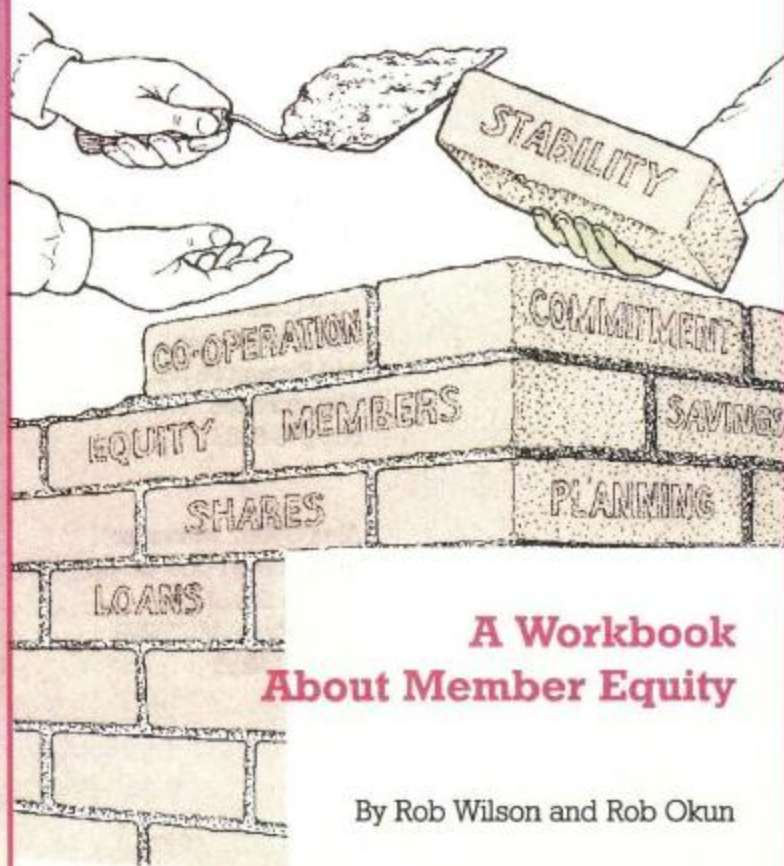


WE OWN IT:

**Building Financial Security
the Co-op Way**



**A Workbook
About Member Equity**

By Rob Wilson and Rob Okun

Help From Our Friends

Many hands make light work and the production of this book certainly was a cooperative effort. Four experts on the economics and management of cooperative businesses consulted with us:

Paul Cultrera, a former co-op manager who consults for co-ops all over the country; Ann Hoyt, Director of the University of Wisconsin Center for Cooperatives in Madison; Karen Zimbelman, is a nationally-known co-op business consultant and trainer; and Alex Gyori, the manager of the Brattleboro (Vermont) Food Co-op.

Each made substantial contributions to the workbook and we thank all four. This workbook would not have been possible without their help. We also want to thank the Northeast Cooperatives staff and Board for their support and encouragement, especially the members of the NEC Capitalization Committee who reviewed parts of this workbook:

Valorie Dahl, Shawna DiPetta (Chair), Andy Ferguson, Larry Haller, Bob Lyons, David Reese, and Judy Rosovsky.

Resources

The names and addresses of the individuals who collaborated on *We Own It*:

Paul Cultrera
Up Your Margin
440 Sycamore NE
Albuquerque, NM
505-243-8887

Alex Gyori, Manager
Brattleboro Food Co-op
2 Main Street
Brattleboro, VT 05301
802-257-0236

Ann Hoyt
University of Wisconsin
Center for Cooperatives
1300 Linden Ave. Room 345A
Madison, WI 53706
608-262-7390

Karen Zimbelman
Training and Consulting
P.O. Box 399
Arcata, CA 95518
(707-445-4849)

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*A Workbook about Member
Equity for Cooperatives*

Project Coordinator

Alex Gyori

Graphic Design

David Farkas

Illustration

Richards Steinbock

Editorial Consultants

Paul Cultrera
Alex Gyori
Ann Hoyt
Karen (K.Z.) Zimbelman

Printing

Commonwealth Printing

Publisher

Northeast Cooperatives
P.O. Box 8188
Brattleboro, VT 05304
802-257-5856

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Editorial Resources

Rob Wilson and Rob Okun
GIBSON, OKUN & WILSON:
The Communications Group
38 Graves Street
South Deerfield, MA 01373
413-665-8260

Printing Resources

Commonwealth Printing
47 East Street
Hadley, MA 01035
413-584-2536



A worker-owned union shop

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Introduction

Tools to help you build financial security

The cliché "It takes money to make money" applies to *all* businesses—including cooperatives. Northeast Cooperatives and some of its member affiliates created this workbook to share important ideas about the sources of capital that are available to help your cooperative business improve its financial stability.

Although they may be able to meet day-to-day financial demands, such as regular food purchases, utilities and payroll, many co-ops struggle to come up with the additional capital they need for larger obligations. Repairs to refrigerators, new cash registers, expanding inventory, renovations and other expenditures often stretch the resources of food co-ops to the limit.

We've noted how some of our co-op members have overcome such cash shortages. As part of our commitment to fostering a stronger cooperative network in the Northeast, we're sharing what we've learned about how co-ops can strengthen themselves by making sound financial decisions and by building greater equity.

