**Ruth McCambridge:** Hi, everybody! I'm Ruth McCambridge, and I'm the Director of Content here at Nonprofit Financial Commons. As Director of Content, I can tell you that absolutely everything we do is guided by the questions that you say that you want answers to, and so you'll see that reflected very much in the questions that came up at the beginning, in the first slide that we just showed, and then subsequently in all the content. All of our content is guided by you.

**Ruth McCambridge:** Before I get started today, I want to say that this session is sponsored by EideBailly, and here's their statement about why they sponsor it. They say, “It takes heart and perseverance to operate a nonprofit. Your passion is your mission, and you work endlessly to fulfill it. But governance, compliance, finance, and operational issues can dominate your time and resources. At EideBailly, our goal is to combine our knowledge of accounting, financial reporting, tax requirements, and business strategy with in-depth experience in nonprofits to help to successfully manage your organization.”

**Ruth McCambridge:** About this particular topic today: This is very close to my heart. I personally feel, having come up managing a lot of small nonprofits that I cared a lot about, that you can't possibly really be empowered until you manage to successfully master the cash management and cash flow inside of your organization. It really gets you on intimate terms with your nonprofit. So, I'm actually thrilled to be sitting in on this today, and particularly because Kate Barr is one of the mentors on how to put together and how to think about cash flow. Even in preparation for this workshop, she reminded me of some of the basic concepts that are so important to doing this. She's famous for her hands-on, practical, “Here you go! You do it this way.” And so, this is bound to be an absolutely wonderful session.

**Ruth McCambridge:** I do want to say before we start that, because your questions are incredibly important to us, you should feel very free to use the chat, and the chat is being moderated today by Wade Rogers. We want you to feel very welcome to ask any question at any time. They'll be picked up when and if we can manage them and posed to the presenters, or we'll follow up on them later. If you can answer each other's questions, all the better. That's great. And you don't have to ask questions just about this session; you can also ask questions with the, more generally, “I wish you would do something on this topic,” because you've been reminded of it during this session.

**Ruth McCambridge:** Going on, I want to introduce you to our wonderful presenters today. I'm gonna introduce you first to Jessica Mayo, who's at the MICA Project, and I'm so happy that she agreed to present her organization as a case today, it really is such a gift to the whole community when one member steps forward and says, “Yeah, I'll be your test case.” And she's just got such a grounded understanding of the importance of cash projections. It's great. I just mentioned to you that Kate Barr is probably one of our national, probably the best possible person that you could hear on this topic, so I'm very happy to introduce her. And then Dana Britto is another one of our moderators, and she also knows this particular topic very intimately by working directly with many, many nonprofits. With that I'm going to hand this over to you, Kate, and have fun.

**Kate Barr:** Thank you, Ruth. “Have fun” and “cash flow” actually go hand in hand for me, as you know. So, thank you for those kind words, and welcome to everyone who is here today. And again, I agree. I'm very thrilled to have Wade and Dana and Jessica here with us today.

**Kate Barr:** So, what we're gonna talk about today is just the value of managing cash flow and some of the considerations and fundamentals of it. But also some nitty-gritty about how to do it, and then we'll hear from Jessica about the actual experience at the MICA Project, which will be great. But, as Ruth said, your questions are actually an enormous part of the value of this session. So please do jump in, add your questions, respond to each other, and we will go on.

**Kate Barr:** So, let's start with this fundamental question of “why?” Why manage cash flow? You've got a budget. You've got your accounting system. You have your monthly financial reports. You're talking to your board about your finances. Why do you need to also manage cash flow? And to me, it really is, it's just part of the of the task of managing the finances of a nonprofit. And it's distinct, and so that distinction is what makes it so important, because cash flow differs from your operating budget. It differs from whether or not you're gonna have those grants come in that you budgeted, because it matters when, not just if. And so, it is really supplemental to all of the other financial reports and the other financial activities you do.

**Kate Barr:** One of the reasons it's so important, one of the big whys, is because cash flow is much bigger than your operating budget. It also incorporates activities that may have happened in a previous year, or that are gonna affect your next period of time, and financial activities that are not related to your operating budget but have to do with a mortgage on your building, or capital campaign, or some of those other considerations. So really, it fills out your financial management, and frankly brings peace of mind and brings confidence and stability to the organization. It also allows you to manage risks, but also to take advantage of opportunities, because in times where you do have significant cash, you can invest it. You can earn some income.

**Kate Barr:** So, I will say, whether or not you have ever had a cash flow problem, or worry, or if you find that you do have significant cash, all nonprofits have some kind of cash flow dynamics that are worthy of attention. It's just a matter of how you do that when you do that, and who does that.

**Kate Barr:** So, we want to find out really what your experience is to set us on the first course. So, our poll question, which Amanda is going to put up, the question that we're asking is, a), do you use cash flow projections on any kind of regular basis? And if so, why? What is your primary reason for wanting to use cash flow projections? So, we're gonna give you a minute on that survey to answer, and then we'll just kind of check in on where you are. So, do you? And what is the primary reason?

