

## COCO INFO-SHEET



COCO – The Centre for Community Organizations  
3680 Jeanne-Mance, #470 Montreal (QC) H2X 2K5 ph: (514) 849-5599 or (866) 552-2626 fax: (514) 849-5553 or (866) 560-2626  
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# Introduction to Co-operatives

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## Introduction

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### About this Info-Sheet

This info-sheet describes the different types of co-operatives, explains the difference between co-ops and other organizational structures, and provides information for registration and funding options should you decide that a co-op is the right organizational structure for your group.

At COCo, we work with many different kinds of groups considering what kind of organizational structure would best suit their needs and connect with their social change goals. Understanding the different forms our organizations can take is an important part of the planning that goes into deciding whether or not to formalize the groups in which we work.

The co-operative is an organizational structural that is growing in popularity, and Quebec has a strong history of co-operatives. The first credit union in North America was opened in Lévis in 1901. Co-ops grew out of the need for small business people, particularly farmers, to work together for their collective financial interest. Today, more than 60% of co-ops in Quebec have their head office outside of a major urban centre. The co-operative structure, based on democracy and the sharing of power, allows organizations to directly engage the community in addressing a variety of interests such as affordable housing or stable employment.

### Starting a co-op – do we really have to?!

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Creating a co-operative, or any organization, involves a commitment of significant time and resources. Taking the time to do a self-assessment may be helpful to ensure that a co-op is a good fit with what a group wants to accomplish. Check out:

### ***Ontario Co-operative Association Self-Assessment***

<http://coco-net.org/en/node/5149>

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For more on starting a co-op:

[http://www.ontario.coop/programs\\_services/coop\\_development/starting\\_a\\_coop](http://www.ontario.coop/programs_services/coop_development/starting_a_coop)

In order to operate as a legal co-op, a group of co-founders will eventually need to “constitute” the co-op. This is similar to the process of incorporating a non-profit. It means establishing a legal entity that is registered with the provincial or the federal government. Constituting will allow a co-op to do the things it likely needs to do, like open a bank account and enter into contracts. However, it is important to question whether formally establishing a co-op is the best route to take. For things to think about before taking on a formal structure, check out:

### ***Key Questions to Think about Before Incorporating a Non-profit Organization***

<http://coco-net.org/en/node/595>

Co-op Zone's website has helpful information on the steps to starting a co-op:

### ***Co-op Zone: The Co-op Development Path***

<http://coopzone.coop/en/node/150>

## **What is a Co-op?**

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Co-ops are often spaces for developing community leadership, promoting local ownership, and involving community members in the process of meeting their own needs. They are also places for people to build their skills and knowledge.

A co-operative is an organization owned by a group of people, its members, who have come together to address community needs. Different types of co-ops exist to address a specific set of needs in a given community. For most types of co-ops, five founding members are required in order to register, but only three founding members are needed to create a worker co-op if it is registered in Quebec. The following section outlines different kinds of co-ops.

A **consumer co-op** provides products or services to its members. For example, the members of *People Before Profits Furniture Co-op* are able to purchase quality furniture at low costs.

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A **producer co-op** helps its members to process and market their goods and services, and it can also provide members with the supplies they need in order to carry out their professional activities. For example, a group of artists may decide to form the *Oily Painters Co-op* in order to buy items like paints and canvases in bulk, and to share the costs of a website and a storefront to market and sell their paintings.

A **worker co-op** provides employment for its members. The goal of this type of co-op is to allow the members to share the hours of work, making sure that everyone has equal access to employment. For example, the employees of *Shiny Window Panes Co-op* are both the members and the owners. The members of the co-op share the available hours of work in order to provide steady employment opportunities for all.

A **multi-stakeholder co-op (or solidarity co-op)** serves the needs of different stakeholder groups, such as employees, clients, and other interested individuals and organizations. A solidarity co-op structure is typically very open to establishing partnerships through its wide variety of different types of membership. For example, the *Read-a-Lot Community Co-op Bookstore* has different types of members. There are the consumer members who purchase the books, the worker members who are employed at the store, and the support members who are made up of community associations, interest groups, etc. All these groups can share in the benefits of the *Read-a-Lot Community Bookstore Co-op*.