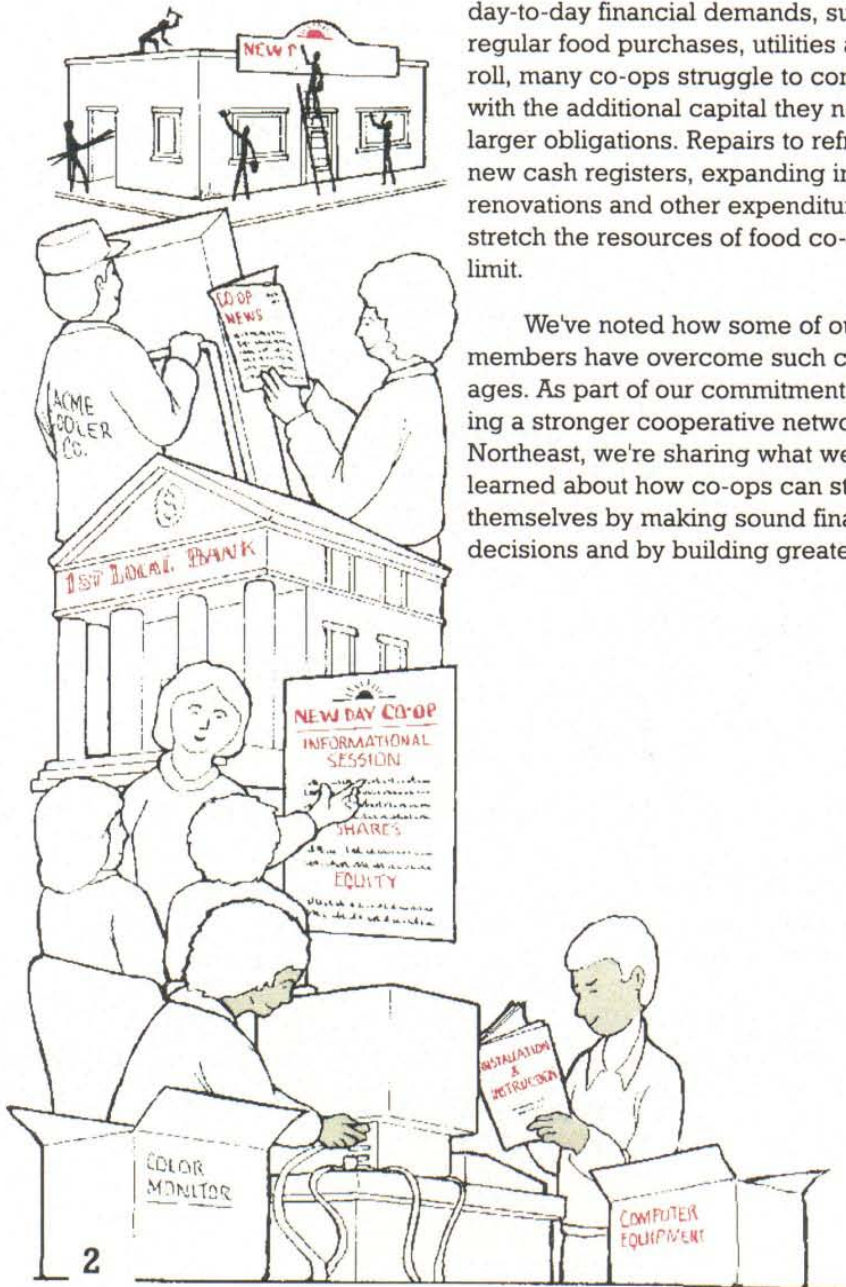
What you can expect from this workbook

This workbook explains about the greatest source of financial stability available to co-ops: investment by the co-op's owners or *member equity*. We've made a special attempt to clearly present the information, definitions and terms you'll need to understand your finances and to build member equity. You'll also find practical planning guidelines and worksheets. In addition, we've assembled some examples of how various co-ops have strengthened their financial position.

How to use *We Own It*

The information in this work book is arranged, chapter-by-chapter, to lead you to the point where you actually can create a sound member equity system or modify your existing plan to match your co-op's financial needs.

Work your way through the chapters, in sequence. Some of the workbook exercises may require you to research your financial records; however, most of this information should be readily available through your bookkeeper. You should take the time to complete the work sheets, as they will supply you with data that is key both to measuring where you are now and to planning for your financial future.



1: Starting Out

Which scenario best fits your co-op?

Co-op A: Limited space. Cash shortages. Old, unreliable equipment. Limited inventory. Inadequate cash reserves to cushion business losses.

Co-op B: Smooth operations. Adequate cash flow. New equipment. Planning for renovations or new space. Expanding goods and services. Plentiful and varied inventory.

You're not alone if your co-op experiences some or even all of the woes outlined in Co-op A. Surveys reveal that many food co-ops are short of capital. This is often the case **even though co-ops have healthy profits from sales.**

What is capital? It is the financial resources that help us pay for the things we need to run our businesses. Co-ops must have adequate capital to function efficiently. A capital shortage inevitably leads to the problems mentioned above, which ultimately leads to cutbacks in store staff and/or difficulty up-grading equipment and store facilities. This leads to **more work** for staff and board and **less efficient service** for members.

Different types of capital

Before discussing how to measure and strengthen your capital base, it's important to define the different forms that capital takes. The key terms are in italics, for easy identification.

