

# Developing Realistic Cash Flow Projections

Forecasting When Money Will Be  
Received and Spent at Your Nonprofit

MONEY  
MANAGEMENT

# About This Manual

## What are cash flow projections?

*Cash flow projections are detailed descriptions of expected future inflows and outflows of cash into a project, program or organization. Cash flow projections are important tools in good operational and fiscal management systems.*

*Developing Realistic Cash Flow Projections* is designed for the staff and boards of nonprofit organizations; city, county and state agencies; and technical consultants and partners of nonprofit community development organizations. This guide explains certain elements of nonprofit organizational financial statements, including:

- Components of cash flow projections
- Differences between budgets and cash flow projections
- Examples of cash flow projections for single-family housing development, a nonprofit property management program and a supportive housing program

Not intended as an in-depth text, *Developing Realistic Cash Flow Projections* provides examples and exercises written from the standpoint of a nonprofit manager or board member who is not familiar with the details of cash flow projections.

This manual is one of the books within the *Money Management* series of The Enterprise Foundation's Community Development Library™. The series provides detailed information on:

- Budgeting
- Financial statements
- Sound financial management
- Assessing your organization's finances
- Accounting software
- Federal rules of nonprofit money management

## Table of Contents

<b>Introduction</b>	<b>2</b>
<b>Components of Cash Flow Projections</b>	<b>3</b>
<b>Examples of Cash Flow Projections</b>	<b>8</b>
<b>Single-Family Housing Development</b>	<b>14</b>
<b>Exercise #1</b>	<b>17</b>
<b>Exercise #2</b>	<b>20</b>
<b>Exercise #3</b>	<b>24</b>
<b>Nonprofit Property Management Company</b>	<b>25</b>
<b>Exercise #4</b>	<b>28</b>
<b>Exercise #5</b>	<b>32</b>
<b>Exercise #6</b>	<b>36</b>
<b>Supportive Housing Program</b>	<b>37</b>
<b>Exercise #7</b>	<b>40</b>
<b>Exercise #8</b>	<b>44</b>

# Introduction

## WHAT ARE CASH FLOW PROJECTIONS?

Cash flow projections are predictions of the timing of cash into and out of a system. They forecast exactly when money will be received and spent. The “system” can be your organization, a project, a program or a department. If you think of the system as your own financial situation, it becomes clear that one of the most important jobs of a cash flow projection is to say *when*. We have all been in the position of waiting for a paycheck or other payment due to us at the same time as a landlord or some other creditor was demanding a check *now*.

## THE DIFFERENCE BETWEEN BUDGET AND CASH FLOW

Your budget predicts how much money you expect to receive and spend. It tells you who is likely to give you money and to whom you will probably owe it. Your budget even tells you why the money will be spent (for scholarships or to buy a building) and how you will spend it (on office supplies or salaries). But it *does not* and *cannot* tell you how much money you are likely to have on March 25 at the end of the day. This is the *when* that cash flow projections can tell you.

## DON'T BE CONFUSED

Cash flow projections are not the same as “statements of cash flow.” You may have seen this in the financial statements your accountant prepares each month, but these offer only historical data. Also, cash flow projections cannot measure profitability or net worth. But if used thoughtfully, they can and do predict the amount of cash available to you at any point in the future. And that is worth money in the bank.

## WHERE ARE YOU HAVING PROBLEMS WITH CASH FLOW?

Take a minute to think about how your organization manages and predicts its cash flow. Now answer these questions:

1. In the past year, has your organization or one of your projects run out of cash without warning?
2. Have you had to use restricted funds for purposes other than their original intent?
3. Are you unsure how much, if any, you will need to borrow?
4. Is the board losing confidence in your organization's financial management?
5. Are donors losing confidence in your financial management?

# Components of Cash Flow Projections

There is specific terminology used in cash flow projections. Here are explanations of what these terms mean as well as some other general information that you will need to know.

TERM	EXPLANATION
Cash at Start	<ul style="list-style-type: none"> <li>▪ In period one, cash at start equals funds immediately available for the organization, project or program</li> <li>▪ In subsequent periods, cash at start always equals cash at the end of the prior period</li> </ul>
Cash Inflow	<ul style="list-style-type: none"> <li>▪ <b>All</b> funds flowing into your organization, project or program including:               <ul style="list-style-type: none"> <li>– Income received</li> <li>– Loan proceeds</li> <li>– Income from investments</li> <li>– Recovery of bad debts</li> </ul> </li> <li>▪ <b>But not</b> income not received (accounts receivable)</li> </ul>
Total Cash Inflow	<ul style="list-style-type: none"> <li>▪ Sum of all funds flowing in within the period</li> </ul>
Total Cash Available	<ul style="list-style-type: none"> <li>▪ Sum of cash at start and all funds flowing in within the period</li> </ul>
Cash Outflow	<ul style="list-style-type: none"> <li>▪ <b>All</b> funds — cash, checks or their equivalents — flowing out of the organization, project or program including:               <ul style="list-style-type: none"> <li>– Loan payments</li> <li>– Expense outlays</li> </ul> </li> </ul>
Total Cash Outflow	<ul style="list-style-type: none"> <li>▪ Sum of all funds flowing out within the period</li> </ul>
Cash at End	<ul style="list-style-type: none"> <li>▪ Sum of cash at start and all funds flowing in within the period, less sum of all funds flowing out within the period</li> </ul>

## WHAT CASH FLOW PROJECTIONS LOOK LIKE DATES TO USE

On the next page, we will take a detailed look at a cash flow projection format and how it works. We have used a computer spreadsheet to create a simple, easy-to-read matrix. You will see that, like a checkbook, it starts with a \$0 balance and lets you record cash receipts and expenditures in the categories you use in your budget.

