



2025

**Current Conditions
of Minnesota's
Nonprofit Sector**

July 2025



MINNESOTA
COUNCIL OF
NONPROFITS



Introduction

This report shares results from a survey the Minnesota Council of Nonprofits (MCN) conducted in 2025 from May to June (313 responses), to gauge current conditions for nonprofits. This survey builds from a special report series MCN developed in response to the COVID-19 pandemic that tracked nonprofit well-being over time throughout the pandemic, international movements for racial justice following the murder of George Floyd by Minneapolis police, economic challenges, and other events.

Between March 2020 and June 2025, 2,658 nonprofit leaders responded to nine surveys MCN conducted. Reports summarizing key trends, impacts, and outlook from previous surveys include:

- [May 2020](#)
- [July 2020](#)
- [December 2020](#)
- [May 2021](#)
- [December 2021](#)
- [October 2022](#)
- [September 2023](#)
- [September 2024](#)
- July 2025 (this report)

Each of these reports, as well as MCN's annual and longitudinal Minnesota Nonprofit Economy Reports, are available at: <https://minnesotanonprofits.org/resources-tools/sector-research>

Report Purpose

The primary goal of surveying nonprofit leaders is to provide a broader context for organizations to place their individual situation in perspective for decision-making and communications with their boards of directors, supporters, and staff.

MCN shares this information with nonprofits, policymakers, funders, media, and the general public to help them understand how the current environment has affected the nonprofit sector and actions these organizations have taken. Findings continue to underscore the crucial importance of multi-year general operating support from donors, providing flexible resources for nonprofits to creatively respond to the needs and priorities of their communities.

About the Minnesota Council of Nonprofits

The Minnesota Council of Nonprofits (MCN) is the statewide association of more than 2,200 Minnesota nonprofit organizations. Through its website, publications, workshops and events, cost-saving programs and advocacy, MCN works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector.

Report Authors

Shonni Kregel, MCN Research Manager; Kari Aanestad, MCN Vice President

Context Setting

The first six months of 2025 were tumultuous for Minnesota's nonprofit sector and the communities it serves. Since the change in presidential administrations in January 2025, the Trump Administration and Department of Government Efficiency (DOGE) have taken actions that have placed significant stress on nonprofit organizations and communities.

A flurry of presidential executive orders in January 2025 resulted in the disruption and, in some cases, cancellation of congressionally appropriated and legally executed grants and contracts to nonprofits. Two executive orders attempted to label diversity, equity, and inclusion work as “illegal”, resulting in legal challenges against the Administration and significant concerns being raised among nonprofits fearing a potential or actual loss of significant funding. At the same time, DOGE instituted abrupt mass administrative holds and/or layoffs of federal workers, which meant grant application, reporting, and payment systems and processes were disrupted and nonprofit grantees had difficulty reaching federal staff for help.

At the state level, the 2025 legislative session began in turmoil, marked by a series of unusual events in both chambers. Even after the session settled into a more regular rhythm, much of the legislative conversation centered on concerns about fraud, waste, and abuse in the use of public funds. Nonprofits were frequently, and often unfairly, swept into these discussions, even though most nonprofit partners operate with transparency, accountability, and deep commitment to community impact.

Soon after the end of the legislative session, on June 14, 2025 Minnesota House Speaker Emerita Rep. Melissa Hortman and her husband Mark were assassinated in their home, and that same night there was an attempted assassination of Rep. John Hoffman and his wife Yvette. These egregious acts of political violence were quickly condemned by leaders nationally, but the impacts continue to reverberate as communities mourn tremendous loss.

Furthering the tumult of the first half of 2025 for nonprofits, on July 4th, President Trump signed the “One Big Beautiful Bill” Act, that will take health care and food assistance away from millions of people in the U.S., through \$1 trillion in cuts to Medicaid and harmful policy changes to SNAP food assistance ([Urban Institute](#)). Medicaid and SNAP are essential safety net programs, many of which are delivered by nonprofits, that support 1 in every 4 Americans. Nationally, federal funding to nonprofits accounts for approximately one-third of all nonprofit revenue. [MCN](#) and [others](#) are actively analyzing this bill to understand the ways and degrees to which this bill will impact nonprofit organizations and communities.

Through the first six months of the year, unannounced raids by Immigration and Customs Enforcement have stoked fear among community members and raised legal questions among nonprofit employers that provide services to immigrants and refugees, particularly their rights as employers and best practices in ensuring the safety and protection of their clients.

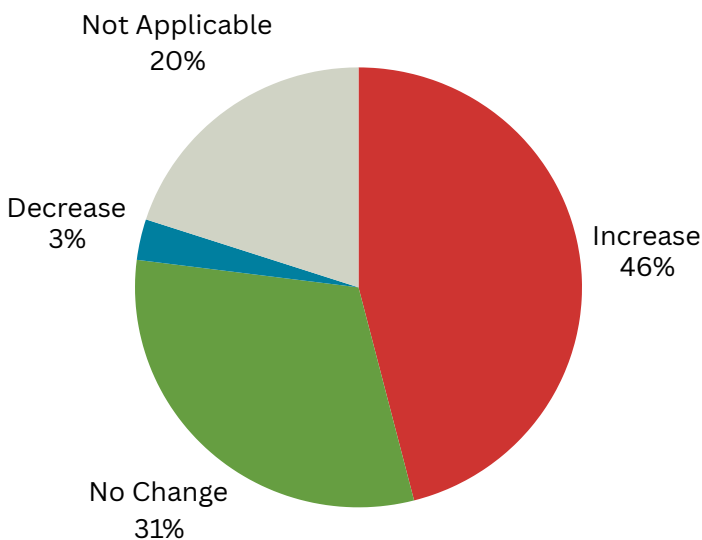
Context Setting

While the rapidly evolving federal context is placing added stress on nonprofits, there are a few important points to highlight among the results of MCN's 2025 Current Conditions Survey:

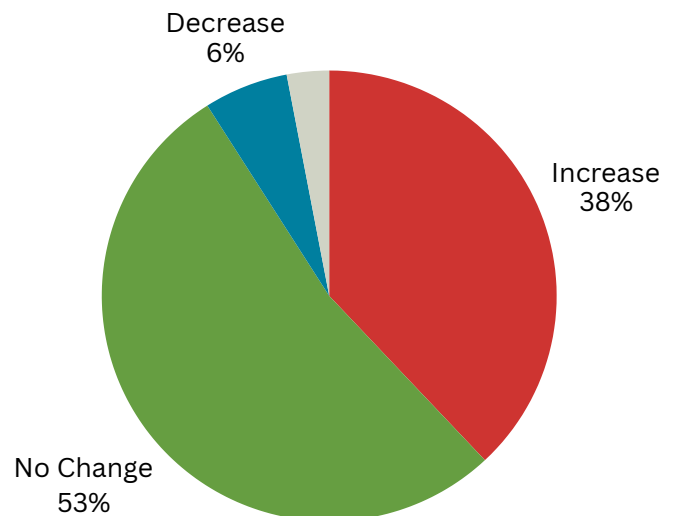
- Nonprofits continue to navigate uncertainty, advocate for their communities, and stay grounded in their missions. In the past year, nonprofit leaders have increased their consultation with their board of directors (46% of respondents), increased public policy work and/or lobbying (40%), and increased or maintained their work towards diversity, equity, and inclusion (92%). Looking forward, 46% of respondents intend to increase their public policy work and/or lobbying, and 38% of respondents expect to increase their work toward diversity, equity, and inclusion (and 53% intend to maintain their efforts).

