

E&I's Patronage & Equity Program

The Power of Participation

Membership = Ownership

E&I is a member-owned cooperative that leverages the buying power of a nationwide membership. Current operations are funded through contract administrative fees (CAF) received from our suppliers; these funds allow the Cooperative to operate on a daily basis. CAF is generally paid as a percentage of total member purchases on a given contract. The CAF rate varies from contract to contract. E&I's overall CAF is under 1%.

Cooperative Ownership = Patronage

One of the distinguishing features of a cooperative - and perhaps one of the most rewarding - is that at the conclusion of the calendar year, any net income is distributed to its members pending the approval of the Board. This distribution is known as "patronage." This means that you share in the Cooperative's net income. Patronage refunds are determined based on a member's use of E&I contracts over the last calendar year.

How Exactly Does Patronage Work?

Based on audited financial statements, net income represents the CAF received from all suppliers, minus total expenses (payroll, benefits, etc.). To determine how that net income would be distributed among members as patronage, each member's purchasing activity is carefully monitored and the related CAF is calculated. At year end, each member's relative proportion of total CAF is identified.

Example - Calculating Member Purchases

	Purchases	Contract	CAF
Member 1	\$3,000,000	Contract 1	\$45,000
Member 2	\$3,000,000	Contract 2	\$30,000

This example illustrates that not all member purchases are of equal value in terms of CAF revenue produced. This amount varies in terms of CAF rate for each contract.

Example - Calculating Net Income

Total CAF	\$10,000,000
Operating Expenses	\$9,000,000
Net Income	\$1,000,000

Next, each member's percentage of total CAF is calculated.

Example - Calculating Member % of Total CAF

	CAF from Purchases	Total CAF	Member % of CAF
Member 1	\$45,000	\$10,000,000	.45%
Member 2	\$30,000	\$10,000,000	.30%

Pending Board Approval, the patronage refund is then distributed based on each member's relative contributions to the Cooperative's total CAF:

Example - Calculating Patronage Account

	Total Declared Patronage	Member %	Patronage to Member
Member 1	\$1,000,000	0.45%	\$4,500
Member 2	\$1,000,000	0.30%	\$3,000

If the patronage refund was distributed based on member purchases, both members would receive the same distribution. Since the CAF received for each member's purchases are different, Member 1 is actually contributing more than Member 2 toward our ability to function as a Cooperative.

Membership Really Pays Off

The Cooperative's Board of Directors authorizes the Cooperative to pay out a percentage of the company's net income, if any, in the form of patronage. A minimum of 20% of the patronage is paid out in cash, with the remainder credited to each member's Certificates of Equity. In select recent years, cash payment has ranged from 20% to 100% depending on the capital needs of the Cooperative.

Example - 20% Patronage Distributions in Cash

	Total Patronage	Cash Payment	Certificate of Equity
Member 1	\$4,500	\$900	\$3,600
Member 2	\$3,000	\$600	\$2,400

The mounting value in a member's Certificate of Equity account represents the member's ongoing 'investment' in the Cooperative. This money is used to help support the Cooperative and provide for future growth.

Certificates of Equity are redeemed by the declaration of the Board (or in the unlikely event that the Cooperative ceases doing business). These redemptions are made in the same order in which the Certificates of Equity were initially credited to each member.

Your Participation Creates Your Reward!

As a member-owned Cooperative, we can only achieve our fullest potential through the active participation and involvement of each of our members. Your support of E&I directly benefits your institution and helps many others reduce their costs as well. We are truly thankful for your commitment, and we look forward to working together to continue to maximize our purchasing power.

For additional information on your Cooperative and the benefits of membership, as well as the patronage and equity program, visit us online at www.eandi.org/patronage.