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Financial Ratios for Canada Soccer Club Licensing Program – PTSO Youth Level 2 / MA Youth Level 2

In your financial statements you should be able to find the numbers to do the calculations, although, some like the Operating Reserves, Staff Productivity Ratio, and Technical Cost Margin can be a bit tricky to calculate, depending on how the financials are presented. Please feel free to reach out to Nicole Drozda, Coordinator of Member Services (n.drozda@sasksoccer.com) if you need any further help.

- **Net Assets = Total Assets – Total Liabilities**

Net assets indicate a club's solvency, which is its long-term ability to pay its debts. It is a core indicator of financial health. All clubs should maintain a state of solvency at the very least, whereby they exhibit positive net assets.

- **Current Ratio = Current Assets / Current Liabilities**

Current ratio is another very important financial indicator as it measures the health of a club's working capital, which is the fuel that fires its programs and soccer activities. Clubs should maintain a current ratio of 1 or higher (ideally 2). A ratio lower than 1 means the club cannot pay its immediate bills at once, if required to do so.

- **Debt Ratio = Total Liabilities / Total Assets**

Debt Ratio is a solvency ratio that measures an organization's total liabilities as a percentage of its total assets. This demonstrates an organization's ability to pay off its liabilities with its assets, if required to do so. Organizations with high debt ratios are said to be highly leveraged. The higher the ratio, the greater risk will be associated with the organization's operations. Organizations should have a debt ratio of less than 0.5, meaning that most of the organization's assets are financed through equity as opposed to debt.

- **Operating Reserves – if reserves are presented as a part of the statements this can be calculated as total reserves (typically unrestricted only, but depends on the type of restricted reserve) / total yearly expenses. If the reserves aren't shown (many are not, unfortunately), this can be calculated as (Total Assets – (Fixed Assets + Restricted Net Assets) / Total Yearly Expenses.**

Operating reserve measures the protection a club has built to manage its costs and continue to operate in the event of loss of revenues. It expresses costs in terms of the risk they present to a club relative to its ability to cover them. To that end, it is a measure of risk in both cost and reserve protection. Clubs should aim to have an operating reserve of at least 25 per cent to ensure three months of basic cash flow protection.

- **Average Annual Earnings = Aggregate Profit (Loss) / Number of Years Analyzed – we use a 5-year rolling average so that there isn't too much weight placed on one year (good or bad). In order to calculate that way, you'd need at least four years of statements, which may be a challenge. Most statements would have the current year and previous year as a reference, which would allow you to calculate a 2-year average earnings.**

Average earnings illustrates the financial sustainability of a club by examining its surpluses and/or deficits over a five year period, rather than in isolated financial years. This mitigates annual volatility in financial performance and gives evidence of strong overall financial management and a club's longer term financial viability.

- **Staff Productivity Ratio = Total Revenue / Total Payroll**

Staff productivity ratio indicates the extent to which staff are generating gross revenue, such that their addition is adding financial value to the club, not consuming it. This is an important measure of long-term sustainability in a club, and of the effectiveness of core overhead. Clubs should not have a staff productivity ratio under 2, with a ratio of 4–6 being ideal.

- **Technical Cost Margin = Total Technical Expense / Total Expenses – technical expense would be technical salaries, coach development and education, sports science support, essentially anything that is spent on the technical elements of the operations but independent of direct programming expenses like facilities, match officials, uniforms and equipment, etc.**

Technical cost margin indicates the portion of expenditure, which is being assigned to technical, coaching-related soccer activities, as opposed to program management or administrative functions of a club. A high technical margin indicates a club's high commitment to player and coach development activities. Clubs in more advanced Club Licence categorization should have higher technical margins, aligned to higher player and coach development responsibilities.