

SOP # 10.5 **Revision:** 10-26-16
Effective Date: 2015

Prepared by: Bylaws/Policy & Procedures Committee
Approved by: Board of Directors

Title: **SANTA ROSA PLATEAU FOUNDATION (SRPF) - FINANCIAL AUDITS**

Policy: Per California Nonprofit Integrity Act S. B. 1262 only a charitable corporation that receives or accrues in any fiscal year gross revenue of \$2 million is required to meet the audit requirement. Grant or contract income from the government is not included in a California charitable organization's gross revenue so long as the governmental entity requires an accounting of those funds. An ad hoc Audit Committee will be appointed to oversee any SRPF audit process when required.

Purpose: Currently the SRPF's annual gross revenue does not exceed \$2 million. This policy is written for the future when the SRPF's annual gross revenue may meet or exceed that amount. This policy defines the function of the Audit Committee who plays a critical role by providing an independent review of the SRPF's financial procedures, to ensure that prudent policies are in place and being followed, and that personnel involved are competent and providing accurate reports on a timely basis to the Board and the outside auditor.

Scope: The SRPF Board of Directors and all stakeholders.

Procedure:

1.0 AUDITING REQUIREMENTS

- A. The financial audit must be performed by an independent certified public accountant in accordance with generally accepted accounting principles (GAAP). If the audit firm also performs non-audit functions, the firm and its auditors must conform to the standards for auditor independence set forth in the Government Auditing Standards, issued by the Comptroller General of the U.S.
- B. Audited statements must be made available for inspection by the Attorney General and by the general public no later than nine months after the close of the fiscal year to which the statements relate.
- C. Inspection of audited statements by the general public shall be accomplished by following the disclosure rules applicable to Form 990. Audited statements must be made available to the public for a period of three years at the SRPF's (1) principal, regional, and district offices during regular business hours, or, alternatively, by posting the audited statements to the SRPF website.

D. With regard to those charities required by the Act to prepare annual audited financial statements, the Act provides that charities in corporate form – including charitable corporations incorporated in states other than California and required to register with California’s Attorney General – must appoint an Audit Committee.

1. The committee must be appointed by the Board of Directors.
2. The audit committee may include non-Board members. And it may include members of the Budget and Finance Committee, but the chair of the Audit Committee may not be a member of that committee, and the members of the Budget and Finance Committee must constitute less than half of the Audit Committee.
3. The Audit Committee may not include any member of the staff, including top management, or any person who has a material financial interest in any entity doing business with the charitable organization.
4. If Audit Committee members are paid they may not receive compensation in excess of the amounts received, if any, by members of the Board of Directors for service on the Board.
Audit Committees:

- a. will recommend to the Board of Directors the retention and termination of the independent auditor,
- b. may negotiate the compensation of the auditor on behalf of the Board,
- c. will confer with the auditor to satisfy the committee members that the financial affairs of the charitable organization is in order,
- d. will review and determine whether to accept the audit, and
- e. will approve performance of any non-audit services by the auditing firm.

E. The SRPF Board will ensure that adequate funds for a required audit are allocated in the annual operating budget.