



MEETING MINUTES
Whitewater Grocery Co
Board of Directors

Whitewater Grocery Co.'s mission is to support farm to table eating, to be a model of environmental sustainability, to stimulate the local economy, and to create a "third space" for the Whitewater community. To accomplish this mission, we will build a grocery store that sells local and organic foods and is as affordable and accessible as possible.

Date: June 11, 2018

Meeting Time: 6:30 p.m.

Location: Whitewater Innovation Center, 1221 Innovation Drive, Whitewater WI

Description: Meeting of the Board of Directors of the Whitewater Grocery Co.

Invited: Board of Directors, all owners of the Whitewater Grocery Co.

Board Members Present: Lacey Reichwald, Brienne Diebolt-Brown, Anne Hartwick, Jennifer Crone, Joanna Baker, Greg Majkrzak, and Al Stanek. Owners Present: Michael Schwabe, Jo Burkholder

The meeting was called to order by President Lacey Reichwald at 6:34 p.m. The mission and vision for the Whitewater Grocery Co. was read by Lacey. The goals for this meeting are to provide updates on individual actions since the last meeting to the Board and owners, to engage in some strategic planning, and to increase board literacy in budget best practices.

The Board allowed time for owner comment, although the owners present did not have any general comments.

Al moved to approve the minutes from the May Board Meeting. Second by Brienne. Motion passed without dissent.

Financial Report

Treasurer Jen Crone reported on the changes she made to the Dashboard. She removed the balance for the totals of t-shirts/signs sales and substituted it with a high level summary of budget vs. actual spending. She will be making more changes in the coming months to help us focus on the most critical information for that period of time. She reported that we had 28 new owners in May based on the sign up dates in the owner list. We reached 416 as of June 6. We are still on track to reach 500 in August.

She also made some changes to the formatting of the Sources & Uses Budget based on what she learned about budgeting best practices. She added line numbers to the left side, although the numbering is probably going to change, to help categorize costs. She moved the Sources to the top and the Uses to the bottom. She consolidated some of the categories as some of what we were reporting was too granular. Marketing is rolled up into Membership Drive. The Annual Meeting is still a separate category She anticipates additional consolidation. Amounts have not changed. Italicized numbers have been updated to reflect our expenses and sources. Some of the biggest purchases include insurance and office space rent. The costs for our open house have not yet been accounted for.

Site Selection Committee



Al presented a slate of candidates for the site selection committee. Some have been approached while others have not. They include Gayle Stettler, Brian Madl, Casey Judd, Jim Stalinworth, Russell Walton, Kevin Brunner, Greg Meyer, and Chris Muntz-Pritchard.

Al has compiled a list of 14 possible locations. The criteria include availability, size and expansion options, visibility/ease of access, parking, estimated build-out cost (annualized), and operating costs and operating efficiency. The Committee will collect data for each one of these locations and then rank them based on the criteria.

Jen asked whether other values, walkability, adjacent to amenities, should be included in the criteria. Al suggested that these types of values be applied to the top 2 or 3 locations.

We would like to aim for having something to present to ownership at the annual meeting to ask for their feedback. For the budget, we should include an architect and GIS mapping. Before our next meeting, we need to research what those two items may cost. Brienne suggested that we may be able to use the architectural services provided by the Wisconsin Economic Development Corporation free of charge or at a reduced rate. They've offered these amenities to Main Street cities in the past.

Jen moved to approve the Site Selection Committee Charter. Second by Greg. Motion passed without dissent.

Outreach & Ownership Committee Report

Committee Chair Brienne Diebolt-Brown reported that we will be presenting to the Kiwanis on Aug. 21, and we will also be participating in the July 4th Parade. The trailer has been donated by the Coburn Company.

Our plan for 500 & Beyond has been budgeted and is currently being implemented. This includes mini ownership incentives as well as starting to facilitate some community enrichment classes. 500 Plan has been budgeted.

The Ownership & Outreach Committee participated in a Brand Workshop, an activity learned at the Food Co-op Conference. The summary is below.

Brand Promise (Our Why): We believe in community cooperation. We believe in making things happen as a community. We believe our cooperative community will make a full-service grocer happen.

Positioning Statement: We will be a convenient, trusted, accessible full-service grocery store.

Target Audience: Adventurous Traditionalists

Vision: We are your (future) full-service neighborhood grocer that is convenient, trusted, accessible, and supports the local community and farmers/artisans.

Tone of Voice: Warm. Vibrant. Relaxed.

Brand Pillars: Welcoming. Trusted. Savvy.



We discussed the confusion the the mission & vision often cause when we are communicating what we are doing and how we are doing it. We decided that although it isn't critical to change our mission & vision statement now, we should work towards doing so at the annual meeting.

