

Balance Sheets & Cash Flow

A Step-by Step Process!

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This document is the first of a set that lays out the farm's financials and projects income. These next few sections dealing with assets and liabilities is commonly referred to as a Balance Sheet. This is a picture, at one point in time, of the farm. It is best to complete this at the same time every year so that measures of change will be most accurate.

SA-2037 03-24-10)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency					
	FARM BUSINESS P	LAN WORKSHEET				
	Balance	e Sheet				
. NAME		2. Date of Balance Sheet				
A – CURRENT ASSETS		B – CURRENT LIABILITIES				
A. Cash and Equivalents	\$ Value	2A. Accounts Payable	\$ Amount			
1						
	-					
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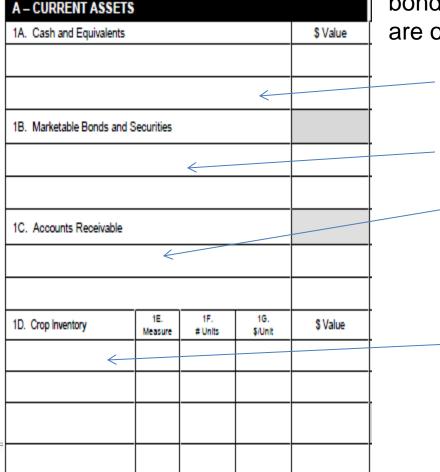
Current Assets defined as those assets that will be used up in the coming year or that can be converted to cash easily. Cash, stocks and bonds come to mind as current assets but there are others.

Cash-checking and savings account for farm

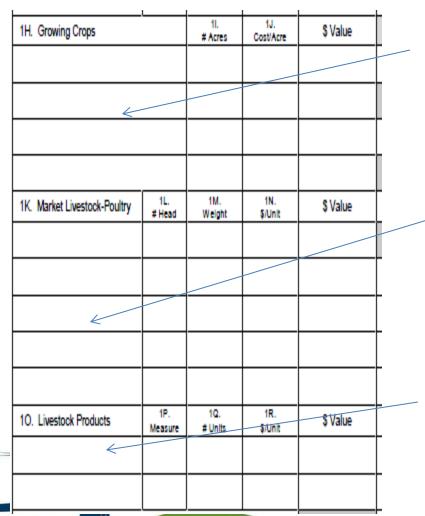
Stocks or bonds belonging to farm

Money owed to farm (that is collectable!) for example, grain delivered but check has not come.

Crops stored that farm still owns. List the unit (i.e. bu), # units, value per unit and total value. Value per unit is today's value unless under contract then list contract value.





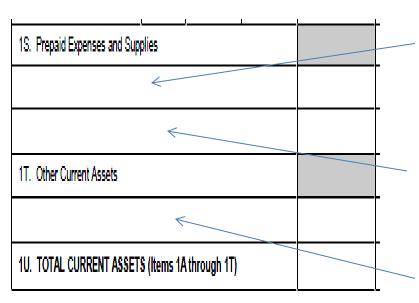


List crops growing, acres, and the cost (up through today) that has been spent on that crop.

Market livestock are those animals purchased or raised for sale/resale. DO NOT include foundation livestock.

Livestock products – i.e. wool, eggs on hand, milk in the tank, processed meat for sale





If you have pre-paid expenses like fertilizer for next year's crop but have not taken possession, list it here.

If you have purchased supplies for next year or have supplies on hand or left over, they go here.

Inventory for sale that is on hand?





Vehicles and machinery were totaled on page 4 so carry forward/the total value.

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C – INTERMEDIATE ASSETS									
3A. Machinery & Equipme	nt/Farm Vehicles	(Entered on P	age 4)	<u> </u>	[
3B. Breeding Stock	\$ Value	-							
4									
					-				
3F. Notes Receivable									
	K								
3G. Not Readily Marketab	le Bonds and Sec	curities							
		\checkmark							
3H. Other Intermediate A	ssets								
	~								
3I. TOTAL INTERMEDIA	TE ASSETS (Item	ns 3A through	3H)						

Here is where breeding stock goes – brood cows, bulls, etc. You can consolidate by category. Keep heifers and cows separate

If you have money owed to you that YOU WILL collect beyond 12 months from now, list it here.

