

**BOARD OF REGENTS
SMITHSONIAN INSTITUTION**

**CHARTER OF THE
FINANCE COMMITTEE**

SEPTEMBER 2008

I. Establishment by the Board of Regents

The Bylaws of the Board of Regents establish a Finance Committee. *See* Bylaw 4.05.

II. Statement of Purpose

The purpose of the Finance Committee is to assist the Board of Regents in (1) overseeing the Institution's annual budgets and long-range financial planning and (2) performing such related functions as may be assigned to it by the Board of Regents. *See* Bylaw 4.05.

III. Appointment, Membership, and Length of Service

A. Appointment

1. The Finance Committee shall consist of no fewer than three (3) and no more than six (6) Regent members. The Committee also may consist of non-Regent members well-chosen for their expertise of relevance to the duties and responsibilities of the Committee.
2. With the approval of the Board of Regents, the members of the Finance Committee shall be appointed by the Chancellor.
3. The Board of Regents, in accepting the Report of the Nominating Committee (now Governance and Nominating Committee) on January 6, 2003, provided that:
 - a) Sitting committee chairs recommend every November to the Governance and Nominating Committee the preferred membership and chairmanship for their respective committees for the ensuing calendar year.
 - b) The Governance and Nominating Committee proposes for the Regents' consideration at the first Regents' meeting of the new year a motion including recommended memberships and chairmanships for all committees.

B. Membership

1. The Board of Regents provided that a sitting Regent majority be maintained on all committees and that non-Regent committee members be well-chosen for their

expertise. In addition, consideration of Regents Emeriti with an interest in, or relevant expertise to, the work of the Committee, for membership is encouraged.

2. The members of the Finance Committee shall be individuals who have had extensive expertise dealing with public and/or private sector issues involving accounting, financial analysis, budgeting, and asset and liability management.
3. Individuals currently associated with the Smithsonian Institution's fund raising, finances, or programs such that a reasonable person might question that individual's independence and ability to evaluate without bias the Institution's financial plans may not serve on the Finance Committee.
4. Non-Regent members of the Finance Committee shall be subject to the same ethics guidelines as apply to the Regents.

C. Length of Service

1. With the approval of the Board of Regents, a Regent may serve on the Finance Committee for the length of his or her term as a Regent, but in no event longer than six (6) years. With the approval of the Board of Regents, a non-Regent may serve up to six (6) years as a non-Regent member of the Finance Committee.
2. The Board of Regents, in accepting the Report of the Nominating Committee on January 6, 2003, provided that a Regent may be appointed as a Regent Emeritus and encouraged to continue his or her service to the Smithsonian by serving as many as but not more than three (3) years on selected committees following his or her active service as a Regent. The Governance and Nominating Committee will review the effectiveness of any Finance Committee member serving as a Regent Emeritus along with that of all of the Regents in its annual nominations.

IV. Rules for the Conduct of Meetings of the Finance Committee

A. Finance Committee Policies and Procedures

The Finance Committee shall have power to adopt rules for the conduct of its business with respect to all matters not provided for in the Bylaws or as provided by the Board of Regents. *See* Bylaw 4.11.

B. Chair

1. The Committee Chair shall be appointed by the Chancellor, with the approval of the Board of Regents. *See* Bylaw 4.11. Only sitting Regents are eligible to be Chair of the Committee.

2. If the Chair is unable to attend a meeting, the members will be polled prior to that meeting and a substitute Chair, for the purposes of that meeting only, will be identified among those members who have indicated that they will be present.

C. Meetings

1. The Committee will hold not less than three (3) meetings each year and such additional meetings as the Committee Chair may deem necessary or appropriate.
2. The Committee Chair or any three (3) members of the Finance Committee may call special meetings of the Committee.
3. Notice of the meetings of the Finance Committee may be given by hand delivery, by deposit in the U.S. Mail, by express mail, by electronic facsimile, or by electronic mail.
4. Members of the Finance Committee will be provided an agenda in advance of each meeting.
5. The meetings of the Finance Committee may be conducted in person, by videoconference, or by telephone conference call.
6. If a majority of the Finance Committee agrees, the Committee may conduct business by written ballot (whether in paper or electronic format) without a meeting. The vote of a majority of the ballots submitted shall constitute an action of the Committee.

D. Quorum

1. Section 4.10 of the Bylaws of the Board of Regents provides:

. . . [A] majority of the members of all standing committees . . . shall constitute a quorum.

