



Effective Date: June 12, 2018

LOANS TO BUSINESSES

Definitions

- The following definitions apply to this Policy:
 - Loan** - refers to a loan for a business in which Cowichan Tribes has an interest;
 - Loan Receivable** - a financial asset of Cowichan Tribes represented by a promise by a borrower to repay a specific amount, at a specified time(s), usually with interest;
 - An Interest** - refers to a cause (i.e., business) in which Cowichan Tribes has an interest (i.e., a share, right, concern, responsibility or title in ownership);
- Please refer to Cowichan Tribes' "Definitions Guide for Policies and Procedures" for the definitions of other terms used in this Policy and the associated procedures.

Policy Directive:

Cowichan Tribes may, subject to proper approval and diligence, make loans to businesses in which it has an interest. The loans shall be made in a prudent manner where associated risks are managed to ensure proper repayment. All approved loans require a written agreement.

Related Cowichan Teachings

"Share what you have" and "Help one another and work together for the good of all"

Applicable Legislation and Standards

- Cowichan Tribes' practices for making loans to businesses must comply with applicable legislation and standards, and Cowichan Tribes' laws, policies and procedures including:
 - Cowichan Tribes First Nation Financial Administration Law (FAL);
 - First Nation Financial Management Board (FNFMB) Standards; and
 - Public Sector Accounting Standards (PSAS) of the Public Sector Account Board.
- For other statutes and standards related to this Policy, please refer to the listing of "Applicable Legislation and Standards".

Reason for Policy

- The objectives of this Policy include:
 - Providing guidelines and framework for Cowichan Tribes with respect to making loans to businesses in which it has an interest;
 - Ensuring effective control and risk management by Cowichan Tribes when loaning funds to a business;



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- iii) Providing for documentation and collection of business loans and related interest;
- iv) Ensuring that Cowichan Tribes' financial assets are properly managed; and
- v) Ensuring Cowichan Tribes' practices for loans to businesses comply with applicable legislation, standards and Cowichan Tribes' laws, policies and procedures.

Consequences of Non-Compliance with Policy

- 6. Potential consequences to Cowichan Tribes of non-compliance with this Policy include:
 - i) Lack of directions and clarity regarding loans to businesses;
 - ii) Inappropriate financial and risk management regarding loans made to businesses;
 - iii) Inability to collect on outstanding loans and applicable interest;
 - iv) Waste of financial resources; and
 - v) Breach of legislation, standards or Cowichan Tribes' laws, policies and procedures.

Policy Application

- 7. This Policy applies to or affects Cowichan Tribes':
 - i) Council, including the Chief;
 - ii) General Manager, Comptroller and other employees involved in the negotiation, approval, processing and collection of loans made to businesses;
 - iii) Finance Department; and
 - iv) Businesses in which Cowichan Tribes has an interest.

Policy Requirements

General

- 8. Cowichan Tribes may loan funds to a business in which it has an interest *only if* the loan:
 - i) Is approved in advance in writing by Council, as per this Policy and the associated procedures; and
 - ii) Meets the requirements of the FAL, FNFMB Standards, this Policy and the associated procedures, and any other applicable Cowichan Tribes' laws, policies and procedures.

Administration of Loans

- 9. Before a loan is approved under this Policy, the Comptroller must prepare a report for consideration by the Finance and Audit Committee and Council that identifies:
 - i) Any risks associated with the loan;
 - ii) The reasons for the loan;
 - iii) How the loan will be repaid;
 - iv) Costs of administering the loan; and
 - v) How Cowichan Tribes will fund the loan.



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10. Any loan made by Cowichan Tribes to a business under this Policy must be recorded in a written agreement which sets out the terms for repayment and collection of the loan and any interest.
11. The Comptroller will regularly monitor any loans to businesses and report to the Finance and Audit Committee on the status of all loans.
12. If necessary and subject to the proper prior authorization(s), Cowichan Tribes shall provide for the writing off and forgiving of debts related to loans made under this Policy, as appropriate and in accordance with PSAS.

Reporting and Records Management

13. Any loan made by Cowichan Tribes to an entity in which it has an interest must be set out in Cowichan Tribes' annual report. The annual report must include details about:
 - i) The amount loaned;
 - ii) Purpose of the loan;
 - iii) Name of the business receiving the loan; and
 - iv) All related payments of principal and interest received from the loan.
14. Cowichan Tribes shall make and retain proper records with respect to all loans made under this Policy, as per applicable records management requirements.



