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ARON THEATRE CO-OPERATIVE INC. CASE STUDY REPORT

JANUARY 2015

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We would like to acknowledge various types of assistance from Russ Christianson (the founding president of the Aron Theatre Co-operative Inc.), as well as the Board of Directors and volunteers at the Aron Theatre Co-operative Inc. We would also like to thank Al Lauzon at SEDRD; and Paul Chamberlain at The Canadian CED Network.



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SUMMARY

The overarching goal of this series of case studies is to capture the stories of three operating rural social enterprises in Ontario. This includes the development, organizational models, successes, challenges, and outcomes of each. *Fusion Youth Activity and Technology Centre* (Ingersoll), *Willow Springs Creative Centre* (Thunder Bay) and the *Aron Theatre Co-operative Inc.* (Campbellford) were chosen as three key social enterprises in the province with unique models, objectives, and impact. Fusion is an organization that manages three social enterprises focusing on youth engagement, empowerment, skills and entrepreneurial development. Willow Springs supports community development through opportunities for creative expression. This case study focuses on the *Aron Theatre Co-operative Inc.*, which aims to become a “sustainable cultural hub” for its community, and showcases an innovative co-operative enterprise model.



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INTRODUCTION

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This case study focuses on the *Aron Theatre Co-operative Inc.* This organization aims to become a sustainable cultural hub for its community, and showcases an innovative co-operative enterprise model.

LITERATURE OVERVIEW

There is growing attention on social enterprises broadly and rural social enterprises specifically. In general, social enterprises meet social needs, and generate social, economic and environmental benefits (Vink, 2010). Some examples of social enterprise are co-operatives, retail stores, business training centres, employment centres, wellness centres, and farmers' markets. Defining a *rural social enterprise* is complicated because it involves describing "rural" and "social enterprises" independently and then merging these complex concepts together. The definition of a social enterprise used in these case studies is: "a business that engages in the sale of goods and/or services to work towards an unwavering social mission" (Vink, 2010, p.6). Vink (2010) notes that this is a "proven model for meeting community needs unmet by the public and private sectors", with strong rural roots in Canada (p. 6). Recent research explored the socioeconomic impact of nonprofit social enterprise across Ontario; however, there is a need for further research on the unique models, successes and challenges of rural social enterprises in the province (Chamberlain et al., 2013; Vink, 2010). This research will inform policy recommendations and thereby support rural social enterprise development (Ontario Nonprofit Network, n.d.). This series of case studies aims to further explore the Canadian context, and more specifically the Ontario context. This case study is intended to add to the Canadian literature on social enterprises by offering a detailed view of an organization that is successfully operating as a social enterprise in rural Ontario.



METHODS

Case study methodology is employed due to its benefits in explaining a contemporary phenomenon within its own context where the delineation between the context and phenomenon might not be clear, and where various types of data can be used to provide a more in depth description of the phenomenon (Yin, 1994). Primary and secondary data were collected and analyzed to tell the story of the Aron Theatre Co-operative Inc. from the perspectives of the Board of Directors and community members involved.

PRIMARY DATA COLLECTION

One focus group was conducted with four members of the Aron Theatre Co-operative's Board of Directors and one volunteer in July 2014. It aimed to document how the co-op was established, how it operates, and how it is expected to grow and develop in the coming years. The interview questions were adapted from a similar research conducted in 2012 by the Canadian Community Economic Development Network (CCEDNET) and the Rural Social Enterprise Constellation (RSEC) (Ontario Nonprofit Network, n.d.). The study, including the interview tools, were approved by the University of Guelph's Research Ethics Board.

Recruitment for the focus group was completed by the Board of Directors of the Aron Theatre Co-operative. Two researchers conducted the focus group and took notes. Interviews were also audio-taped.

Additional information about the Aron Theatre was obtained through a site visit to the theatre, and observation of a volunteer meeting held on the same day. Photographs and notes were collected and used during data analysis and in writing this report.

