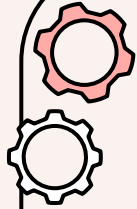


Introduction to Worker Cooperative Finances



Thrive Consultancy Inc.
Benefit Corporation



Disclaimer

This is an informational session designed to help you understand the financial statements of your cooperative business.

The presenter is neither an attorney or a CPA and is presenting this information solely for the basis of informational purposes.

None of the information contained within this presentation should be construed as legal or tax advice.



Key Topics

Cash Basis vs Accrual Basis

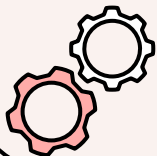
Financial Statements

- Profit & Loss/Income Statement
- Balance Sheet
- Cash Flow

Equity

Profit vs Surplus

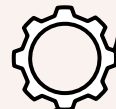
Patronage/Ownership Dividend/Shares

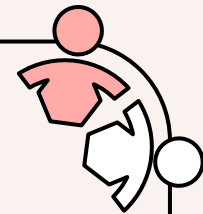


Information compiled from various sources, including Cooperative Development Institute, Cooperation Works!, and Democracy at Work Institute.



Thrive Consultancy Inc.
Benefit Corporation

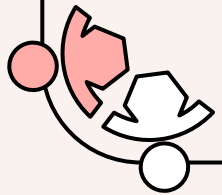


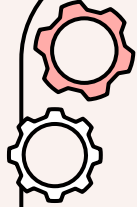


Context – Worker Cooperative Business Model

Worker-owned cooperatives are **values-driven businesses** that put **worker and community benefits** at the core of their purpose.

In contrast to conventional companies, workers at worker cooperatives **participate in the profits, oversight, and management of the business using democratic practices.**





Cash Basis vs Accrual Basis

The time various financial transactions are recorded

CASH

- Income is recorded when the money comes in the bank account
- Expenses are recorded when the money comes out of the bank account
- EXAMPLE: a check register

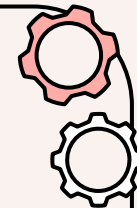
ACCRUAL

- Income is recorded when you issue your customer an invoice
 - Invoices stay in accounts receivable (A/R) until they are paid.
- Expenses are recorded when you enter a bill from your vendor
 - Invoices stay in accounts payable (A/P) until they are paid
- EXAMPLE: a credit card (kind of)



Cash Basis vs Accrual Basis

The time various financial transactions are recorded



	Cash Basis	Accrual Basis
Income recorded when...	Money actually comes into the bank account	When a sale is made/invoice is generated and sent to customer
Expenses recorded when...	Money actually comes out of bank account	When an expense is incurred/invoice is generated and given to you
Chart of accounts will have...		Accounts Receivable and Accounts Payable
Example	Check register	Credit card (kind of)

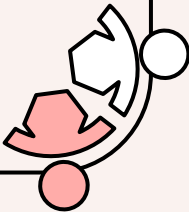




Financial Statements

Telling a story with the numbers. Information is useful in relationship to other information

- Make comparisons
 - Over time
 - Within the financial statement
 - Both at once (within the statement AND over time)
- Most useful comparison is with reality and should always be in dialogue with operations
 - Does the statement confirm or explain your experience running the business?
 - What questions does it answer?
 - What questions does it suggest?
 - What data is missing?



Financial Statements

Profit & Loss / Income Statement

Provides an overview of revenues, expenses, gross profit and net profit.

Revenue can be from sales of products/services but can also be sales of assets and/or interest income.

Grants would be considered 'other income' and may be taxable.

Expenses include cost of goods/services AND ongoing operating expenses

Balance Sheet

Provides an overview of the company's assets, liabilities, and shareholders equity.

Assets are items of value a company owns.

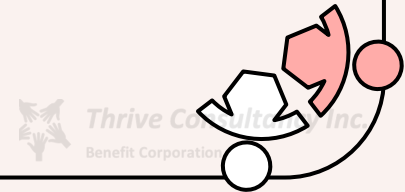
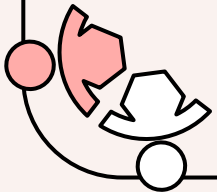
Liabilities are things that the business owes or has borrowed and needs to repay.

Equity is a company's net worth or the amount that shareholders would get if the business closed after paying off all its debts.

Cash Flow Statement

Tracks the inflow and outflow of cash.

