



Everyone needs a home

# HFS FINANCIAL POLICIES

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# **Expenditure Policy**

## **General Comments**

The intention of the Expenditure Policy is to place the authorization and approval of purchases in the hands of the people directly responsible for making purchasing decisions. To this end, the policy has been divided into three sections: Spending, Purchasing, and Payment.

The Expenditure Policy covers the purchase of all goods and services by HFS with the exception of payroll, payroll taxes, and payroll benefits.

## **Spending Policy**

The Spending Policy identifies who, within the organization, has the necessary authority to approve purchasing decisions, and under what circumstances.

## **Purchasing Policy**

The Purchasing Policy identifies the process that will be used to document purchases. It also includes rules regarding tendering, quotes, purchase/work orders and credit card purchases.

## **Payment Policy**

The Payment Policy identifies the rules under which a payment will be processed and a cheque signed. It also covers internet banking and automatic debits (automatic payments of supplier accounts).

The Expenditure Policy has a general philosophy that, if a purchase has been properly pre-approved with respect to spending limits and documentation, the payment of the purchase will take place without further reference to the persons making the purchase. It also assumes that the persons making the purchase, or their manager, reviews departmental expense reports on a monthly basis to confirm that expenditures have been processed correctly as to account coding and amounts.

# Spending Policy

1. Before an order can be placed with any supplier of a good or service, the following steps must be taken.
  - a. The purchase must be authorized by the appropriate Spending Authority. (Schedule “A” is a matrix that defines who is authorized to approve purchases/contracts/work orders, and the dollar limits on these authorizations).
  - b. Limitations to the scope of Schedule A are set out in the Budget Policy.
  - c. Credit card purchases and purchases on account are subject to the same authorization requirements as all other purchases.
  - d. The procedures and documentation for purchasing goods or services by using purchase orders and work orders are defined in the Purchasing Policy.
2. The Board of Directors, or its Designate (the “Board”) is responsible for setting the limits defined in Schedule A. A review of this schedule will be done on an annual basis by the Finance Committee.
3. The Chief Executive Officer is responsible for:
  - a. Determining which staff people fall into which authorization categories.
  - b. Establishing procedures to ensure Spending Authorities do not exceed their spending limits.
4. Homes First Society (“HFS”) differentiates between the activity of “placing an order” and the activity of “approving a purchase.” Any employee might place an order once it has been duly authorized by a Spending Authority, per Schedule A.
5. Definitions – types of expenditure:
  - a. Operations – expenditures in this category represent the provision of property management and tenant support services on a daily basis. They are covered by the annual operating budget and its revisions.
  - b. Capital –expenditures to purchase fixed assets, per the Capital Expenditure Policy.
  - c. Project – one-time work that has its own budget and a specific duration.
  - d. Emergency – expenditures for an occurrence that is of a serious and urgent nature that demands immediate action. It must relate to health and safety and/or the protection of property.

## Spending Policy – Schedule A

Signing Authority	Property Management			Tenant Support		Administration		Projects	
	Operations	Capital	Emergency	Operations	Capital	Operations	Capital	Operations	Capital
Board or its Designate	Note1	Note 1	Note 1	Note1	Note 1	Note1	Note 1	Note1	Note 1
Chief Executive Officer	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
Director of Finance	-	-	-	-	-	\$10,000	\$10,000	-	-
Director of Human Resources	-	-	-	-	-	\$10,000	\$10,000	-	-
Director of Housing & Shelters	-	-	-	\$10,000	\$10,000	-	-	\$10,000	\$10,000
Director of Property Management Operations	\$15,000	\$15,000	\$15,000	\$2,500	-	-	-	\$15,000	\$25,000
Manager of Housing and Shelters				\$5,000	\$5,000			\$5,000	\$5,000
Assistant Manager of Housing				\$5,000	\$5,000			\$5,000	\$5,000
Assistant Manager of Shelters				\$5,000	\$5,000			\$5,000	\$5,000
Housing & Shelter Supervisors	-	-	-	\$2,000	\$1,000	-	-	\$2,000	\$1,000
Property Department Administrative Clerk	\$2,500	\$2,500	-	-	-	-	-	\$2,500	\$2,500
Administrative Coordinator	-	-	-	-	-	\$2,500	\$1,000	-	-

Note 1: The Board can authorize expenditures of any amount it deems appropriate.

