



Access to Capital and Credit Revitalizes Communities

ACCESS TO CAPITAL and non-predatory financial services is important to establish and expand the economic health of communities and low-income residents. Yet, according to a recent New York City Comptroller report, an estimated 825,000 adults lack a basic checking account. This represents 13 percent of City households, well above the national rate of 7.7 percent. In some Bronx neighborhoods, over half of the residents are “unbanked.” As part of Lawyers Alliance’s Economic Opportunity program priority, staff and pro bono attorneys provide legal assistance that supports the programs and operations of nonprofit organizations working to address inequities in access to capital and credit.

Providing Community-Based Credit

Community development financial institutions (CDFIs), including loan funds and credit unions, provide financial services in low-income neighborhoods. They need legal counsel to prepare loan documents, develop lending policies consistent with applicable regulations, and negotiate contracts with funders, borrowers, landlords, and vendors. Lawyers Alliance helps clients to document and navigate these financial transactions and address other legal challenges.

Case Example: Brooklyn Cooperative Federal Credit Union (Brooklyn Coop) delivers just and affordable financial services to the low-income neighborhoods of Central Brooklyn. Current membership includes approximately 6,500 individuals, 12 percent

of whom report never before having a bank account. Faced with regulatory challenges associated with purchasing outright the building it leased, Brooklyn Coop sought guidance regarding alternative ownership and financial structures to enable it to remain in its space. With legal assistance from Lawyers Alliance and pro bono counsel at **DLA Piper LLP (US)**, Brooklyn Coop developed an understanding of potential purchase capital-raising options and amended its lease to provide for an option to purchase the property at a fixed price, thereby mitigating the risk of being forced out of the neighborhood it serves due to rising real estate costs.

Supporting Avenues to Home Ownership and Successful Small Businesses

Nonprofits are helping financially disadvantaged New Yorkers achieve greater economic stability
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Credit: The Cities for Financial Empowerment Fund

The Cities for Financial Empowerment Fund supports efforts to improve the financial stability of households.



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through counseling, banking, and other services aimed at supporting homes, jobs, and small businesses. Legal services help these organizations to comply with laws, regulations, contracts, and best practices.

Case Example: New York Mortgage Coalition (NYMC), a nonprofit collaboration of financial institutions and community housing agencies, provides homeownership education and access to grants and affordable loan products to low- and moderate-income first-time homebuyers. Since 1993, NYMC has helped more than 10,000 New Yorkers purchase their first house. NYMC's Homeownership Education and Counseling Program provides mortgage counseling through its community-based member housing groups pursuant to a grant agreement whereby NYMC helps fund the counseling services. Pro bono counsel from **Stroock & Stroock & Lavan LLP** reviewed and revised NYMC's form of grant agreement with these member housing groups to comply with residential lending laws and advised on the program's overall structure. This assistance helped NYMC identify and reduce legal risks associated with the grant arrangement, clarify the

parties' relationship, and in turn provide homeownership counseling to thousands of New Yorkers.

Strengthening Financial Literacy

Lawyers Alliance staff and volunteers provide legal assistance to numerous nonprofits that educate youth and adults about financial literacy, financial empowerment, and access to financial services. These organizations encounter corporate, tax, real estate, intellectual property, and other legal questions as they pursue their charitable missions.

Case Example: The Cities for Financial Empowerment Fund (CFE Fund) supports municipal efforts to improve the financial stability of households by partnering with local governments to identify, develop, and implement pilots and programs that help families build assets. As the CFE Fund expanded to work with more partners and replicate its initiatives across the country, it sought intellectual property law guidance to help it grow effectively. Attorneys from **Skadden, Arps, Slate, Meagher & Flom LLP** assisted the CFE Fund in understanding issues around intellectual property and ownership of work, helped it develop written internal policies, and advised on procedures for sharing information and products with partners and vendors in a manner that protects the CFE Fund's intellectual property rights. Additionally, a Skadden attorney helped the CFE Fund develop contract agreements for multiple initiatives. The CFE Fund has grown to serve 52 cities, and its programs directly impact more than 100,000 residents through financial counseling, banking access, and other financial empowerment projects.