It is complementary to the Balance Sheet & Profit & Loss.



Financial Statements (Examples)

Profit & Loss / Income Statement

PW Audio Supply, Inc.		
Income Statement		
For the Year Ended December 31, 2027		
	Sales	
	Sales revenue	\$480,000
Calculation of gross profit	Less: Sales returns and allowances	\$12,000
	Sales discounts	<u>8,000</u>
	Net sales	460,000
	Cost of goods sold	<u>316,000</u>
	Gross profit	144,000
	Operating expenses	
Calculation of income from operations	Salaries and wages expense	64,000
	Utilities expense	17,000
	Advertising expense	16,000
	Depreciation expense	8,000
	Freight-out	7,000
	Insurance expense	<u>2,000</u>
	Total operating expenses	<u>114,000</u>
	Income from operations	30,000
	Other revenues and gains	
Results of nonoperating activities	Interest revenue	3,000
	Gain on disposal of plant assets	<u>600</u>
		3,600
	Other expenses and losses	
	Interest expense	1,800
	Casualty loss from vandalism	<u>200</u>
		2,000
	Net income	<u>\$ 31,600</u>

Balance Sheet

Franklin Company		
Balance Sheet		
October 31, 2027		
Assets		
Current assets		
Cash	\$ 6,600	
Debt investments	2,000	
Accounts receivable	7,000	
Notes receivable	1,000	
Inventory	3,000	
Supplies	2,100	
Prepaid insurance	<u>400</u>	
Total current assets		\$22,100
Long-term investments		
Stock investments	5,200	
Investment in real estate	<u>2,000</u>	7,200
Property, plant, and equipment		
Land	10,000	
Equipment	\$24,000	
Less: Accumulated depreciation— equipment	<u>5,000</u>	19,000
29,000		29,000
Intangible assets		
Patents		<u>3,100</u>
Total assets		<u>\$61,400</u>
Liabilities and Owner's Equity		
Current liabilities		
Notes payable	\$11,000	
Accounts payable	2,100	
Unearned service revenue	900	
Salaries and wages payable	1,600	
Interest payable	<u>450</u>	
Total current liabilities		\$16,050
Long-term liabilities		
Mortgage payable	10,000	
Notes payable	<u>1,300</u>	
Total long-term liabilities		11,300
Total liabilities		27,350
Owner's equity		
Owner's capital		<u>34,050</u>
Total liabilities and owner's equity		<u>\$61,400</u>

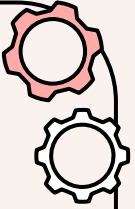
Financial Statements (Examples)

Cash Flow Statement

Chicago Corporation Statement of Cash Flows—Indirect Method For the Year Ended December 31, 2027		
Cash flows from operating activities		
Net income		\$ 19,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	\$ 8,100	
Loss on disposal of plant assets	1,300	
Decrease in accounts receivable	6,900	
Increase in inventory	(4,000)	
Decrease in accounts payable	<u>(2,000)</u>	<u>10,300</u>
Net cash provided by operating activities		29,300
Cash flows from investing activities		
Sale of investments	1,100	
Purchase of equipment	<u>(19,000)</u>	
Net cash used by investing activities		(17,900)
Cash flows from financing activities		
Issuance of common stock	10,000	
Payment on long-term note payable	(5,000)	
Payment of cash dividends	<u>(9,000)</u>	
Net cash used by financing activities		<u>(4,000)</u>
Net increase in cash		7,400
Cash at beginning of year		10,000
Cash at end of year		<u>\$ 17,400</u>

Financial Statements – Profit & Loss/Income Statement

Statement that summarizes the revenues, costs and expenses incurred during a specific time period.



Profit & Loss

For period: Q1 2023

Sales & Revenues.....	\$\$\$
	(-)
Cost of Goods Sold.....	\$\$
	=
Gross Profit.....	\$\$
	(-)
Operating Expenses.....	\$\$\$
	=
Operating Income.....	\$\$
	(-)
Taxes & Other	\$\$
	=
Net Profit.....	\$\$

Sales & Revenues

(minus)

Cost of Goods Sold

[equals]

Gross Profit

Gross Profit

(minus)

Operating Expenses

[equals]

Operating income

Operating income

(minus)

Interest, taxes, depreciation, amortization

[equals]

Net Profit/Loss





Financial Statements - Balance Sheet

Statement that summarizes a company's assets, liabilities and shareholder equity at a specific point in time.

