

# Chart of Accounts

Checking Account	Bank	<b>Personnel</b>	Expenses
Savings Account	Bank	Contract Labor	Expenses
Paypal	Bank	Employee Training	Expenses
Petty Cash	Bank	Professional service for CA	Expenses
Accounts Receivable	(A/R)	<b>Facilities</b>	Expenses
Inventory Asset	Current Assets	Lease Expense	Expenses
Prepaid Expenses	Current Assets	Workshop or Space Rental	Expenses
Undeposited Funds	Current Assets	Licenses, Permits	Expenses
Farm Assets	Fixed Assets	Utilities	Expenses
Vehicles	Fixed Assets	<b>Supplies</b>	Expenses
Tech Equipment	Fixed Assets	Aquaponics Parts and Supplies	Expenses
Accumulated Depreciation	Fixed Assets	Fish purchases	Expenses
Accounts Payable	(A/P)	Building materials non AP	Expenses
Sales Tax Payable	Current Liabilities	Nutrients, Adjusters, test kits	Expenses
Owner's Equity	Equity	Seeds, Plants, Planting media	Expenses
Owner's Draws/Contributions	Equity	Pest Management	Expenses
<b>Services (Non-Taxable)</b>	Income	Fish Feed Purchased	Expenses
Training, Workshops, Lectures	Income	Fish medications and supplies	Expenses
Consulting Services	Income	Greenhouse Supplies	Expenses
Construction Services	Income	Small Tools and Equipment	Expenses
Operations and Maintenance	Income	Product packaging	Expenses
Tours	Income	Educational Supplies	Expenses
Onsite Travel	Income	<b>Operating Expenses</b>	Expenses
<b>Aquaponics Systems (Taxable)</b>	Income	Gasoline, Fuel and Oil	Expenses
Parts and Equipment Sales	Income	Car and Truck Expenses	Expenses
<b>Fish Stocking (Taxable)</b>	Income	Mileage Reimbursement	Expenses
Koi Sales	Income	Computer, Internet & Telephone	Expenses
Tilapia - Stocking	Income	Office Supplies	Expenses
Hybrid Stripped Bass	Income	Printing Services	Expenses
<b>Food Sales (Non taxable)</b>	Income	<b>General Administration Expenses</b>	Expenses
Produce sales	Income	Bank, Credit Card and Paypal Charges	Expenses
Fish - Tilapia, trout, bass, catfish	Income	Professional Fees	Expenses
Food Baskets	Income	Postage and Delivery	Expenses
CSA Shares	Income	Depreciation Expense	Expenses
<b>Merchandise: Apparel, DVD, Books, Fish Food (Taxable)</b>	Income	Dues and Subscriptions	Expenses
Uncategorized Income	Income	Taxes and Licenses	Expenses
Interest Income	Income	<b>Business Expenses</b>	Expenses
Gain on Sale of Assets	Income	Insurance Expense	Expenses
<b>Cost of Goods</b>	Cost of Goods Sold	Revenue Sharing	Expenses
Food Items	Cost of Goods Sold	Advertising and Promotion	Expenses
Aquaponics parts and systems	Cost of Goods Sold	Events	Expenses
Merchandise	Cost of Goods Sold	Meals and Entertainment	Expenses
Fish	Cost of Goods Sold	Refreshments	Expenses
<b>Payroll Expenses</b>	Expenses	Travel Expense	Expenses
Salaries & Wages	Expenses	Charitable Contributions	Expenses
FICA Expense	Expenses	Bad Debts/Write-offs	Expenses
SUTA Expense	Expenses	Miscellaneous Expense	Expenses
FUTA Expense	Expenses	Equipment Rental	Expenses
City or local Expense	Expenses	Storage and Warehousing	Expenses

# Business Structures

Non-Profit	For Profit
<ul style="list-style-type: none"> <li>• Organized to address specific need – social, education, health, environment</li> <li>• Exempt from some (not all) taxes</li> <li>• Raises funds thru donors, grants, fundraising, events, dues</li> <li>• Can generate revenues through sales of good and services</li> <li>• Governed by a board</li> <li>• Can be costly and time consuming to receive 501c3 status</li> <li>• High transparency with accounting and activities</li> <li>• Allows volunteers, interns and in kind service or product donations</li> </ul>	<ul style="list-style-type: none"> <li>• Organized to sell products and services for a profit</li> <li>• Pays necessary taxes</li> <li>• Raises funds through personal means, banks, grants, stocks</li> <li>• Managed by owners or shareholders, may have a board</li> <li>• Quick to establish</li> <li>• Private accounting and activities</li> <li>• Can align closely with a non-profit if appropriate</li> <li>• Interns allowed with exchange of value, volunteers discouraged</li> </ul>

