



**DNF Board Meeting**  
**July 17, 2024 5:00-6:30 pm**  
**Rocky Mt Retreat Center**

Attendance:

Board Members: Ryan Erickson, Hadley Bevill, Sheryl McGourty, Danny Kurzendoerfer, Weston Medlock, Jenny Nathrop, Ryan Lazo; General Manager: Joe Zwieback; Employees: None; Member Owners: None.

<b>Time</b>	<b>Subject</b>	<b>Facilitator</b>
<b>5:00</b>	<b>I. Call to Order</b>	
	A. Check-In Question	Sheryl
	B. DNF Board Mission Statement	Board
	<b>II. Membership Comments or Questions</b>	Board
	<ul style="list-style-type: none"> <li>● <b>Issues Raised:</b> <ul style="list-style-type: none"> <li>○ Danny: A member asked what the BOD does? Maybe a handout about the BOD could be helpful. Maybe we add the mission statement or other simple things to our BOD board at the store.</li> </ul> </li> <li>● <b>Action Taken: None</b></li> <li>● <b>Action Required: None</b></li> </ul>	
	<b>III. Minutes Approval from last meeting</b>	Hadley
	<ul style="list-style-type: none"> <li>● <b>Issues Raised: None</b></li> <li>● <b>Action Taken:</b> Hadley made a motion to approve the June minutes, Wes seconded, motion carried.</li> <li>● <b>Action Required: None</b></li> </ul>	
	<b>IV. Agenda Approval</b>	Wes
	<ul style="list-style-type: none"> <li>● <b>Issues Raised: None</b></li> <li>● <b>Action Taken:</b> Ryan E. made a motion to add discussion of backing up the BOD's information to iCloud to new action, Sheryl seconded, motion carried.</li> <li>● <b>Action Required: None</b></li> </ul>	
<b>5:15</b>	<b>V. Old Business</b>	
	A. Create exit eval for BOD's	Ryan L
	<ul style="list-style-type: none"> <li>● <b>Issues Raised:</b> <ul style="list-style-type: none"> <li>○ Passed on to Hadley</li> </ul> </li> <li>● <b>Action Taken: None</b></li> <li>● <b>Action Required:</b> <ul style="list-style-type: none"> <li>○ <b>Hadley to create exit eval for BOD's by next month's BOD meeting.</b></li> </ul> </li> </ul>	
	B. Joe to reach out to Brian re by-laws specific CPA questions	Joe
	<ul style="list-style-type: none"> <li>● <b>Issues Raised: None</b></li> <li>● <b>Action Taken: Done</b></li> <li>● <b>Action Required: None</b></li> </ul>	
	C. Sheryl and Wes to work on a GM succession questionnaire and schedule a meeting for after.	Sheryl/Wes
	<ul style="list-style-type: none"> <li>● <b>Issues Raised: None</b></li> <li>● <b>Action Taken:</b></li> </ul>	

- We have the questions and Sheryl has put them into a google doc. Wes plans to put them into a google form.
- **Action Required:**
  - Wes to complete the survey/ questionnaire by Friday. BOD members add what they feel is necessary (it is in the drive in DNF BOD Only drive in the GM folder).
- D. Schedule and send invites for the next meeting in August and announce appreciation gift cards to committee members Ryan E
  - **Issues Raised: None**
  - **Action Taken:**
    - Ryan E. is working on it, target for meeting is August 6-12, will send email soon.
  - **Action Required:**
    - Ryan E. to send invite/ email once meeting is scheduled.
- E. Organize board tabling for Harvest Fest at the store Ryan L
  - **Issues Raised:**
    - Sheryl: Are we open to other dates for people signing up?
    - Ryan L: Yes, the ultimate goal is at least once a month.
  - **Action Taken:**
    - Ryan L. created the spreadsheet and shared with the BOD.
    - Ryan L. tabled once! Had about 20 people stop by. Gave away a plant as a prize. Brochures and giveaways out. Next time have signs ready and more samples from the deli. Located at the end of the registers.
  - **Action Required:**
    - BOD members to add their available dates and times to table to the spreadsheet.
- F. Special Events Committee to determine and communicate BOD's roles and responsibilities for Harvest Fest WHILE collaborating w/ Joe and Mads Ryan L/Hadley
  - **Issues Raised: None**
  - **Action Taken: None**
  - **Action Required: Tabled to committee updates.**
- G. Wes to send Board message Wes
  - **Issues Raised: None**
  - **Action Taken: Done**
  - **Action Required: None**

