

UNDERSTANDING FINANCES SERIES

Cashflow Forecasting 23 June 2023



INTRODUCTIONS

Do you know how long you could continue to operate with no additional income?

Do you forecast your cashflow?

Do you use an accounting package?

WHAT IS CASHFLOW FORECASTING?

Cash flow forecasting involves estimating your future income and expenses. A cashflow forecast is a vital tool for any organisation because it will tell you if you'll have enough cash to run the organisation or expand it.

It will also show you when more cash is going out of the organisation than in and how long your organisation can sustain that position.

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Cashflow Forecast		Update cells with this colour background only Indicates an explanation in this cell											
Name of Organisation	ABC Foundation												
As at	31/05/2023												
Monthly Average	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24		
ACTUAL / PREDICTED	ACTUAL	PREDICTED	PREDICTED	PREDICTED	PREDICTED	PREDICTED	PREDICTED	PREDICTED	PREDICTED	PREDICTED	PREDICTED	PREDICTED	
Income (includes GST if applicable)													
Grants	\$10,000					\$5,000							
Contracts		\$20,000											
Interest Income													
Other Revenue													
Registration fees													
Sponsorship													
Donations													
Total Income	\$0	\$10,000	\$20,000	\$0	\$0	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses (includes GST if applicable)													
ACC Levies				\$500									
Accounting													
Audit Fees													
Consulting				\$2,000									
Contractors													
General Expenses	\$88	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Insurance	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80
KiwiSaver Employer Contributions	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135	\$135
Koha or Donation													
Mileage	\$50	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Office Expenses	\$120	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80	\$80
Power	\$250	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210
Printing & Stationery	\$20	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Professional Development													
Rent	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Subscriptions	\$45	\$50	\$250	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Telephone & Internet	\$186	\$180	\$180	\$180	\$180	\$180	\$180	\$180	\$180	\$180	\$180	\$180	\$180
Travel - National													
Venues													
Wages & Salaries	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
Total Operating Expenses	\$0	\$5,854	\$5,885	\$6,085	\$8,385	\$5,885	\$5,885	\$5,885	\$5,885	\$5,885	\$5,885	\$5,885	\$5,885
Operating Surplus (Deficit)		\$4,146	\$14,115	-\$6,085	-\$8,385	-\$5,885	-\$885	-\$5,885	-\$5,885	-\$5,885	-\$5,885	-\$5,885	-\$5,885
Plus Non Operating Movements													
Computer Equipment													
Website Development													
Total Non Operating Movements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Movement		\$4,146	\$14,115	-\$6,085	-\$8,385	-\$5,885	-\$885	-\$5,885	-\$5,885	-\$5,885	-\$5,885	-\$5,885	-\$5,885
Summary													
Opening Bank Account Balance	\$35,000	\$39,146	\$53,261	\$47,176	\$38,791	\$32,906	\$32,021	\$26,136	\$20,251	\$14,366	\$8,481	\$8,481	\$8,481
Plus Net Cash Movement	\$4,146	\$14,115	-\$6,085	-\$8,385	-\$5,885	-\$885	-\$5,885	-\$5,885	-\$5,885	-\$5,885	-\$5,885	-\$5,885	-\$5,885
Closing Bank Account Balance	\$39,146	\$53,261	\$47,176	\$38,791	\$32,906	\$32,021	\$26,136	\$20,251	\$14,366	\$8,481	\$2,596	\$2,596	\$2,596
<i>Less: Accrued Annual Leave</i>	\$3,300	\$3,600	\$3,900	\$4,200	\$4,500	\$4,250	\$4,550	\$3,900	\$3,000	\$3,300	\$3,600	\$3,600	\$3,600
<i>Less: GST Payable</i>													
<i>Less: PAYE & KiwiSaver</i>													
Available Funds	\$35,846	\$49,661	\$43,276	\$34,591	\$28,406	\$27,771	\$21,586	\$16,351	\$11,366	\$5,181	-\$1,004	-\$1,004	-\$1,004
Lease & Contract Commitments	\$0												
Current Unexpended Grants	\$5,000												

Refer printed example provided

WHERE DO YOU START ?

