

# “Cash Flow Projection as an Essential Publishing Tool”

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# Agenda

- Understanding the different financial reports
- The value of cash flow projections

# Understanding the Different Financial Reports

# The Four Basic Types of Financial Reports or Tools

- Budget
- Income Statement
- Balance Sheet
- Cash Flow Report

# The Critical Difference between Cash and Profit

Profit is a calculated number of the difference between income and expenses over a given period of time. Profit may not be “real cash.”

Cash is the actual money you have on hand at any moment.

**Cash is King!!**

# The Budget or Income Statement May Mislead You

Examples:

You accept \$10 in payment for a 1-year, 10-issue magazine subscription.

Cash increases by \$10

Income may only increase by \$1 each time you mail a new issue

You pay a designer \$10 for an illustration to be used on a future issue.

Cash decreases by \$10

Expenses may not increase at all until the issue that contains the illustration is mailed

# Magazine Publishing is a Cash-Poor Business!

- Magazine publishing often produces very little or no bottom-line profit
- Money used to produce an issue is often spent months in advance of when the issue mails
- If the magazine is sold primarily as single copies, then actual cash income is often inadequate to cover prepaid expenses

**Therefore, monitor cash more than profit!**

# The Value of Cash Flow Projection



# The Value of a Cash Flow Projection

- A cash flow projection is an estimate of cash inflow (payments that will come in) and outflow (bills you will have to pay) and the net difference (cash balance) for any given period of time in the future
- It gives you advance warning concerning times in the near future when cash will be low or potentially negative

## Sample 3-Month Cash Flow Projection

	Month 1	Month 2	Month 3
<b>Beginning Cash</b>	\$500	\$550	\$50
<b>Cash Inflow</b>			
<b>Subscription Payments</b>	\$1,000	\$1,000	\$2,000
<b>Single Copies Sold</b>	\$250	\$250	\$200
<b>Services Sold</b>	\$50	\$0	\$100
<b>Donations</b>	\$750	\$850	\$250
<b>Total cash inflow</b>	\$2,050	\$2,100	\$2,550
<b>Cash Outflow</b>			
<b>Supplier payments</b>	-\$1,000	-\$1,600	-\$1,000
<b>Salaries</b>	-\$800	-\$800	-\$800
<b>Rent</b>	-\$200	-\$200	-\$200
<b>Total cash outflow</b>	-\$2,000	-\$2,600	-\$2,000
<b>Ending Cash</b>	\$550	\$50	\$600

# How to Make Your Own Cash Flow Projection

- Decide on how many months you want to project cash into the future (3, 6 or 12 months)
- Identify the categories of inflow and outflow that fit your business (can come from your budget)
- Enter your starting cash
- Enter projections for money received in the months you'll actually receive it
- Enter projections for expenses you'll have to pay in the months they will actually be paid
- Calculate ending cash for each month and transfer the same number to the next month as “starting cash”

# Keeping a Cash Flow Projection Up-To-Date

At the end of each month:

- Replace the projections for that month with actual figures
- Revise any future projections with more accurate figures
- Make sure the starting and ending cash balances flow through each month correctly
- Add a new month of projections to the end of the chart

# How to Use Cash Flow Projections

- Look for periods of low cash and decide if cash payments can be accelerated or payments delayed to improve low cash periods
- Negotiate extended payment terms with your suppliers
- Raise donations for periods of low cash
- Try to sell back issues
- Collect unpaid invoices from vendors or subscribers
- Try to increase extra sources of income (donations, selling design/editorial services, etc.)

# Survival Depends on Cash Flow

Many magazines have gone out of business even though they were generating a profit on paper. They simply ran out of cash.

A cash flow projection is your most important financial tool.

When planning a new magazine, create a cash flow projection, not a budget. It will be a more accurate picture of your future success or not.