

## **Treasurer's report from Howard Kaplan For the Karma Board meeting of Monday, 3 May 2010**

### **1. Finance Committee status**

Four of the five committee members met with Justin McNabb and Denise Stapleton on April 19.

I still have not contacted Ivan Lekic about his offer to help with financial matters. I am hoping that at the Board meeting we can discuss some questions of Board continuity and planning that may affect my thinking on the matter.

### **2. Credit policy**

Any further discussion of this has been put on hold until Arel finishes her investigation of what the Board actually intended to pass last April.

### **3. Fees collection**

**Action item:** The motion we passed in March does not say that any back membership fees still owing from before June must also be paid. Therefore, I suggest that we amend last month's resolution as follows:

Moved, to amend the membership fee collection policy adopted last month, inserting the phrase "and any past-due fees" after the phrase "If a household shops once on or after June 1 without paying the fee".

Please note that this does not mean amending last month's minutes. They are an accurate record of what we did at that meeting. Instead, this means amending the policy wherever we are keeping our policies up to date.

### **4. Shopping credit for cleanup shifts**

The Finance Committee discussed some of the administrative aspects of implementing this proposal, passed by the Board at its last meeting. Some of the questions relate to accounting, not only how we record the credits redeemed but also how we record the ones awaiting redemption: do they count as liabilities, or are they treated like discounts that only become "real" when the discounted goods are purchased? I will be talking to our auditor, Jerry Berman, about this issue. However, Justin, Denise, and I have agreed on paperwork for recording the issuing and the redemption of the credits, and this will allow the cleanup work to proceed however we ultimately decide to classify the results in our books. This proposed paperwork does not require that work be compensated in exact hourly chunks; instead, the staff will round the credit for the actual time worked to the nearest whole dollar.

Now that members can work for shopping credits, we no longer need to have a special provision allowing members to do extra work shifts in lieu of paying their building and maintenance fees in cash. Any member who wants to earn the \$18 fee can simply sign up for a cleanup shift and get an \$18 discount on goods to compensate for the \$18 fee, which will be paid in cash. (This has the advantage of directing the extra shifts to the areas where the work is most needed.) I suggest that we wait to see how well the work-for-credit scheme is functioning before we implement any change concerning the fee payment rules.

### **5. Accounting for contributed member labour**

We are starting to look at ways to represent member labour in our monthly accounts. The dollar values recorded will not affect our bottom line at all, and that's appropriate; however, the theoretical dollar values will make our internal understanding of the labour situation much better. This is another item I need to discuss with Jerry Berman. This plan will work only when we can

record member labour in more detail than we do it now, but there has already been a discussion of our need to update the membership database to take advantage of recordkeeping (specifically about fee payments) that can be extracted directly from the new cash registers' output files.

## **6. Cash registers**

Because one of our two old cash registers is on the verge of failure, I've accelerated my plans to bring the new ones on-line, even ahead of the scanning part being ready. That is, on a temporary basis, cashiers will continue to key in the prices, and staff will continue to put stickers on goods. I'm hoping we can start using at least one of the new cash registers early in May. That would allow us to put the second new one on a cart, go around to all of the shelves in the store, and doublecheck that all the barcoded items can be scanned and have the correct prices programmed.

It is still the case that Atlas POS is not very effective at providing answers to ongoing problems. At this time, Atlas has admitted that our problems go beyond their competence to solve, and they are trying to refer our problems higher up the Sharp supply chain. Inland Cash Register, who supply the software we use to manage the cash registers, has been very helpful in solving problems; if Atlas can't get us the answers we need, we may purchase a small consulting service agreement from Inland to obtain their continued help on matters in which they are competent but for which they are not responsible.

## **7. March financial statements**

Summary March 2010 statements are being sent along with this report. There is nothing really surprising about them. The sales figures have been rearranged. We've stopped calling sales to staff "wholesale sales"; instead, we're showing the total dollar value of the staff discounts as "Sales margin lost to discounts". In terms of our thinking, we need to treat these discounts as an expense, though standard accounting practice won't let us show them that way. The much smaller work credits that members will earn by doing cleanup shifts or other work will also show up in this area, as lost sales margin.

It looks like we lost over \$3700 in operations during March, but that's because the signing bonus cheques went out that month. Without that bonus, we would have roughly broken even on operations. The Finance Committee discussed whether it's worth the effort at this time to assign that expense to other months, treating it as an account payable until March, but we decided it's not worth the effort. This year has so many extraordinary expenses that, if we want to separate them out from the ordinary ones, we need to do much more than just relocating that one bonus expense. For next year, we may be able to do something more systematic about understanding our ordinary versus extraordinary expenses.

The sales graph shows us as approaching closer to our sales target in March than in the previous few months; we are still not adjusting this for the day-of-week patterns I've mentioned previously.

## **8. Offering statement**

We have been acting as if we cannot take in any more building loans without getting another offering statement approved. However, there is a ceiling below which we can borrow without an offering statement, and Donald Altman suggested that we find out whether our \$70 member loans count against that ceiling. (If they don't, then we have much more room to borrow without an offering statement.) I am currently in the midst of an email conversation with Diane Ratnam, Senior Registration Specialist of the Financial Services Commission of Ontario, concerning this issue.

## 9. Collective agreement implementation

We have submitted our first dues checkoff under the new collective agreement.

I was incorrect last month in reporting that Shannon Waterman had given notice of her resignation and that we would pay vacation pay to her. Instead, she is going in parental leave, and we are still working out how to pay the bonus specified in the collective agreement.

I have created an Excel workbook to compute vacation pay and sick pay, reading between the lines of the collective agreement where necessary. (The way we previously computed vacation pay, as a straight percentage of other pay, will not meet the requirements of the new collective agreement.) I have reviewed this workbook with Denise, Arel has also reviewed it briefly, and we will be reviewing it with Justin as soon as practical. There are other areas where similar interpretive work will need to be done, and Arel and I may have more to say about this before or at the meeting.

## 10. Budget planning

On the operations side, I need to get my act together and talk to Justin and Denise about income and expenses for next year. I expect that all of the specifically Karma-related figures will come from Justin, but Denise should be able to help with items such as the expected rises in hydro, water, and tax rates.

On the membership side, I have received information from only the Building and Food Issues committees so far (April 28), but the deadline I've set isn't until May 12. The Board's regular administrative expenses are small, but, just like the committees, we have the opportunity to request special funds for things that aren't on our regular agenda. We can, of course, allocate these funds later in the year, but it would be good to know about any such plans at budgeting time. **Brief discussion needed:** Do we know yet about anything we'd like to spend money on, to help the Board function better or develop its skills?

Please note that the main reason we need a membership drive is to get more income from sales, not to get more income from membership fees. Therefore, most of the expenses for any such membership drive should come out of an operational promotions budget, though we may want to attribute some expenses (such as the expense of printing brochures to explain our membership structure) to the membership side.