SECONDARY DATA COLLECTION

Secondary data were collected from the Aron Theatre Co-operative's website, social media pages, and media sources. The founding president of the co-operative also provided a number of historical documents that followed the development of the organization.



DATA ANALYSIS

Notes were taken during the focus group, as well as during subsequent review of audio files. All note files were subject to interpretative content analysis to sort and organize data into patterns and themes.

LIMITATIONS OF THE STUDY

Considering that only four board members and a volunteer were interviewed, this case study offers a limited perspective on the Aron Theatre Co-op's model and success. Moreover, the researchers were able to observe a volunteer meeting and meet several other volunteers, but not member and non-member customers. There may, therefore, be gaps in the researchers' knowledge of guests' experiences. It is important to note, however, that the researchers participated in a movie showing and were therefore able to experience the Aron Theatre – to some extent – as customers. It would be beneficial to include the customers' perspectives in future research on the Aron Theatre Co-op.

FINDINGS

The Aron Theatre is located in the town of Campbellford in Northumberland County, Ontario and is run as a not-for-profit co-operative. Campbellford is a small town of approximately 3,500 people and lies midway between the cities of Toronto and Ottawa along the Trent-Severn Waterway and the Trans Canada Trail (Ontario Rural Routes Online, 2014). Settlers are said to have arrived in the area in 1834, but the town was not officially founded until 1906 (Ontario Rural Routes Online, 2014).

Campbellford developed mostly as an agricultural community, but is increasingly dependent on “tourists and retirees - both new people from the city and some [...] returning to their hometown” (Kinch, 2012). The town is central to the region due to its hospital (a large employer), high school, and heritage (Kinch, 2012). It faces a number of challenges as a result of its rural location: there is a lack of economic diversity and industrial development, outmigration of youth, and a declining sense of community. Still, tourists and young families are increasingly attracted to its vibrant arts scene and natural surroundings (Ontario Rural Routes Online, 2014).

The Aron Theatre is considered an anchor business in the community and meets entertainment and leisure needs of residents and tourists alike (Kinch, 2012). Without the theatre, movie-goers would have to travel approximately an hour away, to cities like Peterborough and Belleville.



HISTORY AND DEVELOPMENT OF THE ARON THEATRE CO-OPERATIVE INC.

The Aron Theatre has been a part of Campbellford since 1946. Aaron Rappaport, a cabinet maker from Russia, who arrived in Campbellford in the mid-1930s, founded and managed the theatre along with theatres in Brighton and Toronto (Trent Hills Independent, 2011). The site of the Aron Theatre was originally a livery stable used by the former St. Lawrence Hotel on Front Street (Trent Hills Independent, 2011). Paul and Lynn Imperial later acquired and operated the theatre as a family business. In the late 1990s and early 2000s, however, economic decline and a rapidly evolving film industry threatened the theatre’s survival.

In 2009, the Aron Theatre was set to close. Faced with the possibility of losing a key piece of Campbellford’s history and character, the community rallied in support of the theatre, “re-making it as a co-operative owned by the people, for the people” (Kinch, 2012).

A community meeting was scheduled to discuss the future of the Aron; over 160 people attended. During the meeting, local citizens had a chance to re-connect with each other and with the theatre by sharing past experiences, anecdotes, and stories of the Aron. Community members put forward the idea that the community could purchase the theatre from the previous owner as a not-for-profit co-operative. The plan was to establish the Aron Theatre Co-operative, and for local people to buy memberships and make pledges to purchase “Aron Co-op Bonds” (Appendix A). Although the co-op concept was new to many, town residents eventually came to understand and support the plan (Kinch, 2012). The community purchased 160 memberships and pledged \$31,000 worth of bonds.



(Kinch, 2012)

A founding Board of Directors established the Aron Theatre Co-op. As a first step, the board worked to incorporate the co-operative and purchase the Aron from the previous owner, Paul Imperial. The purchase alone was a struggle as the board had to raise the funds from the community through bond sales. In the early stages, board members also applied for grants, held fundraisers, engaged new co-op members, established



relationships with the community, and garnered support for the theatre. Thanks to their continued effort, the Aron Theatre has become a successful co-operative enterprise.

