

STATE OF MINNESOTA
COUNTY OF RAMSEY

DISTRICT COURT
SECOND JUDICIAL DISTRICT

Case Type: Other Civil
(Charitable/Nonprofit Violations)

Court File No. _____

In the Matter of Central Minnesota Community
Empowerment Organization

**ASSURANCE OF
DISCONTINUANCE**

WHEREAS, this Assurance of Discontinuance (“Assurance”) is entered into pursuant to Minnesota Statutes section 8.31, subdivision 2b, between the State of Minnesota, through its Attorney General, Keith Ellison (“State” or “AGO”) and Central Minnesota Community Empowerment Organization (“CMCEO”), a Minnesota nonprofit corporation;

WHEREAS, the AGO has authority to enforce Minnesota’s laws relating to charitable organizations, charitable trusts, and nonprofit corporations under state statutes and common law, including as *parens patriae*. See, e.g., Minn. Stat. §§ 8.31, 309.57, 317A.813, 501B.34, and 501B.40;

WHEREAS, CMCEO is a Minnesota nonprofit corporation organized under the Minnesota Nonprofit Corporation Act (“Nonprofit Act” or “Act”), Minnesota Statutes chapter 317A, and a soliciting charity registered under the Charitable Solicitation Act, Minnesota Statutes chapter 309, with a principle office address of 2719 West Division Street, Suite 124, St. Cloud, Minnesota 56301;

WHEREAS, Ronald Pagnucco (“Pagnucco”) is one of the founders and the current chairperson of the board of directors of CMCEO;

NOW THEREFORE, CMCEO hereby agrees to entry of an Assurance of Discontinuance with the following terms and conditions:

ALLEGATIONS

1. The AGO states and alleges as follows:

I. BACKGROUND.

2. CMCEO was incorporated in 2015. CMCEO’s mission is “to support and empower central Minnesota refugee and immigrant communities through service and advocacy,” which it supports through a number of programs, including immigrant and refugee after-school programs, job training, advocacy, housing support, and business development.

3. CMCEO is a tax-exempt charity under Internal Revenue Code section 501(c)(3). It reported more than \$1.4 million in contributions and grants on its tax return for 2022.

4. Jama Alimad (“Alimad”) was listed as the incorporator of CMCEO and its initial executive director on filings with the Secretary of State (“SOS”), and CMCEO has listed him as the organization’s president on its annual renewal paperwork with the SOS since at least 2020. Alimad served on CMCEO’s board of directors from 2015 through 2017, and served as its executive director from 2017 through 2019, after which he continued to provide services for CMCEO in a contract role as a consultant. Alimad’s contract specified that he “[g]uides and supports the executive director and CMCEO board” and serves as the “principle ambassador for the organization, with responsibilities for delivering the company’s vision within the local community.” Board minutes show that Alimad after becoming a contractor continued to provide guidance to the board, proposing vendors and board member candidates, and negotiating contracts and partnerships, among other things.

5. Shirwa Adan (“Adan”) served as CMCEO’s executive director from 2020 until September 2023, during which he was paid as a contractor until August 2021. Adan’s contract

stated that he had “general supervisory responsibility and management authority over” CMCEO and was responsible for “[p]roviding advice and counsel to the Board of Directors and its committees.”

6. Mohamed Goni has served as the executive director of CMCEO since September 2023.

II. VIOLATIONS.

A. Conflicted Transactions.

7. The AGO’s investigation uncovered evidence that CMCEO entered into conflicted transactions with Alimad, Adan, and Alimad’s family members without formal board scrutiny or approval of the transactions.

8. Starting in or around 2020, both Alimad and Adan began receiving payments from CMCEO as contractors. CMCEO’s contracts with Alimad and Adan permitted them to determine their own compensation unilaterally through invoices to CMCEO, without specifying the hours they were expected to work or the amount of total compensation to be paid on a monthly or annual basis. Alimad and Adan were the highest paid individuals within the organization from 2020 to 2023¹, while simultaneously serving as authorized signatories on CMCEO’s bank accounts.

9. CMCEO also hired three of Alimad’s relatives as contractors in 2021: Alimad’s spouse and daughters. CMCEO’s board did not conduct a formal review or approval of these contracts.

10. Alimad and Adan were officers of CMCEO and disqualified persons under IRS statutes and regulations. Alimad was listed as president of the organization with the SOS and his contract required him to guide and support the executive director and the board and to serve as

¹ Adan became an employee and ceased receiving contractor payments in 2021.

CMCEO's "principal ambassador" to the public. He also served in both director and executive director roles in the five years preceding his and his family members' contracts with CMCEO. Adan served as the executive director and was charged with general supervisory responsibility and management of CMCEO. Both Alimad and Adan provided significant guidance to CMCEO's board, carried out the board's directives, and negotiated contracts and grants on behalf of the organization, with Adan often signing contracts and other documents on behalf of CMCEO. Alimad and Adan therefore shared most of the required responsibilities of president under the Nonprofit Act, *see* Minn. Stat. § 317A.305, subd. 2, and they and Alimad's family members met the definition of "disqualified persons" under IRS regulations, *see* Internal Revenue Code § 4958(f)(1) (defining "disqualified person" as "any person who was, at any time during the 5-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization" or such person's family member).

