

Helen's Court Co-op Handbook

Section 08. Finance Committee



The Finances of Helen's Court Housing Co-op are the responsibility of the Board of Directors. The Board of Directors, in turn, is advised by a volunteer Finance Committee and a paid Finance Manager. The Committee is composed of at least 4 general members and is chaired by the Treasurer who is also a member of the Board. The Finance Manager attends all meetings of the Finance Committee. The Finance Committee meets at minimum 10 times per year (monthly, with a summer break) reports to the Board of Directors once a month, and reports to the members at least once a year. Interested members are always invited to join the Finance Committee.

INTERPRETATION

Terms not defined in the Finance Committee Policy & Procedures should be interpreted as they are defined in the Rules of Helen's Court Co-operative Housing Association (the "Rules") and the Occupancy Agreement (Schedule A to the Rules).

If there is a conflict or inconsistency between the Rules, the Occupancy Agreement and this Policy, the Rules and Occupancy Agreement govern (s. 7.02 of the Occupancy Agreement).

PURPOSE OF FINANCE COMMITTEE

- To advise the Board of Directors on financial matters as requested.
- To review the monthly income and expenditures of the Co-op to ensure financial responsibility, and report their findings to the Board.
- To inform Co-op members about financial policies and procedures.
- To facilitate the assessment and collection of occupancy charges.
- To ensure fulfillment of the obligations set out in the Operating Agreement between the Co-op and Canada Mortgage and Housing Corporation (CMHC).
- To assist the Board with long-term financial forecasting.

SHARE CAPITAL

A member moving into a suite is required to purchase Shares in the Co-op. When two or more members are moving together into a suite, they must designate one among themselves to be the Principal (or main shareholding) member.

The required Shares purchase for each suite is equal to twice the regular (maximum) housing charge at move-in for that suite. Shares purchase is due and payable in full upon move-in. The Co-op retains its Share Capital on deposit at a financial services institution and uses the interest earned to pay some of the expenses of operating the Co-op. With the approval of the members, the Co-op will occasionally borrow money from Share Capital to buy property improvements.

When a member moves out of the Co-op, the Shares purchase is returned except for any money that the member owes the Co-op for damage or unpaid occupancy charges. No interest is paid to the member for Shares.

BUDGET

The Co-op's fiscal year runs from April 1st until March 31st. In February of each year, the Finance Manager and the Finance Committee prepare a budget based on their predictions of how much money the Co-op will need during the next fiscal year. The budget then goes to the Board for further discussion. Finally, the budget is presented to the members for approval during a general meeting. At any time during this process, other Committees and members are asked to submit budget proposals.

OCCUPANCY CHARGES

Each household is required to pay a portion of the operating expenses of the Co-op. The occupancy charge is made up of a housing charge (the "**Housing Charge**"), a utilities charge and other permanent or temporary fees as may be deemed necessary and passed by the membership. The amounts of these charges are maximum housing charges (the "**Maximum Housing Charges**") and they are set every year during the budgeting process.

The goal in setting monthly Housing Charges is to collect enough money to pay all the bills. Since Housing Charges must be set in advance (usually for a year at a time) the Co-op must determine in advance what the expenses for the coming year will be. This is done by preparing a budget. In the budget are listed all the types of expenses which the Co-op faces. Based on past experience, the rate of inflation, consultation with suppliers and other sources, the Co-op estimates what each item is likely to cost in the coming year. The total of all the items indicates the total revenue needed. From that total are subtracted any sources of revenue other than Housing Charges. The remaining revenue required is the total amount of Housing Charges which must be collected. This amount is then divided up among the membership according to the size and type of unit which they occupy.

CALCULATING YOUR HOUSING CHARGE TO DETERMINE ELIGIBILITY FOR SUBSIDY

Every member is required to pay the Maximum Housing Charge for their unit, except when the member is eligible for assistance in the form of an income tested subsidy (the "**Subsidy**"). Eligibility for the Subsidy is determined by the Finance Committee on a case-by-case basis and is exclusively based on the total income of all income earners who live in the unit.

The Co-op receives income-tested assistance from the federal government through CMHC each month until April 1, 2019.

In order to determine if a member is eligible for Subsidy, the Housing Charge applicable specifically for that unit needs to be calculated (the "**Calculated Housing Charge**"). The Calculated Housing Charge for your unit is calculated as 30% of the taxable income of all income earners who live in your unit (line 260 of income tax forms), minus \$2 per month per child. If the Calculated Housing Charge for your unit is less than the Maximum Housing Charge for this unit, you may apply to the Co-op for the Subsidy.

