

**Open Harvest Cooperative**

**Board of Directors Meeting Minutes**

**Wednesday, October 7, 2015**

**6:00 – 8:00PM**

**Two Pillars Church, 1430 South Street**

**Present**      **Board Directors:** Carla McCullough (Board Chair), Megan Jackson (Secretary), Sarah Bauman, John Christensen, Sarah Disbrow, Ellen Dubas, Mary Hansen, Bob Hutkins, Steven McFadden, Kat Shiffler, Nick Svoboda. **Staff Members:** Kelsi Swanson (General Manager), Co Nygren, Matt Pirog. **Member Owners:** Skylar Falter, Paula Shafer (notetaker), **Accountant:** Dave Thomsen.

**Excused Absence**      **Board Directors:** Brandé Payne (Vice Chair), Barbara DiBernard, Ross Brockley, Molly Phemister

**Unexcused Absence**

6:01 pm      **Welcome, Introductions, Announcements:** The Board Chair called the meeting to order, welcomed board members, staff, and member owners.

6:01 pm      **Consensus items: Approval of minutes and agenda:** The Chair presented the draft September board meeting minutes, the October agenda, and the Annual Owner Meeting Agenda for approval. Two corrections were noted: one in the September minutes and one in the October agenda.

**Consensus items:** The board approved the Annual Owner Meeting Agenda with no changes, and the September meeting minutes and the October agenda with changes.

6:03 PM      **Reserved Member Comments:** Sarah Bauman resigned from the board because she and her family are moving to Bellingham, Washington. She thanked the board for the opportunity to work with it. The board thanked her for her service.

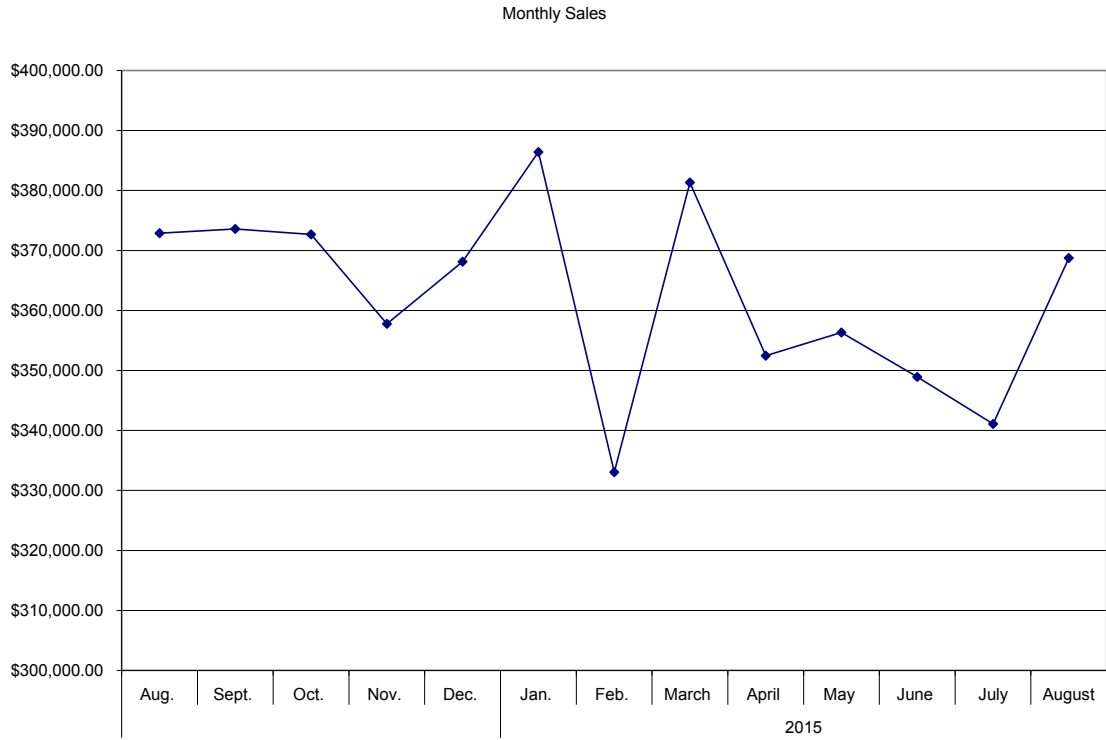
6:09 PM      **GM Monthly Report:** The GM discussed the highlights of her monthly report, which was distributed prior to the meeting.

