Manage Finances

Cash Doesn't Lie

A Firm Principal's Guide to Cash Flow, Runway, and Getting Paid

bqe

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The Profitable Firm That Almost Died

A 12-person architecture firm in Denver had its best year on record. Signed three major commercial projects in a single quarter. Revenue was up 30% over the prior year. Realization and Utilization rates were strong. The Profit & Loss Report (P&L) looked like a success story.

Then, in October, payroll bounced.

Not because the firm was failing. Because one large institutional client was running 90 days past due on a $180,000 invoice, a second client had paused a project mid-phase and disputed a $60,000 bill, and the firm had hired two new staff members in August to handle the workload. The overhead had scaled up. The cash had not arrived yet. They looked profitable on paper, but were broke in practice.

This scenario plays out across architecture and engineering firms every year. The firm isn't mismanaged—it's mis-instrumented. The principals are flying by the P&L, looking at accrual-based reports, which is the right tool for measuring performance. But cash flow isn't a performance question. It's a survival question. And those require different instruments.

This isn't an argument against the P&L. Quite the opposite. The accrual-basis P&L is one of the most important reports a firm principal can read—it tells you what your firm has earned, what it has spent, and whether your operations are structurally profitable. You should be reading it every month, ideally every week. It is not optional.

But the P&L doesn't tell you when cash arrives. It doesn't tell you how many months of runway you have if you sign nothing new. It doesn't tell you that the $240,000 of revenue you recognized last quarter is still sitting as a receivable, aging past 60 days while your team keeps working.

Strong firms run on both. They use the P&L to manage performance. They use cash reports to manage survival. They know which report to reach for when, and they've made sure the right people in the firm are reading the right numbers.

This ebook covers three things: how to read your cash position alongside your performance reports, how to calculate and use burn rate and runway, and how to compress the billing cycle that traps cash in most A&E firms. Although this may be new for those starting firms, or tedious if you'd rather focus on design work, none of this is complicated. Most of it, you can act on this month. And once the systems are set up, it makes managing a firm easier so you can focus on the work you love.

You Need Two Dashboards, Not One

Every firm has an opinion about how it's doing financially. Usually, that opinion is based on the P&L. And for measuring whether the firm is profitable—whether the work you're doing covers what it costs to do it—the P&L is exactly the right report.

The accrual-basis P&L is better than most principals give it credit for. When you recognize revenue in the time frame it's earned rather than when it's received, you get a true picture of your firm's economic performance. You can match the revenue from a project phase against the labor and overhead it took to deliver it. You can track realization rates, overhead ratios, and net multipliers. You can see whether your pricing is right, whether your project types are profitable, and whether your overhead is creeping up. These are management questions, and the P&L answers them.

The problem isn't the P&L. The problem is treating it as the only instrument to track performance.

Cash flow is a different question entirely. Not "is the firm profitable?" but "can the firm pay its bills on Friday?" Those questions can diverge dramatically. A firm can be accrual-profitable and cash-insolvent at the same time. It can also be cash-flush and structurally unprofitable—loaded with receivables from past invoices while quietly losing money on current projects. Neither condition shows up in just one report.

The statement of cash flows shows where every dollar came from and where it went, sorted by operating activity (running the firm), investing activity (buying things), and financing activity (borrowing or paying back). It tells you whether the cash in your account came from profitable operations or from a line of credit you're quietly maxing out. That distinction is not visible in the P&L.

Sean Cristea, who has spent a decade doing financial turnarounds for AEC firms, puts it this way: "The number one reason AEC firms fail is the lack of understanding of profit versus cash. Profit is a promise. Cash is certain."

The Distinction that Matters

Profit is a measure of economic performance. Cash is a measure of operational reality.

A firm can be accrual-profitable and cash-insolvent at the same time, and neither the P&L nor the bank balance alone will tell you which situation you're in.

The Right Report for the Right Role

Strong firms don't just track the right numbers; they put the right numbers in front of the right people. Different roles in a firm have fundamentally different financial responsibilities, and handing everyone the same P&L creates noise, not clarity.

