

2013

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2014

CPA-Queen's Centre for Governance

ANNUAL REPORT

QUEEN'S SCHOOL OF BUSINESS | 143 Union Street Kingston ON K7L 3Y7

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Mission Statement

To be the premier Centre for the thoughtful study of governance in Canada with a special emphasis on the roles of the public accountants and audit committees to whom they report.

Vision and Mandate

CPA-Queen's Centre for Governance (<http://business.queensu.ca/centres/centre-for-governance/index.php>) vision is to raise the bar on Canadian governance research with respect to transparency and financial accountability and convey that research's implications to academics, students and the public at large. Situated at Queen's School of Business (business.queensu.ca), one of the world's premier business schools, the Centre's mandate includes conducting cutting edge basic and applied research on governance dealing with such issues as fraud prevention and detection and improving the quality of Canadian securities' regulation. The Centre's premiere not for profit program mandate is the Voluntary Sector Reporting Awards that rewards voluntary sector organizations for transparent Annual Reports and financial accountability. The Centre is funded, in part, by the Chartered Professional Accountants of Ontario (formerly known as the Institute of Chartered Accountants of Ontario).

Report on Centre's Activities and Accomplishments 2013-14

Research Centre Operations

Centre Director's Report on Accounting Accreditation

Part of the agreement in establishing the CPA-Queen's Center for Governance was that the Centre Director would monitor and provide input to the Dean, QSB on relationships with the professional accounting bodies, especially the ICAO (now CPAO). This monitoring and input has been accomplished over the years through the Director discussing assignment of faculty to courses by the Associate Dean (Faculty and Administration), monitoring the development of the Queen's Advanced Accounting Program into the Queen's Graduate Diploma in Accounting program based on the proposed Masters of Management (Accounting) program, updating accounting and closely allied faculty on a regular basis about the changes in CPA/CA education, supporting the Commence Office in responding to requests from the CPAO/ICAO regarding program details, monitoring the CA UFE pass rates for first time writers from QSB, and leading the initial accreditation of the Queen's Advanced Accounting Program combined with the Queen's Commerce concentration in accounting as being one of the first recognized accredited programs by the ICAO in 2007.

In 2013-14 the process of re-uniting the professional accounting bodies that had originally split off in the early 1900's was well underway in Canada. As part of that change the professional bodies took it upon themselves to totally redesign their pre-professional and professional programs. The Centre Director had been active in the consultation phase that the ICAO undertook starting in 2012 either representing the QSB himself or ensuring that QSB was represented at the numerous consultation and information meetings held by the ICAO in 2012-13. When final Professional Education Program (PEP) details began to come to light in April and May 2013 the Centre Director started consulting with accounting faculty and the Dean's Office (i.e. the Dean, Associate Dean (MBA programs), Associate Dean (Faculty and Administration)) about where we should position the QSB accounting programs in light of these changes. In the end it was decided that QSB would position itself as an early adopter of the CPA National Accreditation Standards and seek exemption for its Graduate Diploma in Accounting program graduates from the complete coursework part of the PEP. This exemption allows QSB Diploma graduates to enter the PEP at the Capstone 1 module and to have no additional examinations post-diploma before writing the replacement for the CA's UFE entitled the CPA Common Final Examination (CFE).

The Director lead the development of the accreditation report (with the assistance of Nancy Shield, Laurie Ross, Eric Leblanc, and George Boland), developed the groundwork for changes to the undergraduate and graduate programs to provide the basis for the exemptions, and facilitated the appointment of a new director of the GDA program (David McConomy) who shared the vision of the accreditation report. QSB deposited the first application in the country for accreditation under the new National Standards and was the first university in the country to be evaluated under the new standards. QSB was the first program to be accredited under the new national standards and implemented the new program in May 2014. The Director of the Centre was appointed as the Chair of the Academic Committee for the GDA program, consistent with the Director's mandate as provided in the agreement to establish the CPA-Queen's Centre for Governance that the Director would monitor and provide advice to the Dean on all professional accounting programs at QSB.

Basic Research Grants

A fund of \$30,000 a year is allocated to fund basic research on corporate governance with an emphasis on financial aspects thereof. The Centre runs three research grant programs, Small Grants (up to \$4,500), Main Grants (up to \$15,000) and Infrastructure grants to support key research infrastructure to be used in governance research. All grants follow a similar application process. The Director has the ability to approve small grants up to the sum of \$2,500 in order to focus the time commitment of the voluntary advisory board members on the larger research grants.

All research grants are first reviewed by the Director for suitability and he makes a recommendation about their academic merit to the reviewers. If the Director is the grant applicant or the supervisor of the grant applicant then the other accounting area member of the advisory board deals with the project following the same guidelines. The Director selects two members of the Advisory Board to read and comment on the proposal to determine if they agree that funding should proceed and if so, do they agree with the proposed budget. The process is iterated until agreement is reached (or the full Advisory Board would be consulted if agreement could not be reached.) In 2013-14 three grant proposals were received and all three were funded.

Appendix A shows that since the Centre started approving research grants in 2006-07 that Centre supported research projects have resulted in nine publications (accepted for publication or published) from the thirteen funded research grants. A number of projects funded are still at the working paper stage (i.e. they are being exposed for peer comment while going through the academic review process) or data collection stage. Working paper activity, which is captured through the 2013-14 tracking of Centre funded projects, indicated that in excess of a dozen academic paper presentations were made of Centre supported research at various workshops and conferences.

