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Reanimating the Zombie - Transcript

[Speaker 1]

Welcome to Charity Therapy, the podcast where we explore the ups and downs of the nonprofit sector and answer your burning questions. I'm your host, Jess Birken, owner of Birken Law Office, and I'm excited you're here. Imagine hanging out with me and my super smart, funny nonprofit expert pals.

You get to ask them anything about your nitty gritty nonprofit life and get their wisdom for free. Whether you're a seasoned pro or just strapping on your nonprofit boots, we're here to share stories and remind you you're not alone on this journey. So get ready to join the conversation and bring me the tough questions.

I ain't scared. Ready to rock? Let's dive in.

Oh, and welcome to this episode of Charity Therapy. Today, Meghan and I are teaming up on a beautiful summer day to answer your nonprofit questions. Hey, Meghan.

Hey, Jess.

[Speaker 2]

I will say, though, I'm a bit more of a baby in the heat, so it's a little hot for me, but I'm glad we're here on this summer day.

[Speaker 1]

Yes. At the time we are recording, we are reaching the phase of summer where I'm secretly wishing for sweatshirt weather already.

[Speaker 2]

It's like, remember when you could sit and look at the snow outside? Tell me you're a Minnesotan without telling me you're a Minnesotan, you know? Basically, we are just complaining about the weather no matter what the weather is.

So right now it's 86 and sunny and we get to complain about it. So that's our specialty. That's right.

What are we doing today? Okay. So before we even get into it, I have like a little backdrop question for you, Jess.

Okay. So we're going to be hearing from someone who was working with a really small organization where everybody got sort of busy and put it on pause for a while. And we'll talk about their specifics later.

But I was like, oh, gosh, this happens all the time. Like so many of our clients, this happens too. So I just wanted to have you give us a little overview, like for newer, smaller organizations, like why does that happen?

What's happening there? What does that look like?

[Speaker 1]

So okay, here's the thing. Starting a new nonprofit is hard work. And I think what can happen, not all the time, but what can happen is people have a lot of energy, like a lot of like, let's go, let's do it.

We're going to save the world. And then one to three years in the grind, the reality, the difficulty of fundraising, the fact that there are a lot of other organizations may be doing something similar to yours. The fact that like, maybe some of your key people had a disagreement early on, and now it's just you.

There are a lot of things that can just sort of like, make it extra hard. And I think that first couple, three years is the danger zone. Sometimes I say starting a new nonprofit is like starting a new restaurant, like nine out of 10 are going to fail in the first year.

And it's just kind of a sad situation. That's why we're always like preaching, you got to have you got to surround yourself with the right support. You got to have plans.

You got to have a good foundation, you got to know what you're doing, where you're going and who you're doing it with. That's why we created Mission Guardian. Yes.

Yes. Shameless plug.

[Speaker 2]

It makes me think of like a newish relationship where it's like you've got your honeymoon phase and sometimes that lasts for six months and sometimes it lasts for a year and a half or one month or whatever. But at some point, it is sort of like the more naive phase ends. And sometimes it's where the like really good stuff happens on the other side of it.

But it's not an easy transition. And it happens in a new nonprofit as well.

[Speaker 1]

Absolutely. That's a great metaphor. I'm desperately trying to think of a joke related to like the newness of a relationship and coming up empty and move on, moving on.

[Speaker 2]

It's okay. Sometimes we're not on it. Okay, well, I do have a listener question about this.

And so let's just dive right in. Person says, I was an officer for a small nonprofit that the president unilaterally decided to dissolve about a year ago. The org had kind of been on pause for a while while the board members were busy with other life stuff.

And the president just did the dissolution by herself. This was a year ago. I really want to get back to the work of the nonprofit.

But how do I revive the corporation? Do we have a leg up on getting the C3 status again, since we've already done it once?

[Speaker 1]

Oh, my gosh, there's so much in this question. I was like, not even prepared for the layers, layers and layers. First of all, the president unilaterally decided, well, that's a problem.

That's not how that's supposed to work. The board is supposed to vote on things as a group. I'm kind of wondering, though, it sounds like board members were busy with life.

The president just did it all by herself. There's nothing in here that says this. But it feels to me like the president is our charismatic founder, who is the one who had the big idea, who's the one who was like, I'm driving this train, I'm moving it forward.

I am the lifeblood of this organization. And for better or worse, that person has to recruit other people to help them because they have to have a board. And so if those people are not truly bought into the vision and they're not like on that same level of like, we're going to make it happen.

All of a sudden, it starts to become really, really, really difficult for this one person to do everything by themselves. And we've seen that so many times, so many times. So I'm going to give this president some grace and just sort of assume these board members were so busy that they didn't even come to meetings and there was nobody else to decide.

We'll just give them that. We'll give her that. Yeah.

Now, the question I have is, did they really dissolve? Right. What does that mean?

[Speaker 2]

We've talked about this on several episodes before. So if you're not familiar, we've got lots of episodes to look back on. But a nonprofit dissolution is not as simple as like taking down the website and calling it a day.