*Looking **forward**, what changes (if any) is your organization considering or planning on making in the coming year?*

Public policy work and/or lobbying



Working towards diversity, equity, and inclusion

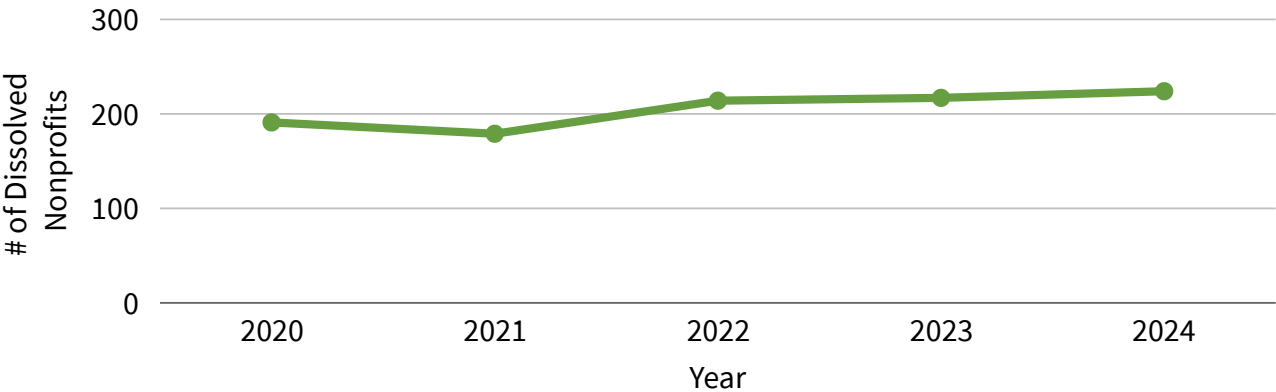


There are mounting concerns that the pressures and challenges nonprofits face are going to result in imminent mass closures of organizations. While that may be true for some, the financial health of the sector as a whole doesn't foreshadow such an event:

- Roughly one-third of respondents to the 2025 survey indicated they anticipate ending fiscal year 2025 in a deficit, which is about the same percentage of groups who reported ending 2024 in a deficit.

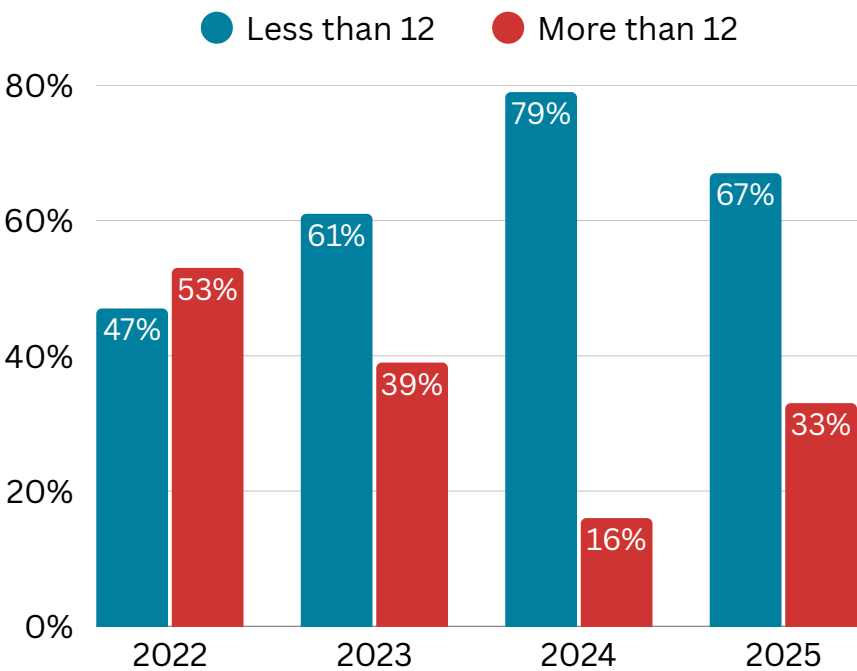
Context Setting

- Data from the MN Attorney General's Office shows a stable number of nonprofit dissolving year over year.



- In 2024, an alarming 79% of respondents indicated they had less than 12 months before exhibiting financial distress. In 2025, this percentage dropped to 67%. Primary drivers of operating deficits and financial distress continue to be increased expenses, stagnated charitable giving, increased demand for services, and now significant disruptions in government funding.

How many months can you operate in the current environment before exhibiting financial distress?



Context Setting

While the impacts of federal funding disruptions are, for the most part, yet to be seen, most respondents expect to continue operations in the next year. Only 4% indicated an intent to sunset, and 5% indicated an intent to merge with another nonprofit organization. The three most common actions organizations anticipate taking in the next year are putting an expansion plan on hold (35%), implementing a hiring or salary freeze (33%), and/or eliminating staff positions (28%). In the long answer responses of our survey, these three actions were not concrete plans for most nonprofit leaders. Rather, they would be possible actions if funding were cut from the organization.

Nonprofits provide real solutions that collectively drive toward shared goals of a healthy, cooperative, and just society. The nonprofit sector is a substantial contributor to Minnesota's economy – with 10,000 nonprofit organizations employing over 380,000 workers that generated over \$100 billion in economic activity in 2024 while providing essential services to Minnesota's communities. From food banks to charter schools to theaters and hospitals, nonprofits touch the lives of every Minnesotan and make up 13 percent of the state's total workforce. For more information about the role and contributions of nonprofits to Minnesota's economy, access MCN's Minnesota Nonprofit Economy Report series available at <https://minnesotanonprofits.org/resources-tools/sector-research>.

Key Findings

Key Point #1: 2025 Continues to Bring Tough Conditions for Nonprofits

Nonprofits continue to report financial challenges driven by stagnant or decreased funding, increased expenses, and increased demand for services. 70% of respondents reported that they have seen an increase in the demand for services over the past year. In response, 47% report that they will increase their programming or services delivered over the next year. Increasing capacity becomes difficult with expenses rising and decreased or stagnant funding. A record 82% of respondents reported that their business expenses have increased. While 53% of respondents reported a decrease in grants from foundations, 46% of respondents reported a decrease in government funds, and 35% of respondents reported a decrease in individual giving.

Key Point #2: Navigating Uncertainty Within the Organization and the Broader Community

Many organizations discussed the impact of navigating uncertainty due to recent federal actions, including funding disruptions, attacks on DEI, and increased ICE raids. Due to the chaotic landscape, 50% respondents are reporting a decrease in staff morale. Respondents also acknowledge the feelings of uncertainty within the communities they serve. Nonprofits that work with targeted communities, like immigrants and refugees, reported that community members are more hesitant to seek their services because of fears of deportation. In response, nonprofits are taking action to address uncertainty. 73% of respondents have increased their fundraising efforts, 54% of respondents have increased their annual operating budget, and 46% of respondents have increased consultation with their board of directors.

Key Point #3: Mounting Tensions on Government's Oversight of the Nonprofit Sector

Nationally, there are mounting tensions on what the government's role should be in civil society, and the nonprofit sector has been entangled in these tensions. Within Minnesota, there has been a recent focus on "fraud, waste, and abuse" and many legislative proposals at the state Capitol have painted all nonprofits with the same brush, rather than focusing on targeted, effective oversight. Some respondents stated their organization has been negatively impacted because of the Feeding Our Future fraud case and actions taken by the legislation. Nonprofits rely on the public's trust in order to accomplish their charitable missions. One way to build trust with the public and state legislators is to increase advocacy or public policy work. Some advocacy work that nonprofits have done in the past year include contacting elected officials regarding issues that connected to their mission (66%), contacting elected officials regarding issues that impact the nonprofit sector (56%), and participating on a sign-on letter (55%).

Key Finding #1**2025 Continues to Bring Tough Conditions for Nonprofits**

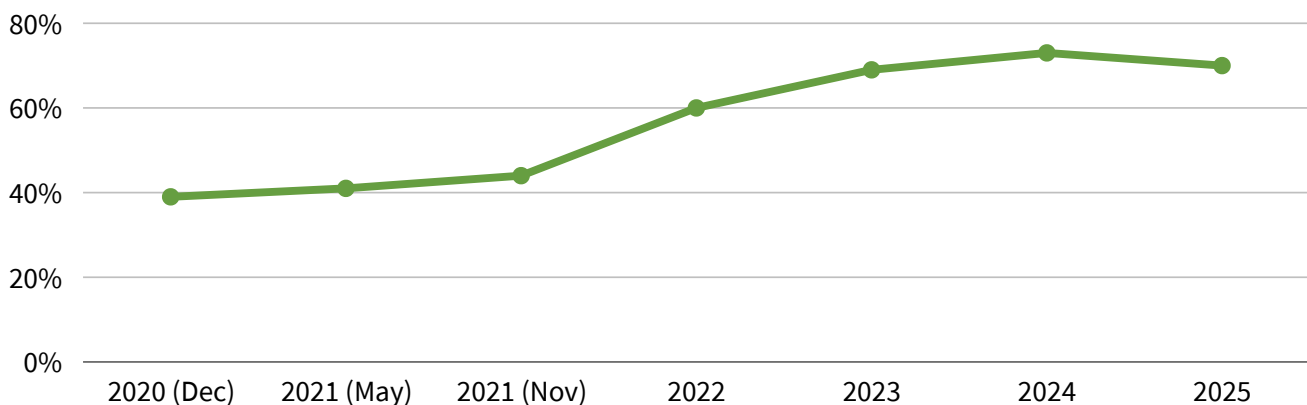
Overall, nonprofit organizations continue to report tough conditions for their work. Foundations, corporations, and individuals mobilized quickly in the height of the pandemic to increase giving and ensure that nonprofits had the resources they needed to deliver their charitable missions, and temporary pandemic relief funding from the government provided short-term solutions for unprecedented disruptions. In 2023, however, nonprofits began reporting that they had spent the funds and were quickly approaching a COVID fiscal cliff. Past MCN current conditions reports detailed a perfect storm of conditions that led to a staggering 79% of respondents to MCN's 2024 survey reporting they had less than 12 months before exhibiting financial distress. Other conditions that nonprofits reported included:

- Increased demand for services
- Increased expenses, largely driven by inflation, program expansions to meet community need, and efforts to increase staff salaries and benefits to keep pace with rising costs of living
- Stagnated or decreased funding from government, foundations, corporations, and individuals

In 2025, nonprofits continue to report financial challenges driven by those same conditions, although intensity appears to have decreased slightly as the percentage of respondents reporting increased demand for services and having less than 12 months before exhibiting financial distress have declined slightly.

5 Year Trends in Percentage of Respondents Reporting Increased Demand for Services

Respondents to MCN's Current Conditions Survey



In 2025, 70% of respondents reported that they have seen an increase in demand for services over the past 12 months and 47% of respondents are planning on increasing their programming or services delivered in 2025. In particular, organizations that address mental illness, access to affordable housing, food scarcity, immigration and refugee support, and many others are seeing a rise in the number of people seeking their services. As social safety net programs are threatened to be cut, especially after the “One Big Beautiful Bill” has passed, many nonprofits predict that their demand for services will continue to increase.

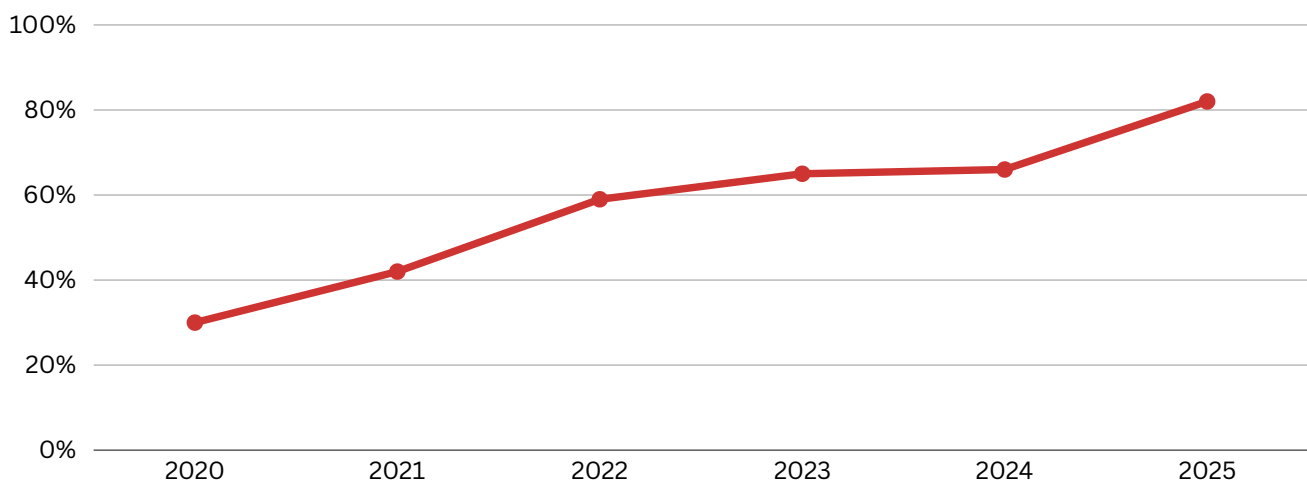
The needs are present across our community - we are not able to serve even half of the applications we receive now - and not completely. We're making difficult choices about who is most in need and what is most urgent to address. Our clients are more desperate and more worried about the impacts of not having services.

- Housing Nonprofit in Hennepin County

In addition to an increase in demand for services, nonprofits are continuing to report increased expenses, with a record 82% of nonprofits reporting their expenses have increased over the past 12 months. Many attribute their increased expenses to the rise in costs from inflation and predict that unpredictable global tariffs on goods imported into the United States will further increase prices.

5 Year Trends in Percentage of Respondents Reporting Increased Expenses

Respondents to MCN's Current Conditions Survey



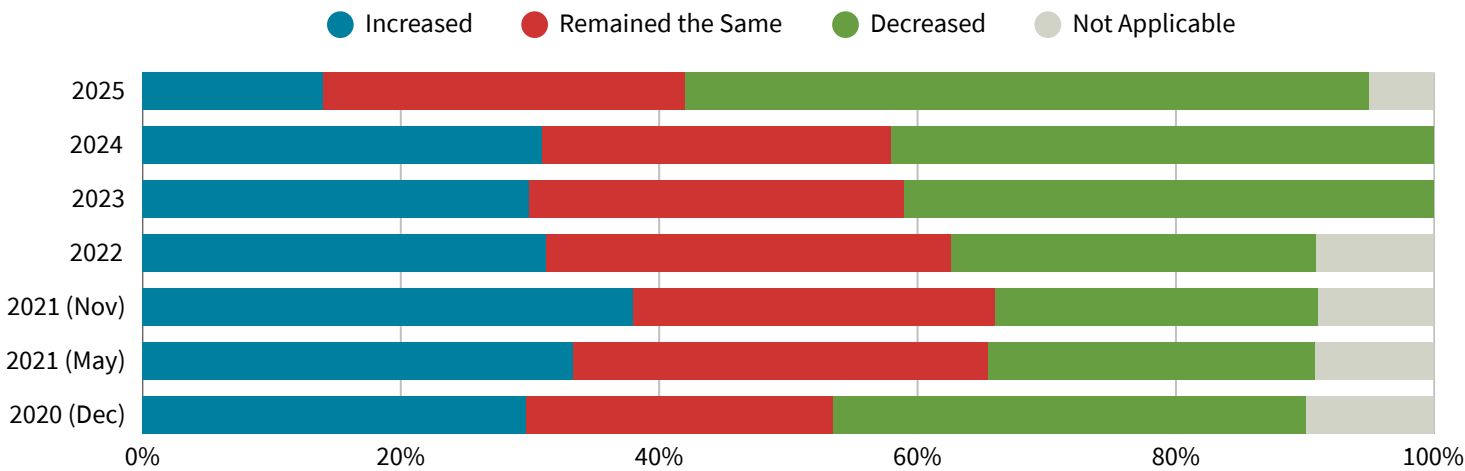
Alongside a rise in demand for services and expenses, nonprofits continue to struggle with decreasing or stagnant funding, which first emerged in 2023 after years of record-level charitable giving between 2020-2022. Over the past 12 months:

- 53% of respondents reported a decrease in grants from foundations
- 46% of respondents reported a decrease in government funds
- 35% of respondents reported a decrease in individual giving; Some respondents discussed how their donors are feeling uncertain about the economy and therefore less willing to donate or are donating less than previous years.

These are the highest number of respondents reporting a decrease in funding from foundations and government over the 5 years of MCN conducting this analysis. Due to the decrease in funding across categories, 73% of nonprofits reported that they will increase their fundraising efforts over the next year.

