



BUSINESS TOOLS

Preparing Agricultural Financial Statements

Thoroughly understanding your business' financial performance is critical for success in today's competitive agricultural, forestry and fisheries environments. Accurate records and financial statements are the foundation needed to analyze the financial condition and trends of your operation. All agricultural businesses, from small part-time farms to large commercial operations, require updated financial statements on a regular basis to track financial progress.

How do financial statements prove useful?

As a tool for management

Successful managers use financial statements in combination with production records to identify strengths and weaknesses in their operation. In addition to tracking trends in assets and liabilities, financial statements can reveal where revenues are originating and where expenses are occurring. Financial statements can be used to time cash expenditures and plan for credit needs. Finally, these statements provide the critical data for ratio analysis and benchmarking.

As a tool for use with lenders and other professionals

Lenders request, and in most cases require, an accurate set of financial statements to accompany a credit request. A carefully prepared set of financial statements shows you have a detailed understanding of your business and its repayment capacity. Others, such as attorneys and financial planners, also need financial statements for services such as estate and retirement planning, organizational establishment and buy-sell agreements for business transition purposes.

Tip: Take time to review year-end statements prepared by your accountant to better understand the true financial position of your business.

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Tip: All ag businesses require regular financial statements to track progress.

As a tool for tax compliance

A carefully prepared set of financial statements can make life much easier when tax time comes around.

This prevents last minute information collection and provides peace of mind in an IRS audit. Financial statements can be prepared by individuals, in-house employees or accountants. Statements prepared by accountants will range from simply compiling a business owner's numbers, to reviewing and reconciling numbers, to a formal, unqualified audit. Even if you have an accountant that keeps your operation's books and prepares your taxes, it's still important to understand how financial statements are prepared. Although accountants are professionals and are knowledgeable in their field, no one understands your business like you do.

Financial statements include the balance sheet, income statement, statement of owner equity, statement of cash flows and cash flow projection. Our discussion will focus on the three most commonly used financial statements: the balance sheet, income statement and cash flow projection. Financial statements are interrelated; therefore, proper timing of the statements is important to gain the most benefit.

Balance sheet

The balance sheet is a statement of financial position at a specific point in time or a financial snapshot of the business. The balance sheet reflects the result of all past transactions but not how the current financial position was obtained. The balance sheet consists of three main parts:

Assets

Assets include anything that is owned by the entity that has monetary value. Standard accounting practices value assets at either cost, market value or the lower of the cost or market, depending on what is preferred by the person preparing or requesting the balance sheet. Assets valued on a cost basis are listed at the historical cost less any accumulated depreciation. Market valued assets are listed at fair market value based on the asset's condition, location or other relevant factors. Assets should be separated into two categories: current and non-current. A more detailed discussion of asset classification will follow.

Liabilities

Liabilities include all claims against the business by creditors, suppliers or any other person or institution to which a debt is owed. Liabilities, like assets, are classified into current and non-current categories.

The basis for the balance sheet is the fundamental accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Owner Equity}$$

This equation shows the total assets of a business that were acquired with a combination of funds from claimholders and owners.

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Tip: Assets and liabilities should be separated into two categories: current and non-current.

Owner equity

Owner equity, or net worth, is the difference between total assets and total liabilities. It reflects the owner's stake in the business and includes investment capital and retained profits. In a corporate business structure, owner equity will include stockholder's equity, additional paid-in capital and retained earnings.

Simplified Balance Sheet	
Current Assets	Current Liabilities
<u>+ Non-Current Assets</u>	<u>+ Non-Current Liabilities</u>
Total Assets	Total Liabilities
	<u>+ Owner Equity</u>
	Total Liabilities and Owner Equity

Assets

Current Assets

Current assets are the first classification of assets appearing on the balance sheet. Current assets include items such as cash or assets that can and will be turned into cash within a year without disrupting normal business operations. Current assets also include any items that will be consumed within a year. Examples of current assets include:

- **Cash** - Any cash on hand in checking or savings accounts.
- **Marketable securities** - Stock or other securities that are publicly traded and can be easily turned to cash. This would include only those securities which the owner intends to convert to cash within the year. Stock or other securities held for long-term investment or for retirement should be considered non-current assets.

