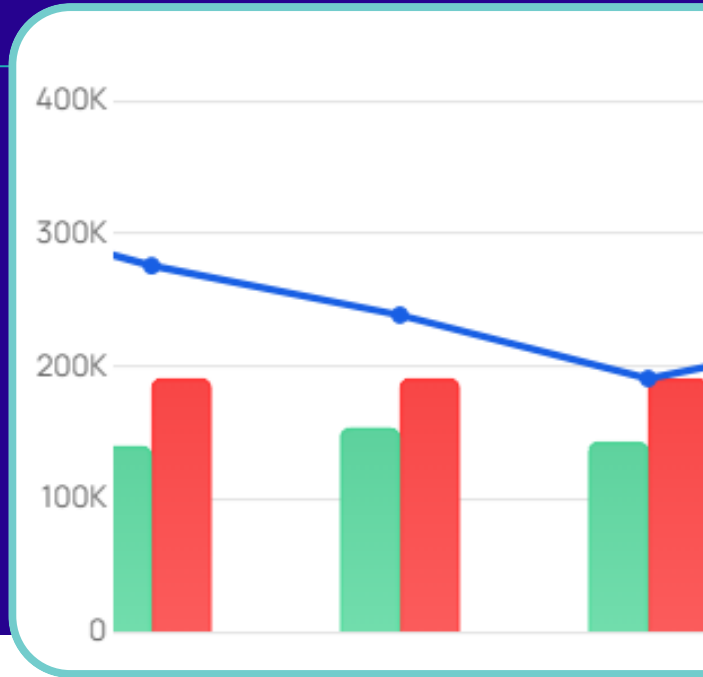


Cash Flow Mistakes That Kill Startups & How to Fix Them

The Compass Playbook



The Cash Flow Foundation

Understanding the Gap

- Profit does **not** equal cash flow.
- Cash flow is the **bloodline** of every business.

Why Cash Flow Matters

- **Cash, not profit**, keeps startups alive.
- Top risks include **missed payroll**, **unplanned spend**, and **emergency fundraising**.

Are we able to hire two new developers in the next 3 months?

Based on current developers costs, we are able to hire two developers in the next 3 months.

Common Mistakes

- Making decisions solely off of **bank balance**.
- Ignoring **AR/AP timing**.
- Assuming **fundraising** closes on schedule.

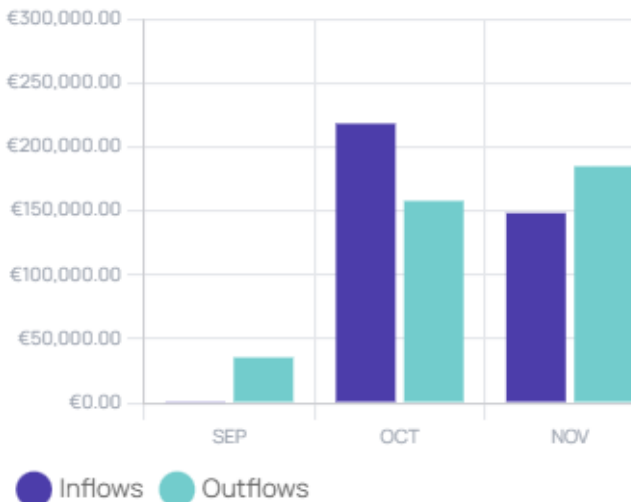


Profitability $\neq$ Liquidity

You can be profitable and still run out of cash.

Building the System

Inflows vs Outflows Comparison



Forecasting Framework

Inflows

- Sales, fundraising, credit, grants.

Outflow

- Payroll, marketing, rent, SaaS, taxes.
- Match inflows vs. outflows to manage runway.

Methods

Direct Method

Line-by-line tracking (ideal for startups).

Indirect Method

Adjust net income for non-cash items (for reporting).

Time Horizons

- 13-Week Rolling (short-term clarity).
- 6-24-Month Projection (strategic runway planning).

Driver-Based Models

- Use inputs, schedules and drivers to make models modular.
- Make inflows and outflows interconnected and dynamic.



Always model Best, Base, and Worst cases.

Budget vs Actuals

- Compare forecast vs. real monthly.
- Adjust assumptions, track burn, and treat forecasting as a management discipline.

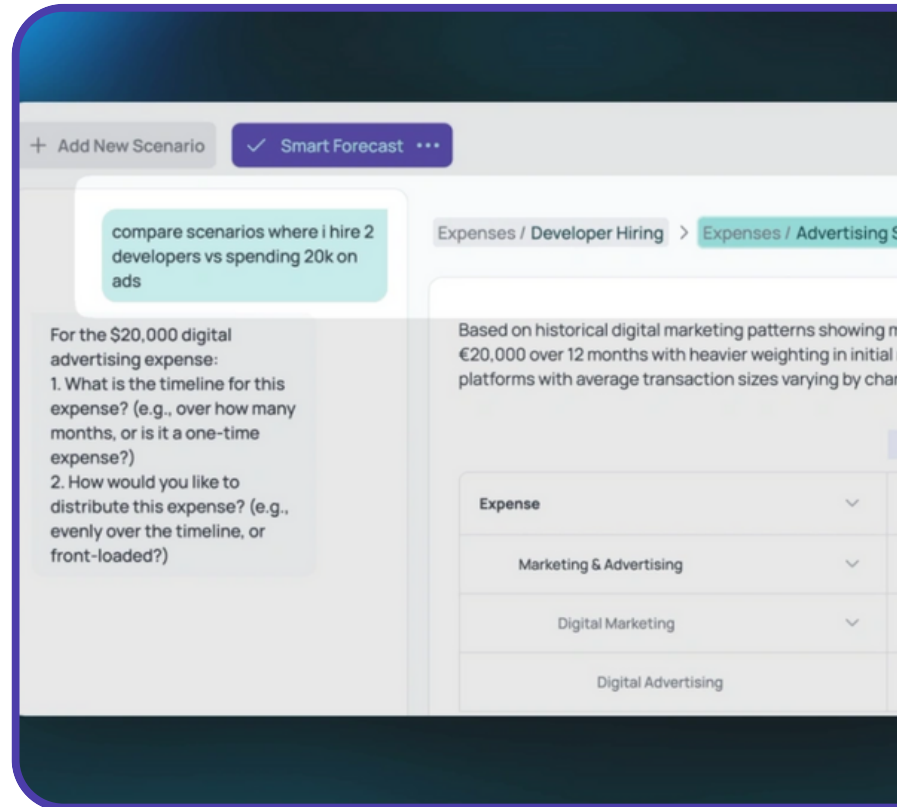
From Reactive to Strategic

Turning Forecasting Into a Superpower

- Compare forecasts to actuals monthly
- Adjust assumptions, track burn, and treat forecasting as a management discipline

Inventory & Operations Use Case

- Model ad spend → units sold → inventory orders → cash outflows to avoid stockouts or overbuilds.
- Align finance with operations.



Total Balance Evolution Across All Accounts



Modern Tools & Resources

- Fractional CFO templates for modular Excel setups.
- Compass AI for AI-driven forecasting, dashboards, and automation.



Key Takeaways

- Cash flow is your lifeline.
- Forecasting prevents surprises.
- Keep models modular & scenario-based.
- Use AI tools for clarity & control.