Working capital is the money a business has available to invest in itself, so it can provide regular inventory and services or improve its facilities and equipment. It comes from two distinct sources: **liabilities** and **equity**.

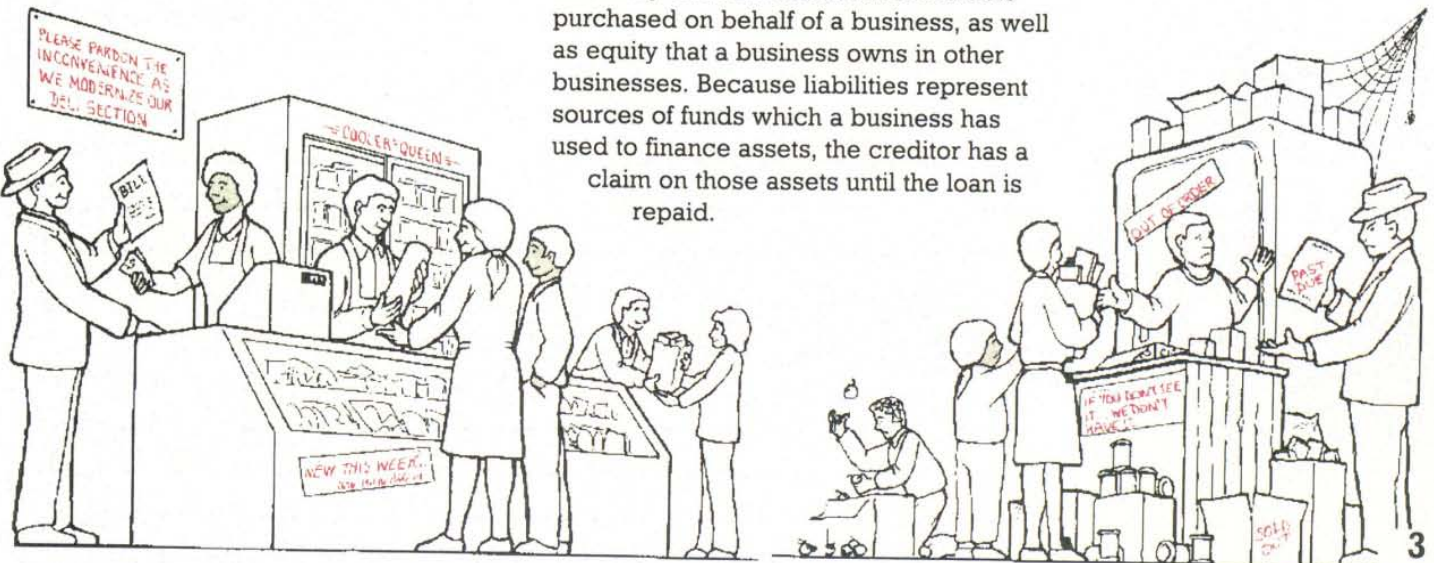
Liabilities refers to capital that is not yet paid to creditors, such as debts to financial institutions, suppliers, builders, service providers, etc. Accounts payable and taxes also are liabilities.

Equity is capital that is provided by a business or its owners. Part of equity is composed of the **accumulated net earnings** of a business. Part may be composed of money invested by co-op members who purchase refundable **member shares**.

At most businesses, the **gross margin** made from the amount charged over the wholesale cost of the goods pays for wages, rent, heat and other regular overhead expenses.

When a business generates more money than it needs to pay expenses, it generates **net income**.

Assets the properties, equipment, inventory cash and accounts receivable purchased on behalf of a business, as well as equity that a business owns in other businesses. Because liabilities represent sources of funds which a business has used to finance assets, the creditor has a claim on those assets until the loan is repaid.



2. Sources of Capital

Just as there are different types of capital, there are different sources of capital.

Capital can come from profit, it can come from loans, and it can come from co-op members or owners, in the form of member shares. There are advantages and disadvantages to each source.

A. Profits

Profit is the difference between sales and operating expenses.

Advantages

- Profits are easy to implement (assuming profitable operations)
- They are usually on-going
- They require no explanation to members
- There are no administrative costs attached



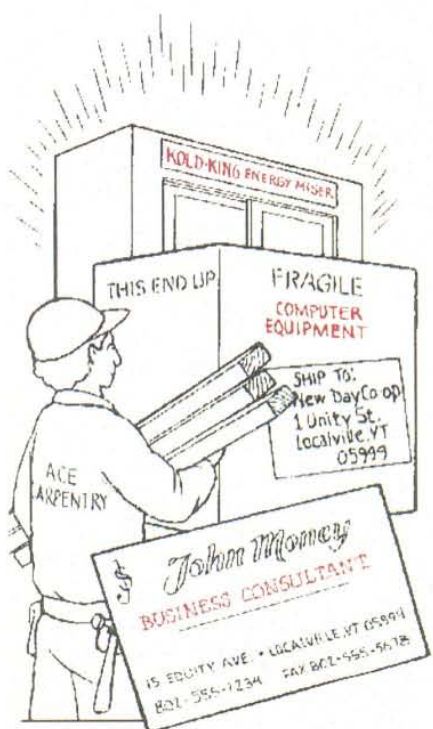
Future Capital Needs

What are the improvements your co-op needs? List them below, in the order of their priority, along with the estimated amount of capital each would require and the date by which you would like the improvement made. Remember to include consulting or other professional services, as well as material improvements. Mark with an asterisk (*) the ones you are confident will be covered by your net income. You'll use this information later for financial planning.

