

National Trust for Historic Preservation  
Charter of the Audit Committee of the Board of Trustees

**I. PURPOSE**

The Audit Committee (the “Committee”) of the Board of Trustees of the National Trust for Historic Preservation (the “National Trust”) shall assist the Board of Trustees with respect to the Board’s oversight of:

- The integrity of the National Trust’s financial statements;
- The National Trust’s compliance with legal and regulatory requirements;
- The independent auditors’ qualifications and independence; and
- The performance of the National Trust’s internal audit function and independent auditors.

**II. COMPOSITION AND QUALIFICATIONS**

The Committee shall be comprised of five or more members of the Board of Trustees. At least one member of the Committee shall have a working familiarity with business or nonprofit finance and accounting practices. Each member shall be free of any relationship that, in the opinion of the Board, would interfere with his or her individual exercise of independent judgment.

Appointment and Removal

The members of the Committee shall be appointed annually by the Chairman of the Board of Trustees for a term of not more than one year. Members may be appointed for consecutive terms and, in any event, they shall continue to serve until their successors are appointed. Any member of the Committee may be removed, with or without cause, by the Chairman of the Board.

Chair

The Chairman of the Board, with the concurrence of a majority of the members of the Executive Committee of the Board of Trustees, shall designate a Chair of the Audit Committee from among the members of the Committee. The Chair shall set the agendas for and chair Committee meetings.

The Chair of the Audit Committee shall act on behalf of the Committee between meetings for purposes of consulting, reviewing, or advising on matters

relating to (1) the review of potential conflicts of interest or restricted transactions under the National Trust's Conflict of Interest Policy, and (2) the review of matters raised by any policy regarding the receipt and review of complaints received regarding financial or other improprieties. The Chair may, in his or her discretion, convene the Audit Committee between regularly-scheduled meetings to consider any such matter.

#### Vice Chair

The Chairman of the Board shall also designate a Vice Chair of the Audit Committee from among its members, with the concurrence of a majority of the Executive Committee. The Vice Chair shall act as Chair if the Chairman is unavailable, or unable to act for any reason. The Vice Chair shall perform such other appropriate duties for the Committee as the Chair may assign.

### **III. MEETINGS**

The Committee shall meet during each regularly-scheduled meeting of the Board of Trustees, or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the independent auditors to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee shall meet with the independent auditors and management annually to review the National Trust's financial statements in a manner consistent with Section IV of this Charter.

The Committee may invite to its meetings any director, any manager of the National Trust, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities, and may go into executive session to consider any matter before it.

### **IV. DUTIES**

#### Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Trustees from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee. The Committee shall have the authority to engage independent counsel and other advisors, as it deems necessary to carry out its duties.

The Committee shall be given full access to the National Trust's internal accounting staff, Board of Trustees, managers, other staff, and independent auditors

as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board of Trustees.

#### Documents / Reports Review

1. Review with management and the independent auditors the National Trust's annual audited financial statements.
2. If the Committee considers it appropriate, review the Form 990 with the National Trust's management, independent auditors, or return preparer.
3. Perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the National Trust's Bylaws or the resolutions or other directives of the Board or the Executive Committee.

#### Independent Auditors

1. Retain or terminate the independent auditors and approve all audit engagement fees and terms. Approval of the fees and terms of the audit engagement should include a determination that no aspect of the engagement would be considered an "excess benefit transaction," as that term is defined in section 4958 of the Internal Revenue Code.
2. Approve in advance any significant audit or non-audit engagement or relationship between the National Trust and the independent auditors. In this regard, the Committee shall pay particular attention to the fairness of the terms of any agreement pursuant to which the independent auditors would perform the following non-audit services:
  - (a) bookkeeping or other services related to the accounting records or financial statements of the audit client;
  - (b) financial information systems design and implementation;
  - (c) appraisal or valuation services;
  - (d) actuarial services;
  - (e) internal accounting outsourcing services;
  - (f) management functions or human resources;
  - (g) broker or dealer, investment adviser or investment banking services; and
  - (h) legal services and expert services unrelated to the audit.

In making its decision, the Committee shall consider whether the provision of non-audit services is compatible with maintaining the outside auditors' independence, including, but not limited to, the nature and scope of the specific non-audit services to be performed and whether the audit process would require the outside auditors to review any advice rendered by the outside auditors in connection with the provision of non-audit services.

