

Farm Accounting And Financial Planning



COLORADO
AQUAPONICS



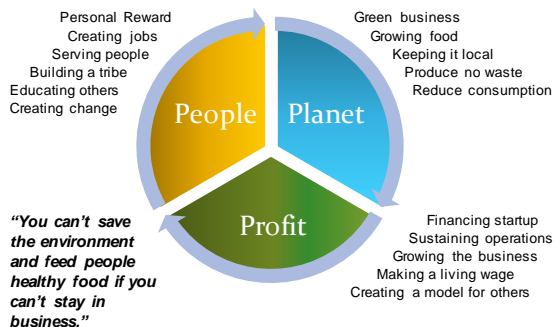
THE Aquaponic SOURCE™
Growing Fish and Plants Together

Who needs this course???

Anyone who needs to keep their farm business sustainable

- New farmer, existing farmer
- New business person, existing business person
- Non-profit leaders
- Faith-based leaders
- School teachers and administrators that need their agriculture programs to be financially viable
- Accountants and financial advisors with farm clients
- Investors considering green tech investments

Sustainable Business Triple Bottom Line



Getting Your Accounting Together

- File your business name (Secretary of State for your state)
- File for sales tax or other licenses as required by state/city
- File for a Federal Employer Identification Number (EIN)
- Setup a dedicated Business checking account (savings too)
- Setup a business credit card(s) – can be debit card
- Decide on an accounting software (online or desktop)
 - Examples – Quickbooks, EasyFarm, FarmBooks
 - <https://bestaccountingsoftware.com/best-accounting-software-for-farmers/>
- Setup the Software with “your” **Chart of Accounts**
 - **Assets, revenue types (income), COGS, Expenses**

Chart of Accounts

You (or an accountant) will build your chart of accounts in your accounting software to record Bank balances, Assets, Equity, Income, COGS and Expenses

Checking Account	Bank	Payroll Expenses	Expenses
Savings Account	Bank	Salaries & Wages	Expenses
Travel	Bank	Travel & Lodging	Expenses
Petty Cash	Bank	State/Local Tax Withholding	Expenses
Accounts Receivable	AP/AR	Insurance	Expenses
Inventory Asset	Current Assets	Contract Labor	Expenses
Prepaid Expenses	Current Assets	Employee Training	Expenses
Unexpended Funds	Current Assets	Professional Service	Expenses
Farm Assets	Fixed Assets	Buildings	Expenses
Vehicle	Fixed Assets	Landscaping	Expenses
Tools/Equipment	Fixed Assets	Workshop space, storage, other rent	Expenses
Accumulated Depreciation	Fixed Assets	Utilities, Rentals	Expenses
Liabilities		Utilities	Expenses
Accounts Payable	AP/AR	Supplies	Expenses
Sales Tax Payable	Current Liabilities	Supplies Parts and Supplies	Expenses
Credit card payable	Current Liabilities	Feed purchases	Expenses
Owner's Equity	Equity	Building expenses, greenhouse supplies	Expenses
Owner's Draw/Contributions	Equity	Hardware, software, test kits	Expenses
Income		Land, clearing, planting, seeds	Expenses
Agribusiness Systems (Variable)	Income	Feed Management	Expenses
Feed and Equipment Sales	Income	Feed Feed Purchase	Expenses
Feed Stocking (Fixed)	Income	Feed modifications and supplies	Expenses
Feed Sales	Income	Small Tools and Equipment	Expenses
Feed Stocking	Income	Product packaging	Expenses
Feed Sales (Fixed)	Income	Educational Supplies	Expenses
Feed Sales (Variable)	Income	Operating Expenses	Expenses
Feed Sales (Fixed)	Income	Gasoline, Oil, vehicle expenses	Expenses
Feed Sales (Variable)	Income	Storage Transportation	Expenses
Feed Sales (Fixed)	Income	Computer, Internet & Telephone	Expenses
Feed Sales (Variable)	Income	Other Income	Expenses
Feed Sales (Fixed)	Income	Printing Services	Expenses
Feed Sales (Variable)	Income	General Administration Expenses	Expenses
Feed Sales (Fixed)	Income	Bank, Credit Card and Payment Charges	Expenses
Feed Sales (Variable)	Income	Professional Fees	Expenses
Feed Sales (Fixed)	Income	Shipping and Delivery	Expenses
Feed Sales (Variable)	Income	Depreciation Expense	Expenses
Feed Sales (Fixed)	Income	State and Subsidies	Expenses
Feed Sales (Variable)	Income	Taxes and Licenses	Expenses
Feed Sales (Fixed)	Income	Business Expenses	Expenses
Feed Sales (Variable)	Income	Insurance	Expenses
Feed Sales (Fixed)	Income	Insurance Premium	Expenses
Feed Sales (Variable)	Income	Insurance Premium	Expenses
Feed Sales (Fixed)	Income	Advertising and Promotion	Expenses
Feed Sales (Variable)	Income	Interest	Expenses