- **Accounts receivable** - Any amounts owed to the business for products or services provided for which payment has not been received.
- **Marketable inventories** - Crops and livestock held for sale. Do not include breeding livestock, as they are considered non-current assets.
- **Cash investment in growing crops** - The dollar amount of inputs invested in growing crops before harvest.
- **Supplies** - Any items such as fertilizer, chemicals or feed that are on hand and scheduled to be used in the next year.
- **Prepaid expenses** - Items that have been paid for but not yet consumed in full (examples include insurance premiums, rent or lease payments, and certain taxes).

Non-current assets

Assets that support production activities and are considered to have a life greater than one year. In agriculture, common non-current assets include machinery, equipment and breeding livestock. Another major category of non-current assets is real estate, including land, buildings and improvements.

If a personal balance sheet is prepared, non-current personal assets may be included, such as household furnishings and equipment, personal and recreational vehicles and personal retirement accounts. Personal property may also be included if the balance sheet is prepared for a consolidated entity.

Tip: Some common non-current assets include machinery, equipment, breeding livestock and real estate.

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Liabilities

Similar to assets, liabilities are also classified as either current or non-current. The liability section of the balance sheet should include all obligations (classified based on repayment schedule) as of the date of the balance sheet.

Current liabilities

All debts and obligations that are due within the next 12 months. Examples of some common current liabilities are:

- **Accounts Payable** - Money owed to suppliers or other businesses for products or services the business has received but not yet made payment for.
- **Operating loans** - Any outstanding balances on revolving or non-revolving operating lines of credit. It's common in agriculture for loans to be financed for one year with the option of renewal at the end of the year given acceptable repayment performance. If the lender is under no obligation to renew the loan at the end of the original agreement, the liability should be classified as a current liability.
- **Principal portion of term loans due within the next year** - The total amount of principal on term loans that is due to be paid within the year.
- **Accrued interest** - The amount of interest that has accrued on all loans. This is the total amount of interest that would be due if all loans were paid off as of the day of the balance sheet – it is not the total amount of interest due to be paid in the next 12 months.
- **Accrued income and property taxes** - Property taxes are typically paid in a period following when they are incurred, and income taxes are paid as frequent as every quarter, so the balance sheet will often reflect some accrued tax liability.
- **Other accrued expenses** - Items such as rents and leases that have been utilized but not yet paid would be accrued expenses.
- **Credit card debt** - Credit card debt, including principal and interest, is included as a current liability.

Non-current liabilities

Non-current liabilities capture all obligations that are due and payable beyond one year. The most common non-current liabilities are term loans used to finance machinery, equipment, breeding livestock or real estate. The portion of the term loan due beyond 12 months is considered a non-current liability. Remember the principal amount due within 12 months is a current liability.

Contingent liabilities

Another category of liabilities is contingent liabilities, which includes such items as guarantees, pending lawsuits, and federal and state tax disputes. Common contingent liabilities also include student loans or car loans co-signed by parents. These items appear as footnotes to the balance sheet and are not liabilities at the present, but the potential for an obligation exists.

Tip: One problem encountered by some producers is balancing their debt terms with repayment capacity.

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Owner Equity

Owner equity is a residual amount after liabilities are subtracted from assets (see Exhibit 1 below and Exhibit 2 on the next page). Owner equity reflects the owner's investment of capital into the business and retained earnings which are generated over time. Retained earnings are profits that have been reinvested back into the business rather than withdrawn by the owners or paid out in dividends in the case of a corporation.

Balance sheet considerations

The ownership structure of agricultural businesses is becoming increasingly complex. The traditional sole proprietorship is no longer the norm in agriculture. Combinations of partnerships, corporations and limited liability companies are quickly emerging with one entity holding operating assets and another entity controlling the capital assets. It is essential to identify the entity for which the balance sheet is being prepared, such as business, personal or a consolidation of both.

