



Columinate

GM Report Support

Presented by Michael Healy, Board and Management Consultant



CBLD
*cooperative board
leadership development*

Table of Contents

Policy B: Global Executive Constraint	3
Policy B1: Financial Conditions + Activities , annual	8
Policy B1: Financial Conditions + Activities , quarterly	26
Policy B2: Asset Protection	35
Policy B3: Budgeting + Planning	42
Policy B4: Membership Rights + Responsibilities	52
Policy B5: Treatment of Consumers	57
Policy B6: Staff Treatment	60
Policy B7: Communication to the Board	73
Policy B8: Board Logistical Support	81
Policy B9: Emergency GM Succession	86

Links to Online Videos + Downloads

[Session 02: Intro to Limitations Monitoring + Financial Conditions and Activities](#) - 5/26/10

[Session 03: Asset Protection + Budgeting and Planning](#) - 6/2/10

[Session 04: Membership Rights and Responsibilities + Treatment of Consumers](#) - 6/16/10

[Session 05: Staff Treatment](#) - 6/23/10

[Session 06: Communication + Board Logistical Support](#) - 7/14/10

Links to Related Resources

[Ends Report Resources](#) – Includes; panel discussion notes, report samples, data collection files

CBLD GM Report Support Background

In 2005, GMs asked for support and the opportunity to collaborate in order to create more effective and efficient management reports for their boards. In 2006 and 2007, in-person workshops were held, enthusiastically named MonitoringFests!, as part of corridor meetings, a General Assembly, small regional gatherings. Two online webinar series focused on the board/GM relationship, reporting to the board, and the sample reports. In March 2008, the process concluded at a NCGA corridor conference with the distribution of a set of sample reports responding to the common limitation policies used by boards using Policy Governance. During this same period, there were also workshops, conversations and advancements made with Ends policy reporting.

These sample reports are periodically updated to match updates in the CBLD Policy Register template and to incorporate advancements in best-practice suggestions. This project is funded by co-ops participating in the CBLD program. For more information about CBLD (Cooperative Board Leadership Development): <http://www.columinate.coop/cblld> or contact [Thane Joyal](#).

Sample Monitoring Report, based on CBLD template policy

MONITORING REPORT, JULY 21, 2010

Policy: B –Global Executive Constraint, Last revised: November 22, 2008

I report compliance with all parts of this policy.

Unless indicated otherwise all data in this report is for the 12 month period ending June 30, 2010 and is accurate as of that date.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: Monitoring Summary Table

The General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles.

Interpretation:

The GM will ensure that all operational functions, carried out by anyone in the organization, will conform to the expectations set out in this policy and its sub-policies. The GM is not responsible for governance functions other than advising the board if I am aware of non-compliance with its own policies as called for in B7.

The Board's entire set of limitations policies sufficiently interpret and define this global policy in most areas. All submitted monitoring reports and acceptance of them, when taken together, provide demonstration of compliance with this top-level policy. Look to those reports for more specific definitions and data. In this global report, I will provide data concerning lawfulness and Co-op Principles.

In her article "Cooperative Principles Updated" (*Cooperative Grocer* #62, 1996), Ann Hoyt states:

Principles are guidelines for how to put ideals and values into practice. They rest on a distinct philosophy and view of society that helps us judge our accomplishments and make decisions. If successful, principles are incorporated into the organizational culture of the cooperative; they are the broad vision statement for cooperatives and cooperators individually and collectively. Shared and actualized principles allow cooperatives to be distinguished from other forms of organization. As the ICA puts it, "Principles are not a stale list to be reviewed periodically and ritualistically; they are empowering frameworks through which cooperatives can grasp the future."

The Cooperative Principles essentially describe the *means* of the cooperative; following them is what makes us a cooperative. Working towards our Ends policies is what makes us this particular co-op.

Operational Definitions:

- All monitoring reports submitted to the Board will demonstrate compliance or will include a plan for attaining compliance that is acceptable to the Board. Compliance with this global policy will be achieved if the Board accepts the B1-9 monitoring reports.
- The GM will ensure that the co-op conforms to any municipal, county, state or federal laws and/or any regulation that applies to our organization. Compliance will be achieved if the Cooperative has not been fined or successfully sued for any illegal activity.
- The GM will report to the Board any known illegal activity even if there are no fines or lawsuits as a result of that activity.
- Activities and practices of The Co-op will align with the seven Cooperative Principles. See the data section for detailed operational definitions of each principle.

Data:

- See the attached Monitoring Summary Table.
- Fines assessed during this reporting period: None
Lawsuits initiated or resolved during this reporting period: None
- Illegal activity known to the GM: None
- Cooperative Principles

Co-op Principle (bold) with ICA definition	Operational Definition/interpretation	Data
<p>1st Principle: Voluntary and Open Membership</p> <p>Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.</p>	<p>Articles of incorporation and bylaws provide legal structure consistent with the cooperative principle.</p> <p>Our common practice is consistent with the cooperative principle.</p>	<p>Our articles of incorporation and bylaws call for open and voluntary membership of a cooperative.</p> <p>Membership requirements are set by the members in the bylaws.</p> <p>Members have joined (###) and withdrawn (###) during the past year with no claims other than these acts being voluntary.</p>
<p>2nd Principle: Democratic Member Control</p> <p>Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.</p>	<p>Bylaws authorize members to exercise their one member-one vote rights to elect a Board of Directors to represent them, to make bylaw revisions, and provide for various other member controls.</p> <p>Elected representatives are held accountable by the members to further organize themselves, to provide leadership necessary for the organization to produce the desired results and avoid unacceptable conditions and activities, and to check to ensure that those expectations are being met.</p>	<p>An election was held, concluding on <i>[date]</i> in which the members elected representatives to the Board.</p> <p>Bylaw revisions were also voted on by the members.</p> <p>In both cases, each member had one vote.</p> <p>The board has developed a comprehensive set of policies that include expectations about how the board is organized, its relationship with the GM, the desired results of the organization, unacceptable conditions and activities, and it maintains a schedule for monitoring all of these policies.</p> <p>Board and Management account to our members through the Annual Report and Annual Meeting.</p>

<p>3rd Principle: Member Economic Participation</p> <p>Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.</p>	<p>The board, on behalf of the members, sets and controls the member equity requirement through policies xxx.</p> <p><i>[or state how your member equity requirement is controlled]</i></p> <p>The board also decides, on a year-to-year basis whether to provide patronage rebates based on the member dollars spent and the relation to profitability.</p> <p>In addition, members may provide vital capital to the co-op by loaning money to the co-op. These loans do not influence voting rights of members.</p>	<p>See the most recent B4— Membership Rights and Responsibilities monitoring report for data about equity payments and patronage refunds.</p> <p>The balance sheet provided with the most recent B1— Financial Conditions monitoring report shows that our members have loaned their co-op \$xx. As noted in the data for the 2nd Principle, all members still have only one vote each.</p>
<p>4th Principle: Autonomy and Independence</p> <p>Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.</p>	<p>From Anne Hoyt’s Cooperative Grocer article: <i>“In the thirty years since the passage of the 1966 Cooperative Principles, numerous third world countries have used cooperatives as an intentional part of their social and economic development strategies. ... Unfortunately, many of the governments, especially in centrally planned economies, were unable to withdraw from the cooperatives. Instead, cooperatives, closely controlled by government functionaries, became inefficient and poorly managed, a haven for government bureaucrats. Independence and autonomy was often never realized. The new principles emphasize that cooperatives must be free of intervention from governments or other sources, so that the members are able to control their own destiny.”</i></p>	<p>Our co-op was formed by and is controlled by its members.</p>

<p>5th Principle: Education, Training and Information</p> <p>Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.</p>	<p>We provide regular educational initiatives so that members, elected Co-op leaders, managers and employees, and community members are encouraged to continually engage their minds.</p>	<p>See the most recent Ends monitoring report <i>[date]</i> for data about education.</p>
<p>6th Principle: Co-operation among Co-operatives</p> <p>Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.</p>	<p>The Co-op is a visible part of the larger cooperative movement; we have membership in other cooperatives; the Co-op contributes money and leadership to other cooperatives.</p>	<p>Our co-op actively participates as a member of National Cooperative Grocers Association. NCGA helps unify natural food co-ops in order to optimize operational and marketing resources, strengthen purchasing power, and ultimately offer more value to natural food co-op owners and shoppers everywhere.</p> <p>We participate in educational activities with other cooperatives as indicated above as part of the 5th Principle.</p> <p>See the most recent Ends monitoring report <i>[date]</i> for more data about our co-op's contributions to other cooperatives.</p>
<p>7th Principle: Concern for Community</p> <p>Co-operatives work for the sustainable development of their communities through policies approved by their members.</p>	<p>The Ends policies bring to life our owners' concern for community</p>	<p>The most recent Ends report <i>[date]</i> demonstrated the many ways our Co-op has benefited our community.</p>

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

ANNUAL MONITORING REPORT, *APRIL 30, 2014*

Policy: B1 – Financial Condition and Activities, Last revised: May 22, 2014

I report compliance with all parts of this policy except B1.2 and B1.5.

Unless indicated otherwise, all data in this report is for FY13 and is accurate as of April 15, 2014.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachments: Balance Sheet, Income/Expense Statement, memo from most recent external audit

With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the Cooperative to be unprepared for future opportunities, the development of fiscal jeopardy or key operational indicators to be below average for our industry.

Interpretation:

In order to be prepared for future opportunities, the co-op must not only avoid “fiscal jeopardy;” we must also set and achieve financial goals that are clearly designed with growth in mind. Our 2014-2017 multi-year plan includes more detail about our goals and the rationale behind them; this report will reference those goals as benchmarks for achievement in sub-policies 1-5.

For sub-policies 1-4, I will interpret the policy in a way that addresses both jeopardy and preparing for future opportunities. Sub-policy 5 deals primarily with being prepared for the future. Sub-policies 6-10 are less relevant to future preparations, but still certainly address various aspects of “fiscal jeopardy.”

We achieve our financial goals (and our Ends) by striving for excellence in operations. There are many measures of operational health and excellence; for the sake of this report, relevant key operational indicators are those measures that say a lot about operational efficiency and for which we have comparison data from other co-ops. These key indicators are:

- Sales growth
- Margin minus Labor (before taxes/benefits)
- Sales/labor hour
- Inventory turnover
- EBITDAP
- Growth in owner paid-in equity

For each of the key operational indicators, our co-op’s performance in any given reporting period should be at or above the median for similar co-ops in that same period. Co-ops that are similar to ours include those that have sales in the \$x to \$y range.

Operational Definition:

- See the sub-policies below for further interpretations and definitions.
- For each of the key operational indicators, our annual performance should be at or above the median for similar-size co-ops.

Data:

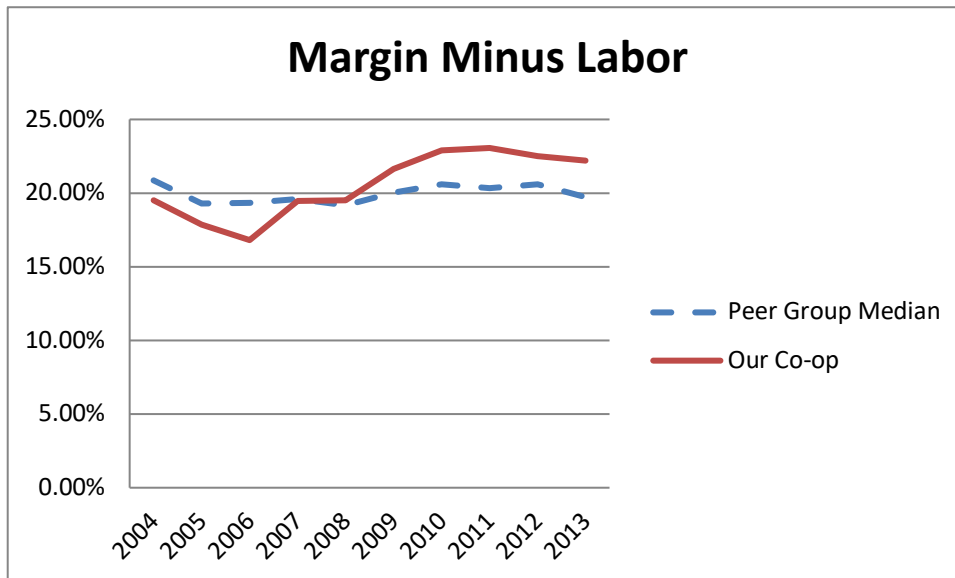
(Compliance is based only on data for most recent year. Data from previous years is included on FYI basis only.)

- Please look below for my definitions and data for each of the sub-policies.
- For the key indicators of Sales, EBITDAP and Owner Paid-in Equity, comparison data will be included with those sub-policies.

- **Margin Minus Labor**

Margin Minus Labor (2013) = 22.22%

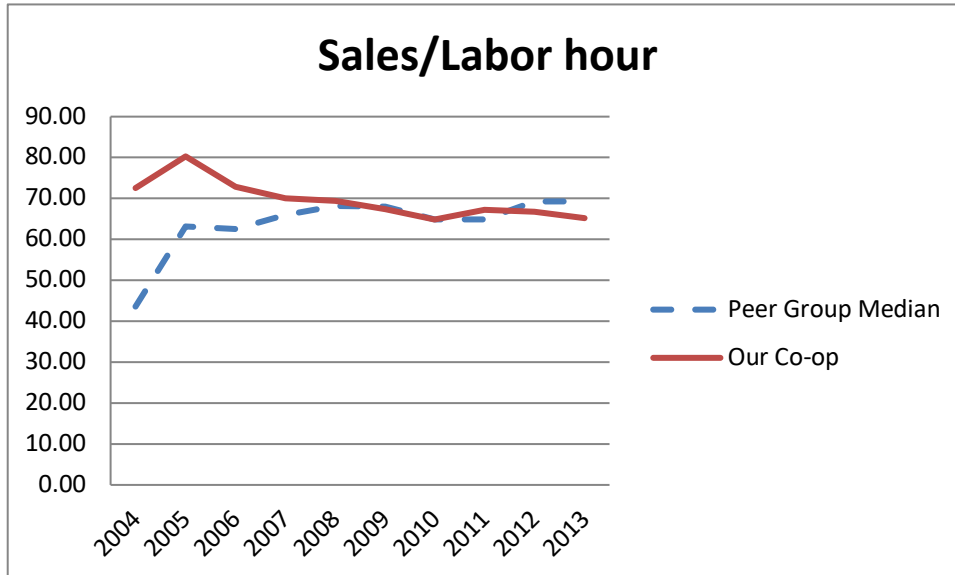
Median for medium co-ops = 19.75%



- **Sales/Labor Hour**

Sales per Labor Hour = 65.25

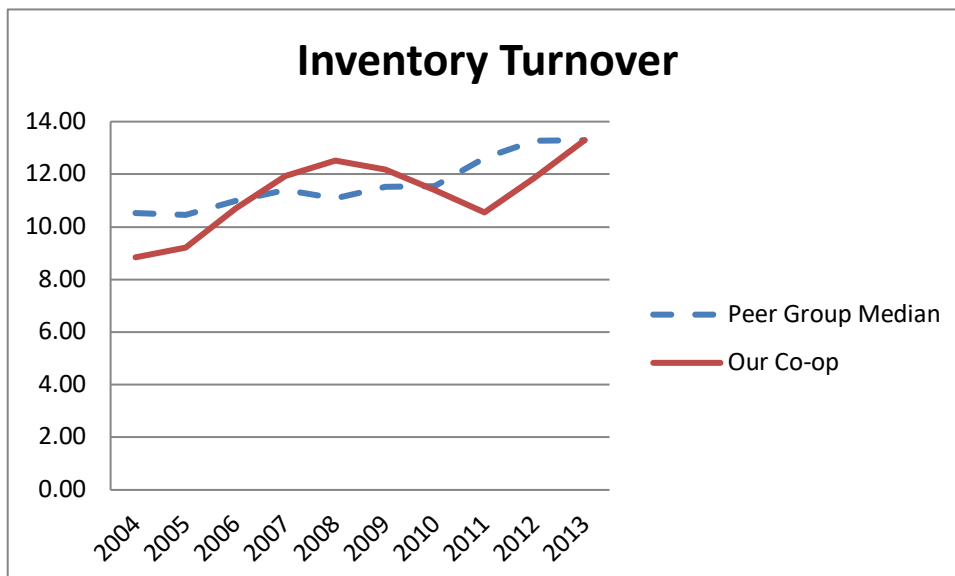
Median for medium co-ops = 69.29



- **Inventory turnover**

Inventory turnover = 13.29

Median for medium co-ops = 13.29



The GM will not:

1. Allow sales to be inadequate.

Interpretation:

Managers of NCGA co-ops, as part of the CoCoFiSt program, have set a benchmark for fiscal jeopardy for sales growth at 3%. Our multi-year plan includes a goal of 5%. So for the purposes of this report, compliance will be achieved if sales growth is above both 5% and the median for similar-size (medium) co-ops.

