

Waterloo Co-operative Residence Incorporated

Financial Operations Policy

As approved by the General Manager,
and incorporating all changes through:

10 April 2007

*(Note that, in this policy, the masculine shall include the
feminine and the singular shall include the plural)*

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Revision History

Date	Revisionist	Summary of Changes
19 February 2000	WCRI	Policy Adopted
16 December 2001	Russ Wong	Template Update
08 June 2002	David Garrard	Policy Update
18 October 2003	Brad Kent	Policy Change: new formation of policy
15 January 2005	David Haigh	Policy Update: signing officers
20 February 2005	Dan Lynch	Policy Change: remove the unbudgeted expense limit for the purposes of Hammar redevelopment
10 April 2007	Laura Reidel	Title page changed to reflect General Manager's jurisdiction over this policy. All references to "kitchen" were removed.

External Cross-references

Section(s)	Policy/Section Referenced	Referencing Policy	Section(s)
		Board of Directors'	D
		GM Hiring and Evaluation	3.1, 3.2.d
		Personnel	A

PREAMBLE

A policy concerning the governance and operations of WCRI with respect to all financial concerns for the purposes of ensuring the effective control and oversight of the management of the cooperative.

INTERPRETATION

1. In this policy,

“CIPF” refers to the Canadian Investors Protection Fund;

“emergency expenses” refers to any expense that must be incurred immediately because delay will risk property damage or endanger personal safety;

“emergency reserves” refers to a set of funds set aside and usable only for the purpose of protecting the co-op from insolvency or the risk thereof;

“redevelopment reserves” refers to a set of funds set aside and usable only for the purpose of funding of a major redevelopment of existing properties or the construction of new properties

“free cash flow” can be calculated via the following formula;

$$\begin{aligned} & \textit{WCRI's annual surplus} \\ & + \textit{WCRI's amortization} \\ & - \textit{WCRI's principal portion mortgage payment.} \end{aligned}$$

“the Threshold” refers to the limit for which any actual expense may exceed the budgeted amount, which is the greater of \$1,000 or 10% of the budgeted value of the item;

“the Board” refers to the Board of Directors of WCRI;

“the Auditors” refers to an accounting firm whom is engaged to perform auditing or assurance services to WCRI;

“Signing Officer” refers to a signing officer of WCRI;

PART I: FIDUCIARY OBLIGATIONS

2. (1) The Board is legally bound by the *Co-operative Corporations Act* of Ontario to a fiduciary obligation to act in the best interests of WCRI.

(2) These interests supersede those of the Board and the general membership.

(3) The General Manager is bound by fiduciary obligations to act in the best interests of WCRI.

(4) The general membership is not bound by any fiduciary obligation.

PART II: STANDARDS

3. (1) The fiscal year-end shall begin on May 1 and end on April 30.

(2) All regular accounting and budgetary data is presented according to fiscal year.

(3) All financial data shall conform to the generally accepted accounting principles as maintained by the Canadian Institute of Chartered Accountants.

PART III: ROLES AND RESPONSIBILITIES

4. (1) The General Manager shall be responsible for the following:

- a) monthly reporting to the Board
- b) ensuring the timely and accurate production of monthly operating statements;
- c) maintaining historical records;
- d) preparing of the annual budgeting documents;
- e) managing of reserve investments;
- f) facilitating the annual financial audit;
- g) acting as a liaison with WCRI's retained accounting firm and legal counsel;
- h) act as a signing officer; and
- i) review cheques from Accounting, to ensure cheques are coded correctly, cheques match invoice details, cheques do not compromise the financial position of the Co-op, cheques do not entail some illegal activity, and that cheques otherwise conform to the policies of the Co -op

5. (1) The membership is responsible for the acceptance of the annual financial audit and approval of the appointment of Auditors.

6. (1) The Auditors shall be responsible for:

- a) conducting the annual financial audit in accordance with generally accepted auditing standards as maintained by the Canadian Institute of Chartered Accountants;
- b) reviewing budget documents;
- c) preparing an annual operations review; and

completing an annual performance evaluation of the General Manager.

9. (1) The Signing Officers shall be responsible for:

- a) signing documents (including cheques) on behalf of the corporation
- b) audit cheques, by reviewing each cheque, the amount, and the recipient against the amount on the invoice, receipt, to ensure that the cheque matches the invoice, and if it does not match, require an explanation from the General Manager
- c) control cheques, by ensuring that the cheque is not for some illegal activity, or activity that may place the corporation at risk

PART IV: EXPENSES

7. (1) All budgeted expenses are the responsibility of the General Manager.
- (2) Variances that exceed the Threshold will be considered non-routine.
8. (1) Emergency expenses must be approved by the General Manager.
9. (1) Operating contracts entered into by WCRI must be signed by the General Manager.

PART V: DISBURSEMENTS AND CHEQUES

10. (1) Disbursements will be made by cheque.
- (2) All disbursements must have adequate documentation, such as purchase order, invoice or receipt.
- (3) The petty cash fund shall be replenished by cheque.
11. (1) Cheques shall be prepared by the Accountant each week on Wednesday.
- (2) Cheques shall be reviewed by the General Manger and initialled prior to signing.
- (3) In the absence of the General Manager, the Accounting Manager shall review and initial the cheques.
- (4) The Accounting Department shall take advantage of all offered trade terms and discounts, as appropriate.
12. (1) Concerns or questions regarding a disbursement shall be directed to the General Manager and/or the Accountant.
13. (1) All disbursements to members must be approved in advance by an appropriate body
- (2) For these disbursements, approved minutes must be presented in addition to the documentation required by section 10(2)

PART VI: RESERVES

18. (1) There are three separate reserves that WCRI shall maintain:
- a) Emergency Reserves;
 - b) Redevelopment Reserves;
 - c) Capital Projects.
21. (1) Every year the General Manager shall set aside 10% to 20% of the previous year's free cash flow ("the Allocation") in the following proportions:
- a) 50% goes to the Emergency Reserves;
 - b) 25% goes to the Redevelopment Reserves;

- c) 25% goes to the Capital Projects Reserves.

