

# 7.0 Financial Review

## Standard

Board awareness of the corporation's financial operations is necessary to ensure that responsible spending occurs throughout the entire year.

All housing providers are required to provide annual reports regarding the financial position of the corporation to the Service Manager. The Housing Services Act, 2011 requires that providers submit financial information, including audited financial statements for the fiscal year; information required to calculate subsidy and statistical information on households.

Program Directive No. 8 details the information that housing providers must submit to the Service Manager within 5 months of their year-end including:

- Audited financial statements.
- List of the names of the current officers and directors.
- Annual Information Return (AIR).
- Auditor's Report.
- Auditor's Report on Applying Specified Auditing Procedures in Respect of the AIR.
- A copy of the auditor's management letter and Board response/plan if the Corporation has received a letter.
- A copy of the PH&N statement of investments as at year-end.
- Monthly rent roll for the fiscal year.

Fiscal responsibility is not limited to providing reports or to maintaining an operating surplus. Internal checks must be in place to safeguard the financial integrity of the corporation. Properties must be appropriately maintained while remaining within budget.

Operating and rent subsidies must be used only for items pertaining to the operation of the shelter (housing) component of the property.

## 7.1 Auditor's Management Letter Recommendations

Description	Y	N	N/A	Comments
The auditor confirmed that the group met all audit requirements for the year ended _____ and that a tax return was filed.				

## 7.2 Subsidy Estimate

Program Directive No. 8 outlines a housing provider's requirement to submit their subsidy estimates to Halton Region 90 days prior to the start of their fiscal year.

Description	Y	N	N/A	Comments
The group submitted the board-approved subsidy estimate to Halton Region 90 days prior to the beginning of their fiscal year.				
The approved subsidy from Halton Region is documented in the Board minutes.				

### 7.3 Annual Information Return (A.I.R.)

Section 80 of the HSA requires that a housing provider submit an annual report to the service manager, in accordance with the prescribed requirements within 5 months of their fiscal year-end. If a housing provider fails to give the service manager its annual report in accordance with this section, Section 80 (4) of the Act allows the service manager to reduce the amount of subsidy payments.

Description	Y	N	N/A	Comments
The group submitted an A.I.R. to Halton Region within 5 months of their fiscal year-end.				
The group has resolved all issues identified in the Management Representation Report (page A2 of the A.I.R) dated .				
<b>Financial Position:</b>				
As of            the corporation has an accumulated            of \$            .				

### 7.4 Financial Reports

Description	Y	N	N/A	Comments
Financial reports are provided to the Board on a            basis.				
The            financial report was reviewed and indicates the following:				
<ul style="list-style-type: none"> <li>Year-to-date spending.</li> </ul>				
<ul style="list-style-type: none"> <li>Variances from the approved annual budget.</li> </ul>				

### 7.5 Revenues

Tenant/member arrears may cause difficulties for cash flow.

Description			
Arrears as of            were identified as:			
<ul style="list-style-type: none"> <li>Gross annual revenues.</li> </ul>	\$		
<ul style="list-style-type: none"> <li>Monthly revenues.</li> </ul>	\$		
<ul style="list-style-type: none"> <li>Current month's rent/housing charge arrears (as a percentage of monthly revenue)</li> </ul>	\$		%
<ul style="list-style-type: none"> <li>Number of households in arrears (as a percentage of total households)</li> </ul>			%
<ul style="list-style-type: none"> <li>Amount of overpaid subsidy as of            .</li> </ul>	\$		

<ul style="list-style-type: none"> <li>Bad debt write-off amount for previous year-end (Note: overpaid subsidies are not to be written off – see Program Directive No. 14)</li> </ul>	\$			
<ul style="list-style-type: none"> <li>Vacancy loss reported in the last audited financial statements.</li> </ul>	\$			
<ul style="list-style-type: none"> <li>Arrears over 30 days.</li> </ul>	\$			
Description	Y	N	N/A	Comments
<ul style="list-style-type: none"> <li>Overpaid/underpaid RGI subsidy has been accounted for separately in the financial statements.</li> </ul>				
<ul style="list-style-type: none"> <li>Legal action is being taken or a repayment plan is in place for all arrears outstanding for more than one month.</li> </ul>				
<ul style="list-style-type: none"> <li>Action is taken to collect all former tenant/member arrears.</li> </ul>				
<ul style="list-style-type: none"> <li>Action is taken to recover arrears despite being written off.</li> </ul>				

