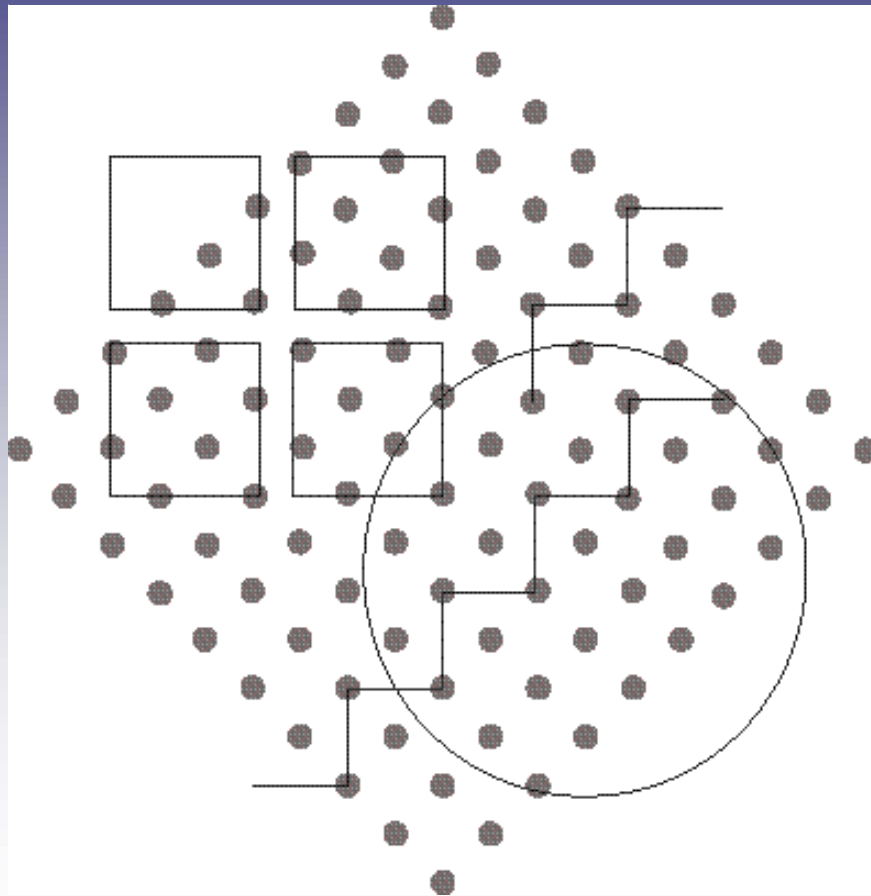




L'Agence des coopératives d'habitation  
The Agency for Co-operative Housing



# Recipe for Financial Success

CO-CHF Spring Education  
Day  
April 9, 2016

Presenter: Donna Charbonneau



# Recipe for Financial Success

## Agenda

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Introductions & housekeeping

Ingredients to avoid (Seven Deadly)

Establishing a solid base (ingredients)

Monitoring your progress (baking time)

Final touches (icing on the cake)

Wrap up





## Ingredients to Avoid

# The Seven Deadly (Financial) Ingredients

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- Arrears
- Bad Debts
- Vacancies
- No budget
- Disorderly record keeping
- No reports
- Sleeping at the wheel



