Policy Title: Investment

Policy Number: 6.3  Last Approved Date: 11/14/12

Regulations Reference: XII

Statement of Investment Policy, Objectives, and Guidelines

1. PURPOSE

The National Association for Gifted Children (NAGC or the Association) is a 501(c)(3) nonprofit membership organization of parents, educators and other professionals united to address the unique needs of children and youth with demonstrated gifts and talents and children who may be able to develop their talents with appropriate educational experiences. In order to fulfill its mission, NAGC maintains an investment portfolio (see definition below) to provide for the financial stability of the organization, to meet both anticipated and unanticipated funding requirements and to help fund NAGC’s future strategic initiatives.

The purpose of this statement of investment policy is to:

- Establish reasonable expectations, objectives, and guidelines for the investment of NAGC’s Investments;
- Define a process for investing NAGC’s Investments which meets standards of prudence and fiduciary responsibility;
- Define roles and responsibilities of parties involved in the management of the Investments;
- Encourage effective communication among all parties involved in the oversight and management of the Investments;
- Guide the Investment Advisor and Investment Managers regarding the investment of the Investments;
- Establish relevant time horizons for, and the basis for, evaluating investment results;
- Provide a framework that enhances the probability that investment goals will be achieved.

2. GENERAL INVESTMENT PRINCIPLES

1. NAGC funds will be invested in a manner that complies with all applicable federal and District of Columbia requirements applicable to the Association as currently constituted, specifically including, but not limited to, any laws or regulations pertaining to the maintenance of the Association’s federal tax exemption under Section 501(c)(3) of the Internal Revenue Code as an organization described in Section 509(a) of the Code.
2. NAGC funds will be invested with the care, skill, prudence, and diligence under the
circumstances then prevailing that a prudent person acting in like capacity and familiar with
such matters would use in the investment of a Portfolio of like character and with like aims.

3. As needed, NAGC will engage the services of professional, third-parties to advise, manage, and
evaluate the performance of NAGC’s Investments. Any parties engaged by NAGC in this effort
will, at all times, act in a manner consistent with generally accepted standards of fiduciary
responsibility and in the sole benefit of NAGC.

4. NAGC seeks to avoid any real or potential conflicts of interest in the management of its
Investments. Any parties with real or perceived conflicts should immediately notify the Finance
Secretary and NAGC’s Executive Director.

5. NAGC recognizes that investments contain risks and seeks to manage these risks through a
disciplined investment process and a diversified investment strategy. As such, greater emphasis
is placed on risk at the portfolio level than at the individual asset class/Investment Manager
level.

3. THIRD-PARTY ADVISORS

In managing the Investments, NAGC may delegate to qualified parties certain responsibilities. These
parties may include:

1. Investment Advisor, a person or entity which may assist the Board, Finance Secretary, Finance
Committee, and/or staff in establishing investment policy, objectives, and guidelines; selecting
Investment Managers; reviewing such managers over time; measuring and evaluating investment
performance; providing education and advice on financial matters to NAGC leadership, and other
tasks as deemed appropriate. The Investment Advisor may be granted authority to select and
terminate, if necessary, Investment Managers and allocate funds in accordance with policy
guidelines on a discretionary basis.

2. Investment Managers, have discretion to purchase, hold and sell securities consistent with the
guidelines established by this policy.

3. Custodian, the entity that maintains possession of securities owned by NAGC, collects dividend
and interest payments, redeems maturing securities, and effects receipt and delivery following
purchases and sales. The Custodian may also perform regular accounting of all assets owned,
purchased, or sold, as well as movement of assets into and out of the Investment accounts.

4. Additional specialists such as attorneys, auditors, and others may be employed to assist in
meeting its responsibilities and obligations to administer investment assets prudently.
4. **DEFINITIONS**

1. “Investment Pools” or “Investments” shall mean the cumulative investment funds maintained by NAGC, which includes the Operating Fund, the Intermediate Term Reserve Fund (ITF), and the Long Term Reserve Fund (LTF).

2. “Board” shall mean the members of NAGC’s governing body.

3. “Finance Committee” shall mean those members who serve on NAGC’s Finance Committee.

4. "Fiduciary" shall mean any individual or organization that exercises discretionary authority or control over fund management or any authority or control over management, disposition or administration of any portion of the Investment assets.

