

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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