



Unit:	Corporate
Responsibility:	Chief Executive Officer
Approved:	July 2007
Reviewed:	July 2007

**I. MISSION STATEMENT**

To assist the board of directors in discharging its oversight responsibilities in relation to the financial reporting process, the system of internal control, and the audit process.

**II. AUTHORITY**

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any certified public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor/reviewer regarding findings.
- Pre-approve all auditing and non-audit services required to fulfill the responsibilities of the committee.
- Contract with independent legal counsel and expert advisors.
- Seek any information it requires from employees—all of who are directed to cooperate with the committee's requests—or external parties employed by the committee.
- Meet with company officers, external auditors, or outside counsel, as necessary in the conduct of their responsibilities.
- Call upon the association to provide monetary and nonmonetary resources to enable the committee to contract for external auditors, outside advisors, and ordinary business expenses. A two-thirds majority vote of the full board of directors is required to deny an audit committee's request for resources.

Unless otherwise authorized by an amendment to this Charter, the Committee shall not delegate any of its authority to any subcommittee.

**III. MEMBERSHIP**

The board of directors will appoint the audit committee members, the chairman, and the vice-chairman of the committee. The audit committee will consist of at least three members of the board of directors and must include any director designated as

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a financial expert. If an expert advisor has been hired, this advisor will also serve as an advisor to the audit committee.

Each committee member 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. All committee members should be knowledgeable in at least one of the following areas: public and corporate finance, financial reporting and disclosure, or accounting procedures. Every committee member must be free from any relationship that, in the opinion of the board, would interfere with the exercise of independent judgment as a committee member.

The secretary of the audit committee will be any person nominated by the committee.

### III. MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. Special meetings may be convened by the chairman or vice-chairman as deemed necessary. The committee shall meet as often as needed, but at least once a year with management, the internal auditor, and the independent public accountant in separate executive sessions.

Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved at the next meeting. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee must maintain records of meetings, including attendance, for at least 3 fiscal years.

The committee should meet with outside legal council if deemed necessary.

### IV. ROLES AND RESPONSIBILITIES

The committee will report only to the board and carry out the following responsibilities:

#### A. Financial Reporting

Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

1. Review with management the results of the audit, including any difficulties encountered.
2. Oversee management's preparation of the report to shareholders, ensuring the financials state as such.

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3. Review the annual and quarterly financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
4. Review accounting policy changes relating to preparation of financial statements.
5. Review other sections of the annual and quarterly reports and related regulatory filings before release and consider the accuracy and completeness of the information.
6. Review the impact of any significant accounting and auditing developments.
7. The audit committee must oversee management's preparation of the report to shareholders; review the impact of any significant accounting and auditing developments; review accounting policy changes relating to preparation of financial statements; and review annual and quarterly reports prior to release. After the audit committee reviews a financial policy, procedure, or report, it must record in its minutes its agreement or disagreement with the item(s) under review.

### **B. Internal Control**

1. Oversee the association's system of internal controls relating to the preparation of financial reports, including controls relating to the association's compliance with applicable laws and regulations.
2. Consider the effectiveness of the company's internal control system, including information technology security and control.
3. Understand the scope of internal and external auditors' review of internal controls, and obtain reports on findings and recommendations, together with management's responses.

### **C. Internal Credit Review**

1. Understand scope of review and ensure the review will monitor and evaluate asset quality, compliance with lending policies and procedures, credit administration, and collateral valuation.
2. Ensure there are no unjustified restrictions or limitations with the reviewer.
3. Meet with the reviewer to discuss findings and recommendations together with management's responses.
4. Review the effectiveness of the internal review function and the independent party performing the function.

### **D. Internal Audit**

1. Responsible, with the concurrence of the board of directors and the compensation committee, for the appointment, compensation, retention, and oversight of the work of the internal auditor, who shall report functionally to the audit committee, for the purpose of providing internal audit services.

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2. Review with management and internal auditor the charter, plans, risk assessment and activities at least annually.
3. Ensure there are no unjustified restrictions or limitations placed on the internal auditor.
4. Meet with internal auditor after audit is complete to discuss results of audit together with management's responses.
5. Review the effectiveness of the internal audit function at least annually.

### E. External Audit

1. Responsible, with the concurrence of the Association board of directors, for the appointment, compensation, retention and oversight of the work of the external auditors, who shall report directly to the committee for the purpose of issuing an audit report.
2. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
3. Discuss with the external auditors any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
4. Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed, and appropriately acted on.
5. Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the auditors have access to the chairman of the audit committee when required.
6. Review the performance of the external auditors.

### V. REPORTING RESPONSIBILITIES

1. Regularly report to the board of directors about committee activities, issues, and related recommendations.
2. Provide an open avenue of communication between internal audit, internal credit review, the external auditors, and the board of directors.

### VI. OTHER RESPONSIBILITIES

1. Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
2. Confirm annually that all responsibilities outlined in this charter have been carried out.
3. Evaluate the committee and each individual member's performance on an annual basis.

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4. Report to the Board Chairman, excessive absences to committee meetings, conflicts of interest, or dereliction of duties.