Reaching the WHOLE CHILD

COMPASS CONVENING SERIES

DYCD | NYC

The Department of Youth & Community Development

Reaching the WHOLE CHILD
COMPASS CONVENING SERIES

OUR MISSION

Reaching the Whole Child

Every young person in a COMPASS program deserves to feel safe, supported, and able to grow.
This convening is for the leaders responsible for building organizations that make that possible.

Reaching the WHOLE CHILD
COMPASS CONVENING SERIES

OUR GOALS

Reaching the Whole Child

- Build genuine understanding of the three priority areas in the new COMPASS RFP
- Create space for EDs and PDs to **assess where their organizations stand** across all three areas: what they know, what they have in place, and what they need to build
- Solicit **candid feedback from the field** that will directly inform how TA providers design ongoing capacity-building support
- Understand and catalog the **distinct needs** of new providers launching COMPASS for the first time, organizations scaling to additional sites, and established providers navigating new requirements
- **Open the door to the peer learning and TA relationships** that will carry leaders through implementation

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SUCCESS INDICATORS

Reaching the Whole Child

By the end of the week, we hope to support you by...

- ❑ Improving your understanding across the key areas
- ❑ Improving your understanding of the requirements for your specific organization
- ❑ Providing clarification on at least one concrete next step for your organization
- ❑ Helping you feel less alone in the work by hearing from peers and TA Providers
- ❑ Introducing our plan for ongoing capacity building support being designed for the year
- ❑ Hearing your feedback to best support you beyond this week's convening

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Community Norms

- Be present and engaged
- Use the chat and tools intentionally, and remain on mute if not speaking
- Step up, step back
- Assume positive intent
- Respect confidentiality – what is said here, stays here, what is learned here, leaves here
- Honor time together

Before continuing, please rename yourself to include your organization

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Cash Flow Management

JUNE 24, 2026 | 1PM | REBECCA KELLOGG & SAMANTHA SCHAEFER

BDO

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BDO NONPROFIT & GRANTMAKER ADVISORY

We provide experienced **financial management services** and skilled **capacity-building** technical assistance, including **organizational consultation** and **training**, using an approach tailored to individual organizations and their specific needs.

For Nonprofits

- Cohort programming to build financial resiliency of nonprofit leadership teams
- Coaching
- Developing fiscal staffing, systems, and processes
- Supporting business model development
- Trainings on annual planning and budgeting, and improving internal controls
- Outsourced Financial Management

For Funders

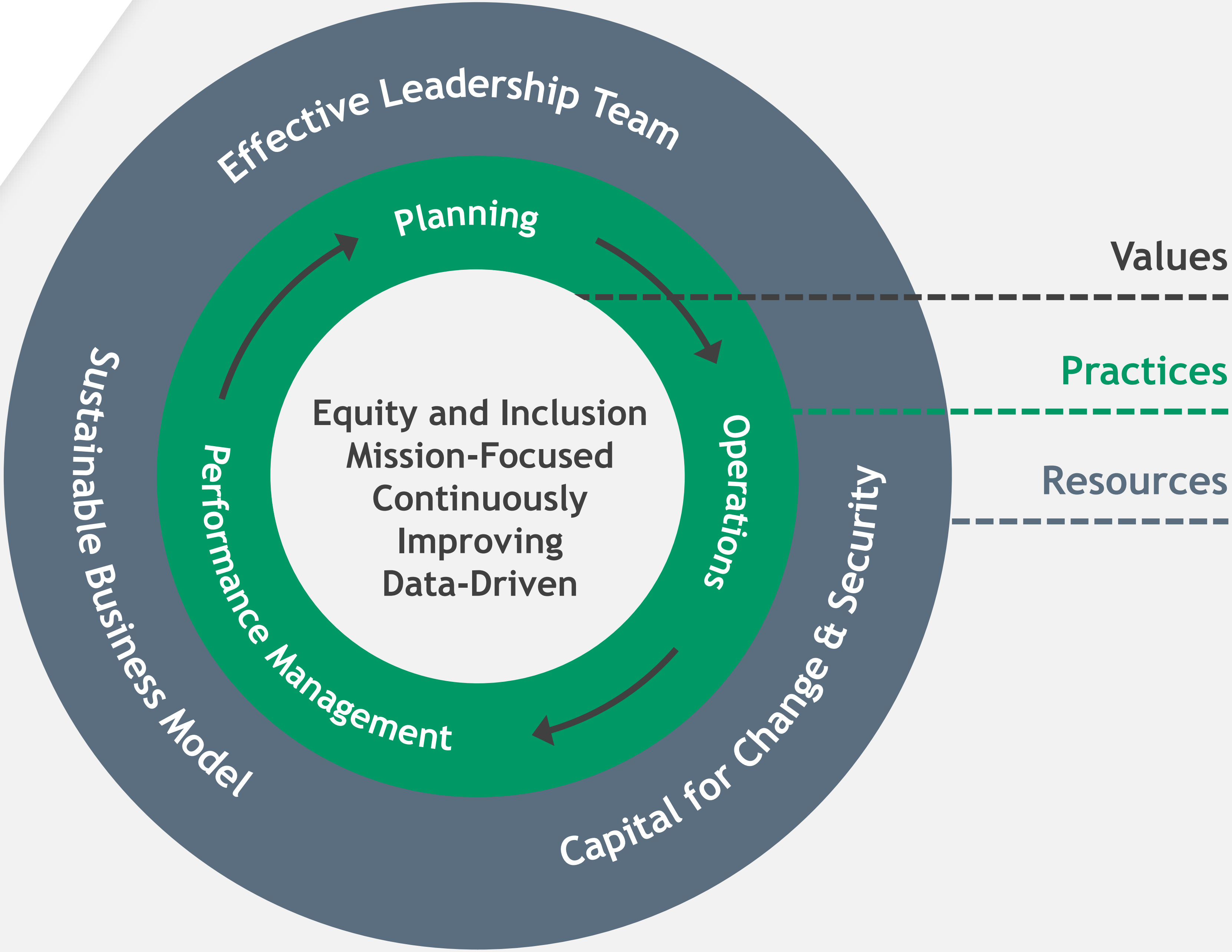
- Trainings for Program Officers, Grants Managers, and Board Members
- Financial Due Diligence and Grantee Portfolio Analysis
- Landscape analysis & Custom Advisory Projects
- (c)(4) Infrastructure and Grantmaking Practices
- Infrastructure Advisory (Systems and Processes)
- Outsourced Financial Management