Role	Primary Financial Focus
Managing Partner / Principal	Full picture: P&L, balance sheet, cash position, burn rate, runway. Every major decision—hiring, overhead commitments, growth investments—requires both the performance view and the cash view.
CFO / Controller	Cash-first: operating cash flow, receivables aging, line of credit availability, 90-day cash forecast. Flags problems before they become crises.
Partners / Studio Directors	Performance: realization rates, project margins, revenue per employee, billing multiples. Their billing habits directly feed the firm's cash position.
Project Managers	Project financials: budget vs. actual, fee remaining, percent billed to date, unbilled time. PMs who understand burn rate at the project level make better scope and staffing decisions.

The through-line: the firm's cash standing is a principal-level concern. But the decisions that create cash problems—slow invoicing, unbilled time, passive collections—happen at every level of the firm. Building financial literacy across roles is how strong firms stay ahead of it.

Consider the hiring decision. A managing partner who only checks the P&L sees strong realization rates and a healthy project margin—so they hire. The partner who also checks the 90-day cash forecast sees that the cash to cover the new salary doesn't arrive until month four—so they time the hire accordingly. Same information, same good outcome, but the cash-literate partner avoids three months of unnecessary stress.

Meanwhile, the studio director who understands that her team's slow pre-billing review is adding 10 days to every invoice cycle knows this is both a performance problem and a cash problem. That awareness changes behavior in ways that no amount of pressure from the finance and collections team can replicate. When people feel ownership, see the right reports, and are held accountable they will address problems faster.

Know Your Burn Rate. Know Your Runway.

A firm principal should be able to answer one question without hesitation: if we sign nothing new starting today, how many months will pass before we can't make payroll?

Most can't. They have a rough sense of their backlog. They know the P&L looks healthy. But the specific, calculated answer—the number of months their current cash balances and fee pipeline will sustain current expenses—is often unknown. That gap is where firms get into trouble.

Burn rate and runway are the two numbers that answer this question. They're not complicated to calculate. But you have to actually calculate them.

Gross Burn Rate: What It Costs to Keep the Lights On

Your gross burn rate is the total cash leaving your firm each month—every dollar: salaries, rent, software subscriptions, insurance, consultant payments, everything. Not your budgeted expenses. Your actual trailing expenses, averaged over the last 12 months.

The trailing 12-month average matters. Looking at just the last month can be misleading. Professional liability insurance often front-loads in the calendar year. December expenses may include year-end bonuses. A single anomalous month skews your picture. The 12-month trailing average smooths those variations and gives you a reliable baseline.

Labor is typically 40–50% of an A&E firm's total expenses. When you're calculating burn rate for hiring or staffing decisions, you need to adjust the baseline to reflect where your payroll actually is today—not six months ago. A firm that added two staff in March should be running its burn rate calculations based on the current payroll, not last year's average.

Fee Remaining: Your Runway Fuel

I get this question constantly: "We work on fixed fee projects. Why do we need to track time in detail?" Because the profitability of your fixed fee is based on the cost of hours spent on that project. And the only way to know if the project was profitable — and to generate better fee proposals next time — is to track what actually happened and the actual cost of delivering the work. Track time in detail

on fixed fee projects. It gives you a post-project analysis that improves every future proposal and tells you which project types are genuinely profitable at fixed fee.

The second input is your fee remaining—the total contracted fees not yet billed across all active projects. This is your runway fuel. The firms that know this number cold are the ones that make good decisions about when to hire, when to start marketing harder, and when to get cautious.

But the remaining fees need adjustment before you use them in runway calculations. Not all of it will be collected in the next 12 months. A project currently in schematic design might have 80% of its fee remaining, but if it's a complex institutional project with an 18-month schedule, most of that cash is more than a year away. You need to estimate the fee you realistically expect to collect in the next 12 months, not the total contractual amount.

This requires knowing your project cycle. For a residential architect, SD through permit might average 12 months. For a firm doing commercial tenant improvements, cycles might be six months. For a firm with a mix of government and private work, the answer varies by project type. Build your estimate around your actual project portfolio, not industry averages.

