

APPENDIX I

GLOSSARY OF

TERMS

In This Section:

Definitions of some of the less common terms used throughout this Handbook. Terms are sorted in alphabetical order for ease of use. Includes many terms only used to describe Co-op living.



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- Accounts Payable:** Money owed by the co-operative to someone else. Amounts owed are considered "accounts payable: from the time of purchase of goods or services until the time of payment.
- Accounts Receivable:** Money owed to the co-operative.
- Ad Hoc Committee:** A committee that is appointed for a specific purpose and dissolved when its goal is accomplished.
- Amortization:** The reduction and retirement of a debt over a specified period of time by establishing regular payments which include amounts for interest payment and for principal repayment.
- Annual Meeting:** A meeting of members required by the Co-operative Corporations Act to be held within four months of the year's end for the purpose of approving the Audited Financial Statement, appointing the Auditor for the coming year, and electing the Board of Directors.
- Arrears:** Any amount of money owed to the Co-op which has not been received when due; usually refers to housing charges. A member who is one day or more late with payment is said to be in "arrears".
- Articles of Incorporation:** (See: Certificate of Incorporation).
- Asset:** Anything that is owned by the Co-op or owed to the Co-op which has a dollar value. "Current assets" are those which will be used up in a twelve month period. "Fixed assets" are those such as equipment and real estate which last longer than one year and depreciate in value each year.
- Audit:** An examination by a qualified person of the financial statement and of the supporting accounting records and other evidence.
- Audit Trail:** A sequence of records which allows the Auditor to trace a transaction back through the administrative documentation to the point of authorization by the appropriate person or body.



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- Audited Financial Statement:** A financial statement prepared by the Co-op which has been examined by a qualified person whose written comments are attached.
- Bad Debt:** Amount owed to the Co-op which is considered uncollectible.
- Balance Sheet:** A listing of assets and liabilities in dollar amounts which balances to zero.
- Board Of Directors:** Members of the co-operative elected by the general membership to be responsible for overseeing the management of the co-op.
- Bridge Assistance:** (Federal-Provincial Program) A combination of loan and grant that is available to the co-op for the purpose of reducing the economic rents needed to carry the mortgage and expenses down to market rent levels. The amount is established in the beginning year and is reduced each year according to a formula which includes the inflation factor under Ontario's Rent Review Guidelines. After it is reduced to zero, there is a five-year period during which the same formula determines the amount to be repaid.
- Budget:** A financial plan prepared once a year showing expected income and expenses for the coming year, based on previous experiences and plans for the future. The approved budget is the basis of the monthly housing charge for each unit.
- Budget Annual:** A budget for the second or subsequent years of operation, based on actual conditions, expenditures, and expectations of the members.
- Budget, Base Year:** (Federal-Provincial Program) An estimate of expenses to be expected in year 5 or 6 which establishes the amount of bridge subsidy in a "typical" year of operation. This basic amount is then used in the calculation of bridge subsidy available to the co-operative from year two onward.



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- Budget First Year:** (Federal-Provincial Program) Proposed by the co-operative for the first year only. It is amended and approved by the Ministry of Housing and may not be varied. Deficits are made up by the Ministry; surpluses are returned to the Ministry (except for contingency and vacancy loss).
- Bylaws:** The rules established by the membership to govern the affairs of the corporation. Adoption or amendment of the bylaws requires the approval of two-thirds of the members present and voting at a properly called general membership meeting. Bylaws must comply with the Co-operative Corporations Act and any other relevant legislation. The constitutional bylaws set out the basic organizational structure (such as number of directors, period of the fiscal year, etc.) Other bylaws deal with matters such as occupancy rules and regulations.
- Capital Costs:** The total cost of land, construction, and organization expended to establish the co-operative; the amount of the mortgage loan.
- Cash of Deposit:** Money that is deposited in the current (chequing) account.
- Cash Flow:** Money going in and coming out of the co-op's bank account. A typical "cash flow" problem is the shortage of money on the first day of the month when the mortgage payment is made but the housing charges have not been deposited. A co-op has a good "cash flow" if the mortgage cheque can be cashed without needing any of the current month's housing charges. A co-op has a bad "cash flow" when the mortgage cheque cannot be honoured by the bank until all the housing charges are deposited.
- Cash on Hand:** Petty cash.



