

# AMERICAN CANCER SOCIETY, INC. (“SOCIETY”)

## AUDIT COMMITTEE CHARTER

### I. Purpose of Committee

The Audit Committee (the “Committee”) is appointed by the Society’s Board of Directors (the “Board”) in fulfilling its oversight responsibilities for the monitoring of the accounting results, internal control processes and the policies and procedures of the Society and the audits of its financial statements.

### II. Committee Membership

The Committee will be chaired by a Board member designated by the Chair of the Board and President. All voting Committee members must be members of the Board. The Committee membership, appointed by the Chair of the Board after consultation with the President and approved by the Board, is composed of six independent members, in addition to the Chair. The Committee also may include up to four non-voting advisors. The Chair of the Committee will not be the Board Treasurer. The Treasurer will be an ex-officio, non-voting member of the Committee. There should not be overlapping membership between the Committee and the Finance Committee other than the Treasurer. The Board will make best efforts to maintain a “financial expert” on the Committee as defined on Exhibit A attached and incorporated by this reference. Members are appointed for one year terms, commencing on January 1. No member can be appointed for more than five consecutive terms, excluding resource members. Furthermore, members must not be partners in, or a controlling shareholder or executive officer of, any entity to which the Society made, or from which the Society received, payments that exceeded 2% of the Society’s or the other organization’s annual revenues, or \$200,000, whichever is less, in any of the past three years; and must not have any other position with another entity or any other relationship that would reasonably cause the appearance of a conflict of interest. Directors who are associated with institutions that receive grants pursuant to the Society’s various independent Peer Review Committees and the Council for Extramural Grants are not disqualified for Committee membership. Any disputed question regarding independence should be reviewed by the Board for final resolution. The Board Chair and President will serve as ex-officio members of the Committee.

### III. Committee Authority and Responsibility

The Committee will:

1. Recommend appointment, retention and termination of the independent auditor to the Board. On behalf of the Board, the Committee will oversee the Society’s independent auditors, including the terms of engagement and the resolution of any disagreements between management and the independent auditor regarding financial reporting. The independent auditor will report directly to the Committee;

2. Review the independent auditor's compensation, the terms of its engagement, its independence, and the scope of the audit to be conducted. Provide a clear understanding to the independent auditor that the auditor is ultimately accountable to the Board and the Committee. Any noteworthy findings or potentially damaging circumstances that have the potential to adversely affect the reputation of the Society or that address Executive Limitations should be brought to the attention of the Board;
3. Pre-approve all audit and non-audit services performed by the independent auditor;
4. Annually, confirm with the independent auditor its independence delineating all its relationships and professional services with the Society (verbal or in writing). In addition, review with the independent auditor the nature and scope of any disclosed relationships or professional services and take appropriate action to ensure the continuing independence of the independent auditor;
5. Serve as the direct channel of communication between the independent auditor, the internal auditor (the Internal Audit Services ("IAS") Department), and the Board;
6. Oversee the IAS function as provided in the IAS charter approved by the Committee including involvement in the decisions relating to the appointment, replacement, reassignment or termination of the Director of IAS and the annual performance evaluation and whether the current compensation is in the established range for that position;
7. Review the Society's external audit reports (including OMB Circular A-133), internal audit reports, and legal and regulatory compliance and monitor compliance with all required tax and information return filings with federal, state and local government agencies. Review should include discussion with management and the independent auditor of significant issues regarding accounting principles, practices and judgments, including certain matters required to be communicated to the Committee in accordance with AICPA professional standards;
8. Review all Monitoring Reports assigned to the Committee and report the results of the review to the Board. Clarifications and/or additions to Executive Limitations and Monitoring Reports will be suggested to the Governance Committee for review and presentation to the Board for approval;
9. Solicit recommendations from the independent auditor for the improvement of the Society's internal control procedures or particular areas where new or more detailed controls or procedures are desirable;
10. Review and recommend to the Board for approval the Code of Ethics and Conflict of Interest Policy and, as appropriate, revisions to the Code of Ethics and Conflict of Interest Policy, and oversee compliance with such policies. Review any existing and potential conflicts reported on the annual disclosure forms or otherwise disclosed;
11. Review the procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls or audit matters; and the confidential anonymous submission by staff and volunteers of concerns regarding questionable activity related to financial internal controls, audit, illegal activity, accounting issues and related matters;

12. Review the disposition of concerns raised by staff and volunteers regarding accounting, internal controls, or auditing matters;
13. At least annually, report its activities and findings to the Board; and
14. Accomplish additional tasks as charged by the Chair of the Board.

