

# External Audit Preparation Checklist for Nonprofits

Preparing for an **external audit** is crucial for nonprofits to ensure transparency and compliance. This checklist helps organizations organize financial documents, review internal controls, and address potential audit concerns. Following it enhances accuracy and builds trust with stakeholders.

## 1. Financial Documentation

- Prepare year-end financial statements (balance sheet, income statement, cash flow statement).
- Gather general ledger and trial balance reports.
- Collect bank statements and bank reconciliations for all accounts.
- Assemble grant agreements, contracts, and funding documentation.
- Provide documentation for all fixed assets and recent capital purchases.
- Compile accounts receivable and payable reports.
- Supply payroll records and tax filings (W-2s, 1099s, IRS Form 990).

## 2. Internal Controls Review

- Document accounting policies and procedures.
- Perform an internal review of financial controls and segregation of duties.
- Update board meeting minutes and records of major decisions.
- Provide evidence of compliance with donor restrictions, if applicable.

## 3. Pre-Audit Communication

- Confirm audit timeline and key deliverables with the auditor.
- Assign an internal contact person or team for the audit.
- Communicate with staff and board members about audit expectations and schedule.

## 4. Additional Preparation

- Ensure all supporting documentation is well-organized and accessible.
- Review prior year audit findings and confirm corrective actions have been addressed.
- Prepare a list of key transactions, grants, or events that occurred during the year.
- Set aside workspace and resources for the auditors during their visit.

## 5. After the Audit

- Review audit findings and discuss recommendations with management and the board.
- Implement necessary changes and improvements identified during the audit.
- Share results with stakeholders, donors, or funders as appropriate.

*Thorough audit preparation helps ensure a smooth and successful audit process, demonstrating the organization's integrity and commitment to accountability.*