

Farm Credit Services of America Board Governance Guidelines
EXHIBIT I – Audit Committee Charter

Organization

The Audit Committee (“Committee”) is a standing committee of the Board of Directors (jointly, the “Board”) of Farm Credit Services of America, ACA/FLCA/PCA (jointly, the “Association”) which shall consist of at least three (3) Board members. After the annual Board re-organization meeting, the Chairperson and Vice Chairperson of the Board shall select Committee members.

The Committee shall be composed of Board members who are independent of Association leadership and are free from any relationship that, in the opinion of the Board, would interfere with their ability to exercise independent judgment as a Committee member. At least one Committee member shall be designated a “financial expert” as defined by FCA Regulation §611.210. Committee members shall have knowledge of public and corporate finance, financial reporting and disclosure or accounting procedures or shall become knowledgeable within a reasonable period of time after appointment to the Committee.

The Committee will meet or otherwise take action at least quarterly and may call additional meetings as needed. Meetings may be called by the Committee Chairperson or by the Chairperson of the Board. A majority of the Committee membership shall constitute a quorum. The Committee may also act through consent minutes signed by a majority of the Committee members in lieu of an in-person meeting. An executive session may be requested by any Committee member through the Chairperson of the Committee and/or called at any time at the pleasure of the Chairperson of the Committee. The Committee may also meet in executive session with independent professionals as deemed necessary. The Committee will have the responsibilities delegated from the full Board by approval of and as outlined in this charter. This charter governs the operations of the Committee.

Purpose and Authority

The Committee shall provide assistance to the Board in fulfilling its fiduciary and oversight responsibilities to the shareholders, potential shareholders, and other financial stakeholders in the following areas:

- Overseeing the integrity of the Association’s financial statements, accounting and financial reporting processes, and financial statement audits.
- Overseeing the Association’s compliance with legal and regulatory requirements.
- Overseeing the performance of the Association’s independent auditor and the internal audit function.
- Overseeing the independent auditor’s qualifications and independence.
- Overseeing the Association’s systems of disclosure controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the Association.

In carrying out its duties and responsibilities, the Committee shall also have the authority to meet with and seek any information it requires from employees, officers, directors, or external parties.

The Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility with full access to all books, records, facilities, and personnel of the Association. The Association will provide appropriate funding for payment of service fees, as determined by the Committee, for compensation to the independent auditor, to independent

counsel or other advisers. A two-thirds (2/3) super majority vote of the Board is required to deny the Committee's request for resources.

Committee Meetings

Responsibilities related to Committee meetings include the following.

1. The Vice President – Internal Audit, in conjunction with the Committee Chairperson, and the Chairperson of the Audit Subcommittee of the Coordinating Committee (which may be the same person) formed pursuant to an Alliance Agreement with Frontier Farm Credit, ACA/FLCA/PCA and having an effective date of January 1, 2015, will develop an agenda for each meeting which shall include:
 - a. Evaluation of key risks, internal controls, and financial reporting;
 - b. Discussion of recent reviews;
 - c. Current issues of interest and emerging issues;
 - d. Exception/open item follow-up;
 - e. Committee training and best practice study;
 - f. Special reports; and
 - g. Other internal audit matters.
2. The Committee Chairperson will be responsible for ensuring the following.
 - a. Open dialogue and time for questions;
 - b. Discussion is focused on important business and financial risks;
 - c. Adequate time to discuss issues related to approval items or recommendations for the Board and/or Coordinating Committee; and
 - d. Reporting of a summary of Committee activities or recommendations to the Board and/or Coordinating Committee, including all material or significant events or matters relating to the Association's internal control processes.

All Committee meeting minutes and agendas will be maintained for at least three (3) years.

Duties and Responsibilities

1. Financial Statements
 - a. Review and determine the adequacy of the Association's financial reporting process on behalf of the Board and report the results to the Board and/or Coordinating Committee.
 - b. Review the adequacy and effectiveness of the Association's disclosure controls and procedures and the Association's internal control over financial reporting, including any significant deficiencies and significant changes in internal control.
 - c. Review significant accounting and reporting issues with Association leadership and the independent auditors including complex or unusual transactions, highly judgmental areas, and recent professional and regulatory pronouncements and understand their impact on the Association's financial statements.
 - d. Review with the independent auditor, Association leadership, and the Vice President - Internal Audit the results of audits including any difficulties encountered, any disagreements with Association leadership and any audit concerns.

- e. Review and recommend certification of the annual financial statements and annual report to the Board upon completing its review with the independent auditors, Association leadership, and the Vice President - Internal Audit and resolving any identified issues.
- f. Review and recommend certification of the Association's quarterly financial statements and quarterly report with Association leadership and Vice President - Internal Audit prior to publishing, and consider whether it is complete and consistent with the information known to Committee members.
- g. Record in the minutes the Committee's agreement or disagreement with financial policies, procedures or reports.
- h. Review with Association leadership and the independent auditors all matters required to be communicated to the Committee under Generally Accepted Auditing Standards.

