

FIDDLEHEADS BOARD OF DIRECTORS
Minutes of Board Meeting of May 17, 2016
105 Huntington Street, New London
(Approved June 21, 2016)

I. CALL TO ORDER, ATTENDANCE, ANNOUNCEMENTS

A. Call to Order

Susan Phillips called to order a monthly meeting of the Fiddleheads Board of Directors at 6:32 p.m. on Tuesday, May 17, 2016 at 105 Huntington Street, New London, CT.

B. Attendance

The following Board members were present:

Susan Phillips, President
Susan Zimmerman, Vice-President
Helene Bardinot, Treasurer
Danny Spurr, Secretary
Carolyn Wilson
Mona Harmon-Bowman
Ellen Clinesmith
Kelleen Giffin

The following additional persons were present:

Lexa Juhre, General Manager
Elisa Giommi, Board Administrator
Carol Connell, Owner

C. Agenda Review

There was a question regarding the suspension of Board Monitoring Reports. Helene is working on modifying the current Board Monitoring format. It was decided to continue conducting Board Monitoring Reports using the old format while a new format is being developed. The Board will discuss Board monitoring reports at their next CDS call.

D. Owner Comments

No owner comments

II. MINUTES OF APRIL 19, 2016 BOARD OF DIRECTORS MEETING

It was noted that Helene, Lexa, and Susan Z. have not yet discussed the Board Budget.

Motion to approve the minutes of the April 19, 2016 Board of Directors Meeting with edit noted:

Motion: Carolyn Wilson
Second: Ellen Clinesmith
All in favor

III. CONSENT AGENDA

There were no items on the Consent Agenda

IV. DISCUSSION/ACTION ITEMS

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Year End Financial Review 2015

A discussion was conducted with Bruce Mayer and Elizabeth Heins-Van der Weide of Wegner CPA via phone conference regarding their financial review of Fiddleheads Food Co-op.

Bruce and Elizabeth summarized the financial report noting that the co-op's current ratio, debt to equity ratio, and gross profit were all in line with co-op benchmarks of similar sized co-ops and that there was no evidence of the co-op being out of compliance with GAAP accounting standards, though an audit would be necessary to fully determine GAAP compliance.

There was a question about the "Prepaid expenses" line under Assets on the balance sheet. This referred to the online ordering system. There was also a question as to whether this should properly be listed as a current asset, as it makes the current ratio seem better than it may actually be. It was noted that this amount had already been paid and was not an outstanding debt. Lexa noted that it is a service contract not an asset.

Wegner explained the losses for tax purposes on the income tax statements. The CT income tax is the minimum tax based on the co-op's assets. The deferred tax benefit is the value of the loss from 2015 deferred to a future tax year. The total net operating loss carryforward for federal tax purposes is based on reported losses from 2013-2015 totaling \$147,000.

There was a question regarding how many year end adjustments were made, and it was noted that all adjustments were documented. It was also noted that better bookkeeping practices have led and will lead to fewer year end adjustments in the future.

The Path Forward

Wegner CPA noted that similar sized co-ops usually conduct an audit every 3 to 5 years. They could provide an audit or an assessment of readiness for an audit, though Fiddleheads may be ready for an audit. It was also noted that an observation of the beginning of the year inventory would not necessarily be needed for the purposes of an audit.

Lexa would like to conduct an informal assessment and internal review before recommending a course of action regarding an audit, with a decision being made by the end of summer or beginning of fall.

There was a question regarding how reliable the co-op's financial information is from previous years. Lexa noted that this would be assessed as part of the internal financial systems assessment.

There was a question regarding Policy B-Global compliance issues and it was determined that we are currently in compliance. Lexa will report any future findings regarding compliance with B-Global.

Motion to authorize Lexa Juhre to file income taxes prepared by Wegner CPA:

Motion: Helene Bardinet

Second: Ellen Clinesmith

All in favor

A short break was taken.

V. GM MONITORING REPORT (B1 FINANCIAL CONDITION Q1)

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Lexa was congratulated on her first monitoring report. It was noted that it might be useful to modify the amount and formatting of the information provided in future reports. It was noted that the reporting format is a work in progress and Lexa will play with the level of detail provided in future reports.

Executive Limitations B1 – Financial Condition and Activities

The GM shall not

1) Allow sales to decline or be stagnant.

Conclusion: In compliance.

Sales growth was favorable compared to the peer median group.

There was a question as to how many co-ops were used to determine the peer median. There were 16 co-ops in the peer group and the peer group was defined by similar sales volume. Lexa will define the peer median in future reports. Lexa expressed confidence in last year's data for the purposes of comparison.

2) Allow operations to generate an inadequate net income.