In the brochure, we plan on using the brand workshop vision which by consensus seemed fine with the board. We all decided that the Board should engage in vision activity and present the results to the Owners at the annual meeting in October.

Board Learning: Budgeting Best Practices

Jen Crone provided the Board with an overview of budgeting best practices which was pulled from a variety of sources, detailing basic budgeting guidelines in general, as well as specific guidance for start up food co-ops.

Jen categorized her presentation into multiple parts which includes basic best practices for budgeting as well as specific guidance as to how we treat the budget in terms of where we are now and how it needs to change as we move forward to Stage 2b.

Why have a budget?

- A budget is a plan, in monetary terms, of how we will use our resources to fulfill the GroCo's mission for a stated period of time - a year or some other time frame.
- A budget is a road map, a guide, a financial plan for the year (or other timeframe) - a powerful tool about what we know and what we don't yet know on how to get this done.
- It should reflect and quantify our strategy.
- It provides a way to monitor progress.
- It also serves as a communication tool with banks, lenders, developers, etc.

Who prepares the budget?

Board - identifies strategic, programmatic, and financial objectives and mission priorities.
Staff/"Do-ers" - prepare budgets for their specific programs and projects - our committees

When should budgeting process start?

- At least 3 months before the end of the fiscal year or budgeting term
- Approved by board.
- In this model, you have an approved budget for the entire year, and you don't adjust it. Use re-forecasting to predict where things will end up. (Reforecasting is a separate, revised budget comprised of YTD actual + rest of year estimate.) You don't abandon your budget, but you reforecast by creating another column. Reforecasting is future plan and year to date actual.

Tips on Format

- Fit on one page for high-level reporting
- Revenue (Sources) at the top, Expenses (Uses) at bottom
- Use Group-and-Outline to roll up to present high-level summary, or expand to reveal detail when needed
- Show operating surplus/deficit (or in our case % equity spent)



- Include a column for projected (forecast) end-of-year results
- Include a variance column to show [Budget] - [Forecast] - right now we are only tracking actual vs. budget. We may want to start getting into this once we start a capital campaign and we need to forecast whether or not we will meet our goal by our timeline
- Make sure to note revenue with donor restrictions - we don't yet have any donations that are restricted, but we may in the future
- Fundraising efforts - "the art of predicting contributed revenue" - pledges vs. actual; predictions vs. what is likely to pan out once all of the cash comes in.
- For "surprises" you can have a line of contingency in the budget, but some funders may object - we have one which is just a percentage of the total.
- Threshold needed for budget variances (investigate big stuff and don't sweat the small stuff) - as a board we could decide for ourselves - in looking at our budget as long as we don't go over by this much, we won't worry about it. If we do go over, it is worth investigating. What we are going to worry about and not.

Start-up Budgeting Advice

- "The meat of financial planning for startups lies in budget scenarios and how closely the strategy is linked to its budget." (Sounds like the Pro Forma process!)
- "Startups need to adapt and refine their spending as objectives change. The budget's not a straightjacket. The point is to understand what's working each month and reallocate capital to line items that maximize traction." Took a completely opposite response to approving your budget and sticking to it. Revising on a monthly basis - continually evolving approach.
- "In the startup world, there's a cryptic relationship between aggressive spending and successfully raising your next round. In the early days, most startups aim to keep their burn as low as possible, but eventually they need to start taking more risk and investing cash to grow and learn." We are not there yet, but we will be shortly getting to a point where we need to take more risk.
- FCI Guidance on Budgeting & Financial Accountability - Overall, they tell you what to put in your sources and uses budget. That is the extent of the advice. They don't talk about what our interest - how are we supposed to use a budget as a planning tool and are we doing it right.
- FCI Advice is brief! - Correction - there's more here! [5] - New guide for sources & uses (36 slides long) have a good financial accountability system, designate spending authority designate oversight and auditable tracking systems, establish proper financial record keeping and cash control, Committees and work groups should have clearly defined budget and spending limits. Stage 2 Budget is typically \$50,000-\$60,000. GroCo current budget Stages 1-2b = \$60,000

FCI Guidance on Transitioning to Stage III

- There is a decision point in Stage 3a "no turning back"
- All financing in place
- Design work completed, contractor selected
- Most of planned member equity is collected and spent



- At this point pre-construction/construction begins Stage III budget tracking will expand to include all the categories in the Sources & Uses *** - moving from the equity of ownership shares to ownership loans., preferred stock, lenders, etc.

