



# **WORKING WITH DYSFUNCTIONAL & FUNCTIONAL BOARDS**

This course is approved by the DBPR Council of Community Association Managers, for 4 hours of continuing education credit in the area of:  
**HUMAN RESOURCES**

Gold Coast Professional Schools, Inc Provider #000842  
Correspondence Course Approval # 9625375  
Classroom Course Approval # 9625374

## **Introduction**

This Human Resource Course discusses the functions of community associations, and defines the roles of the board of directors and officers. The primary focus is on important characteristics that directors and officers require to function effectively. The course examines, through examples, what occurs when these traits are missing. It is designed to improve manager skills so that they can assist their boards & officers in overcoming their deficiencies.

While this course discusses certain general aspects of boards & community association, the emphasis is on the manager to think through exercises and determine ways to improve community association functions. We use hypothetical boards to illustrate certain problems and issues. While we provide suggested strategies and answers, managers should keep in mind that they may have ideas and solutions as workable as those we suggest.

The course materials are equally applicable to condominiums, cooperatives, timeshares, homeowners associations, and mobile homes. The course is not designed to provide a specific strategy for any one association, but, rather, to help the manager and board by providing sufficient information to make informed decisions for their associations.

Some of the information presented in this course may not apply to every community association. However, the DBPR requires that community association managers be familiar with the laws and rules governing all types of associations. Further, by doing so, a manager may find him or herself more qualified to advance within the community association management profession.

Thank you for choosing Gold Coast Professional Schools. It is our objective to provide you with the best possible course and materials. If you have any questions or comments about this course, or about any other courses or materials, please contact us at 1-800-732-9140, or by writing to:

Gold Coast Professional Schools  
Attention: Director, Community Association Management Program  
5600 Hiatus Road  
Tamarac, Florida 33321  
E-mail: [progers@goldcoastschools.com](mailto:progers@goldcoastschools.com)

**Table of Contents**

Overview ..... 207

Functions of a Community Association ..... 208

Roles of Board, Officers & Manager ..... 209

    Board of Directors ..... 209

    Officers ..... 213

        President ..... 214

        Vice President ..... 214

        Secretary ..... 215

        Treasurer ..... 215

    Community Association Manager ..... 215

Role of the Owners ..... 217

Important Characteristics for Board Functioning ..... 218

    Leadership & Vision ..... 218

    Ethics ..... 219

    Roles & Responsibilities ..... 219

    Budget & Finance ..... 219

    Meetings ..... 220

    Rules & Procedures ..... 221

Important Traits for Managers ..... 222

Exercises – Dysfunctional boards, officers  
    &/or manager and effect on community association ..... 223

Summary ..... 226

Appendix A: Board Evaluation Survey ..... 228

Final Exam..... 229

Exam Instructions and Answer Sheet..... 292



### **Overview**

There are over 25,000 condominium, cooperative, and homeowners associations in Florida with more being constructed every day. The State estimates over 1.2 million people now reside in associations. And nationally, more and more people are choosing the association way of life to make their dream of homeownership a reality.

Most associations in Florida are organized as corporations, and, as required by statutes, each has a board charged with the operation of the association. Every board is composed of three or more directors, elected by the members to carry out the basic functions of the association. Associations are dynamic entities, and those without knowledgeable or experienced board members must play catch up to do the job right. Directors and officers must demonstrate that they have met shareholder's expectations—whatever they may be. Unfortunately, some directors do not understand the responsibilities they assume when elected to the board, and often have no clue as to how to achieve them. And many owners move into community associations with little or no understanding of their obligations. So, we see many associations slowly deteriorating with boards floundering and uncertain on how to make necessary improvements, or meet owner demands.

Most professionals agree that community associations have three basic tasks:

- 1) to maintain and preserve the property in the same condition as when turned over by the developer
- 2) to protect and enhance property values
- 3) to promote social harmony

There is, of course, differing degrees of latitude among community associations as to how these functions are interpreted.

Boards are similar to small cities. Elections *are* political, and directors may find themselves catering to the whims of specific groups. Sometimes, an owner has a personal gripe or cause, and runs for the board solely to address that issue. Once elected, he<sup>50</sup> may become frustrated if other directors do not share his objectives.

Some associations succeed seemingly without effort; for others, achieving the simplest task can be the impossible dream. Perhaps directors have differing views of who or what the Association should be within the community at large. Perhaps the board has a common vision, but no leader emerges to enunciate that vision to the owner. Perhaps no director wants to be the first to take an unpopular but necessary stand.

Sometimes the dynamics of community has changed, and the board is struggling to balance between, for instance, older retirees and younger residents. Often, use restrictions and rules, put in place by the developer, no longer fit the community (if they ever did).

Possibly, the board sees its primary objective as keeping assessments low and affordable to owners, not appreciating that roofs, and roads, and structures, don't maintain themselves — so, a slow decline sets in, eventually costing owners much, much more money than if a maintenance program had been in place. Maybe the board has nurtured unrealistic expectations in residents, and, especially where the association has older buildings, finds itself unable to maintain the buildings as well as continue to provide individualized services.

---

<sup>50</sup> The male form of the pronoun (he, him) shall be used in this course to denote both male and female managers.

In developing this class, we interviewed managers, directors, and owners, and have identified the most important traits they believe boards and associations should have. This course will briefly review the functions of a community association and consider the roles of the board, officers, and manager. We will primarily focus on important traits & characteristics for board functioning. Using examples provided by boards, managers and owners, we will examine and evaluate predicaments in which boards or officers and themselves, and consider approaches manager may take to improve the community. We will also explore manager traits that may exacerbate ineffectual or problematic boards.

### Functions of a Community Association

In our prelicensure classes, we learned that a community association is usually a not-for-profit corporation, legally accountable for management and maintenance of real or personal residential property, owned by two or more entities, where a legally binding agreement commits the owners to share responsibility and costs for maintenance and administration of the property.

As corporations, the association has an organizational structure, sets goals & objectives, manages its assets, collects revenue and pays vendors for services rendered, recruits, hires, trains, supervises, disciplines, & fires employees, negotiates contracts, and otherwise carries out those actions necessary to achieve stated objectives.

Community associations are charged with:

- Preservation, maintenance, and enhancement of the property, its value, and the association assets
- Enhancement of the lifestyle of community
- Provision of a harmonious community

Unlike most corporations, a community association must not only adhere to established laws and rules, but also certain strict rules, specific to that association, set when the community association is created. Therefore, in addition to preserving, maintaining, and enhancing the property, its value, and the association assets, the corporation must enforce governing documents designed to preserve the property and to create a peaceful, safe, and harmonious living environment for all residents.



Community associations thus have three basic functions:

- ✓ business – carrying out the basic operations and maintenance of the property through collection of assessments (taxes) and other revenues, and payment of employees and vendors
- ✓ government – enforcing rules & regulations established to create a harmonious living environment
- ✓ community – promoting communications & a sense of community among residents

Every action of a community association should fall under one of these categories. As we examine roles of directors, officers and the manager, and discuss issues and problems that arise, let us keep in mind the basic functions and objectives of community associations.

Roles of Board, Officers & Manager

**Board of Directors**

Every community association selects a board of directors.<sup>51</sup> The board carries ultimate responsibility for operating the community association on behalf of the owners.

