

Natural Heritage Trust
Audit Committee Charter

Purpose

Pursuant to Article VI Section 1 of the Trust's bylaws, the purpose of the Audit Committee (Committee) shall be to:

- Ensure that the Trust Board fulfills its responsibility to provide oversight over the Trust's internal and external audit processes, financial reporting process and the system of risk assessment and internal controls over financial reporting;
- To provide an avenue of communication between management, the independent auditors, and the Board.

Powers of the Audit Committee

It shall be the responsibility of the Committee to:

- Provide for the appointment, compensation, and oversight of the work of any public accounting firm employed by the Trust;
- Conduct or authorize investigations into any matters within its scope of responsibility;
- Seek any information it requires from Trust employees, all of whom are hereby directed by the Board to cooperate with Committee requests;
- Meet with Trust staff, independent auditors or outside counsel, experts and other advisors as necessary.

The Trust's Board will ensure that the Committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The Committee shall be comprised of at least three independent members, who shall constitute a majority on the Committee. The members shall be employees of state agencies who are appointed and/or designated by the Board of Directors. The Committee members shall serve at the discretion of the Trust's Board of Directors. The members shall serve until their resignation, retirement, removal by the Board or until their successors shall be appointed and qualified.

Committee members shall be prohibited from being an employee of the Trust or an immediate family member of an employee of the Trust. In addition, Committee members shall not engage in any private business transactions with the Trust or receive any compensation from any private entity that has material business relationships with the Trust, or be an immediate family member of an individual that engages in private business transactions with the Trust or receives compensation from an entity that has material business relationships with the Trust.

All members on the Committee shall possess the necessary skills to understand the duties and functions of the audit committee.

Meetings

The Committee will meet as reasonably necessary in order to fulfill the obligations and duties outlined in this charter. Committee Members are expected to attend each Committee meeting, in person or via telephone or videoconference. Meetings shall be convened by the Chair of the Committee or at the request of the Trust's Executive Director.

The Committee may invite other individuals, such as members of management, auditors, or other technical experts to attend meetings and provide other pertinent information, as necessary.

The Committee will meet with the Trust's independent auditor at least annually to discuss the financial statements of the Trust.

Meeting agendas and supplemental materials will be prepared for every meeting and provided to the Committee members in advance of the scheduled meeting. The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings are to be recorded.

Responsibilities

The Committee shall have responsibilities related to a) the Trust's independent audit and annual financial statements; b) oversight of management's internal controls, compliance and risk assessment practices; c) special investigations and whistleblower policies; and d) other issues related to the financial practices of the Trust.

A. Independent Auditors and Financial Statements

The Committee shall:

- Provide for the appointment, compensation, and oversight of the independent auditors retained by the Trust and pre-approve all audit services provided by the independent auditor;

- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Trust's independent auditor shall be prohibited from providing non-audit services during the audit unless having received approval from the Committee. Non-audit services include tasks that directly support the Trust's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Trust, financial information system design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions;
- Review and approve the Trust's audited financial statements, associated management letter and report on internal controls;
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- Meet with the independent audit firm, if necessary, to discuss any significant issues that may have surfaced during the course of the audit;
- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess management's follow-up activities pertaining to the same.

B. Internal Controls, Compliance and Risk Assessment

The Committee shall review management's assessment of the effectiveness of the Trust's internal controls and review the report on internal controls by the independent auditor as part of the financial audit engagement.

C. Special Investigations

The Committee shall:

- Ensure that the Trust has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by directors, officers, or employees of the Trust or any persons having business dealings with Trust or breaches of internal control;
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body;

- Request and oversee any special investigations, and/or refer specific issues to the appropriate body for further investigation, as necessary;
- Serve as a point of contact with the Inspector General.

D. Other Responsibilities of the Audit Committee

The Committee shall:

- Obtain information and training needed to enhance the Committee members' understanding of the role of internal reviews and the independent auditor, risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes;
- Develop and recommend other policies or documents and/or modifications related to the audit process and financial practices of the Trust.