



Community Action Board Discussion Guide for Uncertain Financial Times

Uncertain times can create financial volatility. Economic shifts, policy changes, and funding fluctuations can all impact an organization's financial health. Community Action Agency (CAA) Boards of Directors have a legal and ethical duty to safeguard the organization's long-term sustainability while ensuring its mission remains at the forefront. This guide provides a roadmap to help board members assess the situation, ask critical questions, gain consensus, and explore strategies actions to navigate financial uncertainty.

Fiduciary Responsibilities of the Community Action Board

Care

Act responsibly and make informed decisions

Loyalty

Put the organization first and avoid conflicts of interest

Obedience

Follow laws, the mission, and policies

Getting Started: Understanding Your Current State

When facing uncertainty, the board must understand key aspects of the organization's financial health and solvency:

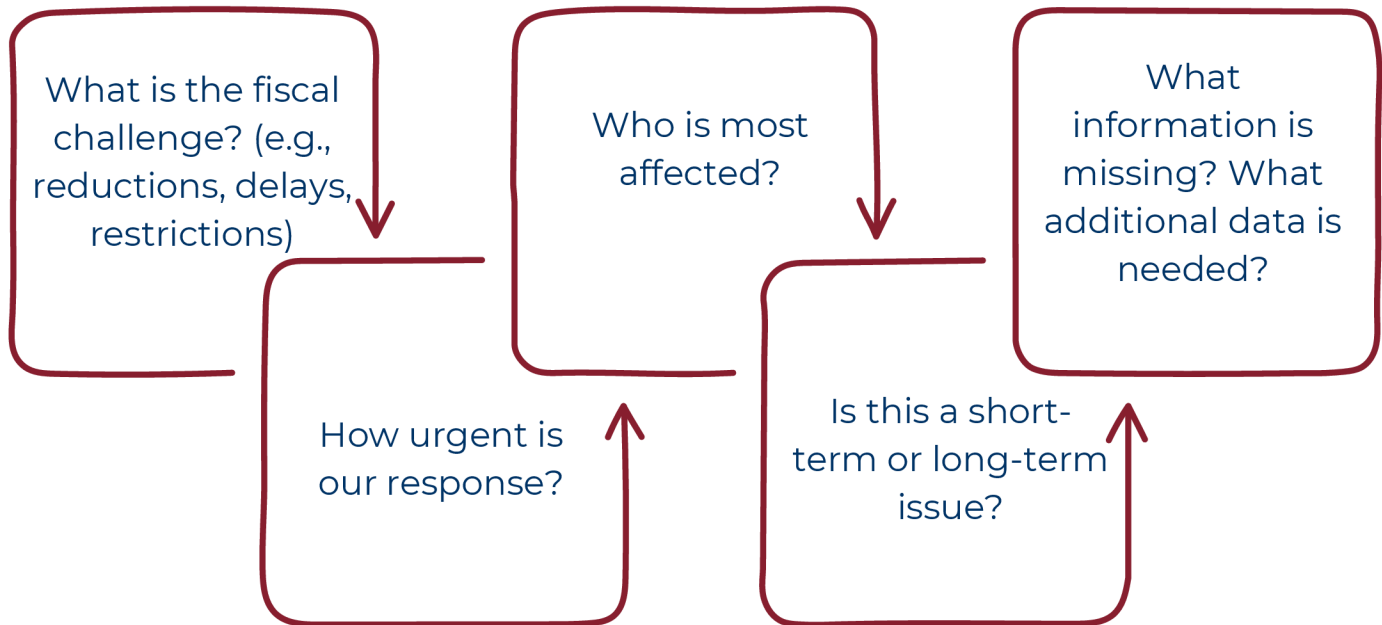
- **Revenue Mix:** What percentage of funds are federal, state, local, or private? Which state funds originate from the federal government/budget?
- **Key Financial Ratios:** What are our assets-to-liabilities ratio, unrestricted cash reserves, administrative cost ratio, and debt ratio?
- **Liquidity:** How much of our assets are liquid? How much is illiquid (e.g. real estate)? Do we have a line of credit and if so, to what level have we used it?
- **Payment Basis and Restrictions:** What funder restrictions exist on our funds? How are we paid funds (on advance, reimbursement, milestone, etc.)? In the case of reimbursement, does the organization have the available funds to "float" the funder?
- **Funding Security:** How stable are our funding sources? Are they likely to continue or be reduced?



Understanding the Situation



Before taking action, the board should understand the issue and its potential impact:



Once the situation is clear, the board could direct staff to conduct scenario planning to support its understanding of specific impacts and inform action planning. Provide staff with specific guidance on what data is needed to inform discussions and decision-making, such as financial forecasts, funding trends, or potential cost-saving options. (See the “Tools” section for NCAP’s Scenario Planning Toolkit.)

Making Room for Conversation

CAA boards should resist the urge to jump straight into problem-solving. Instead, take time to build understanding and consensus on what matters most and carefully consider multiple options and perspectives. Effective decision-making starts with a shared understanding of the organization’s values, financial position, and risk tolerance, which the board can uncover through thoughtful and deliberate conversation.

10 Critical Questions for Uncertain Financial Times



1

How do we ensure that the people and communities we assist are centered in our decisions?

2

How could we sustain our mission without our largest funding source?

3

What are our top three priorities right now?

4

What are the impacts on our community if we lose a major funding source?

5

What kinds of risk and how much risk are we willing to tolerate?

6

What opportunities do we see to grow or build revenue?

7

What does the Executive Director need from the Board?

8

What are our legal and financial liabilities?

