

MANAGING CONDOMINIUM CORPORATION FUNDS

Purpose: To explain the requirements that condominium managers must follow in handling and accounting for condominium corporation funds under their management.

This Information Bulletin applies to condominium manager brokerages, brokers, associate brokers, associates and condominium corporation board members.

Who holds condominium corporation funds?

This is normally decided when the service agreement is negotiated between a condominium management brokerage and the condominium corporation. There are two choices:

- **Corporation Bank Accounts** - Funds are maintained in the condominium corporation's own bank accounts. The signing authority on these accounts can be members of the board, the condominium manager and other brokerage staff, or any combination. The brokerage cannot be the sole signing authority on corporation bank accounts unless authorized in the service agreement. When funds are maintained in a condominium corporation's own accounts, RECA does not require the brokerage to have annual audits done on those accounts. However, RECA's Practice Review department will review the procedures used by the brokerage in the management of these accounts.
- **Brokerage Trust Accounts** - Funds are held in trust by the condominium management brokerage. The signing authority on these accounts will be the broker and any employees of the brokerage that the broker designates. Brokerages are required to submit audits of trust accounts annually to RECA. RECA's Practice Review department will also review the procedures used to manage these accounts.

Regardless of which arrangement is in place, condominium corporations are still required to have their own financial audits completed, separate from the RECA requirements.

Automatic payment of unit owner contributions

Condominium management brokerages usually collect the monthly contributions of unit owners. This is typically done through Electronic Fund Transfers (EFTs). Depending on the banking institution being used, payments by unit owners can be deposited by EFT directly into the account the funds are intended for, or the funds can go through a pooled EFT account and then transferred to the applicable account. A benefit of a pooled EFT account is that one EFT account can be used to collect and transfer funds for many condominium corporations. The benefit to condominium corporations of a brokerage using pooled EFT accounts is that fewer bank charges result, which means lower expenses to the corporations. Should contributions be collected through a pooled EFT account, the funds must be transferred to the appropriate condominium corporation account within three business days.

A brokerage cannot use a pooled EFT account to process contributions for more than one condominium corporation unless the brokerage has written authorization in the form of a board resolution from each condominium corporation whose funds will be processed through the pooled EFT account.

General Handling of Corporation Funds

Condominium management brokerages are required to follow the same practices, regardless of whether funds are held in brokerage trust accounts or the condominium corporation's own bank accounts. The main requirements are:

- There must be different accounts for each condominium corporation
- Contributions collected are deposited to the operations account and the portion for the reserve fund is later transferred to the reserve fund account
- Operations funds and reserve funds cannot be comingled
- Special levy money collected can be deposited to the reserve fund account, the operations account, or a special levy account, depending on what the funds are to be used for and how soon the funds will be spent
- Brokerages must keep separate records for each condominium corporation
- Brokerages are required to maintain records of all cheques, electronic transfers, and void cheques
- The brokerage must provide written receipts when owners provide cash

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Accounting Standards

GAAP (Generally Accepted Accounting Principles) is the standard for condominium management brokerages providing financial services to condominium corporations. Brokerages are expected to apply the GAAP standards in their handling of condominium corporation funds and financial reporting. It is also the standard expected when the annual financial statements of the condominium corporation are prepared and audited.

Investment of Corporation Funds

Condominium management brokerages may be involved in investing condominium corporation funds. This would typically be funds designated as reserve funds, which are usually held for longer periods of time than operating funds. Authority for a brokerage to invest funds on behalf of the condominium corporation must be in writing, either through the service agreement or another document. The investments are subject to the restrictions that apply under the *Condominium Property Act*.

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Related Information

[Real Estate Act Rules – 82 to 92, 110.24, 110.25, 110.26, 110.27, 110.28](#)

[Condominium Property Act – 43, 43.1](#)

[Condominium Property Regulation – 31.1, Schedule 2](#)