

# HIRZEL LAW'S ESSENTIAL CHECKLIST FOR MICHIGAN COMMUNITY ASSOCIATIONS

Learn How to Successfully  
Operate Your Condo or  
Homeowners Associations

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Want to make sure that your condominium or homeowners association is operating properly? Use this 10-point checklist to get started and avoid making basic mistakes.

## — General Association Operations

### **File Annual Reports with LARA**



Almost all condominium and homeowners associations in Michigan are nonprofit corporations. Pursuant to [MCL 450.2911](#), nonprofit corporations are required to [file annual reports](#) with the Department of Licensing and Regulatory Affairs (“LARA”) by October 1<sup>st</sup> each year.

### **Hold Annual Meetings**



Pursuant to [MCL 450.2402](#), condominium and homeowners associations that are nonprofit corporations must hold an annual membership meeting. However, in some cases, the meeting can be held completely online or at a polling location. A board also has discretion as to whether to permit the membership to attend its regular board meetings.

### **Take Meeting Minutes**



The [Michigan Nonprofit Corporation Act](#) indicates that associations should take meeting minutes for board, committee and membership meetings. Associations should take minutes to have a historical record of the decisions that were made at each meeting for future boards to rely on.

### **Create an Annual Budget and Analyze Reserve Funds**



Almost all governing documents require an association to create an annual budget that is used to calculate assessments. It is helpful to have a reserve study performed every 3-5 years as part of the budgeting process to determine if the association’s reserves are adequate as well.

## — General Association Operations

### Prepare Financial Statements

Almost all condominium and homeowners associations are required to produce annual financial statements. In many cases, the governing documents require that the financial statement be audited or reviewed by an accountant. [MCL 559.157](#) of the [Michigan Condominium Act](#) requires condominium associations to have an audit or review on an annual basis if they have revenue in excess of \$20,000, unless the membership votes to opt out of the audit or review.

### File Annual Tax Returns with the State and Federal Governments

Condominium and homeowners associations must file state and federal tax returns on an annual basis. The specific required forms and timing can depend on the structure and sources of income so be sure to check with an accountant to make sure you are on track.

### Enforce the Bylaws

One of the primary jobs of a condominium or homeowners association is to [enforce the restrictive covenants as written](#). We recommend that every association have a bylaw enforcement policy in place to ensure that the governing documents are uniformly enforced. Examples of common bylaw enforcement actions relate to aesthetic issues, illegal activity, landscaping, noise, pets, parking, smoking or unauthorized modifications of common areas or homes. Many governing documents permit an association to recover attorney's fees and costs if the association is forced to take an owner to court.

## — General Association Operations

### Know the Exceptions Related to Bylaw Enforcement

In some cases, the governing documents provide discretion to a board to deviate from enforcing the documents. While this is somewhat uncommon, there are times that federal or state law requires an association to make an exception to normal bylaw enforcement procedures for reasons related to disability, familial status, race, color, religion, sex or national origin. An attorney should always be consulted if the board has questions about whether there are exceptions to enforcing the bylaws.

### Collect Assessments from Delinquent Co-Owners

Assessments are collected on a monthly, quarterly or annual basis, depending on the requirements of the governing documents. We recommend that every association have a [collection policy](#) in place to ensure that the association's cash flow is not interrupted and that all owners go through the same process. If an owner fails to pay assessments, most governing documents will permit an association to place a lien, foreclose on that lien and recover attorney's fees and costs if the owner ultimately fails to make suitable payment arrangements.

### Amend Outdated Governing Documents

Community associations should regularly review their governing documents to ensure smooth operations and avoid exposure to litigation. Signs that the governing documents may need to be amended include: (1) the governing documents are not updated to account for the 2015 and 2018 amendments to the [Michigan Nonprofit Corporation Act](#) (2) the governing documents were not updated after developer turnover, (3) the governing documents do not address technological or societal changes related to cameras, drones, electric vehicles, short-term rentals, social media, smartphone use, smoking or solar panels, and (4) the governing documents are unclear or conflict. Hirzel Law offers Condo and HOA report cards so associations can determine whether their governing documents need to be amended to address these issues.



We hope this checklist provides you with some basic guidance for operating your condo or homeowners association. If you have questions or are in need of legal counsel, contact the attorneys at Hirzel Law, PLC.

**CONTACT US**

*Disclaimer: Hirzel Law, PLC has created this checklist for informational purposes only. Downloading and relying on this checklist does not form an attorney-client relationship between Hirzel Law, PLC and the reader. An experienced community association attorney should be consulted regarding specific questions as the answer to many legal questions is highly fact-specific. If you have specific questions, you can learn more by contacting Hirzel Law, PLC at [hirzellaw.com](http://hirzellaw.com).*