

REPORT TO THE 2020 ANNUAL GENERAL MEETING ON THE FINAL 2020 AND PRELIMINARY 2021 BUDGETS

At the end of this report you'll find a final 2020 budget and a financial forecast for 2021 for

- CHF Canada's operating fund (including Ontario Region, Prairies Region and Southwestern Ontario operations) and
- the Endowment Funds.

For each main revenue and spending item, the budget document shows

- the actual 2019 amount
- the final 2020 budget approved by the Board
- the per cent change of the actual costs for the final 2020 budget against the actuals for the year ended December 31, 2019.

For 2021, the forecast lists the major revenue and expense areas. It is a summary forecast only, designed to show expected spending requirements and revenue estimates for the year.

At the time of preparing this report, we are in the midst of the COVID-19 pandemic. At this point, our ability to say with any certainty how this will affect our 2020 operations and budget, with so many unknowns, is limited. We continue to adjust in real time to ensure continuity of services to, and representation of, our members. We will adjust our 2020 budget and plans as necessary to continue to meet our members' continuing and evolving needs to the best of our abilities.

BUDGET FOR OPERATIONS -- HIGHLIGHTS

Increase (Decrease) in Surplus

The fund balance, or surplus, is detailed in the audited financial statements (p. 6). It consists of any accumulated increase or decrease in the fund surplus (which you can see in the attached 2020 budget in the 2019 actual column), unrestricted amounts invested in fixed assets and our accumulated holding in a related company. This is not the same as our reserves, and the fund surplus balance does not include the amounts held in reserves.

At January 1, 2019, the fund balance was \$1,024,604. At December 31, 2019, we added \$430,562 to the balance, bringing it to a total of \$1,455,165. This addition is an amount exactly equal to the unrealized investment gains booked at the end of 2019.

In this and future years, the fund surplus will be used as a float for unrealized gains and losses, so that our budgeting and spending are not impacted by, what can sometimes be substantial, changes in the market, which are not reflective of our actual income (either losses or gains) as they are unrealized.

Revenue

Overall, our revenues in 2019 were higher than budgeted, net of unrealized gains on investments. This was due to receiving more investment income, a higher-than-budgeted Co-operators loyalty payment, unexpected additional closings in the financial planning services program resulting in more fees received in 2019 than budgeted, additional management services fees related to the start-up of the Community Housing Transformation Centre, additional contributions to the microgrant program (which are completely offset by additional grants in member services expenditures), and some additional course fees. This, as well as some reduced spending in operations, meant that we were able to significantly reduce the planned draw on reserves and other funds this year to balance our operating costs (2019 budgeted draws of \$858,200 vs 2019 actual draws of \$31,145).

Here's where the money for our operations budget comes from:

	% this year (2020)	% last year (2019 actual)
member dues	53	47
annual general meeting	10	9
investment income	3	10
Co-operators loyalty program	7	9
Insurance, asset and financial services	25	22
other revenue, including sector support	2	3

Dues

Dues are our main source of revenue. With very little change expected in the projected net number of units in membership, the budgeted increase in income from dues in 2020 is primarily the result of the per month dues increase.

Subject to the approval of the delegates, dues rates will rise 10¢ per unit per month, or 2.2%, for housing co-ops in 2021.

Investment Income, net of Unrealized Gain/(Loss)

The financial markets were strong throughout 2019 resulting in \$430,561 in unrealized gains in our operating fund. Our investment income grew by \$216,202 which was higher than budgeted (\$167,400).

Given the significant decline in markets around the world in early 2020, and uncertainty around the COVID-19 pandemic end, it's very unlikely that we'll have any unrealized gains in 2020. As noted above, any unrealized losses experienced in 2020 will be applied against the fund balance. Unrealized gains in future years will again increase the fund balance.

We hold a number of equities that, while their share value has dropped, continue to pay good dividends, which along with other types of investments, we use to meet our investment income needs. We do not expect to sell any equities at a loss, but will hold them to trade until markets recover. As at the time of writing this report (mid-April), our equities that pay dividends have done so, and to the best of our knowledge will continue to do so throughout the year.