Schedule F

If you will be filing a Schedule F tax form for a farm business, it helps if your chart of accounts aligns and reports similar income and expenses categories

SCHEDULE F
Form 1041
Profit or Loss from Farming

Use this form to report the profit or loss from a farming business. Attach to Form 1041, line 22. See instructions for details.

Part I Farm Income – Cash Method, Complete Parts I and II (Optional method, Complete Parts I and II, and Part III, line 22)

1. Net income from farming business (see instructions) **1**

2. Total income from farming business (see instructions) **2**

3. Total expenses from farming business (see instructions) **3**

4. Net profit or loss from farming business (see instructions) **4**

5. Total income from farming business (see instructions) **5**

6. Total expenses from farming business (see instructions) **6**

7. Net profit or loss from farming business (see instructions) **7**

8. Total income from farming business (see instructions) **8**

9. Total expenses from farming business (see instructions) **9**

10. Net profit or loss from farming business (see instructions) **10**

11. Total income from farming business (see instructions) **11**

12. Total expenses from farming business (see instructions) **12**

13. Net profit or loss from farming business (see instructions) **13**

14. Total income from farming business (see instructions) **14**

15. Total expenses from farming business (see instructions) **15**

16. Net profit or loss from farming business (see instructions) **16**

17. Total income from farming business (see instructions) **17**

18. Total expenses from farming business (see instructions) **18**

19. Net profit or loss from farming business (see instructions) **19**

20. Total income from farming business (see instructions) **20**

21. Total expenses from farming business (see instructions) **21**

22. Net profit or loss from farming business (see instructions) **22**

23. Total income from farming business (see instructions) **23**

24. Total expenses from farming business (see instructions) **24**

25. Net profit or loss from farming business (see instructions) **25**

26. Total income from farming business (see instructions) **26**

27. Total expenses from farming business (see instructions) **27**

28. Net profit or loss from farming business (see instructions) **28**

29. Total income from farming business (see instructions) **29**

30. Total expenses from farming business (see instructions) **30**

31. Net profit or loss from farming business (see instructions) **31**

32. Total income from farming business (see instructions) **32**

33. Total expenses from farming business (see instructions) **33**

34. Net profit or loss from farming business (see instructions) **34**

35. Total income from farming business (see instructions) **35**

36. Total expenses from farming business (see instructions) **36**

37. Net profit or loss from farming business (see instructions) **37**

38. Total income from farming business (see instructions) **38**

39. Total expenses from farming business (see instructions) **39**

40. Net profit or loss from farming business (see instructions) **40**

41. Total income from farming business (see instructions) **41**

42. Total expenses from farming business (see instructions) **42**

43. Net profit or loss from farming business (see instructions) **43**

44. Total income from farming business (see instructions) **44**

45. Total expenses from farming business (see instructions) **45**

46. Net profit or loss from farming business (see instructions) **46**

47. Total income from farming business (see instructions) **47**

48. Total expenses from farming business (see instructions) **48**

49. Net profit or loss from farming business (see instructions) **49**

50. Total income from farming business (see instructions) **50**

51. Total expenses from farming business (see instructions) **51**

52. Net profit or loss from farming business (see instructions) **52**

53. Total income from farming business (see instructions) **53**

54. Total expenses from farming business (see instructions) **54**

55. Net profit or loss from farming business (see instructions) **55**

56. Total income from farming business (see instructions) **56**

57. Total expenses from farming business (see instructions) **57**

58. Net profit or loss from farming business (see instructions) **58**

59. Total income from farming business (see instructions) **59**

60. Total expenses from farming business (see instructions) **60**

61. Net profit or loss from farming business (see instructions) **61**

