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**Department:**

Administration

**Policy For:**

Audit Committee & Audit Purposes

**Annual Board Approval:**

December 13, 2021

**Prior Approval Date:**

December 14, 2020

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## **AUDIT COMMITTEE CHARTER**

### **Purpose**

The purpose of the Audit Committee (Committee) of the Board (Board) of Directors of Summit State Bank (Bank) is to (1) Assist the Board with oversight of the integrity of the Bank's financial statements, the Bank's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of the Bank's internal audit function and independent auditors; (2) prepare the report that the rules of the Federal Deposit Insurance Corporation ("FDIC") require be included in the Bank's annual proxy statement; and (C) Maintain an open line of communication with management and staff when compliance issues may arise.

### **Committee Membership**

The Committee shall consist of three (3) or more directors, each of whom shall:

- (i) have been appointed by the Board of Directors; and
- (ii) have been determined by the Board of Directors to fulfill the requirements for membership on the Committee as provided in the federal securities laws, the rules of the FDIC thereunder and the rules of NASDAQ, as such provisions may be amended from time to time.

At least one member of the Audit Committee shall have:

- (iii) an understanding of generally accepted accounting principles and financial statements;
- (iv) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (v) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities;
- (vi) an understanding of internal control over financial reporting; and
- (vii) an understanding of audit committee functions; and shall have acquired such attributes through:

- i education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- ii experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- iii experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- ix other relevant experience.

No member of the Audit Committee, including the Chair, may simultaneously serve on the audit committee of more than two other corporations besides the Bank, unless the Board of Directors determines that such simultaneous service would not impair the director's ability to effectively serve on the Bank's Audit Committee and such determination is disclosed in the Bank's proxy statements relating to its annual meetings of shareholders.

The Board of Directors reserves all authority permitted under the rules of the FDIC and the relevant listing authority in connection with any matter referred to in this Charter, including but not limited to the determination of independence of Audit Committee members.

### **Committee Operations**

A quorum of the committee shall consist of a majority of members, but not less than two (2) members. The Committee shall meet in person, by phone, or via video conference as often as needed in order to fulfill the duties and responsibilities outlined in this Charter and in the Audit Committee policy. The Committee Chairman shall have the authority to call any Committee meetings other than meetings set by the Board. The Committee may have in attendance such other members of management and persons as it may deem necessary to provide appropriate information and explanations. The Chairperson of the Committee will report back to the full Board the recommendations of the Committee.

### **RESPONSIBILITIES OF AUDIT COMMITTEE**

#### General Responsibilities

The Audit Committee has the specific responsibilities and authority necessary to comply with Rule 10A3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as summarized in the Audit Committee Policy.

The Board of Directors recognizes that the Bank's management is responsible for preparing the Bank's financial statements and providing an appropriate system of internal controls and that independent auditors are responsible for auditing the financial statements and reviewing the Bank's internal controls. In fulfilling these responsibilities, the independent auditors are ultimately accountable to the Audit Committee and management is ultimately accountable to the Audit Committee and the Board of Directors.

Nothing in this Charter should be construed to imply that the Audit Committee is required to provide or does provide any assurance or certification as to the Bank's financial statements or systems of internal controls, or as to its compliance with laws, rules or regulations.

In order to fulfill its oversight responsibility, the Audit Committee must be capable of conducting free and open discussions with management, internal and independent auditors, employees and others regarding the quality of the financial statements and the system of internal controls.

### Committee Duties and Responsibilities

The specific duties of the Audit Committee shall be as follows, with details outlined in the Audit Committee Policy:

1. Engage, appoint, evaluate and replace independent auditors as outlined in the Audit Committee Policy.
2. Ensure the auditor's independence as outlined in Audit Committee Policy.
3. Oversee the annual audit schedule, annual auditing reports, communication with auditors, rotation of auditors and other Audit Committee duties as outlined in the Audit Committee Policy.
4. Review all financial statements as outlined in the Audit Committee Policy.
5. Review the Bank's Internal Accounting and Financial Control Functions as outlined in the Audit Committee Policy.
6. All complaints received by the Committee relating to accounting, internal accounting controls or auditing matters shall be retained and reviewed by the Committee as outlined in the Audit Committee Policy.
7. The Committee may, if it deems necessary, conduct an optional annual self-evaluation of its performance as outlined in the Audit Committee Policy.
8. Annually review this Audit Committee Charter, and any provisions of the Bank's by-laws which refer to the Audit Committee and propose to the Board of Directors necessary or appropriate revisions.

### **DOCUMENTATION AND REPORTING**

The Audit Committee shall regularly report its activities, concerns, conclusions and recommendations to the Board of Directors, reviewing with the Board any issues that arise with respect to the quality or integrity of the Bank's financial statements, the Bank's compliance with legal or regulatory requirements, the performance and independence of the Bank's independent auditors, or the performance of the internal audit function. Meeting minutes are required by this Committee and should be presented to the full board after every Audit Committee meeting.