Worksystems, Inc
Cash Flow Forecasting

Worksystems, Inc., prepares a cash flow projection report on a weekly basis. Worksystems' fiscal personnel uses a direct cash forecasting methodology using necessary cash flow data from on-line bank accounts data, accounts receivable, accounts payable, and reports from the financial accounting software including AP and AR aging reports, cash receipts, income statements/fund balance reports for restricted and designated funds, and cash account general ledger detail.

Forecasting has two time-frame components: 1) Short-term view (one week) with the objective to understand cash requirements to fund operations for the following week including payroll and related expenses, and accounts payable invoices selected for payment. Utilizing the reports listed in the first paragraph, fiscal staff reviews posted cash receipts and incorporates any unposted cash receipts into the analysis. Invoices are selected for payment using several criteria including the invoices' age and receipt of underlying funding. Other items to consider for inclusion in the one-week forecast are disbursements not yet posted such as payroll entries and bank drafts. 2) Forecasting for long term (2-4 weeks) includes a reasonable projection of payments of the remaining AP invoices, an estimate of future payroll disbursements, and estimates (date and amount) of future grant billings and draws receipts.

Typically, Worksystems' financial processes enables a soft month-end close on the fourth week of the subsequent month with related electronic draws and/or invoices generally produced in the final week. Following a monthly closing process allows Worksystems to meet all operational cost requirements without interim invoicing or draws within each month (exception – WIOA formula funding needs are analyzed weekly and drawn as needed).

If the result of the cash forecasting indicates the potential of a cash deficit, fiscal staff will inform the CFO who will review the analysis. If the CFO concurs with the analysis resulting in a cash deficit, the CFO will inform the Chief Operating Office and the two will discuss possible solutions up to and including a draw on Worksystems' line-of-credit. Cash flow projection reports and their underlying supporting documentation should be retained for future forecasting and analysis for process improvement.