Analytical Procedure Worksheet

Report prepared for: Sample S20

Statement of Activities	12/31/2011	12/31/2012	Actual 12/31/2013	Expected 12/31/2013	% Diff	Comments
Program Service Revenue	$0	$0	$0	$0	0%	
Contributions	$959,577	$887,059	$897,509	$814,541	10%	
Government Grants	$0	$0	$0	$0	0%	
Investment Revenue	$2,101	$536	$209	$268	-22%	
Royalties	$2,101	$0	$0	$0	0%	
Membership Dues	$0	$0	$0	$0	0%	
Other Operating Revenue	$0	$101,689	$60,181	$203,378	-70%	
Net Assets Released From Restrictions	$0	$0	$0	$0	0%	
Total Unrestricted Revenue	$961,678	$989,284	$957,899	$1,018,187	-6%	
Program Service Expenses	$743,038	$1,032,525	$879,637	$979,894	-10%	
Rent	$6,383	$3,150	$5,400	$1,621	233%	
Payroll & Benefits	$263,035	$237,128	$288,596	$209,621	38%	
Utilities	$0	$0	$0	$0	0%	
Depreciation and Amortization	$0	$0	$0	$0	0%	
Interest Expense	$0	$0	$0	$0	0%	
benefits	$13,887	$18,313	$22,499	$22,993	-2%	
payroll taxes	$9,395	$15,159	$18,253	$21,257	-14%	
director payroll	$39,697	$46,000	$46,002	$52,658	-13%	
Gross Yield	$218,640	($43,241)	$78,262	$38,293	104%	
Gross Program Margin	22.74%	-4.37%	8.17%	3.76%	117%	
Fundraising Expenses	$43,852	$58,389	$56,977	$96,196	-41%	
Payroll & Benefits	$0	$40,000	$40,000	$80,000	-50%	
Rent	$0	$0	$0	$0	0%	
Utilities	$0	$0	$0	$0	0%	
Depreciation and Amortization	$0	$0	$0	$0	0%	
Interest Expense	$0	$0	$0	$0	0%	
benefits	$0	$0	$307	$0	N/A	
payroll taxes	$0	$3,060	$3,060	$6,120	-50%	
director payroll	$9,924	$10,000	$9,999	$10,076	-1%	
Administration Expenses	$80,531	$78,675	$104,984	$76,819	37%	
Rent	$4,327	$7,574	$10,483	$10,821	-3%	
Payroll & Benefits	$40,439	$39,283	$63,148	$38,127	66%	
Utilities	$0	$0	$0	$0	0%	
Depreciation and Amortization	$0	$0	$0	$0	0%	
Interest Expense	$0	$0	$0	$0	0%	
benefits	$0	$0	$307	$0	N/A	
payroll taxes	$3,093	$6,402	$4,066	$9,711	-58%	
Other Operating Expenses	$0	$0	$0	$0	0%	
Rent	$0	$0	$0	$0	0%	
Payroll & Benefits	$0	$0	$0	$0	0%	
Utilities	$0	$0	$0	$0	0%	
Depreciation and Amortization	$0	$0	$0	$0	0%	
Interest Expense	$0	$0	$0	$0	0%	
Total Operating Expenses	$867,421	$1,169,589	$1,041,598	$1,152,909	-10%	
Operating Yield (Net Operating Gain/Loss)	$94,257	($180,305)	($83,699)	($134,722)	38%	
Operating Margin	9.80%	-18.23%	-8.74%	-13.23%	34%	
Other Inflows	$0	$0	$0	$0	0%	

Other Outflows	$0	$0	$0	$0	0%
Total Change In Net Assets	$94,257	($180,305)	($83,699)	($134,722)	38%

Statement of Financial Position	12/31/2011	12/31/2012	Actual 12/31/2013	Expected 12/31/2013	% Diff	Comments
Total Cash and Cash Equivalents	$284,621	$210,005	$280,421	$85,103	230%	
Unrestricted Cash	$43,120	$99,712	$150,303	$40,408	272%	
Unrestricted Cash	$0	$0	$0	$0	0%	
Restricted Cash	$0	$0	$0	$0	0%	
Restricted Cash	$241,501	$110,293	$130,118	$44,695	191%	
Total Receivables	$2,001	$620	$2,472	$319	675%	
Contributions Receivable	$300	$50	$200	$26	669%	
Contributions Receivable	$0	$0	$0	$0	0%	
Accounts Receivable	$0	$0	$0	$0	0%	
Other Receivables	$0	$0	$0	$0	0%	
Accounts Receivable	$0	$0	$0	$0	0%	
Other Receivables	$0	$0	$0	$0	0%	
Inventory	$0	$0	$0	$0	0%	
Current Investments	$0	$0	$0	$0	0%	
Other Current Assets	$0	$0	$5,227	$0	N/A	
Total Current Assets	$286,622	$210,625	$288,120	$85,422	237%	
Gross Fixed Assets	$100,000	$90,000	$100,000	$80,000	25%	
Accumulated Depreciation	$0	$0	$0	$0	0%	
Net Fixed Assets	$100,000	$90,000	$100,000	$80,000	25%	
Long Term Investment Assets	$0	$0	$0	$0	0%	
Other Assets	$0	$0	$0	$0	0%	
Total Assets	$386,622	$300,625	$388,120	$165,422	135%	
Payables	$31,673	$915	$149	$434	-66%	
Short Term Debt	$0	$0	$0	$0	0%	
Notes Payable / Current Portion of Long Term Debt	$0	$0	$0	$0	0%	
Other Current Liabilities	$0	$0	$0	$0	0%	
Total Current Liabilities	$31,673	$915	$149	$434	-66%	
Total Long Term Liabilities	$0	$0	$0	$0	0%	
Notes Payable / Senior Debt	$0	$0	$0	$0	0%	
Notes Payable / Senior Debt	$0	$0	$0	$0	0%	
Notes Payable / Subordinated Debt	$0	$0	$0	$0	0%	
Other Long Term Liabilities	$0	$0	$0	$0	0%	
Notes Payable / Subordinated Debt	$0	$0	$0	$0	0%	
Other Long Term Liabilities	$0	$0	$0	$0	0%	
Total Liabilities	$31,673	$915	$149	$434	-66%	
Total Net Assets	$354,949	$299,710	$387,971	$164,988	135%	
Number of Employees (FTE)	6.0	8.0	10.0	10.0	0%	

Expected Values Calculations

How were the expected values in the Analytical Procedure Worksheet calculated?

SECTION 1: DESCRIBE THE ALGORITHMS USED TO CALCULATE EXPECTED VALUES

Each expected value found in this report is calculated using one of the following methods: Direct Calculation, Exponential Smoothing, or Adjusted Holt-Winters Exponential Smoothing. In this section, we will provide a general description and example for each of these algorithms to help the reader understand how the calculations work.

Expected Value by Direct Calculation

Calculated accounts do not need to be predicted separately, because their values are dictated by financial formulas (for example, Gross Yield = Total Unrestricted Revenue - Program Expenses). For these accounts, we simply determine the expected values for each account in the associated formula, and then compute the result of the formula.

Expected Value by Exponential Smoothing

Exponential smoothing is a forecasting method that relies on a weighted average of historical data values, with the more recent values carrying more weight. The following variables are used in this calculation:

Variables

alpha: weight to place on previously predicted values ($0 < alpha < 1$)
(1-alpha): weight to place on the most recent actual value
f_t = forecast at time t for the period t+1
X_t = actual value at time t
The Exponential Smoothing Algorithm is computed as follows:

Calculation

Step 1: Initialize f_1 using oldest historical data

$f_1 = X_1$

Step 2: Iteratively calculate f_t from historical data

$f_2 = (alpha*f_1) + (1-alpha) * X_2$
$f_t = (alpha*f_{t-1}) + (1-alpha) * X_t$

Example

Suppose we had the following historical data for Gross Program Margin:
Gross Program Margin$_{2005}$ = 58% [X_3]
Gross Program Margin$_{2004}$ = 45% [X_2]
Gross Program Margin$_{2003}$ = 60% [X_1]
For this example, we will let alpha=0.3

Step 1: Initialize f using oldest historical data

$f_1 = X_1$
$f_1 = 60\%$

Step 2: Iteratively calculate f

$f_2 = (alpha * f_1) + (1-alpha) * X_2$
$f_2 = (0.3 * 60) + (1-0.3) * 45 = 49.50$
$f_3 = (alpha * f_2) + (1-alpha) * X_3$
$f_3 = (0.3 * 49.50) + (1-0.3) * 58 = 55.45$

So, our prediction for Gross Program Margin$_{2006}$ would be 55.45%

Expected Value by Adjusted Holt-Winters Exponential Smoothing

The Adjusted Holt-Winters Exponential Smoothing Algorithm uses weighted historical trending to predict the future values of an account. It is more accurate for accounts that tend to trend in one direction over time. The ProfitCents-modified version of this algorithm looks at the financial data from past years and determines a value to place on the trend itself. For example, if a company's sales rises for 3 consecutive periods, we will weight the trend value more than if sales oscillates over the 3 periods. The following variables are used in this calculation:

Variables

alpha: weight to place on previously predicted values ($0 < alpha < 1$)
(1-alpha): weight to place on the most recent actual value
beta: weight to place on historical trend ($0 < beta < 1$)
(1-beta): weight to place on most recent trend
tw: weight to place on the *overall* trend
a_t = weighted average component of the forecast at time t for the period t+1
t_t = trend component of the forecast at time t for the period t+1 (expected increase from time t to time t+1)
$f_t = a_t + (t_t * tw)$ = forecast at time t for the period t+1
X_t = actual value at time t

The Adjusted Holt-Winters Exponential Smoothing Algorithm is computed as follows:

Calculation

Step 1: Initialize a, t, and f using oldest historical data

$a_2 = X_2$

$t_2 = X_2 - X_1$

$f_2 = a_2 + (t_2 * tw)$

Step 2: Iteratively calculate a, t, and f

$a_3 = alpha * f_2 + (1\text{-}alpha) * X_3$

$t_3 = beta * t_2 + (1\text{-}beta) * (X_3 - a_2)$

$f_3 = a_3 + (t_3 * tw)$

$a_n = alpha * f_{n-1} + (1\text{-}alpha) * X_n$

$t_n = beta * t_{n-1} + (1\text{-}beta) * (X_n - a_{n-1})$

$f_n = a_n + (t_n * tw)$

Example

Suppose we had the following historical data for Program Service Revenue:

Program Service Revenue$_{2005}$ = \$5,000 [X_3]

Program Service Revenue$_{2004}$ = \$2,500 [X_2]

Program Service Revenue$_{2003}$ = \$1,000 [X_1]

For simplicity, we will let alpha=0.5 and beta=0.5. Since sales rose all three years, we will assign tw to be 1 (its greatest possible value)

Step 1: Initialize a, t, and f using oldest historical data

$a_2 = X_2$

$a_2 = \$2,500$

$t_2 = X_2 - X_1$

$t_2 = \$2,500 - \$1,000 = \$1,500$

$f_2 = a_2 + (t_2 * tw)$

$f_2 = \$4,000$

Step 2: Iteratively calculate a, t, and f

$a_3 = alpha * f_2 + (1\text{-}alpha) * X_3$

$a_3 = 0.5 * \$4,000 + 0.5 * \$5,000 = \$4,500$

$t_3 = beta * t_2 + (1\text{-}beta) * (X_3 - a_2)$

$t_3 = 0.5 * \$1,500 + 0.5 * (\$5000 - \$2,500) = \$2,000$

$f_3 = a_3 + t_3 * tw$

$f_3 = \$4,500 + (\$2,000 * 1) = \$6,500$

So, our prediction for Program Service Revenue$_{2006}$ would be \$6,500

SECTION 2: SHOW THE CALCULATIONS FOR EACH EXPECTED VALUE

Now that we have given a brief overview of the algorithms used to calculate expected values, we will show precisely how each value in this report has been calculated. Calculations may vary slightly due to rounding.

