Arctic cooperatives development program : an operational review and evaluation of two years of a five year program / prepared by Tukilik Services Ltd. for Social and Cultural Development Division, Northern Affairs Program. --

ARCTIC COOPERATIVES DEVELOPMENT PROGRAM

AN OPERATIONAL REVIEW AND EVALUATION OF THREE YEARS OF A FIVE YEAR PROGRAM

PREPARED FOR: SOCIAL & CULTURAL DEVELOPMENT DIVISION
NORTHERN AFFAIRS PROGRAM
DEPARTMENT OF INDIAN AFFAIRS & NORTHERN DEVELOPMENT
HULL, QUEBEC

TUKILIK SERVICES LTD.
AUGUST, 1980.

[illegible]TIC COOPERATIVES DEVELOPMENT PROGRAM

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FOR: SOCIAL & CULTURAL DEVELOPMENT DIVISION
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[illegible] SERVICES LTD.
AUGUST, 198[illegible]

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Foreword

In December 1976, the Treasury Board (T.B. Minute 746223) approved in principle a five-year arctic cooperatives development program and directed the Department of Indian Affairs and Northern Development to establish suitable procedures and management controls for the monitoring of the program.

This Report is submitted by Tukilik Services Ltd., as required under the terms of its contract with the Department of Indian Affairs and Northern Development. It is the second comprehensive review and evaluation of the program since Federal financial assistance to arctic cooperatives, within the framework of the program, began in July 1977. The Report documents the objectives of the program, the funding criteria developed and implemented, and the financial results achieved by the arctic cooperatives both before and after the program began. The monitoring process is described as are the costs to date. Comment is made on some of the environmental elements that pervade the operational and administrative problems of the cooperative system.

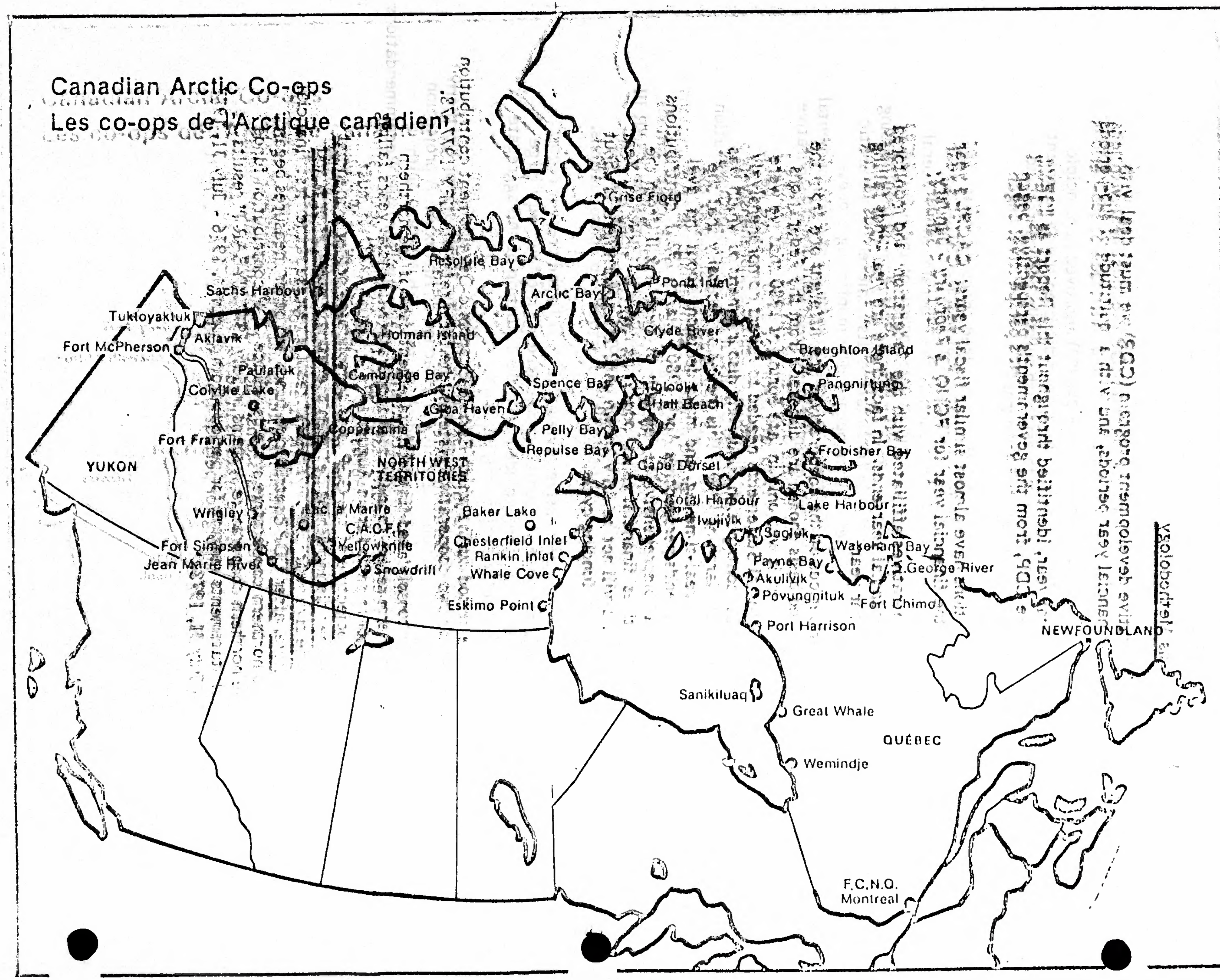
The financial analysis section of the Report displays a large amount of detail on the northern cooperative system, with the intent of serving as a practical information and planning tool not only for government, but also for the management of the Federations and their affiliated cooperatives.

The complete YEAR II financial consolidation, and the preliminary figures for YEAR III indicate that Northern Cooperatives as a group have improved their financial management performance from results recorded in the previous two consolidations.

As a departure from our first comprehensive review (May 1979), the present report focuses exclusively on the forty-one "Group 1", cooperatives. The four very large and prosperous cooperatives have been excluded to avoid distortion of the aggregate data which could lead to inappropriate funding decisions.

A revision of the original 1976 Bureau of Management Consulting forecasts for Northern Cooperatives, prepared in consultation with BMC, is attached as Annex A. A projection of total cooperative development program expenditures, to March 31, 1982, with comparison to the forecasts prepared in 1976, is provided in the Summary and Recommendations Sections.

Canadian Arctic Co-ops
Les co-ops de l'Arctique canadien



Report Financial Analysis Methodology

When assessing the cooperative development program (CDP) we must deal with three different groups of financial year periods, and with a multitude of sub-periods within one of the groups.

The federal government fiscal year, identified throughout this Report as "GFY", runs from April - March. The CDP, from the government's perspective, began in GFY 1977-78.

The two cooperative Federations have almost similar fiscal years. CACFL's year is the calendar year, while the financial year for FCNQ is February - January.

The forty-five northern cooperatives affiliated with the Federations and monitored by the CDP, have varying financial year-ends. In fact there are year-ends falling in every month of the calendar year.

Because the financial year periods of the cooperatives are different one from the other, and on any consolidated basis chosen are different from the Federations or government financial periods, it was only in late Spring of 1980 that we were able to obtain all of the Financial Statements needed to report comprehensively on the use and impact of CDP contribution funds, the disbursement of which was completed one year earlier in March of 1979. This means of necessity that the government must cope with a real-time lag, and make decisions about the level of Year IV (from the government's perspective April 1980 - March 1981) contributions to be authorized, based on a comprehensive review only of Years I & II (from the perspective of the cooperatives' financial years) operating results. Likewise, Year III northern operating results will not be fully known until the government is about ready to commence <u>its</u> Year V funding cycle.

Report Terminology

"YEAR I"

When used to identify the period during which Eskimo Economic Development contribution funds were disbursed to the two cooperative systems, the term refers to GFY 1977-78.

When used to refer to the consolidated financial statement data of the northern native cooperatives, the term refers to individual cooperative financial years falling within the twenty-four month period from August 1976 - August 1978. It must be kept in mind that <u>the objective of the CDP is to consolidate northern financial statement data in a manner distinguishing between operating results before, and after, the start-up of the five year CDP.</u> "YEAR I" results represent the first financial year, <u>of each cooperative</u>, <u>after</u> CDP contribution funds and other measures began to impact on the two northern cooperative systems. Since CDP contribution funds began to flow to the northern cooperative systems in July 1977, "YEAR I" results encompass financial statements ranging for periods from August 1, 1976 - July 31, 1977 to August 1, 1977 - July 31, 1978.

"YEAR II"

The consolidation of financial statements of each cooperative for the financial year after that used in the YEAR I Consolidation.

"YEAR III"

The consolidation of financial statements of each cooperative for the financial year after that used in the YEAR II consolidation.

"BASE YEAR"

"Base Year" financial statement consolidations take in the financial statements of each cooperative for the financial year immediately preceding the financial year used in the "YEAR ONE" consolidation. "BASE YEAR" thus represents the financial years of each cooperative immediately before the implementation of the CDP.

"CDP" The five year arctic cooperatives development program administered by the Federal Department of Indian Affairs and Northern Development (Northern Affairs Program) in consultation with officials of both the Federal and Territorial Eskimo Loan Fund Advisory Boards and officials of the Cooperatives Section of the Department of Economic Development and Tourism of the Government of the Northwest Territories.

"DIAND" Department of Indian Affairs and Northern Development

"GNWT" Government of the Northwest Territories.

"NWT" Northwest Territories

"NQ" Northern Quebec (Nouveau-Québec)

"CACFL" Canadian Arctic Cooperative Federation Limited. With offices in Yellowknife, CACFL is owned by and represents the NWT cooperatives and enters into formal agreements with DIAND for the receipt of CDP funding.

"FCNQ" Fédération des Coopératives du Nouveau-Québec. With offices in Montréal, FCNQ is owned by and represents the NQ cooperatives and enters into the same form of CDP contribution agreements with DIAND as does CACFL.

"CAP" Canadian Arctic Producers Cooperative Limited. With offices and showroom in Ottawa, CAP wholesales, internationally, the native arts and crafts purchased by NWT Cooperatives. The majority of the shares are held by NWT cooperatives, with the federal government assuming a minority shareholding position.

"Contribution"	Government terminology to describe a grant of public funds, the receipt of which carries a number of accountability obligations. A Contribution Agreement is a formal contract, signed by the Crown (DIAND in this case) and the recipient and itemizing the purposes and payments schedule of the contribution as well as the conditions which the recipient must meet in order to receive and retain the funds.
"Grant"	In this report, the word is used only in the Section IV data tables and accompanying analysis. It is the word used in the actual financial statements of N.W.T. and NQ cooperatives to describe unearned income from governments (operating assistance funds of one kind or another, or the amortization to income of capital grants). With the exception of $60,000 none of the funds so described are CDP funds, but have been accorded under a wide variety of other Federal, Territorial or Provincial programs such as Special ARDA, Canada Works, Territorial Tourism Development, etc.
"GFY"	Government Fiscal Year: April 1st - March 31st.
"Group I"	The designation for 9 NQ and 32 NWT Cooperatives, with almost all sales volumes under $1 million and broadly similar operating histories, characteristics and financial structures. The group includes the one new cooperative incorporated in each jurisdiction since the 1976 BMC Study.
"Group II"	The designation for 2 NQ and 2 NWT Cooperatives, 3 of which are near $2 million in annual volume, and all of which show working capital and member equity positions substantially stronger than those of Group I Cooperatives. We do not project any requirement for CDP working capital contributions for these cooperatives.
"NEW CO-OP"	The designation for one NWT Cooperative and one NQ cooperative, both of which were incorporated after the 1976 BMC study of and five-year financial plan for Northern Cooperatives. While shown separately on the financial history tables, they are treated in the analysis and forecast as Group I cooperatives.
"BMC"	The Bureau of Management Consulting, an agency of Supply and Services Canada (Federal government).

CDP: OBJECTIVES

DEPARTMENTAL PARENT OBJECTIVE

To improve the socio-cultural and economic conditions of the Inuit in the North.

SOCIAL/CULTURAL/ECONOMIC

A. To recognize and support the development of northern cooperatives as vehicles for social and economic development in the North and as significant contributors to community development and local government.

B. To ensure the survival and development of cooperatives as instruments for the teaching of basic organizational and management skills to northern native peoples, leading to opportunities for employment in cooperatives, government and industry.

C. To assist the cooperatives to achieve self-sufficiency and independence from governments.

D. To support the cooperatives' generation of over $9 million per annum in personal income for residents of northern settlements.

FINANCIAL/STRUCTURAL

E. To support the development of the 2 cooperative Federations (CACFL & FCNQ), and CAP, rather than government agencies, as the delivery systems of the marketing, planning, training and other development services to arctic community cooperatives.

F. To encourage, through a uniform application of policy in the two jurisdictions (NWT AND NQ), and by other measures, a fully integrated and panarctic approach to cooperative socio-economic development and the establishment of increased linkages and cooperation between the 2 existing cooperative systems.

G. To assist the development of financial structures in individual cooperatives and cooperative Federations which would attract commercial credit sources in the future for system financing requirements.

In particular, through a planned combination of contributions, loans and loan guarantees, and in accord with the Revised Forecasts attached as ANNEX A, to foster the development by YEAR V of the following key financial characteristics for Group I northern cooperatives:

	NQ	NWT
VOLUME OF BUSINESS ($000's)	9,347	21,539
NET PROFIT	1.21%	4.23%
CURRENT RATIO	1.6	1.5

CDP IMPLEMENTATION & FUNDING CRITERIA

In consultation with officials of the GNWT and of the Federal and Territorial Eskimo Loan Fund Advisory Boards, DIAND negotiates Contribution Agreements with FCNQ and CACFL. The Agreements embody the conditions and principles with which NWT and NQ cooperatives must comply in order to qualify for CDP Eskimo Economic Development contributions, Eskimo Loan Fund loans, or Eskimo Economic Development Bank Loan Guarantees.

1. The Federations must agree to undertake measures, with funding support from the CDP, designed to overcome a number of identified operational and developmental problems within member cooperatives.

2. The Federations must report fully to DIAND on such measures initiated, and continued funding of such programs is conditional upon DIAND agreement that reporting was complete and that the initiatives were satisfactorily undertaken.

3. The Federations must impress upon their affiliated cooperatives that future financial assistance to them, whether loans or contributions, from governments will be conditional on the demonstration by an applicant co-op of reasonable and acceptable progress towards the achievement in their cooperative of at least the minimal aggregate profitability and management effectiveness targets established by the CDP for the two northern cooperative systems as a whole.

4. The Federations must assist member co-ops in financial planning and budgeting, and provide the CDP with such annual, quarterly or semi-annual financial statements and budgets that are prepared for member co-ops. To permit additional timely monitoring of system results and developments, the Federations will provide the CDP with a number of additional reports relating to Federation cash flows, inventories, sales, and other identified operational areas, as well as interim and annual financial statements.

CDP: AUTHORITIES AND COSTS

AUTHORITIES

1. In response to a sharply increasing demand from some 50 northern Inuit and Indian NWT and NQ cooperatives for working capital and development funding, DIAND commissioned a 1976 Bureau of Management Consulting ("BMC") study of the northern cooperative system. The November 1976 three-volume BMC Report contained an operational review and a five year financial plan for both the NWT and NQ cooperative systems.

2. DIAND prepared a submission to Treasury Board, including the BMC Report as the basic information document and planning model. T.B. Minute 746223 approved the Five Year Plan in principle subject to the development of a detailed implementation plan and the development of an acceptable monitoring and evaluation process.

3. DIAND engaged Tukilik Services Ltd. to prepare and administer implementation and monitoring strategies.

4. T.B. Minutes 750664, 755317 and 766756 approved the implementation strategies and format of the proposed Contribution Agreements, under the terms of which Eskimo Economic Development Contributions, on the recommendation of the Federal and Territorial Eskimo Loan Fund Advisory Boards, would be made to the two cooperative Federations.

5. The same T.B. Minutes approved the following level of contribution payments over three fiscal years:

	GFY 77-8	GFY 78-9	GFY 79-80	Total
Operating & working capital	2,638,000	1,241,000	1,172,000	5,051,000
Supplemental support	305,000	510,000	503,000	1,318,000
Supplemental support to CAP	-0-	-0-	40,000	40,000
	2,943,000	1,751,000	1,715,000	6,409,000

COSTS: GFY'S 1977-78, 1978-79, and 1979-80

The CDP makes three classes of contribution payments, through the two Federations, to the two cooperative systems:

1. Operating Contributions:

   These are made to each of the two co-op Federations to form part of their total revenue-pool. The cooperatives themselves cover the majority of the operating costs of their Federations (see pp. 16-17).

