

**Department of Legislative Services**  
2016 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**  
(Senator Simonaire)

Senate Bill 10  
Judicial Proceedings

Economic Matters

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**Business Regulation - Charitable Organizations - Audit and Review**

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This bill increases the income levels that determine whether a charitable organization in the State must submit an audit or a review when registering with the Secretary of State. Charitable organizations with gross annual incomes of more than \$750,000 from charitable contributions must submit an audit performed by an independent certified public accountant (CPA) when registering with the Secretary of State. Charitable organizations with gross incomes of at least \$300,000 but less than \$750,000 must submit a review by a CPA. The Secretary of State may continue to accept other documentation in place of either the audit or the review as well as require an audit or review if the amount of gross income is less than \$750,000.

The bill takes effect July 1, 2016.

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**Fiscal Summary**

**State Effect:** None. The bill does not directly affect governmental finances.

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Current Law:** A charitable organization must register and receive a registration letter from the Secretary of State before the charitable organization (1) solicits contributions in the State; (2) has contributions solicited for on its behalf in the State; or (3) solicits charitable contributions outside of the State, if the organization is located in the State.

In addition to other information and materials necessary to complete the registration statement, charitable organizations must submit an audit by a CPA if the gross income from contributions in the most recent fiscal year is at least \$500,000, or a review by a CPA if the gross income from contributions from the last fiscal year is at least \$200,000 but less than \$500,000. The Secretary of State may accept other documentation in place of either the audit or the review but may also require an audit or review if the amount of gross income is less than \$500,000.

A charitable organization means:

- a person that is or holds itself out to be a benevolent, educational, eleemosynary, humane, patriotic, philanthropic, or religious organization and solicits or receives charitable contributions from the public; or
- an ambulance, firefighting, fraternal, rescue, or police or other law enforcement organization when it solicits charitable contributions from the public.

It includes an area, branch, chapter, office, or similar affiliate that solicits charitable contributions from the public within the State for a charitable organization located outside the State.

Charitable organizations are exempt from the registration requirement under certain circumstances, most notably if they are religious organizations.

**Background:** Chapters 100 and 101 of 2009 increased the income levels that determine whether a charitable organization must submit an audit or a review when registering with the Secretary of State. For an audit, the minimum gross income level was increased from \$200,000 to \$500,000. For a review, the minimum gross income level was increased from \$100,000 to \$200,000.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Secretary of State, Department of Legislative Services

**Fiscal Note History:** First Reader - January 20, 2016  
min/mcr Revised - Senate Third Reader - March 14, 2016

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