3. Review, at least annually, the qualifications, performance and independence of the independent auditors. In conducting its review and evaluation, the Committee may consider taking any or all of the following actions:

- (a) Obtain and review a report by the National Trust's independent auditors describing:
  - (i) the auditing firm's internal quality-control procedures;
  - (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and
  - (iii) to assess the auditors' independence, all relationships between the independent auditors and the National Trust.
- (b) Require the rotation of the lead (or coordinating) audit partner (having primary responsibility for the audit), and the audit partner responsible for reviewing the audit, at least every five years.
- (c) Confirm with any independent auditors retained to provide audit services for any fiscal year that the lead audit partner, or the audit partner responsible for reviewing the audit, has not performed non-audit services for the National Trust in each of the five previous fiscal years of the National Trust.
- (d) Take into account the opinions of management and the National Trust's internal accounting staff.

In conducting its review and evaluation, the Committee shall not consider any charitable contributions made by the auditing firm or any individual associated with the auditing firm, or any plans the National Trust may have to solicit charitable contributions from the auditing firm or any individual associated with the auditing firm.

4. Notwithstanding the foregoing, the Committee is not responsible for guaranteeing the auditors' report. Rather, its principal responsibility is one of oversight. The National Trust's management is responsible for preparing the financial statement and the outside auditors are responsible for auditing and reviewing the financial statement.

#### Financial Reporting Process

1. In consultation with the independent auditors, management and the internal accounting staff, review the integrity of the National Trust's financial reporting processes. In that connection, the Committee should obtain and discuss with management and the independent auditors reports from management and the independent auditors regarding:

- (a) all critical accounting policies and practices to be used by the National Trust;
- (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the National Trust's management (in particular, the reporting of

items of expense as program or administrative expenditures), the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditors;

- (c) major issues regarding accounting principles and financial statement presentations, including any significant changes in the National Trust's selection or application of accounting principles;
  - (d) major issues as to the adequacy of the National Trust's internal controls and any specific audit steps adopted in light of material control deficiencies; and
  - (e) any other material written communications between the independent auditors and the National Trust's management.
2. Review periodically the effect of regulatory and accounting initiatives on the financial statements of the National Trust.
3. Review with the independent auditors:
- (a) any audit problems or other difficulties encountered by the auditors in the course of the audit process, including any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management, and management's responses to such matters.
  - (b) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise),
  - (c) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and
  - (d) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the National Trust.; and
  - (e) such other matters as the Committee deems appropriate.
4. Review and discuss with the independent auditors the responsibilities, budget and staffing of the National Trust's internal accounting function.

#### Relationships with Subsidiaries and Affiliates

1. Review periodically with representatives of National Trust management and with the management of National Trust subsidiaries and other corporate affiliates the financial and management relationships between the National Trust and its various subsidiaries and affiliates to ensure that the relationships are consistent with applicable legal, operational, and financial standards.
2. Review the audit and financial oversight practices followed by National Trust subsidiaries and affiliates to ensure that they meet standards appropriate to the size and complexity of their operations and to ensure their consistency with the standards and practices followed by the National Trust.
3. Ensure that the National Trust's independent auditors are given appropriate access and information necessary to review and audit consolidated financial statements.

4. Coordinate as appropriate with representatives of any audit committee of the National Trust's subsidiaries and affiliates to ensure consistency of practice, and to address any outstanding questions or concerns.

#### Legal Compliance / General

1. Review periodically, with the National Trust's Vice President & General Counsel, any legal or regulatory matter that may have a significant impact on the National Trust's operations or financial statements.

2. Discuss with management and the independent auditors the National Trust's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the National Trust's major financial risk exposures and the steps management has taken to monitor and control such exposures.

3. In consultation with the Trusteeship & Governance Committee, establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the National Trust regarding accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the National Trust of concerns regarding questionable accounting or auditing matters.

#### Reports

1. Report regularly to the full Board of Trustees including:

- (a) any issues that arise with respect to the quality or integrity of the National Trust's financial statements, the National Trust's compliance with legal or regulatory requirements, the performance and independence of the National Trust's independent auditors or the performance of the internal accounting function; and
- (b) such other matters as are relevant to the Committee's discharge of its responsibilities.

The Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board of Trustees may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

2. Maintain minutes or other records of meetings and activities of the Committee.

## **V. ANNUAL EVALUATION**

The Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Trustees any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such reviews and reassessments in whatever manner it deems appropriate.

Revised: November 2007