Program Service Revenue

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Program Service Revenue$_{12/31/2012}$	$a_2 = 0.00$
t_2 = Program Service Revenue$_{12/31/2012}$ - Program Service Revenue$_{12/31/2011}$	$t_2 = 0.00 - 0.00 = 0.00$
$f_2 = a_2 + t_2$	$f_2 = 0.00 + 0.00 = 0.00$
Expected Value = f_2	Expected Value = 0.00

Contributions

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Contributions$_{12/31/2012}$	$a_2 = 887,059$
t_2 = Contributions$_{12/31/2012}$ - Contributions$_{12/31/2011}$	$t_2 = 887,059 - 959,577 = -72,518$
$f_2 = a_2 + t_2$	$f_2 = 887,059 + (-72,518) = 814,541$
Expected Value = f_2	Expected Value = 814,541

Government Grants

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation

a_2 = Government Grants$_{12/31/2012}$	a_2 = 0.00
t_2 = Government Grants$_{12/31/2012}$ - Government Grants$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Investment Revenue

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
In this case, the Adjusted Holt-Winters algorithm predicted Investment Revenue would drop below an intuitive value. Therefore, we have smoothed the Expected Value for Investment Revenue by setting the expected value to half the prior period value.	0.5 * 536
Expected Value = 0.5 * Investment Revenue$_{12/31/2012}$	Expected Value = 268

Royalties

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
In this case, the Adjusted Holt-Winters algorithm predicted Royalties would drop below an intuitive value. Therefore, we have smoothed the Expected Value for Royalties by setting the expected value to half the prior period value.	0.5 * 0
Expected Value = 0.5 * Royalties$_{12/31/2012}$	Expected Value = 0.00

Other Operating Revenue

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Other Operating Revenue$_{12/31/2012}$	a_2 = 101,689
t_2 = Other Operating Revenue$_{12/31/2012}$ - Other Operating Revenue$_{12/31/2011}$	t_2 = 101,689 - 0.00 = 101,689
$f_2 = a_2 + t_2$	f_2 = 101,689 + 101,689 = 203,378
Expected Value = f_2	Expected Value = 203,378

Membership Dues

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Membership Dues$_{12/31/2012}$	a_2 = 0.00
t_2 = Membership Dues$_{12/31/2012}$ - Membership Dues$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Net Assets Released From Restrictions

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Net Assets Released From Restrictions$_{12/31/2012}$	a_2 = 0.00
t_2 = Net Assets Released From Restrictions$_{12/31/2012}$ - Net Assets Released From Restrictions$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Total Unrestricted Revenue

Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Program Service Revenue$_{Expected}$ + Contributions$_{Expected}$ + Government Grants$_{Expected}$ + Investment Revenue$_{Expected}$ + Other Operating Revenue$_{Expected}$ + Net Assets Released From Restrictions$_{Expected}$	Expected Value = 0 + 814,541 + 0 + 268 + 203,378 + 0

Expected Value = 1,018,187

Program Service Expenses
Algorithm: Direct Calculation

Formula

Expected Value = Total Unrestricted Revenue$_{Expected}$ * (1- Gross Program Margin$_{Expected}$)

Calculation

Expected Value = 1,018,187 * (1-0.04)

Expected Value = 979,894

Rent
Algorithm: Direct Calculation

Formula

Expected Value = Rent % of Total Unrestricted Revenue$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$

Note: The Expected Value for Rent % of Total Unrestricted Revenue was calculated using the Adjusted Holt-Winters Algorithm

Calculation

Expected Value = 0.002 * 1,018,187

Expected Value = 1,621

Payroll & Benefits
Algorithm: Direct Calculation

Formula

Expected Value = Payroll & Benefits % of Total Unrestricted Revenue$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$

Note: The Expected Value for Payroll & Benefits % of Total Unrestricted Revenue was calculated using the Adjusted Holt-Winters Algorithm

Calculation

Expected Value = 0.206 * 1,018,187

Expected Value = 209,621

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benefits
Algorithm: Direct Calculation

Formula

Expected Value = benefits % of Total Unrestricted Revenue$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$

Note: The Expected Value for benefits % of Total Unrestricted Revenue was calculated using the Adjusted Holt-Winters Algorithm

Calculation

Expected Value = 0.023 * 1,018,187

Expected Value = 22,993

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payroll taxes
Algorithm: Direct Calculation

Formula

Expected Value = payroll taxes % of Total Unrestricted Revenue$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$

Note: The Expected Value for payroll taxes % of Total Unrestricted Revenue was calculated using the Adjusted Holt-Winters Algorithm

Calculation

Expected Value = 0.021 * 1,018,187

Expected Value = 21,257

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director payroll
Algorithm: Direct Calculation

Formula

Expected Value = director payroll % of Total Unrestricted Revenue$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$

Note: The Expected Value for director payroll % of Total Unrestricted Revenue was calculated using the Adjusted Holt-Winters Algorithm

Calculation

Expected Value = 0.052 * 1,018,187

Expected Value = 52,658

Utilities
Algorithm: Direct Calculation

Formula

Expected Value = Utilities % of Total Unrestricted Revenue$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$

Note: The Expected Value for Utilities % of Total Unrestricted Revenue was calculated using the Adjusted Holt-Winters Algorithm

Calculation

Expected Value = 0.00 * 1,018,187

Expected Value = 0.00

Depreciation and Amortization
Algorithm: Direct Calculation

Formula

Expected Value = Depreciation and Amortization % of Total Unrestricted Revenue$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$

Note: The Expected Value for Depreciation and Amortization % of Total Unrestricted

Calculation

Expected Value = 0.00 * 1,018,187

Expected Value = 0.00

Revenue was calculated using the Adjusted Holt-Winters Algorithm

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Interest Expense
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Interest Expense % of Total Unrestricted Revenue$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$	Expected Value = 0.00 * 1,018,187
Note: The Expected Value for Interest Expense % of Total Unrestricted Revenue was calculated using the Adjusted Holt-Winters Algorithm	Expected Value = 0.00

Gross Yield
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Total Unrestricted Revenue$_{Expected}$ - Program Service Expenses$_{Expected}$	Expected Value = 1,018,187 - 979,894
	Expected Value = 38,293

Gross Program Margin
Algorithm: Exponential Smoothing

Formula	Calculation
f_1 = Gross Program Margin$_{12/31/2011}$	f_1 = 0.23
f_2 = (alpha*f_1) + (1-alpha)*Gross Program Margin$_{12/31/2012}$	f_2 = (0.30*0.227) + (1-0.30) * (-0.04) = 0.038
Expected Value = f_2	Expected Value = 3.76 %

Fundraising Expenses
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
In order to maintain a proper relationship between Fundraising Expenses and its subaccounts, we have recalculated Fundraising Expenses to equal the sum of the subaccounts	
Expected Value = Sum of the subaccounts for Fundraising Expenses	Expected Value = 96,196

Payroll & Benefits
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Payroll & Benefits$_{12/31/2012}$	a_2 = 40,000
t_2 = Payroll & Benefits$_{12/31/2012}$ - Payroll & Benefits$_{12/31/2011}$	t_2 = 40,000 - 0.00 = 40,000
f_2 = a_2 + t_2	f_2 = 40,000 + 40,000 = 80,000
Expected Value = f_2	Expected Value = 80,000

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benefits
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = benefits$_{12/31/2012}$	a_2 = 0.00
t_2 = benefits$_{12/31/2012}$ - benefits$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
f_2 = a_2 + t_2	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

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payroll taxes
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = payroll taxes$_{12/31/2012}$	a_2 = 3,060
t_2 = payroll taxes$_{12/31/2012}$ - payroll taxes$_{12/31/2011}$	t_2 = 3,060 - 0.00 = 3,060
f_2 = a_2 + t_2	f_2 = 3,060 + 3,060 = 6,120

Expected Value = f_2	Expected Value = 6,120

director payroll

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = director payroll$_{12/31/2012}$	a_2 = 10,000
t_2 = director payroll$_{12/31/2012}$ - director payroll$_{12/31/2011}$	t_2 = 10,000 - 9,924 = 76
$f_2 = a_2 + t_2$	f_2 = 10,000 + 76 = 10,076
Expected Value = f_2	Expected Value = 10,076

Rent

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Rent$_{12/31/2012}$	a_2 = 0.00
t_2 = Rent$_{12/31/2012}$ - Rent$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Utilities

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Utilities$_{12/31/2012}$	a_2 = 0.00
t_2 = Utilities$_{12/31/2012}$ - Utilities$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Depreciation and Amortization

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Depreciation and Amortization$_{12/31/2012}$	a_2 = 0.00
t_2 = Depreciation and Amortization$_{12/31/2012}$ - Depreciation and Amortization$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Interest Expense

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Interest Expense$_{12/31/2012}$	a_2 = 0.00
t_2 = Interest Expense$_{12/31/2012}$ - Interest Expense$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Administration Expenses

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Administration Expenses$_{12/31/2012}$	a_2 = 78,675
t_2 = Administration Expenses$_{12/31/2012}$ - Administration Expenses$_{12/31/2011}$	t_2 = 78,675 - 80,531 = -1,856
$f_2 = a_2 + t_2$	f_2 = 78,675 + (-1,856) = 76,819
Expected Value = f_2	Expected Value = 76,819

Rent

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
$a_2 = \text{Rent}_{12/31/2012}$	$a_2 = 7{,}574$
$t_2 = \text{Rent}_{12/31/2012} - \text{Rent}_{12/31/2011}$	$t_2 = 7{,}574 - 4{,}327 = 3{,}247$
$f_2 = a_2 + t_2$	$f_2 = 7{,}574 + 3{,}247 = 10{,}821$
Expected Value = f_2	Expected Value = 10,821

