Idaho State University Foundation

Policy IX C Audit Committee

AUDIT COMMITTEE CHARTER

1. Membership

The Audit Committee shall consist of at least three members of the Board, none of whom shall be employees of Idaho State University or of the Idaho State University Foundation or receive, directly or indirectly, any consulting, advisory, or other compensatory fees from Idaho State University or from the Idaho State University Foundation. The chair of the Committee shall not contemporaneously serve on the Idaho State University Foundation’s Investment or Finance committee. The Board may invite nonvoting advisors to attend meetings of the Committee, make recommendations, and/or implement procedures and policies under the supervision of the Audit Committee. No such advisors may be employees of Idaho State University or of the Idaho State University Foundation or receive any consulting, advisory, or other compensatory fee from the Idaho State University Foundation. All members should be able to read and understand relevant financial statements.

2. Purposes

To assist the Board in its oversight responsibility relating to

   a. The accounting and financial reporting (including Form 990 tax filing) of the Idaho State University Foundation, including the integrity of the Idaho State University Foundation’s financial statements

   b. The Idaho State University Foundation’s financial control and the Idaho State University Foundation’s compliance with legal and regulatory requirements

   c. The outside auditor’s qualifications, independence, and performance

3. Duties and Responsibilities

The duties and responsibilities of the Audit Committee, in addition to the general tasks and responsibilities that, in its judgment, will contribute most effectively to the purposes of the committee, include

   a. To be directly responsible for the appointment, compensation, oversight of the work, and termination of the Idaho State University Foundation’s independent auditor. The auditor will report to the Audit Committee, which will receive and consider all required communications from the auditors and will act as liaison with the Board.
b. With regard to auditor independence

i. To consider at least annually the independence of the outside auditor, taking into account the auditor’s performance of any non–audit services, and obtain and review a report from the auditor describing any relationships between the auditor and the Idaho State University Foundation, the provision of non–audit services, or any other relationships that may adversely affect the independence of the auditor

ii. While it is perfectly appropriate to use the independent auditor for certain non audit or audit related services, all such services must be approved by the Idaho State University Foundation’s Audit Committee before they are performed

iii. Review employee relationships between the University and the audit firm. If the Idaho State University Foundation’s Financial Personnel worked for the audit firm on the Idaho State University Foundation’s audit within the last two years, the auditor will not be considered independent

iv. Require that the lead engagement partner be changed at least every seven years, with the understanding that the prior engagement partner can be reinstated after two years

c. With regard to the Idaho State University Foundation’s financial statements

i. To review and discuss with management and the auditor the audited financial statements of the Idaho State University Foundation including, among other things

1) The auditor’s judgment as to the quality of the Idaho State University Foundation’s accounting principles and underlying estimates, including significant financial reporting issues or adjustments and judgments made in connection with the preparation of the financial statements

2) All critical accounting policies and practices used within the Idaho State University Foundation and any discussions with management about such policies and practices

3) Any schedules of unadjusted differences from the audit

4) The timeliness and quality of initial drafts of financial statements

5) The continued appropriateness of accounting principles or practices and their consistency with nonprofit and foundation norms

6) Management representation letters and other substantive
correspondence between management and the auditor

ii. To report to the Board the completion of the review of the annual financial statements and any related significant discussion

iii. While the committee has the responsibilities and powers set forth in this charter, it is not the committee’s duty to plan or conduct audits or to determine that the Idaho State University Foundation’s financial statements are complete, accurate, and in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of the Idaho State University Foundation’s financial statements and for the appropriateness of the accounting principles and reporting policies used by the Idaho State University Foundation. The independent auditors are responsible for auditing the Idaho State University Foundation’s financial statements.

d. With regard to internal controls, to review periodically with management and, if deemed necessary, with the auditors, the adequacy and effectiveness of the Idaho State University Foundation’s internal controls, including any significant deficiencies in internal controls and significant changes in such controls reported to the committee by the auditor or management.

e. To receive and consider communications from the auditors and report as necessary to appropriate Board Members and officials as to

   i. Any serious difficulties encountered in dealing with management affecting the performance of the audit

   ii. Any instance of fraud or illegal acts of which the independent auditors are aware

f. With regard to regulatory matters

   i. To review procedures to ensure compliance with tax law pertaining to the Idaho State University Foundation’s tax status, including payout requirement

   ii. To require and review a written communication from the Associate Vice President for Development and the Finance Director that they have reviewed the Form 990 tax filing, confirming that the form does not contain any untrue statements or omit any material facts, that the financial information presented fairly represents the Idaho State University Foundation’s financial condition for the period covered, that it was filed in a timely manner, and that they are maintaining internal controls designed to ensure that material information related to the Idaho State University Foundation’s tax filing be made known to them

   iii. To require and review a written communication from the Associate Vice
President for Development and the Finance Director confirming that they have, to their knowledge, ensured that the Idaho State University Foundation has complied in all material respects with the requirements and prohibitions in its governing documents and articles of incorporation.

iv. To obtain regular updates from the Associate Vice President for Development and the Finance Director and the Idaho State University Foundation’s legal counsel regarding compliance matters (including systems for monitoring compliance with laws and regulations, management’s investigations and follow-up, and findings of any regulatory agency) and verification that all regulatory compliance matters have been considered in the preparation of the financial statements.

g. To develop and approve a confidential process for handling any reports submitted to the Committee Chair or others regarding alleged violations of the Idaho State University Foundation’s Code of Ethics or violation of any other law or policy or any inappropriateness within the Idaho State University Foundation’s financial management, and that prevents retaliation against employees or others for any such reports.

4. **Outside Advisors**

   The Audit Committee shall have the authority to retain separate legal counsel or other advisors at the Idaho State University Foundation’s expense as appropriate to assist it in the performance of its functions.

5. **Meetings**

   The Audit Committee shall meet at least twice a year at such times and places as the committee shall determine. The committee shall meet separately in executive session periodically with management and separately with the independent auditor.

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**Date of Board Approval:** October 17, 2008

Person responsible for the periodic review of policy and submitting proposed revisions to the Board for approval: Audit Committee Chair

**Date of Last Review**