

INDEX

- ABC Foundation, 253–255, 315–317, 390–394
- account analysis statement, 189–195
 - electronic, 196
 - service charge (SC), 194–195
 - terms, 191
 - uses of, 195–196
- account funding, 130–131
- account reconciliation, 128
- accounts payable, 9
 - managers, goals of, 109–110
- accounts receivable conversion (ARC), 88, 119
- accounts receivable, 79
- acquisitions, 46
- alliances, strategic, 46
- alpha statistic, 414–416
- alternative equities, 377
- A.M. Best Company, Inc., 12
- amassing funds, 77
- AMBAC Indemnity Corporation, 288–289
- American Bankers Association (ABA) numbers, 169–170
- American Express, 86, 121, 122, 198
- American Productivity & Quality Center (APQC), 102
- ancillary services, 222
- annual real return rate, 405
- application service provider (ASP), 204–205
- asset-backed commercial paper (ABCP), 288
- asset-backed securities, 287–288, 320–321
- assets
 - allocation of, 352–356, 377, 406
 - commercial paper and, asset-backed, 288
 - current, 29–30
 - endowment, 352–356, 358–360, 368, 378
 - GFBO and, 403–404, 406
 - growth of, 230–231
 - liabilities and, difference between, 229
 - ratio of, 30
 - redeployment of, 45
 - sales of, 45
 - securities and, asset-backed, 287–288, 320–321
- Association for Financial Professionals (AFP)
 - fraud incidence and preventive measures survey, 137–139
 - Payments Advisory Group, 118
 - treasury management sessions of, 103
 - uniform account analysis format and, 189, 195
- at-whatever-price theory, 217
- automated clearinghouse (ACH) system, 82
 - advantages/disadvantages of, 124–126
 - check-to-ACH conversion, 119
 - concentration account and, 96–97
 - credit, 124
 - cross-border, 99
 - debit, 123
 - direct payments and, 91–92
 - disbursing, 140, 141–142
 - electronic bill presentment and payment and, 87, 126
 - Electronic Invoice Presentment and Payment and, 126
 - entry formats of, 124
 - FedACH, 124
 - fraud and, 139, 140–142
 - funding controlled disbursement accounts and, 131
 - originating, 123
 - PC-initiated, 112
 - TEL payments and, 92
- availability float, 76
- availability schedule, 169–180
 - example of, 169–179
 - Federal Reserve posting and, 179–180
- average annual total return, 377
- average collection period (ACP), 60, 61
- average payment period (APP), 60, 61, 62
- Average Uncollected Funds, 192
- bad debt write-offs, 79
- balanced budget, 2
- balance sheet–based ratios, 30
- banker's acceptances (BAs), 252, 298–299, 320
- bank holding company commercial paper, 294
- bank information system, 136–137
- banking
 - future developments in, likely, 205
 - nationwide, effect of, 98
 - networks, establishing, 95
 - see also* bank services
- banking relationship management, 21
 - policy and, 185, 186, 188–189
 - communication and, 166–167
 - global, 200–201

420 INDEX

- banking relationship management (*Continued*)
 - nonprofits and, 180–182
 - objectives for, 165–166
 - policy and, 185, 186, 188–189
 - reconciling accounts, 159–160
 - relationship practices and, 180–182
 - soft variables in decisions, 180
 - system, optimizing, 198
- Bank of America, 201
- Bank of International Settlements, 143
- bankruptcy, 29, 306–307
- Bankruptcy Code, 306–307
- banks, nonprofits and
 - CAMELS rating system of, 183, 184
 - cash management, initial selection of, 183
 - changing, 184–185
 - compensation for, 186
 - earnings credit rates, 193
 - EDI-capable, 112
 - financially weak, avoiding, 183–184
 - interest-bearing deposits and, 319
 - lockbox systems of, 89–90
 - perspective of, 65
 - problem, 184–185
 - report cards for, 201–202
 - sample, sub 210–211
 - reserve requirements (Federal Reserve mandates), 192–193
 - short-term investment and, 313
 - tiering, 185, 186
 - views on, 168–169
 - see also* account analysis statement
- bank services, 167–169, 182
 - charges for, 149–154, 196–198
 - depository, availability schedule and, 169–180
 - direct deposit, 139
 - for disbursement, 127, 131–138
 - information, 199–200
 - nonbank, 198–199
 - for nonprofits, 168
 - online, 199–200
 - special studies, 200
- benchmarking
 - cash collections and, 102–103
 - cash management banking and, 204
 - commercial paper, 223
 - debt management and, 223
 - model portfolio, 223
 - R-squared and, 411–412, 413
 - treasury, 223
- best-in-class nonprofits, 75
- beta statistic, 412–413
- Beyer, William, 19
- Bloomberg system, 264
- board-designated endowment, 345
- board of trustees, 348
- bond anticipation notes, 292
- bonding, 139
- Bond Investor Guarantee (BIG), 288
- bonds
 - anticipation notes, 292
 - Consolidated Systemwide discount, 283
 - convertible, 403
 - corporate, 296–297, 313, 322
 - endowment investment and, 361
 - funds, 302–303
 - high-yield (junk) bonds, 297
 - municipal bonds, 288–291
 - ratings of, 403
- book-entry delivery, 269–262
- break-even financial target, 2, 3
- bridge financing, 216
- brokered or matched repurchase agreements, 305
- Busby, Don, 87
- The Business of the Arts* series, 233
- Callan Associates Inc, 382
- Cambridge Associates, 382
- CAMELS rating system, 183, 184
- Campus Crusade for Christ, 89
- Canterbury Consulting, 382
- capital campaign, 228
- capital structure
 - elements of, 228
 - funding system and, 232–233
 - liabilities and, 229
 - receivables and, 228
 - strategy for, developing, 229–232
- cards, 86–87
 - cash collections and, 90–91
 - debit, 90, 123
 - payroll, 122
 - p-cards, 120–122
 - purchasing, 120–122
 - see also* credit cards
- cash budget
 - constructing, 37–38, 40
 - forecasting, 3–4, 40–42
 - preparing, 36–37
 - purposes of, 38, 40
 - target liquidity level and, setting, 42–44
- cash collections, 35
 - alternative systems of, comparison of, 92, 94
 - benchmarking, 102–103

