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HCCS Board of Directors Meeting April 24, 2024

5:30 p.m., Hanover Board Room, 45 S. Park St., Hanover, NH

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AGENDA

HCCS Board of Directors Meeting

April 24, 2024

5:30 p.m.

Hanover Board Room, 45 S. Park St, Hanover, NH

Time	Agenda Topic	Page	Board Action
5:30	<i>Consent Agenda (reflect on written officer/committee reports)</i>		Approve
	Board Check-in		
	March 27, 2024 Meeting Minutes, April 3, 2024 Executive Session Meeting Minutes	3	
	Monthly Share Redemption	6	
5:40	<i>Visioning Series</i>		Discussion
	Clay Adams (President & CEO, Mascoma Bank)		
6:25	<i>Member Input</i>		Discussion
6:25	Board Vacancy Review		Decision
	Board Budget Review	7	Discussion
	Board Member Compensation Policy Review (GP 4.2.1)	8	Decision
6:50	<i>Monitoring</i>		
	Ends Report	Emailed	Decision
	B-GM Global, 1, 2, & 3 (Team D)		Discussion
	EL 1 Finances (with Executive Session)	9	Decision
7:30	<i>Final Thoughts & Adjournment</i>		

MEETING MINUTES

March 27, 2024

5:30 p.m. Hanover Board Room

Present: Mary Lou Aleskie, Nick Clark, Eric DeLuca, Jessica Giordani, Conicia (CJ) Jackson, Peggy O'Neil, Tracy Rego, Eileen O'Toole, Orin Pacht, Jennifer Tietz

Absent: Lynn Ellen Schimoler, Cate Tierney

Employees: Amanda Charland (General Manager), April Harkness (ESG Program Manager), Mary Lougee (Director of People & Culture), Jamie Shechtman (Director of Finances)

Guests: Jessica Bouchard, Principal & Zach Smargon, Manager (Baker Newman Noyes)

Board

Candidate: Ininiti Sanderfer

Board President Nick Clark called the meeting to order at 5:38 p.m.

Consent Agenda: November 15, 2023 Meeting Minutes, Monthly Share Redemptions.

MOTION: Orin Pacht moved to accept the Consent Agenda. Conicia (CJ) Jackson seconded the motion.

VOTED: 10 in favor. 0 opposed. The motion passed.

Audit Presentation

Jessica Bouchard, Principal & Zach Smargon, Manager of Co-op audit firm Baker Newman Noyes presented the 2023 Audit Results to the Board and thanked the Co-op staff for their help and cooperation during the testing and research phase. They issued an unmodified opinion with no disagreements with management, fraud, significant or unusual transactions, or alternative treatments.

Member Input

None.

Tracy Rego left the meeting at 6:25 p.m.

Monitoring

EL 1 - Finances

Jamie Shechtman **presented** EL 1 – Finances and answered questions from the Board.

MOTION: Orin Pacht moved to assess EL 1 – Finances as providing a reasonable interpretation and sufficient evidence of compliance with the exception of EL 1.1.1 noted. Jen Tietz seconded the motion.

VOTED: 9 in favor. 0 opposed. The motion passed.

Ends Report

Delayed until April board meeting.

Board Budget

MOTION: Orin Pacht moved to approve 3 additional board member registrations including lodging and mileage for the annual Consumer Cooperative Management Association conference in Portland, ME. Mary Lou Aleskie seconded the motion.

VOTED: 9 in favor. 0 opposed. The motion passed.

MOTION: Orin Pacht moved to offer CCMA attendance (registration, lodging and mileage) to the Board Candidates. Mary Lou Aleskie seconded the motion.

VOTED: 9 in favor. 0 opposed. The motion passed.

Executive Session

MOTION: Nick Clark moves to enter into Executive Session to discuss a real estate matter to include the GM and Director of Finance and a legal matter to include the GM and Director of People and Culture and Director of Finance for the first part of that section. Jen Tietz seconded the motion.

