

Cash Flow “GPA”

By Tim Skrivan

As I look out at the chapters in YFC I have discovered that I have an amazing ability to predict what the dominant topic will be in the next board meeting. It is a simple little trick I will let you in on. If there is red ink on the financials, the board meeting will be dominated by talks of finances. If there is black ink on the page, there will be a great deal more talk of vision, mission and kids.

As I put forth this grading system, it is important to state that this is only the grade of your cash flow position. I know that there are chapters with great ministry that struggle in this area and I know that there can be unexpected circumstances that can eat one’s cash base in a short period of time. So take this little grid as only a grade on cash flow and not on the entire work of your chapter.

“F” Unwilling Lenders – At this point a chapter has debt to people or entities that did not willingly lend to them. That may be in the form of vendors, YFC/USA, salaries, pension funds, etc. (See “Unwilling Lenders” document for further information.)

“D” Managed Short Term Debt – This is a chapter that owes money all year long, but they owe it to entities that have agreed to loan it to them.

“C” Line of Credit – This is a chapter that catches up on all their bills once or twice a year and manages the rest of the year by using a line of credit.

“B” Paid in Full - This is a chapter that has money in the bank most of the year, although a couple of times a year they find themselves broke, but not owing money to any entity.

“A” Cash Reserves - This is a chapter that, at the lowest cash flow point of the year, still has at least a one month operating reserve in the bank.

Tips

1. Make sure that an “Executive Summary” (attached) is submitted to the board every month and you monitor the box marked “Benchmark” to see where you fall.
2. Make sure that your ED knows in writing what the board’s expectation is in regards to the above grading. It is appropriate for this to be one of the criteria you use to determine the salary of the ED.
3. Be realistic and tackle one grade level per year. We would all love to go from an “F” to an “A” in a year but that is probably setting you up for failure.
4. Beware of the “homerun”. A large gift, grant or estate may bail you out, but if you have not dealt with the cause of the red ink, you will be back there soon.

Related documents:

1. **“Taking on Water”** This is a step by step approach for dealing with a crisis in cash flow.
2. **“Executive Summary”** This is a one page spreadsheet that is a monthly and year-to-date summary of your financial position.
3. **“Unwilling Lenders”** This document proposes a board policy that forbids the chapter to get into a position of borrowing money from an unwilling lender.