2. Working Capital Contributions:

These are made to the two Federations in the first instance, although each Federation is required to redistribute a portion of the receipts, as interest-free forgiveable long term loans to certain of their affiliated cooperatives. This class of contribution is necessary basically to permit a degree of financial stability to a movement whose objectives are not only commercial but include social, developmental and training priorities as well. Given conditions in the Arctic and the present stage of development of its native businesses, we cannot yet expect the rate of commercial profitability which would make possible the development of the earnings, equity and private sector financing needed to finance completely all of the associated inventories and other assets, as well as all of the inherent costs of the training and developmental objectives.

3. Supplemental Support Contributions:

These are made to the two Federations and to CAP to permit them to undertake a number of specific developmental and management-upgrading tasks that cannot be financed as part of their normal budgeted operations, but which a comprehensive 1976 operational review of the northern cooperative system identified as being vital to the promotion of a stable and minimally profitable northern cooperative movement.

An operational review of the utilization of the CDP contributions is included in Sections III and IV of this Report. In summary form, CDP contributions over the three government fiscal years since the CDP began have been as follows:

CLASS	GFY	NWT		NQ		TOTAL
Operating	77-8	292,000		91,000		
	78-9	374,000		84,000		
	79-80	332,250	998,250	75,000	250,000	1,248,250
Working Capital	77-8	1,665,000		*[1] 640,000		
	78-9	168,000		685,000		
	79-80	595,000	2,428,000	242,000	1,567,000	3,995,000
Supplemental	77-8	101,598		180,456		
	78-9	242,783		175,000		
	79-90	*[2] 263,385	607,766	*[3] 195,926	551,382	1,159,148
			4,034,016		2,368,382	6,402,398

*[1] includes $50,000 in DIAND Québec Region Indian Program Funds.

*[2] includes $40,000 supplemental support contribution to CAP.

*[3] includes $58,626 in supplemental support contribution for "Co-op 20" special education and communication programs marking the twentieth anniversary of Northern Cooperatives. The programs were directed at both NWT and NQ Cooperatives.

In addition to the $6.4 million in direct contribution payments, DIAND has guaranteed a portion of the resupply bank loans of each Federation. At March 31, 1980, the Federal guarantees had a value of approximately $4.3 million.

The initial design of implementation strategies, and the planning and execution of the CDP evaluation, monitoring and reporting processes has been handled through contract with Tukilik Services Ltd. For the period from January 1977-March 1980, CDP administrative and management costs, including all travel and secretarial expenses, amount to the equivalent of 1.97% of the aggregate CDP contributions to FCNQ and CACFL, or 1.18% of the total CDP financial commitment (direct CDP contributions plus March 1980 bank loan guarantees).

CDP: REVIEW, EVALUATION AND MONITORING PROCESS

(i) Annual and interim statements are fowarded, as they are completed, to DIAND, by FCNQ in the case of the NQ system and by GNWT in the case of the NWT system. Necessary key ratios and percentages are manually calculated. Certain adjustments are made to some of the material in order that the ultimate DIAND display of NWT and NQ operating data is derived from the same methodology of calculation and thus permits proper comparison analysis.

(ii) Annual co-op operating budgets are received both from GNWT and from FCNQ. The budgets are analyzed to ensure projected growth rates and profitability projections are within the limits established under the CDP.

(iii) Both the operating budgets and operating results data are manually entered on to CDP designed Financial Management Data File forms, copies of which are then forwarded to and discussed with FCNQ/CACFL/GNWT.

(iv) Quarterly, key performance indicators for those co-ops for which statements have been received by DIAND during the quarter, are summarized. Discussions are then held with the three parties to review and analyze the quarterly picture of previous year and present year results of those co-operatives for which results have become available during the quarter. In the case of the N.W.T. cooperative system, the financial statements as well as a broad range of operating developments are discussed with CACFL management at formal three-day meetings, chaired by the GNWT Supervisor of Cooperatives, held in Yellowknife each quarter.

(v) Annually, (approximately in May, depending on the receipt of all the statements), key performance indicators from the data files are transferred to a Summary for each of the 2 systems. This material serves as the basis for a major annual review by DIAND, FCNQ, CACFL and GNWT., and as one of the key elements of DIAND's annual CDP submissions to the Treasury Board and the Department of Finance.

(vi) The NWT and NQ Federations submit annual budgets, and at least 2 interim operating statements and Balance Sheets, all of which CDP management analyzes to verify adherence to plans. Variance reports are also submitted by both Federations for review and analysis. A large number of invoices and reports relating to programs funded by CDP supplemental support contributions are received, analysed and discussed with Federation and government officials.

(vii) A large amount of additional material (cash-flow forecast, accounts payable and receivable and the like) are received, analyzed and action initiated as appropriate.

SECTION II: ENVIRONMENTAL ELEMENTS AFFECTING NORTHERN COOPERATIVES

The 1976 BMC study of the northern cooperatives focussed primarily on business operations and financial requirements. But some key BMC comments relating to environmental constraints should not be forgotten:

> "This review focuses on the examination of the operational, administrative and organizational problems that affect the functioning of the cooperative system. However, it is not possible to meaningfully examine these problems without an understanding of the environmental elements that pervade each of them. A number of significant considerations have been identified from the examination of these elements:
>
> - The cooperatives' geographic isolation and distance from sources of supply and markets increase the difficulties and costs of operations significantly.
> - The influx of Southern Canadian social and economic ideas and institutions has put pressure upon native socio-cultural patterns. Traditional social patterns are changing and the speed of change and the direction of the changes are factors to be carefully considered when promoting new organizations.
> - The pressures and conflicts generated by changing conditions create many difficulties for the cooperative's managers and boards of directors.
> - The introduction of industrial society's financial, production and marketing techniques can only be absorbed with moderate speed.
> - The introduction of technological society's products and services have stimulated local northern demand beyond the capacity of many northern organizations to fulfill expectations.

In addition to these general considerations noted by BMC, a balanced assessment of the cooperatives' progress in overcoming their operating problems since the advent of the CDP in 1977 requires an understanding of at least a few of the major developments in the north which have impacted on cooperatives in the 1977-1980 period.

Land Claims and Business Models

Most of the settlements with cooperatives have small native populations ranging from 300-700 people. The number of real and potential leaders is thus small, as is the number of responsible and qualified Inuit prepared to take full-time management positions in the non-traditional wage economy. In the past five years there has been what many describe as an explosion in the number of agencies and advisory committees established in these small settlements, mostly by the Federal and Territorial government. Cooperatives have been finding it increasingly difficult to obtain staff or even Directors with the time to devote to business and cooperatives. Normally governments and the burgeoning native political associations offer better wages and working conditions than those that a small business striving for profitability can afford to match. As one co-op leader has put it, the people find it more attractive to attend seminars and sit on committees than they do to price merchandise, serve demanding tourists or balance the daily cash.

While a number of years ago the local co-op was in most cases the major focus for the community's desire to protect its culture and develop its economy, the co-op movement over the past three years has had to compete with the powerful native land-claims movement for the attention and commitment of Inuit. To many Inuit there are now two messages being broadcast where once there was one. The northern cooperative message over the past twenty years has consistently been that economic development compatible with Inuit values can best be achieved by the gradual development of small-scale, profit-making, labour-intensive activities capable of being understood, controlled and managed by Inuit. And in turn that these businesses, developing only at a rate commensurate with the development of Inuit society and skills, could best be operated within the democractic framework of the cooperative structure, with each community member having but one vote in decisions affecting the development of the community's business regardless of each individual's investment in share capital.

The land-claims movement has offered a clear alternative, in the minds of some Inuit and non-Inuit alike, to the message of the cooperatives, and in so doing has unquestionably obtained a large measure of attention and time from the limited number of qualified Inuit, some of whom undoubtedly would otherwise have been working to increase the efficiency and extend the scope of the community-controlled cooperatives. The message has been taken to mean that the alternative to the cooperatives' small-scale culturally compatible approach lies in obtaining massive cash settlements from surrender of claim to title in the land and in creating therefrom large development corporations. The concluded Northern Québec Agreement provided the Inuit with $90 million, and from that precedent estimates for the future NWT settlement run to $350 million. In the words of one consultant who recently completed a preliminary report for DIAND, all such corporations tend to have "elaborate techno-bureaucratic wiring systems" which could or would operate in the foreseeable future as a barrier to effective Inuit control or management. And whereas the Inuit involved in cooperatives must create most of their salaries from the profits they make on the sale of goods or services in the north, the $27.1 million spent by northern native political associations since 1970 ($20 million of that since 1976-77) for land claims has been donated or loaned by government.

A number of experienced and committed native co-op leaders contend that it is even more difficult in the present northern political and economic climate to obtain the motivation and cooperation from employees and members necessary to achieve even minimal profitability in the cooperatives' business operations. It is useful to keep in mind that in the north Inuit have few if any models against which to test the often-repeated statements by co-op leaders that profitability is an essential for the survival of any business. In northern Québec, the Inuk president of the new $90 million development corporation (Makivik Corporation) has publically reported susbstantial operating losses for its airline, restaurant and construction businesses. Nonetheless with a capitalization of $90 million, continuance is not perceptibly threatened into the foreseeable future. In the NWT the Territorial Government has for many years operated small businesses in many of the settlements which also have cooperatives, and according to a recent statement by the responsible Minister[1] none of the thirty enterprises turned a profit. Indeed, unlike all the cooperatives, there are no comprehensive operating statements and balance sheets for these enterprises, but estimates by the NWT minister and others place the excess of expenditures over revenues at between $1.9 and $3.6 million annually. Officials state that this annual net government expenditure generates $1.6 to $1.9 million annually in income for native people on a consolidated sales volume of approximately $2.5 million. This compares to the thirty-four monitored NWT cooperatives, eighteen of which were profitable in the latest complete consolidation, which generate $6 million annually in personal income for northerners on a sales volume of $16.5 million with $1.7 million per year in government financial assistance over the past three years.

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1. The Hon. T. Butters, Debates of the Northwest Territories legislative assembly, Feb. 12, 1979, page 742.

SECTION III: THE COOPERATIVE FEDERATIONS

An Introductory Note on the Federations

Neither CACFL nor FCNQ is a 'normal' commercial enterprise. They do not focus on achieving the maximization of their own net operating profit or their own growth. Each Federation is in a real sense a manager of a highly complex multi-purpose development process, a process occurring in a special social and political environment, many of the elements of which cannot be controlled or significantly influenced by the Federations.

Rather than being simply commercial purveyors of goods and services, the Federations must target their expenditures towards assisting their native cooperative owners to achieve their social and economic development goals, not all of which are easily obtainable within the profitability imperatives of the commercial framework called a co-operative. The focus of the Federations must also be on assisting affiliated cooperatives to achieve improved management efficiency and minimal overall financial viability.

In describing certain programs carried out by the two Federations and by analyzing their financial statements, we can readily determine the utilization of CDP contribution funds and establish Federation compliance with the terms of the formal Contribution Agreements. But to determine the effectiveness of the program delivery by the Federations, to judge whether the programs are meeting the broad objectives both of the Federations and of the CDP, it is necessary to examine the financial analysis of the affiliated cooperatives contained in Section IV of this Report.

In examining the financial analysis of Years I and II northern cooperative results, it must be kept in mind that the new, CDP-funded, initiatives undertaken by the two Federations take time to work through the two far-flung arctic systems. CDP management does not expect to be able fully to assess the impact of program delivery by the Federations until the complete Year III consolidated results of the co-ops are available in the spring of 1981. Nonetheless, a number of significant improvements in cooperatives' profitability and efficiency have already been documented in Section IV of the Report.

THE FEDERATIONS: CDP OPERATING CONTRIBUTIONS

CDP operating contributions are intended to form part of the total revenue-pool of each Federation. At the same time, the objective of the CDP is not to replace the affiliated cooperatives as the principal underwriters of the operating costs of the Federations.

The Source of Operating Revenue Summaries appearing on the following two pages reflect a recent significant increase in expenditures made by both Federations to address the management and development ~~problems particular to each of the~~ two systems. But the northern cooperatives continued to bear most of the burden (60% in the NWT, 75% in NQ) of the operating costs of their respective development organizations in 1979.

F.C.N.Q. **SOURCE OF OPERATING REVENUE & BALANCE SHEET INDICATORS**

	1976-77 BASE YEAR	1977-78 YEAR ONE	BUDGET 1978-79 YEAR TWO	ACTUAL 1978-79 YEAR TWO	BUDGET 1979-80 YEAR THREE	ACTUAL 1979-80 YEAR THREE	BUDGFT 1980-81 YEAR FOUR
A. Co-ops & operations							
A.1 Grants on northern sales	280,526	360,613	447,517	460,847	580,680	577,911	615,347
A.2 Grants on northern tourism & construction	31,473	44,170	61,822	59,346	77,918	69,633	44,735
A.3 Gross profit on FCNQ sales carvings, crafts, prints, fur	375,418	395,496	469,476	494,827	583,295	573,847	653,430
A.4 Gross profit on other FCNQ sales & sundry	86,435	59,228	63,050	54,774	82,300	137,818	97,910
TOTAL REVENUE FROM COOPS/OPS.	773,847 94%	859,507 74%	1,041,864 71%	1,069,794 70%	1,324,193 81%	1,359,209 75%	1,411,422 89%
B. GOVERNMENTS							
B.1 CDP operating contributions	-	91,000	84,000	84,000	54,000	75,000	5,000
B.2 CDP supplemental contributions	-	141,256	228,479	222,837	150,000	137,300	140,000
s.t.	-	232,256	312,479	306,837	204,000	212,300	145,000
B.3 Quebec Government	20,000	45,000	25,000	50,000	50,000	24,045	25,000
B.4 Government - other	25,879*1	29,519	81,200	100,125	48,000	226,152	11,530
TOTAL REVENUE FROM GOVERNMENTS	45,879 6%	306,775 26%	418,679 29%	456,962 30%	302,000 19%	462,497 25%	181,530 11%
REVENUE TOTAL	819,726 100%	1,166,282 100%	1,460,543 100%	1,526,756 100%	1,626,193 100%	1,821,706	1,592,952
EXPENSES: (i) normal	858,365*1	1,166,484	1,378,314	1,529,714	1,474,830	1,526,616	1,565,060
(ii) extraordinary projects	-	-	81,200	100,125	48,000	226,152	11,530
TOTAL EXPENSES	858,365	1,166,484	1,459,514	1,629,839	1,522,830	1,752,768	1,576,590
NET PROFIT(LOSS)	(38,639)	(202)	1,029	(103,083)	103,363	68,938	16,362

*1 Both expenses & government revenue-"other" are slightly understated, by an equal amount.