5. "Investment Advisor" shall mean any other individual or organization employed to provide advisory services, including but not limited to advice on investment objectives and/or asset allocation, investment manager search/recommendation, and performance monitoring.

6. "Investment Manager" shall mean any individual or group of individuals employed to manage the investments (purchase and sale of securities) of all or part of the Investment assets. This may include, but shall not be limited to separate accounts managers, Mutual Funds, and exchange traded funds.

7. "Securities" shall refer to the investment securities defined as acceptable in this Statement.

8. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this Statement, are expected to be met.

5. **DUTIES AND RESPONSIBILITIES**

*NAGC Board of Directors*

The Board is charged by law with responsibility for the management of the assets of NAGC. The Board shall discharge its duties solely in the interests of NAGC, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims. The Board’s specific responsibilities relating to the investment management of investment assets include:

1. Approve all investment and spending policies for NAGC.

2. Approve the hiring of an Investment Advisor.
3. At least annually, review the investment process and performance of NAGC’s Investments.

Finance Committee and Finance Secretary

1. Approve adjustments on an annual basis in the allocation of funds and investments pools.

2. Monitor implementation of this Policy to ensure that investment decisions comply with this Policy.

3. Consider any proposed revisions to this Policy and recommend any appropriate action to the Board as necessary.

4. Review and recommend Investment Advisors and/or consultants for Board approval.

5. Review the investment performance of the funds on a regular basis, at least semi-annually and report results and recommendations on a timely basis to the Board.

6. Review the investment objectives and spending forecasts for the funds and the performance of the investment managers at least annually. Report results to the Board at least annually.

7. At least annually review costs associated with the management of the Portfolio.

8. Consider from time-to-time investment related issues deemed necessary and appropriate to NAGC’s mission.

Staff

The Executive Director and or his/her designated staff (collectively “Staff”) are authorized to implement the investment decisions as approved by the Board and the Finance Committee under this Policy.

Staff after appropriate consultation with the Finance Committee will:

1. Determine the target amounts to be maintained in the Operating, Intermediate, and Long Term Reserve Funds, based on policy guidelines.

2. Implement an investment strategy consistent with the goals and objectives of this policy as approved by Board. Staff shall be authorized to utilize Investment Advisors, investment managers, mutual funds and other appropriate investment vehicles in the implementation of the investment strategy.

3. Receive and distribute statements/reports on the Investments on a quarterly basis to the Finance Committee.
4. Review this Policy at least annually and present any recommended changes to the Finance Committee.

5. Approve any portfolio rebalancing strategies developed in consultation with NAGC’s Investment Advisor and inform the Finance Committee.

Investment Advisor

Investment advice concerning the investment management of Investment assets will be offered by the Investment Advisor, consistent with and observing all policies, guidelines, constraints and philosophies as established in this Statement. Specific responsibilities of the Investment Advisor include:

1. Assisting in the development and periodic review of investment policy;

2. Determining an appropriate asset allocation strategy consistent with Policy return objectives, risk tolerance, liquidity needs and time horizon;

3. Selecting Investment Managers to implement the overall investment strategy;

4. Ongoing monitoring of Investment Managers for fundamental changes in investment management process and evaluation and potential replacement of Investment Managers upon the occurrence of such events;

5. Reporting on investment holdings and investment performance on a timely basis to Staff and the Finance Committee;

6. Monitoring and reporting the performance of the Investment Manager(s) to provide Staff, Finance Committee, and the Board with the ability to determine adherence to investment policies and progress toward the investment objectives;

7. Reviewing and recommending the Investment policy and presenting recommendations to Staff and the Finance Committee as appropriate;

8. Communicating, on at least a quarterly basis, any major changes in economic outlook, investment strategy, or other relevant factors that affect implementation of either the investment process or progress toward the Investments’ investment objectives.

9. Be available to meet with the Board on an annual basis to review portfolio structure, investment performance, capital markets, this Policy, and investment strategies.