- card payments and, accepting, 90–91
- check collections and, expediting, 88–90 (*see also* checks)
- electronic payments and, accepting, 91–92
- float and, 76, 84, 85–86
- fraud issues and, 101–102
- front end of, 78–81 (*see also* receivables management)
- functions of, 80–81
- imaging and, 102–103
- mobilizing, 94
- objectives of, 76–78
- outsourcing, 103
- principles of, 81
- value for liquidity and, 34–35
- see also* international cash collections; positioning systems; U.S. payment systems
- cash concentration or disbursements (CCD), 35, 77, 95, 125, 126
- cash conversion period (CCP), 19, 31, 60–63
- cash crisis, 27, 28
- cash crunch, 27, 28
- cash demands, 33–34
- cash flow
 - characteristics of, 26–27
 - forecasting, 243
 - GFBO requirements for, 402
 - managing, 33–36
 - net, 41
 - short-term borrowing based on, 219–220
- cash letter, 169
- cash management banking, 20–21
 - bank selection process and, 183, 186, 187–188
 - benchmarks for, 204
 - ERP system, assessing, 204–205
 - goals to improve, 165
 - international, studies of, 200
 - metrics for internal evaluation, 203–204
 - practices, assessing, 202–203
- cash pooling, 77, 95, 99
 - cross-border, 100–101
 - funds, 255
 - notional, 100
 - physical, 100
- cash-poor organizations, 112–113
- cash positioning, 44, 77
- cash ratio, 14–15, 30
- cash receipts, determining, 41
- cash reserves, 242
- cash shortfalls, 27–28
- cash turnover (CT), 61–62
- Cass Commercial Bank, 95
- centralized disbursing, 110–111
- certificate of participation (COP), 290
- certificates of deposit (CDs), 246, 274, 319–320
 - negotiable, 299–301
 - ratings of, 404
- Chamber of Commerce, 70
- Charity Navigator, 30
- checkbook balance, 34
- Check Clearing for the 21st Century Act (or Check 21), 85, 88
- check kiting scheme, 132
- checks, 84–86
 - ABA routing transit (RT) numbers on, 169–170
 - collections and, 88–89
 - lockbox systems and, sub 89–90
 - pre-encoding deposits and, sub 89
 - remote capture and, sub 89
 - conversion, 88, 89
 - disbursement and, 116, 118–119, 120
 - fraud and, 115, 139–140
 - imaging, 102–103, 144–145
 - MICR line of, 85, 89, 169
 - multiple-drawee, 130
 - processing of, 169
 - remote capture of, 89
 - stock, 139
 - substitute, 85
 - truncation, 88, 89
- Chicago Clearing House study, 140
- chief executive officer /executive director (CEO/ED), 1, 66–67
- chief financial officer (CFO), objectives of, 1–2
- Christian Children's Fund (CCF), 86, 90, 91, 199
- church loan (case study), 234–239
 - do's and don'ts of church financing and, 238
 - lending ratios worksheet for, 237
- Cipolla, Georgette, 89
- Citicorp, 201
- Citigroup, 201
- classical decomposition, 71
- clearance float, 114
- clearing slippage, 114
- coins and currency, 82–83
- collateralized commercial paper, 295
- collateralized mortgage obligations (CMOS), 287, 386–387
- collection float, 76, 84, 85–86
- Comerica Bank, 141
- Commerce Department, 70
- commercial nonprofits, 26

