



CED ORGANIZATIONS AND PRO BONO BUSINESS LAW: WHAT YOU DON'T KNOW CAN HURT YOU

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In many communities today, legal service programs are looking for opportunities to address a range of critical needs for low-income populations. They are also considering opportunities that would allow them to have an even broader impact. One natural

fit for such expansion involves community-based organizations, especially community economic development (CED) groups involved in services related to low-income housing, job development and other essential areas.

Legal service programs all across the country are recognizing that CED organizations need high quality legal services related to transactions and many other areas of their operations. In response, legal service programs are working to take on the role of intermediaries in their communities, developing the resources necessary to help more CED groups access high-quality pro bono business law services.

While this seems like a logical and effective expansion of the role of many legal service programs, meeting this need also typically requires these programs to expand the range of legal expertise they offer. Many community development corporations (CDC) today need a lawyer to help them with business issues ranging from contracts and real estate to employment and copyright protection. In a difficult economic climate, more nonprofits of all kinds also are considering options in mergers, alliances with other organizations, or even bankruptcy as they fight to deliver their services. In many cases, these difficult and complex business options are being considered at a time when the demand for the organization's services in their community is growing exponentially. With these pressures, CDCs may be even more likely to ignore pressing legal issues that could jeopardize the long-term viability of

their organizations. Without this focus, however, and without the right legal help for each issue, operational and transactional matters related to employees, contracts, real estate, for-fee services and many other aspects of their work could result in minor or even severe legal problems.

The Role of Legal Service Organizations in Representing Community Based Nonprofits

Every nonprofit at one time or another needs experienced legal help. While some of these organizations recognize that professional legal help can keep their operations running smoothly, many others do not, and fewer still know the best and most affordable ways to find the legal help they need. At the same time, many legal service organizations find that they can expand their expertise and capacity to serve clients by matching them with outside private business lawyers. As a result, there are a growing number of "intermediary" organizations in cities across the U.S. that work specifically to help nonprofits find pro bono lawyers who have the business law experience they need.

Many leading intermediary organizations have been working for decades as effective facilitators of pro bono business law. Organizations such as Lawyers Alliance for New York (New York City), Community Legal Resources (Detroit), Chicago Lawyers Committee for Civil Rights (Chicago), and Public Counsel (Los Angeles) help hundreds of CDCs and other nonprofits each year to find the legal help they need. In some cases, intermediary groups are projects of LSC-funded legal service organizations. Others are not LSC-funded but work regularly and very closely with those organizations in their communities. The need for pro bono legal services is so widespread that even smaller organizations as well as individuals and teams that manage legal service programs at public interest firms are taking on the role of intermediary in their communities. On a very basic level, these efforts are designed to make it easier for nonprofits to find the experienced pro bono

business law services they need. Today, however, we also recognize that the intermediaries function as a part of the fabric that supports and nurtures the nonprofit sector, helping to make sure that many essential services continue to be available to people in need.

Reaching Out to Clients

Legal service organizations that are working to help CED groups get the legal help they need are a part of the critical network of support for the nonprofit sector that also includes accountants, marketing consultants and many others. Recognizing the role that they play in this support network is a vital component of success for all intermediaries — because so many of the needs of nonprofit organizations in one service area overlap with support provided by others. For instance, the work of an accountant must comply with legal guidelines, and writers and graphic designers should be aware of liability and copyright issues related to their work.

Large and dedicated intermediary organizations usually have strong formalized outreach programs. Others have an informal network of people who are involved in pro bono. Most LSC-funded organizations have an existing network of relationships that they can use to reach out to groups that are doing the best work in community economic development, social service, and other areas. Many CDCs may be able to find pro bono legal help in their community by searching the Web. Power of Attorney also has a growing data bank of information about intermediaries across the country that could be an important resource for CED groups working in those areas. For more information call POA at 212-643-6242 or visit www.powerofattorney.org.

What Types of Legal Help Do Community Based Organizations Need?

Despite this broad base of support from the legal community, the majority of CDCs are still unaware that experienced lawyers are available in most areas to work with them — for free or at substantially reduced rates. At Power of Attorney, one of our top priorities has been to help more nonprofits identify the most important legal risks and challenges they face. We recently developed a new 10-point checklist that identifies the most critical legal challenges that CEDs and many other nonprofit organizations face each year. This checklist is also an excellent guide to help legal service programs recognize the most important legal services required by CDCs:

- *Incorporation and tax exemption:* A range of government regulations and requirements applies to incorporated or tax exempt CDCs and other nonprofits. Failure to comply could jeopardize an organization's nonprofit status and lead to more serious legal consequences.
- *Financial filings:* Most nonprofits must file financial reports with the IRS or other government agencies on a regular basis, with penalties for non-compliance.
- *Employment or contractor issues:* Nonprofits that have employees or work with independent consultants must address many requirements associated with employment law, payroll, benefits and tax withholding.
- *Real estate:* For nonprofits that own or rent real estate, a lawyer can help explain rights and obligations related to property taxes, building code compliance, leasing, insurance, zoning or other use restrictions.
- *Contractual obligations:* Both before and during the period of a contractual obligation, a lawyer can protect the interests of a nonprofit and help to address any problems that may arise.
- *Publication of materials/copyright protection:* Any nonprofits that publish or distribute materials should be familiar with the protections available through copyright and trademark law.
- *Lobbying or political activity:* There are strict guidelines that nonprofits must follow regarding lobbying or political activities by nonprofits. Failure to comply can jeopardize nonprofit status and fundraising activity.
- *Grantmaking or contracts:* Nonprofits that receive grants or contracts valued at more than \$100,000 or have a budget of over \$500,000 are engaged in "substantial activities" that require them to follow certain procedures in financial controls, audits and purchasing.
- *Earned income operations:* Nonprofit organizations that own or operate a business, or charge for services, must be structured properly and must also comply with tax rules. (continued on p. 41)