The total dollars paid out by the Centre since 2006-07 for research is \$112,542 not counting the investments made in 2013-14 (see Appendix B for grants made in this year) as current expenditures reflect research projects in the earliest stages of development. Given the evidence of high impact academic research being published as reported in the previous paragraph I believe that the Centre has been a very cost effective vehicle for funding basic and applied research into corporate governance. Since penetration by QSB academics of FT 45 journals is one of the key components of the QSB strategic research plan, the investment is also paying off in terms of the overall business school's research strategy. Hence, the basic research grant program continues to fulfill its mandate to develop cutting edge research and to aid QSB faculty members in publishing papers in strategically important venues.

Infrastructure Grant: In 2012-13 the QSB Graduate Studies and Research Office informed us that the subscription to AuditAnalytics (a premium company intelligence service providing independent research to the investment, accounting, insurance, legal, regulatory and academic communities) was up for renewal. In 2006, the Centre provided 100% funding to Luo He (then a PhD candidate in accounting) for this same audit intelligence database. As a matter of Centre policy, we do not pay for complete ongoing funding for infrastructure items. However, this application was for partial payment supporting this database in the amount of \$2,500 out of a total cost of over \$7000. AuditAnalytics is a resource used by many Centre members in the course of carrying out their research on a routine basis. Hence, subject to annual review, we agreed to pay

up to \$2500 of the cost of the data base with the remainder shared with Dean's Office and Graduate Studies and Research Office. This payment was continued in 2013-14. See Appendix B for description of this grant.

Partial Event Sponsorship: The Centre provided sponsorship funding a 2013 Student Accounting Club Event held at the University Club. This event was to assist the Accounting Club in meeting the demand from students to attend their annual meeting with CPAO beyond what their QSB provided budget allowed for. The Centre's Advisory Board Co-Chair, Brian Leader FCPA, FCA, was the key note speaker at the event. The event featured a major update to QSB students about the activities surrounding the merger of the three professional accounting bodies in Canada and the effects it would have on their pre-qualification education. The event was fully subscribed. Follow-up discussions with student leaders suggested that the event achieved its key purpose: to assure the students that their interests were being taken into consideration during the merger process and to assure students that their pathway to becoming a professional accountant was not being hurt by this activity.

The Not for Profit Initiative: Voluntary Sector Reporting Awards

In July 2013 George Boland CPA, CMA joined the Centre as Associate Director. A key part of Associate Director Boland's mandate is championing the Centre's annual Voluntary Sector Reporting Awards (VSRAs). The VSRA started in 2008 as an Ontario-focused charity awards program and was expanded in 2010 to include national and internationally focused charities headquartered in Ontario. Upon his appointment Boland stated "I look forward to moving the VSRA to the next level over the coming years."

The first move in that direction, in 2013-14, the Centre is expanded the VSRA to include organizations whose headquarters are in Canada with a substantial presence in Ontario whether through fundraising or providing services. Since the Awards launch, over 300 voluntary sector organizations have been through the rigorous screening and judging process of the VSRAs. In addition to cash awards, all nominees receive detailed feedback on the transparency of their annual report and audited financial statements with finalists receiving individualized comments from a panel of prominent judges from such sectors as philanthropy, accounting, marketing and academia.

George Boland is an Assistant Professor in the Queen's School of Business where he has taught accounting for more than 20 years. During his time with the School, he has won a number of awards for his contributions to student life. He was also the Associate Director of the Commerce Program from 2001 to 2012. Prior to coming to Queen's, George spent 11 years in Calgary working for Schlumberger of Canada, Peter Bawden Drilling Limited and Clarkson, Gordon Chartered Accountants. While in Calgary he qualified for the CMA designation and taught part-time at the University of Calgary. George has served as the treasurer and on the boards of a number of not-for-profit organizations and holds a BA and an MSc in Physical Geography, both from Queen's.

Highlighting our new Accounting Firm Sponsor

The Centre was pleased to announce that Grant Thornton LLP, one of the largest public accounting firms in Canada had committed to being the VSRA's exclusive accounting firm sponsor in 2013-14. Deryck Williams, FCPA, FCA-IT, CMC, Partner, National Leader, Charity and Not-for-Profit Organizations, Grant Thornton lead the process of Grant Thornton becoming the exclusive sponsor on a trial basis for 2013-14. This initial sponsorship was, subsequent to fiscal yearend, extended to a three year sponsorship agreement.

VSRA 2014

The 6th Annual VSRAs were presented at a celebratory lunch at the One King Street in downtown Toronto on February 7, 2014 with over 100 attendees. The Awards featured, for the first time, the admittance to the competition all national and international not for profit organizations with a substantial presence in Ontario (e.g., fundraising, service provision etc.). This category expansion greatly expanded the reach of the VSRA across the country. The VSRA continued their commitment to charities focused on Ontario by continuing with the three categories that focused on those organizations. Dr. Steven Salterio, the Founder of the Voluntary Sector Reporting Awards and long-time Master of Ceremonies at the Awards was the guest speaker. He gave an engaging talk on the decision to found the awards and what has been learned about excellence in charity financial transparency over the six year history of the awards. Awards were presented to VSRA

finalists, winners and honorable mentions by David Saunders, Dean, Queen's School of Business; Rod Barr FCPA, FCA, President and CEO, CPA Ontario (formerly ICAO); Brian Leader, FCPA, FCA Vice President Learning, CPA Ontario; Deryck Williams, FCPA, FCA-IT, CMC, Partner, National Leader, Charity and Not-for-Profit Organizations, Grant Thornton, and George Boland CPA, CMA Associate Director of the CPA-Queen's Centre for Governance.

