



CENTRE OF EXCELLENCE *in*
ACCOUNTING AND REPORTING
for CO-OPERATIVES

Annual Report

March 31, 2014

Centre of Excellence in Accounting and Reporting for Co-operatives

Annual Report

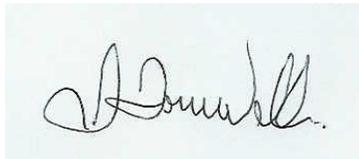
For the period April 1, 2013 to March 31, 2014

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, 2014. The past year has been very productive for the Centre. We have successfully completed the third year of our three-year strategic plan, secured two new funding partners, National Rural Utilities Cooperative Finance Corporation and the National Society of Accountants for Cooperatives and awarded three research grants.

During the year, CEARC associates presented papers at eight conferences attended, one publication and one paper under review. In addition, we are in the process of working on six new papers.

Respectfully submitted,



Tom Webb, Chair
Board of Directors



Daphne Rixon, PhD, FCMA
Executive Director

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

June 25, 2014

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

2013-14 Members of the Board include:

- Tom Webb - Co-operative Management Education, Saint Mary's University (SMU) and Chair of the Board
- Alan Robb - Adjunct Professor, Co-operative Management Education, SMU
- Karen Miner - Managing Director, Co-operative Management Education, SMU
- Dr. Larry Haiven – Professor, Dept. of Management, SMU
- Dr. Jeffrey Power – Chair, Dept. of Accounting, SMU
- Elizabeth Hicks – Associate Professor, Mount St. Vincent University

- Gordon Beal – Vice President, Guidance and Support, CPA Canada
- Russ Wasson - National Rural Electrical Cooperative Association
- Dr. Louis Beaubien – Associate Professor, Dept. of Accounting, SMU
- John Maddocks – Chartered Institute of Public Finance and Accountancy (UK)
- Dr. Daphne Rixon – Dept. of Accounting, SMU, and Executive Director is an ex-officio member of the Board.

We are pleased to announce that Russ Wasson, CPA has joined the CEARC Board of Directors. Russ has a Bachelor of Science and a CPA accounting designation. He has worked in senior positions for a number of organizations, including Cajun Electric Power Cooperative where he held the position of Vice President and Corporate Controller. Russ is currently employed with the National Rural Electrical Cooperative Association (NRECA) where he is responsible for tax, accounting and finance function. He also leads NRECA's response to rulemakings implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act, is a member of the NRECA restructure and renewables groups, the NRECA corporate governance task force and the NRECA climate change task force. Russ is a member of the FASB Small Business Advisory Committee and, in addition, is participating in the Financial Accounting Foundation strategic focus group on the future direction of the FASB.

2013 -14 Committees of the Board

- Research Advisory Committee: Jeff Power (Chair), Tom Webb, Louis Beaubien, Elizabeth Hicks and Daphne Rixon
- 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 reports 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 following ongoing projects on Key Performance Indicators for Credit Unions and Accounting Classification of Member Shares.

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. 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: Eight proposals were received and the Research Committee recommended funding the following four proposals. The Board of Directors approved this recommendation and the grants were awarded in the last quarter of the 2013-14 fiscal year.

- i. “Social and Environmental Impact of Co-operatives in Canada – Indicators Identification”, Fiona Duguid. \$7,000
- ii. “Establishing Best Practices for Reporting to Members in Renewable Energy Co-operatives”, TREC Renewable Energy Co-operative. \$5,000
- iii. “Developing a Performance Snapshot Template for Co-operatives”, Vancity Community Foundation. \$2,500
- iv. “Performance Measures in Health Care Co-operatives”, Louis Beaubien. \$2,500

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: We will continue to build on the ideas generated in 2012 during the annual conference of the Alberta credit unions. As a result of our research with various co-operatives and credit unions, one of the main areas of concern relates appropriate tools to measure and benchmark performance. CEARC is providing \$10,000 funding towards sponsoring (with Measuring the Co-operative Difference Research Network) a conference on “Tools to Measure Co-operative Performance and Impact” which will be held at Saint Mary’s May 22 -24, 2014. This is an international event with 50 participants from the United States, South America and Europe attending.

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: As research papers were completed, they were posted on the CEARC website.

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

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

Results: We have published 2 editions in 2012, 2 editions in 2013 and are on track for 2 editions in 2014, one of which is a Special Joint Issue - Journal of Co-operative Accounting and Reporting (JCAR) and International Journal of Co-operative Management (IJCM).

