



# Monopar Therapeutics

## AUDIT COMMITTEE CHARTER

**Adopted by the Board of Directors on January 6, 2020  
(as amended on December 3, 2019)**

### **I. Purpose**

The primary purpose of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Monopar Therapeutics Inc. (“Monopar” or the “Company”) in its oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to: (1) the integrity of the Company’s financial statements; (2) the integrity and quality of the accounting and financial reporting processes of the Company and financial statement audits; (3) the effectiveness of the Company’s internal control over financial reporting and the Company’s disclosure controls and procedures; (4) the Company’s compliance with legal and regulatory requirements and the ethical standards policies adopted by the Company; and (5) the qualifications, independence, compensation, and performance of the Company’s independent registered public accounting firm (“Independent Auditor”) and of the internal audit function (when such function is in place). As the internal audit function is not active as of the approval of this charter and its revisions in 2018 and 2019, respectively, this charter does not address the Committee’s responsibilities and duties with respect to the internal audit function.

### **II. Organization**

This Charter governs the organization and operations of the Audit Committee.

The Board shall appoint an Audit Committee of at least three members (the “Members”), consisting entirely of independent directors of the Board and shall designate one member as chairperson (the “Chair”). The Board may delegate the authority of the Board to the Committee to designate a Chair. Each Member shall be considered independent as long as they satisfy the independence requirements for Board members as set by Nasdaq Stock Market LLC (“Nasdaq”) and the more rigorous independence rules for members of the Audit Committee issued by the U.S. Securities and Exchange Commission (the “SEC”).

Each Member shall be financially literate. Each Member must be able to read and understand fundamental financial statements, including a company’s balance sheet, statement of operations and comprehensive loss and statement of cash flows. In addition, at least one Member must be an audit committee financial expert as defined by SEC rules.

Members are appointed to the Committee by the Board at the annual organization meeting of the Board to serve until their successors are elected. Members may be removed from the Committee, with or without cause, by the Board. Unless a Chair is designated by the Board, the Committee may designate a Chair by majority vote.

Members may not serve on more than three public company audit committees simultaneously unless the Board determines that such simultaneous service would not impair the Member's ability to serve effectively on the Committee. The Committee shall meet at least once during each fiscal quarter, or more frequently as circumstances dictate. The Committee shall meet separately: (1) in executive session, quarterly; (2) with management, periodically; (3) with the Independent Auditor, periodically; and (4) with the internal auditor (when this capability is in place). The Committee shall meet privately to review and discuss any matters that the Committee, the Independent Auditors or management believe should be discussed privately with the Committee.

The Committee has the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are consistent with any provisions of the Company's bylaws that are applicable to the Committee.

The Committee shall have the authority to meet with and seek information it requires from officers, employees, directors or external parties.

The Committee may conduct or authorize investigations into any matters within the scope of the duties and responsibilities delegated to the Committee. The Committee may retain any independent counsel, experts or advisors that the Committee believes to be necessary or appropriate. The Company must provide for appropriate funding, as determined by the Committee, for payment of compensation to the Independent Auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest or tax services, for payment of compensation to any advisors employed by the Committee and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee may provide its members with annual continuing education opportunities supporting the various duties and responsibilities relevant to the Committee.

### **III. Oversight of the Independent Auditor**

1. *Appointment and Oversight.* The Committee is directly responsible for the appointment (and recommendation that the Board submit for shareholder ratification, if applicable), compensation, retention and oversight of the work of the Independent Auditor and any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company.

2. *Reporting Relationship.* The Independent Auditor and each other registered public accounting firm shall report directly to the Committee.

3. *Annual Review of Internal Quality Control.* At least annually, the Committee shall review a report or a presentation by the Independent Auditor describing:

- (1) the Independent Auditor's internal quality control procedures; and
- (2) any material issues raised by the most recent internal quality control review or peer review of the firm, or by any inquiry or by investigation by government or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the firm.

4. *Annual Report on Independence.* The Committee shall ensure that the Independent Auditor prepares and delivers, at least annually, a written statement delineating all relationships between the Independent Auditor and the Company, shall actively engage in a dialogue with the firm with respect to any disclosed relationships or services that, in the view of the Committee, may impact the objectivity and independence of the firm, and, if the Committee determines that further inquiry is advisable, shall take appropriate action in response to the Independent Auditor's report or to subsequent dialogue to satisfy itself of the Independent Auditor's independence.

5. *Annual Review of Independent Auditor.* After review of relevant reports described herein and other current informative material as needed, and the Independent Auditor's work throughout the year, the Committee shall evaluate the qualifications, performance, and independence of the Independent Auditor. The evaluation should include the review and evaluation of the lead audit partner, the review partner and the audit team. The review shall take into account the opinions of the Company's management and accounting personnel responsible with meaningful working contact with the staff of the Independent Auditor. When in place, the evaluation should consider the opinions of the Company's internal audit personnel.

