

ARTICLE 4

GRANTS MANAGEMENT

Section 1. **FINANCIAL REVIEW OF NONPROFIT GRANT RECIPIENTS**

REQUIRED.

Subdivision 1. **Financial review required.** (a) Before awarding a competitive, legislatively named, single source, or sole source grant to a nonprofit organization under this act, the grantor must require the applicant to submit financial information sufficient for the grantor to document and assess the applicant's current financial standing and management. Items of significant concern must be addressed with the applicant and resolved to the satisfaction of the grantor before a grant is awarded. The grantor must document the material requested and reviewed; whether the applicant had a significant operating deficit, a deficit in unrestricted net assets, or insufficient internal controls; whether and how the applicant resolved the grantor's concerns; and the grantor's final decision. This documentation must be maintained in the grantor's files.

(b) At a minimum, the grantor must require each applicant to provide the following information:

(1) the applicant's most recent Form 990, Form 990-EZ, or Form 990-N filed with the Internal Revenue Service. If the applicant has not been in existence long enough or is not required to file Form 990, Form 990-EZ, or Form 990-N, the applicant must demonstrate to the grantor that the applicant is exempt and must instead submit documentation of internal controls and the applicant's most recent financial statement prepared in accordance with generally accepted accounting principles and approved by the applicant's board of directors or trustees, or if there is no such board, by the applicant's managing group;

(2) evidence of registration and good standing with the secretary of state under Minnesota Statutes, chapter 317A, or other applicable law;

(3) unless exempt under Minnesota Statutes, section 309.515, evidence of registration and good standing with the attorney general under Minnesota Statutes, chapter 309; and

(4) if required under Minnesota Statutes, section 309.53, subdivision 3, the applicant's most recent audited financial statement prepared in accordance with generally accepted accounting principles.

Subd. 2. **Authority to postpone or forgo; reporting required.** (a) Notwithstanding any contrary provision in this act, a grantor that identifies an area of significant concern regarding the financial standing or management of a legislatively named applicant may postpone or forgo awarding the grant.

(b) No later than 30 days after a grantor exercises the authority provided under paragraph (a), the grantor must report to the chairs and ranking minority members of the legislative committees with jurisdiction over the grantor's operating budget. The report must identify

53.24 the legislatively named applicant and the grantor's reason for postponing or forgoing the
53.25 grant.

53.26 Subd. 3. **Authority to award subject to additional assistance and oversight.** A grantor
53.27 that identifies an area of significant concern regarding an applicant's financial standing or
53.28 management may award a grant to the applicant if the grantor provides or the grantee
53.29 otherwise obtains additional technical assistance, as needed, and the grantor imposes
53.30 additional requirements in the grant agreement. Additional requirements may include but
53.31 are not limited to enhanced monitoring, additional reporting, or other reasonable requirements
53.32 imposed by the grantor to protect the interests of the state.

54.1 Subd. 4. **Relation to other law and policy.** The requirements in this section are in
54.2 addition to any other requirements imposed by law, the commissioner of administration
54.3 under Minnesota Statutes, sections 16B.97 to 16B.98, or agency policy.

36.7 Sec. 27. **FINANCIAL REVIEW OF NONPROFIT GRANT RECIPIENTS.**

36.8 Subdivision 1. **Financial information required; determination of ability to**
36.9 **perform.** Before an agency awards a competitive, legislatively-named, single source, or
36.10 sole source grant to a nonprofit organization with money appropriated in this act, the agency
36.11 must assess the risk that a grantee cannot or would not perform the required duties. In making
36.12 this assessment, the agency must review the following information:

36.13 (1) the grantee's history of performing duties similar to those required by the grant,
36.14 whether the size of the grant requires the grantee to perform services at a significantly
36.15 increased scale, and whether the size of the grant will require significant changes to the
36.16 operation of the grantee's organization;

36.17 (2) the applicant's Form 990 or Form 990-EZ filed with the Internal Revenue Service
36.18 in each of the prior three years. If the applicant has not been in existence long enough or is
36.19 not required to file Form 990 or Form 990-EZ, the applicant must demonstrate to the grantor's
36.20 satisfaction that the applicant is exempt and must instead submit the applicant's most recent
36.21 board-reviewed financial statements and documentation of internal controls;

36.22 (3) evidence of registration and good standing with the secretary of state under Minnesota
36.23 Statutes, chapter 317A, or other applicable law;

36.24 (4) if the applicant's total annual revenue exceeds \$750,000, the applicant's most recent
36.25 financial audit performed by an independent third party in accordance with generally accepted
36.26 accounting principles; and

36.27 (5) certification, provided by the applicant, that none of its principals have been convicted
36.28 of a financial crime.

36.29 Subd. 2. **Additional measures for some grantees.** The agency may require additional
36.30 information and must provide enhanced oversight for grants to nonprofit organizations that

36.31 have not previously received state or federal grants for similar amounts or similar duties
36.32 and so have not yet demonstrated the ability to perform the duties required under the grant
36.33 on the scale required.

37.1 Subd. 3. **Assistance from administration.** An agency without adequate resources or
37.2 experience to perform obligations under this section may contract with the commissioner
37.3 of administration to perform the agency's duties under this section.

37.4 Subd. 4. **Agency authority to not award grant.** If an agency determines that there is
37.5 an appreciable risk that a grantee receiving a competitive, single source, or sole source grant
37.6 cannot or would not perform the required duties under the grant agreement, the agency must
37.7 notify the grantee and the commissioner of administration and give the grantee an opportunity
37.8 to respond to the agency's concerns. If the grantee does not satisfy the agency's concerns
37.9 within 45 days, the agency must not award the grant.

37.10 Subd. 5. **Legislatively-named grantees.** If an agency determines that there is an
37.11 appreciable risk that a grantee receiving a legislatively-named grant cannot or would not
37.12 perform the required duties under the grant agreement, the agency must notify the grantee,
37.13 the commissioner of administration, and the chair and ranking minority members of Ways
37.14 and Means Committee in the house of representatives, the chairs and ranking minority
37.15 members of the Finance Committee in the senate, and the chairs and ranking minority
37.16 members of the committees in the house of representatives and the senate with primary
37.17 jurisdiction over the bill in which the money for the grant was appropriated. The agency
37.18 must give the grantee an opportunity to respond to the agency's concerns. If the grantee
37.19 does not satisfy the agency's concerns within 45 days, the agency must delay award of the
37.20 grant until adjournment of the next regular or special legislative session.

37.21 Subd. 6. **Subgrants.** If a grantee will disburse the money received from the grant to
37.22 other organizations to perform duties required under the grant agreement, the agency must
37.23 be a party to agreements between the grantee and a subgrantee. Before entering agreements
37.24 for subgrants, the agency must perform the financial review required under this section with
37.25 respect to the subgrantees.

37.26 Subd. 7. **Effect.** The requirements of this section are in addition to other requirements
37.27 imposed by law, the commissioner of administration under Minnesota Statutes, sections
37.28 16B.97 to 16B.98, or agency grant policy.