

**Minutes of the**  
**Marquette Food Co-op (MFC) Board of Directors**  
**August 18, 2015**

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**Start Time:** 6:05 AM

**Roll Call:** Brian Brady, Barbara Krause, Janna Lies, Cori Noordyk, Mike Potts, Brad Jackson, Tom McKenzie, Emily Wright

**Staff:** GM Matt Gougeon, Natasha Lantz, Kat Eaton, Kelly Cantway, Evan Zimmerman

**Absent:** Phil Britton (excused)

**Public:** None

**Preliminaries**

- **Approval of Agenda/Additions:** no changes suggested. (Motion to approve without changes – B. Krause, second E. Wright); Action – *motion passed unanimously*
- **Review of July 2015 minutes:** Accepted. (Motion to approve by C. Noordyk, second by B. Brady) Action - *motion passed unanimously*
- **Electronic Communication** – None
- **First Public Comment Period** – None

**GM Monitoring**

1. Review of “Key MFC Financial Indicators” (M. Gougeon)
  - Sales Growth: metric will appear depressed moving forward to Q3 and beyond, as was factoring in smaller values from previous store location through Q2.
  - Net Income: generally speaking “breaking even”
  - Labor Costs: increased somewhat, and without focal cause or need to pursue action
  - Debt: Equity Ratio: elevated value, but should see improvement with sale of “Preferred Shares” and/or through re-negotiation with current creditors and/or via new creditors loans

## GM Monitoring - continued

2. L5 – MFC Financial Conditions – Q2 (Matt Gougeon). The Board received the report and reviewed prior to the meeting. The Board determined that the report demonstrated compliance.
  - Interpretation – Reasonable: Unanimous Yes
  - Adequate Data : Unanimous Yes
  - The Report was accepted as in compliance
3. UNFI (Unified Natural Foods Incorporated)//NCG (National Co+op Grocers) Collaboration outcomes impacting the MFC (Matt Gougeon)
  - MFC working to begin carrying a line of groceries “Field Line” with focus of value (healthy at a good price)
  - Will be moving from “bulk purchase” discount methodology to “rebate on sales” focus, so MFC will be able to potentially discount some current product prices
    - This change will help
4. Store Report
  - Sales – good number, expecting a \$713, 000 finish for July 2015
  - Wage Revision – continuing to progress with positive changes in advance of evolving legal requirements
  - Safety/Security – “Safety Week” was held as an internal program with speakers and a visit from the educational branch of OSHA (Occupational, Safety, and Health Administration) to assess the Co-ops safety relative to Federal Government standards. The MCFC was found to be doing well and a list of minor changes to be made to ensure compliance was generated by the visit
  - Point of Sale Coordinator Position (POS) – a newly created position to centralize pricing accuracy and reliability has been very successful
  - Cyber Security – The MCFC is well-prepared to meet the evolving laws that will shift the risk of cyber security breaches from credit card companies to the retailer.
5. Kat Eaton’s (staff attendee) B-Day was recognized
  - A rousing rendition of “Happy Birthday ensued” followed by the discouraging news no birthday cake was present☹

## **G2 – Board Job Description (Phil Britton)**

1. Phil reported to T. McKenzie that upon his review, he did not believe any changes the Policy are needed.

## **Second Public Comment Period – None**

**Break – 10 minutes @ 7:15 pm**

## **Outreach Reports (N. Lantz): 7:26 PM.**

1. Food Hubs
  - Natasha Lantz’s role in this service area is reduced as she assumes other duties to support the MFC
  - Matt Gougeon GM is filling roles vacated by taking a larger role
2. Local Food Vendor Applications
  - Now available on-line at the new MFC website.
  - A much more streamlined and efficient process.
  - Helping generate a market for products the MFC is unable to purchase
3. MFC Branding and Marketing
  - Natasha will be using a greater amount of her time leading this effort
  - Overview of the strategies and related actions the MFC will be using to support ongoing establishment of its perception to the community and related efforts to foster the Global Ends policies
4. Upcoming Events
  - Farm Tours will be held on September 13, 2015.
  - Snacking with the Spirits will be held on August 18<sup>th</sup>
5. MFC “New” website has been launched to the public!

