



ROBERT WITTKÉ

STATE REPRESENTATIVE • 62nd ASSEMBLY DISTRICT

Assembly Committee on Financial Institutions

January 10, 2024

Chair Duchow and Committee Members:

Thank you for holding a public hearing on Assembly Bill 912. This bill is before you today because of local non-profits we've heard from who shared their challenges finding an independent Certified Public Accountant (CPA) willing to review or audit their financial statements.

Non-profits, or charitable organizations, are established for a charitable purpose, and they raise funds for that purpose. These entities rely on the generosity of others to complete the mission of their respective non-profit. In 2015 Wisconsin Act 163 updated and modernized outdated statutes that had oversight over the regulation of charitable organizations and professional fundraisers. The Act also increased the annual threshold at which a charitable organization must complete a review of finances for their initial and annual reporting to the Department of Financial Institutions (DFI).

Today we are asking that the threshold for a reviewed financial statement be increased from \$300,000 to \$500,000, and an audited financial statement from \$500,000 to \$1,000,000. Assembly Bill 912 proposes these changes as well as increasing the threshold for applying for a waiver from DFI. Thresholds have not changed since 2015 Wisconsin Act 163 and we believe our local non-profits will benefit by the change. Currently their cost to review a financial statement is about \$7,000 and an audited financial statement is upwards of \$12,000. These are funds that should be used for the non-profit core functions.

Assembly Bill 912 makes incremental changes to thresholds that will be very beneficial to non-profits throughout Wisconsin. Thank you again for holding a public hearing on AB 912.



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

January 10, 2024

Assembly Committee on Financial Institutions Testimony on Assembly Bill 912

Good Afternoon!

Thank you Chair Duchow and committee members for hearing Assembly Bill 912 (AB 912) that will raise the thresholds for when charitable organizations have to submit reviewed or audited financial statements to the Department of Financial Institutions (DFI).

I appreciate the support of cosponsors vice-chair O'Connor and Representatives Allen, Murphy and Rettinger.

AB 912 will update the current thresholds, which have been in place since 2015 Wisconsin Act 163 became law in March 2016.

The threshold for a reviewed financial statement will increase from \$300,000 to \$500,000, and for an audited financial statement from \$500,000 to \$1,000,000. It also increases the threshold for applying for a waiver from DFI.

We have heard from local non-profits that have had difficulty finding an independent Certified Public Accountant (CPA) willing to review or audit their financial statements. The cost for a reviewed financial statement (\$7,000) or an audited financial statement (\$12,000) is a significant expense for the non-profit, and that is money diverted from their core functions.

The Wisconsin Institute of Certified Public Accountants (WICPA) offered input on the drafting of the bill, and supports the higher thresholds.

Thank you again for hearing AB 912, and your timely action on this proposal.



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To: The Committee on Financial Institutions

1/10/2024

My name is Karen Fetherston. I am the Executive Director of the nonprofit organization, BeLEAF Survivors. BeLEAF is Racine County's Sexual Assault Services Provider (SASP). We provide services to those who have experienced sexual violence including a 24/7/365 hotline for support, medical advocacy during evidence collection exams following sexual assaults, therapy and support groups for healing, legal and family advocacy for survivors and their support people, and community education to prevent child abuse and promote a culture of consent. All our services are free thanks to federal, state, and local funding as well as individual donations. My mantra is that no survivors of sexual violence should ever have to pay one dime to heal from what happened to them.

I am writing in support of [AB-912](#) relating to the financial statements of registered charitable organizations. If passed, this bill would help BeLEAF Survivors and other nonprofits of our size because it would allow us to save money from audit expenses and apply them to direct client services.

According to Wisconsin law, if a charitable organization received contributions between \$300,000 and \$500,000 during its most recently completed fiscal year, a reviewed financial statement by an independent certified public accountant is required. If the charitable organization received contributions more than \$500,000 during its most recently completed fiscal year, an audited financial statement by an independent certified public accountant is required. These thresholds have been in place since March 2016 when WI Act 163 became law.

Federal government thresholds are higher. A financial and compliance audit is required at \$750,000 or more in federal financial assistance during the organization's fiscal year. The vast majority of BeLEAF's approximately \$550-600,000 funding comes from federal grants. These are grants that do not require an annual audit of our organization because we are under the \$750,000 threshold. They don't even require a financial review. However, we are bound by state regulations to conduct an audit because we are over the state \$500,000 threshold.

Audits are expensive. We anticipate it will be between \$9,500-\$10,500 for a FY 2023 audit. By comparison, our last financial review for FY 2021 was \$4,852. While that savings might seem like a blip in terms of the budgets you are accustomed to seeing, that difference could mean enhanced services for constituents such as more free therapy sessions for survivors, more trained advocates who support survivors during evidence collection exams, or more child abuse prevention lessons to school children. An additional burden is that our federal grantors will not allow us to use their dollars for audit services since our contributions are under their \$750,000 threshold. So, our smaller funders need to carry the disproportionate load of audit costs which comes at the expense of direct service to clients, or we need to hold a special fundraising event solely to pay for an audit.

I am not trying to shy away from financial accountability. I believe it is a necessary part of transparency that provides organizational accountability and earns the trust of our funders. I believe a financial review would suffice. I also believe that a threshold that has been in place for seven years should be adjusted for the inflated cost of doing business and correspond to the federal levels.

Should you want any other information about BeLEAF Survivors in general or specifically how this legislation could impact us and nonprofits like us, please feel free to contact me.

Karen Bonini Fetherston 
BeLEAF Survivors- Executive Director