## 5:25 VI. Committee Updates

- A. Governance Wes
  - **Issues Raised:**
    - Wes forwarded the invoice for bylaws review to Joe.
    - Wes: Bylaws will be out to members to vote on Tuesday, October 1st (2 week voting window).
  - **Action Taken: None**
  - **Action Required:**
    - Add to next month's agenda to plan how to go about the process of voting on and releasing bylaws.
- B. Executive Sheryl
  - **Issues Raised: None**
  - **Action Taken: None**
  - **Action Required: None**
- C. Finance Ryan E
  - **Issues Raised: None**
  - **Action Taken: None**
  - **Action Required: None**
- D. Feasibility Danny
  - **Issues Raised:**

- Danny: Keeping an eye on Albertson's/ Kroeger situation. How much it would be. Refinancing. Scenario planning. And if we have an opportunity. Collaborate with Joe.
  - **Action Taken: None**
  - **Action Required: None**
- E. Special Events Committee Ryan L.
- **Issues Raised:**
    - Ryan L: Last Harvest Fest meeting was great. Three bands booked. What's going on with the sponsor thing?
    - Joe: I connected with our event coordinator to get an update. There is still no complete poster. The poster creator has been sent the updates and we have not heard back from him yet. Working on permits for everything (minus Rotary Park).
    - Hadley: For future feedback it would be nice to have more regular updates on what's happening with the planning. We need an emergency special events committee meeting.
    - Joe: I have the forms and either Caitlin or I will be running them where they need to go. I spoke with Caitlin when it was last said from our event planner that everything was happening on time. Everything is good, except for city permits, liquor license, and poster. We are about 50 days out and need all of these things turned in 30 days out from the event. Our event planner will be out of town for the next two weeks.
  - **Action Taken: None**
  - **Action Required:**
    - Joe to email our event coordinator about the deadline for the Harvest Fest poster and update the BOD on timeline/ cc them to email and to email our event coordinator to schedule the next Harvest Fest meeting (ASAP).
    - Danny to create a travel calendar for BOD + Mads + Joe and share via email.

## 5:40 IX. New Business

- A. DNF Board Retreat Board
- **Issues Raised:**
    - We need to eventually establish a date, place, plan, resources, facilitator, etc. We do not need to plan this out now, but a ballpark month/ time would be nice. Two days is nice for reflection and break.
    - Maybe this time we do an overnight and have more room for connection.
    - Do we want to hire someone? A facilitator, business strategists? Thoughts?
  - **Action Taken: None**
  - **Action Required:**
    - BOD members to brainstorm and bring ideas to the next BOD meeting.
    - Wes to add to new business.
- B. Harvest Fest Updates Ryan L
- **Issues Raised: None**
  - **Action Taken:**
    - Covered in old business.
  - **Action Required: None**
- C. Scheduling Tabling at DNF Hadley
- **Issues Raised:**
    - Sheryl: How do we make sure that everything is set up and ready for us? How do we make sure the calendar is communicated?
    - Joe: We got things together last minute, but made it happen. It will get better. Just communicate at least 24 hours ahead of time with Mads, Caitlin, and Joe - voice needs of signage, social media post, box ready to go, samples, etc.
  - **Action Taken: None**
  - **Action Required:**
    - Ryan L. to create a FAQ document for tabling.

