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NORMAN A. SUGARMAN MEMORIAL LECTURE  
Mandel Center for Nonprofit Organizations  
Case Western Reserve University

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**Tax-Exempt Organizations:  
Winds of Change**

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It is an honor to deliver the Distinguished Norman A. Sugarman Memorial Lecture. I never had the pleasure of meeting Norman Sugarman, but his accomplishments and reputation are well known to me, as they are to a large segment of the bar. He was an eminent and very hard-working attorney, and a member of the firm of Baker & Hostetler, located for many years in their Washington, D.C., office. He served in the Internal Revenue Service in various capacities, including being Assistant Commissioner from 1952 to 1954. Despite the demands of his busy practice, he wrote or co-authored almost four dozen articles, mostly dealing with tax issues and often focussed on nonprofit organizations. The earliest article dates from 1938; the most recent is dated 1985. He also wrote or co-authored a half-dozen books and pamphlets dealing with tax-exempt entities, including two editions of TAX-EXEMPT CHARITABLE ORGANIZATIONS, written with Prof. Paul Treusch, which remains one of the standard works in the field. I have often turned to Norman Sugarman for guidance; I expect to continue to do so. It seems fitting, on this occasion, to recall his many works and achievements, and to pay tribute to his life. If this lectureship is properly called "The Distinguished Norman A. Sugarman Memorial Lecture," the adjective clearly belongs to him.

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### *Introduction*

In the main hall of the magnificent United Way of America building in Alexandria is a bust of Alexis de Tocqueville, the trenchant 19th-century French observer of the United States. He is thus honored for his oft-quoted writing about the propensity of Americans to form voluntary-action groups:

"Americans of all ages, all conditions, and all dispositions constantly form associations. They have not only commercial and manufacturing companies, . . . but associations of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools." A. DE TOCQUEVILLE, DEMOCRACY IN AMERICA, Second Part, Second Book, ch. V, at 114 (H. Reeve ed., revised, Vintage Books 1945).

Another somewhat-less-well-known de Tocqueville insight concerns the role of lawyers in America. He said:

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"As the lawyers form the only enlightened class whom the people do not mistrust, they are naturally called upon to occupy most of the public stations. They fill the legislative assemblies and are at the head of the administration; they consequently exercise a powerful influence upon the formation of the law and upon its execution." A. DE TOCQUEVILLE, *DEMOCRACY IN AMERICA*, First Part, ch. XVI, at 289-90 (H. Reeve ed., revised, Vintage Books 1945).

Today, I want to weave those two thoughts together. My thesis has to do with the ways in which law intersects with the activities of voluntary action groups and charities generally. I will consider these intersections from three perspectives: accountability, regulation, and compliance. My theses are: (1) that the nonprofit sector today is much less accountable than the other major sectors of our society, (2) that it should and will be more regulated in the future, and (3) that it is important to devise better strategies for coping with the increased compliance burdens that will result.

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### *Accountability*

It will not surprise *this* audience (although it often surprises others) that the nonprofit sector of our society is quite large. It is estimated to comprise more than 1.3 million organizations, of which more than two-thirds are charities or social-welfare entities (which together make up the so-called independent sector).<sup>1</sup> Nearly ten percent of the U.S. labor force works in that sector.<sup>2</sup> The net value of assets held by char-

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1. V. HODGKINSON & M. WEITZMAN, *DIMENSIONS OF THE INDEPENDENT SECTOR: A STATISTICAL PROFILE* Table 1.1, at 27 (3d ed. 1989) [hereinafter cited as "DIMENSIONS"]. As used in this paper, "charities" means organizations which are tax exempt under § 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and social-welfare organizations means those which are tax exempt under § 501(c)(4) of the Code.

2. DIMENSIONS, Table 1.5, at 31. The number includes both compensated and volunteer workers.

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ities alone<sup>3</sup> is probably in excess of \$300 billion today.<sup>4</sup> Charitable giving in this country has exceeded \$100 billion annually for the past few years.<sup>5</sup> Even that large number has accounted for less than 30 percent of the receipts of the independent sector; total receipts — which also included dues, fees, charges, investment income, and government payments — exceeded \$325 billion in 1987 and must be greater now.<sup>6</sup> By any measure, the independent sector in our country is very substantial.

