

FARM VIABILITY TRAINING

MODULE I
FINANCIAL
FOUNDATIONS
FOR FARMERS

Presented by



PROVIDED BY



MOD 1 AGENDA

- Chart of Accounts
 - Reconciling
 - Profit + Loss
 - Group Exercise
 - ~~Balance Sheet~~
 - ~~Budget / Cash Flow~~
- Concepts
- Q/A



WE FARM SO WE CAN DO WHAT WE LOVE

But farming is more than a lifestyle, it's your livelihood.

Making space to work on your business will ensure you can keep pursuing your passion with purpose.



ACCOUNTING SYSTEM

Why is financial record keeping important?

Recording my farm's sales activities



Recording expenses



Recording banking & credit card activities



- Getting invoices paid!
- Tracking cash flow
- Knowing costs
- Value of what you've invested
- Forecasting year-end profit
- Knowing when you need a loan or credit
- Planning for next year
- Can I afford this ____ ?
- Did I deposit that payment?
- Where'd that cash go?



ANALYSIS TOOLS

What do we need to be standardizing into our business practices?

Weekly



- Sales Receipts and Invoices
- Recording Expenses
- Labor Use vs Projections

Monthly



- Comparing Actuals vs Budget
- Reconciling Accounts
- Monthly Financial Review and Dashboard of Key Metrics/Ratios

Annually
and as needed



- Annual Strategic Plan and Actions
- Projections by Customer & Crop
- Building a Budget
- Using Opportunity Assessment Tools for Investment Priorities





"What gets measured, gets managed"

-Peter Drucker





○ CHART OF ACCOUNTS

What is it, and why does it matter?



CHART OF ACCOUNTS

Provides a complete listing of every account in an accounting system.

Income and Expense
Accounts



Profit and Loss
Statement

~~Asset, Liability, and
Equity Accounts~~



~~Balance Sheet
Statement~~

Text

**FOR THE OAHU COHORT WE WILL ONLY FOCUS ON THE INCOME & EXPENSE ACCOUNTS ON THE PROFIT & LOSS STATEMENT, NOT THE LIABILITY AND ASSET ACCOUNTS ON THE BALANCE SHEET.*

Profit and Loss

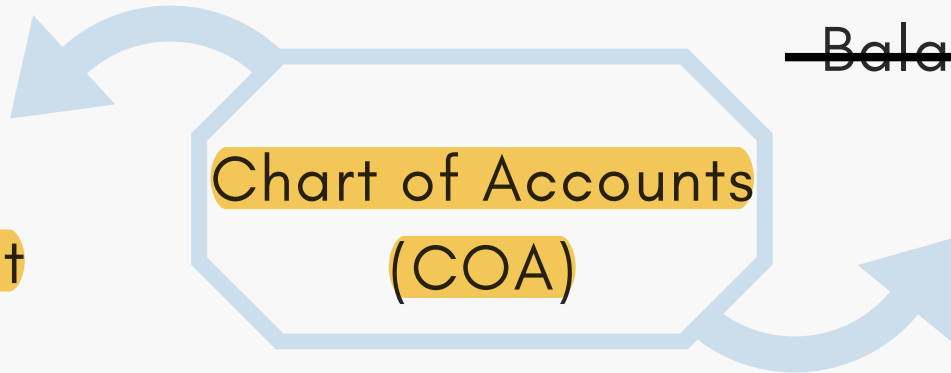


Annual Budget



Monthly Projections

Chart of Accounts
(COA)



~~Balance Sheet~~



~~Debt Schedule~~



~~Cash Flow~~



CHART OF ACCOUNTS

The Basic Theory:

**It boils down to
seven types of
numbers**

PROFIT+LOSS ACCOUNTS

- Income
- Cost of Goods Sold (COGS)
- Labor
- General and Admin (G+A)
- Operating Expenses
- Fixed Expenses
- One-Time Expenses

CHART OF ACCOUNTS

Overview

Structure of the
Profit + Loss (P+L)
Statement

- Income
- Cost of Goods Sold (COGS)

→ **Gross Profit**

- Operating Expenses
- Labor
- General + Administrative
- Fixed Expenses
- One-Time Expenses

→ **Net Profit**

CHART OF ACCOUNTS

Parent Categories
vs
Subcategories

- General + Administrative
 - ➔ Office supplies & postage
 - ➔ Marketing expenses
- Operating Expenses
 - ➔ Repairs and maintenance
 - ➔ Fuel

Tip: Can't remember what types of transactions go where?

