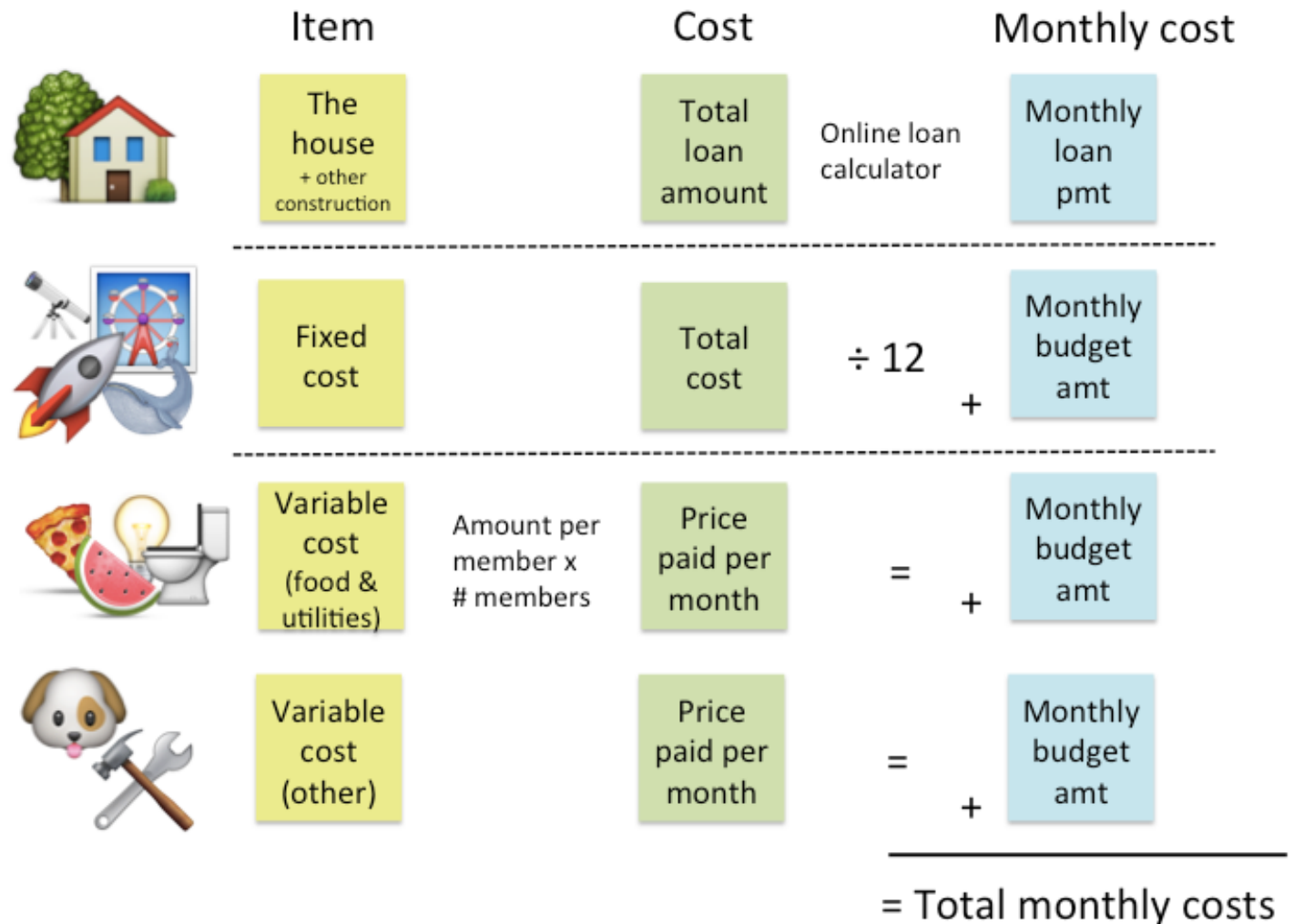


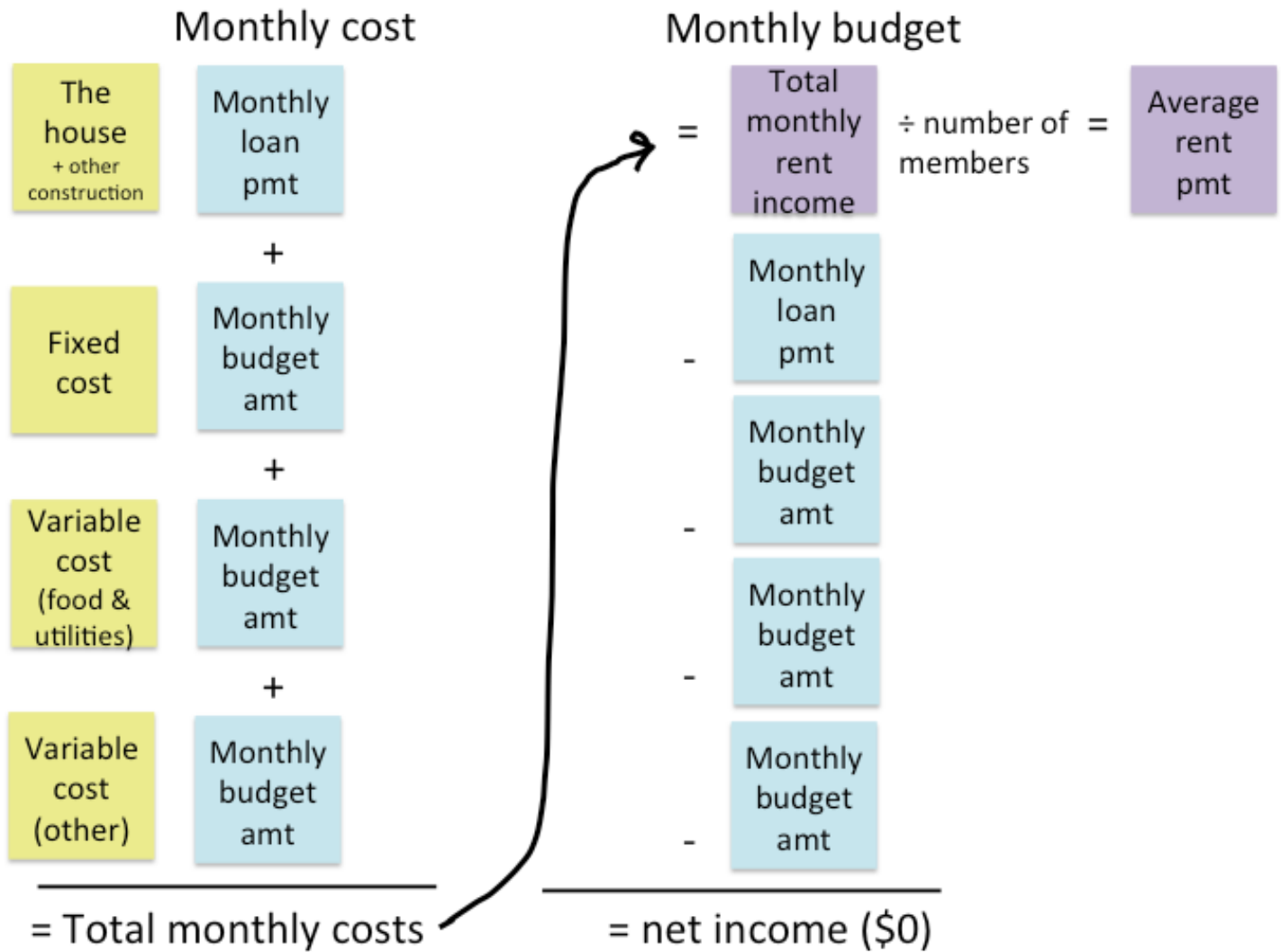
Workshop: Own your books! Demystifying financial planning & cultivating democratic engagement
 Presenter: Devin Case-Ruchala (mdevincr@gmail.com)

Simplified budgeting process (pre-spreadsheet):