422 INDEX

- commercial paper, 252
 - asset-backed, 288, 295
 - bank holding company, 294
 - benchmarks, 223
 - collateralized, 295
 - corporate debt and
 - issuing formats of, sub 294
 - types of, sub 294–295
 - credit risk and, 246–247
 - dealer, 294
 - foreign, 295
 - industrial, 294
 - letter of credit (LOC), 295
 - loan participations and, 321–322
 - municipal notes and, 291
 - ratings of, 404
 - short-term debt and, 252
- The Common Fund, 360
- common stocks, 403
- compensating balances, 196–197
 - via balances or fees, 197–198
 - double-counting of, 198
- complex disbursement systems, 129–130
- comprehensive payables, 145–146
- concentration accounts, 96
- concentration systems. *See* positioning systems
- Consolidated Systemwide discount notes and bonds, 283
- constructive acceptance, 80
- Consumer Cross Border (PBR), 124
- Consumer Price Index (CPI), 280
- consumer profiles, 83, 85
- contract performance, 79
- contracts receivable, 79–80
- contributions receivable, 80
- control dilemma, 130
- controlled disbursement account, 131–132
- controllership function, 11
- convertible bonds, 403
- convexity, 223
- core business, 229
- corporate bonds, 296–297
- Corporate Cross-Border (CBR) payment, 124, 125
- corporate debt instruments
 - commercial paper, 293–294, 293–295
 - high-yield (junk) bonds, 297
 - loan participations, 295–296
 - master notes, 297–298
 - notes and bonds, 296–297, 313, 322
- corporate notes, 296–297
- corporate trade exchange (CTX), 124, 125, 126
- correlation, 416
- cost dilemma, 130
- cost reduction/containment, 45
- country risk, 144
- covenants, 214, 223
- cover average collection period (ACP), 60, 61
- CPI-Urban index of prices, 356
- credit cards, 91, 124
 - disbursement and, 124
 - fraud and, 101–102
 - payments by, 86–87
- credit counseling organizations, nonprofit, 10
- credit risk, 244, 246–248
- credit sweep, 113
- cross-border ACH, 99
- cross-border pooling, 100–101
- current liquidity index (CLI), 19, 31
- current ratio, 30
- custodian accounts, 252–260, 307–308, 401–402
- Daciolas, Mary, 86
- day sales outstanding (DSO), 60, 79
- days between payments, 79
- days inventory held (DIH), 60
- days payable outstanding (DPO), 61
- LD1155 form (DoD), 80
- dealer commercial paper, 294
- debentures
 - Consolidated Systemwide short-term, 283
 - fixed-term, 285
 - FNMA, 284
- debit cards, 90, 123
- debt capacity, 32
- debt covenants, 223
- debt management
 - benchmarks for, 223
 - debt policy and, 212–215
 - introduction to, 212–213
 - metrics for, 223
 - objectives of, 213–214
 - see also* short-term borrowing
- deferred revenues, 9
- delivery repo, 307–308
- delivery *versus* payment (DVP), 259, 265
- demand deposit accounts (NOW), 128, 142, 193
- Department of Defense (DoD), 80
- deposit concentration, 96, 98
- depository services, availability schedule and, 169–180
- Depository Trust Company, 262
- direct deposit services, 139
- direct or finance commercial paper, 294
- direct payment checklist, 107–108

- disbursement systems, 21, 35–36
 - automated, 112
 - bank products for, 127, 131–137
 - cash-poor organizations and, 112–113
 - cash-rich organizations and, 113
 - centralized, 110–111
 - checks and, 116, 118–119, 120
 - complex, 129–130
 - controlled account and, 131–132
 - decentralized, 111
 - determining, 41
 - drafts and, 116, 119–120
 - drivers of, primary, 110
 - electronic payments, 122–126
 - float, 111
 - imaging and, 144–145
 - management philosophy of, 110
 - objectives of, 113–115
 - outsourcing, 145–146
 - policy, 110, 115–116, 118
 - purchasing/procurement cards and, 120–122
 - studies of, 200
 - see also* disbursement systems, alternative;
 - disbursement systems, international
- disbursement systems, alternative
 - account funding and, 130–131
 - complex, 129–130
 - electronic disbursing mechanisms in, 131
 - paper-based payment mechanisms, 130
 - simple, 128–129
- disbursement systems, international
 - international payment guidelines for, 143–144
 - payment system differences in, 142
 - risks in, 144
- Discount Notes, 284
- Discover, 86, 122
- disposable income (DispIncome), 70–71
- diversification, 377, 416
- Dominion Bond Rating Service Ltd., 12, 247
- Donaldson, Gordon, 20
- donor marketing, 94
- donor receipting, 94
- Dove Consulting, 81
- drafts, disbursement and, 116, 119–120
- Drysdale Government Securities, 306
- Dublin Docks, 201
- DuPont, 201
- duration, 223, 368
- earnings at risk (book return basis), 223
- earnings credit rating (ecr), 194, 198
- e-checks, 85, 88
- E-commerce, 118
- EDI-capable bank, 112
- E.F. Hutton, 132, 185
- efficient Frontier, 416
- efficient markets, 377
- efficient Portfolio, 416
- electronic benefits transfer (EBT), 81
- electronic bill presentment and payment (EBPP), 126
- electronic check presentment, 85
- electronic data interchange (EDI), 110, 124, 135–136, 202
- electronic funds transfer, 324
- Electronic Invoice Presentment and Payment (EIPP), 126
- electronic payments, 91–92
 - ACH system and, using, 87, 88
 - direct, 91–92
 - TEL and internet, 92
- employing funds, 77
- endowed lecture series, 348
- endowment funds, 242
 - asset allocation of, 352–356
 - capital structure and, 231–232
 - characteristics of, 352
 - college and university, examples of, 346
 - components of, average values, 357
 - creation of, 347
 - direction procedures of, 347–348
 - function/purpose of, 344–345
 - importance of, to nonprofits, 345–347
 - long-term investments and, 65–66
 - management of, 349
 - modern portfolio theory and, 351–352
 - responsibility for, 348–349
 - types of, 345
 - UMIFA and, 349–350
 - UPMIFA and, 350–351
- endowment investment
 - asset allocation and, 358–360
 - of bonds, 361
 - diversification and, 364–367
 - equities (stocks) investments and, 361–362
 - growth of, 358
 - inflation and, effect of, 373–374
 - pensions and, 379
 - performance and, monitoring, 369
 - philosophy, 356, 357–358
 - policy of, 371
 - pooling and, 377, 390–394
 - return, 358
 - risk management and, 368–369