Payroll & Benefits

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
$a_2 = \text{Payroll \& Benefits}_{12/31/2012}$	$a_2 = 39{,}283$
$t_2 = \text{Payroll \& Benefits}_{12/31/2012} - \text{Payroll \& Benefits}_{12/31/2011}$	$t_2 = 39{,}283 - 40{,}439 = -1{,}156$
$f_2 = a_2 + t_2$	$f_2 = 39{,}283 + (-1{,}156) = 38{,}127$
Expected Value = f_2	Expected Value = 38,127

benefits

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
$a_2 = \text{benefits}_{12/31/2012}$	$a_2 = 0.00$
$t_2 = \text{benefits}_{12/31/2012} - \text{benefits}_{12/31/2011}$	$t_2 = 0.00 - 0.00 = 0.00$
$f_2 = a_2 + t_2$	$f_2 = 0.00 + 0.00 = 0.00$
Expected Value = f_2	Expected Value = 0.00

payroll taxes

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
$a_2 = \text{payroll taxes}_{12/31/2012}$	$a_2 = 6{,}402$
$t_2 = \text{payroll taxes}_{12/31/2012} - \text{payroll taxes}_{12/31/2011}$	$t_2 = 6{,}402 - 3{,}093 = 3{,}309$
$f_2 = a_2 + t_2$	$f_2 = 6{,}402 + 3{,}309 = 9{,}711$
Expected Value = f_2	Expected Value = 9,711

Utilities

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
$a_2 = \text{Utilities}_{12/31/2012}$	$a_2 = 0.00$
$t_2 = \text{Utilities}_{12/31/2012} - \text{Utilities}_{12/31/2011}$	$t_2 = 0.00 - 0.00 = 0.00$
$f_2 = a_2 + t_2$	$f_2 = 0.00 + 0.00 = 0.00$
Expected Value = f_2	Expected Value = 0.00

Depreciation and Amortization

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
$a_2 = \text{Depreciation and Amortization}_{12/31/2012}$	$a_2 = 0.00$
$t_2 = \text{Depreciation and Amortization}_{12/31/2012} - \text{Depreciation and Amortization}_{12/31/2011}$	$t_2 = 0.00 - 0.00 = 0.00$
$f_2 = a_2 + t_2$	$f_2 = 0.00 + 0.00 = 0.00$
Expected Value = f_2	Expected Value = 0.00

Interest Expense

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Interest Expense$_{12/31/2012}$	a_2 = 0.00
t_2 = Interest Expense$_{12/31/2012}$ - Interest Expense$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Depreciation Percent
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Depreciation Percent$_{12/31/2012}$	a_2 = 0.00
t_2 = Depreciation Percent$_{12/31/2012}$ - Depreciation Percent$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Total Depreciation and Amortization
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Depreciation Percent$_{Expected}$ * Gross Fixed Assets$_{Expected}$	Expected Value = 0 * 80,000
	Expected Value = 0.00

Other Operating Expenses
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
In order to maintain a proper relationship between Other Operating Expenses and its subaccounts, we have recalculated Other Operating Expenses to equal the sum of the subaccounts	
Expected Value = Sum of the subaccounts for Other Operating Expenses	Expected Value = 0.00

Rent
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Rent$_{12/31/2012}$	a_2 = 0.00
t_2 = Rent$_{12/31/2012}$ - Rent$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Payroll & Benefits
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Payroll & Benefits$_{12/31/2012}$	a_2 = 0.00
t_2 = Payroll & Benefits$_{12/31/2012}$ - Payroll & Benefits$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Utilities
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Utilities$_{12/31/2012}$	a_2 = 0.00
t_2 = Utilities$_{12/31/2012}$ - Utilities$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00

Expected Value = f_2	Expected Value = 0.00

Depreciation and Amortization
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Depreciation and Amortization$_{12/31/2012}$	a_2 = 0.00
t_2 = Depreciation and Amortization$_{12/31/2012}$ - Depreciation and Amortization$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Interest Expense
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Interest Expense$_{12/31/2012}$	a_2 = 0.00
t_2 = Interest Expense$_{12/31/2012}$ - Interest Expense$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Total Operating Expenses
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Program Service Expenses$_{Expected}$ + Fundraising Expenses$_{Expected}$ + Administration Expenses$_{Expected}$ + Other Operating Expenses$_{Expected}$	Expected Value = 979,894 + 96,196 + 76,819 + 0 Expected Value = 1,152,909

Operating Yield (Net Operating Gain/Loss)
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Gross Yield$_{Expected}$ - Fundraising Expenses$_{Expected}$ - Administration Expenses$_{Expected}$ - Other Operating Expenses$_{Expected}$	Expected Value = 38,293 - 96,196 - 76,819 - 0 Expected Value = -134,722

Operating Margin
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Operating Yield$_{Expected}$ / Total Unrestricted Revenue$_{Expected}$	Expected Value = -134,722 / 1,018,187 Expected Value = -13.23 %

Other Inflows
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Other Inflows$_{12/31/2012}$	a_2 = 0.00
t_2 = Other Inflows$_{12/31/2012}$ - Other Inflows$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Other Outflows
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Other Outflows$_{12/31/2012}$	a_2 = 0.00
t_2 = Other Outflows$_{12/31/2012}$ - Other Outflows$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Total Change In Net Assets
Algorithm: Direct Calculation

Formula

Expected Value = Operating Yield$_{Expected}$ + Other Inflows$_{Expected}$ - Other Outflows$_{Expected}$

Calculation

Expected Value = -134,722 + 0 - 0

Expected Value = -134,722

Total Cash and Cash Equivalents
Algorithm: Direct Calculation

Formula

Expected Value = Cash$_{12/31/2012}$

+ Total Change In Net Assets$_{Expected}$ - ▲TotalReceivables$_{Expected}$

- ▲Inventory$_{Expected}$ - ▲Other Current Assets$_{Expected}$

- ▲Investment Assets$_{Expected}$ - ▲Other Assets$_{Expected}$

- ▲Gross Fixed Assets$_{Expected}$ + Total Depreciation$_{Expected}$

+ ▲Payables$_{Expected}$ + ▲Short Term Debt$_{Expected}$

+ ▲Notes Payable / Current Portion of Long Term Debt$_{Expected}$

+ ▲Other Current Liabilities$_{Expected}$

+ ▲Total Long Term Liabilities$_{Expected}$

Calculation

Expected Value = 210,005

+ (-134,722) - (-301)

- 0 - 0

- 0 - 0

- (-10,000) + 0

+ (-481) + 0

+ 0

+ 0

+ 0

Expected Value = 85,103

Unrestricted Cash
Algorithm: Percent of Parent

Formula

Expected Value = Unrestricted Cash$_{12/31/2012}$/Cash$_{12/31/2012}$ * Cash$_{Expected}$

Calculation

Expected Value = 99,712 / 210,005 * 85,103

Expected Value = 40,408

Restricted Cash
Algorithm: Percent of Parent

Formula

Expected Value = Restricted Cash$_{12/31/2012}$/Cash$_{12/31/2012}$ * Cash$_{Expected}$

Calculation

Expected Value = 110,293 / 210,005 * 85,103

Expected Value = 44,695

Unrestricted Cash
Algorithm: Percent of Parent

Formula

Expected Value = Unrestricted Cash$_{12/31/2012}$/Cash$_{12/31/2012}$ * Cash$_{Expected}$

Calculation

Expected Value = 0 / 210,005 * 85,103

Expected Value = 0.00

Restricted Cash
Algorithm: Percent of Parent

Formula

Expected Value = Restricted Cash$_{12/31/2012}$/Cash$_{12/31/2012}$ * Cash$_{Expected}$

Calculation

Expected Value = 0 / 210,005 * 85,103

Expected Value = 0.00

Total Receivables
Algorithm: Direct Calculation

Formula

if ((Receivable Days$_{Expected}$ < 0) And (Total Unrestricted Revenue$_{Expected}$ =/= 0))

Expected Value = (Receivable Days$_{Expected}$ * |Total Unrestricted Revenue$_{Expected}$| * Annualization Factor) / 365

else if (Total Unrestricted Revenue$_{Expected}$ <= 0)

Expected Value = Receivable Days$_{Expected}$

else

Expected Value = (Receivable Days$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$ * Annualization Factor) / 365

Calculation

if ((0.11 < 0) And (1,018,187 =/= 0))

Expected Value = (0.11 * |1,018,187.00| * 1.00) / 365

else if (1,018,187 <= 0)

Expected Value = 0.11

else

Expected Value = (0.11 * 1,018,187 * 1.00) / 365

Expected Value = 319

Contributions Receivable
Algorithm: Direct Calculation

Formula	Calculation
if ((Contributions Receivable Days$_{Expected}$ < 0) And (Total Unrestricted Revenue$_{Expected}$ =/= 0))	if ((0.009 < 0) And (1,018,187 =/= 0))
Expected Value = (Contributions Receivable Days$_{Expected}$ * |Total Unrestricted Revenue$_{Expected}$| * Annualization Factor) / 365	Expected Value = (0.009 * |1,018,187.00| * 1.00) / 365
else if (Total Unrestricted Revenue$_{Expected}$ <= 0)	else if (1,018,187 <= 0)
Expected Value = Contributions Receivable Days$_{Expected}$	Expected Value = 0.009
else	else
Expected Value = (Contributions Receivable Days$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$ * Annualization Factor) / 365	Expected Value = (0.009 * 1,018,187 * 1.00) / 365

Note: The Expected Value for Contributions Receivable Days was calculated using the same method as TotalReceivables Days.

Expected Value = 26

Accounts Receivable
Algorithm: Direct Calculation

Formula	Calculation
	if ((0.00 < 0) And (1,018,187 =/= 0))
if ((Accounts Receivable Days$_{Expected}$ < 0) And (Total Unrestricted Revenue$_{Expected}$ =/= 0))	Expected Value = (0.00 * |1,018,187.00| * 1.00) / 365
Expected Value = (Accounts Receivable Days$_{Expected}$ * |Total Unrestricted Revenue$_{Expected}$| * Annualization Factor) / 365	
else if (Total Unrestricted Revenue$_{Expected}$ <= 0)	else if (1,018,187 <= 0)
Expected Value = Accounts Receivable Days$_{Expected}$	Expected Value = 0.00
else	else
Expected Value = (Accounts Receivable Days$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$ * Annualization Factor) / 365	Expected Value = (0.00 * 1,018,187 * 1.00) / 365

Note: The Expected Value for Accounts Receivable Days was calculated using the same method as TotalReceivables Days.

