

Financial Controls 4: Accounting and Reporting Systems

Good accounting controls ensure that co-ops are measuring, processing, and recording financial transactions appropriately. That doesn't mean that co-op members need to carry out these tasks directly: best practices generally see accredited professionals who don't live at the co-op take on those jobs. Many co-ops will delegate accounting tasks to a professional bookkeeper. In BC, most non-profit housing co-ops contract management companies to take on various accounting responsibilities.

Co-ops need to understand the fundamentals of their approach to accounting. Two key elements are **accounting standards** and the principle of **accrual accounting**:

- Accounting standards specify how transactions and other events are recognized, measured, presented, and disclosed in financial statements. Accountants typically follow “generally accepted accounting principles” (GAAP).

Which accounting standard is your housing co-op using now?

Check with your accountant to see if it's the most appropriate.

The international financial reporting standards (IFRS) and Accounting Standards for Private Enterprises (ASPE) are the main frameworks used with for-profit businesses.

Non-profit housing co-ops may use other standards. There are “accounting standards for not-for-profit organizations” (ASNPO), and CMHC funding programs set their own variation of accounting standards (with their Special Purpose Framework).

- **Accrual accounting** and cash accounting are two ways of considering the timing of recording financial events. Accrual accounting involves making records when transactions happen; cash accounting follows the actual receiving or dispensing of cash. Co-ops should use accrual accounting and be mindful of their cash flows.

Documents should be regularly produced to properly reflect the state of the co-op's finances. These statements can also be helpful in developing budgets to plan for the future. Determining who will prepare these documents and who will review them ensures there is transparency and accountability in managing the co-op's finances.

Financial reports don't just focus on where the money is, but also on the status of co-op assets. Assets will change their value over time. Your statements should reflect the current value of your assets, which include your buildings and building components (like any mechanical units). The status of your investments should also be noted in financial reports.

Recommendations

- Regularly review co-op finance policies (and develop policies as needed).
 - CHF BC does not recommend Spending Policies that set spending limits that may conflict with the board's **obligations** to manage the co-op business.



- Ensure the co-op is following conflict of interest procedures (as per Rules and the *Cooperative Association Act*).
- Ensure that you have clear financial statements. Documents should have a consistent structure: a three-column model with budgeted, actual, and year-to-date amounts works well for co-ops.
- Develop an inventory of what the co-op owns and record key information (date of purchase, installation, model and serial numbers and anticipated replacement date)

Self-Test Checklist

Indicator	Yes / True	No / False	Don't know
Financial statements are prepared in accordance an appropriate standard : <input type="checkbox"/> Generally Accepted Accounting Principles (GAAP) <input type="checkbox"/> Accounting Standards for Not-for-Profit Organizations (ASNPO) <input type="checkbox"/> _____ <small>Typically, this would be a Special Purpose Framework connected to a funding agreement with a body like Canada and Mortgage Housing Corporation (CMHC).</small>			
The co-op uses accrual accounting .			
The board sets a schedule to prepare the budget and complete reporting to external agencies as required.			
The co-op uses the bookkeeping services of an independent bookkeeper or management company .			
The board receives and reviews financial statements on a regular basis (with budget variances and year-to-date): <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly			
The co-op evaluates its financial performance regularly.			



For co-ops under federal operating agreements or with rent supplement agreements, boards ensure annual information returns (AIRs) are completed and submitted on time.			
The co-op has protocols for reserve fund planning .			
The co-op has and follows a documented investment strategy .			
The co-op maintains and periodically reconciles asset to accounting records (asset sub-ledgers).			
The co-op has a system for receipt and review of original invoices and work orders, reimbursements, payments.			
The co-op reviews petty cash at least quarterly and whenever the petty cash holder changes . (Review includes reconciliation and replenishing.)			
Cheques are accompanied by original and accurate support documentation and accurately reflect amount, payee, date and signatures.			
The co-op does not accept cash as payment for housing charges.			
The co-op prepares/reviews both a Balance Sheet and a Statement of Revenue and Expenses.			

Version dated: 2025-05-05