

Montana Child Care Business Connect

What is a Cooperative?

Thursday, January 5, 2023

Part 4 of 7 in the Tiny Training Series



Small Business Support. Big Community Impact.



Healthy People. Healthy Communities.

Department of Public Health & Human Services



ZEROTOFIVE
MONTANA

Montana Child Care Business Connect is funded under a Contract with the Montana Department of Public Health and Human Services (DPHHS) and the American Recovery Plan Act (ARPA).

The statements herein do not necessarily reflect the opinion of the Department.

What is: The 'Tiny Training Series'

Statement of Purpose

- Series of seven, 30-minute webinars
- 2nd and 4th Thursdays every month at 1:30pm
- Attendance of four webinars equals 2 hours of ECP credit
- Define basic business concepts
- Feature Business Connect Partners
- Prepare participants for 'How-to' Series in Spring/Summer 2023

2023 Schedule

- **January 5:** What is MT Child Care Business Connect?
- **January 12:** What is a Business Plan?
- **January 26:** What are the 4 Ways to Make a Profit?
- **February 9:** What is a Cooperative?
- **February 23:** What is Cost-Informed Rate Setting?
- **March 9:** What is Risk Management?
- **March 23:** What are Different Types of Marketing?

THE COOPERATIVE MODEL AND CHILD CARE IN MONTANA

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TODAY:

- **Who we are?**
- **What is a cooperative?**
- **How are Cooperatives Formed?**
- **Samples of Child Care Cooperatives**
- **Investment Cooperatives- is this an option?**



Montana's Council of Cooperatives

- ❑ **Statewide Economic Development Organization**
- ❑ **Building New Cooperatives in all industries**
- ❑ **Addressing community and business needs**
- ❑ **501 (c) 3**

MCDC Mission:

To promote and develop cooperatives to meet the economic and community needs of rural Montana.

- ❑ **State-wide Trade Association**
- ❑ **All Cooperatives-All Sectors**
- ❑ **Sustaining and Growing Cooperatives**
- ❑ **Supported by Membership**
- ❑ **501(c) 6**

MCO Mission:

Working to unite, promote and strengthen cooperative businesses across Montana

SERVICES THAT WE PROVIDE:

- **The statewide resource for Cooperative Development**
- **Facilitation and knowledge to walk you through setting up your own cooperative**
- **Business planning and economic development resources**
- **Partners with local economic development organizations**
- **Funding scenarios and application assistance**
- **Connection to the larger Cooperative Community in Montana**
- **And more**



TYPES OF COOPERATIVES IN MONTANA

- **60+ fuel/farm supply co-ops**
 - **CHS Refinery**
 - **Cooperative Ag Marketing Associations**
- **45 credit unions**
- **25 rural electric co-ops plus 3 electric distribution cooperatives**
- **7 telecommunications co-ops**
- **20+ cooperative associations**
 - **Producer/consumer**
 - **Hybrid co-ops**
 - **Retail services– grocery/hospitality/books**
 - **Housing, worker, investment cooperatives**

So... What is a Cooperative?

A COOPERATIVE AS PER THE INTERNATIONAL COOPERATIVE ALLIANCE IS:

An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

It is, in simple terms, an enterprise created by a group of people who join forces and work together to solve a problem or reach a goal they all share.



Co-ops Are:

- **Global form of business**
- **State controlled**
- **All adopt the guiding principles**

As per the International Cooperative Alliance:

3 million co-ops worldwide

- **1.2 billion in membership**
- **12% of people on Earth are co-op members –Brazil has the most cooperatives**

Co-ops employ 280 million people across the globe- that is 10% of the worlds populations

72% of co-ops survive the first 5 years of operations vs. 43% of companies



A COOPERATIVE IS:

Membership Owned

- **As a co-op owner, you are concerned with not only about the financial situation of the enterprise but also if the cooperative is meeting the needs of its member-owners.**
- **You are not only a customer/user you are owner**
- **Equal ownership across all owners**
- **A cooperative can never have one member (or shareholder) in control**

Membership Controlled

- Participation in the decision-making is one of the primary ways cooperative members exercise their right of ownership.
- Co-ops are led by members-elected board of directors.
- One vote for one member always
- The Board of Directors provide the governance and often the hired staff provide the management
- The Board works based on the memberships' feedback and engagement at annual meetings

Membership Benefits

- Cooperative are designed to address the need of the members first and foremost
- Should always strive to make as much money as it spends
- Profits (if any) are distributed to members dependent on how the cooperative is performing any given year.