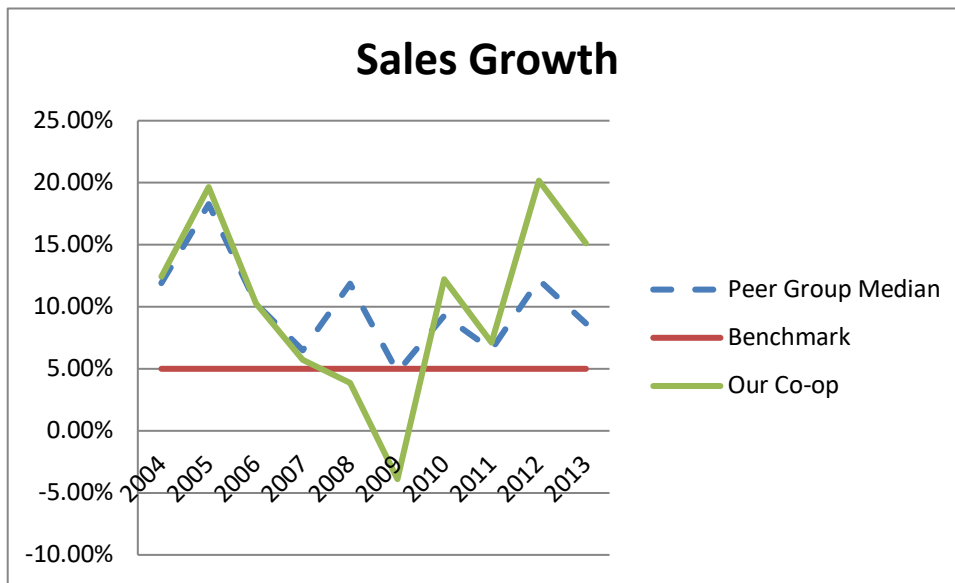
Operational Definition:

Sales growth must be above both 5% and the group median for compliance.

Data:

Sales Growth = 15.10%.

Median Sales Growth = 8.67%



Data used is Total Annual Sales as shown on attached Income/Expense Statement compared to Total Sales of the previous year.

2. Allow operations to generate an inadequate net income.

Interpretation:

There are two important ways to look at income: the bottom line (net income) and EBITDAP (Earnings Before Interest, Taxes, Depreciation/Amortization and Patronage.)

EBITDAP is useful as a comparison tool. We can gauge the soundness of our operations by comparing our performance to that of our peers. As with all peer comparisons in this report, compliance will be achieved if our performance is above the median.

For net income, the CoCoFiSt benchmark for jeopardy is set at 0.5%. Our multi-year plan includes a goal of 3%. So for the purposes of this report, compliance will be achieved if Net Income is above 3%.

Operational Definition:

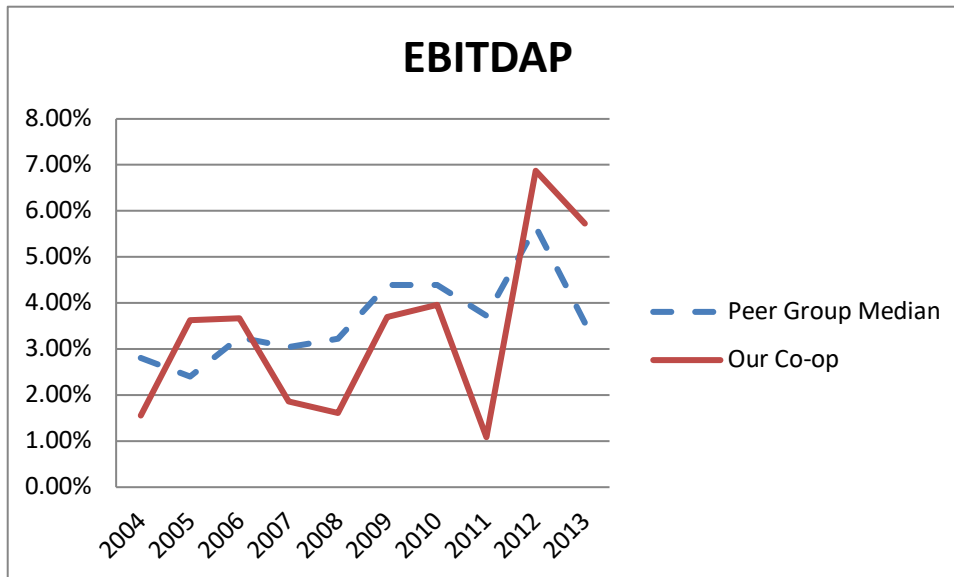
- EBITDAP (as a % of sales) from the most recent year must be above the median for our peer group.
- Actual net income as a % of sales from the most recent year must be above 3%.

Data:

- **EBITDAP**

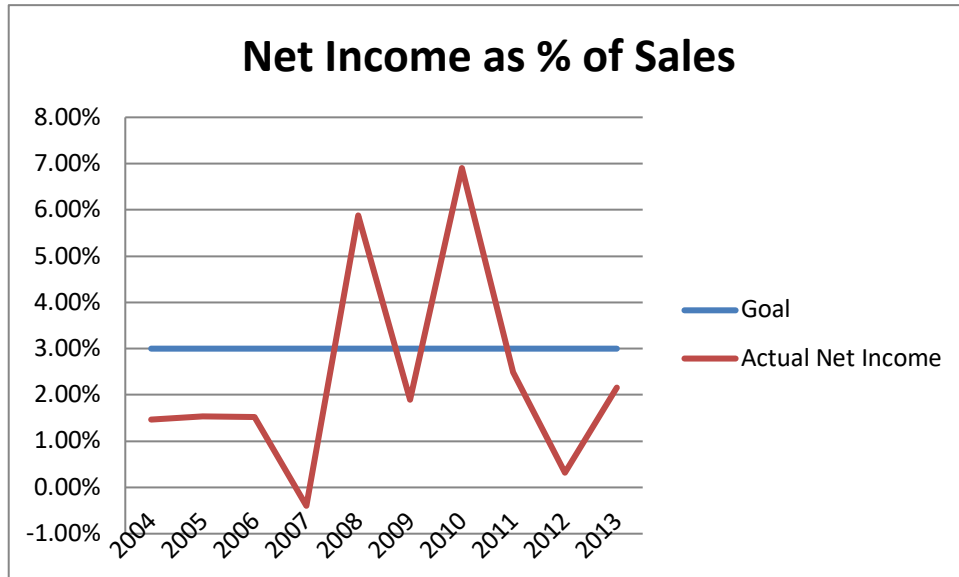
EBITDAP = 5.73%

Median for medium co-ops = 3.57%



- **Net Income**

Net Income = 2.16%.



Explanation and Plan:

Here the GM would explain the out-of-compliance situation, and her/his plan for managing the situation.

3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.

Interpretation:

There are two common and useful measures of liquidity: Current Ratio (Current Assets divided by Current Liabilities) and Quick Ratio [(Current Assets – Inventory) divided by Current Liabilities]

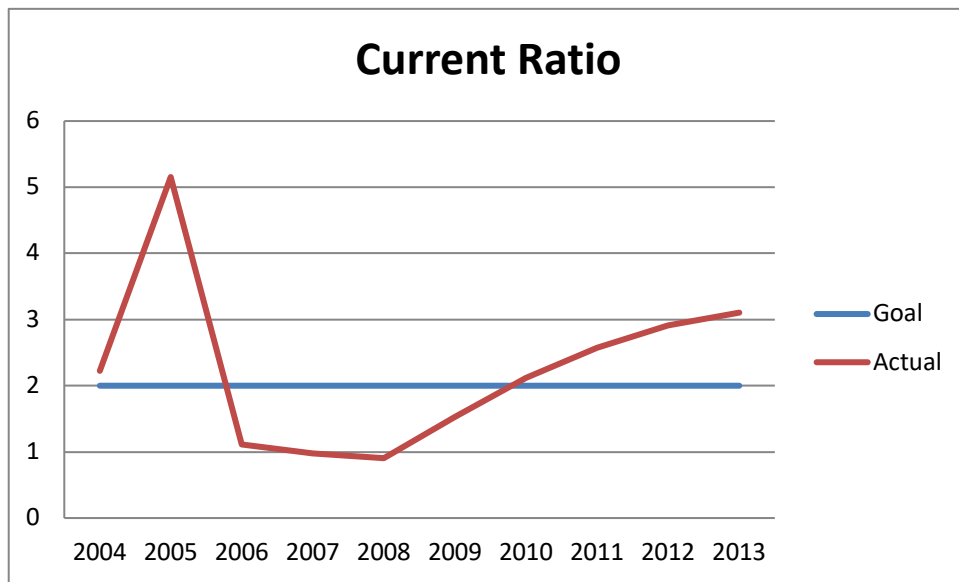
The CoCoFiSt benchmark for jeopardy (minimally adequate liquidity) is a Current Ratio of 1.25 and a Quick Ratio of 0.70. Our ABC Bank loan includes a covenant that we maintain at least a 1.1 Current Ratio. Our multi-year plan includes a Current Ratio goal of 2.0 and a Quick Ratio of 1.0. So for the purposes of this report, compliance will be achieved if the Current Ratio is above 2.0 and the Quick Ratio is above 1.0.

Operational Definition:

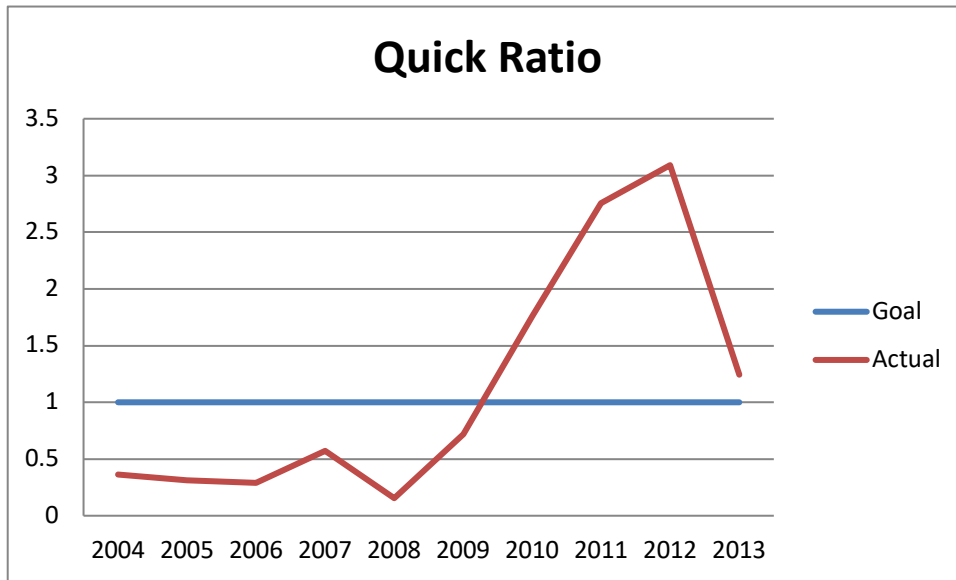
- The Current Ratio should be above 2.0.
- The Quick Ratio should be above 1.0.

Data:

- Current Ratio = 3.10



- Quick Ratio = 1.24



4. Allow solvency (the relationship of debt to equity) to be insufficient.

Interpretation:

The Debt to Equity ratio, Total Liabilities divided by Total Equity is a commonly used measure of solvency.

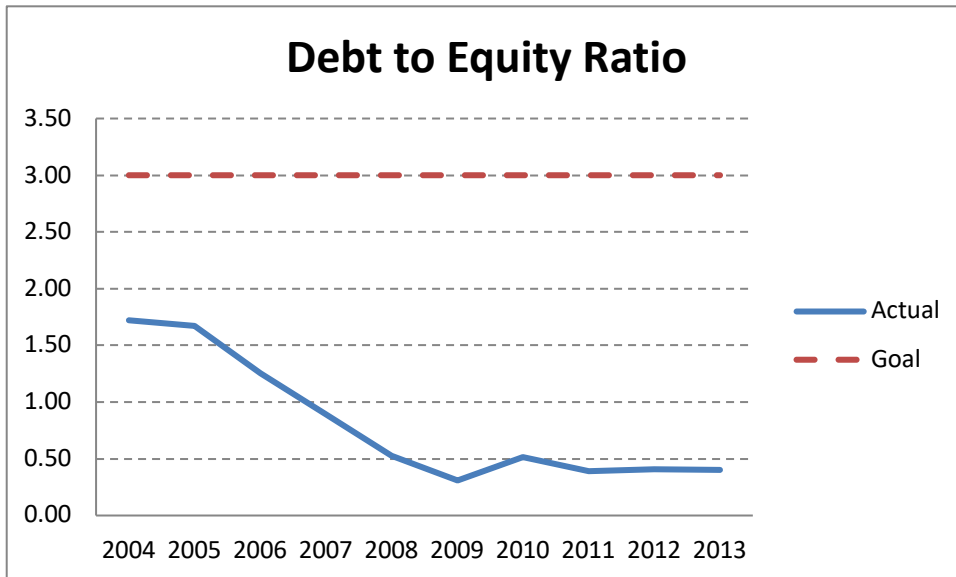
The CoCoFiSt benchmark for jeopardy is a Debt to Equity Ratio above 3.0. Our ABC Bank loan includes a covenant that we maintain a Debt to Equity Ratio below 6.5. Our multi-year plan includes a goal of 3.0. So for the purposes of this report, compliance will be achieved if the Debt to Equity Ratio is below 3.0.

Operational Definition:

Our actual Debt to Equity ratio must be below 3.0.

Data:

Debt to Equity = 0.40



5. Allow growth in ownership and owner paid-in equity to be insufficient.

Interpretation:

Our multi-year plan includes a goal of 5% annual growth in the number of owners.

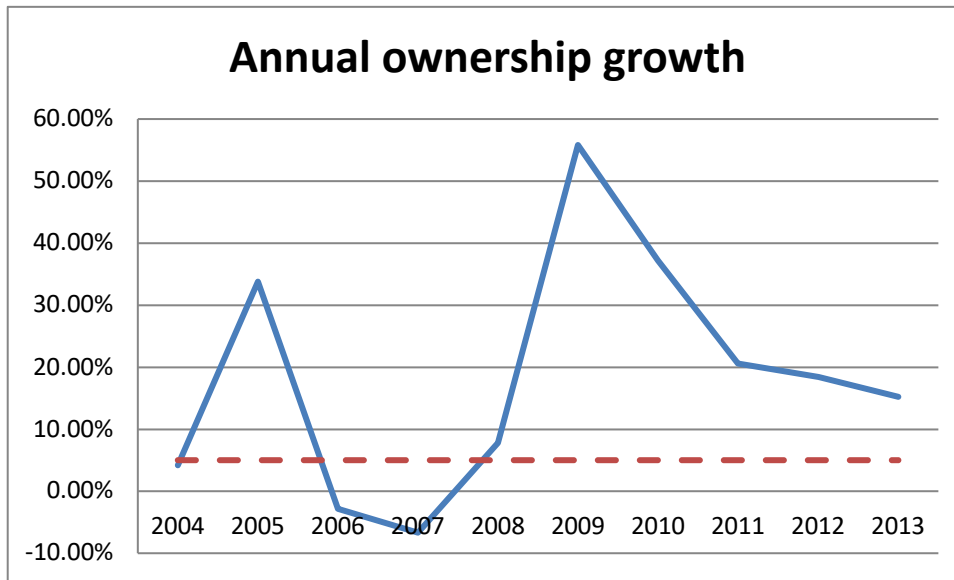
There is no NCGA benchmark for owner paid-in equity, but we consider growth in owner paid-in equity will be *sufficient* if it both meets our own goals (Our multi-year plan shows that our goal is for this to grow on pace with annual sales growth of 5%) and if our total paid-in equity is above the median for similar co-ops.

