



Understanding co-op financial statements for Non-Accountants

Co-operative Housing Federation of
Canada (CHF CANADA)

February 21, 2026

Land Acknowledgement

We are gathered on Treaty 1 territory, the traditional territory of the Anishinaabeg, Cree, Oji-Cree, Dakota, and Dene Peoples, and on the National Homeland of the Red River Métis. We recognize that we are guests on this land, and we are grateful for the opportunity to come together and learn on this territory.

We also recognize that as a national organization bringing together co-ops from across the country, we each live, work, and grow on the traditional territories of First Nations, Métis and Inuit peoples. We offer gratitude and respect to the Indigenous Peoples of Turtle Island on whose land we make our homes.

AGENDA

- ▶ WHY IS IT IMPORTANT FOR COOP MEMBERS TO UNDERSTAND FINANCIAL STATEMENTS
- ▶ ROLES AND RESPONSIBILITIES
- ▶ TYPES OF FINANCIAL STATEMENTS AND REPORTING
 - ▶ BALANCE SHEET
 - ▶ INCOME STATEMENT
 - ▶ OPERATING BUDGET
- ▶ CONSIDERATIONS & WARNING SIGNS
- ▶ TAKEAWAYS

Financial Oversight Is a Shared Responsibility



Members: Owners who approve budgets and hold the Board accountable



Board: Fiduciaries responsible for stewardship, risk, and sustainability



Management: Prepares reports and explains results clearly



Understanding financials enables each role to be fulfilled responsibly

What Financial Statements Are — and Are Not

A shared language for transparency and trust

A decision-support tool, not just compliance documents

Not only for accountants or reviewed once a year

Most valuable when used proactively

Who Uses Which Statement — and Why