	1976-77	1977-78	ACTUAL 1978-79	ACTUAL 1979-80
ACCOUNTS RECEIVABLE-MEMBER COOPS	1,436,774	2,625,081	2,870,249	3,436,088
ACCOUNTS RECEIVABLE-SOUTHERN CLIENTS	333,686	468,391	409,288	530,368
INVENTORY - CARVINGS $	462,403	739,649	1,016,757	1,416,946
% CARVING SALES	38%	51%	61%	65%
INVENTORIES - TOTAL	692,530	1,066,352	1,228,721	1,666,266
BANK LOAN - RESUPPLY	590,000	1,750,000	1,265,000	1,700,000
WORKING CAPITAL	445,614	684,421	1,177,993	1,292,664
CURRENT RATIO	1.2	1.2	1.3	1.3
MEMBER EQUITY $	195,035	491,963	1,039,410	1,164,191
% TOTAL ASSETS	7.5%	9.7%	17.9%	17.0
CDP WORKING CAPITAL RECEIPTS	-	281,600	635,000	nil

C.A.C.F.L. SOURCE OF OPERATING REVENUE & BALANCE SHEET INDICATORS

A. Co-ops & operations	1976 BASE YEAR	1977 YEAR ONE	1978 YEAR TWO	BUDGET YEAR THREE	ACTUAL 1979 YEAR THREE	BUDGET 1980 YEAR FOUR
A.1 Gross profit - supply & transport	230,324	341,724	375,134	448,643	442,407	558,034
A.2 Gross profit - Northern Images	294,283	335,453	426,708	561,360	539,874	599,320
s.t.	524,607	677,177	801,842	1,010,003	982,281	1,157,354
A.3 Interest - supply loan	73,885	232,838	310,828	233,900	522,966	500,000
A.4 Financing fee - resupply	38,596	42,887	111,182	93,300	15,208	172,625
A.5 Management Agreement fees	-	1,192	1,622	2,400	1,980	2,100
A.6 DC-4 charges	-	-	-	25,000	7,040	nil
A.7 Audit/Accounting fees	117,861	140,007	172,042	191,100	214,198	227,250
A.8 Other	21,371	51,705	112,091	49,800	94,012	80,800
TOTAL REVENUE FROM COOPS/OPS.	776,320	1,145,806	1,509,607	1,605,503	1,837,685	2,040,129
	73%	73%	62%	55%	60%	61%
B. GOVERNMENTS						
B.1 COP operating contributions	-	219,000	469,000*2	309,300	309,300	314,700
B.2 COP supplemental contributions	-		210,474	208,690	330,308	224,000
s.t.	-	219,000	679,474	517,990	639,608	538,700
B.3 G.N.W.T.	75,000	80,162	140,637	125,000	125,000	75,000
B.4 Government - other	211,403	121,379*1	118,125	631,276*5	452,795	754,052
TOTAL REVENUE FROM GOVTS.	286,403	420,541	938,236	1,274,266	1,217,403	1,292,752
	27%	27%	38%	45%	40%	39%
REVENUE TOTAL	1,062,723	1,566 347	2,447,843	2,879,769	3,055,088	3,332,881
	100%	100%	100%	100%	100%	100%
EXPENSES TOTAL	986,631	1,484,495	2,292,149	2,762.203	3,036,281	3,255,124
NET PROFIT(LOSS)	76,092	81,852	155,694*6	117,566	18,807	77,757

*1 includes some "COP Supplemental contributions", but statements format do not permit identification
*2 includes $168,000 COP working capital contribution

*5 includes anticipated $558,956 in first year of 3 year funding expected from DREE (S/Arda).
*6 would have been loss of $12,306, without treating $168,000 working capital contribution as operating income.

	1976	1977	1978	BUDGET YEAR THREE	ACTUAL 1979	BUDGET 1980
ACCOUNTS RECEIVABLE - MEMBER COOPS RE SUPPLY		3,777,556	4,529,842		3,885,538	
ACCOUNTS RECEIVABLE TOTAL	2,384,475	4,052,475	5,025,366		4,451,210	
INVENTORY - NORTHERN IMAGES $	349,499	455,173	721,794		714,622	
% N.I. SALES	42.44	50.42	59.06		52.56	
BANK DEMAND LOAN - RESUPPLY	1,965,791	3,133,386	3,444,657		3,189,358	
WORKING CAPITAL	334,310	558,341	1,134,254		1,190,694	
CURRENT RATIO	1.13	1.14	1.24		1.29	
MEMBER EQUITY	24,816	106,668	252,639		253,231	
COP WORKING CAPITAL RECEIPTS	-	-	168,000		nil	

THE FEDERATIONS: CDP SUPPLEMENTAL SUPPORT CONTRIBUTIONS

The preceding Revenue Summaries identify most of the CDP supplemental support funding taken into revenue in the last three financial years of each Federation. The funding was provided on the basis of reimbursement of actual expenses incurred in identified CDP-approved programs developed and delivered by the two Federations.

For a number of reasons that are documented in Section IV of this Report, the funded CACFL programs are focused at achieving relatively immediate and large scale improvements in a number of operational areas impinging directly on the profitability of NWT cooperatives, and on stimulating a much increased involvement of NWT native peoples in the management and control of the operations of their cooperatives. The FCNQ programs, while not ignoring the need for improvement in northern management systems, are on balance focused on the equally difficult task of sustaining, within the radically changing environment of Nouveau-Québec, the effectiveness of previously successful developments and the widespread interest and involvement in the co-ops by the Inuit and Indians of the region.

To the extent that CDP supplemental support contributions have contributed to the growth and survival of northern cooperatives, they have assisted a movement providing substantial direct economic benefits to native peoples. Our Financial Management Data Files indicate current annual payments of wages and local purchases of $3,176,000 by the eleven NQ cooperatives affiliated with FCNQ. All NQ co-op management and other personnel in the northern communities continue to be Inuit and Indian. CACFL and the GNWT estimate corresponding 1979 wage and purchase payments of $6,000,000 by the NWT cooperatives. In addition, the prospects of involving more NWT native people in the management of their cooperatives has improved, since the CACFL Training Officer, engaged with CDP supplemental support contributions in 1977, succeeded in developing a long-range training strategy of enough substance and merit to attract a three year (started in calendar 1979) $2.2 million financial commitment from the Federal Department of Regional Economic Expansion (Special ARDA program). Some 30 native management trainees are now in place in NWT cooperatives.

Following is a brief description of the programs developed by CACFL and FCNQ and funded by CDP supplemental support contributions in the period April 1977 - March 1980. The funds noted against each program represent the total government expenditures over the three GFY's rather than expenditures in the Federations own financial years, and the code numbers-letters (eg. "NQ78-03") represent the numbered pertinent Contribution Agreements. The reader should be aware that although the description of these programs is limited by the scope and purpose of this report, the actual material related to the design, administration and monitoring of these programs would fill several volumes. The programs cover virtually every one of the areas which the 1976 BMC Report classified as needing attention.

1. Communications

	N.W.T. $122,799	NQ - $341,962
1.1	$19,464 NP/CSSP-9 NWT 78-04 NWT 79-06 NWT 80-03 Travel by native CACFL directors to the co-ops they represent on the CACFL Board. Information meetings, broad co-op promotion and trouble-shooting. Assistance to CACFL area retail advisors.	$122,840 NP/CSSP-5 NQ 78-03 NQ 79-04 Regular Montréal meetings and travel to NQ co-ops by five Inuit members of FCNQ Executive Committee. Troubleshooting and member education. Also represent FCNQ with other native development groups such as Makivik Development Corporation. All salary and other costs for a full-time Inuk President of FCNQ.
1.2	$64,175 NP/CSSP-8 NWT 78-06 NWT 79-05 Costs of a full-time Inuk President of CACFL responsible for improved and authoritative native-language communications between CACFL and member-owner co-ops.	
1.3	$34,000 NP/CSSP-13 One native Co-op Presidents Conference held in Yellowknife. To stimulate increased control of NWT co-ops by local Boards and to enhance NWT-wide understanding and co-operation with role of CACFL	$58,626 NQ 78-07 Some planning costs of April 1980 Third Conference of Arctic Cooperatives and related communication and educational programs marking the 20th anniversary of arctic cooperatives.
1.4	$5,160 NWT 80-02 To complement DREE S/ARDA funded program of training for Co-op Presidents at Regional Presidents' Seminars.	$2,000 NP/CSSP-15 Travel by FCNQ President to NWT Co-op Presidents Conference, later resulting in offering of a CACFL Board seat to FCNQ and the beginnings of the CDP - recommended linkages between the two co-op systems.
1.5		$94,466 NP/CSSP-2 NQ 78-04 NQ 79-03 Information feed-back to NQ co-ops on quality and pricing as well as market reaction to Inuit art & craft production.
1.6		$64,030 NP/CSSP-3 NQ 78-05 Carving quality committees composed of 3-5 Inuit each in 9 NQ Communities. Regular meetings with artists and coop art purchasing managers. To encourage quality improvement and pricing commensurate with quality.

2. Management Upgrading

NWT $326,515	NQ $9,915
2.1 $7,016 NP/CSSP-10 Several short regional courses in profit-sensitive operations of snow-mobile parts inventorying and warranty repair, and fur grading, buying and shipping.	
2.2 $15,378 NP/CSSP-11 CACFL professional assistance to about a dozen member co-ops in the preparation of the first N.W.T. co-op operating budgets.	
2.3 $277,077 NWT 78-03, NWT 79-01, NWT 80-05 The engagement and placing in the field of nine area management (retail) advisors to provide circulating assistance to local co-op Boards and management to overcome such major identified operating problems as inventory and gross margin control. The effectiveness of this program, and the degree to which it is supported by local cooperatives, will in large measure determine the short and longer term survival or failure of a number of NWT co-ops.	
2.4 $27,044 NWT 79-04, NWT 80-04 The implementation in member Co-operatives of a Standardized Managerial Accounting System.	$9,915 NP/CSSP-6, NP/CSSP-7 Partial funding of a one person-year increase to FCNQ northern tourism development personnel, and a short seminar for native co-op sport fishing and hunting camp managers to introduce basic cost-control measures and camp accounting procedures.

3. Planning and Management Systems

NWT $74,692	NQ

3.1 $54,820 NP/CSSP-16

Contracted preparation of a CDP-recommended comprehensive "how to do it" management manual for NWT co-op personnel. The implementation, begun in 1979, will make possible for the first time in the NWT co-op system the adoption of standardized management accounting and other procedures.

3.2 $19,872 NP/CSSP-16

Contracted preparation of an analysis and evaluation of NWT goods distribution system costs and alternative methods. The study will provide a foundation on which CACFL can assist member co-ops to rationalize what is presently, in many cases, a profit-eliminating and uncompetitive use of warehousing space and delivery systems.

4. Training

NWT - $83,760

4.1 $40,670 NP/CSSP-4
NWT 78-05

Engagement of a qualified Training Officer, who has provided assistance to NWT co-ops in designing training programs, and obtaining funding from numerous government programs, for up to thirty-five native trainees. The officer has also prepared a training strategy for NWT native people in co-ops which has secured a $2.2 million commitment over three years from DREE (S/ARDA). Implementation began in calendar 1979.

4.2 $40,000 CAP 79-02

Travel and other costs related to special efforts by CAP management to involve Inuit directors more completely in the evaluation of Management performance and planning.

4.3

4.4 $3,090 NP/CSSP-12

A portion of the costs of a two day finance and budgetary seminar held in 1978 in Yellowknife for N.W.T. Co-op Managers.

NQ - $199,505

$45,986 NP/CSSP-1

Funding of a portion of the 1977 core costs of a three person FCNQ Education Department. Some funds provided for a two-week training seminar for native co-op retail store managers, as well as shorter training sessions for Inuit serving on northern local carving quality control committees and Inuit responsible for co-op purchases of art and crafts.

$153,519 NP/CSSP-4
NQ 78-06
NQ 79-02

Training on-the-job in FCNQ Montréal operating departments by 12 Inuit and Indians, over the three year period and for varying periods of time. Allows nativelanguage daily communication to and from the northern co-ops. Develops basic organizational and work habit skills of benefit on return to northern cooperatives or other northern organizations.

THE FEDERATIONS: CDP WORKING CAPITAL CONTRIBUTIONS

The summary "Source of Operating Funds and Balance Sheet Indicators" contained in this Section (pages 16-17) displays the amount and Balance Sheet effect of CDP working capital contributions retained by CACFL and FCNQ. It must be kept in mind that the bulk of such contributions have been redistributed to member cooperatives in the form of interest-free loans from CACFL and FCNQ. The effect of this redistribution is displayed and analyzed in Section IV of this Report.

From the total of $2,428,000 received to March 1980, CACFL has taken into member equity (albeit indirectly through operations) $168,000. $1,665,000 has been redistributed as loans, and $595,000 is in suspense pending distribution as loans. It had originally been intended by the CDP that some $699,000 would be permanently retained in equity by CACFL, by March 1980 but this was not possible as the cooperatives required the bulk of the funds in order to retire long-overdue indebtedness to two major external creditors who would otherwise, in late 1977, effectively have forced many NWT cooperatives to cease operations.

As a result, CACFL's member equity has only increased marginally since the advent of the CDP. And since much of the funding was required to retire obligations to third parties rather than obligations to CACFL, while at the same time most NWT cooperatives remained unprofitable in their operations, CACFL's working capital has improved by only $850,000 and their current ratio, while climbing to 1.29 from 1.13, is still far less than the original CDP target of 2.0.

In fact, CACFL's working capital and current ratio position is weaker than what one would assume from the CACFL December 31, 1979, Balance Sheet. CACFL had not, by that date, allocated $595,000 which it had already received, to loans to member cooperatives. In effect, CACFL's current liabilities had been reduced by $595,000 while the intended reduction in current assets (accounts receivable from member co-ops) had not yet taken place on the Balance Sheet. And so from that point of view, the true or reasonably permanent working capital position is overstated by $595,000. Had the loans been made CACFL's December 31, 1979 working capital would have been about $600,000 rather than the $1,190,000 shown, and the current ratio 1.14 instead of 1.29.

From the total of $1,567,000 received by the NQ system, FCNQ has taken into member equity $916,600, with $308,400 on its books as long-term forgiveable loans to members. One such $50,000 loan has been forgiven with DIAND's consent, as the cooperative had after receipt of the loan posted net earnings greater than the loan. Also, one $50,000 contribution was made directly to an Indian cooperative by DIAND rather than passing through FCNQ. The $242,000 GFY 1979-80 contribution had not been received by FCNQ's January 31,1980 Year III end. From $195,035 or 7.5% of assets, member equity has increased since the advent of the CDP to $1,164,191 or 17% of assets. However FCNQ's current ratio has increased only marginally from a ratio of 1.2 to 1.3, which is well below the CDP original objective of 2.0.

The addition of one new northern cooperative to the NQ system, since 1977, and the increase in northern store inventories coupled with continuing high northern local accounts receivable, have all been factors impacting negatively on FCNQ's efforts to reduce some of its current liabilities. FCNQ operating losses of $73,000 over the past four years, and a tripling of FCNQ art and craft inventories, have increased FCNQ's requirement for working capital.

THE FEDERATIONS: RESUPPLY BANK LOANS

As mentioned previously (see p. 10), in conformity with the 1976 five year financial plan which provided the framework for the establishment of the CDP, DIAND has guaranteed a portion of the resupply bank loans of each Federation.

In the case of FCNQ, the bank loans have, as planned, been direct reduction one year term loans ($1.6 million in 1977, $2.1 million in 1978 and $2.4 million in 1979). The 1977 and 1978 loans were fully repaid, and the repayment of the 1979 loan is anticipated prior to a new guarantee for 1980.

In the case of CACFL it was not possible to remain either with the plan for one year term loans or with the assumption that the $2.0 million 1976 sealift bank loan would be repaid in full and a $3.7 million one year loan accorded in 1977. As documented in Section IV of this Report, the NWT cooperatives' working capital, even after Years I, II and III CDP working capital contributions to the NWT system, remains insufficient for a one year repayment of resupply financing. Since sufficient working capital contribution funds were not available in GFY's 1977-78, 1978-79 or 1979-80 it has been necessary to take up the slack by permitting a continuing bank line of credit with a $4.0 million ceiling rather than a bank term loan. At todays high interest rates, this credit line (March 31, 1980 balance of approximately $3.6 million) at a rate of prime plus 1/2% is a contributing factor in unduly high Group I N.W.T. cooperative expenses.

SECTION IV: NORTHERN COOPERATIVES FINANCIAL PERFORMANCE ANALYSIS

INTRODUCTION

In assessing financial management performance, the critical analysis is the one that compares the actual results with the anticipated or forecast results. To calculate changes that have occurred without comparing these changes to a forecast has the effect of removing the time frame from the analysis. Without the guideline of a forecast, including its underlying assumptions, we cannot assess whether a given financial development is satisfactory.

As we reported in our YEAR I (May 1979) assessment of the program, which was provided to the Treasury Board, we have been hampered by the inability to relate actual figures to the forecast prepared by BMC in 1976, because of the difference in formats used by BMC in forecasting and us in reporting. BMC recognizes that our reporting format is the only one possible given that it must be based on the information generated by the annual financial statements of the cooperatives, and has explained that the 1976 five-year forecast they prepared was not in a compatible format because:

> "When preparing the original plan the method employed provided a relalistic forecast but was not intended to provide the reporting format for actual results. At the time the plan was prepared, financial information and financial reports from the cooperatives were rudimentary at best...When the forecast was completed it was not practical or useful to attempt to have the cooperatives report using the format developed for the forecast."

In response to a DIAND request to evaluate our May 1979 report on the CDP, BMC noted:

> "The annual financial progress report, which is prepared by Tukilik Services Ltd., provides a great deal of information and explanatory material on the program. There is no question that there is adequate information in the report to carry out a thorough analysis of the program, with one exception. It is not possible to relate the actual figures to the forecast figures. The reason the comparison cannot be carried out is that different formats have been used for budgeting or forecasting and for reporting."