VOTED: 9 in favor. 0 opposed. The motion passed.

The meeting adjourned at 8:42 p.m.

Respectfully submitted,

April Harkness

ESG Program Manager

Orin Pacht

Board Secretary

DRAFT EXECUTIVE SESSION MEETING MINUTES

April 3, 2024

5:30 p.m. on ZOOM

Present: Mary Lou Aleskie, Nick Clark, Tracey Cutter, Eric DeLuca, Conicia (CJ) Jackson, Peggy O'Neil, Eileen O'Toole, Orin Pacht, Lynn Ellen Schimoler, Jennifer Tietz

Absent: Jessica Giordani, Cate Tierney

Employees: Amanda Charland (General Manager), Allan Reetz (Director of Public & Government Affairs), Mary Lougee (Director of People & Culture)

Board President Nick Clark called the meeting to order at 5:32 p.m.

MOTION: Nick Clark moved to enter into Executive Session to discuss a legal matter and to include Amanda Charland, Mary Lougee, and Allan Reetz. Peggy O'Neil seconded the motion.

VOTED: 10 in favor. 0 opposed. The motion passed.

MOTION: Nick Clark moved to come out of Executive Session. Peggy O'Neil seconded the motion.

VOTED: 10 in favor. 0 opposed. The motion passed.

The meeting adjourned at 6:31 p.m.

Respectfully submitted,

April Harkness

ESG Program Manager

Orin Pacht

Board Secretary

SHARE REDEMPTION REQUESTS

March 2024

For the period from March 19, 2024 through April 16, 2024, 18 members have requested redemption of shares. This includes 439 A shares held directly by the members and 22 B2 shares held directly by the members. The total cost of redemption is \$2,328.56. The reasons for member redemptions are reflected on the attached list.

Redemption of these shares (\$2,328.56. in total) will not adversely affect the cash position or cash flow of the Co-op at this time.

Respectfully,

Jamie Shechtman
 Director of Finance
 Hanover Consumer Cooperative Society, Inc.

Vendor ID	Date	State	Joined	A Shares Tendedred	A Share Amount	A Share Extra	B2 Shares Tendedred	B2 Share Amount	B2 Share Extra	Held Patronage	Check Total	Full /Partial	Reason Why
1	3/20/2024	VT	8/28/2013	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ 0.74	\$ 50.74	Full	Don't use
2	3/26/2024	NY	10/17/1994	11	\$ 55.00	\$ 0.44	0	\$ -	\$ -	\$ -	\$ 55.44	Full	Moved
3	3/26/2024	MA	2/19/1997	86	\$ 430.00	\$ 2.75	0	\$ -	\$ -	\$ -	\$ 432.75	Full	Moved
4	3/28/2024	NH	9/24/2023	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ -	\$ 50.00	Full	Moved
5	3/28/2024	NH	8/5/2009	23	\$ 115.00	\$ 2.87	7	\$ 35.00	\$ 1.33	\$ -	\$ 154.20	Full	Moved
6	3/29/2024	NH	12/26/2014	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ 0.60	\$ 50.60	Full	Moved
7	4/2/2024	FL	9/29/2023	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ -	\$ 50.00	Full	Moved
8	4/2/2024	NM	3/16/2020	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ -	\$ 50.00	Full	Moved
9	4/2/2024	NH	5/9/2021	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ -	\$ 50.00	Full	Moved
10	4/2/2024	NH	12/4/2019	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ -	\$ 50.00	Full	Moved
11	4/2/2024	VT	5/12/2016	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ -	\$ 50.00	Full	Don't use
12	4/5/2024	NH	4/5/2018	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ -	\$ 50.00	Full	Moved
13	4/5/2024	NY	7/3/2014	10	\$ 50.00	\$ -	0	\$ -	\$ -	\$ -	\$ 50.00	Full	Moved
14	4/5/2024	NH	12/9/1978	82	\$ 410.00	\$ 4.45	9	\$ 45.00	\$ 2.40	\$ -	\$ 461.85	Full	Deceased
15	4/5/2024	NH	10/28/2020	47	\$ 235.00	\$ 1.71	6	\$ 30.00	\$ 0.09	\$ -	\$ 266.80	Full	Moved
16	4/10/2024	VT	8/3/2021	20	\$ 100.00	\$ -	0	\$ -	\$ -	\$ -	\$ 100.00	Full	Moved
17	4/11/2024	MA	1/18/2007	27	\$ 135.00	\$ 3.80	0	\$ -	\$ -	\$ -	\$ 138.80	Full	Moved
18	4/11/2024	NH	4/1/1983	43	\$ 215.00	\$ 1.89	0	\$ -	\$ -	\$ 0.49	\$ 217.38	Full	Moved