**Kate Barr:** Okay? Good. Good. I can tell you that I have been part of nonprofits as a leader or an employee, in addition to an advisor — everything from startup, small organizations to organizations going through crisis, to most recently a $10 million organization. And we still manage cash flow at every single one of them for good reasons. So, well, here we see our answers. I'm glad to see. So almost 70% say regularly do use cash flow projections, and the primary reasons: tight cash flow, overall confidence — absolutely, that confidence that's there — and other reasons. Thank you so much. Really. This also really jibes with the experience I've had working with… probably hundreds of nonprofits on their cash flow and some of their financial management. So, thanks, Amanda. You can put that down. Great.

**Kate Barr:** Well, let's move on and talk about some of these fundamentals of cash flow. And then we're going to talk about a couple of examples, some of the nitty-gritty and nuts and bolts. Dana's going to share some of her experience and perspectives, and then we're going to hear from Jessica.

**Kate Barr:** So, fundamentals. Essentially, one of it is kind of a quick review of the difference between accrual accounting — accrual accounting, where we recognize revenue when it is earned or committed to us, like a grant or pledge, and when expenses are incurred, when we have committed ourselves to paying something because we got benefit from it. Somebody worked for us as an employee. A contractor delivered a service. So here we're gonna do a super simple example. Here's an organization's — a single month, just the month of May of 2024. It's current, so they're very confident in all of this information. They're going to have a state contract, a foundation grant, and so they're going to have total income of $150,000. And they have expenses. They have payroll. They have some other expenses, and they're gonna have a surplus for the month. So, in the month of May. Pretty good month, and they know it's gonna go well, because it's… there are no big assumptions in there.

**Kate Barr:** So, this is the accrual accounting version. But what happens when we're talking about cash flow? Cash flow isn't about how much was earned or incurred, but about when. So, here's our example organization. When they actually receive the cash, and when they actually pay out the cash, doesn't all happen in the month of May. Ignore all the other months, just for the month of May, The state contract, typically… many state contracts, at least here in Minnesota, are reimbursement based. So, they're gonna get this $100,000 later. In June. Maybe a little bit in July. The foundation grant: They got the commitment. But they're not going to get the check until June.

**Kate Barr:** So, they're not going to actually receive any cash income in May. But then on the expense side, for most of our expenses, or many of our expenses, we often pay them kind of right away — especially payroll, which, typically for a nonprofit, is a significant portion of the expenses. So, the payroll goes out right away in May. Most of the bills get paid in May. It's the rent, the utilities, the phones, things like that. Some of the expenses get paid the next month.

**Kate Barr:** So, if you, again, look at just this super-simple one month, the month of May is a good month on the accrual basis, but it actually uses cash, and then they get the cash in June and July. So, this is, very quickly, why cash flow matters.

**Kate Barr:** So, let's talk about, though, what some of the factors are that we have to think about when we're managing cash flow. We have to think about how cash comes in the door. And revenue coming in the door, or other cash coming in, is typically for most nonprofits the part that makes cash flow so important, because revenue is almost always lumpy or uneven. In some ways. There are very few sources of income that are even, one-twelfth every month for a year. There are some, but not most. So, because of that, you think about: reimbursement-based contracts; cash cycles; if we do any kind of billing to insurance, or Medicare, or any other third-party payor like that; seasonal timing of tuition fees, camp registrations, any kind of things like that; lumpy cash flow for grants; and any kind of swings in annual contributed income because of your annual campaign year-end special events, all of that. So, all of that means that your incoming cash probably goes up and down during the year.

**Kate Barr:** We also, when we're thinking about managing cash flow, have to consider, how are we going to manage restricted cash? Are we gonna manage just all of our cash together and use it when we need it? Or do we want to pay particular attention to cash that really is in the form of a restricted grant, so that we know we have it? Do we want to set it aside? Or do we want to incorporate it in our cash? And this is a decision that you make, but you have to make it understanding what decision you're making. We'll talk about that a little bit when we talk about the actual technical projections.

**Kate Barr:** So, cash coming in usually requires some information gathering. You really need to understand when all of this is gonna happen. What about on the going outside? When cash goes out, same thing. What's the timing of those cash expenses? How often is payroll? While payroll may indeed be fairly even through the year, if you have, for example, payroll once a month, you probably have one week a month where there's a lot of cash going out, and if you have tight cash flow, you have to pay attention to that. If you have payroll every other week, then there are usually two months a year where you have three payrolls. You have to pay attention to that. Do you have periodic lump sum expenses for contractors, for your audit, for special events, for anything like that? Do you have seasonal expenses that have to do with your program cycle? And then do you have any expenses that require prepayment. You have to rent the space, you have to build the sets months before you actually put on the play. You have to pay things in advance.

