

Getting Started with Patronage

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Patronage is an additional purchase module. It provides cooperatives the tools needed to track, maintain, and distribute yearly earnings as well as previously deferred equity. This module allows the ability to apply and calculate interest payment based on current equity or by means of equity running balances. Dividend distribution is also available. Advance Patronage tracks patron 1099 values as payments are disbursed for easy end of year reporting. For more information, contact SSI.

Overview

The Patronage module was designed to handle the Patronage tracking needs of Cooperatives. These tracking needs include the ability to:

- Identify the customers who are considered Patrons.
- Keep track of the stock ownership of the Patrons (including physical stock certificates and non-certificate equities).
- Capture the qualified Patron activity in order to calculate and issue Patronage refunds.
- Reassign Patron activity from one Patron to others (such as a corporate entity to the individuals involved).
- Issue Patronage checks and/or defer part of the Patronage refund to a designated Stock Class and Certificate for each Patron with qualifying activity.
- Pay a desired Stock Dividend based on Patron Stock values.
- Pay a desired Stock Interest based on Patron loans to the cooperative.
- Pay out Patron stock equity values at a time decided by the Coop.
- Transfer Patron equities from one Patron to another.
- Track Patron history for all values issued to a Patron, transferred between Patrons, or redeemed by a Patron.
- Generate 1099-PATR files for Patronage refunds.
- Generate 1099-DIV files for Patronage stock dividends.
- The ability to generate 1099-INT files for Patronage loan interest paid.

Initial Setup

Questions to Ask

The setup of the Patronage module must be designed around the specific needs of the Co-op. Several questions should be addressed before beginning setup. These questions include the following:

- When would the Co-op potentially retire old stock equities? For instance, are deferred equities only paid out upon the death or mandatory retirement age of a Patron, or does the board periodically elect to payout deferred equities for previous years?

- What classes of stock need to be separately identified (i.e. Common Stock, Preferred Stock, and previous years of Deferred Equities)?
- What product groups are included in consideration for Patronage refunds and how should these groups be categorized (i.e. Dry Fertilizer, Chemical, Grain)?
- Are there any Patrons with activity that should be reassigned to another Patron or Patrons (i.e. corporate farm to the individual owners)?
- What are the characteristics of the individual stock certificates to be identified (i.e. # of Shares, \$ Value per Share, Dividend Bearing, Voting Rights)?
- How much history should be entered in Agvance versus utilizing old data sources for historical records?

All these questions must be considered in formulating the best Patronage layout and each of these topics is addressed in the sections that follow.

Prerequisites

The following must be completed before beginning Patronage setup:

- Customers must be setup in the Accounting module at *File / Open / Customers* before they can be used in the Patronage module.
- G/L Account Codes must be setup in Accounting at *File / Open / G/L Accounts* before G/L posting accounts can be identified in the Patronage module.
- Patronage 1099 files (PATR, INT, and DIV) are created from *Accounting / End of Periods / Print EOY Tax Forms / 1099's* and not from the Patronage module.

Order of Setup

While this *Setup* section is laid out in the recommended order of setup, it should also be noted that the following steps must be completed in order:

- Patron Info and Stock Classes must be setup before Stock Certificates are created.
- Patron Info must be set up before Patronage Reassignments are established.
- Stock Certificates must be setup before Stock History entries are entered.

Dues

Dues may be setup under *Setup / Dues*. A Due gives the ability to withhold funds from the net amount of a Patronage Check. It is most commonly used to withhold State Union Dues. Once the Due has been established, the Patron must have it applied to their account under *File / Open / Patron Info*.

The screenshot shows a dialog box titled "Edit a Due". It contains the following fields and options:

- ID:** FBDues
- Description:** Farm Bureau Dues
- <G/L Acct>:** 2650000-00
- Dues From:**
 - Cash Portion
 - Non-Cash Portion
- Based On:**
 - Flat Amount
 - Percentage Cash Portion
 - Percentage Deferred Amount
 - Percentage Patronage Earned
- Amount/Percent:** 0
- Buttons:** Save, Cancel

- **ID** – Enter an *ID* for the Due.
- **Description** – Enter a description of the Due.
- **G/L Account** – Select the account to be credited when a patronage check is posted.
- **Dues From** – Choose *Cash Portion* or *Non-Cash Portion* depending on if the dues is deducted from the cash portion or the deferred portion of the patronage check.

Based On

- **Flat Amount** – Select this option if the Due is a flat dollar amount.
- **Percentage Cash Portion** – Available when *Dues From* is set to *Cash Portion*, select this option if the Due is a percentage of the Cash Portion.
- **Percentage Deferred Amount** – Available when *Dues From* is set to *Cash Portion*, select this option if the Due is a percentage of the Deferred Amount.
- **Percentage Patronage Earned** – Available when *Dues From* is set to *Cash Portion*, select this option if the Due is a percentage of the Patronage Earned.
- **Amount/Percent** – Enter the amount or percentage of the Due to be deducted.

Patronage Age Ranges

This area at *Patronage / Setup / Patronage Age Ranges* is for setting up varying cash percentages for patronage payouts, based on the Patron's age.

Setup Age Ranges

	Equal To/Older Than	Cash Percentage
1	70	100.00

Add Row Save Cancel