

52.18

**ARTICLE 4**

52.19

**GRANTS MANAGEMENT**

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

52.21 **REQUIRED.**

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

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

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

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

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

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

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

53.21 (b) No later than 30 days after a grantor exercises the authority provided under paragraph  
53.22 (a), the grantor must report to the chairs and ranking minority members of the legislative  
53.23 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.