JCAR enjoyed a successful two years. The journal has published multiple volumes which included nearly two-dozen papers covering issues of a variety of topics of interest to managers as well as academics working in the co-operative field. The papers addressed timely and relevant issues such as 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 North America, Asia, Europe and Australia and New Zealand. As the journal enters its third year, we hope to expand the author base and continue to publish high quality scholarly material that will be useful to practitioners and academics.

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 coordinated with the Dean of the Sobey School's planned outreach to the business community.

Results: Due to lack of fund-raising resources in the Dean's office, the coordinated effort with the Dean was deferred. However, we were successful in identifying two new funding partners. During the year two new organizations have provided funding to CEARC. We have received \$10,000 (US) from the National Rural Utilities

Cooperative Finance Corporation and \$7,500 (US) from the National Society of Accountants for Co-operatives.

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 9 conferences (8 presentations and one booth participation) in the 2013-14 fiscal year.

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. and K. Lightstone (2014), Impact of IFRS on Credit Unions in Canada", *International Academy of Business and Public Administration Disciplines*, Orlando, January 2 – 5

Rixon, D. (2013), Credit Union Performance Reporting in North America, Cooperative Trust, Webinar, September 18, 2013.

Brown, Leslie and Hicks, Elizabeth (2013). "Accounting for Social Value: Stakeholder Engagement in the Design of Social Accounting and Reporting Tools". Association for Nonprofits and Social Economy Research (ANSER) Conference (June 6, 2013, Victoria, BC).

Hicks, Elizabeth, Brown, Leslie, and Gauthier, Launa (2013). "Researching Sustainability Reporting: using content analysis to compare co-operative and investor owned corporations". CASC Conference - Co-operating @ the (Cutting) Edge: Innovations for Social Inclusion, Solidarity and Sustainability, (June 3 – 6, 2013, Victoria, BC).

Rixon, D. (2013), "An Examination of KPIs Reported by North American Credit Unions", *Financial Business and Reporting Conference*, Bristol, July 3 – 5.

Campbell, S., Foley, J. and D. Rixon (2013), "Implications of 7 Co-op Principles for HRM Training in the Co-Op Sector", Administrative Sciences Association of Canada, June 9 – 11.

Campbell, S., Foley, J. and D. Rixon (2013), “Human resource management in cooperatives: Challenging the ‘best practice’ paradigm”, *Canadian Association for Studies in Cooperation Conference*, June 4 – 6.

Rixon, D. (2013), “The Seven Principles of Co-operative: Are they still relevant? A case study of North American credit unions”, *Canadian Association for Studies in Cooperation Conference*, June 4 – 6.

CEARC also had a booth display at Saint Mary’s University Research Expo, Halifax in March, 2014.

D. 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.

a) University of Sao Paulo

Prof. Sigismundo Bialoskorski Neto Diretor Faculdade de Economia, Administração e Contabilidade de Ribeirão Preto Universidade de São Paulo has been invited to visit Saint Mary’s University. He will visit for three months during 2015. The Faculty of Graduate Studies and Research has issued a formal invitation and agreement to Sig and this has been signed by both parties. Sig’s interest is in the area of cooperative accounting and reporting.

b) EURICSE

CEARC provided funding of \$1,000 to Sonja Novkovic, Economics professor at Saint Mary’s University to participate in a panel on cooperative accounting at a conference on Critical Accounting in Abu Dhabi in December, 2013. Sonja currently chairs the ICA research committee and is doing research on tools to measure performance of coops. We arranged for a flyer about CEARC and JCAR to be provided to attendees and Sonja highlighted the work of CEARC during her panel discussion.

c) National Society of Accountants for Cooperatives

The National Society of Accountants for Cooperatives (NSAC) is a professional society, formed in 1936, comprised of approximately 2,000 individual members actively involved with the financial management and planning of cooperative business. NSAC members are either

employed by a cooperative or provide professional services for cooperatives. NSAC is based in the United States.

During the year, Daphne Rixon met with the NSAC board and it was agreed that CEARC would work with NSAC to establish a Canadian chapter. For the upcoming 2014 conference, scheduled for August 3 – 6, San Diego, we will host a Canadian reception and roundtable meeting to discuss the establishment of a Canadian chapter and to identify topics of interest to Canadian accountants. For the 2015 conference, we will add a Canadian stream. NSAC is offering free registration for the first 10 people to register (a value of \$875 US).

This alliance is beneficial for CEARC since it will extend our reach significantly into the United States and at the same time enable us to provide a conference and other educational events for Canadian practitioners. It will also provide a forum to disseminate research funded by CEARC. Gord Beal (CEARC board member and VP of CPA Canada) will be attending the NSAC 2014 conference and provide opening remarks at the reception and roundtable meeting. To make the 2014 phase a success, we are aiming to have at least 10 accountants from cooperatives and credit unions in Canada attend the San Diego conference.

