

CASHFLOW MODELLING

You can't manage it until you can measure it. That means to get a full understanding of your cashflow now, and in the coming months, it is important that you have spent some time thinking about the *what if* scenarios.

Below are some basic steps and questions to assist your church, camp or support ministry leadership team in thinking through different scenarios.

These scenarios will help you in applying for government subsidies, managing expenses, and supporting you in discussions with your church community or funders.

PREPARING A CASHFLOW

1. WHAT IS A CASHFLOW REPORT

A Cashflow Report is a report broken down into months which shows your opening cash balance any cash movements during the month and your closing cash balance. The point of the report is to make sure that you have enough cash to cover expenses as they arise.

Below is a basic Cashflow Report.

	March	April - Forecast	May - Forecast
Opening Cash	40,000	41,000	37,000
Plus Income	15,000	10,000	7,000
Less Expenses	14,000	14,000	12,000
Closing Cash	41,000	37,000	32,000

2. UNDERSTANDING A CASHFLOW REPORT

The above report shows us that at the beginning of March we had \$40,000 in the bank.

March was a normal month, but April shows us that we are expecting our income to reduce by a 33% $((15,000 - 10,000) / 15,000)$ and our cash in the bank at the end of April to go down as well.

In May we are expecting our income to reduce further based on reduced giving or reduced bookings.

Expenses on the other hand are staying fairly static as we still have to cover overheads (rent, insurance etc) and staff costs.

As a result we end up with a reduction of cash of 20% $((40,000 - 32,000) / 40,000)$ over this time and a need to make decisions now to be able to support the church, camp or support ministry in the coming months.

3. USING A CASHFLOW REPORT

Once you have the basic information in place it will be helpful for leadership in making a call on further actions that are needed.

Some questions to consider:

- What is the likelihood of income dropping down? By how much?
- If income was to reduce by 20%, 50% or 80% over this time what effect will it have on the cash in the bank?
- What expenses are fixed, variable or staff?
- Do we have any big expenses due soon? (ie, annual insurance)
- What expenses can we temporarily reduce now? (ie, travel, professional development, events or program resources)
- What expenses can we not, or do not want to, reduce now or in the months to come? Why? (ie, staff salaries or building rent)
- What are some ways to work around seeing that happen?
- How do we communicate to our church community or funders our financial situation now and in the coming months?

4. REVIEW REGULARLY

It is really important to keep on coming back to this discussion with your leadership team or board. In an environment of uncertainty, being transparent financially is highly important, and being flexible and willing to reassess decisions regularly helps your church, camp or support ministry to be ahead of the ball.

And one more point. Be clear. Leadership teams are often made up of people with different levels of financial understanding and it is important to make sure everyone understands the implications of decisions made.
