April 20, 2020
Policy B3 – Asset Protection, last revised: June 14, 2016
I report compliance with all parts of this policy.
Unless indicated otherwise, this data is accurate as of April 20, 2020
I certify that the information contained in this report and any attachments is true.

General Manager

Policy Language

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

Interpretation & Operational Definitions

In the sub-policies below, the Board has fully outlined this policy to refer to *all assets*. See each individual section below for interpretations, operational definitions and data.

Data: Compliance with the primary points of all the sub-policies will demonstrate compliance.

I report compliance with the top level policy.

Policy Language

The GM must not:

B3.1 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.

Operational Definition

- The Co-op will have sufficient insurance to cover property, inventory, and business interruption.
- Our insurance policies are reviewed annually to determine adequacy.

Data

- The Co-op carries the specified coverage deemed customary and reasonable by our agent at Farmers Insurance.

Category	Insurer	Coverage Amount
Property (facilities & equipment)	Mid Century	$1,991,900
Inventory	Mid Century	Included w/Property
Commercial auto	None	$2,000.00
Hired/Non Owned Auto Liability	Mid Century	$2,000,000
Contamination Shutdown	Mid Century	$50,000
Business Interruption	Mid Century	30 Days
Tenant Improvements	Mid Century	$1,727,200
Liquor Liability	Mid Century	$2,000,000
Commercial Liability	Mid Century	$2,000,000/$4,000,000
Commercial Umbrella	Truck Insurance	$3,000,000
Business Income Sustained	Mid Century	18 months
Electronic Equipment	Mid Century	$180,000.00
Workman's Compensation	Truck Insurance	$100,000/$500,000

- Farmers Insurance believes that the Co-op has good coverages in place based upon our operation.
    - Note on Property insurance: the Co-op is covered at the downtown location, the campus location, and the Bakehouse location.
    - Note on Business Income coverage: if the Co-op had a major fire and was not in operation for a period of time during rebuilding, our policy covers our Actual Loss which has no limit.
    - Note on Inventory coverage: our policy has an automatic increase of 25% in case we have large orders and inventory on some occasions during the year.

Data supports compliance.

Policy Language

The GM will not:

B3.2 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 Definition

- The Co-op 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 the Co-op's insurance brokers. Additionally insurance carriers must have a Financial Strength rating of "A" or better as determined by Best Credit Rating Center.
- The Co-op requires proof of liability insurance from all sub-contractors and all local producers of perishable products.

Data

- Policies: The Co-op's Employee Handbook details our policies for harassment (pg. 27), equal opportunity (pg. 8), progressive discipline (pg.11) and Safety (pg. 29). Employment policies are being updated and will be reviewed by legal counsel after the updates are complete.
- The Co-op has a comprehensive Emergency Action Plan. The plan was reviewed by a fire chief and a police officer, and a Red Cross representative was consulted during development. Orange binders in each department detail the specific procedure to follow in each kind of emergency.
- The Co-op's MOD (manager on duty) Handbook and training cover the contents included in the EAP, as well.
- Insurance: The Co-op carries the specified coverage and was deemed customary and reasonable by the Co-op's insurance broker.
- Summary of Liability Insurance Coverage, as of May 2019

Type	Individual Occurrence Limit	Aggregate Limit	Carrier	Rating
Liability	$2,000,000	$4,000,000	Mid Century	A
Workers Compensation	$100,000	$500,000	Truck Insurance	A
Directors & Officers	$1,000,000	$1,000,000	US Liability	A++
Fiduciary Liability		$250,000	Colonial	A
EPLI	$1,000,000	$1,000,000	Farmers	A
Umbrella Coverage		$3,000,000	Truck Insurance	A

- The Co-op does require proof of liability insurance from all local vendors & producers, as well as all sub-contractors.

Data supports compliance.

Policy Language

The GM will not:

B3.3 Allow deposits or investments to be unreasonably risked

Interpretation

The Co-op's investments and deposits mush be protected from unreasonable risk.

Operational Definitions

- A system for protecting the Co-op's retirement benefits plan exists. Specifically the system will include identification and education of fiduciaries, a qualified third party administrator, and annual audit 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
    - Less than $250,000 per account in an ASI insured institution
    - More than $250,000 in a single primary checking account in an institution that has a satisfactory 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 Co-op contracts Retirement Plan Consultants as its third party administrator.
    - The Co-op contracts MG Trust to ensure that funds are safe & available at all times.
    - The Co-op contracts Timothy Yee of Green Retirement Inc. to provide licensed investment assistance to participating employees and to provide fiduciary advice to plan administrators Sandra Hughes, Deborah Reynolds, and myself, and to assist with fund performance review.
    - The Co-op reviews performance, expenses and diversification annually.
    - The plan is audited annually by Hayden & Ross to ensure compliance with all ERISA laws.
        - ERISA is the Employee Retirement Income Security Act of 1074 that sets minimum standards for most voluntary retirement plans to provide protection for individuals in these plans.
        - ERISA requires plans to provide participants with plan information; provides fiduciary responsibilities for those who manage and control plan assets; requires plans to establish a grievance and appeals process; and gives participants the right to sue for benefits and breaches of fiduciary duty.
- Summary of Cash Holdings as of December 31, 2019

Institution	Rating	Rating Service	Amount on deposit	Amount Insured	Notes
Banner Bank (FDIC)	4-stars	BankRate	$179,429	$250,000	
LCU (ASI)	4-stars	BankRate	$526,575	$1,500,000	Each account is insured up to $250,000
P1FCU (NCUA)	4-stars	BankRate	$103,566	$250,000	

Data supports compliance.