The Board of Directors uses the International Co-operative Alliance's definition of a "co-operative" as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (Aron Theatre Co-operative Inc., 2014). They, along with a team of volunteers and with support from community members, work towards the following vision: "to transform the Aron Theatre into a sustainable cultural hub, open to everyone in our community" (Aron Theatre Co-operative Inc., 2014).

In the five years since the near-closing of the Aron, the co-op has generated a number of accomplishments. One of the first challenges they faced was the need to upgrade to digital technology, as Hollywood studios were beginning the shift from 35 millimeter film to digital files. The estimated cost of this was \$90,000. Through a combination of grant funding and public support, the co-op managed to secure the funds to purchase a \$96,000 digital projector and digital sound system. By keeping pace with this technological change, the Aron Theatre Co-operative was able to show on-release Hollywood movies for the first time in twenty years, allowing a revitalization of its audiences, including teenagers, a major movie-going demographic. Once this core business offering was taken care of, the co-op's focus turned to providing a top-quality experience and ensuring the long-term sustainability of the Aron as a community hub and cultural centre.

ORGANIZATIONAL STRUCTURE

The Aron Theatre Co-op team includes:

- Members
- Board of Directors
- Operations Manager
- Volunteers

Since incorporating in 2010 and acquiring the theatre in 2011, the Aron Theatre Co-op has been led by a Board of Directors, including founding president Russ Christianson. Until 2014, this group acted as a founding board with a very "hands-on" role. With an



operations manager and a stable group of volunteers now on the team, the board is transitioning away from day-to-day operations and focusing on long-term sustainability. The group now acts as a policy board and is responsible for business and market development, professionalizing the organization, and providing support and resources to the operations manager.

Board members are nominated and elected during Annual General Meetings. Those nominated are typically a diverse group of community members with a wide range of skills and interests. In particular, the co-op seeks to involve individuals who are passionate about the Aron Theatre, many of whom have never served on a board. A full voting board position is held for a local high school student in order to engage young people and build capacity in the community.

The Aron Theatre Co-op's day-to-day operations are dynamic and include a wide range of tasks; from running advertisements in the local paper, to training volunteers and booking events, to janitorial duties. These activities are managed by a single operations staff, and carried out, in part, by a team of volunteers and part-time staff (many of whom are high school students). Retirees form the bulk of the volunteer contingent, and they contribute three to five hours of volunteer time per week. The board estimates that approximately 100 human-hours per week are required to keep the theatre up and running.

In addition, more than 600 individuals and families in the community contribute their support in the form of memberships and involvement in special events and committees.

Programming and Events

Beyond weekly movie showings, the Aron Theatre Co-op occasionally holds live music and comedy shows, movie festivals, fundraisers, and Christmas sing-alongs. The venue is also available to rent for birthday parties and private events. The co-op aims to diversify its regular activities and audiences, while keeping in mind the theatre's space limitations as well as community interests.

In a recent development, one of the Co-op's newest volunteers has been working towards building and strengthening partnerships with local schools. The objective is to develop regular field-trip events and encourage the use of the Aron Theatre as a teaching opportunity. Some educational events, including the showing of a documentary titled "Bully," have already seen great success and received positive feedback from



local teachers. Through these events, the co-op hopes to contribute to keeping revenue in the community, and creating new activities for children and youth to engage in locally.

The local Toronto International Film Festival (or tiff. Festival), held every fall at the Aron, has also been very successful. A tiff. committee made up of interested co-op members comes together every year to arrange a selection of tiff. films to be shown throughout the fall. The series of films is offered to members and non-members as a flexible package deal that can be shared with friends and family. In addition, the community is invited to attend a premiere gala on the opening evening of the festival.

RESOURCES AT USE IN THE ARON THEATRE CO-OP MODEL

The Aron Theatre Co-op's operations and development are supported by a combination of grants, community support, and earned revenue.