Bonds or other chattel paper that CANNOT be converted to cash in 12 months.

Any other asset that can be converted to cash but not within 12 months and is not a part of real estate.



D – LONG TERM ASSETS 4A. Building and Improvements \$ Value 4B, Real 4C. Total 4D. Crop 4E. 4F. S/Acre Acres %Owned Estate-Land Acres 1 \$ Value 4G. Other Long Term Assets 4H. TOTAL LONG TERM ASSETS (Items 4A through 4G) 4I. TOTAL FARM ASSETS (From Items 1U, 3I and 4H)

Form 2037 – Balance Sheet

Be careful here, don't count it twice! If you can't break out bldg value from land, lump them together and show in the real estateland table.

If you have in-ground irrigation or a grain bin that is not included in your real estate tax bill, it might go here. Don't count it twice and don't list items that can easily be unbolted and carried away.

So in summary, current assets can be cash in 12 months, long term assets do not get used up by production (land) or very slowly so the rest are intermediate assets!



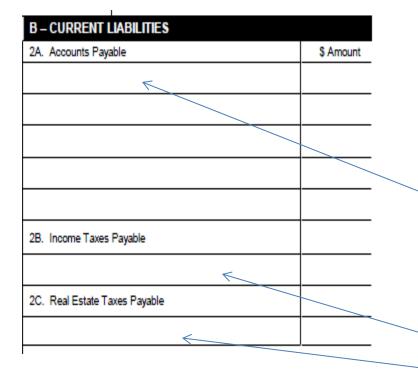
Okay, now time to look at the 'not so fun' side of the balance sheet...liabilities (debts)

Just as we have 3 categories of assets, we have 3 categories of liabilities; current, intermediate and long term (which, surprisingly enough, match real well to the asset side.

Current liabilities are those debts due in the next 12 months. Account payables might include supplier credit or crop notes. An annual operating loan would most likely go here.

Show income tax and real estate taxes that will come due in next 12 months.







2D. Creditor			2E. Purpose	
2F. Interest Rate	2G. Accured Interest	2H. Payment Amount	21. Next Payment Date	2J. Principal Balance
1) John	Deere		Tractor	
7	319	4878	12/31/x	4558
(2)				
(3)				
			-	
4)				

This table covers installment debts with payments due this year – note: each entry takes 2 lines.

For example, a 5 year note for purchase of tractor, \$20,000 at 7%, year 1 payment of \$4878 assuming loan made 5 years ago and payment due today



2K. Accrued Interest On:

Current Liabilities

(2) Intermediate Liabilities

(3) Long Term Liabilities

Current Liabilities

2M. Other Current Liabilities

(2) Intermediate Liabilities

2L. Current Portion of Principal Due On:

Form 2037

here, however. \$ Amount today would go here You will need a statement (or amortization) showing the breakdown of principal and interest due for each debt as of the day you make your Balance Sheet effective. Interest due on those payments goes here Principal on those payments goes here

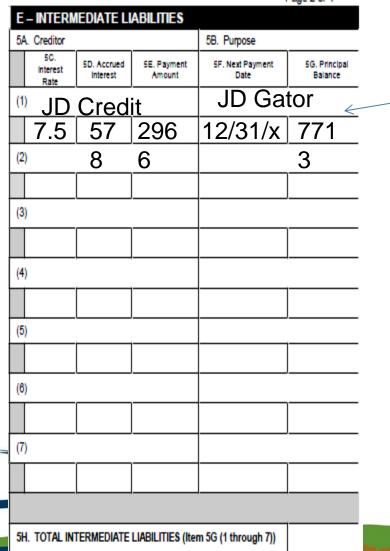
> Grain delivery contract that you have not fulfilled would go here



If current liabilities listed above included interest then don't double count. You should list principle above and interest

Our tractor note example, the interest due





This table is for debts where final payment is due beyond 12 months.

