

MEETING MINUTES, February 22, 2017

- Present:** Anthony Roisman, Kevin Birdsey, Harrison Drinkwater, Victoria Fullerton, Ed Howes, Elizabeth Blum, Benoit Roisin, William Craig
- Absent:** Dana Grossman, Michael Bettmann, Sarah Blum
- Staff:** Ed Fox, General Manager, Paul Guidone, Director of Finance; April Harkness, Board Administrator, Mark Langlois, Controller
- Members:** Diane Guidone, Don Kreis, Michael Whitman, Terry Appleby, and Anne Garrigue

Tony called the meeting to order at 6:00 p.m. in the Culinary Learning Center, Lebanon store, NH.

Consent Agenda: January 25, 2017 Meeting Minutes, and February 2017 Share Redemption Request

MOTION: Harrison Drinkwater moved to accept the January 25, 2017 meeting minutes with the following edit on p. 38: *The Board recognizes the value in board member trainings, such as the recent CBL 101 training that Ed Howes and April Harkness attended, particularly in light of the make-up of the board and its many new members.*

Benoit Roisin seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

MOTION: Liz Blum moved to approve the February, 2017 Share Redemption Request.

Kevin Birdsey seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 1 absent. The motion passed.

Harrison Drinkwater thanked the Director of Finance for including the “reasons why” the redemptions were requested in the Board report.

General Manager Update

Kevin Birdsey asked for clarification on the Pennies for Change recipient organization that no longer exists and whether the funds had been reallocated. Ed Fox stated that he wasn’t sure which organization replaced it, but that it is a similar veteran’s organization.

Ed Fox informed the Board that a new Lebanon Store Manager had accepted the position and would be starting on March 13th. The applicant has over 20 years of experience in the grocery business, including natural food store chains. The full announcement will be made to staff, the Board, and the members by the end of the week.

Ed Fox let the Board know that the member survey is back. The Board has a copy and it will go to staff and members, once the individual names are removed to protect privacy. Tony stated that a Co-op

member, Diane Guidone, with extensive professional experience in marketing and marketing research, has offered to assist the Board in interpreting the data.

Ed Fox also said that in December he sent an email to the Board and staff about the Co-op's financial position and that he's updated the message and will re-circulate to all, including a press release by the end of day tomorrow (Feb. 23rd).

Member Comments

Diane Guidone thanked the Co-op on behalf of the Pollinator Project. Working with Barbara McIlroy and the Garden Club, they've begun work finding primary collection locations for pots and trays to germinate seedlings and plants that are friendly to pollinators. 15 schools in the Upper Valley are collecting these seeds.

Policy Monitoring (click [here](#) for link to the Co-op's Policies below)

EL 2 – Financial Condition and Performance

MOTION: Liz Blum moved to accept the EL 2 Financial Condition and Performance monitoring report as in compliance. (The motion was not seconded.)

Discussion: Harrison Drinkwater noted that one of the areas of EL 2 is not in compliance at this time, but there is a plan of action to be in compliance. Paul Guidone explained the difference between GAAP accounting and management accounting, and how that affects year-end adjustments made based on member discounts. Essentially, a \$400,000 benefit is realized through member discounts. However, the Co-op's net loss, figured at around \$125,000, was primarily due to a sales shortfall of \$2,149,000 in 2016. Benoit Roisin noted that with more conservative budget estimates for 2017, these areas will then be in compliance.

Ed Fox said that sales are currently 2.8% below budget. The gap in sales, is primarily due to reduced sales at the Lebanon store because there is no Store Manager in place.

MOTION: Harrison Drinkwater moved to accept the EL 2 report with the acknowledgement that there is a 2017 plan to work toward adequate net income that will enable full compliance in all areas of EL 2.

Liz Blum seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

Annual Meeting Committee update (Appendix C)

Liz Blum said that the Committee is still working on the agenda. The Committee is re-thinking the theme and is open to suggestions from the Board. Please send them to April Harkness for consideration. The Committee will recirculate a draft revised agenda by the end of next week.

Nominating Committee update (Appendix D)

Bill Craig said that the new process for candidate orientations went very well. We have 5 confirmed candidates to present at the Annual Meeting for five open seats on the Board. The Nominating Committee would like to have another event for members to be able to interact more with the candidates in an informal setting. He asked that Ed Fox and Paul Guidone look into the possibility of hosting an off-site pot-luck member event.

Retreat Committee update (Appendix E)

Harrison Drinkwater said that a group has been established to work on a vision statement after the Board work at the Feb. 5 retreat with Beth Saunders. Tony Roisman asked Harrison Drinkwater and Dana Grossman to represent the Board in that group which consists of Ed Fox, Paul Guidone, Amanda Charland, and April Harkness. He also reminded the Board that it had decided to establish a Long-range Planning Committee and that it will be discussed further at the March meeting. The recent UNH survey will help the Board answer the questions, "What do we need to know about our members?" and that, too, should be discussed at future Board meetings.