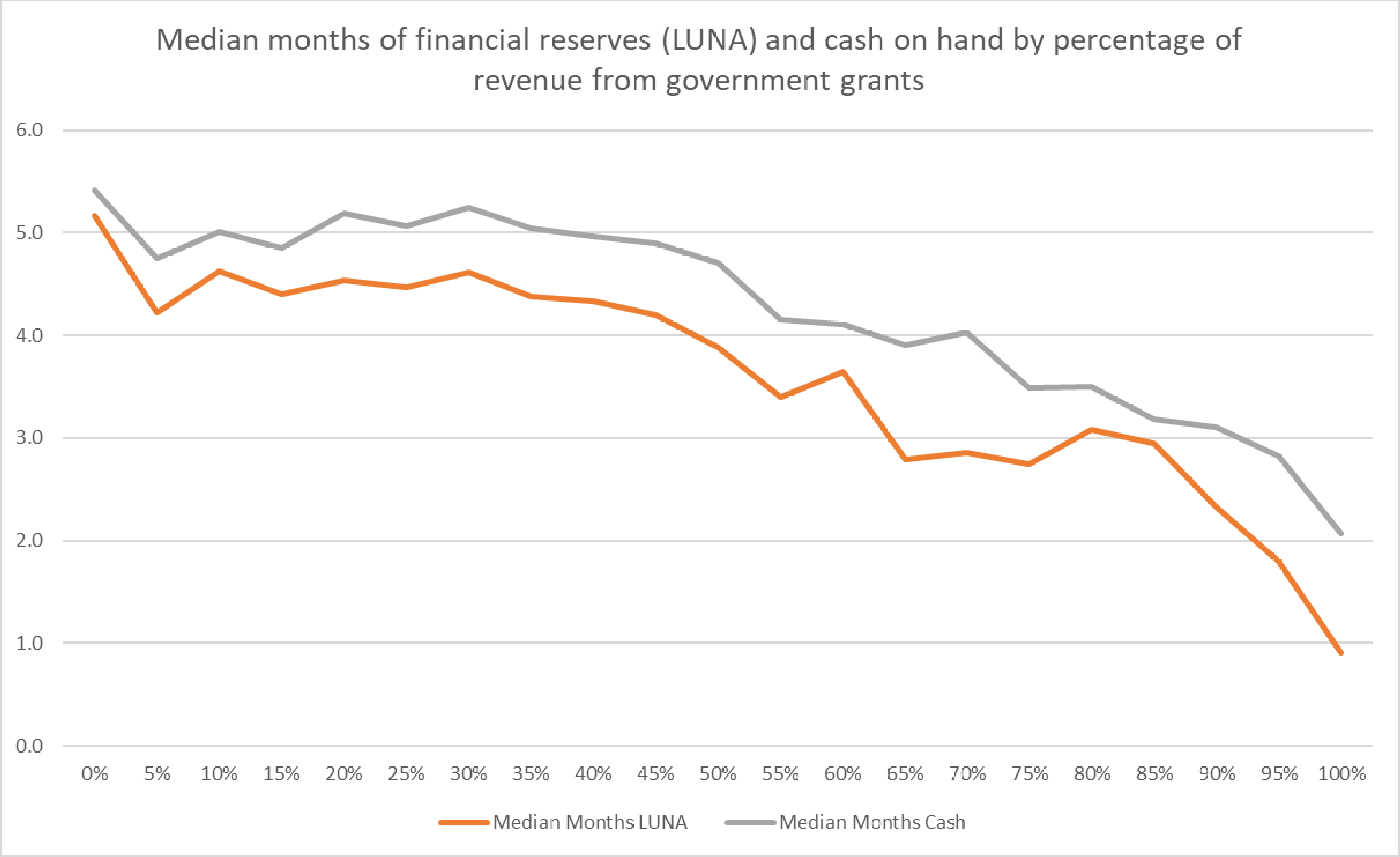
Today's Session

CASH FLOW MANAGEMENT

- Grounding Concepts
- Creating a Cash Flow Forecast
- Cash Flow Forecast Template
- Monitoring Cash Flow
- Strategies for Cash Flow
- Wrap-Up and Resources

Financial Resilience





Source: GOVERNMENT-FUNDED NONPROFITS FACE SERIOUS OBSTACLES TO BUILDING FINANCIAL RESERVES AND WORKING CAPITAL, JOHN SUMMERS, MANAGING DIRECTOR, BDO NONPROFIT AND GRANTMAKER ADVISORY SERVICES

Grounding Concepts

Financially Resilient Organizations

Stay focused on the **long-term**

Continually assess and respond to **current needs**

Understand and are able to tell their **financial story**

Cash v. Accrual Basis Accounting

CASH BASIS ACCOUNTING

- Revenue is recorded when cash is received and usually called “cash receipts”
- Expenses are recorded at the time they are paid and usually called “cash disbursements”
- Can be thought of as “check book” accounting

ACCRUAL BASIS ACCOUNTING

- Revenue is recorded when it is awarded or earned
- Expenses are recorded at the time they are incurred
- Allows an organization to better understand their current financial position
- Required under Generally Accepted Accounting Principles

Budget vs. Cash Flow Projections

BUDGET	CASH FLOW PROJECTIONS
Annual financial plan for an organization	An **annual** or **rolling calendar** of cash disbursements and receipts, month by month, incorporating both operating and capital requirements
A **detailed** projection of expenses and revenues based on **prior year history**	Includes **cash outlays** that may not be included in the operating budget (e.g., purchase of fixed assets)
Used to **prioritize available resources** and manage performance	**Identifies periods** of potential cash shortfall or excess
	Should be **updated monthly** to account for **actual results** and **revised expectations**

Defining Liquidity

Assessing Liquidity Needs

- How much cash-on-hand is needed to cover operating expenses?
- How does the timing of operating revenue and expenses affect cash needs?
- What are the organization’s long-term goals?
- Any policies for cash-on-hand targets to be aware of?

Key Liquidity Metrics

DEFINED

Months of LUNA (Liquid Unrestricted Net Assets)	**Reserves:** Portion of unrestricted net assets that could be converted to cash relatively easily
Months of Cash	**Liquidity:** Number of months that an organization could continue to pay its operating expenses with current cash balances (includes restricted and unrestricted cash).

Generally, 3-6 months are helpful	**1-2 months are common****	**Less than 1 month is concerning****

****Factors to consider:**

- Equity (access to resources—BIPOC-led, rural, smaller cities)
- Subsector/revenue sources (Govt funding is challenging)
- Org growth/change
- Property Ownership

Operating Reserves

(aka LUNA – Liquid Unrestricted Net Assets)

Reserves indicate long term financial health & flexibility - a safety net and resources to invest in change & growth

WHAT ARE THEY?

- Reserves are like savings
  - Liquid
  - Unrestricted
  - Net of debt

WHY ARE THEY NEEDED?

- Serve the mission during downturn
- Take risks, innovate and grow
- Cover frontloaded expenses

HOW ARE THEY BUILT?

