

Information for Nonprofits

Minnesota nonprofit organizations are governed by the [Minnesota Nonprofit Corporation Act, Minn. Stat. ch. 317A](#). A nonprofit corporation's purpose and activities must serve the organization's mission to benefit the public, and may not be operated to profit other persons or entities.

Tax-Exempt Status of Nonprofits

Most nonprofits are exempt from taxation. There are more than two dozen different types of tax exemptions under the Internal Revenue Code, with exemption under section 501(c)(3) being the most well-known. The IRS grants, oversees, and may revoke a nonprofit's tax-exempt status. For more information about the IRS's general oversight of nonprofits and federal tax issues affecting nonprofits, you may visit the IRS's [Charities & Nonprofits](#) webpage.

Nonprofit Governance

Proper governance is critical to ensuring that nonprofit organizations operate smoothly, protect and appropriately administer charitable assets, and faithfully fulfill their mission. Many compliance issues regarding nonprofits can be traced back to weak, inattentive, or absent governance of the organization.

Board of Directors. The "business and affairs" of a nonprofit organization - whether big or small - must be governed by a board of directors. [Minn. Stat. § 317A.201](#). Directors are responsible for the management of the business and affairs of the corporation, and strong board oversight is critical to the proper operation of the organization. Directors must supervise and govern the charity's efforts in carrying out its mission. This does not mean that directors are required to manage the day-to-day activities of a corporation. Rather, they can appoint officers and employ individuals to carry out the daily tasks of running the organization. Directors must be active, informed, and engaged because they are considered fiduciaries of the organization, a term used for individuals who are in a position involving trust. Specifically, directors owe a fiduciary duty to the nonprofit to act in good faith, with care, loyalty, obedience, and honesty in fact, and in the best interests of the organization, among other things. Minnesota courts have long held that the law imposes the highest standard of integrity on the bearers of these duties.

Officers. Nonprofit officers also play a critical role in implementing and carrying out the organization's mission. Officers are responsible to the nonprofit's board of directors. Officers carry out the board's decision and directives, and are generally more involved in the day-to-day operations and business of

the nonprofit. Officers are also considered fiduciaries of the organization and generally owe the same fiduciary duties to the nonprofit organization as do board members. It is important to note that a person exercising the functions of an officer is considered an officer under Minnesota law even if they do not have the accompanying title.

Members. A nonprofit's bylaws may provide that the corporation has members. In addition, some corporations bylaws provide that its members are entitled to vote on certain matters pertaining to the nonprofit. Members are entitled to inspect a corporation's articles and bylaws, accounting records, voting agreements, and minutes of meetings for any proper purpose at any reasonable time. [Minn. Stat. § 317A.461](#). In addition, if a corporation, or an officer or director of the corporation violates the Minnesota Nonprofit Corporation Act, at least 50 members or ten percent of the corporation's voting members, whichever is less, may bring an action in court to obtain relief. [Minn. Stat. § 317A.467](#).

Key Laws for Minnesota Nonprofits

While Minnesota nonprofits must comply with the entirety of the [Minnesota Nonprofit Corporation Act, Minn. Stat. ch. 317A](#), below is a list of selected provisions from the Act that impose specific requirements on nonprofits and those who run them.

Notice to the Attorney General's Office. Minnesota nonprofits must provide the Attorney General's Office with prior notice if they intend to transfer substantial assets, merge, convert, consolidate, or dissolve. Unless waived, the organization must then wait 45 days before taking the action at issue. [Minn. Stat. § 317A.811](#). The form to use to provide notice to the Attorney General's Office about an asset transfer, merger, conversion, consolidation, or dissolution can be downloaded using the link below:

[Notice of Intent to Dissolve, Merge, Convert, Consolidate, or Transfer Assets](#)

Other Key Laws. Other keys laws for Minnesota nonprofits include:

- Board members have various fiduciary duties imposed on them as a director of the nonprofit, including the duties of care, loyalty, and obedience, among others. [Minn. Stat. § 317A.251](#).
- Nonprofit officers, or those exercising the functions of officers, similarly have various fiduciary duties imposed on them with respect to the organization. [Minn. Stat. § 317A.361](#).
- A nonprofit organization must satisfy certain criteria in order to properly transact business with a related party. [Minn. Stat. § 317A.255](#).
- A nonprofit may not lend money to a director, officer, or employee of the organization (or a related organization) unless the board of directors reasonably expects the loan to benefit the nonprofit. The same is true regarding loans and guarantees to spouses, parents, children and

spouses of children, and brothers and sisters or spouses of brothers and sisters of a director, officer, or employee of the nonprofit. [Minn. Stat. § 317A.501](#).

- A nonprofit is required to maintain complete and accurate books and records regarding its operations and affairs, including its articles and bylaws, accounting records, voting agreements, and meeting minutes. [Minn. Stat. § 317A.461](#).
- A nonprofit's board of directors must consist of at least three members, and a board member may not serve for a term that exceeds 10 years. [Minn. Stat. §§ 317A.203, 207](#).

The Minnesota Attorney General's Office enforces chapter 317A, and monetary relief, including civil penalties, may be levied for noncompliance with these statutes. [Minn. Stat. § 317A.813](#).

Additional Resources

Nonprofits can review the provisions of the [Minnesota Nonprofit Corporation Act, Minn. Stat. ch. 317A](#), online. Below are publications from the Minnesota Attorney General's Office for use by nonprofit organizations.

- [A Guide to Minnesota's Charities Laws](#)
- [Fiduciary Duties of Directors of Charitable Organizations: A Guide for Board Members](#)
- [Nonprofit Organization Resources](#)
- [Hiring an Attorney](#)

In addition, nonprofits may access information provided by other organizations using the following links below.

- [Internal Revenue Service](#)
- [Minnesota Secretary of State's Office](#)
- [Minnesota Charities Review Council](#)
- [Propel Nonprofits](#)
- [Guidestar](#)
- [Minnesota Council of Nonprofits](#)
- [Minnesota Council on Foundations](#)

