SUPERSEDED

KNOW YOUR COOPERATIVE

W. H. DANKERS
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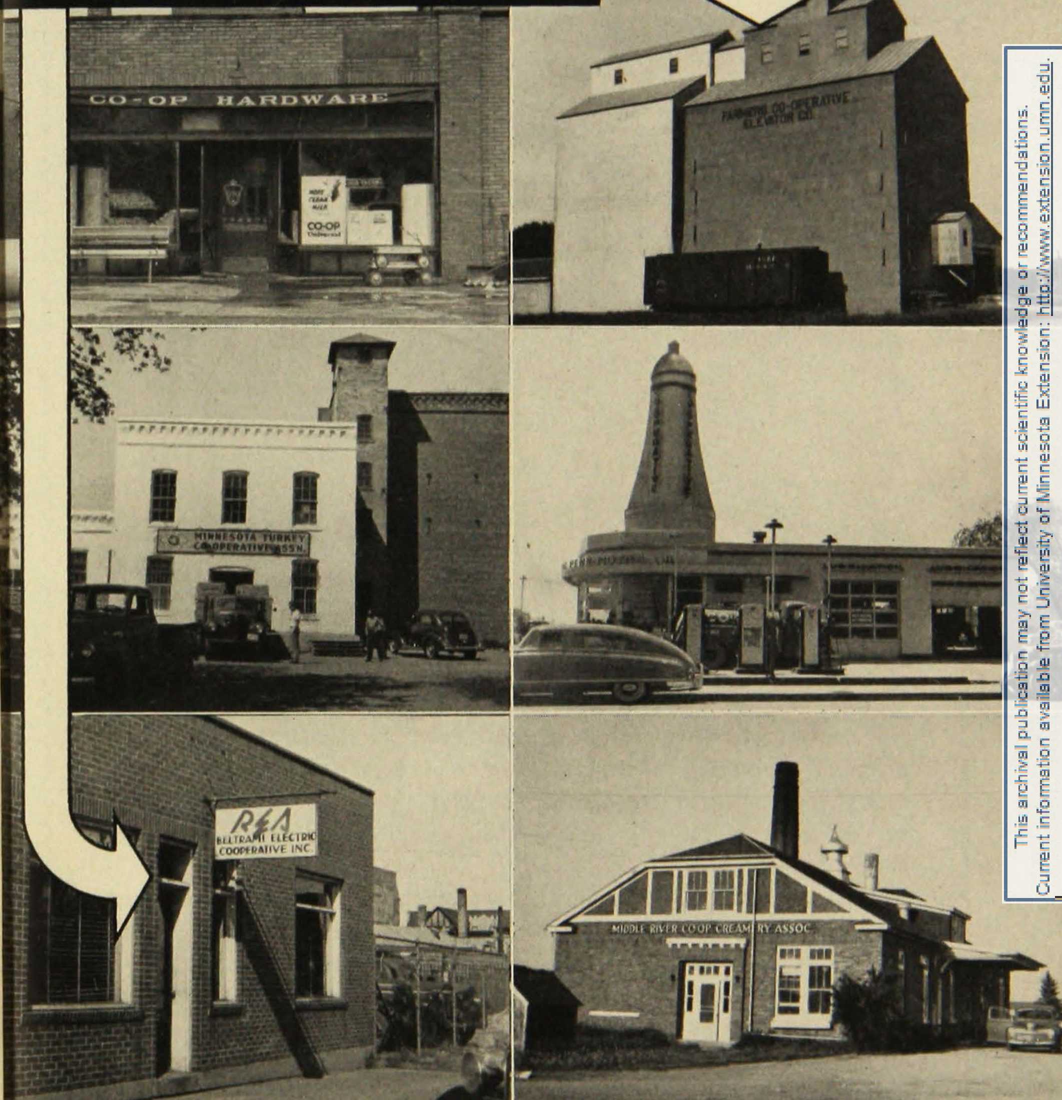

UNIVERSITY OF MINNESOTA
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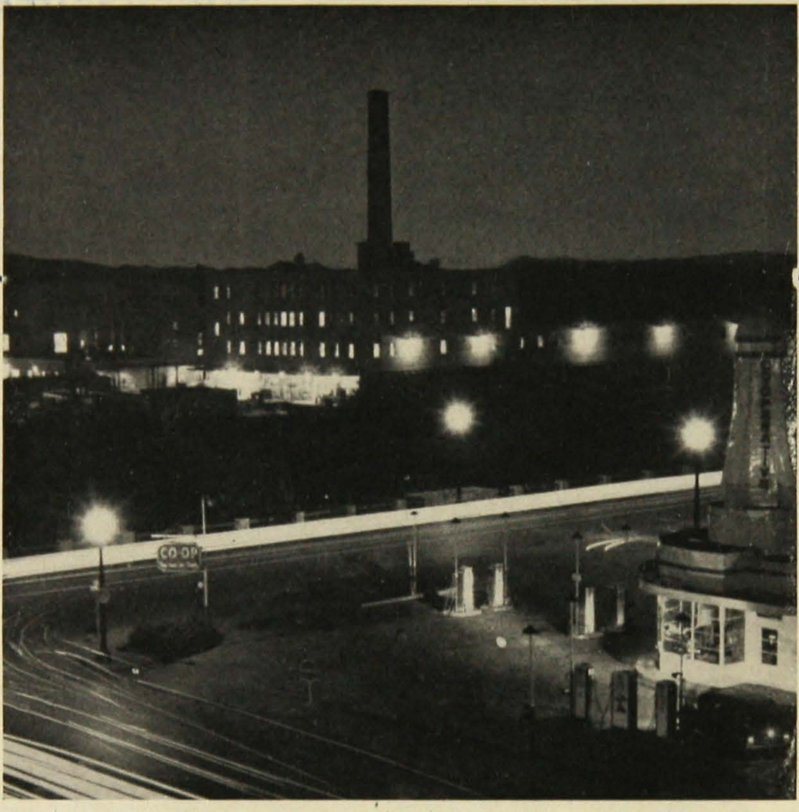

Beyond the coop oil association, a coop milk plant operates far into the night.

Just because an association is a cooperative does not guarantee it success. Members are seldom so tied to their association that they will continue to patronize it in the face of high operating costs, inefficient marketing and purchasing, and poor management. Better roads and improved transportation have given patrons a choice of several markets for the sale of their produce and the purchase of their supplies.

Cooperatives, therefore, must stand on their own merits. They must be operated efficiently if they are to serve the best interests of their members and if they are to "set the pace" for competing agencies. Efficiency in plant operation, marketing, and purchasing can be increased through a thorough study of the business and through an understanding of new developments and techniques in processing, marketing, and purchasing.

Know Your Cooperative

W. H. Dankers and Max K. Hinds

THIS BULLETIN is written to answer a variety of questions that are frequently raised at meetings of cooperative associations. It offers practical suggestions of value to directors and to the management. These suggestions should be helpful as a guide in analyzing and better understanding financial statements and the business operations of a cooperative association. In turn, it is hoped that such information will be passed on to the membership.

MEMBER EDUCATION IS ESSENTIAL

Inefficient plant operation, inefficient marketing, and poor management cause failure in many cooperatives. Other cooperative associations can trace their failure to a lack of membership understanding and loyalty, because the members were not kept informed.

People are interested in the things they know something about, so a continuous program of member education is necessary in a cooperative association. Such education should be based upon sound research and factual material that directly affects the association.

Articles of Incorporation and By-laws

The relationships between the association and its members and patrons are set forth in the association's Articles of Incorporation and the By-laws. These "rules" of the association govern all meetings and general activities and should be studied carefully by the directors and manager of the cooperative. Copies should also be furnished the members for reference and study.

The Articles of Incorporation are, in effect, a contract between the cooperative association and the state under which it is incorporated. Changes in the Articles of Incorporation cannot be made legally by the manager, directors, or members unless the proper procedure is followed for "amending" them. The Articles of Incorporation serve as a guide to what the association, acting for its members, can and cannot do.

