

# Managing In and Beyond COVID-19

## Cash Flow Projections



**Presented By:**

Michelle Obert  
Advisory Services

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# 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**



# Establish Priorities and Goals

How do they align with your organizational values?

***Board and management should be engaging in close conversation about operational and programmatic priorities and objectives during this time:***

- How will the board and management make decisions? What is everyone's role?
- What are the things you can't do right now because they are impossible to deliver or not mission critical?
- What is our core and how do we do that best?
- Are you looking to preserve full staff at all cost, looking to make it through the crisis to keep operating for the long-term, or somewhere in between?
- Do you have mandates that have to be prioritized?

# Steps Nonprofits Can Take Now

## 1. Understand your financial situation & timeframe

- Know your cash flow

## 2. Determine and monitor your options

- Figure out how you are affected by the changed situation
- Explore your options

## 3. Communicate early and often about your needs

- What do your staff, board, funders, and community need to know right now to best support the organization?



# Cash Flow Projections

Visibility into the timing of cash

## A cash flow projection gives:

### 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

**An estimate of how much cash will be available** over the course of the week/month/QTR/year

### 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



# Understand Your Timeframe: Cash is Your Most Important Response & Recovery Tool

**How long can you operate with existing cash without cutting back on expenses? How long is the runway?**

- Planning should start and end with cash
  - What cash do you have on hand and what ability do you have to get a hold of cash?
  - What are your assets, specifically your net assets without donor-imposed restrictions?
  - How much cash is coming in and when? How reliable are the sources?
  
- Using 13-week cash flow projections to plan for the next 30-60-90 days
  
- Plan for realistic financial actions

# 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
- Projecting cash is a **real-money exercise** - comparing the cash you expect to have with the bills you pay each month
  - “Cash in” is not always the same as revenue, and
  - “Cash out” is not always the same as expense
  - Keep in mind that restricted cash may need to be monitored separately

# Step 1: Gather Current Budget and Year to Date Actuals



- You are likely to know this intuitively
- However, go through the exercise of gathering and calculating the major disruptions to cash flow caused by social distancing and COVID-19? How does that compare to budget?
- Details matter when doing cash flow –amount (\$), nature (with or without restriction) and timing



# Step 2: Plot cash received and spent using a cash flow template



## Weekly Cash Flow Projection

FY 2020

Week of:

4-May PROJ	11-May PROJ	18-May PROJ
120	103	84

**Beginning TOTAL Cash balance**

### Operating Cash Receipts w/OUT restrictions

*Earned*

Program service fees

Other

**Total earned**

*Contributed*

Foundation grants

Corporation

Special event(s)

Individuals

Net assets released from restrictions

**Total Contributed (w/out restrictions)**

**Total Operating Cash Receipts w/OUT restrictions (Earned + Contributed)**

-	-	-
-	-	-
-	-	-

2	-	-
-	-	-
-	-	-
1	1	1
10	-	-
13	1	1

13	1	1
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### Operating Cash Spent

Salaries

Payroll

Consultants 1099's

Rent

Utilities

Program Supplies

Interest on debt

Other

**Total operating cash spent**

**Net Cash from Operations**

**Net Cash w/restrictions**

**Net Non-Operating Cash**

**Ending Cash Balance**

20	20	20
-	-	-
-	-	-
-	-	2
-	-	-
-	-	-
-	-	-
20	20	22
(7)	(19)	(21)

(10)	0	0
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0	0	0
---	---	---

103	84	63
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Short term cash and liquidity is important in a crisis. Weekly forecasts facilitate greater visibility, especially if cash is tight.

Visit NFF's resource page for templates:  
<https://nff.org/covid-19-tools-and-resources-nonprofits>

# What About Restrictions?



Restricted revenue (time or purpose) may be received (as cash) when a grant is awarded but is not available to use until after the terms of the restriction is met



It's best practice to manage the transfer from 'with restriction' to 'without restriction' and account for this in our cash flow projections



With the COVID-19 crisis, many donors are loosening restrictions on grants so that organizations can have more flexibility. We advise organizations to check with donors to see if they can use cash for operations.