Balance Sheet

As of March 31, 2023

Assets

Current Assets.....	\$\$
Other Assets.....	\$\$
Total Assets.....	\$\$\$

Liabilities & Owner Equity

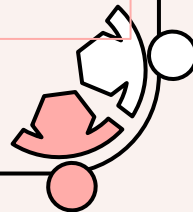
Current Liabilities.....	\$\$
Other Liabilities.....	\$\$

Owner Equity.....	\$\$
Retained Earnings.....	\$\$
Total Liabilities & OE.....	\$\$\$

Assets - What a company owns

Can be current (used within 1-year) or long term (to be used for longer than 1 year)

- **Cash**
- **Accounts Receivable**
- **Inventory**
- **Property, Plant & Equipment**
- **Vehicles**



Financial Statements – Balance Sheet

Statement that summarizes a company's assets, liabilities and shareholder equity at a specific point in time.

Balance Sheet

As of March 31, 2023

Assets

Current Assets.....	\$\$
Other Assets.....	\$\$
Total Assets.....	\$\$\$

Liabilities & Owner Equity

Current Liabilities.....	\$\$
Other Liabilities.....	\$\$

Owner Equity.....	\$\$
Retained Earnings.....	\$\$
Total Liabilities & OE.....	\$\$\$

Liabilities/Equity - How the company paid for/is paying for those assets

Liabilities - an obligation between one party and another not yet completed or paid for.

- **Wages Payable**
- **Interest Payable**
- **Unearned Revenues**
- **Debt (long or short term)**



Financial Statements – Balance Sheet

Statement that summarizes a company's assets, liabilities and shareholder equity at a specific point in time.

Balance Sheet

As of March 31, 2023

Assets

Current Assets.....	\$\$
Other Assets.....	\$\$
Total Assets.....	\$\$\$

Liabilities & Owner Equity

Current Liabilities.....	\$\$
Other Liabilities.....	\$\$

Owner Equity.....	\$\$
Retained Earnings.....	\$\$
Total Liabilities & OE.....	\$\$\$

Liabilities/Equity - How the company paid for/is paying for those assets

Equity - money attributable to the owners and/or shareholders of a company

Retained earnings - the net earnings a company has accumulated over time. Can either be reinvested into the company or used to pay off liabilities/debt.



Financial Statements – Balance Sheet

Statement that summarizes a company's assets, liabilities and shareholder equity at a specific point in time.

Balance Sheet

As of March 31, 2023

Assets

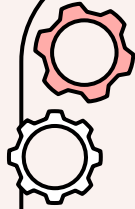
Current Assets.....	\$\$
Other Assets.....	\$\$
Total Assets.....	\$\$\$

Liabilities & Owner Equity

Current Liabilities.....	\$\$
Other Liabilities.....	\$\$
Owner Equity.....	\$\$
Retained Earnings.....	\$\$
Total Liabilities & OE.....	\$\$\$

Total Assets
must match
with Total Liabilities
& Owner's Equity





Financial Statements – Cash Flow Statement

Statement that summarizes the amount of cash and cash equivalents entering and leaving a company. It is a complementary statement to the P&L and Balance sheet.

Cash Flow Statement

For period ended: Q1 2023

Net Earnings.....\$\$

Additions to Cash.....\$\$

Subtractions from Cash.....\$\$

Net Cash from Operations.....\$\$

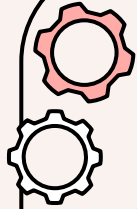
Cash Flow from Investing.....\$\$

Cash Flow from Financing.....\$\$

Cash Flow

for period ended 03/31/23.....\$\$

- Cash is NOT the same as net income or profit.
 - Net income/profit can be seen on the P&L
- The Cash Flow Statement does not include the amount of future incoming and outgoing cash that has been recorded on the P&L as revenues and expenses.
- If a company uses the accrual method of accounting (in which revenue is recognized as it is earned rather than when it is received), there will be a disconnect between net income and actual cash flow. A cash flow statement will be useful to help monitor the cash position.



Financial Statements – Cash Flow Statement

Statement that summarizes the amount of cash and cash equivalents entering and leaving a company. It is a complementary statement to the P&L and Balance sheet.