For more information on Lawyers Alliance's work with nonprofits increasing access to capital and credit, please contact Senior Staff Attorney **Neil Stevenson** at nstevenson@lawyersalliance.org.



Credit: Brooklyn Cooperative Federal Credit Union

Brooklyn Coop delivers financial services to low-income neighborhoods.

SAVE THE DATE

BUSINESS LAW & LEADERSHIP GALA

TUESDAY, MAY 1, 2018

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*Executive Vice President and
Chief Legal Officer
Voya Financial*

Visit www.lawyersalliance.org/gala.php for more information.

Implications of the New Federal Tax Reform Law for Nonprofit Organizations

The nonprofit sector, like the rest of the country, will be affected for years by the 2017 Tax Cuts and Jobs Act that Congress passed in December. The new law makes changes to provisions of the federal tax code related to charitable contributions, unrelated business income tax obligations, and affordable housing.

Charitable Contributions

Many taxpayers will have less financial incentive to contribute to charities. Fewer taxpayers are likely to want a deduction for specific charitable contributions because they instead will claim the higher standard deduction established by the new law. This may be particularly true for taxpayers who pay high state and local taxes because the new 10 percent cap on state and local tax deductions may make the standard deduction even more attractive.

Alternately, taxpayers making large gifts may have an incentive to make even larger gifts because the new tax law allows contributions to be deducted up to 60 percent of a taxpayer's adjusted gross income, an increase from the previous cap of 50 percent.

Unrelated Business Income Tax (UBIT)

Under the federal tax code, income from a revenue-generating activity carried out by a tax-exempt organization may be subject to the unrelated business income tax (UBIT). The tax is imposed on net income from a trade or business that is regularly carried on and not substantially related to the nonprofit's exempt purposes. Several aspects of this tax have now changed.

Public charities with unrelated business taxable income will benefit from a lower tax rate. For all tax-exempt organizations other than private foundations, such income is taxed at corporate tax rates, which are reduced under the new law. The top rate will fall from 35 percent to 21 percent. However, some tax-exempt organizations nevertheless will pay more taxes under the new law because tax-exempt organizations can no longer use losses in one line of business to offset the income they earn in another. Instead, each line of business will be taxed separately.

Additionally, the definition of unrelated business taxable income has been expanded to include money an employer spends for qualified transportation fringe benefits (such as public transit passes), parking facilities used in connection with qualified parking, and on-site athletic facilities. New York City requires employers with more than 20 employees in the City to offer qualified transportation fringe benefits. The federal law change will subject nonprofit employers that provide such benefits to a new tax payment and could prompt compensation changes to cover new expenses.

Affordable Housing

The affordable housing community was apprehensive about proposed changes that would have negatively impacted certain housing programs, but the tax reforms ultimately retained private activity bonds including multifamily Housing Bonds, the Low-Income Housing Tax Credit, and the Historic Rehab Credit, with a modification of the credit term for the Historic Rehab Credit from one to five years. On the other hand, the decrease in the corporate tax rate is expected to have a negative impact on the production of affordable rental housing by reducing the benefits to corporate investors in low-income housing.

No Change in Political Activity Restrictions

The Johnson Amendment provision in the tax code forbids public charities from engaging in partisan political activity. While earlier versions of the tax reform bill would have lifted this restriction for certain types of public charities, the new tax law leaves this provision intact. Efforts to remove the Johnson Amendment are ongoing, but for now the ban on partisan political activity remains in place.

While the full impact of the 2017 Tax Cuts and Jobs Act is not yet known, Lawyers Alliance will be monitoring the anticipated areas of concern and continue to provide legal and educational services aimed at helping tax-exempt organizations succeed.

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Helping Nonprofits Serve Aging Populations

New York City is growing older. In 2017, it was home to more than 1.1 million adults over the age of 65, about 13 percent of the population. Nonprofits help seniors of limited means access public services, healthcare, and economic and cultural opportunities. However, these organizations' resources often are strained, and an aging population raises unique issues for community support systems. Lawyers Alliance supports the work of nonprofits that promote healthy aging for low-income seniors. These organizations cut across Lawyers Alliance's program priority areas.

