

2022 ANNUAL GENERAL MEETING

SPECIAL RESOLUTION

Financial Oversight and Risk Management

Submitted by:

CHF BC Board of Directors

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SPECIAL RESOLUTION

WE RESOLVE:

THAT Article 7 (Finance Committee) of CHF BC's Rules be and is hereby repealed;

AND THAT the board be directed to submit the special resolution as adopted to the Registrar of Companies for approval and filing.

REASONS FOR THIS RESOLUTION:

In 2001 CHF BC undertook a thorough review and updating of its Rules. One of the changes introduced was the creation of a Finance Committee. Here is the full text of Article 7 in CHF BC's Rules, describing the composition and terms of reference for the committee:

ARTICLE 7 – FINANCE COMMITTEE

7.01 Composition

The Finance Committee consists of the Treasurer, any other Directors appointed by the Board, and two persons elected by the Members at the Annual Meeting. All of the Rules concerning the qualification, appointment and election of Directors apply, with necessary changes, to the Finance Committee.

7.02 Terms of Reference

The Finance Committee advises the Board on the annual budget, audited financial statements and general financial condition of the Federation.

More than 20 years later, CHF BC is a much different enterprise. The scale and complexity of its operations have expanded dramatically, particularly in the Community Land Trust, which is now a social purpose real estate developer with more than \$200 million in assets.

While the mandate of the current committee was appropriate 20 years ago, it does not serve the needs of CHF BC or its board of directors very well in 2022. In recent years the board has found itself paying more attention to investment strategies, internal financial controls, engagement with external auditors, and enterprise risk management. Directors now feel it is important to support these priorities with a committee that will focus more attention on them between board meetings. A survey of best practices in larger co-operative and non-profit enterprises in British Columbia and Canada confirms this.

At-large members elected to the committee at the annual meeting have also voiced a concern that the challenge of understanding CHF BC's finances and its many related subsidiaries is daunting for a volunteer who does not have a seat at the board table. This view has been reinforced by the obvious difficulty experienced in recruiting candidates for the at-large positions in recent years.

In response to this emerging need, the CHF BC board has created a new standing committee – the Finance, Audit and Risk (FAR) Committee – to apply more fiscal oversight to the entire CHF BC group rather than a singular focus on CHF BC. The committee's terms of reference are attached for the information of members.

With the creation of the FAR Committee, the existing Finance Committee is redundant, and the board is asking the members to confirm this by adopting the special resolution to repeal Article 7 of CHF BC's Rules.

COST:

The cost of implementing this resolution is minimal. It is included in the current-year budget and will be included in future budgets.

SUBJECT	FINANCE, AUDIT AND RISK (FAR) COMMITTEE
DATE APPROVED OR AMENDED:	October 23, 2022
DATE REVIEWED:	October 20, 2022 (Executive Committee)
APPROVED BY:	CHF BC Board of Directors
FUNCTION	Finance, Audit and Risk Committee Job Description
POLICY	N/A
PROCEDURES AND FORMS	N/A
Review Cycle	3 years
Due for next review	October 2025
Cross Reference	Officer Job Descriptions

BACKGROUND

The **Finance, Audit and Risk (FAR) Committee** is a standing committee of the Board of Directors. It provides oversight of the finances and related activities of the Co-operative Housing Federation of BC (Federation) and its subsidiaries, including:

- i. COHO Management Services Society
- ii. CLT Development Services Society
- iii. CLT Community Foundation
- iv. Community Land Trust Foundation of BC (CLT BC)
- v. Any other society of which CHF BC is the sole member.

For the purposes of these terms of reference, the Federation and the above-mentioned subsidiaries are collectively called the CHF BC Group. Directors of the Federation are also directors of each of the above-named subsidiaries.

<p>Purpose and objectives</p>	<p>The role of the FAR Committee is to monitor, review, and oversee implementation of financial processes and investments in the CHF BC Group and to identify a risk-management program for the CHF BC Group.</p>
<p>Duties and responsibilities</p>	<ol style="list-style-type: none"> 1. Review financial reporting systems to ensure that interim reporting is in place 2. Review audit processes and year-end financial statements 3. Review annual budgets to ensure that financial resources are adequately aligned with strategic plans 4. Review the systems of internal controls that have been established by management and the Board 5. Review the process for identifying and recruiting services for the annual audit or financial compilations review for the CHF BC Group. 6. Review all investments of the CHF BC Group, including Encasa Financial Inc., to ensure that they are consistent with the Federation’s vision and mission, and to make recommendations regarding investment policy and strategy. 7. Review CHF BC’s enterprise risk management framework, including the measures necessary to identify and assess key risk and organizational risk management strategies. 8. Carry out additional activities or mandates identified by the Committee or the Board that contribute to the sound financial governance and management of the CHF BC Group.
<p>Authority</p>	<p>Management is responsible for the financial reporting, information systems, risk management and internal controls of the CHF BC Group.</p> <p>The Board oversees the Federation’s financial process in accordance with CHF BC policies.</p> <p>The Board has appointed senior staff as CLT BC Officers. These staff are directors of each society in the group of project societies, and report all financial activities directly to the CHF BC Board at its regularly scheduled board meetings.</p>

