

Navigating Uncertainty Part 4: Forecast Your Future: Cash Flow Clarity for Nonprofits

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Learning Objectives

KNOWLEDGE



Develop accurate cash flow forecasts tailored to nonprofit operations.



Identify and mitigate financial risks through proactive planning.



Utilize essential tools and templates for streamlined cash management.



Strengthen financial decision-making with predictive analysis.

CPE INFORMATION

Program Level: Basic

Recommended CPE: 1

Field of Study: Specialized Knowledge

Program Prerequisite: None

Advanced Preparation: None

EXPLORING NEW AREAS

Agenda



What is Cash Flow Forecasting and Why Does it Matter



Common Challenges in Cash Flow Management



Step-by-Step Guide to Building a Cash Flow Forecast



Best Practices for Effective Forecasting



Case Studies and Examples



Q&A

WELCOME

Today's Presenters



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NAVIGATING UNCERTAINTY

What is Cash Flow Forecasting and Why it Matters

CASH FLOW MANAGEMENT

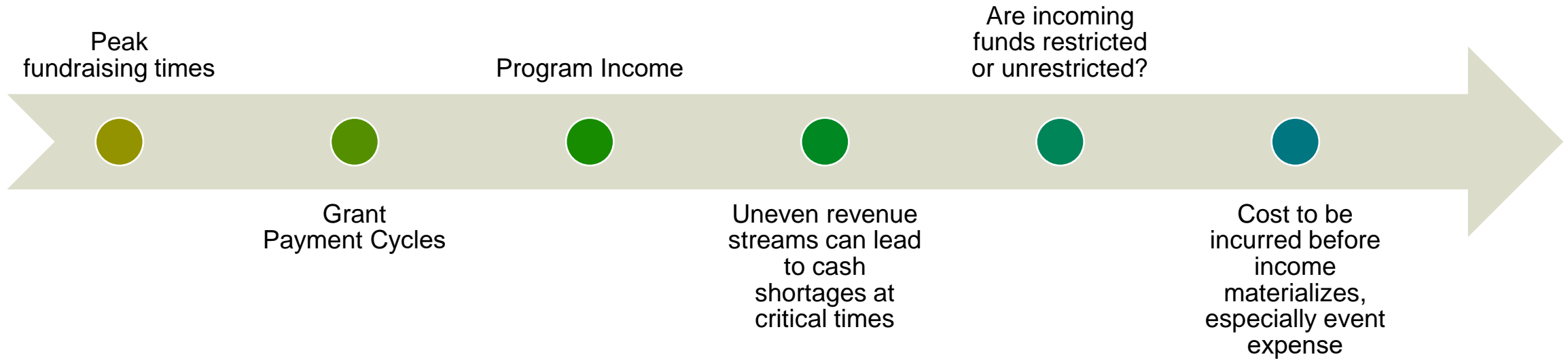
What is it?

Cash Flow Forecasting
Estimating cash inflows and outflows over a period of time, typically one quarter (or 13 weeks) broken out into a weekly forecast.



CASH FLOW MANAGEMENT

Nonprofit Considerations



CASH FLOW MANAGEMENT

Key Benefits

**Operational
Planning**

- Inform short-term cash management planning for leadership to make decisions about operations
- Spot cash shortfalls early to tap into reserves or other financial resources, such as a short-term credit line

**Financial
Planning**

- Plan for restricted and unrestricted spending
- Avoid stressful, last-minute fundraising efforts

**Enhanced
Donor
Trust**

- Communicates fiscal responsibility to boards, donors and funders
- Increased transparency and accountability can lead to increased support from current and potential donors
- Builds a foundation for more long-term financial planning

NAVIGATING UNCERTAINTY

Common Challenges in Nonprofit Cash Flow Management

CASH FLOW MANAGEMENT

Erratic Funding

Even the best budgets and forecasts have an element of the unknown: delayed grant disbursements, government shutdowns, state and federal budget cuts.

Some funding mixes create more risk than others: organizations heavily dependent on grant-funding or corporate support may have more erratic cash flows than organizations supported by tuition payments, monthly giving programs, etc.



CASH FLOW MANAGEMENT

Donor Giving Trends



Fundraising dollars are increasing but total number of donors are down

Major donors are driving fundraising performance at higher rates than previously seen

Changes in the giving habits of major donors can have an outsized impact on cash

Use data-driven metrics and measurements to track your fundraising health and inform your cash forecast

CASH FLOW MANAGEMENT

Barriers to Effective Cash Flow Forecasting

Small back-office staff already overworked and wearing many hats, who may struggle to prioritize cash flow forecasting against program delivery, grant reporting deadlines, and fundraising.

