

Co-operative Spotlight

February 2011

An overview of
Saskatchewan co-operative sector
news and activities

Register Now for April 8th Conference

Saskatchewan Co-operative Association (SCA) and the Canadian Community Economic Development Network (CCEDNet) are hosting a one-day conference that will help build an awareness of community economic development and co-operative initiatives in the province. Participants will have the opportunity to share their knowledge and skills through engaging conversations, workshops, discussions and networking with colleagues in the CED and co-operative sectors.

You should attend if you are interested in:

- Gaining knowledge about effective community led economic strategies that have worked elsewhere;
- Building your skills and capacity in understanding co-operative development concepts and CED principles; and
- Discussing possibilities to take regional and community based action to address local needs, and begin to develop a network of colleagues with similar interests in developing community change initiatives.

For further details, see page 2.
Registration information is available at
<http://www.sask.coop/events.html>.

 Saskatchewan
Co-operative Association



Muenster Credit Union takes Fair Trade Resolution to its Membership

The small credit union in Muenster, Saskatchewan has decided to give legs to the "concern for the community" co-operative principle. Going beyond what most would define as community, the members of its AGM will be asked to consider a Fair Trade resolution which would promote Fair Trade through procurement policies and investment, and support domestic and overseas co-operatives involved in Fair Trade.

"It's a part of who we are to consider this resolution," comments Rose Silzer-Quinn, Manager of Muenster Credit Union. "Considering the circumstances under which many of our co-operatives and credit unions were formed, there is a natural fit between co-operatives/credit unions and Fair Trade. I also believe that this relationship makes credit unions unique among financial institutions. The Fair Trade resolution also reflects our credit union's mission statement, a small credit union making a big difference, one member at a time."

If passed, Muenster Credit Union will join a growing number of co-ops and credit unions in Canada that believe that the people behind the very products we buy, particularly from developing countries, deserve a better deal. This includes fair prices, social and economic premiums, fair and safe labour, environmental sustainability, access to credit, and long-term contracts for producers.

TransFair Canada, the Canadian Co-operative Association (CCA), the Conseil Canadien de la coopération et de la mutualité (CCCM) and Équiterre have launched a campaign aimed at generating greater awareness of Fair Trade within the co-op sector. For more information, visit <http://transfair.ca/en/get-involved/co-operating-fair-trade>.

Nominations Accepted for CCA Awards

Each year, the Canadian Co-operative Association recognizes excellence and achievement in the co-operative sector. They are currently accepting nominations for three honours to be presented to Canadian co-operators.

2011 GLOBAL CO-OPERATORS AWARD:

CCA's work is rooted in the values of co-operation and owes its success to the Canadians who live out these values by making international co-operative and credit union development a priority. The Global Co-operator Award provides recognition for persons contributing in especially significant ways to promoting, developing, advocating and supporting the development of co-operatives internationally.

The Global Co-operator Award is the highest honour CCA can bestow on an individual or organization that has consistently demonstrated an extraordinary commitment to the international development work of CCA and the Co-operative Development Foundation of Canada (CDF).

Continued on page 2

Conference to Feature Informative Keynote and Workshop Topics

The Saskatchewan Community Economic Development & Co-operatives Conference, being held on April 8 at Mount Royal Collegiate, will feature a wide range of topics of interest.

Keynote speaker John Restakis will speak on the topic of ***The Crisis of Community***. Increasingly, the sense of community is under siege. In North America, sociologists have been tracking the decline of social capital and the foundations of community life with a growing sense of alarm. What are the reasons for this decline? How are they linked to our consumer culture? And what might be done to repair and restore healthy communities, both here and abroad? Drawing from his book ***Humanizing the Economy - Co-operatives in the Age of Capital***, John Restakis will examine the roles of reciprocity and cooperation as essential elements in the rebuilding of community life.

Morning and afternoon workshop topics will include:

- Aboriginal Business Development and Incubation Case Studies
- Food Security
- Rural and Urban Health Sector Community Engagement Strategies:
- CED 101
- Social Enterprise: Financing, Successes and Challenges
- Co-ops 101
- Saskatchewan CED & Co-operatives Conference
- Housing and CED
- Building Sustainable and Self-Reliant Organizations
- Policy Agenda for People Centered Economy
- Effective Youth Engagement Strategies and Tips
- Global Financial Crisis and Recovery: What Will It Mean for Saskatchewan?
- Québec's Co-operative Resurgence: Lessons for Saskatchewan

To register, go to <http://www.sask.coop/events.html>.

