STEVENS INSTITUTE OF TECHNOLOGY

CHARTER OF THE AUDIT COMMITTEE
Adopted April 6, 2010

Background: The Audit Committee ("Committee") is a standing committee of the Board of Trustees (the "Board") of The Trustees of the Stevens Institute of Technology, a New Jersey nonprofit corporation (the "Institute"). This Charter of the Audit Committee (this "Charter") replaces and supersedes in its entirety the Charter of the Audit Committee dated as of October 6, 2005. The Committee shall review and reassess this Charter on an annual basis and recommend any proposed changes to the Board. Any changes shall become effective upon the approval of the Board.

Purpose: The primary purposes of the Committee shall be to oversee the following:

a. Establishment of and compliance with appropriate accounting policies and internal controls.

b. Issuance of the Institute’s financial statements and reports in a timely manner in accordance with its regulatory and legal obligations and generally accepted accounting principles, consistently applied ("GAAP").

c. Compliance with legal and regulatory requirements and the Institute’s policies with respect to the financial operations of the Institute;

d. Engagement of a qualified and independent external auditor.

f. Performance of the Institute’s internal audit and risk and compliance functions and oversight of independent external auditors.

Membership: Each member of the Committee shall be elected (or reelected) by the Board on an annual basis. The Committee shall consist of at least five members who shall be elected by the Board from among the Institute’s trustees (each such member, a "Trustee Member"). At least one Trustee Member must be a financial, accounting, or similar professional with appropriate accounting or financial management expertise (the "Professional"). The Professional may be compensated for his/her service on the Board and Audit Committee. The Professional must have expertise in the following matters:

a. the preparation or auditing of financial statements for organizations similar to the Institute;

b. the application of GAAP in connection with the accounting for estimates, accruals, and reserves;

c. experience with internal accounting controls; and
d. an understanding of audit committee functions.

The Board shall designate the Professional to serve as the Chairperson of the Committee (the “Chairperson”).

No member of the Committee, other than the Chairperson, may serve on the Committee for more than four consecutive years. Accordingly, at least one Trustee Member shall leave the Committee each year. The Board may adjust the initial term of any member of the Committee in order to establish the annual rotation. The Chairperson shall not be subject to a term limit. No member, other than the Chairperson, shall be eligible to rejoin the Committee for a period of two years following the last day of his or her term on the Committee.

Each member of the Committee shall be financially literate or must become financially literate within a reasonable time after being appointed to the Committee. An individual will be considered financially literate if he or she is able to read and understand a financial statement and has a working knowledge of basic finance and accounting practices.

Each Trustee Member must be an independent member of the Board. Independence shall be determined by the Board using the guidelines set forth herein. A Trustee Member shall not be deemed “independent” if:

a. He or she is, or within the past three years was, affiliated with or employed by the Institute;

b. His or her immediate family member is, or within the past three years was, an executive officer of the Institute;

c. He or she is, or in the past three years was, affiliated with or employed by a present or former auditor of the Institute’s financial statements;

d. He or she receives or has received within the past three years, directly or indirectly, a consulting, advisory or other compensation fee from the Institute, other than a fee received for service on the Board, unless such fee for service was approved by the audit committee prior to commencing the service. If a service is requested, the effected member would be recused from participating in the approval process. A Trustee Member shall be deemed to receive indirect compensation if an entity in which such Trustee Member is a partner, member, controlling equity holder, executive officer, director or other principal provides accounting, consulting, legal, investment banking, financial, advisory or other similar services to the Institute, for which such entity is compensated, regardless of whether the Trustee Member actually performs such services;

e. He or she is, or in the past three (3) years was, employed as an executive officer of another entity for whom any of the Institute’s executive officers serve on such entity’s compensation committee or a body performing a similar function; He or she has an immediate family member in any of the foregoing categories within the past three (3) years; or
f. Either the Board or such Trustee Member determines that such Trustee Member has a relationship that would prohibit him or her from acting in the best interests of the Institute with respect to a particular matter that will likely come before the Committee.

Meetings: The Committee shall meet at least three times per year. Additional meetings shall be held upon the request of the Chairperson or any other member of the Committee, or at the direction of the Board.

