

OnPoint Community Credit Union
SUPERVISORY COMMITTEE CHARTER
October 2020

I. Overall Responsibilities:

A. The Supervisory Committee is responsible for ensuring that the Board of Directors and management of the credit union:¹

1. Meet required financial reporting objectives² through the comprehensive annual audit.
2. Establish practices and procedures sufficient to safeguard members' assets.³

B. Code of Conduct

1. Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, policy-making principles, respect of roles, speaking with one voice, and ensuring the continual improvement of the Supervisory Committee processes and capabilities.⁴
2. Respond to communications in a timely manner.

C. The Supervisory Committee must consist of not less than three (3) members⁵ and must include at least one member who qualifies as a "Financial Expert" as defined by the Securities and Exchange Commission (SEC), as provided in Section VI (Appendix A) of this document.

II. Supervisory Committee/Board of Directors Relationship:

A. The OnPoint Supervisory Committee reports to the OnPoint Board of Directors.

B. OnPoint Supervisory Committee members are appointed by the OnPoint Board of Directors.

1. Regular terms of the Supervisory Committee members shall be for three (3) years and until the appointment and qualification of their successors.
2. A Supervisory Committee member who has served four (4) consecutive or nonconsecutive terms on the Supervisory Committee may not be appointed for another term.

C. The Supervisory Committee shall submit to the OnPoint Board of Directors an annual Committee performance evaluation.

III. Objectives:

A. To carry out the overall responsibilities, the Supervisory committee must determine whether:⁶

1. Internal controls are established and effectively maintained to achieve the credit union's financial reporting objectives, which must be sufficient to satisfy the requirements of the Supervisory Committee audit, verification of the members' accounts and its additional responsibilities.⁷
2. The credit union's accounting records and financial reports are promptly prepared and accurately reflect operations and results.⁸
3. The relevant plans, policies, and control procedures established by the Board of Directors are properly administered.⁹
4. Policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing, and fraud.¹⁰

IV. Scope (Authorized Activities and Limitations):

A. Authorized Activities:

1. The Supervisory Committee shall make, or cause to be made, a comprehensive annual audit of the books and affairs of the credit union and shall submit a report of the audit to the Board of Directors and the Director of the Department of Consumer and Business Services and a summary of that report to the members at the next annual meeting of the credit union. It shall make, or cause to be made, such supplementary audits or examinations as it deems necessary or as are required by the director or by the Board of Directors, and submit reports of these supplementary audits to the Board of Directors.¹¹
2. The Supervisory Committee shall cause the accounts of the members to be verified with the records of the credit union from time to time in accordance with the procedure outlined as follows. This verification shall be done not less frequently than every two years. Verification of members' accounts shall be made using either of the following methods:¹²
 - (a) A controlled verification of 100 percent of members' share and loan accounts.¹³
 - (b) A controlled random statistical sampling method in accordance with rules that the director may prescribe.¹⁴
3. Records of accounts verified shall be maintained and retained until the next verification of members' accounts is completed.¹⁵
4. The Supervisory Committee, by a unanimous vote, may suspend any member of the Board of Directors until the next members' meeting. The next members' meeting must be held not less than 14 nor more than 45 days after the suspension. At the meeting, the members shall decide whether to remove the suspended officer or board member.¹⁶

B. Limitations:

1. The Supervisory Committee may not speak or act for the Board.
2. The Supervisory Committee may not exercise authority over staff.
3. The Supervisory Committee may not fail to:
 - (a) Ensure that the credit union adheres to the measurement and filing requirements for reports filed with the NCUA Board as prescribed under section 741.6 of the NCUA Rules and Regulations.¹⁷
 - (b) Perform or obtain a Supervisory Committee audit, as prescribed under section 715.4 – Audit responsibility of the Supervisory Committee – of the NCUA Rules and Regulations.¹⁸
 - (c) Verify or cause the verification of members' accounts against the records of the credit union, as prescribed in section 715.8 – Requirements for verification of accounts and passbooks – of the NCUA Rules and Regulations.¹⁹
 - (d) Act to avoid imposition of sanctions for failure to comply with the requirements of this part, as prescribed in sections 715.11 and 715.12 of the NCUA Rules and Regulations.²⁰
 - (e) Develop a Supervisory Committee budget.
 - (f) Choose a chairperson and secretary.
 - (g) Be kept abreast of changes in ORS, NCUA regulations, credit union bylaws and policies, board composition, President/CEO, Executive Team changes that affect the safety and soundness of the credit union.
 - (h) Review requests for a supplementary audit.