Create a legend for your chart of accounts. Consistency is key.

CHART OF ACCOUNTS

Why does proper
categorization matter
so much?

We need to see trends!

- Budget accuracy
- Consistency for month to month comparisons to identify trends
- Decision making for how to spend - what can change vs what can't
- ~~Bonus! Benchmarking with peers~~

INCOME STREAMS

Keeping it Simple

You don't an account
for every little thing.

- Set up income accounts in the Chart of Accounts (COA) **based on enterprises**, not customers.
 - Produce, chicken, resale instead of market 1, market 2, market 3.
- Don't complicate the COA!
 - If the expense is a smaller amount annually than you'd budget for, don't create a separate account. Instead, group them in a more general account and add memos for transactions.

COST OF GOODS SOLD (COGS)

Cost of Goods
Sold (COGS) includes the
inputs that are DIRECTLY
part of the thing you are
selling.

- Cost of Goods Sold can be crucial in assessing whether to keep, drop, or expand an enterprise!
- Tracked properly, COGS provide clarity and power for decision making

GROSS PROFIT
VS
GROSS MARGIN

Income
(minus) COGS =
Gross Profit

Gross Profit
(divided by) Income =
Gross Margin

(e.g., \$130k of income, less \$50k of COGS equals \$80k gross profit, resulting in 61.5% gross margin. You maintained over 60% of your total sales to cover all your other expenses.)

GROSS PROFIT VS GROSS MARGIN

- GP is just Income minus COGS
- GM tells you how your GP stacks up as a % of your total sales

	Low Income & Reasonable COGS	High Income & High COGS
Total Income	\$100,000	\$500,000
Total COGS (with Direct Labor)	\$50,000	\$450,000
Gross Profit (Income less COGS)	\$50,000	\$50,000
Gross Margin (Gross Profit / Total Income)	50%	10%

Gross Profit is the same in both scenarios, but Gross Margin is vastly different!

GROSS MARGIN BY ENTERPRISE

Gross margin can be calculated by enterprise if the COA is set up properly.

To analyze gross margin by enterprise (produce vs chicken), you need an income account and a corresponding COGS account - i.e., 'Produce Income' and 'Produce COGS'.

Then you can make decisions about growth, pricing, or streamlining using the story your P+L tells.

RECONCILING

Why it matters and how it helps you



FROM FEED TO FINISH

Grab a Coffee and Settle In by the 10th Day of Each Month

Gather current monthly statements for all your accounts, with or without feeds.

Categorize your transactions. (Ideally this happens weekly.)

Use your statements to double check the transactions in your accounting system.

Do you have a 'zero' difference?



FROM FEED TO FINISH

There are several things that could go wrong and require troubleshooting.

Don't Despair!

- User error with an incorrect Add, Match, or Transfer
- Duplicates in the feed that both end up in the Register
- Issues with already reconciled transactions that were modified or deleted
- Dates on feed transactions don't match dates on actual statement



**CLEAN
ACCOUNTING
= EASY
BUDGETING**

Wouldn't you rather have
a guide to your
spending?

- Planning
- Mid-season decision making
and course correction
- Accountability for all
- Simple building block of
historical P+L
- We'll demo KTC's budget
building model, step by step

ACTIVITY

Chart of Accounts

- Organize the 'Messed up COA'
- Take a crack at building your own COA





PROFIT AND LOSS REPORT

An accounting system is a tool.
Make sure it's one YOU can use!

PROFIT + LOSS

This financial statement is a history of income and expenses, categorized line by line.

Income and expenses are recorded and grouped by type with ongoing bookkeeping in order to generate this report accurately.

The Profit and Loss (P+L) does **not** include assets and liabilities, such as property and loans.

PROFIT + LOSS

What are we trying to understand with this report?