The application for Subsidy must be submitted to the Finance Committee and supported with the documents listed below. If approved by the Finance Committee, the Subsidy will be provided for the next 12 months (with exceptions) and the Housing Charge for your unit will be adjusted (the "**Adjusted Housing Charge**").

The Adjusted Housing Charge can't be less than one-half of the Maximum Housing Charge for the unit, with the following exception: The Adjusted Housing Charge **for appropriately housed** members receiving BC Benefits or Income Assistance is equal to the maximum shelter allowance for which the household qualifies (the "**Shelter Portion**"), minus a government-supplied \$30 phone allowance, at the member's request, plus the current Housing Charge percentage of the verified taxable income of any income earners living in the unit, up to the Maximum Housing Charge for this unit.

An over housed member must pay the Maximum Housing Charge for the unit, regardless of income or income source, with the exception of the following:

- Members/family members qualifying for bereavement status (see Membership Policy)
- Over housed members receiving Income Assistance or BC Benefits experiencing difficulty finding a roommate for one month per calendar year (see Membership Policy). These members may apply to the Finance Committee for subsidy for that one-month to the level of their Shelter Portion instead of half the Regular HC.

Over housed Members who receive BC Benefits or Income Assistance must pay the Maximum Housing Charge.

Additional information on calculating the Calculated Housing Charge for your unit:

When adding up the incomes of the family members in your unit, include only the first \$900 per year of income earned by family members other than the Principal member and his/her spouse (common-law or married).

If you are a single parent solely paying for a unit's occupancy charge, or a family with children in which both spouses are working, deduct \$75 per month (\$900 per annum) from your income before calculating your housing charge.

Self-employed people who deduct a portion of the occupancy charge at Helen's Court as a business expense when calculating taxable income must add this amount back to income before calculating the housing charge to determine eligibility for Subsidy.

PAYING YOUR OCCUPANCY CHARGE

Each month, a cheque, post-dated to the 1st, is due on the 25th of the month preceding the month that cheque is to cover. Make cheques payable to Helen's Court Housing Co-op. They should be given to the Finance Manager. The Finance Committee requests a series of post-dated cheques for a six-month period to simplify procedures.

Members may also transfer money electronically to Helen's Court upon arrangement with the Finance Manager. If a member does not have a chequing account, money orders and bank drafts are accepted. Payments in cash are not recommended and are at your own risk.

VERIFICATION OF INCOME

NOTE: NO VERIFICATION - NO SUBSIDY

In accordance with our Agreement with CMHC, all members who require income-tested subsidy must provide documentation, in one or more of the following forms:

- Notice of Assessment from Revenue Canada.
- T4 slips, T5 slips, etc.
- Confirmation letter from employer stating gross wages or annual salary, and any overtime pay expected for the period.
- Pay cheque stubs which show a specified time period.
- Employment Insurance cheque stubs.
- Income Assistance cheque stub.
- Confirmation letter from Income Assistance case worker stating shelter allowance receivable.
- Old Age Security, Canada Pension Plan and other pension benefit cheque stubs.
- Satisfactory documentation in the cases of other income (i.e. child support or alimony, interest or investment income) as agreed upon by the Board of Directors and the Finance Committee.
- Financial statement or proof of income from a qualified accountant or bookkeeper for self-employed persons.
- Statutory declaration sworn before a Notary Public, if the above are unavailable. Statutory declaration will only be accepted in extreme cases where it is impossible to obtain any other form of verification.

For the purposes of calculating occupancy charges, income is considered on an annual basis. For members not paying the maximum housing charge for their unit, ANNUAL proof of income must be submitted in order that housing charges be assessed and subsidy allocated fairly.

For cases in which income fluctuates, adjustments may be made on a three-month or one-month basis, with a review annually for verification.

Regardless of how housing charges are assessed, each person receiving subsidy must supply to the Co-op the annual Notice of Assessment sent to them by Revenue Canada.

CONFIDENTIALITY

The Finance Committee will treat members' financial information as confidential to the committee, the Finance Manager and to the Board of Directors, to be used solely for the purposes of assessing occupancy charges and official audits.

CHANGING YOUR HOUSING CHARGE

It is the member's responsibility to inform the Finance Committee and the Finance Manager when changes in their household income affect the Housing Charge for their unit. Please provide notification and documentation of any changes by the 15th of the month, to give the Finance Committee sufficient time to assess your application. Remember, the member must provide documentation to receive the Subsidy. No verification, no Subsidy.

