

**EXECUTIVE COUNCIL OF THE GENERAL CONVENTION  
AND THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY  
OF THE PROTESTANT EPISCOPAL CHURCH  
IN THE UNITED STATES OF AMERICA**

**AUDIT COMMITTEE CHARTER**

*Subject at all times to Article III of the By-laws of the Executive Council of the General Convention (the “Council”) and of the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America (the “Society”), the Audit Committee (the “Committee”) sets forth this charter:*

**Statement of Purpose**

The purpose of the Committee of the Council and Society is to assist the Council in its oversight of and service as an independent, objective check and balance on the financial reporting and internal fiscal controls of the Society. In particular, the Committee shall assist the Council in its oversight of:

- The integrity of the financial statements and information of the Society, including the audited financial statements
- The independence, qualifications, performance and compensation of the Society’s independent auditor
- The work of the Grants Auditor
- The operation and adequacy of the Society’s internal fiscal policies, procedures and controls
- The Society’s compliance with its internal fiscal policies and with related legal and regulatory requirements, including compliance with requirements applicable to U.S. Federal government awards received by the Society

**Membership**

Membership of the Committee is governed by Article III, Secs. 1 and 2 of the by-laws of the Council and Society, which state:

- The Committee shall be composed of six members of the Episcopal Church who shall not be officers of the Council or the Society or members of the Council’s Investment Committee.
- Four members of the Committee shall be jointly nominated by the Council Chair and Vice-Chair and elected by the Council,
  - two of whom shall be elected members of Council (one of whom is serving on the Joint Standing Committee on Administration and Finance) and
  - two of whom shall be members of the Church-at-large having experience in general business practices.
- Two members of the Committee shall be elected by the Joint Standing Committee on Program, Budget, and Finance from its audit section established pursuant to Joint Rules of Order II.10 (b) of the General Convention.
- The members shall be elected triennially.
- After serving two terms, a member may not be re-elected until one triennium shall have elapsed.
- The Council Chair and Vice-Chair shall designate the Chair of the Committee from among its members.

In addition, it is recommended that the Executive Council seek to ensure that at least one member be a professional familiar with financial management or accounting in the not-for-profit environment; that the members be objective, capable and inquisitive and have knowledge of the Society's activities and environment and be able to commit the time necessary to fulfill their Committee responsibilities; and that members be prepared to exercise independence in judgment and possess a willingness to take positions that may be contrary to those of management.

## **Authority**

The Committee shall have the explicit authority:

1. To conduct investigations of matters that may affect the integrity of financial reports or compliance with the internal fiscal controls of the Society;
2. To have full access to all fiscally-related information; and
3. With the consent of the Council, to obtain advice and assistance from external legal, accounting or other advisors as it deems appropriate to conduct these investigations.

## **Responsibilities**

In furtherance of its purpose, the Committee shall oversee the Society's financial reporting process, including management controls, policies and procedures that:

1. Safeguard the assets of the Society;
2. Ensure that all transactions are authorized and recorded properly;
3. Encourage a control structure and corporate environment that support good business practices; and
4. Minimize the risk of illegal acts and fraudulent reporting.

The Committee's specific responsibilities shall include, but shall not be limited to, the following:

### **A. Financial Statements:**

Review with management and the independent auditor the annual financial statements and the key judgments and estimates underlying those statements.

### **B. Independent Auditor:**

1. Recommend the appointment and review the performance of and the independent auditor;
2. Review with management and the independent auditor the annual audit scope, significant accounting policies and audit conclusions;
3. Provide a basis for direct exchanges of views and information between the Committee and the independent auditor concerning unresolved differences between management and the independent auditor arising from the audit, any failure of internal fiscal controls, or any other significant financial or accounting matters;
4. Review the independence and quality control procedures of the independent auditor and the experience and qualifications of the personnel that are providing services to the Society; and
5. At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the

firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to address any such issues; and, to assess the independent auditor's independence, all relationships between the independent auditor and the Society.

C. Financial Reporting, Auditing and Internal Controls:

1. Review with management and the independent auditor the integrity of the Society's financial reporting processes and disclosure; and
2. Discuss with management the Society's procedures and any related policies with respect to risk assessment and risk management.

D. Internal Audit:

1. Review the adequacy of the Society's internal fiscal control structure; and
2. Review the administration and activities of the grants auditing function.

E. Compliance and Legal:

1. Monitor compliance with the Society's whistleblower procedures for reporting concerns that address:
  - a) The confidential, anonymous submission by the Society's employees of concerns regarding questionable accounting or auditing matters; and
  - b) The receipt, retention and treatment of complaints received by the Society regarding accounting, internal fiscal controls or auditing matters;
2. Review with the Society's counsel legal matters that may have an effect on the Society's financial statements or related to significant regulatory matters; and
3. Report regularly to the Council relating to accounting and audit matters.

F. Other:

1. Initiate special investigations related to fiscal matters, where necessary;
2. Direct and/or conduct other special fiscally-related reviews as requested by the Council; and
3. Conduct an annual self-evaluation of the Committee's activities and effectiveness.

## Meetings

There shall be a minimum of three scheduled meetings per calendar year. In addition, the Committee shall receive monthly financial statements. Special meetings may be called by the Chair as needed. The agenda for each meeting shall be as necessary for the Committee to carry out its duties under this charter.

The Committee may include in its meetings members of the Society's management, representatives of the independent auditor, any other financial personnel employed or retained by the Society or any other persons whose presence the Committee believes to be necessary or appropriate.

It is anticipated that these meetings will include:

1. Review of reports and briefings by Society officers and independent auditors on issues, problems and risks and their plans to deal with them;
2. Review of the plan and implementation of the work of the Grants Auditor;
3. Review of the approach and scope of the external audit;
4. Review of the financial statements and independent auditor's findings;
5. Review of any significant planned changes in accounting policies and practices; and
6. Review of compliance with regulations related to U.S. federal awards received.

## **Reporting**

The Audit Committee shall report to the Council at each regularly scheduled meeting of Council and shall consult with the Standing Committee on Administration and Finance and Joint Standing Committee on Program, Budget, and Finance on a regular basis regarding the Committee's activities, observations and recommendations, including their assessment of:

1. Internal fiscal controls;
2. The quality and acceptability of financial statements;
3. Fiscally-related regulatory, legal, and tax matters; and
4. Performance, independence and objectivity of independent auditors, including recommendations regarding fees and reappointment.

Reports shall be made to meetings of the Council and General Convention.