- Comparisons showing changes, which create questions around income and expenses
- Come to conclusions and take action based on the activity
- Gain insight from looking at key ratios

PROFIT AND LOSS

Income
COGS
GP/GM
Labor

Small Produce Farm						
Profit and Loss						
January - December 2021						
	2019		2020		2021	
	Total		Total		Total	
Income						
400 Produce Income	145,017		187,912		216,905	
Total Income	\$ 145,017		\$ 187,912		\$ 216,905	
Cost of Goods Sold						
500 Produce COGS						
501 Packaging	0		0		801	
502 Seed & Plants	10,768		13,997		7,636	
503 Single Use Supply	0		0		162	
Total 500 Produce COGS	\$ 10,768		\$ 13,997		\$ 8,600	
510 Resale Items Purchases	8,158		37,362		23,040	
Total Cost of Goods Sold	\$ 18,926		\$ 51,359		\$ 31,639	
Gross Profit	\$ 126,091	87%	\$ 136,553	73%	\$ 185,266	85%
Expenses						
600 Labor						
601 Salaries + Wages	24,796		55,888		55,671	
602 Payroll Taxes	8,603		18,457		22,976	
604 Worker's Comp Ins	0		0		1,017	
Total 600 Labor	\$ 33,399	23%	\$ 74,345	40%	\$ 79,664	37%

PROFIT AND LOSS

Detailed Expenses

	2019		2020		2021	
700 Operating						
701 Small Tools & Equipment	11,641	8%	8,871	5%	6,815	3%
702 Supplies	8,869	6%	16,768	9%	9,738	4%
703 Merchant Account Fees	568	0%	315	0%	140	0%
704 Gasoline, Fuel & Oil	4,204	3%	3,483	2%	4,485	2%
705 Fertilizers & Lime	721	0%	6,280	3%	5,118	2%
706 Equipment Lease or Rental	0	0%	5,354	3%	3,106	1%
707 Repairs & Maintenance	13,210	9%	3,399	2%	7,767	4%
708 Vehicles	12,876	9%	3,788	2%	828	0%
Total 700 Operating	\$ 52,089	36%	\$ 48,258	26%	\$ 37,997	18%
800 General + Admin						
801 Marketing Expense	1,008		1,067		1,513	
802 Payroll Services	350		572		624	
803 Food & Beverage Purchases	0		0		118	
804 Memberships & Dues	0		295		2,094	
805 Office Supplies	125		187		1,920	
806 Bank Charges & Fees	5		0		2	
Total 800 General + Admin	\$ 1,488	1%	\$ 2,121	1%	\$ 6,271	3%
900 Fixed						
901 Insurance						
901.1 General Liability	705		1,589		1,175	
901.2 Vehicles	1,287		2,078		2,105	
Total 901 Insurance	\$ 1,992		\$ 3,667		\$ 3,280	
904 Taxes + Licenses	1,248		2,049		5,646	
905 Utilities	4,996		4,163		5,133	
Total 900 Fixed	\$ 8,236	6%	\$ 9,879	5%	\$ 14,059	6%

P+L COMPARISON

One Time, Other, Net

	2019		2020		2021	
950 One Time Expense	0		0		20,265	
Total Expenses	\$ 95,212	66%	\$ 134,603	72%	\$ 158,256	73%
Net Operating Income	\$ 30,879	21%	\$ 1,950	1%	\$ 27,010	12%
Other Income						
960 Agricultural Grants	705		29,729		4,477	
970 Consulting Income	1,250		22,930		16,538	
Total Other Income	\$ 1,955	1%	\$ 52,659	28%	\$ 21,015	10%
Other Expenses						
980 Owner Draw	4,820		12,841		5,986	
981 Health Ins	565		11,421		11,219	
982 Personal Rent	14,400		14,400		14,400	
983 Personal Utilities	329		1,711		3,075	
984 Child Care						
Total 980 Owner Draw	\$ 20,115		\$ 40,373		\$ 34,680	
Total Other Expenses	\$ 20,115		\$ 40,373		\$ 34,680	
Net Other Income	-\$ 18,160		\$ 12,286		-\$ 13,666	
Net Income	\$ 12,720	9%	\$ 14,236	8%	\$ 13,344	6%

P+L COMPARISONS: COLLAPSED

	2019		2020		2021	
	Total		Total		Total	
Income						
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Small Produce Farm Profit and Loss

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Net Income	\$ 12,720	\$ 14,236	\$ 13,344
		9%	6%

***EXAMPLE FOR ADDING YOUR PERSONAL BUDGET
(MANAGERIAL ACCOUNTING)**



GROUP EXERCISE

Let's practice building the P+L Accounts





WHY WE CARE

What's the number one reason farms fail?

