

Everything You Need To Know About Your Co-op's Finances

Fall Education Event

Saturday, November 19th 2016

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Workshop Objectives

Participants will be able to:

- Identify the seven key outcomes of good financial management in a housing co-op
- Explain why co-ops need financial reporting
- Identify financial reports used by a co-op
- Know how to read financial reports
- Know how to relate this information to board members
- Use financial reports as tools for
 - Making operating decisions
 - Planning
 - Reporting
 - Control
- Understanding the audit process and the importance of bringing key information for your audit
- Clarifying First Calgary's programs that are available to SACHA members
 - Commercial Refinancing Program
 - Cash management services and proposal
 - SACHIP program details
 - Individual banking portfolio's for co-op members



Agenda

- Introduction and objectives
- Financial management in a housing co-op
- Financial reports
- Financial statements analysis
 - Why review
 - What to look for
 - How to use the information
- Who does what?
- The Audit process
- First Calgary services – SACHIP, Refinancing & Personal Member banking portfolios
- Closing and workshop evaluation



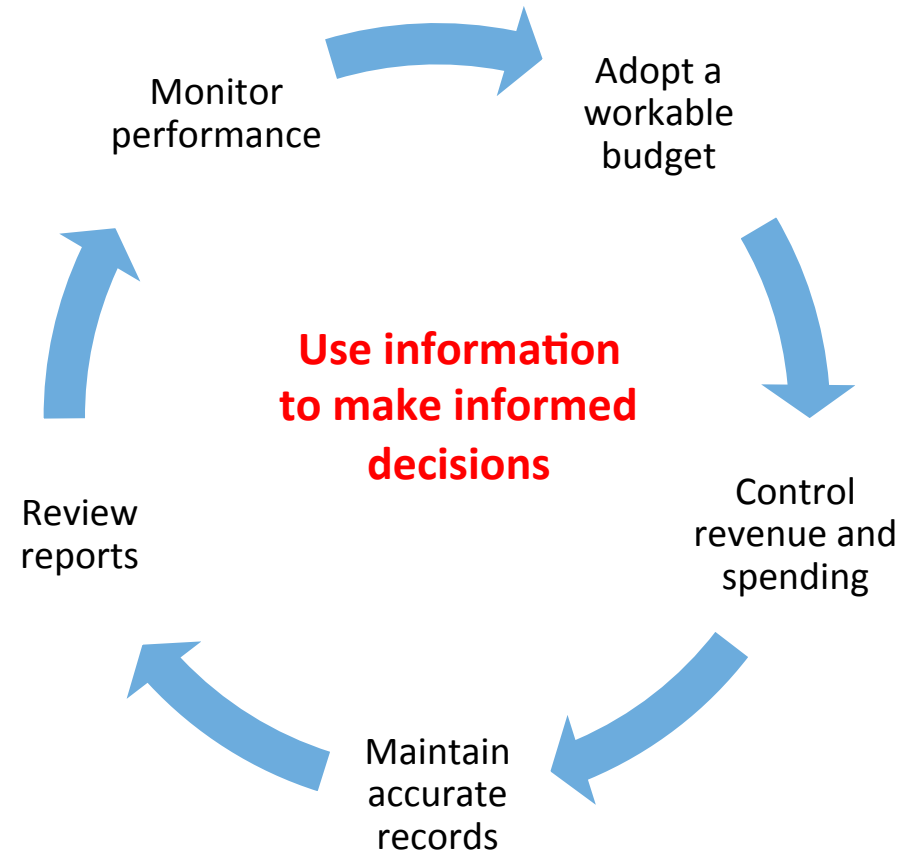