Grants

Small- and large-scale grants have primarily contributed to capital improvements. Even before purchasing the theatre, the co-op received a \$20,000 federal grant to develop a business plan, and a \$5,000 contribution from the Campbellford Seymour Community Foundation to “renovate the front entrance and to light up the marquee with state-of-the-art energy-efficient LED lights” (Campbell, 2010). At that time, the Co-op also applied for funding from the Canadian Co-operative Association to help organize film series, concerts, and other community events of interest; they received a two-year \$60,000 grant. This, in combination with an Ontario Trillium Foundation provincial-federal capital improvement grant, and an investment by the Campbellford-Seymour Community Foundation and the Municipality of Trent Hills in Aron bonds, allowed the Co-op to purchase and install a \$96,000 digital film projector and sound system, and upgrade to digital technology (Kinch, 2012).

Community Support

Community support was instrumental in purchasing the theatre. Thanks to the financial contributions made through fundraisers and bond purchases, within a year and a half of the first feasibility and membership meeting, the co-op raised \$125,000. The funds were coupled with a vendor take-back mortgage to purchase the facilities.

Community members also contribute ongoing support as volunteers. When the facilities were upgraded, for instance, a troop of local citizens came together to complete the



massive task of removing the old theatre seats and installing 140 new seats. The job was completed in just a couple of days, instead of the expected five. Local citizens continue to contribute their time as ticket sales volunteers, special events organizers, board and committee members, and theatre operators. In addition, evolving partnerships with schools, local organizations, and businesses, create new avenues and opportunities for community involvement and revenue generation.

Earned Revenue

Earned revenue, primarily from ticket and concession sales, memberships and sponsorships, and on-screen and website advertising sustains ongoing operations. Notably, with regards to the operating budget, the Board of Directors recently reported, that the Aron Theatre Co-op was running at a “modest surplus”(CICOPA, 2013). Earned revenue increased significantly between 2012 and 2013 and continues to do so steadily (Appendix B). Revenue generating-activities are publicized and supported by a marketing strategy that includes weekly advertising, media releases, social media, and e-letters.

SUCCESSSES OF THE ARON THEATRE CO-OP MODEL

The Aron Theatre Co-op has defied naysayers by successfully turning the business around and competing against Canada’s highly concentrated oligopoly cinema business (Cineplex controls approximately eighty percent of Canada’s movie theatre business) and on-line content providers like Netflix (Posadzki, 2013). In only three years, sales have tripled, membership has grown, and operations have expanded. For instance, board members noted that when the Aron first re-opened a crowd of 20 movie-goers was a good sign; now, a crowd of 35 is “a bad night”.

In 2012, the Aron Theatre Co-op was awarded the Municipality of Trent Hills’ *Arts and Culture Award*, and in 2013 the co-op was awarded the *Chamber of Commerce’s Entrepreneurial Spirit Award for a New Business* (Hoult, 2013). The co-op was also recognized internationally as a successful co-op model by the International Organisation of Industrial, Artisanal and Service Producers’ Cooperatives (CICOPA, 2013).

Community members continue to express excitement and appreciation for the co-op’s work on the theatre and are beginning to understand the community development and involvement objectives of the organization.

A number of key milestones have marked the co-op’s growth and development:



- Incorporating the co-op.
- Applying for and receiving a grant to write a business plan.
- Negotiating and fundraising for the purchase of the theatre.
- Creating an Aron Theatre Co-op Inc. brand and website.
- Applying for, and receiving grants from: the Campbellford-Seymour Community Foundation, the Canadian Co-operative Association, the Ontario Trillium Foundation, and the Municipality of Trent Hills.
- Upgrading the facilities with digital technology, accessible washrooms, new seating, and air conditioning.
- Gaining the support of local businesses, schools, other community organizations, and the municipal government.
- Expanding operations to include a local tiff. series, comedy nights, music concerts, and fundraisers.
- Showcasing the co-op and the theatre in local and international media.

