



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

Annual Report

March 31, 2015

Centre of Excellence in Accounting and Reporting for Co-operatives

Annual Report

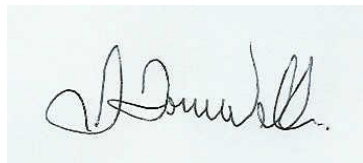
For the period April 1, 2014 to March 31, 2015

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, 2015. The past year has been very productive for the Centre. We have successfully completed the first year of our second three-year strategic plan for 2015-2017.

During the year, CEARC associates presented papers at five conferences and 34 practitioner meetings attended and three publications. In addition, we commenced a major five-year research project into environmental and social reporting by co-operatives, introduced a Co-operative Studies Track at the Atlantic Schools of Business and participated in a study tour to Cuba to identify research and accounting education opportunities.

Respectfully submitted,



Tom Webb, Chair
Board of Directors



Daphne Rixon, PhD, FCPA, FCMA
Executive Director

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

June 30, 2015

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 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

2014-15 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 – retired during 2014.
- Karen Miner - Managing Director, Co-operative Management Education, SMU
- Dr. Larry Haiven – Professor, Dept. of Management and Academic Director, Co-operative Management Education, SMU

- Dr. Jeffrey Power – Chair, Dept. of Accounting, SMU
- Elizabeth Hicks – Associate Professor, Accounting, 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, Accounting, Dalhousie University
- John Maddocks – Chartered Institute of Public Finance and Accountancy (UK)
- Dr. Daphne Rixon – Associate Professor, Accounting, SMU, and Executive Director (ex-officio member of the Board).

During the year, Alan Robb retired and resigned from the board. We wish to thank Alan for his many years of contributions to CEARC and more recently to the Journal of Co-operative Accounting and Reporting (JCAR).

2014 -15 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

Strategic Plan Update

The following section is a status update on the key initiatives in our strategic plan that covers the period 2015 – 2017.

1. Monitor the research grants awarded during the period 2015 – 2017.

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.

Status: The Research Committee has followed up with the grant recipients and all projects are in progress. It is expected that the various projects will generally take up to three years to complete.

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

Goal: Issue request for proposals Fall, 2014 and award grants in Spring, 2015.

Status: A request for proposals was issued and several proposals were received. The Research Committee reviewed the proposals and the board approved the following grants:

Fernando Polo-Garrido, CEGEA, “Factors of Adoption and Quality of Sustainability Reporting and External Assurance in Cooperatives”. \$5,000.

Katja Lepper, EBZ Business School, “The Promotion Plan and Promotion Report for Housing Co-Operatives: 35 Years of Theory and Practice”. \$5,000

Seth Leon, ACCA, “Raising the Table Stakes: Reporting on the Impact of Financial and Non-Financial Activities to Mobilize the Co-operative Advantage”. \$10,000.

Simon Barge, University of Guelph, “Food Co-operative Financing: Challenges and Opportunities within the Ontario Food Co-operative Sector”. \$7,417.

Ericka Costa, European Centre for the Study of Co-operatives and the Social Economy (EURICSE), Trento University, Social Impact Measurement for Social Cooperatives. \$10,000.

3. To sponsor a conference to identify co-operative performance measurement tools in existence and determine what they report and whether they report on the Cooperative Identity and if so how. The conference also focuses on which tools are standard in respective industries (are co-ops leaders or followers); which tools are there to set co-operatives apart from other business forms and why; are co-ops transformative, and how reporting assists with that purpose?

Goal: Co-sponsor conference in May, 2014 on “Tools to Measure Co-operative Performance and Impact”. CEARC will co-sponsor this conference with Measuring the Co-operative Difference Network. The conference will have five key themes: Statistics and data collection; Putting co-operative principles into practice; Community impact; Member and stakeholder engagement; Reporting practices (sustainability and co-operative identity). The findings from the conference will be documented and posted on the CEARC website by December 31, 2016.

Status: A conference was held May 22 – 24, 2014 with 49 in attendance from Canada, United States, United Kingdom, Switzerland, Italy and Argentina. The findings from the conference formed the basis of a book that will be published by the University of Saskatchewan in July 2015. Daphne Rixon has edited a section of the book and with Louis Beaubien has co-authored two chapters.