- **Annual surpluses**
- Fundraising campaign or investment
- Strategic budgeting

Liquid Unrestricted Net Assets (LUNA)

Our Unrestricted Net Worth

Unrestricted Net Assets

−

Unavailable Net Worth

Illiquid Net Assets

=

Operating Reserves

Liquid Unrestricted Net Assets

Months of LUNA

Operating Reserves

Liquid Unrestricted Net Assets

÷

What Is Spent on Average Per Month

Average Monthly Operating Expenses

=

Months of LUNA

Months of LUNA

Months of Cash on Hand

Money in the Bank

Cash and Cash Equivalents

÷

What We Spent on Average Per Month

Average Monthly Operating Expenses

=

Operating Runway

Months of Cash on Hand

Months of LUNA vs CASH

LUNA	VS	CASH
Unrestricted net asset balance that can easily be converted to cash		**Asset** that may include both unrestricted and **restricted funds as well as debt**

Unrestricted Net Assets	604,455
- Board designated	250,000
- Fixed assets, net-Fixed asset debt	31,875
= LUNA	32,580
÷ Monthly Expense	208,333
Months of LUNA = 1.5	

Annual Expenses	2,499,996
÷ Number of Months	12
= Monthly Expense	208,333
Cash	1,103,580
÷ Monthly Expense	208,333
Months of Cash = 5.3	

Calculating Months of Cash

Statement of Financial Position	
Assets	**Jun 30, 2020**
Cash	1,103,580
Receivables	563,000
Fixed assets, net	47,875
Total assets	1,714,455
Liabilities and Net Assets	
Liabilities:	
Accounts payable	340,000
Fixed Asset debt	16,000
Total liabilities	356,000
Net assets:	
Without donor restrictions	
Operations	354,455
Board designated	250,000
Total unrestricted	604,455
With donor restrictions	754,000
Total net assets	1,358,455

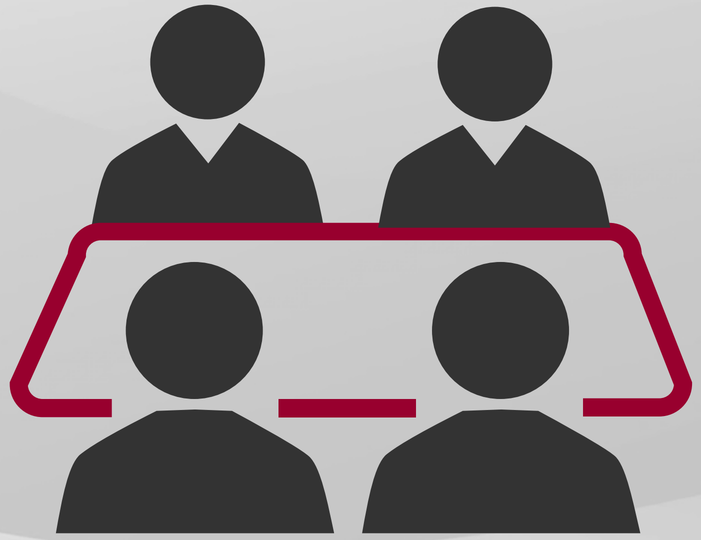
Annual Expenses	2,499,996
÷ Number of Months	12
= Monthly Expense	208,333
Cash	1,103,580
÷ Monthly Expense	208,333
= Months of Cash	**5.3**

Unrestricted Net Assets	604,455
- Board designated	250,000
- (Fix assets, net-Fixed asset debt)	31,875
= LUNA	322,580
÷ Monthly Expense	208,333
= Months of LUNA	**1.5**

Group Activity

- You will be placed into breakout groups to complete this activity.
- Review the Sample Financials on the first tab of the Excel sheet
- Using the Sample Financials, complete the Months of Cash tool to calculate how many Months of Cash the organization has.
  - If you have time, attempt to determine the LUNA
- Discuss the 2-year trend with your group:
  - What is the trend for Months of Cash? Is it improving or not?

NOTE: Take this tool from the session and enter your own financials!