In addition to members of the Committee, meetings shall normally be attended by representatives of the independent auditors, the Institute’s President, the Provost or chief administrative officer, the Chief Financial Officer (the “CFO”), the Institute’s Director of Audit Services, The Chief Risk and Compliance Officer, and the Institute’s Controller, provided such offices are authorized by the Board. Other persons, including officers and employees of the Institute, may attend meetings upon the request of the Committee, at the Committee’s discretion. Any individual other than a Trustee Member who attends a meeting of the Committee shall attend in an advisory, nonvoting capacity.

The Committee will be administratively supported by the Director of Audit Services of the Institute. The Institute’s Secretary or Assistant Secretary or a designee of the Secretary shall attend the meetings of the Committee to record the minutes thereof. or, in the absence of such individual, the members of the Committee shall designate a member to record such minutes. The complete, detailed and accurate minutes of the meetings of the Committee, containing discussions and decisions of the Committee, shall be submitted to the Board at its next meeting or within the time required under N.J.S.A. 15A:6-9. Non-members of the Committee shall be excused from any meeting, or portion of any meeting, of the Committee upon the request of the Chairperson. The Chairperson shall have the authority to call executive sessions, which shall be limited to the members of the Committee. Based on the topics to be discussed in executive session, the committee may invite management or other advisor counsel as deemed necessary. The Committee shall hold separate meetings with each of the following groups as frequently as it deems necessary but in no event less than twice a year:

a. the President and Officers of the Institute ("Management");

b. the Institute’s Director of Audit Services and Chief Risk and Compliance Officer;

and

c. the Institute’s independent auditors.

At any meeting of the Committee, a quorum shall be necessary for purposes of conducting business of the Committee. A quorum is defined as at least a majority of the Trustee Members. In the event of any unresolved dispute between a majority of the Trustee Members and any Professional (including the Chairperson), such unresolved dispute shall be submitted to the Board for a vote.

Reporting: The Chair of the Committee shall report the findings of the Committee at each meeting of the Board and on other additional occasions as deemed appropriate by the Chair. The
Chair of the Committee shall be responsible for maintaining meeting notes for all meetings of the committee and will also be responsible for circulating these notes to the committee for review and approval.

**Authorities, Duties and Responsibilities - Independent Auditors:** With respect to the independent auditors, the Committee shall have the authority, duties and responsibilities set forth as follows:

a. The Committee shall have the sole authority to retain and terminate the Institute's independent auditors. The independent auditors are ultimately accountable to the Board and the Committee acting on behalf of the Board.

b. The Committee shall have the sole authority to approve all audit engagement fees and terms, as well as any permitted non-audit engagements with the independent auditors.

c. The Committee shall review with the independent auditors, prior to their annual audit, the scope of their examination and the associated fees, and consider the possible effects, if any, of non-audit engagements on the independence of the independent auditors.

d. The Committee shall ensure that the independent auditors submit on a periodic basis, but at least annually, a formal written statement delineating all relationships between the independent auditors and the Institute or any services provided by the independent auditors to the Institute or by the Institute to the independent auditors. The Committee shall discuss with the independent auditors any such relationships or any services that may impact on the objectivity and independence of the independent auditors and take appropriate action in response to such report to satisfy itself of the independence of the independent auditors.

e. At least annually, the Committee shall obtain and review a report by the independent auditors describing the independent auditors' internal quality control procedures and any material issues raised by the most recent internal quality-control review or in any inquiry by governmental or professional authorities, within the preceding five years, respecting any audits carried out by the independent auditor, and any steps taken to deal with any such issues.

f. The Committee shall evaluate the independent auditors’ qualifications, performance and independence, including the Firm’s personnel rotation policy. This evaluation shall include an evaluation and review of the lead audit partner, taking into account the views of Management (CFO, Controller) and the Institute’s Director of Audit Services.

g. The Committee shall review with the independent auditors on a regular basis any audit problems, difficulties with the Institute’s response (including any restrictions on the scope of the independent auditors’ activities or access to requested information, and any significant disagreements with Management) and responsibilities, budget performance and staffing of the Institute’s internal audit function as they pertain to the support of the independent auditors.
h. The Committee shall set clear hiring policies for hiring employees or former employees of the independent auditors, taking into account the pressures that may exist for auditors consciously or subconsciously seeking a job with a client they audit.

i. The Committee shall review the independent auditors’ management letters to the Institute, and other comments, if any, regarding the system of internal accounting controls and any management responses thereto.

j. The Committee shall discuss with the independent auditors such other matters and take such other action as the Committee deems appropriate.