We need:

This will cost:

We want this by:



Disadvantages

- Profits are taxed at state and federal levels
- They are unpredictable, especially in times of inflation and growth
- They do not generate ownership by members in the co-op
- Showing profit does not, by itself, provide loan leverage with a bank

B. Loans

Loans consist of capital that is borrowed from a bank, a lending institution or an individual. Usually loans are paid back over time, with interest.

Advantages

- Loans usually are long term
- They come with predictable terms and conditions
- They are generally targeted for specific uses
- Loan capital is obtained immediately and all at once

Disadvantages

- The interest cost on loans makes them more expensive than member shares
- Banks can dictate loan terms to the co-op or call in a loan
- They may sometimes require other costs, e.g. a full audit
- The more in debt a co-op is, the less the member investors own it



C. Membership Shares and Investments

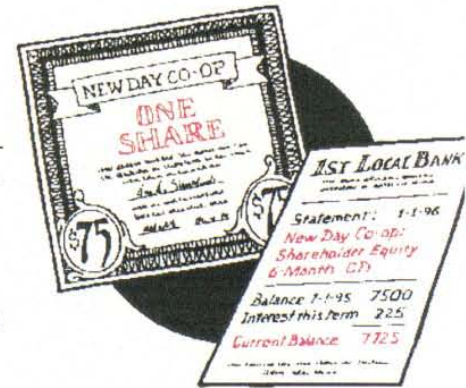
Member shares are money invested by members to belong to the co-op. The shares, as investments, are refundable to the member upon termination of membership. They represent the financial foundation of the co-op.

Advantages

- Membership shares increase assets and provide the capital base needed to leverage loans
- They provide an interest-free and non-taxable source of funds
- They are relatively easy to implement
- The shares are returnable to members when they leave the co-op
- They can be targeted for specific use
- They are a common method of building equity that will be familiar to many members
- They are capable of providing a sizeable basis of funds
- They provide members with direct ownership
- They generally provide interest-free money

Disadvantages

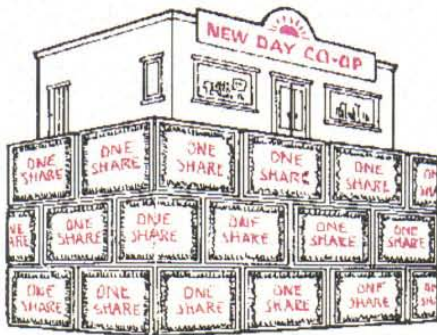
- Membership shares require some member education and explanation
- They require careful legal work to make sure shares are not subject to security laws
- They must be carefully administered and necessitate careful record-keeping
- Members can lose their investments if a co-op is poorly managed
- It is unpredictable when members will withdraw and require repurchase of shares



3. Investing In A Co-Op Through Member Shares

Equity is Crucial to a Co-op's Well being

Member shares consist of the capital your co-op owns. The more equity you accumulate, the stronger the foundation upon which your co-op can be built. Equity is, literally and figuratively, the life blood of your co-op. Here are three important equity benefits:



1. If you need to borrow capital to invest in new assets—cash registers, new refrigerators, expanded inventory and renovations, for example—lenders usually will require you to have a certain amount of equity financing to supplement the debt capital. The larger your ratio of equity financing to other sources of capital, the more likely your co-op will be able to borrow additional capital from conventional sources.

2. Capital raised through your members' investments in shares may be used to directly purchase assets or make business improvements. **By paying with equity and not borrowing money, your co-op avoids paying loan interest.** This ultimately saves your co-op and customers money and it makes your business more profitable!

3. Cash is crucial to your co-op's long-term economic stability. For example, adequate member investments will help your co-op **to assure sufficient cash reserves in times of economic downturn or other economic distress.**

4. Last, but not least: Equity is **tax free!** Other methods of raising capital—from marking up wholesale goods to collecting yearly membership fees—are all taxable.

Dangers of Debt Financing

An over-reliance on loans can lead to:

- high accounts payable and problems with creditors
- the risk of penalty charges and high debt service interest rates
- an inability to leverage more financing when needed, especially when lenders see that the co-op owners have not made a significant investment themselves

Worksheet: Your Co-Op's Current Assets, Liabilities And Equity

The relationship in a cooperative business between equity, liability and assets can be expressed in the following basic accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Total Equity}$$

Let's apply the equation to **your** co-op! Obtain the financial information requested from your bookkeeper:

1. What are your liabilities? List them:

Debt

accounts payable _____

bank loans _____

Amounts Payable

taxes payable _____

other _____

TOTAL LIABILITIES _____

2. What is your total equity? Remember that equity is capital that is provided by the business and/or its owners. Part of equity is composed of the accumulated total of the business' net income (or retained earnings). Part is composed of member shares, money invested by the co-op's members.

List the value of each item below:

Retained Earnings

accumulated earnings _____

year-to-date earnings _____

Member Shares

shares _____

investments, stock,
donations, other _____

TOTAL EQUITY _____

Now, add your liabilities to your total equity.

$$\underline{\hspace{2cm}} \text{ liabilities} + \underline{\hspace{2cm}} \text{ total equity} = \underline{\hspace{2cm}} \text{ assets}$$

How does the sum of liabilities and total equity relate to assets? It tells us where the money comes from to finance a co-op's assets.