22. (1) The reserve funds may be invested only in low-risk investment vehicles including and limited to:

- a) Guaranteed Investment Certificates;
- b) Canadian Provincial or Federal Government Bonds, provided those bonds are rated A or better;
- c) T-Bills;
- d) Money Market Funds; and
- e) CIPF protected savings accounts.

(2) Interest earned from these investments must remain in the reserve fund in which it was earned unless it is re-allocated under 21(4).

(3) No one investment may form more than 35% of the total value of the reserve investments.

(4) The selection and management of these funds remain the responsibility of the General Manager, or their delegate.

PART VII: MONTHLY REPORTING

23. (1) Operating statements will be prepared monthly consisting at a minimum of:

- a) Income statement for the month and the year to date; and
- b) Comparison against the budget for the month and year to date.

(2) The General Manager shall provide monthly written commentary to the Board regarding the statements and the performance of WCRI

(3) The monthly operating statements shall be distributed to the staff as appropriate.

(4) A copy shall be made available to any interested staff or members.

PART VIII: ANNUAL BUDGET

24. (1) The annual budget shall comprise four documents:

- a) Operating Budget and Projected Cash Flow;
- b) Capital Requirements Forecast (“CRF”);
- c) Five-year Projected Budget; and
- d) the Schedule of Miscellaneous Rates and Fees.

(2) the General Manager must approve all documents in the annual budget in order for the annual budget to take effect.

25. (1) The Operating Budget is a projected statement of income and expense for the fiscal year, with monthly comparisons.

(2) The Projected Cash Flow is a projection of future cash receipts and cash disbursements for the fiscal year based on the facts and assumptions of the Operating Budget.

(3) The Projected Cash Flow must include a Capital Requirements Budget that delineates all foreseeable capital expenditures for the next fiscal year.

(4) The Projected Cash Flow must include a detailed calculation of the reserves that shall be set aside as required under 21(1).

26. (1) The CRF shall be maintained by the General Manager.

(2) The CRF shall identify all debt retirement and capital assets for upkeep, projected replacement dates and repair costs on a detailed basis.

(3) The CRF shall cover, at a minimum, a period of 15 years into the future.

(4) The CRF must reconcile with the Capital Requirements Budget.

27. (1) The Miscellaneous Rates and Fees Schedule shall include a list of all rates and fees applicable within WCRI.

28. (1) The Five-Year Projected Budget shall calculate projected revenues, expenses, cash flows and capital requirements based on reasonable assumptions.

(2) The use of a single growth rate for revenues and expenses shall not be deemed reasonable.

PART IX: OPERATIONAL AUDIT

29. (1) The Auditors shall collect all necessary information to prepare an operational audit following the completion of the annual financial audit.

(2) This audit shall provide an annual, objective third-party review of the appropriateness and success of WCRI's operations.

(3) The audit shall be presented to the Board in a timely manner.

APPENDIX A: OPERATIONAL AUDIT

WCRI's Auditors will review the following areas in a manner consistent with financial auditing standards and provide a written report with comments for each area, and recommendations for improvement.

A.1 Administration

Prudent insurance coverage, proper corporate filings, evidence of legislative compliance, critical system, and maintenance reviews.

- Insurance policies are appropriate; provide good coverage for property, employee benefits, and liability;
- Pension filings are current, consistent, documentation is current, correct (i.e., amendments);
- Fire systems appear to be maintained appropriately. Annual system checks done by outside contractors: fire extinguishers, heat & smoke detectors and alarm panels. Good records are maintained;
- Corporate filings are current for income taxes, Co-operatives Secretariat, Statistics Canada, GST, etc;
- Health inspections are performed at regular intervals, with acceptable results;
- Occupational Health and Safety requirements on-going. An active Joint Health and Safety Committee in place, legislative obligations for certification and first aid being met.

A.2 Human Resources

Review of current year evaluations.

- Up-to-date staff organization chart;
- Review current year evaluations for regular completion, quality of staffing as a whole, calibre of evaluation process, supervisory quality, morale;
- Brief review of the *Personnel Policy*.

A.3 Property Management

Upkeep, prudence of capital replacements and forecasting, effectiveness of project management.

- Review of Capital Replacement Forecast with General Manager;
- Completeness, reasonable foresight, responsible management and protection of assets;
- Site tour with General Manager and/or delegate to assess general state of buildings and other physical assets.

A.4 Financial Management

- Current year financial results
- Cash management
- Budget documentation and historical comparisons:
 - Documentation up to date, complete;
 - Calculations and format make sense;
 - Result/recommendations;
 - Conform to accounting principles, standards, practices, theory;

- Support on-going operational information needs;
- Trend analysis.
- Analysis of reserve's investments

A.5 Special Items

Review to assess management of unusual issues/projects/transactions, legal issues, purchase/sale of property, etc.

A.6 External Affairs/Representation

WCRI's stature and roles in the broader community, including other co-operatives, OSCA, NASCO, CCA, CHFC, local community, universities, etc.