MONTANA LEGAL COOPERATIVE STRUCTURES

- **Cooperative Association (for profit)- Chapter 15**
- **Agricultural Association (nonprofit)- Chapter 16**
- **Cooperative Agricultural Marketing Association (nonprofit)- Chapter 17**
- **Cooperative Utilities - Electric and telecommunications (nonprofit) – Chapter 18**

**In other states, cooperatives are most commonly formed
as corporations with exempted stock**

WHO OWNS A CHAPTER 15 COOPERATIVE?

Common Stock

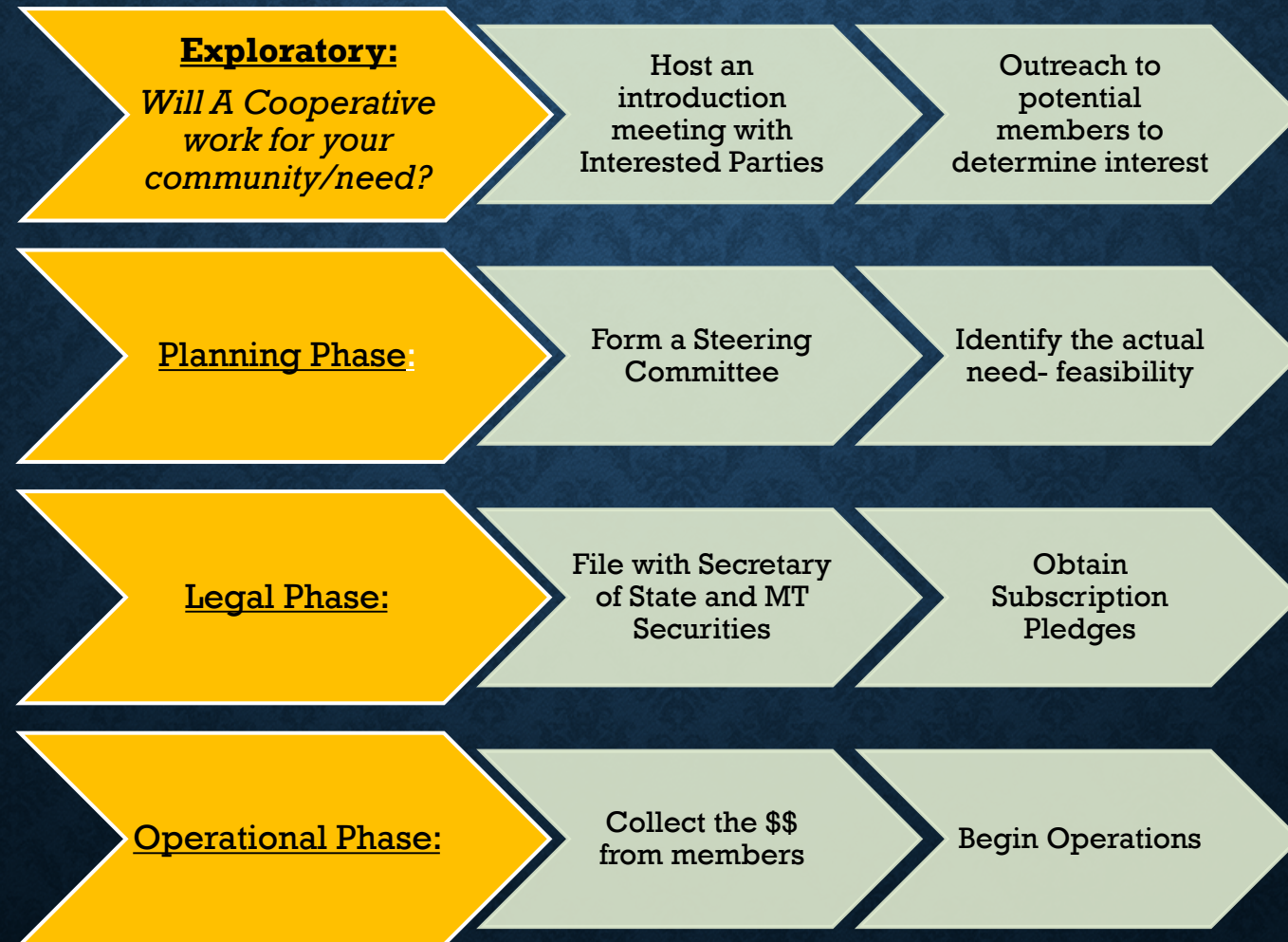
- **Owners**
- **Voting powers**
- **Engaged**
- **Patronage**

