

Financial Management:

A Practice Guide for Condominium Managers



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Disclaimer:

This guide is intended for information and reference only and is not a substitute for legal advice. If managers have any questions, they should seek the advice of the condominium corporation's lawyer.

Financial Management: A Practice Guide for Condominium Managers

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Introduction

This Practice Guide was created by the CMRAO to help condominium managers and management companies:

- understand the fiduciary obligations imposed on condominium corporations by the *Condominium Act, 1998* (Condo Act¹), and
- carry out the necessary tasks, as licensees under the *Condominium Management Services Act, 2015* (CMSA²) to ensure condominium corporations meet the legal requirements for managing a condominium's financial obligations.

Section 115(1) of the Condo Act states:

“A person who receives money on behalf of or for the benefit of the corporation, including money received from owners as contributions to the common expenses or the reserve fund, shall hold the money, together with interest and other proceeds earned from investing it, in trust for the performance by the corporation of its duties and obligations.”

This guide will explain the obligations of the condominium manager and management company (as licensees) regarding financial management of a condominium corporation. These obligations are outlined in the competency profile³ published by the Condominium Management Regulatory Authority of Ontario (CMRAO).

In particular, this guide will help condominium managers and management companies:

- prepare, present, and implement the annual budget;
- collect the common expenses;
- review the general ledger to ensure accurate expense reporting;
- interpret financial statements and explain variances to the Board of Directors;
- monitor the corporation's financial status and report concerns to the Board of Directors;
- support the Board of Directors through the annual financial audit process;
- monitor reserve fund spending and balance relative to the Reserve Fund Study;
- support the Board of Directors in the reserve fund investment process; and
- implement the necessary financial controls to protect the condominium corporation's financial assets.

For additional information, please see the relevant sections of the Condo Act and the CMSA as well as the condominium's bylaws. It is crucial that you comply with these legal frameworks. If there is a conflict between this guide and the legislation, the legislation prevails.

¹ Condominium Act, 1998 | CanLII

² Condominium Management Services Act, 2015 | CanLII

³ Report on the Competency Profile for Condominium Managers in Ontario 2019 (cmrao.ca)

Definitions

Term	Definition
Clearing account	A clearing account is usually a temporary account containing costs or amounts that are to be transferred to another account.
Condo Fees	Each unit owner is responsible for contributing a portion of the common expenses. These contributions are often referred to as condo fees or common element expenses.
Fiscal Year	A 52- or 53-week (or, alternatively, a 12-month) period that companies and governments use for taxing or accounting purposes.
Levies	The condominium may need to impose special assessments or levies to cover unexpected or extraordinary expenses. In many cases, such expenses may arise outside of the normal budgeting process and timeline; however, if known, they should be included in the budget.
Lien	The lien will include all outstanding and subsequent common expenses, interest owing in accordance with the corporation's bylaws, and all reasonable legal costs and expenses incurred by the corporation to collect the outstanding amount.
Litigation	The process of taking legal action.
Net Equity	The amount of money the corporation would have if it converted all its assets into cash and paid all its liabilities.
Not-for-Profit Organization	An organization that receives its revenue from donations, grants, and memberships, and does not generate a profit from such fees.
Notice of Future Funding of the Reserve Fund (NOFF)	A prescribed form sent to the owners, from the corporation, once a funding plan has been proposed.
Notice of Lien	Before a corporation can register the lien, they must give 10 calendar days' notice to the owner, using the prescribed form of notice. This notice period is included in the expiry of lien period.
Registrar's Directive	An official or authoritative instruction from the CMRAO's Registrar.
Reserve Fund Study	A reserve fund study (RFS) is a detailed plan or roadmap that enables the condominium community to put aside enough money in its reserve fund to keep the building safe and well maintained into the future.
Shared Facilities	Common elements in a condominium that are co-owned or proportionately shared by parties.
Sundry Revenue	Revenue generated from sources other than a company's normal income-generating business operations.
Turnover meeting/audit	The turn-over meeting is when the developer or landowner turns the building over to a new owner-elected board. Developers must hold these meetings within 42 days of their no longer owning a majority of units. This is an important meeting where documents are turned over to the condo corporation and owners elect a new Board of Directors.

Acronyms

Acronym	Full Name
AGM	Annual General Meeting
CAT	Condominium Authority Tribunal
CMRAO	Condominium Management Regulatory Authority of Ontario
CMSA	Condominium Management Services Act, 2015
Condo Act	Condominium Act, 1998
CRA	Canada Revenue Agency
NOFF	Notice of Future Funding of the Reserve Fund
RFS	Reserve Fund Study
WSIB	Workplace Safety Insurance Board

SECTION 1

Accounting for Condominium Corporations



Not-for-profit corporation accounting

In Ontario, condominium corporations are considered to be not-for-profit organizations. As such, they must follow the Canadian accounting standards for not-for-profit organizations.

One of these standards is the principle of “Fund Accounting.” “Fund Accounting” means that once a fund is established, it may only be used for the purpose for which it was intended.

At a minimum, every condominium corporation must establish two separate funds—an Operating Fund and a Reserve Fund.

Depending on the individual condominium corporation, there may be a need to establish additional funds, such as a Contingency Fund or Capital Assets Fund. The corporation’s auditor can advise on whether such additional funds may be required.

► Operating fund

Each condominium corporation must establish an Operating Fund and understand its intended purpose (specific to their governing documents) to manage the Fund accordingly.

The Operating Fund is used to cover the day-to-day costs required to operate the condominium corporation. The use of this Fund is unique to each condominium corporation. The corporation’s Declaration defines the specific expenses the corporation has the right to incur on behalf of the owners.

Other guidelines with respect to the Operating Fund can be found throughout the Condo Act. These are explored in detail in other sections of this guide.

► Reserve funds

The condominium corporation must also establish one or more Reserve Funds.

Once established, Reserve Funds may only be used for the uses defined in the Condo Act.

Section 93(2) of the Condo Act states: “A reserve fund shall be used solely for the purpose of major repair and replacement of the common elements and assets of the corporation.”

This is further clarified under section 95(1), which states: “No part of a reserve fund shall be used except for the purpose mentioned in subsection 93(2).”

For example, Reserve Funds cannot be used for changes to the common elements, to acquire new assets, or to repair the individual units (unless those repairs relate to a Reserve Fund eligible project).

There are three key elements to managing and monitoring the Reserve Fund:

1. Reserve Fund Study (RFS)

Section 94 of the Condo Act defines a corporation’s statutory obligation to do an RFS. In brief, the requirements are as follows:

- An RFS must be completed by a qualified Reserve Fund Planner (see below for who qualifies under the Condo Act) in the first year of a condominium corporation’s operations;
- The RFS must be updated once every three years, at minimum, alternating between a Class 2 RFS (includes a site visit) and a Class 3 RFS (no site visit);
- Within 120 days of preparing a RFS, the Board must propose a plan for future funding of the Reserve Fund; and
- Once a funding plan has been proposed, the corporation must, within 15 days, send the owners a Notice of Future Funding of the Reserve Fund (NOFF, a prescribed form).

The proposed plan can be implemented starting 30 days from the date the NOFF was issued.



Expected Life vs Estimated Life – What’s the Difference?

Equipment may have an **expected life** of 10 years. However, if it is well maintained, after eight years it may still have an estimated **life expectancy** of five more years. If it is not well maintained, after the first five years it may only have an estimated life expectancy of two more years. Expected life minus age does not necessarily equal estimated life expectancy.

The RFS must contain:

- an inventory and physical analysis of all components;
- an assessment of each component; this includes its actual age or year of acquisition, expected life, estimated remaining life expectancy, and its estimated repair or replacement cost;
- a financial analysis with a description of the financial status of the Reserve Fund's current balance and its adequacy to cover future expenses; and
- a recommended funding plan.

In practice, the Reserve Fund Planner will help the condominium corporation develop the plan for future funding at the same time as they do the RFS itself. However, the Board has the authority to propose an alternative funding model. Note that if that happens, any variances from the RFS must be specifically disclosed in the NOFF.

► Choosing a Reserve Fund Planner

A Reserve Fund Planner must be independent and properly qualified. Section 94(6) of the Condo Act states:

“A reserve fund study shall be conducted by a person of a prescribed class who shall have no affiliation with the board or with the corporation that is contrary to the regulations made under this Act.”

Under the Condo Act's current regulations, the following are recognized as qualified RFS planners:

- a. Members of the Appraisal Institute of Canada holding the designation of Accredited Appraiser Canadian Institute;
- b. Persons who hold a certificate of practice within the meaning of the *Architects Act, 1990*;
- c. Members of the Ontario Association of Certified Engineering Technicians and Technologists who are registered as certified engineering technologists under the *Ontario Association of Certified Engineering Technicians and Technologists Act, 1998*;
- d. Members of the Real Estate Institute of Canada holding the designation of certified reserve planner;
- e. Persons who hold a certificate of authorization within the meaning of the *Professional Engineers Act, 1990*;
- f. Graduates of Ryerson University⁴ with a Bachelor of Technology (Architectural Science) — Building Science Option or Architecture Option;
- g. Members of the Canadian Institute of Quantity Surveyors holding the designation of professional quantity surveyor; and/or
- h. Members of the Association of Architectural Technologists of Ontario holding the designation of architectural technologist, architecte-technologue or registered building technologist under the *Association of Architectural Technologists of Ontario Act, 1996*.

2. Contributions/Cash Flow

The contribution and cash flow tables included in the NOFF are vital tools for managing the Reserve Fund. These documents summarize the results of the RFS for high-level management of the Fund.

The contribution table allows readers to quickly determine the required contributions to the Reserve Fund for budgetary purposes.

The cash flow table allows readers to monitor the balance by comparing expected cash flows to the financial statements.

⁴ Ryerson University has been renamed Toronto Metropolitan University Toronto Metropolitan University Home - Toronto Metropolitan University (torontomu.ca)

3. Capital Repairs – Spending Reserve Funds

A condominium corporation must contribute to the Reserve Fund in accordance with the funding plan specified in the NOFF. However, since the expenditures in the RFS are estimates, they serve as a guideline only.

The corporation can make expenditures from the Fund as required from time to time, provided the expenditures align with the purpose of the Reserve Fund.

Moreover, Sections 89 and 90 of the Condo Act provide for a duty to repair and maintain the condominium common elements.

Further, Section 95(2) of the Condo Act provides that the Board of Directors does not require the owners' consent to make an expenditure from the Reserve Fund.

Therefore, if a repair is required, it is not strictly necessary to wait until the repair date originally planned for in the RFS. However, it is important to monitor any variances between anticipated costs outlined in the RFS versus actual costs. This is to ensure that cash flow remains available to pay for repairs.

Note that the corporation is specifically prohibited from using the Reserve Fund to make changes as defined in Section 97 of the Condo Act.

