Glossary

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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 focusing 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.