Preferred Stock

- **Investing**
- **Dividend based on Investment**
- **Receives first**
- **Non-voting stock**

PHASES IN FORMING A CHAPTER 15 COOPERATIVE

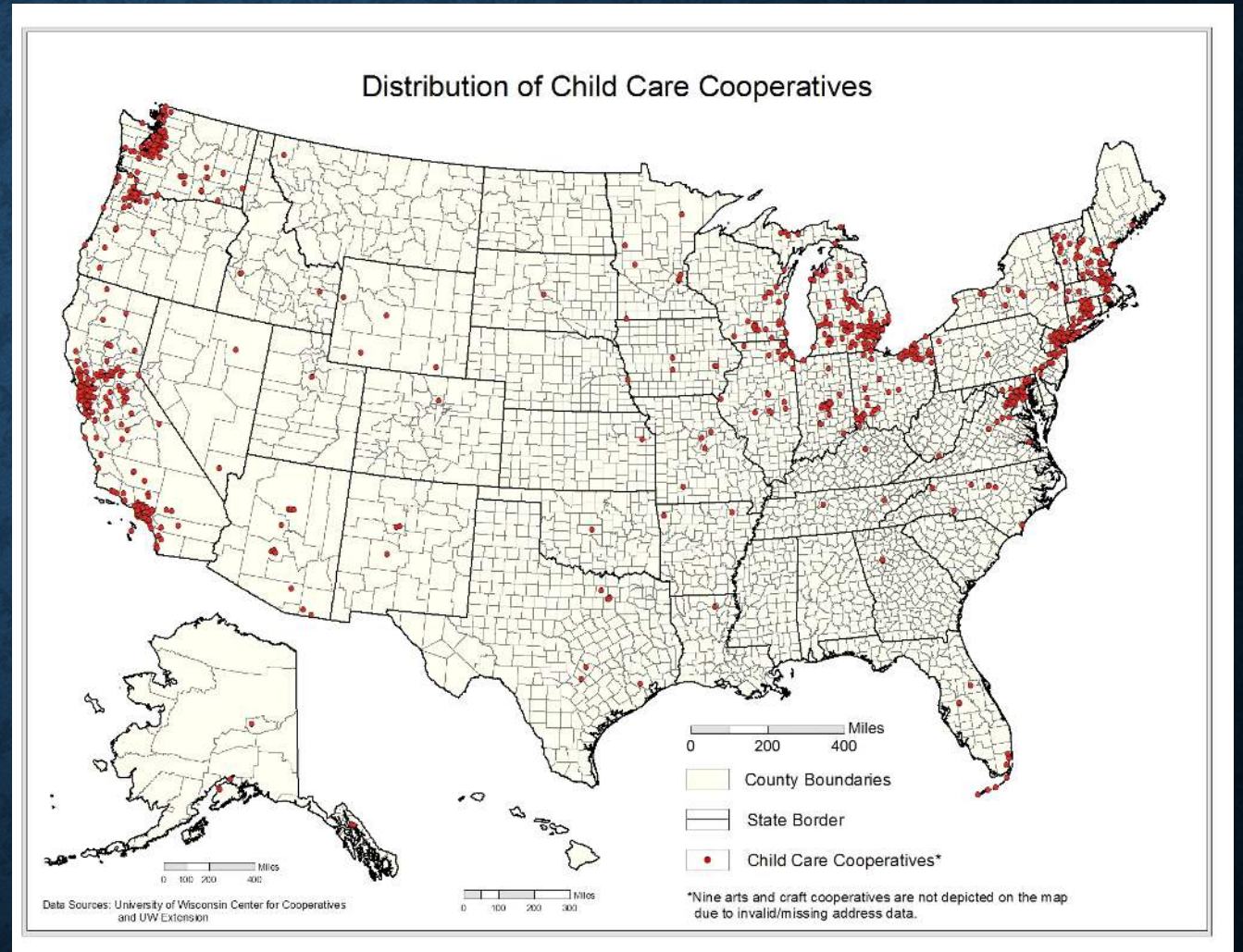
LOOKS LIKE A LOT BUT WE ARE HERE- IT ISN'T COMPLICATED!





