



## Nonprofit Organization Legal Audit Checklist

### Corporate Compliance

1. Do you have a current and legible copy of your:
  - Articles of Incorporation (and any amendments thereto)
  - Bylaws (and any amendments thereto)
  - Federal tax-exempt recognition letter
  - Federal tax-exemption application (IRS Form 1023)
  - Copies of IRS Form 990 for the past three years
  - Sales tax exemption form
2. Do your Articles of Incorporation and bylaws accurately describe your current purposes, organization, and procedures?
3. Is your registered agent still at the address filed with the Secretary of State?
4. Can you rely on your registered agent to give you mail that comes to the corporation?
5. Are you filing the required annual reports with the Secretary of State (for the state of incorporation as well as any states in which you are qualified to do business)?
6. Do you keep as permanent records minutes of all meetings of the board, your members, and committees, including resolutions and other formal actions?
7. Do minutes reflect actions to elect or re-elect current board members and the resignation or termination of former board members?
8. Do you have a current list of the names, addresses, and terms of office of your board members?
9. Have you complied with any applicable state charitable solicitation requirements (including registration in all states in which you conduct fundraising activities)?

### Federal Tax Exemption

10. Does your IRS tax-exempt recognition letter say what you think it does?
11. Have your structure, purposes or activities changed significantly since you received your letter of recognition of tax-exempt status from the IRS? If so, have you notified the IRS?
12. Are you filing any required Form 990 with the IRS?
13. Are your Form 1023 and Form 990 (for the past three years) available for public inspection at your principal place of business?
14. Are you taking full advantage of your exemption from state sales and property tax?

### Financial Records

15. Do you prepare an annual financial statement or audit?



16. If the annual financial statement is not prepared by a public accountant, does the person who prepares it state whether the statements are prepared on the basis of generally accepted accounting principles and if not, the basis on which they were prepared?
17. Do you acknowledge in writing gifts over \$250?
18. Is the financial officer making timely deposits of all appropriate federal payroll taxes?
19. Do you have an Accounting Policies and Procedures Manual that includes the following information?
  - Division of duties, cash receipts procedure, cash disbursements procedures, reconciliations, petty cash fund, purchases, fixed asset management, payroll processing, financial reporting, grant compliance, and fiscal policy statements.

## Employees

20. Regarding employees:
  - Are you making unemployment insurance payments and quarterly reports to the labor department?
  - If you have staff who work overtime or have unusual hours, are you complying with federal wage and hour standards that govern overtime?
21. For your workers whom you pay as independent contractors, are you complying with federal standards that govern how to distinguish between contractors and employees?
22. Is there an employment manual containing the following information?
  - Employment policies, leave from work and other benefits, vacation/sick leave, FMLA, other state-mandated policies, conditions of employment, compensation, grievance policies, verification of receipt of manual, at-will employment statement.
23. Have your written personnel policies been adopted by the board? If so, do they contain provisions dealing with sexual harassment and discrimination? Has an attorney reviewed the policies?
24. If you have unpaid volunteers, have they executed a Liability Release and Non-Disclosure Agreement?

## Corporate Governance

25. Has the Board adopted a formal conflict of interest policy?
26. Are there agreements between the corporation and its directors or officers that give rise to conflict-of-interest issues?
27. Do these documents raise issues of corporate liability not already handled by insurance?
28. Does the organization have any contracts with, or has it engaged in any transactions with, any of its officers or with any other entity in which any of its officers has a financial interest?



- If so, was the relationship fully disclosed to the board prior to authorizing the contract/transaction and was the vote of the interested director not counted?
  - If no, was the contract transaction fair and reasonable to the corporation at the time it was authorized?
29. Documentation of relationships with subsidiaries/affiliates: Are the business transactions between the organization and any affiliated entities properly documented to ensure compliance with applicable state and federal law?

### Contracts and Agreements

30. Does the corporation, in its record keeping system, maintain a separate file folder for each contract that it has executed (with its employees, consultants, landlords, subsidiaries, funding sources, lenders, tenants, suppliers, etc.)?
- Are these records kept in a central location so that they are easy to find or do you have to rummage through old boxes and scattered file cabinet drawers?
  - For each particular contract, are all relevant documents kept together or are they scattered in various locations?
  - Have these contracts recently been reviewed? Are you familiar with the termination provisions, penalty clauses, payment deadlines, etc.?
  - Do any of these contracts obligate the nonprofit to perform any act that might jeopardize its tax-exempt status?
31. Are there any other agreements that need to be reviewed or put in place to ensure the proper functioning the organization?