



**DUFFY KRUSPODIN**  
CPAs & Trusted Advisors

NONPROFIT AUDIT READINESS  
A THREE-PART SERIES

PART ONE OF THREE

# THE SETUP

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What your team needs to prepare for, and move through, a nonprofit audit.

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## THE SETUP

# THE IDEAL NONPROFIT AUDIT TIMELINE

For nonprofits, the audit isn't a single event. It's a cycle, and where your organization is in that cycle right now determines what you should be working on.

### ● PHASE 01, PRE-YEAR-END

2-4 MONTHS BEFORE FISCAL CLOSE

This is the highest-leverage window. Boards are reviewing budgets, leadership is assessing year-end position, and there's still time to address control gaps before the books close.

Organizations that use this period to confirm audit scope, review documentation practices, and flag compliance questions enter the audit in a fundamentally stronger position.

### ● PHASE 02, POST-YEAR-END / FIELDWORK

0-3 MONTHS AFTER FISCAL CLOSE

Once the year closes, the focus shifts to close quality, prepared-by-client (PBC) list preparation, and coordination with the audit team.

This is also when staffing strain tends to hit hardest, because month-end close, year-end adjustments, and audit prep are competing for the same team's attention. Organizations that planned ahead in the prior window move through this phase with significantly less disruption.

### ● PHASE 03, POST-AUDIT

ONGOING

The management letter isn't the end of the process. It's the beginning of the next cycle.

Organizations that treat audit findings as operational inputs, building action plans, assigning ownership, and tracking progress, show up to the next audit in better shape. Organizations that file the letter and move on tend to see the same findings recur.

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# THE TOP CULPRITS THAT DRIVE MOST AUDIT DELAYS

Most nonprofit leaders think of audit readiness as a checklist. *That's part of it.* But organizations that move through audits cleanly are solving a different problem: **alignment**. Getting there requires three things before any documentation request arrives.

## 01

### ORGANIZED DOCUMENTATION

Well-documented support for every significant balance and transaction. That sounds basic; in practice, it's where most audits lose time, chasing undocumented approvals, explaining why a grant expenditure doesn't match the budget.

## 02

### BALANCED INTERNAL CONTROLS

Approval workflows that everyone follows, not just documents. Expense authorizations that happen before the purchase, not after the auditor asks.

## 03

### CONSISTENT FINANCIAL REPORTING

The numbers leadership reviews in the boardroom are the same ones the finance team is managing day to day.

### WHY THESE DELAYS MATTER (A LOT)

Missed deadlines can create compliance exposure and may affect future funding. A management letter with significant findings changes the board conversation in ways that are harder to manage after the fact than before. **A clean, timely audit is a governance asset that compounds over time** with funders, board members, and major donors.

*"The nonprofits that have the smoothest audits are the ones that stay close to their financials throughout the year. When documentation is current, controls are working, and leadership understands the numbers, the audit becomes a confirmation of what everyone already knows."*

**DAISY HOM, CPA** · PARTNER, AUDIT & ASSURANCE

THE SETUP

# WHAT YOUR AUDITOR IS LOOKING FOR

## BEYOND THE NUMBERS

It helps to understand what an auditor is assessing beyond the numbers themselves, because preparation looks different when you're thinking about it from their vantage point.

### 1. ESTIMATES

Allowances for doubtful accounts, asset useful lives, cost allocation percentages, and grant revenue recognition judgments are areas where auditors expect consistency, documentation, and methodology.

An estimate that's changed year over year without explanation, or one that can't be tied to a documented basis, requires the auditor to probe further.

### 2. GOVERNANCE AND OVERSIGHT

Auditors consider governance and oversight as part of understanding the control environment and financial reporting process. Sparse meeting minutes, an audit committee that meets only when required, or a board that hasn't reviewed interim financials during the year are all signals that get noted.

## FOR EXECUTIVE DIRECTORS & BOARD MEMBERS

The audit involves more than your finance team's work product. It also reflects the strength of the organization's **oversight, documentation, and control environment**.

## CONTACT US

Amplify your mission & financial controls with the right audit firm.

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