



AUDIT COMMITTEE CHARTER

MISSION STATEMENT

The Audit Committee is appointed by the Board of Directors (“Board”) of Norwood Financial Corp (“Company”) to assist the Board in fulfilling its oversight responsibilities. The Audit Committee’s primary duties and responsibilities are to:

- Monitor the integrity of the Company’s financial reporting process and systems of internal controls regarding finance, accounting, risk management and regulatory compliance.
- Monitor the independence and performance of the Company’s independent registered public accounting firm and internal audit function.
- Provide an avenue of communication among the independent registered public accounting firm, management, and the Board.

AUTHORITY

The Audit Committee shall:

- pre-approve all audit services and permissible non-audit services to be rendered by the independent registered public accounting firm in accordance with Section 10A(i) of the Securities Exchange Act of 1934 (the “Act”);
- pre-approve all audit services and permissible non-audit services to be rendered by the internal audit function;
- have sole authority to appoint and determine the funding for the independent registered public accounting firm in accordance with Section 10A(m)(2) of the Act;
- have the responsibility to establish procedures for complaints as set forth in Section 10A(m)(4) of the Act; and
- have the authority to engage and determine funding for independent counsel and other advisors as set forth in Section 10A(m)(5) of the Act.

The Audit Committee may establish written policies and procedures for the pre-approval of audit and non-audit services to be performed by the independent registered public accounting firm or internal audit function provided that these policies and procedures are detailed as to the particular service and do not result in the delegation of the Audit Committee's responsibilities to management. The Audit Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve audit or non-audit services to be performed by the independent registered public accounting firm or internal audit function provided that any such approvals are presented to the full Audit Committee at its next scheduled meeting. The Audit Committee has delegated approval authority to the Audit Committee Chairman.

COMMITTEE COMPOSITION

The Board appoints the Audit Committee Chair and members of the Audit Committee at the annual reorganization meeting. The Audit Committee Chair provides leadership and presides over the Audit Committee meetings. The Audit Committee Chair shall have the power and authority to act on behalf of the Audit Committee between meetings, unless restricted by applicable laws and regulations.

The membership of the Audit Committee shall be composed of at least three directors, each of whom (i) is independent as defined under NASDAQ Rule 5605 (a)(2); (ii) meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Act; (iii) has not participated in the preparation of the financial statements of the Company or any current subsidiary of the Company during the past three years; and (iv) is able to read and understand fundamental financial statements. In addition, at least one member of the Audit Committee shall have accounting or related financial management expertise.

At least one member of the Audit Committee shall possess the qualifications to serve as an "audit committee financial expert" as defined under SEC rules pursuant to the Exchange Act. 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.

MEETINGS AND MINUTES

The Audit Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. The Audit Committee will invite members of management, the independent registered public accounting firm, the internal audit function, or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, the independent registered public accounting firm and Internal Audit Manager. It will also meet periodically in executive session. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

A majority of the Audit Committee members will constitute a quorum for the transaction of business. The acts of the majority of the quorum shall be treated as acts of the Audit Committee. Members may attend meetings in person or by teleconference. Members may also signify approval of actions in writing or by electronic transmission permitted by applicable laws.

Minutes will be prepared and presented to the Board following approval by the Audit Committee. Records will be maintained.

ROLES AND RESPONSIBILITIES

The Audit Committee will carry out the following responsibilities:

Financial Statements

1. Review significant accounting and emerging reporting issues, with management and the independent registered public accounting firm, and understand their impact on the financial statements. These issues include:

- Complex or unusual transactions and highly judgmental areas;
 - Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles; and
 - The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
2. Review with management and the independent registered public accounting firm the results of the year-end audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent registered public accounting firm’s activities or on access to requested information, and any significant disagreements with management.
 3. Discuss the annual audited financial statements and quarterly financial statements with management and the independent registered public accounting firm, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
 4. Review disclosures made by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) during the Forms 10-K and 10-Q certification process about significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting or any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal controls.

Internal Control

1. Consider the effectiveness of the Company’s risk management program and internal control system, including information technology security and control.
2. Understand the scope of the independent registered public accounting firm’s review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.

Internal Audit

1. Review the audit schedule and approach, audit reports, the follow-up matrix, and the staffing and organizational structure of the internal audit function. The Internal Audit Manager, and internal audit function, will report functionally to the Audit Committee.
2. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement or dismissal of the Internal Audit Manager.
3. Review the effectiveness of the internal audit function, including the audit risk assessment and completion of the internal audit plan, which includes financial, operational, compliance and information technology audits.
4. Review and approve any outsourcing or cosourcing arrangements with firm(s) completing internal audit work.

5. On a periodic basis, at least biannually, meet separately with internal audit to discuss any matters that the Audit Committee or Internal Audit Manager believe should be discussed privately.

External Audit

1. Review the independent registered public accounting firm's audit scope and approach, including coordination of audit effort with internal audit.
2. Review the performance of the independent registered public accounting firm, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the Audit Committee will:
 - At least annually, obtain and review a report by the independent registered public accounting firm describing the firm's internal quality-control procedures; 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, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent registered public accounting firm and the Company.
 - Take into account the opinions of management and internal audit.
 - Review and evaluate the lead partner of the independent registered public accounting firm.
3. Present its conclusions with respect to the independent registered public accounting firm to the full Board.
4. On a regular basis, meet separately with the independent registered public accounting firm to discuss any matters that the Audit Committee or external auditors believe should be discussed privately.
5. Prior to the filing of audited financial statements with the Securities and Exchange Commission, obtain a report from the independent registered public accounting firm of: (1) all critical accounting policies and practices to be used; (2) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications or the use of such alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm, and; (3) other material written communications between the independent registered public accounting firm and management, such as any management letter or schedule of unadjusted differences.

Compliance

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Establish procedures for: (1) The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

3. Review with management and the independent registered public accounting firm the basis for the reports issued pursuant to Part 363 of the FDIC regulations.
4. Review the findings of any examinations by regulatory agencies.
5. Obtain regular updates from management and the Company's legal counsel regarding compliance matters.

Reporting Responsibilities

1. Report as needed to the Board about issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, and the performance and independence of the Company's independent registered public accounting firm.
2. Provide an open avenue of communication between the independent registered public accounting firm and the Board.
3. Report annually to the shareholders in the proxy statement, describing the Audit Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

Other Responsibilities

1. Discuss with management the Company's major policies with respect to risk assessment and risk management.
2. Perform other activities related to this charter as requested by the Board of Directors or as required by law.
3. Institute and oversee special investigations as needed.
4. Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
5. Confirm annually that all responsibilities outlined in this charter have been carried out.

Approved by Audit Committee: May 21, 2024