Investment Manager(s)
Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Policy and in any additional Statements (which, if/when issued, shall become attachments to and incorporated into this Statement), as applicable. Specific responsibilities of the Investment Manager(s) shall include:

1. The timely investment of principal and interest into securities permitted by this policy and in accordance to the specific investment discipline and process for which the manager was hired;

2. Reporting investment performance results on a timely basis to Staff, the Investment Advisor, and Finance Committee;

3. Informing Investment Advisor of any qualitative change in its investment management organization (e.g., changes in portfolio management personnel, ownership, structure, investment philosophy, etc.);

4. Voting proxies on behalf of funds they manage for NAGC.

Custodian

The Custodian is responsible for the safekeeping of the Portfolio’s assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings;

2. Collect all income and dividends owed to the Portfolio;

3. Settle all transactions (buy-sell orders) initiated by the Investment Managers and/or the Investment Advisor;

4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall Portfolio since the previous report.
OPERATING FUND

PURPOSE

The purpose of the Operating Fund is to provide supplemental cash to meet the needs of NAGC’s general operations within the approved budget.

INVESTMENT OBJECTIVES

The investment objectives of the Operating Fund are as follows:

1. Preservation of capital
2. Liquidity
3. Maximizing yield within the constraints of 1 and 2 above.

TIME HORIZON

The time horizon for investment purposes shall be up to 1 year. Investment performance and strategy will be monitored on a regular basis and adjusted as deemed appropriate.

INVESTMENT GUIDELINES

Allowable Assets
1. Cash Equivalents
   - Treasury Bills
   - Money Market Funds
   - Commercial Paper rated A1/PI
   - Checking accounts in federally insured banks and savings and loans not to exceed federally insured amounts
   - Repurchase Agreements
   - STIF Funds (Short Term Investment Funds)
   - Commercial Paper
   - Banker's Acceptances
   - Federally insured Certificates of Deposit not to exceed $100,000 per financial institution

2. Fixed Income Securities
   - U.S. Government and Agency Securities

Maturity
The portion of the Operating Fund designated above will have a weighted average duration of one year or less.
Credit quality
The average credit quality of the Operating Fund shall be at least “AA”.

REPORTING

The Executive Director will prepare a quarterly report to be presented to the Finance Committee. The report will include a schedule of investments, interest income year to date, and current yield.

SIZE OF POOL

The Operating Fund shall not exceed one and one half times NAGC’s highest monthly operating expenses or $500,000, whichever is higher.

INCOME FROM OPERATING FUND

Income from the Operating Fund shall remain in the Operating Fund and be available to support current operations during the course of the year, subject to annual adjustment of the level of the investment pools by the Finance Committee and Staff.
INTERMEDIATE TERM RESERVE FUND

PURPOSE

The purpose of the Intermediate Term Reserve Fund (ITF) is to meet the expenses occurring as a result of unanticipated activities and special projects, to improve return on the funds held for expenditure over the next three years, and to manage investment risk.

INVESTMENT OBJECTIVES

The investment objectives of the ITF are as follows:

1. Preservation of purchasing power
2. Liquidity
3. Income
4. Optimize the investment return within the constraints of 1, 2 and 3 above.

TIME HORIZON

The time horizon for investment purposes shall be up to 5 years. Investment performance and strategy will be monitored on a regular basis and adjusted as deemed appropriate.

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents
   • Treasury Bills
   • Money Market Funds
   • STIF Funds (Short Term Investment Funds)
   • Commercial Paper
   • Banker's Acceptances
   • Repurchase Agreements
   • Certificates of Deposit

2. Fixed Income Securities
   • U.S. Government and Agency Securities
   • Fixed Income Securities of Foreign Governments and Corporations (up to 15% of the market value of the portfolio)
   • Investment Grade (rated at least BBB) Corporate Notes and Bonds
   • Mortgage Backed Bonds
3. Mutual Funds (including similar pooled investments) shall be selected on the basis that they generally invest in those securities deemed to be allowable above. However, it is understood that assets invested in such commingled vehicles are managed in accordance with investment guidelines set forth in the prospectus or other relevant document for such commingled vehicle, notwithstanding anything to the contrary set forth in this Policy.

Maturity

The ITF will have a weighted average maturity of 3 years or less.

Diversification

No more than 10% of the ITF combined may be in the securities of any one issuer with the exception of obligations of the US Government and its agencies, and federally insured instruments.

