



Enclave Financial Corp
Farmers National Bank of Emlenton

AUDIT COMMITTEE CHARTER

Revised and Approved: January 2016

**EMCLAIRE FINANCIAL CORP
FARMERS NATIONAL BANK OF EMLENTON
AUDIT COMMITTEE CHARTER
TABLE OF CONTENTS**

<u>Section Number</u>	<u>Section</u>	<u>Page Number</u>
1.	Purpose	1
2.	Membership	1
3.	Meetings	2
4.	Responsibilities and Duties	2

1. Purpose

The primary function of the Audit Committee of Emclaire Financial Corp (the Corporation), and its wholly owned subsidiary bank, Farmers National Bank of Emlenton, is to assist the Board of Directors in fulfilling its oversight responsibilities by: approving the release of the financial reports and other financial information provided by the Corporation to any governmental body or the public; reviewing the Corporation's systems of internal controls pertaining to finance, accounting, legal compliance and ethics that have been established by the management and the Board; and reviewing the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control system.
- Review and appraise the audit efforts, qualifications, and independence of the Corporation's independent registered public accounting firm.
- Review and appraise the audit efforts and qualifications of the Corporation's internal auditors.
- Appoint, retain, compensate, oversee and terminate the Corporation's independent registered public accounting firm.
- Provide an open avenue of communication among the independent registered public accounting firm, management, internal auditors and Board of Directors, including resolution of disagreements between management and the auditor regarding financial reporting and other matters.
- Prepare the report required by the rules of the Securities and Exchange Commission ("SEC") to be included in the Corporation's annual proxy statement.
- Provide oversight with respect to the Corporation's compliance with ethics policies and legal and regulatory requirements.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities in Section 4 of this Charter. The Audit Committee, in its sole discretion, has the ability to retain, at the Corporation's expense, special legal, accounting experts and other advisors it deems necessary in the performance of its duties and shall receive appropriate funding, as determined by the Audit Committee, from the Corporation for payment of compensation to any such advisors.

2. Membership

The Audit Committee will be composed of not less than three Directors appointed by the Board of Directors upon the recommendation of a majority of the independent directors of the Board and shall serve at the pleasure of the Board. The Board shall select members based on prior experience in matters considered by the committee, probable availability at times required for consideration of these matters, and each individual's independence and objectivity.

Each member shall be independent non-executive directors, free from any relationship that would interfere with the exercise of his or her independent judgment. For the purposes hereof, the term "independent" shall mean a director who meets the independence requirements of the Sarbanes-Oxley Act of 2002 and the regulation of the SEC promulgated there under as well as the Marketplace Rules of the Nasdaq Stock Market ("Nasdaq") as determined by the Board.

All members of the Committee shall have a working familiarity with basic finance and accounting policies, and at least one member of the Committee shall have accounting or related financial management expertise. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or outside firms. In addition, at least one member of the Audit Committee shall be an "audit committee financial expert" as determined by the Board in accordance with SEC rules (or if no member is an "audit committee financial expert," at least one member shall meet the financial expert requirement of the Marketplace Rules of the Nasdaq).

3. Meetings

The Committee shall meet at least four times annually, more frequently if needed, with minutes and other relevant records of the meetings being maintained. The Audit Committee will report and be responsible to the Board of Directors. As part of its job to foster open communications, the Committee should meet with management, the Outsourced Internal Auditor and the independent registered public accounting firm in separate executive sessions to discuss any matters the committee or the aforementioned groups believe should be discussed privately with the Audit Committee.