Cash Flow Statement

For period ended: Q1 2023

Net Earnings.....\$\$

Additions to Cash.....\$\$

Subtractions from Cash.....\$\$

Net Cash from Operations.....\$\$

Cash Flow from Investing.....\$\$

Cash Flow from Financing.....\$\$

Cash Flow

for period ended 03/31/23.....\$\$

Transactions that affect Cash Flow but are not on P&L:

- Equity contributions
- Principal payments on debt
- Equipment purchase

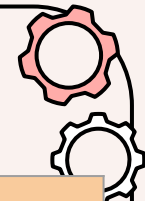
Transactions on the P&L that do not affect Cash Flow:

- Invoiced income → A/R
- Billed expenses → A/P
- Depreciation (a non-cash expense)



Financial Ratios

Use financial ratios to decipher what your financial statements are telling you.



Ratio	Elements	Explanation	Question
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	For every \$1.00 in current liabilities you have X amount of assets. A ratio < 1.00 may indicate debts due in 1 year or less are greater than assets available	Could you pay your current debt tomorrow?
Labor to Sales Ratio	$\frac{\text{Total Labor}}{\text{Total Sales}}$	For every \$1.00 in sales you will need X amount in labor	How much labor do you need to produce your sales?
% Change	$\frac{(\text{This qtr} - \text{Last qtr})}{\text{Last qtr}}$	Percentage change from one time period to the next	What increased and decreased over time?
% of Sales	$\frac{\text{Sales type}}{\text{Total sales}}$	Percentage of different sales channels to total sales	What is your sales breakdown?



Financial Statements – Worker Cooperative Difference

The Equity section of the Balance Sheet is unique for Worker Cooperatives.

Balance Sheet

As of March 31, 2023

Assets

Current Assets.....	\$\$\$
Other Assets.....	\$\$
Total Assets.....	\$\$\$

Liabilities & Owner Equity

Current Liabilities.....	\$\$
Other Liabilities.....	\$\$

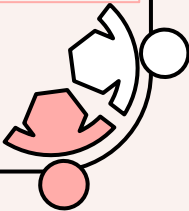
Owner Equity.....	\$\$\$
Retained Earnings.....	\$\$\$
Total Liabilities & OE.....	\$\$\$

Equity section of Balance Sheet will be made up of worker-owner equity accounts.

- These represent the amount of equity each worker-owner has in the company.

Retained earnings on Balance Sheet are generally lower for cooperatives.

There is an implicit relationship between labor costs and patronage/worker owner equity in a worker cooperative.





Worker Cooperative Ownership Structures

Worker owner equity accounts on the Balance Sheet are made up of initial buy-in and the retained patronage accumulated over time.

Member Capital Accounts

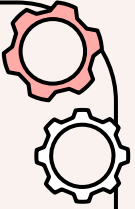
- Member equity (initial buy-in)
- Retained patronage

Patronage = Ownership dividend

- Wages are paid throughout the year to worker-owners (as workers)
- Annual surplus is distributed to worker-owners (as owners)
- Patronage distribution to worker-owners (as owners)
 - Part paid as cash (at least 20%)
 - Part retained in member capital accounts
 - Rules are laid out in cooperative bylaws
 - *Typically worker owners are taxed on entire patronage distribution, whether paid out in cash or retained by the cooperative in their capital account.*



Worker Cooperative Ownership Structures



Bylaws of the cooperative will determine how surplus and patronage dividends are handled.

ABC Cooperative

Profit & Loss

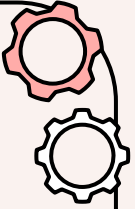
For period: FY 2023

Sales & Revenues.....	\$650,000
Cost of Goods Sold.....	\$250,000
Gross Profit.....	\$400,000
Operating Expenses.....	\$285,000
Operating Income.....	\$115,000
Taxes & Other	\$15,000
Net Profit.....	\$100,000

ABC Cooperative only has worker owner employees, so all of the net profit can be attributed to the worker owners.

- If ABC Cooperative had non-worker owner employees, the net profit would need to be split between the amount generated by non-worker owners and the amount generated by worker owners.
- Profit generated by non-worker owners would go back to the cooperative and would not be distributed directly to the worker owners

Worker Cooperative Ownership Structures



Bylaws of the cooperative will determine how surplus and patronage dividends are handled.

