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The following Model Audit Committee Charter is a sample document for nonprofit organizations incorporated in the District of Columbia only. It is presented only as a guide, to assist organizations in drafting their own charters and intended only for corporations seeking to qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. This sample is provided only for informational purposes and does not provide specific legal advice for any individual situation. Some or all of this document may not be appropriate for your organization. The sample also reflects the provisions of the Internal Revenue Code and the laws of the District of Columbia as of the date it is written. However, laws change. Only an attorney with knowledge of your particular situation can provide the legal assistance you need. Your organization should meet with an appropriate advisor to assist in drafting a charter that will address any relevant state law audit committee requirements, which may be more specific than those addressed in the model charter.

Model Audit Committee Charter

THIS CHARTER OF THE AUDIT COMMITTEE of the Board of Directors (the “Board”) of _____ (the “Organization”) has been duly approved and adopted by the Board this ____ day of _____, _____.

Membership

The members of the Audit Committee shall be appointed by the Board. In selecting members, the Board will strive to include in the Audit Committee at all times at least one member with sufficient financial expertise to fulfill the responsibilities and perform the review of financial records and reports as described in this Charter. The Audit Committee shall only consist of members of the Board.

The members of the Audit Committee shall not include any of the following: the Chair of the Board, Executive Director, Chief Executive Officer; Treasurer, Chief Financial Officer, or Controller, or any paid employee of the Organization. No member of the Audit Committee shall receive payments from or have any material financial interest in the Organization or in any entity doing business with the Organization and shall not be a spouse, sibling, parent, child, grant parent or grandchild of any individual who is an employee or receives payments from the Organization or has a material financial interest in the Organization or any entity doing business with the Organization or a spouse of any such persons.

The Finance Committee of the Board (if any) shall be separate from the Audit Committee. Members of the Finance Committee may serve on the Audit Committee; however the chairperson of the Audit Committee may not be a member of the Finance Committee and members of the Finance Committee shall constitute less than one-half of the membership of the Audit Committee.

Compensation

The members of the Audit Committee shall serve without compensation, but they may be reimbursed for out-of-pocket expenses incurred while serving on the Audit Committee, in accordance with the Organization’s written reimbursement policy.

Meetings

The Audit Committee shall meet as frequently as circumstances dictate, but not less than two times annually. The Board shall name a chairperson of the Audit Committee, who shall prepare and/or approve an agenda in advance of each meeting. A majority of the members of the Audit Committee shall constitute a quorum. The Audit Committee shall maintain minutes or other records of meetings and activities of the Audit Committee.

Portions of each meeting with the Organization's independent external auditors shall be held without any members of management present. Meetings of the Audit Committee may be held in person or by telephone at the discretion of the chairperson of the Audit Committee.

The Audit Committee shall, through its chairperson, report to the Board following the meetings of the Audit Committee, addressing such matters as may be related to the Audit Committee's functions and responsibilities.

Responsibilities of the Audit Committee

The Audit Committee:

- Shall be responsible for recommending to the Board the retention and termination of the Organization's independent, external auditor.
- May negotiate the compensation of the independent auditor on behalf of the Board.
- Shall confer with the Organization's independent auditor to satisfy the Audit Committee members that the financial affairs of the Organization are in order.
- Shall review and determine whether to accept the audited financial statements prepared and submitted by the independent auditor.
- Shall have the power to approve or reject any non-audit services (including tax services or financial advice) proposed to be performed by the independent auditing firm.
- Shall assure that any non-audit services provided by the independent auditing firm conform with standards for auditor independence required under relevant law and regulations.
- Shall establish written procedures whereby employees can confidentially and anonymously submit to the Audit Committee concerns or issues regarding the Organization's accounting, compliance, or auditing matters.

The Audit Committee is not responsible for preparing financial statements on behalf of the Organization or performing the Organization's audits, and its members are not the Organization's auditors and do not certify the Organization's financial statements. These functions are to be performed by the Organization's management and independent auditor.

The Audit Committee shall perform such other functions as are required by law, the Organization's Articles of Incorporation or Bylaws, or the Board.

Review of Financial Statements

Prior to the release or filing thereof, the Audit Committee shall review the Organization's audited financial statements. The Audit Committee shall specifically review:

- With management and the independent external auditor, their processes for assessment of material misstatements, identification of the notable risk areas, and their response to those risks.
- With management and the independent auditor, the Organization's annual financial statements and related footnotes.
- The independent auditor's audit of and report on the financial statements and compliance with laws and regulations.
- With the independent auditor, any additions or changes in auditing or accounting principles suggested by the independent auditor or the Organization's management.
- With the independent auditor, the internal control, compliance and management letters provided by the independent auditor and the Organization's response.
- The independent auditor's qualitative judgment about the appropriateness, and not just the acceptability, of accounting principles, use of estimates, basis for determining the amounts of estimates, and financial disclosures.
- With the independent auditor, any significant difficulties or disputes with management encountered during the course of the audit.
- Any material financial or non-financial arrangements of the Organization that do not appear on the financial statements of the Organization and their related risks.
- With management and the independent auditor, the effect of regulatory and accounting initiatives as well as accounting principles and their alternatives that have a significant effect on the Organization's financial statements.
- Any transactions or dealings with parties related to the Organization that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, or that are relevant to an understanding of the Organization's financial statements.
- Any other matters related to the annual Organization audit.

Audit Committee Charter

The Audit Committee shall review and reassess annually the adequacy of this Audit Committee Charter and recommend any changes to the Board.