Once you've adjusted the fee remaining for expected timing, the runway calculation is direct:

Runway formula

Runway (months) = (Adjusted Fee Remaining + Cash Reserves) ÷ Monthly Burn Rate

Example: $420,000 in fees expected over 12 months, plus 100,000 in operating cash in the bank account, $35,000 monthly burn rate = 14.8 months of runway.

Add a $90,000 project: 17.4 months.

Reduce burn rate by $5,000/month: 17.3 months (the same backlog stretches further)

Reading the Numbers: When to Hire, When to Hold

Runway numbers aren't just informational—they're decision triggers. Douglas Teiger FAIA, a former managing partner of a 30+ person architecture firm, who now consults with A&E firms on financial systems, uses specific runway thresholds to drive staffing decisions:

- 12+ months of runway: Time to hire. If you're at this level and have strong pipeline signals, you may already be late—the onboarding ramp for a new hire

runs 3–6 months before they're fully productive.

- 9-12 months: Start interviewing, but wait for confirmed backlog before bringing someone on. Ramp time plus salary risk means you need strong conviction at this level.
- Under 9 months: Focus on business development, not hiring. Your energy should go to signing new work, not adding overhead.

But runway is just one data set. Strong firms layer in others: their business development pipeline (how much work is likely to be signed in the next 90 days, weighted by probability), the status of existing projects (any likely to go on hold?), current market conditions, and gut instinct. No single number replaces judgment. But judgment without numbers is just guessing.

What Your Bank Balance Isn't Telling You

A firm with $300,000 in its checking account might feel secure. But if $200,000 of that was drawn from a line of credit, $80,000 is already committed to payroll in the next two weeks, and $40,000 of receivables are 90+ days overdue with a difficult client, and your burn rate is $200,000 per month, the picture looks entirely different.

The cash balance tells you where you are today. Burn rate and runway tell you where you're going. You need both—and you need to update them monthly, not quarterly.

A Quick Rule of Thumb

Balance projected revenue with projected expenses to strike a profitable and sustainable balance.

At a $30,000/month burn rate, each new $30,000 project signed adds approximately one month of runway.

Each $60,000 annual hire removes two months.

Those two numbers in tension are the basic equation of firm growth.

Cash Gets Trapped in Your Billing Process

Here is an uncomfortable truth about A&E firms: most of the cash flow problems they experience aren't caused by unprofitable projects or difficult clients. They're caused by billing processes that were built for a different era and never updated.

The median A&E firm waits somewhere around 50-60 days to collect payment after work is performed. According to BQE's 2026 benchmarking data from more than 3,000 A&E firms, architecture firms average 48.9 days from invoice to collection; engineering firms average 59.7 days. Zweig Group's financial surveys have documented average collection periods as high as 72 days. Meanwhile, the high-performing firms collect in under 35 days.

That gap—the difference between a 70-day collection cycle and a 35-day one—represents more than five weeks of revenue sitting idle in accounts receivable. It's cash the firm has earned and invoiced for but hasn't yet been collected. And while it sits there, the firm is paying salaries, rent, and overhead out of whatever it has on hand. Potentially dipping into a line of credit and taking on interest payments.

This is where cash gets trapped. Not because clients are bad actors, but because most firms are passive about collections, slow to invoice, and uncertain about how to accelerate the cycle.

Where the Delay Actually Starts

The collection clock doesn't start when an invoice is sent (whether emailed or old-fashioned paper invoices). It starts when work is performed. Every day between performing work and sending the invoice is a day of delay you created yourself. Zweig Group's research found that 36% of A&E firms send all their invoices once a month. If you finish significant work on June 2nd and your billing cycle closes June 30th, the invoice goes out July 10th. You've added 38 days to your collection clock before the client has even seen the bill.

The Collection Gap

Architecture firms average 48.9 days to collect; engineering firms 59.7 days.
Yet, top-performing firms typically collect in under 30 days.
For a $3M firm, the difference between 60-day and 30-day collection represents roughly $290,000 in cash that's earned but not yet in the bank.

