A Break for Massachusetts Nonprofits: Lowering the Demand for Financial Reporting and Providing Incentives for Board Members to Serve

Description

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The Massachusetts legislature and Governor Healey recently passed into law *An Act Relative to Strengthening Massachusetts' Economic Leadership* (the "Act")[1]. The Act provides significant changes in the nonprofit space which will alleviate financial reporting requirements for small and mid-sized Massachusetts nonprofits as well as provide incentives and protections for individuals serving as board members.[2] The Act is designed to increase employment and growth in Massachusetts and promote activities of nonprofits throughout the state.[3]

One of the key provisions of the Act is the adjustment of financial reporting thresholds for small and mid-sized nonprofits.[4] Now, nonprofits are only required to submit reviewed financial statements if the entity has an annual gross revenue of $500,000 or more, as opposed to the previous lower threshold of $200,000.[5] Similarly, nonprofits are only required to submit audited financial statements if the entity has an annual gross revenue of over $1,000,000, as opposed to the previous lower threshold of $500,000.[6] These reporting requirements should have a significant impact on small and mid-sized nonprofits in the state. The changes are expected to reduce administrative burdens on small and mid-sized nonprofits which will allow them to focus their efforts and resources on their missions.[7]

In addition to the financial reporting changes, the Act also allows board members to receive modest stipends for serving as board volunteers while reserving their personal civil liability protections.[8] Prior to this change, any board member who received compensation in any amount would lose the personal civil liability protections afforded under Massachusetts General Law Chapter 231 Section 85W.[9] This change should expand opportunities for individuals to serve as board members and ultimately has the potential to substantially increase representation and diversity on Massachusetts nonprofit boards.[10]

For more information, please contact Partner & Chair of our Nonprofit and Tax-Exempt Practice Group Elizabeth O. Manchester, Partner Russell J. Stein, or Associate Kelley J. O'Donnell.

[1] *An Act Relative to Strengthening Massachusetts' Economic Leadership: Overview*, Mass.gov, Bill Summary Formatted (1).pdf.

[2] *Massachusetts Allows Stipend for Charitable Board Representation and Amends Nonprofit Financial Statement Requirements*, Massachusetts Nonprofit Network, Recent Legislative Accomplishments – Massachusetts Nonprofit Network.

[3] *Id*.

[4] *Id*.

[5] *Id*.

[6] *Id*.

[7] *Id*.

[8] *An Act Relative to Strengthening Massachusetts' Economic Leadership: Overview* at 4.

[9] *Massachusetts Allows Stipend for Charitable Board Representation and Amends Nonprofit Financial Statement Requirements.*

[10] *Id*.

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