

Finance Committee Policies and Procedures

REVISION HISTORY		
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Finance Committee Policies and Procedures

Capital Reserve Spending Authorization Policy

Purpose

The capital reserve spending authorization policy exists to:

- Ensure that all capital reserve spending decisions are made only by properly authorized Co-op representatives;
- Clarify how capital reserve spending authority is delegated among the Board and committees;
- Ensure all capital reserve purchase decisions are properly evaluated and documented;
- Support and encourage careful spending to targets set in the current, approved Capital Reserve Plan, Asset Management Plan and current version of the Financial Demand Schedule and Paloma Cash flow document; and,
- Provide rapid and flexible support for capital reserve spending for necessary items that are not part of the current approved Capital Reserve Plan.

Definitions

Planned

A planned expense is one that fulfills all three of the following conditions:

1. It was identified and included when the current Capital Reserve Plan was drafted;
2. It is within 10% of the cost anticipated in the current approved Capital Reserve Plan; and,
3. It occurs within the three-year approval timeframe specified in the current approved Capital Reserve Plan.

Unplanned

An unplanned expense is one that does not meet each and every criterion of a planned expense.

Major repairs and projects

Replacements and renovations over \$500 for either common areas or individual units.

Capital Reserve Plan

The Capital Reserve Plan includes the Viability Analysis and Financial Plan, the Financial Demand Schedule and the Paloma Cash Flow.

Capital expenses covered in the Capital Reserve Plan include building improvements, building components, building systems, major planned repairs and projects, appliances or other items that have a life of more than one year, and mechanical systems.

Policy

1. All planned and unplanned capital reserve purchases must be authorized in advance by approved co-op representatives as detailed in Table 1:

Table 1. Authorization Levels for Capital Reserve Spending

Authorization Needed From	Unplanned
Maintenance Committee Chair	Up to \$1,000
Maintenance Committee	Up to \$5,000
Board	\$5,000 to \$25,000
Members	over \$25,000

2. All unplanned expense authorizations must be in writing and copied to the Maintenance Committee and Board email accounts.
3. Expenditures that require authorization by the Board or the membership must be approved by an ordinary resolution at a Board or general meeting and recorded in the meeting minutes.
4. To streamline purchase administration and to help ensure replacement product continuity, the Maintenance Committee may pre-approve a standard product and supplier for common replacement items, such as appliances and flooring.

- Except for pre-approved products from pre-approved suppliers, purchasing criteria must be followed for all proposed planned and unplanned capital reserve spending, as detailed in Table 2:

Table 2. Purchasing Criteria for Capital Reserve Spending

Spending Level	Purchasing Criteria
up to \$5,000	Quote based on written specification
\$5,000-\$30,000	3 comparable, competitive quotes or estimates based on written specification OR an approved bulk purchase program
\$30,000-\$100,000	3 comparable, competitive prices by quotation, select tender, or proposal
over \$100,000	3 or more competitive bids by select or public tender

- Emergency replacement of capital items does not require prior approval by the Board where delay would create a health or safety hazard. Instead, the Maintenance Committee chair may authorize any expense necessary to deal with the emergency replacement, and the chair may contact the Board for further guidance and/or approval. Once the emergency has been dealt with, normal capital reserve spending policies and procedures must be followed for subsequent replacement, remedial, and restoration work. Emergency expenses must be reported promptly to the next Maintenance Committee and Board.
- Every breach of the spending policy must be reported immediately to the Board.

Procedures

Procedures are executed by CANA Management in consultation with the relevant committees. Before signing the cheque, the Board signing officers must review the documentation to ensure the capital reserve spending policy requirements have been met.

- Verify or prepare a written specification for the replacement product to be purchased.
- Obtain quotes or estimates, as required by Co-op policy.
- Review current Viability Analysis and Financial Plan to determine whether proposed expense meets the timing and cost requirements specified in the plan.
- After receiving authorization from the Board (typically through email), complete a purchase order.

5. Provide the purchase order to the supplier (or quote the purchase order number). Keep a copy of the purchase order along with relevant Board authorization.
6. Make sure the supplier knows they must return the purchase order with their invoice or show the purchase order number on the invoice.
7. Where invoice is for an amount in excess of \$1,000 or where a supplier or tradesperson is being used for the first time, review the invoice with the receiver of the good or service to confirm that goods or services were satisfactory.
8. Process invoices, prepare a cheque for the amount shown on the cheque requisition, attach it to the documentation, and return it to the Co-op for review and signatures.

Operating Expense Spending Authorization Policy

Purpose

The operating expense spending authorization policy exists to:

- Ensure all purchase decisions are made only by properly authorized Co-op representatives;
- Clarify spending authority among directors, committees, the Management Company, and members;
- Ensure all purchasing decisions are properly evaluated and documented;
- Support and encourage careful spending to planned budget targets; and,
- Provide rapid and flexible support for emergency spending when necessary.

Definitions

Budgeted Operating Expense:

An expense is considered a budgeted operating expense when both of the following conditions are met:

1. The expense was identified and included when the current year's operating budget was drafted and approved; and,
2. Projected spending in this budget category, including the expense, will be at or below budget at fiscal year-end.

Unbudgeted Operating Expense:

An unbudgeted operating expense is one that fulfils at least one of the following conditions:

1. It was not a planned and approved part of the current year’s operating budget; or,
2. It will cause projected spending in this budget category to exceed budget at year end.

Emergency Operating Expense:

An emergency operating expense is one that is incurred for an unforeseen situation that requires immediate action to avoid a threat to life, safety, health, or to prevent further, substantial financial loss or damage to the Co-op.

