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NON-PROFIT REVITALIZATION ACT ALERT

On December 19, 2013 Governor Cuomo signed into law the Non-Profit Revitalization Act of 2013. The new law, which will take effect on July 1, 2014, brings sweeping changes to laws under which nonprofit organizations have been operating for over forty years and will undoubtedly impact the policies and procedures of every nonprofit organization in the state.

A central theme of the new law is enhanced oversight, both internally and externally. Organizations will have to reassess internal governance by adopting or strengthening conflict of interest policies and, subject to certain revenue and employee thresholds, whistleblower policies.

The new law requires greater independence between the board and the organization. For example, an employee may no longer serve as the chair of the board or in an officer position with similar responsibilities. Nonprofit organizations must also take certain affirmative steps when entering into a transaction with "Related Parties", such as board members or family of board members. And the Attorney General will have enhanced enforcement capabilities to void and seek damages for any improper Related Party transaction.

Charitable organizations with annual revenues greater than \$500,000 will not only be required to file an annual financial report with the Attorney General, they will also be required to review external audit findings more meaningfully. Charities with more than \$1million in annual revenues will have augmented auditing duties.

Hancock Estabrook has developed in-depth guidance to assist organizations of all sizes to adjust to the changes required under the new law prior to its July 1, 2014 effective date. To obtain legal advice or additional information about the new law, please contact us.

If you have any questions or would like more information on the issues discussed in this communication, please contact any of the following Hancock Estabrook attorneys:

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