



Annual Report

March 31, 2013

Centre of Excellence in Accounting and Reporting for Co-operatives

Annual Report

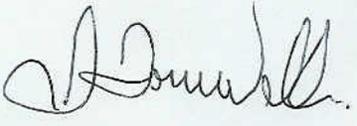
For the period April 1, 2012 to March 31, 2013

Report from the Chair of the Board of Directors and Executive Director, CEARC

The Centre of Excellence in Accounting and Reporting for Co-operatives (CEARC) is pleased to provide its annual report for the fiscal year ended March 31, 2013. The past year has been very productive for the Centre. We have successfully completed the second year of our three-year strategic plan, launched the Journal of Accounting and Reporting for Co-operatives (JCAR), finalized a funding arrangement with the Canadian Institute of Chartered Accountants (CICA), and awarded three research grants.

During the year, CEARC associates presented papers at six conferences, attended and participated in two conferences through booth displays and had six publications. In addition, we have two completed papers under review at academic journals and are in the process of working on seven new papers.

Respectfully submitted,



Tom Webb, Chair
Board of Directors



Daphne Rixon, PhD, FCMA
Executive Director

<http://www.coopaccounting.coop/cearc.html>

June 17, 2013

A. Mandate and goals of CEARC

- a) The purpose of the Centre of Excellence is to provide a focal point for research into issues about how accounting and reporting systems may best be designed to fit the unique nature of co-operative businesses around the world. More specifically, the Centre explores issues such as:
- Accounting principles
 - Application of accounting standards
 - Accounting for the co-operative purpose and multiple bottom lines
 - Integration of financial and non-financial reporting
 - Content of annual reports
 - Accounting for co-op members' funds
 - Income statements for co-ops
 - Balance sheet structure for co-ops
 - Cash flow statements
 - Items to be covered in notes
 - Special issues (e.g. consolidation, mergers)
- b) The Centre of Excellence facilitates research in accounting and reporting for co-operatives and credit unions. It disseminates its research widely in draft (i.e. consultative) form to professional accounting bodies and co-operative managers around the world. It uses feedback as an input to the research in the preparation of final reports which are then published at academic and practitioner conferences, in journals, and/or in the form of working and discussion papers. More specifically, the Centre does this by:
- Identifying research needs
 - Developing accounting tools for co-operatives
 - Disseminating research and knowledge to not-for-profit and co-operative business managers as well as the academic and accounting practitioner communities
 - Developing papers and curriculum materials
 - Building on existing networks linking academics, professional associations, standards bodies and co-operative businesses.

B. Governance

Members of the Board include: Tom Webb (Co-operative Management Education (CME) faculty, and Chair of the Board), Dr. Alan Robb, (CME Faculty); Dr. Larry Haiven (CME Academic Director and Faculty), Dr. Jeffrey Power (Dept. of Accounting, SMU); Elizabeth Hicks (MSVU), Gordon Beal (Canadian Institute of Chartered Accountants); Willy Robinson (iNova Credit Union and MMCCU Graduate); and Dr. Louis Beaubien (Accounting Department, SMU) and Karen Miner (Managing Director, CME). Dr. Daphne Rixon (Accounting Department, SMU), as Executive Director is an ex-officio member of the Board.

During the year, the CICA representative John Tang resigned and was replaced by Gordon Beal. We thank John Tang for his service and welcome Gordon Beal to the Board of Directors. Since joining the CICA in 2004 Gord has worked in Knowledge Development and Education Services with a primary focus on governance, risk, and financial reporting. Gord has been a Board member, Audit and Finance Committee Chair, and member of the Governance Committee for organizations in the non-profit sector, and has volunteered with local and national non-profit organizations in providing guidance and advisory support in the areas of board governance and risk management. Gord is a Chartered Accountant, with a BA in Commerce and Economics from the University of Toronto, a Bachelor of Education, and a Master of Education in Organizational Learning and Development from Brock University. Gord has a passion for ethical and sustainable business, and the important role that good governance and the professional accountant play in this.