The By-laws supplement the Articles of Incorporation and cover more detail regarding the organizational and operating procedures of the association. Like the Articles of Incorporation, the By-laws can be changed only by "amendment."

The annual meeting presents an excellent opportunity for member education.

Distribute Printed Statements

Printed financial statements should be distributed to the members at least once each year. Such statements and other reports are valuable only when they are clear and understandable. They must be explained in such a way that every member understands them. Line chart and graphs frequently help to show changes in such important items as volume of business, per-unit operating costs, amount of working capital, and changes in member and patron equities over a period of time.

Monthly or other periodical letters to members are helpful and extremely important in keeping members informed and interested in their cooperative association. Such letters might deal with the progress of the association, special activities, seasonal price changes, the effects of quality on price, the need for attention to certain production practices, changes in policies of the board of directors, and outlook information regarding immediate as well as long-time situations.

ANNUAL MEETINGS

In many cooperatives, the annual meeting is the only time that all the members are called together. For that reason, it should be made as effective as possible. There is no better opportunity for member education than at the business session, and at the annual meeting in general. A small attendance at the annual meeting, especially at the business session, usually indicates that such meetings have not been interesting and worth-while in previous years.

Arrangements

Good meetings don't just happen. Good meetings are planned in advance. The numerous details involved can be outlined briefly:

1. **Make plans and arrangements before the meeting.**
   a. Send out interesting notices. Call attention to the various features of the program and the members' part and responsibility in it. "Bare" announcements of a meeting are not effective in getting out the membership.

b. Select a good meeting place, neither too large nor too small, with good light, proper temperature, and chairs for all. See that the members will be comfortable.
c. Arrange for lunch to be served quickly — people get restless waiting in long lines.
d. Have blanks for balloting prepared. This saves time and avoids confusion.

2. **The chairman is not a dictator at the annual meeting, but he is very important as an engineer. He should:**
   a. Have the entire program outlined so that he can keep things moving.
   b. Bring the group to the front and close together so that everyone can hear.
   c. Insist that all who speak must stand, face the group, and speak clearly.
   d. Encourage all members to participate in the business, but insist that discussion be limited to the business under consideration.
   e. Repeat all motions and announce the results of each vote so everyone knows what takes place.

3. **Make the annual meeting program both educational and interesting.**
   a. Distribute printed copies of the annual report and explain it thoroughly to the members.
   b. Present the problems, as well as the progress of the association, to the membership.
   c. Allot time for a discussion of some special marketing subject about which the membership otherwise does not get information; e.g., variations in efficiency between cooperatives, legal and organizational requirements, financing, trends in the industry, etc.

Arrange for lunch to be served quickly at the annual meeting.

   d. In addition to the business and educational features of the program, plan a wholesome entertainment program.

4. **Keep good minutes of annual and special meetings.** Good minutes have historical value and can be used especially in settling any disputes that may arise. Good minutes will show:
   a. That proper notice or call for the meeting was given.
   b. That a quorum was present.
   c. What action was taken.
   d. The authority by which action was taken or is to be taken.

A successful annual meeting starts with the business session in the morning; lunch is served at noon, supplemented or followed by a brief entertainment program (preferably music); and continues with an educational program in the afternoon. This type of meeting has proven much more successful than those where everything is crowded into a brief afternoon program. A meeting started in the forenoon provides more time for the consideration of business items and for the educational phase of the program, and still allows members to return home sufficiently early in the afternoon.

Don't Let the Program Drag

From the time the meeting is called to order until adjournment, the program should not be allowed to "drag." Outside speakers are a part of many annual meetings. Carefully selected speakers can present information which the members would not otherwise receive. Annual meeting speakers, however, should be of the association's own choosing rather than people who want to get on the program in their own interest and who divert attention away from the real problems of the cooperative. The County Agricultural Agent can usually give excellent suggestions for speakers.