Note 2: The Chief Executive Officer may approve any expenditure of up to \$50,000.

Note 3: A Spending Authority only has authority to approve expenditure directly related to his or her department; these limits include all applicable taxes.

## **Purchasing Policy**

1. To order a good or service, either a Purchase Order or a Work Order must be completed and authorized by the appropriate Spending Authority. If a letter is to be sent to a supplier, where applicable, a Purchase or Work Order must be completed and attached to it.

The format of the Purchase Order and Work Order will be approved by the Chief Executive Officer.

2. The Purchase and Work Orders will have three copies.
  - a. Copy one (original) is sent to the supplier with the request that the PO/WO number appear on the shipping documents and invoice.
  - b. Copy two is retained by the purchaser.
  - c. Copy three is to be sent by the purchaser and the purchaser is to return it to the HFS accounting department, attached to the shipping documents, together with the goods, or in the case of services, attached to the invoice.
3.
  - a. Invoices that can be matched to properly completed and approved Purchase and Work Orders will be processed by the Finance Department with no further approval required by the purchaser or a Spending Authority.
  - b. Invoices that do not meet the criteria in 3(a) must be approved by the Spending Authority who authorized or should have authorized the goods or services, before they are processed by the Finance Department for payment.

### **Contracts and One-Time Expenditures**

4. Contracts for consulting services must be approved by the Chief Executive Officer.
5. All other contracts and expenditure:
  - a. Contracts and one-time expenditures that exceed \$10,000 in total require three written quotes before a Purchase Order or Work Order is prepared and approved. Contracts and one-time expenditures that exceed \$20,000 in total must be submitted to a confidential tendering process.
  - b. In cases of an emergency as defined in the spending policy; expenditures that exceed \$10,000 will not be subject to the three quotes rule and therefore must be approved by the Chief Executive Officer or Board, and subsequently confirmed by the HFS Finance & Audit Committee.
6. Contracts and expenditures that are part of the operating budget, that are subject to points 4 & 5, must have new quotes/tenders obtained every three years.
7. Selection of auditor is a Board responsibility and is excluded from this policy.

8. The Spending Authority who approves a contract or one-time purchase will usually, accept the lowest quote, except where quality, timeliness of delivery or the existence of another contract is deemed to be a determining factor. In this instance, the choice of the higher cost quote requires a written rationale for the selection to be attached to the signed approval.

### **Credit Cards**

9. All applications for credit cards in the name of HFS must be approved by the Chief Executive Officer. The credit limit on an individual card will not exceed twice the limit of the Spending Authority of the person to whom the card is being issued.
10. No personal purchases will be made on any HFS credit card.
11. Individual credit card purchases will not exceed the cardholder's Spending Authority.

### **Automatic Debits**

12. Pre-authorized debit payments may be set up for non-discretionary purchases. A non-discretionary expense is one that HFS will incur on a regular basis and for which it has no control over the amount charged. Examples are – taxes, mortgage, and utilities.
13. The Chief Executive Officer must approve the establishment of all pre-authorized debits unless over \$50,000; then must be approved by the Chair or Treasurer.
14. Post-payment review of all pre-authorized debits except mortgages and taxes is required. Supplier statements relating to pre-authorized debits must be attached to a copy of the bank statement and approved by two signatories on a monthly basis. Rules in the Payment Policy apply.

### **Out-of-Pocket Expenses**

On occasion, HFS staff and Board members may be required to make small purchases on behalf of HFS, using their own funds. The purchases may or may not have prior approval. Examples of this type of expenditure are: - taxi trips; office materials such as paper or pens; batteries for pagers; expenses for conferences.