Committees of the Board

- Research Advisory Committee: Jeff Power, Chair, Tom Webb, Louis Beaubien and Elizabeth Hicks
- Planning Committee: Daphne Rixon, Chair, Tom Webb, Louis Beaubien and Elizabeth Hicks

C. Strategic Plan

1. Monitor the research grants awarded during the period 2012 – 2014.

Goal: To ensure the research is completed in accordance with the proposals approved by the Board of Directors. The Research Advisory Committee is responsible for recommending grant recipients and ensuring recipients complete the work specified. The Research Advisory Committee will report to the board semi-annually on the status of each project.

Results: The Research Advisory Committee reported to the board on the status of the ongoing projects on Key Performance Indicators for Credit Unions and Accounting Classification of Member Shares.

2. To encourage more researchers to conduct studies into accounting and reporting for co-operatives and credit unions.

Goal: Issue request for proposals in Fall, 2012 and Fall, 2013 and award grants in Spring, 2013 and Spring, 2014 respectively.

Results: Three grants were awarded in the last quarter of the 2012-13 fiscal year. A more detailed description of these projects is described in the Grants section below.

3. Organize a series of workshops for professionals working in co-operatives and for researchers. These workshops are intended to identify issues which co-operatives would like to see researched and to generate interest of academic researchers in the identified

topics. This will provide CEARC an opportunity to disseminate the results of our current research projects, solicit input on the reference manual and to identify research issues for the next 3-year planning cycle.

Goal: A series of workshops to be developed during the period 2012 - 2014.

Results: The first workshop was conducted during the Alberta Central Credit Union Conference in Red Deer, October, 2012. Participants identified a board array of issues that warrant research.

4. Commence development of a handbook/on-line reference manual for accounting, reporting and auditing for co-operatives. This handbook/on-line reference manual will include International Statements of Recommended Practices (iSORPs) and best practices related to accounting and reporting for cooperatives.

Goal: This on-line handbook/reference manual will reflect best practices and will contain the iSORPs developed by CEARC.

Results: Work will commence on this project during 2013-14.

5. Journal for Co-operative Accounting and Reporting (JCAR).

Goal: Ensure there are a minimum of two editions published annually

Results: JCAR was launched in 2012 and 2 editions have been published in the 2012-13 fiscal year. More detailed information on the journal is provided in the sections below.

6. Identify partners that would be interested in providing financial support for CEARC's research initiatives to expand research and dissemination activity. CEARC will also continue to encourage the research community to seek other sources of funding, such as SSHRC, for research into co-operative accounting and reporting.

Goal: Develop a research funding campaign by December 31, 2013. This campaign will identify the research themes and will include campaign co-chairs for the co-operative and credit union business community. The campaign will be rolled out starting January, 2014. It is envisioned that this fundraising initiative will be co-ordinated with the Dean of the Sobey School's planned outreach to the business community.

Results: Initial planning commenced in 2012 and the campaign will be undertaken in 2013-14.

7. Conduct a survey of our research participants to evaluate their level of satisfaction with the research carried out by CEARC.

Goal: Complete survey in the 4th quarter of 2014.

Results: The survey will be undertaken in 2013-14.

8. Disseminate the Centre's research through attendance at conferences and participation in the form of member of a panel or presenting a paper.

Goal: Attendance at two conferences annually

Results: CEARC associates attended 10 conferences (8 presentations and 2 booth participation) in the 2012-13 fiscal year.

