

**Condo Smarts**

Headline: Strata Investments for Reserve Funds

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**Dear Tony:** We think we have a problem with our strata treasurer concerning money. The strata minutes from November of 2012 indicated the council decided to invest our reserve funds of \$225,000 into investments to take advantage of the tax free status for strata corporations. The owners at the annual meeting in February 2013 agreed to the investments. An owner at the meeting requested that the information of the investments, institutions, terms and amounts be published in the council minutes before the next AGM. We just had our AGM for 2014 and still nothing has been published. All we have received is a financial statement showing the amount of the principal. There is no interest showing, and no one knows where the funds are invested. As a newly elected council member I am very concerned by the secrecy of the investments. What should we do?

*Marion W. Surrey*

**Dear Marion:** There is absolutely no reason for a strata council or a strata management company to withhold financial investment information from the owners or council members and should be reported in the minutes of meetings. Hopefully this is just a situation where a council member has become protective over their turf; however, your strata corporation needs to act immediately as there have been past incidents involving fraud and council members. Contact the bank where your accounts are held and review your banking policies and hopefully your investments will be easily identified. If you cannot find your investments and verify that they are in the name of the strata corporation, you may be required to take legal action and file a police complaint.

It is in the best interest of strata corporations to establish 1) simple banking policies to ensure that your financial activities are reported to the owners 2) the investment funds are only held in trust in the name of the strata corporation and 3) the procedures to transfer the funds are established by council. Strata councils must also be prudent when considering the values they are investing. It is of no value to invest all of your funds to discover you

need to finance your insurance renewal as you don't have sufficient cash available. Under the Real Estate Services Act, Regulations and Rules of the Real Estate Council, the funds held in trust by strata managers require the approval of the strata corporation before they are transferred, and they are required to give instruction regarding the investments to the managers. If the management company fails to provide records of the investments or follow the council instructions, contact the Real Estate Council and speak to a compliance officer. If the treasurer or a council member is making the arrangements, make clear, recorded decisions by majority vote at the council meeting and demand that copies of the investment certificates or instruments be provided as part of the next council meeting minutes. The transfer of the funds, like cheque accounts, should require multiple authorized signatures to prevent one council member from taking independent action. Individual council members do not have any special authority unless the council has voted to delegate that authority. For strata corporations looking at their investment options, a new simpler Regulation under the Strata Property Act has been enacted that takes place July 16, 2014. This now permits a broader level of investments for strata corporations; however, they must now all be held or exchanged only in Canada. Current investments may be maintained but when they expire the new legislation applies and provides the strata corporation with a good opportunity to review their portfolio. The update is available on the CHOA web site under Legislation at [www.choa.bc.ca](http://www.choa.bc.ca) and will soon be posted to [www.bclaws.ca](http://www.bclaws.ca).

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