Exhibit 1 / Balance Sheet — Beginning of Year

	Cost	Market Value		Cost	Market Value
Current Assets			Current Liabilities		
Cash	\$6,750	\$6,750	Accounts Payable	\$3,500	\$3,500
Marketable Securities	2,500	5,500	Operating Loan	45,000	45,000
Accounts Receivable	600	600	Principal Portion of Term-Debt		
Livestock Held for Sale	48,500	48,500	Due Within One Year	34,000	34,000
Crops and Feed	61,500	61,500	Accrued Interest	10,500	10,500
Cash Investment in Crops	1,200	1,200	Estimated Accrued Taxes	8,600	8,600
Supplies	1,300	1,300	Accrued Rents Payable	1,300	8,000
Prepaid Expenses	500	500	Deferred Tax Liability on Current Assets	—	32,445
Total Current Assets	\$122,850	\$125,850	Total Current Liabilities	\$102,900	\$142,045
Non-Current Assets			Non-Current Liabilities		
Machinery and Equipment		\$85,500	Machinery Loans	\$29,000	\$46,000
Cost	\$110,500	—	Real Estate and Building Loans	175,000	175,000
Acc. Depreciation	40,000	\$70,500	Deferred Tax and Liabilities on		
Breeding Livestock		22,500	Non-Current Assets	—	23,250
Retirement Accounts		6,500	Total Non-Current Liabilities	\$204,000	\$244,250
Cash Value of Life Insurance		8,100			
Securities Not Readily Marketable		4,600	Total Liabilities	\$306,900	\$386,295
Personal and Recreational Vehicles		13,100	Owner Equity	289,250	382,855
Household Goods and Personal Items		8,000			
Farm Real Estate and Buildings		\$495,000	Total Liabilities and Owner Equity	\$596,150	\$769,150
Cost	\$380,000	—			
Acc. Depreciation	40,000	\$340,000			
Total Non-Current Assets	\$473,300	\$643,300			
Total Assets	\$596,150	\$769,150			

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Timing

For analysis purposes, the timing of the balance sheet is important. Balance sheets are most useful when they consistently coincide with the timing of the income statement, usually at fiscal year-end, which is typically the end of the income period. The accrual adjusted income statement (discussed later) combines other data, including changes in the beginning and end-of-year balance sheets.

Asset valuation

A balance sheet is only as valuable as the quality of the information used to prepare it. When valuing assets on a market basis, a conservative

approach is preferred, based upon appraisals and recent sales data in the market. When preparing a balance sheet, it's important to distinguish between possession and ownership of assets. If a partial interest in property is owned, then only that portion should be reflected as an asset on the balance sheet. Ownership issues also arise in the case of "life estates" and lease agreements.

When crop and livestock inventories are included on the balance sheet they should be accompanied by a schedule detailing the amount and value of each item, indicating how the total value was derived.

Exhibit 2 / Balance Sheet — End of Year

	Cost	Market Value		Cost	Market Value
Current Assets			Current Liabilities		
Cash	\$1,800	\$1,800	Accounts Payable	\$5,300	\$5,300
Marketable Securities	2,500	5,800	Operating Loan	41,000	41,000
Accounts Receivable	900	900	Principal Portion of Term-Debt Due Within One Year	35,500	35,500
Livestock Held for Sale	54,100	54,100	Accrued Interest	9,400	9,400
Crops and Feed	68,300	68,300	Estimated Accrued Taxes	8,800	8,800
Cash Investment in Crops	1,450	1,450	Accrued Rents Payable	1,300	1,300
Supplies	600	600	Deferred Tax Liability on Current Assets	—	9,600
Prepaid Expenses	350	350			
Total Current Assets	\$130,000	\$133,300	Total Current Liabilities	\$101,300	\$110,900
Non-Current Assets			Non-Current Liabilities		
Machinery and Equipment	—	\$87,500	Machinery Loans	\$37,450	\$37,450
Cost	\$116,500	—	Real Estate and Building Loans	149,400	149,400
Acc. Depreciation	43,000	\$73,500	Deferred Tax and Liabilities on Non-Current Assets	—	25,950
Breeding Livestock	20,500	20,500			
Retirement Accounts	8,600	8,600	Total Non-Current Liabilities	\$186,850	\$212,800
Cash Value of Life Insurance	8,650	8,650			
Securities Not Readily Marketable	4,600	4,600	Total Liabilities	\$288,150	\$323,700
Personal and Recreational Vehicles	11,900	11,900	Owner Equity	313,600	468,350
Household Goods and Personal Items	8,000	8,000			
Farm Real Estate and Buildings	—	\$509,000	Total Liabilities and Owner Equity	\$601,750	\$792,050
Cost	\$380,000	—			
Acc. Depreciation	40,000	\$336,000			
Total Non-Current Assets	\$471,750	\$658,750			
Total Assets	\$601,750	\$792,050			

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Often a person is involved in more than one business venture. If so, information about assets and liabilities associated with other businesses should be identified. One business may show significant equity while another is heavily leveraged. Lenders are likely to request a consolidated balance sheet that combines all business and personal assets and liabilities.

Valuing leases

Numerous valuation issues arise when preparing balance sheets which exceed the scope of this discussion. One issue is that of capital leases for items such as tractors, combines, irrigation equipment and storage structures. In the past, many lease obligations were simply included as footnotes to the balance sheet. However, these types of leases should be included on the balance sheet.

