# NONPROFIT NEWS



How to: financial scenario planning

<u>Does federal funding really matter</u> in Minnesota?

**Learning from history** 

Nonprofit legal services initiative

Maintaining good legal standing with compliance best practices



# Nonprofit resources to support you

Subscribe MCN's e-newsletters by interest area to receive the latest nonprofit resources.



Table of Contents

MINNESOTA
COUNCIL OF
NONPROFITS

# Nonprofits are a force for good. We're here to help.

As one of the largest state associations of nonprofit in the country, the Minnesota Council of Nonprofits (MCN) joins nonprofits across interest areas to advance important nonprofit issues.

MCN is a trusted ally and advocate for you. Visit our website to learn how MCN can support your nonprofit: www.minnesotanonprofits.org.

Relevant workshops & conferences

Timely nonprofit data & research

Impactful state & federal advocacy

Strong member network & benefits

Minnesota Council of Nonprofits 2314 University Avenue West, Suite 20 St. Paul, MN 55114 Phone: 651-642-1904 Fax: 651-642-1517

info@minnesotanonprofits.org www.minnesotanonprofits.org









#### Learning from history

Many of the "unprecedented" challenges have long been realities for others; lessons we can learn

# <u>05</u>

#### Protecting your mission: compliance best practices

Core state and federal compliance steps required to maintain tax-exempt status and good legal standing

# <u>06</u>

# Nonprofit legal services initiative

Real-time legal support for nonprofits coming this summer

### **)7**

# How to: financial scenario planning

Protect your mission by strategically planning for risk and resilience

### 08

#### On the move

Celebrating new nonprofit staff and board members

### 09

# Does federal funding really matter in Minnesota?

Spoiler: yes

### 10

# SNAP cuts - what's at stake

Irreplaceable safeguard against hunger in Minnesota

### <u> 12</u>

# Upcoming nonprofit trainings

Opportunities to prioritize your professional development



Tech and strategy,

Don't throw darts, chart courses with an embedded

united for impact

team of digital outfitters. Deploy connected

experiences across the constituent experience.

Spring 2025 | Nonprofit News Spring 2025 | Nonprofit News

Letter from MCN's President & CEO

### **Learning from history**

Nonoko Sato

President & CEO

Democracy is in peril. Public trust in institutions is waning. Market uncertainty is affecting charitable giving. The demands for services and costs of running nonprofits are increasing. Our personal rights are being attacked.

We have never experienced anything like this before!

...says we, so accustomed to privilege.

This moment is tough, there's no doubt about it. The rapid pace of executive orders, federal funding freezes, shrinking government agencies and workforce, confusion around compliance, and threats to our very existence as tax-exempt entities are all happening at once — just as many nonprofits are seeing increased demand for services and bracing for potential cuts to safety net programs.

However, many of the "unprecedented" challenges we face today have long been realities for others — especially people who have been historically marginalized.

It's not new for nonprofits to be asked to do more with less. It's not new for social safety programs to be defunded. It's not new for philanthropy to panic when the market dips. And it's not new for our supposedly fundamental rights to be stripped, challenged, or taken away entirely.

It only feels new to people who haven't faced this kind of adversity before. And that, my friends, is where we must check our privilege.

I'm not immune to this criticism. I've been humbled by the wisdom, resilience, and strength of people who have endured generational cycles of systemic oppression.

Here are some historical and life lessons that have been generously shared with me — lessons I've personally found helpful and hope you will too:

- 1. Use storytelling and art to learn from our past, preserve history and culture, document this moment in time, and demonstrate acts of resistance.
- 2. Embrace community, especially when systems fail

us. Turn to one another for mutual aid, build power, and create our own solutions.

- **3. Don't be complacent**, especially in victory. Grassroots efforts must continue to ensure policies, reforms, and solutions are enforced and to serve as stepping stones toward further progress.
- **4. Recognize patterns.** If something feels familiar, we've likely faced it before. Oppression and resistance often occur cyclically across generations.
  - **5. Explore alternative solutions** when what's being offered doesn't serve your community. Creative thinking gave rise to cooperative business models, nonprofit media, and community land trusts.
  - **6. Build coalitions and solidarity**. These are critical for movement work. The liberation of one group is tied to the liberation of all we must move together toward a common goal.
- **7. Honor wisdom** of both our youth and our elders. We are building a world for future generations. History and lived experience offer lessons, but so too do the perspectives, idealism, and hope of young people.
- **8. Accept and adapt** to evolving social norms and technology. Every generation experiences this. You don't have to love how Gen Z navigates the workforce or how AI permeates our lives but it's here, and it's shaping our world.
- **9. Feel deeply**. We are complex beings capable of experiencing many emotions at once. We can grieve our losses, be angry about what we cannot control, and still celebrate the joy and beauty that persist in the world.