Select Suitable Topics

Topics for an annual meeting should pertain to the specific problems of the particular cooperative. Marketing problems of local and other cooperatives are so numerous that they can be only partially covered at annual meetings. Such topics, therefore, should be given first choice whenever possible. Of course, the topic will have to fit the background and experience of the available speaker.

Farm production problems and national and world political problems are frequently timely and of considerable interest; but these should be considered secondary to the discussion of specific marketing and purchasing problems. A few topics that have proven of special interest at annual meetings of cooperative associations are:

1. Fundamental principles of cooperative associations.
2. Legal and organizational requirements of cooperatives.
3. Responsibilities of the members, directors, and the management.
4. Sound financing of a cooperative.
5. Analyzing your cooperative through good records.
6. Efficiency and its importance.
7. Trends in the industry and special marketing, purchasing and service problems.

DIRECTORS' MEETINGS AND RESPONSIBILITY

Many cooperative associations are sufficiently large and have such regular problems that the directors should hold regular monthly meetings. The By-laws usually provide that special directors' meetings may be called by the president or demanded by a majority of directors when necessary.

Directors should meet often to discuss association problems.

Directors' meetings are effective only when the directors systematically "follow through" in discussing the problems of the association and the work to be done. When a member accepts a directorship in the cooperative, he agrees, in effect, to accept this responsibility for association activities. Directors should make every effort to attend all directors' meetings, and they should arrive "on time" so as not to waste the time of the other directors.

A fixed date for regular directors' meetings is desirable so that the date will be definitely reserved and the board members will arrange their other activities so as not to conflict. Most associations arrange directors' meetings for a certain day of the week, such as the third Monday or second Wednesday, etc.

Most of the boards of directors have the manager of the cooperative meet with them. However, directors should make it clear that this is not a regular requirement. The discussion of management and director relationships, management problems and manager's salary may require sessions at which the attendance should be limited to the directors.

Some directors have found it advisable to invite the accountants or bookkeepers to attend some of the directors' meetings. In this way, directors can obtain more detailed information about the association's affairs, and the accounting staff also develops greater interest and enthusiasm in the association.

Directors have no basis for discussing the association's problems and making decisions unless they have the records of the association before them. A monthly operating statement is a "must." A monthly balance sheet is also quite easily prepared and gives the directors much information that they would otherwise be "in the dark" about.

The directors have a definite legal responsibility to the association. Negligence on their part makes them **personally** liable.

RECORDS ARE IMPORTANT

Specific information must be at hand if a cooperative association is to be operated efficiently. Such information can be obtained only from accurate records that are properly summarized and analyzed.

The primary purpose of accounting is to obtain information and to report it in an understandable manner; the most practical and workable form of accounts will vary for different kinds of business. A systematic record of all financial transactions should be kept. Physical volume records are also necessary. Summarized statements should be prepared periodically from the detailed daily records, and the management may base its decisions for future operations on these statements. Data on costs of operations should be available for each department of the business.

To obtain such data with the minimum of effort, certain office equipment, such as an electric calculator and an electric adding machine, should be available. Any association which does not have this equipment is wasting the time of the manager and office employees or the secretary who are expected to prepare the necessary records. More office equipment may be desirable, depending on the size and type of business.

The most frequently used summary statements are the BALANCE SHEET (Financial Statement) and the OPERATING STATEMENT (Statement of Income and Expense). These statements should be prepared at the end of each month, as well as at the end of each fiscal year.

The balance sheet gives a financial picture of the business at a particular time (December 31, for example), while the income and expense, or operating statement, provides a picture of the operations through a given period of time, such as a month or a year.

The Balance Sheet

WHEN PROPERLY prepared, the balance sheet shows the relationship between assets and liabilities. The difference between assets and liabilities represents the members' (owners') share in the association. The balance sheet also shows the financial condition of the association and its debt-paying ability (solvency).

A balance sheet can be more easily understood if you remember that it is the statement of a business (the cooperative association) and not the statement of an individual owner of that business. To an individual member, a share of stock is an asset, but to the association itself stock is an obligation. Other obligations of the business to its owners are net margins that have accumulated and are recorded as reserves.