1. Brainstorm all the potential items your co-op may need to pay for, write on sticky notes and put in a list
2. Organize the list into variable costs and fixed costs
 - Variable costs: stuff you use up/pay for every month (food, utilities, etc.)
 - Fixed costs: big one-time purchases (including the house itself, unless you are renting)
3. Determine how much each item costs
 - Assign a price to each item on the list (give it guess)
 - Put a sticky note with the price next to the sticky note for the item
4. Finding the monthly costs
 - Variable costs: choose the amount you would pay in a month. A good way to do this for food and utilities is assign an amount per member (say, \$100 for food and \$75 for utilities) and multiply by the total number of members
 - Fixed costs: for giant purchases (like solar panels), same process as for the house itself. For purchases you could pay for in the course of a year, divide the cost by 12 (for the 12 months).
5. Add a sticky note & cost for the house itself
 - If you're renting: estimate monthly rent payments
 - If you're building/buying: estimate the total amount of the loan you would need, pick a realistic interest rate, and use an online loan calculator to find the monthly payment (google: "online loan calculator")

Simplified budgeting process (continued):



6. The total monthly costs become the total required income (needed to cover the total costs so that net income equals zero)
7. That total monthly rent income number divided by the number of members is the average rent price

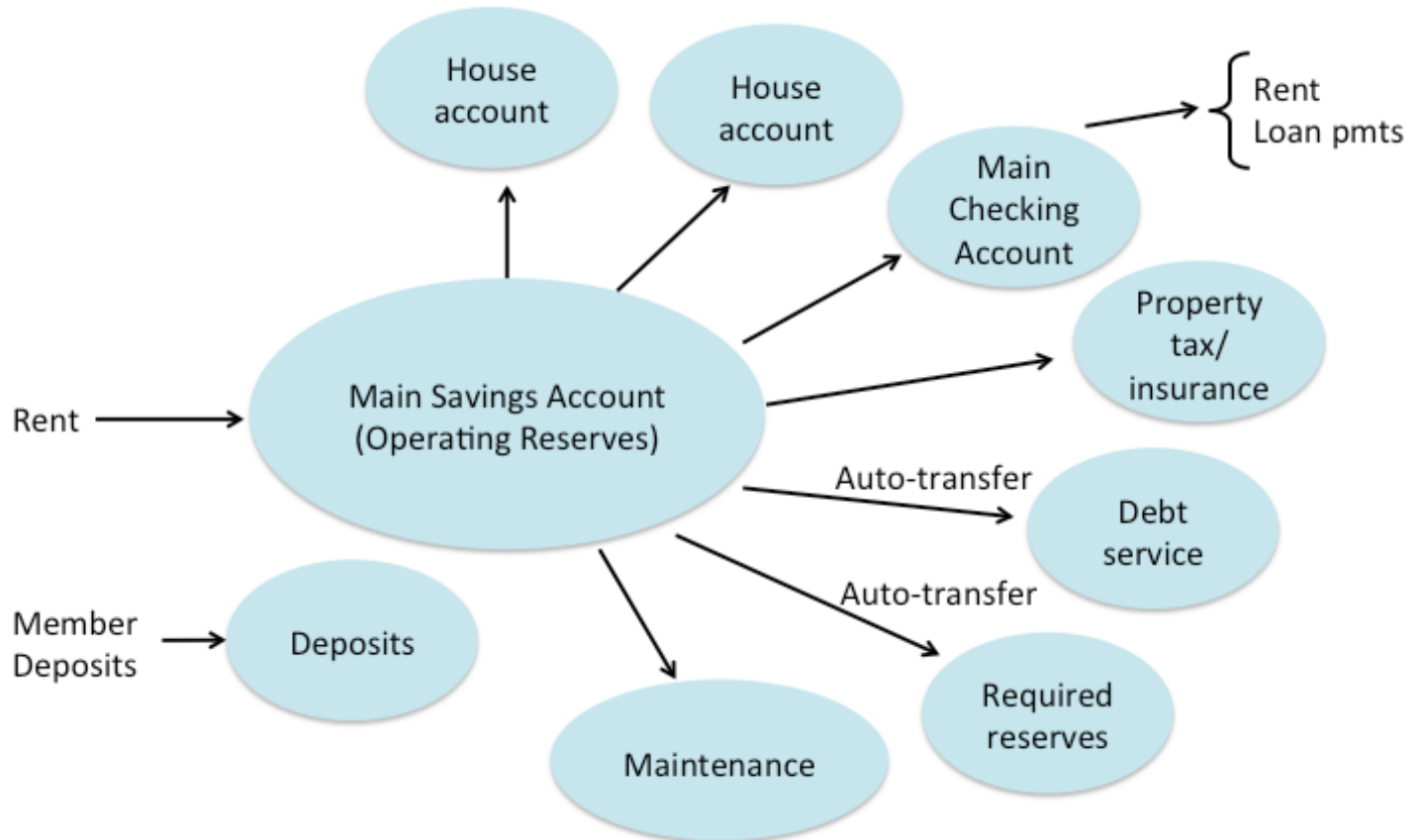
Additional budget items to consider adding (in addition to utilities, food, etc.):

