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Cash Spread

It is possible to have a very profitable business – exceed all of your revenue goals – complete an enormous amount of business – run out of cash and go bankrupt? **YES IT IS!** I'm living proof of this. Happened to me in 2008. Steady 8% – 15% net Profit every Month for two years. Was positioned to grow my little 1.2 million dollar Business. Took out an SBA "Growth Loan" with a "Line of Credit" to cover short term working capital – Was awarded 4 large Projects – Hired 3 more crews, Bought a few Vehicles – Stock - Equipment – Off to the races!

First couple of months was great! Submitted my Invoices – paid within 30 days – money in the bank had enough to pay the bills buy down SBA Debt and on to the next phase. Then... The world Financing Intuitions Crashed. (Never saw that coming) I was cash poor because I Financed growth with no cash flow. The SBA called in my loan and line of credit because I was considered high risk (In Business less than 5 years even though I was diligent with my payments). All financing institutions were grabbing cash to survive the crash. Two of the Contractors I was working with couldn't pay me because they were in the same position. Within 48 hours... I was Bankrupt. Lost everything including my home. OUCH!

The Mistake I made was: Relying on a monthly profit and loss statement to make critical decisions' without having a clue what my cash-flow position was.

The Lesson I learned was: Managing and Reviewing cash spread every day is critical in fact it is Business Principle #1 because if you don't establish a positive cash position, your business is very vulnerable to situations out of your control... Any Business...Large or Small.

Tracking and reviewing your cash spread will equip you to make more informed decisions and put you in a position to build a strong cash position for your Business (CASH IS KING). The Crazy thing is, it's not that difficult to do.

The following page will walk you through how to develop a cash spread report. I suggest you fill this out every day. I will caution you of one thing. Often time's businesses start each month with a negative cash position. Sadly, this is usually the case. Not to Worry! Once you're aware of the challenge and have put a Face To The Beast, you can persevere and overcome! You will in a position position to make more informed decisions and develop a strategy to build a positive monthly cash flow stream and ultimately build an emergency fund of 3 to 6 months of cash reserves for a rainy day or buying opportunity.



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Business Principal #1

Manage your Cash Spread one every day.

Step 1. Determine your monthly re-occurring expenses (Monthly Overhead):

- Salaries (Office)
- Marketing
- Vehicle related
- Administration
- Employee related
- Building and Equipment

(If you had absolutely no work, how many dollars would it take to keep the doors open?) This is considered Operating Capital (money).

Step 2. Determine how much money you would you need to make field payroll for a typical month. (Service, Install, Maintenance)

Step 3. How much working Capital would be required for a typical month? (Money needed to purchase materials equipment and parts & Supplies)

Step 4. Add

Monthly Overhead Dollars (Operating Capital):

+ Monthly Field Payroll (Field Wages):

+ Monthly Equipment Parts & Supplies average (Working Capital):

= Monthly Cash Requirement:

Step 5. Determine how much Cash you have in the bank:

Step 6. Determine how much money people owe you: (Receivables)

Step 7. Complete your Cash Spread report (next page) every day.



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(Cash in the Bank + Receivables) = Available Funds – Cash Requirements = Cash Spread

1.	_____	+	_____	=	_____	-	_____	=	_____
2.	_____	+	_____	=	_____	-	_____	=	_____
3.	_____	+	_____	=	_____	-	_____	=	_____
4.	_____	+	_____	=	_____	-	_____	=	_____
5.	_____	+	_____	=	_____	-	_____	=	_____
6.	_____	+	_____	=	_____	-	_____	=	_____
7.	_____	+	_____	=	_____	-	_____	=	_____
8.	_____	+	_____	=	_____	-	_____	=	_____
9.	_____	+	_____	=	_____	-	_____	=	_____
10.	_____	+	_____	=	_____	-	_____	=	_____
11.	_____	+	_____	=	_____	-	_____	=	_____
12.	_____	+	_____	=	_____	-	_____	=	_____
13.	_____	+	_____	=	_____	-	_____	=	_____
14.	_____	+	_____	=	_____	-	_____	=	_____
15.	_____	+	_____	=	_____	-	_____	=	_____
16.	_____	+	_____	=	_____	-	_____	=	_____
17.	_____	+	_____	=	_____	-	_____	=	_____
18.	_____	+	_____	=	_____	-	_____	=	_____
19.	_____	+	_____	=	_____	-	_____	=	_____
20.	_____	+	_____	=	_____	-	_____	=	_____



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Below is an example of one of my clients. Notice that their beginning cash spread was upside-down at the beginning of the month and they caught up by the middle of the month.

You want to see a positive spread from day to day (Not a negative spread)

I'm proud to say that this Company (today) has a positive monthly cash flow today are on track to have saved two months of Cash! You can do the same thing for your Business!

Cash Spread March 27th				
Working Day	Cash	Accounts Receivable	Overhead Payable	Spread
1	60,736.30	5,528.62	115,000.00	-48,735.08
2	69,880.55	3,456.74	113,077.87	-39,740.58
3	70,395.91	3,605.74	105,430.47	-31,428.82
4	72,696.21	3,605.74	105,398.01	-29,096.06
5	74,519.46	4,469.30	103,906.34	-24,917.58
6	49,818.10	5,131.80	101,145.88	-46,195.98
7	51,923.00	5,042.80	99,262.81	-42,297.01
8	38,522.12	4,056.30	92,153.86	-49,575.44
9	38,146.41	4,632.30	91,523.06	-48,744.35
10	42,619.30	3,978.14	91,523.06	-44,925.62
11	48,049.10	3,680.14	91,523.06	-39,793.82
12	45,464.68	3,531.14	88,037.47	-39,041.65
13	36,237.09	13,200.35	79,165.54	-29,728.10
14	42,532.53	34,258.85	78,781.93	-1,990.55
15	72,457.41	10,356.60	76,895.68	5,918.33
16	94,832.57	5,400.57	75,577.73	24,655.41
17	104,243.53	4,212.59	74,866.76	33,589.36
18	97,988.09	2,012.59	63,507.95	36,492.73
19	102,177.29	5,043.58	63,407.95	43,812.92
20	81,206.19	12,543.57	57,579.99	36,169.77
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Feel free to contact me anytime with questions.

Tom Wittman
Advocate For the Success of HVAC Contractors!
CoachTomW@Gmail.com
www.HVACCoachingCorner.com
317-750-1607

Tom Wittman Business Coach- www.HVACCoachingCorner.com - 317-750-1607

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