

ALLOCATION AND DISTRIBUTION OF NET SURPLUS

Primer on Republic Act. 9520



ONE-COOP
FEDERATION

NET SURPLUS

Notwithstanding the provisions of existing laws, the net surplus of cooperatives shall be determined in accordance with its bylaws. Every cooperative shall determine its net surplus at the close of every fiscal year and at such other times as may be prescribed by the bylaws.

Any provision of law to the contrary notwithstanding, the net surplus shall not be construed as profit but as an excess of payments made by the members for the loans borrowed, or the goods and services availed by them from the cooperative or the difference of the rightful amount due to the members for their products sold or services rendered to the cooperative including other inflows of assets resulting from its other operating activities and which shall be deemed to have been returned to them if the same is distributed as prescribed herein.



ORDER OF DISTRIBUTION

The net surplus of every cooperative shall be distributed as follows:

(1) An amount for the reserve fund which shall be at least ten per centum (10%) of net surplus: Provided, That, in the first five (5) years of operation after registration, this amount shall not be less than fifty per centum (50%) of the net surplus:

(a) The reserve fund shall be used for the stability of the cooperative and to meet net losses in its operations. The general assembly may decrease the amount allocated to the reserve fund when the reserve fund already exceeds the share capital.

Any sum recovered on items previously charged to the reserve fund shall be credited to such fund.

(b) The reserve fund shall not be utilized for investment, other than those allowed in this Code. Such sum of the reserve fund in excess of the share capital may be used at anytime for any project that would expand the operations of the cooperative upon the resolution of the general assembly.

ORDER OF DISTRIBUTION

(c) Upon the dissolution of the cooperative, the reserve fund shall not be distributed among the members. The general assembly may resolve:

- To establish a usufructuary trust fund for the benefit of any federation or union to which the cooperative is affiliated; and
- To donate, contribute, or otherwise dispose of the amount for the benefit of the community where the cooperative operates. If the members cannot decide upon the disposal of the reserve fund, the same shall go to the federation or union to which the cooperative is affiliated.



ORDER OF DISTRIBUTION

(2) An amount for the education and training fund, shall not be more than ten per centum (10%) of the net surplus. The bylaws may provide that certain fees or a portion thereof be credited to such fund. The fund shall provide for the training, development and similar other cooperative activities geared towards the growth of the cooperative movement:

(a) Half of the amounts transferred to the education and training fund annually under this subsection shall be spent by the cooperative for education and training purposes; while the other half may be remitted to a union or federation chosen by the cooperative or of which it is a member. The said union or federation shall submit to the Authority and to its contributing cooperatives the following schedules:

- List of cooperatives which have remitted their respective Cooperative Education and Training Funds (CETF);
- Business consultancy assistance to include the nature and cost; and
- Other training activities undertaken specifying therein the nature, participants and cost of each activity.

ORDER OF DISTRIBUTION

(b) Upon the dissolution of the cooperative, the unexpended balance of the education and training fund appertaining to the cooperative shall be credited to the cooperative education and training fund of the chosen union or federation.

(3) An amount for the community development fund, which shall not be less than three per centum (3%) of the net surplus. The community development fund shall be used for projects or activities that will benefit the community where the cooperative operates.

(4) An optional fund, a land and building, and any other necessary fund the total of which shall not exceed seven per centum (7%).

(5) The remaining net surplus shall be made available to the members in the form of interest on share capital not to exceed the normal rate of return our investments and patronage refunds: Provided, That any amount remaining after the allowable interest and the patronage refund have been deducted shall be credited to the reserve fund.

ORDER OF DISTRIBUTION

The sum allocated for patronage refunds shall be made available at the same rate to all patrons of the cooperative in proportion to their individual patronage: Provided, That:

(a) In the case of a member patron with paid-up share capital contribution, his proportionate amount of patronage refund shall be paid to him unless he agrees to credit the amount to his account as additional share capital contribution;

(b) In the case of a member patron with unpaid share capital contribution, his proportionate amount of patronage refund shall be credited to his account until his account until his share capital contribution has been fully paid;



ORDER OF DISTRIBUTION

(c) In the case of a non-member patron, his proportionate amount of patronage refund shall be set aside in a general fund for such patrons and shall be allocated to individual non-member patrons only upon request and presentation of evidence of the amount of his patronage. The amount so allocated shall be credited to such patron toward payment of the minimum capital contribution for membership. When a sum equal to this amount has accumulated at any time within a period specified in the bylaws, such patron shall be deemed and become a member of the cooperative if he so agrees or requests and complies with the provisions of the bylaws for admission to membership; and

(d) If within any period of time specified in the bylaws, any subscriber who has not fully paid his subscribed share capital or any non-member patron who has accumulated the sum necessary for membership but who does not request nor agree to become a member or fails to comply with the provisions of the bylaws for admission to membership, the amount so accumulated or credited to their account together with any part of the general fund for nonmember patrons shall be credited to the reserve fund or to the education and training fund of the cooperative, at the option of the cooperative."



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