

CHARTER
Members 1st of NJ Federal Credit Union Supervisory Committee
December 12, 2019

I. Purpose

The Supervisory Committee (the Committee) of the Members 1st of NJ Federal Union (the Credit Union) supports the Board of Directors (the Board) in the fulfillment of its oversight responsibilities for the following:

- Integrity of financial reporting.
- Compliance with legal and regulatory requirements.
- Appointment and supervision of independent auditors.
- Performance of internal audit functions.
- Evaluation of internal controls and operational risk management.
- Members inquiries.
- Verification of accounts.
- Other duties as requested by the Board.

II. Organization

The Board appoints the Committee from members of the Credit Union. To serve on the Committee, an individual may not be an employee of the Credit Union.

The Board determines the number of members of the Committee, which may not be Fewer than three or more than five.

Committee Member Qualifications

Committee members, as a group, shall ensure they maintain the Competencies necessary to ensure the Committee's particular fiduciary functions can be effectively executed.

Committee members shall be able to understand and analyze Credit Union financial statements and to understand Committee functions.

The Committee members choose from among their members a Chair and a Secretary. The Secretary prepares, maintains and has custody of full and correct records of all actions taken by the Committee. The same person may

hold the offices of Chair and Secretary.

Regular terms of members are until the appointment of qualifications successors.

III. Structure and Meetings

The Committee should convene at least one meeting each quarter. The Committee will periodically invite management, external auditors or others to provide pertinent information as necessary.

The Committee shall meet with the external auditor and management after the annual audit. The Committee's meeting with the auditor after the annual audit must include an executive session without management.

Meeting minutes will be prepared and distributed.

IV. Goals and Responsibilities

The Committee has the authority to conduct or authorize any review of matters within its scope of responsibilities and duties, The Committee's authority includes the power to:

- Appoint, compensate and oversee the work of an external firm hired by the Credit Union to conduct annual audits and to pre-approve all auditing and non-auditing services to be performed. This firm will report simultaneously to the Committee and the CEO/President.
- Maintain access to Credit Union personnel and documentation.
- Review the Credit Union's business objectives, strategies and plans.
- Initiate a member account verification process.
- Engage the Credit Union's audit department to perform such functions as necessary to meet its responsibilities related to adequacy of internal controls, risk management and governance practices.
- Serve as liaison between the management and internal audit.
- It may become necessary for the Committee to take appropriate action within its authority, as specified in the SAFE Federal Credit Union bylaws, to address situations threatening the financial soundness and safety of the Credit Union up to and including the removal of Directors and calling for special member meetings to report violations.

Specific duties include:

(1) Financial Reporting

Review the integrity of the Credit Union's financial reporting processes and results, including:

1. Review the results of the annual audit with management and the external auditor, including any difficulties encountered; this review will include any on the scope of the independent auditor's activities or on access to requested information, and any significant disagreement with the management.
2. Discuss the annual audited financial statements with management and the external auditors.
3. Any significant changes in accounting principles, practices, standards or policies.

(2) Compliance

Review the effectiveness of the system for monitoring compliance with laws and regulations, as well as the results of management's investigation and follow-up of any instances of non-compliance, including:

- Review the findings of any examination by regulatory agencies and any auditor observations.
- Meet if needed, with outside counsel to review any matters that may have a material impact on safety, soundness and reputational issues.
- Obtain updates from the management and the compliance officer or equivalent regarding compliance matters, including how compliance is being monitored and how any follow ups are being tracked and reported.
- Review the process for communicating and monitoring the Code of Conduct to employees of the Credit Union (e.g. ensure on an annual basis at the end of March that employees sign off on the Code of Conduct and that Human Resources monitors compliance).
- Review the effectiveness of the process by which employees may submit confidential and anonymous concerns for investigation and correction as required.

(3) Independent External Audit

Oversee the independent audit including:

- Retain and review the performance of the external auditor.
- Review the external auditor's proposed audit scope and approach.
- Review the external auditor's performance, including any difficulties or disputes between management and the external auditor during the audit.
- Present the written audit report by the external auditor to the Board.
- Confirm that the external audit firm does not provide consulting or other services to the Credit Union that impair its independence.
- Meet with the external auditor at least twice a year including a meeting after the annual audit with management and a session after the annual audit without management.

(4) Internal Control and Operational Risk Management

Review the effectiveness of the Credit Union's internal control and operational risk management including:

- Operational efficiencies.
- Control environment and governance, including information technology security.
- Financial reporting including the scope of internal and external auditors' reviews of internal control.
- Compliance with laws and regulations.
- Process for assessing and managing material risks.

(5) Other Responsibilities and Duties

The Committee will perform other responsibilities and duties as needed.

All Committee meeting minutes will be submitted to the Board to be included in the minutes of the Board's meetings.

Committee members will review the minutes of all Board meetings. Each Committee member will attend at least one Board meeting per year and provide any requested update on Committee actions.

The Committee Chair shall submit an annual report to the membership.

The responsibilities set forth in this Charter serve as a guide only, with the express understanding that the Committee may carry out additional responsibilities and duties, and adopt additional policies and procedures as needed with respect to changing business, legislative, regulatory, legal or other conditions.

V. Committee Resources

The Committee shall have the right to retain or terminate consultants that assist the Committee in fulfillment of its duties. The Committee shall have the right to define the terms and the payment to any counsel, advisor, or consultant retained to advise the Committee as well as the payment of ordinary administrative expenses deemed necessary to carry out its duties.

VI. Disclosure of Charter

This Charter will be made available on the Credit Union's public website at www.membersonenj.org along with the Committee's USPS PO Box address.

Approved by the Credit Union Board: _____