

FARM CREDIT OF NORTHWEST FLORIDA

AUDIT COMMITTEE CHARTER

I. PURPOSE

The Audit Committee is a committee of the Board of Directors. The function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality of financial reporting and internal controls.

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Association's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent accountant.

The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the financial reporting process and internal control system.
- Review and appraise audit competence of the independent accountants and internal auditor.
- Review the Farm Credit Administration (FCA) examination processes and results.
- Monitor the compliance with legal and regulatory requirements.
- Provide an open avenue of communication to the independent accountants, senior management, internal auditor, and the Board of Directors.

The Committee has the authority to retain outside counsel or other experts necessary to discharge their oversight role.

II. COMPOSITION

The Audit Committee shall be comprised of at least three directors (that do not serve on the Loan Committee) as determined by the Board, each of whom shall be 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. Members of the Committee should have a working familiarity with general business and/or basic finance and accounting practices.

The Chairman and members of the Committee shall be appointed by the Chairman of the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly selected and qualified.

III. 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 shall meet as often as needed, but at least once per year, with management, the internal auditor and the independent accountants in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall, with such assistance from management and the internal auditor as the committee deems appropriate:

Documents/Reports Review

1. Review adequacy of this charter on an annual basis.
2. Review annual financial statements and any reports or other significant financial information including any certification, report, opinion, or review rendered by the independent accountants.
3. Review and approve the scope of internal audit's plan for the year.
4. On a quarterly basis, review a summary of major findings by the internal auditor and management's response for addressing the conditions reported.
5. Review interim financial information.
6. Review the annual FCA examination process and the report of examination issued by the FCA.

Independent Accountants

7. Review planning for the annual audit by the independent accountants.
8. Review performance of the independent accountants and approve any replacement of the independent accountants when circumstances warrant.

9. Review with the independent accountants any problems or difficulties the accountants may have encountered during the annual review including any disagreement among management and the independent accountants or the internal auditor in connection with the preparation of the financial statements.
10. Review any significant recommendations in the management letter provided by the accountants and the management's response to the letter.

Financial Reporting Processes

11. In consultation with the independent accountants and the internal auditor evaluate integrity of the financial reporting processes, both internal and external.
12. Discuss with the independent accountants their judgments about the quality and appropriateness of accounting principles as applied in Association financial reporting.
13. Consider and approve, if appropriate, major changes to the auditing and accounting principles and practices as suggested by the independent accountants, management, or the internal auditing department.

Process Improvement

14. Following completion of the annual audit, review separately with management, independent accountants and the internal auditor, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

Ethical and Legal Compliance

15. Approve appointment and replacement of the internal auditor.
16. Perform any other activities consistent with this Charter, By-laws and governing law, as the Committee or the Board deems necessary or appropriate.