Co-operators Loyalty Program

As a member-owner of The Co-operators Group of insurance companies, CHF Canada is eligible to receive payments from The Co-operators' loyalty program. In 2019, we took \$580,946 into income from the loyalty payment.

Contributions to Federations

CHF Canada makes financial contributions to regional federations through the Shared-Revenue Program. A new formula for sharing funds with federations came into effect in 2018. In 2019, \$127,608 was shared with regional federations. In both 2020 and 2021 we plan to share \$125,000 with qualifying federations on the basis of the ratio of each federations' total member units relative to the total number of units of all qualifying federations.

Expenditures

The operating budget shows four groups of costs:

- member services
- communications, advocacy and development
- finance and corporate services
- and other regions (Prairies Region and Southwestern Ontario programs).

CHF Canada reorganized its staffing organizational chart in 2018. During 2019 we continued with the reorganization process to align our budget presentation and planning with our service structure. For this reason, you will see that the headings have changed for 2020 although the budget itself has not changed – only the presentation.

Member Services

The member services budget includes the direct costs of

- the annual meeting and the Ontario members meeting
- membership loyalty programs
- the insurance, financial planning services, and asset management planning services programs
- direct co-op services to members to help with their operations, including help to co-ops in difficulty
- services for federations, including the biennial Federations Conference
- our suite of education programs at the regional and national levels including online learning
- supporting the Diversity and Aging in Place Committees and workplans, and the continued implementation of a young co-op member engagement strategy, and
- research projects.

In 2020 these programs will cost \$2,476,300 compared to what we spent in 2019 (\$2,307,404) due to higher annual meeting and education program costs offset in part by reductions in membership development, financial planning services and asset management program costs. (With the move to a virtual meeting after the budget was set, instead of the in-person AGM in Halifax in 2020, we know that the actual costs of the annual meeting will be significantly lower). Total spending on these activities is expected to decrease to \$2,440,500 in 2021 due primarily to no biennial expense for the federations conference.

Communications, Advocacy and Development

The communications, advocacy and development budget includes the direct costs of

- our government relations programs across the country, advocating for legislation and programs that will benefit housing co-ops
- communications with members, media and policy-makers
- relations with allied organizations (regionally, nationally and internationally), and
- co-op housing development.

In 2020, these programs will cost \$440,700 which is higher than the 2019 actual expenses of \$379,445 by some \$61,255 with more funding for communicating with our members, government relations programs, and co-op development. In 2021, we expect to spend \$443,200 on these programs – about that same as is budgeted in 2020.

Note that the external relations budget includes our annual grant to Rooftops Canada Foundation, which is calculated as 3% of our budgeted dues revenue each year. Rooftops is CHF Canada's international development partner, carrying out housing and community development programs in developing countries.

At the 2018 annual meeting, the members approved a resolution to spend up to \$1,000,000 from the endowment funds (to be charged equally to the two funds) to support the development of new housing co-operatives and our movement's growth agenda initiatives. In 2019, \$45,865 of expenses were charged to each endowment fund (\$91,730 in total).

Finance and Corporate Services

Finance and corporate services expenses include the costs of

- support and training for the Board of Directors, Executive Committee and Ontario Council
- legal costs
- program staff who provide services to our members
- management and administrative staff
- equipping and running CHF Canada's Ottawa, Toronto, Vancouver, Prairies Regional and Southwestern Ontario offices and systems, and other organization-wide costs.

In 2020, these services will cost \$3,512,500, down \$10,876 from the 2019 actual expenditure of \$3,523,376. The 2020 budget continues to provide for much the same level of service as was originally budgeted in 2019, with a number of variances across multiple expense lines. In 2020, the budget provides for 32.0 full-time equivalent staff working at CHF Canada. In 2021, total finance and corporate services expenditures will drop by some \$73,500 to \$3,439,000, due to a variety of changes primarily in governance costs, recoveries from programs for staff costs and overall personnel costs.

