



“Ratios Ratios Ratios”

¡ Gracias !

# Presentation – Professional Highlights

- 15 years – Owner of a Public Accounting practice in San Juan, Puerto Rico
- AICPA Peer Review Program Participation
  - Reviewed Firm
  - Reviewer
  - Member of the Peer Review Committees
- 2008 Recognition Puerto Rico Society of CPA – Distinguished Services
- 2013 Recognition Caribbean Business 40 under 40
- Involvement in the Cooperative Movement, specially Housing Cooperative
- Volunteer Work – Member of various Board of Directors of Non Profit Entities (NPO)
- Personal: Music / Sports

# Ratios

- **Definition:**
  - is a relative magnitude of two selected numerical values taken from an entity's financial statements.
  - Often used in accounting to try to evaluate the overall financial condition of an organization.

# Ratios

- **Concepts**

- Relationship
- Comparison / Benchmarking
- Trend
- Results
- Expectations
- Performance Analysis

# Information needed

- Annual financial statements (audited)
  - Balance Sheet
  - Income Statement
  - Cash Flows
  - Notes to financial statements
- Annual Operating Budget

# Reference

- HUD 4370.1 Rev-2 Financial Operations and Accounting Procedures for Insured Multifamily Projects. (05/1992)

# Ratios

- Financial Ratios
  - Liquidity
  - Profitability
  - Activity
- Operational Ratios (non-financial data)
  - Maintenance –
    - Orders per year
    - Time per service order



# Exhibits

## Exhibit A - Benchmarking

**Ratios**

Type of Ratio	Description	CEA	CEI	CCU	CTC	CRH	CLR	Comments
Liquidity	Net Available Funds	\$ 491,870.00	\$ 470,484.00	\$ 645,920.00	\$ 1,060,534.00	\$ 397,422.00	\$ 692,918.00	
Liquidity	Mortgage payment coverage ratio	18.97						
Liquidity	Current ratio	2.10	2.26	2.68	17.69	10.10	9.22	
Liquidity	Acid Test Ratio	0.43	0.50	0.65	1.23	3.12	4.25	
Profitability	Profit Margin on revenue	51.49%	42.40%	60.75%	19.70%	24.23%	6.19%	
Profitability	Return on Equity	23.61%	22.66%	18.39%	6.67%	10.78%	1.94%	
Activity	Average Collection period (days)	6.93	13.99	4.87	14.74	6.04	4.81	High equals problem in the collection area
Activity	Percentage of uncollected rent	5.41%	9.39%	0.96%	2.67%	0.55%	0.77%	This ratio should not exceed 7%
Activity	Level of accounts receivable	23.10%	46.65%	16.24%	49.13%	20.15%	16.03%	Generally, receivables should not exceed 10% of monthly rent potential; watch out for lone rangers
Activity	Laundry income per unit	\$ 172.57	\$ 133.77	\$ 182.64	\$ 165.41	\$ 209.29	\$ 238.60	