15. A Spending Authority must approve all out-of-pocket expenditures before they are reimbursed.
16. Out-of-pocket expenditures may not exceed \$500 per occurrence.
17. Any expenditure that exceeds \$500 should be pre-approved and follow the rules described in this Expenditure Policy (for example, a Purchase Order must be issued). Should an expenditure exceeding \$500 not be pre-approved, it will be subject to approval by the Treasurer before it is reimbursed.
18. Once an out-of-pocket expenditure has been approved it may be reimbursed from Petty Cash or by cheque.
19. All reimbursements for expenditures incurred by Board members will be reviewed by the Finance Committee. Any Board member expenditure deemed by the Finance Committee to be not appropriate will be referred to the Board for resolution.

## Payment Policy

1. All payments made by HFS require the approval of two approved bank signatories. Selection of the bank signatories will be made by the Board, in consultation with the Chief Executive Officer.
  - a. If the amount of a single payment exceeds \$10,000 or if a payment is part of a series of payments that will exceed \$10,000 in any twelve-month period, one of the signatories must be a member of the Executive Committee of HFS.
  - b. If the amount of a single payment exceeds \$50,000 or if a payment is part of a series of payments that will exceed \$50,000 in any twelve-month period, both signatories must be members of the Executive Committee of HFS.
  - c. If the payment for a contracted supplier consists of a number of invoices which grouped together exceed \$10,000, but none of which on its own exceeds \$10,000, signatories may be the Chief Executive Officer together with any other authorized signatory. The total amount of the payment may not exceed \$30,000.
  - d. The Chief Executive Officer together with any other authorized signatory may sign utility, tax, rental payments and routine monthly cheques (such as TCHC, WSIB, EHT, and employee benefits payments) in excess of \$10,000 with a ceiling of \$30,000.
  - e. If the payment is for the Chief Executive Officer's credit card or for a purchase for which the Chief Executive Officer is the Spending Authority, one of the signatories must be a member of the Board.
2. No payments may be approved by the person who is the Spending Authority for the purchase, subject to the following conditions.
  - a. A payment may be approved by the person who is the Spending Authority for the purchase, subject a to a review (with signature) of the transaction by the Chief Executive Officer or a Board signatory.
  - b. The Chief Executive Officer cannot approve payments for purchases for which he/she has approved the purchase.
3. No payments may be approved by the person who is the payee on the payment.
4. No payments may be made from cash received by HFS. That is, all cash receipts will be deposited directly to the bank.
5. Persons approving payments (cheque signers) will review the backup documentation and initial it to indicate that it has been approved. No payments are to be approved if the terms of either the Spending Policy or the Purchasing Policy are not adhered to. For example, if a purchase has been approved by someone who lacks the Spending Authority to do so, no payment will be made until it has been approved by an authorized Spending Authority. Similarly, no payment will be made on a purchase that lacks either a Purchase Order or Work Order.

## **Stale-Dated Bank Transactions**

1. Each month, the Director of Finance will do a review of the bank reconciliations to determine if there are any stale-dated cheques and to assess if it appears that any outstanding cheques or deposits will not be processed through the bank account. Any such items will be analyzed to determine why they remain outstanding and followed up as required.
2. If a bank transaction requires a reversal, per point 1, the reversal and the accounts to be charged must be approved by one bank signatory before the reversal is completed unless the amount being reversed is greater than \$2,500, in which case one Board signatory is required to approve it.

## **Processed Cheques Returned With Bank Statement**

1. Each month, the Director of Finance will review all cheques that were returned with the bank statement. The review will confirm:
  - a. if any cheques have been altered in any way.
  - b. that all cheques have been processed according to the rules specified in this Expenditure and Payment Policy. For example, two signatures are required on each cheque; one signature must be a Board member if the amount of the cheque exceeds \$10,000.
2. If any cheques fail to meet the criteria specified in this policy or have been altered in any way, the cheques will be presented to the Treasurer at the next Finance Committee meeting for review and approval. The approval will be noted in the Finance Committee minutes.



