I. Authority

The Audit Committee ("Committee") is established pursuant to Articles 17 and 20 of the By Laws of the Yale Corporation. The Committee is responsible for assuring that Yale’s organizational culture, capabilities, systems and processes are appropriate to protect the financial health and reputation of the University in audit-related areas. In particular, the Committee will review (1) the financial reporting processes, (2) the system of internal controls, (3) the audit process, and (4) the University’s processes for monitoring and ensuring good compliance with laws and regulations. The Committee will ensure the independence and performance of the University’s internal and external auditors. The Committee will also review whether appropriate corrective action is taken when deficiencies are identified.

II. Membership

The By-Laws provide that the Committee shall consist of not fewer than three members of the Corporation; they are nominated by the President in consultation with the Senior Fellow and elected by the Corporation. The By-Laws also provide that persons who are not members of the Corporation and who have audit experience may be appointed to the Audit Committee as members without vote. Such persons may be invited by the Corporation on nomination by the President and recommendation of the Committee.

Members of the Committee should be knowledgeable about financial management, and have an understanding of both internal controls and of Audit Committee functions. The Committee should include a member with requisite financial expertise which is a person who has the following attributes: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal control over financial reporting; and (v) an understanding of Audit Committee functions.

All members of the Committee must be independent. A member is not independent if he or she receives, or within three years has received, compensation for services rendered to the University or its external auditor either as an employee or as a consultant; has an immediate family member who is an employee of Yale or its external auditor; or is a substantial (more than 5%) owner, managing partner, director or executive employee of a company that does or has done business with the University in the past three years in an amount greater than 1% of the company’s gross revenues in such year (unless the Committee, in its judgment, has concluded that such connection would not impair the objectivity of the member on matters before the Committee).

III. Meetings

There will normally be four meetings annually of the Committee, three of which will occur in conjunction with regular Corporation sessions and one of which will occur off-cycle in October to be timely for review of the
financial statements. Additional sessions will be scheduled as needed. The regular schedule for meetings will be October (off-cycle), December, April and May (see Attachment 1 - Pro Forma Annual Agenda for the Audit Committee). There will be Executive Sessions held at the beginning of each Committee meeting as well as at the end. At the beginning of each meeting there will be an Executive Session and the Chair will take a few moments to brief the Committee on any particular issues that deserve their focused attention. At the end of each Committee meeting there will be separate Executive Sessions with (i) the Director of University Audit, and (ii) the Vice President for Finance and Administration and the Vice President and General Counsel either separately or together at the Chair’s discretion. The external auditor will be on call to meet with the Committee at each session, and will meet no less frequently than twice a year.

IV. Duties and Responsibilities

The Committee shall advise the Corporation in connection with the Corporation’s responsibilities relating to the quality and integrity of the University’s financial reporting, compliance with government rules, and overall systems of internal control and risk mitigation. The Committee will make regular reports to the Corporation of the Committee’s activities and salient issues; each member of the Committee may suggest topics for reporting to the Corporation.

A strong system of internal controls is essential to protect the financial health and reputation of the University. As such, the Committee is responsible for assuring that management is setting the appropriate tone in communicating the importance of internal controls, that roles and responsibilities are clearly understood and policies, procedures and systems are in place to maintain the appropriate internal control environment. Additionally, the Committee should determine whether internal control recommendations made by internal or external auditors have been implemented by management. Summaries of all internal audits will be provided to the Committee along with the status of corrective actions. The Committee will discuss with the President his review of all Officers’ and the Chief Investment Officer’s Conflict of Interest disclosures and will review the Conflict of Interest disclosure of both the President and the Director of Internal Audit.

The Committee will review the appointment and replacement of the Director of University Audit and will consult with management before any decision is made to terminate or significantly modify the responsibilities or compensation of the Director of University Audit. The Director of University Audit will report on a solid line to both the Vice President for Finance and Business Operations and the Chair of the Audit Committee. The Committee will review and ensure Yale has the appropriate structure, staffing and capability to effectively carry out its Internal Audit responsibilities. Annually, the Committee will review and approve the priorities and audit plan.

