



TRAINER'S WORKBOOK

**FINANCIAL
ANALYSIS
OF A SOCIAL
ENTERPRISE**

[Non-Profit Organizations and Co-operatives]

Produced by Chantier de l'économie sociale, 2009
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FOREWORD

For several years, Chantier de l'économie sociale has contributed to a wide range of activities regarding the promotion and development of the social economy – throughout Québec, of course, and across Canada. Thus, over the years, solid partnerships have been created among organizations working in the social economy and community economic development.

In Québec, particularly since the Summit on the Economy and Employment in October 1996¹, all social economy players have worked on the creation of financial tools adapted to social economy enterprises. These tools have greatly favoured the startup and development of social economy enterprises, as they are called in Québec.

In 2007, a few partner organizations worked together to obtain access to Québec expertise in funding of social economy enterprises. This led to the idea of designing the project known as *Financing for social enterprises and the community sector: transferring the lessons of a decade of innovation in Québec*. Human Resources and Social Development Canada made a financial contribution to carry out the project over a one-year period.

The partner organizations in the project are: Canadian Centre for Community Renewal, Connections Clubhouse, Économie solidaire de l'Ontario, Edmonton Community Foundation, Enterprising Non-Profits and Canadian Community Economic Development Network, together with Chantier de l'économie sociale.

In spring 2008, Chantier de l'économie sociale began the project by constituting an Orientation Committee, with the role of participating in the adaptation of the existing financial tools and organizing consultation sessions and test sessions with social economy players. This process sought to understand the regional differences across Canada and design adapted training material.

This workbook is part of a set of themes related to the analysis and funding of social economy enterprises.

¹ Within the context of this Summit, the provincial government brought together the leaders from private enterprise, unions, education and associative, community and co-operative movement with the aim of finding solutions to restart the Québec economy.

ACKNOWLEDGMENTS

Such a project could never have happened without the involvement and participation of many people. We especially thank the members of the Orientation Committee, Michelle Colussi, Éthel Côté, Martin Garber-Conrad, Norman Greenberg, David Lepage and Brendan Reimer, for their knowledge of Canadian regional realities and their expertise in the social economy and community economic development.

We also thank the participants in the different consultation sessions who contributed useful comments: Alain Keutcha, Anne Jamieson, Annie Dell, Bryn Sadownik, Carroll Murray, Catherine Ludgate, Cindy Coker, David Upton, Denyse Guy, Dolores Le Vangie, Eli Malinsky, Elizabeth L. Green, Garry Loewen, Jen Heneberry, Margot Smart, Marty Donkervoort, Matthew Thompson, Mike Hayes, Paul Chamberlain, Paul Crane, Penelope Rowe, Seth Asimakos, Stacey Corriveau, Tim Beachy, Tonya Surman.

Finally, we cannot fail to mention the work of Nancy Neamtan, President and Chief Executive Officer of Chantier de l'économie sociale, who was a guiding light in this project's design and implementation.

INTRODUCTION

The work of adapting the financial tools was a major challenge, because Québec's experience is special, not only because of its language, but due to its social economy practices. Canadian realities also differ from one region to another.

For example, in Québec, the term *social economy enterprise* is used, while in the rest of Canada, *social enterprise* or *community enterprise* is preferred. Similarly, the concepts of third sector, solidarity economy and community economic development are in common usage when taking a different approach to production and/or the sale of goods and services for the benefit of the community.

Also, the project partners reached consensus on using the term *social enterprise* to name this form of community-based entrepreneurship. Making a choice has limits, however, because each region of Canada has developed according to its own geography, culture and history, and it is difficult for a single concept to illustrate all this wealth. To compensate for the deficiencies of a fragmented terminology, a glossary explains certain terms that can cause confusion.

We thus suggest that you study the definition of social economy as developed by the leading players in the field in Québec, and the definition of a social enterprise.

Finally, the goal of the approach is to go beyond divergences, emphasize the points of convergence and make expertise accessible that can serve the interests of every player in the social economy field in Canada.

For whom is this material intended?

This workbook was designed for trainers who want to deliver training in the social economy field, particularly in financial analysis.

The *Financial Analysis of a Social Enterprise* session can be offered in small groups within the context of an overall approach to analysis of social enterprise projects (the other two themes of the series are: *The Québec Social Economy Experience* and *Social Enterprise' Analytical Model*).

This session was conceived for analysts who receive a social enterprise project and who must produce a financial analysis of this project and make recommendations regarding an investment decision.