Nonprofit Financial Health Assessment

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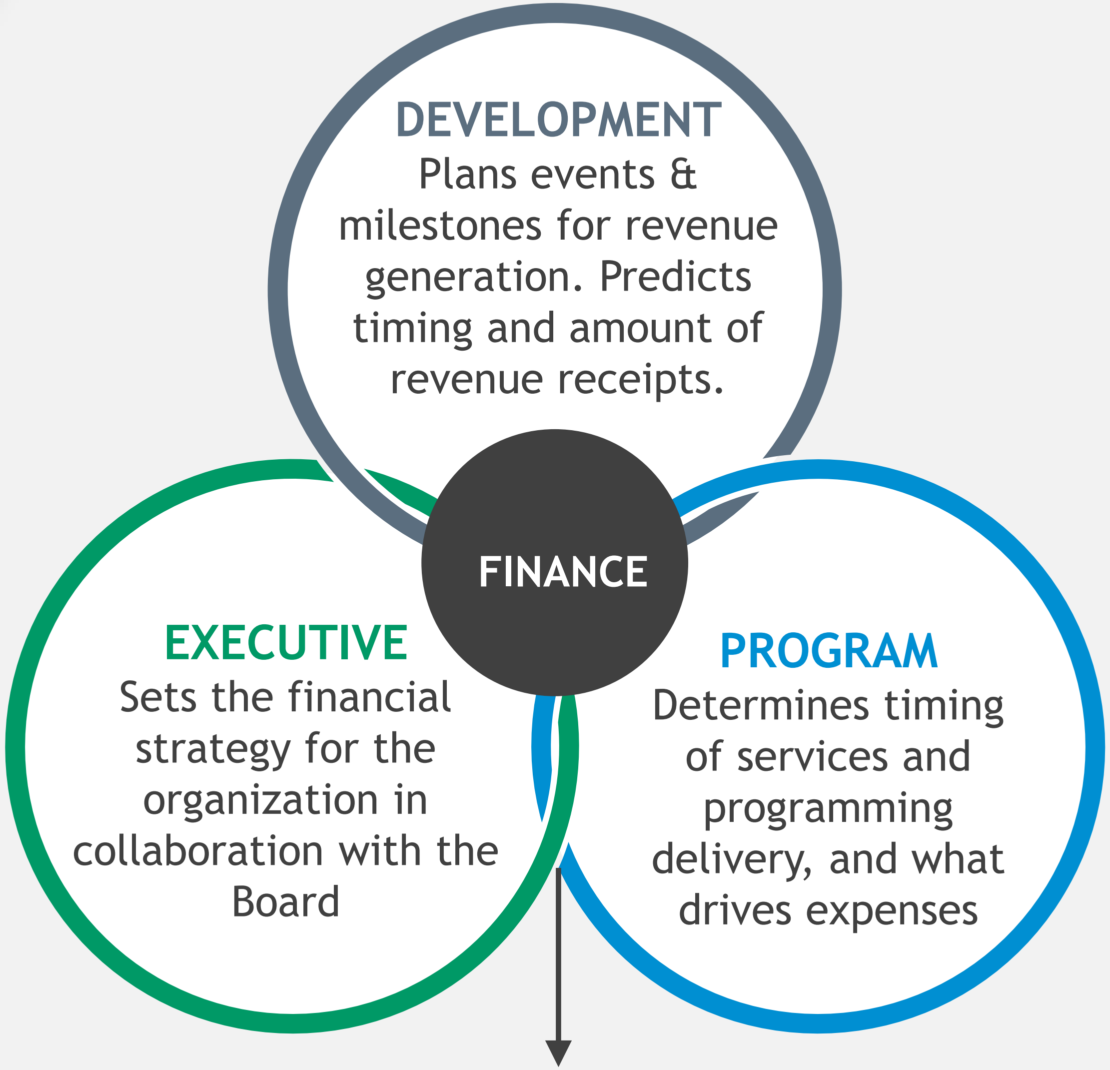
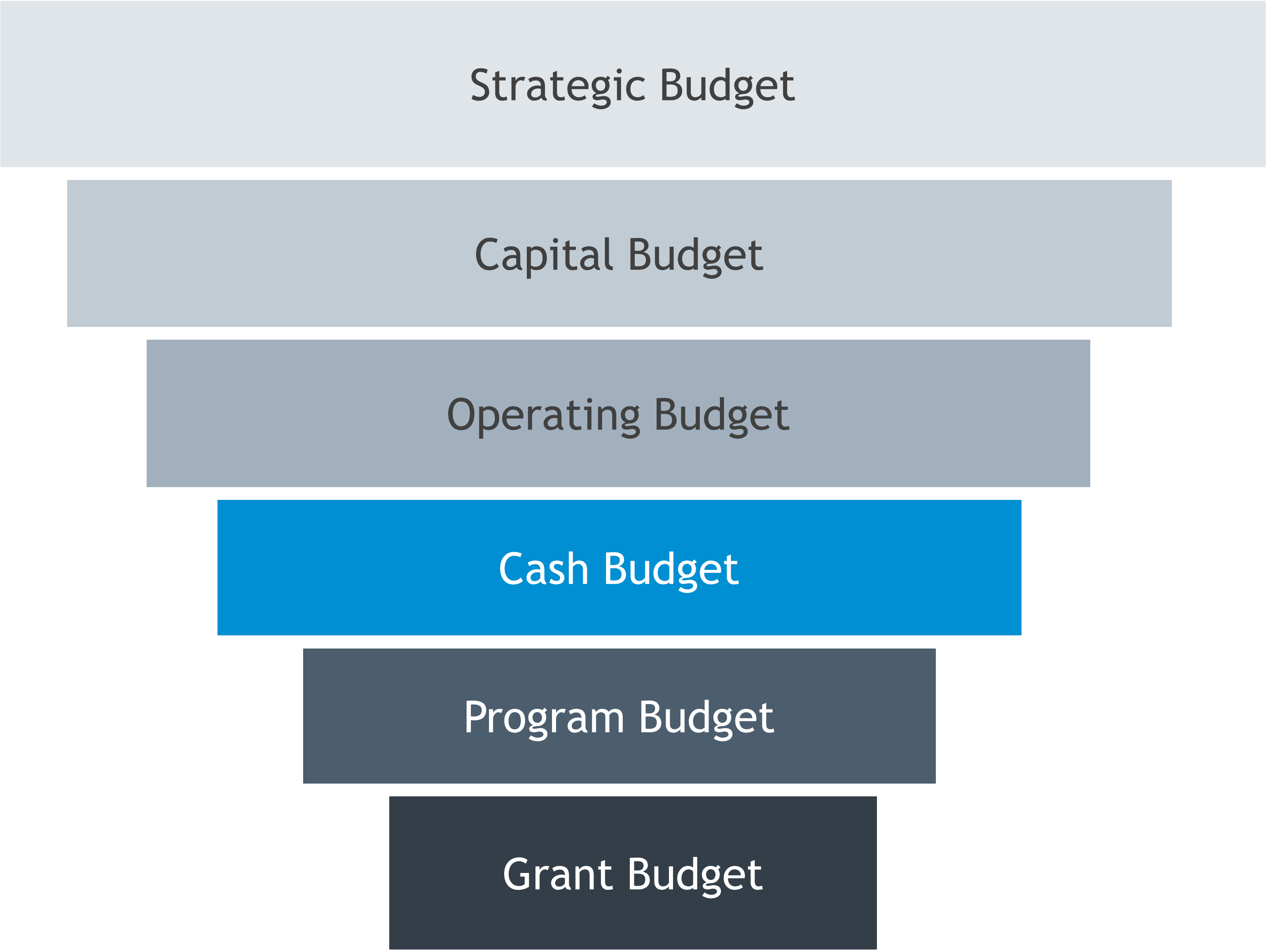
Creating a Cash Flow Forecast

Team Engagement in Cashflow Planning



Provides relevant, timely, and accurate financial data, updates and monitors cash flow projections

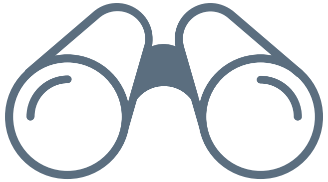
Levels of Planning



Budget, Forecasting, and Cashflow Projections

ANNUAL OPERATING BUDGET

An estimated plan for income and expenditures within a fiscal year



FORECAST

A combination of actuals to date and anticipated performance based on your newest and most up-to-date information

CASH FLOW PROJECTIONS

A rolling plan for cash disbursements and receipts, month by month, incorporating both operating and capital requirements

Forecasting as a Management Practice

Why take the time to forecast?