E. Communications Initiative

While CEARC has been successful in conducting excellent research, giving presentations at conferences and publishing papers, our work is not widely known throughout the practitioner community, particularly among accountants working in cooperatives. Since most of our work (such as the iSORPs and KPIs) is targeted towards practitioners, it is imperative that we not only let them know about this research, but also reach out to identify other issues which they would like to have studied.

Currently, we do not have an e-mail list for accountants working in co-operatives and credit unions. Therefore, a LIME survey instrument has been developed by Katherine Kitching, Academic Coordinator, Measuring the Co-operative Difference Research Network. This survey has been designed to capture name, organization, position and e-mail. The following organizations will be assisting us in requesting this information:

- Canadian Co-operative Association has agreed to send this survey out to their contact list
- CPA Canada will include it in their next newsletter
- A request has been submitted to Credit Union Central to distribute it to their members

This e-mail listing will enable CEARC to communicate with accountants working in cooperatives and credit unions.

F. Publications

a. Papers/chapters accepted for publication

Rixon, D. (2013), *Credit Union Performance Reporting in North America*, Filene Research Institute, Madison, Wisconsin.

b. Papers under review

Webb, T. (2014), "Co-operative Performance Accounting", is being reviewed for publication by Euricse and the International Co-operative Summit

c. Research in progress

Rixon, D and Lightstone, K. (2014), "Impact of International Financial Reporting Standards on Credit Unions in Canada".

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".

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

G. Financial Report

As illustrated in Appendix 1, the Centre began the year with \$119,179 and with revenue of \$43,475 less expenses of \$38,740, resulting in an excess of revenue over expenditures of \$3,735. The Centre ended the year with a balance of \$123,914. Overall, we are in a sound financial position, since our fund balance exceeds that of our minimum required balance of \$50,000. During the year, we received donations totalling \$43,475 which is comprised of \$25,000 from CPA Canada, \$10,300 from the National Rural Utilities Cooperative Finance Corporation and \$8,175 from the National Society of Accountants for Cooperatives. We finished the year with a fund balance of \$122,914.

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 and is included in the Centre's total research expenditures. Furthermore, during the year, the Centre awarded research grants totaling \$17,000 as presented in Strategic Plan update – item #2.

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 2014 fiscal year was \$35,034 compared to \$35,000 in 2013. These funds were used to conduct research into co-operatives and credit unions and to support JCAR.

Centre of Excellence in Accounting and Reporting for Co-operatives
Statement of Revenue, Expenditures and Fund Balance
March 31, 2014

	March 31, 2014	March 31, 2013
Revenue		
Donation -CPA Canada	\$ 25,000	\$ 25,000
Donations - NRUCFC	10,300	-
Donations - NSAC	<u>8,175</u>	<u>-</u>
Total Revenue	<u>43,475</u>	<u>25,000</u>
Expenses		
Administrative Co-ord.	663	1,041
Executive Director	5,500	5,500
Travel & Conferences	4,002	3,909
Office, printing, copying	218	1,248
University overhead charge	4,221	
Miscellaneous	273	523
Sponsorships	1,220	
Research Grants	<u>23,643</u>	<u>16,816</u>
Total Expenses	<u>39,740</u>	<u>29,037</u>
Excess revenue over expenses	<u>3,735</u>	<u>- 4,037</u>
Beginning Surplus	<u>119,179</u>	<u>123,216</u>
Ending Surplus	<u>\$ 122,914</u>	<u>\$ 119,179</u>

Note:

1. As per 2011 budget approval, CEARC will maintain a minimum fund balance of \$50,000.

Appendix 2

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

In-Kind Funding

2012 – 2014

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.

Recipient	Source	2011-12 Actual	2012-13 Actual	2013-2014 Actual	3-Year Total
D. Rixon	SMU - Student Employment	\$ 5,000	\$ 5,000	\$ 5,000	\$ 15,000
D. Rixon	Alberta Central CU	1,900			1,900
D. Rixon	Filene Research Institute		2,500	2,500	5,000
E. Hicks & L. Brown	SSHRC (Measuring the Coop Difference)		15,000	15,500	30,500
E. Hicks & L. Brown	Grant for Research Assistant			3,024	3,024
E. Hicks	Mount Saint Vincent		2,000	2,000	4,000
L. Beaubien	Institute of Chartered Accountants of NS		3,500		3,500
JCAR	Dean, Sobey School Business	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>21,000</u>
	Totals	<u>\$13,900</u>	<u>\$ 35,000</u>	<u>\$ 35,024</u>	<u>\$ 83,924</u>