

Nonprofit Audit Preparation Checklist

Free download from [Holdings](#) — AI-native business banking for nonprofits

Instructions: Customize the timeline to your fiscal year-end. Assign each item to a team member. Check off as completed.

Month-by-Month Audit Prep Timeline

Adjust months based on your fiscal year-end (FYE). This timeline assumes a June 30 FYE — shift all months accordingly for a December 31 or other FYE.

6 Months Before Year-End (January for June FYE)

- Select/confirm auditor** — If new engagement, issue RFP to 3+ firms
- Review prior year management letter** — What findings did you have? Are they resolved?
- Verify all policies are current:**
 - Financial management policy
 - Conflict of interest policy
 - Whistleblower policy
 - Document retention policy
 - Gift acceptance policy
- Review internal controls** — Who authorizes spending? Who reconciles accounts? Is there adequate segregation of duties?
- Begin collecting board conflict of interest disclosures** for the current year

Item	Assigned To	Due Date	Done
Auditor selection/confirmation	_____	_____	<input type="checkbox"/>

Management letter follow-up	_____	_____	<input type="checkbox"/>
Policy review	_____	_____	<input type="checkbox"/>
Internal controls review	_____	_____	<input type="checkbox"/>
COI disclosures collected	_____	_____	<input type="checkbox"/>

4 Months Before Year-End (March for June FYE)

- Sign engagement letter** with auditor
- Receive PBC list** from auditor — review every item and assign responsibility
- Schedule audit dates:**
 - [] Interim fieldwork: _____ (if applicable)
 - [] Final fieldwork: _____
 - [] Draft report delivery: _____
 - [] Final report delivery: _____
- Review all grant agreements:**
 - [] Confirm compliance with all financial requirements
 - [] Check spending against budgets — are you on track?
 - [] Identify any grants ending before/at FYE — plan final reports
- Verify contractor W-9s on file** for all vendors paid \$600+
- Reconcile all bank accounts** (should already be current — if not, catch up NOW)

Item	Assigned To	Due Date	Done
Engagement letter signed	_____	_____	<input type="checkbox"/>
PBC list reviewed & assigned	_____	_____	<input type="checkbox"/>
Audit dates scheduled	_____	_____	<input type="checkbox"/>
Grant agreements reviewed	_____	_____	<input type="checkbox"/>
W-9 file complete	_____	_____	<input type="checkbox"/>
Bank reconciliations current	_____	_____	<input type="checkbox"/>

2 Months Before Year-End (May for June FYE)

- Interim fieldwork** (if scheduled) — auditors test controls mid-year
- Prepare interim PBC items** requested by auditors
- Review functional expense allocations** — is your methodology documented and consistent?
- Verify net asset classifications** — restricted vs. unrestricted correctly categorized
- Prepare draft SEFA** (Schedule of Expenditures of Federal Awards) if Single Audit applies
- Identify any unusual transactions** that will need explanation during the audit
- Ensure all board minutes are documented** (or draft from notes if behind)

Item	Assigned To	Due Date	Done
Interim fieldwork complete	_____	_____	<input type="checkbox"/>
Interim PBC items provided	_____	_____	<input type="checkbox"/>
Functional allocation documented	_____	_____	<input type="checkbox"/>
Net asset classifications verified	_____	_____	<input type="checkbox"/>
Draft SEFA prepared (if applicable)	_____	_____	<input type="checkbox"/>
Board minutes up to date	_____	_____	<input type="checkbox"/>

Year-End Close (July for June FYE — THE CRITICAL MONTH)

Target: Close books within 30 days of fiscal year-end

- Record all year-end transactions:**
 - [] Final payroll allocation
 - [] Accrued expenses (bills received but not yet paid)
 - [] Accrued revenue (earned but not yet received)
 - [] Deferred revenue (received but not yet earned)
 - [] Prepaid expenses (paid but covering future periods)
 - [] Depreciation entries
- Reconcile ALL accounts:**

- [] Every bank account (checking, savings, money market)
- [] Every credit card account
- [] Investment accounts
- [] Petty cash
- [] Accounts receivable
- [] Accounts payable

Prepare year-end financial statements:

- [] Statement of Financial Position (Balance Sheet)
- [] Statement of Activities (P&L)
- [] Statement of Functional Expenses
- [] Statement of Cash Flows
- [] Trial balance

Prepare grant schedules:

- [] Revenue by funder (showing restrictions)
- [] Grant receivables
- [] Deferred grant revenue

Complete PBC list items — target 100% before fieldwork

Item	Assigned To	Due Date	Done
All year-end entries recorded	_____	_____	<input type="checkbox"/>
All accounts reconciled	_____	_____	<input type="checkbox"/>
Financial statements prepared	_____	_____	<input type="checkbox"/>
Grant schedules complete	_____	_____	<input type="checkbox"/>
PBC list 100% complete	_____	_____	<input type="checkbox"/>

Fieldwork Period (August–September for June FYE)

- Designate audit liaison** — one person who manages all auditor requests and communication

- Provide auditors workspace** (physical or virtual — shared folder access, video call availability)
- Respond to auditor questions within 24-48 hours** — delays = higher fees
- Prepare confirmation letters** for auditor to send:
 - Bank confirmations (all accounts)
 - Investment confirmations
 - Attorney confirmations (litigation/claims)
 - Grants receivable confirmations (selected funders)
- Provide sample documentation** as requested (receipts, invoices, timesheets)
- Review proposed adjusting journal entries** with auditor — understand each one
- Prepare management representation letter** (auditor provides template; ED and board treasurer sign)

