

## **AUDIT COMMITTEE CHARTER**

[Approved by the Audit Committee on May 17, 2018]

[Voted by the Board of Trustees on January 25, 2019]

### **PURPOSE**

To assist the Board of Trustees in fulfilling its oversight responsibilities for (1) the financial reporting process and system of internal control, (2) the external auditors' qualifications, independence and performance, (3) the adequacy and effectiveness of the process for monitoring compliance with laws, regulations, and the code of ethics, and (4) the adequacy and effectiveness of risk management practices.

### **AUTHORITY**

The Board of Trustees of the Unitarian Universalist Association (UUA or Association) established the Audit Committee at its April 26-27, 2003 meeting.

The 2006 General Assembly established the Audit Committee as a Committee of the Board of Trustees by adding Sections 7.14 and 10.13 to the UUA Bylaws.

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any licensed public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees — all of whom are directed to cooperate with the Committee's requests — or external parties.
- Meet with the organization's officers, external auditors, or outside counsel as necessary.

### **COMPOSITION**

The composition of the Audit Committee is set forth in Section 7.14 of the UUA Bylaws: "The Audit Committee shall consist of no fewer than four members as follows:

- a. persons appointed by the Board, none of whom are members of the Board or hold a salaried position with the Association ["independent members"]; and
- b. the Financial Advisor.

No member of the Audit Committee shall serve for more than four terms on the Audit Committee."

The chair of the committee shall be selected by the Board of Trustees. Except under unusual circumstances, the chair shall be chosen from among the independent members.

Each independent Audit Committee member shall be financially literate. The committee shall designate at least one member as the "financial expert," as defined by applicable legislation, regulation, and best practices.

## **MEETINGS**

The committee shall meet at least three times a year. The chair may convene additional meetings as circumstances require. All committee members are expected to attend each meeting, in person or via teleconference or videoconference. The committee shall invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. It shall hold private meetings with auditors (see below) and executive sessions. Meeting agendas shall be prepared and provided in advance to members, along with appropriate briefing materials. Minutes shall be prepared and published in a timely manner.

## **RESPONSIBILITIES**

The duties of the Audit Committee are set forth in Article X, Section 10.13 of the UUA Bylaws:

“The Audit Committee shall oversee the annual audit of the financial statements of the Association by an independent certified public accounting firm and monitor the establishment and implementation of accounting policies and internal controls. Specific duties of the Audit Committee shall be set forth in a charter adopted by the Board which may be amended by the Board from time to time.”

The Audit Committee shall carry out the following responsibilities to accomplish its charge:

### **Oversight of the Financial Reporting Process and System of Internal Control**

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- As applicable, review other sections of public reports and related regulatory filings that include financial information before release and consider the accuracy and completeness of the information.
- Consider the effectiveness of the Association’s internal control system, including information technology security and control.
- Understand the scope of the external auditors’ review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.

### **Oversight of the External Auditors’ Qualifications, Independence and Performance**

- Meet at least twice annually with the independent auditors to discuss all matter required to be communicated to the audit committee under generally accepted auditing standards. The committee may request the presence of members of management or others to attend these meetings and provide pertinent information as necessary. Such matters include but are not limited to:

- Review of the external auditors' proposed audit scope and approach, including coordination of audit effort with management.
- Review of any significant changes to the auditors' work plan as initially approved by the committee.
- Review of the auditors' independent qualitative judgments about the appropriateness, not just the acceptability, of the accounting principles and the clarity of the financial disclosure practices used or proposed to be adopted by the UUA.
- Review and confirmation of the independence of the external auditors by obtaining statements from the auditors about relationships between the auditors and the Association, including non-audit services, and discussing the relationships with the auditors.
- Review of the results of the audit, including any difficulties encountered, any audit adjustments proposed, any identified deficiencies in internal control, and any significant or unusual transactions.
- Answer external auditors' questions, including those about the Association's risks (including fraud) and whether Committee members have knowledge of non-compliance or fraud.
- Resolve any disagreements between management and auditor regarding financial reporting.
- Review the performance of the external auditors, and make recommendations to the Board of Trustees concerning the appointment, compensation, and discharge of the auditors.
- Meet at least annually in executive session with the external auditors to discuss matters relevant to the Committee's responsibilities that the committee or auditors believe should be discussed privately.
- Meet, at least annually, with the Executive Vice President, the Treasurer and Chief Financial Officer, and other staff as appropriate to discuss matters related to the committee's responsibilities, including management's evaluation of the work performed by the independent auditor.
- Provide an open avenue of communication between the external auditors and the Board of Trustees.

### **Oversight of the Association's Compliance with Laws, Regulations and the Code of Ethics**

- Recommend to the Board of Trustees the following policies for all staff and volunteers, recommend changes as needed, and ensure the UUA's adoption of and compliance with the policies:
  - Conflict of Interest Policy
  - Whistleblower Policy
  - Ethics Policy(ies)

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review procedures and receive reports for the receipt, retention and treatment of complaints and issues raised through the ethics hotline and employee complaints protected under the Association's Whistleblower Policy.
- Ensure that more than inconsequential improprieties or potential improprieties in the UUA's operations are investigated and resolved.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Obtain the advice of outside professionals (including but not limited to retention of special legal counsel) to advise the committee on matters within the scope of its charge.
- Institute and oversee special investigations as needed.
- Seek any information it requires from external parties or Association employees, all of whom are directed to cooperate with the committee's requests.
- Designate a committee member to review the president's travel and expense reimbursement reports at least semi-annually.

#### **Oversight of the Association's Risk Management Practices**

- Obtain from management an assessment of the potential for or actual occurrences of non-compliance and/or fraud within the organization. Such reports should include, among other things, the Association's process for communicating the risk management policies and Code of Conduct to employees and officers, and the Association's investigation and follow-up regarding instances of non-compliance and/or fraud.
- Discuss with management the Association's major risk exposures, including but not limited to information technology exposures, financial exposures, legal exposures and operational exposures, and the steps management had taken to monitor and control such exposures, including the Association's risk assessment and risk management policies and internal control and governance processes.
- Periodically monitor risks and risk management capabilities within the organization, including communication about escalating risks and crisis preparedness and recovery plans.
- Recommend to the Board of Trustees changes in governance, risk management, and compliance processes, structures, policies, or procedures that would minimize risk to the Association.

## **Reporting**

- Regularly report to the Board of Trustees about committee activities, issues, and recommendations.
- Carry out the committee's responsibilities to report to the Board of Trustees the results of the annual financial statement audit, as required by Section 3.2.5 of the Board's Governance Policy Manual:

“Upon completion of the audit, the Board will meet with the chair of the Audit Committee to receive a report that discusses the audit and the auditors' management letter. Prior to this meeting, the Audit Committee will provide the Board with a written report, for publication on the UUA website, containing the key findings of the audit, including any finding of a serious accounting or management weakness.”

- Report annually to the member congregations, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

## **Other Responsibilities**

- Perform other activities related to this charter as requested by the board of trustees.
- Review and assess the adequacy of the audit committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the audit committee's and individual members' performance on a regular basis.
- Assist the Trustees of the UUA Employee Benefits Trust (EBT) in the following ways:
  - Recommend the selection of an auditing firm
  - Review the EBT audit and make comments and recommendations to the UUA Board of Trustees and to the EBT Trustees
  - Respond to requests from the EBT Trustees or the EBT Trust Committee for assistance on financial, operational, or other issues