



FIDDLEHEADS MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

QUARTERLY MONITORING REPORT, 1ST QUARTER 2016, MAY 13, 2016

Policy: B1 – Financial Condition and Activities, Last revised: Aug 18, 2015

With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

The GM will not:

- 1) Allow sales to decline or be stagnant.
- 2) Allow operations to generate an inadequate net income.
- 3) Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
- 4) Allow solvency (the relationship of debt to equity) to be insufficient.
- 5) Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
- 6) Acquire, encumber or dispose of real estate.
- 7) Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
- 8) Allow late payment of contracts, payroll, loans or other financial obligations.
- 9) Use restricted funds for any purpose other than that required by the restriction.
- 10) Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).
- 11) Allow growth in ownership and owner paid-in equity to be insufficient

I report compliance with all parts of this policy except:

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

This is a quarterly update report on key financial and operational indicators included in the annual B1 report, as well as on our tax payments. In addition, this report will include any information about actual or anticipated non-compliance for all aspects of the B1 policy.

Unless indicated otherwise, all data in this report is for 1Q16 and is accurate as of April 29 2016.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachments: Balance Sheet, Income/Expense Statement

Global Policy

With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

Operational definition / Interpretation: The Board has interpreted and defined “fiscal jeopardy” in the sub-policies below.

Data:

Please see below for my definitions and data for each of the sub-policies.

1) The GM will not allow sales to decline or be stagnant.

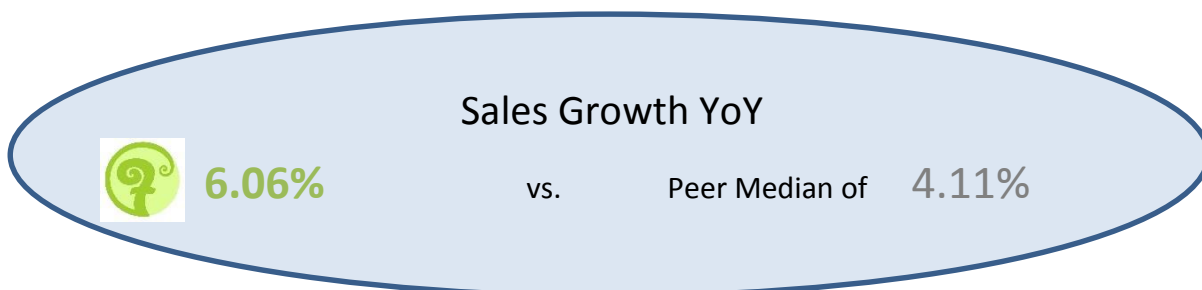
I report compliance.

Operational definition / Interpretation: Managers of NCG member co-ops, as part of the Co-op metrics program, have set a benchmark for averting fiscal jeopardy to achieve sales growth 3% or more.

Although Fiddleheads is currently in associate status, the General manager proposes to adopt this as “satisfactory” for reporting purposes. For budgeting purposes, we are proposing a goal of 5% over prior year, and the expense budget is still in development.

Actual data compares the most recent quarter with the same quarter of the previous year.

Data: Sales for the 1st quarter 2016 were \$884K which represents 6.06% growth over the same period last year. This is a respectable steady rate of growth. This is also outpacing the growth of other many other medium-small co-ops (size class determined by sales volume) in the national co-op sector. Median growth of the pool of medium small co-ops is 4.11%.



2) The GM will not allow operations to generate an inadequate net income.

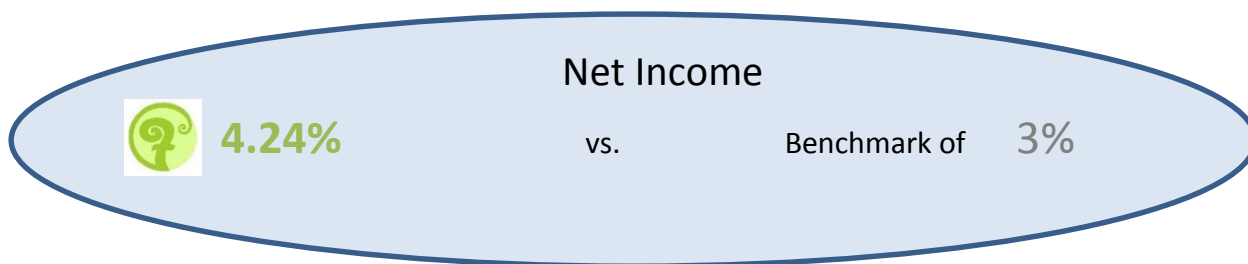
I report compliance.

Operational definition /Interpretation: The Coop Metrics benchmark for jeopardy on this measure is 0.5% of sales. I interpret actual net income as a percentage of sales for the year at .5% or above to be in compliance.

A goal for net income in the co-op sector is benchmarked at 3% and we will pursue this as a goal at FFC.

