

# 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

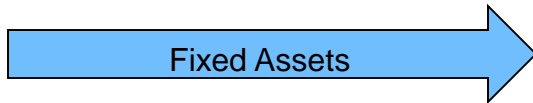
# Statement of Financial Position (Balance Sheet)

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



Equipment, net

160,000

### TOTAL ASSETS

\$ 7,260,079

## LIABILITIES AND NET ASSETS

### LIABILITIES

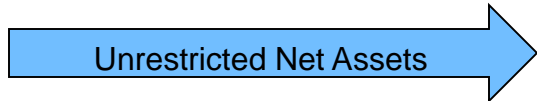
Accounts payable	\$	162,222
Accrued expenses		47,796
Payroll taxes payable		<u>41,039</u>

Total liabilities

251,057

### NET ASSETS

Restricted		<u>1,190,987</u>
Unrestricted		<u>5,818,035</u>



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

$$\begin{aligned} & \textit{Monthly Cash Needs for 1 Month} = \\ & \textit{(Monthly Cash Needs for 12 Months / 12 )} \end{aligned}$$

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

$$\begin{aligned} & \textit{Months of Liquidity} = \\ & \textit{(LUNA/ Monthly Cash Needs for 1 Month)} \end{aligned}$$

**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 =*

**$(5,658,035 / 1,250,000) = 4.5$  Months**

# Any Questions?

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

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