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# Cash Flow Strategies to Support Sustainable Growth for A&E Firms

Presented by  
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# Angel Naval

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20+ years of experience guiding Professional Services organizations, especially Architecture & Engineering firms, through complex financial challenges and transformational growth

Marathon runner



# Learning Objectives

1

**1. Understand cash flow fundamentals for A&E firms.**

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**2. Identify common cash flow challenges.**

3

**3. Use forecasting tools to improve visibility.**

4

**4. Implement strategies to enhance liquidity and reduce risk.**

# Agenda

1. Fundamentals of Cash Flow
2. Common A&E Cash Flow Challenges
3. Forecasting Tools & Best Practices
4. Liquidity & Risk Strategies
5. Action Plan

# What is your biggest cash flow challenge?

- Delayed client payments
- Unpredictable project timelines
- Over-reliance on one or two big clients
- Difficulty forecasting expenses



# How often do you forecast cash flow?

- Monthly
- Quarterly
- Only when things feel right
- Never / not sure



# If your firm had more predictable cash flow, what would you invest in?

- Hiring or retaining talent
- Technology or software
- Marketing and business development
- Office upgrades or expansion



# A Primer: *Architecture Billings Decline Highlights Need for Proactive Cash Flow Management*

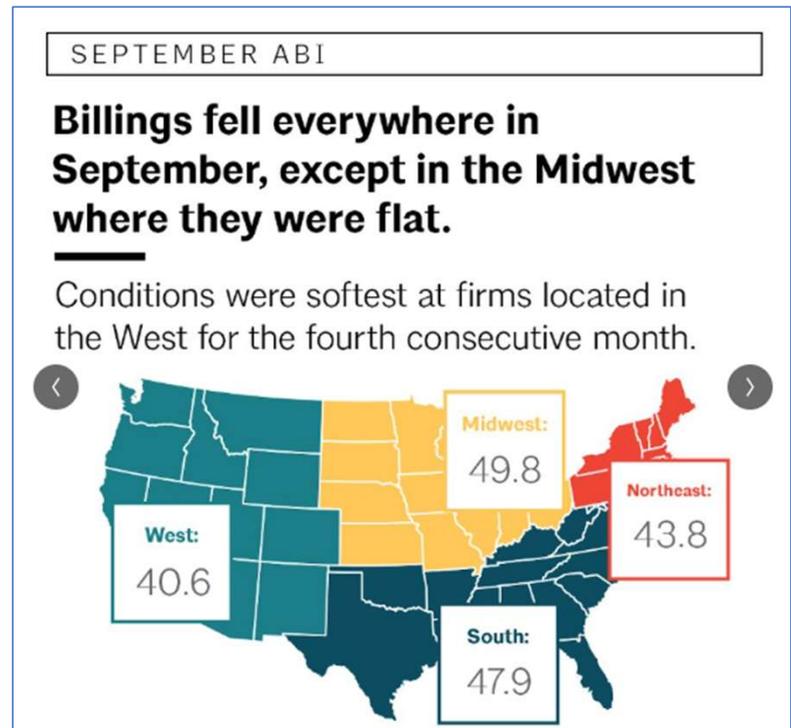
## Key Data Point (from AIA):

- **ABI fell to 43.3 in September**, the lowest since April.
- **Billings declined in all regions except the Midwest**, where they were flat.
- **Institutional firms** saw the greatest erosion in project backlogs.
- **Design contracts have declined for 19 consecutive months.**

This data underscores the importance of strong cash flow strategies.

When billings decline, firms face delayed receivables, tighter liquidity, and increased risk.

By forecasting inflows and outflows, architecture firms can better prepare for downturns, maintain operations, and make strategic decisions—even when project pipelines soften.



# Cash Flow Fundamentals

**Profit  $\neq$  Cash**

**Three Cash Flow Types:**



**Operating**  
(projects, payroll)



**Investing**  
(equipment)



**Financing**  
(loans)

# Why Cash Flow Matters for A&E Firms

- Payroll-heavy (60–70%)
- Long project cycles
- Milestone billing
- Client payment delays

# Common Cash Flow Challenges

- Project-based billing delays
- Slow client payments
- High payroll costs
- Scope creep
- Seasonality

# Impact of Cash Flow Challenges

- Cash shortages
- Deferred hiring or tech upgrades
- Missed RFPs
- Owner financial strain

# Why Forecasting Matters

Forecasting = Cash Flow Radar

Helps anticipate shortages, align staffing, and make growth decisions confidently.

# Forecasting Tools

- Excel/Google Sheets (13-week model)
- QuickBooks or Xero dashboards
- Deltek, BQE Core, or Monograph

# Building a 13-Week Forecast

Columns = Weeks 1–13

Rows = Inflows and Outflows

Track Beginning → Net → Ending Cash each week

# Forecasting Best Practices

## Update

- Update weekly

## Track

- Track project-level inflows

## Compare

- Compare forecast vs actual

## Review

- Review variances monthly

# Liquidity Strategies

- Invoice promptly after milestones
- Require retainers
- Offer early payment discounts
- Secure a line of credit

# Risk Management Strategies

- Clear payment terms in contracts
- Credit checks
- Track A/R aging monthly
- Approve change orders early

# Action Plan

**7-Day:** Build forecast and invoice faster

**30/60/90-Day:** Add retainer policy, LOC, and reserve fund

# Closing

Cash Flow = Freedom to Grow

# Bonus: Tax Credit Changes To Be Aware Of

The One Big Beautiful Bill Act (OBBBA) has impacted several tax credits available to architecture firms.

Tax Credits	What Changed	Why it Matters	Tips for Firm Owners	Examples
R&D Expensing (Section 174)	You can now choose to deduct R&D costs all at once or spread them over 5 years.	Helps manage cash flow and taxes, especially during big projects	Run projections for both options. Talk to your CPA before making the election.	Testing new building materials or design software for a client project
179D Energy Efficient Commercial Building Deduction	Still available for energy-efficient systems in commercial buildings	Architects can potentially claim over \$5 per square foot for qualifying designs.	Include energy modeling and certification in your workflow. Coordinate with building owners to get the deduction.	Designing HVAC, lighting, or insulation systems that meet energy efficiency standards.
Low-Income and Workforce Housing Tax Credits (LIHTC)	Lawmakers are working to make these credits easier to access.	Encourages firms to support affordable housing projects.	Partner with LIHTC-focused developers. Track costs and stay compliant.	Designing multi-family housing for low-income or workforce communities.
R&D Tax Credit	Starting in 2025, you can again deduct U.S.-based R&D costs right away. Firms under \$31M can amend 2022–2024 returns for refunds.	Valuable credit for firms doing innovative design work.	Document R&D activities early. Coordinate with CPA if amending returns.	Developing new sustainable design techniques or structural solutions.

# Thank you! Let's connect

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