Seven Key Outcomes

Getting financial management right

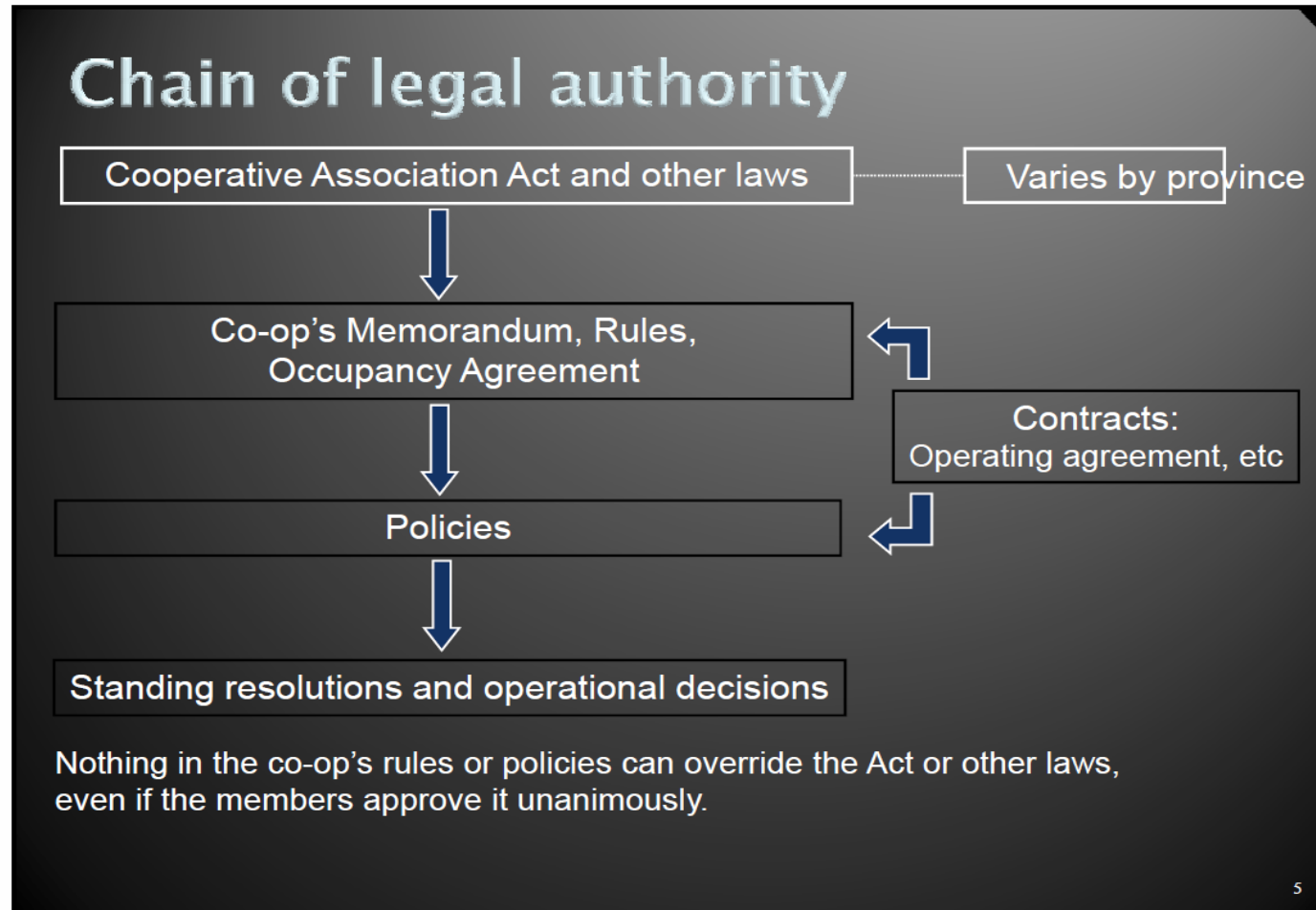
1. adopt a workable budget each year
2. collect housing charges right away
3. have good financial controls and proper insurance to safeguard its assets
4. pay your bills in full, on time
5. keep up-to-date books and financial records
6. get and review financial statements each month
7. have a replacement reserve plan and an investment plan



The annual financial cycle



Chain of legal authority



Chain of legal authority

Contracts

Operating agreement

- signed with CMHC
- administered by the Agency
- co-op may also have a workout or other agreement with additional requirements



Financial reports

- Monthly reports
 - Balance Sheet
 - Income statement
 - Year to Date
 - Budget vs Actual
 - Arrears report
 - Cash report
 - Other reports
 - vacancy reports
 - subsidy report (depends on program – esp. S 95)
 - cash flow projection
 - replacement reserve report
 - investment reconciliation
- Annual audited financial statement



Bookkeeping documents

- Cheque register
- Deposit register
- Bank reconciliation
- General ledger listing
- Cash advance reconciliation
- Prepaid expenses schedule
- Accounts payable schedule



What's involved in keeping the books?