# Establishing a Solid Base

## Arrears & Bad Debt



### COCHF Federal Portfolio

	Total	Average	Per Unit
Combined Arrears and Bad Debt Expense	192,370	9,160	173

### Ontario Federal Portfolio

	Total	Average	Per Unit
Combined Arrears and Bad Debt Expense	2,534,602	9,250	133

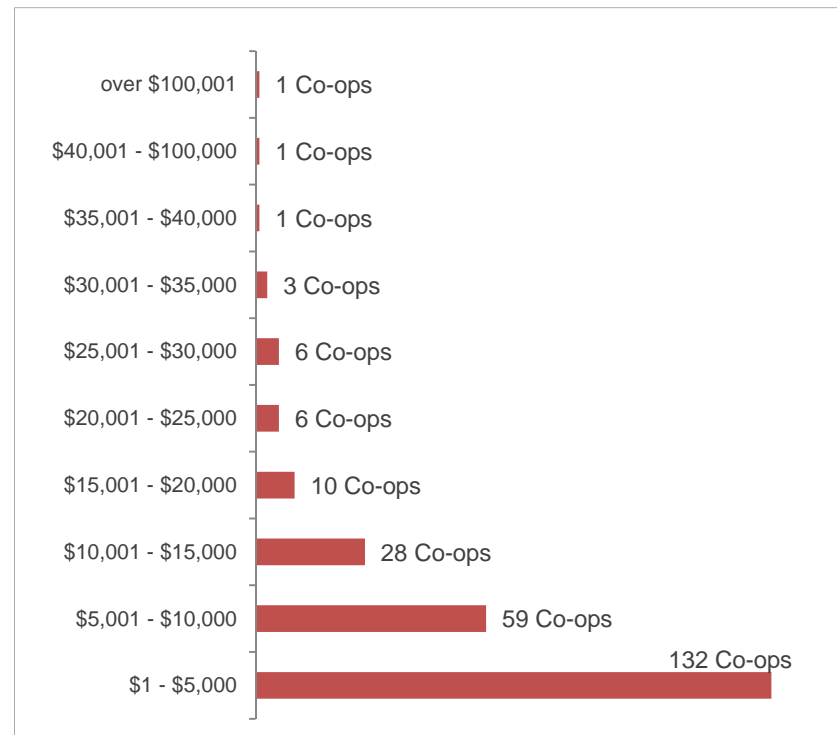
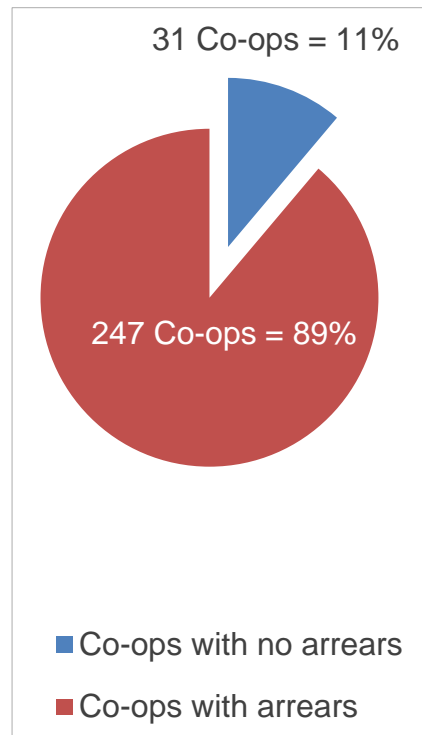
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# Establishing a Solid Base

**Most co-ops have member arrears** (Ontario, Eastern Team)





## Establishing a Solid Base

### Collecting the Housing Charges

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- You start with a Zero Tolerance Policy
- If the member doesn't pay on time... you have arrears!
- Be consistent in treatment of arrears
- Follow up early and often on arrears
- Other tips for preventing or controlling arrears
- Your goal on arrears

OVERDUE

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## Establishing a Solid Base

### Directors in Arrears

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As leaders of the organization - directors must lead by example

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Our statistics show that total arrears and bad-debts for co-ops with directors in arrears is four times the rate seen in co-ops without directors in arrears

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Directors in arrears with repayment arrangements are still in arrears and have a conflict of interest when dealing with members in arrears



## Establishing a Solid Base

### Directors in Arrears

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#### What should you do....

Have a zero tolerance approach to directors in arrears

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Adopt a by-law that prohibits directors from serving while in arrears.







