

THE AMERICAN LAW INSTITUTE

AUDIT COMMITTEE CHARTER

(Adopted by resolution of the Council on December 7, 2006, and effective on May 17, 2007.
Last amended by the Council on May 21, 2012.)

Note: Unless the context requires other meaning, as used in this Charter the word “Institute” includes both ALI and ALI CLE and “management” and “management staff” refer to both the management of ALI and the management of ALI CLE.

I. Purpose

The Audit Committee oversees the integrity of the financial statements of the Institute (including those of ALI CLE and of ALI Publishers); adequacy and performance of the Institute’s internal controls; qualifications and independence of the Institute’s independent auditor; performance of the independent auditor; and compliance by the Institute with legal, regulatory, and ethical requirements.

II. Membership

A. The Audit Committee should not have fewer than five members and may not have more than seven members. After receiving nominations from the Nominating Committee, the Executive Committee appoints the members of the Audit Committee, including its Chair and, if desired, a Vice Chair. A majority of the Audit Committee must be members of the Council and all must be members of the Institute.

B. The President, Treasurer, and Assistant Treasurer, if any, may not serve as members of the Audit Committee but, if invited, may attend meetings of the Committee. A member of the Investment Committee may not serve as Chair of the Audit Committee, but Investment Committee members may serve as members of the Audit Committee so long as they do not constitute a majority of the Audit Committee’s membership.

C. Each member of the Audit Committee should be able to read and understand financial statements.

D. No member of the Audit Committee may be employed by or receive any compensation, directly or indirectly, from the Institute’s independent auditor.

III. Meetings

A. The Audit Committee meets as often as it determines is appropriate, but not less than twice each year. At least one meeting each year should be held in person.

B. Periodically the Audit Committee should:

1. meet in executive session;
2. meet in executive session with the independent auditor; and

3. meet in executive session with the senior member of the Institute's accounting staff.

C. The Audit Committee may meet with any persons it deems appropriate.

IV. Authority and Responsibilities

A. The Audit Committee is responsible for appointing or replacing the independent auditor, negotiating the independent auditor's compensation, and overseeing the independent auditor's work (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor reports directly to the Audit Committee.

B. The Audit Committee should normally pre-approve any arrangement under which the independent auditor provides auditing services, internal control-related services, and any other services for the Institute. In the event the arrangement is not pre-approved, it must be ratified at the next meeting of the Audit Committee immediately after work under the arrangement has commenced.

C. To the extent it deems appropriate, the Audit Committee may retain outside advisers.

D. The Audit Committee, to the extent it deems appropriate, performs the following activities:

1. Financial Statement and Disclosure Matters

a. Meet with the President, Director, Treasurer, and appropriate management staff and the independent auditor to review the annual audited financial statements, and recommend to the Council or Executive Committee whether the audited financial statements should be accepted.

b. Discuss with the President, Director, Treasurer, and appropriate management staff and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Institute's financial statements, including any significant changes in the Institute's selection or application of accounting principles.

c. Review and discuss with the President, Director, Treasurer, and appropriate management staff and the independent auditor any major issues as to the adequacy of the Institute's internal controls, and any actions adopted or to be adopted to remedy any material control weaknesses or deficiencies.

d. Review and discuss with the independent auditor:

- (i) major accounting policies and practices to be used; and

(ii) major questions of choice with respect to alternative accounting treatments that have been discussed with management, the ramifications of the use of such alternative treatments, and the treatment preferred by the independent auditor.

e. Review and discuss with the President, Director, Treasurer, and appropriate management staff and the independent auditor any management letter or schedule of unadjusted differences or other communications from the independent auditor involving major matters.

f. Discuss with the President, Director, Treasurer, and appropriate management staff the Institute's major financial risk exposures and the steps management has taken to monitor and control such exposures.

g. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any unusual difficulties encountered in the course of the audit work, any restrictions imposed by management on the scope of the independent auditor's activities or access to requested information, and any significant disagreements with management.

h. Review the Institute's annual IRS Form 990 before it is filed.

2. **Oversight of the Institute's Relationship with the Independent Auditor**

i. Review and evaluate the qualifications, independence, and performance of the independent auditor, including in particular, of the lead partner and manager of the independent auditor team.

j. Meet with the independent auditor after tentative plans for the audit (including staffing and schedule) have been prepared by the Institute's staff and the auditor, but prior to the conduct of the audit, to discuss and approve or modify the plans.

3. **Oversight of the Institute's Internal Accounting and Auditing Function**

k. Review the performance and compensation of the senior member of the Institute's accounting staff.

l. Review any significant reports to management prepared by the Accounting Department and management's responses.

m. Discuss with the President, Director, Treasurer, and appropriate management staff and the independent auditor the Accounting Department's responsibilities, staffing, compensation, technology, and information-systems

support and any recommended changes in the planned scope of any internal audit program to be adopted.

4. Compliance Oversight Responsibilities

n. Obtain reports from the Director and appropriate management staff, and to the extent the Committee deems it to be appropriate, from the independent auditor or any other external adviser, stating that the Institute and all affiliated entities and relevant persons are in conformity with applicable legal requirements and the Institute's Code of Conduct for Employees and Conflicts of Interest Policy or specifying any instances of non-conformity.

o. Review any conflict-of-interest disclosures made in the annual disclosure questionnaires completed pursuant to the Institute's Conflicts of Interest Policy or Code of Conduct for Employees, and, if the Committee determines that an actual or potential conflict exists, recommend an appropriate remedy in accord with the Policy or Code of Conduct, as applicable.

p. Advise the Executive Committee with respect to the adequacy of the Institute's policies and procedures regarding compliance with applicable laws and regulations.

q. Establish procedures for the receipt, retention, and treatment of complaints regarding the Institute's financial reports, its internal controls, or any violation of its policies or procedures with respect to the Institute's financial or other assets or accounting or financial reporting matters, and oversee the implementation of a system that allows employees to submit complaints on a confidential basis and that guards against retaliation against any employee for submitting a complaint or cooperating in the investigation of a complaint.

V. Limitation of Audit Committee's Role

Although the Audit Committee has the authority and responsibilities set forth in this Charter and as otherwise may be specifically delegated to it by the Council or the Executive Committee, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Institute's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.