Monthly Report

February 2025

Test Company

YOUR COMPANY LOGO HERE

Executive Summary

Understanding the Numbers

This financial report provides business insights for Test Company. Objective is to show the financial health and performance, focusing on profitability, efficiency and liquidity.

As of February 28, 2025 Net Profit YTD was $19.9k with a variance of $19.9k to the Budget and $18.8k compared to the same period prior year.

Total Income for February 2025 was $7.4k and had a variance of $0 compared to prior month and $7.4k to Budget, with a YTD variance of -$12.3k relative to prior year.

Costs of providing core operations, recorded as Cost of Goods Sold, this month amounted to $0 with a $0 variance to prior month, leaving $7.4k as Gross Profit. YTD Gross Profit was $14.9k with a variance to Budget of $14.9k and $1.3k to prior year.

Gross Margin should be high enough to cover overhead costs recorded as Total Expense, as well as leave a reasonable Net Profit. Total Expense for February 2025 were -$5k and had a variance of -$5k compared to Budget and -$5k compared to prior month.

Elements that form the basis of analysis:

- Profit and Loss statement
- Balance Sheet statement
- Cash Flow statement
- Estimated data from Budget/ Forecast

Keys for charts and tables:

Actuals - solid
Budget/ Forecast - striped
Positive effect on result
Negative effect on result

Takeaways

Feb 2025: Total Income was $7.4k.
Feb 2025: Net Profit was $12.4k.
Feb 2025: Bank Accounts were $241k.
Feb 2025: Gross Profit Margin was 100%.
Feb 2025: EBITDA was $12.4k.

KPI Overview

February 2025

	Feb 25	Jan 25		Feb 24	
PROFITABILITY	ACTUALS	PRIOR MONTH	TREND	PRIOR YEAR	TREND
Total Income	7,433	7,433	▼ 0.00%	6,671	▲ 11.43%
Net Profit	12,433	7,433	▲ 67.27%	-2,283	▲ 644.55%
Net Profit Margin	167.27%	100.00%	▲ 67.27%	-34.23%	▲ 588.68%
Gross Profit	7,433	7,433	▼ 0.00%	2,220	▲ 234.87%
Gross Profit Margin	100.00%	100.00%	▼ 0.00%	33.28%	▲ 66.72%
EBITDA	12,433	7,433	▲ 67.27%	-2,283	▲ 644.55%
EBITDA Margin	167.27%	100.00%	▲ 67.27%	-34.23%	▲ 201.49%
EBIT	12,433	7,433	▲ 67.27%	-2,283	▲ 644.55%
EBIT Margin	167.27%	100.00%	▲ 67.27%	-34.23%	▲ 201.49%
Expense to Income Ratio	-67.27%	0.00%	▼ -67.27%	134.23%	▼ -201.49%

LIQUIDITY	ACTUALS	PRIOR MONTH	TREND	PRIOR YEAR	TREND
Bank Accounts	241,013	216,205	▲ 11.47%	74,811	▲ 222.16%
Net Cash Flow	24,808	91,041	▼ -72.75%	-1,874	▲ 1424.16%
Working Capital	107,259	94,826	▲ 13.11%	6,364	▲ 1585.44%
Current Ratio	1.61	1.54	▲ 4.62%	1.05	▲ 53.22%
Cash Ratio	1.38	1.24	▲ 11.47%	0.63	▲ 118.51%
Cash Runway (Months)	-96.41			5.73	▼ -1783.28%
Cash Flow Margin	333.75%	119.84%	▲ 213.90%	50.19%	▲ 283.55%

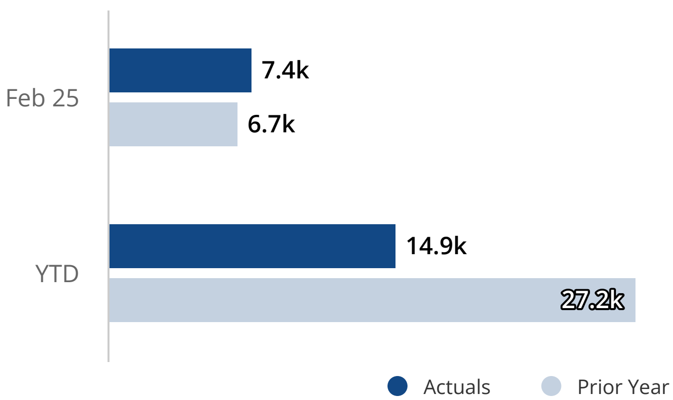
EFFICIENCY	ACTUALS	PRIOR MONTH	TREND	PRIOR YEAR	TREND
Debt to Equity	183.97%	210.32%	▼ -26.36%	-7315.42%	▲ 7499.39%
Debt to Assets	64.78%	67.78%	▼ -2.99%	101.39%	▼ -36.60%
Equity to Assets	35.22%	32.22%	▲ 2.99%	-1.39%	▲ 36.60%
Return on Equity	20.02%	8.57%	▲ 11.46%	-61.07%	▲ 81.10%
Return on Assets	7.05%	2.76%	▲ 4.29%	0.85%	▲ 6.20%
AR Days	208	219	▼ -4.84%	114	▲ 81.95%
AP Days	-54			16	▼ -428.24%

