CCNS Policy on Loans from Reserve Funds (Draft 3.1 – Dec 15, 2017)[1]

▪ CCNS manages a Reserve Fund, which is the result of surplus funds from various sources that CCNS accumulated over many years.

▪ This policy concerns loans from the CCNS Reserve Funds to member clubs.

Financial Management of the CCNS Reserve Funds

▪ The CCNS Board has agreed that the Reserve Funds serve three purposes:
1) To enable CCNS to survive in the event of a short term financial crisis;
2) to enable CCNS to responsibly wind down its operations if core funding is unavailable for more than 1 year;
3) to promote the growth of cross country skiing in Nova Scotia through support to CCNS member clubs.
▪ To support purposes 1 and 2, the CCNS Board will keep a minimum of $30,000 in the Reserve Fund at all times. This $30,000 fund is the **Restricted Reserve Fund.**

▪ The Reserve Funds are held in two accounts:
1) $5,000 is held in the CCNS chequing account to cover any short-term cash flow needs;
2) the remaining funds are held in an RBC Investment Account. RBC provides quarterly statements of the value of the investment funds.
▪ The CCNS Board voted on Oct 3, 2017 to invest the Reserve Funds in a "very conservative risk" investment fund, defined by RBC as 20-25% equities, which was projected in 2017 to earn an average annual interest of 2-5% (after RBC fees of 1.68% are deducted).
▪ Future CCNS Boards may choose to revisit the decision to invest the funds in a "very conservative risk" investment fund.

Objectives of CCNS Grants and Loans

▪ The goal of CCNS is to support the growth of cross-country skiing in Nova Scotia through support to its member clubs. The Reserve Fund is one of the primary sources of finance available to CCNS to play this role. The CCNS Board of Directors will seek to manage the Reserve Funds to maximize impact on the growth of our sport, primarily through growth in the membership of member clubs. To do this, the Board will need to balance two competing objectives:

1) Protecting the Reserve Fund for the future by making grants from interest earned by the fund, and

2) Making strategic grants and loans to member clubs that will leverage other funding and have a significant impact on the growth of cross-country skiing. In some instances, the CCNS Board may decide that it is more strategic to spend principal from the Reserve Funds to support strategic initiatives that will help to grow our sport even at the cost of reducing the Reserve Fund. The ultimate goal of CCNS is to promote the growth of cross country skiing in Nova Scotia.

[1] On October 3, 2017 the CCNS Board of Directors approved a motion "To invest the Reserve Funds in a very conservative portfolio and loans or grants can be made from those funds with the Board's approval. The principle shall not go below $30,000." (CCNS Board of Directors, Minutes, October 3, 2017).

Guidelines for Loans to CCNS Member Clubs

▪ At the approval of the CCNS Board of Directors, CCNS may vote to make loans to its member clubs.
▪ CCNS will not make loans to any other clubs or organizations.
▪ The advantage to member clubs of requesting a loan rather than grant from CCNS is that more funds may be available.
▪ A CCNS loan will require:

a) A loan request application endorsed by both the club President and Treasurer to CCNS that includes the following information:
   ▪ the amount requested.
   ▪ the purpose of the loan. Normally, loans will only be granted for investments in capital equipment that will increase membership or revenue-generating initiatives. Clubs are encouraged to align their loan requests with CCNS's Strategic Plan.
   ▪ the repayment period (maximum 3 years).
   ▪ dates when payments will be made to CCNS.
   ▪ the collateral (equipment) that will be transferred to CCNS in the event that the loan is not repaid.
   ▪ a business plan that indicates: 1) how the member club will generate the revenue to repay the loan to CCNS, 2) current club membership numbers, 3) expected membership numbers for the following year.
   ▪ the club's financial statement for the current and previous year.

b) Following approval of the CCNS Board, a Letter of Agreement signed by the President of CCNS and the President of the member club that confirms the terms of the loan.

▪ CCNS loans to member clubs will observe the following guidelines:
   ▪ CCNS will loan a maximum total of 50% of its available Reserve Funds. That is:
   (Total Reserve Funds – Restricted Reserve Fund of $30,000) x 50% = Available loan funds.[2]
   ▪ Loans will be for a maximum of 3 years.
   ▪ CCNS will not charge interest on loans to member clubs.
   ▪ Member clubs must agree to provide collateral that will become property of CCNS if the club is unable to repay the loan.
   ▪ Member clubs will be responsible to make arrangements with CCNS to transfer funds for repayment of the loan.
   ▪ Member clubs may not hold more than one loan from CCNS at a time.
   ▪ Member clubs that have not repaid a loan to CCNS will not be eligible for subsequent loans.
   ▪ CCNS will consider loan requests from member clubs once per year at its October meeting. The deadline for loan applications to CCNS will be September 25 of each year. In exceptional circumstances as judged by the CCNS board, loan applications may be considered at other times during the year.
   ▪ At the September CCNS Board Meeting, the Treasurer of the Board will present a quarterly financial report that indicates the size of the Reserve Funds, including interest earned over the previous year.

[2] In 2017, with a Reserve Fund of approximately $70,000, the total available for loans to member clubs would be: ($70,000 - $30,000) x 50% = $20,000.