Every moment is unique — and this one is no exception. But our community is strong. Like those who came before us, we too will get through this — together.

In community.



### Protecting your mission: compliance best practices



John Wurm

Organizational

Development &

Engagement Director

It is no secret that nonprofits are held to an extremely high standard when it comes to government regulation and public scrutiny.

As the beneficiaries of preferred tax status and access to public funds and trust, it is understandable and appropriate that some level of attention be paid to how we go about our work to serve communities across Minnesota.

As our sector navigates the aftermath of the high-profile Feeding Our Future fraud case — as well as an uncertain political and regulatory landscape — it is essential that nonprofits understand the core state and federal compliance steps required to maintain your nonprofit corporation and federal tax-exempt status, comply with the law, and safeguard our ability to solicit donations and funds integral to advancing our missions.

So, what are the baseline areas of compliance of which every nonprofit should be aware?

#### Minnesota Secretary of State

After an organization has initially filed for incorporation with the Minnesota Secretary of State, it must continue to file an Annual Registration by December 31 to remain in good standing. Failure to do so will result in the dissolution of the organization.

#### **Minnesota Attorney General**

Upon formation, nonprofits must file a Charitable
Organization Registration Statement with the Minnesota
Attorney General's Charities Division, if they meet ANY
of the following conditions:

- Receive/plan to receive contributions totaling more than \$25,000 during the prior or upcoming accounting year;
- Utilize a professional fundraiser and/or have "functions and activities" performed wholly by persons who are paid for their services; and/or
- Assets or income benefit any officer.

Following the initial filing, nonprofits not meeting any of

the above criteria must also file an Annual Report Form each year after, along with a copy of IRS Form 990, bank account information, and an audited financial statement, if applicable.

#### Internal Revenue Service (IRS)

While a nonprofit's tax status may exempt them from paying some taxes, it must file an annual information return with the IRS using Form 990 - Federal Return of Organizations Exempt from Income Tax.

Failure to file a 990 return annually may result in penalties, and failure to do so for three consecutive years will result in the loss of your tax-exempt status, meaning your nonprofit would be required to pay income taxes on revenue (including donations), its donors would no longer be able to deduct contributions to the organization, and private foundations may be unwilling or unable to make a grant to the organization.

While there are many steps an organization can take to sustain and grow their nonprofit, maintaining core organizational compliance is the first step in building trust, forging strong public and governmental relationships, and serving our communities for years to come.

### **Compliance Resources**

#### **Maintaining a Nonprofit**

This new web resource highlights the above-referenced state and federal compliance requirements in greater detail, including fraud prevention.

Learn more

# Get the House in Order: Proactive Risk Mitigation for Nonprofits

Join MCN Wednesday, June 25 for this day-long virtual event featuring four 60-minute sessions that address

state registration and reporting requirements, records management, financial reporting, and critical policies and procedures for good governance.

Register

Spring 2025 | Nonprofit News

### Announcing the nonprofit legal services initiative

Help! My multi-year federal grant was just terminated effective immediately out of nowhere. Can I appeal and what are my legal rights to reimbursement for expenses we've already incurred?

Is this email from the IRS legitimate?

How do I know if our organization needs to be compliant with new Executive Orders?

Do we need to scrub our website for references to the racial and social justice values of our organization?

A flurry of presidential executive orders is bringing new scrutiny to nonprofits engaged in initiatives that are perceived as running counter to the administration's priorities. Additionally, within Minnesota, nonprofits applying for and receiving state funding are facing increased scrutiny from the fallout of the nation's largest pandemic fraud case.

To respond to the emergent legal needs of Minnesota nonprofits and reduce the high-cost barrier of legal support, MCN and LegalCORPS are partnering to launch a *free* Nonprofit Legal Services Initiative this summer, featuring:

- **Legal Help Desk:** Real-time legal support for nonprofits with referrals to resources and counsel.
- Legal Resource Library: Guidelines on evergreen and emergent legal considerations to ensure compliance and protection of nonprofits' legal rights.

