Statement of Douglas Schoenberger
Government Affairs Specialist, Center for Non-Profits
to the
Assembly Financial Institutions and Insurance Committee
in support of S-844/S-2533/A-4635
December 13, 2021

The Center for Non-Profits supports S-844/S-2533/A-4635, which would raise the statutory threshold at which nonprofits must submit audited financial statements to satisfy charitable registration requirements, exclude the value of most in-kind contributions toward the calculation of that threshold, and provide automatic filing extensions and penalty waivers.

The Center was founded in 1982 and is New Jersey’s statewide umbrella organization for the charitable community. As a charity ourselves, we provide a host of services, resources, and education for and about our state’s non-profits.

Non-profit organizations are a vital part of the social and economic well-being of the state. There are more than 38,000 501(c)(3) organizations in New Jersey, employing 330,000 people (pre-COVID) — nearly 10% of our state’s private work force. These organizations spend about $50 billion annually (also pre-COVID), much of this in the Garden State, and enlist the aid of 1.6 million volunteers as they further their missions so critical to the well-being of our communities. The programs, services, and economic benefits provided by non-profits are critical factors in making New Jersey a thriving place to live and work.

Throughout the COVID-19 pandemic, non-profits have again demonstrated their essential role in our social, economic and community fabric. But the crisis has taken an enormous toll on New Jersey’s charities and the people and causes they serve. The effects are broad and far-reaching, ranging from direct health impacts, disruptions in services, lost revenue from cancelled programs/events and reduced donations to escalating demand for services and the broader strains on the economy.

The Senate Commerce Committee combined S-844 and S-2533 into a new bill that was passed by the full Senate. This bill would provide some important relief for our state’s non-profits:

1) **Non-monetary in-kind donations income exclusion.** By excluding non-monetary in-kind donations directly related to the mission of the charitable organization from the calculation of gross revenue for the purpose of requiring the submission of an audited financial statement, S-844/S-2533 would relieve a key financial burden for organizations that may not have the sufficient cash to be able to afford an audit. Non-profits would remain free to engage a full audit if desired, and the bill preserves the Attorney General’s authority to request audits or additional information as needed.

2) **180-day automatic filing extension and penalty waiver.** Recognizing the financial and resource burdens non-profits are facing, S-844/S-2533 would provide an automatic 180-day

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extension for the filing of corporate annual reports with the Department of Treasury, Division of Revenue and Enterprise Services and annual charities registration filings with the Department of Law and Public Safety, Division of Consumer Affairs, without financial penalty and without requiring the advance payment of filing fees prior to the actual filing.

Even as we approach the two-year mark from when the pandemic began, this extension remains important. The 180-day no-cost extension proposed in the bill will allow non-profits to focus resources on much-needed programs and services during the pandemic while allowing the time to file accurate reports.

3) **Charities registration audit threshold.** S-844/S-2533 and A-4635 would raise the statutory threshold for which an annual charities registration financial report must be accompanied by an independent audit from $250,000 to $500,000 in gross receipts. The Center for Non-Profits has long advocated for an increase to the audit threshold, and this has taken on an added urgency given the cost of full audits and the financial hardships many charities are facing during the pandemic. However, it’s important to note that the statute allows the Attorney General to raise the audit threshold by regulation, and the Division of Consumer Affairs actually did raise the mandatory audit threshold from $250,000 to $500,000 in 2011. The statutory change proposed in S-844/S-2533 and A-4635 therefore would provide no effective relief for non-profits. The $500,000 threshold has remained unchanged for the last ten years, is not indexed to inflation, and is now among the lower ones in the country. *Therefore, the Center strongly believes this level should be raised to $1 million as proposed in the original version of S-2533.* Such a change would provide significant immediate benefit to many nonprofits.

Importantly, raising the mandatory audit threshold does not mean every affected organization will automatically stop having an audit, and many will continue to do so. Other funders or contractors may require them, and many organizations voluntarily engage an independent audit as a standard practice. Furthermore, the Attorney General would retain the authority to request an audited financial statement or other information from an organization whose gross receipts are below the mandatory threshold. IRS Form 990 filings remain subject to mandatory public disclosure, and are also readily available online.

To safeguard against fraud and uphold the highest standards of transparency, ethics and accountability, the Center regularly and strongly encourages non-profits who do not have a full audit to consider a CPA review, and to confer with a knowledgeable attorney or accountant to guide their decision-making. With a standard audit typically costing $5,000 to $10,000 or more, we believe raising the mandatory audit threshold will provide immediate relief and much-needed flexibility and a wider range of responsible options for non-profits to choose from.

In light of the dire financial straits currently experienced by many non-profits, allowing for filing time extensions and in-kind monetary exclusions would provide some much-needed relief. In addition, we respectfully request the Committee approve the mandatory audit threshold of $1 million, consistent with the original language in S-2533.

We thank Senator Pou, Senator Greenstein, and Assemblyman Zwicker for sponsoring this important legislation and the committee for hearing it today.

Thank you for your consideration.