

# Spending Policy

Ultimate control of spending in the Co-op rests with the memberships. The spending program that members wish to see implemented is established in the Budget which they approve annually. Responsibility of the day to day administration of the Budget is delegated, by members, to the Co-op's Board of Directors and staff.

The purpose of a Spending Policy is to provide guidelines to control spending. In order to be effective, these guidelines must, at the same time be:

- restrictive enough to ensure that spending is undertaken according to the Spending Program approved in the Budget; and
- flexible enough to allow the Board and staff to make the day to day spending decisions necessary to manage the Co-op.

## 1. Annual Budget

- 1.1 Prior to the beginning of each fiscal year, a Budget for the year shall be prepared by the Finance Committee, confirmed by the Board and presented to a General Members' Meeting for approval.

The Budget shall allocate monies for expenses for each major category and itemize all sources of revenue. The Budget categories referred to in this policy shall be those outlined in Appendix "A". Each category of the Budget shall be accompanied by notes that are sufficiently detailed to allow meaningful discussion by the members.

- 1.2 Once the Budget has been approved by the General Members at a General Members' Meeting, staff and the Board of Directors shall be authorized to incur expenses according to the provision of Section 1.3 of this policy.
- 1.3 During the course of the fiscal year, the Board may, on the advice of the Finance Committee, revise the Budget, as required by anticipated changes in revenue and in spending needs. Any such revisions must be reported to, or approved by, a General Members' Meeting in accordance with the following guidelines;

- (a) any increase or reduction in one Budget category exceeding 15% of the total Budget for that category be reported to the next General Meeting;

- (b) any increase in expenses which result in an increase of the total expense Budget by more than 5% must be approved, in advance by a General Membership Meeting;
- (c) any change in Housing Charges as a result of revisions to the Budget must be approved in advance by a General Meeting in accordance with the Co-op's by-laws.
- (d) any deferral if a major Budget expense must be approved by the Board of Directors and reported to the General Members.

## 2. Mandatory Expenses

- 2.1 Mandatory expenses are those which are incurred by the Co-op and are not the result of a specific purchase order. They include such things as municipal taxes, utilities, salaries, insurance, mortgage, mortgage payments and any contracted services, once a contract has been signed.
- 2.2 Mandatory expenses shall be paid by the staff person designated by the Board of Directors. If a mandatory expense will be higher than provided for in the Budget, it must be reported to the next meeting of the Finance Committee. The Finance Committee shall then propose an appropriate Budget revision to the Board. The Board shall revise the Budget, or make a proposal to the members for a revision of the Budget, in accordance with section 1.3 of this Policy.

## 3. Discretionary Expense

Given the nature of forward 9, there will be designated members responsible for discretionary expenses. These designated members will follow the guideline 3.2 and be appointed by the Committee responsible for these discretionary expenses.

- 3.1 Discretionary expenses are those which the Co-op has an option as to when or how to incur and, as such, require the authorization of a purchase order. They include such things as equipment purchases, maintenance supplies, professional services, education, changes in insurance coverage, temporary staff positions, membership in other organizations and signing new contracts for goods or services.
- 3.2 All discretionary expenses over \$50.00 must be authorized by means of the purchase order which shall be signed by the Co-ordinator. All other discretionary expenses under \$50.00 must be authorized by means of a purchase order signed by a designated representative of the Co-op. Where the expense will put a Budget category over Budget or was not anticipated by Budget and is over \$300.00, it must be approved by the Finance Committee and the Board of Directors. Where necessary, the Board shall revise the Budget or make a proposal to the members for a revision of the Budget, in accordance with Section 1.3 of this Policy.

3.3 These purchase orders shall be issued by the Co-ordinator to the designated representatives who shall ensure that the following procedures are adhered to:

- (a) The designated representatives shall at all times retain one copy;
- (b) The designated representative shall ensure that one copy be submitted to the office before the end of the month in which the expense occurred;
- (c) Ensure that the 3rd copy be given to the supplier contractor.

Note: THESE PURCHASE ORDERS SHALL BE NUMBERED AND PRINTED IN TRIPLICATE.

3.4 The Maintenance Committee is authorized by the Board of Directors to spend up to \$1,000.00 on Budget expenses to follow Section 3.2 on unbudgeted expenses. All Budgeted items over \$1,000.00 must be approved by the Board of Directors and follow Section 3.5.

3.5 Before approving a discretionary expense of more than \$1,200.00 the Co-op will normally obtain 3 written bids or quotations. In cases where the Co-op has used a particular supplier or contractor regularly, having previously determined that their prices are competitive, and being satisfied with their service, it is permissible to purchase from them, item exceeding \$1,200.00 in cost without obtaining two other quotes. In such cases the Coordinator will normally test the competitiveness of the regular supplier by obtaining quotes once a year for expenses incurred several times a year, and one in two or three years for expenses incurred annually ( e.g. insurance, annual maintenance contracts, etc.).