Board Budget

	<u>2024 Budget</u>	<u>Q1 2024 Actual</u>	<u>Encumbered</u>	<u>Remaining</u>
Professional Fees				
Technical Assistance/Consultants/Legal				
Legal	\$ 5,000	\$ -	\$ -	\$ 5,000
Legal Fees - Bylaws Changes	3,000	3,722.77	-	(723)
Audit	61,285	15,802	45,483	-
SubTotal	\$ 69,285	\$ 19,525	\$ 45,483	\$ 4,277
Insurance				
Directors & Officers Insurance	\$ 11,500	\$ 2,815	\$ 8,685	-
SubTotal	\$ 11,500	\$ 2,815	\$ 8,685	\$ -
Board Development				
Conference Registration	\$ 2,500	\$ -	\$ -	\$ 2,500
Training; Retreat	2,000	-	-	2,000
Books, Supplies, Misc.	500	-	-	500
Board Training	13,000	-	-	13,000
SubTotal	\$ 18,000	\$ -	\$ -	\$ 18,000
Member Linkage				
Member Meetings/Annual Meeting	\$ 2,500	\$ 1,195	\$ -	\$ 1,305
Printing	12,000	10,051	-	1,949
Member Linkage Committee	2,000	-	-	2,000
SubTotal	\$ 16,500	\$ 11,246	\$ -	\$ 5,254
Contributions: Cooperative and Community Support				
King Award	\$ 500	\$ -	\$ -	\$ 500
SubTotal	\$ 500	\$ -	\$ -	\$ 500
Equipment				
Survey Monkey	\$ 900	\$ 480	\$ -	\$ 420
Equipment - Survey & Ballot System	8,000	1,749	-	6,251
SubTotal	\$ 8,900	\$ 2,229	\$ -	\$ 6,671
Travel & Entertainment				
Monthly Board Meeting Food	\$ 900	\$ 65	\$ -	\$ 835
Travel, Meals & Entertainment	2,500	112	-	2,388
SubTotal	\$ 3,400	\$ 177	\$ -	\$ 3,223
Board Discount				
Discount to Board Expenses	\$ 19,200	\$ 7,800	\$ 11,400	-
SubTotal	\$ 19,200	\$ 7,800	\$ 11,400	\$ -
General Contingencies				
Contingencies	\$ 2,715	\$ -	\$ -	\$ 2,715
SubTotal	\$ 2,715	\$ -	\$ -	\$ 2,715
Total Board Expenses	\$ 150,000	\$ 43,792	\$ 65,569	\$ 40,639

Total not to exceed 0.2% of annual sales

0.2% of 2023 sales = \$176,724

Proposed Board Member Compensation Policy

GP 4.2.1: Board members are expected to attend Annual Meeting and all regular board meetings and participate on at least one board committee and attend its regular meetings. Board members will receive 75% of their allocation when their rate of attendance is between 51-75%, 50% for attendance between 26-50%, 25% for attendance between 1-25%, and zero allocation for zero attendance.

