

### Allocation of Net Income

The patronage dividend of QNFC, to the extent attributable to the patronage of the member-owners, shall be allocated among member-owners in proportion to their patronage and in such a manner and at such times to constitute a patronage dividend within the meaning of federal income tax law.

Only active member-owners' purchases will be tracked by the QNFC POS system and used to calculate member-owner patronage. New member-owner purchases will be tracked starting from the date of membership acceptance and input into the POS system.

A. The Board determines the actual dividend payout.

B. The dividend may be paid out with a minimum of 20 percent either as a check or store credit, with the balance being held by the cooperative as equity in the name of the member-owner.

### Timeline

Patronage income will be determined following the end of the fiscal year by March 31st of the new fiscal year.

The QNFC Finance Committee, General Manager, and Finance Manager will meet to discuss operational and capital reserve needs of the Co-op. At this time, a reserve estimate will be determined. This meeting will take place prior to the April Board meeting.

The QNFC Finance Committee will make a recommendation to the Board at the April Board meeting regarding the previous fiscal year's patronage dividend. The Board will vote on the finance committee's recommendation for the previous fiscal year's patronage dividend.

Patronage Dividends, or notice if no patronage dividend is owed, will be distributed to member-owners by June 30th.

### Tax and Legal Requirements

The QNFC profit distributed to member-owners in the form of a patronage dividend is not taxable to the Co-op or to the member-owners. The IRS assumes that the member-owner (consumer) has already paid taxes through the income tax system on the dollars used to purchase food and goods at the Co-op, as long as those goods and food are attributable to personal living or family items.

### Exceptions

A. Any patronage dividend amount below \$5.00 will be retained and applied to a member-owner's equity account for non-fully vested member-owners.

B. For fully vested member-owners, a patronage dividend below \$5.00 will be retained as store credit for the member-owner.

C. Patronage dividend will be taxable to a member-owner only if his or her purchases are related to the operation of a trade or business or other income-producing activities.

D. A member-owner may donate their dividend to the QNFC Community Fund or other community contribution funds of the Co-op.