# Step 3: Separate Unrestricted & Restricted Cash



## Weekly Cash Flow Projection

Week of:

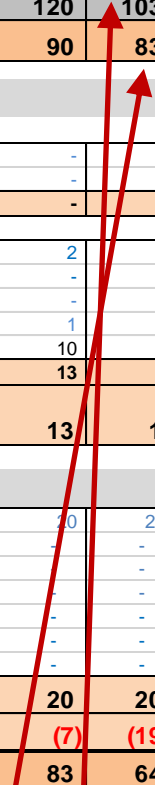
FY 2020

	4-May PROJ	11-May PROJ	18-May PROJ
<b>Beginning TOTAL Cash balance</b>	120	103	84
<b>Beginning Operating Cash balance w/OUT restrictions</b>	90	83	64
<b>Operating Cash Receipts w/OUT restrictions</b>			
<i>Earned</i>			
Program service fees	-	-	-
Other	-	-	-
<b>Total earned</b>	-	-	-
<i>Contributed</i>			
Foundation grants	2	-	-
Corporation	-	-	-
Special event(s)	-	-	-
Individuals	1	1	1
Net assets released from restrictions	10	-	-
<b>Total Contributed (w/out restrictions)</b>	13	1	1
<b>Total Operating Cash Receipts w/OUT restrictions (Earned + Contributed)</b>	13	1	1
<b>Operating Cash Spent</b>			
Payroll	20	20	20
Consultants 1099's	-	-	-
Rent	-	-	-
Utilities	-	-	2
Program Supplies	-	-	-
Interest on debt	-	-	-
Other	-	-	-
<b>Total operating cash spent</b>	20	20	22
<b>Net Cash from Operations</b>	(7)	(19)	(21)
<b>Ending Operating Cash Balance w/OUT restrictions</b>	83	64	43
<b>Cash w/restrictions</b>			
Cash received with restrictions	-	-	-
Cash released from restrictions	10	-	-
<b>Net Cash w/restrictions</b>	(10)	0	0
<b>Net Non-Operating Cash</b>	0	0	0
<b>Ending Cash Balance</b>	103	84	63

Separate beginning cash balances



Separate the inflow and outflow of cash with restrictions



# What About Non-Operating Cash?



Cash activity (from revenue and expenses) not directly related to/derived from the organization's core operations/program or other main activities.

(e.g. Capital campaign grants, expenses related to capital projects, gains/losses in the investment portfolio, one-time or extraordinary transactions such as the sale or write-off of assets, and dollars passed through an organization—e.g., re-grant funds.)



It's best practice to manage the non-operating activity separately in our cash flow projections



With the COVID-19 crisis, multiple funding options have emerged for those seeking relief/assistance (Federal: CARES Act; State: community foundation relief funds)

<https://www.councilofnonprofits.org/nonprofits-and-coronavirus-covid-19#funding>

# Step 4: Separate Operating & Non-Operating Cash



## Weekly Cash Flow Projection

FY 2020

Week of:

Separate beginning cash balances

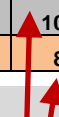


	4-May PROJ	11-May PROJ	18-May PROJ
<b>Beginning TOTAL Cash balance</b>	120	103	84
<b>Beginning Operating Cash balance w/OUT restrictions</b>	90	83	64
<b>Operating Cash Receipts w/OUT restrictions</b>			
<i>Earned</i>			
Program service fees	-	-	-
Other	-	-	-
<b>Total earned</b>	-	-	-
<i>Contributed</i>			
Foundation grants	2	-	-
Corporation	-	-	-
Special event(s)	-	-	-
Individuals	1	1	1
Net assets released from restrictions	10	-	-
<b>Total Contributed (w/out restrictions)</b>	13	1	1
<b>Total Operating Cash Receipts w/OUT restrictions (Earned + Contributed)</b>	13	1	1
<b>Operating Cash Spent</b>			
Payroll	20	20	20
Consultants 1099's	-	-	-
Rent	-	-	-
Utilities	-	-	2
Program Supplies	-	-	-
Interest on debt	-	-	-
Other	-	-	-
<b>Total operating cash spent</b>	20	20	22
<b>Net Cash from Operations</b>	(7)	(19)	(21)
<b>Ending Operating Cash Balance w/OUT restrictions</b>	83	64	43
<b>Cash w/restrictions</b>			
Cash received with restrictions	-	-	-
Cash released from restrictions	10	-	-
<b>Net Cash w/restrictions</b>	(10)	0	0
<b>Non-Operating Cash Receipts</b>			
Other Non-Operating Cash In	-	-	-
Draw on line of credit (LOC) or Long-term debt	-	-	-
<b>Non-Operating Cash Spent</b>			
Other Non-Operating Cash Out	-	-	-
Repayment of LOC or Long-term debt	-	-	-
<b>Net Non-Operating Cash</b>	0	0	0
<b>Ending Cash Balance</b>	103	84	63