424 INDEX

- endowment investment (*Continued*)
 - self-insurance and, 378
 - strategy of, 370–371
 - terms used in, definitions of, 377–379
 - time horizon and, 367–368
 - UPIA and, 379
 - see also* investment advisors; spending
- end-to-end business processing, 204
- enterprise resource planning (ERP) system, 137, 144
- enterprise risk management (ERM), 26–27, 157
- equities (stocks) investments, 361–362
- ERISA
 - compliant pension plan, 357
 - section 404(C) plans, investment policy strategy for, 395–396
- errors, repeated, 256
- E.S.M. Government Securities, Inc., 259–260, 306
- Eurodollar CDs, 300–301
- Eurodollar time deposits, 300
- Eurogiro Network, 124
- evaluated receipt settlement (ERS), 110, 136
- Evangelical Christian Credit Union, 86, 102–103
- Evangelical Fellowship of Mission Agencies, 11
- evangelical Protestant missions agencies, 80
- Excess Reserves
 - calculation, 405
 - investment objective, 405
 - portfolios, 404
- executive directors (EDs), 1
- expansion strategy, 45
- expenditure management, 116
- exponential smoothing, 72–73
- faculty chair, 347–348
- faculty research fund, 348
- faith-based organizations
 - bank services used by, 180
 - disbursement policy and, 116
 - financial objective of, primary, 11
 - investment committee's responsibilities in, 399–400
 - investment manager's responsibilities in, 401
 - short-term borrowing and, 217–218
 - see also* Generic Faith-Based Organizations (GFBO), investment policy for
- Faithful Finances*, 87
- Fannie Mae. *See* Federal National Mortgage Association (FNMA)
- FBI, 137
- Federal Deposit Insurance Corporation (FDIC), 183
 - BAAs and, 320
 - Eurodollar CDs and, 300
 - mutual funds and, 416
 - problem bank list of, 184
- Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), 183–184
- Federal Farm Credit Bank (FFCB), 281, 282, 313, 318, 319
 - Federal Farm Credit System of, 283
- Federal Guaranteed Student Loan Program, 285
- Federal Home Loan Act of 1932, 284
- Federal Home Loan Bank (FHLB) system, 284, 313
- Federal Home Loan Mortgage Corporation (FHLMC), 284, 313, 318
- Federal Housing Administration (FHA), 285, 318, 319
- Federal National Mortgage Association (FNMA), 284–285, 313, 318, 319
- Federal Reserve, 81, 87, 114, 132
 - bank reserves required by, 192–193
 - as clearing agent for securities, 262
 - Districts' ABA routing transit (RT) numbers and, 169
 - posting, availability schedule and, 179–180
 - repos and, 304
- Federal Reserve ACH (FedACH), 124
- Federal Reserve Bank, 84, 170, 192, 260, 279, 304
- Federated Investors, Inc., 382
- Fed float, 114
- Fieldstone Alliance, 11
- Fifth Third Bank, 88–89, 103
- Final Rule, 136
- finance company commercial paper, 294
- finance service providers, top-rated, 208–209
- financial difficulties, responses to, 44–45
 - external measures, 46
 - internal measures, 45–46
- financial electronic data interchange (FEDI), 118, 124, 135
- financial flexibility
 - measuring and managing, 32–33
 - ratios, 19–20
- Financial Guarantee Insurance Company (FGIC), 288
- financial management advice, 200
- Financial Management for Nonprofit Organizations: Policies and Practices*, 14, 20, 164, 213, 214, 218, 219
- financial ratio, 19–20
- Fitch Investors Service, Inc., 12, 247, 293
- fixed-income investment instruments, 277–278
- fixed-income securities, 247–248, 273
 - interest rates and, rise/decline in, 274

- see also* yield in fixed-income securities, calculating
- fixed-rate coupon instrument, 248–249
- fixed rate debt, 223
- fixed-time deposits, 246, 319, 320
- flight to quality, 249
- float
 - availability, 76, 170
 - average, 192
 - clearance, 114
 - collections, 76, 84, 85–86
 - disbursement, 111, 118, 142
 - Fed, 114
 - invoicing, 80
 - mail, 76, 114
 - processing, 76, 114
- floating debt portfolio, 223
- floating rate, 223
 - notes with put option features, 292
- forecasting, 243
 - cash budget, 3–4, 40–42
 - cash flow, 243
 - methods of, 68–73
- foreign commercial paper, 295
- foreign exchange (FX) risk, 101, 144
- foreign investing, 367
- foreign payment systems, 98–99
- Fortune 1000 financial managers, 80
- Frank Russell Company, 356, 370, 382
- fraud prevention
 - ACH disbursing, 140, 141–142
 - AFP's fraud incidence and preventive measures survey and, 137–139
 - cash collections and, 101–102
 - checks and, 115, 139–140
 - financial manager's office and, 256
 - incidence and severity of, 137–139
 - internal controls, 139–140, 141
 - issues of, 101–102
 - methods of, 112, 115
 - policy of, 102
- Freddie Mac. *See* Federal Home Loan Mortgage Corporation (FHLMC)
- full-and-direct pay paper, 295
- full reconciliation, 128
- full time equivalent (FTE) student, 356
- Fundamentals*, 409, 413
- funding uncertainty, 130
- fundraising, 46, 228
- GE, 198
- generally accepted accounting principles (GAAP), 14
- general obligation (GO) securities, 288–289, 291, 292
- Generic Faith-Based Organizations (GFBO), investment policy for
 - assets for
 - allocation of, sub 405–406
 - diversification, sub 403
 - quality, sub 403–404
 - authority and, delegation of, 399
 - cash flow requirements of, 402
 - committee responsibilities in, 399–400
 - custodian responsibilities in, 401–402
 - introduction to, 398
 - manager responsibilities in, 399–400
 - objectives of, 404–405
 - performance evaluation and reporting requirements of, 406–407
 - principles/assumptions of, general, 402
 - purpose of, 399
 - social responsibility in, 406
- Ginnie Mae. *See* Government National Mortgage Association (GNMA)
- giro system, 142
- Global Finance Magazine*, 201
- global payments factory, 144
- good and proper invoice, 80
- Government Accountability Office (GAO), 158
- Government National Mortgage Association (GNMA), 285, 313, 318, 319
 - adverse features of, 286–287
 - attractive features of, 285–286
- government receivables, 79–80
- graduate student fellowship, 348
- grants
 - payable, 9
 - receivable, 79–80
 - restricted/unrestricted, 230
- Greenwich Associates, 132
- Greenwich Treasury Advisors, 203
- Gregg, Cathy Rollins, 184
- Grønbjerg, Kirsten, 75
- growth rate
 - internal, 44
 - managed, 44
 - sustainable, 19–20, 44
- Harvard Business Review*, 20
- Healthcare Financial Management Association 2004 Revenue Cycle Survey, 78–79

