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## **SAMPLE ORGANIZATION AUDIT COMMITTEE CHARTER**

### **Audit Committee Role**

The committee's role is to act on behalf of the Board of Directors and oversee all material aspects of the organization's financial reporting, control, and audit functions. The audit committee's role includes a particular focus on the qualitative aspects of financial reporting, organization processes for the management of risk, and compliance with significant, applicable tax, legal, ethical, and regulatory requirements.

### **Audit Committee Membership**

The committee shall consist of at least three members, amongst whom there is sufficient financial expertise to understand and evaluate the financial transactions and internal control procedures of the organization.

The Board of Directors shall make appointments to the audit committee (including the appointment of a committee chair). The Board, as per Article XYZ of organization bylaws, must review these appointments annually.

Audit committee members must be independent of and unrelated to any Board member or paid staff member of the organization (including missionaries supported by the organization).

Audit committee members must be independent of and unrelated to any financial professional being paid to provide services to the organization.

### **Audit Committee Operating Principles**

The committee shall fulfill its responsibilities within the context of the following overriding principles:

- **Communications.** The chair and others on the committee shall, to the extent appropriate, maintain an open avenue of contact throughout the year with senior management, other committee chairs, and other key committee advisors (external auditors, etc.), as applicable, to strengthen the committee's knowledge of relevant current and prospective organizational issues.

- **Meeting agenda.** Committee meeting agendas shall be the responsibility of the committee chair, with input from committee members.
- **Meeting attendees.** The committee shall request members of management, counsel, and external auditors, as applicable, to participate in committee meetings, as necessary, to carry out the committee's responsibilities. Periodically (at least annually), the committee shall meet in private session with only the committee members. The chair is responsible for ensuring that minutes are taken at all audit committee meetings.
- **Reporting to the board of Board of directors.** The committee, through the committee chair, shall report periodically to the Board of Directors (as deemed necessary, but at least once per year). In addition, a brief annual report of audit team activities shall be prepared by the committee and submitted to the board of directors.

## **Committee Responsibilities**

### *Financial Reporting*

The audit committee shall:

- Review and assess the financial statements before they are released to the public or filed with funding sources or regulators.
- Review and assess the key financial statement issues and risks, their impact or potential effect on reporting financial information, the processes used by management to address such matters, related auditors' views, and the basis for audit conclusions.
- Approve changes in important accounting principles and the application thereof in both interim and annual financial reports.
- Advise financial management and the external auditors that they are expected to provide a timely analysis of significant current financial reporting issues and practices.
- Review the management letter and review management's response to the management letter.

### *Risks and Controls*

The audit committee shall:

- Review and assess the organization's operating and financial risk management process, including the adequacy of the overall control environment and controls in selected areas representing significant risk.
- Review and assess the organization's system of internal controls for detecting accounting and financial reporting errors, fraud and defalcations, and noncompliance with the organization's code of conduct.
- Implement and oversee administration of the organization's confidentiality and conflict of interest policy, including the review and approval of significant conflicts of interest and related party transactions.
- Implement and oversee administration of a procedure for the confidential, anonymous submission by organization employees of concerns regarding questionable financial, accounting, or auditing matters.

#### *External Auditors*

The audit committee shall:

- Engage external auditors, as required in Article XYZ of the organization bylaws.
- Review the performance of the external auditors.
- Discuss with the auditors any relationships or non-audit services that may affect their objectivity or independence.
- Consider, in consultation with the external auditors, their audit scopes and plans to ensure completeness of coverage, reduction of redundant efforts, and the effective use of audit resource.
- Review and approve requests for any consulting services to be performed by the external auditors, and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter.
- Review with management and the external auditors the results of the audits and related comments in consultation with other committees as deemed appropriate, including any difficulties or disputes with management, any significant changes in the audit plans, the rationale behind adoptions and changes in accounting principles, and accounting estimates requiring significant judgments.

### *Internal Auditors*

- The audit committee shall serve as the internal auditors for the organization.
- Areas of interest to be audited from time to time by the audit committee shall include, but not be limited to:
  1. Vacation/Sick leave accruals and usage, including the process, forms, reporting and accounting.
  2. 403(B) contributions including eligibility and amounts.
  3. Expense account audit including types of expenses for office, travel/meetings, and mileage reimbursement including process, forms and accounting.
  4. Cash collections including the weekly counting process, recording and transportation to the bank.
  5. Fringe benefit analysis to ensure appropriate allocation as defined in the Fringe Benefit Policy.
  6. Tax-related issues such as housing allowances claimed by pastors, accuracy of W-2 statements, and treatment of taxes from unrelated business.

### *Other*

- The audit committee shall review and update this charter as necessary. The Board of Directors must grant approval of any changes.

This charter approved by the Organization Board of Board of directors on \_\_\_\_\_

\_\_\_\_\_  
Name, Board President