If a condominium manager is under contract to manage the Reserve Funds, they must:

- advise the Board of Directors of the requirements under Sections 89, 90, 93, 94, 95 and 97 of the Condo Act;
- assist in engaging a Reserve Fund Planner and coordinate their efforts to complete the RFS;
- administer the NOFF, ensuring owners are advised of the funding plan as required;
- advise the Board of Directors through the budgetary process of the amounts that must be contributed to the Reserve Fund;
- make the required contributions to the Reserve Fund, ensuring monies are held separately from Operating Funds; coordinate professionals and trades to support the Board of Directors in executing capital repair projects; and
- monitor the status of the Reserve Fund and keep the Board of Directors updated as to ongoing management of the Fund.

Condominium managers must also be aware of the CMSA's licensing restrictions. These prohibit Limited Licence holders from making expenditures out of the Reserve Fund.

As well, the Condo Act provides that any common surplus in the Operating Fund (Section 84(2)) and any amount in the Reserve Fund (Section 95(3)) shall not be distributed to the owners except on termination of the corporation.

► Tax considerations

As a not-for-profit organization, a condominium corporation is exempt from paying annual corporate income tax.

However, the corporation must still file an annual tax return within six months of the corporation's fiscal year-end. In most cases, the corporation's auditor will complete and file the return. Condominium managers should review tax filing requirements with the auditor every year and confirm that the required filings have been completed.




Registrar's Directive:

If a condominium manager is under contract to manage the Reserve Funds, they must advise the Board of Directors of the requirements under Sections 89, 90, 93, 94, 95 and 97 of the Condo Act.

Residential condominium corporations are exempt from GST/HST. Commercial condominium corporations are exempt only if their annual revenue exceeds the current CRA small supplier limit.⁵ This limit also applies to mixed-use condominium corporations, but only for the revenue collected from commercial sources. Therefore, a condominium manager with any commercial element in their portfolio should monitor revenue and consult with the corporation's auditor about GST/HST obligations.

From time to time, circumstances may arise that could impact a corporation's tax obligations. If this happens, the financial implications may be serious. If, for example, a condominium corporation is considering collecting substantial revenue from an outside source—that is, not from the owners in the corporation—it should first consult the corporation's auditor to understand how the corporation may be affected.

Taxation can be a complex issue, so it is always wise to seek advice before making any major financial decisions.



In Ontario, condominium corporations are considered to be not-for-profit organizations. As such, they must follow the Canadian accounting standards for not-for-profit organizations.

⁵ Small suppliers - Canada.ca

SECTION 2

Condominium Budgets



What is a budget and what is included?

A condominium budget is a financial plan that states the anticipated revenues and expenses for a condominium corporation over a specific period, typically one fiscal year.

The budget serves as a tool to manage the condominium community's financial affairs. It ensures that there are sufficient funds to cover operating costs, reserve contributions, and other expenditures.

The budget is an essential component of effective condominium management, and it is subject to specific requirements outlined in the Condo Act.

► Condominium Budget: Key Elements

Budget Element	Notes
Reserve Fund Contributions	<p>The Condo Act requires that condominium corporations establish and maintain a reserve fund to cover the cost of major repairs and replacements of common elements and assets.</p> <p>To ensure the long-term sustainability of the fund, the budget should include contributions to the reserve fund in accordance with the NOFF.</p>
Operating Expenses	<p>Include day-to-day operational costs, such as staff salaries (if applicable), landscaping, snow removal, cleaning, and any other expenses related to condominium maintenance and operation (further detailed below).</p>
Contract Services	<p>The cost of contract services should be projected based on actual costs, being mindful of escalation clauses that may exist during the term of the contract. Where contracts are set to expire, quotes for the coming fiscal year should be obtained.</p>
Utilities	<p>Include estimates for utilities, such as water, electricity, and gas shared among unit owners or paid by the condominium corporation.</p>
Management Fees	<p>If the condominium employs a management service provider, the budget should include fees associated with their services.</p>
Insurance	<p>Budget for property, liability, and fidelity insurance.</p>
Administrative Expenses	<p>Include costs related to meetings, legal fees, auditing services, and other administrative functions.</p>
Other Common Expenses	<p>Include any additional expenses that are shared by all condominium unit owners, such as expenses for additional amenities.</p>
Owners' Contribution to Common Expenses	<p>Each unit owner is responsible for contributing a portion of the common expenses and shared facilities. These contributions are often referred to as condo fees or common element expenses. The budget should state how these contributions are calculated and when they are due.</p>
Special Assessments or Levies	<p>The condominium may need to impose special assessments or levies to cover unexpected or extraordinary expenses. In many cases, such expenses may arise outside of the normal budgeting process and timeline; however, if known, they should be included in the budget.</p>

► Reserve Fund Budget

The Condo Act requires that condominium corporations establish and maintain a reserve fund to ensure that the condominium corporation has sufficient funds set aside to cover the costs of major repairs and replacements of common elements. These include the building's structure, roof, windows, and other shared facilities.

Although a reserve fund update is required only every three years, a reserve fund budget should be prepared each year for anticipated major repair and replacement expenses during the upcoming fiscal year. This is especially important when the timing or cost of projects differs from what was initially anticipated in the most recent reserve fund study update. The budget also assists the Board during the procurement process for upcoming projects and with cost control during projects, particularly those that may span more than one fiscal period.

Properly managing the reserve fund helps protect the long-term financial health of the condominium corporation and ensures it can address necessary repairs and replacements without placing an undue financial burden on unit owners.

► Shared Facilities Budget

Shared facilities or amenities that operate under separate cost-sharing agreements present unique challenges when budgeting. This is particularly so if the fiscal period under which the shared facility operates does not align with the fiscal period of each condominium corporation that is party to the agreement.

Shared facilities' expenses or contributions form part of the overall common expenses of each individual corporation sharing in the amenities. As such, where possible, it is best to complete the shared facilities budget first. This will allow each contributing condominium to include these shared costs in their individual corporation budgets.



—
**Refer to Appendix A
for a list of common
income and expense
categories.**



How to prepare and implement a budget: Eight steps

Preparing a condominium budget in Ontario involves several steps over several months. All the steps are necessary to ensure accurate financial planning.



Step 1

PREPARE | Months 1-8

1.1 Review governing documents and corporation objectives

- Examine the condominium's declaration, bylaws, and rules to understand any financial obligations, restrictions, and requirements.
- Discuss the corporation's objectives and plans with the Board of Directors.

1.2 Gather financial information

- Collect financial statements, invoices, and contracts from the previous fiscal year. This information will help to estimate future costs and identify trends.
- Review the general ledger for any reallocations/corrections required before forecasting for future months. Any inconsistencies in the general ledger must first be corrected to ensure future forecasts and budgets are accurate.
- If helpful, consider adding general ledger categories or accounts where they may assist in better tracking and analyzing individual expenses in the future.

1.3 Review and/or update the Reserve Fund Study | Month 6

- Compare the RFS to the actual financial position and physical condition of the assets.
- Recommend to the Board any adjustments to planned reserve fund expenses.
- If applicable, conduct a reserve fund study update as required by the Condo Act. This study will determine the adequacy of the reserve fund for major repairs and replacements and provide the required contributions to the Reserve Fund that must be included in the budget.



Step 2

Identify and/or Estimate Expenses | Months 8 and 9

2.1 Identify common expenses

- List all common expenses that the condominium corporation is responsible for, such as maintenance, repairs, insurance, utilities, management fees, and reserve fund contributions.
- For guidance, refer to Appendix 1: List of Common Income and Expense Categories. Note that this list is a good starting place, but it is not exhaustive. Accounts and categories specific to your condominium may differ.

2.2 Estimate operating expenses

- Project operating expenses to the end of the current fiscal year.
- Consider any one-time expenses not yet reflected in the year-to-date amounts and any non-recurring expenses that should be removed from future months' projections.
- Prepare a variance analysis of the projected year-end amounts to determine why projections differ from the current year budget and if current variances must be considered in the upcoming budget. Having accurate year-end projections will greatly assist in budgeting for the coming year.



Step 3

Calculate Revenue | Months 8 and 9

3.1 Project sundry revenue

- Project realistic sundry revenue that will be earned to offset increases to monthly fees.
- Note that sundry revenues can be deducted from the total common expenses to arrive at the amount required to be collected from unit owners. However, to ensure shortfalls are minimized, sundry revenues should be budgeted for conservatively.



Step 4

Prepare the Draft Budget | Month 10

4.1 Include detailed line items for both operating expenses and reserve fund contributions

- Ensure the necessary contributions to the reserve fund are based on the NOFF
- Review current contracts for future costs, including escalation clauses and expiring contracts; obtain quotes for new contracts if contracts are set to expire in the coming fiscal year.
- Obtain an updated quote for the corporation's insurance policy.
- Review repairs and maintenance history, accounting for both regularly recurring expenses and one-time scheduled expenses.
- Prepare utility projections based on usage and anticipated price increases; account for any projected expenses that may result from green project initiatives.

- Where necessary, obtain the budget for any shared facilities so that you can include the corporation's contribution to shared costs.

4.2 Consider inflation and cost increases

- To ensure the budget remains realistic and sustainable, factor in inflation and potential cost increases when estimating future expenses.

4.3 Consider deficits and surpluses

- Adjust the budgets as needed to support the current financial position.
- Consider any variances from the RFS.
- Any prior year deficits should be recovered in the upcoming budget. Operating at a deficit is fiscally irresponsible and leads to cash flow operational challenges.
- Excessive operating surpluses can be considered to offset common element fee increases. However, you should use caution with this strategy as the Board of Directors must be aware that applying surplus equity in this manner effectively delays inflationary increases. These will be compounded in future budgets once the surplus is exhausted.



Step 5

Present the Weighted Budget | Months 10 and 11

5.1 Prepare a month-by-month plan

- Budget accounts should be weighted/seasonalized monthly to help monitor the budget and analyze expense variances throughout the year. This is especially important for seasonal activities such as landscaping and snow removal contracts, utility accounts, and non-recurring or one-time expenses.

*Note: Depending on the Board's preference and approval process, managers may be asked to defer calculating the common expense fees and preparing the weighted budget until after the Board has approved the final budget.

5.2 Present the draft budget to the Board of Directors

- See the "5 Tips for Success" in the section on Presenting the Budget to the Condominium's Board of Directors.
- Clearly state the timeline for approval; provide ample time for the board to review the budget and for you to gather additional information, if the board requests it.
- Adjust the draft budget if and as requested by the board and present the revised draft for final approval. Document final approval in board meeting minutes.

*Note: The industry standard is to present the draft budget to the Board of Directors at least two months before the fiscal year-end.

5.3 Set common expense fees

- Determine the total common element fees required to cover projected operating expenses less anticipated sundry revenue.
- Calculate the individual condo fees for each unit based on the percentage contribution according to the condominium corporation's declaration.



Step 6

Share the Budget with the Owners | Month 12

6.1 Prepare or recalculate the final schedule of common element fees per unit

- Use the percentage contribution set out in the corporation's governing documents.

