

ASSEMBLY, No. 4438

STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED SEPTEMBER 17, 2018

Sponsored by:

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

Co-Sponsored by:

Assemblyman Wolfe

SYNOPSIS

Establishes requirements for certain nonprofit youth-serving athletic organizations.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/14/2019)

1 AN ACT concerning certain nonprofit youth-serving athletic
2 organizations and supplementing Title 15A of the New Jersey
3 Statutes.

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5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

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8 1. As used in this act:

9 “Adequate notice” means written or electronic notice of the
10 scheduled date, time, location, and, to the extent known, agenda of
11 any general, executive committee, or rescheduled meeting.

12 “Executive committee” means the board, committee, or other
13 leadership group that comprises the nonprofit youth-serving athletic
14 organization’s elected or appointed leaders, such as directors,
15 officers, or other designated team members.

16 “Nonprofit youth-serving athletic organization” or
17 “organization” means a corporation, association, or other
18 organization which provides athletic, physical fitness, recreational,
19 or sports activities or services for persons 18 years of age and
20 younger, is established pursuant to Title 15 of the Revised Statutes,
21 Title 15A of the New Jersey Statutes, or any other law of this State,
22 and is determined by the federal Internal Revenue Service to be a
23 tax exempt organization. A “nonprofit youth-serving athletic
24 organization” excludes public and nonpublic schools.

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26 2. A nonprofit youth-serving athletic organization shall:

27 a. maintain a website, which shall provide access to all meeting
28 agendas, meeting minutes, financial statements, tax returns, audit
29 reports, applications and licenses issued to hold and operate any
30 game of chance such as a raffle, and any other official notifications
31 or reports of the organization;

32 b. provide adequate notice at least five days in advance of any
33 meeting, which shall indicate whether formal action may be taken,
34 and distribute or publish any meeting notice prominently on the
35 organization’s website; and

36 c. record minutes of every general membership or executive
37 committee meeting. The meeting minutes shall accurately reflect
38 the treasurer’s or executive committee’s financial report detailing
39 all revenues and expenditures approved, and all members’ votes
40 related thereto.

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42 3. a. An executive committee shall hold at least one annual
43 general membership meeting open to the general public. The
44 meeting shall take place within the municipality or region the
45 organization operates in, with adequate notice.

46 b. The annual general membership meeting shall include an
47 annual report, provide opportunities for the general public to view
48 organization records required to be made available on the

1 organization's website pursuant to subsection a. of section 2 of
2 P.L. , c. (C.) (pending before the Legislature as this bill),
3 and include an open comment period.

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5 4. a. A nonprofit youth-serving athletic organization shall
6 provide a copy of its nonprofit tax return to the Division of
7 Consumer Affairs in the Department of Law and Public Safety and
8 the Custodian of Records of the local municipality in which the
9 organization operates.

10 b. A bank account held by a nonprofit youth-serving athletic
11 organization shall have three signatories, each of whom shall be
12 approved by the executive committee.

13 c. Any debit or credit card used by the organization shall
14 comply with applicable policies or procedures required by the
15 Division of Consumer Affairs or the Local Finance Board in the
16 Department of Community Affairs.

17 d. The organization shall obtain insurance or a surety bond for
18 the purpose of satisfying any claim against a signatory or any
19 person authorized by the organization to handle its finances.

20 e. Notwithstanding any other law, rule, or regulation to the
21 contrary, a nonprofit youth-serving athletic organization shall not
22 accept cash donations greater than \$25.

23 f. A nonprofit youth-serving athletic organization shall not
24 require its members to participate in, or solicit, any game of chance,
25 including a raffle.

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27 5. A nonprofit youth-serving athletic organization shall cause
28 an audit of the organization's financial records to be performed
29 each year, in accordance with generally accepted accounting
30 principles and auditing standards by an independent certified public
31 accountant, the results of which shall be reported and filed with the
32 Division of Consumer Affairs in the Department of Law and Public
33 Safety and the organization's parent organization.

34 Each member of the executive committee of a nonprofit youth-
35 serving athletic organization shall attest, and sign, that the member
36 reviewed the annual audit report. At least three executive
37 committee members shall meet with the independent auditor to
38 review the recommendations contained in that year's report.

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40 6. The Division of Consumer Affairs, in the Department of
41 Law and Public Safety, shall promulgate and distribute best
42 practices and recommendations to nonprofit youth-serving athletic
43 organizations. The recommendations shall provide guidance and
44 suggestions for organizations to improve and maintain
45 accountability, transparency, and financial oversight, including
46 proposals concerning: the chain of custody for donations and funds
47 raised; internal controls for establishing checks and balances for

1 financial compliance and record keeping; and the use of Internet or
2 other secure electronic processes and transactions.

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4 7. This act shall take effect on the first day of the third month
5 next following the date of enactment.

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STATEMENT

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10 This bill establishes financial reporting and public notice and
11 records requirements for certain nonprofit youth-serving athletic
12 organizations, such as Little Leagues, Babe Ruth Leagues, Pop
13 Warner Leagues, Police Athletic Leagues, and other nonprofit
14 athletic, physical fitness, recreational, or sports associations for
15 persons 18 years of age and younger, excluding public and
16 nonpublic schools. The bill establishes safeguards to ensure greater
17 accountability, transparency, and oversight.

18 Under the bill, the Division of Consumer Affairs in the
19 Department of Law and Public Safety would produce “Best
20 Practices and Recommendations” guidance for these youth athletic
21 organizations. The bill also requires nonprofit youth-serving
22 athletic organizations to have an audit performed annually. This
23 requirement would be an investment to protect any organization
24 from criminal – and often devastating – loss. It’s common for
25 volunteers to manage and lead these sports groups, but volunteers
26 are often unequipped to ensure financial compliance with State or
27 federal laws or professional best practices. The division’s guidance
28 would establish a framework to enable volunteers and organizations
29 to fulfill their missions and maintain sound financial practices.

30 Under current law, nonprofit youth-serving athletic organizations
31 are not specifically regulated as an industry; however, they are
32 subject to requirements for, and already required to register with the
33 Attorney General as, a charitable organization pursuant to the
34 “Charitable Registration and Investigation Act,” P.L.1994, c.16
35 (C.45:17A-18 et seq.). Current law also provides that a charitable
36 organization is to establish and exercise control over fund raising
37 activities conducted for its benefit. Additionally, a charitable
38 organization is required to keep complete and accurate records of its
39 activities, and to make these records available at the Attorney
40 General’s request. In certain circumstances, the Attorney General is
41 authorized to require an audited financial statement of the
42 organization’s financial records. The “Charitable Registration and
43 Investigation Act” also permits a municipality to regulate the
44 solicitation of contributions within its jurisdiction.

45 A recent Asbury Park Press investigation found that more than
46 \$1.4 million was stolen from Monmouth and Ocean county youth
47 sports leagues within the past 10 years; a number of leagues have
48 had their federal nonprofit status revoked and a majority don’t file

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1 federal reports annually; approximately 40% of youth sports leagues
2 do not annually report finances or conduct audits consistent with
3 State requirements; and nearly half of the shore leagues run a
4 deficit, averaging \$21,000 each year.

5 The investigations and news reports reveal the lack of oversight
6 and accountability that leads to the misuse and embezzlement of
7 funds, cheating children, families, and sports teams of the fair play
8 they deserve. This bill addresses the shortcomings that threaten
9 volunteer-run athletic organizations by instituting and enforcing
10 financial controls to prevent theft and allow children's athletic
11 accomplishments to take the spotlight.