11. Transactions with Alimad, Adan, and Alimad's family members therefore violated CMCEO's bylaws, which require disclosure to the board of a conflicted transaction that "might benefit the private interest of an officer or director of the corporation or any 'disqualified person' as defined in Section 495[8](f)(1) of the Internal Revenue Code" and IRS regulations, consideration of alternative arrangements that would avoid a conflict and of whether the conflicted transaction was in the corporation's best interest, and board approval of the conflicted transaction.

B. Other Governance Violations.

12. The AGO's investigation revealed several additional deficiencies in CMCEO's nonprofit governance.

13. CMCEO did not maintain records of board meetings consistently for the first five years of its operations, until approximately 2020. Minutes produced by CMCEO from after this

time show that CMCEO did not record formal votes or resolutions, making it unclear whether major decisions were made by the board or by contractors including Alimad and Adan.

14. CMCEO failed to identify any director or officer serving in the role of treasurer and performing the statutory functions thereof. No treasurer is listed on CMCEO's recent tax returns.

15. Although CMCEO produced a Fiscal Policies and Procedures Manual, CMCEO's financial records established that it did not follow its own policies and procedures for protecting charitable assets. For example, although the manual requires the board to consider an annual budget and requires a treasurer to present financials at each meeting, board minutes contain no mention of an annual budget and show that the executive director, rather than a treasurer, presented financial statements on a sporadic basis. Although the policy requires a second signatory for checks over \$1,000, no check produced by CMCEO complies with this requirement, including large checks written to Adan and Alimad. Adan and Alimad also served as authorized signatories on CMCEO's bank accounts while submitting invoices to CMCEO as contractors, leaving CMCEO's charitable assets vulnerable to misuse.

16. CMCEO failed to register with the AGO until after the AGO's investigation commenced, in December 2023, despite soliciting funds from Minnesota donors and holding significant charitable assets prior to this time.

17. The AGO alleges that the conduct generally described above constitutes violations of, among other provisions, Minn. Stat. §§ 317A.201 (requiring board to supervise the business and affairs of the corporation), 317A.237 (requiring board to hold formal votes), 317A.251, subd. 1 (director duty of care), 317A.361 (officer duty of care), 317A.301, .305 (treasurer appointment), 317A.461 (requiring retention of "correct and complete" board minutes for at least six years), 317A.751, subds. 5(4), (5) (flagrant or multiple violations of the Nonprofit Act, unauthorized acts);

Minn. Stat. § 309.52 (requiring registration with the AGO to solicit donations); Minn. Stat. § 501B.36 (alternatively requiring registration with the AGO to hold charitable assets).

18. CMCEO neither admits nor denies the allegations in this Assurance.

19. CMCEO has hired experienced nonprofit counsel and has cooperated fully with the AGO's investigation. The AGO therefore enters into this Assurance of Discontinuance with CMCEO requiring the organization to improve its compliance with Minnesota charities laws.

INJUNCTIVE RELIEF

20. CMCEO hereby agrees to:

- (a) Within one month of the Court's approval of this Assurance, cease paying Alimad or any other employee, officer, director, or any other disqualified person as defined in Section 4958(f)(1) of the Internal Revenue Code as an independent contractor;
- (b) Within three months of the Court's approval of this Assurance, clearly define officers that will fulfill the roles of president and treasurer as required under Minn. Stat. §§ 317A.301 and 317A.305 including all responsibilities set forth therein, and evaluate whether to restrict or terminate financial responsibilities and access currently assigned to other contractors, employees, and officers, including Alimad, in order to maintain segregation of duties and protect nonprofit assets;
- (c) Ensure that CMCEO's directors exercise independent judgment, including by limiting board decisions and votes to directors only;
- (d) Ensure board review and approval of all officer and director compensation as well as any contract or transaction presenting a conflict of interest with

officers, directors, their family members, or their material financial interests in compliance with CMCEO's bylaws, officer and director fiduciary duties, and Minnesota Statutes sections 317A.255 and 317A.501;

- (e) Ensure that the entire board has transparency into the accounting and assets of CMCEO so that the entire board can participate knowledgeably in managing CMCEO's financial matters;
- (f) Comply with all other governance requirements of Minnesota Statutes chapter 317A, including but not limited to holding regular board meetings, taking action through formal board votes, maintaining correct and complete copies of books and records including board meeting minutes and resolutions, and submitting required notices to the AGO pursuant to Minn. Stat. § 317A.811;
- (g) Conduct a board review of CMCEO's bylaws, policies, and procedures, including but not limited to internal control, whistleblower, recordkeeping, and conflict-of-interest policies, and create and revise such policies as CMCEO determines, within its reasonable judgment, are necessary to address deficiencies and protect CMCEO's assets and other interests;
- (h) Comply with all provisions of its articles of incorporation, bylaws, policies, and procedures, as well as all applicable state and federal laws and regulations, including but not limited to Minnesota Statutes chapters 309, 317A, and 501B and the Internal Revenue Code;
- (i) File annual reports and accompanying documentation required to maintain its registration with the AGO to solicit or hold charitable assets in Minnesota as required under Minnesota Statutes chapters 309 and/or 501B;

- (j) Properly and timely file all IRS Forms 990 and appropriate schedules with the IRS;
- (k) Ensure all directors and officers obtain sufficient training to apprise them of their duties under Minnesota and federal law;
- (l) One year after the Court approves this Assurance, provide a report to the AGO of CMCEO's compliance with the terms of this Assurance; and
- (m) Upon the written request of the AGO, promptly provide accurate, true and complete information, documents, and data that is reasonably necessary to verify continuing compliance with this Assurance.