6.2 Agree on a communication strategy with the Board of Directors

- Budgets must be shared in accordance with the corporation's bylaws and at least 10 days before the end of the fiscal year. Owners need adequate time to make payment arrangements and to comply with Canadian Payment Association requirements governing the withdrawal of pre-authorized payments. Ideally, budgets should be shared with owners 30 days before the end of the fiscal year.
- Subject to the board's direction, include details on common expenses, reserve fund contributions, and any changes in fees.
- Consider if it would be useful and prudent to hold a budget information meeting with the owners. This is typically done when there are financial concerns and/or significant changes in the budget. However, it should be made clear to the owners that the meeting is for information purposes only – not to hold a vote on the budget, as the board will have already approved the budget.



Step 7

Implement the Budget

7.1 Regularly monitor financial performance throughout the following fiscal year

- Adjust the budget, if necessary, for new or unforeseen circumstances.
- Thoroughly investigate the reasons for any significant variances between the actual and budgeted amounts.
- Keep the Board of Directors informed of the budget status.

For more information on implementing the budget, refer to the section on “Monitoring the Financial Status of the Corporation.”

Refer to Appendix B for a checklist of items that should be included in a budget presentation.



► How to present a budget to the Board of Directors

Presenting a budget to a condominium Board of Directors is an important task. To be done properly, it requires advance planning, attention to detail, and consideration of many factors.

To plan an efficient and successful budget meeting presentation and, ultimately, to get speedier approval of the final budget, follow the guidance below. These five tips are designed to foster transparency, accountability, and informed decision-making.

1. Understand your audience

- Know the board members' backgrounds and their level of financial expertise.
- Understand the board's objectives, and tailor your presentation to address their concerns and priorities.

2. Be clear and transparent

- Ensure the budget presentation is easy to understand.
- Highlight key facts and figures.
- Use charts, graphs, and other visuals to make complex financial information more accessible.
- Include detailed notes. Clear notes will help the Board of Directors understand how the amounts were determined and if any adjustments to the draft budget may be required.
- Present historical financial data to show trends and emphasize any significant changes.
- Explain the reasoning behind planned budget changes and how they benefit the condominium.

3. Emphasize cost efficiency

- Highlight any proposed cost-saving measures.
- Demonstrate efforts to save money without compromising on essential services.

4. Give a starring role to the reserve fund

- Discuss the status of the reserve fund.
- Explain the importance of maintaining an adequate reserve fund and describe any planned contributions or expenditures.

5. Anticipate questions

- Anticipate potential questions and concerns. For example, know in advance how much expenses would have to decrease if the board asks to reduce the budget by 1%.
- Consider and prepare answers and explanations to address any potential objections.
- Be aware of which categories and accounts are discretionary (and could be decreased) versus mandatory expenses.



PRESENTING A BUDGET:

5 TIPS FOR SUCCESS

Understand your audience

- Tailor your presentation to address the Board's concerns and priorities.

Be clear and transparent

- The budget presentation should be straightforward and easy to understand.

Emphasize cost efficiency

- Demonstrate efforts to save money without compromising on essential services.

Give a starring role to the reserve fund

- Discuss the status of the reserve fund.

Anticipate questions

- Know which categories and accounts are discretionary (and could be decreased) vs. fixed, mandatory expenses.

SECTION 3

Common Expenses



Common Expenses

Section 84 of the Condo Act sets out an owner’s obligation to pay the common expenses.

Collecting common expenses is a critical task. It ensures that the collective group of owners is not negatively impacted by the failure of one or more unit owners to contribute to the common expenses. Without positive cash flow from the owners, a condominium corporation would not be able to execute its obligations under the Condo Act, the Declarations and the Bylaws.

► Who can collect

The CMSA specifies that condominium managers and condominium management providers may provide “condominium management services.” These services specifically include “collecting or holding contributions to the common expenses or other amounts levied by, or payable to, the corporation.”

Ontario Regulation 123/17 gives administrative personnel the right to collect common expenses. However, the authority to collect the common expenses must be delegated *in writing* to that person, and the person must deliver the money to the corporation or a licensed condominium manager promptly after receiving it. If these procedures are not strictly followed, the condominium management service provider’s licence could be put at risk.

► How common expenses are calculated

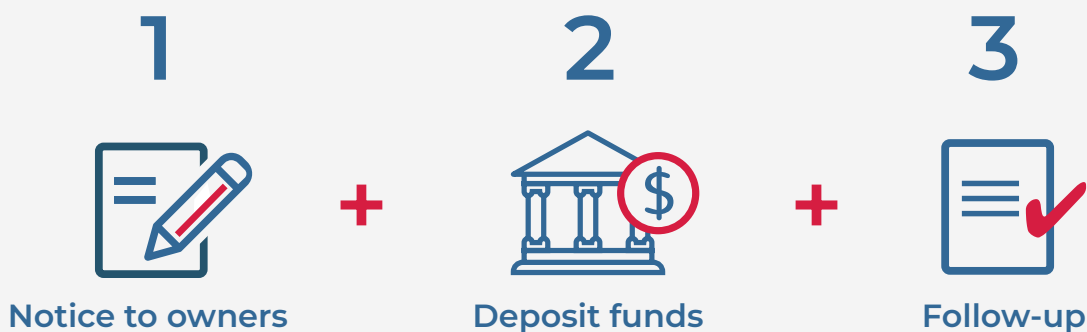
The owner’s contributions to the common expenses (the “Condo Fees”) are determined based on the annual budget process. They are calculated by taking the total expenses, less any sundry revenue, and multiplying the resulting common element assessment by the percentage of ownership found in Schedule D of the corporation’s Declaration.

► How common expenses are collected

The corporation’s General Operating Bylaw sets out how the collection is to be administered.

Typically, condo fees are collected in 12 equal monthly installments. However, a condominium corporation’s General Operating Bylaw may indicate a different schedule.

Subject to any unique requirements set out in the corporation’s bylaw, when collecting the common expenses, the condominium manager must do the following:



1. Give notice to owners

Condominium managers must familiarize themselves with the requirements in the corporation's General Operating Bylaw for giving notice to owners. They must ensure the budget is complete for board consideration so the corporation can meet these requirements. They must also prepare communication materials in consultation with the board to advise owners of their obligation to pay the condo fees for the budget period.

Condominium managers must also comply with the requirements of the Canadian Payment Association for the withdrawal of pre-authorized payments. This requires a minimum of 10 days' written notice.

2. Deposit funds directly to the condominium's account

Section 115(4) of the Condo Act makes it clear that any funds collected on behalf of a condominium corporation must be deposited *directly* into the corporation's accounts. The section says:

“Subject to subsections (6) and (7), the person who receives money on behalf of or for the benefit of the corporation shall pay the money, together with interest and other proceeds earned from investing it, into,

(a) a general account of the corporation, if the money was not received as contributions from owners to the reserve fund; or

(b) a reserve fund account of the corporation, if the money was received as contributions from owners to the reserve fund.”

Using clearing accounts is not allowed. However, it is acceptable to collect both Operating and Reserve Fund portions of the common expenses through a single deposit to the Operating Fund. Amounts collected for Reserve Fund contributions must then be transferred into the Reserve Fund account. To maximize interest returns, amounts due to the Reserve Fund as per the RFS and budget should be transferred monthly.



Registrar's Directive:

Managers must avoid the use of clearing accounts. Amounts collected for Reserve Fund contributions must be transferred into the Reserve Fund account.

3. Promptly follow up on any arrears

Section 85 of the Condo Act clearly sets out the corporation's collection rights and describes the process for following up on arrears. It is important that the process is followed promptly. This will ensure the corporation can properly secure any debts that may require escalated collection action.

► Registration of Lien

Under the Condo Act, as soon as the owner fails to pay their condo fees as required by the bylaws, the condominium corporation has an automatic lien against the unit. The lien expires within three months of the date the arrears originated, unless the corporation registers the lien on title to the unit.

In practice, however, a condominium corporation should not immediately move to formal lien proceedings because this is a costly process, for both the owner and the corporation.

The corporation should try to avoid incurring these significant costs by taking other reasonable steps to allow the unit owner an opportunity to pay. The best practice is to provide additional notices to the owner in the first and second months of arrears. If the owner still has not paid, the corporation must have the lien registered within the third month.



What's a Lien?

In Ontario condominium law, a lien is a legal claim placed on a unit owner's property for unpaid arrears in common element fees, giving the corporation a right to recover the debt.

It is best practice for the board to document these steps in a collection policy that is also shared with the owners. This helps ensure that the manager understands the board's expected collection process and that the owners understand the potential penalties of not paying on time.

If the corporation does have to resort to registering a lien, the manager should be aware of the following:

a. Notice of Lien to Owner

Before a corporation can register the lien, they must give 10 calendar days' notice to the owner, using the prescribed form of notice. This notice period is included in the expiry of lien period.

b. Registration of Lien

Once the notice period has expired, the corporation must register the lien on title to the unit.

c. What the Lien Includes

The lien will include all outstanding and subsequent common expenses, interest owing in accordance with the corporation's bylaws and all reasonable legal costs and expenses incurred by the corporation to collect the outstanding amount.

There are no provisions in the Condo Act that allow condominium corporations to assess *arbitrary penalties* against a unit owner. To assess a collection charge, the corporation must have incurred an associated expense.

d. Priority and Enforcement

The lien may be enforced in the same manner as a mortgage, and it takes priority for collection ahead of the owner's mortgage. Common expenses take collection priority over all liens registered against the unit except for debts to the Crown and Municipal Taxes.

e. Discharge of Lien

Once the debt to the corporation has been paid, the corporation must discharge the lien.

f. The Lawyer's Role

Once a collection file escalates to registering a lien on title to the unit, the corporation's lawyer will be engaged. The lawyer will complete the registration, provide associated notices related to other liens or encumbrances, and take any additional steps to collect the amounts due.

At this stage, the role of the condominium manager is to provide instructions to the corporation's lawyer on behalf of the board and to keep the board informed about any steps taken to collect the outstanding amount. These steps may include attornment of rents or power of sale proceedings.

g. Mortgagees and their Rights

A default in an owner's payment to the common expenses is considered a default under their mortgage under Section 88(1) of the Condo Act. Because the corporation has collection priority over the mortgage, mortgagees will often exercise their rights to protect themselves from costly actions by the corporation.

Under Section 88(1) and (2) of the Condo Act, a mortgagee has the following rights:

- to collect the common expenses payable from the unit owner and remit same to the corporation on the owner's behalf;
- to pay the common expenses, and associated interest/collection costs the corporation has assessed;
- to add any payments made by the mortgagee to the mortgage; and
- to receive a statement of common expenses from the corporation when requested, free of charge.

h. Bad Debts

To avoid bad debts, which the corporation may not collect, a condominium manager must take care to follow the collection process. Even if there is a dispute with the owner over an amount owed, the corporation must meet the three-month deadline for registering the lien. If in doubt, the corporation should contact their lawyer for advice with sufficient time left in the process to meet notice requirements.

