



Tools and Techniques for Effective CAA Board Leadership

2016 ACAAA Annual Conference
Pre-Conference Training for Community Action Boards of Directors
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Today's Agenda

Morning

- **Rules and guidance** that apply to tripartite board governance
- **Key responsibilities** of the tripartite board

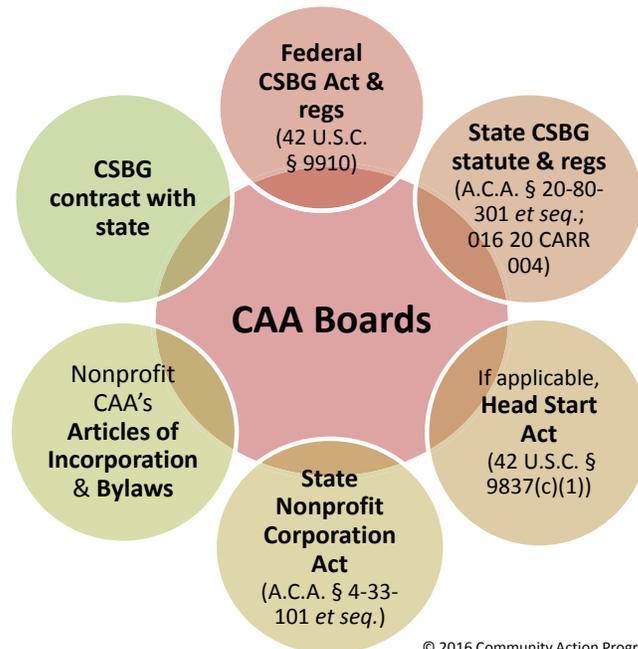
Afternoon

- Case study examining **board roles and responsibilities**
- Board **engagement**
- Effectively **selecting and recruiting** board members

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What Rules and Guidance Apply to Tripartite Board Governance?

Rules Governing CAA Tripartite Boards



Federal CSBG Act: Purposes and Goals



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Federal CSBG Act: Purposes and Goals



(42 U.S.C. § 9901)

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Guidance on Tripartite Boards

IM #82: Tripartite Boards

- Selection and composition requirements
- Roles and responsibilities

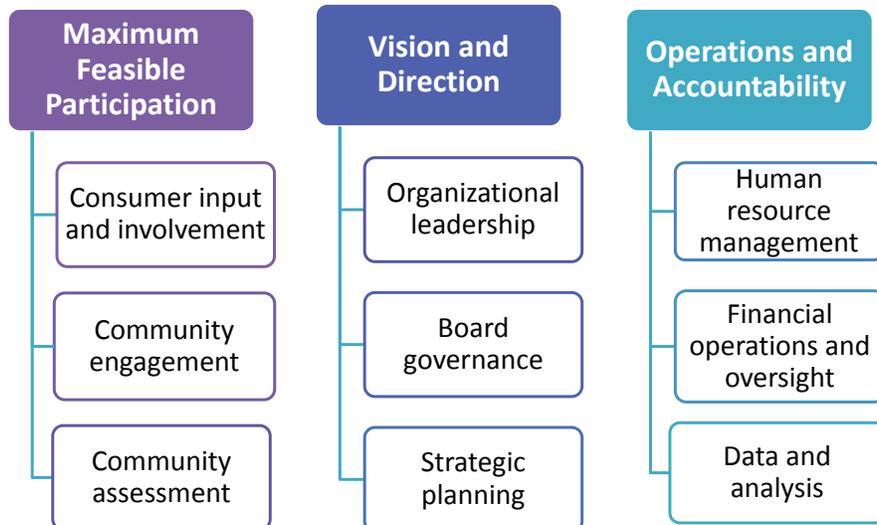
IM #138: CSBG Organizational Standards

- OCS-recommended as performance management initiative
- Proposed timeline for states to adopt Standards

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CSBG Organizational Standards

Organized into three thematic groups



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Monitoring Org. Standards

Examples of Assessment Approaches

(OCS IM 138)

Part of full-on-site review

Self-assessments verified by 3rd party between monitoring visits

Peer-review verified annually during regular state monitoring visit or desk review

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Monitoring Org. Standards

- State required to:
 - **Describe assessment approach** in state plan
 - Subject to OCS review
 - Ensure all standards met BUT must **keep in mind that compliance with some may take longer**
 - e.g., strategic planning, developing agency-wide budget
- Every CAA expected to make steady progress toward goal of meeting all standards

OCS IM 138

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What is the Role of the Tripartite Board?

