

**Summary Charts:  
State Nonprofit Corporation Act  
Requirements  
And  
Audit Requirements for Charitable  
Organizations**

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**Appendices for Working Paper No. 33.8 - “The Search  
for Greater Accountability of Nonprofit Organizations”**

## STATE NONPROFIT CORPORATION ACT REQUIREMENTS

State	Min. # of directors?	Require Independent Trustees?	Min. age of directors?	Required Officers?	Req. notice of directors' meetings?	Action w/o meeting?	Committees required?
<b>AL</b> (Tit. 10, Ch. 3a)	3	No	None	Pres., VP, Treas., Sec.	In Bylaws	Yes	No
<b>AK</b> (Tit. 10, Ch. 20)	3	No	None	Pres., VP, Treas., Sec.	In Bylaws	Yes	No
<b>AZ</b> (Tit. 10, Ch. 24-40)	1	No	None	Secretary	In Bylaws (2 days) <sup>1</sup>	Yes	No
<b>AR</b> (Tit. 4, Subtit. 3, Ch. 33)	3	No	None	Secretary	In Bylaws (7 days)	Yes	No
<b>CA</b> (Cal. Corp. Code, Tit. 1, Div. 2, Pt. 2)	3	Not more than 49% of board may be interested parties <sup>2</sup>	None	Ch./Pres, Sec., CFO (Sec./CFO may not be Pres./Ch. concurrently)	In Bylaws (must be notice of special meetings)	Yes	Audit <sup>3</sup>
<b>CO</b> (Tit. 7, Art. 121-137)	1	No	None	Secretary	In Bylaws	Yes	No
<b>CT</b> (Tit. 33, Ch. 602)	3	No	None	Secretary	In Bylaws	Yes	No
<b>DE</b> (Tit. 8, Ch. 1)	1	No	None	Secretary - to provide meeting minutes	None	Yes	No

- An individual may hold more than one office in a corporation.
- An individual may not hold the offices of Secretary and President concurrently.
- A Secretary-like officer is required to certify corporate documents and provide meeting minutes.

## STATE NONPROFIT CORPORATION ACT REQUIREMENTS

**DC  
(Tit. 29, Ch.  
3, Sub. I)**

3

No

None

Pres., Sec., Treas.

In Bylaws

Yes

No

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## STATE NONPROFIT CORPORATION ACT REQUIREMENTS

### Endnotes

1. In corporations without members any board action to remove a director or to approve a matter that would require approval by the members if the corporation had members is not valid unless each director is given at least two days' written notice that the matter will be voted on at a directors' meeting (Arizona Rev. Stat. § 10-3822) This type of provision, where notice is left to the bylaws but a certain number of days is required in these circumstances, will be noted as "In Bylaws (# of days)", in this case "In Bylaws (2 days)"
2. For the purposes of the California statute, an interested person is:



## STATE NONPROFIT CORPORATION ACT REQUIREMENTS

entitled to receive, other than as a shareholder of a publicly held corporation, a portion of the net income of a corporate or other business entity that provides, for compensation, personal services to that public benefit corporation; or

- B. A spouse, brother, sister, parent or child of the individual described in paragraph A.” (13-B Maine Rev. Stat. § 713-A)
8. Michigan law requires that: “A corporation organized for purposes described in section 501(c)(3) of the Internal Revenue Code of 1986 may include 1 or more directors on its board who are 16 or 17 years of age as long as that number does not exceed 1/2 the total number of directors required for a quorum for the transaction of business.” (Michigan Compiled Laws § 450.2501a)
  9. New York stipulates that: “Notwithstanding the above, a corporation organized for educational purposes primarily for the benefit of individuals below eighteen years of age may include one director below eighteen years of age who is at least sixteen years of age. Further, a corporation organized for recreational or youth development and delinquency prevention purposes primarily for the benefit of individuals below eighteen years of age may include one or more directors, the number of which shall not exceed one-half of the total number of directors for a quorum for the transaction of business, who are at least sixteen years of age but not over eighteen years of age.” (NY Consolidated Laws Service N-PCL § 701)
  10. North Dakota law states that the number of directors may be fewer than three if the number of voting members is fewer than three, but may not be smaller than the number of members with voting rights. (North Dakota Cent. Code, § 10-33-28)

## **STATE NONPROFIT CORPORATION ACT REQUIREMENTS**

For the purposes of this section "financially interested persons" means:

(1) Individuals who have received or are entitled to receive compensation, directly or indirectly, from the corporation for services rendered to it within the previous 12 months, whether as full- or part-time employees, independent contractors, consultants or otherwise, excluding any reasonable payments made to directors for serving as directors;  
or

(2) Any spouse, brother, sister, parent or child of any such individual.