Monthly Average

If you use Xero or another accounting software this figure comes from your Cash Summary Report

- Select the date range for the previous financial year
- Compare with “Average” (default selection in Xero)
- Select “Gross” under tax on operating activity to include GST

Cash Summary

Demo Company (NZ)
For the year ended 31 March 2023

	2023	YEARLY AVERAGE (YTD)	VARIANCE
Income			
Other Revenue	3,652.17	-	-
Sales	11,908.48	-	-
Total Income	15,560.65	-	-
Less Expenses			
Bank Fees	30.00	-	-
Cleaning	103.55	-	-
Consulting & Accounting	1,849.00	1,800.00	2.72% ↑
Entertainment	27.48	-	-
General Expenses	43.48	-	-
Historical Adjustment	-	(4,130.98)	100.00% ↑
Light, Power, Heating	941.47	-	-
Motor Vehicle Expenses	188.22	-	-
Office Expenses	4,086.35	4,000.00	2.16% ↑
Printing & Stationery	274.88	256.00	7.38% ↑

More Update

Tax on operating activities

Gross

Net

Show

Account codes

Decimals

Percentage of income

Year to date

Manage the default reporting method and display for all reports with Reporting preferences.

Set up [Reporting preferences](#) New

Averages for the last financial year will help you to predict your expenses in the coming year

WHERE DO YOU START ?

Non Operating Movements

Consider what purchase of equipment is planned or might be needed during the period being forecasted:

- Computer Equipment
- Office Equipment
- Vehicles
- Website Development

Other Expenses

Consider what other expenses you may have to fund during the period being forecasted:

- GST Payable
- PAYE & KiwiSaver
- Accrued annual leave

WHERE DO YOU START ?

Opening Bank Balance

Actual amount you have in the bank on 1st of month one.

Unexpended / Unspent Funds

If you receive grant or contract funding that has conditions attached that have not yet been met / reporting completed and accepted by the funder.

If funding terms & conditions cannot be met funds and you may be in the position of needing to return funds to the funder you need to allow for this in your Cashflow Forecasting.

Summary of Unexpended Grants

Date Funding Approved	Funder	Purpose	Amount Granted	Funds Spent	Funds to Spend	Accountability Date	Accountability Completed
8/01/2023	XYZ Foundation	Wages	\$10,000.00	\$5,000.00	\$5,000.00	31/12/2023	
					Unexpended Funds	\$5,000.00	

