



FINANCIAL POLICY AND PROCEDURES

Approved by the Board of Directors on Aug 31, 2017

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1.0 PURPOSE

MHI is committed to timely, accurate and responsible financial management of the organization to ensure that all financial matters are managed with care, integrity, and consistency within the best interests of MHI. Led by the Executive Director, MHI financial management team includes MHI and housing management staff, bookkeeping contractor, Board of Directors including the Treasurer, and the Finance Committee.

The policy and procedural guidelines contained in this handbook are designed to:

- Promote and ensure effective financial management;
- Protect the assets of MHI.
- Ensure the maintenance of accurate records of MHI’s financial activities.
- Provide a framework of operating standards and behavioral expectations.
- Ensure compliance with federal, provincial, and local legal and reporting requirements.

Exceptions to written policies may only be made with the prior written approval of the Finance Committee or the Board of Directors. Changes or amendments to these policies may be approved by the Board of Directors at any time. A complete review of the policies shall be conducted every two years by the Finance Committee or other Board designee.

All personnel with financial responsibilities are expected to be familiar with and operate within the parameters of this policy.

2.0 ROLES

2.1 Treasurer and Finance Committee:

The Board Treasurer chairs the Finance Committee, which is composed of members designated by the Board of Directors. The Finance Committee has the authority provided by the Board of Directors, including:

- Overseeing the financial management of all of MHI activities to ensure the financial stability and strength of the organization.
- Reviewing financial statements.
- Performing in-depth reviews of the organization's financial activity, as needed.
- Overseeing the development of the annual budget.
- Determining the allocation of investment deposits when appropriate.

2.2 Executive Director:

The Executive Director has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. The ED has the authority provided by the Board of Directors, including:

- Making spending decisions within the parameters of the approved budget.
- Employing and terminating personnel, in consultation with the Human Resources Committee.
- Creating and amending operating procedures and controls.
- Entering into contractual agreements within board approved parameters.

3.0 GENERAL ACCOUNTING POLICIES

MHI accounting practices and systems are based on and follows general accepted accounting principles (GAAP).

Monthly financial statements are prepared using the cash accounting basis.

The fiscal year is from November 1 through October 31.

4.0 FINANCIAL ADMINISTRATION

Financial duties and responsibilities are separated so that no one employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, or any critical accounting function.

The bookkeeper has primary responsibility for designing and maintaining the accounting system. Bookkeeping support may be provided by other staff as designated.

The accounting records are updated regularly and subject to the oversight of the Executive Director, the Treasurer, the Finance Committee, or Board of Directors or its designate on a monthly basis.

A filing system accessible to the Executive Director is maintained for all financial records.

5.0 BUDGETS

The annual budget for the fiscal year is prepared by the Bookkeeping contractor and reviewed by the Finance Committee and Executive Director, working closely with the appropriate staff.

The board of Directors approves the budget annually, prior to the beginning of the fiscal year or shortly thereafter.

The approved budget is compared to the monthly financial statements in order to monitor the actual results.

6.0 FINANCIAL STATEMENTS

Monthly financial statements are completed and presented to the Finance Committee within 21 days of the close of the period.

The financial statements are provided to the Board of Directors at each Board meeting.

7.0 ANNUAL AUDIT

An annual audit is conducted by an independent CPA after the close of each fiscal year. The audit covers the fiscal year of November 1st through October 31st.

The Treasurer, the Executive Director and the Bookkeeper are involved in the annual audit. At MHI's annual general meeting, the auditing firm with assistance from the Treasurer presents the findings from their audit.

Copies of the annual audit are provided to funders in accordance with agreements in effect.

8.0 BANKING

8.1 General

The Executive Director, in consultation with the Finance Committee chooses a financial institution, which provides the most appropriate services for the lowest cost.

8.2 Deposits

Individuals receiving funds are different from the individual recording the deposits in MHI financial system. All deposits are appropriately recorded.

In general, bank deposits are made weekly. Amounts greater than \$5,000 are deposited by the next business day. Amounts less than \$250 may remain un-deposited for 5 business days.

All funds are deposited in the chosen financial institution, with the exception of petty cash (see 9.0 Petty Cash). The deposit receipt is attached to the deposit record.

8.3 Check Signing

The Board appoints the positions (and individuals) with authority to sign checks. Usually these are the Treasurer, the Executive Director, the President of the Board of Directors, and the Secretary of the Board of Directors. All cheques require two signatures. The check signers must not be the person who is the recipient of the checks or who does the bookkeeping.