**SNEAK
PEEK**

BREAKEVEN MODEL

1. Model a monthly budget based on your annual budget (P+L basis)
2. Create a debt schedule using your Balance Sheet
3. Subtract monthly debt service payments from monthly bottom line
4. Add back in any liability interest that may be in the P+L budget
5. Calculate to arrive at a net operating cash per month
6. Create a rolling cash calculation by month to find the cash gaps
7. Use KTC's Sensitivity tool in the budget model to find breakeven

You can also do a breakeven analysis over time (i.e, 2-3 years operating). The KTC Budget Model is a great place to start this process!



BUDGET + CASH FLOW

Feed for livestock	% of sales	2%	\$ 3,512	\$ 204	\$ 195	\$ 228	\$ 248	\$ 347	\$ 373	\$ 413	\$ 370	\$ 356	\$ 391	\$ 254	\$ 133
Repairs & Maintenance	% of sales	3%	\$ 5,268	\$ 306	\$ 293	\$ 341	\$ 372	\$ 520	\$ 559	\$ 619	\$ 555	\$ 535	\$ 587	\$ 381	\$ 199
Credit Card Process Fees	% of sales	2%	\$ 3,512	\$ 204	\$ 195	\$ 228	\$ 248	\$ 347	\$ 373	\$ 413	\$ 370	\$ 356	\$ 391	\$ 254	\$ 133
Sales Supplies for Market	% of sales	1%	\$ 1,756	\$ 102	\$ 98	\$ 114	\$ 124	\$ 173	\$ 186	\$ 206	\$ 185	\$ 178	\$ 196	\$ 127	\$ 66
Utilities	% of sales	4%	\$ 7,025	\$ 408	\$ 391	\$ 455	\$ 496	\$ 693	\$ 745	\$ 826	\$ 740	\$ 713	\$ 782	\$ 509	\$ 266
Rentals	% of sales	6%	\$ 10,537	\$ 612	\$ 586	\$ 683	\$ 745	\$ 1,040	\$ 1,118	\$ 1,239	\$ 1,111	\$ 1,069	\$ 1,173	\$ 763	\$ 398
Total Operating Expense			\$39,337	\$ 2,284	\$ 2,189	\$ 2,549	\$ 2,780	\$ 3,884	\$ 4,174	\$ 4,625	\$ 4,146	\$ 3,993	\$ 4,379	\$ 2,848	\$ 1,487
Uncategorized Expense															
Total Expenses			\$131,333	\$8,175	\$7,910	\$8,914	\$9,556	\$12,631	\$13,440	\$14,695	\$13,363	\$12,935	\$14,012	\$9,747	\$5,956
Net Operating Income			\$32,375	\$1,847	-\$143	\$149	\$288	\$1,265	\$1,495	\$5,117	\$8,804	\$6,338	\$1,658	\$445	\$5,112
Other Expenses															
Owner Draw	Budgeted	7000	\$ 7,000	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583
Childcare	Budgeted	10000	\$ 10,000	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833	\$ 833
Health Insurance, Owner	Budgeted	5000	\$ 5,000	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417
Total Owner Draw			\$22,000	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833
Reconciliation Discrepancies															
Total Other Expenses			\$22,000	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833	\$1,833
Net Other Income			-\$22,000	-\$1,833	-\$1,833	-\$1,833	-\$1,833	-\$1,833	-\$1,833	-\$1,833	-\$1,833	-\$1,833	-\$1,833	-\$1,833	-\$1,833
Net Income			\$10,375	\$13	-\$1,977	-\$1,685	-\$1,545	-\$568	-\$338	\$3,283	\$6,971	\$4,505	-\$175	-\$1,389	\$3,279
			<i>Add interest expense back in!!</i>	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208
			Monthly Debt Service	\$ 3,740	\$ 3,740	\$ 3,740	\$ 3,740	\$ 3,740	\$ 3,540	\$ 3,440	\$ 3,440	\$ 3,440	\$ 3,440	\$ 3,440	\$ 3,440
			Monthly Net Cash	\$(3,518)	\$(5,508)	\$(5,216)	\$(5,077)	\$(4,100)	\$(3,670)	\$ 52	\$ 3,739	\$ 1,273	\$(3,407)	\$(4,620)	\$ 47
															\$ (30,005)

The cash flow projection for this farm is dire. They need to rework their budget to cut expenses or increase sales in order to pay their annual debt service. The "Sensitivity" feature of the budget model helps an owner discover breakeven.