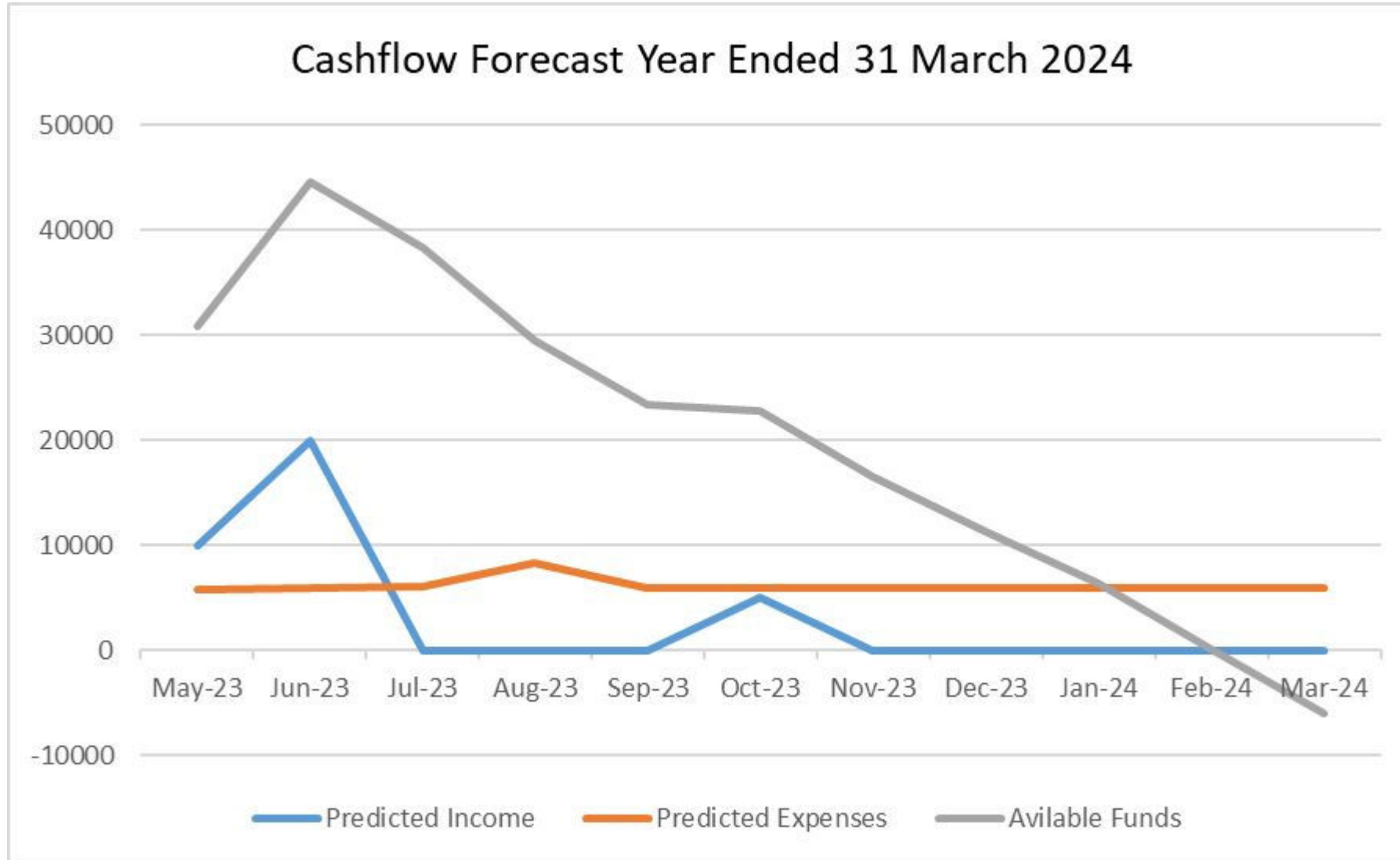
THE BOTTOM LINE

Summary													
Opening Bank Account Balance		\$35,000	\$39,146	\$53,261	\$47,176	\$38,791	\$32,906	\$32,021	\$26,136	\$20,251	\$14,366	\$8,481	
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Closing Bank Account Balance		\$39,146	\$53,261	\$47,176	\$38,791	\$32,906	\$32,021	\$26,136	\$20,251	\$14,366	\$8,481	\$2,596	
<i>Less: Accrued Annual Leave</i>		\$3,300	\$3,600	\$3,900	\$4,200	\$4,500	\$4,250	\$4,550	\$3,900	\$3,000	\$3,300	\$3,600	
<i>Less: GST Payable</i>													
<i>Less: PAYE & KiwiSaver</i>													
Available Funds		\$35,846	\$49,661	\$43,276	\$34,591	\$28,406	\$27,771	\$21,586	\$16,351	\$11,366	\$5,181	-\$1,004	
Lease & Contract Commitments	\$0												
Current Unexpended Grants	\$5,000												

Actual available funds, less
Unexpended / Unspent Grants

Effectively no funds remaining
dependant on amount of Unexpended
/ Unspent funds

FINANCIAL POSITION IN A SNAPSHOT



A good visual for
your board
automatically
populated by
Cashflow Forecast
spreadsheet

TOP TIPS



Knowing your average monthly expenses from your Cash Summary Report is useful



Regularly check / update your average monthly expenses if there are fluctuations in spending



Be conservative with predicted income, include only what you know is a sure thing



Change current month heading and figures from PREDICTED to ACTUALS to see what impact that has on your forecasting



If your organisation is not in a great financial position add another month as you complete ACTUAL figures

TOP TIPS



Know what “alert” point is i.e. when cashflow is predicted to be less than 3 months worth of operating costs.



Have a plan for what to do if you are predicted to reach the “alert” point



Use Purchase Orders in your accounting software for large items so that you can keep a track of expected expenses

XERO - KEEPING CASHFLOW UP TO DATE

According to Xero 4 Tasks to keep your cash flow up-to-date:

1. Connect Accounts

All bank accounts, including credit cards, debit cards, loan accounts set up in Xero with a direct bank feed.