Every board has certain legislatively delegated authority to act on behalf of the owners, as found in state statutes specific to not-for profits and each specific association. F.S. 617, the Not-for-Profit Act, Section 0302, gives boards of directors certain authority:

- (1) *Have succession by its corporate name for the period set forth in its articles of incorporation.*
- (2) *Sue and be sued and appear and defend in all actions and proceedings in its corporate name to the same extent as a natural person.*
- (3) *Adopt, use, and alter a common corporate seal. However, such seal must always contain the words "corporation not for profit."*
- (4) *Elect or appoint such officers and agents as its affairs shall require and allow them reasonable compensation.*
- (5) *Adopt, change, amend, and repeal bylaws, not inconsistent with law or its articles of incorporation, for the administration of the affairs of the corporation and the exercise of its corporate powers.*
- (6) *Increase, by a vote of its members cast as the bylaws may direct, the number of its directors so that the number shall not be less than three but may be any number in excess thereof.*
- (7) *Make contracts and incur liabilities, borrow money at such rates of interest as the corporation may determine, issue its notes, bonds, and other obligations, and secure any of its obligations by mortgage and pledge of all or any of its property, franchises, or income.*
- (8) *Conduct its affairs, carry on its operations, and have offices and exercise the powers granted by this act in any state, territory, district, or possession of the United States or any foreign country.*
- (9) *Purchase, take, receive, lease, take by gift, devise, or bequest, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with real or personal property, or any interest therein, wherever situated.*
- (10) *Acquire, enjoy, utilize, and dispose of patents, copyrights, and trademarks and any licenses and other rights or interests thereunder or therein.*
- (11) *Sell, convey, mortgage, pledge, lease, exchange, transfer, or otherwise dispose of all or any part of its property and assets.*
- (12) *Purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, lend, pledge, or otherwise dispose of and otherwise use and deal in and with, shares and other interests in, or obligations of, other domestic or foreign corporations, whether for profit or not for profit, associations, partnerships, or individuals, or direct or indirect obligations of the United States, or of any other government, state, territory, governmental district, municipality, or of any instrumentality thereof.*

---

<sup>51</sup> Also known as Board of Governors or Board of Administration. Generally, owners elect the board of directors. However, in master associations, the bylaws may identify a different method for the selection of directors.

- (13) *Lend money for its corporate purposes, invest and reinvest its funds, and take and hold real and personal property as security for the payment of funds loaned or invested except as prohibited by s. 617.0833.*<sup>52</sup>
- (14) *Make donations for the public welfare or for religious, charitable, scientific, educational, or other similar purposes.*
- (15) *Have and exercise all powers necessary or convenient to effect any or all of the purposes for which the corporation is organized.*
- (16) *Merge with other corporations both for profit and not for profit, domestic and foreign, if the surviving corporation is a corporation not for profit.*

F.S. 617 further provides boards of directors with authority to take actions as may be necessary in emergencies. The specific statutes for each community association narrow these broad responsibilities. For instance, F.S. 718, F.S. 719, and F.S. 720<sup>53</sup> require owner concurrence for certain actions, such as amending the governing documents, and mandates that the board meet defined obligations, such as:

- 📖 Adequately insure the community property and assets
- 📖 Present an annual budget, which considers long term maintenance funding, which owners, may, under specific circumstances override; levy & collect assessment to fund operations; invest funds, and pay taxes
- 📖 Maintain detailed corporate records and obtain annual reviews of finances, to which owners have access
- 📖 Announce & conduct meetings, with limited exclusions, permitting owner attendance & participation
- 📖 Enter into contracts, employ staff and professionals, such as managers, attorneys, accountant, engineers, etc and provide necessary services to maintain the common property
- 📖 Enforce use restrictions, including enacting rules & regulations
- 📖 Enter into litigation

The Not-for-Profit Act, F.S. 617.0830, spells out general standards of conduct for directors:

- (1) *A director shall discharge his or her duties as a director, including his or her duties as a member of a committee:*
  - (a) *In good faith;*

**Board of Directors Responsibilities**

- 📖 **Care, maintain & enhance the physical property, common areas, and facilities**
- 📖 **Manage community finances; obtain adequate insurance and provide for long term funding of assets**
- 📖 **Establish, enforce & interpret use restrictions, rules & regulations**
- 📖 **Employ staff and contractors to carry out the operations of the association**
- 📖 **Promote & preserve community harmony**

<sup>52</sup> F.S. 617.0833 states, in part: "Loans, other than through the purchase of bonds, debentures, or similar obligations of the type customarily sold in public offerings, or through ordinary deposit of funds in a bank, may not be made by a corporation to its directors or officers,

<sup>53</sup> F.S. 718 – Condominium Act; F.S. 719 – Cooperative Act; F.S. 720 – Homeowners Association Act

- (b) *With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and*
    - (c) *In a manner he or she reasonably believes to be in the best interests of the corporation.*
  - (2) *In discharging his or her duties, a director may rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:*
    - (a) *One or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matters presented;*
    - (b) *Legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the persons' professional or expert competence; or*
    - (c) *A committee of the board of directors of which he or she is not a member if the director reasonably believes the committee merits confidence.*
  - (3) *A director is not acting in good faith if he or she has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (2) unwarranted.*
  - (4) *A director is not liable for any action taken as a director, or any failure to take any action, if he or she performed the duties of his or her office in compliance with this section.*

It further defines conflicts of interest in F.S. 617.0832 and provides certain protections to officers and directors in F.S. 617.0834. Both sections speak to acts or behaviors that officers and directors must avoid.

**F.S. 617.0832:**

- (1) *No contract or other transaction between a corporation and one or more of its directors or any other corporation, firm, association, or entity in which one or more of its directors are directors or officers or are financially interested shall be either void or voidable because of such relationship or interest, because such director or directors are present at the meeting of the board of directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction, or because his or her or their votes are counted for such purpose, if:*
  - (a) *The fact of such relationship or interest is disclosed or known to the board of directors or committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors;*
  - (b) *The fact of such relationship or interest is disclosed or known to the members entitled to vote on such contract or transaction, if any, and they authorize, approve, or ratify it by vote or written consent; or*
  - (c) *The contract or transaction is fair and reasonable as to the corporation at the time it is authorized by the board, a committee, or the members.*
- (2) *Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction.*

**F.S. 617.0834:**

- (1) *An officer or director of a nonprofit organization recognized under s. 501(c)(3) or s. 501(c)(4) or s. 501(c)(6) of the Internal Revenue Code of 1986, as amended, or of an agricultural or a horticultural organization recognized under s. 501(c)(5), of the Internal Revenue Code of 1986, as amended, is not personally liable for monetary damages to any person for any statement, vote, decision, or failure to take an action, regarding organizational management or policy by an officer or director, unless:*
  - (a) *The officer or director breached or failed to perform his or her duties as an officer or director; and*
  - (b) *The officer's or director's breach of, or failure to perform, his or her duties constitutes:*
    1. *A violation of the criminal law, unless the officer or director had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful. A judgment or other final adjudication against an officer or director in any criminal proceeding for violation of the criminal law estops that officer or director from contesting the fact that his or her breach, or failure to perform, constitutes a violation of the criminal law, but does not estop the officer or director from establishing that he or she had reasonable cause to believe that his or her conduct was lawful or had no reasonable cause to believe that his or her conduct was unlawful;*
    2. *A transaction from which the officer or director derived an improper personal benefit, either directly or indirectly; or*
    3. *Recklessness or an act or omission which was committed in bad faith or with malicious purpose or in a manner exhibiting wanton and willful disregard of human rights, safety, or property.*
- (2) *For the purposes of this section, the term:*
  - (a) *"Recklessness" means the acting, or omission to act, in conscious disregard of a risk:*
    1. *Known, or so obvious that it should have been known, to the officer or director; and*
    2. *Known to the officer or director, or so obvious that it should have been known, to be so great as to make it highly probable that harm would follow from such action or omission.*
  - (b) *"Director" means a person who serves as a director, trustee, or member of the governing board of an organization.*
  - (c) *"Officer" means a person who serves as an officer without compensation except reimbursement for actual expenses incurred or to be incurred.*

The board acts collectively through votes taken at meetings open to association members. Board members may not act unilaterally or independently for the association. The board sets policies and standards, formulates procedures and regulations, and identifies and collects funding, and sets and accomplishes objectives necessary to protect, preserve, and enhance the property and its assets. Within the industry, assets are generally viewed as the physical property, financial position, legal standing, and image of the association. The assets transcend the current owners, continuing for future owners as long as the community association exists.