CHILD CARE COOPERATIVES

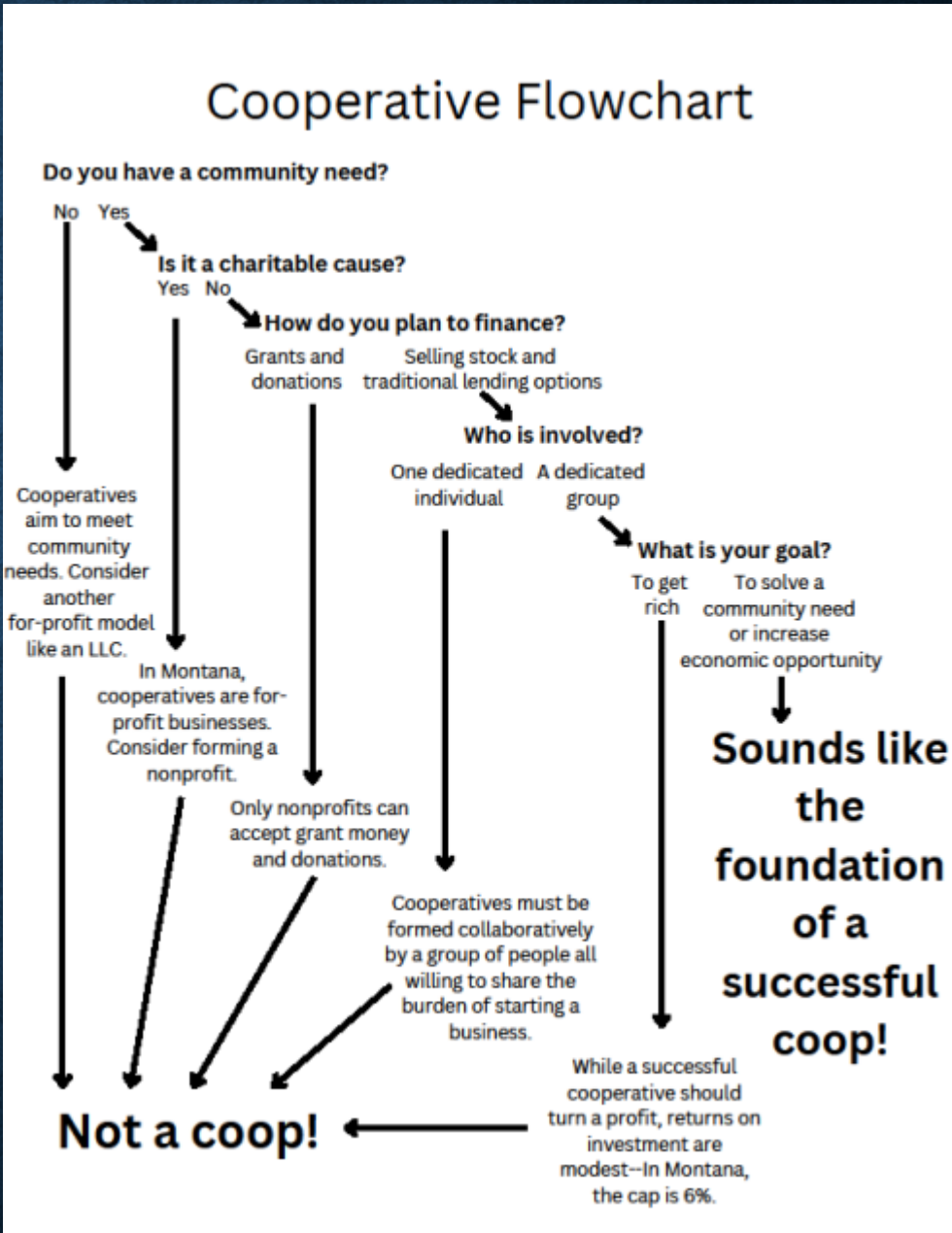
- University of Wisconsin
- https://reic.uwcc.wisc.edu/sites/all/maps2/childcare_coop_locations.jpg



Types of Child Care Cooperatives

- Parent Owned
- Employer Owned
- Employee Owned
- Shared Services
- Investment
- Multi-Stakeholder

MCDC/Zero to Five Child Care Cooperative Toolkit Coming soon!