That said, striving to outstrip that consistently should not come at the cost of achieving other FFC goals. I am interested in potentially exploring some sort of gain share program in the future, where profits exceeding our budget goal might be split between the co-op and staff.

Data: Net income for the quarter was 4.24%. This in stark contrast with the peer data, where the median for the 1st quarter reflected a modest *net loss* of -0.29%. This number may have been favorably influenced by end-of year adjustments, so we will look to see where this comes in next quarter.



3) The GM shall not allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.

I report compliance.

Operational definition /Interpretation:

The Coop Metrics benchmark for the co-op's Current Ratio is 2.0 or above.

Data:

1Q2016 Current ratio = 2.18

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

I report compliance.

Operational definition/Interpretation:

The Debt to Equity ratio benchmark for Co-op metrics is 3.0 or below.

Data: Debt to Equity ratio for 1Q2016 = 1.01.

Data used is Total Liabilities and Total Equity from the attached balance sheet.

5) The GM will not incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

I report compliance.

Operational definition / Interpretation:

Management may not incur new indebtedness except as trade payables, ordinary credit lines, and leases for equipment necessary in the ordinary course of business. Compliance will be achieved if, since the last report, no new indebtedness that has not been authorized by the Board of Directors is reflected on the Balance Sheet other than those described above.

Data:

No new debt or other than ordinary business liabilities have been incurred in this period. As reported in April's monitoring report, we did draw down \$6K on our previously authorized line of credit from Co-op Fund of New England to purchase a new compressor for an ailing Produce display case.

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

I report compliance.

Operational definition / Interpretation:

This policy limits the GM from purchasing or committing to purchase any real estate; only the Board has the authority to make any kind of real estate (land or buildings) deal. Real estate is considered a fixed asset, and is listed as such on our balance sheet. The land and buildings designated as fixed assets on the current balance sheet should be the same as on the previous quarter's balance sheet— unless the board has specifically authorized a purchase or sale.

Data:

Neither I nor my predecessor have made any real estate purchases or commitments in this period. We lease our store site, and the lease extension was successfully negotiated in this period.

7) The GM will not allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

I report compliance.

Operational definition / Interpretation:

Our only "government-ordered" payments are the various taxes we pay. These are considered "overdue or inaccurately filed" only if the co-op receives notice from the government to this effect. Compliance is payment of all taxes by due dates or extended due dates by filing for extensions for income taxes.

Data:

The following taxes were paid in a timely manner

Personal Property tax, bi-annually next payment due July 2016

Sales tax, monthly on the 20th of the month for the previous month based on sales

8) The GM will not allow late payment of contracts, payroll, loans or other financial obligations.

I report out of compliance.

Operational definition / Interpretation:

A. Contracts are agreements between the Co-op and another party. They include, for example, purchasing contracts with United Natural Foods, and our contract with CDS for the CBLD board development program. Contracts are considered settled in a timely manner unless we receive notice that we are in default.

B. Payroll is the sum of wages and benefits paid to staff. It is considered settled in a timely manner if employees receive their wages and benefits as outlined in the Employee Handbook, and if no employee makes a valid grievance concerning untimely payment.

C. Loans are anything listed as “Long Term Liabilities” on our Balance Sheet. They are considered settled in a timely manner if we make payments according to the note, and if we receive no notice that our payment is in default.

D. Other financial obligations include our commitment to pay vendors and service providers. They are considered timely if paid without material penalty for late payment or default notice.

Data:

There are three member loans that are in the process of being renegotiated for extension for which payments have not been made.

The co-op has received no notice of overdue payments this quarter.

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

I report compliance.

Operational definition / Interpretation:

Restricted funds are any money or account controlled by any outside authority or by the Board of Directors for a specific purpose. Only the Board or the governing outside authority may alter the spending assignment for that money.

Data: No restricted funds were disbursed for any purpose outside that restriction.

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

I report compliance.

Operational definition / Interpretation:

The co-op’s financial record keeping systems will comply with Generally Accepted Accounting Principles (GAAP).

A qualified third party from outside the organization will review the co-op’s accounting systems on an annual basis to a level of depth necessary to provide an opinion regarding compliance with GAAP. The external auditor hired by the board to perform the annual audit qualifies as this party. Compliance will be achieved if the auditor provides a “clean” or unqualified letter regarding conforming to GAAP.

Data:

I have received an unqualified letter regarding our conformance with GAAP from our auditor: Wegner LLC, CPAS and Consultants on our FY 2015 Financial Audit.

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

Operational definition / Interpretation:

I report compliance.

Operational definition / Interpretation:

Owner paid-in equity will grow at least 5% annually.

Data:

1Q2016 paid-in equity grew by 14.68% since 1Q2015, an increase of \$31,903.50.

In addition, the number of new owners who joined in this period (153) was equivalent to the number of new owners who joined in the entire fiscal year of 2015