

## HEALTH CARE FOUNDATION OF GREATER KANSAS CITY

### AUDIT COMMITTEE CHARTER

The Bylaws of the Health Care Foundation of Greater Kansas City (HCF), Section 6.1.2 Audit Committee, state:

**6.1.2 Audit Committee.** There shall be an Audit Committee of the Board which shall consist of not less than three members of the Board, none of whom may be employed by, or be an officer of, the Corporation. The members of the Audit Committee shall be elected by the Board for terms of one year. The Board shall elect one of the members of the Audit Committee to serve as the Chair of the Audit Committee; provided, however, that no member of the Audit Committee shall serve more than two consecutive one-year terms as Chair of the Audit Committee. The Audit Committee shall recommend to the Board annually who shall be employed as the independent auditors of the Corporation, shall visit with such auditors, shall receive and review the annual audit and other reports of such auditors and shall perform such other duties as the Board may from time to time direct.

The following, upon approval by the Board of Directors, shall constitute the Charter of the Audit Committee, and is intended to provide the general scope of the work of the Audit Committee.

The Board and Audit Committee must continually assert that, and assess whether, the "Tone at the Top" embodies insistence on integrity and accuracy in financial reporting.

While the primary responsibility for financial and operational reporting, internal control and compliance with laws, regulations, and ethics rests with executive management of the Health Care Foundation of Greater Kansas City (HCF), the Board of Directors has oversight responsibilities in these areas. The Audit Committee is a standing committee of the Board, established to assist the Board in meeting their statutory and fiduciary oversight responsibilities.

This Charter of the Committee, which is approved by the Board of Directors, constitutes a statement of the Committee's authority, structure, and responsibilities. It provides guidelines for the Committee's interactions with the Board, management and Independent Auditors.

#### Authority

The Bylaws generally provide that the Committee shall oversee such audits and examinations of the records and affairs of HCF, as they deem necessary. Subject to the prior approval of the Board, the Audit committee has the authority to engage auditors and initiate investigations appropriate to fulfilling its responsibilities. The

Audit Committee has unrestricted access to the documents and personnel of HCF and unrestricted access to the independent auditors. Subject to the prior approval of the Board, the Audit Committee has the authority to retain, at HCF's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

### Composition

The Audit Committee shall consist of three or more Directors, elected by the Board, who have no relationship to HCF that may interfere with the exercise of their independence from management and HCF. Members of the Committee shall have a working familiarity with fundamental finance and accounting practices.

The Board shall elect the Audit Committee Chair, who shall have adequate accounting or related financial management experience and be financially literate.

### Meetings

The Committee shall meet at least two times annually, or more frequently as circumstances dictate.

The Committee shall regularly submit approved minutes of their meetings to the Board.

### Responsibilities

The Committee shall assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- monitor the integrity of HCF's financial accounting process and systems of internal controls regarding finance, accounting, grants, and use of assets;
- monitor HCF's compliance with laws, regulations, and ethics policies **including conducting investigation as necessary to assure compliance with laws and regulations.**
- provide oversight of HCF's ***Fraud Control & Whistle-Blower Policy*** which is intended to provide parameters, definition, procedures and protection to those involved in the discovery and or subsequent reporting of violations of the organization's ethical, fraud control, or conflict of interest policies.
- monitor the independence and performance of HCF's independent auditors, and;
- provide an open avenue of communication among the independent auditors, management, and the Board of Directors.

While the Audit Committee has the responsibilities set forth in its charter, it is not the responsibility of the Committee to prepare financial statements or to determine

that they are complete and accurate, in accordance with generally accepted accounting principles (GAAP), or other regulations. This is the responsibility of management. It is also not the Audit Committee's responsibility to plan or conduct an audit of the year-end financial statements. This is the responsibility of the independent auditor.

Specific responsibilities of the Audit Committee include the following:

- The Audit Committee and the Board of Directors are directly responsible for the appointment, retention, compensation, and oversight of the independent auditor. The Audit Committee shall review the independence, qualifications, and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors and approve any discharge of auditors when circumstances warrant.
- On an annual basis, the Committee shall obtain from the independent auditors communication delineating all relationships and professional services, if any, between the auditors and HCF. In addition, the Committee shall actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and take, or recommend the Board take, appropriate action to ensure the independence of the auditor.
- Review and approve the independent auditor's audit plan, general audit approach and scope, engagement letter, and fees, including preparation of tax returns.
- In consultation with management and the independent auditors, consider the integrity of HCF's financial accounting system and controls. The Audit Committee shall discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures including an annual review of HCF's Fraud Control and Whistle-Blower Policy.
- Review the annual audited financial statements prior to their distribution. This review shall include discussion with management and independent auditors of significant issues regarding accounting principles, practices, transparency of financial reporting, and judgments as well as the independent auditor's judgments about the quality—not just the acceptability—of HCF's accounting principles used in financial reporting. The Audit Committee shall discuss with the independent auditors certain matters required to be communicated to audit committees in accordance with generally accepted auditing standards.
- On a timely basis, the Audit Committee will discuss with the independent auditor and management:

- all major issues regarding financial reporting and presentation, including all significant changes in accounting policies and practices, if any, since the last reporting period;
- alternative GAAP discussed with management, and the alternative preferred by the independent auditor;
- any disagreements between management and the independent auditors; and
- other material written communications with management, such as the management letter, any adjusting entries, recorded or waived, changes in formats or footnote disclosures, and related matters.

### General

- Review the IRS Form 990 prior to its submission to IRS.
- At least annually, receive a report, which may be oral, (generally, as part of the review of the annual financial statements) from HCF's general counsel regarding legal and regulatory matters that may have a material impact on financial statements.
- On an annual basis, discuss with management if HCF is in compliance with pertinent laws and regulations and HCF's related policies and procedures. This discussion should include consideration of the controls surrounding employee conflict of interest and fraud as well as HCF's Ethics Policy.
- Discuss with management any correspondence with regulators or governmental agencies, as well as any employee complaints or published reports or other correspondence that raise material issues related to the financial statements or HCF's accounting, internal controls, or auditing matters. The Audit committee will discuss these findings, and the resolution of any issues identified, with the independent auditor.
- Review the results of compliance audits or examinations performed for, or conducted by, governmental or other outside authorities.
- The Audit Committee shall meet at least annually with management and the independent auditors, and separately with the independent auditors to discuss any matters that the Committee or each of these groups believes should be discussed. The discussion with the independent auditors should include consideration of the quality of HCF's financial and accounting personnel, as well as other issues having an impact on internal accounting controls or financial records, and whether any restrictions have been placed on the scope of their examination. The Audit Committee may meet in Executive Session, consistent with the Missouri Sunshine Law, or other state laws.

- The Audit Committee will pre-approve the hiring of employees or former employees of the independent auditor, and will pre-approve all non-audit services of the independent auditor.
- On an annual basis the Audit Committee will discuss with management and the independent auditors any significant issues or risks related to HCF's critical information systems (hardware and software) including the security of data critical to HCF's operations or financial reporting.
- Periodically perform a self-assessment of Audit Committee performance.
- Provide an annual disclosure that the Audit Committee's responsibilities were fulfilled under its Charter during the last year.
- Assess the adequacy of this Charter on an annual basis, or as often as conditions warrant.
- Perform any other activities consistent with this Charter and HCF's Bylaws, as the Committee or the Board deems necessary or appropriate.