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Role of Tripartite Board

Federal CSBG Act (42 U.S.C. § 9910), OCS IMs 82 and 138

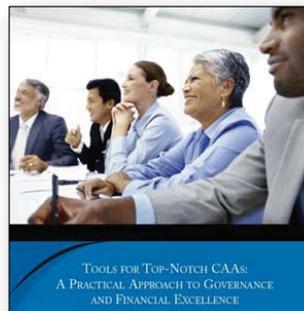
FULLY ENGAGED IN. . .



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Board Fiduciary Duties

- **Duty of Care:** Diligence
 - Act with the care of a prudent person in similar circumstances
- **Duty of Loyalty:** Faithfulness to CAA
 - Act in good faith and in the best interests of the agency
 - Disclose and avoid conflicts of interest, self-dealing
- **Duty of Obedience:** Faithfulness to CAA's mission
 - Comply with Articles of Organization and Bylaws to carry out mission



See page 9 of the
Toolkit for more on
fiduciary duties

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Board's Key Responsibilities

1
Determine
agency mission

2
Engage in regular
strategic planning

3
Develop
revenue strategies

4
Engage the
community

5
Monitor agency
performance

6
Ensure ongoing
compliance

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Determine Agency Mission

(Key Board Responsibility **1**)

- **Why mission matters:**
 - Provide clarity of purpose to stakeholders
 - Guide major decisions
 - Prevent “mission creep”
- **A good mission statement:**
 - Is focused
 - Solves unmet needs
 - Leverages unique skills
 - Inspires key stakeholders / is memorable

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Determine Agency Mission

(Key Board Responsibility 1)

CSBG Org. Standard 4.1:

- Governing board has reviewed the organization's mission statement within the past 5 years and assured that: (1) The mission addresses poverty; and (2) The CAA's programs and services are in alignment with the mission.

CSBG Org. Standard 3.1:

- Organization has conducted a community assessment and issued a report within the past 3 years.

CSBG Org. Standard 3.5:

- Governing board formally accepts the completed community assessment.

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Engage in Regular Strategic Planning

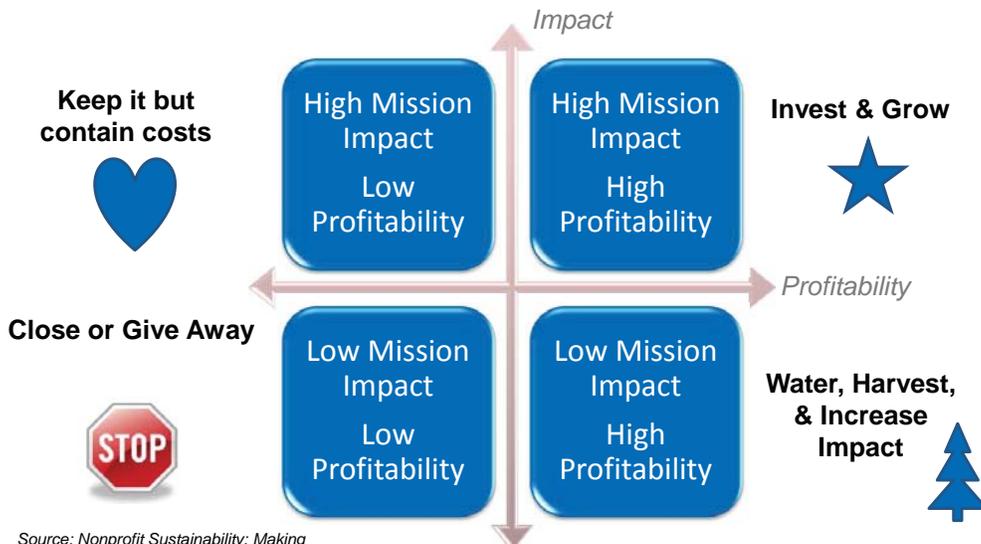
(Key Board Responsibility 2)