**SALES**

August 2015 Sales: \$368,752

Original Budget: \$352,803 (Q1 budget of \$1,058,410/3)

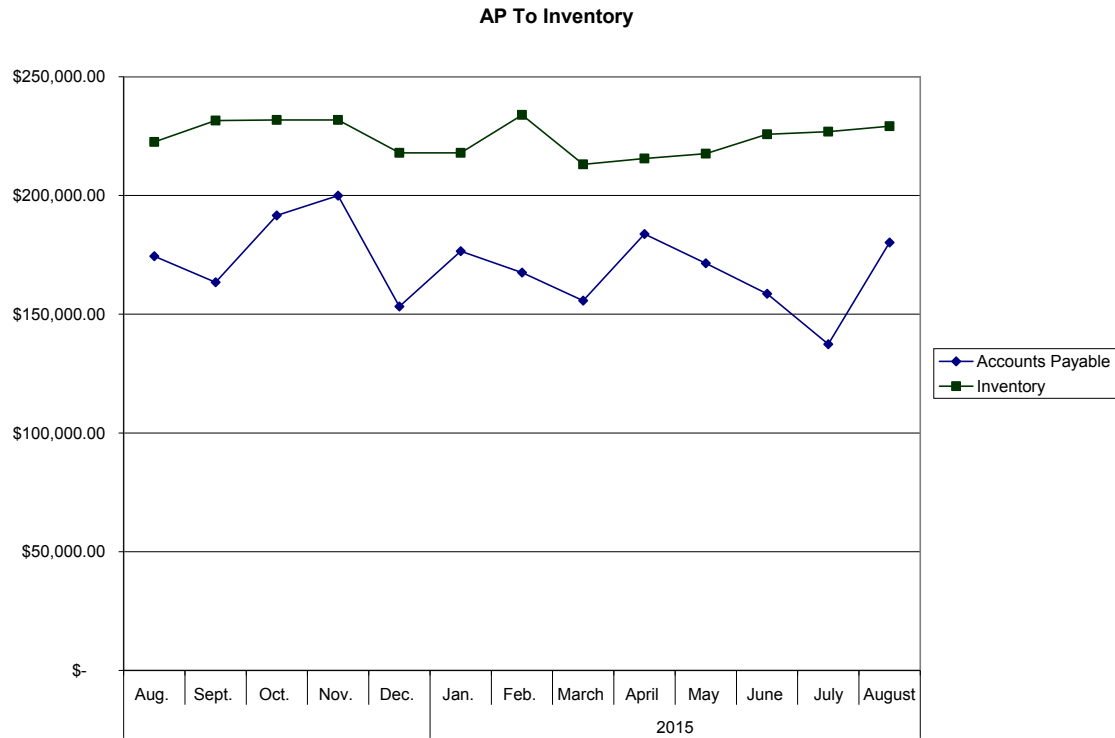
August 2014 Sales: \$372,752



**AP TO INVENTORY RATIO**

Accounts Payable as of August 31, 2015 was \$180,187 and the last inventory was \$229,213. This is a ratio of .79.

Date	8/14	9/14	10/14	11/14	12/14	1/15	2/15	3/15	4/15	5/15	6/15	7/15
Ratio	.78	.71	.83	.86	.70	.81	.72	.73	.85	.79	.70	.61



(You want a maximum of .75 or .80 for an AP to Inventory Ratio. More than one means you owe more than the wholesale value of the inventory on your floor)