Two factors make this format different from your budget, though. One is that you include cash only. (If you cannot spend it, do not use it in a cash flow projection.) The other is that you record cash according to the dates you expect to receive it and spend it.

Typically, it is good to project your transactions for a particular month. But when cash is tight, create weekly or even daily projections. It is also good to look at a monthly projection for each of the next 12 months. The flexible format presented here makes it easy to look at different time periods. It can help you stay ahead of a cash management catastrophe if you use it consistently.

Do not be misled. This is a management tool, not a magic wand. It is no substitute for raising enough money for your work.

## CASH FLOW PROJECTION COMPONENTS

This format is a computer-generated spreadsheet with formulas that handle the calculations. The format totals all the cash you expect to get and all the cash you expect to spend, and then calculates the difference between them to predict what you will have left. And it gives this information for any and every date you choose. The formulas that drive the format are:

Cash at Start + Cash Inflows = Total Cash Available (for the date you choose)

Total Cash Available – Cash Outflows = Cash at End (for the same date)

Cash at End of one period = Cash at Start for the next period

### Cash at Start

In the example, we begin with a blank slate — \$0 at the start. In real life, you will probably have cash to start with. If so, write in the amount next to “Cash at Start” under your first date.

### Name of Your Organization

If the projection is for your organization, its name goes here. If it is for a department or program, include that title under your organization’s name.

Name of Your Organization — Starting and Ending Dates of Your Projections		Date 1	Date 2
CASH AT START			
Cash Inflow			
TOTAL CASH INFLOW			
TOTAL CASH AVAILABLE (Cash at Start + Total Inflow)			
Cash Outflow			
TOTAL CASH OUTFLOW			
CASH AT END (Total Available – Total Outflow)			

### Cash Inflows

List the sources of all cash you expect to receive. But be careful with money that is available only for specific purposes. You should examine these “restricted funds” separately if you want to be certain that you have enough cash for the “restricted” program or project and to avoid the impression that you have more discretionary cash than you actually have.

### Cash Outflows

Record the cash you expect to spend on the date at the top of the column, using categories from your budget.

### Cash at End

Subtract Total Cash Outflow from Total Cash Available for each period. This always becomes “Cash at Start” for the next date on the matrix. After you have recorded all your data, examine the Cash at End row. If at any time you have too little cash, see what happens if you add cash, reduce expenses or change the dates when cash comes in or goes out. This helps you see and respond to cash shortages — before they actually happen.

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## COMPARING BUDGETS AND CASH FLOW PROJECTIONS

Your budget should be the foundation for your cash flow projections; cash flow line items are more meaningful when you can easily relate them to budget line items. And while these two reports are more alike than different, the differences make cash flow projections nearly indispensable.

### The Similarities

- Budgets and cash flow projections include the same line items when those line items represent cash or the equivalent of cash.
- Both reports show money you expect to receive and spend.
- The reports show a surplus, deficit or break-even bottom line.
- They cover specific periods of time.
- Both reports can predict cash transactions for the entire organization, project, program or department.
- They both should handle restricted funds separately.

### The Differences

Cash flow projections include *only* items that are cash and cash equivalents, so they exclude items such as “in-kind donations” or “depreciation,” which your budget would show.

- The cash flow projection format records the movement of cash on specific dates and keeps a running tally of the amount left to spend. In contrast, budgets look at aggregate amounts over longer periods.

## CASH FLOW LINE ITEMS — CASH INFLOWS

These entries correspond to the “revenue” or “income” line items in your budget, although only cash or cash-equivalent entries belong here. A nonprofit community development organization might include these as inflows:

### Grants

- Community Development Block Grant
- Ryan White Grant
- City of Backwoods Operating Support Grant
- City Foundation Capacity Building Grant

### Loans

- HOME Investment Partnership Program (HOME) funds
- Bank of Silverton property acquisition loan

### Other Income

- Interest earned on investments
- Unrelated business income (from a business that supports your nonprofit operation)
- Fund-raising event proceeds
- Contributions from individuals and corporations

## CASH FLOW LINE ITEMS — CASH OUTFLOWS

These, too, look like your budget entries. Outflows include your general operating costs. They also should include program costs if you are a single-program organization or if the program is supported by nonrestricted funds. Otherwise, track program expenses separately. Here are some typical nonprofit outflows:

### Operating Expenses

- Salaries
- Employee benefits
- Office rent
- Organizational marketing supplies and postage
- Utilities
- General office supplies

### Program Expenses

- Home-buyer program advertising and brochures
- Printing of home-buyer club forms and documents
- Rental-housing application forms
- Credit bureau fee

If your organization is a one-program operation, you can probably show program expenses and general operating expenses on the same projection. But remember that restricted program funds — or any other kind of restricted funds — should have their own projection to avoid a false picture of cash available for general operations. In fact, this is a good time to take a closer look at restricted funds.

## Restricted Funds

The whole point of these projections is to learn whether you will have enough operating cash at some point in the future. But, if in projecting the cash available for operating expenses, you include money restricted to other purposes, you risk:

1. Spending money for ineligible purposes
2. Scrambling to find operating cash at the last minute
3. Failing to pay something on time — like salaries or office rent
4. Trying frantically to borrow enough cash to fill the gap

None of the last three occurrences is desirable, but the first one can cause you to lose future funding from the federal government.

## Examples of Cash Flow Projections

Now you know the basics for creating cash flow projections and how to use the format in this manual. In this section, we will take an in-depth look at a simplified example of a projection for Forever Homes Community Development Corporation (CDC), a fictitious organization. As you examine this projection, think about how you might create one for your organization.

More complicated examples are also provided, moving from a three-month to a one-year example. But the principles you have already learned are the same.

We will move closer to reality with examples of cash flow projections for single-family housing development projects, property management operations and supportive housing programs in the following sections.

