Effective January 1, 2014, AB 491 allows California nonprofit corporations to adopt governance procedures that permit a board of directors to take action in the absence of a quorum in the event of an emergency. The new law provides certainty to nonprofit boards that actions taken in good faith during an emergency will be binding and will not give rise to liability.

An emergency is defined to include several circumstances that prevent a board from achieving a quorum, such as a natural catastrophe, an act of terrorism or a declared state of emergency. Under the new law, the board may (1) relax notice requirements for a board meeting, (2) permit officers to serve as directors to achieve quorum, (3) modify the lines of succession, and (4) relocate the nonprofit's principal office.

Subject to any existing limitations contained in a nonprofit corporation's articles or bylaws, these default emergency procedures are now available to nonprofit boards without having to amend the bylaws. The new law also authorizes boards to adopt alternative or additional emergency provisions. However, the board is specifically prohibited from taking any actions that require member approval or that are not in the nonprofit corporation's ordinary course of business.

Now is a good time for California nonprofit corporations to review their bylaws and think about how their boards may respond during an emergency, whether the default provisions of the new law are adequate, and whether any other emergency provisions are more appropriate for their circumstances. If your organization requires assistance with reviewing and updating its bylaws, please call us at
Employment Law Developments for 2014 (Part II)

In our previous newsletter we provided an overview of significant employment law developments for 2014. Below is a brief discussion of two additional new laws, effective July 1, 2014. In light of these and previously discussed changes to the law, it is advisable to review and update your nonprofit’s employment policies and procedures. If your organization needs legal assistance with reviewing and updating its employment manual and policies, or other employment law issues, please call our intake line at (213) 385-2977, ext. 200 or email cdp@publiccounsel.org.

Minimum Wage Increased (Exempt Employees Also Impacted)

AB 10 raises California’s minimum wage rate to $9.00 per hour, effective July 1, 2014, and to $10.00 per hour, effective January 1, 2016. In addition to adjusting the rates of pay for non-exempt hourly employees, employers should review the salaries of their exempt employees. Under California law, an exempt employee must be paid a monthly salary of at least twice the minimum wage for full-time employment. Currently that minimum salary is $2,773.33 per month, or $33,280 per year. On July 1, 2014, the minimum monthly salary for exempt employees will rise to $3,120 per month, or $37,440 per year. Employers must ensure their exempt employees are paid at least this salary amount when the minimum wage increase takes effect to maintain the employees’ exempt status. Employers should also keep in mind that budgeting for the increase requires factoring the additional payroll and other taxes, and the impact on accrued but unused vacation.

Family Temporary Disability Insurance Program

The California Employment Development Department (EDD), through employee payroll deductions, provides for family temporary disability insurance benefits to workers who need to care for a seriously ill family member, specifically, a child, spouse, parent, or domestic partner. Effective July 1, 2014, SB 770 expands the definition of “family member” to include a grandparent, grandchild, sibling, or parent-in-law. Note that this law does not impact employee eligibility or
leave rights under the California Family Rights Act (CFRA) or the Family Medical Leave Act (FMLA).

**Change in Address or Responsible Party? Notice to the IRS Now Required Within 60 Days**

Effective January 1, 2014, any entity with an Employer Identification Number (EIN), including a nonprofit organization, must use Form 8822-B to notify the IRS of a change of (i) a mailing address, (ii) a business location or (iii) the identity of a "responsible party." Form 8822-B must be filed within 60 days of the change. An organization's original "responsible party" was the individual or entity named on the Form SS-4 application that was filed to obtain its EIN. The instructions to Form 8822-B define a responsible party as "the person who has a level of control over, or entitlement to, the funds or assets in the entity that, as a practical matter, enables the individual, directly or indirectly, to control, manage, or direct the entity and the disposition of its funds and assets." Typically, the responsible party will be the nonprofit's executive director. If the person originally designated as the responsible party at the time of filing the EIN is no longer affiliated with the organization or no longer fits that definition, then the organization should use Form 8822-B to let the IRS know.

