

Organizational Information

This document outlines the content of a common organizational profile that will convey to investors and other funders details about the type and nature of the organization. It also contains a project profile to accommodate the fact that grants and loans are often directed at specific projects.

The profile contains 16 items. These such as name, address, bios of leadership, identifying numbers (business number), mission and vision, business model, impact model, target beneficiaries and customers.

The financial indicators are based on five key accounting numbers. These five numbers can be used to calculate key measures of liquidity, resilience, sustainability and growth. The five core accounting numbers can be supplemented by an additional nine numbers to improve the comparability of the ratios and to calculate an additional two ratios.

Origins:

The Ontario Task Force on Impact Measurement for Social Enterprise called for a uniform set of organizational indicators as part of a Common Approach to Impact Measurement. The Task Force envisioned that these organization indicators would include descriptive indicators about the organization as well as key measures of financial size and sustainability. The Common Approach project, in consultation with Ontario social enterprises, expanded the idea of “organization indicators” into a common organizational profile.

Development:

The content suggested here is based on existing and common organizational profiles. This includes Canadian initiatives that have already built consensus around key indicators, such as the Centre for Social Innovation’s Impact Dashboard and the Community Foundation of Canada’s Grant-maker’s Forum common application. It also includes international efforts such as B Labs, Charity Navigator, and the International Comparative Social Enterprise Models (ICSEM) Project. The financial indicators are drawn from a review of scholarly and practitioner literature that was conducted by of researchers working with The Common Approach

Vision:

The organizational profile will be incorporated into Common Approach data platforms. This will allow organizations to print off material in a standard format that is useful to funders. Eventually it will allow funders to search and retrieve information on enterprises (within the privacy limits set out by the data platform). It will help to streamline administrative side of grants and loans that overburdens social purpose organizations.

Organization Profile (16 items)

Information Field	Topic	Input Means
Name*	Identifiers	Textbox
Address*	Identifiers	Textbox, with autofill
Business or charity number	Identifiers	Textbox
Mission or Purpose	Goals	Textbox (copy and paste)
Vision	Goals	Textbox (copy and paste)
Theory of Change or Impact Model	Goals	Textbox or upload
Business Plan Sales deck or pitch deck	Goals	Upload
Bios of Executive Team & Board of Directors	Leadership	Upload or textbox
Financial Statements	Financial	Upload or textbox
Imagine Canada Standards	Accreditations and ratings	Checkbox
B Corp Assessment	Accreditations and ratings	Textbox for score Link to BCorp Assessment Profile
Charity Data Profile	Accreditations and ratings	Link to Charity Intelligence Charity Data Profile
Legal form	Description	Drop down menu: Business, Not for Profit; Cooperative; A subsidiary of a business / not for profit / cooperative; Partnership; Sole Proprietorship
Populations served	Description	Drop down menu of common vulnerable populations, with free text option
Geographic regions served	Description	Drop down menu of common options, with free text option
Markets served (description of customers)	Description	Textbox

* Required information

Project Information

Project Information		
Information Field	Topic	Input Means
Name	Project Identifiers	Textbox
Project objectives	Project Goals	Textbox (copy and paste)
Theory of Change or Impact Model	Project Goals	Upload
Project description Business Plan Pitch Deck	Project Goals	Upload, multiple files possible
Bios of project team	Project Leadership	Upload or textbox
Project partners	Project Leadership	Textbox; link to partner profiles
Project budget	Project Financials	Upload
Populations served	Project Description	Drop down menu of common vulnerable populations, with free text option
Geographic regions served	Project Description	Drop down menu of common options, with free text option
Description of target customers	Project Description	Textbox
Markets served (description of customers)	Project Description	Textbox

Financial Information and Indicators

(5 core information items, 10 supplemental)

Five accounting numbers can be used to calculate four key indicators of financial health providing insight into liquidity, resilience, sustainability and growth.