## 7.6 Internal Controls for Revenue include:

Description	Y	N	N/A	Comments
<ul style="list-style-type: none"> <li>Pre-numbered receipts are issued for cash received.</li> </ul>				
<ul style="list-style-type: none"> <li>Cash payments are discouraged whenever possible.</li> </ul>				
<ul style="list-style-type: none"> <li>Cash is stored securely and/or deposited frequently.</li> </ul>				
<ul style="list-style-type: none"> <li>Cheques are immediately endorsed “for deposit only”.</li> </ul>				
<ul style="list-style-type: none"> <li>Two persons count revenue from coin laundry machines and coin boxes are emptied and deposited regularly.</li> </ul>				
<ul style="list-style-type: none"> <li>HST filings are completed at least annually.</li> </ul>				
<ul style="list-style-type: none"> <li>Units are classified correctly on the AIR.</li> </ul>				
<ul style="list-style-type: none"> <li>Expenses are coded to the appropriate Service Manager or property (for cross border to multi property housing providers)</li> </ul>				

## 7.7 Internal controls for disbursements include:

Description	Y	N	N/A	Comments
Written purchasing policies and tendering procedures are in place for large purchases.				
Board approved signing authorities and spending limits are in place.				
All cheques are signed at the time they are ready to be released.				
All cheques are pre-numbered.				
Invoices/documentation are reviewed by a Board member and signed by two authorized signing authorities.				
Appropriate payroll remittances are being made to Revenue Canada.				
Voided cheques are maintained on file.				
The largest purchase of goods or services during the last 12 months was for _____ at a total cost of \$ _____				

## 7.8 Rent Deposits or Member's Security Deposits

Description	Y	N	N/A	Comments
Rent deposits are less than or equal to the monthly rent/housing charge.				
Interest is paid to the tenant annually in accordance with the Residential Tenancies Act or to members for security deposits, if set by a Co-op's by-law.				

## 7.9 Bank Statement Review

Description	Y	N	N/A	Comments
Bank statements for the period _____ to _____ were reviewed for the following:				
<ul style="list-style-type: none"> <li>Bank balance is reconciled monthly.</li> </ul>				
<ul style="list-style-type: none"> <li>Bank deposit slips agree with the cash receipts journal and the pre-numbered receipts.</li> </ul>				
<ul style="list-style-type: none"> <li>Reconciliations are reviewed by an alternate person (preferably Board Treasurer)</li> </ul>				
<ul style="list-style-type: none"> <li>Mortgage payments were made on time.</li> </ul>				
<ul style="list-style-type: none"> <li>Municipal taxes are current.</li> </ul>				
<ul style="list-style-type: none"> <li>Utilities are paid within discount periods.</li> </ul>				

## 7.10 Petty Cash

Description	Y	N	N/A	Comments
The petty cash fund authorized is \$				
Internal controls for petty cash include:				
<ul style="list-style-type: none"> <li>Fund in kept in a secure place.</li> </ul>				
<ul style="list-style-type: none"> <li>Vouchers/invoices and cash equals the amount of petty cash funds outstanding on the books.</li> </ul>				
<ul style="list-style-type: none"> <li>Receipts are required for all petty cash disbursements and are signed by the payee.</li> </ul>				
<ul style="list-style-type: none"> <li>Reimbursement cheques and supporting documents are reviewed by a board member and are not made payable to cash.</li> </ul>				
<ul style="list-style-type: none"> <li>The petty cash fund is used only for the reimbursement of out-of-pocket expenses associated with the operation of the project or shelter component.</li> </ul>				

## 7.11 Non-Shelter Agreements

Description	Y	N	N/A	Comments
There is non-shelter space in this portfolio.				
The portfolio contains            of non-shelter space.				
The non-shelter space is currently leased to            for \$				
The lease expires on            .				
Lease payments are current.				
There is a signed non-shelter agreement, which sets out the terms of the cost sharing arrangements.				

