



RICK ARTHUR, CFO

Unleashing the Power of Financial Intelligence

HOW TO TAKE CONTROL OF YOUR CASH FLOW WITH FORECASTING



TAKING CONTROL OF YOUR CASH FLOW

What We'll Cover Today

- What is Cash Flow and Why is it Important?
- Difference Between Profit and Cash Flow
- How to Prepare Forecasted Cash Flow
- How Often Should I Forecast Cash Flow?

WHAT IS CASH FLOW & WHY IS IT IMPORTANT?

Cash flow is the lifeblood of any business



3 TYPES OF CASH FLOW IN EVERY BUSINESS: STATEMENT OF CASH FLOWS

Operating Cash Flow

Investing Cash Flow

Financing Cash Flow

STATEMENT OF CASH FLOWS

OPERATING ACTIVITIES	
Net Income	99,206
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	-96,054
Materials Inventory	-112,144
Work in Progress-Direct Labor	-37,313
Work in Progress-Utilities	-762
Finished Goods Inventory	190,179
Prepays:Prepaid Insurance	-1,878
Accounts Payable	112,764
My Credit Card	657
Payroll Liabilities	26
Payroll Liabilities:SEC125 Payable	150
Payroll Liabilities:Payroll Taxes Payable	1,064
Line of Credit	-58,912
Net cash provided by Operating Activities	96,983
INVESTING ACTIVITIES	
Computer & Office Equipment	-2,500
Accumulated Depreciation	846
Net cash provided by Investing Activities	-1,654
FINANCING ACTIVITIES	
Deborah Wood Capital:Deborah Wood Draws	-123,000
Net cash provided by Financing Activities	-123,000
Net cash increase for period	-27,671
Cash at beginning of period	77,638
Cash at end of period	49,967

DIFFERENCE BETWEEN PROFIT AND CASH FLOW



PROFIT

Revenue less Expenses

Accounting Concept

CASH

What's in your Bank Account

Real!

SOURCES AND USES OF CASH



SOURCES AND USES OF CASH



SOURCES

- Cash Sales
- Deposits
- Accounts Receivable Collections
- Notes Receivable Payments
- Loan Proceeds
- Capital Injections

SOURCES OF CASH

Ricks Maui Treasures Forecasted Cash Flow

From: May-20
To: July-20

Total	May-20	Jun-20	Jul-20
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Sources:

<i>Cash Sales</i>	62,000	28,000	19,000	15,000
<i>Customer Deposits</i>	16,000	12,000	4,000	0
<i>A/R Collections</i>	283,000	108,000	94,000	81,000
<i>Notes Receivable Payments</i>	0	0	0	0
<i>Loan Proceeds - PPP Loan</i>	125,000	125,000	0	0
<i>Owner Capital Injection</i>	0	0	0	0
	0			
Total Sources	486,000	273,000	117,000	96,000

SOURCES AND USES OF CASH



USES

- Cost of Goods Sold/Inventory
- Payroll Taxes and Benefits
- Sales and Marketing Expenses
- General and Administrative Expenses
- Finance Expense
- Credit Card Payments
- Loan Payments
- Sub-S Distributions
- Capital Expenditures

USES OF CASH

	Total	May-20	Jun-20	Jul-20
Total Sources	486,000	273,000	117,000	96,000
Uses				
<i>Cost of Goods Sold / Inventory</i>	62,000	42,000	15,000	5,000
<i>Payroll, Taxes & Benefits</i>	204,000	68,000	68,000	68,000
<i>Sales and Marketing Expense</i>	39,000	15,000	12,000	12,000
<i>General & Administrative Expenses</i>	102,000	34,000	34,000	34,000
<i>Finance Expenses</i>	6,000	2,000	2,000	2,000
<i>A/P Opening Balance</i>	102,000	51,000	51,000	
<i>Credit Card Payments</i>	0	0	0	0
<i>Loan Payments</i>	25,500	8,500	8,500	8,500
<i>Owner Distributions</i>	0	0	0	0
<i>Capital Expenditures</i>	0	0	0	0
	0			
Total Uses	540,500	220,500	190,500	129,500
Cash Surplus (Deficit)	(54,500)	52,500	(73,500)	(33,500)
Cash Balance - Beginning	63,000	63,000	115,500	42,000
Cash Surplus (Deficit)	(54,500)	52,500	(73,500)	(33,500)
Cash Balance - Ending	8,500	115,500	42,000	8,500

HOW OFTEN SHOULD YOU FORECAST?

- Weekly: For 6-week period
- Monthly: For 3-month period:
 - Hopeful Forecast
 - Pessimistic Forecast



KEY LEARNING POINTS



- Understand how cash flows in order to manage it
- Businesses need both Profit and Cash Flow

KEY LEARNING POINTS



- Manage all 3 Areas of Cash Flow:
 - Operating
 - Investing
 - Financing

KEY LEARNING POINTS



- Prepare Operating Budget
- Develop a Forecasted Cash Flow Model for your Business
- Cash Flow Forecasting is both Science and Art!
- Repetition Improves Learning

THANK YOU!



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