Community Arts

Brooklyn-based **Heights and Hills** serves more than 4,000 senior adults and their families each year by providing essential social services, caregiver support, and volunteer and intergenerational programs. Heights and Hills embarked upon a project with StoryCorps, a nonprofit and partner of National Public Radio dedicated to preserving and sharing stories, to record the personal stories of Heights and Hills clients. A pro bono attorney from **NBCUniversal Media, LLC** assisted Heights and Hills with reviewing the contract with StoryCorps, which detailed each organization's role in the project.

Economic Opportunity

Jamaica Service Program for Older Adults (JSPOA), a social service agency serving more than 5,000 adults in Queens, offers the Senior Community Service Employment Program for low-income older adults who want to enter or re-enter the workforce. Participants are given paid on-the-job training assignments in public and nonprofit organizations, with the goal of helping them find non-subsidized employment and self-sufficiency. Volunteer attorneys from **Fried, Frank, Harris, Shriver & Jacobson LLP** assisted JSPOA with a governance review, drafting updated conflict of interest, whistleblower, and nepotism policies to comply with updates to the New York Not-for-Profit Corporation Law.

Housing and Shelter

Spring Creek Senior Partners (SCSP) is the social service provider of a naturally occurring retirement community in Brooklyn. There are approximately 14,000 residents in Spring Creek Towers, 4,000 of which are over 60 years old. It is the largest federally-subsidized housing complex in the country, and

SCSP supports senior citizens and allows them to age in place in their homes. SCSP has five full-time employees and one part-time employee, all on-site to assist the senior residents, and it needed an employee handbook and updated bylaws. Attorneys from **Hughes Hubbard & Reed LLP** drafted an employee handbook, ensuring clear policies and expectations for SCSP's employees, and attorneys from **White & Case LLP** updated its bylaws.

Quality Education

Bailey's Café is a Brooklyn-based nonprofit, connecting generations to create healthy, vibrant communities offering a sense of purpose and personal growth. Pro bono counsel at **Skadden, Arps, Slate, Meagher & Flom LLP** helped Bailey's Café protect its intellectual property by drafting releases for community participants and contracts with artists for *As Quiet As It's Kept*, a project exploring the stories of veterans of color and longtime residents and their role in a rapidly changing neighborhood.

Urban Health

Service Program for Older People (SPOP) provides mental health services to older populations. Serving 1,500 people each year, SPOP enhances quality of life and fosters independent living through comprehensive mental health and supportive services, advocacy, and education. Pro bono counsel at **Arnold & Porter Kaye Scholer LLP** assisted SPOP with multiple rounds of negotiation for a lease modification for one of its two locations in Manhattan. This space, used as a clinic and for administrative services, allows SPOP to continue to serve the neighborhood's vulnerable elderly population.

Lawyers Alliance has also collaborated with umbrella organizations including **LiveOn NY**, the **Nonprofit Coordinating Committee of New York**, and **United Neighborhood Houses**, whose members serve low-income seniors, to ensure that nonprofits receive a wide range of capacity-building services and information to thrive.



Credit: Service Program for Older People

Service Program for Older People works with aging populations in Manhattan.

National Day of Service

The National Network of Business Law Pro Bono Providers, a collaboration of pro bono providers serving different geographic regions throughout the country, came together for its first National Day of Service. Lawyers Alliance coordinates the National Network and was pleased to organize the national components of the Day of Service. Dozens of nonprofits serving the homeless and other vulnerable populations around the country became better informed about board governance.

Between January 17 and 24, pro bono providers with expertise in business and transactional legal services for nonprofits, including Lawyers Alliance, each held a National Day of Service. Leveraging the talents of pro bono attorneys from law firms and corporations, National Network members helped community-based and other resource-constrained organizations improve their governance practices to ensure legal compliance and promote best practices. Each nonprofit received a customized assessment of its current governance structure and legal needs, with a focus on bylaws and other corporate documents, the role of board members, financial transparency, and regulatory compliance.



Pro bono attorneys from Credit Suisse and Skadden, Arps, Slate, Meagher & Flom LLP with a nonprofit client at Lawyers Alliance's Day of Service in New York City.

In eight cities, representatives from close to 60 nonprofits received advice from more than 100 attorneys and other legal volunteers who collectively donated 300 hours of pro bono service. The National Day of Service marks the first collaboration of business law pro bono providers to coordinate and offer governance consultations in different locations during the same week.

