

**Treasurer's report from Howard Kaplan
For the Karma Board meeting of Monday, 5 July 2010**

1. Finance Committee status

Three of the five Committee members met with Justin McNabb and Denise Stapleton on April 19. I would find it helpful if Karma had clearer policies about work credit and continuing committee membership when committee members miss meetings.

2. Credit policy

I have not yet reviewed the information that Arel sent recently, so I am not proposing any discussion at the July meeting. Also, a few matters relating to credit were decided at last month's Board meeting, in the process of approving the handbook text, so reviewing the whole policy is now less urgent.

3. Cash registers

Justin and I have agreed to bring the new cash registers on line on Monday, June 28, even though we are not ready to begin scanning barcoded items. The new cash registers have many non-barcode advantages over the old ones, including the ease of switching to the new HST rules. The last three days of June will be processed on the new cash registers, collecting PST and GST, and I will make the HST changes after the store closes on Wednesday, June 30.

Data will be downloaded from the cash registers to an office computer after the close of shopping every day. This should make preparation of the nightly cash report much quicker for the closing staff. The download of data also includes information about membership fees, linked to the household numbers keyed in at the beginning of orders. Once the software that receives the downloads has been in operation for a few weeks and any minor problems have been solved, we can start to think seriously about upgrading the membership records system to make use of the downloaded data, saving Marilou Lawrence unnecessary keying. That will also be an appropriate time to think about whether it's practical to replace the box of shop/work cards with a small notebook computer, occupying the same space but updated much more easily.

The new cash registers also allow us to track the purchase history of individual households over months. Because there are potential privacy issues involved, the dataset used for this tracking will not contain real household numbers; instead, it will contain artificial household numbers that are consistent from month to month but appear to be a random scrambling of the real numbers. Thus, no one reviewing the raw dataset will be able to determine which real household is buying how much. For similar reasons, household geographic location will be identified only by the first three digits of the postal code, while codes with too few Karma members to guarantee anonymity will be combined into larger pseudocodes.

4. June financial statements

I am not yet providing summary year-end statements, because there is some question about whether the records available to Denise when she prepared them include all the appropriate invoices from our suppliers. Looking at the uncertainty in the statements, I'd say that the best-case scenario is that operations will have lost about \$4,000, after taking into account Building Maintenance fees and all of the contract negotiation costs. The worst-case scenario is about \$10,000 worse than that. These are both a considerable improvement over last year's loss of nearly \$60,000. From another standpoint, the best-case scenario is that overall shrinkage is down by almost 2%, compared to the first half of the year; the worst-case scenario is that it has not declined at all. Note, however, that produce shrinkage is definitely down; grocery shrinkage might have grown somewhat. The budget I presented last month assumed that overall

shrinkage would not improve, so there is no need to be concerned that the budget is overly optimistic about shrinkage.

Looking just at sales, they are still running between 12% and 13% below two years earlier, even if we make an adjustment for Monday, May 31, which we are considering to be part of June because we took inventory on Sunday, May 30.

5. Capital budget

On the capital spending requests received from the Building Committee in May, there is only one large, high-priority item listed for this year that has not already been approved; that item is the reconstruction of the east wall and windows, costing around \$15,000. The Finance Committee reviewed the effect of this item on our line of credit and expenses, and it considers the item to be affordable. All of the other so-far-unapproved, high-priority items are too small to require any serious analysis of their individual or collective financial impact. It is not the Committee's role to recommend approval of these items, but the Committee sees no financial reason why the Board should not approve the major item and all of the smaller items listed as priority 1 and 2.

6. Fiscal year end

The by-laws currently specify that the fiscal year ends on the last Saturday of May, though in recent years we have been using May 31 as its end instead. The Finance Committee does not propose making any by-law change at this time, even though other by-laws changes will be on the AGM agenda, because Justin and I have ideas about making inventory more efficient, so it need not be done on a Sunday. That would allow the fiscal year to end mid-week on May 31 without causing accounting inconveniences, and the by-laws could be changed accordingly. However, if the proposed ideas do not work out well in practice, then the Committee might recommend leaving the by-law as it, continuing to do inventory on Sunday, and doing our accounting in conformity with the by-law. We will not know which is the better course of action until we have some experience with the new inventory method, two weeks after this year's AGM and again next May.

7. HST on membership fees

Denise and I will prepare a letter asking for a formal ruling that our membership fees are not subject to HST, and the Finance Committee will review it before we send it.

8. Non-member shopping

I have had some preliminary email discussions with other Board members about confusion in our policy on non-member shopping. Although the non-member surcharge is 15%, a figure recommended by the Finance Committee, all of the current issues are membership and shopping policy issues rather than financial issues, and so my thoughts on the matter will be part of a separate note, prepared in collaboration with other Board members.