

***Board of Directors of the John D. and Catherine T. MacArthur Foundation***

***CHARTER OF THE AUDIT COMMITTEE***

**Purpose, Responsibility, and Authority**

The by-laws of the Foundation establish a number of standing committees, including the Audit Committee. The primary responsibility of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and overseeing (i) the financial statements to be provided to the Board and others, (ii) the systems of internal controls which management and the Board have established, and (iii) the audit process. In that regard, the Committee will also have the authority and responsibility to:

- Be the communication link between independent accountants and the Board and keep the Board informed regarding material issues with respect to the financial information of the Foundation;
- Recommend to the Board the retention of independent accountants after review with management, review and approve any changes in the independent accountants, and determine whether and when the audit firm and/or the lead audit partner should be rotated;
- Review and approve the selection of the auditing firm for any other services to be provided to the Foundation;
- Review the reports on any internal management reviews authorized by the Committee or undertaken by management;
- Review and approve the scope and annual plan of the independent accountants;
- Consider and review with the independent accountants the adequacy of the Foundation's internal controls, including computerized information systems controls and security; any related significant findings and recommendations of the independent accountants, together with management's responses thereto; any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information; and any changes required in the planned scope of their audit plan;
- Meet independently with the accountants from time to time without management or staff present;
- Review with management and the independent accountants at the completion of the annual examination (a) the Foundation's annual financial statements and related footnotes, (b) the independent accountants' audit of the financial statements and its report thereon, (c) any significant changes required in the independent accountants' audit plan, (d) any difficulties or disputes with management encountered during the course of the audit, and (e) other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards;
- Recommend to the Board acceptance, rejection, or other action with respect to the annual audit or examination;
- Review with General Counsel or outside counsel as appropriate legal and regulatory matters as applicable that may have a material impact on the financial statements, including pending or threatened litigation and compliance with policies and programs;

- Review and ensure compliance with any applicable codes of conduct, including review, on an annual basis, of compliance with applicable conflict of interest policies; and
- Receive annually a report (which may be oral) from the Chief Information Officer regarding (i) the status of the Foundation's efforts to ensure the protection and security of its digital information; (ii) the Foundation's processes and mechanisms (in general terms) to protect against cyber-threats and intrusions; (iii) any material intrusions or cyber-attacks and the Foundation's response; and (iv) such other material matters relating to cyber-security or risks as may be appropriate in light of evolving threats and the Foundation's response.

### **Independence**

Audit Committee Members are expected to be independent. Whether a Committee member will be considered independent will be assessed initially at the time a director is proposed to be added to the Committee and annually thereafter. A member will not be considered independent if he/she has a relationship with other entities or the Foundation that would interfere with the exercise of independent judgment in carrying out his/her responsibilities as a member of the Audit Committee as determined by the Board. In addition, a member would not be considered independent if the director or a related party (*i.e.*, spouse, domestic partner, or children or parents living in the same household) fit any one of the following criteria:

- (1) Is currently employed by the Foundation or has been employed by the Foundation in any of the past three years;
- (2) Is a member of the Board or an executive officer of any organization to which the Foundation made grants in the current year or any of the preceding two fiscal years that exceed the greater of (i) 5% of the recipient's consolidated gross revenues for the applicable year or (ii) \$200,000 for such year. In calculating the amount of any grants, payments made under the matching gift program will not be included;
- (3) Is a partner in or a controlling shareholder or executive officer in an entity in which the Foundation made payment for property or services in the current year or any of the preceding two fiscal years that exceed the greater of (i) 5% of the recipient's consolidated gross revenues for the applicable year or (ii) \$200,000 for such year;
- (4) Is currently, or was at any time during the past three years, employed by another entity where, at the time of such employment, any of the executive officers of the Foundation served on the compensation committee of such other entity; or
- (5) Is a current partner or employee of the Foundation's outside auditors or was a partner or employee of the Foundation's outside auditors who worked on the Foundation's audit at any time during any of the past three years.

### **Membership**

The Committee shall consist of four or more directors appointed by the Board. The Committee may also invite directors to attend on an ex officio basis. All members will be financially literate. Being financially literate means the members shall have the capacity to contribute effectively to the achievement of the Committee's mandate. All members shall be entitled to be indemnified for their service on the Committee in accordance with the provisions of the resolution dated July 8, 1980.

**Meetings**

The Committee will meet as circumstances require, but at least twice each year. The Committee may meet by telephone or videoconference. A quorum for the meeting shall consist of three members. The Chair of the Committee as selected by the Board shall preside at the meeting. In the absence of the Chair, the Chair of the Board shall designate a director to serve as interim chair, which may be the Chair of the Board.

**Board Reports**

The Committee will report to the Board on a periodic basis on the results of its meetings. The Committee will keep written minutes of its meetings.