The Trainer Workbook is organized in four columns: theme, content, media and duration. The "theme" refers to the elements of the content discussed during the workshop, while the "content" presents the sequence of training activities. In the "media" column, there is a reference to the tools, such as a link to the PowerPoint presentation, which is an integral part of the workshop, as well as texts or exercises to be distributed. Finally, the last column gives an approximate time to be allocated to training activities. At the very end of the workbook, there is an "appendix" section that compiles the documentation necessary to hold the workshop.

TRAINER'S WORKBOOK

FINANCIAL ANALYSIS OF A SOCIAL ENTERPRISE (NON-PROFIT ORGANIZATIONS AND CO-OPERATIVES)

Goals

- Review the usefulness of conventional financial statements.
- Increase the chances of success of social enterprises and improve their access to financing.
- Learn the principle of adjustment of financial statements of social enterprises.
- Draw inspiration from different practices to renew your own practice.

Content elements

- Why adjust the financial statements?
- The parameters of the social economy.
- Reminder of the main financial statements.
- What are these adjustments and how are they different from conventional financial statements?
- How are these adjustments made?
- Determining the capacity to meet financial commitments.

Proposed angle for the sessions: introduce the concepts of adjustment of financial statements

Approach: work in subgroups – theoretical contribution – exercises – real case

Suggested length of the sessions: 1 day

Material for the participants: Participant's Workbook – PowerPoint presentation

Target audience: coaches and executives of social economy enterprises

Prerequisite: be familiar with accounting and finance

Theme	Content	Media	Duration
Welcome and introduction	1. Welcome the participants.	PowerPoint #1	5 minutes
	2. Introduce the general context of the project: Part of a competency transfer approach / project submitted by different partners in Canada.		
	Solidarity financing and the community sector: transferring the lessons of a decade of innovation in Québec		
	There are two other themes:		
	<ul style="list-style-type: none"> • Social enterprises' analytical model; • The Québec social economy experience. 		
	3. Introduction of the trainer.		
	4. Introduction of the project partners.	PowerPoint #2	
5. Go around the table: ask the participants to introduce themselves (position – role in the social economy) and identify a question or an aspect for which they would like to find an answer.	Write the questions (expectations) on the flip chart with the participant's name – post the flip chart on the wall.	20 minutes	
6. Review the questions (expectations) and be sure to make adjustments if some questions are not discussed during the day.			
7. Explain the objectives and the points discussed during the session – schedule – break. Distribute the schedule.	The session schedule PowerPoint #3	5 minutes	

Theme	Content	Media	Duration
<p>Welcome and introduction</p>	<p>8. Mention that you have a participatory approach and that you want a dynamic day based on exchanges and discussions to learn as much as possible. It is also possible that sometimes there are major differences between their practice and what is presented. They are invited to raise these questions.</p> <p>9. Specify that as a trainer your role is to guide them in a direction and that comments are welcome at all times because they reflect their concerns. Distribute the material.</p> <p>10. Time is limited. Assign yourself the role of timekeeper during the day.</p>	<p>Distribute the PowerPoint presentation and the Participant's Workbook to the participants</p>	

Theme	Content	Media	Duration
<p>The parameters of the social economy</p>	<ol style="list-style-type: none"> 1. Present the definition of the social economy. 2. Mention that you are well aware that the definition of CED is more widely used in Canada. <ul style="list-style-type: none"> • However, for the concepts we will discuss today, this doesn't have much influence. There will certainly be discrepancies when we discuss the different revenue sources for the enterprise. We will see how to integrate everything. • The two definitions are not in opposition to each other. What is important is to see how the conventional financial statements do not serve the social enterprise well when the time comes to seek additional financing for the enterprise's development or startup. 	<p>PowerPoint #7</p> <p>PowerPoint #8</p>	<p>5 minutes</p>

Theme	Content	Media	Duration
<p>Reminder of the main financial statements.</p>	<p>4. Show some differences between NPOs and CO-OPs:</p> <ul style="list-style-type: none"> ● Participation of the members in ownership: NPO involves no obligation / CO-OP has membership shares and preference shares. ● Participation in decision-making: in both cases = one member, one vote, even for CO-OPs - no connection with the number of shares. ● Participation in the results: NPO = excess funds or surpluses reinvested in the enterprise, no allocation to the members / CO-OP = the members decide on the redistribution of the excess funds (development, reserve, patronage rebates). 		