There are two general types of leases: operating leases and capital leases. Operating leases allow the lessee the right to use an asset for a relatively short period of time. Most operating leases should appear as a note to the balance sheet (unless prepaid or past due), similar to the rental of farm land. A capital lease is a direct substitute for purchase of the asset with borrowed money. It transfers substantially all the benefits and risks inherent in the ownership of the property to the lessee.

Exhibit 3 illustrates an example of a five-year capital lease agreement with annual payments (due at the beginning of the period) of \$11,991. The lease is treated similar to an equal payment, amortized loan and must be reflected as both an asset and a liability on the balance sheet. Although there is no interest rate stated in the agreement, an \$11,991

annual payment for five years at an “imputed interest rate” of 10% results in a present value of \$50,000. This is the initial lease value (both asset and liability). Remember, it’s the lease investment which is being put on the balance sheet, not the asset being leased.

Also in Exhibit 3, the asset is listed as a non-current asset each year. The principal due within the year and any accrued interest as of the date of the statement are listed as current liabilities, and the remaining lease obligation is a non-current liability.

Deferred taxes

As discussed earlier, assets can be valued on the balance sheet, either on a cost or market value basis. A market value balance sheet reflects the impact of deferred tax liabilities (refer back to Exhibits 1 and 2). Deferred taxes are the federal and state taxes that would be incurred if the business was liquidated. Deferred taxes on current assets arise because many agricultural producers report income on a cash rather than accrual basis for income tax purposes. Therefore, they do not pay taxes on the accumulation of crop and livestock inventories over time. Income taxes would be due if inventories were sold and if the expenses associated with them had previously been deducted as cash expenses. Deferred taxes may also be present on non-current assets. Two examples of deferred tax situations are:

- Market value of assets exceeds cost less accumulated depreciation.
- Sales price of purchased breeding livestock exceeds the original cost.

Tip: Capital leases should be included on the balance sheet.

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Tip: A University of Illinois study found that the difference between cash and accrual income averages 31 percent.

Tip: A balance sheet provides a financial snapshot of the business at any given time. An income statement shows income and expenses for a period of time, usually one year.

Exhibit 3 / Balance Sheet Presentation of Capital Leases

	Beginning of Period (1)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Lease Value: \$50,000					
Annual Lease Payment: \$11,991 (Beginning of Period)					
Imputed Borrowing Rate: 10%					
Lease Term: 5 Years					
Annual Depreciation = Principal Reductions					
Non-Current Assets					
Capital Leased Asset (initial lease value)	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Less: Accumulated Depreciation	(8,190)	(17,199)	(27,108)	(38,009)	(50,000)
	41,810	32,801	22,892	11,991	–
Current Liabilities					
Current Portion of Capital Leases (1)	\$9,009	\$9,909	\$10,901	\$11,991	–
Non-Current Liabilities					
Non-Current Portion of Capital Leases	\$32,801	\$22,892	\$11,991	–	–
Total Capital Lease Liabilities	\$41,810	\$32,801	\$22,892	\$11,991	–

Income statement

A business income statement, also called a profit and loss statement, is used to measure revenues and expenses over an accounting period. Unlike the balance sheet, which reflects the financial position at a single point in time, the income statement shows income and expenses for a period of time, usually one year. Income statements can be used to determine income tax payments, analyze a business' expansion potential, evaluate profitability and assist in loan repayment analysis.

Identifying the entity

Identifying the business entity is also important when preparing an income statement. The income statement should be prepared for the same entity as the balance sheet, either business, personal or consolidated. Because of the interrelationship between the balance sheet and income statement, the time period covered by the income statement should be the time between the beginning and ending balance sheets. The most common period is annually, although quarterly or monthly statements are sometimes desired.

Revenues and expenses

All income statements include two categories: revenues and expenses. However, income statements can be prepared two ways, depending on how revenues and expenses are derived. A cash income statement measures revenues only when received and expenses only when paid. An accrual income statement measures revenues when generated and expenses when incurred, whether or not cash actually changes hands. The cash income statement (illustrated in Exhibit 4) is the easiest to prepare but is inadequate for measuring true profitability because it fails to match the timing of income and expenses.

Depreciation

Depreciation, although not a cash expense, is included on both the cash and accrual income statements as a way of spreading the cost of capital purchases over their useful life. Accelerated depreciation is frequently used for tax purposes. If this is the case, it should be noted that accelerated depreciation is being used, because it could distort profitability.

