



AUDIT COMMITTEE CHARGE

Number of Members 5-7

Must be an odd number for purposes of voting.

Composition

Members shall include the Second Past President, the Treasurer and Secretary, at least one other Board member and two to four individuals with appropriate backgrounds. “Individuals” may be trustees, at-large members, Allied or Early Career Professionals, or non-members. “Appropriate background” is background or expertise in accounting or auditing, such as a retired CFO or auditor, not simply financial or business expertise. See also Limitations below. The Society’s Second Past President shall serve as Chair. The Chair may invite guests as needed to expedite information sharing.

Method of Appointment

Ex officio members serve automatically. Other members shall be appointed by the President and/or Vice President, in consultation with the Chief Executive Officer.

Term of Office

Ex officio members serve during their term in office. One year for appointed members. Reappointment for two additional, consecutive one-year terms is permissible.

Accountability

Reports to: HRS Board of Trustees

Key Relationships: Auditors (who report to the Audit Committee), Executive Committee. See also relationships with Management under “Meeting Frequency.”

Purpose

To provide independent oversight of the financial systems, management and reporting of the Society and the entities it controls (as defined by the IRS), including the Foundation.

Responsibilities

Related to the Board

- Review and report to the boards of the Society and its entities (when active) regarding the following:
 - Financial statements and reports that will be provided to public constituencies and tax authorities.

- Internal accounting and asset management control policies and systems of the Society and its entities and the Auditors' recommendations for the improvement of those policies and systems.
- Relevant and material accounting policies adopted by the Society and its entities for financial statement presentation purposes.
- All audit processes, including scope of audits and any disputes between Management and the Auditors regarding audit or accounting matters.
- Report to the Board(s) at least annually upon the conclusion of the audit process and in connection with the issuance of the Auditors' report on the financial statements of the Society and its entities, and at other times the Committee deems necessary.

Related to the Independent Auditors

- Select and appoint the independent certified public accountants (the Auditors) who shall provide auditing and related services to the Society and its entities (if active).
- Set the compensation for services by the Auditors.
- Approve all fees paid to the Auditors for audit work and other work performed by the Auditors.
- Confirm the independence of the Auditors, including examining other professional services provided to the Society and its entities by the Auditors and the reasonableness of the fees paid.
- Seek input from Management and the Auditors regarding the need to engage additional Auditors, and make the decision on the selection and engagement of any additional firm.
- Oversee the performance of services by the Auditors, including dispute resolution.
- Periodically review the performance of the Auditors, including the rotation of the primary audit partner, and recommend their retention or replacement.

Related to Conducting the Annual Audit

- Approve the scope of the annual audit in collaboration with the Auditors, the Treasurer(s) of the Society and its entities (if active) and their respective Chief Finance Officers.
- Receive and review the report from the Auditors at the conclusion of interim fieldwork.
- Approve the timeline for receipt of audited financials, accompanying footnotes, representation letter, and management report, including Management's response.

- Meet with the Auditors and Management in separate executive sessions for private discussions as necessary.
- Resolve any disputes between the Auditors and Management regarding internal accounting controls, accounting policies and practices or financial statement presentation issues.

Related to Receiving/Approving the Annual External Audit and Annual Financial Statements

- Inquire of Management and the Auditors about significant risks and exposures, and assess Management's steps to minimize them.
- Review with the Auditors
 - The adequacy of the internal controls of the Society and its entities, including computerized information system controls and security.
 - Any significant findings and recommendations of the Auditors, including any deficiencies or weaknesses in such controls and as otherwise disclosed in the Auditor's formal management letter.
 - Management's response to any comments.
- Review with Management and the Auditors
 - The annual financial statements and related footnotes of the Society and its entities (if active).
 - The Auditor's reports on the financial statements.
 - The Auditor's qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosures and how aggressive (or conservative) the accounting principles/policies and underlying estimates are.
 - Any serious difficulties or disputes with management encountered during the course of the audit.
 - Any other issues concerning the audit procedures or findings that Generally Accepted Auditing Standards (GAAS) require the Auditors to discuss with the Committee.
- At the option of the Audit Committee
 - Review published documents containing the financial statements of the Society and its entities to ensure the reporting is consistent with the information in the financial statements.
 - Review interim financial reports before they are presented to the full Board(s) of Trustees of the Society and its active entities.

Related to State and Federal Reporting

- Ensure that Management has filed information and tax reporting forms annually as required by law.
- Ensure that Management has made the proper attestations to the information reported on IRS Forms 990.
- Ensure the Committee is informed of any significant audits, investigations or inquiries made by tax and other authorities related to either the Society or its entities.
- Review and approve the annual Form 990 returns.

Other Responsibilities

- Periodically review the Audit Committee's charge for adherence to best practices in nonprofit auditing, and recommend revisions to the Governance Committee.
- Review legal and regulatory matters that may have a material effect on the financial statements of the Society and its entities, compliance policies and programs and reports from regulators.
- Act as a sounding board for accounting, reporting or internal control procedures raised by the Chief Finance Officer, Chief Executive Officer or others on behalf of the Society and the Foundation.
- Confirm that significant findings and recommendations made by the Auditors are acted upon appropriately and promptly.

Decision-Making Authority

- Establish the committee's procedures.
- Select and appoint Auditors.
- Determine scope of Auditor's services.
- Approve fees paid to Auditors.
- Dismiss of Auditors for reasonable cause, in the good faith judgment of the Committee.
- Conduct or authorize investigations into matters within the Committee's scope of responsibilities, including engaging independent counsel and/or independent accountants.
- Engage expert consultants and advisers.

Limitations

All members of the Audit Committee, whether ex officio or otherwise, must be independent. An individual is considered independent if he or she is free of any relationship that could influence his or her judgment as an Audit Committee member. No member of the Audit Committee shall be an employee, consultant or professional service provider to the Society or its entities, have any outside business or commercial

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relationship with the Society or the Foundation or be associated with a major vendor to the Society or the Foundation.

When there is some doubt about independence, as when a member of the Audit Committee has a consulting arrangement with a major vendor, the member should recuse him- or herself from any decisions that might be influenced by that relationship.

With the exception of the Treasurer and Secretary, members of the Audit Committee are prohibited from serving simultaneously on the Finance Committee.

Meeting Frequency

At least three meetings annually, by teleconference: once before the Audit Fieldwork begins, once the Audit Fieldwork is complete but before the financial statements of the Society and its entities are issued, and once for review of the 990 tax returns prior to filing.

The Chair may request an executive session of the Audit Committee with the Auditors (following the annual audit of each entity) at which no employees of the Society or its entities shall be present. The Committee may meet regularly with the Auditors and Management in separate executive sessions, for private discussions as necessary. Additional meetings, including with the Auditors or Management in separate executive sessions for private discussions as needed.

Estimated Time Commitment

8 hour per year (during the Audit season/cycle)

Scheduled

Three to five Committee Conference Calls

Ad Hoc

Committee Conference Calls (as needed)

Busiest Times of the Year

Audit/Tax preparation cycle: (October - January)

Other

The Audit Committee often requires quick turnaround times to respond to Auditor concerns.