Members are reminded of their income and household composition reporting requirements under the Occupancy Agreement:

4.13 The Member acknowledges rent supplement, assistance or subsidy may be paid by federal, provincial or municipal agencies or authorities to the Co-op with respect to members who meet and comply with the criteria and requirements established by the agencies or authorities for rent supplement, assistance or subsidy. The Member must provide verification of household income and any other proof or information required by the Directors to substantiate eligibility of the Member to receive rent supplement, assistance or subsidy. The Member must report increases in income or other changes in household composition. The Member authorizes the Co-op to forward to any such agency or authority all verification of income and other information.

4.14 If the Member fails to comply with Subsection 4.13, the Directors may, in their sole and absolute discretion, increase the Housing Charge, to be assessed retroactively to the effective date of the Member's failure to comply and the assessed amount shall be payable in full by the Member to the Co-op immediately upon written notice to the Member.

UTILITIES CHARGE

Utilities charges, including heat and hot water costs, are added to your housing charge for a sum total occupancy charge. The monthly utilities charge is \$14 per one bedroom suite, \$17 per two bedroom suite, and \$21 per three bedroom suite. Households receiving Income Assistance as their sole source of income do not pay this charge.

Other utilities such as gas, domestic electricity, water, sewer and garbage collection are covered by your housing charge.

INSURANCE DEDUCTIBLE CHARGES FOR MEMBER-MEDIATED DAMAGES

Members are fiscally responsible for damage they cause to Co-op property. For this reason, it is strongly recommended that Members carry both contents and (at least one million dollars of) liability insurance. Members without liability insurance who cause damage to Co-op property are required to pay a portion or all of the Co-op's insurance deductible (up to \$5,000). The BOD will assign the responsibility and amount of the deductible payment on case-by-case basis.

SUBLETTORS

Sublettors are not eligible for Subsidy. For every month that a unit is occupied by sublettors, the Co-op must receive the Maximum Housing Charge for that unit.

ARREARS

Arrears are unpaid and overdue debts to the Co-op. If any housing or occupancy charge, share installment or other debt due to the Co-op is not paid by the required date, the member is in arrears. When a member's cheque is returned (NSF), the member is in arrears.

In general, each member's financial information is treated as confidential by the Finance Committee, Finance Manager and the Board of Directors, in accordance with the BC Personal Information Protection Act (PIPA). Arrears, however, are treated like any other unpaid and overdue debts to the Co-op and are not confidential information.

When the Finance Committee meets each month, it will consider each member who is in arrears. If the member has previously made an agreement with the Finance Committee or the Board of Directors to pay the arrears, and the conditions are being met, no further action will be taken.

If the member's payment is not forthcoming by the 10th of the month and the member has not approached the Finance Committee with a written explanation and a payment plan, or if the member is not meeting the conditions of their arrears payment agreement, then that member is in breach of the terms of the Occupancy Agreement with the Co-op and could face eviction.

The Finance committee will take the matter up with the member concerned, and should payments still not be made, will recommend an appropriate course of action to the Board of Directors. The Board of Directors will set up with the member a time frame for payment of the arrears. If payment is still not forthcoming, the Board of Directors will issue a thirty-day eviction notice. If the member wishes to appeal the eviction, the member must request an extraordinary general meeting to explain to the members why the household should not be evicted

When members are following an arrears payment plan, they are NOT considered to be in arrears.

In all cases of arrears, THE ONUS IS ON THE MEMBER to explain to the Finance Committee and the Board of Directors why they are in arrears and how they plan to repay amounts owed.

In cases of chronic arrears, the member may need to explain to the general membership of Helen's Court, WHY THEY SHOULD NOT BE EVICTED.

FINANCE COMMITTEE SPENDING POLICY (November 2014)

1. Committee Spending Within Budget

Consistent with the itemized annual budget submitted to and approved by the Finance Committee, Board of Directors, and General Membership, a committee may spend up to the limits of that budget without additional approval by any of the above.

2. Budget Overruns and Special Requests

(a) Less than \$500

Committee annual budget overruns, and special requests from committees or individual members, of less than \$500 must be submitted to the Finance committee for approval. Written itemized requests must be submitted. All such requests will be considered only at regular or specially called Finance committee meetings, and approval of requests noted in the meeting minutes.

(b) Greater than \$500 and less than \$1,000

Committee annual budget overruns, and special requests from committees or individual members, of greater than \$500 and less than \$1,000 must be approved by the Board of Directors, based on recommendations from the Finance Committee. Written itemized requests must be submitted to the Finance committee for consideration. Based on the Finance Committee's recommendations, the Board of directors may approve such requests. All such requests will only be considered at regular or specially called Finance Committee and Board meetings, and approval of such requests noted in the meeting minutes.

