

Webinar

Cash Flow Planning



Facilitated by

Mariesa Kubasek, Senior Associate
Nonprofit Finance Fund


May 11, 2021
1 pm ET



But first, a movement break



Acknowledgment of Indigenous Territories



*“Land acknowledgments are
a stepping stone to honouring
broken treaty relationships.”*

- We invite you to acknowledge the Indigenous Territory you are joining us from:

<https://native-land.ca/>

Meeting Agreements

Contribute to a meaningful learning experience

- Every experience is valid; we are here as peers to learn from each other
- Invitation to share freely and candidly, and ask questions
- Take care of your needs first

Nonprofit Finance Fund: Where Money Meets Mission

NFF envisions a world where capital and expertise come together to create a more just and vibrant society

We unlock the potential of mission-driven organizations through

- **Tailored investments**
- **Strategic advice**
- **Accessible insights**

Guided by our Core Values



NFF Team for Part 2 – Webinar Series



Learning Goals



Create a cash flow projection tool and **understand** common strategies for managing cash flow

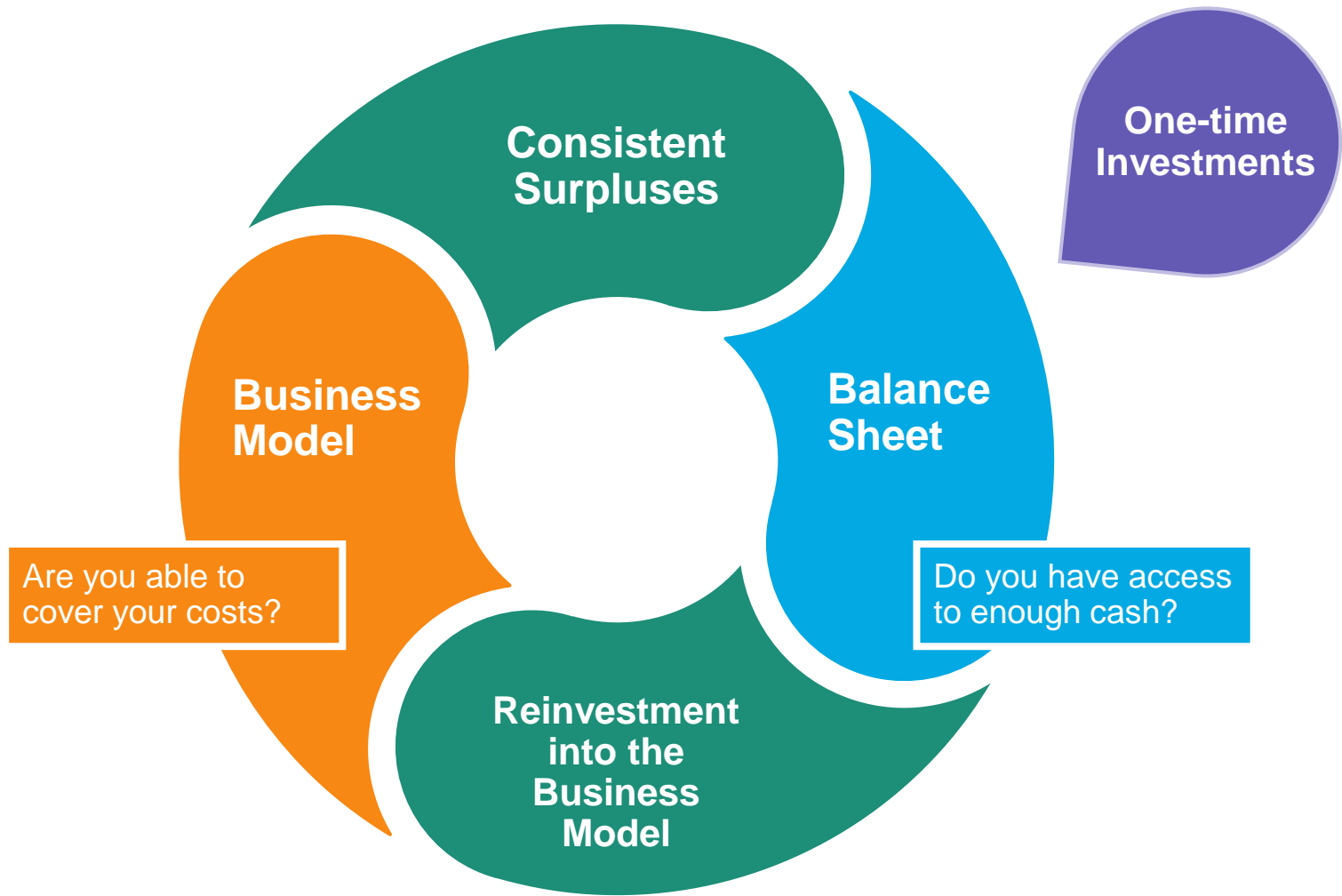


Recognize common missteps and how to avoid them

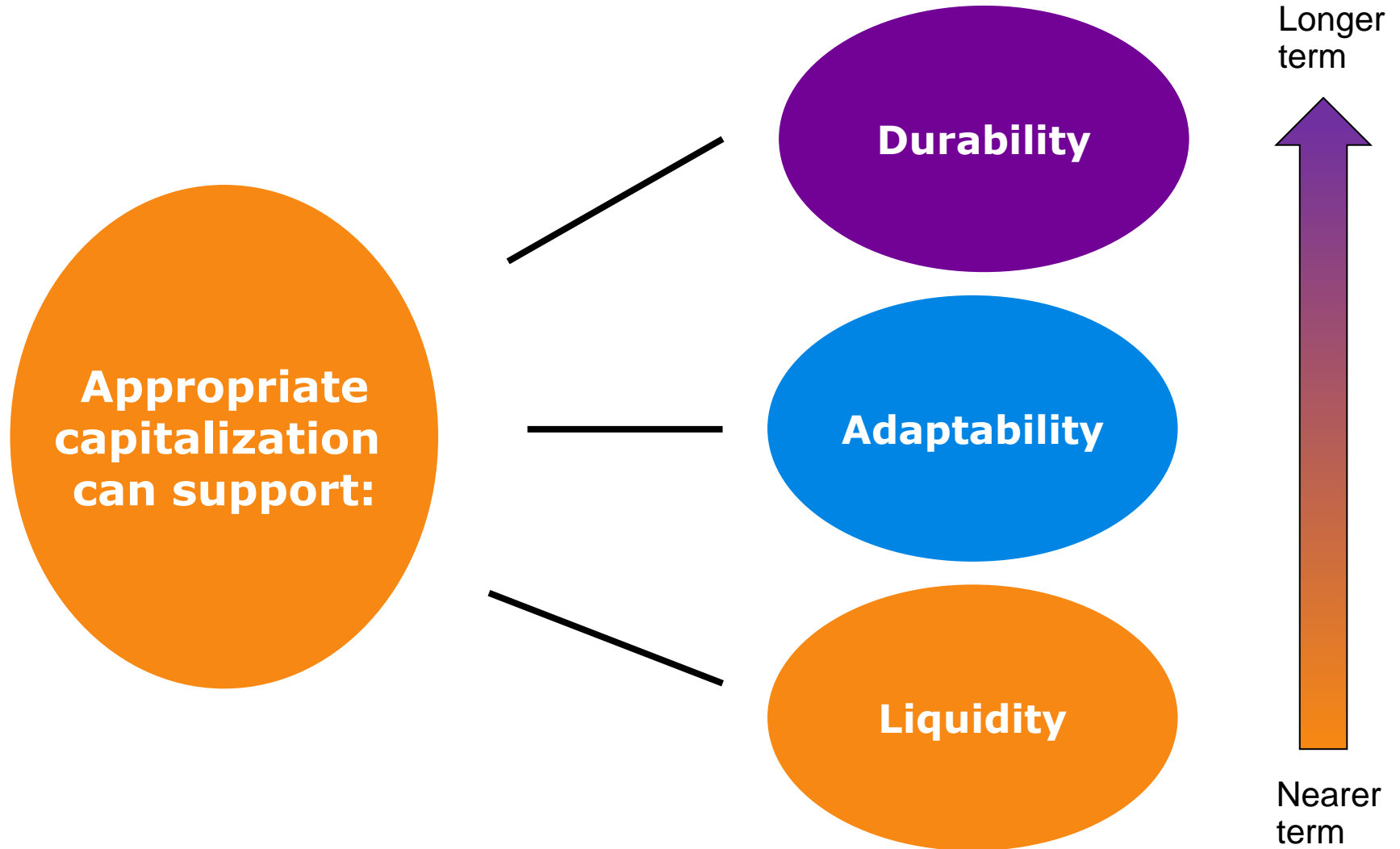


Understand the differences between cash and accrual accounting, and how cash flow management connects to accessing credit

Cash flow exists in a context



Understanding Nonprofit Capitalization



Poll: Do you use a cash flow planning tool at your organization?



Yes!



No.



...Maybe...?

Review: Cash Flow Projections

Visibility into the timing of cash

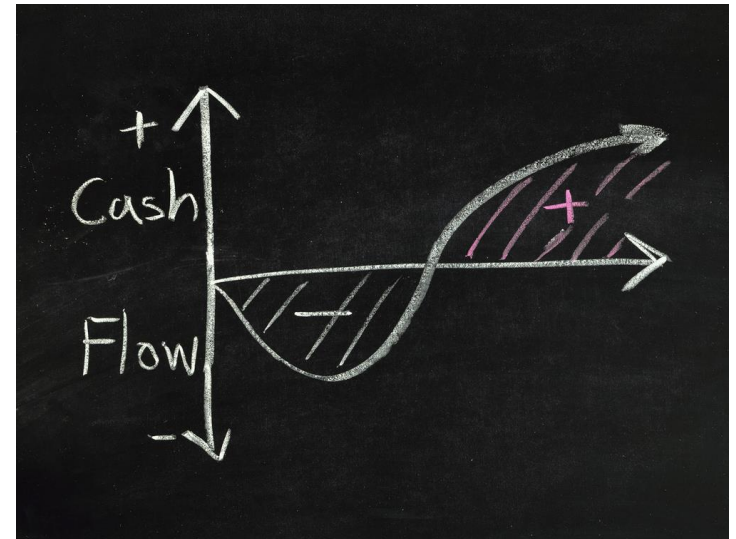
A visual landscape of cash flowing in and out

- This provides better understanding of the organization's ability to tolerate risk
- Less uncertainty about whether cash will be available to meet future operating and balance sheet needs when they arise

Insight into Cash Flow vs. Cash Issues

- Cash Flow issues - a temporary lack of cash due to timing of receipts
- Cash issues - a loss of funding that produces a cash shortage with no predictable end date

Can show monthly, weekly or even daily



How Do Cash Flow Projections Differ from the Budget?

- Budget ≠ Cash Flow Projection
 - *The budget cannot identify cash flow challenges that may occur during the year*
 - A **cash flow projection** is a separate document that forecasts the timing of cash in and cash out of the organization
 - If your organization uses cash basis of accounting, the budget will present *total* cash in and out for the entire fiscal year – not monthly ebbs and flows

Source: <http://clipartoons.com/wp-content/uploads/2016/01/musical-instruments-clip-art.jpg>

Cash vs. Accrual Accounting

Cash Accounting

- Similar to balancing a checkbook
- Measures cash coming in and cash going out
- Common for small and / or relatively simple organizations