In this example, payment #3 of a 5 year loan is due. The amortization will show that payment #3 will be comprised of \$578 interest and \$2388 principle. The original amount was for \$12,000, fixed rate, annual payment.

You would repeat this process for every intermediate debt you have. Note: only the principal shows in the total – not the interest. Interest is not owed until accrued so we do not show interest in the intermediate or long term debt table.

To fully complete this entry, we would carry the interest portion of the payment due back up to current liability table.



F	- LONG T	ERM LIAB	LITIES		
6A	Creditor			6B. Purpose	
	6C. Interest Rate	6D. Accrued Interest	6E. Payment Amount	6F. Next Payment Date	6G. Principal Balance
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					
<u> </u>					

The same process of breaking down the principle and interest owed for intermediate debts applies to the long term debts.

Almost done....one more simple calculation!



6H. TOTAL LONG TERM LIABILITIES (Item 6GA (1 through 7))	
6I. TOTAL FARM LIABILITIES (From Items 2N, 5H, and 6H)	
6J. TOTAL FARM EQUITY (Item 4I minus Item 6I)	

Add your 3 liability subtotals and subtract it from your Total Assets and you get Equity or Net Worth. To check it, liabilities + equity = assets (hence the name, Balance sheet). The Equity or Net worth figure is the one that indicates how much potential security you have to offer for a loan. A positive number shows equity. A new business during certain times of the year might show negative; a negative figure on an established business would be an indicator of other problems or miscalculation





A personal balance sheet is needed for each individual

Form 2037

G – PERSONAL ASSETS	
	\$ Value
7A. Cash and Equivalents	
7B. Stocks, Bonds	
7C. Cash Value Life Insurance	
7D. Other Current Assets	
7E. Household Goods	
7F. Car, Recreational Vehicle, Etc.	
7G. Other Intermediate Assets	
7H. Retirement Accounts	
7I. Non-Farm Business	
7J. Nom-Farm Real Estate	
7K. Other Long Term Assets	
7L. TOTAL PERSONAL ASSETS (Items 7A through 7K)	
7M. TOTAL ASSETS (Item 4I and Item 7L)	

You've tackled the hard part and know the classes of assets and liabilities – this should be easy. Same rules apply.



The last part of the personal balance sheet is personal liabilities

	H – PERSO	NAL LIABI	LITIES		
Ι	8A. Creditor			8B. Purpose	
	8C. Interest Rate	8D. Accrued Interest	8E. Payment Amount	8F. Next Payment Date	8G. Principal Balance
	(1)				
L					
	(2)				
	(3)				
	(4)		-		
	8H. Other Liab	ilities			
L					
	8I. TOTAL PER	SONAL LIABI	LITIES		
l	8J. TOTAL LIA	BILITIES (Item	61 and Item 81)		
	8K. TOTAL EQ	UITY (Item 7M	l minus Item 8J)		

The one liability we have not mentioned is a contingent liability. Simply put, you owe the debt but only if certain circumstances come about. A margin call on futures hedge contract would be contingent on market going against your position.



J – MAC	HINERY AND EQUIPM	NENT					· -g- · -· ·
11A. Qty.	11B. Description	11C. Manufacturer	11D. Size/Type	11E. Condition	11F. Year	11G. Serial Number	11H. \$ Value
1	tractor	JD	4320	good	200	460001	17000
1	Gator	JD		good	6 2009		6500

This should be self explanatory but the assets from our loan examples are listed

Titled vehicles go in this section

12A.	12B.	12C.	12D.	12E.	12F.	12G.	12H.
Qty.	Description	Manufacturer	Size/Type	Condition	Year	Serial Number/VIN	\$ Value
	N.						
	•						
							E A
			100	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	- Chan		



Form FSA 2038 Cash Flow

This should be production year and not necessarily calendar year.

