

Welcome to the Board

Becoming a Board Member

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HOA

Nevada Real Estate Division

Introduction
Governing Docs
Bylaws
The Board
Meetings
Finances
Q&A



Before we begin, you are reminded that, as training officers, we are here to provide general information and education on NRS/NAC 116, 116A & 116B, and NAC 38. We do not provide legal advice, interpret the law, or give opinions on individual circumstances.

Our goal is to help you learn, understand, and apply the relevant statutes, regulations, and your community's CC&Rs. We want to equip you with the knowledge and tools necessary to effectively manage and live within your common-interest communities.

We will have dedicated time for questions and answers towards the end of the class. Please note that the Q&A session is intended to clarify the material covered today and not to address specific issues you might be facing. Feel free to jot down any questions regarding the class that you may have as we go along, and we will address them during the Q&A period. Thank you.



ICEBREAKER

By the end of the course, attendees will:

- 1. Understand Governing Documents and Legal Hierarchy.**
- 2. Identify Board and Officer Roles and Responsibilities.**
- 3. Understand Management Agreements and CAM Duties.**
- 4. Explore Meeting Requirements and Procedures.**
- 5. Learn to Manage Financial Operations and Reserve Funds.**

OBJECTIVES

Nevada Revised Statutes 116

- NRS (Nevada Revised Statutes): A comprehensive collection of laws enacted by the Nevada State Legislature.
- The Ombudsman's Office of the Nevada Real Estate Division is responsible for specific chapters of NRS, such as NRS 116, 116A, and 116B. This is also known as the Nevada Uniform Common-Interest Ownership Act, most commonly referred to as UCIOA.

NEVADA LAW



NRS 116

Note: In the event of a conflict between Nevada Revised Statutes (NRS) 116 and the governing documents, the provisions of NRS 116 take precedence (unless NRS 116 refers back to the governing docs).

NRS 116

Article 1: Definitions and Other General Provisions: Sets the foundational framework and clarifies essential terms used throughout the statutes governing common-interest communities in Nevada.

Article 2: Creation, Altercation and Termination of CICs: Describes the creation of unit boundaries, easements, allocation of interests, and more.

Article 3: Management of CICs: Deals with the role and responsibilities of executive boards in the Common-Interest Communities and Condominium Hotels in Nevada.

Article 4: Liabilities, Insurance and Fiscal Affairs: Explores the statutes regarding reserve studies, insurance, and financial statements.



CC&Rs: A binding legal document that outlines the rights and responsibilities of unit owners within a community.

- **The CC&Rs are recorded with the county and are enforceable by the homeowner's association or similar governing body.**
 - **Can only be amended by the vote of unit owners (NRS 116.2117(1)).**



Homeowners
Associations
**CC&RS
BYLAWS
RULES & REGS**
MoneyMinder.com

Articles of Incorporation

Articles of Incorporation: A set of formal documents filed with a state government to legally establish a corporation. These documents outline essential information about the corporation and its structure. Key elements typically include:

- **The corporation's name:** The legal name of the corporation.
- **Purpose of the corporation:** A description of the business activities or goals the corporation intends to pursue.

Articles of Incorporation, Continued

- **Registered Agent:** The individual or entity designated to receive legal documents on behalf of the corporation.
- **Duration:** The period the corporation will exist, which can be perpetual or for a specific term.
- **Incorporator(s):** The person or people responsible for setting up the corporation.
- **Stock Information:** Details about the corporation's stock, including the number of shares and their par value, if applicable.
- **Directors and Officers:** Information about the initial board of directors and, in some cases, the officers of the corporation.

Articles of Incorporation

Company Name

Address, Registered Agent

Form of
Business

Purpose

Capital
Structure

Corporate
Governance

DOCUMENTATION

13

PROCEDURES

VIOLATIONS

BYLAWS

COMPLIANCE

Bylaws

14

- **The Bylaws:** A set of internal rules and guidelines that govern the management and operations of an organization.
 - Contain provisions pertaining to meetings, elections, board officer positions, and duties (NRS 116.3106).
 - May only be amended by unit owners (NRS 116.3106(1(g))).
 - They are adopted by the organization's board of directors or governing body to provide detailed procedures for its internal workings.