Balance Sheet: **Stability** and ability to meet obligations



Income Statement: **Operational efficiency** and trends

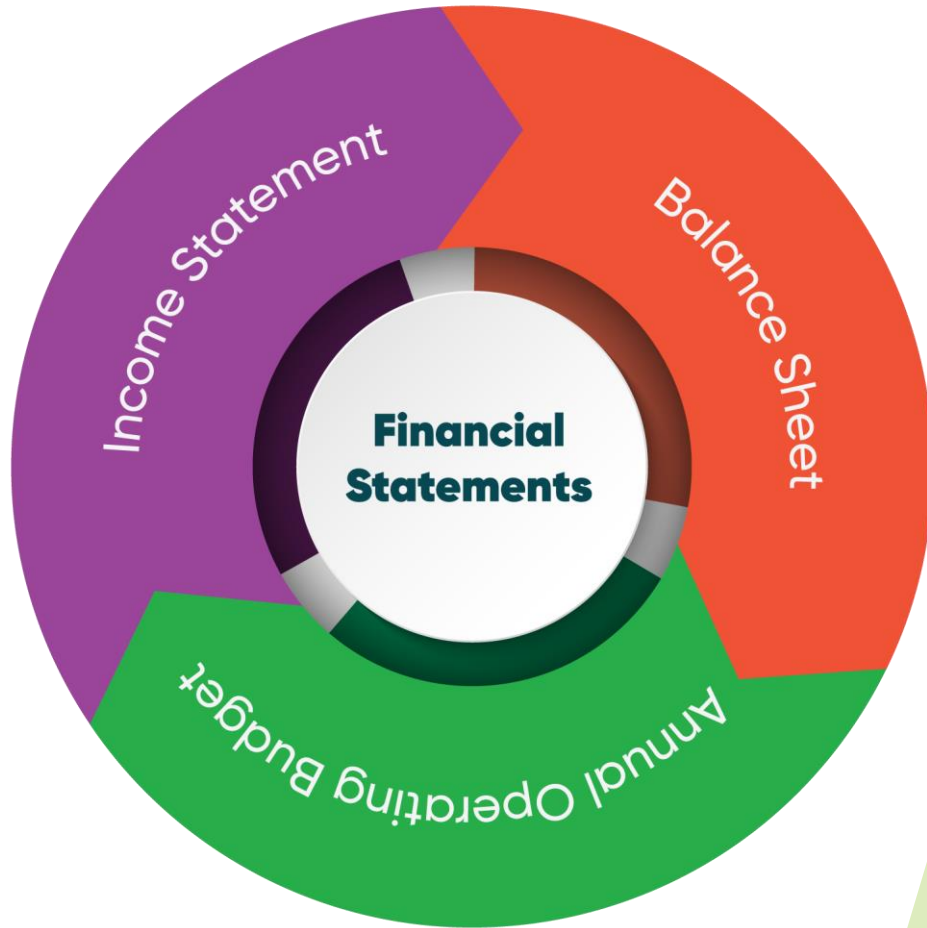


Operating Budget: **Affordability** and forward planning



Each statement answers different governance questions

TYPES OF FINANCIAL STATEMENTS



TYPES OF FINANCIAL STATEMENTS

Compilation / Notice to Reader Statement

- Book keeper prepared with no testing and validation
- Quick (1mth) and least costly
- Lowest cost with low reliability

Review Engagement

- CPA prepared with some testing and validation
- Up to 1-3mths to prepare
- Moderate cost with some level of reliability

Audited Statements

- CPA prepared with rigorous testing and validation
- Up to 3-6mths to complete
- Highest cost with high reliability

AUDITOR'S OPINION

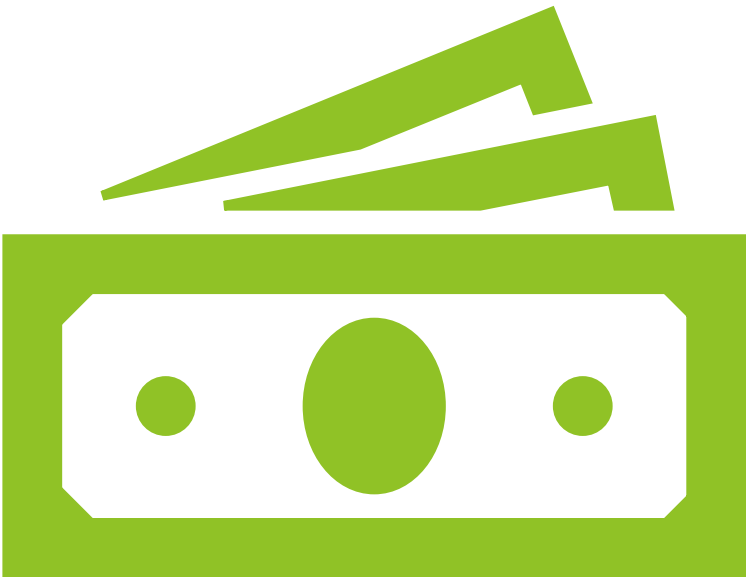


- ▶ Unqualified opinion - clean opinion financial statements present fairly in all material respects, the financial position and results of the entity.
- ▶ Qualified opinion - the financial statements contain material misstatements or omissions.
- ▶ Accrual Accounting - Recording revenues in the period in which they're earned (housing charges) while Recording expenses in the period in which they take place (water, property taxes)

BALANCE SHEET

BALANCE SHEET/STATEMENT OF FINANCIAL POSITION

FORMAT	Records “snapshot” balances at a specific Point in time.
PURPOSE	Monitors financial stability of the Coop
BALANCING PRINCIPLE	ASSETS = LIABILITIES + NET ASSETS
ASSETS	WHAT THE COOP <u>OWNS</u>
LIABILITIES	WHAT THE COOP <u>OWES</u>
NET ASSETS	WHAT THE COOP IS <u>WORTH</u>



FACT OR MYTH

“We made money, so we’re fine.”

“Cash flow matters more than surplus.”

