

AUDIT COMMITTEE CHARTER

References

FCA Regulation §620.30 Audit Committees, §621.1-5 Accounting and Reporting Requirements, §618.8430 Internal Controls

OPERATING PARAMETERS

The Board of Directors (the “Board”) of Farm Credit of Florida, ACA (the “Association”) has created a committee of directors to be known as the Audit Committee (the “Committee”) with its goals and objectives, composition, duties and responsibilities listed below.

GOALS AND OBJECTIVES

The primary goal of the Committee will be to assist the Board in fulfilling its oversight responsibilities relating to the quality of financial reporting and internal controls of the Association.

The Committee’s primary duties and responsibilities are to:

1. Maintain, by scheduling regular meetings, open lines of communications among the Board, senior management, internal auditors and independent auditors to exchange views and information as well as confirm their respective authority and responsibilities;
2. Oversee a formal tracking system of significant deficiencies and material weaknesses and monitor management’s progress towards implementing corrective actions and the effectiveness of corrective actions.
3. Serve as an independent and objective party to review the financial information presented by management to shareholders, regulators, and general public.
4. Determine the adequacy of the Association’s administrative, operating, and internal accounting controls and evaluate adherence thereto.
5. Oversee and appraise the quality of the audit effort of the Association’s internal auditors and those of its independent auditors.
6. Review the Farm Credit Administration examination processes and results.
7. Monitor the Association’s compliance with legal and regulatory requirements.

The Committee will fulfill these responsibilities by carrying out the activities and processes enumerated in the following sections of this Charter. In doing so, the Committee has full access to all books, records, facilities and personnel of the Association and the power to retain outside counsel or other experts considered necessary in discharging its oversight role. The Association must permit its Audit Committee to contract for independent legal counsel and expert advisors. The Association is also responsible for providing monetary and other resources to enable its Audit Committee to contract for external auditors, outside advisors, and ordinary administrative expenses. A two-thirds majority vote of the full Board is required to deny a Committee’s request for resources.

AUDIT COMMITTEE CHARTER

While the Committee has the powers set forth in the Charter, it is not the duty of the Committee to plan or conduct audits or investigations. Management of the Association is responsible for determining the Association's financial statements are complete, accurate, and in accordance with generally accepted accounting principles and establishing satisfactory internal control over financial reporting. The independent auditor is responsible for auditing the Association's financial statements and the effectiveness of the Association's internal controls over financial reporting. While the Committee is responsible for overseeing the work of others to assure compliance with laws and regulations or the Association's standards of business conduct, code of ethics, internal policies, procedures, and controls, members of the Committee are not personally responsible for performing these functions.

MINUTES

Actions taken and/or issues discussed by the Committee will be reflected in the minutes of that meeting. Minutes will be reviewed and approved by members of the Committee and will be maintained in accordance with the Association Record Retention policy and FCA Guidelines.

COMPOSITION

The Committee shall consist of a minimum of three directors nominated annually by the Chairman of the Board and approved by the board. The Committee Chairman shall also be nominated annually by the Chairman of the Board and approved by the Board.

Committee Member Standards & Qualifications

Members of the Committee should be knowledgeable in at least one of the following: public and corporate finance, financial reporting and disclosure, or accounting procedures. At least one member of the Committee must, in the judgment of the Board, be deemed to be an "audit committee financial expert" as defined by the rules and regulations of the Farm Credit Administration.

Every Committee member will be independent of senior management and operating executives and 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.

If the Association hires an expert financial advisor, that advisor will also serve as an advisor to the Committee.

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Committee will hold at least four (4) regular meetings per year, and such additional meetings as the Chairman of the Committee shall require in order to meet the following duties:

- Approve the appointment of the independent (external) auditor and internal auditors for the coming year.
- Ensure that any audit or review is conducted in compliance with statutory requirements.

AUDIT COMMITTEE CHARTER

- Review and approve the audit plan of the internal audit function.
- Evaluate the effectiveness of both the internal and external audit effort through regular meetings with each respective group.
- Determine that no management restrictions are being placed upon either the internal or external auditors.
- Evaluate the adequacy and effectiveness of the Association's administrative, operating and accounting policies through active communications with operating management, internal audit and the external auditor.
- Evaluate the effectiveness of the Association's internal control system by the review of written reports from the internal and external auditors; monitor and approve management's response and actions to correct any noted deficiencies through a formal Audit Tracking system of significant deficiencies and material weakness. Any changes to management's planned corrective actions are discussed and approved by the Committee as appropriate.
- Review quarterly accounting and financial reports.
- Review all regulatory reports submitted to the Association and monitor management's response to them.
- Require periodic reports from management, the independent auditor, and internal audit function on any significant proposed regulatory, accounting, or reporting issue to assess the potential impact upon the Association's financial reporting process.
- Review and approve all significant accounting changes.
- Review and approve the annual financial statements with operating management and the independent auditors. After such review, recommend to the Board that the financial statements be included in the Association's annual report.
- Identify and direct any special projects or investigations deemed necessary.
- Prepare a report to the full Board summarizing the work performed by the Committee to fully discharge its duties during the year.
- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Maintain records of meetings, including attendance in accordance with the Association Record Retention Policy.

AUDIT COMMITTEE CHARTER

- After the Committee reviews a financial policy, procedure, or report, it must record in its minutes its agreement or disagreement with the item(s) under review.
- The Committee has the duty and responsibility to “discuss policies with respect to risk assessment and risk management”.
- The Committee ensures an effective process for identifying, assessing, and mitigating risks that exist within the organization.
- Approve any non-audit services performed by the external auditor, except the audit committee may not approve those non-audit services specifically prohibited by FCA regulations.
- Review Whistleblower reports and ensure such reports are promptly investigated and reported to the Board of Directors as the Committee deems appropriate.

With Respect to the Independent (External) Auditors:

- Approve the appointment of the independent (external) auditor for the coming year;
 - The committee shall periodically obtain Request for Proposal (“RFP”) bids for all independently contracted services except for nationally contracted services, such as Pricewaterhouse Coopers. The lowest audit service bid shall not be the single deciding factor.
- On an annual basis, the Committee should obtain and review a formal written statement from the independent auditors that discusses all significant relationships the accountants have with the Association to determine the accountants’ independence;
- Discuss with the independent auditor the matters required to be discussed by Statement of Auditing Standards No. 61, including, but not limited to:
 - the quality and appropriateness of the accounting principles and underlying estimates used in the preparation of the Association’s financial statements, and
 - the clarity of financial disclosures in the Association’s financial statements.
- Periodically consult with the independent auditors in executive session to discuss internal controls and the fullness and accuracy of the organization’s financial statements.
- Meet separately, on an as needed basis, with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately; including problems or disagreements the accountants may have encountered with management or internal auditors during the annual review.
- Review any significant recommendations in the management letter provided by the independent auditors and the Association’s response to the letter.