HAWAIIAN PROPERTIES

Building Relationships that Last

Board Members

A GUIDE FOR COMMUNITY ASSOCIATION VOLUNTEER LEADERS

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A Message to New Board Members

Congratulations on your election to the board of directors. Your neighbors placed their trust in you — and that is the foundation of everything that follows.

In Hawai‘i, community is not just a word — it is a way of being with one another. The ‘ohana you now serve has entrusted you with something real: their home, their investment, the place where their daily life unfolds. That trust is the foundation of everything you will do as a board member.

You join a tradition of service. Every policy, every reserve balance, every vendor relationship and community standard was built by boards that came before you — people who showed up, learned the rules, sought advice when they needed it, and put the community first. Your job is to carry that forward. Where you can, leave it stronger.

You are a fiduciary. Under Hawaii law, board members owe a legal duty to act in good faith, with reasonable care, and in the best interest of the community as a whole — not in your own interest, and not on behalf of the neighbor who asked you to run. This duty applies to every board member equally, officer or not.

You do not govern alone — and you were never meant to. The board acts as a body, and Hawaiian Properties stands beside you. We are not just your managing agent; we are your partner in this work. Our team is here to implement your decisions, bring you the information you need to govern well, flag issues before they become problems, and walk with you through the complexities of community association life in Hawai‘i. We bring the expertise. You bring the knowledge of your community and the trust your neighbors have placed in you. Together, that is a powerful combination.

This guide is your foundation. Read it before your first meeting. Return to it when questions arise. Pass it on to the board members who follow you.

The community you serve is counting on you. Lead with care, with fairness, and with genuine concern for every person who calls this place home.

From our ‘ohana to your ‘ohana, welcome to the board.

Mahalo for your willingness to serve.

Hawaiian Properties, Ltd.
Building Relationships that Last

Contents

The Role of the Board

Community associations are unique entities, and the boards that lead them fill unique roles.

Community association boards consist of officials elected to represent and protect the best interests of their constituents.

Community associations are corporate entities whose board members must maintain and care for a jointly owned asset on behalf of all owners.

Community associations are social entities — neighborhoods of people who expect the board to preserve, if not improve, their quality of life.

Ultimately, the role of the board is to operate the association in the best interests of all owners, maintain the common property, and enforce the governing documents.

Qualities of a Good Board Member

A Strong Board Member		A Weak Board Member
■ Good character ■ Strong integrity ■ Calm judgment ■ Willingness to serve ■ Committed to the best interests of the community as a whole ■ Relevant experience or background ■ Previous volunteer service ■ Strong "people skills"		■ Unable to put the welfare of the community first ■ Works behind the board to run things his or her way ■ Impulsive or quick tempered ■ Has a personal or hidden agenda ■ Puts individual interests first ■ Little or no experience in management, leadership, or service ■ Unable to work with others for the common good ■ Ineffective with others

How do you succeed with such a challenging assignment?

Put your personal preferences and circumstances aside. When you make decisions as a board member, you have an obligation to work in the best interest of the entire community, regardless of how they affect you personally.

Educate yourself. Part of learning how to be a good board member will come from trial and error. You can reduce the errors by attending seminars, reading books, networking with other community association board members, asking questions of your managing agent, accountant, or attorney, and using free educational resources online.

Know the difference between the roles of the board and the managing agent. Boards set policy and make governance decisions. The managing agent implements those directives and handles day-to-day operations.

Stand united. Once the board makes a decision, stand behind it and make every effort to see it succeed — even if you voted against it.

Don't allow personality differences to interfere with the work of the board. Be cooperative, positive, and make every effort to stay focused on the needs of the community.

Be reasonable. Although boards have a big responsibility, they needn't be over-zealous or inflexible to fulfill it. Avoid snap decisions, act rather than react, and deal with real problems, not nuisance situations.

Boards vary in size, but most comprise five to seven elected owners. Among themselves they appoint officers, of which the three primary positions are president, secretary, and treasurer. Decisions are made by the board as a group, not by individuals or by officers.

BUILDING COMMUNITY

The role of the board is as much about building the social and civic well-being of the community as it is about maintaining common areas or enforcing rules. To do this, a board must:

- Provide leadership and inspiration, not merely administration.
- Instill a sense of caring, civic pride, and shared responsibility in all owners and residents.
- Position the association as a wellspring of resident volunteerism and community engagement.
- Transform housing units into vibrant neighborhoods and communities.

<table>
<tr>
<td>How to Be a Community Builder
Maintain perseverance and determination.
Set a tone that is welcoming and positive.
Collaborate with the community at large.
Help others in need.
Build community traditions.</td>
<td>By placing an emphasis on community, boards transcend the legalistic nature of their governing documents. Efforts to build a sense of community tend to reduce the number of administrative issues such as rules violations and delinquent assessments.</td>
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Hawaiian Properties endorses the CAI Community Association Civility Pledge — a commitment to open discussion, mutual respect, and constructive engagement among all who live in, work in, and visit our communities. Boards that model civility create communities that thrive.

See the CAI Community Association Civility Pledge in your training packet.

ⓘ Cautions

Your term has an expiration date — but the consequences of your decisions do not. Assessments levied, contracts signed, and policies adopted during your tenure will outlast you. Govern accordingly.

A board that operates as a collection of individuals rather than a unified body loses its legal authority and its community's trust. Decisions made outside a properly noticed meeting — or by individual board members acting alone — may be invalid and expose the association to liability.

The "Weak Board Member" list is not hypothetical. Hidden agendas, personal vendettas, and individual deal-making are the most common sources of board dysfunction — and the hardest to recover from. If you recognize these patterns on your board, address them early.

New Board Member Orientation Checklist

Use this checklist to ensure each new board member is properly oriented before their first board meeting.

- ☐ Review the association’s governing documents.
- ☐ Review meeting minutes and financial reports for the previous six months.
- ☐ When applicable, explain the function and current projects of each active committee.
- ☐ As a board, collectively discuss the goals of the board and how the board functions as a group.
- ☐ Emphasize the importance of participating with and supporting the board.
- ☐ Review the board’s conflict of interest policy.
- ☐ Provide a copy of this Board Members Guide and encourage the new member to read it in full.
- ☐ Encourage the new board member to attend CAI chapter seminars or access free online resources at caionline.org/resources-for-homeowner-leaders.

How to Run an Effective Board Meeting

Effective board meetings don't happen by accident. They require preparation, clear rules, disciplined leadership, and a commitment to governance — not debate. The guidance in this section is drawn from CAI Hawaii's board governance seminars and reflects best practices used by experienced community association boards throughout Hawaii.

ADOPT MEETING RULES AND APPLY THEM CONSISTENTLY

Every board should adopt a formal set of meeting rules and apply them consistently and fairly at every meeting — regardless of who is presiding or who is in attendance. This commitment must survive any change in board leadership or officers.

- Respect the role of the Chair. Process matters as much as outcomes.
- Order, recognition, and time limits protect fairness and keep meetings on track.
- Once rules are adopted, apply them uniformly. Selective enforcement of meeting rules undermines the board's authority.

Sample board meeting rules are available through CAI and parliamentary procedure resources. Ask your managing agent for guidance.

PREPARE AND USE BOARD PACKETS

A well-organized board packet is essential to an efficient meeting. The agenda should be set in advance by the manager and president, with board members invited to submit agenda items at least two weeks before the meeting.

- Motions should be submitted in writing and in advance where possible.
- Board members should review the packet thoroughly before the meeting — come prepared to decide, not to be educated in real time.
- Ask clarifying questions of the manager in advance rather than waiting for the meeting.

FOCUS ON GOVERNANCE, NOT OPERATIONS

Good governance starts with knowing your governing documents. The board's role at meetings is to set policy and make decisions — not to manage day-to-day operations.

- Ask oversight and policy questions, not operational ones.
- Leave operational details to management. Do not direct staff or solve day-to-day issues during board meetings.
- Stay focused on the agenda. Avoid tangential discussions that consume time without advancing association business.

STANDARD ORDER OF BUSINESS

Most board meetings follow a standard order of business. Consistent use of this order keeps meetings organized and predictable:

- Call to order
- Establishment of quorum
- Approval of previous meeting's minutes

- Treasurer’s report / financial review
- Managing agent’s report
- Committee reports
- Old (unfinished) business
- New business
- Adjournment

OPEN FORUM / HOMEOWNER COMMENT PERIOD

Many associations provide an open forum period for owner comments. Best practices include:

- Set a specific time for open forum — typically at the beginning or end of the meeting.
- Apply time limits per speaker consistently.
- The board listens during open forum; it does not debate or make decisions in response to owner comments during that period.
- The board may take items raised in open forum under advisement for a future agenda.

EXECUTIVE SESSION

Boards may meet in executive session (closed session) to address matters that must remain confidential. Under HRS §514B-125, matters that may be addressed in executive session include:

- Pending or threatened litigation
- Personnel matters
- Contracts in negotiation
- Delinquent assessments and collection matters involving specific owners

Executive session authority and procedural requirements are governed by HRS §514B-125 for condominium associations and HRS §421J for planned community associations. Consult your association’s legal counsel to confirm the specific grounds and notice requirements that apply.

ⓘ Cautions

A board that meets without a quorum cannot conduct official business. Know your quorum requirement before the meeting and confirm it is met at the outset.

Meetings that go off-agenda, allow unchecked owner participation, or fail to manage time waste board and community resources. The Chair is responsible for maintaining order.

Decisions made outside a properly noticed meeting — by email, phone, or informal consensus — may be invalid. Consult your governing documents and association counsel.

Board Do’s and Don’ts

Board members carry significant responsibility. Knowing what to do — and what to avoid — is fundamental to effective and legally sound governance. The following guidance reflects CAI Hawaii’s seminar materials and the standards expected of fiduciary volunteers under Hawaii law. For the board’s Business Judgment Rule protections, refer to the separate DCCA Business Judgment Rule reference document provided by your managing agent.

BOARD DO’S

- Act only as a board — decisions are made collectively at properly noticed meetings, not by individual board members.
- Hire, evaluate, and direct the Association Manager — as a board, not as individuals.
- Disclose conflicts of interest and recuse yourself from affected votes.
- Maintain confidentiality of executive session matters.
- Attend meetings, review materials in advance, and come prepared to decide.
- Support board decisions once made, even if you voted against them. Speak with one voice.
- Use the managing agent as your primary operational resource.
- Seek professional advice — legal, financial, insurance, engineering — before making significant decisions.
- Treat all owners, residents, colleagues, and staff with respect and civility.
- Decline gifts, directly or indirectly, from owners, residents, contractors, or suppliers.

For the complete CAI ethical framework, see the CAI Model Code of Ethics for Board Members in your training packet.

BOARD DON’TS

- Don’t act individually — no individual board member has authority to make decisions, issue directions, or commit association resources outside of board action.
- Don’t give direct instructions to vendors, on-site staff, or the resident/site/general manager. All direction flows through the managing agent.
- Don’t use your board position to advance personal interests or benefit specific owners.
- Don’t discuss pending or threatened litigation outside of executive session.
- Don’t make commitments or promises to owners, contractors, or bidders that have not been authorized by the board.
- Don’t vote on matters in which you have a conflict of interest.
- Don’t ignore deferred maintenance, unresolved violations, or financial irregularities. Board inaction is a governance failure.
- Don’t take retaliatory action against owners or residents for exercising their rights.
- Don’t enter into contracts or spend association funds without proper board authorization.
- Don’t engage in personal attacks, harassment, or threats toward colleagues, staff, or residents.

A NOTE ON THE BUSINESS JUDGMENT RULE

Board members who act in good faith, on an informed basis, and in the honest belief that their actions are in the best interests of the association are generally protected from personal liability under the Business Judgment Rule. This protection depends on following proper process, avoiding conflicts of interest, and exercising reasonable care.

For a full explanation of the Business Judgment Rule and its application to Hawaii community associations, refer to the DCCA Business Judgment Rule reference document provided by your managing agent.

ⓘ Cautions

Individual board members have no authority to act alone. Decisions, communications, and commitments must be made by the board as a body — not by individual directors.

A board that ignores known problems — deferred maintenance, rule violations, financial irregularities — exposes the association to legal and financial risk. Act on what comes before the board.

Confidentiality is a fiduciary obligation. Sharing executive session discussions or sensitive association information outside the board is a breach of your duty.

Conflict of Interest

A conflict of interest arises when a board member's personal, financial, or professional interests could — or could appear to — influence the board member's judgment in fulfilling their fiduciary duty to the association. All board members are expected to recognize conflicts of interest, disclose them promptly, and handle them properly.

WHAT CONSTITUTES A CONFLICT OF INTEREST

A conflict of interest includes, but is not limited to:

- A board member or their immediate family member has a financial interest in a vendor, contractor, or service provider doing business with the association.
- A board member would personally benefit — financially or otherwise — from a board decision.
- A board member has a personal relationship that could reasonably be perceived as influencing their vote.
- A board member has a business relationship, employment, or investment that conflicts with the association's interests.

DISCLOSURE OBLIGATIONS

Board members have an affirmative duty to disclose conflicts of interest. Disclosure should be:

- Made promptly — as soon as the board member becomes aware of the potential conflict.
- Made to the full board — not just to the president or managing agent.
- Documented in the meeting minutes.

New board members should complete a conflict of interest disclosure form as part of their orientation. Many associations have adopted a formal Conflict of Interest Policy. Ask your managing agent if your association has one.

RECUSAL

A board member with a conflict of interest in a matter before the board must:

- Disclose the conflict before discussion begins.
- Abstain from participating in the discussion of that matter.
- Abstain from voting on that matter.
- Leave the room during deliberations if the board or governing documents require it.

Recusal protects both the board member and the association. It does not require resignation from the board.

APPEARANCES MATTER

Even where no actual conflict exists, board members should be sensitive to how their actions might appear to other owners and residents. A perceived conflict of interest can be as damaging to community trust as an actual one. When in doubt, disclose and recuse.

Hawaii law establishes specific requirements for conflict of interest disclosure and voting prohibition under HRS §514B-125(g). See the DCCA Board of Directors Fiduciary Duty document in your training packet for the full legal standard.

ⓘ *Cautions*

Failure to disclose a conflict of interest is a breach of fiduciary duty and can expose the board member to personal liability. When in doubt, disclose.

Voting on a matter in which you have a conflict of interest — even if the decision itself is sound — can invalidate the board's action and expose the association to legal challenge.

Board members should review the association's Conflict of Interest Policy and disclosure procedures as part of their new member orientation. If your association does not have such a policy, recommend that one be adopted.

The Role of the President

Community association presidents are required to fulfill many roles, but the primary roles are leader of the board and its chief spokesperson. The president acts on behalf of the board and must have board authorization for significant actions.

The president should have a working understanding of Hawaii law governing community associations — HRS Chapter 514B for condominium associations and HRS Chapter 421J for planned community associations — as well as the association's governing documents.

