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

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

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

Sec. 27. FINANCIAL REVIEW OF NONPROFIT GRANT RECIPIENTS.

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

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

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

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

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

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

Subd. 2. Additional measures for some grantees. The agency may require additional
information and must provide enhanced oversight for grants to nonprofit organizations that
have not previously received state or federal grants for similar amounts or similar duties
and so have not yet demonstrated the ability to perform the duties required under the grant
on the scale required.

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

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

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

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

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