FARM VIABILITY TRAINING

MODULE 2

INTRODUCTION
TO FINANCIAL
RATIOS

Presented by



PROVIDED BY



AGENDA

- What are financial ratios
- Why use ratios
- Calculations
- How to compare and interpret
- 4 Farms Case Study





***Performance metrics are numbers
in context, results related to the
strategic goals of the business.***

-Pearl Zhu



RATIO ANALYSIS

What and Why

- Financial Ratios show the relationship between numbers
- We have a go-to list of key ratios for financial management.
- The metrics that align most closely with strategic goals and financial performance are labeled "Key Performance Indicators" or KPI's



RATIO ANALYSIS

Beware!

- Consistency is key!
- Your categorization of your transactions must be diligently aligned month to month for true comparison.
- Peer groups can use ratios to compare or "benchmark" financials. Why? To inspire sharing of best practices.



METRICS & KPI'S

Why run all metrics?
Why not just KPI's?

- Indicator of business areas that are out of control or not performing to expectations
- Metrics will become the content for client's performance dashboard



KTC'S SMALL FARM RATIOS

Worksheet of Ratios

- Sales per Employee
- Labor as % of Sales
- Gross Margin
- Inventory Turns
- Average Pay per Employee
- \$ of Sales per \$1 of Assets
- Total Sales / Number Employees
- Total Labor \$ / Total Sales
 - with and without owner pay
- Gross Profit / Total Sales
- Gross Profit / Year End Inventory
- Total Labor / Number Employees
- Total Sales / Assets (Equipment)



What other metrics have you found valuable?



4 FARMS CASE STUDY: GETTING FINANCIALLY NAKED

Roundtable Case Study
with Real Numbers
from Real Farms





4 FARMS CASE STUDY: GETTING FINANCIALLY NAKED

Part 1: Using reports & ratio analysis

Part 2: Diving deeper with benchmarking

4 groups - your farm's case

Group sharing

Benchmarking review

Discussion and integration



OUR INTENT TODAY

- Show the value of financial collaboration
- Practice skills and gain comfort with ratio analysis and benchmarking reports

CASE STUDY

Roundtable Case Study, 4 Groups

- Internal group questions
- Group information sharing
- Financial ranking information
- Moderated Q & A
- Conclusions
- KTC's Take Home Lessons
- Next Steps
- Questions



CASE STUDY

Financials of Four
Real World Farms



ROUNDTABLE CASE STUDY

Financial Ranking Information

- Why are financial ratios important?
- What can we learn from this exercise about our own business?
- Who do we want to network with and learn from?
- How can we help others?



KEY RATIOS, SORTED



Rank	Farm/Year	Sales per employee	Farm/Year	Sales per total acres	Farm/Year	COGS as % of sales	Farm/Year	Marketing as % of sales	Farm/Year	\$ of Sales per \$1 of Fixed Assets
1	#2-18	\$ 49,384	#3-18	\$30,627	#1-17	40%	#2-17	9%	#1-17	\$ 11.56
2	#2-17	\$ 41,841	#3-17	\$27,799	#1-18	38%	#4-17	8%	#2-17	\$ 6.57
3	#1-17	\$ 38,158	#2-18	\$13,169	#4-17	17%	#2-18	4%	#1-18	\$ 6.06
4	#3-18	\$ 26,632	#2-17	\$11,158	#4-18	16%	#4-18	3%	#3-17	\$ 3.66
5	#3-17	\$ 24,173	#4-17	\$6,540	#2-18	12%	#3-18	1%	#3-18	\$ 3.28
6	#1-18	\$ 20,254	#4-18	\$5,572	#3-17	10%	#1-17	1%	#4-18	\$ 1.52
7	#4-17	\$ 19,621	#1-17	\$4,579	#3-18	10%	#1-18	1%	#4-17	\$ 1.51
8	#4-18	\$ 16,715	#1-18	\$2,430	#2-17	6%	#3-17	0.4%	#2-18	\$ 0.40
Rank	Farm/Year	Labor as % of Sales	Farm/Year	Sales per acre farmed	Farm/Year	Gross Margin	Farm/Year	Repair/Maint as % of expenses	Farm/Year	OpEx as % of Sales
1	#4-18	53%	#3-18	\$40,835	#2-17	94%	#1-18	15%	#2-17	20%
2	#2-18	52%	#2-18	\$39,507	#3-18	90%	#1-17	8%	#1-17	20%
3	#4-17	45%	#3-17	\$37,066	#3-17	90%	#2-17	4%	#1-18	19%
4	#3-17	41%	#2-17	\$33,473	#2-18	88%	#4-17	3%	#3-18	14%
5	#3-18	41%	#1-17	\$15,263	#4-18	84%	#3-17	3%	#3-17	13%
6	#2-17	26%	#4-17	\$14,015	#4-17	83%	#4-18	3%	#2-18	11%
7	#1-17	18%	#4-18	\$11,939	#1-18	62%	#2-18	2%	#4-17	10%
8	#1-18	7%	#1-18	\$8,101	#1-17	60%	#3-18	2%	#4-18	8%

