

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT

Case Type: Contract

MINNESOTA DEPARTMENT OF HUMAN
SERVICES,

Court File No. _____

Plaintiff,

COMPLAINT

v.

ZION BAPTIST CHURCH, a Minnesota
nonprofit corporation,

Defendant.

INTRODUCTION

1. Between October 2022 and April 2025, Zion Baptist Church (“Zion”) through two grant contracts (collectively, “the Contracts”) accepted approximately \$2,483,958 in funds from the Minnesota Department of Human Services (“DHS”) to provide a variety of services, including mental health, substance abuse, and violence prevention services.
2. DHS allocated funds to Zion on the conditions, among others, that Zion spend the funds on permissible expenses, maintain sufficient documentation of its expenses, provide such documentation to DHS upon request, complete a single audit requirement, and exercise adequate oversight of subrecipient agencies.
3. Zion, however, failed to fulfill these and other conditions. Further, documentation that Zion shared, failed to substantiate that services billed for were provided under the Contracts, containing numerous inconsistencies, billing irregularities, and other documentation problems. Zion’s documentation also failed to substantiate that its staff worked hours that it claimed, and in at least one instance showed that a Zion staff member submitted billing for identical time periods

as a Zion employee on the one hand and as providing services through their own business on the other.

4. Through this lawsuit, DHS asks the Court to permit DHS to recover public funds that were not used for the purposes for which they were disbursed.

PARTIES

5. Plaintiff Minnesota Department of Human Services is an agency of the State of Minnesota.

6. Plaintiff Minnesota Department of Human Services has standing to bring this action because it is a party to the grant agreements at issue in this matter.

7. Defendant Zion Baptist Church is a nonprofit corporation incorporated in the State of Minnesota under Minnesota Statutes chapter 317A. The registered office address of Zion with the Minnesota Secretary of State is 621 Elwood Avenue North, Minneapolis, MN 55411. The president of Zion is Pastor Brian Herron, Sr.

JURISDICTION AND VENUE

8. This Court has subject matter jurisdiction over this action under Minnesota Statutes, section 16B.98, subdivision 9, and under common law.

9. Venue in Hennepin County is proper under Minnesota Statutes, section 542.09, because Defendant Zion has a principal place of business in Hennepin County, and a substantial part of the events or omissions giving rise to this Complaint occurred within Hennepin County.

FACTS

I. DHS ENTERS INTO GRANT CONTRACTS WITH ZION.

10. DHS's Behavioral Health Administration ("BHA") awarded the Contracts to Zion.

11. The first, designated GRK 219494, was fully executed on October 5, 2022 and ended June 30, 2024. It allocated a maximum of \$1,636,000 to Zion to provide, in part through a collaborative of subcontracting agencies, services to the North Minneapolis community including: a Community

Violence Prevention Summit and other community events; counseling, mentoring, and coaching to address mental health, substance use, and community violence issues; community support and awareness groups to address community violence; promotion of holistic wellness; and a Community Violence Prevention Education and Awareness Campaign.

12. The second, designated GRK 235872, was fully executed on September 11, 2023, and later amended by contract amendment designated GRK 235872 AMD 1, which was fully executed on July 9, 2024. This contract, as amended, was to end June 30, 2025, but was terminated for cause on April 30, 2025. It allocated a maximum of \$1,468,842 to Zion to provide a variety of services, including: hiring a team to develop a mental health emergency preparedness plan for communities of color statewide; tracking eligible interventions and service recipients; establishing and developing other wellness collaboratives across the state; provision of a statewide Annual Community Violence Prevention Summit; and service enhancements to address behavioral health crises experienced by children, youth, young adults, and their families.

13. Under the Contracts combined, DHS paid Zion a total of \$2,483,958.

14. Zion ultimately purported to offer required services in collaboration with a constructed group of 17 subrecipient agencies called The Wellness Collaborative (“TWC”) through signed memoranda of understanding (“MOUs”). The Contracts contain clauses establishing that Zion is financially responsible for all funds provided to subrecipients.

II. DHS ATTEMPTS TO AUDIT ZION AND DISCOVERS NUMEROUS DEFICIENCIES AND OTHER CONCERNS RELATING TO ZION’S USE OF GRANT FUNDS.

15. DHS’s BHA staff became concerned that Zion: did not provide sufficient documentation to support invoices they submitted for payment and held a reimbursed violence prevention summit after the original grant contract expired.

16. DHS's Office of Internal Controls & Accountability ("OICA") thereafter attempted to audit the period when either or both grant contracts were in effect, September 1, 2022, through April 30, 2025. This audit led to the discovery of numerous deficiencies and other concerns relating to Zion's use of grant funds.

