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Business & Financial Advisors



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Nonprofit Webinar Series

Cash Flow Management

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Q&A

You asked: 19:41
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Send Anonymously Send

Zoom Video Conferencing was Named a 2018 Gartner Peer Insights Customer Choice for Meeting Solutions

Enter your work email

Gartner

Zoom received a 4.69 out of 5 overall customer rating

Gartner peer insights

Figure 1. Gartner Peer Insights "Voice of the Customer" Meeting Solutions Overall Ratings

Gartner Peer Insights "Voice of the Customer" Meeting Solutions Overall Ratings
As of January 31, 2018

| Eligible Vendors | Gartner Peer Insights Customers' Choice | Gartner Magic Quadrant Position | Number of Reviews | Overall Customer Rating |
|---------------------------|---|---------------------------------|-------------------|-------------------------|
| Zoom Video Communications | customer's choice 2018 | Leader | n=686 | 4.69 |
| Highfive Technologies | | | n=30 | 4.40 |
| Lifesize | | | n=30 | 4.40 |
| LogMeIn | customer's choice 2018 | Challenger | n=163 | 4.36 |
| Teamviewer | | | n=42 | 4.33 |
| BlueJeans Network | customer's choice 2018 | Visionary | n=57 | 4.32 |
| Google | customer's choice 2018 | Challenger | n=131 | 4.27 |
| Cisco | customer's choice 2018 | Leader | n=380 | 4.21 |
| Microsoft | | Leader | n=293 | 4.16 |
| Adobe | | Challenger | n=72 | 4.14 |

Notes: Vendors with greater than 25 reviews on Gartner Peer Insights in the past one year as of January 31, 2018 are considered eligible vendors. Gartner Peer Insights Customers' Choice announced on February 13, 2018. Gartner Magic Quadrant for Meeting Solutions published on September 18, 2017. Number of reviews and ratings as of January 31, 2018. ©2018 Gartner Inc. All rights reserved.

Source: Gartner Peer Insights (January 31, 2018)

4.33
Mean overall rating for eligible vendors in this specific market

Read the Report

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Cash Flow Management

Effective cash flow management provides the ability to monitor and project inflows and control outflows with a thoughtful and deliberate approach.



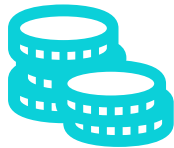
Cash Flow vs. Changes In Net Assets

Cash flow is not the same as changes in net assets

Your changes in net assets are not necessarily indicative of positive or negative cash flow as it does not take into account

- ↗ Payments to service debt
- ↗ Purchases of capital assets
- ↗ Fluctuations in receivables or payables and accrued expenses

Cash Management



Includes planning for expected inflows and outflows of monies from operations as well as borrowings on debt.



An effective tool for managing cash flow is to utilize a cash flow forecast.



Cash flow forecasts help executive/finance directors and accounting personnel manage the operations and cash needs of an organization

Benefits of a Weekly Cash Flow Forecast



It's an early warning device for both positive and negative cash situations



It shows when funds are expected to come in and when funds are expected to be paid out



It's a strategic tool for planning the movement of cash for maximizing investments and/or warding off cash shortfalls



Helpful for gauging the impact of grant funding or delays



Predictor of line of credit or other funding source needs



It tells an important story

Best Practice

It is a forecast, an estimate, an indicator, a tool - a living document.

There are 3 keys:

Critical
Thinking

Collecting
Data

Creating
your Model

Critical Thinking

- Knowing where to find:
 - Answers, patterns, timing of upcoming special events/projects/significant purchases, payment terms
- Judgement based on experience and knowledge to build it effectively and to allow margins for human and environmental factors
- Knowing when to:
 - “Have a conversation with...”
 - Take it to the right level

