

**FIDDLEHEADS BOARD OF DIRECTORS**  
**Minutes of Board Meeting of September 18, 2018**

105 Huntington Street, New London  
(Approved by the Board on October 16, 2018)

**I. CALL TO ORDER, ATTENDANCE, ANNOUNCEMENTS**

**A. Call to Order**

Danny Spurr called to order a regular meeting of the Fiddleheads Board of Directors at 6:30 p.m. on Tuesday, September 18, 2018 at 105 Huntington Street, New London, CT.

**B. Attendance**

**The following Board members were present:**

Danny Spurr, President  
Ellen Clinesmith, Vice President  
Susan Zimmerman, Treasurer  
Katie Blanchard, Secretary  
Carol Connell  
Sara Florek  
Amelia Lord  
Caleb Bailey

**The following Board member was not present:**

Sue Phillips

**The following additional persons were present:**

Lexa Juhre, General Manager  
Elisa Giommi, Board Administrator

**C. Check-In**

No check-ins

**D. Agenda Review**

No change to agenda

**E. Owner Comments**

No owner comments

**II. COMMITTEE/TASK FORCE (6:36-6:40)**

**A. Secure Storage Task Force (6:36-6:38)**

1. It was a fantastic meeting with thorough minutes concerning secure storage for Executive Board minutes and GM personnel files. A lock box was secured and a plan set in place to give the keys to the President and Secretary. Next meeting will deliver more decisions about secure electronic storage. We're leaning to having 2 password protected flash drives with an index for secure storage. The committee is also pursuing legal counsel with Heather Wright about secure storage--more details to come in next month's minutes.

**B. Bylaw/Policy Revision Committee (6:38-6:40)**

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1. Met new members including two from our owner community. The committee discussed the basics of policy governance and set the tone for future work ahead of the committee.
2. Question on waiting on Patronage Dividends. There was concern that new Co-op Connecticut Legislation may affect our future course with Patronage Dividends. However, since we are not classified as a non-profit Co-op, this legislation doesn't directly pertain to us though we support other local Co-ops like Willimantic and wish them the most favorable outcomes.

**III. APPROVE DRAFT MINUTES (6:40-6:48)**

**A. Minutes of August 21, 2018 Board of Directors Meeting**

**Motion to approve the minutes of the August 21, 2018 Board of Directors meeting:**

Motion: Amelia Lord  
Second: Ellen Clinesmith  
All in favor

**IV. CONSENT AGENDA (6:48-6:50)**

**Motion to Approve the equity refund request of Crutchley (\$160):**

Motion: Sue Zimmerman  
Second: Ellen Clinesmith  
All in favor

**Motion to Approve the equity refund request of Crouse (\$175):**

Motion: Sue Zimmerman  
Second: Ellen Clinesmith  
All in favor

Email from the GM stated that equity refund for Janostak, presented at the August 21, 2018 meeting was \$175.

**V. GM MONITORING REPORT (6:50-7:08)**

**B--Global Constraint**

*Global: The General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles.*

**In Compliance.**

**Motion to accept the GM Monitoring Report of B--Global Constraint:**

Motion: Sue Zimmerman  
Second: Ellen Clinesmith  
All in Favor.

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**B3--Asset Protection.**

*Global: The General Manager shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.*

1. *The GM will not allow equipment and facilities to be inadequately insured or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business disruption.*  
**In Compliance.** There was a question about the insurance company denying our policy renewal for this coming year due to an accident that occurred in the store. This was our first year with this insurance company and they decided to not renew seeing the co-op as a risk. However, our insurance broker said it shouldn't be difficult to find new and just as comprehensive coverage.
2. *The GM will not allow unnecessary exposure to liability or lack of insurance protection from claims of liability*  
**In compliance.**  
There was a question about our current grievance policy. The Board's legal counsel recommended one person, other than the GM or Board President to be the go-to for personnel grievances.
3. *The GM will not allow deposits or investments to be unreasonably risked.*  
**In Compliance**
4. *The GM will not allow inadequate security of premises and property.*  
**In compliance.**
5. *The GM will not allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.*
  - a. *Allow improper usage of members' and customers' personal information*  
**In compliance.**
6. *The GM will not allow purchasing that is uncontrolled or subject to conflicts of interest.*
  - a. *Authorize any capital expenditure  $\geq$  \$5000 without prior approval.*
  - b. *Incur any reimbursable obligations without approval by a designated Board member appointed by the President.*

