

ICPAK NOT FOR PROFIT TRAINING

Cash flow Management Amidst Reduced Donor Funding

November 2017



Introduction

- What is a cash flow
- Why manage cash flow
- When do we manage cash flow
- How to Manage cash flow
- Some cash flow management strategies
- How to avoid cash flow problems in the future

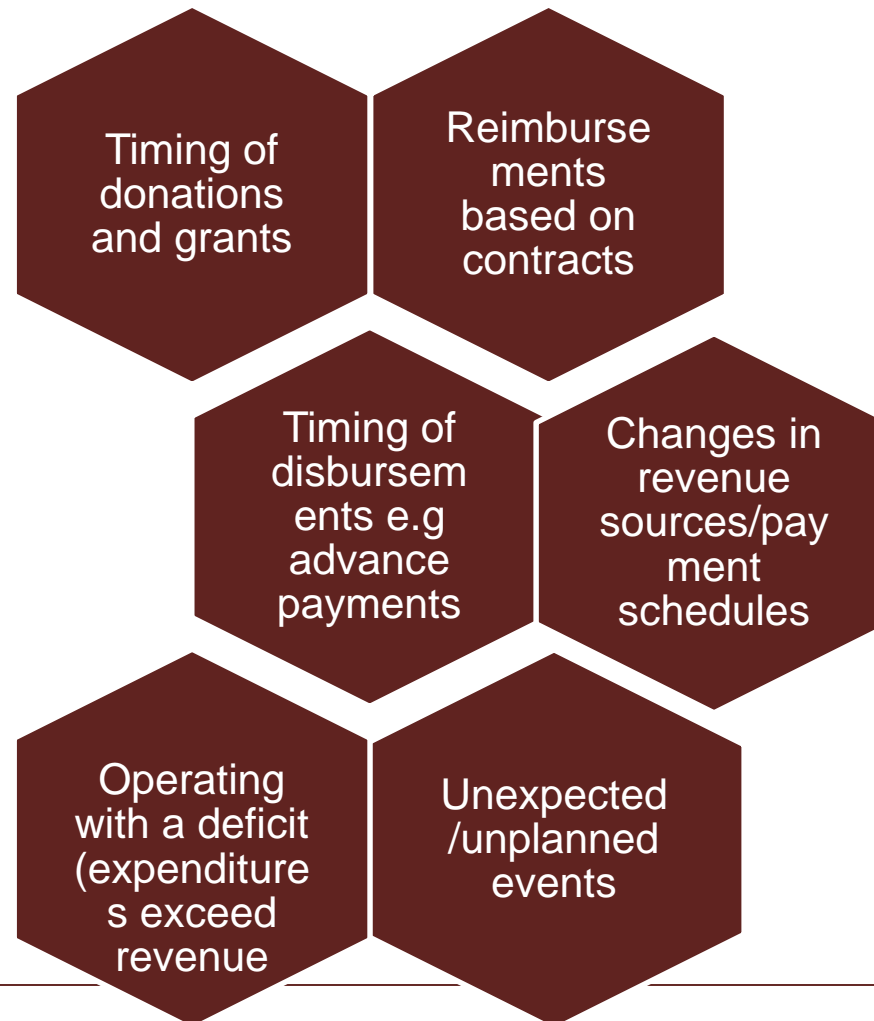
What is a cash flow

- The inflow and outflow of cash and cash equivalents

Why Manage Cash flow

- Differences in the timing of inflows and outflows.

