Background

The Audit Committee (the “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 “University”). This Charter of the Audit Committee (this “Charter”) replaces and supersedes in its entirety the Charter of the Audit Committee dated as of April 6, 2010.

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 University’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 University’s policies with respect to the financial operations of the University;

d. Engagement of a qualified and independent external auditor; and

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

Membership:

Composition

Each member of the Committee shall be elected (or reelected) by the Board on an annual basis. The Committee shall consist of at least four members who shall be elected by the Board from among the University’s trustees (each such member, a “Trustee Member”). The Board shall designate the Professional (as defined below) to serve as the Chairperson of the Committee (the “Chairperson”).

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 University;
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.

Upon recommendation by the Nominating and Corporate Governance Committee, each member of the Audit Committee shall be elected annually by the Board of Trustees and the Board shall designate the Chair.

The terms of the members of the Audit Committee, except the Trustee Professional, shall be limited to four consecutive years, with a rotation schedule that replaces one Trustee every year. The initial terms of certain members of the Audit Committee may be adjusted in order to establish the annual rotation. No Trustee other than the Chairperson may rejoin the Committee for a period of two years following the last day of his or her term on the Committee.

Skills; Independence

Each Trustee 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 University;
b. His or her immediate family member is, or within the past three years was, an executive officer of the University;
c. He or she is, or in the past three years was, affiliated with or employed by a present or former auditor of the University’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 University, 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 affected 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 University, 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 University’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 Chair 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 University with respect to a particular matter that will likely come
before the Committee

Meetings

Schedule

The Committee shall meet at least four 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.

Attendance

In addition to members of the Committee, meetings shall normally be attended by representatives
of the independent external auditors, the University’s President, the Provost, the Chief Financial
Officer (the “CFO”), the General Counsel, the Director of Audit and Advisory Services, the
Chief Risk and Compliance Officer, and the Controller.

Other persons, including other officers and employees of the University, may attend meetings
upon the request of the Committee, at the Committee’s discretion. Non-members of the
Committee may be excused from any meeting, or portion of any meeting, of the Committee upon
the request of the Chairperson. Any individual other than a Trustee Member who attends a
meeting of the Committee shall attend in an advisory, nonvoting capacity.

Administrative Support

The Committee will be administratively supported by the Director of Audit and Advisory
Services of the University whose duties shall include recording the minutes of each meeting. In
the absence of the Director of Audit and Advisory Services, the University’s Secretary or a
designee of the Secretary shall attend the meeting 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.

Executive Sessions

The Chairperson shall have the authority to call executive sessions which shall be limited to the
Trustee Members of the Committee. Based on the topics to be discussed in executive session,
the Committee may invite management or other advisors as deemed necessary. The Committee shall hold executive sessions with each of the following groups as frequently as it deems necessary but in any event not less than twice a year:

a. the President and Officers of the University (“Management”);

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

c. the University’s independent external auditors.

Quorum

At any meeting of the Audit Committee, a majority of Trustee Members of the Audit Committee shall constitute a quorum for the transaction of Audit Committee business. 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 Chairperson 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.

Authorities, Duties and Responsibilities - Independent External Auditors

Selection and Oversight

With respect to the independent external auditors, the Committee shall have the authority, duties and responsibilities set forth as follows:

a. retain and terminate the University’s independent external auditors The independent auditors are ultimately accountable to the Board and the Committee acting on behalf of the Board;

b. sole authority to approve all audit engagement fees and terms, and any permitted non-audit engagements with the independent external auditors;

c. review with the independent external 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. ensure a formal written statement delineating all relationships between the independent external auditors and the University or any services provided by the independent external auditors to the University or by the University to the independent auditors is submitted to the Committee. The Committee shall discuss with the independent external auditors any such relationships or any services that may impact on the objectivity and independence of the independent external auditors and take appropriate action in response to such report to satisfy itself of the independence of the independent auditors;

e. obtain and review at least annually, a report by the independent external auditors describing the independent external 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 external auditor, and any steps taken to deal with any such issues;

f. evaluate the independent external 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 and the University’s Director of Audit and Advisory Services;

g. review with the independent external auditors on a regular basis any audit problems, difficulties with the University’s response (including any restrictions on the scope of the independent external auditors’ activities or access to requested information, and any significant disagreements with Management) and responsibilities, budget performance and staffing of the University’s internal audit function as they pertain to the support of the independent auditors;

h. set clear hiring policies for hiring employees or former employees of the independent external auditors, taking into account the pressures that may exist for auditors consciously or subconsciously seeking a job with a client they audit;

i. review the independent external auditors’ management letters to the University, and other comments, if any, regarding the system of internal accounting controls and any management responses thereto; and

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

Independent External Auditor Review

On a periodic basis, at least once every 10 years, the Audit Committee shall direct Management to undertake a process of obtaining competitive bids from at least three qualified firms to act as independent external auditors for the University. The incumbent firm may be invited to participate in the proposal process at the discretion of the Committee. The Committee will recommend the engagement of a new external auditor or retention of the current external auditor to the Board.

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 University, including without limitation the annual audited financial statements. In connection therewith, the Committee shall:

• oversee the work of Management and the independent auditors on such financial statements;
• discuss such financial statements with Management and/or the independent external auditors as the Committee deems appropriate in the course of its review;
• satisfy itself that accounting principles and disclosure practices are in accordance with GAAP; and
• 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 University;
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; and
e. The Committee shall review the University’s tax returns and other governmental and external reporting obligations such as the reports due in accordance with Uniform Guidance for the A-133 and the State of State of New Jersey Department of Treasury Circular 2004-04, including but not limited to the University’s annual Form 990 and 990T. The Committee shall submit each approved Form 990 and 990T 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 University including review and assessment of:

• the planned scope of the internal audit work;
• findings of the internal auditors and related management actions;
• the adequacy of the staffing of the internal audit function;
• the adequacy and effectiveness of the University’s internal accounting and financial controls
• the adequacy of compliance with laws and regulations;
• the effectiveness of the information systems processing procedures and controls and related security programs and
• the Director of Audit and Advisory 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 external auditors and to the University’s Director of Audit and Advisory Services. Similarly, the independent external auditors and Director of Audit and Advisory 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 University’s exposure to risk. The Committee shall discuss and assess the University’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 University 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 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 University;
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; and
j. The Committee shall review this Charter on an annual basis and recommend any proposed changes to the Committee. Any changes approved by the Committee shall become effective upon the approval of the Board.

Evaluation

The Audit Committee shall complete a self-evaluation of the Committee’s performance every two years and the results of such evaluation shall be compiled by the Nominating and Corporate Governance Committee and reported to the Audit Committee and to the Board.