GENERAL TERMS

21. CMCEO understands that, after the date of the approval of this Assurance by the Court, a violation of this Assurance may subject it to sanctions for contempt pursuant to Minnesota Statutes section 8.31, and the AGO may thereafter, in its sole discretion, initiate legal proceedings against CMCEO for any and all violations of this Assurance.

22. CMCEO shall not state or imply, directly or indirectly, that the State of Minnesota or the AGO has approved of, condones, or agrees with any conduct, actions, or inactions by CMCEO.

23. Nothing in this Assurance shall relieve CMCEO of its obligations to comply with all applicable Minnesota and federal laws and regulations, and court or administrative orders and directives.

24. CMCEO, after having an opportunity to decide whether to and/or consult with counsel, knowingly, intelligently, and voluntarily waive its First Amendment rights to the extent, if at all, such rights are inconsistent with any of the terms of this Assurance.

25. If this Assurance is violated, CMCEO agrees that any statute of limitations, statute of repose, or other time-related defense applicable to the subject matters of the allegations in this Assurance, and any claims arising out of or relating thereto, are retroactively tolled from and after the date of this Assurance.

26. The person signing this Assurance for CMCEO warrants that such person is authorized to execute this Assurance, that such person executes this Assurance in an official capacity that binds CMCEO and its successors, and that CMCEO has been fully advised by its counsel or has voluntarily forgone such advisement before entering into the Assurance.

27. This Assurance may be executed in counterparts, each of which constitutes an original, and all of which shall constitute one and the same agreement. This Assurance may be executed by facsimile or electronic copy in any image format.

28. This Assurance constitutes the full and complete terms of the agreement entered into by CMCEO and the AGO.

29. Service of notices or other documents required or permitted by this Assurance shall be served on the following persons, or any person subsequently designated by the parties to receive such notices, by mail and email at the addresses identified below:

As to the AGO:

Chloe Raimy, Assistant Attorney General
445 Minnesota Street, Suite 600
Saint Paul, MN 55101
chloe.raimey@ag.state.mn.us

As to CMCEO:

CMCEO
c/o Ronald Pagnucco
2719 W Division Street
Suite 124
Saint Cloud, MN 56301

With a Copy to Counsel:

Sam Ellingson, Counsel
Thom Ellingson, PLLP
45 South 7th Street, Suite 2610
Minneapolis, MN 55402
sellingson@thomellingson.com

30. The failure of a party to exercise any rights under this Assurance shall not be deemed to be a waiver of any right or any future rights.

31. This Assurance, including any issues relating to interpretation or enforcement, shall be governed by the laws of the State of Minnesota.

32. Nothing in this Assurance shall be construed to limit the jurisdiction, power, or authority of the State of Minnesota or the AGO, except as expressly set forth herein in with regard to CMCEO.

33. The AGO shall have all powers and remedies specified by Minn. Stat. §§ 8.31, 309.553, 309.57, 317A.813, 501B.40, 501B.41, and all other authority otherwise available to it for purposes of investigating and remedying any violations of this Assurance.

34. Each of the parties participated in the drafting of this Assurance and agree that the Assurance's terms may not be construed against or in favor of any of the parties by virtue of draftsmanship.


35. Each party shall perform such further acts and execute and deliver such further documents as may reasonably be necessary to carry out this Assurance, including that CMCEO shall promptly comply with any reasonable request from the AGO for information regarding verification of CMCEO's compliance with this Assurance.

36. The AGO may file this Assurance with the Court without further notice to CMCEO, and the Court may approve of and enter this Assurance *ex parte* and without further proceedings.

37. The Court shall retain jurisdiction of this matter for purposes of enforcing this Assurance, and all signatories hereto consent to the jurisdiction of the Court for the purposes of enforcing this Assurance.

KEITH ELLISON
Attorney General
State of Minnesota

Dated: 01/06/2025

By: 
Chloe Raimey
Assistant Attorney General

CENTRAL MINNESOTA COMMUNITY
EMPOWERMENT ORGANIZATION

Dated: Dec 19, 2024

By: 
4ZRW38VV-19K8W9RW
Ronald Pagnucco, Board Chair
On behalf of CMCEO

ORDER

Having reviewed the terms of the foregoing Assurance of Discontinuance, which is incorporated herein by reference, and which the Court finds reasonable and appropriate, it is SO ORDERED.

Date: _____

Judge of District Court

LET JUDGMENT BE ENTERED ACCORDINGLY.