Expected Value = 0.00

Other Receivables
Algorithm: Direct Calculation

Formula	Calculation
	if ((0.00 < 0) And (1,018,187 =/= 0))
if ((Other Receivables Days$_{Expected}$ < 0) And (Total Unrestricted Revenue$_{Expected}$ =/= 0))	Expected Value = (0.00 * |1,018,187.00| * 1.00) / 365
Expected Value = (Other Receivables Days$_{Expected}$ * |Total Unrestricted Revenue$_{Expected}$| * Annualization Factor) / 365	
else if (Total Unrestricted Revenue$_{Expected}$ <= 0)	else if (1,018,187 <= 0)
Expected Value = Other Receivables Days$_{Expected}$	Expected Value = 0.00
else	else
Expected Value = (Other Receivables Days$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$ * Annualization Factor) / 365	Expected Value = (0.00 * 1,018,187 * 1.00) / 365

Note: The Expected Value for Other Receivables Days was calculated using the same method as TotalReceivables Days.

Expected Value = 0.00

Contributions Receivable
Algorithm: Direct Calculation

Formula	Calculation
if ((Contributions Receivable Days$_{Expected}$ < 0) And (Total Unrestricted Revenue$_{Expected}$ =/= 0))	if ((0.00 < 0) And (1,018,187 =/= 0))
Expected Value = (Contributions Receivable Days$_{Expected}$ * |Total Unrestricted Revenue$_{Expected}$| * Annualization Factor) / 365	Expected Value = (0.00 * |1,018,187.00| * 1.00) / 365
else if (Total Unrestricted Revenue$_{Expected}$ <= 0)	else if (1,018,187 <= 0)
Expected Value = Contributions Receivable Days$_{Expected}$	Expected Value = 0.00
else	else
Expected Value = (Contributions Receivable Days$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$ * Annualization Factor) / 365	Expected Value = (0.00 * 1,018,187 * 1.00) / 365
Note: The Expected Value for Contributions Receivable Days was calculated using the same method as TotalReceivables Days.	

Expected Value = 0.00

Accounts Receivable
Algorithm: Direct Calculation

Formula	Calculation
if ((Accounts Receivable Days$_{Expected}$ < 0) And (Total Unrestricted Revenue$_{Expected}$ =/= 0))	if ((0.00 < 0) And (1,018,187 =/= 0))
Expected Value = (Accounts Receivable Days$_{Expected}$ * |Total Unrestricted Revenue$_{Expected}$| * Annualization Factor) / 365	Expected Value = (0.00 * |1,018,187.00| * 1.00) / 365
else if (Total Unrestricted Revenue$_{Expected}$ <= 0)	else if (1,018,187 <= 0)
Expected Value = Accounts Receivable Days$_{Expected}$	Expected Value = 0.00
else	else
Expected Value = (Accounts Receivable Days$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$ * Annualization Factor) / 365	Expected Value = (0.00 * 1,018,187 * 1.00) / 365
Note: The Expected Value for Accounts Receivable Days was calculated using the same method as TotalReceivables Days.	

Expected Value = 0.00

Other Receivables
Algorithm: Direct Calculation

Formula	Calculation
if ((Other Receivables Days$_{Expected}$ < 0) And (Total Unrestricted Revenue$_{Expected}$ =/= 0))	if ((0.00 < 0) And (1,018,187 =/= 0))
Expected Value = (Other Receivables Days$_{Expected}$ * |Total Unrestricted Revenue$_{Expected}$| * Annualization Factor) / 365	Expected Value = (0.00 * |1,018,187.00| * 1.00) / 365
else if (Total Unrestricted Revenue$_{Expected}$ <= 0)	else if (1,018,187 <= 0)
Expected Value = Other Receivables Days$_{Expected}$	Expected Value = 0.00
else	else
Expected Value = (Other Receivables Days$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$ * Annualization Factor) / 365	Expected Value = (0.00 * 1,018,187 * 1.00) / 365
Note: The Expected Value for Other Receivables Days was calculated using the same method as TotalReceivables Days.	

Expected Value = 0.00

Receivable Days
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation

In this case, the Adjusted Holt-Winters algorithm predicted Receivable Days would drop below an intuitive value. Therefore, we have smoothed the Expected Value for Receivable Days by setting the expected value to half the prior period value.

0.5 * 0.23

Expected Value = 0.5 * Receivable Days$_{12/31/2012}$

Expected Value = 0.114

Inventory

Algorithm: Direct Calculation

Formula	Calculation
if ((Inventory Days$_{Expected}$ < 0) And (Program Service Expenses$_{Expected}$ =/= 0))	if ((0 < 0) And (979,894 =/= 0))
Expected Value = (Inventory Days$_{Expected}$ * |Program Service Expenses$_{Expected}$| * Annualization Factor) / 365	Expected Value = (0 * |979,894.00| * 1.00) / 365
else if ((Program Service Expenses$_{Expected}$ <= 0) And (Total Unrestricted Revenue$_{Expected}$ <= 0))	else if ((979,894 <= 0) And (1,018,187 <= 0))
Expected Value = Inventory Days$_{Expected}$	Expected Value = 0
else if (Program Service Expenses$_{Expected}$ > 0)	else if (979,894 > 0)
Expected Value = (Inventory Days$_{Expected}$ * Program Service Expenses$_{Expected}$ * Annualization Factor) / 365	Expected Value = (0 * 979,894 * 1.00) / 365
else	else
Expected Value = (Inventory Days$_{Expected}$ * Total Unrestricted Revenue$_{Expected}$ * Annualization Factor) / 365	Expected Value = (0 * 1,018,187 * 1.00) / 365
	Expected Value = 0.00

Inventory Days

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Inventory Days$_{12/31/2012}$	a_2 = 0.00
t_2 = Inventory Days$_{12/31/2012}$ - Inventory Days$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Other Current Assets

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Other Current Assets$_{12/31/2012}$	a_2 = 0.00
t_2 = Other Current Assets$_{12/31/2012}$ - Other Current Assets$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Total Current Assets

Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Total Cash and Cash Equivalents$_{Expected}$ + Total Receivables$_{Expected}$	Expected Value = 85,103 + 319 + 0 + 0
+ Inventory$_{Expected}$ + Other Current Assets$_{Expected}$	Expected Value = 85,422

Gross Fixed Assets

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Gross Fixed Assets$_{12/31/2012}$	a_2 = 90,000
t_2 = Gross Fixed Assets$_{12/31/2012}$ - Gross Fixed Assets$_{12/31/2011}$	t_2 = 90,000 - 100,000 = -10,000
$f_2 = a_2 + t_2$	f_2 = 90,000 + (-10,000) = 80,000

Expected Value = f_2	Expected Value = 80,000

Accumulated Depreciation
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = $Accumulated\ Depreciation_{12/31/2012}$ – ($Accumulated\ Depreciation_{12/31/2012}$ * |($Gross\ Fixed\ Assets_{Expected}$ - $Gross\ Fixed\ Assets_{12/31/2012}$) / $Gross\ Fixed\ Assets_{12/31/2012}$)| + $Depreciation\ Expense_{Expected}$	Expected Value = 0 – (0 * |(80,000 - 90,000) / 90,000)| + 0 Expected Value = 0.00

Net Fixed Assets
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = $Gross\ Fixed\ Assets_{Expected}$ - $Accumulated\ Depreciation_{Expected}$	Expected Value = 80,000 - 0 Expected Value = 80,000

Long Term Investment Assets
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = $Long\ Term\ Investment\ Assets_{12/31/2012}$	a_2 = 0.00
t_2 = $Long\ Term\ Investment\ Assets_{12/31/2012}$ - $Long\ Term\ Investment\ Assets_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Other Assets
Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = $Other\ Assets_{12/31/2012}$	a_2 = 0.00
t_2 = $Other\ Assets_{12/31/2012}$ - $Other\ Assets_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Total Assets
Algorithm: Direct Calculation

Formula	Calculation
Expected Value = $Total\ Current\ Assets_{Expected}$ + $Net\ Fixed\ Assets_{Expected}$ + $Investment\ Assets_{Expected}$ + $Other\ Assets_{Expected}$	Expected Value = 85,422 + 80,000 + 0 + 0 Expected Value = 165,422

Payables
Algorithm: Direct Calculation

Formula	Calculation

if (($Payable\ Days_{Expected}$ < 0) And ($Program\ Service\ Expenses_{Expected}$ =/= 0))
Expected Value = ($Payable\ Days_{Expected}$ * |$Program\ Service\ Expenses_{Expected}$| * Annualization Factor) / 365
else if ((Program Service Expenses <= 0) And (Total Unrestricted Revenue <= 0))
Expected Value = $Payable\ Days_{Expected}$
else if (Program Service Expenses > 0)
Expected Value = ($Payable\ Days_{Expected}$ * $Program\ Service\ Expenses_{Expected}$ * Annualization Factor) / 365
else
Expected Value = ($Payable\ Days_{Expected}$ * $Total\ Unrestricted\ Revenue_{Expected}$ * Annualization Factor) / 365
	if ((0.16 < 0) And (979,894 =/= 0))
	Expected Value = (0.16 * |979,894.00| * 1.00) / 365
	else if ((979,894 <= 0) And (1,018,187 <= 0))
	Expected Value = 0.16
	else if (979,894 > 0)
	Expected Value = (0.16 * 979,894 * 1.00) / 365
	else
	Expected Value = (0.16 * 1,018,187 * 1.00)

/ 365

Expected Value = 434

Payable Days

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
In this case, the Adjusted Holt-Winters algorithm predicted Payable Days would drop below an intuitive value. Therefore, we have smoothed the Expected Value for Payable Days by setting the expected value to half the prior period value.	0.5 * 0.32
Expected Value = 0.5 * Payable Days$_{12/31/2012}$	Expected Value = 0.162

Short Term Debt

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Short Term Debt$_{12/31/2012}$	a_2 = 0.00
t_2 = Short Term Debt$_{12/31/2012}$ - Short Term Debt$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Notes Payable / Current Portion of Long Term Debt

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Notes Payable / Current Portion of Long Term Debt$_{12/31/2012}$	a_2 = 0.00
t_2 = Notes Payable / Current Portion of Long Term Debt$_{12/31/2012}$ - Notes Payable / Current Portion of Long Term Debt$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Other Current Liabilities

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Other Current Liabilities$_{12/31/2012}$	a_2 = 0.00
t_2 = Other Current Liabilities$_{12/31/2012}$ - Other Current Liabilities$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Total Current Liabilities

Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Payables$_{Expected}$+Short Term Debt$_{Expected}$	Expected Value = 434 + 0
+ Other Current Liabilities$_{Expected}$	+ 0
+ Notes Payable / Current Portion of Long Term Debt$_{Expected}$	+ 0
	Expected Value = 434