Lack of a budget, or a poorly developed budget, gives little insight into anticipated revenue and expenses.

Poor data management, inconsistent recording keeping, housing data in multiple systems or spreadsheets.

Lack of communication and coordination between departments.

CASH FLOW MANAGEMENT

Overcoming the Barriers

Ensure you are using your current systems efficiently and effectively. Invest in technology if this is lacking within the organization.



Implement internal controls and approval chains if they are not in place and enforce policies and procedures that do exist.



Shift the mindset within your organization so that proper forecasting and data management is on par with program delivery and fundraising.



Train staff on the basics of cash flow forecasting and cash management.

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Step-by-Step Guide to Building a Cash Flow Forecast

CASH FLOW MANAGEMENT

Building a Cash Flow Forecast

Cash Inflows:

- Timing of grant disbursements
- Big fundraising milestones
- Recurring/monthly donations
- Timing of program revenue
- Restricted vs Unrestricted funds
- Transfers from reserves

Cash Outflows:

- Timing of payables
- Prepaid expenses
- Recurring expenses
- Personnel costs
- Debt repayments
- Capital expenditures

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Best Practices for Effective Forecasting

CASH FLOW MANAGEMENT

Best Practices for Effective Forecasting

Streamline the process with automation and software tools

- System integrations
 - CRMs and accounting software
- Automate workflows
 - Banks, payroll systems, CRMs
- Standardize data entry
 - Clear processes, procedures, and standards for your CRM
 - Clear tracking of payables and receivables in the accounting system

CASH FLOW MANAGEMENT

Best Practices for Effective Forecasting

Use AI to Inform your Cash Flow

- Armanino utilizes AI in cash flow forecasting
- AI can read and analyze data much faster and more accurately than a human, allowing the technology to integrate seamlessly into financial processes
- AI's capabilities lead to a very-detailed understanding of a company's financial landscape

Source: Cash Flow Management Guide | Armanino

CASH FLOW MANAGEMENT

Best Practices for Effective Forecasting

Cross-department collaboration for accurate data collection

- Define roles and responsibilities.
 - Who is responsible for what data?
 - When and how is data collected and input into the systems?
- Align on deadlines.
- Take advantage of technology and use cloud-based systems for real-time collaboration.
- Leadership should communicate the importance of effective forecasting, and everyone should understand how the data they manage is being used by others.

CASH FLOW MANAGEMENT

Best Practices for Effective Forecasting

Explore how to use forecasts as a proactive planning tool for potential funding challenges

- Build a driver-based forecast to allow for scenario planning.
- Develop action plans to address each scenario.
- Determine how to address cash shortfalls and cash surpluses.

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Case Studies



CASE STUDY – CASH FLOW MANAGEMENT

Private School Faced Cash Flow Challenges

- Small private school was struggling to remain viable in the face of declining enrollment, and expenses consistently outpaced tuition payments and other sources of revenue.
- Cash reserves were quickly depleting, and the school was concerned that they would not make it past the end of the current school year.
- Armanino created a driver-based cash flow forecasting, incorporating key inputs like level of enrollment, tuition payment plans, fundraising efforts, headcount, timing of expenses, and debt repayments to produce a robust cash flow forecast for them over the following 12 months
- We later expanded the forecast to a two-year forecast after determining they would have enough cash to operate beyond the end of the school year
- We determined that the school would be able to operate for about two years before running out of cash, giving the school administration more time to plan and effectively execute on cash-saving or cash-producing measures.