4. Some Important Equity Bench Marks

There are three bench marks by which you may measure the financial health of your co-op: the Debt/Equity Ratio, the Minimum Equity Ratio and the Member Share Ratio.

These bench marks are general; they are meant to serve as guidelines, not ironclad requirements.

A. Debt/Equity Ratio: This ratio compares the degree to which your business is operating on its own capital as opposed to external financing. The experts consulted for this book agreed **two dollars of debt to each dollar of equity (2:1)** is a healthy bench mark.

Determine **your** debt/equity ratio by completing the following exercise:

1. Carry forward the amount of your total members' equity, as recorded in Section 3.:

2. Carry forward the amount of your total liabilities (debt), as recorded in Section 3.:

3. Determine your debt/equity ratio by dividing your total liabilities by your **total** equity.

_____ divided by _____ = _____
total liabilities total equity

Now, fill in the blank below with your answer

_____ : 1 = debt/equity ratio

For example, if you have 150,000 of equity and 100,000 of debt, your ratio is:

$$\frac{\$300,000}{\$150,000} = 2:1$$

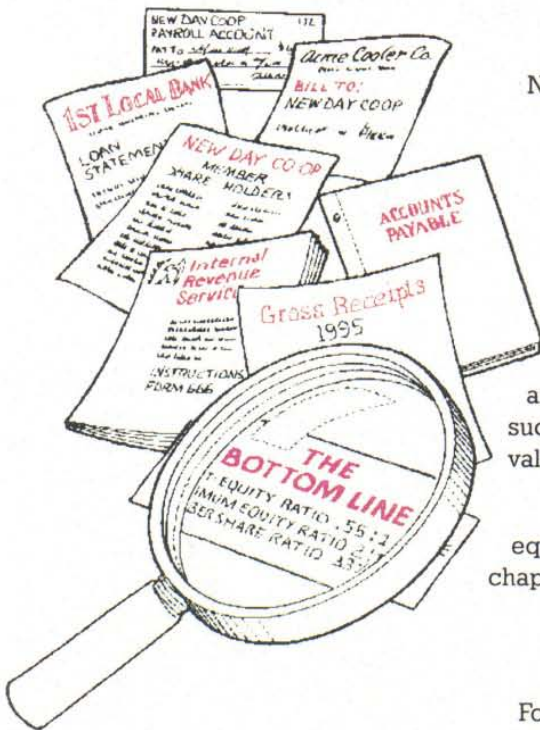
B. Minimum Equity Ratio: This ratio will tell you how much of your assets are funded by retained earnings and member investments. According to surveys of successful co-ops, total equity should equal approximately a third to a half of the value of a co-op's assets.

To determine how much of your assets consist of equity, simply divide your total equity by your total assets (You have already listed your total equity and assets, in chapter 3) :

_____ divided by _____ = _____
total equity total assets

For example, if your total equity is \$110,000 and your total assets value is \$220,000:

$$\frac{\$110,000}{\$220,000} = .5 \text{ or Half}$$



C. Member Share Ratio: This ratio will tell you how much of your assets are funded by member investment, in the form of member shares. There are varying opinions about how much membership investment a co-op needs to be financially stable, but the experts we consulted felt that a co-op's member shares should add up to a figure that is equal to **at least 22% to 30% of its total assets.**

Determine the ratio of your member share value to your total assets by completing the following exercise (Refer to Chapter 3 to for the figures you need):

$$\frac{\text{value of your member shares}}{\text{total assets}} = \frac{\text{}}{\text{}} \%$$

For example, if you have total assets of \$180,000 and your member shares total value is \$60,000:

$$\frac{\$60,000}{\$180,000} = .333 \text{ or } 33.3\%$$

Evaluating Your Equity Plan And Needs

All three of the equity benchmarks presuppose an adequate equity base. There are two basic strategies your co-op can follow to increase your minimum equity ratio and make your co-op more financially stable. You could try to increase your co-op's profitability. And/or you could try to increase the level of member investment in your co-op.

The first idea—increasing profitability—can be addressed with approaches that your co-op is probably already pursuing: Cutting expenses, increasing sales, and increasing margins through better buying or price increases. Each solution has inherent benefits and problems. For instance, cutting expenses may mean cutting services or ignoring badly-needed improvements. Your volume may not be large enough to achieve margin through better buying. Raising prices may make your store less attractive to shoppers

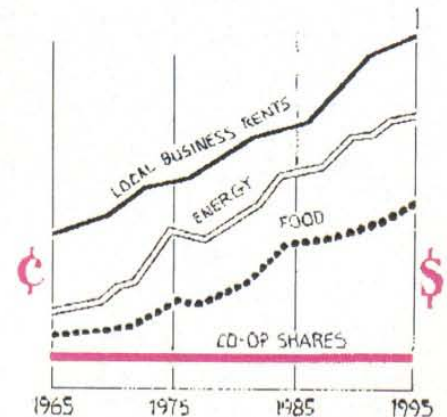
and drive away some business. Finally, increasing sales without significant capital improvements is usually a difficult, long-term effort.

On the other hand, the second strategy—to increase member investment—ultimately can help your co-op to become a more attractive place to shop. A strong base of capital will allow you to keep your prices competitive, even as you up-grade your services through expansion, remodeling, replacing equipment, etc.

Dollars and Sense

Some co-ops have never increased the price of their membership shares. This is true of some co-ops founded more than 20 years ago. Other co-ops have not increased their membership investment requirement in five years or more.