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Schedule F

The Schedule F tax form is often used as an income statement. Although the Schedule F can offer some valuable insight, it is not an income statement and should not be used as such. However, in some cases it can be used effectively if three to five years of information is provided and the business is in a stable operating mode with no major adjustments. Using a series of Schedule Fs as an income tax statement rests on the assumption that shifting income and expenses will even out over the years.

Accrual-adjusted statements

An accrual-adjusted income statement is the most effective and consistent way to measure business performance from year to year. Ideally, a business' accounting records will produce an accrual statement; however, in practice, adjustments are made to the cash income statement (or Schedule F) to gain an accrual-adjusted income statement. Exhibit 5 below illustrates how accrual adjustments are made. To convert cash income to accrual-adjusted income, we must look at changes between the beginning-of-year and end-of year balance sheets. Adjustments to revenue include changes in inventories and accounts receivable. In the expense section, adjustments are made for changes in unused assets, prepaid expenses, accrued expenses and accounts payable. Gains or losses on the sale of capital assets are also added or subtracted.

Revenues and expenses can come from a variety of sources in an agricultural business. Categories of revenues that are usually included in an income statement are:

- Realized cash revenues from the sale of agricultural commodities.
- Unrealized income from changes in the quantity or value of crop and livestock inventories.
- Realized capital gains from the sale of capital assets.
- Income from custom work and government payments.

Exhibit 4 / Cash Income Statement for the Year

Revenues

Livestock	\$105,800
Crops	83,700
Government Payments	3,600
Custom Work	6,600

Total Revenues **\$199,700**

Expenses

Chemicals	\$1,600
Feed	40,000
Fertilizer	20,000
Gas, Fuel, Oil	5,000
Insurance	5,000
Hired Labor	14,500
Rent	3,000
Repairs and Maintenance	5,000
Seeds	4,000
Supplies	3,000
Property Taxes	11,400
Utilities	2,000
Vet and Medicine	1,000
Machine Hire	2,000
Other	2,000
Depreciation	7,000
Interest	24,000

Total Expenses **\$150,500**

Net Farm Income (before taxes) **\$49,200**

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Expense items included on the income statement vary with the type of business but include all operating expenses, interest and depreciation.

Cash flow projection

The balance sheet and income statement provide present and historical financial information that reflect past financial performance of a business. However, producers and lenders are often equally, if not more, interested in future performance. For this reason, a cash flow projection is a valuable financial tool.

A cash flow projection summarizes cash inflows and outflows over a given period. A projection can be prepared for the business, individual or a consolidation of both, similar to the balance

sheet and income statement. The cash flow projection can be useful for preparing projected income statements and balance sheets and for determining:

- The need for operating lines of credit to cover cash flow deficits.
- Periods of excess cash when funds could be placed in income-earning assets such as money markets or the Future Payment Fund offered by Northwest Farm Credit Services.
- The need for changes in marketing or expenditure plans.
- The cash flow feasibility of a new investment.
- The cash flow in a transition year before the operation is fully engaged.

Exhibit 5 / Accrual – Adjusted Income Worksheet

Net Cash Farm Income		\$49,200
Gain/Loss from the sale of culled breeding livestock (purchased and raised)	+/-	(1,400)
Change in value due to change in quantity of raised breeding livestock	+/-	–
Increase in inventory (crop and livestock)	+	12,400
Decrease in inventory (crop and livestock)	-	–
Increase in accounts receivable	+	300
Decrease in accounts receivable	-	–
Increase in investment in crops	+	250
Decrease in investment in crops	-	–
Increase in supplies	+	–
Decrease in supplies	-	(700)
Increase in prepaid expenses	+	–
Decrease in prepaid expenses	-	(150)
Decrease in accrued expense (including interest, taxes, and rents)	+	900
Increase in accrued expense	-	–
Decrease in accounts payable	+	–
Increase in accounts payable	-	(1,800)
Accrual Adjusted Net Farm Income From Operations (sum of above)		\$59,000
Gain/Loss on the sale of farm capital assets (except culled breeding livestock)	+/-	–
Gain/Loss due to change in general base values of breeding livestock	+/-	4,500
Accrual Adjusted Net Farm Income		\$63,500

Parentheses indicate items that reduce net farm income and should be subtracted when calculating accrual-adjusted net farm income.