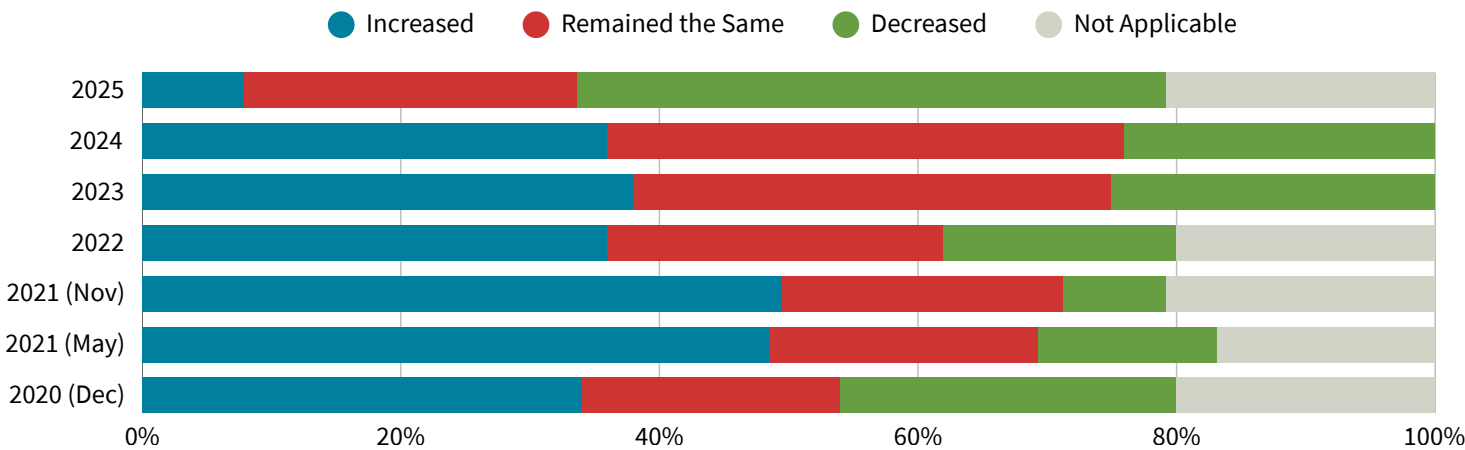
5 Year Trends in Grants from Foundations or Corporate Giving

Respondents to MCN's Current Conditions Survey



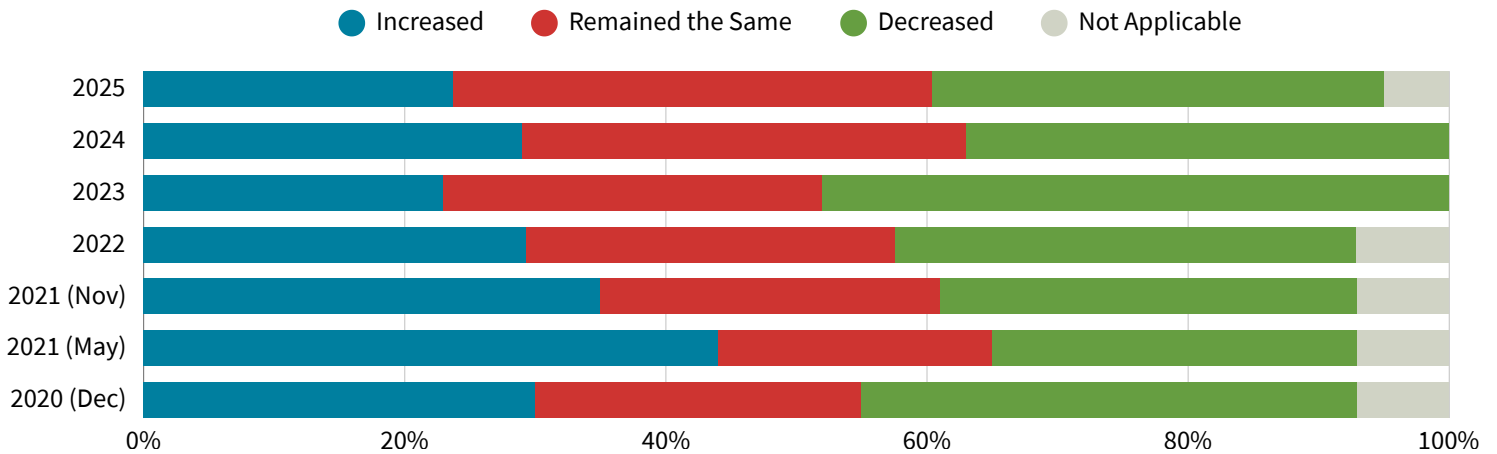
5 Year Trends in Grants/Funding from Government

Respondents to MCN's Current Conditions Survey



5 Year Trends in Donations from Individuals

Respondents to MCN's Current Conditions Survey



Our budget is not keeping pace with the demand for our services. We have seen individuals and foundations tightening their budgets due to economic uncertainty. Many corporate funders have withdrawn or decreased support, citing tariffs and other increased business expenses.

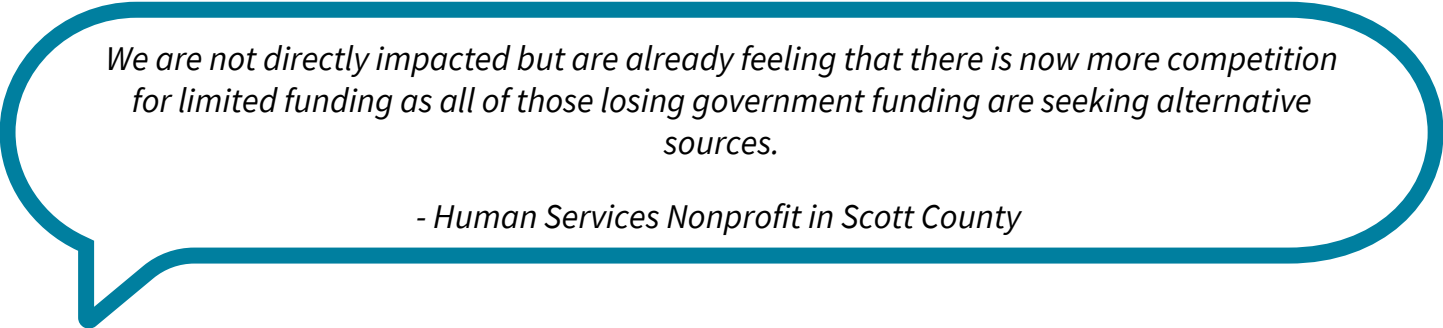
- Human Services Nonprofit in Hennepin County

Following an executive order from the Trump Administration, the federal Office of Management and Budget (OMB) on January 27th, 2025, released a memo issuing an immediate freeze of all federal grants and loans to nonprofits. Prompted by a lawsuit issued by the [National Council of Nonprofits](#) and Democracy Forward and the advocacy of thousands of nonprofits nationwide, a judge in the U.S. District Court for the District of Columbia quickly blocked the federal freeze and the White House rescinded this memo two days after it was released. Regardless of this reversal, countless nonprofits across the country continue to report they are still experiencing freezes and cancellations of grants and contracts. While some national organizations are attempting to track these freezes and cancellations through self-reporting and publicly available data, due to the complexity of how government funds are distributed, it is extremely difficult to name exactly how much federal funding has been frozen or cancelled in the past seven months. Respondents to the 2025 Current Conditions Survey articulate the impact that nonprofits in Minnesota are feeling.

Overall, 88% of respondents indicated their organization has been disrupted on some level by recent actions of the federal administration. 59% of respondents reported that they currently receive at least some percentage of their annual income from federal funding. Both in MCN's 2025 Current Conditions survey and another MCN survey on federal freezes, respondents raised concerns about the immediate effects on their programming, ability to pay their staff, and ultimately keep their doors open. Since many nonprofits are already struggling with funding and demand for services, any disruption in government funding (particularly reimbursements on allowable expenses they have already incurred) could be felt immediately and have a detrimental impact. A handful of respondents described the effect as “devastating” if their organization were to lose federal funding.

While some proponents of the federal funding cuts have suggested that it is up to private philanthropy to fill the gap, it's important to note that charitable grants from foundations are equivalent to only about 10 percent of total federal funding into the nonprofit sector nationally ([Nonprofit Quarterly](#)).

Nonprofits that receive little to no federal funding reported that seeking funding from philanthropy or private donations has become more competitive as more nonprofits are seeking to replace lost government revenue.



We are not directly impacted but are already feeling that there is now more competition for limited funding as all of those losing government funding are seeking alternative sources.

- Human Services Nonprofit in Scott County

For more information on the impacts of federal funding on nonprofits, read “Does Federal Funding Really Matter in Minnesota? (Spoiler: Yes)” ([MCN Nonprofit News Spring 2025, pg 8](#))

Key Finding #2**Navigating Uncertainty within the Organization and the Broader Community**

Nonprofits discussed the drivers and impacts of uncertainty and actions they are taking to navigate a chaotic landscape. The biggest factors driving uncertainty are largely attributed to recent federal actions, including funding disruptions, attacks on DEI, and increased ICE raids.