However, there should be very little chance for bad debts as Section 84(3) provides:

“An owner is not exempt from the obligation to contribute to the common expenses even if,
(a) the owner has waived or abandoned the right to use the common elements or part of them;
(b) the owner is making a claim against the corporation; or
(c) the declaration, bylaws or rules restrict the owner from using the common elements or part of them.”

i. Reporting to Board

Condominium managers should provide the Board of Directors with a monthly report on the status of accounts receivable and collections for each unit in arrears.

► Chargebacks

If the action or inaction of a unit owner causes the condominium corporation to incur a cost, the corporation may need to consider collecting that amount from the responsible party or parties. These amounts are known as chargebacks or indemnification rights.

Section 92 of the Condo Act permits a condominium corporation to charge back costs (and collect them as a common expense) in limited situations. These include:

1. Work done for owner

“If the declaration provides that the owner has an obligation to repair after damage and the owner fails to carry out the obligation within a reasonable time after damage occurs, the corporation shall do the work necessary to carry out the obligation.” S. 92 (1).

2. Maintenance

“If the declaration provides that the owner has an obligation to maintain the common elements or any part of them and the owner fails to carry out the obligation within a reasonable time, the corporation may do the work necessary to carry out the obligation.” S. 92 (2).



What's a Chargeback?

A chargeback is the process by which a condominium corporation recovers costs incurred due to an owner's actions or omissions by billing the owner through common expense fees. This ensures those costs are not shared by other unit owners.

3. Maintenance of units

“If an owner has an obligation under this Act to maintain the owner’s unit and fails to carry out the obligation within a reasonable time and if the failure presents a potential risk of damage to the property or the assets of the corporation or a potential risk of personal injury to persons on the property, the corporation may do the work necessary to carry out the obligation.” S. 92 (3).

Section 92(4) further states:

“An owner shall be deemed to have consented to the work done by a corporation under this section and the cost of the work shall be added to the contribution to the common expenses payable for the owner’s unit.” S. 92 (4).

Section 98(4) sets out an additional circumstance where an amount can be charged back to a unit. This section says that when an owner fails to comply with an agreement under that section (relating to changes to the common elements made by the owner), those amounts can be added as a common expense.

Condominium managers also need to be aware of Section 105 of the Condo Act. This deals with insurable losses and when those amounts can be charged back to a unit. The section reads as follows:

“Subject to subsection (2) and (3), if an insurance policy obtained by the corporation in accordance with this Act contains a deductible clause that limits the amount payable by the insurer, the portion of a loss that is excluded from coverage shall be a common expense.” S. 105 (1).

“If an owner, a lessee of an owner, or a person residing in the owner’s unit with the permission or knowledge of the owner through an act or omission causes damage to the owner’s unit, the amount that is the lesser of the cost of repairing the damage and the deductible limit of the insurance policy obtained by the corporation shall be added to the common expenses payable for the owner’s unit.” S. 105 (2).

“The corporation may pass a bylaw to extend the circumstances in subsection (2) under which an amount shall be added to the common expenses payable for an owner’s unit if the damage to the unit was not caused by an act or omission of the corporation or its directors, officers, agents, or employees.” S. 105 (3).

“The amount payable by an owner under this section or as a result of a bylaw passed under this section constitutes an insurable interest of the owner.” S. 105 (4)

Finally, Section 134(5) allows the corporation to collect, as a common expense, amounts that result from a court order.

In addition to the provisions of the Condo Act, there may be specific indemnification provisions in the corporation's Declaration or bylaws. The Declaration can include broader provisions for indemnification and chargebacks. However, the bylaws can only extend the circumstances for chargebacks related to insurable losses.

A final consideration is that the Condominium Authority Tribunal (CAT) may have jurisdiction over certain disputes, including chargebacks. Condominium managers must stay informed as the CAT expands its jurisdiction.

Chargebacks are one of the more complicated areas of financial administration for a condominium manager to manage. The Chargeback Process Resource provided as part of this guide can help the manager determine an appropriate course of action. However, as every situation is unique, it is best to seek advice from the corporation's lawyer.

It is also important to remember that in every situation, the Condo Act prevails. If a provision in the condominium corporation's Declaration and/or bylaws is contrary to the Condo Act, the Condo Act prevails, and the provision in the Declaration or the bylaws is not valid.



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**Refer to Appendix C
for additional
information about the
chargeback process.**

SECTION 4

Making Payments



Who can make payments

The CMSA specifies that “making payments to third parties on behalf of the (*condominium*) corporation” and “negotiating or entering into contracts on behalf of the corporation” are part of the responsibilities that condominium managers are tasked with on behalf of the properties they manage.

Condominium managers are often responsible for large sums of money on behalf of their clients. This responsibility forms part of the manager’s fiduciary relationship with their client and should never be taken lightly.

It is essential that managers understand:

- the boundaries of their relationship;
- the limits that may be imposed upon them by the CMSA; and
- the various financial controls that exist within their contractual agreements.

Under the CMSA, Limited Licence holders face certain restrictions. These include:

- only providing services under the supervision of a supervising licensee (General Licence holder);
- making expenditures of no more than \$500 from the client’s operating fund without prior approval from the supervising licensee;
- not entering into or revising a contract or agreement on behalf of a client without the prior approval of a supervising licensee; and
- not making any expenditures, investments, or other dispositions from the client’s reserve fund.

Limited Licence holders should also be aware of other restrictions under the CMSA that are not directly related to condominium financial management.

► Financial controls

In addition to the restrictions outlined in the CMSA, condominium corporations should have financial controls in place to ensure the corporation’s assets are protected and its funds managed appropriately.

These controls can be found in various places. They include:

- the management contract;
- the management provider’s internal controls; and,
- the condominium corporation’s own policies and procedures, which may govern such things as spending of funds, handling cash, spending from the reserve fund, and investment planning.

► Management contract

The Management Contract is an important financial control. It should include the following:

- **Spending Limit:** Most contracts will give the manager spending discretion to cover the condominium’s day-to-day operations. For more information, see “Spending Limits” below;
- **Corporate Fund:** Bank accounts and investments are to be held in the corporation’s name with separate accounts for the operating and reserve funds;
- **Collection of Common Element Fees:** The management provider will be responsible for the collection of common element fees and is authorized to act on arrears as necessary;
- **Recordkeeping:** The manager will maintain the corporation’s books and records and provide regular reports to the Board of Directors, owners, and auditor as necessary;

- **Budgeting:** Preparation and timing of the annual budget should be defined. Typically, the manager will provide the first draft of the annual budget a minimum of 60 days before the end of the fiscal year; and
- **Bonded and Insured:** The contract will usually require that the manager / management provider be bonded and insured to protect the corporation against fraud, theft, or errors and omissions.

► Spending limits

It is common practice to allow managers some level of purchasing authority. This is so that the Board of Directors does not have to be involved in every decision related to the condominium's day-to-day operations. Despite this authority, condominium managers must be mindful that they are spending funds on behalf of their client. They should keep within budgetary allowances and obtain board approval for any discretionary expenses.

For normal expenditures above the discretionary limit, the manager should obtain quotations and present them to the board for their approval. All purchases and contracts should be made in the name of the corporation, and the Board of Directors should sign all contracts.

In an emergency, a manager may require immediate approval of expenses that exceed allowed spending limits. To protect the corporation's assets and the safety of all residents, the management contract will typically allow the manager to take immediate action. However, the manager should inform the board in writing of the expenditure as soon as possible after incurring it.

► Approving and paying for expenses

Prompt payment of invoices is not only a legal requirement, it also helps the manager/condominium client develop good, long-term working relationships with contractors.

That said, to ensure the client's funds are being protected and disbursed appropriately, managers should follow several important approval steps before issuing payment for the purchase of goods and services.

1. Issue a purchase order.

A purchase order acts as a contract between the corporation and the service provider. The purchase order will be issued before any goods or services are purchased to assist with financial and budgetary control. It will help ensure the selected service provider is pre-qualified in terms of having valid WSIB coverage, adequate liability insurance, and any required licensing to complete the work they are hired to do.

2. Match the purchase order to the invoice.

When an invoice is received, match it to the related purchase order. This will ensure the goods or services that were ordered have been invoiced correctly.

3. Verify the goods received or services completed.

A delivery slip should come with all goods received. Managers should check the delivery slip against the invoice purchase order. This will ensure all supplies have been delivered and allow the manager to follow up on any goods that may be missing or on back-order.

For services rendered, the manager should confirm the hours worked (if the contractor is billing hourly) and verify any materials used and invoiced to complete the job. The manager should also review the actual work to confirm that it has been completed satisfactorily.

4. Review the invoice for approval.

The manager should review the invoice to verify the contractor's details and confirm that the amount on the invoice is correct. The review should include all invoice specifics, including pricing (\$/unit), mathematical extensions, and tax calculations. If the contractor is registered for GST/HST, their tax account number must be shown.

In addition to matching the purchase order to the invoice, the manager should also attach to the invoice any quotes, pre-approvals from the Board, delivery slips, or other related documentation.

5. Code the expense to the appropriate general ledger account.

Managers must ensure invoices are being paid from the appropriate fund—Operating or Reserve—and coded properly to the correct general ledger account.

The Operating Fund should be used for daily expenses or repairs and maintenance, while the Reserve Fund is restricted to major repairs or replacements of the common elements of the condominium corporation. The manager should consult the RFS to ensure expenditures from the Reserve Fund are appropriate.

In most cases, the decision of which fund to use is straightforward. However, the board may want to establish a policy to guide the manager and the Reserve Fund Planner in deciding whether the expense is an operating or reserve expense. For example, replacing a single window may not be considered a “major” expense in the way that replacing multiple windows or undertaking a property-wide window replacement project would.

Properly coding expenses to the general ledger account is important to ensure consistency making budget comparisons and analyzing variances. Use of expense accounts should be based on the approved budget unless additional accounts are required to provide the board with more robust information.

6. Approve the invoice.

After verifying that the goods or services were delivered, and that the invoice is correct, the manager should approve the invoice for payment. Where necessary under the CMSA, a Limited Licensee’s supervising manager should also approve the invoice.

7. Verify the payment.

If the payment is made by cheque, verify it against the approved invoice before having an authorized representative of the management company sign the cheque and sending it to the Board for signature.

If payment is being processed electronically, verify the payment details against the approved invoice before issuing payment.

While the manager is authorized through the management agreement to disburse funds on behalf of the corporation, this authority should be subject to specific signing authority arrangements confirmed by resolution of the Board of Directors. Best practice is to require one signature (or approval for electronic payments) from management and one from the Board, although some condominiums prefer an arrangement where two board signatures are required.

