



ALBUQUERQUE
COMMUNITY
FOUNDATION

leadership • trust • legacy

MEMO

To: Board of Trustees
From: Michelle Dearholt, Audit and Risk Management Committee Chair
Date: December 7, 2022
Re: Audit and Risk Management Committee and Finance Committee Charter Revisions

Serving as Committee Chair for Audit and Risk Management (“ARM”) this year, I have observed some potential concerns with the oversight and responsibilities of the Committee, which I raised with the Executive Committee and staff leadership in October. After some discussion, to include the Finance Committee Chair, we are recommending changes to both the ARM Committee and Finance Committee charters.

The first major change to the ARM charter is to update the composition of the committee open only to Trustees. As part of the committee’s responsibilities revolve around conflicts of interest or “whistle blower” complaints we feel it is inappropriate to have non-Trustees reviewing these sensitive internal issues.

The second major change to both charters involves moving responsibilities for reviewing the Foundation’s audit to the Finance Committee from the ARM Committee. This is based on several factors to include the natural alignment of finance to the audit, and controls within to ensure financial safety and soundness. The Finance Committee is well positioned with expertise for this type of review. As the ARM Committee will be limited to only Trustees it will make it harder to ensure there is sufficient expertise on the committee to review the audit, and further and likely more advantageous is the opportunity for the committee to ensure risk mitigation more broadly for ACF. As part of this change the Audit and Risk Management Committee will be renamed the Risk Management Committee.

Lastly, we are suggesting that the Foundation’s Finance Committee Chair serve as an ex-officio member of the Risk Management Committee and the Risk Management Committee Chair shall serve as an ex-officio member of the Finance Committee. These changes are proposed to allow these members to attend committee meetings and share information without affecting quorum criteria.

There are additional small proposed changes to both charters which came up as they were being reviewed and will be revised.



ALBUQUERQUE
COMMUNITY FOUNDATION

leadership • trust • legacy

FINANCE COMMITTEE CHARTER

Staff Liaison

CFQ Finance Director

Responsibilities

Mission:

The Finance Committee (the “Committee”) of the Board of Trustees (the “Board”) shall assist and advise the Board by fulfilling its oversight responsibilities for the Foundation’s financial reporting, internal controls, performance of external auditors and overseeing the integrity of the Foundation’s financial accounting process and systems of internal controls regarding finance, accounting and use of assets.

~~The role of the Finance Committee encompasses overseeing the integrity of the Foundation’s financial accounting process and systems of internal controls regarding finance, accounting and use of assets.~~

Composition:

Diversity, equity and inclusion are core to the successes of the Foundation’s internal operations and to its external impact and engagement in the community. The Finance Committee will reflect this core value and seek members who have financial or accounting expertise, and who represent our diverse community in an equitable way.

The Finance Committee will have between six and eight members appointed by the Chair of the Board with one member selected by the Chair of the Board as the Committee Chair. Members will have terms of three years, and may serve a maximum of three terms (initial terms may be staggered following adoption). The Committee composition will include at least three Trustees, one of whom will be the Treasurer of the Board, with the remaining members from the community, each of whom shall be financially literate, with some accounting or financial management expertise. The Risk Management Committee Chair shall be an ex-officio member of this committee. If a member is unable to complete her or his term, the Chair of the Board of Trustees will appoint a successor to complete the term.

Meetings:

The Finance Committee will meet at least quarterly. At least annually, the Committee shall meet separately, without Foundation management, in executive session with the external auditors, and shall seek comments regarding management support of the audit function, quality of the Foundation's records and other areas of concern.

Duties:

- Reviews financial reports prepared by the CFO on a quarterly basis. Works with staff to design financial reports and ensure reports are accurate and timely;
- Reviews the proposed annual operating budget prepared by staff and recommends the proposed budget to the Board for approval;
- Reviews operating budget to actual on a quarterly basis;
- Reviews and approves the annual Form 990 and 990T tax returns, along with other related forms, and distributes the Form 990 and 990T to the Board in advance of filing with the IRS;
- Reviews and recommends for approval fiscal policies;
- Reports to the Board any financial irregularities, concerns, opportunities;
- Recommends financial guidelines to the Board;
- Advises the President and CEO and other appropriate staff on financial priorities and information systems, depending on committee member expertise;
- Monitors compliance with financial reporting and IRS Regulations.

With regard to the selection and retention of external auditors, the Committee shall:

- Be responsible for the selection and reappointment of the external auditors, which external auditors are accountable to the Finance Committee;
- Approve the compensation of the external auditors and pre-approve any non-auditing services provided by the external auditors. The Committee may delegate pre-approval to the Chair of the Committee subject to review by the Committee at its next meeting. The performance of and compensation for such non-audit services shall be disclosed in the Foundation's annual audit;
- Review oversight of the performance of the external auditor and, where appropriate, consider rotation or replacement of the Auditor;
- Obtain annually from the external auditor, a formal written statement describing all relationships between the auditors and the Foundation. The Committee shall investigate any relationships that may impact the objectivity and independence of the auditor and shall take appropriate actions to ensure the auditor's independence, including replacement, where appropriate;

With regard to the annual audit, the Committee shall, through and in conjunction with the external auditor:

- Review internal control policies and procedures;
- Review management's efforts at communicating the importance of internal controls;

- Evaluate the external auditors' review of computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a serious breakdown;
- Evaluate the extent to which internal control recommendations made by external auditors have been implemented by management;
- Obtain the external auditor's report with regard to any fraud, illegal acts, deficiencies in internal controls, and other audit-related matters;
- Review the annual audit before its release and consider whether the information is accurate, complete, and consistent with member's knowledge about the Foundation and its operations and reflects appropriate and ethical accounting principles;
- Review the findings of any significant examinations by regulatory agencies such as the U.S. Internal Revenue Service and the New Mexico Taxation and Revenue Department.