This is not necessarily bad! However, if a co-op has insufficient capital, then it would make good business sense to consider raising member investment to improve the financial condition of the business.



5. UNDERSTANDING YOUR CO-OP'S EQUITY SYSTEM

More about member shares

In a privately-owned supermarket, owners and investors put up their own capital or borrow the cash needed to start or expand a store. They are entitled to a share of the business' profits proportional to their investment. The store's equity belongs to those owners and investors, and they have the ultimate authority to make all business decisions.

Co-ops are set-up to exclude private ownership and limit investing-for-profit. Co-op members co-operatively own and democratically control a store. In return for these rights, members are required to invest in their co-op. The simplest system for a member to invest is by purchasing a member share. This investment entitles each member to one vote on co-op policy decisions. Typically, the members do not expect a monetary return on their investment, although they are usually entitled to shopper discounts and similar benefits. In an ideal program, when members leave a co-op, their investment is returned, on a schedule determined by the co-op's board of directors.

Private investment is legally prohibited in co-ops, so the purchase of member shares is a major source of generating working capital for a business. There is usually no interest payment involved, as with loans: because of this, most experts consider the cash generated through membership shares the best source of equity. If interest on member payment is paid, it usually will be lower than interest on bank loans.

The Co-op Difference: "We Own It!"

People who invest in a co-op do so because they—in one way or another—

support the ideals of cooperative business. Investment in a co-op solidifies ownership. Not only that, many take pride in patronizing a business they own. Many cherish the direct and equitable (one member, one vote) voice that they have in co-op business decisions and the independence to create the types of services the co-op community wants and needs.

Consumer ownership is what forming a co-op is all about. Not only does it make you an owner, it helps your co-op to be the special place it is, much more than a conventional grocery store or supermarket!

General Guidelines for a Member Equity System

Aside from the question of how much investment to require of your members, co-ops must face the issue of how they will make their member system work. Although there is flexibility in the member equity system, there are important issues to address and requirements to meet. Here are nine guidelines to consider when setting up or modifying your system:

1. Shares must be clearly defined as the property of members. If more than one individual is allowed to be on one membership, the membership needs to be clearly defined as the joint (non-divisible) property of those members.

2. Membership cards or other certification should be issued as evidence of a member's investment. (Some states require member certificates.)

3. The same investment requirement should apply to all members, whether they are individuals, households, seniors, etc.

4. Co-op investment requirements should be set so that they meet the co-op's needs for the foreseeable future (10-15 years, at least). Investments should be in amounts that are manageable for members yet significant enough to create an



adequate capital base. Allow a few choices for making payments, while keeping the options simple. Members do not have to purchase the share with one payment.

5. It is reasonable to assess a fee for keeping track of membership records. It's recommended that a fee be assessed upon termination rather than upon joining.

6. Member shares should be fully refundable upon membership termination. In other words, the co-op purchases the membership share back from the member. It is recommended that co-ops make repayment contingent upon receipt of replacement capital. Repayment requests can be processed on a monthly basis, up to the amount of new membership share capital received by the co-op that month.

7. Although member shares resemble stock in a corporation, they are not subject to security regulations as long as precise conditions are met (e.g. member shares should not be transferrable from one member to an individual.) A lawyer familiar with co-op security laws should review your bylaws and membership documents.

8. Keep your membership system simple, so members can easily understand it. Keep administrative systems simple so you can track investments easily.



6. A Case Study: The Brattleboro Food Coop

It is instructive to take a close look at the process that the Brattleboro (Vermont) Food Co-op employed when planning for and introducing an increase in membership investment.

Identifying Strategies for Change

A committee of co-op board members and staff identified the co-op's future capital needs and outlined strategies for meeting them. An increase in the membership investment requirement was identified as a critical priority in an October 1993 report to the board. The committee was then empowered to recommend a plan for the increase.

The committee discovered that nationally membership shares in co-ops of comparable size to Brattleboro cost between \$60 to \$200, yet Brattleboro's membership requirement was only \$40! The co-op's membership shares comprised just 15 percent of its assets. Therefore, the committee recommended that the Board raise the membership requirement from \$40 to \$80. The Board voted to accept this recommendation and, per the co-op bylaws, planned to seek ratification by ballot at the next annual meeting.

Informing the Membership

Before the plan was formally announced, however, the need for the increase was discussed in several monthly newsletters. Several weeks before the Annual Meeting, members received a mailing that featured an informational brochure describing the need for more equity and a letter from the Board presi-



dent outlining the proposal. The letter detailed several options for paying the increase over time.

Flyers featuring member testimonials supporting the increase and additional information on the increase were distributed as customers paid for their groceries. An information table, with literature—and informed volunteers to answer questions—was set up in the store for two weeks prior to the vote. In addition, posters highlighting the need for the increase were displayed throughout the co-op.

Dealing with opposition

Despite this carefully planned grassroots education campaign, some members complained that they could not understand why they were being asked to pay more in order to be able to shop at the co-op. A few members, especially those who belonged to another local co-op with a lower membership share amount, chose to withdraw their share rather than pay the increase (they still shop at the co-op and receive the basic member discount, through Brattleboro's reciprocal shopping arrangements with other co-ops.)

