

Liquidity Plan & Reserve Policy

The CPD has traditionally held a significant amount of cash on deposit in the bank, earning poor interest. We would like to lend out as much as we can, while appropriately managing our liquidity risk.

We have a line of credit loan with RBC for \$1M that we can access. While this is technically a demand loan, in speaking our RBC bank contact (Kevin Ebbert) all loans are effectively demand loans, but in his 15 years at the bank he's never seen one pulled except in the case of serious payment delinquencies. He also said that pulling it from a church would be the worst possible publicity for them, so the risk is essentially nil.

A challenge in loaning out more of our funds is the *DEXCOM Policy Governance Manual* restriction (4.4.6) which requires that cash reserves equivalent to three months' operating costs and one year Loan Development Fund interest costs. This equates to approximately \$1.25M that must be maintained. (This is separate from the Operational Reserve Requirement of \$200K discussed in **TAB F.5**).

CPD is in a very strong financial position with approximately \$4.4M in Equity (assets-liabilities: Note that Deferred Revenue is equity, not a liability). We should not be required to maintain a cash balance of that much that we are paying interest on, and not lending to churches that would like to access the funds.

Recommendation

That the Cash Reserve Requirement in 4.4.6 of the *DEXCOM Policy Governance Manual* be modified to a simple Cash Reserve of \$500K.

