

**Wheatsville Board of Directors**  
**October Meeting Agenda**  
**Tuesday, October 27, 2009**  
**6:00 – 9:00 pm @ Wheatsville meeting room, 3105 Guadalupe**



TIME	TOPIC	ACTION
6:00pm	<b>1. OPEN TIME</b> – for WV Owners to present any topic to the board	LISTEN
6:10pm	<b>AGENDA REVIEW</b> <b>2. CONSENT AGENDA:</b> August Meeting Minutes September Meeting Minutes Review Committee Report C4 – Monitoring GM Performance D4 – Financial Condition, submitted 9/24/09, revised 10/20/09 GM Report	DISCUSS VOTE
6:20pm	<b>3. COMMITTEE WORK &amp; POLICY MONITORING</b>	
(5 min)	Review Committee	DISCUSS
(10 min)	Nominations Committee and Board Perpetuation	DISCUSS
(10 min)	B9 – Cost of Governance	VOTE
(15 min)	D7 – Communication and Counsel to the Board	VOTE
(30 min)	Policy Committee/Learning Discussion	DISCUSS
7:30pm	<b>4. BREAK</b>	
7:40PM	<b>5. GOVERNANCE &amp; LINKAGE</b>	
(55 min)	Policy Governance Learning Discussion, continued	DISCUSS
(15 min)	Fall Owner Gathering	DISCUSS
(5 min)	Coffee with the Board	DISCUSS
8 :55PM	<b>7. HOUSEKEEPING/CLOSING ITEMS</b>	
9:00pm	<b>ADJOURN</b>	

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Present: Rose Marie Klee, *President*; Steven Tomlinson, *Treasurer*; Aditya Rustgi, *Secretary*; Bob Kinney; Theron Beaudreau; Kate Vickery, Kitten Holloway, and Lee Blaney.

Also Present: Dan Gillotte, *General Manager*; Jennifer Lueckemeyer, *Board Administrative Assistant*. John Perkins arrived at 6:08. Johan Van Zantan, *Board candidate*, arrived at 6:13.

Absent: Ingrid Devilliers

**Call to Order** **6:00 PM**

### 1. OPEN TIME

(no Owners presented themselves for Open Time discussion)

- The Board welcomed our new Administrative Assistant, Jennifer Lueckemeyer!
- The Board discussed miscellaneous items such as minutes and quorum thresholds. Bob praised Steven for Fall Member Gathering.

**AGENDA REVIEW** **6:14 PM**

- No changes

### 2. CONSENT AGENDA

**6:14 PM**

C4 pulled from the consent agenda

- August Meeting Minutes
- September Meeting Minutes
- Review Committee Report
- C4 – Monitoring GM Performance
- D4 – Financial Condition, submitted 9/24/09, revised 10/20/09
- GM Report

--Kitten moved to approve the Consent Agenda. Steven seconded the motion. The motion was approved 8-0-0.

- Kate pointed out that that the old version of C4 was monitored. The board decided to re-monitor the correct/current version of C4.

**3. COMMITTEE WORK & POLICY MONITORING** **6:20 PM**

#### Review Committee

- Steven is chair of the committee, which includes Jimmy Robertson and David Pease. The committee received guidance from the accountant, reviewed the annual report and summarized their findings: The annual report met bylaws and state law requirements, was accurate, and easy to understand.



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- The Board asked the committee to document important lessons learned and ensure that documents are properly archived for future access, as recommended by the Policy Committee in May.
- RMK obtained permission to send thanks to review committee members on behalf of the Board.

### **Nominations Committee and Board Perpetuation**

- The Board agreed that the nominations committee should be a standing committee in order to constantly ensure a pool of qualified candidates (as per historical practice) and discussed possible tasks: incorporating recent lessons learned into process, discussing new process and criteria, developing ideas for candidate outreach to Owners.
- Current nominating committee members include RMK, Bob, and Ingrid with help from Steven and Aditya. Lee, Theron, Kate volunteered to be new committee members.