# Internet Banking Policy

1. The internet banking function has been set up for the following purposes:
  - a. Download account transactions and balances.
  - b. Transfer funds between accounts
  - c. Pay supplier invoices.
2. Access to the internet banking function is restricted to the Director of Financer, Finance Supervisor, the Payables Clerk, and the Chief Executive Officer. No other employees will be given the password without the express permission of the Chief Executive Officer. If the password is given to another employee on a temporary basis, it will be changed when the temporary arrangement is no longer required.
3. Regarding transfers, the following rules apply:
  - a. Transfers require the written approval of one bank signatory before they are made.
  - b. The written request for pre-approval can either be a Cheque Requisition or a Journal Entry form.
4. Regarding payment of supplier invoices, the following rules apply:
  - a. No suppliers will be set up for bill payment without the written approval of the Chief Executive Officer.
  - b. Pre-approval of the invoice to be paid is required from the Spending Authority responsible for the purchase, per the HFS Expenditure Policy and one bank signatory.
  - c. Payment limits will be set at \$5,000 on all internet payments and authorization by two signatories is required for invoices over \$5,000.
5. Approval by a second bank signatory:
  - a. Each month, the Finance Department will make a copy of all bank account statements, and every internet banking transaction will be highlighted.
  - b. Copies of all approved transactions, per points 3 and 4, will be attached.
  - c. The bank statements and copies will be sent for approval and initialling by a second bank signatory, subject to the rules established in the Spending Policy.
  - d. Review and approval of the internet banking transactions will be done per "Instructions for Post-Approval of Internet Banking Transactions".
6. Additional controls:
  - a. Each month an HFS Administration staff member who has not participated in the monthly internet banking transactions will sign on the internet and confirm:
    - i. No payees have been set up other than those authorized by the Chief Executive Officer.
    - ii. No internet transactions have taken place other than those approved in point 5 above.

## Cash Advance Policy

1. Cash Advances will be provided to HFS staff to cover anticipated expenditures that cannot be made from Petty Cash and cannot be paid by cheque directly. Examples of such expenditures are employee travel and Christmas parties for tenants.
2. A cash advance request is limited to \$5,000 and approval of expenditures from Cash Advances is subject to the rules detailed in the Expenditure Policy.
3. Cash advance cheques will only be prepared when a fully completed "Cash Advance Request" form is received by the Finance Department.
4. a. The HFS Accounts Payable clerk will review all outstanding Cash Advances, at the end of each month and contact any employee who has not returned his/her advance by the return date specified on the Cash Advance Request.  
b. It is the responsibility of the employee to whom the cash advance has been given, to return invoices and cash totalling the amount of the original advance, to the HFS Finance Department. Any shortfalls in the cash and invoices returned, compared to the original advance, will be the responsibility of the employee to make up.

## Petty Cash Policy

5. Petty Cash funds will be established at the discretion of the Chief Executive Officer, and used only for the following purposes:
  - a. Where there is a proven need for immediate cash to cover small purchases such as stamps, office supplies, and courier services.
  - b. Where there is an ongoing HFS program, such as a meal club, where emergency cash purchases must continually be made.
6. An individual Petty Cash fund cannot exceed \$2,000, without the approval of either the Finance Committee or the Board.
7. As a guideline, a Petty Cash fund should not require replenishing more than once a month.
8.
  - a. A Petty Cash fund is the property of HFS and is to be used by an employee of HFS for the purpose of making cash purchases on behalf of HFS.
  - b. When the employee leaves the employment of HFS, or moves to another position within HFS, the employee will return the entire fund (cash plus expense vouchers) to HFS. If there is a shortfall in the fund it is the employee's responsibility to make it up.
  - c. Each employee who is given a Petty Cash fund is required to sign the "Petty Cash Fund Agreement" that is part of this policy.
9. Restrictions on the use of Petty Cash Funds:
  - a. No cheques will be cashed from the Petty Cash fund.
  - b. No purchases in excess of \$300 will be made from a Petty Cash fund.
  - c. All purchases will be subject to approval per the rules established in the HFS Expenditure Policy.
10. Whenever replenishment is required for a Petty Cash fund, a complete reconciliation of the fund will be done using the "Petty Cash Replenishment Request" that is part of this policy.
11. The payee for Petty Cash cheques will be the name of the person who will be cashing the cheque, not "cash".
12. At least twice a year, the Finance Department of HFS will do a complete count of each Petty Cash fund to confirm that the cash plus vouchers total to the amount of the fund.

