

NONPROFIT AUDITS

Preparing for an Audit – Nonprofit Association

September 19, 2023





Are You Ready to Ace Your Audit?

This checklist will help you gather everything your auditor needs before fieldwork begins.

An audit is designed to ensure that the financial statements are presented fairly, in accordance with GAAP (Generally Accepted Accounting Principles). An audit will provide reasonable assurance that the financial statements are free from material misstatement. Financial statements for a nonprofit association consist of:

- Statement of Financial Position
- Statement of Activities
- Statement of Cash Flows

Audit Checklist

We designed this sample document checklist for a typical small Association with a June 30 year end. While this list is not all-inclusive, it should help familiarize you with documentation and questions that are typical for an audit.

[DOWNLOAD CHECKLIST](#)

Audit Area	Items Needed
Audit Planning	Meeting minutes for all board meetings held during the year <i>Audit questions:</i> – Do the minutes provide evidence of approval of opening and closing of Association bank accounts? Are major purchases and other major decisions reflected in the minutes?
Audit Planning	All contracts entered into during the year (vendors, consultants, landlords, other service providers, grantors)

Audit Planning	Fiscal or accounting policies and procedures <i>Audit questions:</i> – Are written policies and procedures in place to assign authority over regular financial transactions such as spending funds, check signing, authority to enter into contracts, and responsibility for maintaining financial records?
Cash	Bank reconciliations for all checking and savings accounts, certificates of deposit <i>Audit Questions:</i> – Are bank reconciliations prepared timely? Are there any outstanding checks older than three months? Are there any unusual transactions that have not cleared? Is written documentation available to support all disbursements?
Cash	Bank statements for all accounts for June 30, and for the subsequent month July 31 <i>Audit Questions:</i> – Are there any unusual transactions occurring after year end? Do outstanding items at year clear in the subsequent statement?
Investments	Bank reconciliations for all investment accounts
Investments	Investment statements for all investment accounts for June 30, and for the subsequent month July 31
Accounts Receivable	Schedule of member association dues receivable at year end, and an estimate of the percent or amount of dues that are deemed uncollectable <i>Audit Questions:</i> <i>If using a separate membership software, does the accounts receivable balance agree to the financial statements? Does the annual revenue figure from the software agree to the financial statements?</i>
Prepaid Expenses	Schedule of prepaid expenses for insurance and other costs where the period covered extends beyond the fiscal year <i>Audit Questions:</i> <i>Did the Association incur conference costs (such as a hotel deposit) for a conference that is scheduled to take place after year end?</i> <i>Were insurance bills paid where the coverage period extends after year end?</i>
Property and Equipment	Schedule of fixed assets purchased during the year, including date, description and cost. Also a schedule of fixed assets sold or disposed of during the year, and amount of sales proceeds
Accounts Payable	Schedule of expenses paid for services or goods received by June 30 but were paid for after June 30
Accrued Compensation Expense	Amounts due to employees for accrued sick and vacation leave as of June 30
Deferred Revenue – Memberships	Schedule of member dues paid in advance for the subsequent year
Notes Payable	Statement of note payable balance at year end for mortgages or other long term loans. <i>Audit Questions:</i> <i>Did the Association take out any loans or obtain any new financing during the year?</i>
In Kind Donations	Value of donated office space or professional services that would normally would have been paid as an expense
Dues Revenue	Schedule of Association members and the amount of dues charged for each member or level of membership
Payroll	Quarterly payroll tax returns for the year ending June 30 W2 and W3 forms filed 1099MISC and 1099NEC forms filed <i>Audit Questions:</i> <i>Did the Association pay all payroll taxes due? Has the Association received any correspondence from the IRS concerning payroll tax?</i>