## **Board Monitoring and Discussion**

### **Committee Reports:**

1. GM Evaluation – will utilize a questionnaire to GM’s direct reporting staff as was done last year
2. Finance - Tax abatement revised by City of Marquette, due to MFC renovation and increased property value, so the MFC will see an increase in tax amount by about 25%, but abatement will still continue for 5 years.
3. Communication - planning to meet this next month. Continuing use of “blog post” written by Communication Committee members on the MFC website to foster awareness of the Global Ends policies and their relevancy to MFC Members and the success of the organization. “Blog post” is also directing Members to take the MFC website online survey to get member feedback.
4. By Laws – No report this month
5. Orientation - No report this month
6. Elections/Nominations – reaching out to the entire Board membership to assist in helping fill Board seats. Board Members will seek to visit with MFC members who might be interested and/or help educate MFC members to become interested in pursuing Board membership
  - 3 current Board Members terms end in 2016, so there will be potential openings for the next election

### **3<sup>rd</sup> Public Comment Period – None**

### **Closings**

#### **1. September Assignments**

- Store Report (M. Gougeon) – Matt will be absent as he is attending a conference
- Outreach Report (N. Lantz)
- BOD Budget Review
- G3 – Agenda Planning (M. Potts)
- D4 – Monitoring (B. Krause)
- L2 – Staff Treatment (M. Gougeon)
- L3 – Compensation and Benefits (M. Gougeon)

**Closings – continued**

2. Motion to Adjourn @ 7:25 pm (motion B. Krause, second E. Wright)

**Next Board Meeting Tuesday, September 15, 2015**

Brad Jackson  
Board Member, Recorder

**POLICY TYPE:** EXECUTIVE LIMITATIONS

**POLICY TITLE:** L5 – FINANCIAL CONDITIONS AND ACTIVITIES

**Reporting Period:** April 1, 2015- June 30, 2015

I report compliance with all parts of this policy except L5.6 (current ratio does not meet board prescribed benchmark). Policy interpretations are unchanged since last quarter review. Supporting data and statements have changed in the Global policy and policies L5.2, L5.3, L5.5, L5.6, L5.7, and L5.8. Changes are highlighted in yellow.

I certify that the information contained in this report is true to the best of my knowledge given the information available to me.

Signed: Matthew L. Gougeon \_\_\_\_\_, General Manager

Date: August 18, 2015

Unless otherwise indicated, all data is taken from the 2nd quarter of 2015.

***With respect to the actual, ongoing financial condition and activities, the General Manager will not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from board priorities established in the ends policies.***

**Interpretation/Operational Definition:** The General Manager will ensure appropriate cash flow to pay daily bills, refrain from incurring debt other than trade payables or other reasonable and customary liabilities related to daily operations, and actively work toward the development of a financial contingency plan should one become necessary. All related financial decisions must be guided by the concepts of the Global Ends Policies surrounding open access to local, organic, wholesome, and fairly traded products; support for local suppliers; and education for everyone about food and related issues.

**Data:** The Statement of Cash Flows as of June 30, 2015 shows a decrease of cash of (\$443,711.00). This decrease in cash is representative of proceeds from our operations, sales of equity shares and principal and interest payments on construction loans. No new debt was incurred in the 2nd quarter of 2015. The decrease in cash is indicative of \$400,000 of debt that was paid with MEDC grant proceeds in the 1<sup>st</sup> quarter of this year. All other daily payables and liabilities remained customary to regular operational requirements.

**The GM Will Not:**

**L5.1 Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.**

**Interpretation/Operational Definition:** The General Manager will not place the Co-op in fiscal jeopardy through abuse of his power as the cooperative's agent regarding large capital expenditures, unreasonable loans, etc.

**Data:** Our current customary liabilities fall within normal operating procedures as shown in our quarterly financial statement. The long term liabilities from the previous quarter are reduced and exhibit updated figures to the Notes Payable to Range Bank, NCDF, and NI. On December 20, 2013, with Board knowledge and consent, we entered into construction and equipment loans with Range Bank, Northern Initiatives, and Northcountry Cooperative Development Fund in the amount totaling of \$3,456,800.00. All of these funds were dispersed to the project by Range Bank, Marquette County Title Company, or the NCDF. Our Commercial Mortgage with Range Bank on our buildings was retired and subsumed by the commercial construction loan closed on December 20<sup>th</sup> of 2013. The reduction in notes payable to NCDF and Northern Initiatives attributed to MEDC grant funds used to pay down debt. New terms have been negotiated on remaining debt.

