

Webcasts

Webcasts are 90 minute case-based examinations of a topical credit issue conducted by an instructor drawing on a multi-step exercise, background reading materials, financial statements and income tax returns.

Webcasts are designed for relatively new analysts and lenders – as well as for experienced analysts and lenders, as appropriate – who need to explore the essentials of a specific credit issue and want considerable detail in the solutions for the exercise as well as direct access to an instructor to clarify issues on the spot.

Course categories: Cash Flow, Tax Returns, Loan Documentation, Commercial Real Estate, Credit Write-Ups, Lending to Municipalities and Non-Profits, Projections, Healthcare and Analyzing Contractors.

**1.0 Connections for Members
\$250 for non Members**

Cash Flow

Uniform Credit Analysis (UCA) Cash Flow Statement...cash is king!

- Explores the concepts, principles, and mechanical process required to properly construct the Uniform Credit Analysis (UCA) cash flow statement, as well as examine the information content of the UCA cash flow statement in identifying borrowing causes, cash sources of interest-bearing debt service, financing requirements, and sources of financing for a borrower or prospective borrower.

Advanced UCA Cash Flow, Part I...digging deeper

- The Advanced (UCA) Cash Flow: Part I webcast is for analysts and lenders who are familiar with the construction and use of the UCA statement and would now benefit from a detailed examination of the construction and interpretation of the UCA statement for a complex case, including particular focus on the importance of proper account classification and the resulting messages about a borrower's ability –or inability – to generate sufficient cash flow from business operations to pay interest expense and repay debt as scheduled.

Advanced UCA Cash Flow, Part II

- The Advanced (UCA) Cash Flow: Part II webcast is for analysts and lenders who are familiar with the construction and use of complex UCA cash flow statements and would benefit from a detailed examination of the methodology used to compute the cash impact from sales growth or decline, the cash impact from management of key operating balance sheet accounts – such as receivables, inventory, and payables – and the use and application of these analytical techniques in properly identifying borrowing causes and assessing management competence.

EBITDA vs. UCA Cash Flow... a cash flow proxy is not cash flow

- A comprehensive examination of the relevant similarities and differences between EBITDA, as a proxy for cash flow available to service interest-bearing debt, and Net Cash after Operations on the UCA cash flow statement, which is actual business cash flow available to service interest-bearing debt. Four critical issues serve as reference for the comprehensive examination – an identification of a) borrowing causes, b) cash sources of interest-bearing debt service, c) the financing requirement or surplus, and d) the sources of cash to meet a financing requirement, if one exists. For maximum benefit, participants should have a working knowledge of the form and structure of the UCA cash flow statement, although the webcast reviews those issues repeatedly at various points.

FASB 95 vs. UCA Cash Flow

- A comprehensive review and exploration of the use, limitations, and analytic value of the FASB 95 statements of cash flows measured against the use, limitations, and analytical value of the UCA cash flow statement. Four critical issues serve as reference points for the review and comparison – an identification of a) borrowing causes, b) cash sources of interest-bearing debt service, c) the financing requirement or surplus, and d) the sources of cash to meet a financing requirement, if one exists. For maximum benefit, participants should have a working knowledge of the form and structure of the UCA cash flow statement, although the webcast reviews these issues at numerous points in the 90 minutes.

Global Cash Flow...a cash flow disaster on the horizon?

- Explores cash flows among and between related companies with common ownership and among and between the related companies and the owners in the process of identifying likely pressures on future cash flows and debt service capabilities of a single related party.
- In the most recent Policy Statement on Prudent Commercial Real Estate Loan Workouts, the financial regulators emphasize that an examiner's review should consider factors that include the "... nature and degree of protection provided by the cash flow from business operations or the collateral on a global basis that considers the borrower's total debt obligations." This is precisely the topic of our webcast on Global Cash Flow.

Incomplete Financial Information...when is not enough really enough?

- Explores the minimum financial information required for both a borrower and guarantor that allows sufficient analysis to adequately identify and address the four analytical essentials in every credit write-up – the borrowing causes, the likely sources of repayment, risks to the sources of repayment, and mitigants to those risks.

Pitfalls of Partial Analysis

- Explores risks associated with overlooking the role and impact of distributions and withdrawals in assessing borrower profitability and business cash flow for non-Subchapter C companies. It examines risks associated with limiting cash flow analysis to traditional cash flow – net income + non-cash charges – thereby ignoring the impact of changes in balance sheet accounts on a borrower's ability to service its interest-bearing debt from business cash flow. Further, the webcast addresses risks associated with use of unadjusted business income tax return information in conducting ratio and cash flow analysis.

- The primary purpose of the webcast is to emphasize the importance of fully incorporating the balance sheet into commercial business analysis using accrual financial statements rather than business income tax returns.
- Prerequisites: Familiarity with accrual financial statements and business income tax returns.

