BLUE WATER DEVELOPMENTAL HOUSING, INC.
POLICIES AND PROCEDURES: BOARD INFORMATION

SUBMITTED BY: Executive Director	**DATE SUBMITTED:** 4/2002	**SECTION:** Fiscal Management	
BOARD APPROVED ON: 4/10/02, 12/14/16, 4/14/21	**DATE REVISED:** 12/14/16, 4/14/21, 08/26/26	**SUBJECT:** Line of Credit	
ANNUAL REVIEW BY EXECUTIVE DIRECTOR: 12/14/16, 4/14/21, 8/26/26, 11/11/2026		**POLICY #:** **BD-005**	**PAGE #:** 1 of 2

I. APPLICATION

The business line of credit may be accessed by the Executive Director for the following reasons:

A. Failure by funding sources to make prepayment for services resulting in reduced cash flow so that essential services cannot be paid.

B. There are not adequate funds in the organization's cash account to make payment for essential services.

II. POLICY

Prior to drawing proceeds from the business line of credit, these items should be performed/considered:

- Use all available cash balances.
- If the shortfall will be outstanding for less than 30 days, the Executive Director, in their judgement, can draw on the line of credit.
- If the shortfall will be outstanding for more than 30 days, the Executive Director will consider the following factors when making a decision on using the line of credit versus pulling cash from investments.

    1. If the organization has investments in short term investment portfolio, as defined by Section III. A. 2. of the cash and investment policy, the Executive Director shall determine if there will be any penalties for cashing the investments in early. If there are no significant penalties, the Executive Director shall compare the rate of return on the short term investments to the interest rate charged on the line of credit. If the rate of interest on the line of credit is more than the return on the investments in the short-term investment portfolio, then the Executive Director shall redeem the short term investments for cash.

    2. If the organization has investments in long-term investment portfolio, as defined by Section III. A. 3. of the cash and investment policy, the Executive Director shall determine if there will be any penalties for cashing the investments in early. If there are no significant penalties, the Executive Director shall compare the rate of return on the long-term investments over the past 6 months to the interest rate charged on the line of credit. If the rate of interest on the line of credit is more than the return on the investments in the long-term investment portfolio, then the Executive Director shall redeem the long term investments for cash.

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III. DEFINITIONS

A. Essential Services: Payroll, utilities, maintenance involving health/safety issues.

B. Emergency: An unforeseen situation that results in a negative cash flow.

IV. NOTIFICATION/PROCEDURE

WHO	DOES WHAT
Executive Director	1. In an emergency situation, informs the Board President and another Officer at the time the line of credit is accessed and provides a report to the full Board at the next regular meeting. 2. Requests Board approval prior to accessing the business line of credit for any reason other than an emergency.

Payroll $800,000 and essential services $140,000 monthly expenses	$940,000
Money Markets and cash accounts current balance	$2,910,000
Difference	$1,970,000
Line of Credit w/ Huntington	$ 580,000

Add to policy: Retain a line of credit of 75% of average payroll based on a 90-day calculation