

The California Endowment

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

PURPOSE

The Audit Committee (“Committee”) is appointed by the Board of Directors (“Board”) to advise the Board on The Endowment’s Independent Auditor (external audit) and Internal Auditor functions, financial reporting processes operation, effectiveness of internal controls, and The Endowment’s Whistle Blower Protection Process.

AUTHORITY AND RESPONSIBILITIES

The Board grants the Committee authority and responsibility to:

1. Independent Auditor

- 1.1. Confer with the Independent Auditor to satisfy its members that the financial affairs of the corporation are in order, shall review and determine whether to accept the audit, shall assure that any non-audit services performed by the auditing firm conform with standards for auditor independence as referred to in California Government Code section 12586(e)(1) and shall approve performance of non-audit services by the auditing firm;
 - 1.1.1. Prohibit the engagement of an audit firm where the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Treasurer, Controller, or Chief Accounting Officer of The Endowment (or persons holding an equivalent position) was previously employed by the audit firm during the previous 12-month period;
 - 1.1.2. Confirm that the Independent Auditor is in compliance with the rules pertaining to auditor professional conduct as established by the American Institute of Certified Public Accountants;
 - 1.1.3. Ensure rotation of the lead audit partner and reviewing partner at least every five years; and
 - 1.1.4. Review the performance of the Independent Auditor and recommend to the Board the retention, compensation and discharge of the Independent Auditor;
- 1.2. Consider, in consultation with the Independent Auditor, the audit scope and plan;
- 1.3. Consider and review with the Independent Auditor;
 - 1.3.1. The adequacy of The Endowment’s internal controls including computerized information system controls and security;

1.3.2. Any related significant findings and recommendations of the Independent Auditor together with Management's responses thereto.

1.4. Provide an open avenue of communication between the Independent Auditor and the Board; and

1.5. Ensure compliance with regulations and policies prohibiting any Officer or Director from directly or indirectly taking any action to apply improper influence with regard to the Independent Auditor or any employee thereof.

2. Management and Independent Auditor

2.1. Meet with the Management and Independent Auditor in separate executive sessions to discuss any matters that the committee or these groups believe should be discussed privately with the Committee;

2.2. Review with Management and the Independent Auditor the 990-PF (the private foundation tax return) and provide final copies of the 990-PF and 990-T before filing;

2.3. Inquire of Management and the Independent Auditor about significant risks or exposures and assess the steps Management has taken to minimize such risk to The Endowment;

2.4. Consider with Management and the Independent Auditor the rationale for employing audit firms other than the principal Independent Auditor;

2.5. Review with Management and the Independent Auditor at the completion of the annual examination and report to the Board:

2.5.1. The Endowment's annual financial statements and related footnotes;

2.5.2. The Independent Auditor's audit of the financial statements and their report thereon;

2.5.3. Any significant changes required in the Independent Auditor's audit plan;

2.5.4. Any serious difficulties or disputes with Management encountered during the course of the audit;

2.5.5. Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards; and

2.5.6. Progress on issues disclosed in the Management Letters of previous years, if any.

3. Internal Controls and Internal Audit Service Provider

- 3.1. Annually review with Management, and provide on-going oversight for, The Endowment's internal controls and their effectiveness to include as needed:
 - 3.1.1. Review and advise on the appointment and replacement of the Internal Audit Service Provider, the adequacy and qualifications of the Internal Audit Service Provider and the responsibilities and budget of the internal audit function;
 - 3.1.2. Review any significant reports or summaries thereof to Management prepared by Internal Audit Service Provider and the responses of Management; and
 - 3.1.3. Periodically review with the Internal Audit Service Provider any significant difficulties, disagreements with Management, or scope restrictions encountered in the course of the internal audit function's work.

4. Oversight

- 4.1. Review policies and procedures with respect to Officers' expense reporting, including their use of corporate assets, and consider the results of any review of these areas by the Independent Auditor or Internal Audit Service Provider;
- 4.2. Review the "Whistle Blower Protection Process" complaints forwarded to the Audit Committee Chair and reviewed by the Committee as appropriate;
- 4.3. Review any legal and regulatory matters that may have a material impact on the financial statements, related compliance policies, and programs and reports received from regulators; and
- 4.4. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.
- 4.5. Review and authorize the trustee for The Endowment's Benefit Plans and review and approve the discharge as necessary.
- 4.6. Review with Management and the Benefit Plans Auditor the annual limited scope audits of the Benefit Plans.

5. General Responsibilities

- 5.1. Report to the Board on Committee activities;

- 5.2. Conduct annually a performance evaluation of itself in relation to the requirements of this Charter and such other matters as the Committee may deem appropriate and present such performance evaluation to the Board;
- 5.3. Review annually the Committee Charter and recommend any changes to the Governance Committee; and
- 5.4. Recommend to the Board any other actions related to audit matters necessary for The Endowment to fulfill its mission.