## Establishing a Solid Base

# Directors in Arrears

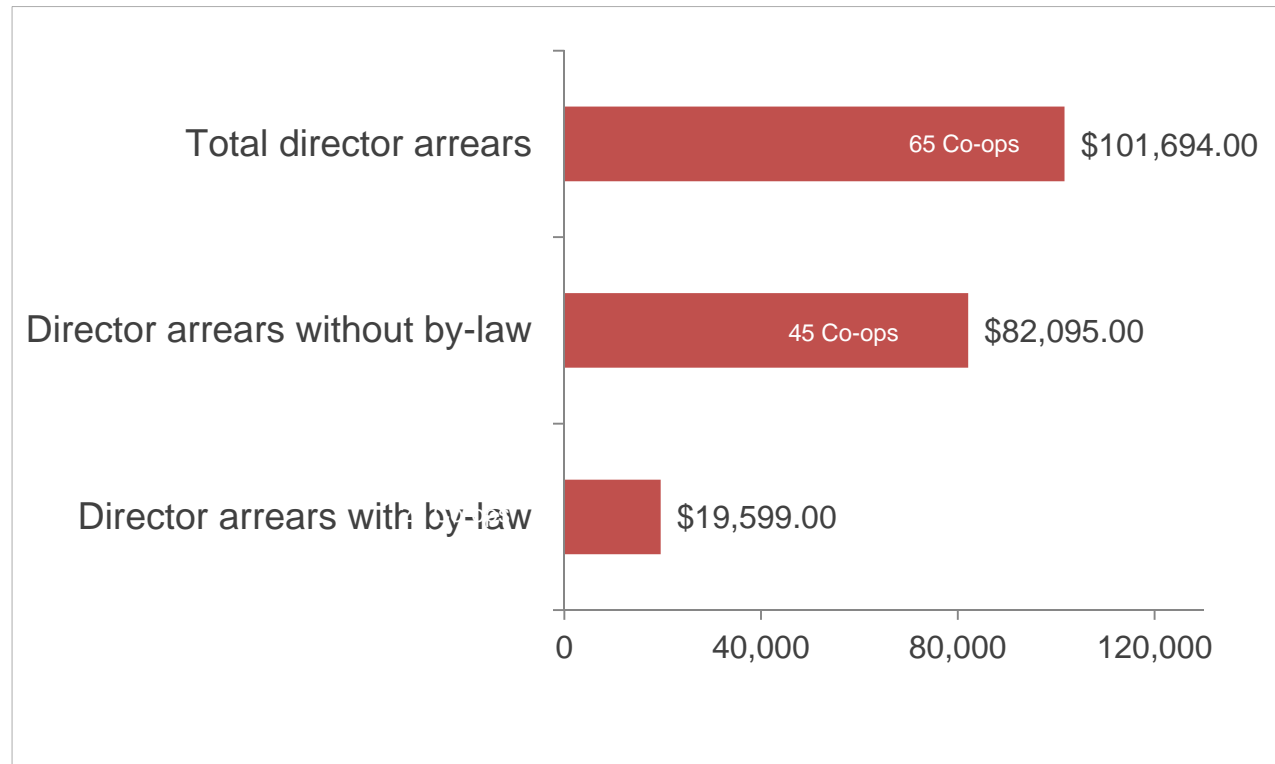
## COCHF Federal Portfolio

Total Co-operatives Reported	21	100.0%
Co-ops with Directors in Arrears at Latest Year End Reported	4	19%
Co-ops with Directors in Arrears for at Least \$100*	2	10%
Co-ops with Directors in Arrears at Report Date	2	14%
Co-ops with By-law/Rule Prohibiting Director Arrears*	17	81%



## Establishing a Solid Base

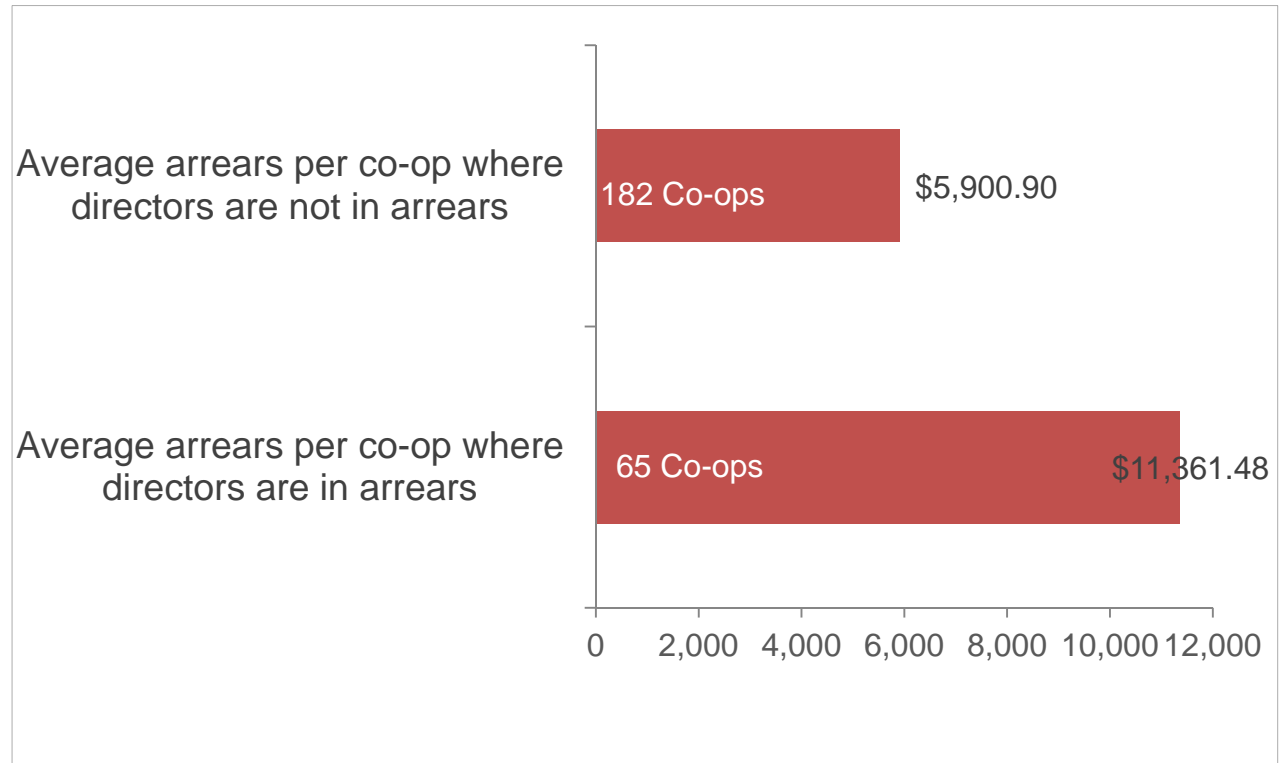
***Co-ops without an Directors In Arrears by-law have higher director arrears***