Profitability **Summary**

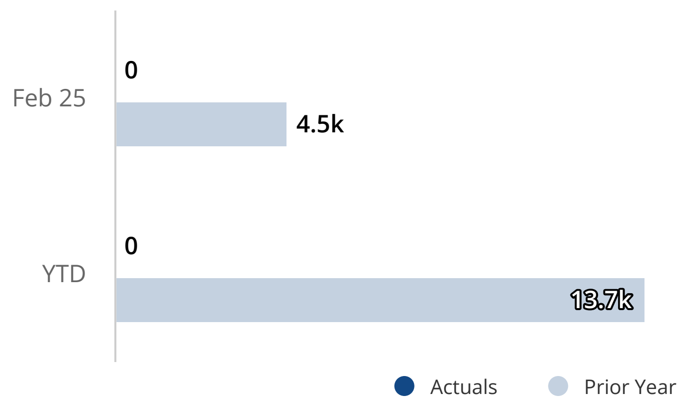
February 2025 | Test Company

Profitability summary visualizes Test Company's complex business data for a quick overview of current fiscal year monthly and year to date deviations from past year trends.

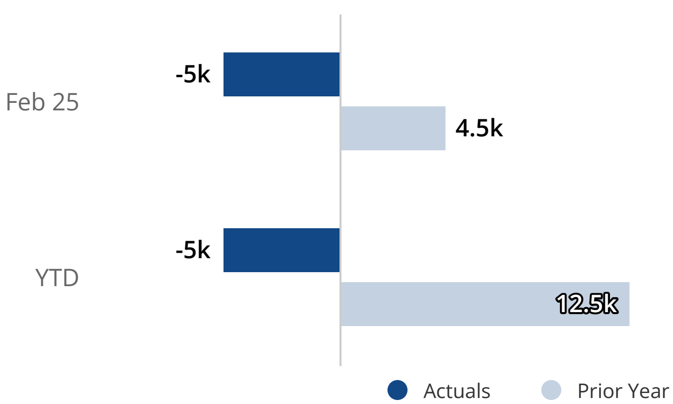
Total Income



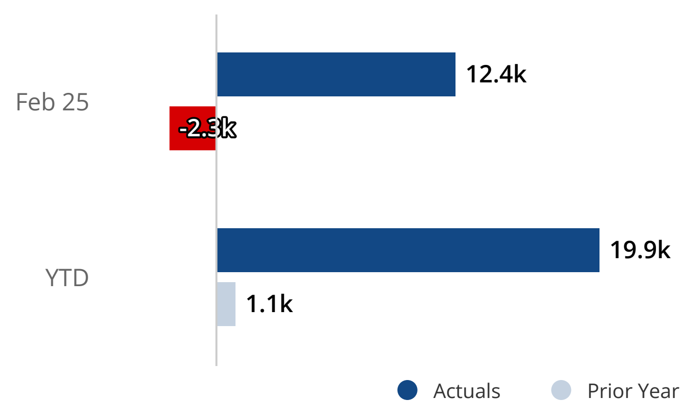
Cost of Goods Sold



Total Expense



Net Profit



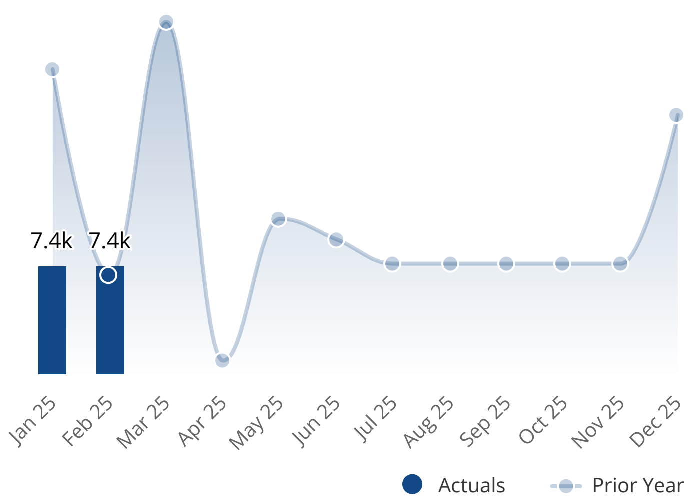
Summary

	Feb 25	Jan 25			Jan 25 - Feb 25	Jan 24 - Feb 24		
	Actuals	Prior Month	Variance	% Variance	Actuals YTD	Prior Year	Variance	% Variance
Income	7,433	7,433			14,867	27,180	▼ -12,313	▼ -45%
Cost of Goods Sold						13,662	▼ -13,662	-100%
Gross Profit	7,433	7,433			14,867	13,517	▲ 1,349	▲ 10%
Total Expense	-5,000		▼ -5,000		-5,000	12,462	▼ -17,462	-140%
Net Profit	12,433	7,433	▲ 5,000	▲ 67%	19,867	1,055	▲ 18,811	▲ 1783%
Net Profit Margin	167%	100%	▲ 67%		134%	4%	▲ 130%	