The opposition to the proposal was expressed in a lively yet respectful debate at the Brattleboro Co-op's May, 1994, members' meeting. However, a comfortable majority of the members at the meeting—67 percent—voted to increase their required membership investment from \$40

to \$80. Ultimately, even some of those members who disagreed with the increase said that they appreciated the board's efforts to educate them on the issue.

Although they recognize that you can't please all of the people all of the time, the Brattleboro Co-op continuously works to educate customers and members about member investment. Whenever there are capital improvements to the store, for example, signs proclaim "YOUR EQUITY DOLLARS AT WORK," reinforcing the concept that investment benefits the members.

The Moral of the Story

Education and openness are cornerstones of a successful strategy for changing membership investment requirements. The Brattleboro consumer members went to their annual meeting well informed about the need for the increase. They understood what they were voting for and how the additional equity would benefit their co-op.

And now that the share investment has been increased, co-op management is constantly reminding members of the co-op's increased stability. Members understand that their co-op's significant net gain in member investment has translated into the hoped for improvements. There is more cash-on-hand in the bank and enough equity to assure the bank loans for continuous repairs and improvements.

Checklist For Change

Here's a checklist for the steps your co-op can take to successfully introduce a change in your own membership requirements.

___ Establish and document your need for additional equity through a process that includes all your co-op's constituents.

___ Form a committee that includes staff, board and general co-op members to consider the issue. Present findings to full board.

___ Establish the amount of the increase; create an installment plan for members to pay the increase.

___ Educate members about your financial needs and challenges in your newsletter and at your meetings.

___ Send an informational mailing to members that clearly explains the need for the increase, describes the proposed payment plan and announces the date of a membership meeting to vote on the issue.

___ In the weeks prior to the vote, plan a special informational meeting and/or information table (staffed by board) at your co-op that will disseminate information about the increase.

___ Prepare signs and other informational displays.

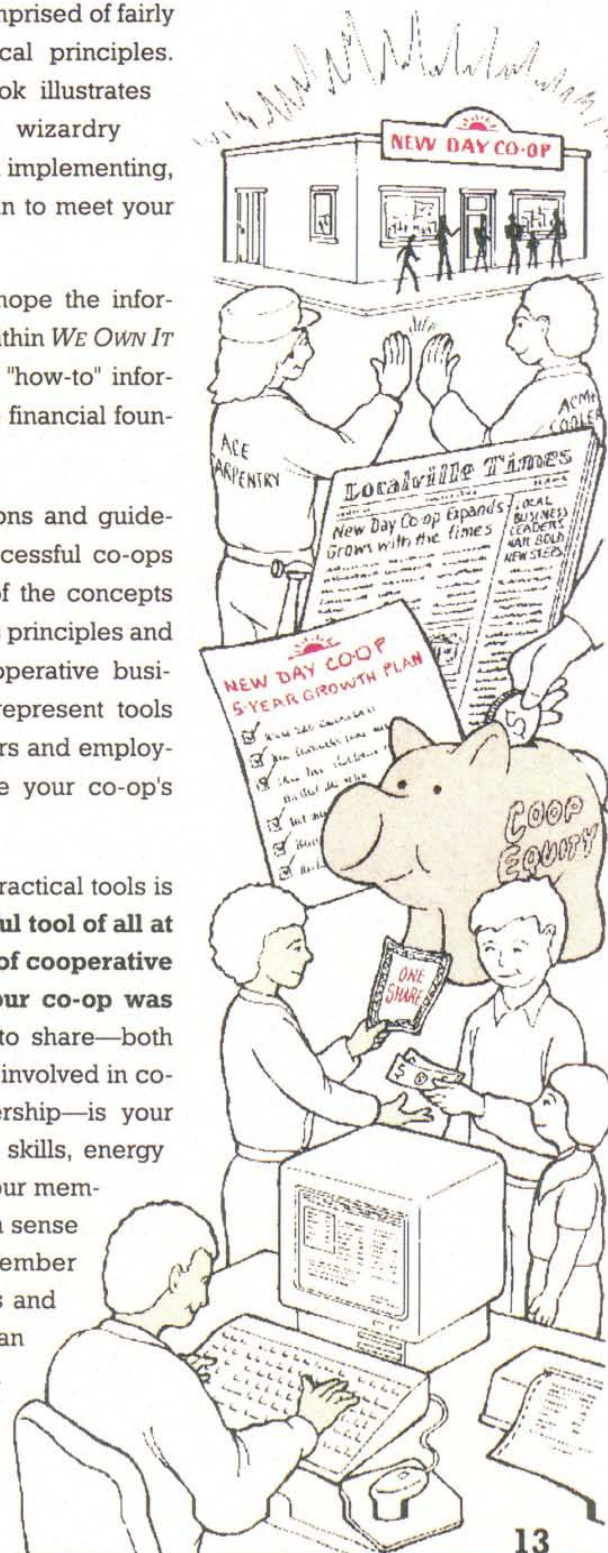
7. You Can Do It!

The concept of member equity—the cornerstone of a co-op's health and growth—is comprised of fairly straightforward and practical principles. We hope that this workbook illustrates that there is no financial wizardry involved in planning for, and implementing, a sound member equity plan to meet your co-op's financial needs.

Most importantly, we hope the information and the exercises within *WE OWN IT* provide you with important "how-to" information on strengthening the financial foundation of your co-op.

These ideas, suggestions and guidelines are gleaned from successful co-ops across the country. Some of the concepts are based on basic business principles and some are particular to cooperative businesses. Collectively, they represent tools you and your co-op members and employees can use to help insure your co-op's long term economic health.