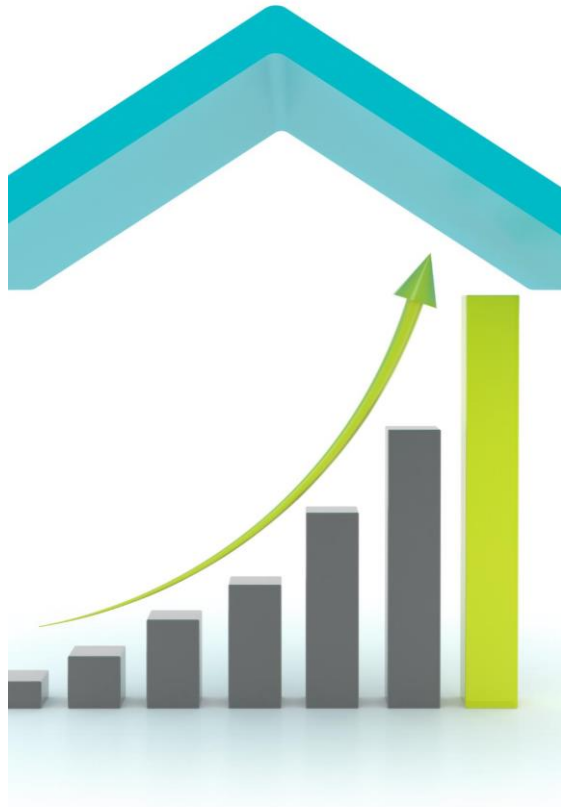
“Reserves mean extra money.”

“Reserves are planned future spending.”

“The building is worth more now, so we’re richer.”

“Market value doesn’t pay the bills.”

“Better to save all we need to do major repairs vs. debt.”



Purpose of the Balance Sheet

Financial Snapshot Overview

The balance sheet shows what the co-op owns, owes, and the equity built by members at one point in time.

Distinction from Other Reports

Unlike income statements, the balance sheet presents the co-op's financial position at a single moment, not yearly operations.

Assets and Reserve Planning

Current and long-term assets help evaluate the co-op's ability to meet obligations and plan reserves despite market changes.

Empowerment through Transparency

Understanding liabilities and equity empowers members to manage finances responsibly and support co-op sustainability.

Assets and Their Role in Co-op Stability

Current Assets and Liquidity

Current assets like cash and receivables indicate the co-op's ability to meet short-term financial obligations and seasonal needs.

Accounts Receivable Challenges

Rising accounts receivable may reveal member hardships or delayed subsidies, signaling a need for support and operational changes.

Long-Term Assets and Reserve Funds

Long-term assets like land and buildings are recorded at book value, highlighting the importance of reserve funds for repairs and replacements.

Member Financial Understanding

Understanding asset structure helps members engage in budgeting, planning, and capital project decisions effectively.





Liabilities and Financial Obligations

Current Liabilities Overview

Current liabilities include short-term obligations like accounts payable and housing charges due within twelve months.

Long-term Liabilities

Long-term liabilities, such as mortgages, help maintain housing stock while allowing cost spreading over time.

Deferred Capital Contributions

Deferred capital contributions often represent externally funded projects with restrictions and compliance obligations.

Impact on Governance

Understanding liabilities helps members support sustainable governance by influencing budgets, reserves, and borrowing.



Understanding Net Assets/Members' Equity

Net Assets/ Members' equity is the combined financial stake of all co-op members, indicating long-term financial health.

Equity Components

Key equity components include member shares, retained earnings, and restricted reserves for repairs and emergencies.

Role of Retained Earnings

Retained earnings show accumulated surpluses over years, indicating operational success or challenges.

Importance of Restricted Reserves

Restricted reserves ensure funds for major repairs and emergencies, requiring member approval for use.