Total Long Term Liabilities

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
In order to maintain a proper relationship between Total Long Term Liabilities and its subaccounts, we have recalculated Total Long Term Liabilities to equal the sum of the subaccounts	

Expected Value = Sum of the subaccounts for Total Long Term Liabilities

Expected Value = 0.00

Notes Payable / Senior Debt

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Notes Payable / Senior Debt$_{12/31/2012}$	a_2 = 0.00
t_2 = Notes Payable / Senior Debt$_{12/31/2012}$ - Notes Payable / Senior Debt$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Notes Payable / Subordinated Debt

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Notes Payable / Subordinated Debt$_{12/31/2012}$	a_2 = 0.00
t_2 = Notes Payable / Subordinated Debt$_{12/31/2012}$ - Notes Payable / Subordinated Debt$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Other Long Term Liabilities

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Other Long Term Liabilities$_{12/31/2012}$	a_2 = 0.00
t_2 = Other Long Term Liabilities$_{12/31/2012}$ - Other Long Term Liabilities$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Notes Payable / Senior Debt

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Notes Payable / Senior Debt$_{12/31/2012}$	a_2 = 0.00
t_2 = Notes Payable / Senior Debt$_{12/31/2012}$ - Notes Payable / Senior Debt$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Notes Payable / Subordinated Debt

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Notes Payable / Subordinated Debt$_{12/31/2012}$	a_2 = 0.00
t_2 = Notes Payable / Subordinated Debt$_{12/31/2012}$ - Notes Payable / Subordinated Debt$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Other Long Term Liabilities

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Other Long Term Liabilities$_{12/31/2012}$	a_2 = 0.00
t_2 = Other Long Term Liabilities$_{12/31/2012}$ - Other Long Term Liabilities$_{12/31/2011}$	t_2 = 0.00 - 0.00 = 0.00
$f_2 = a_2 + t_2$	f_2 = 0.00 + 0.00 = 0.00
Expected Value = f_2	Expected Value = 0.00

Total Liabilities

Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Total Current Liabilities$_{Expected}$ + Total Long Term Liabilities$_{Expected}$	Expected Value = 434 + 0
	Expected Value = 434

Total Net Assets

Algorithm: Direct Calculation

Formula	Calculation
Expected Value = Total Assets$_{Expected}$ - Total Liabilities$_{Expected}$	Expected Value = 165,422 - 434
	Expected Value = 164,988

Number of Employees (FTE)

Algorithm: Adjusted Holt-Winters Exponential Smoothing

Formula	Calculation
a_2 = Number of Employees (FTE)$_{12/31/2012}$	a_2 = 8.00
t_2 = Number of Employees (FTE)$_{12/31/2012}$ - Number of Employees (FTE)$_{12/31/2011}$	t_2 = 8.00 - 6.00 = 2.00
$f_2 = a_2 + t_2$	f_2 = 8.00 + 2.00 = 10
Expected Value = f_2	Expected Value = 10

Common Size Statements

Statement of Activities	12/31/2011	12/31/2012	12/31/2013	Industry* (322)
Program Service Revenue	0%	0%	0%	36%
Contributions	100%	90%	94%	25%
Government Grants	0%	0%	0%	23%
Investment Revenue	0%	0%	0%	3%
Royalties	0%	0%	0%	N/A
Membership Dues	0%	0%	0%	0%
Other Operating Revenue	0%	10%	6%	8%
Net Assets Released From Restrictions	0%	0%	0%	4%
Total Unrestricted Revenue	100%	100%	100%	100%
Program Service Expenses	77%	104%	92%	69%
Rent	1%	0%	1%	N/A
Payroll & Benefits	27%	24%	30%	N/A
Utilities	0%	0%	0%	N/A
Depreciation and Amortization	0%	0%	0%	N/A
Interest Expense	0%	0%	0%	N/A
benefits	1%	2%	2%	N/A
payroll taxes	1%	2%	2%	N/A
director payroll	4%	5%	5%	N/A
Gross Yield	23%	-4%	8%	31%
Fundraising Expenses	5%	6%	6%	2%
Payroll & Benefits	0%	4%	4%	N/A
Rent	0%	0%	0%	N/A
Utilities	0%	0%	0%	N/A
Depreciation and Amortization	0%	0%	0%	N/A
Interest Expense	0%	0%	0%	N/A
benefits	0%	0%	0%	N/A
payroll taxes	0%	0%	0%	N/A
director payroll	1%	1%	1%	N/A
Administration Expenses	8%	8%	11%	15%
Rent	0%	1%	1%	N/A
Payroll & Benefits	4%	4%	7%	N/A
Utilities	0%	0%	0%	N/A
Depreciation and Amortization	0%	0%	0%	N/A
Interest Expense	0%	0%	0%	N/A
benefits	0%	0%	0%	N/A
payroll taxes	0%	1%	0%	N/A
Other Operating Expenses	0%	0%	0%	9%
Rent	0%	0%	0%	N/A
Payroll & Benefits	0%	0%	0%	N/A
Utilities	0%	0%	0%	N/A
Depreciation and Amortization	0%	0%	0%	N/A
Interest Expense	0%	0%	0%	N/A
Total Operating Expenses	90%	118%	109%	96%
Operating Yield (Net Operating Gain/Loss)	10%	-18%	-9%	4%
Other Inflows	0%	0%	0%	1%
Other Outflows	0%	0%	0%	1%
Total Change In Net Assets	10%	-18%	-9%	4%

Statement of Financial Position	12/31/2011	12/31/2012	12/31/2013	Industry* (322)
Total Cash and Cash Equivalents	74%	70%	72%	20%
Unrestricted Cash	11%	33%	39%	N/A
Unrestricted Cash	0%	0%	0%	N/A
Restricted Cash	0%	0%	0%	N/A
Restricted Cash	62%	37%	34%	N/A

Total Receivables	1%	0%	1%	10%
Contributions Receivable	0%	0%	0%	N/A
Contributions Receivable	0%	0%	0%	N/A
Accounts Receivable	0%	0%	0%	N/A
Other Receivables	0%	0%	0%	N/A
Accounts Receivable	0%	0%	0%	N/A
Other Receivables	0%	0%	0%	N/A
Inventory	0%	0%	0%	1%
Current Investments	0%	0%	0%	0%
Other Current Assets	0%	0%	1%	2%
Total Current Assets	74%	70%	74%	75%
Gross Fixed Assets	26%	30%	26%	25%
Accumulated Depreciation	0%	0%	0%	7%
Net Fixed Assets	26%	30%	26%	19%
Long Term Investment Assets	0%	0%	0%	4%
Other Assets	0%	0%	0%	3%
Total Assets	100%	100%	100%	100%
Payables	8%	0%	0%	8%
Short Term Debt	0%	0%	0%	0%
Notes Payable / Current Portion of Long Term Debt	0%	0%	0%	0%
Other Current Liabilities	0%	0%	0%	11%
Total Current Liabilities	8%	0%	0%	22%
Total Long Term Liabilities	0%	0%	0%	16%
Notes Payable / Senior Debt	0%	0%	0%	N/A
Notes Payable / Senior Debt	0%	0%	0%	N/A
Notes Payable / Subordinated Debt	0%	0%	0%	N/A
Other Long Term Liabilities	0%	0%	0%	N/A
Notes Payable / Subordinated Debt	0%	0%	0%	N/A
Other Long Term Liabilities	0%	0%	0%	N/A
Total Liabilities	8%	0%	0%	38%
Total Net Assets	92%	100%	100%	62%

*The industry common size figures shown above were taken from all nonprofit organizations with NTEE code S20 for all years in all areas with yearly revenue under $1 million.

Financial Score

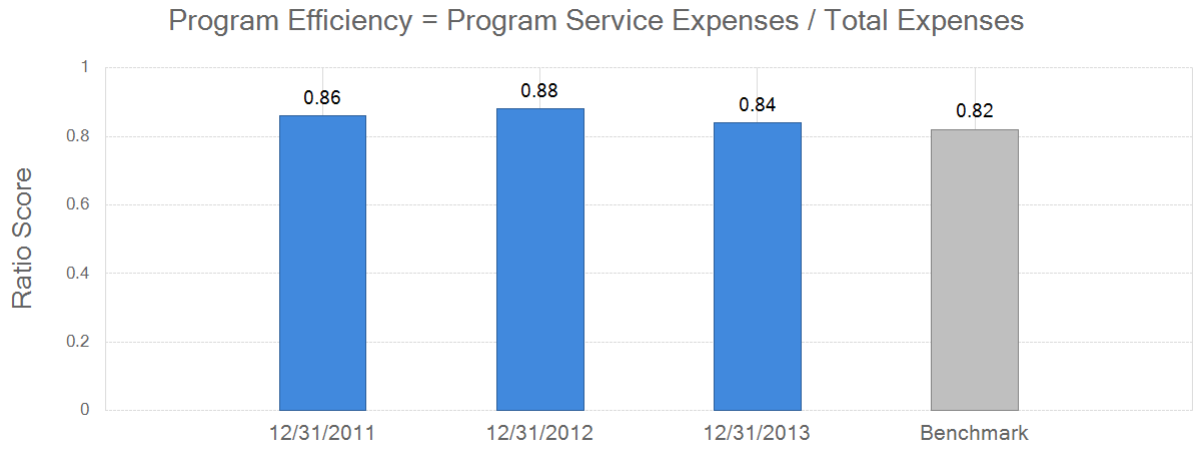
Sample S20 Report

Sector: S20 - Community & Neighborhood Development
Revenue: Less than $1M
Periods: 12 months against the same 12 months from the previous year

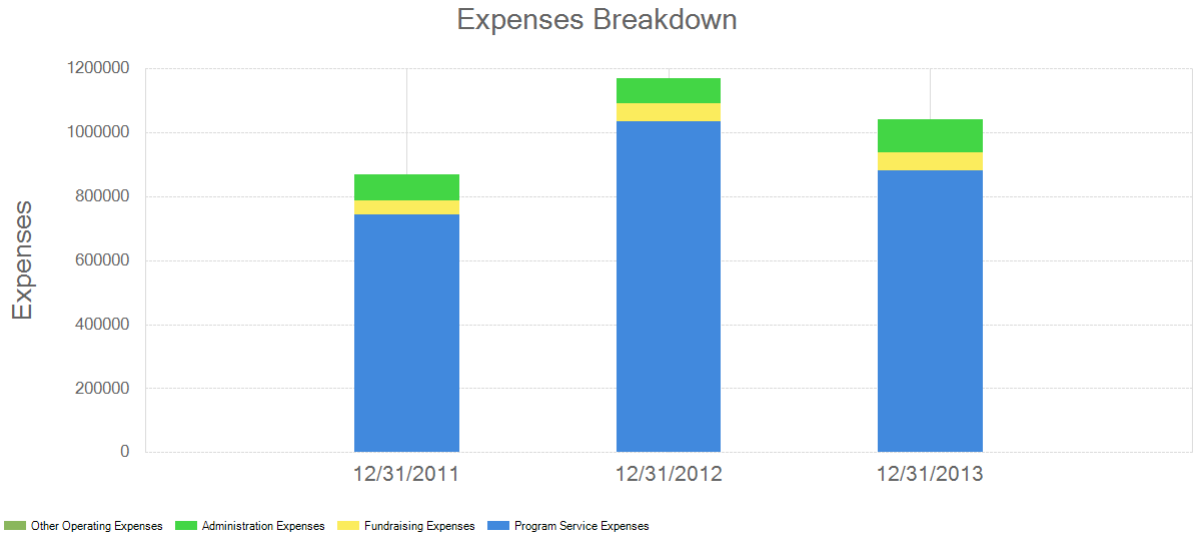
Nonprofit Operational Analysis

A measure of how well the organization is managing money with regard to its sector and mission.

