

Charter

**Finance Committee
of the Board of Trustees
of
Claremont McKenna College**

Purpose of the Claremont McKenna College Finance Committee

The Finance Committee (the "Committee") is a committee of the Board of Trustees of Claremont McKenna College (the "Board"). The Committee shall have responsibility, on behalf of the Board, for oversight of the financial operations of the College, except for those financial operations that receive oversight by the Investment and Audit Committees of the Board. Without limitation to the foregoing, the Committee shall work proactively with College management to ensure effective financial planning, resource allocation, and budget implementation strategies in an effort to achieve (i) both short-term and long-term financial stability and other financial goals, (ii) strategic plan objectives, and (iii) the College's mission.

Structure of the Finance Committee

- A. Membership on the Committee shall be comprised of Trustees only.
- B. Each member of the Committee shall be appointed annually by the Board. The Committee shall consist of at least seven (7) Trustees. Because of the nature of the work of the Committee and the need for continuous service, it is anticipated that Trustees appointed to serve on the Committee will serve for a minimum term of three years. In addition, not less than five Trustees shall qualify as financially literate. A Trustee shall qualify as financially literate if such trustee is able to read and understand financial statements and is aware of the functions of auditors for a college or, in the judgment of the Board, is able to become financially literate and aware of such audit functions within a reasonable period of time after such Trustee's appointment to the Committee.
- C. One or more members of the Committee shall be appointed by the Board to serve as Chair or Co-Chair of the Committee, as the case may be. A majority of the number of members on the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. Provided that a quorum is established, any matter for which a vote of the Committee is required shall be decided by a majority of the number of the members participating in a meeting. The Committee shall meet in person at least on four occasions in each fiscal year, and shall hold telephonic meetings when called by the Chair or any Co-Chair.
- D. Life Trustees, faculty representatives, student representatives, and such other staff and special guests as the Board determines is appropriate may also participate in the activities of the Committee; provided, however, that

such individuals shall not be considered members of the Committee within the meaning of the California Nonprofit Public Benefit Corporation Law.

- E. The Vice President for Business and Administration and Treasurer and any other appropriate employee of the College shall provide primary staff support for the Committee.
- F. The Committee may form advisory subcommittees for any purpose; provided, however, that such subcommittee shall be advisory only and shall not be a committee of the Board.

Responsibilities and Authority of the Finance Committee

The Committee shall take all such action as shall be reasonably necessary to fulfill its purpose including, but not limited to, the following:

- A. The Committee shall review, monitor and evaluate the financial operations of the College during the course of each fiscal year and shall have the authority to approve budget changes in excess of such amount or amounts as the Committee, with Board approval, may establish from time to time.
- B. The Committee shall review, evaluate and provide its input to the Audit Committee of the Board concerning the audited financial statements of the College.
- C. The Committee shall review and evaluate the primary planning variables proposed by management to develop the detailed operating budget of the College for each fiscal year, and make a recommendation concerning such primary planning variables to the Board for its approval. The Committee shall review and evaluate the detailed operating and capital budgets of the College proposed by management for each fiscal year, and make a recommendation concerning such primary planning variables to the Board for its approval.
- D. The Committee shall review and evaluate the financial performance of the College employing ratio and trend analysis.
- E. The Committee shall review and evaluate five-year forecasts and backcasts of the College on an annual basis.
- F. The Committee shall formulate a debt policy for the College, and recommend such debt policy to the Board for approval. The Committee shall periodically review such policy and, if appropriate, recommend proposed changes to the Board for approval.
- G. The Committee shall periodically evaluate the formula, assumptions and other factors leading to the calculation of the College's spending rate.

- H. The Committee shall monitor, review and approve the financial impact of all grants to the College.
- I. The Chair or any Co-Chair of the Committee shall report regularly to the Board on any significant matters arising from the Committee's work irrespective of whether Board action is required with respect to such matters, and the Chair or any Co-Chair shall strive to keep Board members fully informed with respect to the financial affairs of the College that come within the Committee's responsibilities and authority.
- J. The Committee shall work cooperatively with other committees of the Board. The Committee shall establish and maintain a coordinated working relationship, in particular, with the Investment and Audit Committees of the Board.
- K. The Committee shall review this Charter periodically and, if appropriate, recommend proposed changes to the Board for approval. In addition, the Committee shall assess periodically the Committee's performance in view of this Charter and the Committee's annual goals and objectives.