

# Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-167

## Condo Smarts

Headline: Previous council spent our money on non-strata operations

Topic: Use of Operating Fund

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**Dear Condo Smarts:** I have just been elected treasurer for our 108-unit townhouse complex in the Fraser Valley. Our annual budget always balanced, fees were moderate and we had few troubles in the complex. Everything seemed normal.

After reviewing the previous 3 years of expenses the new council is horrified to find out much of our money was expenses on items that were not for our strata operations or maintenance. There have been lavish council dinners for 10 or more people where the bar bills exceed the dinner, donations to political campaigns and expenses for improvements to council members personal residences, including some locations outside of our strata. None of the expenses were ever included in the budget or reported in the financial statements. Is this allowed? Can we recover these funds?

-- Gerry D.

**Dear Gerry:** The funds that are collected from your owners are restricted for use by the *Strata Property Act* to those items that relate to the common expenses for the use, enjoyment and operations of your strata.

They include such items as routine maintenance, service contracts & licenses, repairs, purchase of capital items for the strata, management fees, remuneration of council (if approved by the owners in the budget 3/4 vote or in the bylaws), legal services, accounting services, insurance

policies and deductibles, membership to organizations that benefit your strata, such as CHOA, record keeping and storage, municipal services and taxation.

The fundamental principle is they all relate to the maintenance, repair and operations of your strata corporation.

These actions could be fraudulent and your strata corporation may wish to exercise its right to proceed with actions to recover the losses; however, engage an independent accountant to first establish the sum of the costs and how they were allocated.

Once the report is complete, a general meeting of the owners may be necessary for the council to receive their next instructions. The tough decisions will be weighing the cost of recovery versus the losses, and what the long term impact will be on your community as a result of your next steps

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