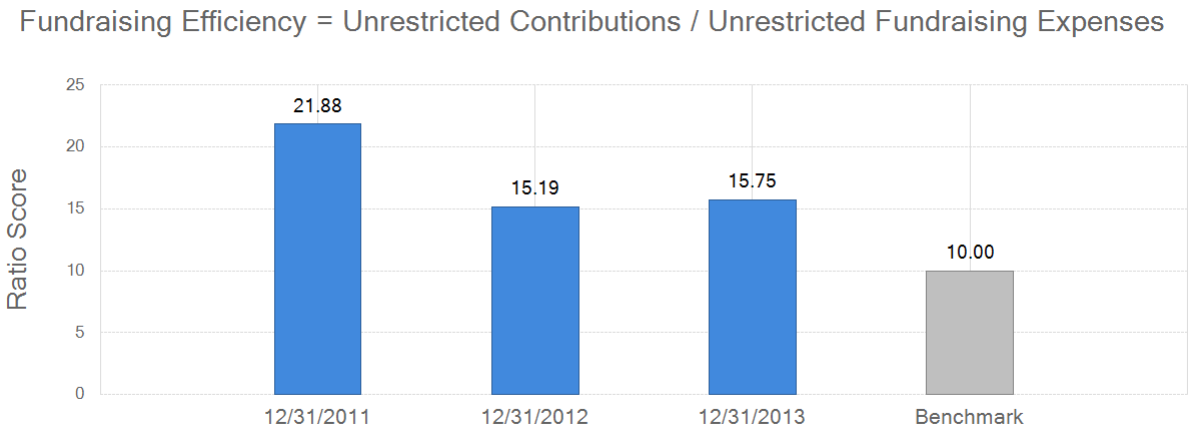
It is good to see that fundraising expenses are generating a strong return, especially since the organization does not seem to have enough program revenue to pay for its total operating costs. Additionally, the organization is generating a low volume of program revenue compared to total revenue, a measure that remained the same from last period. As for program efficiency, the most important metric, the organization is dedicating about the same amount of money to its programs as its peers. Program efficiency is used by people inside and outside of the organization to evaluate its performance.



Shows the basic relationship between program expenses and total expenses. The best outcome would be a ratio close to 1, where the majority paid by a nonprofit would go towards "programs". This ratio is typically keenly watched by employees, managers, Board members, donors, and contributors. It tends to be one of the more important metrics that many nonprofits use in assessing performance.

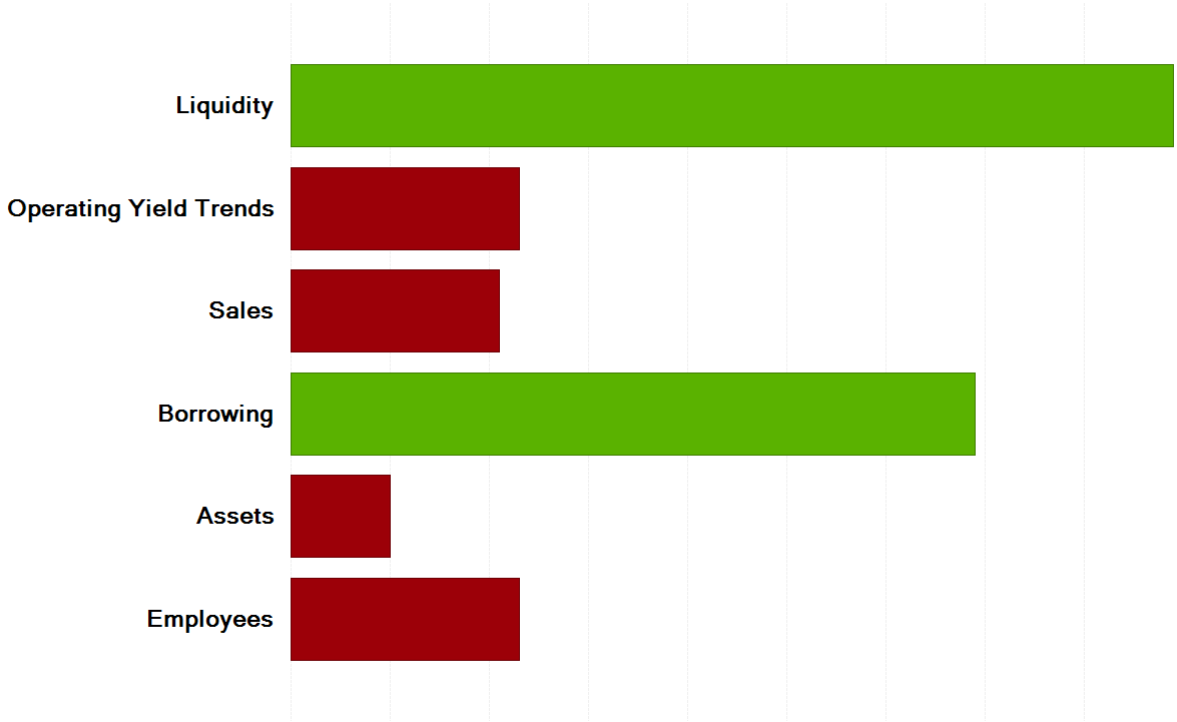


This shows the breakdown of all expenses of the nonprofit. In most cases, the majority should go towards Program Service Expenses.



Shows how much contribution revenue a nonprofit can generate from fundraising activities/expenses. The ideal relationship is a high number, which would mean that the nonprofit is able to generate a multiple of how much it costs to do fundraising.

Report Summary



Liquidity

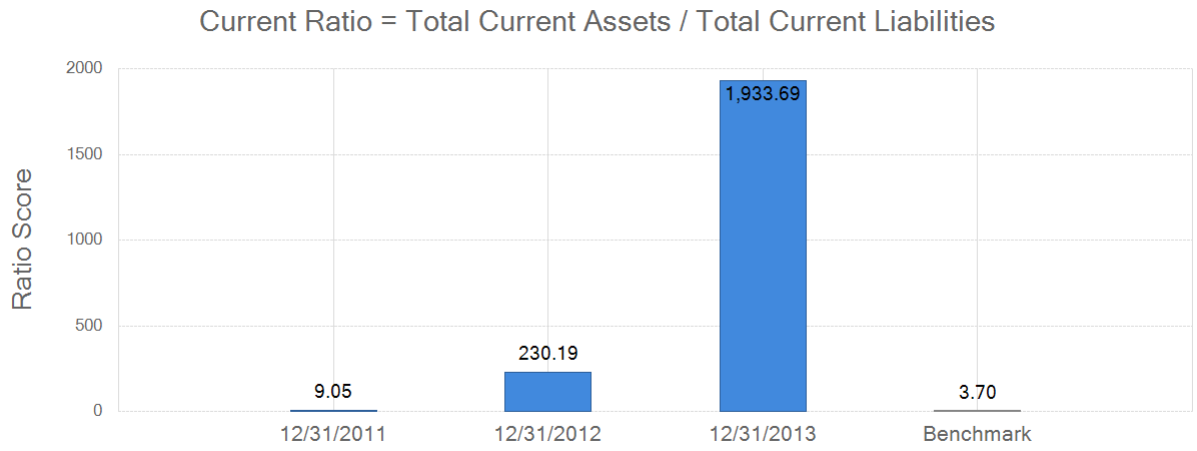
A measure of the organization's ability to meet obligations as they come due.

Despite lower revenues than last period, the organization has had very positive results in this area. What does this mean? Net income and operating margins are up, and all areas of liquidity look strong at this specific time. Better, all liquidity indicators have risen from last period, as depicted in the graph area of the report. For example, notice in the graph area that the organization's "current" and "quick" ratios are strong **and** have risen. This indicates that both the scope and composition of the liquidity base are sound (as of this **particular** time). Basically, the organization is doing well, even when compared to the competition. When we examine operating yield in a subsequent section, we'll realize even more fully the benefits that a strong liquidity position can yield. If the organization can maintain this strong position over time, management may be able to invest in the expense items that can help propel future operating yield levels. **Present** liquidity should help propel **future** net surpluses.

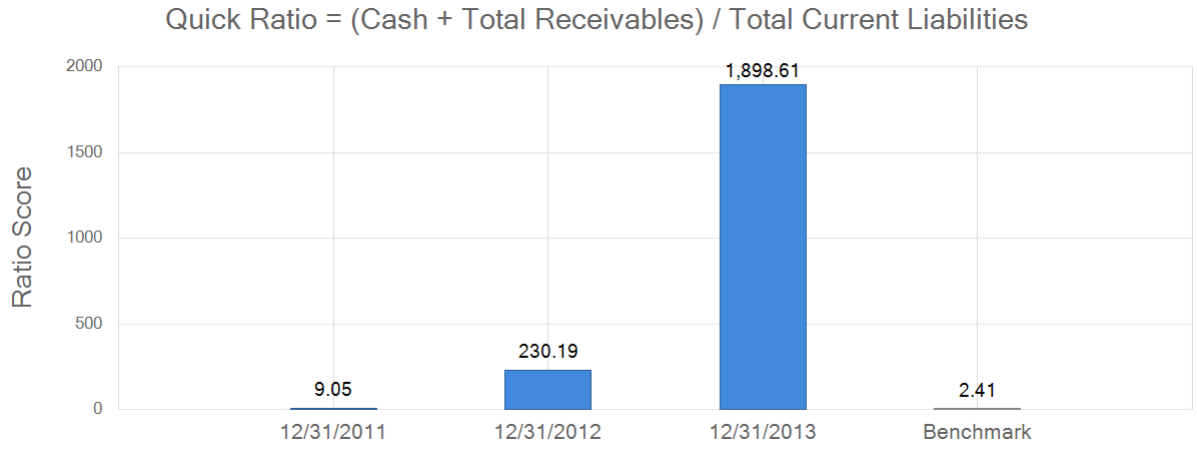
It's also interesting to note that lower revenue volume has coincided with better liquidity, which is typically true when the organization can still improve net income/profits.