Summary of restricted cash activities



Separate the inflow and outflow of non-operating cash



# Step 5: Review the Near-term Cash Position

Cash runs out in 6 weeks – options?

## Weekly Cash Flow Projection

FY 2020

Week of:

**Beginning TOTAL Cash balance**  
**Beginning Operating Cash balance w/OUT restrictions**

4-May PROJ	11-May PROJ	18-May PROJ	25-May PROJ	1-Jun PROJ	8-Jun PROJ	15-Jun PROJ	22-Jun PROJ	29-Jun PROJ	6-Jul PROJ	13-Jul PROJ	20-Jul PROJ	27-Jul PROJ
120	103	84	63	44	19	0	(21)	(41)	(59)	(79)	(103)	(123)
90	83	64	43	24	(1)	(20)	(41)	(61)	(79)	(99)	(123)	(143)

### Operating Cash Receipts w/OUT restrictions

*Earned*

Program service fees  
 Other  
**Total earned**

-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-

*Contributed*

Foundation grants  
 Corporation  
 Special event(s)  
 Individuals  
 Net assets released from restrictions  
**Total Contributed (w/out restrictions)**

2	-	-	-	2	-	-	-	10	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
1	1	1	1	1	1	1	1	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-	-	-
13	1	1	1	3	1	1	-	10	-	-	-	-

**Total Operating Cash Receipts w/OUT restrictions (Earned + Contributed)**

13	1	1	1	3	1	1	-	10	-	-	-	-
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### Operating Cash Spent

Payroll  
 Consultants 1099's  
 Rent  
 Utilities  
 Program Supplies  
 Interest on debt  
 Other

20	20	20	20	20	20	20	20	20	20	20	20	20
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	8	-	-	-	8	-	-	-	8
-	-	2	-	-	-	2	-	-	-	4	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-

**Total operating cash spent**

20	20	22	20	28	20	22	20	28	20	24	20	28
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**Net Cash from Operations**

(7)	(19)	(21)	(19)	(25)	(19)	(21)	(20)	(18)	(20)	(24)	(20)	(28)
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**Ending Operating Cash Balance w/OUT restrictions**

83	64	43	24	(1)	(20)	(41)	(61)	(79)	(99)	(123)	(143)	(171)
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**Net Cash w/restrictions**

(10)	0	0	0	0	0	0	0	0	0	0	0	0
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**Net Non-Operating Cash**

0	0	0	0	0	0	0	0	0	0	0	0	0
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**Ending Cash Balance**

103	84	63	44	19	0	(21)	(41)	(59)	(79)	(103)	(123)	(151)
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# Common Missteps in Cash Flow Projections

- Not including a beginning cash balance
- “Straight-lining” income and expenses



Not all expenses should be ‘straight-lined’ (divided equally). Utilities can vary significantly by week/ season

- Not accounting for the accurate number of weeks in a particular month



Payroll: Varies if you aren’t paying weekly; If you are on a bi-weekly payroll, there will be 2 months of the year with 3 pay periods

- Comingling restricted cash with current operating cash
- Insufficient or too much detail
- Not noting “cash in” from receivables incurred in earlier periods

# Strategies for Managing Cash Flow

## Options available to nonprofits

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### Have cash

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

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### Receive cash

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

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### Do not spend cash

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

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### Borrow cash

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



# Step 6: Anticipate Financing Needs; Access If Available and Appropriate



## Weekly Cash Flow Projection

FY 2020

Week of:

