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**FRESNO MADERA FARM CREDIT, ACA**  
**AUDIT COMMITTEE CHARTER**

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**Adopted by:** Board of Directors

**Adopted Date:** October 24, 2004

**Revision Date(s):** 7/25/2006; 6/25/2008; 6/28/2011; 7/24/2012; 7/23/2013; 1/22/2015; 3/29/2016; 4/25/2017; 7/31/2018; 8/13/2019; 9/30/2020; 8/10/2021

**Reaffirmed Date(s):** N/A

**Policy Review**

**Frequency:** Board: Annual Review

**Reference:** Farm Credit Act: N/A

FCA Regulations: 611.210, 612.2260, 618.8430, 620.03, 620.30  
621.30, 621.31

FMFC Bylaws: Article IV – Directors; Article VI – Committees

FMFC Policies:

- Accounting and Financial Reporting Policy
- Board of Directors’ Charter
- Code of Ethics for CEO, Senior Officers, and Senior Financial Professionals
- Code of Ethics for Employees and Agents
- Code of Ethics for the Board of Directors
- Criminal Referrals Policy
- Internal Audit, Credit and Appraisal Review Policy
- Internal Controls Policy
- Whistleblower Program and Procedures

Other:

- CoBank Audit Committee Charter
- FCA Examination Manual: EM-31.1 Board & Management Operations – Corporate Governance
- FCA Examination Workpaper 31.3-1: Audit Committee
- FCA Examination Manual: EM-31.3 Board & Management Operations – Audit & Review Programs
- FCA Informational Memorandum dated July 9, 2015 regarding Whistleblower Programs

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- FCA Informational Memorandum dated October 23, 2019 regarding National Oversight Plan for Fiscal Year 2020
- FCA Publication “The Director’s Role”
- FCA Website Information titled “FAQs About Governance Changes in 2006”
- FCC Services Association Model Charter: Audit Committee Charter
- Statement of Auditing Standards No. 114 (The Auditor Communication with Those Charged with Governance)

**I. MISSION STATEMENT**

- A. The Audit Committee (Committee) of Fresno Madera Farm Credit, ACA is established by and reports to the Board of Directors (Board) to assist the Board in fulfilling its fiduciary and oversight responsibilities. This Committee is established to comply with FCA Regulations 611.210, 612.2260, 618.8430, 620.30, 621.30, 621.31, and FCA Informational Memorandum dated July 9, 2015.
- B. The Mission of the Committee is to:
1. Review financial statements and significant accounting policies;
  2. Oversee financial reporting regarding its disclosure to shareholders, and to CoBank, for both CoBank District reporting and reporting to the Federal Farm Credit Banks Funding Corporation (Funding Corporation) for disclosure to investors;
  3. Oversee the audit activities of the independent auditor; and
  4. Monitor internal controls, including those relating to compliance with laws and regulations.

**II. MEMBERSHIP, QUALIFICATIONS, AND TERMS OF OFFICE**

- A. Membership
1. The Committee shall consist of at least four (4) members of the Board (Directors), including the Board Chairperson, who shall serve as an ex-Officio member of the Committee. The Committee shall include all directors designated by the Board to be financial experts.
  2. Only Directors are eligible to be members of the Committee.

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3. Only Directors who meet the independence criteria outlined in the Board of Directors Charter and who are designated by the Board to be independent members shall be eligible for appointment to the Committee.
  4. The Board Chairperson shall appoint all members of the Committee. The intent is that, each year, the Committee will have one new member
  5. The Board Chairperson has the authority to appoint replacement members to the Audit Committee due to seat vacancies that may occur.
  6. Members should have the time to commit as well as the experience and expertise required to serve on the Committee.
- B. Officers
1. At its first meeting following appointment by the Board Chairperson, the Committee will select a Chair and Vice Chair from within its membership.
- C. Qualifications
1. Members of the Committee should have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements or be able to do so within a reasonable period of time after appointment to the Committee. Each member shall be knowledgeable in public and corporate finance and in financial reporting and disclosure practices or accounting procedures. At least one member of the Committee must be an independent member who is designated by the Board to be a financial expert recognized as having education or experience in accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements. If the Association hires a financial advisor as permitted under FCA regulations, that advisor will also serve as an advisor to the Audit Committee.
- D. Terms of Office
1. The term of office for each position on the Committee shall be for one year. The Board, upon recommendation of the Committee or otherwise, may remove any committee member at any time.

