

Sierra Club Foundation
Financial Audit and Tax Policy
Approved August 22, 2016

I. Responsibilities of the Audit Committee

The Audit Committee is responsible for the following tasks:

- a. Assuring that annual financial statements (prepared in accordance with using Generally Accepted Accounting Principles) are audited by an independent certified public accountant in conformity with Generally Accepted Auditing Standards.
- b. Recommending the retention and termination of the independent auditor to the Board of Directors.
- c. Negotiating the auditor's compensation on behalf of the Board of Directors.
- d. Meeting with the auditors in advance of fieldwork to discuss their work plan and provide input on any areas of concern.
- e. Meeting with the auditors after completion of the audit to discuss results and to satisfy the Committee that the annual audit process was sound and that the financial affairs of the corporation are in order. This includes seeking specific feedback on the effectiveness of the organization's internal control environment.
- f. Recommending acceptance of the audit to the Board of Directors based on its review.
- g. Recommending and approving the performance of any non-audit services done by the audit firm to the Board of Directors and assuring that those services conform with standards for auditor independence.
- h. Assuring that the audited financial statements are made available for inspection by the California Attorney General and to members of the General Public.
- i. Monitoring adherence to all audit guidelines.
- j. Meeting with the Foundation's tax consultant prior to the filing of the Form 990 and other related Federal and state tax returns to review the information presented on the returns and to satisfy the Committee regarding the accuracy of that information and the soundness of the tax preparation process.
- k. Recommending approval of the Form 990 and other related Federal and state tax returns to the Board of Directors based on its review.
- l. Assuring that the Form 1023, Form 990 and 990T are made available to each member of the Board of Directors and to members of the General Public as soon they are filed.

II. Audit Committee Independence

In order to ensure that Audit Committee members are making informed and objective judgments in their oversight of the financial audit function, the following requirements must be met:

- a. No paid consultants shall be members of the Committee nor shall any members receive compensation for their services on the Committee.
- b. No Foundation staff members (including the Executive Director and the Director of Finance) shall be members of the Committee.
- c. No Committee member shall have a material financial interest in any entity doing business with the Foundation. A conflict of interest statement should be signed by all Committee members indicating this fact.
- d. At least one finance/accounting expert should be a member of the Committee.
- e. Members of the Audit Committee may include persons who are not members of the Board of Directors.
- f. Members of the Foundation's Finance Committee shall constitute less than one-half of the membership of the Audit Committee. In addition, the Chairperson of the Audit Committee may not be a member of the Finance Committee.

III. Financial Auditor Independence

Financial auditor independence is essential to help ensure that the auditors make objective judgments in the evaluation of internal controls and in all other aspects of their work. In order to maintain that independence, the following requirements must be met.

- a. The financial auditor must demonstrate its conformance with standards for auditor independence for any non-audit services performed for the Foundation.
- b. The audit partner must be rotated or the firm changed at least every 10 years.