426 INDEX

- Health Insurance Portability and Accountability Act (HIPAA), 136
- hedging, 377
- Hewitt Associates, 382
- Highline Banking Data Services, 247
- high-yield (junk) bonds, 297
- historical lambda, 16
- hold time, 76
- Hopkins, Bill, 90
- Hurricane Katrina, 91
- imaging, 102–103
 - replacement documents, 85
- IMCA. *See* Investment Management Consultants Association (IMCA) investment manager questionnaire
- income statement, 3
- incurrence covenants, 214
- industrial commercial paper, 294
- inflation rate, 377
- in-house lockbox systems, 89
- insolvent, 29
- instruments
 - corporate debt, 293–298
 - fixed-income, 277–278, 318–324
 - market risk, 248–250
 - money market, 252–253, 298–303
 - municipal debt, 288–293, 313–314
- integrated payables, 145
- interest rate, 217, 244
 - actual weighted average, 223
 - changing, effect on longer maturities, 277
 - expense, future value of, 223
 - fixed-income securities and, rise/decline in, 274
 - Interest Rate Risk Policy, 223
 - market prices and, affect on, 249
 - neutral, 223
 - risk (*see* market risk)
 - variable, 221
- internal controls, enhancing, 155
 - actions to take, 156
 - audit committee responsibilities chart, 159
 - communications strategies and, 160
 - control activities, evaluating, 159, 160
 - control environment, evaluating, 158–159
 - documentation of policies and procedures and, 160–161
 - fraud prevention and, 139–140, 141
 - integrity in, commitment to, 158
 - Internal Controls Maturity Framework, 156
 - monitoring, 161
 - program of, sustaining, 161–162
 - reconciling bank accounts and, 159–160
 - risk assessment analysis, performing, 157–158
 - top-down commitment to, 157
- Internal Revenue Service (IRS)
 - abusive practices exposed by, 10
 - Statistics of Income data, 217
- international cash collections
 - bringing funds back to U.S. and, 101
 - cross-border ACH and, 99
 - cross-border pooling and, 100–101
 - foreign exchange risk and, 101
 - foreign payment systems and, differences in, 98–99
 - netting/pooling/overlay and, 99–100
 - real-time balance information and, 101
- internet-generated payments, 92
- inventory conversion period (ICP), 60, 61
- investing criteria, 244
 - credit risk in, 246–248
 - liquidity and, 245
 - money market instruments and, 252–253
 - pooling funds, yield improvement by, 255
 - reinvestment requirements and, 252
 - risk taking resulting in loss and, 253–255
 - safety of principle of, 244
 - timing of funds usage and, 251
- investment advisors
 - asset-classes examples of, 380–381
 - consulting firms and, list of, 382
 - professional, 379
 - summary, 386–387
 - working with, 385–386
- investment advisors, outside
 - compensating, 384–385
 - reasons for using, 379–380
 - selecting, 383–384
 - types of, 380–382
- investment committee, 312, 348–349
- Investment Committee of Great Commission Ministries, 399
- investment management, 21–23
 - fees for, 377
 - long-term investments and, 21–23
 - responsibility in, 312
- Investment Management Consultants Association (IMCA) investment manager questionnaire, 243, 325–343
- investment operations, 257, 262
 - bearer vs. registered form, 260–261
 - custodian, selecting, 258–260
 - maturity ticklers, 263
 - outside investment managers, 265–266

- securities safekeeping, 261–262
- summary of, 265–266
- technology tools, 264
- investment operations, transactions in
 - executing, 262
 - log of, 263–264
 - memo of, 263
 - reporting, 265
 - verifying, 264
- investment policy and procedures, 241, 312, 377
 - documenting, 256
 - IMCA investment manager questionnaire and investment horizons and, definitions for, 241–242
 - policy statement and, 242–243
 - portfolio reviews and, 257
 - risk tolerance statement and, 244
 - speculators and, 255–256
 - statement (sample), 390–394
 - strategy, developing, 243–244
 - strategy for ERISA section 404(C) plans and, 395–396
- Investor Protection Corporation (SIPC), 401
- invoice
 - electronic, 110
 - good and proper, 80
 - invoicing float and, 80
 - produced on time, 79
- irrevocable LOC commercial paper, 295
- J.C. Penney, 198
- Jegers, Marc, 20, 33
- John Wiley & Sons, 113
- Jones, Mark, 86
- Journal of Finance*, 408
- JP MorganChase, 103
- Justice Department, 132
- Kellogg Foundation, 11
- KeyBank, 89, 103, 145
- King, Carolyn, 88–89
- Kissinger, Wayne, 89, 103
- laddering, 366
- lambda, 16
 - historical, 16
 - as liquidity measure, 32
 - projected, 19
 - target liquidity, 16–18
- large-capitalization stock, 377
- Legacy Health Systems, 32–33
- Lehman Brothers Aggregate, 185, 356
- letter of credit (LOC), 101, 289
- letter repo, 308
- liabilities
 - assets and, difference between, 229
 - capital structure and, 229
 - current, 30
- Lilly study, 80, 217–218
- line of credit, 220
- liquid funds indicator, 15
- liquidity
 - broad, 6, 16, 33
 - cash and value for, 34–35
 - CLI and, 19
 - concept of, traditional, 246
 - endowment and, 378
 - financial flexibility and, 6
 - illiquid, signs of being, 33, 245
 - investing criteria and, 245
 - measuring and managing, 31–32
 - narrow, 5
 - peer organizations and, 65–66
 - portfolio, 243–245, 248, 303, 322
 - rates, 16–19
 - reserves (*see* operating reserves)
 - safety buffer for, 42
 - solvency and, 5–6
 - strategic, 6, 20
 - tiers of, 28–29
 - U.S. government agency securities and, factor of, 282
 - see also* target liquidity level
- liquid organization, 33
- liquid reserve, 16
- Lloyd's of London, 401
- loan participations, 295–296, 321–322
- Local Initiatives Support Corporation (LISC), 213
- LOC commercial paper, 295
- lockbox systems, 89–90
 - ARC conversions and, 88
 - bank or third-party, 89–90
 - in-house, 89
 - studies of, 200
- Lombard-Wall, 306
- London Interbank Offered Rate (LIBOR), 221
- long-term investments
 - changing interest rates and, 277
 - endowment funds and, 65–66
 - investment management and, 21–23
 - reasons for making, 344
 - reinvestment requirements and, 252

