In This Issue

MINNESOTA COUNCIL OF NONPROFITS

Nonprofit News

Information and connections for Minnesota's nonprofit sector

Spring 2015

The mission of the **Minnesota Council of Nonprofits** is to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector.

Nonprofit Bits

New OMB Guidance

Nonprofits will benefit from the comprehensive overhaul of federal grant policies and procedures that the White House Office of Management and Budget (OMB) issued on December 26, 2014.

OMB's Final Guidance makes clear that a nonprofit's indirect costs (sometimes called overhead or administrative costs) are legitimate expenses that need to be reimbursed for the organization to be sustainable and effective.

For more information on how the new OMB Guidance may affect your nonprofit, visit the National Council of Nonprofits website at www.councilofnonprofits.org.

Lessons Learned from Nonprofit Lapse in Controls

Nonprofit organizations and their board of directors have defined responsibilities to ensure financial health and accountability. When these responsibilities are not clearly communicated and understood, lapses in controls, expenditure policies and lines of authority are predictable.

MCN asked Woods Bowman, professor at DePaul University in the School of Public Service and ethics columnist for The Nonprofit Quarterly, to comment on lessons learned from Technology and Information Education Services (TIES), a consortium of 49 Minnesota school districts, a recent nonprofit case in the news for financial problems ("*Former TIES technology group leader was investigated before audit*," St Paul Pioneer Press, 12/16/2014). TIES was the subject of a 25-page forensic accountant's report, documenting multiple longstanding financial lapses.

MCN: **How should nonprofit boards exercise financial oversight to prevent financial problems?**

WB: First things first. Board oversight will fail unless individual board members are conscientious. Members who are not conversant about financial matters have an

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More Nonprofit Employers Increasing Salaries

At the end of 2014, MCN released its ninth iteration of the *Minnesota Nonprofit Salary and Benefits Survey*. This year's survey presents easy-to-read reports on benefits practices, salary trends and compensation for 76 positions broken down by annual operating budget, location and activity area.

MCN received 513 complete surveys from Minnesota nonprofits. Reporting organizations employed a total of 33,363 people (including approximately 19,214 full-time employees and 14,149 part-time employees) and collectively reported current salaries for 14,348 employees.

With such high participation, the findings in both benefits and compensation are robust with greater opportunity for reporting salaries in the various breakout areas of operating budget, location and activity area.

Benefit Trends

While most nonprofits give generous benefits packages to support their employees, there are indicators that nonprofits continue to seek strategies to reduce the costs of these benefits. Of organizations that offer health insurance, 59.9 percent reported having made changes to their medical insurance programs in the past year, up four percentage points from 2012.

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Next Generation Leaders and New Strategic Priorities

By Jon Pratt, MCN executive director

As a membership organization, MCN has an admittedly complex process to hold competitive board elections. Each fall, board candidates are nominated equal to 150 percent of the number of openings and candidates with the highest member votes are elected. For MCN to be a truly statewide organization, and to involve the breadth and depth of Minnesota's nonprofit sector, the nomination process casts a wide net to represent nonprofits from each region of the state, organization sizes, activity areas and constituencies. We are pleased to welcome five new board members in 2015, each serving a three-year term.

- Cameron Bloom Kruger, Executive Director, Duluth Children's Museum
- Lynn Hunt, CEO, Happy Dancing Turtle, Pine River
- Jarell Skinner-Roy, High School Program Coordinator, College Possible, St. Paul
- Chris Taylor, Director of Inclusion and Community Engagement, Minnesota Historical Society, St. Paul
- Fartun Weli, Executive Director, Isuroon, Minneapolis

These five join 18 current and experienced board members from throughout the state, including Duluth, Minneapolis, St. Paul, Mora, Grand Rapids, Moorhead, Zumbrota, Mankato and Owatonna.

MCN Strategic Priorities

After a thorough review of issues facing MCN and the nonprofit sector, MCN's board approved a new strategic roadmap, building on the organization's overall strategy: to aggregate and engage a large nonprofit membership to increase the sector's effectiveness, influence and bargaining power through robust programs, bold leadership on public policy issues, and valuable member services.

MCN will continue accomplish its mission to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector through:

- Education and professional development for nonprofit managers and leaders,
- Public policy education and civic engagement,
- Cost-saving product partnerships,
- Research on nonprofit sector trends, and tax and budget issues, and
- Advocacy at local, state and federal levels.