9.0 PETTY CASH

A petty cash account is kept at the discretion of the Executive Director. Petty cash is used only when it is necessary to pay for goods or services by someone who cannot take a check, and to provide an adequate amount of change at fund-raising events where cash is accepted. A requisition form is completed for each transaction and a receipt acquired upon payment.

Petty cash disbursements are limited to \$100.00.

Total petty cash funds do not exceed \$200.00, except where more funds are needed for change at fundraising events. When funds drop below \$50.00, the Executive Director may replenish the account by completing a requisition form for a check written to MHI. Alternatively, petty cash may be replenished by depositing some cash into the petty cash account that would otherwise be deposited into the MHI bank account. Full documentation for this deposit is to be retained.

Petty cash can be disbursed only with the approval of the ED. The Treasurer or the President or the Secretary of the Board of Directors approves petty cash disbursement to the ED. Petty cash requisitions are reviewed and coded by the bookkeeper. Actual funds are managed and kept in a locked safe located in the office.

9.1 Disbursements

Invoices are paid in a timely manner, generally bi-weekly, and before late penalty charges apply.

Two check signers are required for all cheques.

No checks may be written to "cash" or "bearer."

10.0 REIMBURSEMENTS

A requisition form is prepared and approved when requesting personal reimbursement for MHI expenses. Relevant invoices and receipts are attached.

Mileage expenses are reimbursed at the rate in affect at the time of the expense for employees of the federal government.

11.0 ACCOUNTS RECEIVABLE

Invoices for grants receivable are sent out, either by email or mail, as soon as possible in accordance with the terms of the grant agreement or contract. A copy of each invoice is kept in the appropriate grant A/R file with a notation of the date it was sent. When payment is deposited, a copy of the check stub is attached to the invoice, which is then notated with the date paid and marked "POSTED."

Invoices for other accounts receivable are kept in a general A/R file. When payment is deposited, these invoices are marked "POSTED" and transferred to an A/R received file.

12.0 ACCOUNT RECONCILIATIONS

Reconciliations are done monthly. Bank statements are reconciled by someone other than the check signer or the person who prepared the check.

13.0 PURCHASES

Purchases follow the Procurement Policy, as approved by the Board of Directors.

14.0 CASH MANAGEMENT

The safe is used to store all cash, including small amounts of petty cash. The safes should only be opened with two people present.

As much as possible, there should be two people present whenever cash is transported from one location to another.

There should be a cash count sheet, which documents the following:

1. Names of people removing cash from safe.
2. Date/time cash is removed from safe.
3. Date/time cash is returned to safe.
4. Two signature lines for people signing for the cash.

When cash is removed from the safe, two people should count it and both people should sign the cash count sheet acknowledging the recorded amount of cash.

When cash is handed off to the next person, the person accepting the cash should count the cash before accepting it and keep the signed copy of the cash record with the cash.

When cash is returned to the safe, it should be double counted and the cash count sheet should be signed by both parties.

Records should be kept on all cash handling deposits.

14.1 Cash for an Event

Recommended cash management procedure for an event:

- Upon start up of a cash box for an event, utilize a log to document which individuals were given a cash box and the amount of cash at the start. Require the individual checking out the cash to sign the log indicating his/her agreement with the start-up amount.
- Do not allow commingling of personal money with donations.
- Never utilize cash collections for last minute purchases the day of an event.
- Each event's collections should be documented via standardized forms. The forms should be remitted to the ED, along with the physical cash collections, immediately following the event.
- Accept checks should be made out to the organization only. Immediately endorse the checks with a restrictive endorsement payable to the organization.

Two volunteers or employees should independently count the cash immediately after the event. The two cash counts should be compared to make sure the collections are counted properly.

- Utilize lockable bank bags to secure cash bag and collections.

- For concession-type activities, reconcile inventory to cash receipts as much as possible.
- Consider tracking the average cash receipts per individual per event and investigate anything not meeting your expectation based on the average receipts per event.

For events with ticket income:

- Use pre-numbered tickets.
- Document all volunteers who were issued tickets and which numbers.
- Reconcile tickets sold to cash received.
- Follow the other relevant cash management procedures.

15.0 DONATIONS & FUNDRAISING

MHI welcomes and encourages gifts from individuals, groups, foundations and corporations, for the purpose of enhancing its services to its various stakeholder groups, primarily providing and promoting the development of affordable housing and related services for the tenants in the city of Ottawa.

Regular fundraising activities complement internal subsidies to our tenants thus allowing MHI to provide below market rents to those in need. Additional Capital Fundraising Campaigns may be undertaken as needed with specified targets and the goal of increasing the available housing stock offered by MHI to those in need of below market rental accommodations.

