

Cash Flow Planning

What is Cash Flow Planning?

Planning and monitoring monthly inflows and outflows of cash to determine the net cash position and maintain solvency.

Why is Cash Flow Planning Important?

- Plan for periods of tight cash flow
- Provide information on when excess cash is available for investment
- Assist volunteer leaders to understand the cash cycle

The Cash Trap

Cash Trap: positive Statement of Activities (Profit / Loss) but run out of cash. This happens when you have expenses that occur early or evenly throughout the year and revenue and billings are collected later – e.g. National Philanthropy Day

Key Cash Flow Planning Steps

- 1) Establish an accurate beginning cash balance across all accounts
- 2) Identify primary sources of cash inflows and outflows
- 3) Group minor sources in some logical grouping
- 4) Create a monthly cash model
- 5) Carefully plot the timing of primary transactions when developing the model
 - a. Ensure that cash related business decisions coincide with available cash
- 6) Update the Cash Flow Model as actual information becomes available