The manager will generally set up any recurring payments such as utility invoices on pre-authorized payment. This is to avoid any late payment penalties. (Many management agreements guarantee that the management provider will reimburse the corporation for such penalties.) The manager/management service provider should get advance authority from the board to do this. Alternatively, the terms of this authority should be specified in the management contract.

SECTION 5

Condominium Audits



Annual audit requirements

A new condominium corporation is required to do a “turnover audit.” The turnover audit must be delivered to the corporation by the Declarant within 60 days of the first meeting of the owners (the “turnover meeting”).

After this initial turnover audit, there must be an annual audit. The process begins at the start of each fiscal year and ends with delivery of the audited financial statements approximately five months after year-end. This timing ensures that the statements can be included in the notice for the annual general meeting (AGM).

Manager’s role	Board’s role	Auditor’s role
<p>For the audit, the condominium manager acts as coordinator.</p> <p>The manager must:</p> <ul style="list-style-type: none"> • pay particular attention to the required timelines and notices; • maintain accurate financial records throughout the year; and, • report regularly to the board on the audit progress. <p>The manager is responsible for ensuring that the auditor has access to all the corporation’s records. They must be available to answer the auditor’s questions about the financial status, history of board decisions, and events after year-end.</p> <p>The timelines and typical tasks required to complete the audit are set out in the process map included with this guide.</p>	<p>The board’s main role in the audit process is to approve the completed financial statements. This is set out in Section 66(3) of the Condo Act:</p> <p>“The board shall approve the financial statements before placing them before an annual general meeting. S. 66 (3).”</p> <p>This obligation can be delegated to an audit committee if the board is composed of more than six (6) members.</p> <p>The board must also ensure that the auditor’s role and rights are respected. While the manager acts as the “on-ground” coordinator, the board must oversee the manager. Ultimately, the board is responsible for ensuring the auditor has all the information they need and has access to the owners of the corporation to present the financial statements.</p>	<p>The auditor’s role in the financial management of a condominium corporation is important. The auditor is a third party appointed directly by the owners to provide financial oversight and report to the owners about the corporation’s financial position.</p> <p>In accordance with Section 60 of the Condo Act, the auditor is appointed by the owners at their first owner’s meeting and then again at each subsequent annual general meeting. In some cases, an auditor may be appointed by the courts.</p> <p>Under the Condo Act, there is an exception for small corporations. Sub-section 60(5) allows corporations consisting of fewer than 25 units to dispense with an audit until the next annual general meeting if all owners consent in writing.</p> <p>The owners also set the auditor’s remuneration, or give the board permission to set the remuneration.</p> <p>To fulfil their obligations without conflict of interest, the auditor must be independent of the corporation.</p> <p>The Condo Act gives the auditor other rights, including the right to:</p> <ul style="list-style-type: none"> • receive written notice of appointment; • receive notice of, attend and make written representations at all owners’ meetings (even, or perhaps especially if the meeting is called to remove the auditor); and • access all the corporation’s records. <p>The Board is not empowered to revoke any of these rights for any reason as they are afforded to the auditor through legislation.</p>



What does an Auditor do and when is an audit needed?

As outlined in the Condo Act, every condominium corporation with more than 25 units must have their financial statements audited annually. For condominium corporations with fewer than 25 units, all owners must consent in writing to dispense with the audit or one must be completed. An auditor reviews a corporation’s procedures and records—focusing on high-risk areas of generally accepted accounting principles and Condo Act requirements—to provide an opinion to the owners of the corporation about the accuracy of the financial statements.

► Changing auditors

It can be helpful to a condominium corporation to have a long-term relationship with a reliable auditor. Although the auditor does not report directly to the board or the condominium manager, they can act as a resource, providing support and advice on the often complicated nature of a condominium corporation's financial matters.

But changing auditors is not uncommon.

The decision to change auditors can sometimes be a simple business matter which the board proposes to the owners at the annual general meeting. It is acceptable for the board to express to the owners the reasons why a change in auditors makes sense for the corporation.

Section 65.1 of the Condo Act states that if the **auditor resigns** before completing the audit, the Board of Directors has the authority to select a replacement auditor without a vote of the owners.

Be aware that under these circumstances, the auditor has the right to make written representations about the reasons for the resignation. If the auditor chooses to do so, these representations must be included in the materials for the next owner's meeting.

If the corporation wishes to **remove the auditor**, an owner's meeting must be called for that purpose. The auditor must receive advance notice of the meeting (30 days before giving notice to the owners). The auditor will have the right to make a written response to the owners and to attend the meeting to discuss the proposed removal.

If the owners do remove the auditor, they must appoint a replacement at the same meeting.

Any auditor appointed during the removal process serves only until the next annual general meeting, at which time, the annual auditor selection process restarts.

► The audited financial statements

Section 66(2) of the Condo Act mandates what must be included in the Audited Financial Statements. It states that the financial statements shall include:

- (a) a balance sheet;
- (b) a statement of general operations;
- (c) a statement of changes in financial position;
- (d) a statement of reserve fund operations;
- (e) prescribed information relating to the reserve fund study and the operation of the reserve fund;
- (f) an indication of the aggregate remuneration paid to the directors in that capacity and the aggregate remuneration paid to the officers in that capacity; and
- (g) the additional statements or information that the regulations require.

The statements must also be prepared as prescribed and in accordance with generally accepted accounting principles. For more information, refer to the Accounting, Auditing, and Tax Guidelines for Ontario Condominium Corporations published by the Institute of Chartered Professional Accountants.⁶ The auditor's opinion letter and the



Registrar's Directive:

For the audit, the condominium manager acts as coordinator.

The manager must:

- pay particular attention to the required timelines and notices;
- maintain accurate financial records throughout the year; and
- report regularly to the board on the audit progress.

notes to the financial statements are particularly important. The owners should not overlook these when reviewing the Audited Financial Statements.

The opinion letter describes the auditor’s role, and states the financial statements fairly present the financial position of the corporation. The auditor’s opinion may be “qualified” or “unqualified.” A qualified opinion means that the auditor was not able to satisfy themselves with respect to the accuracy of the financial statements.

The opinion letter may also include comments on areas of non-compliance with the Condo Act that are not material enough to require a qualification but should still be reported to the owners.

The notes to the financial statements will define the corporation, discuss key accounting principles and practices, and describe any matters of additional importance such as insurance claims, litigation, long-term liabilities, and contractual obligations, including any events which occurred after the end of the fiscal year and have a material impact on the corporation’s financial position.



Registrar’s Directive:

A condominium manager is responsible for ensuring that the auditor has access to all the corporation’s records. They must be available to answer the auditor’s questions about the financial status, history of board decisions, and events after year-end.

Refer to the following Appendices for helpful resources related to condominium audits:

- Appendix D
- Appendix E
- Appendix F
- Appendix G
- Appendix H

⁶ [Accounting, Auditing and Tax Guidelines for Ontario Condominium Corporations \(condomadness.info\)](http://condomadness.info)

SECTION 6

Monitoring the Financial Status of the Corporation



Monitoring the operating budget

The statement of operations (or operating income statement) reflects the corporation's revenues and expenses for the current fiscal year. It also provides a comparison of the current year's actual amounts to the current year's budget. This statement should be used to monitor the corporation's spending, review variances to the budget, and project the corporation's financial position.

Budget variances, both positive and negative, in the current month and year-to-date account balances should be reviewed to understand how well the corporation is managing its budget for the current year. The manager should prepare a monthly variance report for the Board of Directors that states any material differences between actual and anticipated results.

To help the board interpret the statement of operations and more accurately determine what was spent in the period, the manager can provide additional transaction detail through supporting documents such as the General Ledger.

For any significant variances, the manager may need to project the impact on the corporation's financial position to year-end. Also, to avoid cash flow or deficit issues, the manager may need to adjust operating decisions that affect future spending.

► Monitoring the corporation's overall financial position

The balance sheet shows the condominium corporation's overall financial position at a specific time—more specifically, the actual date of the report.

The balance sheet includes all assets of the corporation—the physical assets owned by the corporation and any amounts owing to the corporation. It also includes the corporation's liabilities—monies owed by the corporation to third parties.

The difference between the corporation's assets and liabilities is the corporation's **net equity**. The net equity is the amount of money the corporation would have if it converted all its assets into cash and paid all its liabilities. The Condo Act requires

condominium corporations to split the net equity into at least two separate funds—the operating and reserve funds.

To determine the overall financial health of the condominium, managers can look at several different metrics, including cash flow and operating surpluses/deficits.

► Cash flow

As a not-for-profit entity, a condominium corporation employs zero-based budgeting. This means that the corporation collects an equal amount of revenues and expenses, resulting in zero net income/loss (and surplus/deficit).

That said, some amount of surplus is required for the corporation to have adequate cash flows. An adequate cash flow is required for the condominium to continue proper business operations such as paying suppliers and vendors in a timely manner.

Managers should review the cash flow regularly, comparing the amount available in the operating bank account to the total of accounts payable and accrued liabilities. Positive cash flow (more money in the bank than in accounts payable plus accrued liabilities) indicates the corporation can cover its current liabilities. A corporation with a negative cash flow will be challenged to pay its current invoices.



What is an operating income statement and why is it needed?

An operating income statement reports the surplus (or deficit) generated from the corporation's operations, calculated by subtracting operating expenses from revenues. It provides insights into its operational efficiency and budgetary variances of the corporation.

► Operating surpluses and deficits

Income in the form of annual condominium fees is normally collected in 12 equal installments. However, in many cases expenses are not dispersed evenly throughout the year. The corporation may have some prepaid expense obligations, such as insurance premiums, or there may be some months with higher expenses—for example, due to regular variances in utility costs. In addition to expense variations, there might be delays collecting income from delinquent accounts receivable.

