

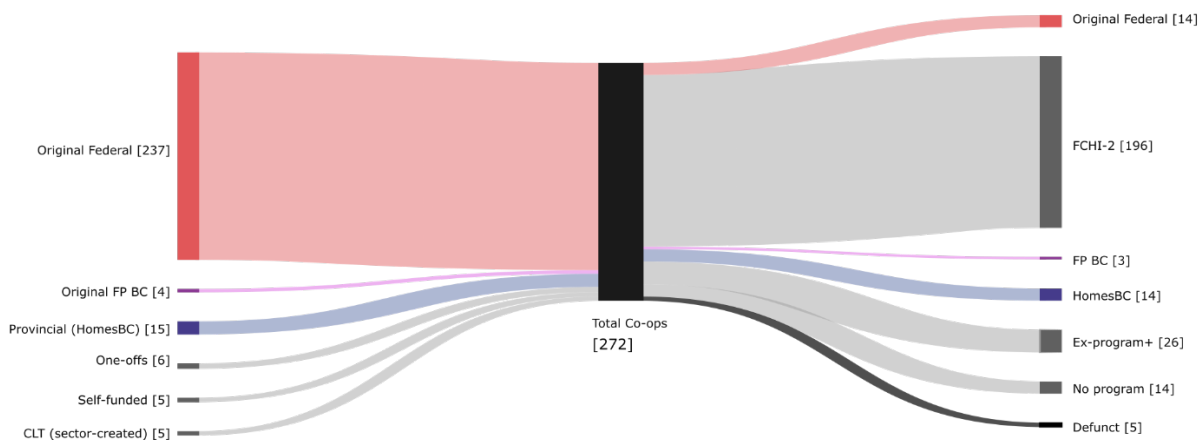
Financial Controls 1: Background (Why this resource? Why now?)

More than 90% of non-profit housing co-ops established before 2002 had funding support from government. Contracts that defined the relationship with government were called **operating agreements** and these influenced co-op finances. In 2014, a large majority of co-ops still had their original operating agreements with government. By 2024, only a small minority had.

The amount and kind of external oversight that co-ops experience is changing, and CHF BC's recommendations are evolving with that in mind. Rather than offering a formal set of financial policies, as we did in the past, we believe offering guidelines and discussion points will be more helpful to our members in creating robust financial control systems.

You can get an idea of the regulatory change in recent years through the graphic below. It shows how non-profit housing co-ops began and evolved. Co-op creation (left) lined up with financial support and operating agreements with government. The right side of the graphic shows where co-ops sat at the end of 2024: with very few operating agreements and more limited ties to government and its oversight.

Co-op Origins: Funding Sources and Operating Agreements for Non-Profit Housing Co-ops in BC



This change helps explain why we created CHF BC's new financial controls resource. Please note:

- The expiry of operating agreements does **not** mean co-op boards have absolute control over the co-op businesses.
- Co-op members will legitimately demand **accountability** from their boards and look for an independent perspective into their co-op's finances.
- Too-restrictive **spending controls** that limit boards may impede directors from carrying out their duties.



- Many co-ops will choose to **refinance** (by taking on new debt) to fund much-needed repairs and retrofits for their buildings. Borrowing triggers its own set of financial control requirements.
- Co-ops may seek out new kinds of arrangements with government (whether through rent supplement programs or the leasing of land): these, too, will make demands on co-ops when it comes to handling their finances and implementing financial controls.

For some co-ops, external oversight will still be present even if it's less explicit. For others, the choices around appropriate financial controls will be primarily made within co-op communities.

Your co-op will want to reach out to external organizations to receive support and advice.

- **Bookkeepers and management companies** provide capacity and experience to co-ops on financial matters. Most co-ops in BC make use of their services and appreciate their advice.
- Co-ops with close ties to [Community Land Trust](#) and working under newer agreements that embed professional management will have an interest in support from CLT staff.
- **Auditors** provide feedback and help members understand their co-op's financial position. Audits help reduce the risk of continuing fraud and losses.
- [CHF BC](#) is committed to ensuring that housing co-ops continue to function as viable and sustainable businesses. The advice and resources CHF BC offers to members will continue to evolve to reflect the changes in the financial landscape and the conditions co-ops will be facing in the future.
- [CHF Canada](#), through its risk management materials and collaboration with its insurance partner, [The Co-operators](#), may have useful suggestions.
- Internally, **committees** can assist boards with their duties, but they have limited powers. Ultimately, the board has the obligation to manage the co-op, not committees composed of general members. Not all co-ops have finance committees; they aren't a necessity.

CHF BC has taken a broad view of financial controls and the guidelines that follow include discussion of a range of processes, including those around record-keeping.

Now is a good time for your co-op board to **review current practices**. Boards can benefit from including management and volunteer members (as appropriate) to engage in that review. Members are familiar with existing practices and bring their knowledge. It's also true that change can be challenging. You can reduce those challenges by including the whole range of stakeholders.

If you've seen previous financial resources from CHF BC, you may notice that we include less detail in some of the recommendations. We have found that the task of developing financial procedures should be left to those who are most closely involved in operations (i.e., co-op boards and management). We have offered some suggestions for procedures, but your co-op will have to develop detailed lists.

Version dated: 2025-02-28