Monitoring

MONITORING REPORT EL 1 – Financial Condition and Performance

Submitted by Amanda Charland as an accurate representation of Financial Condition, Quarter Ended March 30, 2024.

EL 1 – Finances

The GM shall not cause or allow the long-term financial health of the organization to be jeopardized. Further, without limiting the scope of the foregoing by this enumeration, the GM shall not allow:

EL 1.1: Indebtedness or illiquidity that jeopardizes the ability of the organization to repay its current and long-term debts and meet its financial obligations to lenders, vendors, employees and tax authorities in a timely and efficient manner.

Operational Definition / Interpretation:

Management may not incur indebtedness such that the Co-op is unable to repay, either in terms of the current portion or of long-term debt. Management will also ensure the Co-op has sufficient Liquidity to service debt and meet cash needs on time.

Measures that will determine compliance will be the Co-op's Debt-to Equity ratio, Loan Covenant, Current Ratio, Quick Ratio, and Days of Cash on Hand.

Debt Ratios

Compliance will be demonstrated when the Co-op's Debt to Equity ratio is within the 25th and 75th percentile of the multi-store Co-ops as reported by NCG Co-op Metrics.

Data:

Using data drawn from our financial records as of March 30, 2024, but excluding the impact of the adoption of ASC 842 (lease accounting standard), our debt-to-equity ratio was 1.03x.

The Debt-to-Equity Ratio of National – all multi store co-ops, with 34 entities reporting, was 1.1x for typical performers, (mean), and 0.8x for top performers (top quartile) using 2023 data from Co-op Metrics website (Q1 data is not yet available).

Compliance determination: **In Compliance**

Loan Covenant

Compliance will be demonstrated when the Co-op's Debt Service Coverage Ratio is greater than 1.20:1. This is reasonable because this is the minimum level required in our loan covenant with TD Bank.

Data:

Using data drawn from our financial records for the quarter ended March 30, 2024, our Debt Service Coverage Ratio was 2.34:1.

Compliance determination: **In Compliance**

Current Ratio:

Compliance will be demonstrated when the Co-op's Current Ratio is within the 25th and 75th percentile of the multi-store Co-ops as reported by NCG Co-op Metrics.

Data:

Using data drawn from our financial records as of March 30, 2024, but excluding the impact of the adoption of ASC 842, our Current Ratio was 2.15x.

The Current Ratio of National – all multi store co-ops, with 34 entities reporting, was 1.7x for typical performers, (mean), and 2.9x for top performers (top quartile) using 2023 data from Co-op Metrics website (Q1 data is not yet available).

Compliance determination: **In Compliance.**

Quick Ratio:

Compliance will be demonstrated when the Co-op's Quick Ratio is within the 25th and 75th percentile of the multi-store Co-ops as reported by NCG Co-op Metrics.

Data:

Using data drawn from our financial records as of March 30, 2024, excluding the impact of the adoption of ASC 842 and including all treasury bonds regardless of maturity date, our Quick Ratio was 1.45x.

The Quick Ratio of National – all multi store co-ops, with 34 entities reporting, was 1.2x for typical performers, (mean), and 2.3x for top performers (top quartile) using 2023 data from Co-op Metrics website (Q1 data is not yet available).

Compliance determination: **In Compliance**

Days of Cash on Hand:

Compliance will be demonstrated when the Co-op's Days of Cash on Hand is within the 25th and 75th percentile of the multi-store Co-ops as reported by NCG Co-op Metrics.

Data:

Using data drawn from our financial records as of March 30, 2024, including our investments in treasury bonds within the cash balance due to their high liquidity, our Days of Cash on Hand as of March 30, 2024 was 14 days.

The Days of Cash on Hand of National – all multi store co-ops, with 34 entities reporting, was 22 days for the bottom quartile, 31 days for typical performers, (mean), and 42 days for top performers (top quartile) using 2023 data from Co-op Metrics website (Q1 data is not yet available).