Theme	Content	Media	Duration
Income statement adjustments	<p>4. Mention that 3 new revenue categories have been established:</p> <ul style="list-style-type: none"> ● recurring revenue = support campaign recurring each year in the same proportion, operating subsidies; ● non-recurring revenue = salary subsidies, social economy specialty funds; ● other revenue = interest income, rental income. 	PowerPoint #14	
	<p>5. Point out that the objective of this reclassification is to determine whether revenue is growing and whether it is recurring, which provides a more accurate picture of the reality of social enterprises.</p>	PowerPoint #15	
	<p>6. Mention that reclassification of revenue sources has an impact on the enterprise's self-financing ratios.</p>	PowerPoint #16	
	<p>7. Explain that the same exercise will be performed with expenditures to evaluate their degree of recurrence.</p>		15 minutes
	<p>8. Mention that before the adjustment, the “non-recurring” or final surplus or deficit includes non-recurring revenue and expenditure items, on which the analysis of the future results cannot be based.</p>	PowerPoint #17	

Theme	Content	Media	Duration
Income statement adjustments	9. Thus, after adjustment, the income statement shows actual current operating revenue and expenditures. Lenders can assess the medium and long-term economic viability as the basis for their financing decision.	PowerPoint #18	
	10. We will now perform an exercise. Distribute the income statements of Manufacturing Co-op and Community Radio NPO. Present both examples.	Adjustment exercise - at the end of the Trainer's Workbook, see the income statements of Manufacturing Co-op and Community Radio. Make enough photocopies for the exercise.	
	11. Look at the main elements of the Co-op and Community Radio with the participants. Explain the notes to the participants so that they understand the source of the revenues and expenditures.		
	12. Constitute teams of 3 and ask the participants to choose one of the examples with which they will work for the rest of the day. They must make the adjustments.		
	13. The participants have 15 minutes to perform the exercise.		15 minutes
	14. Ask the participants to return to the large group and make the corrections together. Look the adjusted income statement.	Adjusted income statements of Manufacturing Co-op and Community Radio in the Participant's Workbook	
	15. In the case of Manufacturing Co-op in 2001, in interpreting the leeway before adjustment, the final deficit was \$10,120, while the current deficit after adjustment was \$20,120, which shows a much greater problem situation for the Co-op.		20 minutes

Theme	Content	Media	Duration
Balance sheet adjustments	<p>9. Distribute the balance sheets of Manufacturing Co-op and Community Radio and the grid for making the adjustments. Ask the participants to form small groups of 3 and to perform the exercise with the same example they had chosen for the income statement adjustment.</p>	<p>Exercise - Balance sheet adjustment. At the end of the Trainer's Workbook, see the balance sheets of Manufacturing Co-op and Community Radio. Make enough photocopies for the exercise.</p>	<p>15 minutes</p>
	<p>10. Tell the participants that they have 15 minutes to perform the exercise.</p>		
	<p>11. Ask the participants to return to the large group. Make the corrections. Look the adjusted balance sheets.</p>	<p>Adjusted balance sheets of Manufacturing Co-op and Community Radio in the Participant's Workbook</p>	<p>20 minutes</p>
	<p>12. Before discussing the section on ratios, present a brief synthesis of some principles discussed up to now:</p> <ul style="list-style-type: none"> ● Establish the picture of the actual financial situation. ● Without adjustments to the financial statements, most of the project won't get financing. ● Normally, the analysis is done on the income, not on the generated funds. ● The analysis in the social economy, is done on the generated funds, on the ability to repay, not on the ability to borrow. ● In relation to the RISQ's Social economy enterprise analysis model. ● Only for analytical purposes. ● Adjustment not in accordance with generally accepted accounting principles (GAAP). 		<p>5 minutes</p>

Theme	Content	Media	Duration
Balance sheet adjustments	<ul style="list-style-type: none"> ● However, it is important to adjust the financial statements before the financial analysis based on ratios because this has a major impact on the ratios. <p>13. Remind the participants what the income statement is: reclassification of revenues and expenditures – shows the current and final surplus – leeway.</p> <p>14. The balance sheet: reclassification of liabilities – lets us know the holdings of the NPO or the CO-OP better.</p> <p>15. The collective approach of social enterprises relies on sustainability of holdings to generate spinoffs for the community. The enterprise is “built” over the longer term so that it becomes value added for the community. The enterprise decisions will be greatly influenced by this approach.</p>		