OVERSEE OPERATIONS

The board — led by the president — oversees adherence to the budget, formulates and enforces rules and policies, conducts meetings, sets agendas, and works with committees. The president does not run operations independently; the managing agent executes day-to-day operations under board direction.

SPEAK FOR THE BOARD AND ASSOCIATION

The president is the official spokesperson for the board — to association members, the managing agent, vendors, the press, and the greater community. Significant communication should reflect board consensus, not personal opinion.

WORK WITH THE MANAGING AGENT

The president is the primary point of contact between the board and the managing agent. Hawaiian Properties executes the day-to-day operations of the association under board direction. The board sets policy; the managing agent implements it.

WORK WITH PROFESSIONALS

Seeking the services of an attorney, reserve study professional, or insurance specialist is in the best interests of the association. For example:

- Reviewing legal contracts requires advice from an attorney.
- Reserve studies must be conducted by qualified third-party professionals as required by HRS §514B-148 — not by the board.
- Adequate insurance coverage requires guidance from a certified insurance specialist.

PROTECT THE ASSETS

All board members carry a fiduciary duty to the association equally under HRS §514B-106(a) — not just the president and treasurer. This duty requires the board as a whole to:

- Prepare and adhere to an association budget that reflects the values and needs of all owners.
- Ensure reserve accounts are adequately funded, relying on third-party reserve studies as required by law.
- Ensure assessment collections are timely and consistent.
- Maintain adequate and appropriate insurance coverage.

The fiduciary duty standard under HRS §514B-106(a) requires board members to exercise the degree of care and loyalty required of an officer or director of a nonprofit corporation under HRS §414D-149(a). See the DCCA Board of Directors Fiduciary Duty document in your training packet for the full explanation.

WORK WITH VOLUNTEERS

As president, you are the leader of the board — but not its unilateral decision-maker. The president presides over meetings, sets the agenda in coordination with the managing agent, and serves as the primary point of contact with the managing agent. The president casts exactly one vote — the same as every other director or officer. No action, commitment, or communication may be made on behalf of the board without proper board authorization. Leading well means channeling the board's collective authority, not substituting your own.

The president is the leader of the board, a body that typically includes:

- The vice president — who substitutes for the president in their absence
- The secretary — the official recorder of the association's activities and records
- The treasurer — the financial voice of the board

It is in the president's best interest to encourage officer participation, develop their skills, identify potential future leaders, and orient them to their responsibilities.

Use the New Board Member Orientation Checklist in Section 1 to plan your orientation.

ⓘ *Cautions*

Working cooperatively with the board is essential. Heavy-handed or independent action by a president can put the entire association at risk.

Presidents must educate themselves on the nature and scope of their obligations. Well-intentioned but uninformed actions can threaten a community's economic and social stability.

The board must adhere to and enforce rules consistently. Arbitrary or inconsistent application weakens the association's ability to enforce them.

The board must ensure the association's insurance is adequate and appropriate. Federal and secondary mortgage agencies will not fund mortgages in the community otherwise.

The Role of the Vice President

The vice president serves as the backup to the president and as a fully engaged member of the board. While the vice president may have fewer defined day-to-day responsibilities than the president, the role is critically important to board continuity and effectiveness.

SUBSTITUTE FOR THE PRESIDENT

The vice president's primary formal duty is to assume the responsibilities of the president when the president is absent, incapacitated, or unable to act. This includes:

- Presiding over board meetings in the president's absence.
- Serving as the primary point of contact with the managing agent when the president is unavailable.
- Taking actions that would otherwise require the president's execution.

ⓘ *Cautions*

A vice president who is unprepared to assume the presidency creates a governance risk for the association. Stay engaged and informed throughout your term.

The vice president has no more individual authority than any other board member. Substitution for the president occurs only when the president is formally absent or incapacitated.

The Role of the Secretary

The association secretary preserves the association's history, maintains its records, and ensures that meeting procedures are properly followed. In HP-managed associations, many of these functions are supported by the managing agent — but the secretary remains the board's designated record-keeper and is responsible for overseeing these functions listed below.

RECORD MINUTES FOR ALL ASSOCIATION MEETINGS

- Board meetings
- Special meetings
- Annual meetings
- Committee meetings

GUIDELINES FOR RECORDING MINUTES

- Record actions taken and the outcome of votes — whether motions passed, failed, were tabled, or withdrawn.
- Record all matters brought before the board, whether adopted, dismissed, deferred, or presented as information only.
- Keep minutes factual and objective. Do not record debate, personal opinions, or the reasons why decisions were made. Minutes are a record of what was decided — not why.
- Remember that minutes are official records of the association and are admissible as evidence in a court of law.

MINUTES:

Meeting minutes are the official legal record of the association's actions. Properly recorded minutes protect the board, provide institutional memory, and demonstrate that the association is governed according to its documents and Hawaii law. This section provides complete guidance for the secretary on how to prepare, record, and maintain minutes.

WHAT MINUTES SHOULD AND SHOULD NOT CONTAIN

Minutes are a record of what was decided — not what was said. They are not a transcript of discussion, a summary of debate, or a record of individual opinions.

- DO record: actions taken, motions (exact wording), who moved and seconded, vote outcomes, quorum confirmation, reports received, items tabled or deferred.
- DO NOT record: debate or discussion, personal opinions, reasons for decisions, individual owner statements from open forum, or characterizations of member behavior.

BEFORE, DURING, AND AFTER THE MEETING

- Before: review the prior meeting's approved minutes and the current agenda. Prepare a draft template with recurring sections pre-filled.
- During: follow the order of business and record in sequence. For each motion, record the exact wording, mover, seconder, and vote outcome.
- After: prepare the draft within one week. Distribute to board members for review. The board formally approves minutes at the next meeting. Approved, signed minutes are the official record.

EXECUTIVE SESSION MINUTES

- Executive session minutes must be maintained separately and kept strictly confidential — accessible only to board members.
- Motions from executive session do not appear in the regular meeting minutes unless the board specifically authorizes their release.
- Failure to maintain executive session minutes can create serious disputes about whether decisions were properly authorized.
- The board may want to adopt an executive session policy or resolution to define the scope of topics that may be addressed in executive session, establish procedures for maintaining and securing executive session minutes, and set guidelines for any limited release of executive session information.

STANDARD MOTION LANGUAGE

Use consistent language for all motions: “It was moved by [Name] and seconded by [Name] to [state the motion exactly]. The motion passed / failed by a vote of [X] to [Y].”

For comprehensive guidance on minutes — including Hawaii-specific legal requirements, detailed examples, and Robert’s Rules standards for community associations — see the Minutes document by Steve Glanstein, PRP, included in your training packet.

ANNOUNCE MEETINGS AND PREPARE AGENDAS

Notifying board members and association members of meetings is required by law. HRS §514B-125 sets statutory notice requirements that supersede governing documents where conflicts exist. The managing agent typically coordinates meeting notice preparation and distribution.

> *Meeting notice requirements are governed by HRS §514B-125 for condominium associations and HRS §421J for planned community associations. Your managing agent coordinates notice preparation and distribution; consult association counsel to confirm the specific requirements for your association.*

MAINTAIN ASSOCIATION RECORDS

Association records are maintained by the managing agent. The secretary oversees this function and should ensure records are stored, retrievable, and organized. Owners have a right to inspect certain records under HRS §514B-153.

> *Owner inspection rights for association records are established under HRS §§514B-152 through 154.5 for condominium associations. Consult your managing agent and association counsel to confirm which records must be made available, under what conditions, and within what timeframes.*

Records retention practices should be established in consultation with the association’s attorney and CPA.

FINANCIAL CONTROLS AND SIGNATURE AUTHORITY

Many associations have internal controls requiring dual authorization on disbursements. Financial controls are a board and managing agent responsibility. The secretary may be involved in signature verification but should understand that financial controls are a shared governance responsibility.

MAINTAIN LISTS

The association maintains current membership and contact information — mailing addresses, voting percentages, and board and committee rosters — with managing agent support.

VERIFY PROXIES

Proxies for annual or special membership meetings are received, verified, and recorded per the association’s governing documents. The managing agent typically coordinates proxy collection and verification.

ⓘ *Cautions*

> *How and when you give notice of a meeting has a direct impact on whether the business conducted at the meeting is legal and binding. It’s important to do it right.*

Not all association documents are public records. It's important to know which documents must remain confidential and which must be available to members and others.

Failing to keep the membership mailing list accurate and current has legal ramifications. It's important to know why and what to do.

The Role of the Treasurer

The treasurer is the financial voice of the board and oversees the association's financial operations on behalf of the board. In HP-managed associations, the managing agent handles day-to-day financial operations. The treasurer's primary role is oversight, review, and communication.

PREPARE THE BUDGET

The managing agent prepares the draft budget using historical data and current expenses. The treasurer reviews the draft with the managing agent, provides input, and works with the full board to refine and adopt the final budget.

MAINTAIN ASSOCIATION ACCOUNTS

The association's governing documents specify a number of financial responsibilities the board oversees. These may include:

- Maintaining adequate insurance coverage
- Ensuring financial records are kept accurately by the managing agent
- Directing the appropriate investment of association funds
- Overseeing assessment collection and delinquency follow-up
- Ensuring reserve accounts are funded in accordance with the reserve study
- Working with a CPA on annual tax returns

UNDERSTAND BASIC FINANCIAL STATEMENTS

The treasurer should understand at least the basic components of the financial statements provided monthly by the managing agent:

- Assets
- Liabilities
- Members' equity: reserves and operating fund balance

In addition, it is advantageous for the treasurer to understand:

- Income statement
- Statement of cash flow
- Unit owner balances
- Bank statements and reconciliations

REPORT TO THE BOARD

The treasurer presents a financial summary at each board meeting based on reports provided by the managing agent, keeping the full board informed and ensuring financial accountability.

IMPLEMENT A RESERVE PROGRAM

Under HRS §514B-148, condominium associations are required to have reserve studies conducted by qualified third-party professionals. The managing agent coordinates the reserve study engagement. The board uses the reserve study to make informed funding decisions. The treasurer does not conduct reserve studies.

HRS §514B-148 requires condominium associations to conduct reserve studies through qualified third-party professionals at intervals specified by law. Planned community associations should confirm applicable reserve requirements under HRS §421J with association counsel.

SELECT A CPA AND COORDINATE AUDITS

The board selects the association's CPA, often with input from the treasurer and managing agent. The managing agent coordinates with the CPA on financial reporting and audit matters. The treasurer and board review audit results.

BOOKKEEPING

In most HP-managed associations, bookkeeping is handled by the managing agent. In smaller or self-managed communities, a board member may assist. Even in managed associations, the treasurer should have a general understanding of how the books are kept.

FINANCIAL LIAISON

The treasurer is the liaison between the board and the finance committee (if one exists), and between the board and association members on financial matters. For professional relationships with bankers and auditors, the managing agent typically coordinates.

MAINTAIN RECORDS

The managing agent maintains the association's financial records. Records retention practices should be established in consultation with the association's attorney and CPA.

TAX MATTERS

Many associations adopt an annual rollover resolution — approved by owners at the annual meeting — that allows excess operating funds to be carried forward, directly affecting the association's tax treatment. The managing agent coordinates this process and works with the CPA on tax filings. The board should not make unilateral tax filing decisions without CPA guidance.

> *The tax treatment of rollover resolutions and the procedures required to implement them should be confirmed annually with your association's CPA and reviewed by legal counsel, as applicable rules and thresholds may change.*

ⓘ *Cautions*

Diverting association assets from their intended use is a real risk. Internal controls — dual-signature requirements, segregation of duties, regular financial reviews — are essential to prevent misuse of funds.

The safety and liquidity of association assets are critical. Funds should be held in insured accounts and invested conservatively, in accordance with the governing documents and applicable law.

Tax decisions require CPA guidance. The wrong filing decision can cost the association substantial penalties. The board should never make tax filing decisions without consulting the association's CPA and legal counsel.

Hawaii law — HRS Chapters 514B and 421J — contains specific provisions regarding financial statements, audits, and delivery to owners. Consult with the association's CPA and legal counsel to ensure compliance.

Understanding Financial Reports

Each month, the association's managing agent prepares a financial statement package for the board. Reviewing it is one of the board's most important duties — it is how the board confirms the association's money is being handled properly. This section walks through each report in that package and what it tells you.

Brief overview of the main components of a financial statement

- Balance Sheet
- Receipts & Disbursement Statement
- Bank Reconciliation – Operating Account
- Statement of Reserve Fund
- Delinquency Report
- Paid Invoice Register
- Current General Ledger

ACCOUNTING METHODS

(How transactions are recorded)

Cash Basis

Under cash basis, income and expenses are recorded only when money is received or paid.

- Maintenance fees are recorded when paid
- Invoices are recorded when paid
- Shows actual cash spent and received

This method answers the question: How much money actually came in and went out?

Accrual Basis

Under accrual basis, income and expenses are recorded when they are earned or incurred, even if the payment hasn't been made yet.

- Maintenance fees are recorded when billed
- Expenses are recorded when work is done
- Shows upcoming obligations and expected income

This method answers the question: What do we owe and what is owed to us?

BALANCE SHEET

(Financial Snapshot)

The BALANCE SHEET shows the Association's financial position on a specific date (similar to a snapshot). It answers three key questions.

- What does the Association own?
- What does it owe?
- How much money belongs to the Association?

It is comprised of assets, liabilities, and equity (Assets = Liabilities + Equity).

Assets (What the Association Owns)

For cash basis financials, assets are cash and reserves.

For accrual basis financials, common assets are cash and reserves, accounts receivable, prepaid expenses, and fixed assets.

Common assets include:

- Cash & Reserves – funds in the operating and reserve accounts
- Accounts Receivable – amount owed to the Association
- Prepaid Expenses – amount that has been paid for in advance and then expensed out over a period of time (for insurance, contracts, or maintenance agreements)
- Fixed Assets – physical property owned by the Association (land, buildings, etc)

Liabilities (What the Association Owes)

With cash basis financials, generally there will not be any liabilities.

For accrual basis financials, common liabilities are owner prepayments, accounts payable, bank loan, accrued expenses.

Common liabilities include:

- Owner Prepayments (unearned revenue) – amount that owners prepaid toward maintenance fees and other charges
- Accounts Payable – invoices that have been received, but not yet paid
- Bank Loan – outstanding balance of the loan
- Accrued Expenses – expense that has been incurred, but not yet paid (common accrued expense is insurance being paid in several installments)

Equity (Association's Net Worth)

- Retained Earnings (prior year) – shows the accumulated income or losses from past years
- Net Income (current year) – shows the current year's income or loss

STATEMENT OF RECEIPTS AND DISBURSEMENTS

(Income & Expense report)

The STATEMENT OF RECEIPTS AND DISBURSEMENTS shows the Association's income and expenses over a period of time. It will show:

- Monthly and year-to-date income and expenses
- Comparisons to the approved budget
- Transfers between operating funds and reserves

This is the best report for understanding how your dues are being used.

