

1
2
3
4
5
6
7
8
9
10
11
12

**Oneota Community Co-op
Minutes for Regular Board Meeting
February 28, 2012, 5:00 PM
Luther College Campus, Valders Hall, Room 379**

6 **Board Members Present:** Robert Fitton, Gary Hensley, Jon Jensen, Lyle Luzum, Steve McCargar, Bill Pardee and Johnice Cross

8 **GM Present:** David Lester

9 **Finance Manager Present:** Larry Neuzil

10 **Co-op Staff, Member/Owners, Present:** Lynda Sutherland (Bd Admin Asst)

11 **Visitor Present:** Caroline Anderson, Luther student observer.

13 ***1. Call to Order***

14 President Pardee called the meeting to order at 5:06 PM

16 ***2. Board Learning – Discussion with Auditors (OPEN session)***

17 Summary: Brent Berns, of Hacker and Nelson, was present to help interpret the audit report.

18 This was the first full audit in the Co-op's history. The primary purpose of an audit is to assure
19 management, the Board, and the member/owners that the financial statements fairly represent
20 the financial situation of the Co-op.

21
22 The following statement summarizes the auditor's opinion: "In our opinion, the financial
23 statements referred to above [balance sheet and related statements of income, retained earnings,
24 and cash flows] present fairly, in all material respects, the financial position of Oneota
25 Community Co-op as of December 31, 2011, and the results of its operations and its cash flows
26 for the year ended in conformity with U.S. generally accepted accounting principles."

27
28 Full compliance with all recommendations for internal controls is typically not economically
29 feasible for small organizations. Difficulties in this area relate to the fact that staffs in small
30 organizations are not large enough to provide optimally adequate segregation of duties.
31 However, David reported that he and Larry (Financial Manager) have already implemented
32 many of the suggestions to the degree they are feasible.

33
34 The audit report is available for member/owners to review upon request.

36 ***3. Member Comments:***

37 None

39 ***4. Disposition of Member Comments:***

40 No disposition required (No comments)

42 ***5. Agenda Review***

43 **Motion:** Hensley moved and Cross seconded to **approve the agenda**. Motion **passed** by a vote of 7
44 aye, 0 nay.

46 ***6. Approval of Minutes***

47 **Motion:** McCargar moved and Hensley seconded to **approve the minutes as presented**. Motion
48 **passed** by a vote of 7 aye, 0 nay,

49

50 **7. Reports**

51 **7.1 GM Report**

52 Financial Snapshot: Jan sales were up 5.37% (\$15,084) from 2011. Quick Ratio was .78.
53 Current balance in Savings is \$227,604. Current Assets through Jan 2012 up 22.7% (\$289,531).
54 Through 2/20/2012 31 new members signed up (1 College Cooperator). Membership drive is in
55 March. Local sales for Jan were 20% storewide, compared to 19% last year. Labor budget for
56 Jan was underspent by 5.1%. EBITDAP ratio dipped due to unused PTO expensed in last
57 quarter, but is above benchmark.

58
59 NCGA/Central Corridor Info: David will be attending the All-Corridor Meeting in
60 Albuquerque, NM in April. Mark Mulcahy, CDS Consulting Merchandising Specialist will be
61 providing management training. David will be participating in two NCGA online trainings in
62 March. Café Asst Mgr will attend NCGA workshop for deli management.

63
64 Store Happenings: A staffer from Congressman Bruce Braley's office visited to see an Energy
65 Star rated commercial building. Annual report ready for ballot mailing.

66
67 Community/Outreach/Other Co-op Projects: Local Growers Forum received positive feedback.
68 The Co-op has been invited to send a staff member to the Kellogg Foundation's National Food
69 & Fitness meeting in Asheville NC in May. Co-op staff and Board member Steve McCargar
70 have been helping Dubuque community members with the logistics of opening their store later
71 this summer/fall. David scheduled to talk to the Agri-Business class at DHS.

72
73 Physical Store Update: Electrical usage was down 1% compared to last year same period. Gas
74 usage was down 19%. Temps this year were 9 degrees warmer.

75
76 Staff Updates: Some staff re-structuring will take place in March-April to provide more
77 coverage, improved customer service, improved response to increasing requests for information
78 about food and food education. It should also save several thousand dollars.

