



## **UC SAN DIEGO FOUNDATION AUDIT COMMITTEE CHARTER**

The Audit Committee of the U.C. San Diego Foundation shall oversee the audit functions of the Corporation. These functions include the external annual audit, internal audits that may be conducted from time-to-time by UCSD Audit and Management Advisory Services, a broad scope of potential related financial activities or issues as they arise, as well as the specific duties and responsibilities precipitated by the effects of the Sarbanes-Oxley Act of 2002 and related legislation, codes, and statutes of the State of California.

Specifically:

1. The Audit Committee shall recommend to the Board of Trustees the appointment of an independent public audit firm to conduct the annual financial statement audit, oversee the audit and its results, and recommend special audits and procedures for the approval of the Board. In making such appointment, the Committee will ensure the firm selected meets the criteria noted in the UC Guidelines for Campus Foundations, has sufficient expertise in higher education and non-profit audits, can ensure engagement partner rotation no less than every seven (7) years with a time out of two years, that the performance of the firm selected is reviewed annually, and that every five years a competitive process for the auditor selection is employed.
2. The Audit Committee shall advise the Board of Trustees in connection with the Board's responsibilities relating to the quality and integrity of the Foundation's financial reporting, compliance with legal and regulatory requirements, systems of internal control and risk mitigation, the Independent Auditor's qualifications and independence, and the performance of any internal audits.
3. The Audit Committee shall have responsibility for addressing any major policy issues involving the Foundation accounting or internal control practices as they may arise from time-to-time. The Audit Committee will advise the Investment/Finance Committee on any investment or other financial issues that may cause concern from an accounting or internal control perspective.
4. The Audit Committee, in conjunction with the Treasurer and Chief Financial Officer, shall have ongoing oversight responsibility for the Foundation's financial statements and financial condition.
5. Audit Committee membership shall be governed by the following provisions of California State Senate Bill 1262:
  - A. The members of the Audit Committee shall be appointed by the Board of Trustees, and will consist of a minimum of three Trustees.
  - B. The Audit Committee must be separate from the Investment/Finance Committee.
  - C. The members of the Committee may include non-Trustees, but may not include any employees of the University, whether or not they are officers of the Foundation.
  - D. The Committee Chair shall not be a member of the UC San Diego Foundation's Investment/Finance Committee.

- E. Members of the Investment/Finance Committee shall constitute less than one-half of the Audit Committee membership.
  - F. The Foundation Chair and the Treasurer will always be named to the Committee (and may be included in the three required members, or may be in addition to the three).
  - G. At least one of the Trustees named to the Committee shall meet the criteria to qualify as an “audit committee financial expert” according to the prevailing criteria as established by the National Association of College and University Business Officers (NACUBO); other Committee members should have a working familiarity with basic finance and accounting practices.
  - H. Committee members shall be independent and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
  - I. In addition to the members of the Committee, the following will be invited to attend meetings in an advisory capacity: 1) Trustees who are UCSD employees, Foundation President and Executive Vice President; 2) the Director of UCSD’s Audit and Management Advisory Services; and 3) if desired, a member of the UCSD faculty with a demonstrated expertise in the field of accounting or similar area.
6. The Audit Committee will obtain assurances from Foundation management that the system of internal controls is adequate and monitored, that financial results and activities are regularly reviewed, and that the CFO reviews and signs the tax return annually.
  7. The Audit Committee will ensure that a review is undertaken of the benefits and risks of hiring critical Foundation financial staff (the CFO and Controller) when the independent audit firm has employed the prospective new hire within the last year. The Board of Trustees will approve such hires if these circumstances exist. Additionally, the Committee will obtain from management assurances that background checks for new employees in Foundation financial positions are performed.
  8. The Audit Committee will receive a report annually from staff on the results of the annual Conflict of Interest Disclosure questionnaire sent to Trustees, and will assist in the resolution of conflicts when they arise.
  9. To fulfill its functions and responsibility, the Audit Committee shall meet at least quarterly in a fiscal year.
  10. Each meeting shall end with the voting members of the Committee meeting in executive session with the auditors (if they are in attendance) so that full and free communication may take place. Except by specific invitation, no University employees or other guests may be present.
  11. To fulfill its audit functions in particular, the Audit Committee shall:
    - A. Monitor the Foundation’s system of internal control and the adequacy of accounting, financial, and operational policies and practices with regard to financial and significant compliance reporting.
    - B. Prior to the start of the annual audit, review the Independent Auditor’s engagement letter and the annual audit plan. It shall also discuss with the Independent Auditor and management the extent to which the audit will address high-risk areas, including:
      - Risk characteristics of the Foundation;
      - External reporting requirements;