In 2013-14 the Centre continued with its efforts to expand the quality of the program:

1. For the second year the Centre capped the number nominations at 125 (maximum with 100 being preferred so as not to overtax evaluation resources) by vetting in advance nominations to ensure there was sufficient information in their reports to generate reasonable feedback during the judging process. Those nominations that were identified as not providing the minimal amount of information necessary to allow quality feedback were provided with a variety of resources to allow them to develop a report that consisted of enough information to enter the judging process in future years. Qualified nominations were accepted on a first come first served basis with a cap of 25 per category.

Outcome: 2013-14 featured 116 qualified nominees out of 136 submissions across the five categories. This was an increase from 81 qualified nominees out of 102 submissions in 2012-13, that is an increase of 43% in qualified nominations and 33% overall. The screening for eligibility was carried out by Director of Technical Scoring, Patrick Legresley CPA, CA.

2. Obtain a national media sponsor and work with them to raise the profile of the event.

Outcome: PostMedia and its flagship newspaper the National Post agreed to act as national media sponsor of the 2013-14 Awards for the second year in a row. A two page centerfold section was inserted into the National Post's Financial Post section on February 28, 2014 announcing 6th Annual VSRA Recipients.

3. Develop a list of prospective sponsors and develop relationships with them with the aim of asking them to co-sponsor the awards in future years.

Outcome: The negotiation of the new sponsorship agreement with Grant Thornton was the focus of efforts in 2013-14. Work is continuing to identify and convince other potential sponsors of the merits of joining in sponsoring this Awards program. A positive outcome to this work is necessary to put the VSRA on a sustainable financial footing. As shown in Table 5, there is a structural deficit in the VSRA that amounts to some \$25,000 to \$30,000 without additional sponsorships. This deficit is not sustainable in beyond 2014-15.

Risks Moving Forward

As the financial report and budget (see Tables 1 and 5) for the VSRA program show, the current level of VSRA activity is not fiscally sustainable. The Centre's current grant for the Not for Profit Initiative (NPI) does not support the infrastructure needed to run the program at its current level. The NPI surplus allowed for the expansion of the program but the surplus funds were fully drawn down in the 2012-13 fiscal year. The current base funding provided by the CPA (Ontario) for the NPI is insufficient to maintain and grow the program. One time funding from CPA (Ontario) in 2013-14 in the amount of \$23,000 allowed the program to continue for its successful sixth year. Further, in 2013-14 Grant Thornton became the sponsor of the Awards for a one year trial sponsorship. This successful pilot sponsorship lead Grant Thornton to become the exclusive accounting firm sponsor for a three year period from 2014-15 to 2016-17. The VSRA program's full costs are in the amount of \$105,000 to \$110,000 (see Table 5). Given the recently signed sponsorship agreement the Grant Thornton there is still a gap of \$25,000 to \$30,000 to be raised from other sponsors. The ability to raise these extra funds is in question; but must be a priority in 2014-15.

With respect to the basic research grants, the key risk going forward is lack of innovative new proposals for research funding. After several years of lower than budgeted proposals being approved, in 2013-14 research grants were approved that totalled almost \$30,000 which is the equivalent to the amount of funds allocated annually for research grants.

Centre Advisory Board

The Advisory Board members are:

- David Saunders, Dean QSB
- Richard Clark CPA, CA, Deloitte, Greater Toronto Area Audit Practice Leader, Queen's alum with extensive public company client list
- Brian Leader FCPA, FCA, Vice-President Learning, ICAO
- Tom O'Neill FCPA, FCA, former CEO of PWC, Queen's alum who is currently a board chair, a board member and an audit committee member for such Canadian companies as Loblaw and BCE.
- Steve Salterio FCPA, FCA, Director, *ex officio*
- Teri Shearer CPA, Accounting Faculty Member and Associate Dean, QSB (who has been active at the Board and Board Chair level of a number of significant sized not for profits)
- Ken Wong, Faculty Member, QSB and active board member of public and private companies. AMA "Marketing Legend" 2006.
- Dan Thornton, FCPA, FCA (Alberta and Ontario), Accounting Faculty Member and CPAO Professor of Accounting at QSB (new member 2013-14)

The role of the Advisory Board is two-fold. First, to review applications for grant funding by contributing their subject matter expertise to the decision making process. Second, the Board is a source of advice for the Director on matters pertaining to running the Centre and its programs. This is achieved through formal Board meetings (the first held in May 2010) and individual advice to the Director.

