

Features

Blind Spots

By Cynthia Jones, Esq., and Adam Beaudoin, Esq. | Common Ground September October 2025

©2025 Community Associations Institute

Community association board members and managers can sidestep potential governance traps with a bit of awareness, education, and savvy.



Community association board member and manager roles are vital in shaping and sustaining thriving communities. However, even the most dedicated leaders can unintentionally fall into certain governance blind spots. These mistakes can jeopardize the integrity of your community, its finances, and the overall well-being of the association.

Some of the common yet often overlooked governance pitfalls include understanding roles, respecting the hierarchy of the documents, failing to adhere to communication and meeting protocols, and more. Learn how to avoid them with a bit of practical advice.

UNDERSTAND ROLES

Effective community governance hinges on a clear understanding of each participant's role. From board members to committee chairs and managers, distinguishing responsibilities is paramount. Clearly defined roles foster efficiency, minimize misunderstandings, and prevent unnecessary overreach. The roles are:

- The board acts as the governing body, making decisions on behalf of the association.
- Officers such as the president, treasurer, and secretary may have additional duties, but they are not necessarily board members.
- Committee members provide support, execute assigned tasks, and follow board directives.
- The manager is hired by the board and acts on behalf of the association. The manager's duties are established by the management agreement. The manager almost always reports to the board,

not the association's members.

RESPECT THE HIERARCHY

Ignoring the proper hierarchy of governing documents is a common oversight for many associations. These documents dictate how an association must operate. Failure to understand this hierarchy can lead to poor decision-making and legal complications for the community association. Here's a breakdown of the hierarchy:

Declaration or covenants, conditions, and restrictions. Creates binding obligations for the association and all current and future members of the community.

Supplemental declaration. Adds or modifies obligations, restrictions, and easements on specific portions of the community.

Articles of incorporation. Legally establishes the association as a nonprofit corporation and defines its structure, including voting rights for members.

Bylaws. Governs the internal workings of the association such as elections, meetings, and the roles of officers and committees.

Design guidelines. Sets standards for original construction and modifications including structures, landscaping, and other changes to individual lots.

Rules and regulations. Controls the use of association property and the conduct of members, sometimes specifying how lots or units can be used.

Board resolutions. Establishes policies and procedures for day-to-day operations, governance, and creation of committees.

Board members and managers must understand the priority of these governing documents to ensure compliance and avoid potential legal issues.

STICK TO PROTOCOLS

Another common blind spot for community associations involves improper communication and meeting protocols. For example, many board members use their work emails to communicate with each other, attorneys, and members. This can lead to privacy concerns and potential legal risks if sensitive information is shared without proper safeguards.

Similarly, audio or video recording of meetings without a formal policy regarding how long those recordings will be retained or when they will be destroyed can result in misuse of records and open the association to additional exposure when involved in litigation.

Finally, taking official board actions via email without unanimous consent of the board members can be a violation of board procedure in many states and result in invalid decisions, opening the association to potential legal challenges.

Adopting clear communication policies and ensuring all board actions comply with governing documents is essential for minimizing risks.

CAPTURE EFFICIENT AND EFFECTIVE MINUTES

Meeting minutes are crucial to community association governance, but over-detailing them is a common error. Minutes should capture decisions made, not every word spoken. Too much information can complicate records, lead to unnecessary disputes, and compromise the association if it ends up in litigation. Associations should focus on documenting essential actions while avoiding excessive narrative.

Other common missteps include:

- Omitting start and end times on meeting agendas.
- Allowing members to attend portions of board meetings where sensitive topics such as legal action, contract negotiations, personnel matters, or fines and debt collections are discussed. This can compromise confidentiality and expose the association to risk.

UNDERSTAND INSURANCE COVERAGE

Insurance coverage is vital to an association's risk management strategy, yet many associations misunderstand the types and scope of protection needed. Familiarity with policies such as general liability, property, workers' compensation, and director and officer liability insurance is essential.

Understanding the insurance requirements of the governing documents, particularly in multifamily communities, is the starting point since they often outline the insurance coverage required for the association. Many times, these are minimum standards, so it is important for the board to work with its insurance professionals to understand the types and amounts of insurance coverage best suited for the association.

