

# Kids Central, Inc. System of Care Policy & Procedure

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**Series:** Finance, Accounting and Contracts

**Policy Name:** Line of Credit

**Policy Number:** 911

**Origination Date:** 12/8/10

**Revision Date:**

**Authority:**

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## Policy

It is Kids Central's intent to maintain a line of credit to provide financial flexibility and to help reduce the adverse effect of an unplanned, temporary disruption to normal cash flows. Procedures will be in place to ensure:

- The lending institution, credit limit, interest rate, fees, and other terms and conditions are reasonable and meet the organization's needs.
- Only appropriate personnel have authority to draw on the line of credit.
- Draws on the line of credit are made only for appropriate uses.
- The Board of Directors receives regular updates on the line of credit balance.
- Financial plans are implemented to repay line of credit draws as quickly as normal cash flows allow.

## Procedure

1. **Line of Credit Review** – The Board of Directors approves the line of credit agreement. The Board will review the line of credit at least annually to determine if the line is meeting the organization's needs. The review will consider the lending institution, credit limit, interest rate, fees, and other terms and conditions.
2. **Authority to Make Draws On the Line of Credit** – Authority to make draws on the line of credit is limited to the Board Treasurer and the Chief Executive Officer or designee. Management will maintain and provide the Board and the lending institution a current list of the names of these authorized individuals.
3. **Appropriate Uses for Line of Credit Draws** – Maintaining operations during a temporary disruption to normal cash flows is the primary reason to draw on the line of credit. If after a careful review of current cash needs and cash balances management determines a line of credit draw is necessary, an authorized individual may initiate the draw.  
Using the line of credit to finance purchases that do stem from a temporary disruption to cash flows requires prior approval from the Board.

The line of credit is for Kids Central business use only and cannot be used to fund any personal purchases or loans.

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4. **Updating the Board of Directors On the Line of Credit Balance** – The CEO or designee will inform the Officers of the Board; Chairman, Vice Chairman, Treasurer, and Secretary of any draws on the line of credit within three business days of the draws being initiated. Management will then provide the Board monthly updates of the line of credit balance until the balance is paid in full.
5. **Financial Planning to Repay the Line of Credit** – Within 10 business days of making a draw on the line of credit necessary to maintain operations during a temporary disruption to normal cash flows, management will provide the Board with a plan to repay the line. The plan will include an analysis of current and expected future cash flows, estimated repayment dates, and the sources from which the cash used to make the repayments is derived.

The Board must approve the repayment plan for any line of credit draws used to finance purchases that do stem from a temporary disruption to normal cash flows prior to those draws being initiated.

**Approved By:**

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Cynthia A. Schuler, Chief Executive Officer

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Date