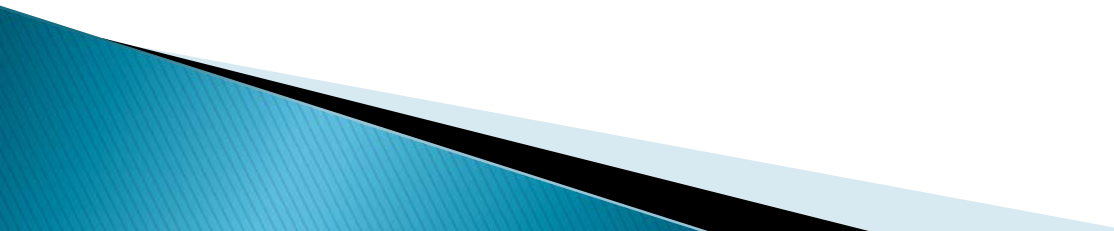


# What a Banker Looks For

Cherie G. Ward, Vice President  
Government, Higher Education, Healthcare & Not-for-Profit Banking  
JPMorgan  
West Region, Phoenix

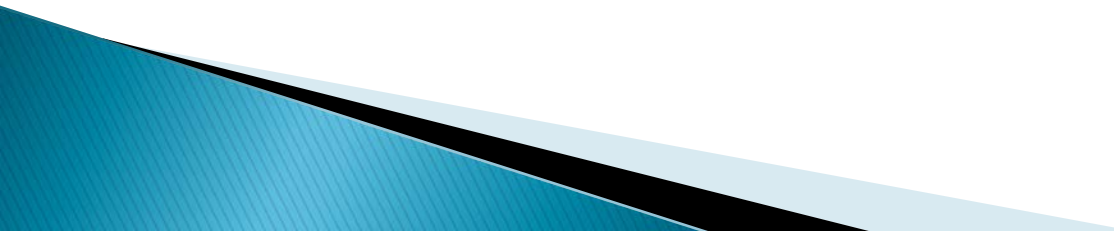
# Learning Objectives

- ▶ Identify requirements and the underlying regulations organizations will have to comply with in order to establish banking services and/or borrow money
  - ▶ Describe credit and collateral considerations for borrowing money
- 

# Brave New World of Banking

- ▶ Regulatory Requirements
  - Anti-Money Laundering Act (AML)
  - The Bank Secrecy Act
  - USA Patriot Act
  - US Foreign Corrupt Practices Act
- ▶ Control & Risk Management
  - Standardized Processes
  - Documentation Requirements
  - Who Controls Funds

# Getting Started

- ▶ Organizational Documents
    - Filed Articles of Incorporation
    - Amendments
  - ▶ W-9
  - ▶ Tax/Employer ID #
  - ▶ Authorizing Resolutions
  - ▶ List of Board Members
    - Voting vs. Non-Voting
    - Personal Information
- 

# Basic Due Diligence

- ▶ Applies to all New Accounts/Loans
- ▶ Sources & Uses of Cash Flow
  - Public vs. Private Sources
  - Major Customers & Supplies
  - Domestic vs. International
- ▶ Expected Product Usage
  - Coin & Currency Services
  - Wires – International vs. Domestic
  - ACH – Debit vs. Credit
  - Prepaid Cards including payroll cards
  - Loans or TS Products with Credit Qualities


# When will the Bank require financial statements?

- ▶ **Soft Exposure or Operating Credit Facilities**
  - ACH Credit and Debit Origination
  - Daylight Overdraft Lines
  - Zero Balance and Controlled Disbursement Accounts
  - Blocked Account Agreement

# When will the Bank require financial statements?

- ▶ Hard Exposure or Direct Credit Facilities
  - Credit Cards
  - Revolving Lines of Credit
  - Term Loans
  - Letters of Credit

# What might the Bank require?

- ▶ Audited and/or Internally-Prepared Financial Statements
    - Consolidated vs. Consolidating
    - Obligated Groups
  - ▶ Budget to Actual Performance Reports
  - ▶ Projections
  - ▶ Operating Statistics/Volume Information
  - ▶ Capital Campaign Pledge Reports
  - ▶ Investment Statements
  - ▶ Covenant Calculation/Compliance Certificates
  - ▶ Borrowing Base and A/R Aging/Listing
- 



# What do Banks evaluate?

- ▶ Liquidity
  - Expendable Financial Resources to Operations
  - Days Cash on Hand
- ▶ Leverage
  - Expendable Financial Resources to Debt
  - Debt to Unrestricted Net Assets
  - Funded Debt to EBITDA
- ▶ Cash Flow
  - Debt Service Coverage
  - MADS

# What do Banks evaluate?

- ▶ Revenue Sources
    - Diversification
    - Contract Tenor and Renewal History
    - Unrestricted vs. Restricted
    - Contributions Composition
    - In-Kind Contributions
  - ▶ Operating Expenses
    - Administration Expenses
    - Fixed vs. Variable Expenses
    - Bad Debt
    - Depreciation
  - ▶ Capital Expenditures
- 