**L5.2 Use restricted funds for any purpose other than that required by the restriction.**

**Interpretation/Operational Definition:** There are currently no longer any identified restricted funds until such time as MFC management and Board determine specific restricted funds.

**Data:** N/A

**L5.3 Fail to settle contracts, payroll, loans or other financial obligations in other than a timely manner.**

**Interpretation/Operational Definition:** The General Manager will fulfill all financial obligations in addition to COGS and daily expenses and will not incur late charges.

**Data:** Financial obligations outside of COGS and operating expenses are the Notes Payable with Range Bank, NCDF, and NI and payroll. Principal and interest payments to Range Bank, NCDF and NI have been made on time. The 2<sup>nd</sup> quarter payroll has been met in a timely manner. (See attached Electronic Federal Tax Payments Systems (EFTPS) reports. The "Settlement Date" on this report corresponds to our pay date.)

**L5.4 Allow tax payments and other government-ordered payments or filings to be overdue or inaccurately filed.**

**Interpretation/Operational Definition:** The General Manager will ensure that all tax and government ordered payments are made on time, filed accurately and have resulted in no late notifications or assessment of penalties.

**Data:** All federal tax payments, federal withholding, social security/medicare (FICA), and federal unemployment (FUTA), are paid electronically through the Electronic Federal Tax Payments System (EFTPS) and followed up with paper quarterly returns prepared by our accountant, signed by the General Manager and filed by their due date. Monthly Michigan Sales, Use, & Withholding returns and State Unemployment Agency quarterly tax reports are completed by our accountant and signed by the GM, paid, and filed by us. Our 2014 Federal Corporate Tax return has been extended and is due September 15, 2015. Our Michigan Business Tax return has also been extended. ( see EFTPS deposit report) (See attached filing schedule from Thompson & Thompson, P.C. and copies of all returns and check stubs for the 2nd quarter of 2015)

#### **L5.5 Enter into real property lease agreements without board approval.**

**Interpretation/Operational Definition:** The General Manager will seek board approval before entering into any real property lease agreements. Additionally the GM will apprise of, make recommendation to, and seek counsel of the board prior to the MFC entering any real property leases.

**Data:** We no longer have any real property leases.

#### **L5.6 Fail to meet the following objectives unless otherwise established by a board-approved document:**

- A. Maintain sufficient liquidity to pay bills in a timely manner. Current Ratio should not fall below 2:1.**
  
- B. Maintain sales and net income at levels sufficient to support store operations and annual objectives.**

**Interpretation/Operational Definition:** The General Manager shall meet these objectives, unless by otherwise written board directive, to maintain a healthy ratio between ability to pay debt and payables and prevent creditors from exerting undue influence over the membership and this business while maintaining modest profitability.

**Data:** A: Current ratio as of June 30, 2015: \$611,774.96/\$440,329.70 or 1.4:1 B: As of June 30, 2015 sales have increased at a rate of 34% over the same period last year and there is a -4.96% net profit.

**Note:** EBITDA as of end of first quarter is \$44,416.86, this provides an alternative picture of our second quarter position.



**L5.7 Fail to make recommendations and rationale to the board regarding patronage dividend at the February meeting of the board.**

**Interpretation/Operational Definition:** The General Manager will provide the board of directors with his recommendation and rationale regarding a patronage rebate for owners of our cooperative at the February board meeting each year.

**Data:** N/A.

**L5.8 Allow financial record keeping systems to be unchecked by a certified public accountant, outside audit or other qualified third party.**

**Interpretation/Operational Definition:** The General Manager will ensure that record keeping is adequate to provide the accountant the information that he needs to prepare our monthly and quarterly financial statements.

**Data:** Pat Thompson, our accountant, reviews financial documentation provided by bookkeeper, Kat Eaton, before preparing all financial reports. The last review of our financial statements happened in 2013, per the requirements set forth by the State of Michigan relative to our securities offering.