Regular Strategic and Programmatic Reviews

<p>5-Year Review (Strategic)</p>	<p>3-Year Review (Strategic / Community Needs Assessment)</p>	<p>Annual Review (Milestone / Programmatic)</p>	<p>Review at Every Board Meeting (Milestone / Programmatic)</p>
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A Dual Bottom Line: Mission Impact and Financial Return



Source: Nonprofit Sustainability: Making Strategic Decisions for Financial Viability

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Engage in Regular Strategic Planning

(Key Board Responsibility 2)

CSBG Org. Standard 6.1:

- Organization has an agency-wide strategic plan in place that has been approved and accepted by the governing board within the past 5 years.

CSBG Org. Standard 6.5:

- Governing board has received update(s) on progress meeting the goals of the strategic plan within the past 12 months.

CSBG Org. Standard 5.9:

- Organization's governing board receives programmatic reports at each regular board meeting.

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Develop Revenue Strategies

(Key Board Responsibility 3)

- **Work with staff to prepare development plan to:**
 - Diversify funding sources
 - » Unrestricted funding
 - » Earned income ventures
 - Ensure financial sustainability
- **Build and cultivate long-term relationships**
 - Identify potential donors and partner organizations
 - Learn to be an advocate for the agency
- **Training and support for development planning**

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Question #1:

1. Which **fundraising strategies** does your agency currently engage in? (*select all that apply*):
 - A. One-on-one targeted asks
 - B. Special fundraising events
 - C. Direct mail/online campaign
 - D. Foundation grants
 - E. Earned income ventures

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Engage the Community

(Key Board Responsibility 4)

- Are we **fully engaging and empowering** the low-income community?
- Are we **effective advocates** for the organization and its mission?
- Do we **collect and provide input** on community needs?
- Are we developing and sustaining **strategic partnerships and collaborations**?

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Engage the Community

(Key Board Responsibility 4)

CSBG Org. Standard 1.1:

- Organization demonstrates low-income individuals' participation in its activities.

CSBG Org. Standard 2.1:

- Organization has documented or demonstrated partnerships across the community, for specifically identified purposes; partnerships include other anti-poverty orgs in the area.

CSBG Org. Standard 2.3:

- Organization communicates its activities and its results to the community.

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Monitor Agency Performance

(Key Board Responsibility 5)

- Set **annual and long-term financial goals** and plans
 - Understand the full costs of programming
 - Plan for cash and capital needs
 - Establish operating reserves and policies on their use
- Use an **agency-wide budget** to plan and track use of financial resources.

CSBG Org. Standard 8.9:

- Governing board annually approves an organization-wide budget

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Monitor Agency Performance

(Key Board Responsibility 5)

- **Monitor financial performance**
 - Review performance dashboards based on key indicators at each board meeting
 - Review financial statements at each board meeting
 - Incorporate forecasting into each financial report
 - Project cash flow to predict shortages

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Monitor Agency Performance

(Key Board Responsibility 5)

What types of financial reports should the board review?

Program Managers	Executive Director	Board of Directors
<ul style="list-style-type: none">• Budget-to-actual revenue and expenses for the programs and grants they oversee	<ul style="list-style-type: none">• Balance sheet and supporting schedules• Budget-to-actual revenue and expenses<ul style="list-style-type: none">• for each program• organization-wide• Year-end projections• Cash flow projection	<ul style="list-style-type: none">• Performance dashboard• Balance sheet and supporting schedules• Budget-to-actual revenue and expenses<ul style="list-style-type: none">• for each program• organization-wide• Year-end projections• Cash flow projection