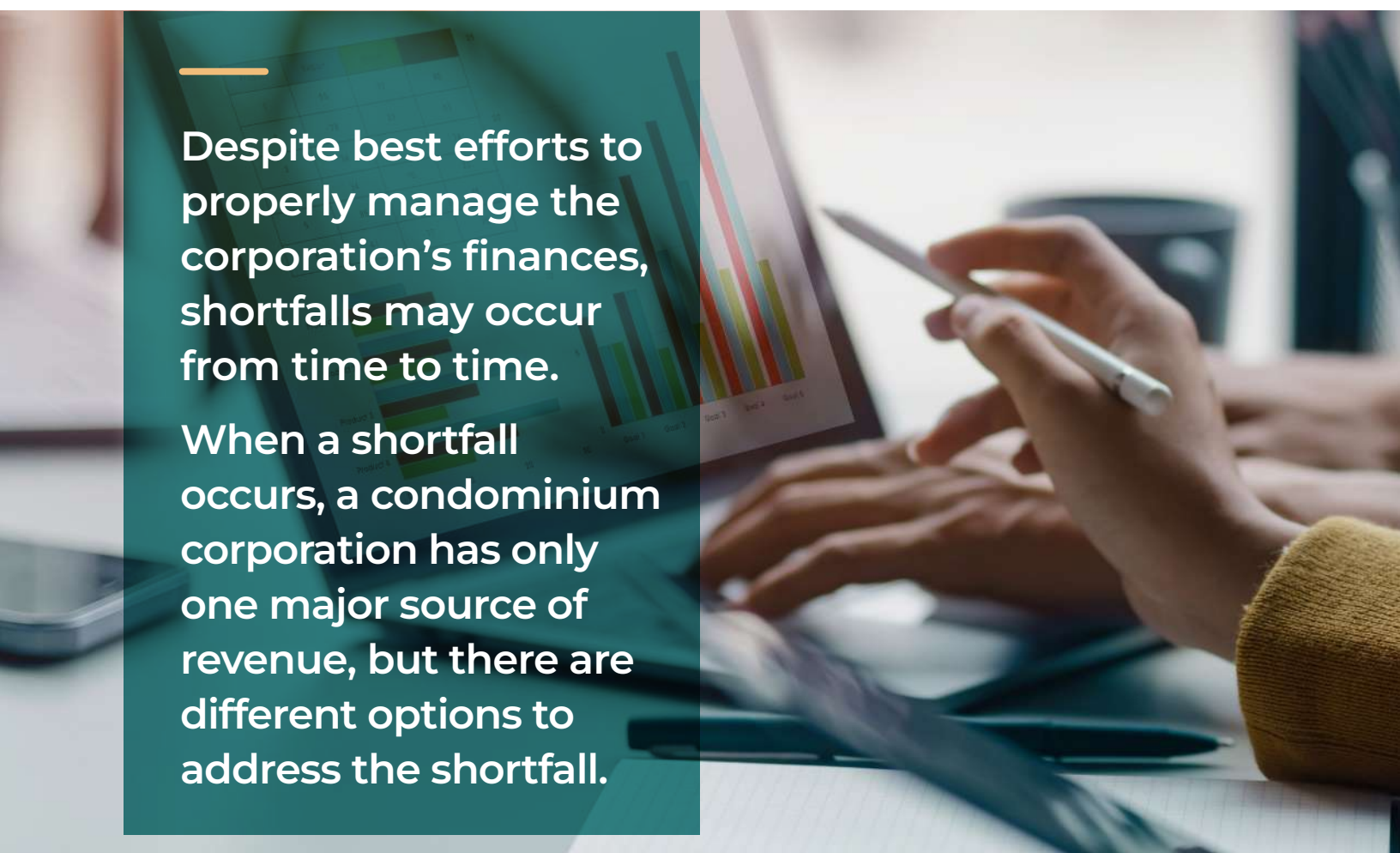
All these situations can lead to cash flow challenges. Therefore, to comfortably manage its cash flow, corporations should maintain an adequate operating surplus, generally enough to cover 1-2 months of expected expenses. Some special circumstances might lead to a corporation carrying a higher or lower surplus, but those circumstances should be clearly defined if applicable.

Despite best efforts to properly manage the corporation's finances, shortfalls may occur from time to time. When a shortfall occurs, a condominium corporation has only one major source of revenue—the unit owners. The different options open to the corporation to address a shortfall are discussed in more detail in the next section.

In rare circumstances, a condominium corporation's surplus may be excessive. If this happens, the corporation has several options available. The corporation can:

- transfer funds to a contingency account or to the reserve fund;
- use the funds for a special project; and/or
- choose to reduce common element assessments or increases for future years; however, boards should be aware that if they are using surplus funds to reduce future common element fees, this only serves to delay the effect of inflation.

One option not available to the corporation is to provide condominium owners with a refund of the surplus amount. This is expressly prohibited through Section 84(2) of the Condo Act.

A photograph showing a person's hands holding a white pen over a laptop. The laptop screen displays a colorful bar chart with several bars of varying heights. The background is slightly blurred, showing what appears to be an office setting with other people and equipment.

Despite best efforts to properly manage the corporation's finances, shortfalls may occur from time to time.

When a shortfall occurs, a condominium corporation has only one major source of revenue, but there are different options to address the shortfall.

► Shortfalls

If there is an actual or anticipated deficit (or shortfall), the condominium corporation may be unable to meet its obligations. To address the shortfall, the corporation will have to consider one or more of the following strategies, which each have pros and cons:



1. Deferring an upcoming capital repair project

If a shortfall occurs because of an upcoming capital repair project, it may be possible to defer the project. This will give the corporation extra time to increase condo fees to pay for the required work.

Key considerations for deferral include:

- whether or not the work can actually be deferred given safety and security considerations;
- cost of deferral, including inflation, mobilization costs associated with phasing, and any urgent repairs the corporation may need to make to be able to safely delay the project;
- the corporation's duty to repair the common elements; and
- the impact of deferral on future condo fees.

It is not best practice to defer regular routine maintenance. Routine maintenance ensures a standard of care for the overall condition of the property and helps delay more costly capital repair projects.



2. Levying a Special Assessment

The Condo Act does not address special assessments. Authority to levy a special assessment is found in the corporation's General Operating Bylaw.

A special assessment is typically referred to as an extraordinary expenditure. The bylaw will specify that the special assessment forms part of the common expenses for the corporation and is therefore collected in the same manner. The bylaw will also identify important details such as notice requirements to owners and method of collection. The corporation does not require the owners' consent to levy a special assessment.

Key considerations for a special assessment include:

- The collective owners' ability to pay a special assessment; and/or
- Interest costs/loan repayments if the owners will be borrowing individually to pay the assessment.

Special assessments are a good way to quickly boost cash flow so the corporation can meet its obligations. However, boards should be reminded that a special assessment does not address any underlying budgetary issues that may have led to the shortfall. In addition to imposing a special levy, the corporation may also need to adjust future budgets.



3. Revising the operating budget

Revised budgets are most often used when there is a need to increase the budget outside of the regular cycle. This might be due to a recurring expense that was not considered in the budget process but that would have a significant impact on the corporation's financial position if immediate adjustments were not made.

Revised budgets can be complicated to communicate to owners. The percentage increase in condo fees will not match the overall percentage increase in the budget since the amount of any increase must be prorated to the time that the revised budget will be in place.



4. Taking out a loan

A commercial loan can provide an injection of cash to allow the condominium corporation more time to spread costs out further into the future. This may allow the corporation to recover its financial position without having to levy a special assessment or defer any necessary work.

However, a loan will not eliminate or reduce a deficit. Because a loan must be repaid in the future, it is a financial liability to the corporation, not a source of revenue. To repay the loan, the corporation will still require increased revenue in the form of contributions from the owners.

Implementing a loan is unique and fact-specific for every condominium corporation. A condominium corporation should therefore obtain advice from its legal counsel and the proposed lender.

If a corporation is considering a loan, it must pass a borrowing bylaw. This is required by Section 56(3) of the Condo Act.

“A corporation shall not borrow money for expenditures not listed in the budget for the current fiscal year unless it has passed a bylaw under clause (1) (e) specifically to authorize the borrowing. S. 56 (3).”

This requirement applies no matter how the corporation is conducting the borrowing. (For example, contractor payment plans are not exempt.)

Ultimately, a financial shortfall can be a contentious issue for the owners of the corporation, especially if the shortfall is significant. Because of this, best practices include:

- completing due diligence by considering all the possible options;
- comparing both the short- and long-term impact on the condo fees; and
- consulting the owners with respect to the right solution, regardless of whether there is a legal obligation under the Condo Act to do so.

A condominium corporation should share in writing all available information with the owners, ideally at an owners’ meeting. This promotes transparency and allows for effective communication and feedback.

Finally, a condominium corporation must also consider disclosure about any shortfall in the status certificate of the corporation. A condominium manager must advise their client of this requirement and ensure that the status certificate is updated based on board direction. It is appropriate to seek advice from the corporation’s lawyer on the wording for the status certificate.



Registrar’s Directive:

A condominium manager must advise their client of this requirement and ensure that the status certificate is updated based on board direction.

► Investments

Managers should review investments regularly. They should flag upcoming maturity dates to the Board of Directors so the board can make timely decisions on re-investing or cashing out investments.

Managers should also advise the board of any excess cash balances so the corporation can take advantage of opportunities to invest and earn additional interest revenue for the condominium.

Managers must recognize that it is not their role to provide the Board with investment advice. Rather, they are to bring to the board's attention the need to obtain professional advice from a qualified investment advisor so the board can make an informed decision on how to address maturities/excess available cash.

It is reasonable, however, to expect managers to remind the board of the Condo Act requirements respecting investments.

These include:

- operating investments must be convertible to cash within 90 days;
- all investments must meet the definition of an “eligible security” under section 115(5) of the Condo Act; and
- reserve funds must not be invested unless the corporation has a written investment plan.

Also bear in mind that all investment decisions must be balanced against the need for future cash, particularly for large reserve fund projects.



Registrar's Directive:

It is not the responsibility of a condominium manager to provide investment advice. Instead, they should advise the board to obtain professional advice from a qualified investment advisor.

► Monitoring reserve fund spending and balance relative to the RFS

The manager should regularly review the net equity balance in the reserve fund and compare this balance to the most recent reserve fund study. This will allow the manager and the board to determine if the corporation is reasonably close to the balance estimated in the study.

Variations can occur for many reasons. The most common is a difference in timing between the repairs and replacements anticipated in the study and the actual date of the repairs or replacements. There may also be unexpected inflationary costs related to repairs/replacements, or interest income that was anticipated in the reserve fund study has not been realized.

If there is a significant difference between the reserve fund equity and the balance expected in the reserve fund study, the corporation may need to assess the adequacy of the reserve fund and create a plan to ensure future contributions will cover the repairs/replacements set out in the reserve fund study. This could include more frequent updates to the Reserve Fund Study than the minimum three-year requirement.

► Keeping the board informed

Pursuant to the management agreement, managers should keep the Board of Directors up to date on the corporation's financial status. Every month, managers should provide the board with a detailed financial statement. At a minimum, the financial statements should include:

- a balance sheet;
- an operating income statement / statement of operations; and
- a statement of reserve fund.

The monthly package should also typically include supporting schedules and reports, such as:

- bank statements and bank reconciliations;
- schedules of accounts receivable and accounts payable;
- a schedule of accrued liabilities;
- general ledger details;
- cheque registers; and
- monthly variance report detailing material differences between actual vs. budgeted expenses.



Managers must recognize that it is not their role to provide the Board with investment advice.

Rather, they are to bring to the board's attention the need to obtain professional advice from a qualified investment advisor so the Board can make an informed decision.