Item	Assigned To	Due Date	Done
Audit liaison designated	_____	_____	<input type="checkbox"/>
Workspace/access provided	_____	_____	<input type="checkbox"/>
Confirmation letters prepared	_____	_____	<input type="checkbox"/>
Sample documentation provided	_____	_____	<input type="checkbox"/>
AJEs reviewed and approved	_____	_____	<input type="checkbox"/>
Management rep letter signed	_____	_____	<input type="checkbox"/>

Reporting Phase (September–October for June FYE)

- Review draft audit report** for accuracy:
 - Financial statement numbers match your records (after AJEs)
 - Footnotes are accurate and complete
 - Opinion type is as expected (unmodified = clean)
 - Organization name, addresses, EIN are correct
- Review management letter** (if issued):

- [] Develop corrective action plan for each finding
- [] Assign responsibility and deadlines
- [] Document responses for the board
- Present final audit to the board:**
 - [] Schedule board presentation (auditor should attend or dial in)
 - [] Board formally accepts the audit report
 - [] Board reviews management letter findings and corrective actions
- File and distribute:**
 - [] Upload to state AG / charity registration portal (if required)
 - [] Provide to funders who require it
 - [] File in organizational records
 - [] Post on website (if your policy is to share publicly)
- If Single Audit:** Submit to Federal Audit Clearinghouse within 30 days of report date (or 9 months after FYE, whichever is earlier)

Item	Assigned To	Due Date	Done
Draft report reviewed	_____	_____	<input type="checkbox"/>
Management letter responses written	_____	_____	<input type="checkbox"/>
Board presentation scheduled	_____	_____	<input type="checkbox"/>
Board accepts audit	_____	_____	<input type="checkbox"/>
Filed with state/federal (if required)	_____	_____	<input type="checkbox"/>
Distributed to funders	_____	_____	<input type="checkbox"/>

Complete PBC (Prepared by Client) List Template

Use this as your master document collection list. Check off items as gathered and organized.

Section A: Financial Records

- Year-end trial balance

- General ledger (all accounts, all months)
- Chart of accounts
- Bank statements — all accounts, all 12 months
- Bank reconciliations — all accounts, all 12 months
- Investment account statements (all quarters + year-end)
- Credit card statements — all accounts, all months
- Petty cash log and reconciliation
- Accounts receivable aging (year-end)
- Accounts payable aging (year-end)
- Schedule of prepaid expenses
- Schedule of accrued liabilities
- Fixed asset schedule (additions, disposals, depreciation)
- Loan/debt schedules (balances, payments, terms)
- Line of credit activity

Section B: Revenue & Contributions

- Schedule of contributions by donor (unrestricted, temporarily restricted, permanently restricted)
- Grant award letters and agreements (all active grants)
- Grant revenue recognition schedule (by grant, by period)
- Grant financial reports submitted during the year
- Pledges receivable schedule
- Special event revenue detail (ticket sales, sponsorships, auction)
- Earned revenue contracts and documentation
- Membership revenue detail
- In-kind contribution documentation and valuation

Section C: Expenses & Payroll

- Payroll registers (all pay periods)
- Payroll tax returns (Form 941 — all quarters; state equivalents)
- W-2 summary
- 1099 summary and copies
- Employee benefit plan documents
- Time allocation records / timesheets (for staff allocated across programs)
- Functional expense allocation methodology (written documentation)
- Sample invoices and receipts (auditor will specify selection)
- Travel reimbursement requests and approvals (sample)
- Consultant/contractor agreements (all over \$5,000)

Section D: Governance & Compliance

- Board meeting minutes (all meetings during fiscal year)
- Finance/Audit Committee meeting minutes
- Board-approved annual budget
- Board member list with terms, affiliations, and compensation
- Signed conflict of interest disclosures (all board + key staff)
- Conflict of interest policy
- Whistleblower policy
- Document retention policy
- Executive compensation documentation (salary, benefits, bonuses)
- Related party transaction documentation

Section E: Legal & Regulatory

- IRS determination letter (501(c)(3))
- Most recent Form 990 (filed)

- State charitable registration certificates
- Sales tax exemption certificates
- Insurance policies (D&O, general liability, property, workers' comp)
- Lease agreements (all properties)
- Attorney letter regarding pending/threatened litigation
- Contracts and MOUs with significant partners/subrecipients

Section F: Single Audit (If Applicable)

- Schedule of Expenditures of Federal Awards (SEFA)
- Federal grant agreements and amendments
- CFDA numbers for all federal programs
- Compliance reports submitted to federal agencies
- Subrecipient agreements and monitoring documentation
- Indirect cost rate agreement or de minimis rate election
- Procurement documentation for federal-funded purchases
- Time and effort reports for federally funded staff

Quick Reference: Audit Types & When Required

Type	Typical Trigger	Cost Range	Timeline
Compilation	Small grant requirement	\$2K-\$5K	2-4 weeks
Review	Funder/state requirement (\$250K-\$1M)	\$4K-\$10K	4-6 weeks
Financial Audit	Funder/state requirement (\$1M+)	\$5K-\$25K	2-4 months
Single Audit	\$750K+ federal expenditures	\$10K-\$40K	3-5 months

Auditor Selection Scorecard

Rate each firm (1-5) across these criteria:

Criteria	Firm A	Firm B	Firm C
Nonprofit experience	__/5	__/5	__/5
Government/Single Audit experience	__/5	__/5	__/5
Size match for our organization	__/5	__/5	__/5
Fee competitiveness	__/5	__/5	__/5
Proposed timeline	__/5	__/5	__/5
Team qualifications	__/5	__/5	__/5
Reference quality	__/5	__/5	__/5
Communication approach	__/5	__/5	__/5
TOTAL	__/40	__/40	__/40

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