

McKenna Foundation Audit & Finance Committee Charter

I. Purpose

The Audit & Finance Committee (the "Committee") will assist the Board of Trustees ("Board") of the McKenna Foundation ("Foundation") in fulfilling its oversight responsibilities by monitoring:

- The overall systems of internal control and risk mitigation;
- The integrity of the financial statements of the Foundation;
- Compliance by the Foundation with legal and regulatory requirements and ethical standards; and
- The independence and performance of the Foundation's independent auditors.

The Committee will also assist the Board in fulfilling its respective oversight responsibilities relating to fiscal management by:

- Reviewing and recommending an annual operating budget for approval by the full Board;
- Reviewing quarterly the operating results as compared to budget;
- Ensuring the maintenance of an appropriate financial structure; and
- Overseeing the management of the Foundation's financial assets.

In addition, in order to assist the Foundation in the proper and prudent management of its financial resources, the Committee will develop policies and procedures designed to ensure that Foundation management employs personnel and systems capable of providing timely and accurate financial information to key decision-makers.

II. Committee Membership

The Committee will consist of at least four (4) trustees, including the current Chair, who will serve as a voting, ex officio member, and three (3) trustees nominated by the Executive Committee and approved by the Board. The Committee may ask Foundation employees to serve in an advisory capacity to the Committee. All Committee members should have a basic understanding of accounting and fundamental financial statements.

III. Committee Meetings

The Committee shall meet at such times and places and by such means as the Committee Chair determined. The Committee will meet at least annually with the independent auditors in separate executive session to provide the opportunity for discussion without members of management present. The Committee will report regularly to the Board, as necessary, about its activities. A majority of the members of the Committee shall constitute a quorum.

IV. Authority

The Committee's role is one of oversight. The Foundation's management is responsible for preparing the Foundation's financial statements and the independent auditors are responsible for auditing those financial statements. The Committee recognizes that Foundation management and staff and the independent auditors have more time, knowledge, and detailed information about the Foundation than do the Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is

not providing any expert or special assurance as to the Foundation's financial statements or any professional certification as to the independent auditor's work.

The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, with access to all books, records, facilities and personnel of the Foundation. The Committee shall have the power to retain special legal, accounting, or other consultants to assist in the conduct of such investigations or to advise the Committee without further approval of the Board.

The Committee may request any person including, but not limited to, any officer or staff of the Foundation or the independent auditor, to attend Committee meetings or to meet with any members of, or advisors to, the Committee.

V. Key Responsibilities

In addition to the responsibilities outlined in the Foundation Bylaws, the Committee will undertake the following responsibilities which are set forth as a guide. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board:

- **Independent Audits**

- Responsible for the recruitment and recommendation to the Board of the independent auditor
- Evaluate and oversee the work of the independent auditor;
- Review the terms of the independent auditor's engagement, and scope of the annual audit, and any audit related and permitted non-audit services (including the fees and terms thereof) to be provided by the independent auditor;
- Review and confirm the independence of the independent auditor annually by obtaining and reviewing a report from the independent auditor delineating all relationships between the independent auditor and the Foundation (and/or its management) and discussing with the independent auditor any such disclosed relationships and their impact on the independent auditor's independence;
- At least every three years, review the terms of the independent auditor's retention, including a review of fees charged by the auditors for the annual audits;
- At least every three years,, review a report from the independent auditor describing the auditing firm's internal quality-control procedures and any material issues raised by the most recent quality-control review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, and any steps taken to deal with any such issues;
- Review with the independent auditor any problems the auditor has encountered performing the audit;
- Review the draft audit and Form 990 as prepared by the independent auditor;
- Arrange for the independent auditor to present the audit report to the Board; and

- Review the management recommendation letter (SAS No. 112) from the independent auditor and carry out follow up on any issues mentioned.

- **Internal Control and Risk Mitigation**

- Review with management and the independent auditor the Foundation's major financial risk exposures and evaluate the steps management has taken to monitor and minimize such exposures; and
- Establish policies and practices to prevent financial fraud, including an understanding of the areas of risk as they relate to potential fraud within the Foundation, as well as accumulating the fraud-related findings of the independent auditor; and
- Monitor adherence to all budget and financial policies and procedures.

- **Financial Reporting**

- Review with Foundation management and the independent auditor significant accounting and reporting issues, including recent professional and regulatory pronouncements, understand their impact on the financial statements, and ensure that all such issues have been considered in the preparation of the financial statements;
- Review with Foundation management and the independent auditor key activities of the Foundation, including legal, tax, or regulatory matters that may have a material impact on the financial statements and any material reports or inquiries received from regulators or government agencies; and
- Review with Foundation management and the independent auditor any complex and/or unusual transactions, issues related to judgments made involving valuation of assets and liabilities and commitments and contingencies, the annual financial statements and the results of the audit, the annual audit report and recommendations of the independent auditor, including any audit problems or difficulties, and management's response.

- **Review and Approval of an Annual Operating Budget**

- Review the proposed annual operating budget and staffing plan for the ensuing fiscal year as presented by Foundation management. After review and amendment, if necessary, the Committee will recommend the proposed operating budget to the full Board for approval;
- Consider any budget amendments prior to submission to the Board for approval;
- Develop multi-year plans and long-range financial goals that integrate strategic plan objectives and initiatives;
- Make recommendations for changes in Foundation operations and develop policies and procedures designed to ensure sound fiscal management; and

- Create, approve, update and review, as necessary, policies and procedures for financial transactions that help ensure the assets of the Foundation are protected.

- **Review of the Operating Results**

- Receive and review quarterly financial statements consisting of the then current year-to-date: 1) balance sheet, 2) income statement, 3) budget comparison of actual vs. budget cost with explanation for significant variances, and 4) key financial performance benchmarks that the Committee deems relevant from time-to-time.

- **Other**

- Maintain minutes of meetings and periodically report Committee actions and make such recommendations, as the Committee deems appropriate; and
- Communicate with other committees of the Foundation's Board, as appropriate.