

# Glossary

Welcome to the Glossary. When you are finished, click on the "close window" box on the browser window title bar to leave the Glossary.

## **Annual Meeting**

Legally required meeting of all member owners to review operating results, decide policies and elect representatives to committees and boards.

## **Annual Report**

A document including audited financial statements that reflect financial conditions and activity over the organization's fiscal year.

## **Board of Directors**

A group of persons elected by the member owners to govern or control the affairs of the cooperative.

## **Commercially Owned Business**

An organization owned by investors with the ultimate mission of making a profit.

## **Cooperative Articles and By-laws**

Documents that explain how the cooperative will be organized and provide basic operating rules and provisions.

## **Credit Policy**

legal policies of a cooperative with regard to the issuance of credit and management of accounts receivable.

## **Earnings**

An organization's profits. Calculated by subtracting total expenses from total income.

## **Economic Benefits**

The improvement in economic status member owner's experience when doing business with a cooperative. Typically experienced through a combination of receiving higher quality goods or services and patronage refunds.

## **Equity**

Ownership in the cooperative generally arising from direct investment and cooperative earnings.

## **Estate**

All of the property and debts left by someone after death.

**Fiscal Year**

A 12-month accounting period for which the organization issues an annual report focussing on the financial condition of the cooperative.

**Fixed Asset**

Investments in land, buildings, equipment, fixtures and other tangible assets required to conduct business.

**International Cooperative**

A cooperative serving members in more than one country.

**International Cooperative Alliance**

An independent, non-governmental association that unites, represents and serves cooperatives worldwide.

**Investors**

Individuals who purchase stock from a company with the intention of receiving financial returns on that investment.

**Local Cooperative**

Cooperative servicing membership in a locality.

**Member Owners**

Customers who have earned equity in a cooperative by purchasing products or selling commodities through the cooperative.

**Open Membership**

A policy allowing membership to anyone meeting minimal qualification standards.

**Operating Capital**

Monies needed to fund the day-to-day operation of the business. Used to pay bills, purchase inventory and finance accounts receivable.

**Patron**

A person who purchases products or sells commodities through the cooperative.

**Patronage**

Distribution of earnings from a cooperative to its member owners. Includes both stock patronage (increased ownership in the cooperative) and cash amounts.

### **Regional Cooperatives**

A cooperative serving members in a relatively large geographical area, usually involving a fairly large section of a state or several states.

### **Retained Profits**

A portion of the business' earnings kept by the business to guard against future losses. Similar to unallocated capital reserve, but a term more commonly used in non-cooperative businesses.

### **Stock**

Ownership in a cooperative either purchased outright to gain membership or earned through doing business with the cooperative. Other terms used to identify ownership include Equity Credits, Class A, B or C Stock and Preferred Stock.

### **Unallocated Capital Reserve**

Equity set aside to guard against future losses. This account protects the value of the patron's stock. Similar to retained earnings.