

**AUDIT COMMITTEE CHARTER**  
**OF THE**  
**CENTRAL TEXAS FARM CREDIT, ACA**  
*(Last reviewed September 2023)*

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**PURPOSE AND OBJECTIVES**

The Audit Committee is appointed by the Board of Directors of Central Texas Farm Credit, ACA (the “Board”) to assist the Board in performing its oversight responsibilities. The Audit Committee will oversee the financial reporting process to ensure the accuracy, transparency, and integrity of published financial information. The Audit Committee will also review the effectiveness of the Association’s internal financial control and risk management systems; the effectiveness of the internal audit function; the independent audit process including recommending the appointment and assessing the performance of the external auditors; the Association’s process for monitoring compliance with laws and regulations affecting financial reporting and, if applicable, its code of business conduct.

In performing its duties, the committee will maintain effective working relationships with the Board, management, and external auditors. In addition, the committee will have unrestricted access to members of management, employees, and relevant information. To perform their role effectively, each committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the committee’s responsibilities and of the Association’s business, operations, and risks.

**AUTHORITY**

The Board authorizes and will provide the necessary monetary and nonmonetary resources for the Audit Committee to ensure that the following duties are performed within the scope of this charter:

- Engage independent counsel and other advisers, as it deems necessary to carry out its duties.
- Ensure the attendance of Association officers at meetings as appropriate.
- Establish procedures for dealing with concerns of employees regarding accounting, internal controls, and/or auditing matters.
- Establish procedures for the receipt, retention, and treatment of complaints received by the Association regarding accounting, internal controls, or auditing matters.
- Be directly responsible for the appointment, compensation, retention, and oversight of the work of all internal and external auditors.

## **ORGANIZATION**

### Membership

- The entire Board will comprise the Association's Audit Committee.
- A quorum of any meeting will be at least fifty percent of the members.
- Each member should have skills and experience appropriate to the Association's business.
- Each member shall be knowledgeable in at least one of the following: public and corporate finance, financial reporting and disclosure, or accounting procedures; with at least one member having the designation of financial expert as defined in FCA Regulation 611.210(a)(2).
- Each member, as determined by the Board, must be free of any relationship that would interfere with the member's ability to exercise independent judgment.

### Meetings

- The Audit Committee may invite such other persons (e.g., the CEO, EVP/CLO & COO, CCO, CFO, the internal audit and external audit engagement partners) to its meetings as it deems necessary.
- External and internal auditors should be invited to make presentations to the Audit Committee as appropriate.
- Meetings shall be held not less than four times a year and should correspond with the Association's financial reporting cycle.
- Special meetings may be convened as required or requested by the external or internal auditor.
- The agenda and supporting documentation shall be provided to the Audit Committee members a reasonable period in advance of each meeting.
- The minutes of meetings shall be provided to members of the committee
- The minutes of meetings shall be retained by the Audit Committee for a minimum of 3 fiscal years.
- Members of the Audit Committee should attend every meeting of the committee, and a record of attendance should be kept for a minimum of 3 fiscal years.
- The committee should meet with outside legal counsel if it is deemed necessary.

## **ROLES AND RESPONSIBILITIES**

The Audit Committee will:

### Internal Controls

- Evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk.
- Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.

- Understand the controls and processes implemented by management to ensure that the financial statements derived from the underlying financial systems comply with relevant standards and requirements and are subject to appropriate management review.
- Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by internal and external auditors have been implemented by management.
- Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.
- Identify an appropriate audit universe.
- Review and supervise all internal audit functions of the Association.

### Financial Reporting

- Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- Review significant accounting, reporting, and auditing issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements, and preliminary announcements prior to their release.
- Review management's process for ensuring that information contained in analyst briefings and press announcements is balanced, transparent, and consistent with published financial information (particularly regarding GAAP vs. non-GAAP data).
- Meet with management and external auditors to review the financial statements, the key accounting policies and judgments, and the results of the audit.
- Ensure that significant adjustments, unadjusted differences, disagreements with management, and critical accounting policies and practices are discussed with the external auditor(s) and recorded in the minutes.
- Review the other sections of the annual report before its release to the Association's members and consider whether the information is understandable, unbiased, and consistent with members' knowledge about the Association and its operations.

### Compliance with Laws and Regulations

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- Obtain regular updates from management and Association's legal counsel regarding compliance matters that may have a material impact on the Association's financial statements or compliance policies.
- Be satisfied that all regulatory compliance matters, related to the business of the Association, have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies.

## Working with External Auditors

- Review the professional qualification of external auditors (including background and experience of partner and auditing personnel).
- Determine the appointment, compensation, and retention of the external auditors issuing audit reports of the institution.
- Consider the independence of the external auditors and any potential conflicts of interest.
- Review the external auditor's work.
- 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.
- Ensure that significant findings and recommendations made by the external auditors and management's proposed responses are received, discussed, and appropriately addressed.
- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the external auditors have access to the chairman of the Audit Committee when required.
- Give prior approval for any non-audit services performed by the external auditor, except the non-audit services prohibited by FCA regulation.

## **REPORTING**

Ensure each member is aware of matters that may significantly impact the financial condition or affairs of the Association.

Prepare any reports required by law or regulations including the report on the Audit Committee's activities and duties in the corporate governance section of the annual report to stockholders.