	4-May PROJ	11-May PROJ	18-May PROJ	25-May PROJ	1-Jun PROJ	8-Jun PROJ	15-Jun PROJ	22-Jun PROJ	29-Jun PROJ	6-Jul PROJ	13-Jul PROJ	20-Jul PROJ	27-Jul PROJ
<b>Beginning TOTAL Cash balance</b>	120	103	84	63	44	19	0	4	4	1	1	(3)	(23)
<b>Beginning Operating Cash balance w/OUT restrictions</b>	90	83	64	43	24	(1)	(20)	(41)	(61)	(79)	(99)	(123)	(143)
<b>Operating Cash Receipts w/OUT restrictions</b>													
<i>Earned</i>													
Program service fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total earned</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Contributed</i>													
Foundation grants	2	-	-	-	2	-	-	-	10	-	-	-	-
Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-
Special event(s)	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	1	1	1	1	1	1	1	-	-	-	-	-	-
Net assets released from restrictions	10	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Contributed (w/out restrictions)</b>	13	1	1	1	3	1	1	-	10	-	-	-	-
<b>Total Operating Cash Receipts w/OUT restrictions (Earned + Contributed)</b>	13	1	1	1	3	1	1	-	10	-	-	-	-
<b>Operating Cash Spent</b>													
Payroll	20	20	20	20	20	20	20	20	20	20	20	20	20
Consultants 1099's	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	8	-	-	-	8	-	-	-	8
Utilities	-	-	2	-	-	-	2	-	-	-	4	-	-
Program Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating cash spent</b>	20	20	22	20	28	20	22	20	28	20	24	20	28
<b>Net Cash from Operations</b>	(7)	(19)	(21)	(19)	(25)	(19)	(21)	(20)	(18)	(20)	(24)	(20)	(28)
<b>Ending Operating Cash Balance w/OUT restrictions</b>	83	64	43	24	(1)	(20)	(41)	(61)	(79)	(99)	(123)	(143)	(171)
<b>Net Cash w/restrictions</b>	(10)	0	0	0	0	0	0	0	0	0	0	0	0
<b>Non-Operating Cash Receipts</b>													
Other Non-Operating Cash In	-	-	-	-	-	-	-	-	-	-	-	-	-
Draw on line of credit (LOC) or Long-term debt	-	-	-	-	-	-	25	20	15	20	20	-	-
<b>Non-Operating Cash Spent</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Operating Cash Out	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of LOC or Long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Non-Operating Cash</b>	0	0	0	0	0	0	25	20	15	20	20	0	0
<b>Ending Cash Balance</b>	103	84	63	44	19	0	4	4	1	1	(3)	(23)	(51)

# Common Options for Using Debt to Address Cash Flow

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## 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

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## 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

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## 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

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## 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

# The Lender-Borrower Relationship

## Lenders look for...

- Track record of financial strength
- Engaged management and governance
- Good planning and reporting
- Reliable repayment sources

## Organizations look for...

- Mission alignment
- Tailored financing
- Community connection
- Fair loan terms
- Reasonable application process

# Fiduciary Responsibilities of Boards During COVID-19

## Cash Flow Projections, Budgets and Boards



# Step 7: 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

# Thank You!

[nff.org](https://nff.org)

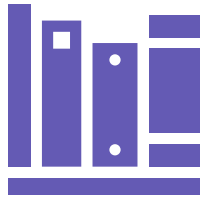
[investinresults.org](https://investinresults.org)

[@nff\\_news](https://twitter.com/nff_news)



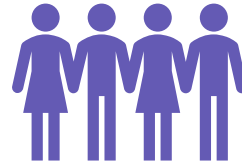
# COVID-19 Resources

<https://nff.org/covid-19-tools-and-resources-nonprofits>



## Self-guided resources

- Website-based
- Blog and downloadable tools



## Group programs

- Webinars
- Small-group coaching sessions
- Cohort / custom group programs\* (arts, health, etc.)



## Individualized help

- 'Ask NFF' email service and FAQs  
<https://nff.org/ask-nff>
- Individual coaching sessions\*

\*to inquire about these services please contact [consulting@nff.org](mailto:consulting@nff.org)