3.6 The coordinator shall yearly, advise all known suppliers of authorized members and purchase order procedure.

3.7 The spending limits referred to in paragraph 3.2 and 3.3 may be adjusted annually by the Board to reflect the rate of inflation since the last increase.

#### 4. Emergency Expenses

4.1 Emergency expenses are those which have to be incurred immediately because a delay with risk property damage or endanger personal safety.

4.2 Notwithstanding section 1, 2 and 3 an emergency expenditure may be approved by designated staff or members without a spending limit. The Board of Directors shall designate the people authorized to approve emergency expenditures.

4.3 All emergency expenditures must be reported to the next meeting of the Board of Directors.



## 5. Signing Officers

- 5.1 There shall be four signing officers of which any two may sign cheques. These signing officers will be appointed by the Board of Directors.

## 6. Miscellaneous

- 6.1 No Person may issue any purchase order or approve any purchase or payment that substantially benefits that person.

### Appendix "A"

#### Direct Expenses

Replacement Reserve

Insurance

Maintenance

Mortgage and Interest

Taxes Heat Hydro Water Cable Disposal

#### Indirect Expenses

Office Wages, Maintenance Worker, Office Supplies, Telephone, Credit Bureau, Audit  
Legal, Bank Charges, Advertising, Dues, Travel and Education, Social, Contingency

Passed by the Board of Directors November 20, 1985

Passed by the General Members Meeting February 13, 1986

# Amendment of Spending Policy

## Expenditure

- The Board of Directors must authorize and approve any expenditure over \$2500.00 and record the amount in the minutes. Maintenance committee has discretionary spending on any one expenditure up to \$2500.00 on budget approved or unforeseen expenditure.
- Three quotations are required for any expenditure over \$ 5000.00, the quotations should contain a complete description of the items, the price and the quantity.
- No purchase orders are required.
- Invoices and work orders must be attached to cheque requisitions and initialed by any two signing officers, who approve the payment and sign the cheques.
- The Board of Directors approves replacement reserve expenditures.
- For routine maintenance or unforeseen services under \$5000.00, the Co-operative will use board-approved contractors. The services of these contractors will be reviewed annually.
- No member shall be allowed to have co-op cheques in their possession without the knowledge of the Treasurer and a majority of Board members

## Replacement Reserves Fund

The Replacement Reserve fund must be set up as separate fund, and not mixed with other funds; all replacement reserve expenditures must be submitted to CMHC for approval.

The interest earned on the replacement reserve fund must be added to the fund and does not reduce the amount of current or future contributions.

## Credit Cards

- The Co-operative has three credit cards: Home Depot, Canadian Tire and Office Place.
- The credit limit for Home Depot is \$2000.00, Canadian Tire \$2000, and Office Place is \$2500.00, the maximum amount for any purchase cannot exceed the discretionary spending limited as defined.
- The Board, Staff are authorize to use these cards, which are secured by coordinator.
- No pre-approval is required to make purchase with these cards.
- Only business related purchases are authorized. No personal purchases are allowed.
- All credit cards statements are reviewed and approved by one member of the Board.

## Investment Policy

The Board of Directors is responsible for the good financial management of the co-op, and the Board of Directors are authorized to make investments. Forward 9 Housing Co-op only invests the capital and special reserve contributions and cash in Charter Banks or registered financial Institutes:

The co-operative can invest in the following funds/security:

- Term Deposits and GIC
- Federal or Province of Ontario Bonds,
- Treasury Bills
- CHMC approve security investment

The co op cannot invest in the following funds/security:

- Mutual Fund
- Stock market
- Any high risk security investment

## Strip Bonds

Strip Bonds are held until maturity to reduce the risk of a financial loss, if they were sold before their maturity date. Strip bonds currently held will be disposed at maturity date. All future investment will exclude strip bonds.

## GIC

Maturity Dates of GIC's are staggered into two, three, four and five years terms.

*Add: Internal Control & Procedure: Financial Statement and computer file integrity/Security*

## Financial control:

The Board of Directors should review and approve

- Monthly Financial statement.
- One Board member will review and approved bank reconciliation on a monthly basis
- Arrears Report is reviewed monthly
- The co-coordinator will discuss with Treasurer, all planning investment, including new investments or rolling over current investments before the transaction is completed.

## Computer File integrity/Security

### Testing Back Up & Anti Virus

- Members can not access the maintenance/office computer
- Only one Board member and staff have password.
- Test restore the back up data file
- Create a temporary directory, when you restore the file
- Do not restore over existing directory
- Back up every time when you record any data file
- Keep three copies of back up file
- Updated Norton Anti-Virus 2001 every 14 days
- Run Scan Disk every four weeks
- The co-operative will subscribe to an Internet services.

Approved by the Board of Directors: April 3, 2001

Approved by Members: April 18, 2001