

**PRESBYTERIAN CHURCH (U.S.A.), A CORPORATION**  
**AUDIT, LEGAL, AND RISK MANAGEMENT COMMITTEE**  
**CHARTER**

The Audit, Legal, and Risk Management Committee (“ALR Committee”) is composed of five Directors who are elected by the Board. The Chair or Co-Chairs of the Board is/are an ex-officio member of the Committee with vote.

The ALR Committee provides fiduciary oversight of the Corporation’s finance, legal, risk management, and reporting practices. It seeks to ensure that the Corporation has, and adheres to, appropriate internal controls; appropriate legal and compliance processes; appropriate risk management processes and insurance coverage; appropriate organizational risk assessment; and appropriate protections for organizational integrity (such as conflicts of interest and whistleblower policies). Among the specific areas of the ALR Committee’s oversight are the following:

**INDEPENDENT AUDITORS**

- Recommending for Board approval the selection and appointment of the independent auditors and reviewing and recommending to the Board any proposed discharge of the independent auditors;
- Receiving reports from the independent auditors who report directly to the ALR Committee;
- Confirming that no employee of the Corporation has been employed by the external audit firm as a professional staff member and associated with the Corporation's audit engagement within two (2) years of selection of said firm;
- Reviewing the scope and plan of the external audit, independence of the external auditors, and the proposed audit fees;
- Reviewing the performance of the independent auditors;
- Reviewing the audit report and management letter issued by the independent auditors;
- Reviewing the results of the audit, the report of the independent auditors, and any significant suggestions for alternative accounting treatment and/or improvement provided to management by the auditors;
- Reviewing and resolving any significant disagreement between management and the independent auditors in connection with the preparation of the year-end financial statements;
- Reviewing the need to rotate the partner in charge of the audit every 5 years;
- Reviewing the need to rotate external audit firms at least every ten years based on an annual evaluation of the audit firm's performance; and
- Confirming that the Independent auditing firm does not provide any non-audit services concurrent with auditing services without pre-approval from the ALR Committee for other services.

**REPORTS AND DISCLOSURES**

- Reviewing the financial information of the Corporation provided to the Presbyterian Mission Agency Board and General Assembly;
- Reviewing the independent auditors’ report especially with respect to alternate accounting treatments and treatments preferred by the independent auditors; and
- Reviewing with the independent auditors the effect of regulatory and accounting initiatives as well as any off-balance sheet structures.

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## **INTERNAL CONTROLS**

- Monitoring and overseeing the effectiveness and completeness of the internal control environment, developing policies and procedures as needed;
- Assessing management's and internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting, intrusion and cybersecurity, and risk management (including information technology risk management);
- Reviewing management's response to reported weaknesses in internal operating and financial controls, management information and information technology systems, and asset protection;
- Monitoring proposed remedial actions in response to reported weaknesses, including employee training and business continuity plans;
- On an annual basis, presenting the Corrective Action Plan to the Board;
- Direct access to the Internal and External Auditors;
- Overseeing the key financial reporting risk areas and the system of internal control, monitored through internal auditing;
- Consulting with independent auditors regarding the adequacy of internal controls;
- Reviewing annually management's representation letter to the external auditors; and
- Meeting separately on a periodic basis with management, the independent external auditors, and the internal auditors.

## **ACCOUNTING PRACTICES**

- Considering any major changes and questions of choice regarding accounting principles and practices to be used in the preparation of the financial statements when presented by the independent auditors or management.