Budget Committee update (Appendix F)

Benoit Roisin submitted to the Board a revised, unaudited 2017 Board Budget.

New Business:

Establish a History Committee

The Board also decided at the last retreat, to establish a History Committee. It was decided that Ed Howes will Chair the Committee and Bill Craig and Terry Appleby will be on it as well.

Establish a Member Engagement/Staff-Employment Committee

Victoria Fullerton will Chair the Committee and Kevin Birdsey will be on it. Non-Board member, members will also be on the Committee. The goal is to engage with members and employees on a number of issues and report to the Board on what they're learning.

MOTION: Liz Blum made the motion to establish the Committees.

Benoit Roisin seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

Hanover Cooperative Community Fund (HCCF) Committee (Appendix G)

Harrison Drinkwater asked the Board to approve the Committee members listed on Appendix G. The Board also designated Harrison Drinkwater as Chair.

MOTION: Bill Craig made the motion to approve the members of the HCCF Committee, including Harrison Drinkwater, Rosemary Fifield, Amanda Charland, Benoit Roisin, Terry Appleby, April Harkness, Liz Blum, and Ed Fox, *ex officio*.

Kevin Birdsey seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

MOTION: Liz Blum made the motion to appoint Harrison Drinkwater Chair of the HCCF Committee.

Ed Howes seconded the motion.

VOTED: 7 in favor, 0 opposed, 1 abstained, 3 absent. The motion passed.

Annual Audit Presentation (Gallagher, Flynn & Company, LLP)

Presenters Steve Austin, Garth Allen and Phil Lapp

Steve Austin gave a brief overview of the purpose of the audit. What the audit does and doesn't do, in terms of analysis. How it evaluates risk and performs tests to find material misstatements. There were no material weaknesses or significant deficiencies identified. He noted some significant expenditures, including the Hanover renovation, the recent restructure of debt, and the rotation of significant management positions, including the new General Manager, Director of Finance and Chief Operating Officer. The auditors also reiterated that the financial statements and disclosures are in draft form and cannot be shared with the public at this stage.

The auditors thanked Mark Langlois (Controller) and Paul Guidone for their work preparing for the audit. The Co-op's upcoming by-law amendment pertaining to re-issuing Class B shares was an example of their hard work.

The auditors also noted that the Co-op has operated under a conservative debt to equity ratio, which is commendable but has resulted in using cash in 2012, 2013, and 2014 to fund capital improvements, even though we have great borrowing potential. This was a business decision to use our cash balance, rather than borrow.

We have an overall decline in operating profits in 2016, because of two major items; depreciation and increased costs in the Co-op's self-funded health insurance plan. We can't control either one of those. The Board asked the auditor's to show more explanatory details when viewing expenses, including factors that we do have control over.

The Board also asked, based on a member question in the survey, what tax implications Pennies for Change has. Does the Co-op get a tax benefit for this type of charitable program? The answer is no. The Co-op is essentially a conduit. There is no tax benefit for the organization. However, the Co-op will still continue to participate in programs like this because it's part of our principles and our ends.

The Board asked about investment in solar projects, since there is the potential for a 30% tax credit based on the cost of the project, particularly if we use the power ourselves and don't sell it back to the grid and if we can finance it. It would be a great thing to do with other cooperatives as well.

Lastly, the auditor's mentioned a NH Community Development Fund which is a business enterprise tax credit. It's more of a tax directive, than a tax credit, but it allows the organization to choose a non-profit beneficiary, for example, and put a percentage of our tax dollars already due to an organization that we support, rather than to the general fund.

Executive Session – 8:15 p.m.

MOTION: Ed Howes moved to go into Executive Session at 8:15 p.m. to discuss the audit presentation and the Allen and Nan King Award nominations. Ed Howes, Kevin Birdsey, April Harkness, Steve Austin, Garth Allen, and Phil Lapp were invited to attend.

Bill Craig seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

Steve Austin, Garth Allen, and Phil Lapp left the meeting at 8:35 once the audit discussion concluded.

Executive Session ended – 8:50 p.m.

MOTION: Liz Blum moved to come out of Executive Session at 8:50 p.m.

Ed Howes seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

Allen and Nan King Award

MOTION: Kevin Birdsey moved to select a Milt and Carolyn Frye as the Allen and Nan King award recipient.

Ed Howes seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed unanimously.

ADJOURNMENT:

MOTION: Liz Blum moved to adjourn the meeting at 8:50 p.m.

Ed Howes seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

Respectfully submitted,

April Harkness
Board Administrator

Harrison Drinkwater
Board Secretary