

# What's Next After the Tax Exemption Letter?

06.22.17 | Linda J. Rosenthal, JD



There's no shortage of books, articles, blog posts, website columns, and other sources of information about how to form a nonprofit corporation or how to get a tax exemption. What happens, though, at the moment *after* all the initial work is done? The corporation has been formed; you have the fancy binder. The 1023 or 1023-EZ has been filed (and perhaps has been quickly approved). The initial board meeting has been held and the usual (recommended) formalities have been take care of.

What then? There's much less written for those early days when the organization has to – well – get going.

One of the problems with the new Form 1023-EZ is that so little information is required up front, many founders and early boards do little serious planning about the nuts and bolts of the actual operation of the new 501(c)(3).

## *Strategic Planning After Exemption Notice*

Tax-exempt, 501(c)(3) organizations certainly don't fit a single, standard mold. Some are tiny, with modest goals for the all-volunteer core group. Others are set to become complex institutions. For small to mid-size groups, there are many areas to list for: research, professional advice, and initial planning. Here are some of them:

- ***Fundraising***

Most organizations want to jump head first into plans and action for raising start-up money. However, before any actual fundraising takes place, a California organization must file forms with the California Attorney General, and otherwise learn about and comply with specific rules for fundraising and events. The Attorney General's website offers helpful information.

- ***Initial Budgeting and Accounting System***

Except for a sketchy estimated budget for the first few years required for the Form 1023 (and no budget information required at all for the 1023-EZ), many organizations have done no serious budget planning. It's important to get that going immediately, with continual revisions, along with establishing even a simple accounting system with at least minimal, internal controls.

. ***Establish Needs for Personnel***

Particularly if the program objectives will require help beyond the founder(s) and board volunteers, it's important to consider initial staffing needs, and determine if they will be: employees, consultants, volunteers, interns, board and non-board committee members, or advisory board members.

. ***Location or Premises***

Consider needs for office or program space, along with funding capabilities. Consider possibilities of donated or shared premises. Explore leasing options; note that commercial lease practice is different than residential leases. Evaluate need for special permits or licenses. Learn about property tax-exemption laws.

. ***Initial Risk Management***

Consult with nonprofit insurance specialists about the possible range of risks and liabilities including: officers & directors' protection, premises and accident liability coverage, and other risk-related needs.

. ***Additional Documents and Policies***

Beyond the initial corporate documents (articles of incorporation, bylaws), every organization should adopt additional written policies related to governance, finance, compensation, conflicts of interest, employees, and others. See, for instance, "Written Governance Policies: Which Ones Should Nonprofits Have?" and "When the Revenue Agent Comes Calling."

## ***Conclusion***

The earliest days, weeks, and months of a new organization's life cycle are critical times for in-depth planning for the actual launch of the group; that is, when the ideas turn into program activities.