



Audit Committee Charter

Purpose

To ensure the effective stewardship of the assets and effective financial operations of the Foundation, it is critical that we have an active Audit Committee. The purpose of this Committee is to oversee the financial reporting process, the system of internal controls, and the audit process. The Audit Committee will also perform such other functions as assigned in The San Antonio Area Foundation's bylaws or by its Board of Directors.

Tasks, Roles, and Responsibilities (outline coincides with Audit Committee Worksheet)

1. Service

- a. The chair of the Audit Committee shall be a member of the Board of Directors, in good standing, and all members shall be independent in order to serve on this Committee.
- b. The chair of the Audit Committee shall not be a member of the Finance Committee.
- c. Although not all Audit Committee members need be members of the Board of Directors, a majority of the Audit Committee members should be members of the Board of Directors.
- d. Committee members shall serve a two year term and are appointed by the Chair of the Board. The terms shall be staggered to promote continuity. Committee members may serve multiple terms.
- e. The Audit Committee shall be comprised of at least three members.

2. Access to Financial Expertise

- a. The Audit Committee should have access to financial expertise, whether in the form of a single individual serving on the Committee, or collectively among Committee members.
- b. If the financial expertise is provided by one individual, it is desirable that he or she be a member of the Board of Directors. When no single member of the Board has the requisite skills, other arrangements should be made to ensure that the Audit Committee has the financial expertise to carry out its duties.
- c. At least one Audit Committee member shall be a CPA.

3. Periodic Charter Review

- a. The Audit Committee shall review the Committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the Board of Directors.
- b. The Audit Committee should consider changes that are necessary as a result of new laws or regulations.

4. Committee Meetings

- a. Meetings shall be held as needed to address matters on the Committee's agenda, but not less frequently than twice each year. The Audit Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
- b. Meetings may be held electronically and/or telephonically, with participating members being counted toward establishment of a quorum.

5. Executive Sessions

- a. Executive sessions shall be conducted with the outside auditors, outside general counsel, CEO, and chief financial officer (CFO) as deemed appropriate by the Committee Chair. Circumstances may dictate that additional executive sessions may be needed with the director of financial reporting, Controller, or others as desired by the Committee.
- b. Executive sessions will be included on the Agenda for each Audit Committee meeting.

6. Authority to Hire

- a. The Audit Committee shall recommend the hiring of independent auditors, counsel, or other consultants to the Board, with these service providers reporting directly to the Audit Committee as the Board's delegate. (This may take place any time during the year.)



7. Engaging External Auditors

- a. As the Board's authorized delegate, the Audit Committee shall engage the independent auditors to be used by the organization, negotiate the independent auditors' fees, and pre-approve any non-audit services provided by the independent auditors, including tax services, before the services are rendered.
- b. The Audit Committee shall oversee the bidding out of audit services, as implemented by Area Foundation Management and Staff, with particular attention to eliminating conflicts of interest.

8. Policies Related to Key Management Personnel

- a. The Audit Committee shall review with management the policies and procedures with respect to officers, key employees (CEO, CFO, COO), disqualified persons as defined by the IRS (under Internal Revenue Code Section 4958), expense accounts, perquisites, excess benefit transactions and the results of any review of these areas by the internal auditor or the independent auditors.

9. Risk Management

- a. At the direction of the Board, the Audit Committee will serve as the Board's lead with respect to identifying and evaluating general, legal, and strategic risk. The Finance Committee will serve in this role as relates to insurance policies.
- b. The Audit Committee shall inquire of management and the independent auditors about significant risks or exposures facing the organization; assess the steps management has taken or proposes to take to minimize such risks to the organization; and periodically review compliance with such steps.