In most community associations, the owners hold an annual meeting, the primary purpose of which is to elect directors to the board. Community associations usually elect all directors annually, although some documents provide for election of directors on staggered terms. The staggered term provides the association with continuity; it is unlikely to have only newly elected directors on a board with staggered terms.

F.S. 718 and F.S. 719 require associations with five or more units to have five directors, and associations with less than five units to have three directors, unless otherwise stated in the Articles or Bylaws. F.S. 720 requires associations to have three directors unless otherwise stated in the Article or Bylaws.

Unless expressly permitted by the documents, directors serve without compensation. Directors may be reimbursed for expenses incurred in carrying out their responsibilities. A director who provides a service unrelated to his position on the board may receive compensation for the service, but may not vote on the issue.

### **Officers**

The Articles of Incorporation or Bylaws specify the officers an association must have. Generally, a community association will have at least three officers:

-  President
-  Secretary
-  Treasurer

The association documents may require other officers, such as a Voice President, Assistant Treasurer, and so on. Often, the Bylaws give the Board leeway to establish certain other officers, as it deems appropriate to manage the affairs of the association. The Board of Directors elects the officers. Unlike directors who may only be removed by resignation, recall or becoming ineligible,<sup>54</sup> officers serve at the pleasure of the Board and may be removed at any time. If the board removes an officer who is a director, he continues to serve on the board as a director until his term of office expires.

Although one person may hold two offices, generally, one individual does not serve as both the President and Secretary. Under certain circumstances, the Secretary must attest to the President's signature, thereby effectively prohibiting one person from holding both offices.

Note that, unless required by the Articles or Bylaws, the officers need not be directors. *If an officer is not a director, he does not vote at Board of Director meetings.*

The Board and officers have a "fiduciary" responsibility to the unit owners. Simply put, the directors and officers must place the best interests of the community above their personal interest. The courts have applied a standard called the "business judgment rule:" have the board and officers demonstrated that they have taken the reasonable care that an ordinary prudent businessperson would in exercising and making decisions affecting the association and its members? Further, an officer or director may not solicit, offer to accept, or accept anything or service of value for which

---

<sup>54</sup> Example of ineligibility: if the Bylaws require a director to be an owner, and the director sells his unit, he is no longer eligible to serve on the board and is automatically removed.

consideration has not been provided for his or her own benefit or that of his or her immediate family, from any person providing or proposing to provide goods or services to the association.<sup>55</sup>

Officers have the responsibility for carrying out the day-to-day operations of the association and implementing the decisions of the board. Officers have limits authority to make decisions for the association and may not act individually, unless expressly permitted to do so by the documents.

Unless expressly permitted by the documents, officers serve without compensation. Officers may be reimbursed for expenses incurred in carrying out their responsibilities. An officer who provides a service unrelated to his position on the board may receive compensation for the service, but may not vote on the issue if he is also a director.



**President**

The President is the “leader” of the community and the board. The Bylaws grant the President specific powers; they may also grant the President all powers normally vested in the CEO of a corporation. Generally, the president:

- 📖 Directs the day-to-day activities of the association
- 📖 Creates a vision for the future of the association
- 📖 Sets, or assists the board and officers in setting, the objectives for the association
- 📖 Motivates residents to volunteer for the association
- 📖 Sets meeting agendas and runs meetings

A good president inspires the board and officers, and works with community members to achieve harmony. The president should encourage other officers, board members, and owners to offer their ideas and contribute to creating a shared vision of the community. Once the board has adopted a resolution or implemented a project, the president has the responsibility for assuring it to carry out.

The president should set the standard of conduct for the board, officers, and manager. He should also act judiciously and fairly in administering the rules and regulations. The president should have a good sense of who the community is, and what balance is necessary for the community to thrive.

Generally, the president is the day-to-day contact, and is the “liaison” between the manager and the board. In self-managed associations (and in many associations with part time managers), the president carries out the function normally associated with a manager.

**Vice President**

Most Bylaws define the Vice President’s role as assuming the president’s responsibilities when the president is absent or otherwise unable to carry out his functions. He conducts meetings in the absence of the president, and steps in when the president chooses to stand down from the chair.

<sup>55</sup> This paragraph also applies to the manager.

The Vice President should assure that he is well informed of all objectives and projects underway, should the President be unable to serve. Additionally, the Vice President may be granted authority by the board, or delegated authority by the President, to carry out certain activities.

### **Secretary**

The Secretary is the “official record keeper” of the association. He is responsible for ensuring the board meeting agendas are posted, and the minutes taken and transcribed. The secretary is responsible for the filing of documents and attesting to the validity of certain official records by attesting to them. In essence, the secretary is the key to the association memory and history. A good secretary is familiar not just with the actions of the current board, but of past boards as well, thereby providing a perspective for current actions.

The president or board may assign the secretary other responsibilities or duties, as they deem appropriate.

### **Treasurer**

The treasurer is the chief financial officer of the association. Generally, the Bylaws charge the treasurer with preparing the budget, issuing financial statements, and overseeing the financial health and well-being of the association. The treasurer is the voice of reality; he advises the board and officers if sufficient monies exist to carry out projects, and what alternatives are available, should additional funds be needed.

Once the board sets objectives for the association, the treasurer oversees the financing of those objectives. The president or board may assign the secretary other responsibilities or duties, as they deem appropriate.

### **Community Association Manager**

The role of a CAM varies from association to association. Generally, a full-time manager:

- 📖 Directs the day-to-day operations
- 📖 Selects & supervises staff & vendors
- 📖 Manages financial operations, including collecting assessments and verifying and paying invoices
- 📖 Oversees maintenance of the buildings and grounds
- 📖 Enforces use restrictions & rules, pursuant to board policy

In essence, the board makes policy and determines actions, which the manager then implements. Good boards give the manager wide latitude in carrying out responsibilities. The manager is most efficient when he receives direction through one source, rather than having each board member provide differing assignments and directives.

Generally, the manager supervises all staff and vendors. While the board selects vendors and executes contracts, the manager usually has substantial input into which vendor(s) the board should consider. The manager often selects, hires, and fires staff who report directly to him, although this differs from association to association.