Lawyers, more than most, are often involved in controversies and litigations. Perhaps that makes us somewhat cynical, but I would suppose that *anyone*, contemplating the dimension of the numbers I have adduced, would conclude that there will probably be a few bad apples in a basket that big. Not all who claim the independent sector mantle are honorable. Furthermore, because of the nature and importance of the role of the sector in our society, and the many special benefits afforded it, the damage done by the few bad apples in this *particular* basket is *particularly* offensive. Evil done in the name of goodness is evil indeed.

It seems logical, then, to expect the independent sector to be at least as accountable for its activities as the for-profit or governmental sectors. Astonishingly, exactly the reverse is the case. There is virtual unanimity, among informed observers of our legal system, that nonprofit entities are significantly less regulated than the other portions of our society. There are two explanations for this. *First*, nonprofits do not have shareholders and partners, who have proved to be quite potent in calling

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3. Social-welfare organizations are not included here.

4. That figure derives from a linear extrapolation from the data in DIMENSIONS, Table 2.8, at 44.

5. GIVING USA, Table 2, at 9 (1990).

6. DIMENSIONS, Table 2.1, at 37.

management to account in the for-profit universe. Indeed, there are very few classes of persons who have legal standing to question the activities of not-for-profit organizations, and even those who have standing often lack any significant interest in asserting it. *Second*, government regulators (and most particularly state Attorneys General, to whom the law confides the principal role in policing charities) tend to allocate their scarce regulatory resources to other more-politically-potent portions of their domains. In most states, the Charity Bureau of the Attorney General's office is inactive, ineffective, overwhelmed, or some combination of these.

There are, to be sure, some countervailing forces. The Internal Revenue Service, on the Federal level, scrutinizes some (but far from all) aspects of the operations of tax-exempt organizations. State regulation of charitable fundraising has increased. Many charities impose high standards on themselves, and police their own activities carefully. Some associations of nonprofits and a small number of standards-setting organizations occasionally exert a helpful hortatory influence. The news media, now including several vigilant nonprofit-sector newspapers and magazines as well as a number of reporters on the "philanthropy beat," cast penetrating gazes on abusive conduct in the independent sector. All of this is generally welcome, even though any of us could complain about particular aspects of it. It would be unfair to dismiss it as irrelevant. A balanced judgment, nevertheless, would still find the nonprofit community to be much less accountable and much less scrutinized than the other major sectors of our society.

My thesis here is: this state of affairs cannot and should not continue. To restate this point: I believe that additional scrutiny is inevitable, and that independent sector groups should favor this trend even though it will entail additional compliance burdens and costs. There are several reasons for this.

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*First*, if my diagnosis is correct, leaders of the nonprofit community should be prepared to come forward to support steps to redress the imbalance between the growing importance of the sector and the inadequacy of existing legal structures for its accountability. Our sector differs from government and business in many ways, but one has been a deeper devotion to values and ethics. We contribute to society not only through the pursuit of our core missions, but through the exemplary way in which we conduct ourselves. We should be, and we should be seen to be, willing to have our activities scrutinized. We should be, and we should be seen to be, anxious to expose abuses of the many privileges we are given. We should be, and we should be seen to be, willing to hold ourselves to a higher standard. We are properly proud to be serving our country's needs. As the great Judge Nathan Benjamin Cardozo said, describing the conduct of a fiduciary, "the punctilio of a honor the most sensitive, is then the standard of behavior."<sup>7</sup>

*Second*, I believe I am recommending not only the course of honor but the course of prudence. If increased accountability is inevitable, wisdom suggests constructive participation in molding its forms rather than futile opposition to their development. Our voices will not be heard if we are perceived as merely self-serving opponents to such changes. Only through constructive participation can we hope to balance the demands of accountability with the claims of our unique sector, including the central claim of diversity and pluralism, which could come undone if too much or too rigid regulation stifles charitable initiative and inventiveness.

*Third*, abuses hurt the sector. In the wake of the televangelist scandals, donations to almost *all* television ministries fell dramatically.<sup>8</sup> When Father Ritter came

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7. Meinhard v. Salmon, 249 N.Y. 458, 464 (1928).

8. See, e.g., New York Times, March 3, 1991, section 1, p. 24, col. 1.

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under criticism, Covenant House was severely and adversely impacted. Although government can raise funds by forced exaction, and business can tempt investors with profits, the nonprofit sector has nothing to offer except its good image, good purposes, and good activities. We should be vigilant to seek out and eliminate undesirable conduct before it corrodes and tarnishes the lustre of our activities. We should be concerned, then, when an inadequate level of supervision and scrutiny leaves an enlarged scope for undetected abuses.