# Donation Policy

## General Process

1. Donation receipt processing will be done using a computer system approved by the Chief Executive Officer. Currently, the system in use is called Income Manager.
2. Donation receipts will be issued in the same time period (month) as the donation is received, except that regular monthly donations from a single source will be receipted at year-end.
3. Donations will be processed by the Finance Department. A Donation Processing Checklist will be prepared for each donation.
4. Charitable Receipts and a thank you letters will be prepared by the Finance Department.
5. Receipts will be mailed out monthly by the Finance Department.

## Restricted Donations

6. The Finance Department will annotate any donations that are restricted, noting the restriction.
7. An email will be sent to the affected department indicating the amount of the restricted donation, the purpose for which it is intended, and instructions on how to account for the expenditure.
8. In general, if the restricted donation is to be spent as cash, a "Cash Advance Request" form must be filled out; if it is to be invoiced to HFS, a Purchase or Work Order must be completed per the Expenditure Policy.

## In-Kind Donations

9. Requests for receipts for In-kind donations, and appropriate documentation must be sent to the Finance Department. The Finance Department will complete section 1(b) of the Donation Processing Checklist for all In-kind donations.
10. Approval of an In-kind donation will not be made without adequate documentation as to the value of the donation. The person doing the approval must also confirm that the value given in the documentation is reasonable. If an in-kind donation exceeds \$1,000:
  - a. and the donation is retained by HFS, the valuation must be supported by an invoice, price list, or third-party appraisal, with the exception of donated artwork, for which the valuation will be the lower of two-third party appraisals.
  - b. and the donation is sold; the valuation will be the lower of the appraisal and the realized value, with the exception of donated artwork for which the valuation will be the lower of the realized value and the lower of two third party appraisals.

## **Specific Controls**

1. Subject to point 3, the bank signatories are the only persons eligible to sign charitable receipts.
2. Persons eligible to approve the dollar value placed on In-kind donations, once they have been valued per point 10 above, are the Chief Executive Officer and the Director of Finance.
3. The Director of Finance is responsible for processing charitable receipts.
4. Each month, the Finance Department will reconcile the charitable receipts processed to the bookkeeping general ledger to confirm that they agree.

# Capital Expenditure Policy

## Capital Purchases

Capital expenditures include, but are not limited to - appliances, equipment, complete mechanical replacements, beds, and building restoration (betterments). See below for the Canadian Institute of Chartered Accountants' definition of a Capital Expenditure.

A Capital Purchase is a capital expenditure that exceeds \$5,000 before taxes. Any incidental items on the same invoice as a Capital Purchase that relate to its purchase will be considered part of the Capital Purchase. All Capital Purchases will be charged to either a reserve account (see below) or will be capitalized as a fixed asset. A Capital Purchase will not be charged to the Statement of Operations (Income Statement).

All Capital Purchases require pre-approval per the guidelines set out in the Expenditure Policy.

## Reserve Allocations

A capital replacement reserve is a liability that is set up as a liability on the Balance Sheet to cover future anticipated capital expenditures, usually for addition or replacement of equipment or major repairs to existing buildings.

Some of HFS's funders mandate that replacement reserves are to be set up and funded through operations (charges to the Income Statement) and HFS will conform to that policy. (This policy does not agree with Generally Accepted Accounting Principles (GAAP) but is generally used within the non-profit housing sector).

Other funders do not specify how the replacement reserve is to be funded and HFS will fund those reserves as an allocation from Surplus (which is in accordance with GAAP).

