

Audit and Finance Committee Charter¹

Purpose

The purpose of the Audit and Finance Committee of the Board of Directors (the “Board”) of <NONPROFIT ORGANIZATION NAME> is to assist the Board in discharging its responsibilities relating to independent oversight, financial reporting, budget, corporate controls and related matters.

The Audit and Finance Committee shall serve a dual purpose for the Organization:

1. The **Audit** role involves oversight of the external audit process as described under “Audit Responsibilities.”
2. The **Finance** role is to oversee the financial affairs of the Organization and review and make recommendations to the Board about the financial affairs and policies of the Organization, as described under “Finance Responsibilities.”

Appointees are to be free of any relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment.

General

At the December Meeting of the Board of Directors of <NONPROFIT ORGANIZATION NAME> (the Organization) the Chair shall appoint, subject to the approval of the Board, an Audit and Finance Committee (the “Committee”) made up of a qualified Director as Chair and two other members who are Directors, volunteers, or outside consultants. Further, the Chair may appoint non-Directors to serve on the Committee, who are willing and possess requisite skills. The Committee may form, and delegate authority to, subcommittees when it deems appropriate. Members of the Committee shall serve for such terms as the Board may determine, or until their earlier resignation or removal by the Board.

The Committee will meet at least bi-monthly. Additional meetings may occur as the Committee or its chair deems advisable. The Committee will meet periodically in executive session without Organization management present. A quorum shall consist of a majority of the members.

The Committee shall keep adequate minutes of its proceedings which shall be filed with the Organization’s records. The Committee will report on its actions and activities at the next bi-monthly meeting of the Board.

Audit Responsibilities

1. Retain and terminate the independent auditor.
2. Review the term of the independent auditor with the intent to rotate every five years.

¹ Acknowledgement to the INDEPENDENT SECTOR and AICPA for reference material.

3. Oversee the performance of the independent auditor.
4. Confer with the auditor to ensure the affairs of the organization are in order.
5. Review and recommend approval of the annual audit report to the whole board.
6. Oversee the organization's accountability documentation.
7. The Chair serves as the Whistleblower compliance officer.
8. Approve any non-audit services performed by the auditing firm.
9. Review adoptions and implementation of internal controls through the audit process.
10. Monitor the organization's response to potentially illegal or unethical practices within the organization, including but not limited to fraudulent accounting.
11. Develop and oversee the organization's document retention and destruction policy.

Finance Responsibilities

1. Regularly review financial results and provide guidance to the full Board and management about:
 - a. Policies relating to the Organization's cash flow, cash management and working capital, shareholder dividends and distributions (if any), share repurchases (if any) and investments;
 - b. Review and recommend annual operating budgets including any necessary augmentations during the year;
 - c. Adjustments to the Organization's capital structure;
 - d. Capital and debt issuances;
 - e. Review and recommend major capital expenditures or disposals;
 - f. Financial strategies;
 - g. Working capital and cash flow management;
 - h. Policies for managing interest rate, foreign exchange, and investment risk;
 - i. The financial aspects of insurance and risk management;
 - j. Tax planning and compliance;
 - k. Proposed mergers, acquisitions, divestitures and strategic investments;
 - l. Review retrospectively on an annual basis expense reports and Foundation credit card activity for officers and other staff whose compensation is specifically disclosed in the 990-PF, Trustees, and other "disqualified persons" (family members);
 - m. Other transactions or financial issues that management desires to have reviewed by the Finance Committee.
2. Ensure that management employs personnel and systems capable of providing timely and accurate financial information to key decision-makers.
3. Report annually to the Audit and Finance Committee on the insurance and risk management programs of the Organization.
4. Designate the officers and employees of the Organization who can execute documents and act on behalf of the Organization in the ordinary course of business pursuant to previously approved banking, borrowing, and other financing arrangements.
5. Regularly review and make recommendations about changes to the charter of the Committee.
6. Obtain or perform an annual evaluation of the Committee's performance and make applicable recommendations.

Audit and Finance Committee Financial Expertise

It is anticipated that the Committee will always include some members who possess skills in the disciplines of accounting, investment management, and capital structure/finance. It is also anticipated that based on those skills and the inherent complexity of the Organization's finances, Committee members will be assigned areas of focus to ensure that important financial topics are reviewed in sufficient depth by Board members.

The following attributes are all deemed to be essential components of financial expertise:

1. An understanding of generally accepted accounting principles (GAAP), generally accepted auditing standards (GAAS), and financial statements.
2. The ability to assess the general application of such principles and standards in connection with the accounting for estimates, accruals, and reserves.
3. Experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the organization's financial statements, or experience actively supervising (that is, direct involvement with) one or more persons engaged in such activities.
4. An understanding of internal controls and procedures for financial reporting.
5. An understanding of Audit and Finance Committee functions.
6. A general understanding of nonprofit financial issues and specific knowledge of the not-for-profit sector in which the organization participates.

The following questions should be used to assess whether an individual Audit and Finance Committee member, or the committee as a whole, possesses the above attributes.

1. Have one or more individuals completed a program of learning in accounting or auditing?
2. Do one or more individuals have experience as a chief or principal financial officer (for example, finance director or business manager), principal accounting officer, controller, public accountant, or auditor?
3. Do one or more individuals have experience in position(s) that involve the performance of similar functions?
4. Have one or more individuals gained experience by actively supervising a person(s) performing one or more of these functions?

5. Do one or more individuals have experience overseeing or assessing the performance of companies, nonprofit organizations, or public accountants with respect to the preparation, auditing, or evaluation of financial statements?
6. Do one or more individuals have other relevant financial experience (for example, service on boards of banking or investment institutions or experience as a banker, investment adviser)?
7. Do one or more individuals have experience serving on Audit and Finance Committees of other not-for-profit organizations?

Alternative Approaches

If no individual member of the Audit and Finance Committee possesses the attributes required for financial expertise, and the committee members collectively do not possess such attributes, several options might be considered:

1. Establish a relationship with a peer or otherwise comparable organization to have the chief financial officer for one organization provide financial expertise to the other. Such arrangements can be reciprocal or involve multiple organizations.
2. Establish an outsource relationship in which a financial professional is engaged and compensated to provide financial expertise as a consultant to the Audit and Finance Committee. Such an individual must otherwise be independent with respect to the organization (that is, must have no other financial arrangements with the organization).
3. Pursue a training program for Audit and Finance Committee members to develop the financial expertise. Such training can include participation in professional development programs offered by the AICPA, associations serving the not-for-profit industry, or the specific sector in which the organization participates, or the conduct of in-house training programs.