

**From:** Matt Hoffman <matt@afiahealth.com>
**Sent:** Tuesday, March 24, 2020 10:36 AM
**To:** Cristina Mosella <Cristina.Mosella@mccmh.net>
**Subject:** Weathering the Financial Impact of the COVID-19 Storm

Actionable ideas about the financial metrics and concepts to monitor during COVID-19 from Afia's VP of Financial Strategy

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|

|  |
| --- |
|  |
| Good morning, Below is a message from Afia's VP of Financial Strategy, [Cynthia Sikina](https://info.afiahealth.com/e2t/c/%2AVgy_BV5H0S1VW7ZBgXQ2bVh-V0/%2AW6syLxk6pmC7lW4lcGR35jsPJk0/5/f18dQhb0Sq5H4fpcsLW5YD3yL2qwv15W32hqJJ3Fd1XmVf5cVM57mvFqW3BJFQw7b6l4nW57V2mv5l93TRW9cYnQF61xRCYW3q2hpD98RvntW1mbT-t6RwTFSW5CR9zF90G7thN8S3yR5bY02SW4s8btj3zCRWvW1bnTsn7JCxGlW81bhDK7N_KqMW11X6sN83KHrFW7J3nFC2-kyPxW9dH8_66V4m9NN33msMLBdQ1DW52Ylfx3_8mplW9fgwMT4fd8hmW8X28l08X4v5RW75mVw64zLqlCN85YhNkrb---W8VbxDf2qmRQFW2qM79W4dCxwPMpKZkkwcpP3W4bp2-J585kY2W6xhBcy5JYZx9W8hqSjt8WlXCVN4c_2hYpjyYGW54WFtJ2KVZRkW4dy0Zm7K2lH3W1HGvQQ7r__2-W2bv5VJ8WxjyjW7lbVRX4Vrd15D6Y9ktTrJkW5xBFXQ3M6NSzW5RGZgX7d03q9W50q-XZ7n0TdvN4s2wngsk4dRW3BBpw18H3YdCW8NqK7G56fqQXW41NqJN6D1RvMW2B9qkX7xXPbHW66_qjX3xWwfqKkx6hLFgS102), that highlights thoughts and ideas for monitoring your financial health during this difficult time.\_ \_ \_ \_ \_ \_ \_ \_  |
| Every organization is facing financial challenges during this unprecedented time, and every organization needs to monitor key financial indicators to help make decisions to weather the COVID-19 storm.  **BALANCE SHEET**Now is the time to pay close attention to your balance sheet.  Are your current assets enough to pay your current liabilities?  While all three of the following ratios are valid indicators of your ability to meet your current obligations, the Cash Ratio only relies on cash in the bank and short term marketable securities as your sources of immediate funds, so it is the most aggressive ratio to monitor.* Current Ratio = current assets / current liabilities
* Quick Ratio = (cash + short term marketable securities + accounts receivable) / current liabilities
* Cash Ratio = (cash + short term marketable securities) / current liabilities

**CASH FLOW**It is also critically important to closely monitor cash flow more diligently than ever; watch it daily and prepare a rolling 13-week cash flow forecast.  You will quickly see when you will be facing the biggest drain on your cash position, which will help you develop strategies for addressing those periods of cash deficits. Now is also the time to count on your trusted relationships to do their part to assist.  Talk with your bankers to establish a line of credit.  Negotiate an extension of the payment terms for any existing debt with your lender.  If you are subject to any debt covenants, ask for a suspension of those requirements until the organization can get its operations back to full capacity.  Talk with vendors about establishing extended payment arrangements. Talk with your key funding sources about the option to maintain previous level of payments for the next ninety days.  It does not cost you anything to ask!**INCOME STATEMENT**You also have to pay attention to your income statement.  Pull in your key program leaders to help update the revenue and expense projections for the organization.  While some services can be provided virtually, and the payers have eased up the requirements for billing those services, you are going to see a downturn in your revenues.  So, cutting or deferring expenses will be necessary. You will be surprised how much cost you can cut or defer when you look at your recent expenses in detail.  Defer capital expenditures that are not critical during this period.  You will likely not be recruiting new staff, so any expenses related to training and recruitment can be eliminated from the forecast. **FUNDRAISING**Now is also a good time to think outside the box.  Get creative and hold your fundraising events virtually.  Yes, you may not generate as much revenue, but you will also not be incurring as much cost.  Ask key donors to advance their normal end-of-year gifts.  Again, it does not cost you anything to ask! You have a great deal of responsibility for the clients you serve and the staff you employ, so I hope this message was helpful as you develop your game plan.  If you would like to schedule a time to talk in person, please do not hesitate to reach out to me directly. Cynthia Sikina Vice President, Financial Strategycsikina@afiahealth.com  |

|  |
| --- |
|  |
|   |

|  |
| --- |
|  |
|

|  |
| --- |
|  |

 |

|  |
| --- |
|  |

 |