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Nonprofits Navigating the Increasing Cost of Compliance

August 21, 2025



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Session CPE Requirements

You need to attend 50 minutes to receive the full 1 CPE credit.

There will be 4 polling questions throughout the presentation. You must respond to a minimum of 3 to receive the full 1 CPE credit.

****Both requirements must be met to receive CPE credit****



Learning Objectives

Recall the current state and changes in nonprofit compliance requirements

Identify how the changes in compliance may impact your organization

Discuss options to manage the rising costs of compliance



Agenda

Introductions

2025 nonprofit trends

Changes in compliance requirements

CLA's approach to help



Introductions



Kelsey Vatsaas
Managing Principal
of Industry



Emily Sannes
Director



Kelley LeMay
Signing Director



About CLA

9,000

NEARLY 9,000 PEOPLE

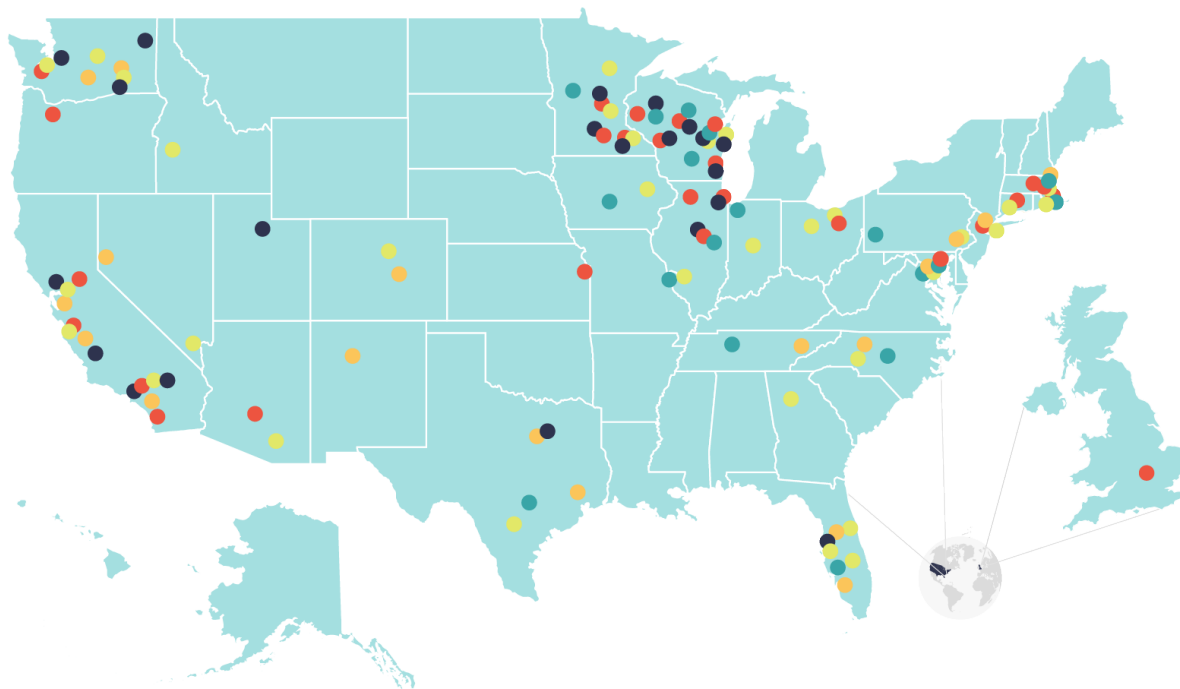
130+

LOCATIONS

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Creating Opportunities for Our Clients