On a periodic basis of no less than every 10 years, the Audit Committee shall direct management to undertake a process of obtaining competitive bids from at least 3 qualified firms to act as independent external accountants for the Institute. The Committee will recommend the engagement of a new auditor or retention of the current auditor to the Board. The incumbent firm may be invited to participate in the proposal process at the discretion of the Committee.

Authorities, Duties and Responsibilities - Financial Statement and Reporting Matters:
With respect to financial statement and reporting matters, the Committee shall have the authority, duties and responsibilities set forth as follows:

   a. The Committee shall review and approve all financial statements of the Institute, including without limitation the annual audited financial statements. In connection therewith, the Committee shall:

      1. oversee the work of Management and the independent auditors on such financial statements;

      2. discuss such financial statements with Management and/or the independent auditors as the Committee deems appropriate in the course of its review;

      3. satisfy itself that accounting principles and disclosure practices are in accordance with GAAP; and

      4. make such recommendations to the Board with respect to the approval of such financial statements as the Committee deems appropriate.

   b. The Committee shall review with Management and the independent auditor's changes in accounting principles and reporting standards that have, or may in the future have, a significant impact on the financial statements of the Institute.

   c. The Committee shall require Management to provide to the Committee, on a timely basis, advice of significant current financial reporting issues and practices.

   d. The Committee shall discuss and review with Management and the independent auditors their qualitative judgments about the appropriateness of accounting policies, principles
(including underlying assumptions relied upon in preparation of the financial statements) and financial disclosure practices used or proposed to be adopted.

e. The Committee shall review the Institute’s tax returns and other governmental and external reporting obligations, filings and submissions, including but not limited to the Institute’s Form 990s. The Committee shall submit each approved Form 990 to the Board for its review and approval.

Authorities, Duties and Responsibilities - Other Matters: In addition to the other authorities, duties and responsibilities set forth in this Charter, the Committee shall have the authority, duties and responsibilities set forth as follows:

a. The Committee shall oversee the internal audit function and the risk and compliance function of the Institute including review and assessment of:

1. the planned scope of the internal audit work;

2. findings of the internal auditors and related management actions;

3. the adequacy of the staffing of the internal audit function;

4. the adequacy and effectiveness of the Institute’s internal accounting and financial controls and compliance with laws and regulations; and

5. the effectiveness of the information systems processing procedures and controls and related security programs.

6. The Director of Audit Services shall report directly to the Chief Risk and Compliance Officer, who will report directly to the Audit Committee. The Chief Risk and Compliance Officer will administratively report to the Chief Financial Officer.

b. The Committee shall have direct access to the independent auditors and to the Institute’s Director of Audit Services. Similarly, the independent auditors and Director of Audit Services will have direct access to the Committee as needed.

c. The Committee shall report regularly to the Board with respect to its authority, duties and responsibilities under this Charter.

d. The Committee shall discuss and review policies with respect to risk assessment and risk management, including guidelines by which the President and Management can assess and manage the Institute’s exposure to risk. The Committee shall discuss and assess the Institute’s major financial risk exposures and the steps Management has taken to monitor and control such exposures.

e. The Committee shall review employee expense policies, including pre-authorization, documentation requirements and approval schedules.
f. The Committee shall cause an audit of all expenses of the President and the other five most highly compensated employees of the Institute to be conducted on an annual basis.

g. The Committee shall establish and ensure the adequacy of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting control or auditing matters, including the confidential submission of complaints by employees regarding such matters.

h. As it deems appropriate to carry out the duties set forth in this Charter, the Committee shall obtain advice and assistance from outside legal, accounting or other advisors. The Committee shall have the authority to retain and determine the terms of compensation of these advisors without Board approval, and shall be entitled to have its advisors paid by the Institute.

i. The Committee shall review such other matters as the Committee shall determine from time to time within the scope of its authority, duties and responsibilities set forth in this Charter, and make such recommendations to the Board with respect thereto as the Committee deems appropriate.

**Evaluation:** The Committee shall perform a self-evaluation of the Committee’s performance every two years and report the results of such evaluation to the Board.