Other Regions (Prairies Region and Southwestern Ontario)

Other region expenses cover the costs of regional programs in the Prairies and Southwestern Ontario including supporting our members in these areas and our suite of education programs, at the regional level.

Program staffing costs and equipping and running the regional offices are included in the Finance and Corporate Services budget.

Taken together, the costs for these regional programs in 2020 are expected to be \$30,500, the same as budgeted in 2019. In 2021 the costs of these programs are expected to drop to \$25,500 mostly due to lower consulting costs.

Transfers from Other Funds and Reserves

With reduced overall spending and some revenues higher than originally budgeted the actual amount drawn from reserves in 2019 were significantly lower than budgeted. An amount equal to 4.0% of the three-year moving average market value of the National Endowment Fund and the Ontario Endowment Fund will be transferred to operations in each of 2020 and 2021. The transfer will support CHF Canada's services to members and shared-revenue-program contributions to federations. Additional inter-fund and reserve transfers result in balanced budgets for 2020 and 2021.

ENDOWMENT FUNDS

Earnings on the Endowment Funds are reported in the funds themselves. A planned formula-based amount is transferred out of the funds to operations each year. Any excess of the income earned over the transfer out stays in the funds.

As noted above, \$45,865 of development initiative expenses were charged to each endowment fund in 2019 (\$91,730 in total).

The National Endowment fund reported unrealized net gains in 2019 totaling \$456,899 which, in addition to investment income earned of \$207,159, resulted in a net increase to the National Endowment Fund balance. The fund balance at December 31, 2019 was \$4,490,164.

The Ontario Endowment fund also reported unrealized net gains in 2019 totaling \$667,590 which, in addition to investment income earned of \$302,687, resulted in a net increase to the Ontario Endowment Fund balance. The fund balance at December 31, 2019 was \$6,581,726.

In each endowment fund, income earned net of expenditures is expected to almost equal the planned transfers out in both 2020 and 2021, resulting in a very small decrease in the market value of each fund balance in each year.

As is the case in the operating fund, it's also true of the two endowment funds, that given the significant decline in markets around the world in early 2020, and uncertainty around the COVID-19 pandemic end, it's very unlikely that we'll have any unrealized gains in 2020.

Any unrealized losses or gains in the endowment funds must stay within each fund. So the large increase in fund balances seen in 2019, will very likely be completely reversed in 2020 when unrealized losses are booked. Again, it should be noted that these potential losses are unrealized and our investments continue to earn us realized income in other ways.

ONTARIO REGION EXPENDITURES

One outcome of CHF Canada's reorganization in 2018 is the combined presentation of financial and other reports by program. However, the Ontario Region's funds and spending remain under the authority of the Ontario Council and Ontario Members. For this reason, a schedule is attached separating out the 2020 budget for Region expenses, which was finalized by the Ontario Council at its meeting in November 2019, and is being provided for our Ontario Members.

Planned 2020 expenditures are \$1,295,800, \$12,134 less than spent in 2019. This is mainly the result of lower personnel and associated costs offset in part by more spending on communications with our members, increased provision of direct co-op assistance, some additional consulting support in our development program, and routine inflationary increases to most administration lines.

The Region budget will increase by \$11,300 from 2020 to \$1,307,100 in 2021, the result of inflationary increases to personnel and office costs, offset in part by somewhat lower costs of the Ontario Council and of training events in the education program.

Changes in the fund balance of the Ontario Endowment Fund are noted above.

