

# Materiality Thresholds Statement

This Materiality Thresholds Statement establishes the quantitative and qualitative criteria for determining materiality of transactions and events within **[Organization Name]** for the fiscal year ending **[Date]**. The thresholds outlined herein are designed to guide the evaluation of financial and operational significance to support effective decision-making, reporting, and compliance.

## 1. Purpose

The purpose of this document is to define the monetary limits and qualitative considerations for identifying material items and events that require disclosure or escalation according to internal policies and relevant regulatory requirements.

## 2. Materiality Definitions

**Materiality** refers to the significance of transactions or discrepancies that, if omitted or misstated, could influence the economic decisions of users relying on the organization's financial information.

## 3. Quantitative Thresholds

Type	Amount / Percentage	Application
Financial Reporting Materiality	2% of total revenue or \$50,000 (whichever is lower)	Financial statement adjustments, misstatement evaluations
Capital Approvals	\$25,000	Individual capital expenditures requiring management review
Contract Approvals	\$10,000	New agreements or amendments requiring executive review
Operational Materiality	1% of departmental budget	Operational variances, project overruns

## 4. Qualitative Criteria

In addition to quantitative limits, the following qualitative factors must also be considered in determining materiality:

- Effects on compliance with laws and regulations
- Impacts on stakeholder decisions and public perception
- Potential to conceal fraud or illegal activity
- Events impacting strategic direction or long-term objectives

## 5. Review and Updates

This statement is subject to annual review and may be updated as necessary to reflect changes in the organization's operations, risks, and regulatory environment.

## **Important Notes**

- Materiality thresholds are guidelines and not absolute; professional judgment is essential in their application.
- Both quantitative and qualitative factors must be evaluated when assessing materiality.
- This statement should be communicated to all relevant staff and incorporated into policy training sessions.
- Compliance with regulatory requirements must always be maintained irrespective of internal thresholds.