

**Minutes of the
Marquette Food Co-op Board of Directors
August 16, 2016 Meeting**

Start time: Meeting was called to order by president Phil Britton at 6:05 p.m.

Roll call: Phil Britton, C. Noordyk, E. Wright, M. Augustyn, B. Jackson, R. Kochis, M. Potts, G. Sarka.

Absent: B. Krause (excused).

Staff: GM Matt Gougeon, Sam Henke, Bridget.

Public: None.

II. Preliminaries:

(a) Approval of Agenda & Additions: No changes were made.

Motion: To approve agenda without changes (*motion by G. Sarka, second E. Wright*).

Action: Motion passed unanimously.

(b) Review of July Minutes: The store report was changed to clarify that the MFC had previously planned for and purchased a time clock prior to the NCG audit. A typo was also corrected.

Motion: To approve the July minutes with changes (*motion by R. Kochis, second M. Potts*).

Action: Motion passed unanimously.

(c) Electronic Communications: None.

III. First Public Comment: Sam and Bridget from the Outreach Department introduced themselves. The GM also shared that past Board president Tom McKenzie offered his residence as a potential venue for the Board retreat.

IV. GM Monitoring

(a) Store Report (M. Gougeon): The GM reported that August sales are booming. Sales in the first week of August were at \$180,000. July was up 7% from the previous year. He noted that the provided financial information will be adjusted but not in a significant way. The MFC is changing its credit card processing company and will save an estimated \$1,200 per month in bank fees. The GM discussed the Dwolla payment system, which the MFC has not yet used although it has an account. The MFC has entered into the period of interest only payments to Range Bank. The GM reported that this will have a positive impact of \$55,000 in cash to be used to pay down accounts and build cash. The store is in conversations with Shared Capital about restructuring debt. The GM provided a comparison of payroll from a recent pay period comparing 2016 and 2015 and noted that the report was requested by Range. The number of hours worked is down 10%, sales are up 8%, payroll is down 4%, SPLH is at 21%, and labor is down 11%. The Board inquired about the report from the NCG audit and the GM explained that the store has not yet received the final report but it will be shared with the Board when the store receives it. The MFC has been working to get labor down to 19%, which it has achieved in the last three pay periods. The number of hours worked is holding steady, but sales have been robust. Double Up Food Bucks is now operational and the store is working on promoting it.

(b) L5 – Financial Condition 2nd Quarter (M. Gougeon): The Board received the report and determined that the report demonstrated compliance.

Interpretation Reasonable: Yes.

Adequate Data: Yes.

The report was accepted as in compliance except as noted.

The GM explained that the report demonstrates that the parameters set by the policy are being met except for the liquidity parameters. He hopes the Board understands that the store is working toward moving back to the liquidity level stipulated in the policy. The GM reported that improvements are attributed to increased membership through the 5/2 Plan, better price perception, and deals. \$650,000 of debt has been paid down. Cash is increasing. The GM reviewed the provided Key Financial Indicators chart and explained that metrics are moving in the right direction. EBITDA showed a dip in the first quarter, so the store has made changes in the second quarter. July SPLH are higher and moving in the right direction. There has been an uptick in days of cash on hand. He commented that the current ratio still needs improvement. The store is financed 27% by member shares (including preferred shares). The GM commented that this is a very important and healthy metric. He explained that he anticipates debt to equity to be poor for a while. The Board inquired about what the top three financial considerations are for the GM. The GM said it is cash, labor, and sales. He explained that the second quarter is always the strongest quarter but there is an expected drop off in sales that typically occurs as tourist season ends and students return to school. The Board inquired about assets and liabilities and the GM reviewed the Compiled Financial Statements. He pointed out that the store tries to not carry its line of credit over month to month, however a number of factors contributed to the store carrying the \$30,000 line of credit at the end of July. He reported that it was paid three days later.

V. Outreach Reports

(a, b) Outreach Report/UP Food Exchange Report (N. Lantz): Natasha Lantz was absent but Sam and Bridget from the Outreach Department provided a report. The Double Up Food Bucks program has been implemented and the store is working on promoting it and raising awareness. There is a trend of stores moving away from print newsletters, so the MFC is working on its first e-newsletter, which will be more timely. Sam reported on the UP for Health challenge and shared that the MFC is helping with community events through the Achieve program. NMU's Fall Fest is coming up, and the MFC is reaching out to students by providing a walkability map, coffee coupon, and bike raffle. Sam has been writing a monthly column for the *Marquette Monthly*. The Board was asked to submit updated bios for the website. The Board discussed ideas for raising community awareness about the Double Up Food Bucks program and recommended the MFC reach out to case workers who can provide information to Bridge Card users and help them enroll in the program. The program operates by allowing enrolled Bridge Card users to purchase up to \$20 of Michigan produce per day and receive a voucher for the equivalent amount that can be spent on any produce. The Board inquired about the amount of Bridge Card sales the store usually sees, and the GM said it was about \$250,000 last year. Bridget reported that total MFC membership is at 4,411. The 5/2 Plan has been very successful. It was re-launched in June and there have been 86 new owners enrolled through the plan. There were 34 new owners enrolled in July and 19 so far in August. There have been many full-equity memberships enrolled in August as well and the amount of full-equity enrollments seems to be staying steady.

The Board discussed the Together at the Farm conference.