The balance sheet is divided into three distinct sections: (1) assets, (2) liabilities, and (3) member and patron equities. The term itself implies that there is a balance. The assets are always equal to the total of liabilities and member and patron equities.

WHAT ARE ASSETS?

Assets are the property and resources of the association. A listing of the assets is the same as taking an inventory. All assets which are cash or which could be converted into cash during the normal operations of a year's business are **current assets.**

The **accounts receivable** is a current asset and an item which is frequently overrated on the balance sheet when associations fail to make proper allowance for bad accounts. Ordinarily accounts receivable which are more than one year old are questionable. Associations doing considerable credit business should watch this item carefully, and questionable accounts should be written off. Loss on bad accounts is an operating cost and should be shown as such in the operating statement (income and expense).

Such items as land and buildings, machinery and equipment, furniture and fixtures, and long-term notes receivable are **fixed assets.**

Investment assets consist of investments in other cooperatives, government bonds, etc.

Prepaid expenses represent that part of expenses which is paid in advance, but is not yet used up. Because it is not used up it is an asset. Insurance is a good example.

WHAT ARE LIABILITIES?

Liabilities represent debts or obligations of the association. Most common among the liabilities are accounts payable, notes payable, and mortgages.

Liabilities are either current or long-term, depending on when the obligation has to be met. Ordinarily, any liability which will mature during a year's operations is considered current.

Quite frequently cooperative associations omit such liabilities as accrued taxes and accrued interest from the balance sheet. Accrued liabilities are the opposite of prepaid expenses and represent that part of an expense not yet paid but actually chargeable to the current period of operation. For example, real estate taxes and interest which are paid only twice each year should have part of the expense charged to each month's operation. These accruals are definite liabilities and should be shown as such on the balance sheet to present a true picture of the financial condition of the association at a particular time.

WHAT ARE MEMBER AND PATRON EQUITIES?

Member and patron equities are actually the excess of assets over liabilities, and show the members' (owners') claims in the assets of the association. Member and patron equity items are paid-in capital stock (memberships, capital stock, and stock credits), and reserves that have accumulated from past and current net margins and have been retained in the business.

Reserves are usually divided (allocated to patrons on the basis of volume of business done with the association). The newer associations follow this practice and older ones have recently begun to do so. In older associations some reserves are undivided and are frequently listed under such terms as surplus or permanent surplus. Valuation reserves for depreciation of buildings and equipment and for bad debts are direct deductions from assets and should be shown as such in the assets section of the balance sheet.

Unless assets exceed liabilities, there are no member and patrons' equities, because it would take all the assets to satisfy liabilities (creditor claims) of the business.

______________ Cooperative Association

Balance Sheet as of December 31, 19—

ASSETS (What the Association Has)				
Current Assets:				
Cash on Hand			$ 163.28	
Cash in Bank			2,100.00	
Accounts Receivable—Patrons	$ 586.44			
Accounts Receivable—General	12,550.77	$13,137.21		
Less: Reserve for Bad Accounts		62.74	13,074.47	
Notes Receivable			1,387.41	
Inventory—Merchandise			1,060.52	
Inventory—Supplies			921.54	
Prepaid Expense			77.49	
Total Current Assets				**$18,784.71**
Investments:				
Stock and Equities in Other Coops				**8,200.00**
Fixed Assets:				
Land			1,006.67	
Buildings		43,337.33		
Less: Reserve for Depreciation		12,776.55	30,560.78	
Machinery and Equipment		18,980.45		
Less: Reserve for Depreciation		4,118.25	14,862.20	
Office Equipment		1,246.49		
Less: Reserve for Depreciation		119.46	1,127.03	
Trucks and Delivery Equipment		1,160.00		
Less: Reserve for Depreciation		580.00	580.00	
Total Fixed Assets				**48,136.68**
Total All Assets				**$75,121.39**
LIABILITIES (What the Association Owes)				
Current Liabilities:				
Accounts Payable—Patrons			$13,553.88	
Accounts Payable—General			501.85	
Short-term Notes Payable			599.17	
Accrued Taxes and Interest Payable			165.20	
Total Current Liabilities				**$14,820.10**
Long-term Liabilities:				
Mortgage or Long-term Notes Payable				**19,550.00**
Total Liabilities				**$34,370.10**
MEMBER AND PATRON EQUITIES				
(What the Association Owns—the Members' and Patrons' Share)				
Capital Stock—Authorized		$15,000.00		
Less: Unissued		3,500.00		
Capital Stock Outstanding			11,500.00	
Capital Stock Credits			410.20	
Patrons' Equity Reserves—Prior Years			23,039.03	
Patrons' Equity Reserves—Current Year			5,802.06	
Total Member and Patron Equities				**40,751.29**
Total Liabilities and Member and Patron Equities				**$75,121.39**

