

CHERYL C. KAGAN
Legislative District 17
Montgomery County

Vice Chair
Education, Energy, and
the Environment Committee

Joint Audit and Evaluation Committee

Joint Committee on Federal Relations



Miller Senate Office Building
11 Bladen Street, Suite 2 West
Annapolis, Maryland 21401
410-841-3134
800-492-7122 Ext. 3134
Cheryl.Kagan@senate.maryland.gov

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

SB354 Testimony: Increasing Nonprofit Audit Threshold
Senate Judicial Proceedings Committee
Wednesday, February 4, 2026, 11:00 AM

Twenty-seven states¹ (including Maryland) have laws requiring nonprofits to conduct and file a certified audit or financial review when the annual amount of charitable contributions, public funding, or gross revenue reaches a certain threshold. A certified audit is the most detailed review and provides the highest level of financial assurance. A financial review is a more limited check by an independent accountant-- less detailed and less expensive than a full audit.

These laws are important to ensure transparency and accountability.

This bill would modestly increase the dollar amount that determines when an independent audit or review is required. Financial audits would rise from \$750,000 to \$1 million. Instead of \$300,000, reviews would start at \$500,000. No audit or review would be required under \$500,000, but nonprofits would continue to file financial documents and a signed affidavit confirming the information is accurate.

Independent audits and reviews are costly and time-consuming. [According to Altruic Advisors](#), a full-service CPA firm specializing in the nonprofit sector, an audit costs anywhere from \$12,000 to \$25,000 or more. Financial reviews typically "cost half as much as an audit."

The last increase in these thresholds was 10 years ago-- in 2016-- when a bill sponsored by Senator Bryan Simonaire (SB10) passed unanimously in both the House and Senate. His bill raised the bar for audits by \$250,000-- the same amount as SB354-- and the financial review trigger went from \$200,000 to \$300,000.

These reasonable adjustments track with inflation over the past ten years. Furthermore, SB354 would align us with 15 states² that require an audit at the \$1 million mark or higher, although what each state counts toward the total may vary.

¹ AK, AR, CA, CT, FL, GA, IL, IN, KS, LA, MA, MD, MI, MN, MS, NC, NH, NJ, NM, NY, PA, RI, TN, VA, WA, WI, WV.

² AR, CA, CT, FL, GA, MA, NC, NH, NJ, NY, RI, TN, VA, WA, WI.

We want our nonprofits to be in compliance *and* focus on their missions, which is even more important in the wake of federal program cuts and tight state budgets.

According to an [October 2025 study by the Urban Institute](#), one-third of nonprofits reported disruptions in their government funding last year, often leading to reductions in staff, programming, and future hiring. Even those that do not receive government money reported fundraising challenges. The study concluded:

...these findings point to the cascading effects across the U.S. of federal, state, and local funding disruptions and a widening gap between increasing demand for nonprofit services and organizations' ability to meet it.

It is noteworthy that an important provision already exists in Maryland to ensure oversight and accountability. The Secretary of State can require an independent audit or review if there is reason for concern-- even if an organization falls below the \$1 million threshold.

In summary, smaller charities file simple paperwork; mid-sized charities undertake a less onerous review; and large charities must undergo a full audit-- with the State able to step in if needed.

I urge a favorable report on SB354.