Work in each of these areas will be shaped by two newly-adopted strategic priorities:

Strategic Priority 1: Include and Engage to Address Inequities in Our Communities

MCN will launch broad efforts aimed at strengthening nonprofits' inclusion and engagement practices and increasing the sector's effectiveness in serving new and underrepresented as well as existing populations and needs. Work within this priority will include three core components:

- Assist nonprofits to develop organizational accessibility and inclusion and engagement efforts;
- Improve MCN's accessibility; and
- Increase access to resources for underserved communities through targeted capacity-building efforts.

Strategic Priority 2: Promote Nonprofit Organizations as Essential Community Resources

MCN will develop a communications and outreach campaign to increase the sector's influence. The campaign will:

- Leverage MCN's understanding of nonprofit effectiveness into powerful messages;
- Develop MCN's capacity to respond to opportunities to educate the public about the field; and
- Build deeper relationships between nonprofits and key audiences.

For the foreseeable future, MCN's board and staff look forward to reporting on specific initiatives and accomplishments for these two strategic priorities. We will be seeking participation and input from MCN members and allies as these priorities develop, and welcome any advice or cautions you would have to be sent to jpratt@minnesotanonprofits.org.

Board Members have an Ethical Obligation to Educate Themselves

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ethical obligation to educate themselves to a level where they know which questions are important to ask and how to ask them. That said, every board should do three things:

1. Make sure that no one individual personally controls all links in the financial transaction chain. This is known as “separation of functions.”
2. Give staff clear guidance by adopting formal policies on such matters as budgeting, cash management, investing and internal controls. Policy details will necessarily depend on an organization’s size and complexity.
3. Direct finance committees to monitor compliance with financial policies and the organization’s financial condition. A finance committee report should be on every board agenda, even if it contains no action items.

MCN: **What is an example of an internal control that was missing in the case of Technology and Information Education Services (TIES)?**

WB: The forensic audit found very sloppy cash handling (found on pages 5-8 of the audit report), which made it difficult to detect theft. However, circumstantial evidence invites suspicion. TIES apparently had no written financial policies more recent than 1987, and these policies did not reflect changes in state law that effectively made many of them obsolete (p. 20). While the audit report does not explicitly address separation of functions, it does imply that separation was inadequate (p. 20).

The simplest and most likely explanation for the noted contracting irregularities is that a solitary individual assumed authority for too many related financial functions. In other situations, it appears that no one took responsibility for basic functions, such as billing. Without written policies and adequate documentation, it is impossible to know who should have been responsible for which functions or who actually performed which functions.

MCN: **What do public funding agencies need to do differently to be assured of compliance?**

WB: Given the budget pressures that virtually every government faces, the majority of public agencies shortchange the review of information obtained through the most compliance tool, annual audits. Assuming that public agencies have adequate resources to verify compliance and the gumption to lean on politically connected nonperforming vendors and grantees, three suggestions can be made.

1. In addition to requiring audits, public funding agencies should demand to review the associated “management letters,” which are side letters auditors provide to managers that identify internal control issues.
2. Public funding agencies should insist that nonprofit providers and grantees have a conflict of interest policy and verify that the associated enforcement mechanism is adequate.
3. Public funding agencies should establish a whistleblower hotline and follow up on tips.

While financial issues may arise from time to time, it’s clear that in most cases Minnesota nonprofits and their governing boards do well in creating structures and policies that support the fiduciary responsibilities required to grow missions and community success. As a sector, nonprofits can learn from situations like TIES and should be reminded of the importance of written financial policies and separation of functions.

H. Woods Bowman holds a Ph.D. in economics from Syracuse University. His experience includes chief financial officer of Cook County (1990-94), a member of the House of Representatives, Illinois General Assembly (1977-90), and Chair of the Appropriations II Committee.