Collecting Data

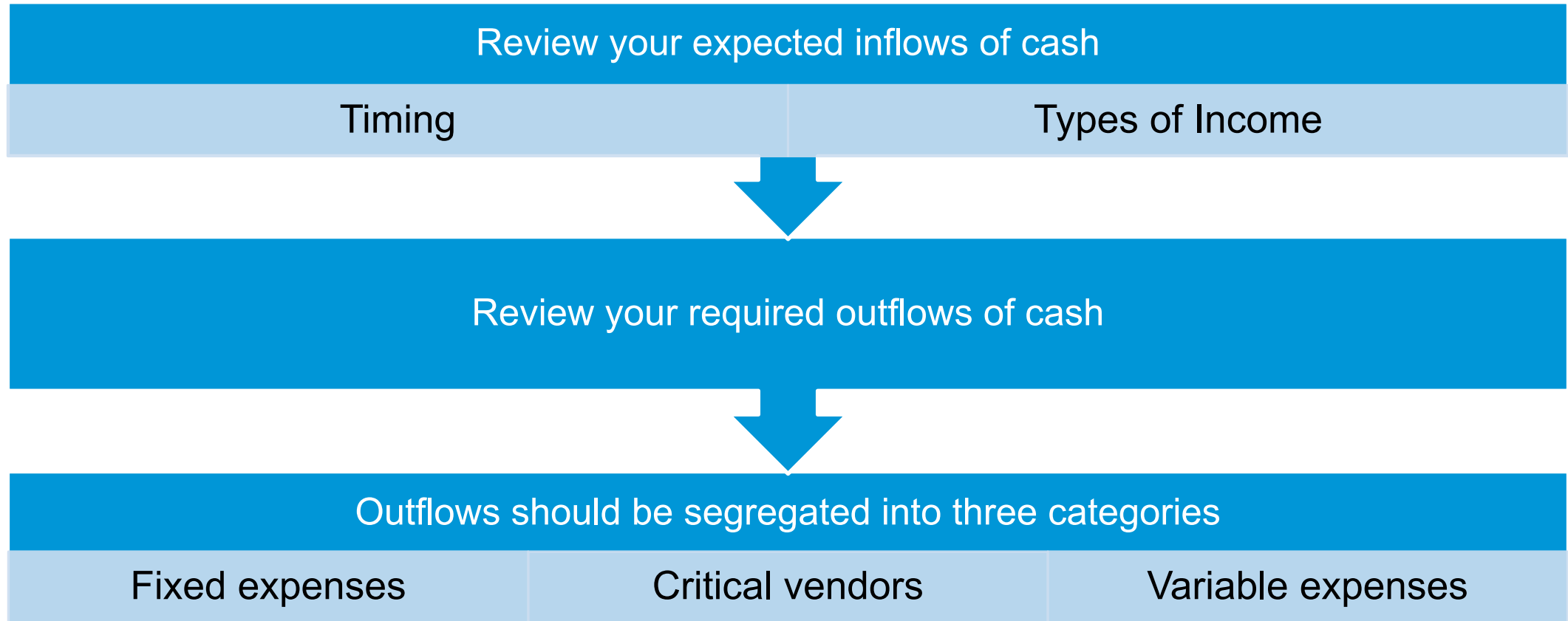
- You need data from reliable systems and people
- Which systems to pull from – donor software, accounting software, other ‘side’ systems
- Which accounts to pull data from, i.e. checking, savings, money market, etc.
- Where and who to source your inflows from
- Where and who to source your outflows from



The 13 Week Rolling Cash Flow

- Monitors *all* activity that flows through the cash accounts and is maintained on a weekly basis. This is a working document and to be effective requires review and updating weekly for changes in assumptions and actual activity.
- Provides deep visibility into the cash needs of an organization and when utilized properly, is highly effective.

How It Works



Inflows



Timing

- Is there a specific timeframe associated with payment?



Types of Inflows

- Are they guaranteed or contingent on some other event?
- Are they non-binding?

Examples – grants, pledges, contributions, membership fees, government funding sources

Outflows

Deciding who is going to be paid and when is a critical decision in cash management.



Fixed Expenses



These are expenses that are generally non-negotiable and are very predictable as to amount and timing such as payroll, debt service, rent, utilities, etc.



Critical Vendors



These are different for every business. Be thoughtful – who is most important for *your* organization to function? Who provides materials or services that you need to survive? These are the vendors to keep happy.



Everyone Else



All other expenses that don't fall into the above two buckets, these have the most flexibility on payment.