BANK RECONCILIATION

The BANK RECONCILIATION confirms the below:

- Deposits were received by the bank
- Checks & other payments cleared the bank
- Accounting records agree with the bank records after reconciling timing differences

This process helps prevent errors and protects the Association funds.

STATEMENT OF RESERVE FUND

The STATEMENT OF RESERVE FUND shows how the Association's reserve money is invested. It includes:

- Reserve account types (savings, money market, CDs)
- Interest rates and maturity dates (if applicable)
- Beginning and ending balances for the month
- Monthly activity

Reserve funds are used for major repairs and replacements, such as roofing, paving, and equipment.

DELINQUENCY REPORT

The DELINQUENCY REPORT shows owners who have unpaid balances. It includes:

- Total amount owed
- How long balances have been unpaid
- Collection status

For privacy and legal reasons, this report is generally reviewed only by the Board.

Collection Process example

Hawaiian Properties will initiate collection procedures based on the Board's collection policy. For the example below, the Association's collection policy is a $50 late fee after the 15th day of the month.

After the 15th, a $50 late fee is applied and a letter (PN-Past Due Notice) is sent to the owner reminding them of the late payment and charge.

If the owner has not paid by the 15th of the next month, another late fee will be applied and a second letter (FN-Final Notice) will be sent to inform them that if payment is not received within 30 days, the account will be turned over to the Association's attorney for collections.

If the owner has not paid by the 15th of the following month, another late fee will be applied and the account is turned over for collections. A letter (AN-Attorney Notice) is sent to the Association's attorney (not to the owner). Once the attorney starts the collection process, all inquiries from the owner must go through the attorney.

PAID INVOICE REGISTER

The PAID INVOICE REGISTER shows the invoices paid during the month. It is similar to a check register, but this report is sorted by vendor and not by the check number. The report will show:

- Vendors paid
- Invoice information
- Check numbers and dates

This helps owners and Board members review spending transparency.

GENERAL LEDGER

(Detailed Record)

The CURRENT GENERAL LEDGER is the detailed record of all financial activity for the Association. All other financial reports are summaries based on this information.

Cash and Reserve Bank accounts (GL 1010 to 1499)

These accounts show where the Association's money is held and how it moves in and out.

- The first account listed is typically the operating checking account (used for day-to-day expenses such as utilities and contracts).
- Transactions are listed by date, making it easy to follow activity over time.

Types of Transactions

Depending on the accounting method, transactions may include:

- Deposits (R) – money received, usually owner maintenance fees
- Payments (K) – invoices that were paid
- Adjustments (J) – entries that move transactions from one GL code to another

Under accrual accounting, you may also see:

- Charges (C) – amounts billed or assessed to owners, whether or not they have been paid
- Invoices (P) – vendor invoices recorded, whether or not they have been paid

Petty Cash/Expense Account

Some Associations allow limited on-site spending for small purchases.

- Petty Cash – small cash amounts provided to the Resident Manager for minor purchases
- Expense Account (debit card) – bank account used for approved expenses

All purchases require receipts, which are reviewed and reconciled to ensure proper use of funds.

Bank reserve accounts are listed next and contain funds set aside for major future repairs and replacements. These may include:

- Savings or money market accounts
- Certificates of deposit (CD)
- Brokerage or investments accounts

Other Assets (GL 1500 to 1999)

For accrual basis financials, the Association may have other assets, such as:

- Accounts Receivable – amounts owed by owners
- Prepaid Expenses – expenses paid in advance (like insurance)
- Fixed Assets – property or equipment owned by the Association

Liabilities (GL 2000 to 2999)

Liabilities show the amount the Association is responsible for paying or returning.

For cash basis financials, Security Deposits may be listed. These are funds that the Association must repay to a resident. For example, the Association may collect a key deposit upon move-in. When the resident leaves, the key deposit needs to be returned back to them. This account tracks the funds going in and out for the key deposits.

For accrual basis financials, there will be other liability accounts being used. Typical accounts are Accounts Payable, Unearned Revenue, accrued expenses, and loans. Brief descriptions are above in the Balance Sheet section.

Equity (GL 3000 to 3999)

Equity shows the overall financial results of the Association.

- Retained Earnings-Prior Year (GL 3010) shows the accumulated income or loss from the past years. This amount will usually not change throughout the year.
- Retained Earnings-Current Year (GL 3020) shows the Association's year-to-date income or loss. This amount changes each month as revenues and expenses are recorded.

Income (GL 5000 to 5999)

Income accounts show where the Association's money comes from, such as:

- Owner Charges - maintenance fees, late charges, utility reimbursements
- Other income – laundry, rent, storage

Expense (GL 6000 to 7999)

Expense accounts show how the Association funds are spent, including:

- Utilities, contracts, repairs and maintenance
- Professional services
- Payroll
- Other expenses

Capital Expenses (GL 8000 to 8999)

Capital expenses are large projects, like repairs, replacements, or improvements. Payment for these items should be funded by the Reserve bank accounts (transfer from reserve to operating).

Reserve Transactions (GL 9000 to 9799)

These entries track money moved between operating and reserve accounts.

- They are for tracking purposes only
- They do not change the Association's total financial balance

The GENERAL LEDGER report is the center of the financial statement. The other reports in the financial are built from this detailed record.

VARIANCE REPORT

The VARIANCE REPORT explains why actual expenses were higher or lower than the budgeted amounts. It highlights unusual increases or decreases and provides brief reasons for the difference. This report helps owners and the Board understand unexpected costs and most managers will include it with the monthly financial statement package.

The Role of the Director

Not every board member holds an officer title — and that is perfectly by design. Most boards of five to seven members have only three or four officers. The remaining directors are not lesser members of the board; they carry the same fiduciary duty, the same vote, and the same responsibility to the community as any officer. Understanding what that means in practice is the purpose of this section.

ONE VOTE. EQUAL WEIGHT.

Under Hawaii law and standard association bylaws, every board member — president or director, officer or not — casts exactly one vote. No board member's vote carries more weight than another's. The president does not have a tiebreaker. The treasurer does not have veto power over financial decisions. Authority belongs to the majority of the board acting together.

This means a non-officer director is not a supporting player. Every vote you cast is a governance act with legal and financial consequences for the association and its owners.

YOUR AUTHORITY EXISTS AT THE MEETING

Between meetings, individual directors have no authority to act on behalf of the association. You may not direct staff, instruct vendors, make commitments to owners, or represent that the board has taken a position it has not formally voted on. This applies equally to officers.

Your authority is activated when the board convenes as a body at a properly noticed meeting, deliberates, and votes. That is where governance happens — not in the hallway, not by email, and not in a conversation with a neighbor.

YOUR RESPONSIBILITIES BETWEEN MEETINGS

Being an effective director between meetings matters. Your preparation shapes the quality of the board's decisions:

- Review the board packet before every meeting. Come prepared to decide, not to be educated.
- Read financial reports, manager's reports, and materials distributed in advance.
- Direct questions and concerns to the managing agent — not to on-site staff, vendors, or individual owners.
- Stay informed about the governing documents, ongoing projects, and open issues.
- Attend CAI seminars and educational events to build your governance knowledge.

HOW TO DISAGREE PRODUCTIVELY

Disagreement on a board is healthy. What matters is how it is handled:

- Raise your concerns during deliberation, before the vote. That is the time for your voice.
- Once the board votes, support the decision publicly — even if you voted against it. A board that fractures in public undermines community confidence in all of its decisions.
- If you believe a decision was wrong, raise it again at the next meeting. Do not go around the board to relitigate it with owners, vendors, or staff.
- Never misrepresent the board's position. If a decision was made 3–2, it was made. The association's position is the majority vote, not your individual view.

COMMITTEES: YOUR EXTENDED REACH

Directors who do not hold officer positions are often well-suited to serve as board liaisons to committees — attending committee meetings, relaying information to the full board, and ensuring committees stay within their charters. This is a meaningful contribution that extends the board's capacity without expanding its authority.

SUPPORT THE PRESIDENT AND THE BOARD

A director is expected to be an active and engaged member of the board between meetings as well as during them:

- Assist the president and officers in preparing for meetings, reviewing reports, and following up on action items.
- Take on specific assignments or committee oversight roles as directed by the board.
- Stay informed on association matters so you can participate fully in discussion and vote responsibly.
- Build familiarity with the governing documents, financial reports, and key vendor relationships.

LEADERSHIP DEVELOPMENT

A stronger board is built by directors who keep sharpening their governance skills. Every director is encouraged to:

- Attend CAI seminars and educational events.
- Build relationships with the managing agent and key service providers.
- Understand the association's budget, reserve fund, and financial position.
- Review prior board minutes and current governing documents.

THE PATH TO OFFICER ROLES

Many effective presidents and treasurers served first as non-officer directors. That experience — attending meetings, reviewing financials, asking questions, and observing how the board functions — is the best preparation for an officer role. If you are interested in taking on greater responsibility, make your contributions visible: come prepared, participate constructively, and build your knowledge of the governing documents and operations.

ⓘ *Cautions*

A non-officer director has no less authority than an officer when the board votes — and no more authority than any other owner when the board is not in session. Know the difference.

Supporting a board decision you voted against is not hypocrisy — it is governance. The board's decisions belong to the board, not to individual members.

Directors who act individually — directing staff, making commitments, speaking for the board without authorization — expose the association to liability. When in doubt, bring it to the next meeting.

Board Member Education

Effective governance requires ongoing learning. Hawaii law, CAI best practices, and community association governance are continually evolving. The resources below are free, authoritative, and specifically designed for community association board members in Hawaii.

COMMUNITY ASSOCIATIONS INSTITUTE (CAI)

CAI is the leading national authority on community association governance, management, and law. Free resources for board members include:

- Online courses and webinars for homeowner leaders
- Publications and guides on governance, finances, rules enforcement, and communication
- Local chapter events, seminars, and networking in Hawaii
- The CAI Model Code of Ethics, CAI Rights and Responsibilities for Better Communities, and the CAI Civility Pledge — included in your training packet

Free resources:

www.caionline.org/resources-for-homeowner-leaders

HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (DCCA)

The DCCA Real Estate Branch (REB) oversees condominium associations and managing agents in Hawaii. Free educational resources include:

- The Hawaii Condominium Bulletin — periodic updates on Hawaii condo law and governance
- Brochures on fiduciary duty, board member rights and responsibilities, and the business judgment rule — included in your training packet
- FAQs on governing documents, disputes, and association operations
- Condominium Hotline: 1-844-808-DCCA (3222), Ext. 1 then 8 — Hours: 9:00 AM–3:00 PM

Free resources:

https://cca.hawaii.gov/reb/resources-for-condominium-owners/

YOUR MANAGING AGENT — HAWAIIAN PROPERTIES

Hawaiian Properties actively supports board member education. Your CPM can direct you to upcoming CAI Hawaii seminars, share relevant DCCA publications and legislative updates, and assist in organizing orientation for new board members.

ADDITIONAL RESOURCES

- Steve Glanstein, PRP — Professional Registered Parliamentarian and Hawaii community association expert. See the Minutes document included in your training packet.
- Hawaii Revised Statutes — HRS Chapter 514B (Condominiums) and Chapter 421J (Planned Community Associations) are available free at www.capitol.hawaii.gov.

Governing Documents

Few people like fine print or red tape, but there are several important documents board members need to be familiar and comfortable with. Collectively they are called governing documents.

Governing documents derive their authority from and must comply with Hawaii law — specifically HRS Chapter 514B for condominium associations and HRS Chapter 421J for planned community associations. Where any governing document conflicts with Hawaii statute, the statute controls.

WHY ARE GOVERNING DOCUMENTS IMPORTANT?

- They give boards the authority to govern by providing for the operation and regulation of the association.
- They provide guidance and protect boards acting in good faith.
- They protect association members by spelling out their rights and responsibilities.
- They are grounded in Hawaii statute and applicable federal law.

Governing documents provide the structure within which the board can work effectively, guide decision-making, and support operations. Their greatest value may lie in the protections they provide to board members who follow them.

Community association governing documents exist in descending order of authority:

- Hawaii statute (HRS Chapter 514B or 421J) — supersedes all governing documents
- Declaration (or master deed, CC&Rs) — defines physical elements, common area ownership, and owner rights and obligations
- Articles of Incorporation — establishes the association as a legal entity
- Bylaws — governs association operations, meeting procedures, and officer roles
- Rules and Regulations — operational and behavioral standards; must be consistent with all higher documents
- Policies and Resolutions — board-adopted policies and resolutions that establish procedures, standards, and specific decisions. Policies set ongoing standards (e.g., collections policy, pet policy, fining schedule). Resolutions record formal board actions or decisions. Both must be consistent with all higher-level documents.

Board members should also understand that owners have rights under Hawaii law — including the right to attend board meetings, inspect certain association records, and appeal decisions affecting their property rights. Understanding owner rights is as important as knowing board authority.

For a complete overview of homeowner and board member rights and responsibilities, see the CAI Rights and Responsibilities for Better Communities and the DCCA Board Members' Rights and Responsibilities documents in your training packet.

THE DECLARATION

The Declaration (or Master Deed) is the foundational governing document. It contains the CC&Rs that bind all owners and define their rights and obligations. The Declaration typically addresses:

- Definition of common elements, limited common elements, and individually owned unit areas — the boundaries determining what the association maintains versus what the owner maintains.
- Each owner's Percent of Common Interest (PCI) — the proportional ownership share used to allocate voting rights, assessments, and reserve contributions.
- The original construction description of unit types and configurations.
- Parking stall allocations and assignments, where applicable.
- Insurance requirements for the association and for individual unit owners.
- Use restrictions governing how units and common areas may be used.
- Design and improvement standards governing how owners may modify or upgrade their units, including approval requirements for alterations.
- Assessment obligations and the board's authority to levy and collect maintenance fees.

ARTICLES OF INCORPORATION

Articles of Incorporation create the corporation under state law and define the association's basic purposes and powers, including the number of directors and terms of office.

BYLAWS

Bylaws govern how the association operates day-to-day and typically address:

- The number of board members, qualifications, and terms of office.
- Procedures for electing board members and officers at the annual meeting.
- Roles and specific duties of each officer.
- Meeting notice requirements — how far in advance, to whom, and by what method.
- Quorum requirements for board and owner meetings.
- Voting rights and procedures, including proxy rules.
- Collection of maintenance fees and assessments, including late fee procedures.
- Owner responsibilities — maintenance obligations, compliance with house rules, and cooperation with the association.
- Grounds and procedures for board member removal.
- Amendment procedures and the vote threshold required to change the bylaws.

RULES AND RESOLUTIONS

Boards adopt rules and regulations that must be consistent with the declaration, the bylaws, and state law. Making and enforcing rules is one of the board's most important — and most sensitive — responsibilities.