If you operate a Petty Cash account set that up as a bank account

Direct fee payment services such as PayPal, Stripe etc

2. Reconcile Frequently

This is to make sure that the money coming in and going out of your accounts match your business transactions. It's an important task to make sure that the information used by reports and business performance tools are accurate and up-to-date.

3. Manage Expenses

Managing expenses helps you to maintain an accurate representation of your organisation outgoings.

Check bill statements to ensure all expenses are paid and there are no unexpected expenses coming your way

4. Add Payment Dates

When an invoice won't be paid by the due date, [add an expected payment date](#), so you have a more accurate record of when money is likely to come into your accounts. This helps better inform the Money coming in graph in your Sales overview and the Invoices owed to you tile on your dashboard.



XERO - EXPECTED PAYMENT DATE

To	Date	Due Date	Invoice #	Branding theme	Online Payments	Total
Boom FM Attention: Human Resources Manager Edit address	25 May 2023	8 Jun 2023	INV-0043	Standard	democo@democo.co Manage	1,623.75

Amounts are Tax Exclusive

Item Code	Description	Quantity	Unit Price	Disc %	Account	Tax Rate	Region	Amount NZD
Support-M	Desktop/network support via email & phone. Per month fixed fee for minimum 20 hours/month.	3.00	470.65		Sales	15% GST on Income		1,411.96

Subtotal 1,411.96
Total GST 15% 211.79

TOTAL 1,623.75

Receive a payment

Amount Paid	Date Paid	Paid To	Reference	Add Payment
1623.75				

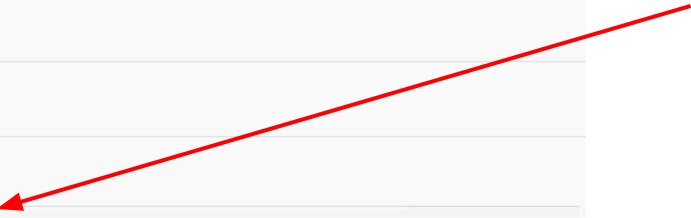
[Switch to new invoicing](#)

History & Notes

Approved by Tracy Stockman on 25 May 2023 at 8:23a.m.
INV-0043 to Boom FM for 1,623.75.

[Show History \(2 entries\)](#) [Add Note / Expected Payment date](#)

Boom FM Phone: +01 555 9191	Notes <input type="text"/>	Expected Payment Date <input type="text"/>	Save or Cancel
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XERO - DASHBOARD

Your last login: [13 hours ago](#) from New Zealand

[Edit dashboard](#)

Business Bank Account

12-0102-0345678-000

[Reconcile 28 items](#)

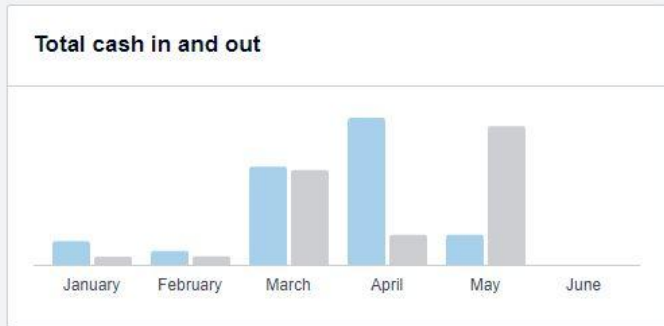
Balance in Xero	1,451.47
Statement balance (May 24)	8,417.92

Business Savings Account

02-0908-7654321-050

No transactions imported

[Import a bank statement](#)



Account watchlist

Account	This month	YTD
Advertising (400)	0.00	9,090.21
Entertainment (420)	0.00	19.13
Inventory (630)	0.00	0.00
Sales (200)	0.00	25,752.59

Invoices owed to you

[New sales invoice](#)

2 Draft invoices	1,100.00
12 Awaiting payment	18,196.38
12 Overdue	18,196.38

Bills you need to pay

[New bill](#)

