



## **Audit Committee Charter**

**Approved by Board of Directors: October 23, 2015**

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.  
AUDIT COMMITTEE CHARTER**

**AUTHORIZATION AND MEMBERSHIP**

Pursuant to Article VII, Section 5 of the Bylaws<sup>1</sup> of the National Association of State Boards of Accountancy, Inc. (“NASBA” or the “Organization”), the Board of Directors of NASBA (“Board”) adopts this Audit Committee Charter (“Charter”) for the Audit Committee (“Audit Committee”) of NASBA. This Charter shall govern the Audit Committee’s scope of responsibilities to NASBA and any of its wholly or majority-owned subsidiaries, provided the respective governing board of the subsidiary agrees to the Audit Committee serving as the subsidiary’s audit committee. The members of the Audit Committee shall be appointed annually by the chair of the Board of Directors of NASBA (“Board” or “Board of Directors”), and the Audit Committee shall consist of at least five members.

**POLICY**

1. The Audit Committee will assist the Board in its general oversight regarding:
  - a. The quality and integrity of financial statements of the Organization;
  - b. The independent auditor’s qualifications and independence;
  - c. The performance of independent auditors;
  - d. Internal controls;
  - e. Compliance with ethics policies, legal and regulatory requirements; and
  - f. The quality and integrity of Form 990 of the Organization.
  
2. The Audit Committee shall maintain free and open avenues of communication between or among the Board, the independent auditor and the management.

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<sup>1</sup> Excerpt from Bylaws:

“Article VIII, Committees, Task Forces and Boards, SECTION 5. Audit Committee.

The Audit Committee shall oversee the Association’s annual financial statement audit and the internal controls, and shall recommend to the Board of Directors the firm to perform the audit. The Audit Committee shall receive the annual audited financial statements and the auditor’s report thereon, consider the items of internal accounting control that arise from the audit process, and make a recommendation regarding the annual audited financial statements and the auditor’s report thereon to the Board of Directors.”

## **RESPONSIBILITIES AND PROCEDURES**

In the performance of its duties and responsibilities, it is not the Audit Committee's duty to plan or conduct audits, to determine that the Organization's financial statements are complete, accurate and in accordance with generally accepted accounting principles or to assure compliance with laws. The independent auditor is responsible for the audit of the financial statements in accordance with the standards of the profession. Management is responsible for the complete and accurate preparation of the Organization's financial statements in accordance with generally accepted accounting principles and to assure compliance with laws.

The Audit Committee shall:

1. Meet at least two times each year and at such other times as it deems necessary to carry out its responsibilities.
2. Have the authority to recommend to the Board the firm to perform the independent audit of the Organization's annual financial statements and any other financial statements issued by or for the Organization, and to oversee and evaluate such firm. The Audit Committee shall also have the authority, where appropriate, to recommend to the Board the replacement of the independent auditor.
2. Annually review and approve the proposed scope of each fiscal year's independent audit before commencing the audit.
3. Inform the independent public accounting firm performing audit, review or attest work for the Organization that such firm shall report directly to the Audit Committee.
4. Oversee audit and attest engagements of any independent public accounting firm employed by the Organization, including the resolution of any disagreement between management and the auditor regarding financial reporting, for the purpose of preparing or issuing an audit opinion or related work.
5. Review and approve in advance any audit and attest services and fees to be provided by the Organization's independent auditor.
6. After the end of each fiscal year, review with the independent auditor and management, the audited financial statements and related opinion and costs of the audit of that year.
7. Annually obtain a report, which may be made orally or in writing, by the independent auditor describing: the audit firm's internal quality-control procedures; any material issues raised by the most recent internal quality-

control review, or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

8. Annually assess the independent auditor's independence and all relationships between the independent auditor and the Organization.
9. Review with the chief executive officer and chief financial officer and independent auditors, when meeting twice a year, the following:
  - (a) The Organization's administrative and operational controls and internal controls over financial reporting and evaluate whether the Organization is operating in accordance with its prescribed policies, procedures and code of conduct.
  - (b) Any significant deficiencies in the design or operation of internal controls which could adversely affect the Organization's ability to record, process, summarize, and report financial data, including any material weakness in internal controls identified by the Organization's independent auditors and internal auditors.
  - (c) Any fraud, whether or not material, that involves management of the Organization or other employees who have a significant role in the Organization's internal controls.
  - (d) Any significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.
10. Review with management and the independent auditor the year-end financial statements, as well as the auditor's judgment about the quality, not just acceptability, of the Organization's accounting principles as applied to its financial reporting. The review shall also include a discussion of the reasonableness of judgments and estimates made in the preparation of the financial statements that may be viewed as critical, as well as the clarity of financial statement disclosure. In addition, the Audit Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Audit Committee by the independent auditor under generally accepted auditing standards, including the matters required to be discussed by the "Statement of Auditing and Attest Standards" Section AU 380 issued by the American Institute of Certified Public Accountants, as it may be modified or supplemented.