Credit Union Merger Voted Down

A proposed merger of three Saskatchewan credit unions has been put on hold after members of Synergy Credit Union failed to come up with the 75 per cent vote needed for the merger.

Membership voting at Conexus, Innovation and Synergy Credit Unions ended on January 26. The merger proposal required 75 per cent approval by members of each of the three organizations; while Conexus members voted 95 per cent in favour and Innovation members 76 per cent, only 60 per cent of Synergy members said yes to the merger.

Some Synergy members had argued that they did not have sufficient information on the business case for the merger to support it.

"Our boards of directors are disappointed by the outcome," the presidents of the three credit unions said in a statement. "We gave this merger a great deal of thought and truly believed it was the right move to position us for the future. However, credit unions are democratic institutions and members have a say."

Source: CCA News Briefs, January 27, 2011

Co-op Network of Saskatoon Luncheon, March 16

Rob Jones, Business Development Manager for Affinity Credit Union will speak about *The Power of Partnership - Together, We Make Housing Accessible*. The lunch will be held at the Parktown Hotel, Poplar Room at 12:00 noon on Wednesday March 16.

Affinity Credit Union is committed to making accessible homeownership a reality within our community. They are providing opportunities for first time homebuyers on a low to moderate income to make their dream come true. Through strategic partnerships with government (both provincial and municipal), developers, mortgage insurers, and of course other co-operatives we can achieve success. Community investment through partnership is one of the socially responsible ways we can contribute to stronger, and much healthier communities.

The cost is \$15 per person. Pre-register by contacting Saskatchewan Co-operative Association at sca@sask.coop or by calling 244-3702 by noon Monday March 14.

CCA AWARDS, Continued from page 1

2011 PIONEER HALL OF FAME:

In 2009, the Canadian Co-operative Association celebrated 100 years of co-operation in Canada. As one of the ways to mark this milestone occasion, CCA created the Canadian Co-operative Hall of Fame, which shares the legacies and achievements of pioneers of the Canadian co-operative movement. Each year, the Canadian Co-operative Association will accept up to five (5) nominations for deceased individuals who were fundamental in shaping co-operation in Canada. Each inductee will have an online profile and photo on the Canadian Co-operative Hall of Fame webpage.

2011 CANADIAN CO-OPERATIVE ACHIEVEMENT AWARD:

This award honours men and women who have contributed outstanding efforts to the cause of co-operative enterprise. Honourary membership and induction into the virtual Canadian Co-operative Hall of Fame provides recognition for persons contributing in especially significant ways to promoting, developing or uniting co-operatives in Canada and/or internationally.

More information about the nomination process, criteria and deadlines is available at http://www.coopscanada.coop/en/about_cca/Awards.text about youth program.

Understanding Co-operative and Non-Profit Law

A FACT SHEET By Robert Dobrohoczki

The following is a commissioned work by Saskatchewan Co-operative Association and Le Conseil de la coopération de la Saskatchewan to clarify the relationship between co-operative law and non-profit and charitable status in Saskatchewan in order to assist professionals and co-op developers. We will be publishing this information in the next several issues of Co-operative Spotlight, of find the complete fact sheet, article and report at http://www.sask.coop/other_resources.html.

NEXT MONTH: THE ADVANTAGES AND DISADVANTAGES OF EACH MODEL.

There is often confusion among Saskatchewan Co-operators about the relationship of the co-operative business form with non-profit or charitable organization status under Canada Revenue Agency (CRA) guidelines. Below are some common myths and misconceptions about this relationship:

1. MYTH: A co-op can never be a charity or non-profit because co-ops confer a benefit to members.

FACT: Any co-op organized for charitable or non-profit purposes may become be a charity or non-profit, however because members of the co-operative may benefit or gain from the activities of the co-operative, the co-operative must be structured in such a way in their bylaws and Articles of Incorporation that individual members do not benefit to meet the non-profit or charitable purposes test by Canada Revenue Agency (CRA).

2. MYTH: All co-ops are taxed the same.

FACT: The Income Tax Act is neutral on corporate form, which is why co-ops can qualify as non-profits or charities and receive exemptions from paying income tax, or in the case of charitable status, have the capacity to issue tax-deductible receipts. Otherwise, the Income Tax Act treats the unallocated surplus of a co-op essentially the same way as profit, with some minor differences. Actually, it taxes corporations exactly the same way as "for profit" co-ops, should the corporation distribute patronage dividends based on usage just like a co-op.