REVISED FORECAST

It became clear in the past year that a revised forecast was required for Years III, IV and V cooperative financial results in a format that will permit the comparison of the financial results of the cooperatives with the forecast. As we suggested in our May 1979 report, it was also obvious that the forecast should follow our reporting method by separating out in both the NQ and NWT cooperative systems the several very large and prosperous cooperatives from the rest in order to avoid distortion of the aggregate data. Attached as Annex A to our present report are the revised detailed forecasts and underlying assumptions for Years III, IV and V as prepared for DIAND by BMC after lengthy consultation with us and a thorough review of the actual financial results of the northern cooperatives over the past four years. For each of the major items on the income statement and the balance sheet three projections have been prepared: one for slow growth and limited credit, one for a realistic growth rate and credit policy and one for a fast growth rate and a more relaxed credit policy. The funding requirements under each projection have been calculated, including funding from equity and funding through current liabilities and long term debt. Utilizing the "realistic" projections, the requisite increase in liabilities has been shown. This figure, less normal growth for such current liability accounts as bank credit lines and accounts payable and any long term debt or contribution that can be attracted by the cooperatives from other sources, becomes the minimal amount required from the CDP to keep all of the group in business. Additional amounts will be required to put group financial structures in the kind of shape needed to attract private sector financing. These data will be referred to in Sections IV, V, and VI of the present report.

SCOPE OF ANALYSIS

The consolidated financial performance data of the cooperatives for BASE YEAR, YEAR I and YEAR II, as well as those financial results for YEAR III available at this time, are found on pages 32-39. Keeping in mind the remarks made in the introduction to this section, the analysis of complete YEAR II and incomplete YEAR III figures are of necessity largely confined to a comparison to previous results, although comparison where possible is also made to the original BMC forecast.

With the establishment of the revised forecast for YEARS III, IV and V (see Annex A), our future reports will contain brief summary tables showing forecast comparisons for key indicators in the four classes of liquidity, debt, profitability and cash flow coverage.

Keeping in mind that this report is designed principally to serve the requirements of Treasury Board, the following analysis is in summary form rather than in the more detailed and extensive form used for consultation and negotiation with government and cooperative management in the ongoing process of program management and cooperatives monitoring. We will analyze only the Group I Cooperatives, including in both NQ and NWT the new co-op incorporated since the program began. This is the only group which will require significant ongoing financial assistance.

PROFITABILITY

The profitability ratios of "gross margin on sales" and "net profit" monitor a co-op's efficiency and are the most critical ratios for the business. Gross margin ratio is the sales less cost of goods sold as a percentage of sales. Net profit, as shown on our consolidations, is after all expenses and before taxes, and since we are interested in measuring operating efficiency as well as the actual results (which can be influenced by grant income which in a narrow sense is unearned,) we display net profit before and after the effect of grants. It must be kept in mind that most of the grants are for training programs carried out by the cooperatives and hence are a legitimate and necessary feature of northern cooperative results, and it is of course profit after grants which influences the amount of asset growth being financed by the owners.

CACFL and FCNQ concur with us that NWT cooperatives aimed for and required a gross margin on sales in YEAR II of about 22% and NQ cooperatives a gross margin of about 28% in order to reach the net profit targets for both systems. We noted in our May 1979 Report that the failure of Group I NWT cooperatives even to approach their gross margin objective in BASE YEAR and the continuing, although less critical, under-achievement in YEAR I was the principal cause of the low aggregate net profit for Group 1 cooperatives as a whole. The current financial consolidations show the northern Québec co-ops maintaining close to a satisfactory level of gross margin in YEAR II and into the available results for YEAR III, but provide mixed indications for Group 1 NWT cooperatives. The YEAR II NWT consolidation shows a margin of 15.09%, which while much improved over the 6.64% margin in BASE YEAR is still far short of the target, indicating at that point in time the persistance of inventory control and/or pricing deficiencies. However the YEAR III results for 14 of the 31 NWT co-ops display an exceptional turn-around to a gross margin of 21.92% from the YEAR II results for these particular co-ops of only 14.78%. If these results prove indicative of the final NWT aggregate YEAR III results for gross margin on sales, we would conclude that CACFL's management advisory program which has been funded over the past three years by the CDP has achieved a substantial and measurable degree of success.

GROSS MARGIN ON SALES - GROUP 1 COOPERATIVES ($000's)

		ANNUAL TARGET	BASE	YEAR I	YEAR II	YEAR III (incomplete)
NWT	$		546	1,543	1,639	1,477
	%	22%	6.64%	16.93%	15.09%	21.92%
NQ	$		952	1,058	1,426	1,671
	%	28%	25.16	25.40%	27.37%	29.73%

The original BMC forecast for a realistic net profit on sales & revenue for the YEAR II consolidation was 0.14% for the NWT cooperatives and 2.13% for the NQ system. These forecasts were for the aggregate of Group I and Group 2 cooperatives, whereas we are now focusing only on Group I cooperatives. Considering the YEARS III, IV and V net profit objectives for Group I cooperatives as shown in ANNEX A, a reasonable YEAR II target for both systems would have been 1.0%. The YEAR II financial consolidations show that these objectives were not quite achieved. In the NWT this has been largely because of inadequate gross margins, and in NQ because of generally inadequate control on operating expenses and the exceptionally large net loss of one of the 9 group I cooperatives.

NET PROFIT(LOSS) - GROUP I COOPERATIVES ($000's)

		YEAR II TARGET	BASE YEAR	YEAR I	YEARII	YEAR III (incomplete)
NWT	$		(914)	(246)	(94)	393
	%	1.00%	(8.33%)	(2.06%)	(0.65%)	4.78%
NQ	$		(1)	28	20	138
	%	1.00%	(0.03%)	0.61%	0.35%	2.12%

The above summary table displays net profit(loss) after grants. Removing the grants does not give a true picture of operating efficiency, since without the substantial training grants (in the NWT) the cooperatives would not have undertaken many of the corresponding expenses. Nonetheless the data do indicate that historically the NWT co-ops have not travelled as far as the NQ cooperatives along the road to independant operating efficiency. If the YEAR III NWT results hold up as the eighteen remaining cooperatives join the consolidation, the NWT system may catch up to or overtake their NQ counterparts.

NET PROFIT (LOSS) BEFORE GRANTS - GROUP I COOPERATIVES ($000's)

		BASE YEAR	YEAR I	YEAR II	YEAR III (incomplete)
NWT	$	(1,123)	(484)	(480)	165
	%	(10.43%)	(4.13%)	(3.43%)	2.06%
NQ	$	(1)	20	(55)	77
	%	(0.03%)	0.44%	(0.96%)	1.20%

LIQUIDITY

The original 1976 BMC forecast assumed that a current ratio (current assets as a multiple of current liabilities) of 2.0, based on their study of general Canadian small business, would represent a reasonable financial structure objective for the northern cooperatives and the CDP. Since over the past three years we have compiled more comprehensive and accurate northern cooperative financial data than was available to BMC, we have concluded that a balance sheet current ratio of 2.0 is neither an appropriate goal for the Group I cooperatives nor a goal that could be reached from within what could be reasonably estimated as CDP financial resources over GFY's 1980-81 and 1981-82.

For the NQ system, the minimum desirable YEAR V current ratio may be determined by approaching the question through a determination of the level of new CDP working capital contribution funds required by FCNQ to pay down completely its 1980-81 sealift guaranteed bank loan. FCNQ's consolidated 1980-81 cash flow estimates this requirement at $400,000. In ANNEX B to this report, we indicate that based on the forecasts contained in ANNEX A for NQ Group I cooperatives and other assumptions which we have noted in ANNEX B, the effect of providing $400,000 in CDP working capital contributions would be to produce a Year V current ratio for Group I NQ cooperatives of 1.6. This financial structure for these co-ops would allow FCNQ to obtain, without government guarantees, the supplier credit and bank operating credit lines required to finance regular resupply of its cooperatives, with a government guarantee required only for the annual sealift term loan. FCNQ would be able to demonstrate repayment capability of this loan, resulting in minimal risk for government.

The supply patterns and costs over the immense area of the NWT are much more varied than in the single region of NQ. At present the information generated by the NWT cooperative system is inadequate to permit a well-founded calculation for the appropriate levels of fluctuating bank credit line and annual bank term loan needed to finance the overall supply pattern. Ideally, the current ratio target for the Group I NWT co-ops would be a ratio resulting from an input of funds sufficient to enable CACFL to pay down annually an estimated $2.5 - $3.0 million sealift loan and secure an unguaranteed bank credit line adequate for handling the peaks and valleys of the non-sealift purchasing throughout the year. CACFL's present cash flow forecasts through to September 1981 suggest that approximately $1.7 million would be required in new CDP working capital contributions if CACFL were to be able to divide its present $4.0 million guaranteed bank credit line into an annual sealift term loan which it could repay, and an unguaranteed (probably) bank credit line with a ceiling of approximately $1.0 million. In ANNEX B we indicate that based on the forecasts contained in ANNEX A for Group I NWT cooperatives and other assumptions which we have noted in ANNEX B, the effect of providing $1.7 million in CDP working capital contributions would be to produce a YEAR V current ratio for Group I NWT cooperatives of 1.5. While it is true that virtually no new additional CDP working capital funds are required to balance the total NWT assets forecast for YEAR V, failure to inject such funds would require the federal guarantee of a $5.0 million CACFL bank credit line and result in a thoroughly unstable financial structure for the Group I cooperatives, demonstrating a YEAR V balance sheet current ratio of only 1.1.

The subject of liquidity is dealt with in Sections V and VI of this report (Summary & Recommendations). At the YEAR II consolidation, the key liquidity indicators were as follows:

WORKING CAPITAL - GROUP I COOPERATIVES ($000's)

	NWT			NQ		
	BASE YR.	YEAR I	YEAR II	BASE YR.	YEAR I	YEAR II
current assets	4,960	5,688	6,378	2,159	2,930	3,556
current liabilities	5,479	6,020	7,073	1,598	1,989	2,528
working capital	(519)	(332)	(695)	561	941	1,028
current ratio	nil	nil	nil	1.35	1.47	1.41

INVENTORY MANAGEMENT - GROUP I COOPERATIVES ($000's)

	NWT*1		NQ	
	YEAR I	YEAR II	YEAR I	YEAR II
cost of goods sold	7,572	9,219	3,107	3,784
average inventory (opening plus closing) / 2	3,265	3,855	1,727	2,226
turnover	2.32	2.39	1.80	1.70

*1 The higher NWT turnover is explained partly because of the greater cost-effectiveness of using air-freight in the NWT for store resupply and partly because the high art/craft inventories reside on CAP's books rather than on the books of the co-ops (in NQ they are on the co-ops' books)

CREDIT MANAGEMENT - GROUP I COOPERATIVES ($000's)

	NWT *1			NQ		
	BASE YR	YEAR I	YEAR II	BASE YR	YEAR I	YEAR II
sales/income	10,769	11,711	14,011	3,698	4,086	5,011
a/receivable						
$	1,294	1,202	1,612	593	715	796
% sales/income	12.02%	10.26%	11.50%	16.04%	17.50%	15.89%
avge. collection (days)	44	37	42	59	64	58

*1 The better collection record of the NWT co-ops is explained in part because CAP has had the financing to pay for art/craft shipments much faster than has been permitted in NQ by the financing in place at FCNQ.

DEBT RATIOS

In our May 1979 report we established the objective of a maximum of 60% of total capitalization (long-term debt plus member equity) in long term debt as being consistent with the CDP's overall objective of financial structure stability in the northern cooperative system. BMC concurs with us that this figure, which can also be stated as a total debt to net worth of 1.5 (long term debt not exceeding 1.5 x member equity) would represent a position indicating the virtual elimination of the need for further substantial contribution assistance from government. The cooperatives would be able to demonstrate to private sector financial institutions an ability to meet long term commitments.

At the YEAR II consolidation stage, as was the case at the YEAR I ending, Group I NWT cooperatives are insolvent in the aggregate with liabilities exceeding total assets. On an individual basis, nineteen of the thirty-two cooperatives in the Group are in this position. Our forecast for the Group (see Annex A) indicates three years (that is, not before the YEAR V consolidation) of profitable operations will be required to eliminate the accumulated member equity deficit. Depending on the level of working capital contributions received from government, it could be three years after that before the group as a whole could reach a debt to equity ratio suggesting capability to meet current and long term liabilities.

NQ cooperatives are in a better position, with $613,000 in member investment, but still have a level of long-term debt uncomfortably high in relation to equity. This is caused almost entirely by the deficit situation in one cooperative amongst the nine in the Group. This cooperative, in cooperation with the Québec regional office of DIAND, is obtaining a CESO volunteer for specialized operations and management assistance.

	NWT			NQ			*1
	BASE YR	YEAR I	YEAR II	BASE YR	YEAR I	YEAR II	YEAR II
L.T. debt	1,385	1,995	2,099	679	1,211	1,476	1,314
member equity	(167)	(442)	(561)	573	610	613	803
capitalization	1,218	1,553	1,538	1,252	1,821	2,089	2,117
debt to net worth ratio	n/a	n/a	n/a	1.2	2.0	2.4	1.6
target ratio	1.5	1.5	1.5	1.5	1.5	1.5	1.5

*1 YEAR II results excluding one of the nine GROUP I NQ co-ops.

N.W.T. COOPERATIVE SYSTEM: PRELIMINARY (*1) YEAR III FINANCIAL TRENDS $000's IAND: 80-06

	"YEARS"		8	I	II	III
01	SALES $		4,340	4,901	5,445	6,739
02	% ann. incr.			12.93	11.10	23.76
03	OTHER INCOME		1,111	1,049	1,276	1,254
04	TOTAL SALES/INCOME		5,451	5,950	6,721	7,993
	% ann. incr.			9.15	12.96	18.93
05	GRANTS		61	125	226	228
06	TOTAL REVENUE		5,512	6,075	6,947	8,221
07	G.MARGIN ON SALES	$	204	854	805	1,477
		%	4.70	17.43	14.78	21.92
08	NET PROFIT(LOSS)	$	(712)	(302)	(422)	165
	BEFORE GRANTS	%	(13.06)	(5.08)	(6.28)	2.06
09	NET PROFIT(LOSS)	$	(651)	(177)	(196)	393
	AFTER GRANTS	%	(11.81)	(2.91)	(2.82)	4.78
10	ACCT. RECEIVABLE		704	666	847	870
11	TOT. INVENTORIES		1,614	2,161	2,401	2,219
12	CURRENT ASSETS		2,575	3,030	3,404	3,375
13	FIXED ASSETS		707	775	800	829
14	TOTAL ASSETS		3,391	3,945	4,386	4,440
15	MEMBER EQUITY		(638)	(816)	(963)	(619)
16	LONG TERM DEBT		667	1,179	1,172	1,269
17	CURRENT LIABILITIES		3,297	3,469	4,003	3,529
18	ACCT. PAYABLE		2,890	2,640	2,950	2,627
19	WORKING CAPITAL (C.A. - C.L.)		(722)	(439)	(599)	(154)

NOTES: *1 THIS CONSOLIDATION DISPLAYS "YEAR III" RESULTS FOR 14 OF THE 31 'GROUP I' NWT COOPERATIVES, WITH COMPARATIVE RESULTS FOR THE SAME COOPERATIVES FOR THE 3 PRECEDING YEARS.

2. THE ABOVE ACCOUNTS DO NOT COME TO PERFECT BALANCE AS SOME MINOR ACCOUNTS SUCH AS INVESTMENTS AND DEFERRED LIABILITIES HAVE BEEN OMITTED.

3. SINCE THESE PARTICULAR 14 COOPERATIVES IN YEAR II REPRESENTED OVER 51% OF THE GROUP SALES AND ALMOST 100% OF THE PRE-GRANT OPERATING LOSSES FOR THE GROUP IN THAT YEAR, THE YEAR III MAJOR OPERATIONS IMPROVEMENT SHOWN HERE SUGGESTS THE STRONG POSSIBILITY OF A MAJOR TURN-AROUND IN YEAR III FOR THE ENTIRE GROUP 1 IN THE N.W.T.

4. THE MAJOR CAUSE FOR THE IMPROVED BOTTOM-LINE HAS BEEN MANAGEMENT'S ACHIEVEMENT FOR THE FIRST TIME OF TARGETED GROSS MARGIN ON SALES.

5. WITH A DECREASE IN INVENTORIES ACCOMPANYING A SHARP INCREASE IN SALES, THE EVIDENCE SUGGESTS THAT MANAGEMENTS HAVE MADE SIGNIFICANT PROGRESS IN MEETING SUCH INVENTORY CONTROL PROBLEMS AS OVERSTOCKING.

