

Spending

Purpose of the policy

- To put in place adequate controls and authorization for the co-op's spending
- To provide board, committees, members and staff with a framework for spending on behalf of the co-op
- To ensure the co-op meets budget projections.

Definitions

A **purchase** is any commitment to buy goods or services, or have work done at the co-op's expense.

Expenses are either discretionary or non-discretionary:

- The co-op can control or choose to spend money on discretionary items, or not. For example, it can decide each year to plant some trees, paint the common room or hire a handy person. Even though an expense is defined as discretionary for purposes of this policy, it may still be critical to the co-op's operations.
- You have no choice when it comes to non-discretionary expenses. You must pay the mortgage and taxes, and renew your insurance.

Emergency expenses are unbudgeted purchases of work or materials that must be made immediately because a delay can:

- result in property damage
- endanger the safety of people or property, or
- disrupt essential services to members.

Policy

Spending authorization

1. Persons spending or purchasing on behalf of the co-op must do so in accordance with this policy and have written authorization.

2. Non-discretionary items

The board will identify and authorize spending on budgeted non-discretionary expense items and authorize management staff to make payment.

The management staff must report any expense that goes over budget to the next board meeting.

3. Discretionary items

- The management staff or treasurer can authorize spending on and approve payment for budgeted discretionary expense items.
- The management staff or treasurer can authorize spending on and approve payment for unbudgeted discretionary items up to \$1,000.
- Unbudgeted items must be reported to the next board meeting.
- The board must approve spending on unbudgeted items over \$1,000.
- The general meeting must approve spending on unbudgeted items over \$10,000 before the purchase is made.

4. Emergency expenses

- Authorized persons will authorize unbudgeted spending required to deal with emergencies.
- Emergency expenses must be reported to the next board meeting.
- Emergency expenses over \$2,000 must be reported to the next general meeting.

5. Budget revisions

The board may revise the budget as necessary during the fiscal year. Revisions must be reported to the next general meeting as follows:

- any difference in one budget category over 10%

- any overall change of more than \$2,500 in total expenses, and
- for a discretionary expense, any overall change to the budget of more than \$10,000 must be approved by the general meeting before the purchase is made.

6. Committee budgets

- The board authorizes the committees to spend for committee items included in the co-op's approved budget.
- Any unbudgeted items must be brought to the board for approval before spending.
- No committee may overspend in any one budget category by more than 10% without board approval.
- No committee may overspend its annual budget without board approval.
- Where a committee member is authorized to spend any part of the committee budget, the member's name and the dollar amount authorized shall be recorded in the committee's minutes.

Purchases

7. Authorized purchases for the co-op must be made using a:

- written co-op authorization to a selected supplier or contractor, or
- tendering process for major items.

Payment

8. Payments must be made following procedures set by the co-op.
9. Persons who authorize a purchase or payment by cheque requisition or other method cannot sign the cheque nor be the payee.
10. There must always be two signatures on a cheque. As much as possible, none of the signees will be the payee.

Policy approved by general meeting:

Replaces policy dated:

Procedures needed to carry out this policy

1. Identify type of purchase that may be made by written authorization and the type of written authorization required (board or committee minutes, etc.).
2. Identify pre-approved suppliers, spending limits and agreed method of purchase.
3. Identify authorized persons and spending limits for dealing with emergencies.
4. Identify how payments will be made. For example:
 - up to **[\$50]** from petty cash with petty cash voucher and receipt, or by cheque
 - over **[\$50]** by cheque, and
 - pre-authorized withdrawal from the co-op's bank account for identified expenses.
5. Identify documentation required before payment will be made for different types of expenditures. For example, reimbursing an individual for a purchase, paying invoices, etc.
6. Check list for signing officers, including the following:
 - is the cheque filled out in full?
 - does the amount agree with the spending policy?
 - has proper approval been given if required?
 - does the cheque match the details in the documentation?
 - has the work been checked against the contract and invoice? etc.

Options

Discretionary expenses

Note: When your co-op is deciding if any expenses can be reduced or eliminated, you must decide which of the discretionary expenses are critical to the co-op's operations.

Non-discretionary expenses

Note: Having no choice about non-discretionary expenses does not mean you have no control over them. For example, you can shop around for insurance or appeal the property tax assessment.

Emergency expenses

Note: Some “emergencies” may be included in your budget, e.g. dealing with plumbing emergencies may be part of your maintenance budget. In this case they are not included in the definition of emergency expenses.

Option: Point #2

Choose who is responsible for making payment and reporting non-discretionary expenses that go over budget to the board.

Options: Point #3

Choose who can approve discretionary expenses.

Delete [\$250] and enter a dollar figure that is acceptable to your co-op.

Delete [\$2,000] and enter a dollar figure that is acceptable to your co-op.

Option: Point #4

Delete [\$2,000] and enter a dollar figure that is acceptable to your co-op.

Options: Point #5

Insert the percentage amount in one budget category and the dollar amount that a budget may go over total expenses before revisions must be reported to the next general meeting.

Insert the dollar amount of a discretionary expense that must be approved by the general meeting in advance of purchasing.

Option: Point #6

Choose the percentage by which the committee may not overspend without board approval.