

HANDOUT

Ratio Analysis (from Greenlee & Bukovinsky 1998)

Adequacy of Resources

1	Defensive Interval	$\frac{(\text{Cash} + \text{Marketable Securities} + \text{Receivables})}{\text{Average Monthly Cash Expenses}}$	How much time until you run out of money. Low or decreasing problematic
2	Liquid Funds Indicator	$\frac{(\text{Fund Balance} - \text{Restricted Endowment} - \text{Land} - \text{PPE})}{\text{Average Monthly Cash Expenses}}$	Low or decreasing problematic
3	Accounts Payable Aging	$\frac{\text{Accounts Payable}}{\text{Average Monthly Expenses}}$	High or increasing: payment or future credit problems. Very low: poor cash management
4	Savings Indicator	$\frac{(\text{Revenues} - \text{Expenses})}{\text{Total Expenses}}$	Evaluate with caution: high or increasing: may indicate excessive savings. (aka profit margin)
5	Contributions & Grants Ratio	$\frac{\text{Revenue from Contributions \& Grants}}{\text{Total Revenue}}$	Dependence on voluntary support. High or increasing: may indicate future variability in revenues
6.	Endowment Ratio	$\frac{\text{Endowment}}{\text{Average Monthly Expenses}}$	High or increasing: implies greater stability
7	Debt Ratio	$\frac{\text{Average Total Debt}}{\text{Average total Assets}}$	High or increasing: possible future liquidity problems or ability to borrow

Use of Resources (Use with EXTREME caution)

1	Fundraising Efficiency Ratio	$\frac{\text{Total Contributions (other than government grants)}}{\text{Fundraising Expense}}$	High or increasing: more efficiency in fundraising
2	Fundraising Expense Ratio	$\frac{\text{Fundraising Expense}}{\text{Total Expense}}$	Evaluate in conjunction with Fundraising Efficiency Ratio. Small fundraising expense ratio & high fundraising efficiency ratio = relatively few \$ spent on fundraising & maximized contributions received
3	Management Expense Ratio	$\frac{\text{Management \& General Expense}}{\text{Total Expense}}$	Low or decreasing = more efficient use of management and general
4	Program Services Expense Ratio	$\frac{\text{Program Services Expense}}{\text{Total Expense}}$	High or increasing: spend more on program than
5	Program Services to Total Assets	$\frac{\text{Program Services Expense}}{\text{Average Total Assets}}$	Efficient use of assets to provide services: high value = ability to use assets to provide services