



**To:** House Corporations Committee

**From:** Nancy Wolanski

Director, Alliance for Nonprofit Impact at United Way of Rhode Island

**Date:** March 4, 2025

**Re:** In Support of House bill 5562, titled AN ACT RELATING TO BUSINESSES AND PROFESSIONS -- SOLICITATION BY CHARITABLE ORGANIZATIONS

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The Alliance for Nonprofit Impact at United Way supports House bill 5562, An Act Relating to Businesses and Professions – Solicitation by Charitable Organizations.

As the statewide resource center for nonprofits, the Alliance for Nonprofit Impact provides capacity building, training and support for large and small community-based organizations. The Alliance also conducts an annual State of the Rhode Island nonprofit sector survey to identify challenges facing local nonprofits. We see each year that nonprofits operate with exceedingly thin margins, and limited cash reserves.

Currently, nonprofits are facing increasing levels of need in our communities. In the 2024 RI Nonprofit Survey, 96% of basic needs nonprofits saw demand for their services at or above pandemic levels. At the same time, pandemic-specific funding has expired, and we expect significant federal funding cuts with the new Administration, raising questions about the ability of nonprofits to support their communities long-term.

Mid-size nonprofits, with revenue under \$1 million, often find it difficult to find funding to support backoffice functions essential for running a “social profit” business, like finance, operations, HR, IT, etc. These staff and activities are not covered by most program grants and are considered “overhead.” Adding an additional \$10-\$15,000 of overhead to a \$500,000 budget can actually decrease the organization’s capacity and ability to do ongoing financial management, since the organization will be pulling funding from its only flexible funding to cover the audit and will not have it available for bookkeeping or other management functions.

Increasing the state audit threshold to match the federal Single Audit threshold will free up immediate financial resources for mid-size nonprofits without affecting the state budget. It will also bring Rhode Island into alignment with most of the states in the northeast, which have adjusted their thresholds to account for inflation. Rhode Island has not increased its threshold for 25 years.

State and federal grants and contracts are distributed on a reimbursement basis, so there are built in transparency and accountability mechanisms. Funding is only provided after documentation has been provided for previous expenses.

Reducing the cost burden of an independent audit for medium sized nonprofits would provide significant, immediate benefit to many nonprofits in a time when those resources are more important than ever.

We urge the Committee to pass House bill 5562 to increase the state audit threshold for nonprofits to match the federal Single Audit threshold of \$1 million.



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