Compliance determination: **Out of Compliance**

Corrective Action Plan: While our days of cash on hand are higher than they've been in the last decade (with the exception of when we had the PPP funds on the balance sheet during the pandemic), we will be working through the annual business planning process to achieve compliance with this in the future. It may take several years to build our days of cash on hand to a minimum of 30 days.

Management notes that the first quarter of each year is a particularly difficult time for cash flow, as we generally operate in a loss during Q1 put are actively paying our debt service and making capital improvements.

EL 1.2: Operations that generate inadequate net annual income.

Operational Definition / Interpretation:

1. That actual and forecasted net income before taxes will not negatively affect the Co-op's ability to execute its annual plan, including planned capital expenditures and compensation adjustments.
2. That actual and forecasted net income will not result in the Co-op defaulting on any bank covenants in place to support borrowings.

Note: I am reporting on net income before taxes and patronage because this is the way we report to members through the Annual Report. This is also the way the Co-op's Director of Finance reports earnings to the Board.

Compliance will be demonstrated when the Co-op's actual Net Savings before taxes and patronage (SBT) exceeds the budgeted Net Savings before taxes and patronage as reported in our financial statements provided to the Board.

Data:

Per the data presented in the unaudited financial statements for the quarter ended March 30, 2024, net loss before taxes and patronage (SBT) totaled \$(229,255). The budgeted SBT for the quarter was (\$234,056). Accordingly, the organization is ahead of budgeted SBT by \$4,801.

Compliance Determination: **In compliance**

EL 1.3: Financial recordkeeping systems that are inadequate or out of conformity with GAAP.

Operational Definition / Interpretation:

I interpret this to mean that the co-op will maintain processes and invest in systems that ensure the business is able to be in GAAP compliance and adhere to globally recognized industry best practices. Compliance will be demonstrated when we receive an "unmodified" audit opinion verifying conformity with GAAP.

Data:

The Co-op maintains ERP software and other systems utilized in the financial reporting process are reputable and subjected to annual audits. Additionally, proper internal controls over financial reporting are maintained at the entity level and activity level.

An outside Audit performed by Baker, Newman & Noyes LLC, for the year ending 12/30/2023, expressed an "unmodified" audit opinion. Stating, in their opinion, the financial statements for the Hanover Consumer Cooperative Society, Inc. are presented fairly, in all material respects, the financial position of the Cooperative.

Compliance Determination: **In compliance**

EL 1.4: Inadequate or irregular financial reporting to the Board that excludes an accurate balance sheet, statement of cash flows, net income statement, or such additional indices and reports as deemed useful in the discharge of Board's fiduciary responsibilities.

Operational Definition:

The Board will receive financial statements following the end of each fiscal quarter. These statements will include a balance sheet, statement of cash flow, and a net income statement, as well as commentary and additional data as necessary to present an accurate picture of the Co-op's financial condition.

Data:

Financial Reports

I assert that the current Board packet contains a balance sheet, statement of cash flows, and net income statements as of and for the quarter ended March 30, 2024. Physical inventories of the perishable departments were completed at the end of January and February. There was no perishable inventory taken at the end of March due to the concurrence of month-end with Easter. A physical inventory count of non-perishable departments will be completed at the end of April.

Compliance Determination: **In compliance.**

Respectfully submitted,

Amanda Charland
General Manager

Jamie Shechtman
Director of Finance

FINANCE UPDATE

Jamie Shechtman
Director of Finance

***Note:** In the explanations below, under budget means we earned/incurred less than expected. This is negative when discussing sales or other earnings metrics, but positive when discussing expenses.*

Net Sales on a year-to-date basis are \$133,805 under budget with the respective cost of goods sold under budget by \$52,511. This results in the gross margin being under budget by \$81,294 or 1.2%. This variance in sales is largely attributable to the gas sales coming in under budget by approximately \$124k.