This uncertainty is especially concerning as demand for services continues to rise. The absence of timely and transparent communication from the federal level hinders our ability to meet community needs and creates instability in the local safety net. We remain committed to serving those who rely on us, but the lack of federal coordination is making it increasingly difficult to do so effectively.

-Human Services Nonprofit in Crow Wing County

Uncertainty's Impact on Staff Morale

50% of respondents to MCN's 2025 current conditions survey reported a decrease in staff moral (particularly among nonprofits that work with communities that are directly impacted by DEI rollbacks and funding cuts, and among staff that hold marginalized identities who fear for their own personal safety). As nonprofits face increased workload and stagnated or decreasing funding, many staff have the unfortunate burden of turning away individuals seeking their services or having to make a difficult and subjective decision on prioritizing need.

Although some factors that contribute to burnout are beyond a nonprofit leader's control (such as an increase in demand for services), leaders are working to uphold a healthy working environment for their staff and address burnout. One strategy leaders are implementing is increasing salaries and benefits. 55% of respondents reported that they have raised salaries for staff over the past year. And when looking forward, 45% of nonprofit leaders plan to raise salaries for their staff.

Uncertainty's Impact on Communities

Respondents discussed a deepening political divide and heightened tensions that impact the communities they serve because of actions taken by the federal administration. In particular, respondents discussed how community members expressed fear and uncertainty in the funding for social assistance programs and services offered by nonprofits, and immigrants and refugees reported feeling hesitant to seek out nonprofit services because of fear of deportation.

How nonprofits are navigating uncertainty

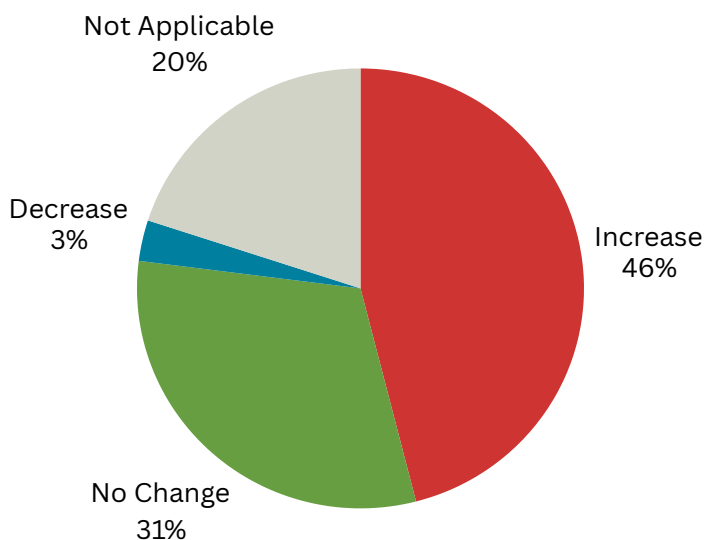
Many nonprofit leaders are actively engaging with their leadership teams, boards of directors, and communities in contingency and scenario planning, financial modeling, and strategic explorations. Over the past 12 months:

- 73% of respondents have increased their fundraising efforts
- 54% of respondents have increased their annual operating budget, largely driven by:
 - Increasing staff salaries and benefits (55%)
 - Increasing the level of programming or services delivered (45%)
- 46% of respondents have increased consultation with their board of directors

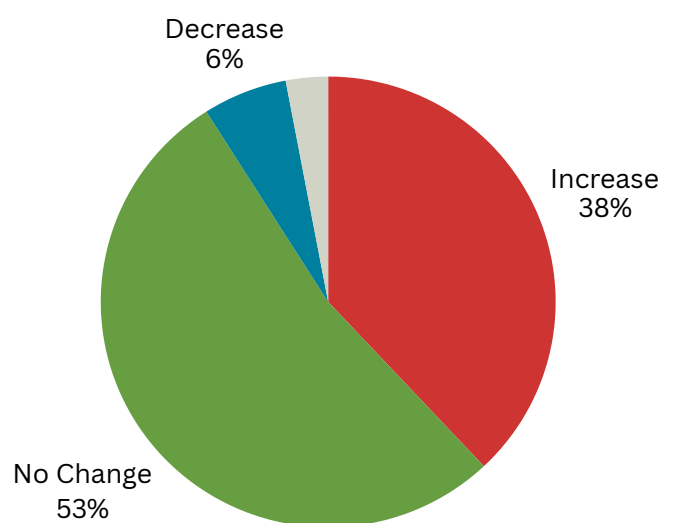
Additionally, the vast majority of nonprofits over the past 12 months have at least sustained their work toward diversity, equity, and inclusion (92%), and almost half have increased their public policy and/or lobbying efforts (40%). Looking forward to the next 12 months, nonprofits reported an intent to increase or sustain their public policy and/or lobbying work (46% and 31% respectively), and increase or sustain their work toward diversity, equity and inclusion (38% and 53% respectively).

*Looking **forward**, what changes (if any) is your organization considering or planning on making in the coming year?*

Public policy work and/or lobbying



Working towards diversity, equity, and inclusion



Key Finding #3**Mounting Tensions on
Government's Oversight on the
Nonprofit Sector**

Nonprofits provide real solutions that collectively drive toward shared goals of a healthy, cooperative, and just society. According to research by the [Lily Family School of Philanthropy](#), a significant swath of the general public does not understand the nonprofit sector, the role it plays in building and sustaining strong communities, or how this sector is funded to make it all possible. Nationally, there are mounting tensions on what the government's role should be in civil society, and the nonprofit sector has been entangled in these tensions. Nonprofits deliver a vast majority of essential community services on behalf of the government, and these misunderstandings and tensions (that are driving decisions such as funding cuts or redundant oversight rules) make it more difficult for nonprofits to operate.

Within Minnesota there has been a recent focus on "fraud, waste, and abuse" and many legislative proposals at the state Capitol have painted all nonprofits with the same brush, rather than focusing on targeted, effective oversight. Several respondents to MCN's 2025 current conditions survey specifically named that the Feeding Our Future fraud case and state legislation on nonprofit oversight more broadly has negatively impacted their organization.

We are also suffering the broader consequences of poor decisions made by other organizations—such as the Feeding Our Children scandal—which have damaged trust across the nonprofit sector and led to heightened scrutiny, even for those of us with long-standing records of transparency and accountability

-- Human Services Nonprofit in St. Louis County

Nonprofits rely on the public's trust in order to accomplish their charitable missions. The public supports nonprofits through charitable giving, volunteerism, board service, advocacy, and so much more. If trust in nonprofits is threatened, the community may be more hesitant to turn to nonprofits for their services, volunteer for nonprofits, or donate. This can hinder nonprofits in their ability to provide their essential services, which then negatively impacts the communities they serve.