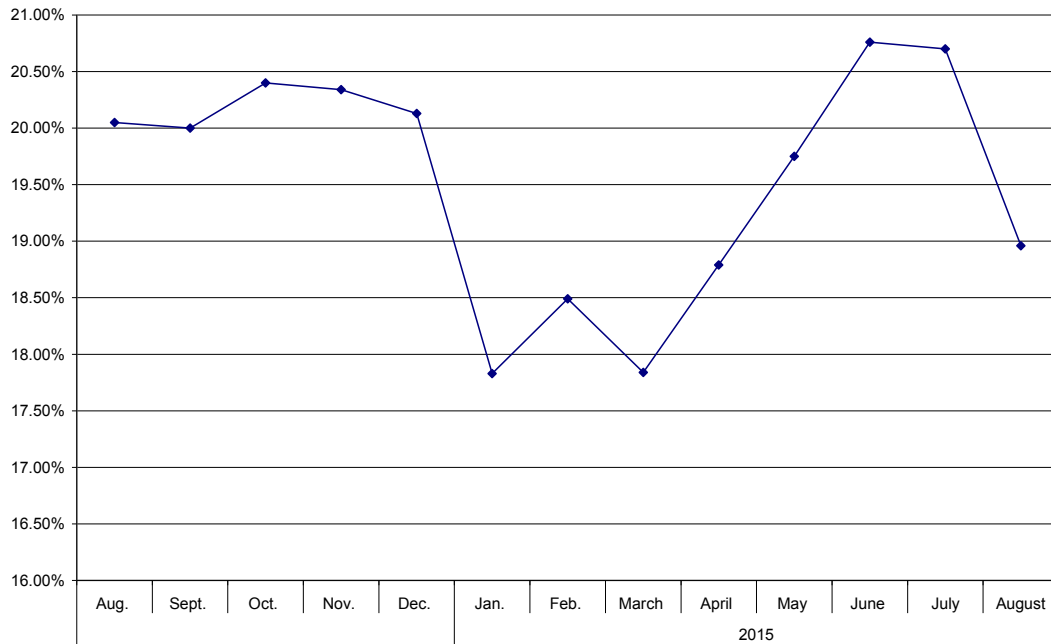
**WAGES AND SALARIES**

Wages and Salaries for August 2015 were 18.96% of store sales, or \$69,900

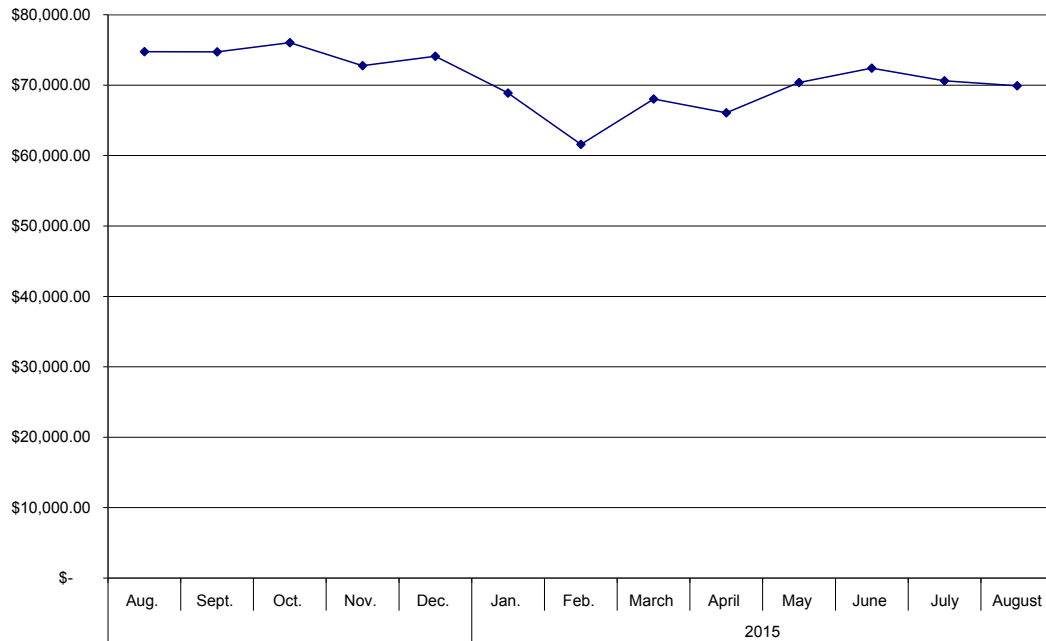
Wages and Salaries budgeted for the 1<sup>st</sup> quarter was 18.90% of store sales, or \$69,694

