



Chapter 1

INTRODUCTION

This Financial Management Guide is one in a series designed to help non-profit societies and housing co-operatives manage affordable housing developments. Together, these guides provide detailed reference material and form a comprehensive Housing Provider Kit that covers key areas of housing management:

- Operations
- Financial Management
- Governance
- Maintenance
- Management Performance

Following the practices outlined in this series will enable your organization to operate safe, secure, affordable housing communities that:

- Demonstrate excellence in management and maintenance.
- Provide residents with secure tenure and opportunities to participate in decision-making.

Your organization owns and manages the development, because community groups are in the best position to understand and meet local housing needs. BC Housing plays a dual role as a resource and monitoring agency. We provide the subsidies you need to run the development, and review the administration of public funds to ensure housing program goals are met.

For a copy of any of these guides, contact BC Housing Home Office at 604-433-1711, or visit our website at www.bchousing.org.

What's In This Guide?

In this first chapter of the *Financial Management Guide*, we list the most Frequently Asked Questions about financial management, with answers, for quick reference. You'll also find these FAQs on our website at www.bchousing.org.

In Chapter two, we cover key areas of financial administration including financial policies and procedures, reviewing financial performance, approving an operating budget, cash flow, emergency expenditures, bank reconciliations, spending authority, and setting up bank accounts.

Chapter three outlines rent and housing charge revenues, with information on setting market rents, rent collection, arrears, and vacancy loss.



In Chapter four, we discuss why an operating budget is important, the budget process, how to complete your budget — with detailed instructions on what to include as budget expenses — when mid-year reviews are needed, and the mortgage renewal process.

Then we describe how to manage operating surpluses and deficits, in Chapter five.

In Chapter six, we explain how to calculate the annual replacement reserve provision for your development, monitor, invest and spend reserve funds, and the reporting requirements for replacement reserves.

Chapter seven lists the subsidy formulas for the housing programs BC Housing administers.

And Chapter eight explains how to prepare for the audit of your financial statements.

Frequently Asked Questions

What financial policies should our society have?

The organization needs financial policies and procedures to cover spending authority, rent or housing charge payments and arrears, security deposits or membership shares, financial record keeping, marketing to minimize vacancy loss, and purchasing goods and services.

For more information on developing policies, refer to the *Governance Guide* in this Housing Provider Kit, or contact the BC Non-Profit Housing Association (BCNPHA) at 604-527-8859 or 1-800-494-8859 to obtain a copy of their Policy Template Manual. Housing co-ops can contact the Co-operative Housing Federation of BC at 604-879-5111 or 1-866-879-5111. The CHF BC offers workshops on policy development, and has a resource library with many sample policies.

Why does BC Housing make adjustments to the mortgage interest amounts we report in the audited financial statements?

BC Housing gives you money for twelve mortgage payments. If the amount you report for mortgage interest and principal reduction is greater or lesser than the amount of the twelve payments shown in the operating budget, we will adjust the amount you report to equal the amount in the budget.

What does the term “not fully funded” mean when referring to replacement reserves?

When a reserve is not fully funded, the amount of cash in the reserve account is less than the amount that should have accumulated through annual provision transfers and interest earned, less approved expenditures. Reserves that aren't fully funded occur when housing providers do not transfer the annual provision as required to the reserve, or cash in the reserves are used for unauthorized expenditures.



Your auditor must provide a statement saying the reserves are fully funded as required under the terms of your operating agreement. If reserves are not fully funded, you will be contacted by BC Housing to explain how the discrepancy occurred and what steps you're taking to fund the reserves to the appropriate level.

What can we do when we have underestimated our operating costs and the approved budget is wrong?

If your budget significantly underestimates operating costs in a particular category, such as property taxes or utilities, contact your Property Portfolio Manager (PPM) to discuss a mid-year budget review. If we approve a mid-year revision to the budget, we will recalculate the economic rent, and revise your subsidy to reflect this change.

BC Housing has asked us to repay the surplus from last year, but if we do we will be short of cash. Do we have to pay it back?

Yes, if your operating agreement requires you to repay any surplus funds or over-payments to BC Housing for each fiscal year. If you do not have the funds to repay BC Housing, contact Program Operations staff at 604-433-1711 to discuss arrangements for repayment. We will also work with you to identify the source of your cash shortage and to develop strategies to address the issue.

What can I do if I don't have enough cash to pay my property taxes?

Sometimes the timing of the property tax payment can cause cash flow problems for a housing provider. BC Housing can provide an extraordinary payment for a property tax advance. Contact your PPM to discuss this option. BC Housing will work with you to find solutions so the problem does not occur from year to year.

How does BC Housing calculate economic rent for units in the development?

The economic rent of the units is equal to the total estimated monthly operating costs, based on the approved budget, divided by the number of units.

How does BC Housing determine the subsidy and repayable assistance for the development?

Subsidy calculation may differ for various program types. Refer to [page 46](#) for the formula that applies to your development.

For developments with a budget approved by BC Housing, the subsidy is the difference between the economic rent of the units and the tenant rent contribution or occupancy charge for rent-geared-to-income units. For non-RGI units, the repayable assistance is the difference between the economic rents and the non-RGI rent or occupancy charge for the units.

BC Housing estimates subsidy at the beginning of the budget year, based on the tenant rents we have approved on that date.



What can I do if BC Housing’s summary of tenants and rent subsidies shows the wrong amount for a tenant rent or member housing charge contribution?

Call Housing Services at 604-439-4750, local 370, and speak to the housing assistant responsible for your building. We will work with you to ensure that the tenant rent or member housing charge information is updated.

Does BC Housing automatically adjust rent subsidy when resident information changes?

No. BC Housing estimates the subsidy required for the year and reconciles the rent subsidy annually when we review your audited financial statement. We do, however, periodically monitor the level of subsidy required throughout the year, and if resident changes have a significant impact on the level of subsidy, we will make the applicable adjustments to the monthly amount paid for the development.

What do I post to the contingency budget line item?

Nothing is posted to this budget line item. For more information on the contingency, see [page 29](#).