Projecting New Operations and Monthly Cash Flow

This worksheet and the following template are designed to assist organizations with budgeting for operations in contemplating a new real estate project.

When planning a real estate project, it is critical to project monthly revenues and expenses for the first year of operations to determine if the proposed site is affordable and makes sense for your organization. Because many projects are driven by growth, planning for the sources, amounts and timing of new revenues and expenses are critical to launching and operating a successful program. Use the following questions to estimate the impact the project will have on your current revenues and expenses. Test the assumptions you are using. Then, consider timing of cash revenues and expenses throughout the year and complete the attached monthly cash flow statement template. This planning tool will indicate if your proposed program revenues can cover expenses each month, which is critical to determining if you should move forward with the proposed project.

Operating Budget Upon Completion of the Project

Revenues

Will your organization be able to access new revenue sources as the number of clients served increases? Or as services change?

Can government contract amounts or foundation grants increase if you provide more services, or do they have a maximum cap?

Will you be able to access new fundraising sources due to the changed programs?

How long will it take to get the new programs running at full capacity? What is a realistic rate of growth?

If your organization is running deficits, what are your plans to increase revenues? Will this project bring in revenues or reduce costs to help your organization's financial condition?

Expenses

Are your program costs tied one for one to the number of clients served or can savings be realized by spreading overhead and other related expenses over service increases?

Do your government contracts have restrictions on the types of costs that can be covered (e.g., mortgage interest, principal, general overhead or administrative expenses)?

Are cost savings anticipated in other areas such as operating efficiencies?

What are the one-time startup costs of launching operations in the new facility?

Will the improvements to your facility result in more energy-efficient systems that will save on utilities? Reduced maintenance expenses?

Will the consolidation of your operations result in reduced lease payments?

Ensuring the accuracy of projections requires continued oversight and review. Make sure your systems produce timely and accurate monthly financial reports and your CFO, CEO and Board of Directors provide strong financial oversight.

Monthly Cash Flow Upon Completion of the Project
The attached template will assist your organization in projecting your monthly cash position once the real estate project is finished and you are fully operational in your new space. Only with these projections can you accurately evaluate if the facility proposal makes sense for your organization. When estimating on a monthly basis, be sure to take into account how the following factors will have an impact on your revenues and expenses:

Ramp Up: What are realistic growth projections for gradually achieving full client service levels and corresponding receipt of revenues? What expenses will need to be incurred before revenues are received?

Seasonality: How do issues like the school year and season impact your ramp up, ongoing service levels and ability to meet the needs? When is it most appropriate to expect contributions and special events to be realized? Is there a cyclical pattern to the timing of reimbursements that you can expect every year?

Timing of Reimbursements: How much of a delay do you currently experience? Will that change as a result of this project? If you have upfront costs and more delays in payments, you will need to set up reserves or a line of credit until funds are in hand.

Instructions for Completing the Cash Flow Statement
The following instructions correspond to the attached cash flow template.

Months 1-12 are the first 12 months of program operations at your new facility project site only, **once the project is complete.** Estimate when during the year it is likely you will be in operation (Month 1).

Beginning Cash
The beginning cash is the amount of money the organization has on hand for program operations at the site upon completion of the project. Enter that amount in Beginning Cash, Month 1 and Beginning Cash, Total.

Leave Beginning Cash, Months 2-12 blank for now.

Cash Revenues
Estimate the cash that will come into your organization from various sources once the project is complete. These sources should be based on existing and/or projected revenues that will result from the project. Revenues should accurately reflect actual cash receipts taking into account delays in reimbursements and service fees, monthly draws on contracts or contributions during a specific month from fundraising activities. It is unlikely that cash receipts are identical every month. In the early months, be sure to plan for startup delays and additional reimbursement lags.

Cash Expenses
Base monthly expenses on previous operating experience and be sure to include projected expenses that result from the project and/or new facility. Expenses should take into account fixed monthly costs (e.g., rent, salary) as well as seasonal variations (e.g., heat, snow removal).

Cash Surplus/Deficit
The cash surplus or deficit is the amount of cash revenues above or below cash expenses. Calculate this number for each month by subtracting Total Cash Expenses from Total Cash Revenues for each month. It is acceptable to see monthly cash deficits in the early months. However, continuing cash deficits indicate that the programs at the site are not self-supporting and cash revenues and cash expenses should be revised.

Ending Cash
The ending cash is the remaining money for program operations at the project site at the end of each month.

Calculate for Month 1 by adding Month 1 Cash Surplus/Deficit to Month 1 Beginning Cash. This equals Month 1 Ending Cash.

Then enter that amount in Month 2 Beginning Cash (Month 1 Ending Cash = Month 2 Beginning Cash).

Continue calculating each month's Ending Cash and enter it as Beginning Cash for the next month.

Important: It is of concern to see a negative ending cash amount in any month. If you get a negative number for ending cash, that indicates a need for additional financing. One option for covering shortfalls is securing a line of credit. Use the Line of Credit Draws line in the Cash Revenues section of this template to account for draws the organization will make to cover cash shortfalls. Use the Line of Credit Repayment line in the Cash Expenses section to account for monthly payments on outstanding line of credit draws. Plan the line of credit draws appropriately so the organization is not drawing funds each month.

Final Instructions

Complete the Total column for the year by adding across the monthly totals from the Cash Revenues and Cash Expenses sections.

Calculate Total Cash Surplus/Deficit by subtracting Total Cash Expenses from Total Cash Revenues.

Finally, calculate Total Ending Cash by adding Total Cash Surplus/Deficit to Total Beginning Cash.

Assumptions

Keep track of and explain how you arrived at the figures for each line item. Include a list of assumptions that explain the basis for all expense and revenue items. For example, break down grant funds by source and utilities by water, electricity or gas.

Completing a Cash Flow Statement

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	**Assumptions**
Beginning Cash (A)														
Cash Revenues:														
Government Grants–State, Federal, Local, HUD, DHS														
Government Contracts–lump sum, voucher, pro-rata														
Service Fees–private pay, third party, Social Security														
Private Contributions–UW, foundations, individuals, events														
Line of Credit Draws														
Interest Income–investments, endowments														
Other–rental, membership dues														
Total (B)														
Cash Expenses:														
Salaries and Benefits–payroll taxes/FICA withholdings, unemployment, medical, retirement, fringe, insurance														
Professional Fees–legal, audit, payroll, consultants														
Program–supplies, food, client transportation														
Administrative–overhead, advertising, liability, D&O insurance														
Occupancy														
Rent														
Mortgage														
Utilities														
Repairs and Maintenance														
Property Insurance														
Real Estate Taxes														
Line of Credit Repayment														
Equipment–purchase, repair, maintenance, rental														
Other–travel, transportation, membership dues														
Total (C)														
Surplus/(Deficit) (D)=(B)-(C)														
Ending Cash (E)=(A)+(D)														

To download an excel version of the above cash flow template, please visit iff.org/technical-assistance