**Kate Barr:** One of the other things to think about with outgoing cash, because your expenses actually are usually far more even through the year than your revenue is. So it's far more even, but you do have the ability to make decisions about how quickly you pay your bills, how quickly you pay your accounts payable when a bill comes in. Sometimes it's appealing to just pay it right away. But if you're managing your cash for either investment or for cash flow purposes, you might want to wait until that 30-day term for the your accounts payable. So, making that decision. And are you paying off things that are from the previous year, because you had had agreements, or you had accounts payable that came in? So, timing of cash flow doesn't fit the 12 months of a fiscal year. It goes on.

**Kate Barr:** So, think about the incoming, the outgoing. But again, cash flow is more than operating expenses and operating income, so think also about some of the other common things that affect cash flow like purchasing new computers, purchasing a van. Any kind of capital assets. Loan payments. Interest, for example, is an expense in your budget. Principal payments is not, so that's a cash flow thing that you have to factor for. If you are doing any kind of a special project, like a capital campaign, a large building project, or have a cash-intensive business model, then you have to manage cash flow particularly carefully. Even if it's a large amount, you really have to manage it very carefully and potentially, and even have a separate cash flow projection for that campaign or that activity.

**Kate Barr:** Remember that non-cash expenses, like depreciation or in-kind donations and in-kind expenses related to using those in-kind expenses aren't part of cash flow. So that depreciation expense actually sometimes can help you build up some cash because it's an expense in your budget. But it's not a use of cash.

**Kate Barr:** One of the other things that comes up in cash flow protections is, because it is about timing, you might decide to use a line of credit to fill in some of those gaps, or to use cash reserves and then replenish them in the cash flow. And the only way to answer the question about using a line of credit, or how to ebb and flow with reserves, is to do the projections so that you can see when the needs are and what the amounts are.

**Kate Barr:** So, all of this, then, leads us simply to the desire to have cash flow projections. One of the questions with cash flow projections is, how frequently do you need to prepare them? And that is definitely dependent on your situation. I believe that every nonprofit should at least do them once a year. With your budget, do some version of a cash flow projection, even if it's an executive level, just so you have a sense of, will your cash be more at the end of the year? Less? How is the operating budget that you have projected going to affect cash? It's likely that you'll want to do them at least quarterly. Monthly is a very common cadence, and if you're in a period of really tight cash flow, you might even do them week by week for a period of time, because of that need to manage it so carefully.

**Kate Barr:** So, let's talk about just the technical: How do you develop cash flow projections? So you start with your budget and income and expenses, and knowing any capital purchases you're going to make during the year. You have your current financial information about any loans you have, any payables, any receivables, all of those kinds of obligations that are going to affect cash. You know your current cash balances: your unrestricted, your restricted. If you have designated reserves, and you've made some decisions about how you're gonna manage those? Are you gonna only do cash flow for unrestricted, and then bring restricted in and out? Or are you gonna combine them all?

**Kate Barr:** And then you have to estimate the timing. Dana will talk in a few minutes about who's involved. Because the information for this, when you think about it? Who knows when grants are gonna come in? Who knows when government receivables are gonna get paid, or when the technology is gonna be purchased? And so, you need all that information, so it's likely that more than one person, more than the finance director, needs to be involved in developing the cash flow — at least, in gathering the information for it.

**Kate Barr:** And then, how you actually do it technically? Use the available tools you have. Your accounting system may be helpful, but I will tell you I have never beaten Excel spreadsheets for cash flow projections. I've tried it in QuickBooks. I've tried it with different accounting software. But the ability to be flexible, to move things around, to play “what ifs” cannot be beat in a good old spreadsheet. I know some of you wish that there was a software. I don't have one for you. I really think it's Excel as the best tool for cash flow projections.

**Kate Barr:** So, let's look at the example. We're gonna use an example of an organization. I'm just gonna quickly show you what a projection looks like. But then I will promise you we have a number of tools and templates in the resource section of the Financial Commons website, and we'll post some of these in the follow-up to this webinar. So, here we have an example organization, a little bit over $1.2 million budget. It's a mix between foundation grants, donors, and a state contract and some program service fees. So, remember, we've talked about some of the factors on the timing on those revenues.

**Kate Barr:** On the expense side, personnel is a big chunk of it, typical for a nonprofit. They have some other contracted services and expenses. I called depreciation out specifically on the budget just to make the point that that's a non-cash, and so will not affect our cash flow. And then they budgeted a nice and modest surplus of $60,000. So, keep this in mind. This is the budget.

**Kate Barr:** So now, when we move on to cash flow, this is a projection that is built based on a template built by Propel Nonprofits. There are a number of them, but I worked for Propel for many years, and I'm a fan of this one, and I just have a snapshot of four months’ worth. So, think about again the timing, that lumpiness and cyclicality of revenue, of revenue cash coming in. They have some grant money coming in. They have that state contract that's gonna kind of gear up and get paid, but always a reimbursement based.

**Kate Barr:** Notice that there's a line on the cash flow that that I developed called “funds released from restricted,” because in this case, the organization decided not to only do cash flow protections with unrestricted cash and to bring the cash in when they when it was actually used as per the restriction. They're collecting some accounts receivable from the previous year. So here you see this up-and-down of cash coming in during the months.