Sample Policies and Resolutions — Common Examples

Boards commonly adopt policies and resolutions addressing:

- Collections policy — delinquency thresholds, late fees, lien and foreclosure procedures
- Collection from tenants — authorizing assessment collection directly from tenants when owners are delinquent
- Pet policy — permitted animals, size restrictions, registration requirements
- Fines policy — violation categories, fine amounts, and escalation procedures
- High-risk inspection policy — access and inspection protocols for water intrusion, balconies, roofs, or structural concerns
- Restriction of common area amenities — pool, gym, party room, parking, and other shared facility use
- No-smoking policy — designated areas, prohibited locations, enforcement procedures

- Ethics policy — standards of conduct, conflict of interest requirements, and accountability expectations for board members

This list is illustrative, not exhaustive. The appropriate policies for your association depend on its governing documents, size, and community needs.

Consult with association counsel before creating, amending, or repealing governing documents, house rules, policies, or resolutions — to ensure alignment with the association's governing documents and applicable Hawaii law.

ⓘ Cautions

The distinction between areas owned separately and areas owned in common is the cause of much misunderstanding. It's important to understand the differences based on the information in the governing documents.

Association governing documents must not conflict with Hawaii law. Where conflicts exist, the statute controls. Have your governing documents reviewed by association counsel.

Not every matter is a rule violation — and not every violation requires the same response. Apply rules consistently. Arbitrary or selective enforcement weakens the association's ability to enforce its rules at all.

Working with Committees

"Committees are the hunters and gatherers of information — bringing research, owner input, and recommendations back to the board for final decision."

Community association boards carry significant responsibility, but typically comprise only five to seven volunteer members with limited time. Committees allow the board to extend its capacity by engaging additional residents — while keeping authority clearly vested in the board.

Under Hawaii law, the board has broad authority to establish committees. For condominium associations, this authority is grounded in HRS §514B-106. For planned communities, authority derives from HRS §421J-5. In both cases, committees derive their authority from the board and must act within the scope the board defines.

TWO TYPES OF COMMITTEES

Ad hoc committees are task-oriented and temporary. Formed to address a specific need or project and dissolved once that task is complete. Examples include a special project committee or a nominating committee for annual elections.

Standing committees are ongoing and function-oriented. They remain in place indefinitely to carry out recurring functions. Common examples include an Architectural Review Committee (ARC), a Budget and Finance Committee, and a Rules and Enforcement Committee.

It is not unusual for a standing committee like an Architectural Review Committee to have final decision-making authority over requests to change the exterior appearance of a unit or install an exterior structure — where the governing documents specifically grant that authority. Otherwise, the board should confirm in the charter whether the committee's role is advisory or decision-making for each category of activity.

Committees are advisory bodies. They make recommendations to the board; the board makes all final decisions. The board cannot delegate its governing authority to a committee.

There are two methods boards may use to appoint committees. The board may appoint a chairperson who then recruits committee members, or appoint the entire committee and allow them to select their own chairperson. Unless the governing documents specify otherwise, the board has discretion to choose either method. Regardless of how the committee is constituted, committee appointments must always be made by majority vote of the board in an open meeting and reflected in the minutes of that meeting.

Note: Your association's governing documents may define how committees are structured and operate — including whether certain committees are required, how members are appointed, and what authority they may exercise. Always review the governing documents before establishing a new committee.

ESTABLISHING A COMMITTEE — THE CHARTER

The single most important step in forming a committee is creating a committee charter — a board-adopted document that defines the committee's purpose, authority, membership, and reporting requirements. A well-drafted charter should include:

- Purpose — a clear statement of why the committee exists and what it is expected to accomplish.

- Scope of authority — what the committee may decide independently versus what it must recommend to the board.
- Membership — the number of members, eligibility, selection process, and whether a board liaison attends.
- Term — the effective date and when the charter will be reviewed or the committee dissolved.
- Reporting — how and how often the committee reports to the board.
- Budget — whether the committee has an authorized budget and the process for requesting funds.

By formalizing a committee's authority through a charter, you define the scope of those tasks and prevent the "rogue committee" scenario — where a group of well-meaning residents acts outside any delegated authority and creates liability for the association.

See the Committee Charter Template Checklist below.

Note: Committees are advisory bodies. They make recommendations to the board; the board makes all final decisions. No committee may bind the association, commit association funds, or take public positions without specific board authorization.

WHAT COMMITTEES CAN AND CANNOT DO

The following actions require board approval and may never be taken by a committee independently:

- Authorize payments to vendors or contractors
- Send official communications to the membership
- Implement policies directly to association members without board action
- Fill vacancies or appoint members to the board of directors
- Adopt, amend, or repeal any governing documents
- Enter into contracts on behalf of the association
- Commit association funds beyond any budget authorized by the board

If a committee's membership includes a quorum of board members, the meeting may be subject to the same open meeting requirements as board meetings under HRS §514B-125.

> *If a committee's membership includes a quorum of board members, open meeting requirements under HRS §514B-125 may apply. Consult your association's legal counsel to determine whether and how open meeting rules apply to your committees.*

THE ROGUE COMMITTEE RISK

One of the most common governance problems is the formation of informal or improperly authorized committees. Without proper guidance, they may:

- Act outside the scope of any delegated authority, exposing the association to legal liability
- Make commitments to vendors or residents that the board has not approved
- Create confusion about who speaks for the association
- Undermine the board's authority and damage community relationships

If a group of residents wants to take on a community task, channel that energy through a properly formed committee with a clear charter. Boards are responsible for whatever unauthorized groups do on the association's behalf.

THE COMMITTEE'S ROLE

Well-run committees operate within their charter and contribute meaningfully to association governance:

- Act in accordance with the committee charter and within the scope of authority granted by the board.
- Research issues, solicit member input, and gather information to inform board decisions.
- Develop policy recommendations and draft proposals for board consideration.

- Evaluate vendor performance and recommend strategies and options.
- Provide regular written reports to the board on activity and progress.
- Serve as an incubator for future board members — engaging residents and developing their governance skills.

THE BOARD'S RESPONSIBILITIES TO ITS COMMITTEES

- Provide the committee with a clear charter before its first meeting
- Establish clear expectations, deliverables, and timelines
- Assign a board liaison to attend committee meetings periodically
- Review committee recommendations with an open mind and in a timely manner
- Act on recommendations — committees that are consistently ignored will not remain engaged
- Recognize committee members for their time and contributions to the community
- Dissolve committees that have completed their purpose or are no longer functioning effectively

WORKING WITH HAWAIIAN PROPERTIES

Your HP community manager is a key resource when establishing or managing committees. Consult with your manager to confirm the approach is consistent with your governing documents, draft or review the charter, and address any questions about open meeting requirements. For legal questions, HP recommends consulting your association's legal counsel.

Committees represent a powerful tool for every well-run association. Used correctly — with clear charters, adequate oversight, and proper authorization — they extend the board's reach into the community and build the next generation of association leaders. Build a firm foundation for their success.

ⓘ Cautions

A committee that begins operating outside its charter can expose the association to significant legal and financial liability. Monitor committee activity and address scope creep promptly.

The board cannot delegate its governing authority to a committee. Committees make recommendations; the board decides.

Boards that form committees without clear charters, adequate oversight, or proper authorization are responsible for whatever those committees do. Form committees carefully and oversee them actively.

Committee Charter Template Checklist

Complete this template when establishing any new committee. The charter must be approved by the board and kept on file with the association's official records.

ASSOCIATION COMMITTEE CHARTER	
Association Name	
Committee Name	
Committee Type	
Date Established	
Purpose / Mission	
Scope of Authority	
Limitations on Authority	
Membership	
Member Qualifications	
Appointed By	
Term of Service	
Meeting Frequency	
Reporting Obligations	
Charter Review Date	
Board Approval Approved by the Board of Directors on: ______________________________ President Signature: ____	

Note: Committees are advisory bodies. They make recommendations to the board; the board makes all final decisions. No committee may bind the association, commit association funds, or take public positions without specific board authorization.

Community Portfolio Manager

Your Association / Community Manager is a contracted professional management firm or individual agent who serves as the board's primary operational partner. Understanding this role — and where it begins and ends — is essential to a productive working relationship and sound governance.

WHO THE COMMUNITY PORTFOLIO MANAGER IS

- A contracted professional management firm or agent, acting under a management agreement.
- The board's operational arm — authorized to act within the scope of the management agreement.
- The board's primary advisor on operational, administrative, and compliance matters.
- The supervisor of on-site staff, if delegated by contract.

PRIMARY RESPONSIBILITIES

- Implement board policies and decisions.
- Provide professional options and recommendations to the board.
- Coordinate vendors, contracts, and services on behalf of the association.
- Ensure compliance with governing documents and applicable Hawaii law.
- Support board meetings, records, and communications.
- Supervise on-site staff if delegated by the management contract.
- Prepare financial reports, budgets, and reserve study coordination.
- Manage delinquency follow-up, vendor payments, and association correspondence.

WHAT THE MANAGER IS NOT

- Not a board member — the manager does not vote or make governance decisions.
- Not an individual board member's assistant — direction must come from the board as a body.
- Not authorized to act independently of board authority on matters outside the management agreement.
- Not responsible for policy decisions — those belong to the board.

KEY BOUNDARY

The manager executes board decisions but does not make board policy, and does not accept direction from individual directors. All board direction to the manager flows through the board as a whole — not through individual members.

WORKING EFFECTIVELY WITH YOUR MANAGER

- Communicate questions and agenda items in advance of meetings.
- Direct operational questions to the manager, not to on-site staff.
- Respect the manager's expertise and professional judgment.
- Address concerns about management performance through the board as a whole, not individually.
- Partner with the manager on community communications, vendor management, and compliance.

WHAT TO EXPECT FROM YOUR CPM — KEY DELIVERABLES

Board members should understand the ongoing deliverables the CPM is responsible for, to support effective oversight.

PHYSICAL MANAGEMENT

- Conduct regular property inspections and provide written reports covering common elements — roof, pool, landscaping, utility rooms, fire systems, and facilities.
- Monitor maintenance needs and coordinate repairs upon board approval.
- Facilitate comprehensive annual inspections prior to budget preparation.
- Respond to after-hours emergencies and coordinate appropriate action.

PERSONNEL AND VENDOR MANAGEMENT

- Recruit, hire, train, supervise, and — when directed by the board — discharge the Resident/Site Manager and other on-site employees, at association expense.
- Conduct annual employee performance evaluations.
- Solicit competitive bids for services; present recommendations to the board.
- Confirm all awarded vendors carry appropriate license and insurance coverage.
- Note: CPMs are strictly prohibited from signing contracts on behalf of the association. All contracts must be executed by the appropriate association officers.

FINANCIAL MANAGEMENT

- Prepare and submit a recommended annual operating budget and reserve requirements at least 60 days before fiscal year end.
- Provide monthly financial statements to the board.
- Manage assessment collections, late notices, and coordinate legal referrals per the association's collections policy.
- Process disbursements per the board-approved budget; coordinate year-end audit and tax preparation with the association's CPA.

ADMINISTRATIVE MANAGEMENT

- Maintain the association's official records; make available for board inspection and owner access as required by law.
- Prepare and distribute board meeting notices, agendas, and packets in advance of meetings.
- Prepare and distribute draft board minutes to the secretary (cc: president) for review after each meeting.
- Attend board meetings and provide information; receive instructions from the board.
- Coordinate annual meeting materials: notices, agendas, proxies, and ballots.
- Respond to owner and board inquiries promptly.
- Advise the board of relevant changes in state and federal laws affecting the association.

BOARD PACKET — MINIMUM CONTENTS

The board packet is a critical governance tool. At minimum, each packet should contain:

- Meeting agenda (reviewed with the president before distribution)
- Draft minutes from the prior meeting
- Financial statements with variance report
- Attorney's collections status report (when available)
- Delinquency list
- Resident/Site Manager's report (reviewed by CPM before inclusion)
- CPM report covering completed and ongoing work since last meeting, with professional recommendations
- Supporting documents for agenda items requiring board action

UNDERSTANDING THE MANAGEMENT AGREEMENT

Not all management contracts are the same. Before directing your CPM, the board should understand what type of management agreement is in place — because the scope of services, and the board's responsibilities, differ significantly.

The two most common contract types in Hawaii are:

- Full Service Agreement — the management company handles all aspects of association operations: financial management, physical management, administrative functions, vendor coordination, owner communications, and after-hours emergency response. The board sets policy and makes decisions; the CPM and HP team implement everything else. This is the most comprehensive level of service.
- Fiscal Only / Administrative Only Agreement — the management company handles financial functions only — collecting assessments, paying bills, maintaining financial records, and preparing reports. Physical management, vendor oversight, and day-to-day operations remain the board's direct responsibility. Boards under fiscal-only agreements carry significantly more operational burden.

The specific services included in your agreement, the board's authorization thresholds, emergency response protocols, and the CPM's spending authority are all defined in the management agreement. Board members should read and understand that agreement. If you are uncertain what is covered, ask your CPM.

Consult your agency agreement before directing the CPM to take any action outside the scope of standard services. Additional services may carry additional fees.

ⓘ Cautions

Individual board members do not have authority to direct the manager outside of board action. Doing so undermines role clarity and can create conflicting instructions that harm the association.

The management agreement defines the scope of the manager's authority and the board's obligations. Board members should read and understand that agreement.

Site / General / Resident Manager

Many community associations employ or contract with an on-site operational leader — variously called a Site Manager, General Manager, or Resident Manager (RM/SM/GM). This individual is responsible for the day-to-day operations of the building or community and plays a critical role in service delivery. Understanding this role — and how it fits within the governance structure — protects the association and ensures accountability.

WHO THE RM / SM / GM IS

- An on-site operational leader for the building or community.
- May be an association employee or a contracted position.
- Reports through the established management structure — to the Association / Community Manager, not directly to individual board members.
- A conduit of information upward to management and the board.

PRIMARY RESPONSIBILITIES

- Oversee daily building or community operations.
- Supervise on-site staff and vendors.
- Implement procedures established by management and the board.
- Monitor facilities, safety, and service delivery.
- Report issues, risks, and performance upward through proper channels.
- Maintain accurate records of building operations, incidents, and maintenance.

MINUTES RESPONSIBILITIES OF THE SITE / RESIDENT MANAGER

In some associations, the on-site manager is asked to assist with or prepare draft minutes of board meetings. When this occurs:

- The manager prepares draft minutes based on the meeting agenda, actions taken, and votes recorded.
- Draft minutes are submitted to the secretary for review, correction, and approval.
- The secretary remains the official responsible for the accuracy of meeting minutes. The on-site manager's role is to assist, not to replace the secretary's function.
- Minutes must remain factual and objective. The on-site manager preparing minutes should not record debate, personal opinions, or reasons for decisions.

WHAT THE RM / SM / GM IS NOT

- Not a policymaker — operational staff implement policy; they do not make it.
- Not authorized to accept direct instruction from individual board members, bypassing the management chain.
- Not acting on behalf of individual board members.
- Not responsible for governance decisions.