62. Total income from farming business (see instructions) **62**

63. Total expenses from farming business (see instructions) **63**

64. Net profit or loss from farming business (see instructions) **64**

65. Total income from farming business (see instructions) **65**

66. Total expenses from farming business (see instructions) **66**

67. Net profit or loss from farming business (see instructions) **67**

68. Total income from farming business (see instructions) **68**

69. Total expenses from farming business (see instructions) **69**

70. Net profit or loss from farming business (see instructions) **70**

71. Total income from farming business (see instructions) **71**

72. Total expenses from farming business (see instructions) **72**

73. Net profit or loss from farming business (see instructions) **73**

74. Total income from farming business (see instructions) **74**

75. Total expenses from farming business (see instructions) **75**

76. Net profit or loss from farming business (see instructions) **76**

77. Total income from farming business (see instructions) **77**

78. Total expenses from farming business (see instructions) **78**

79. Net profit or loss from farming business (see instructions) **79**

80. Total income from farming business (see instructions) **80**

81. Total expenses from farming business (see instructions) **81**

82. Net profit or loss from farming business (see instructions) **82**

83. Total income from farming business (see instructions) **83**

84. Total expenses from farming business (see instructions) **84**

85. Net profit or loss from farming business (see instructions) **85**

86. Total income from farming business (see instructions) **86**

87. Total expenses from farming business (see instructions) **87**

88. Net profit or loss from farming business (see instructions) **88**

89. Total income from farming business (see instructions) **89**

90. Total expenses from farming business (see instructions) **90**

91. Net profit or loss from farming business (see instructions) **91**

92. Total income from farming business (see instructions) **92**

93. Total expenses from farming business (see instructions) **93**

94. Net profit or loss from farming business (see instructions) **94**

95. Total income from farming business (see instructions) **95**

96. Total expenses from farming business (see instructions) **96**

97. Net profit or loss from farming business (see instructions) **97**

98. Total income from farming business (see instructions) **98**

99. Total expenses from farming business (see instructions) **99**

100. Net profit or loss from farming business (see instructions) **100**

Capital

- What you need to get your business started
- Capital is *exchanged* to get things the business needs
- Just about everyone assumes and says that Capital = MONEY (and sometimes LOTS of it)
- There are a number of FORMS of capital (be creative here)
- For example, your **time** and **money** is exchanged for taking this training course, your **knowledge** allows you to get a **loan**, the **loan** allows you to purchase a **greenhouse**, your **skills** allow you to build your aquaponic system, you tell your **social network** about your farm, and you get lots of customers to buy your produce, which gives you **money** to operate the business....

8 Forms of Capital/Assets/Currency

- **Personal** – (Time, health, freedom, recreation, spirituality, autonomy, passion)
- **Financial** – (Cash, stocks, bonds, loans, retirement fund, trust)
- **Material** – (Land, buildings, equipment, vehicles, parts, supplies, technology)
- **Living** – (Plants, fish, water, microbes, soil, animals, environment)
- **Intellectual** – (Knowledge, intuition, critical thinking, ambition, determination)
- **Experiential** – (Skills, planning, building, fixing, doing, solving problems)
- **Social** – (Communication, personality, creativity, style, message, good-will)
- **Network** – (Community connections, relationships, support-systems, culture)

Startup Capital

The “costs” to get from startup to operational

- Land, buildings, environmental controls, equipment, machinery, delivery van, furniture and fixtures, etc.
- Check the startup capital tab in the spreadsheet
- Varying price tags, varying impact on startup costs
 - Multigenerational family farm that owns their land
 - Purchasing a high end vacant city lot for \$985K
 - A city granting access to a warehouse in a blighted neighborhood for \$1
 - Leasing a greenhouse for \$650/month from a retired farmer
 - Working with a community partner who will construct the building
 - Building a greenhouse on your own property

