

**Senator Luz Robles** proposes the following substitute bill:

**NONPROFIT ENTITY RECEIPT OF GOVERNMENT MONEY**

2014 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Ronda Rudd Menlove**

Senate Sponsor: Curtis S. Bramble

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**LONG TITLE**

**General Description:**

This bill addresses nonprofit entity receipt of state money.

**Highlighted Provisions:**

This bill:

- ▶ defines terms;
- ▶ addresses audits of nonprofit entities;
- ▶ requires written agreements for grants to nonprofit entities;
- ▶ enacts the Nonprofit Entity Receipt of State Money Act, including:
  - defining terms;
  - imposing requirements on a nonprofit entity's receipt of state money; and
  - authorizing a state entity to seek return of state money if the nonprofit entity

fails to comply with the requirements; and

- ▶ makes technical changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**



26 AMENDS:

27 **51-2a-102**, as last amended by Laws of Utah 2007, Chapter 170

28 ENACTS:

29 **51-2a-204**, Utah Code Annotated 1953

30 **63J-9-101**, Utah Code Annotated 1953

31 **63J-9-102**, Utah Code Annotated 1953

32 **63J-9-201**, Utah Code Annotated 1953

33 **63J-9-202**, Utah Code Annotated 1953



35 *Be it enacted by the Legislature of the state of Utah:*

36 Section 1. Section **51-2a-102** is amended to read:

37 **51-2a-102. Definitions.**

38 As used in this chapter:

39 (1) "Accounting reports" means an audit, a review, a compilation, or a fiscal report.

40 (2) "Audit" means an examination that:

41 (a) analyzes the accounts of all officers of the entity having responsibility for the care,  
42 management, collection, or disbursement of money belonging to it or appropriated by law or  
43 otherwise acquired for its use or benefit;

44 (b) is performed in accordance with generally accepted government auditing standards,  
45 or for nonprofit corporations described in Subsection (6)(f), in accordance with generally  
46 accepted auditing standards; and

47 (c) conforms to the uniform classification of accounts established or approved by the  
48 state auditor or any other classification of accounts established by any federal government  
49 agency.

50 (3) "Audit report" means:

51 (a) the financial statements presented in conformity with generally accepted accounting  
52 principles;

53 (b) the auditor's opinion on the financial statements;

54 (c) a statement by the auditor expressing positive assurance of compliance with state  
55 fiscal laws identified by the state auditor;

56 (d) a copy of the auditor's letter to management that identifies any material weakness in

57 internal controls discovered by the auditor and other financial issues related to the expenditure  
58 of funds received from federal, state, or local governments to be considered by management;  
59 and

60 (e) management's response to the specific recommendations.

61 (4) "Compilation" means information presented in the form of financial statements  
62 presented in conformity with generally accepted accounting principles that are the  
63 representation of management without the accountant undertaking to express any assurances on  
64 the statements.

65 (5) "Fiscal report" means providing information detailing revenues and expenditures of  
66 all funds using forms provided by the state auditor.

67 (6) "Governing board" means:

68 (a) the governing board of each political subdivision;

69 (b) the governing board of each interlocal organization having the power to tax or to  
70 expend public funds;

71 (c) the governing board of any local mental health authority established under the  
72 authority of Title 62A, Chapter 15, Substance Abuse and Mental Health Act;

73 (d) the governing board of any substance abuse authority established under the  
74 authority of Title 62A, Chapter 15, Substance Abuse and Mental Health Act;

75 (e) the governing board of any area agency established under the authority of Title  
76 62A, Chapter 3, Aging and Adult Services;

77 (f) the governing board of any nonprofit corporation that receives:

78 (i) at least 50% of its funds from federal, state, and local government entities through  
79 contracts; or

80 (ii) an amount from state entities that is equal to or exceeds the amount specified in  
81 Subsection 51-2a-201(1) that would require an audit to be made by a competent certified public  
82 accountant;

83 (g) the governing board of any other entity established by a local governmental unit  
84 that receives tax exempt status for bonding or taxing purposes; and

85 (h) in municipalities organized under an optional form of municipal government, the  
86 municipal legislative body.

87 (7) "Review" means performing inquiry and analytical procedures that provide the

88 accountant with a reasonable basis for expressing limited assurance that there are no material  
89 modifications that should be made to the financial statements for them to be in conformity with  
90 generally accepted accounting principles.