D. Journal of Accounting and Reporting for Co-operatives (JCAR)

The Journal of Co-operative Accounting and Reporting (JCAR) enjoyed a successful first year. The journal published 2 issues in its first volume which included seven papers covering issues of a variety of topics of interest to scholars and practitioners active in the co-operative field. The papers addressed timely and relevant issues such as IFRS adoption and adaptation, financial accounting practices in co-operatives and credit unions, management accounting practices in co-operatives and governance. Authors publishing in JCAR demonstrate the journal's true global reach coming from New Zealand, Spain, Italy, Canada, United States and the United Kingdom among other countries. As the journal enters its second year, we hope to expand the author base and continue to publish high quality scholarly material that will be useful to practitioners and academics. One goal for the coming year is to include articles that focus on the practical and applied aspects of co-operative accounting; this may include position papers and case studies on the co-operative and credit union sector.

E. Research Grants Awarded

1. Request for research proposals

During the Fall of 2012, CEARC issued its first Request for Proposals for research grants. The Research Advisory Committee reviewed the proposals and recommended that three grants be awarded totaling \$10,000 for the 2012-13 fiscal year:

Accounting and Reporting for Members' Economic Participation in Cooperatives: Patronage Refund and Transactions With Members, An International Study. Principle researcher – Fernando Polo-Garrido. Funded amount - \$3,500.

Does Corporate Social Reporting Affect the Firm's Value? Empirical Evidence from Italian Cooperative Banks. Principle researcher – Michele Andreaus. Funded amount - \$4,000 (\$2,000 in fiscal 2012-13 and \$2,000 in fiscal 2013-14).

Non-financial Reporting by Retail Cooperatives: A Comparison with Investor Owned Firms. Principle researcher – Elizabeth Hicks. Funded amount - \$4,500.

2. Other research grant

Key Performance Indicators Reported by Credit Unions. Principle Researcher – Daphne Rixon. Funded amount - \$6,816 (comprised of \$4,500 in lieu of compensation and an additional grant of \$2,316).

F. Alliances Developed

During the year, CEARC developed alliances with a number of co-operative organizations. These alliances will help increase awareness of CEARC and its research activities.

1. International Research Network on Accounting for Cooperatives and Mutual Entities (ACCOOP)

CEARC joined the International Research Network on Accounting for Cooperatives and Mutual Entities (ACCOOP) and there is a link to CEARC on their website (www.accoop.org.) In addition, both Louis Beaubien and Daphne Rixon are members of their scientific committee.

ACCOOP seeks to promote the interest of academics in accounting for Cooperatives and Mutual Entities, enhance international collaboration in research activities and to serve as a meeting point between academics and accounting professionals of any type of organization concerned in accounting for Cooperatives and Mutual Entities. ACCOOP has a broad approach and all thematic areas in accounting applied to Cooperatives and Mutual Entities are of interest, as well as a broad methodological scope (analytical/modeling, case study, empirical, archival, experimental, survey, interdisciplinary, critical, etc.).

2. Visiting Scholars from Trento University

In November, CEARC hosted Michele Andreaus and Ericka Costa from Trento University for a five-day visit. Michele and Ericka are both involved in teaching and research on co-operatives. The purpose of their visit was to identify collaboration opportunities for research as well as student and faculty exchanges. During their visit they presented two papers at the Sobey School of Business and one paper at Mount Saint Vincent University on the following topics:

- a) Toward an integrated accountability model for NPOs
- b) Telling the story of the Italian Social Enterprises - Implications for Social and Environmental Accounting Studies
- c) Exploring the efficiency of Italian social cooperatives by descriptive and principal component analysis

3. Canadian Co-operative Association (CCA)

CEARC has joined the Canadian Co-operative Association Research Network. The Centre's name and logo are included on the CCA's website.

G. Financial Report

As illustrated in Appendix 1, the Centre began the year with \$123,216 and with revenue of \$25,000 less expenses of \$29,037, resulting in an excess of expenditures over revenue of \$4,037. The Centre ended the year with a balance of \$119,170. Overall, we are in a sound financial position, since our fund balance exceeds that of our minimum required balance of \$50,000. During 2012-13 year, another funding agreement was finalized with the Canadian Institute of Chartered Accountants. This resulted in receipt of a \$25,000 donation for the 2013 fiscal year.