KEY BOUNDARY

On-site management supports operations and takes direction through proper channels — not directly from individual board members. Board members who give direct instructions to on-site staff bypass the management structure, create conflicting direction, and undermine accountability.

TIPS FOR BOARD MEMBERS

- Direct all operational questions and requests to the Association Manager, not to on-site staff.
- Treat on-site staff with respect and professionalism.
- Do not make promises to on-site staff about employment, compensation, or duties.
- Report performance concerns about on-site staff to the Association Manager.
- Recognize the contribution that on-site staff make to the quality of life in your community.

ⓘ *Cautions*

Individual board members do not have authority to direct on-site staff or the RM/SM/GM outside of board action. Doing so creates conflicting instructions, undermines the management structure, and can expose the association to liability.

The chain of command matters. All direction to on-site staff flows from the board to the manager to the on-site team — not from individual board members directly.

Association Insurance

Insurance is the primary tool for protecting the community's most valuable asset — the building itself. Board members have a fiduciary responsibility to ensure the association carries adequate coverage, reviews policies annually, and understands what each policy does and does not cover.

TYPES OF COVERAGE

A condominium association's insurance program is made up of several distinct policies, each covering a different category of risk. No single policy covers everything, and understanding what each one does — and does not cover — is fundamental to protecting the association and the people who govern it.

PROPERTY INSURANCE

Property insurance is the foundation of the association's coverage. It pays for physical damage to the building and common areas caused by covered perils — fire, water damage, vandalism, and similar events. A few key principles every board member and manager must understand:

- Coverage is based on replacement cost value — what it costs to rebuild today, not market value. Construction costs have risen sharply, so limits must be reviewed every year.
- The master policy covers common area only — walls, floors, ceilings, pipes, wiring, and structural elements as originally built. Think of it this way: if you turned the building upside down, common area is anything that doesn't fall out. Personal property, furniture, and owner improvements are not covered.
- Property insurance is not fault-based. Coverage depends on whether the event is a covered peril — not who caused it. When water travels from one unit to another it passes through common area, making it an association claim. The association must be involved from the first report of any loss.
- Every policy has a deductible. In Hawaii, deductibles have risen substantially and can reach tens or hundreds of thousands of dollars. The board may assign the deductible to the owner whose unit was the source of the loss, divide it among affected owners, or absorb it as a common expense. A written deductible policy adopted before a loss occurs prevents conflict when one happens.

HURRICANE INSURANCE

Standard property policies may limit hurricane coverage. In Hawaii, associations must carry hurricane coverage separately — typically on the master policy or endorsement with its own deductible. The building must be insured for 100% of its reconstruction value. This is not just good practice — it is required by the bylaws, Hawaii State Condo statute and it is a lender requirement. Fannie Mae and Freddie Mac require condominium buildings to be insured to full replacement value as a condition of loan eligibility. If hurricane coverage is inadequate, individual unit owners may be unable to purchase or refinance. Boards must confirm hurricane coverage reflects the building's full current reconstruction value at every renewal.

GENERAL LIABILITY INSURANCE

General liability protects the association when someone is injured or their property is damaged on common areas — a slip and fall in the parking lot, a pool injury, a contractor damaging a neighboring unit, failure to maintain common areas safely. It covers legal defense, settlements, and judgments up to the policy limit.

This coverage is not optional. The association is responsible for common areas used every day by residents, guests, and vendors. Every board member and manager should know the per-occurrence limit (maximum for a single claim) and the aggregate limit (maximum for all claims in a policy year), and confirm at every renewal that those limits remain adequate.

UMBRELLA / EXCESS LIABILITY INSURANCE

Umbrella insurance adds a layer of protection above the general liability limit. When a claim exhausts the GL policy, the umbrella responds for the excess. Without it, any judgment above the GL limit becomes the association's direct financial obligation. Catastrophic liability events make the need concrete: the Las Vegas hotel shooting generated approximately $751 million in liability, the Surfside condominium collapse over $1.1 billion, and the Marco Polo fire in Honolulu $25 million. The right question at renewal is not what the umbrella costs — it is whether the combined GL and umbrella limit is sufficient given the association's risk profile.

DIRECTORS & OFFICERS (D&O) INSURANCE

D&O insurance protects board members personally from liability arising from decisions they make as directors. Without it, a board member sued for a board decision — even a well-intentioned one that turned out badly — may face personal legal costs and exposure of personal savings, property, and income.

D&O is a claims-made policy — it covers claims made and reported while the policy is active. If the association changes carriers or cancels the policy, former board members may lose coverage for prior decisions. Tail coverage (Extended Reporting Period endorsement) extends the reporting window after a policy ends and should always be considered when switching carriers.

Coverage is not automatic. To be protected, board members must fulfill their fiduciary duty:

- Act in the best interests of the association, not personal interests.
- Make decisions based on adequate information and professional advice.
- Follow the association's governing documents and Hawaii law.
- Document all decisions — minutes, resolutions, and recorded votes.
- Disclose conflicts of interest before voting.

> ⚠ *The business judgment rule protects board members from liability for honest mistakes — but only when proper process was followed. A board that documented its reasoning and sought professional advice is protected even if the outcome was poor. A board that acted without documentation or outside its authority may find D&O coverage does not apply, leaving individual members personally exposed.*

FLOOD INSURANCE

Flood damage is not covered by the association's standard property policy — it requires a separate flood insurance policy. Flood insurance covers damage caused by rising water, storm surge, or overflow that enters the building from outside. Associations in flood-prone areas, or those required by lenders to carry it, must purchase this coverage separately through FEMA's program or a private insurer. Boards should confirm whether flood insurance is required for their building, review coverage limits annually, and ask their broker whether private flood insurance offers better pricing than the federal program.

FIDELITY / EMPLOYEE DISHONESTY INSURANCE

Fidelity insurance protects the association from financial loss caused by theft, fraud, or embezzlement by employees, board members, volunteers, or managing agents with access to association funds. Associations manage significant money — maintenance fees, reserves, special assessments — and a single dishonest act could cause a loss with no way to recover without this coverage.

Fannie Mae and Freddie Mac require coverage should equal at least three months of assessments plus the total reserve fund balance — the maximum that could realistically be misappropriated before discovery. Limits should be reviewed whenever assessments or reserves increase. Hawaii Condo statutes require $500 per unit up to $200,000. Like D&O, fidelity is typically claims-made, so continuity of coverage matters.

BOILER & MACHINERY / EQUIPMENT BREAKDOWN INSURANCE

Equipment breakdown coverage pays for the sudden, accidental failure of mechanical and electrical systems the association owns — elevators, HVAC, boilers, water heaters, electrical panels. Standard property insurance covers damage from external forces like fire or water, but specifically excludes internal mechanical failure. For a high-rise or mid-rise condominium, repairing or replacing a failed elevator or chiller can cost hundreds of thousands of dollars. This coverage also pays for resulting property damage and, in some cases, expedited repair costs. Given the age of most Hawaii condominium buildings, boards and managers should confirm this coverage is in place and the limits are adequate.

THE HO6 — INDIVIDUAL UNIT OWNER POLICY

The HO6 is the unit owner's personal policy. The master policy does not cover personal property, owner improvements above the original build-out, or the owner's exposure to the association's deductible. The HO6 fills all of these gaps — and most importantly, it covers the association's deductible when a loss originates in the owner's unit.

Without an HO6, an owner whose plumbing fails and floods the units below may personally owe the full association deductible — $25,000, $50,000, or more. This happens regularly. Boards should require proof of HO6 coverage annually and communicate the association's current deductible amount clearly, so owners understand their exposure if they are uninsured.

DOCUMENTATION AND CLAIMS

Proper documentation from the moment an incident occurs is one of the most protective things a board or portfolio manager can do — for insurance claims, for legal defense, and for governance accountability. A claim or lawsuit filed months or years later depends entirely on what was recorded at the time. For any incident that could result in a claim:

- Complete an incident report immediately — date, time, location, factual description.
- Photograph all damage before any cleanup or repairs begin.
- Collect witness names and contact information while memories are fresh.
- Preserve physical evidence relevant to the cause of loss.
- Notify the insurance broker promptly — delays can affect coverage.
- Keep a written log of all communications related to the incident.

For board decisions, the same discipline applies. All decisions must be in meeting minutes with the vote count. Executive sessions have their own separate minutes. Decisions made outside a meeting go in a written resolution. Contracts, bids, and financial approvals are retained in association records. This paper trail is what protects board members under the business judgment rule — without it, D&O coverage may not respond when a decision is challenged.

> ⚠ *Documentation is not a formality. It is what protects the association, the board, and individual owners when something goes wrong. Build the process before an incident happens — not after.*

CLAIMS — OVERVIEW AND PROCESS

When a loss occurs, stopping the damage and initiating the claim must happen simultaneously. The association's master policy is always primary — the association must be involved from the first report, regardless of where the loss originated.

Two early steps are critical and often overlooked. First, the association must retain a licensed expert to professionally determine the cause of loss. This is a legal requirement, not just a practical one — the board needs a licensed expert's written report to have legal standing to assign the deductible to a specific owner. A resident manager's opinion or an owner's account is not sufficient.

Second, a licensed remediation contractor must be engaged immediately. Water damage not addressed within 24 to 48 hours creates conditions for mold, which compounds costs and creates a separate remediation obligation. The contractor stops further damage, extracts water, dries affected areas, and stabilizes the environment before any permanent repairs begin.

For buildings built before 1992, asbestos is an additional legal obligation. Under Hawaii Administrative Rules Title 11, Chapters 501–504 and HRS Chapter 342P, buildings constructed before 1980 must treat all thermal insulation and surfacing materials as asbestos-containing unless tested and confirmed otherwise. When remediation disturbs these materials, testing is required before work proceeds, and confirmed asbestos must be abated by a state-certified contractor per OSHA and EPA guidelines. Given that 90% of Oahu condominiums were built before 1992, this applies to the vast majority of associations.

Note: Hawaii law (HAR Title 11 and HRS Chapter 342P) sets 1980 as the statutory threshold for mandatory asbestos testing. However, asbestos-containing building materials continued to be manufactured and used in construction through the late 1980s and were not fully phased out until after the EPA's 1989 ban took effect. Insurance and remediation professionals in Hawaii use 1992 as the practical field standard because buildings constructed after 1980 may still contain pre-ban materials that were in supplier inventory at the time of construction. When in doubt, test before disturbing any insulation or surfacing materials.

Before filing a claim, the portfolio manager should work with the association's insurance agent to assess whether the estimated loss will exceed the deductible. Filing a claim that falls below or only marginally clears the deductible puts a mark on the association's claims record and can drive up future premiums without producing a meaningful benefit. Once the decision to file is made:

- Owners submit claim requests to the managing agent by email — not directly to the insurance agent.
- Permanent repairs do not begin until the adjuster has inspected the damage.
- Proceeds are disbursed by the managing agent per Hawaii law and board direction.
- Individual owners file with their own HO6 carrier separately to recover deductible share and betterment coverage.

SELECTING AN INSURANCE BROKER / AGENT

The association's insurance broker is one of its most important professional relationships — placing coverage, negotiating with carriers, guiding renewals, and advocating during claims. The selection deserves as much care as choosing a managing agent or attorney.

In Hawaii, broker selection has a specific complication: the Letter of Agency. When a broker is assigned, they hold a Letter of Agency with each carrier, meaning that carrier recognizes only that broker as the association's representative. Using multiple brokers simultaneously causes carriers to refuse to quote. Switching brokers mid-term or during renewal disrupts negotiations at a critical moment. Choose deliberately and avoid switching as a routine cost-cutting exercise.

Hawaii has a small market, and most brokers access the same limited pool of carriers. Premium differences between brokers are often minimal. What actually differentiates them is service and expertise. When evaluating a broker, consider:

- Depth of knowledge in Hawaii condominium law and community association insurance.
- Responsiveness — especially when a claim occurs outside business hours.
- Proactive communication — not just hearing from them at renewal time.
- Track record advocating for clients when claims are disputed.
- Transparency about coverage changes at renewal — not just the premium.

> ⚠ *Because most brokers access the same carriers, the real differentiator is service and expertise — especially when something goes wrong. Choose the broker who will be your long-term partner, not just your annual vendor.*

ANNUAL INSURANCE REVIEW CHECKLIST

At every renewal, the board should confirm:

- Property and hurricane coverage limits reflect the building's full current reconstruction value — not market value.
- Hurricane coverage meets lender requirements (100% of reconstruction value).
- General liability per-occurrence and aggregate limits remain adequate for the association's risk profile.
- Umbrella limit, combined with GL, is sufficient given the association's size and exposure.
- D&O and fidelity coverage are current, continuous, and limits have been reviewed.
- Equipment breakdown coverage is in place and limits are adequate.
- The deductible policy is adopted in writing and all owners have been informed of the current deductible amounts.
- Proof of HO6 coverage has been collected from owners and files are current.
- Broker relationship is reviewed — confirm responsiveness and service quality meet the association's needs.

Note: This material was reviewed by Sue Savio of Insurance Associates for accuracy

Water Damage Emergency Response Protocol

WATER DAMAGE EMERGENCY RESPONSE PROTOCOL

Water damage is the most common association insurance event. The following step-by-step procedure applies to resident managers and managing agents under HRS §514B-143.

> ⚠ *The association's master policy is always primary over individual HO-6 policies. The association must be involved from the first report. Resident Managers must not speculate on cause or responsibility — all assessments must come from licensed professionals.*

- Step 1: Shut Off Water — Resident Manager immediately shuts off water supply to the affected area.
- Step 2: Engage Licensed Plumber — Contact a licensed plumber to identify and repair the leak source. Plumber must trace the leak and provide a written report identifying cause and location.
- Step 3: Photograph Everything — Take clear photos of the leak source and all damage before any cleanup or repairs. Each affected area — floors, ceilings, walls, common areas, and units — must be documented.
- Step 4: Inspect Surrounding Units — Inspect adjacent, upper, and lower units for water intrusion. If owners are unavailable, Resident Manager provides access to plumbers, adjusters, and remediation vendors as needed.
- Step 5: Engage Remediation Vendor — Once leak is stopped, engage an insured water remediation vendor to mitigate, dry, remediate, and stabilize all affected areas. Vendor must address mold and asbestos if detected. Vendor provides restoration proposal to return all areas to as-built condition.
- Step 6: Submit Incident Report — Resident Manager submits a written incident report within 24 hours including: source unit, all impacted units, description of damage, photos, and plumber's written report.
- Step 7: Collect Owner Insurance Info — Collect from all affected owners: full name, contact information, and HO-6 insurance carrier and policy number.
- Step 8: File Master Policy Claim — Managing Agent files a claim under the association's master policy if damages may exceed the deductible. Owners submit claim requests to the Managing Agent by email — not directly to the association's insurance agent.
- Step 9: Coordinate Adjuster Access — Resident Manager coordinates access for the insurance adjuster. Do not begin permanent repairs until the adjuster has inspected all damage.
- Step 10: Assign Deductible — Board assigns deductible responsibility per HRS §514B-143(d) and the board's adopted deductible resolution.
- Step 11: Settle & Distribute Proceeds — Managing Agent pays remediation vendor directly. Insurance proceeds for as-built restoration are distributed to affected owners less any applicable deductible. Deficiencies are assessed per governing documents.
- Step 12: Owner HO-6 Filing — After adjuster's report is available, owners submit to their HO-6 carrier to reclaim deductible share and request coverage for betterments and personal property not covered by the master policy.

