

LUNA CALCULATION TUTORIAL

CITY OF SAN DIEGO

COMMISSION FOR ARTS & CULTURE

Definition of Liquidity

A measure of how much cash and “near cash” (assets readily convertible to cash such as marketable securities) an organization has available, usually measured as the amount of assets in cash or cash equivalents less current liabilities.

Nonprofit Finance Fund

In Other Words...

The extent to which you are able to pay your bills

What is LUNA?

What is the LUNA monthly liquidity ratio?

LUNA is the estimated amount of unrestricted net assets that is liquid and available to pay your bills.

The LUNA monthly liquidity ratio compares your liquidity to your expected monthly expenses. Essentially, it is the number of months you can operate without receiving any new revenue or contributions

Liquid Unrestricted Net Assets (LUNA)

$$\text{LUNA} = (\text{Unrestricted Net Assets} - \text{Fixed Assets}) + \text{Liabilities related to Fixed Assets}$$

Key Terms

- Unrestricted Net Assets
“Net Assets that have no restriction as to use or purpose” Net assets are equal to Total Assets minus Total Liabilities.
- Net Fixed Assets
“The book value of the physical items an organization owns (e.g., property, building, equipment, tenant improvements) less any accumulated depreciation. Often named property & equipment (P&E). These are illiquid (not easily converted to cash)”
- Liabilities related to Fixed Assets
“Loans or debts that are secured by fixed assets, such as a mortgage”

Step-by-Step LUNA Calculation: Part 1

Statement of Financial Position (Balance Sheet)

STATEMENT OF FINANCIAL POSITION
As of December 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 332,879
Investments	5,185,296
Accounts receivable	23,872
Contributions and grants receivable	1,549,555
Prepaid expenses	8,477

Fixed Assets

Equipment, net	160,000
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TOTAL ASSETS

\$ 7,260,079

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 162,222
Accrued expenses	47,796
Payroll taxes payable	41,039

Total liabilities 251,057

NET ASSETS

Restricted	1,190,987
Unrestricted	5,818,035

Total net assets 7,009,022

TOTAL LIABILITIES AND NET ASSETS

\$ 7,260,079

LUNA =

(Unrestricted Net Assets – Fixed Assets) + Liabilities related to
Fixed Assets

- Unrestricted Net Assets = \$5,818,035
- Fixed Assets = \$160,000
- Liabilities related to Fixed Assets = \$0

$$(5,818,035 - 160,000) + 0 = 5,658,035$$

LUNA: Liquid Unrestricted Net Assets = 5,658,035

Step-by-Step LUNA Calculation: Part 2 Months of Liquidity

Step 1: Identify Board Approved Annual Operating Budget
Identify Total Budgeted Expenses

Step 2: Divide your Annual needs by 12

$$\text{Monthly Cash Needs for 1 Month} = \\ (\text{Monthly Cash Needs for 12 Months} / 12)$$

Step 3: Divide total LUNA by monthly Cash Needs for 1 month

$$\text{Months of Liquidity} = \\ (\text{LUNA} / \text{Monthly Cash Needs for 1 Month})$$

Budget to Actuals
For the Three Month Period March 31, 2XXX

**Approved
(Jan-Dec)
Annual Budget**

Revenue:

Fees
Grants
Other revenue
Total revenue

Expenses:

Salaries and wages
Membership dues
Board/committees
Rent
Utilities
Miscellaneous
Volunteers

Total expenses **\$15,000,000**

Total Operating Expenses

Surplus/Deficit \$ _____ -

Step 1: Identify Board Approved Annual Operating Budget
Identify Total Budgeted Expenses

\$15,000,000

Step 2: Divide your Annual needs by 12

Monthly Cash Needs for 1 Month =

$(15,000,000 / 12) = 1,250,000$

Step 3: Divide total LUNA by monthly Cash Needs for 1 month

Months of Liquidity =

$(5,658,035 / 1,250,000) = 4.5 \text{ Months}$

Any Questions?

The Commission of Arts and Culture Team are available for any assistance.

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