Financial Accountability Reports to the Dean and CPAO (see separate file attached):

- Statement of Receipts and Expenditures including accruals for year ended April 30, 2014 (Table 1)
- Statement of Financial Position as of April 30, 2014 (Table 2)
- Details of accruals regarding research grants (Table 3)
- Proposed Centre Budget for 2014-15 (Table 4)
- Voluntary Sector Reporting Awards Proposed Budget 2014-15 with budget and actual for 2013-2014 (Table 5)

**Table 1: Annual Financial Report CPA-Queen's Centre for Governance
Statement of Receipts and Expenditures
For year ended April 30, 2014**

	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Receipts	2012-13	2013-14	2013-14
Donations - CPAO regular	\$35,000	\$35,000	\$35,000
Donations – CPAO Not for Profit Initiative	45,000	45,000	45,000
Donation – One time CPAO funding to support VSRA		23,000	23,000
VSRA sponsorship – exclusive accounting firm	25,000	32,000	32,000
CAAA re CAR Editor (in-chief) support/director's research funding	27,422	8,667	8,667
Miscellaneous Revenue	6,902	80	0
Transfer – one time only from contributed surplus research	8,200	0	0
Transfer from within QSB (Note 3)	15,000	8,200	5,000
	<u>\$162,524</u>	<u>\$151,947</u>	<u>\$148,667</u>
Expenditures			
Admin Prof & Tech Salary (50% Centre Program Assistant, 50% VSRA)	62,890	40,983	42,000
Voluntary Sector Reporting Awards (see Table 5 incremental program expenses)	92,529	98,654	85,450
Research grants paid and accrued (see Table 3 for accruals)	8,278	24,116	30,000
Education and course support (Note 1)	1,762	1,638	0
Representational expense for QSB faculty at CPAO functions	1,268	2,388	4,500
Computer replacement (Note 2)	2,087	0	0
Miscellaneous: postage, office supplies, parking passes for visitors etc.	1,307	1,578	2,000
	<u>170,121</u>	<u>169,357</u>	<u>163,950</u>
Net surplus(deficit)	<u>(\$7,597)</u>	<u>(\$17,410)</u>	<u>(\$15,283)</u>
Opening operating account balance	<u>\$31,521</u>	<u>\$53,924</u>	<u>\$53,924</u>
Recovery of funding deferred for Centre salary support expensed in prior periods	\$30,000	0	0

Closing operating account balance	<u>\$53,924</u>	<u>\$36,514</u>	<u>\$38,641</u>
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Abbreviations:

CPAO = Chartered Professional Accountants of Ontario (formerly Institute of Chartered Accountants of Ontario – ICAO)

CAAA = Canadian Academic Accounting Association

CAR = Contemporary Accounting Research

QSB = Queen's School of Business

Note 1: In 2013-14 the Centre supported on a one-time basis, the Accounting Club to expand their event for Commerce students interested in a professional accounting career due to the high degree of interest in the effects of the changes to professional accounting in Canada and the potential effects of those changes to their education. In 2012-13 the Centre supported 50% of the cost for a faculty member to attend an IT Assurance seminar sponsored by the CICA in support for her development of materials for MGMT 814 IT Assurance. The Centre also supported course development work for the new CPA program by providing assistance to develop COMM 415 Governance and Risk Management.

Note 2: The Centre's computer purchased in 2008 was basically obsolete in 2012 and was replaced. Given the expenditure represents less than 1.3% of centre budget the amount was expenses rather than capitalized and depreciated.

Note 3: In 2013-14 the VSRA Judge's Committee awarded two honourable mentions to finalists in the VSRA. Queen's School of Business Executive Education sponsored those awards on a one time basis. Hence, as in previous years the VSRA had actually paid out cash for those awards, the awards would normally be purchased from Executive Education, and hence a transfer from within QSB and an offsetting increase in the expenses of the VSRA was recorded in the amount of \$8,200.

**Table 2: Annual Financial Report
CPA-Queen's Centre for Governance
Statement of Financial Position
As at April 30, 2014**

	2012-13	2013-14
Assets		
Cash	\$116,255	\$146,334
Accounts Receivable		
QSB – contribution for Program Assistant		
2013-14 year	0	0
Prior years	45,000	0
Total Assets	<u>\$161,255</u>	<u>\$146,334</u>
 Equities and Accruals		
ICAO grant received in advance (note 2)	80,000	80,000
VSRA Honourable Mention Awards (note 3)	8,200	-
Research grants accrued (see Table 3)	4,136	15,128
Total	<u>\$92,336</u>	<u>\$95,128</u>
Surplus: Operating	53,714	\$36,514
Contributed research surplus (note 4)	15,205	14,692
	<u>\$68,919</u>	<u>\$51,206</u>
Total Equities and Accruals	<u>\$161,255</u>	<u>\$146,334</u>

Notes:

1. The Centre follows an accrual basis of accounting. See list of accruals in Table 3.
2. The CPAO grant for the next fiscal year arrives prior to the Centre's April 30th year end. The revenues received in one year are matched with the expenditures that occur in the following year.
3. Two honourable mentions were awarded by the VSRA Judges Panel in 2013-14 and 2012-13. These awards consist of tuition and travel to the Queen's Executive Program **Governance: For Executives and Board Members in Government and Not-for-Profit Sectors**. The awards are paid in the year following receipt when attendance at the Program

occurs hence are accrued. In 2013-14 Queen's Executive Education sponsored the awards and hence they are shown on the Statement of Receipts and Expenditures as a transfer within QSB and an additional expenditure for the VSRAs. See Note 3 to the Statement of Receipts and Expenditures.

