

# Condominium Home Owners Association

A non-profit association serving strata owners since 1976

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## Condo Smarts

Headline: Not entitled to share of contingency fund

Topic: Contingency Reserve Fund

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When purchasers look at the financial records of a strata, they quickly refer to the contingency reserve fund. This "savings" account for special repairs, emergencies and replacements, is helpful in establishing what the strata corporation's future liability for costs and special levies will be. What happens, though, when you sell your strata lot? A purchaser from Williams Lake, B.C. wanted to know why the vendor had his "share" of the contingency returned by the council?

the major/capital repairs and emergencies from the contingency reserve. Routine review may avoid drastic increases in fees and unexpected special levies.

**Strata Law:** There are two funds in a strata corporation: the operating fund, which is for common expenses that occur once a year or more often; and the contingency reserve fund for common expenses that usually occur less than once a year or are unexpected. When owners sell their strata lot, they are not entitled to a return of contributions that they made to the contingency reserve fund. The vendor of the strata lot in this case was the treasurer of council, so as well as receiving funds he was not entitled to there may also be the possibility of a conflict of interest. The council has hired a lawyer to help recover the monies.

**Tips:** Purchasers and owners should review both funds to insure there are enough resources to properly maintain and service the buildings from the operating fund and sufficient funds to cover

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