In order to achieve ongoing success, the co-op also draws on various strengths:

- The community's support, goodwill, and emotional connection to the theatre ("the golden fleece" of marketing, according to the Aron management team).
- Ownership of the productive assets (the facilities and equipment).
- Strong leadership.
- A solid team of volunteers who operate the theatre and ensure quality of experience.
- A culture of collaboration, co-creativity, and democratic involvement.
- A commitment to inclusivity and accessibility.
- A willingness to innovate and take measured risks.



CHALLENGES OF THE ARON THEATRE CO-OP MODEL

Day-to-day operations and cash flow management are the Aron Theatre Co-op's main priorities.

Next steps will require a series of capital improvements, membership-building activities, and intra-organizational development. The organization's objectives include:

- Improving the theatre's façade and repairing roof.
- Completing interior renovations.
- Installing a new heating system and improving energy conservation.
- Developing human resources policies and procedures (e.g. performance appraisals).
- Encouraging ongoing community involvement, through bond renewals, volunteer opportunities, new partnerships and special events.

In addition, sustainability is one of the most pressing long-term concerns for the organization. More specifically, long-term priorities include:

- Retaining membership, and nurturing members' connection to, and involvement in, the theatre (e.g. by capturing individual anecdotes and stories about the Aron).
- Fostering a sense of responsibility for the Aron among community members.
- Gaining a better understanding of how to garner more support for the Aron Theatre Co-op, both as a community hub, and as a transferable social enterprise model.
- Monitoring and planning for future technology developments and upgrades.
- Diversifying revenue streams.

OUTCOMES AND IMPACTS OF THE ARON THEATRE CO-OP

In line with its mission and vision, the Aron Theatre Co-op's greatest outcomes and impact lie in building social capital and contributing to community development.



At the individual level, the Aron Theatre Co-op has given community members a reason for, and a means of, taking responsibility for the continued growth and development of their community; and the preservation of their heritage. The Co-op also creates new opportunities for individuals to contribute, and be recognized for their ideas, interests, and skills. In turn, this helps community members build their confidence. Board members and volunteers, in particular, can now take pride in bringing enjoyment and a sense of fulfillment to the community.

As an emerging social hub, the Co-op also brings community members together. By inviting *everyone* to participate and “be part of the fun” the co-op teaches collaboration and strengthens relationships within the community (Aron Theatre Co-operative Inc., 2014). The Co-op has seen an improvement in youth engagement and volunteerism, and is helping to build relationships across generations. The Board members noted that they are very excited to see young and old community members working together, getting excited, and re-sparking emotional attachments to the theatre and the community.

The Aron Theatre Co-op is also “part of a broader movement in the world of co-ops” (Russ Christianson, personal communication, July 2014). The co-op not only serves as a model for the community, but also for other co-ops and social enterprises in Canada and elsewhere. More than an end in itself, it is a transferable model for successful and sustainable businesses.

LESSONS LEARNED FROM THE ARON THEATRE CO-OP MODEL

The Aron Theatre Co-op’s Board of Directors is proud to lead a successful organization. Board members offered the following advice and lessons learned from their experience:

- Explore other successful co-op models, share knowledge.
- Be realistic about feasibility.
- Establish a strong leadership group.
- Do not exclude anybody; everybody has strengths.
- Seek community feedback.
- Download and share knowledge.



CONCLUSIONS

The Aron Theatre Co-operative Inc. is an example of a successful rural social enterprise that uses a co-operative model – developed by Campbellford residents, for Campbellford residents. Community members’ personal connections to the Aron Theatre have been critical to this success; the co-op model has given them an opportunity to translate these connections into “actual ownership and investment” (Kinch, 2012, p. 2).

Beyond its very practical role as a movie theatre, the Aron Theatre Co-op strengthens community relationships and thereby creates new opportunities for community development. The challenge now is to continue to nurture these relationships and to grow the Aron Theatre into an essential component of Campbellford.



