



THE
KAVLI
FOUNDATION

AUDIT COMMITTEE CHARTER



**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF
KAVLI FOUNDATION**

I. Purpose and Scope

The primary function of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of the Kavli Foundation (the “Foundation”) is to (a) assist the Board in fulfilling its responsibilities by reviewing (i) the financial reports provided to the Foundation and (ii) reviewing the auditor’s report to the Foundation’s regarding internal financial and accounting controls; (b) oversee the appointment, compensation, retention and oversight of the work performed by any independent public accountants engaged by the Foundation; and (c) review recommendations from the auditor regarding procedures designed to improve the quality and reliability of the disclosure of the Foundation’s financial condition and results of operations.

II. Composition

The Committee shall be comprised of not less than two (2) persons as appointed by the Board. Aside from the chairperson, not all of the members of the Committee need be members of the Board. A Director may not serve on the Committee if he or she is a paid employee of the Organization or a “disqualified person” with respect to the Organization (as that term is defined in section 4946(a) of the Internal Revenue Code of 1986, as amended (the “Code”)), other than by reason of being an officer or director of the Organization.] Each member of the Committee shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have a working familiarity with basic finance and accounting practices.

The members and the chairperson of the Committee shall be appointed by the Board and shall serve until their successors shall be duly elected and qualified or their earlier resignation or removal.

The chairperson of the Committee shall be a member of the Board and have the following roles and responsibilities:

- A. Provide leadership to the Committee.
- B. Work with staff to prepare the agenda for meetings.
- C. Report progress towards goals to the Board.

III. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall carry out the following specific activities:

A. Document Review

1. Review and reassess the adequacy of this Charter periodically as conditions dictate, but at least annually, and recommend any proposed changes to the Board for approval.
2. Review with management and representatives of the independent accounting firm the Foundation's audited annual financial statements prior to their issuance or publication. After such review and discussion, the Committee shall decide and recommend to the Board whether such audited financial statements should be accepted.

B. Independent Accounting Firm

1. Select the independent accounting firm to complete the audit and to negotiate and approve the auditor's compensation in connection with preparing and issuing an audit report or related work.
2. Meet with the independent accounting firm prior to the audit to review the planning and staffing of the audit and consider whether or not to approve the auditing services proposed to be provided.
3. Evaluate the performance of the independent accounting firm and consider recommending to the Board the discharge of the independent accounting firm when circumstances warrant.
4. To determine, whenever it deems appropriate, the change of the partner in charge of the Foundation's audit in order to assure continuing auditor independence.
5. Approve in advance any significant audit or non-audit engagement or relationship between the Organization and the independent auditors. In this regard, the Committee shall pay particular attention to the fairness of the terms of any agreement pursuant to which the independent auditors would perform the following non-audit services:

- a. bookkeeping or other services related to the accounting records or financial statements of the audit client;
- b. financial information systems design and implementation;
- c. appraisal or valuation services;
- d. internal accounting outsourcing services;
- e. management functions or human resources;
- f. broker or dealer, investment adviser or investment banking services; and
- g. legal services and expert services unrelated to the audit.

6. Periodically consult with the independent accountants out of the presence of management and staff about internal controls, the fullness and accuracy of the Foundation's financial statements, and the financial affairs of the Foundation to ensure that they are in order.

C. Financial Reporting Processes

1. In consultation with the independent accounting firm and management, review annually the adequacy of the Foundation's internal financial and accounting controls.

2. Regularly review the Foundation's critical accounting policies and accounting estimates resulting from the application of these policies and inquire at least annually of both the Foundation's internal auditors and the independent accounting firm as to whether either has any concerns relative to the quality or aggressiveness of such accounting policies.

3. Consider the independent accountant's judgments about the quality and appropriateness of the Foundation's accounting principles as applied in its financial reporting.

4. Consider and approve, if appropriate, major changes to the Foundation's auditing and accounting principles and practices as suggested by the independent accountants or management.

5. Establish regular and separate reporting to the Committee by each of management and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

6. Following completion of the annual audit, review separately with each of management and the independent accountants any significant difficulties

encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

7. Review and resolve any significant disagreement between management and the independent accountants in connection with the preparation of the financial statements.

8. Review with the independent accountants and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

9. Establish procedures for the receipt, retention and treatment of complaints received by the Foundation regarding accounting, internal accounting controls, or auditing matters.

D. Compliance

1. To the extent deemed necessary by the Committee, engage outside counsel, independent accounting consultants and/or other experts at the Foundation's expense to review any matter under its responsibility.

2. Review and approve in advance any proposed related-party transactions.

3. Perform any other activities consistent with this Charter, the Foundation's bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

IV. Meetings

The Committee will meet as may be necessary or appropriate in order to discharge the functions specified in this Charter. The Committee shall have at least two meetings (which may be telephonic) annually with the independent accounting firm. Minutes shall be kept of each meeting of the Committee and will be provided to each member of the Board. Any action of the Committee shall be subject to revision, modification or rescission by the Board, provided that no rights of third parties shall be affected by any such revision, modification or rescission.

V. Limitation of Responsibility

While the Committee has the responsibilities and power set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Foundation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.