D. July Board Message

Danny

- **Issues Raised:**

- Volunteer opportunities for Harvest Fest - sign up on website, mention Harvest Fest, what the BOD does (“I was recently asked...”)

- **Action Taken: None**

- **Action Required:**

- **Danny to send BOD message: Due 7/22 to board, 7/26 to marketing manager (Caitlin)**

E. iCloud backup

- **Action Taken:** Ryan E. made a motion to add discussion of backing up the BOD’s information to iCloud to new action, Sheryl seconded, motion carried.

**6:00 VII. General Manager Update and Questions**

- **Issues Raised:**

- Lots of movement and action at the Co-op!
- Seems like the fridges are getting better. On these hot days it does tax our refrigeration. Farmers Market is going great - good group there, clockwork, having the storage space in the alley with all the supplies is great. The damage to the repair dock is not extensive, but trying to get UNFI to pay for repairs (third party driver).

- **Action Taken: None**

- **Action Required: None**

**6:15 VIII. Policy Governance Review**

A. Policy B5: Treatment of Consumers

Joe

- **Issues Raised: None**

- **Action Taken: None**

- **Action Required:**

- **Wes made a motion to amend policy governance and move to August’s BOD meeting, Sheryl seconded, motion carried.**

B. Policy C1: Governing Style

Board

- **Issues Raised: None**

- **Action Taken: None**

- **Action Required:**

- **Wes made a motion to amend policy governance and move to August’s BOD meeting, Sheryl seconded, motion carried.**

**6:30 XI. Adjourn**

- **Wes made a motion to adjourn the meeting, Sheryl seconded, motion carried.**

Policy Type: Executive Limitations

Policy Title: B5 – Treatment of Customers

Last Revised: September 28, 2015

The General Manager must not be unresponsive to customer needs. The GM must not:

1. Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.
2. Fail to provide education of member/owners and the community at-large to include, at minimum, cooperative ideas and principles.

3. Fail to provide customers with a safe and pleasant shopping environment, including superior customer service.
4. Fail to provide customers with product policy information

Policy Type: Board Process

Policy Title: C1 – Governing Style

Last Revised: July 21, 2022

The Board will govern in a way that (1) emphasizes strategic and proactive leadership, (2) provides clear distinctions of Board and management roles, (3) deliberates in many voices but governs in one voice and (4) in a manner consistent with the Four Pillars of Cooperative Governance (Teaming: successfully working together to achieve common purpose; Accountable Empowerment: successfully empowering people while at the same time holding them accountable for the power granted; Strategic Leadership: successfully articulating the cooperative's direction/purpose and setting the organization up for movement in this direction; Democracy: successfully practicing, protecting, promoting and perpetuating our healthy democracies) In order to do this, we will:

1. Be a strategic leader by focusing our vision outward and toward the future.
2. Ensure effective systems of delegating authority to professional management, holding the use of that power accountable, and clearly distinguishing between board and management responsibilities.
  - a. Observe the 9 Policy Governance principles (Ownership, Position of Board, Board Holism, Ends Policies, Board Means Policies, Executive Limitations Policies, Policy Sizes, Clarity and Coherence of Delegation, Any Reasonable Interpretation, Monitoring)
3. Maintain team discipline, authority and responsibility.
4. Practice the habits of a successful democracy.
5. Obey all relevant laws and bylaws.

