

MEETING MINUTES, February 28, 2018

- Present:** William Craig, Elizabeth Blum, Kevin Birdsey, Harrison Drinkwater, Ed Howes, Benoit Roisin, Dana Cook Grossman, Victoria Fullerton, Don Kreis, Ann Shriver Sargent, Thomas Battles
- Absent:** Anthony Roisman (participated by phone but did not vote)
- Staff:** Mark Langlois (Director of Finance), April Harkness (Board Administrator), Lori Hildbrand (Director of Human Resources), Amanda Charland (Director of Member Services & Outreach), Bruce Follett (Director of Operations), Janet Couture (Interim Controller)
- Absent:** Ed Fox (General Manager)
- Members:** Terry Appleby, Jessica Giordani (also a 2018 board candidate), Mary Ellen Solon (also a 2018 board candidate), Rosemary Fifield (also a 2018 board candidate), Natasha Niffka (also a 2018 board candidate), Nicole Vecchi (also a 2018 board candidate), Jessica Saturley-Hall (also a 2018 board candidate)

Bill Craig called the meeting to order at 6:00 p.m. in the Hanover Board Room, Hanover, NH, store.

MOTION: Liz Blum moved to allow Anthony Roisman to participate in the meeting by phone, but not to be allowed to vote.

Tom Battles seconded the motion.

DISCUSSION: Some board members feel that allowing remote participation may discourage board members from attending meetings in person and that it also alters the flow of the meeting. Others feel that any means of participation is reasonable.

VOTED: 5 in favor, 4 opposed, 2 abstained. The motion passed.

Consent Agenda: January 24, 2018, Meeting Minutes (Appendix A) and January 2018 Share Redemption Requests

MOTION: Tom Battles moved to accept the January 28, 2018, meeting minutes.

Liz Blum seconded the motion.

VOTED: 9 in favor, 0 opposed, 2 abstained. The motion passed.

MOTION: Ed Howes moved to accept the January Share Redemption Requests.
Harrison Drinkwater seconded the motion.

VOTED: 10 in favor, 0 opposed, 1 abstained. The motion passed.

General Manager Report

MOTION: Dana Grossman moved to pass over the General Manager's Report due to the General Manager's inability to be at the meeting because of a family emergency.

Kevin Birdsey seconded the motion.

VOTED: 10 in favor, 1 opposed. The motion passed.

Policy Monitoring

Monitoring Report: EL 2 – Financial Condition & Performance

MOTION: Liz Blum moved to postpone the discussion of *EL 2 – Financial Condition & Performance* until the General Manager is present.

Dana Grossman seconded the motion.

DISCUSSION: After some discussion on the role of the General Manager (GM) as the conduit to the board, it was decided that in the GM's absence, this role is delegated to senior management and the motion and second were withdrawn.

MOTION: Ed Howes moved to accept the *EL 2 – Financial Condition & Performance* report.

Kevin Birdsey seconded the motion.

VOTED: 11 in favor, 0 opposed. The motion passed.

Member Comments

None.

Committee and Task Force Updates

Election Committee

Kevin announced that there are 9 candidates running for 4 open seats on the 2018 Board of Directors and introduced those in attendance. He also informed the board that the candidates will be having a forum at the end of the Annual Meeting on April 7. This will allow those in attendance to stay on after the business meeting if they wish, so they can hear from each candidate and there will be plenty of time for questions and interaction. He reminded the board that the voting period is April 1 through April 30.

Hanover Consumer Cooperative Fund (HCCF)

Harrison informed the board that the first annual Gerstenberger Scholarship Fund winner will be attending the Annual Meeting and providing information about how they will be using the funds. He reminded the board that the HCCF Advisory Committee expires after one year and that the board will

need to create a new committee next month. Harrison is stepping down from the role of Chair but will provide Bill with names of suggested committee members for the coming year.

Annual Audit Presentation

Steve Austin and Garth Allen from Gallagher, Flynn & Co. presented the annual audit report to the board of directors. They opened by saying that the business is reasonably healthy and though there are some capital expenditures coming up, the Co-op's cash position is good.

The audit did report some findings. Those included three main components: account reconciliation (related to recorded adjustment entries, such as cash, receivables, and payables), inventory transactions (inventory adjustments made during the wrong time period, for example), and the Centerra lease (whose increases over time should be averaged and not shown as incremental).

Phil Lapp educated the board on the Co-op's tax position, including the status of B-shares turning from an equity into a liability once they're redeemed. He noted that the corporate tax rate is also changing, from 34% to 21%.