ABC Cooperative

Profit & Loss

For period: FY 2023

Sales & Revenues.....	\$650,000
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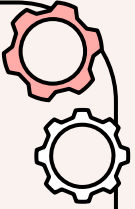
ABC Cooperative's by-laws state that 25% of any net profit would be retained by the cooperative, while the remaining 75% would be distributed to the worker owners.

When a distribution is made to worker owners, federal law states that at least 20% must be paid directly to the worker owner in cash so the worker owner can cover the taxes for the entire distribution.

The remaining amount (non cash distribution) will be held by the cooperative in the worker owners' equity account, which will accrue interest at a rate listed in the bylaws.



Worker Cooperative Ownership Structures



Bylaws of the cooperative will determine how surplus and patronage dividends are handled.

ABC Cooperative

Profit & Loss

For period: FY 2023

Sales & Revenues.....	\$650,000
Cost of Goods Sold.....	\$250,000
Gross Profit.....	\$400,000
Operating Expenses.....	\$285,000
Operating Income.....	\$115,000
Taxes & Other	\$15,000
Net Profit.....	\$100,000

25% of net profit retained by the cooperative

\$100,000 Net Profit

x 25%

\$25,000 Retained by Cooperative

\$100,000 Net Profit

-\$25,000 Retained by Cooperative

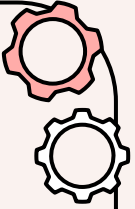
\$75,000 Surplus/profit owed to worker owners



Thrive Consultancy Inc.

Benefit Corporation

Worker Cooperative Ownership Structures



Bylaws of the cooperative will determine how surplus and patronage dividends are handled.

ABC Cooperative

Profit & Loss

For period: FY 2023

Sales & Revenues.....	\$650,000
Cost of Goods Sold.....	\$250,000
Gross Profit.....	\$400,000
Operating Expenses.....	\$285,000
Operating Income.....	\$115,000
Taxes & Other	\$15,000
Net Profit.....	\$100,000

- federal law states that at least 20% must be paid directly to the worker owner in cash so the worker owner can cover the taxes for the entire distribution

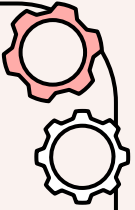
\$75,000 Total surplus/profit owed to worker owners
x 20%
\$15,000 Cash portion of surplus/profit owed to worker owners

\$75,000
- 15,000
\$60,000 Non-cash portion of surplus/profit owed to worker owners. Held in worker owner equity account.



Worker Cooperative Ownership Structures

Bylaws of the cooperative will determine how surplus and patronage dividends are handled.

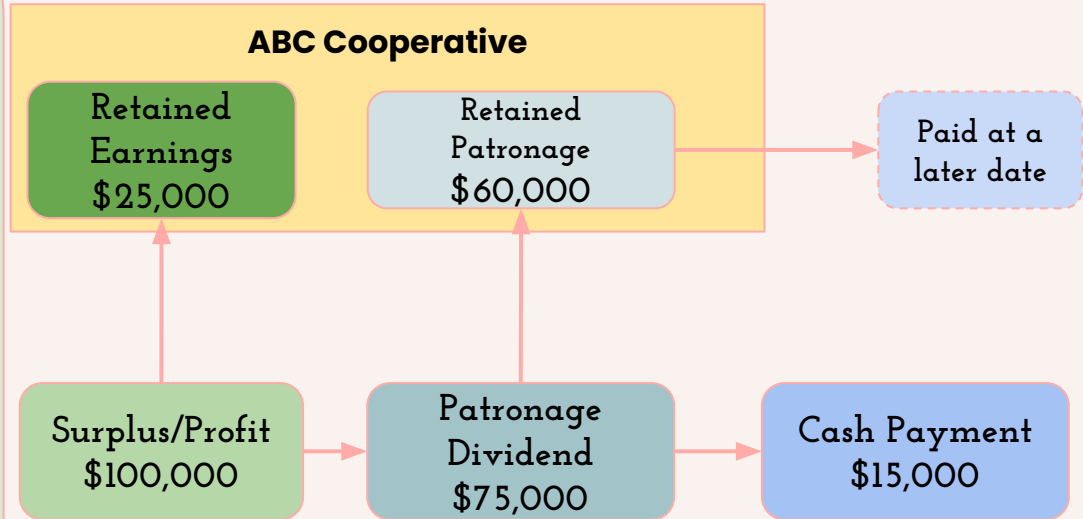


ABC Cooperative

Profit & Loss

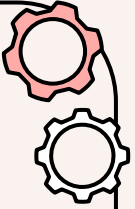
For period: FY 2023

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Gross Profit.....	\$400,000
Operating Expenses.....	\$285,000
Operating Income.....	\$115,000
Taxes & Other	\$15,000
Net Profit.....	\$100,000



Worker Cooperative Ownership Structures

Bylaws of the cooperative will determine how surplus and patronage dividends are handled.



