



Memo To: House Corporations Committee  
From: Kelly Nevins, Chief Executive Officer  
Date: March 4, 2025  
Concerns: **SUPPORTS H-5562 Solicitation by Charitable Organizations**

Women's Fund of Rhode Island is a nonprofit organization incorporated in the state of Rhode Island to invest in women and girls through research, advocacy, grant-making, and strategic partnerships designed to achieve gender equity through systemic change. We are a growing nonprofit which raised just under \$700,000 in 2024.

### **Modernizing Rhode Island's Nonprofit Audit Threshold: A Case for Raising It to \$1 Million**

Rhode Island's current requirement that nonprofits with **gross revenue over \$500,000 undergo a full financial audit** is outdated and creates an unnecessary financial burden. Given rising operational costs, an increasingly competitive fundraising landscape, and the importance of directing resources to mission-driven work, it is time to **increase the audit threshold to at least \$1 million**—a move that aligns Rhode Island with best practices, reduces inefficiencies, and strengthens the nonprofit sector.

#### **1. A Costly Requirement That Strains Nonprofit Budgets**

A financial audit typically costs **\$20,000 to \$30,000**, representing **3-5% of a nonprofit's annual budget** for organizations just above the current threshold. This is money that could be **better spent on direct services, programming, and community impact**. For nonprofits operating with lean budgets, these expenses can be particularly burdensome, forcing organizations to cut back on staffing, outreach, or services to comply with regulations that add little value relative to their cost.

#### **2. Audits as a Barrier to Sustainability**

Nonprofits are already struggling with rising costs—including wages, rent, utilities, and insurance—just like for-profit businesses. At the same time, government funding has been **slashed**, and competition for private donations has **intensified**. Requiring an audit at the \$500,000 threshold disproportionately impacts **small to mid-sized nonprofits**, making it harder for them to grow and sustain their work. Raising the threshold to at least \$1 million would **give nonprofits greater financial flexibility** at a time when funding is harder to secure.

#### **3. Donors Value Program Impact Over Administrative Costs**

One of the biggest concerns for nonprofit funders and donors is **keeping administrative costs low** to maximize impact. While audits provide financial oversight, they fall into the category of "overhead" that donors often scrutinize. Many individual and institutional funders rely on **Form 990 filings or financial reviews (\$5,000–\$10,000) rather than full audits** to assess a nonprofit's financial health. Allowing nonprofits under \$1 million to opt for a less costly financial review ensures **transparency without unnecessary expenses**.

#### **4. Aligning Rhode Island with Best Practices**

Many states have **higher audit thresholds than Rhode Island**, recognizing that excessive compliance costs can hurt the very organizations trying to do good. For example:

- **Massachusetts:** \$1 million
- **New York:** \$1 million (and will rise to \$1.25M in 2025)

- **Connecticut:** \$1 million
- **New Jersey:** \$1 million

Rhode Island should follow suit, ensuring that our nonprofit sector remains competitive, financially sound, and focused on mission-driven work rather than excessive regulatory costs.

#### **Conclusion: A Common-Sense Change That Benefits the Community**

Raising the nonprofit audit threshold from **\$500,000 to \$1 million** is a **practical, cost-effective, and forward-thinking** policy change. It would **reduce unnecessary financial strain, increase nonprofit sustainability, and allow organizations to direct more funds toward their mission**. At a time when revenue streams are tightening and community needs are growing, Rhode Island should adopt policies that empower, rather than burden, its nonprofit sector.