**Kate Barr:** On the expense side, it’s far more even. Payroll's the same every month. A lot of the expenses are the same every month. And one of the things to keep in mind with cash flow, at least the approach I've done: I'm not after perfection. I'm after a really solid estimate. So, there are some expenses that, even though, yes, they're up and down a little bit month, they’re just not material enough, and I just spread them across. But you notice the contract services do lump up and down. This organization has contract services, and they know that they're gonna pay a particular contractor or consultant or their auditor at certain times. So, they factored that into the cash flow.

**Kate Barr:** In addition to their operating income and expenses, they have a mortgage on their building. The interest is in the operating expenses, but the principal payment has to get factored into cash flow. And then they're gonna buy some technology, or do a renovation, so there's some capital expenses. So, notice that this budget, $1.2 million with a surplus, has some periods of higher cash, and then cash starts to go down. So, this is the whole value of a cash flow projection, is to be able to predict these things and anticipate whether or not there are any decisions that need to be made, any questions that come up, anything that we really want to think about, to potentially do differently, or just to be aware of. So that's the basics. Again, we will share tools and templates for you.

**Kate Barr:** But there are some more things that come up here, which is, so then once you have the projection, what are you going to do? So, I'm gonna turn it over to Dana Britto to talk a little bit more about what some of the decisions are, what the risks are, and what you might want to do about it. So, Dana?

**Dana Britto:** Thanks, Kate, and thank you all for attending, and again, lots of activity in the chat. Please keep it coming. Again, my name is Dana Britto. I'm a moderator for the Nonprofit Financial Commons. I also do independent consulting around financial management for nonprofits, and cash flow’s a big area of concern for most of the organizations that I work with, so I really appreciate the perspectives that are coming in.

**Dana Britto:** Kate, if you could switch to the next slide? So, we're essentially looking at and using the hypothetical example that Kate had mentioned before. And basically, what you're looking at on the screen is that if we take their ending cash balances, and if you were to see that whole, all 12 columns for all 12 months, and look at those cash balances, you’re seeing what the swings look like throughout the year. And so, again, to Kate's point — again, this is a $1.2 million organization projecting a roughly $60,000 surplus, and yet throughout the year, there's some pretty hefty swings in cash flow. Which is, again, can be very normal for organizations, right? I think the key element here, and the point that we're really trying to emphasize is, making sure that, okay, if there is a point in the year where cash is low or very limited, it's really imperative to make sure that you are identifying those periods as quickly as possible so that you can plan for them as proactively and give you as much of a runway to make the decisions that you need to make. And I think this is a slide that I think especially really highlights the educational piece of cash flow — and I think, especially for non-finance folks. Whether they're on the board or staff, they’ll hear about you being awarded a huge grant and will automatically assume you can spend immediately. And it's like, “No….” Essentially, what you have at that moment is usually a grant letter. Unless it comes with a check next to it, which is always nice, typically you are getting an award, not necessarily the cash. So, again, this type of depiction and pictorial view is always, I think, a really nice way to incorporate and to really help democratize the financial management experience, particularly for nonfinance members of your team. Next slide, Kate?

**Dana Britto:** So, assuming you've gone through all of the steps that Kate mentioned in terms of projecting cash flow, thinking about your cash items, thinking about those capital purchases, thinking about any loans that you might have, what do you do, based on the results and based on what you're seeing? So I think, particularly for those times of the year, those months of the year where you are projecting really tight cash periods, the options are speeding up cash receipts or potentially — and, again, within reason and without jeopardizing strategy and relationships — slowing down potential payments where you can. Right?

**Dana Britto:** And so, I think we're getting a lot of questions about, how much should I have in the bank? How much should I have in reserves? And I think a lot of that, I think, certainly will depend on who you are as an organization, your financial health, and your business model. But I think — we've already seen it in the chat — a lot of organizations who are highly dependent or have significant amounts of government grants, really thinking about having either reserves and/or a line of credit is actually really imperative to your ability to stem the inevitable delays that will usually come with government grants in particular.

**Dana Britto:** But before we get to that, thinking about potential options on the cash receipts side. So, are there ways that you could potentially accelerate pledges? Are there ways that you could negotiate advances on government contracts, particularly those that are fee-for-service based? Are there ways that, again, where you could target any of your individual giving, or any type of general operating fundraising and accelerate that fundraising activity? So, it's really thinking about where you have the most flexibility in terms of accelerating payments, and particularly for unrestricted payments. Trying to accelerate those types of fundraising activities and events.