## Brian from Mackey Reed intro

- La Montanita Co-op is our largest Co-op client. We have done their work for 40 years. We used do Silver City Co-op. Our largest Co-op is 42 million, our smallest is 4(?).
- Why I am here: Patronage dividends, reserves, answer questions, I will try to stray from tax.
- Co-op backgrounds (for tax purposes)
  - Organized under state law as not for profits, tax rate at 21% for federal tax purpose (the same as General Motors).
  - Patronage dividends are dividends that the corp pays out. Large corp - pays their share of the taxes, Retail - great way for org like this to reduce/ get rid of our federal and state income tax (need certificate). Dividends can be paid to members in cash or credit when you sell something (coupons and discounts are separate). La Montanita used to pay out patronage dividends and then it came down to what the members really wanted. Patronage for federal tax purposes - you can pay a dividend and as long as you pay out at least 20% (up to the 100% - never want to go over or it becomes taxable) of it in cash, coupons, credit at register, you get to deduct the whole thing from your taxes, the 80% is the patronage you retained 0 can be indefinitely or can decided to pay out to members afterwards. **Advice:** Keep as much money as you can, if you decide to start doing patronage dividends! **Advice continued:** I wouldn't do it yet, looking at the current tax rates. Wait about three more profitable years. Patronage dividends is a significant amount of work to figure out.
  - Reserves: If you pay the tax, your surplus or retained earnings go into your reserves. The answer is it's almost nothing. I do not think there would be a consequence for state law if you did not have a certain amount in your reserves (considering you are taxed the same as every other for profit business).
  - Financial statements: Compiled, reviewed, audited.
    - Compiled - report off all your stuff given back to you. Sometimes bank and institutions want that. - our financial reports are good enough to cover this. We have done **agreed upon procedures for financial statements** as a BOD (ex: payroll, then \_\_\_\_\_, then \_\_\_\_\_ - monthly)
    - Reviewed - observations, report, procedures to mitigate material misstatements (one page long) - my feeling is this is not terribly useful for BOD members - if you don't need them, don't get them!!!!
    - Audited - report says the financial statements are the responsibility of management and we did what we needed to do. Don't get them if you don't need them!!!
  - **Advice:** I wouldn't do it until NCG makes it NECESSARY and pushes for it! I would recommend using/ making agreed upon procedures.
  - Our risks are: Cash, almost no receivables, fixed assets, inventory, and something else (lol)
  - What area should we look at inventory?
    - Cash first - everything goes through cash
    - Payroll is always interesting
    - Fixed assets - not a whole lot of activity so that would be where to spend less time
  - **\*\*What should we prioritize as a BOD to be paying close attention to/ or questions we should be asking:**
    - Financial statements w/ comparisons of numbers and percentages quarterly. **\*\*\*Add to B1 some sort of standardized item.**
    - Get a chart of accounts - most of the things you can put in that make sense to us... put it wherever it belongs, what makes sense to me, not what NCG wants, if it helps us.

- As straightforward as DNF's stuff is, we could get this done by the middle of March, it's not an audit, it's the tax return with an explanation of what's happening and answer questions.
- Is member equity considered a liability?
  - No
- Bylaws:
  - Joe sent me the bylaws and I have questions, comments, and dislikes. Brian will send them ASAP (Monday). Simplify and put "in accordance with tax code".
- Refundable equity:
  - He has to go back and look at our by-laws. The answer is, we don't have to give it back unless we decide. La Montanita has it in their bylaws and I do not think they've ever refunded anyone.
  - If you have an inactive account for a set amount of time in Colorado, you have to give it to the state, but trying to figure out how to donate it back to the co-op.
- What is your professional recommendation with how we proceed with our net income this year?
  - No patronage dividends until we used up the net operating losses. And make more money! Use net operating losses from the past as a defense. Pay taxes.
    - UNLESS your income goes way up to something around half a million dollars!

## Questions for Brian

**Do note that the bottom line (line 133 Net income) has dropped a bit from the 1st quarter. That's because of the 3 payrolls in May this year -- last year the first 3 payroll month was in June. The June BS will see the bottom line increase substantially and last year will drop. Also, the bottom lines on the months between inventories are not accurate. June numbers will be.**

**\* Patronage Dividends and Reserves and how they relate to each other - advantages/disadvantages**

- > Which is "better" for us -- we can defer 80% no tax - 20% goes to Members via credit or checks -- or it's all taxed at 21%: less administrative costs
- > Tax carry forwards -- how do they apply to yearly taxes -- all or limited payouts

**\* Reviews vs Audits and partial reviews**

- > Why reviews are the preferred method of accountability (a NCG requirement)
- > Durango has never done either - what does the first one tie into?
- > What is recommended to start these.