6. FIXED ASSETS, TOTAL ASSETS AND MEMBER EQUITY HAVE BEEN RESTATED FOR "BASE YEAR" AND "YEAR I" (DECREASED BY $391K), SINCE IN YEAR II THE ACCOUNTANTS REMOVED FROM THE BOOKS OF TWO CO-OPS $391K IN APPRAISAL INCREASES OF FIXED ASSETS WHICH HAD BEEN CALCULATED PREVIOUSLY BY NON-QUALIFIED APPRAISORS.

DIAND: 8D.05

NORTHERN QUEBEC COOPERATIVE SYSTEM: PRELIMINARY(*1) YEAR III FINANCIAL TRENDS $000's

		GROUP 1 (*2)				NEW CO-OP				SYSTEM TOTALS (*1 *2)			
		B	I	II	III	B	I	II	III	B	I	II	III
01	STORE SALES	2,738	2,992	3,362	3,777*3	nil	66	364	544	2,738	3,058	3,726	4,321
02	ART/CRAFT SALES	452	447	555	648	nil	52	129	192	452	499	684	840
03	OTHER SALES/INCOME	749	710	1,040	1,256*3	nil	2	7	25	749	712	1,047	1,281
04	TOTAL SALES/INCOME	3,939	4,149	4,957	5.681	nil	120	500	761	3,939	4,269	5,457	6,442
05	GRANTS	0	8	15	53	nil	0	60	8	0	8	75	61
06	TOTAL REVENUE	3,939	4,157	4,972	5,734	nil	120	560	769	3,939	4,277	5,532	6,503
07	G.M.(ON SALES ONLY) $	920	971	1,210	1,415	nil	32	178	256	920	1,003	1,388	1,671
08	%	25.6	25.7	27.1	29.0	nil	27.1	35.6	34.5	25.6	25.8	27.9	29.7
09	NET PROFIT $	42	44	(29)	6	nil	17	60	71	42	61	31	77
10	%	1.1	1.1	(0.6)	0.1	nil	14.5	12.1	9.3	1.1	1.4	0.6	1.2
11	ACCOUNTS RECEIVABLE	529	576	684	708	nil	19	37	48	529	595	721	756
12	STORE INVENTORY	1,024	1,381	1,420	1,769	nil	72	233	391	1,024	1,453	1,653	2,160
13	ART/CRAFT INVENTORY	247	337	584	704	nil	18	80	143	247	355	664	847
14	TOTAL INVENTORIES	1,345	1,816	2,045	2,512	nil	90	314	534	1,345	1,906	2,359	3,046
15	CURRENT ASSETS	1,966	2,527	3,040	3,296	nil	127	371	630	1,966	2,654	3,411	3,926
16	FIXED ASSETS	620	784	868	966	nil	21	114	169	620	805	982	1,135
17	TOTAL ASSETS	2,628	3,360	3,964	4,333	nil	148	485	799	2,628	3,508	4,449	5,132
	MEMBER EQUITY $	625	680	649	728	nil	34	154	230	625	714	803	958
	% ASSETS	23.8	20.2	16.4	16.8	nil	22.8	31.8	28.8	23.8	20.4	18.1	18.7
20	LONG TERM DEBT	567	1,004	1,309	1,474	nil	50	5	175	567	1,054	1,314	1,649
21	CURRENT LIABILITIES	1,427	1,676	2,006	2,102	nil	64	326	394	1,427	1,740	2,332	2,496
22	ACCOUNTS PAYABLE	871	1,293	1,627	1,740	nil	64	311	367	871	1,357	1,938	2,107
23	C.A. less C.L.(W.CAP) $	539	851	1,034	1,194	nil	63	45	236	539	914	1,079	1,430
24	CURRENT RATIO	1.4	1.5	1.5	1.6	nil	2.0	1.1	1.6	1.4	1.5	1.5	1.6

NOTES:

*1 THIS DISPLAY EXCLUDES THE TWO LARGE 'GROUP 2' COOPERATIVES, AS WELL AS ONE OF THE 'GROUP 1' COOPERATIVES. THERE ARE NO YEAR III RESULTS YET AVAILABLE FOR THESE THREE COOPERATIVES.

*2 AS NOTED ABOVE, INCLUDES ONLY 7 OF THE 8 GROUP 1 NORTHERN QUEBEC COOPERATIVES. THE EXCLUDED COOPERATIVE IS THE ONLY ENTIRELY INDIAN COOPERATIVE IN THE QUEBEC SYSTEM, AND HAS RECENTLY BEEN GENERATING LARGE NET OPERATING LOSSES, WITH A NEGATIVE MEMBER EQUITY AT THEIR LAST YEAR END (JULY 1979). WITHOUT THIS SINGLE COOPERATIVE, CURRENT AND PREVIOUS BOTTOM-LINE RESULTS FOR THE GROUP APPEAR SHARPLY DIFFERENT (COMPARE THIS DISPLAY WITH THE NORTHERN QUEBEC ANNUAL CONSOLIDATION DISPLAY IN WHICH THE EXCLUDED COOPERATIVE IS INCLUDED FOR 'BASE YEAR', 'YEAR I' AND 'YEAR II'.

*3 STORE SALES ARE NOT COMPARABLE BETWEEN PERIODS, AS SEVERAL COOPERATIVES NOW REPORT GASOLINE SALES IN THE "OTHER SALES/INCOME" CATEGORY RATHER THAN IN STORES. THE AMOUNT INVOLVED IN YEAR III IS APPROXIMATELY $90K.

4 THE ABOVE ACCOUNTS DO NOT COME TO PERFECT BALANCE AS SOME MINOR ACCOUNTS SUCH AS INVESTMENTS HAVE BEEN OMITTED.

5. LINE 11 INDICATES SOME DEGREE OF IMPROVEMENT IN ACCOUNTS RECEIVABLE CONTROL, ALTHOUGH THE ACCOUNTS REMAIN TOO HIGH AS A PERCENTAGE OF SALES/INCOME (12.5%) FOR THE GROUP 1 CO-OPS.

6. THE NET PROFIT REPORTED ON LINE 09 IS BEFORE GRANTS. AFTER GRANTS, THE PROFIT DOUBLES TO $138K.

7. MEMBER EQUITY HAS INCREASED BY MORE THAN THE AMOUNT OF PROFIT SHOWN ON LINE 09, LARGELY FOR THE REASON STATED IN NOTE 6. ALSO, ONE COOPERATIVE WITH A BEER VENDOR PERMIT REQUIRES EACH PURCHASOR OF BEER TO PURCHASE ADDITIONAL SHARES IN THE COOPERATIVE FOR EACH CASE OF BEER PURCHASED.

NORTHERN QUEBEC COOPERATIVE SYSTEM FINANCIAL SUMMARY IANO/HULL 80.06.20

		GROUP 1			GROUP 2			SUB-TOTAL			NEW CO-OP(NQ11)			SYSTEM TOTALS		
		BASE	I	II	BASE	I	II	BASE	I	II	BASE	I	II	BASE	I	II
STORE SALES	$000	2,926	3,249	3,587	1,858	2,138	2,220	4,783	5,383	5,807	nil	66	364	4,783	5,452	6,171
	% ann. incr.		11.04	10.40		15.08	3.86		12.54	7.88					13.98	13.19
ART/CRFT SALES	$000	452	455	561	1,243	1,196	1,472	1,695	1,650	2,033	nil	52	129	1,695	1,703	2,162
	% ann. incr.		0.49	23.30		(3.79)	23.09		(2.65)	23.21					0.45	26.95
OTHER SALES/INC.	$000	772	769	1,053	400	460	583	1,172	1,227	1,636	nil	2	7	1,172	1,229	1,643
	% ann. incr.		(0.31)	36.93		14.78	26.79		4.64	33.33					4.85	33.69
TOT.SALES/INCOME	$000	4,150	4,473	5,201	3,501	3,793	4,274	7,650	8,265	9,476	nil	121	499	7,650	8,386	9,976
	% ann. incr.		7.78	16.28		8.35	12.70		8.04	14.65					9.61	18.96
GRANTS	$000	-	8	15	-	-	7	-	8	22	nil	-	60	-	8	82
TOT. REVENUE	$000	4,150	4,481	5,216	3,501	3,793	4,281	7,650	8,274	9,498	nil	121	559	7,650	8,394	10,058
G.M.(ON SALES ONLY)	$000	952	1,026	1,248	1,109	1,214	1,344	2,062	2,240	2,592	nil	32	178	2,062	2,272	2,769
	%	25.16	25.37	26.49	34.31	35.34	36.33	29.37	29.95	30.82		27.10	35.58	29.37	29.90	31.08
NET PROFIT BEFORE GRANT & ADJUST.	$000	(1)	3	(115)	120	177	277	119	180	162	nil	17	50	119	197	222
	% sales/ income	(0.03)	0.07	(2.21)	3.42	4.66	6.48	1.55	2.18	1.71		14.49	12.06	1.55	2.35	2.23
NET PROFIT AFTER GRANT & ADJUST.	$000	(70)	(25)	(136)	42	52	94	(28)	28	(42)	nil	17	89	28	45	47
	% total rev.	(1.68)	(0.55)	(2.61)	1.20	1.38	2.20	(0.36)	0.33	(0.44)		14.49	15.95	(0.36)	0.54	0.47
ACC.REC.	$000	593	696	759	348	396	338	941	1,092	1,097	nil	19	37	941	1,111	1,134
	% store sales	20.27	21.43	21.16	18.75	18.51	15.24	19.68	20.27	18.89		28.95	10.19	19.68	20.38	18.38
STORE INVEN.	$000	1,098	1,489	1,482	718	778	908	1,816	2,267	2,390	nil	72	233	1,816	2,338	2,623
	turns		2.61	2.42		2.86	2.63		2.64	2.43						
ART/CRFT INVEN.	$000	254	344	586	488	601	802	741	946	1,388	nil	18	80	741	964	1,468
	% ann. incr.		35.67	70.35		23.33	33.32		27.55	46.72					30.04	52.28
TOTAL INVEN'S.	$000	1,429	1,936	2,112	1,235	1,418	1,720	2,663	3,354	3,832	nil	90	314	2,563	3,444	4,146
	% ann. incr.		35.50	9.09		14.88	21.27		25.94	14.25					29.33	20.38
CURRENT ASSETS	$000	2,159	2,803	3,185	1,604	1,877	2,135	3,764	4,680	5,321	nil	127	371	3,764	4,807	5,692
FIXED ASSETS (NET)	$000	657	809	888	506	522	671	1,163	1,331	1,559	nil	21	114	1,163	1,352	1,673
TOT. ASSETS	$000	2,861	3,663	4,132	2,179	2,475	2,888	5,039	6,138	7,020	nil	148	485	5,039	6,286	7,505
	% ann.incr.		28.05	12.80		13.61	16.66		21.81	14.37					24.74	19.39
MEMBER EQUITY	$000	573	576	459	821	930	1,191	1,394	1,506	1,650	nil	34	154	1,394	1,540	1,804
	% assets	20.04	15.74	11.11	37.68	37.57	41.25	27.67	24.54	23.50		22.78	31.75	27.67	24.50	24.04
L.T. DEBT	$000	679	1,161	1,471	452	474	717	1,132	1,635	2,188	nil	50	5	1,132	1,685	2,193
	% assets	23.75	31.71	35.60	20.76	19.15	24.84	22.46	26.64	31.17		33.81	1.03	22.46	26.81	29.22
CURRENT LIABILITIES	$000	1,598	1,925	2,202	906	1,071	979	2,503	2,996	3,181	nil	64	326	2,503	3,061	3,507
ACC.PAY.	$000	993	1,460	1,809	673	969	904	1,666	2,429	2,713	nil	64	311	1,666	2,493	3,024
	% ann.incr.		47.10	23.90		43.85	(6.68)		45.78	11.69					49.64	21.30
C.A. ÷ C.L.	$000	562	878	983	699	805	1,157	1,260	1,683	2,140	nil	63	45	1,250	1,746	2,185
CURRENT RATIO		1.35	1.46	1.45	1.77	1.75	2.18	1.50	1.56	1.67		1.98	1.14	1.50	1.57	1.52
SALES/INCOME TO TOTAL ASSETS	"times"	1.45	1.22	1.26	1.61	1.53	1.48	1.52	1.35	1.35						
SALES/INCOME TO TOTAL INVES. CAPITAL(ME & LTD)	"times"	3.31	2.58	2.69	2.75	2.70	2.24	3.03	2.63	2.47						
NET PROFIT (BEFORE GRANT & ADJUS.) TO TOTAL INVESTED CAPITAL(ME & LTD)	%	loss	0.2	loss		13.7	16.8		5.9	4.4						

note: for this calculation, opening member equity plus closing long-term debt is used

NOTES: NORTHERN QUEBEC FINANCIAL SUMMARY

A. STORE SALES AND ART/CRAFT SALES HAVE BEEN ISOLATED BECAUSE OF THEIR RELATIVE SIZE AND BECAUSE THE N.Q. ANNUAL STATEMENTS (A METHOD IN THE PROCESS OF BEING ADOPTED IN THE N.W.T.) ARE DRAWN ON A PROFIT CENTER BASIS. THE DISTINCTION IS REPORTED ALSO SINCE THIS IS THE REPORTING FORMAT USED BY THE BUREAU OF MANAGEMENT CONSULTING IN THEIR 1976 STUDY OF NORTHERN COOPERATIVES.

B. "SALES" ARE DEFINED AS SALES OF INVENTORY (STORES, ART/CRAFT, FUR ETC) WITH ALL OTHER GROSS REVENUES FROM SUCH ACTIVITIES AS RESTAURANTS, COMMISSIONS ETC. SHOWN AS "OTHER SALES/INCOME"; HENCE THIS DISPLAY DOES NOT IDENTIFY ALL "SALES" AS SUCH, SINCE FOR EXAMPLE FUR SALES ARE BURIED IN "OTHER SALES/INCOME". HOWEVER, TOTAL "SALES" ARE SHOWN FOR THE NORTHERN QUEBEC SYSTEM ON THE CONSOLIDATED SUMMARY FOR THE ARCTIC COOPERATIVE MOVEMENT.

C. "GROSS MARGIN" SHOWN IS ONLY THE GROSS MARGIN ON "SALES"(AS DEFINED IN NOTE B).

D. "GRANTS" ARE FOR THE MOST PART SMALL AMOUNTS ($2K-$4K) PROVIDED BY THE QUEBEC GOVERNMENT TO DEFRAY THE COSTS OF SEWING SHOPS OPERATED BY THE COOPERATIVES. THE EXCEPTION IS THE $60K GRANT FOR ONE COOPERATIVE, REPRESENTING THE FORGIVENESS OF A LOAN FROM FCNQ BASED ON $1 FORGIVEN FOR EACH $1 NEW MEMBER EQUITY CREATED BY THE COOPERATIVE. THIS INCENTIVE FEAUTURE WAS BUILT INTO THE LOAN WITH THE APPROVAL OF DIAND, SINCE THE LOAN WAS ORIGINALLY FUNDED BY A $60K WORKING CAPITAL CONTRIBUTION TO FCNQ UNDER THE DIAND FIVE-YEAR COOPERATIVES DEVELOPMENT PROGRAM. NORTHERN QUEBEC COOPERATIVES ARE NOT ELIGIBLE FOR THE SIZEABLE (EG: $90K) GRANTS FOR FIXED ASSET ACQUISITION WHICH ARE RECEIVED BY N.W.T. COOPERATIVES.

E. THE ONE "NEW CO-OP" IS SEPARATED FROM THE TEN OTHERS (EIGHT IN GROUP 1, TWO IN GROUP 2) TO PERMIT SEPARATE ONGOING MEASUREMENT OF THE NQ 'WORLD' AS BMC KNEW IT IN 1976 WHEN CASTING THEIR FIVE-YEAR FORECASTS. IN THIS MANNER, FINANCIAL REQUIREMENTS CAUSED BY A DEVELOPMENT SUBSEQUENT TO THE ORIGINAL PLAN CAN BE CLEARLY IDENTIFIED.

F. THE READER IS CAUTIONED THAT CURRENT LIABILITIES AND LONG TERM DEBT ARE RESPECTIVELY OVER AND UNDER-STATED BY AT LEAST $100K OWING TO THE FACT THAT ONE CO-OP RECEIVED ITS NEW-BUILDING LOAN JUST AFTER ITS FINANCIAL YEAR-END.

