

# Borrowing Base Calculation



## BORROWING BASE & COVENANTS INPUT FORM

		<u>MEMO ITEMS</u>
<b>COMPANY NAME:</b>	<b><u>ABC Contractor</u></b>	
		A/P balance on BBR date: \$ 1,259,893
		A/P >90 balance on BBR date: \$ 67,398
		Float (includes held checks) \$ 220,844
<b>Borrowing Base Calculation:</b>		Operating account balance on BBR date: \$ 332,187
1. Accounts Receivable as of	<u>12/31/2016</u> (reporting date)	
Current Accounts: 0-30 days		\$ 1,060,973
Accounts 31-60 days		\$ 1,278,548
Accounts 61-90 days		\$ 284,239
Accounts 91+ days		\$ 163,459
Retainage		\$ 983,773
Total uncollected balance due on open book A/R		\$ 3,770,992
Less: Accounts greater than 91 days past due		\$ (163,459)
Less: Bonded Accounts <91 days past due held by 3rd parties		\$ (1,165,817)
Less: Unbilled Retainage held by 3rd parties		\$ (983,773)
Less: Foreign or Related Party Receivables included in A/R aging		\$ -
Less: Tainted Accounts >90 days that exceed 25% of that account balance*		\$ -
Total ineligible Accounts		\$ (2,313,050)
* Note: tainted accounts to municipalities or school districts are allowed		
Total eligible amount of Accounts Receivable		\$ 1,457,942
<u>75%</u> of Eligible Accounts Receivable		\$ 1,093,457
Plus: <u>50%</u> of Bonded Accounts <91 days past due		\$ 582,909
2. Total Eligible Assets for Borrowing Base		\$ 1,676,365
3. Less: Current balance on line of credit		\$ (800,000)
4. Net Collateral Cushion or (Shortfall)		\$ 876,365

## Calculating a Contractor's Borrowing Base

### Not allowed:

- A/R >90 days
- Retainage

### Allowed at 50% discount:

- Bonded Receivables <90 days

### Allowed at 75% discount:

- Balance of A/R <90 days

### Summary:

In this example, ABC Contractor has \$1,676,365.00 in eligible assets for their borrowing base. Their current LOC balance is \$800K, which means they can increase their draw on their LOC by another \$876,365.00



Special thanks to [Marc Hendrikson](#), CPA, CGMA, CCIFP, for his help in creating this exhibit and the accompanying article. Marc is a SVP and commercial banker at [Centennial Bank and Trust](#) in Denver, CO., specializing in construction financing.