

FIDDLEHEADS BOARD OF DIRECTORS

Meeting of February 4, 2014 [Approved by Board February 18, 2014]

I. CALL TO ORDER

Susan Zimmerman called to order the regular meeting of the Fiddleheads Board of Directors at 6:34 p.m. on February 4, 2014 at 105 Huntington Street, New London, CT. Note Board meeting was rescheduled from regular meeting date of January 21, 2014 due to weather.

II. ATTENDANCE

The following Board members were present:

Susan Zimmerman, President
Mark Roberts, Vice President
Ed Demuzzio, Treasurer
Mona Harmon-Bowman
Carolyn Wilson (arrived at 7:55 p.m.)
Sue Phillips, Secretary
Ellen Clinesmith

The following Board member were absent:

Lee Boltz
Suzanne Cattanach

The following additional persons were present:

Alyssa Skaves, Recording Secretary
Richard Virgin, General Manage
Shannon Heap, Auditor

III. AGENDA REVIEW

MOTION: Susan Phillips motions to add the development of talking points, gleaned from the auditor's presentation, to the agenda.

Mark Roberts seconds.

All in favor.

GM requests the Board go into Executive Session at end of meeting to discuss personnel issue. The request is approved.

IV. MEMBER COMMENTS

FIDDLEHEADS BOARD OF DIRECTORS
Meeting of February 4, 2014 [Approved by Board February 18, 2014]

No members present.

V. MINUTES

November Minutes Corrections: Page numbers and footer with the meeting date and approval date are to be added. There is a missing period on next to last page. Under "Action Items - Board Monitoring Proposal 8A" the language "more discussion than is practical for one person" is to be added.

MOTION: Ellen Clinesmith moves to accept the November Minutes as edited.

Mona Harmon-Bowman seconds.

All in favor.

VI. AUDITORS PRESENTATION OF JANUARY-JULY 21, 2013 AUDIT

A. Summary of Presentation

Summary: The audit was issued on November 1, 2013 covering the period of January 1 through July 19, 2013. The audit was prepared by Shannon Heap, of Aldrich, Perkins, Mulcahey & Heap, LLC, who has been working with Fiddleheads' over the past three years, doing taxes, reviewing Fiddleheads' books, and making recommendations. The auditor observed the July 19th inventory but because he had not also observed the preceding inventory he is not able to provide an unqualified opinion.

It is anticipated that auditor will observe 2014 year-end inventory AND the 2015 year-end inventory and that an audit for 2015 will result in an unqualified opinion. More information on qualified opinions can be found on page 2 of the Auditor's report.

Some significant changes were made in the starting figures from year end 2012 as a result of the observation of our inventory process. Changes made from the year end 2012 financials are itemized on page 5 of the auditors' report. For example, adjustments were made as to what was counted and there were small adjustments made to accounts payable. A few outstanding loans were eliminated, as no paperwork confirming them were found. This is further explained on page 9, note 3-long term debt in the Auditor's report.

In terms of Capital Stock, no large adjustments were made, however the estimate came close to the amount the auditors calculated after counting and adding up the member investments, therefore providing validity to the estimate.

FIDDLEHEADS BOARD OF DIRECTORS

Meeting of February 4, 2014 [Approved by Board February 18, 2014]

It was decided that the Board is not in violation of their policy B1-10 by having a qualified opinion or by the failure to use generally accepted accounting principles (GAAP). The reason we are not using GAAP is because we are using the income tax basis of accounting which uses a non-GAAP method to calculate depreciation. The record keeping was deemed adequate because the language of policy B1-10 provides enough room for interpretation that the Board can decide Fiddleheads is in compliance with financial recordkeeping despite using methods that are not GAAP as long as records are accurate. The method used to calculate the depreciation may be adjusted by using the straight line method in the future when we are also able to get an unqualified opinion. Board reviewed the accountant's recommendation for this audit not to use straight line method. Although it could be done, it would cost money, not result in greater accuracy, and still not result in unqualified opinion due to inventory observation issue. More information can be found on the bottom of p. 7 of the Auditor's report.

Discussion of the Board hiring the auditor as an external monitor led to the addition of this subject being put on the agenda for a future Board meeting. There will also be a discussion concerning whether or not it would be more efficient to change accounting year to the calendar year.

MOTION: Mona Harmon-Bowman motions to accept the Auditor's Report.

Mark Roberts seconds.

All in favor.

B. Discussion of what Board Members should discuss with members (if asked):

Talking Points:

- Full financial information will be reported at each annual meeting.
- Between annual meetings, requests can be submitted to the GM for quarterly summary statements.
- Generally speaking:
 - We are seeing strong growth in sales.
 - The debt to equity ratio is good.
 - We are prioritizing strengthening cash flow to meet existing debt obligations.
 - The Co-op is performing well in accordance with its budget.
- Members should also be aware that Fiddleheads is experiencing growing pains, in that it is in fact growing, however, expectations of performance tend to be higher as though it were a larger operation. Overall this is a critical time in Co-op development.
- Members should also be aware that a lot of profit from the last year went into equipment, such as the refrigeration unit, etc. This reflects an increasing investment in the store (staff, equipment, etc.) as is appropriate to our stage of growth.