79
80 **7.2 Board Treasurer Report**

81 Summary: Board Treasurer McCargar presented the report of the Board budget for 2011. Policy
82 calls for the Board budget not to exceed ½% of the Co-op gross annual sales (\$18,750 for
83 2011). The expenditures of \$13,932, while slightly greater than 2010, were well below the
84 policy ceiling.

85
86 **7.3 March 3 Retreat**

87 Summary: The Board retreat is scheduled for March 3. Details to follow.

88
89 **7.4 Election Update**

90 Summary: About 40 volunteer people-hours were spent on Saturday, Feb 25 preparing the
91 ballots for mailing. Election will run through March.

92
93 **8. Action Items**

94 **8.1 Board Monitoring Report D - Global Governance Management**

95 **Motion:** Jensen moved and Luzum seconded to **approve the Board D-Global Governance**
96 **Management Monitoring Report as presented.** Motion **passed** by a vote of 7 aye, 0 nay.

97 Summary: Board policy D – Global Governance Management states that “The Board's sole
98 official connection to the operational organization, its achievements, and conduct will be

99 through the General Manager.” Accordingly, compliance is reported when the following policies
100 are in monitored and in compliance: D1 – Unity of Control; D2 – Accountability of the GM;
101 D3 – Delegation to the GM; D4 – Monitoring GM Performance. All policies were monitored in
102 2011 according to the monitoring schedule and were found in compliance.

103 104 **8.2 3rd Reading: Motions to Revise G3 – Agenda Planning**

105 **Motion:** Hensley moved and McCargar seconded to **approve changes to Board Policy G3 – Agenda**
106 **Planning** . Motion **passed** by a vote of 7 aye, 0 nay.

107 Summary: This was the 3rd reading of proposed changes to policy G3. The following
108 replacement wording is now in effect:

109
110 **G3 global statement:** The Board will follow an annual agenda that [1] systematically seeks
111 member input on values related to our Ends; [2] reviews the Ends like any other policy for
112 continued appropriateness; [3] seeks to maintain high standards of governance by Board
113 training and study.

114
115 **G3.2.1:** The Board will use a variety of tools to renew and deepen board members' knowledge
116 of member values.

117
118 **G3.4:** The Board will limit discussion of monitoring reports to issues related to the policy under
119 consideration or in situations where some Board members are concerned about one of the
120 following

- 121 1. that an interpretation is reasonable
- 122 2. that the data provided supports the interpretation or conclusion (compliant or non-
- 123 compliant
- 124 3. that the policy is the one we want.

125 126 **8.3 GM Monitoring Report – L9 GM Succession**

127 **Motion:** Fitton moved and Hensley seconded to **(approve the GM L9 – GM Succession Monitoring**
128 **Report as presented.** Motion **passed** by a vote of 7 aye, nay.

129 Summary: GM Policy L9 – General Manager Succession states that “In order to protect the
130 Board from sudden loss of GM services, the General Manager will have no fewer than two
131 other managers sufficiently familiar with the Board and GM issues and processes to enable
132 either to take over with reasonable proficiency as an interim successor.” The GM has prepared
133 an emergency GM succession plan with two management team members having been trained
134 and demonstrated compliance with several knowledge and experience criteria. Only one minor
135 non-compliance was noted. This is the first comprehensive GM succession plan that the Co-op
136 has had.

137 138 **8.4 Loan Refinance Proposal**

139 **Motion:** Pardee moved and McCargar seconded to **to approve the loan refinance proposal as**
140 **proposed.** Motion **passed** by a vote of 7 aye, 0 nay.

141 Summary: The proposal to refinance our mortgage with Decorah Bank and Trust was accepted.
142 This refinance will knock four years off our payment schedule and will reduce our annual costs
143 of loan servicing by several thousand dollars.

144 145 **8.4 GM Monitoring Report – L5 Financial Condition (with Quarterly Report & End of Year** 146 **Financials)**

147 **Motion:** Luzum moved and Hensley seconded to **approve the GM L5 – Financial Condition**

148 **Monitoring Report (and Q4 & EOY Financial reports) as presented, noting non-compliance on**
149 **L5.2).** Motion **passed** by a vote of 7 aye, 0 nay.