**\* Refundable equity (Members leaving)**

- > We've hardly ever refunded equity and it was totally stopped in 2019. Bylaws say it's up to board to declared but can suspend it
- > We have \$542,308 in equity since we started the program in 2010

**\* How equity on the Balance Sheet should be deciphered**

<b>Equity</b>					
	<b>3900.00 · RETAINED EARNINGS</b>	<b>-83,208.26</b>	<b>-269,527.09</b>	<b>186,318.83</b>	<b>69.13%</b>
	<b>3920.00 · Member Owner Equity</b>	<b>542,308.57</b>	<b>489,152.64</b>	<b>53,155.93</b>	<b>10.87%</b>
	<b>3930.00 · Retained Patronage Dividends</b>	<b>3,546.97</b>	<b>3,546.97</b>	<b>0.00</b>	<b>0.0%</b>
	<b>Net Income</b>	<b>54,785.51</b>	<b>90,186.58</b>	<b>-35,401.07</b>	<b>-39.25%</b>
	<b>Total Equity</b>	<b>517,432.79</b>	<b>313,359.10</b>	<b>204,073.69</b>	<b>65.13%</b>
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,003,661.31</b>	<b>775,680.04</b>	<b>227,981.27</b>	<b>29.39%</b>

- > Is equity a liability?
- > Retained earnings are still in the negative (will turn positive at the end of this year if trends continue) - how does this effect anything
- > Understanding Debt/equity
- \* Dormant funds (equity/gift cards).
- > Is it okay to donate to Co-op instead of turning over to state.
- > Does Equity go dormant?

## Bylaws questions

**Section 8.3 - Consent of Member-Owners.** By obtaining or retaining ownership in the Co-op, each Member-Owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received. See appendix for further explanation.

Section 1385 of the Internal Revenue Code pertains to the amounts that are includible in a patron's gross income. It specifically addresses the following:

**Patronage Dividends:** The amount of any patronage dividend which is paid in money, a qualified written notice of allocation, or other property (except a nonqualified written notice of allocation), and which is received by the patron during the taxable year from an organization described in section 1381(a).

**Nonpatronage Distributions:** Any amount, described in section 1382(c)(2)(A) (relating to certain nonpatronage distributions by tax-exempt farmers' cooperatives), which is paid in money, a qualified written notice of allocation, or other property (except a nonqualified written notice of allocation)



**Section 8.4 - Deferred Amounts.** Payment of a portion of patronage dividends, not to exceed eighty percent of the allocation, may be deferred as determined by the Board, as stated in Section 8.1. Such amounts shall be credited to revolving capital accounts in the names of recipient Member-Owners. They shall accrue no dividend or interest on equity capital, and may not be pledged as collateral for a loan. They may be redeemed at no more than their carrying value on the books of the Co-op when determined by the Board to be no longer needed for capital purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts. Deferred amounts may also be redeemed under compelling circumstances as determined by the Board. They shall be subject at all times to being offset by amounts otherwise due and payable to the Co-op.

**Section 8.5 - Net Losses.** In the event the Co-op shall incur a net operating loss in any fiscal year, the portion of such loss attributable to the patronage of Member-Owners shall be carried forward to offset income of the same character in subsequent years, and any remaining loss shall be carried back and forward to offset income of the same character in prior and subsequent years as required or permitted under federal income tax law.

**Section 9.3 - Disposition of Unclaimed Funds.** Any funds held in the name of an Member-Owner, including patronage dividends, which have been made payable by the Co-op and have remained unclaimed by the Member-Owner for three years shall be forfeited to the Co-op.

**NOTE: Questions for Lawyer: when do the funds become “unclaimed?”. Is notification necessary? Get feedback from Joe**