

Preliminary Budget Guide

Use this template with suggested budget items to start planning.

| Item | Estimated Cost | Description |
|---------------------------|---|--|
| Incorporation Costs | \$100-\$10,000 | This is the cost of creating the co-op, legally. There are small government filing fees for this, but if you choose to hire a lawyer to help with the paperwork, it can drive up the cost considerably. |
| Business Planning | \$5,000-\$25,000 | It's important to have a coordinated plan for your co-op. While you can create a business plan yourself, a third-party consultant can give it the legitimacy funders might want to see. |
| Meeting Expenses | \$100-\$1,000 | Creating a co-op often requires bringing a larger group together to get feedback and input on the business. Providing food and a space for these meetings comes with a cost. |
| Legal Fees | \$0-\$10,000 | Depending on the co-op's industry of operation, you might need to hire a lawyer to draw up agreements, contracts, policies, or licences. |
| Building costs (3 months) | Depends on market, size, and terms | Depending on the business of your co-op, it may need to purchase, build, or lease space. This can be particularly costly if there aren't a lot of options and the co-op is responsible for retrofitting or maintaining the space. |
| Staff (3 months) | Depends on number of staff and expected wages | The co-op may need to hire staff to deliver its operations. This can be costly but may be necessary to the business. Consider raising at least 3 months' wages before opening to give the co-op some time to generate sufficient cash flow from operations. Be sure to also consider contracted positions like a bookkeeper. |
| Equipment | Depends on industry and business needs | The co-op will likely have to purchase some equipment. This may only consist of a laptop, but it might involve outfitting a full-service grocery store. Purchasing used equipment and being aware of applicable grants and tax deductions can help keep costs down. |

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| Fees and Licencing | Depends on industry and location | The co-op will likely have to pay certain fees and obtain licenses to operate. This might include a municipal business licence, Microsoft Office, or QuickBooks. |
| Marketing and Communications | \$250-\$10,000 | Big or small, all co-ops should invest in communications. Whether this is some paid advertising on Facebook or a full brand and communications plan, getting your co-op's message out there and creating awareness is important for start-up success. |
| Education and Training | Depends on number of staff and nature of training | The co-op's staff and board may require some training before the co-op begins operations. This might include training on governance, food safety, workplace safety, equipment training, etc. Be sure to check for free educational resources to keep costs down. |
| Total | Total estimates | An expert business planning consultant will help identify accurate start-up cost estimates, but having a ballpark figure can help initiate some early financial planning. |

Generally, co-operatives draw on four sources for start-up funds.

1. **Membership investment:** Co-operatives raise money from their members through membership shares or member loans. This investment gives members ownership rights in the co-op and members will likely expect a return on their investment, especially if it's a larger amount. A lower cost of entry may encourage more members to join, which may be desirable for some co-ops.
2. **Investment shares:** Co-operatives can issue non-voting investment shares to their members or the general public. These shares do not give the holder voting rights, but come with the promise of a larger, more regular pay back. There may be additional reporting requirements that come with issuing these shares.
3. **Free money (grants/sponsorship/fundraising):** This is the best kind of money! Depending on the business the co-op is starting, there may be grants available to help cover some of the start-up costs. Also, community-focused projects may be able to get community support through fundraisers or donations. Select (non-profit) co-ops may be eligible for charitable status, which allows the co-op to issue tax-deductible receipts and can make people more likely to give donations. New platforms like Kickstarter also offer innovative methods of raising start-up capital.
4. **Debt:** The most familiar form of finding money is debt. Whether a mortgage on a property, an inventory loan from a supplier, a line of credit, or a short-term loan

from an equity firm, co-ops can take on various forms of debt. Be sure to read the terms and conditions of a loan carefully; some lenders will require members or a board of directors to secure a loan, making them liable for its repayment if the co-op defaults. Having property or equipment the co-op can use to secure loans will reduce this risk.

Consider creating a chart that can help plan out and identify sources of funds. This will give the steering committee some goals to work towards and weigh the different sources and their impact on the co-op. This chart offers some helpful tips:

| Source | Details |
|----------------------------------|---|
| Membership shares | (Number of memberships) x (value of membership) = Member equity |
| Investment shares | (Number of investment shares) x (value of shares) = investor equity |
| Grants | Grant 1: \$ <ul style="list-style-type: none"> • Source: • Conditions: Grant 2: \$ <ul style="list-style-type: none"> • Source: • Conditions: |
| Loans | Loan 1: \$ <ul style="list-style-type: none"> • Lender: • Interest rate: • Term: • Monthly payment: Loan 2: \$ <ul style="list-style-type: none"> • Lender: • Interest rate: • Term: • Monthly payment: |
| Total cash from financing | \$ |
| Total monthly payments | \$ |
| Debt : Equity ratio | This ratio gives a snapshot of a co-op's debt relative to its equity (ie. member and investor investments). Ideally, the co-op will have less debt than equity, which indicates it is less risky. |