Wages and Salaries for August 2014 were 20.05% of store sales, or \$74,753

**Labor as % of Sales**



**Labor Dollars Spent**



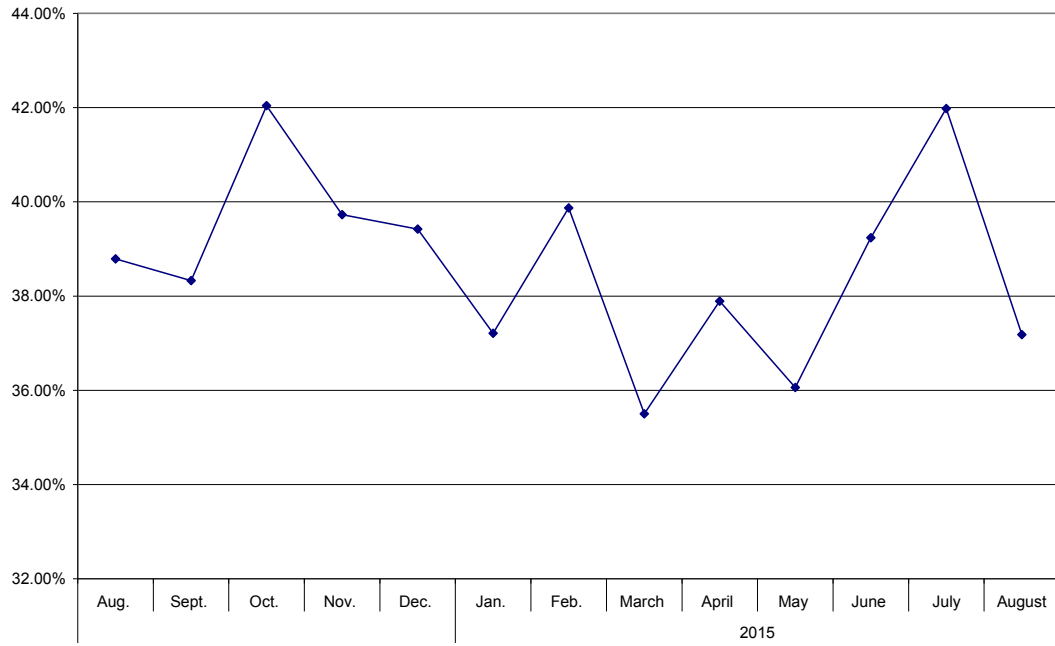
**TOTAL OPERATING EXPENSE**

Total Operating Expense for August 2015 were 37.18% of store sales, or \$137,097

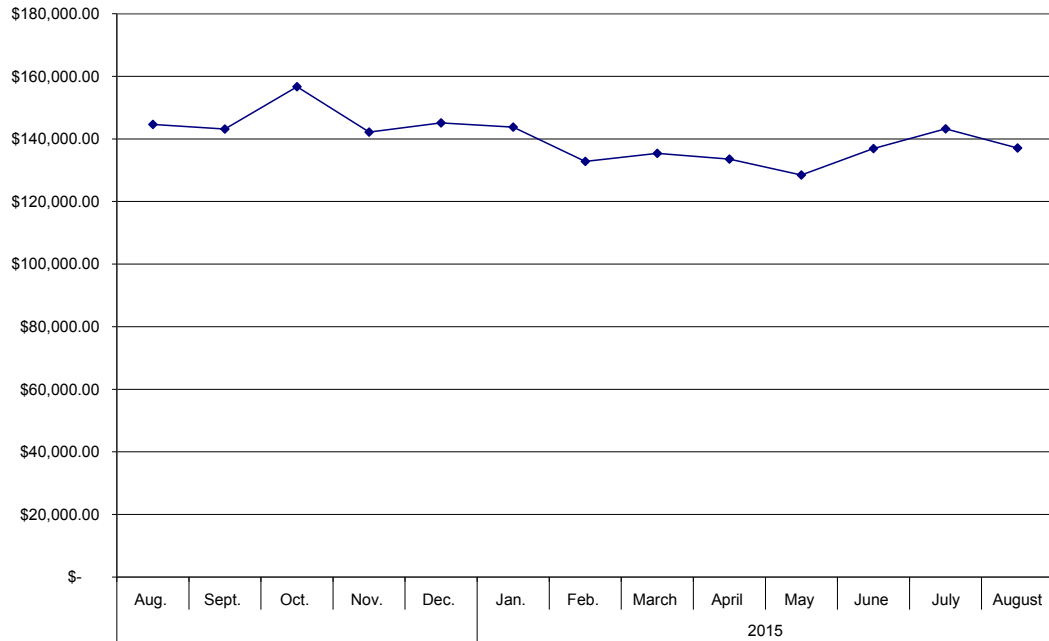
Total Operating Expense budgeted for the 1<sup>st</sup> quarter was 38.6%, or \$142,338