150 Summary: GM Policy L5 – Financial Conditions and Activities states that “With respect to the
151 actual, ongoing financial conditions and activities, the GM shall not cause or allow the
152 development of fiscal jeopardy or material deviation of actual expenditures from board
153 priorities established in Ends policies.” Accordingly, compliance is determined when L5.1 –
154 L5.10 are found in compliance.
155

156 Using quarterly and full year data and financial reports as backup the following were found in
157 compliance: [The GM will not...] L5.1 – Allow sales to decline or be stagnant; L5.3 – Allow
158 liquidity... to be insufficient; L5.4 – Allow solvency to be insufficient; L5.5 – Incur debt other
159 than trade payables or other reasonable and customary liabilities incurred in the ordinary course
160 of doing business; L5.6 – Acquire, encumber or dispose of real estate; L5.7 – Allow tax
161 payments or other government-ordered payments or filings to be overdue or inaccurately filed;
162 L5.8 – Allow late payment of contracts, payroll, loans or other financial obligations; L5.9 – Use
163 restricted funds for any purpose other than that required by the restriction; L5.10 – Allow
164 financial record keeping systems to be inadequate or out of conformity with GAAP.
165

166 “L5.2 – Allow operations to generate inadequate net income”, was reported non-compliant
167 because net income from operations resulted in a loss of \$11,790. A variety of reasons for this
168 loss have been discussed throughout the year and the audit confirmed the accuracy of the
169 reports and GAAP compliance.
170

171 **Is this the policy we want?** There is no new business on the table that these proposed changes
172 address. However, if our financial position improves as expected it is possible that new
173 opportunities might arise. Therefore, now is a good time to clarify Board and GM roles in
174 making such decisions. Thus, two motions for policy changes were presented **for first reading**
175 to clarify what may be ambiguous or unaddressed events that could trigger confusion in the
176 future.
177

178 **Motion A:** Pardee moved and McCargar seconded to **change sub-policy L5.6 as presented.**
179 Motion **passed** by a vote of 7 aye, 0 nay.

180 Summary: This wording change clarifies the existing word “acquire” in policy L5.6 so
181 that it reads as follows (changes in *italics*): [The GM will not:...] “Acquire (*through*
182 *purchase, lease, or gift*), encumber, or dispose of real estate.”
183

184 **Motion B:** Pardee moved and Luzum seconded to **add sub-policy L5.11 as presented.** Motion
185 **passed** by a vote of 7 aye, 0 nay.

186 Summary: Addition L5.11: [The GM will not:...] “*Begin a fundamentally new*
187 *enterprise without Board approval.*” This addition clarifies that the Board reviews major
188 initiatives that may be possible as our financial picture becomes stronger. As a
189 monitored sub-policy it would create the basis for a procedure to define and review
190 substantial new initiatives so the GM doesn't encounter surprises and so the Board can
191 explore what systematic questions it might ask without infringing on the GM's authority.
192

193 **8.5 Executive Session on Financial Issues if needed**
194 **(no executive session)**
195

196 **9. Next Monitoring**

197 GM – E1: Ends (GM)
198 Bd – G9: Treasurer's Role (McCargar)
199 G10: Secretary's Role (Luzum)
200 G7 Board President's Role (Pardee)
201 G8: Board Vice President's Role (Fitton)
202

203 **10. Next Meeting & Current Meeting Evaluation**

204 Tue, March 27, 2012
205 President Evaluation Forms
206

207 **12. Adjourn**

208 **Motion:** Pardee moved and Hensley seconded to **adjourn the meeting**. Motion **passed** by a vote of 7
209 aye, 0 nay.

210 Meeting adjourned at 6:39.
211

212 **Documents Reviewed:**

213 Agenda
214 Minutes of previous meeting
215 Auditor's report
216 GM Report
217 Board Treasurer's Report
218 Election Update Report
219 Board D-Global Governance-Management Connection Monitoring Report
220 Proposals to Modify Board Policy G3
221 GM L9-GM Succession Monitoring Report
222 GM L5- Financial Conditions Monitoring Report
223 Annual Profit & Loss Budget vs Actual Report
224 4th Quarter Profit & Loss Prev Year Comparison Report
225 Annual Profit & Loss Prev Year Comparison Report
226 Annual Balance Sheet Pre Year Comparison Report
227 2011 Tax Reporting Report
228 Proposals to Modify GM Policy L5
229 Debt Refinancing Proposals
230 Previous Board Meeting Survey Results