

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



Independent Living Research Utilization

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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.

Don't...

- 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.

Don't...

- 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.

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Don't...

- 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.

Don't...

- 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. ⁸

Don't...

- 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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