ROUNDTABLE CASE STUDY

Moderated Q & A

- If your group could ask 2 questions of any other business in the study, what would they be?

Let's answer them and learn!



FINANCIALS - ALL 4 FARMS



PROFIT AND LOSS	2018	2017	2018	2017	2018	2017	2018	2017
	Farm 1	Farm 1	Farm 2	Farm 2	Farm 3	Farm 3	Farm 4	Farm 4
Sales	\$ 121,522	\$ 228,945	\$ 197,537	\$ 167,364	\$ 612,531	\$ 555,983	\$ 83,573	\$ 98,105
- COGS	\$ 45,901	\$ 92,498	\$ 24,464	\$ 10,783	\$ 63,147	\$ 57,876	\$ 13,403	\$ 17,004
Gross Profit	\$ 75,621	\$ 136,447	\$ 173,073	\$ 156,581	\$ 549,384	\$ 498,107	\$ 70,170	\$ 81,101
	62%	60%	88%	94%	90%	90%	84%	83%
- Opex	\$ 23,648	\$ 44,856	\$ 21,040	\$ 33,505	\$ 87,779	\$ 71,336	\$ 6,939	\$ 9,658
----Repairs & Maintenance	\$ 12,277	\$ 12,527	\$ 4,568	\$ 6,290	\$ 8,975	\$ 10,887	\$ 2,384	\$ 3,457
- G & A	\$ 9,449	\$ 25,872	\$ 20,642	\$ 38,640	\$ 12,270	\$ 25,502	\$ 14,449	\$ 23,863
----Marketing	\$ 733	\$ 1,935	\$ 8,443	\$ 14,246	\$ 5,674	\$ 2,434	\$ 2,748	\$ 7,749
- Fixed	\$ 23,789	\$ 21,331	\$ 6,750	\$ 12,992	\$ 16,971	\$ 18,604	\$ 19,320	\$ 20,383
- Labor	\$ 8,091	\$ 41,798	\$ 103,596	\$ 42,715	\$ 252,641	\$ 229,436	\$ 44,236	\$ 43,679
- One Time	\$ 5,428	0	\$ 32,659	\$ 5,330	\$ 30,320	\$ 21,550	0	0
Net Profit	\$ 5,216	\$ 2,590	\$ (11,614)	\$ 23,399	\$ 149,403	\$ 131,679	\$ (14,774)	\$ (16,482)
Net Profit as % of Sales	4.3%	1.1%	-5.9%	14.0%	24.4%	23.7%	-17.7%	-16.8%

BALANCE SHEET	2018	2017	2018	2017	2018	2017	2018	2017
	Farm 1	Farm 1	Farm 2	Farm 2	Farm 3	Farm 3	Farm 4	Farm 4
Total Long Term Debt	\$ 55,110	\$ 36,125	\$ 309,360	0	34,408	15,344	\$ 54,180	\$ 61,163
Assets: Long Term (land and buildings)	\$ 15,218	\$ 14,968	\$ 470,000	0	\$ 147,379	\$ 145,135	0	0
Assets: Short Term (equipment, accounting for depreciation)	\$ 4,843	\$ 4,843	\$ 25,472	\$ 25,472	\$ 39,497	\$ 6,587	\$ 55,068	\$ 65,169
A/P	0	0	0	0	\$ 2,432	\$ 6,188	\$ 1,166	\$ 560
A/R	\$ 6,052	\$ 1,438	\$ 1,230	\$ 895	\$ 5,800	0	\$ 4,269	\$ 2,138
Equity	\$ (111,159)	\$ (89,521)	\$ 182,643	\$ 54,183	\$ 155,836	\$ 130,190	\$ (7,417)	\$ 3,253

