



Municipal Donations to Nonprofit Organizations: What Documentation is Required?

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Many municipalities throughout Tennessee appropriate monies to nonprofit charitable organizations and nonprofit civic organizations. T.C.A. 6-54-111 includes specific guidelines for appropriating these funds. One question that often arises is whether a municipality is required to obtain audited financial statements before making a donation. Recently, the Tennessee Code was amended to provide that “either a copy of the entity’s most recently completed annual audit or an annual report detailing all receipts and expenditures in a form prescribed by the Comptroller of the Treasury and prepared and certified by the chief financial officer of such nonprofit organization” can be obtained.

Additionally, the relevant portion of the Comptroller’s Division of Local Government Audit Manual reads:

5. Municipal Donations to Nonprofit Organizations

Section 6-54-111, *Tennessee Code Annotated*, as amended, authorizes a municipality’s governing body to appropriate funds for the financial aid of any nonprofit charitable organization that provides services benefiting the general welfare of the residents of the municipality or any nonprofit civic organization working to maintain and increase employment opportunities in the municipality. This section also provides for the Comptroller of the Treasury to establish standard procedures to assist the municipal governing body in the disposition of funds so appropriated. The auditor should consider whether the municipality has complied with the following laws and rules:

- A municipality may appropriate funds for only those nonprofit charitable organizations that provide services benefiting the general welfare of the residents of the municipality, or any nonprofit civic organization classified under Sections 501(c)(4) or (6) of the Internal Revenue Code working to maintain and increase employment opportunities in the municipality.
- Municipal payments to nonprofit organizations shall be limited to the amounts appropriated for such purposes and in keeping with the municipality’s guidelines for how the appropriated funds may be spent.
- The municipality shall require that each nonprofit organization that desires financial assistance from a municipality shall file with the city clerk of the municipality a copy of an annual report of its business affairs and transactions that includes, but is not limited to:

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Either a copy of the entity’s most recently completed annual audit or an annual report detailing all receipts and expenditures in a form prescribed by the comptroller of the treasury and prepared and certified by the chief financial officer of the nonprofit organization;

A description of the program that serves the residents of the municipality; and the proposed use of the municipal assistance.

The annual reporting form can be found at [https://www.comptroller.tn.gov/content/dam/cot/la/documents/guidance/general \[1\]-guidance/AnnualReportingFormForNonprofitOrganizations.docx \[1\]](https://www.comptroller.tn.gov/content/dam/cot/la/documents/guidance/general-1-guidance/AnnualReportingFormForNonprofitOrganizations.docx).

- For appropriations to nonprofit civic organizations, notices shall be published in a newspaper of general circulation in the municipality of the intent to make an specifying the intended amount and purpose.

Links:

[1] <https://www.comptroller.tn.gov/content/dam/cot/la/documents/guidance/general-guidance/AnnualReportingFormForNonprofitOrganizations.docx>

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