CHILD CARE COOPERATIVES ITEMS TO REMEMBER

Childcare Cooperatives are developed to provide a service at a cost- they are a form of a business –not charitable

If there is a profit at the end of the year the Board determines if it will be used to enrich the program, lower costs for members, or returned to investors and members.

Childcare cooperatives can and should operate as any other form of childcare business

- Understand the licensing
- Know the costs – and need
- Utilize available resources
- Business Plan and Financial Projects should be in place

Don't forget who you are serving and what hours are needed

Handout from Havre Study- Non-profit vs. Cooperative



SAMPLES OF CHILD CARE COOPERATIVES

ENERGY CAPITAL COOPERATIVE CHILD CARE

HAZEN, NORTH DAKOTA

- Founded in October 2016
- Located at the New Bethel Center
- Started by 8 local businesses to address area's shortage of childcare capacity
- 77 capacity
- Only licensed childcare center in the County (all others are home-based)
- Includes pre-school curriculum – appropriate learning activities
- Flexible Hours
- Founding partners have guaranteed childcare spots for employees
- Open spots available to general public



CHILD SPACE CENTERS- A TEACHER/WORKER OWN SPACE

- Worker Cooperative Teachers built the cooperative
- 1988 opened first center in Mt. Airy of Philadelphia
- 1991 second sent opened in Germantown
- With a partnership of a non-profit opened third space in 1999
- Offers Headstart programing
- Curriculum based learning with music, guest/specialized teachers rotating through
- Nationally recognized



Note- Philadelphia has a non-profit form of cooperatives- is charitable based to a degree

<http://childspacedaycarecenters.org/>

SMOKY LAKE COMMUNITY DAYCARE CO- OP SMOKY LAKE, ALBERTA



- Opened in 2018
- First Daycare cooperative in Alberta and located in side a school
- Parent Owned
- Community contributed through donation of toys, games, furniture, operation dollars and play equipment
- Town and County contributed money and have seats on the boards
- School is a vital partner
- Flexible schedules

https://www.facebook.com/smokylakecommunitydaycare/?eid=ARCMp9m5B7mI_ZollAoOur0Fn9armcaFHEs8MesxoOVTtR3BJGe_Fq5M_WPpMC2AQnWc2CLaVFuljDjc

<https://cooperativesfirst.com/blog/2019/04/18/daycare-co-ops-a-rural-solution/>



AN ALTERNATIVE IDEA:

**OPPORTUNITY
DEVELOPMENT
COOPERATIVE**

OR

**AKA- INVESTMENT
COOPERATIVE**

WHAT IS AN OPPORTUNITY DEVELOPMENT COOPERATIVE?

- An Opportunity Development Cooperative (ODCs) is a for-profit co-op, made up of local community members, who identify businesses, projects, or causes into which they choose to invest as a co-op.
- Opportunity Development Cooperatives, also known as investment cooperatives, are a new and innovative model for rural and urban economic and business development that effectively bridge the gap between local investors and local ventures in need of financing.
- ODCs are a cost-effective, community-owned, and controlled impact fund. They enable residents to become accountable partners in locally-driven economic development, which leads to healthier and more sustainable communities and economies. In other words, local money won't be invested in stocks and mutual funds, but more importantly, in local projects and people.

HOW DO THEY WORK?

- An Opportunity Development Cooperative is a typical cooperative. Potential members form a steering committee and go through the process of incorporating a co-op. ODC's can form around a pre-identified project or find their investment opportunities after incorporation.
- ODCs can sell both common stock (ownership) and preferred stock. Most ODCs keep their common stock at an affordable price so more community members can invest and impact their economic future.

WHAT DO THEY

INVEST IN?

The projects an Opportunity Development Cooperative supports are as unique to the co-op as they are the community they serve.

Many ODCs make capital investments into area real estate.

Others may choose to invest in social enterprises that aid in the well-being of their communities.

ODCs can also establish revolving loan funds to help businesses with startup and working capital.

WHAT ARE THE BENEFITS OF AN OPPORTUNITY DEVELOPMENT COOPERATIVE?