Theme	Content	Media	Duration
Ratios	<p>6. Present the two situations before adjustment and after adjustment of the Co-op's selling expenses. While a 47.3% decreasing in selling expenses is possible, a 13.1% decreasing must be considered. This ratio nonetheless is very encouraging because it is an improvement and made it possible to increase revenue.</p>	PowerPoint #31	
	<p>7. Revenue improved from 1.3% to 27.2%.</p>	PowerPoint #32	
	<p>8. Present what this reveals... an effective operation.</p>	PowerPoint #33	
	<p>9. Ask the participants to take out Community Radio's unadjusted income statement. Present the two situations before adjustment and after adjustment of Community Radio's promotion expenses. The expenses increased by 1.5% instead of decreasing by 2.5%.</p>	PowerPoint #34	
	<p>10. Community Radio obtained a 5.9% revenue increase between 2001 and 2002, mainly coming from advertising sales. This radio station has existed for over 15 years and has always been supported by the Ministère de la Culture et des Communications and by the community as alternative media, which strengthens its position and allows the corresponding revenue to be considered as recurring revenue</p>	PowerPoint #35	
	<p>11. Present what this reveals... the enterprise's general performance has improved.</p>	PowerPoint #36	5 minutes

Theme	Content	Media	Duration
Ratios	<p>12. Present the financial stability ratios. We will calculate the first ratio together for the Co-op. Ask the participants to use the unadjusted and adjusted balance sheets of Manufacturing Co-op and Community Radio. Explain the 4 financial stability ratios. Distribute the exercise to calculate the ratios.</p> <p>13. Calculate the first debt ratio. Explain what this reveals. On the one hand, the ratios are inflated before adjustment because some debts that are not really debts are included in the calculation, such as subsidies for acquisition of machinery.</p> <p>14. When the figures are analyzed, we see that the situation clearly improved between 2001 and 2002.</p> <p>15. The situation is totally reversed. The debts are 60% covered by the assets. This is much more viable for the enterprise.</p> <p>16. Ask the participants to form groups of 3 to calculate the other financial stability ratios. They have 20 minutes.</p> <p>17. Ask the participants to return to the large group and correct the ratios</p>	<p>PowerPoint #37 Exercise – At the end of the Trainer’s Workbook, see Interpretation of the Balance Sheet – Financial Balance Ratios. Make enough photocopies.</p> <p>PowerPoint #38</p> <p>Corrected version of the financial equilibrium ratios</p> <p>See in the Participant’s Workbook</p>	<p>20 minutes</p> <p>10 minutes</p>

Theme	Content	Media	Duration
Meeting financial commitments	<p>6. Tell the participants that, in general, social enterprises do not like to use debt as a means of financing, given the directors' preferences. They prefer self-financing to external financing to develop their enterprise.</p> <p>7. Point out that in practice, in view of the directors' objectives (geared to the social profitability and sustainability of their activity), social enterprises do not like long-term debt and instead resort to short-term debt. This is not necessarily the right method.</p> <p>8. Present the table "Different asset financing methods". Ask the participants to follow with the Table in the Participant's Workbook. Explain the 3 methods to the participants:</p> <ul style="list-style-type: none"> ● Matching scenario: synchronization of maturities, resorting to short-term financing to complete short-term needs and long-term financing for the long term. ● The term of the sources of financing corresponds to the term of the financial needs. ● High-Risk scenario: undercapitalized enterprises – not matching because short-term financing is used to meet a large part of the long-term needs. ● The problem faced by enterprises is often a liquidity shortage. This frequently is due to poor working capital management, caused in part by the managers' and directors' desire for autonomy, in that they do not like long-term debt. The financial intermediaries are prudent and make few or no long-term loans. 	<p>PowerPoint #43 "Different asset financing methods" table in the Participant's Workbook</p>	<p>10 minutes</p>

Theme	Content	Media	Duration
Meeting financial commitments	<ul style="list-style-type: none"> ● The shortage of permanent capital available for social enterprises and sales growth are among the explanations for the liquidity shortage. The enterprise thus ends up financing long-term assets with current liabilities. ● Risky Long-Term Scenario: resorting to long-term financing to meet working capital needs. There is no matching. 		
	<p>9. Tell the participants that an enterprise can obtain financing by:</p> <ul style="list-style-type: none"> ● Equity ● Patient capital (quasi-equity) ● And internal financing 	PowerPoint #44 - #45 - #46	5 minutes
	<p>10. Conclude by mentioning that the key to success is to maintain a balance between debt and internal financing.</p>	PowerPoint #47	
	<p>11. Produce a synthesis of the main points discussed during the day.</p>		30 minutes
	<p>12. Tell the participants that at the beginning of the day you asked them to identify a question or an aspect for which they wanted to find an answer. Go around the table to hear the comments. Distribute the workshop evaluation form.</p>	Make photocopies of the workshop evaluation form	

