

# The Balance in Balance Sheets

---

Balance sheets are usually arranged in two sections.

- The first section is Assets.
- The second section are Liabilities & Net Assets **listed together**.

The total of each section must be the same, or “balance.” This can be confusing, but makes sense if you remember,

*Assets – Liabilities = Net Assets, so*

*Assets = Liabilities + Net Assets*

# Example of Balance Sheet

## Balance Sheet, June 30

ASSETS		<i>Explanation</i>
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 lose value every year. That prevents your organization from over-estimating their value.
<b>Total Assets</b>	<b>128,000</b>	This is the total value of everything the organization owns or has in money form.
LIABILITIES & NET ASSETS		
Current Liabilities		
Accrued vacation pay	24,000	This is vacation pay that employees have saved up but not yet taken.
Accounts payable	6,000	These are bills the organization has received but not yet paid.
<b>Total Liabilities</b>	<b>30,000</b>	This totals up how much the organization owes to others.
Net Assets		
Fund balance	50,000	What <i>House of Hope</i> accumulated as of the end of last fiscal year (not counting reserves)
Current earnings	8,000	What <i>House of Hope</i> accumulated as of this fiscal year
Operating Reserves	40,000	What the board of directors set aside
<i>Total Net Assets</i>	<i>98,000</i>	This is the accumulated net worth of the organization, since the day it opened its doors.
<b>Total Liabilities &amp; Net Assets</b>	<b>128,000</b>	Notice this amount is the same as total assets. That is, the two sections balance. That is why this report is called a balance sheet.

# Summary of Lesson 2

---

- ❑ **Budgets** are a tool to help plan how to bring ideas to financial reality for a set period of time.
- ❑ **Income statements** show if we are on track, and how close or far apart our plans are to actual reality, during the *fiscal year*.
- ❑ The **balance sheet** helps show the organization's big financial picture, including assets, liabilities, and net assets, from the nonprofit's birth until now.
- ❑ Taken together, these 3 financial statements help us see the envisioned plans, current situation, and long view of an organization's fiscal health.