Source: Freddie Barnard, Agricultural Economics, Purdue University; David M. Kohl, Agricultural and Applied Economics, Virginia Tech.

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Components

While cash flow statement formats can vary, there are three basic components: cash inflows, cash outflows and operating finance activities.

Exhibit 6 illustrates a cash flow projection. Cash inflows include receipts from farm and nonfarm activities that are divided into relevant categories for the type of business being examined. Cash outflows include a detailed listing of cash expenses as well as principal and interest payments on term debt. Note depreciation does not appear on the cash flow projection because it's not a cash expense and will not impact cash flow. The operating finance activities section outlines the net cash flows for each quarter along with the short-term borrowing needs, interest accrued and repayment of the line of credit.

Testing these options helps identify how sensitive an operation or projected scenario is to changes in the market environment. It's important to remember a cash flow projection is only as good as the assumptions and information used to prepare it.

Whether you are preparing your own statements, or analyzing those prepared by an accountant, this publication should provide a good basic understanding of how to prepare financial statements that are valuable both internally as a management tool, and externally for use with outside professionals.

Tip: It's important to remember, a cash flow projection is only as good as the information and assumptions used to prepare it.

Different scenarios

A one-year projection can be completed for different scenarios to examine price, cost and related impacts.

Cash flow projections for multiple years may also be useful when development is being done, in order to project cash needs prior to full production or adequate production to break even.

Cash flow statements are prepared as follows:

$$\text{Beginning Cash Balance} + \text{Cash Inflows} \\ - \text{Cash Outflows} = \text{Ending Cash Balance}$$

Different cash flow scenarios may include: "How would cash flow be affected if commodity prices were 50 cents lower than expected?" or "What is the impact of a 10% increase in fertilizer costs?"

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Exhibit 6 / Cash Flow Statement – Projected Year

Cash Inflows	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Cash Receipts					
Livestock	\$29,000	\$25,000	\$26,000	\$29,000	\$109,000
Crops	25,000	8,000	–	51,000	84,000
Government Payments	–	4,200	–	–	4,200
Custom Work	2,400	1,400	1,300	2,000	7,100
Non-Farm Revenue	5,200	5,200	5,200	5,200	20,800
Capital Sales	–	–	–	–	–
New Term Borrowing	–	–	–	–	–
Total Cash Flows	\$61,600	\$43,800	\$32,500	\$87,200	\$225,100
Cash Outflows					
Cash Expenses					
Chemicals	\$600	\$600	\$400	\$300	\$1,900
Feed	13,000	8,000	8,000	13,000	42,000
Fertilizer	17,500	2,100	400	1,100	21,100
Gas, Fuel, Oil	600	2,100	600	2,100	5,400
Insurance	–	2,500	–	2,500	5,000
Hired Labor	3,000	4,000	2,500	5,000	14,500
Rent	3,000	–	–	–	3,000
Repairs and Maintenance	500	2,000	1,000	1,500	5,000
Seeds	4,200	–	–	–	4,200
Supplies	850	850	850	850	3,400
Property Taxes	5,700	–	5,700	–	11,400
Utilities	500	500	500	500	2,000
Vet and Medicine	250	250	250	250	1,000
Machine Hire	–	1,250	–	1,400	2,650
Other	500	500	500	500	2,000
Family Living and Income Taxes	8,000	12,000	8,000	9,000	37,000
Capital Purchases	–	–	–	–	–
Term Debt Interest Payments	–	11,700	–	10,600	22,300
Term Debt Principal Payments	–	17,700	–	17,900	35,600
Total Cash Outflows	\$58,200	\$66,050	\$28,700	\$66,500	\$219,450
Net Cash Flow-Surplus/(Deficit)	\$3,400	(\$22,250)	\$3,800	\$20,700	\$5,650
Beginning Cash Balance	1,800	5,200	1,000	1,000	1,800
Unadjusted Cash Balance	5,200	(17,050)	4,800	21,700	7,450
Minimum Balance Desired	1,000	1,000	1,000	1,000	1,000
Operating Loan Needed	–	18,050	–	–	18,050
Cumulative Operating Loan	–	18,050	18,050	13,442	–
Repayment of Operating Loan	–	–	3,800	13,442	18,050
Accrued Interest on Operating Loan*	–	451	808	112	–
Interest Paid on Operating Loan	–	–	808	112	920
Ending Balance	\$5,200	\$1,000	\$1,000	\$7,146	\$6,643

* Assumes 10% annual interest rate on operating loans.