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**III. VOTING AND QUORUM**

- A. Quorum - A majority of the entire Committee membership shall constitute a quorum; based on the existing Committee membership of 4, a majority consists of 3 members. The determination for the quorum is not adjusted based on unfilled positions or absenteeism. The Board Chairperson, who serves as an ex-officio member of the Committee, may serve to meet the quorum requirements.
- B. Voting - Voting on Committee matters shall be on a one member-one vote basis, with the Chair and Vice Chair permitted to vote on all matters needing Committee action. The Board Chairperson, who shall serve as an ex-officio member of the Committee, will have all voting rights as other Committee members. When a quorum is present, the vote of a majority of the Committee members present shall constitute the action or decision of the Committee.

**IV. DEFINITIONS**

- A. Independent Auditor: The Independent Auditor is the third-party auditor that performs the independent audit of the financial statements. Refer to the Audit Plan and/or Schedule for the specific provider selected by the Audit Committee.
- B. Internal Auditor: Internal Auditors, as defined herein, refers to the Association's outsourced third-party auditors for internal audit activities as outlined in Section VI.D. and more thoroughly covered in the Association's Internal Audit, Credit, and Appraisal Review Policy. Refer to the Audit Plan and/or Schedule for the specific providers selected by the Audit Committee.
- C. Regulatory Examiner: The Farm Credit Administration (FCA) is the federal financial regulatory agency that supervises, examines, and regulates Farm Credit System institutions.

**V. MEETINGS**

- A. The Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require as determined by the Chairperson.
- B. Committee meetings may be held in conjunction with regularly scheduled meetings of the Board, or may be held on a different day as determined by the Committee and may be conducted via conference call.
- C. In light of the responsibilities of the Board's Risk Committee with respect to risk assessment and management, as well as compliance, the Audit Committee may meet in joint session with the Risk Committee to discuss and review areas of common interest as often as necessary to fulfill their responsibilities.

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- D. The Committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary.
- E. Meeting dates and times will be made available to the full Board. Any Board member may attend any meeting of the Committee.
- F. Meetings may be called by the Chairperson of the Committee or the Chairperson of the Board.
- G. Meeting agendas will be prepared in consultation with the Chair or Vice Chair and provided in advance to members, along with appropriate briefing materials.
- H. Minutes of all Committee meetings will be prepared and approved by the Committee. Minutes will include attendance and will be retained in accordance with the Association's Records Management Policy. Minutes will provide sufficient detail on reasons for decisions to avoid disputes regarding prior decisions. Committee members will be provided ready access to past minutes of the Committee for purposes of reference or review. Following all meetings, a copy of the minutes will be distributed in a timely manner to the full Board.
- I. The Committee may adjourn into executive sessions in order to discuss critical issues without members of management being present.

**VI. RESPONSIBILITIES AND AUTHORITIES**

In carrying out its mission, the Committee shall have the following responsibilities and authorities:

- A. Financial Reporting and Disclosure
  - 1. Review quarterly accounting and financial reports and shareholder disclosures with management and consider whether they are complete and consistent with the information known to Committee members.
  - 2. Require periodic reports from management, the independent auditor, and internal audit regarding any significant proposed regulatory, accounting, or reporting changes and issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements. Understand the potential impact to financial reporting from these developments.

