



**CHARTER, POLICIES AND PROCEDURES  
OF  
THE AUDIT AND COMPLIANCE COMMITTEE  
OF THE  
MAYO CLINIC BOARD OF TRUSTEES**

APPROVED WITHOUT REVISIONS BY THE AUDIT AND COMPLIANCE COMMITTEE: NOVEMBER 9, 2023  
APPROVED BY THE BOARD OF TRUSTEES: FEBRUARY 16, 2024

## **ROLE**

The Audit and Compliance Committee (“Committee”) of Mayo Clinic (the “Clinic”) is charged with responsibility as follows:

1. Review and recommend to the Trustees the independent external auditors to be selected to audit the financial statements and approve their fees and terms of engagement except for:
  - 1.1 Audit fees up to \$100,000, which may be approved by the Chair of the Committee or the Chief Financial Officer;
  - 1.2 Non-audit services (other than those prohibited services listed in Section 14.1-9 below) and fees up to \$500,000, which may be approved by the Chair of the Committee or the Chief Financial Officer; and
  - 1.3 Non-audit services (other than those prohibited services listed in Section 14.1-9 below) and fees exceeding \$500,000, which may be approved by the Chair of the Committee or the Committee.

These exceptions approved by either the Chair of the Committee or the Chief Financial Officer shall be reported to the Committee by notation item at its next meeting.

The audit engagement letter shall include a commitment from the independent external auditor that it will not assign staff to the Clinic audit who have been suspended or barred under any applicable law or by any applicable professional organization.

2. Function as the Trustees principal agent in assuring the independence of the Clinic’s independent external auditors and the integrity of the financial statements. Receive annual independence communication from independent external auditor.
3. Review with the independent external auditors, the Chief Risk Officer<sup>1</sup>, Vice Chair - Risk Management, and financial personnel, the adequacy and effectiveness of the accounting and financial controls.
4. Review the internal audit function including the independence and authority of its reporting obligations. Approve the proposed audit plans for the coming quarter and the coordination of such plans with the independent external auditor.
5. Review and concur in the appointment, replacement, and dismissal of the Chief Risk Officer and Vice Chair - Risk Management, and annually review the performance of the Chief Risk Officer and Vice Chair - Risk Management and concur with the annual compensation and salary adjustment recommended by executive management.

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<sup>1</sup> The Chief Risk Officer also serves as the Chief Compliance Officer.

6. Review, periodically, the appropriateness and effectiveness of the administrative reporting relationship of Internal Audit Services (“IAS”) and update or affirm that relationship. That reporting relationship should both ensure that IAS is independent of the key areas it audits and facilitate open and direct communications with executive and line management.
7. Review the periodic (every five years) external quality assessments of IAS.
8. Review the financial statements contained in the annual report with management and the independent external auditors to determine that the independent external auditors are satisfied with the disclosure and content of the financial statements. Any changes in accounting principles should be reviewed.
9. Consider and review with management, the Chief Risk Officer, Vice Chair - Risk Management and the independent external auditor:
  - 9.1 High risk findings during the year, including the status of previous audit recommendations.
  - 9.2 Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information.
  - 9.3 Any changes required in the planned scope of the Internal Audit plan. The Mayo Clinic Chief Financial Officer has delegated authority to approve increases in the planned scope with the approval of the Chair of the Committee.
  - 9.4 IAS charter, budget, and staffing, including the professional credentials of internal audit staff and professional development and training requirements.
  - 9.5 The annual internal control report and officer certification.
  - 9.6 The existence of and proper audit treatment of any off-balance sheet transactions, related party transactions, levels of self-insured risk, financial derivatives, or similar financial transactions involving the Clinic.
  - 9.7 Review and accept financial reports for prior quarter and at year-end—confirm that CEO and Chief Financial Officer have signed written certification of each financial report.
  - 9.8 All required communications from the independent external auditor including:
    - 9.8.1 Auditor’s independence;
    - 9.8.2 Auditor’s internal quality control procedures;
    - 9.8.3 Material issues raised in quality control reviews within preceding five years and action taken; and
    - 9.8.4 Relationships between auditor and the Clinic.
10. Provide sufficient opportunity for the Chief Risk Officer, Vice Chair - Risk Management, and the independent external auditors to meet with members of the Committee without management present.

11. At least annually, perform the following actions:
  - 11.1 With the Chief Risk Officer, approve the annual plan, priorities and activities of the Integrity and Compliance Office, the compliance function, and compliance monitoring results under and any recommended changes to the Mayo Clinic Integrity and Compliance Program including the Code of Ethics and Conduct and other pertinent policies and procedures including the “Mayo Clinic Anti-Retaliation Policy” policy and the “Prevention of Fraud, Waste and Abuse Policy.”
  - 11.2 With the Chief Risk Officer, review the status of the Enterprise Risk Management program.
  - 11.3 With the Chief Legal Officer, review audit opinions given by the Chief Legal Officer regarding the existence of pending or threatened matters involving potentially material financial impacts to any Clinic entity including material violation of securities laws or breaches of fiduciary duty. Confirm that such audit opinions have been delivered to the CEO by the Chief Legal Officer.
  - 11.4 From the Chief Legal Officer, receive opinion on whether there are any additional actions the Committee should take in order to fully comply with all applicable internal control standards and requirements of AICPA or relevant sources. Chief Legal Officer shall solicit input from the Chief Financial Officer, Vice Chair - Risk Management, Chief Risk Officer, and outside auditors with respect to the opinion and shall review the “Sarbanes-Oxley and Corporate Responsibility Requirements/Recommendations dated November 7, 2013” to ensure it is current.
  - 11.5 With the Chief Financial Officer, confirm that all pro forma financial information has been presented in accordance with GAAP.
  - 11.6 With the Chair of the Governance Committee and with the Chief Legal Officer, confirm that the Compensation Policies and Procedures of the Governance Committee regarding compensation of the President/CEO of the Clinic have been fully complied with.
12. At least annually, make inquiry of each of the following individuals (outside the presence of management) as to any matter related to the Committee’s responsibility that the individual wishes to bring to the attention of the Committee: Chief Financial Officer; Chief Risk Officer; Vice Chair - Risk Management; Chair of Financial and Accounting Services; Chief Legal Officer; the independent external auditor; and the external actuary.
13. At least annually, make inquiry of management (outside the presence of the independent external auditors) to discuss management’s evaluation of the work performed by the independent external auditor and the appropriateness of their fees.

