

Approved by the Board December 3, 1997

Revised: April 6, 2005

Revised March 3, 2008



LUCILE PACKARD FOUNDATION FOR CHILDREN'S HEALTH AUDIT COMMITTEE CHARTER

Membership: The Audit Committee shall consist of at least three members of the Board, none of whom shall be employees of the Foundation or receive, directly or indirectly, any consulting, advisory, or other compensatory fees from the Foundation. The Chair of the Committee shall not contemporaneously serve on the Foundation's Investment & Finance Committee. The Board may invite nonvoting advisors to attend meetings of the committee, make recommendations, and/or implement procedures and policies under the supervision of the Audit Committee. No such advisors may be employees of the Foundation or receive any consulting, advisory, or other compensatory fee from the Foundation. Members should be able to read and understand relevant financial statements.

Purposes: To assist the Board in its oversight responsibility relating to:

1. the accounting and financial reporting (including Form 990 tax filing) of the Foundation, including the integrity of the Foundation's financial statements;
2. the Foundation's financial control and the Foundation's compliance with legal and regulatory requirements; and
3. the outside auditor's qualifications, independence, and performance.

Duties and Responsibilities: The duties and responsibilities of the Audit Committee, in addition to the general tasks and responsibilities that, in its judgment, will contribute most effectively to the purposes of the Committee, include:

1. To be directly responsible for the appointment, compensation, oversight of the work, and termination of the Foundation's independent auditor. The auditor will report to the Audit Committee, which will receive and consider all required communications from the auditors and will act as liaison with the Board.

With regard to auditor independence:

- a) to consider at least annually the independence of the outside auditor, taking into account the auditor's performance of any non-audit services, and obtain and review a report from the auditor describing any relationships between the auditor and the Foundation, the provision of non-audit services, or any other relationships

Made independent from Investment and Finance November 10, 2004

- that may adversely affect the independence of the auditor;
- b) non-audit services should not be provided to the Foundation by the auditor without Committee approval;
- c) if the Foundation's Chief Financial Officer worked for the audit firm on the Foundation's audit within the last year, the auditor will not be considered independent;
- d) without regard to performance of the auditor, to review every eight years the desirability of changing audit firms, and require, in any event, that the lead engagement partner be changed at least every eight years, with the understanding that the prior engagement partner can be reinstated after two years.

2. With regard to the Foundation's financial statements,

- a) to review and discuss with management and the auditor the audited financial statements of the Foundation including, among other things,
 - the auditor's judgment as to the quality of the Foundation's accounting principles and underlying estimates, including significant financial reporting issues or adjustments and judgments made in connection with the preparation of the financial statements;
 - all critical accounting policies and practices used within the Foundation and any discussions with management about such policies and practices;
 - any schedules of unadjusted differences from the audit;
 - the timeliness and quality of initial drafts of financial statements;
 - the continued appropriateness of accounting principles or practices and their consistency with nonprofit and foundation norms; and
 - management representation letters and other substantive correspondence between management and the auditor;
- b) to report to the Board the completion of the review of the annual financial statements and any related significant discussion.
- c) While the Committee has the responsibilities and powers set forth in this Charter, it is not the Committee's duty to plan or conduct audits or to determine that the Foundation's financial statements are complete, accurate and in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of the Foundation's financial statements and for the appropriateness of the accounting principles and reporting policies used by the Foundation. The independent auditors are responsible for auditing the Foundation's financial statements.

3. With regard to internal controls, to review periodically with management and, if deemed necessary, with the auditors, the adequacy and effectiveness of the Foundation's internal controls, including any significant deficiencies in internal controls and significant changes in such controls reported to the Committee by the auditor or management.
4. To receive and consider communications from the auditors as to
 - a) any serious difficulties encountered in dealing with management affecting the performance of the audit; and
 - b) any instance of fraud or illegal acts of which the independent auditors are aware.
5. With regard to regulatory matters,
 - a) to review procedures to assure compliance with tax law pertaining to the Foundation's tax status, including payout requirements;
 - b) to review a written communication from the President and Chief Financial Officer that they have reviewed the Form 990 tax filing, confirming that the Form does not contain any untrue statements or omit any material facts, that the financial information presented fairly represents the Foundation's financial condition for the period covered, that it was filed in a timely manner, and that they are maintaining internal controls designed to ensure that material information related to the Foundation's tax filing be made known to them;
 - c) to review a written communication from the President and Chief Financial Officer confirming that they have, to their knowledge, ensured that the Foundation has complied in all material respects with the requirements and prohibitions in its governing documents and articles of incorporation.
 - d) to obtain regular updates from the President and Chief Financial Officer and the Foundation's legal counsel regarding compliance matters (including systems for monitoring compliance with laws and regulations, management's investigations and follow-up, and findings of any regulatory agency) and verification that all regulatory compliance matters have been considered in the preparation of the financial statements.

To review annually the Foundation's conflict-of-interest policies and make recommendations to the Board for change, if appropriate, and to review procedures to assure compliance with the Foundation's conflict-of-interest policies as well as any violations or exceptions.

To review and approve a formal confidential process that allows employees to report any inappropriateness within the Foundation's financial management, and that prevents retaliation against employees or others for any such reports.

Outside Advisors: The Audit Committee shall have the authority to retain separate legal counsel or other advisors at the Foundation's expense as appropriate to assist it in the performance of its functions.

Meetings: The Audit Committee shall meet at least twice a year at such times and places as the Committee shall determine. The Committee shall meet separately in executive session periodically with management and with the independent auditor.