**Data**

Description	CEA	CEI	CCU	CTC	CRH	CLR
Current Assets w/ Restricted deposits	\$ 938,979.00	\$ 844,760.00	\$ 1,031,348.00	\$ 1,124,080.00	\$ 441,076.00	\$ 777,251.00
Current Liabilities	\$ 447,109.00	\$ 374,276.00	\$ 385,428.00	\$ 63,546.00	\$ 43,654.00	\$ 84,333.00
Total Quick Assets	\$ 191,450.00	\$ 186,613.00	\$ 249,912.00	\$ 78,237.00	\$ 136,109.00	\$ 358,790.00
Monthly mortgage payment	\$ 25,923.00	\$ -	\$ -	\$ -	\$ -	\$ -
Net profit before depreciation	\$ 498,730.00	\$ 714,978.00	\$ 849,980.00	\$ 239,445.00	\$ 181,705.00	\$ 68,005.00
Rental Revenue	\$ 968,688.00	\$ 1,686,348.00	\$ 1,399,126.00	\$ 1,215,530.00	\$ 749,809.00	\$ 1,098,848.00
Equity	\$ 2,112,248.00	\$ 3,154,677.00	\$ 4,622,074.00	\$ 3,589,134.00	\$ 1,685,642.00	\$ 3,514,055.00
Total Rental Revenue per year	\$ 968,688.00	\$ 1,686,348.00	\$ 1,399,126.00	\$ 1,215,530.00	\$ 749,809.00	\$ 1,098,848.00
360 Days	360	360	360	360	360	360
Accounts receivable	\$ 18,645.00	\$ 65,556.00	\$ 18,939.00	\$ 49,767.00	\$ 12,588.00	\$ 14,680.00
Rental Revenue per Day	\$ 2,690.80	\$ 4,684.30	\$ 3,886.46	\$ 3,376.47	\$ 2,082.80	\$ 3,052.36
Vacancy Loss	\$ 52,438.00	\$ 149,555.00	\$ 13,473.00	\$ 28,707.00	\$ 4,154.00	\$ 8,465.00
Bad debt expense	\$ -	\$ 8,750.00	\$ -	\$ 3,688.00	\$ -	\$ -
Rent Potential	\$ 968,688.00	\$ 1,686,348.00	\$ 1,399,126.00	\$ 1,215,530.00	\$ 749,809.00	\$ 1,098,848.00
Laundry income	\$ 41,245.00	\$ 46,551.00	\$ 64,837.00	\$ 46,316.00	\$ 35,580.00	\$ 82,079.00
Total apartments (units)	239	348	355	280	170	344
Vacant units						
Depreciation	\$ 119,270.00	\$ 271,606.00	\$ 337,366.00	\$ 218,988.00	\$ 124,443.00	\$ 241,551.00
Property and Equipment - Gross						
Total revenues						
Administrative						
Utilities						
Maintenance						
Insurance/Taxes						
Financial						

**Liquidity****CEA****CEI****CCU****CTC****CRH****CLR****Net Available Funds**

	\$ 491,870.00	\$ 470,484.00	\$ 645,920.00	\$ 1,060,534.00	\$ 397,422.00	\$ 692,918.00
Current Assets	\$ 938,979.00	\$ 844,760.00	\$ 1,031,348.00	\$ 1,124,080.00	\$ 441,076.00	\$ 777,251.00
Current Liabilities	\$ 447,109.00	\$ 374,276.00	\$ 385,428.00	\$ 63,546.00	\$ 43,654.00	\$ 84,333.00

**Mortgage payment coverage ratio**

	19					
Net Available Funds	\$ 491,870.00	\$ 470,484.00	\$ 645,920.00	\$ 1,060,534.00	\$ 397,422.00	\$ 692,918.00
Monthly mortgage payment	\$ 25,923.00	\$ -	\$ -	\$ -	\$ -	\$ -

**Current ratio**

	2.10	2.26	2.68	17.69	10.10	9.22
Current Assets	\$ 938,979.00	\$ 844,760.00	\$ 1,031,348.00	\$ 1,124,080.00	\$ 441,076.00	\$ 777,251.00
Current Liabilities	\$ 447,109.00	\$ 374,276.00	\$ 385,428.00	\$ 63,546.00	\$ 43,654.00	\$ 84,333.00

**Acid Test Ratio**

	0.43	0.50	0.65	1.23	3.12	4.25
Total Quick Assets	\$ 191,450.00	\$ 186,613.00	\$ 249,912.00	\$ 78,237.00	\$ 136,109.00	\$ 358,790.00
Current Liabilities	\$ 447,109.00	\$ 374,276.00	\$ 385,428.00	\$ 63,546.00	\$ 43,654.00	\$ 84,333.00