D&O liability insurance is one of the most important coverages for which board members and managers should pay attention. It should extend coverage to volunteers, committee members, past directors, and the manager.

Associations must ask the right questions when obtaining D&O insurance to ensure adequate protection for the association and its volunteers. Here are several critical questions to consider:

- Does the policy's definition of "insured" extend beyond actual directors and officers?
- Does the policy provide coverage for the association's manager?
- Does the policy cover developer-appointed board members?
- Does the policy provide protection for past, present, and future directors?
- Does the policy cover spouses of directors and officers?
- Does the policy provide a defense to claims and lawsuits?
- Does the policy cover defamation claims, such as libel and slander?
- Does the policy defend against claims seeking nonmonetary remedies?
- Does the policy cover claims for wrongful termination or other employer liability?
- Does the policy cover derivative lawsuits?
- Does the policy defend against a claim or lawsuit for failure to maintain or obtain insurance?
- Does the policy cover claims of illegal forms of discrimination?
- Does the policy provide coverage for decisions directors or officers make in accepting or rejecting contracts?

Failing to ask these questions can leave your association vulnerable to substantial risks. Moreover, it's important to update insurance policies regularly and notify carriers promptly when legal action is threatened. Delays in communication can lead to denied claims, which can financially devastate an association already facing litigation.

AVOID FINING AND CONTRACT HAZARDS

Associations often use fines as a tool to maintain community standards. They must be cautious to ensure fines are based on actual violations of governing documents. Courts are less likely to

enforce vague restrictions, so boards should consult with attorneys to verify that fining processes comply with the association's governing documents and state law.

Business partner contracts are legal documents that can significantly impact community finances and operations. Failing to have an attorney review these contracts before they are executed can lead to unfavorable terms and unforeseen issues such as inadequate termination clauses or insurance provisions. Additionally, many contracts contain automatic renewal clauses. It's critical to keep track of these deadlines to avoid being locked into unwanted agreements.

PROVIDE TOO MUCH INFORMATION

Federal and state laws offer community association members debt collection protections. These laws make publishing the names of delinquent homeowners in newsletters or on a pool bulletin board a violation that can expose associations to legal liability. Associations may want to use the power of peer pressure within the community to encourage members to keep accounts current, but delinquency matters must be kept private. As a rule of thumb, all association debt collection efforts should be handled with care and discretion to avoid lawsuits or reputational damage to members.

NEGLECT RESERVES

A healthy reserve fund is critical for all community associations, especially for significant expenses such as road repairs or major facility upgrades. Neglecting to budget adequately for reserves or failing to conduct reserve studies and update them on a regular basis can lead to financial shortfalls that may force future boards to impose large assessments or take out loans. Unfortunately, the cost of maintaining association amenities only increases over time, so conducting regular reserve studies with qualified reserve specialists is vital to adjusting the association's budget accordingly to ensure long-term financial stability.

Governance in community associations is complex with many potential blind spots that can lead to serious financial, legal, and operational challenges. Board members and managers can avoid these common pitfalls by taking proactive measures such as clarifying roles, adhering to governing documents, implementing sound communication protocols, and securing proper insurance coverage.

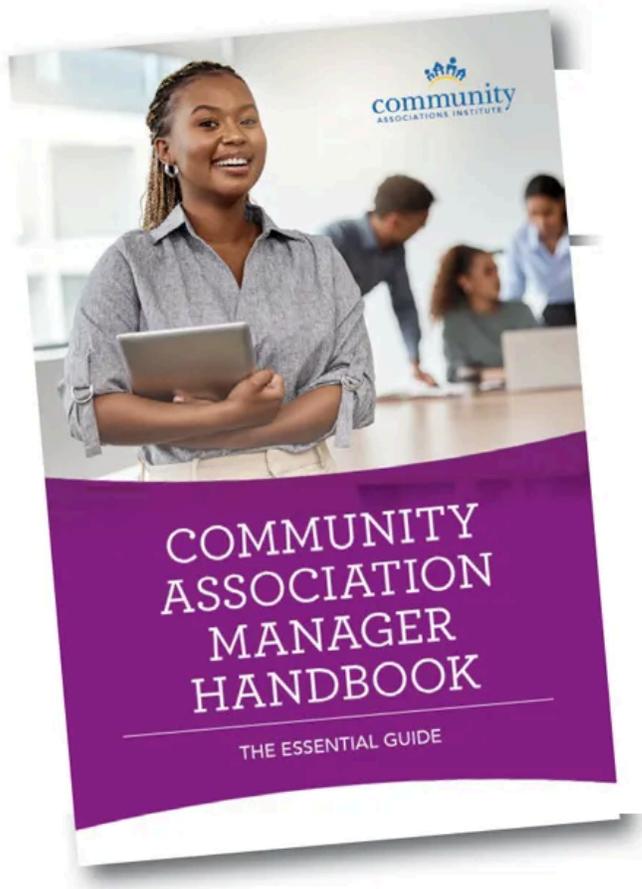
Remember to lean on association professionals including insurance specialists, reserve specialists, certified public accountants, and community association attorneys. These professionals can assist the board and manager with identifying blind spots, provide education and advice, and help ensure your association remains resilient, well managed, and successful.