Example based on the income statement of Manufacturing Plus Cooperative

Manufacturing Plus Cooperative INCOME STATEMENT Year ended December 31

	<u>2002</u>	<u>2001</u>
REVENUES		
Sales and other revenues (Note 1)		
Grants	377,829	297,086
Salary grants (Note 2)	38,279	84,233
CLD grant (Note 3)		30,000
Amortization of deferred grants (Note 4)	4,186	4,186
Total revenues	420,294	415,505
Cost of goods sold		
Salaries and employer contributions	120,651	158,864
Purchases	98,920	78,560
Energy	5,682	5,498
Taxes and permits	4,235	3,283
	229,488	246,205
Gross earnings	190,806	169,300
EXPENDITURES		
Selling expenses		
Promotion and advertising (Note 3)	11,660	30,896
Travel and entertainment	5,620	4,616
Delivery expenses	2,772	2,560
	20,052	38,072
Administration expenses		
Salaries and employer contributions	23,200	22,440
Rent	22,291	19,716
Professional fees (Note 3)	5,605	9,554
Electricity and heating	9,738	8,747
Office maintenance and repair	5,665	9,604
Office expenses	13,345	14,597
Depreciation	37,336	39,375
	117,180	124,033
Financial expenses		
Bank charges and short-term interest	3,086	5,269
Interest on long-term debt	10,889	12,046
	13,975	17,315
	151,207	179,420
Net surplus (deficit)	39,599	(10,120)

Note	Details
1	Sales are composed of revenues from commercial activities.
2	Salary grants to favour hiring of young workers and thus temporarily support the training time necessary for their full adaptation to the workstation.
3	In 2001, the co-operative received a \$30,000 grant from the CLD, one portion of which (\$15,000) made it possible to implement a major promotional operation and another portion (\$5,000) to pay an external resource person to establish the communication plan. (The Local Development Centres (CLD) in Québec are intermediate coaching agencies in entrepreneurship)
4	Part of the grant received for acquisition of equipment, which appears under liabilities under the "Long-term deferred grants" heading.

Manufacturing Plus Cooperative As at December 31

You are asked to adjust the results for the year ended December 31, 2001. If applicable.

REVENUES	Note	Amount	Adjustment 2001		Adjusted balance
			To add	To deduct	
Sales and other revenues	1				
Grants		297,086			
Salary grants	2	84,233			
CLD grant	3	30,000			
Amortization of deferred grants	4	4,186			
		415,505			
Cost of goods sold					
Salaries and employer contributions	2	158,864			
Purchases		78,560			
Energy		5,498			
Taxes and permits		3,283			
		246,205			
Gross earnings		169,300			
EXPENDITURES					
Selling expenses					
Promotion and advertising	3	30,896			
Travel and entertainment		4,616			
Delivery expenses		2,560			
		38,072			
Administration expenses					
Salaries and employer contributions		22,440			
Rent		19,716			
Professional fees	3	9,554			
Electricity and heating		8,747			
Office maintenance and repair		9,604			
Office expenses		14,597			
Depreciation	4	39,375			
		124,033			
Financial expenses					
Bank charges and short-term interest		5,269			
Interest on long-term debt		12,046			
		17,315			
Total expenditures		179,420			
Current surplus (deficit)		(10,120)			
Non-recurring grants	3				
Non-recurring expenditures	3				
Exceptional or final surplus (deficit)					

Exercice - Manufacture Plus Co-op
Here is the latest Balance sheet of Manufacture Plus Co-op

Manufacturing Plus Cooperative
Balance sheet
As at December 31

ASSETS	2002	2001
Current assets		
Cash	21,573	10,560
Investment	20,042	
Accounts receivable	13,004	20,408
Inventories	20,429	23,833
Prepaid expenses	4,490	5,344
	79,538	60,145
Fixed assets	186,563	213,268
Total assets	<u>266,101</u>	<u>273,413</u>
LIABILITIES		
Current liabilities		
Loan		25,000
Accounts payable	20,325	25,188
Deferred revenue	2,000	
Current portion of long-term debt	31,568	27,250
	53,893	77,438
Deferred grants (Note 1)	10,465	14,645
Long-term debt (Note 2)	134,646	162,423
Total liabilities	<u>199,004</u>	<u>254,512</u>
Net equity		
Members' equity	33,641	25,044
Co-operative equity		
Net surplus (deficit)	39,599	(10,120)
Reserve	(6,143)	3,977
	67,097	18,901
Total liabilities and equity	<u>266,101</u>	<u>273,413</u>