Guidance from CDS Consultant, Don Moffitt

- “No two co-ops are alike; there's no hard and fast rule about how fast to spend money.”
- At Durham Food Co-op, they gave themselves spending limits this way (also, Jen recommend this approach):
 - Member Equity = Operating Funds, fully at risk, comfortable spending up to 100% of equity - we don't know how many members that is, how much money that is. Goals of membership up to that point (Go-No Go) and try to understand what expenses we'll have up to that point. We will have to spend money on the market study, site study,
 - Member Loans/Preferred Stock→ Fully sequestered until Board approved for use, only after there was sufficient confidence all resources were in hand to open store (including working capital). Only exception - if owner made loan specifically for use in operating expenses during development.

Recommendations and Conclusions

- We aren't doing anything wrong.
- We could enhance some areas: add donor restrictions, revamp the budget to be geared toward committees or functions, categories by committee/function, sources at top, add future stages, add forecast, and try to gear the budget to the go-no-go decision point.
- We approved a budget at the beginning of the year, and we've been advising it as we go. There is no requirement to have a budget that is approved by the Board. How we want to approach the budget is up to us.
- Adapt dashboard to show budget as goals
- Establish overall spending limits, using Durham Food Co-op as the example.
- Decide if we want a traditional annual budget + reforecasting or an “adaptive budget” or something in between. Then actively use it.
- For us budgeting is easier to do by stage. As we transition to Stage 3, line items from Stages - 2a & 2b can then get lumped together into one column.
- Follow-up training on Sources & Uses, as an intro to Pro Forma - It feels right to me because of that meeting with Don Moffitt. Jen has uploaded the FCI Users Guide to Sources & Uses to the Google Drive.
- Jen will establish timelines for the next phase of the budget, and remake the budget layout based on the best practices and recommendations. Jen would will also be creating recommendations on spending limits (Board needs to approve) as well as forecasting.

Internal Assessment

Jo presented a draft of the internal assessment which she composed based on two examples provided by FCI for start up food co-ops, Assabet & Dorchester. Jo asked that each Board member review the draft of the internal assessment and provide her with suggestions. Few things to point out - What is Feasibility, Current readiness as of June, 2018 - update on monthly basis. Few questions regarding wording - change directed to recommended for Keith Wicks. #4 - Viability - Workable to Strong for site



selection. Proforma is complete, so we can definitely use this for our assessment. Wait until after our call with Don so we'll have a better understanding of what that looks like. The reader knows the four cornerstones and the three stages. FCI Handbook - Checklist for each stage - what's our progress on each of these items. This could be turned into a table - to help us assess our readiness - graded categories: market, financial, organizational capacity, & site. Packet for interested parties. Success ratio for co-ops is greater than regular stores.

Creation of a Board Development Committee

President Reichwald presented the Board with a draft of the charter for the Board Development Committee. After some discussion, Brienne offered a motion to accept the charter. Second by Greg. Motion passed without dissent. Greg & Jo offered to work on assembling the Committee and will present a list of potential members at the next Board meeting as well as an update on the progress they've made on executing the charter.

Timeline Review

We reviewed our internal timeline and discussed the need to change our bylaws to include the scope of our Capital Campaign. Lacey will ask our attorney if we decide to go the preferred stock route, does it affect our bylaws or our articles of incorporation? We need to figure out what needs to be voted on by our membership in order to engage in a capital campaign, generalizing when possible.

Needs Assessment Review

Jo has uploaded a list of UWW Business School professors to the Google Drive, which includes their area of expertise.

The University's Fiscal & Economic Resource Center could provide extremely helpful to us. Their mission is to provide outreach services to members of of the regional community. The FERC's services include, but are not limited to, the following areas:

- Economic analysis
- Land-use planning
- Geographic Information Systems (GIS) analysis
- Market research, marketing strategy and planning
- Statistical analysis
- Simulation analysis
- Ecological and biological analysis
- Government and public policy analysis
- Entrepreneurship
- Economic forecasting and business development

Praveen Parboteeah, Owner #232 and Director of the Doctorate of Business Administration program, has offered to help. Dr. Carol Brunt specializes in nonprofit management and sustainable management. Most of the people are either gone during the summer or working on their own research and may be unavailable. However, we should definitely make use of FERC and other professors who are willing to help.



Board Calendar

We reviewed the Board calendar. Anne added the topics to the FCI Peer Calls to the Board Education row in the calendar. The Board Education topic for July will also be conducted by Jen on our new Sources & Uses budget.

Request for future agenda topics

Jen requested an action item be added to the next agenda regarding member equity spending limits. She will present a recommendation for the Board to review, discuss, and approve. Lacey suggested that at the next Board meeting, she will try turning the Board packet into a presentation, while censoring the confidential material so that those Owners who attend will be able to follow along.

We quickly reviewed the meeting and many stated that we were very efficient in how we made use of our time. We accomplished a lot in a short amount of time.

The meeting was adjourned by the President at 8:35 p.m. Minutes respectfully submitted by Anne Hartwick, Board Secretary, on Tuesday, July 3.