Revenue records

- deposit book
- direct deposits
- deposit register

Disbursement records

- cheque book
- automatic withdrawals
- cheque register

Bank records

- bank statements
- reconciliation
- signing authority
- agreements for automatic withdrawals
- returned cheques



Balance sheet

A snapshot at a point in time

Assets

Short term asset

- Unrestricted cash
- Accounts receivable
- Prepaid expenses

Long term asset

- Restricted cash for reserves
- Capital assets

Liabilities & Equity

- Short term liability
 - Accounts payable
- Long term liability
 - mortgage

Owner's Equity

- Members' shares
- Reserves
- Surplus or *deficit*



Financial statements analysis

Income statement

Why review the income statement?

- Evaluate co-op's financial position
 - Surplus/deficit
- Monitor and control performance
 - Control spending
 - Ensure adequate revenue
- Plan for the future



Financial statements analysis

Income statement

What to look for?

- Large budget variances
- Unusual trends
- Unexpected items
- Negative numbers
- Declining maintenance
- Large vacancies
- Projected surplus or loss



Financial statements analysis

Income statement

How to use the information

Operating budget

- Interim budget review
 - Control vacancies
 - Reassess subsidy usage
 - Control committee spending

Next year's budget

- Project operating expenses
- Assess revenue potential
 - determine optimal housing charges
 - project subsidy usage



Financial statements analysis

Income statement

How to use the information

Long term planning

- Identify long term and cyclical needs
- Plan for long term preventative maintenance
- Assess capital replacements
- Determine adequate replacement reserve provision

Member selection



Financial statements analysis

Balance sheet

Why review the balance sheet?

Because it contains all relevant information of the business. All financial reports are tied to the Balance Sheet.

- Value of assets
- Cash position
 - Restricted vs un-restricted
- Co-op reserves
- Member shares
- How much money others owe to the co-op
- How much money co-op owes to others
- Loan(s)



Financial statements analysis

Balance sheet

What to look for

- Changes in balance sheet accounts
- Accounts receivable
 - Members arrears
- Accounts payable
- Cash flow
 - Reserve funding
 - Share funding
 - Idle cash
- Accumulated surplus/deficit



Financial statements analysis

Balance sheet

How to use the information

- Cash flow projection
 - cash for operations
 - required average balance
 - reserve funding
 - Insurance limits
 - prudent investment decisions
- Member arrears administration
- Long term planning



Financial statements analysis

Other reports

- Arrears report
- Vacancy report
- Subsidy status
- Replacement reserve
- Investment
- Cash break-down



Using financial statements to make decisions

For today

- Budget review
- Arrears management
- Minimize vacancy loss
- Manage the subsidy pool