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Procedures: Loans to Businesses

Roles and Responsibilities

15. The responsibilities of Council include:
 - i) Reviewing, and if appropriate approving, requests for loans to businesses in which Cowichan Tribes has an interest; and
 - ii) Approving any necessary debt forgiveness with respect to loans to businesses that are deemed to be uncollectable.
16. The responsibilities of the Finance and Audit Committee include:
 - i) Monitoring status of Cowichan Tribes' loans receivables and reporting to Council; and
 - ii) Recommending any necessary debt forgiveness to Council, as applicable.
17. The responsibilities of the General Manager include reviewing any necessary debt forgiveness reports.
18. The responsibilities of the Finance Department include:
 - i) Preparing loan agreements;
 - ii) On a monthly basis, monitoring the status of loan repayments, overseeing the loan receivable collection procedures, evaluating likelihood of collectability and risk of loss, and reporting the results of this monitoring to the Finance and Audit Committee;
 - iii) Ensuring that loans and any loans write-offs are accurately recorded and disclosed in Cowichan Tribes' financial records and statements;
 - iv) Ensuring adequate supporting documentation is retained for all loans receivable; and
 - v) On an annual basis, preparing a report for the Finance and Audit Committee setting out all loans or obligations forgiven by Cowichan Tribes.

Written Agreements for Loans

19. A written agreement shall be made between Cowichan Tribes and the business requesting the loan.
20. The following items, at a minimum, shall be present in the agreement:
 - i) The legal name of the business;
 - ii) Amount of the loan;
 - iii) Applicable interest, if any; and
 - iv) Repayment schedule.

Collection

21. On a monthly basis, the Comptroller shall review the list of outstanding loans receivable and corresponding loan payments.



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22. Wherever there are overdue payments and delinquent accounts with respect to loans receivables, the Finance Department shall undertake the following actions:
- i) For loan payments that are between thirty (30) and sixty (60) days overdue, the business holding the loan shall be contacted in writing requesting that all overdue payments be made as soon as possible and no later than a specified date;
 - ii) For loan payments that are more than sixty (60) days overdue, late payment interest shall be charged on the outstanding loan balance in accordance with the loan agreement between the business and Cowichan Tribes. The business shall be contacted in writing and informed that interest will accumulate until all overdue payments have been received. Contact by writing shall be made on a monthly basis thereafter if payment has not been received;
 - iii) For loan payments that are more than one-hundred and twenty (120) days overdue, the Comptroller shall determine whether the loan shall be considered impaired and written off; and
 - iv) Any additional financing arrangements or amendments to existing loan agreements to improve the likelihood of repayment by a business with loan payments in arrears shall be determined by the Comptroller, reviewed by the Finance and Audit Committee, and approved by Council.

Debt Forgiveness

23. Cowichan Tribes shall take all reasonable steps to collect any outstanding balance owed on a loan made under this Policy and Procedures.
24. However, when it becomes evident that Cowichan Tribes is unable to collect the outstanding balance on a loan, a report shall be compiled by the Comptroller and reviewed and approved by the General Manager detailing the:
- i) Name of business and the respective amount in arrears;
 - ii) Principal and interest outstanding on the loan;
 - iii) Length of time in arrears and measures taken to collect on payments in arrears; and
 - iv) Rationale for debt forgiveness.
25. Debt forgiveness requires review and recommendation by the Finance and Audit Committee and approval by Council in writing.

Write-offs

26. When all reasonable steps to collect an outstanding loan to a business have been taken and the related debt has not been collected or forgiven, the Comptroller shall ensure that the loan and its outstanding principal and interest payments are reclassified in the financial statements in accordance with PSAS.



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Monitoring and Reporting

27. All loans shall be reported on an annual basis by the Finance Department to the Finance and Audit Committee. This report shall contain the following information for each loan:
 - i) Name of the entity receiving the loan;
 - ii) Amount loaned;
 - iii) Purpose of the loan;
 - iv) Repayment of principal on the loan;
 - v) Interest earned and collected on the loan; and
 - vi) Arrears, if any.

Records Management

28. All agreements and payment records associated with each loan made by Cowichan Tribes to a business in which it has an interest shall be stored in Cowichan Tribes' financial records in accordance with Cowichan Tribes' Records and Information Management Policy and Procedures, and Financial Records Management Policy and Procedures.
29. Records of debt forgiveness and write-off shall be retained in the event that in future, through changed circumstances, some or all of the debt may be repaid.

Related Cowichan Tribes' Policies

- Annual Report Policy and Procedures;
- Financial Records Management Policy and Procedures;
- Records and Information Management Policy and Procedures;
- Risk Management Policy and Procedures;