3. MYTH: There are no co-ops that are non-profits or charities.

FACT: There are thousands of non-profit co-operatives across Canada. Of the more rigorous charitable status standard, a study done in November 2002, showed there were around 375 Co-operatives in Canada that had registered charitable status, 92 in Saskatchewan alone. This means other types of co-ops could fit the non-profit or charitable criteria if they structure the co-op so the members do not individually benefit.

4. MYTH: Only community services co-ops can qualify as non-profit co-ops or charities.

FACT: Only community service co-operatives have a legislative prohibition in section 246 of the Co-operatives Act on the paying out of dividends or interest on member shares, possibly leading to the misconception only they can qualify. In fact, other co-operatives can simply accommodate this in their Articles of Incorporation or

bylaws, thereby precluding their members from gaining an individual benefit from membership and qualifying as non-profits or even charities.

5. MYTH: A co-op cannot be a non-profit if it engages in a "commercial" business activity.

FACT: The co-op can be engaged in a commercial or business-like activity so long as it is organized for a non-profit or "non-commercial purpose." The co-op must state this purpose in its Articles of Incorporation and the co-op must be organized for this purpose. The purpose cannot be contingent on the co-op making a surplus or profit. For instance, a retail co-op that donates all of its profits to disability training organizations will not qualify, but a retail co-op that trains employees with disabilities in the course of its day-to-day business and reinvests any surplus toward that stated purpose will. The purpose of the former is contingent on profitability (it is commercial) but the purpose of latter is not (if the co-op makes no profit it is still fulfilling its stated objectives). Both are operating a retail enterprise.

6. MYTH: A non-profit co-op must operate "at cost" and not make any money.

FACT: Non-profit does not mean that the co-op operates at-cost or at a break-even level. The co-op can generate a surplus. A non-profit co-op just means the co-op is not primarily motivated by the generation of surplus or profit for the benefit of members but rather for the broader social goals that make up the primary purpose of the co-op. In Saskatchewan, community service co-ops are also motivated by social purpose and can generate a surplus.

7. MYTH: A co-op with share capital can never become a non-profit or a charity.

FACT: Most co-op legislation across Canada, but not all, distinguishes between co-operatives with share capital and co-operatives without share capital. Share capital is a share that is more than a nominal member share, but an equity stake in the co-op. This has led some to believe that this is the distinction between not-for-profit and for-profit co-operatives: that non-profits cannot issue equity shares. This is not true. Canada Revenue Agency (CRA) is indifferent to what form a non-profit organization takes, so long as it fulfills the purposes of being a non-profit. So long as the prohibition on the paying out of dividends and interest on shares exists, and the co-operative is engaged in a not-profit purpose, a co-op with or without share

Continued on page 4



International Year of Co-operatives 2012

CO-OPERATIVE ENTERPRISES BUILD A BETTER WORLD

LES COOPÉRATIVES, DES ENTREPRISES POUR UN MONDE MEILLEUR

Check out the presentation prepared by Canadian Co-operative Association about their plans for 2012 at http://www.coopscanada.coop/en/about_co-operative/InternationalYear

If you are interested in joining the Saskatchewan International Year of Co-operatives Planning Committee, or have ideas about how Saskatchewan should celebrate, contact Saskatchewan Co-operative Association Executive Director Victoria Morris at 306-244-3702 or at victoria.morris@sask.coop.

Saskatchewan Residents Prefer Credit Unions

A new public opinion survey shows that more than half of all Saskatchewan residents use credit unions for their financial services, giving credit unions a larger market share in the province than any other financial institution.

The survey, conducted by Canwest Opinion Research for SaskCentral, showed that 53 per cent of the individuals surveyed deal with one or more credit union. The Royal Bank of Canada has the next highest market share at 28 percent while TD Canada Trust has 21 percent, CIBC has 17 percent, BMO has 16 percent and Scotiabank follows with 15 percent. Only six percent of residents deal with an online bank. (The numbers add up to more than 100 per cent because many respondents deal with more than one financial institution).

The survey also showed that people who deal exclusively or primarily with a credit union are generally more satisfied with the service than those who deal exclusively or primarily with a bank. Satisfaction of credit union members remains strong at 95 percent - the same as in 2006, while satisfaction of bank customers is at 92 percent compared to 91 percent in 2006.

