

## Definitions of Assets Liabilities and Net Assets

### **Assets:**

Assets are items that are owned and have value. Assets would include cash, investments, money that is owed from another person or entity (accounts receivable), inventory of items for sale, pre-paid expenses, land, land improvements (buildings), equipment, etc.

### **Liabilities:**

Liabilities are obligations or items that are owed to others. Liabilities are the accounting opposite of assets. Liabilities would include accounts payable, accrued interest and principle loans or borrowings, amounts owed for pensions & employee benefits, payroll obligations, etc.

**Net Assets** are divided into more than one category:

### **Unrestricted:**

Unrestricted funds can be used for any purpose that is within the mission and charter of the organization.

### **Donor Restricted for Purpose or Time: (“Temporarily Restricted”):**

These are funds that a donor gave to an organization to be spent for a specific purpose or item(s). These funds cannot be used for any other purpose without the consent of the original donor.

### **Donor Restricted Endowments: (“Permanently Restricted”):**

These are funds that a donor gave to an organization where the principal must remain intact. Any interest earned are typically temporarily restricted based upon the stipulations by the donor. Earnings from these endowments are not included in the Permanently Restricted balances, but are included temporarily restricted net assets.