Though no material weaknesses were found in the audit, there were found to be "significant deficiencies". There was a question as to the difference between "Material Weakness" and "Significant Deficiencies.?" Material Weakness would be so severe that Wegner could not stand by their audit. Significant Deficiencies were defined as a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Fixes to the deficiencies mentioned related to eliminating human error and providing systems that allow honest people to remain honest.

Currently the GM feels she has thorough oversight along with her financial staff who has tremendous history with the Co-op coupled with great integrity. It was generally accepted that the deficiencies mentioned, namely, strengthening the new vendor set-up and approval process and increasing controls over inventory

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receipt, may need to be revisited as the co-op scales up but for now, the controls in place are sufficient, and the risks to the co-op minimal.

There was also a discussion about whether or not we have a log of tasks, decisions, improvements based off of these monitoring reports that we can revisit at any regular interval. It was decided to utilize the board monitoring report table to list items to revisit.

**In Compliance.**

7. *The GM will not allow lack of due diligence in contracts.*

**In Compliance.**

8. *The GM will not allow damage to the Co-operative's public image.*

**In Compliance.**

**Motion to accept the GM monitoring report of B3--Asset Protection:**

Motion: Carol Connell

Second: Sara Florek

All in favor

**VI. DISCUSSION/ACTION ITEMS (7:08-8:27)**

**A. Financial Audit (7:08-7:15)**

1. It was agreed that it would be advantageous to pursue a financial review for next year with Wegner. Even though they delivered their final audit report very late, they do have beneficial experience with co-ops and produced a fine audit.
  - a. This decision may be revisited in next month's agenda. Lexa will provide an engagement letter to be included in next month's packet.
  - b. If board members have further questions about the audit, they can be directed to Susan Zimmerman or Lexa.

**B. September Retreat (7:15-7:23)**

1. Please complete homework including the implicit bias test before the retreat.

**C. CDS Contract (7:23-7:24)**

**Motion to accept CDS contract at the special pricing:**

Motion: Caleb Bailey

Second: Sue Zimmerman

All in Favor

**D. Board Budget 2019 (7:24-7:28)**

1. We can approve the budget pending changes on our new savings with the early bird CDS rate. These savings will be added to the "Unplanned" line item on the budget.
2. For the retreat we had hours left over from last year to apply to Saturday's retreat so we are not paying any extra for the full day retreat.

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**Motion to approve the budget:**

Motion: Ellen Clinesmith

Second: Caleb Bailey

All in Favor.

**E. Board Calendar 2019 (7:28-7:36)**

1. Dates still need to be updated for events.
2. A new Board Monitoring schedule was proposed that will be included for approval in next month's meeting.
3. Special thanks to Elisa for updating the calendar, surveys, and all of the miscellany to reflect these changes.

**F. Co-op Fund of New England Loan (7:36-7:40)**

1. The board authorizes pursuing refinancing debt with CFNE for a better rate and increasing our line of credit for a 5 year loan. We have considerably more inventory and Lexa would like flexibility to update older equipment that may need to be replaced as compared to when we first initiated the loan.

**Motion to authorize GM to pursue an application to enter into a loan not to exceed \$225,000 that refinances existing debt and provides working capital:**

Motion: Sue Zimmerman

Second: Ellen Clinesmith

All in Favor.