17. OICA discovered that some current or former Zion staff were paid as contractors rather than employees, while owning TWC subrecipient agencies.

18. At least three Zion staff were paid as contractors rather than as employees, while owning TWC subrecipient agencies also paid by Zion as service providers. According to Zion, these three staff and their associated subrecipient agencies received a total of \$955,493 in grant funds, nearly 40% of all grant payments to Zion.

19. In addition, at least two former Zion staff were paid by Zion as contractors while also owning their own subrecipient agencies. According to Zion, these two former staff received \$271,750 in grant payments.

20. OICA also discovered that Zion had not met the single audit requirement imposed by both Contracts pursuant to 2 Code of Federal Regulations 200.501 et seq.

21. This was the case despite both Contracts mandating this requirement, the second contract including a \$10,000 budget for the audit, and BHA staff notifying Zion of the requirement on more than one occasion.

22. OICA also discovered that Zion did not exercise adequate oversight of subrecipient agencies.

23. This was the case despite both Contracts making Zion legally and financially responsible for all aspects of the award that are subcontracted, including funds provided to sub-recipients and

subcontractors, and both Contracts requiring Zion to ensure material requirements be part of agreements with subcontractors.

24. Zion did not execute contracts with subrecipient agencies. Zion instead had subrecipient agencies sign MOUs. What's more, even those MOUs do not include specific responsibilities for either Zion or the subrecipient agencies regarding documentation of services provided, and do not describe any monitoring of subrecipient agencies by Zion.

25. The use of MOUs also violated Zion's own Standard Operating Policies & Procedures manual, which states that "Contracts shall be obtained from each individual 'The Wellness Collaborative' member or entity." Zion claimed to meet with subrecipient agencies including site visits, and that they could provide meeting notes, but Zion did not submit any such documentation.

26. OICA also discovered that Zion did not sufficiently document expenditures to support whether service expenses were related to grant activities.

27. Zion failed to provide OICA sufficient source documentation to determine if services were provided under either of the Contracts. Invoices submitted as proof of services for various subrecipient agencies contained only monthly summary information.

28. OICA requested source documentation for certain periods including dates and times of services, names of staff, and names of clients, and suggested as examples of source documentation applicable to counseling or mentoring under the first contract such documents as case notes, attendance sheets for group services, and client file information.

29. Zion instead submitted spreadsheet data including only some client detail for seven of the 17 subrecipient agencies submitted during one billing period, none of which was sufficient to support the billed services.

30. The spreadsheet information had numerous problems, including total units of service not agreeing with invoiced units, missing dates for some claimed services, missing staff and client information, missing times of service, service categories differing from the corresponding invoice, inconsistent payment rates for the same service, and unexplained service codes.

31. The metadata for all of the submitted spreadsheets was also either missing or indicated a creation date of January 22, 2025, or later, meaning those provided spreadsheets could not have been used to track earlier-provided services.

32. Zion was also unable to provide sufficient documentation to verify whether objectives included in the workplan for the second contract were completed. For example, Zion provided no documentation regarding the hiring of a Crisis Response Team Lead or a Project Manager, as no new staff were added by Zion.

33. The amendment to the second contract also required a local community needs assessment, in addition to providing support to communities in northern and southern regions of the state, and the development of a strategic action plan for a sub-agency, Deliverance Temple, to establish their own collaborative. Zion did not submit documentation to support that any of these objectives were met. For example, the community needs assessment document submitted to BHA staff was a blank mental health assessment form for individuals.

34. Both Contracts include language which states that payment can be recovered for “Any amounts paid by STATE for which GRANTEE’S books, records and other documents are not sufficient to clearly substantiate that those amounts were used by GRANTEE to perform contract services.”

35. OICA also discovered Zion did not sufficiently document the staffing hours it claimed.

36. Zion provided no signed time sheets to OICA for the period requested, and the time records submitted only listed weekly totals of hours worked with inconsistent start dates, and varying days of the week as the start date. Zion subsequently sent Google calendars for the three staff members, but the calendar dates did not always align with the unsigned time records. The calendars also did not account for the 40 hours of grant activity that was claimed each week; several days only listed two to three hours of activity for some staff.

37. OICA also discovered Zion staff double-billed hours to TWC and Zion.

38. At least one Zion staff member submitted duplicate billing for identical time periods, claiming both Zion work hours and payment for services through their own business, which was one of the TWC subrecipient agencies.

39. OICA also discovered billing irregularities in invoices Zion submitted to DHS.

40. For example, at the beginning of the first contract, Zion submitted an invoice for reimbursement which included claims by 14 different subrecipient agencies for exactly \$40,000 each for services provided between September 1, 2022, through October 31, 2022; specific dates of service were not provided. The invoices listed different services and units provided during this period, but many of the service units were round numbers or had repeating totals.