Profitability	CEA	CEI	CCU	CTC	CRH	CLR
<b>Profit Margin on revenue</b>	51.49%	42.40%	60.75%	19.70%	24.23%	6.19%
Net profit before depreciation	\$ 498,730.00	\$ 714,978.00	\$ 849,980.00	\$ 239,445.00	\$ 181,705.00	\$ 68,005.00
Rental revenue	\$ 968,688.00	\$ 1,686,348.00	\$ 1,399,126.00	\$ 1,215,530.00	\$ 749,809.00	\$ 1,098,848.00
<b>Return on Equity</b>	23.61%	22.66%	18.39%	6.67%	10.78%	1.94%
Net profit before depreciation	\$ 498,730.00	\$ 714,978.00	\$ 849,980.00	\$ 239,445.00	\$ 181,705.00	\$ 68,005.00
Equity	\$ 2,112,248.00	\$ 3,154,677.00	\$ 4,622,074.00	\$ 3,589,134.00	\$ 1,685,642.00	\$ 3,514,055.00

Activity	CEA	CEI	CCU	CTC	CRH	CLR
<b>Average Collection period</b>	6.93	13.99	4.87	14.74	6.04	4.81
Total rental revenue per year	\$ 968,688.00	\$ 1,686,348.00	\$ 1,399,126.00	\$ 1,215,530.00	\$ 749,809.00	\$ 1,098,848.00
360 Days	360	360	360	360	360	360
Account receivable	\$ 18,645.00	\$ 65,556.00	\$ 18,939.00	\$ 49,767.00	\$ 12,588.00	\$ 14,680.00
Rental Revenue per day	2690.8	4684.3	3886.461111	3376.472222	2082.802778	3052.355556
<b>Percentage of uncollected rent</b>	5.41%	9.39%	0.96%	2.67%	0.55%	0.77%
Vacancy Loss + Bad debt	\$ 52,438.00	\$ 158,305.00	\$ 13,473.00	\$ 32,395.00	\$ 4,154.00	\$ 8,465.00
Rent potential	\$ 968,688.00	\$ 1,686,348.00	\$ 1,399,126.00	\$ 1,215,530.00	\$ 749,809.00	\$ 1,098,848.00
<b>Level of accounts receivable</b>	23.10%	46.65%	16.24%	49.13%	20.15%	16.03%
Accounts receivable balance	\$ 18,645.00	\$ 65,556.00	\$ 18,939.00	\$ 49,767.00	\$ 12,588.00	\$ 14,680.00
Monthly rent potential	\$ 80,724.00	\$ 140,529.00	\$ 116,593.83	\$ 101,294.17	\$ 62,484.08	\$ 91,570.67
<b>Laundry income per unit</b>	\$ 172.57	\$ 133.77	\$ 182.64	\$ 165.41	\$ 209.29	\$ 238.60
Laundry income	\$ 41,245.00	\$ 46,551.00	\$ 64,837.00	\$ 46,316.00	\$ 35,580.00	\$ 82,079.00
Total apartments (units)	239	348	355	280	170	344

# Exhibits

## Exhibit B – Trends / Multi-Year

**Ratios - Trend within Entity**

<b>Type of Ratio</b>	<b>Description</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>Comments</b>
Liquidity	Net Available Funds	\$ 491,870.00	\$ 452,780.00	\$ 369,000.00	\$ 352,885.00	\$ 456,318.00	
Liquidity	Mortgage payment coverage ratio	18.97	17.47	14.17	13.55	17.52	
Liquidity	Current ratio	2.10	1.94	1.61	1.61	1.67	
Liquidity	Acid Test Ratio	0.43	0.50	0.30	0.29	0.24	
Profitability	Profit Margin on revenue	51.49%	47.37%	45.80%	43.52%	37.88%	
Profitability	Return on Equity	23.61%	25.65%	30.02%	34.71%	34.87%	
Activity	Average Collection period (days)	6.93	6.72	4.81	5.56	7.59	High equals problem in the collection area
Activity	Percentage of uncollected rent	5.41%	4.96%	1.12%	1.97%	1.04%	This ratio should not exceed 7%
Activity	Level of accounts receivable	23.10%	22.40%	16.02%	18.54%	25.31%	Generally, receivables should not exceed 10% of monthly rent potential; watch out for lone rangers
Activity	Laundry income per unit	\$ 172.57	\$ 181.48	\$ 181.39	\$ 197.63	\$ 188.50	