**G. Patronage Dividends (7:40-8:01)**

1. Next year we may have exhausted our net losses and may owe federal taxes. Instead of paying taxes on our revenues to the government (understanding we have to pay at least a certain amount), we can reinvest that chunk into our owners. This would provide more meaning and understanding behind what it means to be a Co-op Owner.
2. Lexa reached out to CDS consultant Thane Joyal to look at our bylaws, Articles of incorporation, and minutes when we determined status of owners, to decide if we need to change anything to offer a patronage dividend. The board may have already paved the way correctly but if we need to change the Articles of Incorporation, we need to bring any and all changes to the owners. Thane will determine whether this is necessary.
3. The co-op is already providing literature about patronage dividends to our ownership base priming them for these potential changes. We would need a procedure to approach abandoned equity. For example: If an owner doesn't claim their dividend within a certain time frame it would automatically revert to taxable income. For this reason, we need to figure out how to approach abandoned equity.
4. There was a discussion about unclaimed patronage dividends. Unclaimed dividends would be taxable. It was held that the amount of money in question did not warrant

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setting up a 501-c3 at this time, though this topic could be revisited as the co-op grows.

5. Next Steps:
  - a. Future agenda-More robust discussion about patronage dividends.

**H. Board Monitoring Report C3-Agenda Planning (8:01-8:07)**

The Board evaluated its performance regarding policy C3-Agenda Planning

*Global: We will follow a strategic multi-year work plan and annual agenda that focuses our attention upward and outward*

It does not appear that we have a strategic multi-year plan. We have regular calendars and monitoring reports to set our eyes on the future but have yet to create a detailed workable strategic plan.

Potentially future board strategic plans may need to work in tandem with the GM plans to best support the co-op. Sometimes they need to come about organically.

- 1) *We will create, and modify as necessary, an annual calendar that includes tasks and events related to our multi-year work plan, membership meetings, Board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies (Policy D, et seq.).*
- 2) *Throughout the year, we will attend to consent agenda items as expeditiously as possible.*
- 3) *We will limit the amount of meeting time taken up by Executive Limitations monitoring reports, discouraging discussion unless the reports indicate policy violations, or the policy criteria themselves need review.*

**I. Staff-Owner Role (8:07-8-27)**

1. Danny and Ellen Clinesmith talked with Jade Barker (our CDS Consultant) about potential conflicts or muddy waters for this topic. There were not a lot of direct resources to dive into. Jade also talked about staff working on committees and whether or not you have to pay them. The issue is, our staff who are owners are incredibly invested in the co-op and theoretically should have the same rights as owners to participate in committees.
  - a. Is this equitable to pay some committee members and not others?
  - b. Would some staff join committees for more paid hours versus a vested interest?
  - c. Can the Co-op support and manage the extra funds necessary for this participation?
2. This is a topic the board will need to continue to revisit in the future.

**J. NCG Co-op Participation Report**

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1. Tabled until next month's agenda.

**K. Proposed Amendments to CT Co-op Statutes (8:27-8:29)**

1. We have been in touch with Willimantic about what they are doing. We're happy to support it and will report any updates.

**VII. CLOSINGS (8:29-8:33)**

**A. Meeting Talking Points**

1. Welcomed our audit results from Wegner.
2. Figuring out retreat final details
3. Reviewed asset protection policies with emphasis on our internal controls.
4. Began deeper talks about patronage dividends
5. Board Budget approval slated for November 20 meeting
6. Approved proposal to refinance and extend our line of credit with CFNE.
7. Check our website out for updated committee rosters

**B. CDS (Co-operative Development Services) Call**

**C. Upcoming events**

1. Sept 22nd -- Fiddleheads Board Retreat
2. October 13th -- Co-op Cafe (Keene)

**D. Review Decisions, Tasks, and Assignments**

1. *All committee chairs send rosters to Elisa.*
2. *Danny put consent agenda item on a future agenda.*
3. *If there is something in the NCG report that we want to know more about please send Lexa your requests.*
4. *Elisa will provide an updated calendar to be approved in October's meeting.*
5. *Lexa to include an engagement letter for a Wegner review to be included in October's packet.*

**E. Adjournment**

**Motion to adjourn:**

Motion: Katie Blanchard

Second: Ellen Clinesmith

All in favor

**Meeting adjourned at 8:33**

\* \* \* \* \*

Draft minutes prepared for submission to the board by Katie Blanchard/Elisa Giommi on October 7, 2018

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Minutes approved by vote of the Board on October 16, 2018 and put into final form by Katie Blanchard/Elisa Giommi on October 24, 2018.