

THIS IS WHY WE CAN'T HAVE NICE THINGS

Minnesota Nonprofit Leaders Behaving Badly¹

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Learning Objective: Recognize the ethical implications and lessons learned from recent high-profile cases to promote integrity and accountability in nonprofit leadership.

1. Some Misbehavers

- a. Many people involved with the Feeding Our Future fraud. A total of 70 people were initially charged in a \$250 million fraud after the USDA loosened rules for food programs during COVID. So far, 44 have been convicted at trial or pled guilty.
 - i. A selection of articles:
 1. <https://www.justice.gov/opa/pr/us-attorney-announces-federal-charges-against-47-defendants-250-million-feeding-our-future>
 2. <https://www.justice.gov/usao-mn/pr/us-attorney-announces-federal-charges-against-10-additional-defendants-feeding-our-future-jury-bribery-scheme>
 3. <https://www.startribune.com/records-show-meals-program-was-ripe-for-fraud-in-minnesota/600173340?refresh=true>
 4. <https://minnesotareformer.com/2024/05/08/aimee-bocks-right-hand-man-testifies-that-everyone-at-feeding-our-future-took-kickbacks/>
 5. <https://minnesotareformer.com/2024/04/29/prosecutor-shows-texts-bragging-about-stacks-of-cash-as-feeding-our-future-trial-begins/>
 6. <https://bringmethenews.com/minnesota-news/17-minnesota-nonprofits-dissolved-for-role-in-child-nutrition-program-fraud>
 7. <https://sahanjournal.com/public-safety/feeding-our-future-trial-aimee-bock-salim-said-deliberations-verdict/>
 - b. Brian Lipshultz/Trustees of Otto Bremer Trust. Lipshultz removed as a trustee after court found that he engaged in “egregious” misconduct and a “pattern of improper behavior,” including “repeatedly” misusing trust resources for his

¹ If you take issue with anything in these materials, they are entirely the fault of Emmett Robertson, Rubric Legal.

personal benefit, acting with “hostile” and “coercive” conduct towards grantees, and misrepresenting key facts to the AG’s office.

- i. A selection of articles:
 1. https://www.ag.state.mn.us/Office/Communications/2020/08/12_OttoBremerTrust.asp
 2. <https://www.fmjlaw.com/in-re-bremer-what-really-constitutes-a-serious-breach-of-trust/>
 3. <https://www.startribune.com/minnesota-supreme-court-upholds-ouster-brian-lipschultz-otto-bremer-trust/600341768>
- c. Daniel Larson/Tim Sanders/Refocus Recovery/Kyros. Kyros is a for-profit entity founded by Larson, who already created a related nonprofit, Refocus Recovery. Currently being investigated for potential Medicaid fraud (also appears to be an almost textbook case of prohibited private inurement).
 - i. <https://www.kare11.com/article/news/investigations/kare-11-investigates-mayor-nonprofit-under-state-investigation-unanswered-questions/89-0c8364b5-7a2a-42ff-978a-7d6a0b8fba23>
 - ii. <https://www.kare11.com/article/news/investigations/kare-11-investigates-fbi-investigating-twin-cities-company-nonprofit/89-dcc77f05-5359-47f1-9ea1-ed2f430e0ad2>
 - iii. <https://www.startribune.com/minnesota-lawmakers-eye-additional-oversight-for-peer-recovery-services/600343569>
- d. Tezzaree El-Amin Champion/Futuristic Management LLC/Encouraging Leaders – In February, 2025, Champion pled guilty to leading a scheme to defraud federal, state, local, and private programs, resulting in a loss of over \$6 million. Encouraging Leaders, a nonprofit, submitted at least 42 grant and public-contract applications with related follow-up correspondence containing material false misrepresentations. Through Futuristic Management, Champion recruited and assisted clients in submitting fraudulent applications to Hennepin County’s Small Business Relief grant program as well as the U.S. Small Business Administration’s Paycheck Protection and Economic Injury Disaster Loan programs. He also defrauded Hennepin County by agreeing to provide free marketing services to local small businesses. But rather than provide free services, Champion billed and received payments from the County for services for which he had already been paid by his clients.
 - i. A selection of articles:
 1. <https://www.justice.gov/usao-mn/pr/minneapolis-non-profit-executive-and-business-consultant-plead-guilty-6-million-fraud>
 2. <https://www.cbsnews.com/minnesota/news/tezzaree-champion-guilty-fraud-scheme/>