In carrying out its responsibilities, the Committee's policies and procedures should remain flexible in order to react to changing conditions and to ensure to the Board of Directors and to the public that the accounting and financial reporting practices of the Society are in accordance with all requirements and are of the highest quality.

#### **IV. Committee Meetings**

The Committee will meet at least annually and as often as it deems necessary or appropriate, either in person, telephonically or electronically, and at such times and places and manner as its Chair may determine. The Chair will prepare and/or approve an agenda in advance of each meeting and communicate meeting details in a timely fashion. The Committee should meet in separate executive sessions at least annually with management, the independent auditor, and the internal auditors, and as a committee to discuss any matters that the Committee or each of these groups believes should be discussed. Recommendations and/or issues discussed during these sessions should be communicated to the Board for decisions on further actions as required. In addition, the Committee should regularly communicate with management and, as necessary, with the independent auditor to review the Society's financial condition.

At least annually, the Committee will receive an orientation to the Society's financial statements, the application of generally accepted accounting principles to those statements, and other financial governance issues. As deemed necessary, the Committee will meet in a joint session with the Finance Committee regarding cross-over issues.

#### **V. Committee Reports**

The Committee will produce written reports at the conclusion of each meeting, which will include an attendance record, a copy of the agenda and a full report of Committee discussions with documented recommendations and decisions. These reports will be completed no more than three weeks following the meeting and forwarded to the Committee membership and the Office of Strategic Governance and Corporate Affairs for proper filing. Additionally, the Committee will produce an annual written report at the end of each term that describes the number of meetings, major decisions and outcomes, and any other pertinent information. All Committee reports, if not confidential, will be posted on "The Link" under the Volunteer Committees Community so all Board members will have access to the reports.

**VI. Committee Evaluation**

The Committee will conduct routine performance evaluations, which evaluate the performance of the Committee in relation to the requirements of this Charter and such other matters as the Committee may deem appropriate. The performance evaluation should recommend to the Governance Committee any changes and examine the impact of these changes on other Committee charters and/or governance processes in place and forward a recommendation to the Board. Changes to the Committee Charter and/or membership composition require Board approval. The performance evaluation by the Committee will be conducted in such manner and include other assessments (e.g., independent auditors) as the Committee deems appropriate.

**VII. Resources and Authority of the Committee**

The Committee has the authority to conduct any investigation appropriate to fulfill its responsibilities, and it has direct access to the independent auditor as well as any staff member, Society volunteer or outside vendor of the Society. The Committee will have the resources and authority it deems appropriate to discharge its duties and responsibilities, including the sole authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accounting experts or other advisors without seeking approval of the Board or management, any such engagement to be reported to the Board. In carrying out its responsibilities, the Committee may rely upon advice of legal counsel and of qualified legal, accounting, compensation, and valuation experts. Legal counsel may be in-house or independent.

**EXHIBIT A**  
**Definition of Financial Expert**

For purposes of defining a “financial expert,” the Board will consider whether a person has, through education and experience as a public accountant or auditor “or a principal financial officer” or controller or principal accounting officer, or from a position involving the performance of similar functions, the following:

- (1) an understanding of generally accepted accounting principles (GAAP) and financial statements;
- (2) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves;
- (3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Society’s financial statements or experience actively supervising one or more persons engaged in such activities;
- (4) an understanding of internal controls and procedures for financial reporting;  
and
- (5) an understanding of Audit Committee functions.