

# Own your books!

Demystifying financial planning &  
cultivating democratic engagement



# Agenda

- Icebreaker/Intros (~15 min)



- Activity Part 1: Dream house “yes, AND...”

- Breakout Activity (~10 min)
- Regroup/discussion (~10 min)



- Activity Part 2: Budgeting for your dream house

- Breakout Activity (~10 min)
- Regroup/discussion (~10 min)




- Activity Part 3: Managing your dream house budget

- Breakout Activity (~10 min)
- Regroup/discussion (~10 min)



- Closing discussion (~15 min)

What words come to mind when you  
think about “Finance”? 

# Why understand finance?

Finance, budgets, etc. are....



Boring? Probably.







Cryptic & Spooky? Possibly.



Empowering? Definitely.

# Goals of this workshop:

1. Understand how budgets work 
2. Explore what managing a budget might look like 
3. Provide tools/resources for finances and financial management 
4. Get creative & have fun! 

# Breakout groups & intros

- Split into 2-3 groups or else groups of 8-10
- In your groups intros (~ 5 min):
  - Name
  - Preferred pronouns
  - Co-op affiliation
  - Position title (if relevant)
  - Anything the group should be aware of
  - Favorite part (room, feature, etc.) of your house

# Activity Part 1:

## Building your dream house (“yes, AND...”)

- First person: “We are going to start our dream co-op house and in our dream house we are going to have...”
  - Next person: “yes, AND we are going to have...”
- FIRST: decide if you are going to rent, build, or own the property
- Write down each item on a sticky note and put in a vertical list on the notepad
- Go around the group at least twice
- Get creative!

# What'd you come up with?

- Did you decide to build, rent, or buy?
- What'd you put in your house?
- Yes! BUT... How do we pay for this?



# Activity Part 2:

## Budgeting for your dream house

1. 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)
2. Determine how much each item costs
  - Assign a total 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

# Activity Part 2 (cont.)

## 3. Finding the monthly costs

- Variable costs:

choose the amount you would pay in a month

- Fixed costs:

for giant purchases, 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).

## 4. 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")

## Item

## Cost

## Monthly cost



The  
house  
+ other  
construction

Total  
loan  
amount

Online loan  
calculator

Monthly  
loan  
pmt



Fixed  
costs

Total  
cost

$\div 12$

Monthly  
budget  
amt



Variable  
costs  
(food &  
utilities)

Amount per  
member x  
# members

Price  
paid per  
month

=

Monthly  
budget  
amt



Variable  
costs  
(other)

Price  
paid per  
month

=

Monthly  
budget  
amt

Item

Cost

Monthly cost



The  
house  
+ other  
construction

Total  
loan  
amount

Monthly  
loan  
pmt



Fixed  
cost

Total  
cost

+

Monthly  
budget  
amt



Variable  
cost  
(food &  
utilities)

Price  
paid per  
month

+

Monthly  
budget  
amt



Variable  
cost  
(other)