**Dana Britto:** In terms of outgoing cash, again, I think this is where you need to be careful, because you don't want to jeopardize relationships with vendors, and you also want to maintain the quality of your program and your mission impact. But it's thinking about, you know — again, payroll is usually the biggest thing that we try to protect, so really making sure you have at least one or two, a couple of payrolls available in cash is really critical. But also thinking about, what payments absolutely need to happen this month? Which ones can happen the month prior, or at months where we have additional funding coming in? Again, I think, to highlight, the line of credit is, I think, can be hugely transformative and helpful for organizations, especially those reliant on fee-for-service income, and usually the time to apply for a line of credit is before you need one. So, really being, again, proactive and using cash flow projections, especially when you're going through the due diligence process and applying for loans to sort of indicate when you would draw down, when you would repay, any outstanding balance cleanup that you would need to have. Lenders are gonna probably want to work through that with you and will probably need cash flow. So, especially if you're thinking about a line of credit, now is the time to really be proactive about managing your cash flow.

**Dana Britto:** And then, especially for large capital purchases, I think, again, if a boiler breaks, you don't really have a lot of time to necessarily delay those types of expenditures, but for larger capital renovations or purchases in periods where you are particularly cash tight, being really thoughtful about, “Does this capital project really need to happen now? Or can we wait when we have a little bit more of a cash cushion that is hopefully supported with additional cash receipts?” So, again, the key here is making sure you're doing the projection so that you can highlight the cash-slow periods and accelerate receipts, delay certain payables when necessary, utilize a line of credit and/or your reserves.

**Dana Britto:** And then, in times when you are… especially if you have extraordinarily high cash balances, how are you maximizing that? Are there portions of that that you could invest to yield and generate returns for the organization, or invest in reserves? Being more strategic in those periods where you are more cash-flush really depends on, again, that forward-looking cash-flow planning. Next slide.

**Dana Britto:** And so, as it relates to who should be doing cash flow planning and when, I think — again, like Kate mentioned, I think the frequency of cash flow planning can vary, especially depending on your cash position, right? Especially if you are particularly cash constrained, for some organizations that can be a weekly exercise. In the early days of the pandemic, many of us, at least on a weekly basis, if not daily basis, were looking at cash flow and adjusting and readjusting projections going forward. So, I think the frequency might vary by organization. But I like to think of cash flow as something that you bring into your normal cadence of financial performance management and monitoring. So, if you're an organization that regularly looks at budget-versus-actuals and your balance sheet, and usually — again, it can vary by organization, but monthly or quarterly at least is usually a good baseline or best practice to adhere to.

**Dana Britto:** Ideally, you’re not just doing that in a silo as a finance person. Your lead finance person, for sure, plays a great role in terms of aggregating and pulling together the information. But they're doing it based on perspectives and inputs from a cross-functional perspective. So, for those of you who are in the middle of gala season and are ramping up for your events, you really need to pull in development to get those pledges right and to make sure that you have a great understanding of not just what's coming in in aggregate, but potential timing as well, especially if you're getting multi-month or multiyear pledges. For those of you who are heading into summer camp season, your payroll may change very significantly when you’re filled with temporary staff and contractors tied to that programming, so bringing in program staff. We’ve talked about this before: For government, for anyone who is working with fee-for-service contracts, your program folks are really gonna have the eyes on the ground in terms of the program outputs and outcomes and the ability to meet those outcomes, to generate those invoices and those vouchers, and doing that as timely and as quickly as possible because we know the government can be very slow to pay.

**Dana Britto:** So, there's many ways that you pull in cross-functional perspectives, as it relates to projecting the cash flow. And in terms of reviewing the results, again, finance committee might be a little bit more in the weeds, but on the board level, it's keeping the picture at a high level and keeping it more strategic, especially in months where you’re cash slow: “These are the high-level strategies that we're doing, pulling on the line of credit, postponing capital projects.” And then, in months where you're cash high, really thinking about, “How is this money working for us? Can we use this to build reserves, and how do we utilize these funds in this particularly cash-flush period to sustain us and build longer-term sustainability?” So, with that, I'll hand it back to our team.

**Kate Barr:** Thanks, Dana. Great guidance, great advice. I'm gonna actually turn it over to Wade, and we're gonna get to a handful of questions from the chat right now. Then, we're gonna talk to Jessica, and then we'll have more questions. So, Wade?

**Wade Rogers:** Thanks, Kate. Thanks, Dana. Nice to see everyone virtually. One of the bigger questions I want to very quickly answer: Will the slides and materials be available afterwards? And the answer is, yes, you will be notified, and they'll be available on the website after the webinar.

**Wade Rogers:** Moving into… there was quite a lot of discussion about the “cash released from restriction” and some different definitions. And I wonder, Kate, on that that fantastic template, where you talk about the release from restrictions, there can be a differentiation. I wanted to make sure there's no confusion over whether it's the funder releasing you altogether, or if it's, you're satisfying your restrictions on a grant, and I actually think the answer is either, but I think your assumption is the latter on that one.