Financial Ratios

CURRENT RATIO

IF AN ASSOCIATION is to stay in business, it must pay its debts as they come due. It must also have enough cash on hand to meet current operating expenses. One measure of an association's ability to do this is the ratio of current assets to current liabilities. The desirable ratio will depend on the type of association and its method of operation.

Generally, an association should aim to have two dollars of current assets for each dollar of current liabilities, or a ratio of two to one.

In the balance sheet on page 10 there is $1.27 current assets for each dollar of current liabilities, or a ratio of 1.3 to one. If the ratio is less than two to one, the association may have difficulty in meeting its current obligations and still have sufficient operating capital in the business to take advantage of cash discounts and to make seasonal purchases that will save money.

Should the ratio be less than one to one, the association will need to borrow money to pay its current obligations and may have to buy its supplies "on time." Such a condition costs money and indicates either a heavy and pressing debt load or too much capital tied up in fixed assets. Such an association usually also has difficulty in making loans at reasonable rates.

MEMBER AND PATRON EQUITY-DEBT RATIO

This is also an important ratio—the ratio of member and patron equities to total liabilities.

The total member and patron equities should equal or exceed total liabilities, indicating that there is more owner than creditor capital in the business.

In the balance sheet, page 10, there is $1.19 of member and patron equities (owner capital) for each dollar of creditor or borrowed capital. This is a fairly desirable situation, but should be improved. Creditor capital should be held to a minimum, since fixed interest charges and debt payments can quickly increase costs to a point where it is difficult to meet competition. It is desirable to finance all fixed assets from owner capital. This is generally accomplished by selling stock to patrons or retaining the net operating margins in the business.

PER-UNIT OVERHEAD COSTS

A third ratio of importance to directors and members of cooperatives is the ratio of total units of business (pounds, tons, barrels, dollars, etc.) to the investment in fixed assets. This ratio is calculated by dividing total units of business by the total fixed assets. The result shows the number of units handled per dollar invested in fixed assets.

Since fixed assets represent a definite overhead expense, it is desirable to handle as many units as possible per dollar invested. The more units handled per dollar of fixed assets, the lower will be the per-unit overhead cost and the more efficient the cooperative will be in serving its members.

Reserves

RESERVE FOR DEPRECIATION

(Valuation Reserve)

Buildings and equipment wear out with time and use. New buildings and equipment must at some time replace those used in present operations. "Wear and tear" are definite operating costs and should be charged to the current year's business.

Funds obtained from **reserve for depreciation** are applied on mortgage and note payments in the associations where such obligations exist. In other associations the funds are applied to the expansion of the business. When the funds are not used for these purposes, they help to increase the amount of cash on hand or in the bank. Such funds are then available when buildings and equipment are worn out, when it is desirable to improve them, or when it is desirable to replace them with newer and more efficient facilities.

The rate of depreciation to be used for buildings and equipment will vary with different businesses and kinds of facilities. Generally the life of buildings and equipment can be estimated quite accurately, and a rate of depreciation can be calculated. For example, if a creamery has a new churn which is expected to last ten years, it is logical to include 10 per cent of the original cost of the churn in each year's operating costs. If the estimated life of the churn is not correct, it will be necessary to adjust the rate of depreciation at the time such error becomes apparent.

