



**CENTRAL VALLEY COMMUNITY BANCORP  
AUDIT COMMITTEE CHARTER**

**Last Reviewed as of 12/31/2017**

**I. Purpose**

- A. The Audit Committee is appointed by the Board of Directors to assist the Board in monitoring
- (1) the integrity of the financial statements of the Company,
  - (2) the independent auditor's qualifications and independence,
  - (3) the performance of the Company's internal audit function and independent auditors, and
  - (4) compliance by the Company with legal and regulatory requirements.
- B. The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission (the "Commission") to be included in the Company's annual proxy statement.
- C. The function of the Audit Committee is oversight.
- Management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements.
  - Management and the internal auditors are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations.
  - The outside independent auditors are responsible for planning and carrying out a proper audit of the Company's annual financial statements, reviews of the Company's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures.

- D. In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Company and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures or to set auditor independence standards; and each member of the Audit Committee shall be entitled to rely on:
- the integrity of those persons and organizations within and outside the Company from which it receives information; and
  - the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors).

## II. **Composition of the Audit Committee**

- A. The Audit Committee shall be comprised of at *least* three directors, each of whom:
- (1) Is “independent” under the rules of the NASDAQ Stock Market, Inc., does not accept any consulting, advisory or other compensatory fee from the Company other than in his or her capacity as a member of the Board or any committee of the Board;
  - (2) Is not an “affiliate” of the Company or any subsidiary of the Company, as such term is defined in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”);
  - (3) Has not participated in the preparation of the financial statements of the Company or any subsidiary of the Company for the prior three years; and
  - (4) Does not own or control 20% or more of the Company’s voting securities.
- B. All members of the Audit Committee must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and statement of cash flows. The Audit Committee shall have at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that qualifies that member to act as the “financial expert” for purposes of SEC Regulation S-K, Item 407(d)(5).
- C. The members of the Audit Committee shall be appointed by the Board on the recommendation of the Chairman of the Board and shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

## III. **Meetings**

- A. The Audit Committee shall meet as often as it determines is necessary, but not less frequently than quarterly.

- B. The Audit Committee shall meet periodically with management, the internal auditors, and the independent auditor in separate executive sessions.
- C. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

#### **IV. Committee Authority and Responsibilities**

- A. The Audit Committee shall have the sole authority to appoint, retain (subject, if applicable, to shareholder ratification), determine funding for and oversee the Company's independent auditor.
- B. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- C. The independent auditor shall report directly to the Audit Committee.
- D. The Audit Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit.
- E. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.
- F. The Audit Committee shall have the authority, to the extent it deems necessary or appropriate and without seeking approval of the Board or management, to retain independent legal, accounting or other advisors.
- G. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering and/or issuing an audit report and to any advisors employed by the Audit Committee.
- H. The Audit Committee shall make regular reports to the Board.
- I. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- J. The Audit Committee shall annually review the Audit Committee's own performance. Such review shall be in the form of a self-assessment of the activities scheduled to be performed on an annual basis and to the extent to which such activities have been fully performed during such period.
- K. The Audit Committee, to the extent it deems necessary or appropriate, shall:

##### **Financial Statement and Disclosure Matters**

- (1) Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- (2) Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.
- (3) Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
- (4) Obtain from the independent auditors, review and discuss a timely report relating to the Company's annual audited financial statement and quarterly reports relating to the Company's quarterly unaudited financial statements on:
  - a. All critical accounting policies and practices to be used.
  - b. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
  - c. Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- (5) Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information and compliance with Regulation G with respect thereto, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
- (6) Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- (7) Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- (8) Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work,

any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

- (9) Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q as to the existences of any significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data, and material weaknesses in internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- (10) Review and approve all related party transactions of the Company.