Policy

1. All budgeted and unbudgeted operating purchases must be authorized in advance by approved Co-op representatives as shown in Table 3:

Table 3. Authorization for Operating Expense Spending

Unbudgeted Expense Amount	Authorization Needed From
Up to \$1,000	Maintenance Committee Chair
\$1,000 to \$5,000	Maintenance Committee
\$5,000+	Board

2. All authorizations must be in writing and copied to the Maintenance Committee and Board email accounts.
3. Expenditures requiring authorization by the Maintenance Committee or Board must be approved by an ordinary resolution at a Maintenance Committee or Board meeting and recorded in the meeting minutes.
4. For all proposed expenses over \$5,000, a scope of work must be developed and at least three comparable quotes or estimates must be obtained before authorization will be considered by the Board.
5. Policies 1 – 4 do not apply for an emergency operating expense. Instead, the Maintenance Committee chair may authorize any expense necessary to deal with the emergency operating expense, and the chair may contact the Board for further guidance and/or approval. Once the emergency has been dealt with, normal spending policies and procedures must be followed for all remedial and restoration work. Emergency expenses must be reported at the next Maintenance Committee and Board meetings.

6. Every breach of the spending policy must be reported immediately to the Board.

Procedures

Procedures are executed by CANA Management in consultation with the relevant committees. Before signing the cheque, the Board signing officers must review the documentation to ensure the operating spending policy requirements have been met.

1. Obtain quotes or estimates if required.
2. After receiving authorization from the Board (typically through email), complete a purchase order.
3. Provide a purchase order to the supplier (or quote the purchase order number). Keep a copy of the purchase order along with relevant Board authorization.
4. Make sure the supplier knows they must return the purchase order with their invoice or show the purchase order number on the invoice.
5. Where the invoice is for a sum in excess of \$1,000 or the vendor or tradesperson is being used for the first time, review the invoice with the receiver of the good or service (or the Maintenance Committee chair if relevant) to confirm that goods or services were satisfactory.

Process invoices, prepare a cheque for the amount shown on the authorized invoice, attach it to the documentation, and return it to the Co-op for signature.

Petty Cash Purchasing

Purpose

To ensure small items not planned for in the annual budget, Capital Reserve Plan or other capital initiatives are accurately accounted for and assigned to each unit, and to purchase items and services on behalf of Members.

Policy

1. Purchases on behalf of the Co-op should be used sparingly and for small non-recurring expenses. All petty cash expenses must be supported by documents showing their business purpose. A maximum limit of \$300 per month is allowed for petty cash usage unless specifically pre-approved by the responsible committee.

2. Petty cash must not be used for purchases where the Co-op has an account with a vendor (e.g., Cloverdale Paint).
3. Petty cash expenditures for services are discouraged. However, a maximum limit of \$100 per invoice can be used for services if deemed appropriate by the Board or by the relevant committee and documented in their meeting minutes.
4. Where the Co-op has a standard vendor for a good or service, members purchasing from alternative vendors will not receive reimbursement except with prior approval from the relevant committee or from the Board.

Procedure

1. Purchases should be pre-approved by the committee that will be financially responsible for the expense to ensure that reimbursement will be allowed. Committees reserve the right to reject reimbursement claims that the committee has not approved.
2. Reimbursement requests must be sent to the committee chair and the Management Company, and must include the receipt and an explanation of the reason for purchase. Receipts must be denoted with the unit number if they pertain to a specific unit.

Investments

Purpose

To direct how Co-op funds, accumulated in the Replacement Reserve Fund and other bank accounts over time that are not required for established purposes in the foreseeable future, may be invested for the Co-op's benefit.

Policy

1. The Co-op's investment objectives are:
 - a. Minimizing idle cash holdings;
 - b. Ensuring the Co-op's overall return on investments is equivalent to interest rates being paid on the mortgage;
 - c. Providing the funds necessary for the Co-op to carry out capital projects, including improvements and replacements;
 - d. Ensuring the Co-op has adequate working capital; and,

- e. Offsetting or reducing the effect of inflation on the Co-op's reserves and operations.
2. The Finance Committee will make investment recommendations to the Board in accordance with the following principles:
 - a. All transactions must be for the sole benefit of the Co-op;
 - b. Any investment that is not expressly permitted under this policy must be formally reviewed and approved by the Board;
 - c. Funds must be invested in a manner that achieves a reasonable rate of return but does not jeopardize the Co-op's financial stability or the principle invested;
 - d. Funds must be invested in the co-operative movement whenever possible;
 - e. Funds must not be invested in institutions whose activities knowingly conflict with the principles and objectives of the co-operative movement; and,
 - f. The Board has ultimate responsibility for the investment and management of the Co-op's investment assets.
3. Funds invested in guaranteed investment certificates and other insurable products must not exceed the maximum amount insured federally under the Canada Deposit Insurance Corporation or provincially under the Credit Union Deposit Insurance Corporation of BC.
4. The Finance Committee may seek advice from financial institutions or investment consultants or investment managers regarding suitable investments.
5. The Co-op's asset allocation approach will be to invest each account as a short-term, medium-term or long-term investment, or a combination thereof, based on an anticipated time frame when the funds would be required. The timeframes are defined as follows:
 - a. Short-term investments are funds that are anticipated to be required in 1-3 years;
 - b. Medium-term investments are funds that are anticipated to be required in 3-5 years; and,
 - c. Long-term investments are funds that are anticipated to be required more than 5 years in the future.
6. On a semi-annual basis, the Finance Committee and the Board will review a schedule of all Co-op investments, taking note of the annual rate of return, the management fees levied and the Co-op's needs and make adjustments if needed.