91 (8) "State entity" means a department, commission, board, council, agency, institution,  
92 officer, corporation, fund, division, office, committee, authority, laboratory, library, unit,  
93 bureau, panel, or other administrative unit of the state.

94 Section 2. Section **51-2a-204** is enacted to read:

95 **51-2a-204. Grants to nonprofit corporations -- Reporting to the state auditor.**

96 (1) A state entity that grants money to a nonprofit corporation shall enter into a written  
97 agreement with the nonprofit corporation that requires the nonprofit corporation to:

98 (a) disclose whether:

99 (i) it met or exceeded the requirements listed in Subsection [51-2a-102\(6\)\(f\)](#) in the  
100 previous fiscal year of the nonprofit corporation; and

101 (ii) it anticipates meeting or exceeding the requirements listed in Subsection  
102 [51-2a-102\(6\)\(f\)](#) in the fiscal year the grant is issued; and

103 (b) comply with the requirements of Title 63J, Chapter 9, Nonprofit Entity Receipt of  
104 State Money Act.

105 (2) If the nonprofit corporation discloses to the state entity that it meets or exceeds the  
106 requirements listed in Subsection [51-2a-102\(6\)\(f\)](#) as described in Subsection (1), the state  
107 entity shall notify the state auditor.

108 Section 3. Section **63J-9-101** is enacted to read:

109 **CHAPTER 9. NONPROFIT ENTITY RECEIPT OF STATE MONEY ACT**

110 **Part 1. General Provisions**

111 **63J-9-101. Title.**

112 This chapter is known as the "Nonprofit Entity Receipt of State Money Act."

113 Section 4. Section **63J-9-102** is enacted to read:

114 **63J-9-102. Definitions.**

115 As used in this chapter:

116 (1) "Bylaws" means the one or more codes of rules, other than the articles of  
117 incorporation, adopted for the regulation or management of the affairs of a nonprofit entity  
118 irrespective of the one or more names by which the codes of rules are designated.

- 119           (2) "Nonprofit entity" means an entity that:
- 120           (a) is operated primarily for a scientific purpose, educational purpose, religious
- 121 purpose, charitable purpose, or similar purpose in the public interest;
- 122           (b) is not organized primarily for profit; and
- 123           (c) no part of the net earnings of which inures to the benefit of any private shareholder
- 124 or individual holding an interest in the entity.
- 125           (3) "State entity" means a department, commission, board, council, agency, institution,
- 126 officer, corporation, fund, division, office, committee, authority, laboratory, library, unit,
- 127 bureau, panel, or other administrative unit of the state.
- 128           (4) "State money" means money that is owned, held, or administered by a state entity
- 129 and derived from state fee or tax revenues.

130           Section 5. Section **63J-9-201** is enacted to read:

131                                   **Part 2. Provision of State Money**

132           **63J-9-201. Conditions for providing state grant money to a nonprofit entity.**

133           A state entity may not provide a nonprofit entity state money through a grant, including

134 a pass-through funding grant, unless:

- 135           (1) the state entity enters into a written agreement with the nonprofit entity;
- 136           (2) the written agreement described in Subsection (1) requires the nonprofit entity to
- 137 provide the state entity an itemized report at least annually detailing the expenditure of the state
- 138 money; and
- 139           (3) at the time of receipt of the state money the nonprofit entity has:
- 140           (a) bylaws that provide for:
- 141           (i) the financial oversight of the state money; and
- 142           (ii) compliance with state laws related to the state money;
- 143           (b) procedures for the governing board of the nonprofit entity to designate an
- 144 administrator who manages the state money; and
- 145           (c) procedures for the governing board to dismiss the administrator described by
- 146 Subsection (3)(b).

147           Section 6. Section **63J-9-202** is enacted to read:

148           **63J-9-202. Nonprofit entity's return of state money.**

149           The state entity that provides a nonprofit entity state money in accordance with Section

150 63J-9-201 may require the nonprofit entity to return to the state entity an amount of money that  
151 is equal to the state money that is expended in violation of Section 63J-9-201 if the nonprofit  
152 entity fails to comply with the written agreement, bylaws, and procedures required by Section  
153 63J-9-201 during the time period that the nonprofit entity holds or expends the state money.