Both the receivable and payable days ratios look low right now, which is important to note here. These ratios are a measure of how quickly the organization is collecting money it is owed and paying its bills/payables. Creditors will generally like to see a lower payable days ratio, as this can be an indicator of the payment strength of the organization.

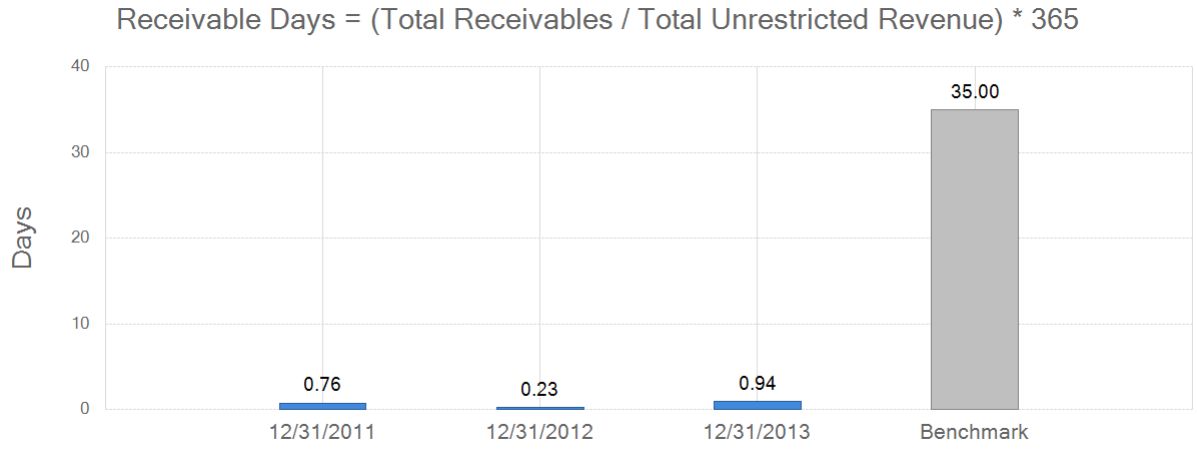
LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



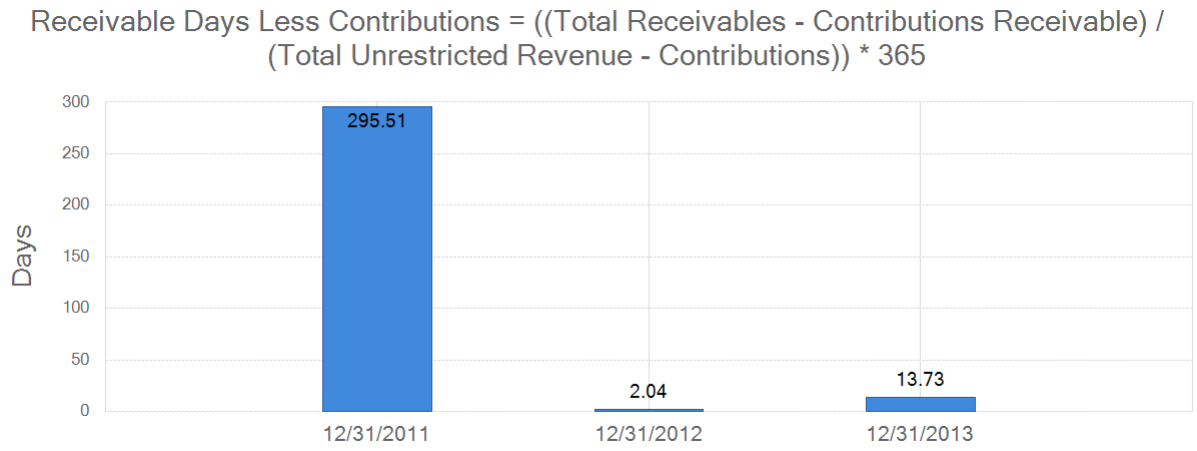
Generally, this metric measures the overall liquidity position of an organization. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" (numerator) are collectible. The higher the ratio, the more liquid the organization is.



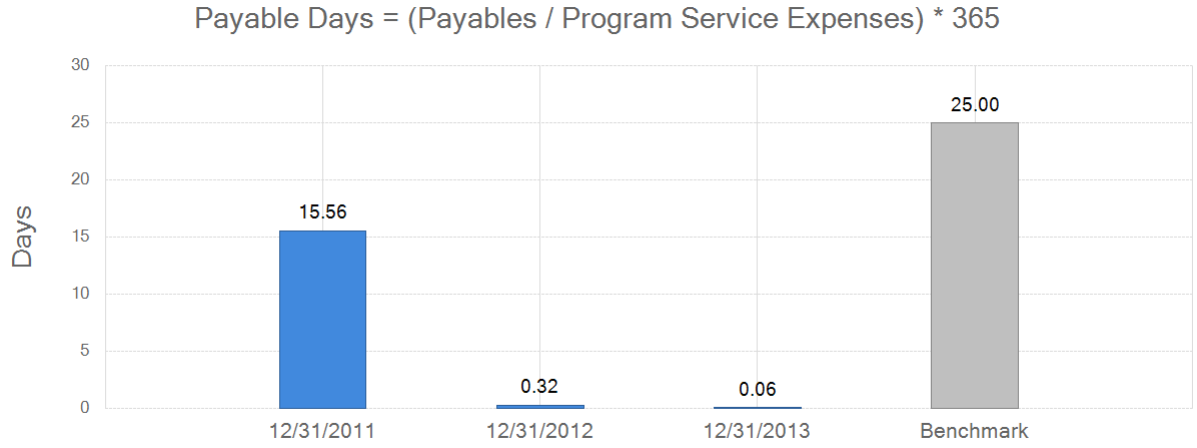
This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the organization has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the organization.



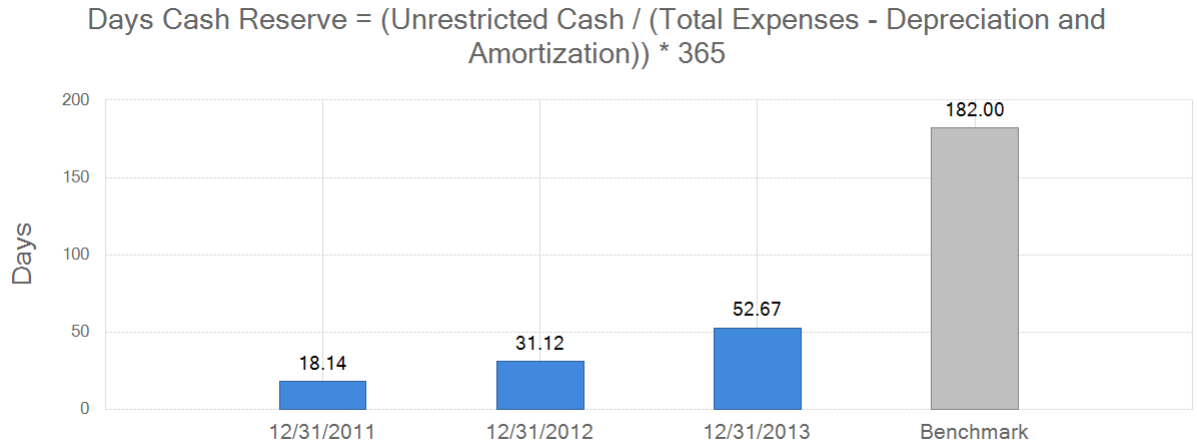
This number reflects the average length of time required to collect cash from receivable accounts such as pledged contributions and/or program services transactions completed using credit. It is crucial to maintaining positive liquidity.



This number reflects the average length of time required to collect cash from all receivable accounts except pledged contributions. It is crucial to maintaining positive liquidity.



This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely an organization is in meeting payment obligations.



Cash reserve is a rough measure of the amount of cash on hand to cover future expenses. The organization should target 182 or more days of cash reserve.

Operating Yield Trends[1]

A measure of whether the trends in profit are favorable for the organization.

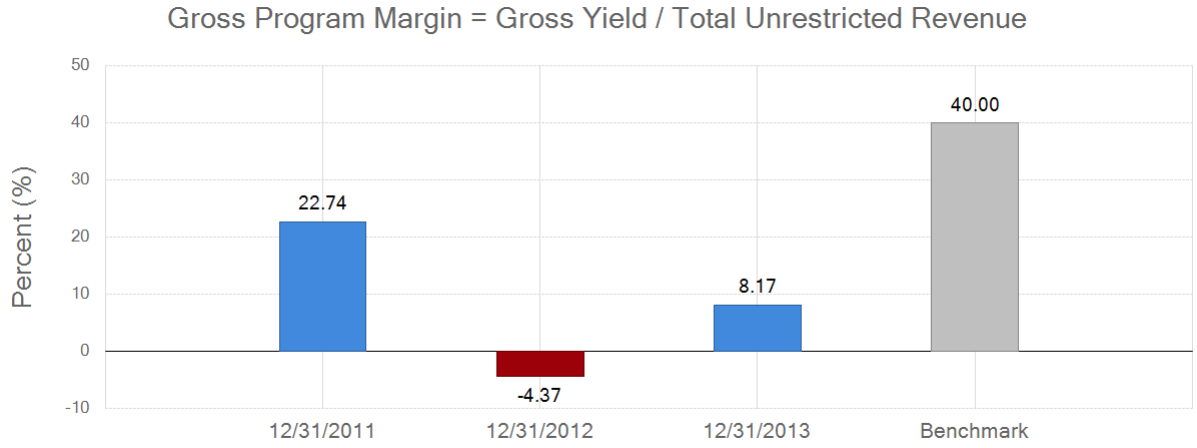
Despite a decline in revenues this period, the organization reduced its net loss dollars

significantly by 53.58%. How was the organization able to achieve a better operating yield on lower volume? It looks as if managers significantly reduced expenses this period, which caused the operating margin to increase by 52.06%. The organization is now paying such a smaller percentage of each revenue dollar out in expenses that it has been able to reduce its deficit with fewer revenue dollars. This is clearly an example of good expense management; the most important time for an organization to control and reduce its expenses is when revenues are falling.