Governance in community associations is complex with many potential blind spots that can lead to serious financial, legal, and operational challenges.

Cynthia Jones is with Sellers, Ayers, Dortch & Lyons in Charlotte, N.C. cjones@sellersayers.com.

Adam Beaudoin is with Ward and Smith in Wilmington, N.C. amb@wardandsmith.com. Jones and Beaudoin are fellows in CAI's College of Community Association Lawyers.

New Essential Guide for Community Managers



The *Community Association Manager Handbook*, a new book published by CAI Press, offers a practical overview for new managers and an essential review for veteran managers. The book covers everything from community association basics and working with volunteer leaders and business partners to finances, reserves, insurance, maintenance, and more. Closely following the content in the M-100: The Essentials of Community Association Management, the book leads managers to the information, tools, and resources that help them succeed in the role.

»The handbook is available in print and digital formats. Buy now at www.caionline.org/shop.

Sample Template for Meeting Minutes

MINUTES OF THE [NAME] ASSOCIATION BOARD MEETING

DATE AND TIME. Pursuant to Article [number], Section [number] of the [name] Association, a regular meeting of the board was held on [date], at [time] at [location].

OFFICERS AND QUORUM. The president, Mr. A, opened the meeting at [time]. The secretary, Mrs. P, was present to record the meeting. Present: President, Mr. A; Secretary, Mrs. P; Treasurer, Mr. F. Directors Mr. B and Mrs. C. Absent: Mrs. S. Quorum requirements were met. The president, Mr. A, called the meeting to order at [time].

MINUTES. The minutes of the [date] meeting were distributed to all board members and committee chairs one week before the meeting. The following corrections were made:

- Page 1, Paragraph 3: change “lien” to “line.”
- Page 7, Paragraph 4: substitute “review” for “report.”

There being no other corrections or additions, Mr. B made a motion to accept the minutes as corrected. The motion was seconded by Mrs. C and approved unanimously.

FINANCIAL INFORMATION. The treasurer asked if there were any questions relating to the annual audit distributed with the agenda. He noted Resolution 8 provided that copies be made available to all members who submitted a written request for the audit.

MANAGER'S REPORT. The board had no questions regarding the manager's written report that was furnished with the agenda (attached).

UNFINISHED BUSINESS. A motion was made by Mr. B and seconded by Mr. F to adopt proposed Resolution 308 (attached) regarding insurance coverage. The motion was approved unanimously. A motion was made by Mr. F and seconded by Mrs. C to table discussion of new playground equipment until all board members were present. The motion was approved unanimously.

NEW BUSINESS. A motion was made by Mrs. C and seconded by Mr. B that directors attending the CAI conference be reimbursed for the cost of parking at the airport, pursuant to the existing board policy on reimbursement for educational events. The motion was approved. Mr. F voted against the motion.

ADJOURNMENT. There being no other business, a motion was made, seconded, and unanimously approved to adjourn the meeting at [time].

Respectfully submitted:

MRS. P, SECRETARY DATE

»Reprinted from CAI's *Board Member Handbook*. Access sample documents from the book at www.caionline.org/publications/cai-press. Purchase the book at www.caionline.org/shop.

©2025 Community Associations Institute. Further reproduction and distribution is prohibited without written consent. For reprints, go to www.caionline.org/reprints.