Operational Definition:

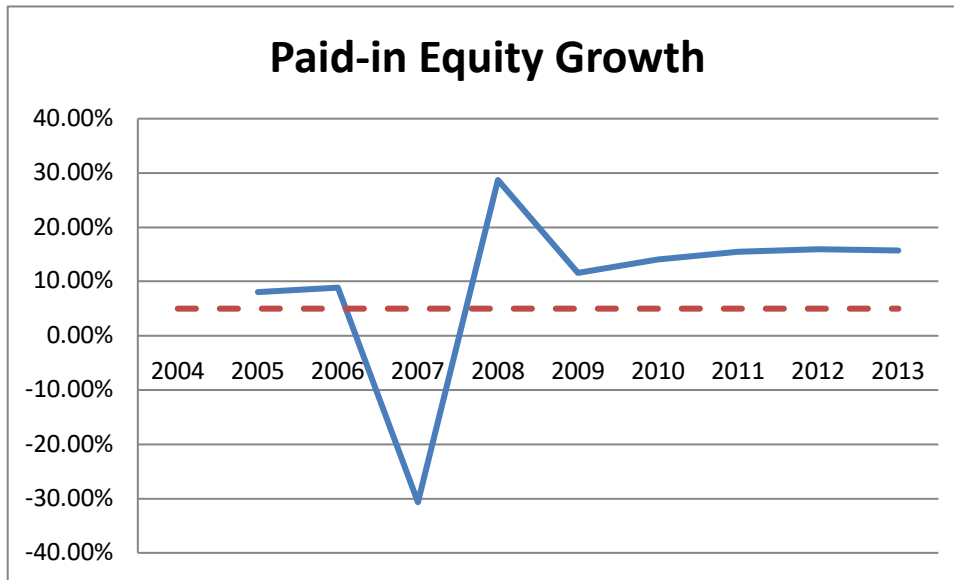
- The number of co-op owners will grow at least 5% annually.
- Owner paid-in equity will grow at least 5% annually.
- Total paid-in owner equity will be above the median for co-ops in our peer group.

Data:

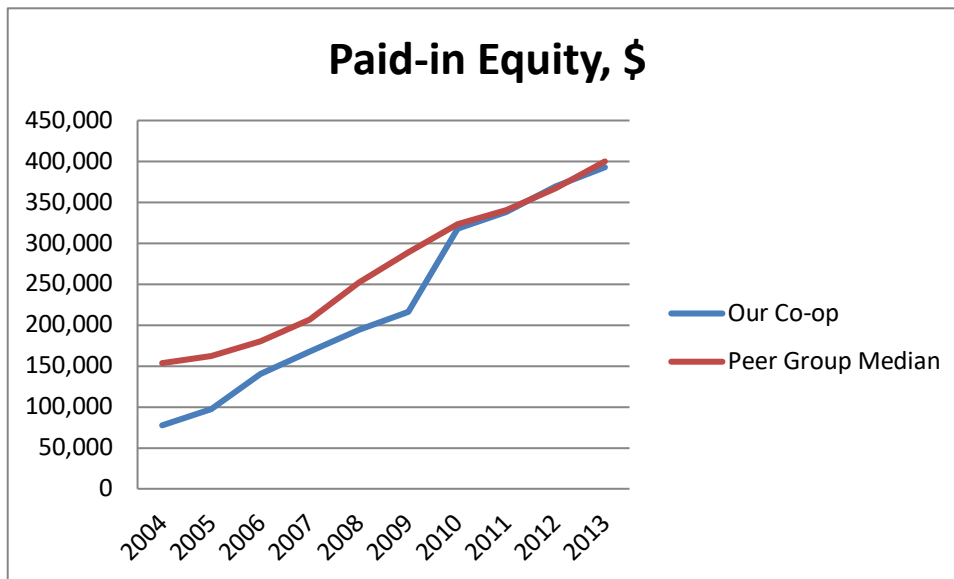
- Ownership growth = 15.2%
- FYI: # of owners as of 12/31/13 = 9103



- Paid-in equity growth = 15.7%



- Total paid-in equity = \$392, 910



Explanation and Plan:

Here the GM would explain the out-of-compliance situation, and her/his plan for managing the situation.

6. Default on any terms that are part of the Cooperative's loans.

Interpretation:

We will incorporate any requirements placed on us by our lenders into our regular assessment of financial conditions. Currently we have a financing agreement with the ABC Co-op Loan Fund.

Operational Definition:

Included in the table below

Data:

Lender	Loan Requirement	12/31/13 actual	12/31/12 actual	12/31/11 actual
ABC Co-op Fund	Debt Service Coverage Ratio (DSCR) of not less than <u>1.25</u> as of the end of each fiscal year. (DSCR = Earnings before Interest, Taxes, Depreciation and Amortization divided by Debt Service on the Loan)	1.65	1.28	1.08
	Debt to Equity Ratio no more than <u>4.5</u> at all times.	3.5	4.1	5.2
	Current Ratio of not less than <u>1.1</u> at all times.	1.2	0.97	1.15
	Payments must be current	\$xx	\$xx	\$xx
	Capital Budget must be approved. Date of approval:	5/15/2013	5/2/2012	5/12/2011

- 7. Allow late payment of contracts, payroll, loans or other financial obligations.

Operational definition / Interpretation:

- A. Contracts are agreements between the Co-op and another party. They include, for example, purchasing contracts with United Natural Foods, and our contract with Columinate for the CBLD board development program. Contracts are considered settled in a timely manner unless we receive notice that our payment is past due.
- B. Payroll is the sum of wages and benefits paid to staff. It is considered settled in a timely manner if employees receive their wages and benefits as outlined in the Employee Handbook, and if no employee makes a valid grievance concerning untimely payment.
- C. Loans are anything listed as “Notes Payable” on our Balance Sheet. They are considered settled in a timely manner if we make payments according to the note, and if we receive no notice that our payment is past due.
- D. Other financial obligations include our commitment to

Data:

- A. We received no past due notices this reporting period.
- B. Employees received their paychecks on time every pay period. No grievances (valid or otherwise) concerning payment were filed this reporting period.
- C. We paid all notes according to terms this reporting period. We received no notices of late payment from any note holder.
- D. Other Commitment

Fiscal Year	Payment to	Amount Remaining at end of FY
2011	0	90,000
2012	10,000	80,000
2013	12,800	67,200
2014		

8. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

Interpretation:

Management may not incur new indebtedness except as trade payables, ordinary credit lines, and leases for equipment necessary in the ordinary course of business.

Operational definition:

Compliance will be achieved if, since the last report, no new indebtedness is reflected on the Balance Sheet other than those described above.

Data:

The following information is taken from the Liabilities section of the attached Balance Sheet. It shows no new liabilities.

The board approved the following liabilities, or potential liabilities, that are still active. Items 1 and 2 are listed on attached Balance Sheet.

Item		Date of board approval	Original Loan Amount	Current Loan Amount	Notes
1	ABC Loan	6/1/10	\$X,XXX,XXX	\$X,XXX,XXX	
2	Member Loans	6/1/12	\$XXX,XXX	\$XXX,XXX	
3	NCGA – contingent liability	x/x/xx	While it's not anticipated that an actual liability will be realized from our agreement with the NCGA, the board did approve the contingent liability that may arise from participation in the joint purchasing agreement.		

9. Acquire, encumber or dispose of real estate.

Interpretation:

This policy limits the GM from purchasing or committing to purchase any real estate; only the Board has the authority to make any kind of real estate (land or buildings) deal.

Operational definition:

Real estate is considered a fixed asset, and is listed as such on our balance sheet. The land and buildings fixed assets on the current balance sheet should be the same as on the previous quarter's balance sheet – unless the board has specifically authorized a purchase or sale.

Data:

I have made no real estate purchases or commitments. The only real estate asset listed in the Fixed Assets section of the Balance Sheet is our "Building East."

10. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

Interpretation:

Our only “government-ordered” payments are the various taxes we pay.

Operational definition:

- All taxes due will be paid on time.
- We will receive no notice from the government that our taxes are unpaid, paid late, or inaccurately filed.

Data:

- Annual payment schedule

	Date Due	Date Paid	Amount Paid
Payroll Tax			
Sales Tax			
Federal Income Tax			
State Income Tax			
etc, etc			

- This year we received no notice of overdue or inaccurate payments.

11. Use restricted funds for any purpose other than that required by the restriction.

Interpretation:

Restricted funds are any money or account controlled by the Board of Directors or outside authority for a specific purpose. Only the board or that outside authority may alter the spending assignment for that money.

Operational Definition:

- Restricted funds are clearly identified on our balance sheet.
- The amount of any restricted fund should only change according to decisions of the controlling authority.

Data:

Restricted funds controlled by the board: none.

Restricted funds controlled by others: The ABC Bank requires that we maintain a cash reserve account, depositing \$2,285/month into the account until it accumulates a balance of \$401,000. The ABC Bank must approve all disbursements from this reserve.

- The “Cash Reserve – ABC” line item in the Current Assets section of the Balance Sheet shows the amount of money in this restricted account.
- None of these funds were spent this year.

Fund/ FYE Balance	2008	2009	2010	2011	2012	2013	FY 13 disbursements
Cash Reserve	68,550	72,150	99,570	126,990	154,410	181,830	none

12. Allow financial record keeping systems to be inadequate or out of conformity with GAAP.

Operational definition:

The co-op's financial record keeping systems will comply with Generally Accepted Accounting Principles (GAAP).

A qualified third party from outside the organization will review the co-op's accounting systems on an annual basis to a level of depth necessary to provide an opinion regarding compliance with GAAP. The external auditor hired by the board to perform the annual audit qualifies as this party.

Compliance will be achieved if the auditor provides a "clean" or unqualified letter regarding conforming to GAAP.

Data:

In the *[date]* "Independent Auditor's Report on the Financial Statements," *[Auditor Name]* states that our financial statements are "in conformity with accounting principles generally accepted in the United States of America."

Attachment: letter from the auditor.

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

QUARTERLY MONITORING REPORT, *FEBRUARY 15, 2014*

Policy: B1 – Financial Condition and Activities, Last revised: May 22, 2014

I report compliance with all parts of this policy except B1.2, B1.4, and B1.5.

This is a quarterly update report on key financial and operational indicators included in the annual B1 report, as well as on our tax payments. In addition, this report will include any information about actual or anticipated non-compliance for all aspects of the B1 policy. Interpretation details can be found in the annual monitoring report.

Unless indicated otherwise, all data in this report is for Q413 and is accurate as of January 31, 2014.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachments: Balance Sheet, Income/Expense Statement

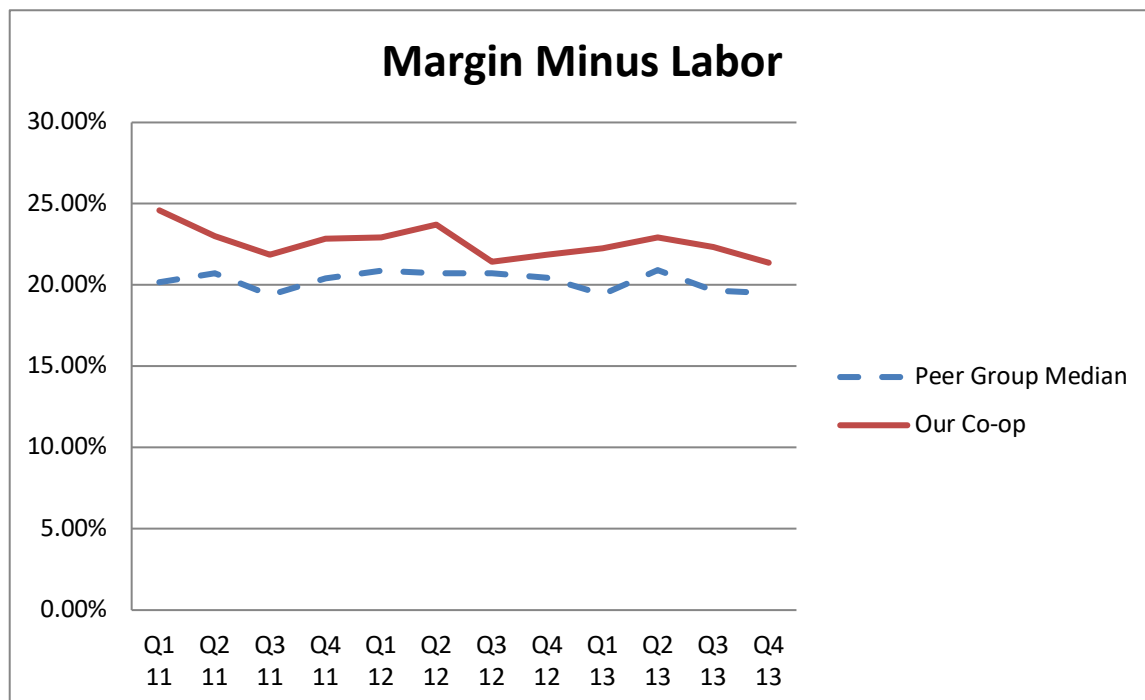
Operational Definitions and Data for each Key Indicator

Global Policy

- **Margin minus Labor (before taxes/benefits) will be at or above the median for medium-size co-ops.**

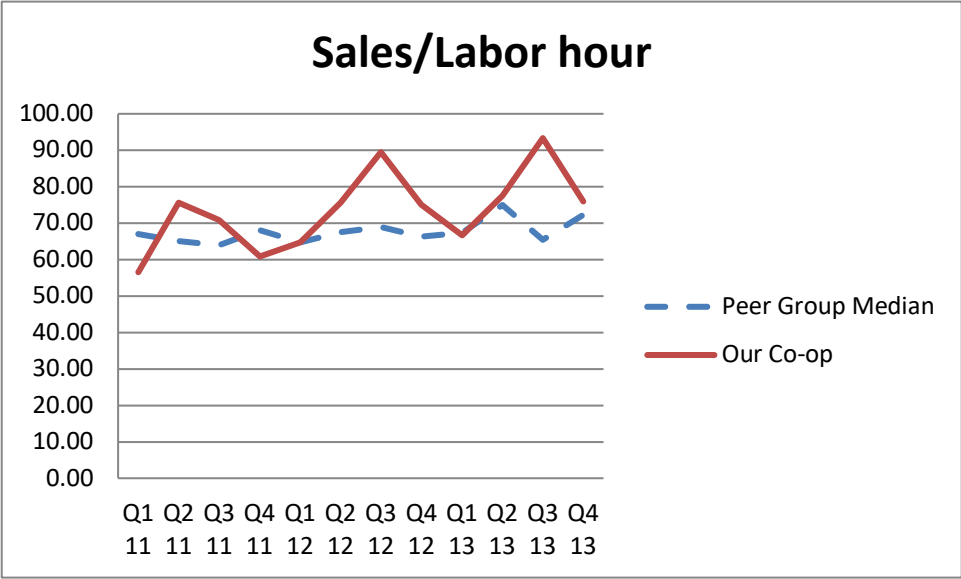
Q4 MML = 21.37%

Median = 19.52%



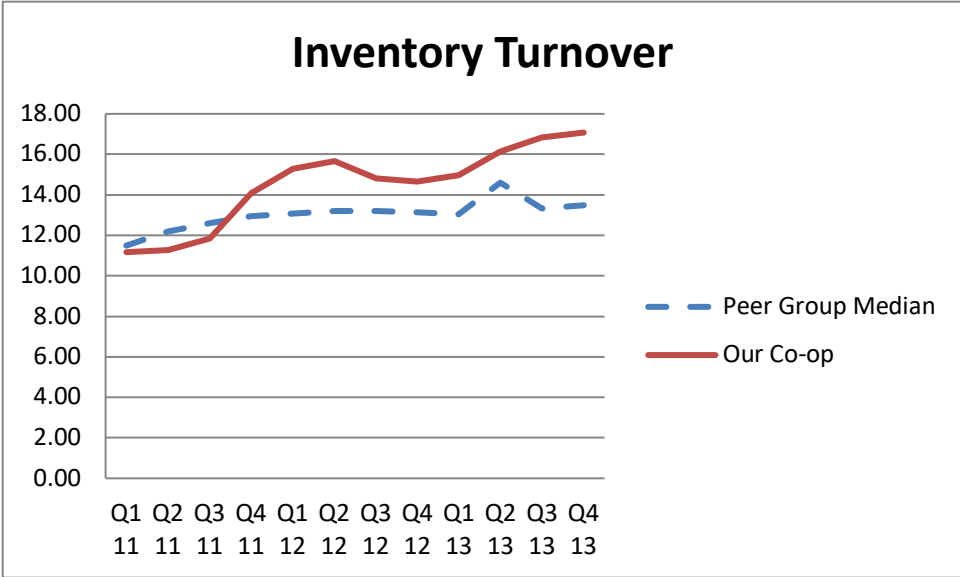
- **Sales/labor hour will be at or above the median for medium-size co-ops.**

