

Community Lutheran Partners, Inc.

BORROWING POLICY

Effective Date: December 2006

Review Date: Yearly

Policy No. P08

PURPOSE

To document the authorizations required to borrow funds.

This policy is divided into two sections: operational short-term borrowing and long-term borrowing.

SCOPE

All borrowings.

POLICY

This document details the necessary authorizations, limits and requirements to borrow operational and capital funds for the Organization.

OPERATIONAL SHORT TERM BORROWING

Purpose: Normally these funds will be required as part of the daily cash management activities of the Organization and will be used to bridge the gap between the timing of expenditures and the timing of the receipt of budgeted income.

Terms: It is expected that the term of these commitments will be less than one year. Typically they are 30-90 day transactions. Usually overdrafts, promissory notes, or banker's acceptances are used.

Authorization: The Executive Director and Treasurer are empowered to authorize transactions under this section. The person responsible for cash management normally carries out such transactions.

Limits: The annual cash flow projections presented as part of the annual budget modified during the year by any subsequent short term financing of approved capital projects and by timing differences, will define the limits in any given year. The Executive Director and Treasurer will review updates of the Organization's cash position as required and report any changes to the Board of Directors.

LONG TERM BORROWING

The Board of Directors Approves the Annual Capital Expenditures Budget that Provides For The Dollar Amount That Can Be Spent In The Fiscal Year.

Purpose: To finance capital projects and capital equipment.

Terms: Terms of the transactions will be for longer than one year. Each project proposal will contain a recommendation on the interest rate and term to maturity of the financing.

Authorization:

Capital Projects and Capital Equipment:

For capital projects and capital equipment the Board of Directors' approval is required in advance of the commitment. The Executive Director will inform the Board of Directors on the financial terms of the proposed transaction. The Executive Director will inform the Board of Directors on the need for the project or the piece of equipment.

Limits: The limit of any transaction will be specific to the individual proposal. Each proposal will include a repayment schedule and the revenue source.