

NACUSAC News Fall 2010

Article #1

Governance Questions for Committees

By Dan Clark, CCUE

In addition to examining the books, we also look to supervisory and audit committees to strengthen governance practices. The role and authority relationship of the Board and the CEO is often tenuous. Their "partnership" is an essential part of the credit union's success. Here is a checklist for committee members to use when observing board meetings:

1. Does the chair appear to lead the board and have the meetings under control?
2. How does the Board spend its meeting time? Future vs. historical; discussion and debate vs. recitations of historical data; review of progress on plans over budget variances; discussing trends vs. aberrations; routine presentations by staff vs. valued updates on strategic initiatives.
3. Do the directors and management appear to be prepared for the meeting, having read and digested the agenda packet before the meeting? Does the agenda packet contain only material relevant to that agenda?
4. Do directors ask hard-hitting questions that challenge management's assumptions and lead to solid support, or do they pitch softball-questions that are answered in the prepared materials?
5. Is a typical meeting simultaneously loose and tight? Loose enough to stimulate discussion and debate, to foster candid contributions and challenges, and express opposing opinions? Yet tight enough to complete the agenda in the allotted time, to keep individuals from dominating discussions and stifling others, and to produce a shared sense of accomplishment?
6. Does the Board deal mostly with proposals related to strategy and governance policies, or is it mostly making decisions brought by management for areas the CEO appears competent to have handled with authority and guidance from the Board?
7. Does it appear the Board, especially the chairman, has a trusting and productive relationship with the CEO, close enough to be open and frank with each other, but not so close that challenges rarely surface?
8. Do you sense that there is a big issue in the shadows or beneath the surface that never reaches the light of discussion and debate?
9. Are the Board, the directors and managers complying with the Board's Governance Policies?
10. To what extent do the directors and CEO show each other mutual respect and appreciation thereby reinforcing their partnership?

Boards should recognize and appreciate the committee's role and contributions. If a committee member is not a regular guest at board meetings, determine why and overcome it. Be the proverbial "fly on the wall:" you do not have a vote or an inherent right to be heard. Make observations to discuss as a committee. Your notes belong to the committee.

The board meeting is the epicenter of the credit union's future; the wisdom of the board meets with management's expertise. The success of the credit union comes from Board meeting discussions, debates and decisions. Success is more than financial. Societal and financial successes evolve from the ability of managers to employ their competencies effectively in a clearly articulated strategy toward the vision and mission. The audit committee should notice if the governance process has gotten off track, alert the leaders, and see they get back on track.

Dan Clark is a board governance and strategic planning consultant located in Tallahassee, Florida. He serves credit unions and other nonprofits across North America. Reach him at 850-559-7094 or www.danclark.com. Dan is a frequent speaker for NACUSAC and will lead the Training Seminar for Supervisory Committees at NACUSAC's next Annual Conference & Expo, June 8-12, 2011 in Seattle, WA.

Article #2

The Dos and Don'ts of Mergers

October 7, 2010--During NACUSAC's hour-long fall seminar, Crowe Horwath's Rick Childs talked about the supervisory committee's role in credit union mergers. As Childs noted, "Credit unions often catch 'merger fever' when they are involved in the process." Management, and sometimes boards, get caught up in the prospect of acquiring another credit union. In this case, the supervisory committee can help keep the process focused and practical.

Childs provided committees with these considerations for credit unions looking to engage in a merger. First, the transaction should fit into the strategic vision of both organizations. If there are vast differences in the culture of the entities, there are bound to be issues down the road if these differences are not addressed prior to the merger. Childs suggests that policies link the acquisition or merger opportunity to the organization's strategic plan.

On the list of merger considerations, credit unions should use appropriate valuation methods and techniques to prepare a thorough analysis of the outcome. The acquisition method of accounting has replaced the old pooling method where the acquiring credit union's balance sheet and income statement were simply combined with the acquired credit union. Now, the balance sheet is measured at fair value (including intangible assets) as of the acquisition date and the income statement activity is recorded on a go-forward basis only.

Sometimes, committees assume that once the acquisition plan is in place they won't be hearing from the management team until it's time to do the deal. Childs recommends committees stay apprised of the process and not leave too much of the evaluation and execution to lawyers, accountants and investment advisors.

If you missed the seminar, audio-CDs are available for purchase and include handout

materials with a complete list of merger dos and don'ts. To order your CD, call NACUSAC toll-free at 1-800-287-5949 or email nacusac@nacusac.org. The CD package is available to members at the discounted price of \$39.

Article #3

NACUSAC Newsbriefs

It's Seattle in 2011!

It's budget time and that means it's time to make plans for 2011 education and training. [NACUSAC's 2011 Annual Conference](#) and Expo heads to Seattle, Washington, June 8-11. Conference registration fees for members will be around \$899 for delegates. NACUSAC has negotiated a group room rate of \$199 at Seattle's spectacular Fairmont Olympic Hotel. NACUSAC is the only independent conference that offers training, networking, continuing education and access to valuable industry resources to supervisory/audit committees nationwide.

Parkerson Remembered

NACUSAC mourns the loss of long-time member Curtis Parkerson, who passed away earlier this year. Parkerson began his volunteer service in 1984 when he joined PrimeWay Federal Credit Union's supervisory committee. Not long after joining the committee, Parkerson was elected to NACUSAC's Board of Directors. In 2009, Parkerson received NACUSAC's Golden Service Award in recognition for his outstanding service and contribution as a supervisory committee member. He will be missed by his many credit union friends within the NACUSAC organization.

Simplify Your Search for an External Auditor

Is your credit union in the process of searching for and engaging an external audit firm? NACUSAC's Select One Program is designed to ease the process of selecting an external auditor. Developed by both supervisory committees and auditors, the program has everything your committee needs including a confidentiality agreement template, sample RFPs, a cost assessment tool, proposal evaluation form and more. Select One is available to NACUSAC members at no cost. To receive your free copy of the program, email nacusac@nacusac.org, or call toll-free at 1-800-287-5949.

Welcome, New Members!

Two new credit unions joined NACUSAC in the third quarter. **Camino Federal Credit Union** (Montebello, CA): Sterling Schubert, SC Chairman; Committee Members Olivia Cervantes, Mike Newton, Frank Ogaz, Les Leahy and William Nightswonger.

XCEL Federal Credit Union (Bloomfield, NJ), Donald Monah, SC Chairman; SC Members Phyllis Ford, Lawrence Hughes, and Matthew Sirlin.