The auditors believe that though there has been some recovery in sales and savings in operations, that recovery was not evident in the bottom line due to high claims related to the Co-op's self-insured health care plan. As a result, the last few years have essentially been break-even, which explains why there has been no patronage refund since 2014.

The presentation looked at store comparisons and how each store is vital to the overall health of the business. While customer counts have declined in Lebanon, they have increased in all other locations. Basket sizes have increased in all locations. Lebanon is the most profitable location, but Hanover has more sales per square foot, by a margin of 2:1.

Some board members asked questions related to specific programs and to the tax implications of solar power, for example, but the board's overall concern was related to the Co-op's loss of margin. The auditors said that there are many factors for this, but they essentially come down to pricing and purchasing decisions. Among the factors they mentioned as contributing to the loss of margin were the occasional need to buy high but an inability to sell high, more competition, increasing costs, price fluctuations in commodities (such as milk and grain), and fluctuating demand.

Anthony Roisman terminated his phone participation in the meeting at this point.

Executive Session

MOTION: Liz Blum moved to go into executive session at 7:45 p.m. to discuss confidential matters relating to the audit and to include the employee members of the board and the three members of the audit firm present.

Tom Battles seconded the motion.

VOTED: 10 in favor, 1 opposed. The motion passed.

MOTION: Tom Battles moved to come out of executive session at 8:17 p.m.

Benoit Roisin seconded the motion.

VOTED: 6 in favor, 4 opposed, 1 abstention. The motion passed.

MOTION: Don Kreis moved to accept the audit and instruct general manager Ed Fox to report to the board at the March meeting about specific steps management is taking to address the “significant deficiencies” raised by the auditors in their “communication about internal control matters” document.

Dana Grossman seconded the motion.

VOTED: 11 in favor. The motion passed.

Benoit Roisin left the meeting at this point.

New Business/Action Items

New Business

Ann Shriver-Sargent asked to have it entered into the minutes that the auditors were asked by the board about the propriety of commingling Pennies for Change funds with other Co-op operating funds, and their response was that the methods by which the Pennies for Change funds are tracked follow accepted accounting practices; in addition, they noted that the Co-op “doesn’t need any more cash accounts.” The board acknowledged that it was comfortable with the auditors’ comfort with current practices in this regard.

King Award selection

This agenda item was postponed until the end of the meeting.

Proposed tobacco-related policy revisions (EL 4, 5, and 11 — see Appendix E)

MOTION: Liz Blum moved that the board approve the proposed changes to these policies.

Don Kreis seconded the motion.

VOTED: 10 in favor. The motion passed.

Kevin Birdsey asked that appreciation be recorded in the minutes for the contributions made by the board that initially addressed this issue, including current board member Don Kreis.

Proposed Global Ends policy revisions (see Appendix F)

MOTION: Ed Howes moved to approve the proposed changes in this policy.

Harrison Drinkwater seconded the motion.

VOTED: 9 in favor, 1 abstention. The motion passed.

Board resolution re SNAP Program support (see Appendix G)

Liz Blum proposed the following changes to the wording of the resolution included in the board packet:

In paragraph 1, line 2, add the word "federal" between "year's" and "budget."

In paragraph 2, line 2, add the word "and" between "cannot" and "should" (so it reads "cannot and should not").

In paragraph 4, line 1, add the word "the" between "With" and "minimum" and change the word "Americans" to "their families."

In paragraph 7, line 1, change "our neighbors" to "people who cannot find a job in this economy."

MOTION: Kevin Birdsey moved that the board approve the resolution with the proposed emendations and that president Bill Craig sign it on behalf of the whole board.

Ed Howes seconded the motion.

VOTED: 10 in favor. The motion passed.

Executive Session

MOTION: Liz Blum moved to go into executive session at 8:35 p.m. to select the recipient of the 2018 King Award and to include the employee members of the board.

Tom Battles seconded the motion.

VOTED: 8 in favor, 2 opposed. The motion passed.

MOTION: Liz Blum moved to come out of executive session at 8:54 p.m.

Ed Howes seconded the motion.

VOTED: 10 in favor. The motion passed.

MOTION: Liz Blum moved to adjourn at 8:55 p.m.

Tom Battles seconded the motion.

VOTED: 10 in favor. The motion passed.

Respectfully submitted,

April Harkness
Board Administrator

Dana Cook Grossman
Board Secretary