

64.1

ARTICLE 3

64.2

GRANTS MANAGEMENT

64.3 Section 1. **FINANCIAL REVIEW OF NONPROFIT GRANT RECIPIENTS**
64.4 **REQUIRED.**

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

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

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

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

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

70.10 Sec. 50. **FINANCIAL REVIEW OF GRANT AND BUSINESS SUBSIDY**
70.11 **RECIPIENTS.**

70.12 Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the
70.13 meanings given.

70.14 (b) "Grant" means a grant or business subsidy funded by an appropriation in this act.

70.15 (c) "Grantee" means a business entity as defined in Minnesota Statutes, section 5.001.

70.16 Subd. 2. **Financial information required; determination of ability to perform.** Before
70.17 an agency awards a competitive, legislatively named, single-source, or sole-source grant,
70.18 the agency must assess the risk that a grantee cannot or would not perform the required
70.19 duties. In making this assessment, the agency must review the following information:

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

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

70.30 (3) for a for-profit business, three years of federal and state tax returns, current financial
70.31 statements, certification that the business is not under bankruptcy proceedings, and disclosure
70.32 of any liens on its assets. If a business has not been in business long enough to have three
71.1 years of tax returns, the grantee must demonstrate to the grantor's satisfaction that the grantee
71.2 has appropriate internal financial controls;

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

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

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

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

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

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

71.8 (6) certification, provided by the grantee, that none of its principals have been convicted
 71.9 of a financial crime.

71.23 Subd. 6. **Legislatively named grantees.** If an agency determines that there is an
 71.24 appreciable risk that a grantee receiving a legislatively named grant cannot or would not
 71.25 perform the required duties under the grant agreement, the agency must notify the grantee,
 71.26 the commissioner of administration, and the chairs and ranking minority members of the
 71.27 Ways and Means Committee in the house of representatives, the chairs and ranking minority
 71.28 members of the Finance Committee in the senate, and the chairs and ranking minority
 71.29 members of the committees in the house of representatives and the senate with primary
 71.30 jurisdiction over the bill in which the money for the grant was appropriated. The agency
 71.31 must give the grantee an opportunity to respond to the agency's concerns. If the grantee
 71.32 does not satisfy the agency's concerns within 45 days, the agency must delay award of the
 71.33 grant until adjournment of the next regular or special legislative session.

71.10 Subd. 3. **Additional measures for some grantees.** The agency may require additional
 71.11 information and must provide enhanced oversight for grants that have not previously received
 71.12 state or federal grants for similar amounts or similar duties and so have not yet demonstrated
 71.13 the ability to perform the duties required under the grant on the scale required.

72.6 Subd. 8. **Effect.** The requirements of this section are in addition to other requirements
 72.7 imposed by law, the commissioner of administration under Minnesota Statutes, sections
 72.8 16B.97 and 16B.98, or agency grant policy.

71.14 Subd. 4. **Assistance from administration.** An agency without adequate resources or
 71.15 experience to perform obligations under this section may contract with the commissioner
 71.16 of administration to perform the agency's duties under this section.

71.17 Subd. 5. **Agency authority to not award grant.** If an agency determines that there is
 71.18 an appreciable risk that a grantee receiving a competitive, single-source, or sole-source
 71.19 grant cannot or would not perform the required duties under the grant agreement, the agency
 71.20 must notify the grantee and the commissioner of administration and give the grantee an
 71.21 opportunity to respond to the agency's concerns. If the grantee does not satisfy the agency's
 71.22 concerns within 45 days, the agency must not award the grant.

72.1 Subd. 7. **Subgrants.** If a grantee will disburse the money received from the grant to
 72.2 other organizations to perform duties required under the grant agreement, the agency must
 72.3 be a party to agreements between the grantee and a subgrantee. Before entering agreements

72.4 for subgrants, the agency must perform the financial review required under this section with
72.5 respect to the subgrantees.