Nonprofits Employ Strategies to Reduce the Cost of Health Care

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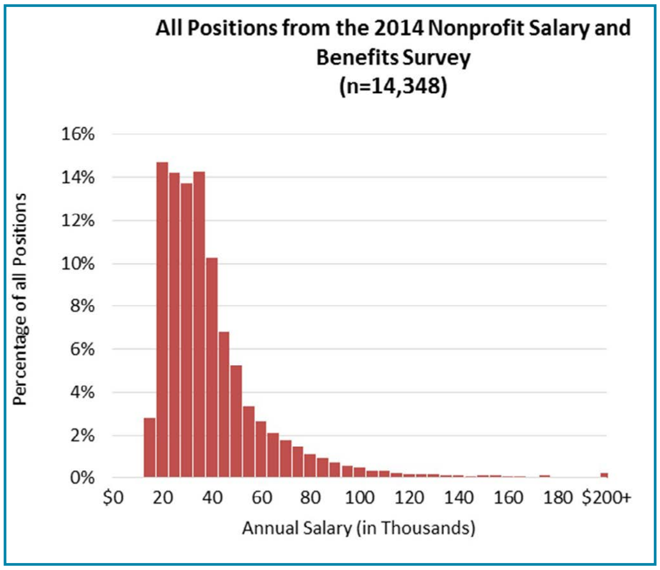
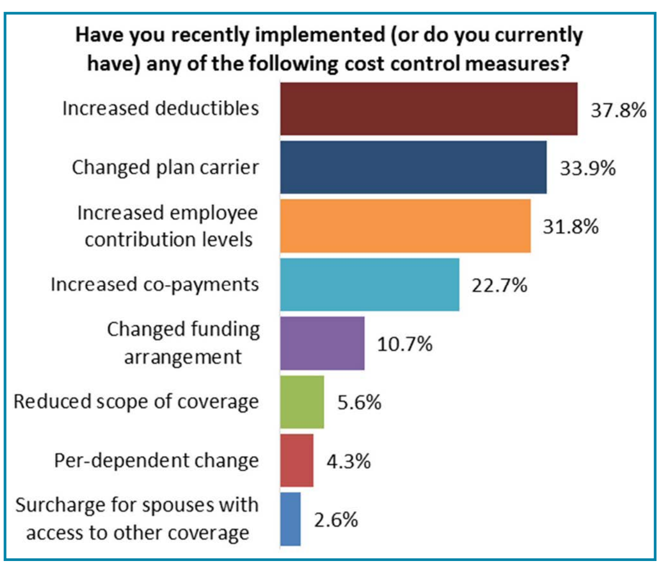


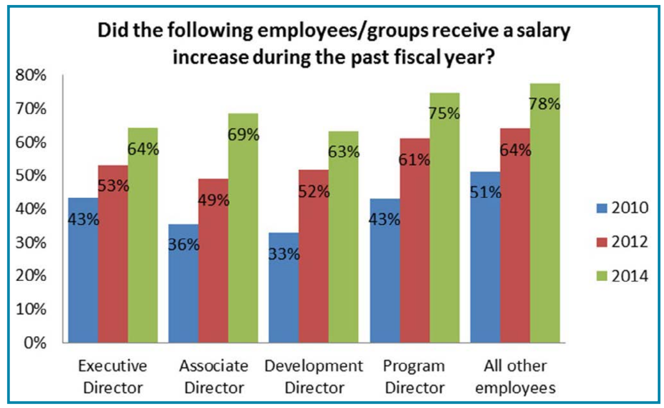
Even with these changes, nonprofits have been able to sustain a high level of medical benefits for their employees. The percentage of nonprofits that offer health insurance to their employees was78.3 percent, offering coverage to over 98 percent of reported full-time employees in the nonprofit sector.

Organizations have also been able to maintain this high-level of coverage while reducing their overall benefits-to-salary ratio. In 2010, 62.6 percent of nonprofits had a benefits-to-salary ratio of less than 20 percent. By 2014, 77.5 percent of respondents achieved a ratio below that level. The reasons for this change are hopefully multiple, including finding appropriate insurance for an organization's size and type and thoughtful financial management. However, it is also worth noting that three of the four most common control measures indicate a shift of insurance burden onto the employee-strategy that may improve an organization's financials while potentially eroding the value of benefit packages for staff.



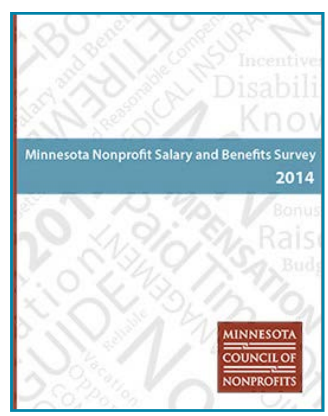
Salary Trends

The average salary of all nonprofit employees dropped 2.9 percent from 2012 to 2014, but this finding is largely due to the voluntary nature of the survey and significant outliers that were included in 2012 but not in 2014. Fifty-four of the 76 positions MCN measured saw salary increases over 2012, with more organizations giving salary increases to their employees in 2014 than in 2010 and 2012, growing from 51 percent of all employees in 2010 to 78 percent receiving increases in 2014.



Executive directors received the highest median pay of all 76 positions ($92,000), with a median range of $44,399 to $152,072 depending on organization size, location and activity area. The largest change in salary was found in web developer compensation, whose median salary increased 25 percent from 2012 to 2014. The lowest paid category of employees in this year's survey were receptionists working in organizations with budgets between $500,000 and $1 million, who earned a median salary of $15,080, or the equivalent of $7.25 per hour.