Q4 Sales/labor hour = \$75.89
 Median = 72.30



- **Inventory turnover will be at or above the median for medium-size co-ops.**

Q4 Inventory turnover = 17.08
 Median = 13.48

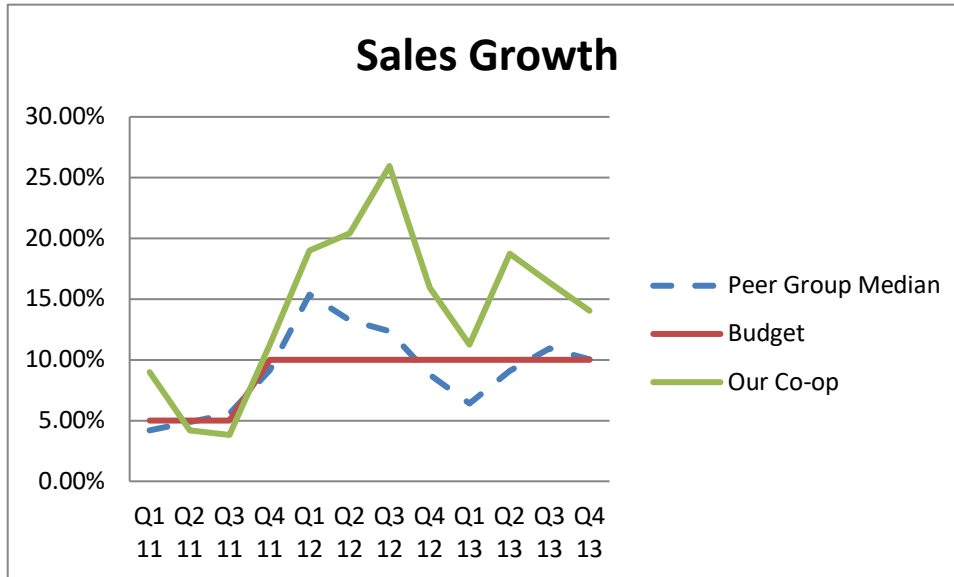


Sub-policy 1.1

- **Sales growth** must be above both budget (10%) and the group median.

Q4 Sales growth = 14.06%

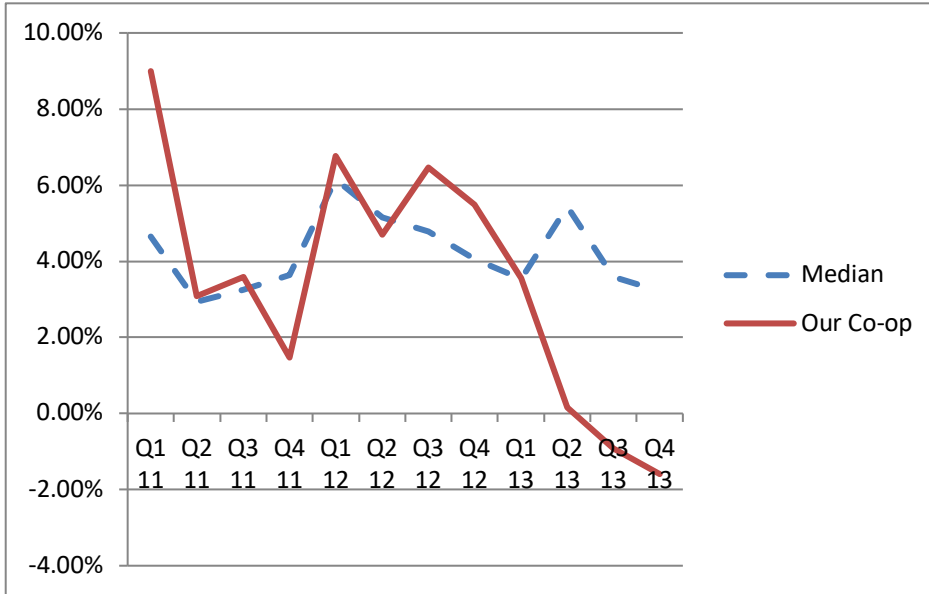
Median = 10.03%



Sub-policy 1.2

- **EBITDAP will be at or above the median for medium-size co-ops.**

Q4 EBITDAP = -1.59%

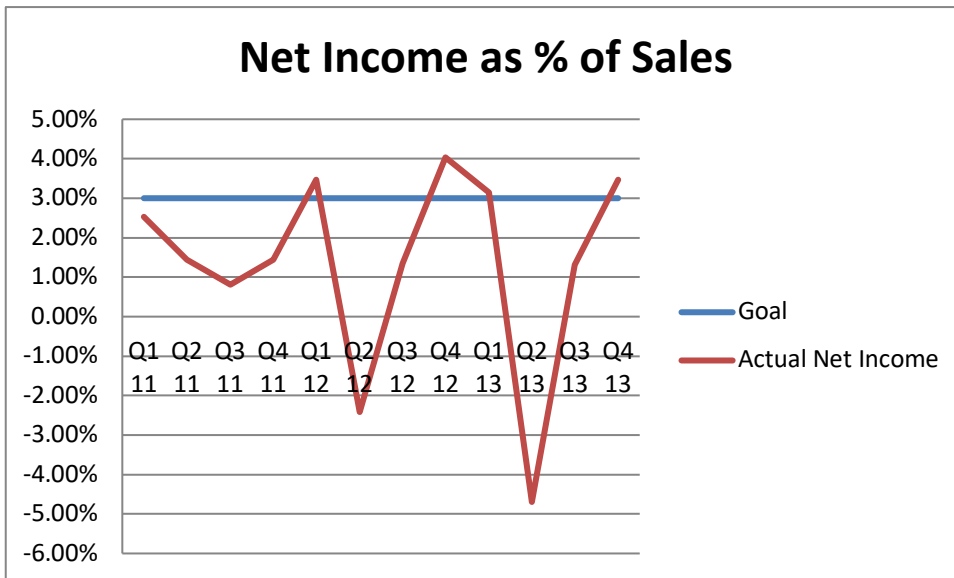


Explanation and Plan:

Here the GM would explain the out-of-compliance situation, and her/his plan for managing the situation.

- **Net income as a % of sales from the most recent quarter must be above 3%.**

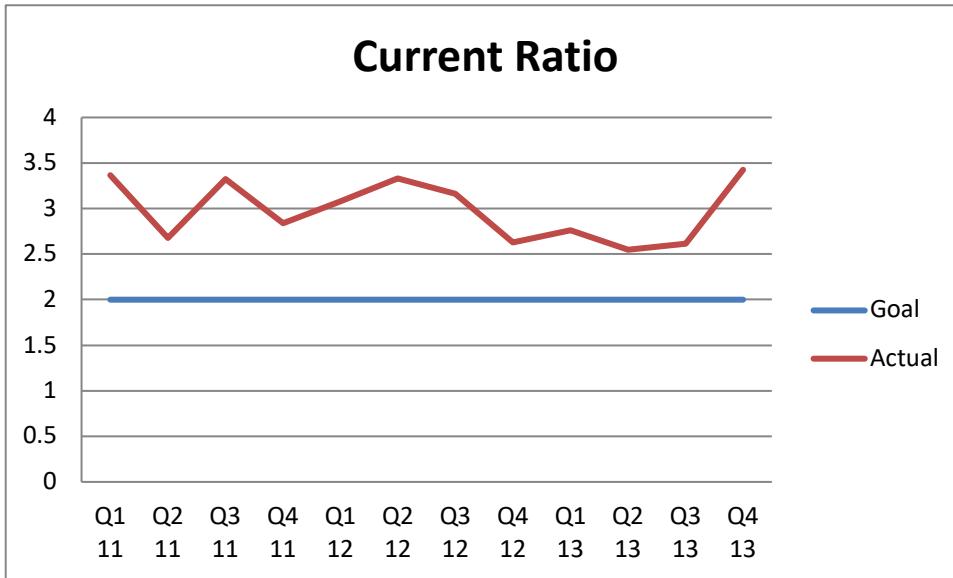
Q4 Net income = 3.46%



Sub-policy 1.3

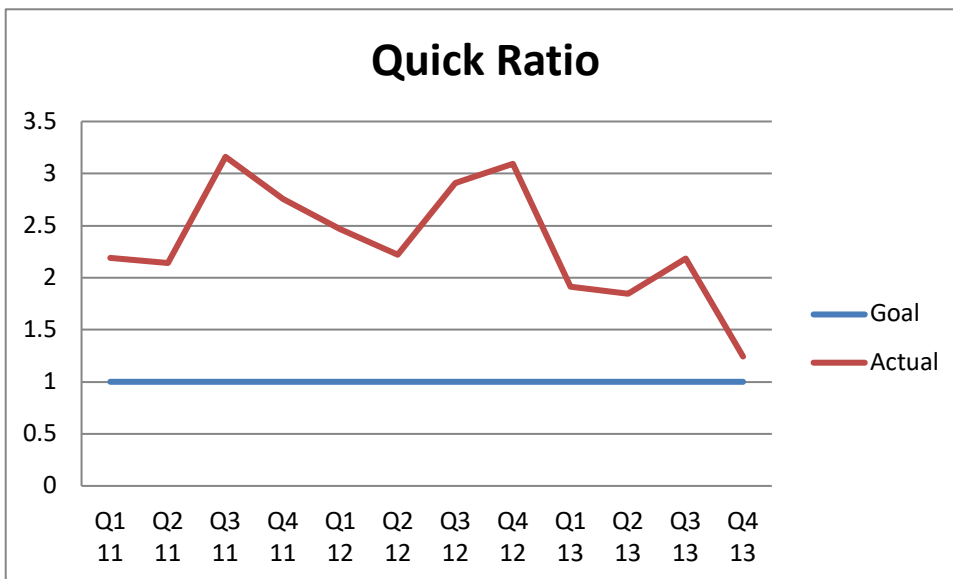
- The Current Ratio should be above 2.0.

Q4 Current ratio = 3.43



- Quick ratio should be above 1.0.

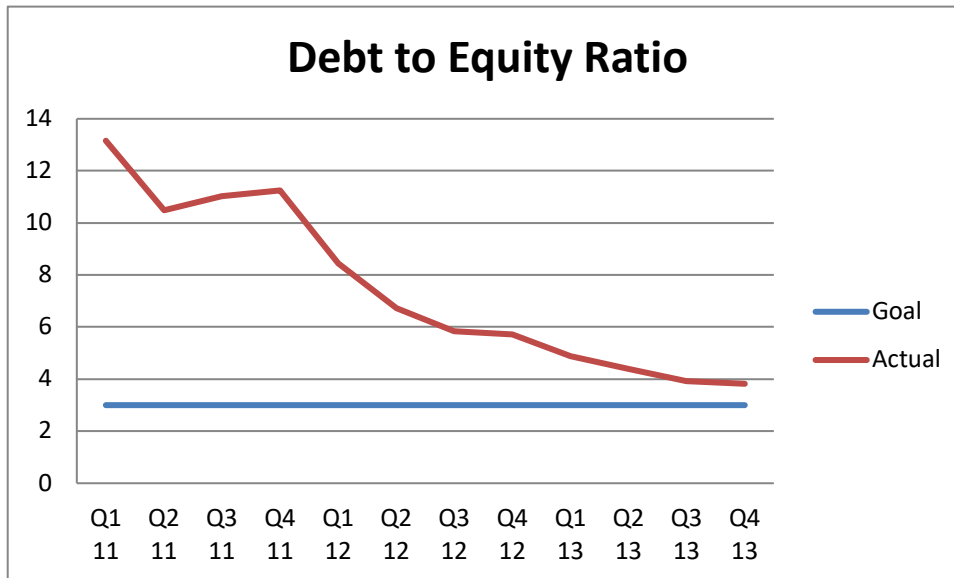
Q4 Quick ratio = 1.24



Sub-policy 1.4

- Debt to Equity ratio must be below 3.0.

Q4 D/E ratio = 3.82



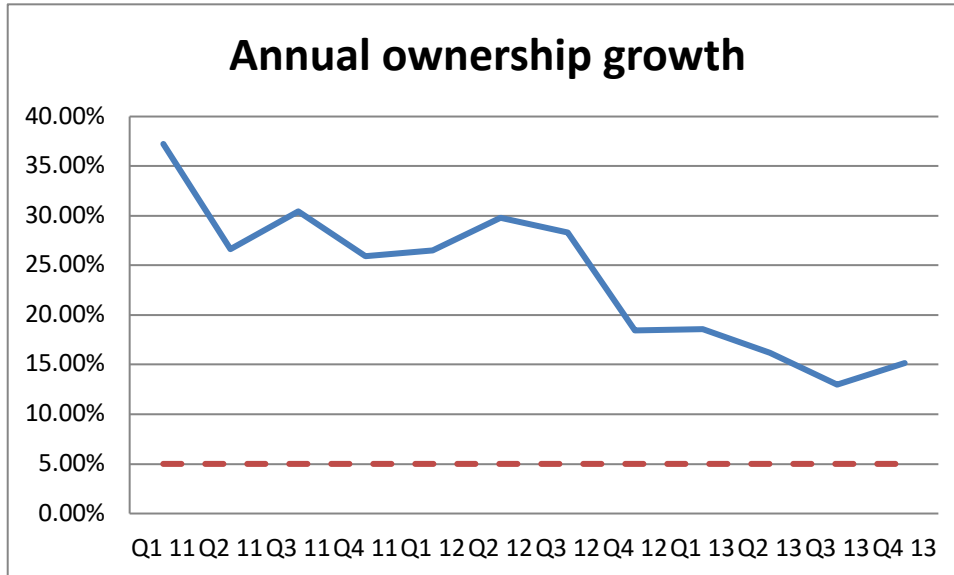
Explanation and Plan:

Here the GM would explain the out-of-compliance situation, and her/his plan for managing the situation.

Sub-policy 1.5

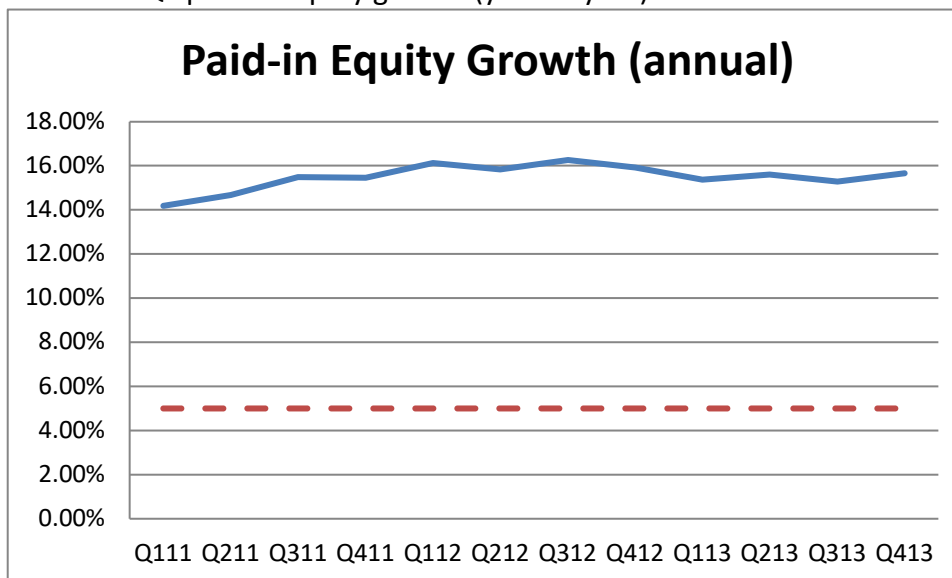
- **Number of owners will grow at least 5% annually.**

FYI: # of owners as of 12/31/13 = 9103



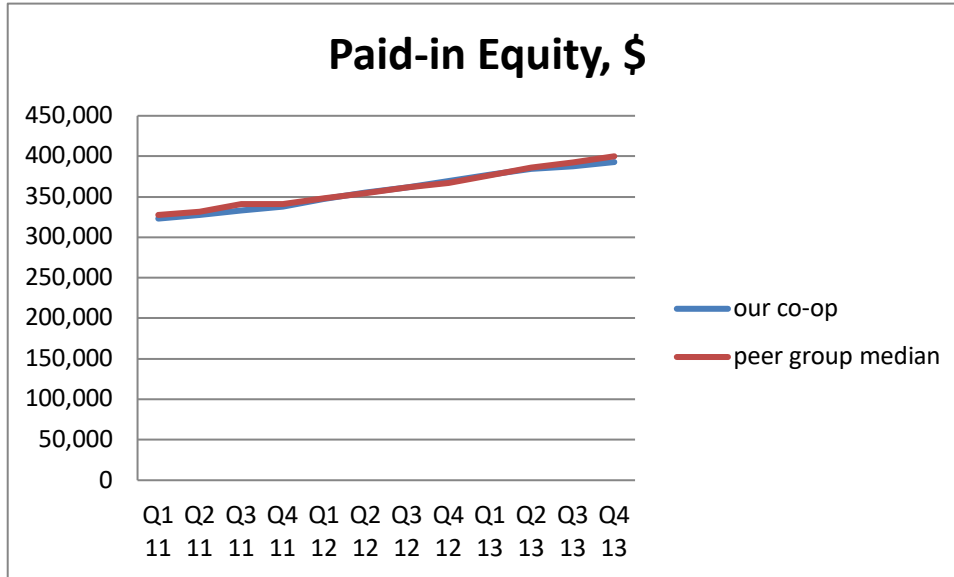
- **Owner paid-in equity will grow at least 5% annually.**

Q4 paid-in equity growth (year to year) = 15.7%



- Total paid-in equity will be above peer group median

Total paid-in equity = \$392, 910



Explanation and Plan:

Here the GM would explain the out-of-compliance situation, and her/his plan for managing the situation.