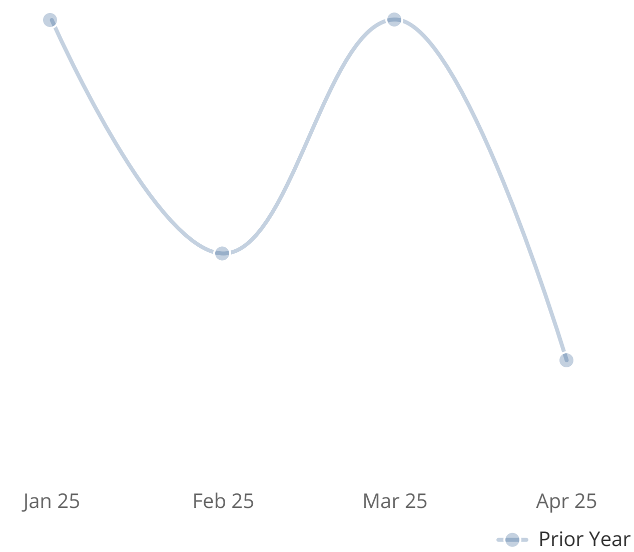
Profitability **Trends**

February 2025 | Test Company

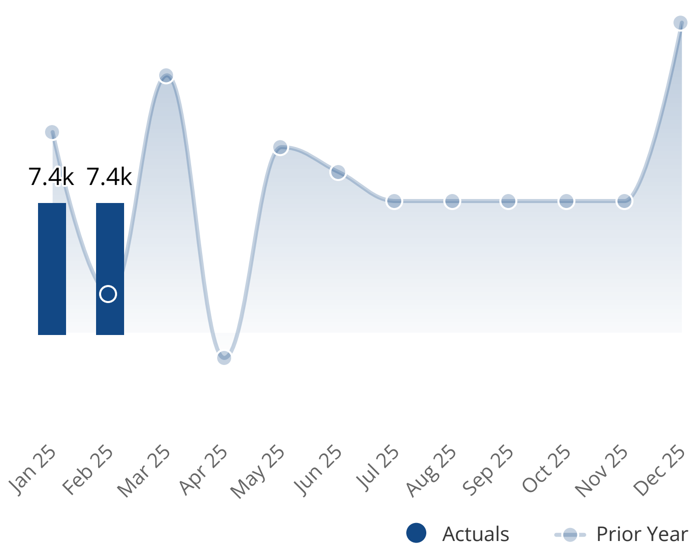
Total Income



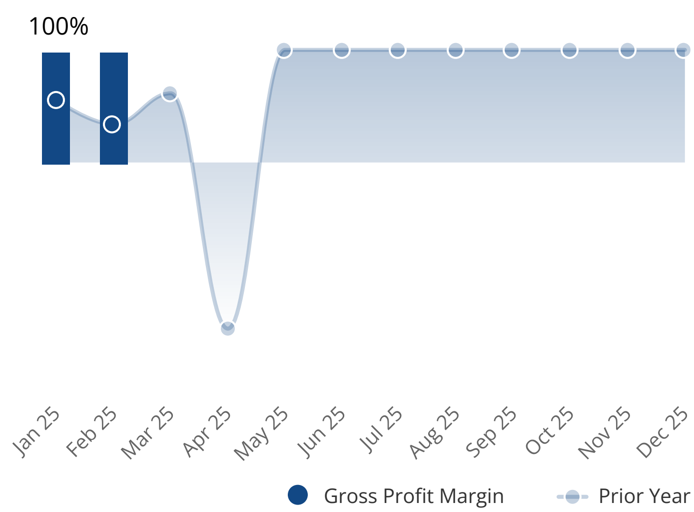
Cost of Goods Sold



Gross Profit



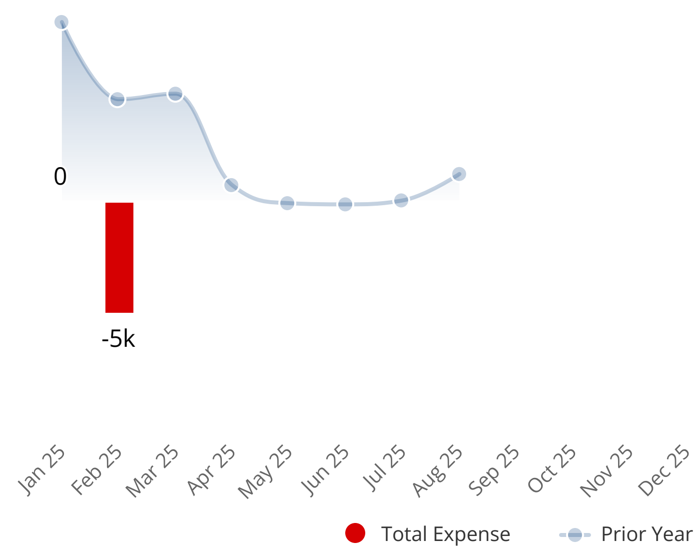
Gross Profit Margin



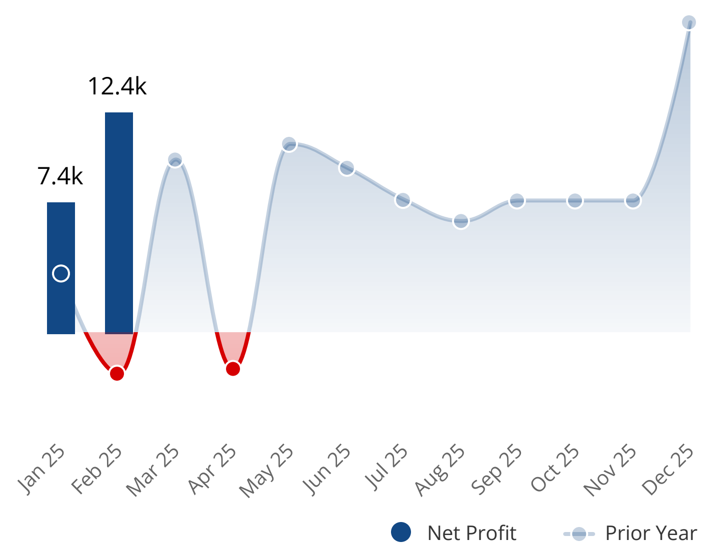
Profitability **Trends**

February 2025 | Test Company

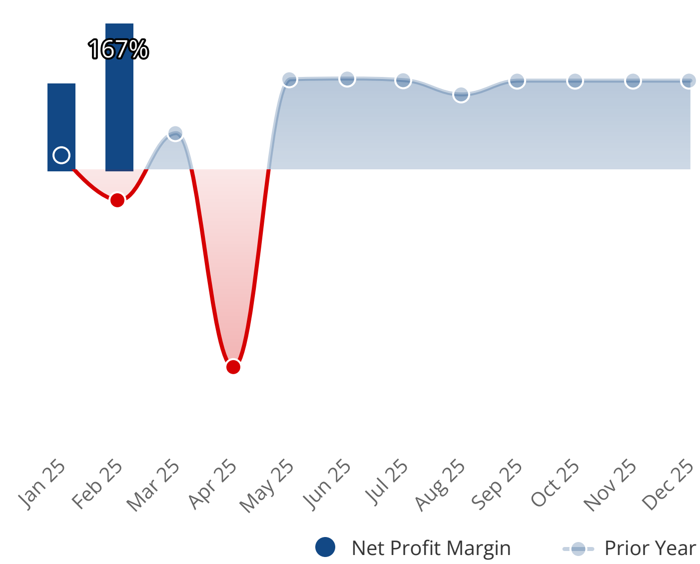
Total Expense



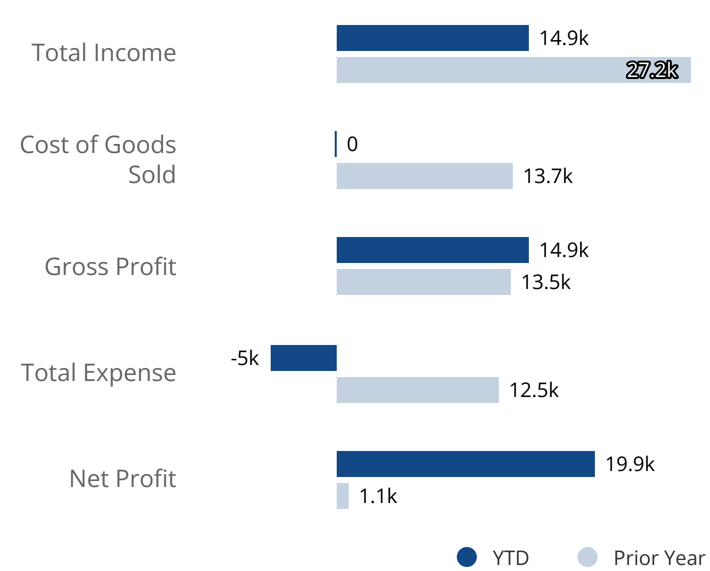
Net Profit



Net Profit Margin

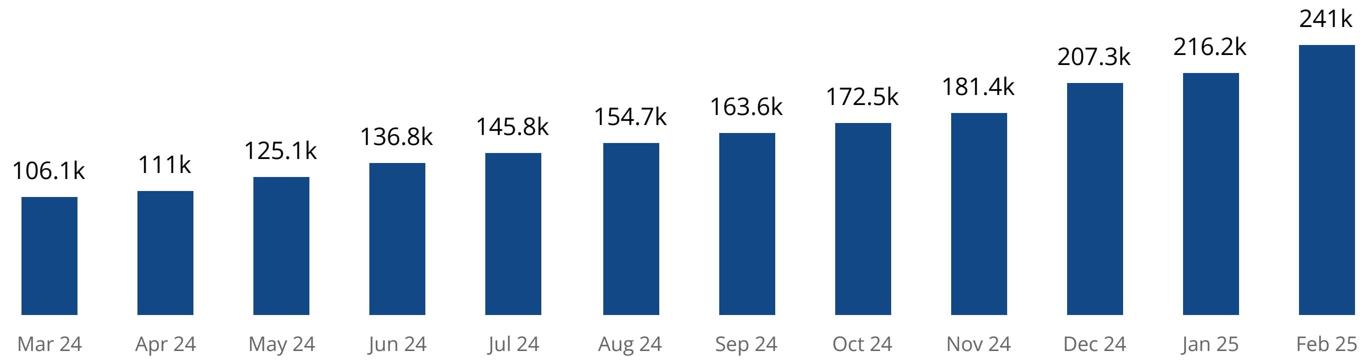


Year to Date

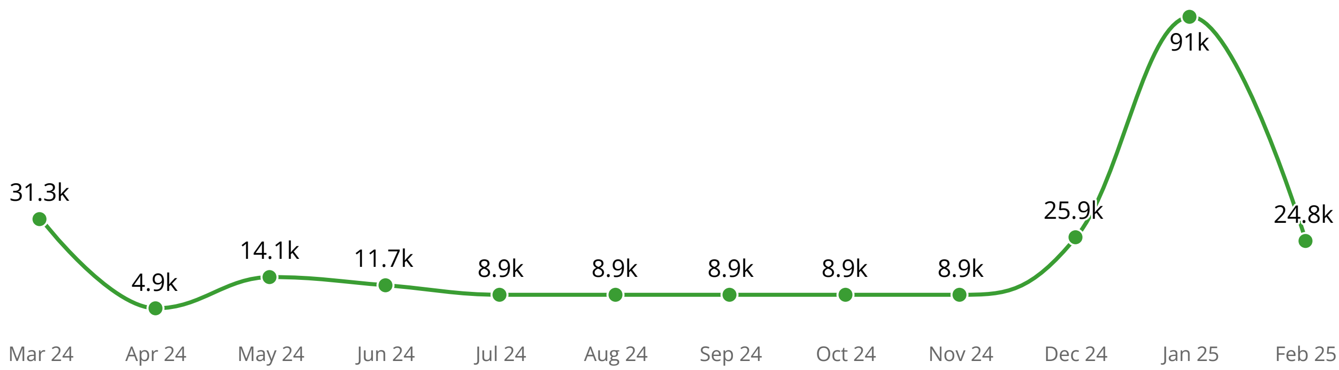


Cash **Management**

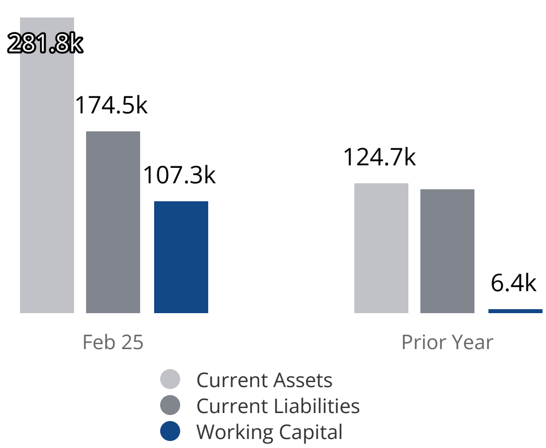
Bank Accounts