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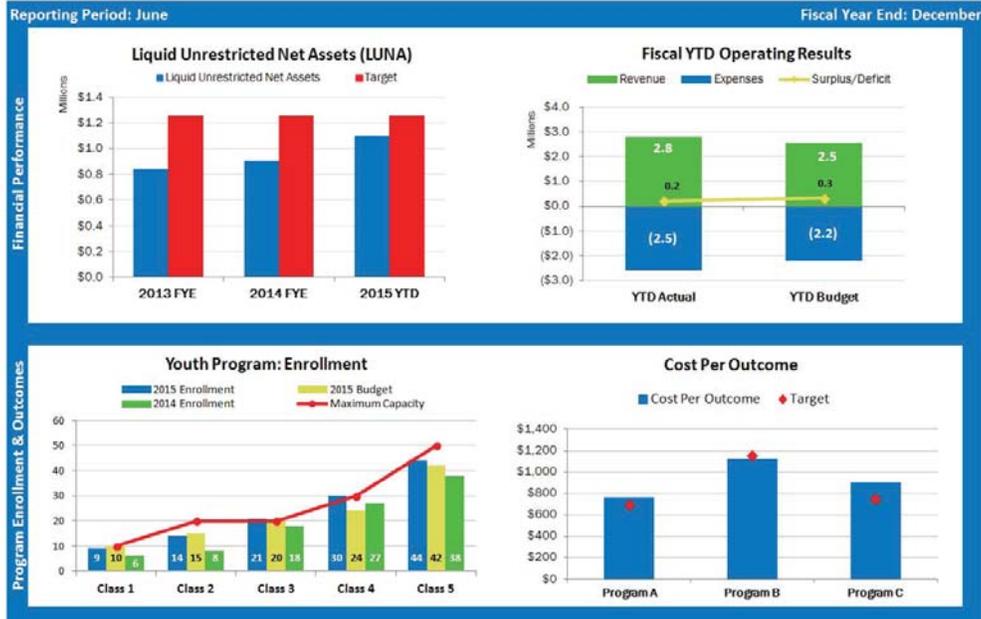
Monitor Agency Performance

(Key Board Responsibility 5)

- **Performance dashboards should:**
 - Be visually-appealing
 - Show performance against a defined “target” performance indicator
 - Highlight any red flags to help the board manage risk
 - Facilitate discussion and support decision-making
- **CAPLAW Webinar: Constructing a Community Action Agency Dashboard**
 - <http://caplaw.org/conferencesandtrainings/webinars.html> (“Constructing a Community Action Agency Dashboard” – Michael Anderson, *Nonprofits Assistance Fund*)

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Examples of Performance Dashboards



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Examples of Performance Dashboards

Category	Performance Indicator	Last Period	Current Period	Target
Balance Sheet	Months of Liquidated Unrestricted Net Assets	2.2	2.5	> 3 mos = Meets target
				1-3 mos = Within range
				< 1 mo = Off target
Operating Results	Fiscal YTD Operating Margin (Surplus/Deficit as % of Revenue)	2%	8%	> 5% = Meets target
				2-5% = Within range
				< 2% = Off target
Program Enrollment	Youth Program Enrollment (Total)	104	118	> 110 = Meets target
				90-110 = Within range
				< 90 = Off target
Program Cost	Costs Per Outcome: Program "X"	-10%	-17%	> 0% = Meets target
				-5% to 0% = Within range
				< -5% = Off target

	Meets or exceeds target
	Within range of target
	Significantly off target

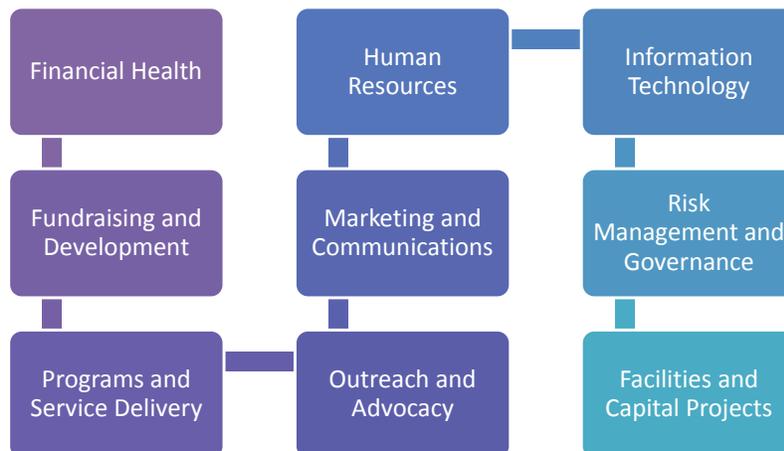
Question #2:

2. How does your CAA **share information about its operations with the board** to help board members monitor agency performance?
 - A. Performance dashboards
 - B. Web-based portal for uploading information related to board meetings and CAA performance
 - C. Reports from major programs and departments

Monitor Agency Performance

(Key Board Responsibility 5)

- **What should the Board measure?**



Monitor Agency Performance

(Key Board Responsibility 5)

CSBG Org. Standard 1.3:

- Organization has a systematic approach for collecting, analyzing, and reporting customer satisfaction data to the governing board.

CSBG Org. Standard 4.4:

- Governing board receives an annual update on the success of specific strategies included in the Community Action plan.

CSBG Org. Standard 9.3:

- Organization has presented to the governing board for review or action, at least within the past 12 months, an analysis of the agency's outcomes and any operational or strategic program adjustments and improvements identified as necessary.

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Monitor Agency Performance

(Key Board Responsibility 5)

1

- Review financial statements

2

- Approve and monitor annual budget

3

- Hire, oversee and evaluate CEO

4

- Select and monitor auditor

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Monitor Agency Performance

(Key Board Responsibility 5)

- **Arkansas CSBG Statute** (A.C.A. § 20-80-310(b)(2); (c))
 - The agency board of directors shall certify that a proposed budget has been established for the expenditure of state CSBG funds.
 - At the end of each fiscal year, an audited report of each community action agency shall be submitted to the Arkansas Department of Human Services.

Monitor Agency Performance

(Key Board Responsibility 5)

CSBG Org. Standard 8.7:

- Board receives financial reports at each regular meeting that include the following:
 - Organization-wide report on revenue and expenditures that compares budget to actual, categorized by program; and
 - Balance sheet/statement of financial position.

Board's Key Responsibilities

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Ensure Ongoing Compliance

(Key Board Responsibility 6)

- **6 Common Mistakes Boards Make**
 - Failing to understand **fiduciary duties**
 - Failing to provide **effective oversight / excessive deference** to the Executive Committee, Board Chair or ED
 - **Micro-managing** staff
 - Operating with **outdated, inconsistent governing documents**
 - Not **documenting actions** appropriately
 - Failing to **educate and motivate** board members

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Ensure Ongoing Compliance

(Key Board Responsibility 6)

- **IRS Oversight**

- Intermediate sanctions on “excess benefit transactions”
- Penalties:
 - **On the insider:** 25% of the excess benefit + 200% of the excess benefit if the transaction is not corrected
 - **On an organization manager who knowingly participated:** 10% of the excess benefit, subject to \$20,000 cap per transaction
- Safe harbor available:
 - Disinterested board/committee approval
 - Documentation of vote in minutes
 - Comparability studies

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Provide Effective Oversight

CSBG Org. Standard 8.8:

- All required filings and payments related to payroll withholdings are completed on time.

CSBG Org. Standard 8.6:

- IRS Form 990 is completed annually and made available to the board for review.

Provide Effective Oversight

CSBG Org. Standard 8.2:

- All findings from prior year's annual audit have been assessed by org and addressed where board has deemed it appropriate.

CSBG Org. Standard 8.3:

- Organization's auditor presents the audit to board.

CSBG Org. Standard 8.4:

- Board formally receives and accepts the audit.

CSBG Org. Standard 8.5:

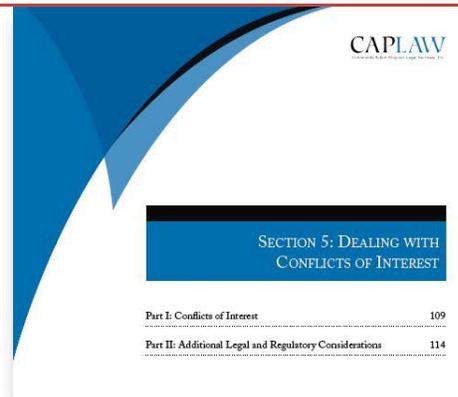
- Organization has solicited bids for its audit within the past 5 years.