Be sure you have a good foundation and understand the format before you move on. From this point, we will look at how to decide what information goes into the projections. Only well-considered input will result in cash flow projections that you can bank on.

<b>Forever Homes CDC Three-Month Operating Budget — Jan. 1 to March 31, 2000</b>		
CORRELATES TO CASH INFLOW ON CASH FLOW PROJECTION CHART ON PAGE 10.	<b>PROJECTED REVENUES</b>	
	Grants (unrestricted)	\$ 21,000
	Contributions	2,500
	Fund-Raising Event	8,500
	<b>Total Projected Revenue</b>	<u><u>32,000</u></u>
CORRELATES TO CASH OUTFLOW ON CASH FLOW PROJECTION CHART ON PAGE 10.	<b>PROJECTED EXPENSES</b>	
	Salaries	21,000
	Employee Benefits	5,250
	Office Rent	2,700
	Office Equipment Lease	750
	Office Supplies	200
	Telephone	450
	Utilities	600
	Accountant	1,050
	<b>Total Projected Expenses</b>	<u><u>32,000</u></u>
	<b>Surplus (Deficit)</b>	<u><u>\$ 0</u></u>

**Forever Homes CDC Entire Year Operating Budget —  
Jan. 1 to Dec. 31, 2000**

CORRELATES  
TO CASH  
INFLOW ON  
CASH FLOW  
PROJECTION  
CHART ON  
PAGE 12.

**PROJECTED REVENUES**

Grants	\$ 72,400
Contributions	37,600
Fund-Raising Event	8,500
Training Fees	30,000
Consulting	25,000
Interest	3,100
Working Capital Loan	19,500
<b>Total Projected Revenue</b>	<b><u>196,100</u></b>

**PROJECTED EXPENSES**

Salaries	84,000
Employee Benefits	21,000
Office Rent	10,800
Office Equipment Lease	3,000
Printing	1,500
Postage/Mailing	2,500
Travel	2,400
Training	1,000
Office Supplies	950
Event Supplies	5,766
Telephone	1,800
Utilities	2,400
Accountant	1,050
Audit	4,000
Interest on Loan	1,299
Loan Repayment	19,500
<b>Total Projected Expenses</b>	<b><u>162,965</u></b>
<b>Surplus (Deficit)</b>	<b><u>\$ 33,135</u></b>

CORRELATES  
TO CASH OUT-  
FLOW ON  
CASH FLOW  
PROJECTION  
CHART ON  
PAGE 12.

Forever Homes CDC —  
Jan. 15 to March 31, 2000

		<b>Date 1</b> 15-Jan-00	<b>Date 2</b> 31-Jan-00	<b>Date 3</b> 15-Feb-00
<b>Cash Inflow</b>	<b>CASH AT START</b>	\$ 0	\$ 13,350	\$ 4,983
	Big Dollar Foundation (Grant)	6,000	0	0
	Contributions	0	833	0
	Fund-Raising Event	0	0	0
	United Way (Grant)	9,000	0	0
	<b>TOTAL CASH INFLOW</b>	<b>\$ 15,000</b>	<b>\$ 833</b>	<b>\$ 0</b>
<b>TOTAL CASH AVAILABLE</b> (Cash at Start + Total Inflow)		<b>\$ 15,000</b>	<b>\$ 14,183</b>	<b>\$ 4,983</b>
<b>Cash Outflow</b>	Salaries	0	7000	0
	Employee Benefits	0	1,750	0
	Office Rent	900	0	900
	Office Equipment Lease	750	0	0
	Office Supplies	0	100	0
	Telephone	0	150	0
	Utilities	0	200	0
	Accountant	0	0	0
	<b>TOTAL CASH OUTFLOW</b>	<b>1,650</b>	<b>9,200</b>	<b>900</b>
	<b>CASH AT END</b> (Total Available – Total Outflow)		<b>\$ 13,350</b>	<b>\$ 4,983</b>

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<b>Date 4</b> 28-Feb-00	<b>Date 5</b> 15-Mar-00	<b>Date 6</b> 31-Mar-00	<b>TOTAL</b>
\$ 4,083	\$ 1,766	\$ 866	\$ —
6,000	0	0	12,000
833	0	834	2,500
0	0	8,500	8,500
0	0	0	9,000
\$ 6,833	\$ 0	\$ 9,334	\$ 32,000
\$ 10,916	\$ 1,766	\$ 10,200	\$ —
7,000	0	7,000	21,000
1,750	0	1,750	5,250
0	900	0	2,700
0	0	0	750
50	0	50	200
150	0	150	450
200	0	200	600
0	0	1,050	1,050
9,150	900	10,200	32,000
\$ 1,766	\$ 866	\$ 0	\$ —

A discussion with Big Dollar Foundation's grants chief revealed that, while the foundation can't make the full grant up front, it can divide the quarterly grant in half and pay in two installments.

Forever Homes' executive director puts the new figures into her cash flow projection and discovers that she still has a deficit. It's so large that she can't juggle any other revenue source to cover it. So she has to go after a large expense category. After toying with the numbers, the director decides to pay her staff at the end of the month instead of every two weeks. She juggles the figures in her cash flow projection and learns that this corrects the expected cash crisis.

Use your projections to examine *your* options. On the next page you will see a more complex example.