Source: BQE 2026 A&E Benchmarking Reports

The pre-billing review process is the second major bottleneck. Research consistently identifies waiting for partners or principals to approve draft invoices as the primary culprit in billing delays. The invoice sits in a queue. The partner is busy. Three days pass. A week passes. The invoice finally goes out 10 days after the billing period ends, and the 30-day payment clock starts from there.

The third bottleneck is collections. Most firms wait until an invoice is already past due to make contact. By then, the invoice has been buried in the client's payables queue, the project team has forgotten the details, and any dispute about the work has to be relitigated. Firms that call a week after invoicing—before it's due—to confirm receipt and ask about payment timeline not only get paid faster, they surface problems early enough to solve them.

Tactics That Compress the Cycle

None of the recommendations below are theoretical. They're process changes that firms implement and immediately see results from. They are processes that real firms we have worked with have used to improve their cash flow.

Get retainers on new projects. This should be standard operating procedure for all A/E firms. Don't start work until a retainer or down payment has been made. A retainer collected at project kickoff—even one representing one or two months of expected fees—ensures you're never fully cash-negative on a project. Zweig Group documented that the median A&E firm collects retainers only 2% of the time. That number should be much higher, particularly for new clients, complex permitting phases, or institutional clients known for slow payment. If a client pushes back on a retainer, that's useful information about how the payment relationship will go.

Invoice at milestones (and on a calendar). Monthly billing is a convenience for the billing department, not a strategy for cash flow. When you tie invoices to project milestones—completion of schematic design, submission for permit, completion of construction documents—you invoice when work is clearly complete and the value delivered is visible to the client. Milestone invoices get paid faster because the client can connect the charge to something concrete. But if a certain phase or milestone may take longer than a month, send invoices for percentage complete on your monthly (or bi-weekly) billing cadence.

Shorten your payment terms. Standard net-30 has become net-60 in practice at most firms. If you want to collect in 30 days, invoice on terms of net-15. Better yet, simply have invoices due upon receipt. Further, if you want to encourage faster payment, offer an early-pay discount, perhaps 1–2%, to clients who pay upfront or within 10 days. The cost of a 2% discount is less than the cost of a 60-day collection cycle if you have to dip into a line of credit and incur interest charges, or miss a credit card payment.

Sync with your client's payment cycle. Different clients run accounts payable on different schedules. Asking a client when they typically process vendor payments—and submitting your invoice a few days before that date—removes one common reason for a 30-day delay.

Make the PM the first collections call. This is counterintuitive but documented. When a project manager calls a client about an overdue invoice, the call is received differently than when it comes from accounting. The client's PM is on the other end. The relationship is there. The context is there. The PM can tie the payment conversation to project progress in a way that an AR person cannot.

Watch accounts receivable aging weekly. Any invoice that crosses 45 days without payment deserves direct attention. By 60 days, the managing partner should be personally aware. The Zweig Group's recommended collection policy: confirm receipt five days after invoicing; call for payment status at 30 days; principal-in-charge calls the client principal at 40 days. Firms that execute this policy don't have large receivables aging past 60 days.

The Working Capital View

Here's how to think about collections in operational terms. Working capital—the difference between your current assets (cash plus receivables) and your current liabilities (what you owe vendors and staff)—should always be positive. When receivables start aging past 60 days in large amounts, working capital shrinks. The firm has earned the revenue. The client owes the money. But the firm is paying salaries and rent with cash it may not have yet.

This is how a profitable firm runs out of cash. Not because of bad projects or bad clients. Because of a billing and collections process that allows too much time between work performed and cash received. The fix is almost entirely procedural.

Building a Cash Flow Forecast You'll Actually Use

Most A&E firm principals know they should be forecasting cash flow. Very few actually do it. According to Zweig Group research, fewer than one-third of A&E firms do any cash flow forecasting at all. That number is consistent with what financial consultants who work in the industry report from their own practices: most firms are surprised when cash gets tight.

The reason principals don't forecast is usually that they expect it to be complicated. They imagine it requires a CFO, a complex model, or financial training they don't have. It doesn't. A working 90-day cash flow forecast for a 10-person firm can be built in a spreadsheet, or better yet, within firm management software like BQE CORE, and maintained in 20–30 minutes a month. The firms that do it consistently aren't doing something sophisticated. They're doing something simple, reliably. .