11. Based on its review and discussions in (10) above, the Audit Committee shall recommend to the Board of Directors that the financial statements be included in the Organization's annual report.
12. Review and discuss with management the disclosures under "Management's Discussion and Analysis" in the NASBA Annual Report.
13. Prepare the "Report of the Audit Committee" for inclusion in the NASBA Annual Report.
14. The Committee shall be empowered to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including the retention of independent counsel and other professionals to assist in the conduct of an investigation, if approved by the Executive Committee of the Board.
15. Ensure the rotation of the audit partners of the Organization's independent auditor at least once every five years.
16. Discuss with management and the independent auditor the Organization's policies with respect to risk assessment and risk management.
17. Meet separately, at least once a year, with management and with the independent auditor.
18. In consultation with the independent auditor and management, review the integrity of the Organization's financial reporting process.
19. Review periodically major issues regarding accounting principles and financial statement presentations, including any significant changes in the Organization's selection or application of accounting principles, and major issues as to the adequacy of the Organization's internal controls and any special audit steps adopted in light of material control deficiencies; analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and the effect of accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Organization.
20. Report regularly to the Board of Directors. Such report to the Board of Directors may take the form of an oral report by the Chair or any other member of the Audit Committee designated by the Audit Committee to make such report.

21. Meet with the Organization's Chief Legal Officer as appropriate, to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of the Organization
22. Maintain procedures, as set forth in Annex A hereto, for the receipt, retention and treatment of complaints received by the Organization regarding financial statement disclosures, accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Organization of concerns regarding financial statement disclosures, accounting
23. Review draft of annual Form 990 prepared by management before draft is sent to the Board for review.
24. Perform a review and evaluation, at least annually, of the performance of the Audit Committee. In addition, the Audit Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Audit Committee considers necessary or valuable. The Audit Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.
25. Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate. In carrying out its responsibilities, the policies and procedures of the Committee should remain flexible in order that it can best react to changing conditions and assure the directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.

This Charter shall also govern the Audit Committee's scope of responsibilities for NASBA's wholly or majority-owned subsidiaries, when so appointed by the board of directors or sole member of any such entity. When the Audit Committee is so appointed and acting as the Audit Committee of a subsidiary, the terms "Organization" shall refer to each such subsidiary, "Board" to the board of directors of each such subsidiary (if such entity has a board of directors) and management to the management of each such subsidiary.

This Charter will remain in effect until it is duly modified or rescinded. This supersedes all prior Board or Audit Committee resolutions with respect to this subject matter.

**Annex A**  
**Procedures for the Submission of Complaints or Concerns**  
**Regarding Financial Statement Disclosures, Accounting,**  
**Internal Accounting Controls or Auditing Matters**

1. The Organization shall forward to the Audit Committee of the Board of Directors any complaints that it has received regarding financial statement disclosures, accounting, internal accounting controls or auditing matters.
2. Any employee of the Organization may submit, on an anonymous basis if the employee so desires, any concerns regarding financial statement disclosures, accounting, internal accounting controls or auditing matters by setting forth such concerns in writing and forwarding them in a sealed envelope to the Chair of the Audit Committee, in care of the Organization's General Counsel at: National Association of State Boards of Accountancy, Inc., 150 Fourth Avenue North Suite 700, Nashville TN 37219-2471, such envelope to be labeled with a legend such as: "To be opened by the Audit Committee only". If any employee would like to discuss any matter with the Audit Committee, the employee should indicate this in the submission and include a telephone number at which he or she might be contacted if the Audit Committee deems it appropriate. Any such envelopes received by the Organization's General Counsel shall be forwarded promptly to the Chair of the Audit Committee.
3. At each of its meetings, including special meeting called by the Chair of the Audit Committee following the receipt of any information pursuant to this Annex, the Audit Committee shall review and consider any such complaints or concerns that it has received and take any action that it deems appropriate in order to respond thereto.
4. The Audit Committee shall retain any such complaints or concerns for a period of no less than 7 years.
5. Neither the Organization nor any of its employees may discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee who: (a) lawfully provides information regarding any conduct encouraged to be reported under this policy which the employee reasonably believes has occurred to a regulatory or law enforcement agency, to any member or committee of a legislature, or to any person with supervisory authority over the employee or the authority to investigate such misconduct; (b) participates in or otherwise assists with a proceeding relating to conduct encouraged to be reported this policy; or (c) submits a complaint pursuant to this policy regarding any conduct encouraged to be reported this policy which the employee reasonably believes has occurred, even if after investigation the Organization determines that there has not been a violation; provided, however, that the foregoing shall in no event be construed as in any way limiting the Organization from discharging, demoting, suspending or taking any other disciplinary measures in respect of an employee for legitimate reasons . Disciplinary action will be taken against any supervisor who retaliates, directly or indirectly, or encourages other to do so, against an employee who takes any of the above-mentioned actions.