I do not mean to suggest that greater accountability will eliminate all charitable abuses. It will not. Yet more scrutiny should deter abuses to some extent. If the independent sector were already highly accountable, we could debate whether the benefit of further regulatory strictures would outweigh their costs. But the sector is not highly accountable. It will not do to argue against change on the ground that abuses will continue even if accountability increases; that will be perceived as perverse. Rather, we should support enhanced scrutiny of the sector in the hope that abuse potential will be reduced, and in the certain knowledge that an appropriate level of accountability will be a cloth to help maintain the lustre of all charitable organizations.

Consider just two examples of where an uncritical *contrary* view — a view favoring further reduction of the burdens faced by charitable organizations — might lead. Within the past decade, many states changed their *for-profit* corporation laws to reduce the standards of care and liability of directors of business corporations. Hard on the heels of these changes, some in the nonprofit community lobbied for similar reductions for directors of not-for-profit corporations. A few states responded; others resisted. What would have been the result if the pleas of those nonprofit spokespersons all had been heeded? The good news, I suppose, would have been a general reduction in liability risks for directors of not-for-profit corporations. Some believe —

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although the empirical evidence does not strongly support this thesis — that a greater number of highly-qualified persons would have been willing to serve as directors of nonprofit entities. The bad news is that the sector would have succeeded in explaining that it is to be viewed the same as the for-profit sector, that its directors will not be held to any higher standards, and that no one dealing with a nonprofit should expect any greater degree of caring or liability than from a for-profit. How would this theme play out in the context of the ongoing debate about how far to extend and how much to invigorate the scope of the tax on unrelated business income of tax-exempt enterprises?

A second example: during and since the insurance crisis of the mid-1980s, voices have been heard pleading for exculpation from negligence liability for nonprofit trustees, directors, officers, and volunteers. (I should make clear the difference between exculpation and indemnification: the former makes the exculpated party immune from liability regardless of whether there is any other person or entity able to respond in damages to the injured third party; indemnification, by contrast, allows the indemnified party to be made whole, but only to the extent that some other person or entity does indeed have assets sufficient to cover damages payable to the injured party.) If exculpation is given, there exists a serious risk of charities doing harm while their victims lack any recourse.

Consider an asset-poor charity, one of whose officers negligently harms one of its beneficiaries. The officer, we are assuming, is exculpated, and thus does not have any liability for the damage his negligence caused. The organization is poor, and thus is unable to respond in damages. The victim thus has no recourse. In this same posture, an officer of a for-profit organization would *not* be exculpated. Either the officer, or — if the organization had sufficient assets and indemnified the officer — the organization itself, could be made to respond in damages. From society's viewpoint,



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which type of organization better serves the community? Which has the greater incentive to avoid carelessness, or to train its officers and staff carefully?

Of course, if the organization is *not* asset-poor, this unfortunate result will not obtain . . . or will it? Imagine an asset-rich organization preparing to undertake a new and somewhat-risky endeavor. If a volunteer-exculpation statute was in place, might not its lawyer suggest forming a new, low-or-no-asset affiliate to do the job? That way, the assets of the more substantial organization would be protected against suits (whether well- or ill-founded), and the statute would take care of the liability risks of the employees of the low-asset affiliate. Would such advice be given? Absolutely. Indeed, an attorney would be duty-bound to give it. Would such advice be taken? Absolutely. The event has already occurred, and the newly-formed, low-asset entity applied for and received IRS approval of the structure.<sup>9</sup> Furthermore, there is no reason why such restructuring would be limited to *new* charitable ventures: similar results might be achieved even for long-standing activities simply by "downstreaming" them into newly-formed, low-asset, nonprofit corporations. How would such structures be perceived by legislators, competitors, donors, and beneficiaries? To me, it seems clear that the long-term risks to the nonprofit sector are much more substantial than the possible short-term benefits.