- New GASB pronouncements or other accounting changes that may affect the financial statements, operations, or policies of the Foundation;
  - Materiality of the various segments of the Foundation's combined activities;
  - Quality of internal accounting, administrative, and compliance controls;
  - Extent of the internal auditor's involvement in audit examination; and
  - Other areas to be covered during the audit engagement.
- C. Discuss the planned scope of the annual audit with the Independent Auditor.
- D. Pre-approve all services provided by the Independent Auditor, conferring with the President and the Chief Financial Officer of the Foundation and other Trustees as appropriate. Recommend pre-approval to the Board of Trustees for all otherwise prohibited, non-audit services performed by the Independent Auditor as outlined in Section 201 of the Sarbanes-Oxley Act of 2002.
- E. Receive and review the annual financial report with the Independent Auditor and management. The Committee's review is to encompass the Foundation's annual financial report, including the financial statements, footnote disclosures, and supplemental disclosures and reports required by generally accepted accounting principles, including:
- Significant transactions not a normal part of the Foundation's operations;
  - Selection of, and changes during the year to, the Foundation's accounting principles or their application;
  - Significant adjustments proposed by the Independent Auditor;
  - The process used by management in formulating accounting estimates and the Independent Auditor's conclusions regarding the reasonableness of those estimates;
  - Any disagreements between the Independent Auditor and management about matters that could be significant to the Foundation's financial statements or the Independent Auditor's report;
  - Difficulties encountered in performance of the audit, including evaluating the level of cooperation met by the Independent Auditor during its audit with regard to access to records, data, and information;
  - Management consultation with other accountants with respect to accounting policies or their applications;
  - Major issues discussed between the Independent Auditor and/or management or the Committee prior to the start of the annual financial review.
  - Report to the Audit Committee; and
  - Report to Management on Internal Controls.

- F. Apprise the Board, through minutes and reports to the Board, of significant developments in the course of performing the above duties.
  - G. Confer with the President of the Foundation, the Chief Financial Officer, and other Trustees of the Foundation as appropriate before making a recommendation concerning the appointment, reassignment or replacement of the Foundation's Independent Auditor.
  - H. Have the power, through its Chair, to call special meetings of the Committee and to request management to address specific issues within the mandate of the Committee and have the authority to engage independent counsel and other advisors to carry out its duties.
  - I. Transmit to the President and the Chief Financial Officer of the Foundation, subject to the prior approval of the Board of Trustees, such instructions as it deems necessary for the enforcement of sound accounting and auditing practices.
  - J. Report annually to the Board of Trustees on the discharge of these responsibilities. The Chair of the Committee shall also, at the discretion of the Committee, report directly to the President and/or Chair of the Board of Trustees, about matters which are deemed urgent or which may present a potential conflict of interest for the Board. The Chair of the Committee also has the right to declare an Executive Session to exclude the presence of management or financial staff of the Foundation.
  - K. The Committee's review shall encompass the Independent Auditor's annual management report submitted at the conclusion of the audit. This review shall also include management's response to said management report.
  - L. Receive and review the annual IRS Form 990 draft prior to its filing. The firm contracted for tax preparation will attend the scheduled Audit Committee meeting to review the IRS Form 990 draft in detail (timing of the meeting to be determined annually). This responsibility is delegated to the Committee by the Board of Trustees.
  - M. The Committee will obtain assurance from the Director of UCSD's Audit and Management Advisory Services that proper procedures are in place at UCSD for the receipt, retention and treatment of complaints received concerning accounting, internal controls or auditing matters, including employees working on behalf of the Foundation to be able to express concerns regarding questionable accounting or auditing matters.
  - N. The Committee will be guided, in principle, for matters not heretofore specified, by the applicable advisory opinions issued from time to time by the National Association of College and University Business Officers (NACUBO).
12. In carrying out all the responsibilities noted above, the Committee will be provided sufficient resources necessary for payment of services rendered. Such resources will be provided via request to the Vice Chancellor-Advancement/UCSD Foundation Executive Vice President.