Updated December 13, 2022



~~Audit and~~ Risk Management Committee Charter

Staff Liaison

~~Nick Williams~~CFO

Responsibilities

Mission:

The ~~Audit and~~ Risk Management Committee (the “Committee”) of the Board of Trustees (the “Board”) shall assist and advise the Board in fulfilling its oversight responsibilities for the Foundation’s ~~financial reporting, internal controls,~~ risk management, ~~performance of external auditors~~ and compliance with laws and regulations under which the Foundation operates. The Committee shall oversee the ~~selection and retention of External Auditors, the annual Audit and~~ the Foundation’s risk management policies and practices. The Committee will report regularly to the Board.

Composition:

The Committee shall consist of at least ~~three~~five members. ~~One or more of the members shall possess financial expertise, including, but not limited to, an understanding of generally accepted accounting principles, financial statements, internal controls and audit functions. S~~This Committee shall only be comprised of sitting Trustees of the Foundation must comprise a simple majority of the membership of the Committee. The Foundation’s ~~Treasurer Finance~~ Committee Chair shall be an ex-officio member of the Committee ~~but shall not serve as Chair of the Committee.~~

Meetings:

The Committee shall meet as needed throughout the year concerning ~~Audit and~~ Risk Management Committee issues. ~~At least annually, the Committee shall meet separately, without Foundation management, in executive session with the external auditors, and shall seek comments regarding management support of the audit function, quality of the Foundation’s records and other areas of concern.~~

Roles, Responsibilities and Guidelines:

~~With regard to the Selection and Retention of External Auditors, the Committee shall:~~

- ~~• Be responsible for the selection and reappointment of the external auditors, which external auditors are accountable to the Audit and Risk Management Committee;~~

- ~~• Approve the compensation of the External Auditors and pre-approve any non-auditing services provided by the External Auditors. The Committee may delegate pre-approval to the Chair of the Committee subject to review by the Committee at its next meeting. The performance of and compensation for such non-audit services shall be disclosed in the Foundation's annual audit;~~
- ~~• Provide oversight of the performance of the External Auditor and, where appropriate, consider rotation or replacement of the Auditor.~~
- ~~• Obtain annually from the External Auditor, a formal written statement describing all relationships between the auditors and the Foundation. The Committee shall investigate any relationships that may impact the objectivity and independence of the auditor and shall take appropriate actions to ensure the auditor's independence, including replacement, where appropriate.~~

With regard to Risk Management, the Committee shall, through or in conjunction with the President and CEO of the Foundation, the ~~Treasurer~~ Finance Committee Chair and other staff as appropriate:

- Review, at least annually, in consultation with the Foundation's insurance consultant, the Foundation's insurance coverage, including the Directors' and Officers' Legal Liability policy and other coverages required to mitigate the Foundation's financial exposure;
- Review the Foundation's various policies as they relate to auto safety, crisis management, hiring practices, discrimination based on race, gender, age and sexual orientation and to sexual harassment;
- Review the status of any lawsuits or other pending legal matters in which the Foundation is involved, including representation therein and legal fees and costs expended.

Other Duties

The ~~Audit and~~ Risk Management Committee will:

- Review and revise or establish, as appropriate, "whistleblower" procedures to receive, investigate and take appropriate action in response to submissions, including confidential anonymous submissions by employees of the Foundation regarding questionable accounting, auditing or other activities;
- Review and revise, as appropriate, the Foundation's Code of Conduct and Conflict of Interest Policy and ensure that all Foundation Board of Trustee members annually sign a Code of Conduct and Conflict of Interest statement;
- ~~• Review, in consultation with the Foundation's management and external auditor, the Foundation's document retention and destruction policy as it relates to both financial records and student records;~~
- Review and assess the Committee's Charter regularly and recommend any proposed changes to the Board of Trustees for approval.

With regard to the Annual Audit, the Committee shall, through or in conjunction with the External Auditor:

- ~~Review internal control policies and procedures;~~
- ~~Review management's efforts at setting the appropriate tone in communicating the importance of internal control;~~
- ~~Evaluate the external auditors' review of computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a serious breakdown;~~
- ~~Evaluate the extent to which internal control recommendations made by external auditors have been implemented by management;~~
- ~~Obtain the external auditor's report with regard to any fraud, illegal acts, deficiencies in internal controls, and other audit-related matters;~~
- ~~Review the annual audit before its release and consider whether the information is accurate, complete, and consistent with member's knowledge about the Foundation and its operations and reflects appropriate and ethical accounting principles;~~
- ~~Review the findings of any significant examinations by regulatory agencies such as the U.S. Internal Revenue Service and the New Mexico Taxation and Revenue Department.~~

Updated December 13, 2022