

**MCN Testimony on HF 1158 before the Senate State and Local Government  
Operations and Oversight Committee**

March 30<sup>th</sup>, 2009

Given by Jeannie Fox

Twelve years ago MCN testified in favor of a change that increased the audit threshold for charitable organizations from \$100,000 to \$350,000 in total revenue. At that time some small organizations were paying between five and ten percent of their total budgets for audit fees and reporting to the IRS and the office of the Attorney General. The increase to \$350,000 put the regulatory focus up to an appropriate level – guaranteeing that 99% of total charitable funds were subject to the audit requirement.

No changes have been made since that time, while CPI inflation has been 44%.

A state law change to require certification by independent accountants only for organizations whose total revenues are \$750,000 or higher will free approximately 1/3 of Minnesota's charitably soliciting nonprofits from a 2009-2010 audit requirement at a point when GAAP audits are typically priced at \$8,500 or higher. Nonetheless, over 99% of total charitable funds would still be subject to audit.

Different states have different audit requirements, and many have none. California recently adopted a \$2 million threshold.

For Minnesota, given the dramatically increased cost of audits and the filing of the new IRS form 990, and the effects of inflation, this is an appropriate time to increase the threshold to \$750,000.

MCN supports this welcome change the legislature can make while maintaining Minnesota's high level of accountability requirements for nonprofits.