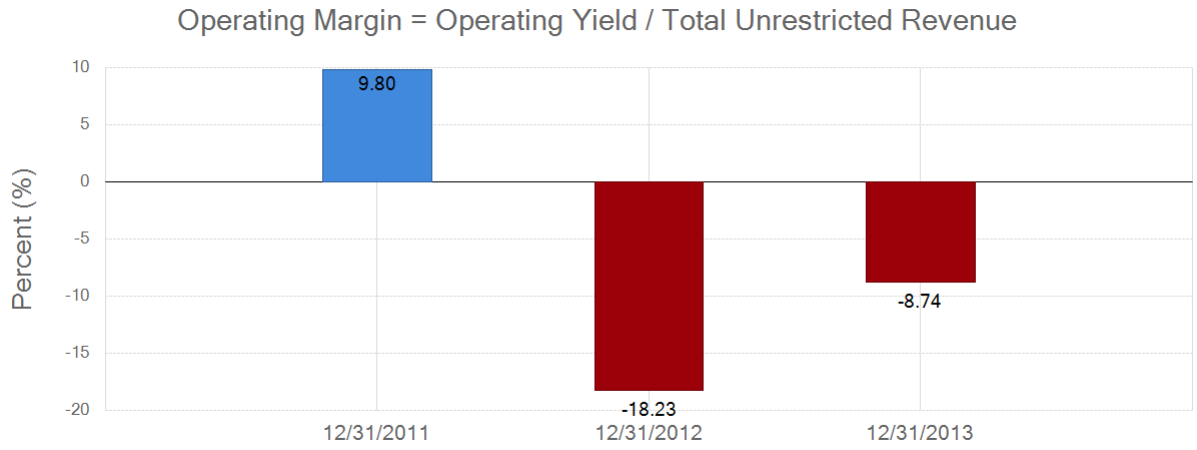
Keep in mind, however, that the organization's operating yield still needs further improvement. The operating margin is weak, both generally and relative to the margins that are being earned by other organizations in this sector; this is highlighted in the graph area of the report. The organization needs to continue to improve operating yield in the future. It will be difficult to maintain cash flow, improve (or even maintain) program services, and generate strong returns on assets with the current level of performance.

It is also important to note that this period's operating yield improvements came as a result of decreased costs. While it is good to decrease costs when revenues are falling, and when the operating yield is weak generally as it is here, it can be difficult to continually improve the operating yield by cutting costs over the long run. This is because costs tend to rise naturally over time. If this organization wants to improve its operating margin to the sector average and above, it will likely need to increase its revenues in the future.

[1] Operating yield (net operating gain/loss) is the nonprofit equivalent of net profit.



This number indicates the percentage of revenue that is left over after paying for program expenses. It is an important statistic that can be used in business planning because it indicates how many cents of gross program profit can be generated by future revenue and also what percentage of revenue the organization can use for other expenses such as administration and fundraising.



A very important number. In fact, over time, it is one of the more important barometers that we look at. It measures how many surplus cents the organization is generating for every dollar it sells. This is a very important number in preparing forecasts.

Revenue 

A measure of how revenue is growing and how it lends itself to the organization's program services.

Revenue numbers tend not to mean much by themselves. What is truly important is how revenue numbers affect an organization's program services and operating yield. For this organization, it is unfavorable that revenues are down. It is even more unfavorable that while revenues are down the organization has added significantly to its employee and asset bases. Basically, the organization is now generating far less revenue per employee and asset. Remember that the new employees and assets ultimately have to be "funded" from revenue-generated cash, so this dynamic could be harmful to the organization if it continues over the long run.

The next three sections will examine how effectively the organization is using three of its most important resources: borrowed funds, assets, and employees. Ultimately, effectiveness here is determined by comparing changes in these resources to changes in the organization's revenue level. Resources are costs that should be used to leverage higher revenues, since higher revenues are necessary to improve and expand the organization's program services and make progress toward its mission.

Borrowing 

A measure of how responsibly the organization is borrowing and how effectively it is managing debt.

This organization's results are actually good in that revenues fell but at a slower rate than the level of debt. This means that the organization is carrying less debt **relative** to revenues for this period as compared to last period. Over time, this may actually help improve revenues, since debt carries a cost.

It is difficult to develop a debt strategy here. It is true that revenues and debt fell from last period. What should be explored is whether further decreases/increases in assets and debt can improve revenues. It is important to think about the relationship between borrowed dollars and revenues; as always, the organization should make only investments that will improve revenues.

Assets 

A measure of how effectively the organization is utilizing their gross fixed assets.

Assets are like any other strategic weapon. If used effectively, they should lead to improved financial performance. Fixed assets generate long-term revenue growth.

This organization has invested in some fixed assets but revenues fell during the same period. This is not a favorable combination. The asset additions may not have caused revenues to fall, but over time additions should help improve revenue levels. Otherwise, there is no advantage to investing in assets. On a positive note, it should be mentioned that the addition of the assets has not hurt overall liquidity or the operating margin; both of these have improved.

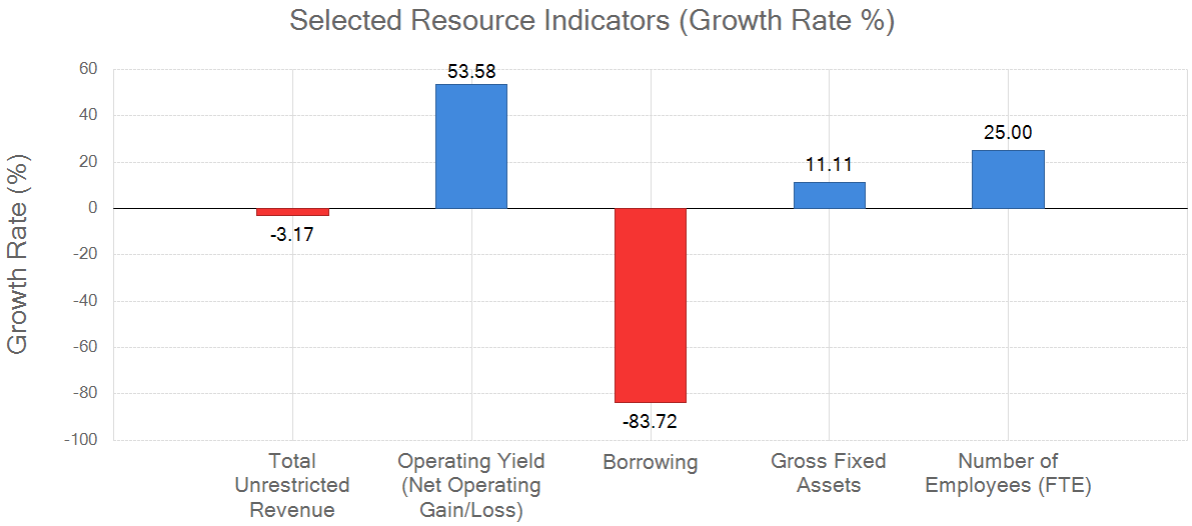
Employees 

A measure of how effectively the organization is hiring and managing its employees.

This organization has hired significantly more staff, but revenues have actually fallen from last period. This is not an ideal result. Nonprofits should generally boost revenues when

adding personnel -- even employees are a form of leverage.

Unless this is a **deliberate strategy** to build the organization by hiring staff who will contribute to revenues in the future, this is probably a situation that should be avoided. The organization has also increased its assets, which also adds stress to these results. Organizations prefer to see revenues leveraged when additional resources are added. This analysis is based upon past data and is therefore limited, but these points should be considered when managers are planning for the organization's future. The organization may need to allow some time for the new hires and assets to improve revenues.



This data is based on the two most recent available periods.

Sector Scorecard

Financial Indicator	Current Period	Sector Range	Distance from Sector
Program Efficiency = Program Service Expenses / Total Expenses	0.84	0.77 to 0.87	0.00%
Explanation: Shows the basic relationship between program expenses and total expenses. The best outcome would be a ratio close to 1, where the majority paid by a nonprofit would go towards "programs". This ratio is typically keenly watched by employees, managers, Board members, donors, and contributors. It tends to be one of the more important metrics that many nonprofits use in assessing performance.			
Fundraising Efficiency = Unrestricted Contributions / Unrestricted Fundraising Expenses	15.75	5.00 to 15.00	+5.00%
Explanation: Shows how much contribution revenue a nonprofit can generate from fundraising activities/expenses. The ideal relationship is a high number, which would mean that the nonprofit is able to generate a multiple of how much it costs to do fundraising.			
Current Ratio = Total Current Assets / Total Current Liabilities	1,933.69	1.90 to 5.50	+35,058.00%
Explanation: Generally, this metric measures the overall liquidity position of an organization. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" (numerator) are collectible. The higher the ratio, the more liquid the organization is.			
Quick Ratio = (Cash + Total Receivables) / Total Current Liabilities	1,898.61	1.30 to 3.52	+53,837.78%
Explanation: This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the organization has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the organization.			
Receivable Days = (Total Receivables / Total Unrestricted Revenue) * 365	0.94 Days	20.00 to 50.00 Days	+95.30%
Explanation: This number reflects the average length of time required to collect cash from receivable accounts such as pledged contributions and/or program services transactions completed using credit. It is crucial to maintaining positive liquidity.			
Receivable Days Less Contributions = ((Total Receivables - Contributions Receivable) / (Total Unrestricted Revenue - Contributions)) * 365	13.73 Days	N/A	N/A
Explanation: This number reflects the average length of time required to collect cash from all receivable accounts except pledged contributions. It is crucial to maintaining positive liquidity.			
Payable Days = (Payables / Program Service Expenses) * 365	0.06 Days	10.00 to 40.00 Days	+99.40%
Explanation: This ratio shows the average number of days that lapse between the purchase of material and labor, and payment for them. It is a rough measure of how timely an organization is in meeting payment obligations.			
Days Cash Reserve = (Unrestricted Cash / (Total Expenses - Depreciation and Amortization)) * 365	52.67 Days	120.00 to 244.00 Days	-56.11%
Explanation: Cash reserve is a rough measure of the amount of cash on hand to cover future expenses. The organization should target 182 or more days of cash reserve.			
Gross Program Margin = Gross Yield / Total Unrestricted Revenue	8.17%	15.00% to 65.00%	-45.53%
Explanation: This number indicates the percentage of revenue that is left over after paying for program expenses. It is an important statistic that can be used in business planning because it indicates how many cents of gross program profit can be generated by future revenue and also what percentage of revenue the organization can use for other expenses such as administration and fundraising.			
Operating Margin = Operating Yield / Total Unrestricted Revenue	-8.74%	-1.50% to 1.50%	-482.67%
Explanation: A very important number. In fact, over time, it is one of the more important barometers that we look at. It measures			

how many surplus cents the organization is generating for every dollar it sells. This is a very important number in preparing forecasts.

NOTE: Exceptions are sometimes applied when calculating the Financial Indicators. Generally, this occurs when the inputs used to calculate the ratios are zero and/or negative.

READER: Financial analysis is not a science; it is about interpretation and evaluation of financial events. Therefore, some judgment will always be part of our reports and analyses. Before making any financial decision, always consult an experienced and knowledgeable professional (accountant, banker, financial planner, attorney, etc.).