Hull House


Total Revenues & Support (Note 1)

Total Expenses (Note 2)
$36,941,176 $34,870,552 $37,835,181 $40,978,690 $33,641,976 $34,368,531 $33,817,079 $34,723,997 $35,294,640 $31,835,294 $29,802,742 $27,204,694 $24,332,251

Surplus (Deficit)
($1,575,666) $1,212,083 $316,387 ($410,827) ($708,988) $1,335,481 ($353,192) $75,537 $423,898 $175,933 ($1,474,603) ($1,006,818) ($1,045,672)

Net Operating Ratio (Surplus/Revens.) (4.46%) 3.36% 0.83% (1.01%) (2.15%) 3.74% (1.06%) 0.22% 1.19% 0.55% 5.21% 3.84% 4.49%

Three-Year Moving Average ($15,732) $372,548 ($267,809) $71,889 $91,100 $352,609 $48,748 $225,123 ($291,591) ($768,496) ($1,175,698)

Five-Year Moving Average ($233,402) $348,827 $35,772 ($12,398) $154,547 $331,531 ($230,485) ($361,211) ($585,452)

Total Assets $11,478,776 $11,703,030 $13,156,844 $11,417,617 $11,260,421 $11,471,773 $9,457,257 $10,640,517 $9,796,674 $8,428,484 $6,650,744 $5,351,524 $4,386,032

Total Liabilities $10,768,425 $9,543,926 $10,931,451 $11,861,171 $12,635,456 $15,101,519 $12,676,090 $13,521,468 $12,974,106 $10,784,425 $9,269,649 $8,977,247 $9,886,325

Net Assets* (Note 3) $710,351 $2,159,104 $2,225,393 ($443,554) ($1,375,035) ($3,629,746) ($3,218,833) ($2,880,951) ($3,177,432) ($2,355,941) ($2,618,905) ($3,625,723) ($5,500,293)

Debt Ratio (Note 4) 93.81% 81.55% 83.09% 103.88% 112.21% 131.64% 134.04% 127.08% 132.43% 127.95% 139.38% 167.75% 225.40%

Unrestricted Net Assets ($113,915) $565,774 $519,861 ($559,103) ($1,635,227) ($4,056,725) ($3,994,784) ($3,725,259) ($3,856,850) ($2,986,222) ($3,406,959) ($4,512,651) ($6,363,858)

Temporarily Restricted Net Assets $144,838 $309,399 $129,674 $115,549 $260,192 $426,979 $775,951 $844,308 $679,418 $630,281 $788,054 $886,928 $863,565

Permanently Restricted Net Assets $679,428 $1,283,931 $1,575,858 $0 $0 $0 $0 $0 $0 $0 $0 $0 $0

Cash & Equivalents (Note 5) $1,237,378 $674,391 $1,740,642 $923,924 $893,475 $1,381,471 $71,756 $52,208 $61,369 $327,976 $336,919 $22,718 $21,503

Operating Reserve Ratio (Note 6) 0.0335 0.0193 0.0460 0.0225 0.0266 0.0644 0.0021 0.0015 0.0077 0.0103 0.0113 0.0008 0.0009

Months' Cash on Hand (Note 8) 12.23 7.06 16.79 8.23 9.69 12.55 0.77 0.55 0.68 3.76 4.13 0.30 0.32

Days' Cash on Hand (Note 8) 12.23 7.06 16.79 8.23 9.69 12.55 0.77 0.55 0.68 3.76 4.13 0.30 0.32

Comments:
1. Had HH brought in an extra $1M in revenue & support in each of last two years (roughly 4% increases over actuals), it might still be with us.
2. HH reduced expenses from $41M to $24M over a nine-year period and yet closed.
4. Put another way, more than 100% of HH's assets were paid for by borrowed money from 2001 until its demise.
3. How interesting that HH never had positive "equity" or "net assets" after 2000 but survived through 2010. Focus on cash is primary, although most experts would have recommended immediate return to positive net assets in 2002 and remaining in that territory afterwards. Most of the financing in the last three years came from suppliers (accounts payable) and lenders (loans and notes). Worse, other "funding" came from advances from government grantors and deferred pension liabilities.
5. The $314K drop in cash in 2009 is closely linked to the $502K paydown in outstanding accounts payable and the $201K paydown of loans and notes in 2009.
6. The standard rule-of-thumb for this ratio is between 0.25 and 0.50, with some experts recommending 1.0 or higher.
7. Based on the above rule-of-thumb (Note 6), this number should have been at least three-to-six or even 12.
8. Based on the above rule-of-thumb (Note 6), this number should have been at least 50-180 or even 365.

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Financial Meltdown - Hull House - Human Services Agency Lasted 123 Years - Legend at Bottom

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IMMEDIATE-TERM CATEGORY:

#4 - Cash Reserve Sufficiency Ratio (+)

\[
\text{Cash Reserve Sufficiency Ratio} = 1 + \left(\frac{\text{Cash}}{(\text{Expenses} - \text{Depreciation} - \text{In-kind Expenses})} - 0.25\right)
\]

Simplifying:
\[
\text{Cash Reserve Sufficiency Ratio} = 0.75 + \left(\frac{\text{Cash}}{(\text{Expenses} - \text{Depreciation} - \text{In-kind Expenses})}\right)
\]

Where:
\[
\text{Cash} = \text{Unrestricted Cash (or, if that value is not available, Unrestricted + Temporarily restricted Cash)}
\]

#5 - Modified Cash Ratio (+)

\[
\text{Modified Cash Ratio} = \frac{\text{Net Cash}}{\text{Assets}}
\]

Where:
\[
\text{Net Cash} = (\text{Cash} - \text{Accts. Payable} - \text{Accrued Expenses})
\]
\[
\text{Assets} = \text{Total Assets}
\]

#6 – Target Liquidity Lambda (TLL) (+)

\[
\text{Target Liquidity Lambda} = \frac{(\text{Cash} + \text{ST Investments} + \text{Unused Credit Line} + \text{Avg. OCF})}{\text{Uncertainty of OCF}}
\]

Where:
\[
\text{Cash} = \text{Unrestricted Cash (or, if that value is not available, Unrestricted + Temporarily restricted Cash)}
\]
\[
\text{ST Investments} = \text{Unrestricted Short-Term Investments (or, if that value is not available, Unrestricted + Temporarily restricted Short-Term Investments)}
\]
\[
\text{Avg. OCF} = \text{Average value for at least the most recent three years’ values of Operating Cash Flow}
\]
\[
\text{Uncertainty of OCF} = \text{standard deviation of historical Operating Cash Flow values}
\]