

# Net Assets on a Balance Sheet

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*Net Assets = assets – liabilities*, or what you own minus what you owe. Also called *equity* or net worth (a for-profit term). It is the accumulated savings of the organization over time.

- Hopefully this is a positive number!
- Let's think of net assets in the context of owning a car with a loan:
  - *Assets* = purchase value of car, minus how much value it has lost since you bought it (*depreciation*).
  - *Liabilities* = how much you owe the bank.
  - *Net Assets* = the amount of the car's value that you own, not the bank.

# Types of Net Assets

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- ❑ *Fund Balance* is retained earnings from the organization's birth until the end of the prior fiscal year
- ❑ *Excess (deficit)* is the current fiscal year's surplus or loss
- ❑ *Reserves* (see next slide)

# Reserves

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Many boards of directors set aside (or reserve) some net assets into *reserves* or *reserve funds*, to be spent only in certain situations.

This can be to save up for a special purpose (such as replacing the shelter roof) or it can be like burying money in a jar in the backyard (for a true emergency, such as an economic recession).

If a nonprofit does not set aside money for a rainy day, what happens when it rains?

# Example of Figuring Net Assets

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*For House of Hope*

Total Assets	\$128,000
<u>Total Liabilities</u>	<u>\$30,000</u>
Net Assets	\$98,000

And therefore,

Assets = Liabilities + Net Assets

\$128,000 = \$30,000 + \$98,000