4. The contributed research surplus arises from research grants that have been made and expensed yet for a variety of reasons have not been fully expended or a funded and expensed proposal was withdrawn by authors in subsequent fiscal periods. This surplus can only be drawn down to fund future research projects. In 2013-14 a project reconciliation was carried out for one research grant and an additional reimbursement of expenses was made to those researchers. This amount had been incorrectly included in surplus as it was thought the project was finished. In 2012-13 a one-time amount was drawn down from this surplus to offset the cost of the honourable mentions in the VSRA in the amount of \$8200. This was approved by the Co-chairs of the Advisory Board, Dean David Saunders and CPAO Vice-President Learning Brian Leader.
5. The Centre Director and Associate Director receive no stipends for Centre activities; hence all funds granted are used to support Centre programs.

**Table 3: Annual Financial Report
Accruals for Research Grants As
at April 30, 2014**

Projects in Process	Accrued Amount
<i>KERP plans and the Provision of Incentives in Financially Distressed Firms: Professor Wei Wang</i>	\$1,975
<i>The Use of Management Accounting in Organizations Experiencing Change: Christie Hayne, PhD student</i>	13,153
Total Accruals: research grants per Statement of Financial Position	\$15,128

**Table 4: Annual Financial Report Revised
CA-Queen's Centre for Governance
Proposed budget for fiscal year 2014-15
(May 1, 2014 to April 30, 2015)**

	Budget	
Revenue	2014-2015	Explanation
CPAO Research Centre	\$35,000	In accordance with ICAO-QSB agreement that was renewed in 2012 for a further seven years
CPAO Not for Profit Initiative	45,000	
Grant Thornton LLP re VSRA	35,000	VSRA sponsorship agreement for period 2014-15 to 2016-17
Additional sponsorships for VSRA	10,000	Based on asks made in early part of 2014-15. Success of these efforts is unknown. Per Table 5 there is a structural deficit of \$18,000 in the VSRA program even if these funds are raised.
Director's transfer from research grant to support Centre Assistant	3,000	Director's contribution from research grant to support Centre Program Assistant
	\$128,000	
Expenses		
Admin Prof & Tech Salary	\$15,000	Centre assistant salary and benefits. Effective September 1, 2013 50% of Centre's Assistant salary will be paid from other QSB sources. 2013-14 had the full salary of the Centre Assistant charged to the Centre from May 1 to September 1 hence, the reduction from budgeted amount in 2013-14.
Travel and representational expenses	3,500	Travel regarding Centre representation at CPAO events and meetings
Voluntary Sector Reporting Awards 2014-15	106,950	See breakdown in Table 5
Research grants	30,000	Annual amount for research grants after Centre administrative expenses.
Miscellaneous: office supplies, postage, parking passes	2,000	
	\$157,450	
Net operating surplus (deficit)	(\$29,450)	Budgeted operating deficit is due to the VSRA structural deficit in the amount of \$16,950 (see Table 5). The remainder (\$13,500) is due to centre assistant.
Opening net operating surplus	\$36,514	
Closing projected net operating surplus	\$7,064	
Opening contributed research surplus	\$14,692	
Closing projected research surplus	\$14,692	This allows up to \$44,000 in research grants to be awarded in 2014-15 if projects materialize.

Table 5:
VSRA 2014-15 Proposed Budget with Comparison to 2013-14 Actual and Budget

	2013-14	2013-14	2014-15
	Budget Proposed	Actual	Budget Proposed
Cash receipts re VSRA			
CPA-Ontario grant	\$40,000	\$40,000	\$45,000
CPA-Ontario one time assistance 2013-14	23,000	23,000	0
Grant Thornton VSRA sponsorship	32,000	32,000	35,000
Miscellaneous lunch revenue		80	
Additional VSRA sponsorship	0	8,200	10,000
Total cash receipts re VSRA	\$95,000	\$103,280	\$90,000
Expenditures for VSRA			
Luncheon	\$10,000	\$10,087	\$11,000
Plaques and misc. award expenses	\$1,500	\$1,617	\$2,000
Grant Thornton Awards to winners	\$25,000	\$25,000	\$25,000
Queens Executive Education Award to Honourable Mentions		\$8,200	
Publicity	\$2,500	\$3,144	\$3,000
Award announcements	\$12,000	\$12,409	\$12,500
Research assistants – technical scoring	\$4500	\$6,107	\$6,500
Travel of judges and travel of small charities to Awards Luncheon	\$3000	\$6,030	\$5000
VSRA Director of Technical Scoring Honourarium (CPA position)	\$10,000	\$10,000	\$10,000
Coordinator of marketing and project management	\$16,950	\$15,511	\$16,950
<u>Subtotal before allocated expenditures – transfer to</u>	\$85,450	<u>\$98,105</u>	\$91,950

<u>Statement of Receipts and Expenditures</u>			
Program Assistant's time devoted to VSRA activities - allocation	\$15,000	\$15,000	\$15,000
Total expenditures re VSRA	\$100,450	\$113,105	\$106,950
Excess (deficit) of receipts over expenditures	\$(5,540)	\$(9,825)	\$(16,950)
Centre Director's Research Assistant Paid from PWC/O'Neil Fellowship	6000	6000	0
Funding Deficit for VSRA	<u>\$(11,540)</u>	<u>\$(15,825)</u>	<u>\$(16,950)</u>

