

AUDIT COMMITTEE CHARTER

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 VIII(1)(c) 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:

I Statement of Purpose

The purpose of the Audit 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. The Committee shall assist the Council in its oversight of:

1. The integrity of the financial statements and information of the Society, including the audited financial statements;
2. The independence, qualifications, performance and compensation of the Society’s independent auditor;
3. The work of any internal auditor;
4. The operation and adequacy of the Society’s internal fiscal policies, controls, and risk management of the Society;
5. The Society’s compliance with its internal fiscal policies, legal and regulatory requirements, including compliance with requirements applicable to U.S. Federal government awards received by the Society; and
6. The Society’s major risk exposures, the steps management has taken to monitor and control such exposures, and guidelines and policies to govern the Society’s risk assessment and risk management processes.

II Membership

Membership of the Committee is governed by Canon I.4.3 and Article VIII of the by-laws of the Council and Society

1. The Committee will be composed of six members of the Episcopal Church, who cannot be officers of the Council or the Society or members of the Council’s Investment Committee.

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2. Five members from the Church at Large, having experience in general business practices, will be jointly nominated to the Committee by the Council Chair and Vice-Chair and elected by the Council.
3. One shall be a member of the Council’s Standing Committee on Finance, appointed by the standing committee’s Chair, and jointly nominated to the Committee by the Council Chair and Vice-Chair and elected by Council.
4. The members shall be appointed and elected by Council triennially with service beginning January following the appointment and concluding on December 31 three years hence.
5. After serving two terms, a member may not be re-elected until one triennium shall have elapsed.
6. The Committee shall annually elect a Chair of the Committee from among its members.
- 7.

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.

III Authority

The Committee shall have the explicit authority:

1. To conduct investigations of matters that may affect risk management, 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. To obtain advice and assistance from external legal, accounting or other advisors as it deems appropriate to conduct these investigations.

IV Responsibilities

1. In furtherance of its purpose, the Committee shall oversee the Society’s financial reporting process, including management controls, policies and procedures that:
 - a. Safeguard the assets of the Society;
 - b. Ensure that all transactions are authorized and recorded properly;
 - c. Encourage a control structure and corporate environment that support good business practices; and
 - d. Minimize the risk of illegal acts and fraudulent reporting.

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2. The Committee’s specific responsibilities will include, but are not limited to, the following:
 - a. *Financial Statements.* To review with management and the independent auditor the annual financial statements and the key judgments and estimates underlying those statements.
 - b. *Independent Auditor.*
 - i. After reviewing fees and the letter of engagement, recommend the appointment and review the performance of the independent auditor;
 - ii. To review with management and the independent auditor the annual audit scope, significant accounting policies and audit conclusions;
 - iii. To 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;
 - iv. To 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;
 - v. To obtain and review a report, at least annually, 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; and
 - vi. To review all fees and terms of engagement of the independent registered public accounting firm and shall pre-approve or adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by the firm.
 - c. *Financial Reporting, Auditing, Internal Controls and Risk Management.*
 - i. To review with management and the independent auditor the integrity of the Society’s financial reporting processes and disclosure; and
 - ii. Discuss with management the Society’s procedures and any related policies with respect to risk assessment, the independent auditor and risk management, including but not limited to market risk, fiduciary risk, credit risk and the Society’s exposure to other risks, including reputation risk, the Society’s major financial risk exposures and the steps management has taken to monitor and control such exposures.

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d. Internal Audit.

- i. To review the adequacy of the Society's internal fiscal control structure; and
- ii. To review the administration and activities of the internal auditing function.

e. Compliance and Legal.

- i. To review procedures and monitor compliance with the Society's whistleblower policy 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;
- ii. To review with the Society's counsel legal matters that may have an effect on the Society's financial statements, risk exposure, or related to significant regulatory matters;
- iii. To report regularly to the Council relating to accounting and audit matters;
- iv. To oversee procedures for standardized document retention that comply with applicable laws, and are implemented in a manner that does not result in the destruction of documents that may be relevant to an actual, anticipated, or possible legal proceeding, or governmental investigation; and
- v. To review the procedure established by management to monitor compliance with the Society's Code of Conduct and Conflict of Interest policy and review the records of such compliance.

f. Other.

- i. To initiate special investigations related to the Committee's Purpose, where necessary;
- ii. To direct and/or conduct other special reviews as requested by the Council;
- iii. To conduct an annual self-evaluation of the Committee's activities and effectiveness; and
- iv. To review the Charter annually and recommend changes to Council.

V Meetings

1. There shall be a minimum of four scheduled meetings per calendar year. In addition, the Committee shall receive monthly financial statements. Special meetings may be called by the Chair or Vice Chair as needed, or any two committee members. The

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agenda for each meeting shall be as necessary for the Committee to carry out its duties under this charter.

2. The Committee will 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.
3. The Committee will meet with members of management in separate private sessions to discuss any matters that the Committee or these persons believe should be discussed.
4. It is anticipated that these meetings will include:
 - a. Review of reports and briefings by Society officers and independent auditors on issues, problems and risks and their plans to deal with them;
 - b. Review of the plan and implementation of the work of any internal auditor;
 - c. Review of the approach and scope of the external audit;
 - d. Review of the financial statements and independent auditor's findings;
 - e. Review of any significant planned changes in accounting policies and practices;
 - f. Review of compliance with regulations related to U.S. federal awards received; and
 - g. Meeting in separate executive sessions.

VI Reporting

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

1. Internal fiscal controls;
2. Risk management and exposure;
3. The quality and acceptability of financial statements;
4. Regulatory, legal, and tax matters related to the Committee's purpose;
5. Their recommendations regarding the appointment of the independent auditors; and
6. The performance, independence and objectivity of independent auditors.

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