Credit quality

The average credit quality of the ITF shall be at least “BBB”.
LONG TERM RESERVE FUND

PURPOSE

The purpose of NAGC’s Long Term Reserve Fund (LTF) is to provide long term financial stability and cash flow to support the mission of NAGC. The objectives of NAGC’s LTF Policy include maximizing returns while, at the same time, attaining a proper and responsible balance among the factors of safety, liquidity and yield.

OBJECTIVES

The objectives of the LTF are to maximize returns without exposure to undue risk, as defined herein. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns.

INVESTMENT OBJECTIVES

The primary objective for the LTF is growth and income as well as to preserve the long-term real purchasing power of the LTF. Emphasis shall be placed on minimizing return volatility even at the expense of maximizing total return.

TIME HORIZON

The time horizon for investment purposes shall be 5-7 years. Investment performance and strategy will be monitored on a regular basis and adjusted as deemed appropriate.

SPECIFIC INVESTMENT OBJECTIVES

Over rolling 5-year periods, it is the goal of the aggregate LTF assets to exceed:

1. the Consumer Price Index+2%
2. the 90-Day U.S. Treasury Bill +3%
3. the return of a balanced market index whose mix approximates that of the NAGC LFT

The investment goals above are the objectives for the aggregate Portfolio rather than for each Investment Manager (if more than one manager is used). The goal of each Investment Manager, over the investment horizon (defined as 5-7 years), shall be:

1. to meet or exceed the benchmark that most closely corresponds to the style of the respective Manager’s investment management; and
2. To display an overall level of risk in the Portfolio that is consistent with the risk associated with the respective benchmark (referenced above).

Recognizing that modern portfolio theory generally equates standard deviation with risk (i.e., the higher an asset’s standard deviation, the “riskier” it is and thus the higher its return should be), risk will be measured by the standard deviation of a Manager’s quarterly returns relative to the standard deviation of the representative benchmark over a common time frame.

The Board and Finance Committee recognize that periodic outperformance or underperformance relative to benchmarks and/or peer groups is not uncommon, even with top-tier Investment Managers. Consequently, short term investment performance should not be the principal basis for either hiring or terminating any Investment Managers.

SPENDING POLICY

Withdrawals of income or principal from the LTF shall be made only for specific projects in support of the mission of the NAGC, as determined by the Board, and not for general administrative expenses.

VOLATILITY OF RETURNS

Achievement of the LTF’s total return objective (as stated above) is the Board’s primary concern. The Board understands that in order to achieve its objectives for LTF assets, the LTF will experience volatility of returns and fluctuations of market value. The LTF portfolio will be designed to minimize (though not eliminate) the probability of experiencing a “worst case” return of -10% in a given year.

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents
   • Treasury Bills
   • Money Market Funds
   • STIF Funds (Short Term Investment Funds)
   • Commercial Paper
   • Banker’s Acceptances
   • Repurchase Agreements
   • Certificates of Deposit

2. Fixed Income Securities
   • U.S. Government and Agency Securities
   • Fixed Income Securities of Foreign Governments and Corporations (up to 15% of the market value of the portfolio)
• Investment Grade (rated at least BBB) Corporate Notes and Bonds
• Mortgage Backed Bonds
• Non-Investment Grade (rated below BBB) Corporate Bonds (up to 10% of the Portfolio).

3. Equity Securities
• Common Stocks
• Convertible Notes and Bonds
• Convertible Preferred Stocks
• American Depository Receipts (ADRs) and Ordinary Shares of Non-U.S. Companies
• REITs (Real Estate Investment Trusts)

4. Mutual Funds/Pooled Vehicles
Mutual Funds (including similar pooled investments and Exchange Traded Funds) shall be selected on the basis that they generally invest in those securities deemed to be allowable above. However, it is understood that assets invested in such commingled vehicles will be managed in accordance with the investment policies, procedures and guidelines set forth in the prospectus or other relevant document for such commingled vehicle, notwithstanding anything to the contrary set forth in this Policy.

5. Alternative Investments
In accordance with the asset allocation guidelines below, the use of alternative investments is permissible through the use of Mutual Funds and/or Exchange Traded Funds. The following alternative investment strategies are among, but not limited to, those considered permissible.

• Hedge Funds/Absolute Return Strategies
• Managed Futures Funds
• Commodities Funds

Maturity
The fixed income portion of the Portfolio designated shall have a weighted average maturity of 12 years or less and/or a duration of less than 7 years.