6. *Annual Review of Accounting and Alternative Treatments.* The Committee shall timely review and discuss with the Independent Auditor, before the filing of the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of the Form 10-K) all critical accounting policies and accounting practices of the Company, all material alternative accounting treatments and accounting practices within U.S. Generally Accepted Accounting Principles ("GAAP") that have been discussed with the Company's management, including the ramifications of such alternative accounting treatments and accounting disclosures, the accounting treatment and accounting disclosures preferred by the Independent Auditor, and other material written communications between the Independent Auditor and the Company's management.

7. *Deficiencies of Internal Controls.* The Committee shall discuss with the Independent Auditor the characterization of deficiencies in internal controls over financial reporting. The Committee shall also discuss, with the Company's management, its remediation plan to address internal controls deficiencies. The Committee shall determine that the external disclosures describing any identified material weakness of the Company's internal controls and the Company's remediation plans are clear, accurate and complete.

8. *Disclosure of Material Changes in Internal Controls.* The Committee shall discuss with the Company's management and the Independent Auditor (1) any changes in internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal financial reporting that are required to be disclosed, and (2) any changes in internal controls over financial reporting that were considered for disclosure in the Company's periodic filings with the SEC.

9. *Pre-Approval of Certain Audit or Non-audit Services.* The Committee, or the Chair or a designated member of the Committee, must pre-approve any audit and non-audit services provided to the Company by the Independent Auditor, unless the engagement is entered into pursuant to appropriate pre-approval policies established by the Committee or if such service falls within available exceptions under SEC rules. Specific pre-approval of internal controls-related services based on PCAOB Rule 3525 is required. The Committee shall receive certain disclosure documentation and discussion of non-prohibited tax services by the Independent Auditor based on PCAOB Rule 3524. The decision on the use of a pre-approval authority must be presented to the full Committee before or at its next scheduled meeting.

10. *Former Employees of Independent Auditor.* The Committee shall oversee the policy regarding Committee written pre-approval of employment by the Company of individuals employed or formerly employed by the current or recent Independent Auditors and who were engaged on the Company's account.

11. *Rotation of Lead Audit Partners and Potentially the Independent Auditor.* The Committee shall periodically review the Independent Auditor's procedures to implement the rotation of the lead audit partner and other audit partners serving the account as required under SEC auditor independence rules. The Committee will also review the Company's strategic and operational situation and determine if a change of the Independent Auditor should be considered.

12. *Management Relationship with Independent Auditor.* The Committee shall evaluate the cooperation received by the Independent Auditor during audit and review examinations, including any significant difficulties such as any restrictions on the scope of their activities or on access to required records, data, other information, and appropriate Company and consultant staff. The Committee shall review, discuss and resolve significant difficulties, conflicts or disagreements between the Independent Auditor and the Company's management regarding financial reporting, accounting practices or policies, or the conduct of audits or reviews. The Committee shall be responsible for the timely resolution of any disagreements between the Company's management and the Independent Auditor regarding financial reporting.

#### **IV. Financial Reporting Disclosure Matters**

##### *Annual Report on Form 10-K and Annual Audit*

1. *Form 10-K Review.* The Committee shall oversee development and implementation of Form 10-K preparatory processes, internal and external reviews. The scope of the Committee's review shall include the entire Form 10-K with primary attention to the audited financial statements, including the footnotes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" (the "MD&A"), and other sections which have financial content. The Committee shall recommend to the Board as to whether the audited financial statements including the footnotes thereto and the MD&A be included in the Company's Annual Report on Form 10-K. The release may be subject to the correction of minor edits and changes deemed by the Committee to be of such insignificance that a re-review by the Committee would not be required.
2. *Annual Audit Review.* The Committee shall review with the Independent Auditor and the Company's management the results of the annual audit including any management actions which may be required.

##### *Quarterly Reports on Form 10-Q*

1. *Form 10-Q Review.* The Committee shall oversee the development and implementation of the Form 10-Q preparatory processes. The scope of the Committee's review shall include the entire Form 10-Q with primary attention to the unaudited financial statements, including the footnotes thereto, to the MD&A and other sections which have financial content. The Committee shall release the unaudited financial statements including the footnotes thereto and the MD&A to be included in the Company's Form 10-Q. The release may be subject to the correction of minor edits and changes deemed by the Committee to be of such insignificance that a re-review by the Committee would not be required.

## 2. *Committee Financial Statement Review Items*

The Committee's review of the financial statements shall include:

- (1) Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and major issues as to the adequacy and effectiveness of the Company's internal controls over financial reporting and any specific remedial actions adopted in light of significant deficiencies or material weaknesses
- (2) Discussions with the Company's management and the Independent Auditor regarding significant financial reporting issues and judgements made about the preparation of the financial statements and the reasonableness of those judgements. Discussion should include the analysis of alternative GAAP methods on the financial statements, management and accounting initiatives
- (3) Consideration of the effect of both regulatory and accounting initiatives, as well as off balance sheet structures on the financial statements
- (4) Review of timely updates from the outside legal counsel or other legal representative (and other appropriate experts, if needed,) at least quarterly or as new circumstance require to review possible unasserted claims or assessments, and other legal or regulatory concerns with priority on legal situations which may have a material impact on financial reporting. Review periodically with outside legal resources legal procedures and policies to address legal and regulatory issues and the reduction of legal, financial and other related risks.
- (5) Consideration of the judgement of both the Company's management and the Independent Auditor about the quality, not just the acceptability, of accounting principles
- (6) The completeness and clarity of the disclosures in the financial statements

## 3. *Other SEC Filings*

The Committee shall review and discuss with the Company's management, as appropriate, other Company filings with the SEC incorporating the Company's financial information or related material, including but not limited to Company registration statements on Form S-1, S-3 and S-8 and reports on Form 8-K .