The balance sheet should show **reserves for depreciation** as a deduction from the original value of the property (fixed assets). Reserves for depreciation are set up to show the proportion of the original value that has been used up and to indicate the present net value of assets. The amount of the allowance for depreciation should be included in the statement of operating expenses. If no depreciation charge is made, or the charge is too small, operating costs are understated. As a result, the net margins will be overstated. An inflated patron's equity reserve will then be recorded on the books of the association.

Reserves for depreciation, like reserves for bad accounts, are always recorded on the assets side of the balance sheet because they represent an operating cost. They should be clearly distinguished from the reserves that arise from net margins.

CAPITAL RESERVES

Reserves (other than depreciation reserves and reserves for bad accounts) represent funds that accumulate from the net margins of a cooperative association. The funds (net margins) are not paid in cash but are held in the association at the end of a given operating period.

Such funds are needed and used: (1) to meet a definite obligation, such as the payment of a mortgage or note, or (2) for increasing the operating capital of the association (improving the current assets—current liability ratio) or, (3) as insurance against possible future losses, or (4) for expansion of the business. There is no relationship between the amount of total reserves and cash on hand. For the reasons outlined, a cooperative association may have a large reserve with only a small item of cash.

Reserves are not built up and cannot arise unless there are net margins (earnings). If reserves are needed, efficient and successful business operations are the first essentials so that the association will have a net margin at the end of a given operating period. There is a tendency in cooperative associations to pay out as much as possible for products marketed (in a marketing cooperative) or charge as little as possible for products purchased (in a purchasing cooperative), with the result that net margins are small and reserves remain too limited.

Most cooperative associations list reserves as **Patrons' Equity Reserves—prior years** and **Patrons' Equity Reserves—current year.** When the reserves are so recorded it indicates that the reserves have been allocated and credited to the patrons, from whom they were retained, on the basis of the volume of business they did with the association. Such reserves belong to the patrons, as their capital contribution to their cooperative association, in proportion to the service they are getting from it.

The terms **surplus** and **permanent surplus** are found in the statements of some cooperative associations, and especially in the statements of older associations. The amount so represented also arises from net margins (earnings), but differs from patron equity reserves in that it is not allocated and credited to patrons on a patronage basis. Subject to special provisions in the Articles of Incorporation By-laws and other requirements, the amounts so represented belong to the stockholders.

The allocation and crediting to patrons of all reserves, on the basis of volume of business done with the association, is one of the chief requirements for a desirable income tax status. For a brief discussion of the Minnesota Cooperative Law and federal and state income tax requirements for cooperative associations, refer to "Some Legal Requirements for Cooperatives," University of Minnesota Agricultural Extension Bulletin No. 245.

Stock Credits

Frequently the item of **stock credits** appears in the member and patron equities section of the balance sheet. So that all patrons can become stockholders (members) and the voting control of the association can be kept in the hands of those using it, many associations apply patronage credits toward the purchase of a share of stock for those patrons who are not already stockholders. Such credits are listed as stock credits and they accumulate until they reach an amount equal to the purchase price of a share of stock. A certificate of stock is then issued.

The Operating Statement

THE OPERATING STATEMENT is actually a statement of income and expense. It provides information pertaining to operations during a given period of time—one year, for example. This statement also explains how net margins (earnings) are determined.

A simplified form of an operating statement is given on page 15. Most of the items included here are self-explanatory. When an operating statement is prepared, it should be checked carefully to make sure that all expense items have been included. The amount allowed for depreciation of buildings and equipment should be included. If expense items are omitted, net margins are overstated.

Frequently the operating costs and general and administrative costs are intermingled. Good accountants and auditors will properly classify the various expense items and make possible a comparison of each type of expense with figures from the statements of other cooperative associations.

The operating statement prepared for stockholders and patrons is often too condensed and gives little information about the actual operations of the association. Expenses should be itemized in sufficient detail to present a complete picture of costs in the association.

