

## **Morristown Food Co-op Board of Directors**

Meeting Minutes – July 16, 2025

Present: Jess, Megan, Eric, Zach, Dave, Beth, Erika, and George

Absent: Bob, Kaylin

Quorum established

### **1. Welcome & Member Comments**

- Meeting called to order.
- No member comments.

### **2. Approval of Minutes**

- Motion to approve June 2025 meeting minutes made by Dave; seconded by Megan.

**All in favor. Motion passed.**

### **3. Lease Addendum Discussion**

- Addendum does not include the previously discussed storage structure.
  - Goal would be to add a provision for this, based on language Eric will provide.
- Landlords recommended the new lease addendum term till for October 2025.
  - Goal would be to align the lease terms of the addendum and current lease till October 2027 to give a full year to potentially recover investment in new space.
- Landlords flagged the review time for renovations – whether it is currently followed, whether it should remain.
  - Goal would be to submit plans to landlords; response time extended to 10 days (from 5) per Section 6.

Discussion Highlights:

- The investment into expanded space warrants securing longer-term lease terms.
- Estimated need: \$12,000–15,000 annually to justify expansion, including renovation costs. This was recognized as a substantial challenge – refer back to discussion in May 2025 meeting on the need to develop a clear plan, track success, revise as needed.
- Zach emphasized the need for improved storage strategy, including bulk purchasing to reduce cost and increase margin.
- Eric reminded the board to consider not just the value of the retail space, but improved operations and store efficiencies as well.

Additional Details:

- Eric to provide updated copies of:
  - Section 11 – Liability Insurance
  - Section 13 – Casualty & Fire Insurance

**Board Decision:** Jess to request lease term extension of the current lease term and the new Lease Addendum through **October 2027**. If not approved, the goal would be to align the lease terms of the addendum and current lease until August 2026.

Motion made by Jessica in favor of above. Seconded by Erika. Extend to October 2027, or Lease Addendum following the same lease timeline

### **4. Quarterly Financial Report - Led by Beth**

Depreciation Discussion:

- Beth explained that the IRS allows two primary methods for depreciating equipment:
  1. Deduct the full amount upfront (Section 179), or
  2. Spread the depreciation over the useful life of the asset.
- Historically, the Co-op took a hybrid approach—writing off half in the first year and depreciating the remainder over time. Recently, due to fewer equipment purchases, the full amount has been depreciated over the equipment's life.
- Beth has incorporated this into the financials and submitted nearly all documentation to the reviewers for both tax preparation and quarterly review. If needed, the reviewers will develop formal depreciation schedules.
- Jess asked about the advantage of taking the full write-off in year one. Beth explained that while this can make financial statements look better short-term, it's primarily used to reduce taxable income—less relevant for the Co-op, which is operating at a tax loss. She recommends restating last year's taxes to align with depreciation over the equipment's life.
- Beth clarified that income and expense decisions fall under board oversight, though net operating profit belongs under Eric's domain.
- Megan inquired whether restating and spreading depreciation would create a steadier profit trend over time, rather than fluctuating in large amounts. Beth confirmed this.
- The board confirmed there is currently **no outstanding tax liability**.
- Jess added that aligning tax returns with internal books makes things simpler and supports transparency. The board agreed to follow **national GAAP standards**.

**Vote:**

Adopt lifetime depreciation method and restate 2024 financials accordingly.

Motion made by Jess in favor of above. Seconded by Dave.

**All in favor. Motion passed.**

## 5. PTO Policy Discussion

- Review of handbook: .308 hours accrued per hour worked; max 10 days/year.
- Currently able to carry over up to 15 days.
- Discussion around payout upon separation and eligibility for lifetime membership after two years.
- No action taken.

**Action:**

- Eric to research NCG standard practices and bring a recommendation for: amount of PTO, allowable carry over across years, payout when an employee leaves.
- Beth to recommend an approach to accounting for the liability if there is a payout.

**Other Financial Notes:**

- Financial review underway.
- Small net operating margin (~2%).
- Sales growth continues to trend positive.
- Gross margin dipped due to inventory increases.
- Labor costs up; payroll margin rising.
- Occupancy expense increased from \$75k to \$91k due to rent.
- Office expense (e.g., surcharges, supplies) increased from \$85k to \$105k. Largely attributed to credit card surcharge, and cafe supplies.

- Departmental accounting recommended to assess café profitability.
- Jess suggested: Add signage encouraging use of debit over credit to reduce fees.

## **6. GM Report**

### **Highlights:**

- 73 new memberships in June 2025 (vs. 55 in June 2024).
- 70/30 split at checkout (members vs. non-members).
- Staff attended the “Focus on Fresh” conference – good for morale, knowledge passed back to other staff.
- Labor costs increased to 25% (from 22%), likely due to coverage gaps and overstaffing. Eric is working with the scheduler to continue to train and address these issues. Adjustments underway to optimize scheduling.

## **7. Accounting Support Update**

- Two candidates Justin Wicks from Stowe CPA/Wicks Financial and Carl Hasper from Green Mountain Accounting identified.
- Would handle quarterly reviews of bookkeeping, prepare quarterly report to the board, be available for consultation by board and GM. Potentially complete tax prep depending on costs of service.
- Jess recommends this as a transitional step for Beth to move into a reviewer role rather than preparer.
- Board discussed the dependence of the CPA time needed on the bookkeeper, GM, and board asks/contributions – and the need to keep the CPA time needs bounded.

### **Action:**

- Board will outline scope of work with an NTE (Not to Exceed) cap.
- Eric, Sandy, Beth to meet with candidates and make a recommendation.

## **8. Construction & Capital Investment**

- The estimated budget for the kitchen renovation was shared with the board. This includes estimated costs as well as actuals based on proposals. It does not include the purchase of a new stove/oven, which was approved as a capital investment in March.
- Jessica proposed that the board consider the remaining project budget as a whole rather than approving line items one by one. As per policy, capital expenditures over \$2000 need to be approved by the board.
- Jessica provided a brief recap of the project origins - that the prior stove was not compliant with code; the original understanding was that compliance could be achieved with a new induction stove; this was later clarified by the Fire Marshal that compliance would also require a fire suppression system and venting.

### **Board Discussion:**

The board agreed that ideally, a documented business plan or vision outlining potential benefits is needed to approve the budget.

### **Action Items:**

- GM was asked to pull together a financial plan and ensure we're balancing our responsibilities to both the business and members.
- Dave and Zach will work with Eric and team to compile cost and revenue projections in spreadsheets, focusing on the ROI and overall financial picture for the project.
- This plan will be circulated by email for review and discussion.
- The board will identify a format for a timely discussion, review, and vote on the budget. The next regular meeting, August 20, conflicts with the corn roast so the options are to discuss/vote by email or to reschedule the meeting.

**Vote:** None

Board **did not propose a vote to approve** capital expenditure until more detailed information on return on investment (ROI) and potential sales revenue is provided.

#### **9. Meeting Adjournment**

- **Motion to adjourn** made by Zach; seconded by Erika.  
**All in favor. Meeting adjourned.**