(RMNCA §8.13)

AUDIT REQUIREMENTS FOR FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2006

CHARITABLE REGISTRATION AND REPORTING STATUTES

State	
California <b>Audit</b>	"Financial statements...audited by an independent CPA" required of charities that are required to file financial reports, if gross revenue is \$2,000,000 or more, to be available to the Attorney General and the general public. Excludes educational orgs and hospitals. (Cal.Code Sec. 12586)
Massachusetts <b>Top Tier= Audit</b> <b>Lower Tier= Review</b>	"Audited financial statement...examined by an independent CPA...for the purpose of expressing an opinion thereon" if gross revenue is \$500,000 or more; "financial statement accompanied by an independent CPA's review report" if gross revenue is more than \$100,000 but less than \$500,000. Excludes religious organizations. (Ch. 12, §8F).
New Hampshire <b>Top Tier=Audit</b> <b>Lower Tier=Review</b>	"Audited financial statement" ff. GAP if "revenue, gains and other support" of \$1,000,000 or more; "financial statements" ff. GAP if those amounts are between \$500,001 and \$1,000,000. Applies to charities required to file Form 990 with attorney general. (N.H.Rev.Stat. Title 1, Sec7:28 IIIa-c)

CHARITABLE SOLICITATION STATUTES

State	
Model Act Concerning the Solicitation of Funds for Charitable Purposes (1986)	"Audited financial statement...examined by an independent CPA for the purpose of expressing an opinion thereon" if gross revenue exceeds \$_____ (§3) <b>Audit</b>
Alabama	
Alaska	
Arizona	
Arkansas <b>Audit</b>	"Audit report of a CPA" if gross revenue exceeds \$500,000. Gross revenue does not include government grants and fees. (§4-28-403)
California	
Colorado	
Connecticut <b>Audit</b>	"Include with its financial statement an audit report of a CPA" if gross revenue exceeds \$200,000.

**AUDIT REQUIREMENTS FOR FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2006**

Maine <b>Is NOT an audit, may only require a compilation, which is less rigorous than a review</b>	"Financial report...prepared by an accountant registered with the Maine Board of Accountancy or authorized to practice by its equivalent in another jurisdiction" if contributions exceed \$30,000 (Tit. 9, §5005 and Regulations)
Maryland <b>Top Tier = Audit Lower Tier= Review</b>	"Audit by an independent CPA" if contributions are \$200,000 or more; "review by an independent CPA" if contributions are at least \$100,000 but less than \$200,000 (Bus. Reg. §6-402)
Massachusetts	
Michigan	"Certified audit report" (§14.256) Regulations require: "audit of the complete operation of the charitable organization by a CPA and certified, as to correctness, by him" if contributions are \$250,000 or more; <b>audit or review</b> of the complete operation of the charitable organization by a CPA and certified, as to correctness, by him if contributions are at least \$100,000 but less than \$250,000. "Complete operation" means financial statements (Admin. Code §400.241 and called AG's office)
Minnesota	"Audited financial statement...examined by an independent CPA for the purpose of expressing an opinion" if gross revenue exceeds \$350,000 (§309.53) <b>Audit</b>
Mississippi <b>Audit</b>	"Financial statement...accompanied by an opinion signed by an independent CPA" if contributions exceed \$100,000 or if professional fundraiser used; Sec. of State may require "audited financial statement...accompanied by opinion signed by independent CPA" if contributions are more than \$25,000 but less than \$100,000 (§79-11-507)
Missouri	
Montana	
Nebraska	
Nevada	
New Hampshire	
New Jersey <b>Audit</b>	"Audited financial statement...examined by an independent CPA for the purpose of expressing an opinion thereon" if gross revenue exceeds \$100,000; AG may require "audited financial statement...examined by an independent CPA" if gross revenue is more than \$25,000 but less than \$100,000 (§45:17A-24)
New Mexico <b>Audit</b>	"A charitable organization...shall be audited by an independent CPA" if gross revenue exceeds \$500,000 (§57-22-6)
New York <b>Top Tier = Audit Lower Tier= Review</b>	"Financial statement which includes an independent CPA's audit report containing an opinion" if gross revenue exceeds \$250,000; "financial statement which includes an independent CPA's review report" if gross revenue exceeds \$100,000 but not more than \$250,000 (Exec. Law §172-b)
North Carolina	
North Dakota	
Ohio	
Oklahoma	
Oregon	
Pennsylvania <b>Top Tier = Audit Lower Tier= Review</b>	"Financial report...audited by an independent CPA or PA" if contributions are \$125,000 or more; "a review or audit of their financial statements performed by an independent CPA or PA" if contributions are \$50,000 or more but less than \$125,000 (Tit. 10, §162.5)
Rhode Island <b>Audit</b>	"Financial statement...audited by an independent CPA" if gross revenue is \$500,000 or more; Director of Dept. of Business Regulation may require "audited annual financial statements" if gross revenue is \$500,000 or less and reasonable cause to believe violation of Solicitation statute occurred (§5-53.1-4)
South Carolina	
South Dakota	
Tennessee <b>Audit</b>	"Audited financial statement...examined by an independent CPA for the purpose of expressing an opinion thereon" if gross revenue exceeds \$300,000; Sec. of State may require "audited financial statement...examined by an independent CPA" if gross revenue is more than \$30,000 but less than \$250,000 (gross revenue does not include grants from government agencies and private foundations) (§48-101-506)
Texas	
Utah	
Vermont	
Virginia	
Washington	

AUDIT REQUIREMENTS FOR FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2006

West Virginia <b>Audit</b>	"Balance sheet and income and expense statement, or financial statement...shall be audited by an independent PA" if contributions exceed \$100,000. Contributions do not include grants from government agencies and private foundations. (§29-19-5)
Wisconsin <b>Audit</b>	"Audited financial statement...and the opinion of an independent CPA on the financial statement" if contributions exceed \$100,000 (§440.42)
Wyoming	

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