

Suggested Financial Indicators/Ratios for Non-Profit Organizations

Ratio or Indicator	Calculation and Observation(s)
<p>Current Ratio Measures ability to meet current obligations</p>	<p>Current Assets / Current Liabilities Minimum ratio: Maximum ratio:</p>
<p>Cash on Hand (in days) Measures cash available for operating expenses</p>	<p>Cash / (Total Operating Expenses – Depreciation) What should the number be?</p>
<p>Operating Reserves Ratio (%) Measures ability to cover operating expenses from reserves</p>	<p>Unrestricted Net Assets / Total Operating Expenses</p>
<p>Government Revenue Dependency Ratio Measures % of revenue derived from government sources</p>	<p>Government Revenue / Total Operating Revenue</p>
<p>Debt Ratio Measures level of assets financed by debt</p>	<p>Total Liabilities / Total Assets What should the number be?</p>
<p>Profitability Ratio Measures by which operating revenues exceed operating expenses</p>	<p>(Total Operating Revenue – Operating Expenses) / Total Operating Revenue</p>
<p>Administrative Ratio Measures administrative expenses as % of total expenses</p>	<p>Administrative expenses / Total operating expenses Why is this ratio important? Who might be interested in this ratio?</p>
<p>Contributed Revenue Ratio Measures contributions as a percentage of total operating revenue</p>	<p>Contribution Revenue/ + Net Earnings from Special Events) / Total Operating Revenue</p>

<p>Fund Raising Efficiency Ratio Measures effectiveness of the fund raising effort</p>	<p>Fund Raising Expenses / Contributions Revenue Why is this important? Items to watch:</p>
<p>Net Asset Mix Ratio Measures the organization's financial flexibility</p>	<p>Calculate each net asset category as % of total net assets</p>

General Observations

1. Watch the trend in the ratios; compare to prior years, comparable organizations (if available).
2. Set internal benchmarks and compare to them; modify as needed in response to changing conditions.