

Nonprofit Notes

Audit Threshold Changed for New Jersey Not-for-Profits

By Scott Brown, Partner and Alexander K. Buchholz, Partner

Governor Murphy recently signed legislation which revises the threshold of total gross revenue received by a New Jersey not-for-profit organization that determines its annual financial reporting requirements with the Attorney General's office. The legislation also includes a provision to exclude certain non-monetary donations from the gross revenue calculation.

Annual Gross Revenue Threshold

Under the previous New Jersey "Charitable Registration and Investigation Act" an organization that had annual gross revenue of \$500,000 or more was required to submit a copy of its audited and certified financial statements with its annual registration filing.

The new law increases the audit threshold requirement to \$1,000,000 or more in annual gross revenue. The new threshold excludes from gross revenue non-monetary in-kind donations directly related to the mission of the charitable organization. Non-monetary in-kind donations include items such as food for food pantries or shelters, supplies, and other in-kind contributions permitted by the Attorney General.

Not-for-profit organizations receiving less than \$1,000,000 in annual gross revenue would no longer be required to undergo a financial statement audit. However, organizations that receive more than \$25,000, but less than \$1,000,000, are still required to file a financial report that is certified by the organization's president or other authorized officer.

Non-Profits Receiving/Expending Government Grants

The higher threshold does not apply to not-for-profit organizations receiving and expending Federal and/or State grant awards of \$750,000 or more. Those organizations are still required to have an audit performed under the Uniform Grant Guidance and/or New Jersey Circular 15-08.

Effective Date

The new law is effective immediately and applies to initial and renewal reports with an original due date on or after January 18, 2022. The new threshold does not apply to reports on extension that were originally due prior to January 18, 2022.

Caution

While this new law changes the requirement for an audit submitted to the New Jersey Attorney General's office, we strongly encourage organizations to review any current contractual, financial or other regulatory mandates, as they may contain separate and unique audit requirements. Boards may also find that having an audit, even though not required, is an excellent way to provide third party verification of financial statement information that is open to the general public.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to not-for-profit organizations. Please contact your client engagement team or:

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