
Condo Smarts

Headline: Can we refund an operating budget Surplus to owners?

Topic: Budget, Surplus

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Dear Tony: Our strata corporation was left with a \$125,000 surplus at the end of the year. In addition to the annual budget, we authorized contingency funds to be used for the repair of several roofs, which was transferred to the operating fund. Because of construction delays, a decision to not have our windows cleaned, and the termination of the caretaker we saved \$45,000 from the operating and \$80,000 from the roof repairs. Several owners have requested we refund the surplus to help offset the inflationary costs we are all experiencing. Is this possible?

Glenda W. Vancouver Island

Dear Glenda: Technically a strata corporation does not refund a surplus to owners; however, it may carry the surplus over to the next fiscal year essentially reducing strata fees for the next year.

There is however a technical problem with your accounting, and this is a common error we find across the province. When a strata corporation approves an amount to be spent from the contingency fund, as in your situation \$80,000 for roofing, the amount is expended from that fund and any unspent amount remains in the contingency fund. Strata corporations do not transfer authorized contingency expenses into the operating fund. The contingency fund is accounted for separately, shows the opening balance each year, the details of expenses, any revenues such as strata fees or interest, and the closing amount.

The contingency balance is not refunded back to the owners, with the one rare exception where a strata corporation has been sold and is part of a wind up. You only have a surplus of \$45,000 and beginning Nov 1st, when all contingency contributions must be 10% of the operating budget, this will become even more important to avoid as the contribution would be influenced by a

CRF amount if it was part of the budget. When a strata corporation is left with a surplus, the corporation has several options. You may carry that amount over as revenue to the next year to offset strata fees, it can be deposited to the reserve fund, it can simply be retained as an operating surplus but there is no authority to otherwise spend it, or it may be applied to any other project requiring a 3/4 vote at a general meeting. The one caution of carrying over the surplus to the next year is the following year after the surplus is used may have dramatic increases in strata fees for owners. If your strata corporation has a deficit at the end of the year, the amount must be paid by the corporation in the next annual budget by some method. Try to plan your financial needs to meet the major expenses over the next 5-10 years. You will find there is never enough in the contingency fund.