This is not the occasion for discussing these examples further. There are many issues, relevant to that debate, which would need to be considered, most of which would be distractions to my purpose here. The issues I have raised do warrant much more consideration, and I apologize for leaving the analysis so unfinished. Among other things, it would be incorrect to leave the impression that the described restruc-

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9. E.g., LTR 9033069 (May 25, 1990) (for-profit subsidiary); LTR 8952076 (Oct. 5, 1989) (for-profit subsidiary); LTR 8515097 (Jan. 17, 1985) (nonprofit affiliate); LTR 8512008 (nonprofit affiliate).

turing will always achieve the desired no-liability result, and I should explicitly state my support for indemnification (rather than exculpation) of a charity's officers, volunteers, etc. (It may be of some interest, nevertheless, that the Board of Directors of the Nonprofit Coordinating Committee of New York, the largest umbrella organization of nonprofit organizations in New York City, refused to support proposals for statutory exculpation provisions.) The examples were offered primarily for this purpose: to suggest that less is not always more. Less regulation of nonprofits sometimes — indeed, I would submit, often — may be much worse for the independent sector in the long run.

Where does this line of reasoning lead? It might suggest broadening the class of persons with standing to call charitable organizations to account. In addition to Attorneys General and the Internal Revenue Service, we might, for example, allow donors and contributors access to the courts to challenge transgressions. (It is surprising to many that we do not allow this, generally, today, i.e., that a donor normally is *not* permitted to bring suit even to enforce the agreed terms and conditions of the gift.<sup>10</sup>) We might consider permitting customers and beneficiaries of nonprofit entities to sue, not merely for injuries suffered directly but also to rectify perceived management abuses.<sup>11</sup> The problem is the risk of undue harassment of nonprofit organi-

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10. A donor generally lacks standing to enforce the terms of the charitable trust created by his gift. G.G. BOGERT & G.T. BOGERT, *THE LAW OF TRUSTS AND TRUSTEES* § 415, at 448 (Rev. 2d ed. 1979). A more limited right, called the visitation power, sometimes permitted the *first* and *original* donor to scrutinize the activities of the charitable donee. The visitation power, however, although not formally abolished, is "of decreasing importance" and "a relic of earlier times." G.G. BOGERT & G.T. BOGERT, *THE LAW OF TRUSTS AND TRUSTEES* § 416, at 458 (Rev. 2d ed. 1979).

11. See, e.g., Stern v. Lucy Webb Hayes Nat'l Training School for Deaconesses and Missionaries, 367 F. Supp. 536 (D.D.C. 1973). But see Christiansen v. Nat'l Sav. &  
(continued...)

zations, which — even if ultimately vindicated — would have to endure and pay for the pains and costs of litigation.

I have several observations about these suggestions. On the one hand, they are not much more radical than what the law today provides with respect to *for-profit* entities, given Rule 10b-5<sup>12</sup> and the procedural device of class actions.<sup>13</sup> On the other hand, I am troubled by the risk of engendering excessive litigation and by the policy choice of confiding to the courts too much of the task of scrutinizing charitable activities. There is more diversity and disagreement within the independent sector than between it and government or business. That signals a danger that, given standing, ideologically opposed organizations might too often take their opponents to court to advance their competitive goals. If donor standing or beneficiary standing were authorized, it would be easy in most instances to become one or the other in search of a law suit. Happily, there is another viable option for dealing with the problem: increased government regulation.

On balance, I reject the posture of seeking to retain the current and, in my view, unacceptably-under-accountable status quo. Nevertheless, I am sufficiently concerned about increasing the class of third-parties with standing, because of my apprehension about too much litigation and too large a role for the courts, not to recom-

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11. (...continued)

Trust Co., 683 F.2d 520, 527-28 (D.C. Cir. 1982), distinguishing and adopting a narrow reading of the Stern decision.

12. Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated under § 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78j(b).

13. See Rule 23 of the Federal Rules of Civil Procedure.

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mend that course too vigorously.<sup>14</sup> I come, then, by a process of elimination, to supporting increased governmental regulation as the best route to follow. Governmental regulation is not free. It entails costs both for the regulator and for the regulated. In my view, given the current state of the legal regime, those costs are well justified. I do think that increased compliance duties and costs will pose problems for some charities, and I want to return to that issue later.

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### *Regulation*

Like it or not, the independent sector will be more scrutinized and more regulated. It is not only futile but, as I have argued, perverse to struggle unduly against this trend. Our country has always honored diversity, and has always been distrustful of unchecked power, authority, and privilege. As the size of the nonprofit sector grows, it seems inevitable that regulation of it will grow. Because it has been perhaps the least regulated portion of our society, the rate of regulatory growth may well be even more swift than the growth of the sector itself. If we within the sector truly value pluralism, we should welcome and support much of this.<sup>15</sup> The alternative is a vision of our vast independent sector continuing to be much less scrutinized than any other feature in our landscape. That vision is fundamentally flawed and ultimately destructive.