Communicating Difficult Messages

Even when a board decision is sound, the way it is communicated can determine whether the outcome is understood or resisted, trusted or questioned, accepted or escalated into conflict. Boards and managers don't just make decisions — they are responsible for how those decisions land with owners and residents. This section addresses the communication challenges that arise most often in Hawaii community associations.

WHY COMMUNICATION IS PART OF GOVERNANCE

Difficult messages share common characteristics: they carry financial consequences, disrupt daily life, involve changes owners didn't ask for, or trigger differing expectations. When those messages are delivered poorly — too late, too vague, or without context — even well-reasoned decisions generate resistance. When they are delivered well, even unpopular decisions can be accepted.

The board's responsibility does not end with the vote. How a decision is communicated is itself a governance act.

CAPITAL PROJECTS

Major projects — re-piping, elevator modernization, concrete restoration, bulk service provider changes — are among the most emotionally and financially significant events in an owner's experience of their community. The level of communication effort should match the level of impact.

- Use all communication platforms available: email, posted notices, association website, and direct mail.
- Hold town hall meetings and invite the project experts — engineers, contractors, consultants. Offer sessions on both weekdays and weekends to maximize participation.
- Prepare and distribute Q&A information sheets that address the questions owners are most likely to ask.
- Communicate early and often. Send updates as the project progresses, not just at the beginning and end.
- Acknowledge the disruption. Owners are more accepting when they feel heard, not managed.

Hot topics in Hawaii communities currently include DWV (drain, waste, and vent) re-piping, elevator modernization and maintenance contracts, and changes in bulk cable or internet service providers. Each warrants a proactive, multi-channel communication plan.

AMENDMENTS TO GOVERNING DOCUMENTS

Amendments are among the most consequential actions an association can take — and among the most likely to generate confusion or conflict if the process is not communicated clearly.

- Be clear about what the board can decide independently and what requires an owner vote. Board authority is limited. Many significant changes require owner approval.
- Explain why the amendment is being proposed. Owners are more likely to support a change when they understand the problem it solves.
- Allow adequate time for owner input before moving forward. Rushing an amendment — even a necessary one — creates the perception that the board is acting without the community's interests at heart.
- Make the proposed language available to all owners well in advance of any vote.

Common amendment topics in Hawaii include DWV replacement cost allocation, authorization to borrow, no-smoking policies, and minimum board meeting attendance requirements. Each touches on owner rights and daily life — all require careful, transparent communication.

OPERATIONAL CHANGES

Changes to daily operations — new rules, new vendors, new procedures — affect residents directly. Even when the change is an improvement, people resist what they don't understand.

- Give reasonable advance notice before changes take effect.
- Explain the reason for the change. "Effective immediately" without context breeds suspicion.
- Acknowledge the transition. If a change requires owners to do something differently, tell them exactly what and by when.
- Be consistent. If the same rule applies to everyone, communicate it to everyone at the same time.

GENERAL COMMUNICATION PRINCIPLES

- Speak as one board. Communications should reflect the board's consensus position. All official communications go through the managing agent.
- Be factual and specific. Owners fill information gaps with assumptions — often negative ones.
- Don't wait for the annual meeting. If something significant is happening, communicate it when it is happening.
- Acknowledge uncertainty honestly. If the board doesn't yet have all the answers, say so — and say when you expect to.
- Follow up. After a major announcement or milestone, send an update. Silence is interpreted as bad news.

ⓘ Cautions

The board speaks as a body. Individual directors who communicate board decisions — or their personal views — outside official channels create confusion. All official communications go through the managing agent.

Owners who feel uninformed become adversarial owners. Proactive, transparent communication reduces conflict, complaints, and legal exposure.

Know the difference between what the board can decide and what requires an owner vote. Communicating that distinction clearly — before decisions are made — builds trust and prevents the perception that the board is overreaching.

Legal Disclaimer

This Board Members Guide is published by Hawaiian Properties, Ltd. for general informational and educational purposes only. It is intended to provide new volunteer board members with a general orientation to their roles and responsibilities in community association governance.

This Guide does not constitute legal advice. All references to Hawaii law — including HRS Chapter 514B (Condominiums) and HRS Chapter 421J (Planned Community Associations) — are provided for general informational purposes only.

The sample resolutions and forms in the Appendices are provided as examples only. They must be reviewed and adapted by qualified legal counsel before use. They do not constitute legal advice.

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Building Relationships that Last

Board of Directors – Proposed Meeting Rules
(Condominium/Community Association In-person meetings only)

1. All attendees must identify themselves by registering with their name and unit number (or representative capacity) before the meeting starts.

2. This is a private meeting and attendance is restricted to: (a) officers, (b) board members, (c) owners, (d) staff, and (e) other individuals who have been specifically invited by the Board or the President. All others are required to leave.

3. At the discretion of the Chairman or the Board, a special time can be allocated at the start of the meeting for owners' concerns. If this time is allocated, (a) owners who are not board members who desire to speak must stand and be recognized by the Chairman, (b) each owner will have 2 minutes per speech, and (c) owners must state their name and unit number before speaking each time.

4. Owners may participate in any deliberation or discussion subject to a maximum of 2 speeches for no more than 2 minutes unless extended by the board. The speeches must directly relate to the topic being discussed.

5. The Chairman may require motions and amendments to be in writing.

6. Seconds are required as provided for in Robert's Rules for large boards. Un-seconded motions will not go in the minutes.

7. The Chairman may permit informal discussion of a subject without a motion if there is no objection from the board members. If an objection is raised by a board member, then a motion must be adopted to permit informal discussion without a motion.

8. Discussion on a report or a specific subject without a motion may be permitted for a maximum of 5 minutes unless extended by the Board.

9. In order to be sure that everybody has a chance to speak, the debate limit for director speeches is reduced to 2 minutes for each speech.

10. The total debate limit for any pending main motion and its amendments is 10 minutes, subject to extension by the Board.

11. All remarks are to be directed to the Chairman, not directly to other members. Personal attacks, vulgarity, offensive language, or offensive personal displays can result in loss of debate privileges or in severe cases, removal from the meeting by official board action.

12. No video-taping or other electronic recording is permitted during any of the proceedings (except by the parliamentarian and the individual producing the minutes) unless first approved by the President.

13. The president can appoint a chair pro tem for the board meeting.

Adopted by the Board of Directors on: _______________

_____________ Board/Committee Meetings

Proposed Standing and Special Board/Committee Rules of Order for Online Meetings (Including Owner Participation Rules) – Page 1 of 2 pages

1. **General.** The meeting will be conducted in accordance with applicable laws, governing documents, these Rules, and the current edition of *Robert's Rules of Order Newly Revised* (RONR) in that order of priority. All participants must comply with the rules.

2. **Access.** Voting members (e.g. board or committee members) may access the meeting via web-conference application with a computer or other internet enabled device. The *ZOOM* application (https://zoom.us) is free to meeting attendees as one of many available programs which can be downloaded and used on many different types of internet enabled devices (computer, smart phone, etc.) to virtually attend meetings conducted by web-conference. Attendees are responsible for keeping the application up to date prior to signing in to the meeting. Attendees may also be required to register for the meeting in advance. If registration is required, the attendee must request and receive a private link to the meeting which attendee agrees not to share with others. In addition to attendance via web-conference, alternative attendance and participation via teleconference may be offered if provided by management, wherein a call-in number and passcode (if applicable) or weblink will be provided for obtaining the necessary security information. Attendance solely by phone without a downloaded application may have technical limitations that reduce the availability of meeting information such as screen sharing or chat.

3. **Private Meeting.** This is a private meeting and attendance is restricted to: (a) directors and officers, (b) voting members, (c) owners of record, (d) staff, and (e) other individuals who have been specifically invited by the President, Board, or if applicable, the respective Committee. Access by Non-voting Attendees, if permitted, must comply with specific requirements adopted by the Host or the Board of Directors. Access to Non-voting Attendees will be restricted during executive session meetings.

4. **Sign-in.** Attendees must sign in using English with their first and last names followed by their unit number or address in parenthesis; they must not sign in (and may not be permitted in) anonymously or with fictional names. They may optionally have to pre-register and use a private link received by e-mail. Attendees are requested to sign into the designated internet-based meeting portal (i.e. link) at least 15 minutes prior to the scheduled start time unless an earlier time is established. Attendees must be prepared to validate their attendance with the Host or organizer and test their webcam, speaker, and microphone upon signing in.

5. **No Electronic Recording.** No video-taping or other electronic recording is permitted during any of the proceedings (except by the Host or the parliamentarian) unless first approved by the Board or respective Committee.

6. **Connectivity.** Each attendee is responsible for their own connection to the meeting; no action will be invalidated on the grounds that the loss of, or poor quality of, any attendee's individual connection prevented their participation in the meeting provided that at least a quorum of voting members was connected and any required voting threshold was achieved.

7. **Interference and Noise.** Attendees must mute their microphone when not speaking to avoid interference and unintended background noise. The Chair, after one warning, may order the muting or disconnecting of any attendee causing undue interference. The Chair's decision will be announced.

8. **Requesting the Floor.** Any voting member who desires to make a motion or speak in debate will raise their hand ("raise hand" reaction function available in the web-conferencing platform, online equivalent utilizing the chat box, or "*9" on a touchtone phone). After being recognized by the Chair, unmute their microphone, speak clearly, and state their name. Any voting member who has technical difficulties requesting the floor shall use the chat box immediately with the prefix "REQUEST THE FLOOR".

9. **Discussion without a Motion.** The Chair may permit informal discussion of an agenda item, including a report for up to five (5) minutes without a motion if there is no objection from the voting members. If an objection is raised by a voting member, then a motion must be adopted to permit informal discussion without a motion.

10. **Motions.** The Chair may require motions and amendments to be in writing or through the chat box.

11. **Seconds and Recording in the Minutes.** Seconds are required as provided for in RONR for large boards. Un-seconded motions shall not be recorded in the minutes.

12. **Decorum (Discussion, Debate, and Visual).** Decorum is prescribed in RONR; personal attacks, vulgarity, offensive language, or misuse of the chat box can result in loss of debate or chatting privileges. Visual decorum will also be enforced; any vulgar or offensive image or video may cause muting or an immediate disconnection by the Chair from the meeting. Commercial advertisements are prohibited without prior consent. The Chair's or Host's disconnection of an attendee will be announced.

13. **Total Debate Time per Motion.** Debate by voting members on debatable motions is limited to a maximum of two (2) minutes per speech and no more than twice per voting member on the same motion (except the motion to *Appeal*). Attendees are responsible for observing the time limits. At the Host's discretion, remaining time or time used may be provided in the chat box or video. Attendees must mute their microphone after speaking. (Use "*6" on a touchtone phone to toggle between mute and unmute). The Chair may mute the microphone if any speaker neglects to do so after speaking or the speaker exceeds the time limits.

14. **Non-voting Attendee (e.g. Owner) Participation.** In any deliberation or discussion (or during an Owners' Forum), Non-voting Attendees may participate by speaking two (2) times for a maximum of two (2) minutes per speech or question (including any answers). When recognized by the Chair, the Non-voting Attendee must state their name if not already identified online. In cases of indecorum, the Chair may restrict a Non-voting Attendee's participation to the chat box; provided that chat box privileges may also be revoked.

15. **Total Main Motion Debate Limit.** Total consideration time for each main motion, including, but not limited to related subsidiary, incidental motions, and debate is set to ten (10) minutes unless extended by the voting members.

16. **Nominating Speeches.** Nomination and election debate for elected office (e.g. election of president) shall be limited to one speech per nominee (or delegate) for a maximum of two (2) minutes per speech. Nominating speeches must be germane to the candidate's qualification for the elected office.

17. **Use of Chat Box.** Subject to control by the Chair or Host, the chat box is (1) restricted to voting members and permitted guests, and (2) may only be used to:
    (a) present motions for consideration either prior to or upon recognition;
    (b) provide information necessary for inclusion in the minutes;
    (c) provide a link or a document for attendees' use;
    (d) provide specific comments or participation if requested by the Chair or voting members; or
    (e) report technical difficulties of sufficient importance that they need immediate correction.

18. **Voting.** The Chair or designee shall direct the voting procedures which may include, but are not limited to unanimous consent, a polling method, or roll call.

19. **Chair Pro Tem.** The president may appoint a *Chair Pro Tem* for the meeting.

Note: If these rules are to apply to a Committee, they must be either authorized by or adopted by the superior body (usually the Board). Adopted by the Board of Directors on: ______________.

(v2.9 Developed by Steve Glanstein, PRP as a public service. Steveghi@Gmail.com)

MINUTES: CONTENTS AND RULES
By: Steve Glanstein
Professional Registered Parliamentarian

Introduction:

This explanation of minutes is based upon the current edition of *Robert's Rules of Order Newly Revised* 12th edition, (abbreviated RONR, followed by section and paragraph numbers) RONR 9:27, 41:9-41:12; 48:1-48:16.

This article was originally published in 1998 and was based upon the 9th edition of RONR. The 10th and 11th editions of RONR made only minor changes to the requirements for minutes. The 12th edition was released September 1, 2020 and made a few clarifying changes. They were included in the November 2020 article. This article is an update which includes updated references, some experience related tips, and a few examples to assist with appropriate drafting of minutes; it is oriented towards Hawaii's Condominium and Planned Community Associations which are required to conduct their meetings in accordance with RONR.

Minutes-Defined:

Minutes are the **official records** of the proceedings of a deliberative assembly. Hawaii's condominium property regimes, cooperatives, community associations, and the board of directors function as deliberative assemblies. Minutes may be circulated before approval. **However, the minutes do not become the official record of the proceedings until they have been approved** (RONR 41:12).

RONR 48:2 is definitive about the contents of minutes. It states, "In an ordinary society, the minutes should contain mainly a record of what was *done* at the meeting, not what was *said* by the members. The minutes must never reflect the secretary's opinion, favorable or otherwise, on anything said or done." The minutes are supposed to be a record of **what was done and not what was said**!

Minutes don't contain the following:

1. the engineer's opinion or report;
2. the lawyer's opinion or report;
3. the parliamentarian's opinion or report;
4. the community association manager's opinion or report;
5. the resident manager's opinion or report;
6. the secretary's opinion or report;
7. the treasurer's opinion or report;
8. the names of members speaking in favor of or opposed to a motion or their statements;
9. individual members' or non-members' demands for their, "remarks to be in the minutes", "remarks to be in the record"; or
10. post-meeting comments such as owners' forum remarks.