# Establishing a Solid Base

***Co-ops with directors in arrears have higher arrears***





## Establishing a Solid Base

### Bad Debts

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#### Bad Debts follow from arrears

- Typically moved-out member accounts should be listed with the credit bureau and the local municipality/region
- Much harder to collect
- Often written off (down) after a period of time





## Establishing a Solid Base

### Bad Debts

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#### Avoid bad debts by



- Collecting your housing charges and arrears from current members before they become a problem
- List outstanding amounts with the credit bureau right away
- Begin small claims cases before the household moves out



## Establishing a Solid Base

### Keeping the Co-op Full

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- Vacancies result in lost income (cash) that you'll never receive
- Not all vacancies can be avoided all the time so you need a plan to deal with them
- Review your Processes
- Establish Standards





## Establishing a Solid Base

### Doing the Budget

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- Essential to have an annual operating budget
- Budgeting is not rocket science (just a bit of digging)
- Begin with numbers you know (or can get)
- First project your expenses for the year, then calculate how much revenue you will need to meet those expenses (housing charge increase).
- Plan to increase the housing charges each and every year

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## Establishing a Solid Base

### Doing the Budget

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- Add numbers that you can easily estimate and that you can plan for
- Housing revenues = all expenses – other revenues
- Begin the budget four months before year-end





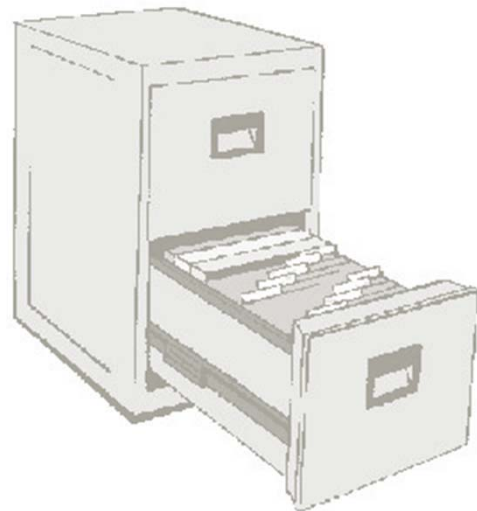


## Monitoring Your Progress

### Keeping the Financial Records

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- Your financial records
- Your accounts receivable register
- Who keeps the records?





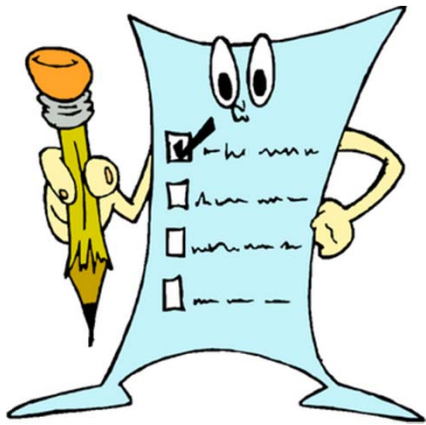
## Monitoring Your Progress

### Getting Financial Reports

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#### You need these financial reports

- arrears reports
- reconciled bank statements
- internal financial statements
  - balance sheet
  - income statement with budget comparison
- audited statements with management letter





## Monitoring Your Progress

# Getting Financial Reports

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### How often?

- arrears and vacancy reports
  - every month
- reconciled bank statements
  - monthly without fail
- financial statements
  - preferably monthly, but at least every three months
- annual audit
  - within four months of each year-end





## Monitoring Your Progress

### **Paying Attention to your Co-op's Business**

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- Keeping the books and getting reports is not enough
- Financial control
- Take care of your co-op
- Avoid opportunities for fraud





### Financial planning

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- Plan ahead for the end of your operating agreement – or as a best practice for any co-op
- Use a planning tool to project expenses and predict future housing charge increases
- Capital plan must be included in the projections
- A multi-year financial plan can also show whether you will need to re-finance



## Recipe for Financial Success

### Wrap Up

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- Putting what you've heard today into action
- What was the most important thing you've heard today?
- What will you recommend to your co-op that they do differently?
- Evaluations



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