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14. I also do not reject it entirely. A carefully-circumscribed grant of standing to particular groups might be more helpful than harmful. On a state-by-state basis, I would support some experimentation with this idea. If too much litigation or too much harassment ensued, the granted standing could be rolled back.

15. At first blush, it may seem contradictory to talk about regulation *promoting* pluralism. It is commonplace, however, for this to occur when the regulation is aimed at preventing abuses which otherwise might tend to weaken the sector or diminish fair competition within it. A good example is the antitrust laws.

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In the design of an appropriate regulatory regime, many details will need to be considered. I have skimmed over the landscape without being very precise about exactly what sorts of abuses need to be uncovered and what aspects of conduct need to be regulated. Without more precision on that score, it would be foolhardy to decide what sort of regulation might be called for. If the concern was poor financial management, one sort of regulatory scheme might seem desirable. If the concern was excessive private inurement, quite another might seem best. We can best deal with these questions by participating in, even by initiating, the discussions which may then lead to legislation. It is beyond my purpose here to explore the details or design the scheme.

One important goal, shared by government and the independent sector, is to have available better data. Without good data, it is hard to make good decisions about the dimensions of perceived abuses and about the costs of regulation. Great strides have been taken within the past decade in improving the quality of data about our sector. Under the leadership of Virginia Hodgkinson, the National Center for Charitable Statistics has worked — in close cooperation with the Internal Revenue Service and others — to improve the collection and dissemination of relevant statistics. The superb book, *DIMENSIONS OF THE INDEPENDENT SECTOR*, is now in its third edition,<sup>16</sup> with a fourth expanded edition due out soon. The National Taxonomy of Tax-Exempt Entities has been adopted for use by several governments. Progress is being made.

One important recent initiative is the new Form 990 prepared by the IRS for use by most large charities. It calls for much more information than its predecessor. Filling it out will no doubt take more time and effort. In line with my views about enhanced regulation of the sector, however, it will not surprise you that I urge

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16. V. HODGKINSON & M. WEITZMAN, *DIMENSIONS OF THE INDEPENDENT SECTOR: A STATISTICAL PROFILE* (3d ed. 1990).

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thoughtful compliance with these new burdens rather than frustrated or angry resistance to them. If you, as leaders of our sector, explain the importance of improving the quality and quantity of data describing us, it may help change the color of the sector's responses to these heavier reporting duties. The independent sector will be a principal beneficiary of these efforts, because better data will permit better descriptions of the roles we play in our society. Better appreciation of the scope and substance of those roles should help thoughtful legislators to strike a better balance between the perceived regulatory needs of our society and the unique status and needs of the nonprofit sector.

I am not arguing that all regulation is desirable, or that all burdens should be cheerfully shouldered. For example, even if state regulation of charitable solicitation increases, there is no reason why every state needs to regulate differently. Multiple diverse state regulatory schemes make compliance difficult. In the analogous area of state regulation of securities offered by for-profit firms, much has been accomplished to coordinate the regulatory scheme among states. Blue Sky Law compliance is still a real — and often-annoying — burden on for-profit corporations seeking to raise funds. A reasonable reduction of the burden has been achieved, however, through interstate coordination. Perhaps this model might work, over time, with charitable fundraising regulations too. (I am not ignoring the important differences between charitable and for-profit fundraising, including most importantly that the former is entitled to constitutional protection under the free-speech clause of the First Amendment.<sup>17</sup>)

There are only three conceivable directions that the law could take: it could remain stagnant, it could become less intrusive, or it could become more intrusive. I

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17. See, e.g., Village of Schaumburg v. Citizens for a Better Env't, 444 U.S. 620 (1980); Secretary of State of Md. v. Joseph H. Munson Co., 467 U.S. 947 (1984); and Riley v. National Fed'n of the Blind of N.C., Inc., 487 U.S. 781 (1988).

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have argued that the last is both desirable and inevitable. It follows that compliance burdens should and will grow. Many nonprofits, among which may some of the most interesting and innovative organizations in our society, will not easily be able to meet those burdens. What should be done? I urge the devotion of substantial resources into technical assistance for nonprofit organizations — charity for charities.

