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Nonprofit Ethics Case

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NPA 601: Nonprofit Ethical Leadership

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1. Title

The Triad of Bad - Community Action Organization of Western New York

2. Summary

This case study will review the unethical collusion between the Community Action Organization of Western New York's CEO, Nathan Hare, CAO lawyer Adam Perry, and the Mayor of Buffalo, Byron Brown. We will discuss the events leading up to the firing of Hare before Perry came to the rescue and had Hare reinstated all while removing four former board members, all who moved to fire Hare due to mismanagement of CAO funds. We will also take a deep dive into Mayor Brown's ties to Hare and Perry.

3. Applications

This case study on the Community Action Organization of Western New York should serve as a cautionary tale to other Community Action agencies that are nonprofits on the following topics:

- The importance of board member responsibilities, especially fiduciary responsibilities
- The importance of clear bylaws and procedures for the election and removal of board members
- The need for conflict of interest policies and the enforcement of said policies
- The need to follow best practices for financial reporting

4. Outcomes

- The organization's governing documents should clearly indicate who does and doesn't

have the power to make decisions for the organization.

- The bylaws should have clear guidelines about election of BOD members and those guidelines must be followed and documented in meeting minutes.
- Care must be taken to ensure there are no conflicts of interest or collusion between BOD members, elected officials and private companies.
- Board members must carry out their fiduciary duties to the organization and provide adequate oversight in financial matters.

5. Video

Footage of Armed Guards outside of board meeting:

<https://www.facebook.com/watch/?v=334992853806216>

Interview with Nathan Hare about issues at CAO:

<http://www.wgrz.com/video/news/local/full-interview-with-cao-president-l-nathan-hare/71-42e8bb25-dc1f-4d89-95ee-16d15d13ad5c?jwsourc=cl>

6. Description

In March of 2019, the Community Action Organization (CAO) of Western New York stationed [armed guards outside of their board meeting](#). Many twists, turns, and confrontations led up to there being persons with guns outside of a board meeting for an organization whose goal is to alleviate poverty in Buffalo, New York. This story begins with a downtrodden organization, CAO, and 3 main characters; CEO of CAO Nathan Hare, CAO lawyer Adam Perry, and the Mayor of Buffalo, Byron Brown.

First, we need a background as to what CAO is. The CAO is a nonprofit that sprang from Lyndon Johnson's Great Society's federal law in 1964 authorizing a network of nonprofits across the country to help fight poverty. There are many Community Action Organizations throughout America. The boards of CAOs are required to have [broad community representation](#) but they also often have members appointed by local government officials. About two-thirds of the agency's more than \$50 million budget comes from government grants. The CAO's Head Start program, which serves more than 2,300 children in Erie and Niagara counties, receives the lion's share of those grants.

Nathan Hare has been CEO of [CAO since 2002](#). In [October 2018](#), the board decided to fire Hare due to a lack of financial clarity within the organization among other financial improprieties. Several unethical actions happened under Hare's leadership. The Board President at the time, Brian Davis, [stole \\$48,237](#) from CAO under Hare's watch. He did this by writing checks to fictitious nonprofits which he was the beneficiary of. In addition, under Hare's tutelage, there were [hundreds of pounds of food missing](#) that were supposed to go to a children's summer camp, however, no one could attest to where the food was. Hare also handed out no-bid

contracts to the tune of [\\$1.7 million](#) over the course of 7 years. CAO missed out on [six-figure grants](#) because they did not make deadlines to get the required paperwork in. In 2008, CAO's DART clinic was under the eye of the Medicaid Fraud Control Unit who insisted on [\\$100,000 in restitution due to billing irregularities](#). After these many financial mistakes, the board started to ask questions and thought the answers they were getting from Hare were vague and insufficient. The board ordered a forensic audit. Shortly after, they fired Hare.

After Hare was fired because of his financial ambiguity, Adam Perry, CAO's lawyer and the mayor's friend, [rescinded the decision](#). He did this on the basis of a technicality saying there was not [sufficient notice of the special meeting](#) to fire Hare. Perry also went on later to remove the board members who wanted Hare fired. Perry did this by saying that these members of the board of directors were [appointed improperly](#) and therefore not actual board members. Perry has interesting ties to both Mayor Brown and CAO. Perry was awarded the [Agent of Change Award in 2011](#) and the Corporate Leadership Award in 2015 by CAO. Perry was also awarded the [Cory P. Maloney Award](#) by the Grassroots Organization.

The Grassroots Organization is the organization that [launched Byron Brown](#) into the Mayor's Office in Buffalo. Grassroots also has strong ties to Brown, Hare, and Perry. [Grassroots](#) now receives much of its money from the mayor's campaign fund. Brown's mayoral office provides CAO with [\\$55,000](#) worth of grants a year. CAO also [donates money](#) to Grassroots. When Byron Brown was a state senator, he helped usher more government money to CAO.

Very soon after Hare was fired by the CAO Board, Mayor Brown had a meeting with [then-board president Jenine Dunn](#). Neither Dunn or Brown will discuss what their conversation was about. Former board treasurer Jennifer Shank said Dunn told her that she refused to have the board reconsider Hare's termination. Shank and Dunn were among the directors who voted to fire Hare in October 2018 and were ousted in January 2019. [Dunn and Shank](#) were both advocates of having the forensic auditor. They were fired before the forensic auditor was supposed to start under Perry's guidance, and once they left the audit never began. When Dunn and Shank tried to demand their reinstatement to the board they were met with armed guards and learned that they were replaced with the mayor's friends.

7. Questions

Systemic:

What are the downsides to having political appointees on a BOD of a community organization?

Organizational:

What kind of safeguards should a nonprofit have in place to prevent this from happening

in the future?

How can a BOD make sure that a private business or government entity doesn't have too much power over a nonprofit?

If a BOD discovers that a governance process was not followed correctly – for example in the appointment of new directors - what actions should they take to correct this and how should that affect past decisions made by this BOD?

From one or more ethical perspective

Why is it important that a nonprofit board have a fiduciary duty to an organization?

Did the lawyer have the power to remove board members?

8. Resources

<https://caowny.org/our-leadership/>

<https://www.hodgsonruss.com/professionals-Adam-Perry.html>

<https://www.hodgsonruss.com/the-story-of-l-nathan-hare.html>

<https://nonprofitquarterly.org/whos-in-charge-community-action-agencys-lawyer-appears-to-call-the-shots/>

<https://nonprofitquarterly.org/armed-guards-exclude-former-board-members-from-board-meeting/>

<https://buffalonews.com/2019/08/12/fbi-attorney-generals-team-quiz-sources-in-probe-of-buffalo-anti-poverty-agency/>

<https://buffalonews.com/2019/02/17/with-mayors-help-l-nathan-hare-turns-the-tables-after-being-fired-from-cao/>

<https://buffalonews.com/2019/02/19/cao-hare-fired-worker-he-viewed-as-a-mole-former-director-says/>

<https://thechallengernews.com/2019/05/the-truth-of-the-cao/>

<https://www.wgrz.com/article/news/cao-president-addresses-2016-internal-audit-of-food-purchases/71-a17b3a1d-27ac-4c21-b4f0-6a20d6c14e5a>