The Three Inputs

A useful cash flow forecast requires three inputs.

Fee remaining by project, by expected billing period. Take your active projects. For each one, estimate how much you expect to invoice in each of the next 6-12 months, based on the project schedule, the phase you're in, and any milestones coming up. You don't need to be precise—you need to be directionally correct. After doing this calculation for six months and comparing it to your actual revenue, you'll develop a reliable sense of how accurate your estimates are.

Your historical collection lag. If your average collection period is 50 days, cash from a July invoice typically arrives in September. Build that lag into your forecast. When you estimate July billings, schedule the cash inflow in September. This is the step most informal forecasts skip—and it's the step that explains why firms are surprised when they're cash-short after a strong billing month. Meanwhile, work hard to get this lag under 30 days. The most profitable and highest growth firms hit this metric.

Your expected outflows. Payroll runs on a predictable schedule. Rent is fixed. Insurance, software licenses, consultant payments—all of these have known timing. Build the outflows into the forecast month by month. The combination of expected cash inflows (lagged from billings) and expected outflows gives you a projected cash balance for each of the next 90 days.

That's the model: inflows minus outflows, month by month, adjusted for how long it takes your clients to actually pay. .

Using the Forecast to Make Decisions

The value of the forecast isn't the number itself—it's what the number tells you to do.

If your 90-day forecast shows a cash shortfall in month three, you have options: accelerate a billing, draw on your line of credit, defer a discretionary expense, or close a new project that brings in a deposit. You have time to act. Without the forecast, you discover the shortfall in week two of month three, when your options are limited and your stress is high.

If your forecast shows strong cash position three months out, you have permission to make the hire you've been sitting on, or make the equipment investment you've been delaying. The forecast doesn't make the decision for you—it removes the uncertainty that was preventing you from making it.

Douglas Teiger, who built and managed a 32-person architecture firm before transitioning to firm consulting, runs this exercise monthly. His framework: project fee remaining by project phase, estimate the months in which those fees will be billed, apply the firm's historical collection lag, and stack that against known outflows. The result is a monthly projection of cash position 12 months out. "After billing each month, go back and enter the actual amounts," Teiger advises. "After six to twelve months of doing this, your estimates will get dramatically more accurate."

The Forecast Bridges Performance and Cash

This is where the two dashboards come together. The P&L tells you your firm is performing well—realization rates are healthy, project margins are good, overhead is under control, projected revenue is higher than expenses. The cash flow forecast tells you whether that performance is translating into cash at the right pace. If strong P&L performance is consistently accompanied by cash tightness, the forecast will show you where the gap is: collection lag, billing timing, a single large receivable that's aging, payroll obligations that outpace the billing schedule.

The firms that manage both instruments—performance and cash—are the ones that can act with confidence. They hire when the numbers support it. They don't hire when the forecast says to wait. They know the difference between a firm that's struggling and a firm that's just slow to invoice.

These are not complicated things. They're just things most firms don't do yet. This creates an opportunity. If you implement a better cash flow model at your firm, you are set up to be one of the top performing firms, leading to higher profits, faster growth, and reduced stress.

The 20-minute Monthly Exercise

1. Update the fee remaining for each project
2. Estimate the monthly billings for the next 3 months
3. Apply your historical collection lag
4. Stack expected revenue against known expense outflows
5. Review the projected cash flow balance

The first time this excercise takes an hour or so. After that, it takes twenty minutes. Sometimes less. Share the results with the firm's leadership team and discuss monthly.

Conclusion: Run the Firm Like You Know the Numbers

A well-run architecture or engineering firm is not a mystery. It has defined financial rhythms: monthly P&L review, weekly invoice processing, a current burn rate and runway calculation, a 90-day cash forecast that gets updated after every billing cycle. The principals know their numbers. The PMs understand how their billing habits affect the firm. The collections process has defined steps and someone responsible for executing them.