**Kate Barr:** Yeah, you're right, Wade. Really, the reason that I call it out so clearly is to make the distinction that there are times where that's too risky, to not distinguish it. So, if — again, this is one of those “it depends” — so, in many cases, you're getting grants that are restricted to a program, but it's an ongoing program that you know you're gonna do. There's not a lot of risk around not performing it or using up the money. But there are also times where you may have a fairly large restricted grant — you know, a couple of hundred thousand for projects that are gonna take place over a couple of years, and it's just enormously risky to use all the cash now and not have it in the future. So, it's one of those judgment calls that you have to make, but I think that it's just important to make it intentionally and not accidentally.

**Wade Rogers**: That's a really great response, because that mixes in with another one of the questions. You know, there's often been debate over… in a previous webinar, we talked about liquid, unrestricted net assets and not including restricted cash in that, because it sort of penalizes you on that number. And it piggybacks with a question that came in with the registration: How strict should you be about using cash that's designated for restricted activities? And I think that you're right, that there's sort of that gut feeling as to whether you're including those amounts in those that cash balance or not. So, thanks for clarifying that.

**Wade Rogers:** Also, Dana, talking about managing those cash balances, one of them that I thought was really interesting that came in was asking about resources related to policies and procedures relating to this cash flow management. I thought, that's really great, because I'm not sure if I've seen organizations that have implemented something like, “Hey, we're gonna actually make sure that we hold invoices longer, or that we negotiate with vendors, or we really think about maintaining cash on hand, especially now that the placement of cash generates us more interest income.” What's your response on that, sort of almost like memorializing these procedures?

**Dana Britto:** Yeah, no, I love it, and it's a great question. And I will say, I understand. In certain cases, I can support that memorialization of those processes and policies, but also only to the extent that you're ready and willing to revisit those policies regularly, at least annually. Right? Because I think that those policies do need to depend on your access to cash, and your sister reserves, lines of credit, what have you. Ideally, you are doing cash-flow planning, or at least your first pass at a projection, right around budget time, or after the budget is finalized by the board and approved by the board. So that's your first pass, and that should give you at least a sense of like, “Okay, in months where our cash dips below a certain level, yeah, we probably — these are a short list of things that we can either delay payments for, or a quick list of donors that we can potentially work with in terms of negotiating.”

**Dana Britto:** So, I love the idea of memorializing a process, but I think only to the extent that you're ready to revisit it each year based on what your balance sheet looks like, so your cash flow and your reserves. And then also the story that the budget is telling, and also from that, the timing of the receipts and the expenditures year over year. Because those three things — your policy and your process and your strategy really should be changing based on all of those things, every year.

**Wade Rogers:** Great. Thanks so much. I see on our timing we need to move on to the next section, but I will be back for more Q&A towards the end of the webinar. So, keep the chat coming. It's quite lively. Thanks.

**Kate Barr:** Yeah, great. Thanks, Wade. Great questions, just to get started. Well, I am thrilled right now to welcome Jessica Mayo to join us to talk about the hands-on practitioner experience of what it is that she does at the MICA Project. I'm gonna stop sharing slides for a minute, so that we can just see Jessica and me. (Thanks, Amanda.) So welcome, Jessica. Thank you so much for joining us. I'm gonna ask you to start just by kind of sharing an overview of the MICA Project and your role and all that.

**Jessica Mayo, MICA Project (she/her):** Sure. Yeah. Well, thank you for having me. I am very happy to be here. Our organization very much appreciates the resources from these webinars. The MICA Project is the Migrant and Immigrant Community Action Project. We are located in St. Louis, Missouri, and we provide immigration law representation. I'm an immigration attorney, and also one of the co-directors of the organization. We also have wraparound services through our client support services department and also do outreach and advocacy work. So, we have a currently have a budget of about $1.3 million and 15 staff members. And we started about 12 years ago.

**Kate Barr:** Great, thanks, and even though you're very close to them, my hypothetical organization, I just want to disclose: That was not the MICA Project’s cash flow.

**Jessica Mayo:** [laughs}

**Kate Barr:** But, Jessica, actually, tell us just what it is, why and how do you manage cash flow at the MICA Project?

**Jessica Mayo:** Yeah, yeah. It was a hypothetical graph, but certainly not dissimilar to some of the changes we see throughout the year with that cash flow. We originally did cash flows when we very first started because we didn't have much in reserves and really needed to know what was coming in each month. And then at one point, our reserves had grown a fair amount, and we just kind of fell off the practice. But in November 2022, we bought our building, and, through that, of course, depleted some of our reserves through that, and some buildout that we did. Not completely, but they were a lot lower than before. So, we started doing our cash flows again.

**Jessica Mayo:** We also get some government grants now that are reimbursement based, especially the state-funded grant that I saw some folks talking in the chat about, that being one of the special pinch points where there are a lot of delays. So, we have a cash flow that we do at the beginning of the year, and then I usually update it once a month. At the close of the month, I get the totals and compare those to what we had projected, and what actually came in, and what might still be coming in. Ours is very focused on revenue. The expenses are pretty consistent throughout the year, and I overestimate on expenses throughout the year so that we're erring on the side of caution if needed.