	Sole Proprietor	Partnerships	LLC*	S-Corp
<b>Ownership</b>	One owner	Two or more “partners”	One or more “members”	One or more “Shareholders”
<b>State Filing</b>	Filing with state encouraged but optional	Filing with state encouraged but optional	File business entity with state and annual filing	File business entity with state and annual filing/fee
<b>Liability</b>	Unlimited personal liability	Unlimited personal liability	Limited personal liability	Limited personal liability
<b>Payroll filing and frequency</b>	Pay self-employment tax on annual filing	Pay self-employment tax on annual filing	File quarterly federal and state payroll taxes	File quarterly federal and state payroll taxes
<b>Profit and loss pass-through taxes</b>	Profit and loss passed through to owners personal taxes	Profit and loss passed through to partners personal taxes	Profit and loss passed through to members personal taxes	Profit and loss passed through to shareholders personal taxes, recognized as dividends
<b>Decision making</b>	Owner	Partners	Member(s)	Board and Officers
<b>Raising Funds</b>	Personal	Partners, Silent partners	Member(s)	Shareholders, can also issue stock to investors

*Seek a tax advisor/account or legal professional to help you select the right entity for your farm.*

C-Corp is designed for large corporations with no specific “owners”, taxed separately from owners, very formal board, double taxation, usually formed when major stock sales and shareholder investment is involved. Not a likely structure for aquaponic farming.

\*Disregarded entity LLC – is a single member business, basically a sole proprietor who filed as an LLC to mitigate liability issues, and form a corporate structure.

Tradenname and DBA - Filing with the Secretary of State’s office (for your state), usually means filing for a Tradenname or Doing Business As, then selecting the proper entity.

Consider becoming a Certified B-Corp (Benefit Corporation) [www.bcorporation.net](http://www.bcorporation.net).

Certification can help attract certain types of investments and aligns very well with aquaponics.

# Insurance Considerations

- Make sure that an agriculture business is allowed on the property you have selected. This could be challenged by insurance if the city ordinance denies land use.
- If your farm is on your own property it will likely fall under your home owners insurance.
- Carefully review policy for flood damage, mold or fire, or doing business or having agriculture activities on your premise, these may not be covered under home owner policy.
- Personal liability can become an issue if you are a sole proprietor or partnership. Consider filing as an LLC or S-Corp and getting a separate insurance policy
- An umbrella policy can help cover additional liability concerns
- If your farm is on someone else's property (school, church, non-profit organization, farmer, greenhouse owner), you will be considered a tenant (even if the lease is "free") and should provide your own insurance with the property owner as additionally insured
- General liability – \$2 million suggested, for products and operations
  - Large grocery chains or distributors may require a \$5 million minimum to do business with you. This would require an umbrella policy over the general liability and could cost about \$2,500 annually in addition to the main policy.
  - Product coverage – food borne illness, recall. This is part of the general liability aggregate amount, but must be spelled out for farm activities and food sales or they won't be covered. This can also cover your product for spoilage (cooler goes out, crop damaged by accident or fish die)
- Bodily Injury and Property Damage Liability – \$1 million suggested, this would cover someone injured on your farm, farmers market tents and umbrellas hurting people or causing damage to cars or buildings
- Damage to Rented Property – \$100,000 suggested, damage to property you lease, pesticide and herbicide application or pollution. Review carefully, this may require special insurance for floods, mold, fire, etc.
- Personal and Advertising Injury Liability – \$1 million suggested, this is related to good will and business presence in the industry, ability to do business, etc.
  - Use caution using words like "all natural", "pesticide free", "chemical free", "organic" (unless certified) etc. in advertising or product representation, these can be collected on if a disgruntled customer or competition sues
- Medical payments – \$5,000 suggested, can be used for minor injuries or physical therapy (may supplement or supersede health insurance or workers comp insurance)
- Most business liability policies costs from \$1,000 to \$3,000 annually
- Crop insurance – almost impossible to get (would cover severe weather or pest crop damage). Farm must be very large and have a "valuable" crop to get insured.
- Additionally insured – other entities added to your insurance policy, usually charged per entity. Would be used in rental agreements, farmers markets, schools allowed to use the facility for teaching on an ongoing basis, or other contract relationships
- Annual audit during the renewal period to determine if the coverage is appropriate
- Workers Comp Insurance – Not required for owners or family members. Essential for anyone employed, apprenticing or interns either part or full time even if they are not receiving payments (living space, education exchange, food from the farm, etc).
- Don't assume just because your employees, interns, customers or other vendors like you they won't bring suit if something happens. It may be outside their control. For example if someone is injured, it is their insurance company which will do everything to identify who is liable.
- Be very honest with your agent, and find someone who knows agriculture, greenhouses and the food industry. They are specialist and they are your best advisor in getting proper coverage.