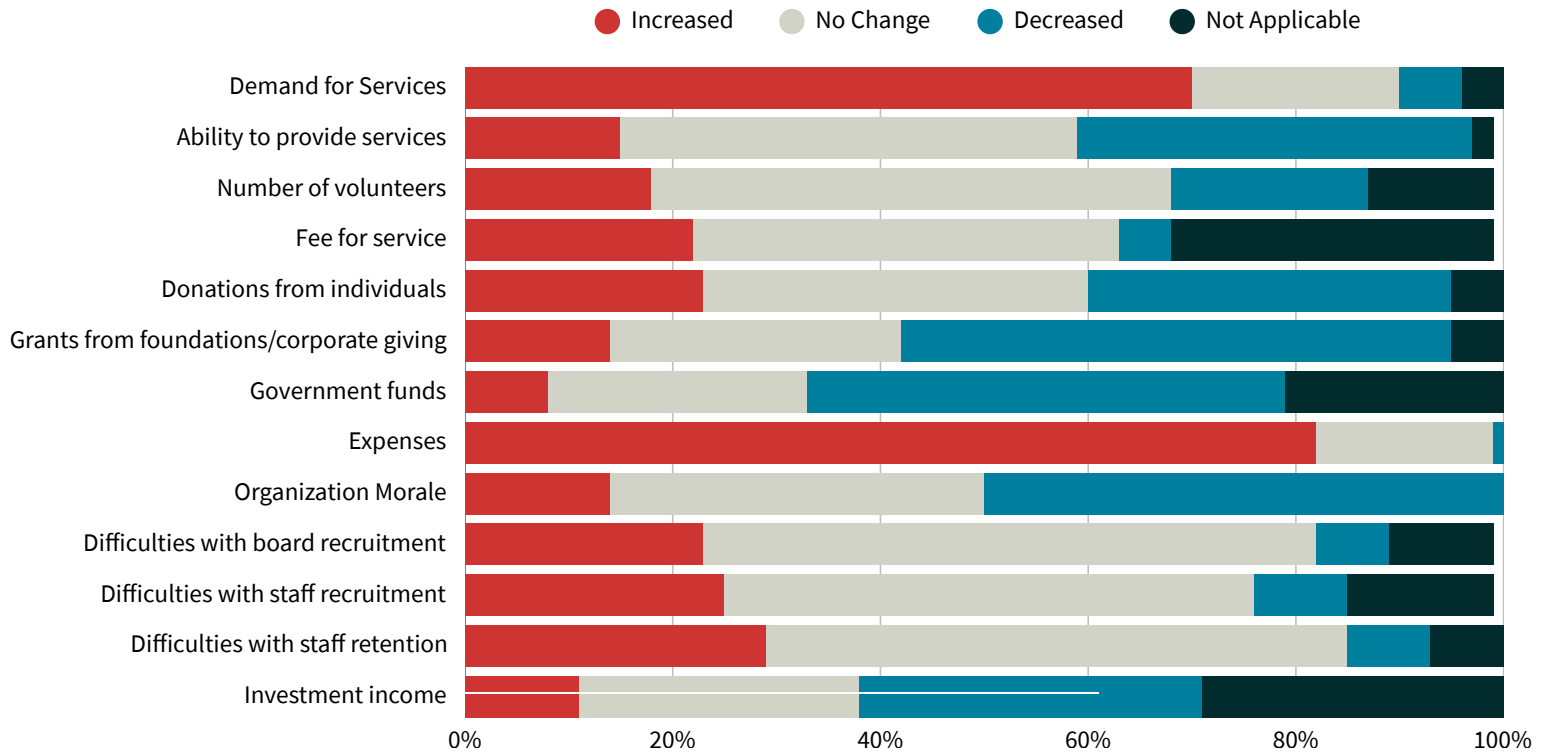
Many nonprofits are recognizing the important role that public policy, advocacy, and community organizing play in navigating this current moment. In the last year:

- 66% of respondents contacted elected officials regarding issues that connected to their mission
- 56% contacted elected officials regarding issues that impact the nonprofit sector
- 55% of respondents participated in a sign-on letter
- 51% of respondents participated in a coalition
- 47% of respondents organized people around issues that connected to their missions

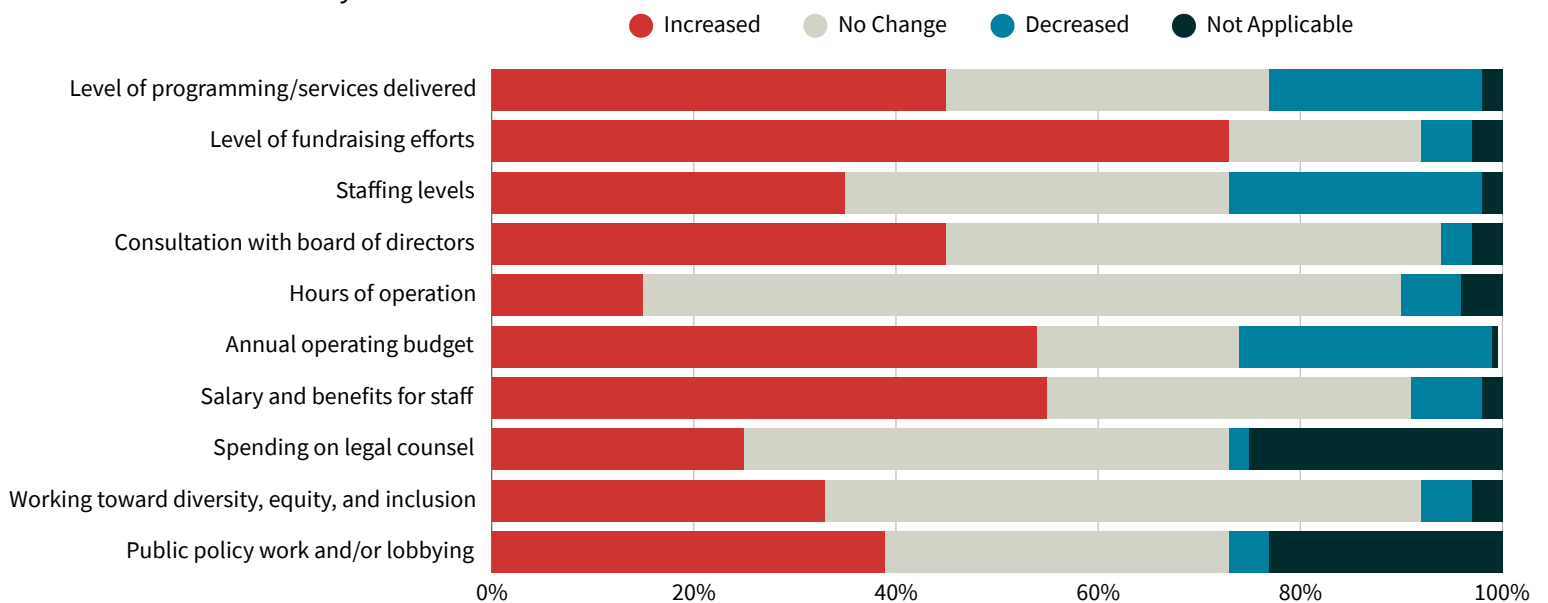
MCN has a variety of resources available for nonprofits who are interested in deepening their work around public engagement, advocacy, and lobbying: <https://minnesotanonprofits.org/resources-tools/topics/advocacy-public-policy>

More Data

Looking **BACKWARD**, in which of the following ways have current events (such as economic, political, lingering effects from the pandemic) impacted your organization in the last year?

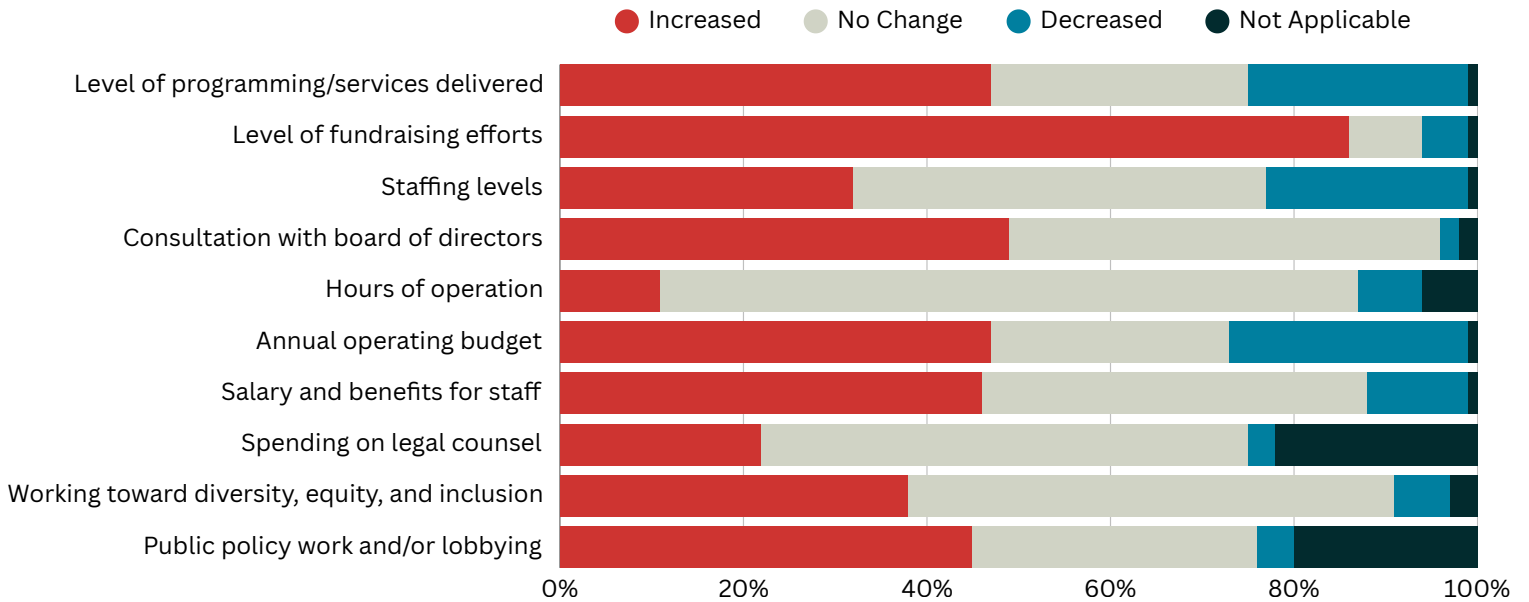


Looking **BACKWARD**, what changes have resulted from operational or management decisions you made in the last year?