Assets

- Once you have exchanged the capital for something you now have an asset(s)
- Some Assets are recorded on your **Balance Sheet**
- If you buy **Assets** with debt, they are also **Liabilities**
- Anything that has an identifiable value to the business
- Things you already have, buy, trade or receive
- Usually defined by a certain dollar amount (even if it didn't cost you that amount to purchase it)
- Should be insured in case something happens
- Three major "types" of assets – Fixed, Intangible, Current

Fixed, Tangible, or Long-Term Assets

- Physical things that will last the business for a long time
- Usually have a significant upfront cost
- Usually bought with a loan (considered debt or liability)
- Requires making payments usually with interest over time
- Fixed assets are often "Amortized" meaning they are listed as each payment amount over the life of the loan
- May also be "Depreciated" annually as the value decreases over time due to wear/tear, damage, etc.
- Depreciation expense is based on tax accounting and useable life (the **expense** shows up on **Income Statement**)
- *Examples - Property, Buildings, Machinery, Fixtures*

Intangible Assets

- Non-physical things that help the company start, operate or provide a competitive edge
- These are often created by doing business
- Intangible assets can also be purchased or traded
- Indefinite intangible assets – have no time limit
- Definite intangible assets – limited time period (contract)
- Do not appear on Balance Sheet (unless you purchased them) and have no specific associated dollar (fair) value
- *Examples – Brand, Trademark, Intellectual Property, Goodwill, Patent, Copyrights, Customer list, Contracts*

Current or Short-Term Assets

- Something of tangible value that can be (sold) converted into cash usually within one year
- When you buy something intended to be sold quickly (inventory), then it may be recorded on the **Income Statement** as **Cost of Goods Sold (COGS)** or other **expense**.
- The Fish and the Plants become your "Inventory"
- *Examples – cash in bank, accounts receivables, inventory, fish and plants, merchandise, possibly equipment (if sold)*

Vendors

- Businesses or people that you make purchases from
- Purchases could be for assets, inventory, supplies, services, or electronic functions
- Create your vendors list in your accounting software, including name, mailing address, phone number, website, email address, contact info, payment type, terms
- Vendors will also be added when you make purchases if you "synch" your credit cards or bank accounts
- Someone "vendors" get put together for example gas stations and restaurants

Accounts Payable (A/P)

- Vendors allow you to pay for a purchase some number of days after receiving the goods - Net 10, 15, 30, 90, etc
- Usually requires a credit check and signed contract
- Vendors don't usually charge interest unless your late paying
- Sometimes there are discounts for paying early
- Recorded in accounting software as a vendor invoice
- Then pay the invoice with a check, electronic funds transfer (EFT), Automatic Check (ACH), credit card, or other electronic payment method (Venmo, Paypal, Stripe, etc)
- Increases/decreases Accounts Payable in the Balance Sheet

Liabilities (debt)

- Loans or Obligations owed in purchasing assets
- If you *personally* choose to take out a loan or mortgage, then it won't be shown on the business Balance Sheet
- Long-term liabilities – mortgage loan (30 years), bank loan over some period of time
 - Fixed Payment – usually the same amount each month
- Short-term liabilities – credit card, accounts payable, taxes usually less than 1 year terms
 - Variable Payments – different amounts based on purchases
 - Net terms – how many days before you have to pay – Net 30

Amortization

- The schedule of payments to pay off long-term liabilities (debt) over a period of time
- Mortgage payment may include:
 - Principle (the amount that pays down the loan), deducted from the liability on the Balance Sheet
 - Interest (amount charged to borrow the money), listed as an expense on the Profit and Loss, and is a tax deduction
 - Taxes (property), this is an expense and usually is deposited each month but paid either every 6 months or annually
 - Property insurance (may/may not be included in payment)
 - Mortgage insurance (required on some loans to guard against default)

Depreciation

- The reduction of value for certain long term assets due to wear and tear, ordinary use and declining value over time
- "Straight-line depreciation" – means the same amount will be deducted each year for the useable life, until the value eventually reaches zero
- Depreciation schedule based on the "useable life" of the asset (usually 5 yrs, 10 yrs, 20yrs, 30yrs, etc)
- Current or short term assets as well as "used" or low value items may be depreciated all at once (in one tax year)
- While it doesn't represent money you pay out, depreciation shows up as an expense reducing your "profit"