SECTION 7

Appendices



Appendix A:

List of Common Income and Expense Categories

Operating Fund - Category/Account Name

REVENUES

Common element fees/condo fees	\$ -
Antenna income	\$ -
Cable TV income	\$ -
Garage remotes income	\$ -
Garbage rebate	\$ -
Guest suite rental income	\$ -
Interest income	\$ -
Late fees and interest	\$ -
Laundry income	\$ -
Locker rentals	\$ -
Meeting room income	\$ -
NSF income	\$ -
Other income	\$ -
Parking rentals	\$ -
Party room income	\$ -
Special assessment income	\$ -
TOTAL REVENUES	\$ -

EXPENSES

ADMINISTRATION	
AGM and meetings	\$ -
Audit	\$ -
Bank charges	\$ -
Board of Directors education	\$ -
CAO fees	\$ -
CCI membership	\$ -
Legal	\$ -
Management fees	\$ -
Office	\$ -
Website	\$ -
TOTAL ADMINISTRATION	\$ -

CONTRACTS	
Cleaning/janitorial	\$ -
Elevator	\$ -
Fire protection	\$ -
Fitness equipment	\$ -
Garage	\$ -
Garbage disposal	\$ -
Garbage equipment	\$ -
HVAC	\$ -
Hydrant maintenance	\$ -
Landscaping and snow removal	\$ -
Landscaping	\$ -
Mechanical	\$ -
Pest control	\$ -
Pool	\$ -
Preventative maintenance	\$ -
Security service	\$ -
Snow removal	\$ -
Superintendent services	\$ -
Tree maintenance	\$ -
Window cleaning	\$ -
TOTAL CONTRACTS	\$ -

INSURANCE	
Insurance	\$ -
Insurance appraisal	\$ -
Insurance deductible	\$ -
TOTAL INSURANCE	\$ -

PAYROLL	
CPP expense	\$ -
EI expense	\$ -
EHT benefits	\$ -
WSIB benefits	\$ -
Health benefits	\$ -
Payroll processing	\$ -
Rent allowance	\$ -
Wages	\$ -
TOTAL PAYROLL	\$ -

REPAIRS AND MAINTENANCE	
Access card system	\$ -
Alarms	\$ -
Balconies	\$ -
Barbeque	\$ -
Basement	\$ -
Boilers	\$ -
Brick	\$ -
Cameras	\$ -
Carpet cleaning	\$ -
Carpets	\$ -
Catch basins	\$ -
Caulking	\$ -
Ceilings	\$ -
Chimney	\$ -
Common areas	\$ -
Compactor	\$ -
Concrete	\$ -
Curbs	\$ -
Decks	\$ -
Doors	\$ -
Drains/stacks	\$ -
Driveways	\$ -
Dryer vent cleaning	\$ -
Duct cleaning	\$ -
Eaves cleaning	\$ -
Eaves	\$ -
Electrical	\$ -
Elevator	\$ -
EV charging station	\$ -
Exercise equipment	\$ -
Exercise room	\$ -
Fancoil	\$ -
Fans	\$ -
Fence	\$ -
Fire protection system	\$ -
Fireplace	\$ -
Floors	\$ -
Foundation	\$ -
Fountain	\$ -
Garage cleaning	\$ -

Garage door	\$ -
Garage fire suppression	\$ -
Garage	\$ -
Garage ramp	\$ -
Garbage bins/chutes	\$ -
Gates	\$ -
General building	\$ -
Generator	\$ -
Guest suite	\$ -
Heat pump/exchanger	\$ -
Hot water tank	\$ -
HVAC	\$ -
Hydrant	\$ -
Irrigation system	\$ -
Landscape	\$ -
Laundry equipment	\$ -
Laundry room	\$ -
Lighting	\$ -
Lobby	\$ -
Locks	\$ -
Masonry	\$ -
Mechanical	\$ -
Painting	\$ -
Party room	\$ -
Patios	\$ -
Paving	\$ -
Playground	\$ -
Plumbing	\$ -
Pool	\$ -
Power cleaning	\$ -
Recreation centre	\$ -
Retaining wall	\$ -
Risers	\$ -
Roads	\$ -
Roof anchors	\$ -
Roof	\$ -
Safety equipment	\$ -
Salting and sanding	\$ -
Sauna	\$ -
Security system	\$ -
Sewers	\$ -

Sidewalks	\$ -
Siding	\$ -
Signs	\$ -
Skylight	\$ -
Smoke detectors	\$ -
Stairs	\$ -
Stucco	\$ -
Sump pump	\$ -
Superintendent suite	\$ -
Tennis court	\$ -
Tree	\$ -
Vents	\$ -
Watermain	\$ -
Waterproofing	\$ -
Wheelchair ramp	\$ -
Whirlpool	\$ -
Window cleaning	\$ -
Window	\$ -
TOTAL REPAIRS AND MAINTENANCE	\$ -

SUPPLIES	
Cleaning	\$ -
Electrical	\$ -
Filters	\$ -
General	\$ -
Hardware	\$ -
Lighting	\$ -
Paint and stain	\$ -
Plumbing	\$ -
Pool/whirlpool	\$ -
Recreation centre	\$ -
Salt	\$ -
Stationary/office	\$ -
TOTAL SUPPLIES	\$ -

UTILITIES	
Cable	\$ -
Energy and water reporting and benchmarking	\$ -
Enterphone	\$ -
Gas	\$ -
Geothermal	\$ -
Hydro	\$ -
Hydro and water	\$ -
Internet	\$ -
Telephone	\$ -
Water	\$ -
Water and sewer	\$ -
TOTAL UTILITIES	\$ -

OTHER EXPENSES	
Auto expenses	\$ -
Carpet rentals	\$ -
Contingency	\$ -
Deficit recovery	\$ -
Equipment rentals/leases	\$ -
Miscellaneous expenses	\$ -
TOTAL OTHER EXPENSES	\$ -

SHARED FACILITIES	
Amenities contributions	
Common services	
TOTAL SHARED FACILITIES	\$ -

TRANSFERS	
Reserve transfer	
Reserve transfer reciprocal contribution	
Reserve transfer special assessments	
TOTAL TRANSFERS	\$ -

TOTAL EXPENSES	\$ -
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Reserve Fund - Category / Account Name

RESERVE INCOME	
Reserve transfer income	\$ -
Reserve special assessment	\$ -
Reserve interest income	\$ -
Reserve additional contributions	\$ -
Reserve shared facilities income	\$ -
TOTAL RESERVE INCOME	\$ -

RESERVE EXPENSES	
Refer to the Reserve Fund Study	
TOTAL RESERVE EXPENSES	\$ -

Appendix B:

Checklist: What to Include in a Budget Presentation

This checklist identifies essential items to provide to the Board of Directors so they can easily understand and approve the budget.

Item	Notes	✓
Financial statements	<ul style="list-style-type: none"> • Current and historical. At a minimum, include the prior year for comparison purposes. • Explain any significant variances between the previous year's budget and current YTD budget. 	
Current operating budget	<ul style="list-style-type: none"> • Include a detailed breakdown of all operating expenses. 	
Current expenses	<ul style="list-style-type: none"> • Project expenses to the end of the current fiscal year. • Explain any significant projected variances to the end of the current fiscal year. 	
Draft operating budget	<ul style="list-style-type: none"> • Include detailed budget notes and breakdown of proposed budget items. • Include any charts, graphs, or other visuals that may help the board review the proposed budget. • Include handouts of key budget figures and summaries for board members. 	
Proposed condominium fee schedule	<ul style="list-style-type: none"> • Based on the proposed first draft of the budget. 	
Utility consumption data	<ul style="list-style-type: none"> • Include the previous 3-5 years to confirm proposed utility budgets. 	
Copy of the latest Reserve Fund Study (RFS)		
Reserve fund budget	<ul style="list-style-type: none"> • Include a detailed breakdown of reserve fund contributions and any planned major repairs or replacements. • Explain any changes or adjustments to the reserve fund allocation. 	
Overview of any planned capital projects	<ul style="list-style-type: none"> • Include cost estimates for each project and timeline to complete each project. 	
Contingency fund allocation (if applicable)	<ul style="list-style-type: none"> • This is for unexpected or emergency expenses. • Include an explanation of the rationale behind the proposed contingency fund amount. 	
Explanation of Any Proposed Special Assessments		
Assessment of potential financial risks	<ul style="list-style-type: none"> • Include inflationary pressures and planned strategies for mitigating identified risks. 	
Timelines	<ul style="list-style-type: none"> • Include timeline for board to review and finalize budget. • Allow sufficient time to make any changes based on board feedback. 	
Proposed communication plan	<ul style="list-style-type: none"> • For sharing budget information with condominium owners. 	

Appendix C:

Chargeback Process: Investigation, Remediation and Compensation for Repairs and Maintenance

1. **Document the incident** and preserve any evidence.
2. **Advise the owner** in writing that a chargeback *may* be appropriate.
3. **Determine if the matter is an insurance claim.** (Note: the insurance claim process is not covered in this resource.)
4. **Determine if a chargeback is appropriate**, and if so, under what authority.
5. **Report to the board and obtain chargeback instructions.**
 - Include a due date for payment. If the amount is to be collected as a common expense, the payment due date is important for determining collection action.
 - Set reminders to ensure the lien process or other next steps are started if the owner does not pay.
6. **Confirm the chargeback in writing with the owner.** Include the following information:

Reason(s): State the reason(s) for the chargeback and include the date of the incident. (For example, “*dog created a mess in the lobby on January 10; this is a rules violation as was set out in management’s letter of January 11*”);

Authority: Cite the sections of the Condo Act, the Declaration, and/or the bylaws that authorize the corporation to charge back the costs. Ideally include the authority’s precise wording and photos/screenshots, and/or provide links (for example, link to the [Condo Act](#));

For a summary of the valid reasons for chargebacks, visit the Chargebacks page on the [CAO website](#).

Proof: Attach the supporting invoices (for example, a cleaning invoice);

Amount: State the total amount the owner must pay. If there are multiple invoices, use a table or list to clearly show the cost breakdown;

Date: Set a deadline for payment; and

Consequences: State the consequences for failure to pay. (For example, “*Failure to pay by the deadline date will result in this matter being sent to the condominium’s lawyers for collection under the Condominium Act, including through a lien if necessary.*”)

If, at any stage, a manager has any questions about this process, they should contact the corporation’s lawyer. The lawyer can advise on the validity of the chargeback and any additional steps the corporation may need to take to collect the money.