Statement of Financial Position

December 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 47,904	\$ 237,767
Accounts receivable (Note 3)	102,168	25,813
Prepaid expenses	-	110
	<u>150,072</u>	<u>263,690</u>
RESTRICTED CASH AND DEPOSITS		
Replacement Reserve Fund (Note 5)	1,127,782	740,456
Security of Tenure Fund (Note 5)	127,839	124,450
	<u>1,255,621</u>	<u>864,906</u>
CAPITAL ASSETS (Note 7)	<u>5,507,945</u>	<u>350,618</u>
	<u>\$ 6,913,638</u>	<u>\$ 1,479,214</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 70,735	\$ 132,664
Housing charges paid in advance	6,246	13,435
	<u>76,981</u>	<u>146,099</u>
LONG-TERM DEBT (Note 8)	<u>5,544,168</u>	<u>334,635</u>
	<u>5,621,149</u>	<u>480,734</u>
RESTRICTED RESERVES		
REPLACEMENT RESERVE FUND (Note 9)(Page 6)	1,128,633	863,327
SECURITY OF TENURE FUND (Note 10)(Page 6)	128,185	124,450
	<u>1,256,818</u>	<u>987,777</u>
MEMBERS' EQUITY		
SHARE CAPITAL (Note 13)	79,975	78,875
GENERAL RESERVE (Note 12, Page 5)	(44,304)	(68,172)
	<u>35,671</u>	<u>10,703</u>
	<u>\$ 6,913,638</u>	<u>\$ 1,479,214</u>

Approved on behalf of the Board



BALANCE SHEET CHECKLIST

- ✓ Does the Coop have an adequate cash position?
- ✓ Are cash balances invested in earning maximum returns?
- ✓ Might the increasing Accounts Receivables signal need for member education/support?
- ✓ Are obligations under Deferred contributions satisfied?
- ✓ Are loans/mortgages provided with competitive terms
- ✓ Are Reserves reflected in Cash balance?
- ✓ Is Net Asset in a deficit position?



Key Questions for Effective Member Oversight

Liquidity Assessment

Members evaluate if cash and receivables cover current liabilities and upcoming commitments effectively.

Reserve Adequacy

Members verify if reserves are backed by cash or investments and meet future capital needs.

Trend Analysis

Members analyze trends in receivables, revenues, and liabilities to ensure long-term sustainability.

Structural Accountability

Members examine if deferred contribution obligations are met to promote transparency and accountability.

INCOME STATEMENT

INCOME STATEMENT / STATEMENT OF OPERATIONS

FORMAT	Shows how the co-op performed over a period of time (usually a year).
PURPOSE	Did the co-op bring in enough money to cover its costs and remain financially healthy?
MONITORING PRINCIPLE	Monthly monitoring with approved Operating budget to identify variance and corrective measures
REVENUE	All sources of revenue from (member and non-member) for the Coop
EXPENSES	All costs necessary to operate the Coop; includes non-cash expenses such as “Depreciation/Amortization”
SURPLUS/LOSS	Difference between Revenues and Expenses; measures if the Coop operates within its means.

INCOME STATEMENT CONSIDERATIONS

- ✓ Are income generated sufficient to cover operating costs?
- ✓ Does the Coop rely on diversified income sources?
- ✓ Does financial results align with Annual Operating budget?
- ✓ Does housing charges keep pace with inflation while balancing affordability for members?
- ✓ What is the trend of vacancy loss and is there a plan in place?
- ✓ Are there increasing Repairs & Maintenance signaling need for Capital Reserve investments?



Statement of Revenue and Expenses**Year Ended December 31, 2023**

	2023	2022
REVENUE		
Housing charges		
Income tested		
Ability to pay	\$ 141,544	\$ 169,365
Rent supplement program	169,862	199,815
	<u>311,406</u>	<u>369,180</u>
Non-income tested	743,886	652,932
Vacancy loss	(2,604)	(3,094)
	<u>1,052,688</u>	<u>1,019,018</u>
Interest	681	472
Parking	40,970	35,179
Rent - Daycare Centre	21,476	20,904
Sundry	19,520	18,191
	<u>1,135,335</u>	<u>1,093,764</u>
EXPENSES <i>(Schedule 3) (Page 29)</i>	<u>815,967</u>	<u>578,407</u>
INCOME FROM OPERATIONS	319,368	515,357
ALLOCATIONS		
Allocation to Replacement Reserve Fund	(295,500)	(512,093)
Allocation to Security of Tenure Fund	-	(3,264)
	<u>(295,500)</u>	<u>(515,357)</u>
EXCESS OF REVENUE OVER EXPENSES AND ALLOCATIONS	<u>\$ 23,868</u>	<u>\$ -</u>

What does SURPLUS/LOSS mean?

