



COMMITTEE RECOMMENDATIONS TO BOARD

Date: November 2, 2021
To: Columbia Association Board of Directors
From: James Young, Audit Committee Chair
Subject: Audit Committee Charter Revisions

Issue: The Audit Committee reviews its charter annually. At its meeting held September 20, 2021, committee members voted to recommend two modifications to the charter. Revisions were last made in 2019.

Discussion: The Audit Committee recommends modifying the charter to state that 1) the term of the Chair and Vice Chair is in effect until the date of the next election for those positions (instead of the end of the current fiscal year) and 2) the committee will provide copies of the annual financial statements and footnotes to the Board of Directors after the committee’s review. See the attached charter with the proposed changes (in red).

Recommendation of Committee:

By a vote of 4 For 0 Opposed 0 Abstain

- Has no recommendation.
- Recommends the following action be taken or motion be approved by the CA Board of Directors in regards to the issue described above.

Justification for Recommendation: Amendment #1 eliminates a vacancy in the chair position at the start of each fiscal year. Amendment #2 clarifies a process that is already in place. See the attached charter with the proposed changes (in red).

Motion: The recommendation must be written in the form of a motion or resolution.

The Audit Committee recommends that the Board of Directors approve the Audit Committee Charter as amended.

Additional Action recommended by committee in lieu of motion or in addition to motion: none.



Audit Committee Charter

I. Purpose:

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the ethics program.

II. Authority:

In carrying out its responsibilities, subject to the limitations stated below, the Audit Committee will have unrestricted access to:

- Communicate with management.
- Review relevant information it considers necessary to fulfill its duties, subject to accountability for the safeguarding of such documents.

In the case of information and communications which are protected by the attorney-client privilege or are otherwise legally recognized as privileged information or communications, the Audit Committee shall not disclose such communications or information to anyone other than the Board of Directors, President/CEO, Vice President/Chief Financial Officer, Director of Audit and Advisory Services, General Counsel, or to any party outside of Columbia Association unless the Board has voted to waive the privilege.

The General Counsel may determine that certain highly confidential information should not be disclosed to the Audit Committee because doing so would create a significant business risk. In such cases, the General Counsel will explain to the Committee why the information should not be provided. If necessary, the Committee will meet with the General Counsel to discuss alternatives to meet the need for the requested information and/or to clarify why the information is critical to discharging the Committee's responsibilities. If the General Counsel and Audit Committee are unable to reach an agreement about disclosure of the requested information, the Audit Committee will bring the matter to the Columbia Association Board of Directors for resolution on the date of the next regularly scheduled Board meeting.

The Audit Committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

III. Composition:

The Audit Committee is to be comprised of at least three voting members as follows:

- Financial experts: Two Committee members appointed by the Columbia Association Board of Directors shall be community members meeting the criteria of a “financial expert” as described by the Sarbanes Oxley Act of 2002. The community members will initially serve three year terms (beginning in alternating years), and continuance will be reviewed annually thereafter. However, they serve at the pleasure of the Board and may be removed from the Committee’s membership by the Board. The Chair and Vice Chair of the Committee shall serve until the end of their terms or until successors are elected, whichever is later.
 - Board of Directors: Three Committee members will be independent, non-management members of Columbia Association’s Board of Directors. It is strongly preferred that any Board member(s) with financial expertise serve on the Audit Committee. In addition, at least one of the Board Committee members should remain consistent from year to year.
 - The position of Committee chair or vice chair will be held by one of the Board members.
 - A majority of the Committee’s membership, with at least two of them being Board members, is required to be present at a meeting to constitute a quorum.
 - Each member shall have one vote. A vote of the majority of the quorum present at a meeting shall be sufficient to constitute action upon a matter that properly comes before a meeting.

IV. Duties and Responsibilities:

A. External Audit

- Recommend to the Board the appointment and discharge of the external auditors. Review and confirm the independence of the external auditors before finalizing the recommendation by obtaining statements from the auditors on relationships between the auditors and Columbia Association, including non-audit services.
- Review external audit fees and engagement letters.
- Review the external auditors’ proposed audit scope and approach, including coordination of audit effort with Audit and Advisory Services.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements and footnotes with the external auditors and management and consider whether they are complete and consistent with information known to the Committee members and reflect appropriate accounting principles. Provide the annual financial statements and footnotes to the Board.

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with the external auditors and management all matters required to be communicated to the Committee under Generally Accepted Auditing Standards (i.e. management letter, internal control weaknesses, audit adjustments, any disagreements with management, etc.). Resolve any disagreements between management and the external auditors.
- Review the results of other external/investigative audits (i.e. report findings, recommendations, observations, etc.).
- If necessary, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- Ensure that the audit engagement partners are rotated every five years.

B. Audit and Advisory Services

- Obtain and review reports on significant audit findings and recommendations, together with management's responses.
- Review and recommend changes to the Office of Audit and Advisory Service's Charter.
- Review and approve the Audit Plan.
- Review the Office of Audit and Advisory Services' performance relative to its audit plan.
- Meet on a quarterly basis (or as considered necessary) with the Office of Audit and Advisory Services and President/CEO. All Committee members are expected to attend each meeting in person or via teleconference.

C. Internal Control and Other Responsibilities

- Consider the effectiveness of the organization's controls surrounding accounting, financial reporting, operations and information technology.
- Understand the scope of the Office of Audit and Advisory Services' and external auditors' review of internal control over financial reporting.
- Review and provide to the Board the quarterly financial statements.
- Review and provide to the Board the quarterly Financial Report.
- Regularly report to the Board of Directors about Audit Committee activities, issues, and related recommendations.
- Monitor Columbia Association's ethics program.
- Provide an open avenue of communication between Audit and Advisory Services, the external auditors, and the Board of Directors.

- Review and recommend for approval the annual IRS Form 990 (Return of Organization Exempt From Income Tax) and IRS Form 990T (Exempt Organization Business Income Tax Return) before it is filed with the IRS.
- Review and assess the adequacy of the Audit Committee Charter annually, requesting Board approval for proposed changes.
- If necessary, meet separately with the Director of Audit and Advisory Services to discuss any matters that the Committee or the Director of Audit and Advisory Services believes should be discussed privately.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Review the Office of Audit and Advisory Services' compliance with the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*.

V. Closed Meetings

In the event that the Audit Committee holds a meeting in closed session for one of the purposes enumerated in Section 11B-111(4) of the Maryland Homeowners Association Act (“HOA”), the Chairperson of the Committee shall report such closed session to the Chairperson of the Board in a writing that provides (a) the date of the closed meeting, (b) the approximate beginning and ending times of the meeting, (c) the record of the vote of each Committee member by which the meeting was closed, (d) the specific section number of the HOA pursuant to which the meeting was closed (which may be one or more of HOA section 11B-111(4) (i) through (viii)), and (e) a brief statement as to why the meeting was closed. Such report must be provided to the Chairperson of the Board in time for the next Board meeting following the Committee meeting.

Audit Committee Chair Date

Audit Committee Vice Chair Date

Audit Committee Member Date

Audit Committee Member Date

Audit Committee Member Date

Reviewed by Columbia Association's Audit Committee on [September 20, 2021](#).
 Approved by Columbia Association's Board of Directors on [November 11, 2021](#).