ABC Cooperative's bylaws state that patronage (whether retained or paid out) is based on the number of hours worked by each worker owner.

Patronage Dividend Breakdown

Total patronage: \$75,000

Total hours worked: 6,000

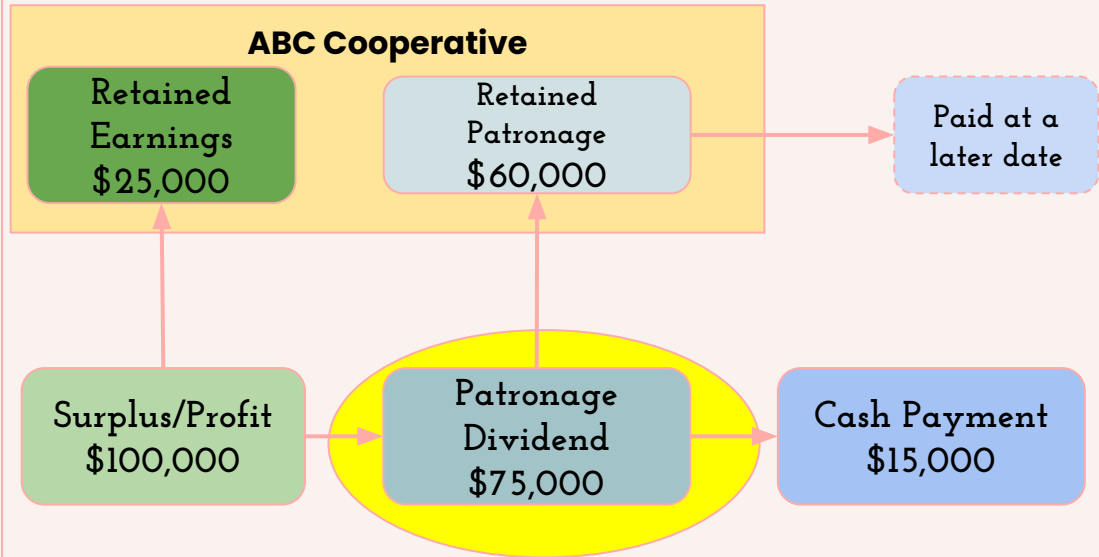
Worker Owner #1 - 2,000 hours (33%)

Worker Owner #2 - 1,500 hours (25%)

Worker Owner #3 - 1,500 hours (25%)

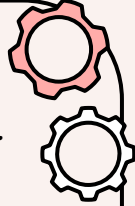
Worker Owner #4 - 500 hours (8.5%)

Worker Owner #5 - 500 hours (8.5%)



Worker Cooperative Ownership Structures

Bylaws of the cooperative will determine how surplus and patronage dividends are handled.



ABC Cooperative's bylaws state that patronage (whether retained or paid out) is based on the number of hours worked by each worker owner.

Patronage Dividend Breakdown

Total patronage: \$75,000
Total hours worked: 6,000

- Worker Owner #1 - 2,000 hours (33%)
- Worker Owner #2 - 1,500 hours (25%)
- Worker Owner #3 - 1,500 hours (25%)
- Worker Owner #4 - 500 hours (8.5%)
- Worker Owner #5 - 500 hours (8.5%)



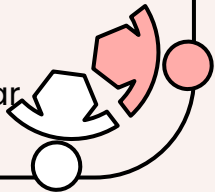
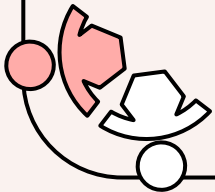
Worker Owner	Retained Patronage (80%)	Cash payment (20%)	Total patronage (100%)
WO #1	\$19,800	\$4,950	\$24,750
WO #2	\$15,000	\$3,750	\$18,750
WO #3	\$15,000	\$3,750	\$18,750
WO #4	\$5,100	\$1,275	\$6,375
WO #5	\$5,100	\$1,275	\$6,375
TOTAL	\$60,000	\$15,000	\$75,000

Tax implications for patronage for the cooperative business

A patronage distribution can be **qualified** or **non-qualified**.

