

SPRING CREEK RANCH HOME OWNERS ASSOCIATION

AUDIT AND FINANCE COMMITTEE CHARTER

Organization

This charter governs the operations of the Audit and Finance Committee of the Spring Creek Ranch Home Owners Association (the “Association”). The committee shall review and reassess the charter periodically and submit it to the Board of Directors for ratification. The committee shall be appointed by the Board of Directors and shall be comprised of at least three members who, (except for the Chair) need not be Board members, each of whom are independent of the Manager and “financially literate”. The chair shall be the Treasurer of the Association.

Purpose

The Audit and Finance Committee is appointed by the Board to assist the Board in fulfilling its financial and investment oversight responsibility relating to (1) the integrity of the financial statements of the Association, (2) the compliance by the Association with legal and regulatory requirements, (3) the performance qualifications, and independence of the Association’s independent auditors, (4) preparation and recommendation to the Board of the annual Budget for the Project Common Area and each Site Common Area, (5) recommendation to the Board of the investment policy and an investment manager for the Association.

Meetings

The Audit and Finance Committee shall meet as often as it determines necessary, generally quarterly but not less frequently than annually. The Audit and Finance Committee shall meet periodically with the Manager and the independent auditor, (if deemed necessary), including meetings with the independent auditor in separate executive sessions.

Committee Authority and Responsibilities

The Audit and Finance Committee shall have, subject to Board ratification, the authority to appoint or replace the independent auditor. The Audit and Finance Committee shall be directly responsible for determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between the Manager and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit or a review report. The independent auditor shall report directly to the Audit and Finance Committee.

The Audit and Finance Committee, to the extent it deems necessary or appropriate, shall:

Financial Statement and Disclosure Matters

1. Review and discuss with the Manager and the independent auditor the annual financial statements and determine whether the independent auditor shall perform a review or an audit of the Association's financial statements.
2. Discuss with the Manager and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Association's financial statements, including any management letter, significant changes in the Association's selection or application of accounting principles, any major issues as to the adequacy of the Association's internal controls and any special steps adopted in light of material control deficiencies.
3. Discuss with the independent auditor matters relating to the conduct of the review or audit, including any difficulties encountered in the course of the review or audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with the Manager.

Oversight of the Association's Relationship with the Independent Auditor

4. Review and evaluate the quality of the review or audit team.
5. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the review or audit and estimated fees.
6. Review the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' suggestions for improvement.

Compliance Oversight Responsibilities

7. Review with the Manager and approve all related party transactions, subject to ratification by the Board.

Budget Preparation

8. Review with the Manager the proposed budgets for the Project Common Area and each Site Common Area, proposed fees and assessments, proposed expenditures for repairs and replacements and contributions to the Reserve Funds.

Investments

9. Recommend for ratification by the Board a policy for the investment of the Association's funds.
10. Meet with potential investment advisors and recommend to the Board for ratification the selection of an investment advisor or manager.
11. Review the performance of the investment advisor or manager on a quarterly basis and recommend changes in policy or advisors to the Board.
12. Recommend for ratification by the Board a policy for the establishment and maintenance of the Association's Reserve Funds.