**Kate Barr:** Yeah, and that that's a great observation. Because again, as I said, I'm never after perfection with this. But even the overestimating, because I sense that one of the reasons to do it is that you just want to have confidence. And so, by overestimating expenses and being really realistic with revenue, that helps you really feel that you really know the timing.

**Jessica Mayo:** Yeah, absolutely, and also helps us plan in some of the ways some of the suggestions that we're given. This year, we decided to push our summer campaign to a spring campaign to get some of those funds coming in a little bit earlier to help out with some of the other revenues that are perhaps coming a little bit later, just to smooth it out a little bit.

**Kate Barr:** Yeah, perfect example. Exactly that kind of decision that you can do when you anticipate it. Now, you mentioned that you update the cash flow every month, and that you do this. Now, you're the co-director. Finance is not your full-time job. Tell me about the role, like who's involved, and what goes into your choice to be so very intimately involved with it.

**Jessica Mayo:** Yeah. So, we still consider ourselves a pretty small organization, and each person wears a lot of hats. So, I also do some grant writing and some of the fundraising. My co-director and I, and our director of operations, all kind of work together on projecting when those different financial pieces are coming in. And there are one or two other staff members who also write grants, so I'm also working with them to talk about, “If this one comes, when would we start billing for it, or when would those funds be received?” So, it's definitely a collaboration. Our board treasurer looks at the full cash flow spreadsheet before each board meeting, which is every other month. The board itself gets quite overwhelmed by a spreadsheet with that much information, so sometimes, if we do decide to share it, I will hide certain rows or columns. We do use Excel to make it a little bit simpler, but it is really helpful for the board, as well, to in real time be able to say, “Well, if this one doesn't come for a couple of months, and it affects it in this way, and so that's why we really need you on that spring campaign.”

**Kate Barr:** Yeah, yeah, I mean, it really informs decisions and activities that the board might take on, because they understand their importance. So that's great. But yeah, all those numbers can be pretty overwhelming.

**Jessica Mayo:** Yeah.

**Kate Barr:** Yeah. Have there been times where you have wanted the board to be more involved with it?

**Jessica Mayo:** I mean, not so much with planning out the cash flow, but with being like,
“Yeah, tell me more about that,” or “show me more.” I think they’re… I generally need to simplify it like an extra time. You know, I simplify it, and then I probably need to go back and simplify it another time through, to make it really more accessible. And maybe some financial training for the board might be a good longer-term goal.

**Kate Barr:** I will tell you that there are some great resources at the Financial Commons on that.

**Kate Barr:** I really appreciated your talking about the fact that you used to do it really regularly, and then you really just didn't need it as often, or didn't need to do it, and then you went back to it. And I think that's a great example, also, that this is very much a… cash flow management is responsive to the time and the environment. And so, buying the building changed your business model, and anytime you change your business model, cash flow — it's different. It's not necessarily bad or great, it's just different, and so you have to re-engage with it.

**Jessica Mayo:** Yeah, and our acceptance of a larger number of government grants coincided with that. So, it was both things at the same time.

**Kate Barr:** Yeah, both at the same time. Yeah. Well, thank you so much for sharing the experience. But we're gonna actually have Wade come back and open it back up for questions. So, stay, because we'll probably have some questions from participants. Wade, go for it.

**Wade Rogers:** Sure thing. We do. One thing I wanted to ask about — this came in before the webinar as well as during — is just the whole transparency with respect to cash flow planning, not only amongst the staff of the organization, but obviously up to the board level. I think we've talked a lot about, you know, at what level of detail does the board need to be involved. But what about also, then, looking at the staff side of things and keeping everyone…? Dana did a great job with that piece of it, but I just wonder if you could speak to that, as to how that may be communicated within your organization.

**Jessica Mayo:** Well, for us, I think we have actually moved towards trying to be more transparent with staff about budgets and finances, but probably still at a higher level than the cash flow nitty-gritty. At our staff retreat in January, we went through the budget and some different pieces of that, like, what do we actually do for fundraising? Actually, here's a list of all the grants we get, and some of those pieces that programmatic staff might not really have any idea about. And they really didn't have any idea, many of them. So, we weren't quite at the cash flow stage. We have a directors’ circle that includes a fourth director, and outside of that, I don't know that our staff is particularly interested in cash flow, but we do try to provide that higher-level financial overview.

**Wade Rogers:** Completely agree. As someone who presents financial information, I always know, “Okay, my audience is not interested in this,” but there are times when it does become relevant, like Kate has said, for sure. Lots of buzz, also, about reimbursement grants. Somebody said they're still waiting for their ERC money, which is actually a whole ’nother animal, but in different states, you can be up to 16 months to get paid. And my reaction always is, “There's not much we can do about that.” There's not a lot of discussion you can make with a reimbursement funder. Any response from the panelists on that? Is there wiggle room at all? Or this is something we're resigned to?