COMPOSITION AND TERMS

Composition: The Committee consists of three or more members of the Board who are financially literate. The Committee members shall be recommended by the Board Chair and appointed by the Board. Committee members shall have no material financial interest in any entity doing business with The Endowment, including, but not limited to, serving as paid executives employed or contracted by grantees or contractors of The Endowment. Should the Board Chair, who serves in an ex-officio capacity on all standing committees per the By-laws be disqualified from service on this Committee by reason of this limitation, he or she shall designate the Vice-Chair of the Board to serve in his or her stead. Investment and Finance Committee members shall constitute less than one-half of the membership of the Audit Committee. Staff of The Endowment, including the President or CEO and the Treasurer or CFO, may not be Audit Committee members. The Board Chair shall designate a member of the Committee to serve as Chair of the Committee. The Audit Committee Chair shall not be a member of the Investment and Finance Committee. At least one Audit Committee member must have accounting or financial management expertise. It is recommended that at least one Committee member will have served on the Committee the previous year.

Terms: Each Committee member serves a one-year term, renewable annually by action of the Board.

MEETINGS

The Audit Committee meets typically at least two times per year, with additional meetings held as needed to fulfill its responsibilities as described above. Meetings are convened by the Committee Chair. The Committee may ask Management or others to attend the meeting and provide pertinent information as necessary. Meetings and actions of the Audit Committee are governed by provisions of the Bylaws concerning meetings and actions of the Board (Article IV, Section 4).

PROVENANCE AND LIMITATIONS

The Audit Committee is established by The Endowment's Bylaws (Article IV, Sections 14(a)). Unless expressly delegated by the full Board when allowed under applicable law and The Endowment's Articles of Incorporation and Bylaws, the Audit Committee shall not have the power or authority to act for the full Board.

The California Endowment

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

PURPOSE

The Compensation Committee (“Committee”) is appointed by the Board of Directors (“Board”) to fulfill the Board’s oversight responsibilities for reviewing the overall compensation and benefit policies for The Endowment, for approving the compensation policy and compensation of The Endowment’s Officers and Senior Investment Team, and for recommending to the full Board the compensation policy and compensation of the President and CEO, and Board of Directors.

AUTHORITY AND RESPONSIBILITIES

The Board grants the Committee authority and responsibility to:

- 1. Conduct Performance Appraisal and Recommend President and CEO Compensation Policy and Compensation Package to the Board for Approval**
 - 1.1. Coordinate with the President and Chief Executive Officer (“CEO”) to develop and recommend to the Board, the President and CEO’s performance goals and criteria;
 - 1.2. Review the President and CEO’s job description; and
 - 1.3. Review the performance of the President and CEO and recommend to the Board for approval the overall compensation policy and the President and CEO compensation package including any annual salary adjustment;
- 2. Assess Performance, Set Compensation Policy and Approve Compensation Packages for Officers and Senior Investment Team; Recommend Director Compensation to the Board for Approval**
 - 2.1. Receive and review management’s annual performance reviews and recommendations for any annual salary adjustment for all Officers. Receive and review,, including the recommendations from the Investment and Finance Committee for CIO and Senior Investment Team compensation. In setting the compensation of the CIO and the Senior Investment Team, the Committee may rely on the findings and recommendations of the Investment and Finance Committee. (Cal. Corp. Code Section 5231(b)(3));
 - 2.2 Review benchmark information for Officers and the Senior Investment Team provided by third party consultants to ensure that compensation is reasonable;

- 2.3 Review the design of incentive plans, including plan interpretation, eligibility and participation, and award determination;
- 2.4 With the exception of the Board of Directors' and the President and CEO's compensation and related compensation policies, approve The Endowment's overall compensation and benefit policies for Officers and Staff and approve the compensation packages for Officers and the Senior Investment Team; and
- 2.5 From time to time as appropriate and consistent with The Endowment's mission and values, review benchmark information for the Board of Directors and make recommendations to the Board about Director Compensation.

3. General Responsibilities

- 3.1 Report to the Board on Committee activities;
- 3.2 Conduct annually a performance evaluation of itself in relation to the requirements of this Charter and such other matters as the Committee may deem appropriate and present such performance evaluation to the Board;
- 3.3 Review annually the Committee Charter and recommend any changes to the Governance Committee; and
- 3.4 Recommend to the Board any other actions related to compensation matters necessary for The Endowment to fulfill its mission.