--RMK moved to task the nominations committee with development of a new charge to propose to the Board at the next Board meeting. Bob seconded the motion. The motion was approved 8-0-0.

### **B9 – Cost of Governance**

- The Board reviewed the monitoring results and the FY 2010 budget, and discussed questions and comments regarding process and various line items such as CCMA and administrative assistance

--Kate moved to accept results of B9 monitoring. Aditya seconded the motion. The motion was approved 8-0-0.

### **D7 – Communication and Counsel to the Board**

- The Board reviewed monitoring results and discussed GM's non-compliance. RMK shared lessons learned from conversation with CBLD Board Advisor and general process for handling GM non-compliance.

--Steven moved to accept this monitoring report with its conclusion of non-compliance; sub-policy D.7.6 shall be monitored on a monthly basis beginning in November; sub-policy D.7.2 shall be monitored in January 2010. It is the spirit of the Board that the satisfaction of the Board Chair with the adequacy of administrative support is critical supporting data for D.7.6. RMK seconded the motion. The motion was approved 8-0-0.

### **Policy Committee/Learning Discussion**

**7:37PM**

- RMK led a discussion on the 10 principles of policy governance from the article "Taking Policy Governance to Heart" and the Board discussed their role in shaping the future of Wheatsville.

### **4. BREAK**

**8:00 PM**



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### 5. GOVERNANCE & LINKAGE

8:07 PM

#### Policy Governance Learning Discussion, continued

- The Board held a 20-minute break-out session to discuss Board Governance Process policies and re-convened to present findings/proposed edits.
- The Policy Committee will continue work to revise Board Governance Process policies by the end of the year. The Executive Limitations policies will be tackled after those revisions are completed.

#### Fall Owner Gathering

- Dan suggested a “likes best” and “next times” format for reviewing the gathering.
- Things we liked best: level of participation, energy in the room, breadth of owners who showed up, crowd diversity and age range, facilitation, great questions, overall world café format, people coming together, naked truth of people’s opinions, diversity of viewpoints with common thread that bound it all together, hope and expectations that members have in the store.
- Ideas for next time: bigger room, more people in attendance, active recruiting of board members, priority of education in terms of our linkage, held on a weekend at a non-meal time, solicit members through other means, how do we personalize the message to all of the members, method of following up with attendees, gather email addresses and involve people with the next meeting, two meetings per year with different topics, ballot box, sign-in sheet, keeping people elevated and looking far into the future, encouraging more people to think big.
- Kate and Theron will synthesize information recorded at gathering and Steven will finalize article for the Breeze.

#### Coffee with the Board

- No Coffee with the Board has taken place since the last Board meeting.
- Aditya is leading the next CWB on November 14.

### 6. HOUSEKEEPING/CLOSING ITEMS

- RMK is in discussion with Ingrid regarding a formal leave of absence. RMK solicited thoughts about whether a director should receive a Board discount during leave of absence.
- Board reflected on things we liked and didn’t like about this meeting:
  - Positive:
    - Good discussion about spirit of policy work regarding D7.6
  - Change:
    - Share responsibility of time keeping.

RMK moved to adjourn at 9:17 pm.



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### **ACTION ITEMS**

- Board to re-monitor policy C4 (RMK to lead)
- Review Committee to document lessons learned and work product (Steven/Aditya)
- RMK will send a note to review committee thanking them for their work.
- Nominations Committee to develop new charge (RMK)
- BOD/Policy Committee to consider GM monitoring checklist regarding admin (RMK to send meeting handout)
- On a monthly basis, John will provide a breakdown of budgeted amount to actual amount spent, by quarter.
- Summarize work of meeting break-out groups (BOD/Aditya)
- Ongoing Policy Committee work to revise B-policies (led by Aditya/Theron)
- Fall Owner Gathering article for Breeze (Steven/Kate/Theron)

## A Message from the Review Committee for the 2009 Annual Report

This year the management of Wheatsville Co-op engaged Wegner LLP, CPAs and Consultants, a professional services firm that specializes in working with cooperative businesses and with whom Wheatsville has worked in the past, to review of the financials included in the annual report.

