

# CO-OP FINANCIAL VIABILITY

CWCF Conference 2019

Tatamagouche Centre

# INTRODUCTIONS

- Ahmed Nassrat – Financial Controller, Just Us! Coffee Roasters
- Colin MacDougall – Managing Director, Sustainability Solutions Group
- Peter Hough – Facilitator

# AGENDA

- Overview of the concept – Peter Hough
- Financial Viability, its complicated – Colin MacDougall
- Cash Flows – a critical management tool – Ahmed Nassrat
- Facilitated small group discussion & report back – Peter Hough
- Closing comments, reflections

# FINANCIAL VIABILITY OVERVIEW

- Ensuring that the co-op has access to the necessary financial resources through its capitalization, credit facilities, and operations to meet its financial obligations to creditors, further develop its enterprise while meeting the needs of its members and customers.

# DON'T RUNOUT OF CASH

- This is simple way of stating the challenge
  - For start-up – capitalization, both member investment and credit (term loans, line of credits, supplier credit) is required to ensure that the co-op has the necessary cash to pay its bills until the operations of the co-op achieve at least positive cash flow (i.e. more cash coming in than going out)

## GENERATING CASH

- A key component of the ongoing viability of the co-op is its capacity to generate an operating surplus, not just a breakeven but one that allows the co-op to make any principal debt repayments and generate internal cash for the future development of the co-op.

# MANAGING CASH

- Managing the co-op's cash is an ongoing need for financial viability - it requires being aware of the co-op's current cash position, its short term and long term cash requirements, its potential sources of cash from operations and credit facilities etc. to ensure there is always enough cash available to meet the identified needs but also to address any unexpected contingencies or economic downturns.

# PRESENTER

- Colin MacDougall, Sustainability Solutions Group



# PRESENTER

- Ahmed Nassrat. Just Us Coffee Roasters

# CAN YOU BE A VERY PROFITABLE CO-OP AND STILL GO BANKRUPT?

“WE WERE ALWAYS FOCUSED ON OUR PROFIT AND  
LOSS STATEMENT. BUT CASH FLOW WAS NOT A  
REGULARLY DISCUSSED TOPIC. IT WAS AS IF WE  
WERE DRIVING ALONG, WATCHING ONLY THE  
SPEEDOMETER, WHEN IN FACT WE WERE RUNNING  
OUT OF GAS.”

—MICHAEL DELL, FOUNDER AND CEO, DELL  
TECHNOLOGIES

# CASH FLOW

- Who has a cash flow statement for their organization?
- What is a cash flow statement?
- Why is it important?
- What are the key elements of a cash flow statement?

**Example Corporation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

**Cash Flow from Operating Activities**

Net income	\$23,000
Add: depreciation expense	4,000
Increase in accounts receivable	(6,000)
Decrease in inventory	9,000
Decrease in accounts payable	<u>(5,000)</u>
Cash provided (used) in operating activities	<u>25,000</u>

**Cash Flow from Investing Activities**

Capital expenditures	(28,000)
Proceeds from sale of property	<u>7,000</u>
Cash provided (used) by investing activities	<u>(21,000)</u>

**Cash Flow from Financing Activities**

Borrowings of long-term debt	10,000
Cash dividends	(5,000)
Purchase of treasury stock	<u>(8,000)</u>
Cash provided (used) by financing activities	<u>(3,000)</u>

Net increase in cash	1,000
Cash at the beginning of the year	1,200
Cash at the end of the year	<u><u>\$ 2,200</u></u>

# DISCUSSION GROUP QUESTIONS

- Based on the discussion we have had how could your co-op define and measure financial viability?
- What changes would you need to make to pursue this direction?
- What challenges might you face and how can we deal with them?

# CLOSING

- Comments and Reflection
- Thanks to the presenters and participants