

UNIVERSITY OF THE SCIENCES IN PHILADELPHIA

AUDIT COMMITTEE CHARTER

PURPOSE

There shall be a Committee of the Board of Trustees (the “Board”) of University of the Sciences in Philadelphia (the “University”) to be known as the Audit Committee of the University (the “Committee”). The Committee’s purpose is to oversee the accounting and financial reporting processes of the University and the audit of the financial statements of the University.

MEMBERSHIP

The Audit Committee shall have at least three (3) members, of which at least 3 are trustees who satisfy the Audit Committee composition and all must meet the independence requirements of applicable law and national security exchange rules. Audit Committee members shall be elected annually by the Board.

Each member of the Audit Committee shall be able to read and understand fundamental financial statements, including the University’s balance sheet, income statement, cash flow statement and related notes. In addition, at least one member of the Audit Committee shall be a financial expert, as defined by applicable law and regulations.

The Vice President of Finance & Administration or President’s designee shall provide administrative support to this Committee, including the administrative point-of-contact for the auditors with the university.

MEETINGS AND PROCEDURES

- The Audit Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the University and this Charter.
- The Audit Committee shall meet at least semi-annually and more frequently as circumstances require.
- The chairperson of the Audit Committee or a majority of the members of the Audit Committee may call special meetings of the Audit Committee.
- If a chairperson is not elected by the Board, the members of the Audit Committee may designate a chairperson by majority vote of the full Committee.
- The Audit Committee may request that any trustees, officers or employees of the University, or other persons whose advice and counsel are sought by the Audit Committee, attend any meeting of the Audit Committee and/or provide such pertinent information as the Audit Committee requests.

- The Audit Committee shall apprise the Board of Trustees on a regular basis regarding Audit Committee meetings and include a description of all actions taken by the Audit Committee.
- The Audit Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the University.

AUTHORITY AND FUNCTIONS

The responsibilities and authority of the Audit Committee are as follows:

- Power to appoint (and terminate), compensate, oversee the work of the internal and outside auditors, including audit scope and procedures and resolution of disagreements between management and the internal or outside auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work.
- Pre-approve all auditing services and permissible non-audit services provided by the internal and outside auditors to the University.
- Review and discuss the formal written statement from the outside auditors delineating all relationships between the outside auditors and the University or any other relationships that may adversely affect the independence of the auditor and, based on such review, assess the independence of the outside auditor consistent with the Independence Standards Board Standard No. 1.
- Review and approve the University's Internal Audit Plan prior to its inception for each fiscal year.
- Review and discuss with management and the outside auditors for the University the following: (i) critical accounting policies and practices to be utilized in connection with the preparation of the University's financial statements; (ii) material alternative treatments of financial information within United States generally accepted accounting principles that have been discussed with the management of the University, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the outside auditors; and (iii) other material written communications between the outside auditors and the management of the University, such as any management letter or schedule of unadjusted differences.
- Review at least annually a formal written report from the independent auditor delineating: the auditing firm's internal quality-control procedures; the auditing firm's independence; and any material issues raised within the preceding five years by the auditing firm's internal quality-control reviews, by peer reviews of the firm, or by any governmental or other inquiry or investigation relating to any audit conducted by the firm. The Committee will also review steps taken by the auditing firm to address any findings in any of the foregoing reviews. Also, in order to assess auditor independence, the Committee will review at least annually all relationships

between the independent auditor and the University.

- Establish procedures for (i) the receipt, retention and treatment of complaints received by the University regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the University of concerns regarding questionable accounting or auditing matters.
- Review reports submitted to the Audit Committee pursuant to the reporting provisions of the Code of Conduct of the University alleging actual or suspected violations of federal, state or local laws or regulations, including anonymous reports of questionable accounting or auditing matters.
- Review and discuss with management and the outside auditors: (i) all related party transactions which are relevant to an understanding of the University's financial statements, and (ii) any material financial or non-financial arrangements of the University which do not appear on the financial statements of the University.
- Approve all related party transactions.
- Review and discuss with the outside auditors, the University's internal auditor, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the University, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
- Review and discuss the audited financial statements with management and the outside auditors, including an analysis of the auditors' judgment as to the quality of the University's accounting principles.
- Review the University's IRS 990 filing.
- Meet with the internal auditor, outside auditor or the management privately as necessary to discuss any matters that the Audit Committee, the internal auditor, the outside auditor or the management believes should be discussed privately with the Audit Committee.
- Engage independent counsel and other advisors as it deems necessary to carry out its duties, and determine their compensation.
- Review university's assessment of risk management and actions planned.
- Review and reassess the adequacy of the Audit Committee's charter annually.
- Conduct or authorize investigations into any matters within the scope of its responsibilities.
- Review and respond to any inquires or reports from auditors that involve comments about actual or alleged fraud matters.

DELEGATION

Any responsibility or authority of the Audit Committee, including but not limited to, the authority to preapprove all audit and permitted non-audit services, may be delegated to one or more members of the Committee. The decisions of any member of the Audit Committee to whom authority to grant pre-approval has been delegated shall be presented to the full Audit Committee at the next scheduled meeting.

LIMITATIONS

The Audit Committee is responsible for the duties set forth in this Charter but is not responsible for either the preparation of the financial statements or the auditing of the financial statements. Management has the responsibility for preparing the financial statements and implementing internal controls and the independent auditors have the responsibility for auditing the financial statements and obtaining a sufficient understanding of internal control to plan the audit and to determine the nature, timing and extent of tests to be performed. The review of the financial statements by the Audit Committee is not of the same quality as the audit performed by the independent auditors. In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to best react to a changing environment.