Appendix D:

The Annual Audit: Month-by-Month Process

Month	Activities and Notes
1	<p>Financial statements: Receive and review unaudited year-end financial statements.</p> <p>Auditor: Advise the auditor that the financial statements are ready; receive engagement letter from the auditor and co-ordinate board signature.</p> <p>Annual general meeting: Consult with the board to schedule the AGM.</p>
2	<p>Coordinate with auditor: Give the auditor all records of the corporation as required. A standard “audit package” should include:</p> <ul style="list-style-type: none"> • the year-end trial balance; • general ledger for the year; • copies of the minutes of all board meetings for the year, and after year end; • list of invoices and payments after year end; • copies of all bank and investment statements; • all unaudited financial statements for the year; • copies of all utility bills; • copies of all contracts; and • any other information the auditor requests.
3	<p>Audit field work: Manager to answer any questions from the auditor.</p>
4	<p>Audited financial statements: Receive and review draft Audited Financial Statements and present to the board approval.</p>
5	<p>Finalize audit: The board will need to sign:</p> <ul style="list-style-type: none"> • the draft statements; • a clean balance sheet; • the adjusting journal entries; and • a letter of representation.
6	<p>Annual general meeting: Hold AGM and present the Audited Financial Statements.</p> <ul style="list-style-type: none"> • Include the Audited Financial in the AGM package. • Update the Status Certificate with the current statements. • Ensure auditor receives notice of the AGM. <p>Tax returns: Ensure auditor has filed all required tax returns.</p> <p>Journal entries: Ensure all adjusting journal entries have been recorded.</p>
7	<p>Auditor appointment: Advise auditor of their appointment.</p> <p>Audit records: Ensure audit records are appropriately filed.</p>
12	<p>Prepare for next audit.</p> <ul style="list-style-type: none"> • Complete the year-end unaudited financial statements. • Verify all receivables and accruals/payables, and document reasons for major variances.

Appendix E:

List of Common Examples of Breaches to the Condo Act Included in Auditor's Reports

This list identifies some of the common deficiencies reported in audit reports. Auditors have an obligation to report contravention of the Condo Act in accordance with Section 67(5).

DEFICIENCY	RELEVANT SECTION OF CONDO ACT
No reserve bank account	<p>S. 115 (2) of the Condo Act requires that:</p> <p>A corporation shall maintain one or more accounts in its name designated as general accounts and one or more accounts in its name designated as reserve fund accounts.</p>
Bank/investment accounts not solely in name of corporation	<p>S. 115 (2) of the Condo Act requires that:</p> <p>A corporation shall maintain one or more accounts in its name designated as general accounts and one or more accounts in its name designated as reserve fund accounts.</p>
Ineligible investments	<p>S. 115 (5) of the Condo Act defines eligible investments as:</p> <p>“eligible security” means a bond, debenture, guaranteed investment certificate, deposit receipt, deposit note, certificate of deposit, term deposit or other similar instrument that,</p> <p>(a) is issued or guaranteed by the government of Canada or the government of any province of Canada,</p> <p>(b) is issued by an institution located in Ontario insured by the Canada Deposit Insurance Corporation or the Financial Services Regulatory Authority of Ontario, or</p> <p>(c) is a security of a prescribed class.</p> <p>Additionally, S. 115 (6) requires that Operating investments must be convertible to cash within 90 days following a request by the board.</p>
Deficient reserve cash/investments	<p>S. 115 (4) of the Condo Act requires that:</p> <p>Subject to subsections (6) and (7), the person who receives money on behalf of or for the benefit of the corporation shall pay the money, together with interest and other proceeds earned from investing it, into,</p> <p>(a) a general account of the corporation, if the money was not received as contributions from owners to the reserve fund; or</p> <p>(b) a reserve fund account of the corporation, if the money was received as contributions from owners to the reserve fund.</p>
No investment plan	<p>S. 115 (8) of the Condo Act requires that:</p> <p>Before investing any part of the money in the corporation's reserve fund accounts, the board shall develop an investment plan based on the anticipated cash requirements of the reserve fund as set out in the most recent reserve fund study.</p>

<p>No [or late] notice of future funding of the reserve fund</p>	<p>S. 31 (2 & 3) of Ontario Regulation 48/01 requires that:</p> <p>The reserve fund study that subsection 94 (4) of the Act requires a corporation created on or after the day section 94 of the Act comes into force to conduct within the year following the registration of the declaration and description shall be a comprehensive study.</p> <p>A corporation shall conduct a reserve fund study within three years of completing the reserve fund study that it is required to conduct under subsection (1) or (2), as the case may be, and after that, within every three years after completing the immediately preceding reserve fund study.</p> <p>S. 94 (8) & (9) of the Condo Act require that:</p> <p>Within 120 days of receiving a reserve fund study, the board shall review it and propose a plan for the future funding of the reserve fund that the board determines will ensure that, within a prescribed period of time and in accordance with the prescribed requirements, the fund will be adequate for the purpose for which it was established.</p> <p>Within 15 days of proposing a plan, the board shall,</p> <p>(a) send to the owners a notice containing a summary of the study, a summary of the proposed plan and a statement indicating the areas, if any, in which the proposed plan differs from the study; and</p> <p>(b) send to the auditor a copy of the study, a copy of the proposed plan and a copy of the notice sent to the owners under clause (a).</p>
<p>Not following notice of future funding of the reserve fund</p>	<p>S. 94 (10) of the Condo Act requires that:</p> <p>The board shall implement the proposed plan after the expiration of 30 days following the day on which the board complies with subsection (9).</p>
<p>Ineligible reserve expense</p>	<p>S. 93 (2) of the Condo Act requires that:</p> <p>A reserve fund shall be used solely for the purpose of major repair and replacement of the common elements and assets of the corporation.</p>
<p>Alternative or inadequate reserve funding plan</p>	<p>S. 94 (8) of the Condo Act requires that:</p> <p>Within 120 days of receiving a reserve fund study, the board shall review it and propose a plan for the future funding of the reserve fund that the board determines will ensure that, within a prescribed period of time and in accordance with the prescribed requirements, the fund will be adequate for the purpose for which it was established.</p> <p>S. 94 (9) of the Condo Act requires that:</p> <p>Within 15 days of proposing a plan, the board shall,</p> <p>(a) send to the owners a notice containing a summary of the study, a summary of the proposed plan and a statement indicating the areas, if any, in which the proposed plan differs from the study; and</p> <p>(b) send to the auditor a copy of the study, a copy of the proposed plan and a copy of the notice sent to the owners</p>

Appendix F:

Appointment of Auditor: Process and Relevant Sections of the Condominium Act

1. Auditor appointed by owners at Annual General Meeting

Appointment of auditor

At their first meeting, the owners shall appoint one or more persons qualified to be auditors to hold office as auditors until the close of the next annual general meeting and, if the owners do not do so, the board shall make the necessary appointments as expeditiously as possible. S. 60 (1).

Remuneration

The remuneration of an auditor shall be fixed,

- (a) by the owners if the auditor is appointed by the owners; or
- (b) by the board if authorized by the owners to do so or if the auditor is appointed by the board. S. 62.

2. Corporation provides notice to auditor of appointment

Notice of appointment

The corporation shall give notice in writing to an auditor of the appointment immediately after the appointment is made. S. 60 (4).

3. Auditor completes the audit for fiscal year

4. Board approves the Audited Financial Statements

5. Corporation serves notice of Annual General Meeting (may include proposed change in auditor)

Delivery of statements

The board shall place before each annual general meeting:

- (a) the financial statements as approved by the board;
- (b) the auditor's report; and
- (c) all further information respecting the financial position of the corporation that the bylaws of the corporation require. S. 69 (1).

Copy with notice of meeting

The corporation shall attach to the notice of the annual general meeting a copy of the financial statements and the auditor's report. S. 69 (2).

6. Auditor reports to owners at Annual General meeting

Notice of meetings

The corporation shall give the auditor notice of all meetings of owners and all other communications relating to the meetings that the owners are entitled to receive. S. 70 (2).

Right to attend meeting

The auditor is entitled to attend a meeting of owners and to be heard on any part of the business of the meeting that concerns the office of the auditor. S. 70 (1).

Remuneration for attendance

If an auditor or a former auditor is required to attend a meeting of owners, the corporation shall compensate the auditor or former auditor, as the case may be, for expenses and pay the reasonable remuneration that it deems appropriate. S. 70 (5).

Duty to answer questions

At a meeting of owners, the auditor or former auditor, as the case may be, if present, shall answer inquiries concerning the basis upon which the person formed the opinion stated in the person's reports. S. 70 (6).

7. Auditor is either re-elected or replaced by majority vote of owners in attendance

At each annual general meeting, the owners shall appoint one or more persons qualified to be auditors to hold office as auditors until the close of the next annual general meeting and, if the owners do not do so, the auditor in office continues in office until a successor is appointed. S. 60 (2).

Appendix G:

Auditor Resignation: Process and Relevant Sections of the Condo Act

1. Auditor resigns before completing the financial statements

A resignation of an auditor becomes effective at the time a written resignation is delivered to the corporation or at the time specified in the resignation, whichever is later. S. 64 (1).

2. Auditor may provide written representations

In a resignation, the auditor may make written representations to the corporation concerning the resignation and in that case the corporation shall attach a copy of the representations to the notice of the next meeting of owners. S. 64 (2).

3. Board appoints replacement Auditor

If a vacancy arises in the office of auditor, the directors may appoint any person qualified to be an auditor to hold office as auditor to fill the vacancy. S. 65 (1).

4. Corporation serves notice of Annual General Meeting (including information about new auditor appointment)

Delivery of statements

The board shall place before each annual general meeting:

- (a) the financial statements as approved by the board;
- (b) the auditor's report; and
- (c) all further information respecting the financial position of the corporation that the by-laws of the corporation require. S. 69 (1).

Copy with notice of meeting

The corporation shall attach to the notice of the annual general meeting a copy of the financial statements and the auditor's report. S. 69 (2).

Appendix H:

Auditor Removal: Process and Relevant Sections of the Condo Act

1. Board wishes to propose the removal of the auditor to the owners

The owners may remove an auditor before the expiration of the auditor's term of office at a meeting duly called for that purpose. S. 63 (1).

2. Notice is given to Auditor

Notice to auditors

At least 30 days before giving the owners notice of a meeting for the purpose of removing an auditor, the person calling the meeting shall give to the auditor:

- (a) written notice of the intention to call the meeting, specifying the date on which the notice of the meeting is proposed to be mailed;
- (b) a statement of the name of the auditor who is proposed to be removed and the reasons for the removal; and
- (c) a copy of all material proposed to be sent to the owners in connection with the meeting. S. 63 (4).

3. Auditor may make representations

Right to make representations

An auditor may make written representations to the corporation concerning the proposed removal of the auditor or the appointment of another person to fill the office of auditor. S. 63 (5).

Method

In order to make representations under subsection (5), an auditor shall send them to the person calling the meeting at least three days before the mailing of the notice of the meeting. S. 63 (6).

4. Corporation gives notice of meeting to owners

The person calling the meeting shall, at the expense of the corporation, include in the notice of the meeting:

- (a) a statement of the name of the auditor who is proposed to be removed and the reasons for the removal; and
- (b) a copy of all representations received. S. 63 (7).

5. Auditor has a right to attend meeting

The auditor is entitled to attend a meeting of owners and to be heard on any part of the business of the meeting that concerns the office of the auditor. S. 70 (1).

6. If Auditor is removed

If the owners remove an auditor under subsection (1), they shall, at the same meeting, appoint a person qualified to be an auditor to act as auditor for the remainder of the term of the auditor who was removed. S. 63 (2).



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