1. a. With the exception of programs where reserves are mandated by HFS's funders, replacement reserve funds can only be created with the approval of the Board.
  - b. At the time of writing this policy, HFS has replacement reserves for Shuter Street, the Section 78 properties and Strachan House that are mandated by the funders.
2. Annual replacement reserve allocations will be approved by the Board, either as part of the annual budget approval process or at a special meeting convened for that purpose. Exceptions to this rule are:
  - a. Shuter Street – the annual replacement reserve allocation will be the amount specified in the operating agreement unless additional funding is approved by both the City of Toronto and the Board. This reserve is funded by a charge to the Income Statement.
  - b. The Section 78 properties – the annual replacement reserve allocation will be the amount specified in the approved annual budget submitted to the City of Toronto unless additional funding is approved by both the Board and the City of Toronto. This reserve is funded by a charge to the Income Statement.

- c. Strachan House – the annual replacement reserve allocation will be the amount specified in the lease unless additional funding is approved by the Board. This reserve is funded by a charge to the income statement.

### **Reserve Expenditures**

1. Within HFS, all Capital Purchases are to be charged against replacement reserves unless:
  - a. A Capital Purchase is specifically being funded from a grant or donation received from a third party.
  - b. A funder specifically disallows a Capital Purchase to be charged to the reserve.
  - c. An additional loan or mortgage is obtained to cover the purchase. Any such loan or mortgage requires the approval of the Board.

In which case, the purchase will be capitalized and amortized in accordance with the policies noted in the financial statements.

### **Capital Planning**

1. HFS will contract on a regular basis (which will be at least every five years) to have an accredited engineering company prepare/update a Long-term Capital Replacement plan and a Reserve Study for each of the properties that it owns or leases. The purpose of these studies is to determine the adequacy of the HFS reserves in covering long-term capital requirements.
2. The Long-term Capital Replacement Plan and the Reserve Study, or versions thereof as amended by HFS staff, will be presented to the Board for approval, within three months of completion by the engineering company.
3. The HFS Property Management Department will prepare a two-year capital replacement plan every year. The plan will identify specific work to be undertaken, its cost, the timing and its effect on the adequacy of replacement reserve balances.
4. The Chief Executive Officer will prepare an annual report on the steps being taken, if any, to eliminate any shortfalls in the replacement reserves, in the future.
5. The first year of the two-year capital replacement plan (point 3) will be presented to and approved by the Board as part of the annual operating budget approval.
6. Approval of the capital budget by the Board will constitute approval for staff to make the expenditures, unless specific restrictions are spelled out by the Board at the time of the approval.

# Investment Policy

## Separation of Investments

HFS makes investments for the following purposes.

1. Funds set aside as required by agreement with the City of Toronto for Capital Replacement Reserves (“Required Reserves”). The following properties are currently covered by required reserves – Bellevue, Huron, Meegwetch, Pleasant Manor, Sheila Miller, Shuter, Vaughan, and Wales.
2. Funds voluntarily set aside for other Capital Replacement Reserves (“Voluntary Reserves”). At the time of writing the policy, Strachan and St. Clair Shelters are covered by voluntary reserves. In future, as determined by the Board, the Savards Shelter or any other property might also be covered by this type of reserve.
3. Funds specifically designated for a particular purpose (“Designated Reserves”).

The rules for the establishment of reserves, their funding, and the permissible expenditures charged against them are defined in the Capital Asset Policy.

## Board of Directors’ Liability

HFS is a registered charity and the Trustee Act of 1999 imposes specific duties regarding investing upon the board of directors of charities.

The Trustee Act defines the “Prudent Investor Rules” “In investing trust property, a trustee must exercise the care, skill, diligence, and judgment that a prudent investor would exercise in making investments. "A Prudent Investor considers:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The expected tax consequences of investment strategies.
4. The role that each investment or course of action plays within the overall trust of the portfolio.
5. The expected total return from income and the appreciation of capital.
6. The needs for liquidity, regularity of income and preservation and appreciation of capital.
7. An asset’s special relationship or special value, if any, to the purposes of the corporation.