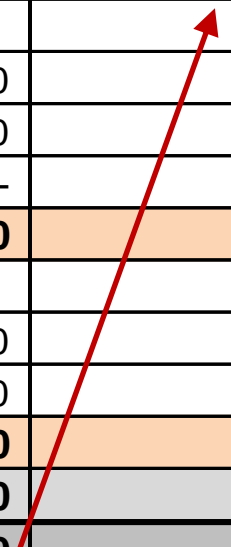
Accrual Accounting

- More comprehensive
- Measures revenue when earned and expenses when incurred
- Revenue & Expense \neq Cash
- “**Cash in**” is not always the same as revenue, and
- “**Cash out**” is not always the same as expense



Basic Example: Cash Flow Projection

<i>In thousands</i>	Jan-18	Feb-18
Beginning cash balance	120	140
Cash receipts		
Admission/ticket sales	40	
Foundation grant	110	
Net assets released from restriction	-	
Total cash receipts	150	
Cash spent		
Payroll	40	
Rent	90	
Total cash spent	130	
Net cash in/(out)	20	
Ending cash balance	140	



Poll: What might be missing from this cash flow projection tool?

- Restricted funding, like grants for specific programs or purposes
- Nonoperating funding, like cash for a capital project
- Both?

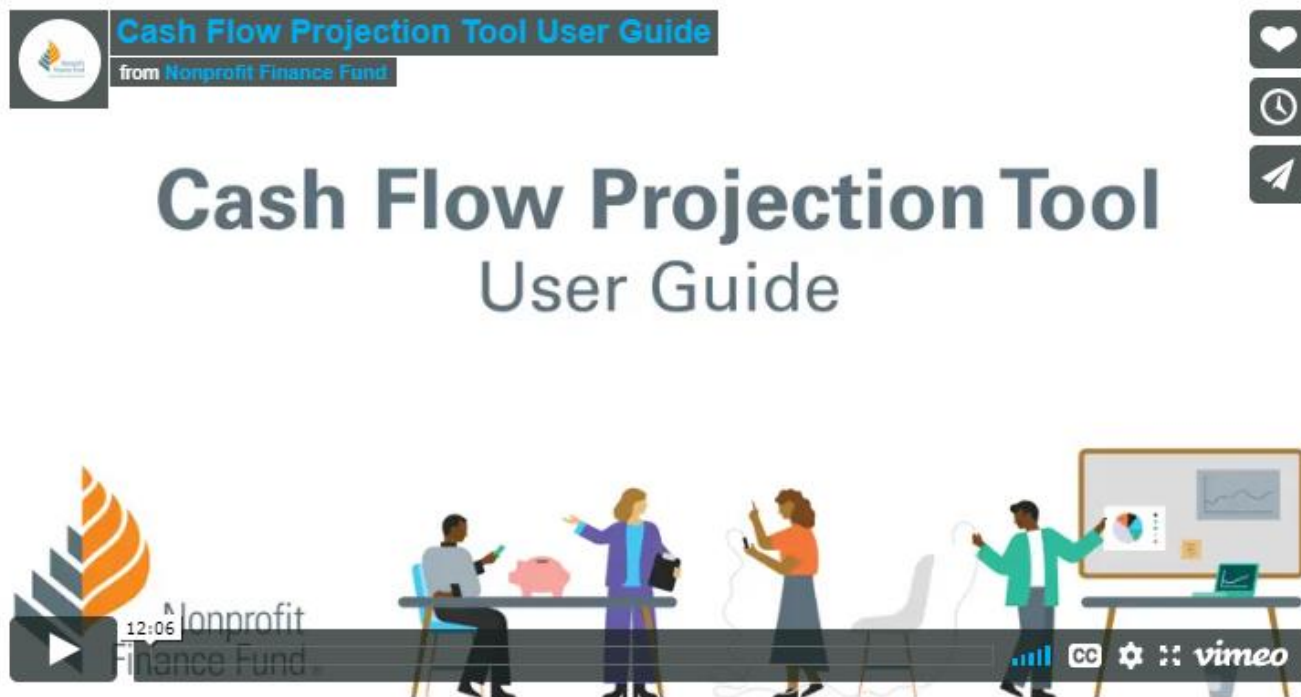
Separating Unrestricted & Restricted Cash