4. Commence an ambitious five-year project to measure the social and environmental impact of co-operatives in Canada.

This is a large-scale research project that will take at least five years to complete. It will involve the knowledge of academics, the drive of leading institutions, organizations and federations, the application of the co-operative practitioners, and the support of the Canadian co-operative community.

This research project is not starting from scratch rather building on work that has been done by the *Measuring the Co-operative Difference Research Network* (SSHRC CURA 2009-2014), The Tools Conference 2014, the various tools that have been constructed by co-

operative developers, practitioners and academics, and the vast number of measurement tools and methodologies that have been developed for investor-owned businesses and non-profit organizations. Despite this foundation, standardized and universal measurement of the impact of co-operatives socially and environmentally is far from being accepted and/or implemented by the co-operative sector in Canada.

This research will mobilize the Canadian co-operative sector to not just think about their social and environmental impact in terms of anecdotes and vague results; but, to begin to ask co-operatives to report, measure and evaluate themselves not just using the economic metrics but also social and environmental indicators.

Goals: The overall goal of this research is to measure the social and environmental impact of co-operatives Canada. Secondary goals include: 1) to identify social and environmental indicators that the Canadian co-op sector will report on for their co-operatives; 2) to develop an inventory of the various measurement tools used by co-operatives and credit unions; and 3) to put in place a sustainability plan to ensure that social and environmental impact assessment can continue beyond the life of the funding. If funding is secured by June 30, 2015 items #1 and #2 above will be completed by December 31, 2017.

To succeed, this project will need funding that well exceeds the expected resources of CEARC. In order to move forward, the project will require SSHRC funding as well as sponsorships from the co-operative community. Application for Social Sciences and Humanities Research Council (SSHRC) funding was submitted January 31, 2015. The project scope and timing will depend on funding available.

Status: Work began on this project in May 2014 with assistance from Daphne Rixon's MBA summer student. This was funded through an internal Saint Mary's summer student employment program in 2014. The focus during 2014-2015 was a literature review of prior research on measuring the social and environmental impact of co-operatives as well as a compilation of measurement tools currently utilized by co-operatives globally.

In addition, an application has been submitted Insight Development Grant from SSHRC for \$75,000 to cover the first two years of the project. Our intention is to conduct a pilot study with 10-15 co-operatives in various sectors and regions of Canada with the aim to identify 15 key performance indicators that reflect the social and environmental impact of co-operatives.

5. Commence an initiative to work with the National Society of Accountants for Cooperatives (NSAC) in the US to start a Canadian chapter. Currently, there is no forum specifically focused on professional development and networking for accountants working in Canadian co-operatives and credit unions. This project will enable CEARC to provide access to a conference for Canadian co-operative accountants and will provide CEARC with valuable access to accountants not only in Canada, but also in the US. Currently, there are very few avenues to create awareness about CEARC among practitioners and this initiative would be very beneficial in disseminating the work of CEARC and in seeking input as to future research desired by the co-operative sector.

Goal: To host a Canadian event at the August 2014 NSAC conference and to develop a Canadian stream for the 2015 conference. After the 2015 conference, we will determine whether there is sufficient interest in Canadian accountants attending this conference. If the results are positive, a stream will also be developed for the 2016 conference.

Status: CEARC and NSAC hosted a Canadian event at the 2014 conference, which Daphne Rixon attended along with Gord Beal, CPA Canada and representatives from Credit Union Central, The Co-operators and Meridian Credit Union.

An organizing committee was formed to identify topics of interest for Canadian co-operative accountants. The 2015 conference will be held in Denver, August 2- 5, 2015 and NSAC is offering five free registrations to Canadian participants. Daphne Rixon has been invited by NSAC to give a joint presentation with Jim Halvorsen, Principal, CliftonLarsonAllen, LLP, Marshfield, Wisconsin. The presentation will provide a comparative analysis of Canada-US approaches for taxation of patronage dividends and the impact of IFRS on Canadian co-operatives.

6. Continue the development of an online resource centre for all CEARC publications and research as well as the International Statements of Recommended Practices (iSORPs) and best practices related to accounting and reporting for cooperatives.