Managers have specific standards of professional conduct, pursuant to F.A.C. 61-20.503. These include:

- 📖 *Honesty.* During the performance of management services, a licensee or registrant shall not knowingly make an untrue statement of a material fact or knowingly fail to state a material fact. *This includes giving false information and withholding information.*
- 📖 *Professional Competence.* A licensee or registrant shall undertake to perform only those community association management services which he or it can reasonably expect to complete with professional competence. *Clearly, if a manager is not an engineer, he should not provide engineering services. Moreover, if a manager does not know bookkeeping, he should so advise the board and not oversee the financial aspects of the association.*
- 📖 *Due Professional Care.* A licensee or registrant shall exercise due professional care in the performance of community association management services. A licensee or registrant shall not knowingly fail to comply with the requirements of the documents by which the association is created or operated so long as such documents comply with the requirements of law. *The manager has an obligation to file reports on time, provide access to records within statutory time frames, and to seek advice from the association attorney or other professionals when necessary.*
- 📖 *Control of Others.* A licensee or registrant shall not permit others under his or its control to commit on his or its behalf, acts, or omissions which, if made by the licensee or registrant, would place him or it in violation of Chapter 468, Part VIII, F.S., or Chapter 61-20, F.A.C. A licensee or registrant shall be deemed responsible by the department for 2005 April 25 20 of 27 Chapter 61-20, FAC the actions of all persons who perform community association management related functions under his or its supervision or control. *The manager is responsible for the actions of employees and vendors under his control.*
- 📖 *Records.* A licensee or registrant shall not withhold possession of any original books, records, accounts, funds, or other property of a community association when requested by the community association to deliver the same to the association upon reasonable notice. Reasonable notice shall extend no later than 20 business days after receipt of a written request from the association. A licensee or registrant shall not deny access to association records, for the purpose of inspecting or photocopying the same, to a person entitled to such by law, to the extent and under the procedures set forth in the applicable law. A licensee or registrant shall not create false records or alter records of a community association or of the licensee or registrant except in such cases where an alteration is permitted by law (e.g., the correction of minutes per direction given at a meeting at which the minutes are submitted for approval). A licensee or registrant shall not, to the extent charged with the responsibility of maintaining records, fail to maintain his or its records, and the records of any applicable community association, in accordance with the laws and documents requiring or governing the records. *These standards apply to the manager's relationship with the association. Note that creating a false record is as serious as not providing a record.*
- 📖 *Financial Matters.* A licensee or registrant shall use funds received by him or it on the account of any community association or its members only for the specific purpose or purposes for which the funds were remitted. *The manager must assure that monies are appropriately accounted for, placed in the correct accounts – and not used for his own purposes.*
- 📖 *Other Licenses.* A licensee or registrant shall not commit acts of gross negligence or gross misconduct in the pursuit of community association management or any other profession for which a state or federal license is required or permitted. It shall be presumed that gross negligence or gross misconduct has been committed where a licensee's or registrant's other professional license has been suspended or revoked for reasons other than non-payment of dues or noncompliance with applicable continuing education requirements. A licensee or registrant shall not perform, agree to perform or hold himself or itself out as being qualified

to perform any services which, under the laws of the State of Florida or of the United States, are to be performed only by a person or entity holding the requisite license or registration for same, unless the licensee or registrant also holds such license or registration; provided, however, that no violation hereof shall be deemed to have occurred unless and until the authority administering the license or registration in question makes a final determination that the licensee or registrant has failed to obtain a license or registration in violation of the law requiring same.



A licensee or registrant shall reveal all other licenses or registrations held by him or it under the laws of the State of Florida or the United States, if, as a result of such license or registration, a licensee or registrant receives any payment for services or goods from the community association or its board. *This last section applies to managers who are also real estate agents, attorneys, contractors, etc., and who may be paid for those services in addition to their manager duties. Managers have a responsibility to make the board aware of any such licenses that they hold.*

### Role of the Owners

Generally, when we talk about community associations, we discuss the *responsibilities* of the *board* and *officers*, and the **rights** of the **unit owners**. However, owners have certain responsibilities within the community association.

The basic authority within the community association always rests with the owners. That is, if the association is poorly managed, the grass dying, and the trash dumpster overflowing, ultimately, the owners must take responsibility – for they elected the board, and have the right to remove the board if the directors do not properly perform their duties.

However, because the owners delegate these responsibilities, and almost all decision-making, to the board of directors, we define owner responsibilities as responsibilities:

- 📖 Elect (responsible) directors
- 📖 Remove directors (who are failing to meet association objectives and community needs)
- 📖 Amend governing documents, as provided for by statute or within the documents
- 📖 Approve (or disapprove) changes to the use of common elements, as provided for in the documents
- 📖 Hold the board and officers accountable for preservation, maintenance, and enhancement of the property, its value, and the association assets , enhancement of the lifestyle of community, and provision of a harmonious community
- 📖 Participate in the community association by:
  - ❑ attending meetings
  - ❑ voting in annual elections
  - ❑ casting responsible vote for reserves, amendments to documents, and on other matters

- serving on committees
- running for and serving on the board

### Important Characteristics for Board Functioning

To ascertain those characteristics important for directors and officers to have, we surveyed

- Current and former managers
- Current and former directors
- Current and former officers
- Community association owners
- Management & organizational experts

We also reviewed current texts on organizational excellence. We developed a survey defining the traits identified, and we sent it to selected managers and owners. They used the survey to evaluate their boards. Based upon their reviews, we have modified the survey tool slightly.<sup>56</sup> We found that important characteristics fell under six areas:

-  Leadership & Vision
-  Ethics
-  Roles & Responsibilities
-  Budget & Finance
-  Meetings
-  Rules & Procedures

We have briefly discussed each area below. Following our discussion are exercises in which we will identify problem areas and decide what actions, if any, you, the manager may take to improve the performance of the Board.

#### ***Leadership & Vision:***

Vision, leadership of the board, realistic objectives, communication with owners, and courage in making tough decisions are the hallmarks of good boards and directors.

The board must balance objectives that mirror the current values and/or desires of its owners, with a vision for the future. The board must fashion this vision so that residents can embrace it.

A board that understands what its community needs, but communicates only its vision for the future, may very well fail to achieve its current objectives. Likewise, a board that lacks a vision for the future may have a community that stagnates.

Likewise, the board must communicate to its owners and be consistent in its message to the community. Residents will support a board that shares the news - good & bad. Residents kept in the dark tend to be resentful – even when the board has achieved major goals.

Sometimes a board must have the courage to make a necessary, but unpopular decision. If the association has concrete deterioration, the board has the obligation to make repairs. This may

---

<sup>56</sup> See Appendix A

mean a hefty special assessment. However, residents of the Grandview Palace will tell you timely repairs and a special assessment would have been far better than the special assessment - and rent they paid – when the Grandview Palace was condemned.

### **Ethics**

Ethics is a way of being that influences the perception others have of us. Our ethical code shapes our choices, and our everyday life. Ethics speaks directly to our character.

Ethical behavior is not necessarily the same as legal behavior. As an example, we have a *legal right* to convince our anorexic neighbor that she needs to try the new diet product we are marketing, but is certainly is *not ethical*. Ethics encompasses the sense of moral responsibility – our duty to respect and consider the rights and needs of others as well as ourselves.

Generally, a community develops an ethical character of its own. One hears of an association that is “dishonest” in its collection practices. In fact, it is not the association, but the leadership, from which the outside world is gauging that community’s ethical and moral behavior.

A board needs to have an ethical guide (not always the president)—someone the board and the majority of the community respect and upon whom they can rely. A good leader holds himself to a higher community standard, and sets aside personal agendas for the betterment of the community. Because of his respect for others, he effectively holds space for creativity and ideas in his fellow directors and community members. Further, a leader recognizes that cooperation and compromise, without violation of principles, are important to achieving the community’s objectives. Oftentimes, the leader gives away the credit for a job well done – to employees, other board members, and community volunteers.

### **Roles & Responsibilities**

Board members and officers should understand their roles, responsibilities – and limitations. The president should differentiate between board/, officer, and manager responsibilities. He demonstrates his respect for his colleagues and the manager by permitting them to do their jobs, without micromanaging or second-guessing decisions.