## 7.12 Replacement Reserve Fund

### Standard

Replacement Reserve funds are intended to be used to maintain the integrity of the shelter structure through major replacement of capital items (e.g. roofs, windows, boilers, appliances etc.)

A technical audit provides a long-range capital forecast that may assist the Board in budgeting for major repairs. The technical audit is an important guide for spending to ensure the longevity of the property.

Section 136 (2) of O. Reg. 367/11 of the Housing Services Act requires that replacement reserves be invested through the Housing Services Corporation and its appointed agent.

A number of investment vehicles varying in terms and interest rates are available. Each Board must decide the investments best suited to meet its reserve fund spending needs for the corporation while maximizing the return.

Description	Y	N	N/A	Comments
The capital reserve fund account has been correctly established and used.				
The capital reserve fund is fully funded as required.				
Accumulated interest has been accounted for on the AIR and reinvested in the fund.				
The funds are invested through the Housing Services Corporation (HSC).				
The group has a multi-year Capital Plan that they are following for capital purchases and replacements in accordance with Program Directive No. 4.				

### Reserve Fund Details

Total Reserve Funds at the time of the review were:			\$
Name of Fund		Amount/Rate of Return	
Name of Fund		Amount/Rate of Return	
Name of Fund		Amount/Rate of Return	
Name of Fund		Amount/Rate of Return	

## 7.13 Corporate Records – Access, Confidentiality, Retention

### Access

Description	Y	N	N/A	Comments
The Board has made provisions for gaining access to corporate records in the event staff are sick, on vacation or in the event that staff/property management firm are terminated (or other similar circumstances)				

### Retention and Confidentiality

Description	Y	N	N/A	Comments
The Board has clear policies on the storage and disposal of all files e.g. financial, legal, project data, tenant/member files.				

Financial records are kept for 7 years after the end of the fiscal year to which the record relates. (O. Reg. 367/11 s. 102 (2))				
Household records are kept for 5 years after the date the household last resides in a unit in the housing project. (O. Reg. 367/11 s. 102 (3))				

### 7.14 Market Rent/Occupancy Charge

Unit Type	Number of Units	Monthly Market Rent/Housing Charge	Annual Rent /Housing Charge Revenue	Benchmark Market Rent
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
<b>TOTAL</b>		\$	\$	\$

Parking fees charged separately	\$
Sector support charges	\$
Cable/satellite charges	\$
Other fees	\$

## **Section 7 – Financial Review – Summary**

### **Observations**

- 

### **DIRECTIONS**

The Board is directed to ensure that:

**Section 7.1 Auditor’s Management Letter Recommendations**

**Section 7.2 Subsidy Estimate**

**Section 7.3 Annual Information Return (A.I.R.)**

**Section 7.4 Financial Reports**

**Section 7.5 Revenues**

**Section 7.6 Internal Controls for Revenues**

**Section 7.7 Internal Controls for Disbursements**

**Section 7.8 Rent Deposits or Member’s Security Deposits**

**Section 7.9 Bank Statement Review**

**Section 7.10 Petty Cash**

**Section 7.11 Non-Shelter Agreements**

**Section 7.12 Replacement Reserve Fund**

**Section 7.13 Corporate Records**

**Section 7.14 Market Rent/Occupancy Charge**

## **RECOMMENDATIONS**

It is recommended that the Board:

**Section 7.1 Auditor's Management Letter Recommendations**

**Section 7.2 Subsidy Estimate**

**Section 7.3 Annual Information Return (A.I.R.)**

**Section 7.4 Financial Reports**

**Section 7.5 Revenues**

**Section 7.6 Internal Controls for Revenues**

**Section 7.7 Internal Controls for Disbursements**

**Section 7.8 Rent Deposits or Member's Security Deposits**

**Section 7.9 Bank Statement Review**

**Section 7.10 Petty Cash**

**Section 7.11 Non-Shelter Agreements**

**Section 7.12 Replacement Reserve Fund**

**Section 7.13 Corporate Records**

**Section 7.14 Market Rent/Occupancy Charge**