

# Norris Crescent Housing Co-operative Inc.

## Board Policy No.12

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### AMORTIZATION

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Approved by the Board of Directors

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# AMORTIZATION

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## **1. Purpose**

The purpose of this Policy is to describe the significant change in accounting policy since the framework provided by Canada Mortgage and Housing Corporation (CMHC) can no longer be justified as the Co-op has ended their operating agreement with CMHC. The change in accounting procedures only reflects a change in the presentation of the statements.

## **2. Priority of this Policy**

This Policy takes priority over and or amends all previous Board policies, resolutions or decisions that deal with amortization.

## **3. Amendment of this Policy**

This Policy may be amended by Board resolution.

## **4. End of Operating Agreement with CMHC**

As of September 1, 2016 the Co-op's operating agreement with CMHC ended. The audited financial statements for all preceding years will be prepared using Canada accounting standards for Not-for-Profit Organizations.

## **5. Significant Changes to Accounting Standards**

The changes will include:

- Capital expenditures will be capitalized and amortized over their estimated useful life
- There will no longer be a future capital reserve fund appropriation from operations
- Investment income earned on the future capital replacement and subsidy/surplus reserve funds will be credited to operations
- Liabilities will need to be segregated between current and non-current on the statement of financial position
- Capital Assets (land and buildings) will be recorded at \$1 to reflect its existence only
- Depreciation is a non-cash component of operating expenses, and does not represent a disbursements or expenditure of funds

## 6. Categories of Capital Assets

The policy defines Capital Assets in the following categories:

- **Interior Building Improvements** (i.e. flooring, cabinetry, doors, etc.)
- **Exterior Building Improvements** (playground, paving, concrete steps, decks, fencing, etc.)
- **Equipment/Appliances** (i.e. fridge, stoves, washers\dryers, snow blowers, ride on mowers)
- **Mechanical Equipment** (furnaces, boiler retro-fits, etc.)
- **Fire & Safety** (intercom system, security system, fire panel, etc.)

## 7. Impact of Changes to Bookkeeping

- Any allocation to and from the reserve fund must be approved by a Board motion and transferred to and from the operating accumulated surplus, appropriations and changes cannot be made directly to the reserve funds.
- Any interest earned whether the funds belong to the replacement reserve or operating will be included in the operating interest income, there are to be no direct allocation of interest to the reserve funds\Identify upcoming move-outs.

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*Approved by the Board of Directors of Norris Crescent Housing Co-operative Inc. at a meeting properly held on November 7, 2016.*

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President



