HUMMINGBIRDS BOOKKEEPING & TAX SERVICES

Free Cash Flow Health Checklist

Use this practical review to understand whether your business can meet upcoming obligations, absorb surprises, and support sustainable growth.

Cash flow is not the same as profit
A business can show a profit and still run short of cash. Complete this checklist using current bank balances, receivables, bills, payroll, debt payments, taxes, and realistic sales expectations.

1. Know Your Current Cash Position

- ☐ Confirm the current balance of every business bank and cash account.
- ☐ Subtract checks, payments, and transfers that have not yet cleared.
- ☐ Identify deposits in transit and confirm when funds will be available.
- ☐ Keep personal and business funds separate.
- ☐ Review cash balances at least weekly during tight or rapidly changing periods.

2. Understand Cash Coming In

- ☐ List expected customer payments by amount and realistic payment date.
- ☐ Review open invoices and identify past-due balances.
- ☐ Confirm that completed work has been invoiced promptly.
- ☐ Track deposits, retainers, subscriptions, recurring revenue, and payment-plan receipts.
- ☐ Avoid counting uncertain sales or unapproved work as available cash.

3. Understand Cash Going Out

- ☐ List bills, payroll, taxes, debt payments, subscriptions, and owner withdrawals due during the next 30 to 60 days.
- ☐ Separate fixed costs from expenses that change with sales or operations.
- ☐ Identify annual, quarterly, or seasonal expenses that may be easy to overlook.
- ☐ Confirm automatic payments and renewal dates.
- ☐ Review whether discretionary spending can be delayed without harming operations.

Manage the Cash-Flow Drivers

Cash-flow health improves when a business actively manages receivables, payment timing, margins, expenses, reserves, and taxes.

4. Strengthen Customer Collections

- ☐ Use clear invoices with due dates, payment methods, and contact information.
- ☐ Send invoices immediately after agreed milestones or completed work.
- ☐ Follow up consistently on overdue invoices.
- ☐ Require deposits, retainers, progress payments, or automatic billing when appropriate.
- ☐ Review whether payment terms are longer than the business can comfortably support.

5. Review Expenses and Payment Timing

- ☐ Verify recurring expenses are still needed and reasonably priced.
- ☐ Compare major vendor costs with alternatives before renewing.
- ☐ Avoid paying bills late solely because cash planning was not completed.
- ☐ Negotiate payment timing or terms before an account becomes delinquent.
- ☐ Do not use payroll taxes, sales taxes, or trust funds as operating cash.

6. Check Pricing and Profitability

- ☐ Confirm prices cover direct costs, overhead, taxes, and a reasonable profit.
- ☐ Review gross profit by service, product, customer, or project when possible.
- ☐ Identify low-margin work consuming significant cash or staff time.
- ☐ Update prices when costs, scope, or market conditions change.
- ☐ Use written change orders or approvals for work outside the original scope.

7. Build Reserves and Plan for Taxes

- ☐ Set a target for operating cash reserves based on business risk and obligations.
- ☐ Transfer funds regularly into separate tax and reserve accounts when appropriate.
- ☐ Plan for estimated taxes, payroll taxes, sales taxes, insurance, and annual renewals.
- ☐ Avoid treating reserved funds as available for ordinary spending.
- ☐ Rebuild reserves after using them for an emergency or planned investment.

Forecast, Watch for Warning Signs, and Act

A short, realistic forecast can reveal a cash shortage early enough to adjust collections, expenses, timing, pricing, or financing.

8. Maintain a Short-Term Cash Forecast

- ☐ Prepare a rolling cash forecast covering at least the next 8 to 13 weeks.
- ☐ Begin with confirmed cash, then add realistic expected receipts and payments by week.
- ☐ Update the forecast when sales, collections, payroll, or large expenses change.
- ☐ Create conservative and expected scenarios when cash timing is uncertain.
- ☐ Review the lowest projected cash balance and decide what action is needed before that week arrives.

9. Watch for Cash-Flow Warning Signs

- ☐ Bills are repeatedly paid late or only after customer payments arrive.
- ☐ Payroll, taxes, or loan payments are difficult to fund on time.
- ☐ Credit cards or short-term debt are used for routine operating expenses.
- ☐ Receivables are growing faster than sales or customers are paying more slowly.
- ☐ The business is profitable on paper but bank balances continue declining.
- ☐ Owner withdrawals occur without considering taxes, debt, and upcoming obligations.

10. Choose the Next Corrective Actions

- ☐ Accelerate invoicing and collection follow-up.
- ☐ Reduce, delay, or renegotiate nonessential spending.
- ☐ Adjust pricing, deposits, payment terms, or service mix.
- ☐ Create a documented repayment plan for debt or past-due obligations.
- ☐ Discuss financing early rather than after cash is exhausted.
- ☐ Ask a qualified bookkeeping, tax, or financial professional to review unclear or recurring problems.

30-Day Cash Flow Action Plan

Current available cash		**Bills due in 30 days**	
Expected receipts		**Payroll and taxes**	
Projected ending cash		**Reserve target**	

1. _____ Owner: _____ Due: _____
2. _____ Owner: _____ Due: _____
3. _____ Owner: _____ Due: _____

Educational notice: This general checklist is not accounting, legal, tax, lending, or financial advice. Cash-flow needs and risks vary by business, industry, and financing arrangements. Consult qualified professionals.