Consolidated store wages and benefits are \$100,816, (3.0%) over budget on a year-to-date basis. This is largely related to significant carryover vacation time from 2023 used in January and February of 2024, in addition to significant amount of sick time used in the first quarter.

Overhead expenses are \$76,915 (3.85%) under budget year-to-date. This variance relates mainly to selling costs within the stores (paper & packaging, supplies, etc.)

General and Administrative expenses are \$111,378 (6.1%) under budget year-to-date. This variance relates to timing of administrative spending.

Operating income / (loss) is \$(220,373) year-to-date versus budget of (\$226,556).

Income / (loss) before Tax (SBT) is \$229,255 year-to-date versus budget of (\$234,056).

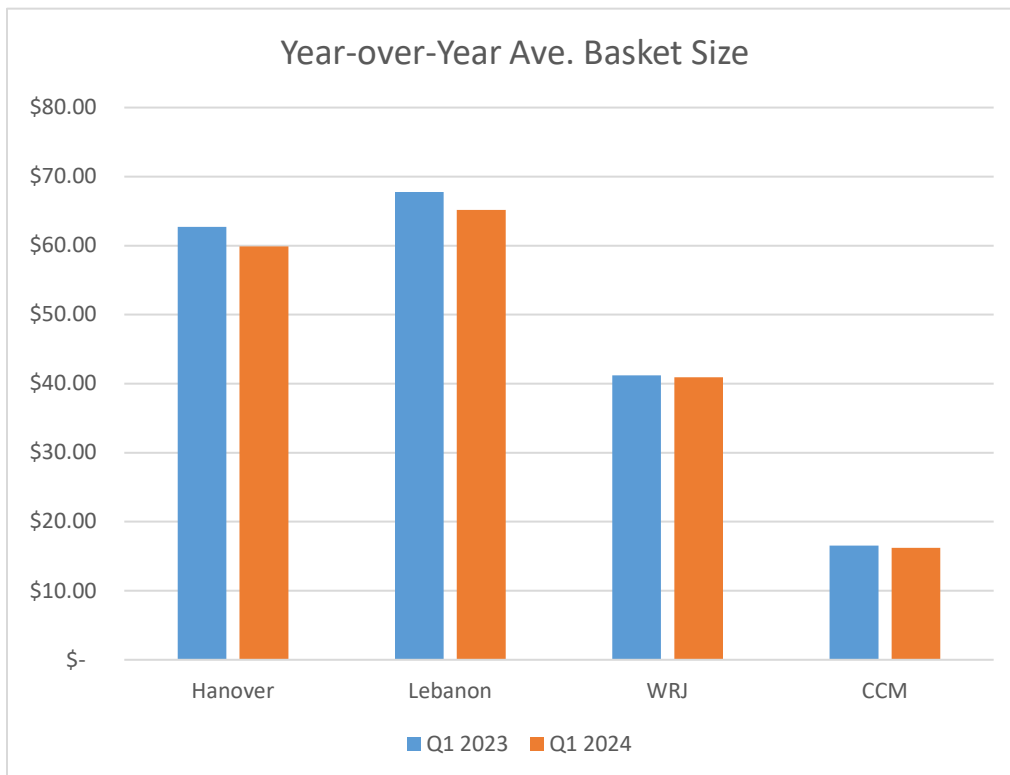
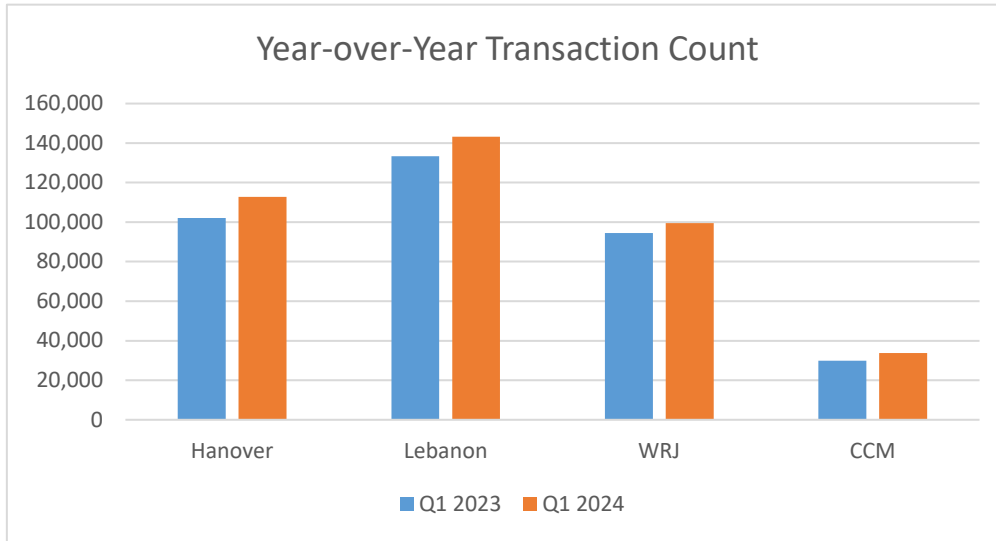
EBITDA is (\$9,405) (versus budget of (\$23,222), which consists of net loss before taxes of \$(229,255), and then adding back depreciation expense of \$183,569 and interest expense of \$36,470.

