



Published on National Council of Nonprofits (<https://www.councilofnonprofits.org>)

Original URL: <https://www.councilofnonprofits.org/running-nonprofit/nonprofit-audit-guide/cost-independent-audit>

Cost of an independent audit

An independent audit is an expensive monitoring tool. If you have decided, based on requirement or choice, that your nonprofit organization will have an independent audit, a number of factors will determine the cost of the audit. Understanding these factors will help you negotiate audit fees and plan for the cost.

Generally, the cost is based on the amount of time the independent auditor or audit firm spends conducting the audit. The larger the organization's budget, and the more complex its finances, the more time the audit will take and the higher the audit cost. The rates that various accounting firms charge can vary significantly, especially from region to region across the US, and depending on whether the auditor is a large enterprise or a sole practitioner. Changes to the federal tax code and/or FASB standards can also influence costs since typically auditors may need to spend more time than usual to work through those changes in the first year when new standards or tax code changes are effective.

Many of these factors are related to the perceived audit risk of your organization. Some evidence exists that "resource dependence" (significant reliance on a particular financial resource/revenue stream) is associated with higher audit fees. Research also shows that the following factors result in higher audit fees:

- Federal grants that require a [Single Audit](#) (for organizations that expend \$750,000 or more in federal awards in a given fiscal year)

- Other (non-federal) government grant revenues
- Long-term debt balances

In contrast, revenue sources that rely more on smaller individual donations, foundation grants, and investment income usually result in lower audit fees.

Other characteristics that may affect your nonprofit's audit fees include budget size and how cash is handled. Larger, more complex organizations and those with higher executive compensation tend to have higher audit fees. Also, organizations that receive cash or other assets that are susceptible to theft can make the audit more expensive. Keep in mind that audit firms with expertise in tax-exempt organizations are likely to have slightly lower fees than those audit firms that rarely provide audits for tax-exempt organizations (and therefore have less expertise in tax-exempt issues.)

Finally, the timing of your nonprofit's audit could affect your audit fee. For example, if your fiscal year-end is December 31, but your nonprofit is willing to file its IRS Form 990 later in the year on extension, the audit firm may be willing to negotiate a lower fee because your nonprofit's field work will not occur during the firm's busy season.

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Disclaimer: *The resources in this Guide are offered for informational purposes only. The National Council of Nonprofits recommends consulting a lawyer or accountant who has expertise in accounting rules for charitable nonprofits so that you can be confident that your charitable nonprofit is in compliance with all legal requirements. And, when your organization is looking for trusted information about financial management practices, good governance, and accountability, don't overlook the resources that membership in your [state association of nonprofits](#) can provide.*