



The cooperative purchasing company  
for independent residences

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## HOW DISCOUNTS WORK

You get two kinds of discounts for purchasing through the Cooperative. The pre-invoice savings are like “sale” prices - you get the savings immediately. The post-invoice discount is used to determine your rebate - you get it later, after you buy. All vendors have post-invoice discounts and almost all vendors have pre-invoice discounts. Our discounts will grow as our purchasing volume and vendor relationships grow.

For example, your house purchases something that would normally cost \$100. The Cooperative has previously negotiated a \$10 pre-invoice discount and a 10% post-invoice discount. The vendor sends a bill for \$90 to the Cooperative, reflecting the \$10 pre-invoice discount. Then the Cooperative applies the 10% post-invoice discount and sends a check for \$81 (\$90 - \$9) to the vendor. A real life example from our first year: waste management. The average pre-invoice savings on waste management for members was more than \$100 per house per month. The average post-invoice savings were also more than \$100 per house per month.

However, a few vendors can't handle the post-invoice discounting in their accounting systems. For these vendors, we apply a “reverse discount” to the invoice amount, meaning that the house is billed a slightly higher amount than the amount shown on the invoice. In the example above the vendor would send a bill for \$81 to the Cooperative. We would bill the house \$90 and place a sticker on the invoice so you know this is what has happened. Vendors guarantee that FCI members will never pay more than non-FCI members and we check periodically to ensure best prices, so you know that the discounts are real and vendors are not inflating their prices to compensate for the discounts.

What happens to the post-invoice discount? That \$9 goes into your house's discount account. The accumulated post-invoice discounts are first used to fund the operating expenses of the Cooperative. This means that members would not receive the full \$9 rebate in the example above (in addition to the \$10 saved immediately). At the end of each fiscal year, the Board of Directors, who are elected by the shareholders (the member FSILGs) at the annual meeting, decides the amount of the accumulated discounts to rebate back to the member houses.

Houses that spend more money through the Cooperative will receive larger rebates than those that spend less. After the Cooperative's first year of operation, the Board decided not to issue a rebate. The Cooperative was still fairly new and the Board felt it would be imprudent to start our second fiscal year with a zeroed bank account. The Board expects that rebates will be issued in future years, but that will largely depend on purchasing volume.

The bottom line is that houses save money up-front each month because of the pre-invoice discounts, while the post-invoice discounts enable the Cooperative to be self-funding. There are no membership fees and members never pay more than non-members for the same goods and services. Most of the Cooperative's costs are fixed so member rebates go up dramatically at higher levels of purchasing.