

# Cooperative Principles

*Cooperatives worldwide operate by these seven principles,  
as adopted in 1996 by the International Cooperative Alliance.*

## **1) Open, Voluntary Membership**

Membership in a cooperative is voluntary and nondiscriminatory. It is open to all persons who qualify for employment and are willing to accept the responsibilities of membership.

## **2) Democratic Control – One Member, One Vote**

The main feature which distinguishes co-ops from non-cooperative businesses is that each member receives only one vote. This is in contrast to other corporations where the number of shares you own determines the number of votes you have. Each member of a co-op has the responsibility to be active in the co-op by electing a board of directors at the annual member meetings and voting on issues that arise. Democratic control means that each member's vote carries equal weight. Members nominate and elect directors. The board of directors act to protect, oversee, and invest the assets of the business. The board of directors also selects management who carry out the policies of the board and operate the business in accordance with the co-op's mission.

## **3) Member Economic Participation**

Members contribute to, and democratically control, the financial resources of their cooperative. Membership fees and equity in a cooperative are used as a rainy day fund (reserves) to carry the businesses through lean times or for possible expansion. Membership fees and equity usually do not pay interest. This is to protect the membership from anyone wishing to make an investment in the co-op purely for speculative return. Year end profits belong to member-owners. Each member's equity is in proportion to the number of hours worked for the co-op or services utilized. (The more hours worked, the higher your share of the profits.) The Internal Revenue Service (IRS) requires at least 20% of profits be returned in cash to members. The board of directors determines how the remainder of the profits (retained equity) will be used to best serve the interests of the cooperative and its members. As owners of a business, members pay taxes on their portion of the co-op's profits (both cash and the retained equity). However, once a member retires or leaves the co-op, their entire retained equity is returned (usually over a period of years).

## **4) Autonomy and Independence**

Cooperatives are independent, self-help organizations controlled by their members. If they enter into agreements with other organizations (such as a county contract) or raise capital from external sources (such as a bank or investors), they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

## **5) Continuous Education**

Cooperatives provide education on the principles and practices of cooperative business so that members will be good decision-makers and so the general public will better understand cooperatives.

## **6) Cooperation Among Cooperatives**

Cooperatives work together at the local, regional, national and international levels to further economic democracy.

## **7) Concern for the Community**

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.