Bylaws and Key Elements

- **Governance Structure:** Describes the roles and responsibilities of the board, officers, and committees (if applicable). Bylaws outline how members are elected or appointed, their terms of office, and their duties.
- **Meetings:** Provides rules for how and when meetings will be held, including regular and special sessions, quorum requirements, notice requirements, and procedures for voting.
- **Financial Management:** Outlines procedures for handling financial matters, including budgeting, auditing, and the management of association assets.



Key Elements, Continued

- **Membership:** Defines the criteria for membership (if applicable), including how members are admitted, their rights and responsibilities, and how membership can be terminated.
- **Amendments:** Specifies the process for making changes to the Bylaws, including who can propose amendments and how they must be approved.
- **Conflict Resolution:** Details procedures for resolving disputes within the organization or addressing violations of the Bylaws.



**Reserve
Study**

**Architectural
Review
Guidelines**

**Collection
Policy**

Other Governing Documents



HOA THE BOARD OWNERS ASSOCIATION

- **Board of Directors (also known as the Board and/or Executive Board) are elected by unit owners (NRS 116.31034).**
 - The Board of Directors are the decision-makers.
 - They are also the vote-casters.
 - There must be at least 3 members on the board.
 - The Bylaws may require more, but not fewer than 3 members.



Board Organization

- **Members of the association vote for the Board of Directors or other positions, as required. The rules are the same for newly elected board members, re-elected, and appointed members.**

Board Elections

Board Elections



- **An executive board meeting shall be held after an election.**
 - **During this meeting, the board members determine the officers in accordance with the Bylaws (NRS 116.3106).**

Appointing Board Members Following an Election

Community Managers



Community Manager and the Board

- **All decision-making authority lies with the executive board.**
- The Bylaws of the association specify the duties and powers that MAY be delegated to a CAM.
 - Delegated duties must be expressed in the management agreement (NAC 116A.325).
 - CAMs are bound to the duties listed in the management agreement.

Community Manager

A professional who holds a certificate or temporary certificate that is responsible for overseeing the daily operations and management of the community (NAC 116A.035).

If an association employs a CAM:

- All decision-making authority lies with the executive board.
- The Bylaws of the association, plus NAC 116A.630 specify the duties and powers that MAY be delegated to a CAM.





**Board Responsibilities
and Powers**

**Fiduciary Duties
of Board Members**

**Corrective Measures
and Sanctions**

Board Authority

Under the provisions of the declaration, the board is authorized to the following included, but not limited to (NRS 116.3102):

- Adopt and amend rules and regulations.
- Adopt and amend budgets.
- Collect assessments for common expenses.
- Invest the association's funds.
- Propose reasonable fines and construction penalties.
- Maintain the common elements.
- Regulate the use, maintenance, repair, replacement, and modification of the common elements.
- Exercise any powers inscribed by the Declaration or Bylaws.
- Direct removal of vehicles improperly parked on the property owned or leased by the association.

Responsibilities

Fiduciary Duties

28

Board members are fiduciaries and shall act (NRS 116.3103):

DUTY OF
GOOD FAITH



Board members must act honestly and with integrity in all their dealings.

CUSTOMER LOYALTY DUTY OF CARE



Board members must refrain from using their position for personal gain and must prioritize the interests of the board.



Board members must make informed decisions and act with diligence.

Indemnification

If a member is sued for actions taken as a board member, the association indemnifies members, unless it is proven that the member acted with serious misconduct or extreme negligence. If such misconduct is proven, the association will stop covering costs and may seek reimbursement for expenses already incurred from the board member (NRS 116.31037).

Examples of Wrongful Acts

The Common-Interest Communities and Condominium Hotels Commission determines whether members have performed their duties adequately (NAC 116.405).