Some causes

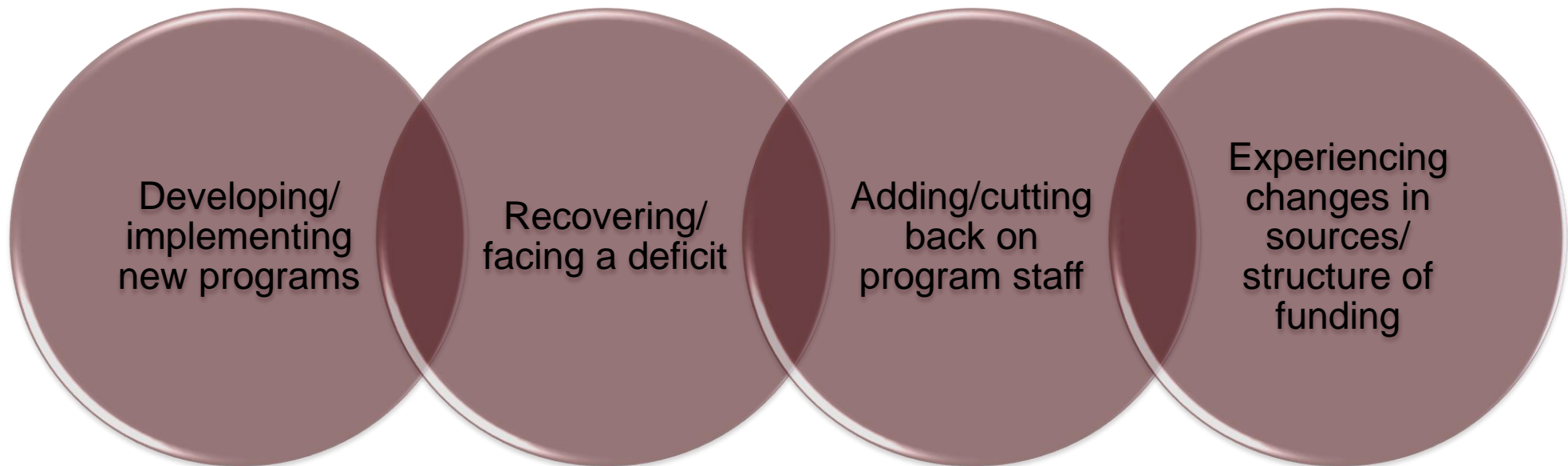


Why Manage Cash flow - Contd

- The cash flow shortages result to losses including;
 - Late fees, penalties, and finance charges
 - Damaged relationships with vendors and contractors
 - Lost opportunities for new mission-building activities
 - Time spent worrying about and trying to resolve cash flow problems after they occur.
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When to Manage Cash flow

While cash flow management is always a useful tool, it is particularly important to diligently manage cash flow when your organization is undergoing significant financial changes, such as



How to Manage Cash flow

Develop a cash flow projection for the next 12 months and be keen to the following;

Accurate cash balance

Realistic budget assumptions

Reflect on accurate timing on receipts

Conservative about unidentified grant funds

Note any lump sum payments e.g payroll, insurance,taxes etc

Careful when including grants for restricted future periods

Plan the
use of
cash

Avoid
Problems

Respond
to
changes

Some Cash flow management strategies

Manage the Timing

Speed up receipt of Income

- Earlier receipts/contract revenue
- Shorten Accounts Receivable time
- Collection for past accounts receivables
- Introduce new payment options
- Accelerate / expand fund drives

Slow down payments

- Delay significant expenditures
- Negotiate longer terms with vendors
- Breakdown lumpsum payments into frequent longterm payments
- Delay new programs or events
- Delay staff additions or salary increments
- Borrow on a credit line or bridge loan

Manage the amounts

Increase the size of cash receipts

- Increase fees and prices
- Increase revenue generating services
- Raise additional funds or emergency services
- Rent out or sublet excess space
- Sell under utilised assets

Reduce cash disbursements

- Scrutinise expenses for temporal or permanent reduction
- Solicit for in kind items to replace budgeted items
- Reduce staff salaries or hours or lay off staff
- Close facilities or reduce programs or events

How to avoid cash flow problems in the future

- ❑ Develop realistic, well-considered budgets each year
- ❑ Consistently operate with the goal of a surplus of income over expenses
- ❑ Build internal cash reserves over time
- ❑ Plan early and often
- ❑ Be aware of cash flow and budget assumptions and react to changes
- ❑ Maintain good relationships with vendors, contractors, and bankers



The End

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