Note	Details																			
1	Long-term deferred grants correspond to amounts received for acquisition of machinery.																			
2	<p data-bbox="272 296 1208 321">Long-term debt (after deducting the current portion) breaks down as follows:</p> <table border="1" data-bbox="196 380 1065 663"> <thead> <tr> <th></th> <th style="text-align: right;"><u>2002</u></th> <th style="text-align: right;"><u>2001</u></th> </tr> </thead> <tbody> <tr> <td>Bank loans (1)</td> <td style="text-align: right;">69,236</td> <td style="text-align: right;">92,853</td> </tr> <tr> <td>RISQ loan (2)</td> <td style="text-align: right;">23,855</td> <td style="text-align: right;">31,806</td> </tr> <tr> <td>Preference shares paid by the members</td> <td style="text-align: right;">36,555</td> <td style="text-align: right;">32,764</td> </tr> <tr> <td>Participating preference shares</td> <td style="text-align: right;">5,000</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td></td> <td style="text-align: right;">134,646</td> <td style="text-align: right;">162,423</td> </tr> </tbody> </table> <p data-bbox="272 730 1471 789">(1)Bank loans: Equipment loans over 5 years, fixed rate, secured by a hypothec on the universality of property.</p> <p data-bbox="272 821 1471 961">(2)RISQ loan: The Réseau social d'investissement du Québec is a body investing in the social economy in Québec. The RISQ loan was considered to be patient capital, because it is uncollateralized. Moreover, although its repayment is fixed, it was granted to capitalize the co-operative and provide it with the means for its development. Finally, the terms of repayment can be revised according to the organization's income statement.</p>			<u>2002</u>	<u>2001</u>	Bank loans (1)	69,236	92,853	RISQ loan (2)	23,855	31,806	Preference shares paid by the members	36,555	32,764	Participating preference shares	5,000	5,000		134,646	162,423
	<u>2002</u>	<u>2001</u>																		
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Preference shares paid by the members	36,555	32,764																		
Participating preference shares	5,000	5,000																		
	134,646	162,423																		

Manufacturing Plus Cooperative As at December 31

You are asked to adjust the results for the year ended December 31st, 2001.

ASSETS	Note	Amount	Adjustment 2001		Adjusted balance
			To add	To deduct	
Current assets					
Cash		10,560			
Investment					
Accounts receivable		20,408			
Inventory		23,833			
Prepaid expenses		5,344			
		60,145			
Fixed assets					
		213,268			
Total assets					
		<u>273,413</u>			
LIABILITIES					
Current liabilities					
Loan		25,000			
Accounts payable		25,188			
Deferred revenues					
Current portion of long-term debt		27,250			
		77,438			
Deferred grants					
	1	14,651			
Long-term debt					
	2	162,423			
	2				
	2				
Total liabilities					
		254,512			
Quasi-equity					
Capitalization loan	2				
Net equity (Equity)					
Participating preference shares	2				
Members' preference shares	2				
Members' equity		25,044			
Deferred grants	1				
Net surplus (deficit)		(10,120)			
Reserve		3,977			
Total net equity					
		18,901			
Total debt, quasi-equity and equity					
		<u>273,413</u>			

Exercice - Income Statement Adjustment
Here is the latest income statement of Community Radio CKOW