Forever Homes CDC Entire Year Cash Flow Projections —  
Jan. 1 to Dec. 31, 2000

		Month 1	Month 2	Month 3	Month 4	Month 5
<b>CASH AT START</b>		\$ 0	\$ 3,558	\$ 1,479	\$ 6,667	\$ 168
<b>Cash Inflow</b>	Grants	12,000	0	9,000	0	0
	Contributions	833	833	834	5,000	0
	Fund-Raising Event	0	0	8,500	0	0
	Training Fees	0	0	0	5,000	0
	Consulting	0	0	0	0	0
	Interest	0	0	0	0	0
	Working Capital Loan	0	7,500	0	0	12,000
	<b>TOTAL CASH INFLOW</b>	\$ 12,833	\$ 8,333	\$ 18,334	\$ 10,000	\$ 12,000
	<b>TOTAL CASH AVAILABLE</b> (Cash at Start + Total Inflow)	\$ 12,833	\$ 11,891	\$ 19,813	\$ 16,667	\$ 12,168
<b>Cash Outflow</b>	Salaries	7,000	7,000	7,000	7,000	7,000
	Employee Benefits	1,025	1,312	2,913	1,050	1,312
	Office Rent	900	900	900	900	900
	Office Equipment Lease	0	0	750	0	0
	Printing	0	0	0	200	0
	Postage/Mailing	0	0	0	400	0
	Travel	0	0	0	0	1,150
	Training	0	0	0	0	500
	Office Supplies	200	0	0	200	0
	Event Supplies	0	0	0	5,766	0
	Telephone	150	150	150	150	150
	Utilities	0	0	600	0	0
	Accountant	0	1,050	0	0	0
	Audit	0	0	0	0	0
	Loan Interest	0	0	83	83	83
	Loan Repayment	0	0	750	750	750
	<b>TOTAL CASH OUTFLOW</b>	\$ 9,275	\$ 10,412	\$ 13,146	\$ 16,499	\$ 11,845
	<b>CASH AT END</b> (Total Available – Total Outflow)	\$ 3,558	\$ 1,479	\$ 6,667	\$ 168	\$ 323

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Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
\$ 323	\$ 4,146	\$ 23,857	\$ 30,042	\$ 32,442	\$ 26,690	\$ 27,214	—
0	32,000	6,000	0	1,000	8,400	4,000	\$ 72,400
2,000	0	7,000	21,000	0	0	100	37,600
0	0	0	0	0	0	0	8,500
5,000	0	5,000	0	5,000	5,000	5,000	30,000
12,500	0	0	0	0	0	12,500	25,000
0	0	1,461	477	1,162	0	0	3,100
0	0	0	0	0	0	0	19,500
\$ 19,500	\$ 32,000	\$ 19,461	\$ 21,477	\$ 7,162	\$ 13,400	\$ 21,600	\$ 196,100
\$ 19,823	\$ 36,146	\$ 43,318	\$ 51,519	\$ 39,604	\$ 40,090	\$ 48,814	—
7,000	7,000	7,000	7,000	7,000	7,000	7,000	\$ 84,000
2,913	1,075	1,312	2,913	1,050	1,312	2,813	21,000
900	900	900	900	900	900	900	10,800
750	0	0	750	0	0	750	3,000
200	200	250	0	200	250	200	1,500
400	0	400	0	400	500	400	2,500
150	150	150	150	250	150	250	2,400
0	0	500	0	0	0	0	1,000
0	200	0	0	350	0	0	950
0	0	0	0	0	0	0	5,766
150	150	150	150	150	150	150	1,800
600	0	0	600	0	0	600	2,400
0	0	0	0	0	0	0	1,050
0	0	0	4,000	0	0	0	4,000
150	150	150	150	150	150	150	1,299
2,464	2,464	2,464	2,464	2,464	2,464	2,466	19,500
\$ 15,677	\$ 12,289	\$ 13,276	\$ 19,077	\$ 12,914	\$ 12,876	\$ 15,679	\$ 162,965
\$ 4,146	\$ 23,857	\$ 30,042	\$ 32,442	\$ 26,690	\$ 27,214	\$ 33,135	

# Single-Family Housing Development

These pages show underlying assumptions and a cash flow projection for the development of affordable single-family houses. It is always smart to do cash flow projections for any project your nonprofit undertakes whether you are doing one project at a time or several simultaneously.

Cash Flow Chart for Developing One Single-Family Affordable House

		Date 1	Date 2	Date 3
Cash Inflow	CASH AT START	\$ 0	\$ 500	\$ 500
	City HOME Funds	37,650	5,150	5,150
	Sales Proceeds	0	0	0
	<b>TOTAL CASH INFLOW</b>	<b>\$ 37,650</b>	<b>\$ 5,150</b>	<b>\$ 5,150</b>
	<b>TOTAL CASH AVAILABLE</b>	<b>\$ 37,650</b>	<b>\$ 5,650</b>	<b>\$ 5,650</b>
Cash Outflow	City HOME Loan	\$ 0	\$ 0	\$ 0
	Closing Costs	1,500	0	0
	Environmental Assessment	500	0	0
	Holding Costs	150	150	150
	House Acquisition	30,000	0	0
	Construction Costs	5,000	5,000	5,000
	Marketing	0	0	250
	<b>TOTAL CASH OUTFLOW</b>	<b>\$ 37,150</b>	<b>\$ 5,150</b>	<b>\$ 5,400</b>
	<b>CASH AT END</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 250</b>
Number of Houses Owned	1	1	1	
Source 1 City HOME Funds	\$ 37,650	\$ 42,800	\$ 47,980	

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**Start-Up Assumptions**

Number of houses	1
Acquisition cost	\$ 30,000
Construction cost	\$ 20,000
Other development costs (Environmental assessment, marketing fee, closing costs)	\$ 3,100
Holding costs per month (Utilities, property insurance, property taxes)	\$ 150
Construction period	4 months
Time from end of construction to sale	3 months
Source of project financing	City HOME Funds
Sale price	\$ 60,000