Credit quality
The average credit quality of the fixed income portion of the LTF shall be at least “BBB”.

Diversification
No more than 10% of the LTF (at cost) may be in the securities of any one issuer with the exception of obligations of the US Government and its agencies and instrumentalities, federally insured instruments, or mutual funds.

Stock Exchanges
To ensure marketability and liquidity, investment managers will execute equity transactions through reputable, recognized stock exchanges.

Prohibited Assets
Any investments that are not specifically identified as permissible are prohibited.

Prohibited Transactions
Prohibited transactions include, but are not limited to, the following:

- Short Selling (unless through a professionally managed fund/strategy)
- Margin Transactions (unless through a professionally managed fund/strategy)

ASSET ALLOCATION GUIDELINES

Investment management of the assets of NAGC’s LTF shall be in accordance with the following asset allocation guidelines:

1. Aggregate Portfolio Asset Allocation Guidelines (at market value)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Equities</td>
<td>40%</td>
<td>75%</td>
</tr>
<tr>
<td>Non-U.S. Equities</td>
<td>0%</td>
<td>40%</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>25%</td>
<td>50%</td>
</tr>
<tr>
<td>Non-U.S. Bonds</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Cash/Equivalents</td>
<td>0%</td>
<td>15%</td>
</tr>
</tbody>
</table>

A Target Allocation of the LTF portfolio will be recommended by the Investment Advisor annually for approval by the Finance Committee. The Investment Advisor is authorized to make tactical adjustments +/- 10% to the Target Allocation.

REBALANCING

Over time, due to changing capital market conditions a portfolio’s actual asset allocation will move away from its long-term strategic target. NAGC recognizes that periodic portfolio rebalancing is a prudent investment practice and will be accomplished at the discretion of the Investment Advisor within the parameters outlined in this policy.

PERFORMANCE REVIEW AND EVALUATION

Investment Managers will be evaluated against commonly accepted and pre-identified performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent
with the investment objectives, goals, and guidelines set forth in this Statement. Managers may be placed on watch or terminated for any reason, including but not limited to the following:

1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established;

2. Unacceptable justification of poor results;

3. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements; or

4. Significant qualitative changes to the investment management organization.

Investment Manager(s) shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this Statement of Investment Policy, the Finance Committee plans to review investment policy at least annually.

This Statement of Investment Policy, which supersedes all other investment policy and investment guideline statements, is adopted by the Finance Committee as of the date stated below and ratified by the Board of NAGC whose decision appears in the minutes of record of NAGC.
Policy Title: Budget Process and Review

Policy Number: 6.1  Last Approved Date: 4/13/21

Regulations Reference: XII

I. STATEMENT OF PURPOSE

This policy outlines the purpose of the budgeting process and sets parameters for its preparation, approval, and review. It is the responsibility of the Executive Director to manage the annual budget once it is approved by the Board of Directors.

II. POLICY STATEMENT

1. **Preparation of Budget:** The annual budget of NAGC serves as both financial guidance and a planning tool used to execute the priorities of the NAGC strategic plan and annual staff workplan as directed by the Board. The Executive Director and national office staff will begin preparations of a draft annotated budget for consideration by the Finance and Audit Committee at least two months prior to its approval by the Board of Directors. The draft budget shall take into consideration the mission of the organization, strategic plan goals, short-term plans, prior year actuals, and any other relevant information deemed appropriate.

2. **Approval of Budget:** After the Finance Committee reviews and approves the final draft budget, it is submitted to the Board of Directors for consideration. The Board shall approve or reject the budget by July 31. If the budget is rejected, the Executive Director and Treasurer will revise the budget to resubmit to the Board. The final budget must be approved by August 31.

3. **Review of Budget:** Once the budget has been set for the fiscal year, the budget shall be included in the accounting system of NAGC. Quarterly financial statements and budget variances shall be reviewed by the Finance and Audit Committee. Financial updates shall be provided to the Board at regularly scheduled meetings. When deemed necessary, the Board shall consider budget amendments and resource proposals (spending outside the operational budget) during the fiscal year, as recommended by the Finance and Audit Committee after discussion with staff, should additional services or allowances for other unbudgeted revenues or expenses be required.
4. The Board authorizes the Executive Director to manage the association in accordance with the approved annual operating budget. Programmatic or operational changes that may have a significant impact on the annual budget shall be reviewed by the Finance and Audit Committee between budget cycles and may lead to a budget revision.

