

THE KEY TO GOOD CASH FLOW MANAGEMENT



Presented by Jim Kahrs President, Founder - Prosperity Plus





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- Fundamental Prep
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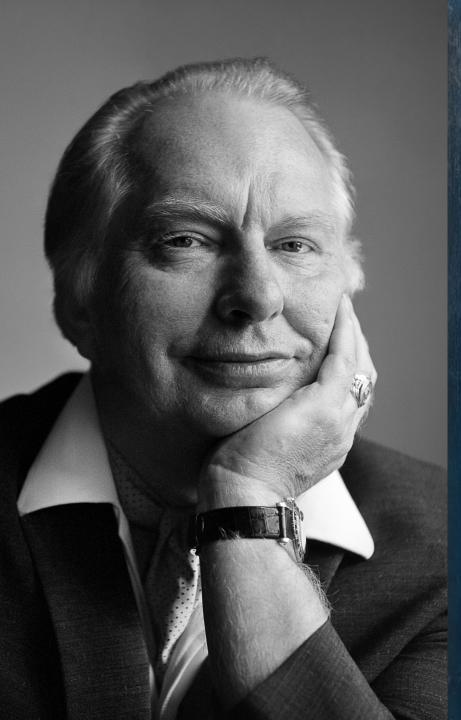




Jim Kahrs

- 36 Years in Business Systems
- Started Prosperity Plus in 2001
- Achieve Your Goals by Improving Profit, Cash Flow & Growth
- M&A, Valuations, Succession Planning
 - More than 320 individual transactions
- Marketing Programs
- Consulting based on Experience + highly successful Hubbard
 Management System & Value Builder System

 Value Builder System



Prosperity Plus

Hubbard Management System

- Created by L. Ron Hubbard
- Dianetics Author
- Founder, Church of Scientology
- Also Created:
 - Narconon
 - Criminon
 - Applied Scholastics
 - Volunteer Ministers
- Researched & developed one of the world's largest documented management technologies in existence. Used worldwide among companies large & small. Outlined in many courses, books & lectures.





Finance Basics

- What is money?
- Why it exists
- Before, there was barter
- Too cumbersome. So, we invented money
- Paper, credit card, ACH, crypto, etc. = value of goods

In essence, money is *"an idea backed by confidence"* as per L. Ron Hubbard.





- For an organization to survive, income must be greater than outgo
- An organization will spend all that it makes
- Income potential is established by demand for income



Creating Cash

- Income must be greater than Outgo
 - What are your Income sources?
 - What are your Outgo expenditures?
- Can a company be profitable and still have cash flow problems?



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Poll Time

What causes your cash flow problems?

- 1. Inadequate sales
- 2. Slow payments from customers
- 3. Too much inventory
- 4. Business is spending too much
- 5. Product back orders

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Managing Cash Flow

- Who can tell me their exact cash position right now?
- Who can tell me what it will be two weeks from now?
- To understand and manage cash flow you need a forward-looking process.



SAMPLE COMPANIES **Two Week Cash Projection**



	4-Jan		
		Current Balance/Due	Available Cash
Account Balances			
Checking Account Balance		\$45,252.00	\$45,252.00
Outgoing Payments Due:			
5 5 7	4-Jan	\$5,200.00	
	11-Jan	\$5,000.00	
Vendors		\$17,240.00	
Payroll		\$10,000.00	
Total Expected Payments Ou	It	\$37,440.00	\$7,812.00
	ıt	\$37,440.00	\$7,812.00
Payments Expected In:	ıt		\$7,812.00
Payments Expected In: Customer #1 lease funding	ıt	\$37,440.00 \$8,500.00 \$15,000.00	\$7,812.00
Total Expected Payments Ou Payments Expected In: Customer #1 lease funding Customer #2 lease funding Customer #3 lease funding	ıt	\$8,500.00	\$7,812.00
Payments Expected In: Customer #1 lease funding Customer #2 lease funding Customer #3 lease funding Expected Deposits Week 1	ıt	\$8,500.00 \$15,000.00 \$12,500.00 \$15,000.00	\$7,812.00
Payments Expected In: Customer #1 lease funding Customer #2 lease funding Customer #3 lease funding	ı <u>t</u>	\$8,500.00 \$15,000.00 \$12,500.00	\$7,812.00

