



March 4, 2025

Honorable Joseph J. Solomon, Jr.
Chairman
House Corporations Committee
Rhode Island State House
82 Smith Street
Providence, RI 02903

**Re: Testimony in Support of House Bill 5562 – AN ACT RELATING TO BUSINESSES AND PROFESSIONS --
SOLICITATION BY CHARITABLE ORGANIZATIONS**

Dear Chairman Solomon and Honorable Committee Members:

My name is Melissa Travis, President/CEO, Rhode Island Society of Certified Public Accountants. I am also a member of the United Way Financial Services Committee and the newly elected Chairman of the Rhode Island Business Leaders Alliance.

Please accept this testimony in support on behalf of the Rhode Island Society of CPAs (RISCPA) of House Bill 5562 – AN ACT RELATING TO BUSINESSES AND PROFESSIONS -- SOLICITATION BY CHARITABLE ORGANIZATIONS. This legislation represents a crucial step in supporting Rhode Island's nonprofit organizations by adjusting the financial threshold for mandatory audits, thereby alleviating a significant financial burden.

Nonprofit organizations serve as the backbone of our communities, providing essential services and support to residents across the state. However, these organizations face increasingly difficult financial challenges. Inflation has driven up operating costs, individual donations have declined, and reductions in both state and federal funding are anticipated. These financial pressures threaten the ability of nonprofits to fulfill their critical missions.

A particularly pressing issue is the shortage of Certified Public Accountants (CPAs) available to perform audits for nonprofit organizations, especially those approaching the audit threshold for the first time. Each year, numerous nonprofits reach out to the Rhode Island Society of CPAs

(RISCPA) in search of an auditor, yet many struggle to secure these services due to the state's ongoing shortage of CPAs and the costs associated with an audit.

House Bill 5562 provides a pragmatic solution by adjusting the financial threshold for mandatory audits. This measure will deliver much-needed relief to mid-sized nonprofits, potentially saving them \$10,000 to \$15,000 or more annually—funds that can instead be allocated to direct services and programs benefiting Rhode Islanders in need. Importantly, this bill maintains strong financial oversight, as nonprofits will still be required to submit IRS Form 990 to the Department of Business Regulation. Additionally, organizations are encouraged to utilize financial reviews as an alternative means of maintaining fiscal accountability. RISCPA supports this legislation for several reasons:

Balancing Oversight and Practicality: The single audit threshold is designed to balance accountability for federal funds with practical considerations for NFPs. Historically, changes to the threshold have reflected efforts to adapt to economic conditions and streamline oversight. Raising the threshold provides relief to smaller organizations, allowing them to focus more on their missions rather than being burdened with costly compliance measures that may not be proportional to the funding they receive. By raising the audit threshold, we ensure that financial oversight remains effective while reducing unnecessary administrative and financial burdens on smaller NFPs.

Historical Context and Justification for Change: The single audit threshold has evolved over the years to reflect inflation and the changing financial landscape. Before the most recent update in 2024, the threshold was last adjusted in 2015 when the Office of Management and Budget (OMB) raised it from \$500,000 to \$750,000 under the Uniform Guidance. Prior to that, the threshold was set at \$300,000, demonstrating a history of incremental increases to align with economic realities. The most recent increase in 2024 raised the threshold to \$1,000,000, reflecting several key considerations:

Inflation: Inflation erodes the value of money over time and non-profits are under increasing pressure to do more with less. Many of the state's non-profits, including RISCPA, have not seen increases in grants and other funding for years, yet our costs have skyrocketed.

Burden on Small Organizations: Many smaller NFPs have found that the cost of single audits was disproportionately high relative to their funding. Raising the threshold allows these organizations to allocate more resources toward their mission-driven work rather than excessive compliance costs; single audits can be extremely resource-intensive for the non-profit.

Regional and Federal Context: Massachusetts, Connecticut, and Federal Guidelines

RISCPA urges you to consider that both Connecticut and Massachusetts have already raised the audit threshold; Rhode Island cannot continue to be an outlier. Further, the Federal guidelines

also raised the threshold under the 2024 Uniform Guidance requirements for single audits to \$1,000,000

Massachusetts: As part of the Economic Development Bill, passed in 2024, Massachusetts has raised the audit threshold for nonprofits from \$500,000 to \$1,000,000 in gross support and revenue.

Connecticut: Connecticut Public Acts 23-99 and P.A. 23-98 raised the audit threshold for charitable organizations subject to registration to gross revenues greater than \$1,000,000. Organizations with gross revenues between \$500,001 and \$1,000,000 can now opt for a review instead of a full audit. These changes, which took effect in July, 2023, reflect a growing trend toward reducing compliance burdens on smaller nonprofits while maintaining appropriate oversight.

Federal Guidelines: The revised 2024 Uniform Guidance requirements for single audits have raised the federal threshold to \$1,000,000, aligning with economic conditions and ensuring that oversight resources are directed toward larger grants. These changes support a broader national effort to balance financial accountability with operational efficiency.

The Rhode Island Society of CPAs (RISCPA) supports this legislative change as a practical, cost-neutral way to strengthen the nonprofit sector. As our neighboring states have recognized, updating audit thresholds is an appropriate and necessary step to align with economic realities. Nonprofits will still be required to file IRS Form 990 with the Department of Business Regulation, and financial reviews remain an option for organizations seeking to demonstrate fiscal responsibility. This bill strikes the right balance between transparency, efficiency, and ensuring that limited nonprofit resources are spent where they are needed most—on direct services rather than administrative burdens.

For these reasons, I respectfully urge the committee to support and advance House Bill 5562. Thank you for your time and consideration on this issue.

Sincerely,

Melissa Travis

Melissa Travis
President/CEO
RI Society of CPAs/RI Business Forum
Chair
Rhode Island Business Leaders Alliance