



California Growers Association Board of Directors December 2018

## 2018 Rind of Year Report

This year has presented new sets of challenges that we have faced together as a diverse and dedicated community.

The resignation by our Executive Director with insufficient notification and the ill-prepared exit was a surprise for most all of us.

Your Executive Committee has spent at minimum 30 hours a week volunteer time to investigate the financial and operational health of the organization. This was not an easy task, as the password access for the majority of CalGrowers' platforms were not released to the ExCom, and to date, the majority of the requested corporate data has still yet to be relinquished to the board officers.

After 10 weeks of due diligence, ExCom finally has enough information to present the most comprehensive fiscal report possible. There may be more outstanding invoices that we are not aware of, and there are many reports of cash payments that we have not been able to validate through careful review of bank account statements and QuickBooks entries.

It has taken far longer than anticipated to create this report, as there was very little cooperation by our former Executive Director to disclose activities and resources on behalf of the organization. For this delay we apologize, it was our goal to engage the board far sooner and discuss the next steps for our organization.

# **Board Finance Report (see attached)**

At this point, our findings show that CalGrowers currently has a debt of \$267,000, of which approximately \$140,000 is in contracts that were signed on behalf of the organization with no funds to support them. Furthermore, it has been discovered that a significant pertion of expenses and contacts engaged by our former Executive Director have fallen outside of the CalGrowers. financial policies.

Our Secretary, Nathan Whittington has been engaging with all outstanding contracts and reporting to the Executive Committee to develop a payment schedule. We have initiated payment plans with the organization's immediate service providers and are still negotiating with extended debts. In summary, CalGrowers must raise at minimum \$60,000 to pay immediate debts in order to engage in 2019 contracts that will provide the basic services needed to continue operating



## December Brunch - Canceled

Until mid-November, the Executive Committee and Communications Committee have not had administrative access to the organization's website and other social media platforms in order to announce the Annual Membership Brunch.

The effort to engage community awareness of this critical year-end fundralser was supported by many Regional Partners but this effort has not produced enough sponsor support nor ticket purchases to support and fund the event.

After careful consideration of the cost-benefit of the December Brunch, the Executive Committee has decided to cancel this event to preserve the remaining funds in the organization's account to continue to pay existing debts.

#### **CDFA Lawsuit**

Due to the discovery of existing debt, including the debt owed to Solari Law, CalGrowers cannot afford to advance this lawsuit to the next phase.

Withdrawing the lawsuit is by far one of the most personal and difficult decisions your Executive Committee has faced. However, if this organization wants to engage CDFA on key 2019 policies beyond the stacking of licenses, the lawsuit would have to be withdrawn. The lack of funds and additional priorities at the table, such as removing the acreage cap for cannabis co-ops, have compelled the Executive Committee to withdraw the lawsuit effective immediately.

## The Future of CalGrowers

There has not been an easy answer to the next steps in this organization's stability. As reported in 2017, we anticipated reduced financial support by our membership for two reasons: businesses would be facing the most cost prohibitive phase to date as startups in a heavily regulated and unstable market in 2018 and secondly our decision to transition from direct state membership to Regional Partner membership. The Board of Directors committed to each raise a minimum of \$5,000 through their communities and the businesses that serve them. However, this was woelfully underperformed. In addition, many Regional Partners left the pinch of reduced local membership as license seekers were disqualified from the regulated market place and not renewing membership which caused them to struggle to meet their annual picages.

Regional Partners have been notified of the financial situation and these groups have been in turn preparing for independent operations. However, the question remains, if there is no controllized organization for the Regional Partners to engage, how will each local organization create effective representation in Sacramento for the policies that drive each of their communities intures.



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# Looking to the Future

The state legislature is currently implementing bills that the membership and commercial cannabis business community needs to determine how to engage with, such as compassionate care, state taxes and many others to come. CalGrowers had played an essential role in facilitating these discussions and communicating the findings and recommendations to our state representatives.

The Executive Committee would like to develop a solution in which there is still a unified voice in Sacramento to represent the interests and needs of our Regional Partners and members. How this next step will evolve is in the hands of our board of directors and community leaders.

The expense and staff effort that each Regional Partner will invest in facilitating an effective voice in Sacramento on their behalf are far greater as individuals than as a unified whole.

If the Board of Directors and Regional Partners were to fulfill their financial pledges from January 2018 to the organization by the end of December 2018, the immediate operating debt can be cleared with funds available to initiate a lean operation for the beginning of 2019.

### Call to Action

The Executive Committee requests that, beginning this week, you to join our standing weekly calls on Wednesdays from 4-5:30 pm to discuss the challenges we face, develop actionable solutions and plan for the future.

Respectfully,

Executive Committee
California Growers Association