

QUARRY CITY SAVINGS AND LOAN ASSOCIATION
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER

PREAMBLE

This Audit Committee Charter (the “Charter”) has been adopted by the Board of Directors of Quarry City Savings and Loan Association (the “Association”). The Audit Committee (the “Committee”) of the Board shall review and reassess this charter annually and recommend any proposed changes to the Board for approval.

OBJECTIVES OF COMMITTEE

- To provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities and oversee management’s activities relating to accounting, record keeping, financial reporting, disclosure controls and internal control over financial reporting.
- To provide a vehicle and establish a forum for the free and open communication of views and information among the Association’s directors, independent public accounting firm, internal auditor and management.
- To appoint the Association’s independent public accounting firm and evaluate its qualifications and independence.
- To perform the audit committee functions specified by the Federal Deposit Insurance Corporation (“FDIC”) and the Over The Counter Bulletin Board (“OTCBB”).
- To establish and maintain a system for confidential complaints regarding the Association’s accounting, financial reporting, disclosure controls, and internal control over financial reporting.

ROLES AND RESPONSIBILITIES

The responsibilities of the Committee include the following:

Independent Auditors:

- Appoint an independent public accounting firm for the purpose of auditing the Association’s financial statements and, if and when required, attesting to its internal control over financial reporting.
- Assess the qualifications of the Association’s independent public accounting firm and its lead engagement partner. Oversee and evaluate the performance of such person and firm; and if necessary, remove them.

- Obtain annually from the Association's independent public accounting firm a formal written statement describing all relationships between the firm and the Association. Discuss with the Association's independent public accounting firm any relationships that may impact the objectivity and independence of such firm and take, or recommend that the Board take, appropriate actions with respect to the independence of such firm from the Association.
- Obtain annually from the Association's independent public accounting firm a statement regarding its quality control procedures.
- Resolve any disagreements between management and the Association's independent public accounting firm regarding accounting, financial reporting, disclosure controls, internal control over financial reporting and similar matters.
- Approve, in advance, whether specifically or in a broad basis, all audit and non-audit services to be performed for the Association by its independent public accounting firm, subject to applicable law and regulation. Negotiate and approve all fees and engagement terms of the Association's independent public accounting firm for audit and non-audit services.
- Obtain assurance from the Association's independent public accounting firm that Section 10A(b) of the Securities Exchange Act of 1934 has not been implicated.
- Review with the Association's independent public accounting firm the plan, procedures and scope of its annual audit of the Association's financial statements.
- Review annually the report of the Association's independent public accounting firm on the Association's financial statements.

Financial Reporting Review:

- Review at least annually reports on critical accounting policies, alternate treatments within GAAP and significant assumptions and estimates with respect to the Association's financial statements from its management and independent public accounting firm. Following such review, consider the financial accounting and reporting treatments preferred by the Association's independent public accounting firm.
- Review and discuss the Association's audited financial statements with management and the Association's independent public accounting firm including all of the matters indicated in Statement of Auditing Standards Number 61, *Communications with Audit Committees*, as amended (AICPA, *Professional Standards*, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. Based on such review, recommend to the board whether such audited financial statements should be included in the Association's Annual Report on Form 10-K for the relevant fiscal year.
- Review material written communications between the Association's independent public accounting firm and management including the management letter and schedule of unadjusted differences.

- Receive reports from management on the Association's material off-balance sheet liabilities and discuss the disclosure of such liabilities with management.
- Receive reports from management on material trends relating to the Association's business, operations and financial statements and discuss the disclosure of such trends with management.
- Receive reports from management on the appropriateness of any non-GAAP financial information or pro forma data to be included in the Association's public financial reports
- Review and discuss with management and the Association's independent public accounting firm prior to release any proposed earnings announcement or financial press release.
- Review and discuss with management and the Association's independent public accounting firm prior to filing the Association's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and any other FDIC financial disclosure filings.
- Monitor the efforts of management and the Association's independent public accounting firm to cure any deficiencies noted in its financial statements or accounting processes.