While each of these practical tools is important, **the most powerful tool of all at your disposal is the spirit of cooperative enterprise upon which your co-op was founded.** This willingness to share—both the pride and responsibility involved in co-op membership and ownership—is your greatest asset. Tap into the skills, energy and co-operative spirit of your members and utilize the common sense principles of a sound member equity plan. Use these tools and there are few barriers that can prevent you from creating a bright future for your co-operative!



8. Planning for the Future

Worksheet: Building a Strategy to Meet Future Equity Needs

You may be planning some major changes in your store design. Or planning to buy new equipment. What will they cost?

And once you know the amount you'll need to cover your future plans, you'll need to answer this important question: "How will we raise the money?"

Will you borrow money? If so, how much? On what basis would potential lenders make a loan to your co-op?

Complete the worksheet below, referring to the example to the right of the page to guide you:

This work sheet projects your co-op's growth, improvements and financial needs ___ years from today.

At that time, your membership will be _____

Your member shares currently cost \$ _____

1A. What will your total assets be at the time of your planned improvements? (see Section 3, page 7)
\$ _____

1B. What are the projected costs of store changes and purchases, from your "wish list" (see page 4):
\$ _____

1C. Projected total future assets (1A + 1B)
\$ _____

2A. What is your estimate of your retained earnings on the date when you will need the money for the all of the items on your wish list, assuming your current financial forecasts?
\$ _____

2B. Under your current member plan, what do you estimate as the value of your member shares on this date?
\$ _____

2C. Total projected equity (2A + 2B)
\$ _____

3. Total projected liabilities (1C - 2C)
\$ _____

Even if you are planning to borrow money, you may wish also to increase your member equity. As we have seen, the best way is to raise the investment required. How large an investment increase will you ask your members to make?

This worksheet will help you answer these questions and utilize the information in earlier chapters to build a strategy for meeting your co-op's financial needs.

Here is a hypothetical example, for the *New Day Co-op*, to guide you in your own planning:

This work sheet projects your co-op's growth, improvements and financial needs 3 years from today.

At that time, your membership will be	<u>1,000</u>
Your member shares currently cost	\$ <u>15</u>
1A. What will your total assets be at the time of your planned improvements? (see Section 3, page 7)	\$ <u>215,000</u>
1B. What are the projected costs of store changes and purchases, from your "wish list" (see page 4):	\$ <u>25,000</u>
1C. Projected total future assets (1A + 1B)	\$ <u>240,000</u>
2A. What is your estimate of your retained earnings on the date when you will need the money for all of the items on your wish list, assuming your current financial forecasts?	\$ <u>75,000</u>
2B. Under your current member plan, what do you estimate as the value of your member shares on this date?	\$ <u>15,000</u>
2C. Total projected equity (2A + 2B)	\$ <u>90,000</u>
3. Total projected liabilities (1C - 2C)	\$ <u>150,000</u>

Consult Section 4 for information on how to determine these percentages and ratios:

3. What will your Debt/Equity Ratio be according to the above scenario?

_____ : 1

4. What percentage of your assets will consist of equity?

_____ %

5. How much of your total assets will consist of member shares?

_____ %

If your projected percentages and ratios do not measure up to the equity benchmarks, work out a plan to raise the cost of membership shares and/or to borrow money that will bring your figures in line with the benchmarks. Use the space below:

• If you are raising capital with a loan, write the loan amount here:

\$ _____

• If you are increasing the cost of a member share, what will the new cost be?

\$ _____

• Record the new total value of your member shares:

\$ _____

• Record the new figure for your total equity:

\$ _____

Record the new figure for your total liabilities:

\$ _____

6. What will your new Debt/Equity Ratio be?

_____ : 1

7. What percentage of your assets will consist of equity:

_____ %

8. How much of your total assets will consist of member shares?

_____ %

Consult Section 4 for information on how to determine these percentages and ratios:

		Bench Mark	
3. What will your Debt/Equity Ratio according to the above scenario?	<u>1.67</u> : 1	2:1	$\frac{150,000}{90,000} = 1.666$
4. What percentage of your assets will consist of equity?	<u>37.5</u> %	30% to 50%	$\frac{90,000}{240,000} = .375$
5. How much of your total assets will consist of member shares?	<u>6.25</u> %	22 to 30%	$\frac{15,000}{240,000} = .0625$

If your projected percentages and ratios do not measure up the bench marks, work out a plan to raise the cost of membership shares and/or to borrow money that will bring your figures in line with the bench marks. Use the space below:

• If you are raising capital with a loan, write the loan amount here:

\$ _____

• If you are increasing the cost of a member share, what will the new cost be?

\$ 60.00

• Record the new total value of your member shares:

\$ 60,000

(\$60 x 1,000)

• Record the new figure for your total equity:

\$ \$135,000

(\$75,000 + \$60,000)

Record the new figure for your total liabilities:

\$ \$115,000

\$240,000 - \$135,000

6. What will your new Debt/Equity Ratio be?

.85 : 1

$\frac{115,000}{240,000}$

7. What percentage of your assets will consist of equity:

56.25 %

$\frac{135,000}{240,000} = .5625$

8. How much of your total assets will consist of member shares?

25 %

$\frac{60,000}{240,000} = .25$

Northeast



Cooperatives

Brattleboro, Vermont