Goal: Post publications on a timely basis as work is completed to the online resource centre.

Status: Website has been updated for recent papers.

7. Actively publish articles in the Journal for Co-operative Accounting and Reporting (JCAR).

Goals: Ensure there are a minimum of one edition published annually. Publish Special Joint Issue - Journal of Co-operative Accounting and Reporting (JCAR) and International Journal of Co-operative Management (IJCM) in Summer, 2014 (edited by Sonja Novkovic).

In 2017 start the process to identify a publisher that would take on the publication of JCAR with the view to completion by December 31, 2017.

Status: The next edition is expected to be published by July 30 and it will be comprised of the following three papers:

George Karaphillis and Alice Lake, “The Economic Impact of Nova Scotia Co-operatives”

Rebecca Attwell and Alan Robb “OCFAID - A Practical Application in Co-operative Analysis”

Wendy Holm and Alan Robb, “OCFAID Analysis of the Demise of Canada’s Dairyland Co-operative”

The next issue of the journal will focus on social and environmental reporting by co-operatives. We have developed brochures about JCAR and Daphne Rixon continues to

promote the journal and solicit submissions through CEARC's various networks and alliances.

During the year, Louis Beaubien moved to Dalhousie University and resigned as editor of JCAR. We thank Louis for his work in starting the journal and seeing it through its first two years. Daphne Rixon was appointed by the Board as editor of JCAR.

8. 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: Build collaborative relationships to identify at least two additional funding partners with funding secured within the 3 year strategic plan period.

Status: We are in the process of working with major accounting firms to seek their financial support.

9. Conduct a needs assessment survey to identify topics that the co-operative and credit union sectors would like to have researched.

Goal: Develop action plan to address the needs identified from the survey. Conduct the survey by December 31, 2014.

Status: This project has been delayed to allow time to identify contact information for accountants working in co-operatives. The survey will be completed by December 31, 2015.

10. 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. Allocate sufficient funds for up to two CEARC associates (in addition to the Executive Director) to attend the Quebec symposium conference in October.

Status: Funds were approved February 27th by the Board Chair, Treasurer and Executive Director for the following applications for travel funding:

- Louis Beaubien - \$1,500. Funding requested to travel to Ottawa make a presentation on Co-operatives to a Senate committee. This provided a unique opportunity to heighten the profile of co-operatives and their contribution to the Canadian economy.
- Louis Beaubien - \$2,500. Funding was provided to help represent CEARC at the International Co-operative Symposium, Quebec City.
- Fiona Duguid - \$2,500. Funding requested to travel to the International Co-operative Alliance in Paris where she will be presenting a paper on social and environmental Reporting. Her attendance and presentation will help heighten the profile of CEARC on an international level and will introduce our major new project on the topic of social and environmental reporting.

Conference Presentations

Rixon, D. and L. Beaubien (2015), Integrated Reporting for Co-operatives: A Case Study of VanCity Credit Union, *International Academy of Business and Public Administration Disciplines Conference*, Orlando, January 2 – 5.

Webb, T. (2014), Performance Measurement, Neighboring Food Co-operatives Association, Hanover New Hampshire

Rixon, D. (2014), Performance Reporting in the Co-operative Financial Services Sector, *Atlantic Schools of Business Conference*, Halifax, September 27.

Rixon, D. and K. Lightstone (2014), Impact of IFRS on Credit Unions in Canada”, *Financial Business and Reporting Conference, Bristol*, July 2 - 4.

Rixon, D. (2014), Performance Reporting in the Co-op Financial Services Sector, *Canadian Association for Studies in Cooperation Conference*, Brock University, St. Catharines, May 27-29.

Meetings/conferences attended by Tom Webb

June 2014: Discussed co-operative accounting with MMCC 5270 cohort visiting Mondragon Co-operatives

October 2014: International Co-operative Summit, Quebec City

November 2014: Canadian Federation of Worker Co-operatives Conference

February 2015: Co-operative Index Team to Cuba to work on measurement of farmer engagement in agricultural co-ops based on co-operative values and principles; preliminary assessment of applying the Co-operative Index to worker co-operatives; and preliminary assessment of co-operative accounting needs for Cuban co-operatives.