DETAILED ANALYSIS NECESSARY

The operating statement shown on page 15 is merely an illustration. An operating statement will vary with the type of association for which it is prepared, such as marketing, purchasing, or service associations. It will vary also with the type of business for which it is prepared, such as creameries, elevators, and oil associations. In creameries, on the other hand, items (1) and (2) in the operating statement would be reversed so that the gross margin is on the product manufactured. In this sample statement the gross margin is on the product marketed.

COMPARISONS USEFUL

To determine the success of an association, one must consider both the balance sheet and the operating statements. For measures of business efficiency it is necessary to obtain further information on cost per dollar of sales, cost per unit of product manufactured, changes in gross and net margins, etc. This information can be obtained from the balance sheet and the operating statements through a few simple calculations. Such calculations should be made for a period of years to determine changes in the efficiency of operation and in the financial structure of the association. Such measures of efficiency have much value for comparison with other similar associations.

BEST MEASURES OF SUCCESS

The net margins at the end of the year are not a good measure of the efficiency of cooperative associations. The best measures are: (1) cost per unit of handling and processing, (2) price received for products marketed, and prices paid for goods bought, and (3) price returned to producers, or savings made. Changes in the volume of products handled are significant indicators of progress. These changes usually affect the per-unit cost of handling and the price returned to producers.

Operating Statement of

______________ Cooperative Marketing Association

Jan. 1, 19—, to Dec. 31, 19—

Returns from Products Handled			**$191,825.00**
Cash advanced to patrons	$165,013.68		
(1) Inventory, beginning of year	4,181.39	$169,195.07	
Less: (2) Inventory, end of year		2,789.68	166,405.39
Gross margin			**25,419.61**
Operating Expenses:			
Labor and Wages		9,120.00	
General Supplies		2,128.56	
Fuel		1,546.83	
Light and Power		1,324.56	
General Repairs		556.09	
Depreciation: Buildings	333.43		
Machinery and Equipment	898.05		
Delivery Equipment	290.00	1,521.48	$16,197.52
General and Administrative Expenses:			
Office Salaries		740.00	
Directors' Fees		474.00	
Payroll Taxes		371.20	
Local Taxes		610.92	
Insurance		273.86	
Office Supplies		289.20	
Advertising and Printing		201.84	
Telephone and Telegraph		49.28	
Auditing		141.06	
Annual Meeting Expense		143.62	
Depreciation, Office Equipment		24.65	
Bank Service Charges		20.60	
Miscellaneous Items		79.80	3,420.03
Total Expenses			**$ 19,617.55**
Balance due patrons—net margin			**$ 5,802.06**

A combined statement of operating costs is not sufficient by itself. An operating statement should be prepared for each department and for each phase of the business. From such statements the per-unit operating cost for each enterprise can be determined. Per-unit costs are significant in indicating the efficiency of a business. Inefficiency and small "leaks" in some departments, if not discovered at an early stage, may soon drain off all savings from efficient operation in other departments.

Audits Are a "Must"

AUDITS by disinterested professional accountants should be made **at least once each year** in all cooperative associations. Audits help avoid errors in accounts and provide a basis for financial analysis. An auditor who is familiar with the particular line of business can give much valuable assistance in setting up a satisfactory accounting system, suggesting desirable financial policies, and more efficient methods of operation.

There is no better means of creating a sense of security and of promoting confidence and good will among members of a cooperative association than through a thorough audit that is openly and frankly discussed before all members at the annual meeting. In any discussion there is no substitute for basic accounting data as a source of information.

The costs of audit depend largely on the condition of the records and on the type of audit made. If audits are made regularly and if the association follows the auditor's suggestions for improving the accounting methods, the cost will be less than for irregular audits and for poorly-kept records.

Does Your Coop Measure Up?

A cooperative association that is properly located, keeps good records, has well-informed directors and sound management is in a position to serve its members effectively. It is important, however, to keep members informed of progress made and of obstacles standing in the way of more rapid progress. Directors must carry this responsibility, and it can be accomplished with the help of good records and good audits. However, records are of value only in so far as the management and directors understand them and make use of them in improving the business of the association.

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