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ILRU's IL-NET National Training and Technical Assistance Center for Independent Living



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Finance Managers Peer Discussion – When Cash Flow Tanks January 11, 2024

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Ever had that looming deadline...

- Your state dollars are held up for some reason
- Payroll is approaching
- Salaries are allocated (as they MUST be) between funding sources
- You don't have enough in the bank to meet payroll



What do you do to be able to pay staff?

• Of course other bills are also important, but staff salaries are our greatest expense.



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• Draw down and spend Part C funding as a loan or gap to pay for the Part B portion of payroll.

Why not?

 You can't borrow from one funding source to pay the expenses of another. Your allocation of costs and funds must be consistent.





 Depend on your line of credit at the bank to cover this cost for more than a payroll or two (a month's worth) at the most.

Why not?

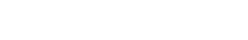
- It is too easy to just keep pulling it down until it is gone and then you won't have a line of credit any longer.
- You need to assure that, when you can pull down that other money, the line of credit is immediately repaid and the costs properly accounted for.



• Charge payroll to a credit card – your own or the Center's

Why not?

- Interest rates are too high.
- No matter what, you should not be paying Center expenses with personal funds. It is too difficult to assure repayment later.



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 Wait until you are facing this dilemma to figure out a plan of action.

Why not?

- Cash flow difficulties are predictable. If your state regularly holds up funds, you need to work with them – and maybe all the centers do, together – to turn this around.
- Federal guidance specifically says they cannot withhold your funds without cause and that they must make payments in a timely basis; they can even advance you funds, and that is of course the best for cash flow.



Assume you can avoid the toughest of options.

Why not?

• If this is systemic you may need to lay staff off (so they can draw unemployment at least) until you have figured out a solution.



Other DON'Ts for us to talk about?



For More Information

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