Executive Director expenditures of \$5,500 reflects the cost of a course relief. In addition, the Executive Director is provided with research funding of \$4,500. This research amount is reported in 2012 as Executive Director expenses, but has been restated for 2012 and is shown in 2013 as a research expense in order to better reflect the Centre's total research expenditures. These amounts totaling \$10,000 are provided to the Executive Director in lieu of salary. Furthermore, during the year, the Centre awarded research grants totaling \$16,816 as presented in Section E.

In addition to the funding received directly by CEARC, our research associates were awarded various grants which are presented in Appendix 2 as in-kind funding. Total in-kind funding for the 2013 fiscal year was \$35,000 compared to \$13,900 in 2012. These funds were used to conduct research into co-operatives and credit unions and to support JCAR.

H. Conferences Attended

Throughout the past year, representatives of CEARC attended a number of conferences and presented papers. This heightened the Centre's profile and awareness of our research. The following conferences were attended and papers presented:

Rixon, D. (2013), "Credit Union Performance Reporting in North America", *International Academy of Business and Public Administration Disciplines*, Orlando, Florida.

Hicks, E., and LeBlanc, L. (2012), "The Co-operative Sustainability and Planning Scorecard: a Tool for Retail Food Co-operatives". *Co-operating for Change Conference*, CASC. Montréal, QC.

Brown, L. Hicks, E and Leclerc, A. (2012), "The Consumer Co-operative Sustainability and Planning Scorecard: A strategic planning tool". *Presented to Managing the Co-operative Difference Conference*. Moncton, NB.

Robb, A. (2012), "Making Good Cooperative Governance Better." *International Year of Cooperatives Conference*, Port Macquarie, Australia.

Robb, A. (2012), "Cooperatives and Regional Economic Development." *International Year of Cooperatives Conference*, Port Macquarie, Australia.

Rixon, D. (2012), "Key Performance Indicators: What Credit Unions are Measuring and Why", *Alberta Central Credit Union Conference*, Red Deer, Alberta.

Rixon, D. (2012), "Key Performance Indicators: What Credit Unions are Measuring and Why", *Atlantic Schools of Business*, Halifax, Nova Scotia.

Rixon, D. (2012), "An Examination KPIs Reported by Credit Unions in North America", *Cooperating to Build a Better Nova Scotia Conference*", Halifax.

CEARC also participated in the following conferences through attendance and booth display:

March, 2013: Saint Mary's University Research Expo, Halifax, attended by Jeff Power and Louis Beaubien

October, 2012: Imagine 2012 Conference, Quebec City, attended by Jeff Power

I. Publications

a. Papers/chapters accepted for publication

Brown, L. and Hicks, E. (2013). "Chapter 6: Stakeholder Engagement in the Design of Social Accounting and Reporting Tools", *Social Accounting for Social Economy Organizations: Accounting for Social Value*. Edited by Laurie Mook. University of Toronto Press. Toronto, Ontario.

Robb, A., Smith, J., Webb, T. (2013) "Cooperative capital: why our world needs it." Chapter 3 in *Financial Cooperatives and Local Development*, Goglio S. and Alexopoulos Y (eds), Routledge Studies in Development Economics.

Robb, A. J. (2012) "Stewardship: The Core of Cooperative Accounting." *Journal of Cooperative Accounting and Reporting*. 1(1), 19-27.

Lopez-Espinosa, G., Maddocks, J., and Polo-Garrido, F. (2012), Co-operatives and the Equity-Liabilities Puzzle: Concerns for Accounting Standard-Setters, *Accounting Horizons*, 26 (4), 767-787

Beaubien, L. and D. Rixon (2012), "Direction in the Development of KPIs in Cooperatives", *Journal of Co-operative Studies*. 45(2), 5-15.

