

Representative Marilyn Giuliano  
Legislative Office Bldg. Room 4200  
Hartford, CT 06106-1591

**RE: Audit Requirements for Non-Profit Organization**

Dear Representative Giuliano:

The Lyme Art Association Board has discussed the considerable burden imposed by the current audit requirements for CT non-profit corporations with gross revenues exceeding \$200,000. We are most appreciative of your efforts to change these requirements. As you know, the Lyme Art Association, and other small non-profits are membership-based organizations with minimal staff. Revenue is typically derived from annual dues, volunteer-based activities and philanthropy. The relative cost for an audit imposes a disproportionate financial burden while offering no substantial benefit. We believe that the State of CT must seek a remedy that to this untenable requirement.

The environment has changed over the years rendering the current methods and requirements outdated. Specifically

- The \$200,000 threshold was set many years ago and due to inflation, is unrealistically low
- The increased operating expenses of small non-profits increases the relative financial burden of the required audit.
- Typical audit fees are disproportionately high when compared to the small net income of small volunteer-based non-profit organizations.
- Few accounting firms that will conduct these required audits, limiting an organization's ability to procure competitive bids or find pro-bono services.

There are several possible solutions to reduce or eliminate, the financial hardship and operational difficulty related to achieving compliance:

- 1) Raise the threshold for requiring an audit to  $-\$500,000 - \$1,000,000$  (in keeping with many years of inflation).
- 2) Reduce the required frequency from annual to every 24 or 36 months. There is precedence for this with Fire Districts.
- 3) Change the requirement to a "review" rather than audit. This will increase the availability of accounting firms and will be less costly.
- 4) Change the oversight to the Consumer Protection Agency and develop a simplified monitoring and reporting requirement.

We believe that the current requirements have resulted in wide spread non-compliance because small non-profit agencies simply cannot afford the cost of the audits. It would be beneficial to both the State and to these organizations to update the current regulations.

It might also be helpful to contact Michael Hanlon, CPA. He is the Chairman of the CSCPA Non Profit Committee. Business telephone is (203) 944-2180. Email: mhanlon@ncnp.com.

Once again, many sincere thanks for your continued efforts to address this situation. Please let us know if we can be of any further assistance in effecting some change.

Sincerely,

Steven A. Ross  
Secretary