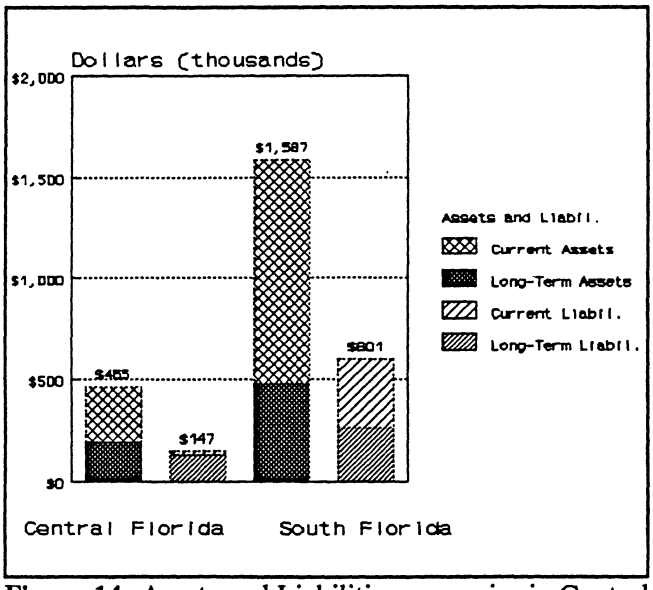

Figure 14--Assets and Liabilities, nurseries in Central and South Florida, 1989.

thousand for Central Florida and $20 thousand for South Florida. Total current assets, including plants inventories, which were already discussed, averaged $276 thousand for Central Florida nurseries and $1.105 million for South Florida firms.

Long term assets included investments in buildings, machinery and land. Only owned assets were included here, not leased assets. Current values of fixed assets are the original cost less accumulated depreciation. Original investments averaged $446 thousand for Central Florida nurseries and $895 thousand for South Florida firms. Subtracting accumulated depreciation left a current value of $189 thousand for Central Florida nurseries and $482 for South Florida firms. South Florida nurseries had less depleted fixed assets: as a portion of the original investment, these current values represented 42 percent and 54 percent, respectively.

Liabilities

Liabilities represented in the Nursery Business Analysis did not include any debt to related parties in closely held or "family" corporations, as these are usually not true debts which must be repaid. Total liabilities averaged $147 thousand for Central Florida firms and $601 thousand for South Florida nurseries.

Current Liabilities averaged $19 thousand for Central Florida nurseries and $339 thousand for South Florida firms. These current liabilities represented an extremely secure position for Central Florida firms, but a very insecure position for South Florida firms. The ratio of cash and accounts receivable to current liabilities, known as the "quick ratio", is a standard indicator of the ability to pay current operating expenses. This measure averaged 4.75 for Central Florida nurseries and 0.95 for South Florida firms. This represents a very serious situation for the South Florida firms, indicating difficulty in meeting current liabilities from operating cash flow.

Long Term Liabilities, including notes payable and mortgages, averaged $129 thousand for Central Florida nurseries and $262 thousand for South Florida nurseries.

Net Worth is the difference between total assests and total liabilities, or the value of the owner's share of the assets, as opposed to lenders' claims. Net worth averaged $317 thousand for Central Florida nurseries, and $986 thousand for South Florida firms.

Financial Leverage

Leverage expresses the ratio between total assets and net worth. Higher values indicate a greater potential for "multiplying" returns per dollar of net worth, but also a greater financial risk. The leverage ratio averaged 1.46 for Central Florida firms and 1.61 for South Florida firms (Figure 14). In other words, South Florida firms had a greater value of total assets per dollar of net worth than did Central Florida firms. Small firms in Central Florida had significantly above-average leverage (2.33), and large firms were below-average. Large and small firms in South Florida showed the opposite pattern. Highest rates for leverage averaged 2.97 in Central Florida and 3.15 in South Florida, while lowest rates were 1.13 and 1.08 respectively. Generally, leverage factors below 2.0 are considered to represent a very safe financial position. There was no indication of a consistent relationship between financial risk and profitability, as most profitable firms in Central Florida were leveraged substantially above-average (2.10), but profitable firms in South Florida were leveraged below-average (1.42).

Return on Net Worth

The ultimate measure of profitability is expressed in terms of returns per unit of net worth. This measure takes into account the financial risk embodied in the leverage factor. Leverage is multiplied by rate of return to capital to yield the rate of return on net worth. This is the same as derived by simply dividing return to capital ($) by net worth.