Projected Cash Balance \$70,812.00

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Managing The Cash

Managing The Cash

Cash Flow Report							
Odditt 10% Report	-						
		2					
		W/E	1/1	W/E	1/8		
Cash holongs of headinging of weak		WE		VV/E	and the second se		
Cash balance at beginning of week			\$ 660,896		\$ 808,778		
Billed Pending Receipts:							
Open A/R Leases:	Date invoiced					1	
Customer #1	12/24/09	1.826					
Customer #2	12/29/09	39,455					
Customer #3	12/20/09	18,630					
Customer #4	12/30/09	2,311					
Customer #5	12/30/09	21,047					
Customer #6	12/31/09	20,920					
Customer #7	12/31/09	16,645					
	12/01/00	10,010					
Less: Lease Deposits							
		-					
Equipment receipts expected		12,223					
Other estimated receipts expected	-	30,000		30,000			
Total expected receipts			163,058		30,000		
Disbursements:	1040						
Projected Payroll	1/8/10			(100,000)			
Weekly budget (estimated)	1/7/10	(7,191)		(10.010)			
Weekly budget (estimated)	1/14/10	(7.100)		(18,810)			
Vendors	1/7/10	(7,409)		(0.04.0)			
Vendors	1/14/10	1070		(8,216)			
Utilities (estimated)	1	(575)		(575)			
Buyouts:						-	
Bayous.	-	-					
Total expected disbursements	4		(15,175)		(127,601)	-	
Cash balance at end of week			\$ 808,778		S 711,177		
		-					
			· · · · · · · · · · · · · · · · · · ·				
				В	alance Due	1	
Open A/R Purchases:	Terms	Due Date	w/e 1/8	w/e 1/15	w/e 1/22	w/e 1/29	w/e 2/5
Customer Name	Net 30	9/30/09	5,000				
	1						
	Total		5,000		•	•	
Installs:							
Leases	Leasing Co.	Install Date					
Customer Name	HFS	12/30/09	2,116				
Customer Name	HFS	1/4/10	5,108				
		-					
	Total	-	7,223				
5	-						
Purchases:			7.000				
Customer Name	-	1/4/10	7,200				
	Total	-	7,200				
	Total	-	7,200				
		-			-		
		8					



Managing The Cash

Customer Name		Buyouts				
Credit Card Balance Owed	BOA Visa	7,116	22,204	680		
Current Total Credit			Available	Pending		
			Credit			
	Total vendors	7,409	100,473	8,210		
	Total vendors	7.409	160,473	8.216		
Vendor / Manufacturer 23		-	-			
Vendor / Manufacturer 22		-	-	-		
Vendor / Manufacturer 21		-	2,667	321		
Vendor / Manufacturer 20		-		-		
Vendor / Manufacturer 19		5,897	5,897	-		
Vendor / Manufacturer 18			5,306	-		
Vendor / Manufacturer 17		253	253	-		
Vendor / Manufacturer 16		-	6,546	-		
Vendor / Manufacturer 15		-	2			
Vendor / Manufacturer 14		-	-,,,	-		
Vendor / Manufacturer 13		-	3,204	167		
Vendor / Manufacturer 12		434	867	-		
Vendor / Manufacturer 11		700	5,877	1,713		
Vendor / Manufacturer 10		-	14,225	-		
Vendor / Manufacturer 9		-	1,772	-		
Vendor / Manufacturer 8		-	¥	-		
Vendor / Manufacturer 7		-	-	-		
Vendor / Manufacturer 6		-	7,113	1,744		
Vendor / Manufacturer 5		-	-	(-		
Vendor / Manufacturer 4		-	-	-		
Vendor / Manufacturer 3		-	4,300	72		
Vendor / Manufacturer 2		-	21,940	155		
Vendor / Manufacturer 1		125	80,504	4,044		
Vendor Accts Payable Balances Over 60		1/7/2010	Total A/P	1/14/2010		
Pending Payments:						
As of January 5, 2010						
Cash Flow Report	5 s					



Strategies for Improving Cash Flow



Emergency Management

- Review all open orders to see what can be delivered, invoiced, paid now
- Review all open receivables to see what can be collected now
- Determine if you have inventory that can be sold quickly (pay attention to used inventory)
- View payables to see what can be postponed
- Credit line should be the last resort. Ideally, it is never used for operating expenses.



Avoid Emergencies

- Plan in advance
- Timely installations
- Customer deposits
- Timely invoicing
 - Equipment/software
 - Service: billable/contracts
 - Supplies
- A/R Collection Process
 - Is it documented?
 - How often do you review receivables?



Asset Management

- How do you manage inventory?
 - Equipment/software
 - Supplies
 - Parts
- Tax planning



Next Poll

- How often do you do a full physical inventory?
 - Quarterly
 - Annually
 - Regular cycle counts and annual full count
 - Once every few years
 - Never



Creating a Cushion

"An organization will try to spend more than it makes."

"A surplus is achieved only by making it part of what an organization spends."

"Financial management can not achieve a financial surplus by economy alone."

L. Ron Hubbard



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Best Way to Create a Financial Cushion:

EXPENSE

Disguise it as an Expense!

productionfacilities

lity costs

air and Maintenance

roperty taxes

OMPENS

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Summary

- Money is a confusing, often perverted subject
- Don't expect your employees to think sanely
- The group will always spend more than it makes
- Proper management can simplify cash flow
- Set up a plan and stick to it.



NEXT WEBCAST ELEMENTS OF A SUCCESSFUL EXIT SEPT 14 AT 1 PM EASTERN

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LATER THIS MONTH:

AUG 28 - 29 IBPI Connect Boston AUG 30 - 31 BTA National Conference Boston



Questions?

THANKS FOR WATCHING Be Sure to Respond to Survey JKAHRS@PROSPERITYPLUS.COM 631.382.7762