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- Certificate of Incorporation:** The legal document filed at the time of the incorporation with the government of Ontario. It sets out the co-op's name, objects, membership fee, and special provisions such as those to maintain non-profit status. It establishes the co-operative as a legal business entity. (Also sometimes known as the Charter or the Articles of Incorporation.)
- C.H.F.C.:** Co-operative Housing Federation of Canada, the national organization of housing co-operatives and supporting organizations and individuals. From headquarters in Ottawa, C.H.F.C. acts to promote co-op housing, share information, and lobby for better programmes.
- Cheque Requisitions:** A form which authorizes a cheque to be written and establishes the payee, the amount, the reason for writing it, the account to which it is charged, how it was authorized, and is attached to the documents related to the expense. This is the chief way of establishing an "audit trail".
- Consensus:** Substantial agreement whereby some individuals not in full support of a decision agree not to block or work against it.
- Consumer Price Index:** A measure of percentage changes over time of the cost of a constant quantity and quality of goods and services purchased by a representative Canadian family in a specified period.
- Contingency:** An amount budgeted to help cover expense overruns, usually no more than 3 to 5 per cent of the total expense budget.
- Co-operative Corporations Act:** In Ontario, the legislation governing the corporate affairs of housing and other co-operatives.
- Current:** In accounting, applicable to a period of twelve months.
- Current Dollars:** Dollars whose purchasing power has not been adjusted to account for the effect of inflation.



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Disbursement:	Money spent.
Equity:	The value of assets owned by the Co-op (including the member's investment).
Expenses:	Money spent or obligated to be spent.
Housing Agreement:	A contract between the Co-op and a member of the co-op setting out the rights and obligations of membership. Sometimes called an "Occupancy Agreement". It protects good members from mistakes made by the co-op and provides the co-op with a basis for action against members who do not pay their housing charges.
Income:	Money received from all sources.
Income Verification:	Written confirmation by an official representing the employer (or other income source) of the amount of earnings before deductions.
Inflation:	A persistent rise in the price of goods, services, and factors of production over an extended period of time, which reduces the purchasing power of currency.
Interest:	The price of borrowed money. Interest is expressed as a percentage and is paid over and above the actual loan amount.
Interest Adjustment Date:	The date on which the mortgage interest begins to accrue. I.A.D. occurs on the first day of the month, and the payment for principal and interest becomes due on the first date of the following and each successive month.
Land Lease:	A contract setting out the terms of agreement between an owner of land and a user. Many co-ops are built on land that is leased from another party, usually the government. It is important to know the details of such a lease and how (if at all) it will affect the co-op's operation.
Liabilities:	Amounts owed to another person or businesses; all of the financial obligations of the co-op.



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- Management Letter:** A letter written by the Auditor to the Board of Directors with the details of weaknesses in the co-op's accounting system.
- Member:** Any person who has been officially accepted as a member of a co-op, thereby gaining one vote and all the privileges and obligations reserved for members under the Co-operative Corporations Act and by the Bylaws of their own Co-op. It is the members who collectively own and control the co-operative.
- Members' Equity:** Membership fees. Also known as "contributed surplus".
- Member Loan:** Any amount of money which a member is required to loan the co-op as a condition of membership. Usually a member loan is required when a member moves in and it is paid back when the member moves out. Normally no interest is paid on a member loan, and deductions are made only for money owing the co-op and to pay for damage to a unit after the move out.
- Membership Fee:** A fee paid by each member of the co-operative. The amount is determined by the Certificate of Incorporation of the co-op. The fee must be paid in order for a member to be in good standing.
- Mortgage:** A loan for the purchase or construction of housing. The housing becomes the security for the loan. If the loan is not paid back, the housing can be taken over by the lender.
- Motion:** A formal proposal made in a meeting. A motion must be made by a voting member of the meeting and seconded by another voting member before it may be discussed and put to a vote. (Also called a resolution.)
- National Housing Act:** The legislation that sets out the housing programmes of the Federal government.