As part of the review of the annual report, the Report Committee (appointed by the Board of Directors), consisting of Steven Tomlinson (Treasurer) and past Board members Jimmy Robertson and David Pease, spoke with the accountant, Bruce Mayer, who reviewed Wheatsville's financial reports to learn about his process:

Bruce Mayer told us that as part of his review, he looked at key relationships among financial variables to make sure everything appears to be accurately stated and that the levels and ratios (including gross margins, sales growth, labor as percentage of sales, occupancy cost) seem reasonable for a cooperative grocery store of Wheatsville's size. He found no cause for concern.

As part of the review he examined bank reconciliations, details from some of the accounts receivable and payable accounts, bank statements for notes payable, and checked to make sure that the levels of depreciation reported matched the levels of our fixed assets.

This was not an audit, but a less extensive review. As Bruce told us, "Unless there's a question about things not looking right we don't test the underlying numbers. We didn't look at contractor invoices, for instances."

Because of our renovation project, he paid particular attention to how we were recording capital expenditures. General accounting rule on capitalizing improvements require that a business count as capital on the balance sheet the price paid for a piece of equipment and direct costs of getting them in place (including interest expense on associated loans) and architect fees.

Costs involved in scaling up operations – training and marketing costs, for instance – not directly related to the cost of the plant and equipment, must be counted as expenses.

In our interim financial statements this past year, Wheatsville's management followed Wegner's suggestion and classified all expenditures associated with the renovation as **expenses** so that the board could more easily see the total money being spent on the project. (Some stores create Construction In-Process account on the balance sheet to show in the interim the accumulation of assets.) The end-of-year financial reports (Q4) reflect the reclassification of all plant and equipment (and installation and associated interest) expenditure as capital expense (on the balance sheet as assets).

As a result of our conversations with Bruce Mayer about his processes, the review committee can report that the review was conducted in a manner consistent with professional accounting standards. The attached pages answer specific questions about the Annual Report and Wheatsville processes.

Steven Tomlinson

Treasurer, Wheatsville Board of Directors

*I certify that I am not a principal bookkeeper, accountant or employee of the Co-op.*

Wheatsville Co-op  
Annual Report Quality Review  
Report by Jimmy Robertson, Member of the Review Committee  
October 19, 2009

Following is my assessment of the Annual Report for the Fiscal Year Ending May 31, 2009 (October 19, 2009 version provided by John Perkins), based on the Review Committee's evaluation framework. *I certify that I am not a principal bookkeeper, accountant or employee of the Co-op.*

**Is it complete?**

**Does it include the elements require by Wheatsville By-Laws and Texas State Law?**

- (1) a balance sheet; **YES**
- (2) an income and expense statement; **YES**
- (3) the amount and nature of the Co-op's authorized, subscribed and paid-in capital; **YES**
- (4) the total number of shareholders; **YES**
- (5) the total number of shareholders who were admitted to or withdrew from the Co-op in the year; **YES**
- (6) the par value of the Co-op's shares; **YES**
- (7) the rate at which any investment dividends have been paid; **YES**
- (8) the total number of owners; **YES**
- (9) the number of owners who were admitted to or withdrew from the Co-op during the year; **YES**
- (10) the amount of ownership fees received; and **YES**
- (11) any compensation paid by the Co-op to each officer or director of the Co-op. **YES**

**Is it accurate?** The following notes are from an October 16, 2009 interview with John Perkins (Finance Manager), Bill Bickford (Operations Manager) and Bill Sherborne (Accounting Assistant). The interview focused on the following questions: **How is the POS system working? How is the data it generates integrating into the Co-op's other financial records?** Additional questions aimed at determining the accuracy of the Annual Report were asked by others, and an overall assessment of this factor would need to consider all information collected.