Core Financial Information
Current Assets
Total Assets
Total Liabilities
Total Revenues
Total Expenses

An additional 10 numbers improve the quality and comparability of measures of liquidity, resilience, sustainability and growth. They also enable the calculation of an additional two financial indicators: administrative capacity and revenue diversification.

Supplemental Financial Information	
Endowment	Optional: improves comparability of sustainability measure. Only for charities.
Inventory	Optional: For portfolios that include firms with and without inventory, consider excluding inventory from current assets.
Deferred Revenue	Optional: Improves resilience measure.
Investment Revenue	Optional: Used for revenue diversity and sustainability measures. Improves comparability of sustainability measure.
Sales Revenue	Optional: Used for revenue diversity and sustainability measures.
Government Grants	Optional: Used for revenue diversity and sustainability measures.
Fundraising	Optional: Used for revenue diversity and sustainability measures.
Total Overhead	Optional: Used for administrative capacity. Most applicable to charities.
Depreciation Expense	Optional: improves comparability of sustainability measure.
Investment Expenses	Optional: improves comparability of sustainability measure.

Key Indicators for Financial Health of the Organization		
Indicator	Measurement Ratio	Expressed in
Liquidity	[Current Assets / Average Monthly Expenses]	Months
Resiliency	Total Liabilities / Total Assets	Percentage
Sustainability	[Revenue-Expense] / Assets	Percentage
Growth	[(Total Rev-Total Exp)/Total Exp]	Percentage
Administrative Capacity	(Types of overhead/ Total Expenses)	Percentage
Revenue Diversity	$RD = \sum [(Revenue\ Source\ X / Total\ Rev)^2]$ for all revenue sources 1 through N	Percentage

The key indicators of financial health of an organization are based on almost three decades of study. Experts from both the field and academia developed the initial set when trying to help charities avoid financial distress. Since then, the study and use of such indicators has grown, and we have a better understanding of their functions and limits. Though not a definitive diagnosis of health or trouble, these indicators help us know where to dig further for more information. The indicators included in the Common Approach were developed by Dr. Elizabeth Searing and Dr. Nathan Grasse and adapted from those used by Bowman (2011), but you will find them in use throughout the world with slight changes to fit the cultural, legal, and accounting context.

Liquidity measures the ability of an organization to meet its near-term obligations. This measure expresses liquidity as the number of months of cash an organization has on hand. Marketable securities and accounts receivable are assets that can be, or are likely to be, converted to cash in the near future. More months is better, though a large number indicates a stockpile of assets that may warrant concern.

Resilience refers to the depth of an organization's financial health. It is measured as the amount of Total Liabilities per dollar of Total Assets. Precision (and complexity) could be increased by subtracting deferred revenue from Liabilities. The ideal ratio will vary from industry to industry and sector to sector. Among comparable organizations, smaller is better.

Sustainability is the long-term ability of the organization to generate value. This is measured revenue less expenses over assets. The measure is improved when investment revenue, investment related expense, depreciation and endowments are removed from the equation ([Noninvestment Rev-

Noninvestment Exp + Depreciation Exp] / [Total Assets - Endowment Assets for Charities]). Among comparable organizations, larger is better because it indicates your assets are working harder for the organization.

Growth is measured as net income as a percentage of total expenses. Bigger is generally better, but since we're not out to maximize profits, too high of a number is also a cause for concern.

Administrative Capacity is expressed as overhead expenses over total expenses. Whether this number should be low or high is the subject of much debate (see "The Overhead Myth".) Therefore, too small and too large are equally problematic. Different fields of work have different "normal" administrative capacity ratios, so this number is most informative when compared between organizations delivering similar types of services. This can also be calculated as just Management and Administration (line 5010 on the T3010), or it can also include Fundraising (line 5020 on the T3010).

Revenue Diversity is the proportion of the total revenue per program line, product or source (e.g. government funding). Generally greater diversity is better because it means that the organization will be able to sustain an interruption or loss of a revenue source if there are other revenue sources available. The best way to measure this is with a Herfindahl-Hirschman Index as described in the Key Indicator, but a general rule of more revenue sources is less risky can be applied.

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