Price  
paid per  
month

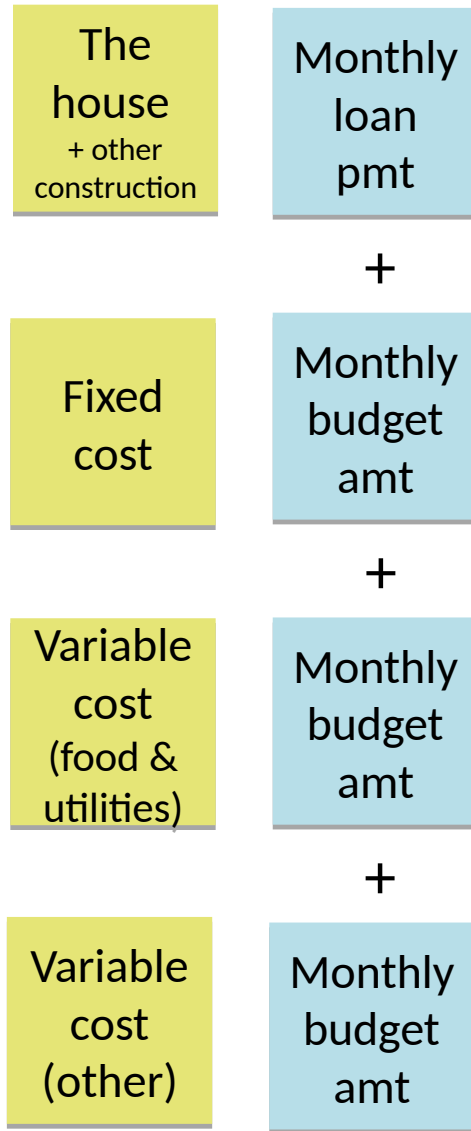
+

Monthly  
budget  
amt

---

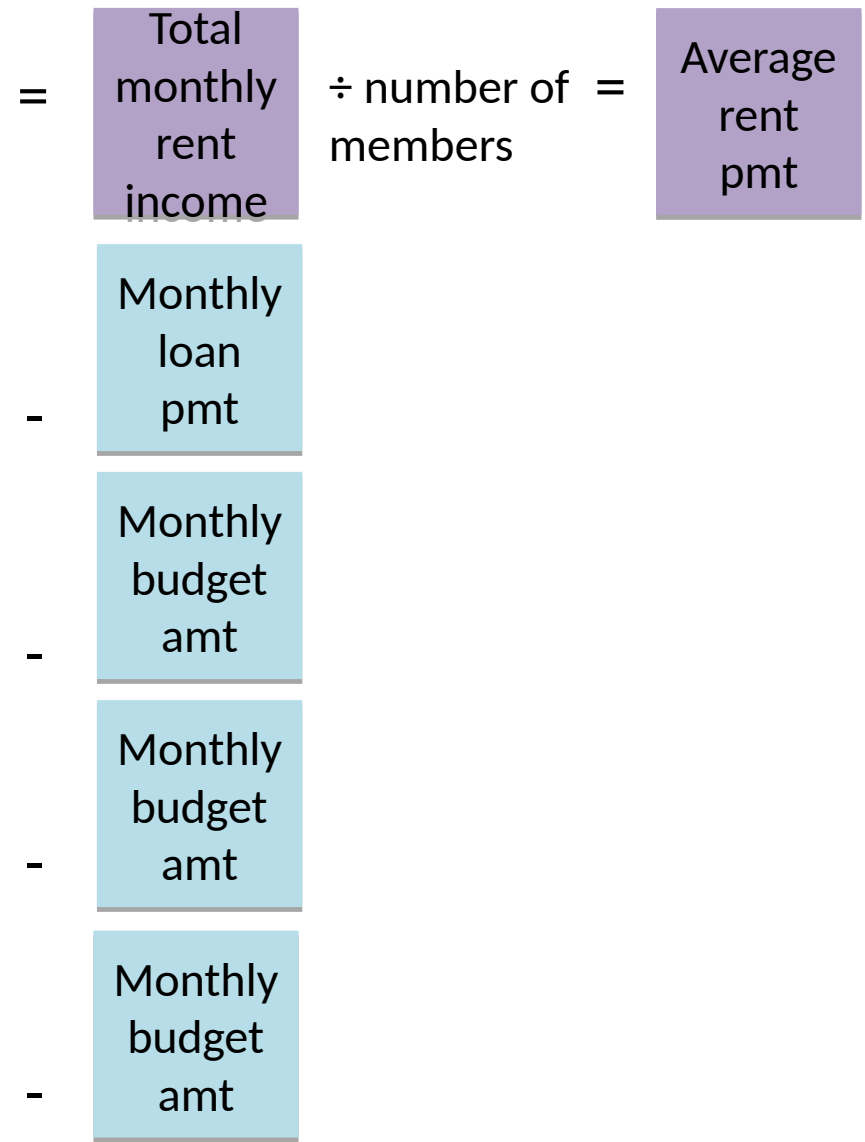
= Total monthly costs

## Monthly cost



= Total monthly costs

## Monthly budget



= net income (\$0)

# Activity Part 2 (cont.):

## Additional budget items to consider

- 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)
  - 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
- Rent loss (amount set aside in case people don't pay rent)
- 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.)

# Example budget (in spreadsheet form):

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

# Activity Part 3:

## Managing your dream house budget

- 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?