COMPOSITION AND TERMS

Composition: The Committee consists of the Board Chair, Vice Chair, the past Board Chair (if still serving on the Board), Board Committee Chairs, and the President and CEO ex-officio. The Committee shall be chaired by the Board Chair.

Terms: Each Committee member shall serve a one-year term concurrent with their terms as Chair and Vice Chair of the Board, and Board Committee Chairs.

MEETINGS

The Committee meets typically at least two times per year, with additional meetings held as needed to fulfill its responsibilities as described above. Meetings are convened by the Board Chair. The Committee may ask Management or others to attend the meeting and provide pertinent information as necessary. Meetings and actions of the Committee are governed by the same provisions of The Endowment's By-laws that pertain to meetings of the Board (Article IV, Section 4).

PROVENANCE AND LIMITATIONS

The Compensation Committee is established by The Endowment's Bylaws (Article IV, Section 14(a)). The Compensation Committee shall have the power and authority delegated to it by the Board of The Endowment, except as may otherwise be limited or restricted under applicable law or under The Endowment's Articles of Incorporation, Bylaws, or this Charter.

The California Endowment

CHARTER OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

PURPOSE

The Executive Committee (“Committee”) is appointed by the Board of Directors (“Board”) to 1) capitalize on the collective strengths of The Endowment’s Board leadership by providing greater teamwork and communication at the Board leadership level; and 2) take timely action on behalf of the Board between meetings of the Board.

AUTHORITY AND RESPONSIBILITIES

The Board grants the Committee authority and responsibility to:

1. Teamwork and Communication at the Board Leadership Level

- 1.1. Enhance teamwork and communication at the Board leadership level in Board governance, strategic decision-making, and problem-solving;
- 1.2. Provide the CEO and Management an opportunity to engage Board leadership on emerging or pressing issues that may arise during the time period between regularly scheduled Board meetings;
- 1.3. Identify sentinel issues and improve related communication; and
- 1.4. Provide for more effective management and communication of issues that cut across Committees.

2. Committee Actions on Behalf of the Board of Directors

- 2.1. The Endowment is committed to act through its entire Board so as to ensure the full participation and involvement of all Board members. However, the Committee is delegated the authority to take timely action on behalf of the Board in between regular Board meetings. In those instances, the Committee may be called into session by the Board Chair to exercise all of the powers and authorities of the Board in the management and affairs of The Endowment, except as may otherwise be limited or restricted under applicable law or under The Endowment’s Articles of Incorporation or Bylaws. Any action by the Committee must be reported at the next regularly scheduled meeting of the Board of Directors.

2.2 In this capacity, to the extent provided in a resolution of the Board or in the By-laws, the Committee shall have all the authority of the Board, except with respect to:

2.2.1 The approval of any action for which this part also requires approval of the members (Cal. Corp. Code Section 5034) or approval of a majority of all members (Section 5033), regardless of whether the corporation has members;

2.2.2 The filling of vacancies on the Board or in any committee which has the authority of the Board;

2.2.3 The fixing of compensation of the Directors for serving on the Board or on any committee;

2.2.4 The amendment or repeal of bylaws or the adoption of new bylaws;

2.2.5 The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

2.2.6 The appointment of committees of the board or the members thereof;

2.2.7 The expenditure of corporate funds to support a nominee for director after there are more people nominated for director than can be elected;

2.2.8 The approval of any self-dealing transaction except as provided in Cal. Corp. Code paragraph (3) of subdivision (d) of Section 5233.

3. General Responsibilities

3.1 Report to the Board on the Committee's activities;

3.2 Conduct annually a performance evaluation of itself in relation to the requirements of this Charter and such other matters as the Committee may deem appropriate and present such performance evaluation to the Board; and

3.3 Review annually the Committee Charter and recommend any changes to the Governance Committee.

COMPOSITION AND TERMS

Composition: The Committee consists of the Board Chair, Vice Chair, the past Board Chair (if still serving on the Board), Board Committee Chairs, and the President and CEO ex-officio. The Committee shall be chaired by the Board Chair.

Terms: Each Committee member shall serve a one-year term concurrent with their terms as Chair and Vice Chair of the Board, and Board Committee Chairs.

MEETINGS

The Committee shall meet when called into session by the Board Chair in between scheduled Board meetings to take timely action. The Committee may ask Management or others to attend the meeting and provide pertinent information as necessary. Meetings and actions of the Committee are governed by the same provisions of The Endowment's Bylaws that pertain to meetings of the Board (Article IV, Section 4).

PROVENANCE AND LIMITATIONS

The Committee is established by The Endowment's Bylaws (Article IV, Section 14(a)). The Committee shall have the power and authority to act for the full Board in the management of the business and affairs of The Endowment, except as may otherwise be limited or restricted under applicable law or under The Endowment's Articles of Incorporation, Bylaws, or the procedures and limitations set forth by this Charter.

