



## **EXHIBIT**

### **IC MEETING**

**August 15, 2019**

## **Required 'Days In Cash On Hand' ('Working Capital')**

### Overview

According to *Propel Nonprofits*, a nonprofit should have 3 to 6 months' worth of "cash on hand" or "working capital." Organizations that have contracts or fees with regular and reliable payments don't need as much in reserves as organizations that rely on seasonal activities. It is very important the GVR has the necessary cash available to meet our Accounts Payable, Reserve Funds, and Payroll needs to maintain our efficient and respectable processing of our liabilities.

Working capital is there to help the organization operate programs and services. The *NonProfit Times* states, "One obvious reason why a nonprofit would need six months of cash is to cope with the volatility in its environment." (e.g., for GVR, home sales; construction contracts; capital projects; seasonality; etc.).

While GVR does normally have excellent cash liquidity, there are periods when our cash on hand falls below 30 days of operating cash available. GVR's financial records indicate that October through November is typically the low period of Working Capital for meeting our operating cash needs. In November 2018, the average balance of cash on hand was \$758,799. This equates to 28 days or 0.9 months of Working Capital.

The attached spreadsheet shows the calculation for the cash "burn rate" for 2019 as compared to 2018, the last 12 months and the 2019 budget. For GVR, November is normally the most cash stressed month with operating cash at its lowest point of under \$1 million.

### Recommendation

Staff strongly recommends that the Board of Directors adopt a policy whereby GVR would maintain no less than three (3) months in working capital ("Days in Cash on Hand") in GVR bank accounts ( $\$27,359 \text{ burn rate} \times 90 \text{ days} = \$2,462,292$ ) and not encumbered in investment portfolios in order to fulfill its financial obligations and pay its bills on time.

Cash-on-hand (Operating Reserve)

	2018	2019	Last 12	2019
	Actual	Jan-May	Months	Budget
Cash Burn Rate				
Total Expenses	\$ 10,547,378	\$ 4,365,874	9,688,149	\$ 10,535,462
(Depreciation)	\$ (1,474,941)	\$ (665,596)	(1,556,950)	\$ (1,309,109)
Gain on Investments	\$ (265,464)	\$ 430,908	146,419	-
<b>Cash Burn Rate</b>	<b>\$ 8,806,973</b>	<b>\$ 4,131,186</b>	<b>\$ 8,277,618</b>	<b>\$ 9,226,353</b>
<b>Daily Net Cash Burn Rate</b>	<b>\$ 24,129</b>	<b>\$ 27,358.8</b>	<b>\$ 22,678</b>	<b>\$ 25,278</b>

<b>Current Cash-on-Hand (May 2019)</b>	\$ 2,019,050	\$ 2,019,050	2,019,050	2,019,050
Days	84	74	89	80
Months (of 30 days)	2.8	2.5	3.0	2.7

<b>Current Cash-on-Hand (June 2019)</b>	\$ 1,692,950	\$ 1,692,950	1,692,950	1,692,950
Days	70	62	75	67
Months (of 30 days)	2.3	2.1	2.5	2.2

<b>Current Cash-on-Hand (June Daily Average 2019)</b>	\$ 1,952,793	\$ 1,952,793	\$ 1,952,793	\$ 1,952,793
Days	81	71	86	77
Months (of 30 days)	2.7	2.4	2.9	2.6

<b>Current Cash-on-Hand (Nov Daily Average 2018)</b>	\$ 758,799	\$ 758,799	\$ 758,799	\$ 758,799
Days	31	28	33	30
Months (of 30 days)	1.0	0.9	1.1	1.0