**Data**

<b>Description</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Current Assets w/ Restricted deposits	\$ 938,979.00	\$ 936,225.00	\$ 977,940.00	\$ 933,337.00	\$ 1,138,882.00
Current Liabilities	\$ 447,109.00	\$ 483,445.00	\$ 608,940.00	\$ 580,452.00	\$ 682,564.00
Total Quick Assets	\$ 191,450.00	\$ 240,312.00	\$ 181,551.00	\$ 170,190.00	\$ 161,533.00
Monthly mortgage payment	\$ 25,923.00	\$ 25,923.00	\$ 26,044.00	\$ 26,044.00	\$ 26,044.00
Net profit before depreciation	\$ 498,730.00	\$ 457,454.00	\$ 435,597.00	\$ 416,043.00	\$ 339,989.00
Rental Revenue	\$ 968,688.00	\$ 965,748.00	\$ 951,004.00	\$ 956,004.00	\$ 897,528.00
Equity	\$ 2,112,248.00	\$ 1,783,538.00	\$ 1,451,167.00	\$ 1,198,557.00	\$ 975,062.00
Total Rental Revenue per year	\$ 968,688.00	\$ 965,748.00	\$ 951,004.00	\$ 956,004.00	\$ 897,528.00
360 Days	360	360	360	360	360
Accounts receivable	\$ 18,645.00	\$ 18,025.00	\$ 12,694.00	\$ 14,769.00	\$ 18,931.00
Rental Revenue per Day	\$ 2,690.80	\$ 2,682.63	\$ 2,641.68	\$ 2,655.57	\$ 2,493.13
Vacancy Loss	\$ 52,438.00	\$ 47,862.00	\$ 10,671.00	\$ 18,807.00	\$ 9,372.00
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -
Rent Potential	\$ 968,688.00	\$ 965,748.00	\$ 951,004.00	\$ 956,004.00	\$ 897,528.00
Laundry income	\$ 41,245.00	\$ 43,373.00	\$ 43,352.00	\$ 47,234.00	\$ 45,051.00
Total apartments (units)	239	239	239	239	239
Vacant units	Not available	Not available	Not available	Not available	Not available
Depreciation	\$ 119,270.00	\$ 122,965.00	\$ 124,533.00	\$ 120,934.00	\$ 118,506.00
Property and Equipment - Gross	\$ 6,348,557.00	\$ 6,337,613.00	\$ 6,334,165.00	\$ 6,322,253.00	\$ 6,252,732.00
Total revenues	\$ 1,431,175.00	\$ 1,278,586.00	\$ 1,299,920.00	\$ 1,235,903.00	\$ 1,360,415.00
Administrative	\$ 179,428.00	\$ 185,111.00	\$ 175,910.00	\$ 154,876.00	\$ 147,506.00
Utilities	\$ 129,997.00	\$ 121,079.00	\$ 120,648.00	\$ 127,591.00	\$ 129,569.00
Maintenance	\$ 460,080.00	\$ 350,771.00	\$ 414,096.00	\$ 363,999.00	\$ 581,275.00
Insurance/Taxes	\$ 159,147.00	\$ 159,978.00	\$ 151,347.00	\$ 159,655.00	\$ 141,088.00
Financial	\$ 3,793.00	\$ 4,193.00	\$ 2,322.00	\$ 13,739.00	\$ 20,988.00