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**Non-Profit:**

When applied to incorporated organizations such as co-operatives the term "non-profit" means:

1. The organization operates without the purpose of gain for its members, and any profits accumulated must be used in promoting its objects.

2. The directors cannot be paid for serving as directors.

3. If the organization should be dissolved, the assets remaining after all debts are paid off must go to a registered non-profit or charity.

Even so, non-profit housing co-ops do and should try to generate modest surpluses each budget year. The restriction is that these surpluses must be spent on meeting housing expenses in the next year or put into reserves or both.

Operating Costs:

The expenses incurred in the ongoing operations of a housing project, such as heat, hydro, taxes, administration, and mortgage payments.

Parliamentary Procedure:

Standard, widely accepted rules governing group discussion to ensure that the process of decision making is fair and democratic.

Policy:

A course of action or way of proceeding which has been adopted by the co-op. Policies provide a basis for consistent and fair decision making.

Principle:

The amount of money borrowed on which interest is paid.

Quorum:

The minimum number of members (or directors), stipulated by the Bylaws, who must be present for the legal transaction of business at a meeting.

Real Dollars:

Dollars whose purchasing power is adjusted to account for the impact of inflation. (For example, a 1981 dollar would purchase only 67 cents worth of commodities in 1986.)



Rent Geared to Income (R.G.I.): A subsidy programme under which certain qualified members may be allowed to pay rent geared to income without loss of income to the co-operative. The programme is administered by the Co-op but funded by the Federal or Provincial government. Many co-ops have agreements with the Province to allocate a certain percentage of their units to people who pay a rent geared to their income.

Reserves: Money that is set aside to pay for large future expenses that could not be absorbed in one year's operation. This is considered a "liability" because it is owed to future operations.

1. Replacement reserve is used for replacement of worn-out equipment, appliances, furnaces, plumbing, etc.

2. Maintenance reserve is set aside to cover normal maintenance expenses if they are large and occur at regular intervals of more than a year. For example, a co-op might do exterior painting every fifth year, rather than 20% each year. In each non-painting year, 20% of the estimated cost should be put into a reserve fund to avoid a large housing charge increase in the painting year.

Resource Group: Organization which provides development and management services to non-profit and co-op groups. Resource groups charge fees for their services. Homestarts is a non-profit resource group.

Retained Earnings: Amount by which assets exceed liabilities.

Revenue: Amount earned but not received.

Sector Support: A contribution made by the co-op to the National and Provincial co-operative organizations in recognition of their work in securing continued government funding for co-ops. This money is also used to ensure the democratic functioning of these organizations. (Example: C.H.F.C. Annual General Members Meeting.)



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- Signing Officer:** A person authorized by the Board of Directors to sign cheques and other legal documents on behalf of the co-op.
- Standing Committee:** A permanent committee established to deal with any ongoing concern of a co-op. (For example, the Landscape Committee.)
- Subsidy:**
1. An amount of money paid by the Federal government to reduce the mortgage payment part of every member's housing charge.
 2. An amount of money over and above the first subsidy to allow a member to pay a housing charge geared to their income.
- Supply Assistance:** Direct or indirect assistance to bridge the gap between economic (actual) costs and the price the product will command in the market place, thereby enabling the production of housing. Supply assistance can take the form of direct capital or operating assistance or indirect assistance through the tax system.
- Term:** The length of time over which a loan must be repaid.
- Third Sector:** Refers to non-profit and co-operative housing as the "third sector" in housing. Private and public housing are the other two sectors.
- Total Shelter Costs:** The cost of building or acquiring the project, including: land price, legal and registration costs, surveys, construction or renovation, interest and taxes during construction, utilities during construction, consultants' fees, soils and other testing, marketing, group organization expenses, post-occupancy vacancy loss (to 6 months after I.A.D.), landscaping, site servicing, appliances, hard furnishings, and other related building costs.
- Undertaking to Insure:** In this letter, C.M.H.C. agrees to insure the co-op's mortgage. It outlines terms and conditions under which the mortgage will be insured.



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Vacancy Loss:

The financial loss suffered by a co-op when units are unoccupied and therefore no housing charge is being received.

Work Order:

A written request for work to be done, addressed to the appropriate staff person or committee.