1. Shifts focus from past analysis to proactive management of **future events**
2. Allows staff to proactively identify **potential roadblocks**
3. Facilitates rapid adaptation to **unanticipated changes** in the funding environment
4. Enables team to **adjust plans** to meet desired goals

Getting Started with Cash Flow Projections

Enter appropriate beginning balance

- Reference balance sheet or bank statement(s)

Customize line items

- Mirror budget structure and/or parent accounts in COA
- Or use pre-populated line items in cash flow tool

Populate tool

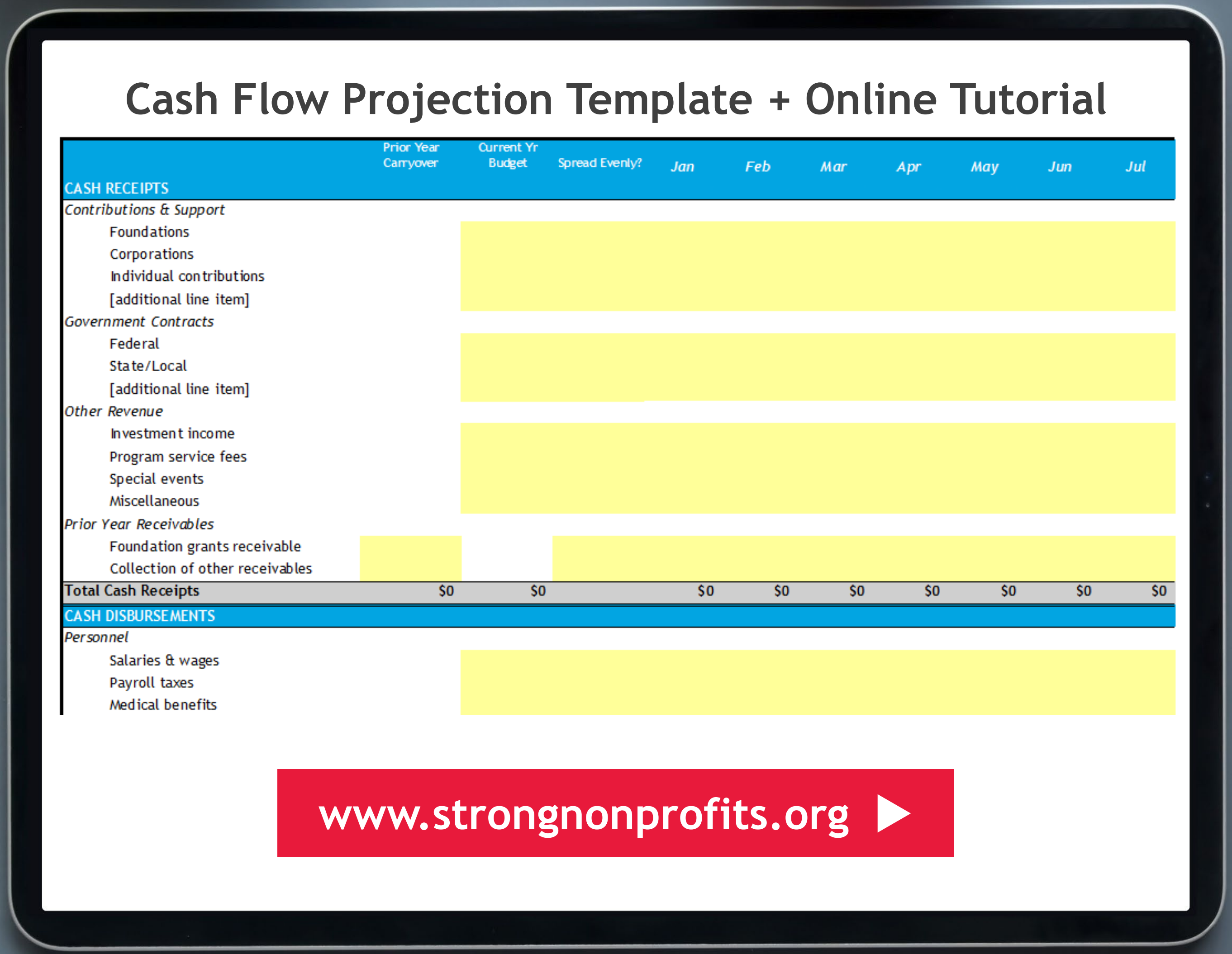
- Populate annual cash flow to match budget while making assumptions around when revenue and expenses will hit your bank account

Thoughts and Questions

Break

Cash Flow Forecast Template

Cash Flow Projections



Cash Flow Projection Template + Online Tutorial

	Prior Year Carryover	Current Yr Budget	Spread Evenly?	Jan	Feb	Mar	Apr	May	Jun	Jul
CASH RECEIPTS										
Contributions & Support										
Foundations										
Corporations										
Individual contributions										
[additional line item]										
Government Contracts										
Federal										
State/Local										
[additional line item]										
Other Revenue										
Investment income										
Program service fees										
Special events										
Miscellaneous										
Prior Year Receivables										
Foundation grants receivable										
Collection of other receivables										
Total Cash Receipts	$0	$0		$0	$0	$0	$0	$0	$0	$0
CASH DISBURSEMENTS										
Personnel										
Salaries & wages										
Payroll taxes										
Medical benefits										

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Monitoring Cash Flow

IN THE CHAT

How do you monitor cash flow at your organization?

Data Management

GOOD REPORTS REQUIRE GOOD DATA!

- Set up your financial management systems to work for your business model
- Align data sets across disparate systems
- Incorporate regular staff training on reviewing and communicating financial information
- Institute a clear monthly close process

Monitoring and Using the Information

Actualize monthly

- Reference P&L report in cash basis and bank statements

Reproject forward

- Use in collaboration with AP and AR reports to inform projections
- Stay informed about major changes in programming, hiring, etc.

Inform decision-making

- Share with Finance Committee, Board Treasurer, and Executive Leadership monthly or as needed

Liquidity

ASSETS	2022	2021
Current assets		
Cash and cash equivalents	$ 2,257,942	$ 4,723,545
Investments	2,813,319	-
Grants and contributions receivable, net	830,109	1,396,625
Accounts receivable	1,000	-
Prepaid expenses	13,214	15,334
Inventory	18,538	18,587
Right of use asset, current	75,915	75,641
Total current assets	**6,010,037**	**6,229,732**
Noncurrent assets		
Property and equipment, net	133,936	168,172
Grants and contributions receivable - net	195,465	382,880
Security deposits	37,080	36,000
Right of use asset	101,661	177,575
Intangible assets, net	120,394	-
Total noncurrent assets	**588,536**	**764,627**
TOTAL ASSETS	**$ 6,598,573**	**$ 6,994,359**
Net assets		
Without donor restrictions		
Undesignated	1,080,215	1,303,336
Designated by the Board for operating reserve fund	3,243,987	2,768,988
Total without donor restrictions	4,324,202	4,072,324
With donor restrictions	2,033,351	2,579,417
Total net assets	**6,357,553**	**6,651,741**

Balance Sheet: Supporting Schedule

Association for a Better Community, Inc.
Accounts Receivable Aging
As of May 31, 2015

	Current	31 - 60	61 - 90	> 90	TOTAL
Accounts Receivable					
Center for Living and Working	1,635	0	0	0	1,635
EDIC	2,218	0	0	0	2,218
MCD Grant	0	7,119	0	0	7,119
MCD Northshore	0	10,478	0	0	10,478
MCD Southeast	0	16,550	0	0	16,550
Accounts Receivable Total	3,853	34,147	0	0	38,000
Grants and Contracts Receivable					
AAA-Elderly Commission	0	0	1,279	985	2,264
Public Health Commission	0	2,520	0	0	2,520
City Department of Children & Families	0	0	42,320	0	42,320
State Office of Youth and Families	0	0	106,215	0	106,215
State Office of Mental Health	0	0	0	56,811	56,811
Grants and Contracts Receivable Total	0	2,520	149,814	57,796	210,130
TOTAL	**3,853**	**36,667**	**149,814**	**57,796**	**248,130**