KEY FINANCIAL DATA

Note on variances: Within the below tables, negative (red) variances are showing the variances that are detrimental to our bottom line. For example, a negative variance for sales shows we are under our sales budget, while a negative variance for expenses shows we are over our expense budget.

	2024 Actual	2024 Budget	Variance Over/(Under)	% Over/(Under)
UNAUDITED				
Net Sales	21,871,475	22,005,280	(133,805)	(0.61%)
Total Cost of Sales	14,979,457	15,031,968	52,511	0.35%
Gross Margin	6,892,018	6,973,312	(81,294)	(1.17%)
Store Wages & Benefits	3,466,525	3,365,709	(100,816)	(3.00%)
In-store Operating Costs	1,919,899	1,996,815	76,915	3.85%
Total G&A Expense	1,725,967	1,837,344	111,378	6.06%
Earnings From Operations	(220,373)	(226,556)	6,183	(2.73%)
Other (Income) and Expenses				
Interest Income	(18,142)	(10,000)	8,142	(81.42%)
Miscellaneous Income	(9,445)	(20,000)	(10,555)	41.65%
Interest Expense	36,470	37,500	1,030	2.75%
Total Other (Income/Expense)	8,883	7,500	1,383	18.43%
Savings Before Taxes	(229,256)	(234,056)	4,801	(2.05%)
Total Income Tax Exp	(28,620)	(32,902)	4,282	(13.01%)
Net Savings	(200,636)	(201,154)	519	(0.26%)

Q1 2024 Gross Margin Dollars				
	Actual	Budget	\$ Over / (Under)	% Over / (Under)
Hanover	\$ 2,069,217	\$ 2,060,352	\$ 8,865	0.43%
Lebanon	2,974,633	\$ 3,033,152	(58,519)	-1.93%
WRJ	1,272,394	\$ 1,282,907	(10,513)	-0.82%
CCM	198,797	\$ 201,354	(2,557)	-1.27%
CLC	2,560	\$ 9,450	(6,890)	-72.91%
Kitchen	(25,666)	\$ 10,562	(36,228)	-343.00%
Park St Service Center	201,184	\$ 210,038	(8,854)	-4.22%
Norwich Service Center	204,826	\$ 165,497	39,329	23.76%
Consolidated Items	(5,927)	\$ -	(5,927)	0.00%
	\$ 6,892,018	\$ 6,973,312	\$ (81,294)	-1.17%



2024 Board Calendar

April 30 VOTING ENDS

May 22 HCCS Board of Directors, 5:30 PM