



# Florida Association for Community Action, Inc.

January 2011

## Financial Analytical Ratios

## EXPLANATION

### Current Ratio/Quick Ratio (Acid Test)

Formula: Current Assets divided by Current Liabilities/Cash + Marketable Securities + Current Accounts Receivable divided by Current Liabilities

Significance: Test of short term debt paying ability

Current Assets	\$	268,450
Current Liabilities	\$	193,042
<b>Current Ratio</b>		<b>1.4 to 1</b>

FACA has current assets greater than current liabilities.

For this ratio, an amount greater than 1 represents the company's ability to cover their current debt obligations.

### Debt to Equity Ratio

Formula: Total Liabilities divided by Fund Balance (equity)

Significance: Measure of the amount of assets being provided by creditors for each dollar of assets being provided by the Association's Fund Balance

Total Liabilities	\$	196,804
Total Equity	\$	91,477
<b>Debt to Equity Ratio</b>		<b>2.2 to 1</b>

FACA has a small long term equipment lease and a line of credit.

For this ratio, an amount less than 1 represents the company's percent of equity that is obligated as debt service. A low percentage is desirable.