G. THOSE N.Q. COOPERATIVES ABLE TO PAY CASH AND/OR SHARE DIVIDENDS FOLLOW THE UNUSUAL ACCOUNTING PRACTICE OF EXPENSING OUT SUCH PAYMENTS AS OPERATING COSTS IN THE CURRENT YEAR. HENCE IN ORDER TO DISCLOSE THE "TRUE" NET PROFIT(LOSS), AND FOR PURPOSES OF CORRECT COMPARISON TO THE N.W.T. COOPERATIVES, "NET PROFIT BEFORE GRANT & ADJUSTMENT" IS HIGHLIGHTED IN A BOX.

H. WE HAVE ADJUSTED SOME MEMBER EQUITY, LONG TERM DEBT AND CURRENT LIABILITIES ACCOUNTS SINCE THE COOPERATIVES' AUDITOR HAS OCCASIONALLY TREATED FCNQ LOANS AS MEMBER EQUITY (AS IF THE LOANS HAD BEEN FORGIVEN BY FCNQ WITH THE APPROVAL OF DIAND), AND IN ADDITION HAS NOT ALWAYS REPORTED IN CURRENT LIABILITIES THE CURRENT PORTION OF LONG TERM DEBT.

I. THE BALANCE SHEET ACCOUNTS ABOVE DO NOT ALWAYS COME TO PERFECT BALANCE SINCE WE HAVE NOT DISPLAYED SEVERAL MINOR ACCOUNTS SUCH AS INVESTMENTS.

N.W.T COOPERATIVE SYSTEM FINANCIAL SUMMARY IAND/HULL 80.06.20

		GROUP 1			GROUP 2			SUB TOTAL			NEW CO-OP			SYSTEM TOTALS		
		BASE	I	II	BASE	I	II	BASE	I	II	BASE	I	II	BASE	I	II
SALES	$000	8,219	9,070	10,627	1,974	2,432	2,260	10,193	11,501	12,387	nil	45	231	10,193	11,546	13,118
	% ann. incr		10.35	17.17		23.20	(7.07)		12.84	12.05			417.15		13.28	13.62
OTH.SALES/INC.	$000	2,550	2,563	3,116	206	216	216	2,756	2,779	3,332	nil	33	36	2,756	2,813	3,368
	% ann. incr		0.50	21.58		5.21	0.07		0.85	19.90			9.64		2.06	19.73
TOT.SALES/INC	$000	10,769	11,633	13,743	2,179	2,648	2,476	12,948	14,281	16,219	nil	78	268	12,948	14,359	16,487
	% ann. incr		8.02	18.14		21.50	6.49		10.29	13.57	nil		243.31		10.89	14.82
GRANTS	$000	209	235	380	0	5	7	209	239		nil	5	5	209	244	
TOT.REVENUE	$000	10,978	11,867	14,123	2,179	2,653	2,483	13,158	14,520	16,606	nil	83	273	13,158	14,603	16,879
G.M.(ON SALES ONLY)	$000	546	1,553	1,597	606	710	656	1,151	2,263	2,253	nil	(10)	42	1,151	2,253	2,295
	%	6.64	17.12	15.03	30.68	29.20	29.03	11.30	19.68	17.48	nil		18.27	11.30	19.51	17.50
NET PROFIT BEFORE GRANTS	$000	(1,123)	(462)	(428)	256	323	218	(867)	(140)	(210)	nil	(22)	(52)	(867)	(162)	(262)
	% sales/inc.	(10.43)	(3.98)	(3.11)	11.75	12.18	8.80	(6.70)	(0.98)	(1.29)	nil	(28.45)	(19.28)	(6.70)	(1.13)	(1.59)
NET PROFIT AFTER GRANTS	$000	(914)	(228)	(47)	256	327	225	(658)	100	178	nil	(18)	(47)	(658)	82	131
	% tot. rev.	(8.33)	(1.92)	(0.33)	11.75	12.33	9.07	(5.00)	0.69	1.07	nil	(21.30)	(7.10)	(5.00)	0.56	0.78
ACC.REC.	$000	1,294	1,193	1,576	205	273	314	1,500	1,466	1,890	nil	9	36	1,500	1,476	1,926
	% tot. sales/inc	12.02	10.26	11.47	9.42	10.32	12.69	11.58	10.27	11.55	nil	11.88	13.50	11.58	10.28	11.66
TOTAL INVEN'S	$000	2,812	3,699	3,959	725	800	988	3,537	4,499	4,947	nil	19	52	3,537	4,518	4,999
	% ann. incr		31.50	7.03		10.30	23.50		27.19	9.96	nil		178.35		27.72	10.65
CURRENT ASSETS	$000	4,960	5,653	6,274	1,153	1,264	1,568	6,113	6,917	7,842	nil	35	104	6,113	6,952	7,9[illegible]
FIXED ASSETS (NET)	$000	1,665	1,900	2,148	347	337	448	2,012	2,237	2,596	nil	5	12	2,012	2,242	2,648
TOT.ASSETS	$000	6,739	7,313	8,773	1,762	1,875	2,249	8,501	9,688	11,022	nil	44	122	8,501	9,732	11,144
	% ann. incr		15.94	12.29		6.41	19.96		13.96	13.77	nil		173.79		14.48	14.51
MEMBER EQUITY	$000	(167)	(442)	(561)	1,528	1,747	1,858	1,361	1,305	1,297	nil	0	(46)	1,361	1,305	1,251
	% assets	(2.48)	(5.66)	(6.39)	86.75	93.18	82.62	16.01	13.47	11.77	nil	0.98	(37.95)	16.01	13.41	11.23
L.T.DEBT	$000	1,385	1,995	2,099	nil	nil	18	1,385	1,995	2,117	nil	nil	nil	1,385	1,995	2,117
	% assets	20.55	25.53	23.93	-	-	0.80	16.29	20.59	19.21	nil	-	-	16.29	20.50	19.00
CURRENT LIABILITIES	$000	5,479	5,976	6,905	233	109	309	5,713	6,085	7,214	nil	44	168	5,713	6,129	7,382
ACC.PAY.	$000	4,585	4,551	5,166	199	103	278	4,783	4,654	5,444	nil	43	152	4,783	4,697	5,596
	% ann. incr		(0.75)	13.51		(47.99)	168.93		(2.71)	16.97			25.00		(1.80)	19.14
C.A. C.L.	$000	(519)	(323)	(631)	919	1,155	1,260	400	832	629	nil	(9)	(64)	400	823	565
CURRENT RATIO		0.91	0.95	0.91	4.9	11.6	5.1	1.07	1.14	1.09		0.79	0.62	1.07	1.13	1.08
SALES/INCOME TO TOTAL ASSETS	"times"	1.60	1.49	1.57	1.24	1.41	1.10	1.52	1.47	1.47	-	1.75	2.20	1.52	1.48	1.48

NOTE: THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS CONSOLIDATION

NOTES: N.W.T. FINANCIAL SUMMARY

A. "YEAR II" RESULTS INCORPORATE ESTIMATES FOR FIVE COOPERATIVES WHICH CHANGED THEIR LEGAL YEAR-ENDS DURING THE PERIOD. IN THESE CASES, OPERATING DATA HAVE BEEN ESTIMATED BY AVERAGING OUT TO TWELVE MONTHS THE ACTUAL REPORTED FIGURES FOR LONGER PERIODS OF TIME (16-21 MONTHS). BALANCE SHEET DATA HAVE BEEN ESTIMATED FROM REPORTED FIGURES FROM POINTS IN TIME BOTH BEFORE AND AFTER WHAT WOULD HAVE BEEN THE NORMAL "YEAR II" ENDING, AND ARE CONSISTENT WITH THE OPERATING DATA SHOWN.

B. THE BALANCE SHEET ACCOUNTS DISPLAYED DO NOT COME TO PERFECT BALANCE SINCE SEVERAL MINOR ACCOUNTS SUCH AS INVESTMENTS AND DEFERRED LIABILITIES ARE NOT SHOWN.

C. "SALES" ARE DEFINED AS SALES OF INVENTORY (STORES, ART/CRAFT, FUR ETC) AND EXCLUDE GROSS REVENUES FROM COMMISSIONS, CONTRACTS, DIVIDENDS, HOTELS ETC. THE LATTER ARE REPORTED AS "OTHER SALES/INCOME". N.W.T. COOPERATIVE STATEMENTS DO NOT ALL YET PERMIT THE IDENTIFICATION OF SALES AND INVENTORY BY CLASSIFICATION. IN ADDITION, APPARENTLY BECAUSE OF INADEQUATE OR INCONSISTENT RECORD-KEEPING IN SOME N.W.T. COOPERATIVES, GROSS REVENUES FROM SUCH ACTIVITIES AS CONTRACTING MAY BE SEPARATED OUT ONE YEAR WHILE UNIDENTIFIED THE FOLLOWING YEAR. IN ALL SUCH CASES DETECTED, WE HAVE ADJUSTED THE DATA USING PREVIOUSLY REPORTED SEPARATIONS AS A GUIDE.

D. GROSS MARGIN SHOWN IS THAT ON "SALES"(SEE NOTE C) ONLY.

E. "GRANTS" SHOWN ARE IN NO CASE DERIVED FROM FUNDING THROUGH THE FIVE-YEAR DIAND COOPERATIVE DEVELOPMENT PROGRAM. THEY REPRESENT A NUMBER OF BOTH SMALL AND LARGE AMOUNTS, FROM A MULTITUDE OF FEDERAL AND TERRITORIAL AGENCIES (EG: DREE, CANADA MANPOWER, G.N.W.T.), TAKEN INTO INCOME EITHER BECAUSE THEY WERE A DIRECT GRANT TOWARDS AN OPERATING EXPENSE(EG: TRAINING OR ACCOUNTING COSTS) OR AMORTIZED TO INCOME(AT THE SAME RATE AS DEPRECIATION IS TAKEN) FROM A GRANT (SET UP AS A DEFERRED LIABILITY) TOWARDS THE CAPITAL COST OF A NEW BUILDING.

F. "FIXED ASSETS", "TOTAL ASSETS" AND "MEMBER EQUITY" IN 'BASE YEAR' AND 'YEAR I' HAVE BEEN RESTATED FROM PREVIOUS DISPLAYS OF THIS MATERIAL, TO REFLECT THE FACT THAT N.W.T. AUDITORS SUBSEQUENTLY REMOVED FROM THE COOPERATIVES' BOOKS A TOTAL OF $443K IN THESE ACCOUNTS FOR FIXED ASSET APPRAISAL INCREASES WHICH HAD BEEN ESTABLISHED BY NON-QUALIFIED APPRAISORS.

G. THE "NET PROFIT BEFORE GRANTS" ARE HIGHLIGHTED IN A BOX TO EMPHASIZE THAT THESE ARE THE ONLY FIGURES WHICH CAN PROPERLY BE COMPARED TO A SIMILARLY HIGHLIGHTED LINE ON THE NORTHERN QUEBEC FINANCIAL SUMMARY. THE ACTUAL REPORTED BOTTOM-LINES IN EACH JURISDICTION CANNOT BE COMPARED BECAUSE OF THE DIFFERENT ACCOUNTING TREATMENT OF PATRONAGE DIVIDENDS AND ALSO BECAUSE OF THE DRAMATICALLY HIGHER INCIDENCE OF "GRANTS" IN THE N.W.T. SYSTEM.

		GROUP 1			GROUP 2			SUB TOTAL			NEW CO-OPS			ARCTIC TOTALS		
		BASE	I	II	BASE	I	II	BASE	I	II	BASE	I	II	BASE	I	II
SALES	NQ	3,785	4,045	4,711	3,234	3,436	3,700	7,018	7,480	8,411	nil	120	499	7,018	7,600	8,910
	% ann incr		6.87	16.46		6.25	7.68		6.58	12.45			316.83		8.29	17.24
	NWT	8,219	9,070	10,627	1,974	2,432	2,260	10,193	11,501	12,887	nil	45	231	10,193	11,546	13,118
	% ann incr		10.35	17.17		23.20	(7.07)		12.84	12.05			417.15		13.28	13.62
	TOTAL	12,003	13,114	15,338	5,208	5,868	5,960	17,211	18,982	21,298	nil	164	730	17,211	19,146	22,028
	% ann incr		9.26	16.96		12.67	1.57		10.29	12.20			344.13		11.24	15.05
OTHER INCOME	NQ	365	428	490	267	357	575	632	785	1,065	nil	1	1	632	786	1,066
	% ann incr		17.19	14.49		33.78	61.09		24.19	35.67			0.00		24.32	35.62
	NWT	2,550	2,563	3,116	206	216	216	2,756	2,779	3,332	nil	33	36	2,756	2,813	3,368
	% ann incr		0.50	21.58		5.21	0.07		0.85	19.90	nil		9.64		2.06	19.73
	TOTAL	2,916	2,991	3,606	472	573	791	3,388	3,564	4,397	nil	34	37	3,388	3,598	4,434
	% ann incr		2.59	20.56		21.34	38.06		5.21	23.37	nil		7.55		6.21	23.24
TOTAL SALES & INCOME		14,919	16,105	18,944	5,680	6,441	6,751	20,599	22,546	25,695	nil	199	767	20,599	22,745	26,463
	% ann incr		7.95	17.63		13.40	4.81		9.45	13.97	nil		285.43		10.42	16.35
GRANTS	NQ	0	8	15	0	0	7	0	8	22	nil	0	60	0	8	82
	NWT	209	235	380	0	5	7	209	239	387	nil	5	5	209	244	392
	TOTAL	209	243	395	0	5	14	209	247	409	nil	5	65	209	252	474
TOT. REVENUE		15,128	16,348	19,339	5,680	6,446	6,764	20,808	22,794	26,104	nil	204	832	20,808	22,997	26,937
G.M. (ON SALES ONLY)	NQ	952	1,026	1,248	1,109	1,214	1,344	2,062	2,240	2,592	nil	32	178	2,062	2,272	2,769
	NWT	546	1,353	1,397	606	710	656	1,151	2,263	2,253	nil	(10)	42	1,151	2,253	2,295
	% sales	12.48	19.66	18.55	32.93	32.79	33.56	18.67	23.72	22.75	nil	13.37	30.10	18.67	23.63	22.99
NET PROFIT BEFORE GRANT/ADJ.	$	(1,125)	(459)	(543)	376	499	495	(749)	(40)	(48)	nil	(5)	9	(749)	35	(40)
	% sales/inc.	(7.54)	(2.85)	(2.87)	6.62	7.75	7.33	(3.64)	(0.18)	(0.19)		(2.51)	1.17	(3.64)	0.15	(0.15)
ACC.REC.	$	1,887	1,889	2,335	553	669	652	2,441	2,558	2,987	nil	28	73	2,441	2,587	3,060
	% sales/inc.	12.65	11.73	12.33	9.74	10.39	9.66	11.85	11.35	11.62		14.07	9.52	11.85	11.37	11.56
TOTAL INVEN'S	$	4,241	5,635	6,071	1,960	2,218	2,708	6,200	7,853	8,779	nil	109	366	6,200	7,962	9,145
	% incr		32.87	7.74		13.16	22.09		26.66	11.79					28.42	14.86
CURRENT ASSETS		7,119	8,456	9,459	2,757	3,141	3,704	9,877	11,597	13,163	nil	162	475	9,877	11,759	13,638
FIXED ASSETS(NET)		2,322	2,709	3,036	853	859	1,119	3,175	3,568	4,155	nil	26	126	3,175	3,594	4,281
TOTAL ASSETS		9,600	11,476	12,905	3,941	4,350	5,137	13,540	15,826	18,042	nil	192	607	13,540	16,018	18,649
MEMBER EQUITY	$	406	134	(102)	2,349	2,677	3,049	2,755	2,811	2,947	nil	34	108	2,755	2,845	3,055
	% assets	4.23	1.17	(0.79)	59.60	61.54	59.35	20.35	17.76	16.33	nil	17.71	17.79	20.35	17.76	16.38
L.T. DEBT	$	2,064	3,156	3,570	452	474	735	2,517	3,630	4,305	nil	50	5	2,517	3,680	4,310
	% assets	21.72	26.60	27.66	11.47	10.90	14.31	18.73	22.39	23.86	nil	26.04	0.82	18.73	22.43	23.11
CURR. LIAB.		7,077	7,901	9,107	1,139	1,180	1,288	8,216	9,081	10,395	nil	108	494	8,216	9,190	10,889
ACC. PAY.		5,578	6,011	6,975	872	1,072	1,182	6,449	7,083	8,157	nil	107	463	6,449	7,190	8,620
C.A. - C.L (working cap.)		42	555	352	1,618	1,961	2,416	1,661	2,516	2,768	nil	54	(19)	1,661	2,569	2,749
CURRENT RATIO		1.01	1.07	1.04	2.42	2.66	2.88	1.20	1.28	1.27	nil	1.50	0.96	1.20	1.28	1.25

NOTE: THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS CONSOLIDATION

NOTES: N.W.T. AND N.Q. CONSOLIDATED FINANCIAL SUMMARY

A. FOR THE DEFINITION OF "SALES" USED IN THIS CONSOLIDATION, THE READER IS REFERRED TO THE NOTES TO THE "N.W.T. FINANCIAL SUMMARY" (NOTE C) AND THE "NORTHERN QUEBEC FINANCIAL SUMMARY" (NOTE B).