If you are interested in learning more about these findings and more regarding Minnesota nonprofits' salary and benefit practices, visit www.minnesotanonprofits.org/pubs and order MCN's 2014 *Minnesota Nonprofit Salary and Benefits Survey*.



The Minnesota Council of Nonprofits is incredibly grateful to the organizations that helped support this year's *Salary and Benefits Survey* by contributing their time and information to make this year's publication so robust.

Nonprofit Autonomy Matters and Makes Sense

By Susie Brown, MCN public policy director

Recent public scrutiny of some Minnesota nonprofit organizations has led to questions about whether increased oversight and regulations would benefit the sector. People might wonder, should salaries be capped? Should additional transparency be required? Should boards have more mandates? Given recent circumstances, all of those questions are fair and important. The Minnesota Council of Nonprofits is dedicated to working with policymakers, the legislature and the administration to strike the right balance between organizational autonomy and state oversight.

First, here are the important facts about existing nonprofit laws and oversight in Minnesota.

1. All nonprofits, not just 501(c)(3) charitable nonprofits, are governed by Minnesota Statute 317A. Among other things, this Statute provides the legal structure for incorporation, board requirements and annual reporting to the state. This law clarifies the role of boards of directors in providing governance and oversight to the organization. In complying with 317A, all nonprofit organizations have a registration and reporting requirement with Minnesota's Office of the Secretary of State.

2. Charitable nonprofits are also responsible to the Minnesota's Attorney General. This relationship, triggered by an organization's charitable fundraising activities, requires annual registration and reporting and provides the public with financial data on each organization. The Attorney General serves as the overseer and enforcer of the public's interest in charitable funds—the public's system for complaints, investigations and enforcement of Minnesota law. Members of the public can use the Attorney General's website to review financial data about nonprofit organizations and can file complaints when concerns arise. Nonprofit organizations can access training and guidance from the Attorney General's office as they seek to comply with Minnesota law.

3. Many nonprofits receive grants from public entities (local, state or federal) which include various grant requirements, significant due diligence, audits, account reconciliation and reporting. When a nonprofit voluntarily enters into a grant or contract agreement with a public entity, they are agreeing to increased scrutiny and regulations as a condition of their partnership. Likewise, public entities must choose nonprofits that best comply with the particular requirements deemed necessary for that grantor.

Nonprofit organizations interact with and are accountable to public laws and institutions in various ways, but all do so with Minnesota Statute 317A and the Office of the Secretary of State. Most nonprofits are also responsible to the Minnesota Attorney General and many with various local, state and federal entities that fund and administer programs. Through these relationships, Minnesota nonprofits are subject to a rigorous and appropriate amount of public oversight, beyond which they are autonomous in their program, management and governance decisionmaking.

This autonomy is essential to the sector in order to ensure that organizations are not forced to be one-size-fits-all in their approach, to attract a wide variety of views and skills for the critical role of governance, and to ensure that the state's network of nonprofits serve as valued employers and can deliver services based on local conditions and market realities.

The Minnesota Council of Nonprofits is committed to protecting the sector from unnecessary laws and regulations that may tie the hands of those who best understand communities served. It strives for a sector that is appropriately governed through laws, accountability, oversight and reporting that is well understood by the public. MCN aims to maintain local control and the autonomy necessary for program, management and governance decisionmaking that allows for a strong and effective sector. Please join us in this effort.

Nonprofit Awards and Advancements

Lindsay Snustad was appointed executive director at Animal Allies in Duluth.

The Mentoring Partnership of Minnesota (MPM) announced two transitions. Executive director, Joellen Gonder-Spacek will be senior director of partnerships for MENTOR: The National Mentoring Partnership. MPM's associate director, Mai-Anh Kapanke, will serve as its new executive director.

A Minnesota Without Poverty hired Nathan Davis as executive director.

Dr. Willie Dean was hired as YouthCARE's executive director.

Margaret Miles was hired as NAMI Minnesota's director of advancement.

The Washburn Center for Children's new nature-infused facility opened its doors in November 2014.

The McKnight Foundation named Mark Muller as director of its Mississippi River program.

YWCA St. Paul chief executive officer, Billy Collins, has retired after 20 years of service.

Riverwood Healthcare announced Katie Nelson as director of Riverwood Foundation.

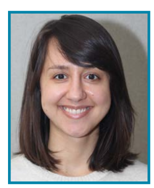
The Commission on Accreditation of Rehabilitation Facilities (CARF) announced that Opportunity Partners is accredited for a period of three years for its community employment, community integration and employment planning and skills training.