<b>Date 4</b>	<b>Date 5</b>	<b>Date 6</b>	<b>Date 7</b>	<b>Date 8</b>	<b>TOTAL</b>
\$ 250	\$ 0	\$ 0	\$ 0	\$ 5,850	\$ —
5,150	150	150	0	0	53,400
0	0	0	60,000	0	60,000
\$ 5,150	\$ 150	\$ 150	\$ 60,000	\$ 0	\$ 113,400
\$ 5,400	\$ 150	\$ 150	\$ 60,000	\$ 5,850	\$ —
\$ 0	\$ 0	\$ 0	\$ 53,400	\$ 0	\$ 53,400
0	0	0	600	0	2,100
0	0	0	0	0	500
150	150	150	150	0	1,050
0	0	0	0	0	30,000
5,000	0	0	0	0	20,000
250	0	0	0	0	500
\$ 5,400	\$ 150	\$ 150	\$ 54,150	\$ 0	\$ 0
\$ 0	\$ 0	\$ 0	\$ 5,850	\$ 5,850	\$ 107,550
1	1	1	0	0	—
\$ 53,100	\$ 53,250	\$ 53,400	\$ 0	\$ 0	\$ —

In this projection, City HOME funds provided all the cash necessary for development of the single house, and the HOME funds were always available in time to meet the expenses. The projection covered the time period of the development — seven months — and could easily have been extended to cover additional time periods. All project expenses, but no organizational expenses, were included in the projection.

## Assumptions for Acquiring, Renovating and Selling One Single-Family Home

1. The house being developed will be purchased by the nonprofit organization, renovated and then sold to a lower-income household.
2. Only development sources and uses of funds are included in this project's cash flow. Staff salaries and other organizational overhead would be included within the overall organization's cash flow.
3. The assumptions about the timing of different stages in the process are detailed. These assumptions help define exactly when cash will flow in and out of the system.
4. Development of only one house is detailed in this cash flow. Cash flow projections for the development of more than one house entail overlapping all of the individual house projections.
5. When doing cash flow projections for more than one house, it will be useful to keep track of the number of houses bought, owned, under construction and sold during each period of the cash flow. (For instructions on how to do this, see bottom of page 19.)

### Chart Notations

- City HOME funds — the only source of financing for this project — are expected to come into the project so that bills can always be paid (there are no negative amounts for "Cash at End").
- Funds for construction will be spent equally over four months.
- City HOME funds will be repaid when the house is sold.
- Sale proceeds — \$60,000 — will be enough to fully repay city HOME funds and leave \$5,850 in cash available to the organization after the project is finished.

# Exercise #1

## Start-Up Assumptions and Cash Flow Projection for Acquiring, Renovating and Selling *One* Single-Family Home.

Now it's your turn to practice what you have learned.

Use this page to list the start-up assumptions for developing one single-family home in your market area. If you are not a housing developer, you may prefer one of the exercises that follow this one.

Number of houses:	<input type="text"/>
Acquisition cost:	<input type="text"/>
Construction cost:	<input type="text"/>
Other development costs:	<input type="text"/>
Holding costs per month:	<input type="text"/>
Construction period:	<input type="text"/>
Time from end of construction to sale:	<input type="text"/>
Sources of project financing:	<input type="text"/>
Sale price:	<input type="text"/>
Owner's closing costs at sale:	<input type="text"/>

On this page, create a cash flow projection for acquiring, renovating and selling one house using the assumptions you wrote on the previous worksheet.

		Date 1	Date 2	Date 3
<b>CASH AT START</b>				
<b>Cash Inflow</b>				
<b>TOTAL CASH INFLOW</b>				
<b>TOTAL CASH AVAILABLE</b> (Cash at Start + Total Inflow)				
<b>Cash Outflow</b>				
<b>TOTAL CASH OUTFLOW</b>				
<b>CASH AT END</b> (Total Available – Total Outflow)				
<b>NOTES:</b>				
<b>No. Houses Owned:</b>				
<b>Funds Owed</b>	Source 1			
	Source 2			
	Source 3			
	Restricted \$			



## Exercise #2

### Start-Up Assumptions and Cash Flow Projection for Acquiring, Renovating and Selling *Many* Single-Family Homes.

Use this page to list the start-up assumptions for developing as many single-family homes as you think your program can do in a year.

Number of houses:	<input type="text"/>
Acquisition cost:	<input type="text"/>
Construction cost:	<input type="text"/>
Other development costs:	<input type="text"/>
Holding costs per month:	<input type="text"/>
Construction period:	<input type="text"/>
Time from end of construction to sale:	<input type="text"/>
Sources of project financing:	<input type="text"/>
Sale price:	<input type="text"/>
Owner's closing costs at sale:	<input type="text"/>

Create a cash flow projection for developing as *many* houses as you think your program can do in a year.

		Date 1	Date 2	Date 3	Date 4	Date 5
<b>Cash Inflow</b>	<b>CASH AT START</b>					
	<b>TOTAL CASH INFLOW</b>					
	<b>TOTAL CASH AVAILABLE</b> (Cash at Start + Total Inflow)					
<b>Cash Outflow</b>						
	<b>TOTAL CASH OUTFLOW</b>					
	<b>CASH AT END</b> (Total Available – Total Outflow)					
<b>NOTES:</b>						
<b>No. Houses Owned:</b>						
<b>Funds Owed</b>	Source 1					
	Source 2					
	Source 3					
	Restricted \$					



## Exercise #3

Refer back to the cash flow projections you just did and write your answers below.

### Questions for Housing Development Program Cash Flow Projections

Are program, project and organization funds kept separate?

How sure are you that the timing assumptions you used are accurate?

How soon after acquisition can construction start?

Are you sure of the length of the construction period?

When will the contract to sell each house be signed?

When can each house be sold?

What would happen to the projection if each house took two months longer to sell than projected?

What would happen to the projection if any house took two months longer to sell than projected?