Draft bills	0.00
12 Awaiting payment	7,429.21
12 Overdue	7,429.21

XERO - DASHBOARD

Account watchlist ⋮

Account	This month	YTD
Advertising (400)	0.00	9,090.21
Entertainment (420)	0.00	19.13
Inventory (630)	0.00	0.00
Sales (200)	0.00	25,752.59

⋮ Show

Once added to your Dashboard click here to:

1. Edit Accounts watchlist
2. Edit Budgets
3. Show Budget Columns

✓ tick box to left of "Show" to display on your Dashboard

Account watchlist ⋮

Account	Budget	This month	YTD
Advertising (400)	0.00	0.00	9,090.21
Entertainment (420)	0.00	0.00	19.13
Inventory (630)	-	0.00	0.00
Sales (200)	0.00	0.00	25,752.59



Xero Dashboard - Business / Short-term cash flow

Short-term cash flow projection

Based on invoices and bills

1 bank account 1,451.47 ▾ Next 30 days ▾ [Update overdue](#)

Ability to update expected income and expenses



Maximum projection period 30 days.

Additional periods available through Analytics Plus

XERO - SHORT TERM CASHFLOW

Xero Dashboard - Business / Business Snapshot

Demo Company (NZ) For the period 1 Apr 2023 - 22 Jun 2023 • Accrual basis

Year to date

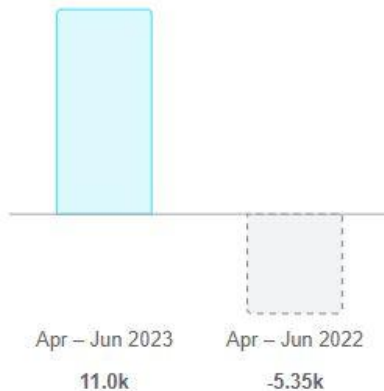
Select period to view

Profitability 1 Apr – 22 Jun 2023 ——— 1 Apr – 22 Jun 2022 - - - - -

Profit or loss

10,994

↑ 305.6% from 1 Apr – 22 Jun 2022

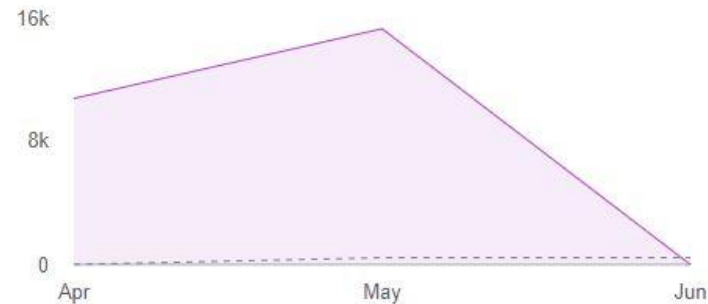


Profit is the amount of money made after paying expenses

Income

25,753

↑ 2861.6% from 1 Apr – 22 Jun 2022

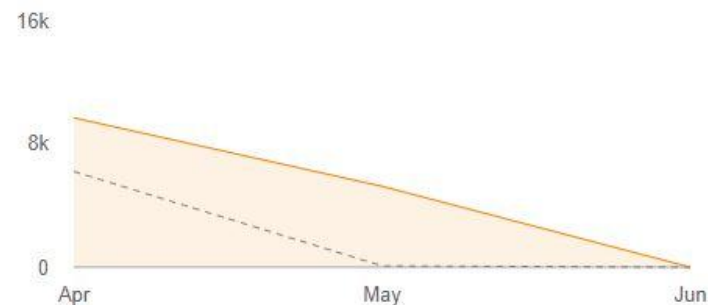


Expenses

14,758

↑ 137.4% from 1 Apr – 22 Jun 2022

Cost of goods sold: 2,035
Operating expenses: 12,724



Xero Dashboard - Business / Business Snapshot

Efficiency



Largest operating expenses	1 Apr – 22 Jun 2023	1 Apr – 22 Jun 2022
Advertising	9,090 ↑	0
Rent	2,054 ↑	0
Motor Vehicle Expenses	487 ↑	0
Travel - National	210 ↑	0
Light, Power, Heating	189 ↑	161

Largest Operating Expenses

Current Year

Prior Year

NEXT WORKSHOPS

Reading Financial Reports
28 July



GST & Payroll
25 August

Annual Financial Statements
22 September

