



# Funding Options for Co-op Development Support / Technical Assistance

Getting financing or your co-op startup or expansion is one thing, but finding the \$500-10,000 (or more) needed for technical assistance (TA) has its own challenges and opportunities. There is a fair amount of overlap and can sometimes be tied together. This list focuses on funds for TA. [More info here.](#)

## Grants the kind you don't need to pay back!

**Foundations:** Most foundations require again a fiscal sponsor and a charitable purpose. Consider finding a non-profit in your area that has mission overlap and ask them if they'd be willing to fiscally sponsor your co-op during startup / expansion. Tips: careful, many grants require lots of time upfront applying and reporting.

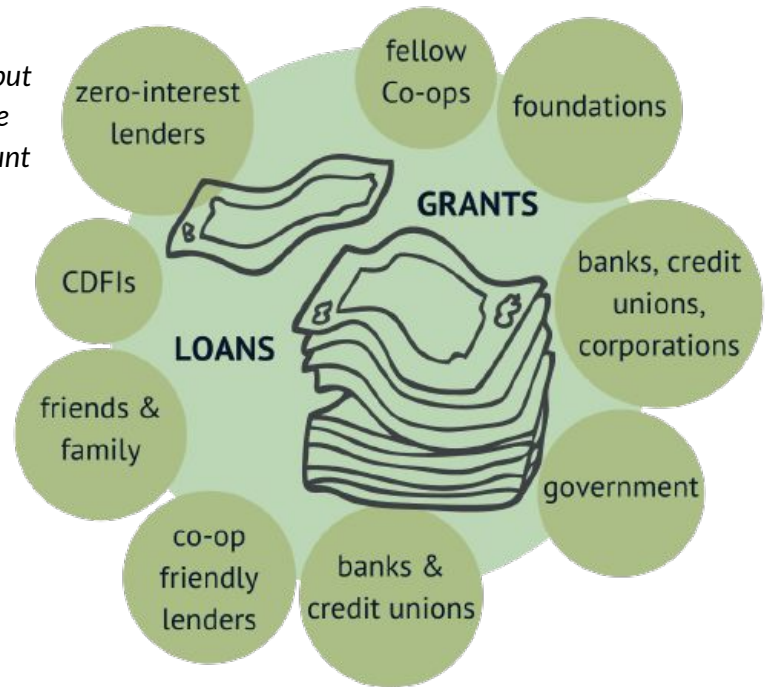
Some grant sources that do consider direct grants to co-ops:

- [The Workers Lab Innovation Fund](#)
- [Cooperative Development Foundation](#)
- [Ralph K Morris](#)
- [CHS Foundation](#)

**Banks, Credit Unions, and Corporations** with headquarters in your area often have a community giving funds that are not too strenuous to apply for, but may again require a fiscal sponsor non-profit 501(c)3 organization.

**Contests and Awards:** Universities, industry incubators and others offer these competitive funds if you have a cutting edge idea.

**Co-ops!** Principle 6 (Cooperation Among Cooperatives) and Principle 7 (Concern for Community) in action sometimes means grants from co-ops to co-ops. One example is [Wedge Share](#). Consider bartering too (careful, some bartering still needs to be taxed).



**Government grants** are often for larger contracts, but sometime workforce development funds are available, consider partnering with Co-op Clinic /USFWC or another co-op development organization to access these funds. Here are some keywords and common offices to look into first: [State] Office of Employee Ownership, Workforce Development Department, Workforce Investment Board, Office of Labor and Workforce Development, Division of Employment and Workforce Solutions.

- If you're in Home Care, Child Care, or Alternative Staffing industries, consider contacting [The ICA group](#) for partnership and support.
- No worker co-op developers or good mission fit non-profits in your area? Maybe someone in the [ESOP Association](#) can help you connect to resources.
- There are also many quasi-governmental entities that sub grant state funds, some by industry, some by target population. For example in Massachusetts, MassDevelopment, MassTech Collaborative and Mass Growth Capital Corp have supported co-op development.



## Donations, Crowd Funding and Pre-Sales

- **Individual donations:** These are very flexible funds, but can take a lot of time and energy to get.
- **Crowdfunding:** using a platform like Kickstarter, IndieGoGo, GoFundMe, Fundly, Facebook to collect donations. Doing this successfully often requires a strong media/social media strategy/ network and/or very appealing rewards. Donors do not get a tax-deduction unless you partner with a 501c3 non-profit fiscal sponsor (good for education, training, consultants, legal fees, etc.).
- **Pre-Sales:** using a platform as mentioned above, gift certificates, or directly pre-selling your product or service can raise capital, but make sure you plan your cash flow accordingly.

## Equity

An investment in the co-op with repayment terms often linked to the success of the co-op.

- **Internal equity:** from members in the form of Member Capital Contributions. Co-op can decide how or if this is paid back. Significant Member Capital Contributions can put your co-op in a good position to get outside capital.
- **Outside equity:** equity or equity-like investments from people or institutions. Investors are paid dividend distributions when the co-op ends the year with a surplus. Be careful about securities laws ([more info here](#)). Investors must understand that they do not get more voting power by investing like in a capitalist corporation (and only get a vote if they are made members). Equity is often patient (investors are not in a hurry to get it back) and flexible, making it often a preferred source of capital.

## Loans from cooperative-friendly lenders

(such as [Seed Commons](#), [Co-op Fund of New England](#) or [Shared Capital](#)) don't require credit scores, personal guarantees, but do require strong business plans. Some have pre-development loans specifically for startup costs like technical assistance. Be sure to plan accordingly when taking on this kind of debt before generating revenue in your new co-op or new division.

- **Loans from friends and family:** Loan agreement sets terms, usually low or no-interest. Be careful about securities laws ([more info here](#)). A direct public offering (DPO) is a creative way around securities issues, but is costly to set up.
- **A Zero-interest lender** (such as [Kiva.org](#)): Usually pretty short payback periods, but no interest! This option is good if your members have a compelling story to tell about what they hope to get from being a member of the co-op.
- **Banks and credit unions:** Usually 3-10 year repayment period (can be longer if they have SBA support), again upon signing the loan, you agree upon a schedule of principle and interest payments usually monthly. A business track record is often needed to access these. Also, they will need collateral (assets that a lender accepts as security for a loan) that can often be personal guarantees/ assets.
- **CDFI** - Community Development Financial Institutions like those mentioned above, or sometimes credit unions / banks.
- **Line of Credit** - a type of loan that you are required to pay off at least once a year - good for businesses with seasonal fluctuations or delayed income.

## The Co-op Clinic is here to help your business

Visit [usworker.coop/clinic](http://usworker.coop/clinic)

Email [clinic@usworker.coop](mailto:clinic@usworker.coop) to get help from cooperative peers and experts.

[www.usworker.coop](http://www.usworker.coop) | Phone: 415-392-7277