Total Operating Expense for August 2014 were 38.79% of store sales, or \$144,634

**Operating as % of sales**



**Operating Dollars**

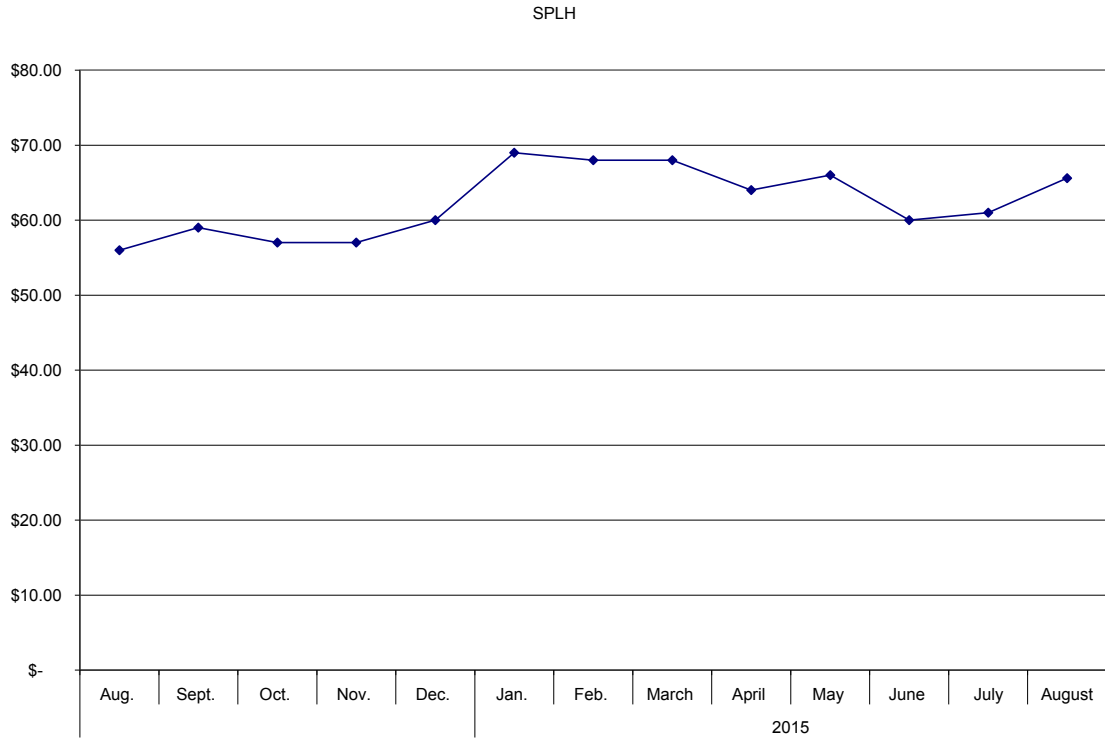


**\*SALES PER LABOR HOUR (SPLH)**

August 2015 Total Store SPLH was \$65.60

August 2014 Total Store SPLH was \$56

9/14	10/14	11/14	12/14	1/15	2/15	3/15	4/15	5/15	6/15	7/15
\$59	\$57	\$57	\$60	\$69	\$68	\$68	\$64	\$66	\$60	\$61