<p>Composition</p>	<p>The Board shall appoint the Committee members. The Committee shall include no fewer than four (4) Directors, one of which is the Treasurer. The president is an <i>ex officio</i> member of the Committee.</p> <p>The chief executive officer (CEO) and the chief operating officer (COO) are assigned to the committee as staff support and management representatives. The Board may remove any committee member at its sole discretion.</p>
<p>Chair</p>	<p>The Treasurer of the Federation will be the chairperson of the Committee.</p> <p>They will also represent CHF BC as its shareholder representative to Encasa Financial Inc.</p>
<p>Quorum</p>	<p>Three committee members, at least one of whom shall be either the Treasurer or the President, will constitute a quorum for meetings.</p>
<p>Meetings</p>	<p>The committee will meet a minimum of four (4) times per year. Meetings will be scheduled ten (10) business days before a regularly scheduled board meeting.</p> <p>The Treasurer or their designate will schedule meetings that allow the committee to provide timely advice to the board on the approval of budgets and year-end financial statements. The Treasurer or their designate will coordinate additional meetings as required.</p> <p>Staff will record minutes of meetings and provide copies to the Board.</p>
<p>Resources</p>	<p>The CEO and the COO attend meetings as a resource to the committee, plus any staff assigned by the CEO.</p>
<p>DECISION MAKING</p>	<p>Decisions of the committee will be made by a simple majority of the votes cast by committee members, but the committee will strive to achieve consensus wherever possible.</p>

DUTIES AND RESPONSIBILITIES (Detail)

Financial Statements and Other Financial Information

Review and make recommendations with respect to:

- Annual audited financial statements and compilation reports
- Annual operating and capital budgets
- Capital reserve funding and planning
- Variances from approved budget

External Audit

- Review and recommend to the Board, for approval by the membership, the engagement of the external auditor
- Meet with the external auditor to discuss the annual financial statements and auditor's report (audit and compilation)
- Review and inform the Board with respect to the annual audit
- Review and discuss the appropriateness of internal controls observed by the external auditors
- Review and discuss any significant proposed changes in financial reporting and accounting policies

Risk Management

- Review and recommend for approval to the Board, the enterprise risk management framework, identifying and assessing key corporate risks and risk management strategies
- Obtain reasonable assurance that the systems of internal controls are properly designed and implemented through reports from management and external auditors
- Monitor compliance with applicable laws and statutory requirements

Investment Duties and Responsibilities

- Ensure that borrowing and other activities comply with the organizations' financial policies
- Meet with the investment manager to review, monitor, and assess the portfolio performance and the investment counsel's outlook and strategy annually, and as required
- Make recommendations regarding investment policy and any other recommendations of the investment manager

- Represent CHF BC as the shareholder's representative to Encasa Financial Inc. and provide reports to the CHF BC Board.

SUGGESTED COMMITTEE TIMETABLE AND ANNUAL ACTIVITIES

March/April (Prior to Q3 Board Meeting)

- Annual operating and capital budgets (CHF BC)
- Capital reserve funding and planning
- Year-to-date variances from approved budget
- Ensure that borrowing and other activities comply with the organizations' financial policies

Late August/Early September (First Board Meeting of the Fiscal Year)

- Annual operating and capital budgets (COHO, CLT DSS, CLT CF, CLTBC)
- Receive and update on budgets and performance of Community Land Trust project subsidiaries
- Capital reserve funding and planning
- Year-to-date variances from approved budget
- Ensure that borrowing and other activities comply with the organizations' financial policies
- Review and advise with respect to planning and reporting of the annual audit

Late October (Prior to Q4 Board Meeting)

- Meet with the external auditor to discuss financial statements and auditor's report for all entities
- Obtain reasonable assurance that the systems of internal controls are properly designed and implemented through reports from management and external auditors
- Receive and review approved financial statements of the CLT project subsidiaries

Ongoing

- Monitor compliance with applicable laws and statutory requirements
- On an annual basis, and additionally as required, meet with the investment manager to review, monitor, and assess the portfolio performance and the investment counsel's outlook and strategy
- Make recommendations regarding investment policy and any other recommendations of the investment manager
- Represent CHF BC as the shareholder's representative to Encasa Financial Inc. and provide reports to the CHF BC Board.

ETHICS

Members of the committee will not knowingly take advantage or benefit from confidential information that is obtained through the course of their committee duties and responsibilities, that is not otherwise generally available to the members or directors of CHF BC.

CONFLICT OF INTEREST

All members of the committee will disclose any circumstances or existing, potential, or perceived conflicts of interest. If such a situation arises, the member will remove themselves from all committee activities related to the conflict. These members will refrain from accessing, reading, listening to, commenting on, influencing in any way all materials regarding the subject at hand.