Updated January 2025

12,400+

Nonprofit organizations served

7,700+

Clients engaged in global capabilities

3,700+

Government organizations served

4,500+

Clients engaging employee benefit plan capabilities

580+

Higher education organizations served

33,600+

Clients engaging outsourcing capabilities

202,300+

Active clients

5,500+

Financial institutions served

7,700+

Clients engaging wealth advisory capabilities

104,600+

Private households served

62,100+

Private businesses served

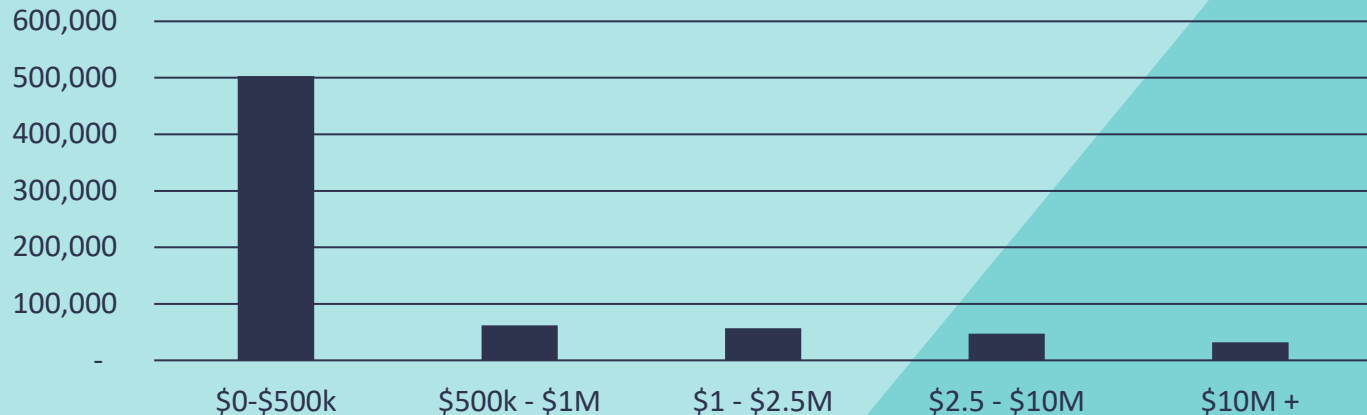
8,200+

Health care organizations served

Nonprofit Statistics

There are over 1.5M 501(c)(3) entities recognized by the IRS;
over 2M total tax-exempt entities

Count of nonprofits by annual budget



Based on most recent IRS form 990 data



Composition of the Small Entities (<\$500k)

By NTEE code

Value	Organizations
T20: Private Foundations	83,870
X20: Christian	21,370
S41: Promotion of Business	15,987
Z99: Unknown	12,968
B94: Parent-Teacher Associations PTAs	12,078
N60: Amateur Sports Clubs, Leagues	10,308
Y40: Fraternal Beneficiary Societies and Voluntary Employees Associations	9,904
S80: Community Service Clubs	9,857
J40: Labor unions, organizations	9,337
W30: Military, Veterans Organizations	8,990
D20: Animal Protection and Welfare	8,663
M24: Fire Prevention, Protection, Control	7,760
P20: Human Service Organizations	7,363

By location

Value	Organizations
New York-Newark-Jersey City, NY-NJ-PA	34,675
Los Angeles-Long Beach-Anaheim, CA	18,598
Chicago-Naperville-Elgin, IL-IN-WI	14,415
Washington-Arlington-Alexandria, DC-VA-MD-WV	12,619
Boston-Cambridge-Newton, MA-NH	12,056
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	11,325
Dallas-Fort Worth-Arlington, TX	8,915
San Francisco-Oakland-Berkeley, CA	8,900
Atlanta-Sandy Springs-Alpharetta, GA	8,396
Miami-Fort Lauderdale-Pompano Beach, FL	8,338
Houston-The Woodlands-Sugar Land, TX	7,773
Pittsburgh, PA	7,473
Minneapolis-St. Paul-Bloomington, MN-WI	6,673
St. Louis, MO-IL	5,999

Based on most recent IRS form 990 data



Composition of Entities \$500k+

By NTEE code

Value	Organizations
T20: Private Foundations	17,185
S41: Promotion of Business	6,626
Y40: Fraternal Beneficiary Societies and Voluntary Employees Associations	4,709
J40: Labor unions, organizations	4,600
X20: Christian	4,029
P20: Human Service Organizations	3,739
B29: Charter Schools	2,844
B24: Elementary School	2,483
L22: Senior Citizens Housing, Retirement Communities	2,452
N50: Recreational, Pleasure, or Social Club	2,402
P33: Child Day Care	2,327
B90: Educational Services	2,088
D20: Animal Protection and Welfare	2,077
Z99: Unknown	1,931

By location

Value	Organizations
New York-Newark-Jersey City, NY-NJ-PA	15,418
Washington-Arlington-Alexandria, DC-VA-MD-WV	8,611
Los Angeles-Long Beach-Anaheim, CA	7,202
Chicago-Naperville-Elgin, IL-IN-WI	6,115
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	5,071
San Francisco-Oakland-Berkeley, CA	4,914
Boston-Cambridge-Newton, MA-NH	4,838
Minneapolis-St. Paul-Bloomington, MN-WI	3,276
Dallas-Fort Worth-Arlington, TX	3,275
Atlanta-Sandy Springs-Alpharetta, GA	3,069
Miami-Fort Lauderdale-Pompano Beach, FL	3,010
Seattle-Tacoma-Bellevue, WA	2,794
Houston-The Woodlands-Sugar Land, TX	2,758