<i>In thousands</i>	Jan-18	Feb-18
Beginning cash balance	120	140
Beginning cash balance w/out restrictions	100	90
Cash receipts w/out restrictions		
Admission/ticket sales	40	
Foundation grant	70	
Net assets released from restriction	10	
Total cash receipts w/out restrictions	120	
Cash spent		
Payroll	40	
Rent	90	
Total cash spent	130	
Net cash w/out restrictions in/(out)	(10)	
Ending cash balance w/out restrictions	90	
Cash with restrictions		
Cash received with restrictions	40	
Cash released from restrictions	10	
Net cash w/ restrictions in/(out)	30	
Total net cash	20	
Ending cash balance	140	

Separating Unrestricted, Operating Cash Balance

<i>In thousands</i>	Jan-18	Feb-18
Beginning cash balance	120	140
Beginning operating cash balance w/out restrictions	100	80
Operating cash receipts w/out restrictions		
Admission/ticket sales	40	
Foundation grant	20	
Net assets released from restriction	10	
Total operating cash receipts w/out restrictions	70	
Operating Cash spent		
Payroll	40	
Rent	50	
Total operating cash spent	90	
Net operating cash w/out restrictions in/(out)	(20)	
Ending operating cash balance w/out restrictions	80	
Net cash w/ restrictions in/(out)	30	
Non-operating		
Capital grant	50	
Capital project expenditure	40	
Net non-operating cash in/(out)	10	
Total net cash	20	
Ending cash balance	140	

A Sample Cashflow Tool with Step-by-Step Instructions is Available
at: <https://nff.org/covid-19-tools-and-resources-nonprofits#tools>



Identifying Anticipated Financing Needs

Fiscal year end: Dec 31

	Jan-18 PROJ	Feb-18 PROJ	Mar-18 PROJ	Apr-18 PROJ	May-18 PROJ	Jun-18 PROJ	Jul-18 PROJ	Aug-18 PROJ	Sep-18 PROJ	Oct-18 PROJ	Nov-18 PROJ	Dec-18 PROJ	Total PROJ CF FY 2018
Beginning cash balance	75	304	273	304	201	190	138	181	158	308	309	224	75
Beginning operating cash balance w/out restrictions	47	36	5	36	(67)	(78)	(10)	33	10	160	161	76	47
Operating cash receipts													
Total earned	15	-	50	-	-	-	10	-	10	-	-	-	85
Total foundations	20	-	25	-	30	15	85	15	130	10	45	10	385
Total government	-	-	-	-	-	-	-	-	50	30	-	-	80
Total corporations	-	15	-	-	-	-	-	-	-	-	-	-	15
Special event(s)	-	5	10	-	25	10	-	-	-	-	-	-	50
Individuals	2	-	-	-	-	-	-	-	-	-	-	8	10
Board	-	-	-	2	-	-	2	-	1	-	-	-	5
Net assets released from restrictions	-	-	-	-	-	120	-	-	-	-	-	-	120
Total operating cash receipts w/out restrictions	37	20	85	2	55	145	97	15	191	40	45	18	750
Operating cash spent													
Total personnel	35	35	35	35	35	53	35	35	35	35	53	35	456
Total consultants/contractors	-	5	-	60	-	-	10	-	-	-	60	-	135
Total occupancy	6	1	1	1	2	1	1	2	1	1	1	1	21
Total support	7	9	18	9	29	23	8	2	4	2	17	3	132
Total operating cash spent	48	50	54	105	66	77	54	39	41	39	131	40	743
Net operating cash w/out restrictions in/(out)	(11)	(30)	31	(103)	(11)	68	43	(24)	150	1	(86)	(22)	7
Ending operating cash balance w/out restrictions	36	5	36	(67)	(78)	(10)	33	10	160	161	76	54	54
Cash with restrictions													
Cash received with restrictions	240												240
Cash released from restrictions						120							120
Net cash w/restrictions in/(out)	240	0	0	0	0	(120)	0	0	0	0	0	0	120
Ending cash balance	304	273	304	201	190	138	181	158	308	309	224	202	202