Owner's Equity

- The owner's "investment" in the business
 - Cash, personal loans, mortgage against your house, draw on retirement savings, sale of stock/bonds
- The owner's claim to the business after liabilities are paid
- Usually represents tangible value (does not include your time, knowledge, skills, personal networks, etc)
- Owner's Draw – money/assets taken out of the business
- Owner identifier may change by business type
 - Partners or members equity/draw – Partnership or LLC
 - Stockholder or shareholder equity/draw - Corporation

Accrual or Cash Accounting

- Accrual accounting is when there is a delay in payments, Accrual represents the balance owed during that time
 - You buy things from vendors on net terms - Accounts Payable (Liability)
 - Customer's buy from you on net terms – Accounts Receivables (Asset)
- Cash Accounting is when you and your customers pay for all transactions at the time of sale
- The balances can be very different between Accrual and Cash
- You will use the same reporting method every year for taxes

Balance Sheet

- Built in report in most all accounting software
- $ASSETS = LIABILITIES + EQUITY + NET INCOME$
- What the company OWNS and OWES
- These two sides must BALANCE
- When you "buy" an asset it is either bought with a liability (loan) or equity (owned)
- Balance sheet is an ongoing representation of the business value.

Balance Sheet

Colorado Aquaponics

ASSETS		LIABILITIES & EQUITY	
Current Assets		Liabilities	
Checking/Savings		Current Liabilities	
Colorado Aquaponics Checking	18,895.82	Accounts Payable	5,325.87
Colorado Aquaponics Savings	5,141.85	Total Accounts Payable	5,325.87
Paypal	483.98	Credit Cards	
Petty Cash	191.22	Business Credit Card	6,610.91
Total Checking/Savings	22,712.87	Total Credit Cards	6,610.91
Accounts Receivable		Other Current Liabilities	
Total Accounts Receivable	3,650.75	Payroll Liabilities	1,786.46
Total Accounts Receivable	3,650.75	Payroll Taxes	480.00
Other Current Assets		Sales Tax Payable	159.82
Prepaid Expenses	1,277.84	Total Other Current Liabilities	2,417.38
Total Other Current Assets	1,277.84	Total Current Liabilities	14,354.16
Total Current Assets	27,641.56	Total Liabilities	14,354.16
Fixed Assets		Equity	
Accumulated Depreciation	-8,755.28	Owner's Equity	43,875.06
Aquaponic Farm Equipment	41,047.23	Net Income	8,533.14
Delivery Van	5,000.00	Total Equity	52,408.17
Tech Equipment	1,828.84		
Total Fixed Assets	39,120.79		
TOTAL ASSETS	66,762.35	TOTAL LIABILITIES & EQUITY	66,762.33

Balance Sheet

Mr. Funny Fin's Farm

ASSETS		LIABILITIES & EQUITY	
Current Assets		Liabilities	
Checking/Savings		Long-term Liabilities	
Business Checking Account	6,789.42	Mortgage Payable	435,000.00
Business Savings	4,752.13	Farm Service Loan Payable	155,000.00
Credit Union Account	16,437.97	Auto Loan Payable	10,500.00
Petty Cash	500.00	Total Long-term Liabilities	600,500.00
Total Checking/Savings	28,479.52	Current Liabilities	
Accounts Receivable	0.00	Accounts Payable	4,125.87
Total Accounts Receivable	0.00	Business Credit Card	9,741.80
Other Current Assets		Payroll Liabilities	0.00
Merchandise Inventory	975.00	Sales Tax Payable	0.00
Prepaid Expenses	1,857.44	Total Current Liabilities	13,867.72
Total Other Current Assets	2,852.44	Total Liabilities	614,367.72
Total Current Assets	31,341.96	Equity	
Fixed Assets		Owner's Equity	54,672.45
Accumulated Depreciation	0.00	Net Income (Retained Earnings)	0.00
Farm Property	475,000.00	Total Equity	54,672.45
Aquaponic Farm Equipment	69,875.24		
Greenhouse and Env Controls	78,694.13		
Delivery Van	12,500.00		
Tech Equipment	1,828.84		
Total Fixed Assets	637,898.21		
TOTAL ASSETS	669,040.17	TOTAL LIABILITIES & EQUITY	669,040.17