<b>Liquidity</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Net Available Funds</b>	\$ 491,870.00	\$ 452,780.00	\$ 369,000.00	\$ 352,885.00	\$ 456,318.00
Current Assets	\$ 938,979.00	\$ 936,225.00	\$ 977,940.00	\$ 933,337.00	\$ 1,138,882.00
Current Liabilities	\$ 447,109.00	\$ 483,445.00	\$ 608,940.00	\$ 580,452.00	\$ 682,564.00
<b>Mortgage payment coverage ratio</b>	19	17	14	14	18
Net Available Funds	\$ 491,870.00	\$ 452,780.00	\$ 369,000.00	\$ 352,885.00	\$ 456,318.00
Monthly mortgage payment	\$ 25,923.00	\$ 25,923.00	\$ 26,044.00	\$ 26,044.00	\$ 26,044.00
<b>Current ratio</b>	2.10	1.94	1.61	1.61	1.67
Current Assets	\$ 938,979.00	\$ 936,225.00	\$ 977,940.00	\$ 933,337.00	\$ 1,138,882.00
Current Liabilities	\$ 447,109.00	\$ 483,445.00	\$ 608,940.00	\$ 580,452.00	\$ 682,564.00
<b>Acid Test Ratio</b>	0.43	0.50	0.30	0.29	0.24
Total Quick Assets	\$ 191,450.00	\$ 240,312.00	\$ 181,551.00	\$ 170,190.00	\$ 161,533.00
Current Liabilities	\$ 447,109.00	\$ 483,445.00	\$ 608,940.00	\$ 580,452.00	\$ 682,564.00

<b>Profitability</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Profit Margin on revenue</b>	51.49%	47.37%	45.80%	43.52%	37.88%
Net profit before depreciation	\$ 498,730.00	\$ 457,454.00	\$ 435,597.00	\$ 416,043.00	\$ 339,989.00
Rental revenue	\$ 968,688.00	\$ 965,748.00	\$ 951,004.00	\$ 956,004.00	\$ 897,528.00
<b>Return on Equity</b>	23.61%	25.65%	30.02%	34.71%	34.87%
Net profit before depreciation	\$ 498,730.00	\$ 457,454.00	\$ 435,597.00	\$ 416,043.00	\$ 339,989.00
Equity	\$ 2,112,248.00	\$ 1,783,538.00	\$ 1,451,167.00	\$ 1,198,557.00	\$ 975,062.00

Activity	2013	2012	2011	2010	2009
<b>Average Collection period</b>	6.93	6.72	4.81	5.56	7.59
Total rental revenue per year	\$ 968,688.00	\$ 965,748.00	\$ 951,004.00	\$ 956,004.00	\$ 897,528.00
360 Days	360	360	360	360	360
Account receivable	\$ 18,645.00	\$ 18,025.00	\$ 12,694.00	\$ 14,769.00	\$ 18,931.00
Rental Revenue per day	2690.8	2682.633333	2641.677778	2655.566667	2493.133333
<b>Percentage of uncollected rent</b>	5.41%	4.96%	1.12%	1.97%	1.04%
Vacancy Loss + Bad debt	\$ 52,438.00	\$ 47,862.00	\$ 10,671.00	\$ 18,807.00	\$ 9,372.00
Rent potential	\$ 968,688.00	\$ 965,748.00	\$ 951,004.00	\$ 956,004.00	\$ 897,528.00
<b>Level of accounts receivable</b>	23.10%	22.40%	16.02%	18.54%	25.31%
Accounts receivable balance	\$ 18,645.00	\$ 18,025.00	\$ 12,694.00	\$ 14,769.00	\$ 18,931.00
Monthly rent potential	\$ 80,724.00	\$ 80,479.00	\$ 79,250.33	\$ 79,667.00	\$ 74,794.00
<b>Laundry income per unit</b>	\$ 172.57	\$ 181.48	\$ 181.39	\$ 197.63	\$ 188.50
Laundry income	\$ 41,245.00	\$ 43,373.00	\$ 43,352.00	\$ 47,234.00	\$ 45,051.00
Total apartments (units)	239	239	239	239	239