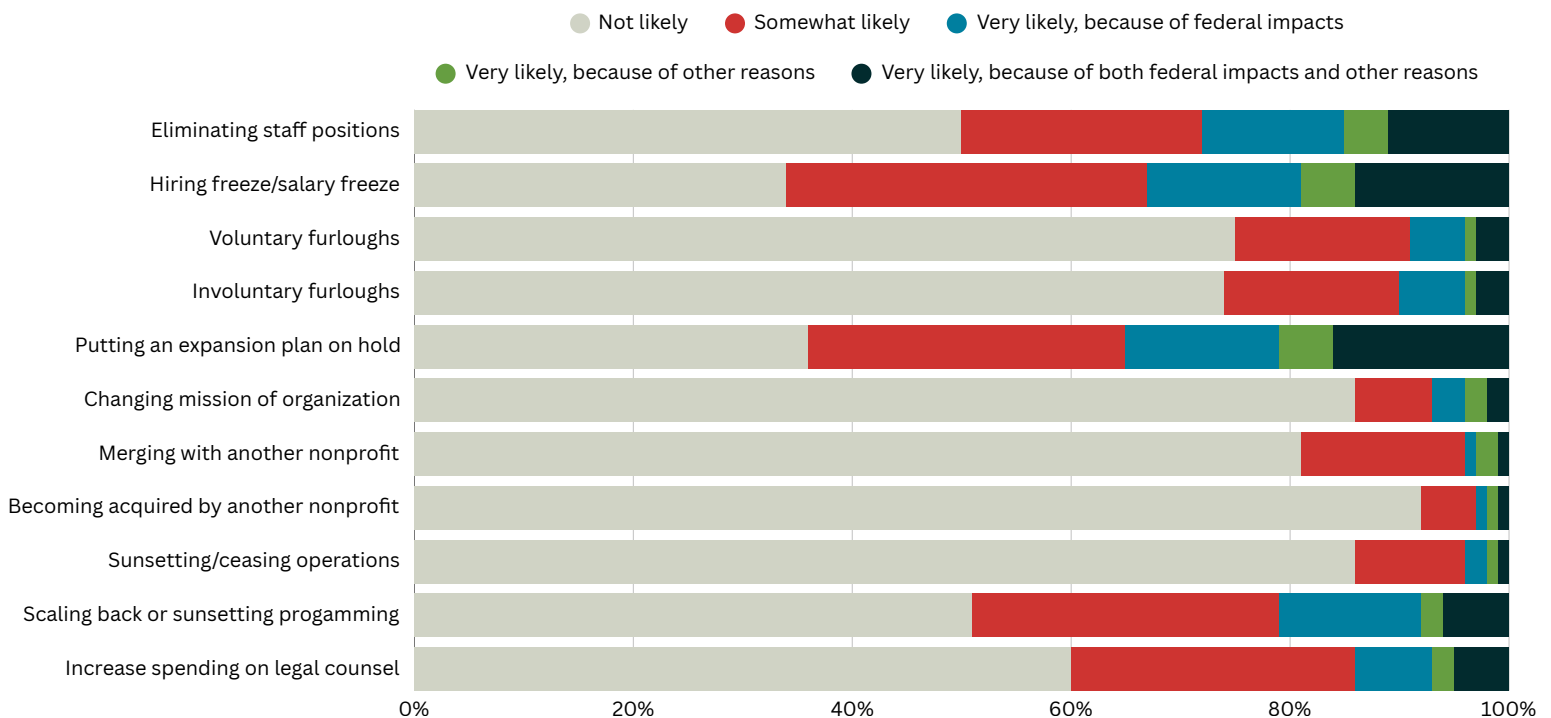


More Data

Looking **FORWARD**, what changes (if any) is your organization considering or planning on making in the coming year (compared to the previous year)?



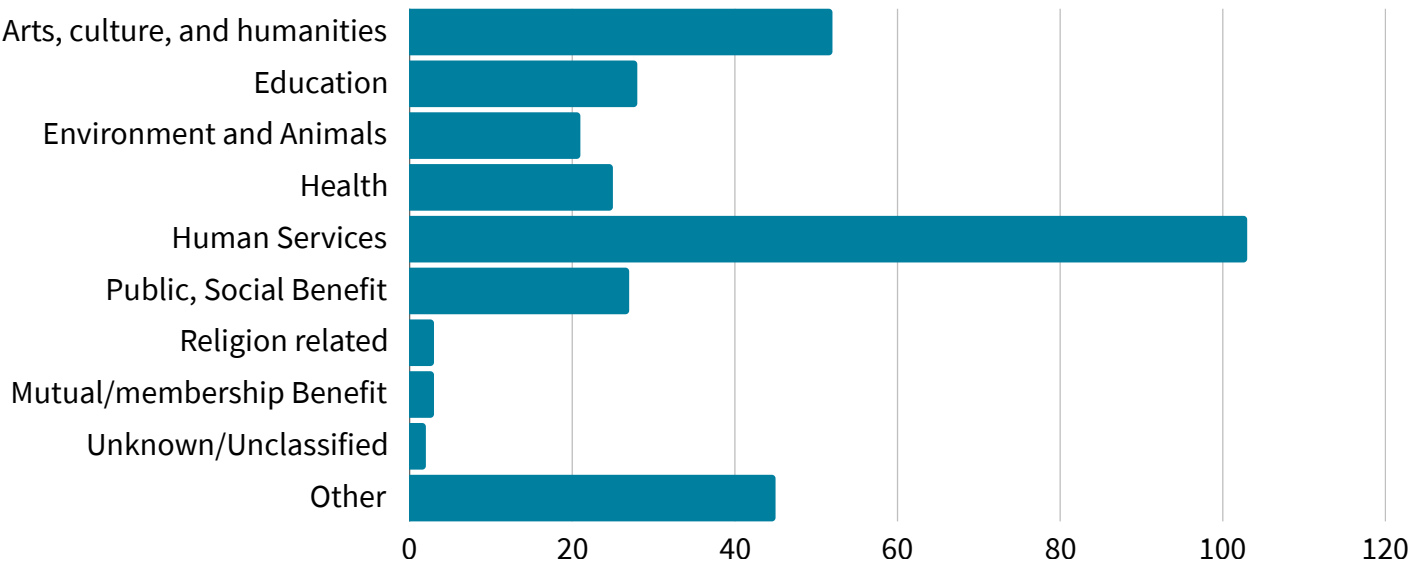
Looking **FORWARD**, what is the likelihood that your organization will implement any of the following in the next year?



