# Instructions for Cash Flow Forecasting By Colleges & Universities

## Background

Institutions will be required to do this cash flow forecast if they trip various triggers in the Financial Health Indicators procedure. Institutions will then have to prepare a forecast for the 12 months immediately following the end of the quarter in which they were flagged. Each subsequent month after the forecast is created, actual end of month cash needs to be added to the forecast and compared to the forecasted cash for that month to see if there are significant differences that will indicate that the forecast is based on erroneous assumptions (forecast will have to be adjusted if that is the case). The starting point for the forecast will be the month immediately following the end of the quarter in which the institution was flagged- so for example if an institution is flagged in the quarter ending September 30th, the forecast will start with the month of October and be used to forecast cash for the following 12 months.

The following steps are to be used with the template provided to complete the forecast. Keep in mind that if you have a better forecasting process, you can use it in place of this one, however, it should provide reliable forecasted cash:

## Steps for state treasury cash forecasting

1. Determine the first and last months for the forecast- for example, if flagged for quarter ending September 30th, the first month forecasted will be October, and the last month will be September of the following calendar year. Populate the month names in the template from beginning all the way to the ending month.
2. The beginning month cash can be obtained by running the “FR Balance Sheet EOM” query in Brio for the appropriate state treasury HEB funds (110, 120, 400, 830) and reporting category (100) at the end of the month of the quarter in which the institution was flagged. Adjust the cash for state appropriation (ISRS records the full appropriation in the first month of the year, but in MAPS the cash is received in 12 monthly installments):
   1. If flagged in quarter ending in June, adjust cash to reflect any state appropriation entries done in ISRS in the following fiscal year, that were related to the year that just ended at the end of June.
   2. If flagged in a quarter ending in the month of
      1. September- reduce by 9/12 of annual state appropriation amount
      2. December- reduce by 6/12 of annual state appropriation amount
      3. March – reduce by 3/12 of annual state appropriation amount
3. Populate the adjusted cash into the template- this is the starting cash for the first month being forecasted.
4. Pull the transactional detail for the 12 months ending with the last month of the quarter in which you were flagged, to use as a basis for the forecasted transactions in the next 12 months. Use the “Cash Basis by Month” query in Brio for the appropriate state treasury HEB funds (110, 120, 400, 830) - timestamp should be for the 12 months ending with the quarter in which the institution was flagged (for example if flagged in the quarter ending September 2010, timestamp should be from 10/1/09 to 10/1/10). The query assigns a number reflecting the calendar month to each transaction (1 for January, 2 for February etc.) and the pivot table summarizes the transactions by reporting category (row) and month (column). Export the pivot table results to excel- rearrange the columns chronologically by month to match the columns in the template. For example: if doing October through September forecasting, the first column will be 10 (October) followed by 11, 12, then 1 (January of the new calendar year) all the way to 9.
5. Separate the results in the pivot table by groupings and sum the groupings. The following are the reporting categories that get combined into each line item on the forecast.
   1. Tuition & Fees = Reporting Categories 400, 405, 435, 680
   2. All Other Revenues = Reporting Categories 410, 415, 420, 425, 610, 615, 620, 670, 672, 701, 710, 711
   3. Salaries & Benefits = Reporting Categories 500 and 502
   4. All Other Expenses = Reporting Categories 495, 505, 510, 515, 525, 530, 535, 650, 655, 665, 671, 673, 905
6. Apply appropriate forecasting assumptions to the 4 groupings in #4 above- for example, if assuming 3% increase to salaries and benefits expense, take the total from that grouping and multiply by 1.03. The forecasted amounts for each grouping will go into the template under the appropriate month, but with the opposite sign.
7. State appropriation revenue-
8. For months that are within the current fiscal year- use your initial yearly allocation (adjusted for any material later adjustments) divided by 12 for a monthly amount; you would probably not need to apply any forecasting assumptions, since this would be an estimate of the monthly amount till the end of the current fiscal year
9. For months that are in the next fiscal year- use the monthly amount from the current year (see a above) and apply forecasting assumptions (for example if you expect it to go up 3% in the next fiscal year, multiply by 1.03)
10. The forecasted amounts for state appropriation will go into the template under the appropriate month as a positive number.
11. Once you have all revenues and expenses forecasted, the template should calculate forecasted cash at the end of each month- check for reasonableness.

## Steps for local cash forecasting

1. Determine the first and last months for the forecast- for example, if flagged for quarter ending September 30th, the first month forecasted will be October, and the last month will be September of the following calendar year. Populate the month names in the template from beginning all the way to the ending month.
2. The beginning month cash can be obtained by running the “FR Balance Sheet EOM” query in Brio for the appropriate local cash HEB funds (enter the local HEB fund numbers where bank funds are located in ISRS) and reporting category (100) at the end of the month of the quarter in which the institution was flagged. Compare to the ending cash on the bank statement to make sure no significant reconciling items exist. Populate the adjusted cash into the template- this is the starting cash for the first month being forecasted.
3. Pull the transactional detail for the 12 months ending with the last month of the quarter in which you were flagged, to use as a basis for the forecasted transactions in the next 12 months. Use the “Cash Basis by Month” query in Brio for the appropriate local cash HEB funds (enter the local HEB fund numbers where bank funds are located in ISRS) - timestamp should be for the 12 months ending with the quarter in which the institution was flagged (for example if flagged in the quarter ending September 2010, timestamp should be from 10/1/09 to 10/1/10). The query assigns a number reflecting the calendar month to each transaction (1 for January, 2 for February etc.) and the pivot table summarizes the transactions by reporting category (row) and month (column). Export the pivot table results to excel- rearrange the columns chronologically by month to match the columns in the template. For example: if doing October through September forecasting, the first column will be 10 (October) followed by 11, 12, then 1 (January of the new calendar year) all the way to 9.
4. Separate the results in the pivot table by groupings and sum the groupings. The following are the reporting categories that get combined into each line item on the forecast.
5. Tuition & Fees = Reporting Categories 400, 405, 435, 680
6. All Other Revenues = Reporting Categories 410, 415, 420, 425, 610, 615, 620, 670, 672, 701, 710, 711
7. Salaries & Benefits = Reporting Categories 500 and 502
8. All Other Expenses = Reporting Categories 495, 505, 510, 515, 525, 530, 535, 650, 655, 665, 671, 673, 905
9. Apply appropriate forecasting assumptions to the 4 groupings in #4 above- for example, if assuming 3% increase to salaries and benefits expense, take the total from that grouping and multiply by 1.03. The forecasted amounts for each grouping will go into the template under the appropriate month, but with the opposite sign.
10. Once you have all revenues and expenses forecasted, the template should calculate forecasted cash at the end of each month- check for reasonableness.