Policy Language
The GM will not:

B3.4 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 Definition
- Documented procedures will be reviewed by management and 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

	Proper Documentation exists?	Date of most recent review/by whom?	Record kept?
Cash handling	Y	Daily (FE), Weekly (Finance), Annually (Auditors)	Y
Inventory	Y	Annually (Finance & Auditors)	Y
Payables	Y	Ongoing (Finance), Annually (Auditors)	Y
Payroll	Y (outside service)	Ongoing (Finance), Annually (Auditors)	Y
Fixed assets	Y	Ongoing (Finance), Annually (Auditors)	Y
Building security	Y	Ongoing (Management), Daily (MOD)	Y

- In this reporting period (FY 2019) there were no "breaches of security" and therefore no reason to notify our auditors.
- There were no losses above $1,000 to report in this period.

Data supports compliance.

Policy Language
The GM will not:

B3.5 Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.

Interpretation
Sensitive Co-op information must be 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.
- The credit processing environment at the Co-op will be PCI compliant.

Data
- Sensitive printed information including employee records and other data are kept in locked filing cabinets.
- Electronic data, including POS data and business files, is backed up according to best practices, including daily offsite backup for business-critical data.
- 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 business name is protected.
- The Co-op was not PCI compliant in the reporting period.

Explanation & Plan for PCI Compliance

From B3 2019: *To enter compliance, the Co-op has invested substantially in hardware and software 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. The Co-op has currently completed action plans to address areas of non-compliance. We anticipate being PCI compliant by the end of 2019. While this work is a top priority, our risk of breach is mitigated greatly as we do not under any circumstances store cardholder data or transmit any unencrypted cardholder information.*

This is not work that Joe completed before his departure. Frankly, I think it took a backseat to finishing up the Bakehouse Project.

The IT Services Provider we end up hiring with help me correct this.

Data indicates non-compliance.

Policy Language
The GM will not:
B3.5a Allow improper usage of owners' and customers' personal information

Interpretation
No Co-op owner 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 owners and customers.

Operational Definition
- The Co-op has in place clear guidelines for what information we collect from owners 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 operating procedures and department trainings define the limits for collecting and using personal information.
- No complaints were received during this reporting period.
- Because no complaints were received, nothing needs to be reported to the Board.

Data supports compliance.

Policy Language
The GM will not:
B3.6 Allow purchasing that is uncontrolled or subject to conflicts of interest.

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

Operational Definition
- The Co-op will have purchasing procedures and controls in place.
- The auditor's notes or management letter included in the independent auditors report will contain no significant criticism regarding receipt, processing or disbursement of funds.
- No material violations will 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 audit report.

Data
- Each new vendor is screened for legitimacy by a department representative, the Store Manager, and the General Manager, which is documented using the Internal Vendor Approval Form.
- Purchasing authority is limited according to an employee's position.
- Purchasing is monitored by managers in each department and further screened by the Finance Department. GM purchasing is monitored by the Board Chair.
- The most recent financial audit contained no criticism regarding purchasing procedures.

- No material violations to report.

Data supports compliance.

Policy Language
The GM will not:
B3.7 Allow lack of due diligence in contracts.

Interpretation & Operational Definition
Prudent investigation and evaluation will determine risk to the Co-op's assets when entering into contracts. This investigation and evaluation may include the 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 the Co-op's legal 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:

Date	Contract	Summary of Risk	Determination of appropriate level of due diligence by (management team, expert)	Outcomes
Sep-17	IICE (Campus Lease)	Rent expenses	Legal	Renewal options
Sep-17	The Murray Group	None	Management Team	Automatic annual renewal
Nov-17	Retirement Plan Cons. & Timothy Yee	None	Management Team, Hayden & Ross	Automatic annual renewal
Dec-18	Bakehouse Lease	Rent expenses	Legal	Renewal options
Jun-19	Paycom (payroll & HR services)	Cancellation penalty	Management Team, industry peer reviews	Bi-annual renewal

Data supports compliance.

Policy Language
The GM will not:
B3.8 Allow damage to the Cooperative's public image.

Interpretation

The Co-op will maintain its position as a trusted community resource for owners and the public. Evidence of this trust will be maintenance of our owners and customer base. Additionally, because negative publicity could lead to an erosion in that trust, there should be an absence of negative publicity in local media or other public arenas.

Operational Definition

- Our number of owners meets or exceed those for the previous period.
- Our total number of customer transactions for the year will meet or exceed the total for the previous year.
- During the reporting period, there will be no instances of negative news stories about our business in local news media outlets.

Data

- Ownership

- Total Customer Count

- Media Coverage

Data supports compliance.