Wheatsville's new Point-of-Sale (POS) system – "Catapult" – became operational on May 27, 2009. So far, the system has experienced intermittent crashes (about twice per day) and provided some data inconsistencies, but for the most part the staff is satisfied with its overall reliability. Many advantages and conveniences of the POS system are being realized by the staff, such as streamlined inventory maintenance and product movement tracking, consistency between shelf price and check-out price; and many aspects of the customer data base, such as equity reporting, are working well. Efforts to resolve the software "bugs" are on-going, and the staff is able to share experiences with the many other food co-ops around the country that use Catapult, as well as take part in Catapult user forums.

At the end of each month the staff reviews the Sales Report generated by Catapult and manually posts the data to the General Ledger (GL). Data from the GL are captured for the monthly Income Statement, and the stated revenue is checked against the actual bank statement. Reconciliations with the bank statement have been limited to very minor variances.

The staff believes that our new POS system is still a bit too tedious, but overall a very valuable and manageable "work in progress."

**Is it easy to understand?** The Annual Report could be much improved by the addition of narratives and graphics that would help make the financial statements understandable to people not accustomed to reading such statements.

From David Pease, Member of the Review Committee

I met with John Perkins, Beth Caudill, and Tammy Brookshire to answer the following questions:

**What sort of checks are in place between HR records on salaries and wage rates and the payroll function that cuts checks? How do we know that people are getting paid what WV's management has agreed to pay them?**

Beth Caudill took over as Wheatsville's human resources representative 3 months ago and reports to John Perkins. Beth and John shared with me a variety of steps and mechanisms in place that ensure the integrity and accuracy of the Co-op's payroll processes. First, in the case of new hires, a New Hire Report is generated by a hiring supervisor or manager. This document states the beginning wage and is ultimately approved by the General Manager. New hires are reviewed 3 times in their first 15 months with Wheatsville: at 3 months, 6 months, and 15 months. Employees are raise eligible at each of these intervals.

All employees are listed on the employee Status Master which details for each employee their supervisor, start dates, hourly rates, and review dates. This document can be used by managers to track staff evaluation timelines and is programmed to indicate when a staff person is overdue for an evaluation.

With each payroll cycle, a Payroll Summary and Audit report serves as another layer of checking and tracking. Beth prepares a preprocessor report for John's review with each payroll cycle. This report allows staff to scan for anomalies and troubleshoot. Particular attention is given to unusual cycles (eg holidays).

Most aspects of payroll systems and processes have improved with the move from ADP to Paylocity, a web based human resources payroll program. With the transition from ADP to Paylocity at the end of July 2009, a full audit was performed by Beth on all employee records to ensure their accuracy in the new system. Beth and John reported that the time clock import functionality is not operating to their satisfaction, but that other aspects such as reporting and the general ease of using the system have greatly improved. The brief demonstration I was given did indicate the system to be intuitive and easy to use.

Finally, all employees are able to see at each pay period in the details of their own paycheck with their hourly rate and clocked hours.

**Who has check signing authority and what checks and balances are in place with respect to that power?**

Tammy Brookshire is Wheatsville's Accounts Payable clerk, with over 20 years experience with the Co-op.

Tammy explained that Wheatsville observes the basic rule that no one writing a check can sign it (including all accounting staff) and no with signing authority can write a check. Staff with check signing authority are Dan Gilotte, Aldia Bluewillow, Allan Schroeder, Dana Tomlin, and Bill Bickford.

Checks generated electronically through the accounting system are strictly the domain of Tammy Brookshire and John Perkins. Before checks are generated through the accounting system their related invoices are approved by the responsible buyer. All such checks are manually matched to their respective invoice and all such checks are reviewed and signed by the General Manager only. Any hand written checks are handled with the same level of scrutiny, but these may be signed by other staff with check signing authority.