*Note: This is not a comprehensive list. For more details, please refer to NAC 116.405.

- Acting beyond one's authority.
- Pursuing personal gain or acting out of bias.
- Demonstrating incompetence or negligence.
- Improperly disclosing confidential information without consent.
- Obstructing an investigation of the Division by not providing information, giving false details, or hiding facts.
- Not staying informed about relevant laws and regulations.
- Not cooperating with the Division in resolving complaints.

A person wearing a dark blue button-down shirt with white polka dots is holding a white rectangular card with both hands. On the card is a large, hand-drawn question mark with a cross-hatched pattern inside. The background is a solid light yellow color.

Group Discussion:

What is fiduciary duty, and why is it important for CICs?



STANDARDS LEGAL
REQUIREMENTS RULES
RULES POLICIES LAW
COMPLIANCE
LAW STANDARDS
POLICIES RULES
LAW REGULATION

Meeting Requirements

- Board meetings must be held at least once every quarter, with no more than 100 days between meetings (NRS 116.31083).

QUARTERLY
REPORT

Frequency



- Executive board meetings: notice must be sent at least 10 days prior to the meeting (NRS 116.31083(2)).
- Civil Action/Capital Improvement: Notice must be sent at least 21 days prior to the meeting (NRS 116.31088 (1)).
- With the exception of fine notices, notices must be sent to each owner's designated mailing or email address.
- Notices must not be circulated in a manner that makes it impracticable to comply with notice and agenda requirements.

Notices

Financial Information

NRS 116.31083(7)

At each quarterly meeting, the board shall review the financial information of the association.

NRS 116.31085(3)

Executive board can meet in executive sessions in order to:

- Consult with the attorney for the association on matters covered by attorney-client privilege.
- Discuss the character, alleged misconduct, professional competence, or physical or mental health of a community manager or an employee of the association.
- Discuss a violation of the governing documents, including failure to pay an assessment.
- Discuss the alleged failure of a unit's owner to adhere to a construction schedule.

Executive Sessions

Emergencies

NRS 116.31083

- The board may conduct an emergency meeting in a situation that:
 - Could not have been anticipated.
 - Needs urgent attention.



Unit Owners' Meetings



NOTICE

Between 15 and 60 days before a unit owners' meeting, the specified officer shall cause notice to be delivered to each owner's designated mail or email address, stating the time and place of the meeting (NRS 116.3108 (3)).

Elections Timeline

NRS 116.31034

- At least 15 days before the ballots are opened, they must be distributed. No less than 30 days before the ballots are prepared, nomination forms should be mailed or emailed to each owner's designated address.
- Note: Unit owners may opt out of electronic ballots if that option is available.

Budget Ratification Notices – Annual

41

Unless the declaration imposes more stringent standards, 30 to 60 days before the beginning of the fiscal year of the association:

- The board shall prepare and distribute a copy of the daily operation budget, the reserve budget, the fee schedule (NRS 116.31031(3)), and the collection policy (NRS 116.31151(4)).
- Not less than 14 days and not more than 30 days after mailing, the board shall set a date for a meeting of the unit owners to consider ratification.

NRS 116.31151

BOARD FINANCES



Banking



- **An association SHALL deposit or invest all funds of the association at a financial institution which:**
 - **Is located in, authorized to do business in, or has agreed to be subject to the jurisdiction of the courts of Nevada.**

- **Note that all accounts MUST be insured by FDIC, a private insurer, or invested in a government security.**