- **Quarterly tax payments:**

	Date Due	Date Paid	Amount Paid
Payroll Tax			
Sales Tax			
Federal Income Tax			
State Income Tax			
<i>etc., etc.</i>			

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

MONITORING REPORT, *AUGUST 27, 2014*

Policy: B2 –Planning and Financial Budgeting, Last revised: May 22, 2014

I report compliance with all parts of this policy except _____.

Unless indicated otherwise is accurate as of July 31, 2014.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: Co-op Business Plan for 2014-2016, including annual plan/budget for FYE 2015.

The General Manager must not operate without annual and multi-year budgets and plans that address intentional and improved Ends accomplishment along with avoidance of fiscal jeopardy.

Interpretation:

Financial planning is essential to avoid financial jeopardy. The Co-op will have in place a multiyear business plan containing, as a component, a financial plan crafted to ensure the fiscal success of the co-op. The business plan also addresses the desired results in a larger context, including the social and environmental goals and the appropriate planned activities, so as to reasonably comply with the limitation policies while pursuing the desired results inspired by the Ends policies.

Operational Definitions:

- The Co-op will operate with a multiyear business plan updated for each fiscal year.
- The plan will show that we will accomplish (or move toward accomplishment of) the Ends policies.
- In B2.1, the board has defined “fiscal jeopardy” as those conditions that do not meet the criteria set in the Financial Conditions (B1) policy. The financial plan (budget) included as part of the business plan will be designed to meet or exceed those criteria.

Data:

- The business plan for FYE 2015 is included with this month’s board packet. The multiyear plan, covering 2014 through 2016, is on pages ____; the annual plan for FYE 2015 is on pages ____.
- Within the business plan, pages ____ describe the overall annual goals in relation to the Ends policies.
- See 2.1 below for data about fiscal jeopardy.

GM Note:

The attached business plan is a summary and distillation of all research and inputs. The Co-op’s business plan is distributed to a wide audience. For prudence and confidentiality, the financial worksheets in the business plan are condensed statements. The Co-op prepares detailed pro-forma financial budgets, including revenue forecasts, cost of goods analysis and labor estimates, which are the basis of financial projections but are stored separately in the Supporting Documentation section. The GM respectfully reminds the board that this is an operational document and is not presented for Board ratification.

The GM must not:

1. Create plans or budgets that

- a) Risk incurring those situations or conditions described as unacceptable in the Board policy “Financial Condition and Activities.”

Interpretation:

In executive limitation terminology, the business plan is designed to guide the co-op financially and sets goals and procedures in place that avoid the unacceptable conditions as set forth in the B1 – Financial Condition and Activities policy. In terms of planning, the essential criteria are those that require sufficient sales, net income, liquidity, member equity and loan requirements. The GM has provided the Board the Operational Definitions for these criteria in the B1 report dated [date].

Operational Definition:

Each budget for the Co-op will show planned financial conditions within the limits defined in policy B1.

Data:

Policy	Financial Condition	FYE 2011 Budget Projection	Reference page
B1.1	Sales Growth > x%	Sales Growth = y%	57
B1.2	Net Income > x%	Net Income = y%	57
B1.2	EBITDAP > x%	EBITDAP = y%	57
B1.3	Current Ratio > x	Current Ratio = y	58
B1.4	Debt to Equity < x	Debt to Equity = y	58
B1.6	Debt Service Coverage Ratio (DSCR) of not less than x	DSCR = y	59

- b) Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

Interpretation:

The GM will plan for the success of the Co-op, both in the short term and long term by beginning with a realistic forecast of sales. Over the last several years, we have developed a very detailed method of projecting revenue based upon historical data and trend analysis. With projected revenue in place, expenses are proportionally allocated. Net revenue is projected to reflect a positive cash flow and return on owner investment. A capital budget is prepared to both replace equipment and to support strategic initiatives. Assumptions on revenue, cost and capital purchases are carefully examined and reviewed using historical data and current trend analysis.

Operational Definition

- Projections of revenues (sales), expenses, and owner investment (member equity) are based on historical data and trend analysis.
- We don't specifically make projections of owner return (patronage dividend), but we strive for a positive net income – from which a patronage dividend is derived.
- A capital budget is prepared separately from the operational budget.
- Cash flow projections are clearly shown.
- Assumptions we make in creating the multi-year plan and the annual budgets will be clearly stated in writing in the plan.
- I test the overall credibility and reasonableness of the plan, including the embedded projections and assumptions, by having the plan reviewed internally by our Leadership Team and externally by other knowledgeable professionals.

Data:

- The trend analysis is found in the body of the business plan and the sales and income projections are shown on the FYE 2015 pro forma income statement. The historical data are stored in supporting documentation.
- The pro-forma budget shows that we plan for a net income before patronage dividends of \$xx.
- A separate capital budget was prepared for FYE 2015, and was approved by our loan officer and stored in supporting documentation.
- Cash flow projections for the FYE 2015 plan indicate positive cash flow. Projections were derived based on the positive net cash provided from operating activities and the cash required for investing and financing activities.
- Assumptions to the financials are in the business plan and supporting documentation.
- Before presenting the FYE 2015 business plan in this packet, I asked for and received input from the Co-op Leadership Team, the GMs of AA Co-op, BB Co-op, CC Co-op, and representatives of NCGA and the ABC Co-op Loan Fund (who approves our capital plan). All parties favorably reviewed the business plan and thought the assumptions reasonable.

c) Do not address excellence in business systems and operations.

Interpretation:

In addition to accomplishing our Ends, the co-op should strive to be an excellent business in other ways. The B1 – Financial Conditions monitoring report identifies several indicators of operational health and excellence. Some of these indicators are addressed in part 1a of this report; others will be addressed here.

Operational Definition

- Margin Minus Labor will be less than 22%.
- Sales/Labor hour will be above 67.
- Inventory turnover will be above 13.
- Total number of owners will grow at least 5%.
- Paid-in Equity will grow at least 5%.

Data:

Indicator	FYE 2015 Budget Projection	Reference page
Margin Minus Labor	MML = y%	57
Sales/Labor hour	SPLH = y%	57
Inventory turnover	Turnover = y	58
Ownership growth	Ownership growth = y%	58
Paid-in Equity growth	PIE growth = y%	59

d) Have not been tested for feasibility.

Notes about this part of the template report:

- 1. There are many kinds of projects for which this policy might apply. This sample report shows an example of how a GM could report about planning for a second store. Depending on the nature of your co-op's actual plans, your own monitoring report might not exactly follow this template. If no major projects are in the works, the GM can still provide clear interpretation and operational definitions; the data can simply say: "No data to report. No major plans are currently underway."*
- 2. The data in this sample report shows that the GM has made use of several Columinate consultants as 3rd-party experts. There are other 3rd-party expert resources that a GM might rely on; for example, the NCGA and the NCGA Development Cooperative (DC) provide support for many expansion projects, and other companies also provide market studies. The key point of this sample report is not to suggest that a GM should use a particular expert; instead, the report shows how the GM can assure the board that objective professional experts have analyzed the plan's feasibility.*

Interpretation:

In general, this policy provision applies to major projects: expansions, relocations, or other plans that require substantial debt. In *The Expansion Toolbox*, Bill Gessner outlines five ways to assess the feasibility of a major project: market feasibility, internal readiness, financial feasibility, design feasibility, and risk assessment. The co-op will not undertake any major project unless we have assessed feasibility in this way.

This report applies to the specific relocation project that the GM and Board have been considering for the past 6 months: a potential second store in *location X*.

Operational Definition:

Following the *Expansion* Toolbox guidelines, feasibility analysis for any major project will include:

- Market feasibility
 - i. Professional market analysis and site analysis
- Internal Readiness
 - i. Internal assessment of key systems and operating areas
 - ii. External assessment of key systems and operating areas
- Financial feasibility
 - i. Sources and Uses development budget
 - ii. 5-year projection of income statement, cash flow, debt service and balance sheet
 - iii. list of assumptions
- Design feasibility
 - i. Preliminary site and store design
 - ii. Final site and store design
- Risk assessment
 - i. Board and GM conversation about risk and potential “worst-case” scenarios
 - ii. Sufficient (based on 3rd-party assessment) contingency funds built into pro forma budget projections
 - iii. Sufficient (based on 3rd-party assessment) working capital

Data:

- Market feasibility

In March 2014, Debbie Suassuna completed a Market Study for us. This Study (provided to the Board at the April 2014 meeting) analyzed our general trade area as well as 3 specific sites, including *location X*. Debbie’s analysis indicated that our market would support a second store in this location, and the projected sales in this location are used as a basis for the attached pro forma Income/Expense budget projection for the 1st five years of operation.
- Internal readiness

Internal Assessment: In December 2013 the management team used a SWOT analysis to identify which key systems/areas are working well and where we’ll need to make changes or focus attention. We created a plan of action based on that analysis, and have already begun implementing all parts of the plan.

External Assessment: In March 2014, Jeanie Wells, an expert in Capacity Assessment did an onsite assessment of our current and future capacity. Our Management Team has already begun to implement Jeanie’s suggestions, and all changes should be completed before November.
- Financial feasibility
 - i. The attached Sources and Uses Development Budget was created for us by Bill Gessner, an experienced and well-respected expert in co-op expansions. This Budget indicates that we will need to raise \$x in member loans and \$y in bank loans, while contributing another \$z from our

cash savings. Bill has said that he believes these projections are reasonable and that we have the capacity to accomplish these goals.

- ii. Attached to this report are 5-year pro forma projections of income statement, cash flow, debt service and budgets. These projections were created for us by Bill Gessner. They show that the new location should be profitable by the end of Year 3, and that we should be able to meet all our loan obligations.
 - iii. The assumptions for the financial projections are specified in each projection.
- Design feasibility
 - i. Preliminary site and store design: Debbie Suassuna's Market Study included a site analysis that indicates a store of x square feet will fit on the *location X* site. Nicole Klimek (an expert in store planning and design) has drafted a preliminary design for a store on this site, showing that we can meet our basic goals in this new building. Nicole's preliminary sketches and notes are attached FYI.
 - ii. Final design: We will ask Nicole to draw up a final design for us before we begin to put out an RFP for a project manager.
 - Risk assessment
 - i. The Board and Management Team had a safe strategic conversation about the expansion project at the last board retreat; at the end of that day, all participants expressed a sense of excitement and alignment. Part of the conversation included an assessment and acknowledgement of the risks involved; these conversations will continue as needed throughout our project.
 - ii. The attached pro forma budget projections include contingency funds. Bill Gessner has indicated that these contingency amounts are sufficient for our project.
 - iii. Bill Gessner has also assessed our working capital needs; according to Bill, we should do fine as long as we maintain \$x of cash throughout the project. This goal is incorporated in the GM's monthly Expansion Project Update FYI report.

2. Provide less for Board prerogatives during the year than is set forth in the Governance Investment Policy.

Interpretation:

I interpret this to mean that the Annual Budget within the Annual Business Plan contains adequate funds for governance as called for by the board.

Operational Definition:

The board's budget, as submitted by the board to management by the April meeting, is included in the Annual Business Plan. If the board fails to submit a budget by that date, a carryover number from the previous year is used as an estimate.

Data:

The FYE 2015 budget on page ___ of the business plan contains a line item for Cost of Governance showing \$xx, the amount submitted by the board in April.

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

MONITORING REPORT, JUNE 30, 2010

Policy: B3 – Asset Protection, Last revised: April 9, 2010

I report compliance with all parts of this policy except B3.4.

Unless indicated otherwise all data covers the period from June 1, 2009 through May 31, 2010, and is accurate as of May 31, 2010.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: _____

The General Manager shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.

Interpretation:

In the sub-policies below, the board has fully interpreted this policy for all assets except for the Co-op's retirement plan and deposits in financial institutions. For these two assets, see the Operational Definitions and Data here. For other assets, see each individual section below for further interpretations, operational definitions and data.

Operational Definitions:

- A system for protecting the Coop's retirement benefits plan exists. Specifically the system will include identification and education of fiduciaries, a qualified third party administrator, an annual review of plan performance, and insurance to protect the fund.
- Deposits: The Co-op's funds should be fully insured with limited exceptions. Compliance will be achieved by evidence that all cash holdings and investments are
 - less than \$250,000 in an FDIC or NCUA insured institution; or
 - more than \$250,000 in a single primary checking account in an institution that has the highest rating from a national rating service; or
 - investments in other cooperatives made to further our Ends accomplishment.

Data:

- Retirement plan- The Co-op's 401K plan meets each of the criteria:
 - The fiduciaries have been identified and informed of their duties (see attached 401K summary document)
 - The Co-op contracts ABC Company as its third party administrator.
 - Co-op management reviews fund performance quarterly and the Plan Committee will review performance, expenses and diversification annually.
 - The Co-op holds insurance coverage of \$xxx for the plan.

- Summary of Cash Holdings May 31, 2010

Institution	Rating	Rating service	Amount Deposited	Amount Insured	Notes
ABC Bank	xx	xx	\$xx	\$xx	
DEF Bank	yy	yy	\$xx	\$250,000	
GHI Credit Union	zz	zz	\$xx	\$250,000	
Co-op Fund of New England	N/A		\$xx	\$0	See March 2010 Ends report

The GM will not:

1. Allow equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.

Interpretation:

The Co-op will have in place insurance that would be considered usual and normal for a retail grocery business of our size in our region.

Operational Definitions:

- The Co-op will have sufficient insurance to cover property, inventory, vehicles and business interruption.
- A reliable 3rd party will assess our insurance coverage to determine its adequacy.

Data:

Category	Insurer	Coverage amount
Property (facilities & equipment)	ABC Insurance Company	\$xxx
Inventory	ABC Insurance Company	Actual loss, no limit
Commercial Auto	ABC Insurance Company	\$xxx
Business Interruption	ABC Insurance Company	\$xxx

- DEF Insurance Company has reviewed these overages and indicated that they appear adequate for our business.

2. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.

Interpretation:

“Unnecessary exposure to liability” refers to insurable risks that could have been prevented by knowledge of and adherence to labor laws and personnel regulations, safety procedures for staff and customers, and all policy and procedures of the Co-op.

Adequate liability insurance reasonably protects the Co-op’s assets in the case of a legal judgment against the Co-op.

Operational Definitions:

- The Coop has written policies regarding harassment, equal opportunity, progressive discipline, and safety.
- Insurance coverage for business liability insurance and Directors and Officers liability is deemed sufficient by Coop’s insurance broker. Additionally insurance carriers must have a Financial Strength rating of “A” or better as determined by Best Credit Rating Center.