#### **Oversight of the Company's Relationship with the Independent Auditor**

1. Review and evaluate the lead partner of the independent auditor team.
2. Obtain and review a report from the independent auditor at least annually, it being understood that the independent auditor is responsible for the accuracy and completeness of this report) regarding:
  - (a) the independent auditor's internal quality-control procedures,
  - (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm,
  - (c) any steps taken to deal with any such issues, and
  - (d) all relationships between the independent auditor and the Company including each non-audit service provided to the Company, and the matters set forth in Independence Standards Board No. 1.
  - (e) Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and internal auditors.
  - (f) Discuss with the independent auditor any relationships or services disclosed in the report of the independent auditor that may impact the quality of audit services or the objectivity and independence of the Company's independent auditor.
  - (g) The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
3. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit every five years as required by law.

4. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.
5. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

#### **Oversight of the Company's Internal Audit Function**

1. Review the appointment and replacement of the senior internal auditing executive.
2. Review the significant reports to management prepared by the internal auditing department and management's responses.
3. Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.
4. With respect to those internal audit functions provided in part or in total by outside independent auditors:
  - a. to review the fees charged for internal audit services;
  - b. to ensure that the independent internal auditors prepare and deliver after each audit a report to the Audit Committee indicating their findings and recommendations,
  - c. to instruct the independent internal auditors that they are accountable directly to the Audit Committee of the Board of Directors; and
  - d. to provide an open avenue of communication between the internal audit manager, the independent internal auditors, and the Board of Directors.

#### **Compliance Oversight Responsibilities**

1. Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act regarding "illegal acts" has not been implicated.
2. Obtain reports from management, the Company's senior internal auditing executive and the independent auditor that the Company and its subsidiary entities are in conformity with applicable legal requirements and the Company's Code of Ethics and Conduct. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Ethics and Conduct.
3. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

4. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
5. Discuss with the Company's counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.
6. With respect to the Internal audit manager and his/her duties of internal auditing,
  - (i) to review the appointment, replacement and budget of the Internal Audit Manager;
  - (ii) to advise the Internal Audit Manager that he or she is expected to provide to the Audit Committee summaries of and, as appropriate, the significant reports to management prepared by the Internal Audit Manager and management's responses thereto;
7. With respect to financial reporting principles and policies and internal audit controls and procedures,
  - (i) to advise management, the Internal Audit manager, the independent internal auditors, and the outside auditors, that they are expected to provide to the Audit Committee a timely analysis of significant financial reporting issues and practices;
  - (ii) to consider any reports or communications (and management's and/or the Internal Audit Manager's responses thereto) submitted to the Audit Committee by the outside auditors required by or referred to in Statement on Auditing Standards No. 61 (as codified by AU Section 380), as may be modified or supplemented, including reports and communications related to:
    - deficiencies noted in the audit in the design or operation of internal controls, and computerized information system controls and security;
    - consideration of fraud in a financial statement audit;
    - detection of illegal acts;
    - the outside auditor's responsibility under generally accepted auditing standards;
    - significant accounting policies;
    - management judgments and accounting estimates;
    - adjustments arising from the audit
    - the responsibility of the outside auditor for other information in documents containing audited financial statements;
    - disagreements with management;
    - consultation by management with other accountants;

- major issues discussed with management prior to retention of the outside auditor;
  - difficulties encountered with management in performing the audit;
  - the outside auditor's judgments about the quality of the entity's accounting principles;
  - reviews of interim financial information conducted by the outside auditor;
- (iii) to meet with management, the Internal Audit Manager and/or the outside auditors and examiners, as appropriate;
- to discuss the scope of the annual audit;
  - to discuss the audited financial statements;
  - to review the form of opinion the outside auditors propose to render to the Board of Directors and shareholders;
  - to discuss significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the outside auditors or management;
- (iv) to inquire about significant risks and exposures, if any, and the steps taken to monitor and minimize such risks;
- (v.) To review all regulatory examinations and matters as appropriate;
- (vi.) To review Information System security as appropriate.

**V. Limitation of Audit Committee's Role**

- A. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee:
- to plan or conduct audits,
  - or to determine that the Company's financial statements and disclosures are complete and accurate, and are in accordance with generally accepted accounting principles, and applicable rules and regulations.

*These are the responsibilities of management and the independent auditor.*

Approved by the audit committee: 1/23/2018