- Opportunity Development Cooperatives are directed by local leadership and use community-based financing. Co-op members decide how their funds will be used to have the greatest impact on their community.
- ODCs spark economic development, create jobs, aid in business succession, and support young entrepreneurs. ODCs ensure local communities thrive by growing local leadership, empowering members, and building community pride.
- ODCs help communities discover ways to increase their wealth and well-being by organizing and directing resources towards local opportunities that have lasting positive impacts where it counts the most, at home.

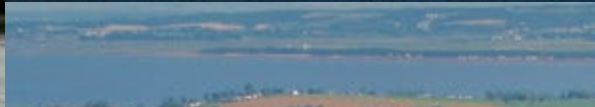
WHAT IS THE RETURN ON INVESTMENT?

Opportunity Development Cooperatives are structured as Chapter 15 cooperatives, and Montana law allows up to 6 percent annual returns to members. Although each member's yearly return will be modest, the community's economic benefits will be significant.

ODCs members are community-focused, patient investors that want to invest in long-term projects that will benefit the community at large. In general, ODCs investments will sustain businesses, finance innovative products and projects, and solve problems facing their communities. In other words, money won't be in stocks and shares, but in projects and people.



WHO IS USING OPPORTUNITY DEVELOPMENT COOPERATIVES?



SANGUDO, ALBERTA
THE SANGUDO OPPORTUNITY DEVELOPMENT COOPERATIVE
**“IN THE COMMUNITY, BY THE COMMUNITY, FOR THE
COMMUNITY”**

- Enhances social & economic well being of citizens by supporting the development of new and existing businesses
 - Offers employment opportunities to our youth, thus keeping them in our community
 - Co-op business model fosters strong community relationships & sharing of expertise
 - Grassroots initiatives & leadership
 - Invites & encourages patronage of local businesses
 - Keeps local wealth invested locally
 - Exploring Housing opportunity and investment now
-
- <https://sangudocoop.weebly.com/>
 - <https://www.youtube.com/watch?v=INacrPFx6B4>