Conflict of Interest Policy

CSBG Org. Standard 5.6:

- Each board member has signed a conflict of interest policy within the past 2 years.

Sample policies and archived webinar on CAPLAW's website



Whistleblower Policy

CSBG Org. Standard 7.7:

- Organization has a whistleblower policy that has been approved by the board

Sample policies and archived webinar on CAPLAW's website



Provide Effective Oversight

Adopt org. policies, ensure they are being followed and review/update them periodically

CSBG Org. Standard 8.10:

- Fiscal policies have been reviewed by staff within the past 2 years, updated as necessary, with changes approved by the board.

CSBG Org. Standard 7.1:

- Organization has written personnel policies that have been reviewed by an attorney and approved by the board within the past 5 years.

CSBG Org. Standard 8.11:

- A written procurement policy is in place and has been reviewed by the board within the past 5 years.

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Oversee Executive Director/CEO

CSBG Org. Standard 7.4:

- Board conducts a performance appraisal of the CEO/ED within each calendar year.

CSBG Org. Standard 7.5:

- Board reviews and approves CEO/ED compensation within every calendar year.

CSBG Org. Standard 4.5:

- Org. has a written succession plan for the CEO/ED, approved by the board, which contains procedures for covering an emergency/unplanned, short-term absence of 3 months or less, as well as outlines the process for filling a permanent vacancy.

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Risk Assessment

CSBG Org. Standard 4.6:

- Org-wide, comprehensive risk assessment has been completed within the past 2 years and reported to the board



Find the answer here | nonprofitrisk.org

<http://www.nonprofitrisk.org/affiliates/affiliates.asp>

<https://www.nonprofitrisk.org/cap>



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Ensure Ongoing Compliance

(Key Board Responsibility 6)

- **6 Common Mistakes Boards Make**
 - Failing to understand **fiduciary duties**
 - Failing to provide **effective oversight / excessive deference** to the Executive Committee, Board Chair or ED
 - **Micro-managing** staff
 - Operating with **outdated, inconsistent governing documents**
 - Not **documenting actions** appropriately
 - Failing to **educate and motivate** board members

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Roles of Board and Executive Director

Responsibility	Board of Directors	Executive Director
Policy	Establishes policy	Executes policy
Org. Mission	Sets agency mission	Accomplishes agency mission
Performance Targets	Sets performance targets	Guides work to achieve performance targets
Org. Performance	Evaluates and is accountable for org. performance	Executes, evaluates and is accountable for org. performance
Supervision of Employees	Supervises Executive Director only	Supervises org. staff generally

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Ensure Ongoing Compliance

(Key Board Responsibility 6)

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Bylaws/Governing Documents

- **Arkansas CSBG Regs** (016 20 CARR 004)
 - CAA bylaws must:
 - Specify the total number of seats on the board and the seats allocated to each sector
 - Include board selection procedures for each sector
 - Describe board standards of conduct (e.g., attendance) and grounds for removal
 - Describe process for filling vacancies
 - Require that board meetings shall be open to the public
 - Prohibit voting by proxy

Bylaws/Governing Documents

CSBG Org. Standard 5.3:

- The organization's bylaws have been reviewed by an attorney within the past 5 years.

CSBG Org. Standard 5.4:

- The organization documents that each board member has received a copy of the bylaws within the past 2 years.

Ensure Ongoing Compliance

(Key Board Responsibility 6)

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Ensure Board Functions Well

CSBG Org. Standard 5.7:

- The organization has a process to provide a structured **orientation** for board members within 6 months of being seated.

CSBG Org. Standard 5.8:

- Board members have been provided with **training** on their duties and responsibilities within the past 2 years.