Cash Flow Projections – Where to Look

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	There-after	TOTAL
CASH RECEIPTS														
Total Cash Receipts	$89,612	$84,375	$74,375	$59,375	$109,375	$44,375	$129,375	$251,875	$124,375	$31,875	$64,375	$29,375	$0	$ 1,092,737
Total Cash Disbursements	$72,787	$80,210	$89,580	$86,830	$96,830	$76,580	$102,250	$103,340	$96,150	$94,350	$92,150	$88,370	$0	$1,079,427
Excess (Shortfall) from operations	$16,825	$4,165	($15,205)	($27,455)	$12,545	($32,205)	$27,125	$148,535	$28,225	($62,475)	($27,775)	($58,995)	$0	$13,310
CAPITAL AND FINANCING														
Cash Receipts														
Cash received from loans/financing														$ -
Cash received from credit line														$ -
Transfers from savings/investments														$ -
Cash Disbursements														
Capital purchases														$ -
Repayment of loan principal														$ -
Repayment of credit line principal														$ -
Transfers to savings/investments														$ -
NET CASH EXCESS (SHORTFALL)	$16,825	$4,165	($15,205)	($27,455)	$12,545	($32,205)	$27,125	$148,535	$28,225	($62,475)	($27,775)	($58,995)	$0	$13,310
ROLLING CASH BALANCE	$49,482	$53,647	$38,442	$10,987	$23,532	($8,673)	$18,452	$166,987	$195,212	$132,737	$104,962	$45,967		

Financial Monitoring

Financial Decision-Making Meetings: Action Steps

- Form the team: Include key representatives from Finance, Program, Development, Executive Leadership, and other departments
- Establish a meeting calendar with specific dates, times, and topics for discussion/decision
- Ensure the right data and reports are available 2-4 days prior to the meeting for review by participants
- Take note of agreed upon action steps and circulate immediately after the meeting

Strategies for Cash Flow

IN THE CHAT

What are some strategies you use to help your organization manage cash flow?

Financing Options

Line of Credit

- Can be used to smooth out **unevenly matched cash inflows and outflows** over the course of a year.
- Outstanding balances will **incur interest** that must be paid monthly and other fees.
- Not intended to be used to fund an **operating deficit.**
- May require **board approval** to draw down.
- **May have terms attached including:**
  - Fees for non-use
  - Periodic "clean up" provision.
  - Financial reporting requirements and covenants.

Credit Card

- Used for **ease of staff purchases**.
- Requires monthly **payment of a portion of principal and interest.**
- Ideally **paid down in full monthly**, following review and approval of purchases, in order to avoid costly interest charges.
- **Does not require Board approval** for use.

Other

- If terms are favorable, **explore leasing or rental arrangements**, instead of outright purchases, in order to spread cash outflows over time.
- Explore **bridge-loans**, possibly available from philanthropic organizations or other sources.

What to Consider in a Cash Crunch

Increase Cash Receipts

- Focus on **receivables** collections
- **Liquidate** short-term investments
- Negotiate with **funders** on payment timing

Minimize Cash Disbursements

- Delay or **eliminate** controllable expenses
- **Delay** non-critical vendor payments

Access Financing

- Use your **line of credit**

What Not to Do in a Cash Crunch

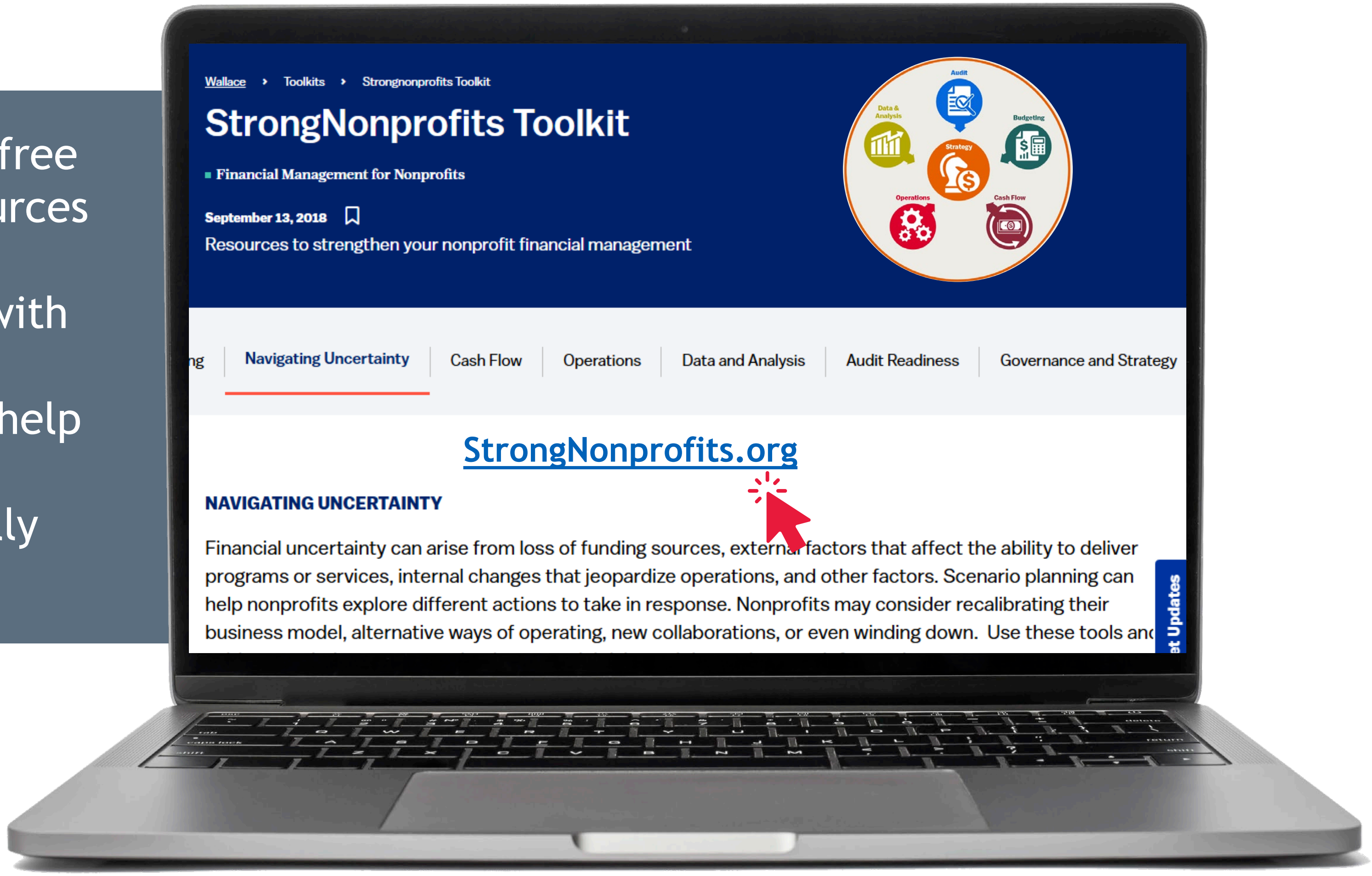
- Delay payment of payroll, payroll taxes, and/or benefits
- Delay payments to vendors that will impact the quality of programming
- Rely on personal loans from board members or others without adequate documentation & board approval

