



## **The Fiduciary Duties of an HOA Board Director**

When a person is elected to be an HOA Board Director (“Board Director”), such person is likely aware that they will be acting as a volunteer to lead the Association as part of a Board of Directors group. What they may not consider is that they are taking on fiduciary duties, which many times are not discussed prior to an election for Board Directors. The fiduciary standard includes undivided loyalty, prudence, good faith, and requires that the fiduciary act in the best interest of the Association they serve. In simplest terms, a fiduciary duty is considered the highest standard of care and, if a Board Director breaches one of the fiduciary duties, they can be found personally liable for that breach, **although CCIOA does not hold Directors liable for actions or omission in performance of their duties except for wanton and willful acts or omissions.** Below are the fiduciary duties Board Directors owe to the Association and membership:

**I. Duty of Care.** The duty of care requires Board Directors to invest time and attention in Association business, make reasonable inquiry into Association matters to enable informed decision-making, and take reasonable, not arbitrary or capricious, actions. Pursuant to Colorado law, each Board Director and Board Officer shall discharge their duties:

1. In good faith;
2. With the care an ordinary prudent person in a like position would exercise under similar circumstances; and
3. In a manner the Director or Officer reasonably believes to be in the best interests of the nonprofit corporation.

**II. Duty of Loyalty.** Board Directors also have a duty of loyalty to act in the best interests of the Association. This means that HOA Board Directors must put the interests of the Association above:

1. Their personal interests as an Owner in the Association;
2. The interests of their friends and neighbors;
3. The interests of their families; and
4. The interests of any other group or entity in which they are involved or have a financial interest.

**III. Duty to Act within the Scope of Authority.** Board Directors owe a duty to their Associations and to the Association members to perform their duties in accordance with the authority granted to them by statute and in the Association’s governing documents.

### **How can a Board Director make Safe Decisions to Uphold their Fiduciary Duties?**

In discharging duties, a Board Director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by legal counsel, a public accountant, or another person as to matters the Director or Officer reasonably believes are within such person’s professional or expert competence. **Relying on a professional’s advisement protects the Board Director from liability, even if such professional advisements is later found to be incorrect.**

**Have questions about Board Member Duties & Responsibilities?**

**Contact us at: [info@westernlawgroup.com](mailto:info@westernlawgroup.com)**

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