CSBG Org. Standard 5.5:

- The organization's governing board meets in accordance with the **frequency** and **quorum** requirements and fills board **vacancies** as set out in its bylaws.

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Question #3:

3. Which **key responsibility(ies)** do you want your board to prioritize? *(select all that apply)*
- A. Determine agency mission / engage in regular strategic planning
 - B. Develop revenue strategies
 - C. Engage the community
 - D. Monitor agency performance
 - E. Ensure ongoing compliance

Today's Agenda

Morning

- **Rules and guidance** that apply to tripartite board governance
- **Key responsibilities** of the tripartite board

Afternoon

- Case study examining **board roles and responsibilities**
- Board **engagement**
- Effectively **selecting and recruiting** board members

Effectively Recruiting and Selecting Board Members

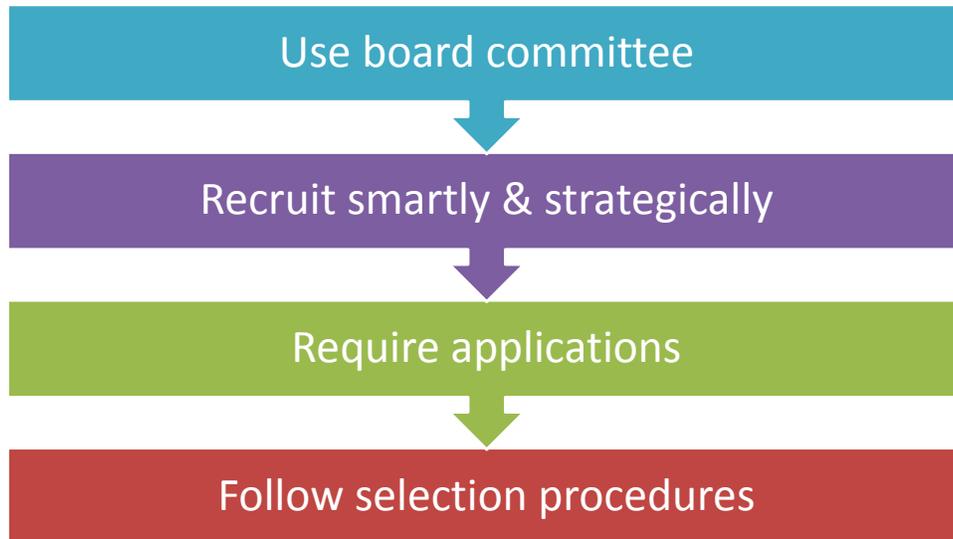
Elements of Effective Recruitment



http://www.caplaw.org/resources/SelfAssessmentDocuments/CAPLAW_BoardComposition%20Matrix_April2012.xls

CAPLAW Sample CAA Board Composition Matrix April 2012																									
Board Members	Sector			Diversity					Skill/Experience/Expertise				Access/Connections			Years on Board	Term Exp.	Committee	Office						
	Public	Private	Low-Income	Examples: Racial, Ethnic, Disability, Age, etc.					Public Communications	Financial Planning/Management	Organizational Management	HR Management	Fundraising	Early childhood education & development	Attorney	Foundations	Wealthily Individuals	Business/Corporations	Politics/Government	Religious Community	Grassroots Constituents				
1. Jane Doe	X			Hispanic						X		X									1	9/1/13	Personnel	Secretary	
2.																									
3.																									
4.																									
5.																									

Board Selection Procedure



Bylaws/Governing Documents

Standard 5.3: Nonprofit

- Org's bylaws have been reviewed by an attorney within the past 5 years (**not applicable to public CAA**).

Standard 5.4: Nonprofit/Public

- Org/dept. documents that each board member has received a copy of the bylaws within the past 2 years.