FARM BUSINESS PLAN WORKSHEET

1. NAME				Projected/Actual Income and Expense Z. For Production Cycle Beginning:							
			20	Thru	r:		Projected 20 Actual				
A - INCOME											
1. Crop Sales:											
			duction		1F.		Purchase			Sales	
1A. Description	1B. Acres	1C. Yield	1D. % Share	1E. #Units	Farm Use	1G. #Units	1H. \$/Unit	1I. Total \$	1J. #Units	1K. \$/Unit	1L. Total \$
1					1						
			1								
Crop name			2				\sim	\sim	-	$\wedge \wedge$	
Your total ant here	icipate	d pro	ductior	ו /		() ()	/			1	
				£		Crop		laseu	/	/	
If you con			-	/		for res	sale		Units	to be s	blo
(feed) the	n show	v amo	ount us	ed her	re				Critics		
											ANY A
					-						
				-	1 11 11 11 11 11 11 11 11 11 11 11 11 1	50 18th 5		ME-			



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2. Livestock and Poult	2. Livestock and Poultry Sales:										
24 December	2B. 2C. Purch/Raised #Units		2C. # Units		Purchases		2G. Death Loss	Sales			
2A. Description	P	R		2D. Weight	2E. \$/Unit	2F. Total \$		2H. #Units	2l. Weight	2J. \$/Unit	2K. Total \$

Same goes for livestock; show anticipated production, purchases for resale, death loss and projected sales. List sales of cull foundation stock on separate line(s)





Form FSA 2038 Cash Flow

Cull	cows	and	calves	here

FARM SERVICE AGENCY

M SERVICE AGENCY			I		I	L	L				L	I
3. Dairy Livestock Sales	s: /											
3A. Description	3 Purch/	B. Raised	3C. # Head		Purchases 3G. Death Loss			Sales				
L L	Ρ	R		3D. Weight	3E. \$/Unit	3F. Total \$			3H. #Units	3I. Weight	3J. \$/Unit	3K. Total \$
R									~			
4. Milk Sales:												
4A. Description				4B. # Head	Pro	4C. duction/Head/\	'ear	Total	4D. Production		E. ice	4F. Sales \$
1										\backslash		

Milk sales here

A producer who buys, grows and sells dairy calves would list them here





A - INCOME (Continued)			•
6. Ag Program Payments	\$ Amount	8. Custom Hire Income	\$ Amount
7. Crop Insurance Proceeds	\$ Amount	9. Other Income	\$ Amount
		10. Total Income (Items 1 through 9)	

Other income generated from the farm goes in this table





Form FSA 2038 Cash Flow

Here is where you project your expenses to be incurred for the production you just planned.

\$ Amount	23. Rent – Land/Animals	\$ Amount
	24. Repairs and Maintenance	
	25. Seeds and Plants	
	26. Supplies	
	27. Taxes – Real Estate	
	28. Utilities	
	29. Veterinary/Breeding/Medicine	
	30. Other Expenses	
	31. Other - Irrigation	
	32. Interest	
	33. Total Expenses (Items 11 through 32)	
	\$ Amount	23. Rent – Land/Animals 24. Repairs and Maintenance 25. Seeds and Plants 26. Supplies 27. Taxes – Real Estate 28. Utilities 29. Veterinary/Breeding/Medicine 30. Other Expenses 31. Other - Irrigation 32. Interest

C-NON-OPERATING

Now is when those records really come in handy. If you are not changing your production, then expenses from past year is a great starting point.



List what you take from the operation to live on or your wage. If your family and farm use one check book then list all family living expenses

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Non-farm income here (self or spouse's job)

Other expenses not captured in Owner Withdrawals

C - NON-OPERATING			
 Owner Withdrawal (Total Family Living Expenses and Non-Farm Debt Payments) 	Ý	36. Non-Farm Income	
35. Income Taxes	1	37. Non-Farm Expense	Z
D - CAPITAL			
38. Capital Sales	1	40. Capital Expenditures	1
39. Capital Contributions		41. Capital Withdrawals	1
E - WARNING			

Projected income taxes

Example – cull cows or extra equipment sold

Capital that will come into operation from another source (inheritance)

Planned capital purchases – new disc or equipment, more brood cows

Capital that will leave the farm account that does not go to family living (timeshare in Aruba??)