Many boards and presidents see a problem – and want or take immediate action. The action may not be the best solution – but *something got done – even if we have to do it over correctly*. The president should assist his board and the manager in making considered, organized and systematic decisions. Not only will the association operate more smoothly, but the board will save money.

The board must also create realistic objectives and timelines – and communicating them to their residents. Residents will be less distressed if they know the roofing project will take six months – than if the board assures them it will be done in three.

Good board members want to learn. They subscribe to journals, attend educational seminars, and seek every opportunity to improve themselves and their community. They bring back information, sharing it with their colleagues and interested community members.

### **Budget & Finances**

A good board has a current, accurate budget, which includes concise, written objectives describing what the association will accomplish during the current fiscal period. It has a long-range plan, displaying the likely financial needs in the next five to ten years. It funds its reserves, not just for state mandated items, but also for elevator modernization, concrete restoration, insurance

deductibles, and so on. The board understands and plans for the financial needs of the community – including for those unforeseen hurricanes, equipment breakdowns and other crises.

The board receives – and shares with the owners – regular financial reports. It looks for opportunities to enhance funding – through low interest loans, grants, landscape give-aways. The board, however, focuses on its objectives – and does not modify them to fit the funds available. That is, the board keeps its eye on the long term, instead of quick fixes for the short term.

**Meetings**

Did you have a class in high school or college, teaching you, along with reading writing, and ‘rithmetic, running meetings? Few of us did. Yet meetings are the lifeblood of the association. It is during meetings that the board makes important policy decisions. It is during meetings that some owners speak out on issues of concern to them. It is during meetings that the board elects the officers who will guide the association for the coming year, approves critical projects, considers and enacts a budget, discusses and authorizes contracts, interviews and hires the manager. It is in meetings that the members elect a board of directors, amend documents, waive reserves, and impose fines on their neighbors.

Effectively planning, scheduling, preparing for, and participating in meetings are vital skills for a director or officer. We often critique others on their handling of meetings, but, until we have sat in the presidential hot seat, we probably do not understand the nature of running a meeting.

A well run meeting has components:

- 📖 Detailed agenda, posted as early as possible before the meeting (but at least in conformance with statute)
- 📖 Knowledgeable & prepared board members
- 📖 President who understands his role & adheres to agenda
- 📖 Controlled meeting/no debating among owners & board
- 📖 Owner input limited to agenda items
- 📖 Owner input invited prior to votes
- 📖 Owners given uninterrupted 3 minutes to speak
- 📖 Meeting limited to set time period

**Which meeting do you want to attend?**

Holly Go-lightly Hills Condominium  
Board Meeting  
Thursday, June 12, 2008  
7 PM – 8:30 PM  
Clubhouse

Agenda

1. Call to order
2. Announcement of Quorum
3. Disposal of unread minutes
4. Treasurer’s Report
  - a. Balance Sheet
  - b. Budget to Actual, month ending 5/31/2008
  - c. Receivables
  - d. Payables
  - e. Special Assessment Balance
5. Manager’s Report
  - a. Pool heater bids
  - b. Bids for landscaping & tree trimming
  - c. Use Restriction violation letters
6. Special Assessment Project Update
  - a. Roof replacement
  - b. Concrete restoration
  - c. Deck furniture
  - d. Storage shed
  - e. Replacement signage
  - f. Painting Contract
7. Next meeting
8. Adjournment

Meeting will adjourn at or around 8:30 PM  
Any item not discussed will be continued to next meeting

Owners invited  
Comments limited to 3 minutes per agenda item

Posted 6/9/2008

Insaniarum Condominium  
Board Meeting  
Thursday, June 12, 2008  
7 PM  
Clubhouse

Agenda

1. Call to order
2. Announcement of Quorum
3. Disposal of unread minutes
4. Treasurer’s Report
5. Manager’s Report
6. Old Business
7. New Business
8. Next meeting
9. Adjournment

Owners invited  
Comments limited to 3 minutes per agenda item

Posted 6/9/2008

### **Rules & Procedures**

All organizations require rules & procedures to operate. In large corporate settings, we often find procedures manuals, instructing us on everything – from start the coffee in the morning, to answering the phone, to locking the doors if we are the last ones out, to how often the rules & procedures are reviewed and threshold for amending them

Community associations have Articles of Incorporation, Bylaws, Covenants – but rarely does the developer provide a detailed set of instructions for use restriction enforcement, or contacting, or discretionary expenditures, or hiring employees, or collecting delinquent assessments. A good board of directors will create and implement procedures in certain basic areas:

- 📖 Use restriction & rule enforcement
- 📖 Budgeting & Accounting
- 📖 Collection of Delinquent Accounts
- 📖 Handling of receivables & payables
- 📖 Discretionary & emergency expenditures
- 📖 Bids & Contracts
- 📖 Disaster Preparedness & Recovery
- 📖 Insurance Claims
- 📖 Personnel Policies
- 📖 Handling complaints
- 📖 Meetings (Agendas, Posting, Owner participation, etc.)
- 📖 Appointment of Committees


It will also have:

- 📖 Position descriptions for all employees and contract employees (manager, maintenance supervisor, etc.)
- 📖 Position descriptions for officers, defining responsibilities & authority
- 📖 Position descriptions for committees, defining responsibilities & authority
- 📖 Inspection check lists
- 📖 Contractor performance evaluations
- 📖 Association weekly walk list
- 📖 Equipment lists
- 📖 Emergency contact lists

For a small association, each of these products might be merely a paragraph or two. Other associations may have formalized procedures manuals.


Important Traits for Managers


It should be obvious that many, if not all, the traits and characteristics that a good board member have, a good manager share. However, there are certain skills that take a good manager to the next level:

 *Listening:* Studies have shown, time & again, that most people do not hear what another is saying. Rather than listening, they are thinking about their response, or an issue they want to discuss, or a problem or concern they have. *Listening* and *hearing* another person is a rare skill. Psychologists call it “active listening.” They advise that an individual should not make faces, or gesture, but should keep his attendance on the speakers eyes.


To enhance this skill, they suggest focusing entirely on the person talking, and waiting 10 - 15 seconds after the person has completed his last word. At that point, you repeat to the person what you believe you heard, and ask if you understood correctly. Once the speaker has confirmed that you have, you then respond appropriately. Psychologists note that the level of stress is reduced merely by having someone listen quietly and objectively to your concerns.


*Example:* John, what I hear you say is that you are very unhappy with your assigned parking space. Did I understand you correctly?

 *Time management:* There is never enough time in the day to accomplish everything we plan. Industry journals estimate that a good manager generally works from 40 – 60 hours a week, just to get the basics of the job completed. The better a manager can organize himself, the more he can respond to the many crises and interruptions that are part of community association life.

 *Organization:* The more organized a manager is, the better he can assist the board members. The manager should have at his fingertips, so to speak, contracts, policies, financial statements, use restriction information, minutes, pending matters. Many managers use master calendars, on which they place key inspection dates, dates for the annual and budget meetings, service dates, etc. This helps the manager – and the board – focus on important actions necessary to keep the association on track.

One evening, a resident rushed into the manager’s office, just as he was departing for the day. The resident explained that someone had parked in his space, #345. He wanted the car towed NOW! The manager agreed to handle the problem, but first, he suggested, “let us check the space assignments.” The resident was assigned #354 – which, the valet informed the manager, was vacant. “But,” the manager told the resident, “If it makes you feel better, we can still tow the vehicle.” The resident, sheepishly smiling, left the office to park his car.

 *Humor:* Sometimes, a light note is just what is needed to cool off and calm down an irate resident. A manager also must be able to see the humor in his own actions – and not become stressed over slights.

