

Cash Flow Projection Guide

How to fill the template, and the four things that make nonprofit cash flow different

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Updated September 2026

A nonprofit can be solvent on paper and still miss payroll. The statement of activities tells you whether the year worked. A cash flow projection tells you whether next month does. They are different questions, and only one of them wakes people up at night.

01 Filling the template

Step	What to do
Start with the bank	Put your actual current balance in the first Opening Cash cell. Not the book balance — the bank balance, after outstanding checks.
Subtract restricted cash	If that balance includes donor-restricted money, take it out. It is on your balance sheet, but it cannot pay the electric bill.
Fill only the blue cells	Everything else calculates. Each month's opening cash pulls from the prior month's closing, so the chain updates on its own.
Separate confirmed from expected	Signed grant agreements are confirmed. Applications are not. Mixing them is how a projection quietly becomes a wish.
Watch the flag column	Any month under three months of expenses on hand shows WATCH. That is a signal to plan, not to panic.

02 Four things that make nonprofit cash flow different

Reimbursement lag	Government grants generally pay after you spend. You front the money and wait. A fully funded program can still create a cash hole for the weeks between spending and reimbursement.
Restricted money is not yours	Under FASB ASU 2016-14, net assets with donor restrictions are reported separately. Cash in the bank that belongs to a restricted purpose is not available for general operations, no matter what the balance says.
Giving is seasonal	A large share of individual giving arrives in the final weeks of the calendar year. That means most organizations run their thinnest months in late summer and early fall — precisely when nobody is thinking about cash.
Pledges are not cash	An unconditional pledge is revenue when promised. It is cash when it arrives. The gap between those two dates is where organizations get surprised.

03 How much cushion is enough

The most cited benchmark comes from the Nonprofit Operating Reserves Initiative (NORI) Workgroup: a minimum operating reserve ratio of **25%, or about three months** of the annual expense budget, measured at the **lowest point** in the year rather than at year end.

Read the caveat, not just the number. The same workgroup concluded there is *no* one-size-fits-all benchmark, and recommended that every organization adopt a written reserve policy defining its own adequate level. An organization with one government contract paying in arrears needs a different cushion than one funded by monthly recurring donors. Three months is a starting point for the conversation, not the answer to it.

04 When to switch to the weekly view

The monthly projection smooths things over. If your closing balance is thin in any month, move to the 13-week tab for that stretch. Weekly detail catches the specific problem a monthly view hides: the payroll that lands three days before the grant arrives.

Three pay periods. Two or three months a year have three pay dates instead of two. On a monthly projection that looks like a mysterious bad month. On a weekly one it is obvious, and plannable.

05 Write the assumptions down

The Assumptions tab exists because a projection nobody can question is a projection nobody trusts. Record grant timing, reimbursement lag, seasonality, pledge collection rates, and how much of your closing balance is restricted. When the projection turns out wrong — and it will — the assumptions tell you which one to fix.

Review it monthly against actuals. A projection built once and never revisited is a document. A projection compared to reality every month is a system.

06 If a month goes negative

Do it early	Options shrink as the date approaches. A shortfall spotted in month four has solutions that a shortfall spotted in month one does not.
Talk to funders	Some will accelerate a scheduled payment if asked in advance. Almost none will if asked the week it matters.
Line of credit	Arrange it while the numbers look good. Applying during the shortfall is the worst possible timing.
Tell the board	In writing, with the projection attached. A board that learns about a cash problem after the fact stops trusting the reports it receives.

Sources. Operating reserve benchmark: Nonprofit Operating Reserves Initiative (NORI) Workgroup — minimum operating reserve ratio of 25%, or three months of the annual expense budget, at the lowest point during the year; the workgroup also concluded there is no one-size-fits-all benchmark and recommends a written reserve policy. Net asset classification and restricted funds: FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958)*. Verified September 2026.

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