



**THE WILLIAM AND FLORA HEWLETT FOUNDATION  
AUDIT COMMITTEE CHARTER**

Adopted: September 14, 2018

**I. Purpose**

The Audit Committee (the “Committee”) shall assist the board of directors in its oversight responsibility relating to:

- financial and regulatory tax reporting, including ensuring the integrity of the foundation’s financial statements;
- the foundation’s financial control environment and monitoring compliance with legal and regulatory requirements; and
- evaluating the external auditor’s qualifications, independence, and performance.

The Committee will also be directly responsible for the appointment, compensation, oversight, and termination of the foundation’s independent auditor. The auditor will report to the Committee, which will receive and consider all required communications from the auditors and will act as the liaison of the board.

**II. Status**

The Committee is a permanent standing committee of the board, authorized in Section 6.4 of the foundation’s Amended and Restated Bylaws.

**III. Authority and Responsibilities**

The Committee shall perform the following duties:

**A. Auditor Selection, Retention, Compensation, and Independence**

- The Committee shall select and, if necessary, terminate the auditor, subject to the supervision of the board;
- The Committee shall negotiate the auditor’s compensation, subject to the supervision of the board;

- The Committee shall annually review outside auditor independence for compliance with legal standards and best practices by (1) considering the auditor's performance of any non-audit services and (2) obtaining and reviewing a report from the auditor describing any relationships between the auditor and the foundation, the provision of non-audit services, or any other relationships that may adversely affect the independence of the auditor (for example, if the foundation's Chief Financial Officer and Treasurer, Controller, or Director of Investment Accounting worked for the audit firm on the foundation's audit in the previous two years, the auditor will not be considered independent);
- The Committee shall review and, if appropriate, must approve in advance non-audit services to be provided to the foundation by the auditor; and
- Without regard to performance of the auditor, every seven years the Committee shall review the desirability of changing audit firms, and require, in any event, that the lead engagement partner be changed at least every seven years.

#### B. Financial Statements

- The Committee shall review and discuss the audited financial statements with management and the auditor, including:
  - the auditor's judgment as to the quality of the foundation's accounting principles and underlying estimates, including significant financial reporting issues or adjustments and judgments made regarding the preparation of the financial statements;
  - all critical accounting policies and practices used within the foundation and any discussions with management about those policies and practices;
  - any schedules of unadjusted differences from the audit;
  - the timeliness and quality of initial drafts of financial statements;
  - the continued appropriateness of accounting principles or practices and their consistency with nonprofit and foundation norms; and
  - management representation letters and other substantive correspondence between management and the auditor.
- The Committee must receive a certification of the President, the Chief Financial Officer and Treasurer, and the Vice President and Chief Investment Officer representing that they have reviewed the financial statements, that to their knowledge the financial statements do not contain any untrue statements or omit any material facts, and that the financial statements fairly represent the foundation's financial condition for the period covered.

- The Committee shall report to the board the completion of the review of the annual financial statements and any related significant discussion and make a recommendation on whether or not to accept the auditor's report.

#### C. Internal Controls

- The Committee shall periodically review the adequacy and effectiveness of the foundation's internal controls with the auditor and management, including any significant deficiencies in internal controls and significant changes in those controls reported to the Committee by the auditor or management.

#### D. Communications

- The Committee shall solicit the auditors on (1) any serious difficulties encountered in dealing with management affecting the performance of the audit and (2) any instance of fraud or illegal acts of which the independent auditors are aware.

#### E. Tax Compliance

- The Committee shall review procedures to assure compliance with tax law pertaining to the foundation's tax status, including payout requirements; and
- The Committee shall receive a statement by the President and the Chief Financial Officer and Treasurer to the effect that they have reviewed the Form 990-PF information return, that to their knowledge it does not contain any untrue statements or omit any material facts, that the financial information presented fairly represents the foundation's financial condition for the period covered, that it was filed with the IRS in a timely manner, and that the foundation is maintaining internal controls designed to ensure that material information related to the foundation's information return be made known to them.

#### F. Conflict of Interest Policies and Procedures

- The Committee shall annually review the foundation's conflict-of-interest policies and make recommendations to the board for change, if appropriate, and review procedures to assure compliance with the foundation's conflict-of-interest policies.

#### G. Whistleblower Process

- The Committee shall review and approve a formal confidential process that allows employees to report any inappropriateness within the foundation's financial management and that prevents retaliation against employees or others for those reports.

#### **IV. Membership**

The board shall appoint the membership of the Committee, who must comprise at least three members of the board and may include nonvoting advisors (who may be directors or not). The chair of the board shall serve as an ex officio non-voting member of the Committee.

No voting member of the Committee may be an officer or employee of the foundation, or receive any consulting, advisory, or other compensatory fee from the foundation (other than for service as a member of the board), or have a material financial interest in any entity doing business with the foundation.

Members of the Committee should be able to read and understand relevant financial statements.

#### **V. Meetings**

The chair of the Committee shall preside at each meeting of the Committee and set the length of each meeting and the agenda of items to be addressed at each meeting. The chair of the Committee shall ensure that the agenda for each meeting is circulated in advance of the meeting.

The Committee shall meet at least twice a year at the times and places that the Committee determines. Meetings may be held in person or by conference telephone at the discretion of the chair of the Committee. The Committee shall maintain minutes or other records of its meetings and activities. The Committee shall, through its chair, report its decisions and actions to the board no later than the next regular board meeting. The Committee shall meet at least annually in executive session and regularly, in each case separately, with management and with the independent auditor.

The presence of a majority of the voting Committee members constitutes a quorum at each Committee meeting. Members are deemed present if (a) present in person, or (b) able to hear and communicate with the other members through telephonic or other means of communication. Each Committee member has one vote, and the majority vote of the quorum is the act of the Committee. Alternatively, the Committee may take action without a meeting in accordance with the provision for unanimous written consent of the foundation's Amended and Restated Bylaws.

#### **VI. Outside Advisors**

The Committee may retain separate legal counsel or other advisors at the foundation's expense as appropriate to assist it in the performance of its functions.