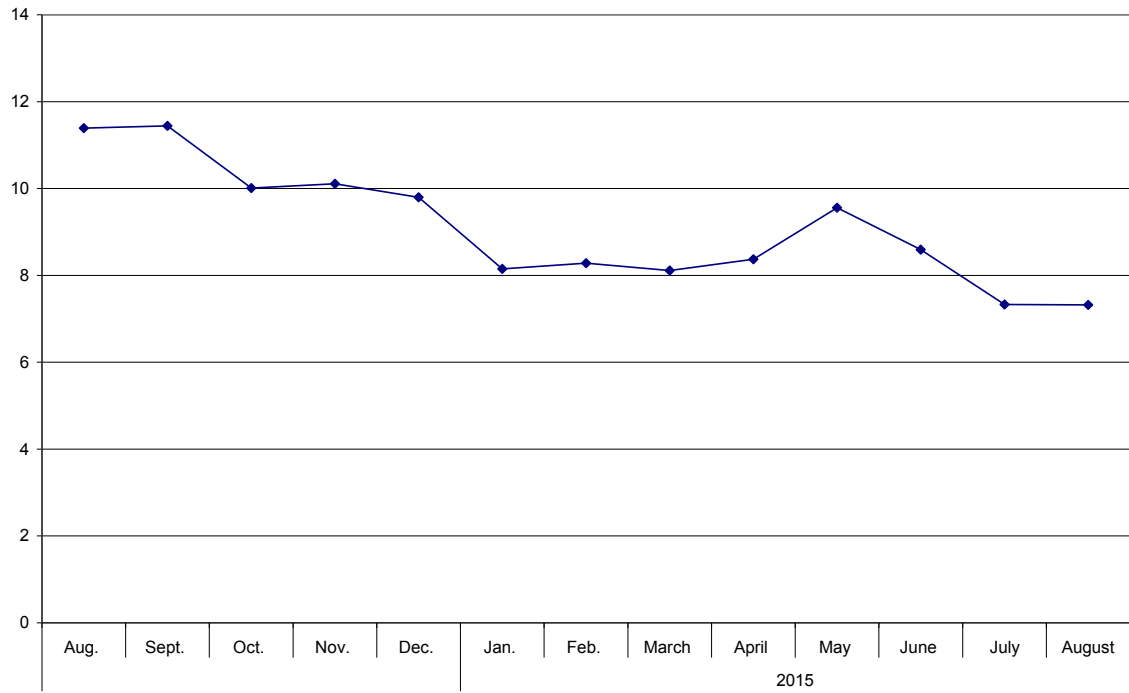
**\*\*DAYS CASH ON HAND (DCOH)**

August 2015 DCOH 7.32

August 2014 DCOH 11.39

9/14	10/14	11/14	12/14	1/15	2/15	3/15	4/15	5/15	6/15	7/15
11.44	10.01	10.11	9.8	8.15	8.28	8.11	8.37	9.56	8.59	7.33