Cash Account Balances on the last day of the month

	Deposit	Payroll	Accounts Payable	TOTAL
Jan-16	\$ 958,733.77	\$ 15,090.80	\$ 131,056.02	\$ 1,104,880.59
Feb-16	\$ 830,812.79	\$ 4,726.37	\$ 172,847.46	\$ 1,008,386.62
Mar-16	\$ 480,856.19	\$ 43,307.92	\$ 137,212.74	\$ 661,376.85
Apr-16	\$ 1,178,347.39	\$ 32,813.27	\$ 136,508.63	\$ 1,347,669.29
May-16	\$ 684,181.81	\$ 53,143.04	\$ 216,837.34	\$ 954,162.19
Jun-16	\$ 369,785.86	\$ 56,128.06	\$ 228,970.12	\$ 654,884.04
Jul-16	\$ 746,460.48	\$ 65,892.13	\$ 220,098.90	\$ 1,032,451.51
Aug-16	\$ 1,277,541.25	\$ 22,635.21	\$ 126,547.73	\$ 1,426,724.19
Sep-16	\$ 838,789.78	\$ 31,134.19	\$ 72,224.85	\$ 942,148.82
Oct-16	\$ 478,468.76	\$ 39,931.72	\$ 107,447.00	\$ 625,847.48
Nov-16	\$ 938,377.10	\$ 44,071.77	\$ 222,606.86	\$ 1,205,055.73
Dec-16	\$ 3,088,245.69	\$ 44,173.08	\$ 232,128.41	\$ 3,364,547.18
Jan-17	\$ 2,398,187.89	\$ 48,060.14	\$ 248,763.66	\$ 2,695,011.69
Feb-17	\$ 2,081,943.92	\$ 55,852.39	\$ 208,112.81	\$ 2,345,909.12
Mar-17	\$ 1,686,450.91	\$ 21,784.14	\$ 64,881.67	\$ 1,773,116.72
Apr-17	\$ 1,232,057.49	\$ 27,962.00	\$ 262,454.67	\$ 1,522,474.16
May-17	\$ 939,164.55	\$ 26,567.85	\$ 273,113.09	\$ 1,238,845.49
Jun-17	\$ 439,715.41	\$ 25,339.65	\$ 190,777.95	\$ 655,833.01
Jul-17	\$ 948,078.26	\$ 23,318.83	\$ 161,923.62	\$ 1,133,320.71
Aug-17	\$ 628,126.63	\$ 28,244.35	\$ 220,592.31	\$ 876,963.29
Sep-17	\$ 876,764.75	\$ 24,590.25	\$ 161,927.07	\$ 1,063,282.07
Oct-17	\$ 478,338.25	\$ 26,258.40	\$ 55,714.19	\$ 560,310.84
Nov-17	\$ 1,432,067.97	\$ 771.91	\$ 210,748.83	\$ 1,643,588.71
Dec-17	\$ 4,305,532.43	\$ 27,926.46	\$ 219,130.34	\$ 4,552,589.23
Jan-18	\$ 5,585,908.29	\$ 70,391.64	\$ 295,470.23	\$ 5,951,770.16
Feb-18	\$ 5,284,882.12	\$ 84,437.89	\$ 201,599.85	\$ 5,570,919.86
Mar-18	\$ 636,238.43	\$ 77,800.94	\$ 196,163.63	\$ 910,203.00
Apr-18	\$ 425,099.02	\$ 15,009.41	\$ 102,758.17	\$ 542,866.60
May-18	\$ 991,366.96	\$ 26,275.05	\$ 41,763.57	\$ 1,059,405.58
Jun-18	\$ 216,693.78	\$ 76,172.67	\$ 125,149.25	\$ 418,015.70
Jul-18	\$ 654,967.92	\$ 139,293.35	\$ 126,848.41	\$ 921,109.68
Aug-18	\$ 844,382.95	\$ 242,893.74	\$ 223,880.29	\$ 1,311,156.98
Sep-18	\$ 395,104.55	\$ 202,754.37	\$ 24,268.53	\$ 622,127.45
Oct-18	\$ 270,238.65	\$ 67,057.70	\$ 142,836.25	\$ 480,132.60
Nov-18	\$ 559,139.84	\$ 66,529.79	\$ 104,216.77	\$ 729,886.40
Dec-18	\$ 1,342,335.26	\$ 71,801.89	\$ 81,366.35	\$ 1,495,503.50
Jan-19	\$ 4,667,853.63	\$ 185,982.36	\$ 118,944.36	\$ 4,972,780.35
Feb-19	\$ 4,779,758.20	\$ 215,779.89	\$ 68,924.69	\$ 5,064,462.78
Mar-19	\$ 502,823.97	\$ 207,531.77	\$ 213,569.95	\$ 923,925.69
Apr-19	\$ 1,136,713.45	\$ 256,100.75	\$ 227,667.12	\$ 1,620,481.32
May-19	\$ 1,304,721.87	\$ 273,071.22	\$ 218,252.48	\$ 1,796,045.57
Jun-19	\$ 1,113,250.13	\$ 230,129.15	\$ 346,436.98	\$ 1,689,816.26
Average Month end Balance	\$ 1,429,250.20	\$ 78,541.37	\$ 170,065.31	\$ 1,677,856.88