

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 related to financial reporting and internal controls.

It is not the duty of the Audit Committee to conduct audits or to determine the Association's financial statements are complete and accurate and in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditor. However, it is the responsibility of the Audit Committee to ensure reasonable steps are taken by management to ensure the accuracy of financial reporting.

II. COMPOSITION

The Audit Committee will be comprised of at least three directors. Members appointed to the Audit Committee should not serve on the Director Loan Committee and must be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment as a Committee member. Members of the Committee shall have a working familiarity with general business and/or basic finance and accounting practices and collectively should have the accounting or related financial management expertise to fulfill their responsibilities.

The Chairperson and members of the Audit Committee will be appointed by the Board of Directors at the annual organizational meeting, or at the next scheduled meeting of the Board of Directors and serve until their successors are duly selected and qualified.

III. MEETINGS

The Audit Committee will meet at least four times annually, or more frequently as circumstances dictate. To foster open communication, the Committee will meet as often as needed, but at least once per year, with the external auditor, internal auditor, and other auditors in separate executive sessions to discuss matters that the Committee or any of these groups believe should be discussed. Special meetings may be called at any time by the Chairperson of the Audit Committee. Members of the Audit Committee may participate in a meeting through use of conference telephone or similar communication equipment, so long as all members participating in the meeting can hear one another, have all information needed to participate, have been given time to examine all materials, and are able to participate in discussions. Participation in a meeting constitutes attendance at the meeting, except for purposes of compensation, which will be treated in accordance with the Association's Director Compensation Policy.

IV. QUOROM AND VOTING

If the Audit Committee is comprised of an even number of directors, one-half of the number of directors will constitute a quorum for the transaction of business. If the Audit Committee is comprised of an odd number of directors, a majority of the Committee members will constitute a quorum for the transaction of business. If the quorum consists of three or more members, majority vote is required for any action. If the quorum consists of two members, a unanimous vote is required for any action.

V. RESPONSIBILITIES AND DUTIES

The Audit Committee's primary responsibilities and duties are as follows:

- Oversee management's preparation of the report to shareholders.
- Review the impact of any significant accounting and auditing developments.
- Review accounting policy changes related to the preparation of the financial statements.
- Review annual and quarterly reports prior to release. (FCA Regulation 620.30 (d)(1))
- After review of a financial policy, procedure, or report, record in the Committee minutes its agreement or disagreement with the item(s) under review.
- Identify an appropriate audit universe.
- Ensure that the external auditor, internal auditor and other auditors report directly to the Audit Committee.
- Determine the appointment, compensation, and retention of the external auditor (issuing audit reports of the Association), internal auditor and other auditors.
- Review the work of the external auditor, internal auditor and other auditors.
- Give prior approval for any non-audit services performed by the external auditor, except for those non-audit services specifically prohibited by FCA regulation.
- Oversee the Association's system of internal controls relating to the preparation of financial reports, including controls relating to compliance with applicable laws and regulations.
- Conduct an annual performance evaluation of the co-audit coordinators and the Information Security Officer.
- Conduct an annual self-evaluation that provides insight into the committee's strengths and weaknesses, developmental needs, and potential changes to membership.

In fulfilling its duties, the Audit Committee has full access to all books, records, facilities and personnel of the Association and the authority to retain outside counsel or other experts necessary to discharge their oversight role including retaining services for training on industry best practices. Per FCA Regulation 620.30 (c), a two-thirds majority vote of the full Board of Directors is required to deny an audit committee's request for resources.

To fulfill its responsibilities and duties the Audit Committee will, with such assistance from management, the external auditor, internal auditor and other auditors or parties as the Committee deems appropriate:

1. Review the adequacy of this Charter on an annual basis.
2. Oversee development of the annual audit plan, and approve the audit plan and audit scopes. The Association's Risk Management Committee, or its subcommittee, Credit Lending Risk Workgroup, will assist the Audit Committee in the development of audit scopes by reviewing the current audit plan and making recommendations to the Committee for revisions based on changes in policies, procedures, regulation, accounting standards, risk elements, and other relevant factors.
3. Review additions and revisions to Association policy to determine if they necessitate a change in approved audit scopes.
4. Review deviation from approved audit scopes and request appropriate follow-up action as needed.
5. Review any findings by the external auditor, internal auditor and other auditors, including management's response for addressing the findings.
6. Delegate review authority of auditor workpapers to management.
7. Review the annual FCA examination process and report of examination issued by the FCA, including management's response for addressing any findings.
8. Review interim financial information.
9. Review as needed the Association's system of internal controls, including but not limited to information provided to AgFirst as required by the General Financing Agreement.
10. Obtain and review a formal written statement from the external auditor, internal auditor and other auditors that discusses all significant relationships with the Association to determine their independence.
11. Review the performance of the external auditor, internal auditor and other auditors, and approve any replacement of auditors as circumstances warrant.

12. Consult with the external auditor, internal auditor and other auditors in executive session as needed at least once per year.
13. Review with the external auditor, internal auditor and other auditors any problems or difficulties encountered during the audit engagements, including any disagreement between management and the auditors.
14. In consultation with the external auditor, internal auditor and other auditors, evaluate the integrity of the financial reporting processes, both internal and external.
15. Review, prior to release of information, any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting and any fraud, whether or not material.
16. Review legal and compliance matters that may have a material impact on the Association, including any material reports or inquiries received from regulators or governmental agencies.
17. Perform any other activities consistent with this Charter, Association bylaws, regulation and governing law as deemed appropriate by the Committee or Board of Directors.
18. Identify vulnerabilities to fraud and confirm adequate processes and controls are in place to reduce susceptibility to fraud.

Procedures have been developed to assist the Audit Committee in the performance of their duties and are incorporated as an addendum to this Charter.

VI. RECUSAL FROM PROCEEDINGS

The Audit Committee's responsibilities relate to matters of general applicability that affect all stockholders/borrowers in a nondiscriminatory way. However, if any Committee member determines that their participation in an issue being deliberated presents a conflict of interest that member should recuse themselves from participation in those deliberations. To provide other members freedom of discussion, the member will physically remove themselves from Committee discussion while the issue is under consideration. Meeting minutes will reflect the Committee member's disclosure of the potential conflict of interest and recusal from the proceedings.

VII. REPORTING TO THE BOARD

Association staff will record minutes of each meeting and approved minutes will be presented to the Board of Directors at the next regularly scheduled board meeting, or as soon as practical.