Qualified refers to whether the patronage distribution is tax deductible to the cooperative in the current year.

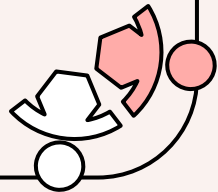
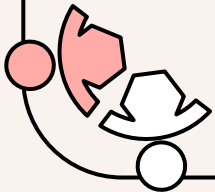
- Cash patronage is always qualified and thus always tax deductible
- Retained patronage can either be qualified or non-qualified
 - Qualified retained patronage is taxable to the cooperative in the year it is distributed.
 - Non-qualified retained patronage is tax deductible to the cooperative in the year it is redeemed.
 - When issuing non-qualified retained patronage the cooperative pays taxes on that income in the year of distribution and then gets a tax deduction in a later year when the equity is redeemed.



Tax implications for patronage for the cooperative business

For a cooperative to make a qualified patronage distribution (either cash or retained) the distribution must be:

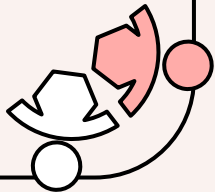
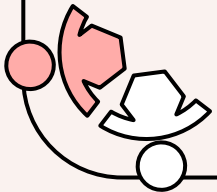
- (1) made within 8 months from the end of tax year in which in the income occurred
- (2) the worker-owner must receive written notice of allocation
- (3) at least 20% of the total distribution must be in the form of cash, and
- (4) the member must consent to include the patronage on their tax return as ordinary income

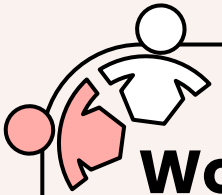


Tax implications for patronage for the worker-owner

Patronage to worker-owners in a cooperative can be in the form of cash or retained as equity in the business.

- Each member will pay tax on the patronage dividend distributed or allocated to him/her.
- The worker-owner **must pay income tax on the entire patronage amount**, even if some of the patronage was retained.
- This is the rationale behind the 20% cash rule so that the worker-owner will have enough cash to pay the taxes on the entire patronage amount

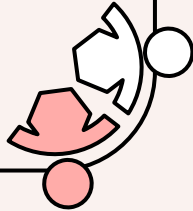




Worker Cooperative Cash Management & Stability

The structure of a cooperative and how patronage is handled are beneficial to the cooperative.

- Avoids double taxation
 - Patronage is not subject to corporate income tax (even retained patronage)
- Helps to keep cash in the cooperative
 - Doesn't discourage long term planning
- Member capital accounts can be savings mechanisms
 - By laws will determine how and when retained patronage can be paid out



References and Resources:

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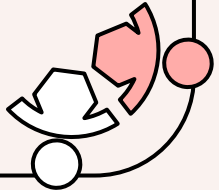
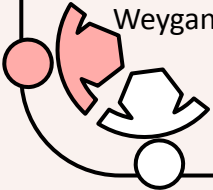
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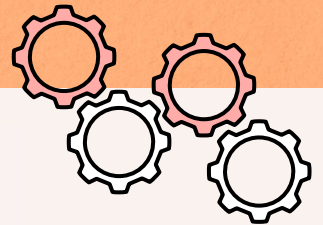


Thank you!



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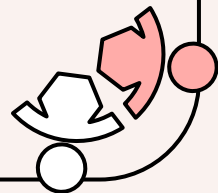
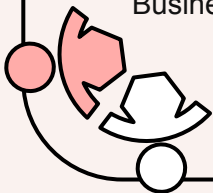
Definitions

Amortization - an accounting technique to lower the value of a loan or an intangible asset over time. Concerning a loan, amortization focuses on spreading out loan payments over time. When applied to an asset, amortization is similar to depreciation.

Asset - an item or resources that a company owns or controls. Assets are reported on a company's balance sheet and can be current (used within 1 year), long term (used over 1 year), tangible (physical), or intangible (intellectual property). They are bought or created to increase business value or benefit the business operations. An asset can be thought of as something that in the future can generate cash flow, reduce expenses, or improve sales, regardless of whether it is equipment or a patent.

