

Liabilities on the Balance Sheet

The next section on the balance sheet lists *liabilities*.

Current Liabilities are what you owe that must be paid fairly soon, usually within a year:

- ❑ Vacation pay due to employees
- ❑ Unpaid payroll taxes or salaries/wages, if any
- ❑ *Accounts payable*

Accounts Payable

Accounts Payable = payments due to others
(bills you have received, but not paid yet)

For example, you may open bills as they come in the mail, but your organization pays them twice a month. You enter these temporarily unpaid invoices into your accounting system as *accounts payable*. (This is important, for example, to track what your organization owes the IRS for payroll taxes!)

Long-Term Liabilities

Long-term liabilities = what you owe that is due over a long period of time, usually more than a year.

- ❑ Loans
- ❑ Mortgages
- ❑ Other long-term debts

Example of Liabilities on a Balance Sheet

Here is a list of liabilities that *House of Hope* owes, as of June 30. Notice that they have no long-term liabilities, or debts.

Balance Sheet (partial), June 30

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.
Total Liabilities	30,000	This totals up how much the organization owes to others.