

WHITMAN COLLEGE
AUDIT COMMITTEE CHARTER

1. PURPOSE

The Audit Committee (the "Committee") of Whitman College (the "College") shall assist the of the Board of Trustees (the "Trustees") of the College with respect to the Trustees' oversight of (a) the quality and integrity of the College's financial statements, (b) compliance by the College with legal and regulatory requirements, and (c) the independence and performance of the College's internal and external audit functions.

II. STRUCTURE AND OPERATIONS

A. Composition and Qualifications. The Committee shall consist of not less than five persons. The members may, but need not, all be members of the Trustees or the Board of Overseers ("Overseers"). The Committee will include at least three Trustees and two Overseers. A majority of the members of the Committee shall have accounting or related financial management expertise. The Chair of the Trustees and the Treasurer of the College shall be non-voting *ex-officio* members of the Committee. A person shall not serve on the Committee if he or she is a paid employee of the College.

B. Appointment and Removal. Members of the Committee shall be appointed by the Chair of the Trustees, with the concurrence of a majority of the Trustees after consultation with the Chair of the Overseers. Any member of the Committee may be removed, with or without cause, by a majority vote of the Trustees after consultation with the Chair of the Overseers.

C. Terms of Appointment. Members of the Committee shall serve terms of four years each, with a maximum of three consecutive terms. The terms shall be staggered. In unusual circumstances, the Trustees may extend the term of one or more members of the Committee beyond the limitations set forth in this provision.

D. Chair. The Chair and Vice Chair of the Committee shall be designated by the Chair of the Trustees after consultation with the Chair of the Overseers. The Chair of the Committee shall set the agendas for, and chair, Committee meetings.

III. MEETINGS

A. Required Meetings. The Committee shall meet at least once annually, or more frequently as circumstances dictate. At a minimum, the Committee should meet with the independent auditors and management annually to review the College's financial statements in a manner consistent with Section IV of this Charter.

B. Invitees. The Committee may invite to its meetings any Trustee, any manager of the College, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

IV. AUTHORITY AND DUTIES

A. Introduction. The following functions represent the continuing responsibilities of the Committee. Consistent with Section I of this Charter, the Committee may undertake additional activities and adopt additional policies and procedures as may be appropriate in light of changing economic, legislative, regulatory, legal or other conditions.

B. Authority. When acting within the scope of its stated purpose as set forth in Section I of this Charter, the Committee shall have authority to review, investigate and make recommendations to the Trustees. Upon its request, the Committee shall be given full access to the College's internal accounting staff, managers, other staff and independent auditors, as well as the Trustees, in order to carry out its duties. In discharging its oversight role, the Committee is empowered to study or investigate any matter of interest or concern which the Committee in its reasonable discretion deems appropriate for study or investigation.

C. Limits of Committee's Responsibility. Notwithstanding the Committee's authority and its various duties outlined below relating to oversight of the College's auditing process and financial statements, the Committee is not responsible for guaranteeing either the auditors' report or the legal and regulatory compliance of the College.

D. Duties.

1. Documents/Reports Review

a. Review with management and the independent auditors the College's annual audited financial statements.

b. Review the College's IRS Form 990 with management annually; periodically review with independent tax advisor as requested by the Committee.

c. Perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the College's Constitution or by-laws or the resolutions or other directives of the Trustees.

2. Independent Auditors

a. Retain or terminate the independent auditors and approve all audit engagement fees and terms. Approval of the fees and terms of the audit engagement should include a determination that no aspect of the engagement would be considered self-dealing.

b. Approve in advance any other significant (the greater of \$10,000 or 10% of the annual audit engagement fee) audit or non-audit engagement or relationship between the College and the independent auditors. Particular attention should be paid by the Committee to whether the terms of any agreement are fair and whether the proposed engagement or relationship would be inconsistent with the auditors' responsibility to perform an annual independent financial audit.

c. Review, at least annually, the qualifications, performance and independence of the independent auditors. In conducting this review, the Committee may consider any of the following:

(1) The firm's internal quality-control procedures;

(2) Any material issues raised in the most recent internal quality-control review, or peer review, of the firm, or by any other source;

(3) All relationships between the auditors and the College;

(4) Whether rotation of the lead audit partner or the audit partner responsible for reviewing the audit is appropriate or desirable;

(5) Whether the lead audit partner or the audit partner responsible for reviewing the audit has performed any non-audit services for the College in the last five years;

(6) The opinions of management and the College's internal accounting staff.

d. In conducting this review, the Committee shall not consider any charitable contributions made by the auditing firm or any individual associated with the auditing firm, or any plans the College may have to solicit charitable contributions from the auditing firm or any individual associated with the auditing firm.

3. Financial Reporting Process.

a. In consultation with the independent auditors, management and the internal accounting staff, review the integrity of the College's financial reporting processes. The Committee should obtain and discuss with management and the independent auditors reports from management and the independent auditors regarding:

- (1) All critical accounting policies and practices to be used by the College;
- (2) The definition of materiality employed during the annual audit;
- (3) Analyses setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements;
- (4) Major issues regarding accounting principles and financial statement presentations, including any significant changes in the College's selection or application of accounting principles;
- (5) Major issues as to the adequacy of the College's internal controls and any specific audit steps adopted in light of material control deficiencies; and
- (6) Any other material written communications between the independent auditors and the College's management.

b. Review periodically the effect of regulatory and accounting initiatives on the financial statements of the College.

c. Review with the independent auditors:

- (1) Any audit problems or other difficulties encountered by the auditors in the course of the audit process, including any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management;
- (2) Management's responses to such matters;

(3) Any accounting adjustments that were noted or proposed by the auditors but were “passed” (as immaterial or otherwise);

(4) Any communications between the audit team and the audit firm’s national office respecting auditing or accounting issues presented by the engagement; and

(5) Any “management” or “internal control” letter issued, or proposed to be issued, by the independent auditors to the College.

e. Review and discuss with the independent auditors the responsibilities, budget and staffing of the College’s internal accounting function.

4. Legal Compliance/General

a. Review periodically, with the College’s counsel, any legal or regulatory matter that could have a significant impact on the College’s financial statements.

b. Discuss with management and the independent auditors the College’s guidelines, policies and management approach regarding risk assessment and risk management. The Committee’s primary concern should be the College’s major financial risk exposures and the steps management has taken to monitor and control such exposures.

c. Review periodically the procedures established for:

(1) The receipt, retention and treatment of complaints received by the College regarding accounting, internal accounting controls, or auditing matters, and

(2) The confidential, anonymous submission by employees of the College of concerns regarding questionable accounting or auditing matters.

5. Reports and Committee Records

a. Report regularly to the Trustees either orally or in writing:

(1) On any issues that arise with respect to the quality or integrity of the College’s financial statements, the College’s compliance with legal or regulatory requirements, the performance

and independence of the College's independent auditors or the performance of the internal accounting function; and

(2) On such other matters as are relevant to the Committee's discharge of its responsibilities.

b. Provide such recommendations to the Trustees and management as the Committee deems appropriate.

c. Maintain minutes or other records of meetings and activities of the Committee.

VI. ANNUAL EVALUATION OF THE CHARTER

The Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Trustees any improvements that the Committee considers necessary or valuable. The Committee shall conduct such reviews and reassessments in whatever manner it deems appropriate.

**APPROVED FEBRUARY 7, 2003
BY THE BOARD OF TRUSTEES
OF WHITMAN COLLEGE**

**AMENDED MAY 14, 2004
AMENDED MAY 12, 2006
AMENDED MAY 08, 2009**