**Kate Barr:** Boy. Wiggle room? As Dana — actually, Amanda, let's bring Dana back when you have a chance, because I think it'd be great to also have her voice in these questions. Wade, it's so dependent on your locale. I am so happy to be in the state of Minnesota, because we actually have a pretty rational state government function. I know of other states where things get far more delayed more regularly. And so, I think the wiggle room might be, as Dana said, it’s really at the front end when you sign the contract, and whether or not you can get an advance, which sometimes is possible. Sometimes it's not. I will say that I think the biggest mistake made in cash flow around things like that is being unrealistic in the projections, is pretending that it's not going to take long.

**Dana Britto:** Yeah. Jessica, I'd be curious here if you have any additional insights on this. The wiggle room is hard. I'm in Illinois, and it's really hard in terms of getting government to pay faster. Even beyond the advances, like we just talked about, I think it's on more of an operations and infrastructure side. The only other thing that you can do and really be mindful of is making sure that you are really on track and know to a T what is allowable, what's not allowable, and that you have your grants management processes on point so that you're getting those vouchers out as quickly as possible, because you know it's gonna be months before you actually see the money. Unfortunately, once the voucher’s out, it's out. What you can do to accelerate it? Fine. But if you're off by a penny sometimes, it will go back to you, and then it's another… weeks, if not months, before you can resubmit it, or at least weeks or months before you can get the payment. So, even more than in the cash flow–planning perspective, it's the operations perspective, and making sure the vouchering is on point.

**Kate Barr:** Yeah. Actually, I'm gonna ask a question of Jessica related to this because you mentioned that you had started to get state contracts where you hadn't. How long would you estimate it took you to go to fully up and swinging so that you knew when things were gonna come, you knew how to submit…?

**Jessica Mayo:** I would say we still don't know when they're coming. I mean, sometimes it's two months, and sometimes it's six months. So, we, certainly, at that part we do not. We are very, I think, good about making sure we get all of our reports and invoices in on time, and that they're all fully documented so that we don't have those delays. And we've had some of the funders — one funder in particular, the one that is late, is good about keeping us updated. You know, if we ask for an update, they will be honest and be like, “not for a while” or “soon.” We are looking into now… one of the benefits of the cash flow is we can see where things might get tight, and so we are working ahead and talking with a lender about getting a bridge loan that will be tied to this one particular government grant, and just kind of accepting that if we're going to get a grant that's almost $200,000, we might have to spend a few thousand dollars in closing costs to then have that bridge loan available to get us through those months that we've performed on the contract but not been paid yet. But it's definitely one of those things that we are looking at when we're considering applying for new government grants, because if we get into a similar situation, there is just a limit to how much you can do that. Government grants are generally a lot bigger than our foundation grants, which is great; it allows us to increase capacity. But there's a limit to how much we can do with the reserves we have on hand.

**Kate Barr:** Exactly.

**Wade Rogers:** As you all are speaking, the chat is still just scrolling and scrolling with reactions to this topic, and there's a lot of commiseration going on in the chat right now. I appreciate the response. In fact, one of them was, “Is there a way we can build in interest payments due from the government for late payments?” I don't think that one's been bridged yet, but maybe that's a potential.

**Wade Rogers:** Anyway, I see that with the time that it is time to hand it back to Kate to wrap things up. So, thank you.

**Kate Barr:** Okay, thanks, Wade. Thanks again. Jessica and Dana. I'm gonna share just one last slide for all of you that is some key takeaways. Again, you will get the slides. You will get the video. You will get these templates and some other tools, and I will also tell you that the Financial Commons, we did a webinar a while ago about using debt capital, including lines of credit, and a recent one about government-funded business models. So those are two additional resources. But again, as you're hearing, every organization has cash flow dynamics. And it's really just about anticipating, planning, preparing, and knowing how you're gonna manage it, and ultimately, having that kind of ability to reduce risk, take advantage of opportunities, and have that “sleep at night” peace of mind of knowing frankly, as a longtime executive director, that you can make payroll. So, I wish you all strong cash flow, and I'm going to turn it over to Amanda.

**Nonprofit Financial Commons:** Thank you, Kate. That was amazing, and so much information. And thank you also, Dana and Jessica. We enjoyed having you guys on. And thank you, Wade, for moderating the very active chat. I think someone said “Moderator Extraordinaire.” So, maybe we'll have to nickname you that.

**Nonprofit Financial Commons:** So, I just wanted to let you guys know, as Kate said, that the slides, along with the recording of the webinar, will be sent out to everyone that registered, so just keep an eye on your inboxes for that. You should receive an email either late this week or early next week with that information. If there are questions that you had in the chat or conversations that you would like to continue, please visit our website and head over to the forums. We will actually have the chat transcribed there, and you can continue those conversations there as well.

**Nonprofit Financial Commons:** Also, we're going to be dropping a link in the chat for a donation to NFC, so if you feel like you received value today from what you heard on this webinar, please give a donation in the value that you feel like reflects what you got out of today's webinar. Any amount will be well appreciated. You can use the QR code that is on your screen currently, or the link that is in the chat.