

The Importance of Cashflow & Digital Files

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My Audacious
thought:

With accurate cashflow forecasts and organized digital files to back up the cashflow, you are probably at least 75% of your way to being prepared to bring on new capital or selling the company.

Introduction

My brief background

I want this presentation to be interactive & I hope you get something tangible out of it

Some Whys & Whats:

Why am I presenting these two topics together?

Why are you attending today?

What are some things you are hoping to learn?

What are some topics you would like me to address?

Most Companies' Primary Business Goals

*(whether a for profit
or not-for-profit
company)*

Make Money

Stay in business

Maybe Grow business – organically
and/or through acquisition

- May need additional capital/investors
- Good banking relationships

Maybe an exit

First and Foremost, for a business to succeed:

Create a good and
needed **PRODUCT**

*Entrepreneurs' focus,
especially when
starting a company*



Then comes the Business and Organizational Model



Need to bring in the people and advisors – with the right skills, at the right time

Build and Sell the product

Overtime add the 'back office' help – Finance, HR, Risk Management, General Administration

But regardless, there is one administration function you **MUST** do from Day 1 – it is not hard, but it is often overlooked

BE
ORGANIZED!

It may not be sexy

It is easy to do

I have had many entrepreneurs
share similar stories with me

What you absolutely need to keep from Day 1:

Organizational Documents:

- Company formation, tax returns and documents, banking agreements, investor agreements, board meeting information, audits, legal notices...

Customer, Vendor, Consultant & Employee Docs

- Contracts, agreements, NDAs, separation/termination, improvement plans, informal agreements, 1099, Tax Exempt, W-2, I9s...

Product and/or Process

- Design specs, product history, bill of materials...

Certification Info

- Product, software, security

Keep all past documents, regardless of active status

What you really should
keep:

Budgets

Monthly
Financials

KPI reports

Regular
Management
reports

Basically,
when in doubt
KEEP IT!!!!

Why?



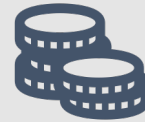
Refer to my
Audacious
Comment



Quality of
Earnings



Understand
Commitments
or potential
Liabilities



Keep your
selling
price/valuation



And if you start
from Day 1 &
make it a habit,
life will be
much easier
down the road

Does not have to be Complicated



**Many free or low-cost
options available**

SharePoint

Google Drive

Box

Drop Box

One Drive



**But you need to be organized,
label folders and keep it up!!**



**There are more expensive or
more focused ones (for
Boards, HR...) that can
comply with security needs**

And there is another benefit:

Supports Better Cashflow
Forecasting and Scenario
Planning



Cash is Good

Co-opted & altered from Dr. Richard Green

Cashflow
forecasting
does not
need to be
hard

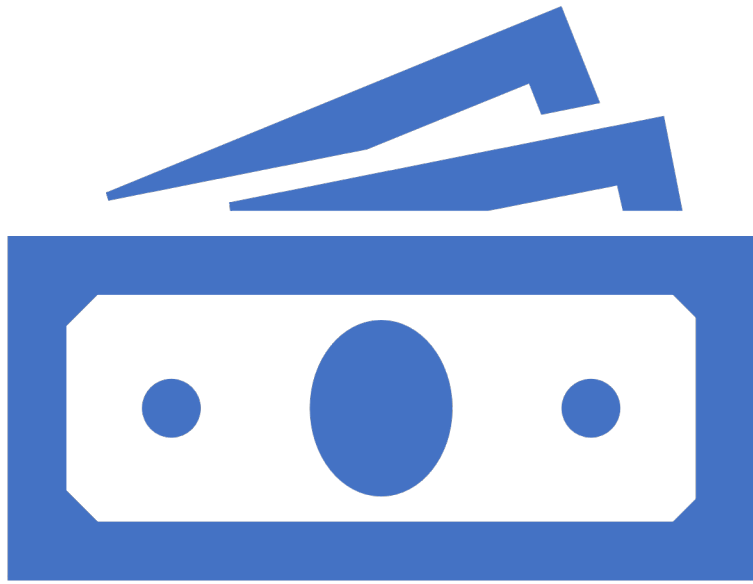
Start with your Budget

Monthly Cashflow that matches the budget

Then break down to 8-13 week rolling cashflows

Money Monday

The hardest part – make sure to maintain and ‘learn’ the revenue forecasting personalities of your salespeople



Operational Cashflow Forecast (*not Statement of Cashflow*)

Key Elements:

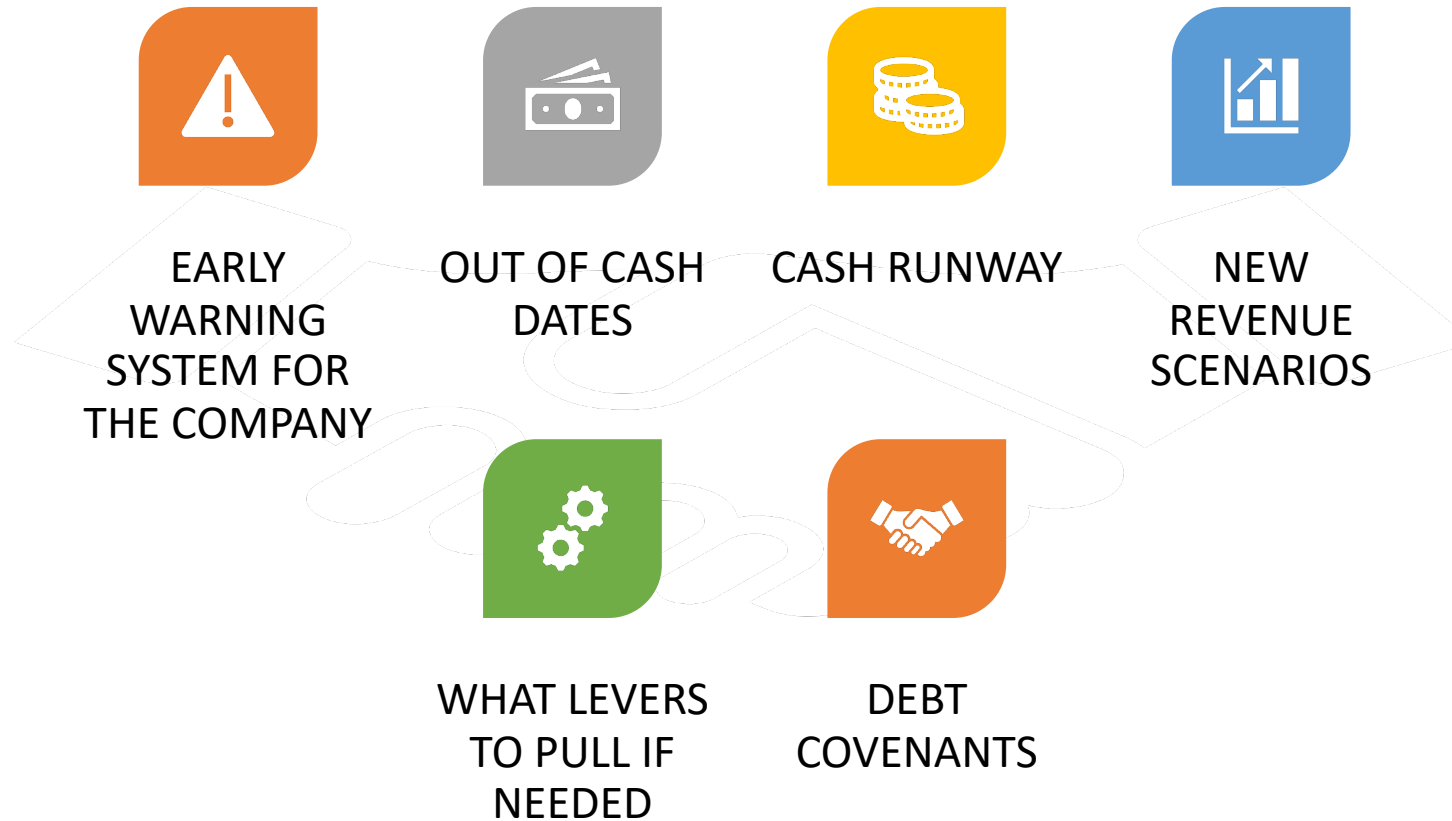
1. Cash In
 - Current customers
 - Forecasted New Customers
 - New Capital or Debt
2. Cash Out
 - Current Employees
 - Forecasted New Employees & COGS
 - Large & Monthly Vendor Payments
 - Credit Cards/Misc. Expenses

That's it - Keep it simple to start!!!

Overview of my Detailed Model



Why Scenario Planning is Key



Why Organize Files & Maintain Cashflow Forecasts

- Show you know your business
- Creates Confidence with Bankers, Investors & Board (and employees)
- Bankers and Investors (and Vendors) HATE surprises
- A few of my examples
 - COVID-19
 - Potential Covenant Breach
 - 2008 Financial Crisis

Review What your
goals were for
today

Any additional
questions