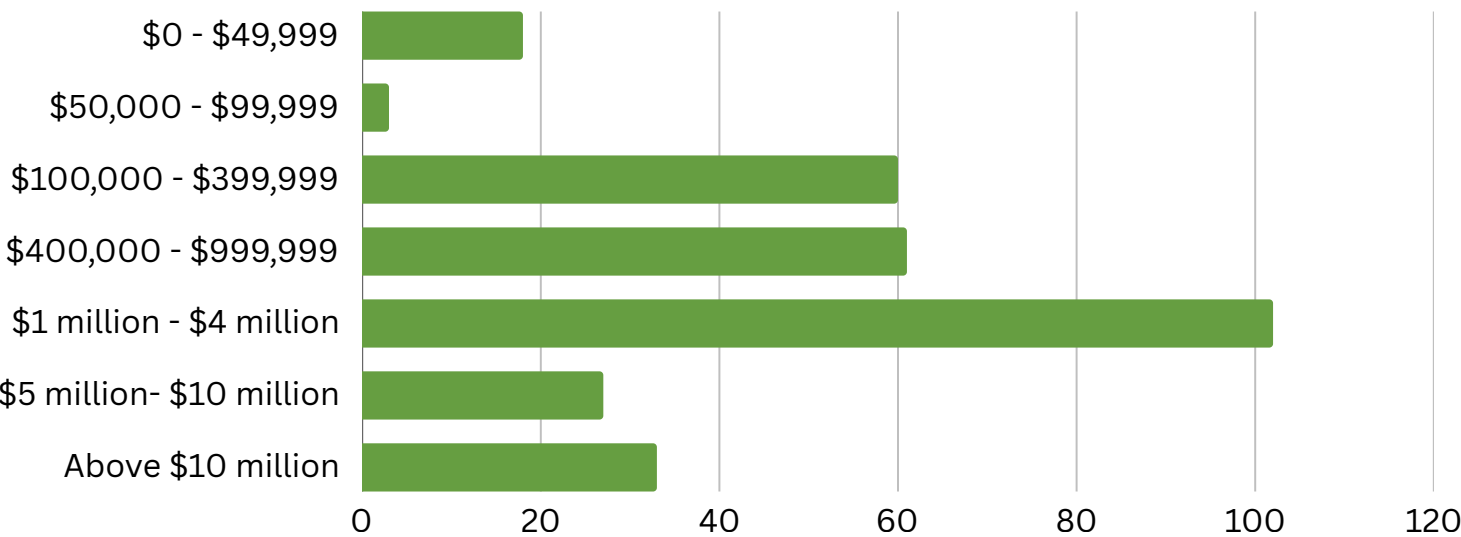
About the Respondents

This report shares results from a current conditions survey at the Minnesota Council of Nonprofits (MCN) conducted from May to June 2025 (313 responses).

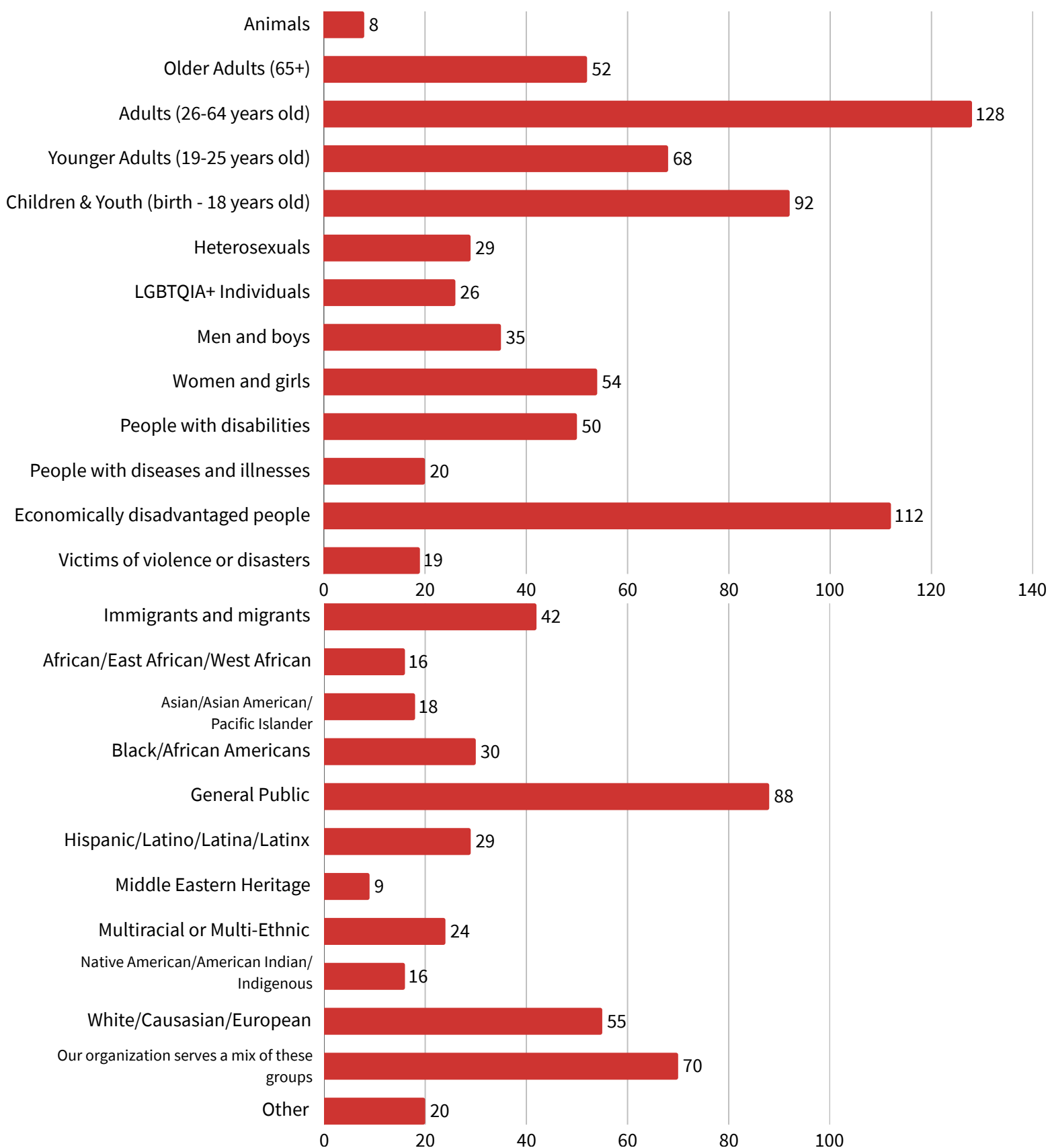
Which activity area best describes your organization’s work?



What is your organization's budget size?



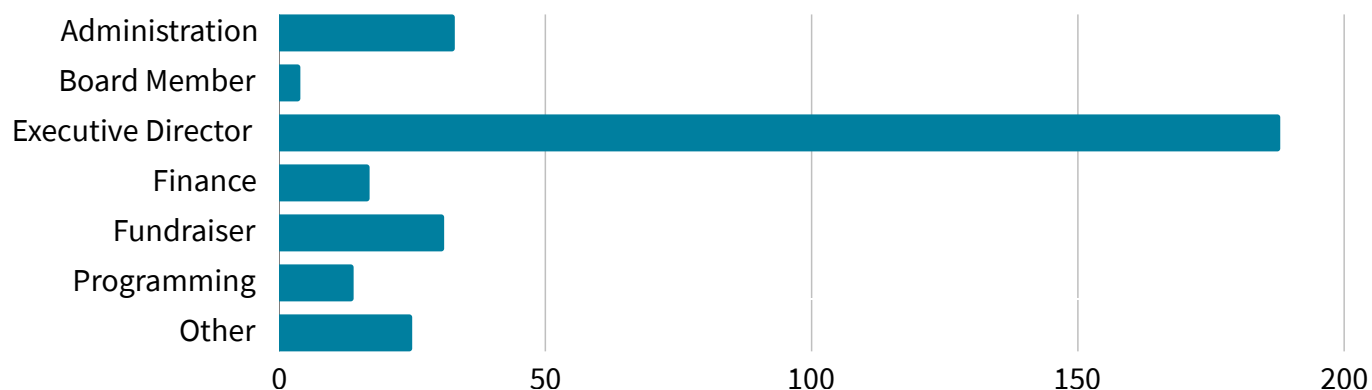
Who are your organization's primary beneficiaries?



Which county are you located in?

Anoka	1	Goodhue	2	Olmsted	4	Steele	1
Becker	1	Hennepin	64	Otter Tail	1	Stevens	1
Beltrami	2	Houston	2	Polk	2	Wabasha	2
Blue Earth	2	Itasca	2	Ramsey	37	Washington	3
Cass	1	Kandiyohi	1	Redwood	1	Winona	5
Clay	1	Koochiching	1	Rice	4	Wright	1
Cook	2	La Que Parle	1	Roseau	1	7 County Metro	25
Crow Wing	3	Lake	3	Sherburne	1	Multiple	25
Dakota	2	Morrison	1	St. Louis	10	Multiple Greater MN	34
Douglas	1	Mower	1	Sterns	7	Statewide	38

Which best describes your role in the organization?



About MCN

The Minnesota Council of Nonprofits (MCN) is a 2,200+ member strong network of nonprofits and allies. We are a trusted ally and advocate, providing relevant workshops and programming, timely sector research, state and federal advocacy, and a strong member network and benefits.

Visit our website or follow us on social media to discover how MCN can support your mission and professional development.

Our mission is to inform, promote, connect, and strengthen individual nonprofits and the nonprofit sector.



**Minnesota Council of Nonprofits 2314 University Avenue West, Suite 20
St. Paul, MN 55114**

**651-642-1904 | info@minnesotanonprofits.org
www.minnesotanonprofits.org**