## **V. Other Duties and Responsibilities**

1. *Report for the Proxy Statement.* The Committee will prepare the Audit Committee report that SEC proxy rules require to be included in the Company's annual proxy statement.
2. *Review of Earnings Press Releases and Earnings Conference Call Scripts.* The Committee shall review with the Company's management and the Independent Auditor the Company's draft earnings press releases including condensed consolidated financial statements, as well as financial information and financial guidance, paying particular attention to any pro-forma or adjusted non-GAAP information. The Committee shall review and release to the Company's management a draft of the Company's earnings press release prior to public dissemination and review and release to the Company's management a draft of the Company's earnings conference call script prior to the earnings conference call.

3. *Review of financial information given to analysts and other outside organizations.* The Committee shall review with the Company's management financial information, financial projection materials and earnings guidance provided to analysts, rating agencies and used in or supporting external promotional materials prior to release to such organizations.

4. *Risk Assessment and Risk Management.* The Committee shall review (at least annually or as needed due to specific circumstances) with the Company's management and the Independent Auditor the Company's policies, procedures and current status with respect to risk assessment and risk management including steps taken by management to monitor, mitigate and manage risk exposures.

The Committee review shall include the Company's major financial risk exposures and other major risk exposures as assigned by the Board to the Committee for oversight. The Committee shall review with the Company's management overall anti-fraud programs and controls in force within the Company. The Committee shall consider the risk of the Company's management's ability to override the Company's internal controls.

5. *Complaint Procedures.* The Committee shall oversee systems and procedures for the receipt, retention and resolution of complaints received by the Company regarding accounting, internal financial controls or auditing matters, and for the confidential and anonymous submission by Company employees of concerns regarding potential fraud or questionable financial, accounting, internal financial controls or auditing matters.

6. *Comments From Regulatory Bodies.* The Committee shall review comments from regulatory bodies, such as the SEC, Nasdaq and FINRA, related to the financial reporting obligations of the Company and shall review draft responses from the Company.

7. *Code of Business Conduct and Ethics (the "Code").* The Committee shall periodically review and update the Company's Code and review programs that the Company's management has established to monitor compliance with the Code only as they pertain to financial integrity, related party transactions and insider trading. The Committee shall address matters brought to its attention related to the Company's Code as set forth therein. The Committee shall review periodic corporate attorney's reports of evidence of a material violation of securities laws or breaches of fiduciary duty by the Company.

8. *Related Party Transactions.* The Committee shall review and approve or disapprove any transaction required to be disclosed according to SEC Regulation S-K, Item 404 between the Company and any related party on an on-going basis and oversee policies and procedures for the Committee's judgments as to related party transactions as required by Nasdaq. The Committee will discuss with the Company's management the business rationale for the transactions and whether appropriate disclosures have been made.

9. *Ethical Compliance.* The Committee shall oversee, including periodic review of the Company's management's systems and programs to monitor compliance with the Company's programs and policies to ensure adherence to applicable laws and regulations as well as its Code.

10. *Reports to the Board.* The Committee shall report regularly to the Board regarding the execution of the Committee's responsibilities and duties, activities, and any issues encountered and related recommendations of the Committee. The Committee shall report promptly any new material developments or circumstances which have a reasonable probability of resulting in a material impact on reported financial results.

11. *Review of Corporate “Tone.”* The Committee will take appropriate actions to monitor the overall corporate “tone” for quality financial reporting, sound business risk management practices and ethical behavior.

12. *Open Communications.* In fulfilling its purpose, the Committee is responsible for maintaining free and open communication among itself, the Independent Auditor, the internal auditor, and the Company’s management and for determining that all parties are aware of and are discharging their responsibilities.

13. *Review of the Financial Function.* Review annually with the Company’s management the Company’s finance and accounting function. The review shall include the quality of personnel and the Company’s ability to adequately attract and retain personnel for needed positions.

14. *Committee Self-Evaluation.* The Committee shall annually perform a self-evaluation of the performance of the Committee.

15. *Review of this Charter.* The Committee shall annually review and reassess this Charter and submit any recommended changes to the Board for its consideration. The Board will approve a specific Audit Committee charter every year.

## **VI. Delegation of Duties**

In fulfilling its responsibilities, the Committee is authorized to delegate any of its responsibilities and duties to a subcommittee or the Chair of the Committee.