The California Endowment

CHARTER OF THE INVESTMENT AND FINANCE COMMITTEE OF THE BOARD OF DIRECTORS

PURPOSE

The Investment and Finance Committee (“Committee”) is appointed by the Board of Directors (“Board”) to advise the Board on investment policy, fund management, budget, financial management, and capital expenditures for The Endowment, and to make recommendations to the Compensation Committee regarding CIO and Senior Investment Team compensation

AUTHORITY AND RESPONSIBILITIES

The Board grants the Committee the authority and responsibility to:

1. Investment-Related Responsibilities

- 1.1. Recommend to the Board the Endowment’s investment policies and strategic asset allocation targets for the prudent investment of the Endowment;
- 1.2. Recommend appropriate allowable ranges for the asset allocation targets;
- 1.3. Conduct an annual review of the Endowment's investment structure, asset allocation and financial performance. The Committee will review the Endowment’s asset allocation plan against capital market assumptions regarding return, risk, and correlations for major asset classes to ensure that the current asset mix will achieve the Endowment’s long term goals. Based on this review, the Committee shall make recommendations to the Board regarding revisions to the Endowment's strategic or policy asset allocation plan as necessary;
- 1.4. Review and approve the selection of Custodial Bank and Primary Investment Consultant services before the action is taken, as needed, to ensure that The Endowment is invested effectively and to safeguard the assets of The Endowment. Approvals by the Committee or Committee Chair must be acknowledged and documented prior to the engagement of such services;
- 1.5. Monitor investment performance;
- 1.6. Review and recommend to the Board any changes in signature and wire transfer authority resolutions concerning investment matters; and
- 1.7. Review and recommend to the Board of Directors candidates to serve as Committee Advisors to the Committee.

- 1.8 Receive Management's recommendations and review appropriate third-party benchmarking and compensation analysis for Investment Team, Senior Investment Team and CIO; provide advice and recommendations to Compensation Committee on Investment Team compensation policy and on CIO and Senior Investment Team compensation.
- 1.9 Ensure implementation of the provisions outlined in the Investment Policy Statement (Mission-Related Investments section) and Program-Related Investment Policy Statement, entailing quarterly and annual review of performance, both financial return and social impact.

2. Financial Responsibilities

- 2.1. Review and recommend banking and other similar financial relationship selection, employment, and retention or termination for approval by the Board;
- 2.2. Review and recommend to the Board any changes in signature and wire transfer authority resolutions concerning financial matters;
- 2.3. Review and recommend to the Board, the annual operating budget for The Endowment;
- 2.4. Review and recommend to the Board, the investment function budget for The Endowment;
- 2.5. Review and recommend to the Board, The Endowment's spending policy and other issues including the appropriate level for the annual grants and DCA budget in view of the annual distribution requirement, actual and projected investment returns, and the current goal of The Endowment to operate in perpetuity;
- 2.6. Review and recommend to the Board any major capital expenditures or disposals;
- 2.7. Review quarterly financial statements compared to budget.

3. General Responsibilities

- 3.1. Report to the Board on Committee activities;
- 3.2. Conduct annually a performance evaluation of itself in relation to the requirements of this Charter and such other matters as the Committee may deem appropriate and present such performance evaluation to the Board;
- 3.3. Review annually the Committee Charter and recommend any changes to the Governance Committee; and

- 3.4. Recommend to the Board any other actions related to investment and financial matters necessary for The Endowment to fulfill its mission.

COMPOSITION AND TERMS

Composition: The Committee consists of three or more Directors. The Committee members shall be recommended by the Board Chair and appointed by the Board. The Board Chair shall designate a member of the Committee to serve as Chair of the Committee. The Audit Committee Chair may not be a member of the Committee. Additionally, the Committee may add up to four Committee Advisors, recommended by the Committee, and appointed by the Board.

Terms: Each Committee member serves a one-year term, renewable annually by action of the Board.

MEETINGS

The Committee meets typically four times per year, with additional meetings as may be necessary and appropriate to fulfill the responsibilities described herein. Meetings are convened by the Committee Chair. The Committee may ask Management or others to attend the meeting and provide pertinent information as necessary. Meetings and actions of the Committee are governed by the same provisions of The Endowment's Bylaws that pertain to meetings and actions of the Board (Article IV, Section 4).

PROVENANCE AND LIMITATIONS

The Committee is established by The Endowment's Bylaws (Article IV, Sections 14(a)). Unless expressly delegated by the full Board when allowed under applicable law and The Endowment's Articles of Incorporation and Bylaws, the Committee shall not have the power or authority to act for the full Board.