Industry presentations by Russ Wasson

April 2014: Accounting Update at NRUCFC
Commodities Futures Trading Commission Roundtable for End Users
Accounting Update at Minnesota Statewide

May 2014: Accounting Update at Pennsylvania and New Jersey Statewide
RUS Update at NRECA Legal Seminar

June 2014: Disruptive Technology at NSAC Capitol Chapter

July 2014: Disruptive Technology at the NRECA Accounting and Finance Conference
Accounting Update at the NRECA Accounting and Finance Conference

- August 2014: International Accounting Standards Convergence at NSAC Annual Meeting
 RUS Update at the NRECA a Legal Seminar
 Accounting Update at the Colorado Statewide
 Tax Update at the RUS CPA Seminar
 Accounting Update at the Alabama Statewide
- September 2014: Accounting Update for the G&T Managers Technical Advisory Committee meeting
 Accounting Update at the Florida Statewide
 Tax Update at the RUS CPA Seminar
 Accounting Update at the Virginia, Delaware, Maryland Statewide
- October 2014: International Cooperative Alliance Working Group on IFRS
 Accounting Update at Alaska Statewide
 Accounting Update at Arkansas Statewide
 Accounting Update at Certified Cooperative Financial Professional Program at NRECA
- November 2014: Meeting at the Commodity Futures Trading Commission
 Meeting of the FASB Small Business Advisory Committee
 Tax Update at the NRECA G&T Legal Seminar
 Accounting Update at the NSAC Capitol Chapter
- January 2015: Meeting of the G&T Managers Risk Management Technical Advisory Committee
- February 2015: G&T CFO Retreat at NRECA
 Cooperative Finance Conference at Goldman Sachs
 Meeting of the Energy and Environmental Markets Advisory Committee
 Meeting at the Commodity Futures Trading Commission

11. Increase awareness and profile of CEARC within the co-operative sector among practitioners and researchers.

Goal: Develop a communications strategy to obtain contact information for practitioners in accounting. This will enable CEARC to keep practitioners up to date regarding our research and to solicit input regarding future research projects. Target completion date: March 31, 2015.

Status: Due to the initial limited response to the links provided by the CPA Newsletter and Co-operatives and Mutuals Canada (CMC), a student was hired to search the websites of the largest 100 co-operatives (taken from Statistics Canada data) to identify the Chief Financial Officer and obtain contact information. In addition, a request for cooperatives to

sign up for our e-news is included in the CMEC newsletters that are sent to 1200 co-operatives.

The various CPA and CMEC newsletters have resulted in over 100 individuals signing up to the CEARC database. This will be used to conduct the survey and to issue information regarding our research and conferences (such as NSAC). This is an ongoing initiative and we will continue to take steps in increase awareness of CEARC and add more co-operative accountants to our database.

12. Improve CEARC's governance structure by adding more practitioners to the Board of Directors.

Goal: Recruit two new members who are practitioners in co-operative accounting to the CEARC Board of Directors. Target completion date – December 31, 2015.

Status: We are in the process of identifying suitable board members by soliciting input from co-operative industry associations.

D. Publications

Rixon, D. and L. Beaubien (2015), "Integrated Reporting for Co-operatives: A Case Study of VanCity Credit Union", book chapter in *Co-operatives for sustainable communities: Tools to measure impact and performance of co-operatives*, University of Saskatchewan, forthcoming.

Rixon, D. and L. Beaubien (2015), "Sustainability Reporting: A Case Study of The Co-operators", book chapter in *Co-operatives for sustainable communities: Tools to measure impact and performance of co-operatives*, University of Saskatchewan, forthcoming.

Beaubien, L. and D. Rixon (2014), "Intentions, Observations, and Decisions: Metrics in Insurance Co-operatives", book chapter in *Accountability and Social Accounting for Social and Non-profit Organizations*, Costa, E., Parker, L. and Andreaus, M. (eds), Emerald Group Publishing Limited, Forthcoming.