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3. Review and assess the impact on the Association and its financial reporting process of any significant accounting or auditing developments or any accounting policy changes relating to preparation of financial statements.
4. Periodically, but at least annually, review and discuss with management and the independent auditor disclosure controls and procedures.
5. Prior to issuance, approve any annual, quarterly and interim press release of financial results.
6. Oversee the preparation of each quarterly or annual report.
7. Review non-financial sections of the annual report before release and consider the accuracy and completeness of the information.
8. Prior to the release of annual reports to shareholders, review a report on disclosures made by the Chief Executive Officer and Chief Financial Officer during their certification process about any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Association's ability to record, process, summarize and report financial information, and any fraud, whether or not material, that involves management or other employees who have a significant role in internal controls.
9. Prior to the release of annual audited financial statements, review with management and the independent auditors the results of the audits including any difficulties encountered and receive reports regarding: (a) all critical accounting policies and practices used by the Association; (b) all material alternative accounting treatments of financial information within Generally Accepted Accounting Principles (GAAP) that have been discussed with management, including the ramifications of the use of alternative treatments and disclosures and the treatment preferred by the independent auditor; and (c) other material written communications between the independent auditor and management, such as any management letter and management's response to the letter, schedule of unadjusted differences, reports on observations and recommendations on internal controls, a listing of adjustments and reclassifications not recorded, and the independent auditor's independence letter.

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10. Review each quarterly and annual report prior to its dissemination to the public, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. Notification of Committee Meetings or notational voting and draft reports will be provided prior to release to each Committee Member. Management will be accessible to Committee members to insure any questions may be addressed prior to approval. The Board hereby delegates to the Committee the authority to approve the release of quarterly and annual statements. Additionally, the Board designates that the Audit Committee Chair will be the appointed board member to sign the certification that accompanies the quarterly and annual financial statements.
11. Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other required information. The report will include a disclosure that the Committee has reviewed and discussed the audited financial statements with management and discussed matters required to be discussed by Statement on Auditing Standards No. 114, (The Auditor's Communication with Those Charged with Governance) with the independent auditors. The report will also reflect that the Committee received written disclosures and a letter from the independent auditors in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and discussed with the independent auditors their independence from the Association.
12. Approve disclosures made by management and the independent auditor regarding: (a) the effect of off-balance sheet arrangements that either have, or are reasonably likely to have, a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investor's; and (b) earnings press releases and other reports or written or electronic material disclosing "pro forma," or "adjusted" non-GAAP information.
13. After the Committee reviews a financial policy, procedure or report, it will record in its minutes its agreement or disagreement with the items under review.

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B. Independent Auditors

1. After giving due consideration to the need for a single auditor for all System institutions, the Committee is responsible for approval of the appointment, compensation, retention or discharge, and oversight and review of the work of the independent auditor, who shall report directly to the Committee for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Association. This includes resolution of disagreements between management and the independent auditor regarding financial reporting.
2. Review and approve the scope, approach, and planning of the annual audit by the independent auditor of financial statements, and review the interim and financial reports of the independent auditor with respect to the audits.
3. Ensure that the individual designated by the CEO as responsible for the internal audit program is involved in the development of the scope of all external audits.
4. Pre-approve allowable non-audit services to be provided by the independent auditor, and take appropriate steps to ensure that the independent auditor is not providing prohibited non-audit services, including the receipt of a written certification from the independent auditor to that effect.
5. Review any material weaknesses in internal accounting control structure identified as a reportable condition by the independent auditor, and recommend and/or monitor, as deemed necessary by the Committee, the correction of any such deficiency.
6. On a regular basis, meet separately in executive session with the independent auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
7. Review and confirm the independence of independent auditors by obtaining statements from the auditors on relationships between the auditors and the Association, including non-audit services, and discussing relationships with the auditors, including matters specifically required in Statement of Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance) and Part 621 of Farm Credit Administration regulations. Confirm rotation of lead and reviewing audit partners after five (5) consecutive years of service to the institution. Confirm that the lead and reviewing partners not be allowed to return to the



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institution's audit for a period of five (5) years. Receive written disclosures and a letter from the independent auditors in accordance with Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees), and discuss with the independent auditors their independence from the Association.