Balance Sheet

Mr. Funny Fin's Farm

ASSETS		LIABILITIES & EQUITY	
Current Assets		Liabilities	
Checking/Savings		Long-term Liabilities	
Business Checking Account	6,789.42	Farm Service Loan Payable	155,000.00
Business Savings	4,752.13	Auto Loan Payable	10,500.00
Credit Union Account	16,437.97	Total Long-term Liabilities	165,500.00
Petty Cash	500.00	Current Liabilities	
Total Checking/Savings	28,479.52	Accounts Payable	4,125.87
Accounts Receivable	0.00	Business Credit Card	9,741.80
Total Accounts Receivable	0.00	Payroll Liabilities	0.00
Other Current Assets		Sales Tax Payable	0.00
Merchandise Inventory	975.00	Total Current Liabilities	13,867.72
Prepaid Expenses	1,857.44	Total Liabilities	179,367.72
Total Other Current Assets	2,852.44	Equity	
Total Current Assets	31,341.96	Owner's Equity	54,672.45
Fixed Assets		Net Income (Retained Earnings)	0.00
Accumulated Depreciation	0.00	Total Equity	54,672.45
Aquaponic Farm Equipment	69,875.24		
Greenhouse and Env Controls	78,694.13		
Delivery Van	12,500.00		
Tech Equipment	1,828.84		
Total Fixed Assets	162,898.21		
TOTAL ASSETS	194,040.17	TOTAL LIABILITIES & EQUITY	194,040.17

Customers

Anyone that purchases your products and services

- Farmer Market, Farm Stand Shopper, Other farmers
- Distributor, Wholesaler, Coordinator
- Grocery Store, Co-Op, Market
- Restaurant, Café, Shop, Bar, Independent/Personal chef
- School, Church, Hospital, Business, Country Club
- Event planner, caterer, specialty venue, event attendee
- Membership, CSA share, Food box, salad subscriber
- Zoo, Farm, Aquarium, Aviary, Animal Rescue, Reptile house

Customers List

- People or businesses that buy your goods or services
- Create customers in your accounting software including name, billing address, shipping address, phone number, website, email address, contact info, payment type, terms
- Not all customers are added to the customer list
- For ease of recording we had "Farmer's Market Customer" as a catch all, and we would record all sales for the markets into that "customer" account

Forms of Payment

- Purchase Order, Sales Order, Invoice, Receipt
- Cash – dollars and cents (common at farmer's markets)
- Venmo/paypal/stripe/cash app – Online payment apps (fees may be charged depending on transaction type)
- Checks – paying customer invoices, farmer's market
- Payment gateways – for credit card processing through a webstore, terminal or phone (can have several fees)
- ACH (Automatic Clearing House) or EFT (Electronic Funds Transfer) – moves money between two banks
- Barter/Exchange/In Kind – Exchange of services or products with roughly equal "value"
- Cryptocurrency – Bitcoin, Ethereum, Dogecoin, NFTs

Accounts Receivable

- A/R is when you extend credit to your customers for an amount of time
- This is the same as Accounts Payable, except in this instance, YOU are the vendor and your customer pays YOU
- Very common if you sell items or services to a restaurant, school, business, hospital, hotel, caterer, etc.
- Increases the Current Assets in the Balance Sheet
- This is agreed to using a purchase order and/or invoice

Purchase Order

A contract to make a purchase and pay for goods exchanged

- Purchase order can be from a customer – school, hospital, restaurant, corporation to buy products from you
- The PO will be fulfilled and then invoiced for later payment
- This would be considered an asset since the customer owes you money they will pay in the future.
- You can also issue a purchase order to a vendor to buy products on credit for payment after the items arrive (this would be considered a liability to you since you owe the vendor)

Invoice

- A legal document that requests payment for goods and/or services purchased by a customer
- Includes date of sale, vendor info, customer info, terms, items sold, quantity and price, tax (if applicable), total
- Recorded in accounting software as a customer invoice
- Can be sent/paid electronically (via email, website, payment portal – like paypal or venmo)
- Can be sent/paid in person
- Can be sent/paid by paper mail
- Print 2 copies – leave one with customer at delivery and have one signed and keep with your records

