

Substitute Ordinance No. BL2021-1049

An Ordinance to amend Section 5.04.070 of the Metropolitan Code of Laws relative to the audit requirements for nonprofit organizations receiving appropriations from the Metropolitan Government.

BE IT ENACTED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. That Section 5.04.070 of the Metropolitan Code of Laws is hereby amended by deleting subsection B.6 in its entirety and replacing it with the following and by adding a new subsection B.7:

6. A copy of information required in subsection E of this section. For organizations with an annual operating budget in excess of two hundred and fifty thousand dollars receiving a grant or grants in excess of twenty-five thousand dollars during any one fiscal year, a copy of the organization's audit for the most recent fiscal year. For purposes of this subsection, "audit" means a formal examination of the organization's accounting records and financial situation in accordance with the generally accepted auditing standards issued by the American Institute of Certified Public Accountants. Organizations that are exempt from submitting an audit from the most recent fiscal year pursuant to this subsection shall comply with the audit requirements of Tennessee Code Annotated Section 7-3-314.
7. Additional information may be requested by the office of financial accountability, including requests for additional information or supporting documentation related to the requirements in this subsection.

Section 2. That Section 5.04.070 of the Metropolitan Code of Laws is further amended by adding the following new subsections E and F:

E. Nonprofit organizations meeting the criteria below shall be required to submit the following information pursuant to subsection B.6:

1. Organizations with five-hundred thousand dollars or more in total annual revenue or receiving grant funds from the Metropolitan Government in excess of fifty-thousand dollars are required to submit an annual audit conducted by an independent CPA in accordance with generally accepted auditing standards;
2. Organizations with total annual revenue between two-hundred thousand dollars and five-hundred thousand dollars or receiving grant funds from the Metropolitan Government between twenty-five thousand dollars and fifty-thousand dollars are required to submit a review of financial statements conducted by an independent CPA;
3. Organizations with total revenue between fifty thousand dollars and two-hundred fifty thousand dollars or receiving grant funds between five thousand dollars and twenty-five thousand dollars are required to submit a compilation of financial statements prepared by an independent CPA; and
4. Organizations with total revenue of fifty thousand dollar or less, or receiving grant funds of five thousand dollars or less, are required to submit internally prepared financial statements.

F. For the purposes of this section, the following definitions shall apply:

1. "Audit" means a formal examination of the organization's accounting records and financial situation in accordance with the generally accepted auditing standards issued by the American Institute of Certified Public Accountants. The purpose of an audit is to provide financial statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework, which enhances the degree of confidence that intended users can place in the financial statements.
2. "Review of Financial Statements" means an independent CPA expresses a conclusion regarding the entity's financial statements in accordance with an applicable financial reporting framework. The independent CPA's conclusion is based upon the CPA obtaining limited assurance. The CPA's report includes a description of the nature of a review engagement as context for the readers of the report to be able to understand the conclusion.
3. "Compilation of Financial Statements" means financial statements compiled by an independent CPA for the purposes of assisting management in presenting the financial information in the form of financial statements. A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review.
4. "Internally prepared financial statements" means financial statements prepared by the organization's Chief Financial Officer and/or Bookkeeper.

Section 32. This ordinance shall take effect from and after its final passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

Sponsored by:

Zulfat Suara
Member of Council