to compare inventory turns when there's not a comparable 12 month statement yet.

MOTION: Move to recommend to the Board for acceptance of Fiscal Year 2015 audit.

Unmack/Feral

Consensus reached

New Business:

FY16 3rd Quarter C share dividend rate recommendation. Brief discussion on interest rate.

MOTION: Move to recommend to the Board for approval of the C share dividend rate (whole shares) to continue current interest rate of 2.00% APR for quarter ending December 26, 2015.

Strong/Cotton

Consensus reached

C Share Dividend Threshold: Kelli R. reviewed the memo regarding the feedback from dividend earning members. Dave noted that he'd like to see wording in the Bylaws for how the Board has discretion on how dividends are paid out. Policies and Procedures Committee is working on other potential bylaw additions. Interest in the committee for auto-reinvest, but staff would like to wait until the new membership database is up and running before committing to that. Currently have 10% of C shares issued, so if all current dividend earners reinvest their dividend we wouldn't reach our securities cap for a number of years. Members with the maximum amount of C shares would still be able to reinvest their dividend, as it would not be considered a purchase of additional C shares. Next C share dividend statement will include language regarding the increase and potential opportunity for auto-reinvest.

MOTION: Move to recommend to the Board to increase the C share dividend payout threshold from \$20 to \$50 for FY16 and revisit auto reinvest at February meeting.

Unmack/Suttell

Consensus reached

FY15 Patronage Refund: Kelli R. reported that there was negative income for FY15, thus no recommendation on patronage refund. No action taken.

Member-at-large Term. Finance Committee charter does not specify start/end time for member-at-large term. Discussed having the term as fiscal year, whenever someone shows interest, or after they've attended a certain number of meetings. Also discussed addition of term limits. If Committee views a weakness they should seek someone with that expertise to be on the committee. Conversation was left that member-at-large term remain one year of date accepted to the committee by the board of directors.

MOTION: Move to continue accepting Chris Copple as member at large for another one year term ending September 2016, unless he's elected to the Board in which he is no longer a member-at-large.

Lancaster/Feral

Consensus reached

No changes to the charter were recommended.

Member Input on Reports: no discussion.

Next Meeting: Nov 12th at 5:30pm in the 10 Pin Conference Room.

Meeting Adjourned 8:54pm

Minutes submitted by Bella Waters