15.1 Definition of Donations for Tax Purpose

For income tax purposes, a gift or donation is defined as a voluntary transfer of property to MHI made without the expectation that any benefit will accrue to the donor or anyone designated by the donor. The donations and gifts include:

- Money.
- Art and photographic works.
- Equipment.
- Property of significant value, such as real estate or securities.
- Planned gifts, such as willed donations, bequests or endowments.
- Other in-kind gifts.

15.2 Gifts In Kind

Donated capital assets are recorded at fair market value if it can be reasonably estimated. The nature and amount of the donated capital assets is disclosed. Gifts in Kind are covered by the “Gifts in Kind Policy “as approved by the Board of Directors.

The value of donated materials and services is recorded at a fair and reasonable estimate. The value does not exceed the value at which the organization could have purchased those products and services.

15.3 Donation Acceptance

MHI analyzes proposed gifts or donations, and accepts those, which cost-effectively fit well with the mission and objectives of the organization.

MHI uses the donation in light of the affordable housing needs, and this is the basis for decisions regarding how the donation will be used as an investment, dispose of or kept for eventual disposal.

All donations become the exclusive property of MHI and must be clearly defined.

MHI may accept conditions on the disposition of donations where it deems the proposed conditions to be reasonable, feasible and in the interest of MHI.

15.4 Donor Records

MHI shall maintain donor records, the contents of which shall remain confidential unless the donor agrees otherwise, or MHI is required by law to reveal this information to an authorize party.

15.5 Official Tax Receipts

For monetary donations in the amount of \$20 or more, official income receipts will be issued. MHI goal is to issue tax receipts within 60 days of donation unless it is a monthly gift in which case the receipt will be issued at year-end.

For in-kind donations, official receipts will be issued provided that the appraised value of the donation exceeds \$20

15.6 Donor Recognition

MHI give formal acknowledgement or recognition to the donor, which is commensurate with the value of the donations, and is inline with any donor recognition program MHI may have in place on certain projects.

Publicity about donations may also be considered, with the concurrence of MHI and the donor(s).

16.0 CAPITAL EXPENDITURES

Capital assets include land, buildings, equipment and other tools use for more than 12 months . Capital expenditures consist of:

- Acquisition of new capital assets.
- Additions to or replacement of existing capital assets.
- Improvements which increase the capacity, quality, efficiency or life of existing capital assets.
- Replacement of major building components.

Before any changes are made to properties, all relevant by-laws must be adhered to, including building permits and plumbing or electrical inspections.

17.0 FINANCIAL RECORDS

All financial records and supporting documents (electronic or paper) are stored for seven years, then destroyed with approval of the Executive Director. Documents eligible to be destroyed after seven years include:

- Accounts Receivable Adjustment Journal.
- Accounts Receivable Invoice Posting Journal.
- Bank Reconciliations.
- Cash Receipts Journal.
- Cheque Register.
- Cheque Requisitions with attached invoices.
- Deposit Slips.
- General Ledger Posting Journal.
- Payroll Register.
- T-4 Slips.
- Tax Records.

Documents related to capital expenditures over \$100,000 are permanently kept (stored forever).

Tenant files are stored for seven years, and then destroyed.

When a tenant moves out owing arrears or under special circumstances which have long term implications, this information is filed indefinitely for future reference. The Housing Manager keeps a list of past tenants who owe money to MHI. This can

include charges for damages, keys, long distance calls, parking, groceries, and NSF fees, as well as unpaid rent and air conditioning charges.

18.0 Staff Payroll

Payroll is processed by the bookkeeper (presently Dynapro Accounting Service) on twice monthly schedule over 24 pay periods during the year. Pay is every 1st and 15th of each calendar month and made via direct deposit into staff bank accounts

Regular, full time staff are paid on salary based on a 35 hour work-week.

Regular, full time staff accrue vacation, sick and personal leave. All staff must complete a Request for Leave Form available through the Office Administrator which is signed by the Executive Director. Personal and sick leave approval for the Executive Director shall be by the President of the Board, or Vice-President in the absence of the President.

All benefits and deductions are administered by the bookkeeper (Dynapro Bookkeeping Services) and any repayment plans must be approved by the Executive Director.

Regular pay increases are sent to the Finance Committee and the Executive Director for approval and then submitted for processing. Regular pay increases for the Executive Director are approved by the Executive Committee of the Board of Directors.

19.0 Staff & Volunteer Expenses & Request for Funds

19.1 When Staff & volunteers Travel Out of Town For Training/ Conferences

Staff and volunteers will pay out of pocket for their meals and other expenses (e.g. transportation for purposes of attending conference or training, not personal side-trips) and submit an Expense Claim Form upon their return, specifying the event attended, **with receipts**, as per MHI guideline amounts.