A surplus:

- ✓ Does not mean profit is paid out?
- ✓ Stays in the co-op to strengthen equity, reserve, or stability
- ✓ Improves the co-op's ability to borrow and manage risk

A deficit:

- ▶ Means expenses exceeded revenues
- ▶ Requires board and member attention (cost control, housing charges, or both)



QUESTIONS

Q1. What expenses are within the co-op's control — and which are not?

Q2. What happens if we underfund reserves for several years?

Q3. How does a surplus today protect affordability tomorrow?



OPERATING BUDGET



OPERATING BUDGET

Purpose: Assesses affordability of the Coop's financial plan

Authority: Prepared by Management
Presented by the Board
Approved by Members

Income						
Maintenance - Residential Units	2,718,044	2,787,385	\$ 2,785,996	\$ 2,785,996	\$ 2,785,996	\$ 2,785,996
Operating Assessment	217,257	246,286	263,791	263,791	263,791	275,158
Commercial Rent	390,865	402,590	403,000	403,000	403,000	415,090
Sublet fee	52,150	54,500	55,000	53,525	53,525	55,131
Storage Income	25,000	26,000	27,500	27,250	27,250	28,000
Laundry	20,000	20,600	21,424	21,424	21,424	22,281
Cable Income	125,000	127,500	131,325	131,325	131,325	135,265
Total Income	3,548,316	3,664,861	3,688,036	3,686,311	3,686,311	3,716,920
Expenses						
Labor & Related	\$ 542,500	\$ 551,200	\$ 562,000	\$ 570,520	\$ 570,520	\$ 587,636
Heating	80,415	38,672	51,345	47,829	47,829	52,099
Electric	94,667	104,467	103,651	95,739	95,739	105,313
Gas	included above	included above	4,828	3,236	3,236	3,178
Water & Sewer	69,779	68,443	62,348	70,114	70,114	72,576
Cable Expense	127,000	130,000	131,500	131,500	131,500	135,500
Repairs/Maint./Supplies	262,414	266,108	198,000	246,066	246,066	168,364
Other Administrative Expense	105,990	92,929	41,350	41,061	41,061	42,400
Professional Fees	42,047	52,045	55,000	65,250	65,250	60,000
Insurance	60,383	65,411	77,821	80,070	80,070	92,081
Management Fees	75,000	77,250	79,568	79,568	79,568	81,955
Corporate Taxes	15,471	16,200	15,000	15,000	15,000	16,500



OPERATING BUDGET CHECKLIST

- ✓ Is the budget based on historical data?
- ✓ Does budget consider financial market realities?
- ✓ How does climate change impact the budget?
- ✓ Any material changes year over year/monthly reporting?
- ✓ Are revenues sufficient to cover operating (and capital) needs
- ✓ Are capital improvements (revenue/expense) aligned with overall Capital Plan

GOVERNANCE LENS FOR BOARD OF DIRECTORS

Members should ask:

- Are housing charges sufficient but fair?
- Are we investing enough in reserves?
- Are costs trending faster than revenues?
- How does this year compare to last year?

This reinforces the cooperative principle of **informed, democratic member control**

What Good Financial Governance Looks Like



Members asking informed questions not just approve motions



Boards focusing on trends and risks not just totals and current balances



Management providing clear explanations in plain language



Decisions aligned with affordability and sustainability

Who Uses Which Statement — and Why

Statement	Members	Board	Management
Balance Sheet	Is the Co-op financially stable?	Can we meet obligations & protect assets?	Are cash and reserves sufficient?
Income Statement	Are housing charges being used responsibly?	Is the Co-op operating efficiently?	Where are pressures or variances?
Operating Budget	Is it affordable and realistic?	Does it align with strategy & reserves?	Can it be executed responsibly?