14. Confirm that the independent external auditor is not engaged for any of the following non-audit services for the Clinic without prior disclosure to and approval of the Board of Trustees:
  - 14.1 Bookkeeping
  - 14.2 Financial information systems design and implementation
  - 14.3 Appraisal or valuation services
  - 14.4 Actuarial services
  - 14.5 Internal audit outsourcing services
  - 14.6 Management functions or human resources
  - 14.7 Broker or dealer services
  - 14.8 Legal services and expert services unrelated to the audit
  - 14.9 Tax services to individuals in financial reporting oversight roles (CEO, Chief Administrative Officer, Chief Financial Officer(s), Chair of Financial and Accounting Services, Vice Chair - Risk Management, Treasurer and Chief Legal Officer (and immediate families)
  - 14.10 Tax preparation for officers
  - 14.11 Other services that the Accounting Oversight Board may deem as not permitted
15. In consultation and coordination with the Chief Risk Officer, Vice Chair - Risk Management, and the Chief Legal Officer, investigate potential improprieties in operations of any Clinic entity whenever the Committee deems such investigation to be necessary.
16. In consultation with the Chief Risk Officer, Vice Chair - Risk Management, and the Chief Legal Officer, review and approve material document retention policies of the Clinic that are intended to conform to requirements of Sarbanes-Oxley and any successor legislation.
17. Monitor the professional staffing of all audit engagements by independent external auditors and require a staggered rotation of the lead (or coordination) audit partner and engagement partner every seven years or when otherwise deemed appropriate by the Committee.
18. Ensure that the Clinic waits at least one year before hiring an audit engagement team member (through manager) to be the CEO, Chief Financial Officer, or Chair of Financial and Accounting Services or equivalent officer of the Clinic.
19. Annually review a report from the independent external auditors describing their internal quality control procedures and any material issues raised by their most recent internal quality control review by the firm or any governmental or professional authority.

20. Obtain the advice of outside consultants and professionals to advise the Committee on matters within the scope of its Charter.
21. Adopt such policies and procedures as the Committee deems appropriate to fulfill its purposes and responsibilities under this Charter.
22. Annually review and, as appropriate, recommend to the Board of Trustees approval of changes to the Committee Charter.

## **MEMBERSHIP**

The Committee shall be composed of at least four independent trustees appointed by the Board of Trustees. These trustees shall be free of any relationship that, in the opinion of the Board of Trustees, would interfere with their exercise of independent judgment as a committee member. All Members of the Committee shall be Public Trustees. Each member of the Committee shall be financially literate which means that the member has at least the following three qualities: 1) a basic understanding of fundamental financial statements, 2) ability to read and understand the Mayo Clinic Consolidated Statements of Activities, Financial Position and Cash Flows; and 3) an up-to-date knowledge of industry, and general accounting and auditing developments that can affect the Clinic's operations and financial statements. At least one member of the Committee shall be an "audit committee financial expert" as defined in applicable laws and regulations or shall otherwise be approved by the Board of Trustees as having satisfactory education and experience to fulfill the role of an "audit committee financial expert" (as defined in Sarbanes-Oxley Section 407) on the Committee.

## **ORGANIZATION**

The Committee shall meet in person or by telephone on a regular basis during the year and whenever any member of the Committee, the Board Chair, the President/CEO, the Chief Financial Officer, the Chief Risk Officer, Vice Chair - Risk Management, or the Chief Legal Officer requests a meeting. Written minutes shall be maintained of all Committee meetings. The Committee is governed by the same rules regarding meetings, written action without a meeting, electronic meetings, notice, waiver of notice, quorum and voting requirements as are applicable to the Board of Trustees. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with a) any provision of this Charter, b) any provision of the Bylaws of Mayo Clinic as they may be amended from time to time, or c) the laws of the State of Minnesota.

## **STATEMENT OF POLICY**

The Committee shall provide assistance to the Board of Trustees in fulfilling its fiduciary responsibilities relating to financial accounting, reporting, internal controls, and compliance. In so doing, it is the responsibility of the Committee to maintain free and open means of communication between the Trustees, the independent external auditors, the Chief Risk Officer, Vice Chair - Risk Management, and the Chief Financial Officer of the Clinic.

The Clinic shall make its employees, including IAS, available to assist the Committee and provide such administrative support as may be requested by the Committee. The Committee shall have complete access to the Clinic's officers and employees including the President and CEO, Chief Administration Officer, Chief Financial Officer, Chief Risk Officer, Vice Chair - Risk Management, and Chief Legal Officer.