TIP: The details of the officers' reports, resident manager's report, community association manager's report, etc. are rarely formally endorsed by an association or a board. Therefore, the minutes should simply state that the report was presented. Do not attach the report to the minutes unless it was formally endorsed.

Minutes don't need to contain the following:

1. an individual's apartment number, unit number, or address;
2. the name of the seconder, **unless specifically ordered** by the group; or
3. the name of every guest who attends the meeting, **unless specifically ordered** by the group.

Each of the above items has appeared in minutes of more than one Hawaii community association or board meeting. Many of these items have caused some form of conflict at either an association annual meeting or a board of directors' meeting. This handout will describe a few situations where minutes have negatively impacted association management. It will also provide information for a good set of minutes, and provide internet links to a sample set of meeting minutes for a fictitious annual association meeting and board meeting.

Incorrect or missing Minutes can have unforeseen consequences:

Generic names are used to protect the well-intentioned guilty!

1. One set of annual meeting minutes included comments from the owners' forum. The minutes contained the statement, "John and Jane Doe donated their time to plant the new palm trees at the back of the building."

2. Although this statement seems very helpful for the association, it has created a documented history of work being done by individuals on the common area. Their license status is unknown. Were they considered employees? What if somebody is injured by an improperly placed palm tree? Since it was in the annual meeting minutes, it is now available to future purchasers, owners, litigants, etc.

3. Another set of minutes contained the following, mistakenly included under New Business: "Mrs. Roe requested clarification regarding the progress of the installation of a handicapped parking space on the premises. The president clarified that the association does not fall under ADA standards, but regardless is working to install a loading area suitable for handicapped vehicle requirements for the benefit of residents. Further, she noted that the main obstacle to the AOAO's progress is finding sufficient space for a fully compliant parking/loading area."

4. Regardless of whether the president's ADA statement is correct, issues are created if there is no loading area installed. Even the explanation about the "main obstacle" can be used against an association if it can be shown in the future that there was sufficient space in some other area.

5. A set of board minutes described in detail an owner's concern about black mold on the property. Even though the board investigated, there was nothing in the minutes to indicate that a complete investigation was done and/or that the problem was resolved.

6. The minutes of a meeting several years ago consisted entirely of the notes of a secretary, paraphrasing various statements and motions. There was a dispute that became a court case. The attorney's argument, even referencing Robert's Rules, failed to dissuade the court from using the paraphrased statements as if they were official action, even though the statements differed from the real decisions of the group.

7. Another case is developing where the board approved a contract in executive session but failed to keep executive session minutes substantiating their action. The new board is investigating and there is no substantiation that the contract was properly approved.

Minutes should contain the following information:

1. the name of the organization;

2. the type of meeting, for example, annual, regular, special, etc.;

3. the date, time, and place, if not always the same;

4. the fact that the regular chairman and secretary were present, or the names of the persons who substituted for them; and

5. whether the minutes of the previous meeting were read and approved or first corrected and then approved with the corrections. The specific corrections don't need to be included in the current set of minutes.

TIP: Make sure that the minutes include items that may be legally required (e.g. votes of board members at a regular board meeting). There may be additional legal reasons to place extra information in the minutes. For example, at a condominium association board meeting, a board member may declare a conflict of interest and abstain. That abstention could be noted in the minutes due to legal requirements. The attorney should be able to provide guidance with respect to legal issues.

Minutes should contain the following information related to each subject matter:

1. all main motions or motions that bring a main question back to the organization (*Take from the Table, Rescind or Amend Something Previously Adopted, Discharge a Committee, and Reconsider*);

2. the disposition of main motions or motions that bring a main question back to the organization – if one of these motions is temporarily disposed of (for example, postponed to the next meeting, referred to a committee, etc.), then any motions directly related to the original motion must also be included in the minutes;

3. other motions that were not lost or withdrawn in cases where it is necessary to record them for completeness or clarity;

4. formal notices of motions to be brought up at a future meeting;

5. the motions *Point of Order* and *Appeal* [demand for enforcement of the rules (RONR 23:1) and an attempt to reverse the chair's ruling (RONR 24:1), respectively], whether sustained or lost, including the reason for the chair's ruling; and

6. any declaration by the chair in "naming" an offending member as a part of disciplinary procedures—as well as any disorderly word(s) that led to such naming and that the chair directed the secretary to take down (RONR 61:12-14).

TIP: Make sure that the **<u>exact wording</u>** of the adopted motion or a notice of motion is placed in the minutes. There are numerous examples of disputes that have occurred regarding the actual wording of a specific motion.

TIP: The *Point of Order* is one of the few motions where the minutes will have the chair's reason for a decision. Occasionally, a supportive opinion from the lawyer or parliamentarian becomes the basis for a chair's ruling. In these cases, some organizations provide a specific reference to or include the document in the minutes because it relates to and forms the basis for a particular ruling.

TIP: Sometimes a *Point of Order* motion is **<u>used erroneously</u>** to provide information, debate, or ask a question. **<u>This is not</u>** a true *Point of Order* motion. This misuse of a *Point of Order* motion **<u>should not</u>** be in the minutes. [The proper motion for asking questions is a *Parliamentary Inquiry* (RONR 33:3) or a *Request for Information* (RONR 33:6).]

<u>Minutes are also subject to several additional rules:</u>

1. When a count is ordered or the vote is by ballot, the number of votes should be entered. In the case of an election, all votes must be disclosed both to the membership and in the minutes, **<u>including improper votes and votes received by individuals who were not elected</u>**.

2. When the voting requires the entering of the votes in the minutes (such as a regular or special board meeting conducted for an organization complying with Hawaii Revised Statutes Chapters 421I, 421J, or 514B), then the names of those voting on each side should be entered in the minutes.

3. The name of a committee and the reporting member can be entered in the minutes when a committee report is provided. Do not attach or include the report as a part of the minutes **unless specifically ordered** by the group.

4. A Planned Community Association [reference is made to Hawaii Revised Statutes Section 421J-5(f)] has additional rules regarding content of board minutes relating to the appointment of committees or subcommittees.

5. The name and subject of a guest speaker can be entered but no effort should be made to summarize the remarks.

Modification of the rules for minutes:

1. An assembly (which includes a board) may override the rules for minutes in RONR by adopting a special rule of order (RONR 2:14-2:22; 48:3).

2. One example of such a rule may be to provide that un-seconded motions are not recorded in the minutes (the default rule is to record motions in the minutes regardless of whether they're seconded).

3. In specific cases, the assembly, by majority vote, may direct the inclusion of additional information in the minutes of a particular meeting (RONR 48:3). This may contain information of legal significance recommended for inclusion by the association's counsel.

Executive Session Minutes:

1. Make sure that executive session minutes are maintained with very tight secrecy and confidentiality.

2. Minutes should be taken of *all official board meetings*. The failure to take proper minutes of executive session meetings can lead to disputes about whether certain decisions were actually authorized. It can also be used to demonstrate that a board has a history of taking action that has never been properly authorized in an appropriate set of minutes.

3. Motions in executive session do not go in the minutes of the regular meeting unless the board, in executive session, specifically orders their release.

   For example, a motion authorizing the hiring of a resident manager at a specific salary may be approved in executive session. However, the board, in executive session, could also authorize publication in the regular meeting minutes the decision to hire the resident manager, redacting any salary information.

Other examples which have actually occurred in Hawaii include motions authorizing settlement of a legal matter for not more than a specific amount or a confidential ADA settlement agreement. Disclosure of this information could damage the association or void an agreement.

4. Executive session minutes must have very limited distribution and the board should adopt a formal distribution policy. Here is a sample policy:
   (a) Executive session minutes are not to be distributed in any other manner not specifically prescribed below. (This policy would *prohibit* e-mail, website, or snail-mail distribution.)
   (b) Number the copies of the executive session minutes and distribute them for board approval in executive session only.
   (c) If the meeting is online, share them on the computer screen, make the changes, and have the secretary sign the approved minutes.
   (d) Return all numbered copies to the secretary (if self-managed) or community association manager at the meeting immediately after their approval before anybody leaves.
   (e) Destroy all copies except retain two originals. One original should be in a separately secured file with the secretary (if self-managed) or community association manager and another one at the attorney's office.
   (f) Ensure that all executive session minutes are purged from any computer readable media and backup.
   (g) The agreement to comply with these procedures should be in writing and filed with the association records.

Approval of Minutes:

An organization takes official action by adoption of a main motion. The action is effective immediately (unless otherwise specified in the motion) and does not depend upon the production or approval of the minutes. Notwithstanding any official approval, minutes may be amended even years later by the motion to *Amend Something Previously Adopted*.

No vote is taken on the approval of the minutes even if a motion has been made to approve them. A member's absence from a meeting does not prevent the member from participating in the correction or approval of the meeting minutes (RONR 41:11).

Executive session minutes are only approved in executive session (RONR 9:27).

TIP: According to RONR 41:11, the **only way to object** to the approval of the secretary's draft of the minutes is to propose: (a) a correction, (b) referral to a committee, or (c) to postpone approval to a certain time.

TIP: When the minutes are approved, the word "Approved" with the secretary's initials and date should be written at the bottom.

Final Notes:

The Real Estate Commission published this article in their September 2023 edition which may be referenced by linking to: https://cca.hawaii.gov/reb/files/2023/08/CB2309.pdf.

A sample set of minutes in "Word" and "PDF" forms are available through the web-links: http://tinyurl.com/Steveghi-Minutes-doc and http://tinyurl.com/Steveghi-Minutes-pdf

The reader is urged to consult appropriate legal counsel for applicability of current laws to the minutes.

Steve Glanstein is a past president of the Hawaii Chapter of the Community Associations Institute as well as the Hawaii State Association of Parliamentarians. He has served in several positions including board member and Treasurer of the National Association of Parliamentarians. He has an extensive resume as a Professional Registered Parliamentarian for about 40 years and more than 2,200 meetings. He has served as an expert witness on parliamentary procedure for many years. He assists many associations in the State of Hawaii and is a frequent contributor for subjects on parliamentary procedure.

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Check out the REB website www.hawaii.gov/hirec for more information and some frequently asked questions.

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- Where can I get help with association disputes?
- What laws apply to my condominium association?
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The Real Estate Branch, as part of the Professional and Vocational Licensing Division, assists the Real Estate Commission in carrying out its responsibility for the education, licensure and discipline of real estate licensees; registration of condominium projects, condominium associations, condominium managing agents, and condominium hotel operators; and intervening in court cases involving the real estate recovery fund.

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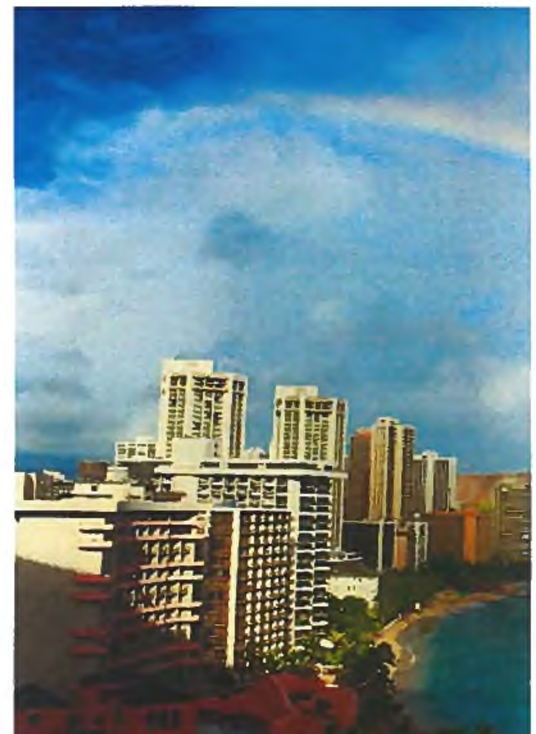
BOARD OF DIRECTORS FIDUCIARY DUTY

Real Estate Branch
Department of Commerce and Consumer Affairs

Rev. March 2019



Fiduciary Duty

Chapter 514B provides that every director owes the association a "fiduciary duty" in the performance of the director's duties, to exercise the degree of care and loyalty required of an officer or director of a nonprofit corporation (HRS § 514B-106 (a)). A fiduciary relationship is a special type of relationship which arises when the confidence, trust, and reliance of one party is placed upon the judgment and advice of another.

A fiduciary is bound to protect the interests of the parties relying on it. In exercising their fiduciary duties, board members must act in good faith in the best interests of the association consistent with the duty of loyalty, exercising the same degree of care and skill in making decisions or taking actions that would be expected of an ordinarily prudent person in a similar situation (HRS § 414D-149 (a)). As fiduciaries, directors must always place the interests of the association above their own interests at all times.

Many people, including board members, mistakenly believe that the managing agent is solely responsible for everything relating to the management and operation of the condominium project. The managing agent, except in limited circumstances, implements the policies of the board of directors. Since most directors are unpaid volunteers, it is natural for boards to delegate some of their authority to the managing agent or association employees. An important aspect of the director's fiduciary duty is the supervision of those persons to whom the board has delegated authority for the day-to-day operation of the condominium project. Although the board may delegate certain authority to the officers, managing agent, resident manager, or committees, the board must still ensure that association business is conducted in accordance with the law

and condominium documents. In other words, board members can delegate their authority under certain circumstances, but they cannot delegate their responsibility to operate and manage the condominium project. That means that board members can ultimately be held liable for the actions of agents and employees of the association if those agents or employees fail to carry out the board's and their own fiduciary duties.

Excerpt from Condominium Property Regimes: Owner Rights and Responsibilities. The full document may be found at the REB website www.hawaii.gov/hirec

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Fiduciary duty includes a duty of undivided loyalty and honesty in voting on any matter where conflicts of interest or self-dealing could arise. A director must not permit another duty or interest to prevent the director from making an independent decision based on the best interests of the association. Directors must disclose any conflict of interest prior to a vote on the matter at the board meeting, and the disclosure must be recorded in the minutes of the meeting. If a director has a conflict of interest, he or she may not cast a vote on that matter (HRS § 514B-125 (g)).