The Network members that participated in this project are the **Community Law Project of Chicago Lawyers' Committee for Civil Rights, The D.C. Bar Pro Bono Center, The Justice & Diversity Center (JDC) of the Bar Association of San Francisco, Lawyers Alliance for New York, Michigan Community Resources, Pro Bono Partnership of Ohio, Public Counsel, San Diego Volunteer Lawyer Program, and Wayfind.**

Several law firms, corporate legal departments, and other legal volunteers participated, including **Cleary Gottlieb Steen & Hamilton LLP; Credit Suisse; Detroit Land Bank; Kirkland & Ellis LLP; Manatt, Phelps & Phillips, LLP; MetLife; Michigan Bar Association Real Property Section Members; NY Life Insurance Co.; Paul Hastings, LLP; Sheppard Mullin Richter & Hampton LLP; Skadden, Arps, Slate, Meagher & Flom LLP; Thomson Reuters; and the University of Detroit Mercy School of Law.**

Participating nonprofits benefited greatly from the consultations. As one New York client remarked, "It allowed for an opportunity to proactively focus on governance issues in a supportive environment."

For further information, contact Deputy Executive Director **Elizabeth Guggenheimer** at eguggenheimer@lawyersalliance.org.

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New Board Member and Development Director

Lawyers Alliance is pleased to announce important additions to our Board of Directors and staff:

David L. Portilla is a partner at Debevoise & Plimpton LLP. He is a member of the firm's Financial Institutions Group and Banking Group. His practice focuses on advising international and domestic banking organizations and other financial institutions on transactional, regulatory, and governance matters. He has been a pro bono attorney through Lawyers Alliance since 2013.

As Development Director, **Bryn Canner** works with institutional and individual donors to mobilize the financial resources that enable Lawyers Alliance to fulfill its mission. Ms. Canner has worked in the nonprofit sector since 2004 and has fundraised for organizations focused on education, the arts, healthcare, and economic development.



Lawyers Alliance *for* New York

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2017-2018 Law Firm Appeal Supports Legal Services for Nonprofits



Michael A. Gerstenzang

Lawyers Alliance's 2017-2018 Law Firm Appeal is co-chaired by **Michael A. Gerstenzang** and **Breon S. Peace** of Cleary Gottlieb Steen & Hamilton LLP. The funds raised through the Appeal help Lawyers Alliance provide legal services and educational resources to nonprofits serving low-income neighborhoods in New York City.

Mr. Gerstenzang is the Managing Partner of Cleary Gottlieb. He maintains an active practice focusing on private investment funds, including forming and advising private equity funds, credit funds, growth funds, special situations funds, infrastructure funds, venture capital funds, hedge funds, and other types of "alternative" investment vehicles. Mr. Gerstenzang joined the firm in 1992 and became a partner in 1999. He was elected Managing Partner in 2017.

Mr. Gerstenzang said, "Cleary Gottlieb is pleased to spearhead the Law Firm Appeal, an important element supporting Lawyers Alliance's work with nonprofits, which provide vital services to hundreds of thousands of New Yorkers in need. The commitment and participation of law firms, both



Breon S. Peace

financially and through pro bono legal expertise, is essential to the success of these nonprofits."

Mr. Peace is a partner based in Cleary Gottlieb's New York office and a member of the firm's Executive Committee. His practice focuses on white-collar defense, regulatory enforcement matters, and complex civil litigation. Mr. Peace joined the firm in 1996. He left the firm in 1999 to join the U.S. Attorney's Office for the Eastern District of New York where he served as an Assistant U.S. Attorney in the Criminal Division. He rejoined the firm in 2003 and became a partner in 2007.

Mr. Peace notes, "Law firm support of Lawyers Alliance and the Appeal also provides interesting and engaging pro bono opportunities for transactional attorneys. Meaningful and rewarding pro bono legal work benefits both the volunteer attorneys and the nonprofit clients, and ultimately, the communities in which we all live and work."

To donate to the 2017-2018 Law Firm Appeal, please contact Development Coordinator **James Valentin** at jvalentin@lawyersalliance.org or (212) 219-1800 ext. 225.