8. Receive a written report annually from the independent auditor that describes: the independent auditing firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm; and any steps taken to deal with such issues. Discuss with the independent auditors the contents of the report and the impact of the matters addressed in the report on the quality of services performed by the independent auditors.
9. Evaluate annually, after giving due consideration to the need for a single auditor for all System institutions and, taking into consideration all relevant circumstances known to the Committee, whether the Association should change its independent auditor or the partner in charge of performing or reviewing the Association's audit or other audit team personnel.
10. Ensure there are no unjustified restrictions or limitations on the independent auditors.
11. Pre-approval to hire employees or former employees of the independent auditor who participated in any capacity in the audit of the Association must be obtained from the Committee Chair in advance of hiring said employee. The Committee will not approve the hiring of an employee of the independent auditor for a position with the Association in a financial reporting oversight role, if such employee or former employee was the lead or concurring partner, or any other member of the Audit Engagement Team who provided more than ten hours of audit, review, or attestation services for the Association during the one (1) year preceding the date that audit procedures commenced for the fiscal period. Further, the Committee will not approve the hiring of any individual either currently or previously employed by the independent auditor if the employment of that individual is likely to negatively impact the determination of independence of the auditors as set forth in any applicable statute, regulation or rule.

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C. Internal Control

1. Evaluate the adequacy and effectiveness of financial, administrative, operating, and accounting policies through active communications with operating management, internal audit, and the independent auditor.
2. Evaluate the adequacy of internal accounting control by review of written reports from the internal and independent auditors and regulators along with management's response and actions to correct any noted deficiencies.
3. At least annually, review and discuss management's internal control report with the independent auditor and the internal auditor.
4. Oversee system of internal controls related to preparation of financial reports, information technology security and control, those controls relating to compliance with applicable laws and regulations, and controls relating to the preparation of quarterly and annual reports.
5. Annually review and recommend to the Board changes to its Code of Ethics, the Code of Ethics for the CEO and other senior officers and the Standards of Conduct policies.

D. Internal Audit

1. Review and as needed, recommend to the Board changes to the Internal Audit, Credit, and Appraisal Review Policy.
2. Review and approve the comprehensive audit universe, risk assessment, annual and three-year audit plan. Additionally, ensure corrective actions are developed and monitored in response to audit and review findings.
3. Ensure there are no unjustified restrictions or limitations on the internal audit function.
4. Ensure a functional reporting relationship is in place between the Committee and the individual designated with oversight of the Association's annual audit program with direct reporting to the CEO.
5. Consult with management in the appointment or recruitment of the individual designated with oversight of the Association's annual audit program. The Committee will also review and act on any proposed action to dismiss the individual designated.

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6. Consult with the Chief Executive Officer on the annual performance evaluation relative to internal audit responsibilities of the individual designated with oversight of the Association's annual audit program and on any changes in assignment or responsibilities of the individual.
  7. Ensure that internal auditors utilize risk-based scopes of work and have full access to all information needed.
  8. Approve and oversee completion of contracts when internal audit and/or credit review functions are outsourced. All such internal audit or review providers shall report directly to the Audit Committee.
  9. Ensure that the Audit Committee Chair has full responsibility for contracting with independent parties to perform any contract audits according to the audit plan or special request.
  10. Review all reports and findings resulting from the internal audit functions independent evaluation of the systems of internal control and continuing operations.
  11. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
  12. On a regular basis, meet separately with the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed in an executive session.
- E. Compliance
1. Review all examination and other reports from regulators submitted and monitor management's response to any findings included in these reports.
  2. Review the effectiveness of the Association for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
  3. Review, on at least an annual basis, with management, the independent auditor, and internal auditors, compliance with Codes of Ethics for Board members, Employees, and Chief Executive Officer, the Chief Financial Officer, the Chief Credit Officer, and Senior Financial Professionals.
  4. Obtain regular updates from management regarding compliance matters.

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F. Coordination with CoBank and/or System Audit Committees

1. Review reports from the Association with CoBank and/or System Audit Committee regarding all significant deficiencies and material weaknesses in the design or operation of key internal controls over financial reporting that are identified.
2. Review reports from the Association with CoBank and/or System Audit Committee regarding any fraud, whether or not material, that involves management or other employees who have a significant role in internal controls.
3. Review reports from the Association with CoBank and/or System Audit Committee regarding any significant issues regarding questionable accounting, auditing matters or fraud originating from the Whistleblower Program.
4. Respond to any concerns identified by CoBank and/or System Audit Committee and conduct any investigations or other audit committee activities that are necessary to enable CoBank and/or System Audit Committees to fulfill their chartered responsibilities.