Sales Order or Receipt

- A legal document that represents payment for goods and/or services purchased by a customer
- If you do not extend terms, you buy or sell in cash, credit card or electronic payment, you might use a sales order or receipt of payment as the document of sale
- Looks just like an invoice, but shows sales order or receipt as the name of the document
- Creating a sales order or receipt in accounting software will record the sale for income in the P&L, and increase the balance of the account by the payment amount (on the BS)

Chart of Accounts

You (or an accountant) will build your chart of accounts in your accounting software to record Bank balances, Assets, Equity, Income, COGS and Expenses

Checking Account	Bank	Payroll Expenses	Expenses
Savings Account	Bank	Tobacco & Alcohols	Expenses
Travel	Bank	Vehicle Tax Withholding	Expenses
Prepaid Cards	Bank	State/Local Tax Withholding	Expenses
Accounts Receivable	AR/AP	Wages	Expenses
Assets		Contract Labor	Expenses
Inventory Asset	Current Assets	Employee Training	Expenses
Prepaid Expenses	Current Assets	Professional Service	Expenses
Undeposited Funds	Current Assets	Rent/Lease	Expenses
Term Assets	Fixed Assets	License Expense	Expenses
Vehicle	Fixed Assets	Workshop space, storage, other rent	Expenses
Tech Equipment	Fixed Assets	Contract, Rental	Expenses
Accumulated Depreciation	Fixed Assets	Utilities	Expenses
Liabilities		Supplies	Expenses
Accounts Payable	AR/AP	Supplies, Parts and Supplies	Expenses
Sales Tax Payable	Current Liabilities	Post purchase	Expenses
Credit card payable	Current Liabilities	Building materials, greenhouse supplies	Expenses
Owner's Equity	Equity	Students, Adults, test kits	Expenses
Owner's Draw/Contributions	Equity	Energy, Water, Heating, Cooling	Expenses
Income		Fuel Management	Expenses
Agriculture Systems (Variable)	Income	Fuel Fuel Management	Expenses
Fuels and Equipment Sales	Income	Fuel modifications and supplies	Expenses
Gas, Heating (Variable)	Income	Small Tools and Equipment	Expenses
Net Sales	Income	Product packaging	Expenses
Inputs - Stocking	Income	Educational Supplies	Expenses
Hydroponic System Sales	Income	Operating Expenses	Expenses
Fertilizer Sales (Non-Variable)	Income	Gasoline, Oil, vehicle expenses	Expenses
Produce sales	Income	Storage, Transportation	Expenses
Commodity Sales	Income	Computer, Internet & Telephone	Expenses
Grocery Store Sales	Income	Office Supplies	Expenses
Farm's Market sales	Income	Printing Services	Expenses
Fish - Tilapia, Trout, Bass, Offish	Income	General Administration Expenses	Expenses
Fish Sales	Income	Bank, Credit Card and Payment Charges	Expenses
Oil Sales	Income	Professional Fees	Expenses
Restaurant Sales	Income	Shipping and Delivery	Expenses
Marketplace (Market, Market, etc.)	Income	Operational Expense	Expenses
Books, Fish Food (Variable)	Income	Phone and Subscriptions	Expenses
Books, Fish Food (Variable)	Income	Taxes and Licenses	Expenses
Training, Workshops, Lectures	Income	Business Expenses	Expenses
Consulting Services	Income	Insurance, Insurance	Expenses
Taxes	Income	Insurance, Insurance	Expenses
Undeposited Income	Income	Advertising and Promotion	Expenses
Draw on line of credit	Income	Travel	Expenses

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Operating Capital (cogs or Expenses)

All the day to day costs that keep the business running

Fixed costs vs variable costs (based on production)

- Facility rent (mortgage), repair & maintenance, taxes
- Vehicle expenses – either mileage or actuals (gas, tires, etc)
- Employees – payroll, insurance(s), withholding taxes
- Farm supplies – nutrients, feed, seeds, plant materials, fingerings, test supplies, pest regiments, cleaning products
- Packaging – bags, bins, boxes, office supplies, etc
- Utilities – electric, natural gas/propane, phone, internet
- Marketing costs – advertising, newsletters, booth rental