4. Responsibilities and Duties

The function of the Committee is oversight. The management of the Corporation is responsible for the preparation, presentation and integrity of the Corporation's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent public accounting firm is responsible for planning and carrying out a proper audit of the Corporation's annual financial statements and SEC filings, reviews of the Corporation's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, other required SEC filings, and other procedures. The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors, and shall have appropriate funding to carry out its missions. In fulfilling their responsibilities hereunder, it is recognized that the members of the Committee are not employees of the Corporation and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing including in respect of auditor independence. As such, it is not the duty or responsibility of the Committee or its members to (i) conduct "field work" or other types of auditing or accounting reviews or procedures, (ii) set auditor independence standards, (iii) determine that the Corporation's financial statements are complete and accurate and are in accordance with accounting principles generally accepted in the United States of America or (iv) assure compliance with laws and regulations and the Corporation's Code of Ethics and Business Conduct and Whistleblower Policy.

General Duties

1. Review and update this Charter and the Internal Audit Policy periodically, at least annually.
2. Review legal and regulatory matters that may materially affect the Corporation's financial statements, compliance policies and programs and reports from regulators.
3. Review the CEO and CFO's disclosure and certifications under Section 302 and 906 of the Sarbanes-Oxley Act.
4. Establish procedures for handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
5. Provide a review of the Corporation's Code of Ethics and Business Conduct and Whistleblower Policy at least once every two years.
6. Establish policies for the hiring of employees and former employees of the registered public accounting firm.
7. Oversee the Corporation's internal audit function.
8. Report Committee actions to the full Board of Directors and make appropriate recommendations.

9. Perform any other activities consistent with this Charter, the Corporation's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

Audits and Financial Reporting

1. Annually the Audit Committee will recommend the independent registered public accounting firm (subject, if determined by management, to ratification by the Corporation's stockholders) to conduct the annual audit of the Corporation's consolidated financial statements, considering independence and effectiveness and approve the fees negotiated by management. The committee's selection is subject to approval by the full board of directors. On an annual basis, the Committee should review and discuss with the independent registered public accounting firm all significant relationships the accountants have with the Corporation to determine the registered public accounting firm's independence.
2. Confirm and assure the qualifications of the internal auditor and the independent registered public accounting firm, including a review of management consulting services provided by the independent registered public accounting firm and the respective fees for said services.
3. Approve in advance all audit services and permissible non-audit services to be provided by, and all fees to be paid to, third-party service providers.
4. Review with the independent registered public accounting firm, management and internal auditor, the scope of the services required by the audit, reporting requirements and any new accounting standards or pronouncements that will be implemented.
5. Ascertain that the independent registered public accounting firm's view the Board of Directors as its client. The Committee or the full Board of Directors will review with the independent registered public accounting firms, internal auditor and management, the results of the audit including any significant adjusting entries; material weaknesses; reportable conditions; difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information; and changes in the planned scope of the internal audit plan.
6. Review with the independent registered public accounting firms, internal auditor and management the adequacy and effectiveness of the accounting and financial controls of the Corporation and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of such internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
7. Review and evaluate financial risk assessment and overall financial risk tolerance as it pertains to the Corporation's respective internal/external audit plans.
8. Periodically consult with the independent registered public accounting firms, outside of the management's presence, regarding internal controls and the fullness and accuracy of the Corporation's financial statements.
9. Review and discuss with management and the independent registered public accounting firm the Company's annual and quarterly financial statements, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and any certification, report or opinion rendered by the Corporation's independent registered public accounting firm or the Corporation's Principal Executive or Financial Officers in connection with those financial statements prior to filing with a regulatory agency. Earnings press releases will be distributed to the full Board of Directors at their regular monthly meeting prior to their release and filing with a regulatory agency.

10. Review material changes in accounting policies, financial reporting practices and material developments in financial reporting standards and critical accounting policies and practices brought to the attention of the Audit Committee by the Corporation's management or independent registered public accounting firms.
11. Consider the independent registered public accounting firm's judgment about whether management's choices of accounting principles are conservative, moderate or aggressive from the perspective of income, asset, and liability recognition and whether those principles are common practices in the industry.
12. Ensure procedures are in place for the preparation and review of financial reports intended for publication and distribution to regulatory agencies, stockholders, customers and others.