Assumptions in preparing budget:

- Other sponsors for the VSRA in 2014-15 will be identified and contribute \$10,000. Otherwise the deficit will be \$26,950.
- The entire CPAO funds provided for the Not for Profit Initiative are applied to the VSRA in 2014-15 with no funds allocated for other projects part of the NPI (i.e. no NPI research, cases etc).
- Grant Thornton sponsorship will continue to 2016-17 as per the three year agreement. Agreement can be cancelled on one year's notice.
- Grant Thornton provides additional technical scorers to reduce cash costs of technical scoring from \$12,000 to \$6500. In prior years the Centre Director devoted a substantial portion of his research assistants' (RAs) time to scoring for the VSRA. Under the new budget model at QSB the Director can no longer afford to allocate his RA time to this program given full cost model for paying for RAs introduced in 2013-14.
- Other costs not included in the above budget. It is assumed that these costs will continue to be borne by organizations as indicated.
 - Centre Associate Director's time to set up, supervise, aid with technical scoring and judging process, aid with press relations, lunch etc. Nor does it include any allocation for the Centre Director's time spent on the program
 - CPAO time regarding administrative support, hosting judges' day (including room breakfast and lunch) and press relations (including significant numbers of press releases that would cost considerable funds if QSB had to release them) including both external and internal to CPAO publicity.

Appendix A: Research publications supported by Centre Funds 2007-2014

Senior referred journals

Lu, H., G. Richardson & S. Salterio. (2011) Direct and Indirect Effects of Internal Control Weaknesses on Accrual Quality: Evidence from a Unique Canadian Regulatory Setting. *Contemporary Accounting Research*. 28 (2): 675-707.*

Hayne, C. and C. Free. (2014). Hybridized professional groups and institutional work: COSO and the rise of enterprise risk management. *Accounting Organizations and Society*. 39(5): 309–330.*

Free, C. and Murphy, P. R. (2014), The Ties that Bind: The Decision to Co-Offend in Fraud. *Contemporary Accounting Research*. doi: 10.1111/1911-3846.12063*

Purda, L. and D. Skillicorn, (2014) Accounting Variables, Deception, and a Bag of Words: Assessing the Tools of Fraud Detection. *Contemporary Accounting Research*. “Accepted Article”; doi: 10.1111/1911-3846.12089*

Luo, Y. & S. E. Salterio. (2014) Governance Disclosure Quality in a “Comply or Explain” Governance Regime. *Corporate Governance: An International Review*. Forthcoming.

Other referred publications

He, Luo and Thornton, Daniel B. (2013) The Impact of Disclosures of Internal Control Weaknesses and Remediations on Investors' Perceptions of Earnings Quality. *Accounting Perspectives*. 12 (2): 101-140.

Salterio, S., J. Conrad and R. Schmidt. (2013) Canadian evidence of adherence to “comply or explain” corporate governance codes: An international comparison. *Accounting Perspectives*. (2013). 12 (1): 23-52.

Other Publications

Salterio, S. and P. Legresley. Developing a Culture of Reporting Transparency and Accountability: The Lessons Learned from the Voluntary Sector Reporting Awards for Excellence in Financial Reporting Transparency. *The Philanthropist*. (2011). 23 (4): 555-573. (Editorial review).

Chen, Q., S. Salterio and P. Murphy. Fraud in Canadian Nonprofit Organizations as Seen through the Eyes of Canadian Newspapers, 1998-2008. *The Philanthropist*. (2009). 22 (1): 24-39. (Editorial review).

*FT45 journal

Appendix B: Research Grants Approved

1. Large scale research grant

Applicant: David Godsell (Supervised by Mike Welker)
Affiliation: PhD Candidate, Queen's School of Business
Title: Sovereign Wealth Funds and Corporate Governance

Summary

The proposed studies seek to determine whether SWFs are, among institutional investors, a distinct class of institutional investor exhibiting a differential impact on target firm corporate governance. I seek to execute this analysis by studying the effect of SWFs upon earnings quality and earnings forecasts, and by juxtaposing SWF portfolio decisions with mutual fund portfolio decisions.

Objectives

1. My work is designed to shed light on the impact Sovereign Wealth Funds have on corporate governance by analyzing three research questions.
2. Do target firm earnings quality characteristics change after SWF investment in or acquisition of a target firm?
3. Are SWF investment decisions affected by IFRS adoption?

The proposed study will be executed by assembling the most expansive and reliable SWF database to date. I will merge the Sovereign Wealth Fund Database with Bureau van Dijk's ORBIS database. The former provides SWF transaction data and identifies public and private recipients of SWF investment, while the ORBIS database is the premier source for worldwide public and private firm financial data.

