Assets on a Balance Sheet

The first section of a balance sheet lists *Current Assets*. This means money, or things that could be sold or used up in the near future, usually within a year:

- cash in the bank
- short-term investments (such as certificates of deposit)
- inventory (if the organization earns income from sales)
- pre-paid expenses (such as annual insurance)
- *accounts receivable*

Accounts Receivable

Accounts receivable = what people owe you

This usually means invoices you have “billed out,” or sent to funders for payment.

Remember *accrual accounting*? Without the accrual method, you would not be able to see on paper what people owe your organization.

Long-Term Assets

The second thing listed on a balance sheet are long-term assets (also called fixed assets). This means things that have value but are harder to liquidate into cash.

Such as:

- land
- property (vehicles, buildings)
- major equipment.
- Sometimes called *property, plant & equipment*.

Depreciation

When property and equipment lose value as they age, their value *depreciates*.

This is the same idea as when a new car loses value as soon as you drive it off the sales lot. Equipment becomes outdated, buildings get worn down. So how do we reflect their changing value on the balance sheet?

Depreciation is an accounting principle that allows you to reduce an asset's value over time (usually several years), according to a set schedule.

Restricted Funds

Assets may be listed as *restricted*. This means money that you have received, but cannot spend yet, because the donor or funder has restricted its use.

Example: If your organization just received a full payment at the beginning of a 2-year grant, then the money for Year 2 of the grant may be "restricted." You have the cash, but cannot spend some of it until next year. The balance sheet helps you keep track of this.

Example of Assets on a Balance Sheet

Let's revisit *House of Hope*.

Here is the top half of their balance sheet.

Balance Sheet (partial), June 30

ASSETS		*Explanation*
Cash and savings	50,000	Bank accounts
Accounts receivable	60,000	Invoices you have sent to funders or customers for them to pay you. Note this is not actual money in hand until they pay up!
Fixed assets	20,000	Land, buildings, vehicles, major equipment
Minus depreciation	(2,000)	This is how much the fixed assets (for example, a car) loses value every year. That prevents your organization from over-estimating their value.
Total Assets	**128,000**	This is the total value of everything the organization owns or has in money form.