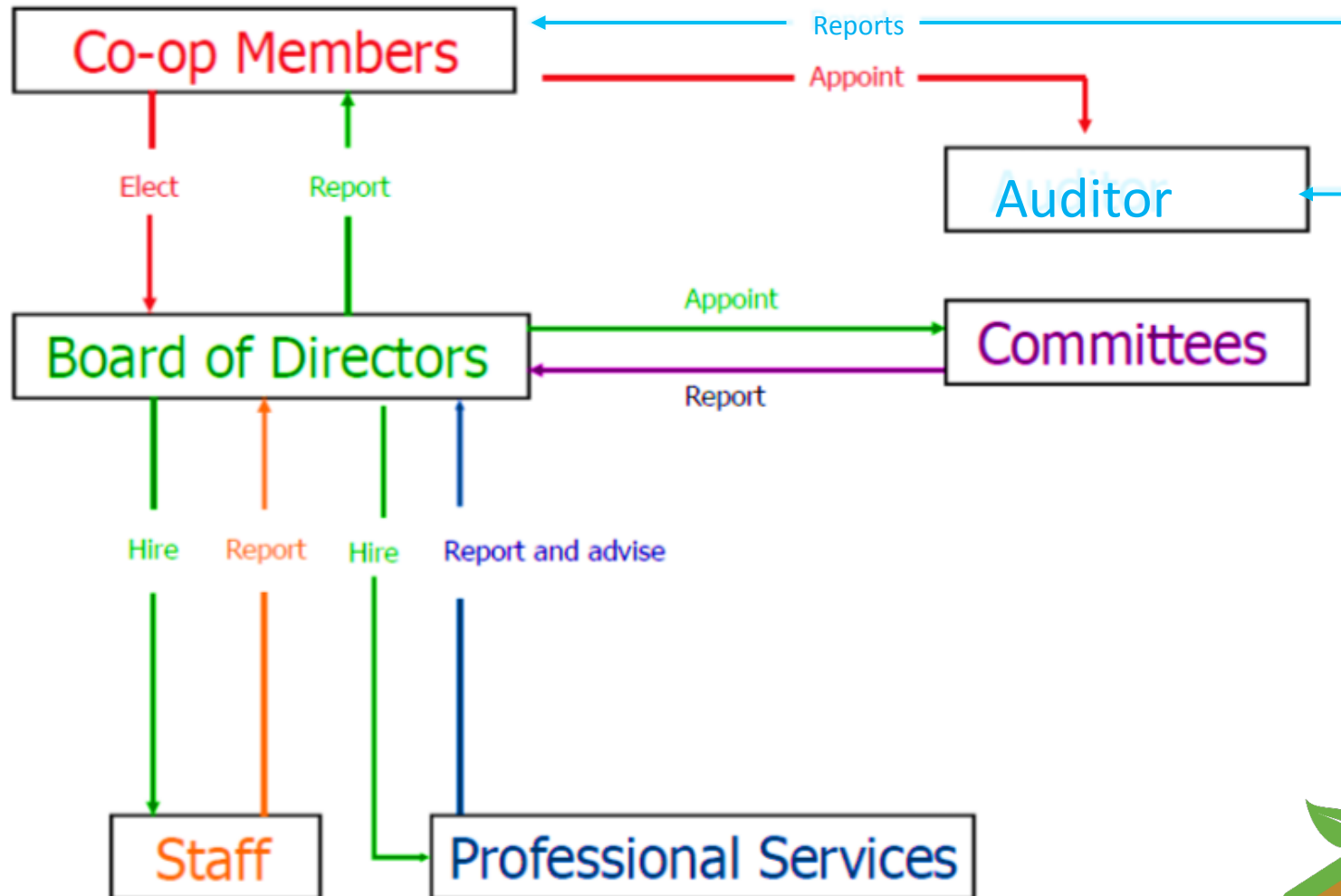
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For the future

- Prepare budgets
- Long-term financial planning
- Preventative maintenance
- Long-term and cyclical needs
- Replacement reserve planning
- Marketing and member selection



Organizational structure



Finance policies

- Budgeting
- Financial reporting
- Spending
- Arrears
- Housing charge assistance – Section 95 (56.1)
- Investment



Other financial tools

- Well-equipped office: computer, right office equipment, good systems, internet access
- Training for board and other volunteers
 - The co-op budgeting cycle
 - The housing program your co-op operates under
 - How to read financial statements



Good financial management

The best way to ensure good financial management is to:

- Delegate financial tasks to knowledgeable people
- Develop sound finance policies and follow them
- Use effective systems for administering, recording, controlling and reporting on the co-op's financial situation.



Taking the info back to your co-op

- How will you report about this workshop?
- What one or two things will you recommend your co-op change?
- What reaction do you expect from the board and members?