2. Impact on the nonprofit sector

- a. Loss of trust/reputational damage/media attention
- b. Increased/more complicated regulation
- c. Increased costs (compliance, insurance, etc.)
- d. Selected Articles:
 - i. Office of the Legislative Auditor, Minnesota Department of Education: Oversight of Feeding Our Future, June 2024, <https://www.auditor.leg.state.mn.us/sreview/pdf/2024-mdefof.pdf>
 - ii. A Violation of Trust: Fraud Risk in Nonprofit Organizations, <https://nonprofitrisk.org/resources/articles/a-violation-of-trust-fraud-risk-in-nonprofit-organizations/>
 - iii. CharityWatch Hall of Shame: The Personalities Behind Charity Scandals, <https://www.charitywatch.org/charity-donating-articles/charitywatch-hall-of-shame>
 - iv. It's a worldwide problem: <https://www.bdo.co.uk/getmedia/f7053446-3c29-4047-ac73-2b4a96692f0b/IND-NFP-Charity-fraud-report-2023.pdf>
 - v. Spreading the News: Donor Response to Disclosures About Nonprofit Fraud, Nonprofit and Voluntary Sector Quarterly, 2024 <https://journals.sagepub.com/doi/full/10.1177/08997640231179752>
 - vi. Office of the Legislative Auditor: Oversight of State-Funded Grants to Nonprofit Organizations, 2023 Evaluation Report <https://www.auditor.leg.state.mn.us/ped/pedrep/osfgno.pdf>
 - 1. Update released in 2024: <https://www.auditor.leg.state.mn.us/ped/updates/2024/gnp-2024.pdf>

3. State Response:

- a. 1/3/25, Walz Executive Order: Preventing Fraud and Establishing the Financial Crimes and Fraud Section of the Department of Public Safety - https://mn.gov/governor/assets/Executive%20Order%2025-01_tcm1055-663516.pdf
- b. Potential legislative changes
 - i. Creating a state Office of the Inspector General
 - ii. Funding for additional investigators in the AG's office that look into potential fraud in Minnesota's Medicaid program, Medical Assistance, and increasing the penalties for people who knowingly apply for and abuse Medicaid funds
 - iii. Provide funding to DHS to use artificial intelligence to go through Medicaid claims and flag potential fraud
 - iv. Creation of a state anti-kickback statute that would make it illegal to offer something of value in exchange for awarding a state grant
 - v. Creation of new education requirements for people in state government that oversee grants

- vi. Provide for the head of any State Agency to have the authority to withhold funds administered by that agency if there is a creditable allegation of fraud
- vii. Better whistleblower protections for state employees

4. Resources/further discussion:

- a. <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/internal-controls-nonprofits>
- b. <https://nonprofitquarterly.org/nonprofit-fraud-its-a-people-problem-so-combat-it-with-governance/>
- c. <https://www.councilofnonprofits.org/running-nonprofit/nonprofit-audit-guide/dec/myth-audits-uncover-fraud>
- d. <https://www.culawreview.org/journal/dangers-of-unregulated-charities-revising-nonprofit-corporate-governance>
- e. <https://perلمانandperلمان.com/ethical-considerations-providing-legal-advice-nonprofits-boards/>
- f. https://www.millerchevalier.com/sites/default/files/news_updates/attached_files/hamilton_2007-07-26_practical_tax_lawyer.pdf
- g. <https://smartgivers.org/>
- h. <https://minnesotanonprofits.org/resources-tools/principles-practices-for-nonprofit-excellence/governance>
- i. <https://www.ag.state.mn.us/Brochures/pubFiduciaryDutiesofDirectors.pdf>
- j. <https://minnesotanonprofits.org/maintaining-a-nonprofit/fraud-prevention-and-how-to-report-suspected-fraud>