[Speaker 1]

Yeah. So when when the listener says the president just did it all by herself, what does that just mean? She turned off the Facebook page and canceled the expensive things that were costing her money that she was probably paying for herself?

Or does it mean that legally they went through the statutory process of dissolving in their state? And informing the IRS, maybe, but maybe not nine out of ten times, most small nonprofits don't there aren't even aware that there is this statutory process that they have to follow. And so they just sort of get administratively revoked by their state.

The IRS revokes their tax exemption for non-filing for three years and they think they're dissolved. So when this person is saying, how do I revive the corporation if they never actually dissolved? It could be as easy as just going online and three clicks of a mouse and you're back in good standing with the state and then you got to reapply for income tax exemption.

But it could be that this organization isn't truly dead. Yeah. If that makes sense.

[Speaker 2]

Well, and it's even possible they haven't lost their tax exemption because it says in here that it was dissolved a year ago. So we've talked about this on the podcast before, too, but you don't lose your tax exemption for not filing one 990. So it's possible that it is just all there.

[Speaker 1]

Yeah. So for just from like a technical perspective, you can check that you can go to the exempt organization database on the IRS website and pull up the tax ID number or the name and look and see if the organization still has tax exemption. So Meghan's right.

That's one thing. You can go to the whatever it's called in your state here. It's called the Secretary of State in Wisconsin.

It's like the Department of Financial Institutions or something like whatever your state agency is that forms corporations. You can go look up the registration for this nonprofit. See if it's revivable, if that's a word.

And if it is, then you just have this nonprofit zombie that you can reanimate very quickly. Like now my head is just full of like, what would a nonprofit zombie look like? And would it want to eat brains?

I don't know. Donor brains. I'm trying to.

Donor brains. Oh, my God. That's dark.

Yeah, that is dark. It's really dark. Okay, so let's just say that this, the president really like followed the statutory process.

This thing's absolutely dissolved. How do you revive the corporation? Well, you don't, but you could start a new one.

So you could start a brand new corporation and get a new tax ID number, get a new income tax exemption and just start your mission again.

[Speaker 2]

In theory, if it was actually dissolved and nobody else took it, could they like restart it with the same name and everything?

[Speaker 1]

Yeah, if the name is available, they could start it with the name. Now, I kind of love that you asked this. I feel like, do you know where I'm going to go with this?

No, I didn't. Because, okay, because I'm like, the final layer of this is, but what happens when you bring our charismatic founder's mission back from the dead without her? True.

What drama poop storm are you starting by taking this founder's big idea and trying to go deliver on it without her? Especially because you and I both know that can go very badly.

[Speaker 2]

Especially if, if we are correct and from the president's point of view, it's like everybody else bailed out on this mission and it was, she was left holding the bag to close it down and do the un-fun part. And then the rest pop back up at a different time and try to restart it themselves if that really is the situation, like, ouch.

[Speaker 1]

Right. So, and, you know, it depends on how big your town is, how big this community is, what's the mission, does everybody know her? But I'm just like, oh, before you do this, just be cognizant of the fact that this could incite a little drama.

Not that it should at all, but I've just lived long enough to know that it might.

[Speaker 2]

Well, this is the thing that I feel like it comes up over and over when I tell people that like, oh, I work at a law firm that works with nonprofits. Everyone's like, oh, that must be so fun and relaxing. Like it's not as serious as other kinds of law.

And I'm like, oh, absolutely true. Like that it is a different, you know, but the amount of drama that comes because people are really invested in this and have a lot of ownership over their missions or ideals or passions. And so even though, you know, no one owns this, like, mission area, if someone is feeling like you stole something from them, or, you know, there's a lot of personal betrayals that can happen in the nonprofit world, and a lot of just drama that comes with it, unfortunately.

[Speaker 1]

It's because people are trying to leave a legacy. Yeah. And they're very, like, much investing there.

I don't know what I'm trying to say, like, they're trying to, like, make an impression before they die. And like, this is their stamp on the world. And this is the difference they want to make.

And you have to kind of have that desire in order to put up with the amount of work and grinding that it takes to do it, right? It's like being an entrepreneur, like, it's a lot harder than just having a job. There's got to be something in you that's like, I want to do this thing.

Yeah.

[Speaker 2]

And so much more about your identity. It's not about like, you know, punching a time card or making a widget at work or whatever. It's like, this is a big thing that is about who I am as a person.

And if you start stepping on that, you're going to get a lot bigger reactions than normal petty work dramas of, like, Susan at the water cooler is, you know, talking shit about the CFO or whatever. You know, it's just different. Yeah.

[Speaker 1]

So that's just like a little caveat for this listener, like, just do it mindfully. Tread carefully. Know that.

And people might pop up out of the woodwork and be like, oh, I'm here again. And you may not want their help. But they're like, oh, you're doing this.

We're back. Yeah. Oh, right.

Right. So it's just something to think about. Exactly.

Yeah. That's my take on it.