 *Self-control:* A manager must have self-control. The president and board members may have knee-jerk responses to that problem resident. The manager must have the ability to step back – pulling the president and/or board members along with him – to take a fresh, unemotional look at the problem. Only then can the manager assist the board in identifying an appropriate solution.

📖 *Calmness under fire:* Management of an association is often stressful. Owners come to the manager because they have a problem. Equipment breaks down. Vendors fail to show for appointments. Board members overreact. A manager who can be the oasis of calm in the middle of problems will provide his association with a much needed centering. By separating the emotion from the issue or problem, he can assist the board in finding a solution that works.

This is particularly important at meetings. The manager needs to help the president run a well-organized, calm meeting. Many managers sit next to the president, and quietly assist him in keeping the meeting on track.

📖 *Diplomatic:* Managers are usually blamed for problems in the building. That the board did not make a decision; that the association failed to maintain a component, is irrelevant to the owners – and the board. The manager must often place his ego to the side and diplomatically handle an issue.

📖 *Knowledgeable:* The board is hiring a Community Association Manager – an expert in community associations, right? Every manager has his strengths & weaknesses. He should recognize those and look to improve where necessary. A manager should stay abreast of new ideas and operating procedures. He should subscribe to journals, and attend seminars, to keep his training up-to-day. Many managers put together reference libraries of books and manuals, to which they can refer as new issues and problems arise. A manager may wish to network with other managers, to share information on problems and solutions. Some managers find a “go-to” person, a manager they can go to for answers, someone who, if he does not know it now, has the resources to find the answer.

📖 *Integrity:* Honesty and integrity pay off. A board will lose trust rapidly in a manager who hides information, or tells them what they want to hear, not what they *need* to hear. Remember, they board makes policy decisions based, in part, on your advice. Your job is to assure they have the best information possible.

📖 *Realistic:* The manager needs to keep the board grounded in reality. If the elevator modernization is planned to take six months, make sure the board understand that is will likely that longer. If additional funds are needed for a project, do not tell the president that you can make the money stretch. If you do not know something, admit it – and then find out.

#### Exercises – Dysfunctional boards, officers &/or manager and effect on community association

In each exercise, we describe a set of circumstance or problems. Once you have reviewed these, identify the area where the board/offers (and/or manager) require improvement, and how the manager can assist them. Note that all scenarios reflect real boards and real problems, not all of which are yet resolved.

*Scenario 1:* President Jerry Jones wandered into the meeting at 7:10. The six other board members were at the table, table among themselves. About 50 owners had attended, as Jerry promised to address their concerns about a pending special assessment. Jerry finally called the meeting to order at 7:20, and asked the owners to be seated. Helena Smith, an outspoken critic of the board, stood up and shouted at Jerry: “You don’t get here on time! You don’t care about our community! You picked the paint color without even asking us! I vote we get a new board.” Owners behind her grumbled their agreement. Jerry stood and yelled: “I didn’t tell you you were recognized. Now sit down and shut up. This is a board meeting.”

Jerry turned to the secretary: "Where's the agenda?" The secretary shrugged her shoulders. Jerry leaned forward and said: "The secretary will now read the minutes." After the secretary finished the minutes, Maria Lopez, another board member, stood up and shouted: "That's not what happened at the meeting." We never agreed to hire a new landscape company! We did not even discuss it. You made that decision, Jerry." Harry, a director and Jerry's neighbor interrupted: "We did discuss it. You just don't listen at meetings." Soon owners and board members were shouting across the room at one another. Jerry banged the gavel down and walked out of the meeting.

*Scenario 2:* In September 2006, Hurricane Jorge roared through Holly Hills Condominium, significantly damaging the roof. The manager, Johnny Demspeter, authorized immediately emergency repairs. At the next board meeting, he reported that he believed the roofs had endured significant damage, and possibly needed replaced. After two hours of discussion, the president, Clara Barton, adjourned the meeting. Three days later, Clara called Johnny and told him: "We need an emergency meeting to decide on the roofs." Johnny scheduled a meeting for the following Monday. At that meeting, Johnny recommended hiring an engineer to evaluate the roofs. He also recommended the board file a claim with Citizens. After an hour discussion, the board voted to file the claim with Citizens, and Clara adjourned the meeting.

In December, Clara asked Johnny to get bids for engineers to evaluate the roof. Johnny brought five bids to the meetings. He prepared a chart, comparing the experience of each engineer and the estimated cost to evaluate the roofs, and, if necessary draw up bids specifications. After two and a half hours of discussion, Clara adjourned the meeting.

In February, Clara again placed hiring an engineer on the agenda, and asks Johnny to set up interviews with the engineers. At the meeting, the board interviews the five engineers. The vote to higher Tucker Engineering and adjourn the meeting. Clara directs Johnny to obtain a contact with Tucker.

In March, Johnny presents the contract with Tucker Engineering, noting that the Holly Hills attorney has reviewed and approved it. The board votes to approve the contract, and Clara adjourns the meeting.

In April, Tucker Engineering reports that the roofs are in dire need of replacement. The board discussed the roofs for 2 hours, and Clara adjourned the meeting. In July, the board authorized Tucker to draw up bid specs for the roofs. Tucker presents the bid specification in August, and the board agrees that Tucker should solicit bids. In September, Tucker presents 14 roofing bids. He includes a chart summarizing experience and cost, and makes a recommendation to interview three of the firms. After discussion, Clara adjourns the meeting.

In November 2007, the board interviews the three roofing companies. After discussion, Clara adjourns the meeting. In January 2008, the board selects a roofer, and authorizes Johnny to work with the roofer and attorney on a contract. Johnny presents the contract in February. The board reviews the contract and adjourns the meeting. In May 2008, the board approves the roofing contract. Johnny advises the roofer, who tells him that costs have gone up, and that the contract requires revision. After negotiation, the board agrees to a 5% increase in the original cost. The board approves the contract in June 2008.

*Scenario 3:* Greenhills Estates is a master association of four condominiums. Each condominium board selects two members to sit on the master, and the eight members together elect a ninth member. Because two condominiums are allied against the other two, the ninth board member is needed just to break ties so that the master can operate. It has been six months, and the board members cannot agree on a ninth member. Emails are flying among the existing board members,

plotting on how to get the choice on the board. The landscaping contract sits unexecuted, and the security company is threatening to leave if Greenhills Estate does not complete repairs to the guardhouse.

*Scenario 4:* The President of Horizon Seas HOA, Rudy Knight, pays himself \$1 a month for each of the 400 units in the association. He explains to the board that this is an expense reimbursement. The manager, Juanita Gentry, explains privately to Rudy that the documents do not permit officers or directors to be compensated. Rudy again states the money is an expense reimbursement. Rudy also acquires a cell phone, which he has billed directly to Horizon Seas. He refuses to provide owners or board members with the cell phone number, but uses it mainly to stay in touch with Juanita and his wife, who is ill. Rudy authorizes the treasurer to pay herself \$300 a month for writing the checks, as an expense reimbursement. Juanita explains to the treasurer, privately, that the documents do not permit compensation to officers or directors. The treasurer suggests to Rudy that the fire the manager.

*Scenario 5:* The board meeting was wild. Alonso Garcia, the President, and Janie Smythe, the treasurer, got into a shouting match with Annie Manley, the director of building 4. The manager, Henry Higgins, attempted to pull the board members apart and end the meeting. The owners mingled around the room, shouting their encouragement. Suddenly, Janie Smythe kicked Annie's right leg, knocking her to the floor. As she fell, Annie hit her head on the table. Alonso and Janie quickly left the meeting room, leaving Henry to handle Annie.