Thoughts and Questions

Resources and Wrap Up

Financial Management Resources

This library of free tools and resources was created in collaboration with the Wallace Foundation to help organizations become “fiscally fit.”



References and Resources

- **Assessing your Banking Relationships**
  - "Nonprofit Banking: 5 Things Every Nonprofit Should Know" – Donorbox Blog
  - "What is a CDFI?" – Opportunity Finance Network
  - "Where We Bank Matters" – Leap Ambassadors
  - "How to Check Your Bank's Financial Health" – Troy Barrow, LUTCF via LinkedIn

- **Strategies for Cash Management**
  - "Where Should My Nonprofit Keep Its Operating Cash?" - Amy Silver O'Leary, Council of Nonprofits
  - "Short-Term Investments: Definition, How They Work, and Examples" - Troy Segal, Investopedia
  - "What is CDARS" - American Deposit Management Company
  - "What SIPC Protects" - SIPC

Developing your Reserve Fund Policy

A TEMPLATE AND GUIDE FOR NONPROFITS

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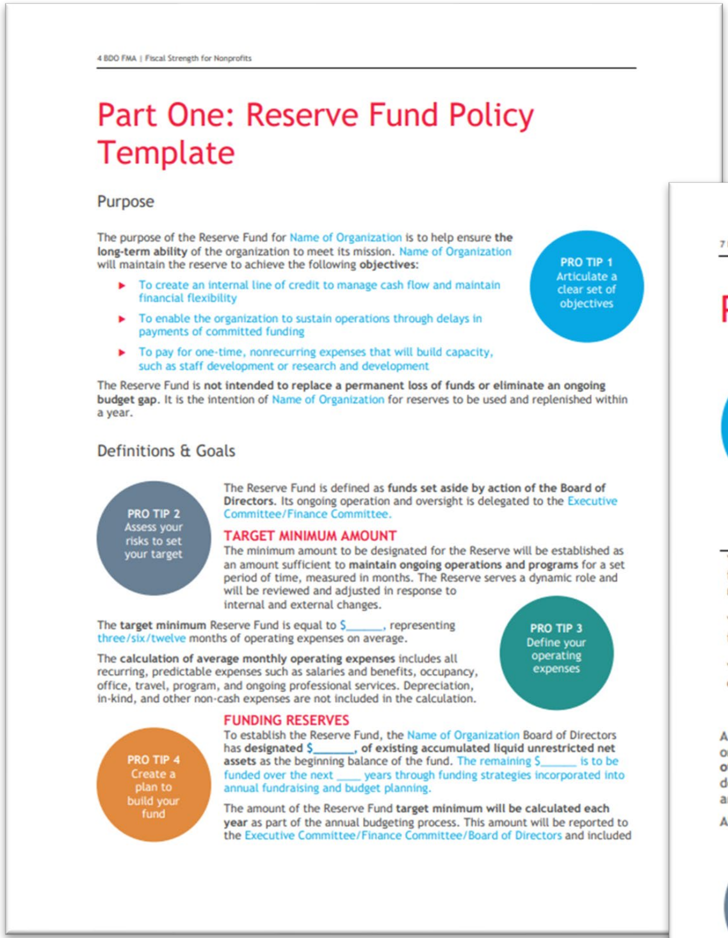
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Part One: Reserve Fund Policy Template

Purpose

The purpose of the Reserve Fund for Name of Organization is to help ensure the **long-term ability** of the organization to meet its mission. Name of Organization will maintain the reserve to achieve the following **objectives:**

- To create an internal line of credit to manage cash flow and maintain financial flexibility
- To enable the organization to sustain operations through delays in payments of committed funding
- To pay for one-time, nonrecurring expenses that will build capacity, such as staff development or research and development

The Reserve Fund is **not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.** It is the intention of Name of Organization for reserves to be used and replenished within a year.

PRO TIP 1
Articulate a clear set of objectives

Definitions & Goals

PRO TIP 2
Assess your risks to set your target

The Reserve Fund is defined as **funds set aside by action of the Board of Directors.** Its ongoing operation and oversight is delegated to the Executive Committee/Finance Committee.

TARGET MINIMUM AMOUNT

The minimum amount to be designated for the Reserve will be established as an amount sufficient to **maintain ongoing operations and programs** for a set period of time, measured in months. The Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The **target minimum** Reserve Fund is equal to $______, representing three/six/twelve months of operating expenses on average.

The **calculation of average monthly operating expenses** includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

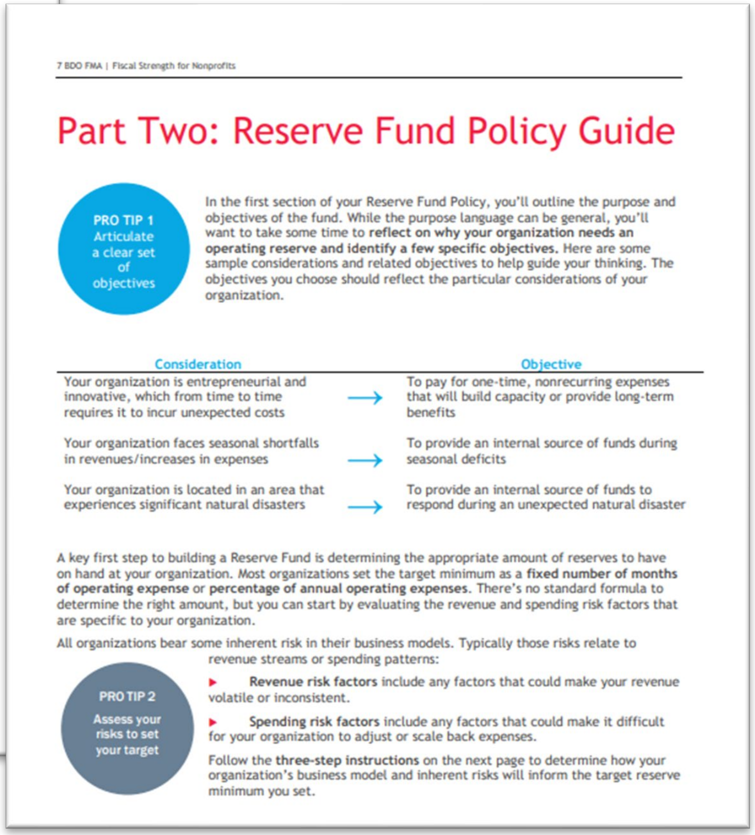
PRO TIP 3
Define your operating expenses