B. THE BALANCE SHEET ACCOUNTS DISPLAYED DO NOT COME TO PERFECT BALANCE SINCE SEVERAL MINOR ACCOUNTS SUCH AS INVESTMENTS AND DEFERRED LIABILITIES ARE NOT SHOWN.

C. FOR A DISCUSSION OF "NET PROFIT(LOSS)", THE READER IS REFERRED TO NOTE G IN THE NOTES TO EACH OF THE N.W.T. AND NORTHERN QUEBEC FINANCIAL SUMMARIES. ONLY THAT REPORTED NET PROFIT(LOSS) WHICH IS PROPERLY COMPARABLE IS SHOWN HERE.

D. THIS CONSOLIDATION INCORPORATES THE ADJUSTMENTS ITEMIZED IN NOTES F AND H OF THE N.W.T. AND NORTHERN QUEBEC FINANCIAL SUMMARIES RESPECTIVELY.

SECTION V: SUMMARY

1. It would be desirable, from the standpoint of senior management in government, to assess northern cooperatives and the five-year cooperatives development program in comparison to similar socio-economic development schemes operating in the far North. Such a comparison it seems to us is essential when attempting to measure the "value received" for government expenditures on the program.

   Unfortunately there appear to be no other similar northern business development schemes, with considerable training and social development overlays, which have generated comprehensive operations and balance sheet data comparable to that produced by the cooperatives. In regard to the key indicators of total non-recoverable government investment and native personal income generation, there is no income generation data available from the $90 million Makivik Corporation set up in northern Québec as a result of its 1976 land-claims settlement, and we have from government books (GNWT) only estimated information on the more than thirty small business projects operated by GNWT in small NWT settlements. The three native economic development corporations within the NWT have not yet begun any significant level of operations.

   As reported on page 14, GNWT officials estimate that none of their business projects would report a net profit if operating statements comparable to those required from the private sector could be produced. They estimate a maximum generation of personal income for northern natives from their projects of $1.9 million from a net annual government expenditure of somewhere between $1.9 million - $3.6 million. The latest collection of financial statements for the 45 northern cooperatives monitored by the CDP places the figure paid by co-ops to northerners in wages and such local purchases as art, craft, fish and fur at $9.1 million annually. Based on non-recoverable investments by all levels of governments (federal, territorial and Québec) in northern cooperatives over the past three years, including manpower training funds, the average government input has been $2.4 million per year. Over the twenty year life of the northern cooperative movement (begun by the first five year development program of DIAND in 1959), we can conservatively estimate cooperative wage and other income payouts to northerners of $35 million compared to a maximum non-recoverable investment input, including training funds, by governments in the same period of $9.0 million. Although the data available, other than for cooperatives, are sketchy, they suggest the possibility that in terms of 'employment' created and sustained, cooperatives have provided four to five times more value for government expenditures than have the GNWT business projects.

2. As we stated in our May 1979 report, we will require the complete YEAR III consolidated financial results to evaluate the effectiveness of the human resource, communictions and planning development work undertaken by the two cooperative Federations (see pp. 18-22) with the supplemental support contributions received from the CDP in GFY's 1977-8 through 1979-80. It is those results which will provide us with the first substantial indication as to whether these CDP-funded efforts have paid off with developments such as native directors exercising a greater degree of financial management control, and improved distribution systems and upgraded management skills producing the required level of gross margin on sales.

3. The key financial performance indicators suggesting movement towards financial structure stability remain the efficiency indicators of gross margin on sales and net operating profit. As reported last year, profitability has not reached the point anticipated by the BMC 1976 study largely because BMC had over-estimated the level of efficiency attained, particularly by NWT cooperatives, at the point in time just prior to the 1977 commencement of the CDP. Nonetheless, the very positive trends reported at the YEAR I consolidation have continued into YEAR II and the as yet incomplete YEAR III consolidation. The turnaround in Group I cooperatives, from a $915,000 annual net operating loss to one of only $74,000 two years later, is in our view impressive evidence of an integrated approach that is working. The substantial black ink on the NWT YEAR III (incomplete) consolidated bottom line provides further grounds for optimism.

4. The CDP, as originally drafted and approved in principle by Treasury Board Minute 746223 dated December 1976, foresaw maximum federal inputs over five years to the northern cooperatives of $17.336 million. The forecast amount ("F) and actual disbursements ("A") to date are as summarized below:

		YEARS I,II,III	YEAR IV	YEAR V	PROGRAM TOTAL
Operating contributions	"F"	1,138	321	315	1,774
	"A"	1,248			
Supplemental support	"F"	1,175	235	185	1,595
	"A"	1,159			
Working capital & equity	"F"	4,918	814	814	6,546
	"A"	3,995			
L.T. loans & sealift loans (net increase)	"F"	4,666	1,296	1,459	7,421
	"A"	525*a			
	"F"	11,897	2,666	2,773	17,336
	"A"	6,927			

*a DIAND has utilized bank loan guarantees rather than direct cash loans (net amount of $3.6 million forecast originally for YEARS I through III) for sealift funding. The demand on the federal Eskimo Loan Fund for new fixed assets financing also has been some $632,000 less than originally forecast principally because of the availability to NQ co-ops of Québec government long term 6% loans.

4. DIAND management, in consultation with officials of the two cooperative Federations and other governments involved, have from the beginning of the CDP in 1977 been reluctant to recommend or implement the degree of front-end loading of working capital and equity anticipated in the 1976 BMC plan. The CDP has been based on the principle that government financial assistance and improved efficiency by cooperatives management are the essential ingredients for a financially stable cooperative system. In an effort to avoid providing an unintended disincentive towards the reaching of management performance objectives, working capital contributions to date have been moved on to the books of individual cooperatives, to the greatest extent possible, only after rather than before, financial statement demonstration of acceptable progress in improved management has been obtained. DIAND, in cooperation with the other parties involved, has attempted to impart an element of incentive to the provision of this class of contributions, an element which was not foreseen in the original planning or scheduling of the contributions.

5. Canadian Arctic Producers Cooperative Limited (CAP) has not been discussed in detail in this report principally because its earnings and overall financial structure are as sound as predicted by the 1976 BMC study. As of September 1980 there is a Treasury Board submission in progress for $300,000 in a direct Eskimo Loan Fund loan to provide working capital covering higher than foreseen purchases of art and craft from the NWT cooperatives. CAP has demonstrated cash flow coverage adequate to retire this and other indebtedness. The $40,000 provided to CAP in GFY 1979-80 covered special ongoing training costs associated with its Inuit directors, and does not indicate the development at this time of future problems which could require significant contribution assistance from government.

SECTION VI: RECOMMENDATIONS YEARS IV & V (GFY'S 1980-81 & 1981-82

1. OPERATING CONTRIBUTIONS

The original five year plan anticipated YEAR IV operating contribution expendidures to the two Federations aggregating $321,000. Considering that operating costs have risen faster than anticipated by the 1976 plan and that two new cooperatives requiring Federation services have been incorporated since 1976, we recommend a 1980-81 contribution of $355,000 ($310,000 NWT, $45,000 NQ). For purposes of planning their 1980 (January - December) operating expenses, both Federations were informed by DIAND in late 1979 of approval in principle of these amounts. This level of GFY 1980-81 operating contribution will bring the first four years of this class of contribution to a total of $1.603 million, $144K or 9.9% more than originally forecast by BMC for the period. We forecast a GFY 1981-82 requirement of $300K.

2. SUPPLEMENTAL SUPPORT CONTRIBUTIONS

The original five-year plan anticipated YEAR IV supplemental support contributions to the two Federations for human resource development and management improvement programs in the amount of $235,000. With the addition of CAP to the cooperative movement (reincorporated as a cooperative in 1979), and in view of the level of programs required to overcome the starting-point NWT deficit position which was substantially greater than originally foreseen by BMC (see our May 1979 report), we recommend GFY 1980-81 contributions aggregating $380,000 ($200K NWT, $40K CAP and $140K NQ). For purposes of planning their fiscal 1980 operations, DIAND informed the two Federations and CAP of approval in principle of these amounts. This level of GFY 1980-81 supplemental support contribution will bring the first four years of this class of contribution to a total of $1.539 million, $129K or 9.1% more than originally forecast by BMC for the period. We forecast a GFY 1981-82 requirement of $275K.

3. WORKING CAPITAL CONTRIBUTIONS

The original five-year plan anticipated YEAR IV working capital & equity contributions to the two cooperative systems of $814K. Our revised forecast (see ANNEX A) and our analysis of working capital requirements (see ANNEX B and analysis of liquidity position on pp. 28-30) suggests a total requirement over GFY's 1980-81 and 1981-82 of $2.157 million ($403K NQ, $1.754 million NWT). In keeping with our objective of phasing in this class of contribution consistent as much as possible with the degree of demonstrated improvement in operating profitability, we recommend GFY 1980-81 contributions of $950K and approval in principle for GFY 1981-82 contributions of $1.207 million.

4. BANK LOAN GUARANTEES

As the subject for separate Treasury Board submissions, we recommend an 80% guarantee of a $2.25 million sealift bank loan for the NQ system, to be drawn in September 1980 and retired by September 1, 1981. We recommend an 87.5% guarantee of a fluctuating line of credit for the NWT system, with an average outstanding balance of approximately $2.8 million for the same period. The amounts of these two bank loans are consistent with our analysis of the financial requirements of the two cooperative systems net of projected working capital contributions in GFY 1980-81.

SUMMARY OF FINANCIAL RECOMMENDATIONS (CONTRIBUTIONS) $000's

	EXPEN-DITURES FOR GFY 1980-81	EXPEN-DITURES FOR GFY 1981-82	PROJECTED CDP TOTAL TO MARCH 31, 1982 (END YEAR V)
1. OPERATING			
original forecast	321	315	1,774
recommended	355	300	1,903
2. SUPPLEMENTAL			
original forecast	235	185	1,595
recommended	380	275	1,814
3. WORKING CAPITAL/EQUITY			
original forecast	814	814	6,546
recommended	950	1,207	6,152
4. NET L.T.D. INCREASE			
original forecast	1,296	1,459	7,421
recommended	500	300	1,325
total original forecast	2,666	2,773	17,336
total as recommended	2,185	2,082	11,194

5. We recommend as well that CACFL management and Board of Directors, in consultation with officials of DIAND and GNWT, and in the interest of realizing by the end of YEAR V the strongest possible group of viable operating cooperatives, seriously consider the relative costs and benefits of terminating the operations of several cooperatives with substantial cumulated deficits and ongoing poor financial management results.

6. We recommend that the merger of CAP and CACFL, already under discussion between the two groups, be moved ahead as rapidly as possible in view of CACFL's projected YEAR VI requirement for additional collateral for a non-guaranteed operating line of credit.

ANNEX A

NORTHERN QUEBEC SYSTEM

NORTHERN QUEBEC COOPS - GROUP 1 (INCLUDES NEW COOP)

	Year 3			Year 4			Year 5		
	Low	Real-istic	High	Low	Real-istic	High	Low	Real-istic	High
Store Sales	4603	4603	4603	5063	5432	5524	5570	6409	6628
Arts & Crafts	828	828	828	952	994	1035	1095	1192	1294
Other Sales Inc.	1239	1239	1239	1363	1450	1549	1499	1696	1936
Total Sales Inc.	6670	6670	6670	7378	7876	8108	8164	9297	9858
Grants	50	50	50	50	50	50	50	50	50
Total Rev.	6720	6720	6720	7428	7926	8158	8214	9347	9908
Gross Margin on Sales									
Net Profit Before Grants & Adjustments (excludes new coop)	(50)	(50)	(50)	(50)	(25)	(25)	(25)	(25)	-
Net Profit Before Grants & Adjustments (New Coop)	71	71	71	44	73	95	50	88	119
Net Profit After Grants and Adjustments	71	71	71	44	98	120	75	113	169
Accounts Receivable	829	875	921	861	978	1050	891	1090	1193
Store Inventory	1956	1956	1956	2152	2309	2348	2367	2724	2817
Arts/Crafts Inv.	700	700	700	463	527	594	483	632	800
Total Inv.	2656	2656	2656	2615	2836	2942	2850	3356	3617
Other Current Assets	320	320	320	320	320	320	320	320	320
Total Current Assets	3805	3851	3897	3796	4134	4312	4061	4766	5130
Fixed Assets	1080	1080	1080	1080	1080	1080	1134	1161	1188
Other Assets	60	60	60	86	86	86	112	112	112
Total Assets	4945	4991	5037	4962	5300	5478	5307	6039	6430
Member Equity	624	624	624	608	662	684	623	715	793
L.T. Debt and Current Liabilities	4321	4367	4413	4354	4638	4794	4684	5324	5637
Inc. in Liabilities	317	363	409	33	271	381	330	686	843

NORTHERN QUEBEC COOPS - GROUP 2

	Year 3			Year 4			Year 5		
	Low	Real-istic	High	Low	Real-istic	High	Low	Real-istic	High
Store Sales	2486	2586	2586	2845	3051	3103	3129	3601	3724
Arts & Crafts	1766	1766	1766	2031	2119	2208	2336	2543	2759
Other Sales Inc.	682	682	682	750	798	853	825	934	1066
Total Sales Inc.	5034	5034	5034	5626	5968	6164	6290	7078	7549
Grants	-	-	-	-	-	-	-	-	-
Total Rev.	5034	5034	5034	5626	5968	6164	6290	7078	7589
Gross Margin on Sales									
Net Profit Before Grants & Adjustments	201	251	302	225	298	370	252	354	453
Net Profit After Grants & Adjustments	201	251	302	225	298	370	252	354	453
Accounts Receivable	465	491	517	484	549	590	501	612	670
Store Inventory	1099	1099	1099	1209	1297	1319	1330	1530	1583
Arts/Crafts Inv.	800	800	800	986	1123	1268	1032	1348	1706
Total Inv.	1899	1899	1899	2195	2420	2587	2362	2878	3289
Other Current Assets	80	80	80	80	80	80	80	80	80
Total Current Assets	2444	2470	2496	2759	3049	3257	2943	3570	4039
Fixed Assets	720	720	720	720	720	720	756	774	792
Other Assets	80	80	80	114	114	114	148	148	148
Total Assets	3244	3270	3296	3593	3883	4091	3847	4492	4979
Member Equity	1251	1266	1282	1318	1355	1393	1394	1461	1529
L.T. Debt and Current Liabilities	1993	2004	2014	2275	2528	2698	2453	3031	3450
Inc. in Liabilities	296	307	317	282	524	684	178	503	752

NORTHERN QUEBEC COOPS - GROUPS 1 AND 2

	Year 3			Year 4			Year 5		
	Low	Real-istic	High	Low	Real-istic	High	Low	Real-istic	High
Store Sales	7189	7189	7189	7908	8483	8627	8699	10010	10352
Arts & Crafts	2594	2594	2594	2984	3113	3243	3431	3736	4954
Other Sales	1921	1921	1921	2113	2248	2401	2325	2630	3002
Total Sales	11704	11704	11704	13005	13844	14271	14455	16376	17408
Grants	50	50	50	50	50	50	50	50	50
Total Rev.	11754	11754	11754	13055	13894	14321	14505	16426	17458
Gross Margin	31.58%	31.83%	32.08%	32.08%	33.58%	33.08%	32.58%	33.33%	33.83%
Net Profit before Grants & Adjustments	222	272	323	219	346	440	277	417	572
Net Profit After Grants & Adjustments	71	86	102	51	127	171	91	159	245
Accounts Receivable	1294	1366	1438	1344	1527	1639	1392	1702	1863
Store Inventory	3055	3055	3055	3361	3605	3666	3697	4254	4[illegible]
Arts/Crafts In.	1500	1500	1500	1450	1650	1862	1515	1980	2506
Other C.A.	400	400	400	400	400	400	400	400	400
Total Current A.	6249	6321	6393	6555	7182	7567	7004	8336	9169
Fixed Assets	1800	1800	1800	1800	1800	1800	1890	1935	1980
Other Assets	140	140	140	200	200	200	260	260	260
Total Assets	8189	8261	8333	8555	9182	9567	9154	10531	
Member Equity	1875	1890	1906	1926	2017	2077	2017	2176	2322
L.T. Debt and Current Liabilities	6314	6371	6427	6629	7165	7490	7137	8355	9087
Inc. in Liabilities	613	670	726	315	794	1063	508	1190	1597