VI. Second Public Comment Period: None.

VII. Break

VIII. Board Monitoring & Discussion

(a) Review & Approve Committee Charters & Procedures: Each committee should look over its charter and update it if needed. Charters should be sent to E. Wright and P. Britton. The Finance Committee circulated its updated charter.

(b) Committee Reports:

(i) GM Evaluation (P. Britton, C. Noordyk, R. Kochis): Did not meet. Did not review charter.

(ii) Finance Committee (B. Krause, P. Britton, G. Sarka, R. Kochis): Did not meet, but did review its charter.

(iii) Communications Committee (C. Noordyk, M. Augustyn, E. Wright, B. Jackson): Committee met and recommended updating its charter to add community engagement beyond newsletters, etc. Discussed how to communicate with members and methods of communication. The Harvest Potluck was poorly attended last year and will not be held this year, but the Committee plans to host other events in its place. Board member recruitment events and a possible block party were discussed. The Committee would like to have signage in the store on days of Board meetings to raise awareness of Board activities. The need for a formal statement to notify membership about the Harvest Potluck was discussed since it is the end of a long tradition at the MFC.

(iv) Elections/Nominations/Orientation (C. Noordyk, M. Potts, G. Sarka, E. Wright): The Committee met and oriented new Board members. Discussed recruitment and the need for an internal assessment of strengths and weaknesses so the Board can actively seek members to fill gaps. The goal is to have two applicants for each available seat. The Committee discussed moving orientation responsibilities to the Board Education Committee. The Committee will now be the Elections & Nominations Committee.

(v) Board Education (B. Jackson, M. Potts, M. Augustyn): The Committee met and discussed its role as a new committee. The Committee will take on orientation responsibilities and will be the Board Education & Orientation Committee. The Committee discussed the idea of expediting meetings by keeping to the agenda so that meetings can end at 7:30pm and have thirty minutes for education set aside after the Board meeting adjourns. The Committee also shared about the meeting with board members from the Keweenaw Co-op and reported that they are interested in how they can be helpful to each other. The GM commented that the grocery industry is in a time of change and it is important for co-ops to continue conversations and work together. He strongly encouraged the Board to attend the Cooperative Café in October.

(b) Ends Survey and Blog Review:

(i) Ends 9 “Outreach & Education” Blog Draft (B. Jackson): A draft was shared with the Board by email. A few typographical errors were noted, but otherwise no changes were suggested.

(c) G2 – Board Job Description (R. Kochis): No changes were recommended.

X. Third Public Comment: The Board Recorder commented in response to the Education Committee’s suggestion of expediting meetings. She commented that it might make attending Board meetings more appealing to the public and might help increase public attendance. Posted agendas currently show meetings running from 6–9pm, however meetings do not typically run until 9pm. The Board discussed combining the public comment periods and reducing the number of comment periods from three to two. Agenda Planning is on the agenda for the September meeting.

XI. Closings

(a) September Assignments:

- i. Store Report (M. Gougeon)
- ii. Outreach Report (N. Lantz)
- iii. BOD Budget Review
- iv. Begin GM Evaluation Process
- v. G3 – Agenda Planning (B. Krause)
- vi. L2 – Staff Treatment (M. Gougeon)
- vii. L3 – Compensation & Benefits (M. Gougeon)

XII. Motion to adjourn at 8:19p.m. (*motion by R. Kochis, second M. Potts*).

Action: Motion passed unanimously.

Next Board Meeting: September 20, 2016 at 6:00 p.m.

Emily Weddle
Board Recorder

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY TITLE: L5 – FINANCIAL CONDITIONS AND ACTIVITIES

Reporting Period: April 1, 2016- June 30, 2016

I report compliance with all parts of this policy **except L5.6**. 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 16, 2016

Unless otherwise indicated, all data is taken from the 2nd quarter of 2016.

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.

Data: The Statement of Cash Flows as of June 30, 2016 shows an increase of cash of 15,443.45. This increase 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 2016. Daily payables and liabilities remained customary to regular operational requirements. *See Statement of Cash Flows*

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, Shared Capital Cooperative (formerly 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 Shared Capital Cooperative (formerly 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 20th of 2013. The reduction in notes payable to NCDF and Northern Initiatives attributed to MEDC grant funds used to pay down debt. New terms are being negotiated on remaining debt. In January of 2016, \$85,000.00 of preferred shares that were held in escrow at Range Bank was used to reduce the amount debt with Shared Capital Cooperative (NCDF) and NI. \$50,745.00 was paid to Shared Capital (NCDF) on Note B and \$34,255.00 was paid to NI on Note 2. . In March, an additional \$1,000.00 of preferred share funds was applied to Shared Capital debt. The transactions increased equity on the balance sheet by \$86,000 while decreasing our long term liabilities. At the end of the 2nd quarter of 2016 our long term liabilities totaled \$2,816,801.00 representing a \$243,507.00 decrease from the same period last year. See *Balance Sheet*.

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, Shared Capital Cooperative (NCDF) and NI have been made on time. The 2nd 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 2015 Federal Corporate Tax return has been extended and is due September 15, 2016. 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 1st quarter of 2016)

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, 2016: \$448,344.00/\$501,104.00 or **.90:1** B: As of March 31, 2016 sales have increased at a rate of **5.5%** over the same period last year and there is a **-3.00%** net profit.

Note: *EBITDA has increased to 3% as of end of the 2nd quarter. This provides an alternative picture of the 2nd quarter cash 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 Finance Manager, 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.