Are projected uses of restricted funds only for restricted purposes?

Are any loan proceeds or repayments included in the projection?

# Nonprofit Property Management Company

In this section, you will find assumptions and 12-month cash flow projections for a nonprofit property management company. As a management company, you will handle rent payments and any necessary maintenance and upkeep.

## Assumptions for Cash Flow Projections for a Nonprofit Property Management Company

1. The company is just beginning. It expects to receive no management fees during the first four months of the year. A working capital loan totaling \$74,000, drawn down in increments over six months, is projected to keep the cash balance positive.
2. Units under management are projected to be phased in over three months. One-third of the projected total — 133 units — are expected to come under management in month five. The company will begin to manage another 133 units in month six and the remainder in month seven.
3. Some costs, such as salaries for on-site managers and maintenance personnel, are included in the property budget and paid out of property inflow (primarily rent receipts). Property inflows and outflows are distinct from property management cash flows.
4. Staff and staff salaries are projected to be phased in during the first three months. The executive director will be hired first, at the start of the first month of operations. That person will then hire the other staff, who are projected to begin work at the start of months two and three.
5. This organization projects that it might use a contingency to cover unexpected higher costs during normal operations of the company. Fifteen percent of other operating expenses are allocated for this contingency.
6. It is good practice to expect higher costs and lower revenues than projected. Contingency funds can give you a little breathing space for dealing with first-time problems.

## Cash Flow Projection for Managing 400 Units

		Month 1	Month 2	Month 3	Month 4
<b>Cash Inflow</b>	<b>CASH AT START</b>	\$ 0	\$ 1,821	\$ 2,102	\$ 608
	Working Capital Loan	10,000	25,000	15,000	12,000
	Management Fee	0	0	0	0
	<b>TOTAL CASH INFLOW</b>	<b>\$ 10,000</b>	<b>\$ 25,000</b>	<b>\$ 15,000</b>	<b>\$ 12,000</b>
<b>Cash Outflow</b>	Salaries	\$ 2,709	\$ 4,375	\$ 6,833	\$ 6,833
	Benefits	731	1,181	1,845	1,845
	Office Rent	0	2,500	1,250	1,250
	Office Supplies	0	500	0	0
	Telephone	0	300	150	150
	Utilities	0	250	125	125
	Printing	0	0	0	250
	Postage and Mailing	0	0	0	100
	Legal	0	0	0	0
	Audit	0	0	0	0
	Insurance	2,000	0	0	0
	Banking Fees	0	0	0	15
	Local Travel	150	150	150	100
	Out-of-Town Travel	0	0	0	0
	Staff Training	0	500	500	0
	Operating Contingency	1,339	2,463	2,641	1,600
	Computers	0	7,500	0	0
	Office Furniture	0	2,250	0	0
	Office Equipment	0	1,500	0	0
	Legal	1,250	1,250	0	0
	Accounting Consultant	0	0	3,000	0
<b>TOTAL CASH OUTFLOW</b>	<b>\$ 8,179</b>	<b>\$ 24,719</b>	<b>\$ 16,494</b>	<b>\$ 12,268</b>	
<b>CASH AT END</b>	<b>\$ 1,821</b>	<b>\$ 2,102</b>	<b>\$ 608</b>	<b>\$ 340</b>	

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The cash flow projection examples from this point on do not include a final total column. However, you can add one if you want to compare these numbers with those in your budget.

Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
\$ 340	\$ 1,577	\$ 489	\$ 1,039	\$ 2,305	\$ 4,313	\$ 5,171	\$ 6,620
10,000	2,000	0	0	0	0	0	0
4,788	9,612	14,400	14,000	14,400	14,400	14,400	14,400
\$ 14,788	\$ 11,612	\$ 14,000	\$ 14,400	\$ 14,400	\$ 14,000	\$ 14,400	\$ 14,400
\$ 6,833	\$ 6,833	\$ 6,833	\$ 6,833	\$ 6,833	\$ 6,833	\$ 6,833	\$ 6,833
1,845	1,845	1,845	1,845	1,845	1,845	1,845	1,845
1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
500	0	0	500	0	0	500	0
150	150	150	150	150	150	150	150
125	125	125	125	125	125	125	125
250	250	250	250	83	83	83	83
200	200	200	100	100	100	100	100
0	250	250	250	250	250	250	250
0	0	0	0	0	0	0	4,000
0	0	0	0	0	0	0	0
30	40	40	40	40	40	40	40
100	100	100	100	100	100	100	100
0	0	1,000	0	0	1,000	0	1,000
500	0	0	0	0	0	0	0
1,768	1,657	1,807	1,691	1,616	1,766	1,675	2,366
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
\$ 13,551	\$ 12,700	\$ 13,850	\$ 13,134	\$ 12,392	\$ 13,542	\$ 12,951	\$ 18,142
\$ 1,577	\$ 489	\$ 1,039	\$ 2,305	\$ 4,313	\$ 5,171	\$ 6,620	\$ 2,878

This projection shows the cash inflows and outflows in the first 12 months of a start-up property management company. Management fees are not expected to start until the fifth month, and then are phased in over the next two months as additional properties come online. As a result, the company needed to project another source of cash — Working Capital Loan — to have sufficient cash to meet necessary outflows. Cash flow projections are an excellent method to estimate the amounts needed of working capital or other operating loans.

## Exercise #4

Use this page to list the assumptions for a property management program in your market area.

### **Assumptions and Cash Flow Projection for Property Management Programs**

Which personnel are included in the property management budget?

Which personnel are included in the property budget?

Are supportive services paid through the property management budget?

Which real estate line items (maintenance costs) are paid in the property management budget?

Create a cash flow projection for a property management program here. Use the assumptions you wrote on the preceding page. Make sure that *property* and *property management* funds are kept separate. Be as sure as possible about the *timing* of cash inflow, from rents or fees.