Data:

- Policies: The Co-op’s Employee Handbook details our policies for harassment, equal opportunity and progressive discipline. Employment policies were updated in 2008 and reviewed by the Co-op’s attorney. The Safety Manual details all of the aspects of the Co-op’s safety program. Safety Manual was updated in 2009 and reviewed by a safety consultant.
- Insurance: The Co-op carries the specified coverage and was deemed customary and reasonable by the Co-op’s insurance broker, as stated in the Insurance Broker Memo 2009.

Summary of Liability Insurance Coverage May 2010

Type	Individual Occurrence Limit	Aggregate Limit	Carrier	Rating
General Liability	\$1,000,000	\$2,000,000	ABC	A (excellent)
Workers Compensation	\$100,000	\$500,000	ABC	A
Directors & Officers	\$1,000,000	\$2,000,000	DEF	A+ (superior)
Fiduciary Liability	\$1,000,000	\$1,000,000	DEF	A+
Umbrella Coverage	\$2,000,000	\$2,000,000	DEF	A+

3. Allow inadequate security of premises and property.

Interpretation:

We will have procedures for security of cash handling, inventory, payables, payroll, fixed assets, and our building security. In addition, we will have no material losses due to inadequate security.

Operational Definitions:

- Documented procedures will be reviewed by management and outside experts (auditors) on a periodic and as-needed basis.
- We will keep written material concerning any breaches of security and will notify outside auditors of changes to be made.
- Any losses will be documented. Losses greater than \$1000 are considered material.

Data:

- Summary of procedures (detail available for inspection)

	Proper Documentation exist? Y/N	Date of most recent review by outside expert / who?	Log kept? Y/N
Cash handling	Yes	8/2009 Auditors	Yes Daily Reports
Inventory	Yes (outside service)	8/2009 Auditors	Yes Quarterly
Payables	Yes	8/2009 Auditors	Yes
Payroll	Y (outside service)	8/2009 Auditors	Yes
Fixed assets	Yes	8/2009 Auditors	Yes
Building security	Y (weekly security report)	6/2009 City Police	Weekly report

- In this reporting period there were no “breaches of security” and therefore no reason to notify our auditors.
- No losses above \$1,000 to report in this reporting period.

4. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.

Interpretation:

Sensitive co-op information is given adequate protection.

Operational Definitions:

- Paper records will be kept in locked files.
- Electronic records will be regularly backed-up.
- Access to sensitive co-op information will be determined and restricted by job description.
- There will be no reports of failure to protect data.
- Precautions will be in place to protect key intellectual property.
- Credit/debit transaction will be PCI (Payment Card Industry) compliant. (**GM Note:** PCI compliance is a new operational definition.)

Data:

- Sensitive printed information including employee records and other data are kept in locked filing cabinets.
- Computer data is stored in a server and the server is backed up daily with a weekly back-up copy stored off site.
- Access to sensitive co-op information is determined and restricted by job description. Only Human Resources staff has access to confidential employee records.
- There have been no reported instances of employee files being left unprotected.
- Our name and brand are protected by trademark. Our font is protected by licensing agreements.
- The Co-op was not PCI compliant in the reporting period.

Explanation and Plan to come into PCI compliance:

This operational definition wasn't in the last Asset Protection report. The GM decided to include it in this report to keep the Board informed as to the plan of the Co-op to improve protection of credit/debit data.

In order to be in a position to come into compliance, the Co-op recently invested in substantial hardware and software modifications. These were necessary to conform to the Payment Card Industry (PCI) Data Security Standards (DSS). These voluntary standards are designed for use by merchants and service providers to enhance payment account data security. (A survey of selected national co-ops indicated zero PCI compliance.)

We anticipate that the Co-op will be PCI compliant by *[date]*. This will be a major step forward in asset protection. The hardware and software improvements will make possible that we never need to store an individual's credit/debit cardholder data on site.

- a. Allow improper usage of members' and customers' personal information.

Interpretation:

No member or customer should ever worry that their personal information is collected unnecessarily or is used improperly. This is an integral part of maintaining a trusting relationship with our members and customers.

Operational Definitions:

- The Co-op has in place clear guidelines for what information we collect from members and customers, who has access to the information, and proper usage of the information.
- No member or customer will submit a valid complaint regarding the use of their personal information.
- All complaints (valid or not) and any infractions of this policy will be investigated and reported to the board.

Data:

- Our operations procedure manual (available upon request) defines the limits for collecting and using personal information.
- No complaints (valid or otherwise) were received during this reporting period.
- No complaints received, so nothing to report to the board.

5. Allow uncontrolled purchasing or purchasing subject to conflicts of interest.

Interpretation:

Coop assets are protected via a complete set of purchasing controls for all aspects of purchasing, including products for sale, supplies and capital items.

Operational Definitions:

- The Co-op will have operating policies in place that define our purchasing procedures and controls.
- The auditor's notes or management letter included in the annual independent auditors report will contain no significant criticism regarding receipt, processing or disbursement of funds.
- No material violations have occurred. Material violations are those that, according to existing procedure, require an employee be placed on probation or terminated due to the violation, or are included in the annual audit report.

Data:

- The Coop's Operating Policies (available for inspection on request) limit the purchase of supplies and capital items according to employee's position and address conflicts of interest and other possible improprieties.
- The 2009 audit by [*company name*] noted no procedural deficiencies in the audit report or management letter.
- No material violations to report. Auditor's notes FY2009 include no material violations.

6. Allow lack of due diligence in contracts.

Interpretation / Operational Definitions:

Prudent investigation and evaluation will determine risk to the co-op assets when entering into contracts. This investigation and evaluation may include management team, legal counsel, industry experts, co-op peers and consultants and others as necessary.

In addition, “due diligence in contracts” requires that the General Manager and other management staff will not sign any long term contracts without review by co-op’s counsel providing input.

Data: Evidence of due diligence investigating risk to co-op assets is presented on a per contract or acquisition basis. Summary of due diligence. Detail available for inspection.

Date	Contract	Summary of Risk	Determination of appropriate level of due diligence by (management team, expert, etc)	Result (entered into contract, etc)
10/2009	Lease For xxx site for new CSA project	Risk is minimal for this new venture. One year lease is all that was possible with the City. Could pull the lease after one year before we recoup our investment in time and material.	Have reviewed with counsel, [name]. [Name] negotiated the contract with xxx directly on our behalf.	Will be signed by July 15th or earlier. CSA is started with 50 shares sold (\$35,000+). Expect to increase that to over 100 shares in the third year.
8/12/09	Purchase of xxx site	High Risk and investment of time and money by co-op.	Reviewed with Finance Manager, Co-op Board, lawyers [name] and [name]. Outside consultant assistance from the NCGA: C.E. Pugh and Debbie Suassuna (market study review and update). Real estate legal work handled by outside counsel, [name]. Also had full engineering and architectural review completed before purchasing.	Purchased property, 8/12/09. See my separate expansion update report for ongoing details.

7. Allow damage to the Cooperative’s public image.

Interpretation:

The co-op will maintain its position as a trusted agent for members and the public. Evidence of this trust will be maintenance of our member and customer base. Also, because negative publicity could lead to decreased trust, there should be an absence of negative publicity in local media or other public arenas.

Operational Definitions:

- Our number of members will be at least as high as it was at the same time last year.
- Our total number of customer transactions for the year will be at least as high as it was at the same time last year.
- In the past 12 months, there will be no valid negative stories about our co-op in local news media outlets.

Data:

- Membership

Date	5/31/08	5/31/09	5/31/10
# of Members	2478	3070	4602

- Total Customer Count

12 months ending:	5/31/08	5/31/09	5/31/10
Customer count	199,798	286,561	365,831

- News Stories (A reference file of all stories is available upon request.)

Note: Compliance is based on this year’s data. Previous years are included FYI only.

12 months ending:	5/31/08	5/31/09	5/31/10
# of stories found	41	37	52
# of negative stories	0	1	0

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

MONITORING REPORT, JUNE 16, 2010

Policy: B4 – Membership Rights and Responsibilities, Last revised: June 4, 2009

I report compliance with all parts of this policy.

Unless indicated otherwise is accurate as of May 31, 2010.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: Membership Enrollment Form

The General Manager will not allow members to be uninformed or misinformed of their rights and responsibilities.

Interpretation:

As owners of the cooperative, members have certain rights and responsibilities that are spelled out in the co-op's bylaws and in board policy. These rights and responsibilities include: investing equity, receiving patronage dividends, attending the Annual Meeting, voting in co-op elections and running for the Board. The Board itself is primarily responsible for ensuring that candidates run for the Board. See sub-policies 1 and 2 for further interpretations, definitions and data related to equity and dividends.

Operational Definitions:

- Members will be notified of member meetings, referenda and board elections through
 - the Membership Enrollment Form
 - articles/notices in the co-op newsletter.
- As an indicator that members actually know their rights and responsibilities, the number of members participating in elections and attending the Annual Meeting will increase each year.

Data:

- Notification:
 - See the attached Membership Enrollment Form.
 - Newsletter Articles (Note that some articles/notices contain both topics.)

12 month period, ending:	# of articles/notices in newsletter about member meetings	# of articles/notices in newsletter about board elections
5/31/10		
5/31/09		
5/31/08		

- Member Participation (Note that compliance is based on the last two columns; information about total membership is presented FYI only.)

12 month period, ending:	# of members at end of reporting period	# of valid ballots cast in board election	# of attendees at annual meeting
5/31/10			
5/31/09			
5/31/08			



The GM will not:

1. Create or implement a member equity system without the following qualities:
 - a. The required member equity, or fair share, is determined by the Board.
 - b. Members are informed that equity investments are at risk. While they are generally refundable, the Board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability.
 - c. Equity will not be refunded if such a refund would lead to a net decrease in total member paid-in equity, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.

Interpretation:

The Board retains the authority both to set the equity amount (currently set at \$xx, as decided by the board in Policy ___) and to control equity redemption. The GM has been granted authority to operationalize the collection and disbursement of equity investments as long as the above criteria are met.

Operational Definitions:

- The Membership Enrollment Form will clearly define the Fair Share, the payment options, and the possibility that the board may withhold repayment of Fair Share investments when necessary.
- The GM will refund equity upon request, unless
 - a. the co-op is not in compliance with Financial Conditions limitations,
 - b. total paid-in equity decreases, or
 - c. the GM determines that refunding equity would jeopardize the co-op.
- If any of the criteria listed in 1c are not met, the GM will inform the board at the next board meeting.

Data:

- See the attached Membership Enrollment Form.
- All member requests for equity refunds were honored this past year.
 - a. The B1: Financial Condition and Activities reports, submitted to the Board on *[dates]*, showed that the co-op was in compliance with all financial conditions limitations throughout the reporting period.

b. Equity (Fair Share) Investment (Note that compliance is based only on the “Total paid-in equity” column; other columns are FYI only.)

Date	Total # members	# of members (new or existing) investing equity in past year	# of members withdrawing equity in past year	Total equity invested in past year	Total equity refunded in past year	Total paid-in equity
5/31/10						
5/31/09						
5/31/08						
5/31/07						

c. I did not identify any reason not to refund equity requests this past year.

- Because all criteria were met, the GM had no cause to inform the Board of issues during this reporting period.

2. Implement a patronage dividend system that does not
 - a. Comply with IRS regulations.
 - b. Allow the Board to examine a range of options and implications, and make a timely determination each year concerning how much, if any, of the Cooperative's net profit will be allocated and distributed to members.

Interpretation:

It is the GM's responsibility to create and implement a patronage dividend system, but the board has retained the authority to decide how much of the co-op's net income to allocate as dividend and how much of that dividend to refund to members.

Operational Definition:

- In August of each year (2 months following the end of the fiscal year), the GM will present a report to the board that shows
 - a. the co-op's net income for the fiscal year,
 - b. the amount of the net income derived from member-owners' patronage,
 - c. a recommendation for the amount of patronage income to allocate to dividends,
 - d. a recommendation for the amount of that dividend to refund to members (at least 20% refunded in order to meet IRS requirement), and
 - e. a rationale for the recommendations
- Following the board's decision, the GM will distribute the allocated dividends in such a way that all refunds are made within 8 ½ months of the end of the fiscal year (IRS requirement).

Data:

- In the *[date]* board meeting packet, the board received a Patronage Dividend report that included all the ingredients listed above. The board decided at that meeting to allocate dividends according to the GM's recommendations.
- On *[date]*, the co-op mailed patronage refund checks.

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

MONITORING REPORT, JUNE 16, 2010

Policy: B5 – Treatment of Consumers, Last revised: June 4, 2009

I report compliance with all parts of this policy except the global policy.

Unless indicated otherwise is accurate as of May 31, 2010.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: None

The General Manager will not be unresponsive to customer needs.

Interpretation:

As a retail grocery, the co-op exists to meet customer needs. In the sub-policies below, the board specifies particular ways the co-op should meet customer needs. The overall result of all activities designed to meet customer needs should be a growing number of customers, and a growing percentage of those customers that express satisfaction with their co-op experience.

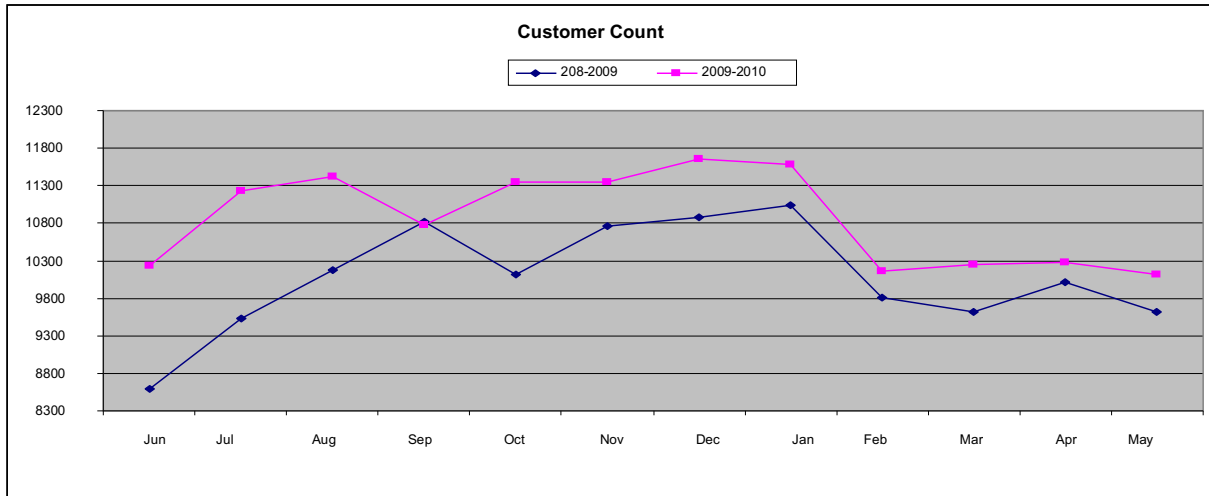
This is the first time that we have used a pure version of “The Ultimate Question” in our surveys. In April, 2009, we distributed a survey at the registers asking the question: “How likely is it that you would recommend the Co-op to a friend or colleague? Use the scale below and circle your response. Scale: 10= totally, 5= neutral, 0= not at all.” The net promoter score comes from the book “The Ultimate Question” by Fred Reichheld. “The net promoter score is the % of Promoters minus the % of Detractors. Promoters are customers who are so enthusiastic about a firm or brand that they not only increase their own purchases, but also refer their colleagues or friends.” Promoters are customers who rate you 9 or 10 on the question “Would you recommend us to a friend or colleague?” “Detractors are customers who feel so badly treated that they cut back on purchases, switch to the competition and warn others to stay away.” (from www.netpromoter.com) Detractors are customers who rate you a 6 or below. According to The Ultimate Question, the top service providers fall into the 50 to 80 range. The key is to get the score to go up over time.” (From “The Educated Retailers Guide,” Specialty Food Magazine 6/07 by Ari Weinzweig.) At the Co-op, we look for a net promoter score that is over 50% and is trending upward.

Operational Definitions:

- Customer count will grow from year to year.
- Net promoter score will be greater than 50%.
- Net promoter score will trend upward.

Data:

- Customer count



- Net Promoter Score

Survey Date	Net Promoter Score
3/10/10	75%

- No Data.