Private School Faced Cash Flow Challenges

	2024 July	2024 August	2024 September	2024 October	2024 November	2024 December	2025 January	2025 February	2025 March	2025 April	2025 May	2025 June	Total
Cash Inflows													
24-25 Net Tuition	2,893	\$102,893	\$102,893	\$102,893	\$102,893	\$102,893	\$380,409	\$102,893	\$102,893	\$0	\$0	\$0	\$3,413,084
25-26 Net Tuition	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,908,397	\$3,908,397
Donor Contributions	\$0	\$0	\$5,356	\$22,495	\$6,427	\$54,918	\$74,982	\$121,042	\$2,594	\$41,529	\$27,387	\$143,270	\$643,270
Employee Contributions	2,629	\$29,795	\$29,795	\$30,040	\$30,040	\$29,610	\$29,610	\$30,212	\$29,968	\$29,968	\$29,968	\$27,660	\$392,806
Other Income	125	\$0	\$0	\$7,066	\$285	\$9,051	\$301	\$1,219	\$2,743	\$1,013	\$2,409	\$0	\$24,212
Investment Income	,481	\$1,481	\$1,481	\$1,481	\$1,481	\$1,481	\$1,481	\$1,481	\$1,481	\$1,481	\$1,481	\$1,481	\$19,249
Total Cash Inflows	7,127	\$134,169	\$139,525	\$163,974	\$141,126	\$197,953	\$486,782	\$256,847	\$139,678	\$73,990	\$61,244	\$4,080,808	\$8,401,019
Cash Outflows													
Salaries	10,244	\$257,134	\$257,134	\$260,334	\$260,334	\$254,709	\$254,709	\$262,584	\$259,384	\$259,384	\$259,384	\$239,671	\$3,393,295
Employee Benefits	4,229	\$31,104	\$41,044	\$41,726	\$39,537	\$38,647	\$41,273	\$38,291	\$39,596	\$36,500	\$49,371	\$38,002	\$527,173
Payroll Taxes	2,877	\$39,341	\$39,341	\$39,831	\$39,831	\$38,970	\$38,970	\$40,175	\$39,686	\$39,686	\$39,686	\$36,670	\$519,174
Food & Equipment	314	\$5,525	\$4,514	\$9,028	\$5,884	\$5,187	\$4,562	\$6,388	\$6,093	\$2,250	\$9,445	\$234	\$59,669
Classroom Expense	9,157	\$4,336	\$157	\$352	\$290	\$7,191	\$887	\$219	\$358	\$1,337	\$5,899	\$1,171	\$42,582
Student Services	\$0	\$673	\$1,089	\$135	\$400	\$702	\$12,998	\$1,921	\$1,139	\$90	\$4,317	\$2,543	\$28,673
Trips & Extra Curriculars	5,912	\$4,798	\$27,710	\$13,701	\$10,140	\$6,686	\$18,780	\$24,153	\$28,497	\$11,693	\$26,905	\$27,550	\$285,406
Event Expense	500	\$468	\$0	\$200	\$2,557	\$2,361	\$1,515	\$213	\$2,000	\$0	\$900	\$0	\$10,713
Office Supplies	,099	\$4,713	\$2,688	\$7,915	\$5,599	\$5	\$10,866	\$3,806	\$2,601	\$6,142	\$3,757	\$4,155	\$61,501
Facilities Expense	3,952	\$51,558	\$7,560	\$85,983	\$12,912	\$19,900	\$21,719	\$35,216	\$32,879	\$20,751	\$11,675	\$13,742	\$341,587
Insurance	\$0	\$1,539	\$5,123	\$48,148	\$1,736	\$0	\$4,474	\$1,711	\$1,711	\$1,760	\$1,760	\$1,735	\$71,434
Professional Services	,398	\$8,499	\$1,138	\$12,219	\$15,957	\$425	\$4,075	\$10,673	\$18,073	\$9,327	\$10,056	\$7,617	\$114,073
Advertising & Marketing	672	\$0	\$642	\$5,225	\$0	\$0	\$0	\$0	\$0	\$16	\$0	\$750	\$8,055
Dues & Subscriptions	\$0	\$2,498	\$6,480	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,978
Technology Expense	2,500	\$17,772	\$15,304	\$0	\$525	\$900	\$0	\$0	\$0	\$0	\$11,191	\$0	\$58,192
Taxes & Licenses	313	\$251	\$0	\$0	\$193	\$0	\$8,039	\$55	\$45	\$526	\$0	\$0	\$9,422
Bank Charges	\$20	\$607	\$333	\$255	\$728	\$318	\$332	\$4,430	\$832	\$667	\$456	\$8,526	\$26,032
Credit Card	,085	\$21,902	\$11,313	\$20,399	\$17,351	\$11,287	\$8,681	\$20,792	\$13,189	\$19,067	\$9,285	\$30,030	\$214,412
Debt Payments	4,041	\$44,041	\$44,041	\$44,041	\$44,041	\$44,041	\$44,041	\$44,041	\$44,041	\$44,041	\$44,041	\$44,041	\$572,530
Total Cash Outflows	9,313	\$496,759	\$465,611	\$589,490	\$458,015	\$431,328	\$475,922	\$494,666	\$490,124	\$453,234	\$488,128	\$456,437	\$6,352,902
Beginning Cash Balance	388,135	\$4,495,949	\$4,133,359	\$3,807,273	\$3,381,757	\$3,064,868	\$2,831,493	\$2,842,353	\$2,604,533	\$2,254,088	\$1,874,844	\$1,447,960	
Net Change in Cash	392,185	-\$362,590	-\$326,086	-\$425,516	-\$316,889	-\$233,375	\$10,860	-\$237,820	-\$350,446	-\$379,244	-\$426,884	\$3,624,371	
Ending Cash Balance	95,949	\$4,133,359	\$3,807,273	\$3,381,757	\$3,064,868	\$2,831,493	\$2,842,353	\$2,604,533	\$2,254,088	\$1,874,844	\$1,447,960	\$5,072,331	

CASE STUDY – CASH FLOW MANAGEMENT

AI-Enabled Forecasting Unifies Cash Flow Visibility

Disparate business units left leaders and investors with no level view of its overall cash position. In just two months, Armanino and financial leadership built a customized model to deliver real-time visibility.