- **Responsive Compliance Support:** Step-by-step guidance to complete a compliance assessment for your nonprofit, with legal standards and best practices.
- **Compliance Clinics:** Regular clinics, information, and programming to help nonprofits assess their current compliance with state and federal registration, annual reporting requirements, and current executive orders.

Nonprofits with cash budgets under \$1.5 million will also be able to access more intensive, one-on-one legal counsel, including:

- **1:1 Legal Needs Assessment:** Individual legal needs assessments for nonprofits who are potentially at higher risk in light of executive orders and federal actions.
- 1:1 Compliance Audit and Deeper Legal Support: Individual audits for nonprofits and, as needed, connection for nonprofits to attorneys for additional 1:1 counsel.

All Minnesota nonprofits are eligible for the *free* Legal Help Desk, Resource Library, Compliance Support, and Compliance Clinics; the 1:1 Legal Needs Assessment and Compliance Audit services are available for nonprofits with cash budgets under \$1.5 million.

Add your organization to the Legal Services Initiative Interest Form to receive updates when the program is launched this summer.

Add your nonprofit to the Interest Form



Guest column by Tangelo Tree Consulting

### Protecting your mission through financial scenario planning

The challenges faced during the Great Recession of 2008 – 2011 remind us that nonprofits are often the last line of defense in uncertain times. Nonprofits today operate in similar circumstances — exploding demand, cratering revenue, and threats to survival.

That's where financial modeling for scenario planning comes in: protecting your mission by strategically planning for risk and resilience. The future will remain too complex to predict, but you can prepare for whichever version arrives with scenario planning.

# What Is Financial Modeling for Scenario Planning?

Financial modeling for scenario planning is building out alternative financial projections — base, best-case, worst-case, or specific-risk-based scenarios — to understand how different futures could affect your nonprofit's programs, people, and sustainability. It's not about detailing every line item. It's about focusing on the key financial drivers and assumptions that matter most.

Whether prompted by your annual strategic planning cycle or recent disruptions, scenario planning is a powerful way to understand potential futures' impact and respond confidently. You're not trying to get every forecast precisely right; you're building a tool that helps you flex, adapt, and lead.

## Why Do It? The Benefits in 2025 and Beyond

In today's environment, scenario planning offers concrete advantages:

 Faster decision-making: When disruption hits, a ready-made plan shortens response time and helps you pivot quickly.

- Improved risk management:
   Scenario modeling surfaces hidden risks and forces you to ask, "What if?" then prepare accordingly.
- Strategic confidence: With options in place, leadership can move decisively and communicate clearly.
- Mission sustainability: Aligning financial plans with your long-term strategy ensures your core work is protected, even in tough conditions.

As one nonprofit CFO put it, "You're not predicting the future — you're preparing to stay mission-focused no matter what arrives."

# How to Do It: A Strong, Inclusive Process

Effective scenario modeling isn't just technical, it's strategic and participatory:

- 1. Define a clear, collaborative process. Involve staff across departments, not just finance. Use planning guidelines to center equity and mission, especially in hard trade-offs.
- Focus on key drivers. Identify the 3-5 most important revenue and expense variables — like participant numbers, major grants, or staffing that have the biggest impact and most uncertainty.
- 3. Model programs explicitly. Map out how each scenario affects individual programs, not just the overall budget.
- 4. Use your accounting system structure.

  Design your model around your chart of accounts or department codes so that it's easy to keep updated.
- 5. Develop a few realistic scenarios. A base-case plus best-case and worst-case models is often enough. Anchor each to real risks or decisions like delayed program starts, revenue dips, or expansion opportunities.

6. Make it a communication platform. Build your model to tell a story, not just crunch numbers. Aim for 4–5 key takeaways that resonate with staff, boards, and funders alike.

#### Good Process = Better Outcomes

Strong scenario planning isn't about having the "perfect" model. It's about the thinking and dialogue the process creates. When built collaboratively, these models foster shared understanding, uncover operational realities, and strengthen alignment. They also become decision-support tools — not just spreadsheets — with built-in actions and trigger points (e.g., "If revenue drops 15 percent, initiate Plan B").