The Chair of the Committee will retain the University’s external auditor and sign the letter of engagement. At least as often as every seven years, the Committee will consider whether to undertake a Request for Proposals for external auditing services. The Committee will require partner rotations at least as often as every seven years. The Committee will recommend to the Corporation the termination or non-renewal of the relationship with the external auditor if deemed necessary and recommend a new external auditor in the event of a termination or non-renewal. Annually, the committee will review and approve the scope of external audit activities, approve the external audit fees (which will be negotiated by the Vice President for Finance and Business Operations), and confirm the external auditors’ independence. The Committee also will approve any engagement of the external auditors for non-audit related work.

The Committee shall review the University’s audited financial statements and external auditor’s management letter, annual OMB A-133 audit report, reports issued by University Auditing, summaries of the University’s annual tax returns, and other materials as deemed appropriate. The Committee will ascertain that the audited
financial statements have been prepared in accordance with generally accepted accounting procedures and that there are no unresolved adjustments or other significant related issues. The Committee will then approve the annual financial statements on behalf of the Corporation.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the University’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditor.

Adopted by the Audit Committee December 11, 2009.
Adopted by the Yale Corporation December 12, 2009.
Pro Forma Annual Agenda for the Audit Committee

Adopted by Yale Corporation Audit Committee, December 11, 2009

The Vice President for Finance and Business Operations shall be the Officer to work with the Corporation Audit Committee Chair in finalizing the Agenda as well as coordinating the preparation of material for the Audit Committee.

**Late October Meeting**

- Internal Audit’s report showing audit projects completed since June
- Review of draft audited financial statements for the preceding fiscal year (numbers and footnotes included, without Management Letter)
- Review of draft Annual Report
- Required Audit Committee communications from the external auditors
- Standing Update on Emerging Issues

**December Meeting**

- Internal Audit’s report showing audit projects completed since October
- Semi-Annual status update on significant open audit issues
- Review of Management Letter from the External Auditors A-133 report and any internal compliance issues identified as part of A-133 testing
- Update/Revision of Annual Work Plan
- Annual review of Conflict of Interest
- Review of Information Technology Issues (e.g. security, disaster recovery)
- Standing Update on Emerging Issues
- Summary of key issues in the industry

**April Meeting**

- Internal Audit’s report showing audit projects completed since December
- Reflection about scope of engagement for outside auditors for next year
- Building Construction Program Annual Report and results of construction audits
- Presentation of fees negotiated with External Auditors for the next fiscal year (The Vice President for Finance and Business Operations to do initial negotiations with the External Auditors, but with the Audit Committee finalizing the agreement.)
- Decision about renewal of external auditors for the next fiscal year and approval of fees
- Annual summary of the University’s annual tax return, both the Form 990 and the Form 990-T (which is for Unrelated Business Income Tax). The forms are to be provided to the Audit Committee in summary prior to filing.
- Annual review of “hot line” (with understanding that any serious infractions will be raised immediately during the course of the year with the Committee Chair)
- Update on Medical School-related issues, including relationships with affiliates, by Medical School CFO, including, but not limited to Medical Billing
• Standing Update on Emerging Issues

May Meeting

• ERM Update (Joint meeting with IPC)
• Approval of Internal Audit Work Plan for the next year
• Internal Audit’s report showing audit projects completed since April
• Semi-Annual status update on significant open audit issues
• Annual review of staffing levels of the internal audit department; the profile will indicate the years of experience of each auditor at Yale and his or her experience in the professional world.
• Focus on research-related matters including a new Research Administration Annual Report by Associate Vice President for Research on significant compliance issues Annual presentation by External Auditor on emerging trends in higher education

• Miscellaneous Oversight
• Standing Update on Emerging Issues
• Summary of key issues in the industry

Cycle for preparing Annual Agenda

During the summer, the Chair of the Audit Committee will work with the Vice President for Finance and Business Operations to develop a detailed draft of the Annual Agenda for the Committee’s work for the coming year for presentation, first to the President by late summer and then to the Corporation at its annual fall retreat.

Additional topics for regular review
Possible additional topics to be included as regular items on the annual agenda at the Committee’s discretion:

• More or different reporting about Medical School/Clinical practices
• Periodic review of how Yale is improving the internal control culture within the University
• Insurance issues
• IT Security & Disaster Recovery