Under the Trustee Act, investing “risk-free” is not adequate if the Board of Directors has not considered these seven points. Individual directors could be held liable for the lost opportunity cost or real market value costs if the Prudent Investor guidelines are not considered.

It is the intention of HFS to adhere to the Prudent Investor Rules, with the following considerations.



- a. Re point 3 – HFS does not pay income taxes and therefore does not expect to have any tax consequences from its investments.
- b. Re point 4 – separate investment rules are established below for Required Reserves, Voluntary Reserves and Designated Reserves.
- c. Re point 6 – a primary investment strategy for HFS is the preservation of capital, even if income is reduced to achieve this.

## **Required Reserves**

HFS is required to invest its reserves in the Social Housing Investment administered by Worldsource Financial Management Inc. (“WFM”).

1. There are three types of mutual funds to invest in under the Social Housing Investment Program: Canadian Short-Term Bond Fund, Canadian Bond Fund and Canadian Equity Fund. The Canadian Short-Term Bond Fund is ideal for investments up to 5 years. The Canadian Bond Fund is ideal for investments between 5 to 7 years. The Canadian Equity Fund is ideal for investment more than 7 years. There are four major objectives to consider when investing in the Social Housing Investment program:
  - a. Capital expenditure needs of HFS based on a Building Condition Audit and Board approved capital expenditure.
  - b. Time horizons: The points at which HFS will need use of the funds invested.
  - c. Risk tolerance: High, Medium, Low.
  - d. Investment objective: Growth, Balanced, Income.

These investor profile objectives will be reviewed once a year by the Board or a designated subset of the Board. WFM has tools such as the Asset Mix calculator that will assist Directors with investment asset allocation.

The Board will select the percentage of total investments to be invested in each mutual fund for the next investment period. However, at no time will the percentage invested in the equity mutual fund exceed 25% of the total investment. This amount invested in the equity fund needs to be reviewed on an ongoing basis and adjusted as necessary.

The final selected percentage split between the mutual funds will take into account any expected necessity to withdraw money from the funds, per point 4 of this section.

2. The Board will provide the Chief Executive Officer with an updated investor profile after the review of these funds and the Chief Executive Officer will be responsible for ensuring that any required adjustments are made.
3. The Chief Executive Officer will ensure that all required contributions to the mutual funds are made quarterly and that they are distributed according to the approved percentage splits. If there are insufficient funds to make a quarterly contribution, the Chief Executive Officer will notify the Board at its next regularly scheduled meeting.

4. Withdrawals will take place from the mutual funds only for expenditures approved per the Capital Expenditure Policy. Alternatively, the effect of a required withdrawal can be achieved by not making one or more contributions as required in point 3.
5.
  - a. The Chief Executive Officer will monitor the actual percentage splits between the approved mutual funds on a quarterly basis, and if any one fund's percentage of the total differs from the approved percentage by more than 20%, will notify the Board immediately. The Board will review the percentage split between the mutual funds.
  - b. The Board may revise the approved percentage splits between the mutual funds, at any time during the year.

### **Voluntary and Designated Reserves**

1. The Board will determine if Voluntary Reserves will be invested per the rules established for the Required Reserves".
2. The determination of which rules to follow will be made once per year, at the time of approving the annual Operating Budget.

### **Investment of Surplus Funds**

1. On an annual basis, the Finance Department will determine the amount of money that is generally required, on a day-to-day basis, for regular operations of HFS.
2. The Finance Department will provide a monthly assessment to the Chief Executive Officer of the potential for having excess funds that might be invested to provide additional income for HFS.
3. The Chief Executive Officer will determine what, if any, investments of excess funds will be made, subject to the following:
  - a. If the amount to be invested exceeds \$100,000, the Chief Executive Officer will notify the Board of this fact. The Board will determine if the investment will be made according to the rules for Required Reserves or the rules in c below. This determination will be thereafter on an annual basis at the time of approving the operating budget.
  - b. The term of the investments will not exceed 1 year. An assessment will be done of each investment regarding its potential requirement for operations and the term will be selected to conform to the requirement.
  - c. Permissible investments are:
    - i. High yielding bank accounts.
    - ii. Municipal, provincial, or federal bonds, excluding strip bonds.
    - iii. Banker's acceptances.
    - iv. GIC's and Term Deposits.