CO-OPERATIVE HOUSING FEDERATION OF CANADA

OPERATING FUND

	2019 Actual	2020 Final Budget	Change from 2019
REVENUE			
Dues	2,963,972	2,993,600	1%
Annual General Meeting	566,047	590,000	4%
Investment Income (Loss), net of unrealized gain/(loss)	613,350	160,500	-74%
Co-operators Loyalty Allocation	580,946	400,000	-31%
Insurance, Asset and Financial Services	1,389,643	1,430,000	3%
Other Revenue	163,717	92,700	-43%
	<u>6,277,675</u>	<u>5,666,800</u>	-10%
Less Contributions to Federations	127,608	125,000	-2%
OPERATING REVENUE	<u>6,150,067</u>	<u>5,541,800</u>	-10%
Income from Investment in Encasa Financial Inc.	33,413	0	-100%
Income from interest in the Community Housing Management Network Co-operative	108,584	0	-100%
	<u>6,292,064</u>	<u>5,541,800</u>	
EXPENDITURE			
Member Services			
Annual General Meeting	793,298	900,500	14%
Ontario Members Meetings	883	1,000	13%
Membership Development	94,152	74,200	-21%
Insurance Programs	163,225	248,000	52%
Financial Planning Services	465,260	428,400	-8%
Asset Planning Services	565,481	524,300	-7%
Federations Support	802	0	-100%
Federations and Co-op Services	116,640	109,800	-6%
Education Program	73,790	87,400	18%
Federations Conference	0	56,700	100%
Research	9,577	5,000	-48%
Other Direct Expenses	24,296	41,000	69%
	<u>2,307,404</u>	<u>2,476,300</u>	7%
Communications, Advocacy and Development			
Communications	128,279	144,100	12%
External Relations	137,899	142,000	3%
Government Relations	82,830	90,100	9%
Development	19,809	45,000	127%
Other Direct Expenses	10,628	19,500	83%
	<u>379,445</u>	<u>440,700</u>	16%
Finance and Corporate Services			
Corporate Services	252,381	316,200	25%
Personnel Costs	2,840,508	2,756,500	-3%
Office and Administration	927,965	910,700	
Reallocated Personnel and Admin	(497,478)	(470,900)	-5%
	<u>3,523,376</u>	<u>3,512,500</u>	0%
Other Regions			
Program Expenses	14,317	30,500	113%
	<u>14,317</u>	<u>30,500</u>	113%

CO-OPERATIVE HOUSING FEDERATION OF CANADA

OPERATING FUND

	2019 Actual	2020 Final Budget	Change from 2019
TOTAL OPERATIONS EXPENSES	6,224,542	6,460,000	4%
NET REVENUE (EXPENDITURE)	67,522	(918,200)	-1460%
Transfer from National Endowment Fund	168,400	168,800	0%
Transfer from Ontario Endowment Fund	246,200	246,600	0%
Transfer (to) from Other Funds	(122,103)	(139,800)	14%
Transfer (to) from Reserves	70,543	642,600	811%
INCREASE (DECREASE) IN SURPLUS	<u>430,562</u>	<u>0</u>	-100%

NATIONAL ENDOWMENT FUND

FUND BALANCE AT JANUARY 1	4,042,447	4,490,163	11%
Sector Support Received	0	0	0%
Investment Income (net of any unrealized losses)	664,058	168,800	-75%
Investment Management Fees	(2,077)	(3,500)	69%
	4,704,428	4,655,463	
Transfer from (to) National Operations	(214,265)	(168,800)	-21%
FUND BALANCE AT DECEMBER 31	<u>4,490,163</u>	<u>4,486,663</u>	0%

ONTARIO ENDOWMENT FUND

FUND BALANCE AT JANUARY 1	5,906,549	6,581,727	11%
Sector Support Received	0	0	0%
Investment Income (net of any unrealized losses)	970,277	246,600	-75%
Investment Management Fees	(3,034)	(4,800)	58%
	6,873,792	6,823,527	
Transfer from (to) National Operations	(292,065)	(246,600)	-16%
FUND BALANCE AT DECEMBER 31	<u>6,581,727</u>	<u>6,576,927</u>	0%