- If you get a loan: need special savings accounts
 - Required reserves: for long term asset (roof, water heater, etc.) replacement costs (based on industry standards – ask NASCO)
 - Debt service: cash on hand to cover certain portion of loan payments (yours to use at the end of the year), good to keep around for emergencies (lender may tell you how much to set aside)
- Rent loss (amount set aside in case people don't pay rent – 2% of total income is a good standard)
- Accounting and legal expenses
- Property taxes (unless you can claim exemption!)
- Property & liability insurance
- Education (e.g. NASCO institute!)
- Maintenance budget (e.g. new washing machine, fridge, wall paint, etc.)

Structuring your bank accounts:

- Organizing separate accounts and setting up automatic payments can help make sure money is set aside for the most important budget items, and to make sure a given house doesn't eat into co-op wide funds.

- Example (below): Rent is paid into one big savings account, and monthly transfers are made to the appropriate accounts to make payments or build up savings for future payments.



Some questions to answer to determine how your co-op manages its budget & accounts:

- Who creates the budget?
- How do we collectively decide on this budget?
- Who keeps track of the budget and how?
 - Who has access to the bank accounts?
 - Do we use a spreadsheet or software?
- Who collects and deposits rent?
- Who enforces late or absent rent payments?

Some ideas for how to manage your co-op's budget & accounts:

- Establish a finance committee:
 - Elect a co-op treasurer (determine if paid or unpaid)
 - Elect/assign house treasurers
 - Elect/assign house rent collectors
 - Elect assign/house rent depositors
- Annual drafting of budget
 - Determine if done by board, treasurer, membership, or all of the above, and when
- Annual vote on budget
 - Determine if done by board, membership, or both, and when

Example budget in spreadsheet form:

	A	B	C	D	E	F
1	Annual Budget (date - date)	House 1	House 2	Total		
2	(Average room price)				(= member dues + # ppl in house)	
3	ANNUAL REVENUE					
4	Program service fees and revenue:					
5	Member dues			(=sum B+C) for all		
6	-less 2% vacancy and collections loss				(=-.02*member dues)	
7	House income (food/utilities)					
8	Other revenue:					
9	TOTAL REVENUES				(=sum rows 7-10)	
10						
11	OPERATING EXPENSES					
12	Program service expenses:					
13	Rent/Mortgage				(=total loan prmts (if have loans))	
14	Maintenance					
15	Utilities					
16	Food + Supplies					
17	Real Estate Taxes					
18	Total program service expense				(=sum rows 15-19)	
19						
20	Supporting service expense:					
21	Property & Liability insurance					
22	Staffer Wages					
23	Legal					
24	Accounting					
25	Print/Office					
26	NASCO Institute/Education					
27	Total supporting services				(=sum rows 23-28)	
28						
29	Reserves funding:					
30	Operating Reserves (Savings)					
31	Escrow for Replacement/Repair					
32	Reserves/Capital Improvements					
33	Escrow for Debt Service/Development					
34	Total reserves funding				(=sum rows 34-36)	
35	TOTAL EXPENSES & RESERVES				(=row 20 + row 29 + row 37)	
36						
37	NET OPERATING INCOME				(row 11 - row 39)	
38					^^ should be very close to \$0,	
39					adjust above highlighted cells until \$0	
40						

Where to go for financing:

- FYI: Co-ops notoriously struggle to find financing, especially at interest rates comparable to personal home loans, due to the amorphous ownership/management structure
- Given that, who will lend to housing co-ops?
 - Shared Capital, LEAF, NCLF, NCB (>\$1M)
 - NASCO Kagawa fund
 - Local banks (a definite maybe, but worth a shot)
- Things to be aware of:
 - Application fee, commitment fee
 - Don't necessarily need financial history (though it helps)
 - Need a business plan and/or demonstrated management/people dedicated to managing the co-op
 - Personal guarantees not required