

# **Adopt-A-Classroom Audit Oversight Committee Charter**

The Board of Directors of Adopt-A-Classroom hereby establishes an audit oversight committee in accordance with the guidelines described below.

**Responsibility** The Audit Oversight Committee (the “Committee”) is part of Adopt-A-Classroom’s Board or Directors (the “Board”). Its primary function is to assist the Board in fulfilling its oversight responsibilities with respect to (1) the audit of the organization's books and records and (2) the system of internal controls that the organization has established. The committee should have a clear understanding with the outside auditors that they must maintain an open and transparent relationship with the committee, and that the ultimate accountability of the outside auditors is to the Board and Committee. The Committee will make regular progress reports to the Board.

**Composition** The Committee shall have at least 3 members (including a Chairman).

**Meetings** The Audit Committee shall meet at least twice annually, but will meet more often if desired or deemed necessary, in order to discharge responsibilities. All meetings may be held by telephone conference call or in person meeting.

**Authority** Unless otherwise authorized by the Board, the Committee shall have no power to act on behalf of the Board, but shall present its recommendations to the Board for action. The majority of the members of the Committee shall be members of the Board who have no existing financial, family or other personal ties to management of the organization. No staff members of the organization will be eligible to serve on the Committee.

## **Member Qualifications Shall Include:**

1. A clear understanding of the role of Adopt-A-Classroom and its services.
2. Financial literacy and/or expertise. (at a minimum, the ability to read and understand financial statements)
3. Ability to ask probing questions and to follow up for answers.
4. Ability to see the big picture.
5. A commitment to safeguard the Adopt-A-Classroom and its assets.
6. A commitment to the staff of Adopt-A-Classroom.
7. A commitment that the Adopt-A-Classroom will report fairly, accurately and regularly on its activities and conditions.

## **Specific duties of the Audit Oversight Committee:**

1. Review and reassess the adequacy of this charter annually and propose changes to the Board for approval.
2. Review Adopt-A-Classroom’s accounting and financial reporting controls with the Executive Director and outside auditors. Obtain, in writing from outside auditors, a letter regarding the adequacy of such controls annually.
3. Review significant accounting and reporting principles, practices, and procedures applied by the organization in preparing its financial statements with the executive director and the outside auditors. Discuss with the outside auditors their judgments about the quality--not just the acceptability--of the organization's accounting principles used in financial reporting.
4. Review the scope, and general extent, of the outside auditors' annual audit. The committee's review should include an explanation from the outside auditors of the factors considered by the accountants in determining the audit scope, including the major risk factors. The outside auditors should confirm to the Committee that no limitations have been placed on the scope or nature of their audit procedures. The Committee will review annually with the Executive Director the fee

arrangement with the outside auditors.

5. Inquire about the independence of the outside auditors and obtain from the outside auditors, at least annually, a formal written statement delineating all relationships between the outside auditors and the organization, including other consulting work being performed by the outside auditors for the organization.

**At the completion of the annual audit, the Executive Director and the outside auditors will review the following:**

1. Results of the audit of the financial statements and the related report therein and, if applicable, a report on changes during the year in accounting principles and their application.
2. Significant changes to the audit plan, if any, and serious disputes or difficulties the Executive Director encountered during the audit. Inquire about the cooperation received by the outside auditors during their audit, including access to all requested records, data, and information. Ask the outside auditors about any disagreements with the executive director that, if left unresolved, could have caused them to issue a nonstandard report on the organization's financial statements.
3. Other communications as required to be conveyed by the outside auditors by Statement of Auditing Standards 61, as amended by SAS 90, relating to the conduct of the audit. Further, receive a written communication provided by the outside auditors concerning their judgment about the quality of the organization's accounting principles, and confirm that they concur with the Executive Director's representation regarding audit adjustments.
4. Discuss with the Executive Director the quality of the organization's financial and accounting personnel. Also, elicit the comments of the Executive Director regarding the outside auditors' responsiveness.
5. Meet with the Executive Director and the outside auditors to discuss any "material" or "serious" recommendations that the outside auditors may have. Typically, such recommendations will be presented by the outside auditors in the form of a "letter of comments and recommendations" to the Committee. The Committee should review the Executive Director's response to the letter and receive follow-up reports on action taken.
6. Recommend to the Board the selection, retention, or termination of the outside auditors.
7. Generally, as part of the review of the annual financial statements, receive an oral report (at least annually) from the organization's general counsel regarding legal and regulatory matters that may have a material impact on financial statements