Operating Funds

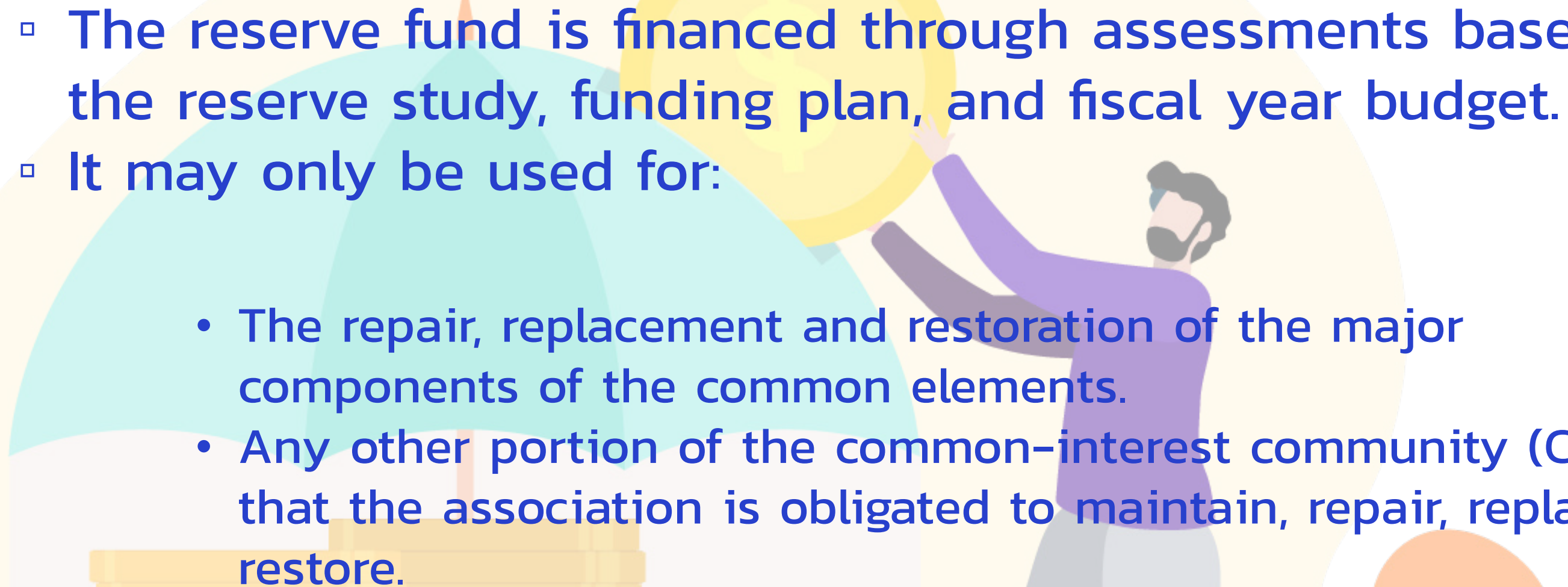


- The operating fund must be funded through assessments in accordance with the association's fiscal year budget.
 - This budget is utilized for routine maintenance and operable services of the association.

NOTICE

Withdrawals from the operating account require 2 signatures (NRS 116.31153).

- 2 members of the executive board, 1 board member & 1 officer, 2 officers or a board member/officer & the CAM.

- 
- The reserve fund is financed through assessments based on the reserve study, funding plan, and fiscal year budget.
 - It may only be used for:
 - The repair, replacement and restoration of the major components of the common elements.
 - Any other portion of the common-interest community (CIC) that the association is obligated to maintain, repair, replace or restore.

(NRS 116.3115(2)(b))

Reserve Funds



- If an association solicits bids for a project, the association should solicit at least 3 bids if the project is expected to cost:
 - For associations with fewer than 1000 units: 3% or more of the annual budget.
 - For associations with 1000 units or more: 1% of the annual budget.

(NRS 116.31086)

Solicitation of Bids

CAPITAL IMPROVEMENT PROJECTS

- A capital improvement project for an association or an expense for the acquisition or construction of new common element components.
- The board may initiate capital improvements ONLY if authorized by the governing documents.
- The proper budget process is required.

**(NRS 116.3115)
&
(AO 16-01)**



Capital Improvement



BOARD RECORDS

- The books, records, and other papers of an association **MUST** be maintained for at least 10 years.
- All meeting minutes **MUST** be maintained until the CIC is terminated.