Explanation and Plan: Net Promoter trend information is not available because this is the first year using this metric. This data will be included in next year’s report and in subsequent reports.

The GM will not:

1. Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.

Interpretation:

A customer comment system is an integral part of monitoring customer opinion to be positioned to provide value to customers. Businesses and communities morph over time and it's important to keep up with product requests and service issues. Continuous improvement over time is dependent on our ability to listen to and act on customer input.

Operational Definitions:

- The co-op will have a system in which customers can offer requests, suggestions or other comments. Receipt of customer comments is evidence that the system is effective.
- The co-op will track all comments, distinguishing between product requests, positive and negative comments, and general suggestions.
- All customer comments will be reviewed by the GM and the Customer Service Coordinator, then distributed to the appropriate manager. Our goal is to respond to every comment containing contact information. Comments will be recorded in a spreadsheet and response compliance monitored by the Customer Service Coordinator.

Data:

- For the actual number of comments received, see the "Total" row in the table below.
- Customer comments for 12 month period ending 5/31:

Comment Type	2007	2008	2009	2010
Product requests				
Positive Customer Comments				
Negative Customer Comments				
General Suggestions				
Total				

- All comments were reviewed, distributed and recorded. The spreadsheet is available upon request.

2. Allow an unsafe shopping experience for our customers.

Interpretation:

Customers should expect to be reasonably safe while on our premises and while using products or eating food purchased from our co-op.

Operational Definitions:

- The co-op will pass all health inspections.
- We will have fewer customer accidents than the industry average for a store our size. According to our liability insurance provider, that number is x accidents/year.
- No customer will incur injury or illness as a result of purchasing any recalled product from the co-op.

Data:

- On *[date]*, the State Health Inspector gave our store a score of xx, well above the passing score (yy).
- Accidents/Injuries (Note that compliance is based only on this reporting period. Previous years' data is shown FYI.)

12 month period ending	# of customer accidents
5/31/10	
5/31/09	
5/31/08	

- Recalls (Note that compliance is based only on this reporting period. Previous years' data is shown FYI.)

12 month period ending	# of product recalls	# of reported injuries/illnesses due to recalled product
5/31/10		
5/31/09		
5/31/08		

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY
MONITORING REPORT, JANUARY 25, 2018

Policy: B6 – Staff Treatment and Compensation, Last revised: July 5, 2017

I report compliance with all parts of this policy.

Unless indicated otherwise all information is accurate as of January 1, 2018. (Note that throughout this report, compliance is based on the current data. Data from previous years is included for your information.)

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: 2017 Staff Survey summary report, 2017 Livable Wage Worksheet, Memo from Human Resources Manager regarding GM compensation

The General Manager must not treat staff in any way that is unfair, unsafe, or unclear.

Interpretation:

This policy can be viewed in two ways. First, the Co-op should be an excellent workplace, with these limitations setting out minimal aspirations. Second, the GM herself should treat staff well.

Compliance with the top level policy stipulations concerning co-op-wide fairness and clarity will be achieved when compliance with the sub-policies is established *and* when staff survey responses indicate that no discrimination is occurring. Discrimination-related definitions and data are included in this global section; please also look to the sub-policy section of the report for further definitions and data.

Safe working conditions are determined both by staff perceptions of safety and objective assessments by insurance providers and/or other objective 3rd party inspectors.

For the GM as an individual, compliance will be established by the survey responses about supervision from managers and staff who report directly to the GM.

Throughout this report, I rely on data collected through the Employee Survey conducted by Carolee Colter (outside HR consultant) in December, 2017. Management engaged Ms. Colter in 2015 as an outside party to provide a professional review of this B1 policy with management. As surveys measure perceptions, not necessarily facts, it is necessary to back up certain of these survey scores with other data in order to prove compliance. Management conducted a full staff survey in 2016. The 2017 survey was a partial “off year” survey, involving twelve staff members (1/3 of the staff). Ms. Colter determined that a smaller sampling of staff was all that was needed to check the results from 2016. Staff members were randomly chosen by Ms. Colter, taking into account their department, so that a fair cross section of the staff was represented.

For the survey scores, I will use the standard for compliance suggested by Carolee Colter in the survey report:

“On most questions related to a particular policy, I consider a score of **3.25** to be the minimum to demonstrate compliance. That score would indicate that more employees agree with the question than disagree.

However, for questions involving discrimination and harassment on the basis of status in a protected group, I consider **3.75** to be a minimum score to demonstrate compliance. This is because it is possible for a minority to feel discrimination of which the majority is unaware. Also I consider standard deviation of no more than **1.00** as one of the recommended standards for questions about discrimination or harassment, because otherwise a high average score could mask the existence of such a minority opinion.

For the scores of the managers and staff reporting to the GM on the questions concerning their GM as direct supervisor, I consider **3.50** to be the minimum to demonstrate compliance. I believe the GM's ratings need to be higher because the leadership team plays a key role in compliance with all Staff Treatment policies, and their effectiveness as a team depends on the leadership of the GM.

The standards for scores demonstrating compliance have been developed in collaboration with other Columinate consultants on the HR and CBLD teams.”

Operational Definitions:

- When surveyed, staff will rate their overall sense of their workplace at least 3.25.
- Staff will rate safety at least 3.25.
- Staff survey ratings of statements about workplace discrimination will be at least 3.75, with a standard deviation of no more than 1.00.
- Survey ratings about supervision from managers and other staff who report directly to the GM will be at least 3.5.
- The co-op will have an experience rating of 1.05 or less from workers compensation insurance premium calculation. (Experience rating is standard insurance industry calculation based on the frequency and severity of claims relative to other organizations in a sector, with scores greater than 1.00 being worse than average.)
- We will have our HR systems and practices reviewed by a 3rd party HR professional every 3 years.

Data:

- Overall Satisfaction

Staff Survey Question	average score 2015	average score 2016	average score 2017
<i>e.g., I would recommend the co-op as a good place to work.</i>			
<i>Other relevant questions....</i>			

- Safety

Staff Survey Question	average score 2015	average score 2016	average score 2017
<i>e.g., The physical working environment (parking lot, retail floor, equipment, restrooms, etc.) of the store is safe.</i>			
<i>Other relevant questions....</i>			

- Discrimination

Staff Survey Question		2015	2016	2017
<i>e.g., Co-op employees are treated fairly regardless of race, sex, sexual orientation, gender identity and expression, age, religion, national origin, marital/parental status, veteran's status, or mental or physical disability.</i>	Average Score			
	Standard Deviation			
<i>Other relevant questions....</i>	Average Score			
	Standard Deviation			

- Scores on supervision questions from managers and staff who report directly to the GM

Staff Survey Question	average score 2015	average score 2016	average score 2017
<i>e.g., My supervisor lets me know what is expected of me.</i>			
<i>Other relevant questions....</i>			

- Experience Rating (Note that compliance is based on this years' Experience Rating. Other data is presented FYI.)

	2015	2016	2017
Average Number of Employees			
Workers Comp Claims			
Experience Rating	0.85	1.03	0.98

- Professional review of our HR systems and practices

Reviewer	Review date
Melanie Reid	January 2010
Carolee Colter	May 2014
Sarah Dahl	May 2017

The GM must not:

1. Operate without written personnel policies that:
 - a. Clarify rules for staff.
 - b. Provide for fair and thorough handling of workplace conflicts. The board should not be included as a participant in the conflict resolution process.
 - c. Are accessible to all staff.
 - d. Inform staff that employment is neither permanent nor guaranteed.
 - e. Encourage employees to report unethical or illegal behavior.

Interpretation:

I interpret this to mean that the Co-op should have in place a personnel policy manual that states policies and procedures in a clear manner. The manual should meet objective, professional standards, and each employee should receive this manual when they are hired.

Conflicts inevitably arise in any workplace. An *excellent* workplace like ours should allow and encourage employees to resolve conflicts in as clear and direct a manner as possible. We have based the procedure in our personnel manual on suggestions from our HR consultant at Columinate. (See [Workplace Conflict Policy FAQ](#) for more information.)

Operational Definitions:

- A current manual will be on file with the HR manager.
- The personnel manual will include a specific workplace conflict resolution process. The process will not include the board.
- The manual will also include a specific process that employees can use if they know of or suspect unethical or illegal behavior. The process will include a clear statement that employees should inform the board if the GM is implicated in this behavior.
- Staff survey responses will indicate (by a score of at least 3.25) that employees understand and approve of the conflict resolution procedure.
- Any workplace conflicts will be handled according to the process described in the employee manual.
- A completed Employee Acknowledgement Form (on which employees indicate that they have received and read the manual) will be in each employee's personnel file.
- The manual and the acknowledgement form will include specific language concerning the "at will" status of employment at the Co-op.

Data:

- The HR Manager has copy of the Personnel Policy Manual on file. It is available for review upon request.
- Pages xx-yy of the manual detail the conflict resolution procedure.
- Pages xx-yy of the manual detail the procedure to follow in the case of unethical or illegal behavior.
- Employees understand and approve of the conflict resolution procedure and the procedure to follow in the case of unethical or illegal behavior. (Note that compliance is based only on the last column; other data is presented FYI.)

Staff Survey Question	average score 2015	average score 2016	average score 2017
<i>e.g., I know what to do if I have a disagreement with a management decision.</i>			
<i>Other relevant questions....</i>			

- During this reporting period, three employees initiated the formal part of our conflict resolution procedure involving the HR manager. Each of these cases has been resolved as of January 1. (We don't keep track of the number who may have used the informal "early stages" of the procedure.)
- As of January 1, each employee's file includes a signed acknowledgement form.
- Our Personnel Manual states on page 2: *This Handbook is not a guarantee of continued employment or any term, privilege or condition of employment. Employment at the Co-op is "at will." This means that both the Co-op and its employees have the right to terminate the employment relationship at any time, with or without cause and with or without notice for any reason not prohibited by law. Nothing in this employee handbook or in any document or statement, written or oral, shall limit the right to terminate employment at-will. No representative of the co-op is authorized to enter into any agreement to the contrary to that employment relationship.*
The Acknowledgement form states, *I specifically acknowledge that employment at the Co-op is 'at will.'* Both the Employee and the Co-op reserve the right to terminate the employment at any time.

- 2. Prevent any employee from reporting unethical or illegal activity to the board, or discriminate or retaliate against any employee for reporting unethical or illegal behavior or activity.

Interpretation:

As mentioned in section 1 above, our personnel policy should clearly state that employees can and should inform the board of unethical or illegal behavior involving the GM. In addition, no manager (including the GM) should attempt to interfere with or take action against an employee who wants to or does bring such information to the board, whether or not the allegations are substantiated. For the sake of this policy, retaliation or discrimination will be defined as an adverse action (for example, termination, assignment to less desirable work, discipline, refusal to hire or promote) against an employee because they reported unethical or illegal activity. A feeling of discomfort or awkwardness in communicating with a manager after an employee has made such a report does not count as retaliation or discrimination.

Operational Definitions:

- All senior managers will receive yearly training from a professional HR consultant that includes instruction on this policy.
- No employee will make a valid claim to the board of interference, discrimination or retaliation for reporting unethical or illegal activity. Whether any such claim is “valid” will be determined by an objective 3rd-party HR consultant.

Data:

- HR training (including non-discrimination/retaliation) for senior management

Date of training	Trainer	% of senior managers in attendance

- During this reporting period, no employee made any claims to the board of interference, discrimination or retaliation.

3. Cause or allow personnel policies to be inconsistently applied.

Interpretation:

It is not enough to have policies – managers should be trained so they understand how our policies work, and employees in a good workplace must perceive that the policies are followed consistently.

Operational Definitions:

- Managers will be trained in their management duties at least annually.
- When surveyed, staff will rate consistency at least at 3.25.

Data:

- Management training

	2016	2017	2018
# of managers as of report date			
# of those managers attending at least one manager training during previous 12 months			

- Survey data

Staff Survey Question	average score 2015	average score 2016	average score 2017
<i>e.g., To the best of my knowledge, corrective action is handled fairly and consistently throughout the store.</i>			
<i>Other relevant questions</i>			

4. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.

Interpretation:

The Co-op will securely maintain employee and employment files for every employee and applicant for the appropriate length of time.

Operational Definitions:

- Records will be held in a secure location.
- The Co-op follows all state and federal requirements for record retention.
- Only authorized personnel have access to employee records. (Authorization protocols are available upon request.)
- We will update or modify our records-management practices based on the periodic 3rd-party review of our HR systems.

Data:

- All records are locked and there are no instances of records missing or compromised.
- There are no known instances of noncompliance with state and federal record retention requirements. Our auditor noted no issues about record retention in the FYE 2017 audit report.
- There has been no unauthorized use of personnel records.
- The December 2017 HR review by Sarah Dahl noted that we had followed all recommendations from the 2014 review. We plan to fully implement the most recent recommendations before the end of the fiscal year.

5. Establish compensation and benefits that are internally or externally inequitable.

Interpretation:

(Note that this section of the template report shows some options for demonstrating equitable compensation and benefits. The GM is always responsible for deciding what benchmark to use for any policy; in this case, there is no need to use all the options shown here.)

This policy establishes four criteria:

- co-op employees should be able to anticipate that they will receive a wage based on their job description and that job's placement on the wage scale
- wages paid by the co-op compare favorably to wages paid by similar businesses in our area
OR
wages paid by the co-op will meet or exceed a livable wage for our region
- benefits offered by the co-op should compare favorably to benefits offered by similar businesses in our region
AND/OR
employees will feel like their job offers reasonable benefits
- no co-op employees should receive benefits that are not offered to other employees of the same employment status (full or part-time)

Operational Definitions:

- Job descriptions exist for each position, and each position has an associated pay level.
- The median wage for similar jobs in our region will fall within the range of our wage scale, and the low-end of our wage scale will be higher than the 25th percentile wage paid for similar jobs. The comparison data will come from the most recent US Department of Labor National Compensation Survey for our region.
OR
Each employee who has worked at the co-op at least one year will be paid a livable wage as calculated by the NCG Co-op Livable Wage Model. (More information about the Livable Wage Model is available upon request.)
- Benefits will appear reasonably comparable to those offered by other grocery businesses in our market.
AND/OR
Staff survey responses will indicate (by a score of at least 3.25) that employees believe their benefits are reasonable in comparison to other jobs in the area.
- No employee will file a valid claim that they did not receive benefits accorded to other employees.

Data:

- Each employee has a job description on file in their personnel file. If desired, this information is available for Direct Inspection at the request of the Board.
- Wage comparison to similar jobs in our region

Pay Levels	Job Titles	25 th percentile wage	Co-op Min	Co-op Max	Median Wage from US DoL
Level I	Clerk	\$7.25	\$7.75	\$11.00	\$8.11
Level II	Cross-trained Clerk	\$7.40	\$8.00	\$12.00	\$9.23
Level III	Hot Bar Cook, Baker, Admin Asst.	\$8.00	\$9.00	\$14.00	\$10.95
Level IV	MOD, Department Supervisor, Hot Bar Lead, Bakehouse Lead, Buyer, Scan Coordinator	\$9.50	\$10.00	\$16.00	\$13.28
Level V	Department Manager, Bookkeeper	\$10.00	\$11.00	\$18.00	\$17.07
Level VI	Manager			Negotiated with Board	See data in GM comp proposal

OR

Livable Wage comparison

as of Jan 1	Total # of employees	# of employees with > 1 yr	Lowest wage of employee with > 1 yr	Co-op Livable Wage
2018				
2017				
2016				

- Benefits Comparison (Note that data for other businesses was taken from the employment page of their website. Data was gathered in December 2017.)

Company	Fresh Market	Whole Foods	Safeway	Trader Joe's	Our Co-op
Health insurance	X	X	X	X	X
Prescriptions			X	X	
Dental	X	X	X	X	X
Vision		X	X	X	X
Life		X	X	X	X
Short-term disability				X	X
Flexible Spending Acct			X		
Vacation	X	X		X	X
Personal/sick time	X	X		X	X
401(k) or other	X	X	X	X	X
Pension			X		
Staff discount	?	20%	?	10%	15%
Other	Innovative culture, fun environment	Emergency fund, Gainsharing	Education program	Crew member assistance, leadership development	Free classes Bike to Work

AND/OR

Staff Survey Question	average score 2015	average score 2016	average score 2017
<i>e.g., I am fairly compensated with benefits compared to other jobs I could get in the area.</i>			
<i>Other relevant questions</i>			

- No claims (valid or not) about benefits were filed during this reporting period.



6. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

Interpretation:

The GM's compensation and benefits are agreed to by the Board and GM, using the Board's GM Compensation Process. If the Co-op changes benefits that affect all employees, the GM's benefits may also change.

Operational Definitions:

- The HR Manager will provide the board with a signed memo detailing the GM's compensation and benefits, and will specify any changes in benefits that affected the GM's package since the most recent GM Compensation Process.

Data:

- See attached memo.

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

MONITORING REPORT, JULY 14, 2010

Policy: B7 – Communication to the Board, Last revised: April 9, 2010

I report compliance with all parts of this policy.

Unless indicated otherwise all data in this report is for the 12 month period ending June 30, 2010 and is accurate as of that date.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: Monitoring Summary Table

The General Manager shall not cause or allow the Board to be uninformed or unsupported in its work.

Interpretation:

In the context of this policy, the GM is responsible for ensuring that the Board has sufficient information to make Board decisions; logistical and administrative support is dealt with in policy B8 – Board Logistical Support.

Operational Definitions:

- The Board has fully defined this policy in the sub-policies below. Please look there for further definitions.

Data:

- See data for each sub-policy.

The GM will not:

1. Submit monitoring reports that are untimely, inaccurate, or hard to understand.

Interpretation:

The GM will submit monitoring reports to the Board according to the schedule defined in the Board Annual Calendar. These reports will be written in such a way that the Board can easily determine whether or not the GM/Co-op is in compliance with the policy. Board acceptance of these reports will indicate that the Board agrees the reports are accurate and understandable.

Operational Definitions:

- Compliance will be determined using the Monitoring Summary Table maintained by the Board Secretary for the D4 – Monitoring GM Performance policy.

Data:

- See the attached Monitoring Summary Table.

- 2. Report any actual or anticipated noncompliance with any policy of the Board in an untimely manner.

Interpretation:

The GM is responsible for ensuring compliance with Board policies, as defined by GM operational interpretations, at all times. The Board will be informed of any actual or anticipated noncompliance items in writing at the first Board meeting following the GM’s awareness of noncompliance.

Operational Definitions:

- The monthly update report will include notices of anticipated and actual non-compliance as needed.
- Regular monitoring reports will include notice of actual non-compliance as needed.
- In the case of a serious actual or anticipated non-compliant issue, the GM will inform the Board President immediately.

Data:

- Non-compliance issues noted in monthly updates

Date	Policy	Non-compliance issue
8/15/09	B1.2	net income
12/20/09	B7.1	late monitoring report

- Non-compliance issues noted in regular monitoring reports

Date	Policy	Non-compliance issue
10/15/09	B1.2	net income

- Serious non-compliance issues noted immediately to Board President: None

3. Allow the Board to be unaware of relevant trends, public events of the Cooperative, or internal and external changes which may affect Board policy.

Interpretation:

The GM is responsible for ensuring that the Board has all the information it needs in order to make good decisions. This information is primarily about long-term, big-picture or high-impact information rather than the day-to-day details. Examples of significant operational changes might include major shifts in product mix or store relocation – changes with materially affect customers’ and members’ perception of the Co-op. The GM is responsible for providing enough notice of such possible operational changes both to ensure that the Board is informed and so that the Board has time to consider whether and how to weigh in with changes to Board policy.

Because the typical annual reporting schedule of an executive limitations policy does not always adequately meet the needs of the Board in receiving timely information, the GM shall provide monthly communications to the Board in the form of an update report.

Operational Definitions:

- Regular monitoring reports will include historical and/or trend information when that information is available and possibly useful to the board.
- The Co-op Business Plan, annual plan or GM monthly update report will include information about possible significant operational changes at least 6 months in advance of those changes.
- The GM will provide a monthly written update report in support of this B7 policy including:
 - Relevant financial information.
 - Ownership level issues that help the board see the big picture.
 - Public events (activities and gatherings both on and off premise) of a nature that may affect the perception of the Co-op in the community.
 - Internal and external changes like significant modifications to the normal pattern of business.
- In the case of confidential matters, the GM will report/counsel on these in Executive Session rather than in the written monthly report.
- In those cases when the Board needs to be informed about matters of a more urgent nature, the GM will contact the Board President or the entire board directly.

Data:

- Monitoring reports containing historical and/or trend information

Report	Date
B1—Financial Conditions	2/10/10
B3—Asset Protection	6/30/10
B4—Membership	6/16/10
B5—Treatment of Consumers	6/16/10
B6—Staff Treatment	6/23/10

- The Co-op Business Plan submitted to the Board on *[date]* included plans for a possible relocation in year 2 of the plan. No other significant changes have been planned in this reporting period.
- During the reporting period, the GM submitted to the Board every month a written communication in support of the B7 policy. These reports included:
 - Financial performance
 - Actual performance compared to the budget.
 - Significant financial trends
 - Ownership level issues (e.g., *Patronage Refund updates*) were reported.
 - Significant changes to the normal pattern of business (e.g., potential opening of Whole Foods).
- Executive Session (confidential) reports

Meeting Date	Topic
3/10/10	personnel matters
4/12/10	potential expansion

- GM communication to the Board President and/or entire Board

Date	Topic
8/29/09	the boycott of xxx as requested by a member
10/1/09	problem with the formatting of the election ballot

4. Withhold his/her opinion if the GM believes the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the GM.

Interpretation:

The GM is obligated to inform the board if in his or her opinion the board is not acting in accordance with its board policies.

Operational Definitions:

- The GM update report included in the monthly Board meeting packet will include, as needed, notes about the GM's opinion concerning Board behavior.

Data:

- The September 19, 2009, GM report included a note that I felt the board should be monitoring its Board process and Board/GM policies on a regular basis as called for in C2—Board Job policy in order to ensure it was meeting its own expectations. Other than that, I have not seen any action on the part of the board or board members individually that shows that the board is not acting in accordance with policy.

5. Deal with the Board in a way that favors or privileges certain Board members over others except when responding to officers or committees duly charged by the Board.

Interpretation:

The GM is responsible for helping the Board maintain its commitment to holism as expressed in Board policy D1 – Unity of Control. I recognize that only the Board as a whole has any authority, though I can interact with any director in any way I choose as long as I do not give that director any decision-making authority and as long as that director does not receive any benefit that is not accorded to all directors.

Operational Definitions:

- Compliance determined by directors reporting to the GM, or board president, who then informs the GM, of an out of compliance situation.

Data:

- No out of compliance situations reported.

6. Fail to supply for the Board's consent agenda all decisions delegated to the GM yet required by law, regulation, or contract to be Board-approved.

Interpretation:

By using a consent agenda, the board "officially performs a ritual approval of actions for which it has already assigned authority to the [GM]. Thus, the outside authority is obeyed, but governance and management are not compromised." ("Boards Should Have Their Own Voice," pg 140, in *John Carver on Board Leadership*.)

Operational Definitions:

- Each month, the GM will provide a list of the previous month's new members for approval by the board, a requirement of our bylaws.
- Each time that a member requests the board to buy back their equity investment, this information will be presented to the board for approval, a requirement of our Articles of Incorporation.
- Other items requiring board approval to satisfy the requirements of banks, insurance carriers, retirement plans, etc, will be presented to the board as needed.

Data:

- In each of the past 12 months, the board's consent agenda included approval of new members. A list of these members was presented to the board as part of each meeting packet.
- In each of the past 12 months, the board's consent agenda included approval of repurchasing equity from members who wished to leave the co-op. A list of these members, along with the amount of their invested equity, was presented to the board as part of each meeting packet.
- At no other time since last report did the GM make a decision that was required by law, regulation, or contract, to be board approved.

SAMPLE MONITORING REPORT, BASED ON CBLD TEMPLATE POLICY

MONITORING REPORT, JULY 14, 2010

Policy: B8 –Board Logistical Support, Last revised: July 8, 2010

I report compliance with all parts of this policy.

Unless indicated otherwise all data in this report is for the 12 month period ending June 30, 2010 and is accurate as of that date.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: None

The General Manager will not allow the Board to have inadequate logistical support.

Interpretation:

The GM is responsible for providing administrative support to the Board so that directors can focus on their governance role rather than on all the administrative work that keeps any good team functioning. Maintaining support will be the responsibility of the GM even if further delegation occurs.

Operational Definitions:

- The Board has fully defined this policy in the sub-policies below. Please look there for further definitions.

Data:

- See data for each sub-policy.

The GM will not:

1. Provide the Board with insufficient staff administration to support governance activities and Board communication.

Interpretation:

The GM is responsible for ensuring that one co-op employee is designated as a Board Administrator. Though this employee will serve the needs of the board, he or she will always be supervised solely by the GM and may have other duties beyond board support.

Operational Definitions:

- One co-op employee will act as Board Administrator.
- The Board President and Secretary will affirm that administrative support is sufficient.

Data:

- *[Name]* has served as the Board Administrator throughout this reporting period.
- Results of questionnaire given to Board President and Secretary on June 15, 2010. A “yes” response means that the work was done adequately; a “no” response means the work was not done adequately. Compliance is achieved when both president and secretary answer “yes” to all items.

Board Administrator job duties and responsibilities for “sufficient governance support”	Board Pres	Board Secretary
Administrative support provided to Board President and Secretary on Board related matters (including research and correspondence)	Yes	Yes
Materials coordinated and disseminated for the Board so it is prepared for meetings and retreats.	Yes	Yes
Draft meeting minutes provided	Yes	Yes
Logistics arranged for board meetings, retreats and Annual Meeting	Yes	Yes
Nominations and election process coordinated as directed.	Yes	Yes
Board calendar, task lists and other organizing tools maintained as needed	Yes	Yes
Information located and compiled for Board as requested	Yes	Yes
Reports and correspondence composed for Board as requested	Yes	Yes
Board records and archives maintained, including approved minutes, Bylaws and affected documents	Yes	Yes
Overall performance is supportive of Board activities	Yes	Yes

2. Allow the Board to be without a workable mechanism for official board, officer or committee communications.

Interpretation:

The Board needs both a way to communicate internally (between directors) and externally (between the board and the members and/or community). A “workable mechanism” is easy to use and gets the job done. For internal communications, this policy refers to the distribution of the board meeting packet and a central and easily accessible storage area for those packets. For external communications, it refers to publishing board-approved articles.

Operational Definitions:

- The monthly board meeting packet will be available 10 days before each board meeting – hard copy at the Member Services desk and online (secure access) through the board page of the co-op’s web site.
- Past meeting packets are available (secure access) at the board web page.
- All current directors will have a user name and password for the secure access area.
- Board articles will be published in the co-op newsletter and/or on the co-op web site when written or authorized by the board president.

Data:

- During this reporting period, all meeting packets were available 10 days before each meeting.
- The secure board area of the co-op web page contains meeting packets dated March 2009 (when the board began using electronic documents) through June 2010.
- Each director has an assigned user name and password.
- Published Board articles

Newsletter		Web Site	
Date	Subject	Date	Subject

3. Allow Board Members to be without an updated copy of the Policy Register and the Bylaws.

Interpretation:

No further interpretation.

Operational Definitions:

- New directors will receive a board notebook containing a paper copy of the current Policy Register and Bylaws before their first official board meeting.
- All directors will receive a paper copy of any revised policies in the next meeting packet following approval of the revision.
- The most current Policy Register and Bylaws will be posted on the co-op website.

Data:

- Directors who joined the board this year

Director	1 st official meeting	Date of receipt of board notebook
A	1/15/10	11/20/09
B	1/15/10	11/20/09
C	1/15/10	11/20/09
D	5/12/10	5/1/10

- Updated policies provided in meeting packets

Policy	Revision Date
Ends	10/11/09
B2	8/16/09
B7	1/15/10
D3	6/16/10

- On the board page of the co-op's website you will find the Policy Register (rev. 6/16/10) and the Bylaws (rev. 2008).

4. Provide inadequate information and notice to members concerning Board actions, meetings, activities and events.

Interpretation:

Co-op members should have easy access, through multiple sources, to information about their elected board.

Operational Definitions:

- Names and contact information of all current directors will be posted on the bulletin board in the entryway foyer and on the board page of our web site.
- Notice of all board meetings will be posted on the bulletin board, on the web page and in the monthly newsletter. The notice will state: “Board Meetings are held the 3rd Wednesday of each month at 6pm in the co-op meeting room.”
- Notice of the annual member meeting will be posted on the bulletin board, on the web page and in the monthly newsletter.
- A copy of the Policy Register will be kept in a “Governance Binder” at the Member Services desk and on the web page.
- Copies of approved board meeting minutes will be kept in the Governance Binder and on the web page.
- The agenda for the upcoming board meeting will be posted on the web page and in the Governance Binder the same day the meeting packets are distributed to directors.
- Notice of board elections will be posted on the bulletin board, on the web page and in the newsletter beginning 2 months before the election.

Data:

- Most recent updates:

	Web Page	Bulletin Board	Newsletter	Governance Binder
Director names and contact info	5/13/10	5/13/10	NA	NA
Board Meeting Notice	perennial	perennial	perennial	NA
Annual Meeting Notice	8/1/09 through 10/2/09	8/1/09 through 10/2/09	Aug. 09 through Oct 09	NA
Policy Register	6/17/10	NA	NA	6/17/10
Approved Minutes	6/17/10	NA	NA	6/17/10
Board Meeting Agenda	6/6/10	NA	NA	6/6/10
Board Election Notice	8/1/09 through 10/2/09	8/1/09 through 10/2/09	August 09 through October 09	NA

Sample Monitoring Report, based on CBLD template policy

MONITORING REPORT, JULY 21, 2010

Policy: B9 –Emergency GM Succession, Last revised: November 22, 2008

I report compliance with all parts of this policy.

Unless indicated otherwise all data in this report is for the 12 month period ending June 30, 2010 and is accurate as of that date.

I certify that the information contained in this report and attachments is true.

Signed _____, General Manager

Attachment: Confidence of Ability survey

To protect the Board from sudden loss of GM services, the GM shall not have less than one other manager sufficiently familiar with Board and GM issues and processes to enable her/him to take over with reasonable proficiency as an interim successor.

Interpretation:

To mitigate the risk of disruption of operations that could arise should the GM be unexpectedly unable to perform her duties, the GM will designate and train a primary successor who is familiar with GM issues and the GM/Board relationship, and who can keep the business running smoothly until the Board chooses another GM.

Operational Definitions:

- The GM will identify an interim designated general manager (DGM).
- The DGM will receive training on basic GM/Board functionality.
- The DGM will attend at least two board meetings per year.
- The DGM will participate in writing at least one monitoring report per year.
- The DGM will receive ongoing operational training so as to be reasonably proficient in fulfilling the GM's responsibilities.
- The DGM will conduct at least one management meeting per year in a leadership capacity.
- The DGM will take a "Confidence of Ability" survey at least once per year to determine their readiness to assume responsibility for the full operation if called upon. Survey will include questions regarding knowledge of operations, including their ability to locate passwords, contacts, etc, and the amount of time they believe the co-op could operate under their interim leadership. A knowledge scale of 1 (No Clue) to 5 (Really Sure) will be used in the survey, with an overall score of 3.5 required for compliance.

Data:

- In the July 2008 B9 report, the GM notified the Board that *[Name]* is the DGM.
- Training on GM/Board functionality

Date	Topic	Trainer
2/2/10	GM-Board relationship	CBLD consultant
11/11/09	Monitoring	GM

- Board meetings which *[Name]* attended

Date
3/15/09
5/15/09
11/15/09

- Monitoring reports *[Name]* participated in writing

Date	Report
2/2/10	B1—Financial Condition
7/20/09	B9—Emergency GM Succession
5/10/10	Ends

- Operational training

Date	Training	Provided by
April-October 2010	Consumer Cooperative Management Intensive (CCMI)	NCGA
11/11/09	CoCoFiSt	Mel Braverman, Columinate
4/1/10	Business Plans	GM

- Management team meetings led by *[Name]*

Date
3/15/09
5/15/09
11/15/09

- Confidence of Ability survey results (as of May 1, 2010)

Ability	Score
Knowledge of ongoing initiatives	
Ability to access GM only files, electronics or other	
Ability to contact Board leader	
Ability to accept responsibility for the continued operation of the business	
Awareness of Board policies that control the business	
Access to passwords, phone numbers, keys or any other items known to the GM that are critical to the day to day operation	