41. As another example, in Zion's general ledger, under a combination of three accounts titled Collaborative, Group, and Individual Services, ten different sub-agencies received exactly \$75,000 between December 2022 and August 2023, despite the general ledger entries listing varying dates and amounts for each sub-agency during this time frame.

42. Further, invoice submissions under the second contract included repeating final digits for Contracted Services, even though the types or level of service varied each month. Six of the eleven

invoices submitted between November 2023 and July 2024 ended in “87,” and all six of the invoices submitted between August 2024 and January 2025 ended in “58.”

43. Additionally, Zion submitted many subrecipient agency invoices with the initials “TWC” for The Wellness Collaborative. Both Contracts were with Zion, so their name should have been listed in the invoice documentation.

44. Moreover, one subrecipient agency billed the exact same amount for six consecutive months under the second contract, despite that different types or levels of service were reported each month. And another subrecipient agency owned by a Zion staff member billed over \$13,000 in the last month of the first contract, even though the budget was nearly exhausted, and no previous claims had been submitted by the agency in the previous 12 months.

45. Zion and subrecipient agencies’ repeat pattern of billing irregularities exceeds what could reasonably be explained as a simple misunderstanding on the part of the grantee, or ignorance of proper grant billing practices.

CAUSES OF ACTION

COUNT 1

BREACH OF CONTRACT

46. DHS incorporates the preceding paragraphs as if fully set forth in this count.

47. Zion’s execution of the Contracts, as a condition for receiving the grants described in the funding notices, created express, or in the alternative, implied contracts with DHS. In exchange for DHS disbursing grant funds to Zion, Zion agreed to spend the funds on permissible expenses, maintain sufficient documentation of its expenses, provide such documentation to DHS upon request, complete the single audit requirement, exercise adequate oversight of subrecipient agencies, and comply with all other terms of the Contracts. Zion assented by signing the Contracts. DHS then disbursed grant funds to Zion consistent with the Contracts.

48. DHS disbursed approximately \$2,483,958 in grant funds to Zion, fulfilling DHS' obligations under the Contracts. Zion therefore was contractually bound to fulfill the duties above but failed to do so, and by its failure breached the Contracts.

49. Zion's breach of contract damaged DHS in an amount to be determined at trial.

COUNT 2
UNJUST ENRICHMENT

50. DHS incorporates the preceding paragraphs 1-45 as if fully set forth in this count.

51. Zion's knowing acceptance and retention of grant funds that it did not use for a permissible purpose, for which no documentation of permissible use exists, or for which Zion failed to provide adequate supporting documentation, enriched Zion in a manner which is both legally unjustifiable and morally unconscionable.

52. DHS conferred a benefit on Zion by disbursing approximately \$2,483,958 in grant funds, with the understanding that Zion would use the funds as set forth in the Contracts, document how it did so, and provide such documentation to DHS upon request.

53. Zion sought, knowingly received, and retained this benefit. Yet, despite accepting the grant funds, Zion failed to spend the funds on permissible expenses, maintain sufficient documentation of its expenses, provide such documentation to DHS upon request, complete the single audit requirement, exercise adequate oversight of subrecipient agencies, and comply with all other terms of the Contracts.

54. Zion knowingly received enrichment from DHS and used that enrichment in a manner that it was not entitled to. Zion's retention of this enrichment is legally unjustifiable, as Zion failed to comply with the grant requirements that it agreed to follow. Zion's retention of this enrichment is also morally unconscionable, as Zion misused grant funds that DHS disbursed to support persons needing mental health, substance use, violence prevention, wellness, and other critical services,

thereby depriving vulnerable Minnesotans in crisis of services that should have been available to them.

55. Zion was unjustly enriched in an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff asks that the Court grant the following relief:

1. Reasonable monetary damages in an amount greater than \$50,000 corresponding to the amount of grant funds that either were not used for an eligible purpose or for which no documentation of eligible use exists;
2. Award any applicable costs and fees; and
3. Grant any additional relief as the interests of justice may require.

JURY DEMAND

DHS demands a jury trial for all issues pled herein triable by a jury.

Dated: April 6, 2026

Respectfully submitted,

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/s/ Aaron Winter
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MINN. STAT § 549.211 ACKNOWLEDGEMENT

The parties on whose behalf the attached document is served acknowledge through their undersigned counsel that sanctions, including reasonable attorney fees and other expenses, may be awarded to the opposite party or parties pursuant to Minn. Stat. § 549.211.

Respectfully submitted,

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/s/ Aaron Winter
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