ASSUMPTIONS USED ~~IN CALCULATING NO COOPERATIVES~~' FORECAST

		Year 3	Year 4	Year 5
Store Sales: Increasing at a specified percentage over pervious year's sales	L	~~16.5%~~	~~10%~~	~~10%~~
	R	16.5%	18%	18%
	H	16.5%	20%	20%
Art/Craft Sales: Increasing at a specified percentage over previous year's sales	L	20%	15%	15%
	R	20%	20%	20%
	H	20%	25%	25%
Other Sales/Inc: Increasing at a specified percentage over pervious year's sales	L	17%	10%	10%
	R	17%	17%	17%
	H	17%	25%	25%
Grants: A constant amount of $50K per year	L	$50K	$50K	$50K
	R	$50K	$50K	$50K
	H	$50K	$50K	$50K
Gross Margin: Increasing over the previous year's gross margin by ½% to 1%	L	31.58%	32.08%	32.58%
	R	31.83%	32.58%	33.33%
	H	32.08%	33.08%	33.83%
Net Profit before Grants and Adjustment (Group 1 Coops): As shown	L	($50K)	($50K)	($25K)
	R	($50K)	($25K)	($25K)
	H	($50K)	($25K)	($ -)
Net Profit before Grants and Adjustment (Group 2 Coops): as a percentage of Total Sales/Inc.	L	4%	4%	4%
	R	5%	5%	5%
	H	6%	6%	6%
Net Profit before Grants and Adjustment (New Coop): Based on year 3 sales of $761K growing at the rate of 15% (low), 20% (realistic) and 25% (high) for years 4 and 5, a percentage of sales as shown.	L	9.3%	5%	5%
	R	9.3%	8%	8%
	H	9.3%	10%	10%
Accounts Receivable: As a percentage of Store Sales	L	18%	17%	16%
	R	19%	18%	17%
	H	20%	19%	18%
Store Inventory: A constant 42.5% of Store Sales	L	42.5%	42.5%	42.5%
	R	42.5%	42.5%	42.5%
	H	42.5%	42.5%	42.5%

		Year 3	Year 4	Year 5
Art/Craft Inventory: Number of months of inventory using an inventory valuation of 53% of the Arts/Crafts Sales Forecast. Year 3 figure is actual value of inventory on hand	L R H	\$1500K \$1500K \$1500K	11 mos. 12 mos. 13 mos.	10 mos. 12 mos. 14 mos.
Other Current Assets: Held at their present level of \$400K with Group 1 at \$3200K and Group 2 at \$80K	L R H	\$400K \$400K \$400K	\$400K \$400K \$400K	\$400K \$1985K \$1980K
Fixed Assets: An increase to \$1800K in year 3; year 4 new investment is offset by depreciation and year 5 an increase in fixed assets of 5% (low), 7.5% (realistic) and 10% (high). The investment is split 60% Group 1 Coops and 40% Group 2 Coops which reflects the present investment in fixed assets	L R H	\$1800K \$1800K \$1800K	\$1800K \$1800K \$1800K	\$1890K \$1890K \$1800K
Other Assets: Increasing at the fixed rate of \$60K per year, with Group 1 coops having 43% and Group 2 coops having 57% of the investment.	L R H	\$140K \$140K \$140K	\$200K \$200K \$200K	\$260K \$260K \$260K
Member Equity (Group 1 Coops): Increase/Decrease as shown: \$60K will be paid out as price adjustments in years 3, 4 and 5 with the remainder of the profit (loss) including grants being charged to owners equity	L R h	\$11K \$11K \$11K	(\$16K) \$38K \$60K	\$15K \$53K \$109K
Member Equity (Group 2 Coops): Increase as shown: 70% of the profit before grants and adjustments is paid out as price adjustments with the balance being reinvested as members equity	L R H	\$60K \$75K \$91K	\$67K \$89K \$111K	\$76K \$106K \$136K

ANNEX A

NORTHWEST TERRITORIES SYSTEM

NWT COOPS - GROUP I COOPS (INC. NEW COOP)

	Year 3			Year 4			Year 5		
	Low	Real-istic	High	Low	Real-istic	High	Low	Real-istic	High
Sales	12072	12399	12725	13400	14134	14888	14874	16113	17419
Other Sales/Inc.	3424	3580	3736	3767	4117	4482	4143	4734	5379
Total Sales/Inc.	15496	15979	16461	17167	18251	19370	19017	20847	22798
Grants	442	492	542	492	592	692	542	692	842
Total Revenue	15938	16471	17003	17659	18843	20062	19559	21539	23640
Gross Margin on Sales									
Net Profit Before Grants	(339)	(261)	(81)	(186)	-	119	(1)	219	483
Net Profit After Grants	103	231	461	306	592	811	541	911	1325
Accounts Receivable	1207	1612	1909	1340	1837	2233	1487	2095	2613
Total Inventories	4346	4588	4836	4690	5088	5509	5057	5640	64[illegible]
Other Current Assets	800	800	880	800	800	960	800	800	10[illegible]
Total Current Assets	6353	7000	7625	6830	7725	8702	7344	8535	10098
Fixed Assets	2320	2360	2440	2480	2560	2720	2640	2760	3000
Other Assets	400	480	560	400	480	560	400	480	560
Total Assets	9073	9840	10625	9710	10765	11982	10384	11775	13658
Member Equity	(381)	(253)	(23)	(75)	339	788	466	1250	2113
L.T. Debt and Current Liabilities	9454	10093	10648	9785	10426	11194	9918	10525	11545
Inc. in Liabilities	12	651	1206	331	333	546	133	99	351

NWT - GROUP 2 COOPS

	Year 3			Year 4			Year 5		
	Low	Realistic	High	Low	Realistic	High	Low	Realistic	High
Sales	2509	2576	2644	2785	2937	3094	3091	3348	3620
Other Sales/Inc.	237	248	259	261	286	311	287	329	373
Total Sales/Inc.	2746	2824	2903	3046	3223	3405	3378	3677	3993
Grants	-	-	-	-	-	-	-	-	-
Total Revenue	2746	2824	2903	3046	3223	3405	3378	3677	3993
Gross Margin on Sales									
Net Profit Before Grants	192	226	261	213	258	306	236	294	359
Net Profit After Grants	192	226	261	213	258	306	236	294	359
Accounts Receivable	251	335	397	279	382	464	309	435	543
Total Inventories	903	953	1005	975	1057	1145	1051	1172	1339
Other Current Assets	200	200	220	200	200	240	200	200	260
Total Current Assets	1354	1488	1622	1454	1639	1849	1560	1807	2142
Fixed Assets	488	498	518	528	548	588	568	598	658
Other Assets	100	120	140	100	120	140	100	120	140
Total Assets	1942	2106	2280	2082	2307	2577	2228	2525	2940
Member Equity	1900	1934	1939	1963	2042	2045	2049	2186	2184
L.T. Debt and Current Liabilities	42	172	341	129	265	532	189	339	756
Inc. in Liabilities	(349)	(219)	(50)	77	93	191	60	74	224
Dividends Out	150	150	180	150	150	200	150	150	220

NWT COOPS - GROUPS 1 AND 2

	Year 3			Year 4			Year 5		
	Low	Realistic	High	Low	Realistic	High	Low	Realistic	High
Sales	14582	14976	15370	16186	17073	17983	17967	19463	20140
Other Sales & Inc.	3663	3829	3996	4029	4404	4795	4432	5065	5754
Total Sales/Inc.	18245	18805	19366	20215	21477	22778	22399	24528	26794
Grants	442	492	542	492	592	692	542	692	842
Total Revenue	18687	19297	19908	20707	22069	23470	22941	25220	27636
Gross Margin on Sales	2916	3070	3228	3480	3841	4226	4132	4768	5470
Net Profit Before Grants	(147)	(35)	180	27	258	425	235	513	842
Net Profit After Grants	295	457	722	519	850	1117	777	1205	1684
Accounts Receivable	1458	1947	2305	1619	2219	2697	1797	2530	3156
Total Inventories	5250	5541	8541	5665	6146	6654	6109	6812	7785
Other Current Assets	1000	1000	1100	1000	1000	1200	1000	1000	1300
Total Current Assets	7708	8488	9246	8284	9365	10551	8906	10342	122[illegible]
Fixed Assets	2808	2858	2958	3008	3108	3308	3208	3358	3658
Other Assets	500	600	700	500	600	700	500	600	700
Total Assets	11016	11946	12904	11792	13073	14559	12614	14300	16599
Member Equity	1519	1681	1916	1888	2381	2833	2515	3436	4297
L.T. Debt and Current Liabilities	9497	10268	10988	9904	10692	11726	10099	10864	12302
Inc. in Liabilitie	(336)	432	1155	407	427	738	195	172	576

ASSUMPTIONS USED IN CALCULATING NWT COOPERATIVES' FORECAST

		Year 3	Year 4	Year 5
Sales: Percentage increase over pervious year's sales	L	11%	11%	11%
	R	14%	14%	14%
	H	17%	17%	17%
Other Sales/Inc.: Percentage increase over previous year's Other Sales/Inc.	L	10%	10%	10%
	R	15%	15%	15%
	H	20%	20%	20%
Grants: Dollar increase over previous year's sales	L	$50K	$50K	$50K
	R	$100K	$100K	$100K
	H	$150K	$150K	$150K
Gross Margin: Increase in gross margin on sales of 1.5% per year (low) 2.0% per year (realistic) and 2.5% per year (high)	L	20.0%	21.5%	23.0%
	R	20.5%	22.5%	24.5%
	H	21.0%	23.5%	26.0%
Net Profit before Grants (Group 1 Coops): Increase in net profit on sales of between 1% and 1½% per year	L	(2.0%)	(1.0%)	0%
	R	(1.5%)	0%	1%
	H	(.5%)	.5%	2%
Net Profit before Grants (Group 2 Coops): Net Profit on Sales beheld constant	L	7%	7%	7%
	R	8%	8%	8%
	H	9%	9%	9%
Net Profit before Grants (New Coop): As shown	L	($35K)	($18K)	($1K)
	R	($26K)	$0	$15K
	H	$0	($24K)	$36K
Net Profit after Grants: Net profit before Grants plus grants	L			
	R			
	H			
Accounts Receivable: As a constant percentage of sales	L	10%	10%	10%
	R	13%	13%	13%
	H	15%	15%	15%
Inventories: As a percentage of sales decreasing from 0% to 1% per year	L	36%	35%	34%
	R	37%	36%	35%
	H	38%	37%	37%

		Year 3	Year 4	Year 5
Other Current Assets: Held at the current level of $1000K for the low and realistic forecast and increasing $100K per year for the high forecast with 80% being held by Group 1 Coops and 20% being held by Group 2 Coops	L	$1000K	$1000K	$1000K
	R	$1000K	$1000K	$1000K
	H	$1100K	$1200K	$1300K
Fixed Assets: Increasing over the previous year at the rate of $200K, $250K and $350K per year, 80% of increase going to Group 1 Coops and 20% of increase going to Group 2 Coops	L	$200K	$200K	$200K
	R	$250K	$250K	$250K
	H	$350K	$350K	$350K
Other Assets: Held at a constant dollar figure with 80% being held by Group 1 Coops and 20% being held by Group 2 Coops	L	$500K	$500K	$500K
	R	$600K	$600K	$600K
	H	$700K	$700K	$700K
Member Equity: Increases by the net profit after grants of the coops less dividends paid out to members	L	$145K	$369K	$627K
	R	$307K	$700K	$1055K
	H	$542K	$917K	$1464K

ANNEX B

AN EXAMINATION OF THE LEVEL OF WORKING CAPITAL CONTRIBUTIONS REQUIRED TO MEET MINIMAL WORKING CAPITAL/CURRENT RATIO OBJECTIVES FOR EACH OF THE NORTHERN COOPERATIVE SYSTEMS

$000's

		NQ	NWT
1.0	FUNDS REQUIRED TO BALANCE FORECAST YEAR III ASSETS	363	651
2.0	FUNDS REQUIRED TO BALANCE FORECAST YEAR IV ASSETS	271	333
3.0	FUNDS REQUIRED TO BALANCE FORECAST YEAR V ASSETS	686	99
4.0	TOTAL FUNDS REQUIRED TO MEET FORECAST ASSET GROWTH	1,320	1,083
5.0	LESS FUNDS AVAILABLE FROM:		
	5.1 CARRY-FORWARD OF PREVIOUS CDP CONTRIBUTIONS	317	1,072
	5.2 IN-PLACE L.T.DEBT YET TO SHOW ON CONSOLIDATIONS	200	nil
	5.3 ESTIMATED FUNDING AVAILABLE FROM OBTAINABLE INCREASES IN SUPPLIER CREDIT OR BANK OPERATING CREDIT LINES	400	nil
6.0	NET REQUIREMENTS TO FUND FORECAST YEAR V ASSETS	403	11

7.0 ESTIMATED YEAR V FINANCIAL STRUCTURE (WORKING CAPITAL) POSITION IF THE AMOUNTS SHOWN IN LINE 6.0 ARE INJECTED AS WORKING CAPITAL CONTRIBUTIONS IN GFY's 1980-81 and 1981-82 TO THE TWO FEDERATIONS AND SUBSEQUENTLY RECEIVED BY THE COOPERATIVES AS INTEREST-FREE LONG TERM DEBT.

	NQ	NWT
CURRENT ASSETS	4,766	8,535
CURRENT LIABILITIES	2,928	7,443
WORKING CAPITAL	1,838	1,092
CURRENT RATIO	1.6	1.1

		NQ	NWT
8.0	WORKING CAPITAL CONTRIBUTION REQUIREMENTS IN ADDITION TO THOSE IN LINE 6.0 NEEDED TO BRING YEAR V CURRENT RATIO TO 1.6 IN NQ AND 1.5 IN NWT. THESE ARE THE APPROXIMATE RATIOS REQUIRED TO REDUCE GOVERNMENT FUTURE INVOLVEMENT LARGELY TO THE GUARANTEE OF AN ANNUAL ONE YEAR DIRECT REDUCTION TERM LOAN NEEDED BY BOTH FEDERATIONS TO FINANCE THEIR RESPECTIVE ANNUAL SEALIFT RESUPPLY. BOTH FEDERATIONS WOULD BE ABLE TO DEMONSTRATE CAPACITY TO REIMBURSE THESE SEALIFT BANK LOANS.	nil	1,743

NOTES

LINES 1.0, 2.0, 3.0 — THESE ARE AMOUNTS NET OF FORECAST NET PROFITS PROJECTED OVER THE THREE "YEARS". SEE DETAILED THREE YEAR FORECASTS FOR GROUP I COOPERATIVES IN ANNEX A.

LINES 5.1, 5.2. — THESE ARE FUNDS WHICH HAVE ALREADY BEEN PLACED INTO THE TWO SYSTEMS BUT WHICH BECAUSE OF TIME-LAGS HAVE NOT SHOWN UP ON COOPERATIVE BALANCE SHEETS AT THE YEAR II CONSOLIDATION STAGE.

LINE 7.0 — THE PROJECTED YEAR V CURRENT LIABILITY POSITION HAS BEEN CALCULATED USING THE FORMULA A-(B PLUS C PLUS D PLUS E PLUS F PLUS G MINUS H) WHERE:

- A is forecast total assets (ANNEX A)
- B is forecast member equity (ANNEX A)
- C is YEAR II long term debt
- D is the amount shown on line 5.1
- E is the amount shown on line 5.2
- F is anticipated new fixed asset loans to YEAR V
- G is the amount shown in line 6.0
- H is the cumulative current portion of l-t debt.

LINE 8.0 — THE AMOUNT SHOWN WOULD HAVE THE EFFECT OF REDUCING CURRENT LIABILITIES TO $5,700,000, MAKING CURRENT ASSETS 1.5 x CURRENT LIABILITIES IN THE NWT.