Employees

Anyone that "works" within the business operations

- May just be you, family or friends to begin with
- You may not "pay" yourself/family/friends to begin with
- What is the living wage where you are?
- Volunteers are technically only allowed in non-profits, schools, churches, etc.
- For tax purposes any "compensation" – money, housing, food, education, barter, services, etc should be reported
- Should have proper paperwork (W2, I9, other state forms)
- Should be "covered" by workers comp and unemployment
- Should withhold federal, SS, and state and local taxes

Sales Accounting Tasks

You, a bookkeeper or accountant should do these tasks

- Create Customers and record contact information (as needed)
- Enter Invoices for customers prior to sale/delivery (print 2 copies)
 - Have 1 signed by the customer to take for your records
 - Leave 1 copy for the customer for writing a check or their bookkeeper
 - Email a copy to have an electronic record as well
- Post customer payments into proper account and income category
- Review Account Receivables at least monthly
- Send statements to customers with outstanding accounts that owe money
- Issue Sales Orders or receipts for customers that need them
- Manage Petty Cash (use a cash box with paper slips or a ledger)
- Deposit cash, checks and transfer funds for other payment methods

Accounting Tasks Con't.

- Create Vendors, record contact info as needed
- Issue purchase orders or record expenses
- Enter bills, pay when due (end and middle of month)
- Pay payroll (weekly, bi-weekly, monthly, as needed)
- Pay payroll withholding (depends on pay amount/frequency - monthly, annually)
- Work with an accountant to file annual taxes

Profit and Loss Report

- Income – lists all the income for the reporting period
 - If reporting “accrual accounting” it reports sales that you have invoiced but have not yet collected payment
 - If reporting “cash accounting” it reports only sales that you have received payment for
- COGS – Cost of Goods Sold
 - The cost of selling inventory (from the balance sheet)
- Gross Sales = Income minus COGS
- Expenses – listing totals of money spent
- Net Sales = Gross Sales – Expenses

$$\text{PROFIT/LOSS} = \text{Income} - \text{COGS} - \text{Expenses}$$

Profit and Loss Continued

- Profit – A positive number indicating that there is more income than COGS and expenses during the report time
- Loss – A negative number indicating that there is not enough income to cover COGS and expenses
- Profit can increase with more sales (income)
- Profit can also increase with lower expenses
- Profit does NOT always equal cash flow
- Many businesses are NOT profitable for 3-5 years

Breakeven – the income and expenses are about equal

Cash Flow

Money flowing in and out of the business

- Most obvious representation is the “bank balance”
- Can be in the form of “dollars” if you do a lot of farmer’s markets and direct customer sales
- Balance sheet – shows the assets, equity, liabilities
- Profit and Loss – shows the revenue, COGS and expenses
- Cash is KING, without money you can’t operate very long
- Some comes from startup or operating capital
- Most “should” come from sales
- Cash flow is a MAJOR ISSUE for startup businesses

*Money is like water
We need it to live*

*But it is not the reason
We are alive*

8 Forms of Capital/Assets/Currency

- Personal – (Time, health, freedom, recreation, spirituality, autonomy, passion)
- Financial – (Cash, stocks, bonds, loans, retirement fund, trust)
- Material – (Land, buildings, equipment, vehicles, parts, supplies, technology)
- Living – (Plants, fish, water, microbes, soil, animals, environment)
- Intellectual – (Knowledge, intuition, critical thinking, ambition, determination)
- Experiential – (Skills, planning, building, fixing, doing, solving problems)
- Social – (Communication, personality, creativity, style, message, good-will)
- Network – (Community connections, relationships, support-systems, culture)

Thoughts From a Farm Service Agent

- “At the end of the day, that lettuce, that fish, that tomato....needs to pay for itself.”
- “Profit Preserves Passion!”
- “Mother nature doesn’t care about your spreadsheets.”
- “You don’t make money by growing a crop, only by selling a crop.”

Brian Cook, Colorado Farm Service Agent

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Thoughts from an investment banker

- *"We want you to succeed so you can pay all our money back"*
- *"Your numbers aren't very good, but at least they are realistic"*
- *"Focus on a few things and do them really well"*
- *"Don't waste money and time on things that don't work"*
