

Spiral Natural Foods

Board of Directors Meeting

August 8, 2017

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Attendance: Stacey Clark, Lynn Gannon, Matt Malecha, Alex Mohrbacher, and Betty Schiefelbein, and Sue Taylor. Absent: Carol Morgan and Ed Schiefelbein.

The meeting was called to order at 7:24 p.m. (Note, from 6:00 p.m. until 7:15 p.m., SNF General Manager Matt Malecha delivered a presentation to and answered questions from co-op Owners on the proposed changes to the Articles and By-Laws).

Sue moved and Stacey seconded a motion to approve the minutes, with minor edits as noted by Betty, and the consent agenda. Motion carried.

Store Update: Sales for July 2017 were up 5.76 percent, approximately \$5,170, from sales during July 2016. The number of transactions during the month also increased as compared to the same month last year. Matt was pleased with the sales increase, but noted that the store still must continue to increase monthly sales so that he can pay bills on time and build cash reserves.

The store experienced a freezer failure – again! – the previous Thursday. The compressor, which had been replaced 6 months ago, failed. It was under warranty and Matt is in the process of working with the company to determine what will and will not be covered with regard to the repairs. Matt is also exploring whether there is an affordable temperature management system he can switch over to. He is concerned that the company that currently provides that service is no longer supporting the cell phone app.

Matt praised the staff for catching the failure quickly and responding appropriately, using ingenuity and common sense. Matt was on vacation (out of cell phone range) when it happened and unable to provide any guidance to the staff, and the failure happened on the same day that Summer needed to place orders to maintain normal store inventory levels, which added to the stress of the situation. The staff protected the most expensive frozen inventory items from loss and were able to minimize the overall financial impact of the failure.

Matt reported that he is trying to fill two positions – a produce manager and a front end manager.

GM Policy Reports: Matt reported on policy B1 –Financial Condition and Activities. Matt reported that sales were down for the quarter by 6.25 percent. For the sales year ending June 30th, the pro forma planned for -4 percent, and we ended the year with sales down -4.65 percent (down \$7,866). Matt had hoped for better overall performance for the year, but cited the freezer failures in January and February as significant challenges to better performance.

Matt reported non-compliance with B1 measure #2, “Allow operations to generate an inadequate net income.” Matt explained that even though the store’s overall operational efficiencies, especially in deli/meat/cheese, have improved and are exceeding the pro forma goal, he still believes there are areas where he can make improvements. Because net ordinary income was still down this fiscal year, down \$3,749, Matt reported non-compliance. He noted that net ordinary income was significantly improved from last year, when it finished the year down \$13,683. Matt

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is hopeful that by hiring a produce coordinator, it will free him up to spend more time managing the store. He has been performing the jobs of both GM and produce manager for over 14 months.

On the Income/Expense report, Matt expressed concern about \$13K in inventory purchases for July 2017 under HBC, Cost of Goods Sold. Matt said he would investigate that further. On August 22nd, Matt sent an email to the board confirming that Gwen made \$13K of wellness purchases in July (the entry was not due to an accounting error as Matt had initially thought). Matt will provide more information at the next meeting. To better manage new product purchases, Matt is temporarily freezing HBC purchases of new and existing product lines due to minimal growth in HBC.

Regarding liquidity, Matt said he is running about 10 days behind on paying bills, due to liquidity issues. The accounts payable decreased a small amount in July, which was positive. In general, Matt said that the store must increase sales in order for him to catch up on bills, save money, and repair store equipment. He is doing all he can to watch expenses and make sure that the co-op does not buy products that won't sell well.

There was a lot of discussion between board members and Matt about how the Shared Capital Loan appears on the balance sheet and whether the short term liability for the Shared Capital Loan as stated on the year end fiscal year 2017 balance sheet is correct. Matt said he would check on it and report back to the board.

The board discussed rent and the disproportionate amount of the co-op's revenue that is spent on rent. The lease will expire in less than four years, in May 2021. Matt continues to watch for opportunities to change the store's location or reduce the rent. Sue plans to attend an upcoming Chamber of Commerce meeting and she will keep the rent/location issue in mind as she meets with other CoC members.

Lynn moved and Betty seconded a motion to accept the GM's B1 policy report. The motion was approved. Stacey will update the policy monitoring schedule accordingly.

Communications: Lynn, Betty, Susie, and Carol reported that second round of letters has been mailed to another 250 owners. Matt said that he believes the letters are having a positive impact. An owner recently came in and purchased \$150 worth of items just because of the letter.

The board discussed exploring opportunities to set up an information table at the YMCA this fall/winter, reviving the effort to establish business reciprocity relationships with Hastings area businesses, and contacting Allina's wellness staff to explore ways we could provide information to Allina clients/patients.

Prior to the meeting, Lynn distributed a draft charter for the Outreach Committee; however due to the late hour, discussion of the charter was tabled until the September meeting.

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Sue moved and Betty seconded a motion to conclude the board meeting at 9:16 p.m. Motion was approved.

The next meeting will be held on Tuesday, September 12, 2017 at 6:00 p.m. at Betty and Ed's home.