Community Radio CKOW - INCOME STATEMENT- Year ended August 31

	<u>2002</u>	<u>2001</u>
REVENUE		
Sales and other revenue (Note 1)		
Advertising revenue	180,306	167,183
Support campaigns	62,773	71,190
Dues	24,955	23,545
Antenna leasing	15,824	13,160
	<hr/> 283,858	<hr/> 275,078
Contributions and grants		
Ministry of Culture et Communications (Note 2)	87,570	75,810
Ministry of Culture et Communications (Note 3)	5,600	
Salary grants (Note 4)	12,466	26,886
Cultural Stabilization Fund (Note 5)	23,288	
Amortization - deferred contributions (Note 6)	2,073	2,073
	<hr/> 130,997	<hr/> 104,769
Total revenue	<hr/> 414,855	<hr/> 379,847
Production expenses		
Salaries and benefits	133,634	123,512
Equipment and technical supplies	14,360	20,270
Equipment maintenance and repair	2,891	2,499
Leasing of transmission lines	2,174	1,570
Copyrights	4,253	3,893
	<hr/> 157,312	<hr/> 151,744
Promotion expenses		
Salaries and benefits	69,083	71,229
Promotion and advertising	15,018	24,758
Related to the support campaign	30,886	22,924
Other	3,641	2,759
	<hr/> 118,628	<hr/> 121,670
Administration expenses		
Salaries and benefits	49,981	42,035
Rent	24,254	23,752
Professional fees (Note 7)	2,300	8,040
Electricity and heating	3,167	5,456
Maintenance and repair of the premises	3,805	3,470
Office expenses	11,845	12,425
Amortization	6,947	10,622
	<hr/> 102,299	<hr/> 105,800
Financial expenses		
Bank charges and short-term interest	2,805	2,373
Interest on long-term debt	342	1,556
	<hr/> 3,147	<hr/> 3,929
	<hr/> 381,386	<hr/> 383,143
Net surplus (deficit)	<hr/> 33,469	<hr/> (3,296)

Additional information regarding the adjustments to be made to the income statement of Community Radio CKOW.

Note 1 : Sales are composed of recurring revenue, including the support campaign, received each year in the same proportion.

Note 2 : Annual operating subsidy from the Ministry of Culture and Communications.

Note 3 : Grant from the Ministry of Culture and Communications for a special project of \$5,600, which resulted in a \$4,900 salary expense (temporary contract).

Note 4 : Grant for job not related to the organization's mission, but granted and renewed each year for an adapted position in the Promotion Department for an amount of \$12,466 in 2002 and \$17,083 in 2001. The organization received an employment voucher of \$9,803 in 2001.

Note 5 : Non-recurring grant from the Cultural Stabilization Fund intended to reduce the previous deficits.

Note 6 : Portion of the grant received for acquisition of equipment, appearing under liabilities as long-term "Deferred contributions".

Note 7 : In 2001, the enterprise disbursed \$5,740 in professional fees for a consultant to produce a diagnosis of listenership and community support for alternative media.

Community Radio CKOW

You are asked to adjust the results for the year ended August 31, 2002, if applicable:

	Note	Amount	To be added	To be deducted	Adjusted balance
REVENUE					
Advertising revenue	1	180,306			
Support campaigns	1	62,773			
Dues	1	24,955			
Antenna leasing	1	15,824			
Ministry of Culture & Communications	2	87,570			
Ministry of Culture & Communications	3	5,600			
Salary grants	4	12,466			
Cultural Stabilization Fund	5	23,288			
Amortization - deferred contributions	6	2,073			
Total revenue		414,855			
Production expenses					
Salaries and benefits	3	133,634			
Equipment and technical supplies		14,360			
Equipment maintenance and repair		2,891			
Leasing of transmission lines		2,174			
Copyrights		4,253			
Total production expenses		157,312			
Promotion expenses					
Salaries and benefits	4	69,083			
Promotion and advertising		15,018			
Related to the support campaign		30,886			
Other		3,641			
Total promotion expenses		118,628			
Administration expenses					
Salaries and benefits		49,981			
Rent		24,254			
Professional fees	7	2,300			
Electricity and heating		3,167			
Maintenance & repair of the premises		3,805			
Office expenses		11,845			
Amortization	6	6,947			
Total administration expenses		102,299			
Financial expenses		3,147			
Total expenditures		381,386			
Current surplus (deficit)		33,469			
Non-recurring grant					
Non-recurring grant					
Non-recurring expenditures					
Final surplus (deficit)					

Exercise - Balance Sheet Adjustment
Here is the latest balance sheet of Community Radio CKOW

Community Radio CKOW
BALANCE SHEET
As at August 31

	<u>2002</u>	<u>2001</u>
ASSETS		
Current assets		
Cash		2,772
Accounts receivable	25,324	22,581
Grants receivable	20,000	
Prepaid expenses	1,211	2,109
	46,535	27 462
Fixed assets (Note 1)	81,568	30,480
Intangible assets (Note 2)	600	600
Total assets	128,703	58,542
LIABILITIES		
Current liabilities		
Line of credit	2,424	
Accounts payable	37,915	40,742
Deferred contributions	33,000	58,990
Current portion of long-term debt	9,476	1,354
	82,815	101,086
Deferred contributions (Note 3)	36,490	12,051
Long-term debt (Note 4)	32,468	1,944
Total liabilities	151,773	115,081
Net assets		
Invested in fixed assets	43,134	15,131
Unallocated surpluses	(66,204)	(71,670)
	(23,070)	(56,539)
Total liabilities and net assets	128,703	58,542

Additional information regarding the adjustments to be made to the balance sheet of Community Radio CKOW.