Putting it All Together

Excel Model

| XYZ Organization | | | | | |
|---|------------------------------|-------------------|-------------------|-------------------|-------------------|
| Finance/Executive Director Summary Cash Flow Report | | | | | |
| | | 1 | 2 | 3 | 4 |
| | | Week Of | Week Of | Week Of | Week Of |
| | | 8/16/2020 | 8/23/2020 | 8/30/2020 | 9/6/2020 |
| Cash Beginning of Week | | \$ 85,400 | \$ 7,600 | \$ 25,100 | \$ 4,050 |
| Net LOC | | 30,000 | - | 75,000 | 75,000 |
| Cash Receipts - | | 2,500 | 50,000 | 50,000 | 25,000 |
| | Contributions | 2,500 | 1,000 | 4,200 | 500 |
| | Grants | | | | 50,000 |
| | Other Funding | | | 15,000 | |
| Fixed Expenses & Critical Vendors | | | | | |
| | Payroll, Taxes & Benefits | 75,800 | - | 75,800 | - |
| | Debt Service | 11,700 | 5,000 | - | 2,800 |
| | Insurance | - | 12,000 | - | - |
| | Rent | - | - | 20,000 | 1,300 |
| | Telephone/Internet/Utilities | 1,200 | - | - | 500 |
| | Other critical vendors | 20,000 | 15,000 | 50,000 | 15,000 |
| | Subtotal | 108,700 | 32,000 | 145,800 | 19,600 |
| Variable Expenses (everyone else) | | 1,600 | 500 | 250 | - |
| Total Expected Outflows | | 110,300 | 32,500 | 146,050 | 19,600 |
| Cash End of Week | | \$ 7,600 | \$ 25,100 | \$ 4,050 | \$ 84,450 |
| Line of Credit Balance | | \$ 580,000 | \$ 580,000 | \$ 655,000 | \$ 730,000 |

System Model

XYZ Organization

Cash Summary

Reporting Book: CASH
As of Date: 2019
Location Group: USA - NYS

| | Week Ending 8/16/2019 | Week Ending 8/23/2019 | Week Ending 8/30/2019 | Week Ending 9/6/2019 | Week Ending 9/13/2019 |
|---|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| Revenue | | | | | |
| Revenue - Services | \$ 56,000 | \$ 22,000 | \$ 28,000 | \$ 18,000 | \$ 52,000 |
| Revenue - Other | 2,500 | - | 1,000 | - | - |
| | - | - | - | - | - |
| Total Revenue | 58,500 | 22,000 | 29,000 | 18,000 | 52,000 |
| Operating Expenses | | | | | |
| General and Administrative Expenses | 1,200 | 4,500 | 3,600 | 2,000 | 3,100 |
| Marketing and Advertising Expenses | 800 | 750 | 750 | 800 | 600 |
| Payroll and Related Expenses | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 |
| Utilities and Facilities | 2,900 | - | 8,500 | 5,000 | 2,900 |
| Operating and Maintenance Expenses | 1,200 | 2,800 | 3,000 | 500 | 800 |
| Taxes and Insurance | 500 | 500 | 500 | 500 | 500 |
| Total Operating Expenses | 28,600 | 30,550 | 38,350 | 30,800 | 29,900 |
| Other Income (Expense) | | | | | |
| Other Expenses | (300) | (300) | (300) | (300) | (300) |
| Total Other Income (Expense) | (300) | (300) | (300) | (300) | (300) |
| Net Income (Loss) | 29,600 | (8,850) | (9,650) | (13,100) | 21,800 |
| Balance Sheet Outflows - Capital Equipment | | | | | |
| Office Equipment | (5,000) | - | - | - | - |
| Total Balance Sheet Outflows - Capital Equipment | (5,000) | - | - | - | - |
| Balance Sheet Inflows (Outflows) - Debt | | | | | |
| Line of Credit | - | - | - | 20,000 | - |
| Term Loan A | (1,000) | - | - | - | (1,000) |
| Total Balance Sheet Inflows (Outflows) - Debt | (1,000) | - | - | 20,000 | (1,000) |
| Cash Position Change | 23,600 | (8,850) | (9,650) | 6,900 | 20,800 |
| Cash - Beginning of Period | 5,500 | 29,100 | 20,250 | 10,600 | 17,500 |
| Cash - End of Period | \$ 29,100 | \$ 20,250 | \$ 10,600 | \$ 17,500 | \$ 38,300 |

Challenges

Creating an *accurate* cash forecast

Gathering the data you need

The “predictability factor” and surprises

Constantly moving data - a fluid document that needs weekly updates

Understanding the “users”

Decision making when there is a cash shortfall

Questions?

Next Steps

If you would like to learn more about the mechanics of building a cash flow forecast, please contact me directly at kimberly.gangi@inserocpa.com.

As always, Insero & Co.'s Outsource Accounting Services Group offers complementary assessments regarding cash management forecasting and overall accounting process efficiency reviews.

Upcoming Webinars and Events

- | | |
|--------------------|---|
| August 26, 2020 | Q&A: Budgeting During Uncertain Times led by Nancy Catarisano |
| September 17, 2020 | Webinar: Financial Visualization and Grant Reporting presented by Christie Caldwell |
| September 23, 2020 | Q&A: How to Choose the Right Accounting Software led by Kimberly Gangi |
| October 1, 2020 | Webinar: Improve Your Accounting Processes presented by Trina Lang |

Visit inserocpa.com/events to register