Internal Control over Financial Reporting and Disclosure Controls:

- As necessary, oversee the selection, compensation and performance of the Association's internal auditor and/or internal auditing firm. Assess the qualifications and independence of the Association's internal auditor and/or internal auditing firm, as applicable.
- Discuss with the Association's management, independent public accounting firm and internal auditor and/or internal auditing firm the organization, scope, objectivity, budget and staffing of the Association's internal audit.
- Instruct that no restrictions be placed upon the scope of the internal audit. Receive reports from the Association's internal auditors regarding its computer systems, facilities and backup systems.
- Review material regulatory examination reports and internal audit reports and monitor management's compliance efforts with respect to such reports.
- Discuss with the Association's management, independent public accounting firm and internal auditor and internal auditor and/or internal auditing firm, the adequacy and effectiveness of the Association's financial and reporting controls including its internal control over financial reporting and disclosure controls.
- Review reports of management, the Association's independent public accounting firm and/or internal auditing firm on internal and quality controls including management's report and, if and when required by applicable law or regulation, the independent public auditing firm's attestation on internal control over financial reporting.

- Receive reports from the Association's internal auditors and/or internal auditing firm regarding the Association's controls over computer systems, facilities and backup systems.
- Discuss with management on a quarterly basis its review and conclusions regarding the Association's disclosure controls and procedures, whether there has been any changes in the Association's internal control over financial reporting and whether any such changes should be disclosed in the Association's Quarterly Report on Form 10-Q and/or Annual Report on Form 10-K.

Other:

- Prepare such audit committee reports as may be required for inclusion in the Association's annual proxy statement.
- Review and approve all transactions with related parties but only to the extent required under applicable rules and regulations.
- Establish procedures for (a) the receipt, retention and treatment of any complaints received by the Association on accounting, financial reporting, internal control over financial reporting, or auditing matters and (b) the confidential, anonymous submission by the Association's employees of concerns regarding questionable accounting, financial reporting, internal control over financial reporting and auditing matters.
- Reassess the adequacy of this Charter at least annually.

ORGANIZATION

- The committee shall consist of a minimum of two outside directors of the Association. All members must be (i) financially literate, (ii) able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement and (iii) able to satisfy any applicable OTCBB, FDIC and other requirements with respect thereto.
- All members of the committee must be free from any relationship with the Association which would interfere with their independent judgement. Other than in his or her capacity as a member of the board of directors or any committee thereof, no audit committee member shall accept directly or indirectly any financial consulting or advisory fee from the Association. All audit committee members must meet the standards set forth in Section 10A(m)(3) of the Securities Exchange Act of 1934 and comply with all applicable independence requirements of the OTCBB, the FDIC and any exchange or electronic trading system on which the Association's stock is traded.
- The committee shall meet at least four times a year and more frequently as circumstances require. The timing of meetings shall be determined by the Committee. However, at least once per year, the Committee shall have private meetings with each of the Association's independent public accounting firm, management and the internal auditor.

- The Committee shall create written minutes of its meetings. Following approval by the Committee, the minutes shall be reported to the Board of Directors and shall be maintained with the books and records of the Committee.
- The members of the Committee may participate in meetings of the Committee using communications equipment by which all persons participating in the meeting can hear each other.
- The Committee shall have the power to conduct or authorize investigations into any matters within its scope of responsibilities. The Committee is empowered to engage independent counsel and such other advisers as it determines necessary or appropriate to carry out its duties. The Association shall pay all expenses of such advisors and any other expenses that are necessary or appropriate, as determined by the Committee, for carrying out the Committee's duties.
- The Committee, and each member of the Committee in his or her capacity as such, shall be entitled to rely, in good faith, on information, opinions, reports or statements, or other information prepared or presented to them by (i) officers and other employees of the Association whom such member believes to be reliable and competent in the matters presented, and (ii) counsel, the Association's independent public accounting firm or other persons as to matters which the member reasonably believes to be within the professional competence of such person.
- The Committee's duties do not include planning or conducting external or internal audits or determining that the Association's financial statements are complete, accurate and in accordance with generally accepted accounting principles. Nor is it the duty of the Committee to assure compliance with laws and regulations. These are the responsibilities of management.

Adopted March 17, 2014