Conclusion: In compliance

Net income compared favorably to to the CoCometrics benchmark of 3%, though the net income may look more favorable than it actually is due to year end adjustments. Next quarter's number should be more accurate. The co-op's net income was compared to the benchmark rather than the peer median, as the peer median for Q1 was negative. Lexa will show both comparisons in future charts, for the purpose of consistency.

3) Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.

Conclusion: In compliance

Our current ratio exceeds the Co-op metrics benchmark of 2. It was noted the benchmark number is 2, but a current ratio above 1 is satisfactory.

4) The GM shall not allow solvency (the relationship of debt to equity) to be insufficient.

Conclusion: In compliance

5) Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

Conclusion: In compliance

There was a question regarding the co-op's CFNE line of credit and the final payment on the line of credit being due or in need of renegotiating by December 2019. There was a question about possibly rolling some of this into a longer term loan. It was determined that these questions would

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be addressed when developing a strategic plan for the co-op.

6) The GM will not acquire, encumber or dispose of real estate.

Conclusion: In compliance

7) Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.

Conclusion: In compliance

Payroll taxes are handled through a third party (Paymaster), but records of these tax payments may be requested. The Board requested that these payments be confirmed by the co-op.

8) Allow late payment of contracts, payroll, loans or other financial obligations.

Conclusion: Not in compliance- plan in place

Accounts Payable are now within terms and are currently compliant, though they were out of compliance for parts of Quarter 1.

The Co-op is working with owner lenders on loan repayment or renewal. Payments have not been made during this time.

9) The GM will not use restricted funds for any purpose other than that required by the restriction.

Conclusion: In compliance

There is no record of there being any restricted funds.

10) The GM will not allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).

Conclusion: Not in compliance

The co-op's financial review found nothing to suggest non-conformity with GAAP standards, but did not certify GAAP compliance.

11) The GM will not allow growth in ownership and owner paid-in equity to be insufficient.

Conclusion: In compliance

New owner numbers and owner paid in equity numbers are strong. Lexa will develop an ownership growth benchmark in addition to an owner equity growth benchmark.

The GM monitoring report will be edited consistent with decisions about sections 8 and 10 and submitted to the President and Vice-President for approval.

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The corrected packet and subfolder will be archived.

VI. COMMITTEE/TASK FORCE

A. Nominations Committee

Motion to approve the Nominations Committee minutes of April-May 2016:

Motion: Ellen Clinesmith

Second: Danny Spurr

All in favor

B. Annual Meeting Committee

The Annual Meeting Party is this Saturday at 4PM! The Annual Meeting Minutes from last year's meeting have not yet been posted, though they are available online. Elisa will post the minutes and the store will bring printed copies of the minutes to the Annual Meeting Party.

Susan Zimmerman volunteered to record the minutes for the Annual Meeting.

An agenda was determined for the business portion of the Annual Meeting. Sue Phillips will give the introductory remarks and introduce the Board, guests from Willimantic, the GM (Lexa), and potentially former IGM Wynston. Lexa will give a state of the co-op address.

Kelleen and Mona will coordinate with Wynston regarding her potentially speaking at the event.

Both the Nominations Committee and Annual Meeting Committee will hold post-Annual Meeting debriefings and discussion of these committees will be on a future Board agenda.

Motion to accept the Annual Meeting Committee minutes:

Motion: Mona Harmon-Bowman

Second: Helene Bardinnet

All in favor

VII. EXECUTIVE SESSION

Tabled until next month

VIII. CLOSINGS

A. CDS call

The CDS call is tentatively scheduled for Thursday, May 26, 2016 at 4:30PM.

B. Review decisions, tasks, and assignments

Lexa will submit the GM monitoring report with modifications to section 8 and 10 to the President and Vice-President for approval. Elisa will archive the corrected packet and subfolder (with final version of GM monitoring report).

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Elisa will post last year's Annual Meeting minutes.

The co-op will bring printed copies of last year's Annual Meeting minutes to the Annual Meeting.

Helene will work on developing an alternative Board monitoring report system.

Helene, Susan Zimmerman, and Lexa will meet to discuss the Board budget.

Kelleen and Mona will coordinate with Wynston regarding her potentially speaking at the Annual Meeting.

Everyone will vote and attend the Annual Meeting Party on Saturday.

C. Adjournment

Motion to adjourn:

Motion: Susan Zimmerman

Second: Mona Harmon-Bowman

All in favor

Meeting adjourned at 8:44 p.m.

* * * * *

Draft minutes prepared for submission to the board by Daniel Spurr/Elisa Giommi on May 20, 2016.

Minutes approved by vote of the Board on June 21, 2016 and put into final form by Danny Spurr/Elisa Giommi on July 12, 2016.