## **LEGAL AND COMPLIANCE ISSUES**

- Reviewing management's monitoring of compliance with legal and accounting standards, ensuring any waivers are appropriately approved;
- Reviewing the Corporation's organizational risks with management and ensuring appropriate policies and procedures as well as manuals are approved; that employees are trained regarding these policies and procedures; and ensuring compliance with these policies and procedures;
- Receiving reports from the General Counsel regarding claims, demands, lawsuits, and permanent judicial actions in which the Corporation is named or should be named as a defendant or a plaintiff and making recommendations to the Board regarding settlement of claims, demands, lawsuits, and permanent judicial actions;
- Assisting the General Counsel in conflicts of interest resolutions and attorney-client privilege issues;
- Serving as a liaison with equivalent committees of other PCUSA agencies or organizations on legal, accounting, and risk management issues;
- Reviewing and making recommendations to the Board regarding any delegation of the Corporation's authority to an "other body" as provided in the Corporation's bylaws;
- In concert with the Nominating, Governance, and Personnel Committee, reviewing and making recommendations for changes to the Corporation's governance structures, documentation, and policies;

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- Reviewing and making recommendations concerning the purchase, sale, or lease of property, as well as amendments to the Real Estate Policy;
- In limited circumstances and in consultation with the General Counsel, recommending that the Board engage outside counsel when the Board determines: (1) outside counsel should investigate the conduct or misconduct of executive-level employees; or (2) outside counsel should investigate serious violations of the Corporation's policies by executive-level employees or any employee where Legal Services has a conflict in conducting such an investigation; or (3) outside counsel should investigate and/or advise the General Counsel on matters related to employee fraud. Each engagement will include an engagement letter setting forth expectations, a legal budget from the firm, and regular privileged progress reports from the firm to properly manage the firms' work, otherwise engaging and managing outside counsel is the responsibility of the General Counsel; and
- Reviewing the adequacy of Record Retention Schedules.

### **RISK MANAGEMENT**

- Reviewing all forms of risk to the Corporation, including strategic, reputational, compliance, personnel, technology (cybersecurity, business continuity), and other operational risks, and ensuring that the Corporation pursues appropriate policies, processes, and control systems to mitigate such risks;
- Recommending to the Board an appropriate risk management system that identifies, measures, monitors, reports, and controls risks;
- Monitoring management's assessment of emerging risk through periodic risk assessment reviews developed by management;
- Reviewing the adequacy of the Corporation's insurance program with the designated internal officer of the Corporation serving as its insurance risk manager and recommending approval or adjustments to such program; and
- Reviewing the Corporation's use of the Self-Insurance Fund and making recommendations to the Corporation's internal insurance risk manager.

### **REPORTS TO THE BOARD**

- Reporting any recommendations to the Board through reports or special presentations to the Board;
- Education of the Board regarding legal matters;
- Ensuring the Board receives regular legal updates in privileged closed sessions to ensure all members of the Board have the information they need to fulfill their duties; and
- Regularly reporting ALR committee activities and issues to the Board.

### **OTHER**

- Administering any ALR Committee Fund to enable the ALR committee to engage outside counsel and professional advisors when deemed necessary by the ALR committee, including funding of confidential investigations; and
- Performing any other oversight functions as requested by the Board.

### **INVESTIGATIONS**

The ALR Committee is granted the authority to investigate any financial or legal activity of the Corporation not assigned or delegated to others by Board action or policy, appropriate to fulfilling the

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ALR Committee's responsibilities, and in this regard, it has direct access to the external auditors as well as anyone in the organization. The ALR Committee is empowered to retain persons having special competencies to assist the Committee in performing its responsibilities. Any investigation shall be done with and through the Internal Auditor and/or General Counsel depending on the type of investigation, unless the Internal Auditor or the General Counsel or a member of their respective offices is the target of the investigation, a witness, or whistleblower. Related expenses shall be controlled through an investigation plan and budget pre-approved by the ALR Committee, with appropriate cost control measures agreed upon with the provider and closely monitored by the ALR Committee through the Internal Auditor and/or General Counsel. Furthermore, the ALR Committee is authorized to recommend to the Board designation of monies from the Corporation's general budget to fund an ALR Committee Fund to cover associated costs of any such investigation.

The ALR Committee shall review this charter and perform a committee self-evaluation annually and shall annually report the results of such reviews to the Board.