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### *Compliance*

It is not newsworthy to report that many nonprofits need help in meeting their legal and management responsibilities. There are a plethora of technical assistance organizations which try to do that. There are, however, two basic defects in the current pattern: *first*, it is hard for needy nonprofits to find out where to go for help; *second*, very few TA organizations are equipped to provide regulatory compliance assistance. Much needs to be done to publicize and coordinate the TA help which is available. Much more needs to be done to increase the availability of legal and accounting assistance.

In New York City, the Council of New York Law Associates (a § 501(c)(3) organization) provides legal support to needy nonprofits. So does the Volunteer Lawyers for the Arts (also a § 501(c)(3) entity) for nonprofits in the arts field. Here, at Case Western Reserve University, the Law School and the Mandel Center have jointly developed a Nonprofit Law Clinical Program, headed by Professor Peter Joy. There are no doubt other instances of such efforts. Put them end to end, however, and they would *not* reach the moon. Given an estimate of more than three-quarters of a million independent sector organizations, only a small percentage of which have regular counsel, the unmet needs must be enormous. Noncompliance — ignorant or purposeful — must be an important phenomenon. If regulation is to increase, these needs will also

grow. I believe that it is extremely important to allocate meaningful resources to coping with these problems.

Some directories have been prepared listing providers of technical assistance. None is comprehensive. Many are out of date. No central clearinghouse exists to which nonprofits can turn when in need of help. Word-of-mouth information is often incomplete, unreliable, or unavailable. It would require both effort and funding to collect the required information, and even more to staff an ongoing dissemination operation. The effort and funding would be very well spent, in my view.

The focus of my remarks is a subset of technical assistance. I am primarily concerned about help in meeting the burdens of compliance with regulatory demands. For this goal, the services of lawyers and accountants are particularly important. There is at least one national organization which provides accounting assistance: Accounting for the Public Interest. I understand that an updated version of its National Directory of Volunteer Accounting Programs was issued earlier this year. I do not know of any similar organization or directory of legal assistance.

I should not ignore the information and help available through funding sources, the Foundation Center's affiliated libraries, local and regional United Ways, community foundations, some government agencies, academic centers, or organizations such as the Support Centers of America and the National Executive Service Corps. Taken together, these do make a difference, and provide or point to helpful support for many charities. But much more is needed, I believe, both as to coordination of available resources and as to provision of regulatory compliance help.

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### *Conclusion*

I have exhorted nonprofits to work for increased regulation of their activities. I have predicted that such increased regulation is likely. I hope that some among you



will agree with me in urging that the independent sector should actively support increased scrutiny and regulation of itself. If so, I believe you will also support my recommendation for supporting compliance assistance.

Others among you may disagree with me and may feel that, on balance, independent sector organizations should resist so long as possible what you may feel to be undesirable governmental intrusion. Among that group, there will be some, nevertheless, who agree with me that, despite such resistance, increased governmental regulation is inevitable. If so, I believe you will also support my recommendation for supporting compliance assistance.

Finally, some among you may disagree both with my exhortation and with my prognostication. If so, you may be inclined to allocate resources to resistance and to other goals, to the exclusion of support for compliance assistance. To you, I say: it might be a good idea to entertain some lingering doubts, to hedge your bets, and — albeit reluctantly — to support, at least to some extent, my recommendation for supporting compliance assistance.

The more alert and cynical among you may have noticed that I, a lawyer and teacher of law, have recommended promulgating more laws and using more lawyers. I plead guilty. I even have the audacity to claim that my recommendations are pure of heart and disinterested.

As we move towards the 21st century, the problems and challenges facing the nonprofit sector are daunting. Our educational system needs massive changes and improvements. Poverty and homelessness are aching national problems. Our environment is in danger of being irreparably harmed. Our children are often our most needy and damaged. We must deliver reasonably-priced medical care to segments of our population which increasingly are denied it. Our national demographics point to growing numbers and percentages of elderly, under-represented minorities, and others

who need special services. The international scene replicates all of these issues, but on an even more vast scale. Voluntary organizations will be called on to respond, and they will strive to do so.

I am identifying a fundamental need which also must be met. If much will be asked of the independent sector, we need to prepare that sector, as best as possible, to be ready to take up these burdens. The sector *itself* needs to be strengthened. One pressing need is the provision of assistance to the sector in complying with its duties to government. We must build the capacity for regulatory compliance if we are to meet the challenges we will be facing.