Board Size

Federal Law

- Does not address

Arkansas Law (016 20 CARR 004)

- At least 15 and not more than 39 members (if service area has a population > 250,000, may have up to 51 members)

Strategic

- Flexible
- Manageable
- Divisible by 3

Proxies/Alternates

Voting by Proxy

- Not permitted at board meetings or committee meetings

Alternates

- Permitted if specified in the CAA's bylaws
- Must be selected in the same manner, at the same time, and by the same people who have selected the board member
- No alternates for representatives of public officials
- Do not count towards quorum and may not cast a vote when his/her primary board member is attending the meeting
- May not hold an office of the board

016 20 CARR 004

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Terms of Board Service

- Federal CSBG Act is silent

Arkansas Law (016 20 CARR 004)

- Include board member terms in bylaws
 - 3 years is common
 - If not specified in bylaws, state's nonprofit law may set term
 - Arkansas Law:
 - No board member may serve more than 10 years
 - Representatives of public officials serve at the pleasure of the public official and only as long as the public official currently holds office (but no more than 10 years)

- CAAs may provide for staggered terms

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Term Limits

Options

- Set term limits
- Different limits for board sectors
- Permit to re-join after break
 - **Enforce consistently**

Removal of Board Members

Arkansas Law (016 20 CARR 004)

- Must include a description of any performance standards (such as attendance, etc.), the violation of which may be grounds for removal
- Include in removal provision:
 - With or without cause
 - Vote needed
 - Procedures (e.g., notice, opportunity to be heard)

CAPLAW | BYLAWS Toolkit

Community Action Program Legal Services, Inc.

A Community Action Agency Reference

Spring 2006

The Rules CAAs Live By

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By Joel L. Kaleva, Esq.*

This toolkit is intended to guide Community Action Agencies (CAAs) in understanding and revising their existing bylaws. It is written primarily for private, nonprofit CAAs, however most of the principles discussed can also apply to public CAAs. Public CAAs should keep in mind, however, that they are not governed by the state nonprofit corporations laws discussed in this toolkit but instead by state laws governing municipalities.

An organization's bylaws should be treated as the operating manual for its board of directors. The bylaws set forth the everyday rules by which the organization is governed. Well drafted bylaws should clearly set forth the manner in which the board of directors is selected, meets, votes, and delegates its authority to others. Because these rules are directed at governance procedures, they are generally the same for all different types of nonprofit organizations, regardless of their mission or programs.

In order to keep its designation as a CAA and to receive Community Services Block Grant (CSBG) funding, a CAA must comply with the requirements of the federal CSBG Act, which requires that the organization be governed by a tripartite board. Because of the tripartite board structure required by the CSBG Act, CAAs must include a number of provisions in their bylaws not found in a typical nonprofit's bylaws.



When drafting or revising their bylaws, CAAs should be sure to review the CSBG Act's tripartite board requirements. (To view the codified version of the CSBG Act visit

www.access.gpo.gov/nacode/title42/chapter106.html;

see 42 U.S. Code section 9910 for the tripartite board requirements that apply to CAAs.) In addition, CAAs should check their state's CSBG law, regulations or other guidance issued by the state CSBG office, as these authorities often require CAAs to include certain provisions in their bylaws.

In March of 2005, the federal Office of Community Services (OCS) issued Information Memorandum No. 82 (IM 82) to provide OCS's interpretation of some of the CSBG Act's board requirements and recommendations on how CAAs can meet these requirements. Throughout this toolkit, we will point out OCS's recommendations as they are pertinent to the subjects being covered. For a copy of IM 82, visit

www.acf.dhs.gov/programs/csbg/tdocuments/im82.pdf.

Note that IM 82 is not law or binding authority for CAAs or the state CSBG offices, some of its recommendations may conflict with state laws that apply to a specific CAA. Each state has its own statutes that apply to nonprofit organizations, and these can vary from state to state. Thus, it is important for each CAA to closely evaluate the special rules that apply to it to ensure that its bylaws comply with both federal and state law requirements.

* Joel L. Kaleva, Esq. is a partner in the Minnesota, Montana office of Crowley, Haughey, Hanson, Toole and Dietrich, PLLP. Mr. Kaleva's practice focuses entirely on representing nonprofit organizations, including Community Action Agencies and other public charities, private foundations, and trade associations. Mr. Kaleva may be reached by phone at (651) 323-3600 or by e-mail at jkaleva@crowleylaw.com.

** This toolkit contains general information and is not intended as legal advice.

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