G. Communication and Collaboration

1. Communicate and collaborate effectively with the CEO and other senior officers and managers (particularly those with financial reporting, internal controls, compliance or risk management responsibilities) so that the flow of information between the Committee and management is not impeded. The Committee Chair is authorized to be the key contact between the Committee and management and between the Committee and the Board. The Committee Chair, in his/her discretion, may brief the Board Chair and advise him/her of any key decisions of the Committee in advance so that the Board is prepared to deal with the issue(s) when the Board meets.

H. Committee Training

1. Annually, establish a schedule of training for the Committee and make other appropriate training opportunities available to Committee members. It is the Board's responsibility to ensure that Committee members shall receive adequate ongoing training from professionals to increase their understanding of the Audit Committee's responsibilities and the knowledge of those responsibilities. Committee members should strive to attend such training.

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I. Self-Evaluation

1. Perform an annual self-evaluation of the Committee's performance and communicate the results to the Board.

J. Other Responsibilities

1. The Committee shall have the authority to take corrective actions and/or conduct or authorize special or investigative audits into matters within the Committee's scope of responsibilities.
2. Establish and maintain procedures for the confidential, anonymous submission of questions, tips, or complaints regarding violations of law, regulation or policy including accounting, internal accounting controls or auditing matters) or fraud, corruption, or operational weaknesses, and for the receipt, retention and treatment of the same (Whistleblower Program).
3. Adopt such additional procedures, undertake such activities or utilize such resources as the Committee may deem appropriate, in order to discharge its responsibilities and authorities and to accomplish the stated objectives.
4. Perform such other duties and responsibilities as may be imposed by law or regulations, or as may be assigned to the Committee, from time to time, by the Board.
5. Unless otherwise authorized by amendment to this Charter, the Committee shall not delegate any of its authority to any subcommittee.

**VII. RESOURCES**

A. Access to Resources and Personnel

1. The Committee shall have direct access to institution resources and personnel, particularly senior officers and managers with financial reporting, internal controls, internal audit, compliance, or risk management responsibilities, to obtain needed information to carry out its responsibilities.
2. The Committee shall have access to all books, records, and facilities, of the Association necessary to fulfill its responsibilities.
3. The Committee shall also have the authority to use reasonable amounts of Association staff resources to assist in the performance of its

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responsibilities, including the recording and preparation of Committee minutes.

**B. Access to Outside Professionals**

1. The Committee shall have direct access to any external advisers that management of the Association uses on accounting, audit, and compliance programs or practices to obtain needed information to fulfill its responsibilities.
2. The Committee may also consult with, or employ as needed, professionals and/or external legal counsel who:
  - a) report directly to the Committee,
  - b) are independent of senior management, and
  - c) bring the necessary perspective and expertise to work directly with the Committee on respective issues related to carrying out its responsibilities.
3. The Committee shall have the authority to engage and authorize expenses, whether budgeted or unbudgeted, for independent counsel and other advisers as the Committee deems necessary to carry out its duties. This may include
  - a) compensating any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services;
  - b) compensating independent counsel and/or other advisers engaged by the Committee; and
  - c) paying ordinary administrative expenses the Committee incurs in carrying out its duties.
4. A two-thirds majority vote of the full Board is required to deny the Committee's request for resources.

**VIII. COMMITTEE CHARTER**

- A. Annually, or as otherwise appropriate, the Committee shall review the Committee Charter and recommend that the Board reaffirm or amend the Committee Charter.

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- B. This Charter will be posted on the “public” area of the Association’s website and copies made available in printed form upon request.

**IX. REPORTING REQUIREMENTS**

- A. Prepare annually a report for the Board that summarizes the work performed by the Committee to discharge its responsibilities and authorities.
- B. The Audit Committee will oversee the Whistleblower (WB) Program and will include reports to the Board on WB Program activity, annual testing results of the WB Vendor system, and related matters as part of its overall Board reporting process.
- C. The Committee will prepare and furnish meeting minutes and otherwise report to the Board related to the work performed by the Committee to discharge its responsibilities and authorities.
- D. The Committee will ensure that the Board is kept informed of substantial or exceptional matters or developments pertaining to major areas of its responsibility and, if decision making is involved or a recommendation is developed, report on the process followed, the options considered, and the rationale used to support the Committee’s decision or recommendation.