19.2 Parking and Mileage

MHI will reimburse staff and volunteers who are required to use their vehicle for MHI business for parking costs (receipts or parking slip required). These expenses should be included on an Expense Claim Form. Mileage will be reimbursed as per guideline amounts and bus fare with receipt

APPENDIX A–Procedures

Deposits

All checks and cash received are recorded on a daily log, listing the date received, payer, purpose, and amount received. All checks are stamped “for Deposit only” immediately upon receipt.

All funds received are sent daily with the daily log to the bookkeeper for processing. Total funds are compared to daily log totals to ensure an accurate total of cash received. A receipt is provided by the accounting department for all funds received, with receipt copies attached to the daily log. All funds are placed in the safe until preparing the deposit.

A Deposit Record is prepared listing the source account, source description, date received, amount received, and amount deposited for each line item, and a total of all funds received and deposited. Notes are added for any discrepancies. Daily logs are attached to the Deposit Record. The Deposit Record is initialed by the preparer. A bank deposit slip is prepared and a copy attached to the Deposit Record.

After the deposit is made, the Deposit Record with attached daily logs, deposit slip, and deposit receipt is turned in to the accountant. All deposit papers are reviewed, confirmed, and recorded. Recorded deposits are marked “POSTED.”

Copies of all checks or vouchers for grants and contracts are placed in their source files.

Disbursements

All payments, except petty cash, are made by pre-numbered checks and are accompanied by substantiating documentation. Documentation may be an invoice (bill) or requisition form.

All invoices are marked with the date received and are directed to the accounting department.

Invoices are reviewed to ensure that the goods were received or services rendered.

Each invoice is attached to a requisition form or marked with the MHI Payment Approval stamp. The proper account(s), funding source, and program are identified and coded for each invoice. The requisition form or marked invoice is approved by the appropriate manager and the Executive Director. If the

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Executive Director is not available, the ED's designate or the Board Treasurer may approve an invoice for payment.

After approval, invoices are passed to the accounting assistant for entering a bill into Accounts Payable. Entered bills are passed to the staff accountant for review and printing of checks. Printed checks are attached to the requisition forms and passed to the Executive Director for signing.

Signed checks are passed to the accounting assistant for mailing or distribution.

Once payment is made the requisition form is be filed with the check voucher in the monthly A/P folder. The check number is written on the requisition form or invoice.

Check signing

A relevant invoice or back-up document accompanies each check for the check signers to review.

The check voucher is used to ensure a record of the check is maintained.

Sequentially numbered organizational checks are used to maintain a proper control over the checks. Voided checks are kept and clearly marked VOID. The signature are of voided checks is cut out and discarded to prevent misuse.

Account Reconciliations

Bank accounts are reconciled monthly against the account statement. Other balance sheet accounts are reconciled quarterly using the MHI Reconciliation Statement. Supporting documentation is either attached (as for Petty Cash) or the location is referenced (as for Grants Receivables files). Individual documentation, such as the number of a check or journal entry, may be referenced in the Details Column of the Reconciliation Statement.

APPENDIX B–Business Record Retention Schedule

Accident Reports and Claims (settled cases)	7 years
Accounts Payable Records.....	7 years
Accounts Receivable Records.....	7 years
Audit Reports.....	Permanently
Articles of Incorporation.....	Permanently
Annual Audit Reports.....	Permanently
Bank Statements and Reconciliations.....	3 years
Budgets	10 years
Bylaws	Permanently
Cash Receipt Records	7 years
Checks (cancelled).....	7 years
Checks for important payments such as taxes, special contracts, etc. should be filed with the papers pertaining to the transaction and kept	Permanently
Contracts & Leases (expired)	7 years
Contracts & Leases (active).....	Permanently
Corporation Reports.....	Permanently
Correspondence with vendors.....	1 year
Correspondence (general)	3 years
Correspondence (legal)	Permanently
Disbursement Requests.....	7 years
Deposit Slip Duplicates	2 years
Employee Records (after termination)	Permanently
Employment Applications	3 years
Financial Statements	Permanently
Fixed Assets Records	Permanently
Grant Award Letters	10 years
Insurance Records, Accident Reports, Claims, Policies, Certificates.....	Permanently
Invoices.....	7 years
Leases (after expiration).....	6 years
Journals.....	Permanently
Minutes	Permanently
Payroll Records.....	6 years
Property Records	Permanently
Purchase Orders	7 years
Tax-exempt status documents and all documents and correspondence dealing with the CRA	Permanently