Most firms don't look like this. Most firms have a P&L they review quarterly, a billing process that runs on inertia, no real sense of their runway, and a cash position they discover reactively. They're profitable on the P&L and surprised when cash gets tight. They hire when the work looks good and discover too late that the cash wasn't there to support it.

The gap between these two firms is not talent, luck, or project pipeline. It's financial instrumentation. The firms that know their numbers make better decisions because they're operating with more information. They know when to push collections and when to be patient. They know whether the cash on hand is the result of profitable operations or borrowed money. They know, before the crisis arrives, that one is coming.

The P&L is not the enemy of cash thinking. Neither is cash thinking the enemy of performance. These instruments work together. The firm that reads both, routes them to the right people, and acts on what they say is the firm that doesn't have the October payroll conversation.

Know your burn rate. Know your runway. Invoice faster. Collect sooner. Forecast regularly.

The numbers will tell you what to do. You just have to look at them. .

Explore More Resources

Running a better architecture or engineering firm takes more than experience. It requires clear insight, practical tools, and guidance you can trust. This is where we can help. Our resource library is built for firm leaders who want to improve financial performance, strengthen project delivery, and make more confident decisions. Inside, you will find webinars that turn complex topics into clear actions, articles that challenge how firms operate and grow, and reports and ebooks grounded in real data and experience.

You can also put ideas into practice with tools, templates, and checklists designed for immediate use, connect with peers through user groups, and learn from real customer success stories. Every resource is created with one goal in mind: to help you run a better firm. Explore what is most relevant to you and take the next step forward

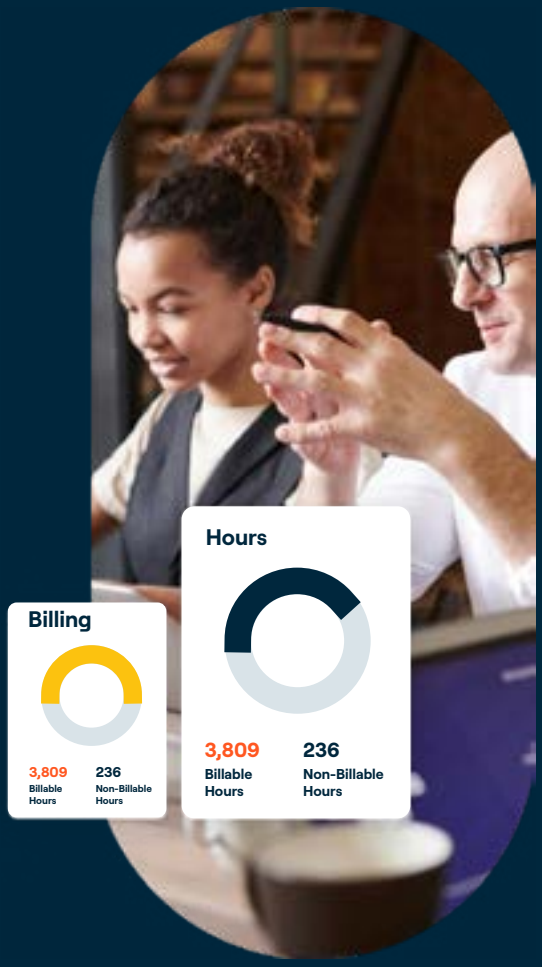
Webinars **Reports & Ebooks** **Tools & Templates**
Customer Success **Blog** **User Groups**

BQE CORE

If you're serious about improving efficiency and profitability, you need access to technology that makes the process of tracking financial performance, cash flow, and Key Performance Indicators (KPIs) straightforward. BQE CORE is an all-in-one firm management platform with integrated accounting and project management tools that's backed by a company with over 30 years serving the architecture and engineering industry. It was designed by an engineer and architect to give their firms the tools they needed to thrive. The result: all of the built-in features are designed to address the pain points A/E firms typically face.

BQE CORE can streamline your business processes, while simultaneously providing groundbreaking insights that will help grow your firm, all from the convenience of a desktop computer, laptop, or mobile device. BQE CORE makes it easier than ever to collaborate with both your team and clients.

Running your business should be exciting, not chaotic. That's why we're here, and most importantly, why we developed CORE.



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