Ultimately, financial modeling for scenario planning helps nonprofits move from reaction to intention — from fearing the unknown to preparing for it.

#### Ready to Start?

Launching this work doesn't require perfection, but it does benefit from structure. We recommend using a simple project management tool to plan your process. Break it into key phases — driver identification, model building, scenario development, and communication. If you're not sure where to begin, try our <u>Financial Model Planning Template</u>.

By investing in forward-looking financial planning, your nonprofit builds not only budgets, but also resilience. And that's the heart of protecting your mission.

<u>Tangelo Tree Consulting</u> helps nonprofits explore new models, analyze potential for greater impact, make big strategic decisions, and plan for change.

 $\mathbf{6}$ 

**Spring 2025 | Nonprofit News Spring 2025 | Nonprofit News** 

### Nonprofit news & advancements



HACER welcomed Martha Hernández as associate director.



Dr. Margaret Cherne-Hendrick was named chief executive officer of Fresh Energy.



The Blandin Foundation welcomed Matt Hanson as grants program officer and Christy Marshall as grants management associate.



Benya Kraus was named Southern Minnesota Initiative Foundation president & CEO.



Jason Sanders was named the new CEO of BestPrep.



Saint Paul Neighborhood Network announced Bonnie Schumacher as their new executive director.



LegalCORPS welcomed Fransico Martinez as pro bono program specialist and Anastasia Walton as program coordinator.



Catherine Penkert joined Twin Cities Habitat for Humanity as chief of staff.



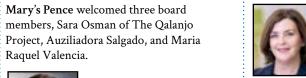
LatinoLEAD announced Marc Velencia of SRF Consulting as a new board nember.



Raquel Valencia.



resident of programs.





CEO of Second Harvest Heartland, Allison O'Toole, stepped down. Current COO Sarah Moberg was appointed interim CEO.



Children's Theatre Company welcomed Ryan French as managing director

NeighborhoodWorks Home

Partners welcomed Erin

Moran as director of

advancement.





Twin Cities Rise welcomed Sebrum Herron as community outreach coordinator and Zaynab Mourad as education and training program assistant.



The Animal Humane Society welcomed a new board member, Todd Lee of Bell



Katie Kline was named senior director of the Jewish Community Center.



The National Council of Nonprofits welcomed Kara Young Ponder as vice president of knowledge, impact, and strategy, and Sarah Saadian as senior vice president of public policy and campaigns.



Northwest Area Foundation welcomed Pakou Hang as vice







Amanda Williams was promoted to advancement associate at MAC Midwest.



Sahan Journal named two new board members, Eva McLarty of Ivenshure, LLC and Ellis O'Brien of Propel Nonprofits.



After nearly 10 years, Eric J. Jolly announced his retirement as CEO of the Saint Paul and Minnesota Foundation.

### Celebrate your new staff and board members!

MCN member organizations are invited to submit your staff and board announcements to Laura Dunford.

Please include their name, title, and photo if available. MCN cannot guarantee all announcements will appear in Nonprofit News.

### Does federal funding really matter in Minnesota? (Spoiler: yes)



Kari Aanestad Associate Director

Government funding of services through nonprofits is some of the best money that government invests because it leverages volunteers, community expertise and customization, and philanthropic dollars. MCN has received a myriad of questions about federal funding ever since the federal Office of Management and Budget (the federal entity that

processes funding) announced a freeze of all federal grants and loans January 28, then rescinded the freeze the next day in response to enormous outcry (advocacy works!), and yet countless groups have continued to report disruptions in their federal grant funding. Why is this such a big deal?

#### First, it's a lot of money that affects a lot of Minnesotans.

In total, \$23.4 billion or more of federal funding every year goes into Minnesota and ensures Minnesotans receive essential community services and support. In 2023, 1.4 million Minnesotans received crucial health care from Medicaid alone (about 1 in 4 Minnesotans), totaling \$12 billion. While some have looked to philanthropy to offset federal funding disruptions, foundation giving nationally is equivalent to only about 10 percent of total federal funding into the nonprofit sector.