2. Independent Auditor

- a. To the extent practicable, appoint, compensate, retain, and oversee the work performed by the independent auditor retained for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditor and remove the independent auditor if circumstances warrant. The independent auditor will report directly to the Committee and the Committee will oversee the resolution of disagreements between Association leadership and the independent auditor if they arise.
- b. Hold timely discussions with the independent auditor regarding the following:
 - All critical accounting policies and practices;
 - All alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with Association leadership, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
 - Other material written communications between the independent auditor and Association leadership, including, but not limited to, the management letter and schedule of unadjusted differences.
- c. Review and pre-approve both audit and non-audit services to be provided by the independent auditor, except those non-audit services specifically prohibited by FCA regulation. The Committee may delegate pre-approval authority to a member of the Committee, whose decisions will be presented to the full Committee at its next scheduled meeting. At least annually, review and confirm the independence of the independent auditors by obtaining statements on relationships between the auditors and the Association.
- d. Review the independent auditors' proposed audit scope and approach, including coordination of the audit effort with the Vice President - Internal Audit and Association leadership, and have the independent auditor report to the Committee as necessary.
- e.
- f. Provide an annual assessment of the independent auditor to the Board based on the Committee's dealings with the independent auditor and information received from Association leadership and the Vice President - Internal Audit.

3. Internal Audit

- a. The Vice President – Internal Audit will report directly to the Committee, and the Board.
- b. Review and determine that no restrictions are being placed on the Internal Audit function by Association leadership.

- c. Review and approve the charter, annual audit plans, scope of activities, staffing, and organizational structure of the Internal Audit function and monitor audit plan progress and deviations.
- d. Review and concur with the appointment, replacement, or dismissal of the Vice President - Internal Audit. Review the succession planning for the Vice President - Internal Audit position. Review, modify as deemed appropriate, and approve the performance review, salary adjustments, and grade change for the Vice President - Internal Audit as recommended by the President and CEO.
- e. Meet in executive session with the Vice President - Internal Audit to discuss any matters the Committee or Vice President - Internal Audit believes should be discussed privately.
- f. Review and evaluate the effectiveness of the internal audit's function including the independence and authority of its reporting, and coordination with the independent auditors, and its compliance with The Institute of Internal Auditors' [International Standards for the Professional Practice of Internal Auditing](#).

4. Internal Controls

- a. Oversee the Association's system of internal controls relating to the preparation of the Association's financial reports, including controls relating to the Association's compliance with applicable laws and regulations.
- b. Review and discuss with Association leadership, the internal auditors, and the independent auditors the Association's policies with respect to risk assessment and risk management, internal control, and governance.
- c. Evaluate the adequacy and effectiveness of the Association's administrative, operating and accounting policies, including information technology security and control, through active communications with Association leadership, the Vice President - Internal Audit, and the independent auditor.
- d. Understand the scope of any review of internal controls over financial reporting performed by internal audit or the independent auditor(s).
- e. Evaluate the adequacy of the Association's internal controls by review and discussion of written reports from the internal and independent auditors, and monitor Association leadership's response and actions to correct any noted deficiencies.
- f. Review any material weakness in the Association's internal accounting control structure identified as a reportable condition by the Association's independent auditor and monitor and recommend, as deemed necessary by the Committee, the correction of any such deficiency.
- g. Review Association leadership's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditor's report on Association leadership's assertion.
- h. Establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and for the confidential, anonymous submission by Association employees regarding questionable accounting or auditing matters.
- i. Review the effectiveness of the Association's system for monitoring compliance with laws and regulations, and the results of Association leadership's investigation and follow-up, including disciplinary action, of any instances of noncompliance.
- j. Review the findings of all examinations by regulatory agencies and all auditor observations, as well as the actions taken by Association leadership on all such recommendations.

- k. Review the process for communicating the standards of conduct and the code of ethics to Association personnel and for monitoring compliance therewith.
- l. Obtain regular updates from Association leadership and Association legal counsel regarding compliance and legal matters.

5. Other Responsibilities

- a. Annually review and assess the adequacy of this charter and recommend to the Governance Committee any necessary amendments.
- b. Annually prepare a report to be included in the Association's annual report, disclosing the Committee's review and discussion of the annual financial statements with Association leadership, and matters reviewed and discussed with the independent auditor including any material or significant findings since the most recently issued reports.
- c. Monitor the Associations' Enterprise Risk Management efforts relative to Compliance, Fraud and Regulatory Risks.
- d. Monitor the Association ERM efforts regarding Compliance and Internal Controls, Fraud and Regulatory Risks.
- e. Perform any other activities consistent with this charter and governing laws that the Board or Committee determines are necessary or appropriate.
- f. On an annual basis, participate in the process to review and assess the Committee's and individual members' performance, and take the necessary actions to enhance performance.
- g. Develop and monitor of any action plans resulting from the combined annual Committee and corresponding Coordinating Committee subcommittee assessment results.