



OUR STAFF EXPERTS CONDUCT “SPECIAL INVESTIGATIONS” INTO YOUR QUESTIONS.

Update!

This 501(c)SI originally was published last Summer, but we’ve revised with recent changes in audit thresholds by the Secretary of State of Maryland.

Dear 501(c)SI,

I was just told that the cost of my audit is going to increase 15% this year. Last year the increase was 25%. When I complained to my auditor about the sky-rocketing price, she suggested that instead of an audit, we have a financial review and save several thousand dollars. Is it okay to go with a review?

*Sincerely,
Cheap on the Chesapeake*

Dear Cheap on the Chesapeake,

Stringent, new requirements have been imposed on the auditing profession over the past two years and the cost of the implementation of these requirements has been passed on to the clients. Most audits cost a lot more today than they did a couple of years ago. Because the new requirements apply only to audits and not reviews, the cost of a review can seem like a bargain.

However, whether your organization can get by with only a review is subject to several considerations:

1. Do your organizing documents such as by-laws require that you do an audit? If so, you need to do the audit.
2. Did your organization receive over \$500,000 during the year in contributions, foundation and corporate gifts and grants, and special event revenue? To register as a charitable organization with the Maryland Secretary of State, you are required to have an audit if your organization receives over \$500,000 from charitable sources. From \$200,000 to \$500,000 only a review is required in Maryland. If your organization is registered to do fundraising in other states, you will need to check each state’s audit requirement.
3. Do any of the organization’s funding sources require an audit? Does your United Way require an audit prior to dispersing funds to you? Are there audit requirements imposed by any of your government or foundation funders?
4. If your organization has received Standards for Excellence® certification or plans to apply for it in the near future, one of the requirements is that organizations with annual revenues over \$500,000 need an audit.

The answers to the above questions will determine whether your organization needs an audit or can do a review. The final decision needs to be made by the Board of Directors and not by staff. Make sure that the decision is reported in the board minutes.