428 INDEX

- magnetic ink character recognition (MICR) line,
 - 85, 89, 169
 - encoder, 179
- mail float, 76, 114
- maintain purchasing power, 378
- maintenance covenants, 214
- malfeasance, 256
- managed growth, 44
- market risk, 244, 247–251, 252
 - instruments, 248–250
 - loss of principal due to, 250
 - protecting against, 250
- Markowitz, Harry, 351, 408–410
- Marks, Larry, 139
- Marks & Associates, 139
- master accounts, 96
- MasterCard, 86, 121, 122
- master notes, 297–298
- maturity, 217
- McGraw Hill Companies Inc., 12
- Media General, 199
- Mellon Financial, 103
- mergers, 46
- metrics
 - for debt management, 223
 - for internal evaluation, 203–204
 - of revenue cycle, 79
- Michels, William, 89
- Microsoft Excel™, 17, 32, 69, 75
- middle-capitalization stocks, 378
- Midsouth Symphony Orchestra (MSO), 64–67
- Miller, Clara, 212, 227
- minimum operating cash (MOC), 61–62
- misappropriation of funds, 21
- modern portfolio theory (MPT), 351–352
 - alpha statistic and, 412–415
 - applying, 415
 - beta statistic and, 412–413
 - due diligence in, conducting, 416
 - investment philosophy of, 408–410
 - policy portfolio, establishing, 410–411
 - principles of, summarizing, 415
 - R-squared and, 411–412
 - short list, developing, 415
 - terms, glossary of, 416
- money market instruments
 - banker's acceptances, 298–299
 - bond funds, 302–303
 - Eurodollar time deposits, 300
 - market risk and, 248–250
 - money market mutual funds, 301–302
 - negotiable CDs, 299–301
 - overview of, 252–253
- money market mutual funds (MMMFs), 199,
 - 301–302, 314, 324, 416–417
- monitoring controls, 161
- monitoring funds, 77
- Moody's Investors Service, 12, 64, 65, 219, 247,
 - 290, 293, 313, 321
 - Baa or better, 317, 403
 - Grade One rating, 314
- Morningstar Report*, 314
- mortgage-backed (MB) securities, 286, 287
- mortgage pass-through securities, 287
- moving averages, 71–72
- multiple-drawee checks, 130
- Municipal Bond Investors Assurance Corporation (MBIA), 288, 289
- municipal bonds, 288–291
 - CMOs, 287
 - insurance, 288–289
 - market risk and, 248
 - ratings for, 64–65
 - revenue, 288
 - t-bonds, 280
 - types of, 289–291
 - zero coupon, 249
- municipal floating-rate instruments, 292–293
- municipal notes, 291–293
- municipal securities, 288, 302, 319
- National Association of College and University Business Officer (NACUBO)
- Endowment Study (NES), 356, 359, 372
- National Automated Clearing House Association (NACHA), 85, 99, 124
- National City Bank, 132
- National Conference Of Commissioners On Uniform State Laws, 350
- National Mortgage Association Securities, 321
- natural equilibrium, 228, 232
- negotiable bank CDs, 252, 313
- negotiable order of withdrawal (NOW), 95, 96,
 - 128, 130
- Net Account Position Summary, 189–190
- net assets, 229
 - liquid, 16
 - unrestricted, 345
- net cash flow (NCF), 41
- net liquid balance (NLB), 15, 30
- net revenues, 4, 5, 32, 65, 221–222
- net surplus, 3
- netting, 95, 99–100

- networking, 103
 - capital, 63
- New York Stock Exchange, 260
- nonoperating activities, 3
- Nonprofit Finance Fund, 11, 213
- Norton, Edgar, 29
- notional pooling, 100
- NOW accounts (demand deposit), 128, 142, 193

- Office of Management and Budget (OMB), 158
- one-time setup fees, 92, 94
- online banking, 199–200
- on-us items, 98, 124, 191
- operating cash flow (OCF), 31
 - projected, 17, 18
- operating cycle (OC), 26, 60, 61
- operating modes, 2–3
- operating reserves, 242
- Operating Reserves investment objective, 404
- operational risk, 79
- optical character recognition (OCR), 135
- order-to-cash process, 76, 77, 78
- organizational practices, best, 75
- originating depository financial institution (ODFI), 123, 140
- out of pocket, 60
- outsourcing, 145–146
- overlay, 95, 101

