

## **Understanding a Financial Statement: Terms and Definitions in Everyday Language**

**Accounts Payable:** This account tracks the money that the organization owes.

**Assets:** Things of value that the organization has. Cash, savings, pledges, grants, investments, land, buildings, and equipment are assets.

**Balance Sheet:** The financial statement that gives you a “snapshot” in time of how much the organization has and how much it owes. It tells you about the organization’s financial status for one day or one moment.

**Deferred Revenue:** Amount received by the organization before actually earning it. If the organization receives the amount, and it hasn’t been “earned,” it is reported as a liability named “Deferred Revenue”. When it becomes earned, it moves over into “Revenue.”

**Deficit:** When the organization owes more than it can pay for.

**Income Statement:** The financial statement that shows a company’s revenues and expenses over a set period of time. Shows the overall profit and loss.

**Liabilities:** The organization’s expenses and debts. Staff salaries, office rent, and loan repayments are a few examples of liabilities.

**Net Assets:** The value of what the organization owns after subtracting all that it owes. Total assets- liabilities= Net Assets.

**Permanently Restricted Net Assets:** Funds with restrictions that do not expire. Sometimes donors will make a donation with this kind of condition. In other words, you can use this money only for specified purposes.

**Statement of Cash Flows:** The financial statement that shows how cash flowed in and out of the organization during a time period.

**Surplus:** When the organization has “extra” or more than what it spent.

**Temporarily Restricted Net Assets:** Funds with restrictions that last until a certain time period has passed or some event has happened. Sometimes donors will make a donation with this kind of condition. In other words, for the first two years, you can only use this money for certain specified purposes.

**Unrestricted Net Assets:** Funds that the organization can use any way it wants, whenever it wants.

