



## Follow Sound Business Practices

The major challenge to cooperative members, the board of directors, and operating management occurs after business operations begin because many of the startup responsibilities continue after the cooperative begins operating.

### **These responsibilities include:**

1. Complete & accurate documentation of income & expenses
2. Exact member records
3. Periodic operating statements & balance sheets
4. Annual full reports
5. Annual independent audits
6. Future Planning

**Cooperative must keep complete and accurate documentation of income and expenses.** For example, it's critical to operate on a sound business basis to avoid year-end losses. Requirements include:

1. Developing & installing a double-entry accounting system
2. Preparing financial reports including operating & capital improvement budgets
3. Reporting to the membership in a clear & timely manner
4. Conducting long-term planning

**Cooperative must keep exact member records.** They account for members' 1) initial & subsequent investments and 2) member purchasing, marketing, and/or services used to determine patronage allocations from net earnings. *Members also need these records for their own personal accounts, particularly for income tax purposes.*

**Management staff** prepares periodic operating statements and balance sheets to inform the board and members on how the cooperative is performing and its financial condition.

**Full report** is typically issued annually, with abbreviated monthly or quarterly reports for board use.

**Reports should** come often enough for the board to satisfactorily:

1. Monitor business activities
2. Take appropriate actions
3. Keep members informed on how their cooperative is progressing

**Annual independent audit** serves as an outside appraisal of the cooperative's financial condition, a check on the business and accounting procedures, and how the cooperative has conformed with tax and other legal requirements.

Once the cooperative is organized and operating, members need to consider how they want it to grow. That takes both short- and long-term strategic planning. *Long-term planning, which looks 3-to-5 years ahead, usually gets inadequate attention. But this is becoming more important because of more rapid technological, economic, and social changes.*

**Planning involves:**

1. Developing a vision & mission statement
2. Appraising the future
3. Assessing the external & internal business environment
4. Defining desired goals with stated objectives
5. Developing a course of action to reach them

*Some material adapted from USDA Rural Development publications on cooperative development*

Contact:

Charlotte Narjes,  
cnarjes1@unl.edu  
402-472-1724

Cindy Houlden,  
choulden2@unl.edu  
308-293-6417 (cell)