DCOH

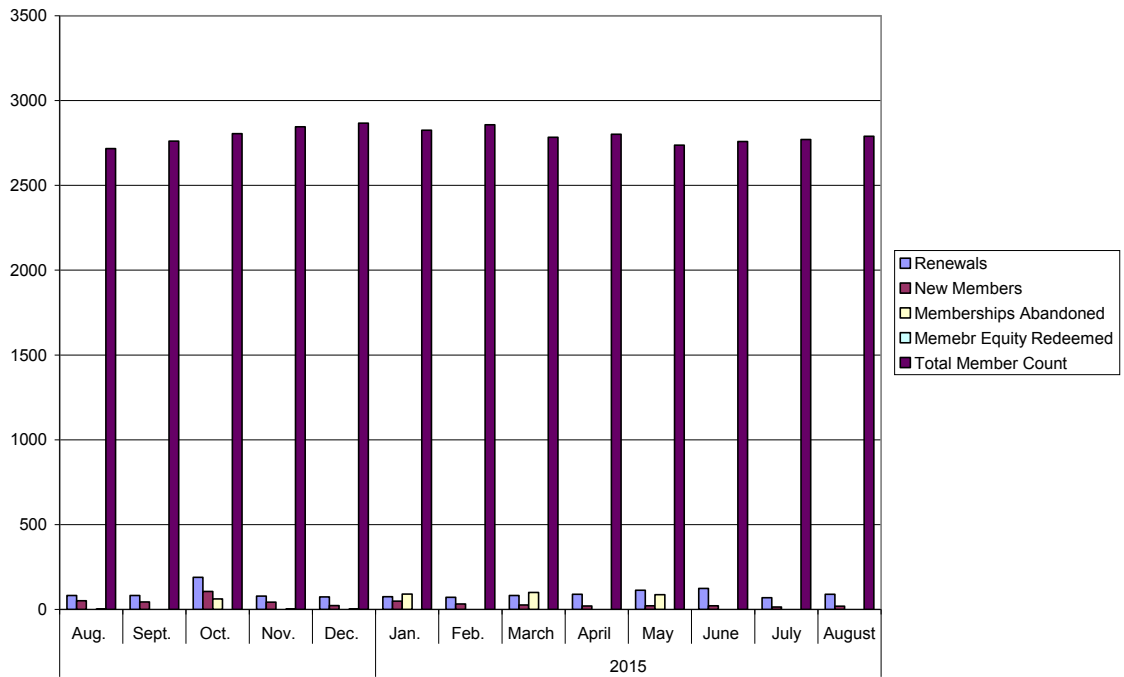


**MEMBERSHIP NUMBERS**

August 2015

- Renewals – 89
- New Members - 19
- Memberships Abandoned - 0
- Member Equity Redeemed - 0
- Total Member Count - 2789

### Membership Data



### SUMMARY

- The Member Owner drive, held during October, has a goal of 400 new and renewing members. This is the first membership drive when an online signup/renewal is an option.
- A semi-annual All-Staff Meeting is scheduled for later in October.
- Store holiday hours have changed. The store will close at 6pm on Christmas Eve and be closed for Christmas Day and Thanksgiving Day. The store will be open normal hours (8am to 9pm) on all other holidays.
- A revised 2015/2016 Strategic Plan with specific department strategies is in place for the store. A copy was been sent to the Board electronically.
- The Policy Register, as requested by an owner member, is available to view online on the store website.
- Further store improvements projects, as suggested by CE Pugh, a consultant with NCG, are in progress.
- The National Cooperative Grocer Association (NCG) membership agreements are changing. The board needs to approve that the GM signs the revised agreements on behalf of the Co-op.



## OUTREACH ACTIVITIES SUMMARY

- Bulk Sale, September 29<sup>th</sup> – October 6<sup>th</sup>
- Owner Drive, October 1<sup>st</sup> – 31<sup>st</sup>
- Cliff Bar Inc. Tour, October 6<sup>th</sup> – 9<sup>th</sup>: Cliff Bar Inc. has invited the outreach coordinator and brand manager to its headquarters in San Francisco to tour the facility, eat at farm-to-table restaurants, attend the Luna Film Festival, and much more. The GM supports the trip as it will allow the marketing department to expand its product knowledge. The trip is sponsored by Cliff Bar Incorporated.
- Beer + Cheese, October 13<sup>th</sup> 6 - 8:00pm, Zipline Brewery
- URBAN HOMESTEAD CLASS SCHEDULE (Antelope Park Church of the Brethren, 3645 Sumner Street)
  - Dumplings Three Ways, October 13, 6:00-8:00pm
  - Herbal First Aid, October 20, 6:00 - 8:00pm
  - Seed Saving, October 27, 6:30-8pm
- RECENT DONATIONS: Lincoln Animal Ambassador, Prairie Hill School, Lincoln Literacy
- UPCOMING EVENTS: Annual Owner meeting November 8<sup>th</sup>, Holiday Harvest Market November 13<sup>th</sup>.

6:21 PM **Monitor L1 (Financial Condition and Activities, Year End-Final):** The GM discussed the highlights of her L1 report, which was distributed electronically prior to the meeting. She reported non-compliance due to the store's cash flow deficiency.

6:22 PM **External Audit Presentation (David Thomsen):** The independent accountant discussed the highlights of his review of the Open Harvest financial statements, including the Balance Sheet and the Income Statement, which was distributed to the board prior to the meeting.