Henry called Fire Rescue, who took Annie to the hospital, where she received 30 stitches. Fire Rescue called the police, and Annie filed a complaint against Janie. The state attorney charged Janie with battery. Alonso contacted the board's D & O agent, and directed him to "Come up with a way" to pay for Janie's defense.

*Scenario 6:* Peter Princely, President of La Boca Chika Condominium, was a retired executive. He often bragged to his colleagues and the manager that he always got the best deals when "I was in business." As president, he intends to "make sure we get the best deals possible." Hector Herrera, the manager, is currently working on a contract for elevator modernization. He shows Peter the two proposals. Peter notes that both are much higher than a third company, Lift'Em Higher. Hector reminds Peter that Lift'Em Higher did not meet the bid specs, and that is why it was so much lower. Peter informs Hector that he is going to tell the two proposers that they need to meet Lift'Em Higher's price. Hector, upset, blurts out: "But that's unethical!"

*Scenario 7:* Trimtrees Condominium only allows pets that weigh 20 pounds or less at maturity. Over the years, owners have gradually brought larger dogs onto the property. Now there are five or six large dogs. Sally Sheppard, the Secretary, has been feuding with her neighbor, Anita Button, for several years. Anita's son, Jeff, recently brought home an akita. Sally directed the manager to send a letter to Anita that the dog did not comply with the use restrictions. Anita responded by sending a note from her friend, the allergist, stating that Anita needed the dog for medical reasons.

*Scenario 8:* Priscilla Hemsley has been president of her building for 10 years. Every month, she asks the manager, George, for a list of delinquent owners. As she reviews the list, she checks off names of owners that she will, personally call. She directs George not to charge them late fees.

*Scenario 9:* The former manager, Renata, provided owner Maria Legume, with a document assigning her parking space #17. The new manager, Loxley, has learned that the space actually belongs to Tommy Tut, who has demanded it be returned to him. Maria has informed the president that she bought in the building partially based on the space. She stated her attorney told her this

was “detrimental reliance.” The association has only sufficient spaces to provide one per unit, with five guest spaces. The president wants Loxley to find a solution so that Maria does not sue.

*Scenario 10:* Steve was recently higher by William Tell, the President of Quantum Condominium. William introduced Steve around the building, telling residents what a great manger Steve would be. After a few weeks, Steve realizing that William misrepresented the problems at Quantum, that the finances are in much worse shape the William stated. He recommends to William that the association hire a temporary bookkeeper to update the financial records. At the next board meeting, William asks the board to terminate Steve, that he cannot handle the job. When the board refuses to do so, William steps down as president. Over the next several months, he sends emails to the board members and Steve, accusing Steve of wrongdoing. He continues attacking Steve in meetings. He also befriends the new administrative assistant, telling her that he will be the winner. He asks her to report everything Steve does to him.

*Scenario 11:* The board was insistent: the Administrative Assistant, Lola, had to go. She spent too much time on the phone, and the president’s wife did not like her. Harry fires Lola and, after several weeks of interviewing, recommends to the Board that it hire a temporary assistant until he can find someone with the experience they require. The board agrees, and Harry hires Candy, who was recommended by the treasurer. Candy, a heavysset woman and heavy smoker, had worked part time as a clerical assistance. She takes breaks every half hour for a smoke, on the bench outside the building, and talks with owners. She criticizes the manager and some of the board members, and encourages owners to take their complaints to board meetings. When Harry checks her work, he sees she is making major errors in QuickBooks. Harry has received many phone calls from residents who complain Candy is unpleasant to them and often hangs up the phone. A number of owners also accuse Candy of losing their maintenance checks.

Harry recommends that the board consider going to a temporary service. The treasurer objects, defending Candy, saying that she needs time to adjust. A week later, the treasurer informs Harry that the board wants to make Candy the permanent administrative assistant.

*Scenario 12:* The three communities were “united” by a master association. Sandalwood and Heathwood had two representatives each and Marchwood had one representative. For a long time, Heathwood had controlled the direction of the association. The representatives were friends with one of Sandalwood’s representatives and she always voted their way – even if it hurt her community. The representatives from Sandalwood changed, and Marchwood formed an alliance with Sandalwood. The representatives from Heathwood have publicly accused the other three representatives of stealing association funds, and have demanded resignations. The President of Heathwood sent an email to Sandalwood unit owners, attempting to start a recall of its board. The Sandalwood and Marchwood representatives have asked the manager for help is resolving the dispute. Shortly after the manager attempted to set up a meeting, Heathwood’s attorney sent a letter to the remaining master board members, accusing them of, among other things, subverting the democratic process and misappropriating funds.

### Summary

Community associations are charged with:

- Preservation, maintenance, and enhancement of the property, its value, and the association assets
- Enhancement of the lifestyle of community
- Provision of a harmonious community

Owners delegate these responsibilities, and almost all decision-making, to an elected board of directors. The board has certain statutory powers and duties. It also has standards of conduct to which it should adhere.

The Board and officers have a “fiduciary” responsibility to the unit owners. They must place the best interests of the community above their personal interest. They must also demonstrate that they have taken the reasonable care that an ordinary prudent businessperson would in exercising and making decisions affecting the association and its members.

Officers and directors serve without compensation, unless expressly permitted by the association documents. Officers and directors may not solicit, offer to accept, or accept anything or service of value for which consideration has not been provided for his or her own benefit or that of his or her immediate family, from any person providing or proposing to provide goods or services to the association.

Generally, the board makes policy and determines actions, which its manager then implements. Good boards give the manager wide latitude in carrying out responsibilities. The manager is most efficient when he receives direction through one source, rather than having each board member provide differing assignments and directives.

We have determined certain characteristics important for directors and officers to have. These include:

-  Leadership & Vision
-  Ethics
-  Roles & Responsibilities
-  Budget & Finance
-  Meetings
-  Rules & Procedures

We have discussed how a manager can assist boards in achieving a higher standard of performance, and those traits that bring a manager to a higher level. Managers and boards can use the survey to their performance and identify areas for improvement. We invite managers to share their experience and results, with other managers and board. By doing so, we can assist our boards with their performance and bring our management skills to another level.

Appendix A: BOARD EVALUATION SURVEY

Important Characteristics for Board Functioning		Ratings				
		E	G	F	N	U
<b>Leadership &amp; Vision:</b>						
1	Vision for community					
2	Understands wider community/nature of association within that community					
3	Leadership of the board					
4	Leadership of the community					
5	Displays courage in making unpopular, but necessary, decisions					
6	Keeps owners informed					
<b>Ethics</b>						
1	Holds self to higher standards/sets example					
2	Personal agendas set aside					
3	Respectful of residents					
4	Respectful of employees, vendors & contactors					
5	Does it right versus gets it done					
<b>Roles &amp; responsibility</b>						
1	Understands role of the board					
2	Understands role of manager/does not micromanage					
3	Considered organized, systematic approach versus knee-jerk responses					
4	Seeks to educate self, board & owners in laws, rules, etc.					
5	Establishes realistic annual and long term objectives					
<b>Budgets &amp; Finances</b>						
1	Has a budget					
2	Has written objectives consistent with financial means					
3	Regular financial reports					
4	Has contingency/emergency funds					
5	Maintains reserves for state mandated items					
6	Maintains reserves for elevator, building restoration & other necessary but not mandated items					
7	Seeks alternatives to fund projects, to lessen owners hardships					
<b>Meetings</b>						
1	Detailed agenda posted prior to meetings					
2	Rehearsed/knowledgeable & prepared for all agenda items					
3	Adheres to items on agenda; controls meeting					
4	Invites input & unit owner participation on agenda items					
<b>Rules &amp; Procedures</b>						
1	Has written procedures for use restriction & rule enforcement					
2	Fairly enforces rules & regulations					
3	Reviews use restrictions & rules, with amendments to reflect community values					
4	Has written procedures for contracting & services					
5	Has written procedures for collections of late maintenance and or assessments					
Total score						