Note 1

Fixed assets do not include the \$25,000 of equipment received as donations and validated by an appraisal report.

Note 2

The intangible assets of \$600 correspond to an old licence payment. These assets no longer have any real value.

Note 3

Long-term deferred contributions correspond to grants received for acquisition of electronic equipment and to modernize the recording studio.

Note 4

Long-term debt represents a \$468 balance of a term loan (excluding the current portion) from the Caisse Desjardins for acquisition of equipment. This loan is secured by a movable hypothec on certain equipment. Following a diagnosis, Community Radio received a new loan contracted with RISQ in the original amount of \$40,000 without security, repayable over 5 years, with the aim of replenishing the working capital and assisting development. The current portion of this loan represents \$8,000. The Réseau social d'investissement du Québec is a body investing in the social economy in Québec.

Term loan:	\$ 468
Plus RISQ loan:	<u>\$32,000</u>
Total	\$32,468

Community Radio CKOW
You are asked to adjust or reclassify, if applicable, the balance sheet as
at August 31, 2002.

	Note	Amount	To be added	To be deducted	Adjusted balance
ASSETS					
Current assets					
Cash					
Accounts receivable		25,324			
Subsidies receivable		20,000			
Prepaid expenses		1,211			
Total current assets		46,535			
Fixed assets	1	81,568			
Intangible assets	2	600			
Total assets		128,703			
LIABILITIES					
Current liabilities					
Line of credit		2,424			
Accounts payable		37,915			
Deferred contributions		33,000			
Current portion of long-term debt		9,476			
Total liabilities		82,815			
Deferred contributions	3	36,490			
Long-term debt	4	32,468			
Total liabilities		151,773			
Quasi-equity					
Capitalization loan					
Net assets					
Invested in fixed assets		43,134			
Unallocated surpluses		(66,204)			
Deferred contributions					
Total net assets		(23,070)			
Total liabilities and net assets		128,703			

**Interpretation of the Balance Sheet
Calculation of the Financial Stability Indicators**

Debt ratio	August 2002	August 2001
$\frac{\text{Long-term debt}}{\text{Net assets}}$	_____ = %	_____ = %
Interpretation		

Equity/(equity + quasi-equity) ratio	August 2002	August 2001
$\frac{\text{Equity}}{\text{Equity} + \text{quasi-equity}}$	_____ = %	_____ = %
Interpretation		

Financial structure ratio	August 2002	August 2001
Creditors' portion: $\frac{\text{Liabilities}}{\text{Total assets}}$	_____ = %	_____ = %
Quasi-equity portion: $\frac{\text{Quasi-equity}}{\text{Total assets}}$	_____ = %	_____ = %
Equity portion: $\frac{\text{Equity}}{\text{Total assets}}$	_____ = %	_____ = %
Interpretation		

Workshop Evaluation

The most important thing I learned today:

Circle the number corresponding to your opinion.

	Disagree				Agree N/A		
1. The information concerning social enterprises was satisfactory	1	2	3	4	5	6	7
2. The proposed analytical tools were adequate	1	2	3	4	5	6	7
3. The exercises were relevant	1	2	3	4	5	6	7
4. The discussions among the participants were rewarding	1	2	3	4	5	6	7
5. I had a good understanding of the topics discussed	1	2	3	4	5	6	7
6. The language used to discuss the concepts was accessible enough	1	2	3	4	5	6	7
7. This workshop will be useful for my practice	1	2	3	4	5	6	7
8. The facilitator's presentation was clear	1	2	3	4	5	6	7
9. On the whole, this workshop is appropriate	1	2	3	4	5	6	7

1. In your opinion, was the length of the workshop:

Appropriate

Too short

Too long

2. Comments and suggestions:

Organization:

Date:

Translation : **Susan Silver**
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"The opinions and interpretations in this publication are those of the author and do not necessarily reflect those of the Government of Canada."

