
Statutory References

Minn. Stat. 16B.97-Grants Management

Policy

Minnesota Statutes 16B.97 subd. 4(a)(1) provides that the Commissioner of Administration shall “create general grants management policies and procedures that are applicable to all executive agencies.”

It is the policy of the State of Minnesota to make grants to nongovernmental organizations that are financially stable enough to carry out the purpose of the grant. Before awarding a grant of over $25,000 to a nongovernmental organization, Minnesota state agencies must assess a recent financial statement from that organization. Items of significant concern must be discussed with the grant applicant and resolved to the satisfaction of state agency staff before a grant is awarded.

As defined later, state agency staff must review at least one of the following documents before awarding a grant: an internal financial statement, an IRS Form 990, or a certified financial audit. Agency staff shall note which document was reviewed for each grant applicant, whether there were significant operating or unrestricted net asset deficits, how the grant applicant addressed the concern, and what the final granting decision was. These notes are to be kept in the grant file.

Using this policy as a starting point, state granting agencies may develop more detailed policies and procedures for the financial review of nongovernmental grant applicants.

Scope of Coverage

This policy applies to all executive branch grant-making agencies, boards, committees, councils, authorities and task forces.

This policy applies to competitive, sole/single source, and legislatively-named grant review processes. Formula grants processes are not subject to this policy. This policy does not apply to grants to individuals or to bonding and capital grants.

This policy supersedes other state agency policies that concern grant awards except when the existing state agency policy is stricter.
Grant programs that seek an exception to this policy must complete a Grants Policy Exception Request and submit it to the Office of Grants Management for the approval of the Commissioner of Administration.

Definitions

Nongovernmental Organization:
A nongovernmental organization is an organization that is a nonprofit, also known as a charitable organization, that is formed for the purpose of fulfilling a mission to improve the common good of society rather than to acquire and distribute profits. The organization meets the definition in Minn. Stat. 309.50 Subd. 4 and meets the definitions defined in the Internal Revenue Service code, with the most common type being a 501 (c) (3).

Competitive grant:
A competitive grant is a grant that is awarded through an application process in which multiple grant applications are solicited through a grants notice or request for proposal and reviewed by the state agency. In a competitive grants process, grants are awarded to those applicants that most closely meet the selection criteria identified by the granting agency, based on the availability of grant funds.

Sole and single source grants:
A sole source grant is a type of non-competitive grant that is awarded to an entity because it is the only provider of a particular service.
A single source grant is a type of non-competitive grant that is awarded to an entity that is selected due to specific reasons, such as a geographic location or community knowledge and relationships that make that entity uniquely able to fulfill the intent of the grant.

Certified financial audit:
A certified financial audit is a review of an organization’s financial statements, fiscal policies and control procedures by an independent third party to determine if the statements fairly represent the organization’s financial position and if organizational procedures are in accordance with Generally Accepted Accounting Principles (GAAP). Minnesota nonprofit organizations are required to have a certified financial audit completed for any fiscal year in which they have total revenue of more than $750,000.

IRS Form 990:
An IRS Form 990 is a federal tax return for nonprofit organizations. Nonprofit organizations that are recognized as exempt from Federal income tax must file a Form 990 or Form 990 EZ if it has averaged more than $50,000 in annual gross receipts over the past three tax years.
**Procedures**

1. State grant-making agencies request that all grant applicants, including legislatively-named and single-source grant applicants, submit financial information as outlined below. In a competitive grant process, instead of requesting these documents from every grant applicant, state agencies may choose to request this information only from the finalists in the selection process.
   - Grant applicants with annual income of under $50,000 or who have not been in existence long enough to have a completed IRS Form 990 or audit should be asked to submit their most recent board-reviewed financial statements.
   - Grant applicants with total annual revenue of $50,000 or more and less than $750,000 should be asked to submit their most recent IRS Form 990.
   - Grant applicants with total annual revenue of over $750,000 should be asked to submit their most recent certified financial audit.

2. Before the grant is awarded, state agency staff review applicant’s financial documents to assure that the organization is financially stable. At a minimum, state agency staff should determine whether the grant applicant has a significant operating deficit or a deficit in unrestricted net assets.

3. If state agency staff has a concern about information contained in the financial documents, they must discuss the situation with the grant applicant before awarding a grant. State agency staff may determine that there are understandable reasons for the situation or learn that the situation has improved and still decide to make a grant to the organization. State agency staff can build in effective grant supports through additional requirements in the pre-award negotiation process, the grant contract agreement, ongoing monitoring, and grantee technical assistance to address concerns identified in the financial document review process.

4. State agency staff document which financial statement they reviewed and their rationale for awarding the grant. This documentation is to be kept in the grant file. The state granting agency can complete a single financial review for a grant applicant once every grant period. It is sufficient for the state granting agency to retain one single financial review in a central file for reference when that grant applicant/grantee has multiple grants in place with the granting agency.