E = Excellent (5)

G = Good/Most of the Time (4)

F = Fair/Some of the Time (3)

N = Needs Improvement/Not very Often (2)

U = Unsatisfactory/Rarely if Ever (1)

**FINAL EXAM**

1. Most community associations in Florida are:
  - A. For profit corporations
  - B. Not for profit corporations
  - C. Non-profit corporations
  - D. Limited liability corporations
  
2. Community associations are charged with
  - A. Preservation, maintenance, and enhancement of the property, its value, and the association assets
  - B. Enhancement of the lifestyle of community
  - C. Provision of a harmonious community
  - D. All of the above
  
3. Community associations have all the functions except:
  - A. Health
  - B. Business
  - C. Government
  - D. Community
  
4. Beverly Barton, a director and treasurer of the Goldseashore Condominium, has a 10% ownership interest in Greenshears Landscaping. Greenshears has submitted a bid to Goldseashore to perform its annual tree trimming, and it's the lowest bidder. The board is meeting tonight to award to contract. Beverly sent an email to the board members and manager, disclosing her interest in Greenshears.
  - A. The board may not award the contract to Greenshears, due to its relationship with Beverly
  - B. Beverly may vote for the contract, since her financial interest is less than 25%
  - C. Beverly can attend the meeting, and count toward a quorum of the board of directors
  - D. Beverly should not attend the meeting, as she has a declared conflict of interest
  
5. The Not-for-Profit Act grants corporations all the following powers except:
  - A. Make contracts and incur liabilities
  - B. Adopt, change, amend, and repeal bylaws
  - C. Lend money to directors and officers
  - D. Borrow money
  
6. The Board of Directors of a community association:
  - A. Sets policies and standards
  - B. Formulates procedures and regulations
  - C. Identifies and collects funding
  - D. All of the above
  
7. If not provided for in the Bylaws, a homeowners association must have \_\_\_\_ directors.
  - A. 5
  - B. 7
  - C. 3
  - D. 9

8. Directors and officers
  - A. Must be compensated for their service to the community
  - B. May receive gifts and favors from vendors
  - C. Have a fiduciary responsibility to the owners and community
  - D. Are elected by the unit owners for 4 year terms of office
  
9. One of the required three officers is not:
  - A. President
  - B. Comptroller
  - C. Treasurer
  - D. Secretary
  
10. The president:
  - A. Creates a vision for the future of the association
  - B. Is the official record keeper of the association
  - C. Prepares the budget
  - D. Carries out the maintenance of the association
  
11. The primary purpose of a community association annual owners' meeting is
  - A. To elect the president, secretary and treasurer
  - B. So that the president can provide a state of the community report
  - C. To elect directors to the board
  - D. To vote on reserves and the budget
  
12. Fiduciary responsibility means
  - A. Maintain monthly assessments at a level which all owner can pay
  - B. Place the best interests of the community above personal interest
  - C. Take reasonable care that an ordinary prudent business person would in exercising and making decisions
  - D. Provide an annual audit of community finances
  
13. A manager's responsibilities may include all of the following except:
  - A. Supervision of staff & vendors
  - B. Authorization and approval of contracts
  - C. Management of financial operations
  - D. Oversight of ground maintenance
  
14. An owner has certain responsibilities to the community association, including:
  - A. Participate by attending meetings
  - B. Enforcing use restrictions & rules
  - C. Authorizing contracts
  - D. Selecting the manager
  
15. An important characteristic of a good board member is:
  - A. Has a personal agenda
  - B. Has a vision for the community
  - C. Holds himself above other owners
  - D. Argues with owners at meetings

16. Which of the following is not true about ethics?
- A. Ethical behavior is the same as legal behavior
  - B. Our ethical code helps define who we are
  - C. Ethics encompasses the sense of moral responsibility
  - D. Ethics can be defined as our duty to respect and consider the rights and needs of others as well as ourselves
17. A good board has a current, accurate budget, which includes:
- A. Concise, written objectives describing what the association will accomplish during the current fiscal period
  - B. A long-range plan, displaying the likely financial needs in the next five to ten years.
  - C. Reserves for state mandated items, elevator modernization, concrete restoration, insurance deductibles, and other capital requirements
  - D. All of the above
18. During meetings the board
- A. Makes important policy decisions
  - B. Approves critical projects
  - C. Considers and enacts a budget
  - D. All of the above
19. A good Board of Directors creates and implements procedures in:
- A. Use restriction & rule enforcement
  - B. Budgeting & Accounting
  - C. Collection of Delinquent Accounts
  - D. All of the above
20. In addition to those traits that are important for a board member, a manager should:
- A. Display calmness under fire:
  - B. Be diplomatic
  - C. Be knowledgeable
  - D. All of the above

## **INSTRUCTIONS**

### **READ CAREFULLY PRIOR TO COMPLETING ANY COURSES.**

**Step 1** Select the course(s) you need to take. Be sure that you select the appropriate course(s) for your specific needs. No credit is given for taking the same course more than once. (CE requirements are listed in the front of this book or you can contact the CAM Council's office.)

**Step 2** Read the course materials for each course you take.

**Step 3** Find the "**CAM CONTINUING EDUCATION ANSWER SHEET**", located at the back of this book. ***There is space to complete all courses on the one answer sheet.*** Fill in the "**Student Information**" section and the "**Payment Information**" section. **(Courses will not be processed until complete payment has been made.)**

**Step 4** Complete your answers for each course by completely filling in one "bubble" per question. Note: A specific type of pen or pencil is not required.

**Step 5** We suggest that you make a photocopy of your answer sheet for your own records.

**Step 6** For "**Standard Grading**", mail your Answer Sheet to Gold Coast Professional Schools, Inc., 5600 Hiatus Road, Tamarac, FL 33321. Your Answer Sheet is graded and your course completion certificate(s) will be mailed as soon as possible, usually within 5 business days.

We also offer an optional "**NEXT DAY**" **fax service**. This optional service is provided for an additional \$10. Fax your completed Answer Sheet to us by 5 p.m. and we will fax your completion certificate(s) to you by 5 p.m. on the following business day. Your original completion certificate(s) will be mailed to you.

To use this service, fax your Answer Sheet to us at: **(954) 485-9865**

**Note:**

- To use the optional fax service, payment must be made by credit card.□
- The optional fax service is available in the continental United States only.□
- We will attempt to fax your completion certificate(s) to the number you provide up to a maximum of three times. If the third transmission does not go through, your certificate(s) will be mailed to you.□

**Step 7** When you receive your certificates, ***verify that you have received certificates for each of the courses you took.*** If there are any errors or omissions, call our office at: **1-800-732-9140** as soon as possible.

**Step 8** Under the new reporting procedures, Gold Coast will report your results directly to the DBPR. You should still retain your course completion certificates in case of audit.

**Note:** Students who do not achieve a score of at least 75% will be required to redo their examination, and pay a \$5 handling fee for the re-examination. If a student does not successfully pass the second time, they will be given a different exam. If a student is not successful on the re-examination they will have one final chance to redo the second examination. Any student who is not successful after two attempts, at two different examinations will not be allowed to attempt another through our school. The tuition paid (excluding handling fees) for the correspondence course will be credited towards the same course, offered in any of our classroom locations.