**Housing co-ops** are created to address, in part, the community need for access to good quality, stable and affordable housing. The members are the people who live in the housing, and can participate in the decisions that affect their homes, including cost increases. For example, members of the *Our House Co-op* co-operatively own the housing units, and they elect members to manage the co-op.

For more information on housing co-ops, check out:

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### **Fédération des coopératives d'habitation intermunicipale du Montréal métropolitain**

<http://www.fechimm.coop/english/index.html>

## **Can I be a co-op and a non-profit?**

The legal structure of a co-op is designed for organizations that intend to generate profit for their members. However, if a future co-op will not aim to generate a profit for its members, there is a way to constitute it and also obtain non-profit status, so as to benefit from tax exemptions. This would require including a statement in the bylaws saying that any profits generated will go back into the co-op and not be split amongst members. An application must then be made to the *Ministère du Développement économique, Innovation et Exportation* for the tax exemption based on the intention for the co-op to not generate profit. Check out:

### **Ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE)**

<http://www.mdeie.gouv.qc.ca/ministere/english/about-us/>

<http://www.mdeie.gouv.qc.ca/objectifs/conformer/cooperatives/>

If a group has non-profit objectives and is not expecting to earn much taxable income, it may be more simple to form a non-profit and simply reinvest any surplus generated back into the organization. Before embarking on the road toward building a co-operative, it is important to understand the differences between co-ops and other organizational structures, and to determine which framework is right for the groups we care about.

## **Key differences between the cooperative, non-profit and for-profit models**

**Who Benefits?** Co-ops exist to meet the common needs of their members, and they tend to place an emphasis on community development. Some non-profit organizations may wish to operate co-operatively without formally registering as a co-op. The objectives of a non-profit are often for a particular social change mandate, which may or may not include economic development. Most business models have profit-maximization as their primary goal, and their

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primary responsibility is to their shareholders, not to the community. Most of the benefits will go to the people who hold the most shares in the company.

Who's in Charge? In a co-op, each member only gets one vote, regardless of the size of an individual's financial contribution. This ensures that all members can participate in directing the organization, not just those with the most money. In the business model, the more shares you have, the more votes you get. The power is not democratically distributed. Co-ops present a more democratic alternative to the typical business model, where those with more money invested have more control over the organization. Non-profits can define the membership in their founding documents or in their bylaws.

Where does the money go? Co-ops share profits among their members depending on how much they use the organization, not on how many shares they hold. For example, the *Good Eats Grocery Co-op* redistributes the profits based on the amount of groceries a given member purchased over the course of a year. Non-profit co-ops will re-invest any economic surplus back into the co-op in order to increase and improve services to their members. Businesses divide profit based on the number of shares each person has. Incorporated non-profits re-invest any extra money back into the organization, to help it meet its objectives.

Sustainability: All three of these models can be sustainable if managed appropriately. The co-op structure is very sustainable over a long period of time. The long term success rate for co-operatives is nearly twice the success rate for other small organizations. For more information, check out:

### ***Co-operative Secretariat***

About Co-ops in Canada:

<http://www.coop.gc.ca/COOP/display-afficher.do?id=1232131333489&lang=eng>

### **Why choose a co-op?**

The International Co-operative Alliance (ICA) lists **seven principles** that set co-operatives apart from other organizational structures:

- Voluntary and open membership
- Democratic member control
- Member economic participation

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- Autonomy and independence
- Education and training
- Co-operation among co-operatives
- Concern for community

Co-operatives are a successful tool for community development because they can:

- Meet a broad range of needs and opportunities
- Help producers compete in bigger markets
- Serve rural and remote communities
- Develop community leadership
- Build social capital
- Promote local ownership and control

For more information on the benefits of co-operatives, check out:

### ***Conseil québécois de la coopération et de la mutualité (CQCM)***

<http://www.coopquebec.coop/fr/avantages-dune-coop.aspx>

## **What are the yearly reporting obligations?**

Follow the link below for a user-friendly list of all the **yearly reporting obligations** that a co-op must fulfill (available only in French):