- paid-only reconciliation reports, 128
- paper-based payment mechanisms, 130
- paper certificate, 260
- participation certificates (PCs), 284, 285, 286
- partnerships, 46
- payment timing, 113–114
- payroll cards, 122
- peer organizations
 - liquidity of, 65–66
- Penn Square bank, 183
- penny-wise and pound poor tactics, 8
- pensions, 379
- Peoria Rescue Ministries, 11
- per-month fees, 94
- per-transaction fees, 94
- Phoenix-Hecht, 112, 118, 121, 132, 135, 144
 - Blue Book of Bank Prices™, 149–154
- physical pooling, 100
- PIN (personal identification number), 90
- pledges receivable, 80
- point of purchase (POP), 119
- policy portfolio, 410–411
- pooling. *See* cash pooling

- Portfolio Selection* (Markowitz), 408, 409
- Portland Cement, 19
- positioning systems, 76–78
 - banking network and, establishing, 95–98
 - mobilizing cash and, 94
 - objectives of, 94–95
 - pooling/netting/overlay and, 95
 - timing and effect on, 92
- positive pay, 112, 134–135, 139
- prearranged payments and deposits (PPD), 125
- pre-encoding deposits, 89
- preferred stocks, 403
- pre-refunded bonds, 290
- PriceWaterhouseCoopers, 139
- processing float, 76, 114
- procurement cards (p-cards), 120–122
- procurement-to-pay (P2P) cycle, 115, 116
- Prompt Payment Pack, 20
- protecting funds, 77
- Public Company Accounting Oversight Board (PCAOB), 158
- Public Securities Association, 323
- purchase order with payment voucher attached, 130
- purchase-to-pay cycle, 115, 116, 117
- purchasing cards, 120–122

- qualitative (judgmental) forecasting methods, 68
- quantitative (statistical) forecasting methods, 68
- quasi-endowment, 345, 378
- Quotron system, 264

- range reconciliation, 128
- rating firms, 247, 313–314, 317, 403, 404
- ratios
 - asset, 30
 - cash, 30
 - current, 30, 63
 - evaluating, 20
 - financial, 19–20
 - liquidity, 16–19
 - solvency, 14–16
 - working capital, 30
- real estate closings, 87
- real estate investment securities (REITs), 404
- reallocation, 230
- real return rate, 405
- real-time balance information, 101
- reasonable risk-adjusted return on capital (RAROC), 189
- receivables management
 - accounts receivable and, 79
 - capital structure and, 228

430 INDEX

- receivables management (*Continued*)
 - collections function and, 80–81
 - contributions and pledges and, 80
 - grants or contracts and, 79–80
 - operational risk and, reducing, 79
 - revenue cycle and, 78–79
- receiving depository financial institution (RDFI), 123, 124
- receiving gateway operator (RGO), 124
- refunding bonds, 289–290
- Regional Check Processing Center (RCPC), 170
- regression analysis, 68–71
- Regulation CC, 76
- reimbursement underpayments, 79
- remote capture, 89, 92, 94
- reporting, 312–313
- repurchase agreements (repos), 303–304, 314, 322–324
 - alternatives to, 308
 - brokered or matched, 305
 - custodial arrangements, 307–308
 - definition of, 304
 - reverse, 305
 - risks, 305–307
- request for bid, 137
- request for information (RFI), 137, 184
- request for proposal (RFP), 137, 185
- Reuters system, 264
- revenue anticipation notes, 292
- revenue bonds, 289
- revenue cycle, 78–79
 - metrics of, 79
- reverse positive pay, 134–135
- reverse repurchase agreements, 305
- risk
 - credit, 244, 246–248
 - endowment investment and, management of, 368–369
 - market, 244, 247–251
 - taking, resulting in loss, 253–255
 - tolerance, 367–368
 - VaR and, 223, 367
- routing transit (RT) numbers, 169
- R-squared, 411–412, 413
- RTD Securities, 306
- safekeeping securities, 261–262, 314, 317
- Sallie Mae. *See* Student Loan Marketing Association
- Salvation Army, 22
- Sarbanes-Oxley Act, 115, 140, 196
 - compliance checklist, 49–59
- secondary market, 320
- Securities and Exchange Commission (SEC), 293, 296, 321
- Securities Investor Protection Act of 1970, 401
- Seidner, Alan, 314
- self-insurance, 378
- Sharpe, William, 351
- Shearson, 185
- shock testing, 20
- short-term borrowing, 21, 46, 215–216
 - based on cash flow, 219–220
 - cash flow and, based on, 219–220
 - education and, 218–219
 - healthcare and, 218
 - information to present to lender, 220
 - Lilly study findings and, 217–218
 - loan structures, typical, 220–221
 - net revenues and, 221–222
 - reasons for, 216–217
 - repayment ability, bank evaluation of, 221
- short-term investment
 - policy and guidelines for, 312–314
 - pool policy and, 315–317
- silver bullet (*deus ex machina*), 231
- simple disbursement systems
 - funding in, 128–129
 - organization characteristics of, 129
- simple regression, 69
- skimming, 101
- small-capitalization stocks, 378
- small-dollar purchases, 80
- small profit target, 3
- soft-money grants, 28
- solvency
 - measuring and managing, 29–31
 - ratios, 14–16
- specialty-managers approach, 378
- spending
 - policy, 369–372, 375–377, 378
 - rates, 360–361, 373, 378
 - rules, 371
 - summary of, 375–377
 - total return, 372
- standard Deviation, 416
- Standard & Poor's Corporation (S&P), 12, 64, 247, 293, 313, 314, 321, 356
 - BBB or better, 317, 403
- standby LOC commercial paper, 295
- standbys, 13–14
- Statement of Activity, 3
- statement of cash flows (SCF), 40
 - projected, 18–19