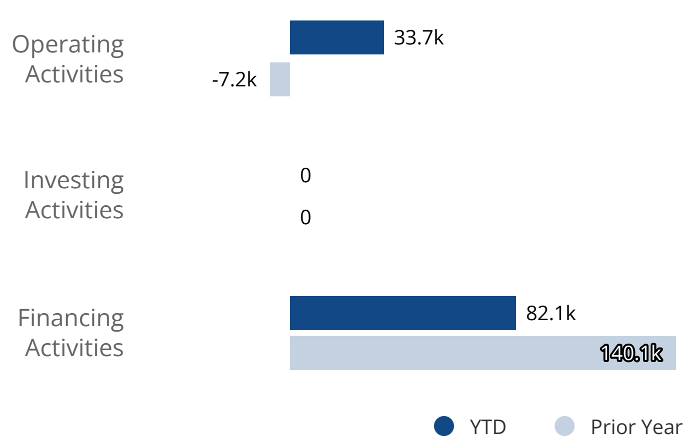
Net Cash Increase For Period



Working Capital



Cash Flow



Profit and Loss - Monthly Analysis
February 2025
Test Company

YOUR COMPANY LOGO HERE

	Feb 25 Actuals	Feb 24 Prior Year	Variance
Income			
4100 Legal Fee Income	$7,433		$7,433
4444 Legal Services		6,671	-6,671
Total Income	**7,433**	**6,671**	**763**
Cost of Goods Sold			
5120 Billable Time/Wages:Wages- Associates (Billable)		4,451	-4,451
Total Cost of Goods Sold		**4,451**	**-4,451**
Gross Profit	7,433	2,220	5,214
Expense			
6130 Car/Truck Expense			
6131 Car/Truck Expense:Company Car (deleted)		563	-563
Total 6130 Car/Truck Expense		**563**	**-563**
6185 Insurance:Owner's Health Insurance		356	-356
6188 Insurance:General Liability Insurance		230	-230
6189 Insurance:Worker's Compensation		232	-232
6250 Office Equipment		25	-25
6255 Postage and Delivery		82	-82
6276 Professional Fees:Legal Fees	-5,000		-5,000
6278 Professional Fees:Payroll Service Fees		123	-123
6295 Rent		584	-584
6310 Supplies		59	-59
6320 Telephone		304	-304
6510 Wages - Unbillable:Wages-Office Staff		432	-432
6511 Wages - Unbillable:Wages-Unbillable		549	-549
6514 Wages - Unbillable:Payroll Tax Expenses		633	-633
6516 Wages - Unbillable:Employee Benefits		188	-188
6970 Utilities		73	-73
9100 Other Expense:Interest Expense		71	-71
Total Expense	**-5,000**	**4,503**	**-9,503**
Net Operating Income	12,433	-2,283	14,716
Net Profit	$12,433	-$2,283	$14,716