WARNING SIGNS



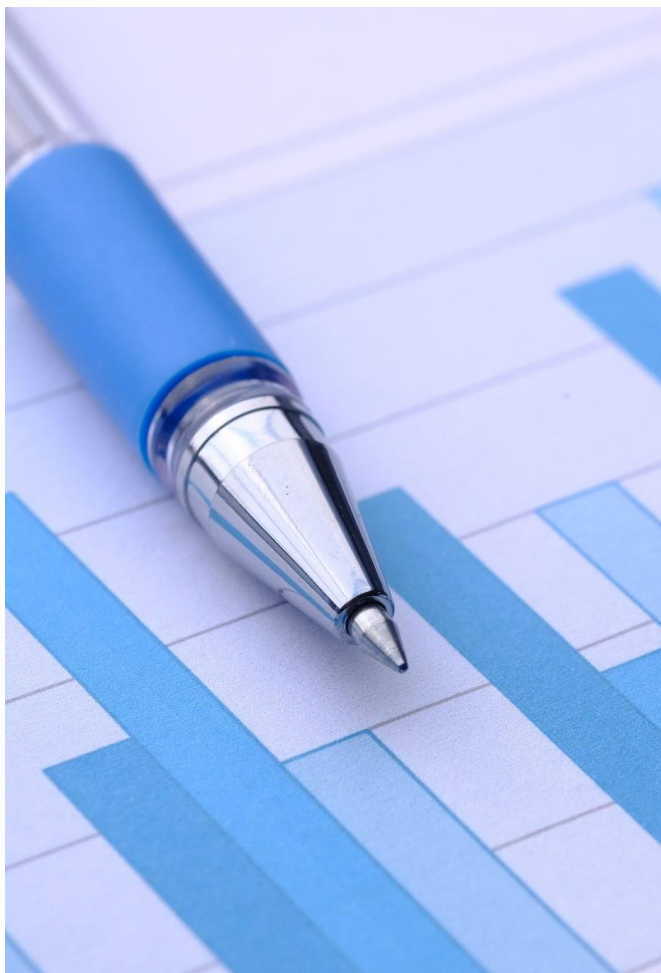
Cash shortages = service and affordability risk

Weak reserves = deferred maintenance and future shocks

High receivables = member hardship signals, not just “bad numbers”

Surpluses do not mean “profit” – they mean capacity to maintain homes, manage risk, and protect members over time.

This is critical for member understanding in housing co-ops



TAKEAWAYS

- ▶ Engage members through education, training, participation recognizing different audience will have different lens when reviewing financial statements (Board, Management, Members)
- ▶ Reinforce importance of every coop member to Understanding Financial statements
 - Keep language and message Simple – focus on 3key statements
 - Balance Sheet – to assess Stability
 - Income Statement – to monitor Efficiency
 - Operating budget – to plan Affordability

A photograph of a man and a woman sitting together, looking at a tablet and some papers, smiling. The man is on the right, wearing a light pink shirt, and the woman is on the left, wearing a blue denim shirt. They are both looking at a tablet held by a third person whose hands are visible at the bottom left. The background is a bright, indoor setting with a window and curtains.

Strengthening Decision-Making Through Financial Literacy

Empowering Member Participation

Financial literacy enables members to confidently engage in decisions affecting co-op stability and governance.

Understanding Financial Statements

Knowledge of balance sheets and amortization helps members evaluate funding proposals for projects and renovations.

Enhancing Transparency and Trust

Financial literacy allows members to verify information independently, supporting transparency in co-op governance.

Building a Culture of Stewardship

Ongoing financial education fosters informed decision-making and strengthens the co-op's financial health and community well-being.