[Speaker 2]

And I think like the other thing I just wanted to say was that also great that it's like, sure, sometimes things get set aside and they're not your biggest priority in your life right now and people don't have the bandwidth. This happened with so many of our clients during the pandemic where it was just like, we can't do this right now. And it is very cool to see people come back around to it and say, okay, I'm ready now.

We can do this and we can still make the difference that we want to make. That is absolutely an admirable thing if you can make this work now, even if it didn't work before. But there's a lot going on with that.

[Speaker 1]

Yeah. I just want to make sure I hit their last little question. They just had this last little bit that's like, do we have a leg up on getting C3 status again since we've already done it once?

And we already talked about like, go Jack. Did you really lose it? But not to be like the Debbie Downer, but the IRS doesn't care.

Yeah, they don't care. What you know is you had a successful application once. And if you can get your hands on those materials, you can submit probably the same application again and have success.

But it also just depends on what IRS agent is reading it and all of the things. Yeah.

[Speaker 2]

There's no like extra special lever to pull of like, we did this one more time. Can we just ask nicely and you'll give it to us again because you already granted us like there's no easy way to do that. Yeah.

[Speaker 1]

It's just a complete like start over again if you've lost it. Yeah.

[Speaker 2]

So and that's true of the organization as a whole, right? If they did actually dissolve it, there is no like, oopsies, I take it back. Like let's read the tax ID number.

[Speaker 1]

All of it.

[Speaker 2]

You can't just be like, oh, yes, we didn't actually mean to put it to bed. Let's revive it. Like that doesn't exist.

[Speaker 1]

If the corporation still exists, it still has a tax ID number. Theoretically, you could do like what's called a retroactive reinstatement. I feel like that's a whole other episode.

So you could theoretically get your status back, but you're still basically applying again. Yeah. You're applying again and saying we had it before.

Would you please fill the gap so that we never had like a gap or just give it to us again? But functionally, you're just applying again.

[Speaker 2]

The IRS isn't going to make it easy on us. Are we surprised? No, they don't care.

No, they don't care. That's not their job.

[Speaker 1]

That's too hard. It's not that they don't want to care. It's just like they don't have the bandwidth to care.

There's thousands of these things coming through all day long. They don't keep a file on you and your particular dog rescue and keep tabs on you and like your posts on social. They're just like harried administrators trying to make do with the budget they have.

[Speaker 2]

And I mean, really, to be fair, if you zoom it out, it's reasonable for them to say, do you still qualify for this? Why did you lose it? Like what's going on?

You should be able to have to say, yes, I still deserve this tax exemption. And it's not like just granted just because at one point you were doing something charitable.

[Speaker 1]

So yeah, they're basically just like, ah, we'll look at that again. Yeah, absolutely. Let's look at that again.

Okay, Meghan. Well, what do we take away from this? I got a couple things.

[Speaker 2]

So first, it's just that like startup energy doesn't last forever. Like things get hard, things slow down. Sometimes you have to push pause or even throw in the towel on an organization.

And that's really common. So if this is a period that you're going through, or that you anticipate coming through, just know that this is not unique and something that almost every small organization is going to have to work through. Yes.

Doesn't make you a bad person or a failure.

[Speaker 1]

No.

[Speaker 2]

The next thing, closing down a nonprofit is not like a quick one decision, turn off the website kind of thing. It takes time. There's a whole process that depends on what state you're in.

And so if we are throwing around the word nonprofit dissolution, you got to make sure that it was actually dissolved and not just decided to stop doing the function it's doing. Abandoned. Yes.

Is it a zombie or is it just like a sad abandoned ghost town? Okay, and then if you did want to restart a nonprofit that, you know, was closed down in one way, shape or form, if it was actually dissolved, you got to start over, you got to start over with a new organization entity with tax exempt status. If it wasn't, you might be able to reuse some of the work that you had done before.

The corporation might still exist. Your tax exemption even might still exist. So you got to look into all of those things before you decide on a path.

But ultimately, people in the sector are very passionate about their missions. And it's important when you're doing stuff like this to keep an eye on the people involved as well. Did I miss anything?

[Speaker 1]

Nope. Those are the things. All right.

Absolutely nailed it. All right, folks. If you enjoyed this episode, I really need you to go to the Apple store and leave us a review.

Okay? People have started listening to the pod. It's great.

I love you. Go leave us a five-star review. It helps more people find the podcast.

Share this episode with a friend, especially if you have someone in your life who's struggling to make a new nonprofit go right now. They might need to hear this, that it is okay and it is normal. If you've got a story or a question to share, send me a note online at charitytherapy.show. Meghan and I would love to hear from you.

About the Author



Hi, I'm Jess Birken.

I'm the owner of Birken Law Office, I help nonprofits solve problems so they can quit worrying and get back to what matters most – The Mission. I'm not like most attorneys, I actually have an outgoing personality, and – like you – I like to think outside the box. Most of my clients are passionate and have an entrepreneurial spirit. I'm like that too. My goal is to help you crush it. Getting bogged down in the minutia sucks the joy out of the important stuff. My clients want to do the work – not the paperwork.

Let's connect!

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