- d. Subject to point 3(b), the Chief Executive Officer will invest in the instrument that provides the highest return on the investment.

The Chief Executive Officer will report to the Board on a quarterly basis, on any investments that have been made, their term and their yield.

### **Treatment of Revenues**

1. A loan will be set up as a liability and written down as payments are made.
2. A Forgivable Loan will be set up as a deferred contribution and amortized over the useful life of the corresponding asset (and not at the rate of forgiveness).
3. A Capital Grant will be treated in the same manner as a Forgivable Loan.

# Budget Policy

## General Comments

1. At the time of writing this policy, the Finance Committee meets quarterly and the Board meets approximately every four to six weeks.
2. This policy covers both capital and operating budgeting. The intention is that the capital budget should be completed prior to the operating budget so that any special maintenance identified in it can be included in the operating budget.
3. It is intended that this policy will describe limitations on spending approvals per point 1.b. of the Spending Policy.

## Capital Budget

1. The planning process for the Capital Budget is included in the Capital Expenditure Policy.
2. The Capital Budget for the following year and any required one-time capital maintenance will be presented to the March or April meeting of the Finance Committee and, once the Finance Committee has agreed, to the Board for approval.
3. No capital expenditures will be made unless they either have been approved by the Board or are of an emergency nature. If not required for an emergency, the facts and costs will be presented to the next Finance Committee meeting for approval and then presented to the Board for its information. If required for an emergency, then a poll will be sent by email to the finance committee detailing the nature of the emergency.
4. Requests to have additional capital items added to the Capital Budget can be made at any Finance Committee meeting. The request must include costs, timing, and the effect on the adequacy of replacement reserve balances. Additions to the Capital Budget will be presented to the Board for its information.

## Operating Budget

1. The annual Operating Budget will be presented in October to the Finance Committee and, once approved by the Finance Committee, to the Board for approval.
2. As a general rule, the budget will assume that revenues and expenses for the budget year will remain at a level similar to the previous year. The budget will include a list of specific activities that must be completed successfully if the budget is to be achieved and whose individual revenue or expense exceeds \$10,000.
3. At each Finance Committee meeting subsequent to the budget's approval, the Director of Finance will present a list of all items that affect the budget by more than \$10,000 and were not included in the budget (or revised forecast).

4. At the end of each financial quarter, the Chief Executive Officer, in conjunction with the Finance Committee, will determine if there has been any significant change in the budget (forecast) which requires a revised budget or forecast. If a revised forecast is prepared, it will be presented for approval at the next Finance Committee meeting. All revised forecasts will be presented to the Board for its information.
5. The following factors will be considered in determining if a revised forecast should be prepared.
  - a. The current year-to-date actual surplus/deficit for HFS varies from the year-to-date budget by more than .5% of total HFS revenue.
  - b. Changes are known but not included in the budget (per point 2) that cumulatively exceeds .5% of total HFS revenue.
  - c. A significant economic change is expected to occur that is likely to impact surplus by more than .5% of total HFS revenue.
  - d. A change in funding is likely to occur that will impact surplus/deficit by more than .5% of total HFS revenue.
6. The Chief Executive Officer may approve any expenditure for HFS, subject to the spending limitations of Schedule A in the Spending Policy, provided that:
  - i. The Finance Committee has received a monthly list of items that are not included in the budget/forecast (per point 2), and
  - ii. There is an approved budget (revised forecast) per points 1 and 3.
7. If the Finance Committee has determined that a revised forecast is required, and a revised forecast has not been approved by the Board within six weeks of that determination, the spending limit for the Chief Executive Officer, as given in Schedule A of the Spending Policy, is reduced to \$10,000.

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- Approved by the HFS Board of Directors on April 14, 2020.
  - This Policy applies to all of Homes First.