2. Large scale research grant

Applicant: Christie Hayne (Supervised by Steven Salterio)
Affiliation: PhD Candidate, Queen's School of Business
Title: The Use of Management Accounting in Organizations Experiencing Change

Summary

The objective of this research project is to examine the use and role of management accounting in organizations that have recently or are currently undergoing significant change. I hope to uncover key accounting techniques, ways of managing, uses/misuses of information and decision criteria that have either enabled or prevented/slowed organizational recovery. Evidence that accounting is used differently during downsizing could have implications that extend to auditing, financial accounting and even regulatory institutions with definitive implications for those charged with enterprise governance.

Good governance starts within an organization such that boards are relying on information that is solid to make decisions with. The processes and systems, decision-making and

resulting performance resides within a firm. Management accounting is a key part of the governance system. At times of crisis, boards more than ever rely on internal information systems to make decisions that are in the long run best interest of the entity. Hence, an understanding of how such systems perform under pressure of reorganization is vital to understanding the potential governance problems that might arise in organizations that are already under stress.

Experiencing decline and downsizing has serious and widespread implications for organizations. At the individual employee level, organizational decline can lead to decreased morale, decreased job satisfaction, increased turnover, increased absenteeism and also the loss of knowledgeable and valuable workers. At the organizational level, if carefully managed, decline could lead to turnaround and prosperity. It may lead to eventual organizational death since stakeholders often withdraw their support from declining. Research that seeks to explain the different outcomes of organizational downsizing and decline (e.g., survival versus death) is invaluable.

Evidence that accounting is used differently during downsizing could have implications for accountants and decision-makers within the organization, and could also extend to auditing, financial accounting and regulatory institutions. This study is particularly timely given the 2007-2009 recession. Though four years have passed, preliminary interview participants have been referring to residual effects still felt today.

3. Infrastructure Grant Program

Applicants: Graduate Studies and Research Office at QSB

Affiliation: Queen's School of Business

Proposal: Partial funding for the AuditAnalytics subscription renewal for 1 year

Audit Analytics is a premium company intelligence service providing independent research to the investment, accounting, insurance, legal, regulatory and academic communities.

Audit Analytics provides detailed research on over 125,000 active audits and more than 10,000 accounting firms. Access to the Audit Analytics data is available via an online user subscription, email notifications, enterprise data-feed subscription and custom research reports.

Audit Analytics data includes detailed categorizations of issues and is considered by many professionals to be the best primary data source for tracking and analysis of public company disclosures related to the audit, compliance, governance, corporate actions and federal litigation.

As part of an Audit Analytics subscription, our users have access to the periodic reports and analysis that are published by our analysts. The reports are based on Audit Analytics data and provide in-depth insight into the disclosure trends of SEC registrants.

Audit Analytics also contributes research on a regular basis to the press and media covering public accounting, compliance, litigation and corporate actions.

Audit Analytics is a resource used by many Centre members in the course of carrying out their research on a routine basis.

Appendix C: Voluntary Sector Reporting Awards 2013-14

Prior to being entered into the competition, all nominees are asked to provide a full package of information. Each nominee is then screened by the Director of Technical Scoring to ensure that the full package is extensive enough to warrant entry into the competition.† After approval, in the first round of the competition, technical screeners evaluate the annual reports for technical merit. The highest scoring annual reports then advanced to the second stage of the competition, where the reports are scrutinized by a panel of experts (see judges listed below). All entrants are provided with a copy of the technical screeners' completed checklist so they can see where they met expectations or fell short and, hopefully, use that feedback to improve future annual reports. In addition all participants receive an overview of the judges' general comments on finalists' annual reports. Each finalist also receives a tailored analysis of the judge's comments about their report in addition to the technical checklist and general report.

International focused organizations

FINALISTS

- Canadian Feed The Children - AWARD RECIPIENT
- Mennonite Economic Development Associates

National focused organizations

FINALISTS

- YOUCAN - AWARD RECIPIENT
- Multifaith Housing Initiative
- The Nature Conservancy of Canada

ONTARIO ONLY

Total revenues over \$10 million

FINALISTS

- Vita Community Living Services - AWARD RECIPIENT
- Central Neighbourhood House Association
- Covenant House Toronto
- St. Christopher House

Total revenues from over \$1 million to \$10 million

FINALISTS

- United Way Kingston, Frontenac, Lennox & Addington - AWARD RECIPIENT
- Kingston Literacy & Skills
- Participation House, Markham
- United Way Greater Simcoe County

Total revenues up to \$1 million

FINALISTS

- Hospice King - AWARD RECIPIENT AND THREE TIME WINNER - EXEMPLAR
(*Operating as Hospice King-Aurora*)
- Aurora Cultural Centre (*legal name Church Street School Cultural Centre*)
- Hemophilia Ontario

† Those nominations that are not considered sufficiently well developed to enter technical scoring are provided with a package of information that allows them to develop an effective annual reporting package.

2013-14 Panel of Judges

Ideally, judges serve two to three years before rotating off the Panel. This year's judges are a distinguished group, knowledgeable about the voluntary sector from perspectives of accounting and auditing, philanthropy, research and marketing:

Mr. Charlie Fluit CPA, CA

Charlie Fluit is the Vice President, Shared Services & Finance and Chief Financial Officer of World Vision Canada providing oversight and leadership to key areas. WVC was the recent and three time winner of the Voluntary Sector Reporting Awards & recipient of the VSRA Exemplar Award for 2011. Charlie is a graduate of McMaster University. He articulated and achieved his Chartered Accountancy with Deloitte's. He has over 30 years of experience in non-profits, manufacturing and public accounting. Charlie is an active volunteer, serving or having served on numerous boards and committee's. He was recently a member of the Standards Steering Committee of Imagine Canada.