10. Audit Scope

- a. The Audit Committee shall review with the independent auditors, CFO, and Controller the audit scope and plan of the internal auditors, if applicable, and the independent auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

11. Internal Audit Considerations

- a. The Audit Committee shall consider reviewing with management:
 - i. Significant findings on internal audits during the year and management's responses thereto;
 - ii. Whether Internal Audit encountered any difficulties in the course of its audits, such as any restrictions on the scope of its work or access to required information;
 - iii. Any changes required in the scope of its internal audit;
 - iv. The Internal Audit department's budget and staffing;
 - v. The Internal Audit department's charter;
 - vi. Internal Audit's compliance with the Institute of Internal Auditors' (IIA's) Standards for the Professional Practice of Internal Auditing (Standards), if applicable;
 - vii. Internal Audit should meet separately with the independent auditors.

12. Revenue Analysis

- a. The Audit Committee shall inquire of the CEO and CFO regarding the sources of support and revenue of the organization from a subjective as well as an objective standpoint.

13. Internal Controls

- a. The Audit Committee shall review with the independent auditors and management:
 - i. The adequacy of the organization's internal controls, including computerized information system controls and security;
 - ii. Any related significant findings and recommendations of the independent auditors and internal audit services, together with management's responses thereto.

14. Regulatory and Standards Revisions

- a. The Audit Committee shall review with management and the independent auditors the effect of any regulatory and accounting initiatives, as well as other unique transactions and financial relationships, if any.



15. Interim Financial Reports

- a. The Audit Committee shall review with management any interim financial reports issued since the last meeting, but no less frequently than quarterly.

16. Accounting Policies

- a. The Audit Committee shall review with each public accounting firm that performs an audit:
 - i. All critical accounting policies and practices used by the organization.
 - ii. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the organization, the ramifications of each alternative, and the treatment preferred by the organization.

17. Management-Auditor Communications

- a. The Audit Committee shall review all material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

18. Financial Statement and Footnote Review

- a. The Audit Committee shall review with management and the independent auditors:
 - i. The organization's annual financial statements and related footnotes
 - ii. The independent auditors' audit of the financial statements and their report thereon
 - iii. The independent auditors' judgments about the quality, not just the acceptability, of the organization's accounting principles as applied in its financial reporting
 - iv. Any significant changes required in the independent auditors' audit plan
 - v. Any serious difficulties or disputes with management encountered during the audit
 - vi. Matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, Communication With Audit Committees (AICPA, Professional Standards, vol. 1, AU sec. 380), as amended, related to the conduct of the audit.
- b. Audit Committee shall review, approve and recommend organization's annual financial statement audit to the Board.

19. Legal Review

- a. The Audit Committee shall review with the general counsel and management, legal and regulatory matters that, in the opinion of management and the audit committee, may have a material impact on the financial statements, related organization compliance policies, and programs and reports received from regulators.

20. Code of Conduct

- a. The Audit Committee shall:
 - i. Periodically review the organization's code of conduct/ethics to ensure that it is adequate and up-to-date.
 - ii. Review with management and the organization's general counsel the results of their review of the monitoring of compliance with the organization's code of conduct/ethics.
 - iii. Review the procedures for the receipt, retention, and treatment of complaints received by the organization regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, current status, and resolution if one has been reached.

21. Whistleblower Procedures

- a. The Audit Committee shall:
 - i. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters.
 - ii. Review any submissions that have been received, the current status, and the resolution, if one has been reached.

22. Document Retention Policy

- a. The Audit Committee will review with management and the organization's general counsel the Foundation's policy governing the retention of business records and documents.



23. Other Duties

- a. The Audit Committee will perform such other functions as assigned by the organization's charter or bylaws, or the Board of Directors.

24. Evaluation of Internal and External Auditors

- a. The Audit Committee will evaluate the independent auditors and internal audit function annually.

25. Self-Effectiveness Review

- a. The Audit Committee will review its effectiveness annually.

26. Work Scheduling

- a. The Audit Committee shall create an agenda for the ensuing year or review and approve the agenda submitted by management.

27. IRS Filings

- a. The Audit Committee shall review with management the Corporate, Group, and Taxable Income returns.