Excessive or Luxury Expenditures Policy

Board approved as of: 09/26/2022

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General

Purpose

The purpose of this policy is to establish parameters and internal controls governing the expenditures of Clearwater Credit Union (together with its subsidiaries and controlled affiliates, referred to hereafter as the Organization). Expenditures of the Organization should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to the Organization's business objectives and needs. This policy identifies expenditures that are excessive or luxury expenditures, creates processes that are reasonably designed to eliminate such expenditures, and establishes accountability for compliance. Routine operating expenses,capital expenditures, and other reasonable expenses are not prohibited by this policy.

Authority and Responsibility

The Organization has authority to provide compensation and benefits that are reasonable. This policy establishes a prohibition on expenditures that are excessive or luxury expenditures as required by the Department of the Treasury's Emergency Capital Investment Program regulations (31 CFR Part 35), and as may be required by other statutes and regulations.

This policy is the responsibility of the Organization's board of directors (board). The board has approved this policy and will review compliance with this policy no less frequently than annually. Any excessive or luxury expenditures will be reported to the board.

Scope

This policy applies to all employees, officers, and directors of the Organization with regard to any expenditure of the Organization. In making any expenditure on behalf of the Organization, employees, officers, and directors should consider whether the expenditure is anexcessive or luxury expenditure that is prohibited under this policy.

Excessive or Luxury Expenditures

"Excessive or luxury expenditures" means excessive expenditures on any of the following to the extent not reasonable or appropriate expenditures for business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Organization's business operations:

(1) *Entertainment or events*. This category includes fees, dues, tickets costs related to social, athletic, artistic and dining clubs, activities, celebrations or other events, and similar expenditures. Expenditures for charitable contributions and charitable events are not prohibited under this policy. Entertainment or events expenditures in an amount less than $3,000 per instance, and $10,000 on an annual aggregate basis per individual, are exempt from this policy.

(2) *Office and facility renovations*. This category includes costs and allowances for office renovation, including expenditures related to furniture, art, office personalization, interior finishing, design and decoration, and similar expenditures. Office and facility renovations expenditures in an amount less than $3,000 per instance, and $10,000 on an annual aggregate basis per individual, are exempt from this policy.

(3) *Aviation or other transportation services*. This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservation and travel agent expenses, and similar expenditures associated with transportation services (e.g., airline, train, rental cars, or vans). Mileage reimbursable according to current Internal Revenue Service mileage rates is exempt from this policy. Transportation services in an amount less than $3,000 per instance, and $10,000 on an annual aggregate basis per individual, are exempt from this policy.

(4) *Tax gross-ups*. This category includes any reimbursement of taxes owed with respect to any compensation. This category does not apply to tax equalization agreements for employees subject to tax from a non-U.S. jurisdiction.

(5) Other similar items, activities, or events for which the Organization may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses. Expendituresrelated to other items not listed in the preceding categories are exempt from this policy in an amount less than $3,000 per instance, and together with all expenditures permitted under this policy, may not exceed $10,000 on an annual aggregate basis per individual.

For the avoidance of doubt, reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of an ECIP recipient to provide products and services to its customers and community are not excessive or luxury expenditures.

The principal executive officer may establish or delegate to an appropriate executive officer the authority to establish processes for the evaluation and approval of expenditures in the preceding categories that are not luxury or excessive expenditures and that are not otherwise exempt from this policy. Such approvals must be reported to the board of directors (which may be in an appropriate summary form) no less frequently than annually.

At the time of adoption, the Chief Executive Officer delegates the authority to review and approve expenditures to the Chief Financial Officer (CFO).

Clearwater's Excessive or Luxury Expenditures Policy and Controls

All Clearwater expenditures are to be reasonable and appropriate for the normal course of the Organization's business. Multiple levels of internal controls to ensure that all expenditures do not exceed what is reasonable and appropriate in the normal course of the Organization's business:

- Each employee's expenditures are reviewed by their supervisor before submission for payment.
- Each supervisor has spending approval limits as set in Clearwater's Signing Authority and Check Signing Limits policy. Any expenditure in excess on a supervisor's authority must be approved by the next-highest supervisor, until an appropriate authority is reached.
- The accounting department reviews submissions before approving them for payment.
- Expenditures are reviewed as line items in monthly financial reporting by the accounting department to the CFO.

All employees reviewing expenditures are instructed to flag and report such expenditures that appear to exceed what is reasonable and necessary in the normal course of business to their supervisor, who will then report them to the CFO, who has been delegated the authority to determine appropriateness and who will report any excessive or luxury expenditures to the board.

Policy Changes

What Section was changed/updated?	Date Changed	Who made the change? (Position title)	Why the change was made (specify regulation/guidance)