Capital - is a broad term that can describe anything that gives value or benefit to the business, such as a factory and its machinery, intellectual property like patents, or the financial assets of a business.

While money itself may be considered capital, capital is more often associated with cash that is being put to work in the business. In general, capital is a critical component of running a business from day to day and financing its future growth. Business capital may come from the operations of the business or can be raised from debt or equity financing.



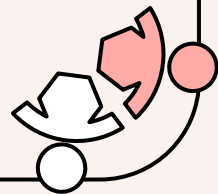
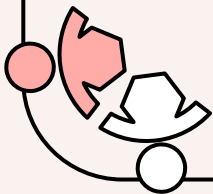
Definitions

Cash - legal tender or coins that can be used to exchange goods, debt or services. Can be held in a bank account or physically. Is considered an asset to a business and is listed on the balance sheet.

Depreciation - an accounting practice used to spread the cost of a tangible or physical asset over its useful life. Depreciation represents how much of the asset's value has been used up in any given time period. Companies depreciate assets for both tax and accounting purposes and have several different methods to choose from.

Debt - something, usually money, owed by one party to another. Debt is used by many individuals and companies to make large purchases that they could not afford under other circumstances. Unless a debt is forgiven by the lender, it must be paid back, typically with added interest.

Equity - represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off in the case of liquidation. We can also think of equity as a degree of residual ownership in a firm or asset after subtracting all debts associated with that asset. Equity represents the shareholders' stake in the company, identified on a company's balance sheet. The calculation of equity is a company's total assets minus its total liabilities.



Definitions

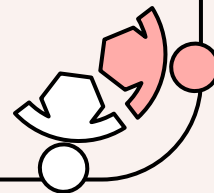
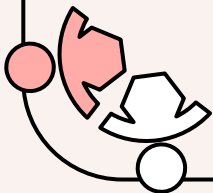
Gross - a term used to refer to *all* of something. It is typically used in a financial context to describe the total amount of money earned before subtracting certain costs and payments. Gross profit margin is found on a company's profit & loss statement/income statement and is the revenue minus the cost of goods sold before all other operating expenses are subtracted.

Liability - something a person or company owes, usually a sum of money. Liabilities are settled over time through the transfer of economic benefits including money, goods, or services.

Recorded on the balance sheet, liabilities can include loans, accounts payable, mortgages, deferred revenues, bonds, warranties, and accrued expenses.

Liabilities can be contrasted with assets. Liabilities refer to things that you owe or have borrowed; assets are things that you own or are owed.

Net - a term used to refer to *what is left* of something. It is typically used in a financial context to describe the total amount of money made after deducting all expenses. Net profit can be found on a company's profit and loss statement/income statement and is the revenue after ALL expenses have been subtracted (including taxes, amortization and depreciation).



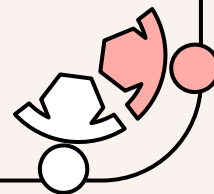
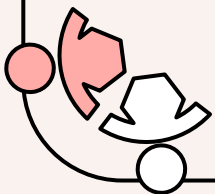
Definitions

Patronage - when used in a cooperative business context, patronage is the term used to describe how a member uses the cooperative. For worker cooperatives this means how many hours worked or the value of projects completed.

Patronage allocations - also known as patronage dividends, are payments for the members (or worker owner in the case of a worker owned cooperative) share of the profits and is typically done on a yearly basis. The allocations can be in the form of cash or a retained stock patronage that is held in an equity account by the cooperative on behalf of the worker owner.

Principal - the original sum of money that's borrowed in a loan or placed into an investment. The principal amount serves as the basis for calculating interest on a loan or for the returns on an investment.

Profit - the financial benefit realized when revenue generated from a business activity exceeds the expenses, costs, and taxes involved in sustaining the activity in question.



Definitions

Retained Earnings - the cumulative net earnings or profits of a company after accounting for dividend payments to shareholders. Retained earnings are shown on a company's balance sheet and are cumulative from the day the business started.

Retained earnings can decrease if a company loses money or pays out dividends to shareholders, or retained earnings can increase when new profits are realized.

Revenue - the money generated from normal business operations, calculated as the average sales price for a good or service times the number of units sold. Revenue can be seen in the first section of the profit and loss/income statement.