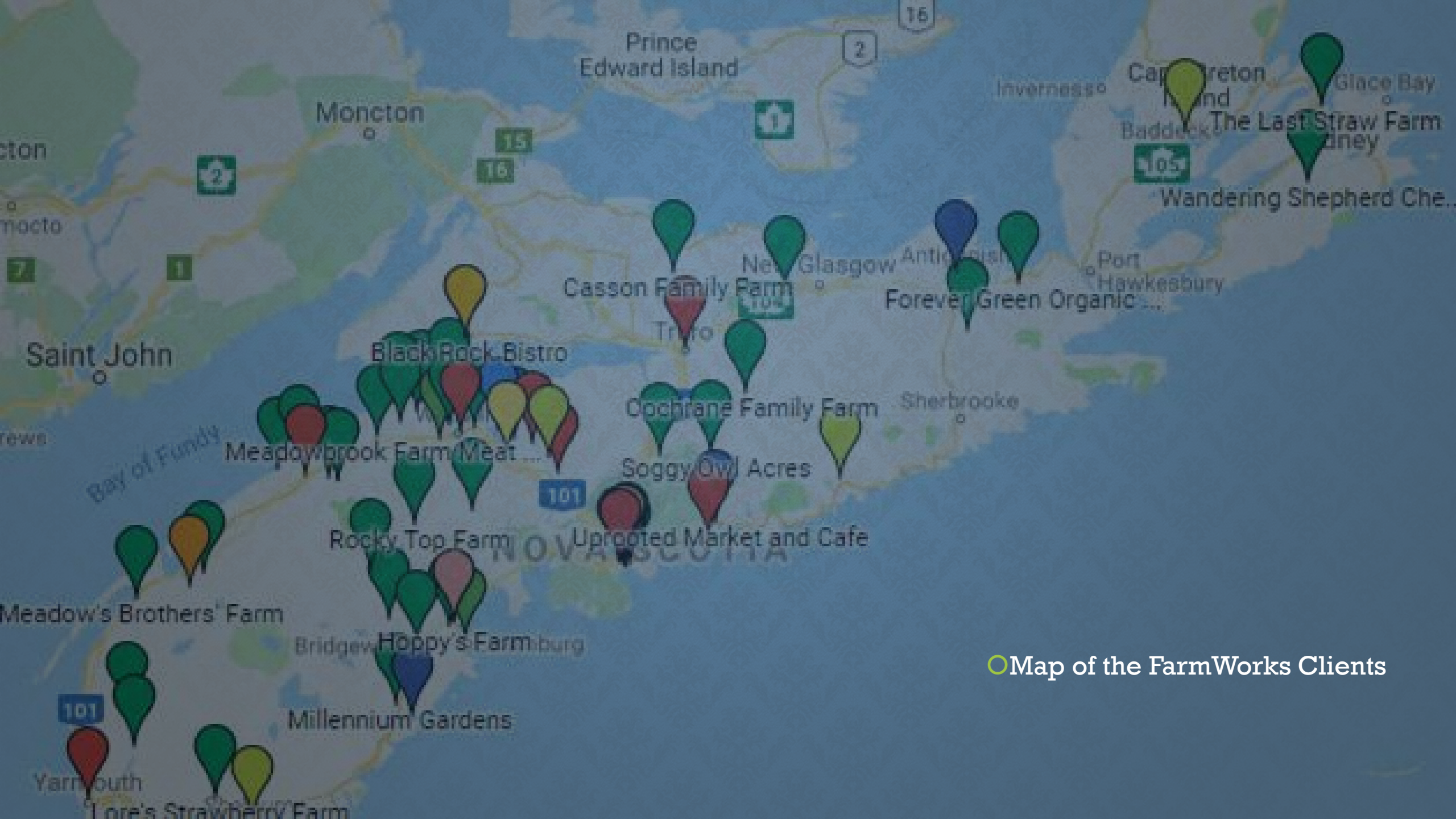
WOLFVILLE, NOVA SCOTIA THE FARMWORKS INVESTMENT CO-OPERATIVE



FarmWorks Investment Co-operative Limited was incorporated as a for-profit Co-operative on May 18, 2011 by an association of community leaders concerned about social, economic and cultural needs. FarmWorks promotes and provides strategic and responsible community investment in food production and distribution in order to increase access to a sustainable local food supply for all Nova Scotians.

FarmWorks Community Economic Development Investment Fund (CEDIF) enables Nova Scotians annually to purchase common shares in a diversified portfolio of businesses that yield meaningful financial returns on investments. These investments provide subordinated debt financing for farms, food processors, and value-added food producers, helping to increase the viability and sustainability of agriculture and the security of a healthy food supply.

<https://farmworks.ca/>



Map of the FarmWorks Clients

BRITISH COLUMBIA

CRESTON AND DISTRICT COMMUNITY INVESTMENT COOPERATIVE

“We are redirecting our community capital

back to local businesses and projects.”

- Serving communities from Yahk to Riondel, the Investment Co-op directs new or pre-existing investment capital from local residents into local ventures with community impact.
- The Investment Co-op will provide short-term capital to businesses looking to launch or expand and assist these ventures in establishing a supportive customer base and a sustainable operation for their concept.
- Formed in 2016 with 107 members. First loan was in April of 2017.

COMMUNITY
INVESTMENT CO-OP
GROWING BUSINESS TOGETHER

Meadville, PA

**Northwest Pennsylvania Investment
Cooperative**

The NWPIC's mission is to expand entrepreneurial opportunities and improve the economic health of Meadville, PA and surrounding communities by purchasing, renovating, and then leasing commercial spaces to community-minded business and other social enterprises at an affordable price.

**Closed on their first property in November of 2021
which will support a new business called Blissful
Meads- a meandry and tasting room.**



Minneapolis, Minnesota

NorthEast Investment Cooperative of Minnesota

Was founded in 2011 by a small group of community members who were tired of looking at poorly used property in their neighborhood and waiting for traditional developers to fix it. So they decided to do something about it. They envisioned a way for community members to become owners and investors in a real estate development cooperative that would buy and rehab properties in their community.

They are working on building rehab, business incubation, and housing projects.

Fair State Brewing Co-op, Aki's Breadhaus,

www.neic.coop

<https://youtu.be/jiNz1p5TI9Q>



Roundup Montana Musselshell Community Investment Cooperative



of the Musselshell County Historical Museum. All Right

Summary

Please take a few minutes to complete our survey, your feedback is invaluable!

Tiny Training Series: What is a Cooperative?



Connect with Business Connect!

**Thank you for attending this training with
First Children's Finance**

FOR ANY BUSINESS PLANNING NEEDS OR FOLLOW-UP QUESTIONS CONTACT:

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