FUNDING RESERVES

PRO TIP 4
Create a plan to build your fund

To establish the Reserve Fund, the Name of Organization Board of Directors has **designated** $______, **of existing accumulated liquid unrestricted net assets** as the beginning balance of the fund. The remaining $______ is to be funded over the next ____ years through funding strategies incorporated into annual fundraising and budget planning.

The amount of the Reserve Fund **target minimum will be calculated each year** as part of the annual budgeting process. This amount will be reported to the Executive Committee/Finance Committee/Board of Directors and included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Part Two: Reserve Fund Policy Guide

PRO TIP 1
Articulate a clear set of objectives

In the first section of your Reserve Fund Policy, you'll outline the purpose and objectives of the fund. While the purpose language can be general, you'll want to take some time to **reflect on why your organization needs an operating reserve and identify a few specific objectives.** Here are some sample considerations and related objectives to help guide your thinking. The objectives you choose should reflect the particular considerations of your organization.

Consideration		Objective
Your organization is entrepreneurial and innovative, which from time to time requires it to incur unexpected costs	→	To pay for one-time, nonrecurring expenses that will build capacity or provide long-term benefits
Your organization faces seasonal shortfalls in revenues/increases in expenses	→	To provide an internal source of funds during seasonal deficits
Your organization is located in an area that experiences significant natural disasters	→	To provide an internal source of funds to respond during an unexpected natural disaster

A key first step to building a Reserve Fund is determining the appropriate amount of reserves to have on hand at your organization. Most organizations set the target minimum as a **fixed number of months of operating expense** or **percentage of annual operating expenses.** There's no standard formula to determine the right amount, but you can start by evaluating the revenue and spending risk factors that are specific to your organization.

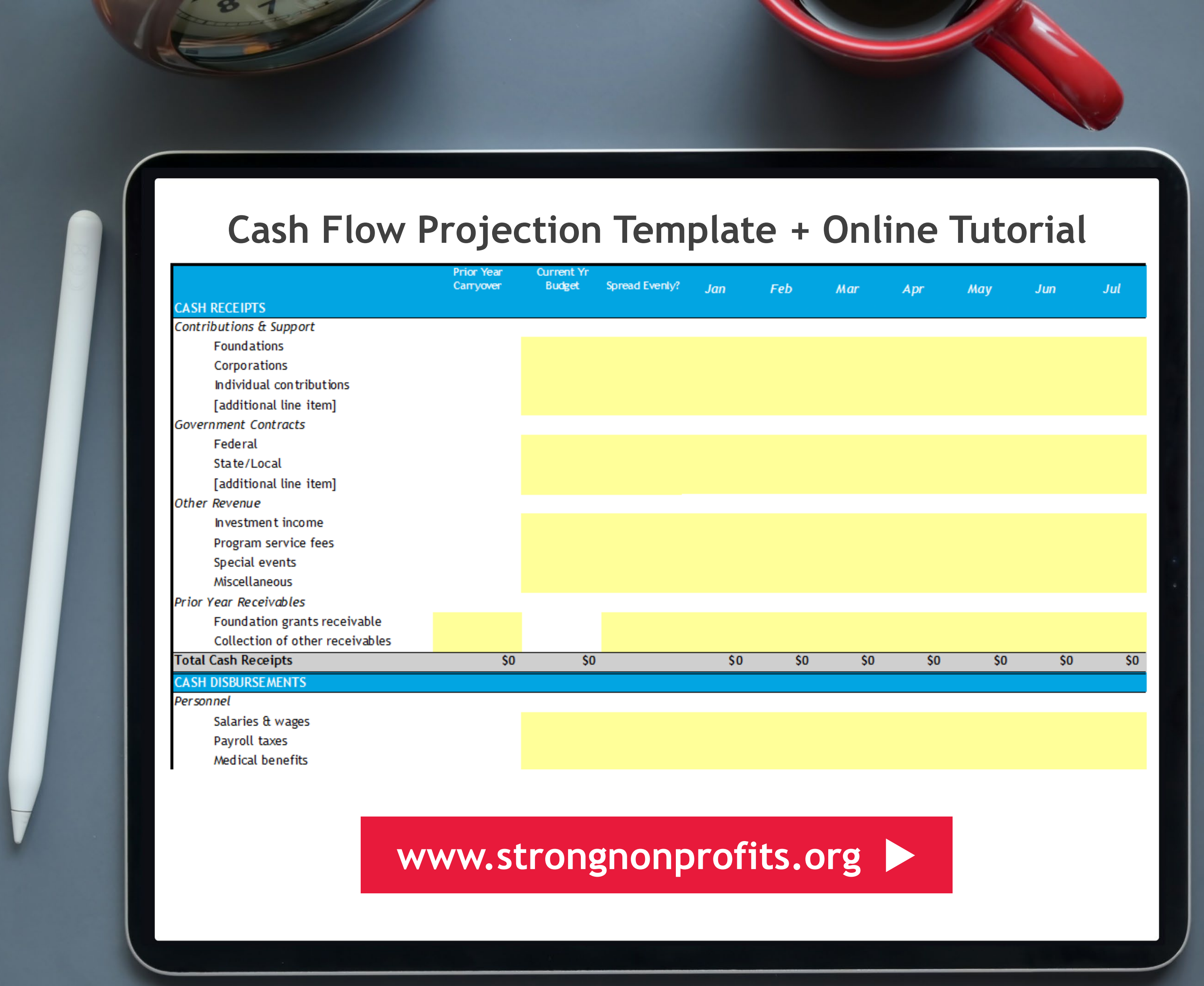
All organizations bear some inherent risk in their business models. Typically those risks relate to revenue streams or spending patterns:

PRO TIP 2
Assess your risks to set your target

- **Revenue risk factors** include any factors that could make your revenue volatile or inconsistent.
- **Spending risk factors** include any factors that could make it difficult for your organization to adjust or scale back expenses.

Follow the **three-step instructions** on the next page to determine how your organization's business model and inherent risks will inform the target reserve minimum you set.

Cash Flow Projections



Nonprofit Financial Health Assessment

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