These notes will be brought back to the March Board meeting for discussion and finalization.

FIDDLEHEADS BOARD OF DIRECTORS

Meeting of February 4, 2014 [Approved by Board February 18, 2014]

VII. CONSENT ITEMS:

A. GM Monitoring Report B4: Membership

Corrections: typo: "now" to "not." "At" is missing from the last sentence of the paragraph starting "historically."

Clarification: The member who moved to CA was reimbursed \$175 of his membership investment. The other member was reimbursed \$25, the full amount her payment as of that time. The Board discussed the necessity of clarifying how much is reimbursed and in what cases, full equity or stock only.

Concerns: The Board was not necessarily in agreement with the GM's interpretation of the policy, but also agrees that the board has not created a clear and concise statement of membership fee of \$175 and what it consists of (equity, additional paid in capital, administrative fee). It was suggested the GM could add in his report that he has worked with the Board to define the common stock as \$25 and \$150 as paid in capital, but it was felt that this was a Board decision/responsibility, not the GMs. Mark Roberts proposes a need for clear documentation that outlines what exactly the member equity system is. After this is clarified, documentation should appear in the Board Book. Only after this occurs will the GM be expected to interpret/understand his responsibilities around member payments.

MOTION: Ed DeMuzzio moves to accept the GM Monitoring Report B4: Rights and Responsibilities as written.

Mark Roberts seconds.

Voting is as follows:

In favor: 4

Opposed: 0

Abstaining: 3

FIDDLEHEADS BOARD OF DIRECTORS

Meeting of February 4, 2014 [Approved by Board February 18, 2014]

MOTION: Mark Roberts moves that after clarification of Section One is made, another monitoring report be submitted.

Mona Harmon-Bowman seconds.

All in favor.

B. GM Monitoring Report B9: Succession

Although GM makes clear that a team will perform his duties in the event of his absence or incapacity, the GM was questioned as to why he did not specific individuals by name or position in his report. He explained that the succession plan will change several times in the course of a year (even this coming year), as a result of maternity leaves, illness, new hires, etc... It was agreed that he will email current succession plan to Board in the near future and will update the Board via email whenever it changes so there is always clarity about current individuals Board should turn to in his absence.

MOTION: Ellen Clinesmith moves to accept the GM Monitoring Report B9: Succession with the addition.

Mark Roberts seconds.

All in favor.

VIII. BOARD DISCUSSION:

A. Annual Meeting

The Board discussed the proposed date of Sunday, May 4th. Location possibilities were also brainstormed, including Connecticut College and the Elks Club. Mark Roberts, Mona Harmon-Bowman, and Susan Zimmerman volunteer to come up with a written annual report with a presentation component for the annual meeting.

The GM is willing to work with the Board on the planning. Lisa Cygan has also offered to help and lend her experience from last year although she is no longer on the Board.

MOTION: Mark Roberts moves to set the date of the Annual Meeting to Sunday, May 4, 2014.

Ellen Clinesmith seconds.

All in favor.

FIDDLEHEADS BOARD OF DIRECTORS

Meeting of February 4, 2014 [Approved by Board February 18, 2014]

MOTION: Susan Zimmerman moves for GM to establish a committee to plan and execute the Annual Meeting including staff, Board members, and members.

Ellen Clinesmith seconds.

All in favor.

B. Board Monitoring Proposal

The Board proposes sending a survey to review the board policy per the annual calendar after each meeting. Results will be compiled and reported for discussion. Mark Roberts volunteered to compile the results and organize the report. The Recording Secretary will be responsible for creating the survey on Survey Monkey, Lee Boltz will be responsible for distributing survey monkey and the report to the Board. The Board will try this method and see if it works.

Board members will be responsible for completing the survey within a week following the Board meeting.

Mark Roberts will be responsible for preparing the report to be on the agenda (so to President by Wednesday before a Board meeting).

The process will start in March, so Board members will expect a survey within a week after the February meeting.

MOTION: Ellen Clinesmith motions to accept this proposal adopted.

Mona seconds.

All in favor.

C. Remainder Of Agenda

Given the time, and the GM's request for an executive session to discuss personnel matters, the Board tables the remaining agenda items for the February 18th meeting, with the exception of discussing the Board Book, which will be moved to the regular March Board meeting.

IX. EXECUTIVE SESSION

MOTION: Mark Roberts moves to enter executive session at 8:36 p.m.

Mona Harmon-Bowman seconds.

All in favor.

FIDDLEHEADS BOARD OF DIRECTORS
Meeting of February 4, 2014 [Approved by Board February 18, 2014]

Recording secretary leaves the meeting.

No minutes were taken and no votes were held.

Board exits executive session at 9:00 p.m.

X. ADJOURNMENT

Sue Phillips moves to adjourn at 9:00 p.m.

Mona Harmon-Bowman seconds.

All in favor.

* * * * *

Draft minutes prepared by Alyssa Skaves on 2/5/2013.

Draft minutes reviewed and prepared for submission to Board by Sue Phillips on 2/12/2013.

Minutes approved by vote of the Board on February 18, 2014 and put into final form by Sue Phillips on March 9, 2014.