Profit and Loss - Year to Date Analysis

2 Months Ended February 28, 2025

Test Company

YOUR COMPANY LOGO HERE

	Jan 25 - Feb 25	Jan 24 - Feb 24	
	Actuals	Prior Year	Variance
Income			
4100 Legal Fee Income	14,867	18,290	-3,424
4444 Legal Services		6,671	-6,671
4500 Markup on Reimbursable Expenses		3	-3
4700 Reimbursed Exp. (Income)		32	-32
Sales of Product Income		2,184	-2,184
Total Income	**14,867**	**27,180**	**-12,313**
Cost of Goods Sold			
5120 Billable Time/Wages:Wages- Associates (Billable)		8,996	-8,996
5200 Outside Consultants (Billable)		4,600	-4,600
5900 Reimburseable Expenses		66	-66
Total Cost of Goods Sold		**13,662**	**-13,662**
Gross Profit	14,867	13,517	1,349
Expense			
6030 Billable Expense (offset income from above)		125	-125
6100 Advertising Expense		451	-451
6130 Car/Truck Expense			
6131 Car/Truck Expense:Company Car (deleted)		1,126	-1,126
6138 Car/Truck Expense:Insurance-Auto		120	-120
Total 6130 Car/Truck Expense		**1,246**	**-1,246**
6155 Dues and Subscriptions		1	-1
6185 Insurance:Owner's Health Insurance		712	-712
6188 Insurance:General Liability Insurance		460	-460
6189 Insurance:Worker's Compensation		464	-464
6236 Maintenance/Janitorial		200	-200
6250 Office Equipment		50	-50
6255 Postage and Delivery		260	-260
6276 Professional Fees:Legal Fees	-5,000		-5,000
6277 Professional Fees:Accounting Fees		255	-255
6278 Professional Fees:Payroll Service Fees		246	-246
6295 Rent		1,168	-1,168
6310 Supplies		90	-90
6320 Telephone		630	-630
6510 Wages - Unbillable:Wages-Office Staff		864	-864
6511 Wages - Unbillable:Wages-Unbillable		1,004	-1,004
6514 Wages - Unbillable:Payroll Tax Expenses		1,266	-1,266
6516 Wages - Unbillable:Employee Benefits		376	-376
6970 Utilities		1,578	-1,578
9100 Other Expense:Interest Expense		202	-202
Uncategorized Expense		816	-816
Total Expense	**-5,000**	**12,462**	**-17,462**
Net Operating Income	19,867	1,055	18,811
Net Profit	19,867	1,055	18,811

Balance Sheet

As of February 28th, 2025

Test Company

YOUR COMPANY LOGO HERE

	Feb 25 Actuals	Feb 24 Prior Year	Variance
Assets			
Current Assets			
Bank Accounts			
1005 SVB Checking Operating	27,097	-12,608	39,705
1014 IOLTA Trust Bank SVB	22,000		22,000
1110 General Business Checking Acct.	21,670	25,950	-4,279
1140 Petty Cash Account	888	888	
1200 Trust Bank Account	290,091	60,581	229,510
Clearing Account	-120,734		-120,734
Total Bank Accounts	**241,013**	**74,811**	**166,202**
Accounts Receivable			
1210 Accounts Receivable	52,407	51,782	625
Total Accounts Receivable	**52,407**	**51,782**	**625**
Other Current Assets			
1250 Prepaids	108	108	
1475 Terri Advanced Client Costs	-75		-75
1500 Undeposited Funds		-2,300	2,300
1505 Advanced Client Costs	-11,770	235	-12,005
Uncategorized Asset	102	102	
Total Other Current Assets	**-11,635**	**-1,855**	**-9,780**
Total Current Assets	**281,784**	**124,738**	**157,047**
Fixed Assets			
1510 Automobiles & Trucks	49		49
1520 Computer Equipment	2,500	2,500	
1540 Accumulated Depreciation	-2,591	-2,591	
Total Fixed Assets	**-42**	**-91**	**49**
Total Assets	**281,742**	**124,646**	**157,096**
Liabilities and Equity			
Liabilities			
Current Liabilities			
Accounts Payable			
2010 Accounts Payable	4,543	7,111	-2,568
Total Accounts Payable	**4,543**	**7,111**	**-2,568**
Credit Card			
2050 Master Card Payable	1,259	1,464	-205
Visa Card Payable:Credit Card-Fred	-1,500	-1,500	
Visa Card Payable:Credit Card-Mary	-2,000	-2,000	
Total Credit Card	**-2,241**	**-2,036**	**-205**
Other Current Liabilities			
2110 Payroll Liabilities:SEC125 Payable	50	150	-100
2130 Payroll Liabilities:Payroll Taxes Payable	2,704	6,309	-3,605
2410 Line of Credit	36,473	36,373	100

Balance Sheet

As of February 28th, 2025

Test Company

YOUR COMPANY LOGO HERE

	Feb 25 Actuals	Feb 24 Prior Year	Variance
Funds Held in Trust:0831-2696- Dansby Mike:0831-2696-20-0001- Purchase from Raney	9,351	4,351	5,000
Funds Held in Trust:10001- Fishman Jonathon:Estate Planning	7,235	9,750	-2,515
Funds Held in Trust:10002- Smith Mary:Estate Planning	14,062	12,062	2,000
Funds Held in Trust:10005- Lewis Jonathan:10005-19-0006- Estate Planning	7,046	7,046	
Funds Held in Trust:200500- Open Sesame Child Care:200500-200501- Collection vs Billy Bob	5,945		5,945
Funds Held in Trust:200800- Culvers of Dixon:200800-200801- General Corp	900		900
Funds Held in Trust:200901- Educators of Beauty:200901-200901- Employment issue	500		500
Funds Held in Trust:JOHN RUDNIANYN:0353-2208- SALE TO ARMSTRONG	10,444	10,444	
Funds Held in Trust:Jones Mary:19-0002- Estate Planning	7,500	7,500	
Funds Held in Trust:Kerr Suzanne:19-0013- Estate Planning	3,720	3,720	
Funds Held in Trust:Morris Michael:19-0005- Estate Planning	8,000	8,000	
Funds Held in Trust:Rubio Mary:20-0014- Estate Planning	700		700
Funds Held in Trust:Souza Mary:20-0015- Estate Planning	5,000		5,000
Funds Held in Trust:Swanson Kate:19-0010- Estate Planning	7,595	7,595	
Retainer Liability	35,000		35,000
Trust Accounts Liability -non LL SVB:Snelson Mike:20-6069- Slip and Fall	10,000		10,000
Total Other Current Liabilities	**172,223**	**113,299**	**58,925**
Total Current Liabilities	**174,525**	**118,374**	**56,151**
Long-Term Liabilities			
Test LM	8,000	8,000	
Total Long-Term Liabilities	**8,000**	**8,000**	
Total Liabilities	**182,525**	**126,374**	**56,151**
Equity			
Shareholder Equity			
3001 Opening Bal Equity-DO NOT USE	-25,222	-25,222	
3120 Owner's Capital:Owner's Draws	-135,000	-135,000	
3900 Retained Earnings	239,572	157,439	82,133
Total Shareholder Equity	**79,350**	**-2,783**	**82,133**
Net Profit (Loss)	19,867	1,055	18,811
Total Equity	**99,217**	**-1,728**	**100,944**
Total Liabilities and Equity	**281,742**	**124,646**	**157,096**