9

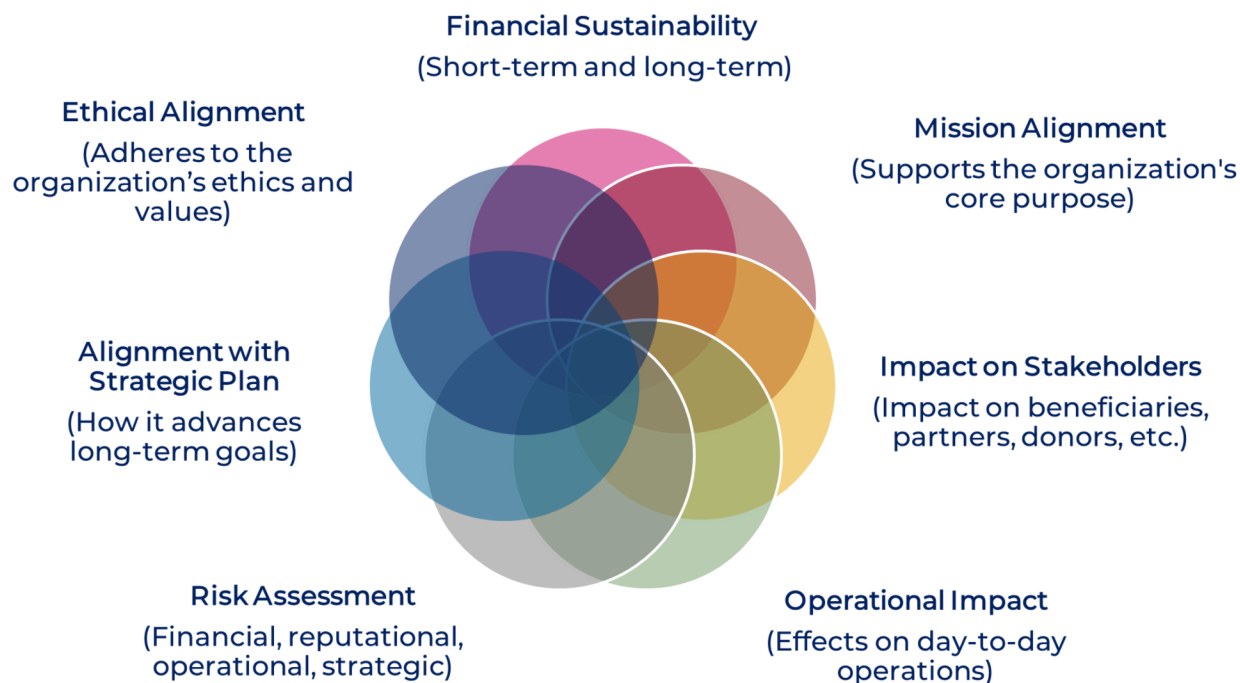
How do we protect the organization?

10

What are our assumptions about our funding, and how might they need to change?

Decision Filter

Use this framework to evaluate whether your decisions align with the organization's priorities:



Planning for Action



Once the board has consensus on the situation and priorities, it can consider what actions to take. Avoid a “cut-only” mindset—uncertain times may also present opportunities for growth and strategic shifts.

Cost Reduction	Revenue Growth	Cash Flow Management
Reduce overhead	Increase fundraising efforts	Secure lines of credit/financing
Postpone nonessential hiring	Apply for new grants	Liquidate assets
Staffing adjustments (e.g., reduce hours, furloughs, benefits)	Expand/develop fee-for-service programs	Negotiate extended payment terms
Merge or share services with other organizations	Build partnerships for shared funding	Request advances on funding

Practical Tips for Productive Board Discussions in Uncertain Times



STAY FOCUSED ON GOVERNANCE

Boards should focus on mission, strategy, risk, and sustainability, leaving operational details to the Executive Director/CEO. It's essential to empower the Executive Director to make necessary decisions and ensure alignment on communication plans with each other, staff, customers, and stakeholders.



CENTER THE MISSION AND PURPOSE

Your mission and purpose should be your ultimate guide through any uncertain time. Every decision should be weighed against how it supports and sustains the organization's mission and meets the emerging and changing needs of people and communities with low incomes.



COMMIT TO TRANSPARENCY

Transparency fosters trust among the board, leadership, and community. Share relevant information promptly and use executive sessions for sensitive topics like personnel or legal issues. Ensure compliance with open meeting laws while balancing discretion and transparency.



SUPPORT EACH OTHER THROUGH TOUGH CONVERSATIONS

Navigating uncertainty can require tough conversations. Boards should maintain mutual respect, listen actively, engage in open dialogue, and focus on solutions, while supporting one another in making difficult decisions that balance purpose and organizational sustainability.



LEVERAGE COMMITTEES

Define which committees or board members are authorized to respond quickly when needed. Determine whether urgent matters should be addressed by the executive committee, a rapid response team, or if they require full board consideration. Review your CAA's bylaws to clarify the powers granted to committees.

Tools and Resources for Boards in Uncertain Financial Times



- **Analyzing Financial Information Using Ratios**
Propel Nonprofits
- **Community Action Assessment and Risk Resources Portal**
Nonprofit Risk Management Center
- **Community Action Network Scenario Planning Toolkit**
National Community Action Partnership
- **Do the Right Thing: Culture of Compliance and Ethics**
CAPLAW
- **Dynamic Duo: A Guide to Enhancing the Board & Executive Director Relationship**
National Community Action Partnership & CAPLAW
- **Tools for Top-Notch CAAs: A Practical Approach to Governance and Financial Excellence**
CAPLAW





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