Strategies for Managing Cash Flow

Options available to nonprofits

Access existing cash

- Internal cash **reserves** built from unrestricted operating surpluses
- Approach **funders** to ease restrictions on existing revenue

Receive cash

- Approach funders for accelerated/**advanced** payments
- Change the **timing** of particular events or annual appeals
- **Conversion** of funds (ticket revenue to donations)

Do not spend cash

- Negotiate favorable payment plans with **vendors and lenders**
- **Minimize** expenses

Borrow cash

- Draw on an external line of **credit** or bridge loan, if appropriate



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Common Options for Using Debt to Address Cash Flow

Line of Credit

- Can help address periodic or recurring **cash flow** issues
- Provide cash for timing gaps between disbursement and receipt of cash
- Monthly interest paid on outstanding balances
- Non-use fee paid if the line of credit is not being used

Bridge Loan

- **Bridge timing gap** from a specific source
- Cover expenses until the particular source of funds is received
- Principal repayment is required upon receipt of funds
- Monthly interest payments are required, generally from the organization's operating cash flow

Debt: Opportunities and Considerations

Opportunities

- Potential to access a greater amount than through philanthropy alone
- Faster access to capital
- Flexible capital
- Better rate available to nonprofits sometimes through a government or mission entity

Considerations

- Being able to successfully complete a loan application
- Managing to loan payments
 - Business model
 - Messaging
- Difficulty of securing a loan without collateral
- Internal resistance to loans

Strategic Questions

Putting the Cash Flow Document to Use

What are my greatest cash flow challenges?

What activities are core to mission? How do these activities impact cash flow?

What are my *non-negotiable* cash needs?

How might cash inflows be affected by the current economy?
Updated Tax Code?

Can payments to vendors be delayed?
If so, how long?

How will operating changes affect reserves and the ability to manage cash flow?

Plan Your Response

Cash flow projections lay the groundwork



Strategic Decisions

Engage staff, board and funders
in data-driven strategic
conversations

Understand the implications of
new funding or timing of events
such as the lifting of social
distancing restrictions



Understand Scenarios

Developing explicit scenarios and
contingency plans

It is difficult when you are forced
to take drastic action without a
thoughtful plan



Identify Triggers

Determine the triggers that lead
to Plan B, Plan C, etc.

For example: if X% of revenue
doesn't arrive by Y, we will do Z
actions

Review: Learning Goals



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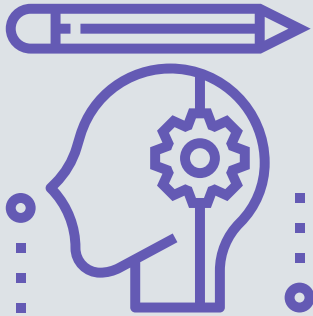
Understand the differences between cash and accrual accounting and how cash flow management connects to accessing credit

Check-Out

Please share via voice or chat your response to any of all of the following questions:

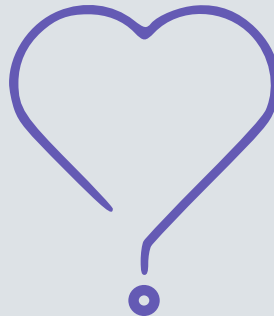
Head

What did you **learn** from today's session?



Heart

How did today's session make you **feel**?