Armanino's experts deployed an AI-enabled 13-week cash flow model to quickly arm business leaders with weekly, data-driven cash flow reporting and forecasts.

Having current cash generation (or burn) rates and cash flow projections by location lets the CFO confidently pursue capital expansion and acquisition plans and work with the sponsor on forecasting requirements.



Q&A

UPCOMING EVENTS AND CONFERENCES

Come See Us!

- CA Alliance of Child and Family Services Fall Conference – 9/1-9/5
 - Anaheim, CA
- Finance, Administration and Operations Group (FAOG) for Community Foundations – 9/7-9/10
 - Oklahoma City, OK
- Diocesan Fiscal Management Conference – 9/28-10/1
 - Philadelphia, PA
- MISBO Annual Conference – 10/22-10/24
 - Nashville, TN

Thank You

Connect with us!

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Nonprofit Resources

- [Armanino's Regulatory Updates](#)
- [Armanino Nonprofit Resource Center](#) – NEW!
- [2025 Trends Shaping Nonprofits and How You Can Prepare for Them | Armanino](#) – NEW!
- [National Council of Nonprofits Chart of Executive Orders Impacting Nonprofits](#)
- [Optimizing Nonprofit's Cash Position With Cash Flow Forecasting | Armanino](#)
- [Nonprofit Fundraising Checklist: Essential Best Practices to Drive Donations Year-Round | Armanino](#)
- [Manage Donor-Restricted Endowments During a Crisis | Armanino](#)

PROSPEAK

February 18, 2025

How Nonprofits Can Protect Financial Stability Amid Federal Funding Changes



LEGISLATIVE UPDATE

The “One Big Beautiful Bill” (OBBB)

- [Final Impact of the One Big Beautiful Bill on Nonprofit Organizations | LinkedIn](#) (Tax @ Armanino)
- [Tax Credit for Contributions to Scholarship-Granting Organizations](#) (Tax @ Armanino)
- [Analysis of the 2025 Tax Bill and Its Impact on Charitable Nonprofits](#) (National Council of Nonprofits)



NONPROFIT SERVICES

Do what you do best, let us focus on the rest.

Equipping you with the insights and tools needed to redefine what's possible



COMPLIANCE

- UBIT Tax Planning
- Form 990
- Nonprofit Formation
- Construction Cost Advisory



TRUST

- Financial Audit
- Benefit Plan Audit
- Internal Audit
- Single Audit
- Cybersecurity
- Restructuring
- Revenue Recognition



STRATEGY

- Operational Strategy
- Management Consulting
- Benchmarking
- Business Transformation
- Technology Roadmaps and RFPs



STAFFING

- HR Outsourcing
- Payroll
- Policies and Procedures
- Health and Benefits
- Executive Search
- Interim Placement



TECHNOLOGY

- ERP
- CRM
- FP&A
- Business Intelligence
- Managed Support and Services
- Automation



OUTSOURCING

- Bookkeeping
- Budgeting/Forecasting
- Account Receivable
- Accounts Payable
- Strategic Fundraising Development

OUR PROMISE TO YOU

Reimagine Your Potential



Unconventional Approach

We're a vested, entrepreneurial partner who sees your organization through a 360 lens and finds opportunity at every stage



Comfort in Change

Our experts provide guidance and support while quickly facilitating transformation that gives you a competitive advantage.



Focused on You

Our integrated teams and solutions deliver tailored insights to bring you more value and clarity throughout your journey.

Armanino Operates in an Alternative Practice Structure:

“Armanino” is the brand name under which Armanino LLP, Armanino CPA LLP, and Armanino Advisory LLC, independently owned entities, provide professional services in an alternative practice structure in accordance with law, regulations, and professional standards. Armanino LLP and Armanino CPA LLP are licensed independent CPA firms that provide attest services, and Armanino Advisory LLC and its subsidiary entities provide tax, advisory, and business consulting services. Armanino Advisory LLC and its subsidiary entities are not licensed CPA firms.