The Northwest Minnesota Foundation has been recertified by the U.S. Department of Treasury as a qualifying Community Development Financial Institution (CDFI).

Domestic Abuse Project annouced Sarah Clyne as executive director.

John Elden, the director of business finance at the Northland Foundation, was named a 2014 Minnesota Business Finance Corporation Member of the Year.

MCN News



MCN has welcomed Christina Casey as its nonprofit services assistant where she provides support for MCN's member services. Christina is also the office assistant for Nonprofit Insurance Advisors, an insurance service of MCN. Christina has worked for other nonprofit organizations in the Twin Cities including Fraser, YWCA of St. Paul and Sarah's…an Oasis for Women. Christina is currently working towards her B.A. in women's studies and theology at St. Catherine University.

Submit Your Announcements
Member organizations are invited to submit staffing announcements and other news to jwurm@minnesotanonprofits.org.

Life in the Community is the First and Best Option: The 5% Campaign, 2014 Mission Award Winner

The 5% Campaign is a nonpartisan coalition of Minnesotans working to ask state legislators for a 5% rate increase for Home and Community Based Services (HCBS). The Campaign maintains that life in the community is the first and best option for people with disabilities and older Minnesotans, as well as their families, workers and the state as a whole. As the 2014 Nonprofit Mission Award winner in Advocacy, this coalition is a true example of advocacy in action.

The lives that many people with disabilities and older adults build for themselves depend on state funding. This critical support allows people to be more independent by providing staffing and transportation so that people can be active employees and volunteers in their communities. Including repeated cuts, 2013 marked the fifth year in a row that services for people with disabilities and older adults did not receive rate increases to keep up with rising costs. In 2014, the 5% Campaign aimed to change that and succeeded.

The coalition is made up of a diverse group of residential providers as well as direct and non-direct advocacy organizations across the disability field, including people with disabilities, older adults, caregivers, providers, family members and advocates throughout Minnesota. The 5% Campaign started communicating its needs before the 2014 session started and ensured that the messaging contained five reasons why new legislation was important to pass including: community-based services provide greater opportunity to build strong connections with neighbors and the community; Direct Support Professionals (DSPs) and caregivers support families and should be able to support their own; a 5% increase would help to retain consistent staff crucial to quality care; an increase would show that DSPs and caregivers are valued and supported; and an increase would support necessary salary increases for dedicated staff that will put dollars to work in their local communities.

More than 120 organizations joined The 5% Campaign coalition in 2014 to secure a rate increase, and nearly 75 percent of the elected officials in the Minnesota Legislature signed onto the legislation before the session even began. Support of the Campaign came from family members, self-advocates, staff and the general public and was signed by Governor Dayton in May 2014.

The 5% Campaign is back at the state capitol this session, making the case for a second five percent rate increase to support older adults and people with disabilities who receive services in Minnesota's community-based programs. For more information on the Campaign's 2015 activities, visit their Facebook page at www.facebook.com/5PercentCampaign.

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Minnesota's on the Right Track: Budget Setting is Underway

Minnesota continues to work its way out of the challenges of the Great Recession and see positive economic trends, and that has been good news as policymakers at the Capitol begin work to set the budget for the upcoming budget cycle.

The state's recent February Economic Forecast reports that Minnesota's unemployment rate in December was 3.6 percent, the fifth lowest in the nation. And the strengthening economy contributes to a stronger financial situation for the state. The combination of higher revenues and lower spending compared to previous estimates means Minnesota has a $1.9 billion positive balance for FY 2016-17.

But while Minnesota is seeing positive balances in years ahead, the numbers do not take into account the cost of making inflationary increases in Minnesota's existing commitments. If inflation is considered, the projected balance for FY 2016-17 is only $976 million.

The nonprofit sector has been urging state lawmakers to make smart investments in a shared future, by avoiding large tax cuts and investing in priorities that help all communities thrive. MCN's Minnesota Budget Project has continued its work for broader economic security by promoting policy solutions so that all families can afford child care that meets their needs and supporting efforts to ensure workers have earned safe and sick leave, so they don't lose wages or jobs when they or a family member falls ill.

As policymakers craft the budget over these final weeks of session, they'll be considering areas for investments as well as cuts to services that many communities rely on. State policy is best set when all are at the table. As critical decisions come together, nonprofit voices should be part of the discussion to help ensure all of Minnesota is represented in shaping our future.

For more information on the Minnesota Budget Project's policy work, visit www.mnbudgetproject.org.