E. Other Initiatives

Co-operative Studies Track – Atlantic Schools of Business Conference

CEARC arranged with the Atlantic Schools of Business (ASB) to introduce a Co-operative Studies track at the 2014 conference. This is the first time a Co-operative Studies track has been offered by ASB. Our objective in offering this track at a mainstream business conference was to heighten awareness of co-operative research and hopefully attract more academics to become involved in this area of research. The track has been re-named Cooperative Studies and Social Economy to attract more papers and expand the topics to

include co-ops in critical management; co-op management and ethics; and co-op entrepreneurship. The next ASB conference will be held in September 25 - 27, 2015 in Fredericton, NB.

Cuba – Research and Co-operative Accounting Education

CEARC sponsored David Bateman, Accounting Profession, Saint Mary's University to attend a study tour in Cuba. Tom Webb, CEARC Chair and Nancy Foran of CPA also participated in the study tour. The purpose of this tour was to identify opportunities for CEARC and Saint Mary's University to conduct research and provide specialized co-operative accounting education. We are working with CPA Canada to determine how Saint Mary's and CEARC can become involved at this unique point in Cuba's economy as the country moves many of its industries to a co-operative business model. The tour took place in February and involved visits to co-operatives in a variety of industries as well as meetings with the accounting profession and the university in Havana.

F. Financial Report

As illustrated in Appendix 1, the Centre began the year with \$122,914 and with revenue of \$42,500 less expenses of \$71,742 resulting in an excess of expenditures over revenue of \$29,242. Since we have now secured stable ongoing funding from CPA Canada, it was determined that it would be prudent to spend a portion of the accumulated surplus. 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 \$42,500, which is comprised of \$25,000 from CPA Canada, \$10,000 from the National Rural Utilities Cooperative Finance Corporation and \$7,500 from the National Society of Accountants for Cooperatives. We finished the year with a fund balance of \$93,672.

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. Since the Executive Director was on sabbatical, the funds for course relief were transferred to her research account and will be used for co-operative research. Furthermore, during the year, the Centre awarded research grants totaling \$36,530 as presented in the Strategic Plan update section of this report.

In addition to the funding received directly by CEARC, our research associates were awarded various grants that are presented in Appendix 2 as in-kind funding. Total in-kind funding for the 2015 fiscal year was \$15,600. These funds were used to conduct research into co-operatives and credit unions. In addition, the Dean, Sobey School of Business provides \$7,000 annually to support JCAR.

Centre of Excellence in Accounting and Reporting for Co-operatives
Statement of Revenue, Expenditures and Fund Balance
March 31, 2015

| | 2015 | 2014 |
|------------------------------|------------------|-------------------|
| Revenue | | |
| Donation - CPA Canada | \$ 25,000 | \$ 25,000 |
| Donations - NRUCFC | 10,000 | 10,300 |
| Donations - NSAC | <u>7,500</u> | <u>8,175</u> |
| Total Revenue | <u>42,500</u> | <u>43,475</u> |
| Expenses | | |
| Administrative Co-ord. | 606 | 663 |
| Executive Director | 5,500 | 5,500 |
| Travel & Conferences | 4,307 | 4,002 |
| Office, printing, copying | 2,223 | 218 |
| University overhead charge | 4,067 | 4,221 |
| Miscellaneous | 804 | 273 |
| Sponsorships | 17,705 | 1,220 |
| Research Grants | <u>36,530</u> | <u>23,643</u> |
| Total Expenses | <u>71,742</u> | <u>39,740</u> |
| Excess revenue over expenses | (29,242) | 3,735 |
| Beginning Surplus | <u>122,914</u> | <u>119,179</u> |
| Ending Surplus | <u>\$ 93,672</u> | <u>\$ 122,914</u> |

Appendix 2

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

In-Kind Funding

2013 – 2015

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.

| | | 2012-13 | 2013-2014 | 2014-2015 | 3-Year |
|---------------------|--|------------------|------------------|------------------|------------------|
| Recipient | Source | Actual | Actual | Actual | Total |
| D. Rixon | SMU - Student Employment | \$ 5,600 | \$ 5,600 | \$ 5,600 | \$ 16,800 |
| JCAR | Dean, Sobey School Business | 7,000 | 7,000 | 7,000 | 21,000 |
| D. Rixon | Faculty of Graduate Studies and Research | - | - | 3,000 | 3,000 |
| 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 |
| | | | | | - |
| | Totals | \$ 35,600 | \$ 35,624 | \$ 15,600 | \$ 86,824 |