Leclerc, S., Brown, L., and Hicks, E. (2012), "Chapter 10: A Participative Approach to Developing a Social Accounting and Planning Tool for Co-operatives: The Consumer Co-operative Sustainability and Planning Scorecard". *Social Economy Communities, Economies and Solidarity in Atlantic Canada*. Edited by Sonja Novkovic and Leslie Brown. Cape Breton University Press. Sydney, Nova Scotia.

b. Papers under review

Beaubien, L. and Rixon, D. (2012), "Key Performance Indicators in Co-operatives", *Financial Accountability and Management*.

Rixon, D (2012), "Are Co-operative Principles Reflected in Key Performance Indicators? A Case Study of Insurance Co-operatives", *International Journal of Co-operative Management*.

c. Research in progress

Robb, A. (2013), "A history of cooperatives in New Zealand".

Hicks, E., and Brown, L. (2013), "Sustainability reporting: A comparison of reporting by co-operatives and investor-owned organizations."

Brown, L., Hicks, E., and Leclerc, A. (2013), "Retail co-operative sustainability and planning scorecard".

Beaubien L. and Rixon, D. (2013), "Strategic Planning in the Co-operative Financial Services Sector".

Rixon, D and Beaubien, L. (2013), "Impact of International Financial Reporting Standards on Credit Unions in Canada".

Beaubien, L. (2013), "Decision-Making and Judgement in Co-operative Operations"

Robb. A. (2013), "An OCFAID study of cooperative performance through the Global Financial Crisis"

Appendix 1

**Centre of Excellence in Accounting and Reporting for Co-operatives
Statement of Revenue, Expenditures and Fund Balance
March 31, 2013**

	<u>Year-ended March 31, 2012</u>	<u>Year-ended March 31, 2013</u>
Revenue		
CICA	\$ 25,000	\$ 25,000
SMU Accounting Dept.	<u>5,000</u>	-
Total Revenue	<u>30,000</u>	<u>25,000</u>
Expenses		
Administrative Assistant	2,328	1,041
Executive Director (Note 1)	5,500	5,500
Workshop	1,596	
Office, printing, copying		1,248
Miscellaneous		523
Travel	2,277	3,909
Research Expenses	<u>11,013</u>	<u>16,816</u>
Total Expenses	<u>22,714</u>	<u>29,037</u>
Excess of revenue over expenses	7,286	(4,037)
Beginning surplus, April 1	<u>115,930</u>	<u>123,216</u>
Ending surplus, March 31	<u>\$ 123,216</u>	<u>\$ 119,179</u>

Notes:

1. Executive Director compensation includes research funding of \$4,500 originally reflected as an Executive Director expenses in 2012, but has been restated to show as a research expense. The remaining \$5,500 reflects the cost of a course relief for the Executive Director. These amounts are provided to the Executive Director in lieu of salary.
2. As per 2011 budget approval, CEARC will maintain a minimum fund balance of \$50,000.

Centre of Excellence in Accounting and Reporting for Co-operatives (CEARC)

In-Kind Funding

2012 – 2013

CEARC associates are encouraged to seek additional sources of funding to support further research into co-operatives and credit unions. Although these funds were not paid directly to CEARC, indirectly they support the Centre's research.

<u>Recipient</u>	<u>Source</u>	<u>2012 Actual</u>	<u>2013 Actual</u>
D. Rixon	SMU - Student Employment	\$ 5,000	\$ 5,000
D. Rixon	Alberta Central CU	1,900	
D. Rixon	Filene Research Institute		2,500
E. Hicks & L. Brown	SSHRC		15,000
E. Hicks	Mount Saint Vincent		2,000
L. Beaubien	Institute of Chartered Accountants of NS		3,500
JCAR	Dean, Sobey School Business	<u>7,000</u>	<u>7,000</u>
	Totals	<u>\$ 13,900</u>	<u>\$ 35,000</u>