



Written Statement: Testimony - PROPONENT

Re: HB1197 – House Human Services 2/22/23

Holly Ambuehl (hambuehl@myforefront.org), Director of Policy and Government Affairs, Forefront

Madam Chairwoman and committee members, I am Holly Ambuehl, Director of Policy and Government Affairs for Forefront. Forefront is Illinois' statewide membership alliance for the nonprofit and philanthropic sectors. The sector we represent is comprised of over 35,000 charitable nonprofit organizations that employ almost 600,000 people, constituting 11% of our state's economy. Forefront has members across the state who are collectively working to advance economic security and racial equity for all people in Illinois, including many organizations that are directly impacted by this bill.

Forefronts supports House Bill 1197 in close partnership with Illinois Partners for Human Service, Illinois Arts Alliance, Illinois Collaboration on Youth, and CPA Society. We are all grateful to Representative West for carrying this bill in the House and to Leader Murphy for carrying this bill in the Senate (SB72) where an identical version to HB1197 recently passed unanimously (9-0-0) out of Judiciary. We respectfully request your support of HB1197 for three reasons:

1. **Illinois has the most burdensome nonprofit audit requirement in the United States.** In Illinois, any charitable nonprofit organization that raises more than \$300,000 in charitable contributions in a year must file a full annual audit with the Attorney General. No other state has a threshold for a yearly audit requirement below \$500,000 in charitable contributions. 18 states and the District of Columbia do not have an audit requirement at all (AL, AZ, CO, DE, ID, IA, KY, MO, NE, ND, OK, OR, SC, SD, TX, UT, VT, WY). 30 states require financial reviews or audits beginning at \$500,000 and on up to \$2 million, and/or only for those receiving state funds, and/or a *bi-annual* audit. The BBB Wise Giving Alliance recommends audit when annual giving exceeds \$1,000,000. The federal government requires a "single audit" for grantees when expend >\$750,000. Illinois' own state agencies are only audited every two years.
2. **This burdensome requirement disproportionately impacts smaller nonprofits**, as audit fees are regressive. A full audit may cost \$5-10,000 regardless of an organization's budget. Often, grants and contracts exclude the use of funds for expenses like audits, and small organizations struggle to fundraise money to cover such administrative expenses. In Forefront's 2022 stakeholder survey, we found that the cost of an audit is 3 times higher as a percentage of revenue for the smallest nonprofits compared to the largest nonprofits.
3. **Small nonprofits are more likely to be led by persons of color and serve communities of color**, and yet we are placing additional burdens preventing them from working towards their missions.
4. **Accountability measures remain in place.** Nonprofits that collect between \$300,000 and \$500,000 will still be required to conduct a "financial review," which is less costly and burdensome than a full audit. Additionally, Forefront will continue to educate our sector about best practices and partner with the Treasurer and Attorney General on related efforts.

While we would prefer an even higher threshold than \$500,000, we negotiated closely with the Attorney General's Office on this bill, and the version before you reflects a consensus that moves Illinois in the right direction. Thank you for considering and supporting this bill. We are available for any related questions.