#### At the highest level, federal funding flows into Minnesota through three channels:

- 1. As direct grants and sub-awards, contracts, direct payments, and loans to businesses, nonprofits, local units of government, and more. Data from USAspending.gov showed that in 2023, approximately \$795 million came to Minnesota nonprofits alone as contracts, grants, loans, and direct payments, which fund everything from violence prevention to medical innovation in dementia.
- 2. To the State, a part of which gets re-granted to nonprofits to provide essential community services. Minnesota Management and Budget estimates that federal funding accounted for nearly 35 percent of the state's 2024-2025 biennium budget (\$42 billion). Total State grant funding to nonprofits in a given year can range from \$1-2 billion.
- As program service fees, when nonprofits provide essential services through federally-funded and stateadministered programs (such as Medicaid, SNAP, TANF, CHIP). While it's hard to know exactly how much federal funding flows to nonprofits as program service fees because the data simply isn't available in that

format, reasonable estimates are in the hundreds of millions annually.

#### Disruptions and/or cuts to federal funding in Minnesota results in a myriad of detrimental impacts:

- Significant harm to Minnesotans: A payment delay of even a few days can result in everyday services shutting down and staff being laid off or furloughed. These disruptions can mean loss of essential programs for Minnesotans, particularly in rural communities where services are geographically dispersed.
- Adverse impacts on Minnesota workers and local economies: Furloughs and layoffs not only impact clients, but also Minnesota's nonprofit professionals (which represent 13 percent of the workforce in the state). It is already challenging to attract and retain staff, and we may continue to lose vital talent from our sector if we cannot operate with consistency.
- Inefficient nonprofit operations: Temporary furloughs or layoffs of staff due to funding disruptions, and then rehiring and onboarding of workers all require a significant administrative time that could have otherwise been invested in other mission-advancing activities.
- Threatens the sustainability of nonprofits: Nonprofits that receive government funding have built their operations around an otherwise reliable reimbursement model. Nonprofits are stringently vetted, then receive government funding after first incurring grant-related expenses. Nonprofits then invoice the government and are repaid. While most nonprofits don't have an excess of unrestricted cash available, historically repayment has been prompt. However, most nonprofits operate on thin financial margins and are critically impacted when government funding disruptions occur.

While short term-disruptions are devastating for nonprofits and the communities they serve, the implications of longerterm funding cuts can be permanent, and for many vulnerable populations, it can mean life or death. As a nonprofit in St. Paul noted, "I fear people we serve won't receive the public benefits and supports they rely on just to scrape by weekto-week. People who are already in the most precarious financial, emotional, mental health situations will lose access to the supports and sector that keeps them afloat."

The impact of reliable federal funding in creating an equitable and thriving state cannot be overstated. Yes, federal funding in Minnesota matters.

Guest column by Rachel Martin Asproth, communications manager, The Food Group

### SNAP cuts: irreplaceable safeguard against hunger at stake

The Food Group recorded a record-breaking 9 million visits to food shelves in 2024. That's an increase of 1.4 million compared to 2023, and 2.5 times the total visits in pre-pandemic 2019. These staggering numbers underscore the rising need for food assistance in Minnesota—and the importance of the Supplemental Nutrition Assistance Program (SNAP).

Formerly known as food stamps, SNAP is a federal program that provides food benefits to supplement grocery budgets and increase food access. Through SNAP, people can afford to purchase nutritious food. This bolsters local economies and improves lifelong health outcomes.

For families facing food insecurity, every dollar counts. Through SNAP, their resources can go much farther. Yet SNAP is currently under threat with Congress considering \$230 billion in cuts.

From Anoka to Beltrami to Hennepin, nearly half a million people in every county in Minnesota used SNAP benefits in 2024 — 37 percent of those participants were children, 17 percent were seniors, and 12 percent were individuals with disabilities.

Beyond food security, SNAP is proven to support participants' overall wellbeing and economic stability, freeing up vital funds for other basic needs like housing and transportation. Research also shows that children who receive SNAP benefits early in life see better educational, job, and wellness outcomes as adults.

SNAP also builds up local economies. Every \$1 in SNAP benefits generates approximately \$1.50 in local economic activity because recipients use their benefits at local businesses. Farmers, grocers, and retailers across the state rely on SNAP benefits to sustain their businesses.

Federal cuts to SNAP will have a ripple effect across Minnesota, leading to poorer health outcomes, increased health care costs, and less economic stability for low-income families. The heaviest burden of cuts will inevitably fall on communities already more vulnerable to food insecurity.

