

**Governance/Board Duties**  
**What is this Thing Called Fiduciary Duty?**  
**From VelieCAM.com**

From time to time you may hear that the board of the association operates in a fiduciary capacity for the homeowners. Or you may read about the board's fiduciary responsibility in the governing documents. Just exactly what does this mean?

**Fiduciary duty simply means the board has an ethical and legal obligation to make decisions in the best interests of the entire association.** That's a small explanation for a very big responsibility.

Fiduciary duty includes a duty of loyalty to the association, which means that board members should never use their position to take advantage of the association. They should never make decisions for the association that benefit themselves at the expense of the association and its members.

Fiduciary duty also includes the duty to exercise ordinary care. This means board members must perform their duties in good faith and in a manner they believe to be in the best interest of the association, with such care as an ordinary prudent person in a similar position under similar circumstances would use.

In short, boards must act in the best interests of the association and act reasonably.

Board members can fulfill their fiduciary duty by following these *monetary* guidelines:

- Developing and using a formal budgeting process
- Establishing and adhering to budgetary guidelines
- Making sure the budgeting process reflects the wishes of the association members
- Promoting understanding and acceptance of the reserve accounts among the members
- Collecting sufficient fees to adequately operate the association
- Soliciting bids and negotiating appropriate contracts
- Authorizing expenditures

End of writing portion from CAI

(Courtesy, Community Association Institute, Website, April 2009)

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**The following is added by VelieCAM because it isn't all about money --**

Board members can fulfill their fiduciary duty with these *non-monetary* guidelines:

- Formulating policy that protects the value of the homes regardless of their personal tastes.
- Setting an example by following the rules of the association
- Enforcing the rules equally without selective enforcement
- Hiring a competent management company that keeps up with industry changes

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- Following the guidelines as laid out by FS 617, Non-Profit Corporations
  - **617.0830 General standards for directors.--**
  - (1) A director shall discharge his or her duties as a director, including his or her duties as a member of a committee:
    - (a) In good faith;
    - (b) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
    - (c) In a manner he or she reasonably believes to be in the best interests of the corporation.
  - (2) In discharging his or her duties, a director may rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:
    - (a) One or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matters presented;
    - (b) Legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the persons' professional or expert competence; or
    - (c) A committee of the board of directors of which he or she is not a member if the director reasonably believes the committee merits confidence.
  - (3) A director is not acting in good faith if he or she has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (2) unwarranted.
  - (4) A director is not liable for any action taken as a director, or any failure to take any action, if he or she performed the duties of his or her office in compliance with this section.