FINANCIALS - ALL 4 FARMS



OPERATIONAL DATA	Farm 1		Farm 2		Farm 3		Farm 4	
Years in Business	9		5		25		10	
Total Acres	50		15		20		15	
Vegetable Acres Farmed	15		5		15		7	
Sales Channels/Customers	200 CSA, 3 Markets, 10 Whls		75 CSA, Farm Stand, 3 Markets		150 CSA, 3 Markets, 45 Whls		100 CSA, 1 Market, 5 Whls	
Number Seasonal Employees	4		3		20		4	
Number Non-Seasonal Employees	2		1		3		1	
Land owned or rented?	Owned		Owned		Owned		Rented	
Initial Financing	FSA Loan		Mortgage		self		Self	
Growth Financing	Family		VAPG		self & mortgage		FSA Loans	
Ownership Structure	S corp		Sole Prop		LLC		LLC	

KEY RATIOS	2018		2017		2018		2017		2018		2017	
	Farm 1	Farm 1	Farm 2	Farm 2	Farm 3	Farm 3	Farm 3	Farm 3	Farm 4	Farm 4	Farm 4	Farm 4
Sales per employee	\$ 20,254	\$ 38,158	\$ 49,384	\$ 41,841	\$ 26,632	\$ 24,173	\$ 16,715	\$ 19,621				
Sales per total acres	\$ 2,430	\$ 4,579	\$ 13,169	\$ 11,158	\$ 30,627	\$ 27,799	\$ 5,572	\$ 6,540				
Sales per acre farmed	\$ 8,101	\$ 15,263	\$ 39,507	\$ 33,473	\$ 40,835	\$ 37,066	\$ 11,939	\$ 14,015				
COGS as % of sales	38%	40%	12%	6%	10%	10%	16%	17%				
Gross Margin	62%	60%	88%	94%	90%	90%	84%	83%				
OpEx as % of sales	19%	20%	11%	20%	14%	13%	8%	10%				
Labor as % of sales	7%	18%	52%	26%	41%	41%	53%	45%				
Marketing as % of sales	1%	1%	4%	9%	1%	0.4%	3%	8%				
Repair/Maintenance as % of expenses	15%	8%	2%	4%	2%	3%	3%	3%				
\$ of Sales per \$1 of Fixed Assets	\$ 6.06	\$ 11.56	\$ 0.40	\$ 6.57	\$ 3.28	\$ 3.66	\$ 1.52	\$ 1.51				

ROUNDTABLE CASE STUDY

Conclusions

What's next?

- How to measure gross profitability across different enterprises and best practices
- Let's discuss employee productivity
- What about assets, debt and the balance sheet?
- New sales opportunities

This is what we see. What do you see? What would you want if this was your group?



TAKE HOME LESSONS

Chart of Accounts
Basic Theory

Seven Numbers

- Sales
- Cost of Goods Sold (COGS)
- Labor
- General and Admin (G&A)
- Operating Expenses
- Fixed Expenses
- One-Time Expenses



KTC'S KEY RATIOS

Next Steps!

- Do you need to re-org your chart of accounts?
- What are healthy ranges?
- Is there any indication of business areas that are out of control or not performing to expectations?
- Will you set up a dashboard?
- Will you use your Quickbooks differently?



OTHER KPI'S

Marketing KPI's

- Average order value (by customer type)
- Sales by product line
- Website visitors
- E-commerce conversion rate
- Wholesale customer close rate
- Average order frequency
- E-mail open rate
- E-mail click through rate
- E-mail list size or growth rate
- Customer satisfaction rate
- Customer lifetime value
- Marketing campaign ROI
- and so many more...!

Operations KPI's

- Production per hour (pounds, jars, etc)
- Cost by crop (labor tracking)
- % Yield (meat, VAP, etc)
- and so many more!!!

What other metrics have you found valuable?



COMPARING KEY METRICS

How to use the numbers

Calculate, then compare:

- Period vs. period, such as year over year
- Actuals vs. budget
- Across enterprises
- Benchmarking

Over or under?