		Date 1	Date 2	Date 3	Date 4
<b>CASH AT START</b>					
<b>Cash Inflow</b>					
<b>TOTAL CASH INFLOW</b>					
<b>TOTAL CASH AVAILABLE</b> (Cash at Start + Total Inflow)					
<b>Cash Outflow</b>					
<b>TOTAL CASH OUTFLOW</b>					
<b>CASH AT END</b> (Total Available – Total Outflow)					



## Exercise #5

List different assumptions for a property management program in your market area.

### **Assumptions and Cash Flow Projection for Property Management Programs**

Which personnel are included in the property management budget?

Which personnel are included in the property budget?

Are supportive services paid through the property management budget?

Which real estate line items (maintenance costs) are paid in the property management budget?

Here you can create a cash flow projection for a property management program using different assumptions. Make sure that *property* and *property management* funds are kept separate. Be as sure as possible about the *timing* of cash inflow, from rents or fees.

		Date 1	Date 2	Date 3	Date 4
<b>CASH AT START</b>					
<b>Cash Inflow</b>					
<b>TOTAL CASH INFLOW</b>					
<b>TOTAL CASH AVAILABLE</b> (Cash at Start + Total Inflow)					
<b>Cash Outflow</b>					
<b>TOTAL CASH OUTFLOW</b>					
<b>CASH AT END</b> (Total Available – Total Outflow)					



## Exercise #6

Refer back to the projection you just did and write your answers in the blanks provided.

### **Questions for Property Management Cash Flow Projections**

---

Are property funds kept separate from property management funds?

Are fees based on potential rents, actual rents or some other method?

Have potential changes in rents charged or received — from discounts or late payments, for example — been included in the projection?

Are any proposals or repayments included in the projection?

Does the projection include any cash transfers between the program and any affiliates or related parties?

Are future increases in expense levels — including salary increases — included in the projection?

# Supportive Housing Program

Here are assumptions and 12-month cash flow projections for a nonprofit supportive housing program that helps people moving from homelessness to secure and affordable housing.

## Assumptions Used to Develop 12-Month Cash Flow Projections for a Supportive Housing Program

1. The program offers small furnished apartments in a 15-unit housing facility for formerly homeless mothers and their children. Residents buy and prepare their own food.
2. Facility is staffed by a resident manager who receives a rent-free apartment and is paid from the project budget. Supportive services are provided by a social worker and community outreach worker who are paid from the program budget.
3. Supportive services are paid through program — not project — budget.
4. Supportive housing grant is paid in equal monthly installments.
5. Supportive housing grant is based on the number of people receiving services.
6. All executive director time is allocated to this program.
7. The supportive housing grant cannot be used to pay lender interest.
8. Costs of real estate maintenance, management and debt service are contained in the project budget and paid for by rents.
9. Staffing: Executive Director @ \$35,000  
Housing Director @ \$30,000, 1/3 time  
Social Worker @ \$35,000  
Outreach Worker @ \$23,450, 1/2 time  
Administrative Assistant @ \$20,000

## Cash Flow Projection for Supportive Housing Program

		Month 1	Month 2	Month 3	Month 4
<b>Cash Inflow</b>	<b>CASH AT START</b>	\$ 0	\$ (551)	\$ (152)	\$ (874)
	Supportive Housing Grant	13,406	13,406	13,406	13,406
	<b>TOTAL CASH INFLOW</b>	<b>\$13,406</b>	<b>\$13,406</b>	<b>\$ 13,406</b>	<b>\$ 13,406</b>
<b>Cash Outflow</b>	Salaries	\$ 9,310	\$ 9,310	\$ 9,310	\$ 9,310
	Benefits	1,397	1,397	2,793	1,397
	Office Rent	0	0	900	0
	Office Supplies	250	0	0	0
	Telephone	200	200	200	200
	Utilities	0	0	0	0
	Printing	0	0	0	0
	Postage and Mailing	100	0	0	100
	Legal	0	0	250	0
	Audit	0	0	0	0
	Bookkeeping and Accounting	0	0	375	0
	Insurance	2,400	0	0	0
	Equipment	0	0	250	0
	Marketing	250	0	0	250
	Travel	50	850	50	50
	Publications and Memberships	0	250	0	0
	Staff Training	0	1,000	0	0
	<b>TOTAL CASH OUTFLOW</b>	<b>13,957</b>	<b>13,007</b>	<b>14,128</b>	<b>11,307</b>
<b>CASH AT END</b>	<b>\$ (551)</b>	<b>\$ (152)</b>	<b>\$ (874)</b>	<b>\$ 1,225</b>	

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Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
\$ 1,225	\$ 3,374	\$ 2,152	\$ 1,101	\$ (450)	\$ (1,172)	\$ 427	\$ 2,876
13,406	13,406	13,406	13,406	13,406	13,406	13,406	13,406
\$ 13,406	\$ 13,406	\$ 13,406	\$ 13,406	\$ 13,406	\$ 13,406	\$ 13,406	\$ 13,406
\$ 9,310	\$ 9,310	\$ 9,310	\$ 9,310	\$ 9,310	\$ 9,310	\$ 9,310	\$ 9,310
1,397	2,793	1,397	1,397	2,793	1,397	1,397	2,793
0	900	0	0	900	0	0	900
250	0	0	0	250	0	0	0
200	200	200	200	200	200	200	200
0	750	0	0	0	0	0	750
0	0	0	0	0	500	0	0
0	0	100	0	0	100	0	100
0	250	0	0	250	0	0	250
0	0	0	4,000	0	0	0	0
0	375	0	0	375	0	0	375
0	0	2,400	0	0	0	0	0
0	0	750	0	0	0	0	0
0	0	250	0	0	250	0	0
50	50	50	50	50	50	50	50
50	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
11,257	14,628	14,457	14,957	14,128	11,807	10,957	14,728
\$ 3,374	\$ 2,152	\$ 1,101	\$ (450)	\$ (1,172)	\$ 427	\$ 2,876	\$ 1,554

## Exercise #7

Use this worksheet to list the assumptions for a supportive housing program in your market area.

