



Audit Committee Charter

PURPOSE

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by MicroCredit Enterprises (MCE) to any governmental body or the public; MCE’s systems of internal controls regarding finance, accounting and legal compliance that management and the Board have established; and MCE’s auditing, accounting and financial reporting processes generally. Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, MCE’s policies, procedures and practices at all levels.

The Committee’s primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor MCE’s financial reporting process and internal control system;
- Review and appraise the audit efforts of MCE’s registered public accounting firm (the “Outside Auditor”) and internal finance department; and
- Provide an open avenue of communication among the Outside Auditor, financial and senior management, the internal finance department, and the Board.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV.

COMPOSITION

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices (at the time of their appointment), and at least one member of the Committee shall have accounting or related financial management expertise (as contemplated by Nasdaq Rule 4350 and Section 407 of the Sarbanes-Oxley Act and any rules promulgated by the Securities and Exchange Commission thereunder). All members of the Committee shall be able to read and understand fundamental financial statements, including a balance sheet, cash flow statement and income statement.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors are duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with management and the Outside Auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or at least its Chair should meet with the Outside Auditor and management quarterly to review MCE's financials statements consistent with Section IV.

RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee shall:

Documents/Reports Review

1. Review and update this Charter periodically, at least annually, as conditions dictate.
2. Review MCE's annual financial statements and any reports or other financial information submitted to any governmental body or the public, including any certification, report, opinion or review rendered by the Outside Auditor.

Independent Accountants

3. Be directly responsible for the appointment, compensation and oversight of the Outside Auditor employed by MCE (including the resolution of disagreements between management and the Outside Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. Any such Outside Auditor shall report directly and have ultimate accountability to the Committee.
4. On an annual basis, receive from the Outside Auditor a formal written statement identifying all relationships between the Outside Auditor and MCE consistent with Independence Standards Board (“ISB”) Standard 1. The Committee shall actively engage in a dialogue with the Outside Auditor as to any disclosed relationships or services that may impact the Outside Auditor’s independence. The Committee shall take, or recommend that the Board take, appropriate action to oversee the independence of the Outside Auditor.
5. On an annual basis, discuss with representatives of the Outside Auditor the matters required to be discussed by Statement on Audited Standards (“SAS”) 71, as it may be modified or supplemented.
6. Review and discuss with the Outside Auditor (outside of the presence of management) any problems or difficulties that the Outside Auditor may have encountered with management or others.
7. To the extent required by Section 202 of the Sarbanes-Oxley Act, pre-approve all non-audit services to be provided to MCE by the Outside Auditor.
8. Review and discuss with the Outside Auditor on a timely basis (i) all critical accounting policies and practices to be used, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Outside Auditor; and (iii) other material written communications between the Outside Auditor and management, such as any management letter or schedule of unadjusted differences.

Financial Reporting Processes

9. In consultation with the Outside Auditor, review the integrity of MCE’s financial reporting processes, both internal and external.
10. Consider the Outside Auditor’s judgments about the quality and appropriateness of MCE’s accounting principles as applied in its financial reporting.

11. Consider and approve, if appropriate, major changes to MCE's auditing and accounting principles and practices as suggested by the Outside Auditor or management.
12. Establish procedures for (i) the receipt, retention and treatment of complaints received by MCE regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of MCE of concerns regarding questionable accounting or auditing matters.

Process Improvement

13. Establish regular and separate systems of reporting to the Committee by each of management and the Outside Auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
14. Following completion of the annual audit, review separately with each of management and the Outside Auditor any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
15. Review any significant disagreement among management and the Outside Auditor in connection with the preparation of the financial statements.
16. Review with the Outside Auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. (This review should be conducted at an appropriate of time subsequent to implementation of changes or improvements, as decided by the Committee.)

Miscellaneous

17. Ensure that management has the proper review system in place to ensure that MCE's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
18. Review activities, organizational structure, and qualifications of the internal finance department.
19. Review, with MCE's counsel, legal compliance matters including corporate securities trading policies.
20. Review, with MCE's counsel, any legal matter that could have a significant impact on MCE's financial statements.

21. Perform any other activities consistent with this Charter, MCE's By-laws and governing law, as the Committee or the board deems necessary or appropriate.

ADVISORS; FUNDING

The Committee shall have the authority to retain independent legal counsel and independent accountants and other advisors as it deems necessary and appropriate to carry out its duties and responsibilities hereunder. MCE shall provide appropriate funding, as determined by the Committee, for payment of compensation to (i) the Outside Auditor employed by MCE to render or issue an audit report and (ii) the advisors referred to in the immediately preceding sentence employed by the Committee.

Copyright Waiver

In the spirit of doing our part to alleviate poverty, MicroCredit Enterprises offers this document into the public domain for informational purposes. We do not claim any copyright to this document.

If you are working to alleviate poverty in any capacity, whether a concerned citizen of the world, an institution with a mission to end human suffering, an academic contributing to global understanding of microfinance or a social entrepreneur, you are free to reproduce, use, distribute and even modify this document, provided it is for a noncommercial, nonprofit, not-for-profit and educational purpose.

This document is being provided for reproduction, use, distribution and modification as a courtesy. MicroCredit Enterprises cannot guarantee the accuracy or completeness of any part of this document, and nothing in this document should be regarded as legal or financial advice.

To the extent that you reproduce, use, distribute this document without material modifications, please credit MicroCredit Enterprises for its origin whenever reasonably appropriate and feasible. Please notify us if you incorporate material modifications into the document so we can learn from you.

No person unaffiliated with MicroCredit Enterprises is authorized to make any representation on behalf of MicroCredit Enterprises. MicroCredit Enterprises is not liable for any reliance or misappropriation of this document.