V. Specific Committee Activities:

A. The Supervisory Committee must develop a timeline for accomplishing the following tasks:

1. Meet required financial reporting objectives²¹ through the comprehensive annual audit.
2. File the Supervisory Committee report with the Division of Financial Regulation as required by the State of Oregon. Frequency: Annually by January 31.
3. Review and sign the financial audit engagement letter. Frequency: Annually by July 31.
4. Review and discuss the state regulator examination report within 30 days of receipt.
5. Review and acknowledge receipt of annual external audit. Frequency: Annually in March.
6. Confirm the verification of member accounts, which is performed by the internal and/or external audit functions of the credit union. Frequency: random sample verification, at least annually.

B. Establish practices and procedures that are sufficient to safeguard members' assets.²²

1. Review out-of-compliance issues for Board monitoring reports, specifically if regulatory reports are filed late or inaccurately. Record knowledge of the out-of-compliance issues, if any, in the Supervisory Committee minutes.
Frequency: Quarterly.
2. Review the Board of Directors meeting minutes. Record in the Supervisory Committee minutes that the Board of Directors meeting minutes have been reviewed, designating specific months of review. Frequency: Quarterly.
3. Review the Quarterly OnPoint Board of Directors Member Value Report.
Frequency: Quarterly in January, April, July, and October.
4. Review the results of any Request for Proposal (RFP) for financial statement audit services and the resulting selection process. Frequency: As necessary.
5. Review Board Policies changes. Frequency: As necessary.
6. Conduct a reasonableness review of the strategic plan. Frequency: As necessary.
7. Conduct continuing education on the board governance model and other relevant training. Frequency: As necessary.

VI. Appendix A - SEC definition of Financial Expert:

As provided in SEC press release 2003-6 **SEC Adopts Rules on Provisions of Sarbanes-Oxley Act** (<http://www.sec.gov/news/press/2003-6.htm>):

Audit Committee Financial Experts

The rules will expand the proposed definition of the term "financial expert" and also substitute the designation "audit committee financial expert" for "financial expert." The rules will define "audit committee financial expert" to mean a person who has the following attributes:

- (1) an understanding of financial statements and generally accepted accounting principles;
- (2) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (3) 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;
- (4) an understanding of internal controls and procedures for financial reporting; and
- (5) an understanding of audit committee functions.

A person can acquire such attributes through any one or more of the following means:

- (1) 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;
- (2) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions, or
- (3) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- (4) other relevant experience.

An individual will have to possess all of the attributes listed in the above definition to qualify as an audit committee financial expert. Furthermore, the rules will eliminate the proposed requirement that a person's experience applying generally accepted accounting principles in connection with accounting for estimates, accruals and reserves be "generally comparable" to the estimates, accruals and reserves used in the registrant's financial statements.

The rules also will provide a safe harbor to make clear that an audit committee financial expert will not be deemed an "expert" for any purpose, including for purposes of Section 11 of the Securities Act of 1933, and that the designation of a person as an audit committee financial expert does not impose any duties, obligations or liability on the person that are greater than those imposed on such a person as a member of the audit committee in the absence of such designation, nor does it affect the duties, obligations or liability of any other member of the audit committee or board of directors.

Footnotes:

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- ¹ NCUA Rules & Regulations § 715.3 (a)
 - ² NCUA Rules & Regulations § 715.3 (a) (1)
 - ³ NCUA Rules & Regulations § 715.3 (a) (2)
 - ⁴ Elements from 2020 OnPoint Board Governance, section III (A) (2)
 - ⁵ ORS § 723.252 (2)
 - ⁶ NCUA Rules & Regulations § 715.3 (b)
 - ⁷ NCUA Rules & Regulations § 715.3 (b) (1)
 - ⁸ NCUA Rules & Regulations § 715.3 (b) (2)
 - ⁹ NCUA Rules & Regulations § 715.3 (b) (3)
 - ¹⁰ NCUA Rules & Regulations § 715.3 (b) (4)
 - ¹¹ ORS § 723.322
 - ¹² ORS § 723.322 (2) – (3)
 - ¹³ ORS § 723.322 (3) (a)
 - ¹⁴ ORS § 723.322 (3) (b)
 - ¹⁵ ORS § 723.322 (4)
 - ¹⁶ ORS § 723.326 (1)
 - ¹⁷ NCUA Rules & Regulations § 715.3 (c) (1)
 - ¹⁸ NCUA Rules & Regulations § 715.3 (c) (2)
 - ¹⁹ NCUA Rules & Regulations § 715.3 (c) (3)
 - ²⁰ NCUA Rules & Regulations § 715.3 (c) (4)
 - ²¹ NCUA Rules & Regulations § 715.3 (a) (1)
 - ²² NCUA Rules & Regulations § 715.3 (a) (2)