APPENDICES

APPENDIX A: “ARON BOND” INVESTMENT OPTIONS

Invest in Aron Co-op Bonds			
Amount	Interest Rate	Term	Annual Interest
\$100	2.50%	5 years	\$2.50
\$500	2.50%	5 years	\$12.50
\$1,000	2.50%	5 years	\$25.00
\$100	3.00%	10 years	\$3.00
\$500	3.00%	10 years	\$15.00
\$1,000	3.00%	10 years	\$30.00
\$100	3.50%	15 years	\$3.50
\$500	3.50%	15 years	\$17.50
\$1,000	3.50%	15 years	\$35.00

(Aron Theatre Co-op Board of Directors, n.d.)



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APPENDIX B: COMPARATIVE BALANCE SHEET

ARON THEATRE CO-OPERATIVE INC. COMPARATIVE BALANCE SHEET FOR THE FISCAL YEARS ENDING DECEMBER 31, 2013 AND 2012

	<u>2013</u>		<u>2012</u>		<u>Difference</u>
ASSETS					
Current Assets					
Floats	1,103		1,050		53
Savings Bank Account	28,233		4,380		23,853
Chequing Bank Account	6,694		2,809		3,885
Total Cash		36,030		8,239	27,791
Grants Receivable	5,486		0		
Accounts Receivable	3,023		0		3,023
Total Receivable		8,509		0	8,509
Damage Deposits	(100)		90		(190)
Inventory	3,289		2,718		571
Total Current Assets		<u>47,727</u>		<u>11,046</u>	36,681
Capital Assets					
Purchase of Corporation		207,756		207,756	0
Capital Improvements	23,461		23,236		225
Accum. Amort. - Cap. Improve.	(1,992)		(869)		(1,123)
Net - Capital Improvements		21,469		22,367	(898)
Equipment	85,291		85,291		0
Accum. Amort. - Equipment	(26,697)		(11,998)		(14,698)
Net - Equipment		58,594		73,292	(14,698)
Total Capital Assets		<u>287,819</u>		<u>303,415</u>	(15,597)
Other Non-Current Assets					
Computer Software		0		200	(200)
Incorporation Cost		210		210	0
Total Other Non-Current Assets		<u>210</u>		<u>410</u>	(200)
TOTAL ASSETS		<u>335,756</u>		<u>314,872</u>	20,884



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	<u>2013</u>	<u>2012</u>	<u>Difference</u>
LIABILITIES			
Current Liabilities			
Accounts Payable		7,703	1,232
CPP To Remit	231	0	231
EI To Remit	72	0	72
Income Tax To Remit	208	0	208
Total Employee Deductions To Remit		511	0
HST Charged on Sales	5,422	5,734	(312)
HST Paid on Purchases	(3,013)	(3,652)	638
HST Owing (Refund)		2,409	2,082
Total Current Liabilities	<u>10,623</u>	<u>3,314</u>	7,309
Long Term Liabilities			
First Mortgage Payable	43,145	45,872	(2,727)
Second Mortgage Payable	12,083	17,083	(5,000)
Subtotal - Mortgage Payable		55,228	62,955
Bonds - 5 Year - 2.5%	85,540	85,540	0
Bonds - 10 Year - 3.0%	27,500	27,500	0
Bonds - 15 Year - 3.5%	53,400	53,400	0
Subtotal - Bond Principal		166,440	166,440
Interest - 5 yr Bond	5,572	3,351	2,221
Interest - 10 yr Bond	2,342	1,473	869
Interest - 15 yr Bond	5,429	3,440	1,989
Subtotal - Bond Interest		13,343	8,263
Total Long Term Liabilities	<u>235,011</u>	<u>237,659</u>	(2,647)
TOTAL LIABILITIES	<u>245,634</u>	<u>240,972</u>	4,661
NET ASSETS			
Retained Earnings - Previous Year		73,900	24,319
Current Earnings		16,222	49,581
NET ASSETS	<u>90,122</u>	<u>73,900</u>	16,222
LIABILITIES AND NET ASSETS	<u>335,756</u>	<u>314,872</u>	20,883

(Aron Theatre Co-op Inc., 2014)



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