Working Capital versus Cash Flow...is working capital really cash flow?

- Explores the business forces that drive and determine changes in working capital and examine whether changes in working capital provide clear signals about a borrower's ability to service interest-bearing debt from operating cash flow.

Tax Returns

Business Income Tax Returns...where's the beef?

- Explores the purpose, information content, use and limitations of business income tax returns for all business organizations – Subchapter C corporations, Subchapter S corporations, partnerships, LLCs, and sole proprietorships – in assessing borrower risk.

Business Income Tax Returns and Cash Flow Analysis

- An examination of the methodology for converting business income tax information to an accrual income statement that, along with balance sheet information in Schedule L and associated statements, allows construction and use of a UCA cash flow statement in assessing borrower risk.

Business Income Tax Returns and Ratio Analysis

- Reviews the areas in which business income tax returns differ from business financial statements prepared on an accrual basis and the resulting impact on critical performance ratios and the associated implications for effective ratio and financial analysis.

Cash Based Income Tax Returns...is cash enough?

- Explores the purpose, information content, and proper use of cash based business income tax returns, along with accrual financial statements for a borrower, in properly assessing borrower risk.

Personal Income Tax Returns...what is cash and what is not?

- Explores the content of personal income tax returns, including cash and non cash revenue and expense amounts, and the use of personal income tax returns and Schedules K-1 to calculate personal cash flow and assess the likely cash support from a guarantor at the point of a business cash flow crisis.

Schedule M-1 and the Accrual Income Statement

- Reviews the purpose and importance of Schedule M-1 in business income tax returns for partnerships and Subchapter S corporations. The session explores in detail the information captured in Schedule M-1 and the use of that information in explaining reasons for differences between accrual net income on a company's financial statements and the taxable income its partners and owners must report on their personal income tax returns. In the process of examining the information content in Schedule M-1, the webcast addresses the roles of guaranteed payments to partners and Section 179 deductions in establishing the net

taxable income for partners and owners of partnerships and Subchapter S corporations. (The webcast serves as a foundation for the webcast on Business Income Tax Returns and Ratio Analysis and for the webcast on Business Income Tax Returns and Cash Flow Analysis information in Schedule M-1 is critical to the process of constructing accrual income statements from information in the business income tax returns, which then allows proper ratio and cash flow analysis.)

The Section 179 Deduction

- Examines the purpose of the Section 179 deduction, its conditions and limitations for use, and its role in establishing taxable business income for each of the standard business organizations. It identifies the impact, of the Section 179 deduction on a borrower's accrual financial statements, and explores the use and application of the Section 179 deduction on the personal income tax obligations of owners of Subchapter S corporations, partnerships, limited liability companies, and sole proprietorships. The webcast examines the impact of the Section 179 deduction on borrower performance ratios and cash flow statements – including the Uniform Credit Analysis (UCA) cash flow statement – computed from information in the business income tax returns as well as from information in the accrual financial statements.

Understanding Schedules K-1... follow the money

- Examines the purpose, information content, and use of the Schedule K-1 from Subchapter S corporations and partnerships in preparing personal income tax returns and identifying the cash flows from a Subchapter S corporation or partnership to its owners.

Loan Documentation

Commercial Loan Documentation

- An introduction to loan documentation in general and to commercial loan documentation specifically. The session identifies and explores the role and purpose of common commercial loan documents as well as examines the use and application of UCC-11 information requests, UCC-1 financing statements, blanket liens, and continuing commercial guarantees in which an outpatient surgery center – one of numerous related parties – provides the focal point for pursuing all webcast issues. In addition, the webcast implicitly addresses the relative importance of assessing cash flow from business operations versus cash flow from liquidation of business collateral in assuring proper debt service and ultimate loan repayment.

Commercial Real Estate Loan Documentation

- Identifies and explores the role and purpose of common commercial real estate loan documents for an income producing property, including mortgages and deeds of trust, assignment of rents agreements, environmental risk questionnaires, estoppel certificates, lease agreements, and subordination, non-disturbance, and attornment agreements in which a pending purchase of an office building provides the focal point for pursuing all webcast issues. In addition, the webcast implicitly addresses the relative importance of assessing property cash flow versus cash flow from property liquidation in assuring proper debt service and ultimate loan repayment.

Commercial Real Estate

Commercial Real Estate...test NOI or market value?

- Explores three common break-even measures with a primary focus on testing how far vacancy rates can increase before net operating income – cash flow – falls to the level of existing debt service on an income producing property, along with a review of the property specific elements in the applicable capitalization rate.

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Credit Write-Up

Credit Write-Up...form over substance or substance over form?

- Explores the credit write-up, or underwriting memorandum, with special focus on the four fundamental issues that must invariably be addressed and assessed – the borrowing causes, the likely cash sources of repayment, risks to the likely repayment sources, and risk mitigants.

