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SEED & SERIES A · DILIGENCE READINESS

# What has to be true *before* the data room opens

Not a document list — your investor will send one of those. This is the shorter list of things that have to be **true about the company** before a document list is worth filling out. Most diligence delays are not missing files. They are files that don't agree with each other. **Section 1 blocks everything below it.**

## 1 The blocking three

If any of these is false, nothing else on this page matters yet. Fix these first, in this order.

- [ ] **Every bank and card account is reconciled through last month.** Not "mostly." One unreconciled account means no number on the P&L is verified.
- [ ] **The books close on a date, and that date is inside 15 days of month-end.** If the close has no owner and no deadline, it has no date.
- [ ] **One basis, applied consistently.** Accrual for anything venture-backed. Mixing cash and accrual is the single most common reason an associate stops trusting the file.

## 2 Financials

- [ ] **Monthly P&L, balance sheet, and cash flow statement** — trailing 24 months, or since inception if shorter.
- [ ] **The balance sheet balances, and you can explain every line over 1% of assets.**
- [ ] **No personal or owner expenses in operating costs** — or they are isolated in one clearly labeled account.
- [ ] **Related-party transactions documented** — loans to or from founders, entities you also own, family on payroll.
- [ ] **Deferred revenue is real and calculated, not a plug.**
- [ ] **Payroll, benefits, and contractor classification are current and documented.**
- [ ] **Filings and returns are current** — federal, state, and sales and use where you have nexus. Your CPA owns this; ask them.

## 3 The model

Where seed and Series A companies actually lose time. The forecast is rarely the problem — the join between the forecast and the accounting is.

- [ ] **The model's historical columns are pulled from the accounting, not retyped.**
- [ ] **Last quarter's actuals are in it, next to what you projected, with the variance explained in writing.**
- [ ] **Assumptions live in one tab and are labeled.** No hardcoded numbers buried inside formulas.
- [ ] **Three cases — base, downside, upside — driven off the same assumption tab.**
- [ ] **A runway number in months, and the date it was last recalculated.**
- [ ] **A rolling 13-week cash view, updated weekly by someone at the company.**
- [ ] **The hiring plan in the model is the hiring plan in the deck.**

> THE TEST THAT MATTERS
>
> Open the board deck you presented two quarters ago. Find the revenue and burn you projected for the quarter that has since closed. Put the actuals next to them.
>
> If you can explain the gap in two sentences, your model works. If you can't, the model isn't a forecasting tool — it's a document you rebuild for each audience, and diligence is designed to find exactly that.

## 4 Revenue quality

An investor is not buying your revenue number. They are buying their confidence in how it was produced.

- ☐ **A written revenue recognition policy** — one paragraph is fine, but it has to exist and be followed.
- ☐ **Revenue in the accounting ties to the revenue in the CRM or billing system.** Know the delta and why.
- ☐ **Recurring and non-recurring revenue are separated.** Services revenue reported as ARR is found every time.
- ☐ **Customer concentration named** — top five customers as a share of revenue, current and prior year.
- ☐ **Churn and retention defined in writing before they are reported.** Logo, gross dollar, net dollar — say which.
- ☐ **AR aging current, with a collections story for anything past 60 days.**
- ☐ **Unit economics you can derive from the financials** — not from a slide built once for a deck.

## 5 Corporate & cap table

- ☐ **Cap table current, in one system of record, agreeing with the equity on the balance sheet.**
- ☐ **Every SAFE and convertible note listed with cap, discount, and conversion trigger.**
- ☐ **Option pool: authorized, granted, exercised, and available — four different numbers.**
- ☐ **All grants board-approved and documented.** Verbal promises to early employees are a diligence finding.
- ☐ **409A valuation current.**
- ☐ **IP assigned to the company by every founder, employee, and contractor.**
- ☐ **Debt, leases, and personal guarantees disclosed with their covenants.**

## 6 Four questions to rehearse out loud

Every one of these has been asked in a first diligence call. None of them can be answered by a document.

**"Walk me from your bank balance to the cash number on your balance sheet."**
Tests whether the books are reconciled and whether the founder knows where the numbers come from.

**"Your Q2 projection said X. You did Y. What happened?"**
Tests whether anyone reforecasts. A shrug is the wrong answer; a specific, boring reason is the right one.

**"If you don't raise, when do you run out, and what's the first thing you cut?"**
Tests whether the runway number is a live calculation or a slide. Have both the date and the plan.

**"Who closes your books, and what day of the month do they finish?"**
Tests whether finance is a function or a favor. A name and a date is a complete answer.