**NRS 116.31175(7) &
NRS 116.31083 (11)**

Records Maintenance

Financial Statements

- These statements offer detailed insights into the association's financial position, performance, and changes in its financial condition.
- Must be prepared using accrual basis accounting in accordance with Generally Accepted Accounting Principles (GAAP).
- Must be prepared by, or under the supervision of, a person with accounting knowledge and experience.

NAC 116.451

Financial Records

- Financial Records of an association must include all the following but not limited to:
 - Receipts;
 - Bank statements;
 - Income tax reports;
 - Contracts.

(NAC 116.0433)



Meeting Minutes

SCAN ME



- The minutes of each executive board meeting must be recorded and include:
 - The date, time, and place of the meeting.
 - A list of members of the executive board who were present and absent.
 - The substance of all proposed, discussed, or decided matters.
 - A record of each member's vote on any matter decided.
 - The substance of remarks made by any unit owner who addresses the executive board, if the owner so requests.

**NRS 116.3108 (5) & (6) &
NRS 116.31083 (8) & (9)**

- The executive board or a community manager of an association shall, upon written request of a unit's owner, make available the books, records, and other papers of the association for review at:
 - The business office of the association.
 - A designated business location not to exceed 60 miles from the physical location of the common-interest community.
 - During the regular working hours of the association, which is defined as a period of at least 4 consecutive hours per week (NAC 116.440).



Review of Records by Owners

Copies

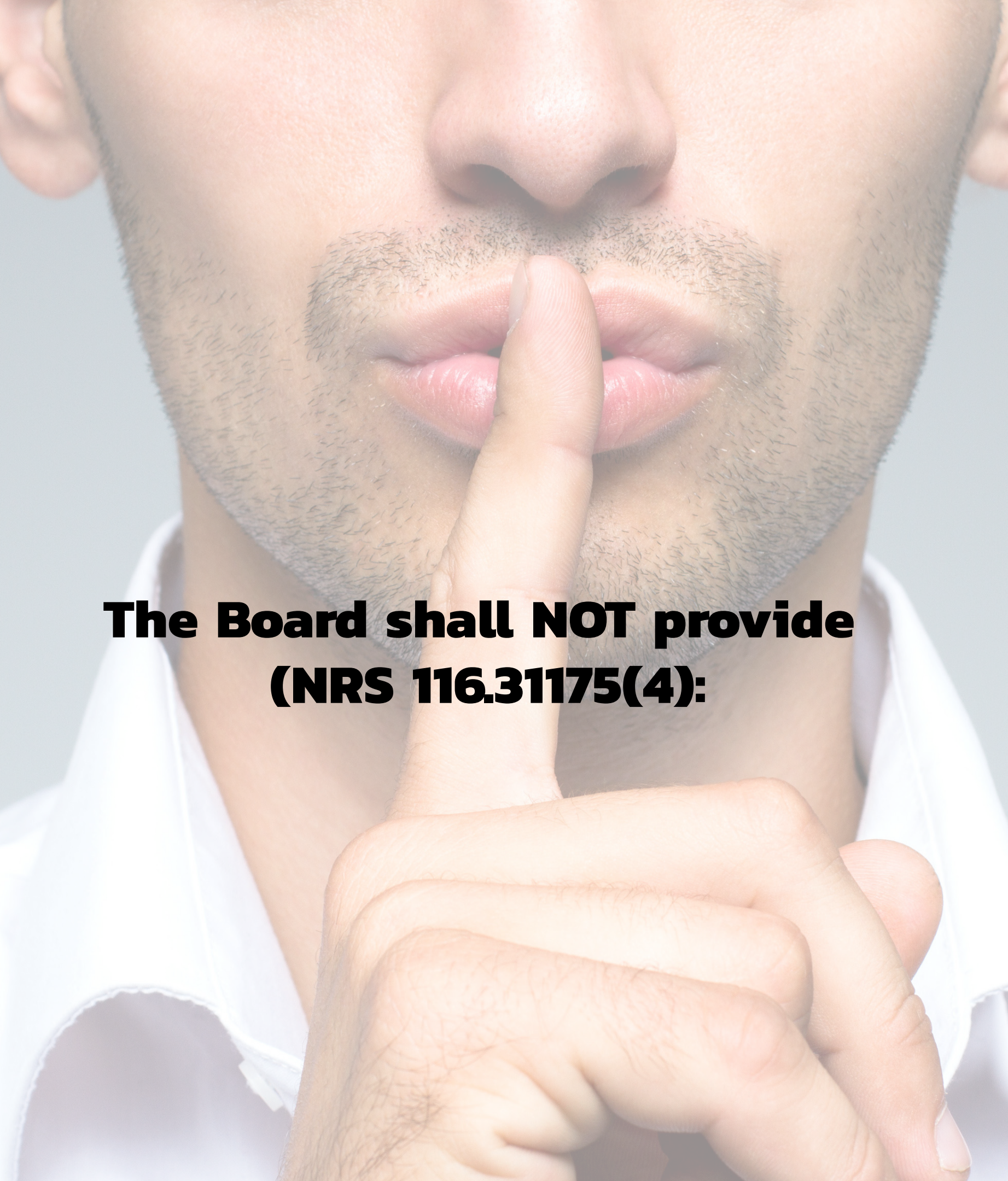
The board must provide a copy of the following records to unit owners within 21 days of receiving a written request:

- Financial statements;
- Budgets;
- Reserves study;
- The audio recordings;
- Minutes or a summary of the minutes of an association meeting upon request.

Board Member Access to Records



- Board members have a fiduciary obligation to make informed decisions (NAC 116.405).
- Board members have the right and obligation to access records related to meeting agenda items in a timely and convenient manner, ensuring they can fulfill their fiduciary obligations.
 - Board members must adhere to confidentiality rules when accessing using owner records (NAC 116.405(4)).



**The Board shall NOT provide
(NRS 116.31175(4):**

Confidentiality

60

- The personnel records of employees of the association.
- Any records relating to another unit owner.
- Any document, aside from minutes, that is in the process of being developed and has not yet been placed on an agenda for final approval by the executive board.

- The rules adopted by an association must be uniformly enforced under the same or similar circumstances (NRS 116.31065(5)).
- IF an association chooses to issue fines, the association must have a "schedule of fines" and a well-defined fine policy (NRS 116.31065(6)).
- Fine limits must comply with NRS 116.30131.



Violations, Fines & Hearings



Threats & Harassment



Threats and harassment constitute a criminal misdemeanor and is not enforceable by the Division (NRS 116.31184).

According to NRS 116.745, violations are violations of any statute of 116 with the exception of NRS 116.31184

Retaliation

- A board shall not take, or direct or encourage another person to take, any retaliatory action against a unit owner because they have:
 - Complained in good faith about an alleged violation of NRS 116 or the governing documents;
 - Recommended the selection or replacement of an attorney, CAM, or vendor;
 - Requested in good faith to review the books, records, or other papers of the association.