Based on most recent IRS form 990 data



Nonprofit Trends

- Over 500,000 net new nonprofits created between 2000 – 2023⁽¹⁾
- 60% of the growth in 501(c)(3) organizations comprised of health and human services, public, and social benefit organizations
- The Pension Protection Act (PPA) passed in 2006, required auto-revocation of any exempt org that didn't file form 990 for 3 consecutive years ⁽²⁾.
 - Initial "clean out" drop of 450,000 entities in 2010/2011
 - Est. Net auto-revocations of ~20,000 annually since 2011



Polling Question

- The number of tax-exempt entities in the US is:
 - Growing
 - Shrinking
 - Staying flat





Changing Compliance Requirements



State vs. Federal Requirements

- State
 - Register as corporation in state
 - State law governs charitable registration, filing, compliance requirements
- Federal
 - Apply for tax-exempt status with IRS
 - Federal regulations require annual federal tax form (990)
- States, federal government, or other funders may require additional compliance



Trends and Changes

- Audit requirements by State (NCN map) - [State Law Nonprofit Audit Requirements | National Council of Nonprofits](#)
- Some require an audit as low as \$500k annual revenue or gross receipts
- Increasing thresholds:
 - Wisconsin - \$1M audit; \$500k review
 - Illinois - \$500k audit; \$300k review
 - Connecticut - \$1M audit; \$500k review
- Charitable solicitation requirements



Other Requirements

- National organizations (federated models, chapter-based entities, etc.)
- Funders (government, philanthropy)
- Lenders
- Governance



Single Audit Requirement Changes

- Most significant update to Uniform Guidance since 2013
- Increasing thresholds:
 - Increase in single audit threshold from \$750,000 to \$1,000,000
 - Increase in de minimus rate from 10% to 15%
 - Increased modified total direct cost (MTDC) from \$25,000 to \$50,000
 - Increased threshold for fixed subawards from \$250,000 to \$500,000
 - Increased equipment/supplies threshold from \$5,000 to \$10,000
- Effective date 10/1/2024
- Visit CLAconnect.com for more information



Audit vs. Review

	Audit	Review
Level of assurance	Highest	Limited
Procedures	Extensive, highly reliable	Focus on identifying variations from GAAP
Understanding the entity	In-depth understanding of a broad range of matters	General understanding of a narrower range of matters
Internal controls	Evaluation of internal control design required	No requirements
Report	Opinion letter re: reliability of financial statements	Report that CPA is unaware of material modifications; does not offer opinion



Polling Question

- What may dictate if a nonprofit requires an audit?
 - State requirements
 - National organization requirements
 - Funder requirements
 - All of the above





CLA's Approach to Help



Need Within Our Client Base

- 12,400 nonprofit clients
- Range of budgets - <\$500k - \$750M
- Over 1,500 assurance clients (audits, reviews) with annual budgets < \$5M; many \$1-2M
- Ability to serve at cost-effective price-points varied by geography
- Teams who consistently served \$1-3M clients used a different service model



Gap in Services

- Firms facing increasing costs to hire and retain accountants/CPAs
- Private equity activity in CPA firms driving focus on profitability; often causing firms to move focus away from nonprofits; particularly smaller ones
- Small, local firms who historically served this market are exiting or being acquired, shifting focus



CLA Alignment with Community-Based Nonprofits

- Instead of following the trend, CLA has doubled-down on serving both large, complex, multi-entity organizations – AND – shifting our service delivery model to serve lower-complexity organizations with high quality audit and tax services – at sustainable price-points for our clients.



Polling Question

- How optimistic are you on the current economic conditions and the impact to your organization?
 - 5 = Very confident
 - 4 = Confident
 - 3 = Neutral
 - 2 = Somewhat confident
 - 1 = Not at all confident



Approach

- National virtual team of nonprofit auditors and tax preparers
 - Specialized in nonprofits
 - Client-centric approach
- Affordable and efficient services
 - Consistent audits
 - Competitive billing rates
 - Tailored audit methodology



Audit Planning and Execution

- Collaborative planning meeting
- Advanced audit list software
- Dedicated audit week
- Regular check-ins
- Timely report issuance
- Local leadership presentation



Less Complex Entity

- Ideal clients for less complex entity approach:
 - Basic balance sheet
 - Revenue less than \$2.5 million
 - Limited revenue streams
 - No compliance (single audit)
 - Multi-year engagement
 - No 990T, 990PF, or multi-state filing requirements
 - Remote audit capability



Audit Prices

- Audit - \$12,500
- 990 - \$2,500
- Optional cash to accrual support - \$2,500

Fees noted above are typical averages; each organization will participate in a 30-minute consultation and receive a custom fee quote.



Polling Question

- I'd like someone from CLA to contact me to discuss the following services:
 - Scoping audit and tax services for my “lower complexity organization”
 - Other CLA services
 - Nothing at this time





Q&A



Thank you!

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