Many Minnesotans utilize both food shelves and SNAP to put food on the table. Due to rising housing costs, inflation, and other economic challenges, many people simply can't afford necessities like nutritious food.

Food prices increased significantly through the COVID-19 pandemic and remain high. The same groceries that cost \$100 in 2019 cost \$128 in 2024 – a 28 percent increase over four years. That strain compounds month to month in families' budgets, cutting into savings and making it hard to keep up with costs. The tariffs being considered by the Administration may widen that gap even further. It's clear that more — not less — support for families and Minnesotans is needed.

Rhory, a SNAP recipient and member of The Food Group's Lived Experience Cohort, shared that she needed both SNAP and food shelf assistance during a particularly hard time in her life: "Over 2 years ago, I lost 100 percent of my income due to a medical issue. At first, I thought it was a lot of food money (more than I had when I was working) but I'm really feeling the inflation and rising prices, so I use food shelves to help fill the gap."

Minnesota's food shelves have risen to meet the growing need. They have been nimble and responsive over the past four years, expanding their operation hours and allowing for unlimited visits. Yet for every one meal Minnesota food shelves provide, SNAP provides nine.

SNAP is essential for ensuring Minnesotans have food in their pantries. Minnesota's food shelves cannot close the gap created by proposed federal cuts to SNAP. Many local food shelves are currently operating with less resources even as they see greater community need. Recent federal cuts to the USDA'S CCC TEEFAP Program have left many food shelves with less free food to distribute to their communities this year. This may mean people can't visit as often, or they may go home with less free food.

More than ever, SNAP is an irreplaceable safeguard against hunger. Without this proven anti-hunger program, Minnesotans will struggle to put food on the table and state food shelves may be pushed beyond their capacity.

The Food Group is a nonprofit working toward food justice and equity. For over 45 years, they have been providing nutritious and quality foods to people across 30+ counties in Minnesota.







Direct Mail



Large Forma



Offset Printing



Digital Printing



Packaging

OUR **VISION** IS TO CREATE **PROSPERITY** FOR OUR EMPLOYEES,

CUSTOMERS AND STAKEHOLDERS.

#### CONTACT INFORMATION

- info@dolanprinting.com
- 612.379.2311
- www.dolanprinting.com







Minnesota Council of Nonprofits 2314 University Avenue West, Suite 20 St. Paul, MN 55114 -1802 Address Service Requested

Update your record with MCN

by emailing info@minnesotanonprofits.org.

# **Upcoming Trainings**

Opportunities to prioritize your professional development, with reduced rates for MCN members. <a href="https://www.minnesotanonprofits.org/events">www.minnesotanonprofits.org/events</a>



June 10	Evaluation for Grantseekers: From Proposal to Reporting  1 p.m 3 p.m.   Virtual	June 26	The Art of Conflict Communication 9 a.m 1 p.m.   In-Person, St. Paul
June 11	Leading with Care: Trauma- Informed Leadership 9 a.m 11:30 a.m.   Virtual	July 8	Engaging Your Board in Fundraising Without the Struggle 1:30 p.m 3:30 p.m.   Virtual
June 18	Implementing Your Strategic Plan Amidst Uncertainty	July 9	Practical Leadership Essentials: Cultivating Thriving Supervisory Relationships
	10 a.m 12 p.m.   Virtual		8:30 a.m 12:30 p.m.   In-Person, St. Paul
June 24	Cybersecurity and Data Privacy 101 12 p.m 1 p.m.   Virtual   FREE	July 15	Strategies to Onboard, Support, and Retain Your New Executive Director  9 a.m 12 p.m.   Virtual
June 24	Beginning Grantwriting 1 p.m 4 p.m.   In-Person, St. Paul	July 23	2025 Nonprofit Fundraising Conference 7:30 a.m 4:30 p.m.   In-Person, Minneapolis
June 25	Spotlight: Proactive Risk Mitigation for Nonprofits 8:45 a.m 3:30 p.m.   Virtual	July 29	Civil Rights Laws and Nonprofit Missions 1 p.m 2 p.m.   Virtual   FREE
June 25	Full Cost Accounting 11 a.m 1 p.m.   Virtual	July 30	Sabbaticals for Nonprofit Leaders 1 p.m 3 p.m.   Virtual