

## **ATTACHMENT A TO POLICY 7900**

### **AUDIT COMMITTEE CHARTER**

The Audit Committee (the “Committee”) of the Board of Governors (“the Board”) of United States Pony Clubs, Inc. (the “Corporation”) will have the oversight responsibility, authority and specific duties as described below.

#### **COMPOSITION**

The Committee will be comprised of three or more Board members as appointed by the Board, one of whom will be a “financial expert.” The Members and Chairperson of the Committee will be appointed annually at the Annual Meeting of the Board held in conjunction with the Annual Meeting of the Corporation as provided by Section 5.4 of the Corporation’s By-Laws.

#### **RESPONSIBILITY**

The Committee will assist the Board in fulfilling its oversight responsibilities with respect to (i) the annual financial information to be provided to corporate members; (ii) the system of internal controls that management has established; and (iii) the internal and external audit process. In addition, the Committee provides an avenue for communication between internal auditors, the independent auditors, financial management and the Board. The Committee should have a clear understanding with the independent auditors that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent auditors is to the Board and the Committee. The Committee will make regular reports to the Board concerning its activities.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation’s financial statements are complete and accurate or are in accordance with generally accepted accounting principles. It is not the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors or to assure compliance with laws and regulations and the Corporation’s business conduct guidelines.

#### **AUTHORITY**

The Committee is directly responsible for the appointment, compensation, retention, oversight and termination of engagement of any independent auditor employed by the Corporation. Each independent auditor shall report directly to the Committee. The Committee is granted the authority to investigate any matter or activity involving financial accounting and financial reporting, as well as the internal control of the Corporation. In that regard, the Committee will have the authority to approve the retention of external professionals to render advice and counsel in such matters. The cost of the independent auditors and such professionals, as well as the Committee’s ordinary administrative expenses incurred in carrying out its duties, shall be borne by the

Corporation. All employees will be directed to cooperate with respect thereto as requested by members of the Committee.

## **MEETINGS**

The Committee is to meet at least four (4) times annually and as many additional times as the Committee deems necessary. Content of the agenda for each meeting should be cleared by the Committee Chairman. The Committee is to meet in separate executive sessions with the Corporation's chief financial officer, independent auditors and internal auditors at least once each year and at other times when considered appropriate. For purposes of a quorum, a majority of the members must be present.

## **ATTENDANCE**

Committee members will strive to be present at all meetings. As necessary or desirable, the Committee Chairman may request that members of management and representatives of the independent auditors and internal auditors be present at Committee meetings.

## **SPECIFIC DUTIES**

In carrying out its oversight responsibilities, the Committee will:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review with the Corporation's management, internal auditors and independent auditors the Corporation's accounting and financial reporting controls.
3. Review with the Corporation's management, internal auditors and independent auditors significant accounting and reporting principles, practices and procedures applied by the Corporation and management's judgments and estimates in preparing its financial statements. Discuss with the independent auditors their judgments about the quality, not just the acceptability, of the Corporation's accounting principles used in financial reporting.
4. Review the scope of internal auditors' work plan for the year and receive a summary report of major findings by internal auditors and how management is addressing the conditions reported.
5. Review the scope and general extent of the independent auditors' annual audit. The Committee's review should include an explanation from the independent auditors of the factors considered by the auditors in determining the audit scope, including the major risk factors. The independent auditors should confirm to the Committee that no limitations have been placed on the scope or nature of their audit procedures. The Committee will review annually with management the fee arrangement with the independent auditors.

6. Inquire as to the independence of the independent auditors and obtain from the independent auditors, at least annually, a formal written statement delineating all relationships between the independent auditors and the Corporation.

7. At the completion of the annual audit, review with management, internal auditors and the independent auditors the following:

- The annual financial statements and related footnotes and financial information.
- Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
- Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent auditors during their audit, including access to all requested records, data and information. Inquire of the independent auditors whether there have been any disagreements with management which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Corporation's financial statements.
- Other communications as required to be communicated by the independent auditors by Statement of Auditing Standards (SAS) 61 as amended by SAS 90 relating to the conduct of the audit. Further, receive a communication provided by the independent auditors concerning their judgment about the quality of the Corporation's accounting principles, as outlined in SAS 61 as amended by SAS 90, and that they concur with management's representation concerning audit adjustments.

8. Discuss with the independent auditors the quality of the Corporation's financial and accounting personnel. Also, elicit the comments of management regarding the responsiveness of the independent auditors to the Corporation's needs.

9. Meet with management, internal auditors and the independent auditors to discuss any relevant significant recommendations that the independent auditors may have, particularly those characterized as "material" or "serious."

10. Approve in advance the engagement of the independent auditors for all audit services and non-audit services and approve the fees and terms of any such engagement.

11. Review with management, internal auditors and the independent auditors the methods used to establish and monitor the Corporation's policies with respect to unethical or illegal activities by Corporation employees that may have a material impact on the financial statements.

12. Generally as part of the review of the annual financial statements, receive an oral report(s), at least annually, from the Corporation's legal counsel concerning legal and regulatory matters that may have a material impact on the financial statements.

13. Review and approve all related-party transactions after reviewing each such transaction for potential conflicts of interest and improprieties.

14. Adopt and monitor a code of ethics for senior financial and other officers.

15. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding any matters, including questionable accounting or auditing matters.