2. In the absence of a quorum, a lesser number may adjourn the meeting, or the Chair may authorize the conduct of business by written ballot following the meeting.

V. **Responsibilities and Duties of the Finance Committee**

- A. In accordance with Sections 4.05 and 6.02 of the Bylaws of the Board of Regents, the Finance Committee shall assist the Board in its oversight of the Institution's long-range financial planning, including the following:

1. reviewing the performance of the Institution's endowment on a regular basis and recommending to the Board of Regents annually the payout from the endowment to be made available to the Institution for its annual operations.
 2. reviewing external debt financing proposals for major construction projects and the status of the Institution's external debt position as required, but no less frequently than once a year.
 3. reviewing the Capital Investment Plan of Smithsonian Enterprises as required, but no less frequently than once a year.
 4. augmenting the Institution's endowment fund from time to time through budgetary transfers of the net income derived from investments, donations, or revenues from auxiliary activities..
- B. In accordance with Sections 4.05, 6.03, and 6.04 of the Bylaws of the Board of Regents, the Finance Committee shall assist the Board in its oversight of the Institution's budget, including the following:
1. considering the Institution's proposed annual Federal budget and recommending to the Board of Regents that the budget be approved for submission to the Office of Management and Budget.
 2. reviewing the Institution's proposed annual Federal budget as approved by the Office of Management and Budget, recommending to the Board of Regents that the budget be approved for submission to the Congress of the United States for its consideration, and reviewing the approved annual appropriation act.
 3. reviewing annually the proposed combined Federal and Trust budget for the Institution, which includes the Institution's program plans, its estimated income from all sources, and the expenditures proposed for the ensuing fiscal year, and recommending to the Board of Regents that it be approved.
 4. recommending to the Board of Regents that it authorize the Secretary to expend appropriated and nonappropriated Trust funds in accordance with the approved budget, Federal law, and the policies of the Board of Regents.

VI. Communications and Minutes

- A. The Committee Chair will report orally or in writing to the Board of Regents on matters discussed at the most recent Committee meeting.
- B. Minutes of each meeting of the Finance Committee will be prepared. Draft minutes will be provided to all members for their review and, upon approval, will be made a part of the official record of the proceedings of the Board of Regents. If the Committee has not formally approved the minutes prior to the next meeting of the

Board of Regents, a draft of the minutes will be provided to the Regents. The Board of Regents will be informed subsequent to their meeting if any significant changes are made in the final version of the Finance Committee minutes. The official record of the Board of Regents' proceedings for any given Regents' meeting will incorporate the latest version of the Committee's minutes at the time the official record is published.

VII. Resources and Authority

A. Staff Support and the Retention of Outside Advisors

The Committee may, without further action by the Board of Regents, retain any external advisors, attorneys, consultants, and accountants (collectively "Advisors") it deems necessary to carry out the Committee's responsibilities. The Smithsonian will adequately fund the costs and expenses of these Advisors under arrangements that assure the independence of these Advisors and their loyalty to the Institution, the Board of Regents, and the Committee. *See* Bylaw 4.09.

B. Indemnification

Section 2.12 of the Bylaws of the Board of Regents provides:

Members of . . . Regents' Committees . . . may be indemnified for any and all liabilities and reasonable expenses incurred in connection with any claim, action, suit, or proceeding arising from present or past service for the Smithsonian Institution, in accordance with resolutions adopted by the Board.

C. Expenses

1. Section 4.11 of the Bylaws of the Board of Regents provides:

. . . Expenses of members in attending meetings of committees established by the Board of Regents, including travel expenses to and from the place of meeting, may be paid by the Institution

2. It is understood that expenses claimed shall be appropriate and reasonable, in keeping with the Institution's need to protect the public trust with which it has been entrusted.

VIII. Periodic Review

A. Charter Review

1. As part of its duties to be responsible for oversight of the Institution's annual budgets and long-range financial planning, the Committee may propose changes to this Charter.

2. The Committee will review and assess at least annually the adequacy of the Finance Committee Charter. In consultation with the Governance and Nominating Committee the Committee will submit proposed revisions to the Board of Regents for its approval.

B. Committee Performance

The Committee will at least annually evaluate its own performance with respect to the requirements of the Charter in such a manner as the Committee, in consultation with the Governance and Nominating Committee, deems appropriate.