CO-OPERATIVE HOUSING FEDERATION OF CANADA

ONTARIO REGION

	2019 Actual	2020 Final Budget	Change from 2019
EXPENDITURE			
Governance			
Ontario Members Meetings	883	1,000	13%
Ontario Council	32,009	36,800	15%
	<u>32,892</u>	<u>37,800</u>	15%
Membership Programs			
Government Relations	30,039	41,400	38%
Communications	3,809	21,500	464%
External Relations	25,945	25,000	-4%
Federation and Co-op Services	22,474	47,700	112%
Education Program	11,347	13,500	19%
Research	774	5,000	546%
Development	19,809	45,000	127%
Other Direct Expenses	10,250	26,000	154%
Sector Support Contributions	(8,064)	(8,000)	-1%
	<u>116,383</u>	<u>217,100</u>	87%
Personnel and Administration			
Personnel Costs	990,404	871,200	-12%
Office and Administration	169,760	187,800	
Reallocated Personnel and Admin	(1,505)	(18,100)	1103%
	<u>1,158,659</u>	<u>1,040,900</u>	-10%
TOTAL EXPENDITURE	1,307,934	1,295,800	-1%

ONTARIO ENDOWMENT FUND

FUND BALANCE AT JANUARY 1	5,906,549	6,581,727	11%
Sector Support Received	0	0	0%
Investment Income (net of any unrealized losses)	970,277	246,600	-75%
Investment Management Fees	(3,034)	(4,800)	58%
	<u>6,873,792</u>	<u>6,823,527</u>	
Transfer from (to) National Operations	(292,065)	(246,600)	-16%
FUND BALANCE AT DECEMBER 31	<u><u>6,581,727</u></u>	<u><u>6,576,927</u></u>	0%

CO-OPERATIVE HOUSING FEDERATION OF CANADA

OPERATING FUND

	2021 Forecast
REVENUE	
Dues	3,072,400
All Other Revenue	2,632,800
	<u>5,705,200</u>
Less Contributions to Federations	125,000
	<u>5,580,200</u>
OPERATING REVENUE	<u>5,580,200</u>
EXPENDITURE	
Programs	2,909,200
Finance and Corporate Services	3,439,000
	<u>6,348,200</u>
TOTAL EXPENSES	<u>6,348,200</u>
NET REVENUE (EXPENDITURE)	(768,000)
Transfer from (to) other funds and reserves	768,000
	<u>768,000</u>
INCREASE (DECREASE) IN SURPLUS	<u><u>0</u></u>

NATIONAL ENDOWMENT FUND

FUND BALANCE AT JANUARY 1	4,486,663
Sector Support Received	0
Investment Income (net of any unrealized losses)	168,500
Investment Management Fees	(3,600)
	<u>4,651,563</u>
Transfer from (to) National Operations	(168,500)
	<u>(168,500)</u>
FUND BALANCE AT DECEMBER 31	<u><u>4,483,063</u></u>

ONTARIO ENDOWMENT FUND

FUND BALANCE AT JANUARY 1	6,576,927
Sector Support Received	0
Investment Income (net of any unrealized losses)	246,100
Investment Management Fees	(4,900)
	<u>6,818,127</u>
Transfer from (to) National Operations	(246,100)
	<u>(246,100)</u>
FUND BALANCE AT DECEMBER 31	<u><u>6,572,027</u></u>

CO-OPERATIVE HOUSING FEDERATION OF CANADA

ONTARIO REGION

2021
Forecast

EXPENDITURE

Programs	243,700
Personnel and administration	<u>1,063,400</u>
TOTAL EXPENSES	<u><u>1,307,100</u></u>

ONTARIO ENDOWMENT FUND

FUND BALANCE AT JANUARY 1	6,576,927
Sector Support Received	0
Investment Income (net of any unrealized losses)	246,100
Investment Management Fees	<u>(4,900)</u>
	6,818,127
Transfer from (to) National Operations	<u>(246,100)</u>
FUND BALANCE AT DECEMBER 31	<u><u>6,572,027</u></u>