**Preventing and Investigating Fraud, Embezzlement, and Charitable Asset Diversion: What's A Nonprofit Board To Do?**

According to a recent study, nonprofits and religious organizations suffer one-sixth of all major embezzlements, second only to the financial services industry. Embezzlement in particular can damage donor trust and agency reputation, thereby undermining a nonprofit's good work. In extreme cases, it can lead to revocation of tax exempt status. Therefore, it is critical that the board and management of a nonprofit that has discovered potential fraud, embezzlement or other diversion, formulate a thoughtful plan of action that complies with the law. Our new FREE guide, *Preventing and Investigating Fraud, Embezzlement, and Charitable Asset Diversion: What's A Nonprofit Board To Do?*, includes practical steps your board can take to prevent embezzlement and, if necessary, respond to it.

Have you recently joined our mailing list and feel like you've been missing out on great information? If so, we have good news! Previous issues of the CDP eNewsletter are available on our website.

**Legal Services for Nonprofits**

The Community Development Project builds strong foundations for healthy, vibrant and economically stable communities by providing comprehensive legal and capacity building services to organizations serving people with lower-incomes in the Los Angeles area. CDP provides assistance on a wide range of matters to community organizations, including:

**Contract & Lease Negotiation**

Does your nonprofit need to terminate or renegotiate contractual or lease obligations? Do you know whether your nonprofit is legally permitted to sublet unused space?

**Employment Advice**

Is your nonprofit exploring reduction of employee benefits, salaries or hours? Do you know the criteria to use when downsizing staff? Are you attempting to reclassify employees as independent contractors? Are you aware of the legal implications of all of these actions?

**Corporate Governance**

Is your board aware of its duties during a period of financial difficulty? Do your board members know how to
The Community Development Project has advised clients about how to respond to theft or embezzlement issues and can assist you if this is a matter of concern. For more information, please call our intake line at (213) 385-2977 ext. 200 or email cdp@publiccounsel.org.

Webinar Series: Trademarks, Copyrights and Proprietary Information

Join us for a series of FREE webinars on the steps your organization can take to legally protect its trade name, copyright its materials and safeguard the security of its proprietary information. This series is co-sponsored by Public Counsel and the DC Bar Pro Bono Program.

For most nonprofits, their names, logos and material they distribute are an integral part of their brand and reputation. Plus their materials may be a valuable revenue source. In an increasingly electronic environment, the legal rules surrounding intellectual property can be confusing. What is a trademark? How do we protect the nonprofit's name and logo in case someone wants to copy it? How do we legally protect the manuals and course materials our nonprofit has developed? When can we use someone else's material without getting into legal trouble? How does the Internet impact all of this? This series will cover the following topics:

- The basics of trademark and copyright law, and how they apply to your nonprofit.
- How to create a strong identity for your nonprofit, so that you can raise awareness of your organization in the community and increase your organization's legal right to protect its intellectual property.
- How to legally protect your organization's proprietary information, including manuals, curricula, teaching materials and other non-public information.
- The legal ins and outs about how to carry out your organization's activities via the Internet - including how the Internet can impact the steps your organization takes to protect its reputation and other intellectual property.

This course is designed for board members, executive directors and other nonprofit staff and volunteers responsible for marketing, communications and fundraising.

Webinar Schedule
Each webinar will start at 9:00AM and last 60 minutes.

April 8 - Building a Brand
Calendar Year Nonprofits: Federal and State Tax Filings Due May 15

California charities with tax years ending on December 31 must file IRS Form 990/990-EZ/990-N and FTB Form 199/199-N by May 15, 2014. Both filings (or requests for extension, if applicable) are due every year by the 15th day of the 5th month after the close of the organization's tax year.

An organization that fails to file these annual returns may be liable for penalties, and, if the organization fails to file for three consecutive years, it will automatically lose its federal and/or state tax-exempt status.

Please visit the websites below for additional information, including filing requirements and instructions.

Internal Revenue Service
California Franchise Tax Board