Section 9. NSHE and Member Institution Foundations Administrative and Accounting Policies

B. FOUNDATION ADMINISTRATION

1. Financial Statements and Reporting . Annual financial statements will be prepared by the Foundation. Unless specifically exempted by the Board of Regents, the financial statements must reflect compliance with all applicable state and federal laws and Board of Regents' policy, and they must include an unqualified opinion by an independent Certified Public Accountant. It is the goal of the Board of Regents to receive financial statements as soon as possible after the Foundations' financial year-ends. A copy of the financial statements, management letter and the un-audited schedules referenced below should be forwarded to the Chancellor's Office no later than three and one-half months after the Foundations' financial year-end. The Foundation, in cooperation with the independent audit firm, is to establish a materials deadline and work schedule in order to meet the Board of Regents' goal.

Each Foundation within the NSHE must be audited annually by a Nevada licensed independent audit firm. The request by the Board of Regents for audits of procedures is interpreted to mean general administrative practices and accounting principles to be used by Foundation management in the preparation of the annual financial reports that the independent auditors will examine. All independent audits must be conducted in accordance with generally accepted auditing standards.

The Board of Regents specifically requests advance notice if the three and one-half month goal is not to be met along with a schedule stating when financial statements will be published. Management must present a written report responding to any internal accounting control weakness, comments on operations, or other observations of the independent Certified Public Accountant.

If the Foundation desires an exemption from the audit requirements it must be requested in writing, along with the reasons for the request and the alternatives offered to satisfy reporting requirements to the Board of Regents before the corporations' financial year-end.

Foundations with total assets less than $7.5M may request consideration for an audit waiver no more than once every other year.

Foundations with total assets greater than $7.5M are not eligible for consideration of an audit waiver. Foundations receiving federal funds or federal pass-through funds are not eligible for consideration of an audit waiver. Absent exceptional circumstances, waivers will not be granted to

affiliate foundations that may be audited as part of the primary college or university foundation audit.

Staff will advise the Audit Committee whether each audit waiver would adversely impact the external auditor's opinion on the NSHE financial statements prior to consideration of each audit waiver.