- strategic liquidity, 6, 20
- strategic planning theory, 217
- Student Loan Marketing Association (Sallie Mae), 285, 313, 318
- substitute checks, 85
- summer slump, 26, 91
- Summit Christian College, 46
- SunTrust, 90, 103
- SunTrust Bank, 89
- supercenter, 144
- sustainable growth rate, 33
- sweat equity, 227
- SWIFT system, 99

- target liquidity level, 4–5, 15
 - achieving, 6–10, 20–23
 - ratios of
 - calculating, sub 14–20
 - evaluating, sub 20
 - setting
 - cash budget and, sub 42–44
 - hypothetical case study for, sub 64–67
 - starting points for, sub 12–14
 - short-term investments and, 22
 - striving for, 10–12
- tax anticipation notes, 291
- Telephone-Initiated Entry (TEL) payments, 92, 93
- term endowment, 345
- third-party lockbox systems, 89–90
- 30-day clock, 80
- 3M, 45
- Thrift Drug, 145
- time series methods, 71–72
- Toppin, Matt, 64–67
- total realized compound yield, 277
- total return, 378
- trading activity, 257
- Treasury Bills (T-bills), 279–280
- Treasury bonds (T-bonds), 280
- treasury function, 11–12, 21
- Treasury Inflation-Protected Securities (TIPS), 280–281
- treasury management
 - computerized, 200
 - goals to improve, 165
 - hosted TMSs and, 204
 - strategies of, 46, 184
 - web-based treasury information services and, 204
- Treasury Management Systems (TMSs), 204
- Treasury notes (T-notes), 280
- Treasury & Risk Management*, 121
- treasury workstation (TWS), 98, 136–137

- tri-party repo, 308
- true endowment, 345, 378

- Uniform Management of Institutional Funds Act (UMIFA), 349–350, 351, 371, 389
- Uniform Prudent Investors Act (UPIA), 379, 397
- Uniform Prudent Management of Institutional Funds Act (UPMIFA), 350–351
- U.S. Congress, 281–282, 283, 306–307, 323
 - Bankruptcy Code and, 306–307
 - Farm Credit Administration and, bailing out of, 281–283, 283
 - Government Securities Act of 1986, 323
 - Investor Protection Corporation, 401
- U.S. government agency securities, 245, 249, 281
 - advantages of, 281–282
 - credit quality of, 281
 - fixed-income instruments and, 318
 - liquidity factor of, 282
 - sale of
 - method of, sub 282–283
 - pre-sale announcements of, sub 283
 - short-term investments and, 313
 - WL period, 283
 - yield and, 282
- U.S. government agency securities, types of, 284
 - asset-backed, 287–288
 - CMOs, 287
 - Farm Credit System, 283
 - FHLB system, 284
 - FHLMC, 284
 - FNMA, 284–285
 - GNMA, 285
 - adverse features of, sub 286–287
 - attractive features of, sub 285–286
 - mortgage pass-through securities, 287
 - Student Loan Marketing Association (Sallie Mae), 285
- U.S. payment systems, 81–82
 - card and, 86–87
 - checks and, 84–86
 - coins and currency and, 82–83
 - electronic, ACH system and, 87
 - wire transfers and, 87–88
- U.S. Treasury securities, 223, 245
 - background of, 278
 - fixed-income instruments and, 318
 - liquidity and, 278–279
 - market risk and, 250
 - phasing out of physical certificates by, 260
 - short-maturity bill, 252
 - T-bills, 279–280

432 INDEX

- U.S. Treasury securities (*Continued*)
 - t-bonds, 280
 - TIPS, 280–281
 - t-notes, 280
- United Way, 75
- University of Hartford, 27
- unrealized gains and losses, 257
- unrestricted net assets, 34
- value at risk (VaR), 20, 223, 367
- value dating, 142
- value pathway diagram, 164
- variable-rate CDs, 300
- vendor (supplier) file, 110
- Veterans Administration (VA), 285, 318
- VISA, 80, 86, 121, 122
- volatility, 368
- volume-based pricing, 113
- Wachovia Connection Express, 127
- The Wall Street Journal*, 267
- Wal-Mart, 198
- WEB ACH transaction, 92
- weighted average cost of capital (WACC), 164
- weighted average maturity, 223
- Wells Fargo, 89
- Westinghouse, 198
- when issued (WI) period, 283
- wire transfers, 87–88
 - electronic funds transfer and, 324
 - fraud in, 140
 - securities purchases by, 259
- working capital
 - net, 63
 - ratio, 15–16, 30
 - see also* cash reserves
- Yale University, 10
- Yankee CDs, 301
- Yetman, Robert, 217
- yield, 267
 - endowment and, 378
 - introduction to, 266–267
 - pooling funds and, 255
 - spread analysis, 271–273
 - see also* yield curve analysis; yield in fixed-income securities, calculating
- yield curve analysis, 267
 - factors influencing, 267–269
 - horizontal/vertical axis plots and, 267
 - positively/negatively sloped and, 267–268
 - riding, 270–271
 - shape of, influences on, 268–269
 - summary of, 277
 - U.S. government agency securities and, 282
 - using, 269
 - volatility and, 286
- yield in fixed-income securities, calculating, 274
 - current, 275
 - total realized compound yield, 277
 - yield to call, 276–277
 - yield to discounted cash flow, 276
 - yield to maturity (YTM), 275–276
- zero balance accounts (ZBAs), 96, 130, 133–134
- zero coupon bonds, 249
- zero coupon municipal bonds, 290–291