THE NATOMAS BASIN CONSERVANCY
AUDIT COMMITTEE CHARTER

Committee Title

This committee shall be called the Audit Committee of the Board of Directors of The Natomas Basin Conservancy.

Committee Membership

The Audit Committee will be appointed by the Chair of the Board of Directors. It will be composed of at least two board members. Directors who are also employees of the Conservancy may not serve on the Audit Committee. No member of the Audit Committee may concurrently serve on the Finance Committee. One member of the committee shall serve as Committee Chair. The Chair of the Board of Directors appoints a Committee Chair or delegates selection of the Committee Chair to the full committee membership.

Role

The Audit Committee's role is to oversee, review and make periodic recommendations to the full Board concerning the Conservancy's audit and related activities. It also includes reviewing the Conservancy's annual and any special external audits.

Functions and Responsibilities

The Audit Committee is a standing committee of the Board of Directors. Its principal responsibilities are to see that appropriate accounting policies and internal controls are established and followed, and that the organization issues financial statements and reports on time and in accordance with its regulatory obligations. Specific tasks are as follows:

1. Actions where the committee will inform the Board that it has acted in its interest, with the authority given to it by the Board, but that do not require prior Board approval:

    a. Review and accept the scope of the annual external audit.

    b. Request the Executive Director to have the external auditors or staff study a particular area of interest or concern.

    c. Initiate special audits and review and approve the areas targeted for special audit work, provided it is within the budget, not to exceed $5,000.00.

    d. Review and accept the audit reports issued in conjunction with the special audit work, including management responses and plans to address those areas identified during the audits.

    e. Review the Conservancy's Return of Organization Exempt from Income Tax filing (IRS Form 990).

2. Areas that the committee will review and study before recommending action to the Board:

    a. Appoint or terminate the appointment of external auditors.

    b. Review and approve the annual financial statements and auditors' reports.

c. Review any management letters issued by external auditors, including management responses and plans to address the resulting recommendations.

d. Negotiating the auditor's compensation.

3. Areas that the committee will review and study before providing summary reports to the Board when appropriate:

   a. Review accounting changes or regulations proposed or adopted by bodies such as the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the Office of Management and Budget.

   b. Review tax policy changes from the Internal Revenue Service that may affect the organization's tax-exempt status or its definition of tax-exempt activities.

   c. Interview the organizations external auditors concerning the strengths and weaknesses of the organization's financial staff, systems, internal controls, and other factors that pertain to the integrity of published financial reports.

   d. In order to access and minimize risk to the Conservancy, review the organization's conflict of interest policy contained in the Bylaws, Internal Financial Controls Policy and other policies or charters relevant to the Audit Committee.

   e. Review the performance of management and operating personnel under the organization's code of ethics.

Operations of the Audit Committee

A quorum shall consist of a majority of the members. Minutes shall be kept of each committee meeting and shall be filed with the corporate records. The committee shall conduct an annual performance self-evaluation that considers matters related to its responsibilities.