[http://www.mdeie.gouv.qc.ca/fileadmin/contenu/documents\\_soutien/cooperatives/rapport\\_annuel\\_2008.pdf](http://www.mdeie.gouv.qc.ca/fileadmin/contenu/documents_soutien/cooperatives/rapport_annuel_2008.pdf)

And for a more detailed understanding of what is required for each specific type of co-op:

[http://www.mdeie.gouv.qc.ca/objectifs/conformer/cooperatives/page/conformite-10686/?tx\\_igaffichagepages\\_pi1%5Bmode%5D=single&tx\\_igaffichagepages\\_pi1%5BbackPid%5D=49&tx\\_igaffichagepages\\_pi1%5BcurrentCat%5D=&cHash=ed6d2b2584db541dcc8aab53fe1e9202](http://www.mdeie.gouv.qc.ca/objectifs/conformer/cooperatives/page/conformite-10686/?tx_igaffichagepages_pi1%5Bmode%5D=single&tx_igaffichagepages_pi1%5BbackPid%5D=49&tx_igaffichagepages_pi1%5BcurrentCat%5D=&cHash=ed6d2b2584db541dcc8aab53fe1e9202)

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### Where should we register our co-op?

Before registering a co-op, a group will want to consider whether constituting provincially or federally is a better fit for the what you want to accomplish. Check out the table below:

	Quebec Registration	Federal Registration
<b>Where you do business</b>	If a co-op's offices are located only in Quebec, and it does not intend to do business outside of the province, registering in Quebec may be most convenient.	If a co-op offices are located only in Quebec, but the founders prefer the federal process, it is possible can register federally. However, if the co-op has offices in more than one province, it must be registered federally.
<b>Cost</b>	\$210	\$250
<b>Required number of founders</b>	At least 5 founders (with the exception of workers co-ops, which only require 3 founders).	At least 3 founders for any type of co-op.
<b>Length of Time</b>	If all required documents are in order, the process will take a minimum of 15 business days.	If all required documents are in order, the process will take a minimum of 20 business days.
<b>Links to application forms and guides</b>	<a href="http://www.mdeie.gouv.qc.ca/objectifs/conformer/cooperatives/page/conformite-10688/?tx_igaffichagepages_pi1%5Bmode%5D=single&amp;tx_igaffichagepages_pi1%5BbackPid%5D=49&amp;tx_igaffichagepages_pi1%5BcurrentCat%5D=&amp;Hash=8d3f5aeaa4c57bc3860749dffb0f7e4">http://www.mdeie.gouv.qc.ca/objectifs/conformer/cooperatives/page/conformite-10688/?tx_igaffichagepages_pi1%5Bmode%5D=single&amp;tx_igaffichagepages_pi1%5BbackPid%5D=49&amp;tx_igaffichagepages_pi1%5BcurrentCat%5D=&amp;Hash=8d3f5aeaa4c57bc3860749dffb0f7e4</a>	<a href="http://www.corporations.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs03954.html">http://www.corporations.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs03954.html</a>

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### What about start-up funding?

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A key part of starting a co-op is finding financial resources. There are several funding options available from government sources, community development initiatives, and local funds. You can call COCo for information and tips on accessing funding from a variety of sources. For more information, check out:

#### ***The Canada Economic Development for Quebec Regions (CED-Q)***

<http://www.dec-ced.gc.ca/eng/programs/assistance/index.html>

#### ***Réseau d'investissement social du Québec Fund (RISQ)***

<http://www.fonds-risq.qc.ca/?module=document&action=get&uid=1007>

### Business Plans

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Having a strong business plan can be very useful if a co-op intends to apply for funding. Check out the following resources for information on the start-up process and the creation of a business plan:

#### ***Coopérative de Développement Régional (CDR)***

<http://www.cdr.coop/services/>

#### ***Ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE)***

*Qu'est-ce qu'une coopérative?*

[http://www.mdeie.gouv.qc.ca/fileadmin/contenu/publications/outils\\_aide/gestion\\_cooperative/outils\\_coop\\_cooperatives\\_2007.pdf](http://www.mdeie.gouv.qc.ca/fileadmin/contenu/publications/outils_aide/gestion_cooperative/outils_coop_cooperatives_2007.pdf)

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