### **Assumptions and Cash Flow Projection for a Supportive Housing Program**

What is the source of funds to pay for supportive services?

Are supportive services paid through the program budget (and not through the project budget)?

How are revenues received to pay for services?

Which real estate line items are paid in the program budget?

Which staff are paid from the program budget?

Use the assumptions you wrote down on the preceding worksheet to create a cash flow projection for a supportive housing program.

		Date 1	Date 2	Date 3	Date 4
<b>CASH AT START</b>					
<b>Cash Inflow</b>					
<b>TOTAL CASH INFLOW</b>					
<b>TOTAL CASH AVAILABLE</b> (Cash at Start + Total Inflow)					
<b>Cash Outflow</b>					
<b>TOTAL CASH OUTFLOW</b>					
<b>CASH AT END</b> (Total Available – Total Outflow)					



## Exercise #8

Refer back to the projection you just did, and write your answers on the lines below.

### **Questions for Supportive Housing Program Cash Flow Projections**

---

Are program funds kept separate from project funds?

Is the timing of anticipated funds estimated or known? How is this accounted for in the projection?

What would happen to the projection if the receipt of funds was delayed for a few weeks? A few months?

Are restricted funds projected for use for restricted purposes only?

Are any loan proceeds or repayments included in the projection?

Does the projection include any cash transfers between the program and any affiliates or related parties?

Are future increases in expense levels included in the projection?

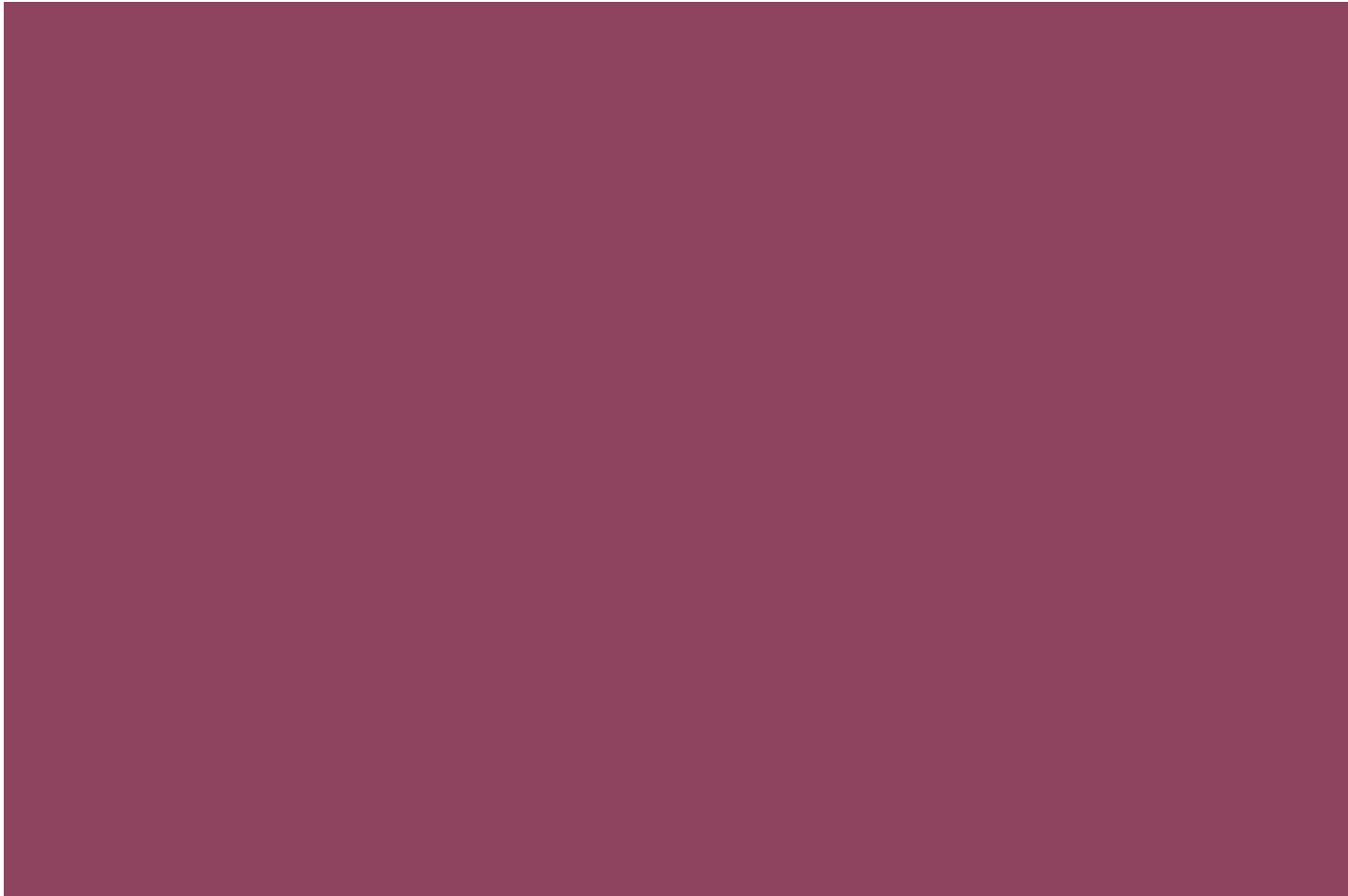
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