

## **Patronage Rebate**

### The Third Cooperative Principle: Member Economic Participation

*Members contribute equitably to and democratically control the capital of the cooperative.*

*The economic benefits of a cooperative operation are returned to the members, reinvested in the co-op or used to provide member services.*

Patronage rebates are the cooperative way to equitably return a portion of profits by Owner Purchases (if any) to our Owners. Patronage rebates are based on how much you purchased during the rebate period, not on how much you invested.

In 2015 the Board of Directors of Natural Harvest Food Co-op implemented the Patronage Rebate system, following the purchase of the Co-op's first POS system in 2013. The POS system made it possible for the Co-op to track individual Owner purchases, which we need to calculate the Patronage Rebate. Before the implementation of the Patronage Rebate system, Owners received a 2% discount daily, as a way to distribute profits back to Owners.

The Patronage Rebate is a way of giving profits back to Owners, that allows the Co-op to assess if there was a profit made that year, first. It is also a tool that saves the Co-op a significant amount in federal taxes. In years in which we are not profitable, a Patronage Rebate is not possible. Usually, the Board of Directors will retain 80% of profits for future needs of the Co-op and 20% of the profits will get paid out to Owners as cash.

## **RETAINED EQUITY**

Retained equity (80% of the 2014, 2015 and 2016 patronage rebates) of each Owner is held by Natural Harvest until such time as the Board authorizes payment of all of the retained equity from one or more years. Retained equity represents additional investment in co-op. Retained equity:

- **Is not interest bearing**
- **Is not distributed on demand and**
- **Cannot be allocated to reduce an Owner's required equity investment.**

*If you decide to terminate your membership, please keep Natural Harvest advised of your current address so you can receive your retained equity in the event of an allocation after your termination.*

## **CASH REBATE EVOLUTION**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>PURCHASES BY OWNERS IN % OF ALL SALES</b>	<b>55%</b>	<b>59%</b>	<b>67%</b>
<b>CASH REBATES ALLOCATED BY BOARD</b>	<b>\$13,729 (20%)</b>	<b>\$21,629 (20%)</b>	<b>\$16,088 (20%)</b>
<b>NUMBER OF ELIGIBLE OWNERS</b>	<b>1591</b>	<b>1815</b>	<b>2231</b>

## **PATRONAGE REBATE CALCULATION**

Natural Harvest calculates the percentage of the rebate available for each eligible Owner in direct proportion to his/her net (after any discounts) purchases. The same rebate percentage is used to calculate each eligible Owner's rebate. The more goods you purchase at your Co-op, the more you benefit if a patronage rebate is allocated by the Board.

## **CASH REBATE EXAMPLES**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>NET PURCHASE \$100 PER MONTH,(\$1,200 PER YEAR)</b>	<b>\$13.57</b>	<b>\$17.80</b>	<b>\$10.89</b>
<b>NET PURCHASE \$100 PER WEEK, (\$5.200 PER YEAR)</b>	<b>\$58.46</b>	<b>\$77.02</b>	<b>\$46.94</b>

## **ELIGIBLE OWNERS**

To be eligible for a patronage rebate, an Owner “in good standing” (current on equity payments and current contact information on file) must have shopped here in the fiscal year for which the Patronage Rebate was declared.

## **TAX CONSEQUENCES**

Patronage rebates are not taxable income for Owners as they are derived from the purchase of goods that are generally for personal use. Although allocating a patronage rebate reduces Natural Harvest’s tax liability, rebate checks not cashed within 3 months will add to the Co-op’s tax liability in the next year.

Please cash your rebate checks promptly, no matter how small! Thank you.