Mr. John A. Gleeson, CPA, CA, CFP, CLU, TEP

John Gleeson is a member of the Conference for Advanced Life Underwriting, and the Canadian Tax Foundation, and he is a strong believer in the merits of professional development. He received his undergraduate degree from Queen's University and then worked for 10 years with KPMG, a leading international accounting and tax firm, before redirecting his career toward insurance and financial planning services. John has a keen interest in estate planning, administration and taxes. John has his own financial services firm located in Toronto.

Ms. Sara Oates CPA, CA

Sara joined World Wildlife Fund Canada in November 2011 as Vice-President Finance and Administration and Chief Financial Officer. In this role, she is responsible for overseeing the finance, administration and IT of this national organization. Prior to this she was an Associate Partner with PricewaterhouseCoopers LLP, where she led their not-for-profit assurance practice in Toronto. She has worked with not-for-profit organizations for over 18 years and her clients have included charitable and philanthropic, membership and other not-for-profit organizations of all sizes. Sara is currently a member of the Audit and Administration Committee of the United Way Toronto. Previously, she was Treasurer and Executive Committee member of Yorktown Family Services, and a member of PricewaterhouseCoopers Canada Foundation's Advisory Board.

Mr. John See, BSc, MBA

John See is Vice Chair, TD Wealth and chairs the Boards of the Bank's UK and Luxembourg based subsidiaries, TD Direct Investing International and TD Bank International. He also serves as a Director of TD's London, England Joint Venture with RBS Group, NatWest Stockbrokers, Inc. Mr. See began his over 30 year TD career with International Corporate and Investment Banking assignments in Houston Texas, New York, and London England. Active in the community, Mr. See is the past Board Chair of Appleby College, Vice-Chair of the Board of the YMCA of Greater Toronto. In 2009, he was inducted as the Honorary Colonel for 437 Squadron, 8 Wing, CFB Trenton. He currently serves on the Veterans Transition Advisory Council initiated by the Minister of Veterans Affairs with the True Patriot Love Foundation. Mr. See is a long standing member of the Queen's School of Business Advisory Board.

Dr. Samir Trabelsi CGA

Dr. Samir Trabelsi is an Associate Professor at Brock University's Faculty of Business. He received his Ph.D. in Accounting from HEC Montréal. Dr. Trabelsi taught at Université du Québec prior to joining Brock. Dr. Trabelsi's research interests are in the area of voluntary disclosure, corporate governance, and extensible Business Reporting Language (XBRL) an online financial disclosure language. His dissertation research and subsequent publications examined financial and other reporting disclosures on corporate websites. His insights from this area complement the interest of the VSRA in promoting greater voluntary sector disclosures using websites to communicate.

Mr. Mark Watters CPA, CA

Mark Watters was appointed Chief Financial Officer for the House of Commons in August 2011 where he leads the Finance Services team that oversees the corporate financial planning and administration for the House of Commons. Mark previously served as Assistant Deputy Minister, Chief Financial Officer, at Citizenship and Immigration Canada and worked for the Office of the Auditor General, as an Assistant Auditor General from 2006 to 2009 and the Canada Council for the Arts, from 1997 to 2006 as well as overseeing the administration of the corporation and its three program areas: the Canada Council Art Bank, the Canadian Commission for UNESCO and the Public Lending Right Commission. He held the position of interim CEO from 2005 to 2006. Mark has also worked for the Public Service Alliance of Canada, where he began his career as Assistant Comptroller and later became Director of the organization's Finance and Administration Branch. Mark holds a Bachelor of Administration and an Honours Bachelor of Commerce from the University of Ottawa. He is a Chartered Accountant and member of the Institute of Chartered Accountants of Ontario and l'Ordre des comptables agréés du Québec.

Professor Ken Wong

Ken Wong is the Distinguished Professor of Marketing at Queen's School of Business. He was the principal architect of the first full-time degree program in Canada to operate completely outside of government subsidy: a distinction that earned him the cover of Canadian Business in April 1994. Ken is the Managing Partner, Knowledge Development for Level 5 Strategy Group, a strategy consulting firm focused on brand strategy and execution. In 2006, Ken was named an Inductee into Canadian Marketing Hall of Legends. In 1998, he won the Financial Post's Leaders in Management Education award, a lifetime achievement award for his work in undergraduate, MBA, and Executive Development programs. Beyond Queen's, he has also taught in degree programs at Cornell, Carleton University, Radcliffe College and Harvard's Continuing Education Program and in executive programs at York University, University of Toronto, Dalhousie University and the University of Alberta and is a frequent speaker and facilitator in conferences and executive development programs around the world. He regularly assists a number of local, national and international non-profits. He writes for Strategy magazine, Canadian Grocer and Meetings and Incentives, and has served as a columnist for Marketing magazine and the National Post. He has also written for publications such as the Financial Times, the Globe and Mail and the Conference Board Review. Ken often assists on judging panels, most recently for the 2013-14 Canadian "Best 50" competition (excellence in management) and the 2008 Canadian Entrepreneur of the Year.