(c) Greater than \$1,000

Committee annual budget overruns, and special requests from committees or individual members, of greater than \$1,000 must be approved by the Board of Directors, based on recommendations from the Finance Committee. Written itemized requests must be submitted to the Finance Committee for consideration. Based on the Finance Committee's recommendations, the Board of Directors may approve such requests and take the request to the General

Membership for a vote. All such requests will only be considered at regular or specially called Finance Committee and Board meetings, and approval of such requests noted in the meeting minutes.

FINANCE FAQs (Adapted from CHFBC)

What does Non-profit mean?

As non-profit organizations, the non-profit housing co-operatives operate at cost. This means that, as nearly as possible, money coming in equals money going out. Nobody can make a profit - there is no one to make a profit. Since the owner and the user are the same, and no third party is involved, any profit-making would be equivalent to taking money from one pocket and putting it in the other.

What are Operating Expenses?

A typical budget would include most of the following operating expenses:

Taxes:

- municipal property taxes

Insurance:

- fire insurance to protect the Co-op's buildings and liability
- insurance to protect the Co-op if it is sued for being responsible for injury to a person or damage to their property

Essential Services:

- hydro: heating, light, hot water and gas
- garbage pick-up
- water and sewer

Maintenance:

- repairs to the buildings and equipment
- replacement reserve fund (for replacing capital items e.g. stoves, fridges, etc)
- decorating: repainting common areas or units
- landscaping: maintaining lawns, trees, shrubs, gates, walkways, fences, etc.
- exterminating pests when necessary
- maintaining community facilities such as common rooms
- janitorial supplies: light bulbs, mops, cleaning materials, etc (for common areas only)

Bank Charges:

Administration:

- telephone, office supplies
- payments for any person contracted to carry out management functions for the Co-op (e.g. finance manager, maintenance coordinator)
- legal expenses
- annual audit fee (every Co-op is required to have an annual audit of its books by an auditor to verify that the business practices of the Co-op are being carried out on a sound and honest basis)

Mortgage payments:

- combined principal and interest payments paid monthly to pay off the loan made to finance the Co-op

Education:

- CHFBC or other Co-op education workshops
- provincial and national Co-op conferences

Social:

- Co-op kids activities
- Co-op social gatherings

Co-op Federation Membership:

- CHFBC
- CHFC

Why are monthly housing charges raised periodically?

At least annually, the housing charges must be reviewed and, if necessary, raised to cover increases in the costs of operating the Co-op's housing units. Generally, the Co-op has no control over increases in taxes, fuel costs, hydro rates and the cost of supplies. In addition, as a Co-op ages, increased maintenance (renovations) and replacement of capital items (such as appliances) are required. It is important that each Co-op member understand that as long as these increases in operating costs keep occurring, increases in the Co-op's monthly housing charges are a fact of life.

What is the member's role in budgeting?

Many members are content to let the treasurer and finance committee do the work and make the decisions. As members, however, you have a right and an obligation to be informed and make decisions. Either at annual budget time or in time of emergency, certain choices will have to be made. For example, will the old roof be replaced or repaired? Can an increase be deferred for six months or a year, or is it better to have a graduated

increase? The membership should always be consulted in such instances and the choice made collectively. Because the Co-op provides housing at cost, however, there is no point in voting against an obviously needed increase. Bills have to be paid sooner or later by the membership or the Co-op will be forced into bankruptcy.

What can Co-op members do to keep down the housing charges?

Obviously nothing can be done about some items which make up the yearly expenses, such as the mortgage payments, taxes, etc. However the following expenses can be controlled to some extent by the members.

MAINTENANCE: Volunteer efforts, both inside one's own unit and in the common areas, can save expensive labour costs in carrying out minor repairs, decorating, landscaping and, of course, regular clean-up.

Maintenance is definitely an area where member involvement can have a big impact on cost.

MANAGEMENT: This is another area where volunteer contribution is again both possible and a money-saver. A properly functioning committee system which deals with such things as maintenance, membership and finance is a way to spread the work around, allow for many people to contribute and cut down the amount of paid assistance required.

ARREARS: Although a little less obvious, the financial health of the Co-op can also be strengthened by all the members creating a social atmosphere where members are expected to pay their monthly charges on time, to not let arrears build up and to give proper notice when moving. Unpaid housing charges become an expense to the Co-op which the rest of the members' housing charges have to cover.