



AUDIT REQUIREMENT

Organizations applying for arts, traditional grants, or capital funding are required to provide an annual audit.

This annual audit will be included as an attachment in the organization's PowerPhilanthropy portrait. (Funding in the categories of arts, traditional grants, and capital require a complete and updated PowerPhilanthropy portrait). The audit should be prepared by an independent and licensed certified public accountant, conducted in accordance with auditing standards generally accepted in the United States of America, and must include the independent auditor's report; statement of financial position; statement of activities; statement of cash flows; and notes to the financial statements.

RATIONALE

- An audit is a mark of responsibility, good stewardship, and a message to donors.
- An audit builds the trust and confidence of financial supporters of the nonprofit in the way their money is being accounted for.
- An audit sets habits of fiscal responsibility to assure that, even with turnover in personnel, there will be continuity in accountability.
- An audit provides the best assurance that gifts made with restrictions are consistently administered in accordance with the donors' instructions.
- An audit protects the board, staff, and volunteers of a nonprofit from unwarranted charges of careless or improper handling of funds.

REQUESTING AN EXEMPTION FROM THE REQUIREMENT

Exemptions from this policy must be requested, and will only be considered with the submission of a letter of intent/full application for a grant. Exemptions will be made infrequently and will be considered on a case-by-case basis. Organizations requesting an exemption must have a complete and updated PowerPhilanthropy portrait, and the financial section in the portrait must be based upon either internally prepared financial statements for the most recently completed fiscal year signed by the board president or board treasurer or reviewed financial statements prepared by an independent and licensed certified public accountant. Organizations with reviewed financial statements conducted by an independent and licensed certified public accountant are more likely to secure an exception. Exemptions are most likely to be granted under the following circumstances:

- Small organizations (those with budgets of less than \$200,000);
- Religious congregations, which must document that the congregation is following the mandates of any religious oversight body including national or regional offices of its particular religious denomination; and
- Any nonprofit facing other extenuating circumstances; such extenuating circumstances might include a newly formed organization that has not had ample time to secure an audit.