Commercial Credit Overview

Five Cs of Credit

- For non-credit professionals who would like a high level overview of credit assessment using the five Cs of credit as the framework and reference points for addressing critical, credit assessment issues.
- The session reviews the generally accepted definitions of each of the five Cs of credit – capacity, capital, character, collateral, and conditions. It examines the various measures used by lenders in assessing a borrower's ability to honor each of the five Cs, such as the use and application of a) traditional cash flow or b) UCA cash flow in assessing a borrower's capacity to meet its interest-bearing debt service. Further, it explores the likely different outcomes in supporting or denying a commercial business loan request that result from applying different measures within one of more of the five Cs of credit. In addition, the webcast identifies those Cs of credit, which are based primarily on objective data and interpretation and those that are based primarily on subjective data and interpretation. Finally, the webcast emphasizes the critical importance of "character" in any credit assessment and the perils of extending credit if doubts about a borrower's "character" exist – especially in bad times.

Lending to Municipalities and Non-Profits

Fund Accounting: Part I of II...does fund accounting differ from accrual accounting?

- Explores the differences between accrual and fund accounting and the use of both accrual and fund accounting financial statements in identifying key risk issues for a government enterprise.

Fund Accounting: Part II of II...analysis via fund accounting or accrual accounting – or both?

- Explores information in the comprehensive financial reports of municipalities that identify the critical risk issues that must be acknowledged and evaluated – using a combination of general accrual accounting and fund accounting financial statements – in making a credit decision.

Not for Profits...how different from commercial business and commercial business analysis?

- Explores the differences between generic accrual accounting and not-for-profit accrual accounting and the use and application of traditional analytical techniques to not-for-profit financial statements in identifying key risk issues for a not-for-profit organization.

Projections

Projections and Repayment Sources: Part I... finding tomorrow's cash flow

- A review of the mechanics and interpretation of financial projections, based solely on a borrower's historical performance, for the purpose of identifying the likely future sources of cash available to meet interest-bearing debt service on credit facilities under review today.

Projections and Repayment Sources: Part II ... finding tomorrow's cash flow

- Building on Projections and Repayment Sources: Part I, this 90 minute case-based live webcast is for analysts and lenders who could benefit from a review of the mechanics and interpretation of “most likely” and “downside” financial projections based on historical performance, management objectives, the competitive forces at work in a borrower's market, and management capabilities in identifying the likely future sources of cash available to meet interest-bearing debt service on credit facilities under review today.

Healthcare

Assessing Hospital Financial Performance

- Explores the similarities and differences in the primary and reliable sources of hospital revenue across the three hospital categories. It examines the critical role of bad debt expenses in explaining bottom line results and movements in accounts receivable days. It reviews the relationship between bad debt expenses and subsequent write-offs as an indicator of management's ability to properly assess potential bad debts. Further, the webcast addresses the usefulness of cash flow statements, included as part of a hospital's financial statements, in confirming the sources of cash for debt service implied by income statement information. In addition, the webcast examines the role of hospital location in determining payer mix and associated financial performance. It emphasizes the importance of relative bargaining power vis-à-vis buyers and suppliers to present and future hospital financial performance. And,

finally, the webcast reviews the array of management competencies that appear necessary for success in an industry highly regulated and subject to continuous federal and state legislation.

Forces Impacting Hospital Financial Performance

- The webcast explores the composition and change in composition of the three categories of hospitals over the recent past. It identifies the primary sources of hospital revenue and the recent change and evolution in those sources. Further, the webcast identifies landmark legislation, along with reasons for the legislation, which have resulted in increasing government financial support and government regulation across all U.S. hospital categories. In addition, the webcast explores changes in the relative roles of the private and public sectors in providing hospital revenue and containing hospital operating costs, as well as examines likely future developments in these relative roles. Finally, the webcast highlights the critical importance of hospital location to its financial performance, regardless of whether the hospital is a public, not-for-profit, or for-profit hospital.

Contractors

Understanding and Analyzing Contractor Financial Statements: Part I

- Addresses the events that generate balances in two special accounts – cost and profits in excess of billings and billings in excess of cost and profits. In addition, it focuses on the role of the contract status report and the manner in which the report supports and ties back to the accrual financial statements. Further, the webcast explores the computation of numerous critical amounts recorded on the contract status report for both complete and incomplete contracts, such as a) earned revenue, b) actual cost-to-date, c) total cost anticipated, d) over / under billings, e) percent complete, f) gross profit percent, and g) gross profit amount.

Understanding and Analyzing Contractor Financial Statements: Part II

- Explores the use of a) customary performance ratios and b) the Uniform Credit Analysis (UCA) cash flow statement in assessing borrowing risk and shifts in a borrower's risk profile. In addition, it explores the use and application of information in both year-end and interim financial statements and contract status, or work in progress, reports to identify trends and developments that signal likely future financial and cash flow results for a borrower.