Cash Flow

February 28, 2025

Test Company

YOUR COMPANY LOGO HERE

	Feb 25	Feb 24		Jan 25 - Feb 25
	Actuals	Prior Year	Variance	Actuals YTD
Operating Activities				
Net Income	12,433	-2,283	14,716	19,867
Adjustments to Net Income				
Accounts Receivable				
1210 Accounts Receivable		3,995	-3,995	
Total Accounts Receivable		**3,995**	**-3,995**	
Other Current Assets				
1500 Undeposited Funds	10,900	2,300	8,600	10,900
1505 Advanced Client Costs	1,475		1,475	2,950
Total Other Current Assets	**12,375**	**2,300**	**10,075**	**13,850**
Accounts Payable				
2010 Accounts Payable		-4,762	4,762	
Total Accounts Payable		**-4,762**	**4,762**	
Other Current Liabilities				
2420 Interest Payable		-26	26	
Funds Held in Trust:0831-2696- Dansby Mike:0831-2696-20-0001- Purchase from Raney		4,351	-4,351	
Funds Held in Trust:10001- Fishman Jonathon:Estate Planning		-125	125	
Funds Held in Trust:10003- Bennett Michael:10003-19-0004- Estate Planning		-10,546	10,546	
Funds Held in Trust:JOHN RUDNIANYN:0353-2208- SALE TO ARMSTRONG		10,444	-10,444	
Total Other Current Liabilities		**4,098**	**-4,098**	
Total Adjustments to Net Income	**12,375**	**5,631**	**6,744**	**13,850**
Total Operating Activities	**24,808**	**3,348**	**21,460**	**33,717**
Financing Activities				
Equity				
Shareholder Equity				
3001 Opening Bal Equity-DO NOT USE		-5,222	5,222	
3900 Retained Earnings				82,133
Total Shareholder Equity		**-5,222**	**5,222**	**82,133**
Total Equity		**-5,222**	**5,222**	**82,133**
Total Financing Activities		**-5,222**	**5,222**	**82,133**
Net Cash Increase for Period	24,808	-1,874	26,682	115,849

KPI Definitions

Profit & Loss

A Profit and Loss (P&L) statement, also known as the Income statement is a snapshots of company's profitability. It provides insights into a company's ability to generate profit by increasing revenue and managing costs. It typically includes the following components:

• **Revenue/ Income**
Represents the total income generated from sales of goods or services.
• **Cost of Goods Sold**
The direct costs associated with producing goods or services.
• **Operating Expenses (Overhead expenses):**
Includes expenses like salaries, rent, marketing, and utilities.
• **Net Profit/ Net Income:**
Calculated by subtracting all expenses from revenue. It reflects the company's profit or loss.

Break-Even Point & Date

Break-Even calculates the level of revenue/ income and a date after which a company becomes profitable. It occurs at a point where revenue is equal to expenses, making profit equal to zero. Margin of Safety is the difference between your Break-Even point of revenue and actual sales made.

Gross Profit Margin

Gross Profit Margin is a share of Gross Profit in total revenue/ income. Gross Profit is the money a company makes from its core operations, calculated as revenues minus the direct costs associated with producing goods or services. A good Gross Profit Margin should be high enough to cover operating and other expenses and leave a reasonable Net Profit, for most industries that is above 50%.

Net Profit Margin

Net Profit Margin shows the profit earned per dollar of revenue/ income. A 10% is considered an excellent ratio. If a company has a low Net Profit Margin it is making very little profit after all costs. With a low margin, a sudden dip in sales could turn a company unprofitable. A high margin indicates a company has solid competitive advantages.

% Expense to Income Ratio

A ratio showing the proportion of total revenue/ income eaten up by Cost of Goods Sold and all other Expense.

EBITDA

EBITDA stands for "Earnings Before Interest, Taxes, Depreciation, and Amortization." It is used to evaluate a company's operating performance. By excluding the effects of financial leverage, tax strategies and non-cash expenses like D&A, EBITDA focuses on the core profitability of a business, offering a clearer view of how well a company is performing from its main operations.

EBITDA Margin

EBITDA margin measures operating profitability as % of EBITDA in total revenue/ income. It provides insight into how efficiently a company is managing its core operations before accounting for interest, taxes, depreciation, and amortization expenses. An EBITDA margin above 20% is seen as strong, though this varies by sector.

EBIT

EBIT stands for "Earnings Before Interest and Taxes." It is a measure of a company's profitability that focuses on its core operating performance by excluding interest expenses and income tax expenses. Unlike EBITDA, EBIT includes D&A as non-cash charges, so it provides a view of profitability that accounts for the cost of using long-term assets.

EBIT Margin

EBIT margin measures operating profitability as % of EBIT in total revenue/ income. A higher EBIT margin indicates that a company is efficient at converting revenue into operating profit. In many industries, an EBIT margin above 15% is considered strong, though this varies by sector.

