



Nonprofit Legal Services Initiative



Nonprofit Financial Action Steps Checklist (2026)

This checklist integrates the 12 Urgent Financial Action Steps from Nonprofit Financial Commons with state-specific financial compliance requirements for Minnesota nonprofits. It is designed to help nonprofit organizations navigate financial risk and maintain operational stability in 2026. Sources include Nonprofit Financial Commons, Minnesota Council of Nonprofits, Minnesota Attorney General, and the IRS.

1. Monitor Cash Flow and Liquidity

- Track cash flow weekly and calculate LUNA (Liquid Unrestricted Net Assets): $(\text{Net Assets Without Donor Restriction} - \text{Fixed Assets}) \div \text{Typical Month's Expenses}$.

2. Review and Prioritize Expenses

- Defer non-essential expenses while ensuring payroll taxes and essential services are covered.

3. Inventory Contracts and Review Risks

- List all contracts and grants; identify termination clauses and renegotiation terms.

4. Maintain Realistic Cash Flow Forecasts

- Update cash flow projections regularly; plan for government contract payment delays.

5. Address External Cash Barriers

- Review banking and credit relationships; seek board assistance in resolving liquidity gaps.

6. Remove Internal Restrictions on Reserves (that are eligible)

- Request board to temporarily lift restrictions on reserve funds and board-designated endowments.
- If you have donor-imposed restrictions, the following action steps are recommended:
 - Adopt clear investment and spending policies for endowments
 - Track restricted funds separately
 - Seek court approval or AG approval if modifying restrictions is necessary
- A resource to examine is the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which requires nonprofits to manage their endowments prudently and in accordance with founding documents specifying the donor's intent, enforceable by the state AG.

7. Assess Revenue Concentration Risk

- Analyze whether your organization is overly dependent on one or two major funding sources.
- If your nonprofit is a Section 509(a)(3) supporting organization, a charity that carries out its exempt purposes by supporting other exempt organizations (usually other public charities), be certain that it meets the "Facts and circumstances" public support test.

8. Secure Qualified Financial Advisors

- A community bank or local credit union office experienced working with nonprofits.
- An accounting firm that is affordable and similarly experienced (need not be local).
- If you have significant assets, use an investment advisor similarly experienced.
- If you own real estate, seek a local attorney familiar with obtaining property tax exemption for nonprofits (note: income tax and property tax exemptions are totally distinct from each other).
- Conduct an independent financial audit if annual revenue exceeds \$750,000.
 - Only a CPA firm can do audits, and each auditor is required to have a valid permit issued by the state. You can search licensure at <https://boa.state.mn.us/findCPA.html>.

9. Negotiate Flexibility with Funders

- Request unrestricted funding, early disbursements, or emergency grants from funders.

10. Strengthen Peer and Sector Networks

- Send regular updates to staff, board, and funders-even if financial conditions remain unchanged.

11. Mobilize Support from Allies

- Encourage board and community to advocate for your mission and leverage social capital.

12. Collaborate Across the Nonprofit Sector

- Explore shared services or resource pooling with peer nonprofits to reduce expenses.

13. Minnesota Financial Compliance Requirements

- File an independent financial audit with the MN Attorney General if revenue exceeds \$750,000.
- Maintain segregation of financial duties to comply with best practices in financial governance.
- Ensure compliance with Minnesota sales tax exemption requirements (Form ST16).
- Retain financial records and documentation in accordance with state and federal audit standards.
- File Form M4NP with the Minnesota Department of Revenue if applicable.
- Conduct board financial reviews quarterly and annually approve the operating budget.
- Report large contributions and grants in your annual filings to the Minnesota Attorney General.
- Conduct an independent financial audit if annual revenue exceeds \$750,000.
 - Only a CPA firm can do audits, and each auditor is required to have a valid permit issued by the state. You can search licensure at <https://boa.state.mn.us/findCPA.html>.

Sources

- Nonprofit Financial Commons - <https://nonprofitfinancials.org/resources/12-urgent-action-steps-nonprofits-2025/>
- Minnesota Council of Nonprofits - <https://minnesotanonprofits.org>
- Minnesota Attorney General - <https://www.ag.state.mn.us/Charity>
- Minnesota Department of Revenue - <https://www.revenue.state.mn.us/guide/nonprofit-organizations-industry-guide>
- IRS Charities and Nonprofits - <https://www.irs.gov/charities-non-profits>