

# Welcome to the Year One Meeting

March 19, 2024



**AgBiz Masters** ▶  
A Learning Series for Young & Beginning Farmers

# Agenda for today

- Phil Taylor, The Basics of a Balance Sheet
- Balance Sheet Case Study
- Alumni Spotlight
- JumpStart Grant Program
- Course Wrap-up



# Balance Sheet Where Do You Stand?

Phil Taylor

Ag Business Consultant, Horizon Farm Credit



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# The Balance Sheet

- One of Key Financial Statements
- Balance Sheet
  - Statement of Owner Equity
- Income Statement
- Statement of Cash Flows
- Cash Flow Budget



# The Substance

- It Tells Us...
  - Financial position at a point in time
    - Equity or Net Worth
  - 3 parts of the accounting equation
    - $ASSETS = LIABILITIES + OWNER EQUITY$
- It Contains...
  - Detail of things owned and owed
  - Current and Non-Current class or category
    - Sometimes - Current, Intermediate, Long Term



# Which Balance Sheet?

- The Business
  - The whole business
  - A segment (entity) or enterprise thereof
- Personal
  - Individual owners
  - May include a % of the business
- Consolidated vs. Separate



# Why a Balance Sheet

- Key Economic Indicators
  - Net Worth Change
  - Rates of Return: On Assets, On Equity
  - Working Capital (Current assets – current liabilities)
  - Current Ratio
  - Debt to Asset Ratio
  - Equity Ratio or Percent Equity
  - Asset Turnover Rate



# Timing

- End of the business year
  - 12/31/YYYY for many
  - Fiscal date for some (i.e. 9/30/YYYY)
  - Coincides with INCOME STATEMENT
- Request for financing
- Monitoring business performance
  - Is the equity trending upward? Downward?





# Cost vs. Market Value

- Cost Value
  - Original cost less accumulated depreciation
  - Accumulated depreciation = tax depreciation
- Market Value
  - Fair market value
  - Original cost less economic depreciation
  - Or plus appreciation



# Assets

- Current
  - Cash
  - Can be turned into cash within 12 months
  - Consumed within a year
- Non-Current
  - Support production activities
  - Useful life greater than 1 year



# Current Assets

- Examples
  - Cash, checking, savings, CDs, etc.
  - Marketable securities: intended to convert to cash in 12 months
  - Accounts Receivable
  - Marketable Inventories: crops/livestock held for sale
  - Investment in growing crops
  - Supplies on hand: feed, fuel, crop inputs
  - Prepaid expenses
    - Paid for but not yet consumed – feed, seed, crop & livestock supplies



# Non-Current Assets

- Examples
  - Machinery and Equipment
  - Breeding Livestock
  - Long term securities (retirement funds)
  - Cooperative stock and equity
  - Real estate
    - Land
    - Buildings and Improvements (drainage, fencing, silos)



# Determining the Value of Assets

- Financial records
  - Checkbook ledger, software reports
- Year-end statements
- Appraisals
- Commodity prices
- KEY GOAL – Increase assets & Net Worth by EARNINGS more so than by valuations



# Liabilities

- Current Liabilities
  - Debts and obligations due in 12 months
- Non-Current Liabilities
  - Obligations due and payable beyond one year



# Current Liabilities

- Examples
  - Accounts payable – (unpaid bills)
  - Operating and Commodity Loans
  - Principal portion of term debt due in next year
  - Accrued Interest
  - Accrued Taxes – income and property
  - Credit Card Debt
  - Other Accrued Expenses - rents, wages



# Non-Current Liabilities

- Examples
  - Machinery and Equipment Loans
  - Auto Loans
  - Personal Loans
  - Real Estate Loans





# Special Considerations

- Leases
  - List the lease payments for next 12 months as current liability
  - List the remaining lease obligation as a non-current liability
  - List the remaining lease obligation as a non-current asset



# Special Considerations

- Deferred Taxes
  - Potential tax on future sales of assets
  - Capital Gains
  - Depreciation Recapture



# Contingent Liabilities

- Potential for obligation exists
  - Co-signed loan
  - Pending lawsuit



# Business vs. Personal

- When to include personal assets & liabilities
- Yes – Evaluate personal net worth
- Yes – Loan applications
- No – Business Analysis



# Balance Sheet Summary

- Everyone should have one
- Net worth (equity) snap shot
- Important financial document
- $\text{Assets} = \text{Debt} + \text{Owner Equity}$
- At least once per year at fiscal year end
- The hardest one is the first one
- Increase NET WORTH by EARNINGS





# Building a Balance Sheet Guide Case Study



## HOMEWORK



# Complete a Balance Sheet



# Thank you!

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# Break



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# Alumni Spotlight



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# Program Wrap-up

- All class assignments and modules need to be completed by **April 15, 2023** to be eligible for the course fee scholarship reimbursement.
- Graduation certificates will be mailed along with reimbursements in mid to late May
- Stay tuned at **AgBizMasters.com** as the site gets a refresh and migrates to the Horizon Farm Credit website
- If you plan to take Year 2, registration will open next Fall and the course will follow a similar structure.





# Grant Program Promo





# Grant Program

- This grant program was designed to support the growth of the next generation of farmers.
- It awards up to fifteen (15) \$10,000 awards to the top contestants
- To be eligible you must have two years or less of farming experience or be planning to start farming in the next two years. If you are a beginning farmer returning to a family operation, you must be starting a new venture or enterprise to be considered a startup farmer.
- Selection of the winners are based on a completed application, business plan, and the Ag Biz Basics educational course
- Application period is open and will close on April 19, 2024 at 4PM.





# Grant Program

- Visit <https://www.horizonfc.com/jumpstart> to learn more!



# Ag Mentor Program

- Links mentors with beginning farmers and agribusiness entrepreneurs.
- The existing program in Pennsylvania is a collaboration between agriculture organizations and [SCORE](#).
- Mentors have extensive agricultural backgrounds and help farmers troubleshoot new strategies and ideas for their farm businesses.



**Mentors**  
Here to Help Your Farm Grow

**PA Agriculture Mentor Program**  
[pafarmlink.org/mentor](http://pafarmlink.org/mentor) | 717-705-2121

A promotional graphic for the PA Agriculture Mentor Program. It features a photograph of a man and a woman in a field, both looking at a tablet held by the man. The man is wearing a blue button-down shirt and glasses, and the woman is wearing a red and black plaid shirt. The background shows rows of tilled soil in a field. The text is overlaid on green bars at the top and bottom of the image.

# Course Wrap-up

- Complete the course survey
- Complete all five of your modules
- All coursework is due April 15, 2024.
- Look for Graduation Certification and Reimbursement in June





# Questions

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