KPI Definitions

Balance Sheet

Balance Sheet offers an overview of Assets, Liabilities and Equity. Assets are items the company owns that can provide future economic benefit and thus they add value. Liabilities are what the company owes and they decrease its value.

• Assets
Assets are grouped based on their liquidity or how quickly they can be turned into cash. Current Assets can be quickly converted into cash. The more Current Assets the company has, the better, as this means it can survive longer without borrowing money. Fixed Assets are physical and intangible items that last over a year and have financial value to the company, such as equipment, computers, software and tools.

• Liabilities
Liabilities represent financial obligations of the company. They show indebtedness and are grouped based on their liquidity. Current Liabilities are those due in the current year and they represent money owed for operating expenses. Long-Term Liabilities represent debt that will not be due for at least a year.

Net Assets

Net assets, also known as net worth or shareholders' equity, represent the difference between a company's total assets and total liabilities.

Return on Assets

ROA indicates how well a company is is using capital invested in Assets to generate revenue/ income. The higher the return, the more productive and efficient management is in utilizing economic resources the business has.

Return on Equity

ROE indicates how efficient company management is at generating growth from the Equity financing. Because Equity is equal to a company’s Assets minus Liabilities, ROE is also considered the Return on Net Assets. Higher ROE suggests more efficient use of equity capital.

Days Sales Outstanding (DSO)/ AR Turnover

DSO indicates the average number of days it takes to collect a payment after a sale. Lower DSO is generally better. AR Turnover shows the number of times accounts receivable are collected in a month.

Days Payable Outstanding (DPO)/ AP Turnover

DPO measures the average number of days it takes to pay suppliers. Longer DPO can improve cash flow, but excessively long periods may strain supplier relationships. AP Turnover shows the number of times a company pays off its accounts payable during a specific period.

Days Inventory Outstanding (DIO)/ Inventory Turnover Ratio

DIO measures the average number of days it takes to convert inventory into sales. Inventory Turnover measures how quickly inventory is sold and replaced over a period. Higher turnover indicates efficient inventory management.

Cash Gap/ Cash Conversion Cycle

Cash Gap measures in days how long it takes a company to convert its inventory and AR into cash flows from sales as opposed to paying for goods and services incurred (CCC=DSO+DIO-DPO). If positive then that interval in days must be financed by further indebtedness. Negative cash gap means that the organization is financing its operating expenses during the period by its own funds.

Asset Turnover Ratio

Asset Turnover Ratio assesses how efficiently a company uses its assets to generate sales. Higher ratios indicate better performance.

Equity Ratio

Shows the proportion of assets financed by shareholders' equity. A higher ratio indicates less reliance on debt.

KPI Definitions

Cash Flow

Cash Flow records the movement of money into and out of a business during a specific period. Positive cash flow indicates that the company is generating more cash than it is spending, while negative cash flow suggests that the company may need to seek additional financing or make adjustments to its operations. There are typically three main categories of cash flow:

• Operating Cash Flow (OCF)
This category represents the cash generated or consumed by the core business operations of the company. It includes cash receipts from sales of goods or services, as well as cash payments for operating expenses such as salaries, utilities, inventory purchases, and taxes.

• Investing Cash Flow (ICF)
Reflects the cash flows associated with the purchase and sale of long-term assets like equipment or property, investments in securities, and other investments not considered part of normal operations. In healthy companies that are actively investing in their businesses, this number will often be negative.

• Financing Cash Flow (FCF)
Encompasses cash flows between a business and its owners, investors or creditors to finance the company. May include the issuance or repayment of debt, issuance or repurchase of equity securities, and payment of dividends.

Working Capital

Working capital reflects money used to cover all of company's operating expenses, inventory, and payments on short-term debt. It is a critical to keep a business operating smoothly and meet all its financial obligations within the coming year. Efficient management of Working capital, such as accounts receivable, accounts payable, and inventory can help optimize cash flow.

Current Ratio

Current ratio is a liquidity ratio that measures the ability to meet the demands for cash as they arise, using available current assets. A ratio of less than 1 indicates that the company may not have enough liquid assets to meet all its short-term obligations. However, low ratios can be justified for businesses with negative cash gap - those that collect cash from customers or turn inventory into cash long before they need to pay their suppliers.

Cash Ratio

A liquidity ratio that measures the ability to cover short-term obligations using only cash and cash equivalents. A value above 0.5 is considered a good ratio.

Cash Flow Margin

A ratio that measures cash from operating activities as a % of total revenue/ income. It tracks how well a business is able to convert sales to cash.

Cash Burn & Runway

Gross Cash Burn measures the level of monthly spending a company has on its overall operations. Net Cash Burn takes revenue/ income into account when calculating the monthly cash burn. From Cash Burn, a Cash Runway can be implied, showing the number of months that a business can continue to pay for its core and operating expenses. Similarly a Zero Cash Date can be implied, showing the predicted future date after which a company will run out of money. Under 3 months or a downward trend may be a cause for concern.

Debt to Assets

A solvency measures the proportion of a company's assets that are financed by debt. A higher ratio indicates higher leverage and potentially higher risk.

Debt to Equity

Indebtedness ratio that shows the capital structure weighing total debt to shareholder's equity. A lower value of the ratio is preferred as it shows lower levels of indebtedness.. A ratio of 2 means the organization relies twice as much on debt to drive growth than it does on equity, and that creditors, therefore, own two-thirds of the company's assets.