An important highlight was given in the review in Note 12 which states the following:

The Company has experienced several strong new competitors moving into the Lincoln market in the past five years. A labor reduction plan has been implemented to save in labor costs and the Company has completed a comprehensive review of store operations providing a strategic plan to increase sales and improve retail operation efficiencies in fiscal 2016. Management is of the opinion these changes will be effective in enabling the Company to continue as a going concern. The accompanying financial statements do not include any adjustments that may be necessary should the Company not be able to continue as a going concern.

The Chair asked the board for approval of the financial review.

**Consensus item:** The board approved the Annual Review Report with no changes.

6:52 PM **Finance (meeting report):** The committee chair reported that the accountant presented the review to the finance committee at its September meeting.

The store's cash flow and negative income began and has continued since competitor stores entered Lincoln five years ago. While the organic food market has increased by 14% annually in that time, more stores are entering the market. Thus, Open Harvest sales have declined.

One board member suggested that Open Harvest may be able to increase sales by delivery of customer orders. This appears to be a growing consumer desire and competitor stores are offering the service in Lincoln.

- 7:06 PM **Annual Meeting (meeting reports, approve agenda for annual meeting):** The committee met in September, produced the meeting agenda, and decided on the time and location for the meeting. A flyer announcing the Annual Meeting was mailed to the membership.
- 7:08 PM **Policy (meeting report):** The committee did not meet, but did communicate electronically. With board approval, the committee has tabled its work on the co-op's Ends statement.
- The committee chair asked that all of the board committees review their charters, make suggestions for improvement or update, and forward a current version to the policy committee for review.
- The board at large discussed ways to resolve the co-op's financial issues. Suggestions included:
- Work closely with the Hub, a restaurant owned by an Open Harvest supplier that will open this month.
  - Ask the owner members for input at the Annual Meeting:
    - What would get them to shop more often?
    - What would get them to spend more?
  - Start a foundation to support the co-op. Since it has never been profitable over the long term, a foundation would help to raise money for the co-op.
  - Bake more of our in-house made bread; Lincoln could support more locally produced bread.
- A board member suggested that all directors on the board make suggestions for increasing sales to the GM. One problem that has plagued Open Harvest is a lack of name recognition. Many residents of Lincoln are unaware of the existence of the small locally owned businesses.
- 7:31 PM **Election (approve charter, meeting report):** The Chair asked for approval of the election committee charter, which was distributed to the board prior to the meeting.
- Consensus item:** The board approved the Election Committee Charter with no changes.
- 7:32 PM **40th Anniversary (meeting report):** The committee met and discussed various activities to celebrate the anniversary, with emphasis on activities coordinated with the Annual Meeting. Coupons, for use in November, are included in the Annual Meeting invitation sent to each member owner.
- 7:33 PM **Board Operations (Bylaws process update, meeting report, CBLD):** The committee met and discussed:
- Presentation of the bylaws changes (reduction of the size of the board) to the membership at the Annual Meeting
  - Extension of the service agreement with CBLD, the consulting service employed by Open Harvest. This service costs \$6,800 per calendar year, paid in quarterly installments, and expires at the end of 2015. The committee recommended extension through 2016, due to the changing board size and the upcoming resignation of the board chair. The GM agreed to ask whether CBLD would consider a 6 month contract.

- The election of the board officers. The bylaws require that the officer elections take place at the first board meeting after the Annual Meeting. That means that the officers will be elected at the December board meeting, when the current Chair will resign. The Vice Chair plans to run for the post of Chair; the Secretary plans to run for Vice Chair. The Operations Committee needs a candidate for Secretary, who prepares the board meeting minutes and participates in the monthly Operations Committee Meetings or conference calls.

7:43 PM **Monitor G1-G8 (Board Process):** Similar to 2014, the board self-evaluation will be done through an automated survey. This survey will be completed for discussion at the November board meeting. The survey will include questions related to general board performance as well as individual board member self-reflection.

7:45 pm **Guest Members' Comments:** A member reported that she appreciated the website updates.

7:49 pm **Adjourn**

\*The ratio of how many hours you schedule to generate your sales, expressed as a dollar figure. The higher the number, the more efficient you are using peoples time, or your customers are making higher dollar or more item department purchases.

\*\*How many days you can stay open with the cash you have. NCG's industry standard of DCOH to strive for is 10 or more.