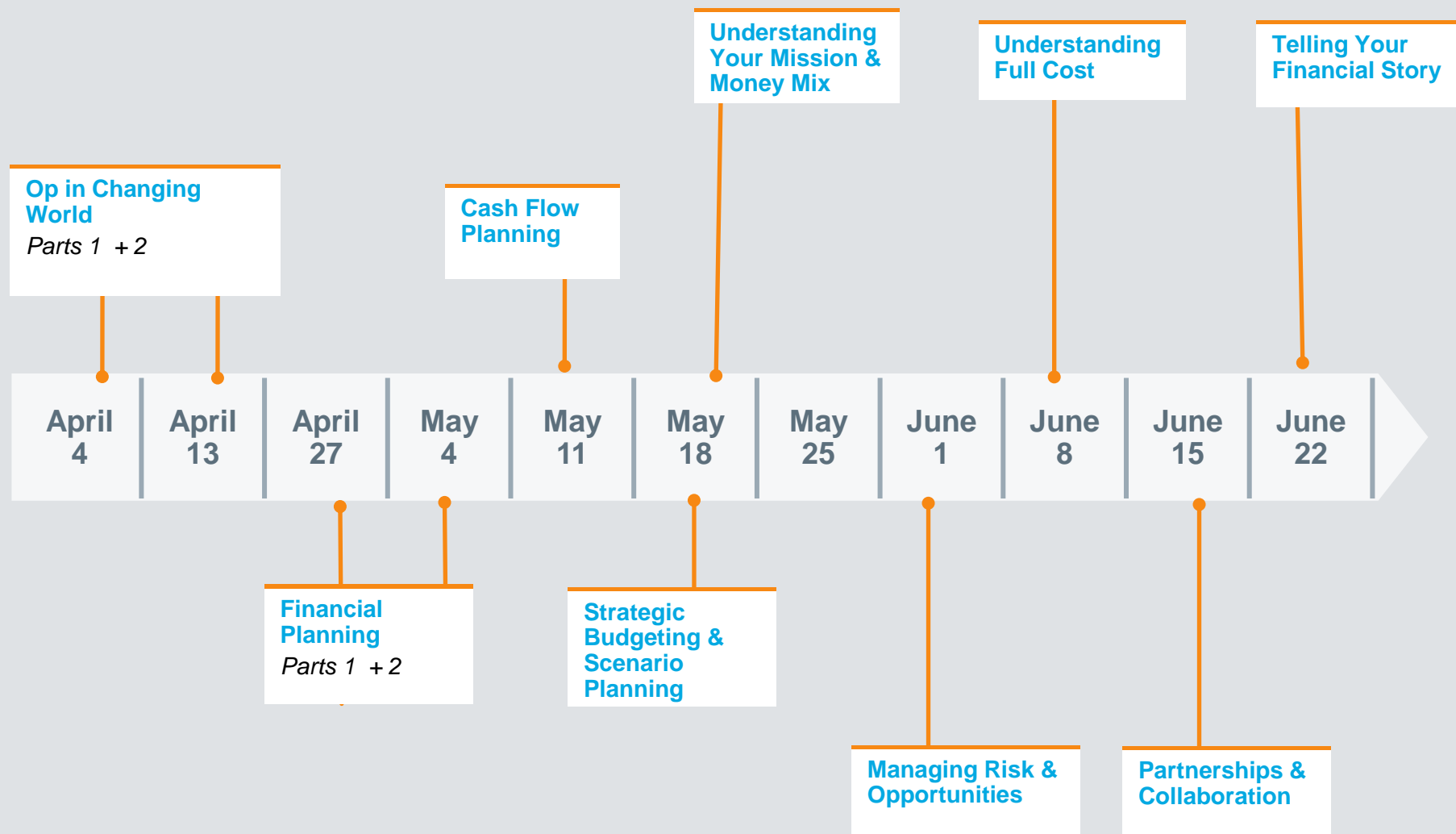


Feet

What **actions** will you take to bring this back to your organization and community?



Upcoming Sessions



Up Next

Strategic Budgeting and Scenario Planning

May 18, 2021, 1 – 2 pm EST

To effectively plan for the future, nonprofit leaders must imagine possible scenarios and determine how their organizations would respond. This webinar will show you how to incorporate scenario planning into your budget, allowing your team and your board to understand budget implications for various “what-ifs” and create plans of action. NFF will help you quantify the unknown, develop budget scenarios for possible future crises, identify key drivers of change, assess revenue and expense variability, and prepare for both best- and worst-case scenarios.



Thank You!

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