



Centric Policy 5600: Luxury Expenditures Policy

Reviewed Date: 05/02/2022
Board Approval Date: 05/03/2022

Introduction

As a participant in the Emergency Capital Investment Program (ECIP recipient, as defined at 31 CFR 35.21), Centric Federal Credit Union (Credit Union) is required to establish and maintain policies designed to eliminate excessive or luxury expenditures.

This policy will be posted on the Credit Union's website. Any material amendments to this policy must be made in accordance with the provisions set forth in 31 CFR 35.22(d) (Material changes in policies or procedures). If the Credit Union makes any material amendments to this policy, then the Credit Union will submit a copy of the amended policy to the Department of the Treasury and post the amended policy on the Credit Union's website.

Purpose

The purpose of this policy is to establish parameters and internal controls governing the expenditures of the Credit Union. Expenditures of the Credit Union should be prudent, consistent with applicable laws and regulations, and reasonably related to the Credit Union's business objectives and needs. This policy identifies expenditures that are excessive or luxury expenditures, and establishes accountability for compliance. Routine operating expenses, capital expenditures, and other expenses customary to the finance industry are not prohibited by this policy.

Authority

The Credit Union 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.

Responsibility

This policy is the responsibility of the Credit Union's Board of Directors (board). The board has approved this policy and will review compliance with this policy no less frequently than annually, and summary data on excessive or luxury expenditures will be reported to the board as part of the compliance review.

Scope

This policy applies to all employees, officers, and directors of the Credit Union with regard to any expenditure of the Credit Union. In making any expenditure on behalf of the Credit Union, employees, officers, and directors should consider whether the expenditure is an excessive 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, appropriate, or customary expenditures for business development, customer retention, staff and management development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Credit Union's business operations.

1. Entertainment or Events.
 - A. Entertainment is defined as activities for which an employee or officer would use corporate funds for business development, customer retention and team development purposes relating to



current or prospective customers and staff or to enhance the perception of the Credit Union in the market. This category includes fees, dues, tickets costs related to social, athletic, artistic and dining clubs, activities, and similar expenditures for entertainment purposes. Expenditures for charitable contributions and charitable events are not prohibited under this policy. Entertainment expenditures anticipated to be in excess of \$5,000 per individual, per instance must be reviewed with and approved by a member of executive management. The expectation is that all expenses incurred for these activities would be for corporate purposes. Expenditures for these purposes in the normal course of business are a necessary part of the marketing and team building efforts of the Credit Union and are not deemed as "luxury" or a violation of this policy.

- B. Events are defined to include meetings, conferences and employee recognition events that are intended to provide the board, management and employees with opportunities for individual and team education, development and recognition, business planning, market and industry networking and related business purpose objectives. The costs associated with meetings in excess of \$5,000 per individual, per instance must be approved by a member of executive management. Conferences offer educational, skill development and industry networking opportunities that enhance participant performance. These conferences should have a direct correlation to attendee's job. Conference participation is subject to approval by a member of executive management. Employee recognition meetings, dinners and events are held occasionally to recognize the contribution of an individual, team or all employees. The cost of such meetings in excess of \$5,000 per individual, per instance, must be approved in advance by a member of executive management.
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. All other office and facility renovations are permitted for approved projects that are part of the board-approved annual financial plan or are otherwise approved by the board. An exception to this policy can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use.
3. Aviation or other Transportation Services. Aviation and other transportation services for staff to outlying locations, including for conferences, business development purposes and other purposes should be conducted in an efficient and customary manner with all factors considered. Permitted modes of transportation include automobiles and commercial or private air, bus or rail service. The selection of transportation services should include assessment of cost, efficiency and timeliness of travel. Use of Credit Union's owned, leased, or other interest in car or aircraft are allowed if approved by executive management. Expenses for employee use of personal vehicles for Credit Union's business will be reimbursed at a rate that does not exceed the published Internal Revenue Service mileage rate. Documentation in support of such use must be provided in accordance with applicable policies and procedures.
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 Credit Union may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses. Expenditures related to other items not listed in the preceding categories anticipated to be in excess of \$5,000 per individual, per instance must be reviewed with and approved by a member of executive management prior to expenditure or reimbursement.



Exceptions or Violations

Any exception or violation of this policy must be promptly reported to the Credit Union's Chief Executive Officer, President, Chief Financial Officer, or Compliance Officer. Exceptions and violations must be reported to the board of directors no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of the Credit Union must adhere to this policy and will be held accountable for compliance.

Any employee or officer who violates this policy may be subject to disciplinary action up to and including termination of employment. Any employee or officer that is aware of any circumstance that may indicate a violation of this policy is required to report such circumstance to their supervisor or the Credit Union's compliance officer. The Credit Union prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of the Credit Union's code of conduct, laws, regulations, or other Credit Union policies, including this policy. A finding of retaliation against any such employee or officer may result in disciplinary action up to and including termination. Failure to promptly report known violations by others may also be deemed a violation of the Credit Union's code of conduct.

Employees and officers may ask questions, raise concerns, or report instances of non-compliance with this policy and/or any of the existing underlying relevant policies by contacting the Compliance Officer at (318)340-9656 or compliance@mycentric.org.

Certification.

On an annual basis, the Credit Union will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either the Credit Union's Chief Executive Officer or Chief Financial Officer) certifying that (i) the Credit Union is in compliance with this policy and (ii) the approval of any expenditure requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the board of directors (or a committee of such board), was properly obtained with respect to each such expenditure.