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CONDOMINIUM:

BOARD OF DIRECTORS

Real Estate Branch
Department of Commerce and Consumer Affairs

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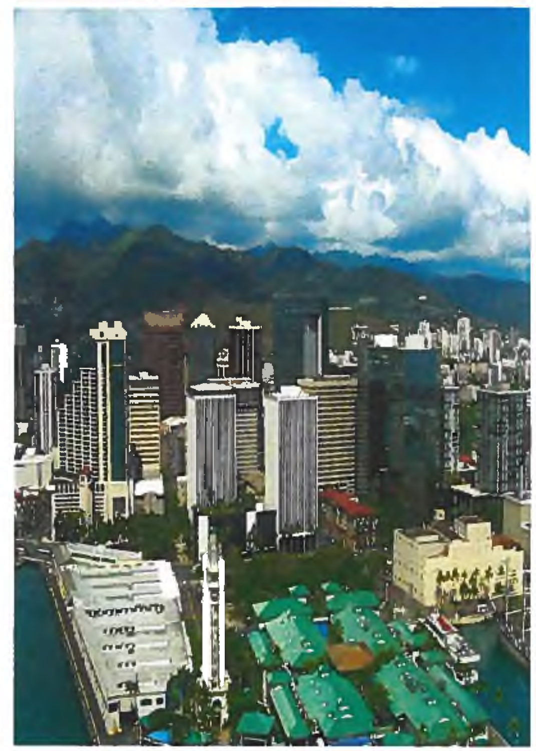

Board of Directors

The association is governed by a board of directors elected by the unit owners to represent them in governing and managing the condominium. The Condominium Property Act provides that every director owes the association a "fiduciary duty" in the performance of the director's responsibilities, to exercise the degree of care and loyalty required of an officer or director of a nonprofit corporation (HRS § 514B-106 (a)).

The board must meet at least once a year (HRS § 514B-125 (e)). As a unit owner, you have the right to participate in all board meetings, except "executive sessions", pursuant to owner participation rules adopted by the board (HRS § 514B-125 (a)).

Officers

The officers of the association are responsible to the board for the day-to-day operations of the association. Officers are normally elected by and from the board of directors. Chapter 514B prohibits any unit owner who is an employee of the managing agent from serving at the same time as an officer (although not as a director), and any director who is also an employee of the managing agent shall not participate in any discussion of the management contract at a board meeting, and shall be excluded from any executive session in which the contract or the property manager are discussed (HRS § 514B-107 (c)). No tenant, resident manager, or condominium employee can serve on the board.

Excerpt from Condominium Property Regimes: Owner Rights and Responsibilities. The full document may be found at the REB website www.hawaii.gov/hirec

Business Judgment Rule

In judging the actions of directors, courts frequently apply a test called the "business judgment rule". The courts recognize that they should not second guess the lawful decisions of the board of directors. The board of directors is the duly elected representative of the association; its members own units in the project and have knowledge of the needs and desires of the community. The basic self-governance principle of the condominium law limits judicial inquiry into board decisions.

The business judgment rule recognizes that volunteer board members will not always make the right decision, but if they follow the right procedures and act in the interest of the association, they will usually not be personally liable for their actions on behalf of the association.

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Real Estate Branch
Department of Commerce and Consumer Affairs

Rev. March 2019

Condominium Board Members: Rights and Responsibilities for Better Associations

All owners are automatically members of the association of the condominium project in which they own units.

The board of directors makes decisions with the input of owners as to how the association is to be run. To create better associations, both owners and board members must be aware of their respective rights and responsibilities.

Here are **some** of the key rights and responsibilities of board members:

Board Members Have A Right To:

- Expect unit owners will pay their financial obligations promptly.
- Expect all residents to understand and comply with the rules.
- Respectful, honest, and fair treatment by all residents.
- An engaged and informed association membership.
- Educational opportunities regarding their responsibilities to the association.
- Conduct open and transparent meetings without undue disruption.

Board Members Have A Responsibility To:

- Meet their fiduciary duty to the association in exercising their best judgment for the benefit of all owners and residents.
- Wisely budget, spend, and save association monies for the benefit of all owners and residents.
- Be responsive to an owner's requests for documents and records and fully comply with §§514B-152, 153, 154, and 154.5, HRS.
- Conduct respectful, open, fair, and honest meetings with proper notice to allow all owners a chance to voice their concerns.
- Excuse themselves from any vote in which they have a conflict of interest.
- Conduct open and fair elections with proper notice.
- Provide an open and fair fining process and collect fees and fines promptly.
- Practice fair and consistent application of the bylaws and rules.
- Provide an appeals process and participate in mediation in good faith.
- Regularly review the bylaws, house rules, and any board resolutions to improve governance with the input of owners.
- Understand their governing documents and become educated on the relevant sections of Hawaii's condominium law.
- Educate new owners and residents on the governing documents and keep all owners and residents informed.
- Follow Federal and State laws regarding foreclosure proceedings and accept a cure or reasonable payment plan pursuant to §667-19, HRS, during a foreclosure.

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BUSINESS JUDGMENT RULE

Real Estate Branch
Department of Commerce and Consumer Affairs

January 2016

Business Judgment Rule

In judging the actions of directors, courts frequently apply a test called the "business judgment rule". The courts recognize that they should not second guess the lawful decisions of the board of directors. The board of directors is the duly elected representative of the association; its members own units in the project and have knowledge of the needs and desire of the community. The basic self-governance principle of the condominium law limits judicial inquiry into board decisions.

Volunteer Board Members

The business judgment rule recognizes that volunteer board members will not always make the right decision, but if they follow the right procedures and act in the interest of the association, they will usually not be personally liable for their actions on behalf of the association.

Excerpt from Condominium Property Regimes: Owner Rights and Responsibilities. The full document may be found at the REB website www.hawaii.gov/hirec

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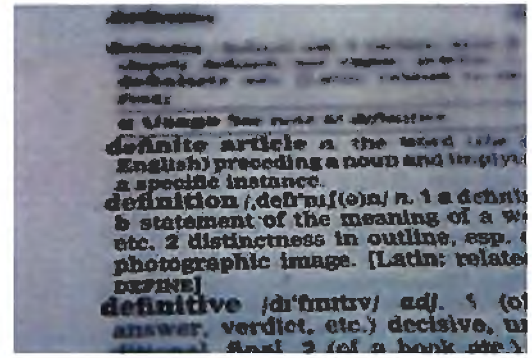
Responsibility of the Board

The board is responsible for both the upkeep and protection of the property's physical assets, as well as keeping the association's finances in a healthy state. Since board members are typically unpaid volunteers, they often turn to the services of a managing agent or association employees to handle the day-to-day operations of the condominium. A board's authority to hire a managing agent is usually found in the bylaws.



"Board" or "board of directors" means the body, regardless of name, designated in the declaration or bylaws to act on behalf of the association.

"Managing agent" means any person retained, as an independent contractor, for the purpose of managing the operation of the property.

Community Association Civility Pledge

A commitment to fostering a climate of open discussion and debate, mutual respect, and tolerance between all who live in, work in, and visit our community.

1. **We expect each individual,** whether a resident, guest, board or committee member, community association manager, staff member, business partner, or contractor, to be accountable for his or her own actions and words.

2. **We believe all interactions in the community should be civil despite any differences of opinion on a particular issue.** We believe in finding common ground and engaging in civil discussion about community issues important to each of us.

3. **We vow to respect all points of view and will strive to provide a reasonable opportunity for all to express their views openly—without attacks and antagonization.** We agree to keep our discussions focused on the business issues at hand, as well as on the ideas and desired outcomes.

4. **We urge all residents to be engaged and informed.** Get to know your neighbors, your board members, and your community manager. Attend meetings, join a committee, or serve on the board. Understand the community's rules, regulations, and covenants, and the value they add. Ask questions, share your opinions, and vote.

5. **We also encourage all residents to review Community Associations Institute's (CAI) Rights and Responsibilities for Better Communities.** The principles laid out in the document can serve as important guideposts for all those involved in our community: residents, guests, board and committee members, community association managers, staff members, business partners, and contractors. Read more at **www.caionline.org/RightsandResponsibilities.**

6. **We believe these commitments to civility, as well as engaged and informed residents, are a vital part of our shared goal of being a vibrant, thriving community.**

These commitments are guiding principles. They are not governing documents or legally enforceable and do not give rise to penalties if they are not followed.

If you agree with these commitments to civility, please sign and return the document.

____

COMMUNITY ASSOCIATION NAME

____

ADOPTION DATE

By the creation and adoption of the CAI Civility Pledge, the College of Community Association Lawyers (CCAL) recognizes the importance of civility in community association governance. Complete and email your civility pledge to government@caionline.org. For questions, call (888) 224-4321.

community
ASSOCIATIONS INSTITUTE

talk. listen. respect.

Community Association Commitment to Civility

HOW CAN YOU MAKE IT HAPPEN?

Adopting the Civility Pledge Starts with YOU!

1. Distribute the document throughout your community, announcing and publicizing where and when the adoption will be considered.
2. Explain why this is important to your community and the benefits it can create.
3. Review and discuss the merits of the principles at an open meeting of your board of directors.
4. Solicit input from homeowners.
5. Hold a board vote to adopt a resolution endorsing the Community Association Civility Pledge.
6. Share the news of adopting the Community Association Civility Pledge throughout your community regularly. Post on your website, social media, and on every community association meeting agenda.
7. Tell CAI that you've adopted the Community Association Civility Pledge so we can share the information on our website.
8. Once your community association board of directors has adopted the Community Association Civility Pledge, share the good news with CAI by completing and submitting the following information.

____

DATE OF ADOPTION

____

COMMUNITY ASSOCIATION NAME & WEBSITE

____

PRIMARY CONTACT NAME

____

PRIMARY CONTACT INFORMATION (ADDRESS, PHONE, & EMAIL ADDRESS)

Complete and email to government@caionline.org. Questions? Call (888) 224-4321, or submit an online form at www.caionline.org/civilitypledge.

community
ASSOCIATIONS INSTITUTE

Community leaders have the right to:

1. Expect owners and non-owner residents to meet their financial obligations to the community.
2. Expect residents to know and comply with the rules and regulations of the community and to stay informed by reading materials provided by the association.
3. Respectful and honest treatment from residents.
4. Conduct meetings in a positive and constructive atmosphere.
5. Receive support and constructive input from owners and non-owner residents.
6. Personal privacy at home and during leisure time in the community.
7. Take advantage of educational opportunities (e.g., publications, training workshops) that are directly related to their responsibilities and as approved by the association.

Community leaders have the responsibility to:

1. Fulfill their fiduciary duties to the community and exercise discretion in a manner they reasonably believe to be in the best interests of the community.
2. Exercise sound business judgment and follow established management practices.
3. Balance the needs and obligations of the community as a whole with those of individual homeowners and residents.
4. Understand the association's governing documents, become educated with respect to applicable state and local laws and manage the community association accordingly.
5. Establish committees or use other methods to obtain input from owners and non-owner residents.
6. Conduct open, fair and well-publicized elections.
7. Welcome and educate new members of the community—owners and non-owner residents alike.
8. Encourage input from residents on issues affecting them personally and the community as a whole.
9. Encourage events that foster neighborliness and a sense of community.
10. Conduct business in a transparent manner when feasible and appropriate.
11. Allow homeowners access to appropriate community records when requested.
12. Collect all monies due from owners and non-owner residents.
13. Devise appropriate and reasonable arrangements, when needed and as feasible, to facilitate the ability of individual homeowners to meet their financial obligations to the community.
14. Provide a process residents can use to appeal decisions affecting their non-routine financial responsibilities or property rights—where permitted by law and the association's governing documents.
15. Initiate foreclosure proceedings only as a measure of last resort.
16. Make covenants, conditions and restrictions as understandable as possible, adding clarifying "lay" language or supplementary materials when drafting or revising the documents.
17. Provide complete and timely disclosure of personal and financial conflicts of interest related to the actions of community leaders, e.g., officers, the board and committees. (Community associations may want to develop a code of ethics.)

»Rights and Responsibilities for Better Communities

Perhaps the greatest achievement for any association is creating and sustaining a sense of community among residents and leaders. This goal is best achieved when homeowners, non-owner residents and association leaders recognize and embrace their rights and responsibilities. It was with this goal in mind that CAI developed Rights and Responsibilities for Better Communities. These principles can serve as an important guidepost for board and committee members, community managers, homeowners and non-owner residents.

Homeowners have the right to:

1. A responsive and competent community association.
2. Honest, fair and respectful treatment by community leaders and managers.
3. Participate in governing the community association by attending meetings, serving on committees and standing for election.
4. Access appropriate association books and records.
5. Prudent expenditure of fees and other assessments.
6. Live in a community where the property is maintained according to established standards.
7. Fair treatment regarding financial and other association obligations, including the opportunity to discuss payment plans and options with the association before foreclosure is initiated.
8. Receive all documents that address rules and regulations governing the community association—if not prior to purchase and settlement by a real estate agent or attorney, then upon joining the community.
9. Appeal to appropriate community leaders those decisions affecting non-routine financial responsibilities or property rights.

Homeowners have the responsibility to:

1. Read and comply with the governing documents of the community.
2. Maintain their property according to established standards.
3. Treat association leaders honestly and with respect.
4. Vote in community elections and on other issues.
5. Pay association assessments and charges on time.
6. Contact association leaders or managers, if necessary, to discuss financial obligations and alternative payment arrangements.
7. Request reconsideration of material decisions that personally affect them.
8. Provide current contact information to association leaders or managers to help ensure they receive information from the community.
9. Ensure that those who reside on their property (e.g., tenants, relatives and friends) adhere to all rules and regulations.

»Model Code of Ethics for Community Association Board Members

CAI developed the Model Code of Ethics for Community Association Board Members to encourage the thoughtful consideration of ethical standards for community leaders. The model code is not meant to address every potential ethical dilemma but is offered as a basic framework that can be modified and adopted by any common-interest community.

Board members should:

1. Strive at all times to serve the best interests of the association as a whole regardless of their personal interests.
2. Use sound judgment to make the best possible business decisions for the association, taking into consideration all available information, circumstances and resources.
3. Act within the boundaries of their authority as defined by law and the governing documents of the association.
4. Provide opportunities for residents to comment on decisions facing the association.
5. Perform their duties without bias for or against any individual or group of owners or non-owner residents.
6. Disclose personal or professional relationships with any company or individual who has or is seeking to have a business relationship with the association.
7. Conduct open, fair and well-publicized elections.
8. Always speak with one voice, supporting all duly adopted board decisions—even if the board member was in the minority regarding actions that may not have obtained unanimous consent.

Board members should not:

1. Reveal confidential information provided by contractors or share information with those bidding for association contracts unless specifically authorized by the board.
2. Make unauthorized promises to a contractor or bidder.
3. Advocate or support any action or activity that violates a law or regulatory requirement.
4. Use their positions or decision-making authority for personal gain or to seek advantage over another owner or non-owner resident.
5. Spend unauthorized association funds for their own personal use or benefit.
6. Accept any gifts—directly or indirectly—from owners, residents, contractors or suppliers.
7. Misrepresent known facts in any issue involving association business.
8. Divulge personal information about any association owner, resident or employee that was obtained in the performance of board duties.
9. Make personal attacks on colleagues, staff or residents.
10. Harass, threaten or attempt through any means to control or instill fear in any board member, owner, resident, employee or contractor.
11. Reveal to any owner, resident or other third party the discussions, decisions and comments made at any meeting of the board properly closed or held in executive session.

CAI provides learning opportunities for community managers, homeowner volunteer leaders, association residents and service providers. Visit www.caionline.org/education to learn more.