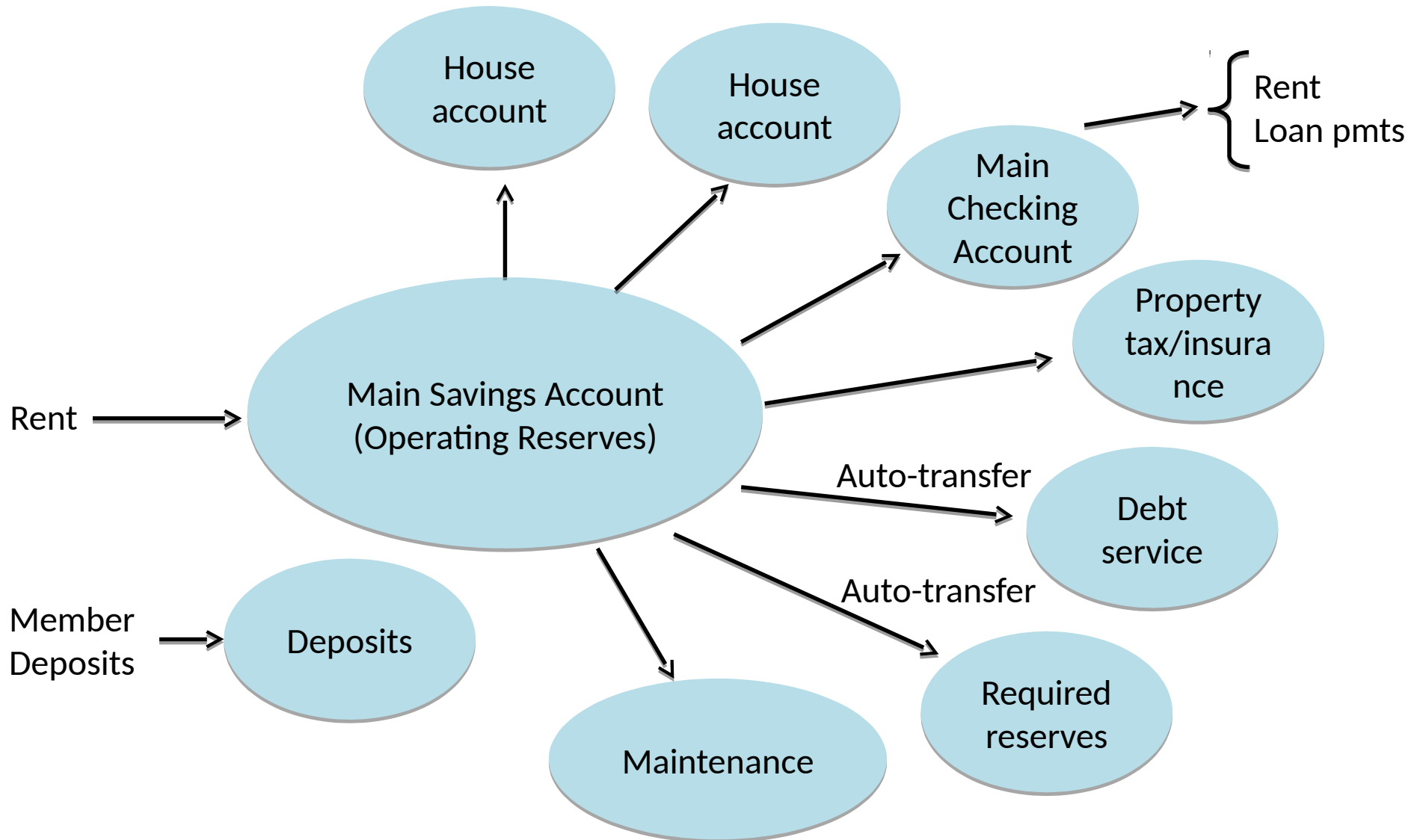


# Activity Part 3 (cont.):

## Managing your dream house budget

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

# Activity Part 3 (cont.): Organizing bank accounts



# Closing Discussion: Resources and Tools

- Who can help us figure out/manage our finances?
  - NASCO: annual visits and/or sponsored internships
  - Consultants (e.g. Collective Seeds)
  - Outside bookkeepers (e.g. A Bookkeeping Cooperative)
  - Other co-ops: share knowledge!
- What online tools are out there to help manage finances?
  - Mint.com (free), Quickbooks (not free), others?

# Closing Discussion: Resources and Tools

- 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

# Closing Discussion: Other questions?

Thanks! 

Contact: [mdevincr@gmail.com](mailto:mdevincr@gmail.com)