NRS 116.31183

CC&Rs

Operational Account

Indemnification

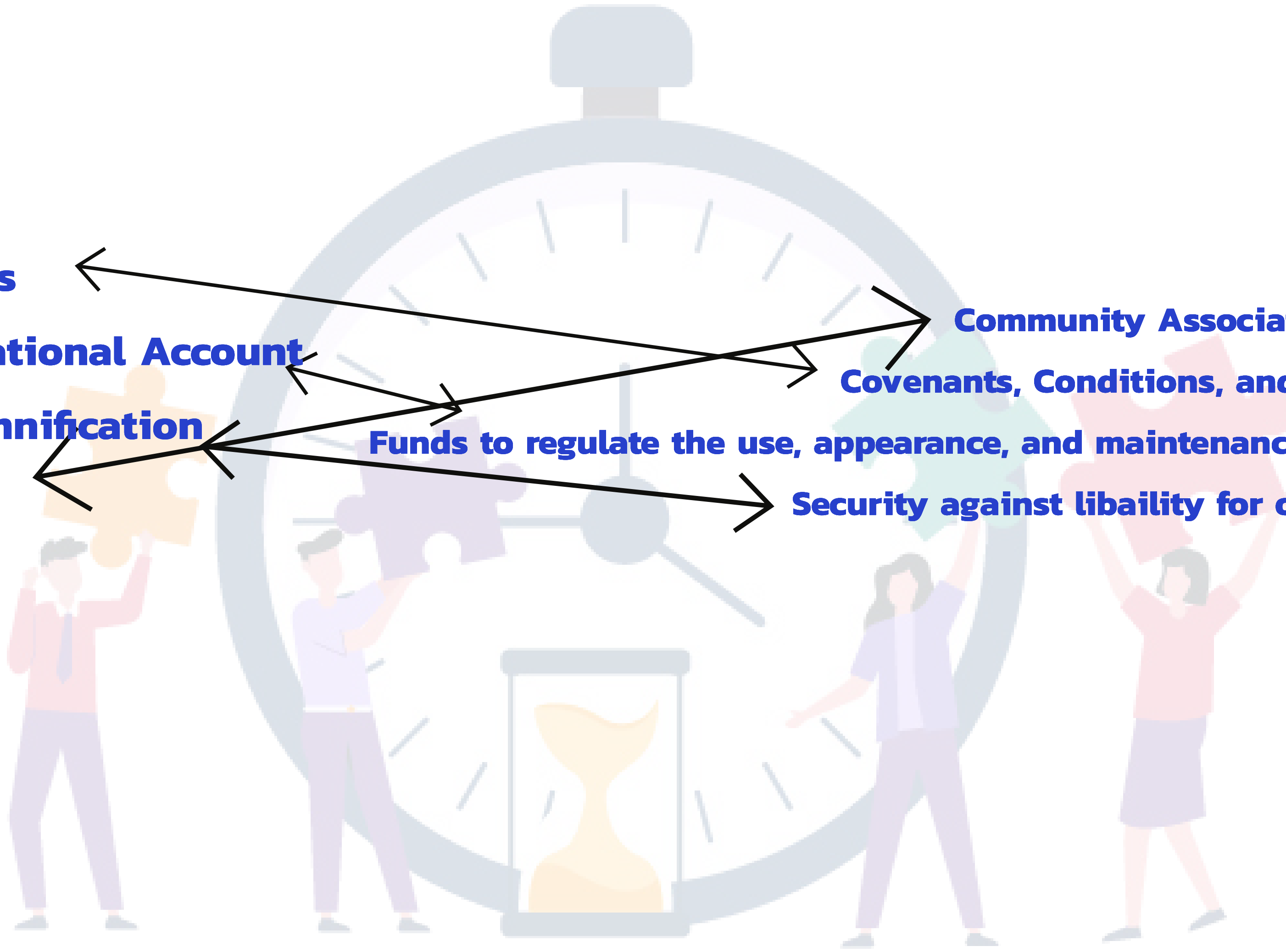
CAM

Community Association Manager

Covenants, Conditions, and Restrictions

Funds to regulate the use, appearance, and maintenance of property

Security against libaility for one's actions



Before we move on to the Q&A session, I'd like to remind everyone that we are here to provide general information and guidance. We cannot give legal advice, interpret the law, or provide opinions on individual circumstances.

OFFICE OF THE OMBUDSMAN

FOR OWNERS IN COMMON-INTEREST COMMUNITIES AND CONDOMINIUM HOTELS

The purpose of this Q&A session is to help clarify the material covered in today's class. Please keep your questions focused on understanding and the application of the statutes, regulations, and CC&Rs relevant to your roles within your community.

For specific legal concerns or individual issues, please consult with a qualified attorney.



THANK YOU



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