Source: CCA NewsBriefs, February 10, 2011.

Research Network Launches Webinar Series

The Measuring the Co-operative Difference Research Network, a five-year, \$1 million project aimed at researching the economic, social and environmental impact of co-ops and credit unions, is planning a series of free webinars over the next three months.

The first webinar, which took place on Friday, February 18, was on *The Co-operative Model: A Durable and Sustainable Enterprise* and feature co-operative historians Ian MacPherson and David Bent.

Webinars in March and April will deal with international co-operative development and the relevance of co-operative enterprise today and in the future. Dates and times will be posted on www.cooperativedifference.coop as they are confirmed. The Network has also published the third issue of its e-newsletter, which can also be downloaded from www.cooperativedifference.coop.

Reserve your webinar seat now at <https://www1.gotomeeting.com/register/862564825>. For more information about the webinars, contact Erin Hancock at erin.hancock@coopscanada.coop.

CO-OPERATIVE & NON-PROFIT LAW, Continued from page 3

capital can meet the requirements of being a non-profit business under CRA guidelines. Indeed there are some cases where a company under a Business Corporation Act was held to be a non-profit for duration of time owing to provisions in its founding documents that prohibited the paying out of dividends or interest on shares for non-commercial or charitable reasons. Practically, share co-ops that are precluded from paying interest or dividends on shares likely would not issue shares, because there is no economic return to purchase them, so forming co-ops without share capital simplifies the structure.

8. MYTH: Choice of organizational form is easy.

FACT: When starting a new co-op, deciding on the corporate form that will best enable to get the co-op off the ground is often the most difficult decision. Even when one has decided on the co-operative form, deciding between a non-profit, for-profit, and charitable status co-op is a decision a co-operator will need to make. Depending on the type of co-operative, there may be very high start and entry costs into the market. Whether it be a commercial or non-profit enterprise, both need a solid financial footing in order to succeed.

Please Note: before making a decision of which status to use for your co-op, please seek counsel from a lawyer or someone knowledgeable in co-operative and charitable law.

Global Connections

HIGHLIGHTING THE WORK OF PRAIRIE CO-OPERATORS AROUND THE GLOBE

2011, ISSUE 1

Credit Union Coaches Make a Difference in Africa

For this issue of *Global Connections* we interviewed two prairie co-operators who just completed a CCA Coaching Program in Ghana. Douglas Shumilak of Winnipeg is Manager, Monitoring, for Deposit Guarantee Corporation of Manitoba, and Lucille Tetarenko is General Manager of Hudson Bay Credit Union in Hudson Bay, Saskatchewan. This is what they told us about their time in Africa.

What compelled you to get involved in CCA's coaching program?

DS: I was inspired by my parents who worked for CIDA in the mid eighties. My parents were hired by CIDA to run a 20,000 hectare sorghum grain operation for two years in the mid 1980's. This and my belief to assist mankind/womankind in any way possible to improve their lives.

LT: I had a colleague who got involved a number of years ago and that peaked my interest. I also got involved in The Women's Mentoring Program. This program provides opportunities for women working in credit unions in developing countries to come and spend time with us in our credit unions in Canada. They live with us and work with us for approximately 2 weeks. I had a great experience with Adelaide Tetteh from Ghana, Africa. We have become good friends. So I then applied to take part in the Credit Union coaching program and traveled to Ghana in 2010 and 2011 to work and help different credit union organizations.

Continued on page 2

About CCA's Coaching Program

CCA's Coaching Program takes a hands-on approach that enables Canadian credit union professionals to share their skills and advice directly with our international partner credit unions. Working in teams of two, coaches spend two weeks sharing their knowledge and expertise with credit unions in the African countries of Uganda, Malawi and Ghana. In 2011, the program will be expanded to include Mongolia. Volunteers return the following year for a second session of coaching.

CCA is proud of the success of this program. Thanks to the dedication of our Canadian volunteers, we have been able to expand and create two distinct Coaching Programs: the Management Coaching Program and the Governance Coaching Program.

The most recent Management Coaching program took place from January 20th to February 8th in Africa. Among the participants were many Alberta, Manitoba and Saskatchewan credit union managers. We interviewed them to get a sense of why they chose to become involved, what they learned and what they were able to offer to their African counterparts.

