

# **SAN DIEGO OPERA ASSOCIATION**

## **CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

### **I. STATEMENT OF POLICY**

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of the San Diego Opera Association (the “**Association**”) has the responsibility and authority to assist the Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Association to any governmental body, to its members or to the public, and on the Association’s compliance with financial regulatory requirements. The Committee shall also review the qualifications, independence and performance, and approve the terms of engagement of, the Association’s independent auditor.

The Association shall provide appropriate funding to permit the Committee to perform its duties under this Charter and to compensate any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attestation services for the Association. The Committee, in its discretion, has the authority to initiate investigations, and hire legal, accounting or other outside advisors or experts to assist the Committee, as it deems necessary, to fulfill its duties under this Charter. The Committee may also perform such other activities consistent with this Charter, the Association’s Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

### **II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS**

The Committee shall be comprised of three or more directors selected by the Board upon the recommendation of the Nominating Committee, each of whom shall be independent as defined in the

Association's Corporate Governance Guidelines. Each member of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. In addition, at least one member shall have past employment experience in finance or accounting, professional certification in accounting, or other comparable experience or background so that the member is financially sophisticated, which may include being or having been a chief executive, chief financial or other senior officer with financial oversight responsibilities.

The Chair of the Finance Committee shall sit on the Audit Committee, *ex officio*.

Each member of the Committee shall be appointed by the Board, and approved by the Association's membership, on the recommendation of the Nominating and Governance Committees and shall serve until his or her successor is duly elected and qualified or until such member's earlier resignation, removal or death. Any member of the Committee may be removed or replaced by the Board. Unless a Chair is elected by the full Board, the members of the Committee may select a Chair by majority vote of the full Committee. The Chair shall preside at all regular Committee meetings and set the agenda for each Committee meeting.

### **III. MEETINGS**

The Committee shall meet as often as it finds necessary, but not less frequently than twice annually. A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present (in person or by telephone conference call) shall represent the valid action of the Committee. The Committee may establish and delegate authority to subcommittees, or to one or more members of the Committee, when appropriate. The Committee shall meet with management and the independent auditor in separate executive sessions as appropriate. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

**IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES** The Committee shall have the following authority and responsibilities, subject to such modification and additional authority as the Board may approve from time to time:

**A. Oversight of the Association's Independent Auditor**

1. Be directly and solely responsible for the appointment, compensation, retention and oversight of any independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) engaged by the Association for the purpose of preparing or issuing an audit report or related work, with each such auditor reporting directly to the Committee.

2. Periodically review and discuss with the independent auditor (i) the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, and (ii) any formal written statements received from the independent auditor consistent with and in satisfaction of Independence Standards Board Standard No. 1, as amended, including without limitation, descriptions of (a) all relationships between the independent auditor and the Association, (b) any disclosed relationships or services that may impact the independent auditor's objectivity and independence and (c) whether any of the Association's senior finance personnel were recently employed by the independent auditor.

3. Approve in advance the engagement of the independent auditor for all audit and non-audit services, based on independence, qualifications and, if applicable, performance, and approve the fees and other terms of any such engagement; provided, however, that (i) the Committee may establish pre-approval policies and procedures for any engagement to render such services, provided that such policies and procedures (a) are detailed as to particular services, (b) do not involve delegation to management of the Committee's responsibilities hereunder and (c) provide that, at its next scheduled meeting, the Committee is informed as to each such service for which

the independent auditor is engaged pursuant to such policies and procedures, and (ii) the Committee may delegate to one or more members of the Committee the authority to grant pre-approvals for such services, provided that the decisions of such member(s) to grant any such pre-approval shall be presented to the Committee at its next scheduled meeting.

4. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

5. Approve as necessary the termination of the engagement of the independent auditor.

6. Regularly review with the independent auditor any significant difficulties encountered during the course of the audit, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements. Review with the independent auditor any accounting adjustments that were noted or proposed by the independent auditor but were “passed” (as immaterial or otherwise), any communications between the audit team and the independent auditor’s national office respecting auditing or accounting issues presented by the engagement, any “management” or “internal control” letter or schedule of unadjusted differences issued, or proposed to be issued, by the independent auditor to the Association, or any other material written communication provided by the independent auditor to the Association’s management.

7. Review with the independent auditor the critical accounting policies and practices used by the Association, all alternative treatments of financial information within generally accepted accounting principles (“GAAP”) that the independent auditor has discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

## **B. Review of Financial Reporting, Policies and Processes**

1. Review and discuss with management and the independent auditor the Association’s annual audited financial statements and any

certification, report, opinion or review rendered by the independent auditor.

2. Review and discuss with management and the independent auditor the Association's quarterly financial statements.

3. (i) Assure that IRS Form 990 is timely prepared and made available for review by the Board of Directors; and (ii) obtain the Board of Directors' approval of the final version of the Form 990.

4. Review with management and the independent auditor the effect of regulatory and accounting initiatives on the financial statements. Review any major issues regarding accounting principles and financial statement presentations, including any significant changes in selection of an application of accounting principles. Consider and approve, if appropriate, changes to the Association's auditing and accounting principles and practices as suggested by the independent auditor or management.

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

6. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raise material issues regarding the Association's financial statements or accounting policies.

**C. General Authority and Responsibilities** 1. Regularly report to the Board on the Committee's activities, recommendations and conclusions.

2. Review and reassess this Charter's adequacy at least annually and recommend any proposed changes to the Board for approval.

Approved: May 20, 2019