- Good or bad? Why?
- Strategy for improvement
- Red yellow green
- Monitor change

Monthly monitoring

Quarterly trends spur action



HOMework

Chart of Accounts

- Organize the 'Messed up COA'
- Take a crack at building your own COA
- Use my office hour!



• THANK YOU •

QUESTIONS?

REBECCA B. FRIMMER

REBECCA@KITCHENTABLECONSULTANTS.COM

703.593.5420



QUICK PEEK
WORKSHOP 2: BUDGET BUILDING PROCESS



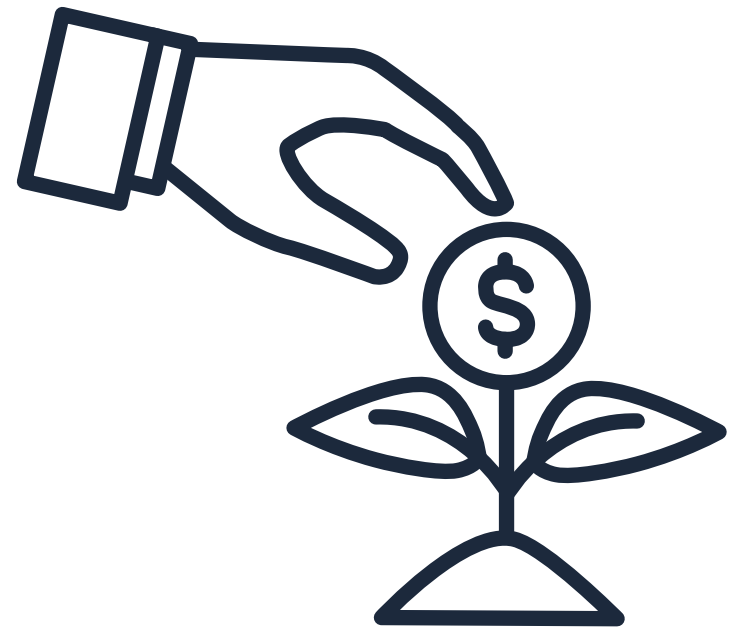
**BUDGET
BUILDING.
WHY BOTHER?**

- Sales goals
- Planning for profit
- Actuals vs budget to determine success
- Routine of administering your business—not just selling and paying bills
- Historical records for future planning

CASH FLOW

8 WAYS TO INCREASE CASH

1. Increase Cash Sales
2. Increase Gross Margins
3. Decrease Cash Expenses
4. Increase AP Balance
5. Decrease AR Balance
6. Sell Assets
7. Increase Liabilities
8. Equity Investments



DETAIL YOUR INFLOWS

Week starting	7/26	8/2
Starting cash	\$4,300	\$15
Incoming Cash		
Customer 1 - Farm market	\$800	
Customer 2 - CSA	\$500	
Customer 3 - Whole Foods	\$400	
Customer 4 - Feesers	\$1,500	
Customer 5 - Barn2Door	\$550	
Customer 6		
Customer 7		
Customer 8		
Online Sales		
Customer 10		
Other Wholesale Sales		
Loan Income / Grant		
Investors		
Asset Sales		
Total Inflows	\$3,750	\$0

Record the potential CASH inflows for the week – you'll have to make some educated guesses based on trends at market, your other sales channels, and which customers will be paying for invoices.



CASH OUTFLOW

There are several forms of cash outflow to consider. We've grouped them in this sheet to help with the projections and to generalize them, streamlining the process of entering your data. You can group monthly/weekly expenses that don't fluctuate and that you pay in the same week of the month.

Outflows		
Fixed Costs (gotta pay or negotiate hard!)		
Rent	\$600	
Utilities	\$375	
Interest + Debt Payment	\$260	
Phone/Internet	\$200	
Variable Costs (no terms)		
Direct Labor	\$1,600	
Management Labor	\$500	
Monthly Credit Card Payments	\$750	
LOC Payments	\$550	
Repair + Maintenance	\$1,450	
Accounts Payable Bills to Pay (Who am I paying (10 - 15)		
Vendor 1 - Greenhouse supply co.	\$1,000	
Vendor 2 - Hardware Store	\$200	<----- W
Vendor 3 - Seed Co.	\$550	
Vendor 4		
Vendor 5		
Vendor 6		
Vendor 7		
Vendor 8		
Vendor 9		
Vendor 10		
All Other Bills You CAN Pay		
Total Outflows	\$8,035	\$0