III. DEFINITIONS

The budget process is designed to provide:

- Guidance regarding fiscal emphasis related to strategic plan priorities.
- A means by which spending limits are set based on expected revenue levels.
- A system to allow for procedures to compare actual results to the set spending limits.
- A means for setting program priorities and allocating resources to those priorities.
- A means for comparison of actual financial results to budgeted amounts and analysis of differences from those budgeted amounts.

Fiscal Year: NAGC’s fiscal year runs from September 1 through August 31st of the following year.
I. STATEMENT OF PURPOSE
This policy and procedure addresses general guidelines for financial controls and clarifies what requires board approval.

II. POLICY STATEMENT
1. Contract Signing Authority
   NAGC shall grant authority to sign contracts to the Executive Director subject to the conditions below, as long as the financial implications of the contract are included in the association’s budget. Approval of the Finance and Audit committee is required to sign contracts under the following circumstances: the value of the contract is greater than $50,000; the contract spans multiple fiscal years and has an annual value greater than $10,000; or contracts with financial implications of more than $10,000 not included in the annual budget.

2. Check-Signing Authority
   The President, Treasurer, Executive Director, and two senior staff members, as designated by the Executive Director, are authorized to sign checks. Checks up to $10,000 require one signature. Checks over $10,000 require the signature of the Executive Director and another authorized signer as designated above.

3. Credit Card Authorization
   The Executive Director and director-level staff are authorized to obtain NAGC corporate credit cards from SunTrust bank. In order to officially conduct the business of NAGC, staff must periodically purchase small goods and services from vendors via the internet and locally. In addition, the business travel required by staff justifies credit card use under certain parameters.

4. Cash Disbursements
   An authorized check signer will make disbursements only upon review and approval of the transaction by a senior member of the staff. This will include review for the existence of proper supporting documentation, such as a purchase order and evidence of the receipts of the goods and services.

5. Accounts
   NAGC shall maintain its accounts in financial institutions that are federally insured. All funds received by NAGC shall be deposited daily. All funds shall be invested in accordance with the investment policy established by the board.
I. STATEMENT OF PURPOSE
This policy and supporting procedures addresses specific responsibilities of the Finance and Audit committee related to the annual audit process.

II. AUDIT PROCEDURES
1. The financial records of NAGC shall be audited annually by an independent CPA firm that has a significant group of nonprofit clients. After considering recommendations from staff, the Finance and Audit Committee shall be responsible for selecting the audit firm to conduct the annual audit. If the same audit firm conducts the audit for more than five consecutive years, the finance committee shall review the firm’s services and decide if the firm or the audit partner needs to rotate.
2. The audit firm will not be hired to perform non–auditing services, except for tax preparation and Form 990 preparation and shall not perform substantial services for any officer or director personally. The audit firm shall be engaged to present annual audit findings to the Executive Director and the Finance and Audit Committee, and if needed, the board. The Finance and Audit Committee shall review the audit and make its recommendation to the board.
3. Each year prior to the closing of the audit, the Finance and Audit Committee will conduct a conference call with the primary contact from the audit firm to review the final materials and management letter. This call will take place in the absence of NAGC staff.
4. The Board of Directors will have the opportunity to approve the audit after a formal presentation has been made by the outside auditor during the Spring Board Meeting.
5. Staff will endeavor to address all of the issues mentioned in the management letter within one year of its presentation.

III. DEFINITIONS
Audit: An audit is an independent assessment of the fairness by which a company’s financial statements are presented by its management. Audits are performed to ascertain the validity and reliability of financial information, and also provide an assessment of a company or a business’ system of internal control. Such systems must adhere to generally accepted standards set by governing bodies that regulate businesses. An audit is based on random sampling and is not an assurance that financial statements are free from errors. It simply provides assurance for third parties or external users that such statements present ‘fairly’ an organization’s financial condition and results of operations.

Form 990: is an annual reporting return that federally tax-exempt organizations must file with the IRS. It provides information on the filing organization's mission, programs, and finances.