



## AUDIT COMMITTEE CHARTER

### MISSION STATEMENT

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The primary purpose of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of the Association in its oversight of (i) the integrity of the Association’s financial statements, (ii) the Association’s compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications and independence, and (iv) the cooperation of the Association’s management in conducting the annual audit.

### KEY OBJECTIVES AND RESPONSIBILITIES

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In discharging its oversight role, the Committee is empowered to investigate any matter with full access to all books, records, facilities and personnel of the Association and the power to retain outside counsel, auditors or other experts for this purpose. The Board and the Committee are in place to represent the Association’s membership; accordingly, the independent auditor is ultimately accountable to the Board and the Committee.

The Committee recognizes that the Association’s management is responsible for preparing the Association’s financial statements and that the independent auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that the Association’s management, as well as the independent auditors, have more time, knowledge and more detailed information with respect to the Association than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurances as to the Association’s financial statements or any professional certification as to the independent auditor’s work.

The Committee has direct and sole responsibility for the resolution of disagreements between management and the independent auditor regarding financial reporting. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company that it receives information from; and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board).

The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate depending on the circumstances.

### *Oversight of Independent Auditor*

- The Committee shall pre-approve, either directly or through established pre-approval procedures, all attest services and all permitted non-audit services by the auditor.
- The Committee shall receive and review formal written statements, at least annually, from the independent auditor regarding the auditor's independence, including a delineation of all relationships between the auditor and the Association.
- The Committee shall actively engage in dialogue with the independent auditor with respect to any such disclosed relationships or services that may impact the objectivity and independence of the independent auditor.
- The Committee shall receive and review timely reports from the independent auditor which include discussion of 1) all critical accounting policies and practices to be used, 2) all alternative treatments of financial information within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and 3) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

### *Oversight of Audit Process and Association's Legal Compliance*

- The Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards and shall be responsible for recommending to the full Board the inclusion of the Company's audited financial statements in any report to the membership.
- In connection with its review of the financial statements, the Committee shall discuss with management and the independent auditor their qualitative judgments about the appropriateness, and not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Association, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.
- The Committee shall review with the independent auditor any difficulties with the audit and management's response to such issues.
- The Committee shall discuss with management and the independent auditor the Association's system of internal controls, the Association's critical accounting principles and any significant issues related to financial statement presentations, including any changes in the Association's critical accounting principles and the effects of alternative GAAP methods, off-balance sheet structures and regulatory and accounting initiatives.
- The Committee shall review and discuss with management and the independent auditors the Association's significant financial exposures, including material pending legal proceedings and other material contingent liabilities, and policies relating to risk assessment and management.
- The Committee shall consider and review with management and the independent auditors any management letter provided by the independent auditors together with management responses thereto and the implementation thereof.

The Committee shall also perform any other activities consistent with the By-Laws of the Association and other governing laws, or as the Board or the Committee shall deem appropriate.

## **SELECTION AND TERM OF COMMITTEE CHAIRPERSON AND BOARD LIAISON**

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The Chairperson of the Committee shall be selected by the Association's Chairman. If the Committee Chairperson is not a member of the Association's Board, then the Chairman of the Association shall also select a member of the Association's Board to act as liaison between the Committee and the Board. The Committee Chairperson can serve a maximum of two (2) consecutive one-year terms. There is no limit on the length of service for a Board liaison.

## **NUMBER, TERM AND QUALIFICATIONS OF COMMITTEE MEMBERS**

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Committee members shall be appointed by and serve at the discretion of the Committee Chairperson with consideration given to balancing the need for a certain level of continuity of service on the Committee and limits on the length of service by a member. The Committee Chairperson may appoint a Vice-Chairperson if such a position is determined to be necessary. The Committee shall consist of between four (4) and six (6) members of the Association's Board including the Committee's Chairperson and Vice-Chairperson, if applicable. One such member shall be the Secretary/Treasurer of the Association.

Members of the Committee should be financially literate or become financially literate within a reasonable period of time after appointment to the Committee.

## **SUBCOMMITTEES AND ADVISORY COUNCILS**

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When necessary, the Committee Chairperson may appoint additional subcommittees or advisory councils to address a specific program objective or project. The Committee Chairperson shall appoint a chair (who must be a member of the Committee) of any subcommittees and advisory councils and shall approve the members of all subcommittees and advisory councils. Members of a subcommittee must be regular members of the Association. Members of an advisory council may include regular or associate members and non-members of the Association.

## **CONDUCT OF COMMITTEE BUSINESS**

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The Committee Chairperson shall preside over meetings of the Committee. It is the responsibility of the Chairperson to set committee meetings at least semi-annually to review and discuss the audit plan and audit results with the Association's independent auditors. A minimum of half of the members of the Committee shall constitute a quorum for doing business. All actions of the Committee shall be taken by a majority vote of the members of the Committee present at the meeting, provided a quorum is present.

The Committee shall report to the Board. The Board liaison, if applicable, shall determine the extent of his/her involvement in the regular activities of the Committee. The Board liaison's primary responsibility will be to maintain communications with the Committee Chairperson and to report to the Board as necessary.