The participating prairie cooperators were:

In UGANDA:
Stewart Oke (Delburne, AB)
Rene Ritchot (Kleefeld, MB)

In MALAWI:
Brad Schultz (Melville, SK)
Karen McBride (Regina, SK)
Larry Carnegie (Maple Creek, SK)

In GHANA:
Sheldon Wagner (Edmonton, AB)
Doug Shumilak (Winnipeg, MB)
Lucille Teteranko (Hudson Bay, SK)

The Coaching Program is made possible through the generous donations of Canadians to CCA's fundraising arm, the Co-operative Development Foundation of Canada, and through the financial participation of the Canadian International Development Agency.

Ellen Wilson, Manageress of PWD Prestige Co-operative Credit Union in the capital of Accra, Ghana. She manages approximately \$175,000 Ghanaian cedis in assets. Credit Unions tend to be much smaller in terms of asset size than the credit unions in Canada. (Photo: Lucille Tetarenko)

What was the purpose of your involvement?

DS: To coach fellow credit union employees in any way possible to improve the operations of their credit unions and try to help them avoid the pitfalls we experienced as our system grew.

Tell us about the credit union with which you worked.

LT: Over the past two years I had the opportunity to work with six different credit unions. Five were new visits and one was a credit union that had been previously visited. They were all smaller organizations struggling with operational issues, growth issues, loan delinquency and governance issues.

What were some of the challenges facing the credit unions you worked with?

DS: Some of the challenges Ghana credit unions are facing are:

1. High delinquency of the loans they granted
2. The separation of board and management responsibilities
3. Lack of an act to govern the credit union movement
4. Lack of a deposit guarantor
5. Implication of policies and procedures/ Standard of Sound Business Practices
6. Financial reporting to both the board and their central body (CUA)
7. No financial guidelines criteria for new credit unions wanting to join the credit union movement

LT: Very high delinquency, no savings so therefore there was a great deal of liquidity issues and profitability issues. They had no real process to deal with loan delinquency and teaching members to save money was a real challenge.

Do you feel that your time made a difference and if so how?

DS: Yes. I believe this was evident when the 2011 team visited a credit union that we visited last year. The recommendations we made last year were implemented and the credit union appears to be on solid footings now.

LT: After my first year, I was a little unsure if we were making a difference but this past year we had the opportunity to re-visit a credit union that had coaches help them last year. I was totally amazed at how they had implemented a majority of recommendations from the last year



Above: On the beach at Cape Coast about 2 hours west of the capital of Accra, the Ghanaian children were very friendly, curious and wanted to meet and touch the Canadian coaches, Cory Munden from Newfoundland and Heidi Hyokki from British Columbia.

Below: Evelyn Antwi, Manageress of the Madina Community Co-operative Credit Union in the capital of Accra, Ghana, who manages approximately \$130,000 Ghanaian cedis in assets. (Photos: Lucille Tetaranko)

and how seriously they had taken the recommendations. It was the highlight of my trip as it proved that, yes, we were making a difference and it was very gratifying.

What important message would you like to impress upon Canadian co-operators?

DS: Do not forget who you are and why your organization was formed.

LT: Co-operatives are strong around the world and as Canadians we have so much to offer in terms of knowledge and support.

Do you feel changed by this experience?

DS: Yes. There are things we can do to improve the lives of others and in Ghana the credit unions are there to improve the lives of their members.

LT: Yes I feel very changed. I started the program 2 years ago really not knowing if I could help or if I had any knowledge that could make a difference. I found out very quickly that I could help and I also found that this trip brought me back to the very fundamental reasons of why the credit union system first began, to help people. I think the credit union system in Canada has been forced to become more like

banks and we have lost the grass roots flavor . . . through no fault of its own.

Do we have anything to learn as Canadians?

DS: The credit unions in Canada are becoming of a size that they are forgetting why they were created. At one time you could distinguish a credit union from a "bank", now I am not sure if you can. I believe this is a step backwards, after saying this I also realize that our credit union system really does not have an option but to become more like a bank, given the financial pressures from its membership and its ability to compete with the banks.

LT: I believe more Canadians should participate in these programs as I learnt that being a Canadian is quite a privilege and that we have freedom, opportunities, equality and many things we take for granted. I also think the credit union movement is making a difference in the lives of many African communities and it made me very proud to belong to such a movement.

Did you know . . .

*You can get more information about the Coaching Program on the **View From Here** coaching blogs at the CCA Cinema (ccacinema.coopscanada.coop).*