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Does your nonprofit need to have an independent audit?

Not all charitable nonprofits are **required** to conduct an independent audit.

Circumstances that may trigger the requirement for an independent audit include:

- Federal, state, and local governments may request a copy of the organization's audited financial statements.
- Charitable nonprofits that expend \$1 million or more in federal funds in a fiscal year are subject to [special audit requirements](#).
- Some contracts with state and local governments to provide services in the community may require the nonprofit to conduct an independent audit.
- Many [state laws require](#) that charitable nonprofits submit a copy of their audited financial statements when they register with the state for charitable solicitation/fundraising purposes.
- Private foundations may request that a nonprofit submit a copy of the nonprofit's most recent audited financial statements in conjunction with submitting a grant proposal.
- Some banks may require a nonprofit to have an audit as a condition of receiving a loan.

If a charitable nonprofit is small and has not conducted an audit due to the cost, the nonprofit should not be shy about asking the funder if a more affordable method of

evaluating the nonprofit's financial positions would be acceptable, such as a [review](#) of certified financial statements.

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Disclaimer: *The resources in this Guide are offered for informational purposes only. The National Council of Nonprofits recommends consulting a lawyer or accountant who has expertise in accounting rules for charitable nonprofits so that you can be confident that your charitable nonprofit is in compliance with all legal requirements. And, when your organization is looking for trusted information about financial management practices, good governance, and accountability, don't overlook the resources that membership in your [state association of nonprofits](#) can provide.*